

Record of Telephone Conference Concerning Q2 FY2020 Results

Reference: FY2020 Q1-Q2 Results & FY2020 Forecast

<https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=b1goUrsH3FQ%3d&tabid=242&mid=1027>

Note:

PKG = Package substrate

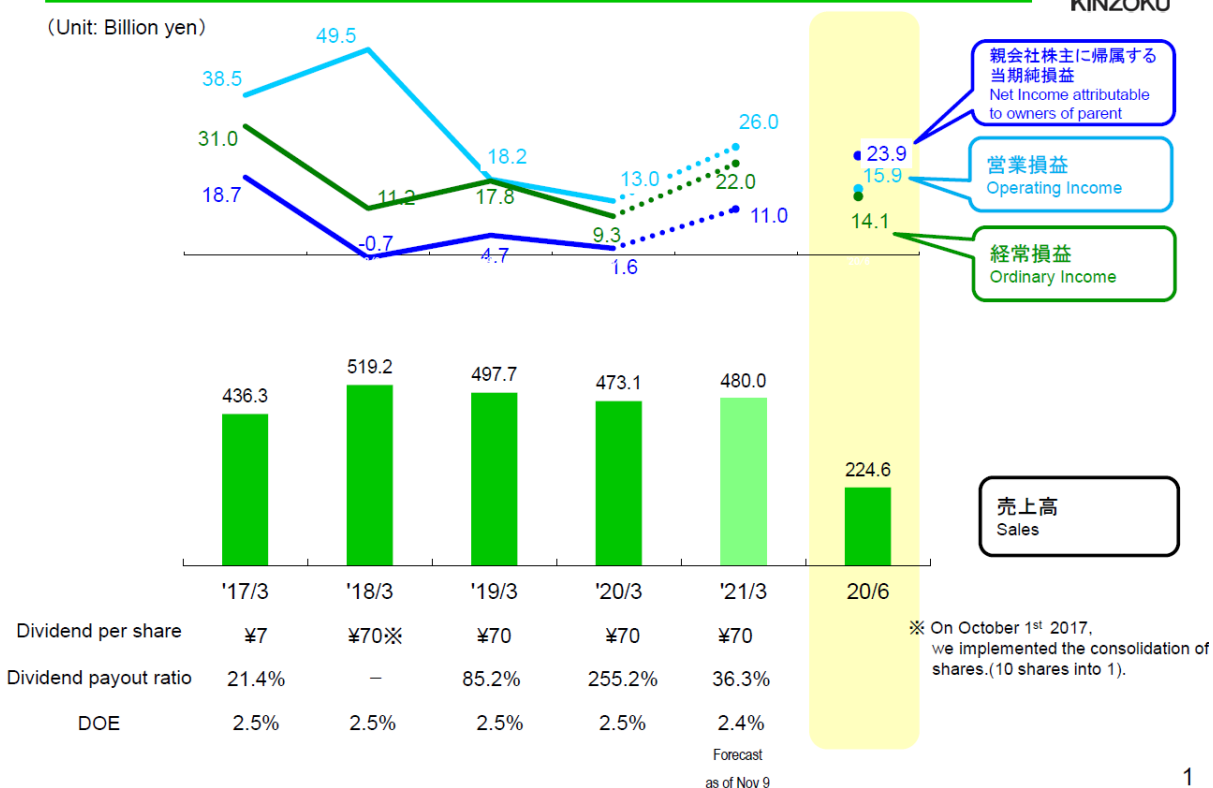
HDI = High density interconnect

■Explanation

Sales and Earnings



(Unit: Billion yen)



Please refer to page 1 of the financial statements.

Consolidated net sales for the cumulative second quarter were ¥224.6 billion, operating income was ¥15.9 billion, ordinary income was ¥14.1 billion, and net income attributable to owners of the parent company was ¥23.9 billion. As explained at the time of the first quarter results, an extraordinary gain of ¥13.6 billion from the restructuring of the copper business was included in the ¥23.9 billion.

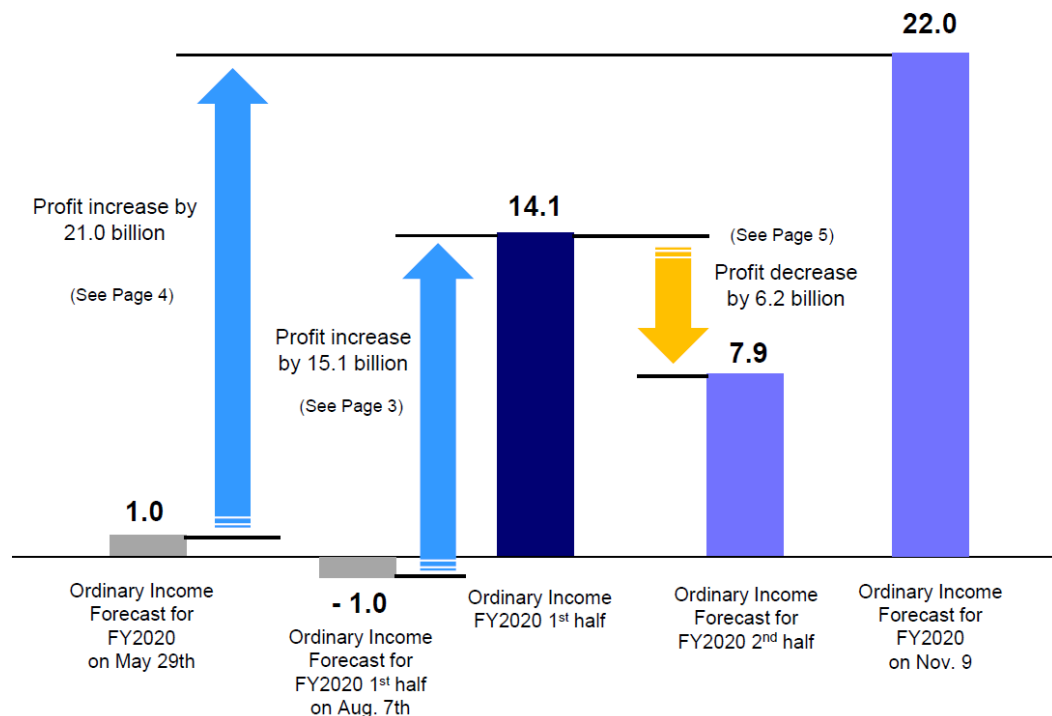
For the fiscal year ending March 31, 2021, as shown on the left side of the yellow shaded area, we forecast consolidated net sales of ¥480.0 billion, operating income of ¥26.0 billion, ordinary income of ¥22.0 billion, and net income of ¥11.0 billion. We have revised a dividend forecast of 70 yen per share, which is roughly equivalent to a DOE of 2.5%, although we had not yet decided on a dividend.

Ordinary Income Forecast for FY 2020



The ordinary income forecast for FY2020 is significantly better than forecasts

(Unit: Billion yen)



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Please see page 2 of Ordinary Income Forecast for FY2020.

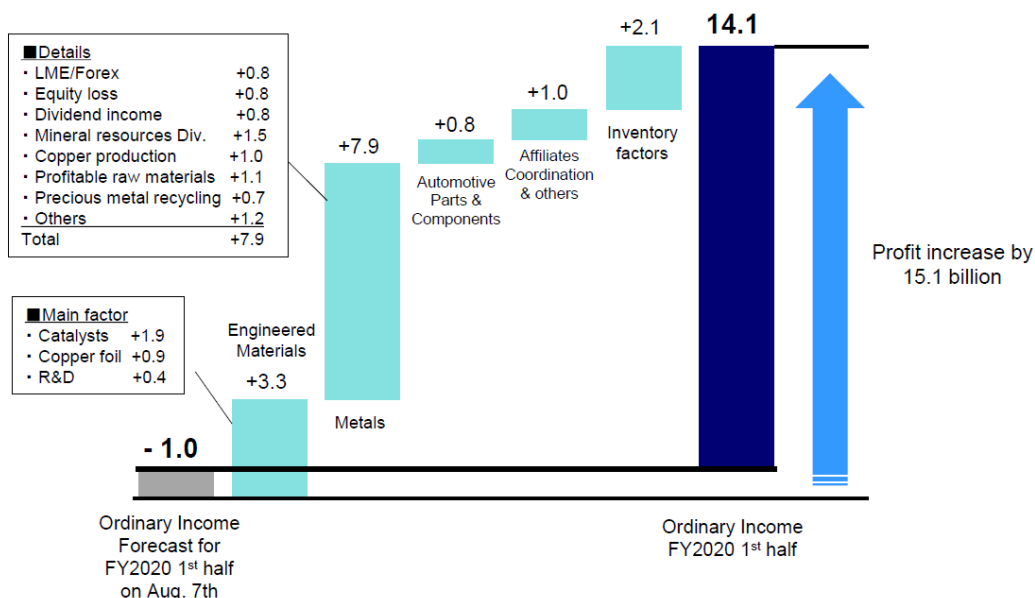
Ordinary income for the first half of the fiscal year is expected to increase by ¥15.1 billion to ¥14.1 billion, up from the ¥1 billion loss announced on August 7, 2020.

The forecast for the full year is 22.0 billion yen, an increase of 21.0 billion yen from the 1.0 billion yen announced on May 29, 2020. For the second half of the fiscal year, however, we forecast ¥7.9 billion, a decrease of ¥6.2 billion from the first half of the fiscal year. We will explain each factor in the following pages.

Ordinary Income of FY 2020 1st Half

The ordinary income of FY2020 1st half is 14.1 billion, by 15.1 billion higher than that of FY2020 1st half forecast announced on Aug 7th.

(Unit: Billion yen)



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First of all, we would like to explain the reasons for the upswing in the first half results. Please see page 3.

Of the ¥15.1 billion upturn, the Metals segment was the most affected. The upward swing of ¥7.9 billion was due to higher market prices and increase dividend income.

Engineered materials segment increased by 3.3 billion yen. This was due to smaller-than-expected negative impact of precious metal price in the catalyst business and the impact of increased sales in the copper foil business.

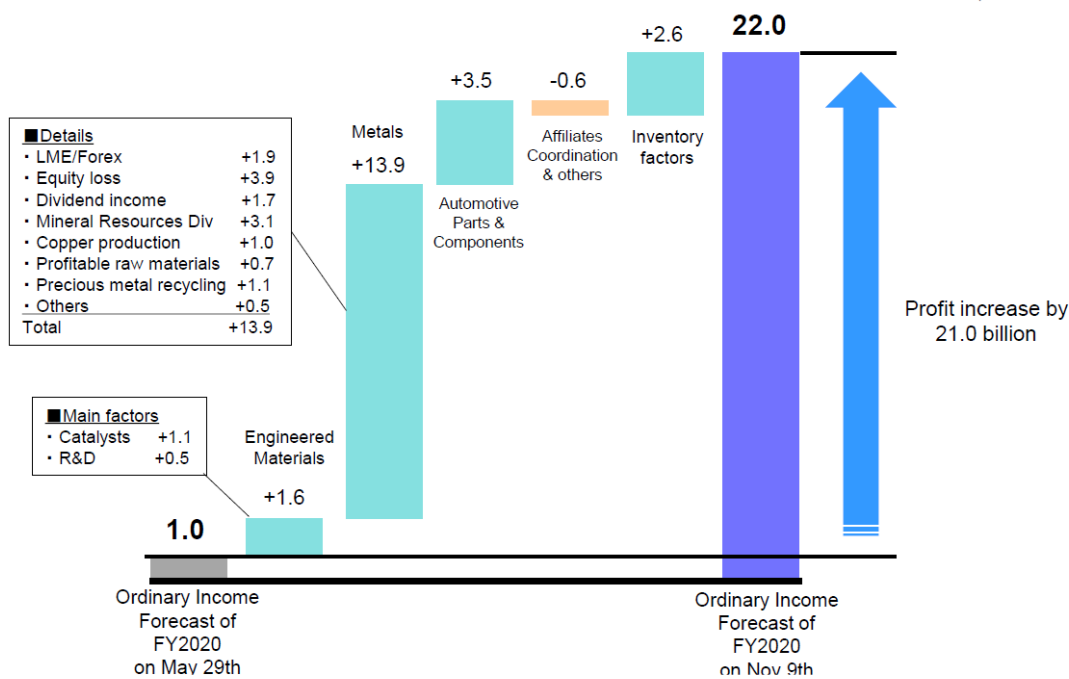
In addition, profits were substantially higher than expected due to cost reduction effects in the automotive parts and components segment and inventory factors associated with rising market prices.

FY2020 Ordinary Income forecast



Ordinary income forecast for FY2020 is 22.0 billion, by 21.0 billion better than FY2020 announced on May 29th.

(Unit: Billion yen)



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We would like to explain the reasons for the upward revision to the full-year forecast. Please see page 4

Of the ¥21.0 billion upturn, Metals segment is the one that has had the greatest impact, and we expect an increase of ¥13.9 billion. Higher market prices and higher dividend income in the first half of the year are the main drivers of profit growth for the year as well.

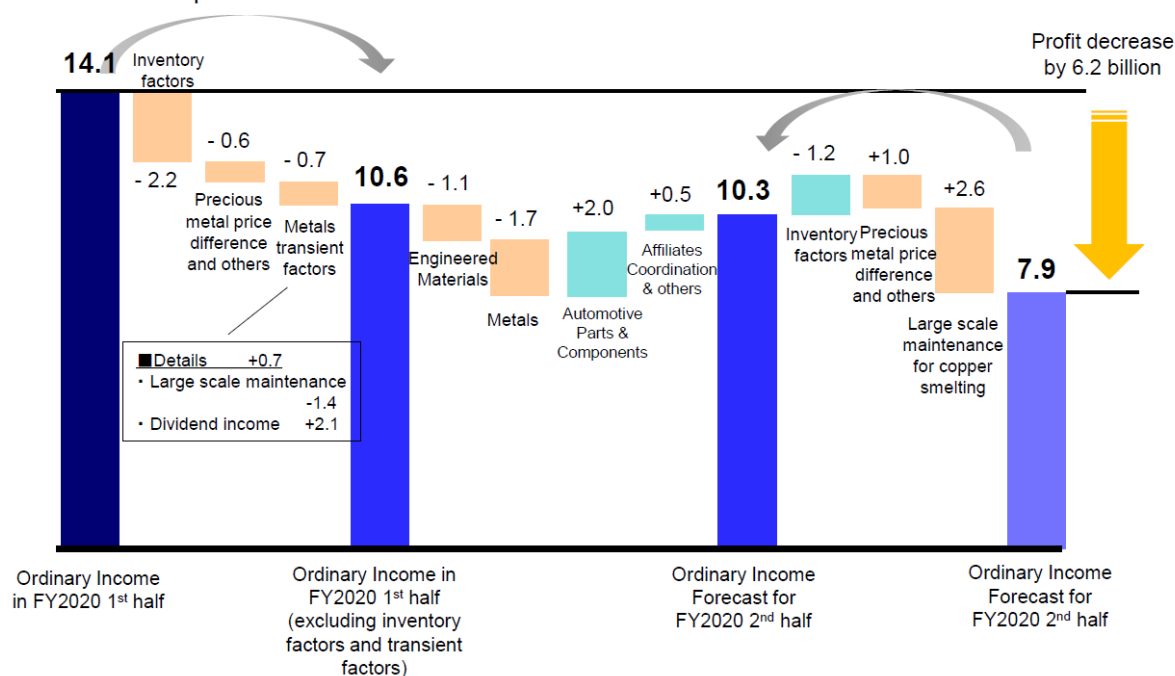
We forecast an increase of 3.5 billion yen in the automotive parts and components segment. The main reason is the steady progress in cost reduction efforts same as in the first half of the fiscal year,

In addition, an upturn in inventory factors by higher market prices also contributed to a 2.6 billion yen increase in earnings, resulting in a significant upward revision.

Ordinary Income Forecast of FY 2020 2nd Half

The current forecast for ordinary income FY2020 2nd half is 7.9 billion yen.

But excluding factors such as the difference in the time of occurrence, (Unit: Billion yen)
it is expected to be about the same as 1st half.



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We explain the decrease in profit from the first half to the second half of the fiscal year. Please refer to page 5.

This graph shows the financial results for the first half of the year and the forecast for the second half of the year, excluding special factors such as timing of occurrence.

The leftmost figure shows ordinary income of 14.1 billion yen in the first half of the fiscal year. This includes a positive effect of 2.2 billion yen in inventory factors, the impact of precious metals in catalysts, and the impact of the timing of dividend income in Metals segment.

Excluding these factors, the ordinary income in the first half of the fiscal year is 10.6 billion yen. Similarly, the second-half forecast of 7.9 billion yen, on the far right, comes to 10.3 billion yen if special factors such as large-scale repairment are excluded, indicating that the level of profit in the first and second half of the year is at the same level.

Though earnings in Engineered materials segment declined in the second half as demand for copper foil peaked in the first half as a seasonal factor, the recovery in sales volume of automotive parts and components segment is expected to make a significant positive contribution.

Transfer of interest in the Caserones copper mine

Decision to transfer all interests in the Caserones copper mine to JX Nippon Mining & Metals Corporation.

Background of judgement

- Review of business portfolio
- Reducing of fluctuation risk of business performance due to copper price volatility

Future policy

- The copper smelting business will collaborate with the zinc and lead business to rebuild and deepen our smelting network.
- Allocating management resources to the areas in which we can use our strengths.
- Reconfirm the necessity for all assets in terms of asset efficiency and strive to improve corporate value.

Impact on consolidated PL

| | FY2020 |
|--------------------|--------------------|
| Extraordinary loss | - 20.0 billion yen |

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Please see page 6.

We would like to explain the transfer of our interest in the Caserones copper mine, which was announced in a press release at 3:00 pm today.

In order to optimize our business portfolio, we have been studying the position of the Caserones copper mine. As a result, we decided to transfer our interest in Caserones and allocate its management resources to areas where we can take advantage of our strengths, which will lead to further improvement of our corporate value.

The impact on this fiscal year's financial results due to the transfer of the interest will be recorded as an extraordinary loss of 20 billion yen.

We will continue to review all of our assets from the perspective of improving asset efficiency, reconfirming their significance to our company and striving to enhance our corporate value.

Statements of income



| (Unit : Billion yen) | 実績 Results | | | 通期見通し Forecast | | | | |
|--------------------------------------------------------------------|------------|----------|------------------|--------------------------|-------|------------------|--------------------------------------------|------------------|
| | '20/Q1-2 | '19/Q1-2 | 増減 Difference | 2020 今回予想 Forecast | 2019 | 増減 Difference | 2020 5/29 予想 Forecast as of May29 | 増減 Difference |
| 売上高 Net Sales | 224.6 | 238.1 | -13.5 -5.7% | 480.0 | 473.1 | 6.9 3.1% | 470.0 | 10.0 2.1% |
| 売上原価 Cost of sales | 183.6 | 204.9 | -21.3 -10.4% | - | - | - | - | - |
| 売上総利益 Gross Profit | 41.0 | 33.2 | 7.8 23.6% | - | - | - | - | - |
| 販売費・管理費 SG&A expenses | 25.1 | 27.8 | -2.7 -9.7% | - | - | - | - | - |
| 営業利益 Operating Income | 15.9 | 5.3 | 10.5 196.9% | 26.0 | 13.0 | 13.0 81.7% | 10.0 | 16.0 160.0% |
| 営業外収支 Non-operating income/expenses-net | -1.8 | -0.4 | -1.4 | -4.0 | -3.7 | -0.3 | -9.0 | 5.0 |
| 経常利益 Ordinary Income | 14.1 | 5.0 | 9.1 184.2% | 22.0 | 9.3 | 12.7 90.0% | 1.0 | 21.0 2100.0% |
| 特別損益 Extraordinary profit/losses-net | 13.1 | -0.2 | 13.3 | -3.8 | -3.5 | -0.2 | 11.4 | -15.2 |
| 税引前利益 Net Income before income taxes | 27.2 | 4.8 | 22.4 469.3% | 18.2 | 5.8 | 12.5 45.8% | 12.4 | 5.8 46.6% |
| 税金費用・非支配株主帰属損益 Income taxes & minority interests | 3.3 | 3.0 | 0.3 | 7.2 | 4.2 | 3.0 | 6.4 | 0.8 |
| 親会社株主に帰属する 当期純利益 Net income attributable to owners of parent | 23.9 | 1.8 | 22.1 1208.9% | 11.0 | 1.6 | 9.4 39.5% | 6.0 | 5.0 83.3% |

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Please refer to page 7.

Net sales for the first half of the year were down 13.5 billion yen (-5.7%) from the same period last year to 224.6 billion yen, mainly due to a decline in sales volume of automotive parts and components caused by the spread of COVID-19.

On the other hand, operating income increased by 10.5 billion yen (+197%), to 15.9 billion yen, mainly due to a significant positive inventory factor in Metals segment.

Ordinary income increased by 9.1 billion yen (+184%) to 14.1 billion yen, and net income increased by 22.1 billion yen to 23.9 billion yen, mainly due to an extraordinary gain of 13.6 billion yen from the restructuring of the copper business.

For the full year, we are forecasting ordinary income of 22 billion yen, based on a zinc price of 2,400\$/t and an exchange rate of 105yen/US\$ from the third quarter onward.

Performance by Segment – Engineered Materials



(Unit : Billion yen)






| | 2020 Q1-2 | 2019 Q1-2 | 増減 Difference | 2020 Q3-4 (今回予想) | 2019 Q3-4 | 増減 Difference | FY2020 (今回予想) | FY2019 | 増減 Difference |
|---------------------------|--------------|--------------|------------------|------------------------|--------------|------------------|------------------|--------|------------------|
| ■売上高 Sales | 86.0 | 82.3 | 3.7 | 95.0 | 85.5 | 9.5 | 181.0 | 167.8 | 13.2 |
| ■営業利益 Operating income | 9.2 | 5.4 | 3.8 | 6.5 | 9.7 | -3.2 | 15.7 | 15.1 | 0.6 |
| ■経常利益 Ordinary income | 8.3 | 5.2 | 3.1 | 6.0 | 8.2 | -2.2 | 14.3 | 13.4 | 0.9 |
| ※実力損益 Real Income | 8.5 | 7.4 | 1.1 | 5.8 | 8.7 | -2.9 | 14.3 | 16.1 | -1.8 |

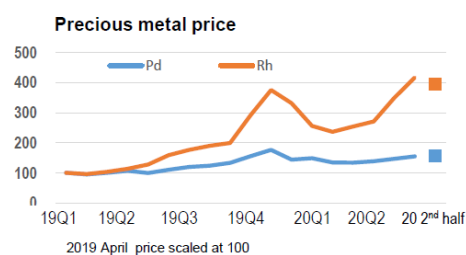
※Real income : Ordinary income excluding inventory factors.

Difference Analysis of Ordinary income

['19Q1-2 → '20Q1-2 +3.1]
 Inventory factors +2.0
 Copper foil +1.3
 (MicroThin™ volume of sales increases, others)

['19Q3-4 → '20Q3-4 -2.2]
 Inventory factors +0.7
 Catalysts -1.9 (Precious metal price)
 R&D -0.7

| (Engineered Material Products) | (Main Applications) |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Battery Materials |  <ul style="list-style-type: none"> • Nickel-hydrogen batteries for hybrid cars • Lithium-ion batteries |
| Engineered Powers |  <ul style="list-style-type: none"> • Wide range of electronic components • Abrasive for glass |
| Catalysts |  <ul style="list-style-type: none"> • Motorcycles • Automobiles |
| Copper Foil |  <ul style="list-style-type: none"> • High-Density Packaging • Printed circuit board |
| PVD Materials (Sputtering target) |  <ul style="list-style-type: none"> • Flat panel displays |



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We explain the situation in each segment.
 First, Engineered Materials segment.

Ordinary income in the first half of the fiscal year was 8.3 billion yen, up by 3.1 billion yen from the same period last year. The main factors were an improvement of approximately 2.0 billion yen, from a 2.2 billion yen loss to a 0.2 billion yen loss due to inventory factors in ITO Target, and strong sales of copper foil, especially MicroThin™ for PKG applications.

For the second half of the fiscal year, we expect ordinary income to fall by 2.2 billion yen from the previous year to 6 billion yen. The biggest negative factor is expected to be in the catalyst business, which is expected to lose 1.9 billion yen in profit. The impact of the difference in precious metal prices is expected to be negative 0.8 billion yen for the current fiscal year, down 2.8 billion yen from 2.0 billion yen in the previous year. On the other hand, sales of both for motorcycles and for automobiles are expected to increase, which will have a positive effect of approximately 0.9 billion yen.

For the copper foil business in the second half of the fiscal year, we expect profits to be about the same as in the previous year, partly because we expect a negative impact from inventory changes, although there will be an increase in profits due to increased sales of MicroThin™. In the copper foil business, our Malaysia factory returned to normal operations from Q1 to Q2, and overall copper foil sales were generally steady. However, sales volume of copper foil for communication infrastructure declined through Q2 due to the impact of US-China trade conflict. As for copper foil for communication infrastructure, it is difficult to foresee when it will recover. On the other hand, as for MicroThin™, sales for HDI increased in Q2 due to the influence of the smartphone manufacturing. We expect sales volumes to decline in the second half of the year as production is expected to peak out. Although sales volume of MicroThin™ for PKG declined in Q2 due to inventory adjustments, we expect sales to be relatively steady in the second half of the fiscal year.

Performance by Segment – Metals

(Unit: Billion yen)

| | 2020 Q1-2 | 2019 Q1-2 | 増減 Difference | 2020 Q3-4 (今回予想) Forecast | 2019 Q3-4 | 増減 Difference | FY'2020 (今回予想) Forecast | FY'2019 | 増減 Difference |
|---------------------------|--------------|--------------|------------------|------------------------------------|--------------|------------------|-------------------------------|---------|------------------|
| ■売上高 Sales | 88.0 | 83.7 | 4.3 | 98.0 | 77.5 | 20.5 | 186.0 | 161.1 | 24.9 |
| ■営業利益 Operating income | 9.0 | 1.1 | 7.9 | 3.7 | -1.1 | 4.8 | 12.7 | 0.0 | 12.7 |
| ■経常利益 Ordinary income | 8.1 | 0.8 | 7.3 | 1.7 | -2.3 | 4.0 | 9.8 | -1.5 | 11.3 |
| ※実力損益 Real Income | 5.7 | 4.8 | 0.9 | 0.7 | 2.1 | -1.4 | 6.4 | 6.9 | -0.5 |

※Real income : Ordinary income excluding inventory factors.

Metal Price and Forex

| | '19Q1-2 | 19Q3-4 | '20Q1-2 | 20Q3-4 Forecast |
|--------------------------|---------|--------|---------|--------------------|
| Zinc \$/t | 2,554 | 2,256 | 2,150 | 2,400 |
| Zinc (Actual) \$/t | 2,551 | 2,357 | 2,259 | 2,456 |
| Lead \$/t | 1,958 | 1,943 | 1,773 | 1,800 |
| Copper (Q1:Jan-Mar) ¢/lb | 280 | 265 | 249 | 280 |
| Copper (Q1:Apr-Jun) ¢/lb | 270 | 261 | 269 | 280 |
| Yen/US\$ | 108.6 | 108.9 | 106.9 | 105.0 |
| Yen/US\$ (Actual) | 108.9 | 108.2 | 107.2 | 105.4 |

Sensitivity to ordinary income (for FY2020)

| | | (Unit : Billion yen) | |
|--------------|----------|----------------------|----------------------------|
| | | Full open basis | Including forward contract |
| Zinc | ±100\$/t | 1.2 | 9.1 |
| Lead | ±100\$/t | 0.2 | 0.2 |
| US\$(yen/\$) | ±1yen/\$ | 0.5 | 0.4 |

| | 19Q1-2 →'20Q1-2 | 19Q3-4 →'20Q3-4 |
|---------------------|--------------------|--------------------|
| Ordinary Income | | |
| Difference Analysis | | |
| LME/Forex | -1.7 | -0.2 |
| T/C | 1.0 | 0.8 |
| Inventory Factors | 6.4 | 5.4 |
| Equity profit/loss | -2.1 | -0.2 |
| Cokes | 0.7 | 0.1 |
| Dividends | 1.6 | 0.0 |
| Others | 1.4 | -1.9 |
| Total | 7.3 | 4.0 |

Details of Others

['19Q1-2→'20Q1-2 +1.4]

- Hibi Smelting is added to our subsidiary from 20Q1 +2.7
- Large scale maintenance for zinc smelting in 20Q1 -1.4

['19Q3-4→'20Q3-4 -1.9]

- Hibi Smelting (Including large scale maintenance) -1.8

Metal segment. Please refer to page 17

Ordinary income for the first half of the fiscal year was 8.1 billion yen, up by 7.3 billion yen from the same period last year. The biggest contributor to the increase in profit was inventory factors. While metal prices were on a downward trend in the previous fiscal year, they were on an upward trend in the current fiscal year, resulting in a total increase in earnings of 6.4 billion yen. Regarding non-ferrous metal prices, LME prices for both zinc and lead fell, but overall profits increased significantly due to the effects of the incorporation of Hibi Smelting and dividends from the Collahuasi Copper Mine.


For the second half of the year, we expect ordinary income to increase by 4 billion yen compared to the same period last year. The inventory factors are the biggest contributor with an increase of 5.4 billion yen.

Performance by Segment – Automotive Parts & Components



(Unit : Billion yen)

| | 2020 Q1-2 | 2019 Q1-2 | 増減 Difference | 2020 Q3-4 (今回予想) Forecast | 2019 Q3-4 | 増減 Difference | FY'2020 (今回予想) Forecast | FY'2019 | 増減 Difference |
|---------------------------|--------------|--------------|------------------|------------------------------------|--------------|------------------|-------------------------------|---------|------------------|
| ■売上高 Sales | 34.2 | 46.1 | -11.9 | 42.8 | 44.5 | -1.7 | 77.0 | 90.6 | -13.6 |
| ■営業利益 Operating income | -1.2 | -0.2 | -1.0 | 1.0 | 0.2 | 0.8 | -0.2 | 0.1 | -0.2 |
| ■経常利益 Ordinary income | -0.8 | 0.1 | -0.9 | 1.3 | 0.3 | 0.9 | 0.5 | 0.5 | 0.0 |

| [Mitsui Kinzoku ACT] | (Main Applications) |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Automotive Parts & Components  | ・Door locks for automobiles |

Difference Analysis of Ordinary income

| | 19Q1-2 →20Q1-2 | 19Q3-4 →20Q3-4 |
|--------------|-------------------|-------------------|
| Sales Volume | -5.1 | -0.4 |
| Cost down | 4.5 | 1.1 |
| Others | -0.3 | 0.2 |
| Total | -0.9 | 0.9 |

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Automotive parts & Components. Please refer to page 18

Ordinary income in the first half of the fiscal year was significantly affected by a significant drop in sales volume of automotive door locks in Q1 due to the spread of COVID-19. Although the decline in sales had an impact of more than ¥5 billion, we achieved significant cost reductions and significantly reduced the decline in ordinary income.

For the second half of the fiscal year, we expect ordinary income to increase by 0.9 billion yen to 1.3 billion yen due to cost reduction efforts, although sales volume will not reach the level of the previous year.

COVID-19 impact for 2020 1st Half (1)



■ Sales/Operation status by business segments compared to normal demand (excluding COVID-19 impact)

| Segments | | Assumptions (May 29) | Actual in 1 st half | Forecast for 2 nd half |
|-------------------------------|-------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------------------------|
| Engineered materials | Catalyst for motorcycle | 40% decrease in 1st Half | 33% decrease in 1st Half | There are regional differences. |
| | Catalyst for automobile | 25% decrease in 1st Half | 20% decrease in 1st Half | Almost no impact |
| | MH alloys | 33% decrease in 1st Half | 25% decrease in 1st Half | Sales volume not reach to assumption |
| Metals | Huanzala mine | Operation stopped for 3 months | Same as assumption. Operation resumed in July | Operation not return to normal level |
| Automotive parts & components | | Sales down by 20% per year Q1 : decrease by 50% After Q2 : decrease by 10% | Same as assumption, But there are regional differences. | Sales is higher than assumption, but there are regional differences |
| Affiliate coordination | | Sales down by 10% per year 1st Half : decrease by 15% 2nd Half : decrease by 5% | Same as assumption | Sales for automobiles not return to assumption. |

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The impact of COVID-19 is summarized on page 19.

As for the negative impact on the forecast announced on May 29, the sales of Engineered materials segment did not decline as much as expected. The impact on other segments was largely in line with our expectations. As for the second half of the fiscal year, we expect that some businesses will still be affected.

Non-operating income/expenses and Extraordinary gains/losses

(Unit : Billion yen)

| | 上期 1st half | | | 下期 2nd half | | | 通期 FY | | |
|----------------------------------------------------|-------------|-------------|------------------|--------------------------|-------------|------------------|--------------------------|-------------|------------------|
| | 2020 | 2019 | 増減 Difference | 2020 今回予想 Forecast | 2019 | 増減 Difference | 2020 今回予想 Forecast | 2019 | 増減 Difference |
| 金利収支 Interest income - net | -0.7 | -0.7 | -0.0 | -1.0 | -0.7 | -0.3 | -1.7 | -1.3 | -0.4 |
| 受取配当金 Dividend income - net | 2.4 | 1.1 | 1.3 | 0.1 | 0.1 | -0.0 | 2.5 | 1.2 | 1.3 |
| 持分法投資損益 Equity in gains/losses | -2.7 | -0.5 | -2.2 | -1.2 | -1.0 | -0.3 | -3.9 | -1.4 | -2.5 |
| 為替差損益 Forex Exchange gain or loss | -0.8 | -0.7 | -0.1 | -0.0 | -1.5 | 1.5 | -0.8 | -2.2 | 1.4 |
| その他 Others | -0.0 | 0.4 | -0.4 | -0.1 | -0.3 | 0.2 | -0.1 | 0.1 | -0.2 |
| 営業外損益 計 Non-operating income/expenses | -1.8 | -0.4 | -1.4 | -2.2 | -3.3 | 1.1 | -4.0 | -3.7 | -0.3 |
| 固定資産除売却 Loss on sale & disposal of Fixed Asset | 1.1 | -0.4 | 1.5 | -1.0 | -1.7 | 0.7 | 0.1 | -2.1 | 2.2 |
| 有価証券売却損益 PL on Sale of Investment | 13.6 | 0.0 | 13.6 | -0.4 | -0.8 | 0.4 | 13.2 | -0.8 | 14.0 |
| 災害損失 Disaster losses | -0.3 | -0.1 | -0.2 | 0.0 | -0.0 | 0.0 | -0.3 | -0.1 | -0.2 |
| 受取保険金 Insurance Proceeds | 0.5 | 0.5 | -0.0 | 0.0 | 0.0 | -0.0 | 0.5 | 0.5 | -0.0 |
| その他 Others | -1.7 | -0.2 | -1.6 | -15.5 | -0.8 | -14.7 | -17.2 | -1.0 | -16.3 |
| 特別損益 計 Extraordinary profit/losses - net | 13.1 | -0.2 | 13.3 | -16.9 | -3.3 | -13.5 | -3.8 | -3.5 | -0.2 |

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Going back a little, please refer to "Non-Operating and Extraordinary Gains and Losses" on page 10.

The impact of the transfer of the Caserones copper mining interests of ¥20.0 billion is included in the negative ¥15.5 billion in the "Others" column of the second half of the fiscal year forecast. This column includes the impact of the reconfirmation and review of the assets, which is an additional 5 billion yen profit.

Equity gains or losses



(Unit : Billion yen)

| | 2019 | | | | | | | 2020 Forecast | | | | | | | 2020 |
|-------------------------------|------|------|-------|------|------|-------|---------|---------------|------|----------|-------------------|------------------|------------------|------------|-----------------------------|
| | Q1 | Q2 | 1st H | Q3 | Q4 | 2nd H | FY 2019 | Q1 | Q2 | 1st Half | 2nd Half Forecast | FY 2020 Forecast | FY 2020 (May 29) | Difference | 1st Half Forecast (7th Aug) |
| Engineered Materials | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.2 | 0.4 | 0.0 | -0.0 | -0.0 | 0.1 | 0.1 | 0.4 | -0.4 | 0.2 |
| Metals | 0.2 | -0.8 | -0.6 | -0.4 | -0.9 | -1.3 | -1.9 | -2.2 | -0.5 | -2.8 | -1.5 | -4.2 | -8.1 | 3.9 | -3.5 |
| Automotive Parts & Components | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Affiliate Coordination | 0.0 | -0.1 | -0.1 | 0.1 | 0.1 | 0.2 | 0.1 | -0.2 | 0.3 | 0.1 | 0.2 | 0.3 | -0.0 | 0.3 | -0.4 |
| Others | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 0.3 | -0.8 | -0.5 | -0.2 | -0.7 | -1.0 | -1.4 | -2.4 | -0.3 | -2.7 | -1.2 | -3.9 | -7.8 | 3.8 | -3.7 |

| | | | | | | | | | | | | | | | |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|
| Copper (¢ / lb) | 282 | 277 | 280 | 263 | 267 | 265 | 272 | 256 | 242 | 249 | 280 | 265 | 251 | 13 | 249 |
| Forex (Yen/\$) | 109.9 | 107.4 | 108.6 | 108.8 | 109.0 | 108.9 | 108.8 | 107.6 | 106.2 | 106.9 | 105.0 | 106.0 | 107.0 | -1.0 | 107.3 |

※ Copper price is on calendar year basis. Q1: Jan - Mar

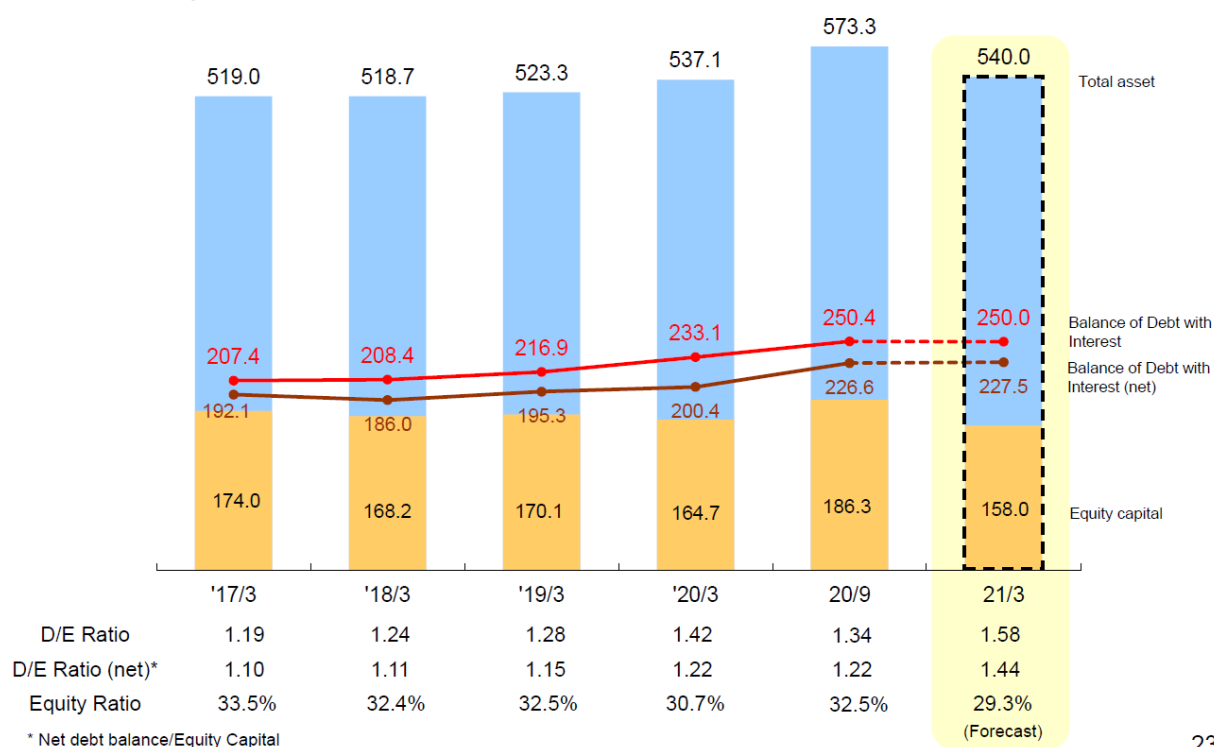
13

Please refer to page 13 about equity gains or losses.

In Metal segment, Caserones is booked by minus 2.2 billion yen in Q1, by minus 0.3 billion yen in Q2, by minus 0.7 billion yen in the second half, and by minus 3.2 billion yen in FY2020. PPC Copper smelting is flat in Q1, booked by minus 0.2 billion yen in Q2, by minus 0.8 billion yen in the second half, and by minus 1 billion yen in FY2020

Financial Position at Term End

(Unit : Billion yen)



23

We would like to explain the Financial Position.
Please see page 23.

Despite the impact of the transfer of our interest in the Caserones copper mine, we expect our interest-bearing debt at the end of the fiscal year to remain at the same level as at the end of the first half.

The consolidated capital ratio is expected to be 29.3% and net D / E ratio is expected to be 1.44, but we will make improvements in terms of implementation.

■ Q&A Session

Engineered Materials Segment

Q.

In monetary terms, what was the impact of QP differences in the prices of precious metals for catalysts in Q1 and Q2, and what will it be in H2?

A. It was plus ¥500 million in Q1 and minus ¥100 million in Q2. It will likely be minus ¥800 million in H2.

Q.

Given that palladium and rhodium prices have risen, why have you given a minus forecast for H2?

A.

It's because we're using less palladium and rhodium in our products, and that's down to regulatory changes that apply to products for the Indian market. Ultimately, it's a result of the high stocks of the metals that we purchased in February.

Trends of products



| | 2018 | | | | | 2019 | | | | | 2020 Forecast | | | | | 2020 Forecast (May 29) | | | 2020 | | |
|--------------------------|----------------------|----------|-------|-------|-------|-------|-------|-------|-------|-------|---------------|-------|----------|-----------------------------|-------------------------|------------------------|----------|-------|-----------------------------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year | Q1 | Q2 | 1st Half | 2nd Half Forecast (8th Nov) | Year Forecast (8th Nov) | 1st Half | 2nd Half | Year | 1st Half Forecast (7th Aug) | | |
| MH alloy | Volume of Sales | Index | 100 | 98 | 109 | 103 | 102 | 102 | 105 | 108 | 112 | 107 | 78 | 104 | 91 | 111 | 101 | 82 | 123 | 103 | 95 |
| Catalysts for motorcycle | Volume of Sales | Index | 100 | 101 | 90 | 86 | 94 | 93 | 96 | 96 | 101 | 96 | 45 | 119 | 82 | 109 | 96 | 72 | 123 | 97 | 80 |
| India | Volume of Sales | Index | (100) | (101) | (77) | (71) | (87) | (88) | (90) | (83) | (109) | (93) | (36) | (156) | (96) | (130) | (113) | (72) | (150) | (111) | (93) |
| Indonesia | Volume of Sales | Index | (100) | (113) | (109) | (121) | (111) | (96) | (105) | (113) | (111) | (106) | (38) | (68) | (53) | (94) | (73) | (72) | (106) | (89) | (47) |
| Others | Volume of Sales | Index | (100) | (97) | (103) | (93) | (98) | (98) | (100) | (110) | (86) | (98) | (62) | (86) | (74) | (85) | (79) | (71) | (92) | (82) | (74) |
| Catalysts for automobile | Volume of Sales | Index | 100 | 111 | 131 | 121 | 116 | 128 | 134 | 125 | 130 | 129 | 78 | 157 | 117 | 153 | 135 | 112 | 158 | 135 | 112 |
| Copper foil | Volume of Sales | t/ Month | 2,400 | 2,460 | 2,020 | 1,930 | 2,200 | 2,320 | 2,520 | 2,530 | 2,250 | 2,400 | 1,860 | 1,960 | 1,910 | 1,950 | 1,930 | 2,310 | 2,410 | 2,360 | 2,010 |
| MicroThin™ Total (a+b) | Volume of Sales | Index | 100 | 116 | 93 | 57 | 92 | 84 | 117 | 102 | 98 | 100 | 120 | 129 | 124 | 112 | 118 | 108 | 106 | 107 | 124 |
| MicroThin™ for HDI (a) | Volume of Sales | | 24 | 42 | 29 | 5 | 25 | 20 | 28 | 15 | 13 | 19 | 17 | 41 | 29 | 26 | | 18 | 19 | 18 | 27 |
| MicroThin™ for PKG (b) | Volume of Sales | | 76 | 74 | 64 | 52 | 67 | 64 | 89 | 87 | 85 | 81 | 103 | 88 | 95 | 90 | 92 | 90 | 87 | 89 | 97 |
| ITO Target | Volume of Sales | Index | 100 | 92 | 99 | 89 | 95 | 87 | 97 | 97 | 95 | 94 | 90 | 79 | 85 | 87 | 86 | 92 | 94 | 93 | 87 |
| Zinc | Volume of Production | k-t | 54 | 49 | 50 | 58 | 211 | 56 | 56 | 56 | 52 | 219 | 43 | 56 | 100 | 119 | 219 | 103 | 119 | 222 | 100 |
| Side door Latches | Volume of Sales | Index | 100 | 105 | 102 | 92 | 100 | 90 | 91 | 98 | 39 | 80 | 92 | 98 | — | — | — | — | — | — | — |
| Japan | Volume of Sales | Index | (100) | (105) | (119) | (116) | (111) | (109) | (114) | (107) | (129) | (115) | (71) | (118) | — | — | — | — | — | — | — |
| China | Volume of Sales | Index | (100) | (105) | (102) | (92) | (100) | (90) | (91) | (98) | (39) | (80) | (92) | (98) | — | — | — | — | — | — | — |
| Other Asia | Volume of Sales | Index | (100) | (98) | (107) | (111) | (104) | (97) | (96) | (90) | (83) | (92) | (24) | (68) | — | — | — | — | — | — | — |
| America & Europe | Volume of Sales | Index | (100) | (94) | (98) | (104) | (99) | (100) | (92) | (89) | (86) | (92) | (31) | (87) | — | — | — | — | — | — | — |

※ Index : The sales volume in 2018 Q1 scaled at 100 (except Copper Foil and Zinc)

14

Q.

(Referring to page 14 of the FY2020 Q2 Results) For electro-deposited copper foil, you have forecasted no change in total volume (on a weight basis) in H2 despite a decrease in sales for communications infrastructure applications. How do you explain this? Also, please explain the inventory adjustment for PKG-related MicroThin™ sales, both for smartphone and non-smartphone applications. Additionally, what is the H2 outlook for smartphone and non-smartphone applications?

A.

For electro-deposited copper foil, communications infrastructure-related sales did fall in Q2, with the decrease being particularly conspicuous in high-end products. However, FPC-related sales have picked up in H2 with growing orders. Hence, total sales have balanced out. PKG-related MicroThin™ sales were affected by inventory factors in Q2, both in smartphone and non-smartphone applications. However, this ended quickly, and so sales should stay at the Q2 level in H2.

Q.

I understand that you may still lack the data, but if you know the motherboard layers and yield rate for in the North American smartphone maker's new model, I would appreciate it if you could give an idea of MicroThin™ sales for HDI and PKG applications?

A.

We have no access to the data at present, but we do know that the new model will use larger motherboards and that the number of motherboard layers will be similar to last year. That's the case for HDIs; we have no precise information on PKGs as yet.

Metals Segment

Q.

Selling off your stake in the Caserones copper mine will produce no increase in free cash flow. How much did you sell the interest for and how did it affect cash flow?

A.

We will recognize a loss of ¥20 billion, and the cash outflow will be around ¥26 billion. Given our income for the period and our efforts to improve finances, we should manage to keep interest-bearing debt at around ¥250 billion.

Q.

Why will the sell-off produce a cash outflow?

A.

We're issuing a temporary loan for some of the warranty obligations pertaining to Caserones. Transferring these liabilities will produce the cash outflow.

Q.

So the sell-off will result in a cash outflow because of your arrangement in which you sell the stake itself for no consideration and transfer the warranty obligations with a loan. Am I right in thinking, then, that you've offloaded the risk associated with the stake and thus averted future losses? Also, I'd be interested to know why JX Nippon Mining & Metals Corporation agreed to such a scheme. Please tell me as much as you can about how the negotiations went.

A.

That's about the size of it, although the stake won't be sold for no consideration at all. The biggest factor behind our decision to sell the stake was our desire to offload the risk of performance fluctuations at Caserones. I can't comment on the specifics of the negotiations with JX.

Q.

Could you say more about the extent to which potential financial benefits contributed to your decision to sell the stake?

A.

Firstly, we noted that the sell-off would benefit our income statements. Each period, our stake made a ¥4–5 billion loss on average, so by selling the stake, we would lose this negative risk. Secondly, we noted that the sell-off would free us from the major risk of a fall in copper prices.

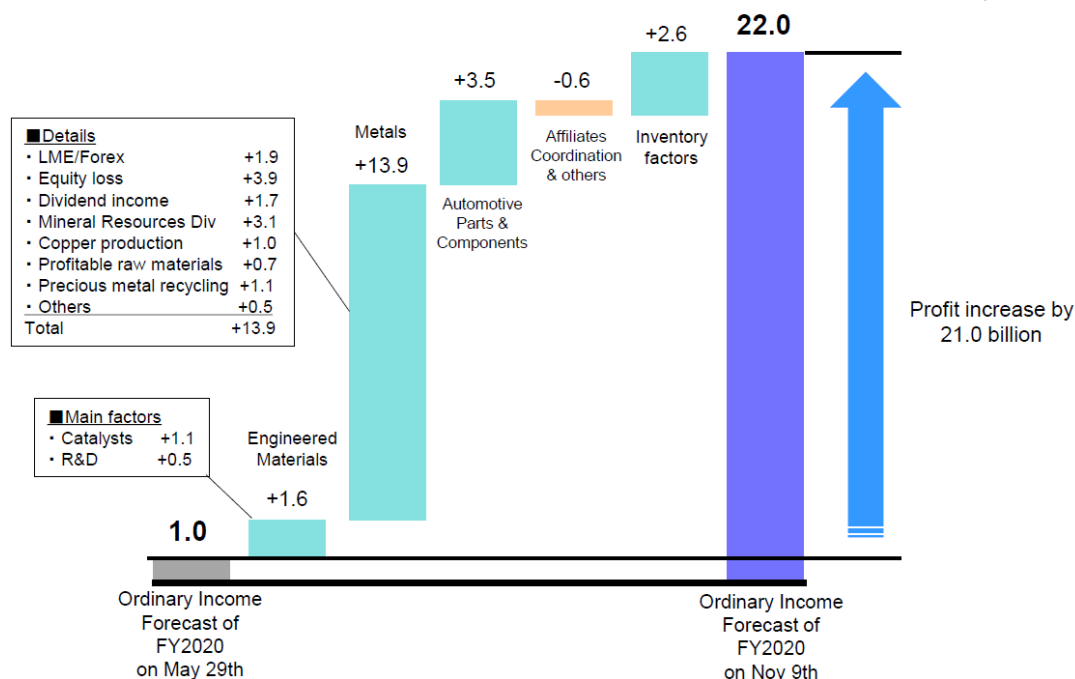
We therefore concluded that the sell-off would be beneficial in the long run, even if it would bring some temporary pain. Another factor was that we wanted to rebalance our portfolio away from largescale mining and more toward engineered materials and the creation of new and value-added businesses through the Business Creation Sector.



FY2020 Ordinary Income forecast

Ordinary income forecast for FY2020 is 22.0 billion, by 21.0 billion better than FY2020 announced on May 29th.

(Unit: Billion yen)



4

Q. (Referring to page 4 of the FY2020 Q2 Results) Of the factors that led you to upgrade your forecasts, could you indicate those that are temporary, including regular maintenance?

A. For the metals factors, it's not always clear-cut. Regarding "dividend income," this is temporary insofar as the figure has risen this year, whereas it was stable in previous years. Other factors like "profitable raw materials" and "precious metal recycling" are arguably temporary in that they happened to have occurred this year. The factors have not been incorporated into the H2 forecasts. If they prove beneficial in H2 as they did in H1, we'll see the impact on the credit side; otherwise, we can consider them temporary factors that only lasted in H1.

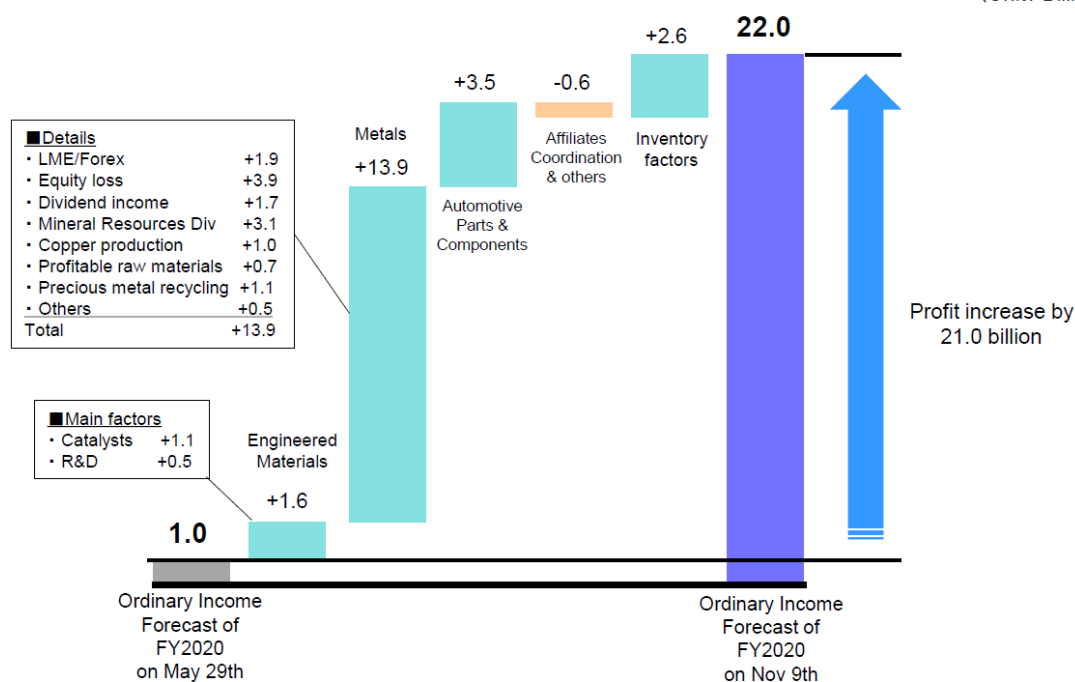
Q. You've indicated ¥2.6 billion in regular maintenance in Hibi Kyodo Smelting Company. How frequently does this occur?

A. Biennially.

FY2020 Ordinary Income forecast

Ordinary income forecast for FY2020 is 22.0 billion, by 21.0 billion better than FY2020 announced on May 29th.

(Unit: Billion yen)



Q.

(Referring to page 4 of the FY2020 Q2 Results) The metals business has fluctuated considerably. After initially forecasting an ordinary loss of ¥7.5 billion in real terms (excluding inventory factors), you upgraded the forecast to a positive income of ¥6.4 billion. What are the factors behind this? Also, whereas Q1 saw an ordinary loss of ¥1.8 billion in real terms, Q2 saw a positive income of ¥7.5 billion. Can you explain this change?

A.

As you can see in the breakdown, the forecast was upgraded by as much as ¥13.9 billion, but there was no overriding factor behind this; rather, the increase was the culmination of a number of small factors. One of the larger factors was “equity-method loss”; this factor reflects an upturn in the Caserones copper mine, which was mainly due to higher copper prices. Another relatively large factor was “Mineral Resources Division.” The division experienced a positive turnaround because the COVID-19 impact in the Huanzala mine was less than initially expected. The ¥9.3 billion in positive turnaround in Q2 includes ¥1.7 billion in equity-method gain, ¥1 billion from the start of operations at Huanzala mine, ¥1 billion in higher differential advantage in Hibi Kyodo Smelting Company, and ¥1.4 billion in major maintenance in Hachinohe Smelting Company.

Q.

Were your initial forecasts conservative, or did you see an increase in operational performance due to more usable materials, for example? How temporary is this, and how much does it represent an increase in performance?

A.

Things have certainly got better, but we need more time to determine whether the trends reflect an improvement in performance. It’s still too early to incorporate the upturns in Q2 into the H2 forecasts.

Automotive Parts & Components Segment

Q.

For H2, you expect the volume of sales of automotive parts and motorcycle catalysts to trend stably following the upturn in Q2. What is the outlook in view of current trends and seasonal factors?

A.

Automotive parts and motorcycle catalysts should maintain a strong level throughout H2. However, there is a risk of a downturn given that the recovery in auto parts is relatively slow in Thailand and Indonesia, while the recovery in motorcycle catalysts is relatively slow in Indonesia. Another concern is that Indian customers stocked up on motorcycle catalysts in Q2, so this may affect numbers of units sold in H2, which would in turn affect the sales volume.

Other

Q.

You mentioned that you recognized a valuation gain of ¥5 billion as a special gain. Can you give more details about this?

A.

We're reviewing all our assets with a focus on asset efficiency, although we're yet to set any particular course of action. So far, we've identified some ways we could improve asset efficiency, and we believe these actions will improve our finances to the tune of ¥5 billion; hence, we've incorporated the figure into performance forecasts.