

## Record of Telephone Conference Concerning FY2020 Q4 Results

Reference: FY2020 Q4 Results & FY2021 Forecast

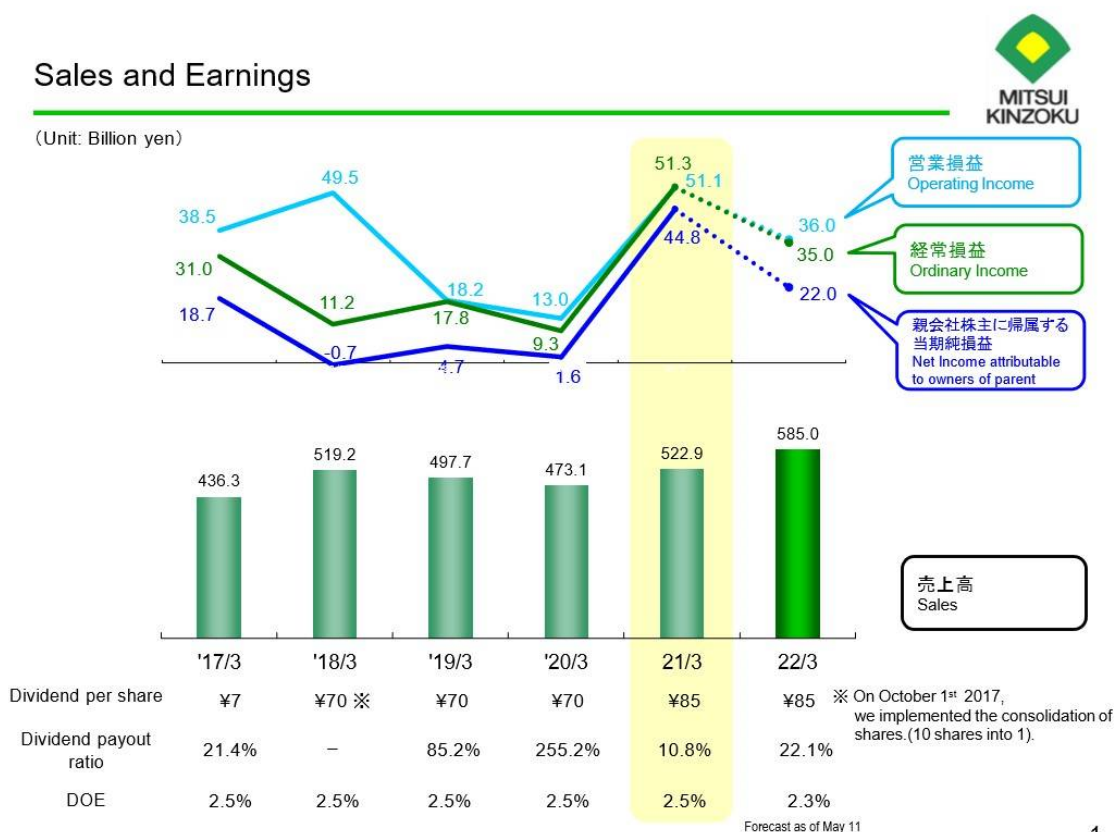
<https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=IEW8jYqRplw%3d&tabid=204&mid=824&TabModule903=0>

Note:

PKG = Package substrate

HDI = High density interconnect

### ■Explanation



Please refer to page 1 of the financial statements.

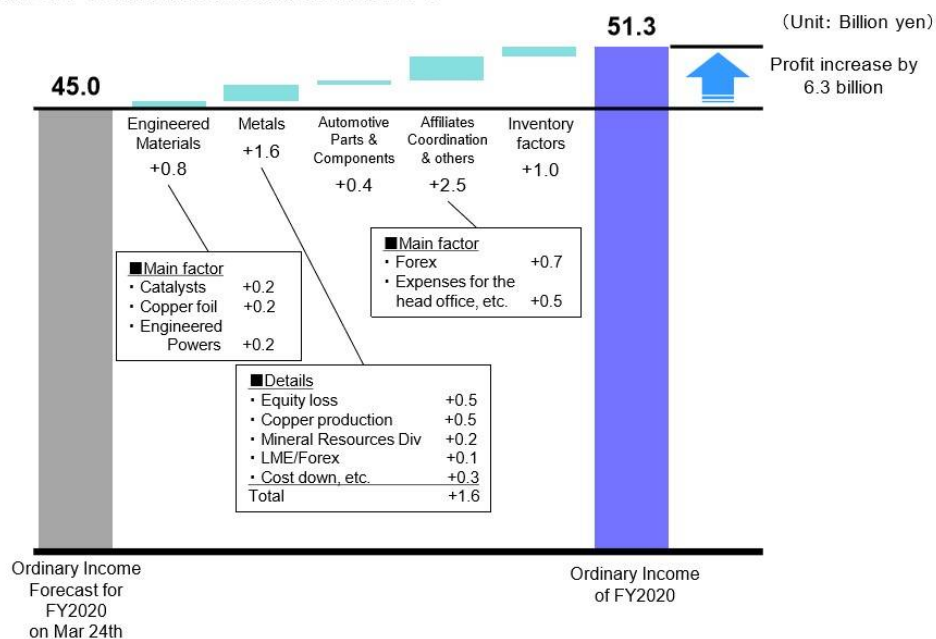
For the fiscal year ended March 2021, sales amounted to JPY522.9 billion, operating income was JPY51.1 billion, ordinary income was JPY51.3 billion, and net income attributable to owners of parent was JPY44.8 billion.

Compared to the previous fiscal year, sales increased by JPY49.8 billion, operating income of JPY38.1 billion, ordinary income of JPY41.9 billion, and net income attributable to owners of parent of JPY43.2 billion.

## FY2020 Ordinary Income



Ordinary income of FY2020 is 51.3 billion, by 6.3 billion better than that of FY2020 announced on Mar 24<sup>th</sup>.



2

Please see page 2 for a comparison of ordinary income with the FY2020 forecasts announced on March 24.

Ordinary income increased by JPY6.3 billion, resulting in JPY51.3 billion from the forecast of JPY45 billion.

By segment, profit increased by JPY0.8 billion in the Engineered Materials. This is mainly due to the high sales volume of catalysts, copper foils, and engineered powders.

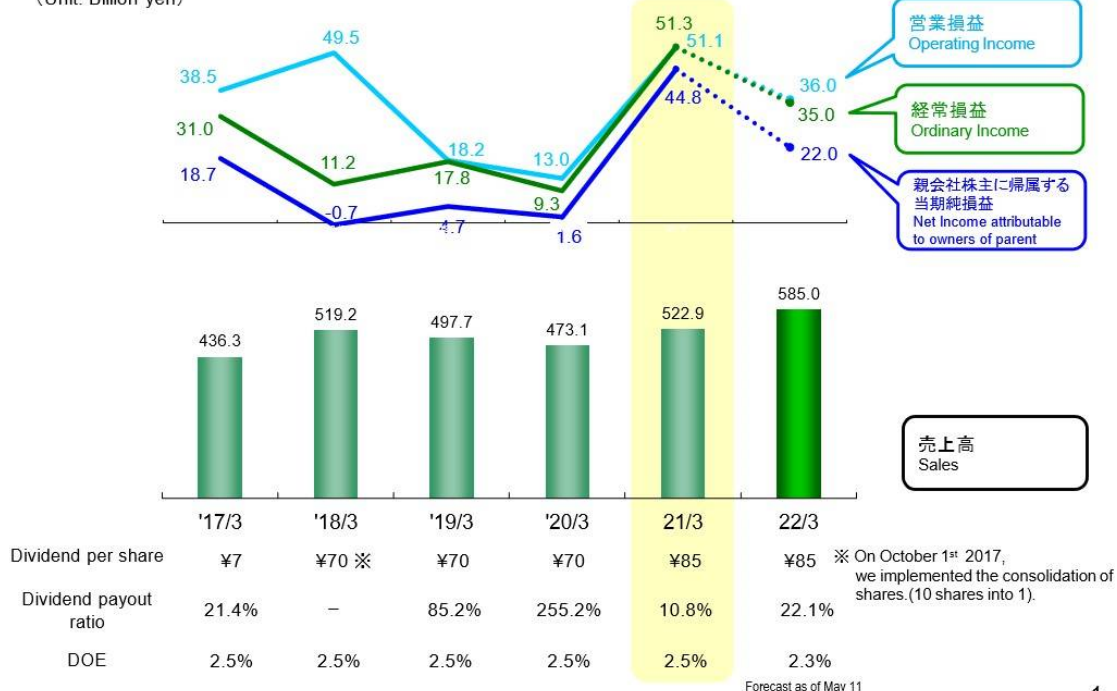
In the Metals Segment, profit of increased JPY1.6 billion. This is due to the improvement of equity losses by the improvement of the unit price of sulfuric acid and the improvement in the yield rate in the copper smelting business.

Affiliate Coordination & others had a positive turn of JPY2.5 billion due to foreign exchange differences in loans for overseas subsidiaries by a drop in the yen and the positive side of retirement benefit obligations.

## Sales and Earnings



(Unit: Billion yen)



1

Next, we will explain the forecasts for the FY2021. Please refer to page 1 again.

In the fiscal year ending March 2022, sales are JPY585 billion, operating income is JPY36 billion, ordinary income is JPY35 billion, and net income attributable to owners of parent is JPY22 billion.

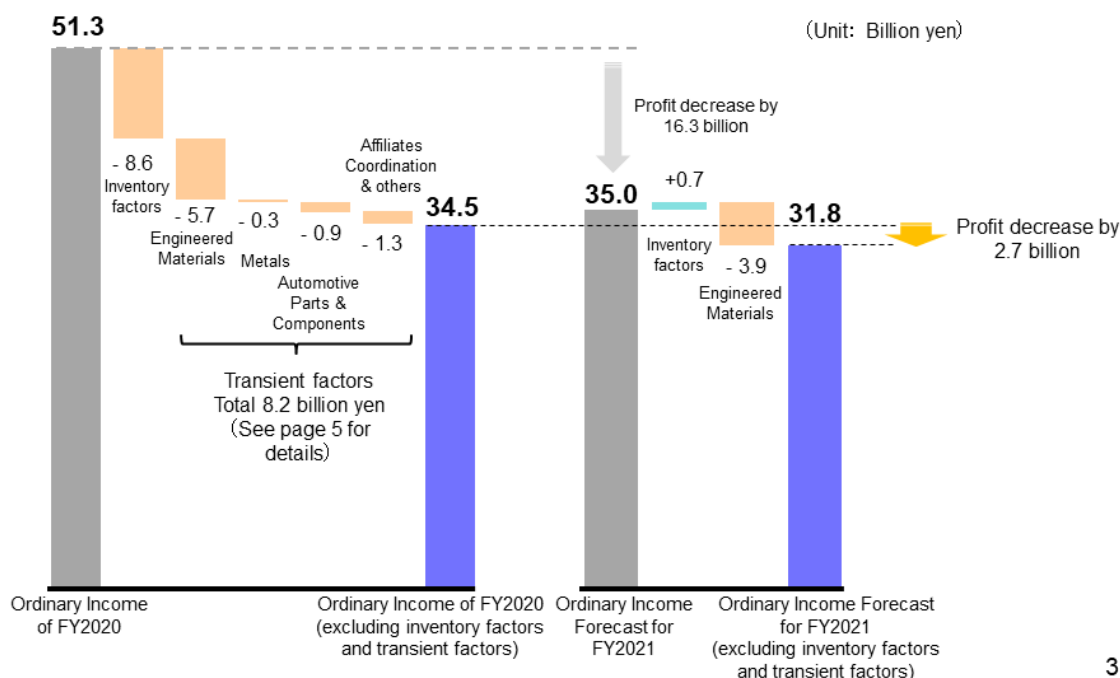
In the previous fiscal year comparison, sales are expected to increase by JPY62.1 billion. However, operating income, ordinary income, and net income attributable to owners of parent are expected to decline.

The reasons for the reduction of profit will be explained on page 3 or later.

## Ordinary Income Forecast excluding inventory factors and transient factors



Ordinary income forecast for FY2021 decreased by 16.3 billion from the previous year, but excluding inventory factors and transient factors, it decreased by 2.7 billion.



3

Please refer to page 3. The extent to which transient factors are included in ordinary income is described here.

Ordinary income for FY2021 is expected to be JPY35 billion, with a decrease of JPY16.3 billion compared to JPY51.3 billion in FY2020. In FY2020, JPY51.3 billion had a positive effects of JPY8.6 billion due to inventory factors and JPY8.2 billion of other transient factors are included, and excluding them, it will be JPY34.5 billion.

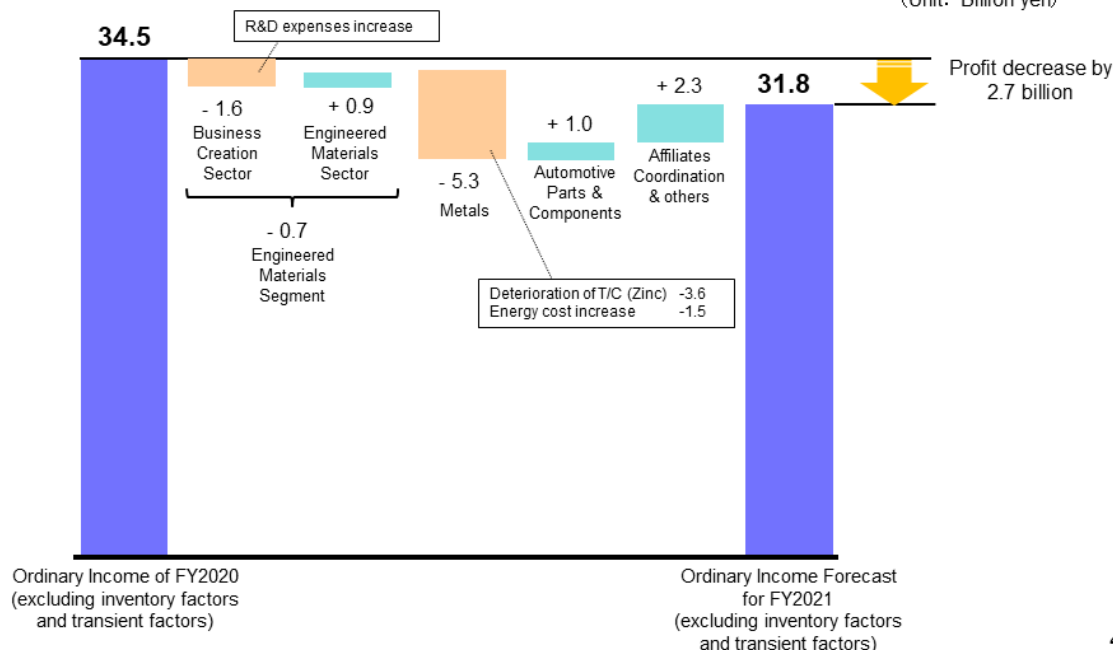
Deducting transient factors from the ordinary income forecast for FY2021 of JPY35 billion, it is JPY31.8 billion, with a substantial reduction of JPY2.7 billion from FY2020.

FY 2021 Ordinary Income Forecast excluding inventory factors and transient factors



Sales of copper foil, catalysts, products for car, etc. are expected to increase from FY2020.  
Deterioration of T/C and increase in energy costs are factors that reduce profits, but aggressive development investment for the future will continue .

(Unit: Billion yen)



4

Continuing, I will explain the decline of its JPY2.7 billion in profit. Please refer to page 4.

As shown in light blue in the graph, sales of copper foil, catalysts, and automotive products are expected to increase in FY2021 in the previous year comparison, and these are factors of profit growth.

On the other hand, the impact of negative side, such as the deterioration of the benchmark of zinc procurement conditions(T/C) and the increase in energy costs of coke, et cetera, is significant, and profits are expected to decline by JPY5.3 billion in the metal segment.

In addition, in order to continue to actively invest in research and development for the future, the cost of the Business Creation Sector is expected to increase by JPY1.6 billion.

Together, with these factors, we anticipate that the total profits will decline.

In conclusion, I would like to explain the dividend. Until now, we have announced JPY80 per share, but it is planned to raise it to the DOE 2.5% level of JPY85 per share, which will be proposed at the general meeting of shareholders on June 29. The dividend forecast for the FY2021 is also JPY85.

We have recognized that revenue volatility has decreased due to the transfer of interest in Caserones copper mine last fiscal year. We will focus on business areas that we are good at and will transform the corporate structure, which enables us to continuously pay more than JPY85 for dividends.

## Statements of income



(Unit : Billion yen)	実績 Results			予想 Forecast			
	2020	2019	増減 Difference	2021 今回予想 Forecast	増減 Difference	上期 1st Half	下期 2nd Half
売上高 Net Sales	522.9	473.1	49.8 10.5%	585.0	62.1 11.9%	285.0	300.0
売上原価 Cost of sales	420.7	403.5	17.3 4.3%	-	-	-	-
売上総利益 Gross Profit	102.2	69.6	32.6 46.8%	-	-	-	-
販売費・管理費 SG&A expenses	51.1	56.6	-5.5 -9.7%	-	-	-	-
営業利益 Operating Income	51.1	13.0	38.1 292.2%	36.0	-15.1 -29.6%	19.5	16.5
営業外収支 Non-operating income/expenses-net	0.1	-3.7	3.9	-1.0	-1.1	-0.5	-0.5
経常利益 Ordinary Income	51.3	9.3	41.9 450.2%	35.0	-16.3 -31.7%	19.0	16.0
特別損益 Extraordinary profit/losses-net	3.4	-3.5	7.0	-2.2	-5.6	-1.4	-0.8
税引前利益 Net Income before income taxes	54.7	5.8	48.9 844.3%	32.8	-21.9 -40.0%	17.6	15.2
税金費用・非支配株主帰属損益 Income taxes & minority interests	9.9	4.2	5.7	10.8	0.9	4.6	6.2
親会社株主に帰属する 当期純利益 Net income attributable to owners of parent	44.8	1.6	43.2 2758.5%	22.0	-22.8 -50.9%	13.0	9.0

6

Please see the income statement on page 6.

Ordinary income for FY2020 was JPY51.3 billion, an increase of JPY41.9 billion from the previous year.

The factors of profit growth will be explained later by segment.

Extraordinary profit and loss had a positive turn of JPY7 billion compared to the previous year.

## Non-operating income/expenses and Extraordinary gains/losses



(Unit: Billion yen)

	実績 Results			予想 Forecast			
	2020	2019	増減 Difference	2021 今回予想 Forecast	増減 Difference	上期 1st Half	下期 2nd Half
金利収支 Interest income - net	-1.4	-1.3	-0.1	-1.8	-0.4	-0.9	-0.9
受取配当金 Dividend income - net	2.8	1.2	1.7	0.5	-2.3	0.5	0.0
持分法投資損益 Equity in gains/losses	-1.7	-1.4	-0.2	-0.2	1.5	-0.3	0.1
為替差損益 Forex Exchange gain or loss	1.0	-2.2	3.3	0.0	-1.0	-0.0	0.0
その他 Others	-0.7	0.1	-0.7	0.4	1.1	0.2	0.2
<b>営業外損益 計</b> Non-operating income/expenses	<b>0.1</b>	<b>-3.7</b>	<b>3.9</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-0.5</b>	<b>-0.5</b>
固定資産除売却 Loss on sale & disposal of Fixed Asset	6.1	-2.1	8.2	-1.4	-7.5	-1.1	-0.3
有価証券売却損益 PL on Sale of Investment Securities	23.1	-0.8	23.9	0.0	-23.1	0.0	0.0
災害損失 Disaster losses	-0.4	-0.1	-0.2	0.0	0.4	0.0	0.0
受取保険金 Insurance Proceeds	0.5	0.5	0.0	0.0	-0.5	0.0	0.0
銅鉱山権益譲渡損失 Loss on Transfer of Interest in the Copper Mine	-20.5	0.0	-20.5	0.0	20.5	0.0	0.0
その他 Others	-5.4	-1.0	-4.5	-0.7	4.7	-0.3	-0.5
<b>特別損益 計</b> Extraordinary profit/losses - net	<b>3.4</b>	<b>-3.5</b>	<b>7.0</b>	<b>-2.2</b>	<b>-5.6</b>	<b>-1.4</b>	<b>-0.8</b>

9

Please refer to page 9 for its factors. This is a page about a non-operating and extraordinary profit and loss, and the bottom half shows a breakdown of extraordinary profit and loss.

The loss of transfer of interest in copper mine in the fifth line is minus JPY20.5 billion. This is the loss associated with the transfer of interest in Caserones copper mine.

On the other hand, on the revenue side, we recorded a plus of JPY6.1 billion, as it is shown at the sale or disposal of fixed assets in the first line. Its main factor is profit accrual from the sale of Osaki head office floor and the sale of training facilities in Shinagawa Ward.

The second line shows a gain on sales of investment securities of JPY23.1 billion. This is due to the effect of sale of shares of JX Metals Smelting by restructuring of the copper business and the sale of interest in the Collahuasi copper mine.

Although there were both positive and negative sides, the results of the review and efficiency improvement of assets held in FY2020 are reflected here.

## Equity gains or losses



(Unit : Billion yen)

	2019							2020									2021 Forecast		
	Q1	Q2	1st Half	Q3	Q4	2nd Half	FY 2019	Q1	Q2	1st H	Q3	Q4	2nd H	FY 2020	FY 2020 Fore cast (Mar 24)	Diff.	1st Half	2nd Half	FY 2021
Engineered Materials	0.1	0.1	0.2	0.1	0.1	0.2	0.4	0.0	-0.0	-0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Metals	0.2	-0.8	-0.6	-0.4	-0.9	-1.3	-1.9	-2.2	-0.5	-2.8	-0.5	0.3	-0.2	-2.9	-3.4	0.5	-0.6	-0.5	-1.0
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	0.3	0.8	1.1	1.1	1.0	0.1	0.2	0.5	0.7
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	0.3	-0.8	-0.5	-0.2	-0.7	-1.0	-1.4	-2.4	-0.3	-2.7	-0.2	1.2	1.0	-1.7	-2.3	0.7	-0.3	0.1	-0.2

Copper (¢ / lb)	282	277	280	263	267	265	272	256	242	249	296	325	311	280	280		367	350	359
Forex (Yen/\$)	109.9	107.4	108.6	108.8	109.0	108.9	108.8	107.6	106.2	106.9	104.5	105.9	105.2	106.1	105.8		105.0	105.0	105.0

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

12

Please refer to page 12 about equity gains or losses.

In the Metals segment, Caserones recorded minus JPY2.5 billion for the first half, minus JPY0.6 billion for the second half, which is minus JPY3.1 billion in total in FY2020.

PPC Copper smelting had profit of minus JPY0.2 billion in the first half, and plus JPY0.4 billion in the second half, which resulted in the profit of JPY0.2 billion in total in FY2020.

The Metal segment had the equity losses of JPY2.9 billion in the full year, which worsened by JPY1 billion from the previous year.








## Performance by Segment – Engineered Materials



(Unit : Billion yen)

	2020	2019	増減 Difference	FY2021 (今回予想) Forecast	増減 Difference	上2021 Forecast 1st Half	下2021 Forecast 2nd Half
■売上高 Sales	207.8	167.8	39.9	250.0	42.2	125.0	125.0
■営業利益 Operating income	26.5	15.1	11.4	24.5	-2.0	15.0	9.5
■経常利益 Ordinary income	26.5	13.4	13.1	23.5	-3.0	14.5	9.0
※実力損益 Real Income	25.6	16.1	9.5	23.1	-2.5	14.1	9.0

※Real income : Ordinary income excluding inventory factors.

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

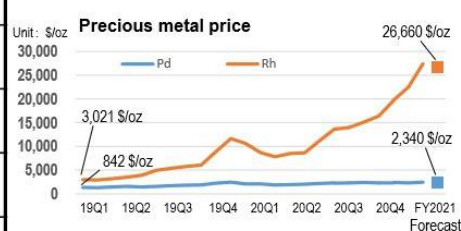
### Difference Analysis of Ordinary income

[ 'FY2019→'FY2020 +13.1 ]

Inventory factors +3.6  
Catalysts +4.4  
(Precious metal price difference, others)  
Copper foil +4.1  
(MicroThin™ volume of sales increases, others)

[ 'FY2020→'FY2021 Forecast -3.0 ]

Inventory factors -0.5  
R&D -1.6  
Catalysts -1.1  
(Forex exchange gains fall off, others)



15

We explain the situation in each segment.

First, Engineered Materials segment. Please see page 15.

A significant increase in the prices of precious metals led to the increased sales of the catalyst business. As a result, sales increased by JPY39.9 billion over the previous year to JPY207.8 billion.

Ordinary income rose JPY4.1 billion in copper foil due to an increase in MicroThin™ sales volume by about 22%.

A rise in the prices of precious factors metals led to an increase of JPY4.4 billion in the catalysts.

In addition, inventory factors in PVD Materials increased by 3.6 billion yen due to the rise in indium prices, resulting in an increase of 13.1 billion yen from the previous year to 26.5 billion yen.

## Performance by Segment – Metals



(Unit: Billion yen)

	2020	2019	増減 Difference	FY2021 (今回予想) Forecast	増減 Difference	上2021 Forecast 1st Half	下2021 Forecast 2nd Half
■売上高 Sales	193.6	161.1	32.5	205.0	11.4	100.0	105.0
■営業利益 Operating income	23.7	0.0	23.7	10.5	-13.2	5.5	5.0
■経常利益 Ordinary income	22.8	-1.5	24.3	9.0	-13.8	4.5	4.5
※実力損益 Real Income	15.7	6.9	8.8	10.1	-5.6	5.6	4.5

※Real income : Ordinary income excluding inventory factors.

Metal Prices and FOREX

		FY2019	FY2020	FY2021 Forecast
Zinc	\$/t	2,405	2,419	2,700
Zinc (Actual)	\$/t	2,449	2,471	2,708
Lead	\$/t	1,950	1,867	2,000
Copper (Q1:Jan-Mar)	€/lb	272	280	359
Copper (Q1:Apr-Jun)	€/lb	266	312	350
Yen/US\$	yen/\$	108.7	106.1	105.0
Yen/US\$ (Actual)	yen/\$	108.5	106.4	105.6

Sensitivity to ordinary income (for FY2021)

(Unit : Billion yen)

		Full open basis	Including forward contract
Zinc	± 100\$/t	1.2	0.8
Lead	± 100\$/t	0.3	0.3
US\$(yen/\$)	± 1yen/\$	0.5	0.5

Ordinary Income Difference Analysis	FY2019 →'FY2020	FY2020 →'FY2021 Forecast
LME/Forex	-0.6	2.1
T/C	1.9	-3.6
Inventory Factors	15.5	-8.2
Equity profit/loss	-1.0	1.9
Cokes	1.2	-1.0
Dividends	2.0	-2.3
Others	5.3	-2.7
<b>Total</b>	<b>24.3</b>	<b>-13.8</b>

### Details of Others

[\*FY2019→\*FY2020 +5.3]

- Hibi Smelting is added to our subsidiary from 20Q1 + 3.4
  - Large scale maintenance for zinc smelting in 20Q1 - 1.4
  - PGM recycling + 2.4
  - Energy cost reduction + 1.2
- [\*FY2020→\*FY2021 Forecast -2.7]
- Large scale maintenance for zinc smelting in 20Q1 + 1.4
  - PGM recycling - 2.4
  - Hibi Smelting - 0.7
  - Energy cost increase - 0.5

Metal segment. Please refer to page 16.

Due to the restructuring of the copper business, sales of copper smelting, which had not been recorded in FY2019 last year, were recorded from FY2020. As a result, sales rose JPY32.5 billion over the previous year to JPY193.6 billion.

Ordinary income had a positive effect of JPY7.1 billion due to inventory factors by the increase in LME price. Conversely, in FY2019, the impact of the decline in LME prices of negative JPY8.4 billion was included, and so, the effect of inventory factors was positive JPY15.5 billion over the previous year.

In addition, income increased by JPY1.9 billion due to improvements in raw materials procurement conditions(T/C), and there are dividends received of JPY2 billion, and the effect of PGM recycling of JPY2.4 billion, which is included in Others of this difference analysis.


As a result, ordinary income increased by JPY24.3 billion over the previous year to JPY22.8 billion.

## Performance by Segment – Automotive Parts & Components



(Unit : Billion yen)

	2020	2019	増減 Difference	FY2021 (今回予想) Forecast	増減 Difference	上2021 Forecast 1st Half	下2021 Forecast 2nd Half
■売上高 Sales	81.1	90.6	-9.5	86.0	4.9	43.0	43.0
■営業利益 Operating income	1.4	0.1	1.3	2.0	0.6	0.5	1.5
■経常利益 Ordinary income	1.9	0.5	1.4	2.0	0.1	0.5	1.5

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

### Difference Analysis of Ordinary income

	FY2019 →FY2020	FY2020 →FY2021 Forecast
Sales Volume	-2.7	1.9
Cost down	3.3	0.7
Others※	0.8	-2.5
Total	1.4	0.1

#### ※Details of Others

[FY2019→FY2020 + 0.8]

•Furlough subsidy, etc. + 0.7

[FY2020→FY2021 Forecast - 2.5]

•Rising steel material and resin prices - 1.0

Furlough subsidy, etc. - 0.7, Forex exchange - 0.3

17

Automotive parts & Components. Please refer to page 17.

Due to the impact of the COVID-19, the first quarter had a tough start, with side door latch sales down by about 40% compared to the same period last year.

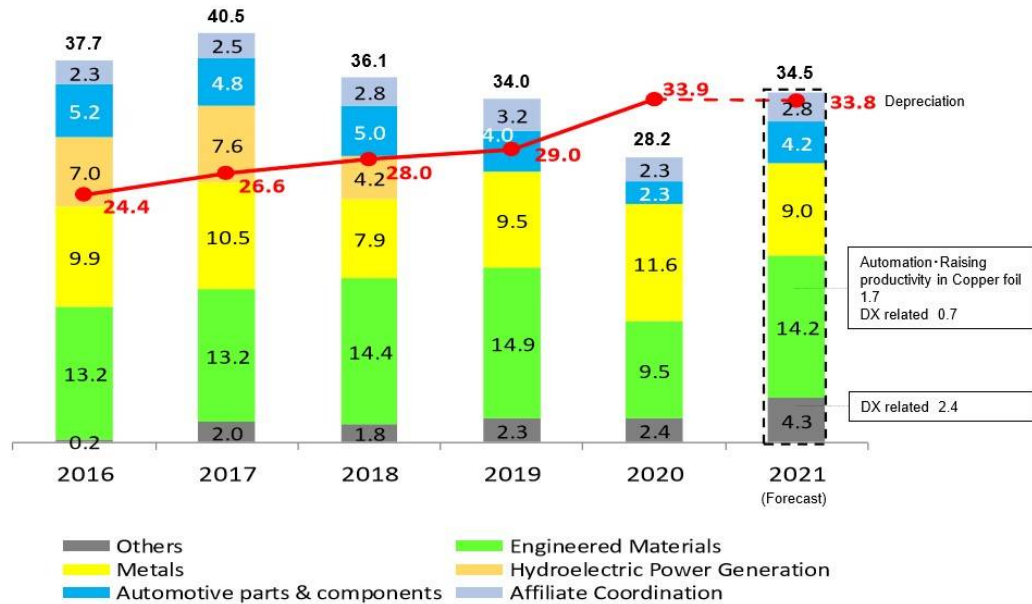
Although sales increased by about 20% in the second half over the same period last year, sales did not reach the previous year's quantity, and sales decreased by JPY9.5 billion over the previous year to JPY81.1 billion.

On the other hand, ordinary income increased JPY1.4 billion from the previous year to JPY1.9 billion, as the effect of accelerating cost reduction contributed.

## CAPEX and Depreciation



(Unit : Billion yen)



19

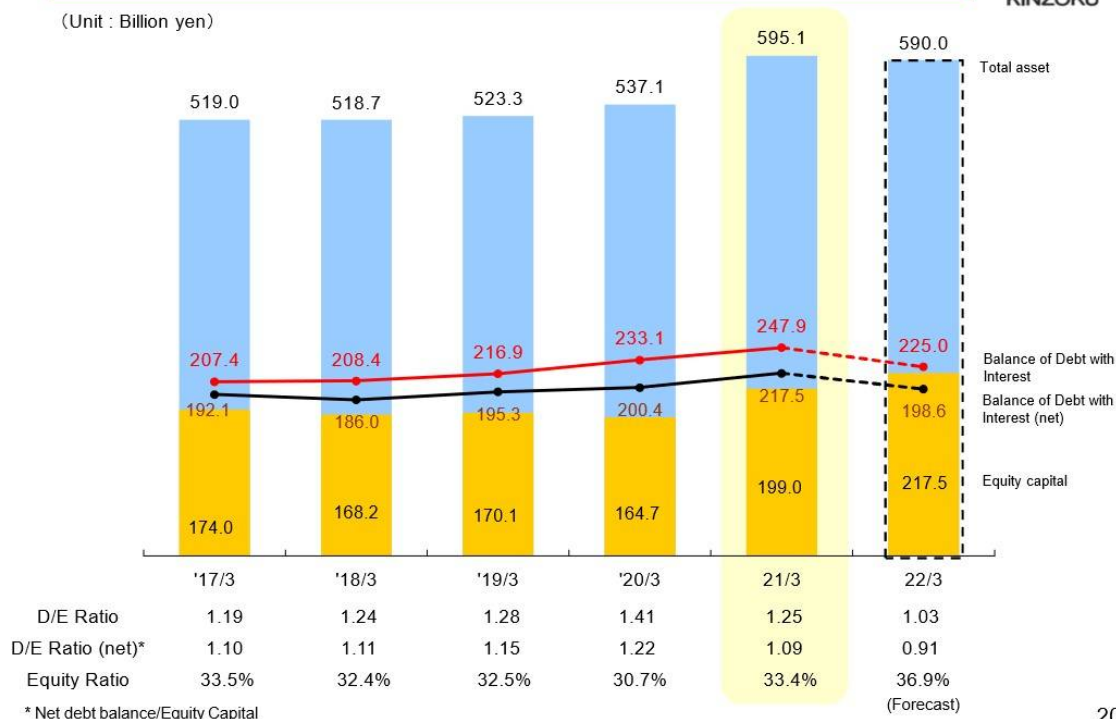
Please refer to page 19 about CAPEX and Depreciation.

Capital investment amounted to JPY28.2 billion, significantly below the annual depreciation expense of JPY33.9 billion, due to the unanticipated impact of COVID-19.

The amount of capital investment in FY2021 is expected to be JPY34.5 billion, and it is planned to increase from FY2020.

In addition to incorporating DX related investments in the Engineered Materials segment and the company-wide of JPY3.1 billion, investment for automation and efficiency in the copper foil business, and other investments for measures to be taken now for the future should be made.

## Financial Position at the end of Fiscal Year



20

Please refer to page 20 about Financial Position.

Total assets increased significantly due to the increase in the price of precious metals and other factors, due to the increase in current assets.

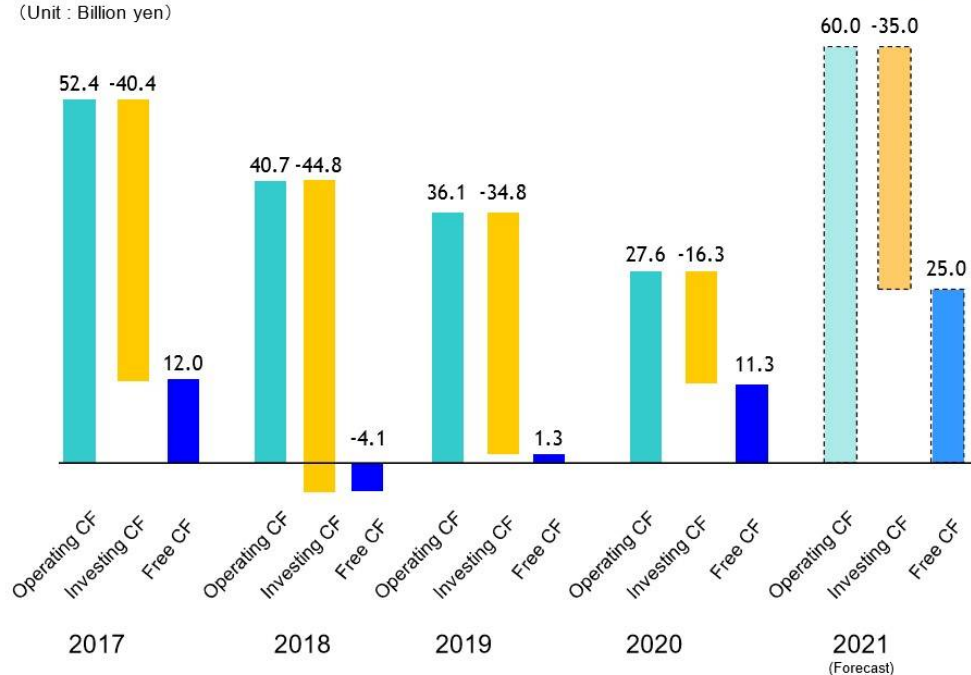
As a result, interest-bearing debt also increased somewhat, but equity capital increased by JPY34.3 billion compared to the end of March 2020. As a result, the equity ratio became 33.4%.

In addition, we expect the equity ratio of 36.9% at the end of March 2022.

## Cash Flows



(Unit : Billion yen)



21

As shown in cash flow on page 21, we will strive to create a cash flow of JPY25 billion in FY2021.

### ■Q&A Session

#### Engineered Materials Segment

Q.

*Regarding the FY2021 earnings forecast, I get the impression that profits from Engineered Materials are weak. So, I would like to ask you about two points behind the trends in profits of each product and the background in which profits do not grow that much even though sales volume increases.*

A.

The sales volume of catalysts for motorcycle in FY2021 is higher than that in FY2020. This was affected by COVID-19 in 2020 years, and although it has recovered from it, the pace of recovery has slowed down a little. Sales volume of catalysts for automobile is growing as expected, but profit growth is modest because both for motorcycle and for automobile are factoring in cost increases such as development costs. Regarding copper foil, MicroThin™, especially MicroThin™ for PKG, is expected to continue to perform well for both smartphones and non-smartphones. The quantity of electro-deposited copper foil is also expected to grow mainly for communication infrastructure, but profits will increase only slightly due to an increase in development costs, an increase in energy costs, and an increase in SG & A expenses in reaction to FY2020.

Q.

*Regarding MicroThin™ in FY2020, compared with the plan at the time of the explanation of financial results on February 9, the amount especially for PKG is higher, so please tell us about this background.*

A.

As of February 9, it was expected that sales for smartphones would calm down in Q4 due to the influence of the Chinese New Year, but as a result, it continued to perform well. Also, for non-smartphone, the quantity continued to grow in Q4 as we expected. So, sales for PKG increased from the forecast on February 9.



## Trends of products

		2019					2020						2021 Forecast (May 11)		
		Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Year Forecast (24th Mar)	1st Half	2nd Half	Year
MH alloy	Volume of Sales Index	100	103	106	110	105	76	102	104	111	98	98	95	122	109
Catalysts for motorcycle	Volume of Sales Index	100	103	104	109	104	49	128	128	121	107	107	113	114	113
India	Volume of Sales Index	(100)	(102)	(94)	(123)	(105)	(40)	(176)	(164)	(143)	(131)	(131)	(141)	(142)	(141)
Indonesia	Volume of Sales Index	(100)	(110)	(119)	(116)	(111)	(40)	(71)	(65)	(98)	(68)	(69)	(80)	(87)	(83)
Others	Volume of Sales Index	(100)	(102)	(112)	(88)	(101)	(63)	(88)	(105)	(101)	(89)	(90)	(88)	(88)	(88)
Catalysts for automobile	Volume of Sales Index	100	104	98	102	101	61	123	130	117	108	107	126	130	128
Copper foil	Volume of Sales t/Month	2,320	2,520	2,530	2,250	2,400	1,860	1,960	1,780	2,460	2,010	2,000	2,070	2,020	2,040
MicroThin™ Total (a+b)	Volume of Sales Index	100	139	121	116	119	142	153	149	135	145	146	168	151	159
MicroThin™ for HDI (a)	Volume of Sales	24	34	18	16	23	20	49	40	13	31	31	34	27	30
MicroThin™ for PKG (b)	Volume of Sales	76	105	103	100	96	122	104	109	122	114	115	134	124	129
ITO Target	Volume of Sales Index	100	111	112	109	108	103	91	107	95	99	99	99	82	91
Zinc	Volume of Production k-t	56	56	56	52	219	43	56	58	58	215	218	109	115	224
Side door Latches	Volume of Sales Index	100	99	97	82	95	59	96	112	102	93	—	—	—	—
Japan	Volume of Sales Index	(100)	(105)	(98)	(118)	(106)	(65)	(108)	(124)	(112)	(102)	—	—	—	—
China	Volume of Sales Index	(100)	(101)	(109)	(43)	(89)	(102)	(109)	(124)	(102)	(109)	—	—	—	—
Other Asia	Volume of Sales Index	(100)	(99)	(93)	(86)	(95)	(25)	(70)	(93)	(95)	(70)	—	—	—	—
America & Europe	Volume of Sales Index	(100)	(92)	(89)	(86)	(92)	(31)	(87)	(100)	(97)	(79)	—	—	—	—

※ Index : The sales volume in 2019 Q1 scaled at 100 ( except Copper Foil and Zinc )

13

Q.

(Referring to page 13 of the FY2020 Q4 Results) Regarding the forecast for FY2021, the index for PKG in the first half has increased considerably, so I think that if it increases to this point, it will not be possible to manufacture it in Ageo. Please tell us whether you will manufacture everything for PKG in Ageo, or whether you will move production to Malaysia and increase the utilization rate in Malaysia.

A.

Since the high operation continues in Ageo, we plan to systematically transfer production to Malaysia and increase the operation in Malaysia.

Q.

There are plans to increase the quantity considerably compared to the Index of 134 and Q4 in the first half. Please tell us a little more about the background of this growth.

A.

It is expected to grow for both smartphones and non-smartphones, and is expected to grow by more than 10% for the full year. For smartphones, it is expected that the amount of MicroThin™ adopted per unit will increase for 5G models, and the major trend that server memory usage will continue to drive for non-smartphones will not change, but as a rule of thumb, the first half as a seasonal factor since there is a tendency for more orders to be received, the first half is

being increased.

Q.

*Could you please summarize the background of the increase in the quantity of MicroThin™ for HDI in FY2020? I think the area of board was expected to be larger, and there should be various factors, such as volume of smartphones. Could you explain the background of the increase in volume? On the other hand, it is not expected to increase much in FY2021, also please tell us what kind of view this is.*

A.

The reason for the increase in FY2020 is that the area of the board has increased by about 20% and that North American smartphones themselves have sold very well. For 2021, we are looking at the same level as the previous year so far. In particular, there is no factor that the area of the board will become smaller or there will be a change in the number of layers adopted, and in terms of smartphone sales, 5G smartphones will continue to increase, so it is expected to sell at the same level as last year.

Q.

*For HDI, the main is still for North America, and there is no particular progress for South Korea or China. Is this correct?*

A.

Yes. Although some of them have been adopted in Korea, there is no progress in other areas such as the expansion of new adoption.

Q.

*Let me check if you don't have to worry about the impact of semiconductor shortage on MicroThin™ in Q1.*

A.

So far, the impact of semiconductor shortages has not been seen. For Q1, we expect strong demand to continue for the time being.

Q.

*Please tell us about the reason why the number of electro-deposited copper foils increased significantly to 2,460 t / month in Q4. And, compared to that, it would become a little quieter FY2021. What is the background on that?.*

A.

The biggest factor for the increase in Q4 was the increase in copper foil for communication infrastructure. Inventory adjustment started in Q2 of FY2020, and it fell considerably in Q3, but in Q4, the demand for communication infrastructure recovered sharply. In addition, the number of electro-deposited copper foils for FPC increased significantly from Q3 to Q4, and the number of electro-deposited copper foils increased significantly in Q4. For FY2021, we expect that the level for communication infrastructure will continue to be high, and that for FPC will also increase slightly for the full year. Regarding electro-deposited copper foil, we are working on how to increase the ratio for communication infrastructure and FPC without increasing capacity, and how to change the product mix, and the overall quantity will decrease, but the decrease is not for communication infrastructure or FPC, and we do not expect it to have such a large impact on profits.

Q.

*I think that products that are not sold on a weight basis, such as MicroThin™, were not linked to the copper price. Currently, copper prices are soaring, is there any impact from the soaring copper prices?*



A.

It's not completely unaffected, but you can think of it as limited.

Q.

*Some shipments of HRDP® will start this year, and it is expected that the number of customers will increase every year in the future. Please update the outlook.*

A.

So far, there is no new information. If all goes well, we may be able to deal with new customers within this year.

Q.

*I think it was explained that shipping will start from January. It is not a form that will increase toward the second half, and first of all, we started shipping in the initial lot. Is it correct to understand that there is no big change?*

A.

Yes. That kind of understanding is correct.

### **Metals Segment**

Q.

*There is a large figure of 3.6 billion yen due to the deterioration of T/C, but please tell us if you have any current views on the current margin situation and future thinking about ore supply and demand. Please tell us whether the margin will continue to deteriorate for a while or if there is a prospect of improvement.*

A.

Recently, T/C has been sluggish. It is easy to imagine that operations have not returned to normal on the mine side due to the effects of COVID-19, and it is unlikely that the supply and demand of ore will loosen any further. Therefore, it is expected that the spot T / C will continue to be low for the smelter side for a while.

### **Automotive Parts & Components Segment**

Q.

*For automobile parts, the impact of the rise in steel material and resin prices in FY2021 is expected to be minus 1 billion yen. Currently, the price of steel materials has risen considerably, but is there a possibility that the negative impact will be larger than expected here?*

A.

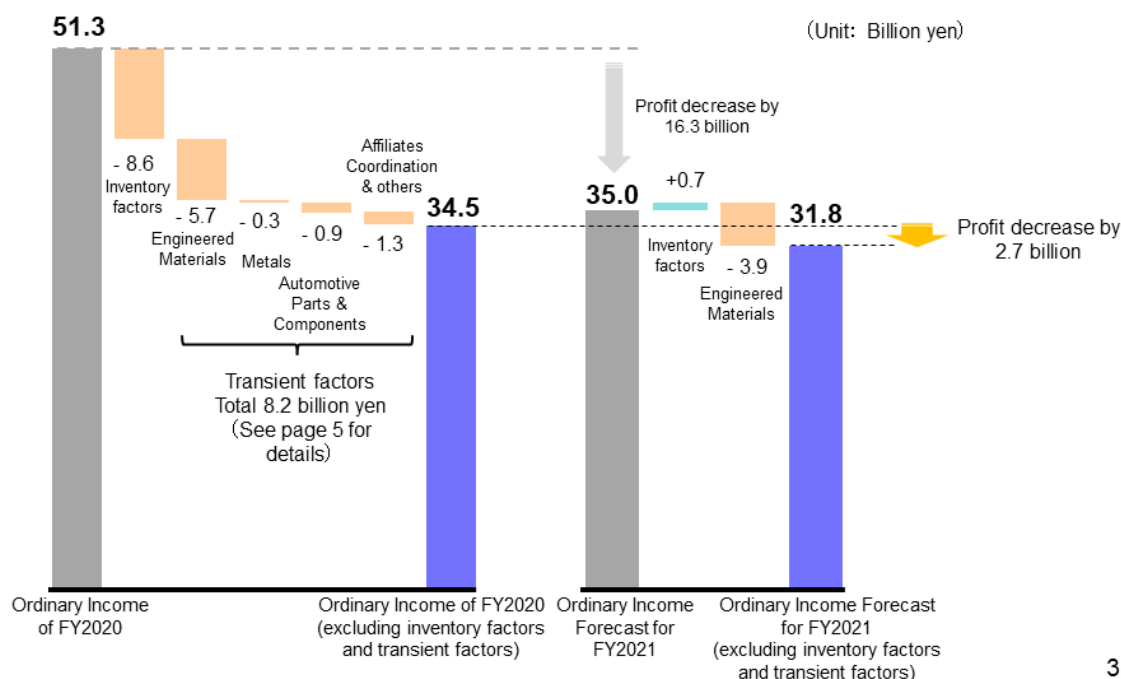
Since we are assuming the FY2021 forecast at a high price, we do not anticipate that the negative impact will be large at this time.

## Total

### Ordinary Income Forecast excluding inventory factors and transient factors



Ordinary income forecast for FY2021 decreased by 16.3 billion from the previous year, but excluding inventory factors and transient factors, it decreased by 2.7 billion.



3

Q.

When you announced the revision of the earnings forecast on March 24, I heard that 29 billion yen was the actual profit and loss, but can I understand that 34.5 billion yen and 31.8 billion yen are the same definition as 29 billion yen?

A.

Yes. It has the same definition as March 24th.

Q.

(Referring to page 3 of the FY2020 Q4 Results), ordinary income excluding inventory factors and transient factors is shown, and the figures for inventory factors and Engineered Materials are large amounts, but what exactly do they mean?

A.

Inventory factors are as described on page 14 of the FY2020 Q4 Results. Inventory factors are due to the effect of rising metal prices, resulting in cheaper inventories being paid out. If the metal price rises, it will be advantageous, and if the metal price falls, it will be disadvantageous because high inventories will be paid out. The breakdown of 5.7 billion yen for Engineered Materials is described on page 5, and the influence of the PGM price was large, and the rise in the PGM price caused a large temporary profit due to the difference between the purchase price and the selling price.

Q.

It is said that capital investment will increase the automation and efficiency of copper foil and DX-related matters. Could you explain a little more concretely as far as you can disclose it?

A.

Of the DX-related items included in FY2021, regarding the 2.4 billion yen of Affiliate Coordination, the common system has been updated since FY2019, and the investment will start in earnest. Update the common platform to prepare for the upcoming DX transformation. About 0.7 billion yen of Engineered Materials, for example, a management system and a system for collecting information will be newly incorporated. This is also being promoted company-wide by tying up with Engineered Materials along with the change of the company-wide platform.