

## Record of Telephone Conference Concerning Q3 FY2020 Results

Reference: FY2020 Q3 Results & FY2020 Forecast

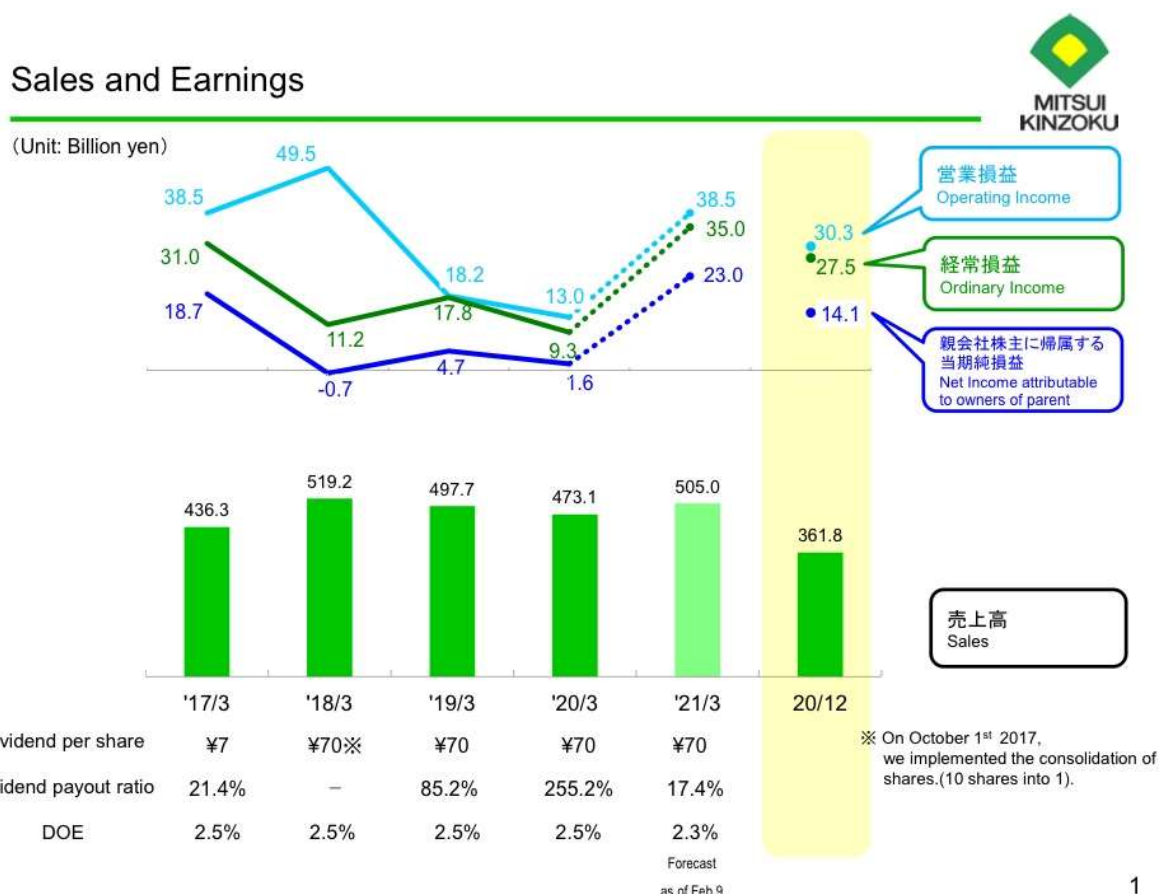
<https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=EFgVHH%2f1t0Y%3d&tabid=227&mid=1027>

Note:

PKG = Package substrate

HDI = High density interconnect

### ■Explanation



Please refer to page 1 of the financial statements.

Sales for the cumulative Q3 were JPY361.8 billion, operating income was JPY30.3 billion, ordinary income was JPY27.5 billion, and net income attributable to owners of Parent was JPY14.1 billion.

Regarding the consolidated earnings forecast for the fiscal year ending March 2021, we expect net sales of JPY505.0 billion, operating income of JPY38.5 billion, ordinary income of JPY35.0 billion, and net income of JPY23.0 billion. The metal prices and Forex for January to March are based on the assumption that the LME zinc price is 2,600\$/t, the LME lead price is 2,000\$/t, the copper price is 350¢/lb, and the exchange rate is 103yen/\$.

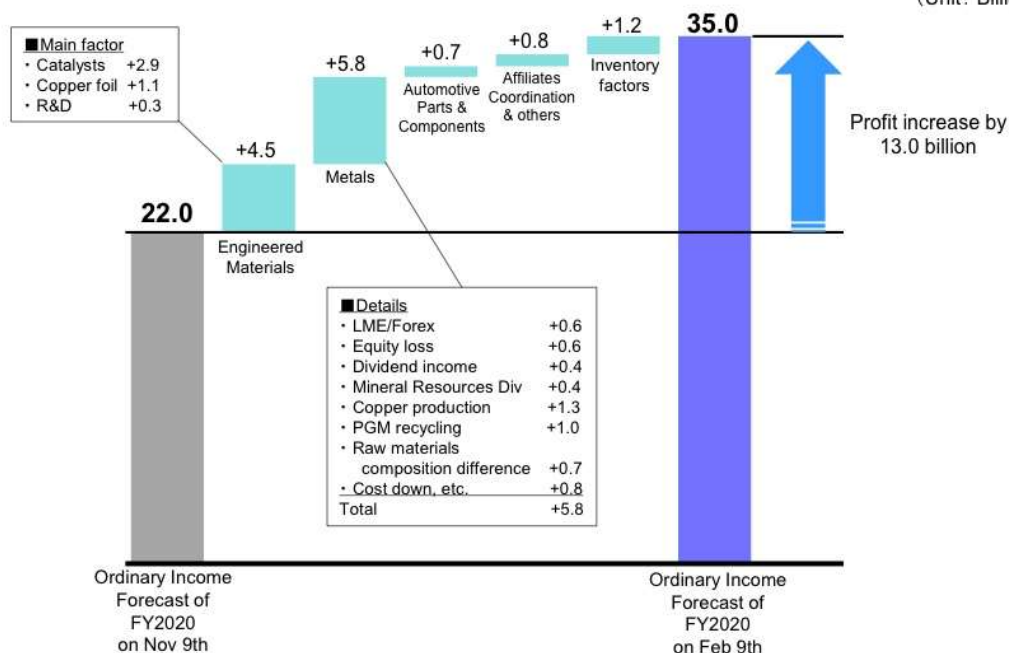
The dividend is set at JPY70 per share and has not been revised from the dividend forecast announced so far, but in the future, taking the business performance, financial position and continuity of dividends for the current consolidated fiscal year, into consideration, we will make a decision.

## FY2020 Ordinary Income forecast



Ordinary income forecast for FY2020 is 35.0 billion, by 13.0 billion better than FY2020 announced on Nov 9<sup>th</sup>.

(Unit: Billion yen)



Please see page 2 of Ordinary Income Forecast for FY2020.

The forecast for ordinary income announced on November 9 was JPY22.0 billion, but we have revised it upward by JPY13.0 billion to JPY35.0 billion.

By segment, the Engineered Materials Segment was revised upward by JPY4.5 billion. The Catalysts Business has been revised upward by JPY2.9 billion due to the impact of rising metal prices. As sales of MicroThin™ are higher than expected, the main factor is the upward revision of JPY1.1 billion in the Copper Foil Business.

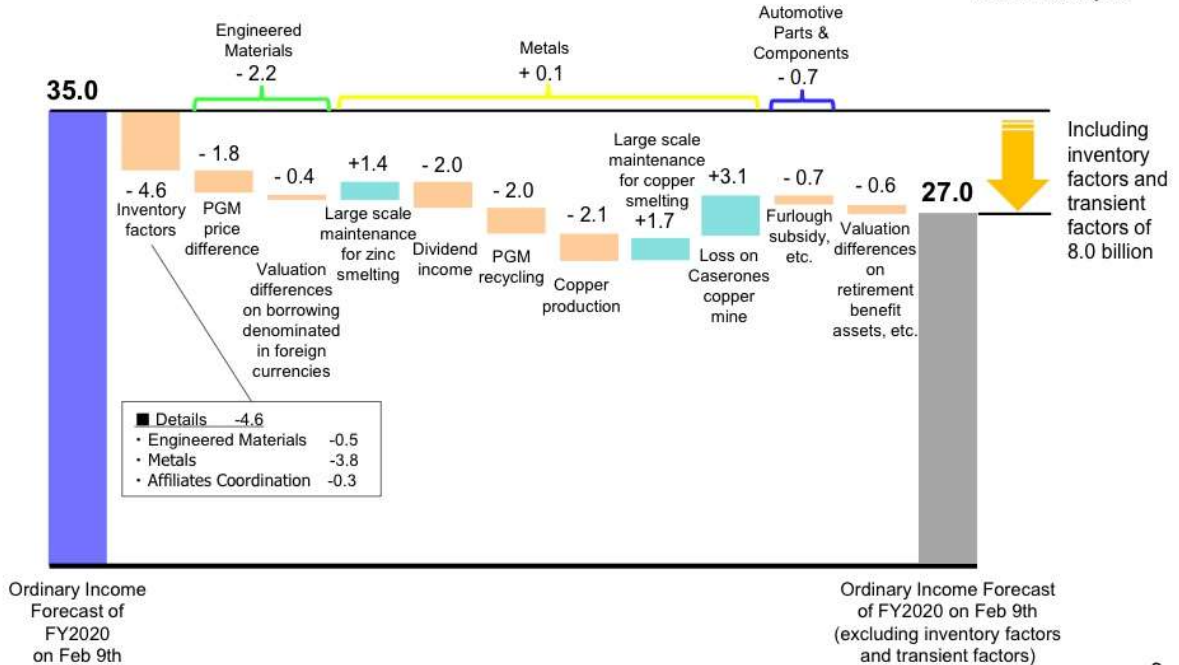
In the Metals Segment, the upward revision of JPY5.8 billion was made. The breakdown is as described, but the main factors are the rise in the market price and the improvement in yield rate in the Copper Business.

In the Automotive Parts and Components Segment, sales volume increased, mainly in China, resulting in an improvement of JPY0.7 billion.



Ordinary Income forecast of FY 2020 excluding inventory factors and transient factors from 35.0 billion is 27.0 billion.

(Unit: Billion yen)



Next, I would like to explain the transient factors in ordinary income for this fiscal year. Please see page 3.

The estimated ordinary income for this fiscal year is JPY35.0 billion, but it is included some transient factors.

As a transient factor, the inventory factor is a positive side of JPY4.6 billion. A positive side of JPY2.2 billion in the Engineered Materials Segment. A negative side of JPY0.1 billion in the Metals Segment. A positive side of JPY0.7 billion in the Automotive Parts and Components Segment. In addition, the impact of the mark-to-market valuation of retirement benefit assets included a positive side effect of JPY0.6 billion, which are included in the positive side of JPY8.0 billion in total. Ordinary income is expected to be JPY27.0 billion, excluding transient factors this fiscal year.

## Statements of income



(Unit : Billion yen)	実績 Results			通期見通し Forecast				
	'20/Q1-3	'19/Q1-3	増減 Difference	2020 今回予想 Forecast	2019	増減 Difference	2020 11/9 予想 Forecast as of Nov 9	増減 Difference
売上高 Net Sales	361.8	355.9	5.9 1.7%	505.0	473.1	31.9 6.7%	480.0	25.0 5.2%
売上原価 Cost of sales	293.2	302.6	-9.4 -3.1%	-	-	-	-	-
売上総利益 Gross Profit	68.7	53.3	15.4 28.8%	-	-	-	-	-
販売費・管理費 SG&A expenses	38.4	41.1	-2.8 -6.7%	-	-	-	-	-
営業利益 Operating Income	30.3	12.2	18.1 148.2%	38.5	13.0	25.5 193.3%	26.0	12.5 48.1%
営業外収支 Non-operating income/expenses-net	-2.8	-0.6	-2.2	-3.5	-3.7	0.2	-4.0	0.5
経常利益 Ordinary Income	27.5	11.6	15.9 136.6%	35.0	9.3	25.7 273.6%	22.0	13.0 59.1%
特別損益 Extraordinary profit/losses-net	-8.8	-0.9	-8.0	-3.8	-3.5	-0.3	-3.8	-0.1
税引前利益 Net Income before income taxes	18.7	10.8	7.9 73.6%	31.2	5.8	25.4 438.2%	18.2	12.9 70.9%
税金費用・非支配株主帰属損益 Income taxes & minority interests	4.7	4.5	0.1	8.2	4.2	4.0	7.2	0.9
親会社株主に帰属する 当期純利益 Net income attributable to owners of parent	14.1	6.3	7.8 124.5%	23.0	1.6	21.4 1368.5%	11.0	12.0 109.1%

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Please see the income statement on page 4.

Net sales for the cumulative Q3 were increased by JPY 5.9 billion (+1.7%) from the same period last year to JPY361.8 billion, mainly due to the rise in precious metal prices in the Catalysts Division.

In operating income, although sales volume of major products decreased in Q1 due to the impact of COVID-19, demand remained on a recovery trend from Q2 on the back of the recovery of the automotive market. In addition, with the improvement in inventory factors due to fluctuations in the non-ferrous metal market and the realization of cost reductions, operating income increased by JPY18.1 billion (+148.2%) to JPY30.3 billion. Ordinary income increased by JPY15.9 billion (+136.6%) to JPY27.5 billion.

Net income increased by JPY7.8 billion to JPY14.1 billion due to the effects of extraordinary income from the restructuring of the Copper Business, a positive JPY13.6 billion, an estimated loss related to the transfer of interests in the Caserones copper mine, a negative side of JPY20.5 billion.

I will explain the full-year outlook for each segment later.

## Performance by Segment – Engineered Materials



(Unit : Billion yen)

	2020 Q1-3	2019 Q1-3	増減 Difference	FY2020 (今回予想) Forecast	FY2019	増減 Difference	FY2020 (11/9予想) Forecast as of Nov.9th	増減 Difference
■売上高 Sales	139.5	125.1	14.4	194.0	167.8	26.2	181.0	13.0
■営業利益 Operating income	16.7	11.0	5.7	21.1	15.1	6.0	15.7	5.4
■経常利益 Ordinary income	15.4	10.9	4.4	19.3	13.4	5.9	14.3	5.0
※実力損益 Real Income	15.1	13.3	1.7	18.8	16.1	2.7	14.3	4.5

※Real income : Ordinary income excluding inventory factors.






### Difference Analysis of Ordinary income

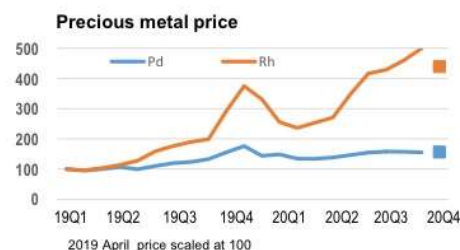
[ '19Q1-3 → '20Q1-3 +4.4 ]

Inventory factors +2.7  
Copper foil +1.4  
(MicroThin™ volume of sales increases, others)

[ 'FY2019 → 'FY2020 Forecast +5.9 ]

Inventory factors +3.2  
Copper foil +2.3  
(MicroThin™ volume of sales increases, others)

(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>



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We explain the situation in each segment.

First, Engineered Materials segment. Please see page 13.

Ordinary income for the cumulative Q3 increased by JPY4.4 billion YoY to JPY15.4 billion. The factors behind the increase in profits were the impact of inventory factors for ITO Target improved from minus JPY2.4 billion to plus JPY0.3 billion, up JPY2.7 billion, and strong sales of MicroThin™ for copper foil business, especially for PKG applications.

The outlook for ordinary income is expected to be JPY19.3 billion, an improvement of JPY5.0 billion from the forecast as of November 9. The largest increase in profits was seen in the catalysts business mainly because precious metal prices were higher than expected and sales volume was stronger than expected. In the copper foil business as well, profits are expected to increase as the sales volume of MicroThin™ exceeded previous forecast.

## Performance by Segment – Metals

(Unit: Billion yen)

	2020 Q1-3	2019 Q1-3	増減 Difference	FY2020 (今回予想) Forecast	FY2019	増減 Difference	FY2020 (11/9予想) Forecast as of Nov.9th	増減 Difference
■売上高 Sales	135.9	121.6	14.3	189.0	161.1	27.9	186.0	3.0
■営業利益 Operating income	14.7	2.1	12.6	18.0	0.0	18.0	12.7	5.3
■経常利益 Ordinary income	13.7	1.6	12.1	16.0	-1.5	17.5	9.8	6.2
※実力損益 Real Income	9.0	5.9	3.1	12.2	6.9	5.3	6.4	5.8

※Real income : Ordinary income excluding inventory factors.

Metal Prices and FOREX		'19/Q1	Q2	Q3	Q4	'20/Q1	Q2	Q3	Q4	予想 Forecast
Zinc	\$/t	2,763	2,345	2,384	2,128	1,959	2,340	2,631	2,600	
Zinc (Actual)	\$/t	2,676	2,427	2,442	2,272	2,113	2,404	2,624	2,610	
Lead	\$/t	1,886	2,029	2,038	1,847	1,670	1,876	1,903	2,000	
Copper (Q1:Jan-Mar)	¢/lb	282	277	263	267	256	242	296	325	
Copper (Q1:Apr-Jun)	¢/lb	277	263	267	256	242	296	325	350	
Yen/US\$	yen/\$	109.9	107.4	108.8	109.0	107.6	106.2	104.5	103.0	
Yen/US\$ (Actual)	yen/\$	110.0	107.8	108.1	108.3	107.8	106.7	105.0	103.7	

	19Q1-3	FY2019
Ordinary Income		
Difference Analysis	→'20Q1-3	→FY2020 Forecast
LME/Forex	-1.5	-1.1
T/C	1.7	1.8
Inventory Factors	9.0	12.2
Equity profit/loss	-2.3	-1.7
Cokes	1.0	1.2
Dividends	2.0	2.0
Others	2.2	3.1
<b>Total</b>	<b>12.1</b>	<b>17.5</b>

### Details of Others

[ '19Q1-3 → '20Q1-3 +2.2 ]

- Hibi Smelting is added to our subsidiary from 20Q1 +2.3
  - Large scale maintenance for zinc smelting in 20Q1 -1.4
  - PGM recycling + 1.8
- [ 'FY2019 → 'FY2020 Forecast +3.1 ]
- Hibi Smelting is added to our subsidiary from 20Q1 +2.2
  - Large scale maintenance for zinc smelting in 20Q1 -1.4
  - PGM recycling + 2.1

Sensitivity to ordinary income (for FY2020)

		(Unit : Billion yen)	
		Full open basis	Including forward contract
Zinc	± 100\$/t	1.2	0.9
Lead	± 100\$/t	0.2	0.2
US\$(yen/\$)	± 1yen/\$	0.5	0.4

Metal segment. Please refer to page 14.

Ordinary income for the cumulative Q3 increased by JPY12.1 billion YoY to JPY13.7 billion. The biggest factor for increasing profits is the inventory factor. In the previous fiscal year, prices were on a downward trend, so they were recorded as negative, but this year's trend was on an upward trend, which contributed to a total increase of JPY9.0 billion.

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.

The outlook for ordinary income is expected to be JPY16.0 billion, an improvement of JPY6.2 billion from the forecast as of November 9. The breakdown is as described on page 2, but it is not the effect of one major factor, but of the accumulation of small plus sides.

## Performance by Segment – Automotive Parts & Components



(Unit : Billion yen)

	2020 Q1-3	2019 Q1-3	増減 Difference	FY2020 (今回予想) Forecast	FY2019	増減 Difference	FY2020 (11/9予想) Forecast as of Nov.9th	増減 Difference
■売上高 Sales	58.8	70.3	-11.6	82.0	90.6	-8.6	77.0	5.0
■営業利益 Operating income	0.9	0.6	0.3	0.9	0.1	0.8	-0.2	1.1
■経常利益 Ordinary income	1.3	0.9	0.4	1.2	0.5	0.7	0.5	0.7

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

### Difference Analysis of Ordinary income

	19Q1-3 →20Q1-3	FY2019 →FY2020 Forecast
Sales Volume	-4.9	-3.7
Cost down	5.6	5.3
Others	-0.3	-0.9
Total	0.4	0.7

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Automotive parts & Components. Please refer to page 15

Ordinary income for the cumulative Q3 increased by JPY0.4 billion YoY to JPY1.3 billion. Due to the spread of COVID-19, the sales volume of automotive door locks dropped sharply in Q1, but the cost was significantly reduced, resulting in a positive YoY increase.

The outlook for ordinary income is JPY1.2 billion, an increase of JPY0.7 billion from the forecast as of November 9, due to an increase in sales mainly in China. In Q4, sales to China are expected to decrease due to the Chinese New Year, and transportation cost is expected to increase, resulting in a negative JPY0.1 billion.

## Equity gains or losses



(Unit : Billion yen)

	2019							2020 Forecast									Diff.
	Q1	Q2	1st Half	Q3	Q4	2nd Half	FY 2019	Q1	Q2	1st H	Q3	Q4 Fore cast	2nd H Fore cast	FY 2020 Fore cast	FY 2020 Fore cast (Nov 9)		
Engineered Materials	0.1	0.1	0.2	0.1	0.1	0.2	0.4	0.0	-0.0	-0.0	0.0	0.0	0.1	0.1	0.1	-0.0	
Metals	0.2	-0.8	-0.6	-0.4	-0.9	-1.3	-1.9	-2.2	-0.5	-2.8	-0.5	-0.4	-0.9	-3.6	-4.2	0.6	
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	0.5	0.8	0.9	0.3	0.6	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	0.3	-0.8	-0.5	-0.2	-0.7	-1.0	-1.4	-2.4	-0.3	-2.7	-0.2	0.1	-0.0	-2.7	-3.9	1.2	

Copper ( ¢ / lb )	282	277	280	263	267	265	272	256	242	249	296	325	311	280	265
Forex (Yen/\$)	109.9	107.4	108.6	108.8	109.0	108.9	108.8	107.6	106.2	106.9	104.5	103.0	103.8	105.3	106.0

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

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Please refer to page 10 about equity gains or losses.

In the Metals Segment, the impact of Caserones was minus JPY2.2 billion in Q1, minus JPY0.3 billion in Q2, minus JPY0.6 billion in Q3, and a total of minus JPY3.1 billion in FY2020 is expected.

In PPC Copper smelting, Q1 is break even, Q2 is minus JPY0.2 billion, Q3 is plus JPY0.1 billion, and Q4 is minus JPY0.4 billion. In total, it is expected to be negative by JPY0.5 billion in FY2020.



■ Q&A Session

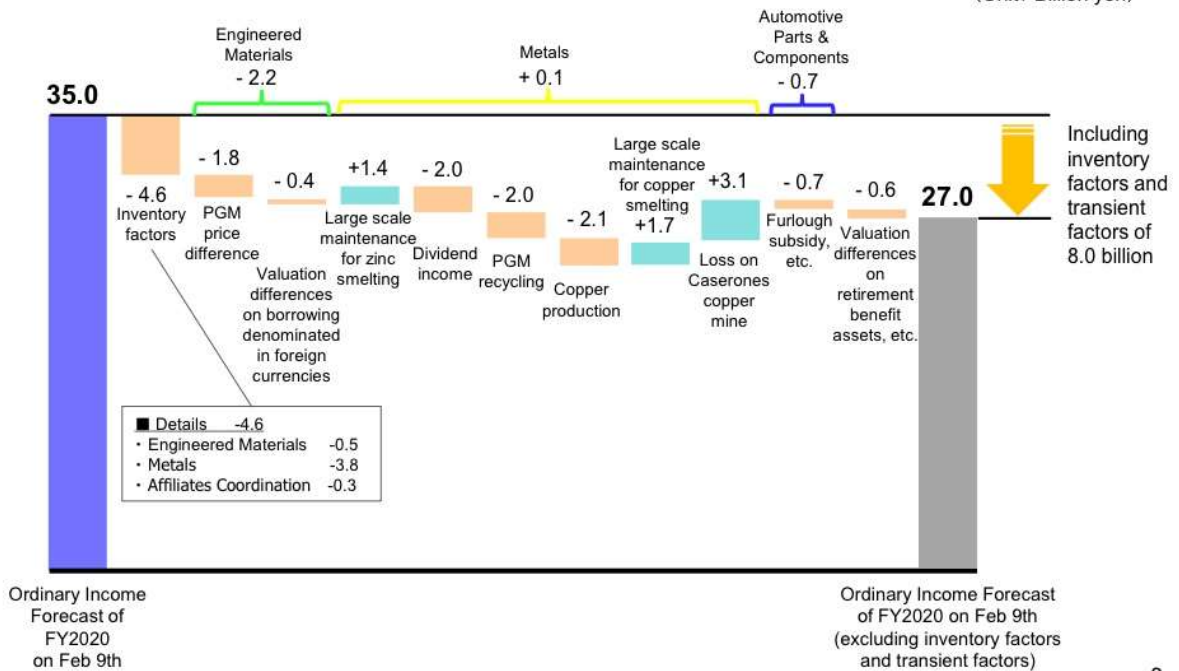
Total

FY 2020 Ordinary Income Forecast excluding inventory factors and transient factors



Ordinary Income forecast of FY 2020 excluding inventory factors and transient factors from 35.0 billion is 27.0 billion.

(Unit: Billion yen)



Q.

*It seems that the impact of rising market conditions such as precious metal prices and non-ferrous metal prices are very large, if the market conditions were flat, should we use this JPY27.0 billion as a starting point to make a forecast for next fiscal year? Also, what will happen when the market conditions fall?*

A.

As shown on page 3, I think that this JPY27.0 billion can be thought of as the actual profit excluding the part that is generated outside of the actual profit due to such market conditions, so I think that it is a starting line. Regarding what will happen when the market conditions fall, the negative side will come out in the same way as the positive side. Therefore, regarding this point, in order to reduce the impact as much as possible, I think that it is necessary to manage inventory firmly and prepare for the impact on the negative side, in case such a thing happens.

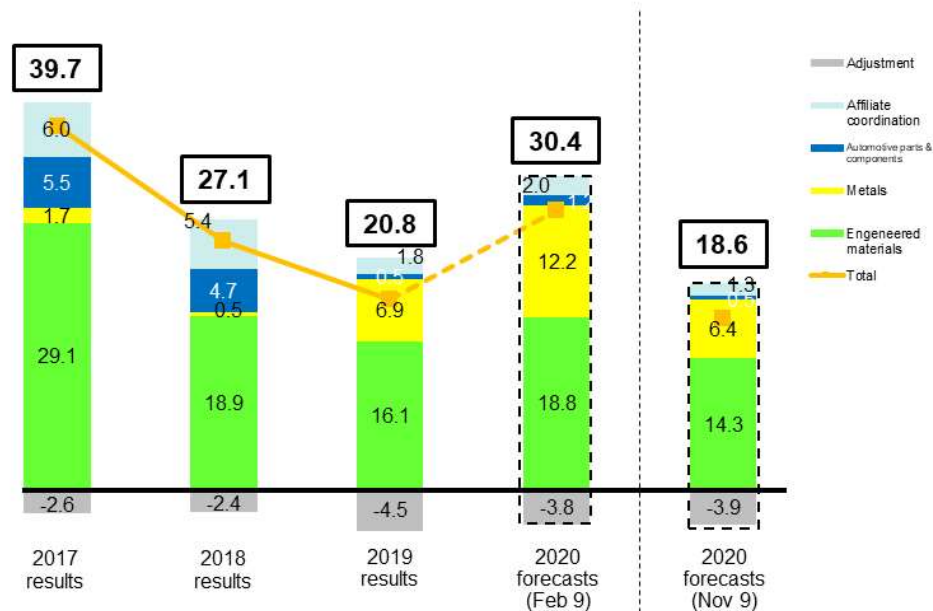
## Financial Performance



**Trends in Financial Performance**  
(excludes inventory factor, Caserones impairment)

□ : Financial Performance

(Unit: Billion yen)



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Q.

(Referring to page 16 of the FY2020 Q3 Results) Is it correct to understand that JPY18.6 billion explained in November last time and JPY27.0 billion excluding this transient factor are the same definition? If not, please explain the change in financial performance from the same perspective.

A.

The figure of JPY18.6 billion explained in November last time is the figure obtained by subtracting only the inventory factor from the ordinary income. Therefore, under the same standard, JPY30.4 billion, which is JPY35.0 billion minus JPY4.6 billion of inventory factors, is the amount based on the same standard. Although ordinary income was above expected in this time, I would like to show that there are many transient factors other than inventory factors, so I explained it in the form of page 3.

Q.

Regarding the profit trends in each segment, please explain the factors behind the decline in profits of Engineered Materials, Metals, and Automotive Parts & Components from Q3 to Q4.

A.

First of all, regarding Engineered Materials, it is said that profits will decrease by about JPY3.0 billion from Q3 to Q4, mainly catalysts were over JPY1.0 billion, copper foil was just under JPY1.0 billion, and R&D expenses increased by JPY0.5 billion. The rest is PVD materials. Regarding catalysts, the influence of the price of the precious metal is larger in Q3 than in Q4, and Q3 includes the sale of scrap, so profits will decline.

Regarding Metals, excluding this inventory factor, the profit level will be almost the same at JPY3.2 billion each in Q3 and Q4.

Regarding Automotive Parts & Components, from Q3 to Q4, sales will decrease in China due to the influence of the Chinese New Year in Q4. Furthermore, even in China, sales of products with slightly higher margins will decrease, and in terms of costs, the development cost of

automotive parts will come out in a lump sum in Q4, incorporate cost-increasing factors such as rising transportation costs and rising steel prices, so profits will decline.

Q.

*In the previous explanation in November, I think there was a target value of  $\pm 0$  for the full-year FCF and 1.44 for the net D / E ratio at the end of the fiscal year. Is the view of this target changing due to the upside of business performance this time? Please let me know the prospect, if any.*

A.

At the end of Q3, borrowings were slightly below JPY250 billion. Regarding the *D / E ratio*, we are currently proceeding with financial measures, and will continue to make efforts in Q4 to land below the previously announced figures. We would like to make efforts to reduce borrowings and increase CF in consideration of the negative side of the influence of precious metal prices and metal prices, and the positive side of inventory reduction.

### **Engineered Materials Segment**

Q.

*Regarding the upward revision in Catalysts Business, please tell us the breakdown of the impact of rising precious metal prices and the impact of quantity effects?*

A.

The JPY2.9 billion in Catalysts Business is mainly due to the rise in precious metals prices. In November last time, due to the influence of the price of precious metals in catalysts, we expected minus JPY0.8 billion in H2. However, the price of precious metals in Q3 rose. In the end, in Q3, that was a plus of JPY0.9 billion. Also, even in Q4, the price of precious metals is rising now, so it is expected to be JPY0.5 billion in Q4, and a total of JPY1.4 billion is expected in H2. Therefore, due to the difference from the previous announcement, minus JPY0.8 billion, a total of JPY2.2 billion is subject to the influence of precious metal prices.

## Trends of products



		2018					2019					2020 Forecast						2020 Forecast (May 29)		
		Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4 Forecast	Year Forecast (9th Feb)	Year Forecast (9th Nov)	1st Half	2nd Half	Year
MH alloy	Volume of Sales Index	100	98	109	103	102	102	105	108	112	107	78	104	106	113	100	101	82	123	103
Catalysts for motorcycle	Volume of Sales Index	100	101	90	86	94	93	96	96	101	96	45	119	119	116	100	96	72	123	97
India	Volume of Sales Index	(100)	(101)	(77)	(71)	(87)	(88)	(90)	(83)	(109)	(93)	(36)	(156)	(145)	(134)	(118)	(113)	(72)	(150)	(111)
Indonesia	Volume of Sales Index	(100)	(113)	(109)	(121)	(111)	(96)	(105)	(113)	(111)	(106)	(38)	(68)	(63)	(89)	(64)	(73)	(72)	(106)	(89)
Others	Volume of Sales Index	(100)	(97)	(103)	(93)	(98)	(98)	(100)	(110)	(86)	(98)	(62)	(86)	(103)	(99)	(87)	(79)	(71)	(92)	(82)
Catalysts for automobile	Volume of Sales Index	100	111	131	121	116	128	134	125	130	129	78	157	166	164	141	135	112	158	135
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	1,780	2,270	1,970	1,930	2,310	2,410	2,360
MicroThin™ Total (a+b)	Volume of Sales Index	100	116	93	57	92	84	117	102	98	100	120	129	126	111	121	118	108	106	107
MicroThin™ for HDI (a)	Volume of Sales	24	42	29	5	25	20	28	15	13	19	17	41	34	17	27	26	18	19	18
MicroThin™ for PKG (b)	Volume of Sales	76	74	64	52	67	64	89	87	85	81	103	88	92	94	94	92	90	87	89
ITO Target	Volume of Sales Index	100	92	99	89	95	87	97	97	95	94	90	79	93	87	87	86	92	94	93
Zinc	Volume of Production k-t	54	49	50	58	211	56	56	56	52	219	43	56	58	60	218	219	103	119	222
Side door Latches	Volume of Sales Index	100	100	105	104	102	98	97	95	80	93	58	94	110	—	—	—	—	—	—
Japan	Volume of Sales Index	(100)	(105)	(119)	(116)	(111)	(109)	(114)	(107)	(129)	(115)	(71)	(118)	(135)	—	—	—	—	—	—
China	Volume of Sales Index	(100)	(105)	(102)	(92)	(100)	(90)	(91)	(98)	(39)	(80)	(92)	(98)	(112)	—	—	—	—	—	—
Other Asia	Volume of Sales Index	(100)	(98)	(107)	(111)	(104)	(97)	(96)	(90)	(83)	(92)	(24)	(68)	(90)	—	—	—	—	—	—
America & Europe	Volume of Sales Index	(100)	(94)	(98)	(104)	(99)	(100)	(92)	(89)	(86)	(92)	(31)	(87)	(100)	—	—	—	—	—	—

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

11

Q.

(Referring to page 11 of the FY2020 Q3 Results) This catalyst for India is recovering from before COVID-19. Let me confirm whether this is a sustainable effect, such as the increase in the output level per unit due to the tightening of exhaust gas regulations.

A.

Regarding the quantity for India, the influence of Indian customers increasing the number of catalysts from one to two is significant.

Q.

Would it be reasonable to understand that the increase in the number of catalysts in India itself has a positive impact on profits?

A.

There is no doubt that it is a positive factor in terms of profit.

Q.

Regarding ultra-thin copper foil, please explain the trend of market.

A.

Regarding MicroThin™, for PKG-related, we anticipate high-level orders for both Q3 and Q4. Among PKG-related, for smartphones, orders from South Korea and China are still strong from Q3 to Q4, so it is at a high level. If anything, Q3 is doing well, and Q4 is expected to fall a little due to the Chinese New Year. Regarding non-smartphones, there is something like adjusting server demand in this Q3, so it will drop a little in Q3, but I think that it will recover again in Q4. As for HDI-related, the model for 2020 will continue to be built until Q3, and it will discontinue from Q4. As for the trend, the decline from Q3 to Q4 is the same as the view announced last November.

Q.

*For HDI-related, there were a larger substrate size this year, I don't think it's going to be rejected, but is there anything new?*

A.

I've heard that it will continue to be adopted. I have also heard that the substrate size will be slightly smaller. On the other hand, there is no talk about new sales expansion to Korean and Chinese.

Q.

*(Referring to page 11 of the FY2020 Q3 Results) Regarding MicroThin™ for PKG-related, looking at the figures for this fiscal year from FY2018 to FY2020, it seems that the numbers are increasing in stages, but I would like you to explain the background again. Perhaps it means that the output level for smartphones is rising and demand for non-smartphones is being created. Could you please update on whether these trends are likely to continue in the future?*

A.

The factor of an increase year by year from 2018 is an increase in adoption of MicroThin™ due to the increased number of parts along with the high functionality of smartphones. Also, the memory usage of 5G related servers for non-smartphones is increasing. I think this trend will probably be continue next fiscal year. How much it will increase is currently under scrutiny.

Q.

*Regarding electro-deposited copper foil, what was a little stagnant seems to return suddenly in Q4 according to the number, but please tell us about the background.*

A.

Of the electro-deposited copper foil, for communications infrastructure-related, adjustments began in the middle of Q2, and the quantity decreased in Q3, but as demand for servers returned toward Q4, we expect that demand for communication infrastructure-related will recover from Q4. For FPC-related, the quantity has been increasing for Q2, Q3, Q4, this is strong for Korean and Chinese smartphones.

Q.

*What is the background to the recovery of copper foils for communication infrastructure-related?*

A.

One is that inventory adjustments for servers have ended and it has improved. Second, I've heard that Chinese companies that have been sanctioned by the United States will resume their businesses, which is increasing the volume.

Q.

*Regarding MicroThin™, I think your company, Ageo, was already operating at almost full capacity. Among them, I think there was some talk about the transfer of production to Malaysia. Please tell us how the progress is now.*

A.

It is true that the high occupancy situation continues in Ageo, and we are now proceeding with the transfer of production to Malaysia. This year, due to the influence of COVID-19, it has decreased a little from the plan, but for the time being, the transfer itself is progressing smoothly. We also plan to proceed with production transfer next year. Demand for PKG-related is expected to increase in the future, but we will proceed so that there is no problem with supply.

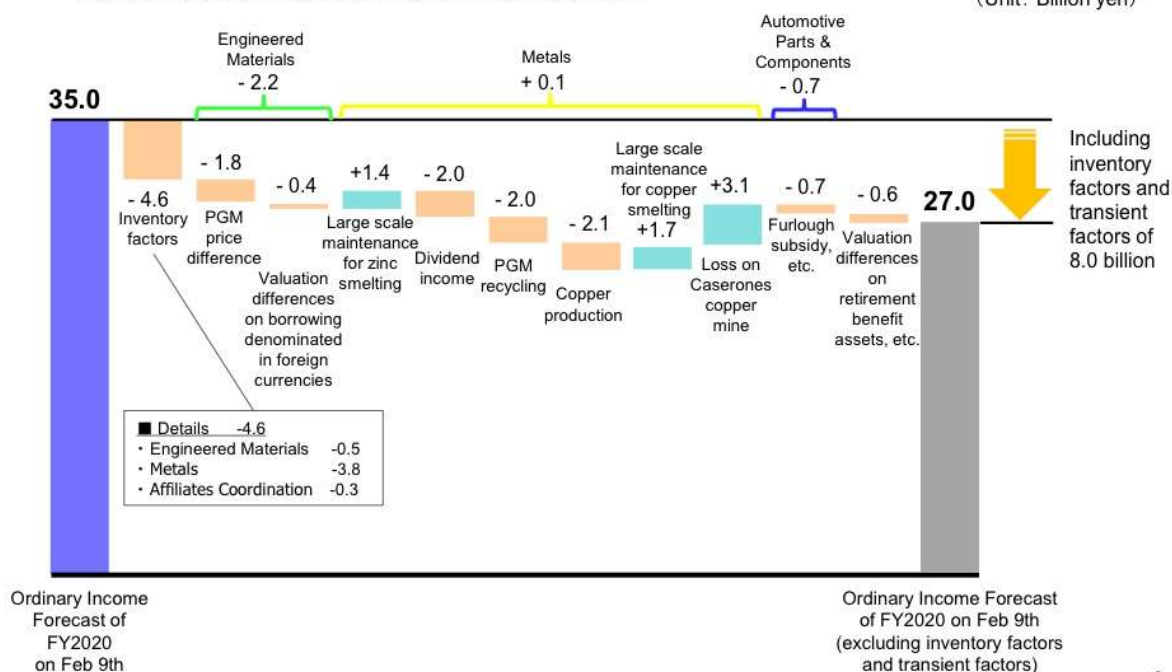
## Metals Segment

FY 2020 Ordinary Income Forecast excluding inventory factors and transient factors



Ordinary Income forecast of FY 2020 excluding inventory factors and transient factors from 35.0 billion is 27.0 billion.

(Unit: Billion yen)



3

Q. (Referring to page 11 of the FY2020 Q3 Results) Regarding the improved Copper production and PGM recycling, please tell us about these background and reason for transient factor.

A. The improvement in the Copper production, as I mentioned last November, is that the Copper production has come out more than the contract quantity. Previously, I thought that a volume increase did not occur in H2. But, in H2 of the year, due to the improvement in yield rate and other factors, and the quantity exceeded the contract quantity. However, it is uncertain that the volume will increase next year, so it is included as a transient factor. Also, regarding PGM recycling, in November last time, although the process went very well in H1, it was not factored in H2. But the operation is proceeding smoothly in H2 as well. In particular, because we were able to process cheap raw materials last year, there was an increase in profits due to the recent rise in PGM prices, and we believe that the JPY2.0 billion generated from the PGM recycling is transient factor in this year.

Q. Regarding PGM recycling, basically this is not the amount, but the point is that the price difference is JPY2.0 billion. Is that correct?

A. The quantity is also seen, but the price difference is larger.