



MITSUI KINZOKU

(Mitsui Mining & Smelting Co., Ltd. TSE5706)

FY2018 Q2 Results

November 12, 2018

(Unit: Billion yen)

	2015	2016	2017	Current forecasts for 2018 (Nov 9)	Previous forecasts for 2018 (Aug 10)
Net sales	450.6	436.3	519.2	506.7	522.0
Operating income	11.1	38.5	49.5	24.5	44.0
Ordinary income	-11.3	31.0	11.2	24.0	41.0
Profit (loss) attributable to owners of parent	-20.9	18.7	-0.7	14.0	26.0
Free cash flow	24.0	-14.1	12.0	9.0	24.6
CAPEX	28.4	37.7	40.5	42.2	42.2
Shareholders' Equity Ratio	35.0%	33.5%	32.2%	35.8%	36.2%
D/E ratio (net)	1.03	1.10	1.11	1.00	0.88

■ 2018 1st Half Results

● 2018 1st Half Sales and Ordinary Income – Comparison with Forecasts (Aug 10) (Unit: Billion yen)

	2018 1st half results		2018 1st half forecasts (Aug 10)		Difference	
	Sales	Ordinary income	Sales	Ordinary income	Sales	Ordinary income
Engineered materials	86.8	11.7	87.0	12.4	-0.2	-0.7
Metals	84.4	-3.1	84.0	-3.7	0.4	0.6
Automotive parts and components	50.5	1.9	50.0	2.4	0.5	-0.5
Affiliates coordination	61.4	2.1	59.0	1.2	2.4	0.9
Adjustment	-32.5	-1.6	-30.0	-1.3	-2.5	-0.3
Total	250.6	11.0	250.0	11.0	0.6	0

● 2018 1st Half Sales and Ordinary Income – Year-on-year Comparison (Unit: Billion yen)

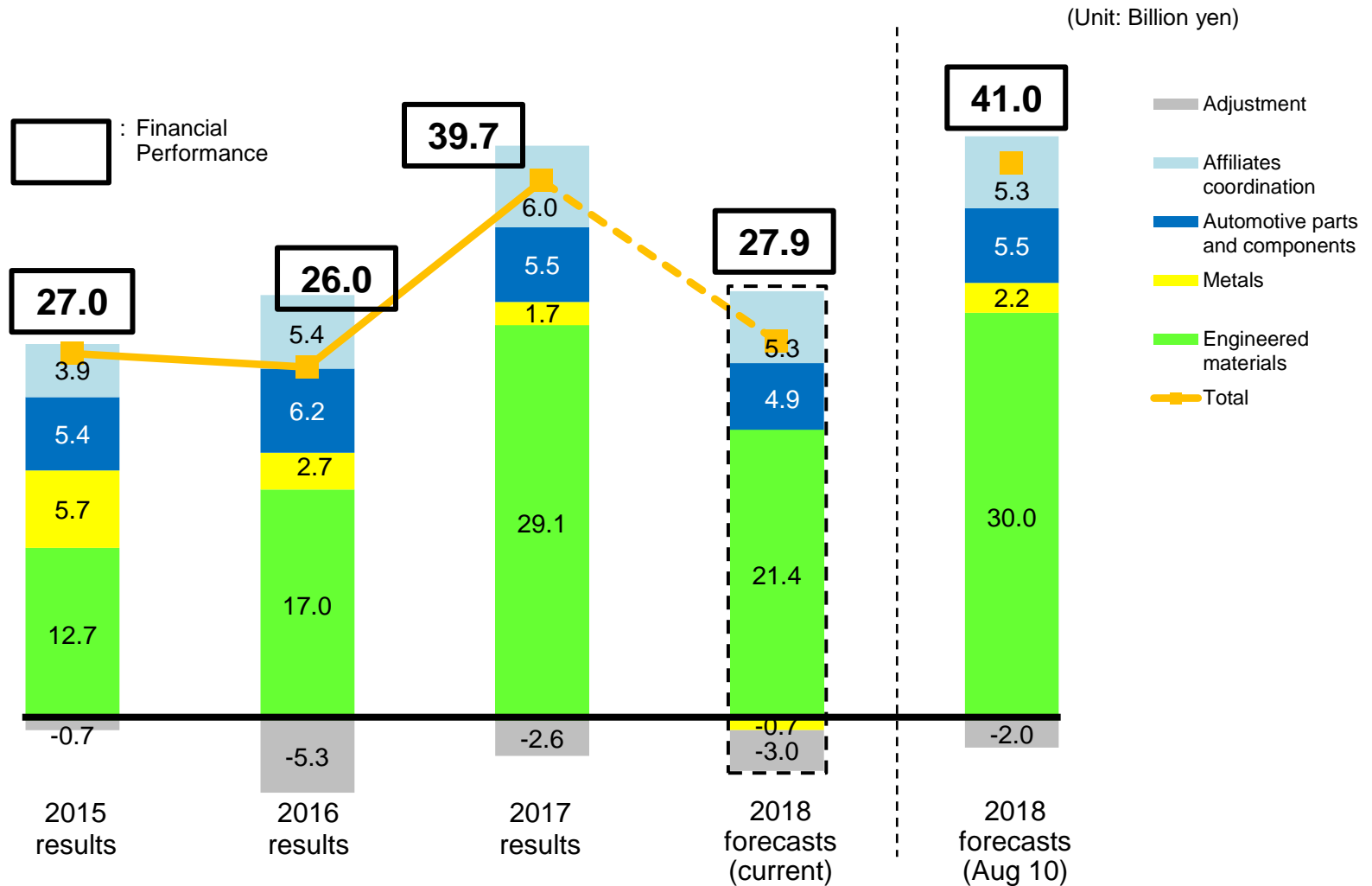
	2018 1st half results		2017 1st half results		Difference	
	Sales	Ordinary income	Sales	Ordinary income	Sales	Ordinary income
Engineered materials	86.8	11.7	80.6	14.0	6.2	-2.3
Metals	84.4	-3.1	82.2	0	2.2	-3.1
Automotive parts and components	50.5	1.9	49.2	2.3	1.3	-0.4
Affiliates coordination	61.4	2.1	59.9	2.8	1.5	-0.7
Adjustment	-32.5	-1.6	-29.5	-1.5	-3.0	-0.1
Total	250.6	11.0	242.4	17.6	8.2	-6.6

● 2018 Full-year Forecasts – Comparison with Previous Forecasts (Aug 10)

(Unit: Billion yen)

	Current full-year forecasts		Previous full-year forecasts (Aug 10)		Difference	
	Sales	Ordinary income	Sales	Ordinary income	Sales	Ordinary income
Engineered materials	172.5	21.9	180.0	30.0	-7.5	-8.1
Metals	167.2	-4.8	181.0	2.2	-13.8	-7.0
Automotive parts and components	102.7	4.9	99.0	5.5	3.7	-0.6
Affiliates coordination	128.7	5.0	126.0	5.3	2.7	-0.3
Adjustment	-64.4	-0.3	-64.0	-2.0	-0.4	-1.0
Total	506.7	24.0	522.0	41.0	-15.3	-17.0

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



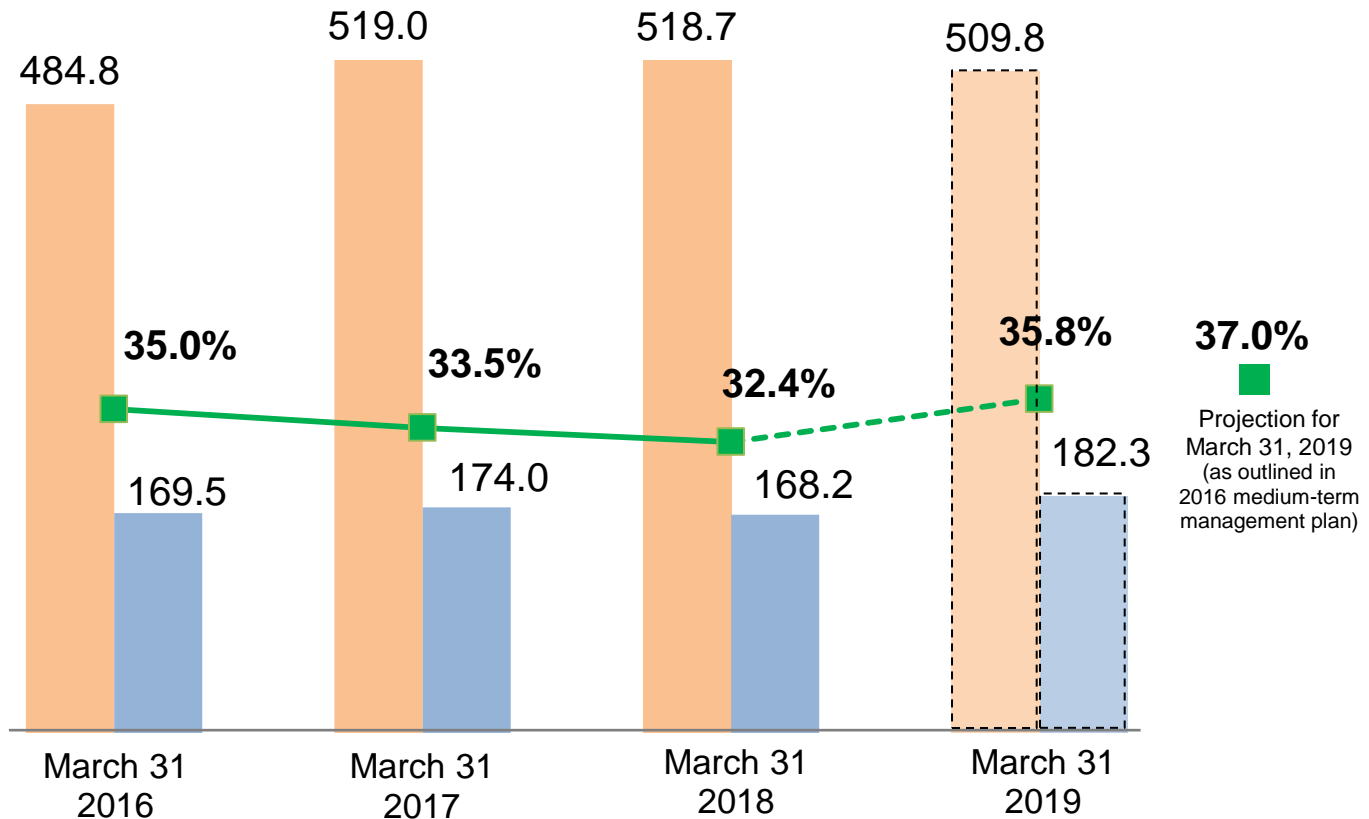
● Trends in Shareholders' Equity Ratio

(Unit: Billion yen)

■ Total assets

■ Net assets

■ Shareholders' Equity Ratio

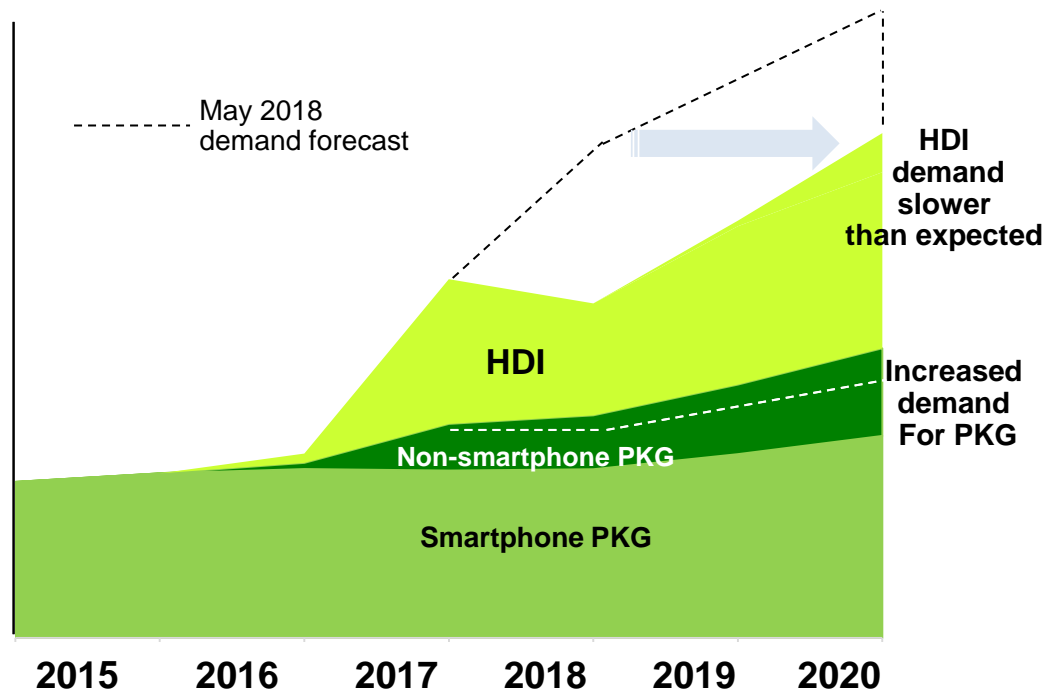


Segments/ Operations	Press releases	Remarks
Automotive parts and components	<ul style="list-style-type: none"> • <u>Established Branch Office and New Company for Production & Sale of Door Latches and Other Automotive Parts - Expanding Business in Europe -</u> 	<ul style="list-style-type: none"> • Jul 10 press release
Engineered powders	<ul style="list-style-type: none"> • <u>Increased Production Capacity of Atomized Copper Powder for MLCC*</u> - <u>Approx. 50% increase in production capacity with capacity increase at Kamioka Plant and construction of a new plant at Hikoshima Smelting -</u> 	<ul style="list-style-type: none"> • Aug 2 press release
Ceramics	<ul style="list-style-type: none"> • Developed “CeraMesh™” for firing electronic component - Contributes to energy saving by lowering heat with 60% weight reduction - 	<ul style="list-style-type: none"> • Aug 28 press release
Research and development	<ul style="list-style-type: none"> • Entered Business Partnership with DAIHEN Corporation 	<ul style="list-style-type: none"> • Sep 12 press release
Catalysts	<ul style="list-style-type: none"> • <u>Completed Production Capacity Expansion in Exhaust Emission Catalysts for Automobiles - commercial operation start-up with increased production capacity of exhaust emission catalysts for automobile applications -</u> • <u>Increased Catalyst Production Capacity in India: Approx. 30% increase in production capacity of catalysts for motorcycles at Indian manufacturing and sales subsidiary, Mitsui Kinzoku Components India Pvt. Ltd.</u> 	<ul style="list-style-type: none"> • Oct 11 press release

* MLCC: Multi Layer Ceramic Capacitor

Demand is likely to grow less than initially forecasted (in May 2018) given the slower growth in HDI-related demand.

Demand Forecast for MicroThin™ (November 2018 forecast)

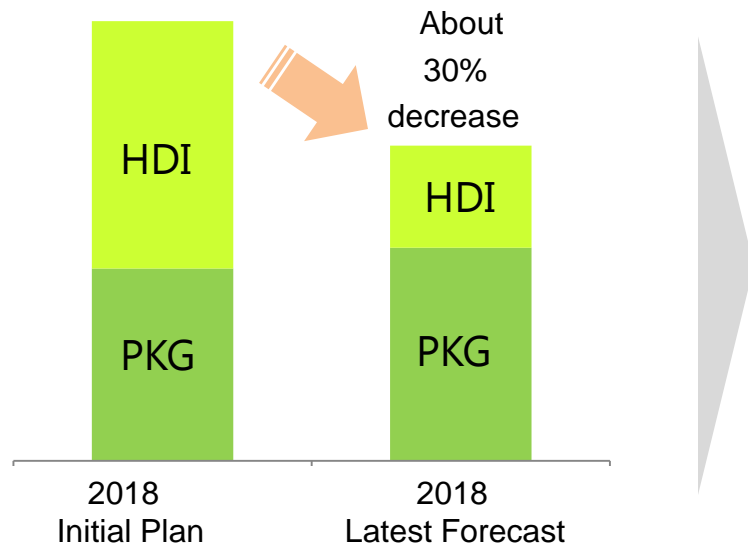


- HDI: Demand will trend upwards over the long-term, but the rate of growth will be slower than initial forecast.
- PKG: Non-smartphone PKG (e.g., external memory, *GPU) demand has soared since 2017. It is likely to continue growing steadily.

* GPU: Graphics Processing Unit

- HDI: High Density Interconnect
- PKG: Package substrates

Reasons for shifting away from HDI application

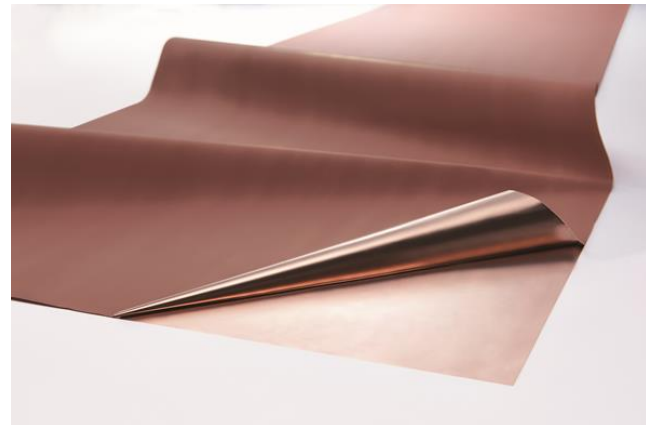


- Changes to production schedules (due to sluggish sales of hi-tech smartphones)
- Fewer applicable layers
- Taking more substrates from MicroThin™
- Stock adjustments
- * Improvement of customer yield rate is within expectations

Actions to expand sales of MicroThin™

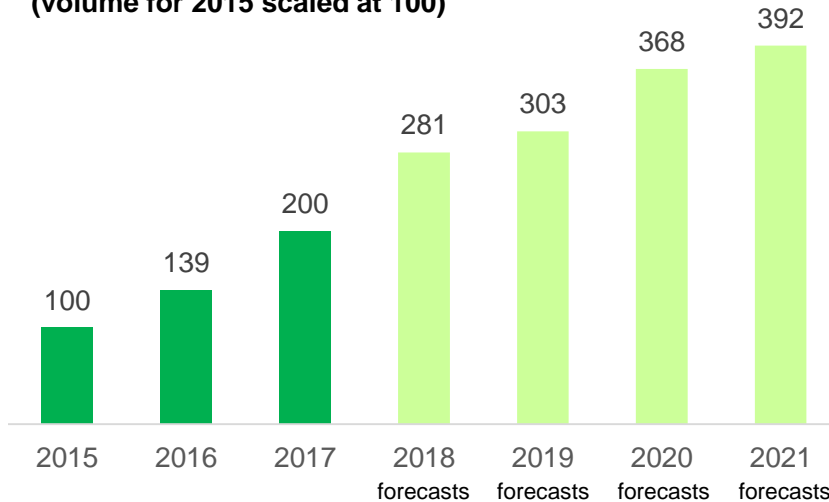
- HDI: Promote middle-end applications
- PKG: Capture non-smartphone demand (e.g., external memory, AI-related GPU)

Our ultra-thin copper foil MicroThin™



Sales forecasts: Catalysts for automobiles

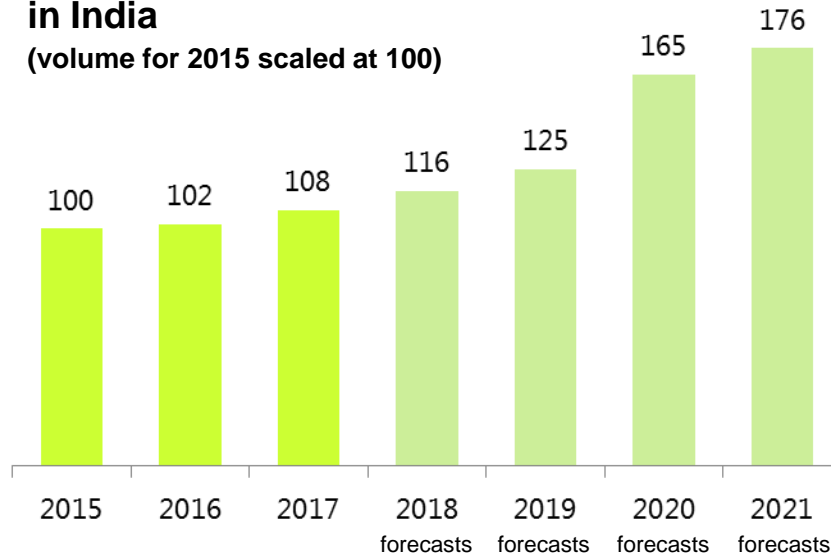
(volume for 2015 scaled at 100)



- Automobiles-related sales volume on the increase thanks to strong sales of vehicles equipped with our products and expanding adoption of our products
- Production capacity increase proceeding in line with 2016 Medium-Term Management Plan. Given the positive sales outlook, we are considering further increases.

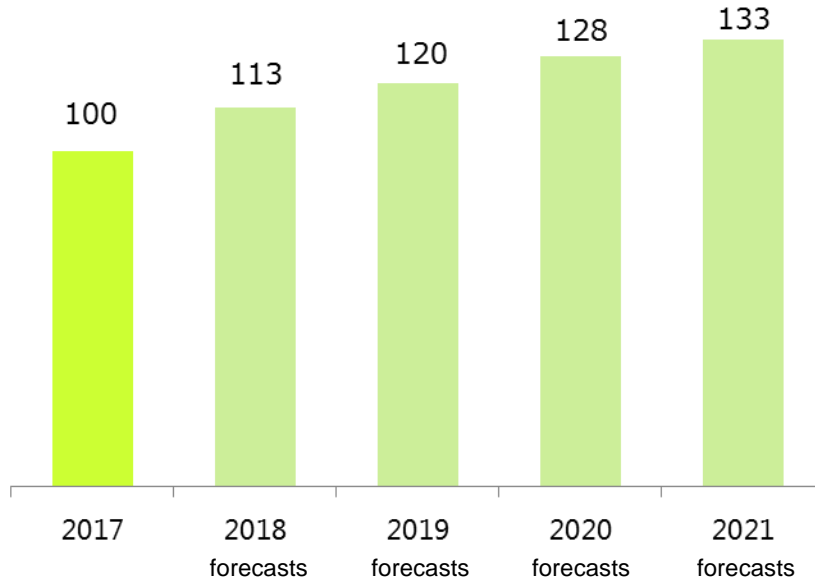
Forecasts for motorcycle catalysts market in India

(volume for 2015 scaled at 100)



- Our Indian production subsidiary, Mitsui Kinzoku Components India Pvt. Ltd., increased production capacity by 30% (see October 11 press release)
- India is where we see the highest growth in demand for motorcycle catalysts. We will develop production and sales structures to capitalize on this demand swiftly.

Forecasts for MLCC copper powder market
(volume for 2017 scaled at 100)



- Growing MLCC demand (particularly for automotive MLCCs) suggests an upward trend in copper powder for MLCCs
- We have decided to expand production capacity to prepare for higher volumes

Production capacity increase

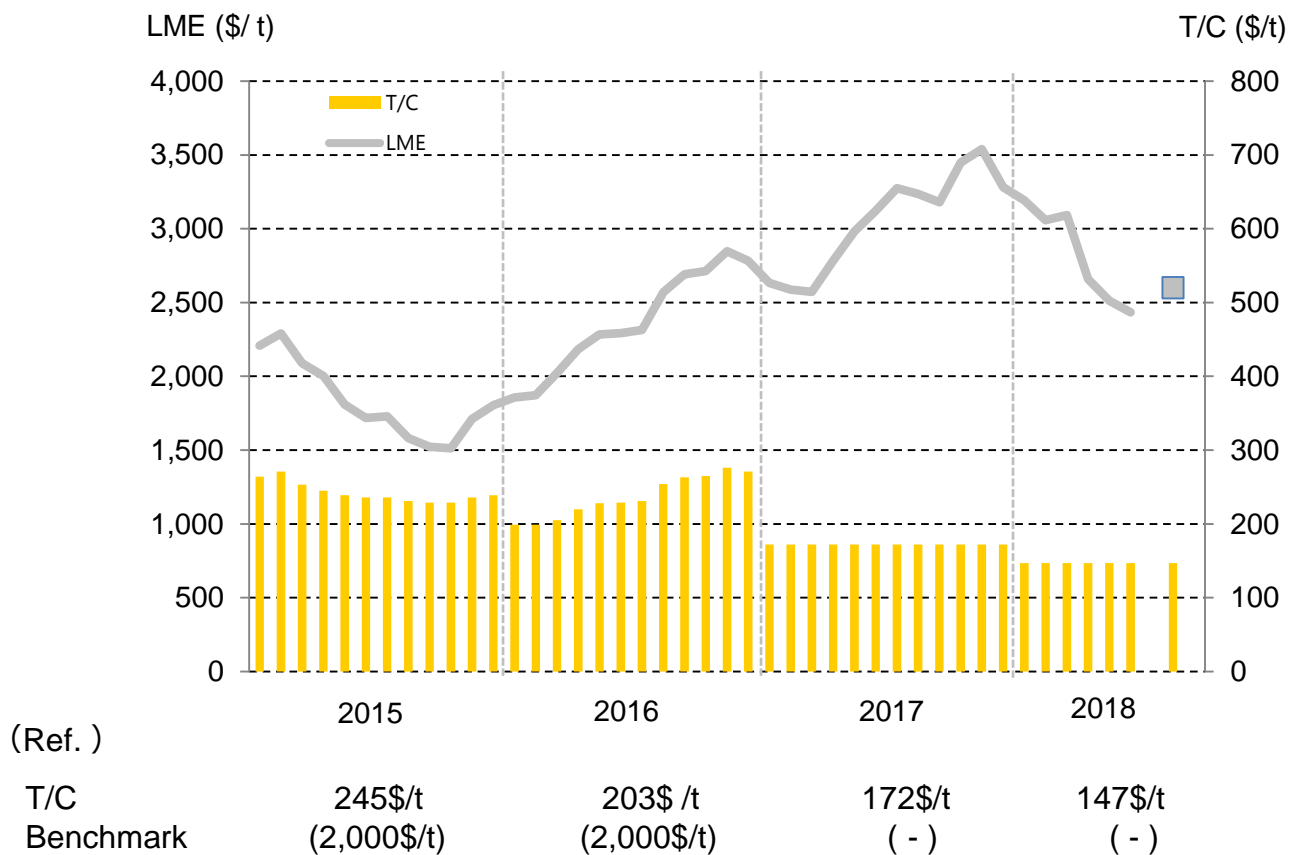
We have made 2 press releases (February 2018 and August 2018)

	Site	Production method	Production capacity increase (approx.)	Operation start date
1	Hikoshima	Wet reduction	40%	September 2018
2	Kamioka and Hikoshima	Atomization	50%	Kamioka: April 2019 Hikoshima: April 2020

Hikoshima site location: Shimonoseki, Yamaguchi Prefecture
Kamioka site location: Hida City, Gifu Prefecture

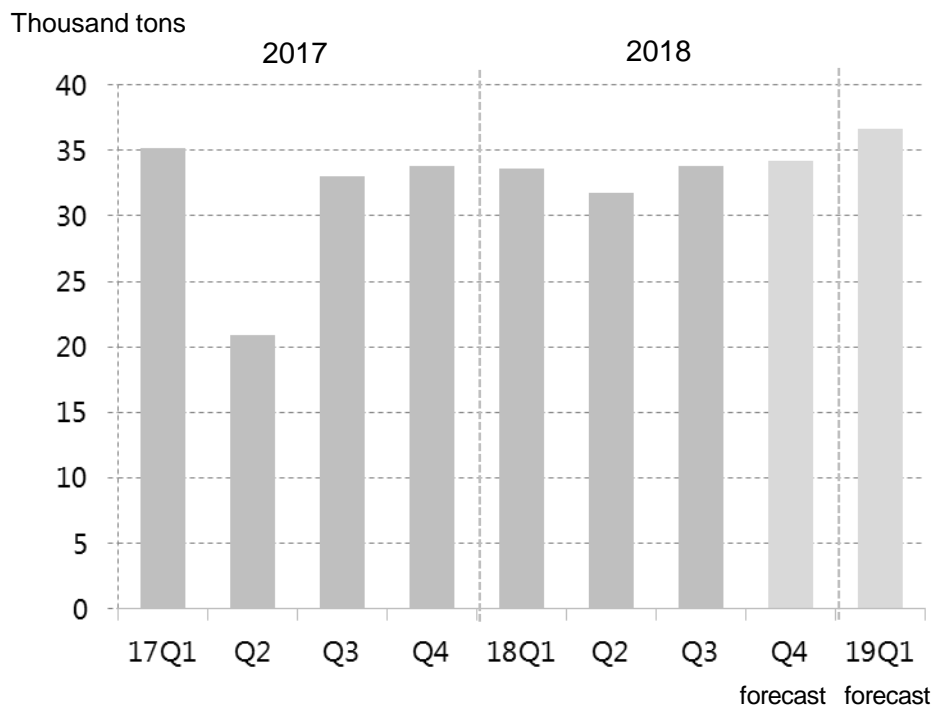
By easing supply-demand balance of zinc concentrate, the supply-demand balance of zinc will change from supply shortage since 2016 to excess supply.

Trends in Zinc Price and T/C

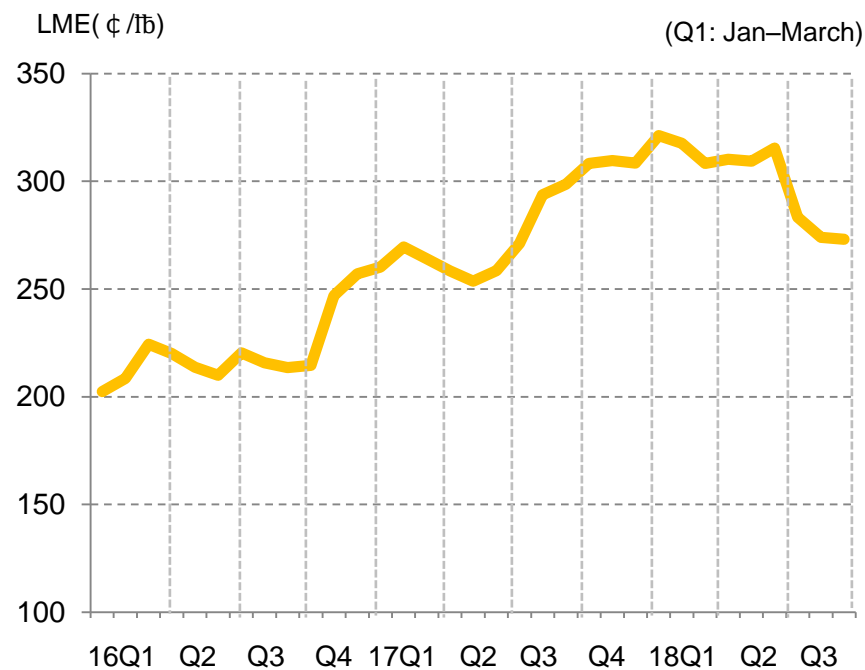


There were no weather problems in 2018, and the mine's output improved. We will continue to stabilize operations and improve output. We will also keep up our efforts to reduce costs.

● **Production trends (copper)** (Q1: Jan–March)



● **Trends in Copper Price** (Jan 2016 to Sep 2018)



Business conditions

US-China trade war has created a challenging environment for the automotive parts & components business

- Steel prices up
 - Tariffs on Chinese exports to US
 - Supply US market locally in some cases
 - Supply US market from third country (e.g., Mexico, Thailand)
- Minimize tariff burden

Promoting sales in Europe

- We opened a European office in the outskirts of Paris and established a subsidiary in Morocco (see July 10, 2018, press release)
- The Morocco center will launch operations in January 2020. Initially, we will target European OEMs in Morocco.

Side door latches (example)



15% share of global side door latch market

A new production and sales center:
Mitsui Kinzoku ACT

● Production and sales centers



- We will develop a network of 11 centers across 9 countries, including Morocco

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