

Record of Telephone Conference Concerning FY2022 Results

Reference: FY2022 Results & FY2023 Forecast

[https://www.mitsui-](https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=nMIFGVOH2Bw%3d&tabid=204&mid=1027&TabModule903=0)

[kinzoku.com/LinkClick.aspx?fileticket=nMIFGVOH2Bw%3d&tabid=204&mid=1027&TabModule903=0](https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=nMIFGVOH2Bw%3d&tabid=204&mid=1027&TabModule903=0)

Note:

PKG = Package substrate

HDI = High density interconnect

real profit = ordinary income excluding the inventory factors and the PGM price difference in Catalysts

Explanation



Sales and Earnings



(Unit: Billion yen)



Dividend per share
(Annual)

19/3 20/3 21/3 22/3 23/3 24/3

¥70 ¥70 ¥85 ¥110 ¥140 ¥140

<Interim Dividend>

< - > < - > < - > < - > < - > < ¥70 >

DOE

2.5% 2.5% 2.5% 2.6% 3.3% 3.3%

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Forecast as of May 10

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Please refer to page 2 about Sales and Earnings.

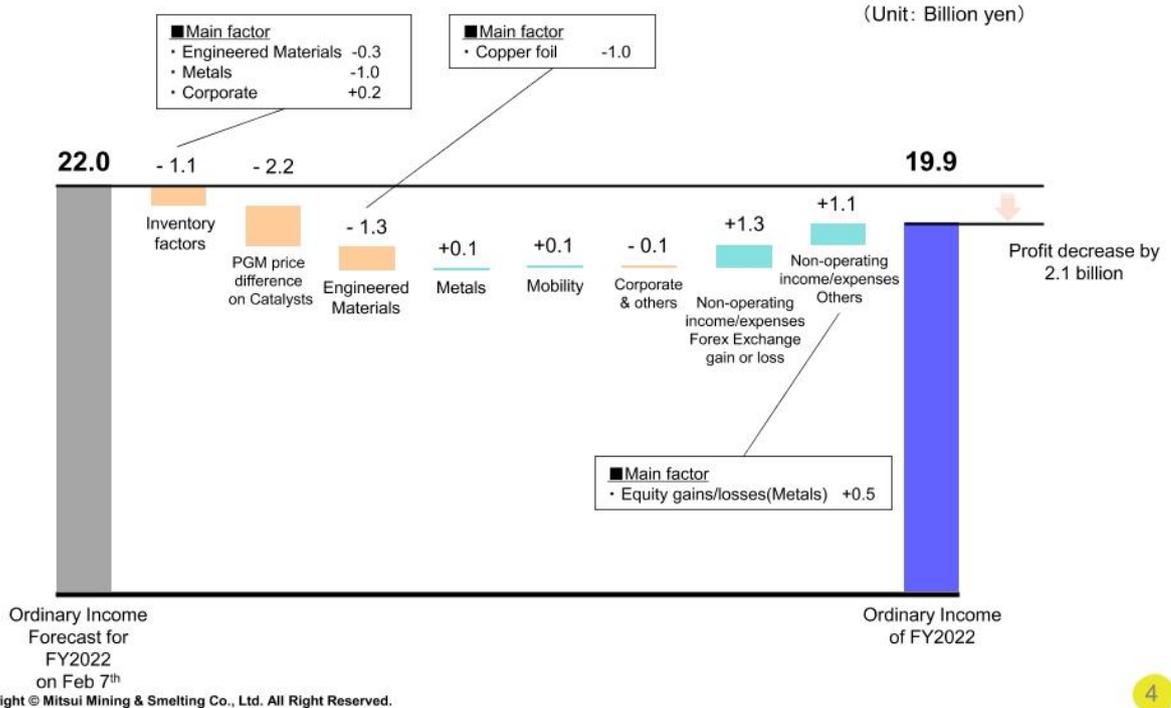
Net sales for the fiscal year ended March 2023 are ¥652.0 billion. Operating income was ¥12.5 billion. Ordinary income was ¥19.9 billion. Net income attributable to parent company shareholders was ¥8.5 billion.

Compared to the previous year, net sales increased by ¥18.6 billion, mainly due to the weaker yen and high zinc prices. Due to higher energy costs and lower sales volume in the Engineered Materials segment, operating income decreased by ¥48.2 billion, ordinary income by ¥46.1 billion, and net income attributable to owners of the parent by ¥43.6 billion.



FY2022 Ordinary Income

Ordinary income of FY2022 is 19.9 billion, by 2.1 billion less than the forecast for FY2022 announced on February 7th.



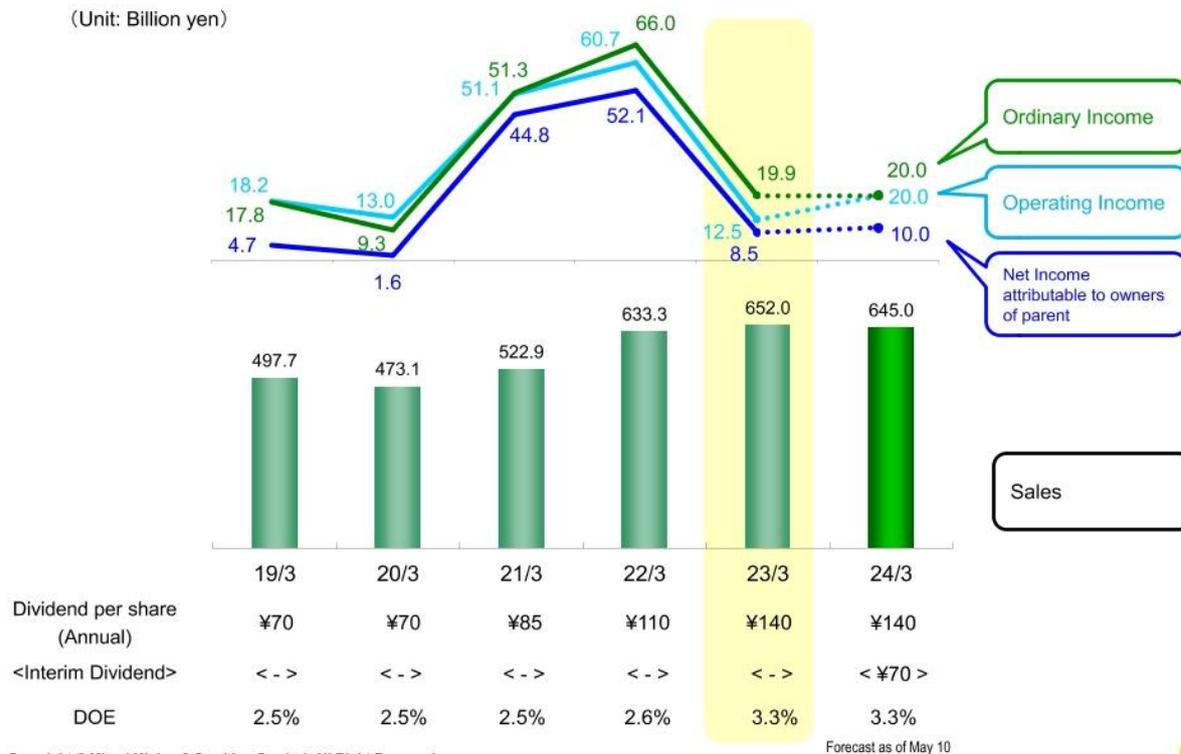
Regarding ordinary income, please refer to page 4 for a comparison with the full-year forecast for FY2022 announced on February 7.

The result is ¥19.9 billion, down ¥2.1 billion from the ¥22.0 billion forecast. Non-operating income increased due to the weaker-than-expected yen exchange rate and a favorable turnaround in equity in earnings of affiliates. On the other hand, the price of palladium and rhodium fell, which affected the price of precious metals in catalysts, resulting in a ¥2.2 billion decrease in profit. Inventory factors resulted in a ¥1.1 billion decrease due to weak metal prices. Profit decreased by ¥1.3 billion in the Engineered Materials segment due to the impact of lower electro-deposited copper foil sales volume in the copper foil business, etc. As a result, ordinary income was lower than the previous forecast.

Sales and Earnings

探索精神と
多様な技術の融合で、
地球を笑顔にする。

(Unit: Billion yen)



Next, we will explain our forecast for FY2023. Again, please see page 2 of the document.

For the fiscal year ending March 2024, we forecast net sales of ¥645.0 billion, operating income and ordinary income of ¥20.0 billion, and net income attributable to owners of the parent of ¥10.0 billion.

Compared to the results of the previous year, operating income is expected to increase by ¥7.5 billion, mainly due to the impact of recovering demand in the Engineered Materials and Mobility segments. Ordinary income is projected to be ¥20.0 billion, almost the same level as the previous year, due to the projected ¥7.4 billion decrease in non-operating income, caused by the deterioration of equity in earnings of affiliates, the absence of foreign exchange gains, and other factors.

Lastly, the proposal for dividend of ¥140 per share, as previously forecasted, will be submitted to the general shareholders' meeting on June 29. The dividend forecast for FY2023 is also ¥140 per share. Beginning this fiscal year, the Company plans to pay an interim dividend of ¥70 and a year-end dividend of ¥70.



Segment Information by Business Unit

(Unit: Billion yen)	Results			Forecast			
	2022 Results	2021 Results	Difference (22-21)	2023 Forecast	Difference (23-22)	1st Half	2nd Half
■Sales							
Engineered Materials	112.5	136.1	-23.6 -17.3%	136.0	23.5 20.9%	61.0	75.0
Metals	256.4	240.9	15.5 6.4%	261.0	4.6 1.8%	128.0	133.0
Mobility	216.5	207.1	9.4 4.5%	216.0	-0.5 -0.2%	107.0	109.0
Corporate	128.1	118.7	9.4 8.0%	123.0	-5.1 -4.0%	58.0	65.0
Adjustment	-61.5	-69.5	7.9	-91.0	-29.5	-44.0	-47.0
Consolidated	652.0	633.3	18.6 2.9%	645.0	-7.0 -1.1%	310.0	335.0
■Ordinary Income							
Engineered Materials	10.7	30.0	-19.3 -64.3%	13.5	2.8 26.1%	4.0	9.5
Metals	9.1	36.3	-27.2 -75.0%	7.5	-1.6 -17.4%	0.2	7.3
Mobility	3.2	2.4	0.8 31.4%	8.5	5.3 165.6%	3.5	5.0
Corporate	0.7	3.9	-3.1 -81.0%	2.5	1.8 239.7%	0.2	2.3
Business Creation	-6.6	-5.8	-0.8	-8.5	-1.9	-4.2	-4.3
Adjustment	2.8	-0.7	3.5	-3.5	-6.3	-1.7	-1.8
Consolidated	19.9	66.0	-46.1 -69.9%	20.0	0.1 0.6%	2.0	18.0

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I will explain other items. Please turn to page 8 of the material.

Again, ordinary income for FY2022 was ¥19.9 billion, a significant decrease of ¥46.1 billion from the previous year.



Performance by Segment – Engineered Materials



(Unit : Billion yen)

	FY2022 Results	FY2021 Results	Diff. (22-21)	FY2023 Forecast	Diff. (23-22)	1st Half Forecast	2nd Half Forecast
■ Sales	112.5	136.1	-23.6	136.0	23.5	61.0	75.0
■ Operating income	9.9	29.4	-19.5	14.5	4.6	4.5	10.0
■ Ordinary income	10.7	30.0	-19.3	13.5	2.8	4.0	9.5
※ Ordinary income	11.0	28.0	-17.0	13.5	2.5	4.0	9.5

※ Ordinary income : Ordinary income excluding inventory factors.

(Engineered Material Products)	(Main Applications)
Battery Materials	 <ul style="list-style-type: none"> • Nickel-hydrogen batteries for hybrid cars • Lithium-ion batteries
Engineered Powders	 <ul style="list-style-type: none"> • Wide range of electronic components • Abrasive for glass
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

Difference Analysis of Ordinary income

[FY2021 → FY2022 - 19.3]

Copper foil -13.1
(Electro-deposited Copper foil and MicroThin™ volume of sales decreases, others)
PVD Materials -3.5
(Deterioration of inventory factors, Volume of sales decrease, others)
Engineered Powders -2.8
(Major products such as copper powder volume of sales decrease, others)

[FY2022 → FY2023 Forecast + 2.8]

Copper foil +3.6
(Electro-deposited Copper foil and MicroThin™ volume of sales increases, others)

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We will explain the situation in each segment.
First, Engineered Materials segment. Please see page 13.

As for the YoY comparison for FY2022, we were strongly affected by inventory adjustments in the market, especially from H2. Sales volume declined in the copper foil business and many other businesses in the Engineered Materials segment. Given these circumstances, net sales decreased ¥23.6 billion from the previous year to ¥112.5 billion.

As for ordinary income, the copper foil business saw a decrease of ¥13.1 billion, mainly due to an approximately 30% decrease in sales volume of MicroThin™ and a 35% decrease in electro-deposited copper foil sales volume by inventory adjustments. In the PVD materials business, inventory factors due to the decline in indium prices were deteriorating factors of ¥2.3 billion. In addition, inventory adjustments in the market and weak demand for displays resulted in lower sales volumes. Given these, due to a combined deterioration of ¥3.5 billion, ordinary income decreased by ¥19.3 billion from the previous year to ¥10.7 billion.

Net sales for FY2023 are projected to increase by ¥23.5 billion from the previous year to ¥136.0 billion. Although we expect sales to increase in most businesses due to market recovery, the main factor would be the improvement in the copper foil business, which is a business with a large scale of profit.

Ordinary income is expected to increase by ¥2.8 billion to ¥13.5 billion. The main reason for this is that we expect sales volumes of both electro-deposited copper foil and MicroThin™ to recover, which will lead to a ¥3.6 billion increase in profit in the copper foil business.



Performance by Segment – Metals

(Unit : Billion yen)

	FY2022 Results	FY2021 Results	Diff. (22-21)	FY2023 Forecast	Diff. (23-22)	1st Half Forecast	2nd Half Forecast
■ Sales	256.4	240.9	15.5	261.0	4.6	128.0	133.0
■ Operating income	4.1	34.2	-30.1	7.0	2.9	-0.2	7.2
■ Ordinary income	9.1	36.3	-27.2	7.5	-1.6	0.2	7.3
※ Ordinary income	12.8	25.3	-12.5	10.0	-2.8	2.7	7.3

※ Ordinary income : Ordinary income excluding inventory factors.

Ordinary Income Difference Analysis

	FY2021→ FY2022	FY2022→ FY2023 Forecast
LME/Forex	7.5	-2.5
T/C	1.6	1.5
Inventory Factors	-14.7	1.2
Equity profit/loss	2.0	-3.0
Cokes	-3.6	2.2
Dividends	0.1	-0.7
Others※	-20.1	-0.3
Total	-27.2	-1.6

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Sensitivity to ordinary income(for FY2023)

(Unit: Billion yen)

		Full open basis	Including forward contract
Zinc	±100\$/t	1.4	1.3
Lead	±100\$/t	0.7	0.7
US\$(yen/\$)	±1yen/\$	0.7	0.6

Zinc TC

FY2021	159 \$/t	
FY2022	230 \$/t	
FY2023	274 \$/t	・ +6% for over 3,000\$/t

※Detail of Others

FY2021→ FY2022	Energy cost increase -9.3, Mineral Resources Division -3.0, Large scale maintenance for copper smelting -2.5, Cost increase -2.0, Raw materials composition difference -1.0, PGM recycling -1.1
FY2022→ FY2023 Forecast	Energy cost increase -5.0, Mineral Resources Division +0.4, Large scale maintenance for copper smelting +2.5, Large scale maintenance for zinc smelting -1.5, Copper production +2.3, Improvement in copper smelting operations +1.3

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Metal segment. Please refer to page 14.

As for the YoY comparison for FY2022, net sales increased ¥15.5 billion from the previous year to ¥256.4 billion, mainly due to the depreciation of the yen.

As for ordinary income, the rise in energy costs, starting with coke, was a factor in the ¥12.9 billion decline in income. In addition, the inventory factor, which was a positive factor of ¥11.0 billion in the previous year, became a negative factor of ¥3.7 billion. As a result, ordinary income decreased by ¥27.2 billion from the previous year to ¥9.1 billion.

For the ordinary income forecast for FY2023, we expect ¥7.5 billion, a decrease of ¥1.6 billion from the previous year. This is due to the impact of lower-than-expected zinc and lead prices and a deterioration in equity in earnings of affiliates.



Performance by Segment – Mobility

(Unit : Billion yen)

	FY2022 Results	FY2021 Results	Diff. (22-21)	FY2023 Forecast	Diff. (23-22)	1st Half Forecast	2nd Half Forecast
■ Sales	216.5	207.1	9.4	216.0	-0.5	107.0	109.0
(Mitsui Kinzoku ACT)	(86.0)	(78.8)	(7.2)	(97.9)	(11.9)	(47.9)	(50.0)
■ Operating income	3.4	1.5	1.9	9.5	6.1	4.0	5.5
(Mitsui Kinzoku ACT)	(-1.4)	(-0.3)	(-1.1)	(1.3)	(2.7)	(-0.2)	(1.4)
■ Ordinary income	3.2	2.4	0.8	8.5	5.3	3.5	5.0
(Mitsui Kinzoku ACT)	(-0.6)	(0.5)	(-1.1)	(1.1)	(1.7)	(-0.1)	(1.2)
※Ordinary income	6.3	8.4	-2.1	8.5	2.2	3.5	5.0

※Ordinary income : Ordinary income excluding PGM price difference on Catalysts.

Difference Analysis of Ordinary income

['FY2021 → 'FY2022 + 0.8]

Catalysts +1.4 (Volume of sales increase,
Precious metal price difference, others)
ACT -1.1 (Volume of sales decrease, others)
Die-Casting +1.0 (Improved yield, others)

['FY2022 → 'FY2023 Forecast + 5.3]

Catalysts +2.8 (Volume of sales increase,
Precious metal price difference, others)
ACT +1.7 (Volume of sales increase, others)
Die-Casting +1.0 (Improved yield, others)

(Mobility Sector)	(Main Applications)
Catalysts	<ul style="list-style-type: none"> • Motorcycles • Automobiles
Mitsui Kinzoku ACT	<ul style="list-style-type: none"> • Door locks for automobiles
Mitsui Kinzoku Die-Casting	<ul style="list-style-type: none"> • Die-Casting products

ACT: Difference Analysis of Ordinary income

	FY2021→ FY2022	FY2022→ FY2023 Forecast
Sales Volume	-2.9	3.4
Cost down	1.8	0.5
Others※	0.0	-2.2
Total	-1.1	1.7

※Detail of Others	FY2021→ FY2022	FY2022→ FY2023 Forecast
Rising material prices such as steel material	-1.3	-0.5
Forex exchange	1.0	-1.0
Freight Charge	0.4	0.1

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Mobility segment. Please refer to page 15.

I will explain the YoY comparison for FY2022. Mitsui Kinzoku ACT reported a ¥1.1 billion decline in profit, mainly due to lower sales. On the other hand, the catalyst business posted an increase of ¥1.4 billion, mainly due to the impact of precious metal prices. In addition, there was an effect of yield improvement in the die casting business. As a result, the segment as a whole reported an increase of ¥0.8 billion.

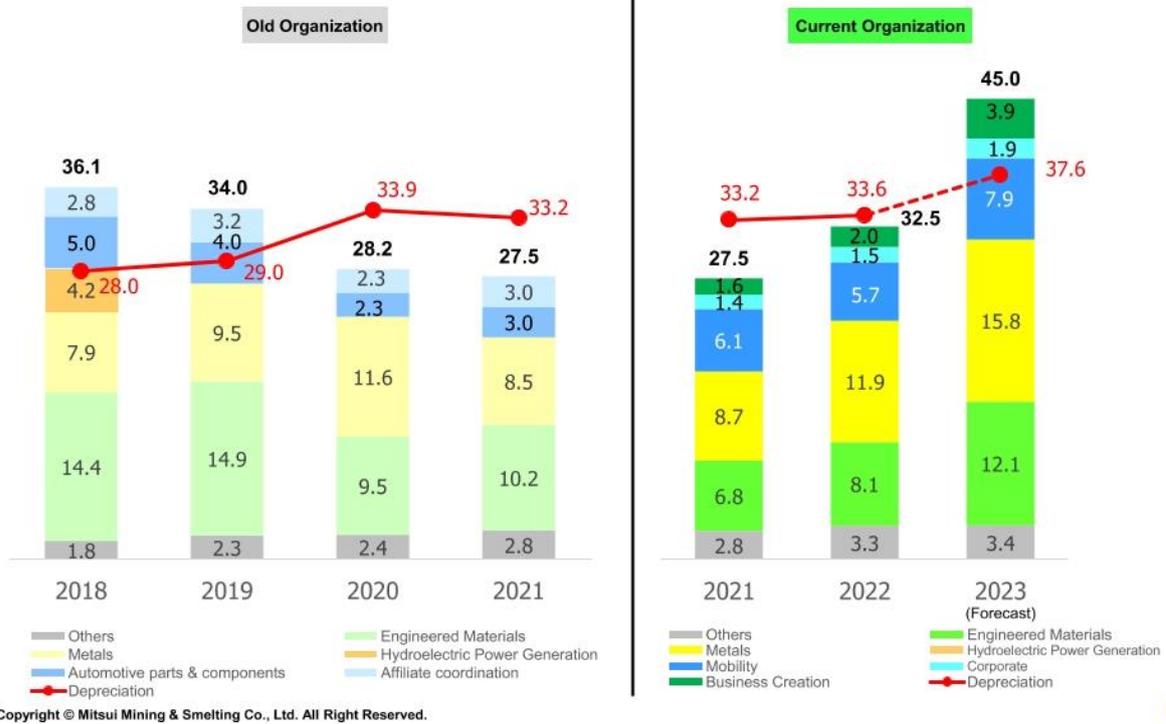
The ordinary income forecast for FY2023 is ¥8.5 billion, an increase of ¥5.3 billion from the previous year. The main reasons for this are that the catalysts business is expected to increase earnings by ¥2.8 billion due to increased sales and a favorable turnaround in the impact of precious metal prices, and that Mitsui Kinzoku ACT is expected to increase earnings by ¥1.7 billion, mainly due to increased sales.



CAPEX and Depreciation

(Unit : Billion yen)

探索精神と
多様な技術の融合で、
地球を笑顔にする。

Please refer to page 16 about CAPEX and Depreciation.

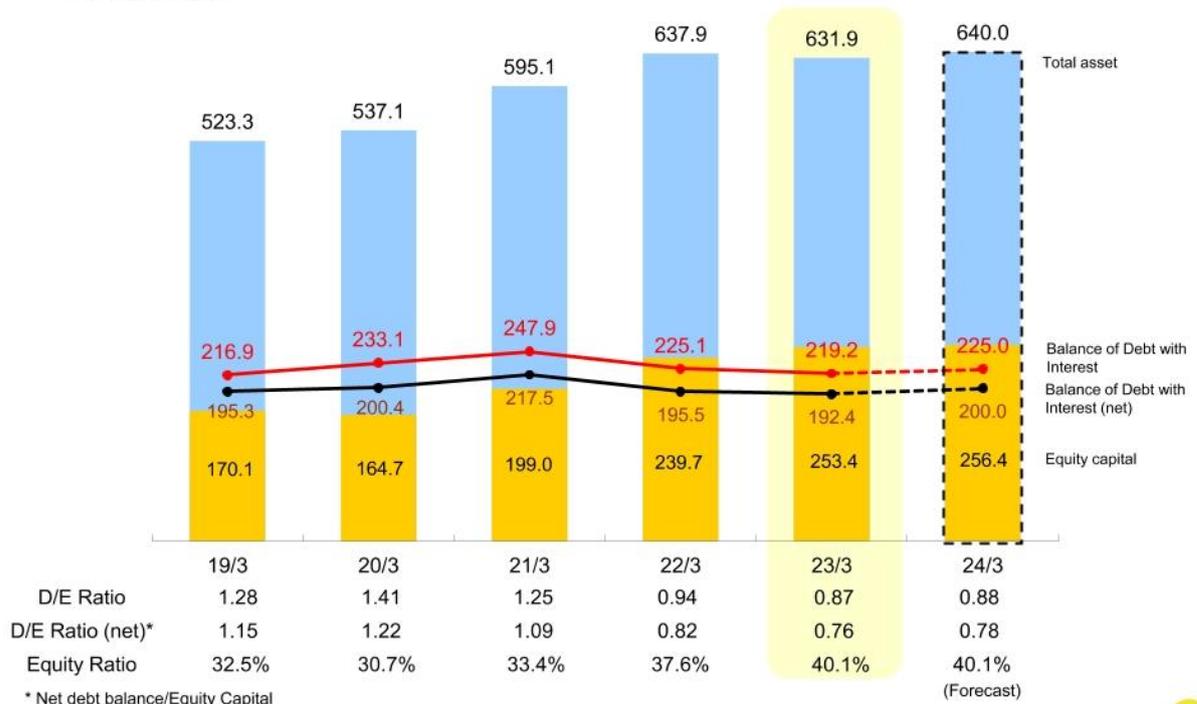
Capital investment for FY2022 was ¥32.5 billion, 13.5 billion less than the ¥46.0 billion of the initial target.

Capital investment in FY2023 is planned to be ¥45.0 billion, a significant increase from FY2022. We expect a large amount for investments as we need to make such investments that have been pushed back from FY2022 and that will be needed to achieve our goals in FY2030.



Financial Position at the end of Fiscal Year

(Unit : Billion yen)



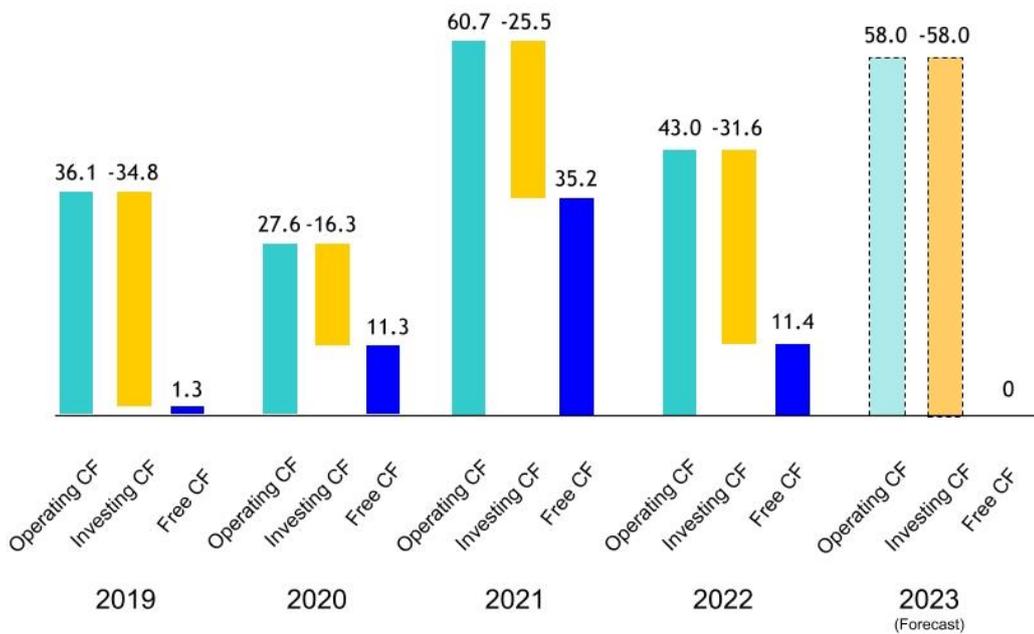
* Net debt balance/Equity Capital

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Please refer to page 17 about Financial Position.

Net assets were almost unchanged, but interest-bearing debt decreased, and the equity ratio was 40.1%.



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As shown in the cash flow on page 18, free cash flow is expected to be zero in FY2023, as investments for the future, including M&A, are factored in.

■Q&A Session

Engineered Materials Segment

Q.

It is assumed that the sales volume of MicroThin™ for HDI in fiscal 2023 will remain largely unchanged. Please tell us about the current demand environment and inventory adjustment, as well as the expansion of the adoption of MicroThin™, such as adoption by new Chinese smartphone manufacturers.

A.

We expect that there will be no inventory adjustments for HDI in fiscal 2023, and that demand will follow the same trend as in past years, where it starts to rise in Q1, peaks in Q2, and settles down in the second half of the year. We have heard that orders are likely to be slightly lower in Q1 this year compared to fiscal 2021 and fiscal 2022, but for the full year, we currently expect orders to slightly exceed fiscal 2022.

There has been no progress in the expansion of the customer base of MicroThin™ for HDI, which currently is adopted by three Chinese smartphone manufacturers. All three companies are now adopting it only for their high-end foldable smartphones, but we have heard that there are moves being made for adoption in some models. Even if this does not lead to an increase in sales volume in the short term, there are some encouraging signs.

Q.

The sales volume of MicroThin™ for PKG is assumed to grow slightly, but what is the situation?

A.

We expect that sales of MicroThin™ for PKG will recover in fiscal 2023, growing from the first to second half of the year, with full recovery expected in the second half. Recovery is expected for both smartphone and non-smartphone sales, and since we are receiving customer inquiries for MicroThin™ for PKG, reflecting a reaction to the too-low sales volume index of 18 in Q4 fiscal 2022, we are confident of a recovery starting in fiscal 2023.

Q.

Is it correct to understand that the inventory adjustment for MicroThin™ for PKG has already been completed in Q4 of fiscal 2022, and that recovery will start from Q1 of fiscal 2023?

A.

The inventory adjustment has progressed, and sales are expected to recover from the Q4 fiscal 2022 level.

Q.

Regarding the sales volume forecast for MicroThin™ for PKG in fiscal 2023, you plan to return sales to a relatively high level in the second half. Could you explain more specifically what kind of business environment assumptions, such as a faster-than-expected recovery in memory for servers, will bring sales back to this level?

A.

Many of our customers are expecting a full-fledged recovery from the second half, so we have made this plan, but it is not yet clear whether it will fully recover to the second-half level. The recovery trend from the first half will probably go according to our plan, but it remains to be seen whether the sales volume will reach the expected level in the second half. Demand for MicroThin™ for PKG for smartphone applications will grow in the future, but we expect more growth for non-smartphone memory applications, such as servers and data centers.

Q.

Did you set the sales volume for MicroThin™ for PKG based on the currently available information, including information from customers, etc.?

A.

There is no clear basis for this figure, such as actual orders from customers. We estimated this figure, taking into account information from customers and other sources.

Q.

You assume that electro-deposited copper foil will recover in the new fiscal year, especially in the second half of the year, but still not back to the fiscal 2021 level. Please tell us about the business environment for electro-deposited copper foil.

A.

As with MicroThin™, electro-deposited copper foil will begin to recover in the first half, mainly for flexible printed circuits (FPC) and communication infrastructure, with a full-fledged recovery expected in the second half of the year. However, the recovery of electro-deposited copper foil for communication infrastructure, such as mid-range and low-end servers, may be slower than expected due to a higher-than-expected inventory adjustment in Q4 fiscal 2022.

Q.

Regarding the 2023 forecast for profit in the copper foil business, it seems that there is a large gap between the size of the decrease in profit in the previous year and the positive contribution from the recovery in sales volume this time. The level of profit increase seems to be small for both MicroThin™ and electro-deposited copper foil. Please explain the background.

A.

One major factor for the cost increase is electricity prices. Although we are transferring increased electricity prices to selling prices, it is limited to MicroThin™ and some electro-deposited copper foils. As a result, the marginal profit is declining, compared to fiscal 2022 and previous years.

Q.

Regarding products other than copper foil in the Engineered Materials segment, please explain positive and negative contributions to earnings from fiscal 2022 to fiscal 2023, including the situation in the first and second half?

A.

Basically, the sales volume is expected to recover from the first half to the second half, and sales and profits are also expected to increase from the first half to the second half. The sales volume of engineered powders and MH alloys for battery materials will increase from the first half to the second half. In order to secure appropriate margins of indium tin oxide (ITO), we do not intend to secure the sales volume by cutting IOT prices; therefore, even though the LCD panel market is on a recovery trend, we expect our 2023 ITO sales volume to remain at the fiscal 2022 level.

Metals Segment

Q.

On page 14 of the document, you state that the impact of energy costs in the metal business was a negative ¥9.3 billion during the period from fiscal 2021 to fiscal 2022, and is expected to be a negative ¥5.0 billion during the period from fiscal 2022 to fiscal 2023. Please give us a breakdown of this. There may also be various factors that will continue to drive up energy costs in fiscal 2023, including electricity and coke prices. Please tell us also about factors behind the increase in energy costs.

A.

More than 80% of the negative ¥9.3 billion from fiscal 2021 to fiscal 2022 is attributable to electricity prices, and 90% of the negative ¥5.0 billion from fiscal 2022 to fiscal 2023 is also attributable to electricity prices. Since April 2023, electric power companies have been raising electricity prices for companies, and this increase in prices is factored in for fiscal 2023 as in the previous year.

Q.

Please tell us what factors are expected to contribute to the ¥2.1 billion reduction in energy costs in the metal business from the first to second half of fiscal 2023.

A.

More than 80% of the energy cost reduction is attributable to an improvement in electricity prices.

Q.

What are your assumptions for crude oil and coke market prices?

A.

For crude oil prices in fiscal 2023, we assume \$90 per barrel. For coking coal prices, we assume \$280 per ton in the first half and \$250 per ton in the second half.

Mobility Segment

Q.

The Mobility segment is planned to improve significantly in fiscal 2023 (fiscal 2022: ordinary income ¥3.2 billion -> fiscal 2023 forecast: ordinary income ¥8.5 billion, an increase of ¥5.3 billion). Please tell us whether catalysts, Mitsui Kinzoku Act, and Mitsui Kinzoku Die-Casting

Technology can achieve the same, respectively.

A.

In the catalyst business, the impact of precious metal prices was a negative ¥3.1 billion in fiscal 2022. If precious metal prices remain constant, their negative impact will disappear and profit will increase by that amount. We expect the sales volume will increase because more types of automobiles will use our catalysts. We also expect Mitsui Kinzoku ACT will increase sales, reflecting the easing of the semiconductor shortage. If yield improvement progresses as expected, Die-Casting Technology can expect profits. Basically, if the semiconductor shortage is eased and the automotive market recovers, we think that profits will be generated accordingly.

Q.

The sales volume of catalysts for motorcycles is expected to decrease from the first half to the second half of fiscal 2023. Please tell us the reason.

A.

In India, which is the largest market for our catalysts, there is a big sales season during the Diwali holiday in the second half. To prepare for it, we focus on production in the first half, which will slow down in the second half in reaction to the boost. As a result, sales volume tends to be skewed in the first half, and we will also see a similar trend in fiscal 2023.

Business Creation Sector

Q.

Expenses in the Business Creation Sector in fiscal 2023 have increased compared with fiscal 2022. Does this reflect any specific movement? Could you tell us what you think about the profit and loss impact regarding the Business Creation Sector, including trends after fiscal 2023?

A.

For the Business Creation Sector, we will steadily implement the measures planned in our medium-term management plan. In particular, we plan to focus management resources on the development of new products. We were not able to increase the number of employees as planned and expenses did not rise in fiscal 2022, but we will steadily implement the plan in fiscal 2023. However, the increase in expenses was originally in line with our medium-term management plan, which indicates our steady investment of management resources toward future recovery.

Total

Q.

The investment cash flow in fiscal 2023 is posting a deficit of ¥58 billion, which seems to be very large. Please tell us the breakdown.

A.

Capital investment is expected to be ¥45 billion, and M&As approximately ¥10 billion.

Q.

Are M&As factored in as specific deals or included in the budget line?

A.

The latter. We include them in the budget.