

Record of Telephone Conference Concerning FY2022 Q1 Results

Reference: FY2022 Q1 Results & FY2022 Forecast

<https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=ZXLNPHgyYNE%3d&tabid=204&mid=1027&TabModule903=0>

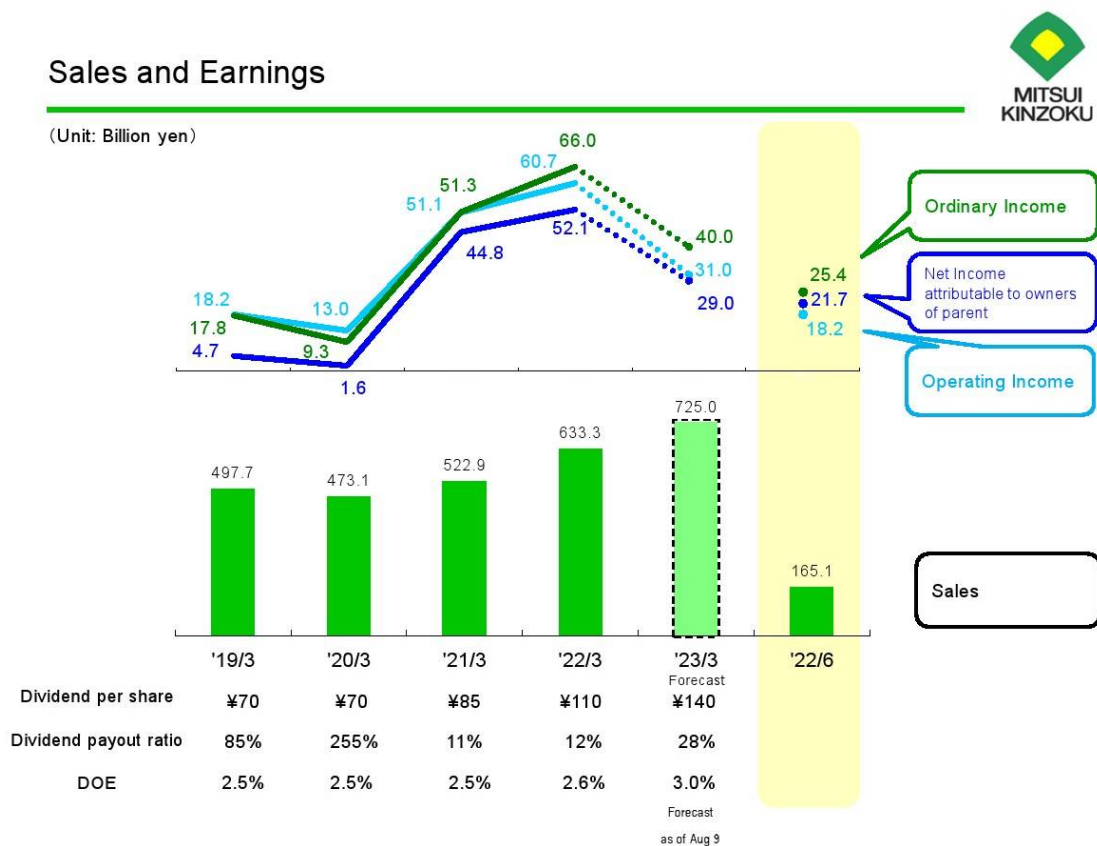
Note:

PKG = Package substrate

HDI = High density interconnect

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

■ Explanation



2

Please refer to page 2 about Sales and Earnings.

Regarding our financial results for Q1 of the fiscal year ending March 2023, net sales were ¥165.1 billion, operating income was ¥18.2 billion, ordinary income was ¥25.4 billion, and net income attributable to owners of parent was ¥21.7 billion.

Regarding the consolidated forecasts for the fiscal year ending March 2023, net sales are ¥725.0 billion and operating income is ¥31.0 billion. Ordinary income and net income attributable to owners of the parent are projected to be ¥40.0 billion and ¥29.0 billion, respectively.

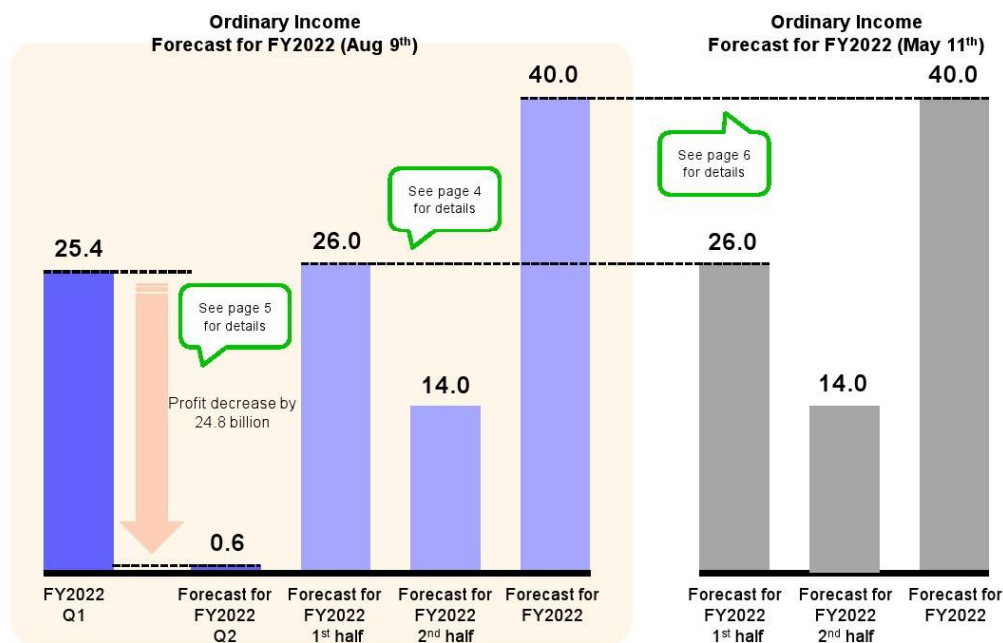
See page 17 for assumed metal prices and exchange rates.

FY2022 Ordinary Income Forecast



Ordinary income forecast for FY2022 1st half and FY2022 is same as forecast for FY2022 1st half and FY2022 announced on May 11th.

(Unit: Billion yen)



3

Please see FY2022 ordinary income forecast on page 3.

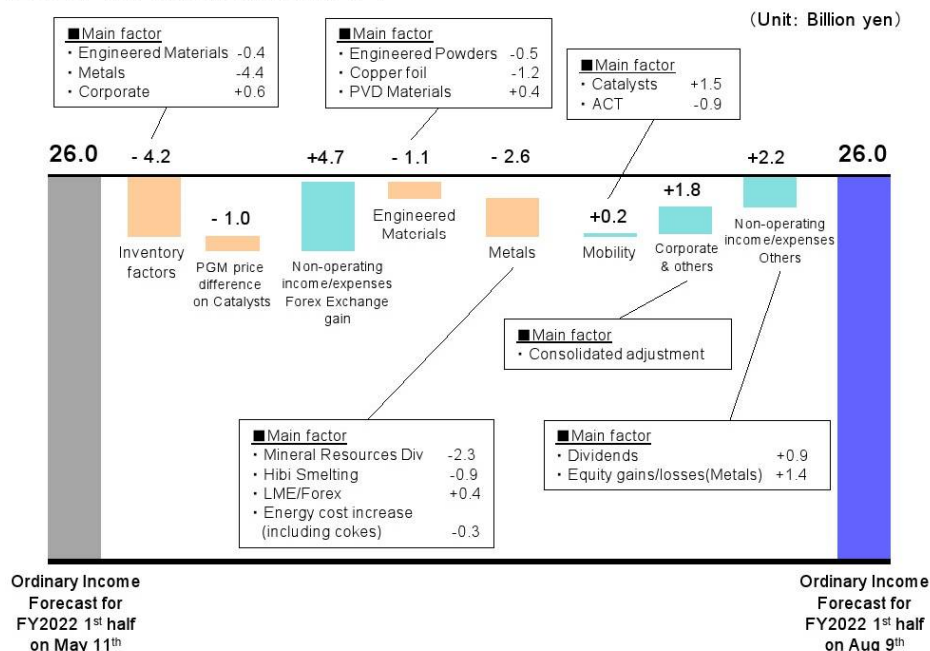
In light of current trends, we have revised our forecasts for the first half of the fiscal year and the full year. However, we do not expect to revise our forecasts for ordinary income levels for both the first half of the fiscal year and the full year from those disclosed on May 11. The details of the financial results will be explained on the next page onwards.

In addition, since ¥25.4 billion has already been posted in Q1 against the ordinary income forecast of ¥26.0 billion for the first half of the fiscal year, we forecast ¥0.6 billion for Q2 after a subtraction. As a result, we expect a significant decrease of ¥24.8 billion from Q1. The details of the financial results will also be explained on the next page onwards.

FY2022 1st half Ordinary Income Forecast



Ordinary income forecast for FY2022 1st half is 26.0 billion, the same amount as forecast for FY2022 1st half announced on May 11th.



4

First, I would like to explain the factors behind the upward revision of the first half financial forecast. Please see page 4.

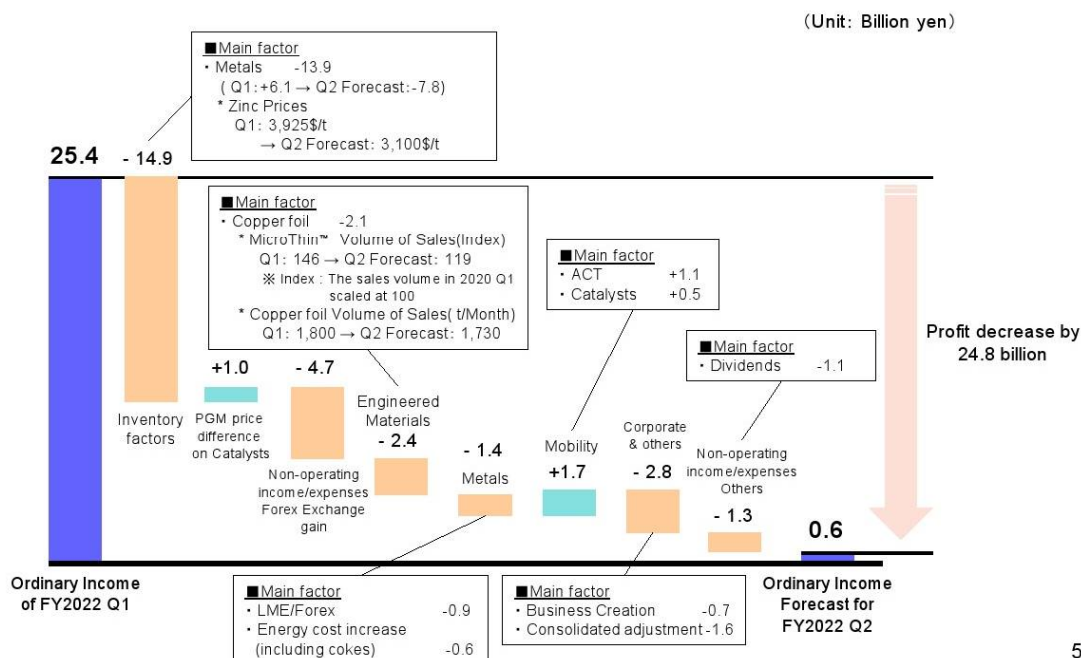
As for changes from the May forecast, first, on the negative side, we expect a ¥4.2 billion decrease in profit due to inventory factors caused by the decline in metal prices. In addition, due to the fact that the capacity utilization of the Huanzala Mine has not reached the planned level and the impact of falling metal prices, we expect a decrease in profit of ¥2.3 billion in the mineral resources division. Combined with this, we expect a ¥2.6 billion decrease in income in the Metals segment. In the Engineered Materials segment, we expect a ¥1.2 billion decrease in income in the copper foil business, mainly due to sluggish sales for smartphones.

On the plus side, foreign exchange settlement gains due to the weaker yen and foreign currency valuation contributed to a ¥4.7 billion turnaround in non-operating income/loss. In addition, other non-operating income and expenses are expected to be ¥26.0 billion, the same level as the May forecast, due to a ¥1.4 billion increase in equity in earnings of affiliates and a ¥0.9 billion increase in dividend income compared to the plan, which will offset the negative effects.

FY2022 Q2 Ordinary Income Forecast



Ordinary income forecast for FY2022 Q2 is 0.6 billion, by 24.8 billion less than FY2022 Q1.



5

Next, I will explain why we expect income to decline significantly through Q2. Please see page 5.

Of the ¥24.8 billion decrease, ¥14.9 billion was due to inventory factors, mostly in the Metals segment. The effect of higher zinc prices had a positive impact of ¥6.1 billion on the Metals segment in Q1. On the other hand, zinc prices have declined in Q2, and as noted on page 17, the zinc price assumption for July through September is set at \$3,100 per ton, \$825 per ton lower than Q1 results. The inventory factor is expected to be a negative ¥7.8 billion, resulting in a combined negative ¥13.9 billion in the Metals Segment alone.

In addition, the ¥4.7 billion of foreign exchange gains in non-operating income/loss explained on the previous page, all of which were recorded in Q1, are not expected to occur in Q2, as we expect the level of foreign exchange in Q2 to be the same as the end of June. Therefore, this ¥4.7 billion is also a major factor in the decline in income through Q2.

In the Engineered Materials segment, we expect a decrease of ¥2.4 billion, with the slowdown in sales of copper foil in Q2 having a particularly large impact. We expect MicroThin™ sales volume to drop by about 20% over Q1, especially for PKG due to the slowdown in sales for smartphones. For the same reason, we expect a decrease in sales for flexible printed circuits (FPC), resulting in a ¥2.1 billion decrease in overall copper foil income.

In the Metals segment, the decline in zinc prices resulted in a negative impact of ¥1.3 billion, while the impact of exchange rates had a positive impact of ¥0.4 billion. In addition, we expect an increase in energy costs, which together are expected to result in a ¥1.4 billion decrease in income. Dividend income, including Q1-only factor, is almost all of the income for the 1st half of the fiscal year is expected to be recorded in Q1.

Segment Information by Business Unit

(Unit: Billion yen)	Q1 Results			1st half			FY		
	2022 Results	2021 Results	Difference (22-21)	2022 Forecast	2021 Results	Difference (22-21)	2022 Forecast	2021 Results	Difference (22-21)
■ Sales									
Engineered Materials	36.6	33.5	3.1 9.2%	70.0	69.2	0.8 1.1%	146.0	136.1	9.9 7.3%
Metals	63.7	54.5	9.2 16.8%	143.0	113.5	29.5 26.0%	275.0	240.9	34.1 14.1%
Mobility	49.8	50.7	-0.8 -1.7%	126.0	104.7	21.3 20.3%	257.0	207.1	49.9 24.1%
Corporate	30.2	23.7	6.5 27.5%	55.0	51.7	3.3 6.4%	117.0	118.7	-1.7 -1.4%
Adjustment	-15.3	-15.4	0.1	-34.0	-33.8	-0.2	-70.0	-69.5	-0.5
Consolidated	165.1	147.0	18.0 12.3%	360.0	305.3	54.7 17.9%	725.0	633.3	91.7 14.5%
■ Ordinary Income									
Engineered Materials	9.1	7.9	1.2 15.3%	14.0	15.2	-1.2 -7.7%	27.0	30.0	-3.0 -9.9%
Metals	13.0	11.6	1.4 12.2%	9.0	17.9	-8.9 -49.7%	10.0	36.3	-26.3 -72.4%
Mobility	2.2	4.6	-2.4 -53.2%	4.2	6.8	-2.6 -38.3%	7.5	2.4	5.1 207.9%
Corporate	0.4	0.4	-0.1 -16.2%	0.0	1.4	-1.4 -100.0%	1.0	3.9	-2.9 -74.1%
Business Creation	-1.5	-1.4	-0.1	-3.6	-2.8	-0.8	-8.2	-5.8	-2.4
Adjustment	2.3	-1.9	4.2	2.4	-0.9	3.3	2.7	-0.7	3.5
Consolidated	25.4	21.2	4.2 19.8%	26.0	37.6	-11.6 -30.8%	40.0	66.0	-26.0 -39.4%

8

I would like to explain our financial results for Q1. Please see page 8.

Net sales for Q1 increased by about 12% YoY to ¥165.1 billion. Sales in the Metals segment increased significantly due to higher metals prices, and sales in the Corporate increased due to the impact of higher sales from affiliates that require trading company functions, also due to higher metals prices and a weaker yen. In the Engineered Materials segment, sales increased mainly due to an increase in sales volume of MicroThin™.

Ordinary income increased by ¥4.2 billion YoY to ¥25.4 billion. Looking at the ordinary income for Q1 by segment,

In the Engineered Materials segment, ordinary income in this segment increased by about 15% YoY to ¥9.1 billion due to an approximately 10% increase in sales volume of MicroThin™ in the copper foil business compared to the same period last year, a favorable sales mix in the PVD materials business, and the impact of yen depreciation.

In the Metals segment, ordinary income in this segment increased by ¥1.4 billion YoY to ¥13.0 billion due to higher LME prices for zinc and a weaker yen, despite the significant impact of cost increases due to rising energy costs.

In the Mobility segment, in the catalysts business, sales of catalysts for motorcycles increased, especially in India, but the impact of precious metal prices was a negative ¥1.0 billion in the current fiscal year, down from a positive ¥2.9 billion in the previous fiscal year, resulting in a ¥3.9 billion decrease in income. Ordinary income decreased by ¥2.4 billion YoY to ¥2.2 billion, mainly due to a decrease in sales volume at Mitsui Kinzoku ACT, partly affected by the semiconductor shortage and lockdown in China.

Please refer to the following matrix on page 9, which provides a variance analysis for the factor-by-factor differences in ordinary income for each segment.

Segment Information by Business Unit

(Unit: Billion yen)	Q1 Results			1st half			FY		
	2022 Results	2021 Results	Difference (22-21)	2022 Forecast	2021 Results	Difference (22-21)	2022 Forecast	2021 Results	Difference (22-21)
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Mobility	49.8	50.7	-0.8 -1.7%	126.0	104.7	21.3 20.3%	257.0	207.1	49.9 24.1%
Corporate	30.2	23.7	6.5 27.5%	55.0	51.7	3.3 6.4%	117.0	118.7	-1.7 -1.4%
Adjustment	-15.3	-15.4	0.1	-34.0	-33.8	-0.2	-70.0	-69.5	-0.5
Consolidated	165.1	147.0	18.0 12.3%	360.0	305.3	54.7 17.9%	725.0	633.3	91.7 14.5%
■ Ordinary Income									
Engineered Materials	9.1	7.9	1.2 15.3%	14.0	15.2	-1.2 -7.7%	27.0	30.0	-3.0 -9.9%
Metals	13.0	11.6	1.4 12.2%	9.0	17.9	-8.9 -49.7%	10.0	36.3	-26.3 -72.4%
Mobility	2.2	4.6	-2.4 -53.2%	4.2	6.8	-2.6 -38.3%	7.5	2.4	5.1 207.9%
Corporate	0.4	0.4	-0.1 -16.2%	0.0	1.4	-1.4 -100.0%	1.0	3.9	-2.9 -74.1%
Business Creation	-1.5	-1.4	-0.1	-3.6	-2.8	-0.8	-8.2	-5.8	-2.4
Adjustment	2.3	-1.9	4.2	2.4	-0.9	3.3	2.7	-0.7	3.5
Consolidated	25.4	21.2	4.2 19.8%	26.0	37.6	-11.6 -30.8%	40.0	66.0	-26.0 -39.4%

8

Next, as for the outlook for the cumulative Q2 of the fiscal year, please refer to the middle section on page 8.

For the cumulative Q2 of the fiscal year, we project sales of ¥360.0 billion, up about 18% YoY, mainly due to higher metal prices and a weaker yen, as well as strong catalyst sales. Ordinary income is expected to decrease by ¥11.6 billion, or approximately 31% YoY to ¥26.0 billion.

Next, please refer to the full-year forecast in the rightmost section.

Net sales are expected to increase 14.5% YoY to ¥725.0 billion, mainly due to higher metal prices and a weaker yen. Ordinary income is expected to be ¥40.0 billion, down ¥26.0 billion YoY, due to a negative impact of inventory factors of ¥15.8 billion and higher energy costs.

Performance by Segment – Engineered Materials



(Unit : Billion yen)

	22/Q1 Results	21/Q1 Results	Diff. (22-21)	22/1H Forecast	21/1H Results	Diff. (22-21)	FY2022 Forecast	FY2021 Results	Diff. (22-21)
■ Sales	36.6	33.5	3.1	70.0	69.2	0.8	146.0	136.1	9.9
■ Operating income	8.0	8.0	-0.0	13.0	15.2	-2.2	26.0	29.4	-3.4
■ Ordinary income	9.1	7.9	1.2	14.0	15.2	-1.2	27.0	30.0	-3.0
※ Ordinary income	8.7	7.4	1.3	13.8	14.5	-0.7	26.8	28.0	-1.2

※ 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 1st Half→FY2022 1st Half Forecast -1.2]

Engineered Powders -1.0
(Volume of sales decrease, Raw material prices increase, others)

Copper foil -0.9
(Electro-deposited Copper foil volume of sales decreases, others)

Battery Materials +0.5
(Volume of sales increase, others)

[*FY2021→FY2022 Forecast -3.0]

PVD Materials -1.6

(Inventory factors, others)

Engineered Powders -1.4

(Raw material prices increase, others)

Copper foil -0.5

(Electricity and other cost increase, others)

Battery Materials +0.5

(Volume of sales increase, others)

14

We will explain the situation in each segment.

First, Engineered Materials segment. Please see page 14.

We expect ordinary income for the cumulative Q2 to be ¥14.0 billion, a decrease of ¥1.2 billion YoY. The main reason for this is, as explained in the explanation of increase/decrease in the lower right-hand corner, a decrease in sales of copper powder, resulting in a ¥1.0 billion decrease in income in the engineered powders. We also forecast a ¥0.9 billion decrease in income in the copper foil business, mainly due to a decrease in electro-deposited copper foil sales volume caused by the sluggish Chinese smartphone.

Ordinary income for the full year is expected to be ¥27.0 billion, a decrease of ¥3.0 billion YoY. In the PVD materials business, we expect a ¥1.6 billion decrease due to inventory factors, and a ¥1.4 billion decrease in engineered powders due to rising raw material prices.

Performance by Segment – Metals



(Unit: Billion yen)

	22/Q1 Results	21/Q1 Results	Diff. (22-21)	22/1H Forecast	21/1H Results	Diff. (22-21)	FY2022 Forecast	FY2021 Results	Diff. (22-21)
■ Sales	63.7	54.5	9.2	143.0	113.5	29.5	275.0	240.9	34.1
■ Operating income	10.7	10.9	-0.2	6.0	17.0	-11.0	5.5	34.2	-28.7
■ Ordinary income	13.0	11.6	1.4	9.0	17.9	-8.9	10.0	36.3	-26.3
※ Ordinary income	6.9	8.1	-1.2	10.7	13.2	-2.5	12.2	25.3	-13.1

※ Ordinary income : Ordinary income excluding inventory factors.

Ordinary Income Difference Analysis

	FY2021 1H→ FY2022 1H Forecast	FY2021→ FY2022 Forecast
LME/Forex	5.1	6.6
T/C	0.5	1.4
Inventory Factors	-6.4	-13.2
Equity profit/loss	1.4	1.1
Cokes	-3.2	-4.0
Dividends	0.1	0.1
Others※	-6.4	-18.3
Total	-8.9	-26.3

Sensitivity to ordinary income(for FY2022)

(Unit: Billion yen)

		Full open basis	Including forward contract
Zinc	±100\$/t	1.3	0.9
Lead	±100\$/t	0.4	0.4
US\$(yen/\$)	±1yen/\$	0.6	0.4

Zinc T.C

FY2020	FY2021	FY2022 Forecast
299.75 \$/t	159 \$/t	230 \$/t

※Detail of Others

FY2021 1H→ FY2022 1H Forecast	Energy cost increase -3.5, Mineral Resources Division -0.7, PGM recycling -0.7, Cost increase -1.4
FY2021→ FY2022 Forecast	Energy cost increase -9.3, PGM recycling -1.4, Large scale maintenance for copper smelting -2.5, Mineral Resources Division -1.2, Cost increase -2.6

15

Metal segment. Please refer to page 15.

We expect ordinary income for the cumulative Q2 to be ¥9.0 billion, a decrease of ¥8.9 billion. As you can see from the explanation of ordinary income difference analysis in the lower left-hand corner, the segment as a whole will see a large decrease in income due to the difference in inventory factors, which will result in a ¥6.4 billion decrease in income, the impact of ¥3.2 billion from higher coke prices, and the impact of ¥3.5 billion from higher energy costs, which together will result in a ¥6.7 billion decrease in income, despite the positive effects of market and foreign exchange rates.

Ordinary income for the full year is expected to be ¥10.0 billion, a decrease of ¥26.3 billion YoY. As in the first half, while there are positive factors due to market and exchange rates, the main factors are the negative impact of inventory factors of ¥13.2 billion and the deterioration of ¥13.3 billion due to higher coke prices and energy costs.

Performance by Segment – Mobility



(Unit : Billion yen)

	22/Q1 Results	21/Q1 Results	Diff. (22-21)	22/1H Forecast	21/1H Results	Diff. (22-21)	FY2022 Forecast	FY2021 Results	Diff. (22-21)
■ Sales	49.8	50.7	-0.8	126.0	104.7	21.3	257.0	207.1	49.9
(Mitsui Kinzoku ACT)	(18.8)	(19.8)	(-1.0)	(41.8)	(37.8)	(4.0)	(90.4)	(78.8)	(11.6)
■ Operating income	-0.5	4.5	-5.0	1.7	6.8	-5.1	5.5	1.5	4.0
(Mitsui Kinzoku ACT)	(-1.1)	(0.3)	(-1.5)	(-1.1)	(0.0)	(-1.1)	(-0.5)	(-0.3)	(-0.2)
■ Ordinary income	2.2	4.6	-2.4	4.2	6.8	-2.6	7.5	2.4	5.1
(Mitsui Kinzoku ACT)	(-0.5)	(0.8)	(-1.3)	(-0.5)	(0.6)	(-1.1)	(0.0)	(0.5)	(-0.5)
※ Ordinary income	3.2	1.7	1.5	5.2	2.8	2.4	8.5	8.4	0.1

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

Difference Analysis of Ordinary income

[' FY2021 1st Half → ' FY2022 1st Half Forecast - 2.6]

Catalysts -1.7 (Precious metal price difference, others)
ACT -1.1 (Rising steel material prices, others)
Die-Casting +0.5 (Improved yield, others)

[' FY2021 → ' FY2022 Forecast + 5.1]

Catalysts +5.3 (Precious metal price difference, others)
Die-Casting +1.1 (Improved yield, others)
ACT -0.5 (Rising steel material prices, others)

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

ACT: Difference Analysis of Ordinary income

	FY2021 1H→ FY2022 1H Forecast	FY2021→ FY2022 Forecast
Sales Volume	-0.1	0.9
Cost down	0.0	0.3
Others※	-1.0	-1.7
Total	-1.1	-0.5

	FY2021 1H→ FY2022 1H Forecast	FY2021→ FY2022 Forecast
※Detail of Others		
Rising steel material and resin prices	-0.8	-0.9
Freight Charge	-0.2	-0.3

16

Mobility segment. Please refer to page 16.

Ordinary income for the cumulative Q2 is expected to be ¥4.2 billion, a decrease of ¥2.6 billion YoY. As shown in the explanation of the ordinary income difference analysis, in the catalyst business in the lower right-hand corner, although sales volume for both motorcycles and automobiles are increasing, the PGM price difference is expected to be a negative ¥1.0 billion from the positive ¥4.0 billion in the previous year, resulting in a ¥5.0 billion decrease in profit. Accordingly, we expect a ¥1.7 billion decrease in income for this business. At Mitsui Kinzoku ACT, we forecast a ¥1.1 billion decrease in income, mainly due to the impact of higher steel material and resin prices.

Ordinary income for the full year is expected to be ¥7.5 billion, up ¥5.1 billion YoY. The main reason for this is that the precious metal impact of catalysts is expected to turn around by ¥5.0 billion.

■ Q&A Session

Total

Q.

Please tell us about the trends in real profit and the full-year forecast.

A.

The trends in real profit are as shown on page 22. A notable difference between the first-and second-half forecasts is seen in the profit from the Metals segment, which are down from ¥10.7 billion to ¥1.5 billion. This decrease is mainly due to the negative impact of more than ¥1.0 billion from the zinc price we had assumed for the second half of \$3,100 per ton, ¥2.5 billion in large-scale periodic repairs for copper smelting, about a ¥2.0 billion increase in energy costs, and about ¥1.0 billion related to Kamioka hydroelectricity.

Q.

For each segment, what are the factors behind the revision from the previous forecast?

A.

We have revised the full-year forecast down for operating income by ¥8.0 billion from the previous forecast of ¥39.0 billion to ¥31.0 billion. By segment, operating income from the Engineered Materials segment is revised down by ¥1.0 billion from ¥27.0 billion to ¥26.0 billion, mainly due to decreased sales of copper foil and engineered powders. Operating income from the Metals segment is revised down by ¥8.5 billion from ¥14.0 billion to ¥5.5 billion. This revision is mainly attributable to an energy cost increase of ¥2.4 billion, as well as a delay in the operation of our zinc mines in the Material Resources Division, which is expected to reduce the operating income by nearly ¥3.0 billion. We do not expect any significant decrease in operating income from the Mobility and other segments.

Q.

Looking at the trends in financial performance on page 20, you have revised the forecast for the Engineered Materials and Mobility segments up by ¥0.4 billion and ¥3.5 billion, respectively, resulting in an upward revision of ¥1.0 billion in real profit. What is the background to this revision?

A.

The trends in financial performance on page 20 is based on ordinary income. Ordinary income from the Engineered Materials segment is expected to increase from the previous forecast because foreign exchange gains under non-operating income are added due to the depreciation of the yen. Ordinary income from the Mobility segment is expected to increase from the previous forecast due to increased sales of catalysts for motorcycles and foreign exchange gains under non-operating income.

Engineered Materials Segment

Q.

The sales volume index of MicroThin™ is 146 in the Q1, 119 in the Q2 forecast, and 142 in the second-half forecast. What do you expect the sales volume of MicroThin™ for HDI and PKG to be?

A.

Sales of MicroThin™ for HDI usually reaches its peak from Q1 to Q2, and our market share is expected to reach 100% as explained in the previous session. Considering these factors, our full-year forecast remains unchanged. As our customers are mainly North American smartphone manufacturers, the sales volume remains strong.

Demand for MicroThin™ for PKG was strong in Q1 for both smartphones and non-smartphones, but in Q2, the sales volume is likely to decline substantially due to a rapid inventory adjustment for smartphones. In the second half, we expect the inventory adjustment will be completed and the sales volume will recover. For non-smartphones, we expect a solid demand mainly for server memory applications as well as an expansion of new applications beyond smartphones, which will also contribute to the recovery in the second half.

Q.

Have you seen any progress in the expansion of customer base of MicroThin™ for HDI?

A.

Two Chinese smartphone manufacturers appear to have decided to adopt our MicroThin™ for HDI. However, as they are adopting it only for high-end models, we do not expect a substantial impact on the sales volume.

Q.

You expect the applications of MicroThin™ for PKG to expand in the second half. Please give us some specifics and the future potential.

A.

To be specific, we have not seen any expansion of applications yet. However, new applications have actually grown in the last two years, and we anticipate this to continue in the second half and have factored it into the forecast. As we know that parts used in smartphones will be used directly in other home electric appliances, we believe that applications of MicroThin™ for PKG will continue to expand beyond smartphones.

Q.

The forecast for electro-deposited copper foil has been revised down. Please explain the background to this revision, with details concerning copper foil for flexible printed circuits (FPC) and communication infrastructure.

A.

Copper foil for FPC has entered a correction phase in Q4 of fiscal 2021 and its demand remains low in Q1 and Q2. The biggest reason behind this is the sluggish sales of Chinese smartphones. We expect a slight recovery in the second half, but uncertainty remains. Demand for copper foil for communication infrastructure has remained the same level as in Q4 of fiscal 2021. The inventory adjustment started in Q4 of fiscal 2021 is taking longer than expected, but we expect that the demand will pick up in the second half. Thus, the sales volume of electro-deposited copper foil on a weight bases remains low in Q1 and Q2.

Metals Segment

Q.

The Huanzala mine has been operating at a lower capacity. Please tell us the background to this and the future outlook.

A.

Partly due to the COVID-19 pandemic, the Huanzala mine operated at 70 to 80% capacity last year. We initially planned to return its operation to normal in April, but this failed as it takes time to secure a workforce. We expect the operation to return to normal in the second half.

Q.

The profit forecast for the Metals segment in the second half seems very low. Excluding transient factors such as large-scale periodic repairs, how much profit do you expect?

A.

We expect ordinary income of ¥1.0 billion from the Metals segment in the second half. Excluding a transient factor of approximately ¥2.5 billion in large-scale periodic repairs for copper smelting, and an inventory factor of negative ¥0.5 billion, ordinary income from the Metals segment is expected to be approximately ¥4.0 billion.

Q.

Please tell us about the forward contracts for fiscal 2022 and beyond.

A.

For fiscal 2022, zinc forward contracts cover about 35% at \$2,980 per ton, and currency forward contracts cover about 25% at ¥110.4/\$. For fiscal 2023, zinc forward contracts cover about 7% at \$2,900 per ton and currency forward contracts cover about 15% at ¥110.5/\$. For fiscal 2024, zinc forward contracts cover about 7% at \$2,800 per ton and currency forward contracts covers about 5% at ¥110/\$.

Q.

Zinc prices are currently higher than your assumption of \$3,100 per ton. If the current zinc market continues until the end of this fiscal year, what impact do you expect on inventory factors and profit and loss?

A.

If the zinc price of \$3,900 per ton in Q1 decreases by \$800 per ton to \$3,100 per ton in Q2 onwards, we expect a negative impact of ¥8.3 billion due to inventory factors. For your reference, a price improvement of \$100 per ton will decrease the negative impact of inventory factors by about ¥1.0 billion, most of which will materialize in Q2. In addition, annual margin will improve ¥0.86 billion per \$100 per ton change based on the sensitivity of zinc prices.

Q.

What are your assumptions for crude oil and coal prices?

A.

For the price of Dubai crude oil, our assumption of \$100 per barrel in the previous forecast has been raised to \$110 per barrel for Q2 onwards. For coking coal prices, our previous assumption of \$370 per ton has been reduced to \$350 per ton for Q2 and \$300 per ton for the second half.