

## Record of Telephone Conference Concerning FY2021 Q1 Results

Reference: FY2021 Q1 Results & FY2021 Forecast

[https://www.mitsui-](https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=ZAUiINAW09E%3d&tabid=204&mid=1027&TabModule903=0)

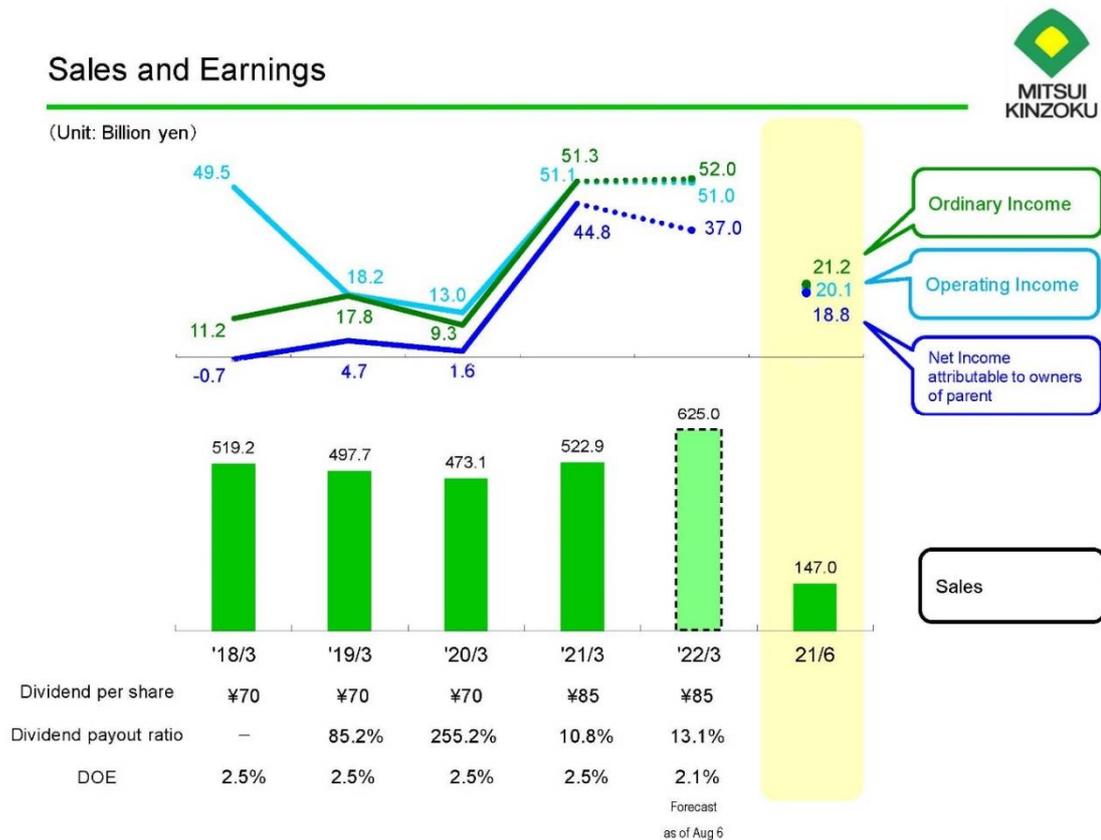
[kinzoku.com/LinkClick.aspx?fileticket=ZAUiINAW09E%3d&tabid=204&mid=1027&TabModule903=0](https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=ZAUiINAW09E%3d&tabid=204&mid=1027&TabModule903=0)

Note:

PKG = Package substrate

HDI = High density interconnect

### ■ Explanation



Please refer to page 1 about Sales and Earnings.

Sales in the first quarter were JPY147.0 billion, operating income was JPY20.1 billion, ordinary income was JPY21.2 billion, and net income attributable to owners of parent was JPY18.8 billion.

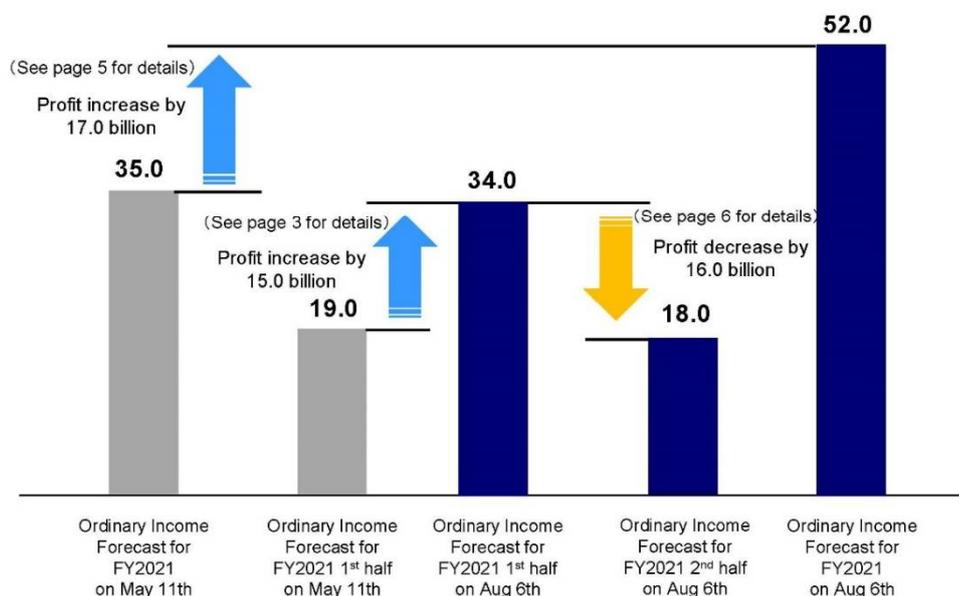
For the fiscal year ending March 2022, we forecast consolidated net sales at JPY625.0 billion, operating income at JPY51.0 billion, ordinary income at JPY52.0 billion, and net income attributable to owners of parent at JPY37.0 billion.

## FY2021 Ordinary Income



The ordinary income forecast for FY2021 is significantly better than forecast for FY2021 announced on May 11<sup>th</sup>.

(Unit: Billion yen)



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Please see FY2021 ordinary income on page 2.

In light of the current trends, we have revised our forecasts for the first half and full year.

First of all, we have revised upward our full-year ordinary income forecast from JPY35.0 billion to JPY52.0 billion, an increase of JPY17.0 billion from the ordinary income forecast disclosed on May 11<sup>th</sup>.

For the first half of the fiscal year, we have revised our forecast from JPY19.0 billion to JPY34.0 billion, an increase of JPY15.0 billion.

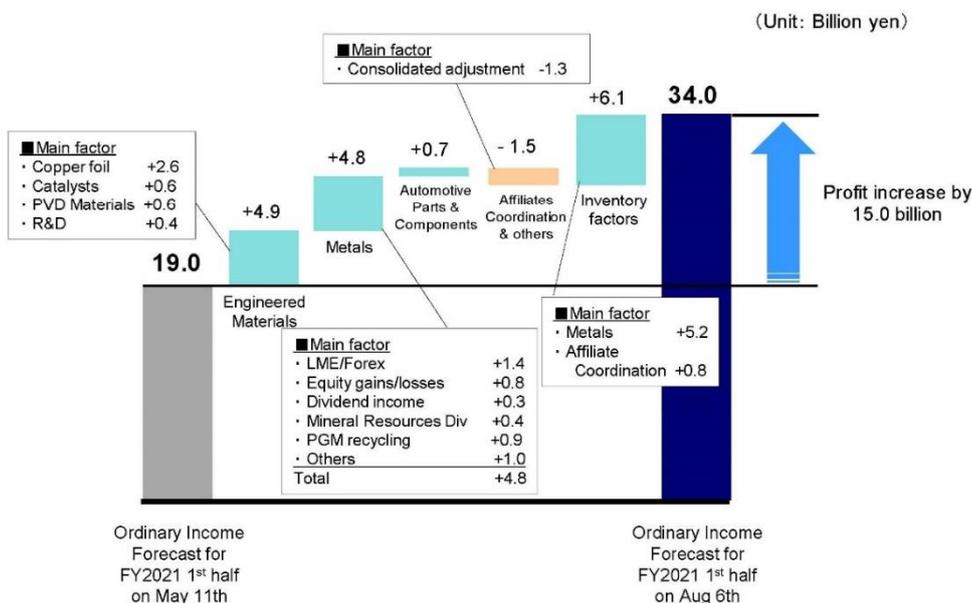
The second-half forecast has also been revised to JPY18.0 billion, JPY2.0 billion higher than the previous forecast, but JPY16.0 billion lower than the first-half forecast of JPY34.0 billion.

Each factor will be explained in the following pages.

## FY2021 1<sup>st</sup> half Ordinary Income



Ordinary income forecast for FY2021 1<sup>st</sup> half is 34.0 billion, by 15.0 billion better than forecast for FY2021 1<sup>st</sup> half announced on May 11<sup>th</sup>.



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First, I would like to explain the factors behind the upward revision of the first-half earnings forecast. Please see page 3.

Of the turnaround of JPY15.0 billion, the most significant factor is a rise in metal prices. The inventory factors of a positive JPY6.1 billion were due to the effect of higher metal prices. Of the increase of JPY1.4 billion in LME/Forex rates shown in the breakdown of the main factor under the Metals segment, the market impact was approximately half, or JPY0.7 billion. The positive JPY0.8 billion in equity gains/losses includes JPY0.5 billion of the impact of an increase in earnings at Pan Pacific Copper due to higher market prices. The increase of JPY0.4 billion in the Mineral Resources Division is mainly due to the market impact of the Huanzala mine, and the JPY0.9 billion increase in PGM recycling is also due to a rise in market prices.

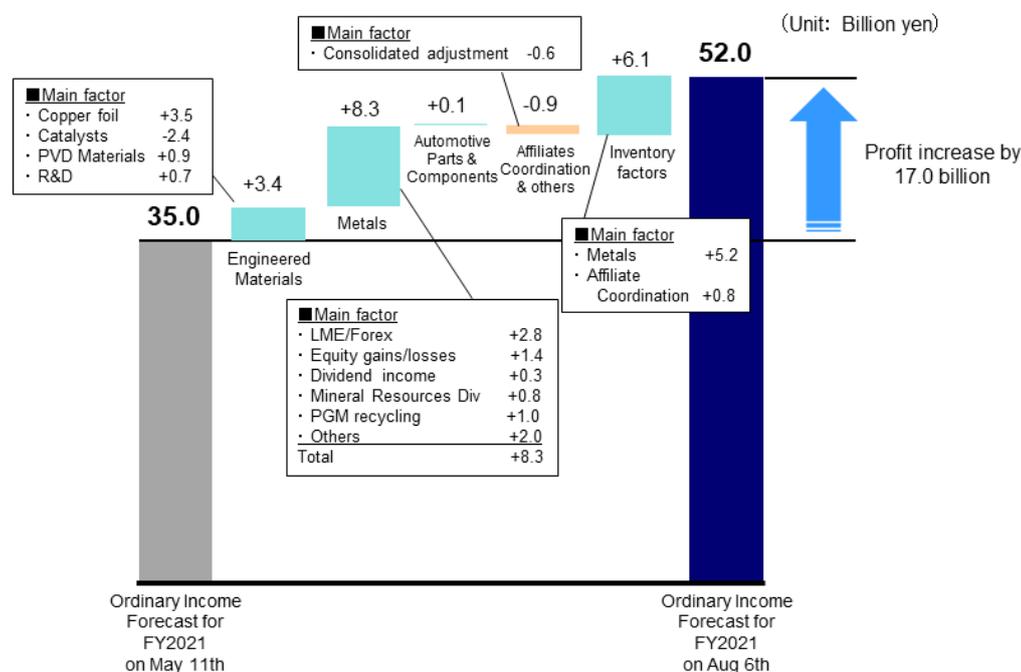
In addition, the increase of JPY0.6 billion in catalysts under the Engineered Materials segment was also due to higher precious metal prices, like the increase in PGM recycling. Including this, more than JPY9.0 billion of the JPY15.0 billion rise in profit forecast is due to higher market prices. Including the impact of the weaker Japanese yen, approximately JPY10.0 billion is due to the impact of the favorable turnaround in the markets.

As for the impact of the positive turnaround in the business, we expect an increase of JPY2.6 billion in the copper foil business due to factors like sales of MicroThin™ for package substrates, which are expected to exceed the previous forecast by around 14%. Another reason for the upward revision is the better-than-expected progress in the selling price review that is underway in the PVD materials business.

## FY2021 Ordinary Income Forecast



Ordinary income forecast for FY2021 is 52.0 billion, by 17.0 billion better than forecast for FY2021 announced on May 11<sup>th</sup>.



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Next, I would like to explain the details of the revision to the annual earnings forecast. Please see page 5.

The breakdown of the upward revision of JPY17.0 billion to the annual ordinary income forecast is similar to the turnaround for the first-half forecast. The positive JPY6.1 billion in inventory factors is due to a review of market price levels. Of the JPY8.3 billion increase in the Metals segment, around half of JPY4.1 billion is also due to the review of market prices.

On the other hand, in the catalysts business under the Engineered Materials segment, we forecast a dip of JPY2.4 billion for the full year as we expect a negative QP, quotational period, difference of JPY3.0 billion in the second half, resulting from a review of rhodium prices down close to the current level.

In total, about JPY7.8 billion of the JPY17.0 billion increase in profit will be due to market fluctuations. Including the effect of the JPY depreciation, the impact of market and exchange rate fluctuations is approximately JPY9.2 billion.

The remaining upturn of more than JPY7.0 billion is mainly due to an upturn of around JPY5.0 billion in the Engineered Materials segment, reflecting an increase in the sales forecast for MicroThin™ and the impact of a price review of PVD materials, and an upturn of around JPY2.0 billion in the Metals segment, reflecting the cost review.

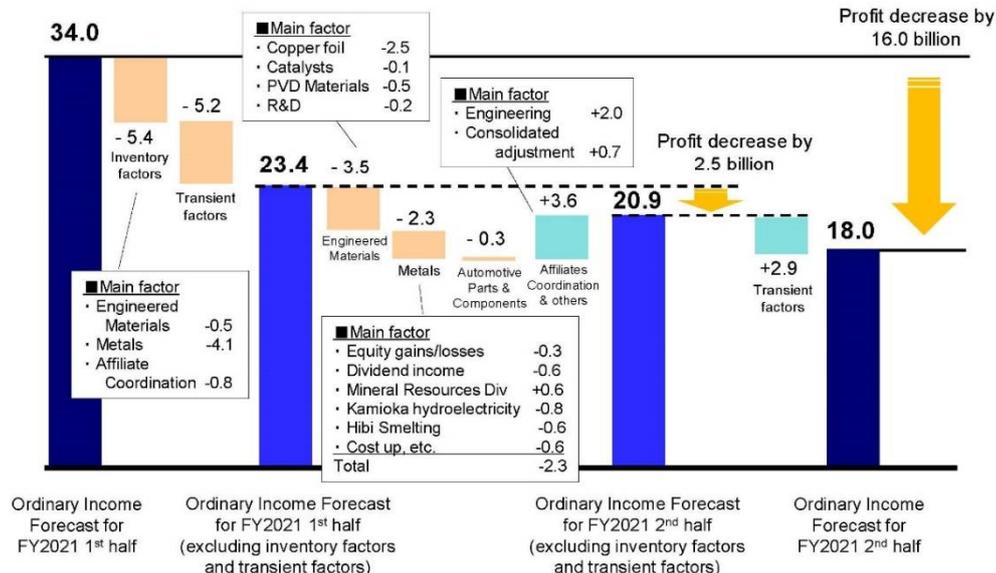
## FY2021 2<sup>nd</sup> half Ordinary Income Forecast



Ordinary income forecast for FY2021 2<sup>nd</sup> half is 18.0 billion, by 16.0 billion less than forecast for FY2021 1<sup>st</sup> half, but if inventory factors and transient factors are excluded, profit is decrease by 2.5 billion from FY2021 1<sup>st</sup> half.

The forecast is as above, but we aim for a profit level similar to FY2021 1<sup>st</sup> half.

(Unit: Billion yen)



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Next, I will explain the factors behind the expected decrease in ordinary income from the first half to the second half. Please see page 6.

This graph shows the forecasts for the first half and the second half, excluding special factors such as a delay in the timing of occurrence.

The leftmost bar shows the first-half ordinary income forecast of JPY34.0 billion. Excluding positive inventory factors worth JPY5.4 billion and a positive effect of JPY5.2 billion from a QP difference in precious metals for catalysts, the ordinary income forecast for the first half come to JPY23.4 billion.

Similarly, the JPY18.0 billion forecast for the second half on the far right includes a negative impact of transient factors worth JPY2.9 billion, such as the QP difference in catalysts caused by the fall in rhodium prices. If we exclude this, the forecast for ordinary income for the second half is JPY20.9 billion, indicating that the difference in profit levels between the first and second halves is about JPY2.5 billion

The Engineered Materials segment is expected to see a fall in income from the first half to the second half, due to seasonal factors such as the peak demand for copper foil in the first half. However, we will aim for a further turnaround in terms of execution for the time being, although we expect a decrease in our operations.

For the transient factors shown on page 6, please refer to the breakdown on page 7.

## Segment Information by Business Unit



(Unit: Billion yen)

	第1四半期 Q1Results			上期 1st half			通期 FY		
	2021	2020	増減 Difference	2021 (予想) Forecast	2020	増減 Difference	2021 (予想) Forecast	2020	増減 Difference
■売上高 Sales									
機能材料 Engineered Materials	62.0	34.9	27.1 77.7%	135.0	86.0	49.0 56.9%	257.0	207.8	49.2 23.7%
金属 Metals	52.8	36.9	15.9 43.0%	110.0	88.0	22.0 25.0%	224.0	193.6	30.4 15.7%
自動車部品 Automotive Parts and Components	19.8	12.3	7.5 61.3%	43.0	34.2	8.8 25.7%	86.0	81.1	4.9 6.1%
関連 Affiliates Coordination	28.8	24.8	4.0 15.9%	61.0	52.6	8.4 16.0%	128.0	115.9	12.1 10.4%
調整額 Adjustment	-16.3	-16.5	0.2	-34.0	-36.2	2.2	-70.0	-75.4	5.4
連結 Consolidated	147.0	92.4	54.6 59.1%	315.0	224.6	90.4 40.2%	625.0	522.9	102.1 19.5%
■経常利益 Ordinary Income									
機能材料 Engineered Materials	10.9	3.8	7.1 188.7%	19.5	8.3	11.2 133.8%	27.0	26.5	0.5 1.8%
金属 Metals	11.3	-2.5	13.8 78.4%	14.5	8.1	6.4 78.4%	22.5	22.8	-0.3 -1.4%
自動車部品 Automotive Parts and Components	0.8	-2.0	2.7 9.8%	1.2	-0.8	2.0 9.8%	2.1	1.9	0.2 9.8%
関連 Affiliates Coordination	0.1	-0.4	0.5 162.2%	0.7	0.3	0.4 162.2%	3.5	2.6	0.9 36.5%
調整額 Adjustment	-1.9	-0.7	-1.2	-1.9	-1.9	-0.0	-3.1	-2.6	-0.5
連結 Consolidated	21.2	-1.8	23.0 141.4%	34.0	14.1	19.9 141.4%	52.0	51.3	0.7 1.4%

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I would like to explain our business results for the first quarter. Please see the segment information by business unit on page 9.

Net sales for the first quarter increased around 59% YoY to JPY147.0 billion. Sales in each segment increased due to higher metal prices and recovery from the impact of the spread of COVID-19 last year. Ordinary income increased by JPY23.0 billion YoY to JPY21.2 billion. We explain the ordinary income for the first quarter for each segment.

In the Engineered Materials segment, ordinary income increased approximately 189% YoY to JPY10.9 billion. The catalysts business saw an increase in profit as a result of recovery from the impact of the spread of COVID-19 last year and a QP difference due to higher precious metal prices. The copper foil business also enjoyed a YoY rise in profit as a result of strong sales of MicroThin™.

In the Metals segment, LME prices for zinc and lead increased, and the negative impact of the Caserones Copper Mine, for which we recorded a deficit of JPY2.2 billion in the previous year, disappeared. Likewise, the negative impact of JPY1.4 billion from last year's large-scale regular repairs at Hachinohe Smelting also disappeared. As a result, ordinary income in this segment increased by JPY13.8 billion YoY to JPY11.3 billion.

In the Automotive Parts and Components segment, ordinary income increased by JPY2.7 billion YoY to JPY0.8 billion due to the recovery from the impact of the spread of COVID-19 last year.

Please refer to the following matrix on page 10, which provides a variance analysis for the factor-by-factor differences in ordinary income for each segment. This concludes a summary of the first- quarter results.

## Segment Information by Business Unit



(Unit: Billion yen)

	第1四半期 Q1Results			上期 1st half			通期 FY		
	2021	2020	増減 Difference	2021 (予想) Forecast	2020	増減 Difference	2021 (予想) Forecast	2020	増減 Difference
<b>■売上高 Sales</b>									
機能材料 Engineered Materials	62.0	34.9	27.1 77.7%	135.0	86.0	49.0 56.9%	257.0	207.8	49.2 23.7%
金属 Metals	52.8	36.9	15.9 43.0%	110.0	88.0	22.0 25.0%	224.0	193.6	30.4 15.7%
自動車部品 Automotive Parts and Components	19.8	12.3	7.5 61.3%	43.0	34.2	8.8 25.7%	86.0	81.1	4.9 6.1%
関連 Affiliates Coordination	28.8	24.8	4.0 15.9%	61.0	52.6	8.4 16.0%	128.0	115.9	12.1 10.4%
調整額 Adjustment	-16.3	-16.5	0.2	-34.0	-36.2	2.2	-70.0	-75.4	5.4
連結 Consolidated	147.0	92.4	54.6 59.1%	315.0	224.6	90.4 40.2%	625.0	522.9	102.1 19.5%
<b>■経常利益 Ordinary Income</b>									
機能材料 Engineered Materials	10.9	3.8	7.1 188.7%	19.5	8.3	11.2 133.8%	27.0	26.5	0.5 1.8%
金属 Metals	11.3	-2.5	13.8	14.5	8.1	6.4 78.4%	22.5	22.8	-0.3 -1.4%
自動車部品 Automotive Parts and Components	0.8	-2.0	2.7	1.2	-0.8	2.0	2.1	1.9	0.2 9.8%
関連 Affiliates Coordination	0.1	-0.4	0.5	0.7	0.3	0.4 162.2%	3.5	2.6	0.9 36.5%
調整額 Adjustment	-1.9	-0.7	-1.2	-1.9	-1.9	-0.0	-3.1	-2.6	-0.5
連結 Consolidated	21.2	-1.8	23.0	34.0	14.1	19.9 141.4%	52.0	51.3	0.7 1.4%

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Next, as for the outlook for the first half of the fiscal year, please refer to the middle column on page 9.

As in the first quarter, net sales in the second half are expected to increase around 40% YoY to JPY315.0 billion, mainly due to the impact of higher metal prices and strong copper foil sales. Ordinary income is expected to increase around 141%, or JPY19.9 billion, to JPY34.0 billion.

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

Net sales are expected to increase 19.5% YoY to JPY625.0 billion, mainly due to the impact of the increase in sales in the first half and higher metal prices. Ordinary income is expected to be JPY52.0 billion, almost flat YoY.

## Performance by Segment – Engineered Materials



(Unit : Billion yen)

	'21/Q1	'20/Q1	増減 Difference	上2021 (今回予想) Forecast 1st Half	上2020 1st Half	増減 Difference	FY2021 (今回予想) Forecast	FY2020	増減 Difference
■売上高 Sales	62.0	34.9	27.1	135.0	86.0	49.0	257.0	207.8	49.2
■営業利益 Operating income	11.3	4.1	7.2	20.0	9.2	10.8	28.0	26.5	1.5
■経常利益 Ordinary income	10.9	3.8	7.1	19.5	8.3	11.2	27.0	26.5	0.5
※実力損益 Real Income	10.4	3.8	6.6	19.0	8.5	10.5	26.5	25.6	0.9

※Real income : Ordinary income excluding inventory factors.

### Difference Analysis of Ordinary income

#### ['FY2020 1<sup>st</sup> Half

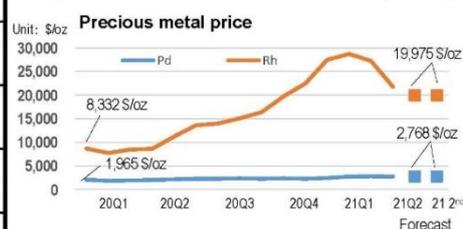
→'FY2021 1<sup>st</sup> Half Forecast +11.2]

Inventory factors +0.7  
Catalysts +5.5  
(Precious metal price difference, others)  
Copper foil +3.6  
(MicroThin™ volume of sales increases, others)

#### ['FY2020→'FY2021 Forecast +0.5]

Inventory factors -0.4  
Catalysts -3.5  
(Precious metal price difference, others)  
Copper foil +3.0  
(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 will explain the business forecasts for each segment for the first half and full year. First, Engineered Materials segment. Please see page 17.

We expect ordinary income for the first half at JPY19.5 billion, a YoY increase of JPY11.2 billion. The main reasons for this include a positive JPY5.5 billion in the catalysts business, as shown in the explanation of changes at the lower right. Of that, some JPY4.0 billion is due to the QP difference for precious metals. Catalysts for motorcycles will see a 24% increase in sales volume and those for automobiles will see a 41% increase. In the copper foil business, we expect an increase of JPY3.6 billion in profit, mainly due to an expected 35% increase in sales volume of MicroThin™ for package substrates.

We expect ordinary income for the full year to be almost flat YoY. As for the main reasons, we expect an increase of JPY3.0 billion in the copper foil business, since the sales volume of MicroThin™ for package substrates is likely to increase as in the first half, rising about 30% YoY.

In the catalysts business, we forecast a YoY profit decline of JPY3.5 billion, largely due to the QP difference, resulting from lowering our price assumptions in light of the recent fall in rhodium prices, as well as other factors.

## Performance by Segment – Metals



(Unit: Billion yen)

	'21/Q1	'20/Q1	増減 Difference	上2021 (今回予想) Forecast 1st Half	上2020 1st Half	増減 Difference	FY2021 (今回予想) Forecast	FY2020	増減 Difference
■売上高 Sales	52.8	36.9	15.9	110.0	88.0	22.0	224.0	193.6	30.4
■営業利益 Operating income	10.6	-1.6	12.2	14.0	9.0	5.0	22.5	23.7	-1.2
■経常利益 Ordinary income	11.3	-2.5	13.8	14.5	8.1	6.4	22.5	22.8	-0.3
※実力損益 Real Income	7.8	-1.8	9.6	10.4	5.7	4.7	18.4	15.7	2.7

※Real income : Ordinary income excluding inventory factors.

Metal Prices and FOREX

	'20/Q1	Q2	Q3	Q4	'21/Q1	Q2 Forecast	21 2nd Half Forecast	FY2021 Forecast (May 11)
Zinc \$/t	1,959	2,340	2,631	2,748	2,916	2,900	2,900	2,700
Zinc (Actual) \$/t	2,113	2,404	2,624	2,705	2,845	2,835	2,840	2,708
Lead \$/t	1,670	1,876	1,903	2,020	2,127	2,133	2,100	2,000
Copper (Q1:Jan-Mar) €/lb	256	242	296	325	385	440	420	359
Copper (Q1:Apr-Jun) €/lb	242	296	325	385	440	420	420	350
Yen/US\$ yen/\$	107.6	106.2	104.5	105.9	109.5	109.0	109.0	105.0
Yen/US\$ (Actual) yen/\$	107.8	106.7	105.0	106.2	109.6	109.3	109.3	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	0.4

	FY2020 1st Half	FY2020
Ordinary Income		
Difference Analysis	→FY2021 1st Half→	→FY2021 Forecast
LME/Forex	3.4	4.9
T/C	-1.8	-3.9
Inventory Factors	1.7	-3.0
Equity profit/loss	3.0	3.2
Cokes	-0.1	-0.6
Dividends	-1.5	-1.9
Others	1.7	1.0
Total	6.4	-0.3

### Details of Others

- [FY2020 1st Half→FY2021 1st Half Forecast + 1.7]
- Large scale maintenance for zinc smelting in 20Q1 + 1.4
- Hibi Smelting - 1.2
- Zinc operation difference + 1.1
- Mineral Resources Division + 0.4
- [FY2020→FY2021 Forecast + 1.0]
- Large scale maintenance for zinc smelting in 20Q1 + 1.4
- PGM recycling - 1.4
- Mineral Resources Division + 0.8

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Metal segment. Please refer to page 18.

Ordinary income for the first half is expected to be JPY14.5 billion, a YoY increase of JPY6.4 billion.

As shown in the explanation of changes at the bottom right of the page, there will be a positive effect of JPY3.4 billion from a favorable turnaround in LME/Forex rates despite worsening conditions for the purchase of ore and a decrease in dividend income due to the sale of the copper mining interests. Inventory factors associated with this resulted in a positive turnaround of JPY1.7 billion. Equity profit/loss will improve by JPY3.0 billion, mainly due to the absence of the negative impact of the Caserones mine.

We expect ordinary income for the full year to be almost flat YoY. The main reasons for the flat forecast include a significant impact of worsening conditions for ore purchases, although the positive impact of LME prices and exchange rates will remain in the second half of the year. Moreover, for the second half of the current year, we will not enjoy the positive inventory factor due to rising metal prices, which boosted ordinary income by JPY4.7 billion in the second half of the previous year.

## Performance by Segment – Automotive Parts & Components



(Unit : Billion yen)

	'21/Q1	'20/Q1	増減 Difference	上2021 (今回予想) Forecast 1st Half	上2020 1st Half	増減 Difference	FY2021 (今回予想) Forecast	FY2020	増減 Difference
■売上高 Sales	19.8	12.3	7.5	43.0	34.2	8.8	86.0	81.1	4.9
■営業利益 Operating income	0.3	-2.2	2.5	0.8	-1.2	2.0	1.8	1.4	0.4
■経常利益 Ordinary income	0.8	-2.0	2.7	1.2	-0.8	2.0	2.1	1.9	0.2

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

### Difference Analysis of Ordinary income

	FY2020 1st Half →FY2021 1st Half Forecast	FY2020 →FY2021 Forecast
Sales Volume	2.7	2.2
Cost down	0.4	1.4
Others※	-1.1	-3.4
Total	2.0	0.2

#### ※Details of Others

[ 'FY2020 1st Half→'FY2021 1st Half Forecast - 1.1]

・Rising steel material and resin prices - 0.9  
Furlough subsidy, etc. - 0.5, Freight Charge - 0.3

[ 'FY2020→'FY2021 Forecast - 3.4]

・Rising steel material and resin prices - 2.1  
Furlough subsidy, etc. - 0.7, Freight Charge - 0.7

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Automotive parts & Components. Please refer to page 19.

Ordinary income for the first half is expected to be JPY1.2 billion, a YoY increase of JPY2.0 billion. As shown in the explanation of increase/decrease on the lower right, this is mostly due to an increase in sales.

On the other hand, cost increases due to rising steel material prices, resin prices, and transportation costs will reduce the size of profit growth.

We expect ordinary income for the full year to be almost flat YoY. This is mainly due to our expectation that steel and resin prices and transportation costs will not improve in the second half of the year.

■ Q&A Session

Total

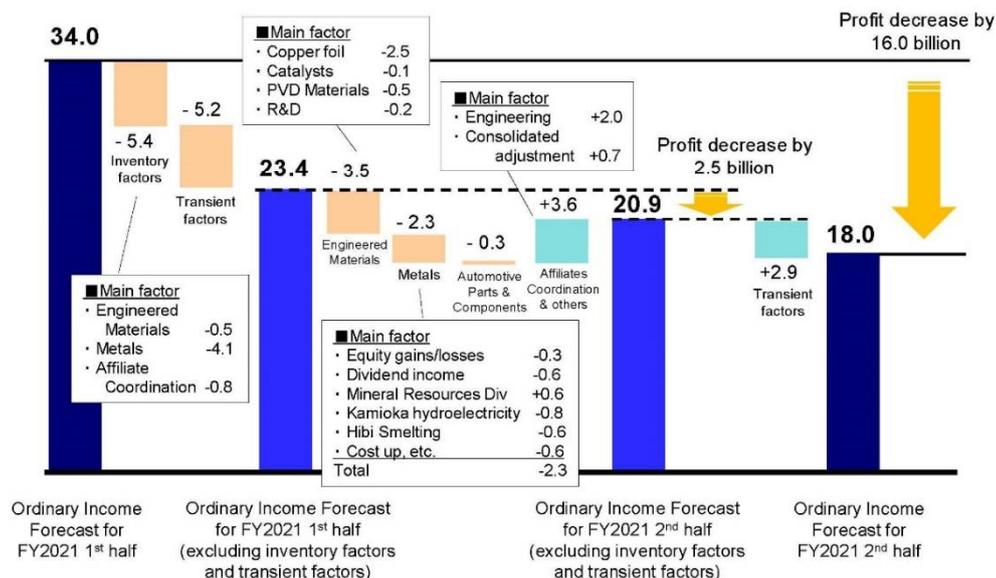


FY2021 2<sup>nd</sup> half Ordinary Income Forecast

Ordinary income forecast for FY2021 2<sup>nd</sup> half is 18.0 billion, by 16.0 billion less than forecast for FY2021 1<sup>st</sup> half, but if inventory factors and transient factors are excluded, profit is decrease by 2.5 billion from FY2021 1<sup>st</sup> half.

The forecast is as above, but we aim for a profit level similar to FY2021 1<sup>st</sup> half.

(Unit: Billion yen)



6

Q.

Since last year, you frequently mentioned incomes (excluding inventory factors). Is it correct to say that this blue bar on page 6 is the same as the previous definition? Is the definition slightly different?

A.

The inventory factors that we have been talking about in the past and the transient factors explained from last year add up to a portion outside our actual profit and loss. This definition itself has not changed from what we explained last year. Those that we consider to be transient factors are listed on page 7.

Q.

I think there are seasonal factors, but if the market conditions remain flat, can you think that actual profit is about JPY40.0 billion, which is double the JPY20.9 billion in the second half?

A.

Considering that profits will decrease in the second half from the first half due to seasonal factors, we think that the ordinary income excluding the inventory factor and transient factor of P6 - JPY23.4 billion for the first half, JPY20.9 billion for the second half and JPY44.0-45.0 billion for the full year - is the current actual profit.

Engineered Materials Segment

Q.

Why is the Engineered Materials segment going to see a decrease in profit from Q1 to Q2?

A.

As shown in the list of transient factors on page 7, in the Engineered Materials segment, due to transient factors affected by Catalysts PGM price difference and Copper foil inventory impact, Q2 is expected to decrease profits by about JPY1.8 billion compared to Q1.

## Trends of products



			2019					2020					2021 Forecast (Aug 6)					2021 Forecast (May 11)		
			Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2 Forecast	1st Half Forecast	2nd Half Forecast	Year Forecast	1st Half	2nd Half	Year
MH alloy	Volume of Sales	Index	100	103	106	110	105	76	102	104	111	98	68	108	88	116	102	95	122	109
Catalysts for motorcycle	Volume of Sales	Index	100	103	104	109	104	49	128	128	121	107	94	126	110	115	113	113	114	113
India	Volume of Sales	Index	(100)	(102)	(94)	(123)	(105)	(40)	(176)	(164)	(143)	(131)	(90)	(146)	(118)	(137)	(128)	(141)	(142)	(141)
Indonesia	Volume of Sales	Index	(100)	(110)	(119)	(116)	(111)	(40)	(71)	(65)	(98)	(68)	(90)	(109)	(99)	(91)	(95)	(80)	(87)	(83)
Others	Volume of Sales	Index	(100)	(102)	(112)	(88)	(101)	(63)	(88)	(105)	(101)	(89)	(100)	(108)	(104)	(95)	(100)	(88)	(88)	(88)
Catalysts for automobile	Volume of Sales	Index	100	104	98	102	101	61	123	130	117	108	112	147	130	146	138	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	2,260	2,280	2,270	2,090	2,180	2,070	2,020	2,040
MicroThin™ Total (a+b)	Volume of Sales	Index	100	139	121	116	119	142	153	149	135	145	188	202	195	169	182	168	151	159
MicroThin™ for HDI (a)	Volume of Sales		24	34	18	16	23	20	49	40	13	31	35	50	42	27	35	34	27	30
MicroThin™ for PKG (b)	Volume of Sales		76	105	103	100	96	122	104	109	122	114	153	152	153	142	147	134	124	129
I/O Target	Volume of Sales	Index	100	111	112	109	108	103	91	107	95	99	96	101	99	88	93	99	82	91
Zinc	Volume of Production	k-t	56	56	56	52	219	43	56	58	58	215	56	53	109	115	224	109	115	224
Side door Latches	Volume of Sales	Index	100	99	97	82	95	59	96	112	102	93	94	—	—	—	—	—	—	—
Japan	Volume of Sales	Index	(100)	(105)	(98)	(118)	(106)	(65)	(108)	(124)	(112)	(102)	(94)	—	—	—	—	—	—	—
China	Volume of Sales	Index	(100)	(101)	(109)	(43)	(89)	(102)	(109)	(124)	(102)	(109)	(104)	—	—	—	—	—	—	—
Other Asia	Volume of Sales	Index	(100)	(99)	(93)	(86)	(95)	(25)	(70)	(93)	(95)	(70)	(83)	—	—	—	—	—	—	—
America & Europe	Volume of Sales	Index	(100)	(92)	(89)	(86)	(92)	(31)	(87)	(100)	(97)	(79)	(90)	—	—	—	—	—	—	—

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

15

Q.

Regarding trends of products on page 15, please tell us about the business environment for main products in Engineered Materials, especially their trends in Q1 and Q2.

A.

As for catalysts for motorcycle, the lockdown in Q1 occurred in India, which has the largest market, so the quantity in India in Q1 has decreased, and operations have returned to normal and recovered by Q2.

The volume of catalysts for automobile was sluggish in Q1 due to the shortage of semiconductors. The market itself is expected to recover, so we expect it to recover from Q1 to Q2. As for the impact of the semiconductor shortage, we have heard from our customers that they will recover production, so the impact of the semiconductor shortage in terms of volume is not included in the Q2 figure.

As for electro-deposited copper foil, the volume for FPC-related is a little lower than planned. For communications infrastructure-related, sales for servers have been firm, while sales for 5G base stations have decreased slightly due to adjustments in Q2. Therefore, the quantity of electro-deposited copper foil is increasing except for FPC-related and communications infrastructure-related.

Regarding MicroThin™ for HDI, it shows a normal demand trend, which starts up in Q1 and peaks in Q2. Demand for MicroThin™ for PKG has been very strong this year, especially for smartphones are very strong. The reason seems to be that as the percentage and production of 5G models of smartphones increase, the amount of MicroThin™ used per smartphone has also increased.

Q.

*Regarding catalysts, Indonesia has also come up with severe news about the situation of COVID-19, let me check the current situation in Indonesia. Also, if the quantity is down, will the effect of the QP difference of PGM be small?*

A.

Indonesia is the area of greatest concern, especially in terms of the impact of COVID-19. The catalyst factory is currently operated by 50% of the staff, but there is no problem with the supply. Depending on the spread of COVID-19 infection, there is of course the risk of a decrease in sales volume.

Regarding the quantity and QP difference, it is expected that the effect of the QP difference will decrease as the quantity decreases.

Q.

*As for the forecast for MicroThin™ for HDI, you raised the full-year estimate for the index from 30 to 35, a sharp 17% increase. What are the factors behind this increase?*

A.

We have not heard of any significant change in the total number of layers adopted and in the substrate size, especially for the current year. Therefore, it may be due to the fact that customers' production plans have increased significantly.

Q.

*The PKG has been revised upward significantly, and it is said that the reason is not the number of smartphones but the usage per unit is increasing more than expected. Is it possible to foresee such a thing in advance?*

A.

There is a limit for us to know in advance how much MicroThin™ will be used in smartphones. Please understand that this is not something that can be known in advance.

Q.

*I understand that your MicroThin™ is installed in most of the package substrate of smartphones in the world. So, please tell us if the number of MicroThin™ for PKG will further increase as the number of 5G compatible smartphones increases.*

A.

When we opened smartphones that were released last year, we could see that the amount of MicroThin™ used in 5G compatible smartphones has clearly increased. In light of the current increase in sales volume, I believe that the increasing use of MicroThin™ is actually happening as 5G continues to advance. It seems that the usage of MicroThin™ is likely to further increase as it becomes compatible with millimeter waves in the future, so I think that the sales volume of MicroThin™ for PKG tends to increase with the progress of 5G.

Q.

*Please tell us what percentage of the MicroThin™ basic unit is likely to increase if smartphones become 5G compatible, or what specific parts will increase?*

A.

We know that with 5G, the antennas-in-packages will be adopted, and that's where MicroThin™ is being used. We expected that the amount would increase by about 10% with sub6 compatible smartphone, but in reality, it looks like it will increase a little more. We have grasped the tendency that the number will increase further when it becomes compatible with millimeter waves, but we don't have enough data at this stage to give a clear answer as to how much the amount of use will increase.

Q.

*Regarding MicroThin™ for PKG, the index of Q1 is 153. I think that the Japan was operating at almost full capacity, but now, regarding production for PKG, please tell us how much production transfer is progressing in Japan and Malaysia.*

A.

As of the Q1, about 5% of our products for PKG were made in Malaysia. At the moment, we are working on a plan to shift about 10% of output for PKG to Malaysia by the end of the fiscal year.

Q.

*Let me check the current situation of the copper foil Malaysia factory due to COVID-19 infection. Also, is it correct to understand that the forecast figures for the second quarter are based on the assumption that the operations will be limited?*

A.

Due to the spread of COVID-19 infections, Movement Control Order has been in effect since June 1, and the plant has been operating at 60% of the personnel since then. After that, in July, we had to suspend the operations there for about a week due to Enhanced Movement Control Order. A week later, at the beginning of July, the previous Movement Control Order was applied again, and we are now operating at 60% of the personnel. In order to minimize that impact, we will respond with inventory of Malaysia and backup from Japan and Taiwan.

As for the Q2 forecast, the sales volume is based on that assumption. However, since the operation was stopped for a week in July, there is a possibility that some additional costs will be incurred depending on the start-up of the operation.

## **Metals Segment**

Q.

*In the explanation of FY2021 ordinary income forecast, you explained that the improvement was about JPY2.0 billion due to the impact of cost revisions in the Metals segment. Please tell us the details.*

A.

It is not that the major factors account for the majority, but that it is the accumulation of small things, and it is difficult to explain in a few words.

Q.

*The Metals segment is expected to see a significant decrease in profit from Q1 to Q2. Could you break down the factors behind this?*

A.

Comparing excluding inventory factors, profit decreased by about JPY5.0 billion from Q1 to Q2. There is no special factor included in both Q1 and Q2. However, if we look at the difference between Q1 and Q2, for example, the volume of ore shipped from our Huanzala mine in Peru would be higher in Q1 than in Q2, minus about JPY1.0 billion. A decrease of about JPY0.8 billion due to the reduction in the amount that could be produced more than the contract quantity in copper smelting. Since the dividend received in Q1 is not in Q2, it is a minus of about JPY0.6 billion. The difference of recycled raw materials ratio for zinc and energy costs will be JPY0.5 billion each, resulting in a negative JPY1.0 billion. The rest is a small accumulation such as an increase in repair costs.

As some of them will not worsen as expected, I think there is a possibility of a slight upswing in Q2. However, we believe that the trend is toward a decrease in profit from Q1 to Q2.