

## Record of Telephone Conference Concerning FY2021 Results

Reference: FY2021 Results & FY2022 Forecast

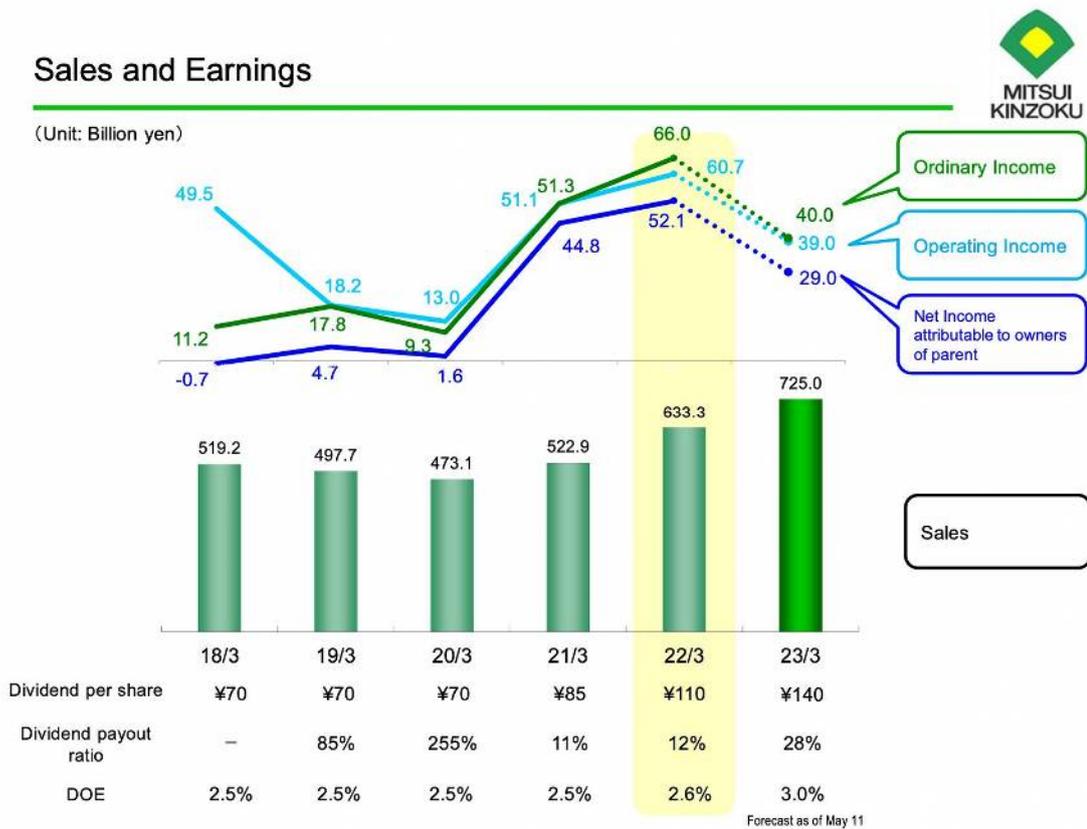
<https://www.mitsui-kinzoku.com/LinkClick.aspx?fileticket=QID4pDSOPq0%3d&tabid=204&mid=824&TabModule903=0>

Note:

PKG = Package substrate

HDI = High density interconnect

### ■ Explanation



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Please refer to page 2 about Sales and Earnings.

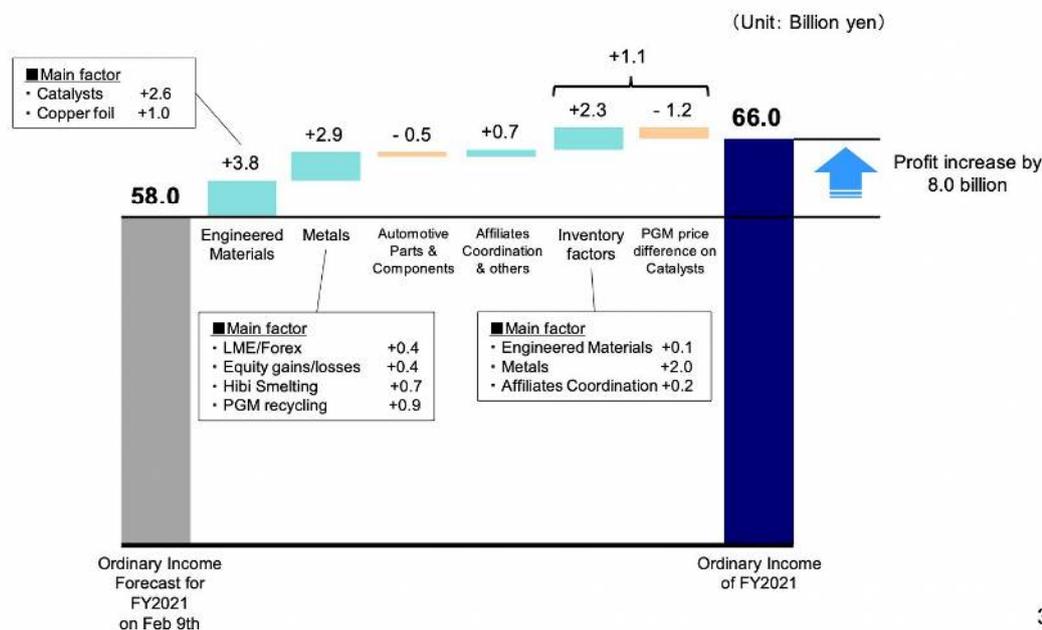
For the fiscal year ending March 31, 2022, we have marked sales of ¥633.3 billion, operating income of ¥60.7 billion, ordinary income of ¥66.0 billion, and net income attributable to owners of parent of ¥52.1 billion.

Compared to the previous year, net sales increased ¥110.4 billion, operating income increased ¥9.6 billion, ordinary income increased ¥14.7 billion, and net income attributable to owners of the parent increased ¥7.3 billion.

## FY2021 Ordinary Income



Ordinary income of FY2021 is 66.0 billion, by 8.0 billion better than that of FY2021 announced on February 9<sup>th</sup>.



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Regarding ordinary income, please refer to page 3 for a comparison with the full year forecast for fiscal 2021 announced on February 9.

The figure was ¥66.0 billion, an increase of ¥8.0 billion from the ¥58.0 billion forecast.

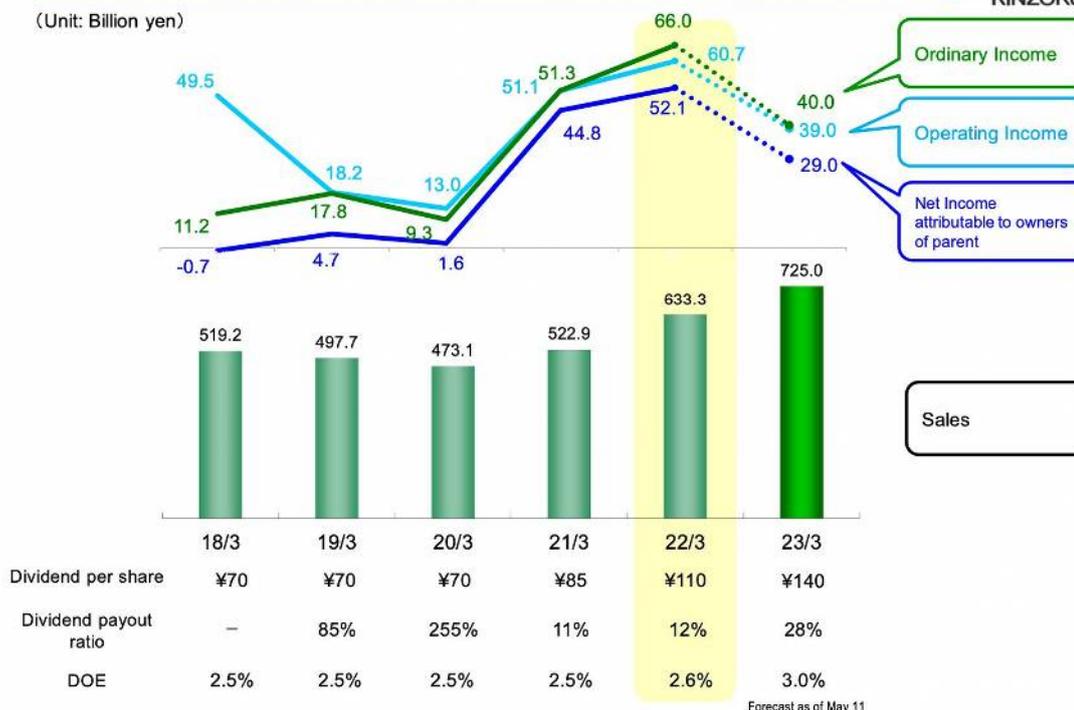
By segment, income increased by ¥3.8 billion in Engineered Materials. This was due mainly to the positive side effect of the depreciation of the yen in the Catalysts business, resulting in an increase of ¥2.6 billion. In the Copper Foil business, sales volume of MicroThin™ for both PKG and HDI applications exceeded the forecast, resulting in an increase of ¥1.0 billion.

In the Metals segment, income increased by ¥2.9 billion. This was mainly due to higher-than-expected base metal and precious metal prices. Similarly, a favorable turnaround due to inventory factors associated with higher metal prices also contributed to a significant increase in profit.

## Sales and Earnings



(Unit: Billion yen)



2

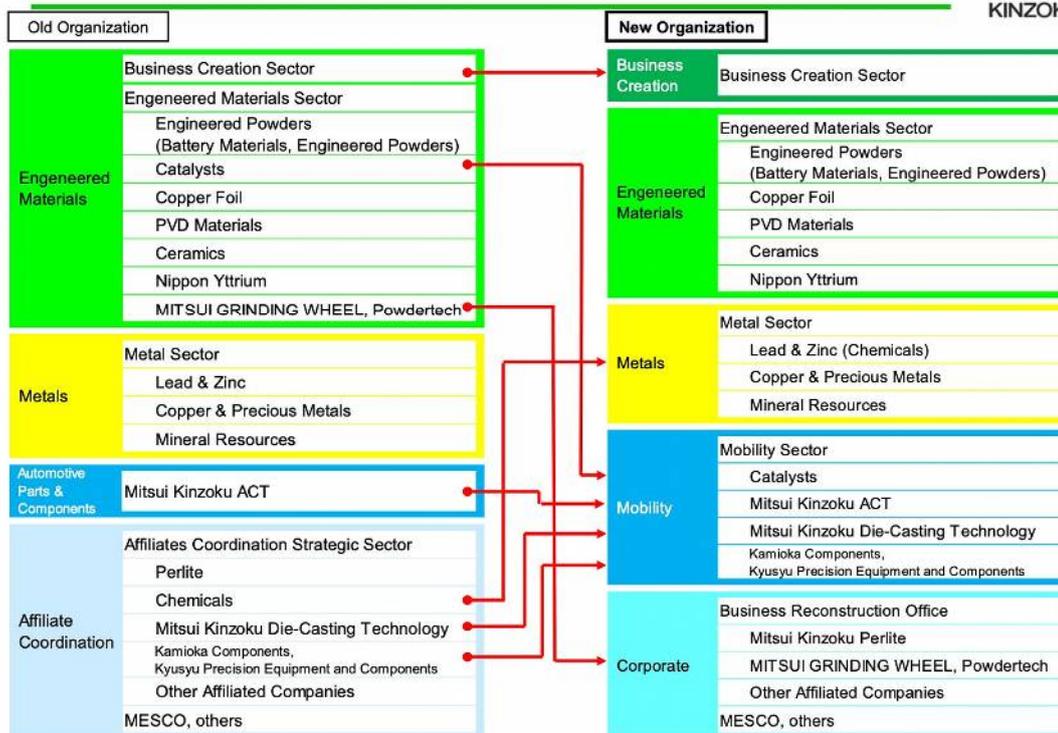
Next, we will explain the forecasts for the fiscal 2022. Please refer to page 2 again.

In the fiscal year ending March 2023, sales are ¥725.0 billion, operating income is ¥39.0 billion, ordinary income is ¥40.0 billion, and net income attributable to owners of parent is ¥29.0 billion.

Compared to the previous year, net sales are expected to increase by ¥91.7 billion due to increased sales of MicroThin™ and the assumption that metal prices will remain high from fiscal 2021. However, we expect profits to decrease in both operating income, ordinary income, and net income attributable to owners of parent due to the removal of inventory factors, higher energy costs, and increased R&D expenses for the future.

The reasons for the ¥26.0 billion decrease in ordinary income from ¥66.0 billion to ¥40.0 billion will be explained on page 5 and beyond.

## Changes of Company Organization



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Please refer to page 4.

We have set up our group's activity areas by overlapping attractive markets back casted from 2050 and winnable markets forecasted from our strengths and have reorganized the entire company in fiscal 2022 to become an organization that can always provide value to attractive markets.

First, the Business Creation Sector, which was previously included in the Engineered Materials segment for disclosure purposes, has been separated out. The former Automotive Parts & Components segment has been renamed the Mobility segment. In addition, Mitsui Kinzoku ACT and the Catalysts business, which was previously included in the Engineered Materials segment, and closely related businesses such as die-casting, are now included in this segment.

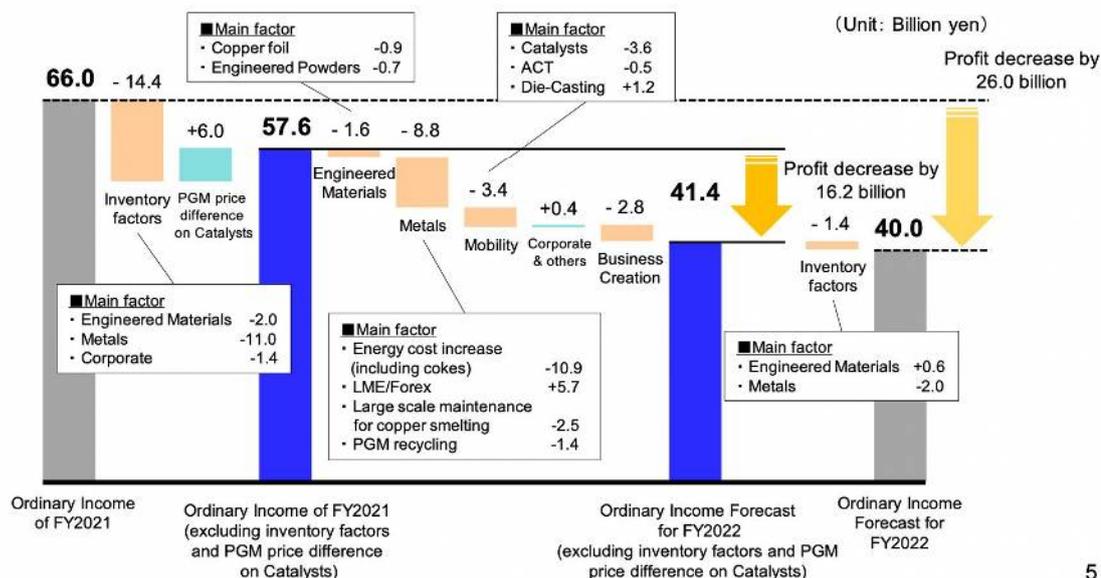
In addition, the businesses in the Affiliates Coordination segment have been moved to other segments depending on the nature of the business.

For details, please also refer to the press release published on February 9.

## FY2022 Ordinary Income Forecast



Ordinary income forecast for FY2022 decrease by 26.0 billion from the previous year.  
 Excluding inventory factors and PGM price difference on Catalysts, it decreased by 16.2 billion.  
 Among them, decrease due to rising energy costs including cokes is 11.6 billion.  
 (Metals:10.9 billion, Copper foil: 0.7 billion)



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Please continue to page 5 of the document. The factors that I mentioned earlier that are expected to reduce ordinary income in fiscal 2022 by ¥26.0 billion compared to the previous fiscal year are described.

Ordinary income of ¥66.0 billion for fiscal 2021 includes inventory factors of ¥14.4 billion due to higher metal prices. Excluding the negative ¥6.0 billion due to the decline in precious metal prices in the Catalysts business, the total amount was ¥57.6 billion.

Similarly, excluding inventory factors due to metal price fluctuations, which are included in the ¥40.0 billion forecast for ordinary income in fiscal 2022, the forecast is ¥41.4 billion, and the amount of decrease in profit excluding these factors will be ¥16.2 billion.

The most significant factor is the rising cost of energy. We estimate that the impact of this change will be a deterioration of ¥11.6 billion. Despite other positive factors such as rising metal prices and the impact of the yen's depreciation, we expect a large decrease in profit as a result, partly due to aggressive investment of resources in the Business Creation Sector in order to sustainably create new businesses.

I would like to announce that the dividend, previously announced at ¥100 per share, will now be ¥110 per share, which is the level of DOE 2.5%, and will be submitted as a proposal to the general shareholders meeting on June 29.

In addition, we have decided to set the dividend level for fiscal 2022 and beyond at DOE 3.0%, based on a clearer dividend policy and improvement in our business conditions and financial position. Accordingly, the dividend forecast for fiscal 2022 is ¥140 per share.

## Statements of income



(Unit : Billion yen)	Results			Forecast			
	2021 Results	2020 Results	Difference (21-20)	2022 Forecast	Difference (22-21)	1st Half	2nd Half
<b>Net Sales</b>	633.3	522.9	110.4 21.1%	725.0	91.7 14.5%	360.0	365.0
Cost of sales	510.8	420.7	90.1 21.4%	-	-	-	-
<b>Gross Profit</b>	122.6	102.2	20.3 19.9%	-	-	-	-
SG&A expenses	61.8	51.1	10.7 21.0%	-	-	-	-
<b>Operating Income</b>	60.7	51.1	9.6 18.8%	39.0	-21.7 -35.8%	25.5	13.5
Non-operating income/expenses -net	5.3	0.1	5.1	1.0	-4.3 -39.4%	0.5	0.5
<b>Ordinary Income</b>	66.0	51.3	14.7 28.7%	40.0	-26.0 -39.4%	26.0	14.0
Extraordinary profit/losses-net	-1.5	3.4	-4.9	-3.0	-1.5	-1.2	-1.7
<b>Net Income before income taxes</b>	64.5	54.7	9.8 17.9%	37.0	-27.5 -42.6%	24.8	12.3
Income taxes & minority interests	12.4	9.9	2.5	8.0	-4.4	5.8	2.3
<b>Net income attributable to owners of parent</b>	52.1	44.8	7.3 16.3%	29.0	-23.1 -44.3%	19.0	10.0

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Please see Statements of income on page 6.

Ordinary income for fiscal 2021 was ¥66.0 billion, an increase of ¥14.7 billion from the previous year.

The reasons for the increase and decrease will be explained by each segment later.

## Performance by Segment – Engineered Materials

(Unit : Billion yen)



New Organization					
	FY2022 Forecast	FY2021 Results	Diff. (22-21)	1st Half Forecast	2nd Half Forecast
■ Sales	153.0	136.1	16.9	77.0	76.0
■ Operating income	27.0	29.4	-2.4	14.5	12.5
■ Ordinary income	27.0	30.0	-3.0	14.5	12.5
※ Ordinary income	26.4	28.0	-1.6	13.9	12.5

Old Organization			
	FY2021 Results	FY2020 Results	Diff. (21-20)
■ Sales	253.5	207.8	45.7
■ Operating income	26.9	26.5	0.4
■ Ordinary income	27.7	26.5	1.1
※ Ordinary income	31.7	21.5	10.1

※ Ordinary income : Ordinary income excluding inventory factors and PGM price difference on Catalysts.

(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 Powders	 <ul style="list-style-type: none"> <li>• Wide range of electronic components</li> <li>• Abrasive for glass</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>

### Difference Analysis of Ordinary income

[ 'FY2020 → 'FY2021 + 1.1 ]

Catalysts -8.2  
(Precious metal price difference, others)  
Copper foil +6.3  
(MicroThin™ volume of sales increases, others)  
PVD Materials +2.1  
(Inventory factors, Unit selling price increase, others)

[ 'FY2021 → 'FY2022 Forecast - 3.0 ]

PVD Materials -1.4  
(Inventory factors, others)  
Copper foil -0.9  
(Electricity and other cost increase, others)  
Engineered Powders -0.7  
(Cost increase, others)

● Old Organization → New Organization Breakdown of difference

	FY2021 Old Organization	Difference		FY2021 New Organization
		Business Creation	Difference	
Sales	253.5	0.0	-117.4	136.1
Operating income	26.9	5.7	-3.2	29.4
Ordinary income	27.7	5.8	-3.5	30.0

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We will explain the situation in each segment.

First, Engineered Materials segment. Please see page 14.

As you can see in the table on the right in the upper row, in the Catalysts business, sales volume for both motorcycles and automobiles increased, and the price of precious metals has gone up, and in the Copper Foil business, sales volume of MicroThin™ in particular increased. As a result, sales increased by ¥45.7 billion from the previous year to ¥253.5 billion.

Ordinary income decreased by ¥8.2 billion in the Catalyst business due to the significant negative impact of precious metal price fluctuations, from a positive ¥4.1 billion in the previous year to a negative ¥6.0 billion, a difference of ¥10.1 billion, increased by ¥6.3 billion in the Copper Foil business due to an approximately 27% increase in sales volume of MicroThin™. In the PVD Materials business, inventory factors due to higher indium prices were a favorable factor of ¥1.1 billion, and unit sales prices improved, resulting in a combined improvement of ¥2.1 billion in the PVD Materials business. As a result, ordinary income in Engineered Materials segment increased by ¥1.1 billion from the previous year to ¥27.7 billion.

I will explain the ordinary income forecast for fiscal 2022 in the new segment in which the Catalysts business and other businesses have been transferred to a different segment.

See the table on the left in the upper row. We expect sales in fiscal 2022 to increase by ¥16.9 billion from the previous year to ¥153.0 billion. This was mainly due to increased sales of MicroThin™. On the other hand, ordinary income is expected to decrease by ¥3.0 billion to ¥27.0 billion. The decrease in profit is due to inventory factors in the PVD Materials business, which is expected to decrease by ¥1.4 billion from the previous year, and cost increase factors including higher energy costs, which is expected to decrease profit by ¥0.9 billion, despite positive effects from increased sales in the copper foil business.

## Performance by Segment – Metals



(Unit: Billion yen)

### New Organization

	FY2022 Forecast	FY2021 Results	Diff. (22-21)	1st Half Forecast	2nd Half Forecast
■ Sales	269.0	235.6	33.4	138.0	131.0
■ Operating income	14.0	34.2	-20.2	13.0	1.0
■ Ordinary income	14.5	36.3	-21.8	13.5	1.0
※ Ordinary income	16.5	25.3	-8.8	10.8	5.7

※ Ordinary income : Ordinary income excluding inventory factors.

### Old Organization

	FY2021 Results	FY2020 Results	Diff. (21-20)
■ Sales	233.0	193.6	39.4
■ Operating income	33.3	23.7	9.6
■ Ordinary income	35.4	22.8	12.6
※ Ordinary income	24.4	15.7	8.7

### Ordinary Income Difference Analysis

	FY2020→ FY2021	FY2021→ FY2022 Forecast
LME/Forex	8.1	5.7
T/C	-3.9	1.7
Inventory Factors	3.9	-13.0
Equity profit/loss	5.2	-1.0
Cokes	-1.5	-4.8
Dividends	-1.9	-0.6
Others※	2.7	-9.8
Total	12.6	-21.8

### 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 TC

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

### ※Detail of Others

FY2020→ FY2021	Energy cost increase -1.9, Mineral Resources Division +2.8, Large scale maintenance for zinc smelting in 20Q1 +1.4
FY2021→ FY2022 Forecast	Energy cost increase -6.1, PGM recycling -1.4, Large scale maintenance for copper smelting -2.5

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Metal segment. Please refer to page 15.

First is the YoY comparison for fiscal 2021. See table on the top-right. Sales increased ¥39.4 billion from the previous year to ¥233.0 billion, mainly due to a favorable turnaround in base metal prices.

Ordinary income increased by ¥12.6 billion from the previous year to ¥35.4 billion, due to a significant improvement including inventory factors, as a result of higher LME prices, despite deteriorated conditions for the purchase of ore and higher coke prices.

Please refer to the table on the left in the upper row for the ordinary income forecast for fiscal 2022. For the current fiscal year, we expect a decrease of ¥21.8 billion from the previous year, to ¥14.5 billion. Despite the positive factors of metal prices and yen depreciation, the inventory factor of plus ¥11.0 billion that occurred in the previous fiscal year due to higher metal prices is expected to cause reverse effect to minus ¥2.0 billion this fiscal year, and minus ¥10.9 billion due to the impact of higher energy costs. These are the major factors. Another factor contributing to the decline in earnings this year is the scheduled large-scale periodic repairs at Hibi Smelting.

## Performance by Segment – Automotive Parts & Components, Mobility



(Unit : Billion yen)

Mobility					
	FY2022 Forecast	FY2021 Results	Diff. (22-21)	1st Half Forecast	2nd Half Forecast
■ Sales	257.0	207.1	49.9	129.0	128.0
(Mitsui Kinzoku ACT)	(90.7)	(78.8)	(11.9)	(45.4)	(45.3)
■ Operating income	5.7	1.5	4.2	2.5	3.2
(Mitsui Kinzoku ACT)	(-0.1)	(-0.3)	(0.2)	(-0.2)	(0.1)
■ Ordinary income	5.0	2.4	2.6	2.2	2.8
(Mitsui Kinzoku ACT)	(0.0)	(0.5)	(-0.5)	(0.0)	(0.0)
※ Ordinary income	5.0	8.4	-3.4	2.2	2.8

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

### Difference Analysis of Ordinary income

[ 'FY2021' → 'FY2022 Forecast' + 2.6 ]

Catalysts	+2.4 ( Precious metal price difference, others )
Die-Casting	+1.2 (Improved yield, others)
ACT	-0.5 (Rising steel material prices, others)

### ACT : Difference Analysis of Ordinary income

	FY2020→ FY2021	FY2021→ FY2022 Forecast	※Detail of Others	FY2020→ FY2021	FY2021→ FY2022 Forecast
Sales Volume	-0.8	0.2	Rising steel material and resin prices	-2.0	-1.0
Cost down	2.3	0.9	Freight Charge	-0.7	0.0
Others※	-2.9	-1.6	Forex exchange	0.7	-0.3
Total	-1.4	-0.5	Furlough Subsidy, etc.	-0.6	-0.1

### Automotive Parts & Components

	FY2021 Results	FY2020 Results	Diff. (21-20)
■ Sales	78.8	81.1	-2.2
■ Operating income	-0.3	1.4	-1.7
■ Ordinary income	0.5	1.9	-1.4

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

### ● Automotive Parts & Components → Mobility Breakdown of difference

	FY2021 Automotive Parts & Components	Difference Catalysts, Others	FY2021 Mobility
Sales	78.8	128.3	207.1
Operating income	-0.3	1.8	1.5
Ordinary income	0.5	1.9	2.4

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Automotive Parts & Components, Mobility segment. Please refer to page 16.

This is the YoY ratio for fiscal 2021. See table on the top-right. Despite the positive effects of cost reductions, the segment posted a ¥1.4 billion decrease from the previous year to ¥0.5 billion due to higher steel material and resin prices, transportation costs, and other factors.

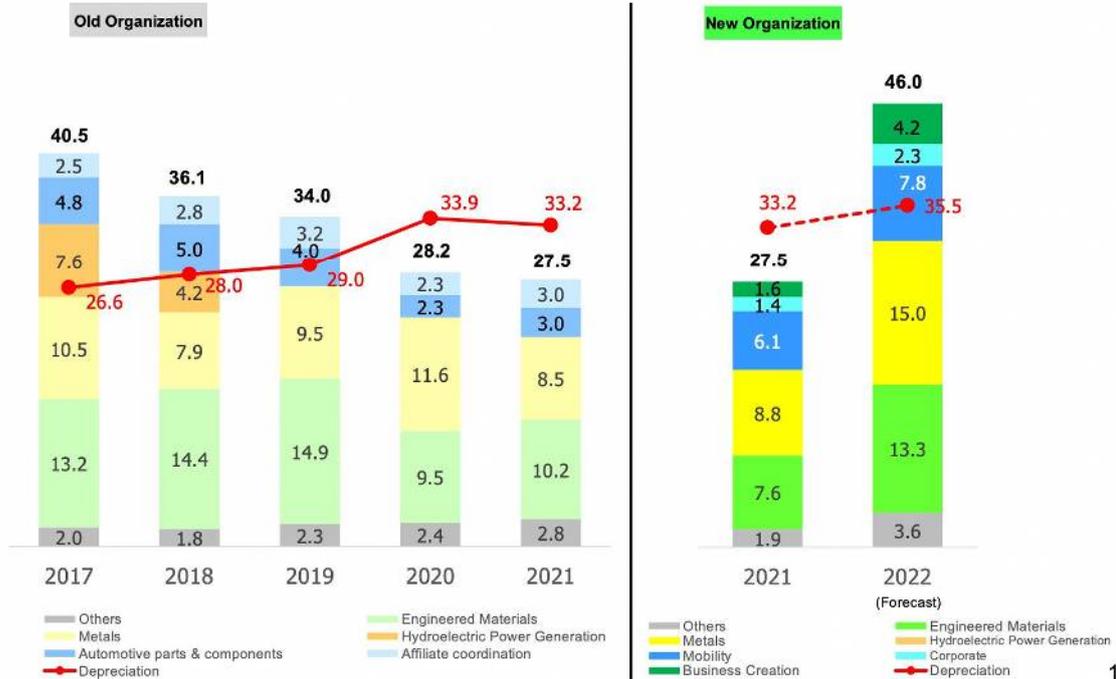
The ordinary income forecast for fiscal 2022 will be explained in the new Mobility segment, which incorporates catalysts and other products. See the table in the upper left-hand corner.

Ordinary income for fiscal 2022 is expected to increase by ¥2.6 billion YoY to ¥5.0 billion for the segment as a whole, due to an expected recovery in sales volume of catalysts for motorcycle to India, especially in the Catalysts business, as well as additional vehicle models to be adopted and recovery from the semiconductor shortage.

## CAPEX and Depreciation



(Unit : Billion yen)



17

Please refer to page 17 about CAPEX and Depreciation.

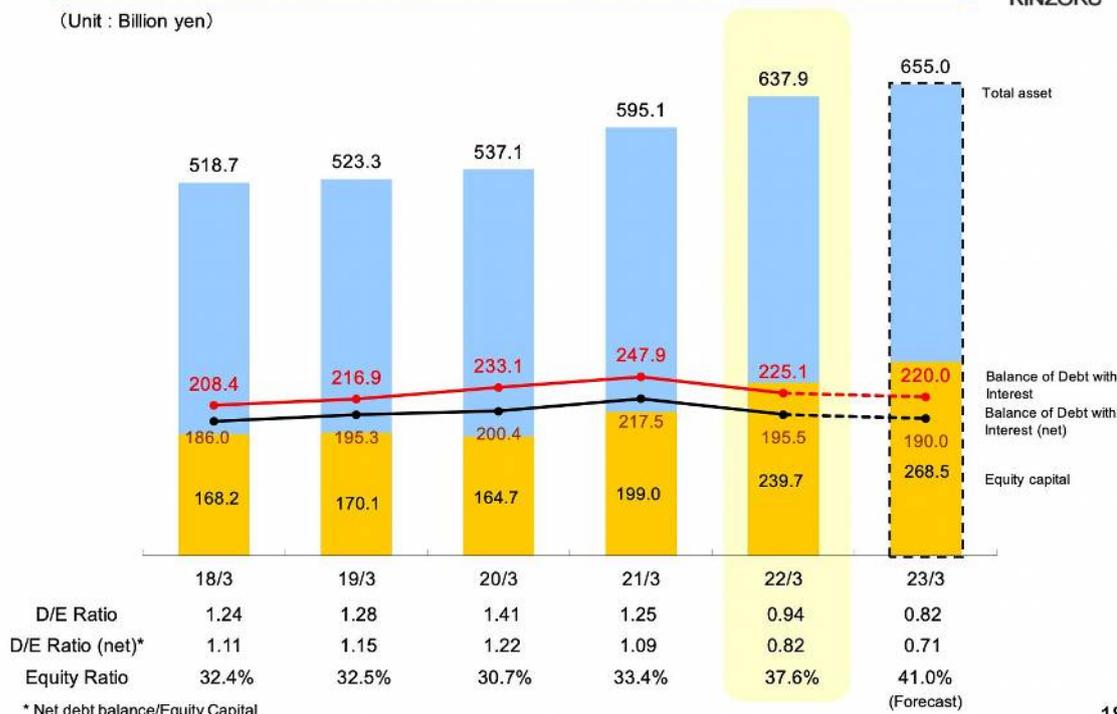
Capital investment in fiscal 2021 was ¥27.5 billion, almost unchanged from the previous year.

We plan to make a capital investment of ¥46.0 billion in fiscal 2022, a large increase from fiscal 2021. In the metal segment, we will invest in large-scale periodic repairs at Hibi Smelting, and in the Engineered Materials segment to strengthen the competitiveness of copper foil and engineered powders, and in the Business Creation Sector to strengthen investment for the future. These are the main breakdowns.

## Financial Position at the end of Fiscal Year



(Unit : Billion yen)



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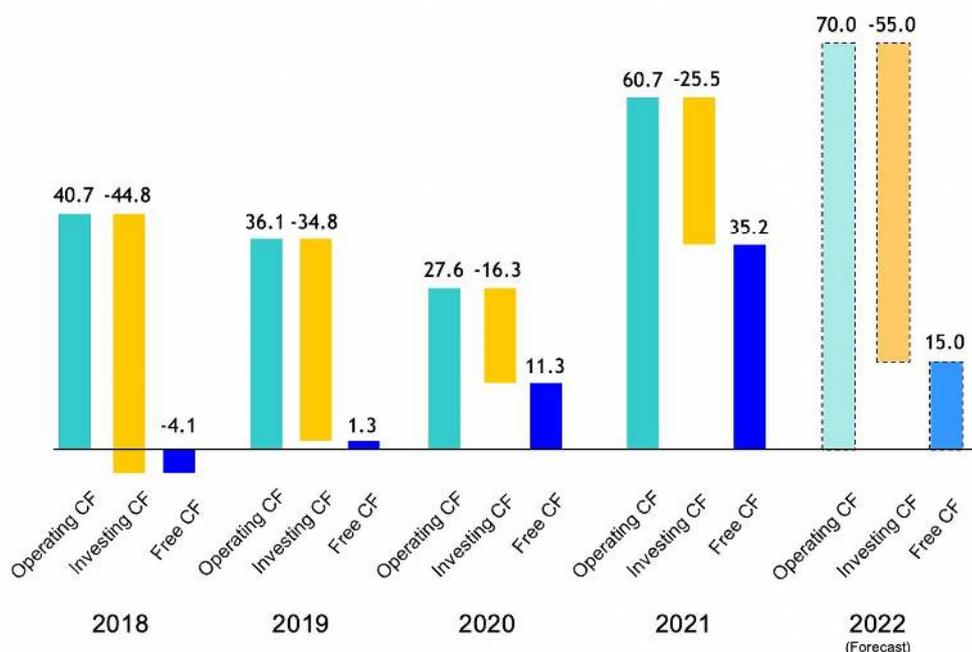
Please refer to page 18 about Financial Position.

Total assets increased due to an increase in current assets, mainly due to higher base metal prices, while debt with interest decreased. Equity capital increased, and the equity ratio was 37.6%. The equity ratio as of end of March 2023, is projected to be 41.0%.

## Cash Flows



(Unit : Billion yen)



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As shown in the cash flow on page 19, we expect free cash flow of ¥15.0 billion in fiscal 2022 due to increased investments in fiscal 2022.

### ■Q&A Session

#### Engineered Materials Segment

Q.

*Regarding copper foil, please tell us about the trends in electro-deposited copper foil and MicroThin™, and the reason why ordinary income from them will decrease despite an expected increase in sales volume this fiscal year.*

A.

The sales volume of electro-deposited copper foil for Q4 was 1,760 tons per month, a decrease from Q3, and overall demand for electro-deposited copper foil has weakened. By category, sales of electro-deposited copper foil for flexible printed circuits (FPC) are slow for Korean and Chinese smartphones, and sales for server applications for communication infrastructure, which were strong until Q3, entered an inventory adjustment cycle in Q4. Sales for applications to base stations for communication infrastructure have remained slow since Q2. In fiscal 2022, we expect increased sales of copper foil for FPC as it is predicted that the FPC market will grow and the smartphone market will start to recover. In addition, electro-deposited copper foil for communication infrastructure can also be expected to grow over the medium term, we expect the sales volume of electro-deposited copper foil to be 2,210 tons per month during the first half of the year and 2,180 tons per month during the second half.

Demand for MicroThin™ remained high in Q4. Although demand for HDI is conventionally low in Q4, sales during the period exceeded the previous predictions in February due to strong sales of 2021 models from North American smartphone manufacturers and the additional release of a popular model in fiscal 2021. Demand for MicroThin™ for PKG was also substantially high in Q4. Since demand for server memory applications and other memory-

related demand, rather than that for smartphones, was solid, orders in Q4 were maintained at a high level. Sales of MicroThin™ for HDI are expected to decrease slightly throughout fiscal 2022 compared to last year. Although the sales volume is higher than an average year due partly to the release of a popular model in fiscal 2021, we will achieve nearly the level of sales volume of fiscal 2021 by obtaining the share of another company for MicroThin™ for HDI, which is currently purchased from two companies. We expect sales of MicroThin™ for PKG to increase, as its use in various smartphones can be presumed to continue to grow due to the increase in 5G models and the trend toward higher levels of functionality as well as the fact that its applications are expected to continue to expand beyond smartphones, including mainly to server memory.

As for the reason for the decrease in ordinary income this fiscal year, some factors offset the ordinary income of approximately over ¥3 billion as a result of increased sales of MicroThin™ and electro-deposited copper foil. First, a positive difference in cost calculation in fiscal 2021, which is like an inventory factor. In addition, there is hedging of some raw materials. These positive factors in fiscal 2021 will be absent in fiscal 2022. There are some cost increase factors, including depreciation expenses and R&D costs. These factors eliminate the profits generated from increased sales of MicroThin™ and electro-deposited copper foil, and then the increased cost of electricity has led ordinary income to decrease.

Q.

*You mentioned that other memory applications of MicroThin™ for PKG can be expected. Could you be a little more specific about that?*

A.

MicroThin™ for PKG has been adopted for server memory applications, which is the main reason for the growth in its sales volume, but these applications have grown beyond that purpose. Specifically, it has started to be used in applications such as gaming consoles, drones, drive recorders, and wireless earphones. Since there is a trend of using semiconductor packages for smartphones for applications beyond smartphones, it is possible that MicroThin™ for PKG may be being used in applications that we are not even aware of.

Q.

*Regarding MicroThin™ for HDI, please tell us the current market share and how you are attempting to acquire market share.*

A.

We consider our current market share to be around 80%. Although the sales volume of MicroThin™ for HDI in fiscal 2021 exceeded our expectations, partly due to strong sales of North American smartphone manufacturers and the additional release of a popular model, please consider this number to be a goal that we will strive for in an attempt to catch up to that growth even a little this fiscal year.

Q.

*You mentioned during the briefing session for Q3 that two Chinese smartphone manufacturers were considering adopting MicroThin™ for HDI. What is the current situation?*

A.

The two Chinese smartphone manufacturers are continuing to consider adoption and there is no change from the situation as of Q3.

Q.

*What should we expect regarding the sales volume of MH alloy this year?*

A.

In fiscal 2022, we plan to increase the sales volume thanks to easing of the impact of the semiconductor shortage. However, due to the impact of some disruptions in the supply chain caused by the earthquake that struck off the coast of Fukushima Prefecture in March as well as due to the semiconductor shortage in Q4, the sales volume for the first half of fiscal 2022 has a downward risk.

### **Metals Segment**

Q.

*According to the description of the Metals Segment on page 15 of the FY2021 Results & FY2022 Forecast information material, ordinary income from cokes will fall by ¥4.8 billion while ordinary income will fall by ¥6.1 billion due to energy cost increases for fiscal 2022. Have you made any assumptions about the price of coking coal, cokes, and electricity charges?*

A.

For cokes, we anticipate the coking coal price to be \$370 per ton. For electricity, we expect the oil price to be \$100 per barrel.

Q.

*Is my understanding correct that most of the decrease in ordinary income due to increased energy costs is attributable to electricity costs for zinc smelting?*

A.

About three-quarters of the decrease is attributable to the cost of electricity for zinc and copper smelting.

### **Mobility Segment**

Q.

*Regarding Catalysts, what should we expect for the sales volume this year?*

A.

We expect a sales increase as a result of recovery in sales for India during fiscal 2022. However, when we take a look at the situation in India during Q4, motorcycle sales were below the forecast due to the impact of inflation led by resource price hikes and price increases in motorcycles, so the sales volume for the first half of fiscal 2022 depends on the extent of the recovery.

Q.

*Regarding Catalysts, is my understanding correct that you predict a decrease in ordinary income for fiscal 2022 when the PGM price difference is excluded?*

A.

That is correct. Although we gained ¥2.4 to ¥2.5 billion in fiscal 2021 from sales of scrap and from foreign exchange in Q4, ordinary income for fiscal 2022 will decrease because there will be no such gains. While the sales volume will increase, there will also be cost increase factors such as depreciation expenses and selling, general, and administrative expenses as well as gains from the sale of scrap and foreign exchange, which will eliminate the profits resulting from increased sales.

### **Business Creation Sector**

Q.

*I understand that the costs incurred by the Business Creation Sector will increase significantly this fiscal year. Please tell us the specific cost items that will increase and what kinds of effects you expect over the medium term.*

A.

As stated in our vision, we must continue to create new goods and services to sustain the company going forward as one that builds new businesses. To this end, we must strengthen our research and development activities, and we will continue to increase the number of people we have engaged in such activities and invest in such activities during fiscal 2022.

Q.

*Ordinary income from the Business Creation Sector was negative ¥5.8 billion in fiscal 2021 and will be negative ¥8.6 billion in fiscal 2022, with an additional cost of ¥3.0 billion. Will this level of ordinary income be maintained over the next couple of years?*

A.

Please wait for us to announce the medium-term business plan on May 20. Although we cannot presently clarify whether this cost will be flat or increase, please understand that it will not decrease because our policy of steadily investing resources in the sector remains unchanged.

### **Total**

Q.

*What do you think of raising product prices to cover rising energy costs?*

A.

For copper foil, if electricity charges increase significantly, we will consider whether to increase the prices of both electro-deposited copper foil and MicroThin™ while watching the market trends to secure an appropriate margin. For metals, it is difficult to raise selling prices based on the rise in energy prices because their prices are based on the LME prices.

Q.

*What is the background to the significant increase in the CAPEX for fiscal 2022, and will it also be at the same level during the next fiscal year and onwards?*

A.

Of the ¥46 billion, a large part, about ¥15 billion, will be spent in the Metals Segment. One reason is the periodic large-scale maintenance at Hibi Smelting, which has a cost of about ¥4 billion and is a significant factor behind the increase in the CAPEX. The reason for this increase in the balance is due partly to the impact of rotation needs for maintenance and upgrades, though there are no new large investments in the Metals Segment. The increase from ¥7.6 billion to ¥13.3 billion in the Engineered Materials Segment is for increased investment mainly in copper foil and engineered powders. Simply speaking, we will increase these investments in an attempt to strengthen our competitiveness. It is not that each of the projects costs a large sum of money, but rather that we have many strategies to implement which constitute a large amount when summed up. The second largest increase is for R&D. We will spend some money for the CAPEX for the Business Creation Sector, indicating our intention to allocate management resources to this business.

We believe our direction for the next fiscal year onward will basically remain unchanged, but for details, please wait for us to announce the medium-term business plan on May 20.