

# Investor Conference Call for the Consolidated Financial Results for the Three Months Ended June 30, 2020

My name is Shibata, Managing Executive Officer of Mitsubishi Materials Corporation. Thank you all for joining the conference call today.

I would like to take this opportunity to thank you all for your continued interest in our company.

Now, let me start with the overview of the Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021 (hereinafter referred to as "FY2021") and the full-year earnings forecasts.

## Comparison with the Previous Year Result (Consolidated Statements of Operations)

### Comparison with the Previous Year Result (Consolidated Statements of Operations)

[Unit: billion yen]

	FY2019 1Q Result (a)	FY2020 1Q Result (b)	Difference (b)-(a)	Reason *
Net sales	366.2	344.3	-21.8	AP-17.7, MS-12.4, Metals+5.9, Cement-9.3, etc.
Operating profit	8.9	2.5	-6.4	AP-1.3, MS-4.6, Metals+0.3, Cement-2.2, etc.
Net interest and dividend income	10.1	1.4	-8.7	Dividend income-8.8, etc.
Share of profit (loss) of entities accounted for using equity method	0.7	-0.1	-0.9	
Other / Non-operating profit / loss	-0.7	-0.6	0.0	
Ordinary profit	19.1	3.1	-16.0	
Extraordinary income / loss	-9.8	1.4	11.2	Provision for loss on the Antimonopoly Act + 10.4 Reversal of provision for loss on business restructuring + 1.5 etc.
Income taxes	-5.6	-3.2	2.3	
Profit attributable to non-controlling interests	-1.3	-0.8	0.4	
Profit attributable to owners of parent	2.4	0.4	-1.9	
Exchange rate (USD)	110	108	-2	JPY / \$
Exchange rate (EUR)	123	118	-5	JPY / €
Copper price (LME)	277	242	-35	¢ / lb

\* AP: Advanced Products  
MS: Metalworking Solutions

Firstly, I will explain the overview of the financial results for the first quarter in year-on-year comparison. Please look at page 5.

First of all, the bottom section of the slide shows that the yen was stronger than the US dollar and the euro. The price of copper fell by 35 cents per pound.

Going back to the top row, regarding net sales, automobile-related demand decreased sharply due to the impact of COVID-19. In addition, domestic cement demand declined due to the suspension of construction projects in the Tokyo metropolitan area and other areas.

Against these backdrops, net sales of the Advanced Products, the Metalworking Solutions Business and the Cement Business declined significantly.

Operating profit decreased mainly due to declines in sales in the Advanced Products, the Metalworking Solutions Business, and the Cement Business. In addition, ordinary profit also fell significantly due to a decrease in dividend income from copper mines.

Although extraordinary losses decreased significantly compared to the previous fiscal year due to the provision for loss on the Antimonopoly Act by Universal Can Corporation recorded that year, quarterly net income decreased due to a significant decline in ordinary profit.

I will explain statistics on page 6.

## Comparison with the Previous Year Result (Statistics)

### Comparison with the Previous Year Result (Statistics)

■ Statistics			FY2020	FY2021	
			1Q Result	1Q Result	Difference
			(a)	(b)	(b-a)
Copper	Sales volumes of copper & copper alloy products	(thousand tons)	34	27	-7
	Sales volumes of copper cathodes (in-house product)	(thousand tons)	69	77	8
	Sales volumes of copper cathodes (PTS)	(thousand tons)	68	69	1
	Dividend from copper mine	(billion yen)	8.9	0.9	-8.0
Cement	Total demand for cement in Japan	(million tons)	10.03	9.40	-0.64
	Cement sales volumes for MMC-Domestic	(million tons)	1.62	1.47	-0.14
	Cement sales volumes for MMC-Exports	(million tons)	0.48	0.41	-0.07
	Cement sales volumes in the U.S.	(million tons)	0.38	0.41	0.02
	Ready-mixed concrete sales volumes in the U.S.	(million cy)	2.29	2.21	-0.09
Aluminum	Sales volumes of aluminum sheet products	(thousand tons)	26	24	-2
	Sales volumes of aluminum extrusion products	(thousand tons)	4	3	-1

Sales volume of copper & copper alloy products was solid for semiconductor-related products but declined significantly for automobile-related products.

Sales volume of copper cathodes of Mitsubishi Materials Corporation (hereinafter referred to as “the Company”) and PT Smelting increased respectively due to steady operations.

The decrease in dividend from copper mines was due to the absence of dividend from the Los Pelambres mine in the first quarter.

Total demand for cement in Japan decreased due to some factors such as the suspension of construction projects in the Tokyo metropolitan area and other areas, resulting in a decline in domestic cement sales volume.

Export sales volume of cement also decreased due to some factors such as lockdowns at export destinations caused by COVID-19.

Sales volume of ready-mixed concrete in the United States declined due to the temporal bad weather in April 2020.

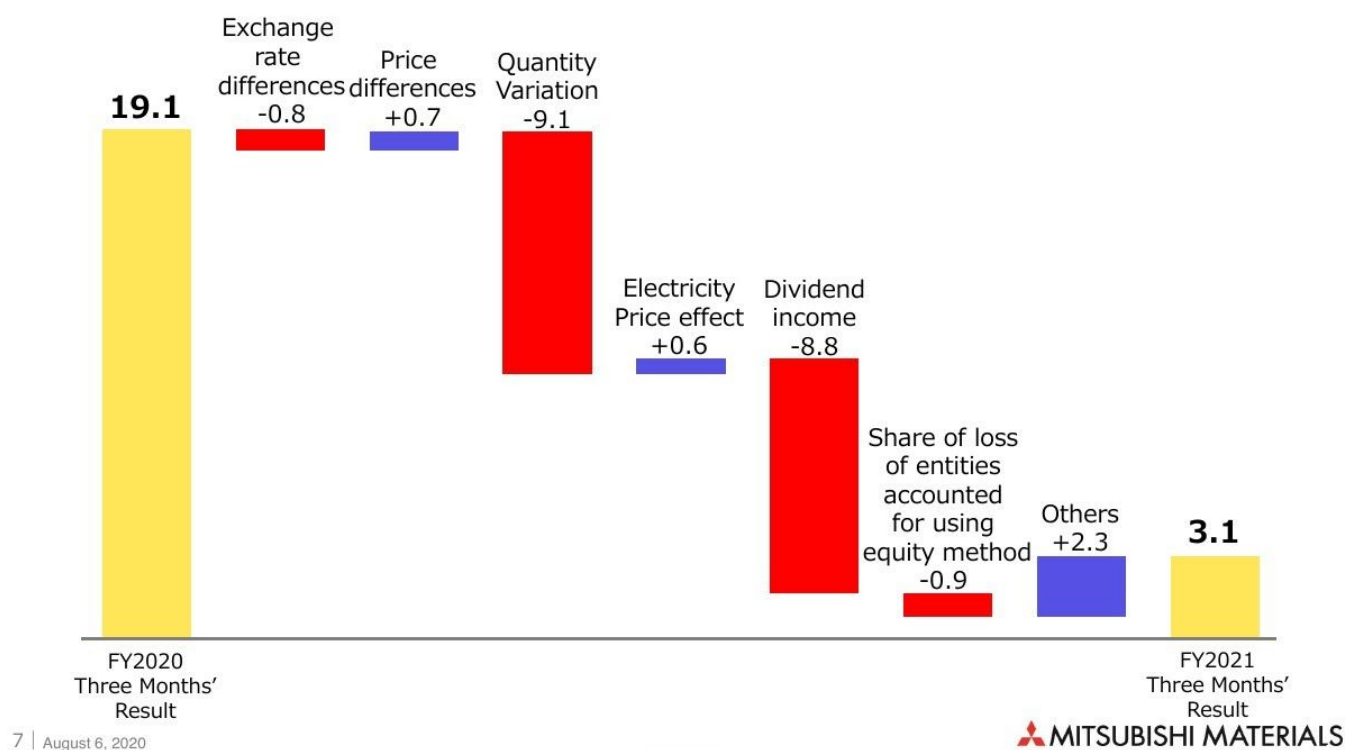
Sales of aluminum sheet materials and extruded products decreased mainly for automotive products.

On page 7, I will explain the year-on-year comparison regarding the ordinary profit.

## Comparison with the Previous Year Result (Factor Analysis of Ordinary Profit)

### Comparison with the Previous Year Result (Factor Analysis of Ordinary Profit)

[Unit: billion yen]



As the bar graph on the right shows, the ordinary profit of the first quarter of the FY2021 decreased by 16.0 billion yen year-on-year to 3.1 billion yen.

The decline in “Quantity variation” is due to decreased sales volume in the Advanced Products, the Metalworking Solutions Business and the Cement Business because of the impact of COVID-19, and the drop in “Dividend income” is due to decreased dividend from the copper mines, etc. They contributed to a large decline in ordinary profits.

For more details, I will explain factor analysis by segment on page 8.

# Comparison with the Previous Year Result (Factor Analysis by Segment)

## Comparison with the Previous Year Result (Factor Analysis by Segment)

[Unit: billion yen]

		FY2020 1Q Results (a)	FY2021 1Q Results (b)	Difference (b-a)	Exchange rate difference	Price difference	Quantity variation	Electricity price effect	Dividend income	Share of profit (loss) of entities accounted for using equity method	Other
Advanced Products	Net sales	97.6	79.9	-17.7	-0.7	-5.0	-12.0	—	—	—	—
	Operating profit	1.2	-0.1	-1.3	—	—	—	—	—	—	-0.2
	Ordinary profit	1.6	-0.7	-2.3	-0.0	0.2	-1.4	0.1	-0.0	-0.2	-1.0
	Net sales	67.1	50.5	-16.5	-0.5	-4.9	-11.1	—	—	—	—
	Operating profit	1.2	-0.7	-2.0	—	—	—	—	—	—	-0.5
	Ordinary profit	1.3	-1.7	-3.0	-0.0	0.1	-1.6	0.0	-0.0	-0.2	-1.3
	Net sales	30.6	29.6	-0.9	-0.1	-0.1	-0.7	—	—	—	—
	Operating profit	0.0	0.6	0.7	—	—	—	—	—	—	0.1
	Ordinary profit	0.3	1.1	0.8	-0.0	0.1	0.4	0.1	0.0	-0.0	0.2
Metalworking Solutions	Net sales	40.4	27.9	-12.4	-1.0	0.1	-11.5	—	—	—	—
	Operating profit	3.4	-1.2	-4.6	—	—	—	—	—	—	1.7
	Ordinary profit	3.0	-1.3	-4.4	-0.4	0.4	-6.4	0.1	-0.0	—	1.9
Metals	Net sales	151.9	157.8	5.9	-1.8	2.4	5.3	—	—	—	—
	Operating profit	1.2	1.5	0.3	—	—	—	—	—	—	0.3
	Ordinary profit	9.7	1.6	-8.0	-0.2	-0.1	0.2	0.1	-8.0	-1.0	1.0
Cement	Net sales	60.6	51.2	-9.3	-0.6	-1.9	-6.8	—	—	—	—
	Operating profit	4.2	1.9	-2.2	—	—	—	—	—	—	-0.8
	Ordinary profit	5.0	2.5	-2.5	-0.1	-0.8	-0.6	0.1	-0.5	0.3	-0.9
Environment & Energy	Net sales	4.4	4.6	0.1	0.0	0.0	0.1	—	—	—	0.0
	Operating profit	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	—	—	0.0
	Ordinary profit	0.3	0.2	0.0	—	—	—	—	0.0	0.0	0.1
Others	Net sales	66.8	61.9	-4.8	-0.2	0.1	-4.7	—	—	—	—
	Operating profit	-0.3	0.8	1.1	—	—	—	—	—	—	0.9
	Ordinary profit	-0.2	0.7	1.0	0.0	1.0	-0.9	0.1	-0.0	0.0	0.8
	Net sales	35.6	31.7	-3.8	-0.0	0.1	-3.9	—	—	—	—
	Operating profit	-0.4	0.5	1.0	—	—	—	—	—	—	0.7
	Ordinary profit	-0.5	0.4	1.0	0.0	1.0	-0.8	0.1	-0.0	0.0	0.7
Elimination, etc.	Net sales	-55.6	-39.2	16.4	0.0	4.5	11.9	—	—	—	—
	Operating profit	-0.7	-0.3	0.3	—	—	—	—	—	—	0.3
	Ordinary profit	-0.3	0.0	0.3	0.0	0.0	-0.0	0.0	-0.1	—	0.4
Total	Net sales	366.2	344.3	-21.8	-4.5	0.3	-17.6	—	—	—	0.0
	Operating profit	8.9	2.5	-6.4	—	—	—	—	—	—	2.2
	Ordinary profit	19.1	3.1	-16.0	-0.8	0.7	-9.1	0.6	-8.8	-0.9	2.3

\* As a result of organizational restructuring that occurred on April 1, 2020, the Company has changed its reporting segments. Consequently, the results for the first quarter of the fiscal year ended March 31, 2020, which is shown as "(a)", are presented after reclassifications according to the changes in segmentation. In addition, the Company has reviewed the method of allocating the common costs of the Company and changed its method of calculating profits or losses within the reporting segments.

 **MITSUBISHI MATERIALS**

As described at the bottom of the page, due to the organizational restructuring that occurred on April 1, 2020, the Company has changed its reporting segments and reviewed the method of allocating the common costs of the Company. The Company also reclassified the results for the previous fiscal year according to the new segmentation and allocation method.

Regarding the Copper & copper alloy business of the Advanced Products, operating profit decreased due to a decline in sales volume of automobile-related products.

Regarding the Electronics materials & components business in the Advanced Products, operating profit increased due to solid sales of semiconductor-related products.

In the Metalworking Solutions Business, although there was an increase in "Other" due to decreased depreciation costs because of impairment loss recorded in the previous fiscal year, and an effect of cost reduction, operating profit decreased mainly because of the drop in "Quantity variation" due to decreased sales volume in each country, except for China, for production adjustments by major automobile manufacturers, etc.

In the Metals Business, sales increased due to increased sales of copper cathodes and a rise in precious metal prices such as gold price.

Operating profit increased slightly mainly due to increased sales of copper cathodes but ordinary profit decreased due to factors such as a decline in dividend from mines.

In the Cement Business, both the domestic and US business reported a decrease in both sales and operating profits.

In the domestic business, operating profit decreased due to a decline in demand for cement in Japan, as well as factors such as an increase in repair expenses as a result of moving up the schedule of plant shut downs in anticipation of demand decline, regarding “Other”.

In the US business, operating profit decreased due to a decline in sales volume of ready-mixed concrete arising from bad weather in April 2020 and an increase in operating expenses such as the cost of raw materials.

In the Environment & Energy Business, although sales of nuclear-energy-related services increased in the Energy-related business, selling prices of valuable materials fell in the Environmental recycling business. Consequently, operating profit decreased.

In the Aluminum business which is included in the Other businesses, operating profit increased due to a decrease in costs of raw materials caused by a drop in UBC prices in the Aluminum beverage cans business and solid sales due to demand for drinking at home.

In the Aluminum rolled and processed business, although operating profit decreased due to a decline in sales of automotive products, there was increase in “Other” due to a decrease in depreciation costs caused by impairment loss of fixed assets in the previous fiscal year, and cost reduction effect of the measures to improve earnings. Consequently, while net sales decreased, operating profit increased.

I will omit an explanation about the balance sheet on page 9, and I will explain the full-year earnings forecasts on page 10 onwards.



# FY2021 Performance Forecast (Statistics / Assumptions / Sensitivity)

## FY2021 Performance Forecast (Statistics / Assumptions / Sensitivity)

■ Statistics			FY2020	FY2021 Forecast			Difference
			Results (a)	1st Half Forecast	2nd Half Forecast	Full Year (b)	Full year (b-a)
Sales volumes of copper & copper alloy products	(thousand tons)		130	48	53	101	-29
Sales volumes of copper cathodes (in-house product)	(thousand tons)		306	173	146	319	14
Sales volumes of copper cathodes (PTS)	(thousand tons)		271	142	124	265	-6
Dividend from copper mine	(billion yen)		12.6	9.0	5.3	6.3	-6.3
Total demand for cement in Japan	(million tons)		40.97	—	—	39.50	-1.47
Cement sales volumes for MMC-Domestic	(million tons)		6.69	3.16	3.48	6.64	-0.05
Cement sales volumes for MMC-Exports	(million tons)		2.22	1.14	1.13	2.27	0.05
Cement sales volumes in the U.S.	(million tons)		1.48	0.82	0.73	1.55	0.07
Ready-mixed concrete sales volumes in the U.S.	(million cy)		8.24	4.42	4.14	8.56	0.32
Sales volumes of aluminum sheet products	(thousand tons)		100	45	47	92	-9
Sales volumes of aluminum extrusion products	(thousand tons)		14	5	10	15	1

100

### ■ Sensitivity

		FY2021
		2Q-4Q Forecast
Exchange rates Operating profit - 1 yen/\$ (yen depreciation)		0.5 billion yen
Exchange rates Operating profit - 1 yen/\$ (yen depreciation)		0.08 billion yen
Copper price (LME) Operating profit ±10¢/lb		0.3 billion yen
Non-operating profit ±10¢/lb		0.8 billion yen

10 | August 6, 2020

 MITSUBISHI MATERIALS

First of all, I will explain various statistics.

Regarding sales volume of copper & copper alloy, the Mitsubishi Materials Group (hereinafter referred to as the "Group") expects electronic materials to remain solid. However, it expects terminals materials for automobiles to fall significantly due to the impact of COVID-19.

The Group expects sales volume of copper cathodes to decrease in the second half of the FY2021 compared to the first half because the Naoshima Smelter & Refinery and PT Smelting plan to conduct repairs in the second half of the FY2021.

As for dividend from mines, the Group expects dividend from Los Pelambres to decrease.

The Group expects the demand for cement in Japan to drop below 40 million tons mainly due to a large drop in demand arising from stagnation of private investment caused by COVID-19. Taking this effect into consideration, it expects domestic sales volume of cement to decrease.

Sales volume of ready-mixed concrete in the United States declined in the first quarter due to unstable weather in April 2020. However, the Group expects sales to increase due to an increase in sales mainly for public construction in Southern California and a sales expansion in Northern California.

The bottom row of the slide shows the sensitivity of exchange rates and copper prices from the second quarter to the fourth quarter.

Now, please take a look at page 11.

# FY2021 Performance Forecast

## FY2021 Performance Forecast

[Unit: billion yen]

	FY2020	FY2021 Forecast			Difference (b-a)
	Results (a)	1st Half Forecast	2nd Half Forecast	Full Year (b)	
Net sales	1,516.1	720.0	690.0	1,410.0	-106.1
Operating profit (loss)	37.9	-2.0	-3.0	-5.0	-42.9
Net interest and dividend income	14.8	1.0	5.0	6.0	-8.8
Share of profit (loss) of entities accounted for using equity method	3.5	0.5	2.0	2.5	-1.0
Other Non-operating profit / loss	-6.7	0.5	-4.0	-3.5	3.2
Ordinary profit	49.6	0.0	0.0	0.0	-49.6
Extraordinary income / loss	-90.1	4.0	1.0	5.0	95.1
Income taxes	-28.8	-6.0	-4.0	-10.0	18.8
Profit (loss) attributable to non- controlling interests	-3.5	-3.0	-2.0	-5.0	-1.5
Profit (loss) attributable to owners of parent	-72.8	-5.0	-5.0	-10.0	62.8
Exchange rate (USD)	109	107	107	107	-2
Exchange rate (EUR)	121	119	120	120	-1
Copper price (LME)	266	266	290	278	12
Dividends per share (yen)	80	0	40	40	-40

11 | August 6, 2020

 MITSUBISHI MATERIALS

As shown in the bottom row, the assumptions are that the yen will be stronger against the US dollar and the euro, and the Group prospects that copper prices to rise year-on-year due to tight supply and demand conditions.

Taking these assumptions into account, please take a look at the PL comparison in the upper row.

The Group expects net sales to increase due to a rise of copper prices and gold prices. However, due to the impact of COVID-19, net sales in each business to significantly decrease.

In addition, due to changes in the business environment and other factors, the Group anticipates to record its first consolidated operating loss.

Ordinary profit is forecast to be in balance because the Group expects dividend income from mine mainly in the second half of the FY2021.

However, for the full-year consolidated business results, the Group expects net loss for two consecutive years.

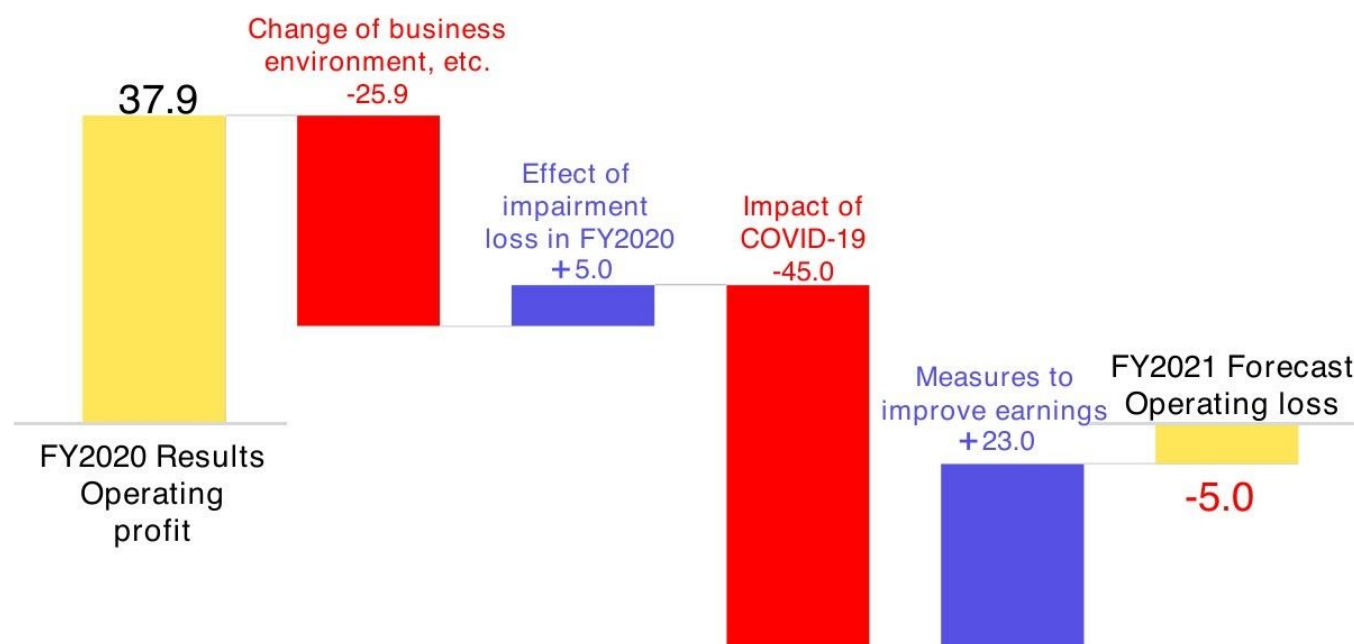
Regarding dividends, comprehensively taking into account such factors as the earnings forecasts and financial conditions, the Group expects not to pay interim dividends but plans to pay 40 yen at the year-end.

On page 13, please take a look at the breakdown of factors based on operating profit for year-on-year comparison.

# Comparison with the Previous Year Results (Factor Analysis of Operating profit)

## Comparison with the Previous Year Results (Factor Analysis of Operating profit)

[Unit: billion yen]



As shown in the bar graph on the right, the Group prospects operating profit for the current fiscal year to decrease by 42.9 billion yen year-on-year to minus 5.0 billion yen.

Although depreciation costs reduced in the Advanced Products, the Metalworking Solutions Business, and the Aluminum business due to impairment of fixed assets in the previous fiscal year, the Group expects operating profit to decrease significantly due to the spread of COVID-19 and the following reasons. A decrease in operating profit in “Changes of business environment, etc.” due to production adjustments in the Metalworking Solutions Business, deterioration in purchasing conditions of concentrates by the Naoshima Smelter & Refinery and PT Smelting in the Metals Business, and a production and sales decrease as well as repair costs, caused by scheduled repairs at smelters in the second half of the FY2021.

Under these circumstances, the Group has taken various measures to improve earnings in order to build a cost-minimum structure that responds to the current reduction in demand. However, the impact of COVID-19 is significant and it expects operating loss.

I will explain about details of each segment on the page 14.



# FY2021 Performance Forecast (Factor Analysis by Segment)

## FY2021 Performance Forecast (Factor Analysis by Segment)

[Unit: billion yen]

		FY2020 Results (a)	Change of business environmen	Effect of impairment loss in	Impact of COVID-19	Measures to improve earnings	FY2021 Forecast (b)	Difference (b-a)
Advanced Products	Net sales	375.3	28.2		-90.0		313.5	-61.8
	Operating profit	3.2	1.3				-3.8	-7.0
	Ordinary profit	4.4	1.2	1.0	-12.5	3.2	-2.7	-7.1
	Net sales	252.9	13.7		-75.0		191.6	-61.3
	Operating profit	2.4	0.7				-4.1	-6.5
	Ordinary profit	1.0	1.7	0.5	-9.5	1.8	-4.5	-5.5
	Net sales	123.2	14.0		-15.0		122.2	-1.0
	Operating profit	0.8	0.9				0.6	-0.2
	Ordinary profit	3.3	-0.1	0.5	-3.0	1.4	2.1	-1.2
Metalworking Solutions	Net sales	150.2	-1.6		-33.0		115.6	-34.6
	Operating profit	7.7	-6.4				-8.8	-16.5
	Ordinary profit	6.2	-5.3	1.4	-19.0	7.5	-9.2	-15.4
Metals	Net sales	665.0	39.5		-19.0		685.5	20.5
	Operating profit	18.6	-17.7				-3.1	-21.7
	Ordinary profit	27.4	-23.1		-7.0	3.0	0.3	-27.1
Cement	Net sales	247.5	-15.7		-2.0		229.8	-17.7
	Operating profit	12.2	-0.3				12.4	0.2
	Ordinary profit	15.2	-3.3		-1.0	1.5	12.4	-2.8
Environment & Energy	Net sales	27.0	-0.8		-1.0		25.2	-1.8
	Operating profit	1.6	-1.2				0.4	-1.2
	Ordinary profit	3.1	-1.6		-0.5	0.5	1.5	-1.6
Others	Net sales	285.2	-2.0		-18.0		265.2	-20.0
	Operating profit	2.0	-1.2				3.5	1.5
	Ordinary profit	1.2	-0.3	2.5	-5.0	5.2	3.6	2.4
Aluminum	Net sales	136.7	4.0		-10.0		130.7	-6.0
	Operating profit	-3.0	0.8				1.5	4.5
	Ordinary profit	-3.9	1.8	2.5	-3.5	4.7	1.6	5.5
Elimination, etc.	Net sales	-234.4	9.4		0.0		-225.0	9.4
	Operating profit	-7.6	0.1				-5.4	2.2
	Ordinary profit	-8.1	0.2		0.0	2.1	-5.8	2.3
Total	Net sales	1,516.1	56.9		-163.0		1,410.0	-106.1
	Operating profit	37.9	-25.9	5.0			-5.0	-42.9
	Ordinary profit	49.6	-32.6		-45.0	23.0	0.0	-49.6

\* As a result of organizational restructuring that occurred on April 1, 2020, the Company has changed its reporting segments. Consequently, the results for the fiscal year ended March 31, 2020, which is shown as "(a)", are presented after reclassifications according to the changes in segmentation. In addition, the Company has reviewed the method of allocating the common costs of the Company and changed its method of calculating profits or losses within the reporting segments.



As for the Advanced Products Business, including both the Copper & copper alloy business and the Electronic materials business, in "Changes of business environment and others", the Group expects the demand for semiconductor-related products to remain firm. However, due to the impact of COVID-19, it expects automobile-related demand to fall significantly.

As for the Metalworking Solutions Business, regarding "Changes of business environment and others", the Group expects sales to decrease significantly due to the deterioration of operating costs associated with production adjustments and the deterioration of the automobile market conditions caused by the impact of COVID-19.

As for the Metals Business, regarding "Changes of business environment and others", the Group expects net sales to increase reflecting the current rise in gold prices, however, expects operating profit to decrease due to factors such as the deterioration in purchasing conditions of concentrates by the Naoshima Smelter & Refinery and PT Smelting, a production and sales decrease as well as repair costs, caused by periodic repairs scheduled in the second half of the FY2021, in addition to decreased margins caused by a decrease in the amount of E-Scrap received from overseas due to the impact of COVID-19.

As for the Cement Business, regarding "Changes of business environment and others", the Group expects operating profit to decrease due to fewer sales of coal as well as a decline in domestic sales of cement as a result of the impact of COVID-19. However, with the effect of measures to improve earnings, it expects operating profit to be the same level as the previous fiscal year.

As for the Environment & Energy Business, regarding "Changes of the business environment and others", the Group expects orders for nuclear-energy-related services to decrease. In addition, the Group expects a part of the consolidated subsidiaries to suspend or postpone construction projects in "Impact of COVID-19".

As for the Aluminum business in the Other businesses, regarding “Changes of the business environment and others”, the Group expects the Aluminum beverage cans business operating profit to increase due to lower costs of raw materials as UBC prices declines and expects demand for at home drinking to remain stable.

As for the Aluminum rolled and processed business, the Group expects demand to decrease for rolled and extruded products for automobiles due to the impact of COVID-19. However, due to a decrease in depreciation costs caused by impairment loss on fixed assets recorded in the previous fiscal year and the measures to improve earnings in each business, the Group expects operating profit to increase year-on-year.

I will explain the impact of COVID-19 on the Group and its measures to improve earnings in the following pages. First, please take a look at page 15.

## FY2021 Performance forecast (Impact of COVID-19)

### FY2021 Performance forecast (Impact of COVID-19)

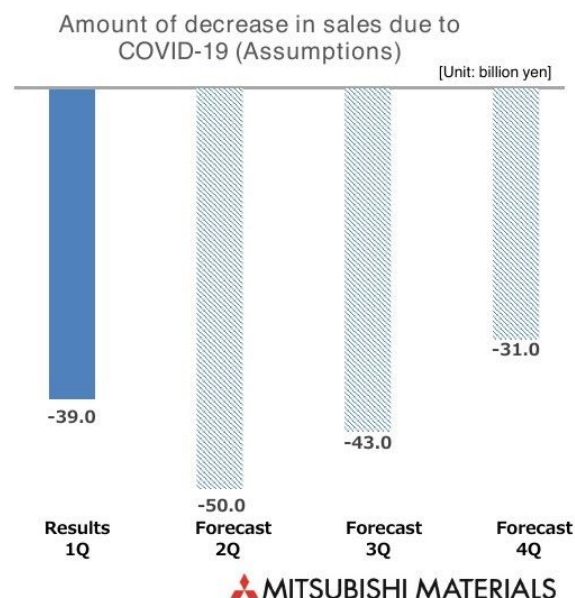
#### Impact on Group-wide earnings forecasts

- The amount of decrease in sales due to COVID-19 is estimated at approximately -163.0 billion yen for the FY2021.

#### Assumptions on the impact of COVID-19

While the declaration of emergency was lifted in Japan and other countries have gradually resumed economic activities, the sign of ending regarding COVID-19 was still not shown and the situation remains uncertain.

The Company assumes that demand will slowly recover after hitting bottom at around the second quarter although the situations may differ among its businesses.



Because of the impact of COVID-19 for the entire Group, it expects net sales to decrease by 163.0 billion yen.

The graph on the right side shows the impact by quarter, although the situation may differ among its businesses. The Group expects that net sales will bottom out generally in the second quarter and make a moderate recovery.

Please take a look at page 16 for an overview of the impact of COVID-19 expected for each business.

## FY2021 Forecasts (Impact of COVID-19)

### FY2021 Forecasts (Impact of COVID-19)

Segments	Overview of Assumed Impacts of COVID-19
Advanced Products	Regarding copper & copper alloy products and electronic materials, demand for automotive products, etc., is expected to decrease with the spread of COVID-19 but slowly recover after hitting the bottom in the second quarter.
Metalworking Solutions	Regarding cemented carbide products and sintered products, demand for automotive products, etc., is expected to decrease with the spread of COVID-19 but slowly recover after hitting the bottom in the second quarter.
Metals	Regarding the Smelting & refinery business, margin is expected to decline especially during the third quarter due to a decrease in the volume of E-Scrap to be received from overseas with the spread of COVID-19.
Cement	Regarding the business in Japan, earnings for the first quarter decreased substantially quarter-on-quarter mainly due to the suspension of some construction projects in the Kanto and Tokai areas with the spread of COVID-19. In the second half of the current fiscal year, major construction projects, including redevelopment projects etc., are expected to resume gradually.
Environment & Energy	Mainly due to the temporary suspension and extension of construction projects, regarding a part of the consolidated subsidiaries of the Company with the spread of COVID-19 are deterioration of construction progress is expected mainly in the fourth quarter.
Others	Regarding the Aluminum business and related businesses, demand for automotive products, etc., is expected to decrease with the spread of COVID-19 but slowly recover after hitting the bottom in the second quarter.

Firstly, the Group expects both the Advanced Products and the Metalworking Solutions Business to have a gradual recovery after bottoming out in the second quarter as a result of a decrease in demand related to automobiles.

In the Metals Business, the Group expects the impact of a decrease in margins due to a decrease in the amount of E-Scrap received from overseas to become apparent in the third quarter.

In the Cement Business, the suspension of some construction projects in the Kanto and Tokai regions affected the domestic business in the first quarter. However, the Group expects large-scale construction projects to resume gradually in the second half of the FY2021.

In the Environment & Energy Business, the Group expects the progress of construction projects to slow down mainly in the fourth quarter due to temporary suspension and extension of construction projects by a part of subsidiaries.

In the Other businesses, the Group expects demand for automotive products and others in the Aluminum business and related businesses to bottom out in the second quarter and recover gradually.

Then, I will explain the measures to improve earnings of the Group on the next page.

## FY2021 Forecast (Measures to improve earnings)

### FY2021 Forecast (Measures to improve earnings)

Build up a minimum cost structure to respond to current shrinking demand

• Implement measures to improve earnings of **approximately 23.0 billion yen** during FY2021

Cutback in fixed costs, etc.	<b>+17.0 billion yen</b>	<ul style="list-style-type: none"><li>• Build up a production and sales system to meet demand</li><li>• Reduce cost for head office (remuneration for executives, etc.), etc.</li></ul>
Cutback in variable costs	<b>+ 6.0 billion yen</b>	<ul style="list-style-type: none"><li>• Reduce raw materials costs, fuel costs, etc.</li></ul>

In order to respond to the deterioration of business performances due to the recent decrease in demand, the Group is planning to implement the following the measures to improve earnings in the amount of approximately 23.0 billion yen: building up a production and sales system to meet demand, reduction of costs such as head office expenses, including reduction of remuneration of executives, and reduction of variable costs such as raw material costs and fuel costs.

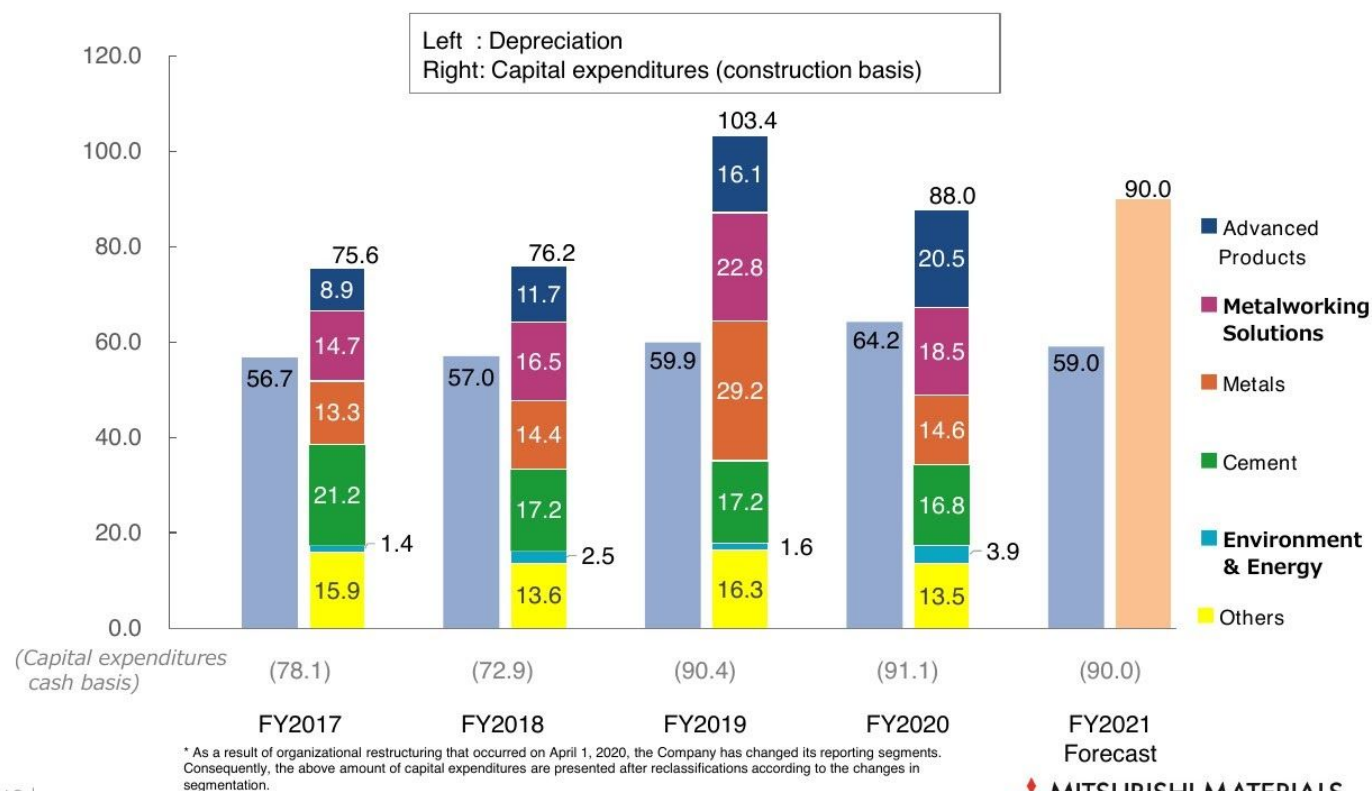
On page 18 onwards, I will explain capital expenditure and cash flow forecasts.



# Depreciation & Capital Expenditures

## Depreciation & Capital Expenditures

[Unit: billion yen]



18 | August 6, 2020

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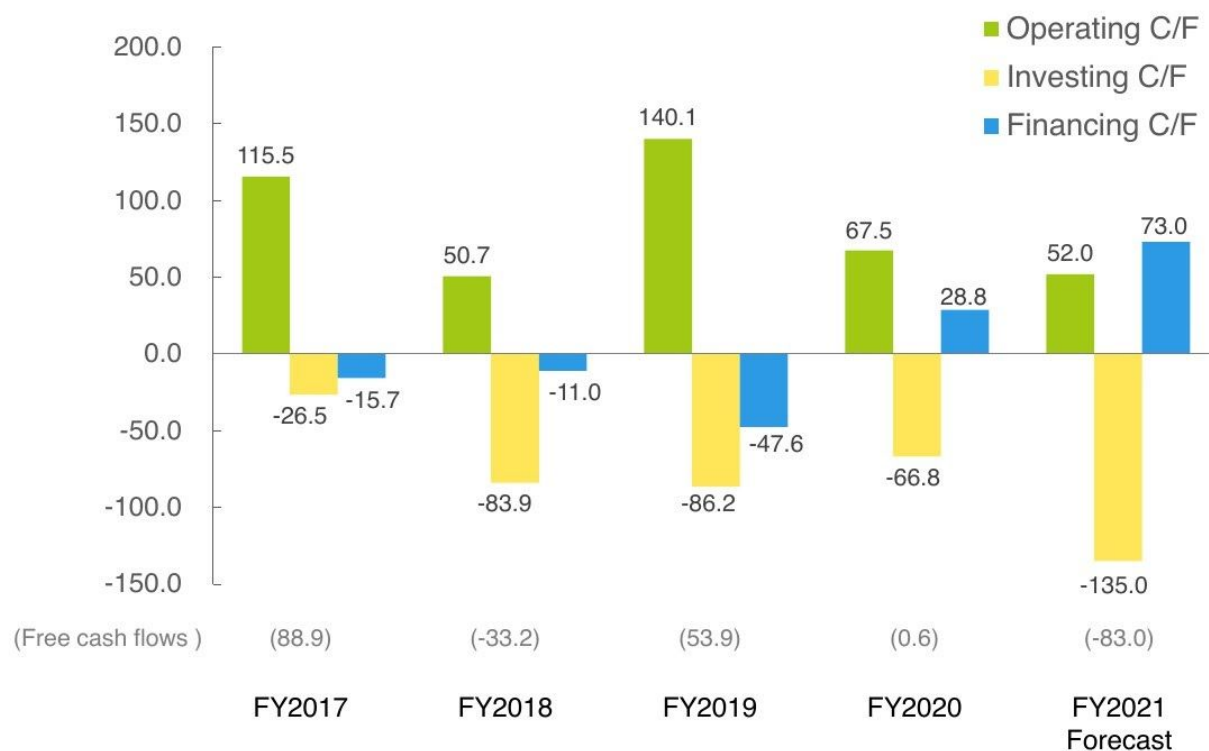
The Group expects capital expenditure in FY2021 to be 90.0 billion yen including the capital expenditure of approximately 3.0 billion yen which has drag on into this current fiscal year due to COVID-19.

Next, on page 19, the cash flow forecast is shown.

## Cash Flows

### Cash Flows

[Unit: billion yen]



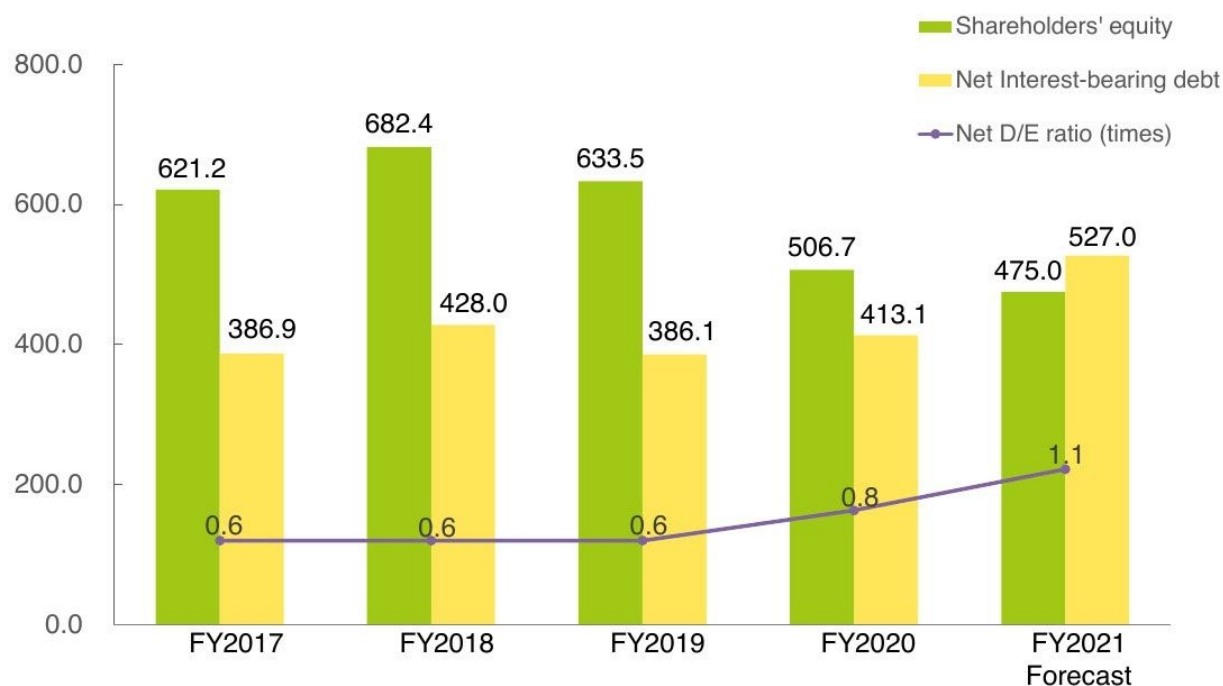
The Group expects free cash flow for FY2021 to be minus 83.0 billion yen, as shown in the bottom row.

As for operating cash flow, the Group expects operating income to decrease sharply due to the impact of COVID-19. As for investing cash flow, on the premise of the capital expenditure explained earlier, it includes investment such as the acquisition of stake in the Mantoverde mine.

## Net D/E Ratio

### Net D/E Ratio

[Unit: billion yen]



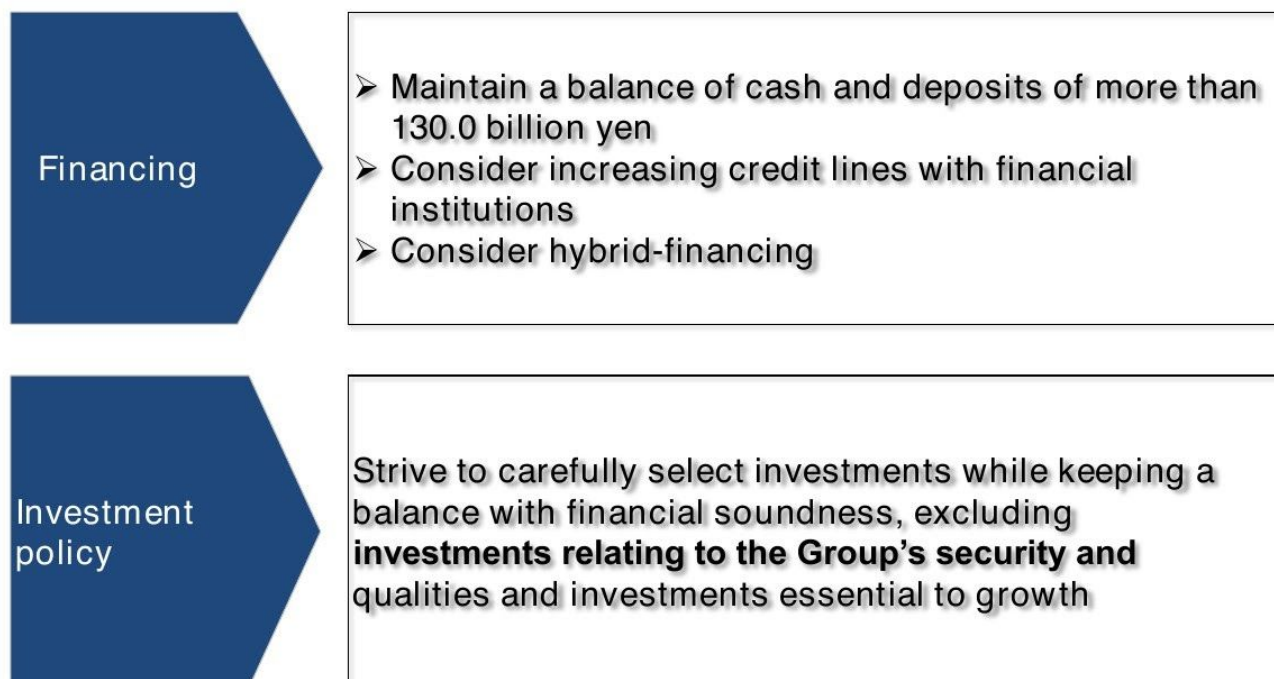
The next page shows changes in the net D/E ratios. The Group expects that the net D/E ratio in FY2021 will worsen from the previous fiscal year and expects to exceed 1 time.

Under these circumstances, I will explain the Group's measures to reinforce the financial foundation on the next page.

# Measures to Reinforce Financial Foundation

## Measures to Reinforce Financial Foundation

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First of all, regarding financing, the Group would like to maintain the balance of cash and deposits at 130.0 billion yen or more, and it is considering to increase the credit lines in financial institutions. Moreover, the Group is considering to use hybrid-financing to procure long-term funds and strengthen our financial position.

As for the investment policy, excluding investments relating to the Group's safety and qualities and investments necessary for growth, the Group will try to make a careful selection of investments while maintaining financial soundness.

This is the end of my presentation. Thank you for listening.

Then, Q&A session will follow.

## **Q&A (Summary): Detailed factors of decreased sales in the second half of the FY2021**

**Q:** Factors of decreased sales in the second half are mainly due to elimination. What are the details?

**A:** The elimination is partly because the Company expects copper prices to rise from the first half to the second half. In the forecast for the first half, it expects the price of copper to be 266 cents/lb, whereas in the forecast for the second half, it expects to rise to 290 cents/lb. So, there is an impact from price differences in copper cathodes trading within the Group. Another factor is that periodic repairs will take place in the second half of the FY2021 at the Naoshima Smelter & Refinery and PT Smelting. Because of that, sales of Mitsubishi Materials Techno Corporation and other companies which mainly undertake these projects will be concentrated in the second half.

## **Q&A (Summary): Forecast for automobile-related products in the second half of the FY2021**

**Q:** Will the condition of automobile-related products in the second half remain tough, as currently forecasted?

**A:** While some automobile manufacturers are actively trying to bring back curtailed production, others are expecting the tough situation to continue. In addition, some regions in Europe and the United States still have strong impact from COVID-19. The Company discussed internally that "a second bottom might come."

However, in the forecast for the current fiscal year, the Company expects that the situation will recover gradually from the bottom in the second quarter. Please note that the Group does not any have information on long-range orders received from the automobile manufacturers or Tier 1. It has produced our forecasts based on information for the past two to three months.

## **Q&A (Summary): Details of capital expenditure**

**Q:** The amount of capital expenditure for the current fiscal year is as high as 90.0 billion yen. What kind of projects is your Group currently considering?

**A:** In addition to the 3.0 billion yen that was shifted from the previous fiscal year, within this fiscal year, the Group will have repairs at the Naoshima Smelter & Refinery and PT Smelting, which occurs about once every two years. Furthermore, the Group expects a certain amount of expenditure related to DX, so it has those factors of increase compared to the previous fiscal year. Also, the Group needs to invest for growth for the next several years in the areas such as copper & copper alloy. However, depending on the demand trends of our customers, some may be postponed to the next fiscal year. Also, out of the 90.0 billion yen expenditure, about 70% is related to maintenance for attaining longevity and safety such as aging countermeasures, and the Group will continue to proceed them. However, the actual progress will not be quick since it is difficult for worker to move around due to the impact of COVID-19. The Group will always continue to pay close attention to this situation, and it will manage the careful selection of capital expenditure.

## **Q&A (Summary): Scheduled asset sale**

**Q:** The Group expects free cash flow to be negative. Is it considering to sell shares?

**A:** Regarding the strategic holdings, the Group are considering to sell some of them.



## **Q&A (Summary): Automobile-related business environment**

**Q:** The Group expects a gradual recovery in the automobile-related business environment. How does it see the demand for automobiles?

**A:** The Group does not have a unified view as customers are different by segment and they use products differently. For example, in terms of cemented carbide cutting tools, the Group expects sales in the first half to decrease by 40% in Japan year-on-year. However, it expects that sales will recover to a 20% decline in the third quarter and fewer percentage decline in the fourth quarter. Also, as China is starting to rise, the Group is paying attention to how much it will recover in the future. In Asia, excluding China, the Group expects sales to decrease approximately 60% in the first half year-on-year, but expects to recover to approximately 20% decrease in the third quarter. In Europe, it expects sales to decrease by approximately 20% in the first half year-on-year, but expects to recover to around 10% decrease in the second half.

## **Q&A (Summary): Impact of profit decline in the Metals Business**

**Q:** In the Metals Business, what is the magnitude of the impact of each of the “E-Scrap” margin reductions, periodic repairs, and purchasing conditions of concentrates?

**A:** Regarding “E-Scrap”, the Group expects a reduction of about 3.0 billion yen to 3.5 billion yen. For example, it takes about two months by sea for E-Scrap purchased in Europe to arrive at the Naoshima Smelter & Refinery. It then takes two months to smelt it and take out precious metals. In total, it takes about four months from the purchase to monetization. The Group expects this impact to become apparent in the third quarter.

Next, the Group plans to have periodic repairs in the third quarter for PT Smelting and in the fourth quarter for the Naoshima Smelter & Refinery. The Group expects the impact to be about 3.0 billion yen in losses, which is the sum of increased expenses and a loss for that period.

The deterioration in purchasing conditions of concentrates will become apparent at different timings for PT Smelting and the Naoshima Smelter & Refinery, but the Group expects an impact of about 5.0 billion yen in losses for the full year.

As for the impact of COVID-19, the Group assume there will be an impact of deterioration in the operating rate of our user industry, and a decline in the price of sulfuric acid. These impacts would be about 2.0 billion yen in losses year-on-year. In addition, the Group expects the palladium-related business, which was strong in the previous fiscal year, to report a loss to some extent due mainly to production cuts.

**Q:** I think you have mentioned that yield rate, such as the recovery rate of smelting, were improved in the second half of the previous fiscal year. Compared to that, the profitability of the Metals Business in the first quarter was low. Does it mean it had strong impact from purchasing conditions of concentrates or the price drop of sulfuric acid?

**A:** In the first quarter, operating profit of the Metals Business was at about the same level year-on-year. However, in the first quarter, in addition to the deterioration in purchasing conditions of concentrates, it had impact from some other factors such as the price drop of sulfuric acid. Especially for earnings for the current fiscal year, the purchasing conditions of concentrates have severe impact.

## **Q&A (Summary): Dividend decision process**

**Q:** Regarding the dividend amount, the Group announced that it would be 80 yen per year in the Medium-term Management Strategy, but you have announced it will be 40 yen per year. How did it make the decision?

**A:** Various internal discussions took place regarding the dividend. In the Medium-term Management Strategy, the Group has declared a policy of stable dividends and set it at 80 yen per year, and promised to increase dividends or buy back its own shares to achieve a dividend payout ratio of 25%. However, it based on the premise that it would have a certain amount of profits.

For the previous fiscal year, profit (loss) was negative, but the Group could secure operating profit and ordinary profit to a certain extent, and had retained earnings. So, it announced 80 yen of dividend.

Unlike the previous fiscal year, the Group expects operating loss to be posted and ordinary profit to be "0" in the current fiscal year, and it discussed as to whether dividends could be made. However, the Group has kept on paying stable dividends, so it would like to pay dividends even if it's about half the amount paid for the previous fiscal year.

At the meeting of the Board of Directors today, there was an opinion that the Company should decide final dividend amount by looking at the situation for and after the second quarter.

## **Q&A (Summary): When did the Group prepare the earnings forecast**

**Q:** When did the Group prepare the earnings forecast?

**A:** Since the Group announced the earnings forecast as undecided last time, it has conducted interviews with the in-house companies about their situations from late May and finalized them in July. the Group could not reflect the movements for the past week or so, and it is undeniable that it based on the situations from half a month to a month ago. It has assumed that earnings will gradually recover from the bottom in the second quarter but will not be at the same level year-on-year in the fourth quarter, and that earnings will return to normal in or after the next fiscal year.

## **Q&A (Summary): Regional growth rates of cemented carbide tools in the first quarter and full-year forecast**

**Q:** Regarding cemented carbide tools, what is the regional growth rate and full-year forecast in year-on-year comparison.

**A:** In the first quarter, the overall figure was down about 35% year-on-year. By breakdown, the figure in Japan was about -40%; in China, about the same level year-on-year; in Asia excluding China, about -60%; in Europe, about -40%; in North America about -30%; and in Latin America, about -60%.

For the full year, the Group expects the figure in total to be about -20% year-on-year; in Japan, about -30%; in China, about the same year-on-year; in Asia excluding China, about -40%; in Europe about -15%; in North America, about -20%; and in Latin America, about -50%.

## **Q&A (Summary): Remuneration reduction of executives and managers**

**Q:** Regarding dividends, what are the thoughts on not being able to keep with the announcement on the Medium-term Management Strategy, and the balance with each stakeholder, including remuneration for managers and executives?

**A:** The Group announced the Medium-term Management Strategy without considering the impact of COVID-19, and it understands that it has announced that it will make a new announcement once there is a need to review the financial part, specifically. However, the Group considers that the areas which are aiming for growth and the strategic parts of the announcement will not change significantly even if it will review in the future.

Depending on the situation of COVID-19, it may be necessary to revise the financial plan and shareholder return policy for the final fiscal year. So, the Company will make an announcement as soon as any decision is made within the Company.

Furthermore, for each stakeholder, not to mention reducing executives' remuneration, our employee bonuses are linked to business performances, and the Group are also planning to reduce the remuneration of managers. The Group have explained to all employees that it has to reduce the remuneration of executives and managers since it could not keep the promise to pay a dividend of 80 yen.

## **Q&A (Summary): Breakdown of measures to improve earnings**

**Q:** Regarding approximately 23.0 billion yen for measures to improve earnings, depreciation expenses should be decreased this time due to impairment loss for the previous fiscal year. Does the reduction of fixed costs include such decrease? Also, what are the ratios of the permanent profit improvement measures and the one-time ones such as executives' remuneration?

**A:** The Group expects about 7.0 billion yen for the portion of personnel costs that decrease according to production volume, and 6.0 billion yen for variable costs such as raw materials costs and fuel costs. In addition, the Group plans to reduce general costs by approximately 3.0 billion yen, and also included other costs reduction.

The profit improvement measures do not include the impact of depreciation due to impairment loss.

## **Q&A (Summary): Target value of financial balance**

**Q:** How will the target values of the cash flow plans, capital expenditure and financial balance for the next three years of the Medium-term Management Strategy change? Also, does the Group have any plan to change the cash out plan in the Medium-term Management Strategy?

**A:** One of the Company's financial disciplines is to keep the net D/E ratio within 1.0 time. Considering maintaining the ratings, if the Company could not maintain financial structure at such level, there may be an impact on medium- to long-term financing. Therefore, the Company is considering aiming to maintain its financial ratings through hybrid financing and so on.

Regarding the cash out, considering the current situation of COVID-19, it may be difficult to assume that in a short time the customers' operating rates will recover to the level assumed when the Group formulated the Medium-term Management Strategy. Therefore, there is a high possibility that fields such as investment for

growth to be made in accordance with the demand trends of our customers will be postponed. The Group will review such fields continuously and will disclose them when it becomes necessary to make them public.

### **Q&A (Summary): Market conditions of gold and palladium**

**Q:** Currently, gold has returned to the \$2,000 level and palladium at \$2,200, and it is because of some tailwinds for precious metals. In the Metals Business, how does the Group consider this trend?

**A:** In the full-year forecast, the Group considers both gold and palladium in such a way that the current market conditions basically will continue.

### **Q&A (Summary): Results of profit improvement measures in the first quarter**

**Q:** Regarding the measures to improve earnings of 23.0 billion yen, what were the results in the first quarter? Also, when will the figures come out? In or after the second quarter?

**A:** In the first quarter, the Group reduced variable costs to a certain degree. It adjusted fixed costs according to the operating rate, and it implemented temporary layoffs. They resulted in an approximately 3.5 billion yen effect. The Group expects the effect of the measures to be bigger in the second half.

### **Q&A (Summary): Reasons for declined profit in the Metalworking Solutions Business and the Metals Business**

**Q:** What are the reasons of a large decline in operating profit for the Metalworking Solutions Business and the Metals Business from the first quarter to the second quarter?

**A:** Sales decline are expected in the Metalworking Solutions Business. A decline in profit is due mostly to a decline in sales. In the Metals Business, the deterioration in purchasing conditions of concentrates will have a significant impact in the second quarter and beyond.

### **Q&A (Summary): Breakdown of non-operating income (loss)**

**Q:** Regarding non-operating income (loss), what is the breakdown of the income of 0.5 billion yen in the first half and a loss of 4.0 billion yen in the second half?

**A:** In the first half, the main item expected to be effective on the profit side is the employment adjustment subsidy, done by implementing temporary layoffs, among others. In the second half, regarding non-operating loss, the Group will not have any particularly large item, except items such as loss on retirement of non-current assets.