

# Investor Conference for the Consolidated Financial Results for the Six Months Ended September 30, 2020

My name is Shibata, Managing Executive Officer of Mitsubishi Materials Corporation (hereinafter referred to as “the Company”).

Now, let me start with the overview of the Financial Results for the First Six 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]

	FY2020 2Q Result (a)	FY2021 2Q Result (b)	Difference (b)-(a)	Reason *
Net sales	748.4	725.5	-22.8	AP-35.7、MS-21.4、Metals+41.7、Cement-18.0, etc.
Operating profit	16.9	6.8	-10.0	AP-3.3、MS-8.6、Metals+2.1、Cement-2.4, etc.
Net interest and dividend income	10.3	9.4	-0.8	Dividend income-1.0, etc.
Share of profit (loss) of entities accounted for using equity method	2.1	0.8	-1.3	Copper mine-0.9, etc.
Other / Non-operating profit / loss	-2.2	-0.7	1.4	Employment adjustment subsidy+1.5, etc.
Ordinary profit	27.2	16.4	-10.7	
Extraordinary income / loss	-10.9	-23.0	-12.0	Reversal of provision for loss on business restructuring-21.9 Provision for loss on the Antimonopoly Act + 10.4, etc.
Income taxes	-9.4	-8.6	0.7	
Profit(loss) attributable to non-controlling interests	-2.3	-3.9	-1.5	
Profit(loss) attributable to owners of parent	4.5	-19.1	-23.6	
Exchange rate (USD)	109	107	-2	JPY / \$
Exchange rate (EUR)	121	121	0	JPY / €
Copper price (LME)	270	269	-1	¢ / lb

\*AP: Advanced Products  
MS: Metalworking Solutions

 MITSUBISHI MATERIALS

Firstly, I would like to explain the overview of the financial results for the second quarter in year-on-year comparison. Please look at page 4.

The bottom section of the slide shows that the yen was slightly stronger than the US dollar. The euro and the price of copper remained at the same level as the previous fiscal year.

Going back to the top row, net sales decreased. While sales in the Metals Business showed an increase due to a hike in prices of precious metals, such as gold and palladium, sales in other businesses decreased due to a significant drop in demand for automobile-related products as a result of the global spread of COVID-19 and a decline in domestic demand for cement as well as a decrease in sales volume of ready-mixed concrete in the United States.

Operating profit and ordinary profit also decreased due mainly to this decrease in net sales.

In addition, the Company entered into an agreement with Endeavour United Co., Ltd. to transfer the entire shares of Diamet Corporation, a consolidated subsidiary of the Company and recorded an extraordinary loss

of approximately 21.9 billion yen as a provision for loss on business restructuring. The Company completed all procedures on December 4, 2020 as scheduled and the transfer was completed.

As a result, the Company registered a net loss of 19.1 billion yen for the six months ended September 30, 2020, due to the sharp decline in operating profit and extraordinary losses recorded for the optimization of its business portfolio, among others.

I would like to explain the statistics on page 5.

## Comparison with the Previous Year Result (Statistics)

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

■ Statistics		FY2020	FY2021	
		2Q Result	2Q Result	Difference
		(a)	(b)	(b-a)
Sales volumes of copper & copper alloy products	(thousand tons)	67	50	-18
Sales volumes of copper cathodes (in-house product)	(thousand tons)	150	175	24
Sales volumes of copper cathodes (PTS)	(thousand tons)	138	141	4
Dividend from copper mine	(billion yen)	8.8	9.0	0.1
Total demand for cement in Japan	(million tons)	20.36	19.05	-1.31
Cement sales volumes for MMC-Domestic	(million tons)	3.24	3.03	-0.21
Cement sales volumes for MMC-Exports	(million tons)	1.01	1.08	0.07
Cement sales volumes in the U.S.	(million tons)	0.74	0.84	0.10
Ready-mixed concrete sales volumes in the U.S.	(million cy)	4.43	4.25	-0.18
Sales volumes of aluminum sheet products	(thousand tons)	50	46	-4
Sales volumes of aluminum extrusion products	(thousand tons)	7	5	-2

Sales volume of copper & copper alloy products declined mainly due to decreased sales for automobile-related products.

Sales volume of copper cathodes of the Company and PT Smelting increased respectively due to their steady operations.

Dividends from mining companies were at the same level as the previous fiscal year.

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

Sales volume of cement in the United States increased due to stable operations.

However, sales volume of ready-mixed concrete in the United States decreased due to the impact of weather conditions in April 2020 in the Southern California area, and cement procurement was hampered by shortages caused by periodic shutdowns and operational problems at cement plants of other companies from June.

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

On page 6, I would like to explain about the year-on-year comparison regarding ordinary profit.

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

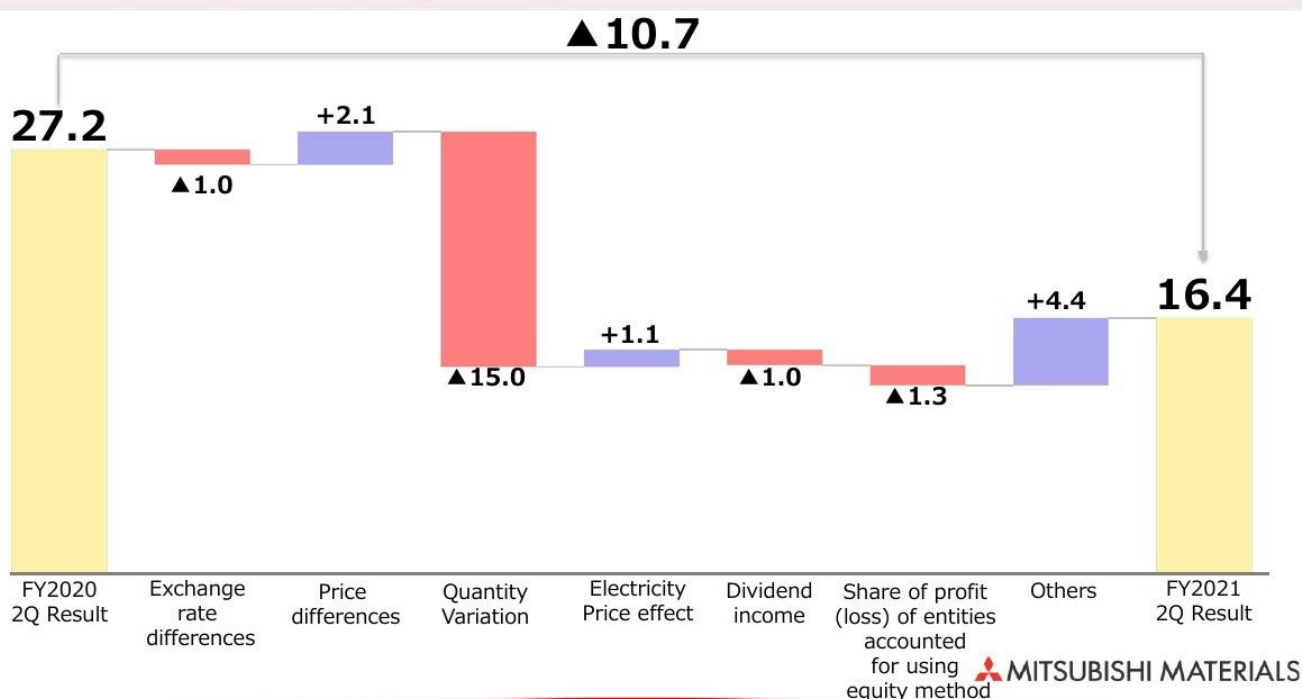
### Comparison with the Previous Year Result (Factor Analysis of Ordinary Profit)

[Unit: billion yen]

#### **FY2021 2Q Result : -10.7 billion yen(year-on-year)**

【Quantity Variation】 Due to demand for products of automobiles, sales decreased in Advanced Products Business (Copper & Copper Alloy) and Metalworking Solutions Business.

【Others】 Despite a deterioration in purchasing condition of concentrates, Ordinary Profit was recovered to some extent due to implementation measures to improve earnings.



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As the bar graph on the right shows, the ordinary profit of the first half of the FY2021 decreased by 10.7 billion yen year-on-year to 16.4 billion yen.

Regarding “Others,” in spite of deterioration in purchasing condition of concentrates in the Metals Business and other factors of increased costs, the Company worked to reduce costs by implementation measures to improve earnings.

However, the decline in “Quantity variation” is mainly due to decreased sales volume in the Copper & copper alloy business of the Advanced Products and the Metalworking Solutions Business mainly arising from deterioration of the automobile market conditions because of the impact of COVID-19. They contributed to a decline in ordinary profit.

For more details, I would like to explain the factor analysis by segment on page 7.

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

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

[Unit: billion yen]

		FY2020 2Q Results (a)	FY2021 2Q Results (b)	Difference (b-a)	Exchange rate difference	Price difference	Quantity variation	Electricity price effect	Dividend income	Share or profit (loss) of entities accounted for using equity method	Other
Advanced Products	Net sales	191.8	156.0	-35.7	-1.6	-4.8	-29.3	—	—	—	—
	Operating profit	1.5	-1.7	-3.3	-0.0	0.1	-3.1	0.1	—	—	-0.4
	Ordinary profit	2.8	0.0	-2.8	—	—	—	—	-0.3	-0.2	0.6
	Net sales	130.9	99.0	-31.9	-1.3	-4.7	-25.9	—	—	—	—
	Operating profit	1.5	-2.2	-3.7	-0.0	-0.0	-3.0	0.0	—	—	-0.7
	Ordinary profit	1.1	-1.7	-2.8	—	—	—	—	-0.0	-0.2	0.4
	Net sales	61.1	57.5	-3.5	-0.2	-0.1	-3.2	—	—	—	—
	Operating profit	0.0	0.6	0.5	-0.0	0.1	0.1	0.1	—	—	0.2
	Ordinary profit	1.6	1.9	0.2	—	—	—	—	-0.2	-0.0	0.1
Metalworking Solutions	Net sales	78.1	56.6	-21.4	-1.0	-0.4	-20.0	—	—	—	—
	Operating profit	5.5	-3.0	-8.6	-0.6	0.0	-11.1	0.2	—	—	2.9
	Ordinary profit	4.7	-2.8	-7.6	—	—	—	—	-0.0	—	3.9
Metals	Net sales	316.5	358.3	41.7	-0.0	35.4	6.3	—	—	—	—
	Operating profit	5.3	7.4	2.1	-0.3	0.9	1.4	0.3	—	—	-0.2
	Ordinary profit	13.3	15.4	2.1	—	—	—	—	0.1	-0.9	0.6
Cement	Net sales	123.7	105.7	-18.0	-0.8	-2.6	-14.6	—	—	—	—
	Operating profit	6.5	4.1	-2.4	-0.1	-1.2	-0.3	0.1	—	—	-0.9
	Ordinary profit	7.9	3.8	-4.1	—	—	—	—	-0.5	0.1	-2.2
Environment & Energy	Net sales	10.9	9.6	-1.2	0.0	0.1	-1.3	—	—	—	0.0
	Operating profit	0.2	-0.0	-0.3	0.0	0.1	-0.2	0.0	—	—	-0.2
	Ordinary profit	0.9	0.4	-0.5	—	—	—	—	0.0	-0.1	-0.3
Others	Net sales	136.4	127.3	-9.1	-0.3	0.1	-8.9	—	—	—	—
	Operating profit	0.1	2.5	2.3	0.0	2.1	-1.6	0.3	—	—	1.5
	Ordinary profit	0.0	2.2	2.1	—	—	—	—	-0.0	-0.0	1.3
	Net sales	70.5	63.9	-6.5	-0.1	0.1	-6.5	—	—	—	—
	Operating profit	-1.2	1.7	2.9	0.0	2.1	-0.7	0.2	—	—	1.3
	Ordinary profit	-1.4	1.3	2.8	—	—	—	—	-0.0	0.0	1.2
	Net sales	-109.4	-88.3	21.0	0.0	-0.2	21.2	—	—	—	—
	Operating profit	-2.4	-2.2	0.2	0.0	0.0	0.0	0.0	—	—	0.2
	Ordinary profit	-2.8	-2.7	0.0	—	—	—	—	-0.1	0.0	0.1
Elimination, etc.	Net sales	-109.4	-88.3	21.0	0.0	-0.2	21.2	—	—	—	—
	Operating profit	-2.4	-2.2	0.2	0.0	0.0	0.0	0.0	—	—	0.2
	Ordinary profit	-2.8	-2.7	0.0	—	—	—	—	-0.1	0.0	0.1
Total	Net sales	748.4	725.5	-22.8	-3.8	27.6	-46.6	—	—	—	0.0
	Operating profit	16.9	6.8	-10.0	-1.0	2.1	-15.0	1.1	—	—	2.8
	Ordinary profit	27.2	16.4	-10.7	—	—	—	—	-1.0	-1.3	4.4

\* 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 half 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**

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

Regarding the Electronics materials & components business, operating profit increased mainly due to solid sales of semiconductor-related products in spite of a decrease in sales of automobile-related products.

In the Metalworking Solutions Business, although "Other" increased due to decreased depreciation costs because of impairment loss recorded in the previous fiscal year and some effect by implementation measures to improve earnings, operating profit decreased mainly because of a 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, operating profit increased due to increased sales of copper cathodes, as well as a hike in precious metal prices such as palladium, among others. In spite of cost increase factors in "Other", including deterioration in purchasing condition of concentrates, these were offset by the stable operation of Onahama Smelting and Refining Co., Ltd. in the current fiscal year, which recorded a reduction in production in the previous fiscal year, as well as effects from cost reduction and other factors.

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

In the domestic business, operating profit decreased due to a decline in domestic demand for cement, as well as factors such as repairing thermal power generation equipment at the Kyushu Plant in "Other."

In the US business, operating profit decreased due to a decline in sales volume of ready-mixed concrete arising from unseasonable weather in April 2020 and a shortage of cement supply mainly since the second quarter of FY2021, as well as an increase in operating expenses such as the cost of raw materials.



In the Environment & Energy Business, operating profit decreased. Sales of nuclear-energy-related services decreased in the Energy-related business. Also, New Energy Fujimino Co., Ltd., which engages in recycling business, incurred initial expenses for starting up operations.

In the Aluminum business, which is included in the Others, operating profit increased due to a decrease in costs of raw materials caused by a drop in UBC prices and strong sales due to demand for drinking at home in the Aluminum beverage cans business. In the Aluminum rolling and processing business, while net sales decreased, operating profit increased. Although operating profit decreased due to a decline in sales of automotive products, “Other” increased due to a decrease in depreciation costs caused by impairment loss of fixed assets in the previous fiscal year, as well as a cost reduction effect by implementation measures to improve earnings, among others.

Next, I would like to explain full-year earnings forecasts from page 9 and onward.

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

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

■ Statistics		FY2021 Forecast (Announced on August 6, 2020)			FY2021 Forecast (This time)			Difference Full year (b-a)
		1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year	
		Forecast	Forecast	(a)	Result	Forecast	(b)	
Sales volumes of copper & copper alloy products	(thousand tons)	48	53	101	50	61	110	9
Sales volumes of copper cathodes (in-house product)	(thousand tons)	173	146	319	175	151	325	6
Sales volumes of copper cathodes (PTS)	(thousand tons)	142	124	265	141	114	256	-10
Dividend from copper mine	(billion yen)	0.9	5.3	6.3	9.0	3.5	12.5	6.2
Total demand for cement in Japan	(million tons)	—	—	39.50	—	—	39.50	—
Cement sales volumes for MMC-Domestic	(million tons)	3.16	3.48	6.64	3.03	3.40	6.43	-0.21
Cement sales volumes for MMC-Exports	(million tons)	1.14	1.13	2.27	1.08	1.23	2.31	0.04
Cement sales volumes in the U.S.	(million tons)	0.82	0.73	1.55	0.84	0.73	1.56	0.01
Ready-mixed concrete sales volumes in the U.S.	(million cy)	4.42	4.14	8.56	4.25	4.02	8.27	-0.29
Sales volumes of aluminum sheet products	(thousand tons)	45	47	92	46	48	94	2
Sales volumes of aluminum extrusion products	(thousand tons)	5	10	15	5	7	12	-3

■ Sensitivity		FY2021 2nd Half Forecast
Exchange rates Operating profit - 1 yen/\$ (yen depreciation)		0.3 billion yen
Exchange rates Operating profit - 1 yen/\$ (yen depreciation)		0.04 billion yen
Copper price (LME) Operating profit ±10¢/lb		0.2 billion yen
Non - Operating profit ±10¢/lb		0.1 billion yen

First of all, I would like to explain the statistics.

Please note that the numbers for comparison on the left column are based on those published on August 6, 2020 in the earnings forecasts by statistics and segment.

Regarding sales volume of copper & copper alloy, the Mitsubishi Materials Group (hereinafter referred to as “the Group”) expects terminal materials for automobiles, among others to increase in the second half of the fiscal year.

The Group expects sales volume of copper cathodes to increase in comparison with the figure published on August 6, 2020 as operations remained stable in the first half of the FY2021 and it expects operations to be stable in the second half as well, though regular furnace repairs will be conducted in the second half.

The Group expects PT Smelting's sales volume of copper cathodes to decrease, taking into consideration the degradation of the quality of its copper concentrates, among others.

As for dividends from mining companies, the Group expects dividends from Los Pelambres to remain at the same level as the previous fiscal year as dividends are paid in the third quarter as well as in the first half of the FY2021.

The Group expects sales volume of cement in Japan to decrease in the second half of the FY2021 as well due to the stagnation of private investment.

The Group expects sales volume of ready-mixed concrete in the United States to decrease in the second half of the FY2021 due to a cement supply shortage, taking into consideration the results in the first half.

The Group expects sales volume of aluminum sheet materials to increase mainly for automotive products in the second half of the FY2021.

The bottom row of the slide shows the sensitivity of exchange rates and copper prices in the second half of the FY2021.

## FY2021 Performance Forecast (Consolidated Statements of Operations)

### FY2021 Performance Forecast (Consolidated Statements of Operations)

[Unit: billion yen]

	FY2021 Forecast (Announced on August 6, 2020)			FY2021 Forecast (This time)			Difference (b-a)	FY2021 Forecast (Announced on September 29, 2020)	
	1st Half Forecast	2nd Half Forecast	Full Year (a)	1st Half Result	2nd Half Forecast	Full Year (b)		1st Half Forecast	Full Year
Net sales	720.0	690.0	1,410.0	725.5	724.5	1,450.0	40.0	710.0	1,420.0
Operating profit (loss)	-2.0	-3.0	-5.0	6.8	1.2	8.0	13.0	5.0	0.0
Net interest and dividend income	1.0	5.0	6.0	9.4	2.6	12.0	6.0		
Share of profit (loss) of entities accounted for using equity method	0.5	2.0	2.5	0.8	2.9	3.7	1.2		
Other Non-operating profit / loss	0.5	-4.0	-3.5	-0.7	-3.0	-3.7	-0.2		
Ordinary profit	0.0	0.0	0.0	16.4	3.6	20.0	20.0	14.0	7.0
Extraordinary income / loss	4.0	1.0	5.0	-23.0	23.0	0.0	-5.0		
Income taxes	-6.0	-4.0	-10.0	-8.6	-5.4	-14.0	-4.0		
Profit (loss) attributable to non-controlling interests	-3.0	-2.0	-5.0	-3.9	-2.1	-6.0	-1.0		
Profit (loss) attributable to owners of parent	-5.0	-5.0	-10.0	-19.1	19.1	0.0	10.0	-20.0	-20.0
Exchange rate (USD)	107	107	107	107	105	106	-1		
Exchange rate (EUR)	119	120	120	119	124	123	3		
Copper price (LME)	266	290	278	266	307	288	10		
Dividends per share (yen)	0	40	40	0	40	40	—		

Now, please take a look at page 10.

As shown in the bottom row, assumptions are that the yen will be stronger against the US dollar and weaker against the euro and that copper prices will rise by about 10¢, in the second half of the FY2021.

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

The Group expects net sales to increase due to an increase in net sales arising from a hike in copper and precious metal prices, as well as an increase in sales volume of Advanced Products and cemented carbide products in the Metalworking Solutions Business.

The Group expects operating profit to be positive mainly due to an increase in net sales, and ordinary profit to increase due to an increase in operating profit, as well as an increase in dividends from mining companies.

Regarding profit (loss), the Group expects improvements in operating profit and ordinary profit, as well as reductions of strategic holding shares to cover extraordinary losses in the first half and eliminate deficits.

Regarding dividends, the Group has not revised the previous forecasts.

I would like to explain some details of each segment on page 11.

## FY2021 Performance Forecast (Factor Analysis by Segment)

### FY2021 Performance Forecast (Factor Analysis by Segment)

[Unit: billion yen]

		FY2021 Forecast (Announced on August 6, 2020)			FY2021 Forecast (This Time)			Difference (b-a)
		1st Half Forecast	2nd Half Forecast	Full year (a)	1st Half Result	2nd Half Forecast	Full year (b)	
Advanced Products	Net sales	150.6	162.9	313.5	156.0	181.2	337.2	23.7
	Operating profit	-2.7	-1.0	-3.8	-1.7	0.0	-1.7	2.1
	Ordinary profit	-1.6	-1.1	-2.7	0.0	0.7	0.7	3.4
Copper & copper alloy	Net sales	91.4	100.1	191.6	99.0	116.2	215.2	23.6
	Operating profit	-2.7	-1.4	-4.1	-2.2	-0.7	-2.9	1.2
	Ordinary profit	-2.7	-1.8	-4.5	-1.7	-0.5	-2.2	2.3
Electronic materials & components	Net sales	59.5	62.7	122.2	57.5	65.0	122.5	0.3
	Operating profit	0.1	0.5	0.6	0.6	0.9	1.5	0.9
	Ordinary profit	1.3	0.8	2.1	1.9	1.2	3.1	1.0
Metalworking Solutions	Net sales	53.3	62.2	115.6	56.6	57.4	114.0	-1.6
	Operating profit	-5.6	-3.2	-8.8	-3.0	-2.1	-5.1	3.7
	Ordinary profit	-5.3	-3.8	-9.2	-2.8	-2.7	-5.5	3.7
Metals	Net sales	352.0	333.4	685.5	358.3	337.6	695.9	10.4
	Operating profit	2.1	-5.2	-3.1	7.4	0.1	7.5	10.6
	Ordinary profit	1.9	-1.6	0.3	15.4	2.7	18.1	17.8
Cement	Net sales	108.0	121.8	229.8	105.7	118.7	224.4	-5.4
	Operating profit	5.2	7.1	12.4	4.1	5.0	9.1	-3.3
	Ordinary profit	5.3	7.1	12.4	3.8	5.6	9.4	-3.0
Environment & Energy	Net sales	10.2	14.9	25.2	9.6	16.7	26.3	1.1
	Operating profit	-0.4	0.8	0.4	-0.0	0.9	0.9	0.5
	Ordinary profit	0.0	1.4	1.5	0.4	1.7	2.1	0.6
Others	Net sales	129.0	136.2	265.2	127.3	132.2	259.5	-5.7
	Operating profit	0.9	2.6	3.5	2.5	2.6	5.1	1.6
	Ordinary profit	0.7	2.8	3.6	2.2	3.1	5.3	1.7
Aluminum	Net sales	64.8	65.8	130.7	63.9	64.5	128.4	-2.3
	Operating profit	0.4	1.0	1.5	1.7	1.2	2.9	1.4
	Ordinary profit	0.1	1.5	1.6	1.3	1.7	3.0	1.4
Elimination, etc.	Net sales	-83.3	-141.7	-225.0	-88.3	-119.2	-207.5	17.5
	Operating profit	-1.3	-4.1	-5.4	-2.2	-5.7	-7.9	-2.5
	Ordinary profit	-1.0	-4.7	-5.8	-2.7	-7.6	-10.3	-4.5
Total	Net sales	720.0	690.0	1,410.0	725.5	724.5	1,450.0	40.0
	Operating profit	-2.0	-3.0	-5.0	6.8	1.2	8.0	13.0
	Ordinary profit	0.0	0.0	0.0	16.4	3.6	20.0	20.0

As for the Copper & copper alloy business in the Advanced Products, the Group expects operating loss to be smaller in the second half of the FY2021 mainly due to increased sales volume of terminal materials for automobiles.

As for the Electronic materials & components business, the Group expects semiconductor-related and automotive-related demand to increase and operating profit to increase.

As for the Metalworking Solutions Business, while net sales will decrease due to the deconsolidation of the Sintered parts business as a result of the transfer of the business, the Group expects sales volume of cemented carbide products to increase.

The Group also expects operating profit to increase due to an increase in sales volume of cemented carbide products, as well as the deconsolidation of the Sintered parts business.

As for the Metals Business, the Group expects operating profit to increase due to a hike in copper prices and precious metal prices, and expects a decrease in smelting costs due to profit from recovery of free metal at each smelter.

As for the Cement Business, the Group expects both the domestic and US business to decrease in both net sales and operating profit.

In the domestic business, the Group expects operating profit to decrease mainly due to a weaker demand for cement in Japan arising from the stagnation of private investment.

In the US business, the Group expects operating profit to decrease due to a decrease in sales volume of ready-mixed concrete due to a short supply of cement in the second half of the FY2021, taking into consideration the results in the first half.

As for the Environment & Energy Business, the Group expects operating profit to increase slightly.

As for the Aluminum business in the Other businesses, the Group expects operating profit to increase due to a decrease in costs of raw materials caused by a drop in UBC prices in the Aluminum beverage cans business and a cost reduction effect by implementation measures to improve earnings, among others in the Aluminum rolling and processing business.

On page 12, I would like to explain the comparison between the results in the first half and the revised forecasts for the second half of the FY2021.

## Comparison of the FY2021 1st half Result with 2nd half Forecast (Factor Analysis of Ordinary profit)

### Comparison of the FY2021 1st half Result with 2nd half Forecast (Factor Analysis of Ordinary profit)

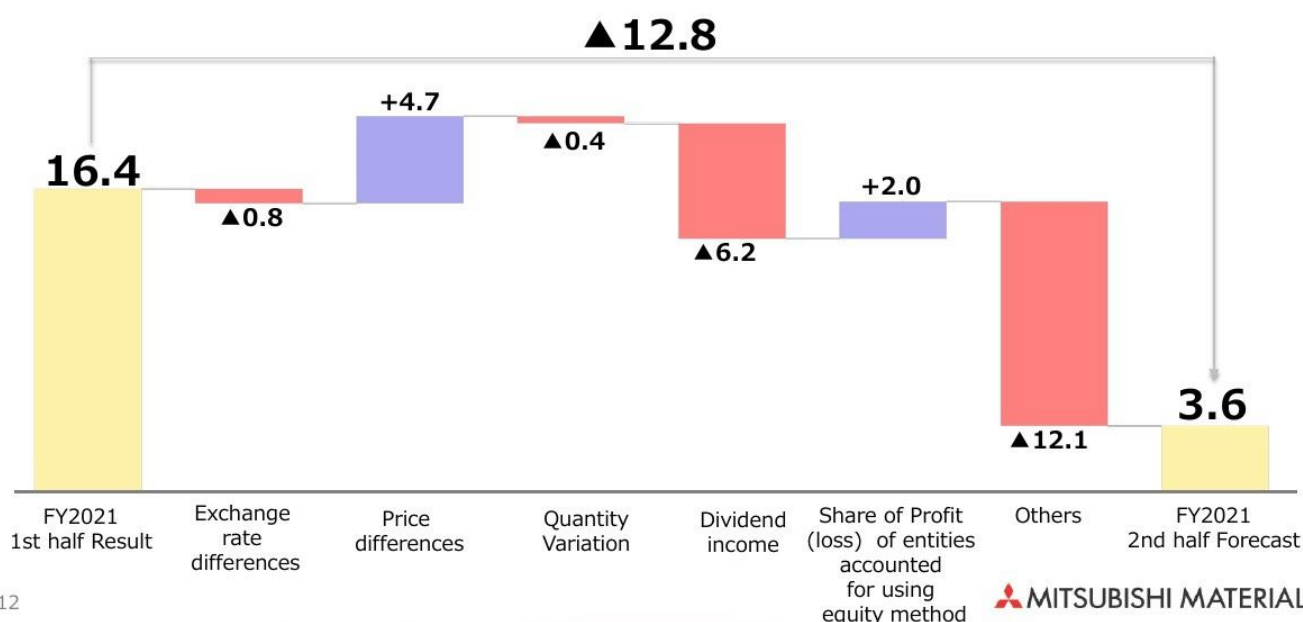
[Unit: billion yen]

#### **FY2021 2nd half Forecast : -12.8 billion yen(Comparison with the FY2021 1st half Result)**

【Price differences】 Ordinary profit is expected to increase mainly due to a hike in precious metal prices in Metals Business, among others.

【Dividend income】 Dividend income from mining companies is expected to decrease.

【Others】 Ordinary profit is expected to decrease mainly due to regular furnace repairs in Naoshima Smelter & Refinery and Indonesia PT. Smelting, among others.



As shown in the bar graph on the right, the Group forecasts operating profit for the second half of FY2021 to decrease by 12.8 billion yen from the first half to 3.6 billion yen.



A hike in precious metal prices in the Metals Business are expected to increase profit in terms of “Price differences”. However, the Group expects operating profit to decrease substantially in comparison with the first half of the fiscal year mainly due to dividends from mining companies expected to decrease compared to the first half and regular furnace repairs to be conducted at each smelter in the Metals Business in the second half.

Now, please allow me to get into more details with the factor analysis by segment on page 13.

## Comparison of the FY2021 1st half Result with 2nd half Forecast (Factor Analysis by Segment)

### Comparison of the FY2021 1st half Result with 2nd half Forecast (Factor Analysis by Segment)

[Unit: billion yen]

		FY2021 1st half Results (a)	FY2021 2nd half Forecast (b)	Difference (b-a)	Exchange rate difference	Price difference	Quantity variation	Dividend income	Share of profit (loss) of entities accounted for using equity method	Other
Advanced Products	Net sales	156.0	181.2	25.2	-0.5	5.7	20.0	—	—	—
	Operating profit	-1.7	0.0	1.7	-0.0	0.6	1.8	—	—	-0.7
	Ordinary profit	0.0	0.7	0.7	-0.0	0.6	1.8	-0.4	-0.1	-1.2
	Net sales	99.0	116.2	17.2	-0.5	5.6	12.1	—	—	—
	Operating profit	-2.2	-0.7	1.5	-0.0	0.1	1.5	—	—	-0.1
	Ordinary profit	-1.7	-0.5	1.2	-0.0	0.1	1.5	-0.0	0.2	-0.6
	Net sales	57.5	65.0	7.5	-0.0	0.1	7.4	—	—	—
	Operating profit	0.6	0.9	0.3	-0.0	0.5	0.3	—	—	-0.5
	Ordinary profit	1.9	1.2	-0.7	-0.0	0.5	0.3	-0.3	-0.3	-0.9
Metalworking Solutions	Net sales	56.6	57.4	0.8	0.4	-0.1	4.3	—	—	-3.8
	Operating profit	-3.0	-2.1	0.9	0.0	0.1	1.4	—	—	-0.6
	Ordinary profit	-2.8	-2.7	0.1	0.0	0.1	1.4	-0.0	—	-1.4
Metals	Net sales	358.3	337.6	-20.7	-11.5	27.7	-36.9	—	—	—
	Operating profit	7.4	0.1	-7.3	-0.7	2.8	-2.6	—	—	-6.8
	Ordinary profit	15.4	2.7	-12.7	-0.7	2.8	-2.6	-5.3	1.5	-8.4
Cement	Net sales	105.7	118.7	13.0	-0.8	1.2	12.6	—	—	—
	Operating profit	4.1	5.0	0.9	-0.1	0.4	-0.2	—	—	0.8
	Ordinary profit	3.8	5.6	1.8	-0.1	0.4	-0.2	-0.1	0.2	1.6
Environment & Energy	Net sales	9.6	16.7	7.1	0.0	0.0	7.1	—	—	—
	Operating profit	-0.0	0.9	0.9	0.0	0.0	0.9	—	—	0.0
	Ordinary profit	0.4	1.7	1.3	0.0	0.0	0.9	-0.0	0.2	0.2
Others	Net sales	127.3	132.2	4.9	0.4	0.2	4.4	—	—	-0.1
	Operating profit	2.5	2.6	0.1	0.0	0.7	-0.1	—	—	-0.5
	Ordinary profit	2.2	3.1	0.9	0.0	0.7	-0.1	-0.1	0.0	0.4
	Net sales	63.9	64.5	0.6	0.0	0.2	0.4	—	—	—
	Operating profit	1.7	1.2	-0.5	-0.0	0.7	-0.7	—	—	-0.5
	Ordinary profit	1.3	1.7	0.4	-0.0	0.7	-0.7	-0.0	0.0	0.4
Aluminum	Net sales	63.9	64.5	0.6	0.0	0.2	0.4	—	—	—
	Operating profit	1.7	1.2	-0.5	-0.0	0.7	-0.7	—	—	-0.5
	Ordinary profit	1.3	1.7	0.4	-0.0	0.7	-0.7	-0.0	0.0	0.4
Elimination, etc.	Net sales	-88.3	-119.2	-30.9	0.0	-6.4	-24.5	—	—	—
	Operating profit	-2.2	-5.7	-3.5	0.0	-0.0	-1.6	—	—	-1.9
	Ordinary profit	-2.7	-7.6	-4.9	0.0	-0.0	-1.6	-0.1	-0.0	-3.2
Total	Net sales	725.5	724.5	-1.0	-12.1	28.4	-13.4	—	—	-3.9
	Operating profit	6.8	1.2	-5.6	-0.8	4.7	-0.4	—	—	-9.1
	Ordinary profit	16.4	3.6	-12.8	-0.8	4.7	-0.4	-6.2	2.0	-12.1

As for the Copper & copper alloy business in the Advanced Products, the Group expects operating loss to reduce in the second half mainly due to increase in sales volume of terminal materials for automobiles.

As for the Electronic materials & components business, the Group expects operating profit to increase because of a rise in “Quantity variation” due to an increase in semiconductor-related and automotive-related demand.

As for the Metalworking Solutions Business, in China, demand for cemented carbide products increased in the first half of the fiscal year due to a rapid recovery of the economy from the impact of COVID-19. However, the Group expects such demand to level off temporarily in the second half. In the meantime, the Group expects demand for cemented carbide products to increase in regions other than China, and operating profit to increase because of a rise in “Quantity variation” due to increased sales volume.

As for the Metals Business, the Group expects operating profit to decrease. While the Group expects operating profit to increase in terms of “Price differences” mainly due to a hike in precious metal prices, it expects operating profit to decrease because of a drop in “Quantity variation” due to decreased sales volume of copper

cathodes resulting from regular furnace repairs to be conducted at each smelter, as well as an increase in costs of furnace repairs included in "Other," among other factors.

The Group also expects ordinary profit to further decrease due to a decrease in operating profit, as well as a decrease in dividends from mining companies.

As for the Cement Business, in the US business, demand is traditionally high in the first half of the fiscal year and the Group expects operating profit to decrease due to a decline in sales volume of ready-mixed concrete arising from a short supply of cement. However, in the domestic business, the second half of the fiscal year is the high-demand season and the Group expects sales volume of cement to increase, and environmental profit to increase, regarding "Other."

As for the Environment & Energy Business, the Group expects operating profit to increase mainly due to the progress of construction work in the second half of the fiscal year.

In the Aluminum business in the Other businesses, in the Aluminum rolled and processed business, the Group expects automobile-related demand for both aluminum sheet materials and aluminum extruded products to increase in the second half of the fiscal year. However, the Group expects operating profit to decrease, because in the aluminum beverage cans business, the high-demand season is principally in the first half of the fiscal year.

As for "Eliminations, etc.," the Group expects Digital Transformation (DX)-related costs to increase, regarding "Other," in the second half of the fiscal year.

That is everything I have for you today. Thank you very much for your attention.

Then, Q&A session will follow.

## **Q&A (Summary): Reasons for profit increase in the Metals Business**

**Q:** Did profit increase in the Metals Business result from a hike in prices of platinum metals such as palladium and rhodium? What is the background of the upward revision to the earnings forecasts announced on September 29, 2020?

**A:** Price of Palladium was a major factor in increase profit in the Metals Business. Gold and copper also had an impact to a certain degree. Assuming that the price of copper or other metals remains at the current level in the second half of the fiscal year, that will certainly have some impact.

## **Q&A (Summary): Decline in the Metals Business in the second half of the fiscal year**

**Q:** Could you tell me the reasons for the downturn in the Metals Business from the first half to the second half of the fiscal year, including any effect from furnace repairs?

**A:** We carry out regular furnace repairs at Naoshima Smelter & Refinery and PT Smelting around every two years, with total cost increases of about 3 billion yen. In addition, since the smelters will be shut down for over one month each, which pushes the sales down by approximately 3 billion yen, we expect an adverse impact by approximately 6 billion yen in total. Therefore, the majority of this downturn comes from furnace repairs.

Furthermore, the impact of the deterioration in purchasing condition of concentrates is becoming ever greater. As the conditions are determined by the brick method, these effects gradually get greater, so the impact will be even greater in the second half than in the first half of the fiscal year.

## **Q&A (Summary): Ability profit(loss) realized from a business's operations in the Metals Business**

**Q:** In envisioning the results for the next fiscal year, how do you see operating profit(loss) as realized from a business's operations in the Metals Business in the second half of the fiscal year?

**A:** The Metal Business was favorable and furnace repairs were not carried out in the first half of the fiscal year, so you can see ability profit(loss) realized from business's operations. However, collection of E-Scraps had an impact in the first half of the fiscal year. Due to the impact of COVID-19, collection of E-Scraps from overseas has been decreased and we had expected this trend to continue until the third or fourth quarter. However, we have been able to collect E-Scraps to a certain degree, and the situation seems to have been slightly better than what we had expected at the beginning of the fiscal year.

If the situation surrounding the collection of E-Scraps turns out to be better than the first half of the fiscal year, we believe this will improve operating profits. On the other hand, there are some factors which cannot be attributed to operation alone, such as declining condition of concentrates at PT Smelting.

In the Metals Business, please understand that the profitability of the first half of this fiscal year or the second half of the previous fiscal year are stable to a certain degree.

## **Q&A (Summary): Profit levels of the Metals Business**

**Q:** The prices of copper, palladium, rhodium, and other metals have risen, is it correct to understand that the Company can maintain profit levels if they keep payability at a certain level?

**A:** That's correct.

## **Q&A (Summary): Incorporating automobile-related demand in the second half of the fiscal year**

**Q:** In general, I have the impression that the demand market for automobile-related products is getting better in the second half of the fiscal year, but what are your assumptions about production and demand? Recovery in the second half of the fiscal year seems to be slow especially for copper & copper alloy.

**A:** We understand that the automotive industry is on recovery trend. However we do not see it a rapid recovery in China, which will plateau in the second half of the fiscal year, although it recovered early. We expect a recovery in other regions as well, however, we unfortunately do not expect a steady recovery due to the spread of COVID-19 in the U.S. and Europe.

Further, our customers have only announced their orders with our Group until January of next year or so, we do not expect very strong demand in the fourth quarter and we believe it could both be an upward or a downward depending on future trends. Nevertheless, we do understand that many may point to the fact that we are taking a slightly conservative position, especially in the fourth quarter.

## **Q&A (Summary): Shortage of cement supply in California**

**Q:** What are the circumstances for the supply shortages in the Cement Business and the decline in readily-mixed concrete sales?

**A:** The other companies' plant near the San Francisco Bay in Northern California has been shutting down their operations since April, 2020. In addition, several plants located between Northern California and Southern

California had issues with operations in the first half of the fiscal year. Therefore a serious shortage of supply happened.

Although the issues with operations had been restored, the plants near San Francisco Bay are still shut down and we see supply from the cement plants in this region is decreased to a certain degree. While supply is insufficient to meet demand, imports have not increased, keeping supply at a shortage.

## **Q&A (Summary): Breakdown of rising costs in the Cement Business in North America**

**Q:** Could you tell me the breakdown of rising operating costs in the Cement Business in North America?

**A:** As operating costs in both cement and readily-mixed concrete has been increasing, we are attempting to price pass-through. However, we are still unable to make up for the increased costs. The rising costs came mainly from an increase in the cost of raw materials such as aggregate and shipping costs.