

Investor Conference Call for the Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2021

My name is Shibata, Managing Executive Officer of Mitsubishi Materials Corporation (hereinafter referred to as “the Company”). Thank you all for joining the conference call today.

Now, let me start with the overview of the Consolidated Financial Results for the Nine 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 Nine Months Result(a)	FY2021 Nine Months Result(b)	Difference (b)-(a)	Reason *
Net sales	1,124.6	1,079.8	-44.7	AP-33.8、MS-26.5、Metals+40.4、Cement-28.8 etc.
Operating profit	23.9	15.5	-8.3	AP-2.9、MS-10.0、Metals+1.7、Cement-3.1 etc.
Net interest and dividend income	15.0	13.1	-1.9	Dividend income-2.1 etc.
Share of profit (loss) of entities accounted for using equity method	3.3	3.0	-0.3	
Other / Non-operating profit / loss	-2.9	0.3	3.2	Employment adjustment subsidy +1.7 etc.
Ordinary profit	39.4	32.0	-7.4	
Extraordinary income / loss	-10.9	-4.6	6.2	Reversal of provision for loss on business restructuring-22.3 Gain on sales of investment securities +18.0 Provision for loss on the Antimonopoly Act +10.4, etc.
Income taxes	-14.4	-11.5	2.9	
Profit(loss) attributable to non-controlling interests	-4.0	-4.8	-0.7	
Profit(loss) attributable to owners of parent	10.0	11.0	0.9	
Exchange rate (USD)	109	106	-3	JPY / \$
Exchange rate (EUR)	121	122	1	JPY / €
Copper price (LME)	269	288	19	¢ / lb

4

 MITSUBISHI MATERIALS

First, please take a look at comparison with the previous year's results on page 4.

As the bottom section of the slide shows, the US dollar weakened against the yen, the Euro appreciated slightly against the yen, and copper price rose approximately 19 cents.

Going back to the top row, net sales decreased. While net sales in the Metals Business increased due to a hike in precious metal prices, such as gold and palladium, net 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 decreased mainly due to the decline in net sales.

On the other hand, extraordinary income (loss) increased compared to previous fiscal year. This was mainly due to a gain on sales of investment securities of approximately 20 billion yen as a result of the reduction of strategic holdings despite recording a business restructuring loss of approximately 22.3 billion yen following

the transfer of all shares of Diamet Corporation, a consolidated subsidiary of the Company, on December 4, 2020.

As a result, the Company achieved a profit of 11.0 billion yen for the first nine months of the fiscal year; an increase of 0.9 billion yen year-on-year.

Moving on, 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	
		Nine Months	Nine Months	Difference
		Result (a)	Result (b)	(b-a)
	Sales volumes of copper & copper alloy products (thousand tons)	99	80	-20
	Sales volumes of copper cathodes (in-house product) (thousand tons)	225	247	23
	Sales volumes of copper cathodes (PTS) (thousand tons)	202	193	-9
	Dividend from copper mine (billion yen)	12.6	12.5	-0.1
	Total demand for cement in Japan (million tons)	31.33	29.61	-1.72
	Cement sales volumes for MMC-Domestic (million tons)	5.04	4.74	-0.30
	Cement sales volumes for MMC-Exports (million tons)	1.51	1.70	0.19
	Cement sales volumes in the U.S. (million tons)	1.08	1.20	0.12
	Ready-mixed concrete sales volumes in the U.S. (million cy)	6.30	6.05	-0.25
	Sales volumes of aluminum sheet products (thousand tons)	76	69	-6
	Sales volumes of aluminum extrusion products (thousand tons)	11	9	-2

5

 MITSUBISHI MATERIALS

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

Sales volume of copper cathodes in non-consolidated in-house product increased due to favorable operations.

Sales volume of copper cathodes from PT Smelting Corporation decreased due to regular furnace repairs in the third quarter.

Dividend from copper mine 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 and delay of construction work in the Tokyo metropolitan area and other areas.

On the other hand, the sales volume of cement export increased as a result of active securing of spot exports.

Sales volume of cement in US increased due to stable plant operations.

However, sales volume of ready-mixed concrete in US decreased due to the impact of weather conditions in Southern California in April 2020 and continued cement supply shortages due to regular suspensions and operational troubles at the other cement plants since June 2020.

Sales of aluminum sheet products and extruded products decreased mainly for automobile products.

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

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

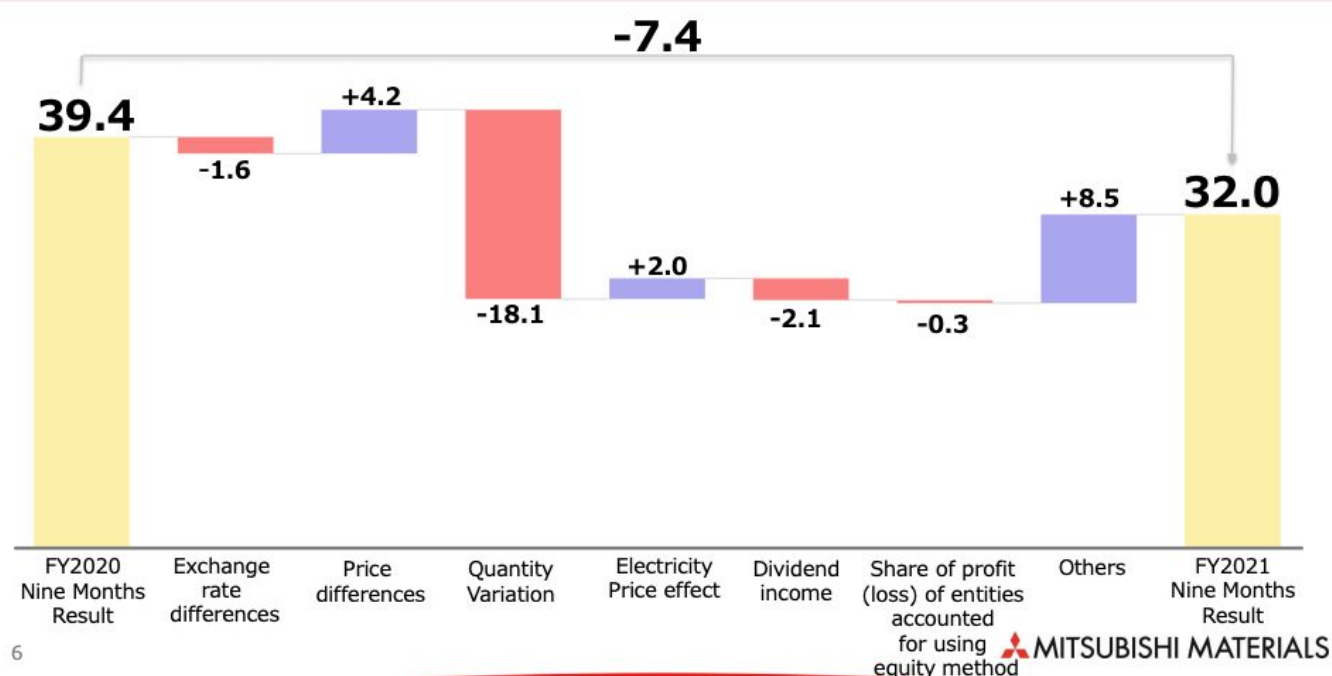
Comparison with the Previous Year Result (Factor Analysis of Ordinary Profit)

[Unit: billion yen]

FY2021 Nine Months Result : -7.4 billion yen(year-on-year)

【Quantity Variation】 Due to decline in 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 and carrying out a regular furnace repair at PT Smelting, Ordinary Profit was recovered to some extent due to implementation measures to improve earnings.



As the bar graph on the right shows, the ordinary profit for the first nine months of the FY2021 decreased by 7.4 billion yen year-on-year to 32 billion yen.

The ordinary profit decreased significantly in “Quantity Variation” due to the deterioration in the automobile market affected by COVID-19. As a result, sales decreased in the Advanced Products Business (the Copper & copper alloy business) and the Metalworking Solutions Business.

In “Others”, despite some factors that increased costs in the Metals Business such as the deterioration in purchasing condition of concentrates and the implementation of regular furnace repairs at PT Smelting in the third quarter, we worked to reduce costs by implementation measures to improve earnings.

In total, the ordinary profit for the nine months of the FY2021 decreased year-on-year as we were unable to offset the decrease in profit in terms of “Quantity Variation”.

Now, let me get into more details on 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	FY2021								
		Nine Months	Nine Months	Difference	Exchange	Price	Quantity	Electricity	Dividend	Share of profit	Other
		Results (a)	Result (b)	(b-a)	rate	difference	variation	price effect	income	(loss) of	
					difference					entitles	
										accounted	
										for using	
										equity method	
Advanced Products	Net sales	285.2	251.4	-33.8	-1.2	-0.9	-31.7	—	—	—	—
	Operating profit	2.3	-0.6	-2.9	-0.0	0.2	-4.0	0.4	—	—	0.5
	Ordinary profit	3.4	1.9	-1.4	—	—	—	—	-0.3	-0.2	2.5
	Net sales	192.9	161.0	-31.9	-0.8	-0.9	-30.2	—	—	—	—
	Operating profit	1.9	-1.8	-3.7	-0.0	-0.0	-4.4	0.1	—	—	0.6
	Ordinary profit	1.0	-0.6	-1.7	—	—	—	—	-0.0	-0.0	2.6
	Net sales	92.8	91.2	-1.5	-0.4	-0.0	-1.1	—	—	—	—
	Operating profit	0.3	1.4	1.1	0.0	0.2	0.7	0.3	—	—	-0.1
	Ordinary profit	2.2	2.9	0.6	—	—	—	—	-0.2	-0.1	-0.3
Metalworking Solutions	Net sales	115.0	88.5	-26.5	-1.2	-0.8	-22.8	—	—	—	-1.7
	Operating profit	6.6	-3.4	-10.0	-0.6	-0.6	-13.1	0.2	—	—	4.1
	Ordinary profit	5.6	-3.1	-8.8	—	—	—	—	-0.0	—	5.3
Metals	Net sales	481.4	521.8	40.4	-6.2	54.4	-7.8	—	—	—	—
	Operating profit	8.9	10.6	1.7	-0.7	2.4	1.3	0.5	—	—	-1.8
	Ordinary profit	20.2	22.5	2.3	—	—	—	—	-0.1	-0.4	-0.7
Cement	Net sales	187.6	158.7	-28.8	-2.0	-2.3	-24.5	—	—	—	—
	Operating profit	9.6	6.5	-3.1	-0.2	-0.6	-1.4	0.3	—	—	-1.2
	Ordinary profit	12.4	7.4	-4.9	—	—	—	—	-1.1	0.4	-2.3
Environment & Energy	Net sales	16.6	15.7	-0.8	0.0	0.1	-0.9	—	—	—	0.0
	Operating profit	0.4	0.2	-0.2	0.0	0.1	0.1	0.0	—	—	-0.4
	Ordinary profit	1.5	1.1	-0.3	—	—	—	—	0.0	-0.1	-0.4
Others	Net sales	209.9	196.1	-13.8	-0.4	0.3	-13.7	—	—	—	—
	Operating profit	0.6	5.2	4.6	-0.0	2.8	-1.4	0.5	—	—	2.7
	Ordinary profit	0.5	5.0	4.5	—	—	—	—	-0.0	0.0	2.6
	Net sales	104.6	96.5	-8.0	-0.2	0.3	-8.1	—	—	—	—
	Operating profit	-2.1	3.1	5.2	0.0	2.8	-0.7	0.5	—	—	2.6
	Ordinary profit	-2.4	2.6	5.0	—	—	—	—	-0.0	0.0	2.4
	Net sales	-171.3	-152.6	18.7	0.0	-5.6	24.3	—	—	—	—
	Operating profit	-4.6	-3.0	1.6	—	—	—	—	—	—	1.2
	Ordinary profit	-4.4	-3.1	1.3	—	—	—	—	-0.5	0.0	1.4
Total	Net sales	1,124.6	1,079.8	-44.7	-11.0	45.1	-77.1	—	—	—	-1.7
	Operating profit	23.9	15.5	-8.3	—	—	—	—	—	—	5.2
	Ordinary profit	39.4	32.0	-7.4	-1.6	4.2	-18.1	2.0	-2.1	-0.3	8.5

* As a result of organizational restructuring that occurred on April 1, 2020, the Company has changed its reporting segments. Consequently, the results for the Nine Months 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.

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

For 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, "Other" reflects the effects of a decrease in depreciation expenses due to the impairment loss on non-current assets in the previous fiscal year as well as the effects of measures to improve earnings. However, due to production adjustments by major automobile manufacturers and other factors, sales decreased in all major countries except China, resulting in a decrease in operating profit mainly due to "Quantity Variation".

In the Metals Business, operating profit increased mainly due to the hike in precious metal price such as palladium, despite some cost-increasing factors as reflected in "Other" such as a deterioration in purchasing condition of concentrates, and the implementation of the regular furnace repairs at PT Smelting in the third quarter.

In the Cement Business, while operating profits increased in the domestic business, operating profits decreased in the US business.

In the domestic business, operating profit increased due to a decrease in energy costs despite some factors such as a decline in domestic demand for cement and repairs to thermal power generators at the Kyushu Plant as reflected in "Other".

On the other hand, 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 continued shortage of cement supply in the Southern California area since the second quarter of FY2021, as well as an increase in operating costs such as raw material costs.

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

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

The Aluminum rolling and processing business, despite a decrease in net sales, turned an operating profit in the current fiscal year after an operating loss last year. Despite a decrease in operating profit due to lower sales of automobile products, as reflected in "Other," some factors contributed to the increase in operating profit, including a decrease in depreciation expenses caused by impairment loss of non-current assets in the previous fiscal year and the cost-cutting effect resulting from the measures to improve earnings.

Next, I will skip the explanation of the balance sheet on page 8 and go straight to newly revised 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 Dec.16,2020)			FY2021 Forecast (This time)			Difference Full year (b-a)
		1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year	
		Result	Forecast	(a)	Result	Forecast	(b)	
Sales volumes of copper & copper alloy products	(thousand tons)	50	61	110	50	63	112	2
Sales volumes of copper cathodes (in-house product)	(thousand tons)	175	151	325	175	138	312	Δ 13
Sales volumes of copper cathodes (PTS)	(thousand tons)	141	114	256	141	122	263	7
Dividend from copper mine	(billion yen)	9.0	3.5	12.5	9.0	5.1	14.1	1.5
Total demand for cement in Japan	(million tons)	—	—	39.5	—	—	39.5	—
Cement sales volumes for MMC-Domestic	(million tons)	3.03	3.40	6.43	3.03	3.35	6.38	-0.05
Cement sales volumes for MMC-Exports	(million tons)	1.08	1.23	2.31	1.08	1.27	2.35	0.04
Cement sales volumes in the U.S.	(million tons)	0.84	0.73	1.56	0.84	0.73	1.57	0.01
Ready-mixed concrete sales volumes in the U.S.	(million cy)	4.25	4.02	8.27	4.25	3.69	7.94	-0.33
Sales volumes of aluminum sheet products	(thousand tons)	46	48	94	46	48	94	0
Sales volumes of aluminum extrusion products	(thousand tons)	5	7	12	5	7	12	0

■ Sensitivity

	FY2021 4Q	
Exchange rates Operating profit - 1 yen/\$ (yen depreciation)	0.2	billion yen
Exchange rates Operating profit - 1 yen/\$ (yen depreciation)	0.02	billion yen
Copper price (LME) Operating profit ±10¢/lb	0.1	billion yen
Non - Operating profit ±10¢/lb	0.0	billion yen

■ Assumptions

FY2021 4Q
105 JPY / \$
125 JPY / €
300 ¢ / lb

 MITSUBISHI MATERIALS

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

Regarding the sales volume of copper & copper alloy, the Company expects the demand for automobiles to increase.

Regarding the sales volume of copper cathodes in non-consolidated in-house products, the Company expects sales to decrease compared to the previous forecast, since equipment trouble that occurred at the company providing oxygen in January 2021 will slow down the operation of Onahama Smelting and Refining Co., Ltd.

Regarding the sales volume of copper cathodes in PT Smelting, the Company expects favorable operation to continue in the fourth quarter.

Regarding the dividends from copper mines, the Company expects additional dividends payment in the fourth quarter from Los Pelambres mine.

Regarding the sales volume of cement in Japan, the Company expects the sales to slightly decrease based on the results of the third quarter.

Regarding the sales volume of ready-mixed concrete in US, shortage of cement supply in Southern California in the third quarter was worse than expected and the Company expects such demand environment to continue in the fourth quarter.

Regarding the aluminum sheet materials and extruded products, the Company expects the similar sales volume as the previous forecast.

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

Now, please take a look at page 10.

FY2021 Performance Forecast (Consolidated Statements of Operations)

FY2021 Performance Forecast (Consolidated Statements of Operations)

[Unit: billion yen]

	FY2021 Forecast (Announced on Dec.16,2020)			FY2021 Forecast (This time)			Difference Full year (b-a)
	1st Half Result	2nd Half Forecast	Full Year (a)	1st Half Result	2nd Half Forecast	Full Year (b)	
Net sales	725.5	724.5	1,450.0	725.5	734.5	1,460.0	10.0
Operating profit	6.8	1.2	8.0	6.8	8.2	15.0	7.0
Net interest and dividend income	9.4	2.6	12.0	9.4	4.6	14.0	2.0
Share of profit (loss) of entities accounted for using equity method	0.8	2.9	3.7	0.8	3.7	4.5	0.8
Other / Non-operating profit / loss	-0.7	-3.0	-3.7	-0.7	-0.8	-1.5	2.2
Ordinary profit	16.4	3.6	20.0	16.4	15.6	32.0	12.0
Extraordinary income / loss	-23.0	23.0	0.0	-23.0	21.0	-2.0	-2.0
Income taxes	-8.6	-5.4	-14.0	-8.6	-6.0	-14.6	-0.6
Profit(loss) attributable to non-controlling interests	-3.9	-2.1	-6.0	-3.9	-1.5	-5.4	0.6
Profit(loss) attributable to owners of parent	-19.1	19.1	0.0	-19.1	29.1	10.0	10.0
Exchange rate (USD)	107	105	106	107	105	106	-0 JPY / \$
Exchange rate (EUR)	121	124	123	121	125	123	0 JPY / €
Copper price (LME)	269	307	288	269	313	291	3 ¢ / lb
Dividend per share (JPY)	0	40	40	0	40	40	—

The Company expects the net sales to increase from the previous forecast mainly due to the recovery of automobile market conditions which increases the sales of the Advanced Products and cemented carbide products in the Metalworking Solutions Business, as well as increased operating profit from the hike in metal prices in the Metals Business in the third quarter.

The Company expects the operating profit to increase from the previous forecast mainly due to an increase in net sales as well as ordinary profit and profit (loss) attributable to owners of parent to increase mainly due to expected increase of dividends from Los Pelambres mine in the fourth quarter.

The dividend forecast has not changed from the previous forecast.

Moving on, 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 Dec.16,2020)			FY2021 Forecast (This time)			Difference Full year (b-a)	
		1st Half Result	2nd Half Forecast	Full Year (a)	1st Half Result	2nd Half Forecast	Full Year (b)		
Advanced Products	Copper & copper alloy	Net sales	156.0	181.2	337.2	156.0	192.2	348.3	11.1
		Operating profit	-1.7	0.0	-1.7	-1.7	2.5	0.7	2.4
		Ordinary profit	0.0	0.7	0.7	0.0	3.9	4.0	3.3
	Electronic materials & components	Net sales	99.0	116.2	215.2	99.0	126.1	225.1	9.9
		Operating profit	-2.2	-0.7	-2.9	-2.2	0.7	-1.5	1.4
		Ordinary profit	-1.7	-0.5	-2.2	-1.7	1.8	0.1	2.3
	Metalworking Solutions	Net sales	57.5	65.0	122.5	57.5	66.3	123.9	1.4
		Operating profit	0.6	0.9	1.5	0.6	1.9	2.6	1.1
		Ordinary profit	1.9	1.2	3.1	1.9	2.3	4.2	1.1
Metals	Net sales	56.6	57.4	114.0	56.6	59.0	115.7	1.7	
	Operating profit	-3.0	-2.1	-5.1	-3.0	-0.6	-3.7	1.4	
	Ordinary profit	-2.8	-2.7	-5.5	-2.8	-0.8	-3.7	1.8	
Cement	Net sales	358.3	337.6	695.9	358.3	345.7	704.1	8.2	
	Operating profit	7.4	0.1	7.5	7.4	2.2	9.6	2.1	
	Ordinary profit	15.4	2.7	18.1	15.4	6.9	22.3	4.2	
Environment & Energy	Net sales	105.7	118.7	224.4	105.7	111.3	217.1	-7.3	
	Operating profit	4.1	5.0	9.1	4.1	3.0	7.1	-2.0	
	Ordinary profit	3.8	5.6	9.4	3.8	3.6	7.5	-1.9	
Others	Aluminum	Net sales	9.6	16.7	26.3	9.6	17.2	26.9	0.6
		Operating profit	-0.0	0.9	0.9	-0.0	0.9	0.9	0.0
		Ordinary profit	0.4	1.7	2.1	0.4	1.7	2.1	0.0
	Elimination, etc.	Net sales	127.3	132.2	259.5	127.3	135.2	262.6	3.1
		Operating profit	2.5	2.6	5.1	2.5	4.3	6.8	1.7
		Ordinary profit	2.2	3.1	5.3	2.2	4.9	7.1	1.8
Total	Net sales	63.9	64.5	128.4	63.9	63.7	127.7	-0.7	
	Operating profit	1.7	1.2	2.9	1.7	1.4	3.1	0.2	
	Ordinary profit	1.3	1.7	3.0	1.3	1.9	3.3	0.3	
Total	Net sales	-88.3	-119.2	-207.5	-88.3	-126.5	-214.8	-7.3	
	Operating profit	-2.2	-5.7	-7.9	-2.2	-4.2	-6.4	1.5	
	Ordinary profit	-2.7	-7.6	-10.3	-2.7	-4.8	-7.5	2.8	
Total	Net sales	725.5	724.5	1,450.0	725.5	734.5	1,460.0	10.0	
	Operating profit	6.8	1.2	8.0	6.8	8.2	15.0	7.0	
	Ordinary profit	16.4	3.6	20.0	16.4	15.6	32.0	12.0	

Regarding the Copper & copper alloy business in the Advanced Products, the Company expects to turn an operating profit due to increased sales volume for automobile-related products.

Regarding the Electronic materials & components business, the Company expects operating profit to increase due to higher demand for semiconductor-related products.

Regarding the Metalworking Solutions Business, the Company expects the operating profit to increase due to higher demand for automobile-related products.

Regarding the Metals Business, while the operating profit increased due to the hike in precious metal prices in the third quarter, the Company expects the operating profit to decrease in the fourth quarter due to slow down of operation in Onahama Smelting and Refining Co., Ltd. caused by equipment trouble at the company providing oxygen.

Regarding the Cement Business, the Company expects the operating profit to decrease in the fourth quarter mainly for US business due to the decreased sales of ready-mixed concrete caused by the shortage of cement supply in the Southern California area.

Regarding the Environment & Energy Business, the Company expects operating profit to be in line with the previous forecast.

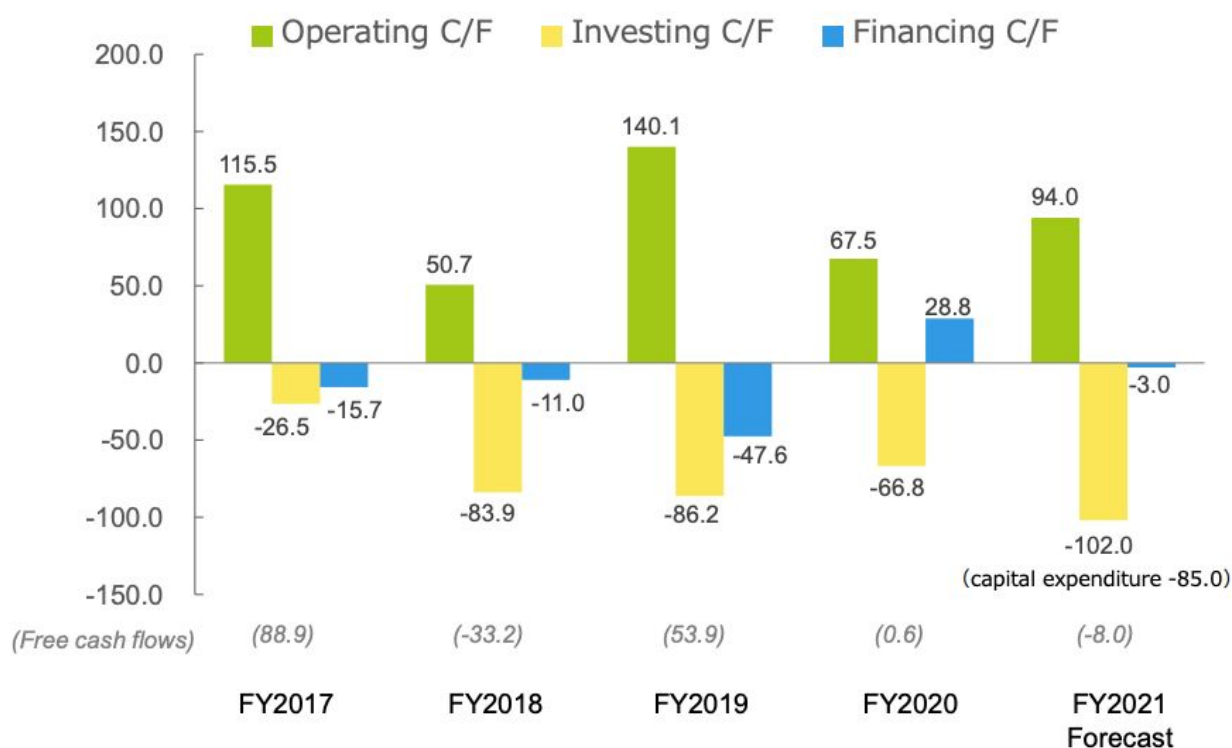
Regarding the Others business, the Company expects a slight increase in operating profits in the Aluminum Business as well as increase in demand such as automobile-related in the Affiliated Business.

On the following page 12, I would like to explain the outlook for cash flow and net D/E ratio based on this full-year forecast.

Cash Flows

Cash Flows

[Unit: billion yen]

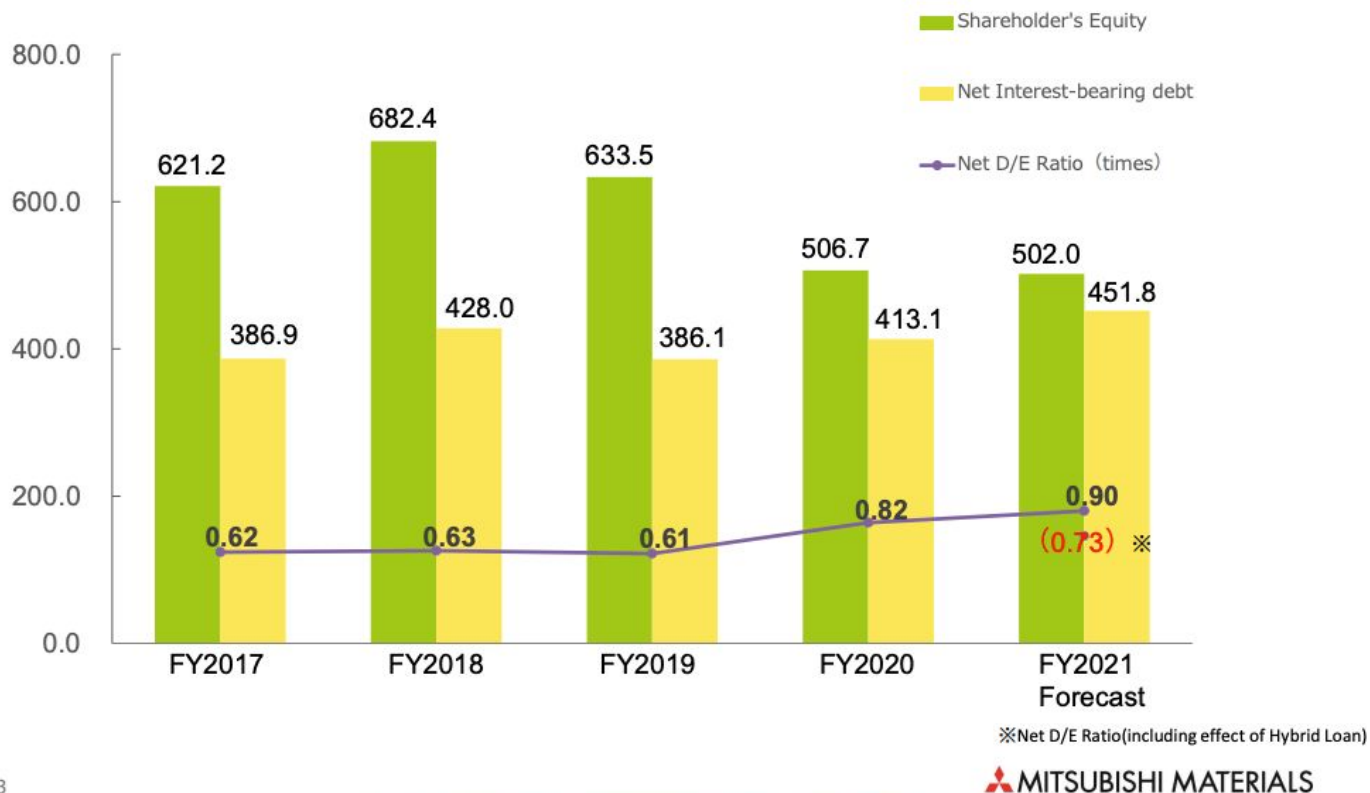


Regarding the free cash flow of FY2021, the Company expects significant improvement as shown in the bottom row to negative 8 billion yen from the negative 83 billion yen announced in August 2020. This is due to the improvement of operating cash flow such as an increase in operating profit and dividends from mines and investment cash flow such as strategic holdings reduction.

Net D/E Ratio

Net D/E Ratio

[Unit: billion yen]



13

Next page represents the net D/E ratio.

The Company expects the forecast of FY2021 to remain at 0.90, although it is expected to worsen from previous year.

In addition, the Company executed hybrid loan of 100 billion yen as shown in the “Notice Regarding Hybrid Loan (Subordinated Loan)” announced in February 2, 2021. Considering the recognition of equity content in this amount of funding, the net D/E ratio is expected to be 0.73 after the hybrid loan adjusted at the end of the current period.

The Company will continue to strengthen our financial base, proceed optimization of business portfolio and aggressively develop our growth strategies.

In addition, the Company plans to hold a web conference on ESG of Mitsubishi Materials Group on March 30, 2021. The details will be announced later, and we hope you will be able to attend.

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

Then, Q&A session will follow.

Q&A (Summary) : Cause of profit fluctuation for each segment

Q: Please explain the cause of profit fluctuation for each segment from the third to the fourth quarter.

A: The profit was expected to be weaker in the fourth quarter in the Advanced Products and the Metalworking Solutions Business in the previous forecast, but in this forecast, sales and profits are expected to be in line with the third quarter.

The Metals Business has a large impact of regular furnace repairs in Naoshima in the fourth quarter. Also, incorporating the impact of Onahama troubles, etc., these impacts on operating profit is about negative 4 billion yen.

In the Cement Business, operating profit is forecasted to decrease in the fourth quarter. This is because the demand period of the domestic cement is in the third quarter and the profit will decline towards the fourth quarter. In addition, in the United States, due to the shortage of cement supply, sales volume of ready-mixed concrete will have a sluggish growth. Therefore, the Company forecast figures to be worse than the previous forecast.

Q&A (Summary) : Cause of temporary decrease in profit in smelting

Q: In the second half of the FY2021, regular furnace repairs at Naoshima and PT Smelting, as well as trouble at Onahama occurred. Please explain the impact of each event and the outlook for Onahama's restoration.

A: Due to the influence of regular furnace repairs at PT Smelting and Naoshima, the total fluctuation is about 6 billion yen. 3 billion yen is the cost of repairs and the other 3 billion yen is the impact of drop in sales. And they will incur separately in the third and the fourth quarters.

Regarding the impact of trouble at the company providing oxygen at Onahama, although the Onahama Smelting resumed, the operating rate is at about 70% currently. About 1 billion yen is expected as the profit impact on declined consolidated sales in the fourth quarter.

In addition, the company providing oxygen is confirming the timing when the trouble will be completely resolved. Recovery to full operation will not be achieved in the fourth quarter and the impact may remain a little longer.

Q&A (Summary) : Reason for upward revision in the Metals Business

Q: Please explain the reasons of the operating profit and ordinary profit being revised upward in the Metals Business.

A: PT Smelting carried out regular furnace repairs as planned, the operations up to the third quarter are stable at each smelter including Onahama without major troubles, and the yield of recovery of free metal is also firm. In addition, the price of palladium has rising significantly, contributing to revenue.

Also, the profit impact of the trouble caused by the oxygen supply company in Onahama is expected to be negative 1 billion yen in the fourth quarter due to a decline in consolidated sales.

Q&A (Summary) : Shortage of cement supply in the United States

Q: Will the shortage of cement supply in the U.S. be more serious in the fourth quarter or will it be resolved? Also, please explain the countermeasures.

A: The cement shortage became quite noticeable and restricted the sales of ready-mixed concrete from around the second quarter. Although the Company expected that the sales volume of ready-mixed concrete to recover to some extent from the third quarter to the fourth quarter, the shortage of cement supply still continues.

It seems that one of the other cements factories have stopped their operation, and also I heard that the cement in the Southern California area, which is our foundation, is supplying to Northern California. Unless the shortage of cement across California can not resolved, it is difficult for Robertson's Ready Mix, Ltd. to secure enough cement which is a material for ready-mixed concrete. Therefore, we expect the problem may not resolved in the fourth quarter.

Some say that cement imports are gradually recovering, but this information is not confirmed. However, we believe that this cement shortage will probably not continue as it is, and it will probably be gradually resolved in the next fiscal year. Please keep in mind that this matter is currently being confirmed.

Q&A (Summary) : Recovery status of Copper & copper alloy and Metalworking Solutions Business

Q: I have the impression that many companies are recovering in the second half of the FY2021 due to the recovery of the automobile market conditions, but the Copper & copper alloy business and Metalworking Solutions Business still seem to have a weak recovery in the second half. Please explain the reasons for this.

A: Regarding the trend that bottomed out in the second quarter and recovering from the third to the fourth quarter, we believe it probably is the same for both other companies and us. The Company is expecting the Copper & copper alloy business to be profitable on a quarterly basis and it seems like it is recovering relatively steadily. Regarding the Metalworking Solutions Business, it is difficult to turn into profitability during the FY2021.

However, the Company does not have the impression that we are the only ones who are behind in the recovery of our customers, compared to our competitors.

Comparing the Copper & copper alloy business and the Metalworking Solutions Business, the Copper & copper alloy business seems to be recovering first. This is because they are materials and components that are used directly. On the other hand, it seems that cutting tools have a buffer including inventories in the market and is experiencing sluggish recovery. Considering that even during the Lehman shock, the recovery of cutting tools was delayed by about 3 to 6 months, such a pattern still seems to exist.

Q&A (Summary) : Trouble at Onahama caused by the company providing oxygen

Q: Please explain the trouble situation at the company providing oxygen in Onahama and future outlook.

A: In mid-January, Tohoku Electric Power experienced a momentary voltage drop. When the momentary voltage drops occurred, usually the plant executes an emergency stop operation, such as stopping the equipment or purging the one that has heat. However, it seemed like some of the equipment could not execute the operation and it broke down.

One of the three oxygen supply facilities has not been revived yet and the amount of oxygen supply is restricted. Then, the operation capacity has dropped by about 30%.

Some of the main parts of the equipment is broken and the company providing oxygen is checking on how long it will take time to procure parts and when it will be possible to supply the normal amount of oxygen after replacing, restarting and testing the parts.

Q&A (Summary) : The impact of the trouble at Onahama caused by company providing oxygen

Q: How much impact does the Onahama trouble have on profit and loss of the FY2021. Also, will the Company charge the cost to the company providing oxygen?

A: The Company is expecting loss about 1 billion yen on sales decrease in this fiscal year. In addition, the details of the accident and the cause are still unknown. Therefore, in the future, it is necessary to discuss with the company providing oxygen, including what kind of measures can be taken.

Q&A (Summary) : Supply and demand of cement in the United States

Q: How has the demand changed in California from the past, although the States is still in lockdown.

A: Due to the impact of COVID-19, the demand of cement is sluggish in the entire California area. Originally, the Company was expecting the demand to grow steadily for construction of houses, offices, etc. in the Southern California area. However, the current growth in cement demand has calmed down slightly, and also the Cement Association of US has announced the growth in cement demand will be delayed.

The demand has dropped slightly, compared to the original forecast for this fiscal year. The reality is that we have restrictions due to lack of cement, such as when increasing market share.

Q&A (Summary) : The impact of the case at Robertson's Ready Mix, Ltd. and other companies.

Q: Regarding the decline of the volume in the second quarter to third quarter, are improper transactions at Robertson's Ready Mix, Ltd. affecting their management?

A: The improper transactions by some executives has not affected their management. The business is running as usual by original management members and the dispatched members from us.

On the other hand, they are deciding on the replacements of the dismissed executives and taking strengthening measures to improve governance such as having the Company and other shareholders check. Also, they established a management team and have it conduct an advance review of material matters.

They will implement measures to strengthen governance by the end of March 2021, such as appointing a compliance officer, setting up a compliance program and establishing an external reporting window. Consideration of these new measures are progressing considerably, and it seems possible to create a certain form at the end of March 2021 and operate under the new measures in the next fiscal year.

Q&A (Summary) : Hybrid loan

Q: The borrowing with hybrid loans has not appeared in the balance sheet at the end of December 2020. What will happen to the cash flow at the end of the fiscal year?

A: The hybrid loan is expected to be certified as equity for 50% of their funding. After adjusting this, our net D/E ratio will be 0.73 from 0.9.

Q&A (Summary) : Net D/E ratio, the basis for future strategies

Q: Will the adjusted net D/E ratio of 0.73 be standard in your future strategies?

A: The Company is currently reviewing the financial plan of Medium-term Management Strategy in line with the budget formulation for the next fiscal year. The impact of COVID-19 caused operating cash flow to decline and increased debt. The Company has been discussing how to reflect this and will continue to discuss which net D/E ratio should be used as the standard.

Q&A (Summary) : Hybrid loan replacement restrictions

Q: Please explain how the replacement clause of the hybrid loan works.

A: Of course, the replacement clause includes a restriction clause. If the equity capital is not piled up, it needs to be supplemented with the equivalent.

The Company assumes that profit will accumulate over the next five years, and that total shareholders' equity will accumulate, then the Company will have a discussion with lenders.

Q&A (Summary) : Changes in operating profit of the Aluminum Business

Q: The operating profit of the Aluminum Business will decrease from 1.3 billion yen in the third quarter to the breakeven level in the fourth quarter. Please explain the reasons for this.

A: Demand for aluminum beverage cans will be low from the third to the fourth quarter, which will also affect Universal Can Corporation and their operating profit will get decreased. In addition, some costs of Mitsubishi Aluminum Co., Ltd. will shift in the fourth quarter, which also leads to a decrease in operating profits.

Q&A (Summary) : Effect of price hike in precious metals

Q: How much was the effect of the cumulative increase in operating profits from the first to the third quarter due to the price hike of precious metal such as palladium? Also, how much impact in operating profits is expected in the annual forecast?

A: Roughly, 5 billion yen of operating profit for the first nine months of the FY2021 compared with the same period of the previous fiscal year. Regarding the annual forecast, any price hike is not incorporated in the fourth quarter. It depends on how much the operation increases the production of palladium. Then, for now, the Company is not expecting the profit to increase.

It means that it is not incorporated right now also because the concentrates grade is declining and the amount of precious metals in slime is decreasing.

Greetings from Mr. Shibata

Thank you for participating in the financial results conference call today. Overall, although the economic situation seems to be recovering, shortages of semiconductors are still a concern in the automobile industry and the impact of COVID-19 still remain. The Company would like to continue to proceed with business operations carefully.

In addition, the Company will announce the budget for the next fiscal year and the revision of the financial plan for the Medium-term Management Strategy, etc. at an appropriate time.

As I have mentioned at the beginning, the Company will hold a conference for ESG on March 30, 2021. We are looking forward to having you there. Thank you.