

Mitsubishi Materials Corporation expects operating profit to increase due to higher sales in the Advanced Products and the Metalworking Solutions Business, but expects ordinary income to decrease due to lower dividends etc.

Financial results briefing for the fiscal year ended March 31, 2021

Nobuhiro Takayanagi (hereinafter referred to as “Takayanagi”): Hello, I am Takayanagi, Managing Executive Officer. I was appointed as CFO in April. Today, I would like to lead the briefing. Thank you very much for taking time to attend our financial results briefing.

Now, I will begin with an overview of the financial results and the outlook for the fiscal year ending March 31, 2022 (hereinafter referred to as “FY2022”) in accordance with the supplementary materials. I will then explain the partial revision of the Medium-term Management Strategy (hereinafter referred to as the “FY2023 Strategy”) released today.

As the Company will have an opportunity to present the revision of the FY2023 Strategy on May the 20th, I will be focusing on the briefing of the financial results, today.

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

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

[Unit: billion yen]

	FY2020 Result(a)	FY2021 Result(b)	Difference (b)-(a)	Remarks*
Net sales	1,516.1	1,485.1	-30.9	AP -18.2, MS -30.8, Metals +63.2, Cement -31.6, etc.
Operating profit	37.9	26.5	-11.3	AP -0.3, MS -8.9, Metals +0.2, Cement -5.5, etc.
Net interest and dividend income	14.8	14.0	-0.8	Dividend income -0.8, etc.
Share of profit (loss) of entities accounted for using equity method	3.5	4.6	1.1	
Non-operating income (loss)	-6.7	-0.7	5.9	Employment adjustment subsidy+1.8 Foreign exchange profit+1.8 Gain on valuation of derivatives+1.7, etc.
Ordinary profit	49.6	44.5	-5.0	
Extraordinary income (loss)	-90.1	-1.1	88.9	FY21: Loss on business restructuring -22.3, Gain on sales of investment securities +28.0, etc. FY20: Impairment loss -55.0 Provision for loss on business restructuring -30.2
Income taxes	-28.8	-12.5	16.2	
Profit (loss) attributable to non- controlling interests	-3.5	-6.3	-2.8	
Profit (loss) attributable to owners of parent	-72.8	24.4	97.2	
Exchange rate (USD)	109	106	-3	JPY / \$
Exchange rate (EUR)	121	124	3	JPY / €
Copper price (LME)	266	312	46	¢ / lb

*AP: Advanced Products
MS: Metalworking Solutions

Page 5 of your handout shows the year-on-year comparison of results. Net sales moved in a fairly positive direction due to the rise in metal prices and other factors, but as you know, we were negatively impacted by the decrease in automobile-related demand due to COVID-19. The decline in domestic demand for cement has also had an impact.

In addition, sales in the U.S. business decreased due to factors such as decline in ready-mixed concrete sales volume. As a result, including other positive and negative factors combined, the Company's net sales decreased by 30.9 billion yen year-on-year.

If you look at the exchange rate and copper price shown at the bottom of the slide, you can see that the exchange rate has appreciated by three yen and the copper price has increased by 46 cents/lb. On the other hand, the price of precious metals has also been hiking, but as I just mentioned, the Company's net sales decreased by 30.9 billion yen to 1,485.1 billion yen, compared to the previous fiscal year.

Regarding the profit, I will explain later with a waterfall chart. The important point I would like to share with you here is the figures of the year-on-year comparison for operating profit and ordinary profit. You can see that the decrease of ordinary income is smaller compared to the decrease of operating income.

Factors contributing to the increase or decrease in other non-operating profit/loss include employment adjustment subsidies, foreign exchange gains on loans to overseas businesses, and valuation gains on derivatives at Luvata Oy due to higher copper prices.

As a result, as I mentioned earlier, the balance between year-on-year operating profit and ordinary profit is slightly irregular because non-operating profit and loss contributed as a positive factor.

Comparison with the Previous Year Result (Statistics)

Comparison with the Previous Year Result (Statistics)

■ Statistics		FY2020 Result (a)	FY2021 Result (b)	Difference (b-a)
Sales volumes of copper & copper alloy products	(thousand tons)	130	113	-17
Sales volumes of copper cathodes (in-house product)	(thousand tons)	306	309	3
Sales volumes of copper cathodes (PTS)	(thousand tons)	271	260	-11
Dividend from copper mine	(billion yen)	12.6	14.1	1.4
Total demand for cement in Japan	(million tons)	40.97	38.67	-2.30
Cement sales volumes for MMC-Domestic	(million tons)	6.69	6.22	-0.47
Cement sales volumes for MMC-Exports	(million tons)	2.22	2.34	0.12
Cement sales volumes in the U.S.	(million tons)	1.48	1.54	0.06
Ready-mixed concrete sales volumes in the U.S.	(million cy)	8.24	7.86	-0.38
Sales volumes of aluminum sheet products	(thousand tons)	100	94	-6
Sales volumes of aluminum extrusion products	(thousand tons)	14	12	-2

Page 6 shows the statistics. Regarding copper & copper alloy products and cement, which I mentioned earlier, the sales volume of copper & copper alloy product decreased compared to the previous year.

As for the cement, domestic sales volume decreased due to the impact of COVID-19. In addition, in the U.S. business, as I mentioned earlier, sales volume fell because we could not produce ready-mixed concrete

sufficiently due to tight demand for cement. As the Company has been explaining, that is how it has been affected, and as stated, the sales volume decreased from 8.24 million cubic yards to 7.86 million cubic yards.

Returning to the top row, the sales volume of copper cathodes has various irregularities. The figures for the past two years have been similar in spite of the periodical furnace repairs carried out at PT. Smelting and Naoshima smelter in FY2021. This was mainly due to the fact that in the previous fiscal year, the Sakai Plant, which produces copper billets, etc., at its copper billets and cakes plant upstream of copper processing, carried out regular repairs, and thus sales volume to the Sakai Plant were held back as a result of adjustments made to shipments of copper cathodes.

Accordingly, you can see that ups and downs caused by furnace repairs are smoothing out.

Mine dividend increased from 12.6 billion yen to 14.1 billion yen due to the rise in copper prices.

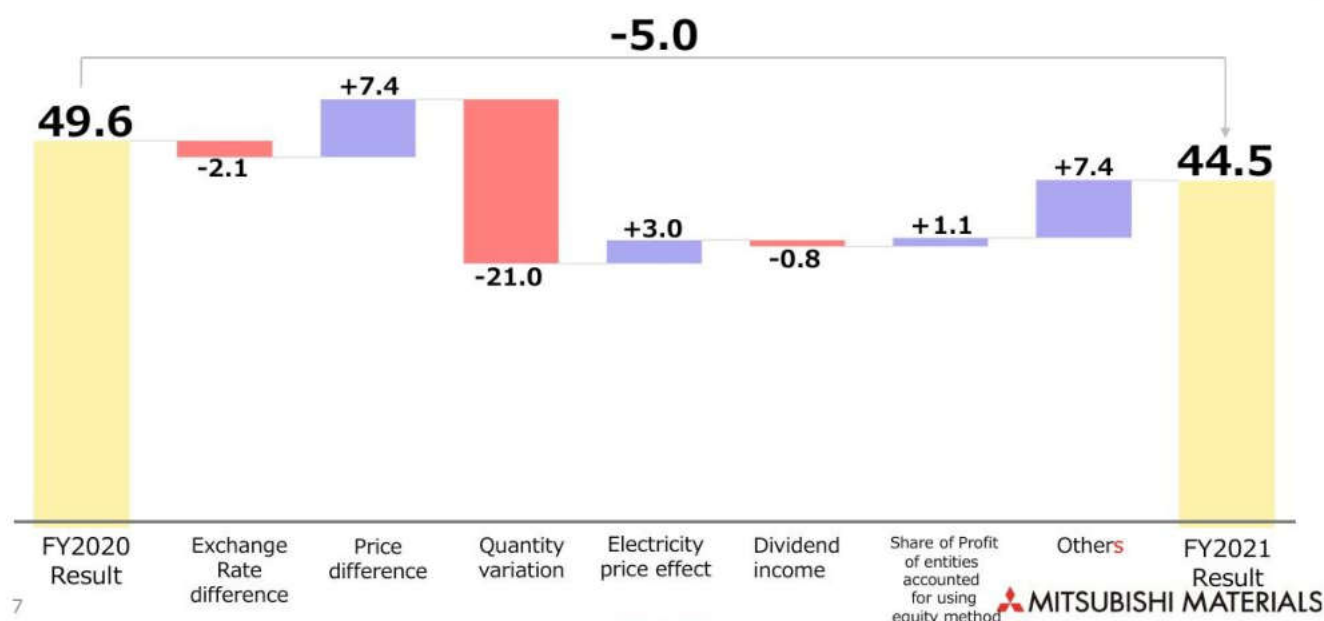
Comparison with the Previous Year Result (Factor Analysis of Ordinary Profit)

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

[Unit: billion yen]

FY2021 Result : -5.0 billion yen (year-on-year)

- 【Price difference】 Increase in profits due to a hike in metal prices such as palladium.
- 【Quantity Variation】 Decrease in sales of Advanced Products (Copper & copper alloy) and Metalworking Solutions due to decline of automobile market conditions.
- 【Others】 Increase in profits due to the implementation of profit improvement measures in each business, even though the decrease due to worse conditions for the purchase of copper ore in metals business, and regular furnace repairs in Naoshima Smelter & Refinery and Indonesia PT. Smelting.



On page 7, I would like to explain the factors contributing to the increase and decrease in ordinary profit in a waterfall chart. As shown in the bar graph, ordinary profit was 44.5 billion yen, a decrease of 5.0 billion yen from 49.6 billion yen in the previous fiscal year. One of the factors contributing to the Price difference was the hike in precious metal and copper prices as I had mentioned earlier.

The Quantity variation was negative 21.0 billion yen. Also, regarding the Others sector, as I had mentioned earlier, there were irregular non-operating income such as employment adjustment subsidies, etc. In addition to these, the Others includes the impact of worsening conditions for the purchase of copper ore and furnace repair cost, etc.

However, the Company has taken profit improvement measures of more than 10 billion yen by reducing labor costs, travel expenses and entertainment expenses, etc. As a result, the final figures ended up at plus 7.4 billion yen in Others.

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

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

[Unit: billion yen]

		FY2020 Results (a)	FY2021 Results (b)	Differenc (b-a)	Exchange rate differenc	Price difference	Quantity variation	Electricity price effect	Dividend income	Share of profit (loss)	Other
Advanced Products	Net sales	375.3	357.1	-18.2	-2.0	14.6	-30.8	-	-	-	-
	Operating	3.2	2.8	-0.3	-	-	-	-	-	-	1.2
	Ordinary	4.4	6.1	1.7	-0.1	0.5	-2.6	0.7	-0.4	-0.0	3.6
	Copper & copper alloy	252.9	231.6	-21.3	-1.5	14.6	-34.4	-	-	-	-
	Operating	2.4	-0.3	-2.7	-	-	-	-	-	-	1.1
	Ordinary	1.0	0.8	-0.1	-0.0	0.1	-4.1	0.2	-0.0	0.1	3.6
	Electronic materials & components	123.2	126.6	3.3	-0.5	0.0	3.8	-	-	-	-
	Operating	0.8	3.5	2.7	-	-	-	-	-	-	0.0
	Ordinary	3.3	5.6	2.2	-0.0	0.4	1.8	0.5	-0.3	-0.2	0.0
Metalworking Solutions	Net sales	150.2	119.3	-30.8	-0.9	-1.0	-22.0	-	-	-	-6.9
	Operating	7.7	-1.1	-8.9	-	-	-	-	-	-	5.1
	Ordinary	6.2	-0.7	-6.9	-0.6	-0.1	-13.5	0.2	-0.0	-	7.1
Metals	Net sales	665.0	728.2	63.2	-10.5	111.7	-38.0	-	-	-	-
	Operating	18.6	18.8	0.2	-	-	-	-	-	-	-2.2
	Ordinary	27.4	32.9	5.4	-1.0	3.7	-1.1	0.8	1.4	0.4	1.2
Cement	Net sales	247.5	215.8	-31.6	-2.7	-0.9	-28.0	-	-	-	-
	Operating	12.2	6.6	-5.5	-	-	-	-	-	-	-2.9
	Ordinary	15.2	6.1	-9.0	-0.4	-0.5	-2.1	0.4	-1.1	0.8	-6.1
Environment & Energy	Net sales	27.0	26.2	-0.8	0.0	0.2	-1.0	-	-	-	0.0
	Operating	1.6	1.7	0.1	-	-	-	-	-	-	-0.3
	Ordinary	3.1	3.1	0.0	0.0	0.2	0.2	0.0	0.0	-0.0	-0.4
Others	Net sales	285.2	266.7	-18.5	-0.3	0.5	-18.7	-	-	-	-
	Operating	2.0	8.8	6.8	-	-	-	-	-	-	4.1
	Ordinary	1.2	9.3	8.0	-0.0	3.5	-1.6	0.8	-0.0	-0.0	5.3
Aluminum	Net sales	136.7	128.2	-8.5	-0.2	0.5	-8.8	-	-	-	-
	Operating	-3.0	4.3	7.4	0.0	3.5	-0.8	0.8	-	-	3.9
	Ordinary	-3.9	4.5	8.4	-	-	-	-	-	-	4.9
Elimination, etc.	Net sales	-234.4	-228.4	5.9	0.0	-21.0	26.9	-	-	-	-
	Operating	-7.6	-11.3	-3.6	0.0	0.0	-0.1	0.0	-	-	-3.5
	Ordinary	-8.1	-12.4	-4.3	-	-	-	-	-0.5	0.0	-3.7
Total	Net sales	1,516.1	1,485.1	-30.9	-16.4	104.1	-111.8	-	-	-	-6.8
	Operating	37.9	26.5	-11.3	-	-	-	-	-	-	1.4
	Ordinary	49.6	44.5	-5.0	-2.1	7.4	-21.0	3.0	-0.8	1.1	7.4

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



Now, let me explain the breakdown of factors by business segment on page 8.

Regarding the Copper & copper alloy in the Advanced Products Business, as you all know, sales of automobile-related products decreased. Operating profit also decreased.

On the other hand, in the Others, the ordinary profit increased since Luvata Oy had a gain on valuation of derivatives of nearly 2 billion yen due to the rise in copper prices, as mentioned earlier.

As for the Electronic materials & components business, sales of semiconductor-related products were steady. So as you can see, this has led to an increase in profit.

In the Metalworking Solutions Business, you may find a little complication in a part. The transfer of the Sintered parts business in the middle of the fiscal year resulted in a decrease in net sales, but the subsequent decrease in loss had a positive impact on operating income.

On the other hand, the demand for major automobile manufacturers decreased due to production adjustment, resulting in a decline in profits.

The main reason for the decrease in sales was the impact of COVID-19, but as mentioned, additional irregular factors such as the transfer of the Sintered parts business were also included.

The Metals Business was affected by the furnace repair I mentioned earlier, but in addition to that, there was a hike in metal prices, which offset the impact of the former. Ordinary profit increased significantly due to the increase in dividend from the Los Pelambres copper mine.

In the Cement Business, our domestic and the U.S. businesses were as mentioned earlier, and the results are shown on the slides.

The Environment & Energy Business did not change much from the previous fiscal year. However, as an update, New Energy Fujimino Co., Ltd. has started a new biogas business.

The Aluminum Business, as you all know, consists of two businesses: the Aluminum beverage cans business and the Aluminum rolling/extrusion business. Of these two, the latter, Aluminum rolling and processing business in particular, depreciation costs decreased due to the impairment of fixed assets in the previous fiscal year.

This accounts for a very large part of the impact, but in addition to this, the Company has also been working on structural reforms in the Aluminum Business. For example, as profit improvement measures, the Company has been making considerable efforts to increase yield ratio and reduce production costs. As a result, the profit increased significantly compared to the previous fiscal year.

Comparison with the Previous Forecast Announced on February 9, 2021 (Consolidated Statements of Operations)

Comparison with the Previous Forecast Announced on February 9, 2021 (Consolidated Statements of Operations)

[Unit: billion yen]

	FY2021 Previous forecast (a)	FY2021 Result (b)	Difference (b-a)
Net sales	1,460.0	1,485.1	25.1
Operating profit	15.0	26.5	11.5
Net interest and dividend income	14.0	14.0	0.0
Share of profit (loss) of entities accounted for using equity method	4.5	4.6	0.1
Non-operating income (loss)	-1.5	-0.7	0.8
Ordinary profit	32.0	44.5	12.5
Extraordinary income (loss)	-2.0	-1.1	0.9
Income taxes	-14.6	-12.5	2.1
Profit (loss) attributable to non-controlling interests	-5.4	-6.3	-0.9
Profit (loss) attributable to owners of parent	10.0	24.4	14.4
Exchange rate (USD)	106	106	0
Exchange rate (EUR)	123	124	1
Copper price (LME)	291	312	21
Dividend per share (yen)	40	50	10

Page 9 shows a difference from the forecast announced on February 9, 2021. Since I have already explained most of the differences from the previous term, I won't go into too much of the details. The sales of what the Company calls "product-based" business, such as the advanced products and the metalworking solutions products, etc., increased more than we had expected on February 9, 2021

In addition, in the Metals Business, metal prices are hiking and so-called profit from recovery of free metal is increasing. This has boosted both operating profit and ordinary profit.

Now, regarding dividend. As I have mentioned in the revision of the Medium-Term Management Plan today, with an emphasis on stability and continuity, and taking into account the current overall market decline, we have changed the minimum annual dividends per share to 50 yen during the period of FY2023 Strategy based on the level of operating cash flow that the Company able to generate stably.

In addition, the Company will accelerate the sales of assets and conduct flexible share buybacks, additional dividends, etc. aiming to return profits to shareholders at the same level as the total amount of dividends which was initially planned during the period of FY2023 Strategy.

In accordance with this policy, the year-end dividend for FY2021 was changed from the latest dividend forecast of 40 yen to 50 yen.

FY2022 Performance Forecast (Statistics / Sensitivity)

FY2022 Performance Forecast (Statistics / Sensitivity)

■ Statistics

		FY2021 Result Full Year (a)	FY2022 Forecast		Full Year (b)	Difference Full year (b-a)
			1st Half	2nd Half		
Sales volumes of copper & copper alloy products	(thousand tons)	113	68	67	135	22
Sales volumes of copper cathodes (in-house product)	(thousand tons)	309	145	163	307	-2
Sales volumes of copper cathodes (PTS)	(thousand tons)	260	143	139	281	22
Dividend from copper mine	(billion yen)	14.1	1.2	7.0	8.3	-5.8
Total demand for cement in Japan	(million tons)	38.67	—	—	39.00	0.33
Cement sales volumes for MMC-Domestic	(million tons)	6.22	3.18	3.33	6.51	0.28
Cement sales volumes for MMC-Exports	(million tons)	2.34	0.97	1.20	2.17	-0.17
Cement sales volumes in the U.S.	(million tons)	1.54	0.82	0.73	1.55	0.01
Ready-mixed concrete sales volumes in the U.S.	(million cy)	7.86	4.33	3.93	8.26	0.40
Sales volumes of aluminum sheet products	(thousand tons)	94	50	45	95	1
Sales volumes of aluminum extrusion products	(thousand tons)	12	7	7	13	1

■ Sensitivity

	FY2022 Forecast	
Exchange rates Operating profit - 1 yen/\$ (yen depreciation)	0.8	billion yen
Exchange rates Operating profit - 1 yen/€ (yen depreciation)	0.2	billion yen
Copper price (LME) Operating profit ±10¢/lb	0.5	billion yen
Non - Operating profit ±10¢/lb	1.2	billion yen

From page 11 onwards, I would like to explain the performance forecast for FY2022. First, let me start with statistics. As the market is recovering considerably, the sales volume of copper & copper alloy products increased from 113,000 tons to 135,000 tons as stated.

I will explain more about the copper cathodes later.

The total domestic demand for cement was below 40 million tons in the previous fiscal year, but the Company expects 39 million tons, almost the same level as the previous fiscal year. Domestic sales are expected to increase slightly and exports are expected to decrease accordingly.

As for the U.S. business, the Company expects the supply and demand of cement in Southern California to ease significantly. In that case, the Company will be able to produce ready-mixed concrete. And production is expected to grow from 7.86 million cubic yards in the previous fiscal year to 8.26 million cubic yards.

The sales volume copper cathodes on a non-consolidated basis is about the same as last year. As you know, the Company has two smelters in Japan, Naoshima and Onahama. As explained, regarding the production volume of the Onahama Smelting and Refining Co.,Ltd., it is still affected by the undergoing repairs due to equipment trouble at the oxygen supplier.

To elaborate a little more, the Company assumes operation rate at about 70% from January to April this year and about 80% from May to September. Since the oxygen supplier's equipment is still out of order, we are purchasing liquid oxygen to operate in place of it. It has taken some time to resolve this issue. We are having a bit of hard time since it is taking time for the necessary parts to arrive.

As for PT. Smelting, the sales volume is expected to increase as the furnace repairs completed.

Now, regarding the mine dividend. The copper price is assumed to be 345 cents/lb, but Los Pelambres mine is currently undergoing expansion work that will cost about 1.7 billion US dollars and the financial burden related to this expansion will start to appear this year.

Specifically, mine dividend is expected to decrease slightly from the previous fiscal year, partly due to the fact that they will use a little cash for the repayment of 1.7 billion US dollars.

FY2022 Performance Forecast (Consolidated Statements of Operations)

FY2022 Performance Forecast

(Consolidated Statements of Operations)

[Unit: billion yen]

	FY2021 Result Full Year (a)	FY2022 Forecast (This time)			Difference Full year (b-a)
		1st Half	2nd Half	Full Year (b)	
Net sales	1,485.1	810.0	810.0	1,620.0	134.9
Operating profit	26.5	13.0	22.0	35.0	8.5
Net interest and dividend income	14.0	0.0	5.0	5.0	-9.0
Share of profit (loss) of entities accounted for using equity method	4.6	2.0	4.5	6.5	1.9
Other / Non-operating profit / loss	-0.7	-5.0	-4.5	-9.5	-8.8
Ordinary profit	44.5	10.0	27.0	37.0	-7.5
Extraordinary income / loss	-1.1	1.0	-1.5	-0.5	0.6
Income taxes	-12.5	-5.0	-7.0	-12.0	0.5
Profit(loss) attributable to non- controlling interests	-6.3	-1.0	-3.5	-4.5	1.8
Profit(loss) attributable to owners of parent	24.4	5.0	15.0	20.0	-4.4
Exchange rate (USD)	106	110	110	110	4 JPY / \$
Exchange rate (EUR)	124	130	130	130	6 JPY / €
Copper price (LME)	312	345	345	345	33 ¢ / lb
Dividend per share (JPY)	50	25	25	50	—

We are forecasting net sales of 1,620 billion yen, operating profit of 35 billion yen, ordinary profit of 37 billion yen, and profit attributable to owners of parent of 20 billion yen. Based on this, the dividend per share is set at 50 yen, the same as in the FY2021.

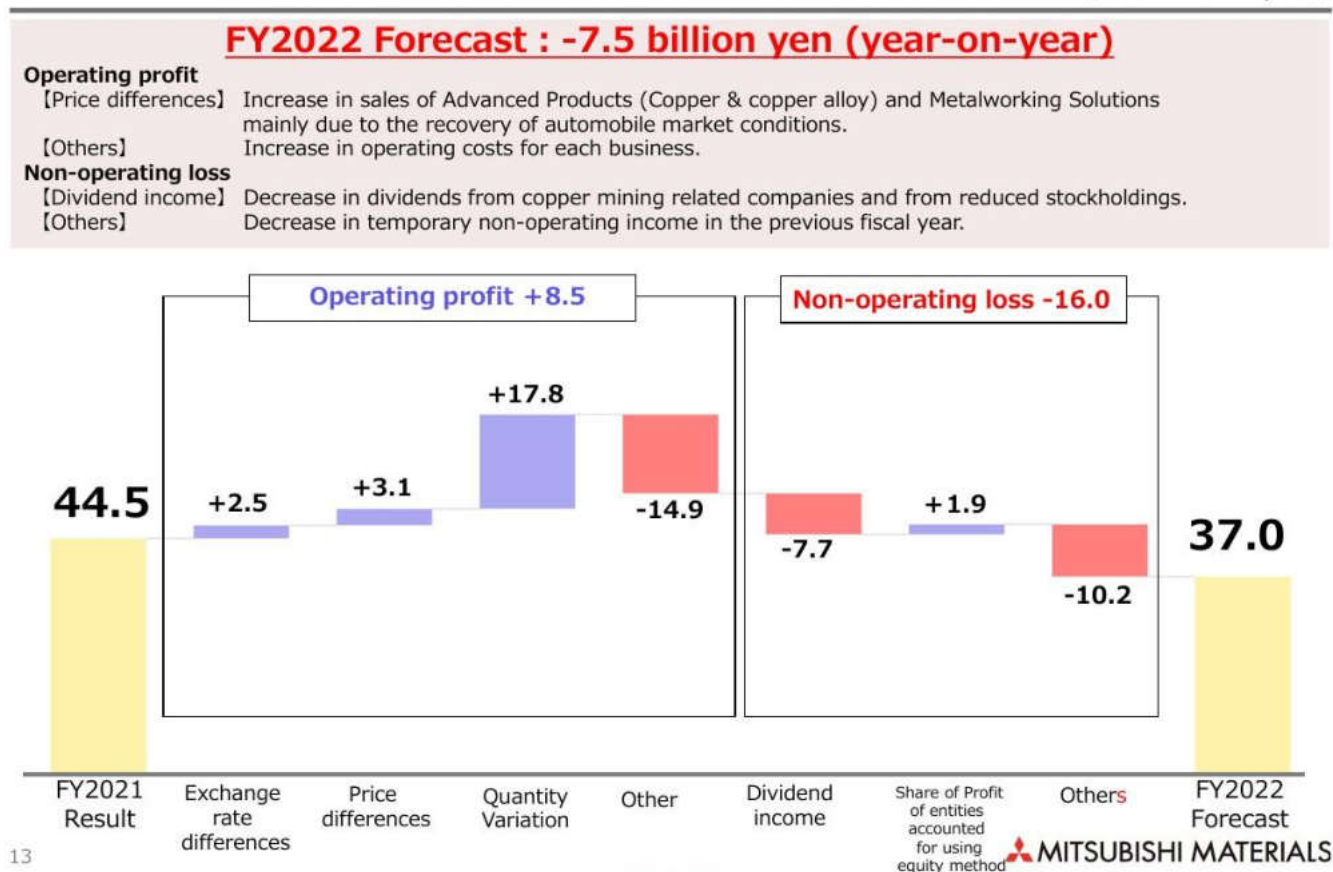
On this page, what we have to tell you is about non-operating profit. The non-operating profit and loss which was negative 0.7 billion yen for FY2021, and the full-year forecast for FY2022 is negative 9.5 billion yen. That will be a decrease of 8.8 billion yen from FY2021.

FY2022 will not have unusual factors FY2021 had, such as the employment adjustment subsidy, the valuation gain of Luvata's derivatives, and others what I mentioned before. Therefore, forecast of non-operating profit for FY2022 is negative.

Comparison of the FY2021 Result with FY2022 Forecast (Factor Analysis of Ordinary Profit)

Comparison of the FY2021 Result with FY2022 Forecast (Factor Analysis of Ordinary profit)

[Unit: billion yen]



Please take a look at page 13. What I have mentioned are plotted as a waterfall chart here.

Comparison of the FY2021 Result with FY2022 Forecast (Factor Analysis by Segment)

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

[Unit: billion yen]

		FY2021	FY2022 Forecast				Operating profit (loss)					Non-operating profit (loss)		
		Results	1st half	2nd half	Full year	Difference	Exchange rate difference	Price difference	Quantity variation	Revenue recognition*	Other	Dividend income	Share of profit (loss) of entities accounted for using equity method	Other
		(a)			(b)	(b-a)								
Advanced Products	Net sales	357.1	210.4	211.5	421.9	64.8	4.0	18.7	66.4	-24.3	0.0	—	—	—
	Operating profit	2.8	3.2	4.4	7.6	4.8	0.0	-1.3	8.8	—	-2.7	—	—	—
	Ordinary profit	6.1	2.9	4.2	7.1	1.0	—	—	—	—	—	-0.4	0.2	-3.6
Copper & copper alloy	Net sales	231.6	155.0	152.9	307.9	76.3	3.5	20.0	52.8	0.0	0.0	—	—	—
	Operating profit	-0.3	1.3	1.4	2.8	3.1	0.0	0.0	5.1	—	-2.0	—	—	—
	Ordinary profit	0.8	0.7	0.9	1.6	0.8	—	—	—	—	—	-0.0	0.4	-2.7
Electronic materials & components	Net sales	126.6	56.0	59.2	115.2	-11.4	0.5	-1.2	13.6	-24.3	0.0	—	—	—
	Operating profit	3.5	1.8	2.9	4.8	1.3	0.0	-1.3	3.3	—	-0.7	—	—	—
	Ordinary profit	5.6	2.2	3.2	5.4	-0.2	—	—	—	—	—	-0.3	-0.1	-1.1
Metalworking Solutions	Net sales	119.3	65.1	68.0	133.1	13.8	2.2	0.7	21.8	0.0	-10.9	—	—	—
	Operating profit	-1.1	2.9	5.9	8.8	9.9	0.8	1.3	10.3	—	-2.5	—	—	—
	Ordinary profit	-0.7	2.6	5.6	8.3	9.0	—	—	—	—	—	-0.0	—	-0.9
Metals	Net sales	728.2	413.2	412.7	825.9	97.7	20.3	61.7	15.7	0.0	0.0	—	—	—
	Operating profit	18.8	5.9	7.2	13.2	-5.6	1.2	2.2	-2.9	—	-6.1	—	—	—
	Ordinary profit	32.9	6.6	16.1	22.8	-10.1	—	—	—	—	—	-5.8	3.9	-2.6
Cement	Net sales	215.8	104.9	103.5	208.4	-7.4	3.4	1.7	7.8	-20.3	0.0	—	—	—
	Operating profit	6.6	4.5	5.4	9.9	3.3	0.3	0.4	2.3	—	0.3	—	—	—
	Ordinary profit	6.1	4.5	4.8	9.4	3.3	—	—	—	—	—	-0.0	-1.8	1.8
Environment & Energy	Net sales	26.2	8.1	8.5	16.7	-9.5	0.0	0.0	0.5	0.0	-10.0	—	—	—
	Operating profit	1.7	-0.3	0.4	0.0	-1.7	0.0	0.0	-0.1	—	-1.6	—	—	—
	Ordinary profit	3.1	0.0	0.9	0.9	-2.2	—	—	—	—	—	-0.0	-0.4	-0.1
Others	Net sales	266.7	119.6	122.9	242.6	-24.1	0.3	1.3	-6.0	-14.6	-5.1	—	—	—
	Operating profit	8.8	2.9	3.4	6.4	-2.4	—	—	—	—	-1.7	—	—	—
	Ordinary profit	9.3	2.3	2.4	4.8	-4.5	-0.0	0.5	-1.2	—	—	-0.0	0.0	-2.1
Aluminum	Net sales	128.2	60.4	56.4	116.9	-11.3	0.1	1.3	3.1	-10.8	-5.0	—	—	—
	Operating profit	4.3	2.9	1.1	4.1	-0.2	—	—	—	—	-1.2	—	—	—
	Ordinary profit	4.5	2.3	0.2	2.6	-1.9	-0.0	0.5	0.5	—	—	-0.0	0.0	-1.7
Elimination, etc.	Net sales	-228.4	-111.5	-117.4	-229.0	-0.6	0.0	-13.8	-13.3	26.5	0.0	—	—	—
	Operating profit	-11.3	-6.2	-4.9	-11.2	0.1	0.0	0.0	0.7	—	-0.6	—	—	—
	Ordinary profit	-12.4	-9.1	-7.3	-16.5	-4.1	—	—	—	—	—	-1.4	0.0	-2.8
Total	Net sales	1,485.1	810.0	810.0	1,620.0	134.9	30.4	70.3	93.1	-32.7	-26.2	—	—	—
	Operating profit	26.5	13.0	22.0	35.0	8.5	2.5	3.1	17.8	—	-14.9	—	—	—
	Ordinary profit	44.5	10.0	27.0	37.0	-7.5	—	—	—	—	—	-7.7	1.9	-10.2

14 **"Revenue recognition" here shows an approximate effect on the Mitsubishi Materials Group due to the change of revenue recognition accounting policy applied from FY2022.

Page 14 shows the breakdown of factors by business segment. Operating profit of the Copper & copper alloy business is expected to turn positive compared to FY2021.

However, in terms of ordinary profit, operating profit and ordinary profit reverse due to the absence of the gain of almost 2 billion yen from the valuation of Luvata's derivatives in the previous fiscal year.

As for the Electronic materials & components, semiconductor-related products sales remain steady. However, regarding the ordinary profit section, due to a decrease in dividend income and a loss on retirement of fixed assets, it resulted in a decrease of 0.2 billion yen year-on-year.

In the Metalworking Solutions Business, both operating profit and ordinary profit are expected to increase year-on-year. This is simply because the sales are expected to increase.

Now, let's proceed to the Metals Business. Although it is difficult to forecast in some areas, the Company anticipates that the ore grade of palladium will decline, and we expect the decline in profits in term of Quantity variation. In addition, operating profit is expected to decrease due to the deterioration of condition for the purchase of copper ore.

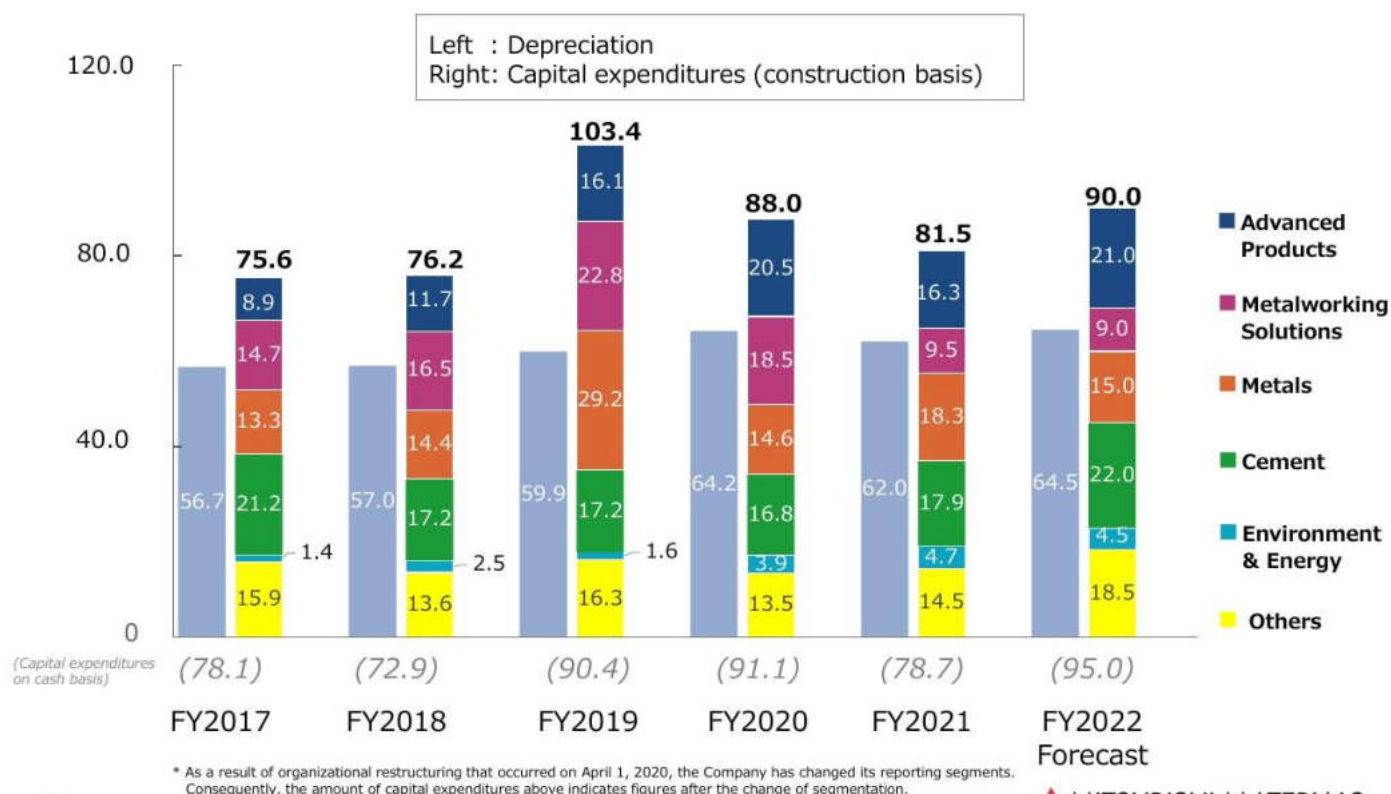
The forecast for ordinary profit is as shown here, because the dividend from the Los Pelambres mine will decrease as mentioned earlier.

The Cement Business is forecasted based on the domestic and overseas sales forecasts as I mentioned earlier, and we expect both operating profit and ordinary profit to increase by 3.3 billion yen year-on-year.

Depreciation & Capital Expenditure

Depreciation & Capital Expenditures

[Unit: billion yen]



15

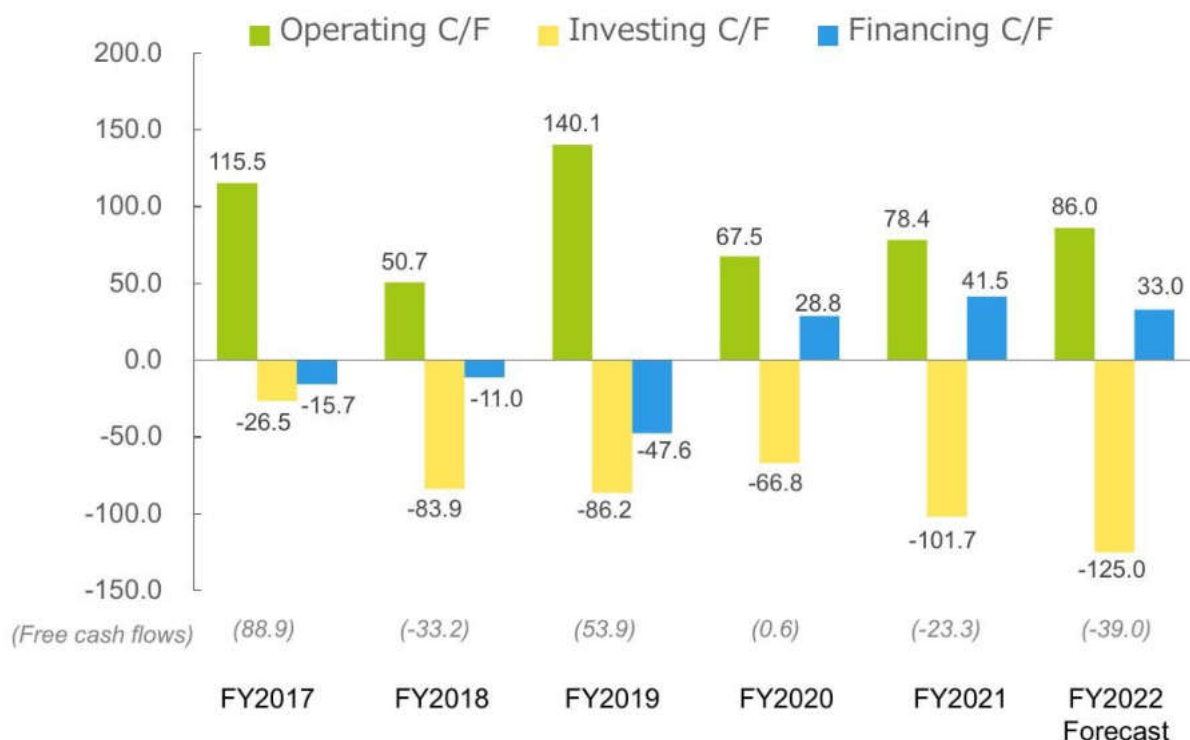
Let's proceed to page 15. This page is about depreciation and capital expenditure. Compared to the capital expenditure of 81.5 billion yen for FY2021, the Company is forecasting 90.0 billion yen for FY2022. Small investments are included in each segment. Speaking of the Advanced Products Business, the Company considers some small investments in the area related to electrical materials and semiconductors.

In the Cement Business, it includes environment measures overseas. We are expecting investment in renewal of equipment to meet emission regulations for trucks and other vehicles. And in Other Businesses, we expect investment in DX throughout the Company.

Cash Flows

Cash Flows

[Unit: billion yen]



Page 16 shows the trend of cash flow. The green bars show operating cash flow, the yellow bars show investment cash flow, and their positive and negative values.

Various factors are included. For FY2021, factors such as the reduction of shareholdings, payment for capital expenditure, and as an investment for growth, investment such as the Mantoverde mine and expansion of the tungsten-related business of the Metalworking Solutions Business, specifically investment in a company called Masan High-Tech Materials Corporation are included.

Other items included are expenditures for the sale of the Sintered parts business for the purpose of optimizing the business portfolio. This is a cash outflow of about 45 billion yen, and with these factors, the free cash flow was negative 23.3 billion yen.

As for free cash flow for FY2022, we expect operating cash flow to improve to some extent. On the other hand, the estimated investment cash flow includes expenditures related to the business integration of the Cement Business.

In addition, as investment for growth, the Company continues to invest in mining-related businesses and further expansion of the Advanced metal powder business in the Metalworking Solutions Business.

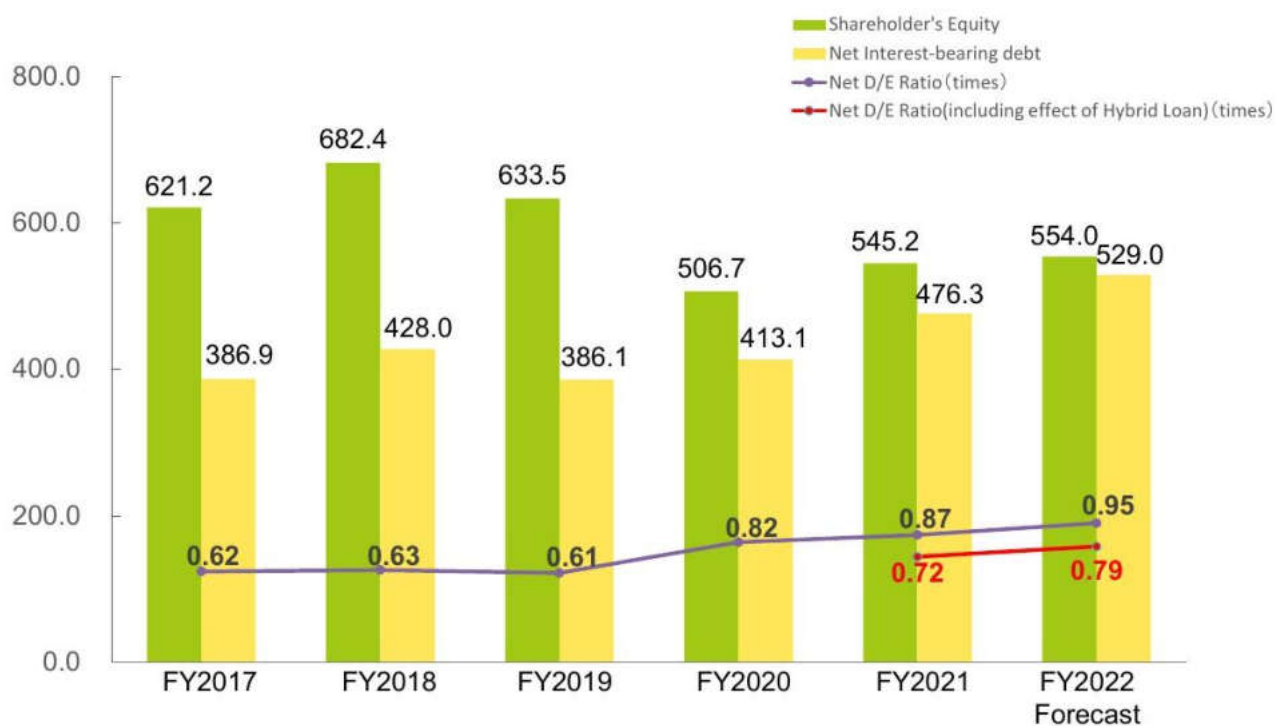
You may be thinking that the topic of Copper & copper alloy business hasn't come up in this investment section, but the Company is in discussion with customers about it, and will reevaluate the timing and scale of the investment.

Basically, the Company does not intend to make any major changes to the amount of 30 billion yen for the investment. However, the timing of implementation may be moved back, so we are currently in the process of finalizing the details.

Net D/E ratio

Net D/E Ratio

[Unit: billion yen]



Page 17 shows net D/E ratio based on these cash flows. The net D/E ratio in FY2022 is expected to be 0.95 or 0.79 after adjusting for hybrid loans. This is the end of the explanation using the Supplementary Explanation.

Revising (Consolidated) Financial Target

Financial Plan: Revising (Consolidated) Financial Target



[Outlook for current and future business environment]

Although business performance has been suffering from the impact of COVID-19, with increasing vaccine availability and acquisition of herd immunity, etc., it is gradually recovering. The Company has formulated a revised financial plan assuming that the Advanced Products Business and the Metalworking Solutions Business will recover to pre-COVID-19 performance levels by FY2023, while the Cement Business may be impacted by accounting changes to the equity method and the Metals Business may be impacted by a decreasing dividend income from mines. However, our forecast of FY2023 results will have significant downward revisions from the original target, and that the timing for reaching the original FY2023 target will be delayed until FY2024 at the earliest.

(Unit: billion yen)

		FY2023 Original Target (※1)	FY2023 Revised Target (※1)	Increases & decreases
ROIC (%)		6.0	4.0	-2.0
ROA (ordinary income to total assets) (%)		4.0	2.0	-2.0
ROE (%)		7.0	6.0	-1.0
P L	Net sales	1,530	1,410	-120
	Net sales (excluding metal)	650	600	-50
	Operating profit	58	29	-29
	Ordinary income	75	38	-37
B S	Total assets	2,040	1,820	-220
	Net interest-bearing debt	510	360	-150
	Shareholders' equity	630	560	-70
Net D/E ratio (times)		1.0 or less	1.0 or less	—

※1 Assuming transition to equity method in cement business



2 |

I would like to share some points with you about the revision of the FY2023 Strategy. Please take a look at page 2 of Attachment 1.

As mentioned in the Company's release this time, the FY2023 Strategy announced in March 2020 was issued without considering the impact of COVID-19. At the end of March 2020, the situation was actually getting quite serious, so we discussed about giving numbers that didn't take the situation into consideration. However, we have decided to publish this information in order to give you a better understanding of the strategy that we are currently pursuing.

I believe there are many ways to look at the impact of COVID-19, such as being larger or smaller than expected. Initially, the Company has expected a larger negative impact than last fiscal year, but our business bottomed out by the second quarter, and started to recover from the third quarter, and finally, our performance for the previous fiscal year was as I mentioned earlier.

On the other hand, the timing of when it will subside is still unclear, the Company is reviewing it considering this uncertainty. Regarding this review, the Company sees that the market may finally return to the state of FY2020 before COVID-19 in FY2023.

Therefore, the Company believes that the period of the next Medium-term Management Strategy will be the growth phase where the market will expand, which is the goal the Company is aiming for in the FY2023 Strategy. So the Company revised the financial figures based on that situation, which is presented on page 2.

The target for ROIC has been changed from 6% to 4%, ROA and ROE are as shown, and the forecast for P/L and B/S are also as shown on the slide.

We would like to share further details at the IR management briefing on May 20, 2021.

Review of resource allocation

Review of resource allocation



Investment Policy

◆ Cumulative cash flows from FY2021 to 2023 (Consolidated)

Cash in (Unit: billion yen)			
	Original Plan	Revised Plan	Increases & decrease
Operating CF	280	240	-40
Others	60	145 ※1	85
Total	340	385	45

※1 Business restructuring and sales of strategic holdings

Cash out (Unit: billion yen)

		Original Plan	Revised Plan	Increases & decreases
Investing CF	Investment for growth	190	195	5
	Investment for maintenance and upgrading	170	160	-10
	Subtotal	360	355	-5
Financing CF	Dividends ※2	46	42	-4
Total		406	397	-9

※2 Dividends paid, share buybacks, and cash dividends paid to non-controlling shareholders

◆ Cumulative investment plan from FY2021 to 2023 (Consolidated)

(Unit: billion yen)						
	Advanced Products	Metalworking Solutions	Metals	Cement	Environment & Energy	Others
Original plan	82	107	74	30	15	52
Revised Plan	78	81	93	47	18	38
Increases and decreases	-4	-26	19	17	3	-14
Breakdown of major increases and decreases	Decrease of investment for growth	Decrease of investment for growth Increasing M&A	Increasing investment to mines	Increasing investment in business integration Increasing investment in environmental measures (US)	Increasing growth investment for household appliances and renewable energy	Decreasing capital expenditure in the Aluminum business

While operating CF is expected to decrease due to the impact from COVID-19, the Company will restrain growth investment during the FY2023 Strategy period in businesses where demand expansion will be slower than expected, and aggressively invest in mines and M&A that are expected to generate high profits due to copper price hike. In addition, the Company will ensure it invests in renewals to minimize opportunity cost due to problems with aging facilities and thereby securing a foundation for profitability and leading to future growth.

Shareholder return policy

- The Company will set the minimum annual dividend amount for the period of FY2023 Strategy at 50 yen per share
- By accelerating the sale of assets, among others, and making expeditious allocations of funds including share buybacks and additional dividends, the Company aims to return profits to its shareholders at the same level as the total amount of dividends initially planned during the period of FY2023 Strategy.

	Original Plan	Revised Plan
Dividends	80yen/share	50yen/share



Please take a look at page 6. The overall cash balance is presented with cash inflows over three years and cash outflows over three years.

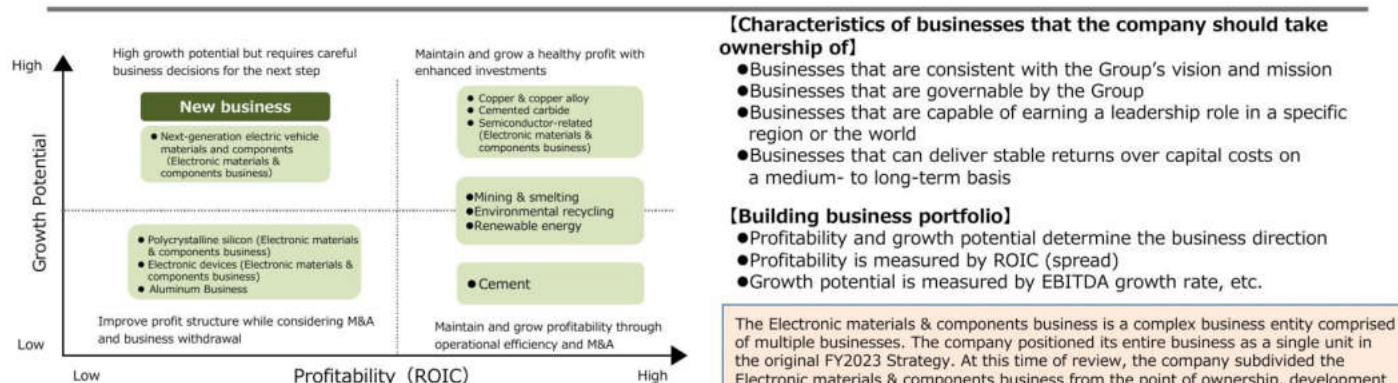
We included financial cash flow in cash outflow factor, and it almost maintains a balance including returns to shareholders.

Others in the center of the cash-in table on the upper left side is 145.0 billion yen. It means that the Company will reduce shareholdings, etc. The Company is considering of selling a large part of it during the period of FY2023 Strategy, so that's why it is included here.

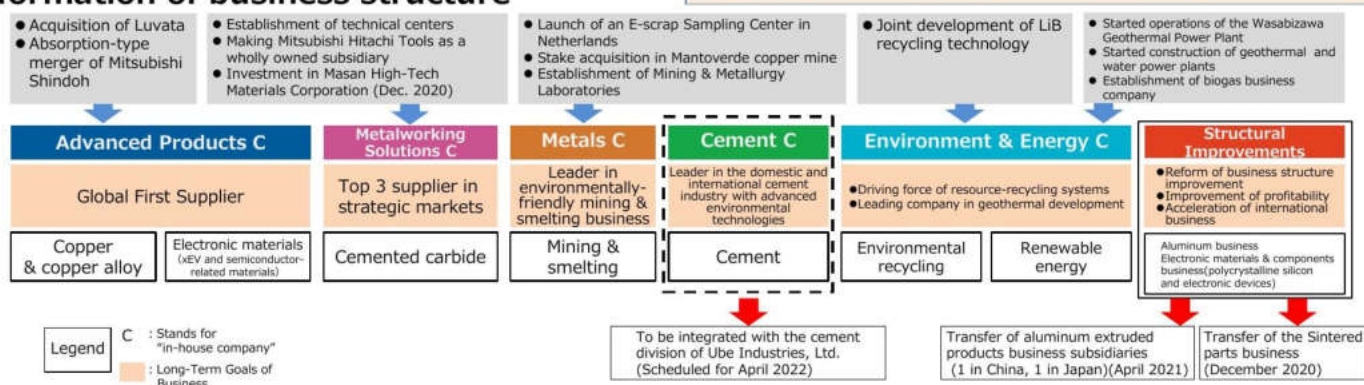
However, the Company has not decided how much it will sell in this fiscal year, we have not included in the forecast for this term that I mentioned earlier. Please take that into consideration.

Status of business portfolio optimization

Status of business portfolio optimization



Reformation of business structure



7 |



Lastly, I will explain our business portfolio. The Electronic materials & components business was plotted in the center of the slide as a lump when it was released in March last year. The Electronic materials & components business comprises about 10 to 13 businesses, which we have classified based on EBITDA and ROIC.

Furthermore, we have examined our business position including synergy effect with our business, and found that the xEV components in the upper left of the table have market growth potential, but the profitability is still low. The Polycrystalline silicon and the Electronic devices business have low growth potential, which means that the Company needs to improve the earnings structure.

The Semiconductor-related business in the upper right is mainly related to semiconductor manufacturing equipment, and since they have high growth potential and profitability, the Company will focus more on them.

Review of Goals for Contributing to a Sustainable Society

Review of Goals for Contributing to a Sustainable Society

The Company have revised the following three goals based on the outlook of the current and near future business environment

Contribution Goals	Original Goals	Revised Goals	Reasons for revision
Sales volume of copper materials for new hybrid and electric vehicles	FY2023 1,000t	FY2023 <u>1,200t</u>	- Change in the market trends (Reflection on sales status of new products)
Net sales of next-generation vehicles and environmentally friendly products	FY2023 20.3 billion yen	FY2023 <u>5.6 billion yen</u>	- Change in the net sales forecasts (Weak implementation of measures and impact of product changes)
Annual total power generation of renewable energy	FY2026 550GWh	FY2031 <u>533GWh</u>	- Change in the definition of the generation volume of each business (power generation and geothermal steam supply) multiplied by the Company's ownership share - Change in the target fiscal year to FY2031, which is also the target year of GHG reduction.

In addition, regarding the revision of the goals for contributing to a sustainable society and the implementation plan of the digital transformation strategy, the Company will explain them at the IR management briefing on May 20, 2021. That is everything I have for you today. Thank you very much for your time.

Q&A (Summary) : How earnings forecast is made

Q : Since last year, it seems like that the Company has been announcing lower forecast figures and then exceed them eventually. The results for the fourth quarter of the previous fiscal year were also well above expectations, but this time again the forecasted figures were quite low. Please tell us about the policy on how the Company creates the earnings forecast.

A :The Company formulated a budget in early March 2021, and the announcement of the earnings forecast is in May. So we revised it in mid-April. The Company set the sales figures based on the status of order volume for cemented carbide products and copper & copper alloy products mentioned earlier.

The numbers can seem a little conservative, as on the sales side, they haven't heard any positive feedback from customers yet. However, the figures are considerably higher than the figures formulated in March 2021, and those numbers will be the earnings forecast for now.

Q&A (Summary) : Market conditions of palladium

Q : Palladium boosted performance last year, but this time it has had a negative impact. Please explain if it was due to the market conditions or other factors.

A : It is very difficult to estimate the exact quantity of palladium at the time of input. Also, as with the copper price, the price is rising too quickly, therefore the Company is looking at it at 2,200\$/oz. The price hit 3,000\$/oz recently and is now back in the 2,800\$/oz, and it may become positive if this continues. However, the forecast has to be conservative due to the uncertainty of the production volume itself.

As for the market, as I mentioned earlier, the price is rising too fast. The U.S. monetary easing is behind this, which is also an unstable factor.

Also, a reason for looking at copper prices at 345 cents/lb is that, for example, when the price fell from around \$10,000 during the Lehman shock, it stopped at 340 to 350 cents/lb. In that sense, although it is conservative, the Company sees the price as a reasonable. The increase in copper prices can be seen in the sensitivities, shown here.

Q&A (Summary) : Recovery of the Advanced Products and the Metalworking Solutions Business

Q: Market is recovering for the Copper & copper alloy and the Cemented carbide tools business. Although there is a reduction in semiconductors production, will it be possible to return to the level for FY2019, if inventory adjustments proceed in the future?

A : The timing for a return to that level is when the automobile market returns to that level in FY2019, but it is still difficult to predict this. Looking at our current orders, the shortage of semiconductors has not yet appeared as an impact, and orders from the automobile industry have not decreased that much. Looking at that alone, in April, it exceeded our monthly budget so the numbers could have been conservative.

However, some customers mentioned that they will soon start adjusting production due to the impact of the automobile-related slump because of the reduction in semiconductors production. So it has a big uncertainty whether it will be on par with FY2019 by the end of this year.

Q&A (Summary) : Dividend of Los Pelambres mine

Q : I have the impression that the dividend at the Los Pelambres mine does not match the sensitivity. Why is the dividend decreasing while the copper price is high?

A : This is because Los Pelambres mine is carrying out expansion work. Capex is very large at 1.7 billion US dollars, and cash management will vary greatly depending on the timing of repayment of borrowings. In that case, it is quite difficult to simply calculate sensitivity from copper production volume and total cost.

Please note that the Company is conducting sensitivity analysis while communicating with Antofagasta plc, the owner of the Los Pelambres mine.

Q&A (Summary) : Impact of equipment failure at the Onahama Smelting and Refining Co., Ltd.

Q : How much profit decline, does the Company expect for the equipment failure of the company providing oxygen at the Onahama Smelting and Refining Co., Ltd. for this fiscal year? Will it return to normal operation in the second half?

A : Judging from the quantity of copper cathodes handled, the impact on the Company is about 10,000 tons of production reduction. In addition, the additional cost of liquid oxygen is estimated to be about 1.0 billion yen. However, since the Onahama Smelting and Refining Co., Ltd. is a joint smelter, the members of joint smelters will split the cost.

Q&A (Summary) : Cement shortage in the U.S.

Q : How does the Company see the situation of cement shortage in the U.S. this fiscal year?

A : I can't give you a detailed number, but if you look at the sales of ready-mixed concrete in the U.S., it went up about 10% in January, February, and March respectively, and this pace is continuing in April. It may be difficult to keep this up, and the pace will gradually moderate in the first half and the second half.

Q&A (Summary) : Operating profit of the Copper & copper alloy

Q : Considering the way the Copper & copper alloy business generated profit in the fourth quarter, it seems that the figures for the operating profit for this fiscal year are small. Is there any specific factor, such as an increased cost?

A : That is correct. Irregular numbers are included in the fourth quarter. High-cost inventories and in-process items accumulated in the FY2021 will come out in the next fiscal year, and that there will be less of a positive outcome in FY2022.

Q&A (Summary) : Ordinary loss in the Cement Business

Q : Please explain the background behind the ordinary loss in the fourth quarter of the previous fiscal year in the Cement Business.

A : This is due to the fact that domestic business sales are in a period of low demand in the fourth quarter and that equipment retirement losses are concentrated in the fourth quarter.

Q&A (Summary) : Performance of the Metalworking Solutions Business

Q : Regarding the performance of the Metalworking Solutions Business, the performance of the first half of this fiscal year seems to be considerably weaker than the performance of the fourth quarter of the previous fiscal year. Please tell us how the Company is formulating the plan.

A : As with the Copper & copper alloy business, the Company understands that it is caused by a delay in the timing of release for high inventory and in-process costs.

Q&A (Summary) : Reason for revision of the FY2023 Strategy

Q : Regarding the revision of the FY2023 Strategy, the manufacturing industry is recovering considerably from the impact of COVID-19 and it doesn't seem to make sense that the reason for revising the FY2023 Strategy is because of severe situation due to COVID-19. What kind of discussions did the Company go through to conduct the revision of FY2023 Strategy.

A : The Company expects the market to return like before COVID-19 in 2022. Therefore the Company expects the market to grow in the way we originally expected in FY2023 Strategy from 2023 to 2025. It may seem strange if this view is different, but we made decisions with looking at the macro aspects to some extent, and our sales side also talking to customers.

Q&A (Summary) : Dividend

Q : The limit of dividends has been lowered, but on the other hand, the Company announced that the shareholder returns that were initially set in FY2023 Strategy will be maintained. So will this be dealt with share buybacks or additional dividends?

A : As you mentioned now, the Company will flexibly implement share buybacks and additional dividends.

Q&A (Summary) : Shareholder returns (1)

Q : How much is the shareholder returns that was originally expected in the FY2023 Strategy?

A : It is 80 yen per share and about 30.0 billion yen totally in three years.

Q&A (Summary) : Shareholder returns (2)

Q : Originally, the amount that exceeds the plan was going to be paid out with a payout ratio. Is it the same as keeping the "amount of dividend of 80 yen for three years"?

A : The Company is aiming for that by a combination of additional dividends and share buybacks.

Q&A (Summary) : Profit generation of the Environment & Energy

Q : The profits of the Environment & Energy in this term are weaker than in the previous term. What are the factors?

A : The Company is planning to transfer the shares of Dia Consultants Co., Ltd. which was in charge of the Environment & Energy Business and consults on civil engineering and geology, to another company since the synergy effect with us is small. This will have an impact of about 1.0 billion yen on a profit basis. In addition, the Company expects a decline in profits in the Environment & Energy Business due to maintenance at some geothermal power plants this fiscal year.

Q&A (Summary) : Impact of palladium on performance

Q : How much palladium boosted profit in the previous term? Also, how much the profit will be decreased when assuming at \$2,200 this term?

A : Comparing FY2021 with FY2020, it was an additional 5.0 billion yen. Similarly, comparing FY2022 with FY2021, approximately negative 2.0 billion yen due to reduced production. Therefore, comparing FY2022 with FY2020, about 3.0 billion yen positive.

Q&A (Summary) : Implications of revising the FY2023 Strategy

Q : The implication of the revise of FY2023 Strategy is that it incorporates changes in the business environment due to the impact of COVID-19. So is it correct to say that the Company did not incorporate intentions such as "let's invest first" or "let's refrain from investing here and shift there", etc. assuming changes in demand trends over the medium- to long-term due to the impact of COVID-19?

A : With a revise of the FY2023 Strategy, the Company is considering of delaying the investment in the Copper & copper alloy. On the other hand, due to the recent hike in metal prices, in order to accelerate the mine investment, the Company is changing the orders of investment. For example, investment in the Mantoverde copper mine last year.

Q&A (Summary) : Cement price

Q : In the new fiscal year, as the supply and demand of cement eases, the amount of ready-mixed concrete increases. I would like to know the content of the contribution of price factors. The price under analysis is positive, but please elaborate more since it has an impact of fuel price.

A : Cement prices are going up or maintained in both Japan and the U.S. The Company is looking at a slight increase in forecasts, and financial impact will not be significant. On the other hand, the Company expects that the fuel cost will be increased by about 1.0 billion yen on non-consolidated basis. The ideal is that the Company will pass-through the cost and offset it partially.

Q&A (Summary) : Large-scale investment in the Copper & copper alloy

Q : Based on the view of investing cash flow, even after the revision of FY2023 Strategy figures, the cash out will be larger. Free cash flow was negative both in FY2020 and in FY2021. As the forecast is created based on that, so it may also be negative in FY2023.

On the other hand, the Company has reserved the decision to make a large-scale investment of 30.0 billion yen. Please confirm how this part is handled. Is it simply just the time lag? Are there any changes in the policy to implement? Since the Company may take a close look at fluctuations in demand, I let me confirm whether it is possible for the Company to completely revise the strategy.

A: As you have pointed out, free cash flow is negative in FY2021 and FY2022. Of course, the Company will be investing in businesses and also planning to invest in DX which currently has been worked on. Essentially, the Company should consider how to make free cash flow positive, and is currently aiming to achieve it in the next three-year period, 2023 onward.

In addition, regarding 30.0 billion yen for the Copper & copper alloy, we expect it will be a time lag. At the moment, the Company cannot say anything because the final scrutiny has not been completed. However, this framework will be maintained, and the Company will invest in the timing that meets the demand. So, please consider it as a time lag.

Greetings from Mr. Takayanagi

Takayanagi : Lastly, I would like to end with a short greeting. Thank you for joining us today at the financial results briefing in the difficult times of COVID-19. The Company is very aware that compared to peer companies in Japan, it still has room for improvements, and the Company will strike back to perform better.

Some of you pointed out that it is a conservative earnings forecast. With considering this point, the Company would like to improve capital efficiency and increase overall EBITDA to realize business growth.

The Company appreciates your advices and questions, and we look forward to your continued support. Thank you.