Mitsubishi Materials Corporation
Chief Executive Officer

To realize Our Commitment, "For people, society and the earth, circulating resources for a sustainable future," we will work to enhance the Group's value by maximizing corporate value and solving social issues, thereby reaching the heights stakeholders expect from us.

Introduction

In February 2023, we announced our Medium-term Management Strategy FY2031 (the FY2031 Strategy), which started in the fiscal year ended March 2024 and sets out goals up to the fiscal year ending March 2031.

In the FY2031 Strategy, we established "For people, society and the earth, circulating resources for a sustainable future" as Our Commitment. In this case, "circulating" carries two meanings. The first is resource recycling that makes effective use of limited resources by extracting metal resources such as copper from used and end-of-life products, then reusing them as raw materials for other products. The other meaning is a broad system of industrial circulation in which metal resources we have extracted ourselves are delivered to the market as materials and products with enhanced functions, then collected once more, going from veins to arteries and back to veins. We are aiming to be more than a platform provider that simply builds and provides this kind of circulation system. Rather, we will also function as an active player within it. In that role as an active player, we believe that we can build a better, more practical circulation system.

Reflecting on FYE March 2024

While the fiscal year ended March 2024 was the first year in which we implemented the FY2031 Strategy, demand in the automobile and semiconductor markets was subdued, and despite the benefits of the depreciation of the yen, operating profit was down 54% (¥23.2 billion) from the previous year. On the other hand, ordinary profit increased 114% (¥54.1 billion) year on year as a result of increased dividends from copper mines in Chile and improved share of profit of entities accounted for using equity method due to the V-shaped recovery in the results of Mitsubishi UBE Cement Corporation. As a result, profit attributable to owners of parent increased 47% (¥29.7 billion) compared to the previous year.

While we cannot be fully satisfied with these results in the first year of a medium-term strategy, we are promoting measures to be taken and reviewing measures in line with the business environment with the aim of achieving our financial goals for the fiscal year ending March 2026, which is the final year of Phase 1 of the FY2031 Strategy.

Management Policy for FYE March 2025

Considering the results from the fiscal year ended March 2024, we have established and implemented the following points as our management policy for the fiscal year ending March 2025.

- Strengthen response to SCQ issues, etc.
- Achieve the targets of the FY2031 Strategy
- Optimize management structure
- Address sustainability issues
- Strengthen management foundation
- Renew Our Values to rebuild our organizational culture

Strengthen Response to SCQ Issues

With the quality issues that occurred in 2017, we established and strictly adhere to SCQDE* as the order of priority of our internal business decisions.

Of these elements, SCQ-related issues are essential to ensuring that the Group itself earns the trust of capital market stakeholders and continues to be a sustainable entity. We have established the SCQ Promotion Office, of which I personally serve as the General Manager. Under this umbrella, each panel works to address issues, and all Executive Officers participate in monthly SCQ Promotion Office meetings to share information on progress and new issues. Our efforts up to now have produced results, as shown by the dramatic reduction of major compliance and quality issues and the permeation of a bad-new first approach, establishing a system capable of detecting situations at an early stage and taking appropriate action. “S” stands for Safety & Health, and while our work on health and productivity management has borne fruit, our safety management has not yet eliminated occupational accidents. Consequently, we will continue our efforts placing the highest priority on SCQ issues in this fiscal year, as shown below.

Major SCQ issues

- Prevention of occupational accidents
- Reinforcing compliance
- Strengthen information security
- Implement risk management activities relating to Group-wide critical risks:
  - ✓ Fraudulent transactions and accounting
  - ✓ Harassment
  - ✓ Cyber attacks

Achieve the Targets of the FY2031 Strategy

Implementing PDCA in the FY2031 Strategy

In order to realize “circulating resources for a sustainable future,” which is the essence of Our Commitment as set out in the FY2031 Strategy, we are focusing our efforts on expanding resource recycling and enhancing the supply of high-performance materials and products. (Figure 1)

Being constantly vigilant to changes in the environment surrounding businesses and making adjustments where necessary is essential.

The ability to implement this with speed and agility is a crucial determining factor in achieving growth.

Expanding the Scope of Resource Recycling

In terms of resource recycling, we have adopted a policy of working to increase the scale of resource recycling by expanding the applicable scope and business regions. (Figure 2) ▶P13

We will also strive to expand our E-Scrap processing capacity.

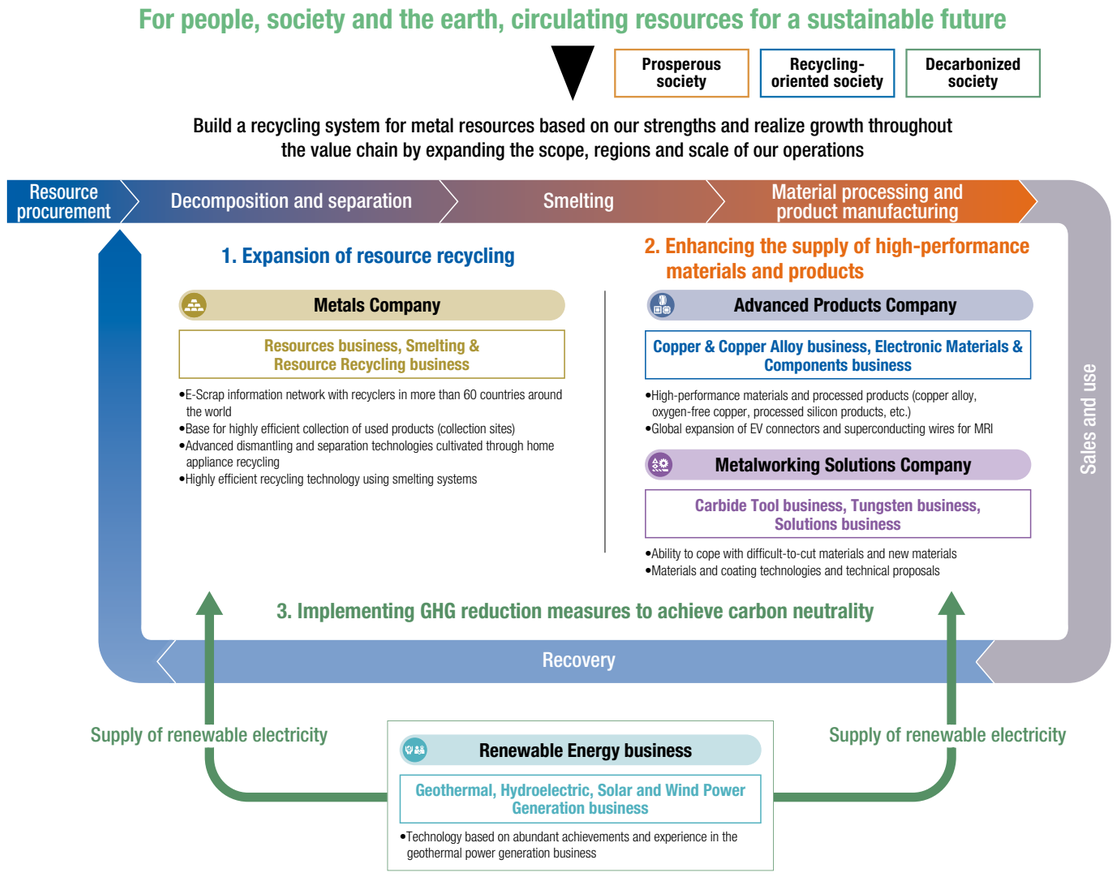
For LIB recycling, we are moving forward with a pilot plant adjacent to the Onahama Smelter & Refinery (Fukushima Prefecture) and have entered the detailed design stage.

Offcuts are also created in processed copper product production processes. While this material has conventionally been sent to copper smelters, we have decided to recycle as much as possible within copper and copper alloy production sites with the aim of reducing manufacturing costs for processed copper products and expanding the capacity of copper smelters to accept E-Scrap.

At existing copper smelters in Japan, after processing recycling raw materials together with copper concentrate, various important mineral resources can be extracted using our precious metal extraction processes. Necessary environmental measures have also been implemented through years of operation, and they are capable of stable operation. Leveraging these characteristics, we expect to make an even more significant contribution by taking in various used products containing mineral resources, extracting important mineral resources from them, then supplying these resources as raw materials for new products. In addition to EVs, this applies to numerous electronic products, devices and components, and the role of copper smelters will become ever more important in the expansion of circular economies in collaboration with the manufacturers of such products.

When processing used products and using the materials extracted from them to make new products, ensuring traceability and transparency of information throughout the series of processes is another important element. In the management of the Group’s home appliance recycling plants in Japan, we are progressing with efforts to ensure traceability and believe that these methods can be applicable to numerous recycled materials beyond home appliances. In order to accelerate these efforts, we launched the

Fig. 1: Overview of the Medium-term Management Strategy FY2031 (the FY2031 Strategy)



***SCQDE (S: Safety & Health, C: Compliance & Environment, Q: Quality, D: Delivery, E: Earnings)**

SCQDE shows the order of priority of our business decisions.
In principle, we strive to satisfy all aspects of SCQDE.
When circumstances dictate that prioritization is unavoidable, we act according to these priorities.
Reasonable profit is required to ensure a continued contribution to resolving social issues.

recycled metal brand REMINE in January 2024 and intend to expand the brand's range of products in the future.

Tungsten is the main raw material in cemented carbide tools, and ensuring supplies is a crucial issue in terms of the Group's manufacturing and sale of such products. Tungsten as a natural resource is unevenly distributed in China, and we have been focusing efforts on using recycled tungsten as a raw material. The rate of recycled raw materials in our carbide tool manufacturing is already over 50%, and we aim to raise this further to 80% by the fiscal year ending March 2031. With the recent acquisition of all shares of H.C. Starck Holding GmbH (Germany) (H.C. Starck), one of the world's leading tungsten producers, we have gained the ability to leap to the top as a global leader in tungsten recycling.

Establishing Regional Resource Recycling Strategies

The global economy is shifting towards regionally-divided blocs. We must also envisage that this regional closing off will also occur in terms of important mineral resources (critical minerals). In addition to conventional local production for local consumption, we believe that there will be a progression towards recycling metal resources used to make products within the regions where those products are consumed.

We are making preparations to establish Mitsubishi Materials Europe B.V. (MMEU) in Europe, where resource recycling is progressing, in order to establish and rapidly implement resource recycling strategies. Our wide-ranging efforts will include moving the existing E-Scrap collection center in the Netherlands under the umbrella of MMEU, general handling of copper-based scrap in addition to E-Scrap, consolidation of tungsten recycling in H.C. Starck upon its planned acquisition and LIB recycling, in which Europe is leading Japan.

"Think locally, act locally" is crucial for resource recycling businesses, and we will put structures in place to make this a reality. Through collaboration between Luvata, which is engaged in the Copper & Copper Alloy business in Europe, and cutting tool manufacturing sites, numerous sales locations and the H.C. Starck team, we will formulate and rapidly implement a strategy that is an optimal fit for Europe.

In Japan, optimizing the combination of functions at our two domestic copper smelters is a key point. We are working to improve copper concentrate processing capacity in order to combine expanded E-Scrap processing capacity with enhanced scrap pre-treatment capacity, thereby maximizing the performance of both smelters.

In addition, we are expanding and enhancing the functions of our online E-Scrap trading system MEX (Mitsubishi Materials E-Scrap EXchange). In the last year, we have improved convenience for customers through the addition of functions such as photo and data reports, delivery reservation status and sampler availability confirmation, and the publication of sampling videos.

In the European market, the amount of scrap the region generates is higher than its processing capacity. As a result, importing this material from Europe into Japan may continue to be an effective business model.

While we are exploring possibilities for expanding collection points in Europe, we expect MEX to be a powerful tool in the aforementioned expansion of resource recycling in Europe, in addition to supplying E-Scrap in Japan.

While resource recycling businesses in North America have not yet fully manifested, the region has significant potential. Through our participation in the Exurban project, we are currently developing technologies to smelt only recycled raw materials and we aim to construct a recycling plant in the USA. In the future, we believe that the technologies obtained can lead to global expansion to regions beyond the USA.

In resource recycling businesses moving forward, it will be important to fully understand regional needs (regulations, requests, market needs, and collection mechanisms) and achieve the optimal combination of regions and facilities based on that. In terms of possibilities for consolidation and the needs of customers, it is essential that we have facilities, portfolios and management that seek the optimal combination of facilities to possess in each region, including use of facilities in collaboration with other companies in addition to having our own.

Enhancing the Supply of High-performance Materials and Products

In the Copper & Copper Alloy business, we have completed work to increase production capacity, and will continue to supply high-performance materials, based on copper alloys (Cu-Mg alloys) such as the MSP series and MOFC®-HR (Mitsubishi Oxygen Free Copper-Heat Resistance), an oxygen-free copper with strength and heat resistance enhanced to the world's highest level.

In Electronic Materials & Components business fields, we will consider the impact of significantly reduced demand for semiconductor products in the fiscal year ended March 2024 and review the timing of investment in increased production of silicon products as we aim to reduce costs and strengthen our manufacturing constitution with measures such as attracting new customers. Through these efforts, we are preparing to improve profitability with the recovery in demand that is anticipated from the fiscal year ending March 2025.

For the expansion of the Tungsten business, we plan to complete the acquisition of H.C. Starck by March 2025. In addition to the expansion of tungsten recycling discussed earlier in this section, the expansion of the businesses supplying high-purity tungsten powder as an electronic material for applications such as secondary batteries will proceed in coordination with our consolidated subsidiary Japan New Metals Co., Ltd. H.C. Starck has locations in Germany, Canada, and China, and possesses an extensive R&D system relating to tungsten powder production processes in addition to the creation of new businesses. At the same time, Japan New Metals Co., Ltd. is engaged in the manufacture and sale of metal powders such as molybdenum in addition to tungsten powder, and the two companies have a complementary relationship. Moving forward, we will work on the global expansion of the Tungsten business through effective synergies between both companies.

Fig. 2: Expansion of Scope, Regions and Scale of Resource Recycling Operations, Based on Trends and Laws and Regulations in Each Country and Region

Expanding the scope of resource recycling	**E-Scrap recycling**	Improving processing capacity
	LIB recycling ▶ P41	Pilot plant under construction
	In-process recycling of the Copper & Copper Alloy business	Cost reduction, copper smelter load reduction → Increasing E-Scrap
	Cobalt recovery at copper mines ▶ P43	Pilot plant testing underway at Mantoverde Copper Mine
	Tungsten recycling ▶ P47	Acquisition of all shares of H.C. Starck Holding GmbH (Germany)
	Construction of resource recycling loop	Home appliances: Expansion of scale in Japan and overseas Automobile recycling: Scaling up targeting EVs Creating a recycling system to extract important mineral resources from various products and supply them as raw materials for products
Expanding business regions Economic bloc, enclosure of important mineral resources Japan: Economic security USA: IRA law EU: Various regulations ↓ **Toward intraregional circulation**	**Establishment of a new company in Europe ▶ P40**	Development of resource recycling strategies in Europe and rapid implementation (E-Scrap/Copper-based scrap/ LIB/Tungsten)
	Enhancement of E-Scrap recycling by domestic smelters ▶ P41	Enhancement of E-Scrap processing capacity by improving smelting and pretreatment capacity Expansion of Collection Centers in Europe Investment in mines to secure low-impurity copper concentrates Enhancing functions of MEX* *Online E-Scrap trading system
	Investment in Exurban ▶ P43	Participation in the construction and operation of a recycling plant in Indiana, USA Expansion outside the USA

Improving Profitability

We are conscious of issues such as the insufficient resolution of gaps with targets for the fiscal year ended March 2024 and low profitability leading to sluggish stock prices and a PBR below 1, and we will work to enhance our resilience in order to maintain a certain level of profitability regardless of the external environment, even when market conditions worsen.

To that end, we will work to improve profitability (strengthen earning capacity) in all areas and achieve the target ROIC and ROE. Specifically, we will continue to execute target-setting business management and break-even point improvement, which we started to work on in the previous fiscal year.

Under our target-setting business management, we will work on the following areas.

- Create and implement measures to close gaps to targets and forecasts throughout the year
- Set and achieve KPIs within each company, division, and department
- Execute high-speed PDCA cycles
- Close gaps in benchmarking against competitors

In terms of break-even point improvement, we will carry on our work from the fiscal year ended March 2024, aiming to increase added value (marginal profit), reduce fixed costs, and improve sales prices, sales volume, variable costs and fixed costs. With regards to cost reductions, we initially planned for a total reduction of ¥8.8 billion by the fiscal year ending March 2026, however, in light of the worsening business environment in the fiscal year ended March 2024, we reduced costs by ¥8.4 billion in that fiscal year and are forecast to reduce costs by a total of ¥17.8 billion by the fiscal year ending March 2025, significantly above the

planned amount.

We will promote yield improvement, automation, labor saving, and workload saving through Achievable ("Yarikiri") projects as part of our Manufacturing Excellence Strategy and our DX initiatives.

At the same time, we will also implement business process reforms to decommission, simplify and standardize operations and aggregate common operations performed in each division and department under the slogan of "Elimination, Reduction, and Change."

Addressing Labor Shortage Issues

In Japan, the working-age population is declining, and the chronic labor shortage in the manufacturing industry is becoming permanent, while in the overseas businesses in which we operate, difficulties acquiring talent are accelerating and there is a trend of turning away from manufacturing. In addition to this backdrop of external factors, internally, retirements for personal reasons are increasing along with diversification of working style, and business process optimization and labor savings are being delayed. As a result, there is a risk that we will not be able to ensure the necessary human resources and productivity improvements to implement the FY2031 Strategy.

Faced with this situation, we will take the following action.

- Enhance recruitment by streamlining and elevating the recruitment process, strengthening awareness and enhancing contact points for candidates
- Enhance attractiveness as a place of work by establishing workplace environments that allow for a variety of work styles and shifting from uniform HR management to HR management based on individuals' diverse values
- Thoroughly reform business processes by promoting efficiency, labor saving, and workload saving

Optimizing the Management Structure

Deepening Matrix Management of Business and Functional Axes

Each in-house Company is a business axis, and just as the Group responds to constraints and demands in the capital markets, they are expected to implement autonomous management while responding to certain constraints and demands of the entire Company. Functional divisions, on the other hand, are functional axes that have a responsibility to improve the quality of decision-making by providing effective impact and added values through skills, networks and knowledge. Solid report lines are on the business axis side, but establish clear double report lines between each in-house Company (business axes) and each functional division (functional axes), enabling them to fulfill their respective roles with mutual understanding through appropriate information sharing and forums for consultation. Committees have also been established to discuss effective allocation and use of each functional division's limited human resources in terms of both business and functional aspects.

MMEU, which we plan to establish in Europe, will be a touchstone for incorporating regional axes alongside business and functional axes.

Optimization of Business Structures

Up to this point, we have selected and concentrated our business domains and established certain aims by the start of the FY2031 Strategy. In this fiscal year, we will deepen our examination of whether there is room to further optimize our business structures within the selected business domains. It is necessary to clarify the role of each Group company and carry out consolidation and elimination. We have already started consolidating Corporate Divisions across several locations and will apply this same approach to Group companies to make effective use of leadership talent.

Addressing Sustainability Issues

We believe that there are always two aspects to consider when it comes to sustainability. The first of these is earning trust in the capital market that we are a sustainable entity under a robust business management system. The other is providing sustainability to society and the planet through our business activities. We have identified sustainability issues based on these perspectives. Addressing these issues appropriately will lead to enhanced corporate value through both economic and social value, and reduce various risks faced by the Group. Starting with this fiscal year, we consider these sustainability issues to also be our materiality.

Within sustainability issues, there are three particularly important items that have been made the main themes for the Sustainability Committee that has been established under the Board of Directors: promotion of resource circulation, strengthening measures to address global environmental issues and enhancement of human capital.

Promotion of Resource Circulation

In addition to the aforementioned establishment of regional resource recycling strategies, we are examining processes for increasing recycling rates and processing 100% recycled raw materials.

The cross-division Resource Circulation Strategy Meeting takes place every week to share the latest information on the four themes below and hold discussions from a wide range of perspectives.

Resource Circulation Strategy Meeting themes:

- LIB recycling
- Copper-based recycling
- Long-term technological development
- Overall resource recycling business (conceptualization of circular economies with product manufacturers)

In the future, we also plan to hold a European Resource Circulation Strategy Meeting at the new company to be established in Europe, with representatives from companies operating in the region participating, in order to generate ideas that align with the situation in Europe.

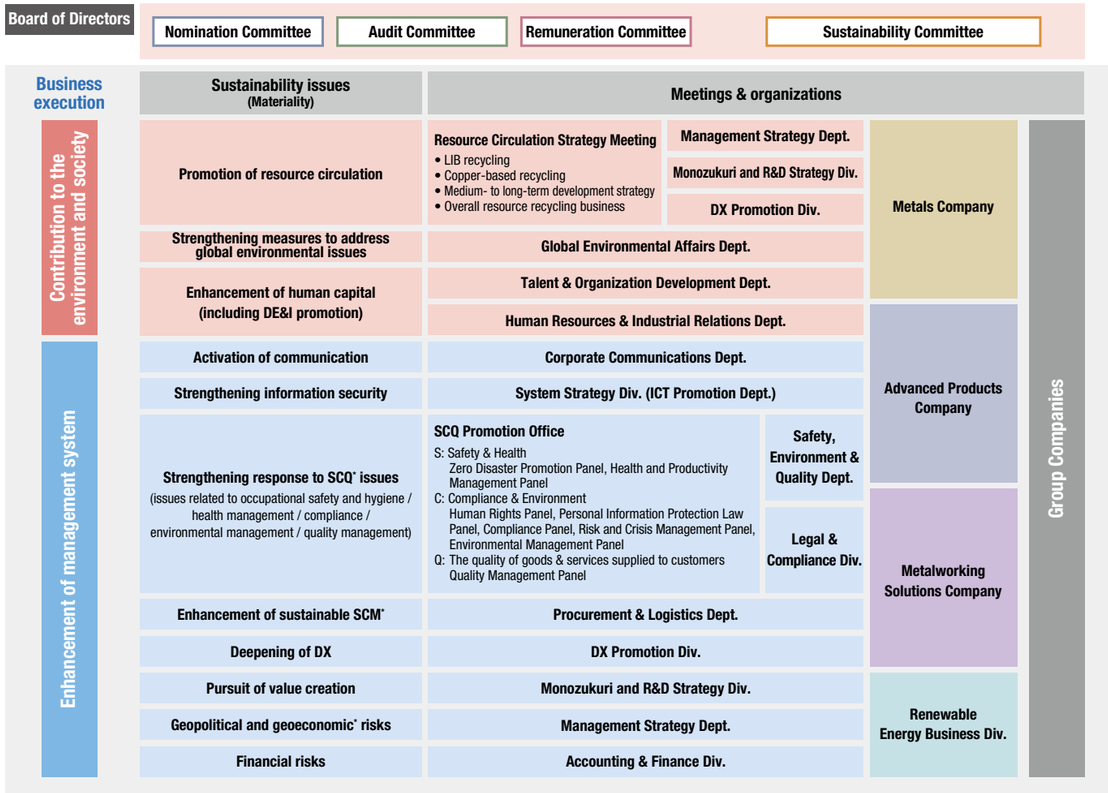
Strengthening Measures to Address Global Environmental Issues

In addition to working to enhance external communication, we will establish a carbon footprint calculation system and introduce an internal carbon pricing system to apply to investment decision-making.

Enhancement of Human Capital

Through organic coordination between next-generation leadership talent development and succession planning, we are striving to foster talent that can drive business growth. In consideration of the need for management with enhanced capabilities to lead multinational teams in line with the acceleration of future overseas business expansion, we believe that it is also necessary to acquire and develop talent from different countries. Furthermore, we are also accelerating the promotion and selection of women through measures such

Fig. 3: Sustainability Management System



*SCQ: S: Safety & Health, C: Compliance & Environment, Q: Quality
*SCM: Supply Chain Management
*Geoeconomic risk: Risks relating to countries attempting to fulfill their geopolitical goals (national interests) through economic means

as our sponsor program.

These efforts will lead to the promotion of DE&I, which contributes to the development of organizations and human resources that make the most of diversity.

In order to enhance corporate value by realizing the FY2031 Strategy, it is essential that we maximize the capabilities of individuals and support autonomous growth. To this end, we will continue to enhance 1-on-1 meetings, ensure the implementation of performance management and promote the shift from passive training to autonomous learning.

We are actively deepening discussions with regards to the three aforementioned major sustainability issues from multiple perspectives, including through meetings between Directors, exchanges of opinions between Directors and Executive Officers, and lectures and exchanges of opinions involving external experts.

Reinforcing the Management Foundation

In order to reinforce our management foundation, in addition to the aforementioned enhancement of human capital, we are implementing our DX Strategy, Manufacturing Excellence Strategy and R&D Strategy in line with the points described below.

DX Strategy

In addition to promoting Business Division themes, we have introduced ERP accounting areas starting from this fiscal year. In the first instance, we are working to ensure smooth operation at MMC before expanding deployment to Group companies.

In terms of DX in the manufacturing and R&D area, through collaboration with the Innovation Center, we are working to strengthen areas including sustainability-related themes such as resource recycling and carbon footprints. To make effective use of data, we are shifting focus from data collection and visualization to business impact, such as by using data in decision making. We are also keeping a keen eye on utilization of AI.

Talent development is another urgent need, and we plan to activate bottom-up activities and training through means such as advanced digital education.

Manufacturing Excellence Strategy

Each site involved in manufacturing has identified business/plant visions, issues and themes to work on. We will bring these elements together as a manufacturing issues overview map and visualize them as a basis for enhancing effectiveness.

In the manufacturing field, through the diligent pursuit of themes named Achievable (“Yarikiri”) projects, we will strengthen productivity management and stabilize quality while also further enhancing management (safety, human resource and KPI management) through measures such as renewed “5S” activities.

In order to help employees take ownership of learning and practical measures, we are also developing initiatives such as DX challenges, digital education and innovation seminars as we work to activate bottom-up activities.

R&D Strategy

In terms of R&D, we are focusing on the following four areas.

- Speedily promote each Company’s themes and collaborate with relevant parties to increase the ratio of Company themes
- Establish and promote resource recycling and decarbonization themes (use of industry-government-academia collaboration and CVC)
- Steadily promote LIB recycling projects

(process development and pilot plant construction)

- Commercialize multiple projects with small starts and study systems required for large-scale investment/financing and M&A

Renewing Our Values to Rebuild Our Organizational Culture

Reforming our existing organizational culture is essential if we are to enhance corporate value by implementing the FY2031 Strategy. Our Values as they stand today were established in 2017. Since the quality issues in that same year, we have implemented various reforms and established Our Commitment (circulating resources for a sustainable future) in the FY2031 Strategy. Consequently, we have determined that it is time to take the first step towards rebuilding our organizational culture by renewing Our Values and instilling those values among all employees to drive behavioral changes.

When reviewing Our Values, we will work to improve employee engagement by renewing previous top-down communication processes and involving all employees in the review process. While matters that were conventionally determined through repeated discussions centered on top management have been expanded Company-wide through the organizational structure, this is the first time we have tried a process of creation with the participation of all employees. Specifically, we recruited volunteers from within the Group and formulated 10 proposals for values through discussions over a long period of time. We then solicited votes and comments from all Group employees. In a voting period of less than a month, we received votes from about 16,000 of the 20,000 employees across the Group, at least 40% of which included comments. This gave us a glimpse into the high level of interest and the strong sense of participation in management among all employees, and we hope to express this through Our Commitment moving forward.

In renewing Our Values, we are taking the results of the vote on board. We plan to put them into wording that is easy to understand in Japanese and in English, memorable, and impactful, then diligently disseminate them to Group company employees in Japan and overseas. With future overseas expansion through measures such as M&A, this will also accelerate the process of understanding the Group.

Through the accumulated actions of all employees based on Our Values, we will aim to build a new organizational culture that enhances corporate value.

Corporate Governance

After our transition to become a Company with a Nomination Committee, etc., in 2019, the composition of our Board of Directors has been centered on Outside Directors, and we have continued to explore the role and functions of the Board of Directors. We recognize the importance of our ability to reduce information asymmetry between non-executive Directors and the executive side and to hold discussions on the same level. Achieving this requires mutual understanding of what Directors want to know and what the executive side wants Directors to understand. Discussion at Board of Directors meetings alone is insufficient to this end, and we have set aside one day per month, separate from Board of Directors meetings and with as few time restrictions as possible, as a space for explanations and discussions. One issue to be faced is whether we can have more constructive discussions based on an understanding of business activities and background information.

It is not strictly necessary to aggregate the individual opinions put forward by Directors. However, in order to incorporate differing opinions and suggestions from various perspectives on the executive side and utilize them to enhance corporate value, in addition to the executive side hearing opinions from individual Directors, it is also necessary for Directors to exchange opinions and have discussions with each other.

Starting with the fiscal year ended March 2024, the Nomination Committee and the Remuneration Committee have consisted entirely of Outside Directors. While these committees may request explanations from the CEO where necessary, they have been able to hold lively discussions among the Outside Directors to reach conclusions.

As with these committees, holding discussions among Outside Directors under clear facilitation and creating a structure to clearly communicate matters to the executive side is the next step in enhancing the effectiveness of the Board of Directors.

Conclusion

In the FY2031 Strategy, we established “For people, society and the earth, circulating resources for a sustainable future” as Our Commitment, clarifying the direction that the Group should take. Personally, I feel that Group employees are coming to share the same sense of direction. Talking about what “circulating resources for a sustainable future” means to us through various opportunities for dialogue and conversation will lead to more opportunities for multiple Business Divisions (Companies) to collaborate and connect, based on the concept of “circulating resources.” We are confident this will offset the conglomerate discount of operating multiple different businesses and lead to enhanced corporate value for the whole Group.