



In formulating our Medium-term Management Strategy FY2031, we have established “For people, society and the earth, circulating resources for a sustainable future” as Our Commitment. To achieve this, we will seek to solve social issues while maximizing corporate value.

Introduction

In February 2023, Mitsubishi Materials Group announced its Medium-term Management Strategy FY2031 (the FY2031 Strategy) covering the period up to fiscal 2031. As part of the FY2031 Strategy, we established “For people, society and the earth,

circulating resources for a sustainable future” as Our Commitment and stated our intention to focus on the expansion of resource recycling and enhance the supply of high-performance materials and products. In this piece, I will start by reflecting on the Medium-term

Management Strategy FY2023 (the FY2023 Strategy) covering the period up to fiscal 2023 before going on to describe our approach to the FY2031 Strategy in more detail.



Mitsubishi Materials Corporation
Chief Executive Officer

A handwritten signature in black ink, likely of the Chief Executive Officer, positioned below the printed name.

Reflecting on the FY2023 Strategy

In the FY2023 Strategy, we set out three Group-wide policies with the aim of creating both social and economic value: “optimization of business portfolio,” “comprehensive efforts to increase business competitiveness,” and “creation of new products and businesses.”

Optimization of Business Portfolio

Through deep reflection on the quality issues in 2017, we became acutely aware of the need to optimize our business portfolio. There was a gap between the Group’s business resources (talent, goods, money and information) and the scope of business we were engaged in at the time, and in some cases the necessary business resources were not being distributed to all Group companies and sites. This could be considered one reason behind the quality issues. In light of this, we organized the Group’s business domains, which had become too broad, on the basis of the business resources we possessed and eliminated the gaps.

We decided to transfer the sintered parts business, aluminum business and polycrystalline silicon business. In the cement business, we decided to establish Mitsubishi UBE Cement Corporation, which we would manage as a 50% stakeholder. We also shifted our copper smelting and refining business in Indonesia to a contract system, which was a major change in our relationship with that business. We implemented changes in ownership and management structures across various businesses, enabling those businesses to carry on rather than undergo liquidation.

Our Group has been engaged in a wide range of businesses over the years, but we recognized the need to clarify our strengths, and to organize and narrow down the domains that we focus on, leveraging our strengths to provide even greater value to society in future. This is linked to the basic idea behind the FY2031 Strategy, which is to leverage our strengths to implement the expansion of resource recycling and enhance the supply of high-performance materials and products.

Looking at the impact of this

business restructuring from a financial perspective, we were able to reduce interest-bearing liabilities by approximately 290 billion yen and invested capital by approximately 400 billion yen.

During the optimization of our business portfolio, we also worked to enhance and strengthen our business resources as part of the restructuring of our business. During the FY2023 Strategy for the period fiscal 2021 to fiscal 2023, we significantly increased the number of mid-career hires, and increased the hiring ratio among managers to about 1.7 times the level during the period of the Medium-term Management Strategy, fiscal 2018 to fiscal 2020. We are also working to promote diversity beyond stereotypes with the aim of making a positive change in the direction of overall management.

Four Management Reforms

In light of environmental changes, we have been pursuing the following Four Management Reforms since fiscal 2023 with the aim of further enhancing our organizational capabilities.

- 1. **CX:** Corporate Transformation
 - Reform into optimal form of group management (organization / business management)
- 2. **HRX:** Human Resources Transformation
 - Reform of HR system and work style to acquire and develop autonomous talents who can adapt to changes
- 3. **DX:** Digital Transformation
 - Reform that utilizes data and digital technology to strengthen today, create tomorrow and cultivate talent
- 4. **Operational Efficiency Improvement**
 - Reform that reviews organizations, business processes and work styles

CX

As part of CX, we transitioned to a complete in-house company system in April 2022. Under this system, each Company possesses all of the functions necessary for business execution. Companies are expected to demonstrate independence and autonomy, and the aims of this system

are as follows.

- Improving business competitiveness by clarifying responsibility for profitability through WACC and ROIC management for each Company. Companies are managed in an independent manner.
- Building a governance system in which each Company identifies its own issues and works to resolve them on its own. Companies are managed in an autonomous manner.
- Developing next-generation leadership talent who will contribute to Group-wide management through Company management.

We have identified the six items below as important areas to work as part of our “targeting organization and corporate culture.” The complete in-house company system instituted as part of CX will lead to the realization of an organization that achieves items one to five, and will also contribute to the comprehensive efforts to increase business competitiveness, which has been established as a Group-wide policy.

Targeting organization and corporate culture

1. Organization with good and health communication where employees have unrestricted communication
2. Organization capable of autonomously solving issues
3. Organization that adequately shares the understanding of its business
4. Organization that makes prompt and resolute decisions
5. Organization that manages its business with the awareness of the differences between product-type and process-type businesses
6. Organization that aims for thorough digitalization

Following the transition to a complete in-house company system, we have engaged in discussions regarding profit management and the Medium-term Management strategy starting in fiscal 2024. Business Reviews are central to these discussions. Through these reviews, the top management from the Company (members of the Company’s management committee) and

Executive Officers from the Strategic Headquarters (the CEO, CGO, CFO, CHRO and CTO under the Chief Officer Positions) discuss topics such as governance, business performance and medium- to long-term strategies. Each Company holds Business Reviews once or twice per month. In contrast to the strong decentralizing force exerted by the complete in-house company system, Business Reviews are extremely important because they exert a unifying force from the perspective of Group-wide optimization.

While each Company is expected to resolve issues relating to governance and other areas autonomously and take prompt and decisive action through the delegation of decision-making authority, Business Reviews are an avenue for Executive Officers to deepen their understanding of each business through high-quality communication in order to provide input and advice from the perspective of Group-wide optimization, which is increasing the effectiveness with which we formulate and deploy Group-wide management strategies.

Through these efforts, we deepened our awareness of ROIC management based on capital costs, and every business, with the exception of the copper and copper alloy business, met our ROIC targets for fiscal 2023 as set out in the FY2023 Strategy. We have also had plentiful discussions toward formulating the FY2031 Strategy, which will be discussed later in this piece.

We recognize the importance of balancing business aspects, functional aspects and regional aspects in our business management. The complete in-house company system can be described as an initiative to strengthen from a business perspective. In general, the concerns are as follows.

- Siloing as a result of Business Divisions (Companies) prioritizing individual optimization
- Subordination of required overall optimization and deployment of Group-wide measures
- Dispersion of talent and knowledge
- Occurrence of duplicate work

To alleviate these concerns, one of our themes for fiscal 2024 is working to build a “matrix management system”

that combines business and functional areas, then building on that to proceed with preparations for building up regional perspectives in each overseas region in which we do business, in consideration of the scale and type of business.

The role of the functional axis is to use opportunities for constructive dialogue with Companies to provide input and advice from the perspective of Group-wide optimization to achieve the aims of Group-wide management strategies. In addition to the aforementioned business reviews with Companies, the Human Resources Committee, Strategy Committees (regarding areas such as Monozukuri and R&D, DX and Group IT), and meetings held for personnel in charge of particular functions provide opportunities for constructive dialogue.

Regarding function-related talent management, in particular, we have established a system in which the business axis has the authority to make the final human resource-related decisions while engaging in discussions based on information sharing with the functional axis.

HRX

Starting in fiscal 2023, we transitioned away from the previous ability-based grade system for management-level employees, replacing it with a Job-based HR System. At the same time, we are advancing measures such as upgrading the Internal Job Posting System and renovating our training systems to promote autonomous career development. We have also deployed Human Resource Business Partners (HRBPs) at each Company, and have implemented a system that supports business strategy from a human resources perspective. In addition to HRBPs supporting the complete in-house company system from a human resources perspective, we are working to maintain the optimal overall balance through coordination with human resources strategy functions and Professional CoE functions.

Related Information:

Integrated Report ▶ Human Resources Strategy P46

DX

In October 2022, we established MMDX2.0, a system to accelerate enhancements in the manufacturing field through integrated utilization of digital technology with worksites. We are also working to accelerate promotion of themes through measures such as strengthening the systems of their respective implementing bodies, and to promote further permeation of the concept of taking ownership. Through initiatives such as establishing a challenge program that tolerates the creation and failure of themes from worksites and learning programs and running mate support for employees, we plan to revitalize bottom-up activities and expand DX into activities across the Group, including worksite operations.

DX does not simply mean using digital technology. We must constantly reflect on the “X” part, in other words, whether the shift to digital is leading to a transformation in our mindsets and work, and make course corrections as necessary.

Related Information:

Integrated Report
▶ DX Strategy P58

Operational Efficiency Improvement

The Business Process Innovation Department is leading the way in Operational Efficiency Improvement in various areas, and we are achieving results. From April 2023, our accounting divisions will implement paperless account slip and seal-less systems. We are also promoting paperless systems for various internal application processes. To expedite this shift, we are distributing smartphones to all employees, including those at manufacturing sites. This enables all employees to access the internal network from their own device, helping to further deepen communication. In fiscal 2024, we plan to develop a system linking Operational Efficiency Improvement with enhancing business competitiveness.

Chief Officer Positions

CEO: Chief Executive Officer
CGO: Chief Governance Officer

CFO: Chief Financial Officer
CHRO: Chief Human Resources Officer

CTO: Chief Technical Officer

Our Commitment

In formulating the FY2031 Strategy, we established “For people, society and the earth, circulating resources for a sustainable future” as Our Commitment. This single sentence expresses our Corporate Philosophy of “For people, Society and the Earth,” our vision of “Circulating resources for a sustainable future,” and our mission, which is “Create a sustainable future.”

This demonstrates our desire to be a company that circulates resources for a sustainable future by 2030. The final words, “for a sustainable future,” are an expression of our mission, which we define through three types of society that we can contribute to building: a prosperous society, a recycling-oriented society and a decarbonized society.

We also reiterate the ideals behind our Corporate Philosophy of “For People, Society and the Earth” through the following words.

We have the desire to deliver.

The materials and products we make and deliver, the solutions we offer, all of our efforts, and our very existence itself is “For People, Society and the Earth.”

This is our desire, which is reflected in our Corporate Philosophy.

In this case, “circulating” carries two meanings. The first of these is circulating metal resources to advance the careful use of the Earth’s limited resources, which could be described as “vein” functions. On the other hand, supplying high-performance materials and products to the market by processing extracted useful metal elements into highly functional materials can be considered “artery” functions. In that sense, “circulating” can also mean building a broad system of circulation that flows from the veins to the arteries, then back to the veins through the market.

In addition, the words “for a sustainable future” express the meaning of constructing a system for circulation while also fulfilling a function as a player within that system in order to build a sustainable future. By creating mechanisms for circulation as vein functions while acting as a player in both vein and artery functions within those mechanisms, we can better grasp the needs that must be met, which will lead to better circulation functions.

In order to enhance the circulation in vein functions relating to metal resources, we must adopt a comprehensive model, consolidating the advanced technologies for dismantling and separation of home appliances built up in the Environment & Energy Business Company and the metal recycling technologies including smelting technology established by the Metals Company. We also merge the human resources and overseas networks of these two Companies. With this comprehensive model, we aim to expand our recycling business overseas. Based on this approach, we established the Resource Circulation Division, which is in charge of the consolidated recycling business within the Metals Company, in April 2023 and are actively working to maximize earnings.

On the other hand, the Advanced Products Company and the Metalworking Solutions Company are responsible for artery functions.

The Renewable Energy business has set a target of producing renewable electricity equivalent to the electricity needs of our domestic businesses in Japan. By supplying all of our domestic businesses with the renewable energy we produce, we will achieve GHG reductions that put us on the path to carbon neutrality.

Our Commitment means that we are committed to solving social issues through our business activities.

Sontoku Ninomiya once said that, “an economy without morality is a crime, morality without an economy is idle talk.” Taking inspiration from this saying, we will create both social value and economic value through the FY2031 Strategy based on the concept that “profitability that does not resolve social issues is not sustainable, but nor is solving social issues without profitability.”

Plan for Expansion of Resource Recycling

As we work to implement Our Commitment, we will build a system for recycling metal resources based on our strengths and realize growth throughout the value chain by expanding the scope, regions and scale of our operations.

In terms of scope, we are evaluating possibilities for expanding beyond our existing work on E-Scrap to also cover LIB recycling and cobalt and rare earth recovery at mines. Through our partnerships, we are also progressing towards commercializing LIB recycling.

We also plan to establish recycling centers that gathers and recycles materials that cannot be fully recycled in our home appliance recycling business and automobile recycling business. As we expand our scope and scale, we will pursue economic efficiency.

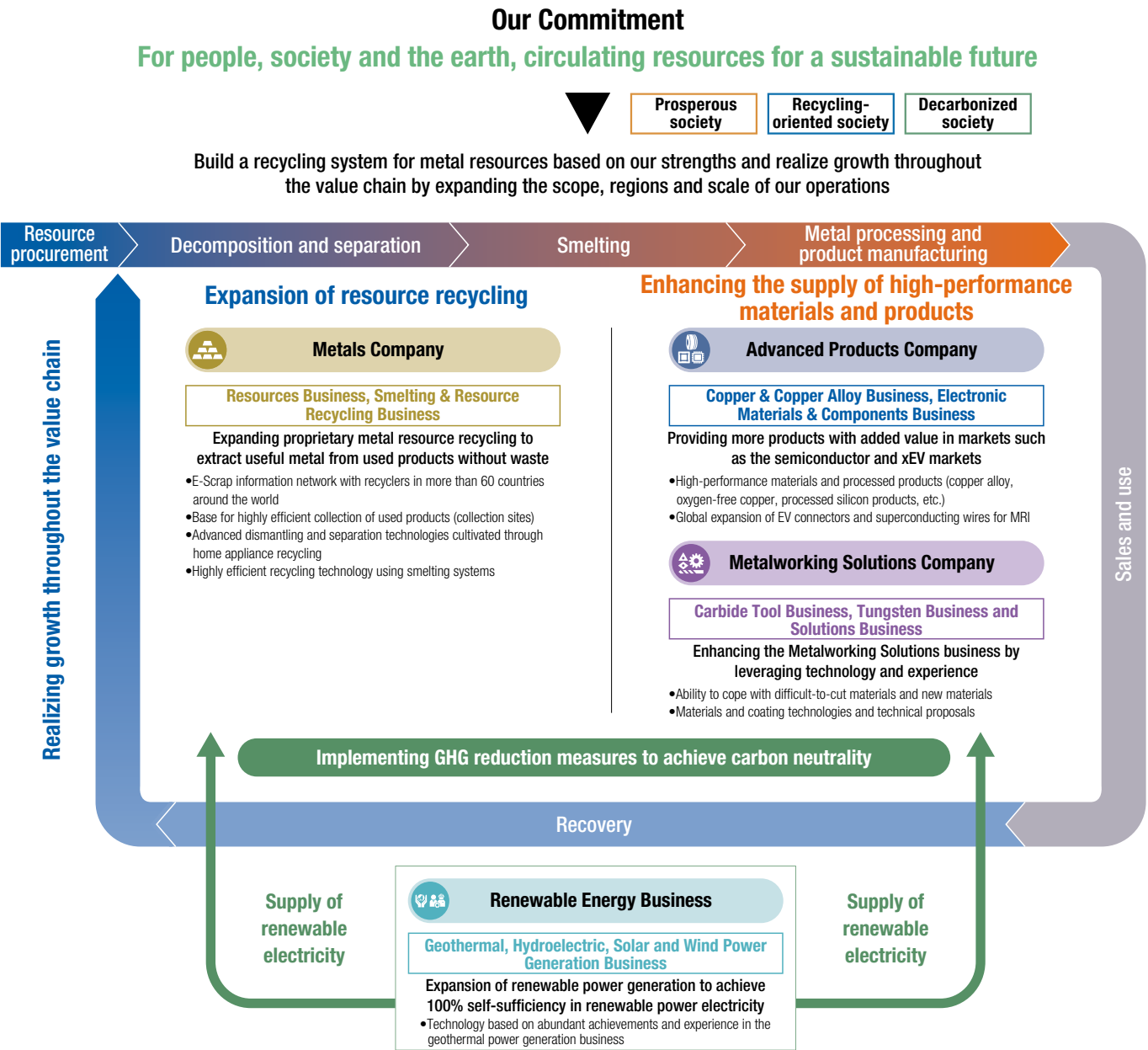
Currently we are processing E-Scrap collected from all over the world at our copper smelters and refineries in Japan. In order to process more E-Scrap, we are working on procurement of low-impurity copper concentrates alongside our plans to expand the copper concentrate processing capacity of our smelters and refineries and to enhance our pretreatment facilities. We aim not only to obtain profit from rising copper prices and ensure stable procurement of copper concentrate but also to secure low-impurity copper concentrates to support resource

recycling through continued investment in copper mines.

While most of the scrap generated in Copper & Copper Alloy business processes has been returned to the copper smelters, we will change to a system under which recycling can be carried out within the Copper & Copper

Alloy business. Through this, we aim to enhance business competitiveness by reducing costs for the Copper & Copper Alloy business while also increasing our capacity to receive scrap from external sources.

As the shift towards economic blocks continues, we must assume that, along with to local production for local consumption, there will be progression in terms of local recycling within regions. With regard to critical minerals, the G7 Summit held in Hiroshima in May 2023 adopted



The FY2031 Strategy

a **Five-Point Plan for Critical Minerals Security** as part of its official documentation. In addition to the leading role played by the EU, other countries are redoubling their efforts. The United States is offering tax incentives for batteries produced with mineral resources recycled in the United States or elsewhere in North America as part of the Inflation Reduction Act (IRA), and Japan is also looking to bolster its ability to secure recycled raw materials in order to enhance economic security by ensuring access to critical minerals. One example of our work to meet the needs of this regional recycling is our investment in Exurban, which plans to build a recycling plant in the United States. This will provide a foothold for expanding into the United States and other regions. We hope to promote regional expansion both in Japan and overseas.

While recycling rates for tungsten, the main raw material used in cemented carbide tools are already at 50%, we have set a future target of 80% or higher. In addition to our work in Japan, we are also examining possibilities for deeper cooperation with partners in consideration of the need to expand tungsten recycling overseas, given that markets such as Europe, North America and Asia account for a large proportion of cemented carbide tools sales.

The FY2031 Strategy Formulation Process

Our process for formulating the FY2031 Strategy was as follows.

1. Envisaging where we want to be in 2050 without restriction
2. Backcasting from there to consider where we want to be in 2030
3. Checking the positioning of each business plan in relation to opportunities and threats consistent with external environment change forecast scenarios and Our Commitment
4. Examining the specific allocation of business resources, and selecting business plans and investment and financing plans.
5. Incorporating efficiency/cost-consciousness into financial indicator targets, then collating a consistent plan from the perspective of Group-wide optimization

We carried out steps one and two through discussion based on input from various levels of the Group, from Executive Officers to junior employees. Despite this, it is difficult to argue that our vision for where we want to be in 2050 represents a huge leap forward. This is something for us to reflect on moving forward. It is undeniable that we ended up extrapolating from the past and got caught up in our immediate surroundings. Nevertheless, the content brought together in the Medium-term Management Strategy covering the period up to fiscal 2031 is a plan for the present that leads to the future while being conscious of its connection to the past.

External environment forecast scenarios were envisaged based on two aspects: whether the world economy will progress toward globalization or decoupling, and whether environmental policies (the circular economy) will accelerate or slow down. Rather than refining our forecasts of which scenario will come

to pass, we held discussions regarding what we should do to ensure we can respond to any scenario.

Intensive discussions with the Board of Directors regarding this issue were held on eight occasions, in addition to the regular Board of Directors meetings. These discussions called for input such as the pointing out of path dependencies, moonshot-like audacity and strong expressions of intent as Executive Officers, and this has been reflected in the FY2031 Strategy.

In the formulation of financial indicator targets, in addition to awareness of capital cost and our existing ROIC-based management indicators, we also introduced an approach based on economic profit. ROIC in our businesses will not necessarily always be a diagonal line of constant growth. In businesses relating to smelting and resource recycling, for example, it is difficult to achieve high ROIC based on smelters and refineries that require significant capital investment. For this reason, in addition to indicators expressed as a percentage through ROIC, we have added a means to evaluate the amount of corporate value created through economic profit, based on the spread between ROIC and WACC. This can be derived by multiplying the ROIC spread by invested capital.

We have also published equity value across several different businesses using a Sum of The Parts (SOTP) valuation based on EBITDA and multiples of similar companies in each business.

Achieving the Targets of the FY2031 Strategy

We are carrying out the following initiatives to achieve the targets of the FY2031 Strategy.

1. Holding briefings for media and institutional investors
2. Holding briefing sessions for employees (overall briefings through town hall meetings, a total of five times globally)
3. Providing explanations for employees in each Company and department
4. Holding briefings for top management at Group companies through the Group's Management Committees in Japan and overseas
5. Providing explanations through the Central Labor-Management Conference
6. Implementing Inner Branding aimed at encouraging employees to take ownership of Our Commitment (For people, society and the earth, circulating resources for a sustainable future)

The human resources strategy as part of the FY2031 Strategy starts by stating that we will maximize the value of human resources and create an organization dedicated to winning. To ensure that strategy formulation did not become a goal in of itself, we have made all employees aware that winning means achieving the goals of the Medium-term Management Strategy. As mentioned earlier in this piece, after proceeding with the optimization of our business portfolio and clarifying the arenas in which we should compete, it will not be easy for us to back down from those areas. As such, we are using every opportunity to raise awareness of the need to be prepared and be determined to win wherever we choose to compete.

Related Information:

Integrated Report ▶ Communication Measure Implementation
P52

Resource Circulation Strategy Meeting

We renewed our Sustainability Management System on July 1, 2023.

We have selected important themes as the contribution to the environment and society, including “addressing global environmental issues,” “strengthening human capital management” and “promoting resource recycling.” Promoting resource recycling, in particular, is an important sustainability management issue and the main theme of the FY2031 Strategy. In addition to taking opportunities for business growth in order to enhance the corporate value of each Company, we must also constantly evaluate how best to move forward with resource recycling in consideration of Group-wide optimization and long-term perspectives. When it comes to changes surrounding resource recycling, we must be aware of geopolitical factors in addition to economic considerations. We established a Resource Circulation Strategy Meeting led by our CFO and CTO, with the aim of leading roadmap creation and cross-divisional initiatives based on analysis of future scenarios. LIB recycling and other existing leading cross-divisional projects will also continue to move forward under the Resource Circulation Strategy Meeting.

Related Information:

Integrated Report ▶ Establishment of Resource Circulation Strategy Meeting
P66



Five-Point Plan for Critical Minerals Security

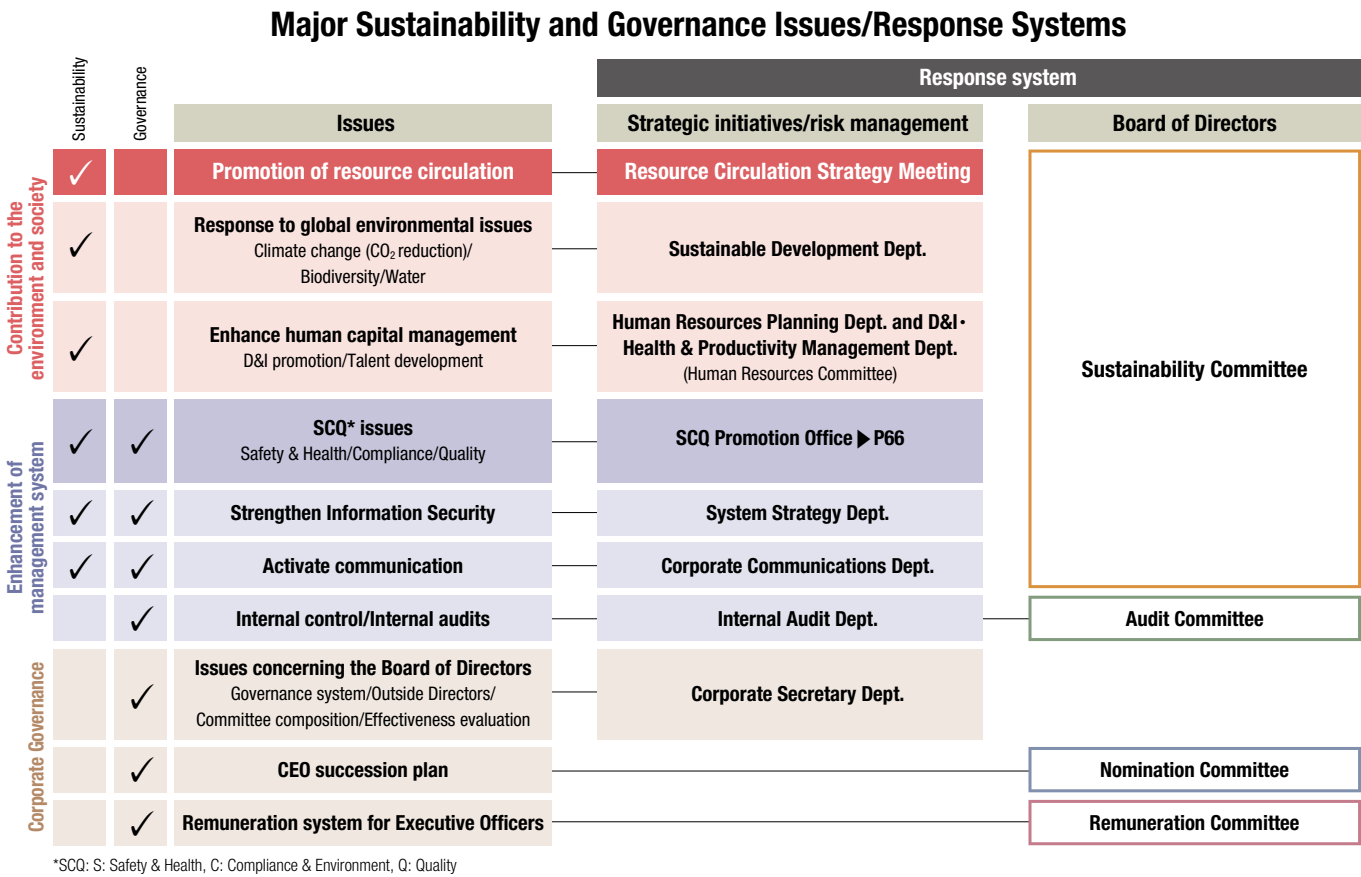
- 1) Forecast long-term supply and demand, 2) Develop resources and supply chains responsibly, 3) Recycle more and share capabilities, 4) Save with Innovations, 5) Prepare for supply disruptions

Governance

When it comes to sustainability management issues, in addition to the aforementioned contribution to the environment and society, we must strengthen our management system and continue to be a good global corporate citizen. Sustainability issues such as these require strategic initiatives and risk control. In addition to issues to face in strengthening our management system, corporate governance of the entire company, in which the Board of Directors play a central role, is another important governance-related issue. We must have a clear system in place to take responsibility in responding to issues of

this nature. (See diagram)
In particular, with regards to the ideal form of governance to strengthen our management system, we are aiming to create an autonomous system, in which organizations identify problems and work to resolve them autonomously. Solving problems means moving forward while communicating with everyone involved to complement each other in areas that are lacking. As such, we seek to break away from a system whereby organizations are managed in a unilateral manner and only act as instructed.

We consider the following three elements to be particularly important, and we are taking every opportunity to share and raise awareness of these aspects within the Group.
1. Strict adherence to **SCQDE**
2. Strict adherence to Bad News First
3. Good and healthy communication
These elements should form the basis of enhancements to our management system, and we intend to implement them as fundamental elements for companies that join our Group through M&A, including overseas companies.



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.

Corporate Governance

Activating Discussions Among the Board of Directors
Directors are required to devote a minimum of two days per month to regular meetings and discussions. This comprises explanation and discussion of various topics throughout the day, more or less from morning to night. While this may sound almost like a boot camp, it enables us to dedicate that day to discussions without time constraints, which leads to a lively exchange of opinions. In addition, the CEO and Outside Directors hold 1-on-1 meetings once every two months, which is a valuable opportunity to supplement overall discussions. I mentioned good and healthy communication as one of three important elements, and we also strive to put this in practice with the Board of Directors.
As discussions among directors grow more dynamic, it is becoming more important to deepen discussions in the moment and to convey the content of discussions to the executive side with speed and precision so that it can be reflected in executive-side action. As a result, it was decided to add one more Executive Officer (the CTO) who concurrently serves as a Director. As a result, there are

now three Executive Officers who concurrently serve as Directors: the CEO, CFO and CTO. We will continue to allow Executive Officers who do not concurrently serve as Directors to observe discussions in real time as necessary.

Related Information:
Integrated Report ▶ Discussions in the Board of Directors, Etc.
P84

Nomination Committee
As of fiscal 2024, all five members of the committee are now Outside Directors. The CEO had been a member of the committee before this change. However, we determined that it was more appropriate for decision-making authority in areas such as formulating reports for selecting Executive Officer candidates, including the CEO succession plan, to be held exclusively by Outside Directors. Proposals such as the CEO succession plan are implemented by the CEO at the request of the committee. The members of the Nominating Committee are Outside Directors with plentiful experience in office, ensuring that they always have sufficient knowledge of the relevant talent. Through the CEO succession

plan, we put forward both “ready-to-go” talent that can step in if urgency is required and medium- to long-term successor candidates. We hold ongoing discussions in consideration of the current state of the company with reference to our management strategies and CEO performance.

Related Information:
Integrated Report ▶ Nomination Committee
P90

Non-financial Evaluation Elements in the Executive Officer Remuneration System
Remuneration system for the Executive Officers includes non-financial evaluation elements. From fiscal 2023, we established evaluation items based on ESG and other sustainability issues. In fiscal 2024, we added items based on the ratio of female managers in the departments for which each Executive Officer is responsible as a measure of D&I promotion.

Related Information:
Integrated Report ▶ Remuneration Committee
P96

Conclusion

Fiscal 2024 is our first year on the journey to achieving the goals of the FY2031 Strategy. Based on the results of optimizing our business portfolio as part of our FY2023 Strategy, these goals clarify the business areas that

we will take on going forward and set a clear vision for what we hope to accomplish. Based on the concept of making every day a new day to create a new tomorrow, we will build on the reforms we have implemented and

keep moving forward to exceed the expectations of all stakeholders.