

Enhancing Corporate Value

Top Message

I will drive the enhancement of corporate value with ambition and passion.

On April 1, 2025, I assumed the position of Chief Executive Officer. Since joining the Company in 1986, I have long been involved in the Metalworking Solutions business, spending the majority of that time engaged in product development, production engineering, and manufacturing at our plants. Ever since I first started here, I was entrusted with the role of leading many older plant employees as the manufacturing site leader. I had just joined the Company and knew nothing about the work, but while talking with the older plant employees, they told me, “You may lack knowledge and experience, but if you show us that you work with ambition and passion, we will follow you.” Since then, working with ambition and passion has been my motto.

Several months have passed since I assumed the position of Chief Executive Officer, and I have come to realize the job is far more demanding than I had imagined. We are currently in the midst of revising our Management Strategy for fiscal year ending March 2027 onward. Amidst the rapidly changing environment surrounding our businesses, I continue to contemplate the direction in which we should steer the Company going forward and the growth areas we should pursue as a Group, while keeping the entire Group in view. It is no easy task, but I will dedicate myself wholeheartedly, with ambition and passion, to enhance the corporate value of the Group.



Mitsubishi Materials Corporation
Director, Chief Executive Officer (CEO)

J. Tanaka

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Our Management Policy

The management policy we have established since I assumed the position of Chief Executive Officer is as follows.

- We will enhance all of our “Genba-ryoku” (frontline capabilities), not just the manufacturing sites, but also the sales, development, and various headquarters departments, to foster innovation and compete on a global scale.
- We will elevate corporate value through creating and delivering new materials (products and services that exceed customer expectations) and other initiatives.
- Through our own transformation, we will respond to rapid economic changes, continuously develop the Company, and build our future.

The motivating force that transforms and grows a company is the ambition and passion of its people. In the past, when I was in charge of a workplace that had to shut down due to business failure, I often heard the phrase, “The company will figure it out.” I believe that if we move beyond merely relying on the company and doing only what we are told from above, and instead if each employee takes ownership, holds on to their dreams, possesses strong ambition and passion, and aligns with our direction, we can achieve a bright future. Last year, the Group established new Our Values. Through putting Our Values into practice, we aim to hone every “Genba-ryoku” (frontline capability), foster a sense of ownership and urgency among all employees,

and build an organization where everyone thinks and acts proactively to make their workplace the best in the world.

When asked what our strength is, we want to be able to immediately point to specific products and services. In other words, we want to be creating and providing products and services that exceed customers’ expectations, namely new materials. I myself recognize that the lack of clearly defined specific businesses and products that will serve as growth drivers for the Group is a major challenge. We intend to realize and present these in the Management Strategy for the fiscal year ending March 2027 onward, which we are currently reviewing.

Moreover, the current economic environment is changing faster than anticipated and at an extremely large scale. To respond to these changes, we will also advance our own transformation.

Recognition of the Current Situation

During the three-year period of the Medium-term Management Strategy FY2031 (FY2031 Strategy) Phase 1 (fiscal year ended March 2024 to fiscal year ending March 2026), the external environment deviated significantly from our projections. In the automotive industry, we had anticipated accelerated adoption of EVs and sustained upward growth, but that did not materialize. The semiconductor industry was also expected to grow similarly, but after a pause in demand during the stay-at-home phase of COVID-19, demand declined. While AI server-related areas are currently performing well, the industry as a whole

remains in the process of recovery. Furthermore, not only are tariffs imposed by the USA and various regulations and rules within the EU intensifying, but efforts to control the economy as a national strategy are also strengthening around the world. Additionally, resource hoarding is becoming evident across nations.

Regarding the Group’s situation from an investment standpoint, while medium- to long-term upfront investments generally progressed smoothly, we discontinued or postponed



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certain investments in response to changes in the external environment. Consequently, we have not achieved short-term investment returns or the expected returns on completed upfront investments, resulting in a deterioration in investment efficiency. Furthermore, in the fiscal year ending March 2026, the refining margin, TC/RC (treatment charge and refining charge), has fallen to an extremely low level, worsening the profitability of the Smelting & Refining business within the Metals business. Consequently, achieving the initial targets of the FY2031 Strategy has become difficult. The three major challenges we face in relation to the current situation are as follows.

- The FY2031 Strategy was a business strategy and investment plan based on the assumption of increased demand. However, the review and adjustment of strategies and plans in response to significant changes in the external environment were insufficient.
- It is necessary to allocate investments by combining investment risk/return and the timeframe for effects to occur.
- It is necessary to shift toward a Smelting & Refining business centered on raw materials for recycling and accelerate the establishment of resource circulation loops, assuming that TC/RC will not recover early.

In light of these challenges, we have determined that fundamental structural reforms in business foundation restructuring and financial structure improvement are imperative to ensure profitability even when the external

environment worsens. The FY2031 Strategy Phase 2 plan from fiscal year ending March 2027 to fiscal year ending March 2031 will be reset. We will proceed with its revision, while also taking decisive action where possible at an earlier stage.

Business Foundation Restructuring

Improving capital efficiency is the most important factor for business foundation restructuring. The Group's investment profits are low. This is something that must be addressed immediately. We will shift our focus from quantity to quality and rigorously pursue management efforts regarding return on invested capital (ROIC), which are centered on rates and maximizing returns.

Within each business division, we will carefully identify which products and services are generating profits. We will then concentrate management resources on these key areas and commit the entire Company to this effort. On the other hand, it may be necessary to withdraw from low-profit ventures or, in some cases, carve out entire businesses. The approach is to set specific KPIs, conduct thorough evaluations, grow where growth is needed, and streamline where streamlining is required. Within the Corporate Division, we will accelerate optimization efforts to decommission, simplify, and standardize operations, aggregate and streamline common operations, expand the use of shared services, and thoroughly manage personnel to rationalize the organization. Concurrently, we will enhance Company-wide capital efficiency through the selection and

concentration of R&D themes and the rebuilding of our DX strategy.

Already, we are scaling down copper concentrate processing at the Onahama Smelting & Refining Co., Ltd. in the Metals business and have started preparations for the integration of the Sakai Plant and Sambo Plant, with the aim of optimizing production systems and accelerating business growth in the Copper & Copper Alloy business. These initiatives are just the beginning. We will strive to rebuild our business foundation in a short timeframe with a sense of urgency.

Financial Structure Improvement

Capital efficiency and enhancing ROIC are the foundations for financial structure improvement. To enhance ROIC, we must expand the numerator, which is profit, while simultaneously streamlining the denominator, which is invested capital. We will strive to enhance ROIC by dismantling it and rigorously applying it to the frontline. Furthermore, while the Company has traditionally tended to prioritize profits over cash flow, it is necessary to manage operations with greater focus on cash flow going forward. This includes flexibly and appropriately controlling investment allocation, such as applying the brakes on investments when operating cash flow becomes tight. Lowering interest-bearing debt is also necessary when considering factors such as credit ratings. We intend to further improve our net D/E ratio by allocating improved cash flow to lowering interest-bearing debt. In addition to these initiatives, we will also strive to reduce invested

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capital by implementing reforms in business foundation restructuring. On the other hand, to expand profits, we must not only reduce costs but also strive to offer products at a certain price level. While circumstances vary depending on the business or product, we will also advance initiatives to enhance the cost effectiveness of our products and services and raise prices.

Addressing Sustainability Issues

We recognize that, to continue as a company, there are various sustainability issues that we must address. Based on the idea that sustainability issues are materiality, the Group has established and is working to address 11 sustainability issues. Among those issues, there are three particularly important issues: promotion of resource circulation, strengthening measures to address global environmental issues, and enhancement of human capital. As the world transitions from one that continuously consumes finite resources to one that recycles and effectively utilizes resources, we will dedicate the entire Company's resources to expanding the area of resource circulation, positioning it as a future pillar of the Group.

We must respond appropriately to global environmental issues, taking into account factors such as the full-scale implementation of Japan's emissions trading system scheduled to begin in the fiscal year ending March 2027. To achieve the Group's goal of carbon neutrality by the fiscal year ending March 2046, we must further strengthen our efforts.



Regarding human capital enhancement, talent shortages are already becoming apparent. We plan to focus not only on talent acquisition but also on employee skill development.

Furthermore, we will continue to diligently address SCQ as we have done previously. "S" stands for Safety & Health, and part of this is eliminating occupational accidents. In the fiscal year ended March 2025, we conducted a Company-wide questionnaire. Our findings indicated that both management and on-site employees have little confidence that all accidents can be eliminated. Some areas exhibited

the attitude that accidents are inevitable. We must thoroughly address this issue. Since the latter half of last year, we have intensified our efforts and are determined to eliminate all occupational accidents as a fundamental pillar of the Company. "C" stands for Compliance & Environment, and there has been an increasing trend in incidents, including harassment and drunk driving. It could be said that things that were previously hidden are now coming to light, but the number of cases is increasing, and we will work diligently to eliminate them. "Q" stands for Quality, and in relation to this element, we have transitioned from preventive measures to ensure defective products are not provided to customers to a proactive quality management approach. This involves implementing controls while thoroughly managing trends within processes before defects occur. We plan to further accelerate this shift, ultimately leading to a reduction in customer complaints.

Conclusion

The fiscal year ending March 2026 will be a crucial year for enhancing the corporate value of the Group going forward. We will work as a unified Group with a sense of urgency to achieve business foundation restructuring and financial structure improvement, while clearly demonstrating to our stakeholders our vision for medium- to long-term growth and our path to becoming a globally competitive company. I am determined to drive the enhancement of the Group's corporate value with ambition and passion. I ask for your understanding and cooperation as we work toward these goals.