

## Improving Our Financial Position

### Message from the Chief Financial Officer

#### Kayo Hirano

Managing Executive Officer; CFO  
Responsible for: Responsibilities of the CFO, Procurement & Logistics



**To build a solid financial foundation for sustainable growth, I will work to strengthen cash generation, reduce interest-bearing debt, and improve investment efficiency**

I was appointed Managing Executive Officer and CFO in April 2025 and am responsible for financial management under the new management team.

We achieved year-on-year increases in revenue and profits for the fiscal year ended March 2025, but our performance outlook for the fiscal year ending March 2026, the final year of Phase 1 of Medium-term Management Strategy FY2031, is significantly different from what was initially planned.

The reasons for this include weaker-than-expected semiconductor and automobile market conditions, a decline in short-term investment returns due to the cancellation or postponement of some investment plans, a lack of expected returns on already implemented investments, and a decline in profits in the Metals business due to a deterioration in TC/RC, which represents smelting margins.

In this environment, we are currently embarking on fundamental structural reforms. I recognize that my role here is to adjust our investment allocation methods, improve investment efficiency, strengthen our cash generation capabilities, and reduce interest-bearing debt in order to build a solid financial foundation for achieving our vision for 2030 and sustainable growth, and I am promoting efforts to achieve these goals.

Structural reforms involve recording temporary losses and expenditures, but by thorough selection and concentration of investments and ensuring a balance with revenue, we will contribute to improvement of financial soundness and enhancing corporate value.

## Improving Our Financial Position

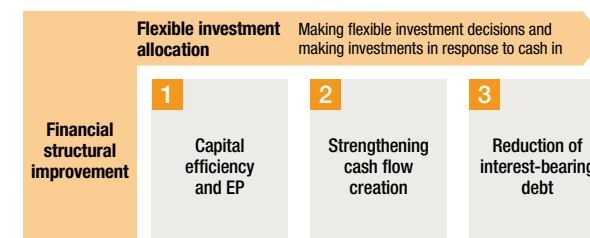
**We will steadily implement the other pillar of foundational structural reform, improving our financial position, linking this to increased corporate value.**

### Direction of Our Financial Position

In light of Medium-term Management Strategy FY2031 and the current situation, we recognize the following challenges: (1) The FY2031 Strategy is a business strategy and investment plan based on an assumption of increased demand, and has not been sufficiently revised for major changes in the external environment. (2) We must allocate investments across the Group taking into account the risk/return of investments and the timing of benefits. (3) We must shift to a smelting business centered on raw materials for recycling and expedite the establishment of a resource circulation loop in case TC/RC does not recover quickly.

We will work to improve our financial position and transition to a system that allows for flexible investment allocation, such as making agile investment decisions and investing according to cash inflow.

In improving our financial position, we will focus on the following three points.



### Related Information:

Integrated Report, P29 ▶ Progress of the Medium-term Management Strategy FY2031 (Current Status)

### Status of Cost Reduction

(Unit : Billions of yen)

Cost reduction plan		FYE March 2024		FYE March 2025		FYE March 2026	
		FY2031 Strategy plan	Result	FY2031 Strategy plan	Result	FY2031 Strategy plan	Forecast
Metals	•Reduction of hedging costs, slag costs, and energy costs	0	4.7	0.01	10.0	2.6	14.0
Advanced Products	Copper & Copper Alloy •Yield rate improvement, fixed cost reduction (labor, outsourcing, etc.) Electronic Materials & Components •Fixed cost reduction (labor, etc.), productivity improvement	1.7	1.6	2.4	3.0	3.2	5.4
Metalworking Solutions	•Reduction of manufacturing costs •Cost reduction at subsidiaries	0.9	2.1	1.9	3.7	3.0	5.7
Renewable Energy	•Reduction of operating expenses of power plants •Improvement of operational efficiency through automatic operation of power plants, etc.	0	0.03	0.02	0.03	0.02	0.05
Total business		2.6	8.4	4.4	16.8	8.8	25.2

## Improving Our Financial Position

To improve capital efficiency and EP (economic profit), we will work to increase ROIC, which we have introduced as a management indicator engaging in activities to improve EP (EP is calculated by multiplying the ROIC spread, which is the difference between ROIC and WACC by business, by invested capital)

To improve capital efficiency, we have set ROIC as an improvement indicator for each business and perform reporting and management on a monthly basis. In order to drive on-site improvement, we have broken down ROIC and clarified the drivers of improvement. We then set KPIs for each site and are working on these initiatives. Furthermore, on the sales side, we are promoting price revisions and shorter payment times, and on the production side, improving yields and reducing inventory to reduce costs.

We also improve capital efficiency across the entire Group through the Company-wide implementation of measures such as working capital enhancements, investment plan reviews and capital allocation monitoring.

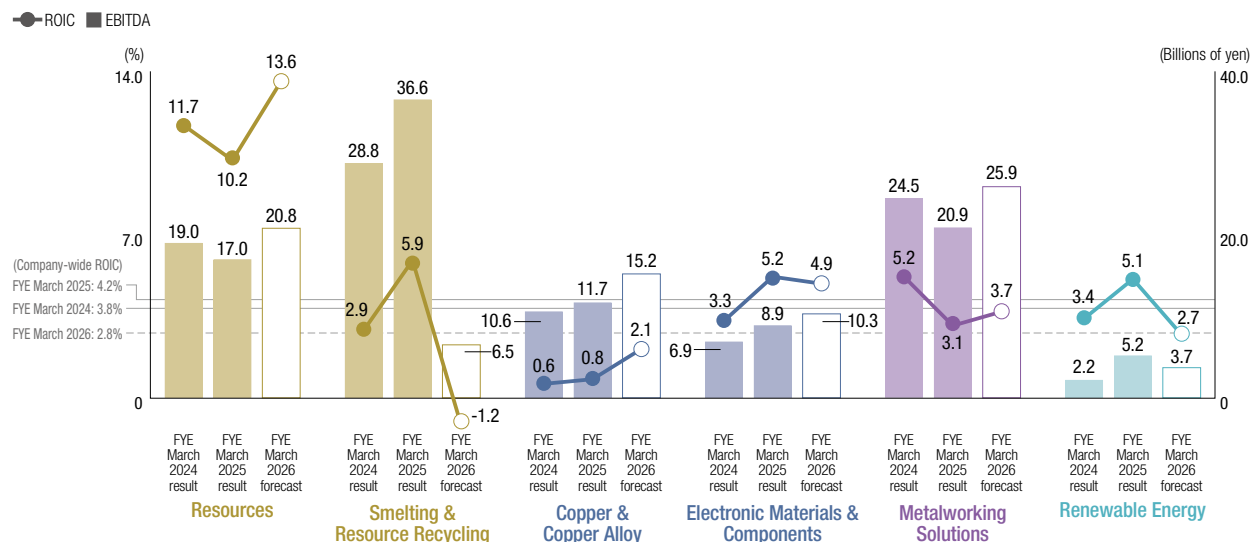
In addition, we will flexibly and appropriately control investment allocation, such as by making investment decisions based on operating cash flow, to strengthen our cash flow generation capabilities and reduce interest-bearing debt.

### Utilizing the Cash Management System

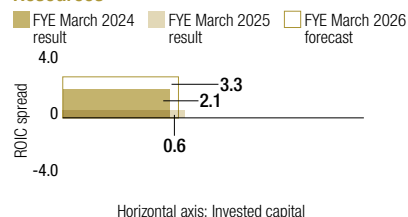
By introducing a cash management system, the Group is striving to centralize the management of surplus funds at domestic and overseas Group companies and improve capital efficiency. As part of this, in the third quarter of the fiscal year ended March 2025, we began operating a global cash management system (notional pooling) for our European subsidiaries. In the fiscal year ending March 2026, we plan to introduce cash pooling in China, Thailand, and other countries, and will work to further improve capital efficiency on a global basis.



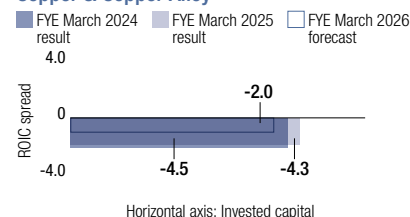
ROIC and EBITDA (top) / EP (bottom) by Business Segment: FYE March 2024 and 2025 Results and FYE March 2026 Forecast



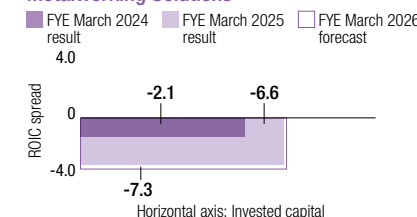
#### Resources



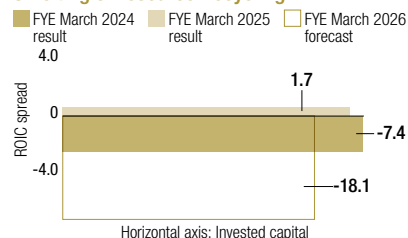
#### Copper & Copper Alloy



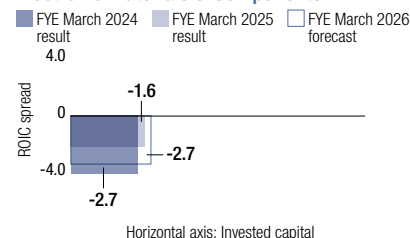
#### Metalworking Solutions



#### Smelting & Resource Recycling



#### Electronic Materials & Components



#### Renewable Energy

