

# Investor Conference

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November 14, 2023

Chief Executive Officer  
Naoki Ono

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## 1. Outlook for FY March 2024

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## Trends in the External Environment

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<b>Copper price</b>	<ul style="list-style-type: none"><li>● Copper price fell due to oversupply with inventories at LME-designated warehouses more than tripling in less than three months as a result of sluggish demand in China. In October, the price fell below the milestone of \$8,000 per ton, reaching a four-month low.</li></ul>
<b>Foreign Exchange</b>	<ul style="list-style-type: none"><li>● The dollar-yen rate hit a one-year low, reaching a milestone of 150 yen to the dollar in late October, as interest rate differential between the Japanese yen and the U.S. and European currencies widened.</li><li>● The yen continued to depreciate, with the euro-yen exchange rate hitting ¥160 per euro in late October, the highest level in 15 years.</li></ul>
<b>Automotive-related</b>	<ul style="list-style-type: none"><li>● In the automobile market, demand from auto manufacturers and Tier1 companies continued to recover as the semiconductor shortage moved toward an end, but demand from materials manufacturers did not recover.</li><li>● Orders in the Copper &amp; Copper Alloy business are currently on a recovery trend, and earnings from the business are expected in the H2.</li></ul>
<b>Semiconductor-related</b>	<ul style="list-style-type: none"><li>● The semiconductor market is stagnant due to lower sales of device makers.</li><li>● Demand remains weak, and the recovery is expected to be delayed from FY2024 H2 to FY2025 H1.</li></ul>

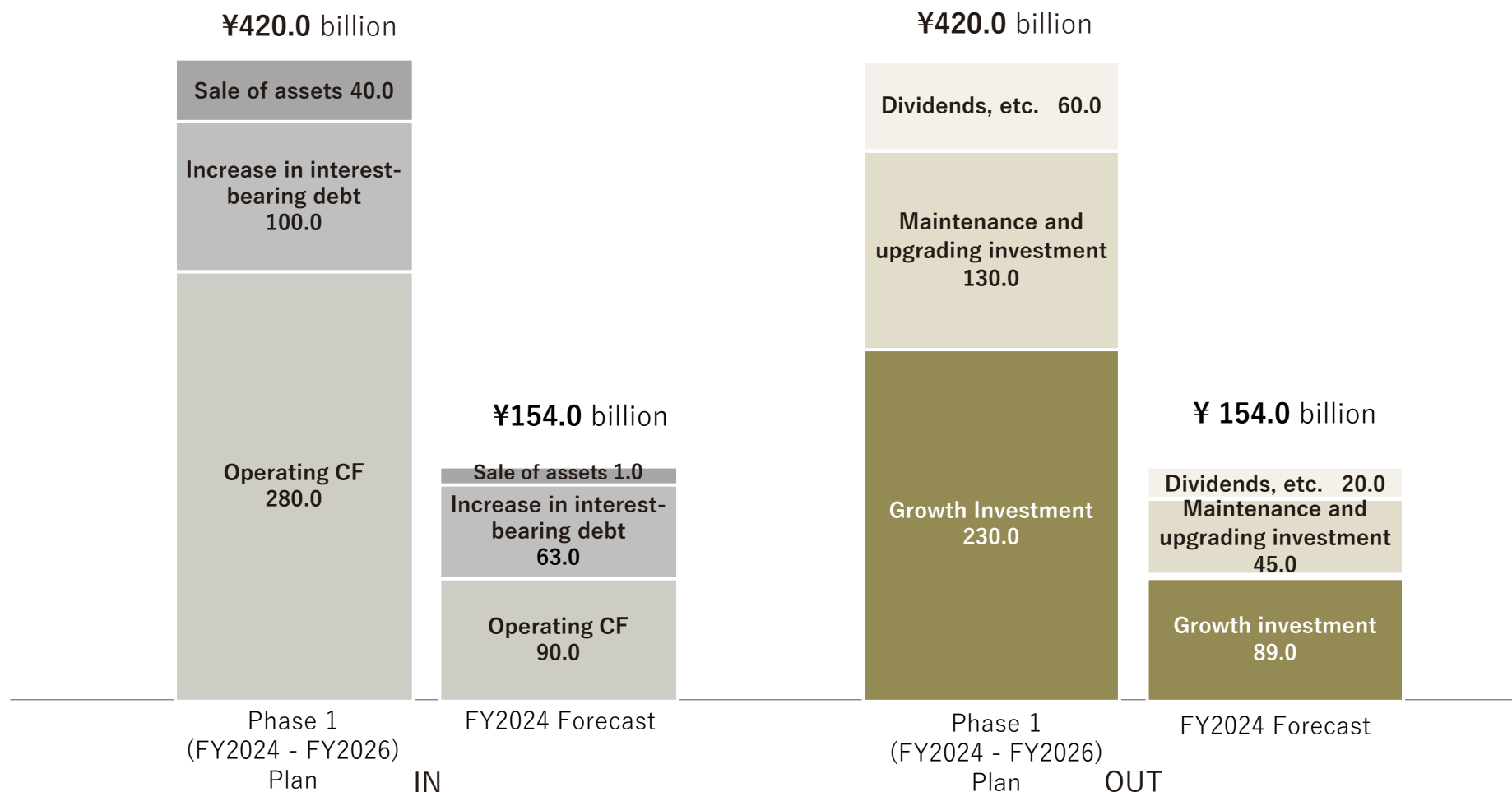
## Financial Plan for the FY2031 Strategy

- The earnings forecast for FY2024 is expected to show a decrease in ordinary profit compared to the previous forecast, but demand is expected to recover going forward. We consider that the FY2031 Strategy targets (FY2026 and FY2031) can be sufficiently achieved by implementing the measures set forth in the FY2031 Strategy (described on page 10 and later) and strengthening competitiveness through cost reduction (described on page 8).
- Dividend payout ratio is targeted to be 30%, and the Company plans to pay a dividend of ¥94 per share for FY2024.

		FY2023 Result	FY 2024 Forecast			FY2026 Plan	FY2031 Target
			Previous (May 12)	Current (November 9)	Change		
Net sales (Net sales excluding metal)	Billions of yen	1,625.9 (608.0)	1,670.0 (706.0)	1,660.0 (604.0)	-10.0 (-102.0)	1,940.0 (690.0)	2,000.0 (850.0)
Operating profit	Billions of yen	50.0	50.0	40.0	-10.0	70.0	130.0
Ordinary profit	Billions of yen	25.3	58.0	56.0	-2.0	87.0	180.0
ROIC	%	1.4%	4.1%	4.0%	-0.1	5.5%	9.0%
ROE	%	3.5%	6.8%	6.3%	-0.5	10.0%	13.6%
EBITDA	Billions of yen	75.7	113.0	110.0	-3.0	150.0	260.0
Net D/E ratio	Times	0.7	0.7	0.7	-	0.7	0.5 or less
Net interest-bearing debt /EBITDA ratio	Times	5.2	4.1	4.1	-	3.5	2.0 or less
Dividends (annual)	Yen	50	94	94	-		

# Capital Allocation

- Cash inflows are expected to be ¥154.0 bn, almost in line with the Phase 1 (FY2024 - FY2026) plan of ¥420.0 bn.
- Operating CF is almost in line with the plan at ¥90.0 bn, with an increase in interest-bearing debt ahead of schedule and no major increase expected from asset sales this fiscal year.
- Cash outflows are generally progressing as planned. Going forward, we will carefully review projects and consider their compatibility with our mission and the balance between “maintenance and upgrading investment” and “growth investment.”



# Ordinary Profit and ROIC by Business

- The Copper & Copper Alloy and Electronic Materials & Components businesses revised downward its previous forecast for FY2024 (Billions of yen)

			FY2023 Result	FY2024 Forecast			FY2026 Plan	FY2031 Target
				Previous (May 12)	Current (Nov. 9)	Change		
Metals Company	Resources Business WACC:9.7%	Ordinary profit	2.4	13.0	11.7	-1.3	11.4	48.3
		ROIC	1.1%	9.2%	5.7%	-3.5	9.0%	18.6%
	Smelting & Resource Recycling Business* WACC:5.4%	Ordinary profit	25.9	21.1	23.5	+2.4	27.0	35.0
		ROIC	8.3%	5.3%	6.1%	+0.8	7.1%	7.6%
Advanced Products Company	Copper & Copper Alloy Business WACC:2.7%	Ordinary profit	-0.0	6.7	1.8	-4.9	12.4	16.4
		ROIC	0.6%	2.8%	1.4%	-1.4	4.0%	5.0%
	Electronic Materials & Components Business WACC:7.4%	Ordinary profit	7.7	6.3	2.7	-3.6	8.6	20.4
		ROIC	8.7%	6.5%	3.1%	-3.4	7.8%	14.2%
Metalworking Solutions Company	Metalworking Solutions Business WACC:6.5%	Ordinary profit	14.5	15.2	15.6	+0.4	25.0	52.7
		ROIC	6.9%	6.5%	7.0%	+0.5	8.6%	13.1%
Renewable Energy Business WACC:1.6%		Ordinary profit	0.9	0.4	0.5	+0.1	2.3	4.3
		ROIC	3.8%	2.4%	2.4%	-	3.7%	4.7%
Total WACC:4.1%		Ordinary profit	25.3	58.0	56.0	-2.0	87.0	180.0
		ROIC	1.4%	4.1%	4.0%	-0.1	5.5%	9.0%

\* Figures for FY March 2023 Result in the Metals Company are after segment reclassification.

## Strengthening Cost Competitiveness

- As part of the measures under the FY2031 Strategy, the Company will implement cost reduction plans totaling approx. ¥9.0 bn by FY2026 and approx. ¥24.0 bn by FY2031.
- In this fiscal year, considering the harsh economic conditions, we expect to achieve a total cost reduction of ¥7.2 bn, ahead of next year's plan of ¥4.4 bn, by taking additional measures besides the initial plan.
- However, in this fiscal year, the Advanced Products business will not achieve the expected cost reduction plan due to lower sales.

(Billions of yen)

Cost reduction plan, progress, and additional measures for FY2024		Total cost reduction					
		FY2024 Plan	FY2024 Forecast	FY2024 Additional Measures	FY2024 Total Cost Reduction	FY2025 Plan	FY2026 Plan
Metals	<Plan and Progress> Plan to reduce costs by increasing the processing capacity of copper concentrate in Naoshima, but the effect is expected to start in FY2026. <Additional> Energy and slag cost reduction, etc.	0.0	0.0	3.6	3.6	0.01	2.6
Advanced Products	<Plan> Improvement of yield rates, marginal profit, etc. <Progress> Expected to fall short due to a decrease in lower sales <Additional> Outsourcing and labor cost reduction	1.7	1.0	0.4	1.4	2.4	3.2
Metalworking Solutions	<Plan>Cost reduction by the development of smart factories <Progress>Generally on par with the plan <Additional>Accumulation of cost reductions for non-consolidated and subsidiaries	0.9	0.9	1.2	2.2	1.9	3.0
Renewable Energy	<Plan and Progress>Preparations are underway to improve operational efficiency through automated operation <Additional>Reduction of power plant operating expenses, etc.	0.0	0.0	0.03	0.03	0.02	0.02
Total		2.6	2.0	5.2	7.2	4.4	8.8



## **2. Progress on Major Initiatives of the FY2031 Strategy**

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# Medium-term Management Strategy FY2031 (the FY2031 Strategy)

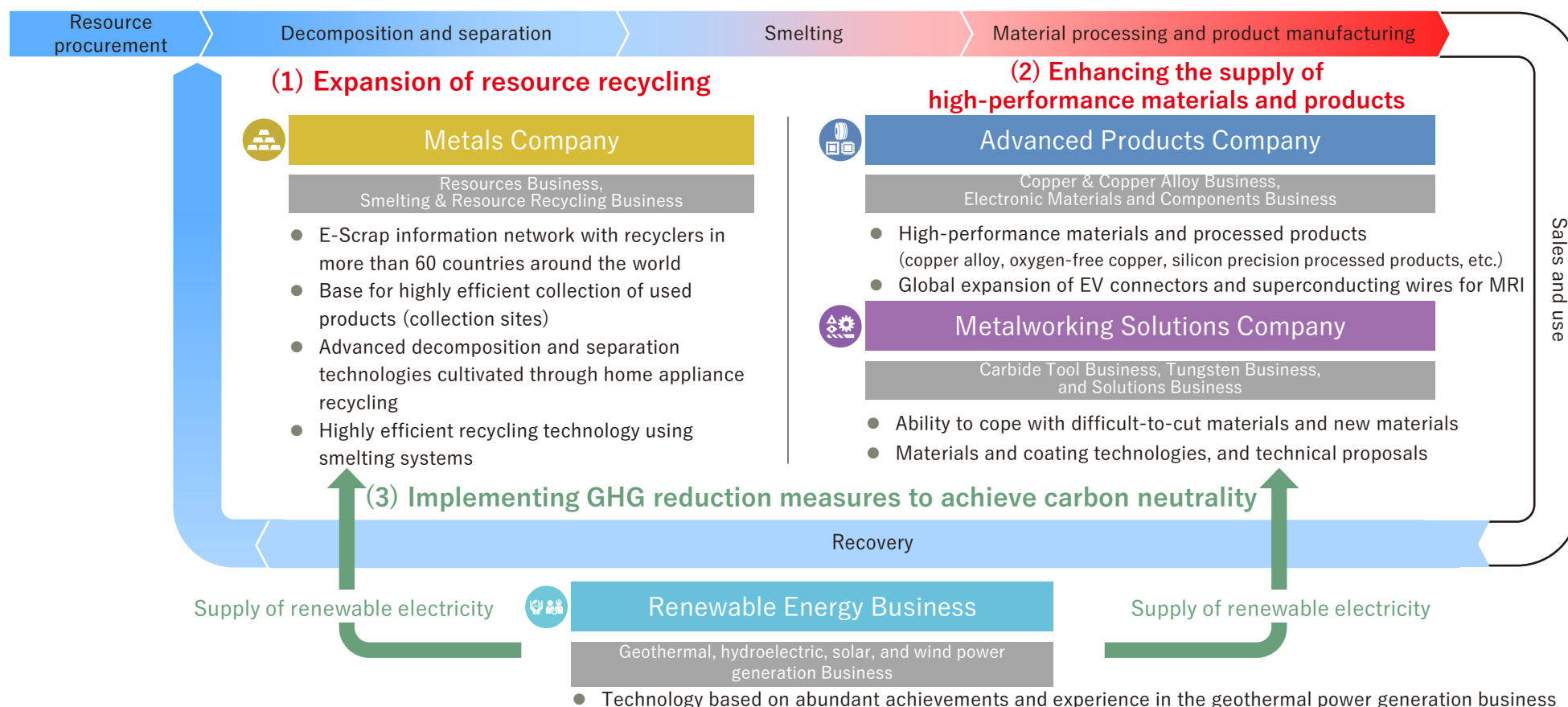
For people, society and the earth, circulating resources for a sustainable future

Prosperous  
society

Recycling-  
oriented society

Decarbonized  
society

Build a recycling system of metal resources based on our strengths and realize growth throughout the value chain by expanding the scope, regions, and scale of our operations



\*The Environmental & Recycling business was integrated into Metals Company in April 2023, and the Renewable Energy business was reorganized under the Strategic Headquarters.

## **(1) Expansion of Resource Recycling**

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# Expansion of Resource Recycling

- In terms of resource recycling, we will expand the scope, regions and scale of our operations based on trends and laws and regulations in each country and region.

## Expanding the Scope of Resource Recycling

- **E-Scrap recycling** (capacity improvement)
- **LIB recycling** (pilot plant under design)
- **In-process recycling of the Copper & Copper Alloy business** (cost reduction, load reduction in copper smelters → increasing throughput of E-Scrap)
- **Cobalt recovery at a copper mine** (Mantoverde mine, Chile)
- **Tungsten recycling** (cutting tools, collaboration under consideration)
- **Recycling Center initiative**  
(realization of efficient processing through consolidation of mixed recycled parts derived from home appliance and automotive)

## Expanding Business Regions

Economic bloc, enclosure of important mineral resources

Japan: Economic security

USA: IRA law

EU: Various regulations



**Toward intra-regional circulation**

- **Enhancement of E-Scrap recycling model**  
Collection from various parts of the world → Recovery of valuable metals at domestic smelters
  - Establishment of sampling centers
  - Enhancement of smelting and pretreatment capacity of copper smelters  
→ Enhancement of E-Scrap processing capacity
  - Investment in copper mines  
→ Securing copper concentrates with low impurities in accordance with the increased E-Scrap input, and capturing profits when copper price rises
- **Investment in Exurban**
  - Participating in the construction and operation of a recycling plant in Indiana, USA
  - Expansion outside the USA

# Status of Mine Development

- Continuous investment in mines to acquire interests and secure stable supply of copper concentrate as planned.
- We have initiated a new mine development project, the Casino Copper-Gold Project.



## ● Los Pelambres Copper Mine (expansion)

- The seawater desalination plant has been completed and is undergoing start-up work
- The expansion of the concentrator is scheduled to be completed in late December 2023

**Expect to increase ore processing throughput at the concentrator after both facilities are in full operation**

## ● Mantoverde Copper Mine (under development)

- Construction of the concentrator is expected to be completed in 2023
- Target to start full-scale production in 2024 after commissioning



## ● Zafranal Project (under development)

- Received regulatory approval from the authority in May 2023
- Advance the development of engineering plans
- Full-scale production is planned to begin in 2028

Secure approx. 150,000 tons of copper concentrate

Approx. 300,000 tons

Approx. 400,000 tons

Approx. 500,000 tons or more

FY2024

FY2025

FY2029

FY2031

## ● New mine development: Casino Copper-Gold Project

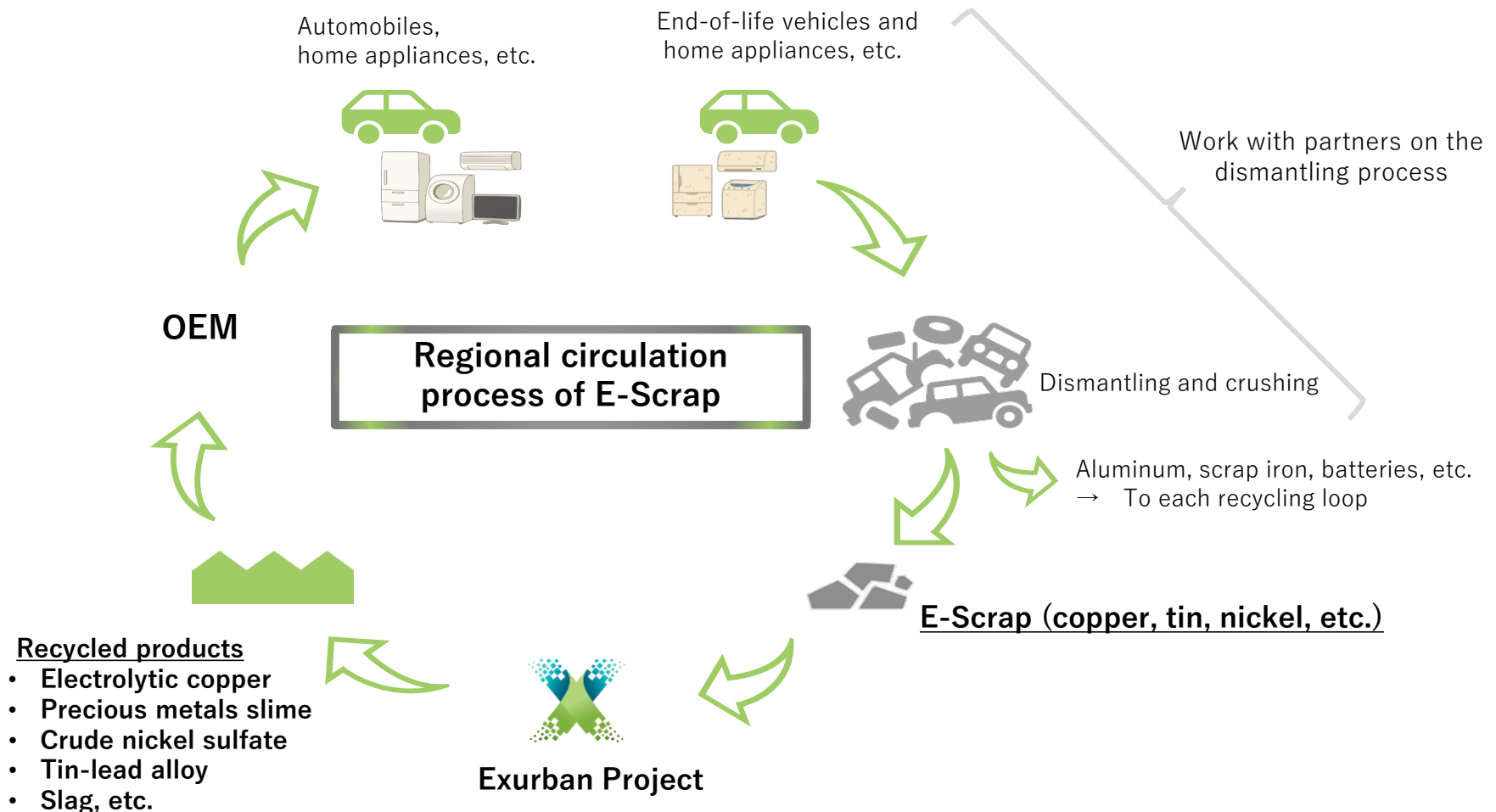
- Verify the feasibility and economics of the Casino Project through technical committee meetings with Western Copper and Gold Corporation



# Exurban Project

- We have participated in the project to create a foothold for the establishment of regional bases to compensate for the reduction in shipments from the U.S., as regional circulation and local consumption are expected to increase in the U.S.
- We aim to provide solutions for the establishment of resource circulation mechanisms with Exurban.
- The Feasibility Study of a new recycling plant construction project in Indiana is scheduled to be completed by the end of this year. The Capex is estimated at US\$350 million in the Pre-Feasibility Study.

< Examples of automobiles and home appliance recycling >

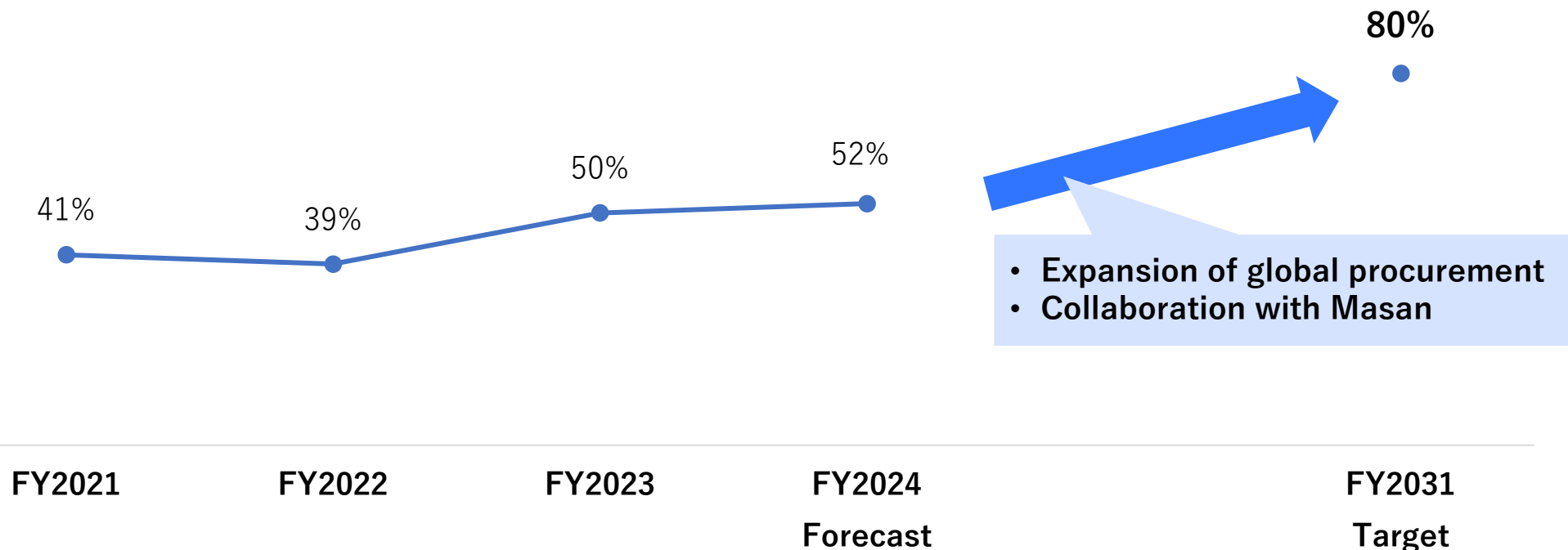




## Increasing the Proportion of Recycled Tungsten Materials in Cemented Carbide Tools

- Under the FY2031 Strategy, we plan to increase the proportion of recycled tungsten materials in cemented carbide tools (target is 80% in FY2031).
- Currently expanding procurement of used cemented carbide tools on a global basis.
  - The procurement ratio in North America and South America has steadily increased in the last 3 years (FY2021: 22% → FY2023: 32%).
  - Initiatives to increase scrap collection in Europe, where the volume of scrap handled is low, have started.
- Also considering collaboration with Masan High-Tech Materials (Masan) to expand recycling processing capacity.

Trends in the ratio of recycled tungsten materials in cemented carbide tools  
(Including Group companies)



## **(2) Enhancing the Supply of High-performance Materials and Products**

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## Strengthening the Copper & Copper Alloy Business's Production System

- Aiming to become a global first supplier, we will strengthen and expand our core business, challenge global markets, and strengthen our production structure for further increasing market share.
- The expansion of forging facilities at the Sakai Plant has been completed, and the plant commenced operations in July 2023 as scheduled. The plant will work with the sales division, and Sambo Plant which is responsible for secondary processing, to advance production and improve operational efficiency and inventory optimization.
- Additionally, we will build an efficient production system through the use of DX.
- Construction work to increase production, which will start operation next fiscal year, is progressing steadily at Sambo and Wakamatsu Plants.

### Increase production of billet & cake products (castings) as raw materials



### Increase production of copper sheet and strip products



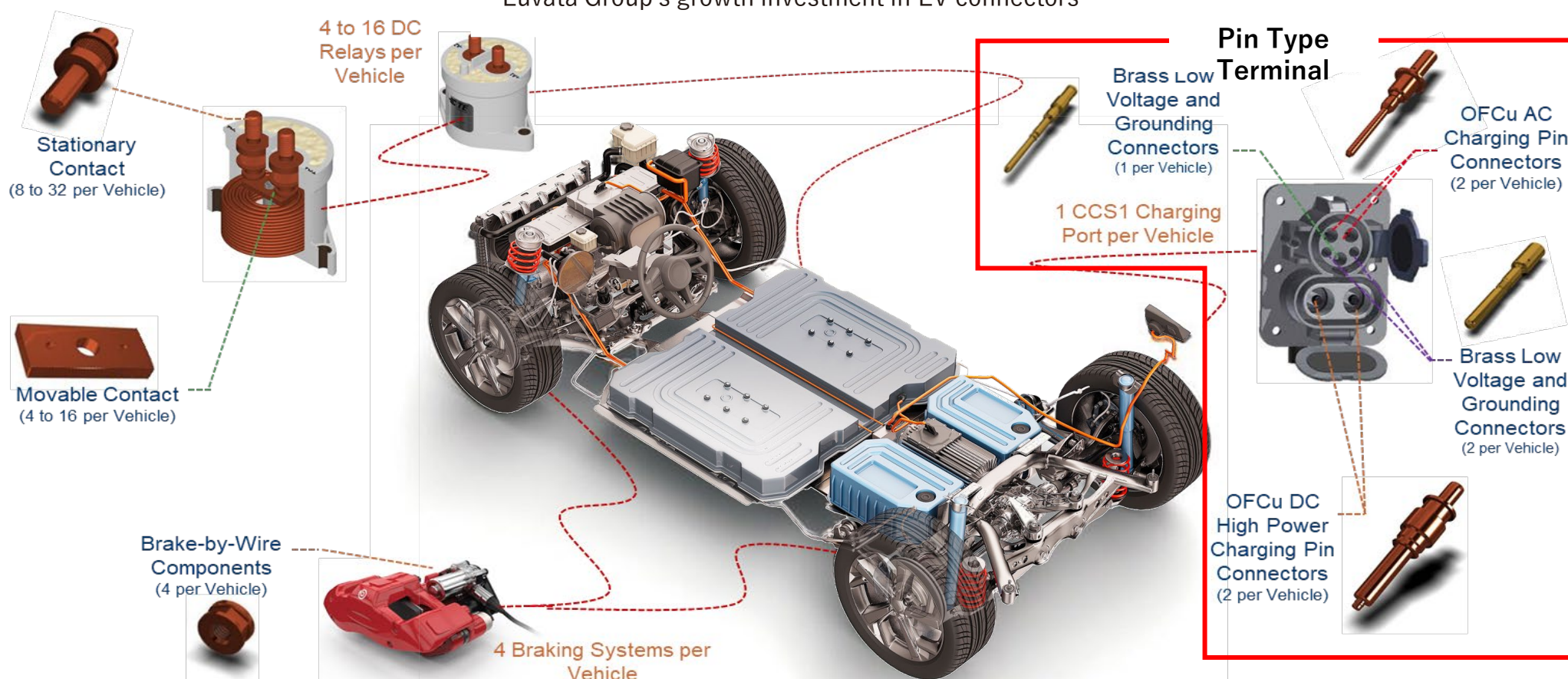
		Sakai Plant	Sambo Plant	Wakamatsu Plant
Location		Sakai City, Osaka Prefecture	Sakai City, Osaka Prefecture	Aizuwakamatsu City, Fukushima Prefecture
Plan	Increase in production	Increase production by 30% compared to FY2022		
	Investment	Enhancement of casting facilities	Expansion of cleaning machine, slitter, and packaging machine	Expansion of slitters and packaging machines and enhancement of reflow tin plating line
	Schedule	Started operation in July 2023	Scheduled to begin operation in August 2024	Scheduled to start operation in May 2024 *
Progress (May → November)		95%→100%	55%→74%	60%→79%

\*The expansion of the reflow tin plating line began operation in September 2023

# Luvata Group's Growth Investment in EV Connectors

- Utilize the cold forging technology cultivated in the welding electrode business to expand sales of pin-type terminals in the expanding EV market.
- Capital investment is progressing to establish production systems in the Americas, Europe and Asia.
- In the Americas, mass production has already started ahead of other regions. Demand is strong, and we will continue to expand production.
- The market is expected to grow along with the increase in EV production, with an expected average annual growth rate of 21% through 2029.

Luvata Group's growth investment in EV connectors



# Cemented Carbide Tools Business

## - Autonomous Business Development in Strategic Markets -



- To increase overseas production capacity, we plan to invest ¥15.0 bn in Europe and the U.S. and ¥9.5 bn in Asia by FY2031, thereby strengthening development functions and expanding inventories of the bases to meet the needs of each region.
- In light of the large size of the European market and the expected growth in the aircraft market, eastern Europe, and other areas, the expansion of the Spain plant began this fiscal year.
- By shifting from exports from domestic plants in Japan to shipments from plants optimally located close to the place of consumption, we will optimize our supply chain and strengthen our BCP response.



Products manufactured in the Spain plant	Completion date	Planned manufacturing capacity improvement
Insert	by around 2028	5 to 10 times
Drill and End Mill	by around 2030	more than 1.5 times



# Building Smart Factories Using DX

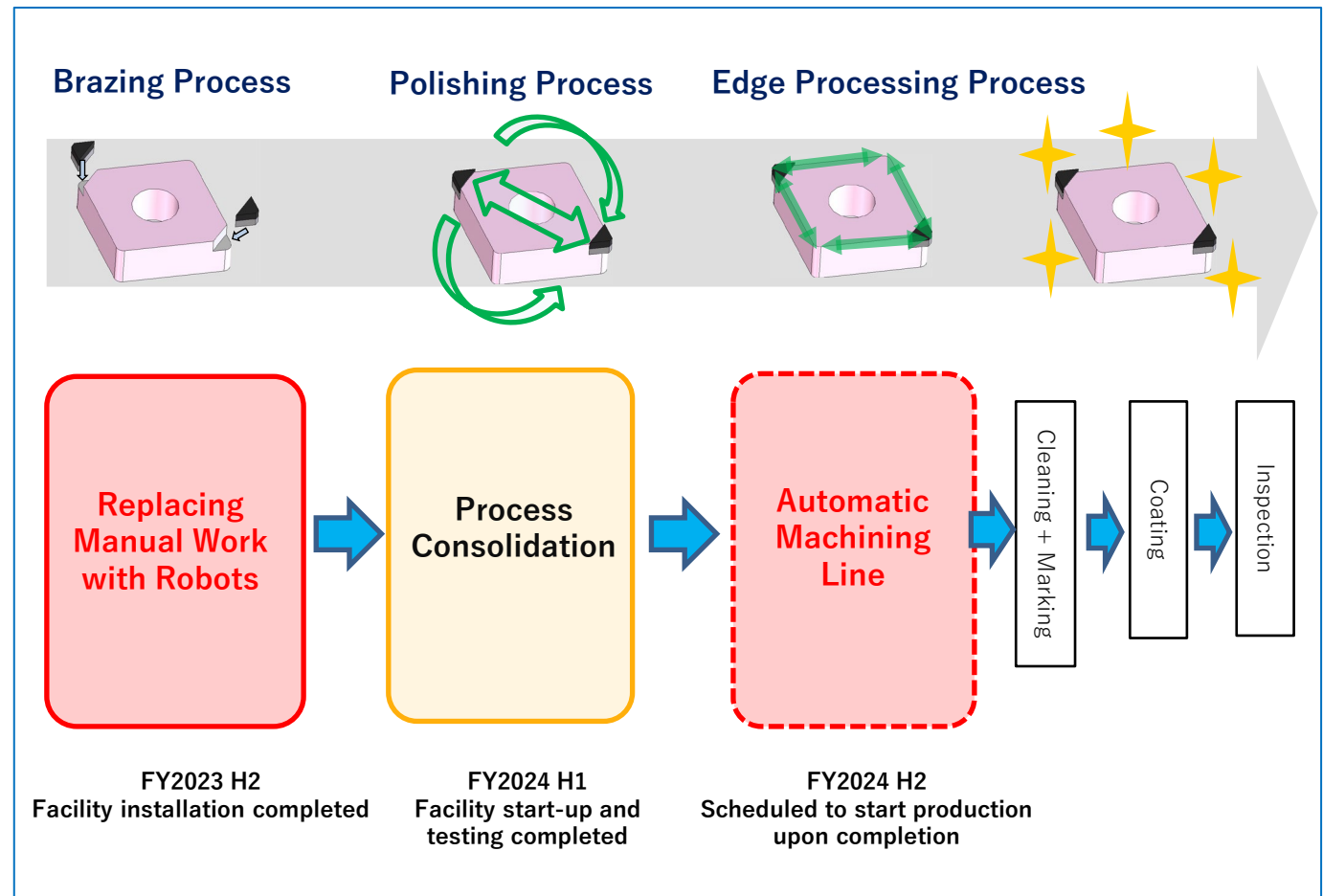
- Metalworking Solutions Company plans to reduce manufacturing cost by 1% per year by establishing smart factories.
- Gifu Plant is taking a lead and has already set up an automated manufacturing model line for cemented carbide drills, its main product. An automated manufacturing line for CBN inserts is scheduled to be built by the end of this fiscal year.

## Smart Factory

Connect	“Connected factory” that uses Big Data and networks to connect headquarters, factories, and customers
No Stop	“Unstoppable factory” that realizes highly automated lines through machine autonomy
Zero Loss	“Zero Loss factory” that does not produce defective products and never wastes materials



## Building an automated manufacturing line for CBN\* inserts



### **(3) Supply of Renewable Electricity**

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# Construction of Appi Geothermal Power Plant

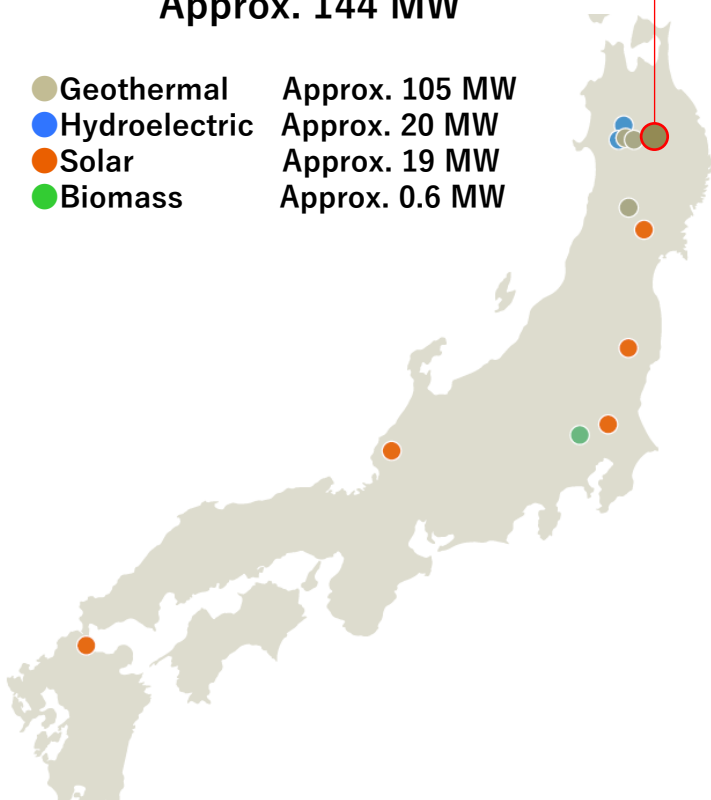
- The construction of Appi Geothermal Power Plant has started in Hachimantai City, Iwate Prefecture, and is steadily progressing toward the commencement of operation in April 2024. With the operation of the plant, the installed capacity of renewable energy power generation is expected to increase by about 10% to about 159 MW.
- In order to expand the Renewable Energy business, we plan to develop one new geothermal power plant every three years, and conduct surveys for new geothermal development in several regions.

## Renewable Energy Power Station

### Installed capacity of renewable energy power generation (current)

**Approx. 144 MW**

● Geothermal	Approx. 105 MW
● Hydroelectric	Approx. 20 MW
● Solar	Approx. 19 MW
● Biomass	Approx. 0.6 MW



### Appi Geothermal Power Plant

Location: Iwate Prefecture  
Project: Appi Geothermal Co., Ltd.  
Output: 14.9 MW  
Scheduled to commence operation in April 2024



### New geothermal power generation area

- **Esan area (Hokkaido)**
  - July to September of 2023: long-term fumarolic test.
  - After September 2023: reservoir assessment, business scale decision, etc.
- **Komonomori area (Akita prefecture)**
  - In FY2024, new forest roads and drilling sites were constructed.
  - Preparation for exploration drillings started from October.
- **Appi River upstream area (Iwate prefecture)**
  - In FY2024, environmental surveys and geological and alteration zone surveys were planned, and the environmental surveys were already completed in June.

### **3. Management Focused on Capital Cost and Stock Price**

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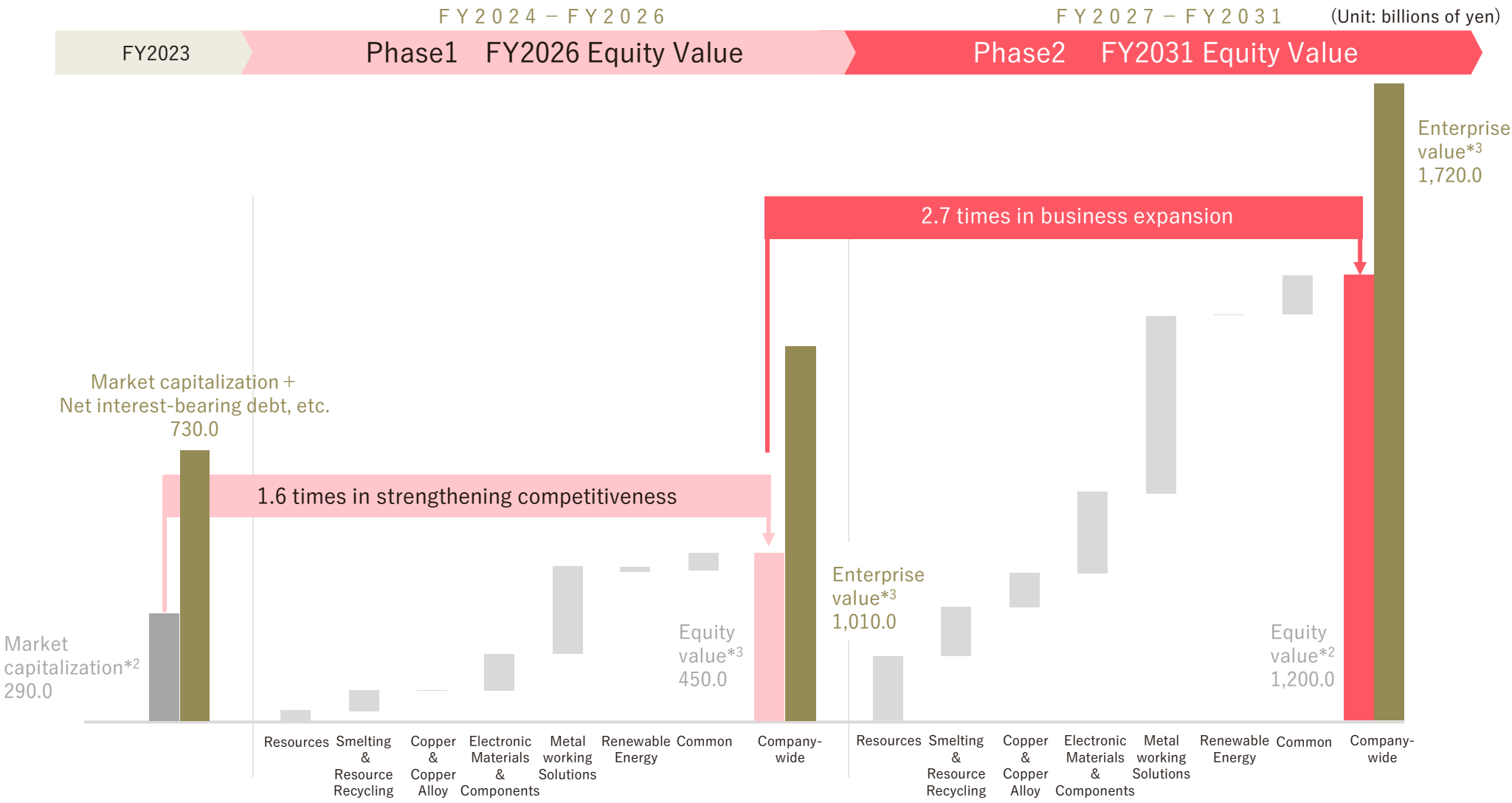
# Initiatives to Improve PBR in the FY2031 Strategy

Recognition of issues	<p>The PBR at the end of FY2023 was 0.5 times, far less than 1 time. PBR is divided into ROE and PER; ROE is 3.5% and PER is 14.3 times, with ROE being particularly low.</p>	
PBR recovery plan	<ul style="list-style-type: none"> <li>● Recovery to ROE above 10%: achieving the ROE target of 10.0% in FY2026 based on the FY2031 Strategy</li> <li>● Continuing to achieve ROE above 10%: maintaining and improving ROE above 10.0% from FY2027 to achieve the ROE target of 13.6% in FY2031</li> <li>● Demonstrating stable growth with little fluctuation in earnings through the above process and supporting the execution of the FY2031 Strategy, thereby raising future growth expectations and improving PER</li> </ul>	
	ROE Improvement	<p><u>Improving profitability</u></p> <ul style="list-style-type: none"> <li>● Lowering the break-even point by reducing fixed costs (production cost reduction, yield rates improvement, SG&amp;A cost reduction) (Total cost reduction of about ¥24.0 bn by FY2031, ratio to operating profit about 13% in FY2026 and about 19% in FY2031)</li> <li>● Investing in medium- to long-term growth areas such as resource recycling and expanding the scope and regions (Maximize ROIC spread and economic profit (ROIC spread x invested capital) for all businesses by FY2031)</li> </ul>
	PER Improvement	<ul style="list-style-type: none"> <li>● Stable growth of earnings through formulation and implementation of the FY2031 Strategy, which is a medium- to long-term growth strategy (Ordinary profit target FY2026: ¥87.0 bn, FY2031: ¥180.0 bn)</li> <li>● Stable shareholder return (aim to achieve a dividend payout ratio of 30% by FY2026 and further increase thereafter)</li> <li>● Enhance sustainability activities by formulating and implementing materiality and important themes, measures and KPIs</li> <li>● Implement strategies in line with the FY2031 Strategy, improve the expected growth rate by improving business performance, and reduce the cost of equity</li> </ul>



# Enhancing Equity Value and Enterprise Value (by SOTP\*1 valuation)

- Under the Medium-term Management Strategy FY2031, the Company aims to grow EBITDA and improve its balance sheet to increase its equity value and enterprise value, and to achieve approximately four times its equity value by FY2031

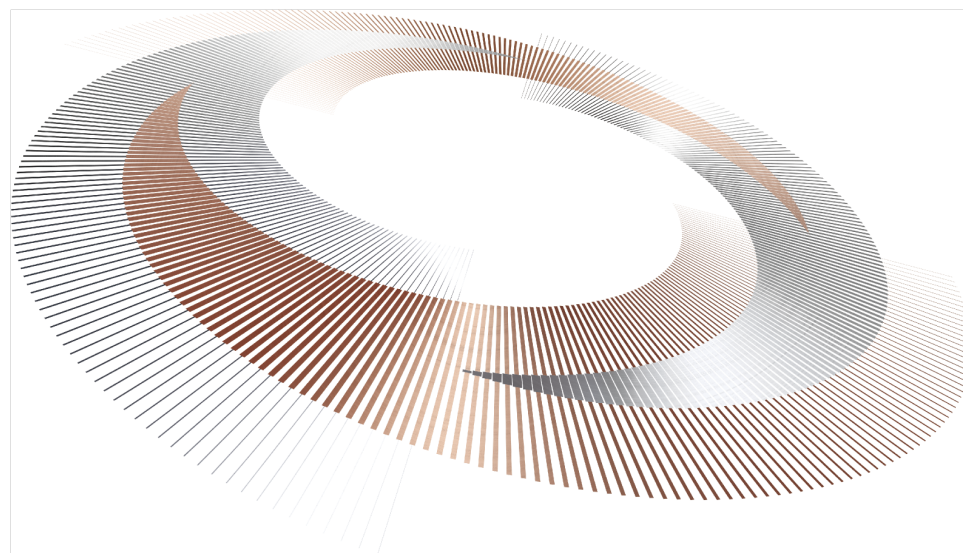


※1 Sum-of-the-Parts  
※2 Equity value for FY2023 is as of the end of January 2023  
※3 Enterprise value is calculated by multiplying EBITDA for each business by a multiple that takes into account the same industry, and net interest-bearing debt is deducted from enterprise value to calculate equity value  
Enterprise value and equity value are figures calculated independently by the Company using SOTP analysis based on the business performance forecast of the FY2031 Strategy and the Company does not guarantee the stock price

## Implementation of Dialogue with Shareholders and Investors

- The Basic Policy on Corporate Governance specifies constructive dialogue with shareholders and investors
- Opinions obtained from shareholders and institutional investors are regularly reported to the Board of Directors and senior management to enhance IR
- In FY2023, we actively engaged in dialogue with domestic and overseas shareholders and institutional investors (depending on the content, analysts, voting persons, etc. also participated)

Subject	FY2023 Initiatives	Responder
<b>Institutional investors/analysts (Japan)</b>	Quarterly Financial Results Briefing	CFO
	Half-yearly Investor Conference/ Business Segment IR Meeting	CEO/CFO/Executive Officers (Company President)
	Sustainability IR Meeting	CEO/CFO/CGO/CHRO
	Small Meeting	CEO/CFO/Outside Directors (Chairpersons)
	Individual interviews	CFO, etc.
	Factory tour	General Manager of a business base, etc.
<b>Institutional investors (Overseas)</b>	Individual interviews	CEO/CFO, etc.
	Participation in investment conferences	CFO, etc.
<b>Individual shareholders Individual investors</b>	Briefings for individual investors	General Manager, Corporate Communications Dept.



For people, society and the earth, circulating resources for a sustainable future



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