MITSUBISHI MATERIALS

Mitsubishi Materials Corporation

Progress and Outlook of the Medium-term Management Strategy FY2031

May 21, 2024

[Speakers]

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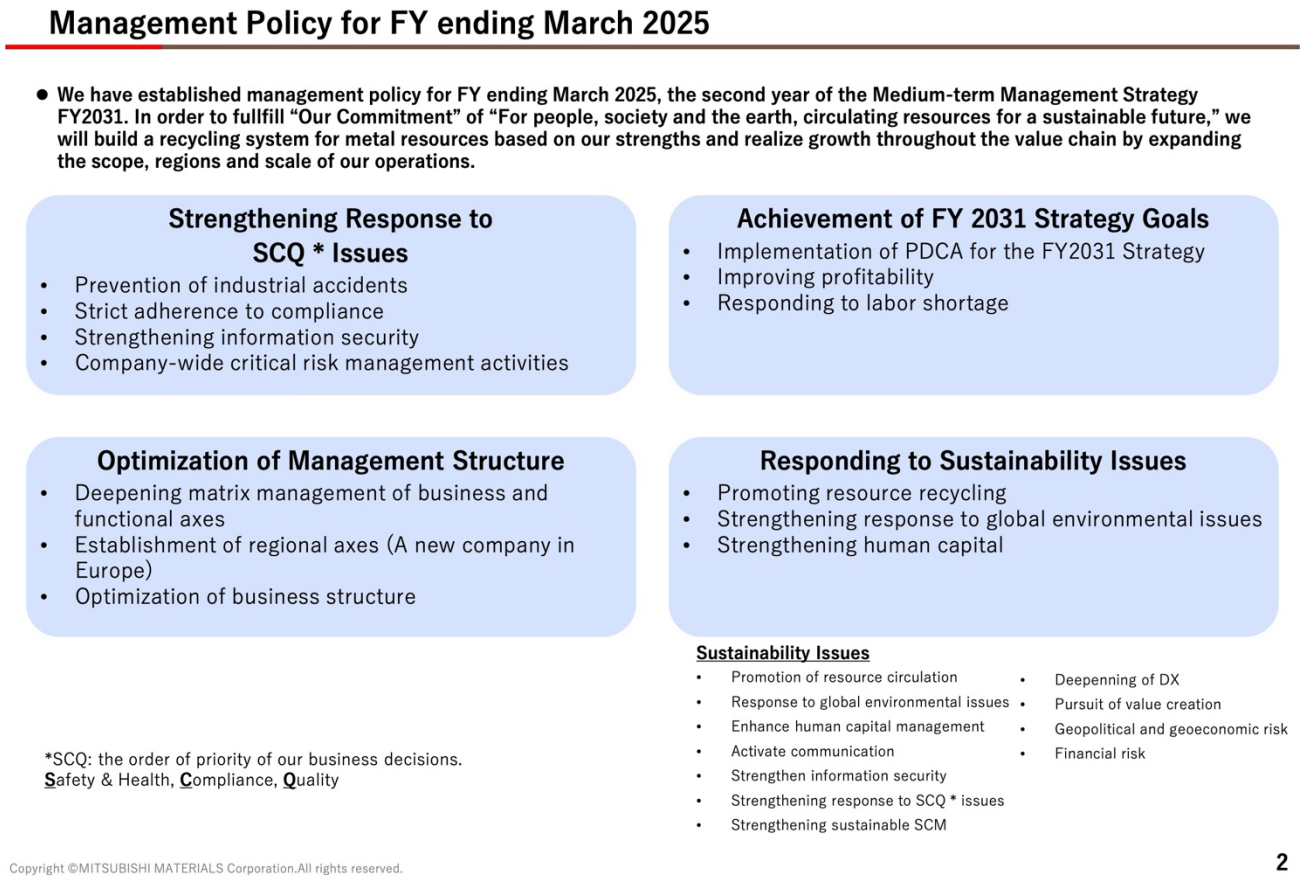


Ono: We have listed four major management policies for the current fiscal year ending March 2025.

One is to strengthen our response to SCQ issues. SCQ is the order of priority of our business decisions in the execution of our operations, which is defined as SCQDE. S stands for safety and health, C for compliance, Q for quality, D for delivery, and E for earnings. The first three of these, the SCQ issues, include prevention of industrial accidents, strict adherence to compliance, and strengthening information security, and we will continue to focus on these issues this year as well.

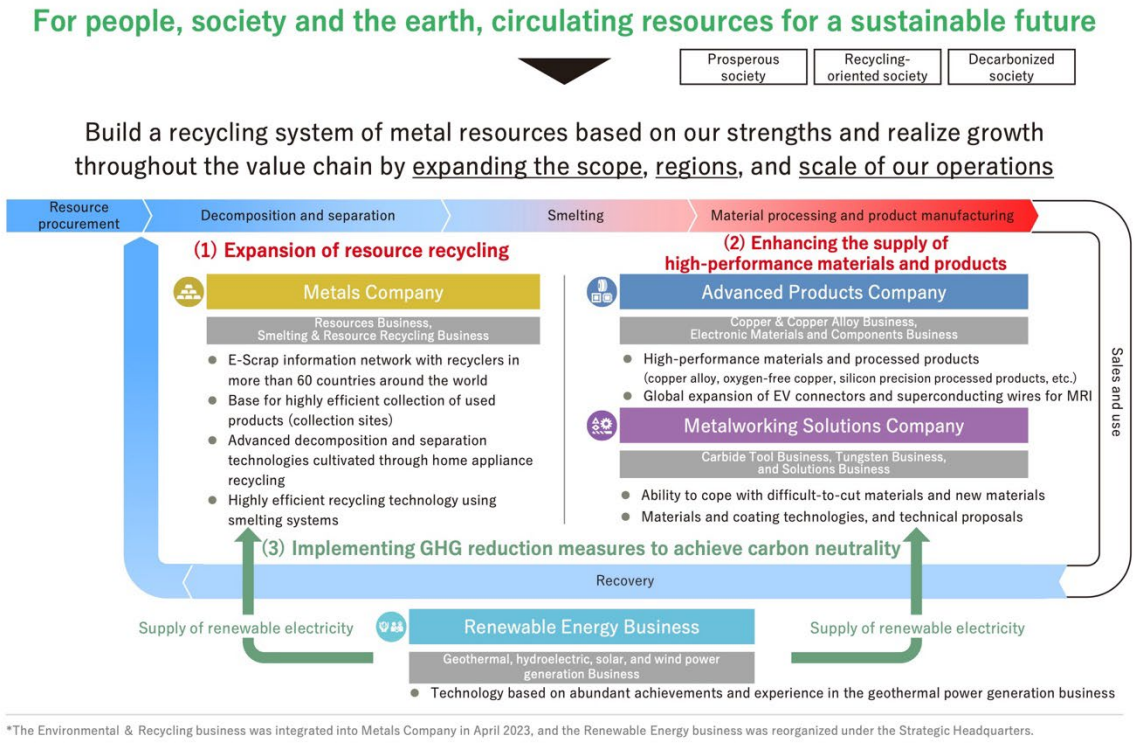
On the right is the achievement of FY2031 Strategy goals. We are now entering the second year, and in the first year, we did not reach the plan. Regarding the implementation of PDCA for the FY2031 Strategy, the business environment is changing at a dizzying pace, so we will follow the changes and quickly implement the PDCA cycle. In addition, we are working to improve profitability, which is an urgent issue, by focusing on target-based business management, and improvement of the break-even point. Then, in response to the current global labor shortage, we will focus on strengthening our recruiting capabilities, improving the working environment, reducing unnecessary work and increasing efficiency.

Moving to the bottom left. In order to optimize our management structure, we will promote matrix management of business and functional axes, and at the same time, in addition to these two axes, we will establish a new European company as a regional axis. In addition, as for optimization of the business structure, we have been working on optimization in a larger sense as a business domain, but there are still points to be improved within each business. We are trying to improve these.

The bottom right is our response to sustainability issues, and as you can see below, we have listed a number of sustainability issues. We have identified the promotion of resource circulation, response to global environmental issues, and enhancing human capital management as the three main themes and issues. We will share these three themes with the Sustainability Committee, which has been established under the Board of Directors, and we are trying to address these as common themes.

1. Progress of the FY2031 Strategy

Medium-term Management Strategy FY2031 (the FY2031 Strategy)



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I would like to give you an overview of our Medium-term Management Strategy. This slide was shown last year, and in a large sense, we have drawn a picture of a circle in the middle. The Company will collect used or discarded products recovered from the market, separate and decompose them, and extract useful metal resources through smelting and other processes. A portion of these resources are processed as materials or are used as raw materials to manufacture products and supply them to the market again. We are designing a large cycle.

The main focus is on expanding resource recycling and enhancing the supply of high-performance materials and products, which may be divided into veins and arteries. The three companies are going to carry out such activities.

On the other hand, the Renewable Energy business supports them in terms of energy. As you can see at the bottom of the slide, we are also aiming for decarbonization by supplying renewable electricity generated from renewable energy sources to our business.

1. Progress of the FY2031 Strategy

Trends in the External Environment

Copper	Demand	● Growth is slowing due to a generally sluggish global economy and delayed economic recovery in China; however, in the medium- to long-term, demand for copper will remain strong due to demand for EVs and renewable energy, as well as demand for data centers as the digitalization society progresses.
	Copper Price	● Although copper price was 379¢/lb in FY ended March 2024 (full year), lower than the previous fiscal year (388¢/lb), it has been on an upward trend since April 2024 and is currently above 450¢/lb. Steady movement is expected due to anticipated long-term growth in demand.
	TC/RC	● Supply concerns have led to strong buying by Chinese smelting operations and traders, and spot TC/RCs are extremely low; as smelting capabilities continue to grow in Indonesia and India, there are concerns that TC/RCs will remain low.
Automobile Industry		● There was a general trend toward recovery up through Q3 of FY ended March 2024, but the recovery trend slowed down in the 4th quarter. A moderate recovery is projected in FY ending March 2025. ● Demand for our copper alloy products and cemented carbide tools is also expected to recover in FY ending March 2025.
Semiconductor Industry		● As Semiconductor-related demand continued to be at a bottom phase in FY ended March 2024, it appears to have bottomed out in the fourth quarter. Demand for semiconductor manufacturing equipment and materials is expected to recover in FY ending March 2025, particularly for AI-related technologies and automotive applications. ● Stronger recovery of demand for semiconductor-related materials is projected for the latter half of the fiscal year.

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Trends in the external environment were mentioned in last week's earnings announcement, but I would like to briefly mention again that although the growth in demand for copper has slowed down recently, we believe that demand will remain firm in the medium to long term.

On the other hand, copper prices seem to be soaring at the moment, but we expect them to remain firm, supported by current demand trends, if we look at the long-term trend.

TC/RC is determined by the supply-demand balance in the relationship between the supply of copper concentrates and smelting capacity, and while smelting capacity is expanding, spot TC/RCs are still very low. And there is concern that this will continue to remain low in the face of increasing smelting capacity.

The automobile and semiconductor industries were extremely difficult in the fiscal year ended March 2024, but we expect both to recover in the fiscal year ending March 2025. In particular, we expect a full-fledged recovery in the semiconductor industry in H2 of this fiscal year and beyond.

1. Progress of the FY2031 Strategy

Review of FY Ended March 2024, Forecast for FY Ending March 2025

- Operating profit in FY ended March 2024 fell short of our initial plan, due to the effects of weakening automobile and semiconductor markets. In contrast, we made efforts to enhance cost competitiveness, such as by implementing cost reduction measures in each of our businesses, ahead of schedule in the FY2031 Strategy.
- Recovered demand is projected for automobile products beginning in Q1 of FY ending March 2025, and for semiconductor-related products beginning in the latter half of the fiscal year.
- We can achieve our strategy targets by implementing the various measures provided in the FY2031 Strategy and enhancing our cost competitiveness.

		FY Ended March 2023 Result	FY Ended March 2024 Initial Forecast	FY Ended March 2024 Result	FY Ending March 2025 Forecast	FY Ending March 2026 Plan	FY Ending March 2031 Target
Net sales (Net sales excluding metal charges)	Billions of yen	1,625.9 (608.0)	1,670.0 (706.0)	1,540.6 (548.1)	1,950.0 (652.0)	1,940.0 (690.0)	2,000.0 (850.0)
Operating profit	Billions of yen	50.0	50.0	23.2	41.0	70.0	130.0
Ordinary profit	Billions of yen	25.3	58.0	54.1	63.0	87.0	180.0
ROIC	%	1.4%	4.1%	3.8%	4.3%	5.5%	9.0%
ROE	%	3.5%	6.8%	4.8%	6.7%	10.0%	13.6%
EBITDA	Billions of yen	75.7	113.0	105.0	117.4	150.0	260.0
Net D/E ratio	Times	0.7	0.7	0.7	0.7	0.7	0.5 or less
Net interest-bearing debt / EBITDA ratio	Times	5.2	4.1	4.5	4.3	3.5	2.0 or less
Dividend per annum	Yen	50	94	94	100		

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This is a review of the fiscal year ended March 2024 and a forecast for the fiscal year ending March 2025.

Although operating profit decreased significantly, ordinary profit was almost in line with the forecast due to an increase in dividends from the copper mines and an improvement in equity in earnings of affiliates. As a result, ROIC also increased significantly from the previous year but fell slightly short of the forecast. The same is true for ROE.

On the other hand, in terms of financial discipline, the net D/E ratio is maintained at 0.7 times.

1. Progress of the FY2031 Strategy

Metals Company

- **Resources business: Dividends from Los Pelambres Copper Mine increased in FY ended March 2024. Dividends are expected to be lower in FY ending March 2025, however, Copper Mountain Copper Mine and Mantoverde Copper Mine are expected to become profitable.**
- **Smelting & Resource Recycling business: In FY ended March 2024, profitability deteriorated due to a decline in palladium prices and one-time factors such as trouble in Onahama Smelter & Refinery and reduction of raw material arrivals. One-time factors are expected to be resolved in FY ending March 2025.**

(billions of yen)		FY Ended March 2023 Result	FY Ended March 2024 Result	FY Ending March 2025 Forecast	FY2031 Strategy Plan	FY2031 Strategy Measures	Progress	Direction for achieving the FY2031 Strategy Plan
Resources Business WACC:9.7%	Ordinary profit	2.4	20.1	17.9	11.4	• Promotion of technological development to recover rare metal resources contained in copper deposits • Acquisition of copper mining interests and securing copper concentrates through continuous investment in mines • Expansion of electrolytic copper supply through SX-EW operations at copper mines	• Mining investment is proceeding as anticipated. • Full-scale copper concentrate production planned at Mantoverde copper mine in the latter half of 2024.	• Expansion of operations at Los Pelambres Copper Mine is also going well, and dividends are as planned • In FY ending March 2026, the ROIC is temporarily expected to decrease, and EP will be negative due to the execution of investment in mines.
	EBITDA	2.5	19.0	16.6	11.1			
	ROIC	1.1%	11.7%	10.5%	9.0%			
	ROIC spread	-8.6pt	+2.0pt	+0.8pt	-0.7pt			
	EP		2.1	0.9				
Smelting & Resource Recycling Business WACC:5.4%	Ordinary profit	25.9	11.6	19.0	27.0	• Strengthening and expanding the networks to promote resource recycling • Expansion of electrolytic copper production capacity • Increasing the recycling rate by expanding the treatment of recycled products containing metal resources • Creation of rare earths and rare metals recycling businesses • Accelerating business developments in Japan and overseas (E-Scrap, home appliances, automobile recycling)	• Construction has begun on a pilot plant for LIB recycling. • We will consider adjustments to investment allocation with respect to strengthening E-scrap capacity.	• Increased profit due to review of metal prices and reduction of hedging costs in response to increased electricity costs • ROIC is improving due to increased profit • Regarding E-Scrap, we will strengthen the collection system in Europe based on the forecast of supply and demand
	EBITDA	42.6	28.8	33.4	39.6			
	ROIC	8.3%	2.9%	5.7%	7.1%			
	ROIC spread	+2.9pt	-2.5pt	+0.3pt	+1,7pt			
	EP		-7.4	1.0				

*EBITDA= Ordinary profit + Interest expense + Depreciation + Goodwill depreciation

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From here, we have listed the figures for each Company.

First of all, in the Resources business, as I mentioned earlier, the dividends from mines and the addition of earnings in this fiscal year from mines in which we are investing will result in double-digit or higher ROIC figures for the fiscal year ended March 2024 and the fiscal year ending March 2025. However, as we move into the fiscal year ending March 2026, we are planning to invest in some mines, and we expect ROIC to temporarily decrease as a result.

In the Smelting&Resource Recycling business, the smelting business was very sluggish in the fiscal year ended March 2024 due to the trouble in some smelters and a drop in the price of by-products, but we expect the business to recover to a certain degree in the fiscal year ending March 2025 and the trouble will be resolved. We would like to gradually raise it toward the 7.1% we are aiming for in the Medium-term Management Strategy for the fiscal year ending March 2026.

1. Progress of the FY2031 Strategy

Advanced Products Company

- **Copper & Copper Alloy business: Demand for automobiles declined in FY ending March 2024. Ordinary profit is expected to improve in FY ending March 2025 driven by recovery of demand for automobiles, revision of roll margins and cost reductions.**
- **Electronic Materials & Components business: Demand for semiconductor products decreased in FY ended March 2024. The semiconductor market remains weak, and a full-scale recovery in demand is expected in the second half of FY ending March 2025.**

(billions of yen)		FY Ended March 2023 Result	FY Ended March 2024 Result	FY Ending March 2025 Forecast	FY2031 Strategy Plan	FY2031 Strategy Measures	Progress	Direction for achieving the FY2031 Strategy Plan
Copper & Copper Alloy Business WACC:2.7%	Ordinary profit	-0.0	-0.5	7.3	12.4	• Improve the recycling rate of wrought copper products and establish a scrap platform base • Overseas (Luvata): Rapid entry into growing markets (xEV, healthcare, environment) • Expand sales and strengthen services to overseas customers by establishing a new overseas plant which carries out a downstream process, with the domestic plants as mother ones	• Investment to strengthen production capacity for copper sheets and copper strips is proceeding as anticipated, and substantial operations to begin in the latter half of FY ending March 2025	• Lowering the break-even point by improving yield and productivity • Reducing raw material costs by improving recycling rates • Promoting sales expansion to domestic key accounts and expanding into overseas sales channels • Accelerating sales shift to high-profit products
	EBITDA	9.3	10.6	20.5	24.6			
	ROIC	0.6%	0.6%	3.2%	4.0%			
	ROIC spread	-2.1pt	-2.1pt	+0.5pt	+1.3pt			
	EP		-4.5	1.1				
Electronic Materials & Components Business WACC:7.4%	Ordinary profit	7.7	2.8	3.8	8.6	• Highly capital-efficient management through continual restructuring of the business portfolio • Strategic investment in focal products in growth areas • Developing and securing human resources for the creation of new businesses and the promotion of business alliances • Enhancing manufacturing capabilities and DX to enhance production sophistication and profitability • Providing business and social value (SDGs) for carbon neutrality	• The business environment for precision silicon products is worsening. We will reevaluate investments in increased production and shift toward other growth areas.	• Semiconductor market, effects of increased production due to recovery in demand and growth of automobiles (mainly electric vehicles), additional sales expansion measures (Silicon processed products, device products) • Improvement of ROIC by implementing a growth investment plan based on semiconductor market conditions
	EBITDA	11.5	6.9	8.7	16.0			
	ROIC	8.7%	3.3%	3.8%	7.8%			
	ROIC spread	+1.3pt	-4.1pt	-3.6pt	+0.4pt			
	EP		-2.7	-2.7				

*EBITDA= Ordinary profit + Interest expense + Depreciation + Goodwill depreciation

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As for Advanced Products Company, in the fiscal year ended March 2024, we have taken various measures to raise the ROIC of the Copper & Copper Alloy business to 3.2% as shown in the forecast for the fiscal year ending March 2025, but unfortunately, due to the sluggish market, this will be pushed back by one year. In any case, we hope to reap the benefits of the recovery in demand in the current fiscal year and lead it to a ROIC of 4% in the fiscal year ending March 2026.

In the Electronic Materials & Components business as well, the numbers were severe during the fiscal year ended March 2024, and we expect a recovery from H2 of the fiscal year ending March 2025. We hope that a full-fledged recovery will lead to a ROIC of 7.8%, which we expect from H2 of the fiscal year ending March 2025 to the fiscal year ending March 2026 in the Medium-term Management Strategy.

1. Progress of the FY2031 Strategy

Metalworking Solutions Company

- **Metalworking Solutions business: In FY ended March 2024, demand for cemented carbide products for Japan and Asia declined. In FY ending March 2025, we expect recovery in demand for automobiles.**

(billions of yen)		FY Ended March 2023 Result	FY Ended March 2024 Result	FY Ending March 2025 Forecast	FY2031 Strategy Plan	FY2031 Strategy Measures	Progress	Direction for achieving the FY2031 Strategy Plan
Metalworking Solutions Business WACC:6.5%	Ordinary profit	14.5	12.2	14.0	25.0	Carbide tools business • Stable supply of the world's top quality, high-efficiency products utilizing the strength of materials and coating technology Tungsten business • Expansion of business scale for rechargeable batteries in addition to carbide tools, etc. • Strengthening environmental responsiveness Solution business • Commercialization of solution sales to manufacturing sites	• Creation of high added-value products in various fields including automobile, aerospace, and medical are as planned.	• Enhancement of tungsten business (Recycling, production and sales of high-performance powders and alloys) through acquisition of H.C. Starck, Germany • Improvement of sales efficiency and productivity using DX • Improvement of capital efficiency by reducing inventories
	EBITDA	27.4	24.5	28.8	39.9			
	ROIC	6.9%	5.2%	5.3%	8.6%			
	ROIC spread	+0.4pt	-1.3pt	-1.2pt	+2.1pt			
	EP		-2.1	-2.0				

*EBITDA= Ordinary profit + Interest expense + Depreciation + Goodwill depreciation

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Regarding Metalworking Solutions Company, although the business also weakened slightly in the fiscal year ended March 2024, it is expected to recover to a certain degree in the fiscal year ending March 2025. As announced recently, including the effect of M&A in the tungsten business, we are aiming for a ROIC of 8.6%, as part of our Medium-term Management Strategy for the fiscal year ending March 2026.

1. Progress of the FY2031 Strategy

Renewable Energy Business

● **Renewable Energy business: In FY ended March 2024, operations of hydroelectric, geothermal and solar power plants were stable. Earnings are expected to increase in FY ending March 2025 driven by the start of the operation of Appi Geothermal Power Plant.**

(billions of yen)		FY Ended March 2023 Result	FY Ended March 2024 Result	FY Ending March 2025 Forecast	FY2031 Strategy Plan	FY2031 Strategy Measures	Progress	Direction for achieving the FY2031 Strategy Plan
Renewable Energy Business WACC:1.6%	Ordinary profit	0.9	0.8	2.4	2.3	• New development at one location every three years to expand business • New entrants into wind power generation where power generation costs are expected to decline in the future • Further development of new biogas plants	• Appi Geothermal Power Plant started operation in March 2024 (1 month ahead of schedule)	• Profit contribution from stable operation of Appi Geothermal Power Plant • Promotion of geothermal and wind power generation projects under investigation and consideration • Search for new potential geothermal power generation sites • Study of wind power generation using our own company-owned forests
	EBITDA	1.9	2.2	5.1	4.6			
	ROIC	3.8%	3.4%	4.7%	3.7%			
	ROIC spread	+2.2pt	+1,8pt	+3.1pt	+2.1pt			
	EP		0.5	1.3				

*EBITDA= Ordinary profit + Interest expense + Depreciation + Goodwill depreciation

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As for Renewable Energy business, in the fiscal year ending March 2025, with the addition of Appi Geothermal Power Plant one month ahead of schedule, the profit level for the fiscal year ending March 2025 will be reasonable, and ROIC will be almost at the level slightly above the plan.

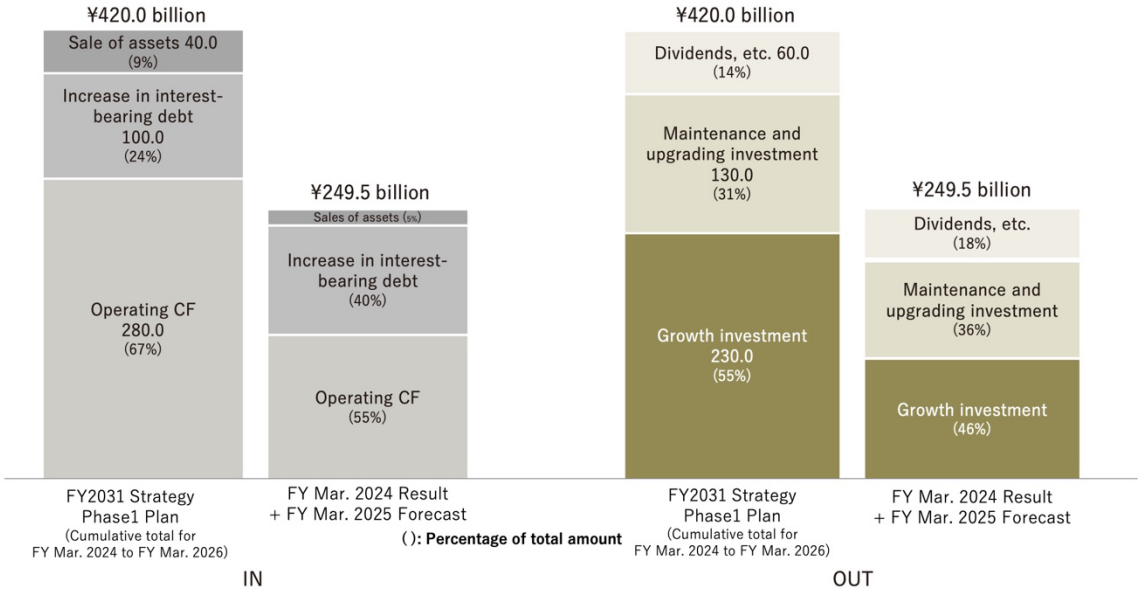
In the fiscal year ending March 2026, the cost of research and other expenses for new sites will be incurred again, so it will be slightly lower, but we expect that it will be mostly in line with the plan.

1. Progress of the FY2031 Strategy

Capital Allocation

- **Cash inflow: Operating CF for FY ended March 2024, the first year of Phase1, was lower than expected. As for FY ended March 2024 results and FY ending March 2025 forecasts, the D/E ratio to the FY2031 Strategy Phase1 plan has increased.**
- **Cash outflow: We will execute required growth investment.**
- **While the market is currently recovering, we are aiming to realize the cash allocation envisaged in Phase1. Even if the operating CF does not reach the target level, we will realize an appropriate cash allocation while securing the growth investment necessary to realize the strategy.**

■Comparion of FY March ended 2024 result and FY ending March 2025 forecast to the FY2031 Strategy Phase1 plan (Progress rate: 59.4%)



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Capital allocation is shown here.

In this graph, the left side is cash-in and the right side is cash-out. There are two bars with different heights.

The higher graph shows the cumulative plan for the three-year period from the fiscal year ended March 2024 to the fiscal year ending March 2026, which we call Phase I. The shorter graph on the right shows the sum of the fiscal year ended March 2024 results and the fiscal year ending March 2025 forecasts. This difference indicates the rate of progress. Overall, we have made just under 60% progress, and now it is a matter of the percentage of distribution among them.

Looking at cash-in, although we have planned for two-thirds of total cash-in to come from operating cash flow, due in part to the low growth in operating cash flow in the first year, the fiscal year ended March 2024, the overall percentage of operating cash flow has decreased, and interest-bearing debt has increased to compensate for the decrease. We are hoping to bring this into the form we are planning for the fiscal year ending March 2026.

On the other hand, regarding cash-out, the figures are slightly different, but as a percentage of the total, growth investment and maintenance and upgrading investment are progressing in line with the plan.

1. Progress of the FY2031 Strategy

Strengthening Cost Competitiveness

- **The FY2031 Strategy plans to implement aggregate cost cuts of about ¥9.0 billion by FY ending March 2026 and about ¥24.0 billion by FY ending March 2031.**
- **Regarding cost reduction in each business in FY ended March 2024, additional cost reduction measures progressed in Metals business and Metalworking Solutions business, and moved largely as planned in Advanced Products business. In FY ending March 2025, we will also promote cost reduction measures in each segment.**

(Billions of yen)

Cost Reduction Plan		FY Ended March 2024		FY Ending March 2025		FY Ending March 2026
		FY2031 Strategy Plan	Result	FY2031 Strategy Plan	Forecast	FY2031 Strategy Plan
Metals	・Reduction of hedging costs, slag costs, and energy costs	0.0	4.7	0.01	11.1	2.6
Adcanced 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	3.1	3.2
Metalworking Solutions	・Reduction of manufacturing costs ・Cost reduction at subsidiaries	0.9	2.1	1.9	3.6	3.0
Renewable Energy	・Reduction of operating expenses of power plants ・Improvement of operational efficiency through automatic operation of power plants, etc.	0.0	0.0	0.02	0.03	0.02
Total Business		**2.6**	**8.4**	**4.4**	**17.8**	**8.8**

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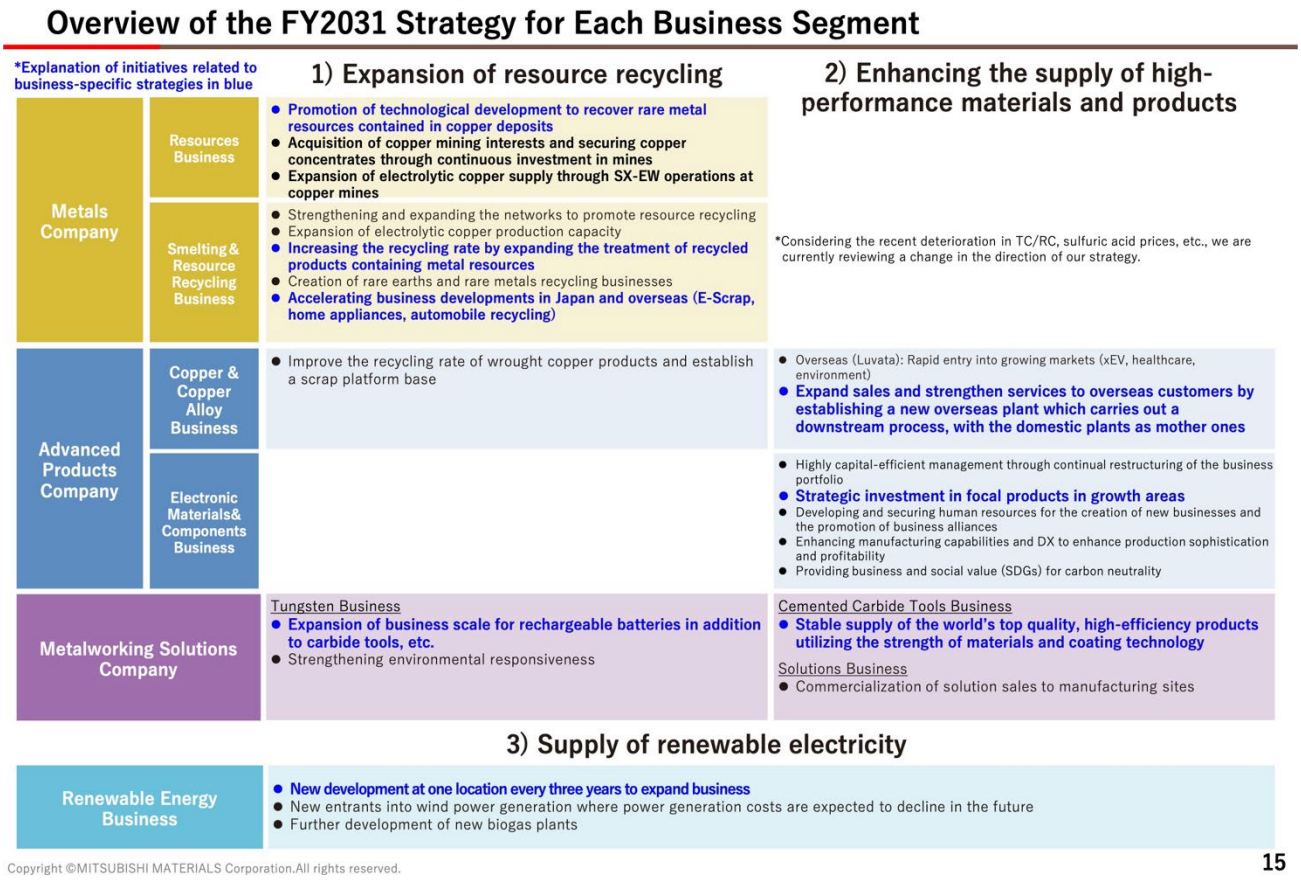
The part about strengthening cost competitiveness was discussed in last week's earnings announcement, so I will skip the explanation.

2. Status of major measures in the FY2031 Strategy



From here, I would like to talk about the business-specific strategies that we have put forth in the FY2031 Strategy.

Broadly, it is divided into expansion of resource recycling, enhancing the supply of high-performance materials and products, and supply of renewable electricity.

On the left side, we have the companies lined up, and many of them are involved in the expansion of resource recycling. On the other hand, the Advanced Products Company and the Metalworking Solutions Company will be solely responsible for enhancing the supply of high-performance materials and products. As for supply of renewable electricity, the Renewable Energy business will naturally be responsible for this.

What we have written here in letters are the business-specific strategies that we have presented as the FY2031 Strategy, and I would like to add some explanations about what is written in blue.

See the next slide, please. The first is expansion of resource recycling.

By both expanding the scope of resource recycling and expanding the business regions where resource recycling is carried out, we will expand the overall scale.

First, as for expanding the scope of resource recycling. One is E-Scrap. E-Scrap is more about increasing the amount of that rather than the scope. Another project we are working on is LIB recycling, for which we are currently designing a pilot plant.

Then, in-process recycling of the Copper & Copper Alloy business. In the process of manufacturing copper processed products, various scraps or ends are produced. These materials used to be returned to the smelter, but we are now trying to recycle as much of it as possible within the copper processing facilities. This will reduce the cost of copper processed products and reduce the load on the copper smelter, which in turn will lead to an increase in the acceptance of E-Scrap.

Next, cobalt is contained in the residue from the Chilean mine called Mantoverde, which has been producing copper. This is an effort to recover cobalt through solvent extraction and concentration. We have already been conducting pilot plant testing since January, and if this proves to be sufficiently profitable, we intend to move toward a commercial plant.

Next, tungsten recycling. As you know, tungsten is the main raw material for cemented carbide products and cutting tools, which are manufactured by our Metalworking Solutions Company. As we announced last week, we have reached a basic agreement to acquire H.C. Starck, which will significantly increase our tungsten recycling capacity, and we believe that we will be able to become a global leader in the field of tungsten recycling.

The other is the construction of a resource recycling loop, for example, for home appliances. We already hold a certain share of the domestic market for home appliance recycling, but we are considering expanding these efforts further and looking overseas at the same time.

On the other hand, regarding automobile recycling, we have an automobile recycling plant in Suzuka, Mie Prefecture, in which we have invested, and we are currently studying the possibility of recycling mainly EVs.

Then, the last part is the so-called circular economy, which is gaining momentum as manufacturers now want to extract important mineral resources from various products and use them again as raw materials for their respective products. We believe that our smelter and other functions for extracting important mineral resources could be involved in this project. We are promoting this project on a customer-by-customer basis.

On the other hand, as for expanding business regions. Needless to say, as the enclosure of important mineral resources continues in various regions, it is necessary to work toward intraregional circulation. As a first step, we are planning to establish a new company in Europe to develop resource recycling strategies in Europe, the most advanced region in the world, and to implement them promptly. The target includes E-Scrap, non-E-Scrap copper-based scrap, LIB, and tungsten I mentioned earlier.

On the other hand, to enhance E-Scrap recycling by domestic smelters, we are trying to increase smelting or pretreatment capacity to increase the volume that can be processed. At the same time, a certain amount of materials generated in Europe cannot be processed within the European region, so we would like to expand the collection centers for these materials.

Meanwhile, in relation to mining investment, we will continue to invest in mines to secure low-impurity copper concentrates. In addition, we will enhance functions of the MEX online E-Scrap trading system.

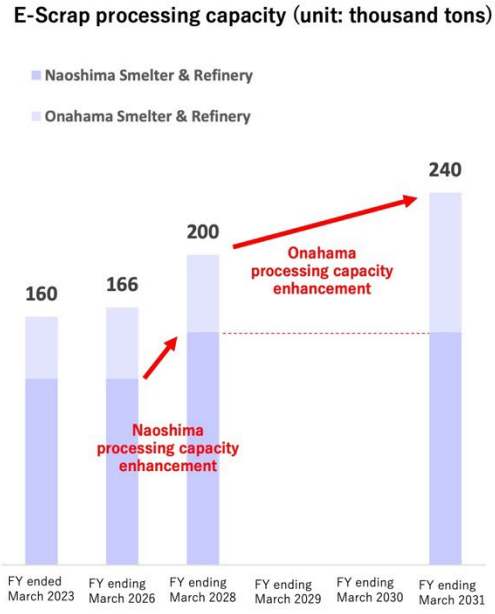
Now I talked about Europe and Japan, but in the US, we are participating in the Exurban project, and the feasibility study for this project is almost ready to be completed.

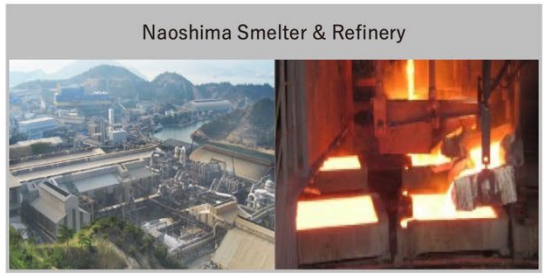
2. Status of major measures in the FY2031 Strategy　1) Expansion of resource recycling

Metals Company

Improvement of E-Scrap Processing Capacity

- We are aiming to maximize our E-Scrap processing capacity to reach 240,000 tons by FY ending March 2031.
- As for Naoshima Smelter & Refinery, we will increase our copper smelting and other facilities, thereby increasing the processing capacity by FY ending March 2028.
  In Onahama Smelter & Refinery, we will build a pretreatment facility for increasing the processing capacity and start operation in FY ending March 2029.





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The graph on the lower left shows how much E-Scrap processing capability we are aiming to improve in terms of numbers. By increasing the processing capacity at Naoshima and increasing the processing capacity mainly for pretreatment at Onahama, we are aiming to reach 240,000 tons by the fiscal year ending March 2031.

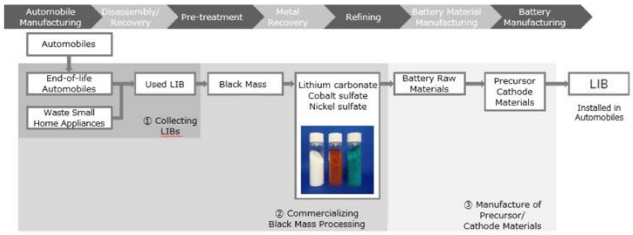
2. Status of major measures in the FY2031 Strategy　1) Expansion of resource recycling

Metals Company

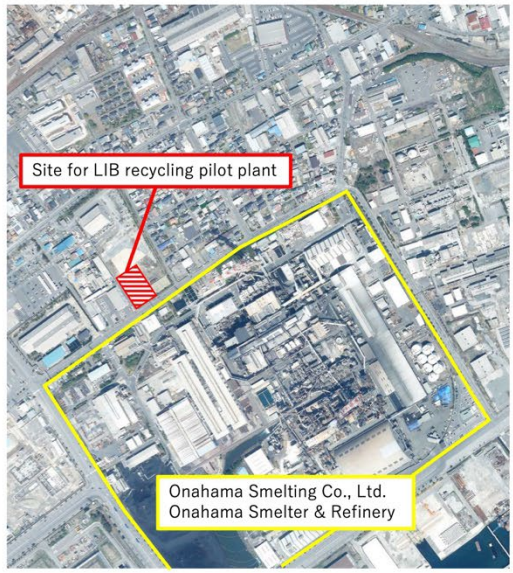
LIB Recycling Initiatives

- **After small-scale testing produced a certain degree of positive results, we began construction on a pilot plant in Iwaki City, Fukushima Prefecture in December 2023. (Operations are scheduled to begin in 2025.) We are proceeding to further develop our technology, working toward commercialization of high-efficiency recovery of rare metals from Black Mass.**

- We are achieving global competitiveness through rapid development of a comprehensive recycling process for producing lithium-ion materials from LIBs, using the network we built through our E-Scrap business to collect Black Mass, and efficiently recovering lithium carbonate, cobalt sulfate, and nickel sulfate from Black Mass.
- We are broadening our business fields by expanding into recovery of LIBs from end-of-life vehicles (①) and commercializing Black Mass processing through collaboration with other companies (②), as well as expanding into producing precursor and cathode material (③).



Black Mass：Concentrated residue of lithium, cobalt and nickel sorted from LIBs that have been discharged, dried and crushed.



Produced by MMC using information from (https://mapps.gsi.go.jp/maplibSearch.do#1)
Geospatial Information Authority of Japan: Map and Aerial Photograph Browsing Service

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See the next slide.

As for LIB recycling, as you can see in the photo on the right, we have prepared a site for a pilot plant adjacent to the Onahama Smelter & Refinery in Fukushima Prefecture and are currently in the process of designing the pilot plant.

2. Status of major measures in the FY2031 Strategy 1) Expansion of resource recycling

Progress of Mantoverde PJ (Copper Concentrate Production and Cobalt Recovery)

Metals Company

- **The completion of the construction was expected in December 2023 but has been delayed, and the copper concentrate production is anticipated in May 2024. Full-scale operation is expected in the second half of 2024.**
- **Profitability forecasts for the current period project negative profits for the first half of the fiscal year, which is the launch period, but profitability will be achieved for the year overall as operations ramp up moving into the latter half of the fiscal year.**
- **A pilot plant test for cobalt recovery has started since January 2024.**

< Concentrator >

< Panoramic view >

< Overview >

Location and Geography	Atacama Region, Northern Chile Approx. 50 km to the coast and 176 km to the nearby city of Copiapo Altitude: 880 m Although located in a desert area with little rainfall, the mine has a seawater desalination plant.
Resources (contained metal)	5.7 million tons
Reserves (contained metal)	2.1 million tons
Mining method	Open pit
Copper production	1.7 million tons for mine life
Mine life	2041

20

See the next slide. This is the progress of Mantoverde project in Chile.

This plant has been under construction to process sulfide ore in conjunction with the switch from oxide ore to sulfide ore. As you can see in the photo on the left, construction has been completed and we are currently conducting test operations for each of them, and we are almost ready to produce the first copper concentrate.

As you can see in the picture on the right, we have been working on the area circled in red, from the primary crusher, past the last flotation, to the copper concentrate coming out. On the other hand, we are currently conducting a pilot plant test for cobalt on the same mine site, and if this proves to be sufficiently profitable, we would like to consider investing in a full-scale plant.

2. Status of major measures in the FY2031 Strategy　1) Expansion of resource recycling

Metals Company

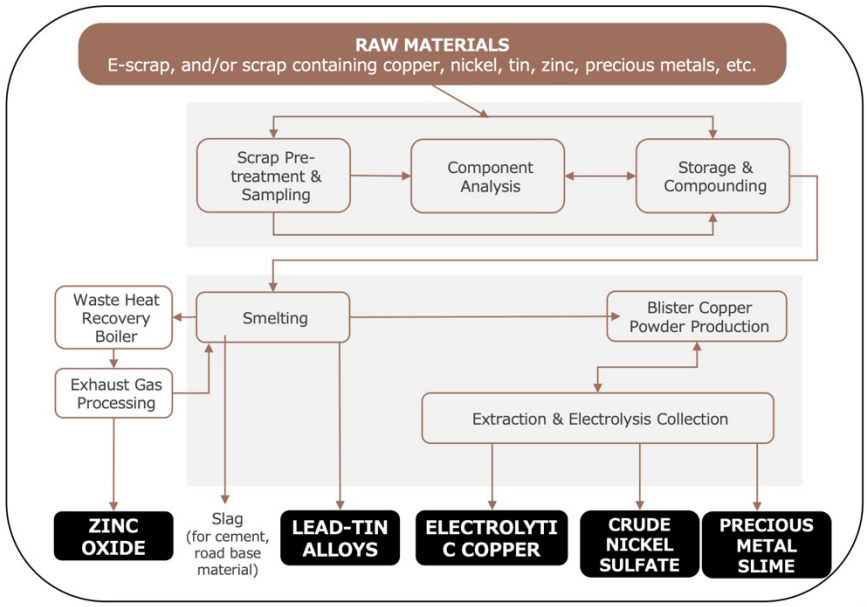
Exurban Project Progress

- As we anticipate continuing trends toward local recycling within regions and local production for local consumption in North America, we are participating in this project as a means of gaining a foothold in the N. America region, and to acquire technology specialized for smelting secondary raw materials.
- With Exurban, we aim to provide solutions for building resource recycling systems.
- The Feasibility Study for our new recycling plant construction project in Indiana, USA will soon be completed.

Exurban Project

Recycled Products

- **Electrolytic Copper**
- **Precious Metal Slime**
- **Crude Nickel Sulfate**
- **Tin & Lead Alloys**
- **Slag, etc.**



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This is the Exurban project.

As I mentioned earlier, the feasibility study is scheduled to be completed soon, and the aim is to establish a foothold in North America, and by acquiring this technology, we hope to expand it to regions outside of North America.

As an overview, we handle only E-Scrap or scrap materials containing copper and other metals, and extract electrolytic copper, precious metal slime and crude nickel sulfate through various processes as shown on the right.

2. Status of major measures in the FY2031 Strategy　1) Expansion of resource recycling

Metalworking Solutions Company

Agreement for the Acquisition of Shares of H.C. Starck Holding

- Mitsubishi Materials (“MMC”) has reached an agreement to acquire all shares of H.C. Starck, one of the world's leading manufacturers of tungsten products.
- For cemented carbide tools, which uses tungsten as its main raw material, we will accelerate efforts to secure global collection and recycling capacity for used cemented carbide tools.
- By leveraging tungsten business bases in Japan, Europe, North America and China, Mitsubishi Materials Group and H.C. Starck will develop a global tungsten recycling business.

Strengthening R&D capabilities through the cooperation between Japan New Metals Co., Ltd. Corporation (Wholly owned subsidiary of MMC) and H.C. Starck

Creating synergies and improving corporate value through cross-selling initiatives

Global business development of tungsten recycling by utilizing recycling technologies and bases owned by both companies

<Company Profile of H.C. Starck Holding (Germany) GmbH>

Address	Gosler, Germany
CEO	Dr. Hady Seyeda (Managing Director)
Business	Manufacture high-quality powders made of tungsten powder, tungsten carbide powder, and its alloys in Europe, North America, and China and has sales networks worldwide, including Japan Own the world's largest tungsten recycling capacity
Share Capital	€25,000 (approx. ¥4 million)
Year of Establishment	1920
Major Shareholders and Shareholding Ratio	Masan Tungsten Limited Liability Company 100% (Wholly owned subsidiary of Masan Hi-Tech Materials Corporation, Vietnam)
Net Sales (FY ended March 2024)	Approx. €334 million (approx. ¥52.4 billion)

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This is to inform you that we have entered into a basic agreement to acquire shares of H.C. Starck Holding.

H.C. Starck is one of the world's leading manufacturers of tungsten products, including tungsten powder, and doing tungsten recycling, etc. In our Group, a company called Japan New Metals manufactures tungsten powder and recycles tungsten in Japan, and we are considering collaboration with this company to seek synergies.

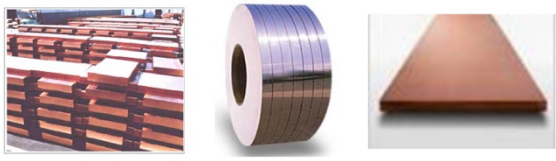
H.C. Starck itself has manufacturing bases in Europe, North America, and China, and we believe that this will provide a great opportunity to handle tungsten powder on a global basis in addition to Japan New Metals in Japan.

2. Status of major measures in the FY2031 Strategy 2) Enhancing the supply of high-performance materials and products

Advanced Products Company

Copper & Copper Alloy Business Capacity Expansion Investment in the Rolling Business

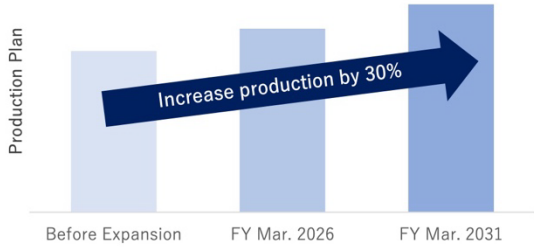
- We are progressing capacity expansion investment in the rolling business as planned. Since production capacity is anticipated to improve after the completion of the work in Sambo Plant, we will strive to expand sales in order to match up sales to production.



Increase production of copper sheet and strip products

- ◆ Strengthen and expand core businesses (copper sheets and strips)
- ◆ Further expand market share in the domestic market
- ◆ Taking on the challenge of the global market

Production capacity expansion plan for copper sheets and copper strips



		Sakai Plant	Sambo Plant	Wakamatsu Plant
Location		Sakai City, Osaka Prefecture	Sakai City, Osaka Prefecture	Aizuwakamatsu City, Fukushima Prefecture
Products targeted for increase production		Copper cake	Copper sheet and strip	Copper strip
Plan	Increase in production	Increase production by approximately 30%		
	Investment	Enhancement of casting facilities	Installment of additional cleaning machine, slitter, and packaging machine	Installment of additional slitters and packing machines and enhancement of reflow tin plating line
Commencement of operation		Started operation	Scheduled to start operation in October 2024	Scheduled to start operation in May 2024 *1

*1 The expansion of the reflow tin plating line began operations

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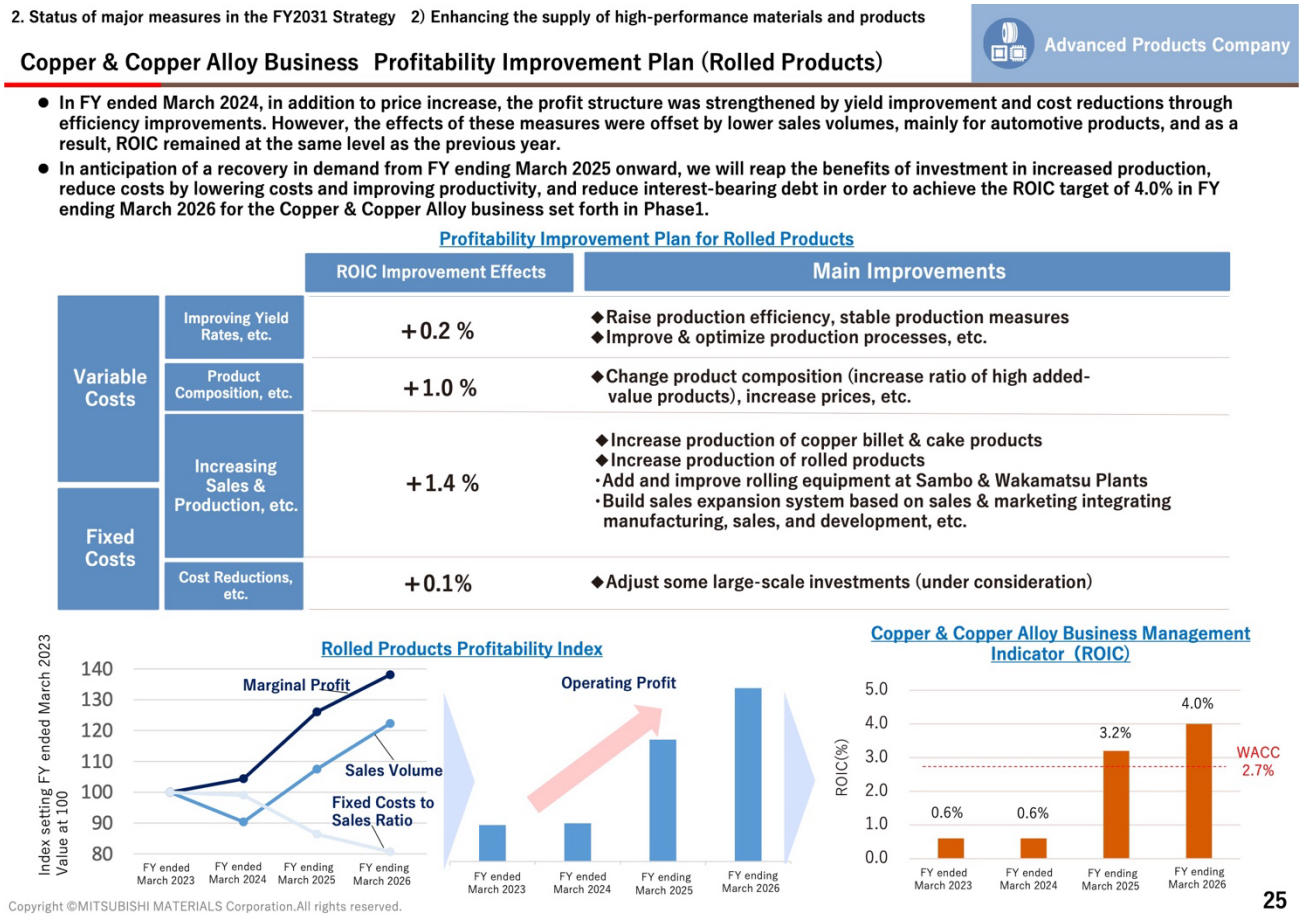
I will explain about enhancing the supply of high-performance materials and products. The first is the Copper & Copper Alloy business.

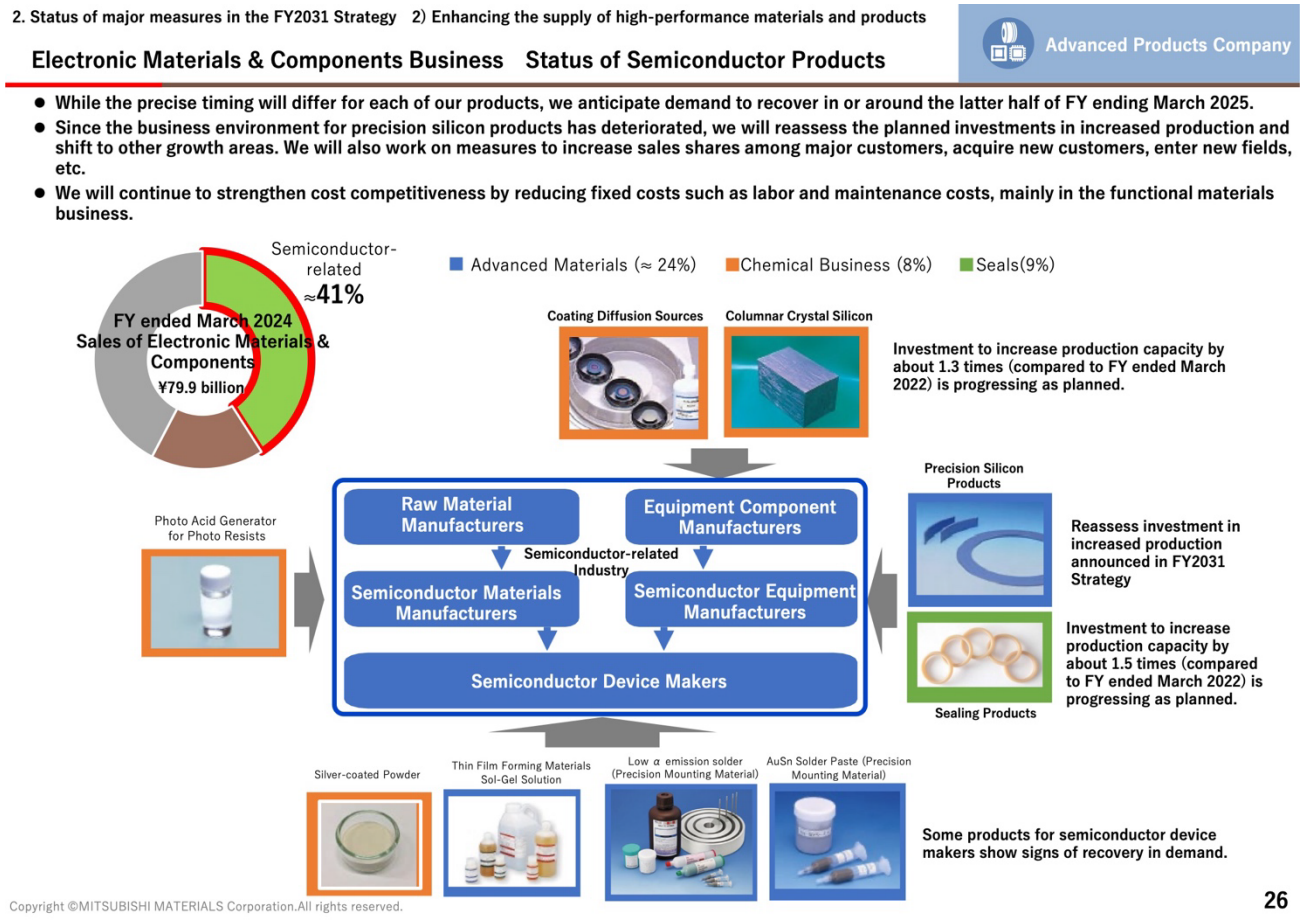
The investments that have been working to increase production by 30% as a whole are shown at the bottom of this slide, and Wakamatsu Plant, which was the last company on the list, is expected to start operation this month, which means that the system for 30% production increase will be in place.



On the other hand, as shown in the previous year, although we said that we would improve the ROIC of rolled products in this way, the bottom right graph shows that the actual ROIC in the fiscal year ended March 2024 was only 0.6%, the same as in the fiscal year ended March 2023. The main reason for this was a slump in sales, or rather, a decrease in sales volume, but we have been working to increase margins and reduce costs.

As a result, as shown in the graph on the left, marginal profit increased in the fiscal year ended March 2024 compared to the fiscal year ended March 2023. At the same time, we are reducing costs to the point where the fixed costs to sales ratio is almost flat or even slightly negative. On the other hand, the decline in sales volume, which is the most V-shaped factor, was a major reason why these effects could not be manifested in the form of ROIC.

Although we are moving back one year, we hope to increase ROIC in the fiscal year ending March 2025 in line with the market recovery by continuing the same efforts.



See the next slide. This chart shows the relationship between semiconductor-related products in the Electronic Materials & Components business.

Semiconductor-related products account for about 41% of the total, and the figure shows that there are a wide variety of products.

As shown on the right side of the middle, these products are supplied as parts for semiconductor manufacturing equipment or precision silicon products and seals that are incorporated and used in semiconductor equipment. In addition, photoresists materials, which are necessary for semiconductor manufacturing; and solder and AuSn paste, which are required when forming devices. These are what we call semiconductor-related products.

Some of these investments, which we had planned to proceed with, have been postponed for a little while to accommodate market conditions, but we will decide when to make these investments again this year in anticipation of a full-fledged recovery starting in H2 of the fiscal year ending March 2025.

2. Status of major measures in the FY2031 Strategy　2) Enhancing the supply of high-performance materials and products

Metalworking Solutions Business
Providing New Products & Services for the Automobile, Aerospace, and Medical Industries

- **Under the FY2031 Strategy, we make use of our accumulated technology & experience, putting effort into product development in the areas of difficult-to-process & difficult-to-cut materials**
- **We are expanding our product lineup in the automobile, aerospace, medical, and metal mold markets, and market development is advancing steadily**
- **We are moving forward with development of drills that revolutionize small-hole drilling, and also cutting tools with unprecedented functionality**

New Product Ratio

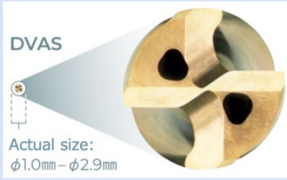
FY Mar. 25 Target 18%

FY Mar. 24 Result 9.4%

		Sales Ratio in Major Industries	Market Growth Rate CAGR (2021-30) Our Estimate
Automobile	• Adding turning products featuring highly oriented Al_2O_3 coatings • **Expanding our range of long-life milling products featuring our Al-Rich coating**	Approx. 50%	0.9%
Aerospace	• Entered supply contract with major French OEM. Specific initiatives are under consideration. • Strengthening cooperation with domestic Japanese heavy industrial makers **→Advancing blade processing applications, etc.**	Approx. 10%	7.5%
Medical	• **Adding more small-bore solid tools for difficult-to-cut materials** →Now developing a growing market share, mainly in North America	Approx. 5%	5.1%
Metal Molds	• Building our end mill series for machining of hardened steels • Expanding our solutions for high-difficulty processes	Approx. 35%	1.3%

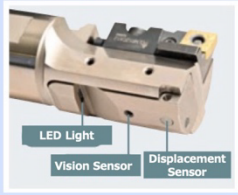
■ **Developing New Products**

TRISTAR Drill - DVAS



- We successfully balance improved durability and chip disposal by modifying the spiral design of the coolant holes.
- We help avoid delays and maintain machine efficiency by avoiding breakages.

Sensing Tools



- Cutting tools featuring a displacement sensor that measures the dimensions of the material being cut, and a vision sensor that photographs the cut surface.
- Allowing measurement of cut material immediately after cutting, automatic adjustment, imaging of the cut surface, and more.

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Regarding Metalworking Solutions business, one major, important factor here is the new product ratio. The results for the fiscal year ended March 2024 are shown in purple on the left side, as just over 9% of the total product. Our idea is to raise this to 18% in the fiscal year ending March 2025.

In terms of the percentage of total industry, the automobile industry, which used to account for two-thirds to 60% of the total, has dropped to about 50%, while aerospace and medical are gradually increasing their share. This is due to the fact that, in terms of market growth rates, there are large revenue prospects for aerospace and medical.

2. Status of major measures in the FY2031 Strategy 3) Supply of renewable electricity

Renewable Energy business

Appi Geothermal Power Plant

- The construction work was completed within the budget. The commercial operation started from March 1, 2024, one month ahead of the plan.
- The operating is going smoothly at the planned output capacity (14,900 KW).
- In FY ending March 2025, we expect operating profit of ¥ +2.1 billion and profit attributable to owners of parent of ¥ +1.3 billion.

Appi Geothermal Power Plant (Photographed on March 27, 2024)

Overview of Appi Geothermal Power Plant

Name	Appi Geothermal Power Plant
Location	Hachimantai National Forest, Hachimantai-city, Iwate
Type of motive force	Steam power (geothermal)
Output capacity	14,900kW
Construction started	August 2019
Power generation system	Single flash system

Operator	Appi Geothermal Energy Corporation
Establishment	October 2015
Share capital	¥100 million
Investment ratio	Mitsubishi Materials Corporation 51% Mitsubishi Gas Chemical Company, Inc. 34% Electric Power Development Co., Ltd. 15%

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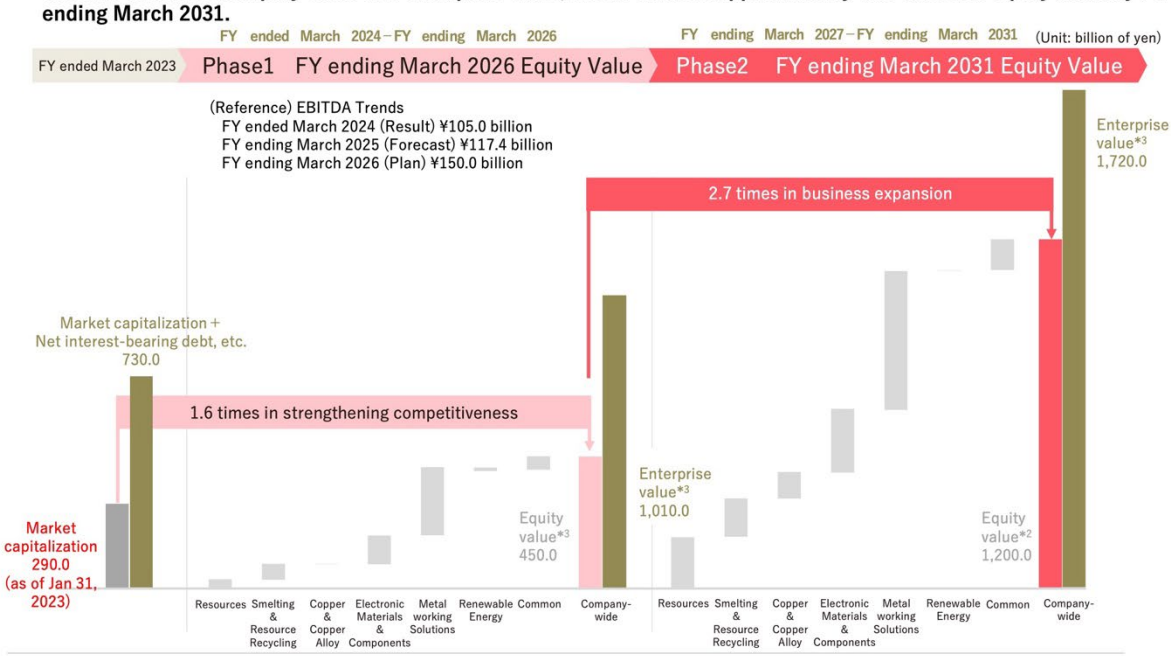
This is a renewable energy topic.

Appi Geothermal Power Plant began commercial operation in March 2024, and the contribution to profit is expected to be ¥2.1 billion in operating profit and ¥1.3 billion in profit attributable to owners of parent in the fiscal year ending March 2025. Investment ratio is shown at the bottom of the data on the right, and the Company has a 51% stake, which means a higher contribution to profits.

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 FY ending March 2031.**



※1 Sum-of-the-Parts
※2 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

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Lastly, as for enhancing equity value and enterprise value, this chart itself was presented at the announcement of the Medium-term Management Strategy FY2031.

In this context, basically the enterprise value is calculated by multiplying the EBITDA of each business by the multiple of each business, but at this stage, the latest data for multiples by business is not yet available, so we have shown the total EBITDA trends and put the numbers above. The result for fiscal year ended March 2024 was ¥105 billion, and the forecast for the fiscal year ending March 2025 is just under ¥120 billion, with the goal of reaching ¥150 billion in the fiscal year ending March 2026.

That concludes my explanation.

Question & Answer

Participant [Q]: Thank you for your time today. Copper prices are very high now, but I hope they will go up when your company's mines start moving. However, my impression is that the strategy of investing in copper mines is on track. And I am a little concerned about the smelting business.

This was also mentioned at the briefing on the financial results, but the copper TC/RCs are very low right now. Perhaps this is not sustainable, and with negative TC/RC, we are not in a situation where we can buy ore with the sales of copper, so I don't think this will last forever, but structurally, the Chinese smelters and Indian smelters are increasing their capacity, and the ore output is getting worse. Is this something like what is happening now with steel in the medium to long term, like a situation where a kind of recoupling of raw materials and product prices becomes the norm?

If so, this year is fine, but I think there is a risk that the copper smelting business will decline next year or the year after that. And I think that the recycling smelting business will probably be based on the copper concentrates business, which will be a stand-alone business. I would like to know how we should think about this.

Secondly, on page 22, it seems that you are acquiring a very large company in terms of sales, but how will this affect profit and loss? If you can tell us, please let us know its contribution. That is all.

Ono [A]: Thank you for your question. The first point is not so much a very drastic change, but we recognize that it is a very big change now. If you look at page 15, in the white margin in the upper right corner, we have commented that considering the recent deterioration in TC/RC, sulfuric acid prices, etc., we are currently reviewing a change in the direction of our strategy.

What this is saying is that up to now, in the original Medium-term Management Strategy, we have been trying to increase E-Scrap processing proportionally by increasing copper concentrate processing capacity. We have been trying to increase processing capacity by about 30% across the board. However, under the current circumstances, and in light of what you have just pointed out, it is necessary to consider whether relying on this approach is necessarily the best path forward.

In other words, we at Exurban are trying to extract copper or metals other than copper from 100% recycled materials, and I think it is necessary to consider the combination of such a thing.

This does not mean that we will not do E-Scrap processing based on copper concentrates, but we will also combine other paths while doing so. We are currently discussing within the Company that it would be extremely risky to continue to do everything based on copper concentrates unless we take the path of combining several methods and increasing the number of recycling processes. We have not yet reached a conclusion on what to do, but in any case, I see that we will have to choose which path to take while carefully examining the economics.

In terms of profitability, recycled raw materials have an advantage over copper concentrates. And we'll have to see what the cost side of processing them will be. In such a combination, we also need to decide the best way to process what and how much. That is how we are thinking about it.

On the second point, CFO will answer regarding H.C. Starck.

Takayanagi [A]: Thank you for your question. We have now reached a basic agreement to acquire this tungsten-centered company called H.C. Starck. As you know, before an acquisition, we do not have a complete picture of the contents of the company, so we would like to make a concrete plan for how we will make profit or loss here once we are further inside the company after the actual definitive agreement is signed.

However, in terms of the current situation, we also have a tungsten company in our Group called Japan New Metals, and last year and the year before, the situation has been quite difficult, which is exactly the same for H.C. Starck. How we can rebuild this area is what we would like to address in the future.

Therefore, perhaps if all goes well, it will be consolidated in H2 of the current fiscal year, or it may be a little later. In any case, I think there is probably a bit of a time lag as to whether there is a large profit contribution immediately. That is all.

Participant [M]: Thank you very much.

Participant [Q]: Thank you. I have two questions. The first one is on page two, I think, where you mention optimizing the management structure. The CEO mentioned that there is room for improvement in each business, but could you be more specific about what you think are the issues and room for improvement?

The second question is on page 10. In Metalworking Solutions business, I found that this negative economic profit lasts for two years. There are other businesses where it lasts for two years, but this is a rather solid business, and yet the deficit persists. What is the background for this? In addition, I also feel that you need to make a big leap forward to reach the 2025 target. What do you think is the room for improvement in this area toward the Medium-term Management Strategy for 2025? That is all.

Ono [A]: Thank you very much. The first point is the optimization of the business structure. In terms of business domains, I think we have generally sorted out the businesses that are currently handled by the three companies. Then, if we are trying to improve the efficiency of our business, including Group companies, or if we are trying to cope with labor shortages, as shown in the upper right corner, it is not always possible to secure sufficient management personnel to cover all Group companies, each business, division, or Group companies under the jurisdiction of the companies.

In that case, I see room for improvement in areas such as consolidating the Group companies themselves or streamlining some of the businesses a bit to make them sufficiently manageable.

And partly, we are also focusing on the recycling of metal resources as our mainstream, so it is necessary for us to withdraw from the incineration fly ash treatment area, which we have been engaged in as part of the environmental energy business division. Such is the content of what I said about the room for improvement in the current business.

Takayanagi [A]: On the second point, the negative EP for the Metalworking Solutions business, one of the reasons is that the WACC for Metalworking Solutions itself is set high. However, when we originally set up the Medium-term Management Strategy, we expected a little more top-line growth, higher profits, a positive ROIC spread, and positive EP, so the current situation is a bit difficult because sales are not growing as expected.

The other factor is H.C. Starck, which I mentioned earlier. There is a bit of a time lag between the profit contribution of the company acquired earlier and the increase in invested capital, which has a negative effect on the ROIC spread, resulting in the balance in the fiscal year ending March 2025 as shown here. That is all.

Participant [Q]: What do you think toward 2025?

Takayanagi [A]: As you said, we think we need to make a significant leap forward for 2025, and we are hoping to make significant improvements in this area this year.

Ono [A]: This is Ono. I think the part of the contribution of the tungsten business is also necessary to achieve these figures.

Participant [M]: I understand. Thank you very much.

Participant [Q]: First, if you have any quantitative explanation of how much the H.C. Starck acquisition will change the recycling ratio of tungsten in cemented carbide tools or anything like that, could you tell us? Regarding the revenue impact, I think we need to wait for further details, but I think you mentioned that the current business environment is difficult, so could you give us some background on this and your thoughts on how to improve it? This is the first question.

Second, in line with the theme of resource recycling, I think you have made some progress with copper and cemented carbide tools, but could you tell us about your evaluation of the progress of these measures to date in terms of resource recycling, and your recognition of future issues? That is all.

Ono [A]: Thank you for your questions. In terms of the recycling ratio of tungsten, we originally set a goal within the Medium-term Management Strategy to increase the ratio of recycled raw materials in the cemented carbide products we produce to 80% by 2030. That's now a little more than 50%, just a little over 50%.

So far, we have had a tungsten recycling plant in Akita, Japan, at a company called Japan New Metals, but it is not easy to reach 80% by itself. Then, as in this H.C. Starck acquisition, the company has a recycling plant in Germany, Canada, and then I guess some in China. So, I believe this will make a big difference in increasing the probability of achieving the 80% recycling rate by 2030 that we have set forth in our Medium-term Management Strategy. Or even we do not have to wait until 2030 to achieve that goal.

As for the current severe business environment, as our Metalworking Solutions business is suffering, in the major application of tungsten powder as tungsten carbide or WC, which is sold as a raw material for cemented carbide products, poor sales there have been a negative factor in H.C. Starck's current business.

As I mentioned earlier, we still need a little more time before the closing. After the procedures are completed, we will work out what kind of synergies we can create with each other, and since our Company is engaged in almost the same kind of business at Japan New Metals, the major point is to find the best way to improve the overall situation by bringing together the technologies of both parties.

Regarding the second point, the evaluation of the progress of measures in line with the theme of resource recycling, overall, we are making progress in what we are trying to do, but if I were to make an evaluation, I would have to reflect on the fact that every project has been a little behind schedule.

For example, the recovery of cobalt at Mantoverde is a little later than originally anticipated, and the Exurban project is a little behind schedule as well due to a number of factors. This is one of the major issues. In addition, there are various factors that increase costs, especially for overseas projects. In terms of financing, the increase in interest rates will also have an impact on the overall profitability of the project. In turn, we are aware that we will have to work out the extent to which the metal prices or the sales of the extracted materials can cover this issue. That is all.

Participant [M]: I understand. Thank you very much.

Participant [Q]: Thank you very much. I also have a question about confirmation of the idea of economic profit. I understand the concept that the three years until 2025 will be a period of relatively upfront investment, followed by a payback period.

While you are now planting seeds to increase the overall top line in terms of volume, there are also situations such as the cost increase you mentioned. I wonder if it will be a combination where fixed costs are also on the way to increase as capital investment actually progresses.

In that sense, unless you are a little more aggressive in your efforts to work on the margins, I am not sure if these current quantitative efforts are sufficient to turn the economic profit into a positive figure and further meet your goals.

Is it about simply being later than expected due to a downturn in demand? Or in order to prepare for changes in the business environment, you may have to work more aggressively on margins or reduce costs. I feel that this kind of approach is necessary, and I would like to know your thoughts in this area.

The second question is from the same perspective, though. I understand that the investment for the expansion to 240,000 tons of E-Scrap is steadily progressing, and I think it was previously explained that increasing the blending rate of E-Scrap was directly a factor in the increase in profit. For example, if replacing from the ore, I think TC/RC could be expected to be a factor in boosting profits in a very difficult situation expected in the future.

Is it safe to understand that the changes from the investments you are making now will still have a positive effect on your margins? I would appreciate it if you could step in and explain the smelting part again.

Ono [A]: Thank you for your questions. First of all, I think that the margin in resource recycling depends on how good the conditions are under which we can collect scrap materials. When we talk about margins, the business of making products is a little different from the business of extracting metal resources and metal materials in this resource cycle, and I think this means that there is competition in the collection.

In this sense, we will establish a new company in Europe to think about European strategies and implement them in Europe while considering how to keep up with the competition for collection in the European market. We are also considering the need not only to bring E-Scrap, which is generated in Europe, to Japan, but also to collaborate with other companies to ensure that we do not lose out in terms of conditions for collection. This is one idea we are trying to address.

As for the second point, the initiative to increase E-Scrap to 240,000 tons, what was originally mentioned in the Medium-term Management Strategy was that by increasing copper concentrate processing capacity. Even if the percentage of E-Scrap does not increase proportionally, the same percentage will lead to an increase as a volume, and that is what we have been trying to implement. However, given the current TC/RC environment and by-product prices, we believe that such an approach may not necessarily lead to overall optimization.

For example, the Company is not planning to increase the processing capacity of copper concentrates as planned but to increase the ratio of pure E-Scrap to copper concentrates by pre-treatment, compared to the case where E-Scrap is fed in without pre-treatment. We are now considering the possibility of taking such measures.

Participant [Q]: Thank you. Sorry about the first point, I was not asking properly. Regarding the first point, from a broader perspective, from a company-wide perspective, as an approach to increase the economic profit, can we expect the sales expansion of focused products such as electronic materials, for example, now that you have completed capacity expansion in the Copper & Copper Alloy business, to function as a positive factor for margins and the product mix?

I feel that additional actions such as cost reduction to cope with the increase in various costs, further price increase, price pass-on efforts, etc., are necessary. Now, as you evaluate the progress of the Medium-term Management Strategy, could you give us your perspective on whether your efforts to further expand this EP will be successful?

Ono [A]: This has to do with how each of the various individual investment projects are. So-called EP is the ROIC spread multiplied by the invested capital, but even after investment, it is meaningless unless the ROIC spread increases. This means that although the investment will eventually increase the capital invested, it will be meaningless unless the corresponding margin growth exceeds it.

As we do in our daily monthly management, we must keep the growth of fixed costs and variable costs or marginal profit under control while making investments for growth. However, the investment must be made in such a way that the growth of marginal profit can exceed the growth of depreciation, which is classified as a fixed cost that increases due to investment.

What is needed to achieve this is, in the end, to reduce costs and increase sales prices. That is, of course, what we are trying to push through in the management of the profitability of each project.

Participant [M]: I understand very well. Thank you very much.

Participant [Q]: Thank you very much. First of all, I would like you to sort out the background on H.C. Starck. This time, the major shareholder is Masan High-Tech, and I believe Masan High-Tech acquired H.C. Starck in 2020. I would like to know the background of your company's 10% investment in Masan High-Tech in the same year, or why Masan High-Tech is selling H.C. Starck this time, which it acquired in 2020. How did this kind of acquisition story come about?

Also, just to confirm, if you could tell me, what is the current status of H.C. Starck, or should I just say the actual results for the period that ended? Is there a deficit in the P&L or is there a surplus? This is the first question.

Secondly, please tell me about capital allocation. On page 12, as of the guidance at the beginning of the current fiscal year, looking at the cumulative total of operating cash flows for the fiscal year ended March 2024 and the fiscal year ending March 2025, the operating cash flow for the Medium-term Management Strategy was going to be slightly below the plan, while it appears that the Company is basically in line with the plan for the investment cash-out, increasing interest-bearing debt to compensate for the increase in investment.

Of course, there is a possibility that this blueprint will change when we enter the third year of the Medium-term Management Strategy, and operating cash flow may be higher than expected. Just as a way to organize our thinking, I would like to confirm whether there is any way to manage the investment without increasing the D/E ratio and within the scope of operating cash flow and recycling of assets.

Ono [A]: Thank you for your questions. Regarding the first point, I am sorry, but I do not think it is appropriate for us to answer why the company with which we are negotiating decided to transfer to us so soon after the acquisition. As a result, this is what happened.

We are of course aware of Masan High-Tech's acquisition of H.C. Starck, which is why we have been in discussions with Masan High-Tech to collaborate with them. I can tell you that this was the way things ended up, but it is difficult for us to say what kind of strategy the other party had in mind when they made the change. We hope you will forgive us.

Takayanagi [A]: I'm sorry, but we have just signed the basic agreement and the DA has not yet been concluded, so at this stage, we are obliged to maintain confidentiality, and we are not in a position to disclose this information yet. I'm sorry. That's all for here.

Ono [A]: We are currently working toward the end of this month to conclude the DA, so if we are able to talk about it, we would like to discuss it properly.

Then the second point, the capital allocation part. It is true that we are expecting about 60% progress for two years versus three years. We are not yet in a position to say definitively what will happen in the third year. Of course, one way of thinking is how we will allocate the cash we have earned, aside from how to earn cash, and the cash outflows, and in terms of allocations planned for each, the basic line of thinking is that we want to keep the allocation ratio as close to the plan as possible.

Then, of course, the possibility is not zero that the total cash inflows and outflows of ¥420 billion over the three years will not reach that level, depending on the operating cash flow situation. In such cases, we believe it is necessary to manage the investment in such a way that the allocation of cash is kept in line with the basic plan as much as possible, while, of course, some investment is curbed.

We have already made some changes in the timing of investments, even for the past two years, to the original Medium-term Management Strategy, and we will continue to manage this according to the overall cash-in situation. That is all.

Participant [M]: I understand. Thank you very much.

[END]

Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*