

## Q&A at the ESG and DX Briefing Session

Reference: ESG Briefing Session and DX Briefing Session on November 18, 2025

Note:

PAI = Patent Asset Index (PAIT™).

The total value of competitive impacts (an indicator of competitiveness and the quality of a patent family) based on PatentSight® provided by LexisNexis Intellectual Property Solutions.

This is an index based on patent value, which represents current and future visibility in the market, and the number of patents held.

### ■Q&A Session

#### [ESG Briefing Session]

Q.

I have a question related to the environment. You mentioned GX-ETS during the briefing, and I expect this to begin next fiscal year, with actual cash transactions starting from FY2027. While you did explain the grandfathering (GF) method as well, Mitsui Kinzoku appears to be in a favorable position from an outside perspective, given its reduction trajectory. I believe that incentives and motivation—either accelerating emissions reduction or reducing the urgency to take action—will shift based on whether the company ultimately becomes a credit buyer or a potential credit seller once GX-ETS is introduced. From Mitsui Kinzoku's standpoint, can I expect the company to proactively aim to become a credit seller? As this will also affect the P/L, I would appreciate hearing your views.

A.

There are two reduction rates under GF. We have requested for the coke used in the Hachinohe ISP to be classified as non-energy-derived so that it falls under the lower reduction rate. The ISP at Hachinohe uses coke as a reducing agent, and we believe it is difficult to substitute coke with another material. While this results in a lower reduction rate, we intend to accelerate technological development and other initiatives aimed at reducing CO<sub>2</sub> emissions during this period, and ultimately strive for carbon neutrality by 2050 as a future target. For the time being, we expect to be in a position of purchasing credits. However, as costs can be kept quite low in the initial stages, we plan to allocate the available funds toward technological development and investment.

Q.

Regarding the Emissions Trading System, is there a risk that the ISP at Hachinohe may not get the classification as being non-energy-derived? If this happens, how would you respond?

A.

The government is still formulating the rules, and we recognize that such a possibility exists. Our position is that because coke is used as a reducing agent, it has a strong characteristic of being non-energy-derived. We believe this point will be understood, and that the coke is therefore likely to be classified accordingly. When we provided an individual explanation to the Ministry of Economy, Trade and Industry's GX Group, we stated: "The coke used at the Hachinohe Smelting ISP performs a reduction function. If this process were not classified as non-energy-derived, then no other process-derived emissions should qualify either." We believe this point was understood. If the emissions reduction target were, for example, set at 0.3% per year, Mitsui Kinzoku as a whole would likely become a purchaser of credits in 2030, with an annual impact of less than 100 million yen. While the cost burden would not be particularly large in 2030 at least, we must continue accelerating CO<sub>2</sub> reduction initiatives as before in order to achieve carbon neutrality by 2050.

Q.

I believe that one of the purposes of the system is to encourage companies to bring forward their setting of CO<sub>2</sub> reduction targets through technological development. Based on the facts, how do you view potential changes to your setting of CO<sub>2</sub> reduction targets?

A.

We are currently examining the targets for 2035 and 2040 while assessing the feasibility of our various initiatives. We aim to accelerate technological development and set CO<sub>2</sub> reduction targets that will remain competitive in 2035 and 2040. The Business Creation Sector is also considering opportunities to commercialize CO<sub>2</sub> reduction technologies in the future, and we would like to position ourselves to potentially become a seller of credits over the long term.

Q.

I found the discussion on the linkage between intellectual property and economic value in relation to PAI™ extremely interesting. Could you explain how PAI™ is structured? I would appreciate a bit more color on how it ties into economic value.

A.

PAI™ reflects how frequently a company is cited by others, and this serves as an indicator of its technological evaluation. In addition, when filing patents, applications in the U.S. are considered to be worth roughly three times as much as those in Japan because of the larger market. PAI™ represents an evaluation that incorporates these factors on an accumulative basis. We recognize that PAI™ is beginning to be used by other companies.

Q.

How will you manage the numerical target of 3,000 for PAI™? While there are still several years until 2030, could you explain how you intend to manage the target going forward, including the measures you would take to catch up if it appears that progress is lagging?

A.

In terms of managing PAI™, since we have set the target of 3,000, we will draw a straight-line trajectory from the current level toward the target and monitor whether PAI™ is steadily increasing year by year. In parallel, we will proactively generate new R&D ideas and move development forward. While these efforts will not lead to an immediate increase in PAI™, we intend to proceed in a manner that enables us to reach 3,000 by 2030.

Q.

You have long pursued patent applications for technologies with future potential. Am I correct in understanding that the introduction of PAI™ as a specific metric will enable faster decision-making?

A.

Having this metric serves as motivation for both development and intellectual property activities, and we intend to fully leverage our strengths to achieve our targets. Until now, we have mainly looked at the number of patents. However, AI is currently advancing rapidly and R&D involves areas such as Materials Informatics (MI), so we must accelerate our efforts. If our speed lags behind competitors, our PAI™ will noticeably decline. Moreover, having objective data across multiple fields enables us—including R&D engineers and IP staff—to objectively gauge whether we are advancing on a global level. We consider this capability to be extremely significant.

Q.

I find the PAI™ initiatives very interesting. I believe that the accumulated PAI™ results from past efforts will translate into future sales. By setting PAI™ target values, I assume that there will be changes in specific initiatives. What kinds of specific changes do you expect from actually adopting PAI™ as an indicator? If there are any major changes in particular, I would like to hear about them.

A.

By setting PAI™ targets, we expect to actively advance technological development in areas with high technical interest and greater long-term impact. We also anticipate progress in acquiring intellectual property, both in terms of quantity and quality. We plan to conduct business not only in Japan but also overseas, and consequently, market size will affect PAI™. As such, we want to carefully consider the countries in which we file patent applications.

Q.

Regarding the relationship between PAI™ and net sales, can I assume that growth is linearly proportional? Or, on the contrary, is it the case that sales do not necessarily grow in proportion to PAI™ because all kinds of new businesses such as A-SOLiD® and HRDP™ have different unit prices and net sales depending on the product? Could you explain how the PAI™ figures relate to net sales?

A.

Since the relationship between sales and PAI™ differs by product, we are not yet at the stage where we can uniformly analyze, on a company-wide basis, the degree to which sales would increase for a given rise in Mitsui Kinzoku's overall PAI™. However, we do know that there is a correlation between higher PAI™ and higher sales. The percentage impact on sales also varies by product.

Q.

This is your first time disclosing PAI™. Is it possible to disclose it in quarterly results, or will you only disclose it once a year?

A.

As it is calculated and released on an annual basis, we are unable to disclose it quarterly.

Q.

Regarding your initiatives for job satisfaction, you stated that you are attracting quality talent and seeing improvements in your engagement score. What factors do you believe are driving this improvement?

A.

We believe the improvement is not the result of any single measure, but rather the cumulative effect of a variety of measures. The most impactful among these has been the establishment of a dedicated Job Satisfaction Reform Office within the Human Resources Department. This team takes the lead in visiting sites across the country, listening to issues directly from people on the ground, and working through specific, detailed solutions to address them.

Q.

Regarding human capital engagement scores, I have heard for some time that Mitsui Kinzoku has also been actively promoting mid-career recruitment. I believe that advancing both new graduate and mid-career recruitment will affect engagement scores. Given Japan's current labor shortage across the country, how do you view the situation? Do you believe that advancing mid-career recruitment is effectively helping to improve engagement scores, or are there still unresolved challenges?

A.

We publish our engagement score targets in our Integrated Report along with our current status, and we expect that candidates for mid-career recruitment also review this information. However, because engagement scores cannot be measured until one year after an employee joins the company, we cannot directly determine the extent to which mid-career hires are influencing this metric.

Q.

Regarding corporate governance, could you provide examples of improvements in management since transitioning to a Company with an Audit and Supervisory Committee? For instance, in what ways has this change helped to invigorate various processes, such as investment decision-making?

A.

With the investment in VSP™ for example, if we had needed to deliberate and decide each step at the level of the Board of Directors, we likely would not have been able to make and announce phased investment decisions every few months as we did in this case. Instead, time would simply have passed, which might have caused concern in the market. Likewise, for the investment in the all-solid-state battery (ASSB) SE, the executive team held repeated, substantive discussions, with input not only from the responsible executive but also from others, allowing the organization to move forward in a unified direction.

Q.

Regarding corporate governance, are you at this point considering plans such as increasing the ratio of outside directors to a majority of the Board of Directors or transitioning to a Company with a Nomination Committee in order to further separate executive and supervisory functions?

A.

We have no such plans. As a Company with an Audit and Supervisory Committee, we currently have an equal number of internal and outside directors, and an outside director chairs the Board of Directors. We believe this structure functions as a very strong monitoring model. Transitioning to a Company with a Nomination Committee would separate execution and supervision too much, and we are also skeptical about the number of outside directors in Japan who would be sufficiently equipped to take on such a role. Given our broad range of business areas, we believe that—unless a major issue arises—the current structure is the most appropriate for ensuring that execution and supervision can view matters from a shared perspective.

[DX Briefing Session]

Q.

Regarding DX investment, what level of management resource allocation should I expect going forward? This fiscal year marks the start of your three-year MTP. As expectations for Mitsui Kinzoku's product sales growth appear to be rising at an accelerating pace, the initiatives you will need to pursue and the scale of management resources required may also need to change going forward. How do you plan to internally review the currently estimated scale and direction of DX-related expenditures and management resource allocation, as well as the way KPIs will be set, visualized, and shared as outcomes?

A.

As for costs, we are currently operating with a three-year budget of 15 billion yen, and with about 4 billion yen of depreciation remaining, our annual average expenditures come to roughly 7 billion yen. It is difficult to determine whether this is appropriate. According to data from a research firm, materials manufacturers spend an average of 0.8% of net sales on DX, whereas our annual 7-billion-yen expenditure is about 1%, so we believe we need to benchmark ourselves accordingly and set clear priorities in our DX spending. In growth fields within the Engineered Materials Sector, there may be situations where investments of up to 5% are required. We do not believe that it is sufficient to simply target the industry average in a uniform manner. Regarding KPIs, we hold an Owner Meeting twice a year, where we give presentations directly to the President about how we plan to achieve them.

Q.

I imagine that DX KPIs cover a wide range of areas, how do you plan to link DX KPIs to the themes of shareholder value and corporate value?

A.

At the current stage, backcasting from the 2030 profit targets of each division has helped identify key issues to be addressed. To address these issues, senior general managers are factoring DX into their KPIs. We discussed aligning KPI perspectives during the 25-27 MTP. Going forward, the executive team will engage in substantive discussions to ensure that these KPIs are truly contributing to management KPIs. In the current approach for setting KPIs, each senior general manager is given discretion with respect to incorporating DX as a means of achieving the 2030 management targets.

Q.

I think it is difficult to determine the extent of returns generated by a particular DX initiative. The connection is often highly vague, and balancing cost management with returns is extremely challenging. However, based on your explanation, I can see that sales are already being visualized within the Engineered Materials Segment, for example. Subsequent actions can be taken if figures can be visualized quickly. Likewise, I have a general sense that the capital investment decision was possible this time because financial data and other figures were visible at an early stage, and that actions such as reducing operational issues and enabling preventive maintenance make a significant difference compared with not pursuing these efforts. If there are any examples within Mitsui Kinzoku where you have seen meaningful results, I would appreciate hearing about them.

A.

As you know, it is quite difficult to say that doing a particular DX initiative will definitely lead to results, and it is extremely challenging to evaluate investment effects. However, we must at least invest the minimum necessary expenditure in basic data infrastructure, including essential security. Considering the number of concrete cases that have emerged, we would say that the past three years have been somewhat weak. Those who have been working very hard will understandably object to this point, stating that they have indeed achieved results. However, during the three years of the 25-27 MTP, our aim is to establish a framework in which these outcomes are more visible and can be clearly explained.

Q.

In one case of system development, the final product was quite unlike what was intended, even after you outsourced external AI specialists. In the end, when you promoted someone internally—someone who understood the actual work—and had that person perform the development, the process went much faster, and the system was ultimately built by in-house personnel. In that sense, is it correct to understand that Mitsui Kinzoku places considerable emphasis on developing internal personnel?

A.

We will, of course, continue to engage consultants where we, as the owners, identify areas that need to be supplemented. Our systems are being developed under an architecture in which Mitsui Kinzoku Yoursoft and the ICT Supervisory Department take the lead, while we maintain firm control over the systems.

Q.

Regarding the DX initiatives in the Engineered Materials Segment, I understand that DX will enable immediate cost calculation or allow pricing based on past transaction history. On the other hand, the pricing initiative that you started this fiscal year seems to be moving somewhat away from discussions based around cost or past pricing. You also seem to be working on how to better reflect added value in prices. To the extent that you are able to disclose, could you explain how this initiative is connected to DX?

A.

Pricing is being advanced as an entirely separate project. As you stated, we cannot simply assign value arbitrarily—we need to approach pricing from both perspectives. However, because we have historically relied excessively on cost accumulation when making proposals to customers, we have

a separate pricing team that works alongside this project to carefully cross-reference both sets of data during discussions. We need to have a firm grasp of the foundational data, so we understand that both approaches are necessary. Cost is completely irrelevant for overwhelmingly strong products; the only thing you need to consider is the value of the product itself. However, in businesses where numerous product groups are competing for, say, 10–20% market share, understanding the products that have higher margins based on individual cost margins is extremely effective when determining which orders to accept under full-capacity production. Moreover, for products in highly competitive environments, it is very useful to understand how individual costs change as manufacturing improvements progress. Products that are overwhelmingly strong are in a different category altogether, because we can set the price.

Q.

Since engineered materials include a wide variety of products, is this useful when considering the pricing for them?

A.

Yes. We have many different businesses, and each division works on the pricing for individual products, so it is extremely helpful in that context.