

## Financial Strategy

# Place importance on investment efficiency, coordinating with the business strategies to improve our corporate value



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Mitsui Kinzoku Group upholds the vision of becoming by 2024 a “company that continually creates and develops growth products and businesses in our three core business segments (Engineered Materials, Metals, and Automotive Components).” As a step toward realizing this vision, during the period of the “16 Medium-Term Plan,” we actively made investments with a focus on the Engineered Materials business where there is a strong need for new product development.

In the current “19 Medium-Term Plan,” we are sticking to this policy and continuing to invest in growth products and businesses.

Meanwhile, our corporate group is heavily affected by changes in currency exchange rates and nonferrous metal prices. Another factor greatly impacting us is the trend in the electronic materials market. These materials are used for such products as smartphones, which see a high turnover in product cycles and dynamic fluctuations in market conditions. Consequently, we recognize the reinforcement of our financial structure as one of the top management issues.

In FY2020, we transferred our interests in the Caserones and Collahuasi copper mines in Chile, based on the conclusion that redirecting the management resources to other businesses would contribute to further enhancement of our corporate value from the viewpoint of business portfolio optimization. Also, the company’s head office, owned by its subsidiary, was sold as part of the efforts to increase asset efficiency through the effective use of management resources and to improve our financial position.

The consolidated equity ratio at the end of FY2020 was 33.4%, marking an improvement from the previous year (30.7%). We strive to achieve a consolidated equity ratio of 40%, which is one of our management goals for FY2021, by maintaining our financial discipline, while also strengthening our management foundation by reaping the benefits of the initiatives we have implemented and by executing our growth strategy.

### Financing policy

In order to prepare for drastic changes, such as in the market situation as well as the exchange rate and prices for nonferrous metals, we will secure a certain level of liquidity on hand so that we will be able to conduct stable business operations.

We have maintained the level of cash and deposits that we increased in the previous fiscal year in order to be able to respond to the significant changes in the environment caused by the impact of COVID-19, and we are further increasing our liquidity on hand.

Meanwhile, as our 19 Medium-Term Plan includes plans for making active equipment investments with a focus on the engineered materials business, we will strive toward the advantageous financing in a timely manner in accordance with funding needs, while taking consideration of various factors including the financial situation and the interest rate levels.

### Management that places awareness on capital efficiency

As we strive toward “Transform the growth foundation to achieve the vision for 2024” which is the slogan in the 19 Medium-Term Plan, we are strengthening business monitoring by not only using the traditional management index, but also evaluating each segment using ROIC (consolidated return on invested capital).

ROE (consolidated return on equity) for FY2020 exceeded the initial plan. We will continue to take measures to achieve the target of ROE 10% for FY2021.

### Dividend policy

Our dividend policy is based on the appropriate distribution of profits according to our business performance, while also ensuring that we hold back what is needed for the future of our business foundation.

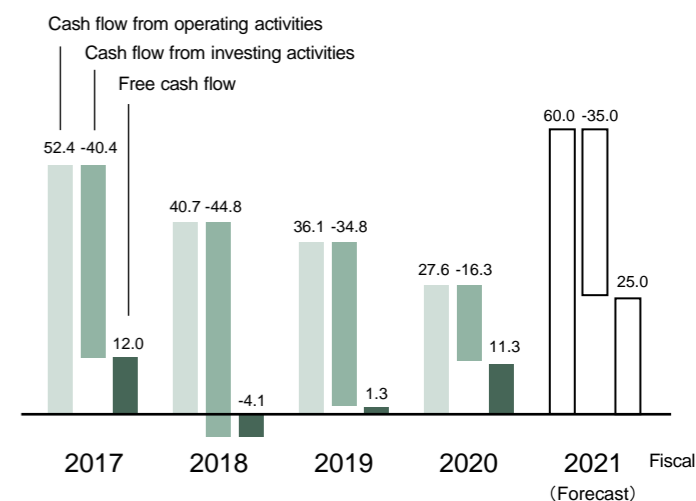
Specifically, while we will return profits with the aim of realizing a consolidated payout ratio of 20% in accordance with the company’s dividend policy that was announced on May 9, 2018, we will also place importance on providing continuous and stable dividends. As such, we aim to provide dividends at a rate of 2.5% DOE (consolidated dividend on equity).

In the future, we will review our shareholder return policy in accordance with the level of progress that we achieve in strengthening our management foundation and in improving our financial condition.

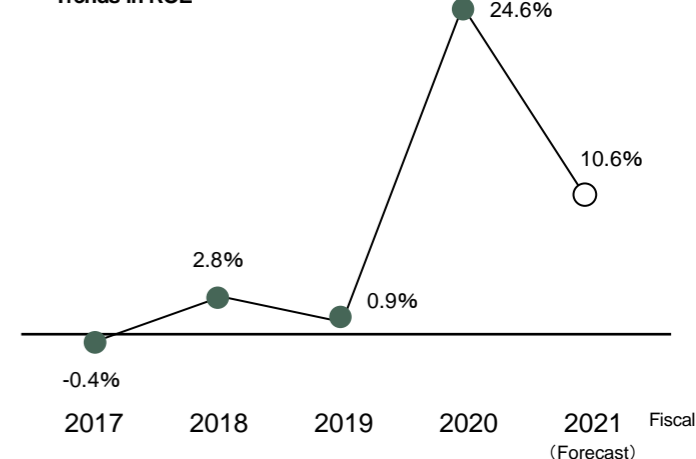
### Tax policy

Mitsui Kinzoku Group complies with the laws and regulations of the countries and regions in which we do business, and conduct our business activities in accordance with the tax guidelines published by international organizations such as the OECD (the Organization for Economic Cooperation and Development). If countries and regions have preferential taxation systems, we carefully check the actual situation of our business and the purpose of the systems, use them appropriately, and do not take tax avoidance acts that abuse the systems. When making business decisions, we consider tax matters and position tax strategy as part of our business strategy.

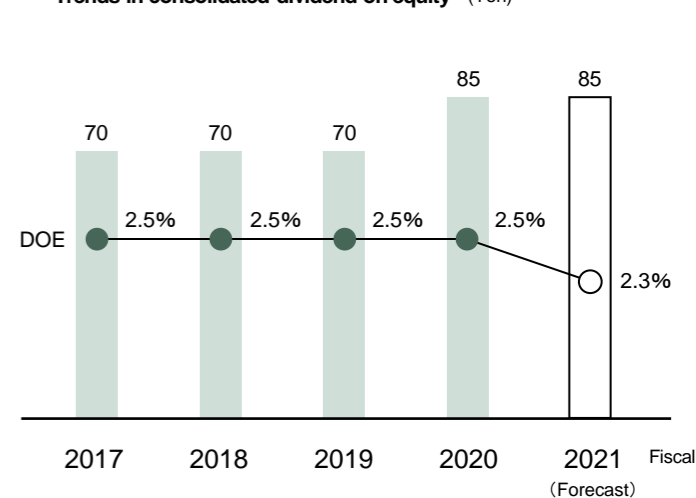
**Cash flow** (Billion yen)



**Trends in ROE**

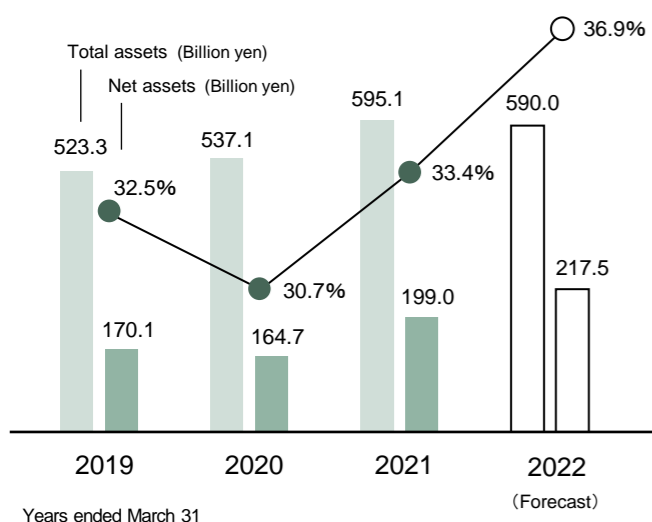


**Trends in consolidated dividend on equity** (Yen)



※ We executed a 1-for-10 consolidation of shares, which came into force on October 1, 2017.

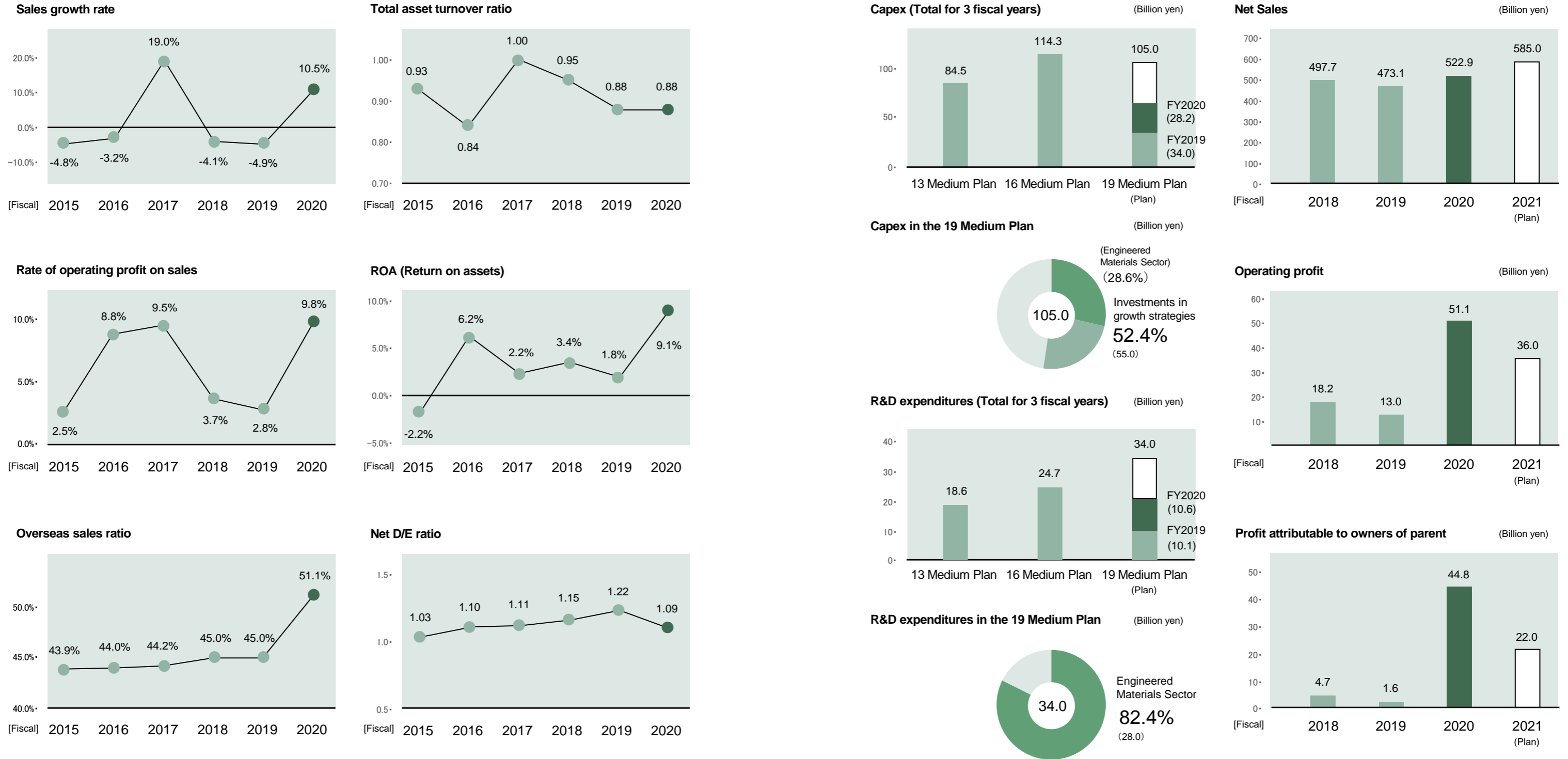
**Trends in consolidated equity ratio**



## Financial Highlights

Trends in major financial indexes in the “13 Medium -Term Plan” and the “16 Medium -Term Plan,” and the planned values in the “19 Medium -Term Plan”

13 Medium-Term Plan: from FY2013 to FY2015, 16 Medium-Term Plan: from FY2016 to FY2018, 19 Medium-Term Plan: from FY2019 to FY2021



Highlights of major financial indexes for the past 11 fiscal years are listed on pages 66-67. Please refer to those pages as well.

Other figures of each business segment in the 19 Medium-Term Management Plan are listed on pages 28-33.