



My commitment

Review of the first year of the 22 Mid-term Plan, formulated to realize the Vision for 2030, a result of backcasting from the point of 2050, and by combining forecasting from our past achievements.

That first fiscal year has ended.

President and Representative Director

NOU Takeshi

FY2022 was the initial year of the new three year management plan, the 22 Mid-term Plan, which was started in April 2022.

We have managed to weather through the past fiscal year, struggling to adapt to the rapidly changing business environment.

Although the spread of the COVID-19 pandemic has been gradually contained around the world, our industry is being plagued by a battery of challenges posed by the protracted conflict in Ukraine, raw materials prices and energy costs rising as an outcome of heightened geopolitical risks, the slowing Chinese economy, fluctuations in exchange rates and metal prices, among other factors. Due to this situation, our business environment continued to be severe throughout the year.

The Group's business performance in FY2022 is outlined by Sector as follows. In the Engineered Materials Sector, sales of electro-deposited copper foil, one of our main products, decreased due to the prolonged inventory adjustment throughout the supply chain chiefly for semiconductors. The Engineered Powders division was also affected by production adjustments made by major customers and sluggish demand from smartphone manufacturers. As a result, the Sector as a whole posted a decline in revenue and income year on year.

In the Metals Sector, although the LME market was on a generally downward trend, domestic prices remained at sufficient levels backed by the weak yen, to allow the Sector to post a slight increase in revenue. However, income declined as an outcome of higher energy costs as well as inventory-related factors accompanying fluctuations in the non-ferrous metal market.

The Mobility Sector benefited from global sales of automobiles slightly increasing on the back of the supply shortage of semiconductors and other components being gradually eliminated. Door latches for automobiles, a main product of the Sector, posted an increase in revenue thanks to rising demand in Japan, India and Southeast Asia, which offset declining demand in China, in addition to part of increased

raw materials costs passed on to selling prices. Revenue of the Catalysts Division also increased, as sales increased reflecting the increased production of exhaust gas purifying catalysts for motorcycles in response to strong growth in demand in India and Southeast Asia as well as the mass production of exhaust gas purifying catalysts for four-wheeled vehicles as orders for new models for India started to be delivered. As a result, the Mobility Sector as a whole posted an increase in revenue. Income also grew year on year, owing to expanded sales of catalysts as well as reduced impacts from fluctuations in the prices of rhodium, a major raw material for catalyst production, and other materials.

The Group's overall financial results for FY2022 are summarized as follows. Net sales increased by 18.6 billion yen (up 2.9%) year on year to 651.9 billion yen, with the decreased revenue posted by the Engineered Materials Sector being offset by growth in other Sectors. Operating income plunged by 48.2 billion yen (down 79%) to 12.5 billion yen, reflecting reduced revenue and income by the Engineered Materials Sector as well as rising energy costs and the impact of inventory-related factors accompanying fluctuations in the non-ferrous metal market, despite the favorable effect of the continuing weak yen.

Ordinary income dropped by 46.1 billion yen (down 69.9%) to 19.8 billion yen, due to a significant decline in operating income, despite an increase of 1.1 billion yen in gains on equity method investments.

Income after extraordinary losses, including for loss on disposal of property, plant and equipment and valuation loss on shares in subsidiaries and associates, plummeted by 43.5 billion yen (down 83.7%) to 8.5 billion yen.

I am acutely aware of my responsibility as the leader of the management team for these results, which fell short of the revenue and income targets stated in the commitment at the beginning of the period, even in consideration of the uncertain business environment.

In FY2023, the second year of the 22 Mid-term Plan, the business environment is likely to remain very severe and make it difficult to achieve the initial targets set for income and other financial performance indicators. Nonetheless, we will adhere to the original strategies directed at realizing the Vision for 2030 and implement individual action plans as planned.

In the Engineered Materials Sector, we will accelerate growth through generating financial value according to the integrated thinking-based management principle, by expanding business opportunities and developing schemes for this purpose. For generating social and environmental value, we will focus particularly on creating environmentally friendly products, promoting additional strategies to step up CO₂ emissions reduction efforts, and optimizing management resource allocation for more efficient asset management.

In the Metals Sector, aiming to become an essential supplier for transition towards a circular economy and a sustainable society, we will continue with our efforts to establish recycling networks, conduct studies for the development of new metal resources and renewable energy sources, improve the resource efficiency of copper and precious metals, and increase the recovery of by-products.

In the Mobility Sector, seeking to become a pioneer in mobility technology development, we will strive to enhance our capabilities in all areas of technology, manufacturing and sales, and to create new products and businesses, to be able to continuously create value that is truly appreciated by customer companies and markets.

In the Business Creation Sector, which is engaged in R&D and market co-creation strategies, we will increase our capacity to explore business opportunities and promote R&D to be able to create new business sustainably while promoting the commercialization of development themes through mobilizing financial and human resources in a timely manner in response to changes in the environment.

Continue to press ahead with reforms to create financial value and social and environmental value all at once.

In the corporate function, for the purpose of accelerating efforts for improving social and environmental value according to the integrated-thinking based management principle, the Sustainability Promotion Department was moved from under the Corporate Planning & Control Sector to directly under the President, in April 2022, so as to facilitate cooperation with related departments and divisions including business units.

In April of the same year, the Technology Sector was set up and the four technology-related departments—Production Engineering, Quality Assurance, Environment & Safety, and Intellectual Property—were incorporated in the new organization. The aim is to encourage the four departments to work together to create synergy and maximize the effect of initiatives implemented to improve the technology infrastructure and develop relevant specialists for promoting GX*¹ and DX*² reforms while also continuing to engage in individual tasks independently. With the new organization established, we will ramp up efforts to achieve the carbon neutrality goal, create environmentally friendly products, solve environmental issues, and increase intellectual, technology and human capital.

*1 GX

Green transformation (GX) refers to strategies that see international calls for reducing greenhouse gas emissions, a major cause of climate change, as an opportunity for economic growth, and aim to achieve emissions reduction and improve industrial competitiveness at once.

*2 DX

Digital transformation (DX) refers to strategies to utilize digital technologies to upgrade management operations and business processes.

In order to improve financial value and social and environmental value all at once according to the integrated thinking-based management principle, we endeavor to maximize the potential of human capital, the most important management resource for pursuing the above purpose.

We focus on diversity and inclusion as the key issue in this area. To enhance and accelerate our efforts to address this issue, the Diversity, Equity, and Inclusion Office was established in 2021 as a dedicated department to formulate and implement plans to create a workplace where all employees with diverse values can play an active role.

In pursuit of an attractive diversity-oriented workplace, specific plans are on the table for two key approaches: increasing job satisfaction, a priority issue defined in the Mid-term Management Plan; and supporting women's career development, the first step towards achieving a diversity-driven productive workplace. In April 2022, the Diversity, Equity, and Inclusion Committee was set up and I serve as chair of the organ. The Committee meets on a regular basis to discuss action policies and strategies, make decisions, and monitor the progress of implementation. And issues and the progress of the Committee's activities are reported to the Board of Directors to confirm that diversity and inclusion initiatives are being implemented in an ongoing fashion and in alignment with management policies and that implementations are thoroughgoing and effective.

We are also committed to the physical and mental health of all the Group's employees and their families, as one of our important management issues. The good health of employees and their families constitutes a condition for the employees leading a fulfilling life, which provides a basis for maximizing their individual potential and contributing to increasing the Company's productivity and creating innovations. Based on this understanding, we will promote health management proactively.

In April 2022, the HR Business Partner Office was set up as a human resources management function to support organizations with implementing business growth and strategies. The new function is designed to be the key to a structure for aligning personnel management with management strategies to ensure sustainable business growth. In the structure, an HRBP*³ person is assigned to each Sector to support close cooperation between the Human Resource Department and the Sector. The HRBP person is responsible for identifying personnel issues from a forward-looking perspective, particularly for running personnel allocation programs to support group-wide dynamic management of business portfolios, and implementing solutions to the issues identified while assisting each Sector with dealing with talent management issues, such as succession planning and individual assignment and skills development.

In conjunction with this, the personnel system was revised in the previous year, adopting the job-based model to employ suitable persons to engage in clearly defined roles and jobs, compared with the conventional "person-based" allocation practice in which responsibilities of individual persons are not clearly defined. This shift aims to make sure that the right person is assigned to the right role according to the performance-based personnel policy.

*³ HRBP

Human resource business partner (HRBP): HR function that serves as a partner to the management team or business divisions, supporting the organization with using its human resources effectively to implement business growth and strategies.

Realization of the 2030 vision, which should lead to the well-being of all our stakeholders.

We introduced the new ESG-linked compensation scheme for Directors, started from this fiscal year, as a measure to incentivize the Directors to continuously commit to enhancing the Group's corporate value and share more value with our shareholders. Specifically, we launched a new type of stock compensation scheme that grants shares with restrictions on transfer according to performance related to requirements set for newly introduced ESG indicators, including those related reduction of greenhouse gas, promotion of job satisfaction and diversity, and compliance.

We described our commitment to the "ambidexterity-oriented" management strategy—pursuing "exploitation" (enhancing existing businesses) and "exploration" (creating new businesses)—at the beginning of the previous fiscal year when the ongoing Mid-term Management Plan was launched. In pursuit of exploration, we will continue to proactively invest management resources in activities of the Business Creation Sector, as described earlier. In pursuit of exploitation, we will continue executing investments as scheduled for businesses selected for expanding and developing value as well as seeking the best internal and external owners for businesses categorized for value restructuring while continuing with dynamic portfolio management.

*⁴ The Vision for 2030

Building new businesses — and the future — with our material intelligence.

The period of uncertainty will likely continue, posing a challenging business environment to us for a while longer. Nevertheless, we will maintain the commitment to the Vision for 2030*⁴ and performance targets for FY2030 announced last year. We are firmly determined to fulfill this commitment so that Mitsui Kinzoku Group will continue to exist toward 2050 and beyond.

The Company will mark the 150th anniversary of its founding in FY2024, the final year of the 22 Mid-term Plan. This is driving us forward more strongly toward the goals so that we will be able to report good results in the year when we can share the delight of reaching this major milestone full-heartedly together with our stakeholders.

Towards realizing the Vision for 2030 based on our Purpose: "We promote the well-being of the world through a spirit of exploration and diverse technologies," I, as the leader of the management team, will commit to proactive information sharing and communication with our internal and external stakeholders.

I greatly appreciate your continued support.

(July 2023)

