

Financial Strategy

Achieve sustainable corporate value enhancement by implementing a financial strategy that is coordinated with our business strategy and focused on investment efficiency

“What is the progress of the business portfolio review?”
“Capital efficiency metrics, such as ROE and ROIC, should be added to the performance-based portion of executive compensation.”

We regularly set up opportunities for dialogue with shareholders and investors through several channels. We have often received opinions and requests concerning thorough management focusing on capital costs and capital efficiency.

In response, in the previous medium-term management plan period (FY2019 to FY2021), we began monitoring to evaluate each business segment based on consolidated return on invested capital (ROIC). In the current medium-term plan period, we use ROIC as one of the business value metrics in the dynamic management of the business portfolio, giving a high evaluation rating to business units with high capital efficiency.

In FY2023, the Board of Directors spent considerable time discussing management strategies, reviewing the business portfolio and discussing matters related to mergers, acquisitions, and reorganization.

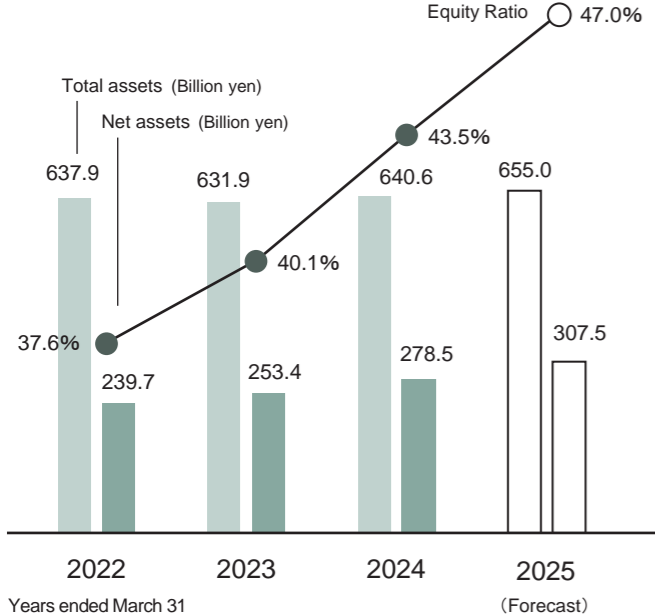
Based on these discussions, we have included the achievement of ESG metrics as a requirement for the stock portion of Directors’ compensation.

Currently, we are discussing the calculation of business segments’ weighted average cost of capital (WACC), the setting of appropriate ROIC targets for business segments that exceed each WACC, and the inclusion of capital efficiency metrics in the performance metrics of Executive Directors and Managing Executive Officers.

Upon resolution passed at the Ordinary General Meeting of Shareholders in June 2024, we have become a company with an Audit & Supervisory Committee. This change was intended to further improve capital efficiency and allow the Board of Directors to concentrate on discussing group-wide strategies, such as the effective allocation of management resources.

In FY2025, the year when a new medium-term management plan will begin, we will discuss and prepare internally to start a more effective management system and structure, focusing on capital efficiency and its improvement.

Trends in consolidated equity ratio



Managing Director, Senior Executive Officer,
Senior General Manager
of Corporate Planning & Control Sector

IKENOBU Seiji

Financing policy

To ensure stable business operations, we keep a certain level of liquidity assets to prepare for drastic changes in the market, exchange rates, and nonferrous metal prices. Meanwhile, in addition to active investments in the Business Creation and Engineered Materials Sectors, our 2022 Medium-term Plan includes investing to improve our social & environmental value and financial value. To implement these activities, we strive to procure financing in accordance with our funding needs, considering the overall financial market situation, interest rates, and other factors.

Dividend policy

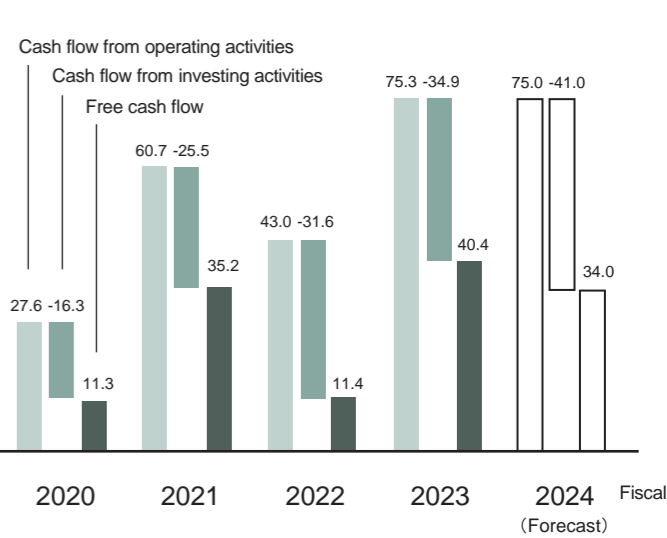
Our dividend policy is to distribute profits appropriately based on our business performance while retaining the internal reserve needed for our future business foundation. In line with this, we aim to provide continuous, stable shareholder returns, with a benchmark of 3.0% consolidated dividend on equity (DOE) starting in FY2022. We have also paid interim dividends since FY2023.

We will review our shareholder return policy in accordance with the progress made in strengthening the management foundation and improving our financial condition.

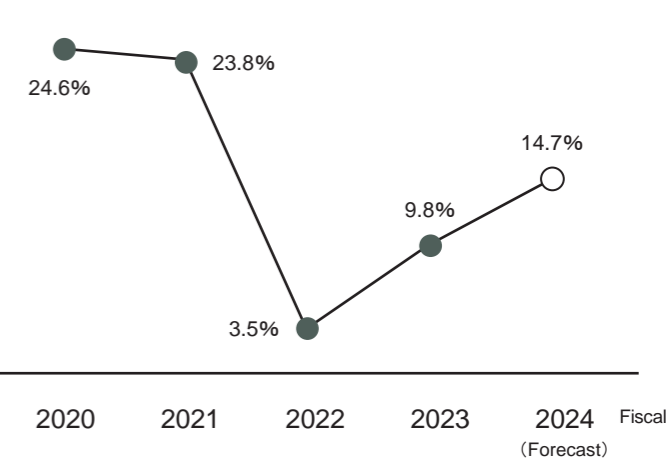
Tax policy

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.

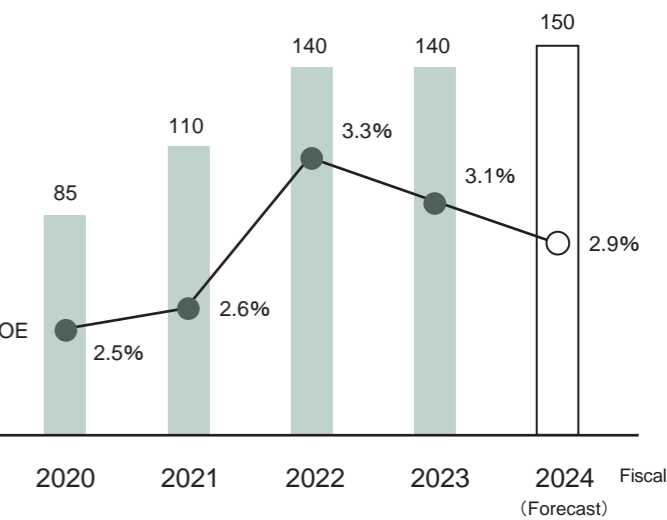
Cash flow (Billion yen)



Trends in ROE



Trends in consolidated dividend on equity (Yen)

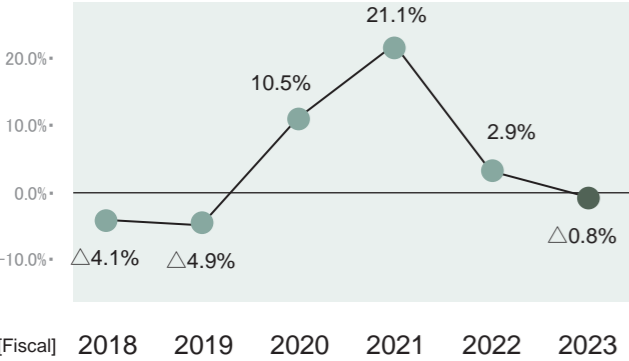


* Each forecast figure for FY2024 is as of August 8, 2024.

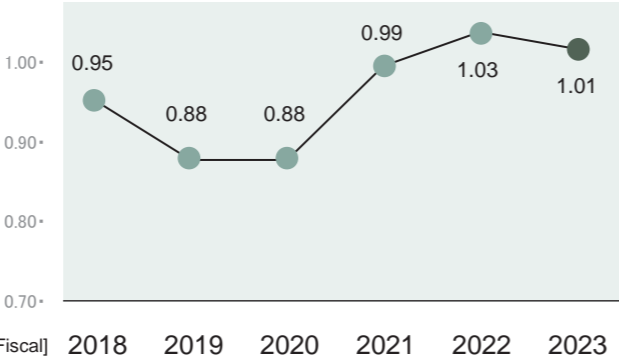
Financial Highlights

Trends in major financial indexes

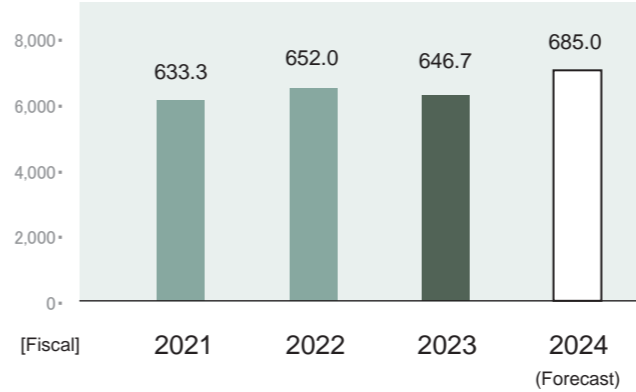
Sales growth rate



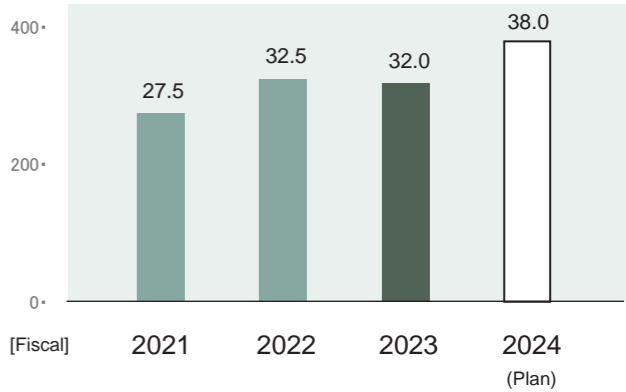
Total asset turnover ratio



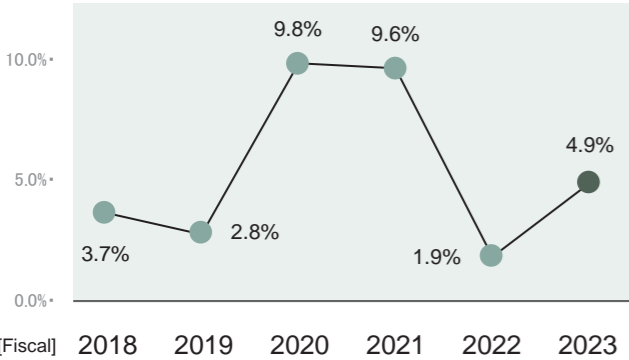
Net Sales



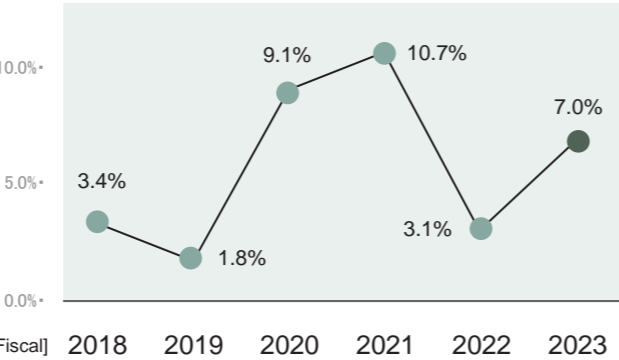
Capex



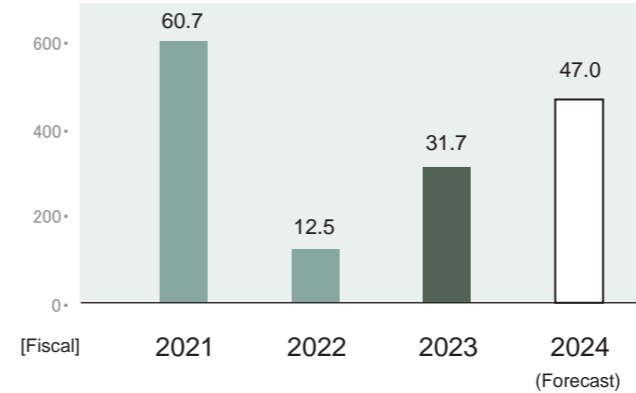
Rate of operating profit on sales



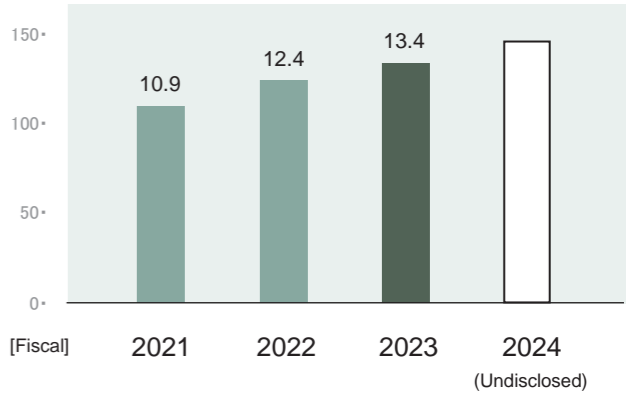
ROA (Return on assets)



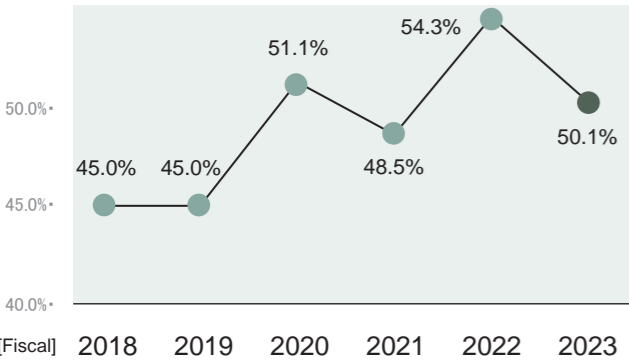
Operating profit



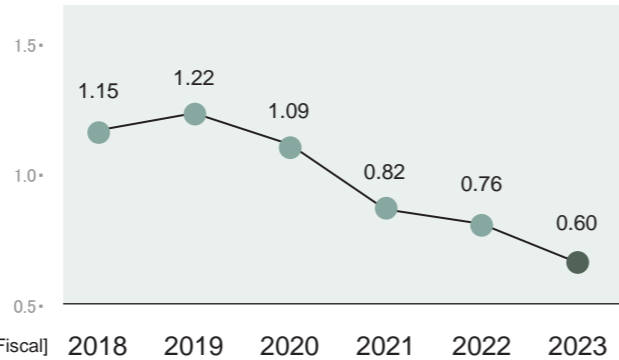
R&D expenditures



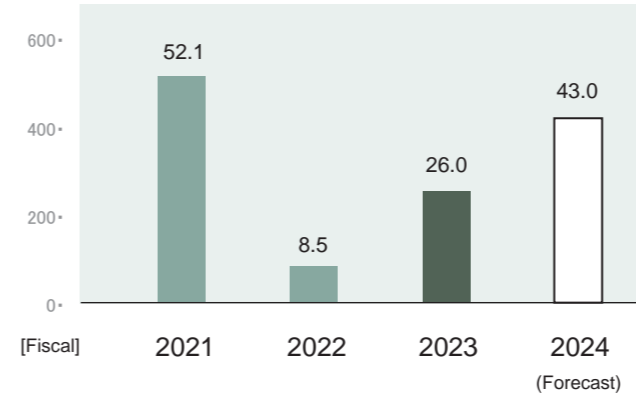
Overseas sales ratio



Net D/E ratio



Profit attributable to owners of parent



Highlights of major financial indexes for the past 11 fiscal years are listed on pages 92-93. Please refer to those pages as well.

* Each forecast figure for FY2024 is as of August 8, 2024.

Managing portfolio dynamically

Strategic investments in M&As

We will balance and accelerate the management of “exploitation” and “exploration” and pursue internal and external synergies to continually create financial value and social and environmental values.

We have backcast an "attractive market" in 2030 based on our forecast of the world in 2050, and have forecast a "winnable market" in 2030 based on the Mitsui Kinzoku Group's strengths, and set our activity areas for 2030 as the intersection of these markets. Mitsui Kinzoku Group engages in business in six product/market scopes: environment and energy, natural resources, life science, electronics, mobility, and circular economy.

According to these scopes, we restructured the organization at the start of the current medium-term management plan, with a focus on 2030. The concept for the reorganization had two visions: attractive product/market scopes and allowing continued pursuit of synergies. Traditionally, at Mitsui Kinzoku, each sector has reached its own market and customers. Now, organizations are being transformed and grouped by product/market scope to constantly provide value to attractive markets. The three business sectors develop existing businesses, and the Business Creation Sector will create new businesses to reinforce and accelerate the pursuit of ambidexterity.

“Exploitation” involves developing existing businesses and maximizing their potential. “Exploration” involves forging new businesses and expanding knowledge in uncharted areas to create new businesses. These two factors will be balanced by the pursuit of ambidexterity. To advance exploitation, we will evaluate existing businesses based on the two axes of “growth prospects” and “business value” for portfolio management, and effectively allocate management resources. Growth prospects are evaluated by market attractiveness and our competitiveness, and business value is evaluated by EBITDA and ROIC (of the past, present, and future [expected value for 2030]).

In businesses with high growth prospects, which is the matrix’s vertical axis, we actively use external resources, not only internal growth, including M&As and business alliances for further Value Expansion and Value Cultivation. The Business Development Office of the Corporate Planning Department is responsible for implementing these initiatives. We will combine synergies created through internal business reorganization and partnerships with external organizations to enhance our growth strategies.

Based on dynamic business portfolio management, we will constantly assess businesses and explore internal and external best owners* for businesses that are categorized as Value Transformation. The Business Reconstruction Office of the Corporate Planning Department, which governs businesses not included in the three business sectors, is responsible for these initiatives.

FY2023 Business Evaluation Matrix review and measures

In FY2023, we also evaluated and reviewed the growth prospects of each business in the Group. In the Engineered Materials Sector, the Ceramics Division and NIPPON YTTRIUM CO., LTD., a consolidated subsidiary in the Sector, were newly added to the core businesses for “Value Expansion.” We made NIPPON YTTRIUM a wholly owned subsidiary aiming for synergies in the advanced materials field with its connection to the rare earth market in general and its engineered powder rare metal business, which has been supplying the adjacent light rare earth market. The diecast business of the Mobility Sector was repositioned as a Value Transformation business. NIHON KESSHO KOGAKU CO., LTD., which was under the control of the Business Reconstruction Office of the Corporate Planning Department, was transferred and sold based in part on the judgment that the transfer would lead to its growth and expansion.

We will continue to maintain and update data on the matrix evaluation axes precisely and flexibly and evaluate each business. In businesses categorized into Value Cultivation and Value Expansion, we will continue to actively invest management resources and take measures for business expansion, including M&As. In businesses categorized into Value Transformation, we will continue to search for the best owners internally and externally.

* Best owner

“Best owner” refers to the management entity that is expected to make the best use of the management resources of the business to maximize the corporate value in the medium to long term.

Portfolio Matrix Current positioning as of FY2024 Re-evaluated and action taken in FY2023

