



We will confront important social issues through business activities and improve sustainable corporate value

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President and Representative Director

01 —

Perceptions of the business environment

Urgent need to build a strong supply chain in a rapidly changing society

As we look back on FY2023, I would like to begin by outlining my views on the global and domestic situation, and explain how they affect our business. As for the world situation, it is expected that it will undergo even greater changes in the future as the international system and order following World War II continues to collapse. The main factor for these changes is the widening gap between rich and poor among countries and people. This gap becomes more pronounced with economic changes and population growth, and it is thought that this dissatisfaction is linked to the revival of nationalism in each country. Additionally, the confrontation between the 2 groups, the Global North, referred to as advanced countries, and the Global South, including emerging countries, as well as the confrontation between the group of Russia, China, and North Korea and the group of NATO and the Japan-U.S.-Republic of Korea partnership, are accelerating changes in the world situation. Under these conditions, the trade structure is changing, and as countries and group countries are giving priority to their own economies, the exclusive economy is being promoted more than ever.

Turning to the domestic situation, the declining birthrate and aging of the population accelerate, and there is a growing risk that the domestic market will shrink further owing to the declining and aging population. In order to respond to these changes in the domestic and international situation, our business is required to boldly change the way we think about our supply chain. Most of the main raw materials used in each business depend on imports, and it is necessary to diversify suppliers as much as possible to cope with the risk of nationalization of resources due to intensifying nationalism and the risk of supply chain disruption due to war. I also feel the importance of resource development business. I believe that we will not be able to compete with changes in the global competitive environment unless we increase the ratio of overseas production and sales more than ever. We recognize that our Titanium Business, which is our original and core business, has been revitalized by the upturn in the aviation industry following the end of the COVID-19 pandemic as well as

the disruption of the Russian supply chain following the invasion of Ukraine. However, we need to thoroughly consider how to deal with the situation when it returns to the original state, or in other words, risk management. We recognize that this is a major issue going forward.

02 —

Achievements and issues in FY2023

The current Medium-term Management Plan is the first step to 2030. Initiatives to realize Our Vision and expand profits started

We are currently working to achieve Vision for 2030, and have set targets of net sales of 170 billion yen, ordinary profit of 25 billion yen, and the ordinary profit to net sales ratio of 15% or more.

Under the slogan “Beyond Expectations 2030,” we have formulated the 3 year Medium-term Management Plan from FY2023 toward the target for FY2030, and are developing strategies to achieve the target figures for each year.

In FY2023, the first fiscal year of the plan, the Titanium Business sets the direction to capture the current booming market for titanium sponge for aircrafts, aiming to achieve the No. 1 share in the global market,

Comparison with Medium-term Management Plan (Unit: ¥100 million)

	Actual and forecast		Medium-term Management Plan		
	FY2023	FY2024	FY2023	FY2024	FY2025
Net sales	784	953	832	1,070	1,200
Titanium Business	594	697	587	670	720
Catalyst Business	73	112	98	130	150
Chemicals Business	117	133	139	260	300
Other (New Business)	-	11	8	10	30
Operating profit	56	57	46	100	130
Titanium Business	45	64	23	50	60
Catalyst Business	19	26	28	33	40
Chemicals Business	9	(14)	11	29	35
Other (New Business)	-	-	(1)	2	10
Common costs and expenses not allocated to the segments	(17)	(19)	(15)	(14)	(15)

and established full operation at the Saudi Arabia plant while increasing the capacity of existing facilities in Japan. We will continue to consider further capacity expansion. In the Catalyst and Chemicals Businesses, demands have been temporarily sluggish since FY2023 due to the impact of the economic slowdown in China, but we recognize that these are business areas where growth is expected over the medium to long term. In the Catalyst Business, we completed the 4th plant at the Chigasaki Plant, and in the Chemicals Business, we are constructing the 5th plant within the Wakamatsu Plant, which is scheduled to start operations in FY2025. I expect that all of these will be great assets if the market recovers. In the New Materials Business, preparations are underway to commercialize porous titanium (WEBTi) for use in hydrogen generators in response to the trend toward green transformation. In addition, in the collaboration business with JX Advanced Metals Corporation, we decided to invest in the capacity expansion of our Chigasaki Plant and JX Advanced Metals Corporation plant for high-purity chloride for semiconductor materials, which uses our chloride process as a core technology.

As you can see, capital investment measures by business segment made steady progress in FY2023.

On the other hand, in terms of profit plans, the Titanium Business was able to achieve better-than-expected results, supported by continued stronger-



than-expected growth and the weak yen. However, sales in the Catalyst and Chemicals Businesses were sluggish due to the prolonged economic slowdown in China. As a result, a passing grade can be given to the Company's net sales and operating income as a whole for FY2023, but some issues remained. In the Catalyst and Chemicals Businesses, we will continue our efforts to expand sales in line with market recovery and aim to further improve our performance in the future.

The entire Company will make every effort to achieve the targets for FY2024 and FY2025 in the Medium-term Management Plan through all measures.

03 —

Management philosophy and long-term vision

Efforts to become closer to the “Our Vision” are the first step toward becoming a sustainable company

As I mentioned earlier, in order to respond to changes in the business environment, we believe that we cannot protect the livelihoods of our employees as a sustainable company unless we come closer to our long-term Vision for 2030 based on our management philosophy. I have stronger feelings than ever about our philosophy and vision. Our vision is our foundation, and we must make concerted efforts to achieve it. Now, with only 6 years to go until 2030, the first 3 years are the FY2023-2025 Medium-term Management Plan, and if we do not achieve this goal, we will not be able to catch up with the Vision for 2030. Of course, our awareness of Vision for 2030 is in our minds, and in the current 3 years of the Medium-term Management Plan, we must make management decisions based on circumstances. The basis for this management decision is whether or not we are moving toward our Vision for 2030. As for how to spread the vision to employees, I have many opportunities to directly communicate it to managers at Group management meetings twice a year and during education by job level, including New Year's greetings to all employees. At the same time, we check whether the criteria used in the examination of business issues at each organization are appropriate for the realization of our vision. We also publish special articles in our company newsletters to promote understanding among employees' families.

What I always keep in mind is that we cannot

survive as a company unless we win the struggle for survival. In 2023, we celebrated 70th anniversary of our foundation. This is the result of our predecessors' overcoming of hardships and survival of competition. It is easy to imagine that the road to this point was by no means a smooth one. In the future, the business environment surrounding us will continue to have many unpredictable factors, and we will have to overcome the struggle for survival in such an environment. In the work that employees are responsible for, there will be many situations where their experience and knowledge cannot be applied. If we are slow to judge and respond when faced with such a situation, the damage to the Company will be greater and, in the worst case, it may not be viable. In order to avoid such a situation, it is necessary to be prepared for the risks that can be expected on a daily basis. Also, it is important to keep an eye out for new events around the world that might be relevant to our business. If we focus on sharpening our senses for change, we will be able to respond quickly to what is happening around us. This is the essence of risk management, and I would like to implement it company-wide, including myself.

04 —

Corporate culture and human resources that have been cultivated

Flexibility in response to environmental changes is important Focusing on human resource development while considering employee motivation

The Group has a history of more than 70 years since its founding in 1953. I express my gratitude once again to all of you who have been involved in our business. In the background of this history, as a company rooted in the Chigasaki region (Chigasaki City, Kanagawa Prefecture) since its foundation, I believe that a serious corporate culture of earnestly dealing with our stakeholders and the human resources that have put this into practice are what make us today. After that, the Company leapfrogged from Chigasaki, where it was founded, and established a large-scale base in Kitakyushu (Kitakyushu City, Fukuoka Prefecture) in 2008 and in Saudi Arabia in 2016. In my view, this is not only changes

in the corporate culture based in regional cities and employees' mindset, but also a major turning point for employees with less conscious of active expansion.

The global situation surrounding us is expected to face an unprecedented period of transformation. In order to survive such drastic changes and ensure the happiness of employees, it is necessary to develop employees who are not only serious but also more proactive in responding to changes in the environment. For this reason, we must provide more than ever before ways and places of work that enable each and every employee to feel that it is an interesting job and challenging, and that they can gain valuable experience. Since FY2022, we began reforming our human resource system and established a Human Resources Committee by senior management to assess the current state of work styles through employee satisfaction surveys and 360-degree evaluations in managerial positions. Based on the results, we have been systematically formulating a succession plan since FY2023 and reviewing the criteria for promotion and advancement. In addition, in order to improve the engagement of each employee, we launched an online training program that employees can take at the company's expense, and introduced a career challenge and a posting system since FY2024.

In addition, by reviewing the criteria for promotion and advancement, we were able to correct the mismatch between abilities and qualifications that has arisen from seniority-like evaluations, and to establish an appropriate evaluation system for young employees and mid-career hires based on a merit system. Furthermore, after the introduction of a career challenge and a posting system, more than 20 employees have transferred to their desired positions. Given that it is expected to become even more difficult to secure human resources in the future, we will work to reduce the turnover rate by working to improve employee satisfaction. We will also strengthen public relations activities to raise the profile of each manufacturing site by posting advertisements for hiring new human resources.

05 —

Promotion of ESG management

ESG management is the basis of management

Our Group regards ESG management, which applies management criteria based on a sustainable perspective, as the basis of management.

Based on its Management Philosophy, our Group has established a basic policy of working to resolve important issues facing our Group and its stakeholders through its business activities, contributing to the sustainable development of society, and aiming to enhance long-term corporate value. Our Group defines this as ESG management. In order to steadily promote this policy, we refer to international guidelines such as GRI and SASB, define social issues as materialities (important issues), and work to resolve them through our business activities.

With regard to environmental issues, we are working to achieve carbon neutrality in FY2050 with a view to reducing CO₂ emissions, our biggest challenge. In FY2023, we achieved a 19% reduction from the FY2018 level compared to the target of an 18% reduction, and in FY2024 we are promoting activities with the target of a 22% reduction. As part of our efforts to develop environmentally friendly products, we are continuing our research and development of new titanium smelting technology. We have already completed the development stage of WEBTi, which will be used in hydrogen generators, and we are making capital investments for mass production in FY2025. In addition, in our Catalyst Business, to comply with the strengthened REACH regulations in Europe, we aim to reduce the use of environmentally hazardous substances in traditional catalysts for polypropylene. By further enhancing the functionality of environmentally friendly catalysts and commercializing them, we will contribute to the widespread use of polypropylene that is safer for human health.

To contribute to society, we promote White Logistics and responsible mineral sourcing to respect human rights in the supply chain. To contribute to the local community, in Chigasaki City, Kanagawa Prefecture and Kitakyushu City, Fukuoka Prefecture, where our 2 major production sites are located, we offer assistance in

soccer and music by holding youth soccer tournaments hosted by our proud soccer club and supporting activities for professional soccer teams and local orchestras. In order to create an attractive workplace, which is the cornerstone of a better way of working, we are investing in intrinsic safety through safety measures. In order to promote health, we are working to expand physical fitness and cancer screenings and to increase the rate of medical examinations. In addition, we are actively promoting the employment of persons with disabilities to ensure diversity and inclusion, the development of annual leave systems to recruit women and ensure ease of working, and the increase in the rate of men taking childcare leave.

With regard to governance, in order to strengthen the management foundation, we conduct thorough education aimed at eliminating violations of compliance, which is the foundation of management, and conduct regular surveys and follow-up. In addition, risk management activities, which are the essence of management, are implemented company-wide to quantify the scale of risks, thereby prioritizing and taking measures. Furthermore, in order to enhance the effectiveness of the Board of Directors, which oversees business execution, the ratio of Outside Directors has been increased to 50%. In addition, we ensure that the Board of Directors has more information on which to base its decisions by having the Directors gain an understanding of the Group's business through their attendance at Executive Committee and other committee meetings, inspection of plants, and interview of executives to enhance monitoring function of business execution. We will continue to actively disclose sustainability information in accordance with the Corporate Governance Code in all aspects of our business performance and operations.

06 —

To our stakeholders

Aiming for sustainable growth in 3 major businesses

I would like to share with our stakeholders the activities we are undertaking to enhance corporate value. The 3 businesses of Titanium, Catalyst and Chemicals of our Group are technically derived from titanium smelting, but each business belongs to a different sector,

resulting in little overlap in their respective markets. As the Titanium Business has a volume zone for aircrafts, Catalyst for general consumer goods, and Chemicals for high-performance electronic parts, such as multilayer ceramic capacitors (MLCC), their markets are different and separated. In the stock market, our Group's corporate value evaluation criteria focus on trends in the Titanium Business, which is viewed as similar to that of a specialized titanium manufacturer, and we feel that trends in the Catalysts and Chemicals Businesses have little weight. However, looking back over the past few years, there have been significant fluctuations in market trends in each business. In particular, our mainstay Titanium Business was affected by the pandemic that started in 2020, and the aircraft industry experienced a significant decline. On the other hand, a sharp increase in demand for medical use and stay-at-home demand in response to the pandemic led to strong growth in the Catalyst Business and the Chemicals Business, which compensated for the weakness in the Titanium Business. Thereafter, the Catalyst Business and the Chemicals Business suffered from a decline in demand for medical and stay-at-home products as the pandemic subsided, as well as continued deterioration in the Chinese economy due to the impact of thorough pandemic countermeasures. On the other hand, the recovery of human flow led to the revival of the aviation industry, and the rapid changes in the supply chain following the invasion of Ukraine in February 2022



combined to help the Titanium Business recover our Group's performance.

In this way, we have moved away from the single-legged approach of the Titanium Business and are now able to achieve stable growth company-wide through our 3-pronged business management. Some people call the current business of our Group conglomerate discount, but I think it can be called conglomerate premium. To our investors and shareholders, we will not only focus on expanding the Titanium Business, but we will steadily grow all 3 businesses. Specifically, we will strive to raise ROIC (Return on Invested Capital) for each business through aggressive capital investment and other measures in order to achieve ROIC that exceeds the WACC (Weighted Average Cost of Capital) with our Vision for 2030 in mind. I would like investors and shareholders to take a close look at that.

	FY2022	FY2023	FY2024 forecast		
Titanium	8.7%	4.6%	7.2%	WACC 6.7%	
Catalyst	17.1%	8.6%	10.6%		
Chemicals	10.3%	3.2%	(3.8%)	FY2025 target	FY2030 target
ROIC (consolidated)	8.3%	3.9%	3.6%	7.0% or more	10.0% or more

Of course, the period when all 3 businesses are doing well does not last long. We aim to achieve stable growth as the Group by developing strategies for each business in accordance with market conditions at the time. I would like you to evaluate this strategic development. We intend to continue this business policy and strategy, and strive to increase our corporate value by putting new business on track, which is a plus, and aiming to become a company that achieves stable and sustainable growth. Finally, we do our best to ensure that all those involved in the supply chain will be able to work with us with peace of mind as we develop. We will continue to grow together with the local communities that support our business activities by giving thorough consideration to safety and the environment, and we will make contributions that exceed their expectations as much as possible. We would like to ask for your continued understanding and support.