



## Enhance human capital and improve capital efficiency to increase medium- to long-term corporate value

Our Group aims to be a highly profitable company that creates advanced materials and technologies. To achieve this, our financial strategy focuses on capital efficiency and prioritizes qualitative improvement of our businesses. As part of our human resources strategy, we will focus on increasing the human resources who are actively pursuing their own growth and the company's growth in a bid to enhance corporate value.

### Akira Inokawa

Director and Executive Managing Officer  
in charge of ESG Promotion Department, Corporate  
Planning Department, General Administration  
& Human Resources Department, Procurement  
Department, and Logistics Department

Financial Strategy

The 2023-2025 Medium-term Management Plan (MMP) targets unlikely to be achieved  
The next MMP aiming for a more “muscular” business structure

In the mainstay Titanium Business, although the medium-term demand trend for titanium used in aircraft remains relatively favorable, inventory adjustments occurred in the supply chain in FY2024 due to quality issues and strikes in the middle of the previous fiscal year at aircraft manufacturers. On the other hand, sales volume of our products for general industrial applications other than aircraft fell below the previous year’s level due to overproduction by Chinese manufacturers. Meanwhile, demand for high-purity titanium for semiconductors has been recovering, and net sales of the Titanium Business as a whole grew from the preceding year, with an increase in operating profit as well.

China’s industrial trends also had a significant impact on the Catalyst Business. This was due to the expansion of polypropylene production capacity in China amid sluggish domestic demand, which led to Chinese polypropylene flowing into neighboring countries. Consequently, our catalyst customers were forced to continue operating at low capacity utilization rates. Nevertheless, sales are recovering from the previous fiscal year’s slump with both net sales and operating profit increasing year on year.

In the Chemicals Business, demand for multilayer ceramic capacitors (MLCC), the main application of ultra-fine nickel powder, the Business’s core product, has been growing. Net sales in FY2024 increased from the prior year. On the other hand, due to the decline in nickel sales prices accompanying the drop in the international price (LME price) and production adjustments for ultra-fine nickel powder at the Company to improve inventory balance, the Chemicals Business’s operating profit/loss for FY2024 deteriorated significantly, resulting in the unfortunate outcome of recording a substantial operating loss.

Unfortunately, in FY2025, the final year of the Medium-term Management Plan (MMP), we expect to fall far short of the net sales and operating profit targets originally set when the plan was formulated. By business division, the Titanium, Catalyst, and Chemicals Businesses are all forecast to report lower net sales and operating profit in FY2025 compared to the MMP. As for the cumulative results for the three-year period from FY2023 to FY2025, while the Titanium Business is expected to achieve a slight increase in operating profit compared to the MMP, partly due to the weaker yen, the operating profit/loss for both the Catalyst and Chemicals Businesses is projected to fall significantly below the MMP.

In the Chemicals Business, Wakamatsu Plant No. 5 for ultra-fine nickel powder is scheduled to be completed in FY2025. This, together with a new plant in the Chigasaki Plant for the Catalysts Business that has already started operations, will complete 2 major investments in capacity expansion. For a new business, we are proceeding with the construction of a mass production plant for WEBTi® (porous titanium sheet). It is scheduled for completion by the end of FY2025 and is planned to start operations in FY2026. Going forward, we aim to start production and sales

as soon as possible to achieve a return on investment. Concurrently, while monitoring the market development for PEM water electrolyzer, which is the primary application, we will also study the next steps for capacity expansion.

In the next MMP, we will focus on improving capital efficiency as a key theme. A look at each business finds that some have not reached the level of ROIC we are aiming for. Thus, we will continue to make further improvements to ensure that we can consistently achieve higher levels of profitability. While aiming to expand sales and improve profit margins across all businesses, we will rigorously manage inventories, non-current assets, etc. to boost ROIC. In addition to careful selection of capital investments and strict management of hurdle rates, we are implementing operations that thoroughly improve capital efficiency. This includes strengthening the involvement of the company-wide Corporate Planning Department in inventories, rather than leaving production plans and other matters solely to the business divisions. Thanks to this, while the cumulative profit for the three-year period from FY2023 to FY2025 is anticipated to show a significant decline compared to the MMP, the cumulative operating cash flow for the same period is likely to deteriorate only slightly compared to the MMP. In addition, the total amount of capital investment for the same period is expected to be almost in line with the MMP, despite soaring equipment and construction costs.

Regarding shareholder returns, starting with the year-end dividend for the fiscal year ended March 31, 2025, we have revised our basic dividend policy to incorporate the concept of DOE. The new policy adopts the higher of either a consolidated dividend payout ratio of 30-35% or a dividend amount equivalent to 2% or more of consolidated net assets.

To enhance corporate value, we aim to improve competitiveness in existing businesses while also continuously creating and successfully launching new businesses, thereby pursuing sustained growth over the medium to long term. We are currently working on the commercialization of WEBTi®. Meanwhile, having a robust pipeline of development projects that could serve as seeds for future commercialization, we are strengthening our development structure for new business creation. We recognize that one of the important roles of finance officers is to enhance the ability to generate cash flow that supports these activities, and to build a more muscular business structure without becoming overly focused on quantity. As a materials manufacturer, we need to make a significant amount of capital investment to sustain existing businesses. At the same time, we need to make ongoing efforts to improve capital efficiency to generate cash to support the exploration, development, and commercialization of new businesses. Going forward, we aim to build a company capable of sustainable growth while carefully balancing these initiatives.

Human Resources Strategy

Envisioning the ideal "Human Resources" to achieve our Vision  
and close the gap with the current situation

Enhancing the quality and quantity of human resources is a starting point and an essential element for improving and growing the company. At present, to strengthen our efforts in this area, the Human Resources Committee, chaired by the President and composed of General Managers of Headquarters and Divisions, and others, meets regularly to discuss measures to enhance human resources development and management. We strive to implement decisions agreed upon by the Human Resources Committee promptly, prioritizing speed. Additionally, to clarify and narrow the gap between the current mindset of employees and organizational culture and the desired state, we launched the “Human Resources SHINKA Project” and began reviewing our personnel systems and other related matters. This project aims to clarify the types of human resources required and the goals we want employees to pursue, aligned with our management strategy. It involves revising our personnel systems accordingly, striving to ultimately maximize employee engagement and performance. Through these efforts, we hope to create a system in which human resources taking on the challenge of growth and change are evaluated more highly.

Our recruitment policy involves maintaining a stable intake of a certain number of new graduates while also incorporating mid-career hires as needed. This enables us to secure human resources flexibly and steadily.

Regarding employee compensation, we recognize that continuous wage increases are necessary in light of the current economic situation. In addition, we have begun working to improve the treatment of employees on site.

With regard to work-style reforms, we have introduced an area-limited employee system that allows employees to choose conditions where they will not be transferred to a remote location. We are also promoting the creation of an environment in which employees can continue to work with peace of mind, considering their individual circumstances, such as improving the rate of taking annual leave, promoting employee health, and helping employees balance work with childcare and nursing care. We are also working to expand the range of options available to our employees to support their career development and improve their satisfaction. For example, we have introduced an internal recruitment system (posting system) that enables employees to take on the job of their choice, and a transfer request system.

To improve employee engagement, we conduct an annual employee satisfaction survey. Through this survey, we identify current satisfaction levels and areas requiring improvement regarding company policies and systems, workplace relationships and communication, assigned duties, the work environment, etc. We utilize these results to develop and implement measures aimed at further enhancing employee engagement. In this regard, enhancing the capabilities of managers is also a critical challenge. We are working to strengthen manager education so that employees can be motivated by proper implementation

of personnel systems, such as appropriate performance evaluations, and improved communication.

As for workplace diversity, we are increasingly mindful of diversity in various aspects. In recent years, we have increased our hiring of mid-career employees and experienced professionals, resulting in a growing number of employees with workplace experience outside our Company. We expect that the recruitment of such people with diverse backgrounds, bringing different experiences and fresh perspectives to their workplaces, will have an extremely positive effect on business operations and ultimately lead to an increase in corporate value. Our Company is a manufacturer which has involved in production of materials for a long time. While manufacturing sites remain largely male-dominated workplaces, female employees are gradually expanding their roles and opportunities. We already have a large number of female employees engaged in analytical work, and our R&D department is also actively accepting female researchers. On the other hand, women in managerial positions currently account for only 2.8%, and we recognize this as a challenge. Going forward, we plan to further promote women into management roles while also actively selecting motivated and promising young employees for management positions, moving beyond traditional seniority-based practices.

We strongly encourage our employees to pursue their own growth and that of our business even more proactively, driven by a strong desire to make our Company even better. Ideally, we would like to increase the number of such employees and foster a corporate culture that encourages open communication, suggestions for improvement, and positive and active discussions.

We want our employees to enjoy their work by always acting independently and actively. And if that leads to results, that is great. I think it is an interesting experience for many people to be able to feel their own growth through their work while being aware of their career development. As our company, we aim to support and encourage such growth opportunities for our employees, thereby increasing human resources that grows autonomously. This approach will help us achieve a virtuous cycle that contributes to the growth of the entire organization.

