

## 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,” which started in the last fiscal year of 2019, we are sticking to this policy and continuing to invest in growth products and businesses. In FY2019, we have invested mainly in the Engineered Materials business, such as strengthening the catalyst production system for automobiles and creating a smart factory to further improve the productivity of electrolytic copper foil.

The consolidated equity ratio for the end of FY2019 was 30.7%, which fell short of the 34.5% that was initially planned. We feel an ever stronger need to strengthen our financial structure, since we are a corporate group that receives significant impact from changes such as in the currency exchange rate and the nonferrous metals price, as well as in the trends of the electrical materials market for smartphones, which sees a high turnover in product cycles and dynamic fluctuations in market conditions. Furthermore, while there is concern over the impact of the recent spread of COVID-19 infections on each market, we strongly recognize the necessity.

We will strive to achieve a consolidated equity ratio of 40%, which is one of our management goals for FY2021, by maintaining our financial discipline as we strengthen our management foundation achieved by drawing in the benefits from the initiatives that we have implemented thus far through the 19 Medium-Term Plan and by executing our growth strategy.

### Financing policy

In order to prepare for dramatic 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.

At present, we are increasing cash and deposits by more than 50% from the end of the previous fiscal year to further increase liquidity on hand, in order to respond to the significant changes in the environment caused by the impact of COVID-19.

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 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). Although ROE (consolidated return on equity) for FY2019 has not reached the initial plan, we will continue to take measures to achieve the target of ROE 10% for FY2021.

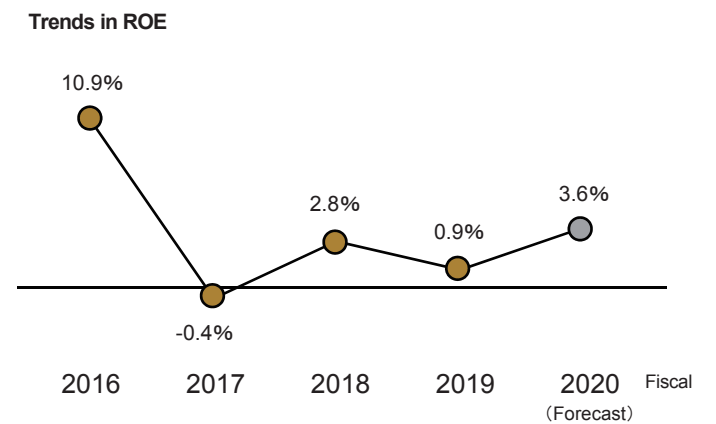
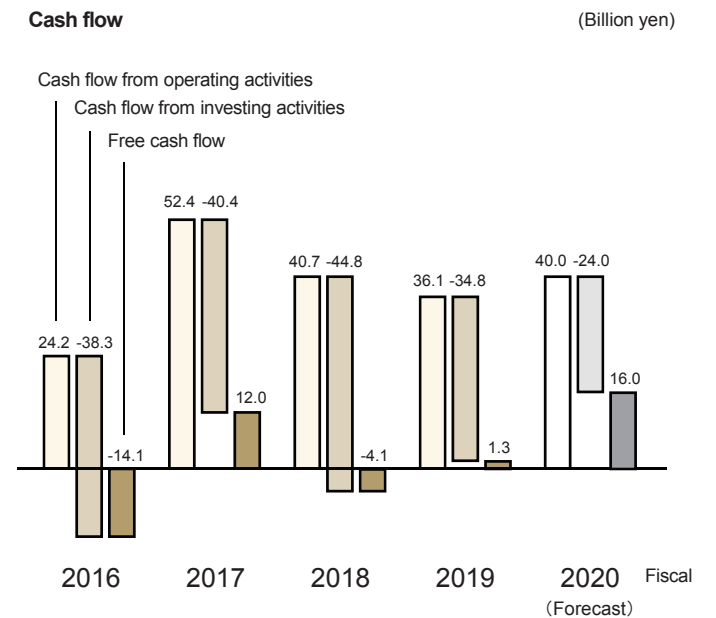
### Dividend policy

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.

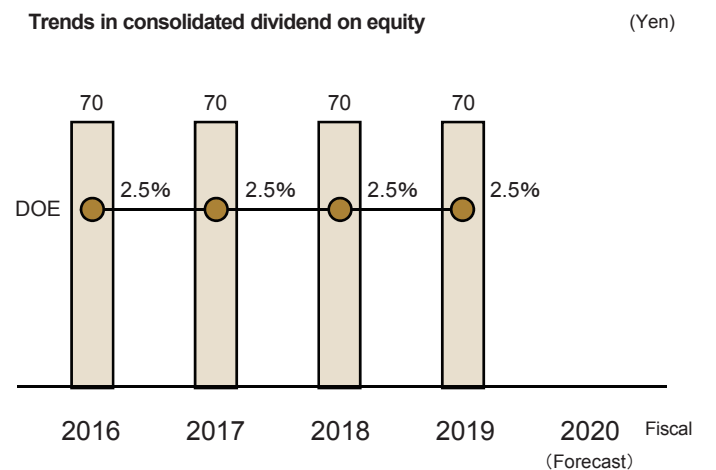
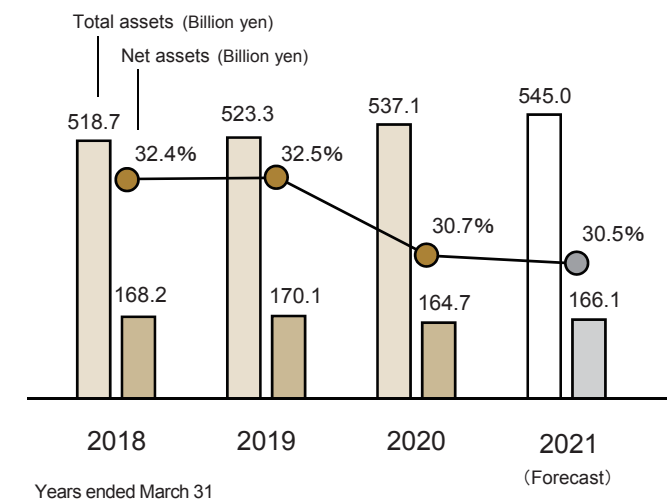
As such, we aim to provide dividends at a rate of 2.5% DOE (consolidated dividend on equity). In the future, we will review our shareholder return policy in accordance with the level of progress that we achieve in strengthening our management foundation and in improving our financial condition.

### 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.



### Trends in consolidated equity ratio



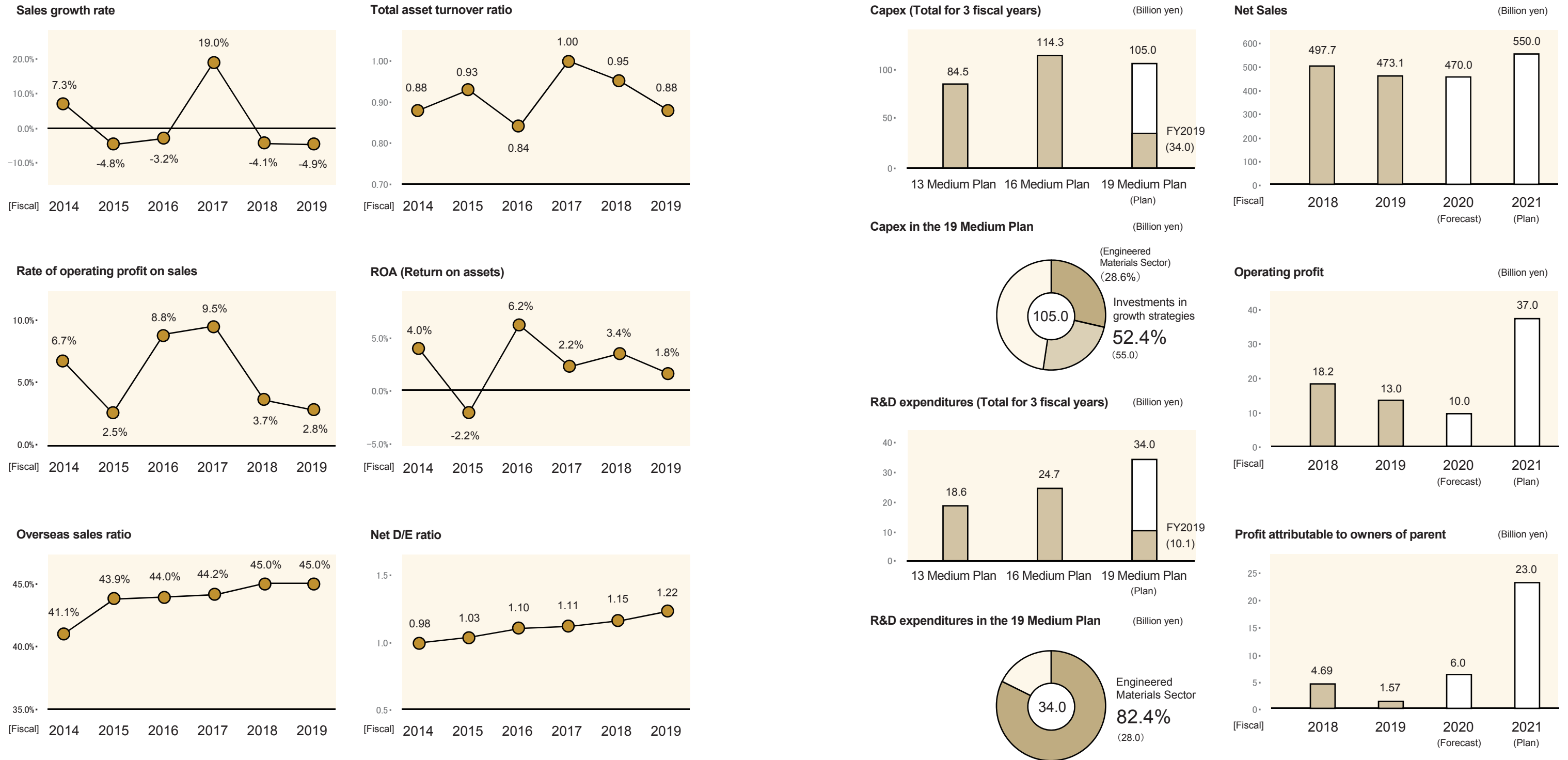
※ We executed a 1-for-10 consolidation of shares, which came into force on October 1, 2017. Shares from before FY2017 are being provided the dividend amount per share in accordance with the standard after the share consolidation.

※ The dividend forecast for FY2020 is not decided. (As of the end of June 2020)

## 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 58-59. Please refer to those pages as well.

Other figures of each business segment in the 19 medium-term business plan are listed on pages 22-29.