

# Mitsubishi Materials Corporation | Overview

## Mitsubishi Materials Corporation : Transition-Linked Loan

### ■ Corporate profile

Industry	Non-ferrous metals
Location	Japan
Business	The manufacture and sale of processed copper products and electronic materials, the manufacture and sale of carbide products, the smelting and sale of metals such as copper, gold, silver and palladium, renewable energy business and so on.

### ■ Loan Outline

Issuer	Mitsubishi Materials Corporation
Structuring agency	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Evaluation Agency	Japan Credit Rating Agency, Ltd.
Issue Amount	To be determined
Issue Date	November 2023 on

- Mitsubishi Materials Group consists of the company, 112 subsidiaries and 22 affiliates, who provides a number of solutions essential for the realization of a sustainable society, including the procurement, smelting, sale and processing of non-ferrous metals centered on copper, which are used in EV materials and renewable energy facilities, recycling technologies such as e-scrap and batteries, and non-ferrous metal recycling technologies.
- Based on its corporate philosophy, “For People, Society and the Earth,” the company has set out a new vision, “Circulating resources for a sustainable future” and a new mission, “Create a sustainable future (a prosperous, recycling-oriented, decarbonized society)” in its Medium-term Management Strategy FY2031 (hereinafter referred to as “FY2031 Strategy”), and is striving for the improvement of its share price and corporate value.

**\*NOTE:** it looks like 1year is added to every “FY” when you compare English version with Japanese version, but this just reflects the fact that its FY ends March and we do so, following the way the company reports on their website.

### Alignment with the Four Basic Guideline Elements\*

Element 1	<ul style="list-style-type: none"> <li>• Transition strategy: With regard to “decarbonized society,” part of the company’s mission, “Create a sustainable future (a prosperous, recycling-oriented, decarbonized society)”, the company has set FY 2046 as its target year for carbon neutrality, several years ahead of the national target year of FY 2050.</li> <li>• Governance: Matters considered by a specialist department (Global Environment Office) are reported to the Board of Directors.</li> </ul>
Element 2	<ul style="list-style-type: none"> <li>• Materialities are arranged based on two axes: their importance to stakeholders and their importance in light of the group’s “vision.”</li> <li>• Identified “the creation of a recycling-oriented society,” “contributions to the global environment,” “sustainable supply chain management,” and “respect for human rights” as its key materialities.</li> </ul>
Element 3	<ul style="list-style-type: none"> <li>• For its GHG reduction targets, the company obtained SBT certification from SBTi (Scope 1 + 2 at 1.5 degrees Celsius level).</li> <li>• Based on the IEA’s net zero scenario (NZE), published policy scenario (STEPS), and etc., the impact on business, finance and strategy has been analyzed under the 1.5 degrees Celsius and 4 degrees Celsius scenarios, and targets are set accordingly.</li> </ul>
Element 4	<ul style="list-style-type: none"> <li>• Under its FY2031 Strategy, the company plans to invest 250 billion yen to expand resource recycling, 180 billion yen to strengthen the supply of high-performance materials and products, and 30 billion yen in renewable energy from FY2024 to FY 2031.</li> </ul>

### KPIs/SPTs

KPI [1]	Rate of GHG emission reductions in Scope 1 and Scope 2 (Base year: FY 2021)
KPI [2]	Rate of use of renewable energy power
SPT1	45% decrease in GHG emissions in Scope 1 and Scope 2 by FY 2031
SPT2	One of the following with regard to the rate of use of renewable energy power <ul style="list-style-type: none"> <li>• 30% by FY 2026</li> <li>• 80% by FY2031</li> <li>• 100% by FY 2036</li> </ul>

The company plans to use KPI [1] and SPT1 for this loan

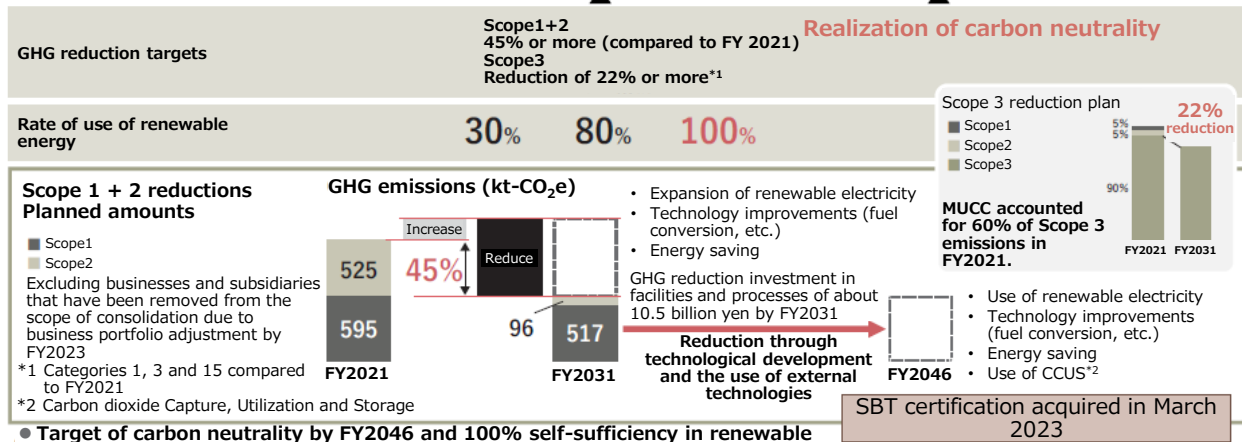
\*Basic Guidelines on Climate Transition Finance

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## Transition Strategy and Governance (Element 1), Science-Based Targets and Pathways (Element 3)

### Strategies for Transition

Item	Scope1	Scope2	Scope3
Main measures	<ul style="list-style-type: none"> <li>Fuel conversion</li> <li>Reduction of fossil fuels through the use of e-scrap</li> <li>R&amp;D that contributes to CCUS, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of the use of renewable energy</li> <li>Increase in in-house power generation through the introduction of new facilities</li> <li>Conversion to highly efficient facilities</li> </ul>	<ul style="list-style-type: none"> <li>Supplier engagement</li> <li>Cooperation with affiliates</li> </ul>
Investment plan based on FY2031 Strategy	<ul style="list-style-type: none"> <li>10.5 billion yen for facility upgrades, fuel conversion, electrification, etc. (cumulative to 2030)</li> <li>1.2 billion yen for switching to power derived from renewable energy sources (FY 2031)</li> </ul>		
Reduction target (compared to FY 2021)	78,000 t-CO2	429,000 t-CO2	(22% reduction in categories 1, 3 and 15)



- Target of carbon neutrality by FY2046 and 100% self-sufficiency in renewable energy power by FY2051
- Reduction focused on Scope 2 for FY2031

### Initiatives for the stable supply of metal resources

Mitsubishi Materials is also working on securing e-scrap as well as natural resources to secure the metal resources required for carbon neutrality.

#### natural resources

- The company to continue investing in overseas copper mines for stable procurement of clean copper concentrates. The company has set the target of increasing the amount of secured copper concentrates from the current 150,000 tons to **at least 500,000 tons** in FY 2031.
- The company to observe CSR procurement standards, etc., in the procurement of raw materials for copper products.
- The company to claim correction to the mining companies it buys from (if necessary).

#### resource recycling

- The company aims to be a core supplier in the resource recycling loop.
- Aims to build a **system with 240,000 tons capacity** for e-scrap processing by FY 2031.
- It will construct a global e-scrap collection network.
- The company will realize the expansion of its e-scrap business in the United States first, then expand on a global scale including Asia and Europe.

### Key Points

- The company has set FY 2046 as its target year for Scope 1+2 carbon neutrality, several years ahead of the national target year of FY 2050.
- Reductions in emissions are expected by fuel conversion, the use of CCUS, switching to renewable energy, etc.
- In addition, the company will strengthen efforts on resource recycling as an initiative that contributes to carbon neutrality. For the copper and other non-ferrous metals markets, where demand is expected to increase from now on, the company will not only expand production using natural resources but also will promote the use of recycled materials.
- Mainly the “net zero scenario (NZE)” of the International Energy Agency (IEA) and the “published policy scenario (STEPS)” reflecting the current policy settings are used to analyze the impacts on business, finance and strategy under the 1.5 degrees Celsius and 4 degrees Celsius scenarios.

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## Business Model Environmental Materiality (Element 2)

The key materialities at Mitsubishi Materials

Materiality	Key themes	Main initiatives
Realization of a recycling-oriented society	<b>Development and provision of recyclable products</b>	The collection of used carbide tools globally and the securing of recycling processing capacity
	<b>Advanced technology-based waste recycling</b>	Increase in the rate of recycling through the expansion of e-scrap processing
Contributions to the global environment	<b>Initiatives for decarbonization</b>	The realization of carbon neutrality through the expansion of renewable energy power, the improvement and development of technologies, energy saving, the use of external technologies, etc.
	<b>Promotion of the development and use of renewable energy</b>	The building and expansion of a geothermal power generation development system and the development of new renewable energy generation centered on wind power
	<b>The reduction of environmental impacts and the prevention of environmental pollution</b>	Appropriate forest maintenance for the improvement of the public interest function of forests and the improvement of future profits, and effective use of forest resources that contribute to wood resources, local recreation, etc. Compliance with environmental laws and regulations and thorough legal education The sharing of information to respond to environmental issues, visualization of the risks of individual projects, and risk management Aggregation, analysis and information sharing on various emissions at bases controlled directly by the company based on the use of electronic manifests
Sustainable supply chain management	<b>The diversification of raw material procurement</b>	The acceleration of domestic and overseas expansion (e-scrap, copper scrap, consumer electronics and automobile recycling)
	<b>The provision of non-ferrous metal materials centered on copper</b>	Strengthening of the company's network with customers through the expansion of electrolytic copper production capacity The company will establish an overwhelming position as Japan's top manufacturer of copper products.
	<b>The provision of high value-added functional materials and products</b>	The company will launch an R&D system across all divisions in electronic materials, and accelerate the search for new business and new products, particularly in semiconductor peripheral materials and parts.
Respect for human rights	<b>Respect for individual dignity and fundamental human rights</b>	Commitment through policy, the implementation of human rights due diligence and the implementation of remedies
	<b>Consideration of human rights in the value chain</b>	Respect for human rights and responsible mineral procurement in the supply chain

### Key Points

- Materialities are arranged based on the two axes of "their importance to stakeholders" and "their importance to management."
- In addition, pilot DD is being implemented at group companies as an initiative concerning respect for human rights. The company is promoting the identification of human rights issues.
- The company plans to expand the scope of implementation of human rights DD to its own bases, remaining group companies and suppliers.

Initiatives for the respect of human rights at Mitsubishi Materials

- formulated its Human Rights Policy and its Procurement Policy in order to manage human rights risks and strengthen its human rights-related efforts
- signed the United Nations Global Compact and registered as a participating company as of March 22, 2022.
- Since FY 2022, the company has worked on the following items in accordance with the United Nations Guiding Principles on Business and Human Rights in order to mitigate and prevent its business activities from negatively impacting human rights.
  - Dissemination of commitment to human rights policy
  - Implementing human rights due diligence
  - Remedial action (processes that enable remedial action for negative impact on human rights caused or promoted by businesses)

## Implementation Transparency (Element 4)

### The strategy roadmap

- **Phase 1** Profit growth and the improvement of profitability based on strengthening cost competitiveness, and investment in medium to long-term growth areas such as resource recycling
- **Phase 2** Expansion of subject businesses and expansion of business scale based on regional expansion including overseas

	FY2024to FY 2026	FY 2027 to FY 2031
	Phase1 Strengthening competitiveness	Phase2 Business expansion
Expansion of resource recycling	<b>Investment of 110 billion yen</b> (3-year cumulative total) ● Start LIB recycling ● Expansion of tungsten business	<b>Investment of 140 billion yen</b> (5-year cumulative total) ● Investment in new copper mines ● Increase in copper smelter capacity
Strengthening supply of high-performance materials and products	<b>Investment of 70 billion yen</b> (3-year cumulative total) ● Strategic investment in the semiconductor manufacturing equipment area ● Streamlining of supply chain	<b>Investment of 110 billion yen</b> (5-year cumulative total) ● Scale expansion of carbide tools ● Expansion of the provision of xEV materials
Investment in renewable energy	<b>Investment of 5 billion yen</b> (3-year cumulative total)	<b>Investment of 25 billion yen</b> (5-year cumulative total)
Strengthening cost competitiveness	Rate of improvement of sales and ordinary income +5.4%*1	+4.9%
Operating cash flow	280 billion yen (3-year cumulative total)	790 billion yen (5-year cumulative total)
EBITDA growth rate	16.5%*3	11.5%

\*1 Size of improvement in ordinary profit margin, sales excluding metal

\*2 EBITDA = ordinary income + interest expenses + depreciation + amortization of goodwill (hereinafter the same)

\*3 Excludes cement business losses in FY2023

### Investment plan in FY2031 Strategy

The investment amount in the investment plan that contributes directly to the reduction of Scope1 and 2 emissions or that is related to the creation of renewable energy

Item	Investment amount
Improvement in energy-saving-related facilities	10.5 billion yen
Investment in renewable energy business	30 billion yen
Cost of switching to renewable energy	Increase of about 1.2 billion yen per year

### Key Points

- Mitsubishi Materials has formulated a plan to invest 250 billion yen to expand resource recycling and 180 billion yen to strengthen supply of high-performance materials and products by FY2031.
- With regard to the reduction of Scope 1 and 2 emissions and investment related to the creation of renewable energy, the company expects to invest 40 billion yen or more, including investment of 30 billion yen in renewable energy business.

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### RESULTS:

### Approved for Climate Innovation Finance Promotion Grants Scheme

#### Main Opinions

##### Transition strategy

- The transition plan stands out for its excellence in addressing emission reductions, even in challenging processes where reduction is difficult. Reductions have been made in Scope 2 where feasible, and further strategies are being developed for post-2030 initiatives.
- Copper refining involves highly complex processes. It would be more persuasive to outline specific reduction points after clarifying how CO2 emissions will be reduced within these processes.
- Regarding cement operations, which falls under Scope 3, Mitsubishi Materials possesses advanced technology in horizontal recycling. Hope that the active utilization of its in-house technology for decarbonization efforts in the future.

##### Others

- In addition to carbon neutrality, this plan is novel in that it incorporates the perspective of resource recycling, which makes it a desirable case for adoption.
- It will be necessary to pay attention to resource recycling and whether the securing of natural resources has become excessive or not. Expect its initiatives to be balanced for society as a whole and contribute to sustainable development in a comprehensive way.
- Implementing initiatives for human rights is also highly commendable. The ICMA' s transition finance guidance also mentions companies need to consider impacts on society other than climate change, and that kind of consideration can be seen in its explanation.

This document focuses on the contribution of transition finance to the realization of Japan's carbon neutrality by 2050 and the Paris Agreement and does not cover any of the risks associated with transition finance as a financial instrument. It should be noted that even the approved cases of this scheme, there are credit risks and other risks (in the case of bonds, price fluctuation risks, liquidity risks, etc.) as in ordinary financing.