

Full-Year 2023 Financial Results Briefing

for Financial Year ending 31 March 2024

24 May 2024

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Medium-Term Business Challenges

01. Full-Year 2023 Financial Results (Business Overview)

<Overall> Full-Year 2023 results: **Sales ¥55.3B, Operating Profit ¥8.3B, Net Profit ¥9.7B**

	Status	Environment
Ti Sponge Market	Moved from a recovery phase to a growth phase in aero + general industrial applications With supply chain restructuring, Ti sponge entered a new phase of demand expansion	▲
Costs	Raw materials prices soared as the world economy returned to normal Energy & resource prices continued to soar due to rising geopolitical risks	▼
Sales	Increased sales volumes and improved product prices, Ti sponge in particular Also experienced the effect of a weaker yen	▲

<By Segment>

Titanium

- Ti sponge production almost **at full capacity** to meet growing demand
- Ti sponge sales for both export and domestic markets **increased by approx. 40% and 20%** respectively compared to the preceding year
- **Operating profit 1.9 times higher** than that in the preceding year due to increased production and sales volumes, progress in improved product prices and the effect of a weaker yen

High-Performance Materials

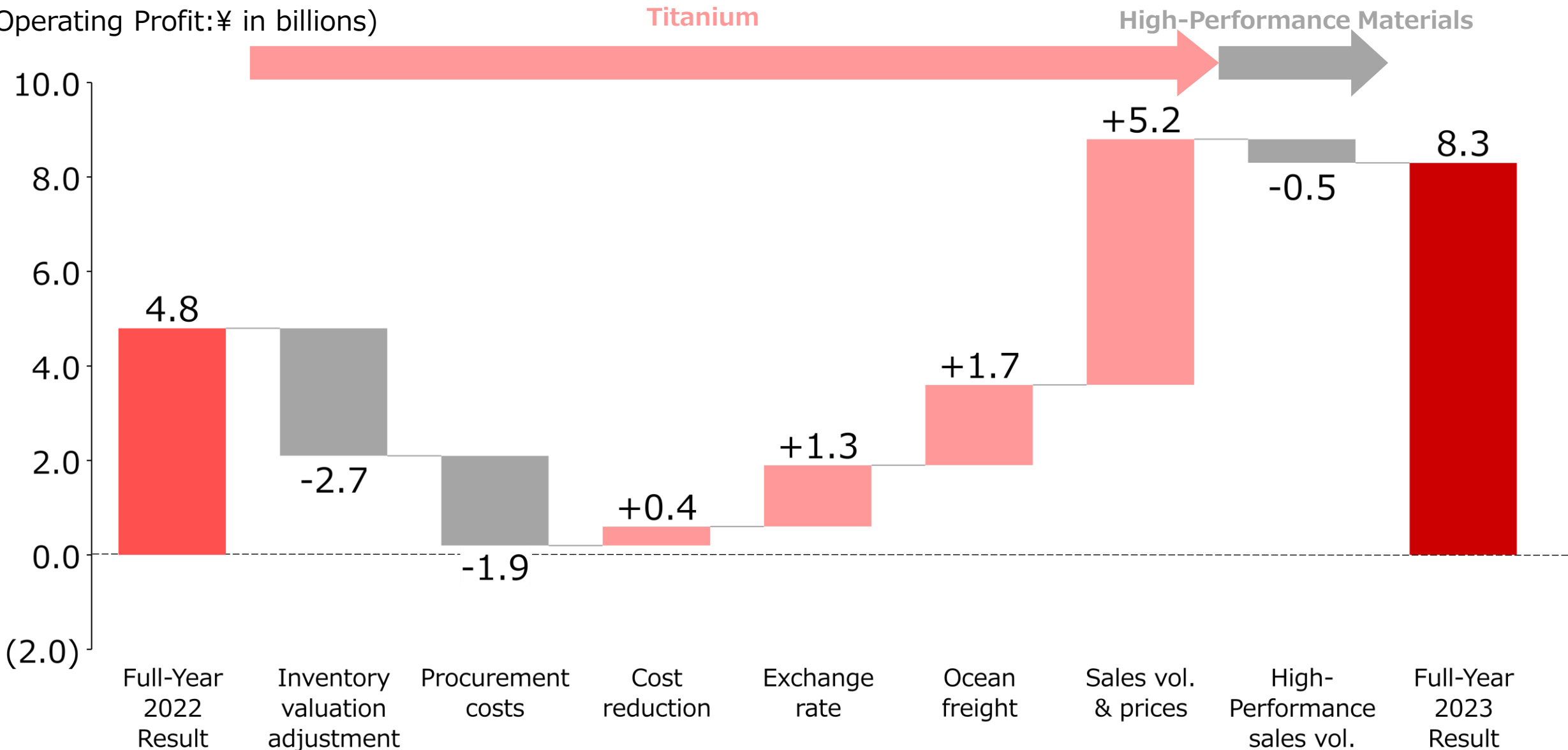
- While the alloy TILOP business grew gradually, sales volumes of high-purity Ti for sputtering targets fell sharply in the sluggish semiconductor market
- **Sales down 20% year-on-year, the operating result was loss of JPY 0.1 billion**

01. Full-Year 2023 Financial Results (Financial Summary)

(¥ in billions)	Full-Year 2022 Results	Full-Year 2023 Results	Changes
Sales	43.1	55.3	+ 12.2
Operating P/L	4.8	8.3	+ 3.5
Ordinary P/L	4.7	9.4	+ 4.7
P/L Before Tax	4.5	9.3	+ 4.8
Net Profit/(Loss)	4.4	9.7	+ 5.3
Exchange Rate(¥/U\$)	(135.1)	(143.8)	—
End-of-period Rate(¥/U\$)	(133.5)	(151.3)	—

01. Full-Year 2023 Financial Results (Changes from the Year Before)

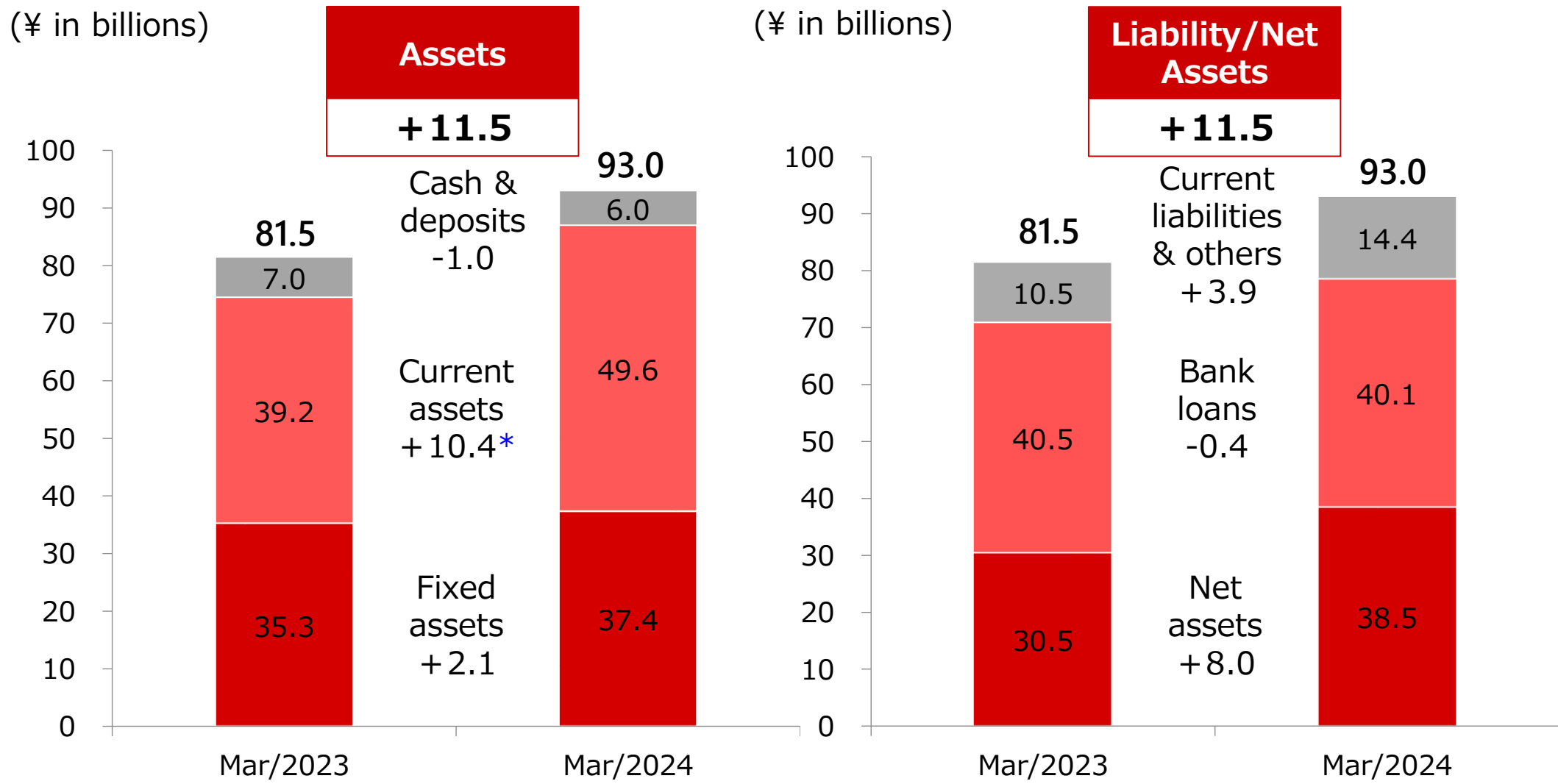
(Operating Profit: ¥ in billions)



01. Full-Year 2023 Financial Results (by Segment)

(¥ in billions)	Full-Year 2022 Results		Full-Year 2023 Results		Changes	
	Sales	Operating Profit (Loss)	Sales	Operating Profit (Loss)	Sales	Operating Profit (Loss)
Titanium	39.3	4.4	52.3	8.4	+13.0	+4.0
High-Performance Materials	3.8	0.4	3.0	(0.1)	-0.8	-0.5
TOTAL	43.1	4.8	55.3	8.3	+12.2	+3.5

01. Full-Year 2023 Financial Results (B/S)



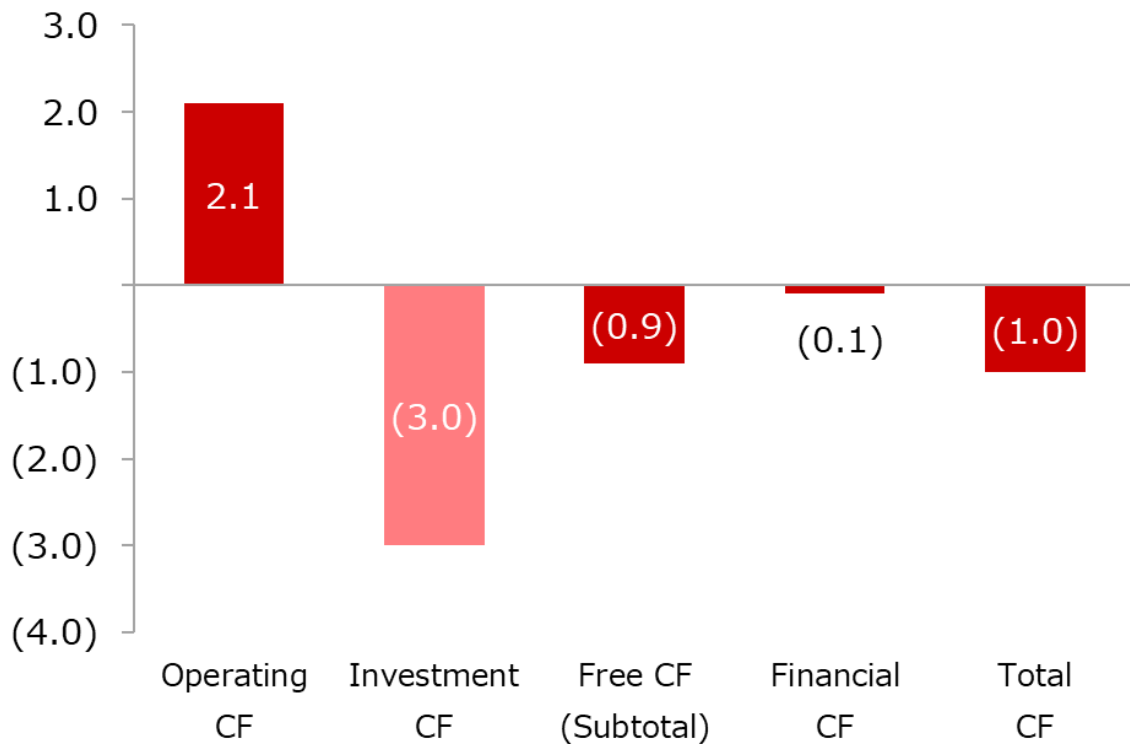
* [Trade accounts receivable +5.7
Inventory assets +4.7]

Capital-to-asset ratio 37.4%

41.4%

01. Full-Year 2023 Financial Results (CF and Debt-to-Equity Ratio)

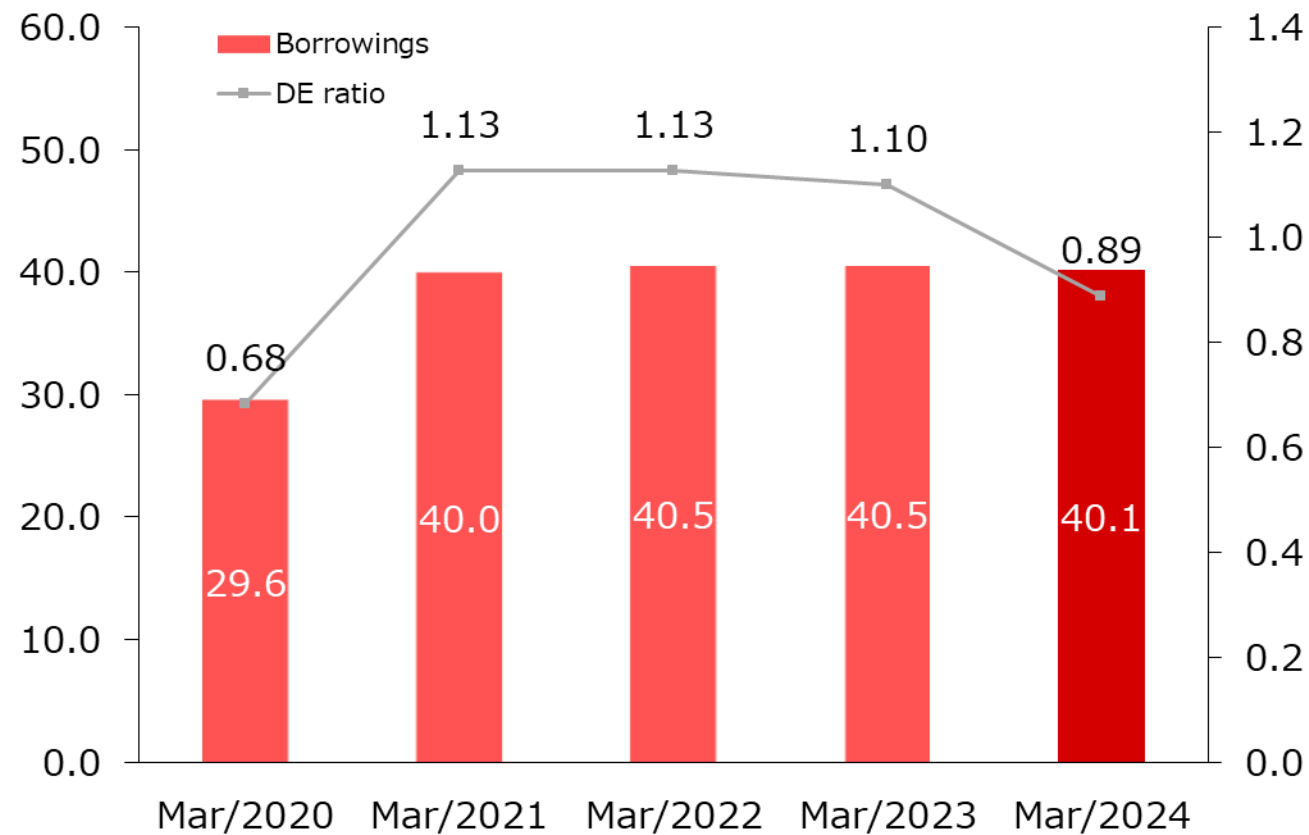
(¥ in billions)



Borrowing Balance

(¥ in billions)

DE ratio



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Medium-Term Business Challenges

02. Full-Year 2024 Earnings Forecast (Business Environment by Segment)

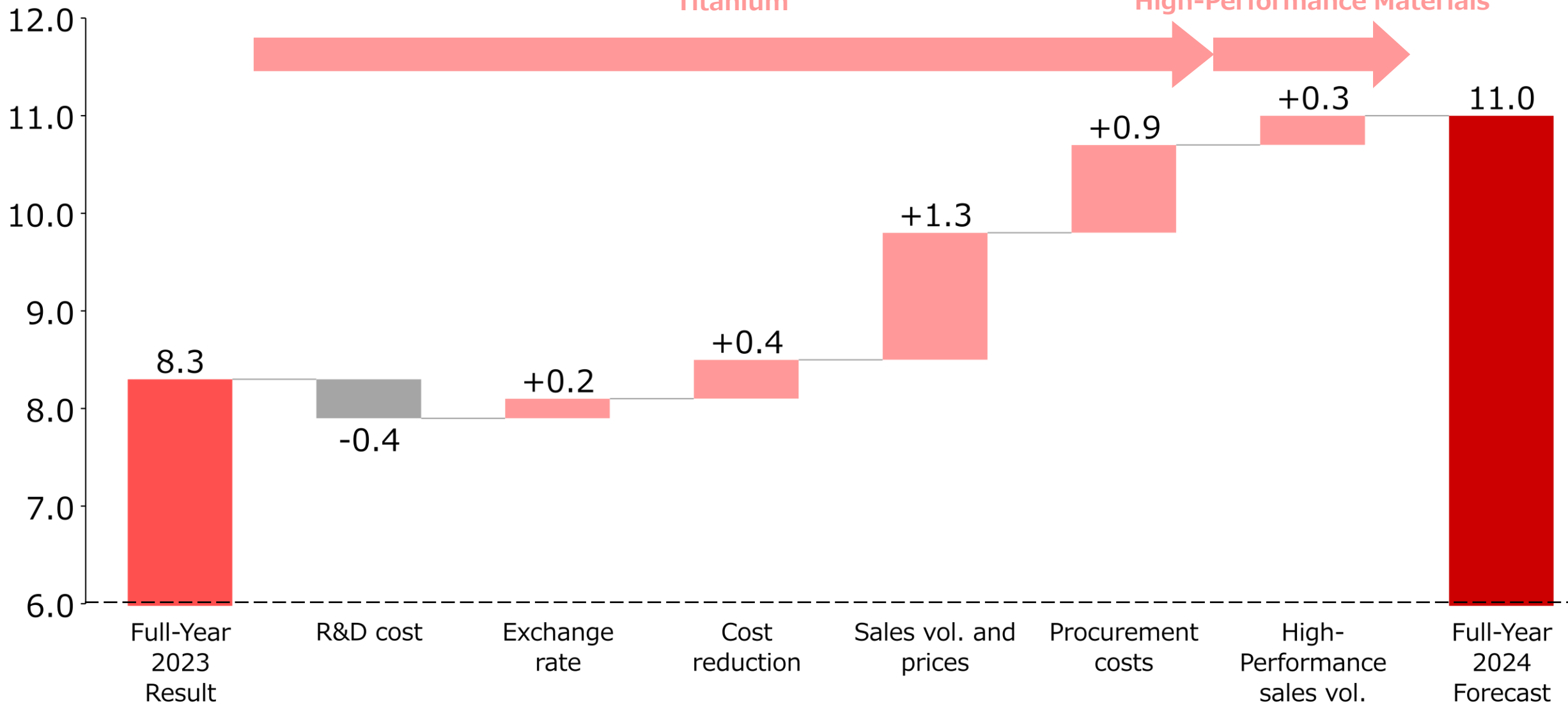
	Titanium	High-Performance Materials
Environment	<ul style="list-style-type: none"> • Aircraft demand recovering with build rate for smaller aircraft increasing, while a full recovery for medium, large aircraft expected in the medium term • With ongoing restructuring of supply chain, Ti demand continues to grow • Energy and resource prices remain high and the Company's earnings under pressure 	<ul style="list-style-type: none"> • Semiconductor market, which is in an adjustment phase, expected to turn around in H2 2024 with the demand recovery for related products • Additive manufacturing market growing in Europe and the US. Demand for pure-Ti and Ti-alloy powders increasing in the medical sector, which is leading the market
Initiatives	<ul style="list-style-type: none"> • Pursue optimum production of Ti sponge through utilisation of existing facilities to the fullest extent to meet growing demand • Ensure profitability of Business even in the high-cost environment through improving product prices and cost reductions • Speed up the planning of production capacity enhancement 	<ul style="list-style-type: none"> • Expand sales, increase market share in the recovering semiconductor market by leveraging distinctive high-purity Ti product • Build the foundation of the Alloy TILOP business and accelerate growth by expanding "the sales force" • Continue to work on creating new businesses

02. Full-Year 2024 Earnings Forecast (Financial Summary)

(¥ in billions)	Full-Year 2023 Results	Full-Year 2024 forecast			Changes in Full-Year
		H1	H2	Full-Year	
Sales	55.3	26.3	30.7	57.0	+ 1.7
Operating P/L	8.3	5.0	6.0	11.0	+ 2.7
Ordinary P/L	9.4	4.7	5.9	10.6	+ 1.2
P/L Before Tax	9.3	4.6	5.2	9.8	+ 0.5
Net Profit/(Loss)	9.7	3.2	3.9	7.1	-2.6
Exchange Rate(¥/U\$)	(143.8)	(145.0)			—
End-of-period Rate(¥/U\$)	(151.3)	(145.0)			—

02. Full-Year 2024 Earnings Forecast (Changes from the Year Before)

(Operating Profit: ¥ in billions)



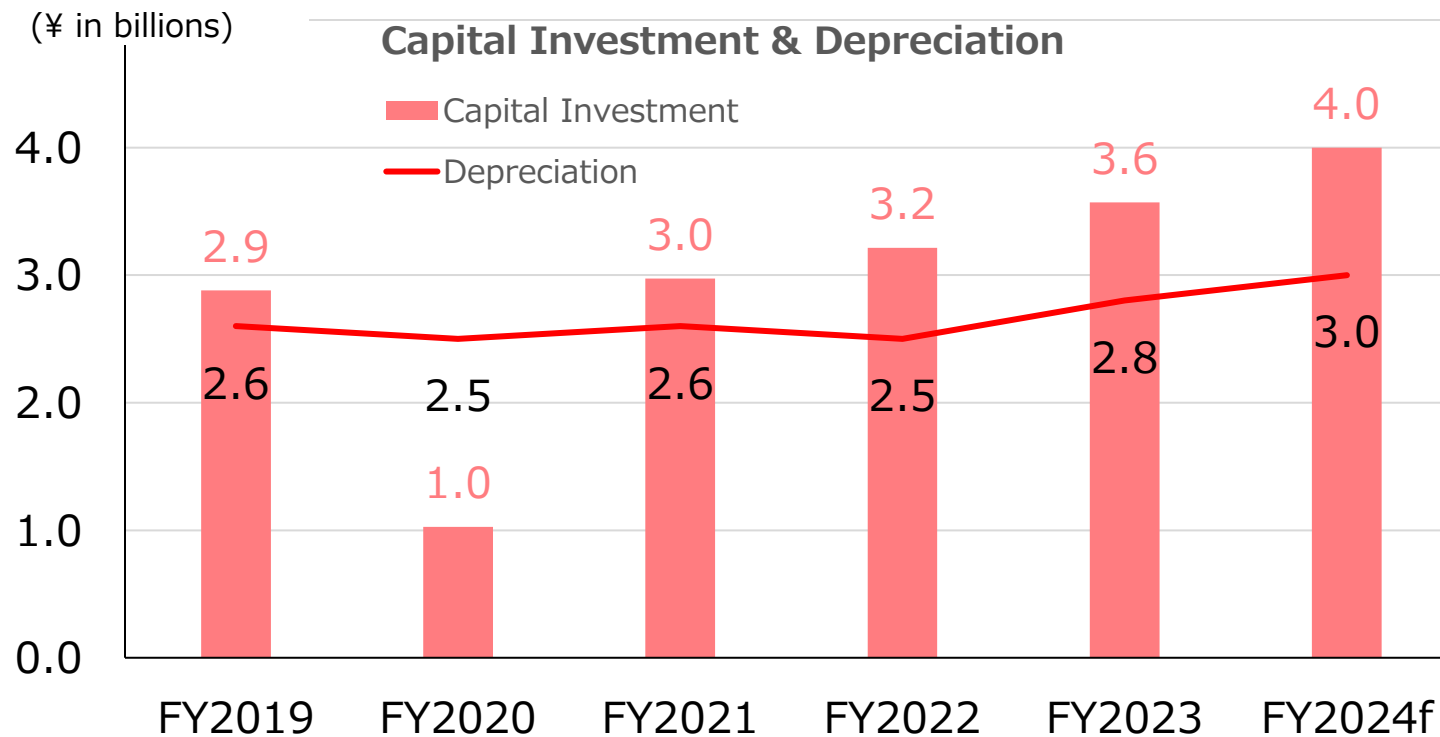
02. Full-Year 2024 Earnings Forecast (by Segment)

(¥ in billions)	Full-Year 2023 Results		Full-Year 2024 Forecast		Changes	
	Sales	Operating Profit (Loss)	Sales	Operating Profit (Loss)	Sales	Operating Profit (Loss)
Titanium	52.3	8.4	52.5	10.8	+0.2	+2.4
High-Performance Materials	3.0	(0.1)	4.5	0.2	+1.5	+0.3
TOTAL	55.3	8.3	57.0	11.0	+1.7	+2.7

02. Full-Year 2024 Earnings Forecast (Capital Investment & Depreciation)

<Approach to Capital Investment>

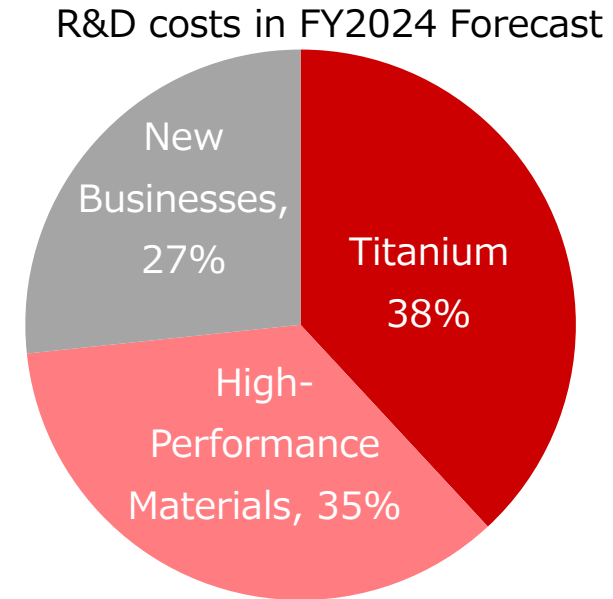
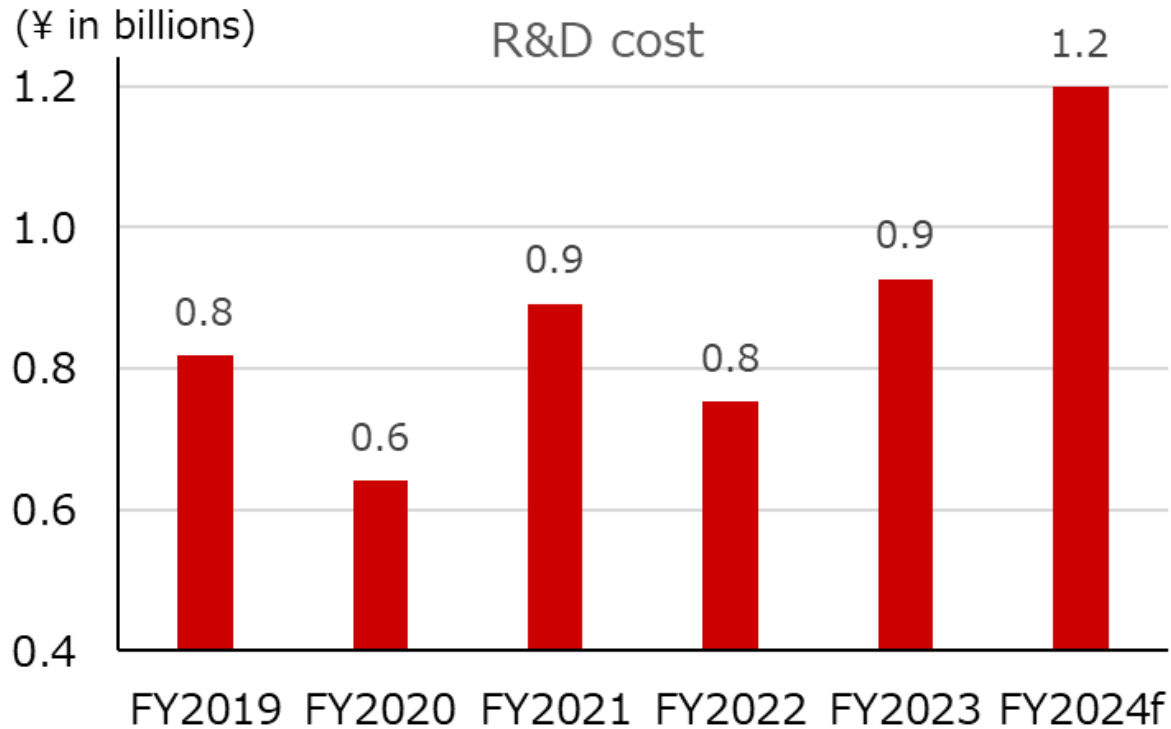
- Maintain a high utilisation rate at Ti sponge plant and updating old equipment to ensure business continuity amidst increasing equipment loads
- Focus on investment in workplace environment improvements through process automation and workload reduction



02. Full-Year 2024 Earnings Forecast (R&D Cost)

<Priorities of R&D>

- Technology development for upgrading and automating production technology to improve productivity and to reduce costs in the existing businesses
- Development of High-Performance Materials Business to promote growth and sprouting of new businesses to facilitate the transformation of the business portfolio



02. Full-Year 2024 Earnings Forecast (Dividend)

Dividend Policy

Stable pay-out with 25-35% pay-out ratio

	(Forecast)		
	FY2022 Year ending 31 March 2023	FY2023 Year ending 31 March 2024	FY2024 Year ending 31 March 2025
Interim	¥10/shr.	¥20/shr.	¥25/shr.
Year-End	¥25/shr.	¥50/shr.	¥25/shr.
Annual	¥35/shr.	¥70/shr.	¥50/shr.

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Medium-Term Business Challenges

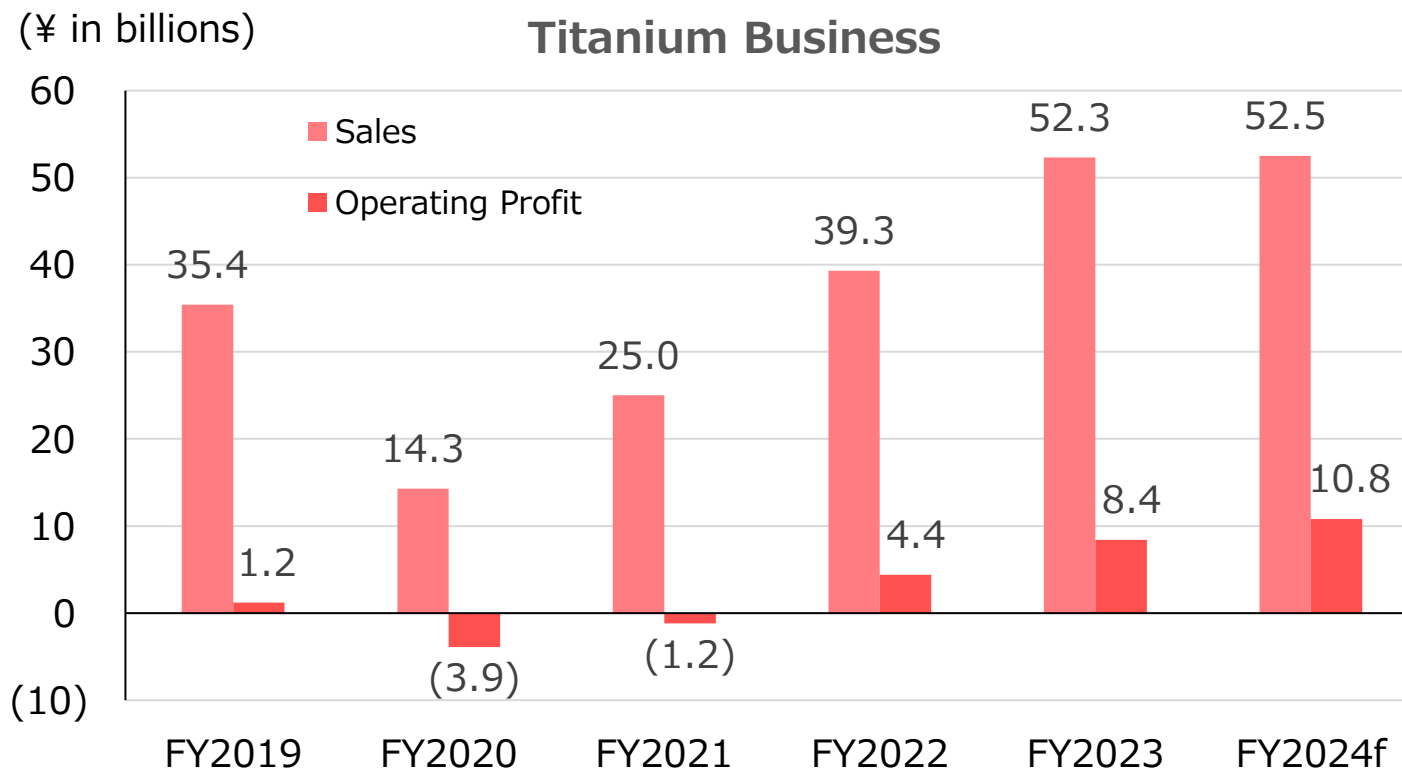
03. Medium-Term Business Challenges (Basic Policies to Issues)

Medium-Term Business Challenges (Basic Policies to Issues)

- ✓ **A return to a strategy of sustainable growth, with Ti Business at its core, as the market returns to a growth phase**
 - Restoring the profitability by reviewing the scheme for partnership with customers and by improving product prices
 - Continuous cost reduction and utilising full capacity by achieving the efficiency in productivity
 - Enhancement of labour productivity through workplace environment improvements through process automation and workload reduction
- ✓ **Reinforcing profit structure and accelerating growth strategy**
 - Commercialising new businesses in growing markets to enhance the Company's growth and securing profitability
 - Continuously developing new businesses to accelerate transformation of business portfolio
- ✓ **Restoring a stable growth platform by quickly ensuring financial strength**
- ✓ **Promoting a range of activities to reduce environmental impact, including carbon neutrality**
- ✓ **Proactively using IT technologies (Business reforms by DX, advanced production technology using AI, Smart Factories)**

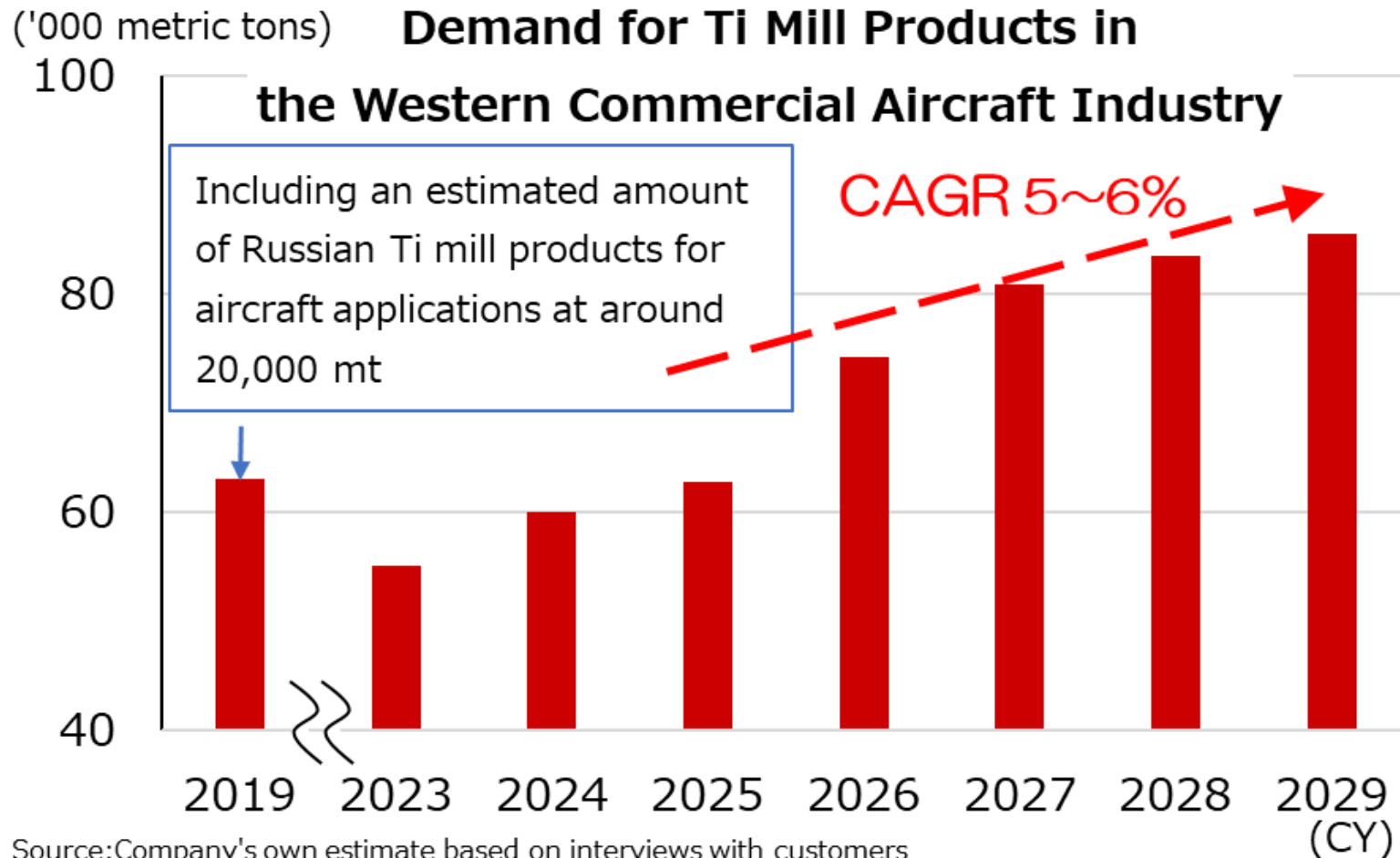
03. Medium-Term Business Challenges (Performance of the Ti Business)

- ✓ Demand for aircraft recovering after sharp decline during Covid, now moving to a growing phase and performance of Ti Business recovered
- ✓ Ensure profitability of Ti Business through improving product prices to a level where sustainable growth is achievable and through cost reductions by improving production parameters and optimising operating conditions amidst continuing high-cost environment of rising prices of commodities



03. Medium-Term Business Challenges (Ti: Meeting medium to long-term growth demand)

- ✓ Aircraft demand recovering, with build rates for smaller aircraft increasing ahead of the rest of the market, while a full recovery for medium and large aircraft expected in the medium term, returning to the pre-Covid level with a sustained CAGR growth of 5-6%

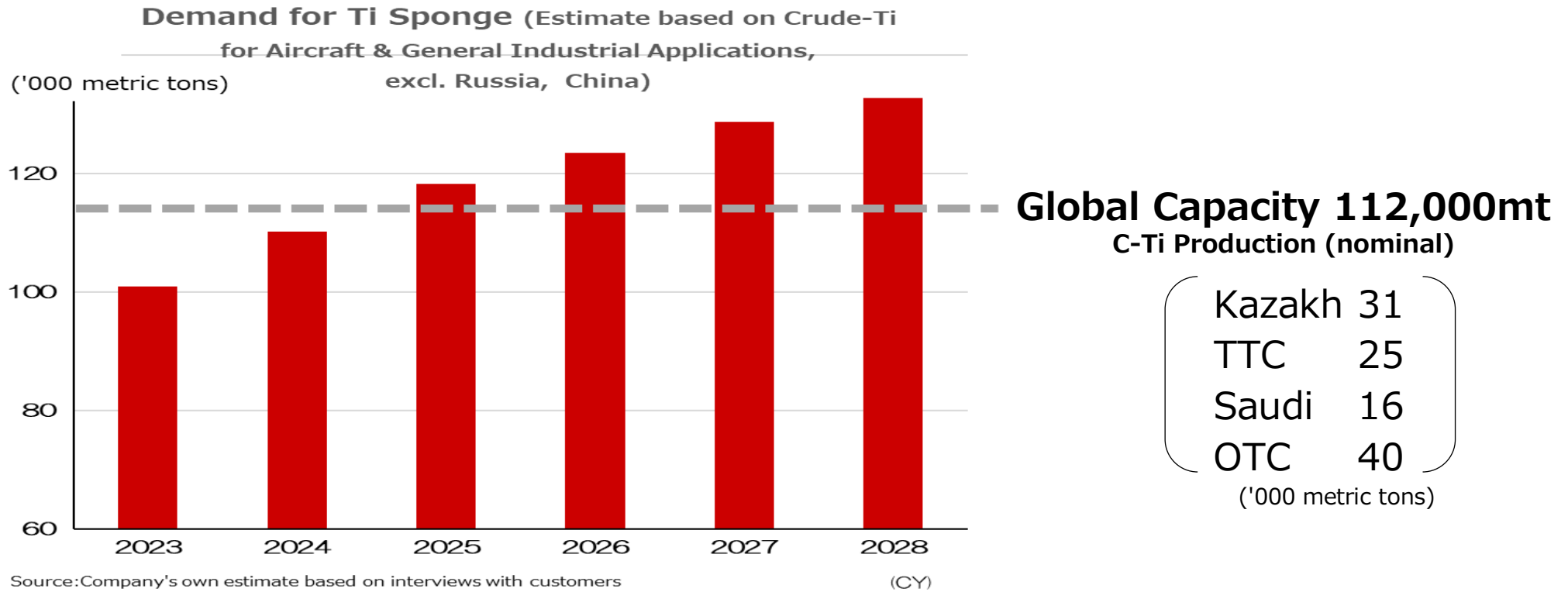


03. Medium-Term Business Challenges (Ti: Meeting medium to long-term growth demand)

- ✓ To meet demand for Ti sponge which is expected to continue growing
 - ⇒ Pursue optimum production to achieve max. production volume with existing facilities
 - 1) Produce at a high plant utilisation rate to achieve the maximum output
 - 2) Develop advanced production technology and improve production efficiency using AI technologies
 - 3) Modify the cost structure through innovation of existing production processes

03. Medium-Term Business Challenges (Ti: Meeting medium to long-term growth demand)

- ✓ With aircraft demand growing over long term and with ongoing restructuring of global Ti supply chain, major Ti mill manufacturers in Europe and US are currently promoting plans to expand their production capacity by 30% (2024-2025)
Demand for Ti sponge expected to grow over medium to long term
- ✓ Due to growing concerns about tight supply-and-demand for Ti sponge, there is a strong demand for stable supply from Ti mill manufacturers (=the Company's customers)



03. Medium-Term Business Challenges (Ti: Meeting medium to long-term growth demand)

- ✓ To implement the Company's growth strategy with a focus on Ti Business and to increase the Company's presence in the Ti market
 - ⇒ Accelerate the investment planning for the expansion of Ti sponge production capacity
- 1) New 10,000 mt/yr. plant at the Amagasaki site
 - Nominal capacity
 - 40,000 mt/yr. (current) ⇒ 50,000 mt/yr. (after expansion)
- 2) Aim for vertical ramp-up by maximising the use of existing facilities, minimising construction time and cost, and recruiting and training personnel in parallel with construction
 - * Skip the restart of the idled small-furnace plant (3,000 mt/yr.)
- 3) Size of investment approximately JPY 30 billion

Disclaimer

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