

New Challenge Best Quality



2022 Financial Results Briefing

for Financial Year ending 31st March 2023

26th May 2023

OSAKA Titanium technologies Co.,Ltd.

I 2022 Financial Results

II 2023 Earnings Forecast

III Medium-Term Business Challenges

I 2022 Financial Results (Business Overview)

<Overall>

- ❑ Demand for titanium, which fell sharply as a result of spread of the new corona virus infection, is on track to recover and expand after bottoming out in FY2020, both in the aerospace and general industrial sectors. Supply and demand for titanium sponge is becoming increasingly tight with the addition of replacement demand for Russian titanium triggered by Russia's invasion of Ukraine.
- ❑ In addition to rising commodity prices due to the global economic recovery, the crisis in Ukraine has spurred a surge in energy and resource prices, with titanium ore and electricity prices putting pressure on the Company's earnings. In spite of the challenging environment, the Company achieved **sales of JPY 43.1 billion, operating income of JPY 4.8 billion and net income of JPY 4.4 billion** in fiscal 2022 as a result of ongoing cost reduction activities, progress in improving product prices and a recovery in sales volumes.

Titanium

- ❑ Export sales of titanium sponge increased by approx. 60% y-o-y, while domestic sales increased by approx. 50% y-o-y.
- ❑ In order to meet recovering demand, the company has gradually increased the capacity utilisation rate of its titanium sponge plant to around 90% by the end of FY2022.

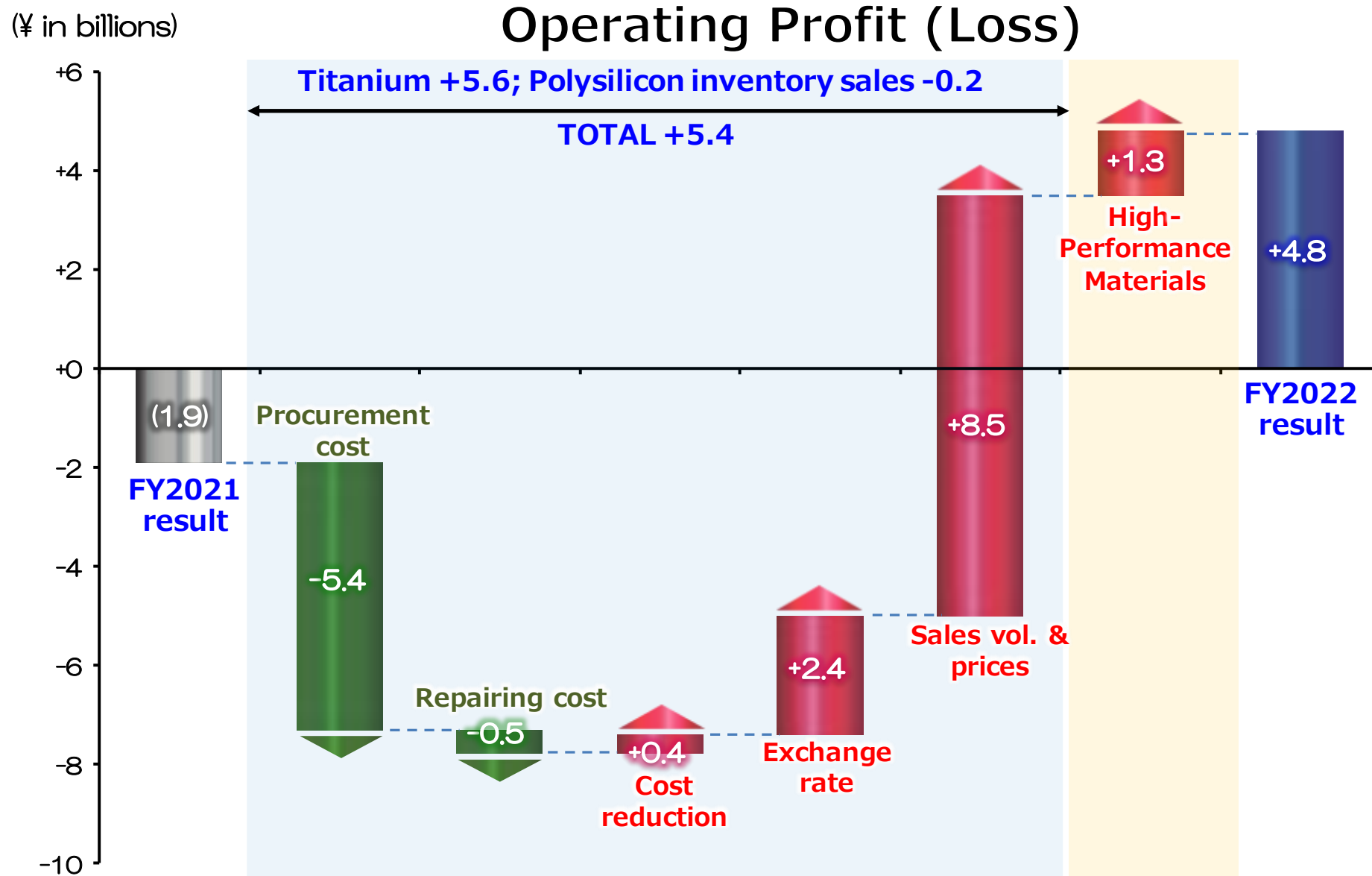
High-Performance Materials

- ❑ Total sales of the business unit increased by approx. 20% y-o-y with an increased sales in the high-purity titanium for semiconductor-grade sputtering targets and spherical titanium alloy powders (alloy TILOP) .

I 2022 Financial Results (Financial Summary)

(¥ in billions)	FY2021 results	FY2022 results	Changes (Major factors)
Exchange Rate <¥/US\$>	<112>	<135>	
Sales	28.5	43.1	+14.6 (Titanium sales+14.3)
Operating P/L	(1.9)	4.8	+6.7
Non-operating P/L	0.2	(0.1)	-0.3 (FX effects, etc.)
Ordinary P/L	(1.7)	4.7	+6.4
Extraordinary P/L	(0.1)	(0.2)	-0.1 (Loss impairments, etc.)
P/L Before Tax	(1.8)	4.5	+6.3
Corporate Tax, etc	(1.3)	(0.1)	+1.2 (Deferred tax assets, etc.)
Net Profit(Loss)	(3.1)	4.4	+7.5

I 2022 Financial Results (Changes from the Year Before)



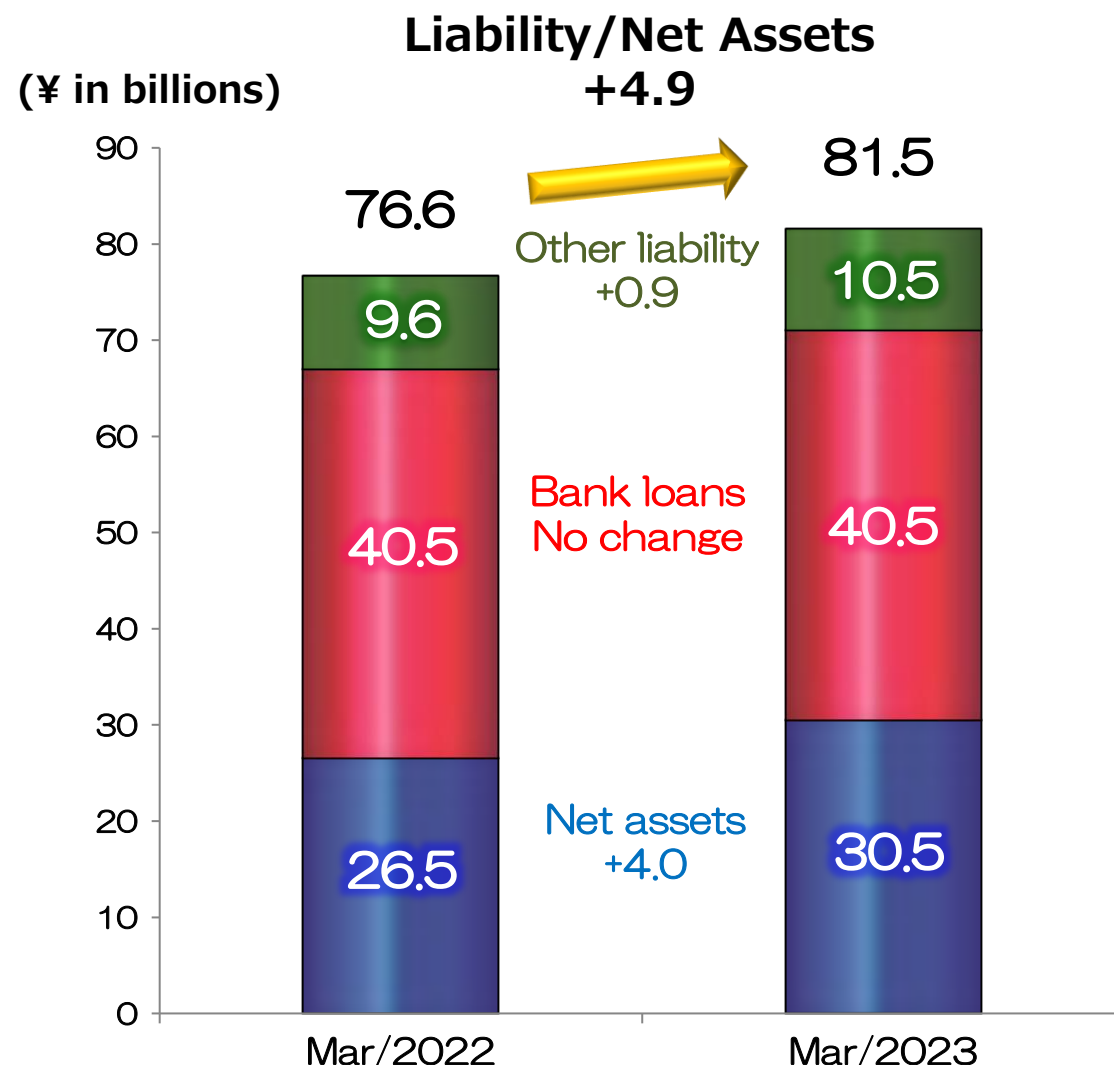
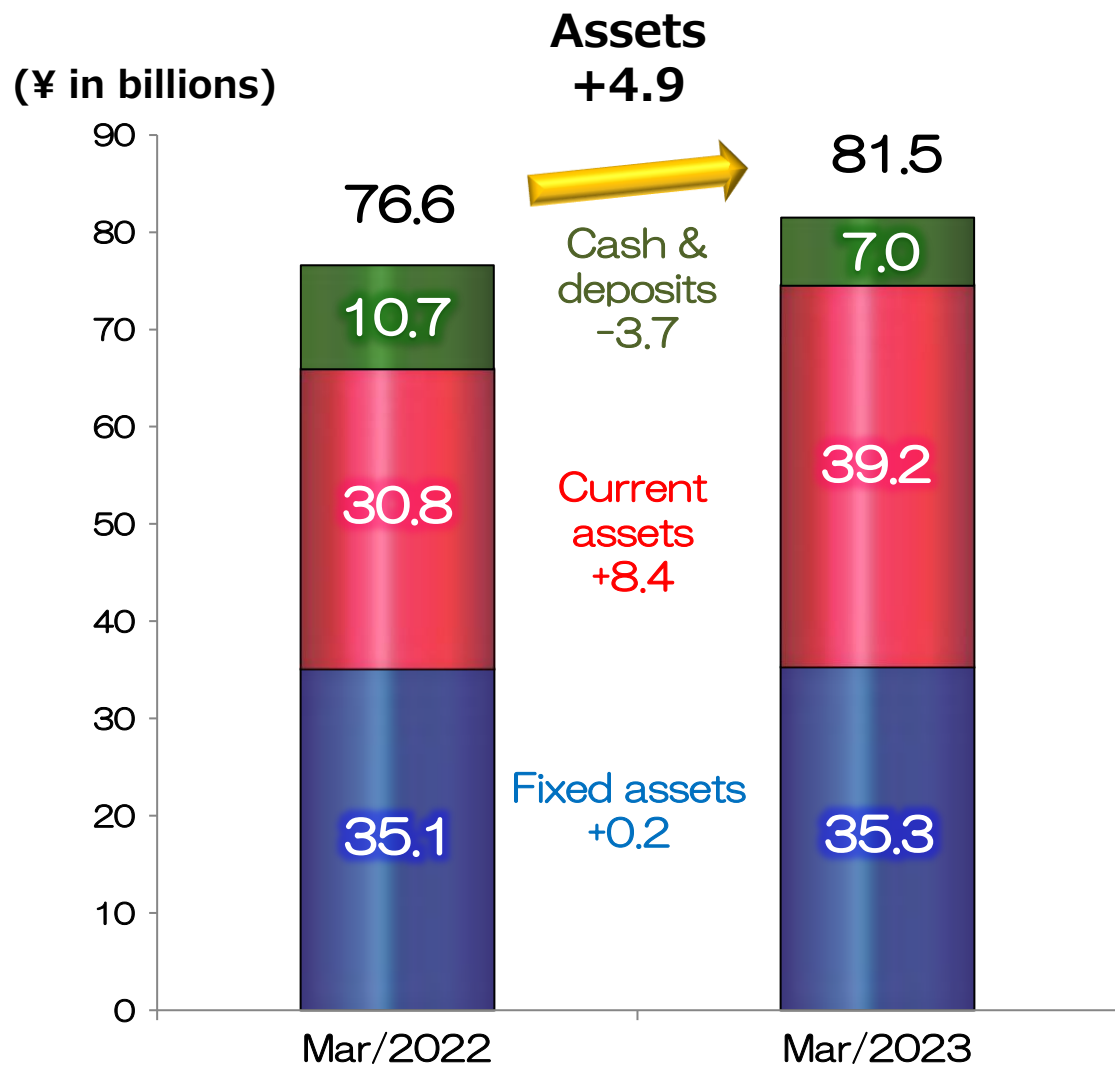
I 2022 Financial Results (by Segment)

(¥ in billions)	FY2021 results		FY2022 results		Changes	
	Sales	Operating Profit(Loss)	Sales	Operating Profit(Loss)	Sales	Operating Profit(Loss)
Titanium	25.0	(1.2)	39.3	4.4	+14.3	+5.6
High-Performance Materials	3.2	(0.9)	3.8	0.4	+0.6	+1.3
TOTAL	28.5	(1.9)	43.1	4.8	+14.6	+6.7

Note

Figures shown in FY2021 results include ¥0.3 billion sales and ¥0.2 billion profits from the sell-out of the remaining inventory from the Polycrystalline Silicon business, from which the Company withdrew in FY2018.

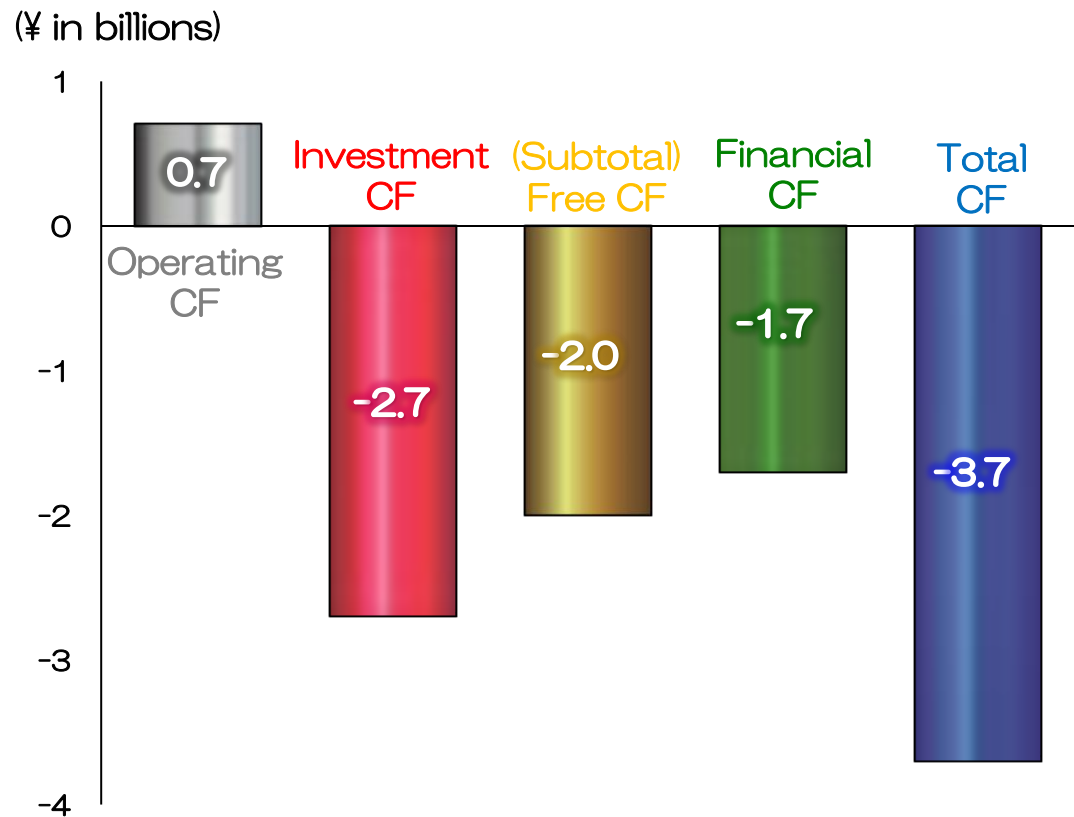
I 2022 Financial Results (Balance Sheet)



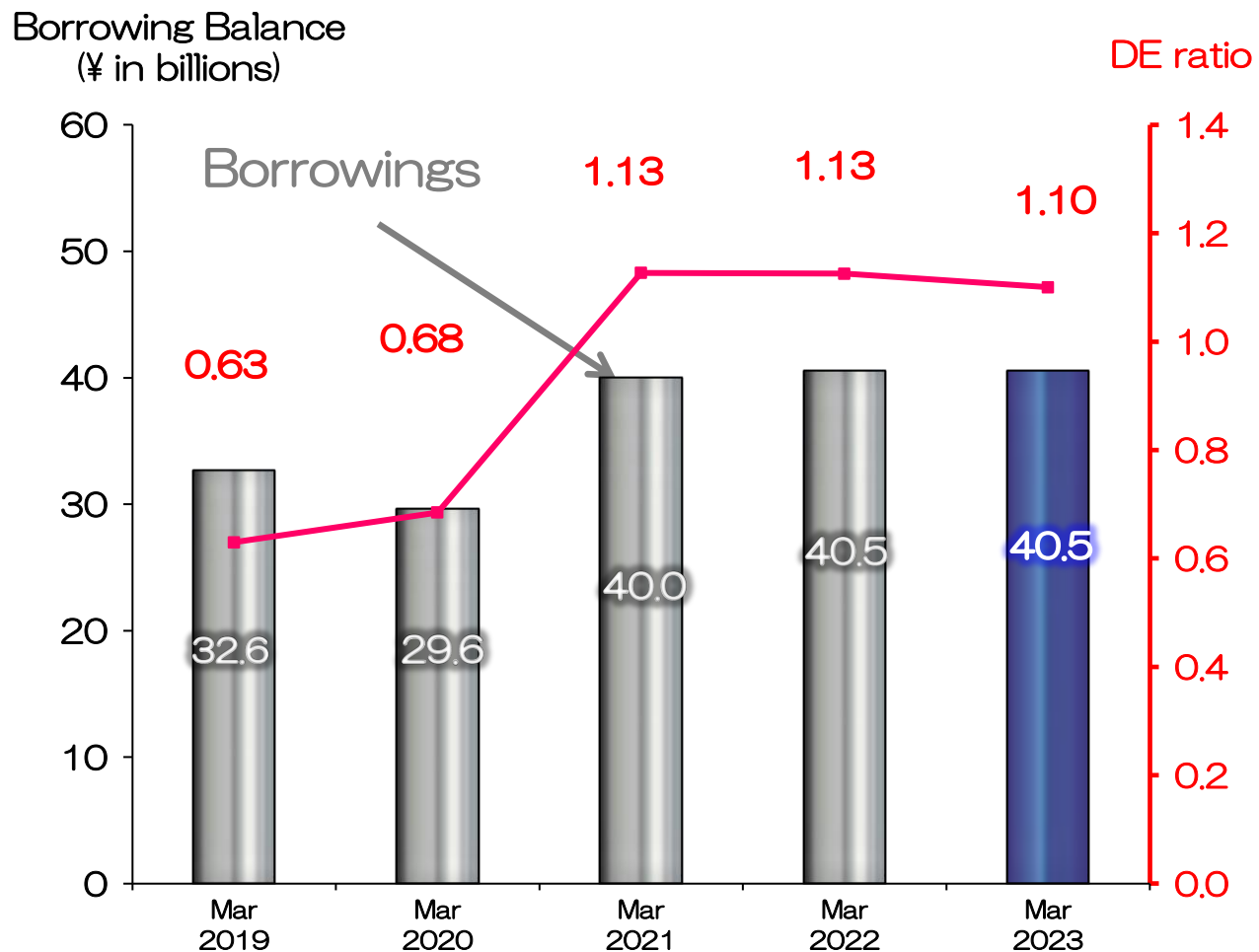
Capital-to-asset ratio 34.6% 37.4%

I 2022 Financial Results (Cash Flow and Debt-to-Equity Ratio)

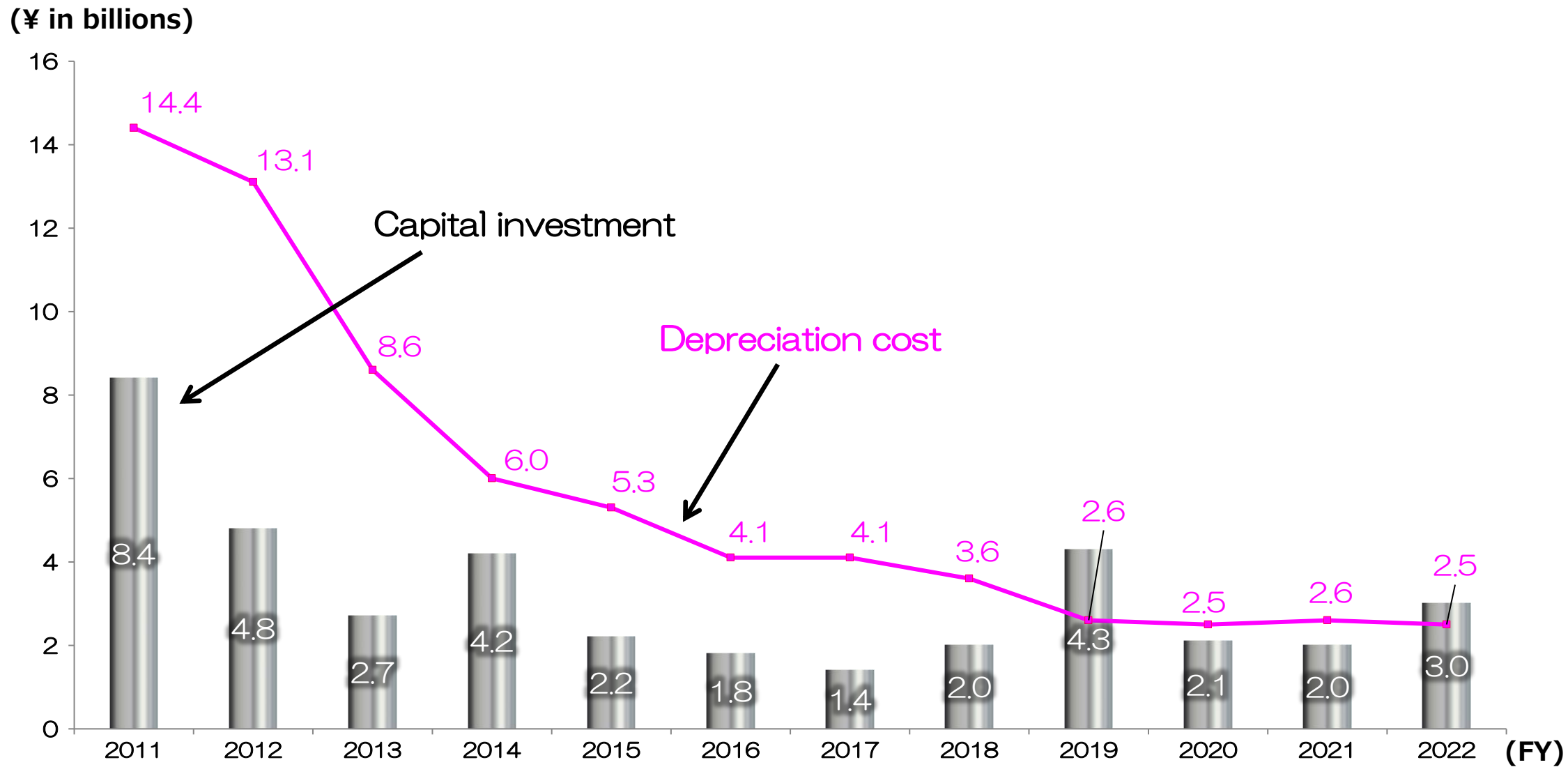
FY2022 Cash Flow



Borrowing Balance, DE Ratio



I 2022 Financial Results (Capital Investment and Depreciation Cost)



I 2022 Financial Results

II 2023 Earnings Forecast

III Medium-Term Business Challenges

II 2023 Earnings Forecast (Business Environment by Segment)

	Titanium	High-Performance Materials
Environment	<ul style="list-style-type: none"> Aircraft production rate has recovered and titanium demand has returned to pre-Corona disaster levels With the addition of replacement demand for Russian titanium, the timing of the transition from recovery to expansion in aerospace titanium demand has moved forward Demand for titanium in general industry sector is in full recovery mode Profits continue to be squeezed by high prices for various raw materials and fuels, including electricity 	<ul style="list-style-type: none"> Growth in the semiconductor market has slowed and is in an adjustment phase, while demand for related products has stagnated Additive manufacturing market is gradually expanding, particularly in Europe and the US, but demand for titanium alloy powder is mainly in the medical sector and limited in the aerospace sector LiBs(Lithium-ion Batteries) market is expanding, particularly in the automotive sector, and accelerated growth can be expected
Initiatives	<ul style="list-style-type: none"> Will achieve an optimum production under high utilisation rates and pursue production efficiency in order to meet growing demand Will continue to work on improving product prices to ensure profitability in a high-cost environment Will consider expanding production capacity, preparing for a supply shortage of titanium sponge 	<ul style="list-style-type: none"> Will maintain and expand market share by continuously introducing strategic products of high-purity titanium to the market Will accelerate efforts to ensure the growth and business profitability of the alloy TILOP business Will advance the market evaluation of silicon monoxide (SiO) anode material for LiBs and implement a business plan in collaboration with customers

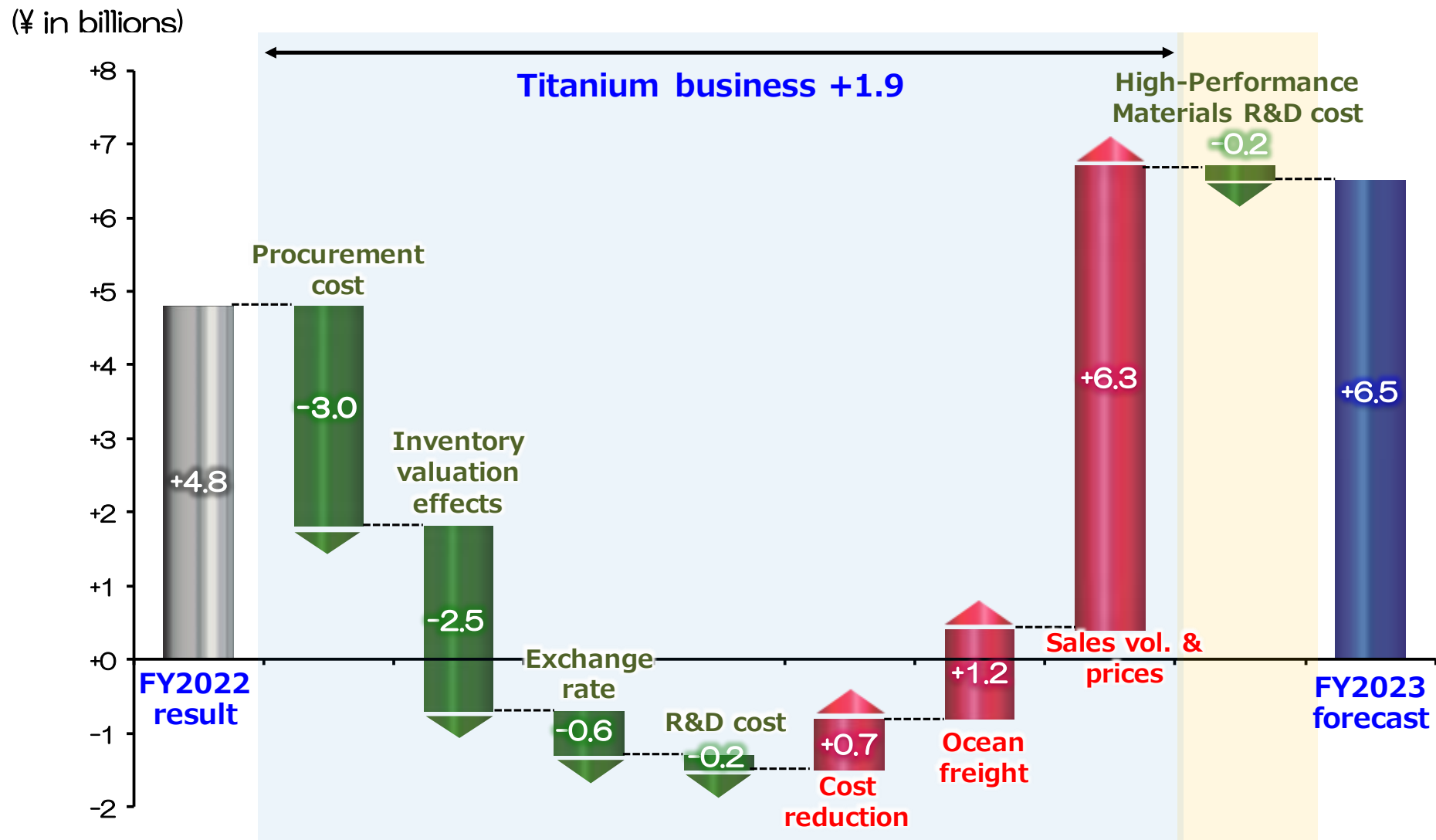


II 2023 Earnings Forecast (Financial Summary)

(¥ in billions)	FY2022	FY2023			Changes in Full-Year (Major factors)
	Full-Year results	H1 forecast	H2 forecast	Full-Year forecast	
Exchange Rate (¥/US\$)	<135>	<130>	<130>	<130>	
Sales	43.1	26.8	27.2	54.0	+10.9 (Titanium sales+10.7)
Operating P/L	4.8	3.1	3.4	6.5	+1.7
Non-operating P/L	(0.1)	(0.1)	(0.1)	(0.2)	-0.1 (FX effects, etc.)
Ordinary P/L	4.7	3.0	3.3	6.3	+1.6
Extraordinary P/L	(0.2)	0.0	(0.1)	(0.1)	+0.1
P/L Before Tax	4.5	3.0	3.2	6.2	+1.7
Corporate Tax, etc	(0.1)	(0.4)	(0.5)	(0.9)	-0.8
Net Profit(Loss)	4.4	2.6	2.7	5.3	+0.9

II 2023 Earnings Forecast (Changes from the Year Before)

Operating Profit (Loss)



II 2023 Earnings Forecast (by Segment)

(¥ in billions)	FY2022 results		FY2023 Forecast		Changes	
	Sales	Operating Profit(Loss)	Sales	Operating Profit(Loss)	Sales	Operating Profit(Loss)
Titanium	39.3	4.4	50.0	6.3	+10.7	+1.9
High-Performance Materials	3.8	0.4	4.0	0.2	+0.2	(0.2)
TOTAL	43.1	4.8	54.0	6.5	+10.9	+1.7

II 2023 Earnings Forecast (Mid-year & Year-end Dividend)

Dividend Policy

Stable payout with 25~35% payout ratio

FY2021

Year ending 31st March 2022

FY2022

Year ending 31st March 2023

FY2023

Year ending 31st March 2024

(forecast)

Mid-Year	¥0/shr	¥5/shr	¥20/shr
Year-End	¥0/shr	¥25/shr	¥20/shr
Annual	¥0/shr	¥35/shr	¥40/shr

I 2022 Financial Results

II 2023 Earnings Forecast

III Medium-Term Business Challenges

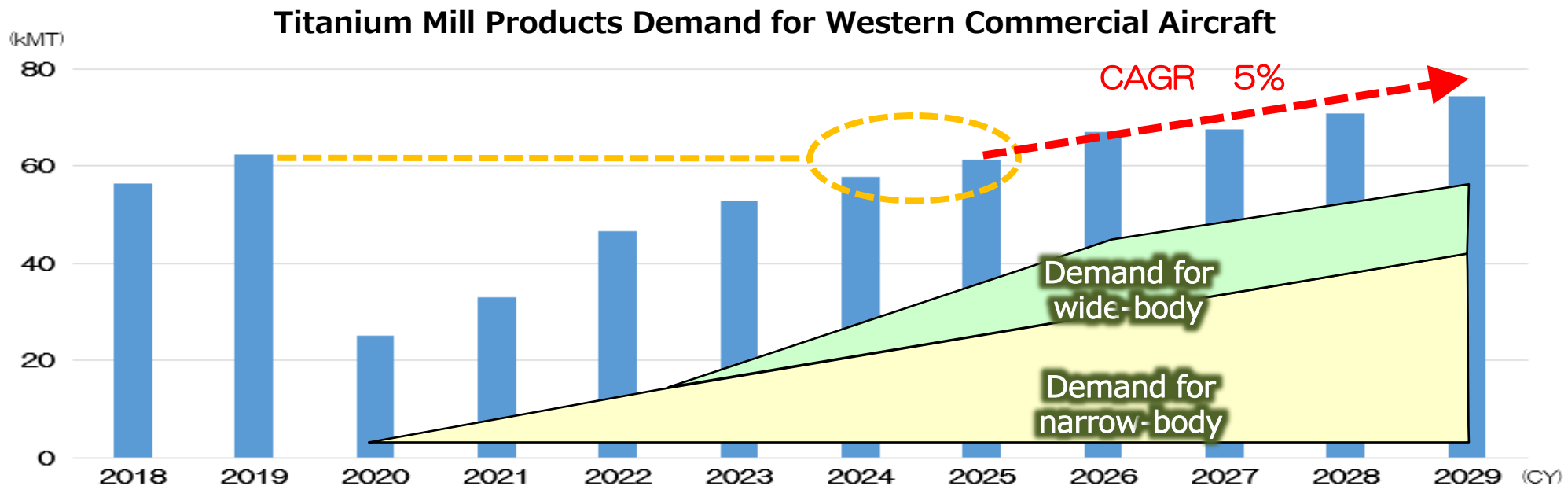
III Medium-Term Business Challenges (Basic Policies to Issues)

- ❑ A return to a strategy of sustainable growth, with the Titanium business at its core, as the market returns to a growth trajectory
 - Restoring the profitability by reviewing the scheme for partnership with customers and by improving selling prices
 - Continuous cost reduction and utilising full capacity by achieving the efficiency in productivity
- ❑ Reinforcing the profit structure and accelerating the growth strategy
 - Commercialising new businesses in the growing markets to enhance the Company's growth and securing profitability
 - Continuously developing new businesses to accelerate the 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 technology (Business reforms by DX, advanced production technology using AI)



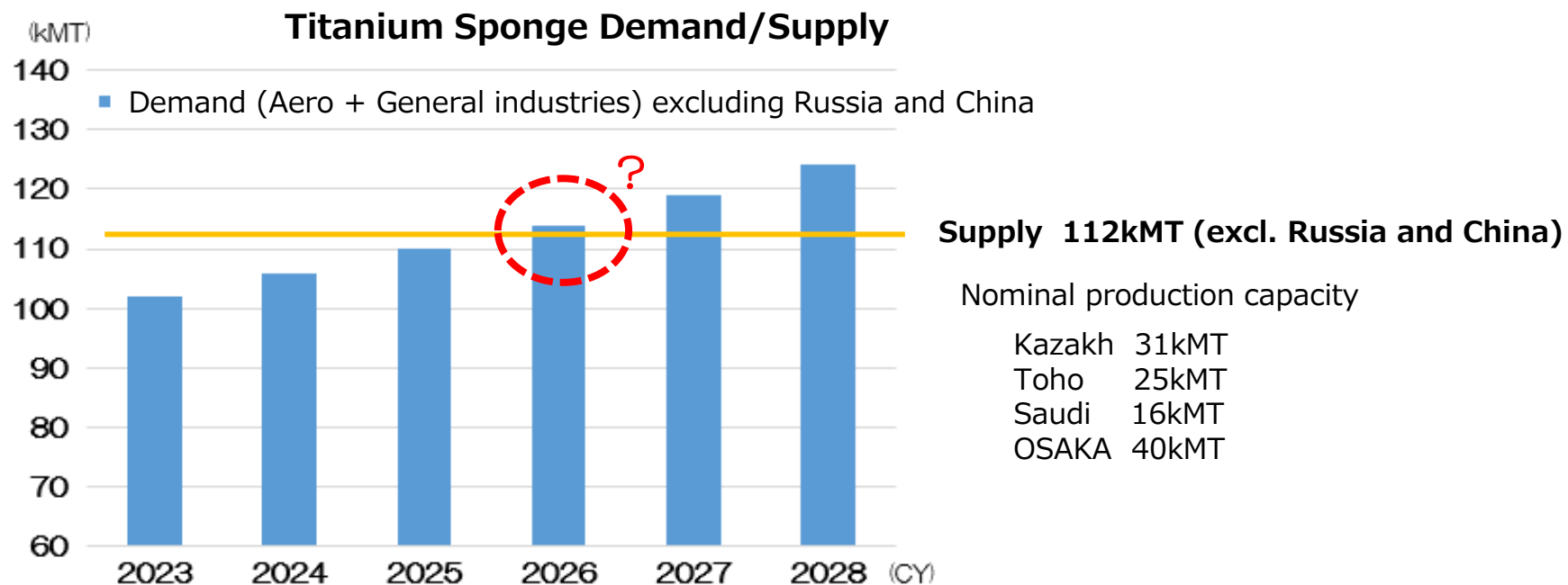
III Medium-Term Business Challenges (Responding to Medium-Term Demand Recovery)

- ❑ The Company will pursue sustainable growth by steadily capturing demand for titanium sponge in the titanium market as it moves from recovery to growth
 1. Will continue **improving product prices** to maintain the profitability of the business, which is a prerequisite for the growth strategy
 2. Will **achieve an optimum production that maximises the use of existing facilities** and maintain a stable and competitive raw material procurement in order to meet growing demand
 3. Will pursue **reform of the cost structure**, the production efficiency, as well as **reduction of environmental impact**



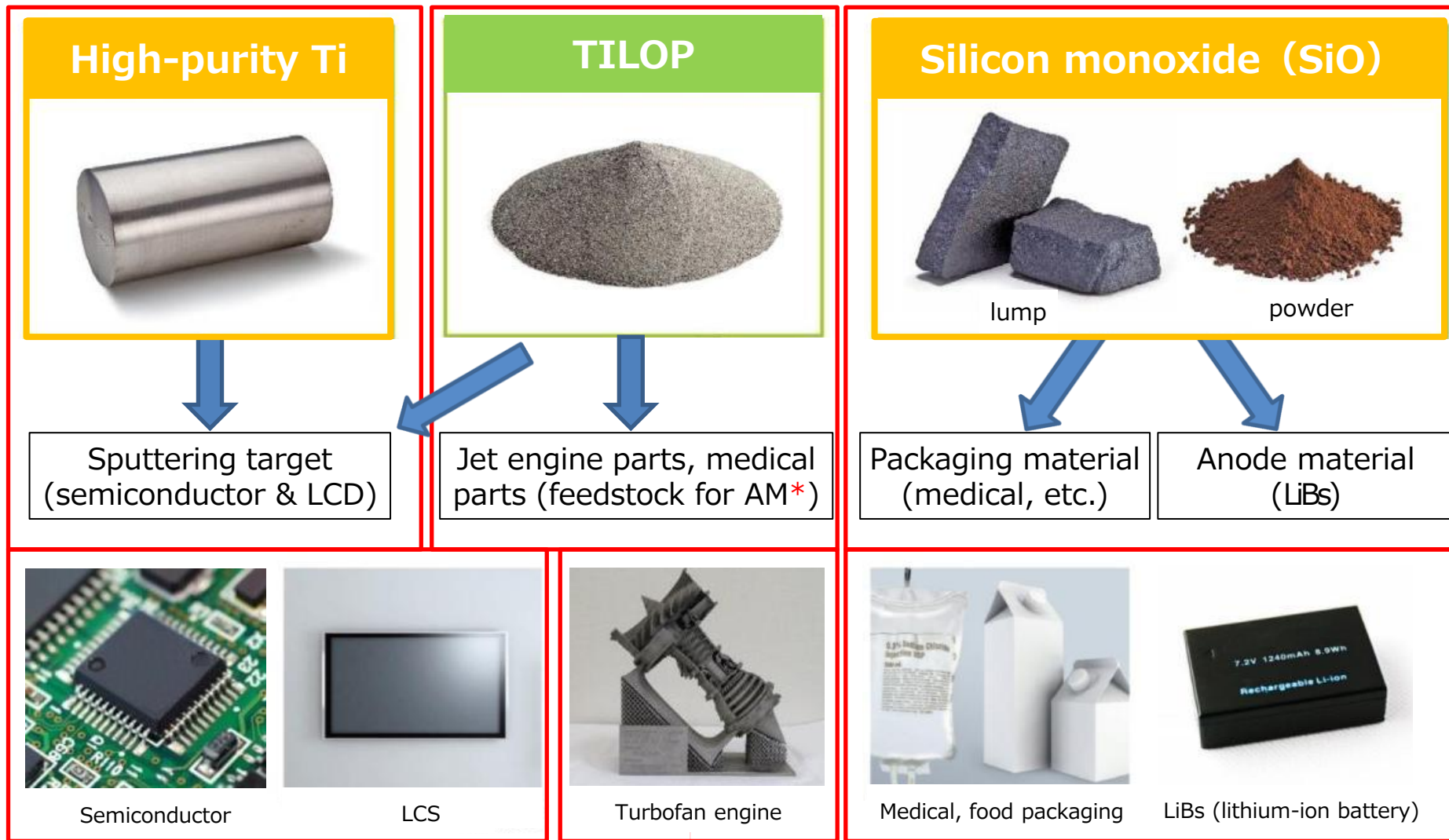
III Medium-Term Business Challenges (Responding to Long-Term Demand Growth)

- ❑ Continued growth in aerospace demand, coupled with the restructuring of the global titanium supply chain, has led to increased demand for titanium sponge and **growing concerns about a supply shortage of titanium sponge**
- ❑ Provided that enough margins for sustainable operations can be secured, the Company has started to consider **a step-by-step increase in production capacity**
 1. Capacity increase by **restarting idle facilities** (approx. 3,000 t/yr.)
 2. Capacity expansion through **new production facilities**



Source: Company's estimate

III Medium-Term Business Challenges (Transformation of Business Portfolio)



*AM Additive Manufacturing (3D printing)

III Medium-Term Business Challenges (Transformation of Business Portfolio)

- ❑ Engaging in the growth of High-Performance Materials business and continuously developing new businesses to **reinforce the profit structure and accelerate the growth strategy**
 1. Continue to offer technologies and products that demonstrate our strengths **in markets where significant growth is expected**, such as semiconductors, LiBs and additive manufacturing
 2. **Accelerate the transformation of the business portfolio** by actively investing management resources

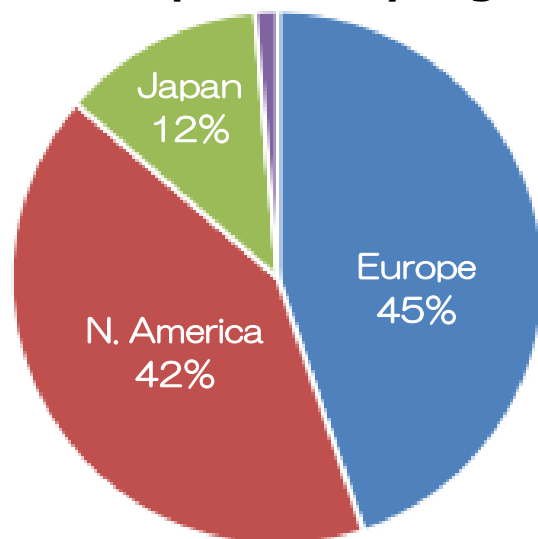
**Allocation of R&D budgets in 2023
(Total of ¥1.2 billion)**

Technologies	New	<div style="border: 1px solid blue; border-radius: 10px; padding: 5px; text-align: center;">Developing new, differentiated products</div> <p>High-purity titanium business</p> <ul style="list-style-type: none"> •Ti sponge manufacturing tech •Ti ingot manufacturing tech •High purification technology <p style="text-align: right;">¥0.1 billion</p>	<div style="border: 1px solid blue; border-radius: 10px; padding: 5px; text-align: center;">Diversification strategy</div> <p>SiO anode material business</p> <ul style="list-style-type: none"> •Process designs •High purification technology •Application of SiO production tech for barrier film deposition <p style="text-align: right;">¥0.7 billion</p>
	Conventional	<div style="border: 1px solid blue; border-radius: 10px; padding: 5px; text-align: center;">Market Penetration Strategy</div> <p>Flagship business</p> <p>Titanium TiCl4</p> <p style="text-align: right;">¥0.3 billion</p>	<div style="border: 1px solid blue; border-radius: 10px; padding: 5px; text-align: center;">Market development strategy</div> <p>Alloy TILOP business</p> <ul style="list-style-type: none"> •Integrated production from Ti sponge •Low oxygen titanium powder production technology <p style="text-align: right;">¥0.1 billion</p>
		Traditional	Emerging
Market			

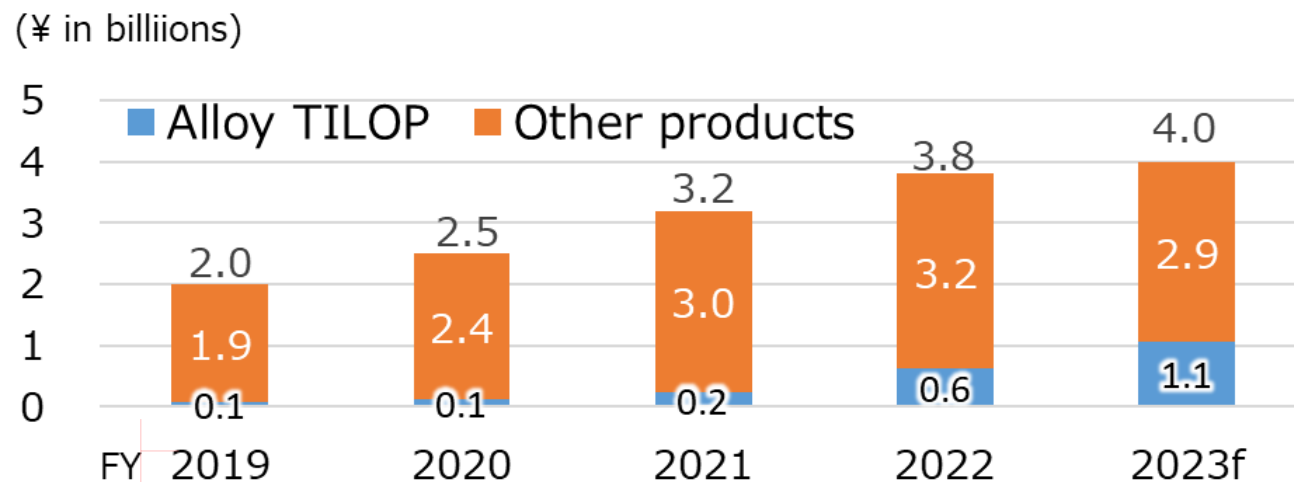
III Medium-Term Business Challenges (Business Situation of alloy TILOP)

- ❑ Full-scale entry into the titanium alloy powder (alloy TILOP) business for the future high-growth additive manufacturing (3D printer) market (Start-up of dedicated plant: FY2020-)
 1. Demand in **the aerospace sector, where the Company can use its strength**, is still limited in the AM market. However, the Company will improve product performance and production efficiency by improving production technology.
 2. **Through alliances and collaborations with distributors and AM manufacturers**, the Company aims to build a sales network in the domestic and overseas markets and expand sales in the aircraft market, where demand is expected to grow in the future.

Percentage of shipments by region (FY2022)



Sales in the High-Performance Materials Business



III Medium-Term Business Challenges (ESG)

Materiality		Indicator	Goal	FY2022 results
Contribution to reducing environmental impact	Mitigation of climate change	Reducing CO2 emissions in production processes	Challenge to achieve 46% reduction in FY2030 (compared to FY2013)	-
		Reducing CO2 emissions through renewable energy	Solar power capacity expansion	Kishiwada Works 59MWh
		Reduction of CO2 emissions during end-product use through the supply of advanced materials	Quantification and publication of the contribution of titanium products to CO2 reduction	PCR approval obtained for titanium products (initiative as Japan Titanium Society)
	Support for resource recycling	Waste recycling	Sale of valuable industrial waste	3,382 tonnes
Creating a safe and healthy workplace environment	Creating a safe and secure workplace environment for employees	Lost work frequency rate Number of fatalities and major disasters	Lost work frequency rate no greater than 0.7 Number of fatalities and major disasters 0	Lost work frequency rate 0.00 Number of fatalities and major disasters 0
	Reforming the way people work	Number of days of leave taken per year	No less than 10 days/person·yr.	17.6 days/person·yr.
Human resource development and promotion of diversity	-	Percentage of female career-track employees in management positions	FY2030 no less than 15%	10.0%
		Employment rate of disabled persons	No less than 2.3%	2.78%
Sustainable growth through good governance	Corporate governance	Improving board effectiveness and evaluation		Ongoing implementation
	Compliance and risk management	Development and implementation of departmental education plans		
	Quality control education	Systematic implementation of quality training		
Contribution to a sustainable society through the development and provision of advanced materials	R&D investment	R&D expenditure as a % of sales	No less than 2 %	1.6%
	Investment in advanced materials development	New business development expenditure as a percentage of R&D expenditure	No less than 50%	67%
	Promoting DX	Development of a new core ERP system	-	HR payroll system update completed Accounting system being updated

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