5707

FY2024 (2025/3)
Financial Results Presentation

2025/5/15

東邦亜鉛株式会社
TOHO ZINC CO., LTD.

The plans presented in this document are based on information currently available to the Company and on certain assumptions deemed reasonable.

FY2024 (2025/3) Financial Results – Summary

FY2024 Financial Results

- **For FY2024, revenue reached 126.3 billion yen, EBITDA was 8.2 billion yen, and net income was ▲1.5 billion yen.** All profit indicators significantly exceeded those of FY2023. Compared to the earnings forecast announced in February 2025, results were generally in line, with net income coming in slightly above forecast.
- The key drivers of profit growth were improved earnings in core and growth businesses, as well as a rebound from losses recorded in the previous fiscal year in the reorganized and withdrawn businesses.

Commencement of Business Revitalization Period

- We announced the business revitalization plan in December 2024, focused on reorganization or exiting unprofitable businesses and driving profit growth in core and growth businesses. **Capital increase was completed on March 13, 2025.**
- **Reorganization and withdrawal efforts are progressing as planned,** including the shutdown of key facilities in the Zinc Smelting Business and completing a voluntary early retirement program.
- Through the capital raise and agreements with financial institutions, **we have secured sufficient liquidity to support operations throughout the revitalization period.**

FY2025 Earnings Outlook

- **For FY2025, we forecast revenue of 115.7 billion yen, EBITDA of 7.1 billion yen, and net income of 3.0 billion yen.** Performance is expected to improve further, driven by increased production in lead and silver smelting, as well as a rebound from the impairment losses recorded in the Zinc Smelting Business during FY2024.
- Since earnings from the smelting business are sensitive to fluctuations in resource prices and exchange rates, a decline in commodity prices or a stronger yen could negatively impact profitability. We will continue to monitor market conditions closely.

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1. FY2024 Financial Results P.3
2. Commencement of Business Revitalization Period P.6
3. FY2025 Earnings Outlook P.16

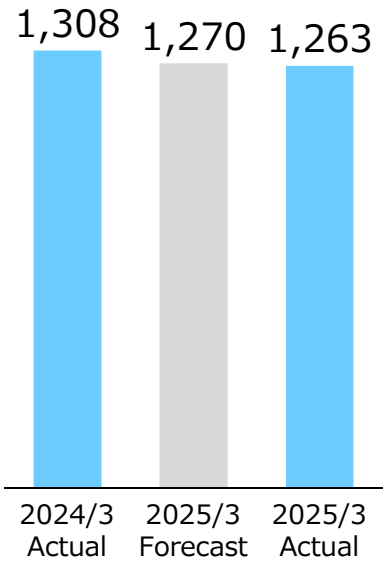
Appendix

FY2024 (2025/3) Financial Results

While revenue remained roughly in line with FY2023, all profit indicators significantly improved due to the impact of business reorganization and withdrawals. Compared to the earnings forecast announced in February 2025, results were generally in line, with net income slightly above forecast.

(100 million yen)

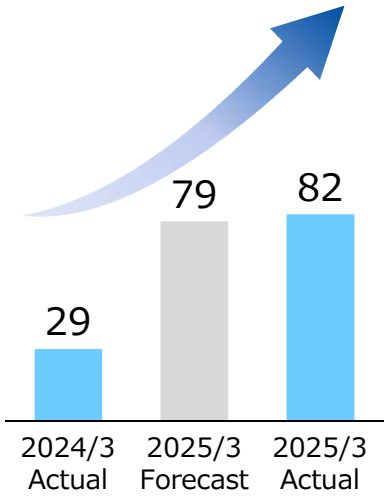
Revenue



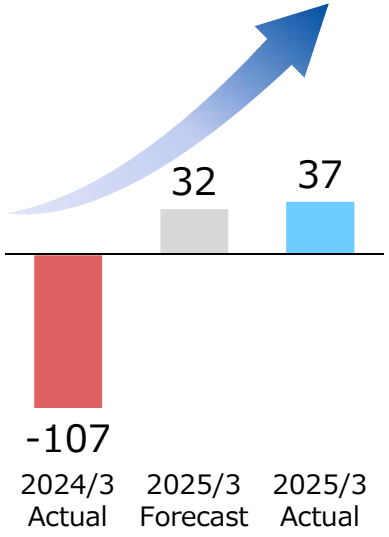
(YoY)

- Revenue of the Lead and Silver Smelting Business: +2.8 billion yen
- Revenue of the Mineral Resources Business (withdrawn): −4.9 billion yen

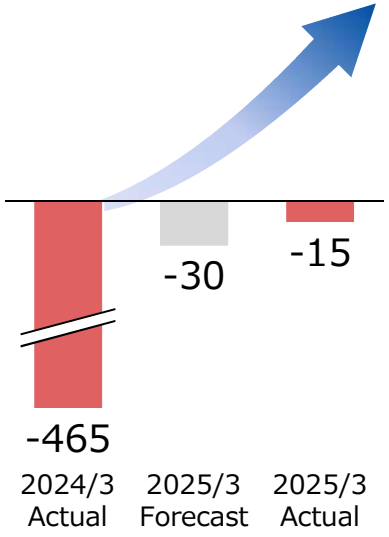
EBITDA



Ordinary income



Net income

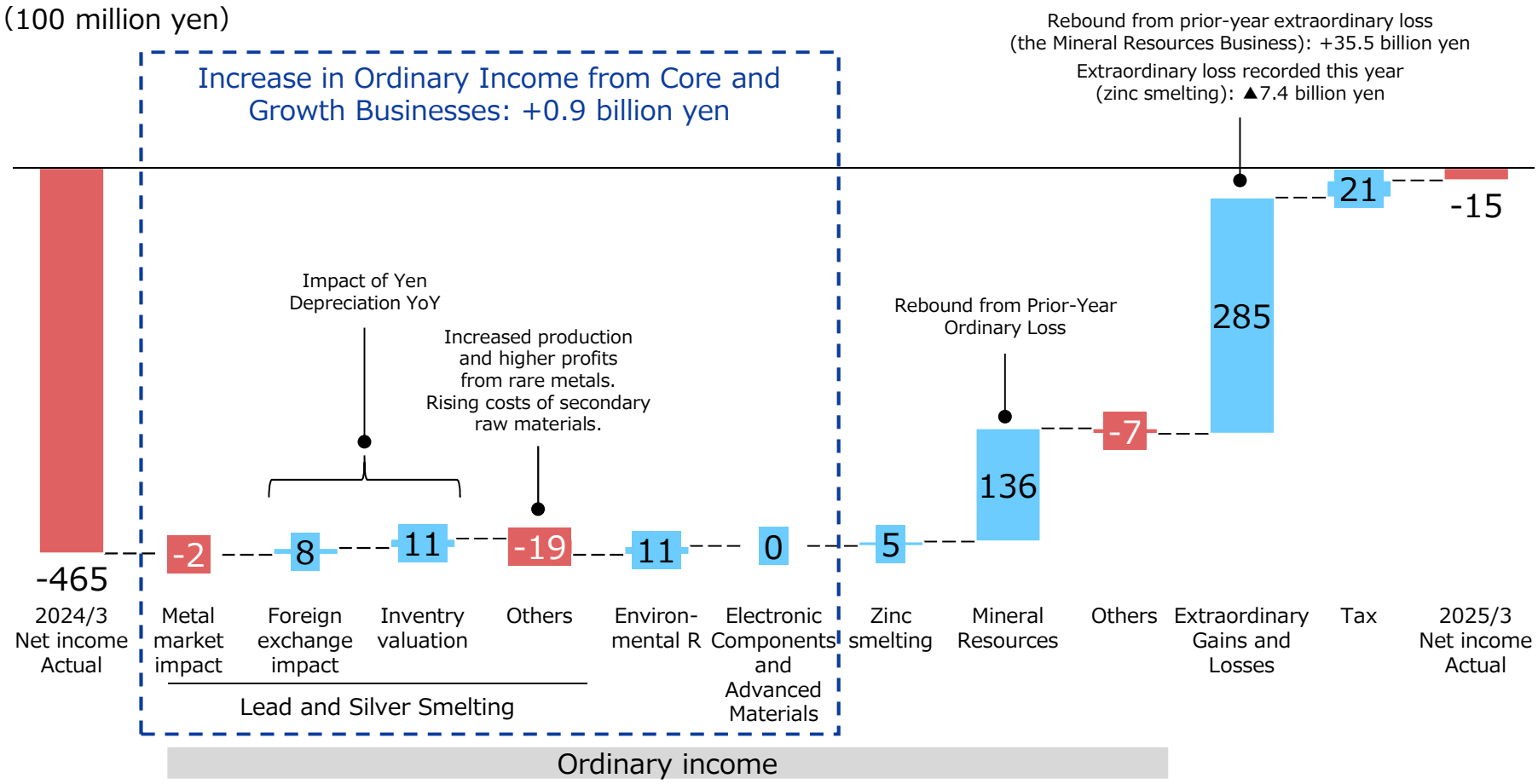


(YoY)

- Rebound from prior-year ordinary loss of 13.2 billion yen and extraordinary loss of 35.5 billion yen in the Mineral Resources Business.

Key Factors Behind the Change from FY2023 to FY2024

Core and growth businesses recorded a 0.9 billion yen increase in ordinary income year-on-year. Reorganized and withdrawn businesses saw a significant profit recovery due to a rebound from the ordinary and extraordinary losses recorded in the previous fiscal year.



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Background of Business Revitalization

The Company’s financial position deteriorated significantly due to losses in structurally weak zinc smelting and the Mineral Resources Businesses. In FY2024, we secured funding and formed strategic partnerships, marking the beginning of our business revitalization.

Deterioration in Performance and Financial Position

(2024/3 Actual)

- Ordinary Loss: 10.7 billion yen
- Net Loss: 46.4 billion yen
- Equity Ratio: 35.3% to 2.5%

The Zinc Smelting and Mineral Resources Businesses, which are structurally high-cost and highly sensitive to market fluctuations, experienced a significant decline in profitability, resulting in substantial losses.

This led to conditions that raised substantial doubt about the Company's ability to continue as a going concern.

Financing and Strategic Partnerships

(Sponsors)

ADVANTAGE PARTNERS

C.S 辰巳商会 TATSUMI SHOKAI CO.,LTD.

HK HANWA

In December 2024, the Company announced capital investments from funds serviced by Advantage Partners and Tatsumi Shokai, along with a business alliance with Hanwa.

The business revitalization plan was disclosed under the support of these three partners.

Business Revitalization Initiatives

Core and Growth Businesses

Lead and Silver Smelting Business, Environmental Recycling Business, etc.

Reorganized and Withdrawn Businesses

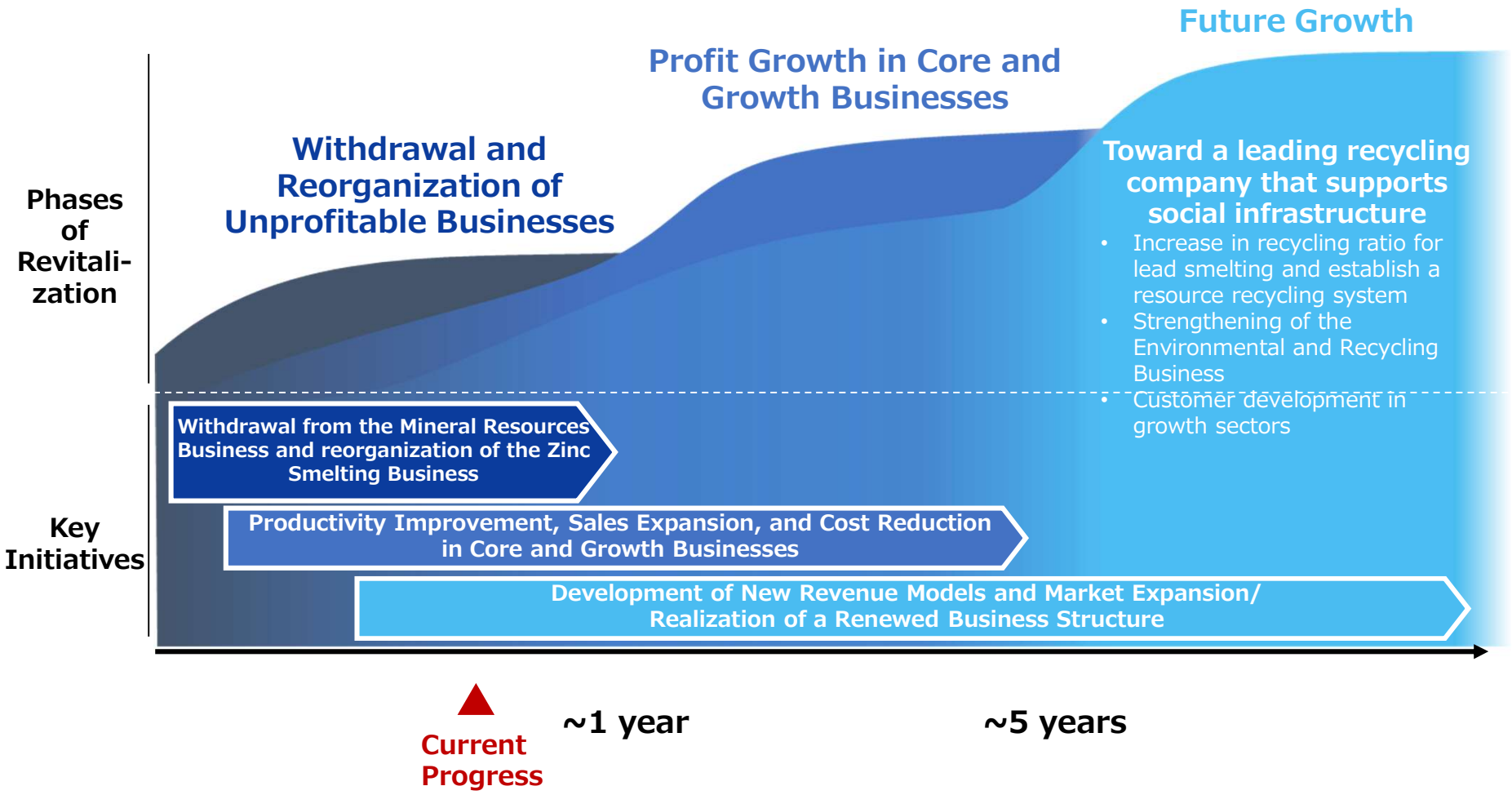
Zinc Smelting Business (reorganization), Mineral Resources Business (Withdrawal), etc.

The five-year period beginning in 2025 has been designated as the business revitalization phase.

During this period, we will restructure our management foundation by withdrawing from or reorganizing unprofitable businesses and strengthening our core and growth businesses.

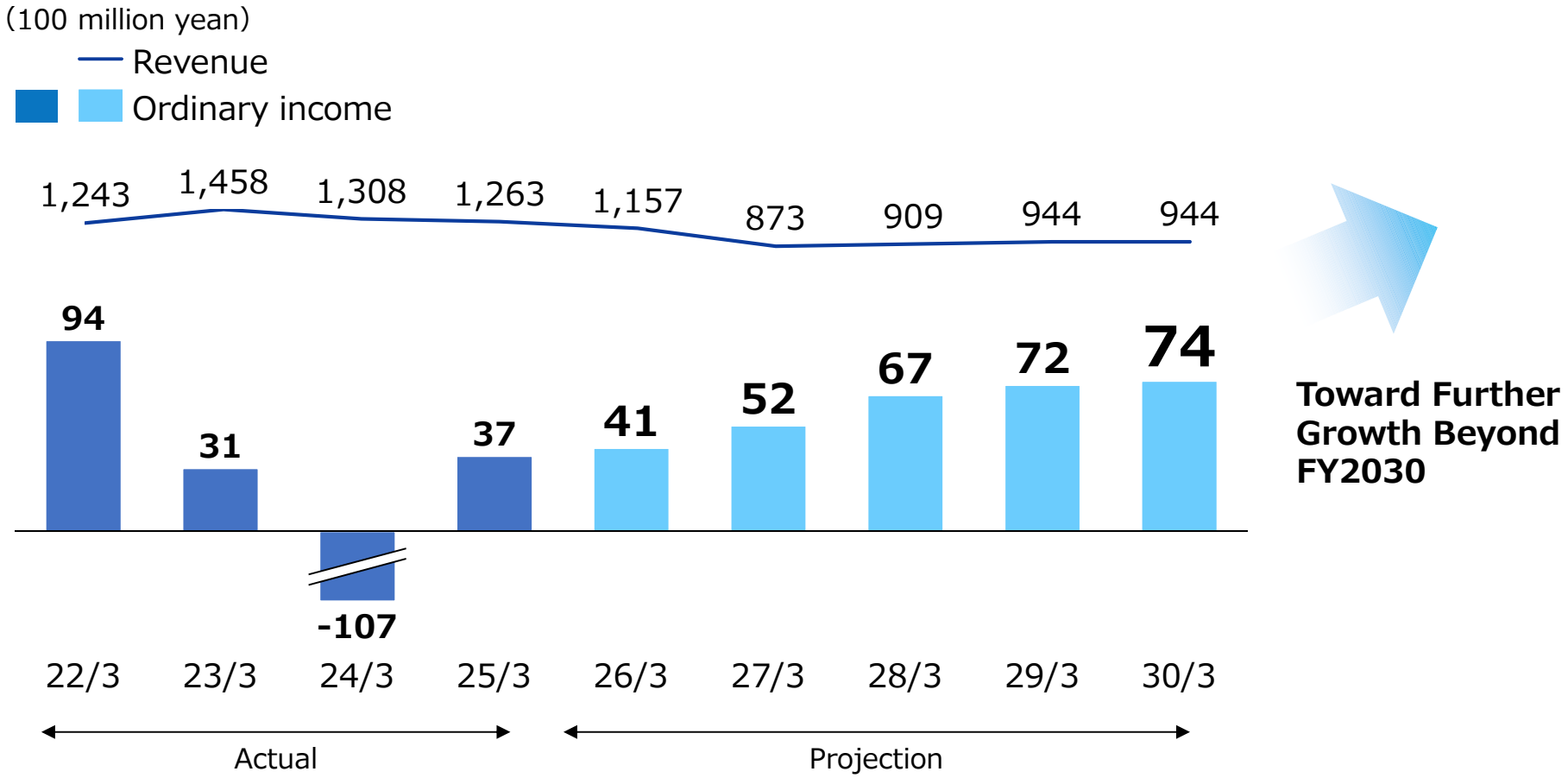
Overview of the Business Revitalization Plan

The withdrawal and reorganization of unprofitable businesses are expected to be completed within approximately one year and are currently progressing as planned. Over the course of five years, we aim to complete the rebuilding of our management foundation and become a leading recycling company that supports social infrastructure.



Financial Projections of the Business Revitalization Plan

By the end of the business revitalization period (FY2029), we aim to achieve 7.4 billion yen in ordinary income and to establish a foundation that enables sustained growth beyond FY2030.



Initiatives under the Business Revitalization Plan – Zinc Smelting

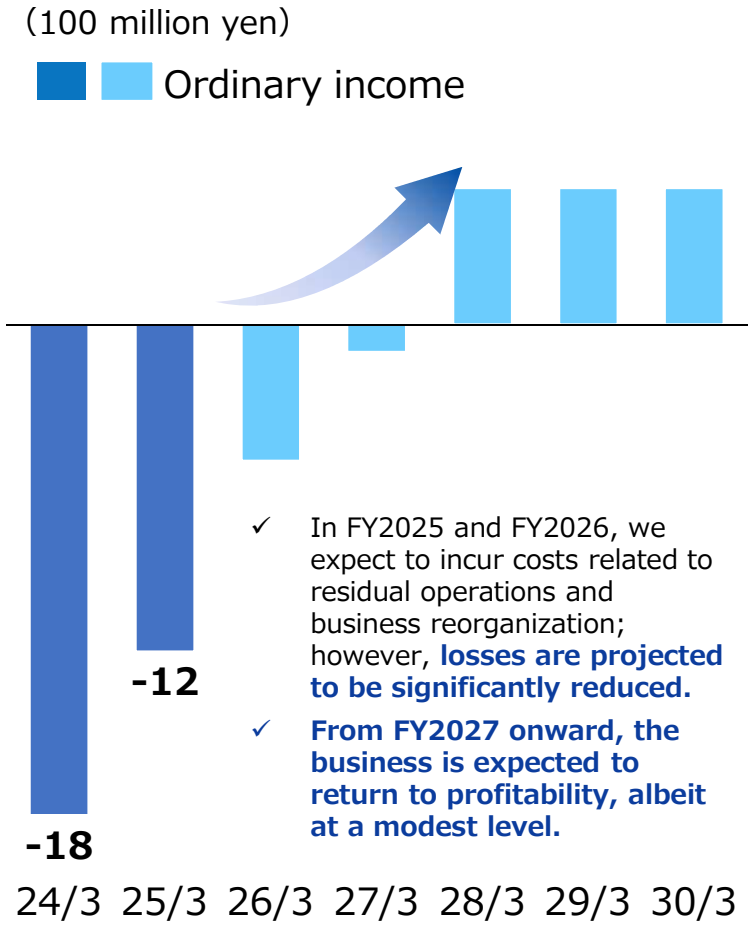
In FY2024, we completed the shutdown of facilities and the implementation of a voluntary early retirement program. By the end of FY2025, we plan to complete the withdrawal from our existing zinc smelting operations and reorganize the business into a metal recycling operation.

FY2024

- ✓ **Completed shutdown of major smelting facilities** (March 2025)
- ✓ **Conducted voluntary early retirement program and finalized labor-management agreement** (March 2025)

From FY2025 Onward

- ✓ Product shipments are scheduled during the first half of FY2025, **with completion of residual operations related to the decommissioned smelting facilities expected within the fiscal year.**
- ✓ **Personnel reassignments will be carried out** in coordination with the completion of these residual tasks.
- ✓ We are also formulating plans for new facility installations to support the reorganization into a metal recycling business.



- ✓ In FY2025 and FY2026, we expect to incur costs related to residual operations and business reorganization; however, **losses are projected to be significantly reduced.**
- ✓ **From FY2027 onward, the business is expected to return to profitability, albeit at a modest level.**

Initiatives under the Business Revitalization Plan – Mineral Resources

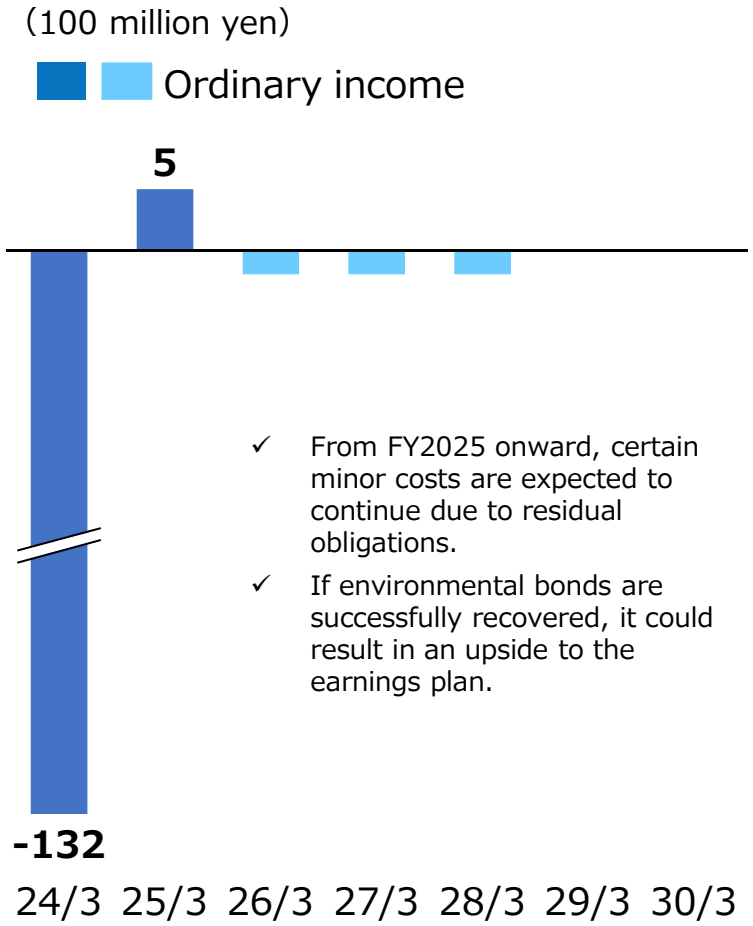
In FY2024, we completed the sale of our Australian mining assets. From FY2025 onward, while some minor costs are conservatively anticipated, the impact on overall performance is expected to be minimal.

FY2024

- ✓ **Completed the sale and related procedures of the three mines**: Abra, Rasp, and Endeavor

From FY2025 Onward

- ✓ For Endeavor, we are working toward the recovery of environmental bonds submitted to authorities, by July 2026.
- ✓ For Abra, at the creditors' meeting held in May 2025, the proposed rehabilitation plan was approved, and the Company's shares are expected to be transferred to the new shareholder within 60 days.

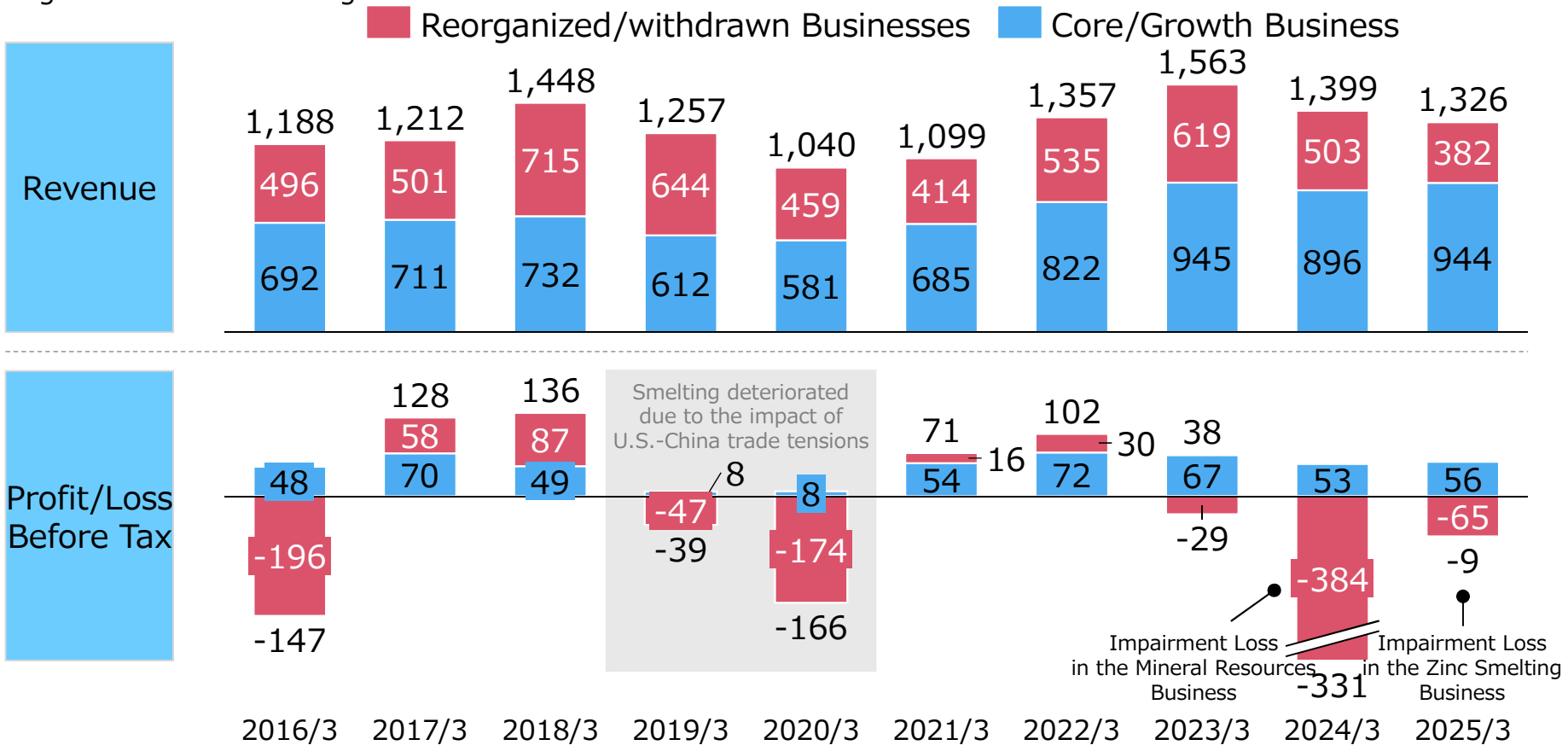


- ✓ From FY2025 onward, certain minor costs are expected to continue due to residual obligations.
- ✓ If environmental bonds are successfully recovered, it could result in an upside to the earnings plan.

Historical Performance (Reorganized/Withdrawn and Core/Growth)

Over the past decade, the reorganized and withdrawn businesses experienced significant earnings volatility and repeated losses. With the exit from these segments, we will now focus on our core and growth businesses, which offer a stable earnings base and room for future growth.

(100 million yen)
※ Figures Include Inter-Segment Transactions



Initiatives under the Business Revitalization Plan – Core and Growth

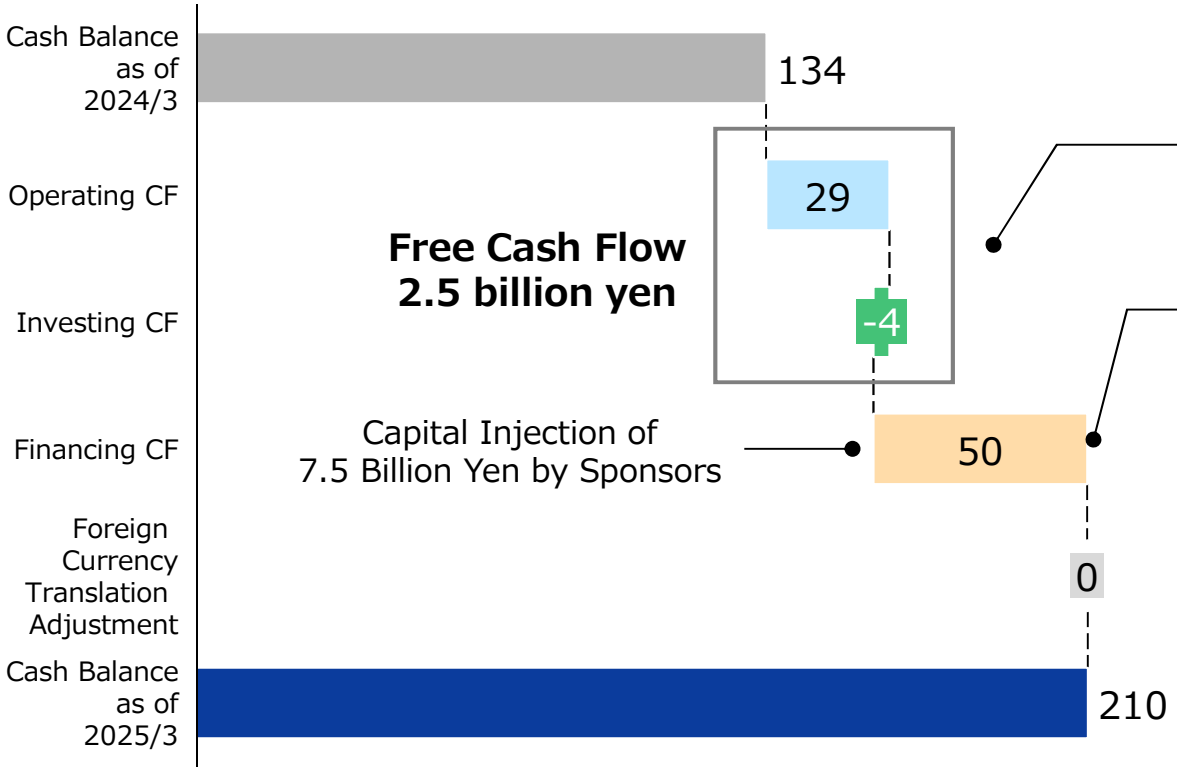
We are positioning the Lead and Silver Smelting Business at main core of our operations, aiming to increase production, improve recycling ratios, and enhance profitability. In addition, we are working to expand the Environmental Recycling Business and other businesses.

Business	Characteristics	Key initiatives
Lead and Silver Smelting	• **No. 1 share of the domestic market for lead smelting (40% of metal production),** which is expected to grow for industrial applications in addition to robust demand for lead-acid battery applications	• **Expand lead production** and improve profit. • **Increase the recovery and sales of precious metals such as gold and silver**, as well as rare metals like bismuth, which are contained in lead ore and recycled materials. • Enhance collaboration with lead battery users, manufacturers, and collection companies to raise the lead recycling ratio and **establish a closed-loop lead recycling system.**
Environ-mental Recycling	• **Collect industrial waste and manufacture zinc oxide**, used in tires, through a proprietary production process.	• **Expanding zinc oxide production** by strengthening the collection of dust. • Entering the lithium-ion battery recycling business as a new initiative.
Electronic Components and Advanced Materials	• Sendust Coils • Electrolytic iron used in aircraft, where we hold the No.1 global market share (80%)	• Expansion of Sales Channels and Applications for Existing Products • Development of New Products in Advanced Materials (Electrolytic Iron)

Cash Flow

In addition to generating 2.5 billion yen in free cash flow, the Company also completed a capital increase, resulting in a cash and cash equivalents balance of 21.0 billion yen at the end of FY2024. Cash flow generation from core and growth businesses has secured ample liquidity to support ongoing operations.

(100 million yen)



Future Outlook

(Free Cash Flow)

During the business revitalization period, we plan to generate several billion yen in free cash flow annually.

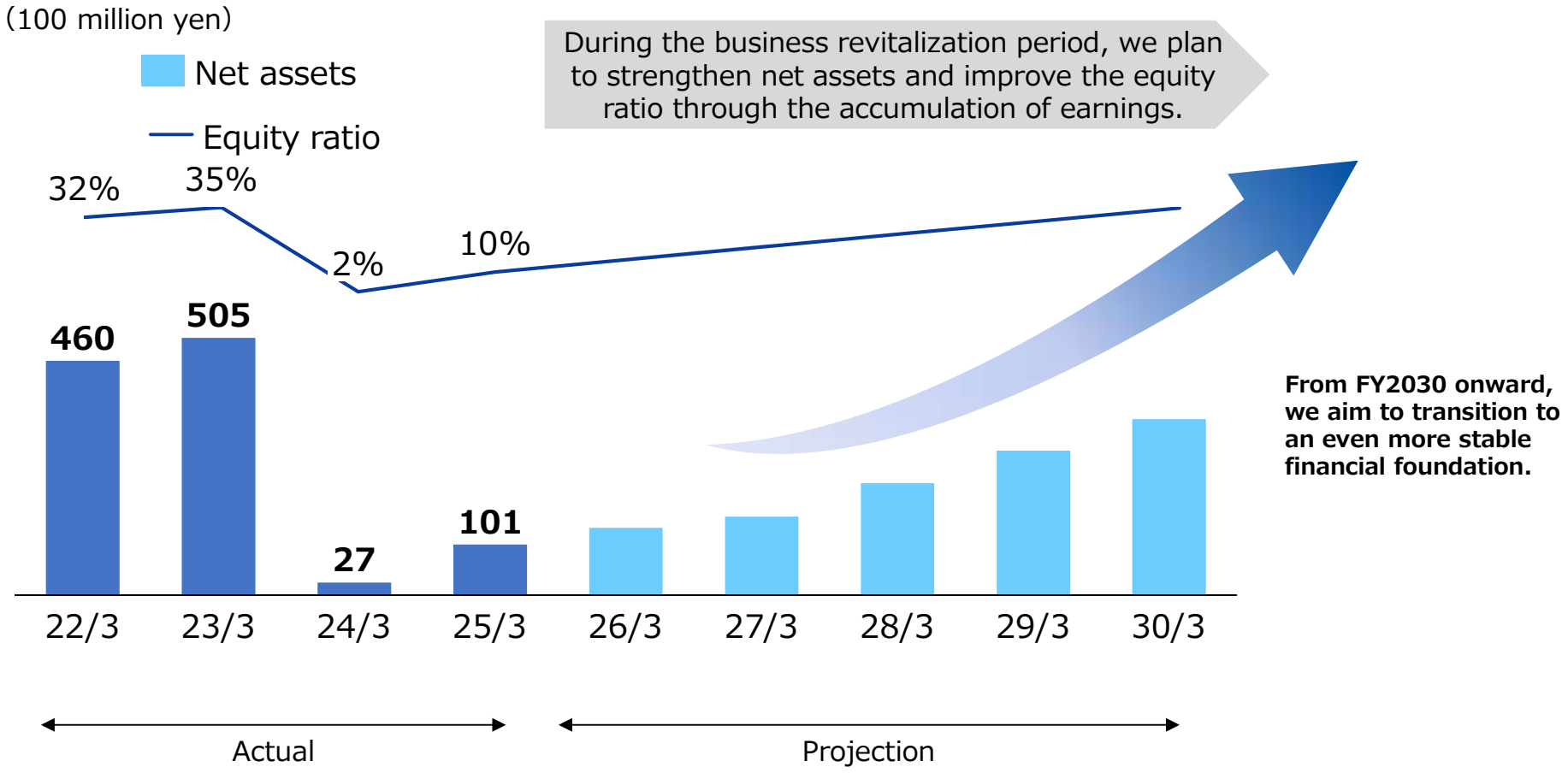
(Financing Cash Flow)

Under the inter-creditor agreement signed with 14 financial institutions on February 14, 2025, we have agreed to repay a total of 16.2 billion yen over a five-year period starting from the date of the third-party allotment of shares.

Sufficient Liquidity Secured Throughout the Business Revitalization Period

Balance Sheet

The equity ratio, which had fallen to the 2% range by the end of FY2023, recovered to around 10% following the capital increase. We expect further improvement through earnings accumulation during the business revitalization period. Going forward, we aim to rebuild a stable financial foundation, with a focus on normalizing financial transactions and resuming dividend payments.



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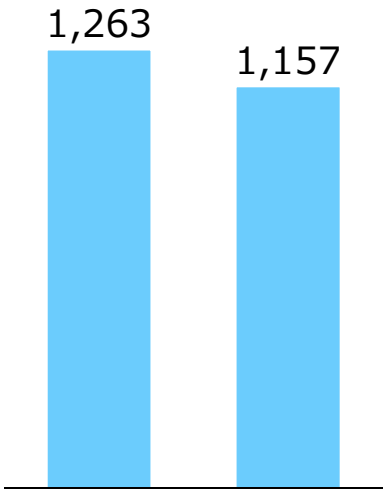
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FY2025 Earnings Forecast Outlook

Revenue is expected to decline slightly due to the reorganization of the Zinc Smelting Business. Net income, however, is projected to increase significantly, primarily due to the rebound from impairment losses recorded in FY2024.

(100 million yen)

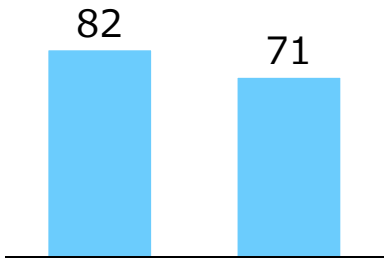
Revenue



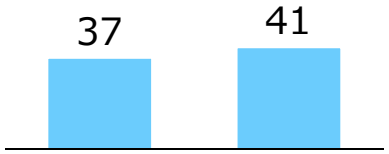
(YoY)

- Decrease of the Zinc Smelting Business: −24.3 billion yen
- Increase of the Lead and Silver Smelting Business: +18.0 billion yen

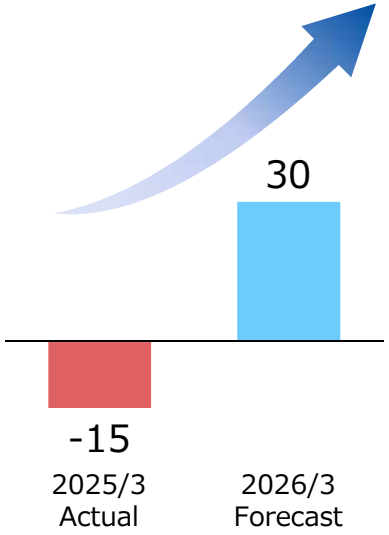
EBITDA



Ordinary income



Net income



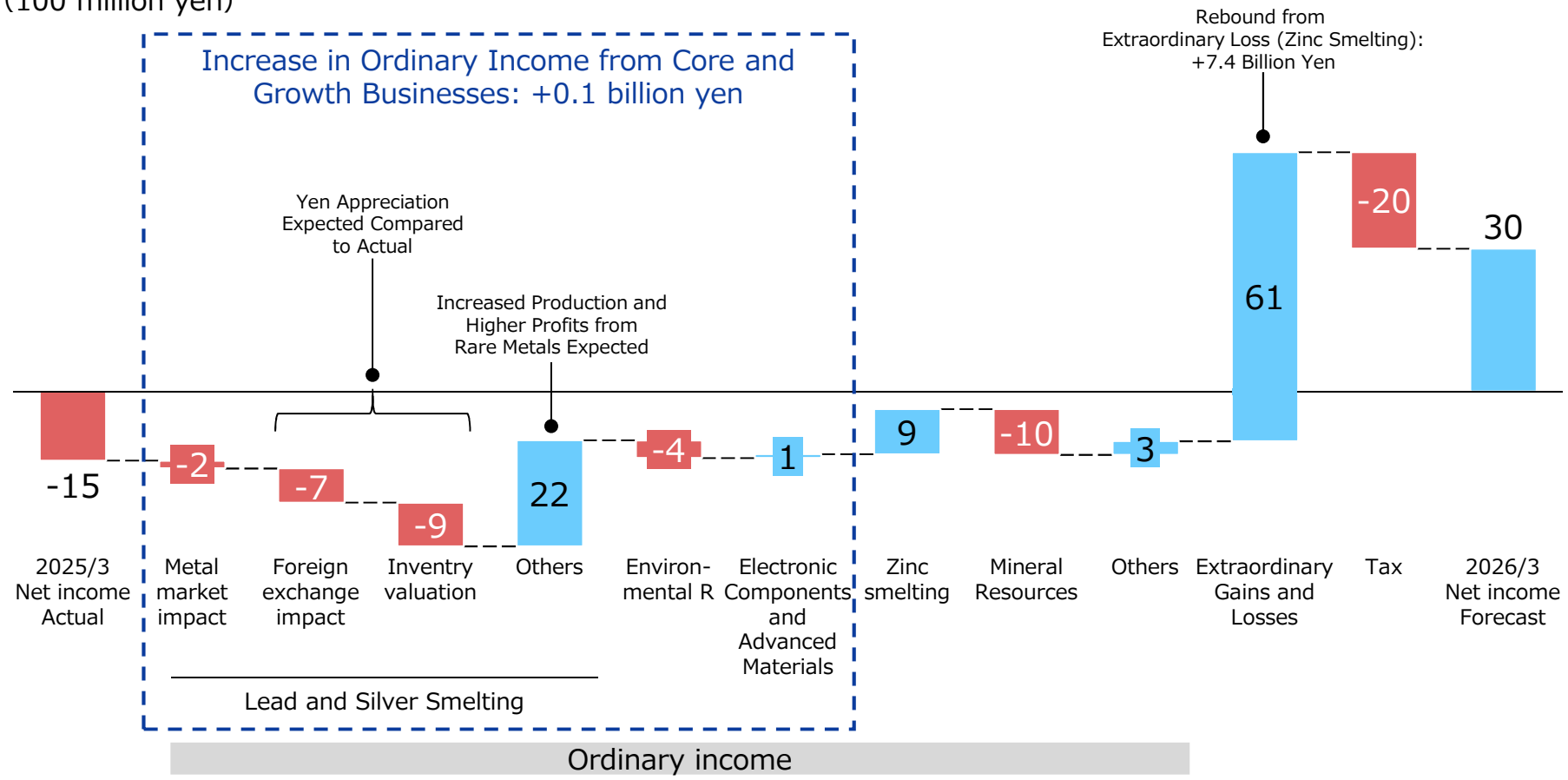
(YoY)

- Rebound from the 7.4 billion yen extraordinary loss related to zinc smelting

Key Factors Behind the Change from FY2024 to FY2025 (Forecast)

In core and growth businesses, while the outlook assumes a stronger yen, we expect increased production and higher profits from rare metals in the Lead and Silver Smelting Business. Net income is projected to improve significantly, mainly due to the rebound from the extraordinary loss related to zinc smelting recorded in FY2024.

(100 million yen)

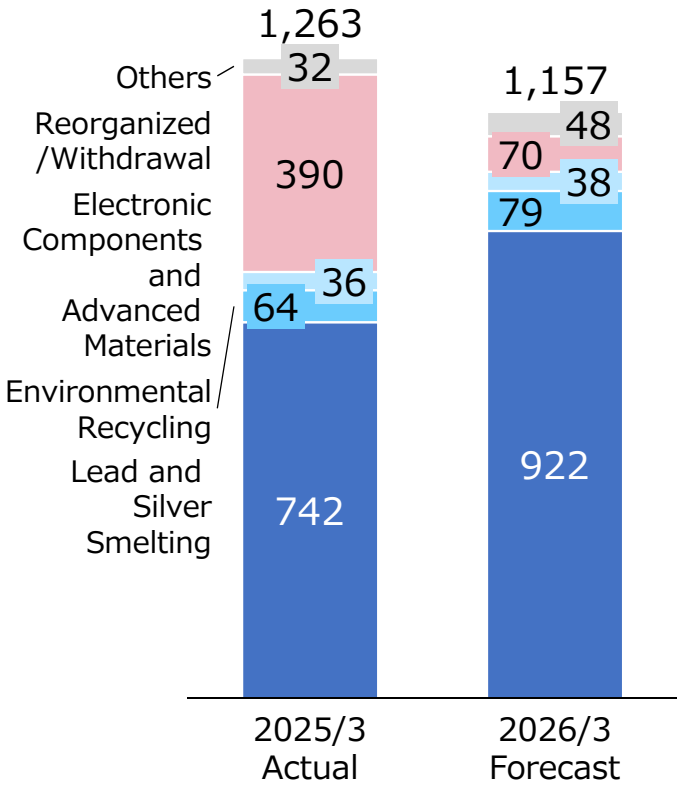


Segment-Based Earnings Outlook

While revenue is expected to decline slightly due to the effects of reorganization and business withdrawals, earnings from core and growth businesses—particularly lead and silver smelting—are projected to increase.

(100 million yen)

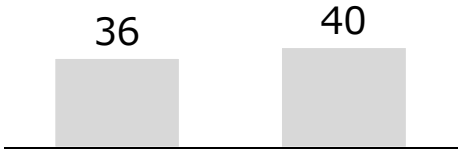
Revenue



Ordinary income

Lead and Silver Smelting

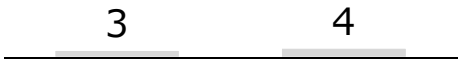
- In addition to increased production, higher profits are expected from rare metals such as gold and bismuth.



Environmental Recycling

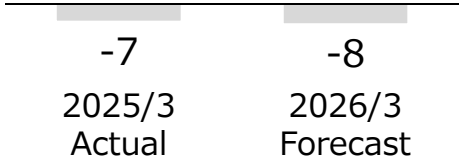


Electronic Components and Advanced Materials



Reorganized/Withdrawn

- Sales of zinc inventory are scheduled to conclude within FY2025



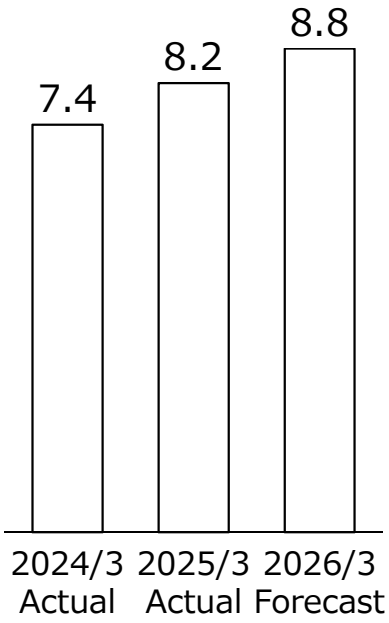
Trends in Production Volume and Resource Prices: Lead

Lead production is expected to reach 88,000 tons in FY2025 due to increased output. Resource prices are assumed to be almost flat, based on recent market trends.

Production

(10,000 tons)

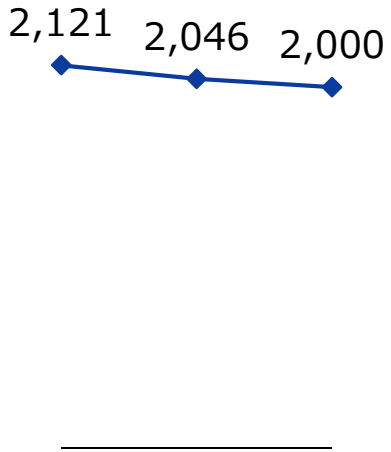
- Operational issues experienced in FY2023 have been resolved, and production is expected to increase.



Resource Prices (FY2023–FY2024: Average During the Period, FY2025: Assumed Rates)

LME Lead Price (USD-based)

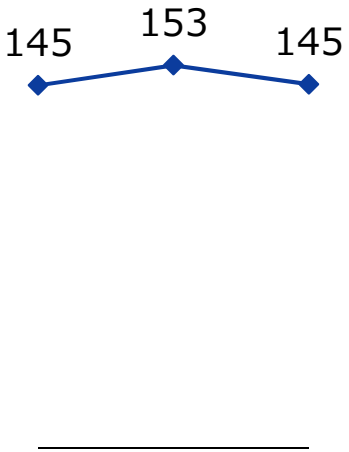
($/ton)



×

Exchange rate

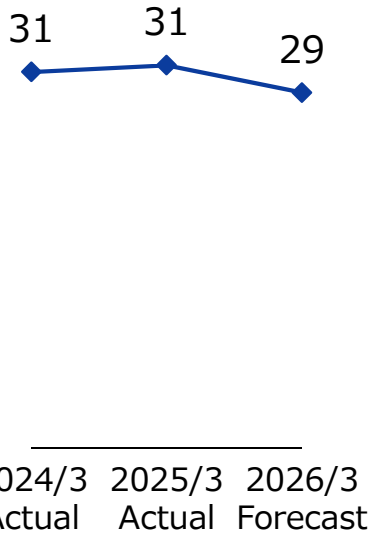
(yen/$)



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LME Lead Price (yen-based)

(10,000 yen/ton)

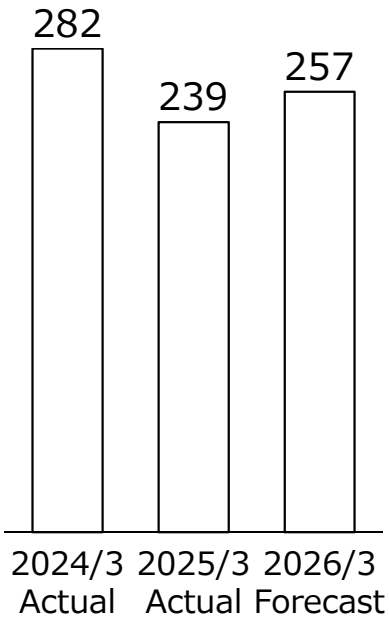


Trends in Production Volume and Resource Prices: Silver

Silver production is forecasted to reach 257 tons in FY2025. Based on recent market trends, the assumed resource price is set at $33 per ounce.

Production

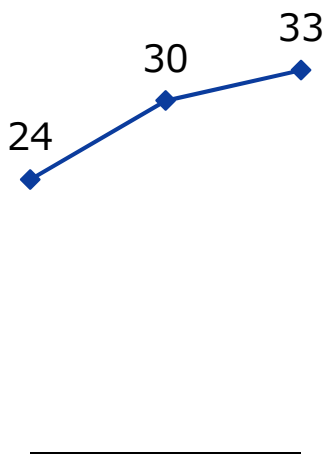
(ton)



Resource Prices (FY2023–FY2024: Average During the Period, FY2025: Assumed Rates)

LBMA Silver Price (USD-based)

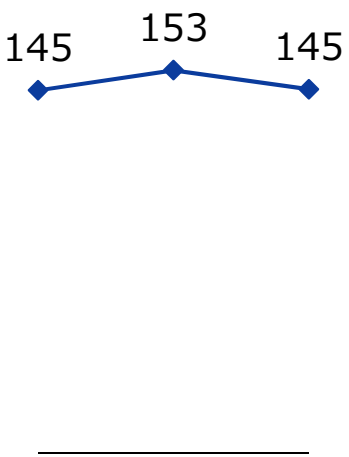
($/oz)



×

Exchange rate

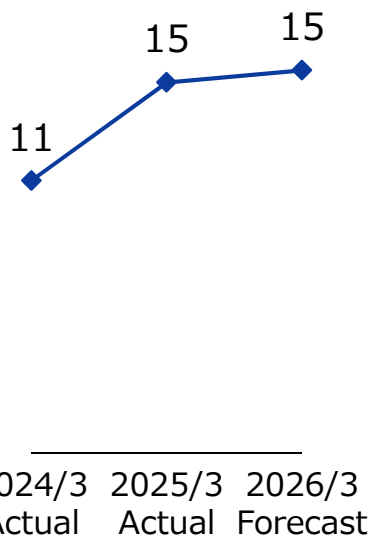
(yen/$)



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LBMA Silver Price (yen-based)

(10,000 yen/kg)



Impact of U.S. Tariffs on Business Performance

Regarding the reciprocal tariff policy under the U.S. Trump administration, we currently assess the direct impact on our transactions to be minimal However, we will continue to closely monitor the situation, including potential indirect effects through future demand, resource prices, and foreign exchange fluctuations.

	Direct Impact on Transactions	Indirect Impact Through Resource Prices and Foreign Exchange Rates
Smelting /Environmental R	• **The Lead and Silver Smelting Business, which accounts for the majority of our earnings, does not involve export transactions to the United States.** • Most of the products we sell are tradable on metal exchanges, allowing us to sell what we produce without restriction. • However, we do supply products domestically for use in automotive parts such as lead batteries and tires, so fluctuations in the volume of automobile exports could potentially impact our sales.	• **The profitability of our smelting business is highly sensitive to fluctuations in resource prices and foreign exchange rates.** • Following the announcement of U.S. reciprocal tariffs, both resource prices and exchange rates have experienced volatility. Our earnings forecasts are based on the disclosed assumptions for resource prices and exchange rates, as well as their respective sensitivities. • If movements in these factors begin to negatively impact our earnings, we will consider passing the cost increases on to selling prices.
Others	• In the Advanced Materials Business, a portion of sales is derived from exports to the United States, primarily to customers such as aircraft component manufacturers. As these are highly specialized, non-substitutable products, there has been no impact on transactions at this time.	—

Assumptions and Sensitivities for Exchange Rates and Resource Prices

The assumptions for market conditions and exchange rates, as well as their projected impact on earnings for the FY2024 actual results and FY2025 forecast, are as follows.

	2025/3 Actual	2026/3 Forecast	Sensitivities
Lead	**2,046** $/ton	**2,000** $/ton	For every $100/ton increase, ordinary income is expected to increase by 160 million yen.
Silver	**30** $/oz	**33** $/oz	For every $1/ounce increase, ordinary income is expected to increase by 50 million yen.
yen/$	**153** yen/$	**145** yen/$	For every 1 yen depreciation against the U.S. dollar, ordinary income is expected to increase by 80 million yen.

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Appendix

Comparison Between Q4 Earnings Forecast (Announced on Feb 14, 2025) and Q4 Actual Results (Announced on May 15, 2025)

		Q4 Forecast (2025/2/14)	Q4 Actual (2025/5/15)	Difference	Difference (%)
Market					
Zinc	US$/t	2,750	2,838	88	3%
Lead	US$/t	1,900	1,970	70	4%
Silver	US$/oz	30.0	31.9	1.9	6%
yen/US$		154.0	152.6	(1.4)	(1%)
US$/A$		0.653	0.653	-	-
Production Volume of Key Products in the Smelting Business					
Zinc products	1,000 t	15.9	15.1	(0.8)	(5%)
Lead products	1,000 t	14.6	14.3	(0.3)	(2%)
Electrolytic Silver	t	57	60	3	4%
Mineral Resources – CBH's Rasp Mine (October–December)					
Ore Processing Volume	t	20	20	-	-
Zinc Concentrate Production Volume	1,000 dmt	1.7	1.7	-	-
Lead Concentrate Production Volume	1,000 dmt	0.7	0.7	-	-
Profit and Loss					
Revenue	100 million yen	297	290	(7)	
Operating Income	100 million yen	(6.8)	(2.5)	4.3	
EBITDA	100 million yen	(1.4)	1.3	2.7	
Ordinary income	100 million yen	(11.0)	(6.1)	4.9	
Smelting	100 million yen	(4.1)	(4.8)	(0.7)	
Inventory valuation	100 million yen	(3.1)	(3.9)	(0.8)	
Others					
Zinc	100 million yen	(6.0)	(5.2)	0.8	
Lead	100 million yen	5.0	4.3	(0.7)	
Environmental recycling	100 million yen	2.1	4.8	2.7	
Electronic Components and Advanced Materials	100 million yen	(3.3)	0.5	3.8	
Mineral Resources	100 million yen	(2.6)	(3.0)	(0.4)	
Equity Method Income/Loss from Abra Mine (40% Share)	100 million yen	0.0	0.0	0.0	
Others	100 million yen	(2.6)	(3.0)	(0.4)	
Others	100 million yen	2.5	2.2	(0.3)	
Adjustment	100 million yen	(5.5)	(5.7)	(0.2)	
Net income/loss	100 million yen	(19.8)	(4.4)	15.4	

Quarterly Trends

		Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	FY2024 (2025/3)
Market						
Zinc	US$/t	2,833	2,779	3,048	2,838	2,874
Lead	US$/t	2,166	2,041	2,006	1,970	2,046
Silver	US$/oz	28.9	29.4	31.3	31.9	30.4
yen/US$		155.9	149.4	152.4	152.6	152.6
US$/A$		0.657	0.659	0.669	0.653	0.660
Production Volume of Key Products in the Smelting Business						
Zinc products	1,000 t	18.9	11.8	11.3	15.1	57.2
Lead products	1,000 t	22.8	20.1	21.1	14.3	78.3
Electrolytic Silver	t	53	64	63	60	239
Mineral Resources – CBH's Rasp Mine (January–December)						
Ore Processing Volume	t	105	109	106	20	339
Zinc Concentrate Production Volume	1,000 dmt	7.9	9.0	8.5	1.7	27.1
Lead Concentrate Production Volume	1,000 dmt	3.9	3.6	3.0	0.7	11.2
Profit and Loss						
Revenue	100 million yen	349	286	338	290	1,263
Operating Income	100 million yen	35.4	(1.6)	24.9	(2.5)	56.3
EBITDA	100 million yen	42.3	5.8	32.4	1.3	81.7
Ordinary income	100 million yen	33.1	(5.8)	15.6	(6.1)	36.9
Smelting	100 million yen	28.9	(16.5)	15.7	(4.8)	23.3
Inventory valuation	100 million yen	9.6	(12.7)	14.7	(3.9)	7.7
Others						
Zinc	100 million yen	5.2	(6.2)	(6.1)	(5.2)	(12.3)
Lead	100 million yen	14.1	2.4	7.1	4.3	27.9
Environmental recycling	100 million yen	4.6	3.9	3.4	4.8	16.7
Electronic Components and Advanced Materials	100 million yen	1.8	1.5	1.0	0.5	4.8
Mineral Resources	100 million yen	(0.2)	7.0	0.8	(3.0)	4.6
Equity Method Income/Loss from Abra Mine (40% Share)	100 million yen	0.0	0.0	0.0	0.0	0.0
Others	100 million yen	(0.2)	7.0	0.8	(3.0)	4.6
Others	100 million yen	0.7	0.3	1.5	2.2	4.7
Adjustment	100 million yen	(2.7)	(1.9)	(6.9)	(5.7)	(17.2)
Net income/loss	100 million yen	26.2	15.9	(52.3)	(4.4)	(14.6)

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TOHO ZINC CO., LTD.