Investments to Strengthen Competitiveness for the Acceleration of the Business Revitalization Plan

February 27, 2026

東邦亜鉛株式会社
TOHO ZINC CO., LTD.

Overview of Investments to Strengthen Competitiveness for the Acceleration of the Business Revitalization Plan

- In December 2024, the Company announced its Business Revitalization Plan, which centered on withdrawing from the Mineral Resources Business, reorganizing the Zinc Smelting Business, and strengthening the profitability of the lead and silver smelting business. We are currently in the execution phase of the Business Revitalization Plan. **Stabilization of our business foundation in the revitalization phase has been progressing steadily. As the next step, we will execute investments to further strengthen our competitiveness.** Although the silver market is currently at a high level, we believe these investments will allow us to capitalize on the opportunity presented by higher silver prices and will serve as competitiveness-enhancing investments to strengthen the resilience and overall competitiveness of our business structure.
- Specifically, we will **improve the recovery of precious metals (primarily silver) and rare metals, while strengthening our ability to process refractory raw materials, thereby diversifying revenue streams and increasing added value.** In addition, we will **implement process upgrades and digital transformation (DX) investments** at our core plants to enhance production stability and improve yields.
- We will undertake financing to **secure the investment capital** required to strengthen our competitiveness and **to enhance our financial foundation, ensuring stable earnings even in a highly volatile business environment**.
- Prior to the business revitalization period, the Company prioritized investments in the Mineral Resources Business and offsetting losses in the Zinc Smelting Business. As a result, investments to strengthen competitiveness in the Smelting and Refining Business were insufficient. **Through these investments, we aim to accelerate the transformation of our business structure with the Smelting and Refining Business at its core, ultimately enhancing medium- to long-term corporate value and shareholder value.**

Breakdown of Investments to Strengthen Competitiveness for the Acceleration of the Business Revitalization Plan

While stabilizing the business foundation in the revitalization phase, we plan to make investments to strengthen competitiveness through the following three investment themes.

№	Use of proceeds	Amount (million yen)	Scheduled expenditure period
❶	**Investment in plant DX, focused on lead and silver Smelting and Refining Business**	**1,756**	**April 2026 ~ March 2029**
❷	**Investment to expand the range of recoverable elements, enhance purity, and process refractory complex ores**	**3,050**	**April 2026 ~ March 2029**
❸	**Investment in strengthening the organizational structure for streamlining processes in response to the increased processing of waste batteries and crude lead**	**1,250**	**September 2026 ~ March 2028**
	Total	**6,056**	

Details of Investments to Strengthen Competitiveness for the Acceleration of the Business Revitalization Plan (1/3)

We will implement digital transformation (DX) investments at our core plants to enhance production stability and improve yields.

❶ Investment in plant DX, focused on lead and silver Smelting and Refining Business

Current status /Issues	• **Need to move away from legacy systems** that hinder operational productivity improvements • **Promoting initiatives to improve operational productivity** by implementing a state-of-the art core system
Strengthening investment	• **Stepping further, we will enhance DX investment at our core plants in the Smelting and Refining Business**. Specifically, **we will enable real-time acquisition of operating information to realize data-driven operations, thereby further improving productivity.** ➢ **MES**[*1]**:** Integrates operation and production data to connect the shop floor and management. ➢ **SCADA**[*2]**:** Monitors equipment status in real time to enhance operational visibility. ➢ **PLC**[*3] **/Sensors:** Collect equipment data and build the foundation for stable operations. ➢ **On-site Network / IT devices:** Develops a communications infrastructure to securely link and share OT data.

Investment amount	**1,756 million yen**	**Investment period**	**April 2026 ~ March 2029**

*1: MES (Manufacturing Execution System) A manufacturing execution system for visualizing and managing manufacturing operations on the shop floor.
*2: SCADA (Supervisory Control And Data Acquisition) A system for supervisory control and data collection, monitoring and controlling equipment conditions.
*3: PLC (Programmable Logic Controller) A programmable logic controller that automatically controls equipment operation.

Details of Investments to Strengthen Competitiveness for the Acceleration of the Business Revitalization Plan (2/3)

We will enhance recovery rates for precious metals and rare metals and strengthen our ability to process refractory raw materials, thereby diversifying revenue streams and increasing added value.

❷ Investment to expand the range of recoverable elements, enhance purity, and process refractory complex ores

Current status /Issues	• **Regarding hydrometallurgy** excluding electrolysis, **insufficient investment and R&D in both facilities and smelting and refining processes** have limited our ability to selectively recover elements. • As a result, **we were forced to sell copper, gold, silver and other metals** whose prices have been rising recently **at discounted prices reflecting impurities,** and **the loss of potential profits had become an issue.**
Strengthening investment	• By **strengthening R&D in hydrometallurgical processes** such as solvent extraction **and capital investment in equipment including crushers and autoclaves**, **we aim to recover valuable metals at high purity and achieve profit growth**. • **Hydrometallurgical facilities can also be used to remove hazardous elements such as arsenic, cadmium, and mercury, enabling increased processing of refractory complex ores containing such elements.**

Investment amount	**3,050 million yen**	**Investment period**	**April 2026 ~ March 2029**

Details of Investments to Strengthen Competitiveness for the Acceleration of the Business Revitalization Plan (3/3)

We will upgrade processes at our core plants to achieve stable production, increase the ratio of recycled raw materials, and reduce costs.

❸ Investment in strengthening the organizational structure for streamlining processes in response to the increased processing of waste batteries and crude lead

Current status /Issues	• To address the deterioration in concentrate TC terms and increase **the recycled raw material ratio**, **we are promoting, as a key theme, higher lead production using lead derived from waste batteries and crude lead.** • However, competition to secure waste batteries and crude lead is intensifying not only in Japan but also globally. With **concerns over rising procurement costs,** addressing this has become an urgent priority.
Strengthening investment	• **Strengthening processes at our plants** through the expansion of disassembly lines and the installation of new equipment to strengthen desulfurization for **reducing costs** and ensure increased production **through expanded equipment capacity.** • **Strengthening sales and procurement capabilities by increasing headcount for collection and sales personnel.**

Investment amount	**1,250 million yen**	**Investment period**	**September 2026 ~ March 2028**

Overview of this Financing

We plan to raise expected proceeds of approximately about 6 billion yen through the issuance of stock acquisition rights with an exercise price that is adjusted in line with the share price.

Items	Details
Issuing company	Toho Zinc Co., Ltd.
Allottee (Investor)	Apricus Partners
Financing type	Moving-strike stock acquisition rights (MS warrant)
Number of potential shares	3,500,000 shares (Dilution of 11.2% based on the voting rights)
Estimated amount procured	around 6 billion yen
Date of issuance	March 16, 2026
Exercise period	March 17, 2026 to March 17, 2028 (24 months)
Initial exercise price	100% of the closing price on the trading day immediately preceding the issue date
Amendment of exercise price	A 10% discount to the closing price on the previous trading day
Minimum exercise price	55% of the initial exercise price
Suspension clause	The Company may suspend the allottee’s exercise of MS Warrants by providing written notice to the allottee at least three trading days in advance.

Schedule Going Forward

The schedule from today onward is expected to be as follows. The allotment and payment for the stock acquisition rights are expected to be completed on March 16.

Item	Details
Friday, February 27 (Today)	• **Resolution at the meeting of the Board of Directors** • **Timely disclosure (press release)** • **Filing of the Securities Registration Statement**
Sunday, March 15	• **Effective date of the Securities Registration Statement**
Monday, March 16	• **Allotment / Payment Date**
Tuesday, March 17	• **Exercise Commencement Date**

Main Q&A (1/2)

№	Main questions	Answers
1	Reason for selecting the scheme	Regarding our financing, the Company has considered financing methods available through direct financing, taking into account the current status and outlook for funding through indirect financing, the Company's financial condition, and its future business development. The Company also considered the impact on shareholders as dilution will occur gradually, and selected this scheme because it enables flexible and timely financing.
2	Main advantage	■Flexibility in capital policy (Acquisition clause) The stock acquisition rights are designed to be acquirable, in whole or in part, at an amount equivalent to their issuance price. This allows us to prevent further dilution and ensure flexibility in our capital policy by acquiring the stock acquisition rights in scenarios such as a decrease in funding needs or a change in our capital strategy. ■Ability to mitigate share price impact (Suspension Periods) The Company may establish a suspension period by providing written notice to the allottee at least three trading days prior to the first day of such period. This enables us to manage the impact on our share price at our discretion, such as by setting a suspension period when a continuous upward trend in the share price is anticipated.
3	Main disadvantage	■Possibility for financing to fall significantly short of initial estimates If the share price remains below the minimum exercise price for a prolonged period, the warrants may not be exercised, which could result in the total amount raised being significantly lower than initially estimated. Furthermore, if the share price remains below the initial exercise price, the total funds raised may also fall below the original projections.

Main Q&A (2/2)

№	Main questions	Answers
4	Dilution	The issuance of 3.5 million new shares under this transaction represents a dilution rate of 11.2% based on the voting rights.
5	Reason for selecting the allotment recipients	After evaluating proposals from multiple firms, we selected the allottee because it offered greater flexibility in financing and enabled phased funding with a high degree of certainty. This aligns with the Company's need to raise the necessary funds promptly while mitigating dilution and giving due consideration to existing shareholders, with the aim of enhancing medium- to long-term corporate value. Furthermore, in making our decision, we took into account the allottee's team of experienced capital market professionals and its proven track record in financing transactions for listed companies.
6	Stock lending	In connection with the issuance of these Warrants, multiple shareholders will lend a portion of the Company's common shares held by them to the allottee.

APPENDIX

Financing from Financial Institutions: Establishment of Additional Credit Lines

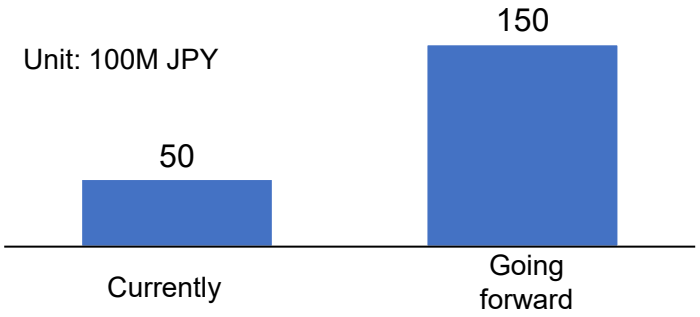
To manage increasing working capital requirements, we have established additional credit lines totaling 10 billion yen from financial institutions.

Working capital

- **Expansion of working capital due to** the recent **surge in silver prices**
  →Need to take measures for fresh fund procurement

At the same time, the rising market has a positive impact on P&L.
*Sensitivity = For every $1/ounce increase, ordinary income is expected to increase by 50 million yen per year.

- **Arranged for additional credit line[*1] with financial institutions** on January 30th



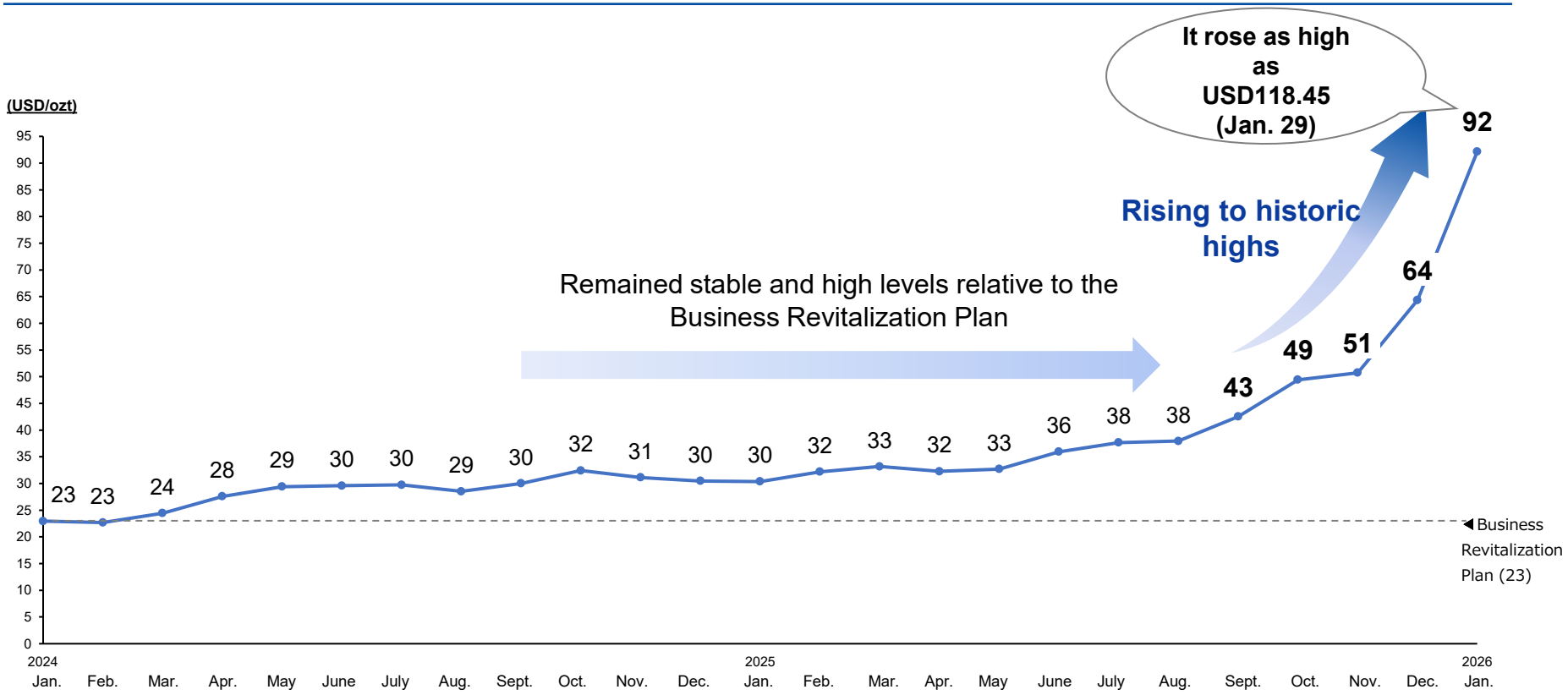
Secure funding for stable business operations

Note 1: Funding facilities under commitment line agreements and overdraft agreements

Background: Silver Price Trend (~January 2026)

Silver prices have remained stable and at a higher level than assumed in the Business Revitalization Plan, supporting our business performance. Under these circumstances, silver prices have surged to historically high levels since around Q3.

Trend of silver LBMA market price (monthly average)



PL Impact: Market price and FX Assumption and Sensitivities

Regarding market conditions and exchange rates, we now have revised the assumptions underlying our forecast for the fiscal year FY2025 based on recent trends. The sensitivity of our profitability to these factors is as follows:

	FY2025 Forecast (revised)	FY2025 forecast (Before revision)	Sensitivities
Lead LME	**2,000** USD/ton	2,000 USD/ton	For every $100/ton increase, ordinary income is expected to increase by 30 million JPY.
Silver LBMA	**64 USD**/Oz[1)]	42 USD/Oz	For every $1/oz increase, ordinary income is expected to increase by 50 million yen.
USD/ JPY FX	**156** USD/JPY	150 USD/JPY	For every 1 yen depreciation against the U.S. dollar, ordinary income is expected to increase by 110 million JPY

Note 1: Based on the average silver price for December 2025.

Balance Sheet Impact of Rising Material Prices

Prices of precious metals led by silver have been rising in FY2025. This has boosted the market value of our inventory, but this unrealized gain has not been reflected on the balance sheet. While net assets are initially affected by deferred losses on hedges, they are expected to recover as the losses are offset by realization of unrealized gains when the products are sold.



Unrealized gain on inventory

- During periods of rising market prices, **valuation gains on inventory (unrealized gains) are not recognized for accounting purposes.**
- **The Company holds substantial inventories containing unrealized gains, including lead-, silver-, and gold-related inventories.**

Impact on net assets

- During periods of rising market prices, **only hedge losses (deferred hedge gains or losses) are recognized ahead of valuation gains on inventory**, which would otherwise offset them, **resulting in a decline in net assets.**
- **When the products are sold, the realization of inventory valuation gains and hedge losses will offset each other, and net assets are expected to recover.**

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