Mitsui Kinzoku (5706)

Raise PO; capacity expansion and price in copper foil to be near-term focus

Reiterate Rating: BUY | PO: 60,500 JPY | Price: 53,840 JPY

01 June 2026

Equity

Raise PO from ¥56,000 to ¥60,500; reiterate Buy

We have raised our earnings forecasts amid small upward revisions to outlook for copper foil, catalysts, and functional powders (for MLCC). In addition, we have modestly raised the valuation multiple underpinning the price objective (PO) to reflect improved medium-term growth prospects, resulting in a higher PO. We now assume a FY3/28 P/E multiple of 35x (was 34x) on our EPS estimate. The rationale for our Buy investment opinion rests largely our expectation for earnings to exceed consensus, driven by strong growth in MicroThin copper foil, VSP foil, and FaradFlex benefiting from AI server demand.

Revise earnings: modest increases for copper foil, catalysts, and functional powders

Reflecting the impact of periodic maintenance in the metals business, we revise recurring profit forecasts for FY3/27 to ¥118bn (from ¥122bn; consensus ¥116.1bn) and for FY3/28 to ¥141bn (from ¥137bn; consensus ¥132.8bn). We expect 1Q recurring profit of ¥26.2bn, broadly in line with consensus of ¥27.5bn. While we anticipate the company's 1H recurring profit guidance of ¥50bn to be raised to around ¥55bn at the results announcement, we do not expect a positive surprise.

Catalysts: Copper foil capacity expansion & price revisions

Key focuses for FY3/27 are growth in HVLP5 copper foil, margin improvement in VSP foil via price revisions, and capacity expansion for copper foil (VSP foil and MicroThin copper foil). At the briefing, management indicated a proactive stance on capacity expansion. However, given the notable capital required for upstream copper foil capacity expansion, price revisions to offset this investment burden will also be a key focus.

Estimates (¥)	3/25A	3/26A	3/27E	3/28E	3/29E
	Other GAAP	Other GAAP	Other GAAP	Other GAAP	Other GAAP
EPS	1,130.94	1,595.45	1,555.89	1,730.71	1,975.45
EPS Change (YoY)	148.7%	41.1%	-2.5%	11.2%	14.1%
Consensus EPS (Visible Alpha)			1,746.02	2,029.56	2,350.11
Dividend / Share	180	245	305	355	415
BPS	5,798.8	7,203.4	8,647.0	10,128.0	11,814.9
Valuation					
P/E	47.6x	33.7x	34.6x	31.1x	27.3x
Dividend Yield*	0.3%	0.5%	0.6%	0.7%	0.8%
P/B	9.3x	7.5x	6.2x	5.3x	4.6x
EV/ EBITDA*	29.1x	19.6x	21.7x	18.5x	16.4x
Free Cash Flow Yield*	1.4%	1.6%	1.7%	2.7%	2.0%

* For full definitions of *iQmethod*SM measures, see page 30.

Key Changes

(¥)	Previous	Current
Price Obj.	56,000	60,500
2027E Rev (m)	809,700	873,600
2028E Rev (m)	776,300	842,100
2029E Rev (m)	811,000	879,900
2027E EPS	1,504.14	1,555.89
2028E EPS	1,696.54	1,730.71
2029E EPS	1,958.89	1,975.45
2027E EBITDA (m)	151,000	145,000
2028E EBITDA (m)	167,000	170,000
2029E EBITDA (m)	191,000	192,000
2027E DPS	300.00	305.00

Takashi Enomoto >>
Research Analyst
BofAS Japan
+81 3 6225 8362
takashi.enomoto@bofa.com

Yuri Tanaka >>
Research Analyst
BofAS Japan
+81 3 6225 8892
yuri.tanaka@bofa.com

Stock Data

Price	53,840 JPY
Price Objective	60,500 JPY
Date Established	1-Jun-2026
Investment Opinion	C-1-7
52-Week Range	4,603-57,700 JPY
Market Value (mn)	3,077,004 JPY
Market Value ($mn)	19,329 USD
Shares Outstanding (mn)	57.2
Average Daily Value ($mn)	782.5 USD
Free Float	67.5%
BofA Ticker / Exchange	XZJCF / TYO
Bloomberg / Reuters	5706 JP / 5706.T
ROE (2027E)	19.6%
Net Dbt to Eqty (Mar-2026A)	13.3%

AI: Artificial Intelligence

VSP: Very Smooth Profile

HVLP: Hyper Very Low Profile

MLCC: Multi-layer Ceramic Capacitor

Refer to important disclosures on page 32 to 34. Analyst Certification on page 29. Price Objective Basis/Risk on page 29.
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*iQprofile*SM Mitsui Kinzoku (5706)

Key Income Statement Data	3/25A	3/26A	3/27E	3/28E	3/29E
(¥ Millions)	Other GAAP	Other GAAP	Other GAAP	Other GAAP	Other GAAP
Sales	**712,344**	**758,532**	**873,600**	**842,100**	**879,900**
% Change	10.2%	6.5%	15.2%	-3.6%	4.5%
Gross Profit	150,238	202,647	187,000	212,000	233,000
EBITDA	107,934	160,674	145,000	170,000	192,000
Operating Profit	**74,743**	**130,912**	**112,000**	**134,000**	**152,000**
% Change	135.8%	75.1%	-14.4%	19.6%	13.4%
Net Interest & Other Income	(2,950)	(1,548)	(1,000)	(1,000)	(1,000)
Pretax Income (ex extraords.)	**76,410**	**136,736**	**118,000**	**141,000**	**160,000**
% Change	71.7%	79.0%	-13.7%	19.5%	13.5%
Net Income	**64,662**	**91,263**	**89,000**	**99,000**	**113,000**
Key Cash Flow Statement Data					
Net Income from Cont Operations (GAAP)	60,305	110,525	85,000	104,000	118,000
Depreciation & Amortization	33,191	29,762	33,000	36,000	40,000
Change in Working Capital	(16,479)	(51,965)	(17,773)	13,466	(9,959)
Capital Expenditure	(33,113)	(37,960)	(56,000)	(65,000)	(80,000)
Free Cash Flow*	**43,584**	**49,581**	**50,985**	**81,966**	**62,041**
Share Issue / (Repurchase)	NA	NA	NA	NA	NA
Cost of Dividends Paid	(9,147)	(10,867)	(14,015)	(17,447)	(20,307)
Key Balance Sheet Data					
Cash & Equivalents	44,469	58,271	48,956	48,787	90,017
Trade Receivables	122,710	127,810	144,262	139,060	145,302
Other Current Assets	203,710	237,385	250,338	242,195	251,967
Property, Plant & Equipment	191,155	177,975	200,975	229,975	269,975
Other Non-Current Assets	95,900	96,040	101,039	106,039	111,039
Total Assets	**657,944**	**697,481**	**745,570**	**766,056**	**868,300**
Short-Term Debt	82,710	46,164	27,444	1,281	1,077
Other Current Liabilities	106,762	126,109	135,407	132,862	135,916
Long-Term Debt	83,349	67,976	40,411	1,886	1,586
Other Non-Current Liabilities	44,266	36,322	36,322	36,322	36,322
Total Liabilities	**317,087**	**276,571**	**239,584**	**172,350**	**174,901**
Total Equity	**340,857**	**420,910**	**505,986**	**593,706**	**693,399**
Total Equity & Liabilities	**657,944**	**697,481**	**745,570**	**766,056**	**868,300**
Key Metrics					
iQ*method SM – Business Performance					
Return On Capital Employed	11.6%	19.5%	14.1%	16.4%	16.9%
Return On Equity	21.2%	24.5%	19.6%	18.4%	18.0%
Operating Margin	10.5%	17.3%	12.8%	15.9%	17.3%
iQ*method SM – Quality of Earnings					
Cash Realization Ratio	1.2x	1.0x	1.2x	1.5x	1.3x
Asset Replacement Ratio	1.0x	1.3x	1.7x	1.8x	2.0x
Tax Rate (Reported)	17.4%	17.0%	25.8%	24.1%	24.3%
Net Debt-to-Equity Ratio	35.7%	13.3%	3.7%	-7.7%	-12.6%
Interest Cover	28.6x	61.9x	40.0x	47.9x	54.3x

* For full definitions of *iQmethod*SM measures, see page 30.
Other GAAP denotes Japanese Accounting Standards.

Company Sector

Non-Ferrous-Mining

Company Description

Main businesses are electronic materials, zinc mining & smelting, and auto parts. Key electronic materials products are electrolytic copper foil, MicroThin foil, and metal powder. Auto parts business is involved mainly in manufacture and sale of automotive and motorcycle catalysts. Zinc mining and refining business has a mine in Peru and three zinc refineries in Japan. The firm is historically strong in copper foil, and its share price is susceptible to trends in electronic materials.

Investment Rationale

Our Buy rating is premised on expectations for earnings to exceed the consensus, driven by high growth in MicroThin and Very Smooth Profile (VSP) copper foil, thanks to AI server demand.

Short-term outlook

- We expect 1Q recurring profit of ¥26.2bn, broadly in line with consensus of ¥27.5bn. We also expect the company's 1H recurring profit guidance of ¥50bn to be revised up to around ¥55bn. In addition to strong volume growth in copper foil, the company plan only incorporates limited price increases for MicroThin copper foil, suggesting upside potential. However, we do not expect any surprise.

- In our forecasts, we expect MicroThin copper foil volumes to grow YoY +17% in FY3/27 and +13% in FY3/28. We assume price increases of +10% in FY3/27 (vs. the company's indicated increase of around +12%). We assume VSP foil will run at full capacity, in line with the company. We model flat pricing in FY3/27, followed by +10% in FY3/28.

- We also expect strong growth in FaradFlex, a thin embedded capacitor material, from FY3/27 onward, supported by expansion in the AI server market.

- At the company briefing, we understand management indicated an intention to accelerate copper foil capacity expansion to avoid opportunity losses. Capacity expansion and potential acquisitions of competitor capacity are also stock catalysts.

Medium/long-term outlook

- MicroThin copper foil is an auxiliary copper foil used in the mSAP process, where the company has 98% market share. With OPM of c.40%, this product is highly profitable, so its volume growth significantly contributes to earnings. MicroThin copper foil production capacity is adequate, but the company plans to expand capacity to prevent any supply concerns. Growth in DRAM demand and generational upgrades (from DDR4 to DDR5 to DDR6, upgrades of LPDDR and GDDR) should increase the adoption rate of the mSAP process, contributing to stronger demand. AI servers use large amounts of DRAM, so demand for MicroThin copper foil is likely to continue growing. New applications in optical transceivers and flexible printed circuit boards could further boost demand.

- Insufficient supply capacity for electrolytic copper foil is a future roadblock to expanding VSP foil production capacity. VSP foil supply can be increased only by expanding capacity in the downstream surface treatment process. However, upstream processes are also set to become insufficient in the future. Addressing this issue is crucial, and expanding electrolytic copper foil capacity will require significant investment. Regarding VSP foil, the Taiwan plant is already using all of its land, leaving only the Malaysia plant with room for expansion (only +200 tons of additional expansion capacity is available).

- Contributions from new products are also key. We are monitoring the mass production of electrolytes for solid-state batteries in 2027-28, the full-scale launch of HRDP semiconductor packaging materials in 2029, and commercialization of negative thermal expansion materials. In particular, its electrolytes for solid-state batteries are used by 90% of solid-state battery companies, making it a high-share product with strong growth potential.

- A weaker yen, a sharp rise in copper premiums, and surging prices of gold, silver, bismuth, antimony, tin, and copper—by-products of zinc and lead smelting—are driving the earnings level of the Metals business to a higher level. At the May 2026 briefing, the company indicated recurring profit in Metals business could reach around ¥60bn based on current FX and gold/silver prices, making this a major profit driver.

High-frequency data

- Copper foil export data (monthly; Japan and Taiwan trade statistics)
- Export volume and value of semiconductors and semiconductor memory from Korea (monthly)
- Sales of Co-Tech Development, Taiwanese copper foil major (monthly)
- Zinc metal prices (daily)
- Motorcycle shipments by major Indian manufacturers, including Hero MotoCorp, Bajaj Auto, and TVS Motor (released at the start of each month).

Earnings estimates

Exhibit 1: Offset by improved earnings forecasts in copper foil, catalysts, and functional powders to absorb the increase in corporate expenses

Mitsui Kinzoku (5706): Earning estimates

	Sales (¥mn)	YoY (%)	OP (¥mn)	YoY (%)	RP (¥mn)	YoY (%)	NP (¥mn)	YoY (%)	EPS (¥)	BPS (¥)	DPS (¥)
Consolidated											
3/2024	646,697	-0.8%	31,694	153.0%	44,513	123.8%	25,989	205.4%	454.7	4,872	140.0
3/2025	712,344	10.2%	74,743	135.8%	76,410	71.7%	64,662	148.8%	1,131.0	5,798	180.0
3/2026	758,532	6.5%	130,912	75.1%	136,736	79.0%	91,263	41.1%	1,595.5	7,202	245.0
3/2027 BofA new estimate	873,600	22.6%	112,000	49.8%	118,000	54.4%	89,000	37.6%	1,555.9	8,661	305.0
3/2027 BofA old estimates	809,700	13.7%	118,000	57.9%	122,000	59.7%	86,000	33.0%	1,504.1	8,677	300.0
3/2027 Co estimate	830,000	16.5%	91,000	21.8%	93,000	21.7%	75,000	16.0%	1,311.1	-	280.0
3/2027 IFIS Consensus estimate	825,300	15.9%	115,414	54.4%	116,067	51.9%	84,833	31.2%	1,594.8		
3/2028 BofA new estimate	842,100	-3.6%	134,000	19.6%	141,000	19.5%	99,000	11.2%	1,730.7	10,144	355.0
3/2028 BofA old estimates	776,300	-4.1%	132,000	11.9%	137,000	12.3%	97,000	12.8%	1,696.5	10,191	350.0
3/2028 IFIS Consensus estimate	864,857	4.8%	134,086	16.2%	132,800	14.4%	96,650	13.9%	1,816.6		
3/2029 BofA new estimate	879,900	4.5%	152,000	13.4%	160,000	13.5%	113,000	14.1%	1,975.5	11,834	415.0
3/2029 BofA old estimates	811,000	4.5%	152,000	15.2%	158,000	15.3%	112,000	15.5%	1,958.9	11,933	410.0
3/2029 IFIS Consensus estimate	903,150	4.4%	143,300	6.9%	137,300	3.4%	105,350	9.0%	1,979.0		
Interim											
3/2026 1H	364,312	4.6%	39,767	2.4%	39,141	2.0%	19,049	-48.6%			
3/2026 2H	394,220	8.2%	91,145	153.7%	97,595	156.7%	72,214	161.4%			
3/2027 1H Co estimate	410,000	12.5%	49,000	23.2%	50,000	27.7%	37,000	94.2%			
3/2027 2H Co estimate	420,000	6.5%	42,000	-53.9%	43,000	-55.9%	38,000	-47.4%			
Quarter											
3/2026 1Q	169,040	-0.5%	11,424	-51.3%	10,019	-61.7%	-5,970	-			
3/2026 2Q	195,272	9.5%	28,343	84.8%	29,122	138.8%	25,019	67.6%			
3/2026 3Q	177,895	0.1%	31,956	83.7%	35,373	70.7%	30,004	98.7%			
3/2026 4Q	216,325	16.0%	59,189	219.5%	62,222	259.7%	42,210	237.0%			
3/2027 1Q BofA estimate	209,500	23.9%	25,200	120.6%	26,200	161.5%	18,400	-			
3/2027 1Q IFIS Consensus estimate	194,250	14.9%	26,900	135.5%	27,450	174.0%	20,900	-			
3/2027 2Q BofA estimate	212,900	9.0%	29,300	3.4%	29,400	1.0%	20,600	-17.7%			
3/2027 3Q BofA estimate	219,600	23.4%	27,600	-13.6%	30,600	-13.5%	21,400	-28.7%			
3/2027 4Q BofA estimate	231,600	7.1%	29,900	-49.5%	32,000	-48.6%	28,800	-31.8%			

Source: Company, BofA Global Research estimates, IFIS

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Exhibit 2: Engineered materials segment to drive earnings, while the metals segment provides stable profits.

Mitsui Kinzoku (5706): Earnings estimates by segment

(¥bn)	3/2025 FY	3/2026 FY	3/2027 FY E	3/2028 FY E	3/2029 FY E
Sales					
Engineered Materials	246.2	328.4	408.6	439.1	470.9
Metals	325.0	376.7	448.0	386.0	392.0
Corporate	231.8	187.7	132.0	132.0	132.0
Adjustment	-90.6	-134.3	-115.0	-115.0	-115.0
Total	712.3	758.5	873.6	842.1	879.9
Recurring income					
Engineered Materials	40.3	66.5	83.9	105.9	125.9
Metals	44.5	75.1	45.0	46.4	46.1
Corporate	2.4	3.1	0.8	0.8	0.8
Business Creation	-6.4	-6.8	-7.5	-7.5	-7.5
Adjustment	-4.5	-1.2	-4.2	-4.6	-5.3
Total	76.4	136.7	118.0	141.0	160.0
Recurring income margin (%)					
Engineered Materials	*16.4%*	*20.3%*	*20.5%*	*24.1%*	*26.7%*
Metals	*13.7%*	*19.9%*	*10.0%*	*12.0%*	*11.8%*
Corporate	*1.0%*	*1.7%*	*0.6%*	*0.6%*	*0.6%*
Total	*10.7%*	*18.0%*	*13.5%*	*16.7%*	*18.2%*
EBITDA	107.9	160.7	145.0	170.0	192.0
EBITDA margin (%)	*15.2%*	*21.2%*	*16.6%*	*20.2%*	*21.8%*
Depreciation	33.2	29.8	33.0	36.0	40.0
Capital expenditure	31.4	36.5	56.0	65.0	80.0
Assumption - CY					
Exchange rate (JPY/US$)	150	150	155	155	155
Zinc (US$/ton)	2,874	2,968	3,250	2,668	2,707

Source: Company, BofA Global Research estimates

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Exhibit 3: We expect 1Q recurring profit of ¥26.2bn.

Mitsui Kinzoku (5706): Earnings estimates by segment - Quarterly

	3/2026							3/2027 BofA estimates						
(¥bn)	1Q	2Q	3Q	4Q	1H	2H	FY	1Q E	2Q E	3Q E	4Q E	1H E	2H E	FY E
Sales														
Engineered Materials	71.3	79.2	83.1	94.8	150.5	177.9	328.4	95.0	100.4	105.4	107.8	195.4	213.2	408.6
Metals	74.0	87.2	93.8	121.7	161.2	215.5	376.7	111.0	109.0	109.2	118.8	220.0	228.0	448.0
Corporate	53.7	58.3	33.9	41.8	112.0	75.7	187.7	33.0	33.0	33.0	33.0	66.0	66.0	132.0
Adjustment	-30.0	-29.5	-32.9	-41.9	-59.5	-74.8	-134.3	-29.5	-29.5	-28.0	-28.0	-59.0	-56.0	-115.0
Total	169.0	195.3	177.9	216.3	364.3	394.2	758.5	209.5	212.9	219.6	231.6	422.4	451.2	873.6
Recurring income														
Engineered Materials	10.5	16.0	18.4	21.7	26.5	40.1	66.5	18.7	19.4	22.5	23.5	38.0	45.9	83.9
Metals	3.3	15.1	20.2	36.5	18.4	56.6	75.1	11.0	13.5	10.0	10.5	24.5	20.5	45.0
Corporate	-0.5	-0.2	1.2	2.7	-0.8	3.9	3.1	-0.1	-0.1	0.5	0.5	-0.2	1.0	0.8
Business Creation	-1.1	0.7	-1.4	-5.0	-0.4	-6.4	-6.8	-2.0	-2.0	-1.7	-1.8	-4.0	-3.5	-7.5
Adjustment	-2.2	1.0	-3.0	3.0	-1.2	0.0	-1.2	-1.4	-1.4	-0.7	-0.7	-2.8	-1.4	-4.2
Total	10.0	29.1	35.4	62.2	39.1	97.6	136.7	26.2	29.4	30.6	32.0	55.5	62.5	118.0
Recurring income margin (%)														
Engineered Materials	*14.7%*	*20.1%*	*22.1%*	*22.9%*	*17.6%*	*22.5%*	*20.3%*	*19.7%*	*19.3%*	*21.3%*	*21.8%*	*19.4%*	*21.5%*	*20.5%*
Metals	*4.5%*	*17.3%*	*21.5%*	*30.0%*	*11.4%*	*26.3%*	*19.9%*	*9.9%*	*12.4%*	*9.2%*	*8.8%*	*11.1%*	*9.0%*	*10.0%*
Corporate	*-1.0%*	*-0.4%*	*3.6%*	*6.5%*	*-0.7%*	*5.2%*	*1.7%*	*-0.3%*	*-0.3%*	*1.5%*	*1.5%*	*-0.3%*	*1.5%*	*0.6%*
Total	*5.9%*	*14.9%*	*19.9%*	*28.8%*	*10.7%*	*24.8%*	*18.0%*	*12.5%*	*13.8%*	*13.9%*	*13.8%*	*13.1%*	*13.9%*	*13.5%*

Source: Company, BofA Global Research estimates

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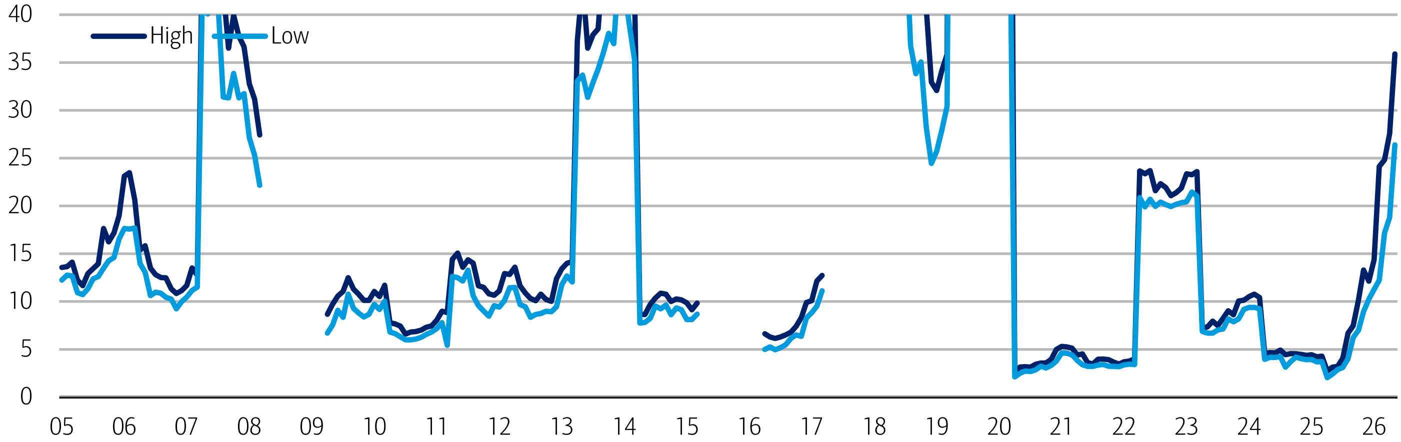
Exhibit 4: P/E ratio ranges from 2x to 33x.
Mitsui Kinzoku (5706): P/E (x)



Source: BofA Global Research

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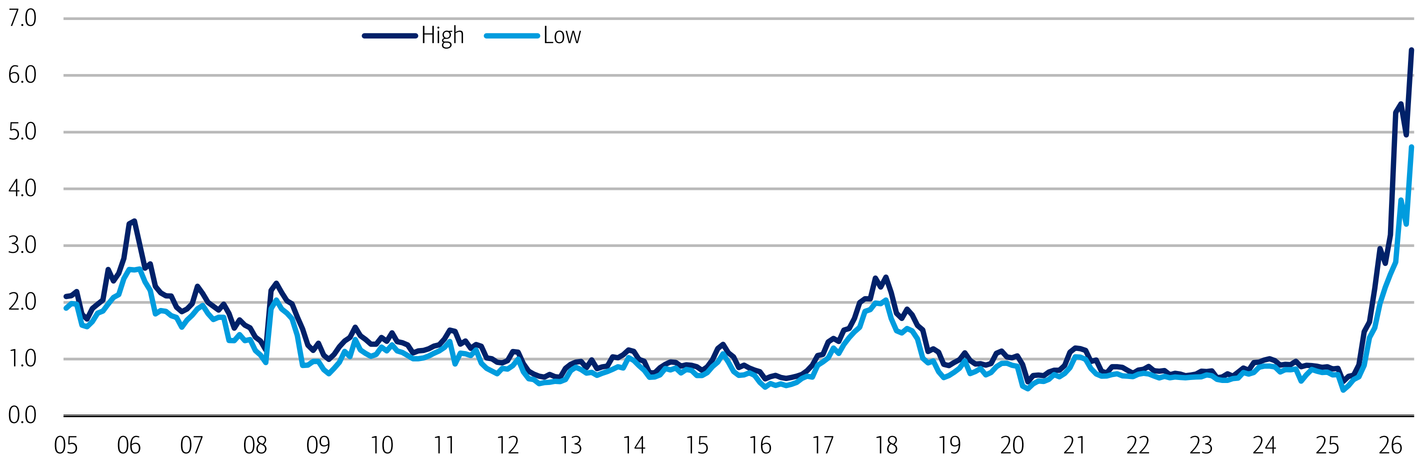
Exhibit 5: P/BV ratio ranges from 0.5x to 6.5x.
Mitsui Kinzoku (5706): P/BV (x)



Source: BofA Global Research

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Business overview and update

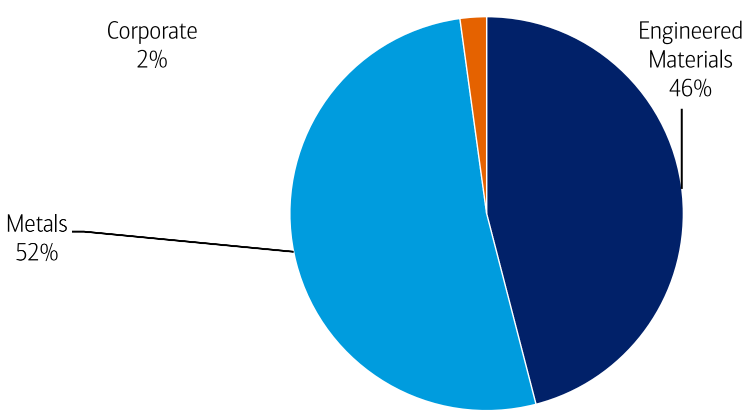
Glossary

- ABF: Ajinomoto Build-up Film
- AiP: Antenna in Package
- AI: Artificial Intelligence
- BT: Bismaleimide Triazine
- DDR: Double Data Rate
- DLE: Direct Lithium Extraction
- DoE: Dividend on Equity
- DRAM: Dynamic Random-Access Memory
- FCBGA: Flip Chip-Ball Grid Array
- GbE: Giga bit Ethernet
- HDI: High Density Interconnected
- HRDP: High Resolution De-bondable Panel
- HVLP: Hyper Very Low Profile
- LCD: Liquid Crystal Display
- LME: London Metal Exchange
- LMO: Lithium Manganese Oxide
- MEMS: Micro-Electro-Mechanical Systems
- MOF: Metal Organic Frameworks
- mSAP: modified Semi-Additive Process
- mmW: millimeter-wave
- NAND Flash: Not And Flash memory
- RC: Refining Charge
- RDL: Redistribution layer
- RF: Radio-frequency
- SAP: Semi-Additive Process
- SoC: System on Chip
- SSD: Solid State Drive
- TC: Treatment Charge
- VSP: Very Smooth Profile

Company overview

Mitsui Kinzoku is a nonferrous metals company. Its core businesses are copper foil, zinc and lead smelting, and catalysts for motorcycles. Its copper foil is used in smartphones and DRAM. Zinc and lead smelting depends on construction demand in China, while motorcycle catalysts depend primarily on demand for motorcycles in India. New product lines include HRDP for semiconductor packages, and A-SOLiD, a solid electrolyte for all-solid-state batteries.

Exhibit 6: Engineered materials mainly generate earnings from copper foil and catalysts
Mitsui Kinzoku (5706): Recurring income breakdown by segment (FY3/26)



Source: BofA Global Research

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Engineered materials segment

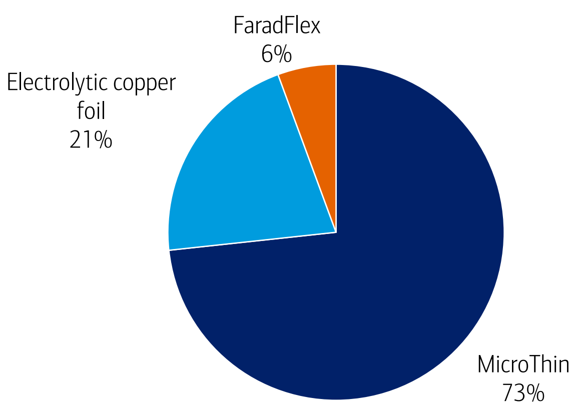
Electrolytic copper foil is the main business of this segment. Copper foil, centered on MicroThin copper foil, generates the bulk of profit. Other areas include catalysts for motorcycles and automobiles. The segment also consists of functional powders for ceramic capacitors, battery materials for emergency power supplies in datacenters, and thin-film materials for LCD panels.

Copper foil

- This business comprises MicroThin copper foil and electrolytic copper foil.
- It is the core business with a history of over 60 years.
- MicroThin copper foil is mainly used for semiconductor packaging, while electrolytic copper foil is primarily used for motherboards.
- MicroThin copper foil accounts for more than 70% of total copper-foil profits. In terms of profitability, MicroThin delivers the highest margins, followed by FaradFlex, with VSP foil ranking next.
- Reference report: Mitsui Kinzoku (5706): Briefing and Malaysian copper foil plant visit; brighter copper foil outlook 07 January 2026

Exhibit 7: The profit margin of MicroThin copper foil is exceptionally high, followed by that of FaradFlex

Mitsui Kinzoku (5706): Breakdown of copper-foil profits (FY3/26)



Source: BofA Global Research estimates

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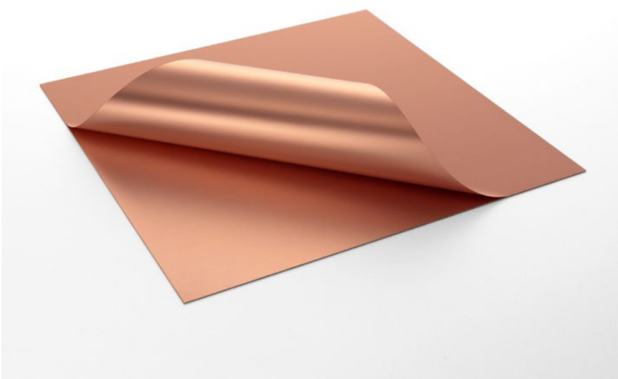
Exhibit 8: MicroThin copper foil
Ultra-thin copper foil is bonded to carrier copper foil.



Source: Mitsui Kinzoku

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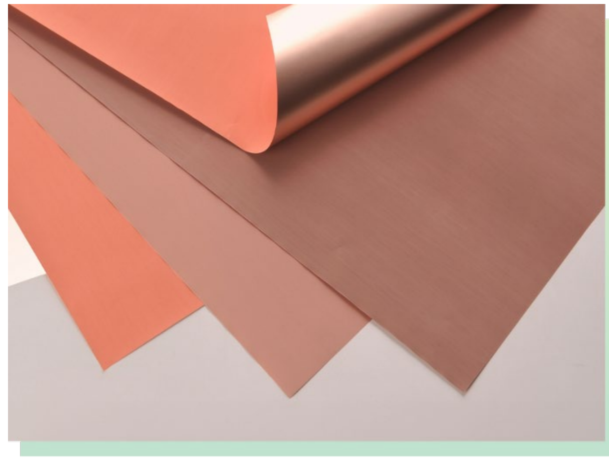
Exhibit 9: Electrolytic copper foil
Copper foil used in printed circuit boards, etc.



Source: Mitsui Kinzoku

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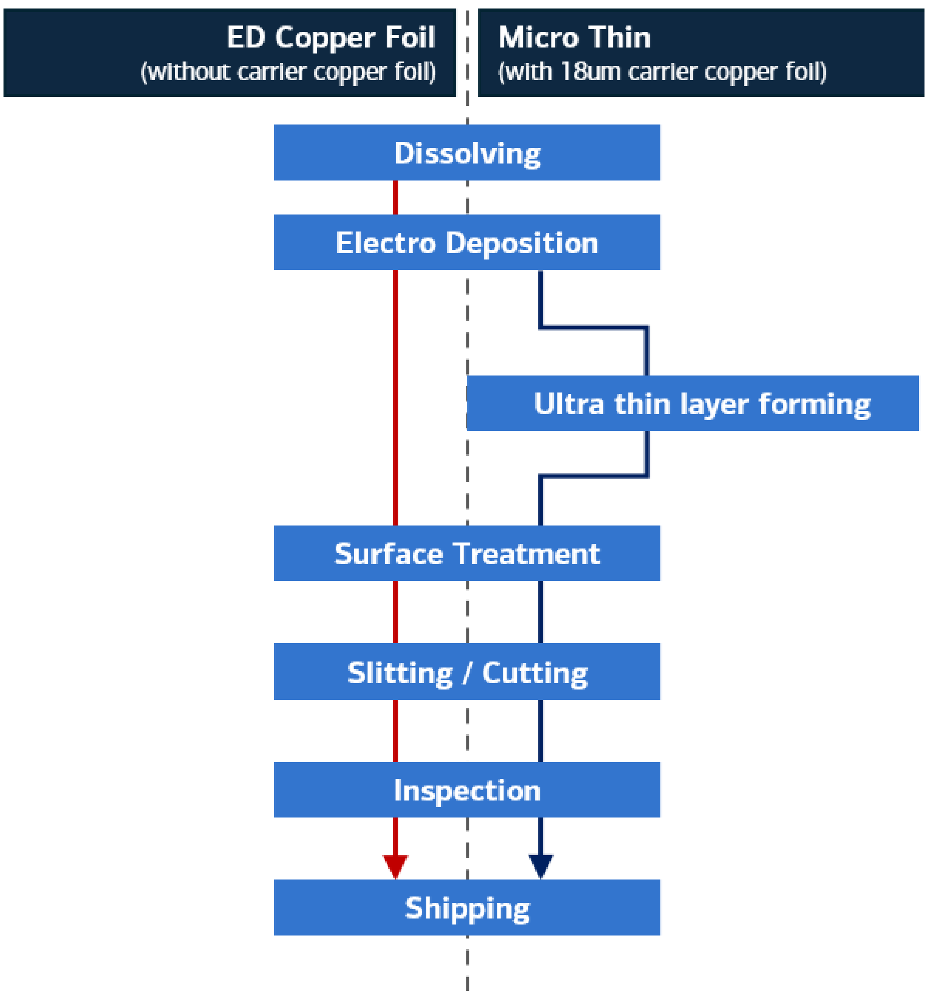
Exhibit 10: The manufacturing processes for electrolytic copper foil and MicroThin foil are largely the same, but MicroThin requires one additional process step
Manufacturing processes for electrolytic copper foil and MicroThin copper foil



Source: BofA Global Research

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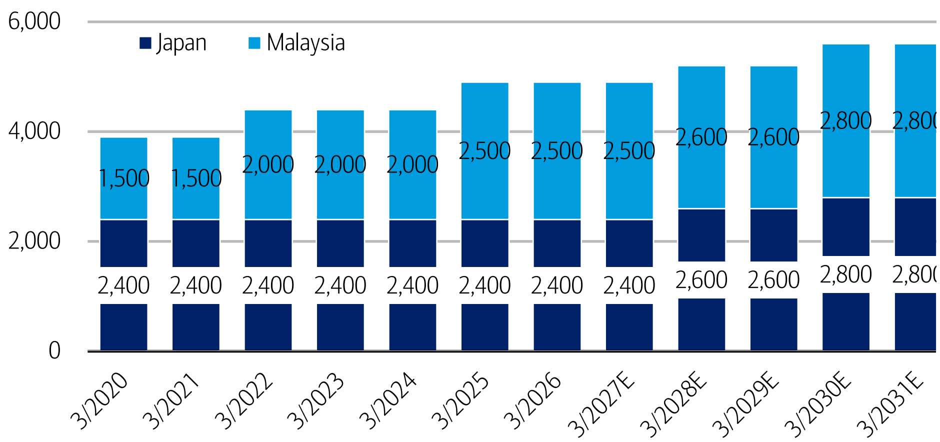
MicroThin foil

- Ultra-thin copper foil used in the mSAP.
    - Ultra-thin copper foil (1.5-5µm) and carrier copper foil (12 or 18µm)
    - Used mainly for 10/10-30/30µm line/space applications.
    - Applications include smartphone SoC packages, DRAM, mobile NAND, RF modules, mmW antennas, and AiP; also used in DRAM, NAND, and SSD controllers for server and PC applications.
    - Other processes used in substrate fabrication are the subtractive method and the SAP method, as well as mSAP.
    - MicroThin foil likely used widely in BT substrates, but not used in ABF substrates, which are fabricated using the SAP method.
    - Customers: Suppliers of chip package substrates and circuit boards: Simmtech, TLB, Korea Circuit, Unimicron, Kinsus, Zhen Ding Tech, AT&S, Shennan Circuit, etc.
        - It is believed that Korean customers will account for the majority, while Chinese customers will represent about 20% of the total.
- Capacity: 2,500km2/month at Ageo site, Japan; 2,400km2/month in Malaysia; for a total of 4,900km2/month.
    - Announced capacity expansion on 7 January 2025.
        - 2,600 km^2/month in Japan and Malaysia for a total of 5,200 km^2/month in 2027.
        - 2,800 km^2/month in Japan and Malaysia for a total of 5,600 km^2/month by 2030.
    - On 9 January 2026, the company stated that it is considering capacity-expansion investments.

Exhibit 11: Plans to implement phased capacity expansion.
Mitsui Kinzoku (5706): Capacity of MicroThin copper foil (km2/month)



Source: Mitsui Kinzoku

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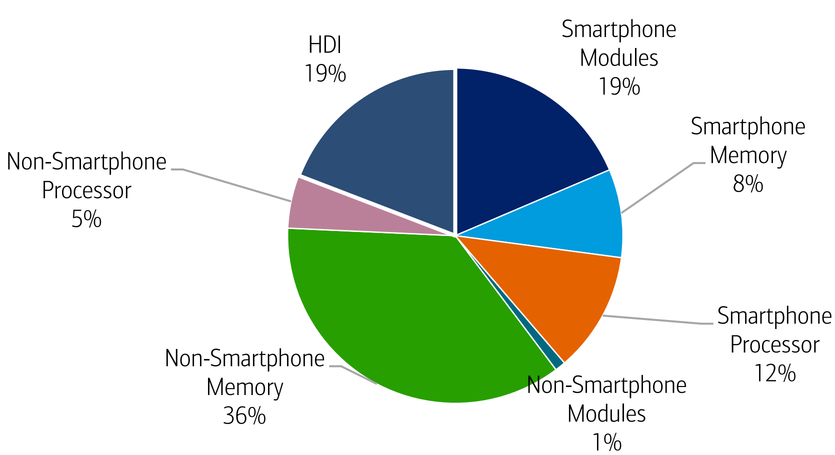
- Competitors/market share: Mitsui Kinzoku (98%), others (2%); main competitor is SK Nexilis (South Korea). JX Nippon Mining & Metals previously manufactured these products but has since exited the business.
- Two main uses: Chip packages and HDI PCBs
    - Packages: Primarily for semiconductor memory (DRAM, NAND flash); also used in FC-BGA packages for processors; however, adoption for processors has been limited recently
    - We expect MicroThin foil volumes to increase as memory chips are upgraded from DDR3 to DDR4 & DDR5; mSAP is widely used for DDR5
    - HDI: Used in Apple iPhone and by China's four key smartphone makers
- Shipment volume: The shipment volume in FY3/26 is 3,400 km2/month. This implies a utilization rate of 69.4% against capacity of 4,900 km2/month.
    - From FY3/26, demand from optical modules is increasing as a new application. The mSAP process is used for the wiring boards of 800GbE optical transceivers.
        - Demand in FY3/26 is running at 100-150km2 a month. Mitsui Kinzoku estimates that demand will swell to 200-250km2 a month in FY3/27. It envisions demand of 300km2 a month in FY3/31, but notes that there is upside to this.
    - In November 2025, the company announced that adoption of MicroThin copper foil in flexible printed circuit boards had begun.
        - It is estimated to be for flexible printed circuit boards used in image stabilization sensors by Sumitomo Electric.
        - Management forecasts 2030 demand of 100km2 a month.

Exhibit 12: Increasing demand for semiconductor packages used in DRAM is driving growth in MicroThin copper-foil demand
Mitsui Kinzoku (5706): Demand breakdown of MicroThin copper foil (FY3/26)



Source: Mitsui Kinzoku

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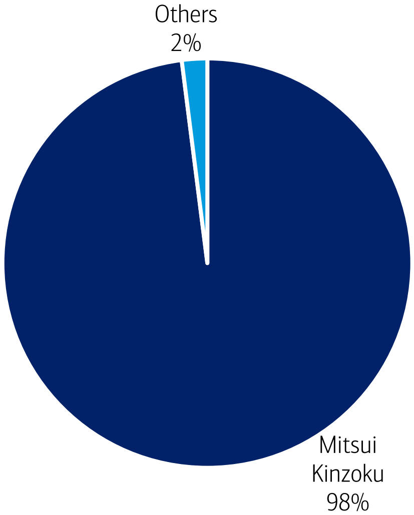
Exhibit 13: Main competitor is SK Nexilis (South Korea)
Market share of ultra-thin copper foil with carrier copper foil



Source: Company, BofA Global Research

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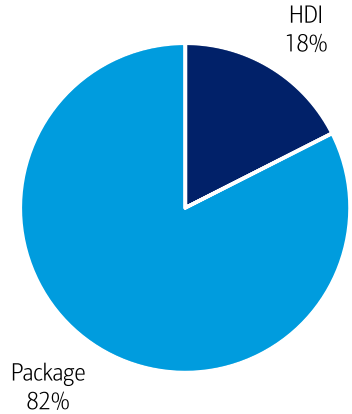
Exhibit 14: The shipment volume in FY3/26 is 3,400 km2/month. This implies a utilization rate of 69.4% against capacity of 4,900 km2/month
Mitsui Kinzoku (5706): Sales volume breakdown of MicroThin copper foil by usage (FY3/26)



Source: Company, BofA Global Research

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Electrolytic copper foil (including VSP foil)

- Mitsui Kinzoku manufactures and sells electro-deposited copper foil used in copper-clad laminates.
- Capacity: Total capacity of 4,200t/month, including MicroThin: Malaysia 2,000t, Taiwan 1,700t, Japan 500t.
    - Due to the increased manufacturing complexity of electrolytic copper foil, actual capacity is around 2,000 tons per month.
    - Production capacity of VSP copper foil for high-frequency substrates used in AI servers is located in Taiwan and Malaysia.
    - Mitsui M&S has production capacity in Taiwan and Malaysia for VSP copper foil, used in high-frequency substrates for applications such as AI servers.
    - High-frequency substrate-use VSP copper foil capacity (tons/month)
        - Current capacity is 620 tons, comprising 560t in Taiwan and 60t in Malaysia.
        - March 2026: 720t; 600t, 120t.
        - September 2026: 840t; 720t, 120t.
        - September 2027: 1,000t; 760t, 240t
        - September 2028: 1,200t; 860t, 340t
    - Capacity expansion through September 2026 will require an investment of just under ¥1bn, while expansion through September 2028 will require about ¥6bn.

- Customers: Suppliers of copper-clad laminates and flexible printed copper-clad laminates, likely including Elite Materials, ITEQ, Taiwan Union Corporation, Doosan Corporation Electro-Materials, etc.

- Competitors: Many competitors, including Chang Chun Petrochemical, Nanya Plastics, and Co-Tech Copper Foil (Taiwan); Furukawa Electric, JX Metals, Fukuda Metal Foil & Powder, and Nippon Denkai (Japan); and SK Nexilis (South Korea); and Circuit Foil (Luxembourg); and Nuode New Materials, Lingbao Wason Copper Foil, and Jiujiang Defu Technology (China).

- Applications: In FY3/26, we estimate copper foil for telecom servers will account for 55% of the total, while copper foil for flexible printed circuits will account for 10%. Of the copper foil for telecom servers, VSP foil accounts for more than half (30% of total electrolytic copper foil). The remainder is categorized as others. The company has strong positioning in Taiwan for telecom server applications and in Korea for flexible printed circuits.

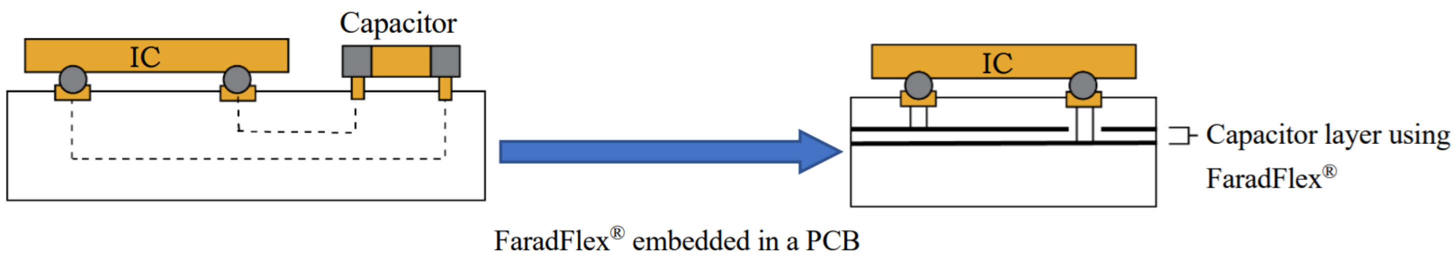
    - Products

        - HVLP5: SI3-VSP (Rz 0.4um)
        - HVLP4: SI2-VSP (Rz 0.5um)
        - HVLP3: SI-VSP (Rz 0.6um)
        - HVLP2: HS2-VSP (Rz 1.0um)
        - Rz indicates surface roughness.

    - Demand is growing for VSP copper foil for high-frequency substrates in AI server applications.

        - Smoother profile foil has better high-frequency characteristics; Mitsui Kinzoku stands out in this category.
        - The main competitors in HVLP foil are Fukuda Metal Foil & Powder, Furukawa Electric, and Circuit Foil. Other competitors include Co-Tech Copper Foil.
        - As of September 2025, market share is 80% for HVLP5, 50% for HVLP4, 43% for HVLP3, and 37% for HVLP2.
        - Mass production of HVLP5 started in 1H FY3/26.
            - It is used in NVIDIA's Rubin VR200.
        - The company is also advancing development of HVLP6.

Exhibit 17: Rapid adoption is underway in information and communications infrastructure fields such as AI servers and switches
Thin embedded-capacitor substrate material "FaradFlex"



Source: Mitsui Kinzoku

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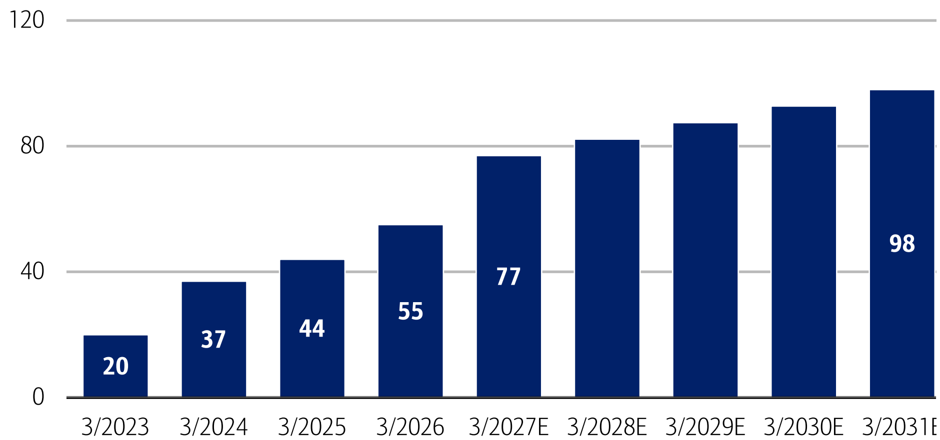
Exhibit 18: Significant capacity expansion driven by strong demand for AI servers
Mitsui Kinzoku (5706): Capacity of FaradFlex, a thin embedded capacitor material (km2/month)



Source: Mitsui Kinzoku

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Catalysts

- Catalysts clean up exhaust gases.
  - The shift to electric motorcycles and autos is set to weigh on demand for catalysts.
- Sales are evenly split between motorcycle and automobile catalyst.
- Most of the profit is generated by motorcycle catalysts.
- Earnings can change temporarily due to fluctuations in prices for platinum group metals (rhodium, etc.), a raw material.
- Bases: Japan, Thailand, India, China, Indonesia, Vietnam, and the US

Exhibit 19: Largest supplier of motorcycle catalysts in the world
Catalysts

Source: Company

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Catalysts for motorcycles

- India accounts for over 50% of sales, followed by Indonesia, Vietnam, Thailand, Brazil, and China.
- Rivals and market share: Mitsui Kinzoku has a leading market share of 55-60%. Rivals include BASF, Johnson Matthey, Cataler, and Sakura Kogyo.

Catalysts for automobiles

- The US, Japan, India, and China each account for 20-25% of sales, with the remaining 10-15% going to Indonesia.
- Customers include Japanese automotive companies, especially Honda Motor.
- Electric vehicles do not use catalysts. In contrast, hybrid vehicles use higher-performance catalysts, so growth in hybrid vehicles is beneficial.
- Rivals and market share: Mitsui Kinzoku is a latecomer with a small market share. Rivals are BASF, Johnson Matthey, Umicore, and Cataler.

Engineered powders

- Products: Copper powder used in external electrodes of ceramic capacitors, polishing materials for glass substrates, tantalum oxide for SAW filters
    - Bulk of sales is copper powder for ceramic capacitors.

Copper powder

- Some external electrodes of ceramic capacitors use silver powder, but most use copper powder. Internal electrodes use nickel powder.
- Majority of sales are to ceramic capacitor makers in Taiwan.

Battery materials

- This business consists of lithium manganese oxide (LMO), a lithium-ion cathode material, and hydrogen storage alloys for nickel-metal hydride batteries.

LMO

- LMO is used in emergency power supply applications for datacenters.
- Most sales are for customers in Korea.

Hydrogen storage alloys

- Hydrogen storage alloys are anode materials used in nickel-metal hydride batteries for hybrid vehicles.
- Rivals: Japan Metals & Chemicals.

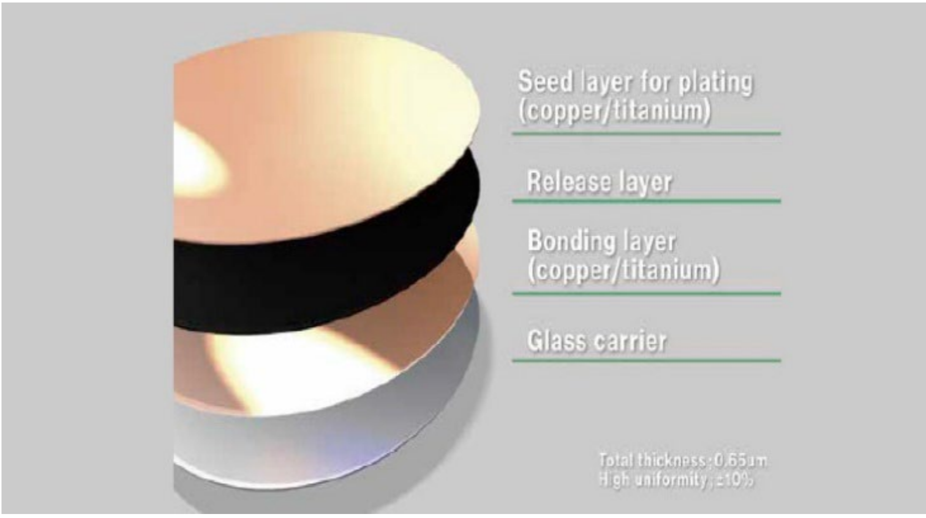
Thin-film materials

- This business consists of ITO targets (a complex oxide of indium and tin), a material for transparent conductive films formed on the surface of LCD displays.

HRDP special carrier for next-generation semiconductor mounting

- HRDP: High Resolution De-bondable Panel
- This is a special carrier that realizes high production efficiency for next-generation semiconductor packages.
    - Evaluation underway at 26 customers
    - Used for panel-level packaging
- The company aims to establish mass production technologies in cooperation with Geomatec (6907 JP)
    - Geomatec has highly advanced thin film formation technologies.
- The company plans to launch mass production in 2029.
    - The first line at Geomatec's Ako plant is already in operation, and the second line began operations in 2025.
    - Annual production capacity is 110,000sq m in 2024, to be expanded to 170,000sq m in 2025-27.
    - Startup is set for 2026, with operating profit (OP) expectations of ¥1.5bn in 2027 despite an initial cost burden.
- Rivals: Innolux
    - There are two methods: chip first and redistribution layer (RDL) first.
    - Mitsui Kinzoku uses the RDL-first method.

Exhibit 20: Expected to see growth as a specialized carrier for next-generation semiconductor packaging
HRDP is a special carrier for next-generation semiconductor mounting. HRDP: High Resolution De-bondable Panel



Source: Mitsui Kinzoku

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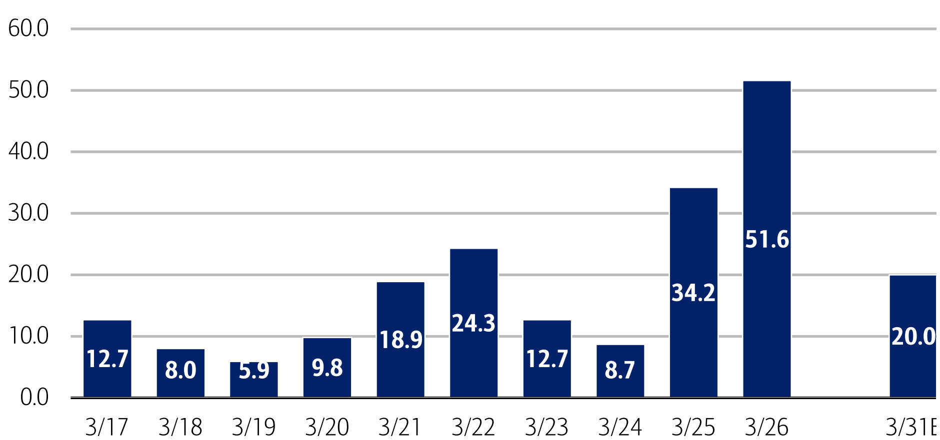
Metals segment

- This segment includes zinc/lead smelting (Japan), zinc mining (Peru), and copper smelting (Japan).
    - Annual smelting capacity for zinc is 268,000 tons.
    - Mitsui Kinzoku's annual electricity consumption is around 1.0bn kWh.
    - Zinc, lead, and copper smelting produce gold, silver, antimony, bismuth, tin, and other by-products, which serve as important sources of earnings.
    - Reference report: Mitsui Mining & Smelting (5706): Metals: Aims to lift proportion of recycled materials, prospects of stable earnings 10 September 2024

Exhibit 21: Significant rise in earnings level driven by surging precious metals prices
Mitsui Kinzoku (5706): Recurring income excluding temporary factors in Metals segment (Bn JPY)



Source: Company

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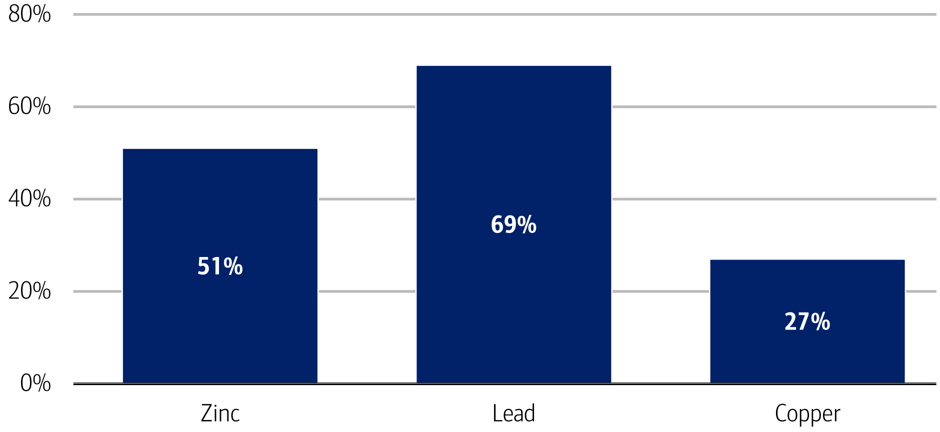
High recycling ratio

- The company stands out for its high recycled raw material ratios.
- Zinc 51%, lead 69%, and copper 27%, all higher than the domestic averages. The zinc recycling ratio is much higher than the domestic/global average of 21%/13%.

Exhibit 22: Recycling raw material average in Japan – zinc 21%, lead 59%, and copper 19%.
Mitsui Kinzoku (5706): Recycling raw material ratio



Source: Company

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Zinc/lead smelting

- Smelting is conducted at Hachinohe Smelting, Kamioka Mining and Smelting, Hikoshima Smelting, Miike Smelting, and Takehara Refinery.
    - Hachinohe Smelting (Mitsui Kinzoku: 95.99%, Nisso Metallo Chemical: 4.01%)
        - Recovered metals: Zinc and lead
        - Inputs: Sulfide ore, etc.
        - Annual production capacity: 112,000 tons (distillation and smelting)
            - The company uses the ISP smelting method developed by Imperial Smelting. This makes it possible to smelt zinc and copper at the same time, and coke is used as the primary fuel, contrary to other smelters.
    - Kamioka Mining and Smelting
        - Recovered metals: Zinc, lead, gold, silver, rare earth metals
        - Inputs: Zinc sulphide ore, used-batteries, etc.
        - Annual production capacity: 72,000 tons (electrolytic smelting)
            - Electricity consumption was 280mn kWh in 2025.
    - Hikoshima Smelting
        - Recovered metals: Zinc

        - Inputs: Zinc sulfide ore, etc.
        - Annual production capacity: 84,000 tons (electrolytic smelting)
            - Electricity consumption was 286mn kWh in 2025.
    - Miike Smelting
        - Recovered metals: Crude zinc oxide (intermediate product)
        - Inputs: Copper dust, molten fly ash, etc.
    - Takehara Refinery
        - Recovered metals: Lead, gold, rare earth metals
        - Inputs: Used-substrates, etc.
- Cost structure of zinc smelters
    - Electricity costs
        - Each ton of electrolytic zinc consumes 3,200-3,500kWh of electricity.
        - Hachinohe Smelting uses the ISP method for smelting zinc, and mainly uses coke as fuel.
    - Smelting costs (treatment charge = TC)
        - Smelters purchase zinc ore at a price calculated by subtracting TC from zinc ore prices, using the LME (London Metal Exchange) zinc price as an indicator.
        - TC is denominated in USD, exposing it to forex fluctuations. TC is determined based on supply-demand conditions for zinc ore. Annual contracts are common.

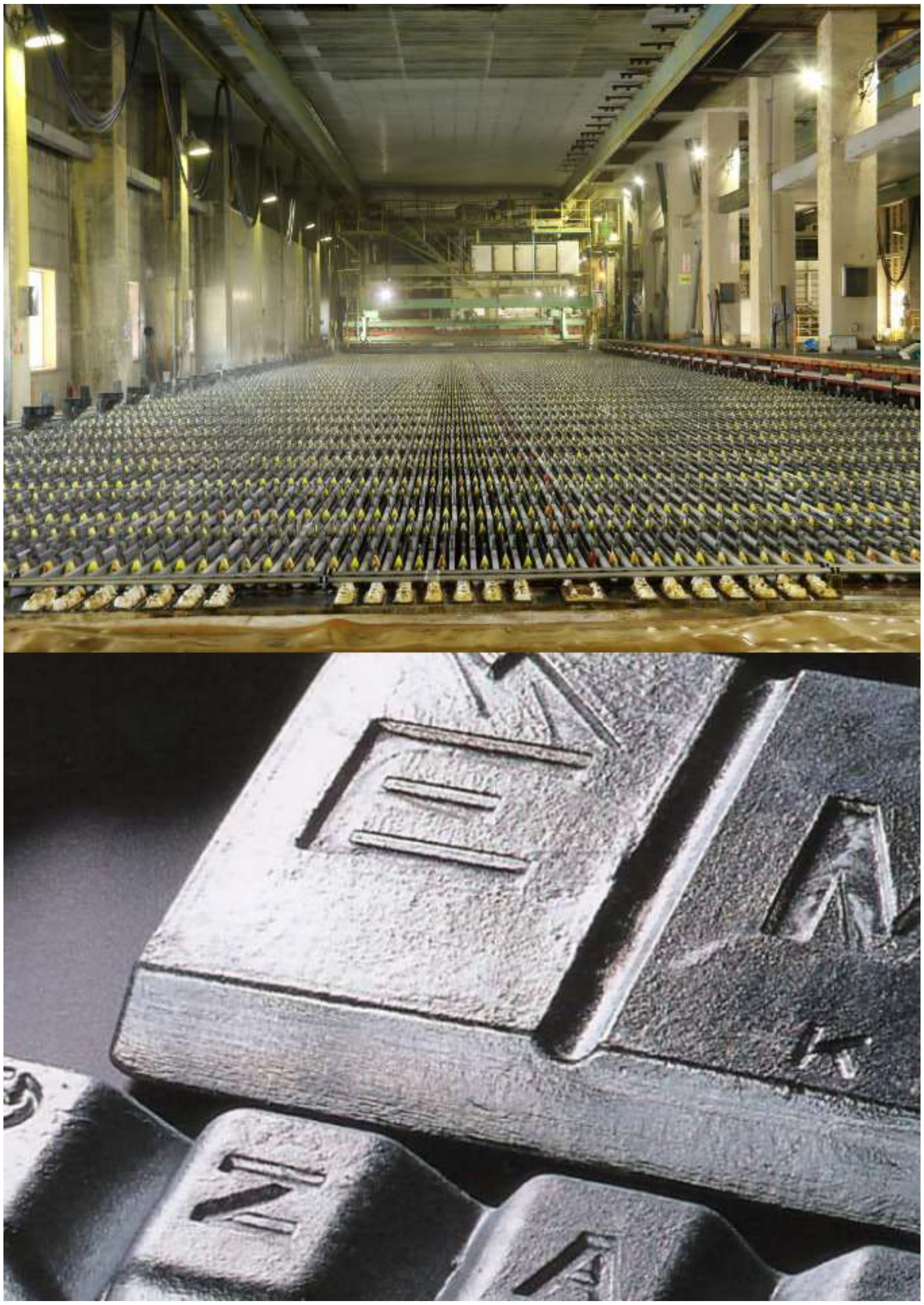
Zinc smelting recycling ratio

- The zinc recycling ratio of 51% is based on 220k tons of zinc ingot production, of which 112k tons is made from recycled raw materials.
- These recycled raw materials consist of 69k tons of crude zinc oxide (smoke ash from electric furnace steelmakers, 25-30% zinc), 18k tons of zinc slag (dross from metal galvanizing processes), and 25k tons of crude zinc oxide from overseas sources.
- Handling these recycled raw materials requires expertise, acting as a barrier to entry. It is close to the achievable limit of zinc recycling.
- The company's Santa Luisa mine supplies 70k tons of zinc ore, which is 35k tons of zinc metal equivalent at a grade of 50%.
- Taking into account supply from proprietary mines, zinc treatment charges (TC) will effectively be applied to only c.60k tons.

Lead recycling ratio

- The lead recycling ratio of 69% is based on 71k tons of lead ingot production, of which 49k tons is made from recycled raw materials.
- Recycled raw materials include 29k tons from lead batteries and the rest from lead slag: 8k tons (generated by copper smelter; not processable by the smelter), and 12k tons from the Hachinohe smelter.

Exhibit 23: Mitsui Kinzoku is a zinc industry major in Japan
Zinc smelting process (top) and zinc bullion (bottom)



Source: Mitsui Kinzoku

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Zinc mining

- The company has developed the Huanzala Mine (began operating in 1968) and Pallca Mine (began operating in 2006), which are operated by Compania Minera Santa Luisa (listed on the Lima Stock Exchange).
- Earnings: In 2025, sales were 504.0bn Peruvian sol (¥21.2bn), operating profit (OP) was 162.3bn Peruvian sol (¥6.8bn), and net profit (NP) totaled 93.0bn Peruvian sol (¥3.9bn).
    - In 2025, production volumes are 65,940 tonnes of zinc ore (vs. 66,276 tonnes in the previous year), 10,722 tonnes of lead ore (vs. 15,183 tonnes), and 15,437 tonnes of copper ore (vs. 12,858 tonnes).
- The mine's useful life will depend on market prices, but it currently exceeds 30 years. The company develops the Atalaya area and plans to start production in 2029-30.

Copper smelting

- This business mainly consists of copper smelters. Hibi Kyodo Smelting, and Pan Pacific Copper are equity-method affiliates.
    - Hibi Smelting (Mitsui Kinzoku: 100% ownership)
        - Hibi Kyodo Smelting (Hibi Smelting: 63.51%, Nittetsu Mining: 20.28%, Furukawa Metals & Resources: 16.21%)
        - Hibi Kyodo Smelting
            - Recovered metals: Copper and gold
            - Inputs: Copper ore, copper scrap, etc.
                - Electricity consumption was 320mn kWh in 2025.
        - Profits at the Hibi Smelter are derived from the cost of smelting contracted from Pan Pacific Copper (fixed from FY20; based on 70/7 treatment charges/refining charges) and consist of differential revenue and by-product revenue (antimony, gold, silver, sulfuric acid).
    - Pan Pacific Copper (PPC) (Mitsui Kinzoku: 32.2%, JX Nippon Mining & Metals: 47.8%, Marubeni: 20.0%)
        - PPC is a contract smelter for Hibi Smelting, Saganoseki Smelter & Refinery, and Hitachi Works. PPC purchases copper ore and other raw materials from these companies.
        - PPC will merge with Mitsubishi Materials on October 1, 2026, to form PPC Materials, with Mitsubishi Materials' copper smelters added as processing partners. The ownership structure will be JX Metals 32.5%, Mitsubishi Materials 32.0%, Mitsui Kinzoku 21.9%, and Marubeni 13.6%.
- Cost structure of copper smelters
    - Electricity costs

- Each ton of electrolytic copper consumes 2,200kWh of electricity.

- Treatment charge/refining charge: TC/RC
  - Smelters purchase copper ore at a price calculated by subtracting TC/RC from copper ore prices, using the LME copper price as an indicator.
  - TC/RC is denominated in USD, exposing it to forex fluctuations. TC is determined based on supply-demand conditions for copper ore. Annual contracts are common.

Exhibit 24: Tamano Smelter produces 290,000 tons of electrolytic copper annually.
Copper smelting

Source: Company

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Exhibit 25: Tamano Smelter comprises shareholders such as Hibi Smelting, a subsidiary fully owned by Mitsui Kinzoku, Nittetsu Mining (20.28%), and Furukawa Metal Resources (16.21%).
Overview of the Tamano Smelter

Source: Company

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Corporate segment

- This segment comprises the engineering business, rolled copper products, and perlite products.

Business creation segment

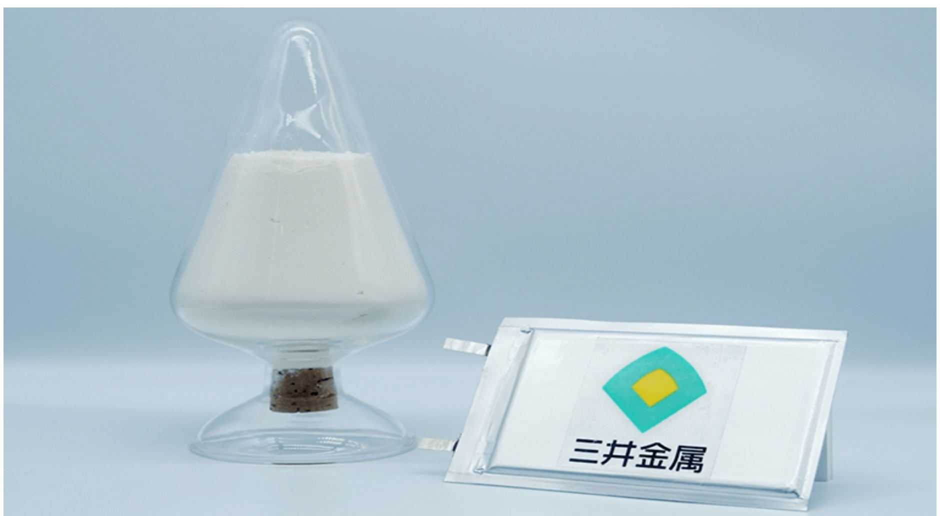
- The business creation division here oversees new product lines.
- It aims to contribute ¥10bn to profit by 2030
- Reference report: Mitsui Kinzoku (5706): Briefing: Solid electrolyte and functional porous materials 09 October 2025

Solid electrolyte A-SOLiD

- This sulfide solid electrolyte in powder form is used in all-solid-state batteries.
    - Mitsui Kinzoku manufactures argyrodite-type sulfide solid electrolytes.
    - The solid electrolytes used in cathodes, anodes, and separator layers differ.
- Compared with rival products, it has better ion conductivity and particle size control. The material has excellent mass production qualities.
- On 20 December, the Ministry of Economy, Trade, and Industry issued a news release that it will provide subsidies to ensure battery material supply.
    - Mitsui Kinzoku plans to invest about ¥19.8bn (subsidies up to about ¥9.9bn) for development, introduction, and improvement of production technologies for sulfur solid electrolytes.

  - By the time work covered by the subsidies is completed, it is to decide on investment in mass production facilities on a scale equivalent to 3GWh/year or more.
    - A decision is expected during the span of the medium-term management plan for FY3/26-28.
- According to a release on 24 Sep, the company plans to build a facility in Ageo, Saitama Prefecture for the initial mass production of A-SOLiD. Supply will be used to produce all solid-state batteries, scheduled for launch in around 2027.
  - Testing facilities for volume production quadrupled in October 2025.
  - Initial mass production is scheduled for 2027.
    - 90% of all-solid-state battery companies use Mitsui Kinzoku's materials.
  - Solid electrolyte used in the positive electrode layer
  - Separator layer adopted by a competitor
- Rivals: Idemitsu Kosan, AGC.

Exhibit 26: A-SOLiD is a sulfide solid electrolyte in powder form that is used in all-solid-state batteries
Solid electrolyte A-SOLiD



Source: Mitsui Kinzoku

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Functional porous materials

- Functional porous materials are solid materials with fine pores.
- It plans to set up a new business division in 2026 and install pilot production facilities in 1H 2026.
  - The pilot plant will manufacture various functional porous materials. The company will construct integrated facilities capable of producing all types of composites, including MOFs, monoliths, and zeolites.
- Management aims to launch several new businesses in 2027-28. Potential applications include CO2 separation and recovery, selective adsorbents, and materials for lithium recovery from salt lakes.

  - For CO_2 separation and recovery, it has conducted CO_2 recovery tests and concentration separation from flue gas at its Hachinohe smelter.

  - For selective adsorbents, the company aims to selectively recover targeted precious metals. Management is considering the efficient recovery of precious metals from exhaust gas catalysts.

  - Mitsui Kinzoku is collaborating with Summit Nanotech to recover lithium using the DLE method.

Sintered copper paste for power semiconductors

- Since power modules handle large currents, silver is currently employed because solder (an alloy of tin and lead) cannot be used. As silver is expensive, copper is a candidate.

- The company aims to manufacture materials that sinter at low temperatures and offer high reliability.

- In 2024-25, Mitsui Kinzoku obtained material certification from certain customers.

  - Copper paste as a bonding material is becoming increasingly important in China, and the company is pivoting from Europe, the US, and Japan to China.

Negative thermal expansion material

- Negative thermal expansion material is a special material that shrinks when the temperature rises.

- Silica and other inorganic fillers are currently used to suppress the expansion of resin, but there are now fields where that is not sufficient. Evolution of electronic devices has created a need for even more efficient suppression of expansion. The company's product may replace silica or be added to it. Applications include low thermal expansion films, MEMS, mold resin and semiconductor encapsulants, printed circuit boards, and adhesives.

- A feature of the company's product is that its use can be freely modified. It also covers a wide temperature range.

- It comes in three types: ZMP (outstanding shrinkage at near room temperature), CZVPO (shrinkage at a wide range of temperatures, expansion at extremely low temperatures), and ZSP (most outstanding shrinkage at high temperatures).

iconos and rare earth solutions

- iconos is a line of solution materials comprising a wide range of elements, mainly Tantalum and Niobium, which are elements with poor solubility. The products are highly reactive, so can be used in a wide range of applications including composites and coatings.

- The products can be used for applications including battery materials and electronic materials. The company has finally established needs for iconos, which was difficult since their development was based on ideas rather than clear demand.

Sensitivity

- Each ¥1/$ depreciation of the yen increases annual RP by ¥650mn.

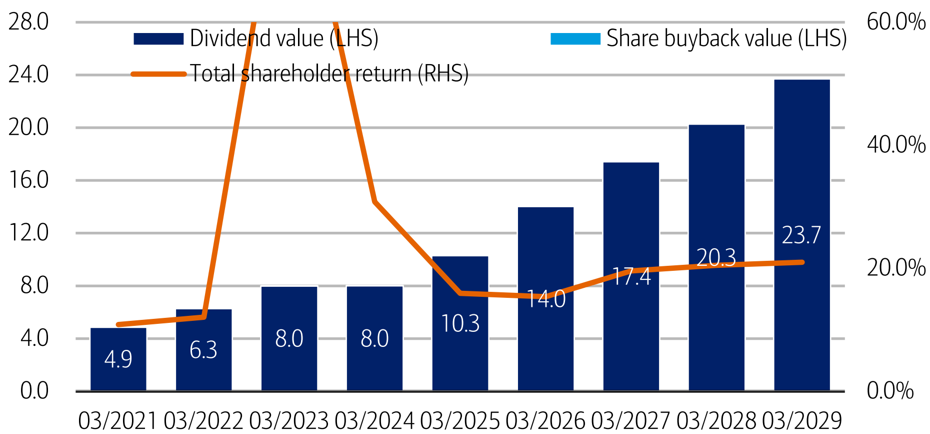
  - This sensitivity applies only to the metals segment. For the engineered materials segment, a ¥1/US$ depreciation is expected to increase annual recurring profit by ¥100–200mn.

- Each $100/ton increase in zinc prices boosts annual RP by ¥1,480mn.
- Each $100/ton increase in lead prices boosts annual RP by ¥230mn.

Shareholder returns

- The company is adopting a progressive stance with a DOE target of 3.5%.
- Share buybacks will be considered if the M&A and CVC budgets (nearly ¥30bn) are not used up.
- Rather than increasing equity capital and repaying interest-bearing debt, additional buybacks will be undertaken if investment outlays are small.

Exhibit 27: Management targets a 3.5% dividend on equity.
Mitsui Kinzoku (5706): Shareholder return value (Bn JPY)



Source: Company, BofA Global Research estimates

BofA GLOBAL RESEARCH

Medium-term business plan (2025-27)

- Period: FY3/26–28
  - Targets were updated in May 2026.
  - Report: Mitsui Kinzoku (5706): Briefing: Medium-term targets raised; strong investment appetite for copper foil 21 May 2026
- Targets for FY3/28
  - Revenue: ¥830bn; recurring profit: ¥115bn (FX assumption ¥155/$)
    - Engineered materials: ¥80bn; metals: ¥45bn; new businesses: -¥10bn
  - ROE: 17%; ROIC: 14%
- Targets for FY3/31
  - Revenue: ¥900bn; recurring profit: ¥150bn
    - Engineered materials: ¥130bn; metals: ¥20bn; new businesses: ¥0
  - ROE: 16%; ROIC: 20%
- Cash allocation

- Cash-in
  - Operating cash flow: ¥300bn
- Cash-out
  - Growth investment: ¥122bn
    - Planned investment in A-SOLiD storage battery production equivalent to 3 GWh per year
  - Maintenance capex: ¥80bn
  - Shareholder returns: ¥48bn
  - Debt reduction and others: ¥50bn

Briefing notes

Mitsui Kinzoku (5706): Briefing: limited profit growth in copper foil in initial FY3/27 plan 13 May 2026

Mitsui Kinzoku (5706): Briefing and Malaysian copper foil plant visit; brighter copper foil outlook 07 January 2026

Mitsui Kinzoku (5706): Briefing: Higher copper foil volumes and price hikes, VSP capacity expansion 11 November 2025

Mitsui Kinzoku (5706): Briefing: Solid electrolyte and functional porous materials 09 October 2025

Price objective basis & risk

Mitsui Kinzoku (5706 / XZJCF)

We set our PO for Mitsui Kinzoku at ¥60,500. We apply 35x P/E for FY3/28. With improved growth prospects for MicroThin foil and VSP foil, we apply higher valuation than the upper end of the 8-33x P/E range that has prevailed since Oct 2025.

Downside risks to our PO are: 1) rapid yen appreciation (each ¥1/$ appreciation reduces annual RP by ¥650mn), 2) sharp decline in zinc prices, 3) intensified competition in MicroThin and VSP copper foil, and 4) a sharp drop in copper foil volumes due to technological changes. Upside risks are: 1) rapid yen depreciation, 2) a sharp rise in zinc prices, and 3) robust expansion in copper foil demand driven by technological advances and the evolution of AI servers.

Analyst Certification

I, Takashi Enomoto, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Japan - Cyclical Materials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Adeka Corp	ADKCF	4401 JP	Niima Komura
	AGC Inc	ASGLF	5201 JP	Kyoji Chiba
	Asahi Kasei	AHKSF	3407 JP	Takashi Enomoto
	Denka	DENKF	4061 JP	Takashi Enomoto
	ENEOS Holdings	JXHGF	5020 JP	Takashi Enomoto
	Fujikura	FKURF	5803 JP	Takashi Enomoto
	Furukawa Electric	FUWAF	5801 JP	Takashi Enomoto
	Fuso Chemical	XQRDF	4368 JP	Niima Komura
	Idemitsu Kosan	IDKOF	5019 JP	Takashi Enomoto
	Kansai Paint	KSANF	4613 JP	Takashi Enomoto
	Marubeni	MARUF	8002 JP	Takashi Enomoto
	Marubeni	MARUY	MARUY US	Takashi Enomoto
	MARUWA	MAWAF	5344 JP	Niima Komura
	Mitsubishi Corp.	MSBHF	8058 JP	Takashi Enomoto
	Mitsubishi Gas Chemical	MBGCF	4182 JP	Takashi Enomoto
	Mitsubishi Materials	MIMTF	5711 JP	Takashi Enomoto
	Mitsui & Co.	MITSF	8031 JP	Takashi Enomoto
	Mitsui & Co.	MITSY	MITSY US	Takashi Enomoto
	Mitsui Kinzoku	XZJCF	5706 JP	Takashi Enomoto
	Nichias	NICFF	5393 JP	Kyoji Chiba
	Nippon Electric Glass	NPEGF	5214 JP	Kyoji Chiba
	Nippon Sanso Holdings	XCIDF	4091 JP	Takashi Enomoto
	Nissan Chemical	NNCHF	4021 JP	Takashi Enomoto
	Nittobo	NBCLF	3110 JP	Takashi Enomoto
	NOF	NOFCF	4403 JP	Takashi Enomoto
	Osaka Soda	DACLF	4046 JP	Takashi Enomoto
	Rengo	RNGOF	3941 JP	Kyoji Chiba
	Resonac Holdings	SHWDF	4004 JP	Takashi Enomoto
	Sekisui Chemical	SKSUF	4204 JP	Takashi Enomoto
	Shin-Etsu Chem	SHECF	4063 JP	Takashi Enomoto
	SUMCO	SUMCF	3436 JP	Takashi Enomoto
	Sumitomo Bakelite	SBKLF	4203 JP	Niima Komura
	Sumitomo Chem.	SOMMF	4005 JP	Takashi Enomoto
	Sumitomo Corp.	SSUMF	8053 JP	Takashi Enomoto
	Sumitomo Corp.	SSUMY	SSUMY US	Takashi Enomoto
	Sumitomo Electric Industries	SMTOF	5802 JP	Takashi Enomoto
	Sumitomo Metal Mining	STMNF	5713 JP	Takashi Enomoto
	Tokai Carbon	TKCBF	5301 JP	Takashi Enomoto

Japan - Cyclical Materials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Tokyo Ohka Kogyo	TOKCF	4186 JP	Niima Komura
	Toyo Gosei	TYGIF	4970 JP	Niima Komura
	Tri Chemical Laboratories	XWURF	4369 JP	Niima Komura
NEUTRAL				
	Cosmo Energy Holdings	CEHCF	5021 JP	Takashi Enomoto
	Fujimi Incorporated	FUJXF	5384 JP	Niima Komura
	Kaneka	KANKF	4118 JP	Kyoji Chiba
	Kumiai Chemical Industry	XHEXL	4996 JP	Kyoji Chiba
	NGK Corporation	NGKIF	5333 JP	Kyoji Chiba
	Nippon Paint Holdings	NPCPF	4612 JP	Takashi Enomoto
	Nippon Paper Industries	NIJPF	3863 JP	Kyoji Chiba
	Nippon Soda	NSDFF	4041 JP	Kyoji Chiba
	Oji Holdings	OJIPF	3861 JP	Kyoji Chiba
	Osaka Organic Chemical	XAPKF	4187 JP	Niima Komura
	Tekscend Photomask Corp.	XJXHP	429A JP	Niima Komura
	Toyota Tsusho	TYHOF	8015 JP	Takashi Enomoto
UNDERPERFORM				
	Air Water	AWTRF	4088 JP	Takashi Enomoto
	Daicel Corp	DACHF	4202 JP	Takashi Enomoto
	INPEX	IPXHF	1605 JP	Takashi Enomoto
	Iwatani Corporation	IWTNF	8088 JP	Takashi Enomoto
	JFE Holdings	JFEEF	5411 JP	Takashi Enomoto
	Kobe Steel	KBSTF	5406 JP	Takashi Enomoto
	Kuraray	KURRF	3405 JP	Takashi Enomoto
	Kureha	KURCF	4023 JP	Niima Komura
	Mitsubishi Chemical Group	MTLHF	4188 JP	Takashi Enomoto
	Mitsui Chemicals	MITUF	4183 JP	Takashi Enomoto
	Nippon Shokubai	NSHKF	4114 JP	Takashi Enomoto
	Nippon Steel	NISTF	5401 JP	Takashi Enomoto
	Sumitomo Osaka Cement	SUCEF	5232 JP	Kyoji Chiba
	Taiheiyo Cement	THYCF	5233 JP	Kyoji Chiba
	Toray	TRYIF	3402 JP	Takashi Enomoto
	Tosoh Corporation	TOSCF	4042 JP	Takashi Enomoto
	Zeon	ZEOOF	4205 JP	Niima Komura
RSTR				
	JX Advanced Metals Corporation	XJTIF	5016 JP	Niima Komura

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Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 − Tax Rate) + Goodwill Amortization	Total Assets − Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations − Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt − Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations − Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

Valuation Toolkit	Numerator	Denominator

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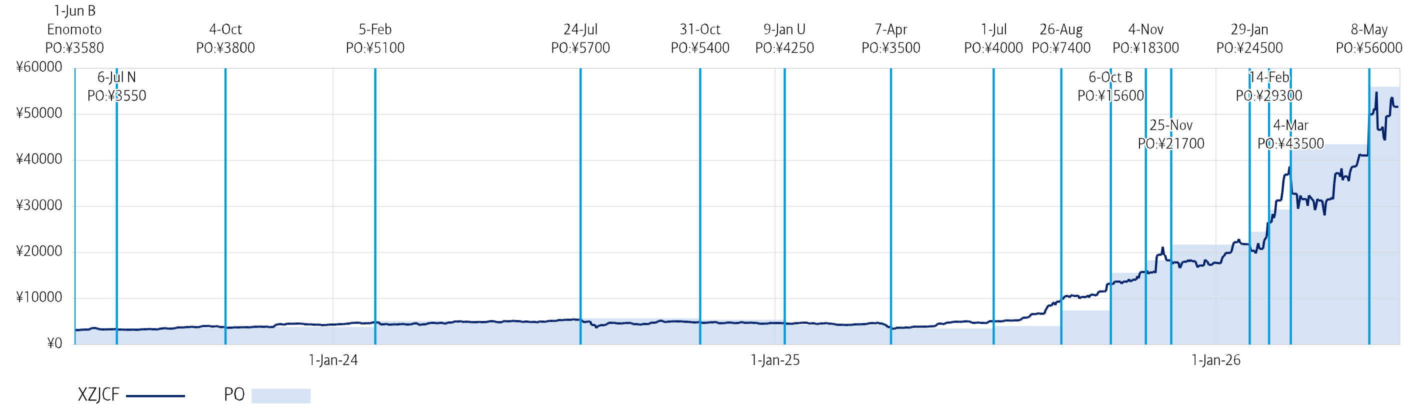
Mitsui Kinzoku (XZJCF) Price Chart



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Equity Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 31 Mar 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	68	65.38%	Buy	36	52.94%
Hold	18	17.31%	Hold	8	44.44%
Sell	18	17.31%	Sell	9	50.00%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1993	55.76%	Buy	1186	59.51%
Hold	821	22.97%	Hold	509	62.00%
Sell	760	21.26%	Sell	400	52.63%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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