

Investor Day 2021 Q&A

【Date】 June 8, 2021

【Speaker】 Tetsuya Fukuda, Managing Officer, Chief Operating Officer of Mineral & Metal Resources Business Unit

【Moderator】 Masaya Inamuro, General Manager of IR Division

<Q1>

On slide 7, you mentioned three businesses as multiple businesses which you develop through core business activities; 1) underground resources business and mining related business, 2) supply of recycled materials and low carbon materials, and 3) energy solutions business. I would like to clarify which businesses you will work on together with the operators and which businesses you will work on proactively.

<Fukuda>

The operators are responsible for mining operations, but we provide advice / proposal and involve in the management to enhance its project value. How we demonstrate our strengths and prioritize our initiatives will depend on the challenges faced by each business and the business environment of the country where the project is located. For example, our partners offtake scrap generated from mines and are distributing them. We are also developing with our partner a desalination plant for a mine in Chile.

<Q2>

Given that it is expected that a large amount of scrap will come out of China in the future and there is a global movement to introduce a carbon tax, I think recycling businesses will become more important. But, at the same time, this business domain is very challenging. How will you leverage your strength, and will it become a business of scale in 10 years?

<Fukuda>

We have been engaging in the steel scrap business for more than 30 years. In the past, we mainly traded steel scrap from scrap-producing countries to countries in demand, but with the tightening of regulations on scrap in various countries, we are seeing changes in distribution channels. We are considering how to tackle the recycling business, which is moving toward local production for local consumption, and how to operate the scrap business, especially in China and Asia, by making full use of various knowledge we have accumulated through the scrap collection business and our investment in North America. The ratio of electric arc furnaces is currently 28% globally, and it is expected to increase by nearly 10% by 2030. We are also seriously considering how we can monetize from this global trend, the increasing demand for scrap, especially the tightening of steel scrap in China.

<Q3>

Please advise any progress on your investment in nickel and lithium projects, the region, and the stage of development.

<Fukuda>

Demand for nickel and lithium for batteries is expected to grow significantly, and we believe that securing equity interests in nickel and lithium is extremely important. Although we do not have any specific projects under execution, we will enhance initiatives in the entire value chain, not limited to upstream projects.

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