

Acquisition of Interest in Rhodes Ridge Iron Ore Project in Australia

Date February 21, 2025 (Friday) 17:30-18:30

Speakers Masaya Inamuro Managing Officer, Chief Operating Officer of Mineral & Metal Resources Business Unit
Takayuki Tsuchida General Manager of Iron Ore Division
Hideaki Konishi General Manager of Investor Relations Division

"Excluding the overlapping parts with the briefing on Wednesday, February 19, 2025."

Q1

I know this deal has been 20 years in the making. Firstly, could you give us some background on how this came to materialize this week?

Inamuro

Yes, the 20 years of preparation led to this deal. We have been in Western Australia since the 1960s, building relationships with mining companies and families. In particular, discussions over the last several years led to this deal. It wasn't sudden; it came from ongoing dialogue and trust.

Q2

You provide a rough image of your production ramp-up plans targeting 2030. Could you elaborate on the challenges and risks we should be aware of? What milestones should we look out for as evidence of progress?

Inamuro

At this moment, Mitsui is not officially a participant in the Rhodes Ridge Joint Venture, and figures are based on our estimates. We are currently estimating that additional production from Rhodes Ridge will contribute to an increase in our equity share of production. As we participate in the joint venture, we will update stakeholders on new developments.

Q3

Investors are concerned that this big acquisition means no more share repurchases. However, your cash flow allocation on page 13 shows potential for additional share repurchases. Could you confirm your messaging here?

Konishi

Yes, we have increased the balance of the Management Allocation by 100 billion yen. We have allocated enough funds for further investments for growth or additional shareholder returns and our policy of balancing investments for growth with shareholder returns remains unchanged. We included slide 13 in the presentation to reassure this point to our investor community.

Q4

In your Core Operating Cash Flow (COCF) forecast of 100 billion yen for 40 Mtpa and 250 billion yen for over 100 Mtpa, did you use a foreign exchange rate close to the current spot levels?

Inamuro

For foreign exchange, we used the current level of around USD/JPY 150 including the purchase prices.

Q5

Is there a possibility that production starts before 2030, given that part of the infrastructure is already in place? How long will it take to reach the initial stage of 40 Mtpa?

Inamuro

The forecast for first ore by 2030 is based on Rio Tinto's plans. We will follow their development plan and provide you with updates as things progress. Earlier production is preferable, but we need to manage risks carefully.

Q6

You mentioned that global crude steel production is expected to grow. However, with the increasing share of electric arc furnaces, wouldn't the demand for iron ore plateau?

Inamuro

While we see a decrease in production from China and the Far East, other regions like India, Southeast Asia, Africa, and the Americas are expected to increase production. The ratio of electric arc furnaces is expected to rise, but the total crude steel production will still increase. There will be strong demand for materials, including steel, in the medium- to long-term.

Konishi

High-quality steel production in electric arc furnaces requires cleaner iron ore. The demand for high-quality iron ore will remain strong.

Q7

What is your view on global iron ore supply going forward? Are there any new mines coming after the Simandou mine? What are the competitive advantages of Rhode Ridge?

Tsuchida

In terms of iron ore supply, we expect the Simandou mine to come on stream. The industry faces challenges like increasing mining costs and complex business environments. Rhodes Ridge has a competitive advantage due to existing infrastructure and lower development risks.

Konishi

The low phosphorus of Rhodes Ridge is also a strength, adding value to the blend.

Q8

Is the company aiming to place more weight on its resource business?

Konish

Mineral and Metal Resources, as well as Energy, are areas of our strength. We will continue to invest in these areas while also growing other areas like mobility, healthcare, and protein, to maintain a balanced portfolio.

Q9

Why is AMB retaining a 10% stake instead of selling its entire holdings?

Inamuro

We are not the appropriate party to answer this question. However, we understand that AMB wants to contribute to the joint venture and believes in its potential.

Q10

What specific technological developments are being made for utilizing medium-grade ore in the electric arc furnace process, and what is the expected timeline?

Inamuro

The electric smelting furnace is one technology being developed to remove impurities from medium-grade ore. While blast furnaces remain popular, we expect technological advancements to open new routes for producing steel with lower greenhouse gas emissions in the medium- to long-term.

Konishi

The dotted line in the diagram on page 12 shows the future potential of using medium-grade ore in electric arc furnaces. Blast furnaces are still the most efficient method for producing high-quality steel, but advancements in technology will enable the use of medium-grade ore in the future.

END