

21/05/2025

【CLSA Japan Forum】

Mitsui's Mineral & Metal Resources business and the historic Rhodes Ridge acquisition

(p.1) Opening Remarks

Good morning everyone. I am Masaya Inamuro, Chief Operating Officer of the Mineral and Metal Resources Business Unit at Mitsui.

I am very happy to be speaking at the CITIC CLSA Japan Forum. Today, I will be speaking about Mitsui's mineral and metal resources businesses and our recent decision to invest in the Rhodes Ridge iron ore project in Australia, announced in February. We agreed to acquire a 40% interest in the Rhodes Ridge iron ore project, located in Western Australia, a region where we have been engaged in mining development since the 1960s. This investment, which exceeds 5.3 billion US dollars, represents the largest single investment in our company's history.

While some of you might have seen our announcement regarding the acquisition, I would like to present insights into the project and its strategic significance for us.

(p.2) Mitsui Overview

Before that, I would like to speak on Mitsui and the Mineral & Metal Resources segment. We have seven operating segments that encompass a diverse range of businesses as you can see on this slide.

With our worldwide network of 124 offices across 62 countries and regions, we build and grow businesses by leveraging our expertise across a broad range of global sectors.

The Mineral and Metal Resources Business Unit is committed to ensuring a stable supply of resources, materials, and products essential to both industry and society, while also contributing to the development of a low-carbon society.

(p.3) Our Track Record of Enhancing Corporate Value

This slide is from the integrated report issued last September. It shows our 20 years track record, where our profit and market capitalization have continually expanded over the decades, reaching 1.1 trillion yen in net profit for FY March 2024.

Looking at the profit track record in the Mineral & Metal Resources segment, it was just 3 billion yen back in FY March 2004, accounting for a slice of 5% of Mitsui's total net profit at that time. Since then, with continued enhancement of our earnings base through additional investments for growth as well as capitalizing on the rapidly growing demand for resources over the last two decades, the net profit of this segment recorded 335 billion yen in FY March 2024, accounting for 32% of Mitsui's total net profit today.

We have continued to grow by transforming our business portfolio to provide *real solutions* to social issues that change with the times. To reinforce our business foundation, we have been expanding and making additional acquisitions of prime assets by seizing scarce opportunities that Mitsui is uniquely positioned to access, and this is exactly in line with our recent investment decision on the Rhodes Ridge project.

(p.4) Commodities in Mineral & Metal Resources

We have a long history and deep market presence in a wide range of commodities within both the steel raw materials and non-ferrous materials sectors. By combining our business expertise in both investment and trading, we are committed to ensuring a stable supply of mineral and metal resources that are essential to daily life across the globe.

Historically, we have been actively investing in the development of iron ore and metallurgical coal resources since the 1960s, as well as non-ferrous materials such as copper, aluminum, nickel, and recently invested in lithium. Additionally, we strive to create a sustainable and circular economy through our recycling businesses, which include steel scrap, recycled non-ferrous and used battery materials.

(p.5) Major Assets

As shown in this map, our business portfolio is well diversified across regions, commodities, and positions within the supply chain. This diverse portfolio has led to the continuous enhancement of our earnings base while strengthening our resilience against changes in the market environment. It also allows us to build and grow new businesses by leveraging our expertise and market intelligence accumulated across a broad range of global sectors.

(p.6) Core Strategies for Future Growth

Now I will explain our core strategies under our current Medium-term Management Plan that support the continuous growth of the Mineral and Metal Resources segment.

The first one is on the left side, “Strengthen existing operations and add quality assets.” With excellent partners, we have invested in competitive assets related to iron ore, copper and so on. As a result, we are among the world's biggest iron ore suppliers with a large equity share of production. We are further strengthening these core businesses and Rhodes Ridge is a perfect example of that.

The second, is to “utilize urban mines & green materials,” where we are committed to areas such as metal recycling and green materials, such as hydroelectric-derived green aluminum smelting projects in Brazil.

The third is to “develop the battery value chain.” We will leverage our network and enhance our ability to provide solutions in various battery-related fields. These are our 3 core initiatives, and the underlying concept of all of these is the creation and growth of cross-industrial business clusters.

(p.7) Our History in Iron Ore

I will now speak on our iron ore business including our strategy behind our recent decision to invest in the Rhoes Ridge project.

Ever since we started developing iron ore mines in Australia in the 1960s, for over half a century, we have built up extensive expertise and a solid track record.

In the 2000s, as demand from China increased, we focused on major expansions of our existing projects. This helped us form strong partnerships with the industry's three majors, Rio Tinto, Vale, and BHP, giving us a unique position in the market.

With that foundation, we set our sights on Rhodes Ridge, the last large-scale undeveloped iron ore deposit in Western Australia and a true crown jewel of the region. We have been building a relationship with the owner families since the 2000s.

Back then, there were many obstacles, and progress in discussions was limited. But by staying committed and strengthening our ties, passing down the baton from one generation to another, we finally secured the opportunity of an exclusive negotiation. Now, after 20 years of efforts, we have reached an agreement to acquire an interest in this incredibly scarce asset.

With the acquisition and development of Rhodes Ridge, we are looking to take our iron ore business, in which we have a competitive edge, to the next level.

(p.8) Further Strengthening of our Iron Ore Business

Our iron ore business is operated in partnership with the three major players that cumulatively produce the majority of the global seaborne trade volume.

In addition to our joint ventures with Rio Tinto and BHP, we also have a direct equity stake in Vale. These three pillars, with their overwhelming cost competitiveness and production scale, have long been our largest source of earnings, generating 327.7 billion yen in FY March 2024.

By participating in Rhodes Ridge, we aim to establish a fourth pillar in our area of strength. This will further expand and solidify our iron ore business in the future.

(p.9) Project Overview

Let me provide an overview of the Rhodes Ridge iron ore project. Rhodes Ridge Joint Venture holds rights to a vast undeveloped iron ore deposit in Western Australia. Based on confirmed figures alone, the project has 6.8 billion tons of mineral resources, making it one of the largest undeveloped deposits in the world.

(p.10) Competitiveness of Rhodes Ridge

Rhodes Ridge offers several competitive advantages. Firstly, Australia provides a politically stable environment with minimal country risk. In Addition, it has good access to the largest market China, and also the growing iron ore markets of India, and Southeast Asia. Western Australia is recognized as one of the world's largest iron ore producing regions. In particular, the Pilbara region is renowned for its vast reserves and cost competitive high-grade iron ore that requires minimal processing before export. Rhodes Ridge is one of the last remaining large-scale undeveloped iron ore deposits in the region. As mentioned on this slide, some of the characteristics of the project are; one of the world's largest mineral resources, it has among the highest grade in Australia, it is a joint partnership with a proven operator, and its proximity to existing infrastructure lowering development costs and risk, which is why some people call it the last remaining crown jewel in the Pilbara region.

First, as shown in the bubble chart, the mineral resources of the project are among the largest in the world, with significant expansion potential. As a single mine or mining area, it has the potential to become one of the largest operating sites globally. Furthermore, the average Fe content is 61.6%, surpassing that of other projects in Australia. This ensures long-term competitiveness, while some other major mines face production and grade declines. The project will be operated by Rio Tinto, a resource major with whom we have a longstanding partnership through the Robe River Joint Venture.

As I will elaborate in the next slide, the Rhodes Ridge deposit is located near the existing operating mine, which we anticipate will allow us to leverage established infrastructure for low cost and low risk development.

(p.11) Synergy 1: Utilization of Existing Iron Ore Infrastructure

I will now explain the synergies with the existing businesses. The first synergy will be the utilization of existing iron ore infrastructure. Typically, new mine developments require substantial CAPEX for rail and port infrastructure, together with risks of construction delays. However, as Rhodes Ridge is adjacent to the Robe River Joint Venture and Rio Tinto's existing operations, it can utilize existing rail and port infrastructure, significantly reducing development costs and risks compared to other new mine developments, ensuring a quicker production start-up.

Furthermore, with both Rio Tinto and Mitsui participating in the adjacent Joint Ventures, Robe River and Rhodes Ridge, numerous synergy opportunities in areas such as development and operational efficiency can be expected. One example is the potential extension of existing infrastructure. The southern part of Rhodes Ridge tenement contains ore with now scarce, highly sought-after low-phosphorus content. By extending the existing infrastructure, access to this high-quality ore will be significantly enhanced. Through such initiatives, we aim to accelerate development and potentially unlock greater value for both Rhodes Ridge and our existing operations.

(p.12) Synergy 2: Blending

The second synergy comes from the ore grade and marketing. Iron ore from Rhodes Ridge will be blended with ores from other Rio Tinto operated mines, including those in which we have equity stakes in, and will be shipped as Pilbara Blend. Pilbara Blend is the most traded iron ore brand globally and plays a critical role in maintaining stable operations of blast furnaces for steel manufacturers.

Across the industry, maintaining ore quality is becoming increasingly challenging as the reserves at existing mines deplete. In Western Australia, the rising phosphorus content in ore is a particular concern. Some ore from existing mines cannot be sold as Pilbara Blend due to its high phosphorus levels. The abundant low-phosphorus ore of Rhodes Ridge enables the effective utilization of high phosphorus ore from existing mines, creating long-term synergies for existing operations.

Through the development of Rhodes Ridge, we will continue contributing to the stable supply of iron ore worldwide.

(p.13) Production Outlook and Cash Generation of Rhodes Ridge

Next, I will speak on the production outlook and cash generation for Rhodes Ridge. First ore is expected by 2030, with an initial production capacity of 40 mtpa. In the future, we anticipate expanding the capacity to exceed 100 mtpa.

The Core Operating Cash Flow forecast net to Mitsui is approximately 100 billion yen at a production level of 40 mtpa, and around 250 billion yen at a production level exceeding 100 mtpa.

IRR for the project is expected to exceed our investment hurdle rate as a base case. In addition, we will pursue upside potential through accelerated production ramp up, expansion, and operational optimization with other mines.

(p.14) Sustainable Development and Operations

Mitsui places great importance on sustainability in its corporate management. We are therefore committed to advancing sustainable development and operations at Rhodes Ridge as well. The Pilbara region of Western Australia is rich in natural capital, and to safeguard its environment and ecosystem, development plans have been formulated with the project operator Rio Tinto taking the lead. Rio Tinto has committed to net-zero emissions by 2050, a target shared by Mitsui.

Based on the MOU signed in 2022, we are actively exploring collaboration with Rio Tinto to implement low-carbon mining solutions, including switching to low-emission fuels and mining trucks, and renewable energy integration. Furthermore, we are committed to respecting indigenous heritage and fostering strong relationships with local communities through our partnerships with Rio Tinto and AMB.

(p.15) Mitsui's Equity Share of Iron Ore Production

Finally, I will speak on Mitsui's equity share of iron ore production, and how it is changing over time.

In 2015, our equity share of production volume was 50 mtpa. Since then, we have continued to expand our assets, increasing production to 60 mtpa as of today.

With our investment in Rhodes Ridge and the contribution from the existing assets, our equity share of production is expected to increase to 100 mtpa in the future. This will further strengthen and expand our long-term earnings base.

(p.16) Final Remarks

Today, I presented an overview of our Mineral & Metal Resources segment and Rhodes Ridge as one of our key projects for future growth. Our long-term focus remains consistent with our segment mission statement, which is “Delivering stability, sustainability, and prosperity to our business and society through the supply of mineral and metal resources.” We remain committed to increasing the resilience of our business portfolio and further enhancing the cash-generation capability.

Thank you very much for your attention.