

Condensed Transcript of Q&A Session Regarding Metals, Mineral Resources & Recycling Division from Sojitz IR Day (December 10, 2021)

First Questioner

- Q. I found the discussion of circular economy businesses fascinating. Am I correct in the understanding that investment will be devoted toward this field during the period of Medium-Term Management Plan 2023? If so, around what amount will need to be invested in order to grow circular economy businesses into a new pillar of earnings, as shown in the earnings graph presented on slide 10?
- A. Our main approach toward circular economy businesses will be capital tie-ups and acquisitions. In this manner, we will be growing these businesses by incorporating external resources, such as technologies and innovations. Should all of our initiatives prove successful, we will likely be able to achieve the rapid growth in earnings indicated in the graph.
- Q. Will circular economy businesses be the primary target for investments under the current medium-term management plan?
- A. Although circular economy businesses have been defined as a focus area, we plan to begin with investments in this area that are smaller and do not reach the level of tens of billions of yen. Given our experience in upstream fields, these fields will be major target of investment, and investments in these fields may reach the level of tens of billions of yen accordingly.
- Q. Among the Metals, Mineral Resources & Recycling Division's various projects, I found the talk about niobium incredibly appealing. In particular, I sense a lot potential with regard to the technological aspects of TOSHIBA CORPORATION's niobium titanium oxide. What has been your impression of niobium titanium oxide after its release? Have you received a high enough level of inquiries that you see a need to increase the production capacity of your niobium mines in order to respond to the associated demand? If so, what sort of timetable are you envisioning for such an increase?
- A. The production capacity of our niobium mines is currently sufficient for addressing the projected increases in demand. Conversely, we think that it will take some time for the actual demand to emerge. Niobium titanium oxide development is currently at a stage at which we have confirmed the performance of completed prototypes. Going forward, we will need to address the costs associated with the practical application of this product. Plans are in place to equip buses and trucks in Brazil with items using niobium titanium oxide and to put these vehicles into operation. These running tests will provide an opportunity to reconfirm the performance of this product. It is therefore imperative that we secure a sufficient level of cost performance in comparison to rival offerings. After we have cleared this hurdle, we will look to commence mass production in 2023 or 2024. Niobium titanium oxide has been proven to maintain its performance under an incredibly wide range of temperatures. This characteristic means that the adoption of niobium titanium oxide could stimulate the growth of the electric vehicle market, which would also be highly beneficial for niobium production businesses.
- Q. Will the plans for commencing mass production of niobium titanium oxide in

- 2023 or 2024 be more or less cemented in 2022?
- A. At the earliest, we could have plans cemented within 2022, but it is possible that a significant amount of time might be required to formulate these plans due to the technological aspects of the endeavor. We started this business three years ago, and we would have normally hoped to have been able to make these plans a little earlier. However, we have been facing obstacles in terms of timing due to our relationship with Toshiba and other partners. Nevertheless, we hope to make plans for mass productions as soon as possible.

Second Questioner

- Q. Slide 9 details the transformation of the Metals, Mineral Resources & Recycling Division's business portfolio. It was stated that the division plans to divest from upstream coal interests. However, I also understand that you intend to conduct new investments in upstream interests and recycling businesses during the period of the medium-term management plan. Is it safe to assume that the size of the division's asset portfolio will increase from the current scale of around ¥500.0 billion? I believe that the division will see substantial earnings growth. To what degree do you expect to expand the size of your asset portfolio?
- A. We are constantly reviewing our portfolio of upstream assets and assessing the possibility of selling assets for projects in which Sojitz's role or the value of holding has been diminished. You also touched upon thermal coal assets. We still have two thermal coal interests, but these assets will be removed from the balance sheet going forward, whether by sale or by the depletion of their resource reserves. At the same time, we are always considering the option of selling coking coal and other non-thermal coal assets. Ideally, we would like to invest in new areas after we have sold such assets. We do not anticipate that these investments will reach the scale of tens of billions of yen; they will probably be smaller. We have already identified one or two new upstream asset investment candidates that we are examining. We look to bring such projects to fruition. Given this approach, we do not expect that the size of our asset portfolio will grow significantly larger than current scale of ¥500.0 billion during the period of the current medium-term management plan.
- Q. You mentioned that you have identified one or two investment candidates. Am I correct in my assumption that you are examining projects in the areas of silicon and titanium that you mentioned earlier?
- A. Yes, we are also examining projects in such areas.
- Q. I suspect that there is a particularly high barrier to entry into circular economy businesses. I understand that Sojitz partnered with TES-AMM JAPAN K.K. in the area of computer disposition. However, there are various other options for these services in the Japanese market, such as ReNet. Will Sojitz's focus be the domestic market, or will you be looking to develop operations in overseas markets where these services have not yet been established?
- A. We will primarily focus on regions where IT technologies have been adopted on a widespread basis. Accordingly, we will be mainly targeting Japan while also looking to develop operations in regions like North America. The TES Group has branches in Japan as well as in other countries, such as China,

Indonesia, India, and the United States. Moreover, the TES Group has expressed an interest in capitalizing on the reputation of Sojitz as a reliable and well-known partner in its efforts to approach customers with rigorous requirements for information security. The Japanese market will be the first target for our initiatives in partnership with the TES Group, and we also see the potential to introduce this partnership scheme into other markets, such as South Korea, Taiwan, and North America. Disposing of computer and server components involves reusing and recycling components when applicable and finally destroying them so that the metals used therein can be recovered. Determining which components can be used and which cannot is something that requires significant expertise, and this expertise is one way that we can differentiate our business from those of rivals. Moreover, this expertise can be applied to other markets. Our operations in this field are still quite small, but we look to grow them by incorporating technologies and pursuing cross-organizational coordination. We are not 100% confident in the success of these operations, but we sense great promise.

Third Questioner

Q. I was reviewing the presentation materials from the Sojitz IR Day event held three years ago, and I noticed that the 3D metal printer business was included among growth strategies even back then, and I suspect that the division has been steadily developing this business. I also understand that the Gregory Crinum coal mine is the main pillar of business for the Metals, Mineral Resources & Recycling Division. In this business, I believe that pit mining initiatives are moving forward and that the business is ready to be advanced to the next phase. I also seem to recall the division mentioning that strengthening trading functions would be one of its strategies at the time. When viewed from outside of the Company, it is hard to see how the earnings of the division's trading business have changed, especially given the trend toward decarbonization. Over the past three years, what has changed as part of your efforts to strengthen trading functions?

A. We recognize that strengthening trading functions is a task that we will need to attend to. However, we also must acknowledge that, when considering the progress of IT and other operating environment changes, it will not be easy to uniformly strengthen all of our trading functions. When it comes to coal, for example, our customers are also able to use English to gain access to information in Australia and Canada, which means that the demand is decreasing for our functions in these countries. Conversely, when dealing with countries that speak other languages and in which it is more difficult to access information, such as Russia and Indonesia, we still receive requests from customers for Sojitz to act as an intermediary. The continuation of Sojitz's trading activities is thus not only important for boosting earnings, it also helps us find opportunities to develop new businesses or deal in new products. Accordingly, we plan to exercise the necessary trading functions in order to grow our trading operations while effectively controlling risks. In this manner, it could be said that we have moved away from our prior strategy of bolstering earnings from trading to adopt the new strategy of strengthening trading

operations to seek out new business opportunities.