

# INDUSTRIAL MATERIALS GROUP

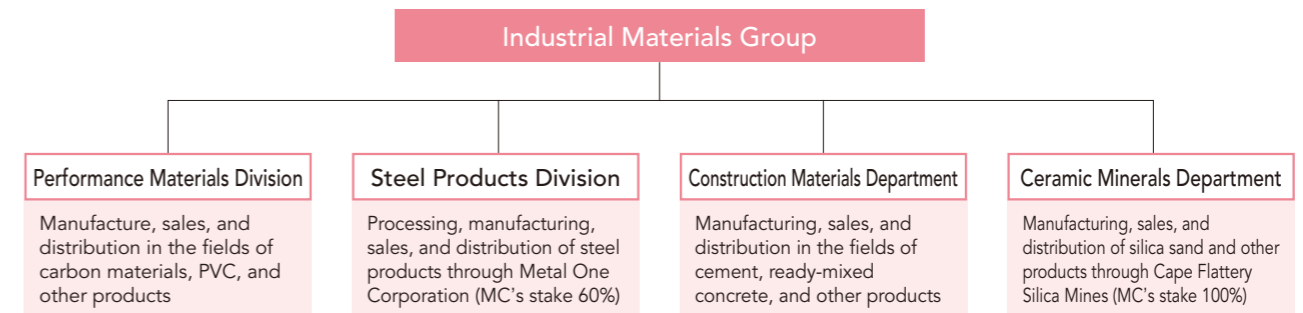


## Our Vision



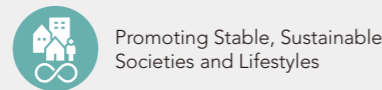
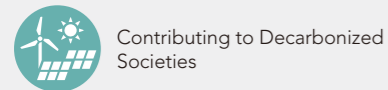
**Kotaro Tsukamoto**  
Executive Vice President  
Group CEO,  
Industrial Materials Group

Our Group will take on the challenge of transforming the materials industry in response to the diversification of needs for materials and changes in industrial structure, and play our role in realizing a sustainable society.



## Materiality (Material Issues)

### Related Material Issues



### Relevance of Material Issues to the Business

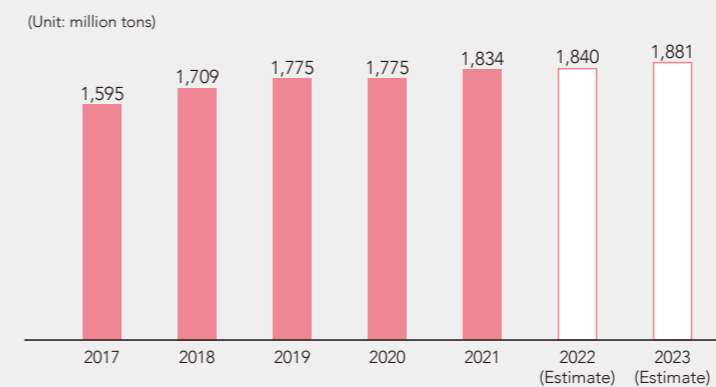
In the materials industry, responding to decarbonization and the diversification of needs for materials, and ensuring stable procurement and supply of raw materials and products are urgent issues. The Group will contribute to the realization of a carbon-neutral society by working on functional materials that support the weight reduction and electrification of automobiles and mobility, and by strengthening our business in silica sand, a raw material used for solar panels. In addition, we will work to improve the efficiency and robustness of the materials supply chain by combining physical businesses, which are essential for the distribution of materials, with digital technology. Furthermore, we will leverage our existing businesses, industry expertise, and global network to shift from the conventional one-way economic model of mass production and mass consumption to a circular economy.

## Group Strengths and Strategy

Group Strengths	<ul style="list-style-type: none"> <li>Industry knowledge and global network in the industries in which we operate, with a focus on the fields of automotive &amp; mobility, and construction &amp; infrastructure</li> <li>Manufacturing, processing, and distribution assets in the materials industry accumulated through business investment and trading</li> <li>Long-term partnerships with materials manufacturers in Japan and overseas</li> </ul>
Summary of Midterm Corporate Strategy 2021	Amid drastic changes in the business environment due to the progress of decarbonization and the development of digital technology, we implemented a bold shift of management resources to fields and businesses with growth potential by contributing to addressing challenges in the industries in which we operate. As one result of this shift, we decided to make a full-scale entry into the functional materials manufacturing business (high-performance plastics, etc.), through which we can take advantage of the Group's comprehensive strengths, including its broad industrial knowledge and global network.
Strategies Under Midterm Corporate Strategy 2024	We will contribute to solving the challenges of the industries in which we operate by making the materials supply chain more efficient and robust through the use of digital technology, working on functional materials that support the weight reduction and electrification of automobiles and mobility for decarbonization, and addressing materials recycling to reduce environmental impact.
Forecast for Future Growth	The materials industry needs to change faster than ever in line with the trend toward decarbonization and the diversification of needs for materials. We will realize our growth scenario in the materials business through the production and supply of materials essential for the realization of a carbon-neutral society, as well as through the use of digital technology to improve the efficiency and strength of the materials supply chain.

## Major Growth Drivers

### Changes in the world demand for steel



Source: World Steel Association

Metal One Corporation is a joint venture with Sojitz Corporation that is engaged in the processing, manufacturing, sales, and distribution of steel products. The steel industry needs to undergo major changes in the future, including a shift in steelmaking processes from blast furnaces to electric arc furnaces against a backdrop of global decarbonization. Metal One has more than 120 physical business bases in Japan and overseas, and by leveraging the industry expertise obtained from those bases with digital technologies, contributes to solving industry challenges especially in the fields of automotive & mobility and construction & infrastructure. Also, it will aim to expand revenue by strengthening its overseas business in the United States and emerging countries, where demand for steel is expected to grow.

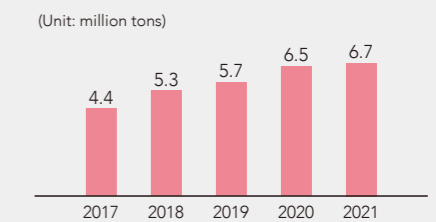
## Business Examples

### Cape Flattery Silica Mines Pty.,Ltd.

The world's largest silica sand producer in Australia (wholly owned by MC), which produces high-grade silica sand used as a raw material for solar panels, displays, and other products that contribute to EX. The Group has an integrated supply chain with a logistics and sales network that extends from the mines to the demand areas.



### Demand for Imported Silica Sand in East Asia



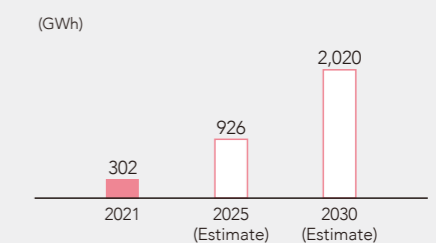
Source: Trade statistics of countries in East Asia

### PMC Tech Co.,Ltd.

A coal-based needle coke manufacturing company in South Korea through a joint venture with POSCO Chemical Co., Ltd. and others. The company has a production and sales network in the markets that are expected to grow in line with the trend toward decarbonization, namely graphite electrodes for electric arc furnaces (steel product recycling), and needle coke as a raw material for lithium battery anode materials, an essential component for electric vehicles.



### Market Projections for Automotive LiBs



Source: Arthur D. Little Japan