

## Q&A Session Minutes on FY2021 Second Quarter Results Briefing

Time: 13:00 to 14:10, Tuesday, November 16, 2021

Place: The conference room of head office (Chiyoda-ku, Tokyo) with live internet streaming.

Briefer: SEKIGUCHI Akira, President and Representative Director

### ■ Environmental Management & Recycling Segment

**Q. Profits are growing consistently in recent years, partly attributable to the tailwind from the precious metals market. In the next midterm plan, which will be a focus for this segment, domestic business or overseas business?**

(President)

We are operating in Indonesia, Thailand, Singapore, Myanmar, and China. In the first half of the next midterm plan (FY2022 - FY2024), we will focus on our business in Indonesia, Thailand, and Singapore as there is room to strengthen our business foundations in those countries. There is uncertainty about the future in Myanmar and we will pay attention to future developments. We envision entering new markets in a number of countries but have no specific plans at the present moment.

Under the next midterm plan, we plan to focus on the convergence of the Environmental Management & Recycling Segment and the Nonferrous Metals Segment. We will pursue possibilities to further integrate and develop these businesses. As technical hurdles are expected to be fairly high, we will deepen our knowledge based on R&D investments for the next three years to prepare for the creation of a business design in FY2025 and thereafter.

### ■ Nonferrous Metals Segment

**Q. Given that gasoline vehicles are expected to decrease over the medium- to long-term, what plans do you have for developing the PGM recycling business in the future?**

(President)

In response to surges in platinum group metal (PGM) prices, there are movements among smelters in Europe and other regions to utilize spent catalysts that purify vehicle exhaust gas as raw materials for smelting, and we expect that these movements will continue in the foreseeable future.

In these circumstances, our factories are dedicated to recycling, and their main strength is the high PGM recovery efficiency. Another strength is the high level of technology for the post-process (refining process) conducted by TANAKA Kikinzoku Kogyo K.K., our joint venture partner. Moreover, in the collection of spent catalysts as raw materials for recycling, it is important to conduct fair sampling and provide fair value to customers as much as possible. As our factories are dedicated to recycling, the material balance is highly transparent. This has been evaluated by our clients and is proven in our achievements over the past 30 years. We will communicate the appeal to customers at new sampling sites to be established in Spain and South Korea. We believe that persistent marketing activities will

lead us to success.

Unless there is a significant PGM market deterioration, we believe that we will be able to maintain a certain level of profit in this business despite the expected decrease in the number of gasoline vehicles. This is because, even when newly manufactured electric vehicles dominate the automotive market, the retirement of vehicles with internal combustion engines will continue for the next 15 to 20 years, and catalysts for purifying exhaust gas mounted on those vehicles will also continue to be dismantled. Although a sharp price collapse in the PGM market would be a concern, there is the possibility that PGM may be used in fuel cell vehicles, and we believe that the current situation does not require an urgent action.

## ■ Electronic Materials Segment

**Q. This is the business segment that the most positive changes can be expected for the next 3 years. What is the envisioned direction of the segment?**

(President)

The core product in the Electronic Materials Segment has been silver powder. New products such as LEDs and PD that are expected to contribute to income were finally introduced, and their mass production and sale started. We believe that these products will increase profits in line with the expansion of the market. Moreover, the market for our mainstay silver powder is in a situation where steady growth is expected. The conditions of the metal powder market are also starting to look more positive, although its contribution to income is less than the other products.

With respect to the next midterm plan, if we can introduce new products to the market without interruption, it would be possible to change the structure of the three business segments, namely the semiconductor business, the electronic materials business, and the advanced fine materials business, into one that will generate a profit in a well-balanced manner as before. We hope to give explanations of our initiatives by indicating specific figures in the next midterm plan.

## ■ Others

**Q. Under the previous midterm plans, there were projects that did not produce an immediate impact on our income, despite increased capital investments and investments in R&D. Is it perhaps necessary to review the efficiency and effect of each investment project? Moreover, will such investments continue to expand in the future or will recouping investments be prioritized?**

(President)

Past investment initiatives produced mixed results and consisted of those that produced effects as initially expected and those that did not. We regret the fact that the number of the latter cases exceeded the number of the former.

With respect to investment in the Los Gatos Mine, the largest project under the Midterm Plan 2020, the project is faring well, surpassing the initial expectations, partly attributable to market factors. However, for projects that have not produced expected effects, we understand that our assumptions about the markets in question were too optimistic. Given these circumstances, we have been conducting, in our efforts for the last 2 years to formulate a management plan for the coming fiscal years, reviews of major investment projects that are developing at a solid speed following the completion of investment phase. We are checking whether or not the projects have produced effects as initially expected and what the problems have been with those that have not produced the desired effects. By proceeding with this activity, we can expect to prepare an investment plan that would produce plausible outcomes. We are making consistent efforts toward this goal.

Regarding the investment scale for the future, while investments in the Los Gatos Mine accounted for a substantial portion under the Midterm Plan 2020, investments in relation to mine development are expected to decrease, because there is no development project for mines during the period of the next midterm plan. Moreover, we will step up the recoupment of investment in other projects and review the possibility of new investment projects.

In the electronic materials segment, we plan to continue to focus on capital investments and investments in R&D. Many of the products of this segment have a shorter product lifecycle compared to other products of the DOWA Group, and we do not plan to scale back investment because it is clear that the profit level can only be maintained by launching improved products one after another.

We also plan to incorporate strategic investment limits for projects that do not have a clearly defined time frame and use, such as investments toward achieving carbon neutrality, in the overall investment plans.

**Q. With respect to initiatives for achieving carbon neutrality, CO<sub>2</sub> emissions will increase if production expands. On the other hand, initiatives without measures to reduce CO<sub>2</sub> emissions may impede growth. In these circumstances, what will be the specific measures?**

(President)

The CO<sub>2</sub> emissions generated by the DOWA Group comprise approximately 40% each from industrial waste and electricity and the remaining 20% from fossil fuel. Regarding electricity, the procurement of green electricity is one of the solutions. On the other hand, the Group should seriously test which technologies to use in order to reduce emissions from the Group.

The issue of CO<sub>2</sub> emissions from industrial waste, which accounts for approximately 40% of total emissions, is unavoidable for the Group as it engages in the industrial waste incineration and detoxification business. We consider that the incineration and detoxification business will be essential for society even when recycling and reuse of waste materials are widespread in the future. In particular, there will always be social needs to incinerate and detoxify hazardous waste that is not easy to

handle. At the same time, we believe that it will be possible to avoid impact on earnings through the use of various measures, although such measures would not directly result in the reduction of CO<sub>2</sub> emissions. While the development of new combustion technologies will be a major R&D theme for the future, it is currently difficult to show a specific plan in the next midterm plan.

**Q. What is the suitable balance among the improvement of financial position, growth investment and shareholder return?**

(President)

We cannot give a clear answer now because a close examination of revenue size under the next midterm plan has not been completed. We plan to give an answer in the announcement of the next midterm plan. However, we hope to basically strike a balance among them as much as possible.