Toyota Tsusho Corporation

<Toyota Tsusho Circular Economy Business Briefing　Main Q&A>

Date and Time: October 14, 2025, 9:30 – 10:30

Participants:
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Q. Within the value chain of the circular economy businesses, which process generates the highest added value? Also, compared with other companies engaged in circular economy business, which area gives Toyota Tsusho the most distinctive edge?

A. The process that involves thorough processing generates the highest added value. However, rather than a single process alone having high added value, our strength lies in owning an integrated in-house system that covers all stages—from collection and dismantling to final material recovery.

In general, the recycling industry is segmented into separate processes such as collection, dismantling, processing and sales. In contrast, we operate a fully integrated model that encompasses all of these, which allows us to consider where to create added value across the entire flow. This comprehensive approach enables clear differentiation from other companies.

Q. Given the current market conditions and Radius's business model, some believe the company may continue to incur losses. When do you expect to achieve your target ROIC of 10%?

A. Although the market is currently on a downward trend and performance has been sluggish, we anticipate a moderate recovery in market conditions in line with medium- to long-term market growth. We aim to achieve a return equivalent to an ROIC of 10% within the evaluation period set at the time of investment.

At present, we are thoroughly pursuing cost reductions to ensure a return to profitability, while also striving to build a business model that is less susceptible to market fluctuations by securing long-term contracts with customers.

Q. Within the venous supply chain, what position does the Toyota Tsusho Group hold in the market and in which stages do you believe value can be generated?

A. While the market size in each area, both in Japan and overseas, is very large, the scale of our operations is relatively modest—for example, even when combined with Radius, our handling volume of iron scrap accounts for only about 2% of the total market.

Securing collection infrastructure and promoting technological development, such as impurity removal, are key to enhancing our competitiveness.

Q. Regarding Radius, to what extent is there potential for profit improvement even without assuming an increase in U.S. scrap prices?

A. In the electric furnace business, approximately 30% of the company's melting capacity remains underutilized. Over the next three years, we plan to add new lines to enhance production capacity for higher value-added steel products.

In the end-of-life vehicle business, we intend to consolidate overlapping operations among the current 50 sites while expanding into untapped areas.

In the scrap business, we aim to achieve short-term profit improvement through the integration of sales channels of the Toyota Tsusho Group and Radius, as well as the streamlining of agents and sales routes in each market.

Q. Regarding the business overview of the SBUs shown on page 3 of the materials, how is profit composition structured? Also, which areas have shown the strongest growth rates or trends over time?

A. The Resources Recycling SBU and the E-Mobility Supply Chain SBU are expected to experience the most significant growth going forward. Since the establishment of the Circular Economy Division, we have made substantial investments in these two SBUs. At present, profits are well balanced among the Sustainable Materials SBU, the E-Mobility Supply Chain SBU and the Resources Recycling SBU. The Resources Development SBU has been affected by market conditions, such as the decline in lithium prices, but once the market normalizes, we expect to achieve a well-balanced portfolio across all four SBUs.

Q. In connection with the acquisition of Radius, how feasible is it to shift to long-term contracts as part of your transition toward green steel? For example, are you envisioning a model in which Toyota Tsusho collects scrap, secures electric furnace capacity and connects it to users, or one in which Radius expands its scrap processing capacity and develops an electric furnace business in the U.S.? What is your overall vision for the long-term green steel strategy?

A. Regarding green steel, there are still technical issues such as establishing a framework in which contributions to GHG emissions reduction can be specifically evaluated. Discussions with automotive OEMs and steel manufacturers are ongoing to determine which components will use green steel, and approvals are being granted component by component.

At this stage, we have no plans to own an electric furnace to produce green steel for the automotive industry. Going forward, our approach is to collect scrap, sort it into highquality materials suitable for processing in electric furnaces used for green steel and supply it to partners—thereby building a value chain together with steel manufacturers and automotive OEMs.

Q. The scrap and recycling business is generally considered to have a strong "local production for local consumption" aspect. How do you plan to create added value by leveraging your global network going forward?

A. We collaborate and operate businesses with local steel manufacturers and recyclers at our global bases in regions such as Asia, Europe and India, establishing strong partnerships in each area. Because this is inherently a local production for local consumption business, it is essential to generate added value by partnering with local players that have strengths in each region.

Another of our strengths lies in our ability to identify recyclers capable of supplying recycled materials to the arterial supply chain, despite the “industry gap” between arterial businesses and venous businesses. From a trading perspective, we believe our global strength lies in utilizing our existing knowledge to meet the needs of each region and enhance the added value.

Q. Historically, trading companies’ scrap businesses have often been viewed as unprofitable. Do you see signs that the industry is shifting toward one that can generate profit? What preparations is your company making in this regard?

A. In general, trading companies’ scrap businesses are commission-based models centered on trading, in which scrap is purchased from recyclers and sold to steel manufacturers. Such a model makes it difficult to generate added value.

In contrast, as a trading company within the Toyota Group, we secure scrap at its source by collecting it directly from Toyota Motor’s overseas plants. Rather than simply purchasing scrap, we provide waste management service within each plant, thereby creating added value across a broad range of the supply chain—from collection and processing to sales and achieving clear differentiation from other companies.

Moreover, in the broader trend toward carbon neutrality, automakers are raising their recycled material utilization ratios, and EPR regulations are being introduced in Europe and other regions, accelerating the use of recycled materials. Since the introduction of these regulations and OEM targets are expected around 2030, we anticipate significant transformation in the areas of the circular economy and resources recycling over the next five to ten years. Looking ahead, we expect to see mechanisms emerge to absorb the added value and costs associated with recycled material use—or even to place a premium on it.

Q. As indicated on page 12 of the materials, Toyota Metal’s automobile recycling rate is as high as 99.5%. Is this level consistent across other regions? Is there still upside? Also, is it possible to raise Radius's recycling rate to a similar level?

A. Toyota Metal's resource recycling ratio stands at 99.5%, but the calculation methods and regulatory standards differ by country, and the scope of resource recycling processes undertaken varies by business entity. Therefore, it is difficult to make direct comparisons of resource recycling ratios across regions or companies. As for improving the recycling rate at Radius, we believe progress will be largely driven by regulation. In countries without automotive recycling laws like Japan, it is difficult to raise recycling rates based solely on economic principles. Radius is also working to improve its recycling rate; however, in markets such as the U.S.—where efforts to recycle resins contained in ASR (Automotive Shredder Residue) are not yet prioritized—it will be challenging to achieve a significant increase in the near future.