SUMITOMO METAL MINING

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IR-Day 2025 “Advanced Materials Business” Questions and Answers Script (Summary)

[Business in general]

Q) What product group does the company want to expand in the period of the 3-Year Business Plan 2027? Also, how much earnings contribution does the company expect to make?

A) Please refer to page 8 of the document. SiCkrest® (Bonded SiC substrate), in which we have been investing to respond to the demands on power semiconductors, and oxidation-resistant nano copper powder, which is an alternative material for silver, have been receiving a lot of inquiries. We believe these will become our big seeds. The applications of SOLAMENT™ are growing rapidly. So, we want to strengthen our sales strategies, including our branding strategies, for SOLAMENT™. We also believe that sales of MLCCs, which are essential in data centers, paste used for chip resistors, and Faraday rotator (FR) crystal for optical communication will grow with the expanding use of generative AI. We envision a scale of several billion yen for each product group.

Q) The ROCE of the Materials Segment (Advanced Materials Business + Battery Materials Business) in the final fiscal year of the 3-Year Business Plan 2027 is expected to be 2.9%. What is the outlook for Advanced Materials Business?

A) We can't give specific figures, but given that the advanced materials business is a collection of small but highly profitable businesses, it is safe to assume that the ROCE of the advanced materials business is higher than that of the material segment, which is 2.9%.

Q) Are the manufacturing capacities enough for products that are expected to increase demand? Or will further investment be required in the future?

A) Although, depending on the product, some levels of demand increase can be handled with the existing capacity, so we are not considering a large investment at the moment. Even if additional investment becomes necessary, it should be limited to adding facilities or equipment to existing buildings.

[Nickel powder and nickel paste]

Q) Smaller particle sizes seem to be the current trend. Can we deduce that reducing the particle size will increase the profitability?

A) The need for smaller particle sizes comes from miniaturization of MLCC. The miniaturization of MLCC may reduce the total amount of nickel used, but we believe that the added value will increase as the particle size decreases. Our manufacturing process (wet process) is suitable for producing fine particles. We hope to continue increasing our production of smaller particles.

[Faraday rotators]

Q) What differentiates your products from those of competitors?

A) For example, a competitor in the U.S. works not only on Faraday rotators. They are known to have vertically integrated different product lines—from isolator to transceiver. On the other hand, we supply products to isolator manufacturers. We are focusing on building a strong supply chain that does not make manufacturers that use isolators feel uneasy about supply. For example, transceiver manufacturers. We plan to increase our market share with this robust supply chain.

Q) Development of optical communication technologies may lead to optoelectronic fusion. Once this happens, how will the demand for Faraday rotators change?

A) As light is diffusely reflected in optical fibers, an isolator is needed somewhere to connect long distances. It is true that the demand for parts may reduce in quantity due to the part integration. However, we believe that isolators continue to be necessary as long as diffuse reflection occurs. Although, depending on the balance between the growth of data centers and technological advancements, at this time, we believe that future demand will not decrease significantly.

[SiCkrest®]

Q) Regarding SiC, what is your view on the profit ratio of in-house manufacturing and licensing?

A) We are now discussing on the licensing. In addition to gaining profit from the licensing fee, we are also considering selling the polycrystalline substrates for bonding that we manufacture. The scale of licensing is still under negotiation, so it is difficult to explain the ratio at this point.

[SOLAMENT™]

Q) I'd like to know the chemical mechanism.

A) SOLAMENT™ is a semiconductor particle. This material exhibits a distinctive electronic state. Even in sunlight, it does not react to visible light or ultraviolet rays, but only to near-infrared rays. When near-infrared light (specific electromagnetic waves) is irradiated, the electrons in the crystal vibrate, causing light absorption. The absorbed light energy is converted into thermal energy with an extremely high efficiency, thereby producing heat (i.e., photothermal energy conversion). The raw material consists of nano-sized ultrafine particles (1/100,000 of a human hair and 1/40,000 of pollen) with a distinctive crystal structure known as hexagonal tungsten bronze. We have independently developed this material and hold patent rights in many countries around the world.

Q) You said there are many inquiries. What is the current situation and your vision for future growth?

A) As for the commercial distribution for closing, we supply materials to textile trading companies. The materials are then made into yarn and fabric, which are designed and sewn by apparel manufacturers, eventually becoming finished garments. In addition to the apparel companies whose logos are listed on page 30 of this document, we have also received an inquiry from a world-renowned high-end brand, although we cannot disclose the name at this point.

As for our vision for future growth, we see that the apparel industry is in a mode of steadily moving forward step by step. They are carefully marketing, preparing the products, and monitoring user reactions, rather than increasing quantity all at once. We cannot tell a specific scale at this point because we have just started working on to increase the recognition of SOLAMENT™. We will be able to tell the scale once the product gains recognition to a certain extent.