

May 8th, 2020

(English translation released on May 29th, 2020)

Explanation Script for Financial Results for Fiscal Year Ending March 2020

(*Due to the cancellation of the teleconference,
the decision was made to publish an explanatory script instead.)

I. General Overview

The following is an overview of SMM's financial results for the year ending March 2020 (FY2019) as announced today. Please take a look at the cover summary on the report of consolidated financial results.

1. Financial results for FY2019: Overview of business performance**1) Consolidated business results for this fiscal year**

The consolidated business results for this fiscal year saw a year-on-year drop in income figures and a decline in profit.

- ① Sales dropped by ¥39.6 bn year-on-year to ¥872.6 bn.
(Gross profit dropped by ¥17.1 bn year-on-year to ¥109.5 bn.)
- ② Pre-tax profit dropped by ¥10.4 bn year-on-year to ¥79 bn.
- ③ Profit for this fiscal year attributable to owners of parent (hereinafter, "net income") was ¥60.6 bn, representing a year-on-year decline in profit of ¥6.2 bn.

2) General briefing

The following is a general briefing on the financial results for this fiscal year. Please take a look at the cover summary on the summary of consolidated financial results or the top of page 1 in the Supplementary Explanation for Financial Summary for FY2019.

[FY2019 Financial Results, Performance Briefing & Comparison with Previous Year]

With regards to the market environment for this fiscal year, the price of copper was generally weak until the third quarter against a backdrop that included sentiments of uncertainty due to trade friction between the US and China, and then subsequently fell drastically due to fears over the impact of the spread of the COVID-19 on economic activity. The price of nickel increased in the first half of the fiscal year against a backdrop of concerns over supply resulting from the enactment of mineral ore export restriction in Indonesia being brought forward to January 2020 and a rapid LME inventory decline. But after the start of the third quarter, other factors including the increasing prevalence of a view that the impact of Indonesia's mineral ore export restrictions would be limited saw the price fall, and then it fell further again due to impact of the COVID-19.

Regarding pre-tax profit and loss for this fiscal year, while the price of gold and nickel increased year-on-year, a drastic fall in other metal price such as copper and cobalt due to trade friction between the US and China played a major role in the decline in profit, while there were also a range of positive and negative factors at play in the whole pre-tax profit basis. In specific terms, while there

were positive factors in the form of profit from the sale of Taihei Metal Industry's fixed assets (+¥9 bn), the fact that the disputed royalties for Cerro Verde recorded as losses in the previous fiscal year did not have to be paid this fiscal year (+¥8.8 bn), and an increase in the price of gold and nickel (+¥4.4 bn/+¥3.8 bn), there were also negative factors in the form of the impact of a fall in the price of copper (-¥10.7 bn) due to trade friction between the US and China, and also cobalt price (-¥10.9 bn). In addition, there was a decline in profit in the materials business (-¥8.5 bn), and there were no profits from the transfer of the Pogo gold mine in the US state of Alaska as recorded last year (-¥9.5 bn). These were the main factors, which, among others, resulted in negative factors taking precedence and causing a downturn of ¥10.4 bn from the previous year to ¥79 bn.

[FY2019 Financial Results, Comparison with forecast in February]

A comparison of FY2019 result and the forecast in February reveals that sales were ¥3.4 bn down, and pre-tax profits and losses saw a profit increase of ¥10 bn.

A breakdown of the ¥10 bn increase in pre-tax profits and losses shows that in terms of market rate factors, while the price of copper and nickel fell drastically due to fears over the impact of the spread of the COVID-19 on economic activity, due to favorable changes in terms of the price of gold and cobalt and in terms of exchange rates, the impact was -¥800 m. Other negative factors were quantity differential (-¥1.6 bn) and cost differential (-¥3.7 bn).

With regards to positive factors, on the other hand, only some of the one-off special losses included in February forecast materialized, leading to a total favorable change of ¥5 bn. (The -¥3 bn in one-off losses at overseas copper mines in mineral resources segment and the -¥3 bn in one-off special losses had been included in the february forecast as risk factor though the amount were not finalized.)

In addition to the aforementioned, there was also revenue from by-products (+¥2.1 bn) and unrealized income (+¥9 bn) and other such things, meaning that in terms of the total for pre-tax profit and loss, positive factors exceeded negative factors by ¥10 bn.

3) Individual Topics

The following covers a range of topics in the financial results for this fiscal year.

① Overseas copper mines

With the exception of Cerro Verde, production volume at every mine saw a year-on-year increase.

Morenci

Overall production volume saw a year-on-year increase to 461 kt thanks to factors including smooth year-round leaching operation and a better-than-planned cathode production volume.

Overall production saw a year-on-year increase of 31 kt due to the contribution made by the cathode production volume.

Sierra Gorda

Operation proceeded at almost full production levels thanks to a transition to stable operation.

Both ore processing volume and ore grade surpassed plans for this fiscal year, and copper production volume reached 108 kt, achieving the planned volume. In terms of equity method profit and loss, there was a large favorable change, both exceeding the plan and achieving a

year-on-year increase (+¥4.1 bn over May plan / +¥6.6 bn year-on-year).

Cerro Verde

Production volume and sales volume in this fiscal year fell below the planned volume and decreased year-on-year reflecting lower copper grade in ore. In terms of the equity method profit and loss, while the negative impact of the fall in copper price was major, the disputed royalties recorded as losses in the previous fiscal year were not applicable this fiscal year (+¥8.8 bn), and profit increased to ¥9.6 bn (+¥6.9 bn).

② Taganito HPAL

In comparison with the previous fiscal year, which saw equipment troubles, preventive maintenance carried out in this fiscal year led to no significant problems occurring, and while the planned production volume for May of 36 kt was not reached, the plant's production volume was 32.3 kt - the first time it had exceeded 30 kt in a fiscal year. The cost differential for this fiscal year also saw a year-on-year favorable change thanks to operational improvements.

③ CBNC (Coral Bay)

Due to small-scale equipment problems, production only reached 19.1 kt this fiscal year and didn't reach the planned production volume for May of 21.5 kt.

④ Materials business

Total sales saw a year-on-year increase for the battery materials business due to the building of capacity for increased NCA production. The powder materials business saw a year-on-year decline due to an ongoing slump in the smartphone market among other factors.

2. Business performance forecast for FY2020

The forecast for consolidated operating results for FY2020 remains underdetermined. The reasons for this can be found in the cover summary of the report of consolidated financial results and the bottom of page 1 in the Supplementary Explanation for Financial Summary along with other relevant information. Thank you very much for your understanding.

3. Dividends

This section concerns dividends.

Please take a look at the middle part of the summary of consolidated financial results cover.

Given that business performance for this fiscal year has been better than the previous forecast in February, we are revising the end-of-year dividend.

We expect to pay an interim dividend of ¥39 per share and an end-of-year dividend of ¥39 per share, giving a total of ¥78 per share and a dividend payout ratio of 35.4% for this fiscal year.

Note that this is a ¥10 increase over the end-of-year dividend forecast from February.

II. Breakdown of Gross profit and Segment Profits, and Other Details

Please look at the Supplementary Explanation for Financial Summary of the FY2019 financial results.

1. FY2019 Results / Comparison with FY2018 Result and FY2019 forecast in Feb on Page 1

1) FY2019 financial results vs. FY2018 financial results

The tables at the top are a year-on-year financial results comparison and a comparison with the business performance forecast disclosed in February for FY2019.

First we will take a look at the year-on-year comparison of the financial results for FY2019, so let's proceed mainly in reference to changes (1)FY2019 result - (2) FY2018 result in the center.

Metal prices and exchange rates are as shown at the bottom of the tables.

Copper was \$5,860/t, which is a \$481 decrease year-on-year. The price of copper experienced a downward trend due to factors including trade friction between the US and China and fears over a global economic slowdown. While in December of last year the price recovered to the \$6,000 range thanks to factors including reduced fears of intensification of the trade friction between the US and China, it subsequently experienced a large decline due to fears over the impact of the spread of the COVID-19 on economic activity and by the end of March of this year had slumped into a low price range of \$4,600 - \$4,700. It is currently hovering at around \$5,200.

Nickel was \$6.35/lb, which is a \$0.50 increase year-on-year. While the price tended to decrease in the first quarter, it also saw an increase to over \$8 by the second half of August last year against a backdrop of concerns over supply resulting from the enactment of mineral ore export restriction in Indonesia being brought forward to January 2020 and a resulting rapid LME inventory decline. But other factors including the increasing prevalence of a view that the impact of Indonesia's mineral ore export restrictions will be limited and a decline in demand due to concerns over a slump in the Chinese economy resulted in another fall in price, and this downward trend continued from the third quarter onward. The price subsequently fell to \$5.01 by the end of March this year due to fears over the impact of the spread of the COVID-19 on economic activity. It is currently hovering at around \$5.50. (LME+SHFE inventory 91 kt at end of Oct -> 260 kt at present).

Gold was \$1,462/Toz, which is a \$199 increase year-on-year. The price of gold increased rapidly from June of last year as a result of the US shifting monetary policy in the direction of easing, and it has subsequently largely continued in an upward trend. After experiencing a temporary downward trend in December of last year, the price once again increased from January of this year to the lower \$1,600 range by the end of March due to a tendency towards risk avoidance against a backdrop of increased geopolitical risks and concerns of a global economic stagnation due to the spread of the COVID-19. It is currently trading in the lower \$1,700 range.

Cobalt was \$15.76/lb, which is a massive \$15.88 decrease year-on-year. Whereas the price of cobalt - which had been the subject of much attention as a battery material for use in automobiles - was rapidly declining from its peak in the previous fiscal year, the price was largely stable around \$15 from spring 2019 onward. The price in the Standard-Low in the most recent Metal Bulletin from May 7 is \$15.00.

The average exchange rate was ¥108.74, representing a ¥2.18 year-on-year increase in the strength of the yen. The yen continued to be strong against the dollar in the first half of this fiscal year against a backdrop of factors including a shrinking interest rate gap between Japan and the US due to a shift in US monetary policy. The trend subsequently shifted to a weaker yen and a stronger dollar due to diminishing concerns over intensified trade friction between the US and China, but then once again reverted to a stronger yen and weaker dollar due to the spread of the COVID-19 that became pronounced from January. The end of year exchange rate saw the yen retain its strength, and strengthen from ¥111.02 as of the end of the previous fiscal year to ¥108.81 as of the end of this fiscal year. It is currently trading in the ¥106 range.

Next, let us examine business performance. Sales for this fiscal year dropped by ¥39.6 bn year-on-year to ¥872.6 bn, resulting in pre-tax profits of ¥79 bn and marking a ¥10.4 bn year-on-year decline in profit.

As per the footnotes for the table, change analysis shows that the impact of market condition was -¥10.6 bn. A breakdown of this reveals that the impact of metal price was -¥13.1 bn, which includes -¥10.7 bn from copper, +¥4.4 bn from gold, +¥3.8 bn from nickel, and -¥10.9 bn from cobalt among other factors.

Furthermore, the foreign exchange had an impact of -¥1.9 bn, and inventory evaluation resulted in a year-on-year increase of +¥4.4 bn.

Quantity differential had an impact of -¥3.6 bn. The main factors include a year-on-year decrease in sales of electrolytic copper and the Cerro Verde copper mine. In terms of other profits and losses from exchange rate differential, a year-on-year decline of ¥3.8 bn was caused by the strength of the yen.

In terms of cost differential, while per-unit cost saw a favorable change thanks to increasing production at Sierra Gorda and with THPAL, increasing costs at the Morenci copper mine and CBNC and other such factors saw the benefit of reduced costs restricted to ¥2.6 bn.

The materials business saw an ¥8.5 bn year-on-year decline in profit. While sales of battery materials increased, the main causes of this decline included a decrease resulting from inventory evaluation, a decrease in sales volume of powder materials, and crystal materials customer inventory adjustment.

And while the ¥9.5 bn profit from the sale of the Pogo gold mine recorded in the previous fiscal year and the ¥8.8 bn of disputed royalties at the Cerro Verde copper mine also recorded in the previous fiscal year were not applicable, this fiscal year included ¥9 bn from the sale of fixed assets accompanying the business withdrawal of SMM's subsidiary Taihei Metal Industry.

Revenue from other by-products and the like contributed to an upturn of ¥5.2 bn, thanks mainly to an increase in the price of palladium.

2) FY2019 financial results vs. FY2019 forecast in February

Following on, the comparison of FY2019 financial results and the business performance forecast disclosed in February is as shown in changes (1)FY2019 - (3) FY2019 forecast in February on the

right edge of the table at the top. Sales were ¥3.4 bn down against the forecast from February, and pre-tax profit and loss saw a profit increase of ¥10 bn.

As per the footnotes for the table, change analysis shows that the impact of market rate factors was -¥800 m. A breakdown of this reveals that the impact of price and condition differential was -¥1.7 bn, which includes -¥500 m from copper, +¥1 bn from gold, -¥2.7 bn from nickel, and +¥400 m from cobalt among other factors. The exchange rate differential had an impact of +¥200 m, and inventory evaluation resulted in an increase of +¥700 m.

Quantity differential had an impact of -¥1.6 bn and cost differential mainly had an impact of -¥3.7 bn.

The February forecast included special one-off losses of ¥2 bn in the materials segment and ¥1 bn in segment adjustment, in the form of a maximized, conservative projection of a potential. However, these one-off losses were all realized in the materials segment and were better by ¥1.5 bn in comparison with the February forecast with the recording of a loss of ¥1.5 bn.

The February forecast also included a special one-off factor for overseas copper mine, which is the Quebrada Blanca Copper Mine Development Project, in the form of a maximized, conservative projection of a potential one-off loss of approximately ¥3 bn, but after a re-evaluation, an adjustment with a local auditing company, and other activities, the final figure for this amount decreased and other one-off profits were recorded accompanying other financial results as well as other factors, and this yielded results that saw a ¥3.5 bn upturn over the February forecast.

In addition to this, there were other factors such as unrealized income that resulted in an upturn of ¥9.2 bn.

The forecast of consolidated operating results for the year ending March 31, 2021 remains undetermined, as the outlook for the economic environment is unpredictable due to the spread of the COVID-19, and it is difficult to reasonably calculate the full-year results at this time. Going forward, the forecast will be promptly disclosed once it can be reasonably calculated. The same also applies to sensitivity. Thank you very much for your understanding.

2. Page 3: results comparison with previous fiscal year by segment (change in gross profit)

The tables in the top left show a year-on-year results comparison for gross profit for FY2019. First, gross profit in the mineral resources segment was ¥41.4 bn, marking a ¥10.5 bn year-on-year decline in profit.

As noted in the explanation of changes in gross profit in the center and below, the Hishikari Mine saw a year-on-year upturn of ¥3.9 bn. The main factor was a price differential caused by a rise in the price of gold that resulted in an upturn of ¥4.5 bn. Profit declined in line with the transfer of the Pogo Gold Mine to Northern Star Resources in September 2018 from the profit recorded in the previous fiscal year.

The 100% base gold sales volumes for Hishikari and Pogo are noted in the table just below. Sales and production for the Hishikari Mine are both almost entirely as planned.

Overseas copper mines, mostly consists of Morenci copper mine, were down by ¥13 bn. While sales volume was on a par with the previous year, a fall in the price of copper resulted in a ¥6.2 bn drop due to price differential and a ¥5.4 bn drop due to unit cost differential, resulting in a year-on-year drop.

Next, gross profit in the smelting and refining segment was ¥51.4 bn, marking a ¥2.7 bn year-on-year

decline in profit.

A breakdown of this is shown in the table at the bottom, with copper-related profits falling ¥2.1 bn and nickel-related profits falling ¥700 m.

A breakdown of the ¥2.1 bn fall in copper-related profits reveals a ¥2.2 bn drop due to quantity differential (drop in sales volume of 31 kt: 461 kt -> 430 kt), a drop of ¥1.4 bn due to copper price and condition differential, and a drop of ¥3.8 bn due to unit cost differential. On the other hand, positive contributions were made by inventory evaluation (¥800 m) and other factors (¥4.5 bn), the latter of which includes negative exchange rate impact of (-¥200 m).

The breakdown of the ¥700 m nickel-related drop reveals a favorable change of ¥1.7 bn due to quantity differential, a drop of ¥8 bn due to nickel price and condition differential caused mainly by a fall in cobalt price, a favorable change of ¥2.2 bn due to unit cost differential, and the impact of inventory evaluation contributed an upturn of ¥3.8 bn, improving by ¥1.6 bn from minus ¥2.2 bn in the previous fiscal year. Included in this another -¥400 m in negative factors, with the exchange rate impact on the total being -¥800 m.

Regarding the comparison of segment profit in the financial results for FY2019 with the previous fiscal year in the top right table, as stated in the notes, the overseas financial subsidiaries that were previously included under [Adjustments] are now in the [Mineral Resources] reporting segment as of this consolidated fiscal year (FY2019) in line with organizational changes. Given this change in handling, the information for the previous consolidated fiscal year (FY2018) disclosed here was put together on the basis of the reporting segments for the current fiscal year.

3. Page 4: results comparison with previous year of material business (sales by product subsegment)

Sales in the materials business overall were ¥228.6 bn, marking an increased income of ¥9.2 bn year-on-year.

Battery materials, for which a production capacity of NCA 4,550t/month was established, saw an increased income of ¥13.4 bn year-on-year.

Income figures dropped to ¥29.3 bn for powder materials due to a ¥3.9 bn fall in sales. Income figures also dropped to ¥17.4 bn for package materials due to a ¥500 m fall in sales.

Crystals and other businesses achieved a result of ¥55 bn, due to an increased income of ¥200 m year-on-year.

4. Page 4: equity method investment profit and loss

In terms of copper-related investments, while Cerro Verde saw a year-on-year reduction in production and decreased sales, the ¥8.8 bn of disputed royalties recorded in the previous fiscal year were not applicable, so the negative impact of the fall in the price of copper and sales was offset, and income increased by ¥6.9 bn to ¥9.6 bn.

Due to factors such as increased ore grade, Candelaria and Ojos del Salado saw increased production and sales year-on-year, and income increased by ¥400 m to ¥2.1 bn.

Sierra Gorda saw a significant year-on-year favorable change in terms of unit cost differential due to operational improvement and stabilization which, among other factors, reduced the deficit by ¥6.6 bn to -¥11.9 bn.

With regards to Acids and others, given that Jinglong Copper and Sumitomo Metal Mining Brass & Copper experienced a decline in profit, profit declined by ¥1.2 bn year-on-year to ¥2 bn. PTVI and other nickel-related entities saw a ¥200 m decline in profit year-on-year to ¥2.6 bn.

N.E. Chemcat and other companies saw a ¥1.4 bn decline in profit year-on-year to ¥1.8 bn. The main reason for this decline is impact of the Quebrada Blanca Copper Mine that was incorporated into equity method investment profit and loss from the second quarter.

With the results above, overall equity method investment profit and loss saw an ¥11.1 bn in profit increase year-on-year to ¥6.2 bn.

5. Page 4: Main changes in finance income/ costs, and other income/ costs

Beneath equity method investment profit and loss is [Main changes in finance revenue and profit / costs, and other revenue and profit / costs], but this refers to the aforementioned impact of exchange rates, profit from the sale of Pogo in the previous fiscal year, and profit from the sale of fixed assets accompanying the business withdrawal of Taihei Metal Industry, so the explanation is omitted here.

6. Page 5: Production and sales trends in resources and smelting and refining

We disclosed production volume and sales volume in mineral resources segment and smelting and refining segment in FY2020 for reference purposes. Production and sales for FY2020 are reference amounts reflected a level of COVID-19 influence which can be estimated at the present moment. Please note this information is a reference and different from the 'Plan' usually disclosed since it is difficult to reasonably calculate the full-year production and sales at this time..

7. Page 6: Financial status (cash flow)

Cash and cash equivalents at the beginning of the fiscal year was ¥81.3 bn. While a cash flow of plus ¥136.5 bn from operating activities in the current fiscal year represented a year-on-year increase in revenue, the fact that cash flow from investment activities was minus ¥70.3 bn - less than the previous fiscal year that saw a significant expenditure on acquisition of interest in Quebrada Blanca - meant that the free cash flow in this fiscal year was plus ¥66.2 bn. Furthermore, given that the cash flow from financial activities was plus ¥9.1 bn, cash and cash equivalents for this fiscal year increased by ¥75.3 bn (excluding the effect of exchange rate) and reached ¥155.5 bn at the end of the fiscal year.

End