

Date of Teleconference: August 7th, 2020

**Consolidated Financial Results for Q1 FY2020 Teleconference**  
**Questions and Answers**

[Questioner 1]

Q: Is it possible to release figures for the first half of the fiscal year showing the sales by segment and the equity method profit and loss?

A: This time, we will not be releasing the separate figures for the first half and second half of the fiscal year forecast. Please understand.

Q: Which quarters will the suspension costs for QB2 be included in?

A: They will be included in the first and second half of the fiscal year and will be split more or less evenly.

Q: Can you explain the difference between the gross profit for the first and second half of the fiscal year mentioned on page five of the Supplementary Explanation to the financial results? For example, there was a decline in profit in the second half of the fiscal year compared to the first, despite the fact that the market price for resources like copper and gold went up. I would like it if you could tell me why.

A: Regarding the Mineral Resources segment, while sales for the Hishikari Mine were up in the first half of the fiscal year, volume for the year is planned at 6.0t. This is why, comparatively, volume for the second half of the fiscal year is reduced. Largely due to this, forecasts for the second half of the fiscal year for resources see a comparative decline in profit.

Regarding smelting and refining segment, improvements primarily to the cost differential for nickel-related smelters and refineries have led to improvements in the profit and loss forecast for the second half of the fiscal year compared to the first half. Regarding materials segment, assuming the recovery of automobile demand from the second half of the fiscal year, we estimate full production and sale of batteries. This will lead to an improvement in the profit and loss forecast for the second half of the fiscal year compared to the first.

Q: Regarding the effect on the reduced production of overseas mines due to the COVID-19, is it possible for you to extract data for the first and second half of the fiscal year separately and tell us what it is quantitatively?

A: Unfortunately, we are not disclosing those numbers either. Please understand.

## [Questioner 2]

Q: Looking at page one of the Supplementary Explanation to the financial results, where the comparative analysis of profit and loss before tax is shown, the cost differential for the current term is worsening year-on-year. On the other hand, when looking at the FY2020 full-year forecast on the same page, it is estimated that there will be an improvement in the cost differential when compared to last year. It seems as though cost improvements have been incorporated into the second half of the fiscal year, could you give us a comment as to why?

A: The main factor behind those is overseas copper mines. Production at the Sierra Gorda mine is going well, and that has led to improvements in the yearly cost differential.

Q: Looking at the announcement for the financial results of Freeport-McMoRan, improvements in cost for overseas copper mines are planned and expected from the second and third quarter. This is understandable for Cerro Verde (where production volume is recovering), but what leads to the judgement that places like Morenci will see cost reductions?

A: We are planning and expecting cost improvements at Morenci through revisions of the operating plan such as reduced operating cost and investment activities.

## [Questioner 3]

Q: While there were inventory adjustments made for battery materials due to the overall slump in automobile demand, is it safe to assume that there were no particular issues with the supply chain?

A: As noted, this is due to the overall slump in automobile demand.

Q: Regarding the expansion of business for battery materials, while I believe there are movements to reevaluate materials like lithium iron phosphate in cathode material, has anything changed with regard to the narrative of the expansion of business for Sumitomo Metal Mining products?

A: At present, there are currently no changes in the policy.

## [Questioner 4]

Q: Regarding forecasts for the production and sale volume of nickel, ferronickel and nickel sulfate from the first half to the second half of the fiscal year, the figures for the fiscal year are higher than those of last year. I would like to know if there is something that supports these forecasts, like orders and inquiries from customers?

A: The situation is one where reductions in demand are becoming apparent across all sectors. This situation is going to change greatly in each area, depending on when the COVID-19 will be brought under control and the financial countermeasures taken by each country. This is why it is difficult to calculate what the specific effects will be at present, but we estimate that there will be a gradual economic recovery when China and India, where demand is largest,

resume economic activities.

Q: Regarding prospects of improvements to its profit and loss at Sierra Gorda, as I understand it, the plan was to make profit and loss on a par, with increased production through mining in areas with high grade ores. Is it fine to assume things will move forward as planned given the current operating climate?

A: There is no impact from the COVID-19, and we are operating in line with the original plan. In FY2021, the last year of the 3-Year Business Plan started in 2018, we are aiming to produce 200kt of copper through expanded mineral ore processing volume through debottlenecking and improvements in copper grade. Our progress towards this goal is favorable, and we estimate 144kt in the current FY2020.

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