

Date of Teleconference: November 9th, 2020  
(English translation released on December 28th, 2020)

**Consolidated Financial Results for Q2 FY2020 Teleconference**  
**Questions and Answers**

[Questioner 1]

Q: Please tell me what you think about the discrepancy between the metal price data disclosed in your November forecast and recent market conditions. For example, the 2H forecast data for copper has the price at \$6,300/t, but recently, it's been close to \$7,000/t. While I think that there is a large impact on the copper mines, given that the company settles accounts in December, does that mean the remaining period is only until December?

A: As the impact of copper prices on overseas copper mines is settled in December, and those will be integrated to our fiscal year result with a three-month difference. Regarding the data for metal prices, we've set them lower than recent prices as we assume there is a possibility that the price will reach a point of correction phase in the future. The level of recent metal prices is higher than it was before the COVID-19 pandemic, and it feels like things are heating up slightly. We set this sort of price as, even considering worldwide supply and demand, the recent stance is one in which copper and nickel will be in slight oversupply next year.

Q: It may be difficult due to the impact of COVID-19, but please tell me about one-off factors that were present this year but will not next year, for example, the QB2 project construction suspension costs.

A: Costs for remobilization of personnel, etc. due to the construction suspension will not add any value to the project, which is why suspension costs for the QB2 project were calculated as period costs. However, as a recent ramping up is proceeding according to plan, we currently estimate that it will be a one-off factor for this year and do not think there will be any other one-off factors of this scale.

Q: Please tell me about the factors behind the Candelaria production reduction, and the current state of the Candelaria mine, which I believe has been closed for around 20 days due to the strike.

A: While there were processing volume reductions due to things like the hardness of mineral ore and production reductions due to things like a drop in grade, processing volume has recovered before the strike. While the strike has continued from October 20, it was not included in the results forecast disclosed in November as the impact it will have on operations and profit and loss is currently unclear.

## [Questioner 2]

Q: Please tell me what was behind the upward revision of the unit cost differential for Morenci and how sustainable it is.

A: In addition to smooth leaching operations bringing production increases, unit cost differential improvements resulted from things like operational improvements and cost reduction activities. We're hoping to continue to get the maximum effect of these, but as we have not yet released the plan for the next fiscal year, we can't say anything at present.

Q: Please tell me the reason behind the reductions in production and sale of electrolytic nickel disclosed in the November results forecast.

A: A reduction in raw material processing volume mainly due to changes in raw material composition are behind reduced production. The impact of COVID-19 has led to reduced sales, mainly domestically, which was the primary reason for a reduction in sales.

## [Questioner 3]

Q: Regarding how material profits moved, please tell me what was behind pre-tax profit and loss moving from the red for 1Q to the black for 2Q. Additionally, there was an explanation in the 2H forecast that market conditions for automobiles and smartphones would return, but it doesn't look like profits will increase that much; what is behind this?

A: When comparing 1H to 2H, one factor is that there were product groups that saw slightly increased sale volume in 2Q when compared to the results forecast disclosed in August.

Q: There was a report that the NAC nickel mine in the Philippines would stop operation due to COVID-19, but can I take it this is having no impact on SMM's operations?

A: Currently, there is no impact on our operations.

Q: Why is there a reduction for gross profit for the smelting and refining segment from 1H to 2H? It seems like pre-tax profit is staying same level. What does make this trend difference between gross profit and pre-tax profit?

A: The impact of the inventory evaluation for the QP difference of the buying and selling of gold is one of the factors behind the decline in profit when comparing 1H to 2H.