

November 9th, 2020

(English translation released on December 28th, 2020)

**Teleconference Explanation Script for Consolidated Financial Results
for the Second Quarter of the Year Ending March 2021 (FY2020)**

I. General Overview

The following is an overview of SMM's consolidated financial results for the second quarter (Q2, six months ended September 30, 2020) of the year ending March 2021 (FY2020) as announced today. Please take a look at the cover summary on the short report on settlement of accounts.

1. Consolidated Financial Results for the six months ended September 30, 2020

:Overview of Business Performance

1) Consolidated business results for the six months ended September 30, 2020

The consolidated business results for the six-month period saw a drop in income figures and a decrease in profit year-on-year.

- ① Net sales dropped by ¥3.3 bn to ¥419.1 bn year-on-year.
(Gross profit increased by ¥1.4 bn to ¥56.2 bn year-on-year.)
- ② Pre-tax profit decreased by ¥10.5 bn to ¥25.9 bn year-on-year.
- ③ Profit for this quarter attributable to owners of the parent company decreased by ¥11.9 bn to ¥17.5 bn year-on-year.

2) General briefing

The following is a general briefing on the financial results for the six months ended September 30, 2020. Please take a look at the cover summary on the short report on settlement of accounts or the top of page 1 in the Supplementary Explanation for Q2 FY2020 financial results.

[Consolidated Financial Results for the six months ended September 30, 2020

: Performance Briefing & YoY Comparison]

① Metal prices in the six-month period

Copper and nickel prices saw significant declines until Q4 FY2019 due to the spread of COVID-19. However, things like China's economy recovering during the six-month period led to an upward trend. Gold prices remained on an upward trend due to uncertainty about the outlook for the global economy following the outbreak. As a result, although copper and nickel prices recovered, the average price was lower year-on-year. The gold price was higher year-on-year.

② Status of consolidated pre-tax profit for the six months ended September 30, 2020

In the six-month period, under the metal price environment mentioned above, the gold price had an impact of ¥4.2 bn increase, and the inventory evaluation profit of ¥2.2 bn increase; however, ¥12 bn decrease due to the copper price and ¥3.1 bn decrease due to the nickel price. This has resulted in a decrease of ¥10.2 bn in total market factors. In addition, there were deteriorating factors such as construction suspension costs in Phase 2 of the Quebrada Blanca Copper Mine (QB2), calculated at ¥3.9 bn, other foreign exchange differential losses of ¥2 bn, and a materials business profit decrease of ¥0.3 bn. On the other hand, although the cost difference improved by ¥5.6 bn mainly due to Sierra Gorda Copper Mine and the quantity difference by ¥1.3 bn, the deterioration of market factors led to an overall consolidated pre-tax profit decrease of ¥10.5 bn to ¥25.9 bn year-on-year.

3) Individual Topics

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

① Overseas copper mines

Excluding Cerro Verde, where operation had temporarily transitioned to a care and maintenance status from March to May following the declaration of a national state of emergency due to the COVID-19 outbreak, the impact of COVID-19 on production at each mine in Q2 FY2020 was minimal, and production volumes at these mines were almost at the same level or better year-on-year. On the other hand, profit and loss at each mine saw a large year-on-year decrease, mainly due to the impact of falling copper prices.

Morenci

In terms of the production volume for the six-month period, leaching operations continued going strong, and a continued high level of cathode production led to an increase of 7 thousand tonnes to 226 thousand tonnes year-on-year. On the other hand, gross profit declined, seeing a year-on-year decrease mainly due to the impact of falling copper prices.

Sierra Gorda

Due to continued stable operations and improved copper grade, the mineral ore processing volume increased, and the production volume for six-month period increased by 18 thousand tonnes to 71 thousand tonnes year-on-year. On the other hand, share of profit (loss) of investments accounted for using equity method saw improvements to the cost difference year-on-year; however, there was a decline of ¥1.5 bn to a year-on-year loss of ¥6.1 bn due to things like falling copper prices.

Cerro Verde

Due to its operation being temporarily transitioned to a care and maintenance status from mid-March to mid-May following the declaration of a national state of emergency resulting from the COVID-19 outbreak, production volume for six-month period decreased by 53 thousand tonnes to 173 thousand tonnes year-on-year. Share of profit (loss) of investments accounted for using equity method in six-month period decreased by ¥5.8 bn to ¥0.3 bn year-on-year due to production decreases and lower copper prices.

② THPAL (Taganito HPAL)

The planned shut-down period was partially extended as the COVID-19 outbreak expanded. However, in addition to maintaining smooth operation, the planned shut-down for September was delayed until the second half of the year, so production volume for the six-month period increased by 0.8 thousand tonnes to 16.7 thousand tonnes year-on-year.

③ CBNC (Coral Bay)

The impact of COVID-19 was minimal and continuing smooth operation led to the production volume for the six-month period increasing by 0.1 thousand tonnes to 10 thousand tonnes year-on-year.

2. Consolidated Results Forecast for FY2020

1) Overview of full-year consolidated results forecast

The full-year consolidated results forecast was disclosed as of the financial results announcement for the first quarter of the year ending March 2021 given in August of this year; however, we have revised our cumulative results forecast for the fiscal year.

Please take a look at the lower part of the cover summary on the short report on settlement of accounts, page 5 of the attachments to the short report on settlement of accounts, or pages 5-6 of the Supplementary Explanation to the financial results.

Regarding the full-year consolidated results, it's forecasted that:

- ① Full-year sales will increase by ¥23 bn to ¥858 bn compared to the August full-year forecast.
- ② Pre-tax profit will increase by ¥19 bn to ¥67 bn compared to the August full-year forecast.
- ③ Profit for this quarter attributable to owners of the parent company will increase by ¥14 bn to ¥46 bn compared to the August full-year forecast.

The metal prices and exchange rates from Q3 onward used as the foundation for forecasting results, based on worldwide supply and demand trends, are: copper \$6,300/t, gold \$1,900/toz, nickel \$6.25/lb, cobalt \$14.5/lb, and the exchange rate is ¥104/\$. This is described on page 5 of the attachments to the short report on settlement of accounts and the lower part of page 1 of the Supplementary Explanation to the financial results.

The revised consolidated full-year pre-tax profit is expected to increase by ¥19 bn to ¥67 bn when compared to the August forecast. Excluding the deterioration through appreciation of the yen on the foreign exchange, a rise in the overall price of metals was expected, leading to a foreign exchange differential decrease of ¥1.6 bn, a price and condition difference increase of ¥15.8 bn and an inventory evaluation increase of ¥0.6 bn, meaning that an improvement of ¥14.8 bn in market factors as a whole is expected in comparison with the August full-year forecast. As other factors, other foreign exchange differentials decreased by ¥2.2 bn, and there was a decrease of ¥0.7 bn due to a deterioration in quantity difference. On the other hand, there was an increase in the materials business of ¥3 bn, an increase in cost difference of ¥1.1 bn. Also, there was a ¥1 bn improvement to the construction suspension costs for the QB2 project that was included from the

August forecast as a one-off factor.

2) Individual Topics

The following covers a range of topics in the full-year consolidated results forecast.

① Overseas copper mines

Excluding reduced production at the Candelaria Copper Mine caused by reductions in mineral ore processing volume due to hardness of the ore and other factors (not including factors from the strike), full-year production volume for each mine for this fiscal year is expected to largely be the same as last fiscal year or higher than what was expected in the August full-year forecast. Additionally, excluding Candelaria, an increase is expected in the profit and loss for each mine in FY2020 compared to the August full-year forecast, mainly due to the impact of rising copper prices.

Morenci

Through a sustained high volume of cathode production, full-year production volume is expected to increase by 21 thousand tonnes to 451 thousand tonnes when compared to the August full-year forecast.

On the other hand, in terms of expected sales volume, since some sales were delayed, the full-year sales volume is expected to decrease 4 thousand tonnes to 459 thousand tonnes when compared to the August full-year forecast.

In terms of the gross profit for the full year, the effect of a rise in copper prices and improvements to the cost difference were significant, and a large increase in profit is expected when compared to the August full-year forecast.

Sierra Gorda

Thanks to stable operations and a high copper grade, the mineral ore processing volume was maintained at a high level, and the production volume this quarter is expected to increase by 1 thousand tonnes to 145 thousand tonnes when compared to the August full-year forecast.

Share of profit (loss) of investments accounted for using equity method for this fiscal year is expected to increase by ¥0.5 bn to minus ¥7.5 bn when compared to the August full-year forecast, due to a rise in copper prices.

Cerro Verde

Through progressing with a ramping up of operation following the care and maintenance status implementation, mineral ore processing has recovered to 90% of what it was in the previous fiscal year, and it is expected that full-year production volume will increase by 9 thousand tonnes to 368 thousand tonnes when compared to the August full-year forecast.

Share of profit of investments accounted for using equity method for this fiscal year is also expected to increase by ¥0.5 bn to ¥2.5 bn when compared to the August full-year forecast, due to increased production and the impact of rising copper prices.

② THPAL

As mentioned above, the shut-down scheduled for September was delayed until the second half of the year, and the shut-down scheduled for Q4 (Jan-Mar) is also scheduled to be delayed to April. It is expected that full-year production volume will increase by 1.7 thousand tonnes to 32.7 thousand tonnes when compared to the August full-year forecast. On the other hand, the full-year sales volume is expected to decrease 2.5 thousand tonnes to 31.4 thousand tonnes when compared to the August full-year forecast.

③ CBNC

Production volume for this fiscal year is expected to decrease by 1.2 thousand tonnes to 20.3 thousand tonnes when compared to the August full-year forecast. Additionally, sales volume is also expected to decrease by 2.8 thousand tonnes to 18.7 thousand tonnes when compared to the August full-year forecast.

3. Dividends

This section concerns dividends.

Please take a look at the lower part of the cover summary on the short report on settlement of accounts and the “Notice Regarding Amendments to Earnings and Dividend Forecast” that was announced today.

As the full-year results forecast was amended, the dividend forecast was revised. Compared to the previous forecast from August, interim dividends increased by ¥12 to ¥22/share. Additionally, there is a ¥6 increase to ¥37/share over the end-of-year dividend forecast from August. As a result, it is expected that the yearly dividend payment will increase by ¥18 to ¥59/share when compared to the previous August forecast, with the dividend payout ratio at 35.2%.

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

Please look at the Supplementary Explanation for Financial Summary of the Q2 FY2020 financial results.

1. About the results/comparison on page 1

1) FY2020/1H Result vs FY2019/1H Result (financial results for the six months ended September 30, 2020 vs financial results for the six months ended September 30, 2019)

The upper table is a comparison of the FY2020/1H result against the FY2019/1H result. In particular, please note the Diff. ① - ②.

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

Copper was \$5,931/t, a \$25 decrease year-on-year. The copper price saw declines until Q4 FY2019 due to the spread of COVID-19. However, things like China's economy recovering during the FY2020/1H period led to an upward trend. As a result, although there was a recovery, the average price was lower than the same period last year. Recently, the level before the spread of COVID-19 has been greatly exceeded, rising to \$6,900 level.

Nickel was \$5.99/lb, a \$0.33 decrease year-on-year. Like copper, the nickel price saw declines until Q4 FY2019 due to the spread of COVID-19. A recovering Chinese economy during the FY2020/1H period led to an upward trend, but the average price was lower than the same period last year. It is currently hovering at around \$7 (Latest LME+SHFE inventory is at 268 thousand tonnes).

Gold was \$1,811/toz, a significant increase of \$419 year-on-year. In the FY2020/1H period, the price of gold improved through the uncertain economic climate in the world due to the impact of the spread of COVID-19 and the average price was much higher than the same period last year. In particular, July and after saw a sudden rise through an inflow of capital as gold was considered a safe asset, bringing it to a high price. It is currently hovering at \$1,900/toz level.

Cobalt was \$14.84/lb, a \$0.18 decrease year-on-year. The FY2020/1H period showed a somewhat soft price movement, and the average price saw a year-on-year decrease. The price for Standard-Low in the most recent Metal Bulletin from November 6 was \$15.50/lb.

The average exchange rate was ¥106.92, representing a ¥1.71 year-on-year increase in the strength of the yen. In the FY2020/1H period, a further straining of relations between the US and China and the US showing signs of additional economic measures, in addition to apprehensions with regard to a second wave of COVID-19 in the West, led to an appreciation of the yen and a weakening of the dollar, with the yen remaining strong in the year-on-year average exchange rate. It is currently hovering at around ¥104.

Next, we will examine the business performance. Sales for the six-months ended September 30, 2020 dropped by ¥3.3 bn year-on-year to ¥419.1 bn, resulting in pre-tax profits of ¥25.9 bn, marking a ¥10.5 bn year-on-year decrease in profit.

As per the footnotes for the table, change analysis shows that the impact of market factors was a decrease of ¥10.2 bn. A breakdown of this reveals that the impact of price and condition difference was a decrease of ¥11.4 bn, which includes a decrease of ¥12 bn from copper, of ¥3.1 bn from nickel, and of ¥0.7 bn from cobalt, with an increase of ¥4.2 bn from gold among other factors. It can be seen that most of the impact was due to the negative effect of the decline in copper prices. Foreign exchange differential decreased by ¥1 bn, and inventory evaluation resulted in a year-on-year increase of ¥2.2 bn.

Quantity difference showed a positive improvement of an increase of ¥1.3 bn. This is thanks mainly to a year-on-year increase in sales for the Hishikari Mine and THPAL, which continue to operate smoothly. Other foreign exchange differential profit and loss saw a ¥2 bn deterioration caused by yen appreciation. As for cost difference, unit cost improvements at Sierra Gorda and Morenci, which maintained smooth operation and increased year-on-year production, led to improvements of ¥5.6 bn.

The materials business saw a profit decrease of ¥0.3 bn year-on-year. This is mainly due to the impact of sluggish demand of battery materials due to the spread of COVID-19, despite a year-on-year increase in sales of powder materials and crystal materials, etc.

Another one-off factor is the construction suspension costs of the QB2 project, which are calculated as a temporary profit decrease of ¥3.9 bn. This is due to the costs incurred during the period of construction suspension resulting from the COVID-19 outbreak being calculated as period costs, as had been anticipated in the previous August forecast.

2) FY2020/1H Result vs. FY2020/1H Result forecast (August)

Following on, the comparison of FY2020/1H financial results and the August forecast is shown in Diff. ① - ③ on the right edge of the same table.

Regarding metal prices, copper, nickel, gold and cobalt rose when compared to the August forecast. The average exchange rate showed a ¥0.39 increase in the strength of the yen when compared with the August forecast.

Pre-tax profit improved, increasing by ¥11.9 bn when compared to the August forecast.

As per the footnotes for the table, change analysis shows that the impact of market factors was an increase of ¥8.7 bn. A breakdown of this reveals an increase of ¥5.5 bn for the price and condition difference, with the impact of increase in prices for copper (¥1.7 bn) and nickel (¥2.8 bn) particularly large. Inventory evaluation increased by ¥3.2 bn. In the quantity difference, Hishikari Mine maintained smooth operation; however, a reduction in sales volume when compared to the August forecast led to a decrease of ¥3.2 bn. In the cost difference, there was an increase in production when compared to the August forecast for THPAL, etc., leading to improvements of an increase of ¥1 bn. The materials business saw an increase in sales for battery materials and others when compared to the August forecast and an inventory evaluation profit and loss improvement, which lead to a profit increase of ¥4.5 bn.

3) New and Old Forecast of FY2020 (in Nov. vs in Aug.)

Next, please see the table at the bottom of the first page for the difference between the full-year results forecast for FY2020 revised at this time and the previous August full-year forecast.

The metal prices and exchange rate used as the foundation for the results forecast are described at the bottom of the table. In the ② column, copper is assumed to be \$6,300/t, nickel to be \$6.25/lb, gold to be \$1,900/toz, cobalt to be \$14.5/lb and the exchange rate to be ¥104/\$ for Q3 and Q4 FY2020. As a result, in the ③ column, copper is assumed to be \$6,116/t, nickel to be \$6.12/lb, gold to be \$1,856/toz, cobalt to be \$14.67/lb and the exchange rate to be ¥105.46/\$ for the FY2020 full-year results forecast announced in November that is shown.

Comparing with the full-year forecast announced in August, copper was increased by \$281 from \$5,835, nickel by \$0.24 from \$5.88, gold by \$78 from \$1,778 and cobalt by \$0.8 from \$13.87. Regarding the exchange rate, it's assumed that the yen will rise by ¥1.7 from ¥107.16.

Based on these assumptions, the FY2020 full-year results forecast is as shown in Diff. ③ - ④ when compared to the August forecast, with net sales increasing by ¥23 bn to ¥858 bn, gross profit increasing by ¥15 bn to ¥121 bn and pre-tax profit increasing by ¥19 bn to ¥67 bn. This change analysis is as per the footnotes for the table.

First, the influence of market factors is an increase of ¥14.8 bn. A breakdown of this reveals that the price and condition difference improved by ¥15.8 bn, with copper increasing by ¥9.2 bn, nickel by ¥4 bn, cobalt by ¥1.7 bn and gold by ¥1.1 bn. It's expected that the foreign exchange differential will decrease by ¥1.6 bn and the inventory evaluation will improve, increasing by ¥0.6 bn.

It's expected that the quantity difference will deteriorate, decreasing by ¥0.7 bn. The main factor is a decrease in sales volume for electrolytic nickel when compared to the August forecast. Regarding other profit and loss in the foreign exchange differential, it's expected to deteriorate, decreasing by ¥2.2 bn due to the strength of the yen, and cost difference is expected to improve, increasing by ¥1.1 bn. The main factor is that unit cost improvements are expected at Morenci, which is increasing production when compared to the August forecast. In the materials business, battery materials and powder materials increased sales when compared to the August forecast, so improvements are expected, increasing profits by ¥3 bn.

Other special one-off factors include the costs incurred during the QB2 project construction suspension that was calculated as period costs, which are expected to decrease by ¥1 bn from the ¥8 bn that was worked into the August forecast. Improvements are expected due to this.

4) 1H Result vs 2H Forecast (in Nov.)

Next, we will compare the revised results forecast for Q3 and Q4 with Q2 cumulative financial results. In other words, we will compare the FY2020 second half forecast with the actual results of the first half. Please look at Diff. ② - ① in the upper right-hand corner of the same table.

When the second-half forecast data for metal prices and the foreign exchange is compared with the actual results of the first half, the second half forecast shows copper increasing by \$369, nickel by \$0.26, gold by \$89, cobalt decreasing by \$0.34 and the strength of the yen increasing by ¥2.92 on the foreign exchange.

Additionally, the second-half forecast shows net sales increasing by ¥19.8 bn, gross profit by ¥8.6 bn and pre-tax profit by ¥15.2 bn against the actual results of the first half. This change analysis for the pre-tax profit increase of ¥15.2 bn is as per the footnotes on the bottom of page 1.

There was an increase of ¥7.5 bn due to market factors, and of these, there was an improvement in price and condition differences, an increase of ¥15.1 bn. As major items in the price and condition difference, there was a large improvement through a rise in the price of copper, an increase of ¥17.3 bn, and deteriorations through the foreign exchange differential, a decrease of ¥2.5 bn, and through the inventory evaluation, a decrease of ¥5.1 bn. Additionally, the cost difference is improving, through improvements at Sierra Gorda and Morenci, increasing by ¥5.5 bn. Moreover, a decrease of ¥0.8 bn in the QB2 project construction suspension costs mentioned earlier is expected.

2. Page 3: Comparison 2020/1H Result vs 2019/1H Result (changes in gross profit)

Next, please turn to page 3. This is a segmented comparison of financial results for the six months ended September 30, 2020 vs. financial results for the six months ended September 30, 2019.

First, gross profit in the mineral resources segment shown in the upper left table is ¥21.6 bn, a profit increase of ¥2.3 bn.

The center and below on the same page show an explanation of changes in gross profit. The Hishikari Mine saw a year-on-year improvement of ¥6.1 bn. The quantity difference improved by ¥1.4 bn as sales volume saw a year-on-year increase of 0.4 tonnes to 3.1 tonnes, and the price difference improved by ¥4.1 bn thanks to a rise in the gold price.

On the other hand, among the overseas copper mines Morenci and North Parks, Morenci had the largest effect, deteriorating with a year-on-year decrease of ¥3.9 bn. There were improvements with the quantity difference increasing by ¥0.5 bn and the unit cost differential increasing by ¥0.8 bn; however, there was a deterioration due to a fall in the price of copper, with the price difference decreasing by ¥4.6 bn.

Next, gross profit in the smelting and refining segment was ¥25.7 bn, marking a ¥1.1 bn year-on-year increase in profit.

A breakdown of this is shown in the table at the bottom, with copper-related profits improving with an increase of ¥6.8 bn and nickel-related profits deteriorating with a decrease of ¥5.5 bn.

The breakdown of the improvements to copper-related entities, an increase of ¥6.8 bn, has the quantity difference increasing by ¥0.2 bn, the condition difference by ¥0.3 bn, the inventory evaluation by ¥4.3 bn and others by ¥2.3 bn. Foreign exchange losses of ¥0.2 bn were recorded under others.

The breakdown of the deterioration to nickel-related entities, a decrease of ¥5.5 bn, has a quantity difference increase of ¥1.9 bn when compared to year-on-year sales for THPAL; however, the condition difference decreased by ¥4.1 bn due to a fall in the price of nickel. Inventory evaluation deteriorated, decreasing by ¥2.1 bn and other factors deteriorated, decreasing by ¥1.5 bn. Foreign exchange losses of ¥0.5 bn were recorded under others.

3. Page 4: Comparison 2020/1H Result vs 2019/1H Result (net sales for materials business by product subsegment)

Next, please turn to the year-on-year comparison of the financial results for the six months ended September 30, 2020 net sales by product subsegment for the materials business on page 4.

Overall net sales in the materials business were ¥107.1 bn with a decrease of ¥2.1 bn year-on-year.

Net sales for battery materials decreased by ¥7.2 bn year-on-year to ¥52.9 bn due to a drop in sales volume. Powder materials increased by ¥3.3 bn to ¥16.8 bn due to an increase in sales volume. Package materials decreased by ¥1.1 bn to ¥7.8 bn. Crystals and other businesses increased by ¥2.9 bn to ¥29.6 bn.

Gross profit for material segment, shown on page 3, declined by ¥0.9 bn year-on-year to ¥9.5 bn and segment profit and loss declined by ¥0.3 bn to ¥2.5 bn year-on-year.

4. Page 4: Comparison 2020/1H Result vs 2019/1H Result (share of profit [loss] of investments accounted for using equity method)

Next, we will explain the table at the bottom of page 4 showing share of profit (loss) of investments accounted for using equity method.

Overall share of profit (loss) of investments accounted for using equity method deteriorated, seeing a decrease in profit of ¥8.9 bn to minus ¥4.4 bn year-on-year.

Copper-related entities were a major factor in the decrease in profit, decreased by ¥8 bn to minus ¥4.3 bn mainly due to the fall in copper prices.

Among copper-related entities, at Cerro Verde, production fell and sales decreased year-on-year due to the impact of implementing care and maintenance status. When combined with the fall in copper prices, profits decreased by ¥5.8 bn to ¥0.3 bn year-on-year. Regarding Candelaria and Ojos del Salado, Candelaria saw increased year-on-year production and sales, but the fall in copper prices led to a profit decrease of ¥0.3 bn to ¥0.9 bn. At Sierra Gorda, production increased due to operational improvements and stabilization and sales also increased. However, due to falling copper prices and other factors, profit decreased by ¥1.5 bn to minus ¥6.1 bn. Regarding Acids and others, there was a profit decrease of ¥0.4 bn to ¥0.6 bn, and PTVI and other nickel-related entities saw a profit increase of ¥1.3 bn to ¥1 bn. N.E. Chemcat and others saw a profit decrease of ¥2.2 bn to minus ¥1.1 bn.

5. Page 4: Main changes in financial income/cost and other income/cost

Beneath share of profit (loss) of investments accounted for using equity method is Main changes in financial income/cost and other income/cost, but includes only the effect of the foreign exchange mentioned above and there were no one-off factors, so the explanation is omitted here.

6. Page 5: Comparison FY2020 Forecast in Nov. vs Forecast in Aug.

Next, please turn to page 5.

This is the segmented comparison of the revised full-year results forecast for FY2020 and the previous August full-year forecast.

Note that the business performance forecast figures are rounded to the nearest billion yen.

First, please look at the gross profit in the table at the top, focusing on the fiscal year ① and the Diff. ① - ②.

Gross profit in the mineral resources segment is estimated at ¥55 bn, a profit increase of ¥9 bn when compared with the August forecast. The center and below on the same page show an explanation of changes in gross profit.

Production and sales at the Hishikari Mine are unchanged, at 6 tonnes annually. However, due to the impact of the gold price increase, the price difference improved, increasing by ¥1.4 bn, and profit is expected to increase by ¥1.1 bn.

In overseas copper mines, as stated above, Morenci had the largest effect. However, through an improvement in price difference, an increase of ¥3.7 bn due to a rise in copper prices, and through unit cost differential improvements, an increase of ¥3.8 bn due to production increases and cost reductions, when compared with the August forecast, it's estimated that there will be a profit increase of ¥7.3 bn.

Gross profit in the smelting and refining segment is estimated at ¥45 bn, a profit increase of ¥1 bn when compared with the August forecast.

A breakdown of this is shown in the table at the bottom, with estimates for improvements for copper-related entities, increasing profit by ¥2.6 bn, and for nickel-related entities, increasing profits by ¥2.6 bn. Combining this with a decrease of ¥4.2 bn through segment deletion of dealings between other group companies, the sum total is estimated to be a profit increase of ¥1 bn.

In the breakdown of the ¥2.6 bn increase for copper-related entities, it's estimated that while there will be deteriorations with the quantity difference decreasing by ¥0.3 bn, the condition difference by ¥0.2 bn and the unit cost differential by ¥0.3 bn, there will also be improvements, with inventory evaluation increasing by ¥2.5 bn and others by ¥0.9 bn. Note that, within the increase of ¥0.9 bn for others, the foreign exchange differential is a decrease of ¥0.2 bn.

In the breakdown of the ¥2.6 bn increase for nickel-related entities, it's estimated that while there will be deteriorations due to electrolytic nickel and CBNC decreases in production and sale when compared with the August forecast, leading to the quantity difference decreasing by ¥1.1 bn, the unit cost differential by ¥0.6 bn, the inventory evaluation by ¥1.8 bn and others by ¥0.2 bn, there will also be improvements, with the condition difference increasing by ¥6.3 bn due to the rise in nickel and cobalt prices. Note that, within the decrease of ¥0.2 bn for others, the foreign exchange differential is minus ¥0.6 bn.

7. Page 6: Comparison FY2020 Forecast in Nov. vs Forecast in Aug. (net sales for materials business by product subsegment)

Next, please turn to top of page 6. We will explain the forecast comparison of sales by product subsegment for the materials business.

It's estimated that overall net sales in the materials business will be ¥228 bn, an income increase of ¥5 bn when compared with the August forecast.

Regarding year-round net sales, it's estimated that, while production and sales for battery materials decreased greatly until Q2, recent demand recoveries will increase income by ¥2 bn to ¥115 bn when compared to the August forecast. For powder materials, it's estimated that, while there are differences for each related product, gradual market recovery and increasing demand will increase income by ¥2 bn to ¥35 bn when compared to the August forecast. For crystals and other businesses, it's estimated that smartphone demand is showing signs of moderate recovery after bottoming out in Q2, and that this will increase income by ¥1 bn to ¥62 bn when compared to the August forecast. It's estimated that package materials will be ¥16 bn, as in the August forecast.

Estimates for material segment gross profit, shown on page 5, have a profit increase of ¥2 bn to ¥20 bn when compared with the August forecast. Estimates for segment profit and loss have a profit increase of ¥3 bn to ¥5 bn when compared with the August forecast.

8. Page 6: Comparison FY2020 Forecast in Nov. vs Forecast in Aug. (Share of profit [loss] of investments accounted for using equity method)

We will explain the forecast comparison of share of profit (loss) of investments accounted for using equity method shown at the bottom of the page. Here, the figures are rounded to the nearest 0.5 bn yen.

It's estimated that the overall share of profit (loss) of investments accounted for using equity method will be minus ¥4 bn, as in the August forecast.

Copper-related entities will be minus ¥2.5 bn, as in the August forecast.

It's estimated that Cerro Verde, mainly due to the rise in copper prices, will see a profit increase of ¥0.5 bn to ¥2.5 bn when compared with the August forecast. For the same reason, it's estimated that Sierra Gorda will see a profit increase of ¥0.5 bn to minus ¥7.5 bn when compared with the August forecast. Regarding Candelaria and Ojos del Salado, it's expected that Candelaria will see reduced production and sales compared to the August forecast (not including factors from the strike), and it's estimated that there will be a profit decrease of ¥1 bn to ¥1.5 bn.

It's estimated that N.E. Chemcat and others will see a profit increase of ¥0.5 bn to minus ¥4.5 bn when compared to the August forecast. Additionally, this includes the share of profit (loss) of investments accounted for using equity method for the previously mentioned Quebrada Blanca Copper Mine that is moving forward with the QB2 project.

9. Page 6: Main changes in financial income/cost and other income/cost

Main changes in financial income/cost and other income/cost include only the effect of the foreign exchange mentioned above, and there were no one-off factors, so the explanation is omitted here.

10. Page 9: Financial Position (cash flow)

Finally, from the financial position presented on page 9, we will explain the cash flow shown at the bottom.

Cash and cash equivalents at the beginning of the quarter were ¥155.5 bn. Cash flow from operating activities saw revenue at ¥51.6 bn, cash flow from investing activities saw expenditures at ¥38.4 bn, and free cash flow for the six months ended September 30, 2020 increased by ¥13.2 bn. Additionally, as cash flow from financing activities expenditures were ¥28.8 bn, cash and cash equivalents at the end of FY2020 Q2, including the exchange rate difference, decreased by ¥18.2 bn to ¥137.3 bn.