

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

I. General Overview

The following is an overview of Sumitomo Metal Mining's consolidated financial results for the third quarter (Q3, the nine months ended December 31, 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 nine months ended December 31, 2020: Overview of Business Performance**1) Consolidated business results for the nine months ended December 31, 2020**

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

- ① Sales increased by ¥27.3 bn to ¥672.1 bn year-on-year.
(Gross profit increased by ¥13.1 bn to ¥100.2 bn year-on-year.)
- ② Profit before tax decreased by ¥2.9 bn to ¥64.6 bn year-on-year.
- ③ Profit for this quarter attributable to owners of the parent decreased by ¥6.1 bn to ¥45.4 bn year-on-year.

2) General briefing

The following is a general briefing on the financial results for the nine months ended December 31, 2020. Please take a look at the cover summary of the financial statement or the top of page 1 in the Supplementary Explanation for Q3 FY2020 financial results.

[Consolidated Financial Results for the nine months ended December 31, 2020:**Performance Briefing & YoY Comparison]****① Metal prices in the nine-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 led to an upward trend. Gold prices remained on an upward trend peaking during the consolidated period for the second quarter due to uncertainty about the outlook for the global economy following the outbreak. As a result, copper and gold prices were higher year-on-year, but although nickel prices recovered, the average nickel price was lower year-on-year.

② Status of consolidated profit before tax for the nine months ended December 31, 2020

In the nine-month period, under the metal price environment mentioned above, market factors saw an upturn of ¥3.7 bn in total. In addition, there was an increase in cost differential of ¥8.5 bn,

quantity differential of ¥4.3 bn, and in profit in the materials business of ¥0.5 bn among other factors. However, negative factors exceeded positive ones with main factors being a total impact of one-off factors in the previous and current fiscal years of -¥15.3 bn and other foreign exchange differentials of -¥4 bn, resulting in a year-on-year decline in consolidated pretax profit of ¥2.9 bn to ¥64.6 bn.

3) Individual Topics

The following covers a range of topics in the consolidated financial results for the nine months ended December 31, 2020.

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 cumulative production at each mine in the nine-month period in FY2020 was minimal, and production volumes at these mines were almost at the same level or better year-on-year. In the same way, profit and loss was at the same level or better year-on-year for each mine with the exception of Cerro Verde.

Morenci

In terms of the cumulative production volume for the nine-month period, while the COVID-19 pandemic resulted in changes to the operational plan, leaching operations were stronger than the previous year, and a continued high level of cathode production led to a decrease of 1 thousand tonnes to 344 thousand tonnes year-on-year.

Sierra Gorda

Due to continued stable operations and improved copper grade, the mineral ore processing volume increased, and the production volume for the nine-month period increased by 28 thousand tonnes to 109 thousand tonnes year-on-year.

Cerro Verde

Due to the impact of 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 the nine-month period decreased by 61 thousand tonnes to 272 thousand tonnes year-on-year.

② THPAL (Taganito HPAL)

While the planned shut-down period was partially extended as the COVID-19 outbreak expanded, smooth operation was subsequently maintained. However, given factors such as a deterioration in mineral ore properties due to heavy rain, the production volume for this quarter decreased by 1.7 thousand tonnes year-on-year to 22.7 thousand tonnes.

③ CBNC (Coral Bay)

The impact of COVID-19 was minimal and continuing smooth operation led to a production volume for the nine-month period of 13.9 thousand tonnes, which was roughly the same year-on-year

production volume.

2. Consolidated Results Forecast for FY2020

1) Overview of full-year consolidated results forecast

The full-year consolidated results forecast was revised as of the financial results announcement for the second quarter of the year ending March 2021 given in the previous November; however, we have again revised our cumulative results forecast for the fiscal year.

Please take a look at the lower part of the cover summary of the financial statement, page 5 of the attachments to the financial statement, 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 ¥46 bn to ¥904 bn compared to the November forecast.
(Gross profit increased by ¥1.7 bn to ¥138 bn year-on-year.)
- ② Profit before tax will increase by ¥36 bn to ¥103 bn compared to the November forecast.
- ③ Profit for this quarter attributable to owners of the parent company will increase by ¥32 bn to ¥78 bn compared to the November forecast.

The metal prices and exchange rates for the forecast are described on page 5 of the attachments to the financial statement and the lower part of page 1 of the Supplementary Explanation to the financial results. The metal prices and exchange rates for Q4 are copper \$7,500/t, gold \$1,850/toz, nickel \$7.25/lb, cobalt \$15.5/lb, and the exchange rate is ¥104/\$, based on future supply and demand balance forecasts and current metal prices.

The consolidated full-year profit before tax revised here is expected to take a drastic upturn of ¥26.3 bn in market factors as a whole in comparison with the November forecast given that in terms of the assumptions used for forecasting an across the board rise in metal prices other than gold and an upturn in exchange rates is expected. Regarding non-market factors, while there were deteriorations such as a cost differential decrease of ¥4.5 bn and a quantity differential decrease of ¥1.1 bn, there were upturns in the form of an increase in the materials business of ¥4 bn, a reversal of allowance for doubtful debts of ¥9.1 for the one-off factor of the Sierra Gorda S.C.M, and a decrease in the QB2 project construction suspension costs of ¥0.7 bn, and these led to a increase factors significantly exceeding decrease factors, so full-year consolidated profit before tax increased ¥36 bn compared to the November forecast to reach a forecast of ¥103 bn, which represents an increase of ¥24 bn year-on-year.

2) Individual Topics

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

① Overseas copper mines

With the exception of Candelaria, which suffered the impact of a strike from October to November in the previous year, full-year production volume for each mine for this fiscal year is expected to be largely as per the November full-year forecast. Additionally, excluding Candelaria, an increase is expected in the profit and loss for each mine in FY2020 compared to the November full-year

forecast, mainly due to the impact of rising copper prices.

Morenci

Despite a sustained high volume of cathode production, full-year production volume is expected to decrease by 5 thousand tonnes to 446 thousand tonnes when compared to the November forecast.

In terms of the gross profit for the full year, the effect of a rise in copper prices was significant, and an increase in profit is expected when compared to the November 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 full-year production volume is expected to increase by 3 thousand tonnes to 148 thousand tonnes when compared to the November forecast.

Cerro Verde

Through progressing with a ramping up of operation following the care and maintenance status implementation, mineral ore processing has recovered to the planned level, and it is expected that full-year production volume will be 367 thousand tonnes, as per the November forecast.

Candelaria and Ojos

Given the impact of the strike at the Candelaria mine, which led to suspension of operations from October to November in the previous year, full-year production volume for this year is expected to be 95 thousand tonnes, which is 18 thousand tonnes lower than the November forecast.

② THPAL

Production volume for this fiscal year is expected to decrease by 1.1 thousand tonnes to 31.6 thousand tonnes when compared to the November full-year forecast due to factors such as the deterioration in mineral ore properties caused by heavy rain in the second half of the fiscal year. On the other hand, the full-year sales volume is expected to decrease 0.6 thousand tonnes to 30.8 thousand tonnes when compared to the November full-year forecast.

③ CBNC

Production volume for this fiscal year is expected to decrease by 1.1 thousand tonnes to 19.2 thousand tonnes when compared to the November full-year forecast. Additionally, sales volume is also expected to decrease by 1.5 thousand tonnes to 17.2 thousand tonnes when compared to the November full-year forecast.

3. Dividends

This section explains dividends.

Please take a look at the lower part of the cover summary on the financial statement and a news release “Notice Regarding Amendments to Earnings and Dividend Forecast” that was announced

today.

As the full-year results forecast was revised, the dividend forecast was also revised. There will be a ¥41 increase to ¥78/share compared to the end-of-year dividend forecast from November. As a result, along with the interim dividend of ¥22/share that has already been paid, it is expected that the yearly forecast dividend payment will increase by ¥41 to ¥100/share when compared to the previous November 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 Q3 FY2020 financial results.

1. About the results/comparison on page 1

1) FY2020/3Q Result vs FY2019/3Q Result (financial results for the nine months ended December 31, 2020 vs financial results for the nine months ended December 31, 2019)

The upper table on page 1 is a comparison of the FY2020 results to December 31 against the FY2019 results for the same period. In particular, please note the Diff. ① - ②.

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

Copper was \$6,345/t, an increase of \$412 year-on-year. It is currently hovering at around \$7,900. Nickel was \$6.41/lb, a \$0.13 decrease year-on-year. It is currently hovering at around \$8 (Latest LME+SHFE inventory is at 263 thousand tonnes).

Gold was \$1,832/toz, an increase of \$410 year-on-year. It is currently hovering at around \$1,800/toz.

Cobalt was \$15.06/lb, a \$0.47 decrease year-on-year. It is currently increasing and the price for Standard-Low in the most recent Metal Bulletin from February 5 was \$21.75/lb.

The average exchange rate was ¥106.12, representing a ¥2.56 year-on-year increase in the strength of the yen. It is currently hovering at around ¥105.

Regarding business performance for the nine-months ended December 31, 2020, sales rose by ¥27.3 bn year-on-year to ¥672.1 bn, resulting in profit before tax of ¥64.6 bn, marking a ¥2.9 bn year-on-year decrease in profit.

As per the footnotes for the table, a breakdown of this reveals that the impact of market factors was an increase of ¥3.7 bn, which includes a price and condition difference of +¥7.3 bn including +¥1.1 bn from nickel and -¥0.7 bn from cobalt, with an increase of ¥6.6 bn from gold among other factors. It can be seen that most of the impact was due to the positive effect of the increase in gold prices. Foreign exchange differential decreased by ¥2 bn, and inventory evaluation resulted in a year-on-year decrease of ¥1.6 bn.

Quantity difference showed a positive improvement of an increase of ¥4.3 bn. This is thanks mainly to a stably operating Hishikari Mine and year-on-year increase in sales for electrolytic copper and electrolytic

nickel among other factors. Other foreign exchange differential profit and loss saw a ¥4 bn deterioration caused by yen appreciation. As for cost difference, unit cost improvements at Sierra Gorda and Morenci, which maintained smooth operation and production, led to improvements of ¥8.5 bn.

In the materials business, the impact of temporary sluggish demand for battery materials due to the spread of COVID-19 led decreased year-on-year sales, but due to factors including a year-on-year increase in sales for applied powder materials, crystal materials, and other materials, profit increased by ¥0.5 bn year-on-year.

Other special one-off factors were the two significant temporary declines in profit in the form of -¥9.0 bn due to the one-off nature of the gain on sale of fixed assets for Taihei Metal Industry Co., Ltd. recorded in the previous year and the costs incurred during the QB2 project construction suspension that were calculated as period costs of -¥6.3 bn. The total for these temporary factors leading to decline in profit of -¥15.3 bn and foreign exchange differential among other negative factors exceeded the positive factors of cost differential, quantity differential, market factors, and increased profits in the materials business, thus leading to a ¥2.9 bn year-on-year decline in pretax profit.

2) New and Old Forecast of FY2020 (in Feb. vs in Nov.)

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 November forecast.

The metal prices and exchange rate for the forecast are described at the bottom of the table. In column (3), for the Q4 FY2020 forecast, we assume copper to be \$7,500/t, nickel \$7.25/lb, gold \$1,850/Toz, cobalt \$15.5/lb, and an exchange rate of ¥104/\$. As a result, in column (4), the assumptions for the yearly forecast in February are \$6,634/t for copper, which is \$518 over the November forecast, \$6.62/lb for nickel, which is \$0.5 over the November forecast, \$1,837/Toz for gold, which is \$19 lower than the November forecast, and \$15.17/lb for cobalt, which is \$0.5 over the November forecast. The exchange rate is ¥105.59/\$, which is 0.13 yen weaker than the November forecast.

Based on these assumptions, the FY2020 full-year results forecast is as shown in Diff. ④ - ⑤ when compared to the November forecast, with net sales increasing by ¥46 bn to ¥904 bn, gross profit increasing by ¥17 bn to ¥138 bn and pre-tax profit increasing by ¥36 bn to ¥103 bn. As per the footnotes for the table, a breakdown of this reveals that the impact of market factors was an increase of ¥26.3 bn, which includes an upturn in price and condition difference of +¥24.3 bn including +¥17.4 from copper, +¥6.3 bn from nickel and +¥0.9 bn from cobalt, with a decrease of ¥0.3 bn from gold among other factors. It's expected that the foreign exchange differential will improve by ¥0.2 bn and the inventory evaluation will improve, increasing by ¥1.8 bn.

It's expected that the quantity difference will deteriorate, decreasing by ¥1.1 bn. The main factor is a decrease in sales volume for Morenci, CBNC, THPAL, and other entities when compared to the

November forecast. Profit and loss in the foreign exchange differential is expected to deteriorate, decreasing by ¥0.7 bn, and cost difference is expected to deteriorate, decreasing by ¥4.5 bn. The main factor is that unit cost deteriorations are expected at CBNC, THPAL, and other entities, which are decreasing production when compared to the November forecast. In the materials business, battery materials and applied powder materials increased income when compared to the November forecast, so improvements are expected, increasing profits by ¥4 bn.

Other one-off factors incorporated into the forecast include +¥9.1 bn from a partial reversal of allowance for doubtful debts for the Sierra Gorda S.C.M booked in the past and an upturn in the form of the booked construction suspension cost for the QB2 project falling ¥0.7 bn from the November forecast of ¥7 bn to ¥6.3 bn.

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

Next, please turn to page 3. This is a segmented comparison of financial results for the nine months ended December 31, 2020 vs. financial results for the nine months ended December 31, 2019.

First, gross profit in the mineral resources segment shown in the upper left table is ¥43.3 bn, a profit increase of ¥15.1 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 ¥11.4 bn. The quantity difference improved by ¥4.3 bn as sales volume saw a year-on-year increase of 1.1 tonnes to 5.0 tonnes, and the price difference improved by ¥6.8 bn thanks to a rise in the gold price.

Overseas copper mines, mostly consisting of Morenci copper mine, saw a year-on-year upturn of ¥2.9 bn. The quantity difference increased by ¥0.5 bn, and there was an upturn of ¥3.2 bn in unit cost differential due to factors including operational cost decrease and improvements. Price differential saw a downturn of -¥0.4 bn, but the magnitude of the downturn decreased year-on-year from the previous 1H results due to an increase in the price of copper.

Next, gross profit in the smelting and refining segment was ¥42 bn, marking a ¥0.3 bn year-on-year decline in profit.

A breakdown of this is shown in the table at the bottom.

Copper-related entities increased by ¥5 bn. A breakdown of the main factors has the quantity difference increasing by ¥0.7 bn, the unit cost differential by ¥0.5 bn, the inventory evaluation by ¥1.8 bn and others by ¥2.4 bn. Foreign exchange losses of ¥0.4 bn were recorded under others.

Nickel-related entities were down by ¥2.8 bn. Inventory evaluation deteriorated by ¥3.4 bn, in quantity differential there was an upturn of ¥1.8 bn due to factors such as a year-on-year increase in sales of electrolytic nickel, and other factors deteriorated by ¥1.6 bn. Foreign exchange losses of ¥0.8 bn were recorded under others.

Other factors saw a decrease of ¥2.5 bn through factors including segment deletion of dealings between other group companies.

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

Next, please turn to the year-on-year comparison of the financial results for the nine months ended December 31, 2020 net sales by product subsegment for the materials business on page 4.

Sales in the materials business overall marked an increased income of ¥1.7 bn year-on-year to ¥167.7 bn.

Net sales for battery materials decreased by ¥7.3 bn year-on-year to ¥83.9 bn due to a drop in sales volume and income mainly in the first half. Powder materials increased by ¥5.7 bn to ¥26.4 bn due to an increase in sales volume. Income figures dropped to ¥12.3 bn for package materials due to a ¥1 bn fall in sales. Crystals and other businesses increased by ¥4.3 bn to ¥45.1 bn.

Gross profit for material segment, shown on page 3, declined by ¥0.2 bn year-on-year to ¥16.5 bn and segment profit and loss improved by ¥0.5 bn to ¥6.2 bn year-on-year.

4. Page 4: Comparison 2020/3Q Result vs 2019/3Q 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 ¥5.8 bn to minus ¥0.3 bn year-on-year.

Copper-related entities were a major factor in the decrease in profit, with a ¥3.3 bn decline in profit to ¥0.3 bn.

Among these copper-related entities, Cerro Verde saw a ¥4.7 bn year-on-year decline in profit to ¥2.8 bn, Candelaria and Ojos del Salado saw a ¥0.3 bn increase in profit to ¥2.2 bn, and Sierra Gorda saw a ¥1.3 bn increase in profit to -¥6.8 bn. PT Vale Indonesia (PTVI) and other nickel-related entities saw a profit increase of ¥1.2 bn to ¥2.2 bn, while N. E. Chemcat and other companies saw a ¥3.7 bn decline in profit to -¥2.2 bn.

PTVI is excluded from the companies to which the equity method is applied in the nine months ended December 31, 2020 due to our partial divestment as disclosed in October of the previous year.

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

Regarding [Main changes in finance income/cost, and other income/cost] in the table below equity method investment profit and loss, as well as the aforementioned impact of exchange rates, the ¥9 bn profit from the sale of fixed assets of Taihei Metal Industry Co., Ltd. is shown as a record of one-off profit for the same period of the previous year.

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

Please turn to page 5.

This is the segmented comparison of the revised full-year results forecast for FY2020 and the previous November 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 February forecast ① and the Diff. ① - ②.

Gross profit in the mineral resources segment is estimated at ¥59 bn, a profit increase of ¥4 bn when compared with the November forecast. The center and below show an explanation of changes in gross profit.

For the Hishikari Mine, it is expected that the annual sales volume of 6 tonnes will remain unchanged, and while price differential will deteriorate by ¥0.3 bn due to a review of assumptions for the price of gold, it is also expected that gross profit will be largely the same as the November forecast due to factors such as a ¥0.3 bn upturn in unit cost differential and foreign exchange differential.

Overseas copper mines, as stated above, it is mostly consisting of Morenci copper mine. When compared with the November forecast, while there were negative factors in unit cost differential and quantity differential due to slightly reduced production and sales, it's estimated that there will be a profit increase of ¥3.7 bn due to an upturn of ¥4.5 bn in price differential based on an increase in copper price.

Gross profit of the smelting and refining segment is estimated at ¥55 bn, a profit increase of ¥10 bn when compared with the November forecast.

A profit increase for copper-related entities of ¥3 bn is forecast. It's estimated that while there will be deteriorations with the unit cost differential decreasing by ¥0.1 bn and inventory evaluation by ¥0.4 bn, there will be an improvement of +¥0.8 bn thanks to condition differences and an improvement of +¥2.7 bn thanks to other factors.

A profit increase for nickel-related entities of ¥7.6 bn is forecast. The main factors behind this are a condition difference of +¥7.2 bn due to the impact of price increases for nickel and cobalt and an upturn of ¥2.3 bn in inventory evaluation. For quantity differential and unit cost differential, we forecast a deterioration of ¥0.7 bn to -¥2.2 bn due to reduced production and sales compared to the November forecast for CBNC, THPAL and other entities. Note that, within the increase of ¥1 bn for others, the

foreign exchange differential is an increase of ¥0.1 bn.

7. Page 6: Comparison FY2020 Forecast in Feb. vs Forecast in Nov. (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.

Sales in the materials business overall saw the lowest point in demand contraction for both the in-vehicle and communication fields due to the spread of COVID-19, and given the gradual market recovery and increasing demand, it is forecast that increased income of +¥4 bn compared to the November forecast will lead to income of ¥232 bn.

Battery materials are forecast to see an increased income of +¥2 bn resulting in an income of ¥117 bn while powder materials are forecast to see increased income of +¥1 bn with a total of ¥36 bn compared to the November forecast. Crystals and other businesses are forecast to be ¥62 bn as per the November forecast, and package materials are forecast to see increased income of +¥1 bn compared to the November forecast with a total of ¥17 bn.

Estimates for material segment gross profit, shown on page 5, have a profit increase of ¥3 bn to ¥23 bn when compared with the November forecast. Estimates for segment profit and loss have a profit increase of ¥4 bn to ¥9 bn when compared with the November forecast.

8. Page 6: Comparison FY2020 by segment Forecast in Feb. vs Forecast in Nov. (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 increase ¥7 bn to ¥11 bn compared to the November forecast.

The main factors for the increase in profit are copper-related entities, and it's estimated that profit will increase ¥8.5 bn to ¥6 bn compared to the November forecast. Of the copper-related entities, it's estimated that due to the rise in copper prices, Cerro Verde will see a profit increase of ¥3.5 bn to ¥6 bn and Sierra Gorda will also see a profit increase of ¥4 bn to -¥3.5 bn when compared with the November forecast. While production at Candelaria and Ojos del Salado reduced due to a strike, this was compensated for by a rise in the price of copper, and it's estimated that the result will be ¥1.5 bn as per the November forecast.

It's estimated that N.E. Chemcat and others will see a profit increase of ¥2.5 bn to -¥2 bn when compared to the November forecast. Additionally, this includes the share of profit (loss) of investments accounted for using equity method for the 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

Regarding the main changes in finance income/cost, and other income/cost, the aforementioned foreign exchange impact as well as the reversal of allowance for doubtful debts of ¥9.1 for the Sierra Gorda S.C.M are included as one-off factors in the February forecast here.

10. Page 9: Financial status (cash flow)

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

Cash flow from operating activities for the nine months ended December 31, 2020 resulted in revenue of ¥54.2 bn. With regards to cash flow from investment activities, while there was revenue from sources such as the sale of shares in related companies, overall there was a ¥29.1 bn outlay resulting from things such as the acquisition of tangible fixed assets. In addition, cash flow from financing activities expenditures saw outgoings of ¥41.6 bn due to matters such as the repayment of loans, so the balance of cash and cash equivalents at the end of FY2020 Q3, including the exchange rate difference, decreased from the balance at the beginning of the quarter by ¥21.1 bn to ¥134.4 bn.