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(English translation released on June 2, 2021)

Consolidated Accounting Results for the Year Ended March 2021 (FY2020)
Teleconference Questions and Answers

[Questioner 1]

Q: On the lower part of page 1 of the Supplementary Explanation, the increase in tax costs for overseas copper mines is shown as ¥16.6 bn. These factors haven't been appeared here until now. Is this the result of an increase in royalties?

A: These tax factors, which haven't appeared in this section before, are included here in significant amount. In this analysis, however, the figures for Sierra Gorda, Cerro Verde and Candelaria, all of which are included in the equity method, are also broken down into and explained in terms of the price of copper, the cost differential, the quantity differential, etc. Of the ¥51.1 bn price and condition differential increase, the equity method contributed approximately ¥30.0 bn. This significant improvement to profit is what caused the tax costs. This analysis method is the one we have always used.

Q: The fiscal year estimate shows an increase in gross profit, but the segmented profit stays at the same level in the materials business according to the explanation on the upper part of page 5 of the Supplementary Explanation. What is behind this?

A: While gross profit is seeing improvements in the way of increased sales, the FY2021 forecast shows a deterioration for companies to which the equity method is applied. While the "NECC/NK/MSZ/others" row in the equity method section shows forecasted improvements of an increase of ¥1.4 bn for FY2021, in actuality, N. E. Chemcat and Nippon Ketjen related profit categorized in the materials segment are deteriorating. Another reason is based in internal management, as the method of the application of the allocation of Head Office costs changed from the FY2021 forecast. While the total is the same, it is affected by the fact that the operating profit and loss for each business segment deteriorated and the diff. adjustment improved. Additionally, with the effect of COVID-19 in FY2020, sale management costs were low; however, the forecast for FY2021 was calculated with those costs at a normal level, so it shows a deterioration. The effect of these factors is reflected in the rows below the gross profit.

Q: There are large fluctuations for "Other" in smelting and refining on the bottom of page 5 of the Supplementary Explanation. Could you explain what was behind the large fluctuations in factors other than the exchange rate?

A: Negatives for copper-related other were not largely affected by the exchange rate; however, the negative effect of palladium, etc., would fall under other factors.

Q: Could you give us some comments on the large improvement in equity method profit and loss for Sierra Gorda shown on page 6 of the Supplementary Explanation?

A: In FY2021, we're planning drastic increases in production and sales, with production for 180 thousand tonnes and sales for 177 thousand tonnes. Debottlenecking was completed in FY2020. We've

established a processing volume increase of approximately 20% and we estimate we'll be able to fully enjoy the fruit of this throughout FY2021. Additionally, improvements to ore grade and a rise in copper prices are responsible for the increase in profit.

Q: It is reported that there is a possibility nationalism movements in Peru, for example Cerro Verde will be nationalized, depending on the result of the Peru presidential election. Please let us know if you have any insight.

A: At present, we think there is going to be an effect regardless of who is elected. We're looking into concrete policies moving forward.

Q: Sierra Gorda is showing a profit, but the sensitivity is the same as last year. Is there no effect because it has always been included?

A: The sensitivity figures we released have already had Sierra Gorda included.

[Questioner 2]

Q: In the comparison to the FY2020 February forecast on page 1 of the Supplementary Explanation, the price and condition differential for copper is negative ¥1.4 bn, but copper prices are doing better than expected. What were the factors that caused this?

A: While the price is rising, the negative effects of other factors, like premiums, etc., are included.

Q: On page 5 of the Supplementary Explanation, the smelting and refining profit fluctuations for this year show that the price and condition differential for copper is positive. I thought it would be negative. Can you tell me what factors are causing this?

A: Other by-product effects of copper-related and sale conditions are included. TC/RC is decreasing, but there are improvements in other factors.

Q: I think that palladium is included in "Other." Does it mean other conditional differentials are also included?

A: Yes.

Q: Regarding the unrealized profit on page 1 of the Supplementary Explanation, what are the factors behind the positive ¥8.2 bn when compared to the February forecast?

A: Unrealized profit, etc., is shown in a number of places on that page, but also included there in addition to unrealized profit are the effects of palladium, etc., and the fluctuations in profit and loss for equity method companies which are not included in "Metal Price/Exchange" or "Materials business" etc.

Q: The FY2020/FY2021 diff. adjustment of segment profit on page 5 of the Supplementary Explanation shows a large fluctuation. What factors are behind this fluctuation?

A: There is a not insubstantial inclusion of a ¥9.2 bn diff. adjustment due to the effect of the previously mentioned change to the method of allocation of Head Office costs.

[Questioner 3]

Q: Regarding the materials business, the FY2020 Q4 segment profit is at a considerably high level at ¥5.1 bn, but FY2021 has it stopping at ¥11.0 bn. What is behind this?

A: Deterioration of equity method profit and loss. More concretely, while NECC saw a profit factor in FY2020 4Q, it was a financial effect that will not be present in FY2021. This is one reason. Another reason is that, while the effect of the previously mentioned sales management cost factor and the change to the allocation of Head Office costs is present, the effect that NECC has is large as far as Q4 is concerned.

Q: Is the positive effect of the metal price differential between the timing of receipts and payments included in FY2020 Q4 of battery related profit?

A: The deterioration was included in FY2019, but FY2020 was largely on par. This is why an increase in material segment profit can be seen when looking at FY2019 and FY2020.

Q: Was the rise in prices of precious metals a one-off factor for NECC?

A: Yes.

Q: Regarding the grade of mineral ore at Sierra Gorda, is it safe to assume that it will peak this or next fiscal year, and that it will deteriorate after that?

A: Regarding the Sierra Gorda ore grade, when we disclosed the 2018 3-year Business Plan, we saw the 2021 production volume at 200 thousand tonnes and the grade at its peak. The production volume for 2021 is based on most recent test boring, etc., and is planned to be 180 thousand tonnes. The ore grade for 2021 is lower than in the 2018 3-year Business Plan; however, we think this is because the prediction of its timing was off, and we see it improving to that extent from 2022 onward.

Q: Regarding the Morenci leaching operations, is the reduced production of this year going to continue moving forward?

A: 2019 and 2020 saw the continuing trend of incredibly good cathode production by leaching. When comparing it to the plan from the beginning of the fiscal year, the trend was largely beyond what we had expected, but that trend is now slowing down. In addition to this, we continued operations amid COVID-19 with an optimal operating rate while reducing costs and controlling investments. We estimate that the operating rate in 2021 will be largely what it was in Q4 2020.