

Date of Teleconference: August 6, 2021

**Consolidated Financial Results for Three Months Ended June 30, 2021**  
**Teleconference Questions and Answers**

[Questioner 1]

Q: Can you tell me about the reduced production at Taganito HPAL (THPAL), what is happening there and what the current state of things is? I think that electrolytic nickel is also seeing reduced production, so I'd like you to include that in the explanation.

My second question is regarding the partner company announcement for overseas copper mines. There has been talk of a reversal of impairment at KGHM related to Sierra Gorda, is this going to have an effect? There is also talk at the Lundin Mining company of slightly reduced production in the mid-to-long term at Candelaria. On the other hand, Freeport McMoRan is talking about increasing mineral ore processing and increasing production at Morenci, as well as attaining the intended production volume increase at Cerro Verde in the next few years. If you have any information about what is going to happen, I'd appreciate it if you could tell me.

A: Regarding the reduced production due to equipment trouble at THPAL, this trouble occurred in the first quarter and was about issues with the boiler leading to reduced production. While there was an effect on operations, they are back to normal and we've already finished implementing countermeasures. As you pointed out, MS production has reduced at THPAL, and we are forecasting that this will have an effect on electrolytic nickel, as well.

Regarding your second question about overseas copper mines, the reversal of the outstanding impairment loss for Sierra Gorda has no effect on our company. Regarding Morenci, the operational level has been controlled since last year, and there have been reductions to mining volume and mineral ore accumulation volume as well as the stoppage of some mills. These were based on a plan to reduce operational costs and suppress investments while optimizing operations. At the conference call the other day, they announced their plan that gives consideration to the reduced impact of COVID-19 and the recovering market. This plan includes increasing the mining volume moving forward, stopping the reductions on mining volume and mineral ore accumulation volume, gradually increasing mining volume aimed at 2022 and beyond, and increasing the mining volume by 10% compared to the second quarter by year end. Regarding Candelaria, as announced, there will be changes in the production plan to allow for the taking of countermeasures against a known fault.

[Questioner 2]

Q: In the equity method section of page 6 of the Supplementary Explanation, materials and others showed a drop from ¥1.0 bn to negative ¥2.0 bn in the segment breakdown. Could you explain what was behind this?

Additionally, while there was an announcement made regarding an increase of the initial costs for the Cote gold mine at the end of July, I feel like these sort of announcements would normally be made together with partners. This has me a little worried about whether communication is being properly conducted with partners. Could you tell me about the current state of things?

A: Regarding your first question related to the fluctuations in materials and others in the equity in

earnings of affiliated companies on page 6, adjustments between segments are included in the retailed materials and others in the segment breakdown. More concretely, the unrealized profit, etc. of the smelting & refining segment and of the overseas copper mines segment is included in this.

Regarding your second question related to the CAPEX increase at Cote, as you indicated, our timing on the announcement differed from that of IAMGOLD's. However, our relationship with IAMGOLD is going very well and we're sharing information at a variety of levels with tight-knit communication. While we of course spoke about the increase to construction costs beforehand, IAMGOLD indicated that they wanted to announce the increase along with the production reductions in the mines they operate, and we agreed to this. For us, it is simply a matter of disclosing the information when the announcement was ready and there is absolutely no cause for concern relative to the relationship between the two companies.

Q: Initial costs are rising considerably, which I think will affect the investment profit. Is this currently under consideration?

A: We're going to disclose the details after evaluating them. However, as you mentioned, the IAMGOLD announcement is showing an increase close to 30%. We'll make our announcement once we've reviewed it ourselves and are ready.

[Questioner 3]

Q: In the gross profit etc. in the segment breakdown on page 13 of the Supplementary Explanation, it seems like the materials business is performing rather well. Is this improvement based on the actual ability? Or is this due to the inclusion of an inventory evaluation profit? Could you elaborate on how we should interpret this?

A: As we explained, battery materials are continuing steady production and sales. For other businesses, the market for powder materials is showing a lot of activity, and we are producing and selling at a level that corresponds to that. However, an effect similar to that which you pointed out, the inclusion of the inventory evaluation for battery materials, for example, is also present. Additionally, market price differences for precious metals are also playing a role.

Q: What is the amount of that effect and what is the profit and loss based on the actual ability?

A: We'd prefer not to disclose a concrete amount.

Q: The plan shows that there will be a small decrease in profit for the materials business between the first and second quarter, could you tell me what is behind this?

A: The effect of the market price inventory evaluation for batteries is making itself felt because of underestimated metal prices. The same goes for advanced materials, like resistor paste. Inventory adjustments for items used in telecommunications, data centers and base stations are protracted. Also, the effects of semiconductor shortages for in-vehicle items began to show in some areas. The result of reflecting these was a decline in profit.

[Questioner 4]

Q: In the cashflow on page 9 of the Supplementary Explanation, if we look at just the first quarter, there isn't much operating cash flow. I presume that a fair amount of working capital was piled up given the timing with the rising metals market. From the second quarter onward, are there any particular measures that you will take to normalize this cashflow? Is it going to be OK if we keep moving

forward like this while the working capital drops?

A: As you pointed out, inventories were increasing for cash flow from operating activities for the first quarter through a rise in metal prices, in particular. We see it gradually waning.

[Questioner 5]

Q: You mentioned an area of high-grade mineral deposits in the explanation on the background of why Sierra Gorda was in the black this time. While I believe the initiative originally was for a limited period, where the goal was to mine an area with high-grade mineral deposits, does the possibility exist that any changes will be made to the initiative in the next fiscal year and beyond amid significant changes to the business and market environment?

For my second question, you announced the construction of a new cathode material plant about one month ago, but the completion period was set at 2025 and it seems like you're taking your time to ramp up. Could you explain a little more about the timing of the monthly production increase of 2,000 tonnes, the construction period and what went on behind the decision?

A: For Sierra Gorda, increases in grade (while this is not new) were originally estimated until this fiscal year. However, as a result of boring after that, we can expect a high grade not just this fiscal year, but from next fiscal year, as well. Additionally, as we've continually engaged in improving operations and cost, we were able to dramatically improve production and operations and we saw both the completion and establishment of debottlenecking, at least for the time being. However, moving forward, there won't be any changes to our maximizing of these initiatives with these sort of techniques and operations. On the other hand, we are also continuing the consideration of strategic options, including the sale of equity of interests that we announced last October. Our stance is to move forward while considering every possibility on both fronts.

Regarding the decision to construct a new battery materials plant, as we disclosed previously, that was when we obtained grants, . While it will take until 2025, we're going to start by building structures that are going to require time to build. As we've explained, we're increasing production aimed at a total production capacity of 10,000 tonnes of cathode material a month.