

August 6, 2021

Teleconference Explanation Script for Consolidated Financial Results for the Three Months Ended June 30, 2021

I. General Overview

The following is an overview of SMM's consolidated financial results for the three months ended June 30, 2021 as announced today. Please take a look at the cover summary on the earnings report.

1. Consolidated Financial Results for the three months ended June 30, 2021: Overview of Business Performance

1) Consolidated operating results for the three months ended June 30, 2021

The consolidated operating results for the three months ended June 30, 2021 saw an increase in income and profit year-on-year.

- ① Sales increased by ¥103.5 bn to ¥294.3 bn year-on-year.
(Gross profit increased by ¥36.9 bn to ¥55.6 bn year-on-year.)
- ② Pre-tax profit increased by ¥56.4 bn to ¥59.9 bn year-on-year.
- ③ Profit for this quarter attributable to owners of the parent company increased by ¥42.9 bn to ¥43.1 bn.

2) General briefing

The following is a general briefing on the consolidated financial results for the three months ended June 30, 2021. Please take a look at the earnings report cover summary or the top of page 1 in the Supplementary Explanation for Financial Summary.

[Consolidated Financial Results for the three months ended June 30, 2021, Performance Briefing & Year-on-year Comparison]

① Metal prices for the three months ended June 30, 2021

Copper and nickel prices saw an upward trend thanks to the recovering world economy and other factors. While gold prices were on an upward trend as the spread of COVID-19 variants casts a shadow over the prospect of economic recovery, they temporarily fell as people took note of a possible ahead-of-schedule increase in interest rates in the US. As a result, copper, nickel and gold prices were all higher year-on-year.

② Status of consolidated pre-tax profit for the three months ended June 30, 2021

Consolidated profit before tax for this quarter saw an upturn of ¥53.4 bn in market factors through the aforementioned increase in metal prices. Additionally, although there was a ¥9.7 bn increase of tax costs (scaled-down equity method profit) for overseas copper mines, due to a cost differential improvement of ¥2.0 bn mainly in the overseas copper mines, materials business profit improvements of ¥7.3 bn, and a foreign exchange profit of ¥1.3 bn, overall consolidated profit before tax was ¥59.9 bn, a year-on-year improvement of ¥56.4 bn.

3) Individual topics

Next, we will explain a range of topics in the consolidated financial results for the first quarter of 2021.

① Overseas copper mines

We have largely continued smooth operation based on our annual plan, which took the effect of the spread of COVID-19 into account. Profit at each mine saw a large year-on-year increase, mainly due to the impact of rising copper prices.

Morenci

As we continued with planned reduced operations, like the suspension of a portion of equipment, to account for the effect of the spread of COVID-19, year-on-year production volume saw a decrease of 12 thousand tonnes to 97 thousand tonnes.

Sierra Gorda

In addition to an improved mineral ore processing volume thanks to continued stable operations, increased copper grade raised the production volume this quarter by 8 thousand tonnes to 42 thousand tonnes year-on-year.

Cerro Verde

Production volume this quarter was 98 thousand tonnes, an increase of 6 thousand tonnes when compared to last year, which had a temporary transition to a care and maintenance status due to the spread of COVID-19.

② Taganito HPAL

The impact of COVID-19 was minimal. However, issues like equipment trouble led to a year-on-year production volume decrease this quarter of 0.9 thousand tonnes to 6.1 thousand tonnes.

③ CBNC (Coral Bay)

The impact of COVID-19 was minimal and operation was largely smooth. However, due to a time lag in the implementation of planned shutdowns, production volume this quarter decreased year-on-year by 0.5 thousand tonnes to 4.8 thousand tonnes.

④ Materials business

Sales for this quarter increased by ¥17.1 bn to ¥65.5 bn year-on-year.

Profit in the materials business segment increased year-on-year by ¥7.3 bn to ¥6.7 bn due to increases in sale volume for battery materials when compared to last year, which saw a temporary period of stagnant demand, and due to maintaining favorable sales in powder materials.

2. FY2021 Forecast of Consolidated Operating Results for the Six Months Ended September 30, 2021

1) Overview of forecast of consolidated operating results for the Six Months Ending September 30, 2021

We have revised the forecast of consolidated operating results for the Six Months Ending September 30, 2021, but not the fiscal year operating results forecast. Please take a look at the earnings report cover summary or the bottom of page 1 in the Supplementary Explanation for Financial Summary.

Forecast of consolidated operating results for the Six Months Ending September 30, 2021:

- ① Sales will increase to ¥566.0 bn, an income increase of ¥44.0 bn compared to the May forecast
(Gross profit will increase to ¥99.0 bn, an increase of ¥22.0 bn compared to the May forecast.)
- ② Pre-tax profit will increase by ¥33.0 bn to ¥106.0 bn compared to the May forecast.
- ③ Quarterly profit attributable to owners of the parent company will be ¥78.0 bn, an increase of ¥22.0 bn when compared to the May forecast.

This shows increased income and profit when compared to the May forecast.

The metal prices and exchange rates used as the foundation for the operating results forecast for the six months ended September, 2021, as shown on page 5 of the attachments to the earnings report and the lower part of page 1 of the Supplementary Explanation for Financial Summary, are: copper \$9,000/t, gold \$1,750/toz, nickel \$7.5/lb, cobalt \$18.0/lb, exchange rate ¥110/\$. Adjusting the operating results forecast for the Six Months Ending September 30, 2021 to the first quarter results, copper is \$9,356/t, gold is \$1,783/toz, nickel is \$7.69/lb and cobalt is \$19.34/lb. This shows improvements compared to the May forecast, and the exchange rate is predicted to show a ¥2.75 depreciation of the yen to ¥109.75/\$ when compared to the May forecast.

Comparing the consolidated profit before tax forecast for the Six Months Ending September 30, 2021 to the May forecast, market factors improve by ¥43.7 bn and the materials business sees profit improvements of ¥6.0 bn. On the other hand, reduced production at Taganito HPAL due to equipment trouble and reduced production at the Candelaria mine led to a quantity differential decrease of ¥1.2 bn, a cost differential decrease of ¥5.3 bn, and a tax cost increase (scaled-down equity method profit and loss elements) of ¥6.2 bn for overseas copper mines. With negative elements like these and the effect of unrealized profit, we forecast an overall increase in profit of ¥33.0 bn to ¥106.0 bn when compared to the May forecast.

2) Individual topics

The following covers a range of topics in the forecast of consolidated operating results for the Six Months Ending September 30, 2021.

- ① Overseas copper mines

Morenci

As we continued with planned reduced operations, like suspension of a portion of equipment,

to account for the effect of the spread of COVID-19, production volume for the second quarter will mirror that of the first quarter at 99 thousand tonnes. The production volume for the Six Months Ending September 30, 2021 is predicted to be 196 thousand tonnes, 53% of the 368 thousand tonnes disclosed in the annual plan in May.

Sierra Gorda

Reflecting continuation of stable operation and improvements of mineral ore grade, the production volume for the Six Months Ending September 30, 2021 is predicted to be 93 thousand tonnes, 52% of the 180 thousand tonnes disclosed in the annual plan in May.

Cerro Verde

We have largely continued smooth operation based on our annual plan, which took the effect of the spread of COVID-19 into account. The production volume for the six months ended September, 2021 is predicted to be 193 thousand tonnes.

Candelaria

The production volume for the six months ended September, 2021 is predicted to be 54 thousand tonnes, only 36% of the 148 thousand tonnes disclosed in the annual plan in May. Our partner Lundin Mining disclosed a production volume guidance downward revision in June as mining was delayed due to pit collapse prevention measures taken against faults existing in open-pit mining areas. Progress for the six months ended September, 2021 is predicted to be at about 45%.

② Taganito HPAL

Through the equipment trouble that occurred in the first quarter, the production volume for the six months ended September, 2021 is predicted to be 12.7 thousand tonnes, about 40% of the 33 thousand tonnes disclosed in the annual plan in May.

③ CBNC (Coral Bay)

The production volume for the six months ended September, 2021 is predicted to be 10 thousand tonnes, estimated to be 50% of the 20 thousand tonnes disclosed in the annual plan in May.

3. Dividends

This section concerns dividends.

As the yearly operating results forecast was not revised, the dividend forecast for this fiscal year has not been revised. On the lower portion of the earnings report cover summary, the dividend forecast disclosed in May is shown, with interim dividends at ¥71, end of year at ¥62 and total at ¥133.

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

Please look at the Supplementary Explanation for Financial Summary for the Q1 FY2021 financial results.

1. About the results/forecast comparison on page 1

1) Q1 FY2021 financial results vs Q1 FY2020 financial results

Please look at the upper table for a year-on-year comparison of financial results for the three months ended June 30, 2021.

In the results for the three months ended June 30, 2021, sales rose by ¥103.5 bn year-on-year to ¥294.3 bn. As was explained in the previous fiscal year financial result, changes in accounting policies have been applied retroactively to first quarter sales in the previous fiscal year for battery materials.

Profit before tax increased to ¥59.9 bn, a year-on-year increase of ¥56.4 bn.

As per the footnotes for the table, an analysis of these fluctuations reveals that the impact of market factors is a net increase of ¥53.4 bn. An increase in price and condition differential of ¥48.9 bn and an increase of ¥39.9 bn from copper are main profit factors in this. Inventory evaluation resulted in a year-on-year improve by ¥5.5 bn.

The main factor in the ¥0.8 bn quantity differential decrease was a year-on-year decrease in sales for Morenci, Candelaria and others. Cost differential saw an upturn of ¥2.0 bn thanks to smooth operation, production and increased year-on-year production at Sierra Gorda, as well as unit cost improvements at Morenci and in smelting of the electrolytic copper. One-off factors improved by ¥0.6 bn as the construction suspension costs of the QB2 project included last year are no longer a factor.

Materials business and other fluctuation factors are as explained in the first half.

2) FY2021 August Forecast for the Six Months Ending September 30, 2021 vs FY2021 May Forecast for the Six Months Ending September 30, 2021

Next, please see the table at the bottom of the first page for the difference between the revised operating results forecast for the Six Months Ending September 30, 2021 and the values disclosed in May.

The FY2021 operating results forecast for the Six Months Ending September 30, 2021 shows sales increasing by ¥44.0 bn to ¥566.0 bn and profit before tax increasing by ¥33.0 bn to ¥106.0 bn.

As per the footnotes for the table, an analysis of these fluctuations reveals that the impact of market factors will be a net increase of ¥43.7 bn. An increase in price and condition differential of ¥31.3 bn and an increase of ¥25.5 bn from copper were main profit factors in this. Additionally, it's expected that inventory evaluation will improve by ¥10.6 bn.

It's forecasted that the quantity differential will deteriorate by ¥1.2 bn, despite an expectation that the Hishikari Mine will see increased sales when compared to the May forecast. This is

mainly due to expected decreases in sales for THPAL, electrolytic nickel and Candelaria. We estimate a cost differential deterioration of ¥5.3 bn. Main factors include reduced production due to THPAL equipment trouble and due to revisions of the Candelaria production plan.

The materials business is forecasted to see an improvement of ¥6.0 bn through improvements in the difference with the actual market price for battery materials and through sales in powder materials that are expected to exceed what was disclosed in the May forecast due to market improvements.

Other fluctuation factors are as explained .

2. Page 3: Year-on-year comparison of results by segment (fluctuations in gross profit)

Next, please turn to page 3. It shows a year-on-year comparison by segment.

First, gross profit in the mineral resources segment shown in the upper left table is ¥22.8 bn, a profit increase of ¥13.1 bn.

The center and below on the same page show an explanation of changes in gross profit. The Hishikari Mine saw improvements of ¥1.1 bn. The main factor for this was a price differential caused by a rise in the price of gold that resulted in an upturn of ¥0.9 bn.

Overseas copper mines saw improvements of ¥12.4 bn. These are largely due to Morenci. In addition to an ¥11.0 bn increase to the price differential through improvements to the price of copper, an increase of ¥1.8 bn to the unit cost differential brought great year-on-year improvements.

Next, gross profit in the Smelting & Refining segment was ¥25.0 bn, a profit increase of ¥16.6 bn.

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

Copper-related entities increased by ¥8.1 bn. There was a depreciation of the yen in the exchange rate, increasing the inventory evaluation by ¥3.7 bn. The ¥1.7 bn increase recorded under others includes foreign exchange losses of ¥0.2 bn.

Nickel-related entities increased by ¥8.7 bn. While the conditional differential increased by ¥8.0 bn and the inventory evaluation increased by ¥2.0 bn, the unit cost differential deteriorated by ¥1.9 bn due to reduced year-on-year production at CBNC and THPAL. Note that, within the increase of ¥0.3 bn for others, the effect of the foreign exchange was negligible.

Moreover, as shown in the segmented profit and loss table on the top right of page 3, there was a change this fiscal year in the method of allocation for costs that do not belong to the each segments, and these have been applied retroactively to 2020.

3. Page 4: Year-on-year comparison of results by segment (net sales for materials business by product subsegment)

Next, we will explain the sales by product subsegment for the materials business shown at the top of page 4.

Sales in the materials business overall were ¥65.5 bn, marking an increased income of ¥17.1 bn year-on-year.

Sales for battery materials increased by ¥8.8 bn to ¥30.7 bn when compared to last year, which

temporarily saw reduced demand. Powder materials had sales increased by ¥4.6 bn to ¥12.6 bn due to healthy demand. Package materials increased by ¥1.3 bn to ¥5.2 bn, and crystals and other businesses increased by ¥2.4 bn to ¥16.9 bn.

Please note that, as mentioned previously, changes in accounting policies related to materials supplied for a fee have been retroactively applied to battery materials sales in the first quarter of the previous fiscal year.

Gross profit for materials segment, shown on page 3, increased by ¥6.7 bn year-on-year to ¥10.3 bn and segment profit and loss improved by ¥7.3 bn to ¥6.7 bn year-on-year.

4. Page 4: Year-on-year comparison of results by segment (equity in earnings of affiliated companies)

Next, we will explain the table at the bottom of page 4 showing equity in earnings of affiliated companies.

Overall equity in earnings of affiliated companies increased year-on-year by ¥14.0 bn to ¥10.4 bn. The main factors for the increase in profit are copper-related entities, and profit will increase by ¥14.5 bn to ¥10.1 bn.

Among copper-related entities, at Cerro Verde, production and sales increased when compared to the previous year, which had implemented care and maintenance status. When combined with improved copper prices, profits increased by ¥6.0 bn to ¥5.1 bn year-on-year. Regarding Candelaria and Ojos del Salado, Candelaria saw decreased year-on-year production and sales, but the rise in copper prices led to a profit increase of ¥0.6 bn to ¥0.8 bn. At Sierra Gorda, operational improvements, stabilization and increased ore grade led to year-on-year improvements in production and sales. This, along with rising copper prices brought a ¥6.3 bn profit increase to ¥ 2.9 bn.

Acids and others saw a profit increase of ¥1.6 bn to ¥1.3 bn.

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

As there are no other special factors beyond the effect of the foreign exchange mentioned above, their explanation has been omitted.

6. Page 5: Forecast comparison by segment for the Six Months Ending September 30, 2021 by segment

FY2021 August Forecast for the Six Months Ending September 30, 2021 vs May Forecast

Next, please turn to page 5.

This shows a comparison of the operating results forecast for the Six Months Ending September 30, 2021 with the values disclosed in May. Note that the operating results 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 ¥44.0 bn, a profit increase of ¥10.0 bn when compared with the May forecast.

The center and below on the same page show an explanation of changes in gross profit.

A 400 kg increase in sales was planned at the Hishikari Mine for the Six Months Ending September 30, 2021, which will improve the quantity differential by ¥2.0 bn. Additionally, we forecast a price differential increase of ¥1.2 bn, a ¥4.0 bn improvement in profit over the May forecast.

Overseas copper mines are forecasted to see a ¥6.0 bn increase in profit. As stated previously, this is largely due to Morenci. Other main factors are an estimated rise in copper prices bringing a price differential increase of ¥5.3 bn and a unit cost differential improvement of ¥0.7 bn.

Gross profit in the smelting and refining segment is estimated at ¥41.0 bn, a profit increase of ¥13.0 bn when compared with the May forecast.

A breakdown of this is shown in the table at the bottom, and we forecast copper-related profits increasing ¥13.3 bn and nickel-related profits increasing ¥1.1 bn. In copper-related entities, we expect inventory evaluation to increase by ¥8.7 bn, conditional differential to increase by ¥1.1 bn and others to increase by ¥2.8 bn.

In nickel-related entities, the conditional differential is expected to increase by ¥4.4 bn and the inventory evaluation by ¥2.1 bn. On the other hand, there was a decrease of ¥3.0 bn for the quantity differential and of ¥3.3 bn for the unit cost differential due to reduced production and sales of electrolytic nickel.

Within the increase of ¥2.8 bn for nickel-related others, the effect of the foreign exchange was negligible. Additionally, of the ¥0.9 bn for nickel-related others, we forecast that foreign exchange increases will be ¥0.5 bn.

7. Page 6: Forecast comparison by segment for the Six Months Ending September 30, 2021 (sales by product subsegment for the materials business)

Next, we will explain the sales by product subsegment for the materials business shown at the top of page 6.

It's estimated that overall net sales in the materials business will be ¥132.0 bn, an income increase of ¥7.0 bn when compared with the May forecast.

In battery materials, it's forecasted that the effect of a rise in metal prices in addition to continuing with steady production and sales will bring an increase of ¥3.0 bn to ¥61.0 bn when compared to the May forecast. In powder materials, it's forecasted that increased sales will bring an increase of income by ¥2.0 bn to ¥25.0 bn when compared to the May forecast. Package materials are forecasted to increase by ¥1.0 bn to ¥10.0 bn, and crystals and other businesses are forecasted to increase by ¥1.0 bn to ¥36.0 bn.

Estimates for material segment gross profit, shown on page 5, are forecasted to have a profit increase of ¥4.0 bn to ¥19.0 bn when compared with the May forecast. Estimates for segment profit and loss are forecasted to have a profit increase of ¥6.0 bn to ¥120 bn when compared with the May forecast.

8. Page 6: Forecast comparison by segment for the Six Months Ending September 30, 2021 (equity in earnings of affiliated companies)

We will explain the equity in earnings of affiliated companies shown at the bottom of the page.

Here, the figures are rounded to the nearest 0.5 bn yen.

It's forecasted that the overall equity in earnings of affiliated companies will increase by ¥7.5 bn to ¥27.0 bn when compared to the May forecast.

The main factors for the increase in profit are copper-related entities, and it's forecasted that profit will be ¥25.5 bn, an increase of ¥7.5 bn. For overseas copper mines among copper-related entities, improvements to the price of copper and the cost differential are forecasted to increase profits for Cerro Verde by ¥4.0 bn and for Sierra Gorda by ¥1.5 bn. In the case of Candelaria, the negative effect of reduced production will decrease profits by ¥0.5 bn.

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

As in the results for the first quarter, as there are no other special factors beyond the effect of the foreign exchange, their explanation has been omitted.

10. Page 9: Financial status (cash flow)

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

Cash and cash equivalents at the beginning of the first quarter of FY2021 were ¥158.4 bn. Cash flow from operating activities increased by ¥3.5 bn, cash flow from investing activities decreased by ¥11.4 bn, and free cash flow for the three months ended June 30, 2021 decreased by ¥7.8 bn. Since cash flow from financing activities decreased by ¥28.2 bn due to the paying out of dividends, cash and cash equivalents at the end of the first quarter including the exchange rate difference decreased by ¥33.3 bn from the beginning of the fiscal year to the slightly lower ¥125.1 bn.