

Date of Teleconference: November 8, 2021

Consolidated Financial Results for Six Months Ended September 30, 2021
Teleconference Questions and Answers

[Questioner 1]

Q: The detailed documents you've put out showing things like the difference between the 1H and 2H have made things easy to understand. Talking about the ¥70.0 bn profit on the divestment of Sierra Gorda, were dividends calculated after taking that ¥70.0 bn from the full-year profit before tax of ¥266.0 bn that acts as the base for the dividend? Additionally, will the equity-method profit related to Sierra Gorda not be appropriated from Q3?

A: The ¥70.0 bn divestment impact is included in the profit before tax for the full-year operating results forecast; however, it has been left out of the calculations for the dividend forecast. There is the possibility that the transfer may not take place before the end of March 2022, which is why the entire amount has been left out of the calculations for dividends. If the transfer is completed, dividends will include what is left of the ¥70.0 bn after necessary deductions have been made.

Profit and loss for Sierra Gorda is recognized as profit (loss) in terms of the equity method up until Q2 and then it is not going to be recognized from Q3. Results for the first half show ¥6.1 bn, full-year forecasts show ¥8.0 bn and the forecast for the second half shows ¥1.9 bn. However, this is only the return on unrealized profit being appropriated.

Q: While the timing may not match up exactly, is it safe to assume that the transfer will take place?

A: The timing may not match up, but yes, it is safe to assume that.

Q: I'd like you to tell us about direction each of the major mines is moving in, like the prospects for Morenci mineral ore processing and Lundin Mining putting out a plan for Candelaria.

A: We are currently ramping up things at Morenci and believe that it is moving in a positive direction. While they haven't updated the production forecasts for Candelaria, we are currently undergoing measures, like guaranteeing the safety of the pit.

Q: It is shown that ore grade at Cerro Verde dropped; do you expect it to recover from next year? I believe that originally there was a plan before COVID-19 to offset the drop in grade by increasing ore production. Are you going back to that plan after COVID-19?

A: We're working to improve things by focusing debottlenecking on the mills. Processing

amount and operations will be ramped up once the effect of COVID-19 has diminished.

[Questioner 2]

Q: For the transfer of Sierra Gorda, about a ¥55.0 bn doubtful debt allowance has been recorded. Does the transfer yield a similar amount in profit to write it off? How much is not going to be calculated as dividends?

A: Following the amended IAS28, we newly affirmed in FY2019 the evaluated equivalent value for loans that had not been previously acknowledged, and the balance of retained earnings at the beginning of the period was reduced by ¥56.3 bn yen. After that, a reversal of the allowance for doubtful debts was conducted. This reversal will be excluded from the calculations. Previous fiscal years saw a two year period with a reversal of the allowance for doubtful debts of ¥10.9 bn. What will be excluded from the dividends calculations will be based on this amount.

Q: In FY19, a ¥56.3 bn decrease in retained earnings was appropriated, and ¥11.0 bn was returned. Is it safe to assume that the remaining ¥45.0 bn deducted from ¥70.0 bn is the dividend base?

A: It hasn't yet been confirmed as ¥70.0 bn, but yes, that is the plan.

Q: Fluctuations between 1H and 2H were large for "Other", with a ¥9.8 bn fluctuation, and for Materials. What affected these fluctuations and what is the breakdown?

A: For "Other," there were deteriorations to unrealized profit, by-products and direct sale costs. While we can't provide a breakdown, we can say that things like the rising cost of logistics is included in the deterioration of direct sale costs, for example. For Materials, the metal market price differences for batteries seeing an upturn in 1H lead to a negative when comparing 1H and 2H.

[Questioner 3]

Q: For Taganito HPAL (THPAL) and the operational trouble there, what was the state of affairs in 1H? Also, you have plans to increase production in 2H, but is this possible?

A: While there was equipment trouble at the end of Q1, this has already been resolved and normal operations have resumed. However, we estimate that the impact of reduced production will still be felt in the full year results.

Q: I'd like to confirm what the effect of Sierra Gorda's transfer is going to be. Full-year profit before tax increased by ¥70.0 bn and 1H saw an increase of ¥25.0 bn in tax-related profit. Is this correct?

A: 1H saw ¥25.0 bn of deferred tax assets appropriated as profit, which will dissolve when the transfer takes place.

Q: So the profit appropriated as deferred tax assets will be dissolved in 2H? From the full-year ¥70.0 bn, is the doubtful debt amount of ¥40.0 to 50.0 bn that's going to be deducted going to be excluded from the dividend calculations?

A: That is the correct way to think about the amount that is going to be excluded from the dividend calculations.

[Questioner 4]

Q: The ¥25.0 bn deferred tax assets from Sierra Gorda in 1H will dissolve in 2H, but is that in the full-year plan?

A: Yes, it is.

Q: Is the 1H and 2H profit and loss for the materials business inventory differential coming out in 1H or 2H? Additionally, Tesla has been talking about moving to LFP (iron phosphate). How do you see this affecting nickel-related battery materials in the mid-to-long term and do you think it is necessary to shift to LFP?

A: The inventory differential for battery materials was positive in 1H, but will be negative in the comparison of 1H to 2H. It is expected that EVs equipped with LFPs will make use of LFP characteristics and that the market will expand. While we estimate that the scale will expand focused on areas like China, as a maker with nickel resources, we plan to continue putting our energy into hi-nickel cathode materials with outstanding capacity that are long lasting. We're watching technological trends and market trends for LFP, and we may look into responding based on customer demand. Fundamentally, however, we're going to push the strengths of nickel.

[Questioner 5]

Q: There have been revisions to investment amounts for the Cote Gold Project in addition to the evaluation result for resource amounts in the surrounding area being released. I'd like to put this information in order. What is the expansion of total capital expenses in response to? Additionally, what effect is the new evaluation result for resource amounts going to have moving forward?

A: The release was, as was noted on July 23, a review and announcement of plan revisions and an increase of the initial capital expenses for the Cote Gold Project. As described in the release, the increase of initial capital expenses was due to increases in material amounts and man-hours that came with changes to the detailed specifications for construction, to increases in the cost of labor and materials, and to other economic factors like changes on the foreign exchange. This does not include exploration into surrounding areas. We anticipate the areas around the Cote Gold Project, such as the

Gosselin zone for which the evaluation result for resource amounts has been recently released, to have a high potential for exploration that, if developed, could not only expand production volume but also lengthen life of the mine.

Q: I took it that the evaluation result of the resources released last month was confirmed separately from the existing project. Is it correct to assume that whether or not that is going to be developed moving forward is going to be investigated as its own plan?

A: That is correct.

Q: Have there been any changes to the Cote Gold Project's scheduled start of production in 2023?

A: No, there have not.

Q: The capital investment amount is lower when compared to the initial cashflow / investment plan. Is the change to the planned investment amount simply a matter of timing not matching up, or is it the effect of something like the sale of Sierra Gorda?

A: The drop in the capital investment amount is largely due to delays and timing not matching up. It's not that the plan no longer exists. It's mainly that the implementation period does not match up with that in the initial plan, and that it is going to be implemented moving forward.