

Date of Teleconference: February 8, 2022

Consolidated Financial Results for Nine Months Ended December 31, 2021
Teleconference Questions and Answers

[Questioner 1]

- Q: With regards to gross profit, you think there will be a slight decline in profit between the third and fourth quarter, could you tell me what is behind this?
- A: Regarding the decrease in gross profit from Q3 through Q4, significant fluctuations in each segment were smelting and refining and diff. adjustment. For the most part, the decrease in smelting and refining was due to the price and condition differential and inventory evaluation of nickel-related entities. In terms of the diff. adjustment, the inclusion of unrealized profit between segments in Q3 was significant, as were the effects of foreign exchange.
- Q: For my second question, you explained the reason for the plus ¥10.9 bn under [Other] at the bottom of page 1 in the Supplementary Explanation, but please could you tell me a bit more about this?
- A: Significant factors behind the other increase of ¥10.9 bn include factors such as market factors, profits and losses of companies to which the equity method is applied not included in the materials business, and the effects of improvements to by-products such as sulfuric acid, and it includes the impact of some risk factors that were estimated conservatively in the previous forecast but were not factored in here.
- Q: As my third question, since the current price is higher than the assumption for metal prices used here, can it be considered that it is possible for profits to increase slightly in the trial calculation?
- A: Regarding the conditions of the market, the current price is higher than the assumed price, and as you say, if this continues there will be an upside.

[Questioner 2]

- Q: Did the power outage at Taganito HPAL (THPAL) also have an impact on Q4? What was the extent of this impact? And can it be considered that this can be resolved in the short term?
- A: While the trouble caused by the power outage at THPAL by the typhoon in December was temporary, we are seeing the impact of reduced production up to the Q4 forecast.
- Q: Does this mean that the impact of THPAL reduced production is included in the cost differential part?
- A: Yes, this is as you say.
- Q: For my second question, could you tell me about the circumstances surrounding the material shortage at Coral Bay (CBNC)?
- A: In specific terms, the material shortage at CBNC was slaked lime. This was a temporary matter, and has already been resolved.
- Q: For my third question, you explained that in the materials business you are expecting an improvement in market price differences in the battery materials business. Can it be considered that profit has been generated due to the income and expense differential?
- A: As you say, this is due to an expected improvement in income and expense differential due to

market price fluctuation.

[Questioner 3]

- Q: The forecast for profit in the materials business in Q4 is significantly down, but is this due to the impact of impairment differential and other factors? Please tell me about the background.
- A: Regarding the materials business, profit will mainly decrease for battery materials and powder materials. For battery materials, this includes some fluctuations for things such as impairment as I explained just before, and a Q4 market slump is expected for some powder materials and other things.
- Q: For my second question, the impact of the series of procedures related to the divestment in Sierra Gorda in this operating results forecast has been raised from ¥70.0 bn to ¥74.0 bn. You explained that for the profit to be used for dividends, last time we just need to subtract ¥45.4 bn from ¥70.0 bn, so can we just subtract ¥45.4 bn from ¥74.0 bn in the same way this time?
- A: Fundamentally this is as per your understanding. At the teleconference for the last Q2 financial results, I explained that due to the application of the amended IAS 28, amounts coordinated with the FY2019 balance of retained earnings at the beginning of the period (an amount equivalent to the reversal of the cumulative impact of allowances for doubtful debts against the loans, etc. for Sierra Gorda S.C.M) and amounts from which the amount of the reversal of allowance for doubtful debts in previous fiscal years has been subtracted are not amounts that are subject to dividend calculations, and there has been no change in this approach. The final amount is not yet finalized, but this approach to thinking about what is excluded from the calculation of dividends is correct.

[Questioner 4]

- Q: Regarding the changes in profit in each segment from Q2 to Q3, please tell me about the background to the decrease in profit especially in resources and smelting and refining.
- A: For resources, a big factor was a drop in quantity at Hishikari. Regarding smelting and refining, this includes the impact of reduced sales in Q3.
- Q: For my second question, the price of oil is currently rising, so I'd like you to tell me how cost increases are reflected in the financial forecast, and will such risks have to be taken into consideration going forward. In particular, there is a minus in cost differential, so is the impact of electric power and oil significant?
- A: Regarding cost increase, there is no quantifiable impact from the high price of electricity and crude oil, but some areas have been impacted by logistics costs and other costs.

[Questioner 5]

- Q: Regarding the conditions of the market, what specific view should we take including exchange rates, sulfuric acid, and PGM-related matters? If you have any quantitative hints regarding the Q3 cumulative results impact, please tell me what they are.
- A: Regarding the impact of foreign exchange fluctuations up to Q3 in the current fiscal year, [Other profits and losses from exchange rate differential] in the finance income section indicates that while there were foreign exchange losses in the same period of the previous fiscal year, this

fiscal year sees a foreign exchange gain of plus ¥7.2 bn, while market factors were also plus ¥3.1 bn due to the exchange rate differential, and combined with the effect of the weaker yen, the overall impact is plus approximately ¥10 bn more than the same period last year.

Furthermore, I will refrain from mentioning any specific amounts regarding the sulfuric acid in [Other], as there was a large plus due to an improvement from the increase in the price of sulfur. Regarding PGM, the impact of palladium etc. was not large.

- Q: As my second question, costs will be incurred at the South American mines and other entities from the next fiscal year onward in order to work on renewable energy, equipment automation, and other measures toward becoming carbon neutral. What is your view of this?
- A: Regarding initiatives from the next fiscal year onward toward becoming carbon neutral, I would like to explain this when the 3-Year Business Plan is unveiled.
- Q: For my third question, you acquired interest in CBNC was from a trading company, so I would like you to explain what form this took in terms of impact and what the aim was.
- A: Regarding the CBNC acquisition of interest, the sale price is as per the details disclosed in December, but the impact on results is slight. The decision to purchase shares was made to ensure the implementation of measures for the continuation of the project, with the primary focus on long-term CBNC operations and strengthening of the metals business and battery materials business value chain.
- Q: Am I correct in thinking that there has been no impact regarding (mineral ore) offtake quantity?
- A: There is no impact of note.