

February 8, 2022

**Teleconference Explanation Script for Consolidated Financial Results for
the Nine Months Ended December 31, 2021**

I. General briefing

The following is an overview of SMM's consolidated financial results for the nine months ended December 31, 2021 as announced today. Please take a look at the cover summary on the earnings report.

**1. Consolidated Financial Results for the nine months ended December 31, 2021:
Overview of Business Performance**

1) Consolidated operating results for the nine months ended December 31, 2021

- ① Sales increased by ¥267.3 bn to ¥922.5 bn year-on-year.
(Gross profit increased by ¥80.7 bn to ¥180.9 bn year-on-year.)
- ② Profit before tax increased by ¥130.8 bn to ¥195.4 bn year-on-year.
- ③ Quarterly gross profit increased by ¥134.0 bn to ¥180.9 bn year-on-year.
- ④ Profit for this quarter attributable to owners of the parent company increased by ¥124.7 bn to ¥170.1 bn.

As above, we saw an increase in sales and profit year-on-year.

2) Overview of consolidated financial results for the nine months ended December 31, 2021

The following is an overview of the consolidated financial results for the nine months ended December 31, 2021.

**[Consolidated Financial Results for the nine months ended December 31, 2021:
Performance Briefing & YoY Comparison]**

① Consolidated Sales

<Metal prices and foreign exchange> Please take a look at page 2 of the attachment to the earnings report.

Copper prices initially saw an upward trend, but the spread of COVID-19 variants caused demand to fall, starting a downward trend. However, they subsequently saw an increase due to supply concerns and other factors. 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 moved towards a downward trend as the US economy recovered, and went on to stay mainly at a constant level. As a result, copper and nickel prices were both higher year-on-year in the nine-month period at 9,593\$/t and 8.51\$/lb, respectively, the gold price was lower year-on-year at 1799.9\$/toz. In terms of the average exchange rate, the yen depreciated year-on-year to 111.11¥/\$.

<Net sales>

Consolidated sales in this period increased by ¥267.3 bn year-on-year to ¥922.5 bn through copper and nickel prices being higher than the same period last year.

② Consolidated profit before tax, quarterly gross profit and quarterly profit attributable to owners of the parent company

In addition to an increased income, share of profit of investments accounted for using equity method also saw improvements through things like a rise in copper prices, resulting in year-on-year increases of ¥130.8 bn to ¥195.4 bn in profit before tax, ¥134.0 bn to ¥180.9 bn in quarterly gross profit, and ¥124.7 bn to ¥170.1 bn in quarterly profit attributable to owners of the parent company.

3) Individual topics

The following covers a range of topics in the consolidated operating results for the nine months ended December 31, 2021. Please refer to page 7 in the Supplementary Explanation for Financial Summary for information on production volume.

① Overseas copper mines

<Morenci>

As we are implementing planned reduced operations, like the suspension of a portion of mills (mineral ore milling machinery), to account for the effect of the spread of COVID-19, production volume in this period saw a year-on-year decrease to 296 thousand tonnes.

<Cerro Verde>

Production volume this period was 294 thousand tonnes, an increase 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

Boiler trouble that occurred in the first half of the year, the power outage caused by Typhoon Rai in December, and other factors led to a production volume that decreased year-on-year.

③ CBNC (Coral Bay)

Operations saw a temporary drop in September due to the spread of COVID-19, and with shortages of some materials among other factors, this resulted in production volume slightly decreasing year-on-year.

④ Materials business

Sales in the materials business segment for this period marked an increased income of ¥53.0 bn year-on-year to ¥203.7 bn due to factors including increased demand for battery materials when compared to last year, which saw a temporary period of stagnant demand,

in addition to ongoing favorable demand in powder materials. Profit for the segment was ¥20.3 bn, marking a ¥15.3 bn year-on-year increase.

2. Full-Year Consolidated Results Forecast for FY2021 (Comparison with November Forecast)

The full-year consolidated results forecast was revised in the previous November; we have again revised our cumulative results forecast for the fiscal year. Please take a look at the lower part of the cover summary of the earnings report and the bottom of page 1 in the Supplementary Explanation for Financial Summary.

1) Sales and profit and loss

We have revised the Full-Year Consolidated Results Forecast for FY2021 as follows.

- (1) Sales will increase to ¥1,211.0 bn, an income increase of ¥36.0 bn compared to the November forecast
(Gross profit will increase to ¥230.0 bn, an increase of ¥32.0 bn compared to the November forecast.)
- (2) Profit before tax will increase by ¥48.0 bn to ¥314.0 bn compared to the November forecast.
- (3) Profit attributable to owners of the parent company will be ¥248.0 bn, an increase of ¥34.0 bn when compared to the November forecast.

The metal prices and exchange rates used as the foundation for the forecast are 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. We estimate that average metal prices for the fiscal year will be above what were forecast in November, and that the average exchange rate for the fiscal year will show the yen depreciating when compared to the November forecast.

2) Individual topics

The following covers a range of topics in the consolidated results forecast. Please refer to page 7 in the Supplementary Explanation for Financial Summary for information on production volume.

(1) Impact of the transfer of all held interests of the Sierra Gorda Copper Mine

The impact was estimated in the November forecast to be about ¥70.0 bn, assuming the transfer will be completed by March 2022. This has been revised to about ¥74.0 bn and is included in the profit before tax here. The main reason that it has increased by ¥4.0 bn is the impact of exchange rates. This amount is ultimately an estimated value calculated based on the operating results forecast at the time of creation, and it is not fixed.

(2) Overseas copper mines

<Morenci>

With the reduced impact of the spread of COVID-19, mining volume was increased from April and the process plant scheduled to restart in 2022 was restarted in July with 50% of its processing capacity. Due to the impact of a powerful monsoon season that lasted longer than average years, the ramping-up from July through September was temporarily sluggish, but the mining volume gradually recovered from October onward, and the full-year production volume is expected to be almost as per the November forecast at 398 thousand tonnes.

<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. However, ore grade is showing a decline and we are trying to cover that with processing volume. We estimate that there will be a full-year production volume of 399 thousand tonnes, which is almost as per the November forecast.

<Candelaria>

In June, our partner Lundin Mining announced a production volume guidance downward revision as mining was delayed due to pit collapse prevention measures taken against faults existing in open-pit mining areas. As we are operating while we take countermeasures to stabilize the pit and continue monitoring we estimated in the November forecast that full-year production volume would be only 107 thousand tonnes, but the impact of the countermeasures to stabilize the pit has eased, and in this forecast we predict an annual production volume of 116 thousand tonnes, which exceeds the November forecast.

<Sierra Gorda>

For Sierra Gorda, application of the equity method was stopped from Q3.

(3) Taganito HPAL

The impact of the boiler equipment trouble that occurred in the first quarter was incorporated into the November forecast, but due to other factors such as the power outage caused by Typhoon Rai in December, the full-year production volume is predicted to be 26.1 thousand tonnes, a decrease of about 10% compared to the November forecast.

(4) CBNC (Coral Bay)

The temporary drop in operations in September due to the spread of COVID-19 was incorporated in the November forecast, but due to factors including a shortage of some materials, production volume is estimated to slightly decrease compared to the November forecast.

3. Dividends

This section concerns dividends.

Please take a look at the cover summary on the earnings report and the “Notice Regarding Amendments to the Dividend Forecast for the Year Ending March 2022 (97th period)” that was disclosed today.

Given that we have revised the full-year consolidated results forecast, we are revising the end-of-year dividend forecast.

In the full-year consolidated results forecast, we estimated that the Sierra Gorda divestment will be completed by March 2022 and have included the impact of the series of procedures related to the divestment. However, the date of the divestment is currently undecided, so the impact of the series of procedures related to the Sierra Gorda divestment was excluded from the calculations for the year-end dividend forecast, and the consolidated dividend payout ratio is set at 35% or higher.

As a result, the year-end dividend forecast increased by ¥38 to ¥109 compared to the previous forecast of ¥71/share. As a result, we expect that the annual dividend is going to be a record high of ¥222/share.

Further, included in the impact of the series of procedures related to the Sierra Gorda divestment is an amount equivalent to the reversal of allowances for doubtful debts against the loans, etc. for Sierra Gorda S.C.M. This amount was coordinated with the FY2019 balance of retained earnings at the beginning of the period as the cumulative impact taken with the application of the amended IAS 28 “Investments in Affiliated Companies and Joint Ventures.”

The equivalent to this reversal, when the allowance for doubtful debts was confirmed, was not appropriated as a loss in FY2019 as it was a cumulative impact. Instead, it was coordinated at the beginning of the fiscal year to reduce retained earnings and appropriated as such. As it has not undergone profit and loss accounting, it will not be included in dividend forecast calculations disclosed after the transfer date is set. The SMM shareholder return dividend payout ratio will be maintained at 35% or over, assuming this exclusion.

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

Please look at the Supplementary Explanation for Financial Summary of the results.
We will only go over main points.

1. The results/forecast comparison on page 1

1) Q3 FY2021 financial results vs Q3 FY2020 financial results

The upper table on page 1 is a comparison of the results for the nine months ended December 31, 2021 against the FY2020 results for the same period. See the table footnotes [Year-on-Year Comparison (1) - (2)] analysis of fluctuations in profit before tax.

The year-on-year profit before tax increase of ¥130.8 bn was largely due to improved market factors, at ¥117.0 bn. Also, quantity differential worsened year-on-year at Hishikari, THPAL, Morenci, and others, leading to an overall decrease of ¥5.5 bn. While the cost differential improved greatly due to the Sierra Gorda results up to Q2, it worsened at THPAL, CBNC, and Morenci, which saw year-on-year production reductions, as well as at Candelaria and Cerro Verde, leading to an overall decrease of ¥11.5 bn. The ¥6.3 bn profit increase for the QB2 construction suspension cost is a one-off factor as the cost appropriated in the same period last year was not appropriated for this period. The other increase of ¥2.0 bn includes things like the effects of unrealized profit and improvements to by-products and sulfuric acid, etc.

2) New and Old Forecast of FY2021 (in Feb. vs in Nov.)

Next, in the table on the lower portion of page 1, there is a comparison of the revised results forecast and the forecast disclosed in November. See the table footnotes [Comparison of New and Old Forecasts (4) - (5)] analysis of fluctuations in profit before tax.

Of the factors behind the ¥48.0 bn increase to profit before tax compared to the previous forecast, we will explain factors other than the improvements to market factors that accounted for ¥32.4 bn and the improvement of ¥4.0 bn due to the revision of the impact of the Sierra Gorda divestment. For quantity differential, we forecast an overall deterioration of ¥3.8 bn due to expectations of worsening from reduced sales compared to the previous forecast for THPAL, Morenci, and other entities. For cost differential, while we expect an improvement in unit cost differential at Morenci, Candelaria, and other entities, we forecast an overall deterioration of ¥2.5 bn due to factors including expectations of worsening of unit cost differential at THPAL, CBNC, and other entities from reduced production compared to the previous forecast. The materials business is forecast to see a ¥5.0 bn improvement due to factors such as an improvement in market price differences resulting from metal price increases in the battery materials business. The other increase of ¥10.9 bn includes factors such as market factors, profits and losses of companies to which the equity method is applied not included in materials, and the effects of and improvements to by-products and sulfuric acid, etc.

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

First, please look at the year-on-year comparisons by segment on page 3.

Gross profit in the resource segment was ¥67.7 bn, a profit increase of ¥24.4 bn. As shown in the fluctuation explanation in the middle of the page, the primary factor is the improvements to the price differential that came with an increase in the price of copper at overseas copper mines, mainly at Morenci.

Gross profit in the Smelting & Refining segment was ¥81.7 bn, a profit increase of ¥39.7 bn. As shown in the fluctuation explanation lower on the page, the copper-related entities increased by ¥18.4 bn and the nickel-related entities by ¥17.8 bn. The main factors were an increase to the price of nickel and cobalt that greatly improved the price and condition differential of the nickel-related entities, and the inventory evaluation for copper-related and nickel-related entities also improved. Other segments also saw improvements, with improvements etc. for sulfuric acid etc. at copper-related entities, and the impact of foreign exchange etc. for nickel-related entities.

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

On the top of page 4, in sales by product subsegment, sales for battery materials increased by ¥29.4 bn to ¥96.4 bn against a backdrop of a recovery and increase in demand when compared to last year. Powder materials increased by ¥13.4 bn to ¥39.8 bn due to ongoing favorable demand.

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

In the table at the center of page 4, equity in earnings of affiliated companies increased year-on-year by ¥41.3 bn to ¥41.0 bn. At Cerro Verde, production and sales increased when compared to the previous year, and with improved copper prices, profits increased by ¥15.8 bn to ¥18.6 bn year-on-year. For Sierra Gorda, application of the equity method was stopped from Q3 and profit and loss for this period only go up to Q2, but in the Q3 cumulative results, profit increased year-on-year by ¥15.0 bn to ¥8.2 bn.

5. Page 5: Comparison of results forecast by segment FY2021 forecast (February) vs (November)

Please turn to page 5.

This shows a comparison of the revised full-year results forecast against the forecast disclosed in November. Note that the operating results forecast figures are rounded to the nearest billion yen.

Gross profit in the mineral resources segment is estimated at ¥91.0 bn, a forecasted profit increase of ¥8.0 bn. As shown in the fluctuation explanation in the middle of the page, the primary factor is the improvements to the price differential and cost differential that came with an increase in the price of copper at overseas copper mines, mainly at Morenci.

Gross profit in the Smelting & Refining segment is ¥100.0 bn, a forecasted profit increase of ¥13.0 bn. As shown in the fluctuation explanation lower on the page, the copper-related entities are forecasted to increase by ¥8.6 bn and the nickel-related entities by ¥2.6 bn. The factors are an expected worsening in quantity differential and unit cost due to reduced production and reduced sales at THPAL, CBNC, and other nickel-related entities, although a significant improvement is expected in the price and condition differential for the nickel-related entities and in the inventory evaluation for the copper-related and nickel-related entities.

6. Page 6: Comparison of full-year results forecast for materials business (sales by product subsegment)

At the top of page 6, in the sales for materials business by product subsegment, we forecast that overall net sales in the materials business will be ¥276.0 bn, an income increase of ¥1.0 bn when compared with the previous forecast.

In battery materials, it is forecasted that, thanks to the effect of a rise in metal prices in addition to continuing with overall steady production and sales, profits will increase by ¥4.0 bn to ¥134.0 bn when compared to the previous forecast. Powder materials are forecast to be slightly lower than the previous forecast at ¥51.0 bn.

7. Page 6: Comparison of full-year results forecast by segment (equity in earnings of affiliated companies)

The figures for equity in earnings of affiliated companies at the bottom of page 6 are rounded to the nearest 0.5 bn yen.

Cerro Verde is expected to have a profit increase of ¥2.0 bn through rising copper prices and other factors, and Candelaria is expected to have a profit increase of ¥2.5 bn through quantity differential and cost differential improvements due to increased production and sales compared to the previous forecast in addition to rising copper prices. It is forecasted that the overall equity in earnings of affiliated companies will increase by ¥7.0 bn to ¥53.0 bn when compared to the previous forecast.