

August 8, 2022

(English translation released on September 1, 2022)

Explanation Script of Teleconference

for Consolidated Financial Results for the First Quarter of the Year Ending March 2023 (FY2022)

I. General briefing

The following is an overview of SMM's financial results for the three months ended June 30, 2022 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, 2022: Overview of Business Performance

1) Consolidated operating results for the three months ended June 30, 2022

- ① Sales increased by ¥63.3 bn to ¥357.7 bn year-on-year.
(Gross profit increased by ¥38.9 bn to ¥94.5 bn year-on-year.)
- ② Profit before tax increased by ¥44.1 bn to ¥104.0 bn year-on-year.
- ③ Quarterly profit increased by ¥35.3 bn to ¥81.4 bn year-on-year.
- ④ Profit for this quarter attributable to owners of the parent company increased by ¥33.4 bn to ¥76.5 bn.

As shown above, we saw an increase in income figures and profit year-on-year.

2) Overview of consolidated financial results for the three months ended June 30, 2022

The following is an overview of the consolidated financial results for the three months ended June 30, 2022. Please take a look at page 2 of the attachment to the earnings report.

<Metal prices and foreign exchange>

Apprehensions over a possible recession due to China's strict infection prevention measures and rising interest rates in Europe and the US have brought a drop to copper prices, but they are largely holding at a level near that of the year-on-year average. Nickel prices saw a jump toward the end of the last fiscal year due to an increase in demand for nickel through increased production of electric vehicles (EV) in Europe and the US, after which they saw a drop due to apprehensions over a possible recession. However, they are still holding at a level that is higher than the average for the same period last year. Gold prices saw a drop due to large interest rate increases in the US, but they are still holding at a level that is higher than the average for the same period last year.

In foreign exchange, while the US is pushing restrictive monetary policies to suppress increases to the prices of goods, Japan is sticking to its financial deregulation policies, quickly increasing the Japan-US interest rate differential and rapidly accelerating the weakening of the yen.

<Sales, profit and loss>

Consolidated sales in Q1 increased year-on-year by ¥63.3 bn to ¥357.7 bn through nickel and gold prices rising year-on-year, and through increased sales of materials for automobile batteries that are supported by healthy demand. Consolidated profit before tax in this quarter saw a year-on-year increase of ¥44.1 bn to ¥104.0 bn through improvements to financial income through the progressive weakening of the yen, as well as improvements to share of profit of

investments accounted for using equity method against the backdrop of non-ferrous metal prices holding at a high level. This is in addition to increased income. Profit for this quarter attributable to owners of parent increased by ¥33.4 bn to ¥76.5 bn year-on-year.

3) Individual topics

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

① Overseas copper mines

<Morenci>

The impact of COVID-19 continued, which led to the production volume holding at the same level year-on-year, at 97 thousand tonnes.

<Cerro Verde>

Improved ore grade brought a year-on-year increase to production volume, coming to 107 thousand tonnes.

② Taganito HPAL

Stable operation brought a year-on-year increase to production volume, coming to 7.9 thousand tonnes.

③ CBNC (Coral Bay)

Operations did not go as planned due to factors such as continuing rain, leading to a year-on-year drop in production volume, coming to 4.3 thousand tonnes.

④ Materials business

While we have started to see signs of demand for materials for electric parts dropping in China, increased income of materials for automobile batteries, for which the demand is on the increase backed by the accelerating shift toward carbon neutrality, saw sales increase by ¥9.8 bn to ¥75.3 bn.

2. Operating results forecast

Please take a look at the lower part of the cover summary of the earnings report, page 5 of the attachments to the earnings report and the bottom of page 1 in the Supplementary Explanation for Financial Summary.

Please note, as the business environment is fluctuating more than we originally anticipated through things that affect our business results, like non-ferrous metal prices and the foreign exchange, we have revised both the operating results forecast for the six months ending September 30 and the full-year forecast of consolidated operating results.

The non-ferrous metal prices that is the primary foundation of those forecasts and the foreign exchange have been revised based on, respectively, the revised supply-demand balance and the current rates.

The operating results forecast for the second half of the fiscal year uses the forecast for the six months ending September 30 as the starting point. Regarding the production and sales volumes for major mines, smelters and battery materials, which do not expect large fluctuations, the forecast uses the figures disclosed in May. However, the sales volume forecast for advanced materials, which are currently experiencing the effects of a stagnant economy in China, has been revised based on current estimates. Additionally, we have calculated the effect of the conditions of the market, which will

significantly affect our results, using sensitivities. This calculation also takes into account the effect of operating materials that are seeing an increase, such as energy, and those one-off factors that can currently be ascertained.

1) Sales and profit and loss

Forecast of cumulative operating results for the six months ended September 30

- (1) Sales will increase to ¥689.0 bn, an income increase of ¥30.0 bn compared to the May forecast (Gross profit will increase to ¥160.0 bn, an increase of ¥48.0 bn compared to the May forecast.)
- (2) Profit before tax will increase by ¥55.0 bn to ¥149.0 bn compared to the May forecast.
- (3) Profit attributable to owners of the parent company will be ¥103.0 bn, an increase of ¥35.0 bn when compared to the May forecast.

Full-year operating results forecast

- (1) Sales will increase to ¥1,357.0 bn, an income increase of ¥26.0 bn compared to the May forecast
- (2) Profit before tax will increase by ¥24.0 bn to ¥218.0 bn compared to the May forecast.
- (3) Profit attributable to owners of the parent company will be ¥148.0 bn, an increase of ¥11.0 bn when compared to the May forecast.

The metal prices and exchange rates used for the operating results 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.

Given the growing concerns over reduced demand in China, we estimate that metal prices will see the supply and demand balance for copper continue to oversupply for the time being. However, while this depends on the effect on the supply network that the strict anti-infection measures of the Chinese government will have, we forecast that demand will gradually recover from the Q3. On the other hand, while there are concerns of a recession due to rising interest rates, we forecast that nickel prices will settle at an appropriate level in line with the supply and demand balance through strong demand for automobile battery materials. The prices we assume are copper at \$7,000/t in Q2, then at \$8,200/t in Q3 and Q4, nickel at \$9.5/lb in Q2, Q3 and Q4, and gold at \$1,700/toz in Q2, Q3 and Q4.

We forecast that profit before tax of 1H will be ¥149.0 bn, an increase of ¥55.0 bn from the May forecast. However, this is mainly due to the inventory evaluation for metals seeing a ¥39.0 bn increase, foreign exchange profit ¥12.6 bn and the materials business ¥7.0 bn.

On the other hand, the yearly forecast for the profit before tax is showing ¥218.0 bn, an increase of ¥24.0 bn from the May forecast, a slightly smaller scale of profit increase from the forecast for the six months ending September 30. This is because we are expecting to see deterioration in price and conditional differentials due to looming price drops, for copper in particular, against the May forecast, in cost differentials mostly at major mines and smelters both domestic and foreign, in market conditions through the latter half of the year for the advanced materials business, and in the income and expense differential for battery materials.

2) Individual topics

The following covers a range of topics in the results forecast.

(1) Hishikari Mine

As announced in our 2021 3-Year Business Plan, we are planning to move to sustainable production aimed at extending mine life from FY2022. Yearly gold production volume under this plan is at 4.4 tonnes. Sales for Q1 were at 1.4 tonnes and we are planning on sales of 1.0 tonnes for Q2.

(2) Overseas copper mines

<Morenci>

Production is progressing favorably, and production volume for 1H is predicted to be 205 thousand tonnes, 47% of the FY2022 plan.

<Cerro Verde>

Improvements to ore grade have brought a predicted production volume for 1H to 216 thousand tonnes, 48% of the FY2022 plan.

<Candelaria>

Production is progressing favorably, and production volume for 1H is predicted to be 65 thousand tonnes, almost 50% of the FY2022 plan.

(3) Taganito HPAL

Production is progressing favorably, and production volume for 1H is predicted to be 15.1 thousand tonnes.

(4) CBNC (Coral Bay)

The production volume for 1H is predicted to be 9.7 thousand tonnes, an increase in production when compared to Q1.

3. Dividends

This section concerns dividends.

It has been only three months since the May 10th disclosure. In addition to this, non-ferrous metal prices and the movements of the foreign exchange is hard to predict, which is why we have not revised the dividend forecast. On the lower part of the earnings report cover summary, the dividend forecast disclosed in May is shown, with interim dividends at ¥87, end of year at ¥88 and total at ¥175. Based on the policy of a dividend payout ratio of over 35% as outlined in the 3-Year Business Plan, we are planning on making revisions in time for our announcement of the Q2 financial results.

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

From here, we will only go over main points for the Supplementary Explanation for Financial Summary.

1. The results/forecast comparison on page 1

1) Q1 FY2022 financial results vs Q1 FY2021 financial results

The upper table on page 1 is a comparison of the results for the period ended June 30, 2022 against the FY2021 results for the same period.

See the table footnotes [Year-on-Year Comparison FY2022 Q1 Results vs. FY2021 Q1 Results (1) - (2)] analysis of fluctuations in profit before tax.

Of the factors behind the ¥44.1 bn increase to profit before tax, we will explain factors other than the improvements to market factors that accounted for ¥55.4 bn. Quantity differential worsened for Hishikari Mine with reduced year-on-year sales, as well as for, among other things, electrolytic nickel and nickel sulfate, leading to an overall decrease of ¥4.0 bn. Cost differential worsened year-on-year, with major domestic and foreign bases taking a hit from rising energy costs, leading to an overall decrease of ¥11.2 bn. The materials business is being affected by the stagnation of economic activities due to the lockdown of Chinese cities, but there are also improvements in market price differentials through improvements to metal prices, leading to an increase in profit of ¥2.9 bn. As for the profit loss of ¥2.9 bn for Sierra Gorda, this is a one-off factor that is a result of the closing of the divestment in February 2022, erasing the profit that was present last year. The other decrease of ¥7.3 bn includes a variety of factors such as the removal of unrealized profit, as well as profits and losses, such as those of companies to which the equity method is applied, that are not included in market factors or Materials business.

2) FY2022 August Forecast for the Six Months Ending September 30, 2022 vs FY2022 May Forecast for the Six Months Ending September 30, 2022

Please see the left side of table at the bottom of the first page and the analysis (① - ②) of fluctuations in profit before tax in the footnotes below the table which describes the comparison between the FY2022 August forecast for 1H of 2022 vs the FY2022 May forecast.

Of the factors behind the ¥55.0 bn increase to profit before tax, we will explain factors other than the improvements to market factors that accounted for ¥50.8 bn. Primary factors for the quantity differential were the drop in sales for the nickel-related entities including by-products. The cost differential is the same as Q1, due largely to rising energy costs. Materials are estimated to see an increase in profit of ¥7.0 bn, centered largely around battery materials due to rising metal prices. The other decrease of ¥3.6 bn includes a variety of factors such as the removal of unrealized profit, as well as profits and losses, such as those of companies to which the equity method is applied, that are not included in market factors or Materials business.

3) FY2022 forecast (August forecast vs May forecast)

Next, we will move on to the comparison between the revised August forecast and the May forecast for the FY2022 full-year operating results. Please see the right side of the table at the bottom of the first page and the analysis (③ - ④) of fluctuations in profit before tax in the footnotes.

Presuppositions for the August full-year forecast are as shown above. Of the factors behind the ¥24.0 bn increase to profit before tax, we will explain factors other than the market factors that accounted for ¥40.0 bn.

The cost differential is estimated to see a deterioration of ¥21.0 bn due to the effects of the cost increases for things like energy. The materials business is estimated to see a profit increase of ¥2.0 bn. While we expect improvements to battery materials through rising metal prices, advanced materials are likely to be worse than we originally anticipated due to the effect of the economic stagnation in China.

2. Page 3: Comparison FY2022 result vs FY2021 result by segment (change in gross profit)

Please look at the results comparison with FY2021 by segment on page 3.

Gross profit in the Mineral resources segment was ¥25.0 bn, a profit increase of ¥2.2 bn. As shown in the fluctuation explanation in the middle of the page, while there was reduced production at the Hishikari Mine and the effect of rising costs, the greatest factor was 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 ¥63.4 bn, a profit increase of ¥38.4 bn. As shown in the fluctuation explanation lower on the page, the copper-related entities increased by ¥13.7 bn and the nickel-related entities by ¥22.0 bn. The unit cost differential saw a deterioration in the copper-related and nickel-related entities due to the rising price of energy. Additionally, the nickel-related entities saw reduced production. On the other hand, an increase to the price of nickel in particular greatly improved the price and condition differential of the nickel-related entities, and the inventory evaluation for copper-related and nickel-related entities also greatly improved. Other also saw improvements, with improvements for sulfuric acid, etc., and other favorable factors for the copper-related entities, and the impact of foreign exchange, etc., for the nickel-related entities.

3. Page 4: Comparison FY2022 result vs FY2021 result 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 ¥9.7 bn to ¥40.4 bn through healthy demand and rising metal prices. Other advanced materials saw demand drop due to China's city lockdowns, but they still saw an increase of ¥0.1 bn to ¥34.9 bn.

4. Page 4: Comparison FY2022 results vs. FY2021 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 ¥1.9 bn to ¥12.3 bn, even with the absence of ¥2.9 bn in profit as a result of the Sierra Gorda divestment. At Cerro Verde, production and sales increased when compared to the previous year, and

when combined with improved copper prices, profits increased by ¥5.1 bn to ¥10.2 bn year-on-year. Due to factors such as increased copper prices, Candelaria and Ojos del Salado also saw income increase by ¥1.6 bn to ¥2.4 bn.

5. Page 5: Comparison with FY2022 forecast by segment Comparison for the six months ending in September 30, 2022 (August vs. May)

Please look at the top of page 5. This is the segmented comparison between the May forecast and the revised August forecast for the six months ending in September 30, 2022. Note that the operating results forecast figures are rounded to the nearest billion yen.

Gross profit in the mineral resources segment is estimated at ¥45.0 bn, a forecasted income increase of ¥3.0 bn. As shown in the fluctuation explanation in the middle of the page, overseas copper mines, mainly Morenci, saw profit increases through rising prices and the weakening of the yen. However, cost increases and reduced sales have led us to forecast that things will hold at the same level as previously forecasted. Further, there are no changes to the yearly production volume of 4.4 tonnes at the Hishikari Mine, so we plan to adjust production volume in Q3 and Q4.

Gross profit in the Smelting & Refining segment is ¥99.0 bn, a forecasted profit increase of ¥45.0 bn. As shown in the fluctuation explanation lower on the page, the copper-related entities are forecasted to increase by ¥35.4 bn and the nickel-related entities by ¥1.8 bn. While the unit cost differential for copper-related entities is forecasted to deteriorate, we estimate significant improvements for the inventory evaluation. This is in addition to the weakening of the yen in the exchange included in Other and improvements to sulfuric acid, so we forecast an increase in profit. Even nickel-related entities, while we estimate an upturn to profit through rising inventory evaluation and prices, as well as the weakening of the yen in the exchange, increased costs due to the rising energy and sulfuric acid costs, as well as reduced sales, have led to a forecast of limited profit increase. Other factors are as listed, including internal segment deletion of dealings between group companies.

6. Page 6: Comparison with FY2022 forecast by segment Comparison for the six months ending in September 30, 2022 (August vs. May)
(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 ¥159.0 bn, an income increase of ¥3.0 bn. Of those, battery materials are forecasted to increase by ¥4.0 bn to ¥91.0 bn through continued healthy demand and rising metal prices. On the other hand, advanced materials are forecasted to see income drop by ¥1.0 bn to ¥68.0 bn due in part to economic stagnation in China through city lockdowns.

7. Page 6: Comparison with FY2022 forecast by segment Comparison for the six months ending in September 30, 2022 (August vs. May)
(equity method profit/loss)

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

It is forecasted that the overall equity in earnings of affiliated companies will increase by ¥1.0 bn to ¥17.0 bn.

Cerro Verde is estimated to see increased profit through increased production and sales. In contrast, Candelaria and Ojos are seeing a deterioration through price drops, despite increased sales, and worsening conditions of the market are affecting materials and others, so we estimate a decline in profit. We estimate the overall profit increase will top out at around ¥1.0 bn.

8. Page 5: Comparison with FY2022 forecast by segment (August vs. May)

Finally, please look at the bottom of page 5. This is the segmented comparison between the May forecast and the revised August forecast for the full-year results. Note that the operating results forecast figures are rounded to the nearest billion yen.

As we explained previously, this is only an explanation for segmented profit and loss, as the yearly forecast uses a different calculation method from the one used for the forecast(August) for the six months ending in September 30, 2022 that we have seen so far.

The Mineral resources segment is benefitting from the weak yen, but a looming fall in metal prices and rising costs have led us to estimate a deterioration of ¥11.0 bn. On the other hand, the Smelting & Refining segment is seeing the effect of cost increases, but the inventory evaluation and the effect of the weak yen have led us to estimate an improvement of ¥35.0 bn. In the Materials segment, we see difficulties in advanced materials due to stagnation in China's economy. Additionally, we estimate a deterioration of the income and expense differential for battery materials, leading us to estimate that the overall improvement will top out at around ¥2.0 bn