

Date of Teleconference: November 8, 2022
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Questions and Answers Script of Teleconference
for Consolidated Financial Results for the Second Quarter of the Year Ending March 2023 (FY2022)

[Questioner 1]

- Q: Are energy costs leading to a worsening of profit when it is calculated with sensitivities? From what I've seen of the financial results at each of the overseas mines, production costs have risen greatly. Additionally, what's the reason for the large increase to energy costs in nickel smelting and refining? What type of raw materials and fuels are you using?
- A: The increasing energy costs related to nickel are due to increases to electric power and coal prices. We use electric power in the refining of electrolytic nickel, so that is affected by electric power prices. Coal is used in overseas plans, so that's having an effect there. The effect of increasing energy costs is large both domestically and overseas.
- Q: So, domestically, it is largely due to the effect of electric power for the Niihama area's electrolytic nickel and coal is for the two overseas HPALs?
- A: Yes, this is as you say.
- Q: Amid this incredibly severe business climate, the forecast for profit before tax sees the number dropping to ¥30.0 bn for the second half of the fiscal year. While I believe that effect of inventory is included in this profit, despite it not having a significant effect, are there any one-off factors and will the amount return to normal from the next fiscal year? If this is the actual potential and the external environment does not improve, will the profit level for next year be about double this? I imagine it's difficult as we deal in commodity markets and it's difficult to improve the profit by raising prices.
- A: In the ¥30.0 bn for profit before tax for the second half of the year, settlement differences for overseas mines, smelting and refining inventory evaluation, and battery income and expense differential are included as one-off factors. Further increases to energy costs and the manifestation of a variety of business operation risks, including those from the past, have been incorporated, and these elements are included in the second half of the year as deterioration to profit and loss that is somewhere in the area of several billions of yen. Without these factors, even if we move forward with the current business environment, we calculate that the profit before tax for the next fiscal year will be ¥120.0 bn.
- Q: Am I correct in my understanding that you will be taking on the increase in capital expenditures for the Cote Gold Project that was mentioned in today's announcement, with no change in the equity held?
- A: Yes, this is as you say.

[Questioner 2]

- Q: I understand that there were upward and downward revisions for sales in the materials business. Could you tell me what the issue was? Additionally, the battery materials business saw an upward revision for sales, but what was the situation like when you looked at the sales volume?
- A: For the battery materials business, in terms of sale volume, we were able to acquire a very good deal, allowing us to work at near full production. For those other than battery materials, advanced materials overall saw a large deceleration in demand in response to the slowing of the economy that came with China's lockdowns. We expect that this deceleration will continue into the second half of the year, and that our sales figures will drop. For forecast moving forward, while Japanese electronics part makers are paying careful attention to the current state of affairs, they've explained that they're expecting to see a recovery next near, and so are we.
- Q: The cashflow statement for the first half of the year showed expenditures of approximately ¥11.0 bn for stock acquisition from affiliated companies and expenditures for long-term loans receivable at approximately ¥34.0 bn. Could you tell me what these are related to?
- A: Those expenditures are for the Quebrada Blanca II project.

[Questioner 3]

- Q: For the unit cost differential in overseas copper mines, what was significant in the comparison between the November plan and the May plan in the full-year results forecast?
- A: Primary factors in the cost differential for overseas copper mines were increases to the cost of diesel fuel to heavy machinery and to the electric power needed for equipment.
- Q: While I believe that the operational costs are going to increase with the revision of the development costs for the Cote Gold mine, what's your stance on whether or not it's actually going to be able to return a profit as a project?
- A: Cote is one of the best and largest gold mines in the world. It has an incredibly long life of over 15 years and has an annual gold production volume of over 10 tonnes. There are no issues with the profitability, and even with the incorporation of the increases to the investment amount, we believe that we can secure sufficient profitability.

[Questioner 4]

- Q: I'd like to check on the launch of Quebrada Blanca II among future projects. There was an announcement in August related to an increase in total capital expenses, but I believe there will not be any change to the schedule of a 2022 launch. I'd like to check on the current situation. Also, I believe it's going to be lamped up gradually from next year, and I'd like to know what the copper volume for the first fiscal year is going to be.
- A: At present, the Canadian mine operator, Teck Resources, made an announcement on October 26, local time, and it was explained that the first copper would be within this year, so we're expecting production to start this year. The launch next year is, as explained in the announcement, going to be ramped up over the course of the next fiscal year. Along with this, and this was just mentioned as a general guide, the production volume will be at a level below what was initially planned. We're also keeping a close eye on those details, along with the speed of the launch.
- Q: New rumblings related to battery materials plants in North America came out in announcements from partners. At present, I've heard that the plan is to prepare to increase production aimed at 2025, and then have milestones in 2027 and 2030. Do any of these need to be brought forward? Could you tell me if there are any countermeasures needed, given the recent investment news in the US?
- A: We're planning on the production volume for battery cathode materials of 10,000 tonnes/month by FY2027 and of 15,000 tonnes/month by FY2030, and I presume you're asking if it's possible for us to hit these targets ahead of time. Our policy related to our battery materials strategy is to actively keep pace with areas that are seeing production increases by our existing customers. While bringing the schedule forward is not out of the question if required, it's not something we're currently considering.

[Questioner 5]

- Q: Regarding THPAL and CBNC, the plan for the second half of the year is to increase the production volume and sale volume when compared to the first half of the year. Can you tell me why there's an increase from the first half to the second, and if there is any risk involved?
- A: CBNC had to deal with inclement weather in Q1, which affected its operation, and, we were not able to achieve the plan in the first half of the year. THPAL had similar issues, as an equipment trouble in Q2 led to a drop in production. At present, both are operating smoothly. We want to operate in a way that allows us to achieve this plan. We're less worried about any kind of special risk, and we're more focused on how we can keep risks that occur in normal operation from occurring.
- Q: There was a release talking about the start of mining for the lower portion of the Hishikari Mine's orebody. Production is set at a sustainable annual volume of 4.4 tonnes to extend the life of the mine, but is there any chance this production volume will change?
- A: While exploitation of the Hishikari Mine's lower orebody has become possible, the gold content of the mine hasn't changed, so the likelihood that the production volume of 4.4 tonnes gets revised is low.