

Questions and Answers Script of Teleconference
for Consolidated Financial Results for the Year Ending March 2023 (FY2022)

[Questioner 1]

- Q) With regard to the consolidated profit before tax of ¥77.0 bn for the FY2023 profit forecast, there was an explanation that pretax profit excluding “one-off losses in price drops for the exchange rate and metal prices, as well as other one-off factors” was ¥130.0 to 140.0 bn, but what is the reason for this gap?
- A) Primary factors in the difference between profit excluding one-off factor and the profit forecast were, in the one-off profit and loss caused by fluctuations of metal price and forex, the effects of the QP differential, the settlement differential, the income and expense differential and the lower of cost or market value method. Further, this includes the battery income and expense differential and the overseas copper mines settlement differential. Additionally, this includes one-off factors such as costs that we estimate are going to occur in FY2023.
- Q) If the conditions of the market stabilize moving forward and there are no fluctuations in metal prices or the exchange rate, will there be no gap in FY2024?
- A) Yes, this is as you say. In the business environment in which the FY2023 operating results forecast was conducted, we forecast that we will see ¥130.0 to 140.0 bn in profit in FY2024 if there are no fluctuations in metal prices and the exchange rate, and no large fluctuations in costs.
- Q) Regarding the Quebrada Blanca Copper Mine II development project, in the explanation by the operator, Teck Resources Limited (“Teck”), it was stated that they would ramp up and reach full production in 2023 and make contributions in 2024. Is my understanding correct? Further, if that is the case, does that mean that the temporary costs that you came up with in your trial calculations for your FY2023 operating results forecast are not going to occur?
- A) As was explained even in Teck’s financial result announcement recently, we are understanding with that schedule in mind. Of the one-off costs that we have included in trial calculations in FY2023, we’ll carefully check the financial reporting standards to determine what items are included in the sales costs and incorporate them into our FY2024 operating results forecast.
- Q) If Glencore Plc (“Glencore”) takes Teck over, is anything going to change?
- A) We are not anticipating the takeover of Teck by Glencore, and we are not aware of the accounting standard of said company. Financial structures related to the development of the Quebrada Blanca Copper Mine II are included as a portion of the contract, however, hypothetically, even if the operator changes, we believe that the scheme itself will not change.

[Questioner 2]

- Q) Regarding the unit cost, the FY2022 results and the FY2023 forecast were explained as being at the same level, but what was that price level?
- A) We have not individually disclosed the cost units used in the FY2023 profit forecast. For example, we start the forecast from the start of the year, so you can imagine the level being somewhere around there.
- Q) Why are there improvements to the unit cost differential for “FY2023 Forecast vs FY2022 Result” and “Nickel” in “2. Smelting & Refining” under “Explanation of Diff.” on page 5 in the Supplementary Explanation Material of Financial Summary?
- A) The primary factor is that, when compared to FY2022, we expect that the price of coal will drop.
- Q) Why is there a loss of ¥4.0 bn in “Segment Profit (loss)” for the “Materials” segment on page 5 (under “FY2023 Forecast vs FY2022 Result”) of the Supplementary Explanation Material of Financial Summary when page 6 of the same supplementary explanation is showing an increase in sales in “3. Materials (Net sales)”?
- A) The effect of the deterioration of profit and loss due to the battery income and expense differential. The rise in metal prices gave a big boost to profit in the first half of 2022, however, we estimate the opposite will happen in 2023. Additionally, while we believe that advanced materials will recover, we estimate that the materials business overall is going to be in the red as the advanced materials are likely to recover gradually from the second half of the year. Additionally, while we cannot disclose the details, startup costs from the new battery plant we currently have under construction are going to come in in the latter half of the year.
- Q) Is the battery income and expense differential excluded from the ¥130.0 to 140.0 bn in profit excluding one-off factor you explained earlier?
- A) That is correct.

[Questioner 3]

- Q) Regarding the operation plan for Hishikari Mine, the 3-Year Business Plan has yearly production at 4.4 tonnes, however, it dropped to 4.0 tonnes in FY2023. I'd like it if you could explain the substantive results of boring and if there are going to be further drops in the future.
- A) What we are aiming to do is ensure that we do not miss any gold that might be buried in the Hishikari Mine, which is why we're aiming to mine at the average grade. As a result of conducting ore reserve calculations based on the results of drilling, we determined that 4.0 tonnes is a suitable amount for sustainability. We are currently not able to comment on the possibility of further production reduction but moving forward we're going to continue to make decisions with regard to production volume by reviewing survey results.
- Q) Regarding the Quebrada Blanca Copper Mine II development project, recently, in Teck's financial result announcement, they referenced estimates related to further increases in investment costs. Can you explain estimates for the profitability of the project and what sort of account processing is going to be needed?
- A) We are aware that Teck made mention of that when they were announcing their financial results. At present, this is Teck's estimate, and our official view as a joint venture is the \$7.5 bn we announced in August 2022. If costs were to increase, we would process things internally and respond. While we currently are not able to comment on account processing as we have not reviewed the details, we still believe it is going to be a good mine once it begins operations.

[Questioner 4]

- Q) This question is regarding the “FY2023 Forecast” of “Materials” in the “Segment Profit (loss)” under the “Comparison” on page 5 of the Supplementary Explanation Material of Financial Summary. You explained that it was affected by reduced sales of parts for electronic components given reduced demand for smartphones and by an increase of fixed costs related to batteries, but I’d like it if you could explain in as much detail as possible the sense of scale of the loss, the amount of profit decrease year-on-year and the effect thereof. Additionally, what positive and negative factors should we anticipate looking to FY2024?
- A) The profit and loss for advanced materials have deteriorated with the slowing of demand in the latter half of FY2022. FY2023 is not seeing a fast recovery in the first half of the year, and we expect a gradual recovery in the latter half. In line with the scope of our business, nothing has changed with regard to the impact of profit and loss for batteries being bigger than for advanced materials. Regarding batteries, while things do not always tie together in the timeliest manner, the first half of FY2022 saw a big boost to profits due mainly to income and expense differential through an increase in metal prices and a continued weakening of the yen, but this profit saw a downturn in the latter half of the year. We believe that effect is going to remain in 2023. We mentioned the increase in fixed costs because of the startup of the new plant in the latter half of FY2023, but the amount of this is not going to be that large. We have already stated this, but the tailwind we saw in FY2022 has turned into a headwind in FY2023. As this occurred with fluctuations of metal price and forex, we estimate that profit and loss movements will stabilize if the market holds in FY2024.
- Q) Is the yearly effect of the startup of the new plant going to be larger for FY2024 than for FY2023? Additionally, will that effect be absorbed from FY2025, the year in which production starts, and on?
- A) The effect of the startup for FY2023 will be booked from the latter half of the year, while in FY2024, it will be booked for the full year, so the impact will be larger for FY2024. We believe that, once production starts, costs will no longer be for start up and will instead occur as costs within our estimates.

[Questioner 5]

- Q) This question is regarding ¥24.4 bn deterioration in the “FY2023 Forecast” for the “Inventory evaluation P&L” under “Smelting & Refining” on page 5 of the Supplementary Explanation Material of Financial Summary. I see a deterioration in copper and nickel as well, but I think the presuppositions related to the conditions of the market have not deteriorated this much. The calculated amount seems high, and what is behind this?
- A) We have not changed our calculation rules. One big reason, more than prices, is the effect of the exchange. The effect of prices is being limited for copper because of balance hedging, but nickel have not had balance hedging conducted, so both the price and the exchange are having an effect.
- Q) What is the reason for profit and loss for the Smelting & Refining segment for the Q4 in FY2022 being below that which you disclosed in February?
- A) Primary causes are the effect of inventory evaluation and, in particular, the strengthening of the yen. This is one way to think about it, but in Q3 of FY2022, the exchange was ¥141.60, and the rate we assumed for Q4 was ¥135.00, however, the actual rate was ¥132.35. The effect of a drop in metal prices is also having an effect.

[Questioner 6]

- Q) Regarding “Equity in earnings of affiliated companies” on page 6 of the Supplementary Explanation Material of Financial Summary, what is the reason for the year-on-year improvement to Candelaria/Ojos? It does not seem like there are any estimates that the volume is going to change dramatically.
- A) Volume is going to see a year-on-year decrease, however, the unit cost differential is improving. Additionally, the settlement differential that occurred with copper prices staying strong from January to March in 2023 was included as a factor behind the boost to profits.