

Questions and Answers Script of Teleconference
For Consolidated Financial Results for the Year Ending March 2024 (FY2023)

[Profit and Loss Exclude Temporary Factor and Sensitivity]

Q) What is the profit and loss exclude temporary factor based on FY2023 results?

A) 110 billion to 100 billion yen. There is no change from the FY2023 forecast (February) based results released previously.

Q) The profit and loss exclude temporary factor based on the FY2024 forecast (May) is 120 billion to 110 billion yen, a 10 billion yen upturn on the FY2023 results. What are the factors behind this?

A) We expect an effect from large projects and an improvement in unit cost differential. However, we expect that the price of nickel and cobalt will fall and that we will see an increase in, among other things, upfront costs in the materials business and interest burden, so the improvement is expected not to exceed 10 billion yen.

Q) Why has the sensitivity on page 18 of the Supplementary Explanation Material of Financial Summary for the teleconference changed from the previous release?

A) This is because from this forecast, we are expecting a contribution to profit from the Quebrada Blanca Copper Mine (QB/Chile) and the Côté Gold Mine (Côté/Canada).

Q) I like to know about the approach taken to sensitivity. Considering that QB and Côté are still in ramp-up in FY2024, will we see a rise in the sensitivity toward the second half of FY2024? Will the sensitivity increase further in 2025, when ramp-up is finished and production volume can be expected to increase?

A) The sensitivity disclosed here is based on the full-year forecast for FY2024. If the full capacity of both mines increases in FY2025, we will review the figures.

[The Status of Large Projects Underway and Expectations for Their Contribution to Profits in FY2024]

Q) Can you provide a breakdown of the contribution to profit and loss (+22.5 billion yen) of large projects?

A) We cannot disclose any details, but we expect an improvement of more than 10 billion yen from QB and of several billion yen from Côté from FY2023.

Q) I know you have to take into consideration your relationship with joint venture partners, but can you explain the current situation at QB as far as possible?

A) The construction of the port offshore facilities and copper-molybdenum separation plant planned between January and March 2024 is now largely complete, and these have started to come online. The mineral processing plant also achieves its planned processing capacity through the day. Going forward, the issue will be achieving stable operation. With regard to profit and loss contribution, the first half of 2024 will likely be harsh, given the circumstances I mentioned. However, when processing capacity stabilizes around the second half of 2024, we expect a contribution to profit.

Q) Why is there a difference between the fluctuation in gross profit for the Mineral Resources segment in the table at the top left of page 6 of the Supplementary Explanation Material of Financial Summary for the teleconference (+6.3 billion yen) and 1. Explanation of Diff. in Gross Profit of Mineral Resources (-8.2 billion yen) also on page 6?

A) You can consider this to be the gross profit from Côté that we are expecting in FY2024.

Q) Why is there a difference between the gross profit for the Mineral Resources segment on the left in the table at the top of page 6 of the Supplementary Explanation Material of Financial Summary for the teleconference (+6.3 billion yen) and the segment profit on the right (+31.2 billion yen)?

A) The reason for this is the equity in earnings of affiliated companies for mines including Cerro Verde (Peru), Candelaria/Ojos (Chile), and QB. This also includes impacts such as interest on sponsor loans to the SMM Group from project companies given the increase in production volume and the start of operations at QB. I will refrain from providing any details out of consideration for our relationship with our joint venture partners.

[Unit Cost Differential]

- Q) In table 1. Explanation of Diff. in Gross Profit of Mineral Resources in the Supplementary Explanation Material of Financial Summary for the teleconference on page 6, what is the reason for the deterioration in unit cost differential for copper mines?
- A) The Morenci Copper Mine (US) has a major impact here. A decline in mining volume and a reduction in grade are expected, and it seems the region in the US that the mine is located in is still suffering the impact of inflation. This affects things like labor costs, materials for operation, and maintenance costs.
- Q) In table 2. Explanation of Diff. in Gross Profit of Smelting & Refining in the Supplementary Explanation Material of Financial Summary for the teleconference on page 6, what is the reason for the improvement in unit cost differential for both copper and nickel-related entities?
- A) The factors for both copper and nickel-related entities here are a decline in energy costs that had a large impact in FY2022 and FY2023 and a reduced impact from inflation on operation materials. And in terms of copper-related entities, the mainstay Toyo Smelter & Refinery (Ehime Prefecture, Japan) saw reduced production in FY2023 due to scheduled furnace repairs, but as there are no such circumstances in FY2024, we expect an improvement.

[Profit Analysis by Segment]

- Q) In [Comparison No.3: Diff in PBT of FY2024 Forecast vs FY2023 Result (1)-(2)] on page 3 of Supplementary Explanation Material of Financial Summary for the teleconference, can you provide a breakdown of [Other - 12.8 billion yen]?
- A) Firstly, several billion yen is included as risk factors likely to manifest in FY2024. This is not a risk buffer and the details are undisclosed, but I would add that this is the cumulative result of a review of each individual risk. Everything else is an accumulation of a range of factors, examples of which include unrealized profit and adjustment for out-of-sync periods in the consolidated accounting.
- Q) What is the reason for the improvement at Cerro Verde in the [Equity in earnings of affiliated companies] table on page 7 of the Supplementary Explanation Material of Financial Summary for the teleconference?
- A) Compared to FY2023, we expect the sales volume to decline but the price of copper to rise, and in terms of foreign exchange, we expect the yen to remain weak. We also expect an improvement in unit cost differential.
- Q) What is the reason for the improvement at Candelaria/Ojos in the [Equity in earnings of affiliated companies] table on page 7 of the Supplementary Explanation Material of Financial Summary for the teleconference?
- A) The maintenance on heavy machinery that we performed in FY2023 has finished as planned, and we do not foresee a cost burden for this in FY2024. Furthermore, according to the mining plan, a high grade section will be reached in the second half of 2024, and we expect a contribution from increasing production.
- Q) What is the approach to segment profit and loss in the Materials segment in FY2024?
- A) The Materials segment is composed of the battery materials business and the advanced materials business. Regarding the battery materials business, we expect production to be as normal, but we also expect net sales to decline with a fall in metal prices. Regarding segment profit, we cannot disclose the amount in consideration of our relationships with customers, but there will be a negative impact from income and expense differential as we expect metal prices to decrease. With regard to the advanced materials business, while we believe we have now left behind the worst period, the recovery is still moderate, and we expect a fully-fledged recovery to take some time. There is also the burden of upfront costs in both businesses.

[Feasibility Study and Participation in the Kalgoorlie Nickel Project in Australia]

- Q) Regarding the Kalgoorlie nickel project in Australia, for which a feasibility study and participation have been decided up, I'd like you to again explain aspects including the significance of this project for SMM. (Released April 30, 2024)
- A) We investigated projects in a variety of stages with a focus on the Pacific Rim area and with the achievement of an annual production volume of 150,000 t of nickel, which is an aspect of SMM's long-term vision, in mind. This project is currently at the feasibility study stage. The feasibility study will start by June 2024, and we expect it to be completed by the second half of 2025. We expect that the main product of the mine will be nickel for batteries. If the mine is to proceed to the development stage as a result of the feasibility study, production will probably start around 2030. SMM hopes that this will become an attractive development project to follow on from our existing base in the Philippines. We will work alongside our partners and take a proactive approach to this project.