

**Explanation Script of Teleconference  
for Consolidated Financial Results for the Year Ending March 2024 (FY2023)**

**I. General Briefing**

The following is an overview of SMM's financial results for the year ended March 2024 (FY2023) as announced today. We covered the business environment, etc., in the earnings report, so please look at it when you get a chance.

**1. Consolidated Financial Results for the Year Ended March 2024 (FY2023):  
Overview of Business Performance**

The following is a general briefing on the consolidated financial results for FY2023. Please take a look at page 2 of the Supplementary Explanation Material of Financial Summary.

Year-on-year, metal prices in FY2023 saw an increase for gold, but a drop for copper, nickel, and cobalt, while the foreign exchange rate saw a depreciation of the yen.

Consolidated sales saw a year-on-year increase of ¥22.4 bn to ¥1445.4 bn.

Consolidated profit before tax declined ¥134.1 bn year-on-year to ¥95.8 bn.

As shown in the graph on page 2, the main factors behind the decline in profit include a fall in the price of nickel and cobalt, a fall off of foreign exchange profits recorded the previous year, a fall in sales at the Morenci copper mine, unit cost differential caused by factors including scheduled furnace repairs at the Toyo Smelter & Refinery, a negative impact from income and expense differential in the battery materials business, and a deterioration in business performance in the Materials segment due to a slump in demand in the advanced materials business.

**2. Consolidated Results Forecast for Fiscal Year Ending March 2025 (FY2024)**

Next, we will explain the overview of FY2024's forecast of consolidated operating results. Please take a look at page 3 of the Supplementary Explanation Material of Financial Summary.

The operating results forecast were initially calculated using metal prices and exchange rates that differed from the content disclosed here. However, metal prices and foreign exchange saw drastic changes after the start of April, so we revised the metal prices and exchange rates that were our assumptions and calculated the impact using the sensitivity. We have also conducted trial calculations as much as we could, including for the settlement differential of copper mines and for the inventory evaluation (QP differential, etc.) for smelting and refining that are not included in the sensitivity, and have reflected these.

The consolidated profit before tax for FY2024 is forecast to be ¥91.0 bn, which is a ¥4.8 bn decline in profit compared to the FY2023 results. We envisage a positive contribution to profit and loss from the large Quebrada Blanca Copper Mine and Cote Gold Mine projects, but the main factors behind the decline in profit include an expected fall in nickel and cobalt prices and reduced production at some copper mines.

**3. Fiscal Year Ending March 2025 (FY2024) Profit and Loss Exclude Temporary Factor**

The forecast for the profit and loss exclude temporary factor for FY2024 is shown on the right side of the graph at the bottom of page 3. Here, the FY2024 operating results forecast is divested of one-off factors occurring through fluctuations in metal prices and the foreign exchange, and other one-off factors.

The profit and loss exclude temporary factor in the FY2024 operating results forecast is ¥120 bn to ¥110 bn, marking a ¥10 bn upturn from the profit and loss exclude temporary factor in the previous February forecast. While there are negative factors that include a fall in the price of nickel and cobalt, the effect of large-scale projects will drive up the profit and loss exclude temporary factor. Both mines have been in the process of ramping up this year, and by proceeding as planned alongside our JV partners, these mines will bring further improvements to the profit and loss exclude temporary factor from the next fiscal year onward.

Due to the nature of SMM's business, although fluctuations in the profit and loss exclude temporary factor in response to changes in the metal prices and exchange rates that form our assumptions are inevitable, we will continue to work to maintain stable operations, improve production efficiency, and take our growth strategy forward in order to maximize profits on the basis of these assumptions.

**4. Dividends**

This section concerns dividends.

In its 2021 3-Year Business Plan, SMM has set out the policy of maintaining a consolidated equity ratio of 50% or more as a basic financial strategy, and the principle of a consolidated dividend payout ratio of 35% for surplus dividends with a minimum indicator of DOE 1.5% as its dividend policy.

A DOE of 1.5% shall be applied to the annual dividend amount for the fiscal year ended March 2024 as a DOE of 1.5% is expected to be larger than a dividend payout ratio of 35%, and the year-end dividend forecast shall be the same as the previous forecast at ¥63/share. As a result, we expect that the annual dividend is going to be ¥98/share.

Additionally, based on the forecast of consolidated operating results, the dividend forecast for the year ending March 2025 (FY2024) is at ¥99/share, an increase of ¥1/share from the year ended March 2024 (FY2023).

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

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

### 1. FY2023 financial results vs. FY2022 financial results

#### 1) Page 4: Financial Results by Segment Fluctuations in Gross Profit

See FY2023 Financial Results vs FY2022 Financial Results on page 4.

Gross profit in the Mineral Resources segment was ¥55.7 bn, a profit decrease of ¥17.9 bn. As shown in the «explanation of diff. in gross profit» in the middle of the page, while the Hishikari Mine and copper mines saw exchange rate differential improvements through the weakening of the yen, there was a deterioration to the quantity differential and the unit cost differential through a revision of the Hishikari Mine's annual gold sale volume from the FY2022's 4.4 tonnes to FY2023's 4.0 tonnes.

In terms of copper mines, with Morenci copper mine as the main cause, quantity differential is due to factors such as a decrease in mining volume and lower ore grade. Deterioration in unit cost differential is due to factors including increases in operation materials prices and increased repair costs, in addition to reduced sales.

Gross profit in the Smelting and Refining segment was ¥89.3 bn, a profit decrease of ¥49.6 bn. As shown in gross profit for Smelting and Refining toward the bottom of the page, copper-related entities saw an improvement of ¥2.6 bn, but nickel-related entities deteriorated by ¥44.9 bn. One of the most significant factors in the deterioration of nickel-related entities was a condition differential impacted by the fall in the price of nickel and cobalt. A system called "sharing" in which revenue from processing is linked to metal prices is applied to nickel-related entities, so fluctuations in the price of metal have a major impact on results. Next, inventory evaluation, which is another major cause, is as shown in the inventory evaluation P&L table at the bottom of page 4. In FY2022, while the inventory evaluation profit that came with the increases in the price of nickel as well as a weakening yen pushed profits up, FY2023 saw a downward trend in the price of nickel, resulting in a large gap.

With regard to other factors, we will provide an explanation starting from copper-related entities. The deterioration in quantity differential is temporary and due to the implementation of scheduled furnace repairs at the Toyo Smelter & Refinery in 2023 3Q. Next, the deterioration in unit cost differential is due to factors such as the impact of reduced sales and cost for scheduled furnace repairs at the Toyo Smelter & Refinery. Condition differential is mainly due to an improvement in processing revenue (TC/RC).

Next, we will look at nickel-related entities. With regard to the improvement in quantity differential, inclement weather in the Philippines in FY2022 had an impact and sales had to be reduced, but the same period in FY2023 saw Niihama Nickel Refinery and THPAL operate largely according to plan despite reduced production at CBNC resulting from factors including equipment trouble, and this resulted in increased sales. As such, the unit cost differential improved thanks to the effects including a decline in energy costs and operation materials prices in addition to the effect of increased sales.

## 2) Page 5 Sales by Product Subsegment for Materials Business

We will now move on to explain the sales by product subsegment for the materials business at the top of page 5. The battery materials business saw continued healthy demand.

However, there was also an ongoing decrease in demand for electrical components. The drop in income figures for crystals, building materials, connectors, and other deletions includes the impact of subsidiary transfer in FY2022.

As per the table shown at the top of page 4, gross profit and profit and loss for the Materials segment saw major declines. We are unable to provide an explanation of the details for reasons related to our business partners, but major factors behind the decline in profit in FY2023 are a decline in profit in the advanced materials business that has been impacted by the effect of drawn-out inventory adjustments, in addition to fall off an income and expense differential in the battery materials business, which drove up profit and loss through rising metal prices and weakening yen in FY2022. In addition to this, also included is ¥6.4 bn in losses pertaining to the transfer of shares in a construction material-related subsidiary released on March 27, 2024.

## 3) Page 5 Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies is shown in the center of page 5. Cerro Verde and Candelaria saw smooth production.

Other deterioration of ¥3.2 bn includes deterioration of the QB2 project, which is a result of the start of depreciation of some assets accompanying the commencement of production and an increase in costs, among other factors.

## **2. FY2024 forecast vs FY2023 results**

### 1) Page 6: Financial Forecast Comparison by Segment

Please take a look at FY2024 Forecast vs FY2023 Results on page 6. Although we expect an improvement in the Mineral Resources segment, we expect a major deterioration in the Smelting and Refining segment.

### 2) Page 6: Financial Forecast Comparison by Segment Mineral Resources segment

First we will look at gross profit in the Mineral Resources segment. For FY2024, the forecast is for a ¥6.3 bn increase to ¥62.0 bn. The center of the page shows the fluctuation explanation in consolidated gross profit excluding the Cote gold mine that started production in March 2024.

For copper mines, the Morenci copper mine has experienced a drop in production volume and ore grade as well as the ongoing impact of increases in operational materials prices, which, among other factors, has led to a forecast deterioration in both quantity differential and unit cost differential.

Please look at the segment profit and loss table in the top right of the page. Segment profit in the Mineral Resources segment for FY2024 is estimated at ¥84.0 bn, a forecast profit increase of ¥31.2 bn. The main factor here is envisaged to be the contribution of the Cote Gold Mine and the Quebrada Blanca Copper Mine set out on page 3 [Comparison No.3 : Diff in PBT of FY2024 Forecast vs FY2023 Result ①-②] as explained previously. Both mines are currently ramping up, and we envisage a contribution to profit around the second half of 2024.

### 3) Page 6: Financial Forecast Comparison by Segment Smelting & Refining segment

In the center of page 6 is gross profit in the Smelting & Refining segment, which is ¥53 bn, a forecast major profit decrease of ¥36.3 bn. As per the fluctuation explanation in the center of the page, although we expect an improvement in unit cost differential, we expect a deterioration resulting from a price and condition differential for nickel-related entities assuming a year-on-year fall in the price of nickel and cobalt and from inventory evaluation profit and loss for copper-related entities.

### 4) Page 7 Sales by Product Subsegment for Materials Business

We will now move on to explain the sales by product subsegment for the materials business at the top of page 7. The battery materials business is anticipated to see continued healthy demand. In the electronic components market, some products are seeing an improvement in sales, and a moderate recovery is expected from the second half of FY2024.

Finally, page 19 shows doré (an alloy of gold and silver) being cast at the Cote Gold Project (Canada), so please take a look later.