

Questions and Answers Script of Teleconference
for Consolidated Financial Results for the First Quarter of the Year Ending March 2025 (FY2024)

[The Status of Large Scale Projects]

Q) What is the status of large scale projects (Quebrada Blanca Copper Mine (Chile) and Cote Gold Mine (Canada)) that are currently being ramped up?

A) The Quebrada Blanca Copper Mine recently had a progress delay announced by the operator TECK in their financial results announcement due to one-off factors, which is why they announced the downward revisions to the FY2024 production plan and increases to estimated costs. However, there is no change to the goal of reaching full operation in December 2024.

The Cote Goldmine, reached the “commercial production*” milestone our company and IAMGOLD had set at the beginning of the project as was stated in the August 5, 2024 (JST) that we release. There is no change to the goal of reaching 90% design capacity in December 2024.

* Achievement of reaching a minimum of 30 consecutive days of operations during which the mill operated at an average of 60% of nameplate.

[The Effect of Large Scale Projects on Profit Contribution]

Q) What is the estimated contribution to profit and loss via large projects?

A) In the FY2024 full-year operating results forecast we announced in May 2024, we estimated that there would be a year-on-year improvement of ¥22.5 bn. In this (August) full-year operating results forecast, we performed trial calculations for profit and loss based on the recent situations of projects, but with the rise in metal prices (gold, copper) there was no change from the May forecast. We estimate contributions will be made to profit and loss in the latter half of the year as ramping-up progresses. Further, in the equity in earnings of affiliated companies, Quebrada Blanca Copper Mine is seeing a deterioration of the equity in earnings of affiliated companies, but we estimate that there will be little change to the level of contribution to profit and loss in the consolidated because base interest paid to our group is included in these factors.

[Unit Cost Differential Deterioration]

Q) What is the reason for the substantial deterioration of the unit cost differential in the August full-year forecast compared to the May full-year forecast?

A) Overseas copper mines are a significant factor, specifically the Morenci copper mine and the Cerro Verde copper mine. The Morenci copper mine is being affected by reductions in mining volume due to insufficient staff and by a deterioration in ore grade. We also estimate that there will be an increase in costs for maintenance aimed at stable operation. Based on the results in the first half of the year, we estimate that operating costs for the Cerro Verde copper mine will increase as a result of including what we assume to be possible risks.

[Smelting and Refining Segment Profit and Loss]

Q) It seems like a deceleration is forecast from Q2 when compared to Q1; why is that?

A) Q1 saw the price of metals- copper and nickel-related entities- rise, and the depreciation of the yen hold in the foreign exchange, so the impact on inventory evaluation brought profit and loss up. On the other hand, from Q2 and on, we estimate that metal prices are going to drop and that the yen will start to appreciate in the foreign exchange when compared to Q1, so we see the worsening impact on inventory evaluation for both copper and nickel-related entities pulling profit and loss down.

[Materials Segment Profit and Loss]

Q) What is the situation with production and sales in the battery materials business?

A) While there are variations in the EV market based on car OEM and type of car, we see them as healthy.

There is no change to our production plan, and it is safe to say that we are close to full production. Shipments for our products are also healthy. We have had some production adjustments reported, and while we do not think they will have an immediate effect, we are keeping an eye on the situation. For plants that are under construction, as we explained in May, we are aiming to have part of the equipment start production in FY2024 Q4 based on customer demand.

Q) What is the reason for the FY2024 Q1 segmented profit and loss seeing a substantial recovery when compared to FY2023 Q4, and what are the factors behind the ¥5.0 bn increase in profit in the materials segment profit and loss (August full-year forecast) when compared to the May forecast?

A) Segmented profit and loss for FY2023 Q4 included a one-off loss (¥6.4 bn) due to the transfer of a subsidiary, and the fall off of that one-off loss plays a significant factor in FY2024 Q1. Further, healthy demand has continued in the battery materials business. Another significant factor was the advanced materials business seeing the long period of inventory adjustments aimed at electrical parts make progress and demand moving from moderate to showing signs of recovery.

Q) You said that recovery was spotty and that some products would undergo inventory adjustments again- could you explain in more detail?

A) While we estimate that product subsegments aimed at generative AI will be healthy throughout the year, other products, like materials for smartphones, are sluggish in recovery of their demand. We estimate that these will go into inventory adjustments in Q2 and Q3, then moderately recover from Q4.

Q) In profit and loss for the Materials Segment, why are you estimating that you are going to be in the red again from Q2 and on?

A) We estimate that a portion of the advanced materials business products will once again undergo inventory adjustments, leading to a deceleration in Q2 and Q3 and a moderate recovery in Q4. Additionally, we estimate that development costs for SiC and upfront costs in the battery materials business that come with the start of production at the new Niihama plant will increase.

[Business Environment Status]

Q) Metal prices and the foreign exchange have been very volatile recently. It seems like copper prices and the exchange rate are weakening more than the assumptions in the August operating results forecast including large scale projects, what kind of effect is this going to have on results?

A) Please refer to the Supplementary Explanation Material of Financial Summary. The effect on the operating results forecast due to fluctuations in the metal prices and foreign exchange used as assumptions in the August operating results forecast is listed in sensitivities on page 18. Also, please take note that the sensitivities do not include impact on inventory evaluation. For large scale projects, we estimate that the increase in costs from ramping up is going to be covered by the increase in metal prices. If metal prices fall below that which we used as an assumption, there will be a negative effect on our results.

Q) Chinese copper smelters are increasing production, which is causing a drop in the copper concentrates spot TC/RC. What is the effect of this change to conditions going to be moving forward?

A) To start, supply and demand for copper concentrates is seeing a limited increase in supply due to a portion of suspension of operation of copper mines and delays in the operation of new copper mines. On the other hand, there is healthy demand due to the starting up of new smelters. With such a supply and demand environment, spot TC/RC (the processing revenue that smelters receive) is holding at a level that is far below that which we have seen historically. While it is conceivable that some smelters will not be able to handle this and will reduce production, it seems unlikely that the supply-demand environment would not slow down when demand is this healthy. If that was to happen, the effect on year-end TC/RC condition negotiations would be unavoidable, so we are keeping an eye on the situation. However, smelters having a smaller portion means mines will have a larger portion. Although not all of the copper concentrate used is from mines which our group hold mining interests, the increase in profits on the mining side will mitigate the decrease in profits on the smelting side.