

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

I. General Briefing

The following is an overview of SMM's financial results for the three months ended June 30, 2024 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 three months ended June 30, 2024:**Overview of Business Performance**

The following is an overview of the consolidated financial results for the three months ended June 30, 2024. Please take a look at page 2 of the Supplementary Explanation Material of Financial Summary.

We will explain metal prices and the exchange rate for the three months ended June 30, 2024.

Companies that settle accounts in March (April to June):

Copper and gold prices rose. Nickel and cobalt prices fell. The foreign exchange saw the yen depreciate.

Companies that settle accounts in December (January to March):

Copper prices were below that of the previous year and the foreign exchange saw the yen depreciate.

Consolidated sales saw a year-on-year increase of ¥41.1 bn to ¥410.3 bn.

Consolidated profit before tax increased ¥3.6 bn year-on-year to ¥30.7 bn.

Primary factors for these fluctuations are as shown in the graph at the bottom of page two.

a) Positive factors:

- Price differential: Increase in gold price
- Foreign exchange differential: Yen deterioration
- Inventory evaluation: Increase in copper and gold prices and deterioration of the yen

b) Negative factors:

- Price differential: Decrease in nickel and cobalt prices
- Quantity differential: While it was according to plan, Hishikari Mine saw reduced production and sales due to mining order
- Unit cost differential (Cost@): Deterioration of unit cost differential for overseas copper mines

2. Consolidated Results Forecast for 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.

To start, we will explain our estimated foreign exchange rate for this operating results forecast.

This forecast estimates that the exchange rate for FY2024 (Q2 to Q4) will be 150¥/\$. While the first third of July saw the rate holding at 160¥/\$, the foreign exchange saw a shift to a strengthening of the yen from the end of July to early August. This caused a difference between the recent actual exchange rate and the estimate exchange rate of 150¥/\$ used for this operating results forecast. However, as the outlook remains unclear, we are disclosing the forecast using the initially estimated exchange rate.

Further, for reference, page 18 of the Supplementary Explanation Material of Financial Summary shows the sensitivity used in trial calculations for the effect that fluctuations in the metal prices and foreign exchange taken as prerequisites will have on the operating results forecast. In our case, a depreciation of the yen will boost our results, while a strengthening of it will drop them. Also please be aware that this sensitivity is not included in the impact on inventory evaluation.

Next we will explain the revised operating results forecast.

To start, consolidated profit before tax in the ① August forecast is forecast to increase by ¥20.0 bn to ¥111.0 bn when compared to the ② May forecast.

Primary factors for these fluctuations are as shown in the graph at the bottom of page 3.

a) Positive factors:

- Price differential: Increase in copper and gold prices
- Inventory evaluation: Increase in copper and gold prices and deterioration of the yen
- Moderate recovery of the Materials Business

b) Negative factors:

- Price differential: Decrease in nickel and cobalt prices
- Unit cost differential (Cost@): Deterioration of unit cost differential for overseas copper mines

While the Quebrada Blanca Copper Mine (Chile) and the Cote Gold Mine (Canada), which are currently being ramped up and which were previously shown as the "Large scale projects (QB + Cote)" in the previous operating results forecast, had their profit and loss revised based on the recent situation, there are no changes from the previous forecast. Additionally, "Other", the fourth column from the right, includes several billions of yen for risk factors that could possibly occur during this fiscal year. While we are unable to provide details, this is as we explained in the May forecast.

3. 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 August 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.

Profit and loss exclude temporary factor in this forecast is at the same level as in the previous forecast, ¥120.0 bn to ¥110.0 bn.

An increase in copper prices and a recovery of the Materials Business are positive factors, whereas negative factors include a drop in nickel and cobalt prices and an increase of the unit cost for copper mines.

While the fluctuations in metal prices are unavoidable, the negative factors in manufacturing, such as the quantity differential and the unit cost differential, are areas in which we are going to have to continue to take action.

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.

When we announced our financial results in May, our yearly dividend forecast was 99 yen/share based on the forecast of consolidated operating results. Now, while we have revised our operating results forecast, only three months have passed since our May 9 disclosure, and moreover, there has been high volatility in non-ferrous metal prices and in the foreign exchange, and there is a strong sense of uncertainty moving forward. Because of these reasons we have decided not to revise the dividend forecast for the revised operating results forecast.

We are planning on revising the yearly dividend amount in line with our dividend policy as we always have during the announcement of the financial results for the six months ending September 30.

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. FY2024 1Q financial results vs FY2023 1Q financial results

First we will explain FY2024 1Q financial results vs FY2023 1Q financial results comparison.

1) Page 4: Financial Results by Segment Fluctuations in Gross Profit *Excluding Cote Gold Mine

Please take a look at FY2024 1Q financial results vs FY2023 1Q financial results on page 4.

[Gross profit in the Mineral Resources Segment] ¥6.7 bn (decline in profit of ¥12.0 bn)

As shown in <<Explanation of Diff. in Gross Profit>> in the middle of the page, overseas copper mines saw a substantial decline in profit.

(1) Hishikari Mine

a) Positive factors:

Foreign exchange difference due to the weak yen and the price differential via a rise in gold prices.

b) Negative factors:

- Volume differential: Reduced production and sales (year-on-year reduction of -0.4 tonnes) due to the impact of mining order

c) Annual plan: There is no change from the planned FY2024 gold sales volume of 4.0 t/year.

(2) Overseas copper mines

a) Negative factors:

Reduced mining volume due to insufficient staff and degradation in ore grade have continued.

- Price differential: Copper prices for January to March for companies that settle accounts in December saw a year-on-year drop.

- Unit cost differential: In addition to decreased sales, repair costs increased.

[Gross profit in the Smelting and Refining Segment] ¥35.1 bn (profit increase of ¥24.7 bn)

As shown in <<Explanation of Diff. in Gross Profit>> in the bottom of the page, both copper-related entities and nickel-related entities saw improvements.

(1) Copper-related entities

a) Positive factors:

- Inventory evaluation: The yen deteriorated and metal prices rose.

- Price differential: Mainly processing revenue (TC/RC) differences.

(2) Nickel-related entities

a) Positive factors:

- Inventory evaluation: The yen deteriorated and metal prices rose.

- Unit cost differential (Cost@) : Energy costs and operation material decreased.

b) Negative factors

- Price differential: Nickel and cobalt prices fell

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.

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. Battery materials saw continued healthy demand, but income figures dropped as there was a decrease in prices for the raw material of metals.

Advanced materials saw the long period of inventory adjustments aimed at electrical parts make progress, and an increased sales through a gradual recovery in demand moving from moderate to showing signs of recovery.

3) Page 5 Equity in Earnings of Affiliated Companies

(1) Cerro Verde, Candelaria

Both saw a decline in profit. Ore grade dropped and production and sales were reduced. Additionally, a drop in copper prices for companies that settle accounts in December led to a worsening of the price differential for January to March.

(2) Other

Mainly the depreciation cost of a portion of our assets and the costs associated with ramping up that did not occur last year, due to the start of production at the Quebrada Blanca Copper Mine.

2. FY2024 Full-year Forecast August vs May

We estimate that the average metal prices during the period that are used as assumptions are going to see nickel and cobalt prices drop while copper and gold prices rise when compared to the May forecast, and we estimate that the foreign exchange will see a depreciation of the yen.

1) Page 6: Comparison with May forecast by segment

Please take a look at the FY2024 August Forecast vs May Forecast on page 6.

The several billions of yen that we mentioned at the start for risk factors that could occur during this fiscal year that would decline in profit were appropriated into the profit and loss stage of the "Diff. Adjustment" segment during the May forecast. Please note that this has been appropriated into the gross profit stage for "Diff. Adjustment" in the August forecast.

[Gross profit in the Mineral Resources Segment *Excluding Cote Gold Mine] ¥68.0 bn (profit increase of ¥6.0 bn)

(1) Hishikari Mine

a) Positive factors: Price differentials are expected due to rising gold price.

(2) Overseas copper mines

a) Positive factors: Price differentials are expected due to rising copper price.

b) Negative factors:

- Unit cost differential: Morenci copper mine is expected to see a drop in mining volume and ore grade, and an increase in repair costs.

While gross profit for the Cote Goldmine, which is currently ramping up, is included in the gross profit for the Mineral Resources Segment, there are not any major changes from what was forecast in May, and we estimate that it will make contributions to profit in the latter half of the year.

[Gross profit in the Smelting and Refining segment] ¥67.0 bn (profit increase of ¥14.0 bn)

a) Positive factors: The impact on inventory evaluation of copper-related entities are expected to increase through a rise in metal prices and a depreciation of the yen.

b) Negative factors: Nickel-related entities are expected to see a worsening of the price and condition differential through a drop in nickel and cobalt prices.

2) 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, and we are aiming at starting production at our new plant in FY2024 4Q.

The advanced materials business is anticipated to see its recovery hold at a moderate level, as recovery in the electrical parts market is spotty and a portion of product subsegments might enter into inventory adjustments again.

3) Page 7 Equity in Earnings of Affiliated Companies

(1) Cerro Verde, Candelaria

While there was the effect of the increase in metal prices and the depreciation of the yen, the unit cost differential worsened due to the increase in operating costs.

(2) Other

While production volume for the Quebrada Blanca Copper Mine is as we previously forecast, the unit cost differential deteriorated due to the increase in startup costs.

Finally, as is shown on page 19, we published our Integrated Report 2024 and Sustainability Report 2024 on August 2, 2024, and put them on our website. Both reports cover that which we have heretofore engaged in towards the resolution of societal issues through our group's business, and the thoughts of our new president, who was appointed in June 2024, with regard to the reform in management. Please have a look.