

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

[Recording of Impairment Losses]

Q) What's the background to the recording of impairment loss at Coral Bay Nickel Corporation (CBNC)?

A) The recording of impairment loss was a result of having revised future production volume due to a decline in ore quality, as well as a decline in the price of nickel and cobalt, rising production costs, and comprehensively evaluating CBNC's economic viability.

Q) Won't impairment loss also end up being recorded for Taganito HPAL (THPAL), which is an HPAL base just like CBNC?

A) THPAL has a production capacity that is approximately 1.5 times greater than CBNC, and as things stand, it is not in the kind of circumstances that CBNC is in. At THPAL also, we always work to reduce costs and maximize production volume. We will continue working to maximize the project's value.

Q) Going forward, will there be any changes to strategy for the nickel business as a result of the recording impairment losses?

A) There will be no change to our policy of maintaining and expanding the nickel business toward achieving our long-term vision of producing 150 thousand tons of nickel per year. Nickel is an essential metal for infrastructure in our society, and demand is expected over the long term. SMM was the first in the world to successfully commercialize HPAL technology and has accumulated technological and operational know-how through operations since 2005. Resources will become depleted at some point, meaning assets will inevitably be replaced. We will continue to closely monitor the business environment and aim to participate in prime nickel resource projects.

Q) How do you see the impact of the impairment losses recorded here on profit and loss for FY2025?

A) We are currently in the process of investigating the impact on profit and loss in FY2025, including the operational plan, and so we cannot provide any details at this point in time.

[The Effect of Large Scale Projects on Profit Contribution]

Q) Why has the effect of large scale projects been revised downward from the previous November forecast?

A) While there are factors pushing profit and loss upward, such as the exchange rate shifting toward a weaker yen and a rise in gold prices compared to the previous forecast, profit and loss is also impacted by increasing costs at the Quebrada Blanca Copper Mine and a fall in the price of copper in addition to lower production volume and sales volume than planned for both projects. As such, we expect a deterioration in the effect of large scale projects.

Q) Does the profit and loss exclude temporary factor of ¥110.0 - ¥100.0 bn in the February forecast include the impact of the downward revision of the effect of large scale projects?

A) We revised the profit and loss exclude temporary factor on the basis of the effect of large scale projects after downward revision. Compared to the previous trial calculation of ¥120.0 - ¥110.0 bn (based on the November full-year forecast), we expect the quantity differential, unit cost differential, and effect of large scale projects to deteriorate, leading to a deterioration of around -¥10.0 bn.

[Trends at Main Mines]

Q) The production volume for the Cote Gold Mine, the Quebrada Blanca Copper Mine, and other mines has been revised downward from the previous November forecast. What is the current situation?

A) We planned to reach 90% of the planned processing capacity at the Cote Gold Mine by the end of 2024, but this was not achieved due to an equipment breakdown that happened in December (cracked conveyor belt). Prior to the breakdown, we had reached 87% of the planned processing capacity and had the breakdown not occurred, we would have reached 106%. In the plan for 2025, we aim to reach 100% of the planned processing capacity by the end of the year.

As planned, we reached 100% of the planned processing capacity at the Quebrada Blanca Copper Mine by the end of 2024, and ramp up work was completed. In 2025, efforts will focus on the establishment of stable operation and optimization.

Q) While the unit cost for the Morenci copper mine is showing an improving trend over the previous November forecast, has the unit cost peaked?

A) The management of Freeport-McMoRan, the operator of the Morenci copper mine and the SMM's joint venture partner are also paying close attention to the situation and mentioned at the most recent financial results briefing that they are going to focus their efforts on cost reduction. They have also explained that the employee turnover rate is improving, so we believe that cost improvements can be expected if staff can be recruited and productivity increased.

[Impact of TC/RC Decline]

Q) While the TC/RC benchmark is forecast to decline by around 70% year-on-year, what will the impact of this be on the company as a whole?

A) Please consider that between 60% and 70% of the copper concentrates that SMM uses at its copper smelters originates from copper mines in which SMM holds an interest. The difference will depend on whether we reflect TC/RC fluctuations in profits for the Mineral Resources business or the Smelting & Refining business, and looking at our company as a whole, not all effects of the decline in TC/RC will impact SMM's performance.

[Materials Segment Profit and Loss]

Q) Why has profit and loss in the Materials business been revised upward from the previous November forecast?

A) We predict that compared to the previous forecast, profit and loss in the advanced materials business will improve. In particular, we expect that crystal materials for data centers will drive profit and loss upward on the back of demand for generative AI.

Q) In the battery materials business, when will the new plant start contributing to profit and loss?

A) The business environment for the battery materials business is becoming increasingly uncertain, with demand for automobile battery materials related to hybrid cars and other EVs being impacted in the short term by policy changes in different countries and other such factors. SMM is also paying close attention to this situation and will carefully proceed with our investigation while keeping a close eye on trends in these areas as we undertake our business going forward.

With regard to the timing of contribution to the profit and loss by the new plant, safety tests for automobiles generally take a lot of time, so it will be unable to sell at full capacity immediately after launch. Thus, it should be considered as something that will make a gradual contribution over time.