

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

I. General Briefing

The following is an overview of the Notice regarding Revisions Made to Consolidated Operating Results Forecast, Recording of Impairment Loss, and Revisions Made to Dividend Forecast as well as SMM's consolidated financial results for the nine months ended December 31, 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 Revisions Made to Consolidated Operating Results Forecast, Recording of Impairment Loss, and Revisions Made to Dividend Forecast

Firstly, we will explain the Notice regarding Revisions Made to Consolidated Operating Results Forecast, Recording of Impairment Loss, and Revisions Made to Dividend Forecast.

1) Revisions Made to Consolidated Operating Results Forecast and Recording of Impairment Loss

Given that a decline in profit is expected compared to the previous forecast due to the recording of ¥53.5 bn in impairment losses by Coral Bay Nickel Corporation (Republic of the Philippines, hereinafter "CBNC") and other companies for the nine months ended December 31, we shall amend the full-year consolidated results forecast (April 1, 2024 - March 31, 2025).

With regard to impairment losses, first of all, SMM's nickel smelting and refining subsidiary CBNC recorded impairment losses of ¥50.1 bn. As 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, impairment losses were recorded for fixed assets involved in nickel smelting and refining at CBNC for the nine months ended December 31.

Furthermore, in the course of taking forward our investigation into a future strategy for SMM's nickel business, we made the decision not to repurpose some of the equipment that we had used in the trial for the smelting and refining process and to scrap it instead, and recorded an impairment loss of ¥3.4 bn equivalent residual book value for the relevant equipment.

We expect that in terms of the balance of supply and demand for nickel, there will continue to be an excess supply of nickel for the time being, and ongoing harsh business conditions are anticipated. However, nickel is absolutely essential when it comes to economic growth and also in terms of switching to new sources of energy as part of renewable energy technology and battery manufacturing.

At CBNC, SMM successfully commercialized HPAL technology - a world-first technology for the recovery of nickel from low-grade nickel oxide ore - and has accumulated technological and operational know-how through operations since 2005. We are currently investigating a specific operating plan for CBNC going forward, and as a manufacturing company, we will continue to strive toward the maximization of corporate value by working to achieve cost reductions and better production efficiency.

2) Revisions Made to Dividend Forecast

SMM has set out the policy of maintaining a consolidated equity ratio of 50% or more as a basic financial strategy, and its dividend policy is "dividends from surplus shall be paid out with a consolidated payout ratio to be 35% or more and a minimum indicator to be DOE of 1.5% in principle."

Based on the revised forecast of consolidated operating results, we revised the FY2024 end-of-year dividend forecast. A DOE of 1.5% shall now be applied as a DOE of 1.5% is expected to be larger than a consolidated dividend payout ratio of 35%, and the year-end dividend forecast shall be increased by ¥5/share to ¥55/share compared to the previous forecast of ¥50/share.

As a result, we expect that the annual dividend will be ¥104/share.

2. Consolidated Financial Results for the nine months ended December 31, 2024: Overview of Business Performance

Let us continue with an overview of the consolidated financial results for the nine months ended December 31, 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 nine months ended December 31, 2024.

For companies that settle their accounts in March, average copper and gold prices increased compared to the previous year for the period from April to December, while nickel and cobalt prices fell and the foreign exchange rate saw a depreciation of the yen.

For companies that settle their accounts in December, copper and prices increased compared to the previous year for the period from January to September, and the foreign exchange rate saw a depreciation of the yen.

Consolidated sales saw a year-on-year increase of ¥107.8 bn to ¥1.1928 tn.

Consolidated profit before tax declined ¥39.3 bn year-on-year to ¥48.1 bn.

As shown in the graph on page 2, while copper and gold prices increased and the yen continued to depreciate, the primary factors behind the decline in profit included the recording of impairment losses, a fall in the price of nickel and cobalt, and a worsening of the unit cost differential at copper mines.

3. Consolidated Results Forecast for FY2024

Next, we will explain the overview of the revised consolidated operating results forecast for the fiscal year under review. Please take a look at page 3 of the Supplementary Explanation Material of Financial Summary.

Consolidated profit before tax in the February forecast anticipates a decline of ¥38.0 bn in profit to ¥58.0 bn when compared to the November forecast. Primary factors for these fluctuations are as shown in the graph at the bottom of page 3. Despite positive factors that include an expected increase in gold prices and a weak yen as well as the resultant impact on inventory evaluation, the main factors behind the decline in profit include the expectation of the deterioration by roughly ¥11.0 bn from November forecast due to the impact of reduced production volume and sales volume, increased costs, and other factors in profit and loss of the Quebrada Blanca Copper Mine (Chile) and the Cote Gold Mine (Canada), which are shown as the effect of large scale projects, and the recording of impairment losses.

Additionally, we revised the details of the risk factors that could materialize during this fiscal year and adversely affect profits, which we explained in the November forecast, and as a result, we have incorporated the same amount as the November forecast into the February forecast.

4. 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 on page 3. Here, the February 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 down ¥10.0 bn on the previous forecast to ¥110.0 bn to ¥100.0 bn.

We revised the price of gold upward and the exchange rate toward a weaker yen, but factors including a decrease in the effect of large scale project, the quantity differential, and the unit cost differential resulted in the reduction.

Given the declining profit and loss exclude temporary factors in manufacturing due to factors such as volume differential and unit cost differential, we are going to have to view this as an issue on which SMM needs to take action. With regard to the Quebrada Blanca Copper Mine and the Cote Gold Mine, we will work with our joint venture partners on initiatives toward the establishment of stable operations.

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.

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 1-3Q Results vs FY2023 1-3Q Results

First, we will explain the FY2024 3Q cumulative financial results vs FY2023 3Q cumulative financial results comparison.

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

Please take a look at the Gross Profit box on the upper left of the FY2024 3Q cumulative financial results vs FY2023 3Q cumulative financial results on page 4.

First, we will look at gross profit in the Mineral Resources segment.

[Gross Profit in the Mineral Resources Segment] ¥49.6 bn, a profit increase of ¥8.0 bn.

As noted at the top of the page, on November 30, 2024, IAMGOLD exercised its option to repurchase its equity in the Cote Gold Mine. In its accounting, SMM recognizes this as an important transaction or event, and has consolidated it having first adjusted the 3Q cumulative period for the Cote Gold Mine to the 11 months from January 2024 to the end of November.

Now, please look at the << Explanation of Diff. in Gross Profit of Mineral Resources (excl. Cote) >> in the middle of the page.

While copper mines saw a major decline in profit, the Hishikari Mine saw an increase in profit due to an increase in the price of gold.

(1) Hishikari Mine

- a) Positive factors: Foreign exchange differential improved due to the weak yen and the price differential via a rise in gold prices.

(2) Copper mines (primarily Morenci Copper Mine)

- a) Positive factors: The price differential and the foreign exchange differential improved due to a rise in copper prices and the depreciation of the yen from January to September for companies that settle accounts in December.

b) Negative factors:

- Quantity differential: This is due to a decline in ore grade in addition to a reduced mining volume caused by insufficient staff.
- Unit cost differential: In addition to reduced production volume and sales volume, personnel, subcontracting and repair costs increased.

Next, we will look at the Smelting & Refining segment.

[Gross Profit in the Smelting and Refining Segment] ¥0 bn, a profit decrease of ¥59.0 bn.

As explained at the start, the major factors behind this include total recorded impairment losses of ¥53.5 bn comprising the ¥50.1 bn in impairment losses for fixed assets pertaining to nickel smelting and refining possessed by CBNC and ¥3.4 bn in impairment losses due to the removal of some trial equipment for the nickel smelting and refining process.

Now, please look at the << Explanation of Diff. in Gross Profit of Smelting & Refining >> table at the bottom of the page.

(1) Copper-related entities

a) Positive factors: In FY2024, there was no drop in operations at the Toyo Smelter & Refinery caused by the scheduled furnace repairs undertaken in FY2023, so quantity differential and unit cost differential were favorable.

b) Negative factors:

- Other: While there were improvements to processing revenue due to a further weakening of the yen, a deterioration was seen due to a fall-off of the temporary profit increase factors that occurred in FY2023.

(2) Nickel-related entities

We will provide an explanation of factors other than the impairment losses of ¥ 53.5 bn included in Other.

a) Positive factors:

- Other: In addition to improvements to processing revenue due to a further weakening of the yen, there was also a fall-off of the temporary profit decrease factors that occurred in FY2023, leading to favorable results.

b) Negative factors:

- Condition differential: This deteriorated due to a 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.

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. Income figures dropped for battery materials as prices, which are linked to sales prices, dropped.

Regarding advanced materials, there are inconsistencies across the board, but income increased overall thanks to the progress made in electrical parts inventory adjustments that have been going on for a while and the fact that demand is gradually heading toward recovery.

3) Page 5 Equity in Earnings of Affiliated Companies (in the middle of page 5)

(1) Cerro Verde Copper Mine, Candelaria Copper Mine

A rise in January-to-September copper prices that are used by companies that settle accounts in December and a deterioration of the yen led to an improvement of both the price differential and the foreign exchange differential, and both mines achieved increased profit.

(2) Other

The significant deterioration compared to the previous year is mainly due to the start of production at the Quebrada Blanca Copper Mine and the posting of various associated costs (for ramping-up, etc.) that did not occur in the same period last year, as well as the recording of profit and loss related to operations.

2. FY2024 Full-year Forecast February vs November

Next, this is the comparison between the November forecast and the revised February forecast for FY2024. For the average metal prices during the period that are used as assumptions, compared to the November forecast, we expect the price of gold to rise, the price of copper and nickel to fall, and the yen to depreciate.

1) Page 6: Comparison with November forecast by segment

Please take a look at the Gross Profit box on the upper left of the FY2024 February forecast vs November forecast on page 6. We expect the Mineral Resources segment and the Materials segment to see an increase in profit, and the Smelting & Refining segment to see a decline in profit.

Please note that for the few billion yen that we mentioned at the start for risk factors that could materialize during this fiscal year and adversely affect profits, we appropriated the same amount as the November forecast into the gross profit for Diff. Adjustment.

First, we will look at gross profit in the Mineral Resources segment.

Gross profit in the Mineral Resources segment is estimated at ¥70.0 bn, a forecasted profit increase of ¥2.0 bn.

Please look at the << Explanation of Diff. in Gross Profit of Mineral Resources (excl. Cote) >> in the middle of the page.

(1) Hishikari Mine

a) Positive factors: Price differential improvements are expected due to rising gold prices.

(2) Cote Gold Mine

Ramping-up has been progressed at the Cote Gold Mine, but the target of stable operation at 90% of the planned processing capacity was not achieved due to a conveyor belt crack that occurred in December 2024. In addition to this, gross profit is expected to be lower than the previous November forecast due to factors including misalignment of sales timing.

Following on, we will look at gross profit in the Smelting & Refining segment.

Now, please look at << Explanation of Diff. in Gross Profit of Smelting & Refining >> at the bottom of the page.

Gross profit in the Smelting & Refining segment is ¥21.0 bn, a forecasted profit decrease of ¥16.0 bn.

(1) Copper-related entities

a) Positive factors:

We expect inventory evaluation to be favorable due to an increase in the price of gold and after a revision of the exchange rate toward a weakening yen.

(2) Nickel-related entities

a) Negative factors:

We expect a deterioration in unit cost differential due to the recording of impairment losses by CBNC and others, as well as decreased sales of nickel and ferronickel.

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.

For the battery materials business, we expect income figures to drop due to the impact of a fall in metal prices, which are linked to sales prices. From FY2024 4Q, mass production has been launched on some lines at the new plant.

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.

For the advanced materials business, due to inconsistencies across the board in the recovery of the electrical parts market, we expect the recovery to remain a modest one.

3) Page 7 Equity in Earnings of Affiliated Companies

(1) Cerro Verde Copper Mine, Candelaria Copper Mine

For both mines, we expect a deterioration in price differential caused by the price of copper from October to December, which is applied to companies that settle accounts in December, being lower than expected. And for the Candelaria Copper Mine, production volume and sales volume were lower than the November forecast, so we expect a deterioration in quantity differential and unit cost differential.

(2) Other

Ramping-up has been progressed at the Quebrada Blanca Copper Mine, and it reached the target of operation at 100% of the planned processing capacity at the end of December 2024. However, we expect a deterioration in price differential caused by the price of copper from October to December, which is applied to companies that settle accounts in December, being lower than expected, and a deterioration in quantity differential and unit cost differential due to a drop in production and sales.

3. Other Financial Forecast Comparisons

We have included the following comparisons: FY2024 Second Half Forecast (February) vs. FY2024 1H and FY2024 full year Forecast (February) vs. FY2023 Results on page 11. Please take a look at these later.