

The Conference Call for the Consolidated Financial Results
for the Third Quarter of the Year Ending March 31, 2026 (FY2025):
Questions and Answers Script (Summary)

[Changes to the Basic Policy of Financial Strategy and Shareholder Return Policy]

Q: I welcome the changes to the basic policy of financial strategy and shareholder return policy. It is an innovative idea different from the past that positions 55% as the appropriate level of the consolidated equity ratio and aims to control equity to bring the ratio to 58% by end of FY2027. What brought you to this decision?

A: The basic policy of our financial strategy had been to maintain a consolidated equity ratio in excess of 50% considering the nature of our business, which is significantly affected by market conditions such as metal prices and exchange rates. This was also in anticipation of a major investment in the Mineral Resources and Smelting & Refining businesses. Meanwhile, our consolidated equity ratio has been around 60% in recent years, and we have been facing market demand to explain the appropriate level from the perspective of capital efficiency. Taking into consideration these opinions and in order to make our management conscious of cost of capital more effective, we decided to change the basic policy of the financial strategy at this time. We set the appropriate level at 55% so that we can maintain stable financial standing above the lower limit of 50% or more even if we have to record a large amount of loss due to a sudden change in the business environment such as a rapid fall in non-ferrous metal prices.

[Profit Exclude Temporary Factor for FY2026]

Q: How should we consider profit exclude temporary factor for FY2026?

A: We are currently considering the FY2026 plan. So, this is essentially what we are thinking for now. Basically, you can start with the profit exclude temporary factor based on the February financial results forecast we just announced and consider the impacts of metal prices and exchange rates using the sensitivity we disclosed (page 17 of the Explanation Material). We would like to add the following two points.

- Smelting & Refining business

In FY2025, there was a benefit of some remaining inventory based on FY2024 TC/RC, but we will not have this positive factor in FY2026. On the other hand, there have been reports that some businesses have started passing on costs as a sales premium to customers. We will also continue to persistently negotiate for that.

- Battery materials business

If the replacements of product type progresses as planned, the sales volume is expected to decline as a whole.

[Mineral Resources Business]

Q: What are the scales of profit contributions (effects of large-scale projects) from Quebrada Blanca Copper Mine (Chile) and Cote Gold Mine (Canada) in the February forecast for FY2025?

A: We are expecting an impact of approx. ¥33.0 bn from large-scale projects in the February forecast for FY2025. It was an upward revision of approx. ¥16.0 bn from the previous November forecast buoyed by the increases in metal prices.

Q: The unit cost differential of Morenci Copper Mine (U.S.) has improved. Is this trend likely to continue?

A: Behind the improvement in the unit cost differential at Morenci Copper Mine is the steady progress in hiring workers, which was an issue. We were told that productivity has been increasing as the retention rate is rising and the workers' skill has been improving. If this situation continues, we can probably expect improvement in the unit cost differential in FY2026, thanks to stable operation.

[Smelting & Refining Business]

Q: In the February financial results forecast for FY2025, production volumes at two HPAL plants and copper smelting were reduced. How should we consider FY2026 regarding this point?

A: First of all, the production decline at the two HPAL plants is due to the grade of the supplied ore. The reduced production of copper smelting was due to an issue with certain equipment at a smelter, and it has currently returned to normal operations. We cannot discuss anything specific at the moment as we are currently considering the plan for FY2026, but it is fine to think that they will continue with full capacity operation in principle.

[Materials Business]

Q: The forecast for the materials business segment was revised upward. What is its outlook for FY2026?

A: The upward revision for the battery materials business is mainly due to the delay in costs such as repair costs. If the replacements of product type progresses according to the plan, the overall production volume is expected to decline, and it is more likely that the profit situation will become severe.

As for the advanced materials business, performance varies depending on the product group, but overall it has been steady in FY2025. If this situation remains unchanged, the February financial results forecast will serve as a pointer for FY2026.