

**3-Year Business Plan 2027 (3-Year Plan 27) Briefing Session Q&A (Summary)**

[Rebuilding of the battery materials business]

Q) SMM recorded impairment losses in the fourth quarter of FY 2024. Where did the problem lie?

A) Until then, our business development had focused on NCA, our core strength. We cannot deny that we may not have fully grasped the information from the battery industry that indicates the rapid progress of the shift from NCA to high-nickel NMC cathode materials. As soon as we became aware of the information, we decided to switch product types. However, we had no choice but to halt existing equipment and change the production process, which led to a decline in the production and sales volumes of nickel-based cathode materials. From a management perspective, we believe it is essential to continue making careful and swift decisions in response to global business changes.

Q) The battery materials business is characterized by faster technological innovation and more volatile trends than the mineral resources business and smelting and refining business. Should SMM continue to invest management resources in this area?

A) Although the pace of technological innovation in the materials business is rapid, we believe this is essential to our company because it allows us to oversee the entire supply chain, including not only the battery materials business but also the advanced materials business. Currently, the global demand for resources used in batteries is trending upward. In such an environment, it is difficult to sustain a business through recycling alone. Therefore, we believe it is important to develop our business with a total supply chain, including battery materials, as it also enables us to advance recycling. Nevertheless, whether we prioritize investment will depend on future market trends.

Q) There is a lot of competition in high-nickel NMC cathode materials. Are there any concerns regarding the profitability of the materials business?

A) Although competition is intense, as other companies are already producing NMC, we believe our accumulated expertise gives us a technical advantage in particle size control. This time, we are changing our production process from continuous crystallization to batch crystallization. However, we eventually want to use various technologies to transition back to continuous crystallization to enhance our competitiveness and ensure our survival.

Q) Are there any competitors who can produce high-nickel NMC cathode materials using continuous crystallization?

A) To the best of our knowledge, there are no companies worldwide producing NMC using continuous crystallization. We are eager to take on this challenge and become the first in the world.

Q) Is it possible to produce high-nickel NMC cathode materials using continuous crystallization?

A) We have been conducting research and development since we first realized that the production process would need to be changed to batch crystallization. Methods have been established at the research and development level, and actual verification will begin in the future.

Q) Do you have any prospective customers for high-nickel NMC cathode materials?

A) We cannot disclose customer names, but we will first focus on our existing customers. Subsequently, we are considering expanding to new customers.

- Q) It appears that switching to high-nickel NMC cathode materials requires an initial investment in developing new technology. Is this profitable for the investment?
- A) In this case, the transition from NCA to NMC can be achieved by utilizing existing facilities, so no major investments are required. However, when considering future expansion strategies, depending on market conditions, we anticipate that in the highly competitive NMC market, production volumes may reach a plateau at a level where profitability is optimal, rather than pursuing scale as with NCA.
- Q) Are there any plans to expand the battery materials business into North America?
- A) It depends on customer demand, but we are not considering expansion at this point.

[Ferronickel structural reform]

- Q) What is the significance of nickel matte production?
- A) Securing nickel raw materials is important for advancing nickel operations. Coral Bay Nickel Corporation (CBNC) expects to end production during the 3-Year Plan 30 period. In the meantime, the Kalgoorlie Nickel Project is expected to begin operations during or after the 3-Year Plan 30 period. Nickel matte production will be crucial for securing nickel raw materials until then.
- Q) Is there profit in investing in nickel matte production? Please explain the profitability of investing in recycling for the smelting and refining business as well.
- A) We expect nickel demand to grow alongside economic development. Regarding our nickel business, growth in nickel sulfate for battery materials may be challenging in the future. However, if demand for electrolytic nickel increases, we believe we can generate profits through the LME market. There may be questions about whether nickel recycling will generate profits. However, although such initiatives may not generate immediate profits, we believe we must incorporate them into our strategy, as failing to do so could result in a future where final products may no longer sell. For example, to align with the global trend toward carbon neutrality, we must also invest in GHG reduction efforts. Additionally, we believe that recycling is necessary from the perspective of efficient resource utilization. Regarding profitability, we cannot provide quantitative explanations at this stage. However, we will analyze returns, including the effects of carbon pricing, and make investment decisions based on that analysis.

[Taganito HPAL's operations]

- Q) Why does Taganito HPAL's production volume often fall short of plans?
- A) Two factors contributing to the shortfall are the declining nickel grade of the ore and low operating rates due to equipment issues. Regarding the ore grade, it is difficult to control because it is a natural resource. However, we have dispatched personnel from our Mineral Resources Division to the ore-supplying company to implement measures aimed at adjusting the ore grade and ensuring stable operations.
- Regarding equipment issues, we are dispatching personnel from CBNC, which has over 20 years of operational experience, to Taganito HPAL, and facilitating technical exchanges between the two companies.
- Q) Is there any impairment risk with Taganito HPAL?
- A) Taganito HPAL has approximately 1.5 times the production capacity of CBNC, which recorded impairment losses in the third quarter of fiscal year 2024. We believe Taganito HPAL will remain competitive.

[Promotion of growth strategies (nickel)]

Q) Is there a risk that the nickel project currently under consideration will be discontinued, as was the case with the development of the Pomalaa Project?

A) The Baptiste Project is currently in the feasibility study stage. There is a possibility that the project may not be viable because we are dealing with a type of ore that we have never worked with before. On the other hand, we believe that the Kalgoorlie Nickel Project is a reasonably promising project, as studies are progressing. However, there is a possibility that the project may not be viable depending on factors such as the results of the permit acquisition procedures in the future. We will continue investigating so that a decision can be made during the 3-Year Plan 27 period.

[FY 2027 profit/loss of the smelting and refining business]

Q) Regarding the segment profit of 4 billion yen for the smelting and refining business in FY 2027, an improvement from the FY 2024 loss of 7.1 billion yen, what are the main factors contributing to this turnaround, excluding the reversal of impairment losses?

A) For FY 2027, compared to FY 2024, we anticipate a stronger yen and worsening TC/RC rates. Additionally, the copper business will face challenges due to reduced production volumes resulting from scheduled furnace maintenance at Toyo Smelter & Refinery. However, we expect the nickel business to provide support through its recovery.

[Average cash costs at joint venture operated copper mines]

Q) What is the background behind the expected decline in copper cash costs?

A) For example, we expect cash costs at the Quebrada Blanca Copper Mine to decline as operations are optimized and stabilized.

Q) Will production recover and cash costs improve at the Morenci Copper Mine in the future?

A) We anticipate that various new technologies will begin to yield results. If production volumes recover as a result of these technologies, cash costs will improve as well.

[Capital allocation]

Q) If an opportunity to acquire new mineral resource interests arises, will the capital allocation for the 3-Year Plan 27 be revised?

A) During the 3-Year Plan 27 period, we do not anticipate reaching a stage requiring significant investment, even if new attractive mineral resource interests projects emerge. During the subsequent 3-Year Plan 30 period, however, there may be significant investment. We cannot provide an answer at this stage. For the current 3-Year Plan 27 period, our intention is to maintain the capital allocation outlined in the materials.

Q) In the upcoming 3-Year Plan 30, will increased investments in projects such as the Kalgoorlie Nickel Project lead to higher cash outflows?

A) The next 3-Year Plan includes the Winu Copper-Gold Project and the Kalgoorlie Nickel Project as potential candidates. However, unlike the 21 3-Year Plan, we do not anticipate two large-scale projects proceeding in parallel. Although cash outflows may increase compared to the 3-Year Plan 27, but at this stage, we have no plans to significantly reduce shareholder returns.

[Acquisition of own shares]

Q) How should we consider the flexible acquisition of own shares from next fiscal year onwards?

A) Due to the various factors involved, it is difficult to provide a general answer. For example, investing in growth strategies is necessary to enhance corporate value. However, the timing of implementation depends on various factors. Therefore, if significant investments are made, the acquisition of own shares is likely to be restrained.