

Business Strategy Briefing (November 2025):
Questions and Answers Script (Summary)

[Shareholder Returns]

Q: You repurchased your own shares in May 2025. What is the background of the repurchase? What is your future plan?

A: It is part of management conscious of stock price and cost of capital. It may be partially due to insufficient explanation regarding our business, but our PBR has been below 1.0 for some time and share repurchase is an initiative intended at improving it even slightly. We carried out share repurchase worth ¥15.0 bn based on the financial plan at that time. Going forward, we would like to continue considering share repurchase with an eye on the balance with investment for the growth strategy including two ongoing large-scale projects.

[Outlook of Quebrada Blanca Copper Mine]

Q: The Quebrada Blanca copper mine project has progressed smoothly till ore mining and processing, and the focus now on, in my understanding, is the tailing dam. Teck Resources Ltd. of Canada, the operator, has announced a guidance that the production would decline in 2028 due to the decline in ore grade. How should we view the production volume in the future?

A: We are working toward solving the tailing dam issue early on and shifting to stable operations in 2027. As for the future outlook of production volume, the tailing dam issue is expected to be solved in 2026 and the production volume is likely to increase temporarily in 2027. However, as Teck Resources Ltd. has explained, the production volume is expected to fall in 2028 due to a decline in ore grade according to the mining plan, and we would like to examine it carefully as we go forward.

[Competitiveness of Copper-Smelting & Refining Business]

Q: As you explained in the 3-Year Business Plan 2027, the situation surrounding TC/RC is likely to remain challenging. It is difficult when we consider the profit of Smelting & Refining Business alone, although there is profit contribution from byproducts, etc. The challenge is how you are going to invest management resources. I understand the business model that offsets the low TC/RC to a certain extent with the Mineral Resources Business. However, when considering the Copper-Smelting & Refining Business, would you be able to improve profits with your own efforts in the next five years?

A: We are expecting the TC/RC benchmark to become challenging for the Copper-Smelting & Refining Business in 2026, and we are not expecting a quick recovery. What we should be working on in this environment is to reduce costs by making small efforts. For example, the logistics cost of Smelting & Refining is high due to large volumes. The key point is how to lower this logistics cost. We want to lower the cost thoroughly by fully leveraging DX and AI. Apart from this, there is still room for improving recovery rates and we can also improve quality and raise premium. We would like to keep building on these efforts.

Q: Non-ferrous metal companies in Japan have announced that they will integrate procurement of copper concentrate and sale of electrolytic copper. I understand SMM's Toyo Smelter & Refinery has cost competitiveness, but joint copper concentrate procurement by all Japanese companies together would offer greater strength in terms of bargaining power. What is your position on the possibility of participating in this joint move by your peers in Japan?

A: The possibility is not zero but we are not considering it at the moment. We have our reasons for copper concentrate procurement and electrolytic copper sales. From the procurement aspect, about 50% of copper concentrate SMM uses come from the mines in which we have interests. So, it is hard to expect any immediate benefits from participating in the collaboration. Regarding sales, if we participate in the collaboration, customers would be purchasing it from one company. We believe it would be beneficial for our customers if we did not participate in it.

[Future Initiatives of Nickel-Smelting & Refining Business]

Q: How should we view the future competitiveness of nickel-smelting and refining taking into account the construction of a nickel matte production plant at Hyuga Smelting?

A: Production of matte at Hyuga Smelting and producing electrolytic nickel from that does not have high advantage if we consider cost competitiveness alone. From the perspective of contributing to achieving carbon neutrality, GHG emissions are expected to be smaller for electrolytic nickel made from Hyuga Smelting's nickel matte than that made from MS, an intermediate material, produced at HPAL in the Philippines. So, it has advantages from the aspect of social contribution.

The Kalgoorlie Nickel Project, which we are currently working on, uses the same HPAL technology we use at the two plants we operate in the Philippines. In HPAL, the tailing dam, which treats the tailings requires the maximum cost and capital investment. So, the key point will be how we can reduce this expense. The existing two HPALs have dams as is generally imagined, but it will not be profitable if we apply the same method to the new project. In light of this, we are in the process of discussing how to reduce the costs associated with the tailing dam such as utilizing the mined pit instead of constructing a dam body. We would like to leverage these initiatives to strengthen the Smelting & Refining Business in the future.

The electrolytic nickel production business is an important business for SMM. Nickel demand is expected to continue growing at a 4% to 5% rate, primarily for stainless steel. It is also needed for special steel used in aircraft, etc., which requires high-purity nickel. So, we have to keep producing electrolytic nickel also to contribute to the development of the society.

[Outlook for Battery Materials Business]

Q: You explained that you will continue to produce NCA cathode materials at one of the two lines of the Niihama Plant. What will be the production volume in the future?

A: We are forecasting production and sales of NCA, currently our mainstay product, to continue at close to full capacity in the current fiscal year. We will begin gradually switching to the new high-nickel NMC product around 2026. This will take some time and we will continue with the existing NCA production till the shift is complete.

Q: What is the status of initiatives related to cathode materials for all-solid-state batteries and LFP cathode materials?

A: As we had announced earlier, we are pursuing joint development of cathode materials for all-solid-state batteries with Toyota Motor Corporation. We plan to set the course during the current 3-Year Business Plan 2027 (FY2025 to FY2027) and ideally would like to commercialize it as our own business during the next medium-term plan. As for LFP cathode materials, the current hydrothermal method used for production is not competitive. So, we plan to commercialize the new solid-state synthesis production method early on and determine its feasibility as a business within the 3-Year Plan 27 period.

Q: There have been some reports that battery manufacturers are in the process of developing batteries with reduced nickel use toward 2030. What are SMM's views on that?

A: We are aware of the moves to develop batteries with reduced nickel use. However, we do not think its use will be reduced in all nickel-based cathode materials, and there will be polarization depending on the application. Therefore, we think there will remain some areas where we will be able to compete with nickel-based cathode materials, which we are good at. So, we will continue development with focus on nickel. At the same time, naturally we are also engaged in development of cathode materials with reduced nickel use and we are gathering information regarding market trends alongside the research and development process.

[Outlook for Advanced Materials Business]

Q: What are the fields in which you expect growth of advanced materials?

A: We are expecting growths in the generative AI-related field and for power semiconductors. Especially, we are expecting Faraday rotators for communication devices, to contribute significantly, and we have already made capital investments to double the production capacity for FY2027. Besides this, the multilayer ceramic capacitors (MLCCs) for generative AI-related servers and data centers require higher quality materials, and we are working on making our powder products finer for this. These servers also use resistance paste and we are increasing the production to cater to that. We have carried out similar capital investment for SiC bonded substrates for power semiconductors and we are waiting for customer certification before introducing it in the market. We believe these would become revenue sources for us in the future.