

November 8, 2021

Teleconference Explanation Script for Consolidated Financial Results for the Six Months Ended September 30, 2021

I. General briefing

The following is an overview of SMM's consolidated financial results for the six months ended September 30, 2021 as announced today. Please take a look at the cover summary on the earnings report.

1. Consolidated Financial Results for the six months ended September 30, 2021: Overview of Business Performance

1) Consolidated operating results for the six months ended September 30, 2021

- ① Sales increased by ¥191.2 bn to ¥597.9 bn year-on-year.
(Gross profit increased by ¥58.5 bn to ¥114.7 bn year-on-year.)
- ② Pre-tax profit increased by ¥95.8 bn to ¥121.7 bn year-on-year.
- ③ Quarterly gross profit increased by ¥102.9 bn to ¥120.2 bn year-on-year.)
- ④ Profit for this quarter attributable to owners of the parent company increased by ¥96.4 bn to ¥113.8 bn.

In short, we saw an increase in income figures and profit year-on-year.

2) Overview of consolidated financial results for the six months ended September 30, 2021

The following is an overview of the consolidated financial results for the six months ended September 30, 2021.

[Consolidated Financial Results for the six months ended September 30, 2021: Performance Briefing & YoY Comparison]

① Consolidated Sales

<Metal prices and foreign exchange>

Copper prices continued to rise from the previous fiscal year. However, the spread of COVID-19 variants caused demand to fall, starting a downward trend from midway through this period. Nickel prices saw an upward trend thanks to the recovering world economy and other factors. While gold prices were on an upward trend as the spread of COVID-19 variants casts a shadow over the prospect of economic recovery, they moved towards a downward trend as the US economy recovered. As a result, although copper and nickel prices were higher year-on-year, the gold price was lower year-on-year.

In terms of the average exchange rate, the yen depreciated year-on-year.

<Net sales>

Consolidated sales in this period increased by ¥191.2 bn year-on-year to ¥597.9 bn through copper and nickel prices being higher than the same period last year.

② Consolidated profit before tax

Consolidated profit before tax in this period saw a year-on-year increase of ¥95.8 bn to ¥121.7 bn as, in addition to an increased income, profit of equity method using companies also saw improvements through things like a rise in copper prices.

③ Quarterly profit and quarterly profit attributable to owners of the parent company

Through an increase in consolidated profit before tax, quarterly profit increased year-on-year by ¥102.9 bn to ¥120.2, and quarterly profit attributable to owners of the parent company increased year-on-year by ¥96.4 bn to ¥113.8 bn.

Further, quarterly profit for the six months ended September 30, 2021 and quarterly profit attributable to owners of the parent company for the same period include the approximately ¥25.0 bn income of tax expense disclosed on October 14 that came with the series of procedures related to the transfer of all held equity in interests related to the Sierra Gorda copper mine.

3) Individual topics

The following covers a range of topics in the consolidated financial results for the six months ended September 30, 2021. Please refer to page 7 in the Supplementary Explanation for Financial Summary for information on production volume.

① Overseas Copper Mines

<Morenci>

As we are implementing planned reduced operations, like the suspension of a portion of mills (mineral ore milling machinery), to account for the effect of the spread of COVID-19, production volume in this period saw a year-on-year decrease to 195 thousand tonnes.

<Cerro Verde>

Production volume this period was 192 thousand tonnes, an increase when compared to last year, which had a temporary transition to a care and maintenance status due to the spread of COVID-19.

<Sierra Gorda>

Continued stable operations and improved ore grade brought a year-on-year increase to the production volume for this period, coming to 93 thousand tonnes.

② Taganito HPAL

Equipment trouble that occurred in this period led to a production volume that decreased year-on-year. Now, the equipment that was experiencing problems has already been restored.

③ CBNC(Coral Bay)

Operations saw a temporary drop due to the spread of COVID-19, so production volume is slightly decreased year-on-year.

④ Materials business

Sales in the materials business segment for this period marked an increased of ¥38.8 bn year-on-year to ¥133.5 bn.

Profit for this segment increased year-on-year by ¥11.3 bn to ¥13.0 bn due to increases in sale volume for battery materials when compared to last year, which saw a temporary period of stagnant demand, and due to maintaining favorable sales in powder materials.

2. Full-Year Consolidated Results Forecast for FY2021

We have made revisions to the full-year results forecasts disclosed in May of 2021.

1) Sales and profit and loss

The Full-Year Consolidated Results Forecast for FY2021 has been revised as follows:

- ① Sales will increase by ¥128.0 bn to ¥1,175.0 bn compared to the May forecast.
(Gross profit will increase to ¥198.0 bn, an increase of ¥48.0 bn compared to the May forecast.)
- ② Pre-tax profit will increase by ¥128.0 bn to ¥266.0 bn compared to the May forecast.
- ③ Profit for this period will increase by ¥110.0 bn to ¥224.0 bn compared to the May forecast.
- ④ Profit for this period attributable to owners of the parent company will increase by ¥110.0 bn to ¥214.0 bn compared to the May forecast.

Further, the impact of the series of procedures that should take place in the event of completion of the transfer of all held equity in interests related to the Sierra Gorda copper mine by March 2022 is estimated to be approximately ¥70.0 bn in profit before tax, and this number is being included in the latest forecast.

The metal prices and exchange rates used for the operating results forecast are as shown on page 5 of the attachments to the earnings report and the lower part of page 1 of the Supplementary Explanation Financial Summary. We estimate that metal prices will be above what were forecast in May, and that the average exchange rate will show the yen depreciating when compared to the May forecast.

The profit before tax for FY2021 in the full-year consolidated report forecast includes negative factors such as reduced production at some overseas copper mines and the resulting cost increases; however, favorable market factors, increased profits in the materials business and the Sierra Gorda copper mine divestment impact, have us forecasting an increase of profit that is much greater than that which was forecast in May.

2) Individual topics

The following covers a range of topics in the FY2021 full-year consolidated results forecast. Please refer to page 7 in the Supplementary Explanation for Financial Summary for information on production volume.

- ① Impact of the transfer of all held equity in interests in the Sierra Gorda Copper Mine
As we explained previously, the impact is estimated to be ¥70.0 bn, assuming the transfer will be completed by March 2022, and this is included in the profit before tax. This amount is based on the difference between payments accrued from the divestment at the time of its completion and the consolidated book value of the assets sold. However, this is ultimately an estimated value calculated based on current quotes, and it is not fixed.

- ② Overseas copper mines

<Morenci>

With the reduced impact of the spread of COVID-19, mining volume was increased and the processing plant scheduled to restart in 2022 was restarted in July with 50% of its processing capacity. This has allowed for a yearly production volume increase of 401 thousand tonnes, and we estimate that there will be increased production when compared to the plan disclosed in May.

<Cerro Verde>

We have largely continued smooth operation based on our annual plan, which took the effect of the spread of COVID-19 into account. However, ore grade is showing a decline and we are trying to cover that with processing volume. We estimate that there will be a slight reduction when compared to the plan disclosed in May, with the yearly production volume being 393 thousand tonnes.

<Candelaria>

In June, our partner Lundin Mining announced a production volume guidance downward revision as mining was delayed due to pit collapse prevention measures taken against faults existing in open-pit mining areas. As we are operating while we continue to take countermeasures to stabilize the pit and continue monitoring, we estimate approximately 70% of what was disclosed in our plan in May, with a yearly production volume of 107 thousand tonnes.

<Sierra Gorda>

While we estimate that Sierra Gorda will continue stable operation, it will be excluded from the companies to which the equity method is applied from Q3.

③ Taganito HPAL

Through the equipment trouble that occurred in the first quarter, the full-year production volume is predicted to be 29.6 thousand tonnes, about 90% of what was disclosed in the plan in May.

④ CBNC(Coral Bay)

Operations saw a temporary drop in September due to the spread of COVID-19, so production volume is estimated to slightly decrease compared to the plan disclosed in May.

3. Dividends

This section concerns dividends.

Please take a look at the cover summary on the earnings report and the “Notice Regarding Differences Between the Consolidated Results and Results Forecast for the Six Months Ended September 30, 2021, Amendments to the Full Year Consolidated Results Forecast, and Amendments to the Dividend Forecast” that was disclosed today.

We have confirmed the consolidated results for the six months ended September 30, 2021 and have amended the full-year consolidated results forecast. This, in turn, has allowed us to revise the end of second quarter dividend amounts and the end of year dividend forecast.

In the results for the six months ended September 30, 2021 and in the full-year results forecast, we estimated that the Sierra Gorda divestment will be completed by March 2022 and have included the impact of the series of procedures related to the divestment. However, depending on the status of fulfilment of fixed conditions and of obtain the necessary permits, the transfer may be moved to next fiscal year. This is why the impact of the series of procedures related to the Sierra Gorda divestment was excluded from the calculations for the interim dividends and the year-end dividend forecast, and the consolidated dividend payout ratio is set at 35% or higher.

As a result, interim dividends increased by ¥42 to ¥113/share when compared to the previous forecast. Additionally, in the year-end dividend forecast, we see an increase of ¥9 to ¥71/share when compared to the previous forecast. As a result, we expect that the annual dividend is going to increase by ¥51 to a record high of ¥184/share when compared to the previous forecast.

Further, included in the impact of the series of procedures related to the Sierra Gorda divestment is an amount equivalent to the reversal of allowances for doubtful debts against the loans, etc. for Sierra Gorda S.C.M. This amount was coordinated with the FY2019 balance of retained earnings at the beginning of the period as the cumulative impact taken with the application of the amended

IAS28 “Investments in Affiliated Companies and Joint Ventures.”

The equivalent to this reversal, when the allowance for doubtful debts was confirmed, was not appropriated as a loss in FY2019 as it was a cumulative impact. Instead, it was coordinated at the beginning of the fiscal year to reduce retained earnings and appropriated as such. As it has not undergone profit and loss accounting, it will not be included in dividend forecast calculations disclosed after the transfer date is set. The SMM shareholder return dividend payout ratio will be maintained at 35% or over, assuming this exclusion.

II. Breakdown of Gross Profit and Segment Profits, and Other Details

Please look at the Supplementary Explanation for Financial Summary for the Q2 FY2021 financial results. We will only go over main points.

1. The results/forecast comparison on page 1

1) Q2 FY2021 financial results vs Q2 FY2020 financial results/ Q2 FY2021 cumulative forecast (August)

The upper table on page 1 is a comparison of the results for the six months ended September 30, 2021 against the FY2020 results for the same period and the August forecast. The footnotes to the table show an analysis of fluctuations in profit before tax.

First, please look at the ① to ② year-on-year comparisons.

The year-on-year profit before tax increase of ¥95.8 bn was largely due to improved market factors, at ¥88.6 bn. We will also go over other main factors. While the cost differential improved largely due in particular to Sierra Gorda seeing year-on-year production and grade improvements, it worsened at THPAL, CBNC, and Morenci, which saw year-on-year production reductions, as well as at Cerro Verde, leading to an overall decrease of ¥5.4 bn. The ¥3.9 bn profit increase for the QB2 construction suspension cost is a one-off factor as the cost appropriated in the same period last year was not appropriated for this period. For the other ¥6.3 bn decrease, tax increases as well as unrealized profit and improvements to by-products for overseas copper mines are included.

Continuing, please look at the ① to ③ August forecast comparison.

Of the factors behind the ¥15.7 bn increase to profit before tax, we will explain factors other than the improvements to market factors that accounted for ¥7.7 bn. The quantity differential saw increased sales for Hishikari and Sierra Gorda compared to the August forecast, leading to an improvement of ¥1.9 bn. The other increase of ¥4.4 bn includes things like the effects of unrealized profit and improvements to by-products.

2) New and Old Forecasts of FY2021 (in Nov. vs in May.) 1H Result vs 2H Forecast (in Nov.)

Next, in the table on the lower portion of page 1, there is a comparison of the revised results forecast, the May forecast and the cumulative results for the six months ended September 30, 2021.

See ③ to ④ in the footnotes of the table for a comparison of new and old forecasts.

The full-year results forecast for profit before tax has an increase of ¥128.0 bn compared to the May forecast. We will explain primary factors other than the ¥75.9 bn from market factor improvements and the impact of the Sierra Gorda divestment. A total decrease of ¥18.6 bn is expected for the cost differential, as THPAL, Cerro Verde and Candelaria are expected to see a deteriorated cost differential with reduced production compared to the May forecast. In the other ¥5.6 bn decrease, tax increases for overseas copper mines, unrealized profit and improvements to by-products are included.

At the bottom of this page, there is a comparison between the 2H results forecast and the cumulative results for the six months ended September 30, 2021 in ② to ①.

Of the ¥22.6 bn increase to profit before tax, market factors through things like prerequisite conditions for metal prices deteriorated to ¥26.0 bn. In the quantity differential, we estimate that Hishikari, which saw increased production and sales in 1H, will fall into the negative in the 1H and 2H comparison. However, THPAL, Morenci and Cerro Verde are estimated to improve in 2H, with recovery, increased production and increased sales, resulting in a forecasted increase of ¥5.3 bn. In the cost differential, along with other factors, Hishikari Mine and electrolytic copper at the Toyo Smelter & Refinery, which will be affected by scheduled furnace repairs in 2H, are going to show in the negative in the 1H and 2H comparison, with a forecasted decrease of ¥3.4 bn. The materials business saw a substantial increase to profits compared to 1H but is expected to be in the negative due to factors like the price differential and the compositional differential in the battery materials business and the powder materials business. The other decrease of ¥9.8 bn includes things like the effects of deteriorations to unrealized profit, by-products and direct sale costs.

2. Page 3: Year-on-year comparison of results by segment (fluctuations in gross profit)

First, please look at the year-on-year comparisons by segment on page 3.

Gross profit in the Mineral resources segment was ¥45.8 bn, a profit increase of ¥24.2 bn. As shown in the fluctuation explanation in the middle of the page, primary factors are the improvements to the quantity differential that came with the increased sales at the Hishikari Mine in 1H and the improvements to the price differential that came with an increase in the price of copper at overseas copper mines, mainly at Morenci.

Gross profit in the Smelting & Refining segment was ¥55.3 bn, a profit increase of ¥29.6 bn. As shown in the fluctuation explanation on the bottom of the page, there were improvements of ¥13.4 bn to copper-related entities and ¥12.2 bn to nickel-related entities. The increase to the price of nickel and cobalt greatly improved the price and condition differential of the nickel-related entities, and the inventory evaluation for copper-related and nickel-related entities also improved. For “others”, the effect of the exchange rate in the ¥9.1 bn increase to the copper-related entities was minimal, and the effect on the nickel-related entities was an increase of ¥0.4 bn out of ¥0.8 bn.

3. Page 4: Year-on-year comparison of results by segment (net sales for materials business by product subsegment)

On the top of page 4, in sales by product subsegment, sales for battery materials increased by ¥22.1 bn to ¥62.6 bn when compared to last year, which temporarily saw reduced demand. Powder materials increased by ¥9.0 bn to ¥25.8 bn due to things like increased sales through favorable market conditions and demand.

4. Page 4: Year-on-year comparison of results by segment (equity in earnings of affiliated companies)

Next, in the table at the bottom of page 4, equity in earnings of affiliated companies increased year-on-year by ¥28.8 bn to ¥24.4 bn. At Cerro Verde, production and sales increased when compared to the previous year, and with improved copper prices, profits increased by ¥11.4 bn to ¥11.7 bn year-on-year. At Sierra Gorda, thanks to operational stabilization, increased ore grade and rising copper prices, profits increased by ¥12.2 bn to ¥6.1 bn.

5. Page 5: Comparison of results forecast by segment FY2021 November forecast vs May forecast

Please see page 5.

This shows a comparison of the revised FY2021 full-year results forecast against the forecast disclosed in May. Note that the operating results forecast figures are rounded to the nearest billion yen.

Gross profit in the mineral resources segment is estimated at ¥83.0 bn, a forecasted profit increase of ¥20.0 bn. As shown in the fluctuation explanation in the middle of the page, primary factors are the improvements to the price differential at the Hishikari Mine, to the price differential that came with an increase in the price of copper at overseas copper mines, mainly at Morenci, as well as to the quantity differential through the estimated increase in production and sales when compared to the previous forecast.

Gross profit in the Smelting & Refining segment is ¥87.0 bn, a forecasted profit increase of ¥32.0 bn. As shown in the fluctuation explanation lower on the page, the copper-related entities are forecasted to increase by ¥20.3 bn and the nickel-related entities by ¥13.8 bn.

Major factors are the substantial improvements expected to the price and condition differential for the nickel-related entities and to the inventory evaluation for the copper-related and nickel-related entities. On the other hand, unit cost is forecasted to deteriorate by ¥9.6 bn in the nickel-related entities mainly through reduced production at THPAL. In “others”, the copper-related entities are forecasted to improve by ¥8.1 bn, with the exchange rate accounting for ¥0.4 bn, and the nickel-related entities by ¥1.9 bn, with the exchange rate accounting for ¥1.6 bn.

6. Page 6: Comparison of full-year results forecast for materials business (sales by product subsegment)

At the top of page 6, in the sales for materials business by product subsegment, we forecast that overall net sales in the materials business will be ¥275.0 bn, an income increase of ¥23.0 bn when compared with the May forecast.

In battery materials, it's forecasted that, thanks to the effect of a rise in metal prices in addition to continuing with steady production, sales will increase by ¥12.0 bn to ¥130.0 bn when compared to the May forecast. In powder materials, it's forecasted that there will be an increase of ¥8.0 bn to ¥52.0 bn when compared to the May forecast, despite demand for a portion of the products being uncertain.

7. Page 6: Comparison of full-year results forecast by segment (equity in earnings of affiliated companies)

The figures for equity in earnings of affiliated companies at the bottom of page 6 are rounded to the nearest 0.5 bn yen.

Cerro Verde is forecasted to have a profit increase of ¥5.5 bn through rising copper prices, despite reduced production and sales when compared to the May forecast. Candelaria is forecasted to have a ¥3.0 bn decline in profit due to the negative effects of reduced production. It's forecasted that the overall equity in earnings of affiliated companies will increase by ¥5.5 bn to ¥46.0 bn when compared to the May forecast.