Date of Teleconference: May 9, 2025
(English translation released on May 30, 2025)

Explanation Script of Teleconference for Consolidated Financial Results for the Year Ended March 2025 (FY2024)

I. General Briefing

In this briefing, we will provide an overview of the consolidated financial results for FY2024 and the forecast of consolidated operating results for FY2025 announced today, as well as an explanation of the Notice Regarding Differences Between Consolidated Operating Results Forecast and Actual Results, Recording of Impairment Loss, and Return of Compensation by Corporate Officers, and Notice regarding Changes to the Policy for Dividends as also released today.

1. Recording of Impairment Losses, Difference between Operating Results Forecast and Actual Results, and Return of Corporate Officers' Compensation

Firstly, please take a look at the disclosed Notification on Notice Regarding Differences Between Consolidated Operating Results Forecast and Actual Results, Recording of Impairment Loss, and Return of Compensation by Corporate Officers.

1) Recording of impairment losses in the battery materials business

In FY2024 4Q, in the materials segment we recorded impairment losses of ¥57,286 million in our battery materials business, in which we undertake the manufacturing and selling of cathode materials for electric vehicle batteries. This is due to reducing the book value of property, plant and equipment and other such assets from ¥76,602 million to a recoverable amount of ¥19,316 million given the expected decline in production capacity resulting from the planned product type switch in the battery materials business in the future.

This is the main factor behind SMM's consolidated profit and loss for the year ended March 2025 resulting in a decline in profit compared to the previous forecast.

With regard to the battery materials business, we have expanded our production capacity for nickel-based cathode materials while utilizing external resources in order to meet booming demand. Against a backdrop of pressure to reduce costs in addition to demands for better battery performance that increase with each passing year driven by the push to expand EV adoption, we have established a system capable of producing 5,000 tonnes per month and will continue to operate to its maximum capacity. In addition, partial production commenced at the highly cost competitive Niihama Plant in January 2025.

However, from 2026, we now expect the nickel-based cathode material product types in use to shift rapidly from NCA, which is currently SMM's mainstay product, to high-nickel NMC. It will be absolutely essential to make changes to our production process in order to handle this, and so we now foresee a drop in production volume and sales volume of nickel-based cathode material.

We believe that going forward, there will be no change in the overarching trend toward expansion of the xEV market for electric and other such vehicles. However, we believe that competition in terms of price and technology will intensify in the field of cathode materials ahead of increasing xEV uptake, but the cathode material business has the ability to contribute to a carbon neutral society by leveraging SMM's powder synthesis, surface treatment, and pyrometallurgical smelting and hydrometallurgical refining technologies. As such, we will reexamine our production system and shift to one centered on our own in-house resources that is suitable for the scale of the business, work to achieve improved productivity, thorough business streamlining, and cost reduction, and revitalize this business.

2) Return of Corporate Officers' Compensation

In light of the impairment losses in the battery materials business and the impairment losses recorded in the Smelting & Refining segment in the third quarter, the corporate officers involved shall voluntarily return 10% to 20% of their compensation for the two-month period from May to June, as noted in the disclosed documentation.

2. Consolidated Accounting Results for the Year Ended March 2025 (FY2024): Overview of Business Performance

Let us continue with an overview of the consolidated financial results for FY2024. We covered the business environment and other matters in the earnings report, so please look at it when you get a chance.

Please take a look at page 2 of the Supplementary Explanation Material of Financial Summary.

We will explain actual metal prices and exchange rate for FY2024.

The average copper and gold prices over the period from April to March, which applied to companies that settle accounts in March, increased from the previous year, while the price of nickel fell and yen weakened.

Consolidated sales saw a year-on-year increase of ¥147.9 bn to ¥1.5933 tn.

Consolidated profit before tax declined ¥64.4 bn year-on-year to ¥31.4 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 a fall in the price of nickel and cobalt, a worsening of the unit cost differential at copper mines, and the recording of impairment losses.

3. FY2024 Profit and Loss Exclude Temporary Factor

Profit and loss exclude temporary factor for FY2024 is shown on the right side of the graph on page 2. Here, the FY2024 results are divested of one-off factors occurring through fluctuations in metal prices and the foreign exchange, and other special factors.

The profit and loss exclude temporary factor in FY2024 is ¥120 bn to ¥110 bn, marking a ¥10 bn upturn from the previous forecast. Factors including an increase in the price of gold, an upturn in quantity differential and unit cost differential, and an increase in the effect of large projects were the factors behind this upturn.

4. Consolidated Results Forecast for Fiscal Year Ending March 2026 (FY2025)

Next, we will explain the overview of the forecast for consolidated operating results for FY2025. Please take a look at page 3 of the Supplementary Explanation Material of Financial Summary.

Consolidated profit before tax is forecast to increase by ¥68.6 bn to ¥100.0 bn when compared to the results from FY2024.

Primary factors for these fluctuations are as shown in the graph at the top of page 3.

While the impact of the ¥112.7 bn of impairment losses recorded in FY2024 will disappear and factors including an increase in the price of gold are expected, a fall off of the impact on inventory evaluation in the smelting and refining business that had driven profits upward due to a weakening yen and increasing gold prices in FY2024, reduced production and sales (from 4.0 t/year to 3.5 t/year) at the Hishikari Mine due to average grade mining based on an operating policy that emphasizes sustainability, a slump in the price of nickel and cobalt, a drop in processing revenue (TC/RC) that could not be completely offset despite collaboration with the resource business, and an increase in survey costs for the Kalgoorlie Nickel Project that we joined in 2024 as well as other overseas projects, have, among other factors, resulted in the upturn stalling at ¥68.6 bn.

It should be noted that as the launch of the Quebrada Blanca Copper Mine and the Cote Gold Mine had not been completed, explanations given about them had thus far been included under the effect of large projects, but from FY2025 they will be included in the same analysis as other operating mines. It should be noted that this forecast does not include the risk factors that could materialize during this fiscal year.

5. FY2025 Profit and Loss Exclude Temporary Factor (Based on Operating Results Forecast)

The forecast for the profit and loss exclude temporary factor for FY2025 is shown on the right side of the graph on page 3. Here, the May FY2025 operating results forecast is divested of one-off factors occurring through fluctuations in metal prices and the foreign exchange, and other special factors.

Profit and loss exclude temporary factor for FY2025 in this forecast is down by around ¥10.0 bn from the FY2024 forecast and stands at ¥110.0 bn to ¥100.0 bn.

While the price of gold increased and the Quebrada Blanca Copper Mine and Cote Gold Mine contributed to profits, there was downward pressure on profit and loss exclude temporary factor from factors including a fall in nickel and cobalt prices, a strengthening of the yen in foreign exchange, a drop in TC/RC in the copper smelting and refining business, and an increase in survey costs in overseas projects.

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.

6. Impact of US Tariffs

While we expect that the direct impact of US tariff policy on SMM's business will be limited, we may experience an indirect impact in the event that it leads to a contraction in the global economy as a whole, and so we shall continue to pay attention to the situation.

7. Dividends

1) Dividend forecast for the year ending March 31, 2025 (FY2024)

Under a policy of dividends from surplus being paid out with a consolidated payout ratio of 35% or more and a minimum indicator to be DOE of 1.5% in principle, SMM applied a DOE of 1.5% in its annual dividend forecast disclosed in February 2025, and set a dividend of ¥104 per share.

While net assets fell below the forecast due to factors including the impairment losses in the battery materials business recorded in the fourth quarter, the forecast for the year-end dividend shall be the same as the previous forecast, at ¥55 per share. As a result, the annual dividend is also planned to be the same as the previous forecast at ¥104 per share.

2) Changes to the dividend policy from the year ending March 31, 2026 (FY2025)

Please take a look at the document entitled Notice regarding Changes to the Policy for Dividends.

While SMM's dividend policy has been to pay dividends from surplus with a consolidated dividend payout ratio of 35% or more and a minimum indicator of DOE of 1.5% in principle, on the basis of dialogues with investors and other such things, as part of our action to implement management that is conscious of cost of capital and stock price, we have decided to rethink the following three points for a dividend policy with a greater focus on stability.

Firstly, the starting point for DOE calculation will be changed from the end of the current fiscal year to the end of the previous fiscal year. This will enable the avoidance of uncertainty from fluctuations in performance of the relevant fiscal year.

Secondly, the scope of DOE calculation will be changed from consolidated net assets attributable to the owners of the parent company to consolidated net assets attributable to the owners of the parent company excluding other components of equity. This will enable the avoidance of uncertainty from fluctuations in exchange rates and other such areas not related to performance.

And thirdly, the standard of DOE will be changed from 1.5% to 2.5%. We undertook a range of simulations that included the business environment and future capital expenditures, and set it at a level that would allow SMM to retain its consolidated equity ratio of 50% while implementing the growth strategy and providing dividends.

With regard to the annual dividend for FY2025, a DOE of 2.5% shall be applied, given that the dividend amount based on this is expected to be greater than the amount calculated using a dividend payout ratio of 35%. As a result, the forecast for the annual dividend per share is planned to increase by ¥27 over FY2024 to ¥131 per share.

Dividend policy: 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 2.5% in principle.

DOE (dividend on equity)
= Total annual dividend / (consolidated net assets attributable to the owners of the parent company at the end of the previous fiscal year - other components of equity at the end of the previous fiscal year)

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 Financial Results vs. FY2023 Financial Results

First, we will explain the FY2024 results vs FY2023 results comparison.

1) Page 5: Comparison with Results　Mineral Resources Segment

Please look at Comparison with Results by Segment-1 on page 5.

First, we will look at gross profit in the Mineral Resources segment. Please take a look at the Gross Profit box on the upper left of the page.

[Gross Profit in the Mineral Resources Segment] ¥73.2 bn, a profit increase of ¥17.5 bn.

(1) Hishikari Mine

a) Positive factors: Foreign exchange differential improved due to the weak yen and the price differential due to 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 December 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.

(3) Other/Adjustments (including Cote Gold Mine)

a) After it commenced operations in March 2024, the Cote Gold Mine proceeded to ramp up and started to contribute to profits from FY2024.

Next, we will look at the equity in earnings of affiliated companies.

(1) Cerro Verde Copper Mine, Candelaria Copper Mine

A rise in January-to-December 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 (including Quebrada Blanca Copper Mine)

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.) and interest payable that did not occur in the same period last year, as well as the recording of profit and loss related to operations.

Next, I'd like to add two points about segment profit and losses.

They both pertain to the actual results from FY2024.

(1) This includes the acceptance of assignment of profit and loss resulting from the exercise of the buyback option for interest in the Cote Gold Mine by IAMGOLD.

(2) SMM provides the necessary financing to the local operating company in the development of the Quebrada Blanca Copper Mine, and the interest received on this financing is included.

2) Page 6: Comparison with Results Smelting & Refining Segment

Please look at Comparison with Results by Segment-2 on page 6.

Next, we will look at the Smelting & Refining segment. Please take a look at the Gross Profit box on the upper left of the page.

[Gross Profit in the Smelting & Refining Segment] ¥25.3 bn, a profit decrease of ¥64.0 bn.

The major factors behind this decrease in FY2024 include a fall in the price of nickel and cobalt, and total recorded impairment losses of ¥55.4 bn comprising the ¥51.2 bn in impairment losses for fixed assets pertaining to nickel smelting and refining possessed by Coral Bay Nickel Corporation (CBNC) in the third quarter and ¥3.4 bn in impairment losses due to the removal of some trial equipment for the nickel smelting and refining process.

(1) Copper-related entities

a) Positive factors:

- Quantity differential, unit cost differential: This is because in FY2024, there was no drop in operations at the Toyo Smelter & Refinery caused by the scheduled furnace repairs undertaken in FY2023.
- Other: This is due to an upturn in processing revenue thanks to ongoing weakness of the yen, despite a fall-off in temporary profit increase factors that occurred in FY2023.

b) Negative factors:

- Condition differential: This is due to a deterioration (88/8.8→80/8.0) in processing revenue (TC/RC) in FY2024 compared to FY2023.

(2) Nickel-related entities

We will provide an explanation of factors other than the impairment losses of ¥55.4 bn included in Other.

a) Positive factors:

- Other: In addition to improvements to processing revenue due to the ongoing weakness of the yen in foreign exchange, 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 significantly 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.

Next, we will look at the equity in earnings of affiliated companies.

(1) Nickel-related entities: This is mainly due to a fall in the price of nickel.

3) Page 6: Comparison with Results Materials Segment

We will now move on to explain the net sales by product subsegment for the materials business at the bottom of page 6. Although there was no major change in demand over the course of the year, net sales dropped for the battery materials business as prices, which are linked to sales prices, dropped.

Regarding the advanced materials business, there are inconsistencies across the board, but net sales 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.

Next, we will look at segment profit and losses.

While impairment losses of ¥57.3 bn were recorded in the battery materials business, the ¥6.4 bn in losses pertaining to the transfer of an affiliate company in FY2023 did not apply this year, in addition to which the advanced materials business saw a recovery. As a result, the deterioration was limited to ¥47.0 bn.

2. FY2025 Forecast vs FY2024 Results

Continuing on, we will look at a comparison of the FY2025 forecast and FY2024 actual results.

1) Page 7: Comparison of FY2025 Forecast vs FY2024 Results by Segment

Please look at Comparison of Forecast vs Results by Segment-1 on page 7.

Firstly, we will explain the assumed metal prices and average exchange rate over the period. Please take a look at the box at the bottom right of the page.

We expect the price of copper and gold to rise, the price of nickel to fall, and the yen to appreciate.

We will now look at gross profit in the Mineral Resources segment. Please take a look at the Gross Profit box on the upper left of the page.

[Gross Profit in the Mineral Resources Segment] ¥74.0 bn, a forecasted profit increase of ¥0.8 bn.

(1) Hishikari Mine

By undertaking mining at an average grade in line with an operational policy focusing on sustainability, the annual gold sales volume will change from 4.0t/year to 3.5t/year. As such, while we expect an upturn in price differential due to a rise in the price of gold, we also expect a deterioration in quantity differential and unit cost differential.

(2) Cote Gold Mine

The Cote Gold Mine will aim to operate at 100% of designed capacity in December 2025, and will ramp up toward this. As such, we forecast that production volume and sales volume will increase toward the end of the year.

With regard to the unit cost differential of -¥7.6 bn, this is a difference caused by recognition of FY2024 costs being after the start of commercial operations in August, and was not caused by trouble or any other such problems.

(3) Copper mines (primarily Morenci Copper Mine)

An upturn for the Morenci Copper Mine is expected due to factors including a rise in the price of copper and an upturn in concentrate sales conditions (TC/RC).

Next, we will look at the equity in earnings of affiliated companies.

(1) Cerro Verde Copper Mine, Candelaria Copper Mine

For both mines, we expect an upturn in price differential due to rising copper prices from January to December, which is applied to companies that settle accounts in December, and an upturn in concentrate sales conditions (TC/RC), but also a deterioration in quantity differential due to a decline in the grade of copper in mineral ore.

(2) Quebrada Blanca Copper Mine

As per the announcement on April 25, 2025, all conditions for financial completion, including the production indicators and costs set out in the project finance agreement put together for this project, and as such, SMM's guarantorship as a sponsor came to an end. Initiatives will continue to be taken in FY2025, with the goal of stable operation, such as operational optimization and debottlenecking.

Next, I'd like to add two points about segment profit and losses. As mentioned previously;

(1) The acceptance of assignment of profit and loss resulting from the exercise of the buyback option for interest in the Cote Gold Mine by IAMGOLD that happened in FY2024 will not happen in FY2025.

(2) As in FY2024, SMM will continue to provide the necessary financing to the local operating company in the development of the Quebrada Blanca Copper Mine in FY2025, and the interest received on this financing is included.

2) Page 8: Comparison of Forecast vs Results　Smelting & Refining Segment

Please look at Comparison of Forecast vs Results by Segment-2 on page 8.

Next, we will look at the Smelting & Refining segment. Please take a look at the Gross Profit box on the upper left of the page.

[Gross Profit in the Smelting & Refining Segment] ¥34.0 bn, a forecasted profit increase of ¥8.7 bn.

While the impact of the ¥55.4 bn in impairment losses recorded in the previous fiscal year will fall off, the factors behind this include a deterioration in processing revenue (TC/RC) for copper-related entities, a fall-off in the impact on inventory evaluation that drove profit upward in FY2024 thanks to a weakening yen and increasing gold prices, and a slump in prices for nickel-related entities.

(1) Copper-related entities

In addition to a deterioration in processing revenue (TC/RC), in FY2025 we are planning scheduled furnace repairs for around six weeks from late October at the Toyo Smelter & Refinery, and so we forecast a decrease in production volume and sales volume will lead to a deterioration in quantity differential and unit cost differential.

(2) Nickel-related entities

a) Negative factors: We expect the price of nickel to be at a level lower than 2024, and that the price and condition differential will deteriorate.

b) Positive factors: We expect a fall-off of the impact from the ¥55.4 bn in impairment losses recorded in FY2024, and an upturn in the unit cost differential from increased production and sales at the two bases in the Philippines.

2) Page 8: Materials Segment

We will now move on to explain the net sales by product subsegment for the materials business at the bottom of page 8.

For the battery materials business, we expect net sales to drop due to the impact of a fall in metal prices, which are linked to sales prices. It should be noted that the sales volume for FY2025 will decline in comparison to FY2024 due to the switch of product type.

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

Next, we will look at segment profit and losses.

With regard to segment profit, while the impact of the ¥57.3 bn in impairment losses recorded in the battery materials business in FY2024 will fall off, we forecast that the upturn will not reach beyond ¥56.2 bn on the basis of an assumption that some product lineups in the advanced materials business will weaken once again.

3. Other Financial Forecast Comparisons

You can find a comparison titled Comparison of Profit Before Tax FY2024 Results vs FY2024 Forecast (Feb.) on page 9. We kindly ask that you review it.