

Maintaining a Sound Financial Standing in Preparation for Risk and Medium- to Long-Term Investments

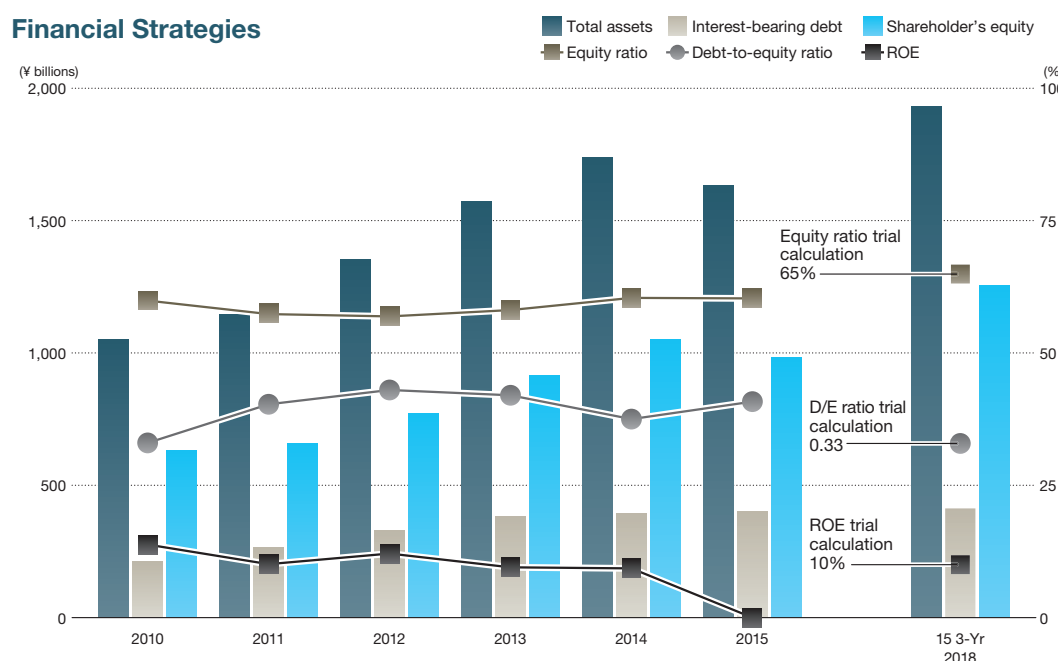
The short-term performance of SMM's core businesses, mineral resources and smelting and refining, is greatly affected by factors including the volatility of non-ferrous metal prices and foreign exchange rates.

To prepare for risks and medium- to long-term investments, the SMM Group has always strived to maintain the soundness of its financial standing, and has maintained a consolidated equity ratio of at least 50% since FY2006. Under our 2015 3-Yr Business Plan, which covers FY2016 to 2018, we will continue to leverage this strong financial base and concentrate management resources into priority fields, while undertaking active investment aimed at the acquisition and operation of overseas mine interests, the

enhancement of smelting and refining facilities, and the establishment of an expanded production system for battery and crystal materials. We will continue to adhere to policies for financial soundness, including a consolidated equity ratio of at least 50%.

The SMM Group also makes improving ROA a standard for management. However, in mining or smelting and refining projects, it usually takes about five years before starting to recover the investment. By the nature of our business, it is difficult to engage in such projects while simultaneously taking measures aimed simply at improving ROA or ROE for a certain year. Accordingly, we make it a medium- to long-term goal.

Financial Strategies

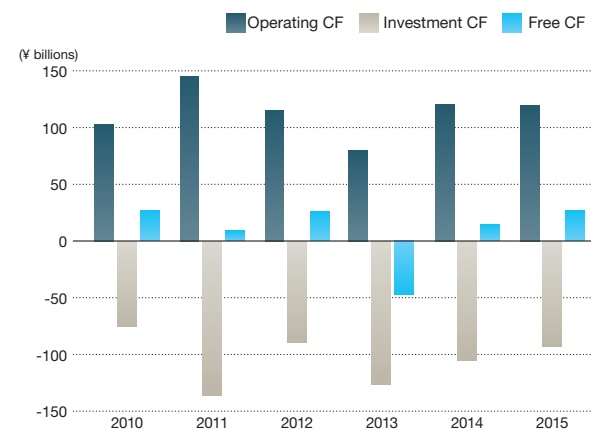


Approach to Funding

Taking into account the overall demand for funds, including funds for large-scale overseas projects in the mineral resources and smelting and refining businesses, strategic strengthening of the materials business, and other future investment plans, and from the standpoint of the stabilization of management, we believe it is necessary to maintain a degree of liquidity on hand.

Under that premise, we will procure funding in accordance with the use of the funds, assuming favorable fund procurement, and also comprehensively taking into account factors including the outlook for metal prices and foreign currency exchange markets as well as conditions in interest rate markets.

Cash Flow Trends



Cautiously Assessing Profitability and Executing Carefully Selected Investments

The SMM Group is pursuing measures to enhance our competitiveness in both raw materials procurement and manufacturing, and to overcome a worsening business environment. In terms of cost competitiveness in particular, we have set a target to become world-class, or at least ranking in the top one-third.

Due to factors such as supply and demand and natural disasters, the ore that forms the raw material for non-ferrous metals cannot always be purchased in necessary quantities at economical prices. In response, the SMM Group has a policy to secure stable raw material sources through developing and acquiring interests in overseas mines, as well as increasing the ratio of our ownership of these sources. With respect to the development and acquisition of interests in mines, we select investments carefully, with cautious assessments of profitability, drawing on extensive experience in mining exploration and knowledge of mine valuation, and fully taking country risk into account in order to avoid any extra investment and increase of mining costs arising from any uncertainty.

In FY2016, we increased SMM's existing 12% interest in the Morenci Copper Mine with the additional acquisition of 13% from Freeport-McMoRan Copper & Gold Inc. The Morenci Copper Mine boasts world-class copper production

and a long history of operation in the U.S. We believe that this mine, which continues to operate stably, will play a vital role in SMM's mineral resources business.

In markets that the materials business targets, needs and demands change rapidly and yet could require high-level product development capabilities and the input of considerable management resources. The SMM Group will build close, trusting relationships with leading companies and will grow together with these by working to stably supply high-quality materials and by undertaking ceaseless cost reduction efforts.

Total Investment on Major Projects (Planned)

Acquisition of additional interest in the Morenci Copper Mine	Total ¥110,000 million
LT/LN substrate production increase	Total ¥13,500 million
NCA production increase	Total ¥15,000 million
Nickel sulfate production increase	Total ¥5,000 million
Scandium recovery	Total ¥4,000 million
Development of lower ore bodies at Hishikari Mine	Total ¥3,200 million

Major Projects

Project name	FY2013	FY2014	FY2015	15 3-Yr Business Plan	18 3-Yr Business Plan and later
Mineral Resources					
Cu Sierra Gorda Copper Mine			Start commercial production	110-kt production structure	Phase 2: project to increase production
Cu Morenci Copper Mine			Start expanded full-scale production	Additional interest acquired	
Cu Cerro Verde Copper Mine				2016 Start full-scale operations of expansion project	
Ni Solomon					2018 Start operation
Ni Taganito HPAL		Opening ceremony	Start full-capacity operation		2018 36-kt production structure
Ni Pomalaa Project				Conduct FS	Decision on investment
Ni Harima Refinery nickel sulfate		Start first line production	2016 Second line launch		
Smelting & Refining					
Materials					
Battery materials		Completion of NCA 850-t structure	NCA 1,850-t structure	2017 NCA 2,550-t structure	2018 Ternary type increase production structure
Crystal materials (LT/LN)		Decision on production increase	2016 300-k piece production structure	2017 400-k piece production structure	

Dividend Policy

SMM views dividends as the core of its return to shareholders.

Given the high business risks involved in SMM's core mineral resources and smelting and refining businesses, and given the need to prepare for future large-scale investments in overseas mineral resources and smelting and refining projects, we believe that we must prioritize financial soundness and maintain a certain level of capital. Under that belief, we consider future business development, current performance, the soundness of our financial standing, and other factors in a comprehensive manner in order to determine the balance between return to shareholders and internal reserves.

To enhance our return to shareholders, we will raise our consolidated dividend payout ratio from 25% to 30% or higher in FY2016.

Dividends

