

Basic Approach

SMM views corporate governance as a disciplinary framework both for maximizing the corporate value of the SMM Group and for ensuring sound management practices. As such, it is one of the most important management issues.

SMM has established the following SMM Group Corporate Philosophy based on the Sumitomo Business Spirit.

- (1) Sumitomo Metal Mining Co., Ltd. (SMM) in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.
- (2) SMM shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

Through striving to enhance our corporate governance, SMM will conduct efficient and sound business activities, make positive contributions to society, and fulfill our responsibilities to our shareholders and all other stakeholders in order to realize the SMM Group Corporate Philosophy.

Governance Framework

SMM has adopted Audit & Supervisory Board and executive officer systems to ensure effective execution, monitoring, and supervisory functions within management. The Company is managed by three systems, namely (1) the Board of Directors, in charge of major decisions and supervision, (2) representative directors and executive officers, in charge of the execution of business, and (3) the Audit & Supervisory Board members and independent public accountant, in charge of auditing.

Decision-Making and Business Execution Structures and System

Directors and the Board of Directors

SMM's Articles of Incorporation provide for a Board of Directors of up to ten members, each appointed for one year, and the "Chairman and Representative Director" is the Chairman of the Board. Furthermore, our policies stipulate that one-third or more of directors shall be independent outside directors. Currently, SMM has three outside directors among our eight directors. With regard to our directors being eight in number, we have determined that this is an appropriate number for ensuring agility and active discussion by the Board.

SMM works toward continuous improvement of the functions of the Board of Directors and conducts an evaluation of its effectiveness every year in order to verify whether it functions appropriately and, based on the findings, to enact appropriate measures, such as ameliorating problems.

System of Internal Memorandums for Approval and the Management Committee

The basic method for making decisions on business execution is to examine and approve such matters through the system of internal memorandums. The Management Committee holds meetings for important management matters that require

deliberation, thereby conducting careful decision-making and rational business judgment based on diverse perspectives.

The Management Committee is composed of the president, senior managing executive officers, and other executive officers. The Chairman of the Board as well as the outside directors, and Audit & Supervisory Board members may attend Management Committee meetings. Among matters to be resolved by the Board of Directors and matters to be approved by the president, the Management Committee will deliberate from a broad perspective on matters determined to require deliberation and then will determine whether those matters will be referred to the Board of Directors. The Committee also fulfills the function of supporting approval granted by the president.

Executive Officer System

Substantial authority has been delegated to executive officers whose authority and responsibilities have been clearly defined to reinforce their executive function. Appointed by the Board of Directors, executive officers are entrusted with important positions (such as heading an operational division, a department or an office at SMM's headquarters) and are expected to perform their duties with the specific authority assigned to each position.

Auditing System

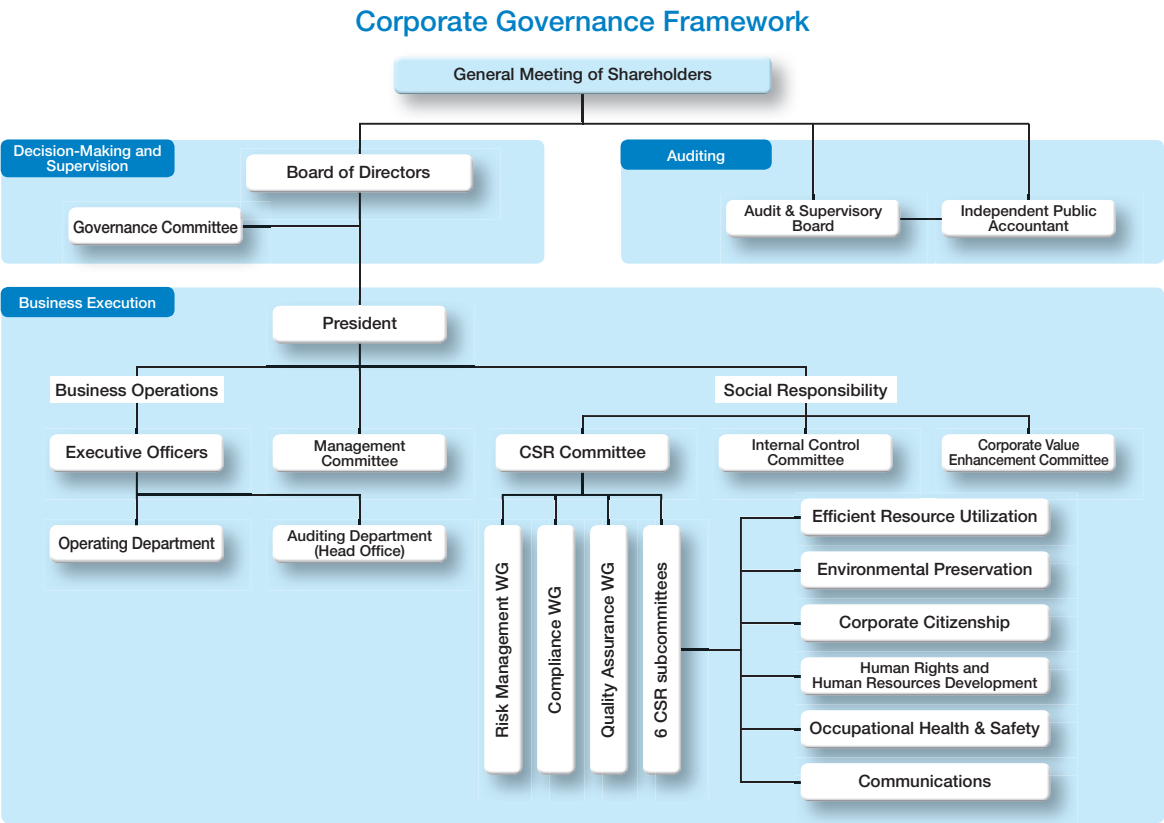
Audit & Supervisory Board

At least half of the Audit & Supervisory Board members will be outside Audit & Supervisory Board members with a variety of expertise and diverse perspectives. Audit & Supervisory Board members from within SMM will conduct audits based on the particular characteristics of full-time members, such as by collecting information within the Company, and outside Audit & Supervisory Board members will conduct audits that make use of their areas of expertise.

In order to ensure managerial soundness and increase the corporate value of SMM, and in accordance with the audit policies, audit plans, and other such matters prescribed by the Audit & Supervisory Board, each Audit & Supervisory Board member will attend meetings of the Board of Directors, the Management Committee, and other important meetings, receive reports and, when necessary, request explanations from directors, executive officers, and employees regarding the status of the performance of their duties, inspect important approval and other such documents, and examine the status of operations and assets at the head office and other major business sites. At meetings of the Audit & Supervisory Board, standing Audit & Supervisory Board members shall report the details of onsite audits that have been conducted solely by standing Audit & Supervisory Board members as well as of meetings that were not attended by outside members.

Collaboration between the Internal Audit Department, Independent Public Accountant and Audit & Supervisory Board Members

The Internal Audit Department regularly undertakes internal audits on the status of business execution across the SMM Group. The Department provides an explanation of its audit plans to Audit & Supervisory Board members while passing on all relevant information. At the same time, Audit & Supervisory Board members provide details of audit plans determined at meetings of the Audit & Supervisory Board to the Internal Audit Department, attend meetings when reports on the results of internal audits are delivered to executive officers and the heads of operational divisions and, when required, accompany staff of the Internal Audit Department when conducting internal audits. KPMG AZSA LLC, an independent registered public accounting firm, audits the consolidated financial statements and the effectiveness of the internal control over financial reporting. Audit & Supervisory Board members provide details of audit plans to the independent public accountant. Audit & Supervisory Board members in turn receive explanations regarding audit plans and reports on audit results from the independent public accountant. In this manner, close collaboration is maintained between the independent public accountant and Audit & Supervisory Board members.



Outside Directors and Outside Audit & Supervisory Board Members

At important meetings such as those of the Board of Directors, outside directors are expected to express their views from a broad perspective based on their knowledge, experience, abilities, and insight and are expected to fulfill the function of providing objective supervision from a standpoint independent from the representative

directors and the executive directors. Outside Audit & Supervisory Board members use their specialized expertise and diverse perspectives to offer supervision, provide valuable comments at Board of Directors and other meetings, and exercise oversight.

Director and Audit & Supervisory Board Member Compensation

Maximum limits on the total amounts of compensation for directors and compensation for Audit & Supervisory Board members will be determined by resolution of the General Meeting of Shareholders. If bonuses are paid to directors, then the total amount of bonuses to directors, excluding outside directors, will be determined in the same way.

The president & representative director, with the authorization of the Board of Directors, will determine the amount of director compensation. The specific amount of basic compensation for each director will be calculated by reflecting the individual performance of the director (calculated with position-specific evaluation items such as division performance, the degree to which individual targets set in accordance with medium- to long-term business strategies are being achieved, and safety results (number of labor accidents), etc. as standards) on a base compensation amount determined in consideration of the consolidated performance of the SMM Group; the compensation amount will then be determined after receiving the advice of the Governance Committee. The specific amount of each director's bonus will be calculated by reflecting the individual performance of each director, which is calculated with the same position-specific evaluation items as the above standards, on a base bonus amount determined in consideration of the consolidated performance of the SMM Group; the bonus amount will then be determined after receiving the advice of the Governance Committee. However, because of the importance placed on the outside directors fulfilling a supervisory function from a standpoint

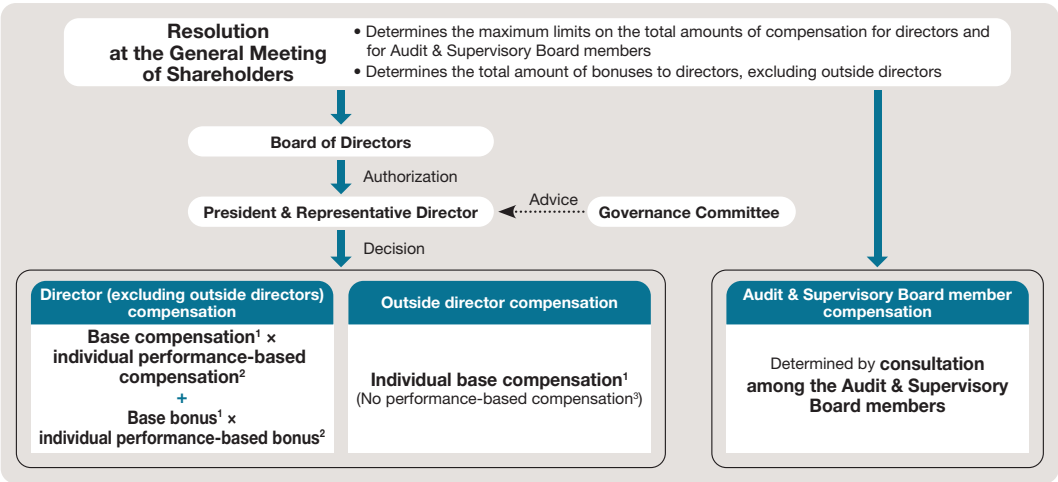
independent from business execution, individual performance will not be reflected and only the base compensation amount with no bonuses will be paid to outside directors. The amount of basic compensation for each individual Audit & Supervisory Board member will be determined by consultation among the Audit & Supervisory Board members at the Audit & Supervisory Board within the total compensation amount approved by the General Meeting of Shareholders.

FY2017 Director and Audit & Supervisory Board Member Compensation

Officer Classification	Number of Officers	Total Compensation	Total Compensation by Type	
			Basic Compensation	Bonus
Directors (excluding outside directors)	8	¥249 million	¥187 million	¥62 million
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	3	¥58 million	¥58 million	—
Outside directors	3	¥37 million	¥37 million	—
Outside Audit & Supervisory Board members	3	¥21 million	¥21 million	—

Note 1: In addition to the aforementioned, an employee salary portion totaling ¥19 million was paid to one person who serves concurrently as a director and executive officer.
Note 2: In order to demonstrate managerial responsibility for the impairment loss incurred at Sierra Gorda S.C.M. during FY2016, the president & representative director and one director, each voluntarily returned 30% of their April 2017 basic compensation (monthly amount). The above amounts for director (excluding outside directors) total compensation and basic compensation show amounts after the voluntary returns were made.

Procedures for Determination of the Amount of Compensation for Directors and Audit & Supervisory Board Members



1. Takes into consideration the consolidated performance of the Group.
2. Calculated reflecting the following position-specific evaluation items:
Division performance, the degree to which individual targets set in accordance with medium- to long-term business strategies are being achieved, safety results (number of labor accidents), etc., and other individual items for evaluating each position.
3. Stipulated due to SMM's emphasis on oversight functions from a standpoint independent of business execution.

Takeover Defense Measures

At the 91st Ordinary General Meeting of Shareholders in June 2016, SMM received approval for the partial renewal of "takeover defense measures." The period of validity of the renewed takeover defense measures will last for three years until the conclusion of the 94th Ordinary General Meeting of Shareholders in June 2019.

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who understand the sources of the Company's corporate value and who will make it possible to continually and steadily ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders. Hence, the Company has adopted takeover defense measures to protect its corporate value and the common interests of shareholders against an aggressive acquisition that would harm that corporate value and those common interests of shareholders.

The takeover defense measures set out procedures that acquirers must adhere to in advance and include requirements for

acquirers to furnish information. Under the Japanese legal system, a party making an acquisition proposal does not have a duty to furnish information. Having takeover defense measures in place guarantees that a party making an acquisition proposal will furnish information and allows shareholders to compare statements by the acquirer and SMM management before deciding which course of action is preferable.

Additionally, if certain conditions specified in the takeover defense measures are met, such as the acquisition having the potential to harm the Company's corporate value or the common interests of shareholders, the gratis allotment of Stock Acquisition Rights will be exercised and the ratio of voting rights in the Company held by the acquirer will be diluted. Exercise of this measure requires the decision by an Independent Committee comprised of outside directors (independent officers), etc. in order to guarantee fairness and objectivity.

Formulating Corporate Governance Guidelines

SMM has established Corporate Governance Guidelines which cover our basic philosophy on corporate governance and our

corporate governance framework, including our relationship with stakeholders.

[\[WEB\] Corporate Governance Guidelines](#) [\[WEB\] Corporate Governance Report](#)
<http://www.smm.co.jp/E/ir/management/governance/>

Outside Directors and Outside Audit & Supervisory Board Members

Outside Director
Hitoshi Taimatsu

Reason for Appointment
He was appointed as an outside director with the expectation of leveraging both his specialized knowledge as a researcher in materials engineering and his organizational management experience at his university.

Attendance at Meetings
In FY2017, the Board of Directors convened 17 times (12 regular meetings and 5 extraordinary sessions). He attended all meetings.

Outside Director
Kazuhisa Nakano

Reason for Appointment
He was appointed as an outside director with the expectation of leveraging his wealth of knowledge and experience in company management and natural resources business in order to offer suitable oversight of SMM operations.

Attendance at Meetings
In FY2017, the Board of Directors convened 17 times (12 regular meetings and 5 extraordinary sessions). He attended all meetings.

Outside Director
Taeko Ishii

Reason for Appointment
Based on her specialist knowledge and wealth of experience as a lawyer, she was appointed as an outside director to provide advice to SMM on business matters, particularly from a compliance perspective.

Attendance at Meetings
She is a new outside director appointed at the Ordinary General Meeting of Shareholders in June 2018.

Outside Audit & Supervisory Board Member
Junichi Kondo

Reason for Appointment
Based on his wealth of financial institution experience, he was appointed as an outside Audit & Supervisory Board member.

Attendance at Meetings
In FY2017, the Board of Directors convened 17 times (12 regular meetings and 5 extraordinary sessions), and the Audit & Supervisory Board convened 15 times. He attended all meetings of both.

Outside Audit & Supervisory Board Member
Yuichi Yamada

Reason for Appointment
Based on his auditing experience accumulated over many years at audit firms as well as his extensive knowledge of accounting, he was appointed an outside Audit & Supervisory Board member.

Attendance at Meetings
After his appointment as an Audit & Supervisory Board member, in FY2017, the Board of Directors convened 12 times (9 regular meetings and 3 extraordinary sessions), and the Audit & Supervisory Board convened 10 times. He attended all meetings of both.

Initiatives to Strengthen Governance at SMM

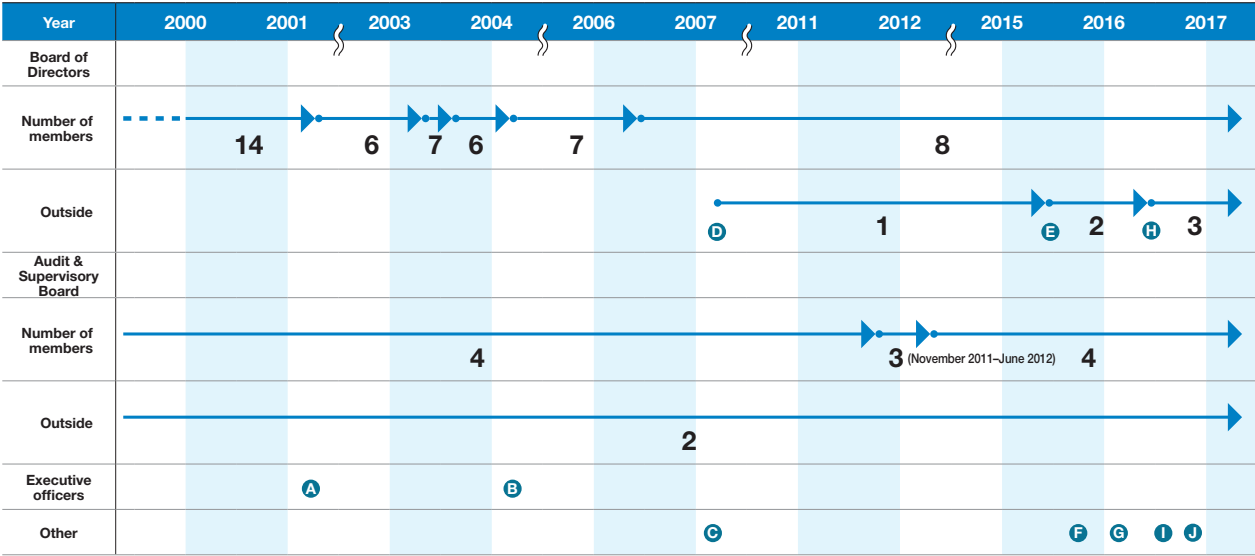
SMM positions corporate governance as one of the most important issues in our management, and is taking steps to strengthen governance.

In FY2016, we conducted discussions on what our Board of Directors should ideally be, and shared this understanding within the Board. In addition, as a new initiative, we convened an Outside Directors Council meeting as a venue for exchanging

ideas among outside directors and outside Audit & Supervisory Board members.

To achieve even better corporate governance going forward, we will appropriately review our corporate governance framework in accordance with revisions to laws, changes in social conditions, and other external factors.

Transitions in Governance at SMM



- June 2001

Introduction of the executive officer system A
Introduced the executive officer system with the aim of separating decision-making and supervisory functions in management, and further enhancing and strengthening the functions of each of these.
- June 2004

Specific regulations concerning executive officers in the Articles of Incorporation B
Changed management from 14 directors to 6 directors and 14 executive officers.
- February 2007

Introduction of takeover defense measures C
Introduced countermeasures to large-scale acquisitions of the Company's shares (takeover defense measures)
- June 2007

Appointment of an outside director D
Appointed one outside director in order to strengthen corporate governance through objective management decisions by an independent, external director. Shortened the term of directors from two years to one year to clarify management responsibilities.
- June 2015

Board of Directors composition changed to include two outside directors E
- November 2015

Establishment of a Governance Committee and evaluation of the effectiveness of the Board of Directors F
Established a Governance Committee, which is not based on legal direction or necessity, for the purpose of obtaining objective advice from the Chairman of the Board and outside directors, who are not executive officers. Started analyzing and evaluating the effectiveness of the Board of Directors in FY2015.
- February 2016

Establishment of Corporate Governance Guidelines G
Established the SMM Corporate Governance Guidelines which cover our basic philosophy on corporate governance and our corporate governance framework.
- June 2016

Board of Directors composition changed to include three outside directors H
Appointed three outside directors in order to have one third or more of the directors in the Board of Directors be outside directors.
- August 2016

Outside Directors Council meeting held I
Started convening Outside Directors Council meetings as a venue for discussion attended only by outside directors and outside Audit & Supervisory Board members, providing an opportunity for outside directors and outside Audit & Supervisory Board members to exchange information and share understanding.
- December 2016

Discussion of what the Board of Directors should ideally be J
The Board deliberated what SMM's Board should ideally be, reaffirming that the Board make a point of making decisions.

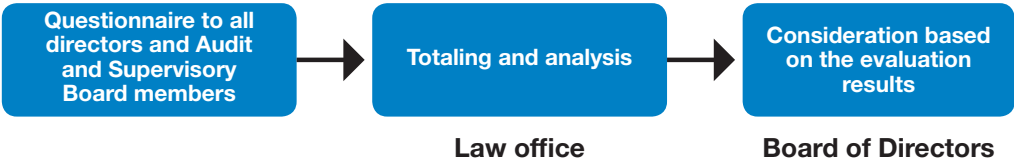
Evaluation of the Effectiveness of the Board of Directors

According to the Corporate Governance Code formulated by the Financial Services Agency and the Tokyo Stock Exchange, Inc., the effectiveness of the entire board of directors should be analyzed and evaluated and a summary of those results should be disclosed. Referring to each director's self-evaluation is a large pillar of this evaluation of the effectiveness of the board of directors. Also, the same is stipulated in SMM's Corporate Governance Guidelines, and the Board has been carrying out evaluations of itself, regarding appropriate decision-making and supervisory functions, since FY2015.

Overview of the Evaluation of Effectiveness

For the analysis and evaluation of the effectiveness of the Board of Directors, the Board carries out a questionnaire targeting the directors and Audit and Supervisory Board members every year. To make sure the responses are not seen by administrative staff, the responses are sent to an external law office, where the results are analyzed. The questionnaire covers mainly the supervisory function of the Board of Directors, its size, composition, and overall operation, training of the directors, the provision of information such as the site visits by outside directors, and self-evaluations. The Board analyzes and evaluates the effectiveness of itself based on external evaluation by the law office.

The Process of Evaluating the Effectiveness of the Board of Directors



FY2017 Evaluation Results and Initiatives Going Forward

The response on the FY2017 self-evaluations done by each director was that overall, initiatives are being undertaken at an acceptable level. The Company's Board of Directors compared this to what the Board of Directors should ideally be, which was discussed in FY2016, and confirmed that there were no major issues with their effectiveness, and that they are demonstrating their supervisory function through decision-making. Regarding the revision of standards for resolutions and reporting to the Board of Directors (as of April 1, 2017), that was undertaken based on the FY2016 evaluation of effectiveness of the Board of Directors, and the systemization of site visits by outside directors, both were evaluated as being appropriately improved.

In FY2017, from the viewpoint of working on the efficiency of discussions and enhancing deliberations related to important items for management, there were the opinions that the method of reporting compliance violations should be reviewed and time should be spared for discussions of management issues and policies. As a result of these opinions, in addition to starting the use of a table-type report for compliance violations (but for serious issues individual reports will be used as before), it was decided to establish opportunities to discuss management issues and policies about twice a year from FY2018. With this, the president explained about the policy for drawing up the next medium-term management plan at the regular meeting, in August 2018, and opinions were exchanged.

Going forward, we will strive to continually improve the effectiveness of the Board of Directors.

Directors and Audit & Supervisory Board Members

(As of July 1, 2018)

Directors



1 Yoshiaki Nakazato

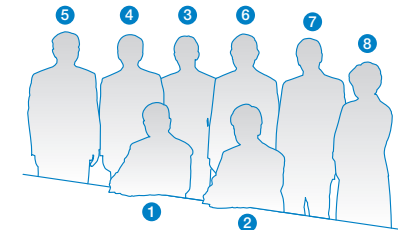
Chairman and Representative Director

Born: 1953
April 1976 General Manager of Administration Dept., Electronics Div.
December 1997 General Manager of Corporate Planning Dept.
June 2004 Executive Officer
June 2005 Director
June 2006 General Manager of Affiliated Business Administration Dept.
June 2007 General Manager of Advanced Materials Div.
October 2008 General Manager of Semiconductor Materials Div.
June 2009 Executive Officer
June 2010 General Manager of Advanced Materials Div.
June 2012 Managing Executive Officer
June 2013 Representative Director
June 2018 Senior Managing Executive Officer
Chairman and Representative Director (Present Position)

2 Akira Nozaki

President and Representative Director

Born: 1960
April 1984 Joined the Company
July 2010 Corporate Planning Dept.
May 2012 Administration Dept., Sierra Gorda Project Dept.
June 2013 Executive Officer
Senior Deputy General Manager of Non-Ferrous Metals Div.
June 2014 Director
General Manager of Corporate Planning Dept.
June 2015 General Manager of Non-Ferrous Metals Div.
June 2016 Managing Executive Officer
June 2018 President and Representative Director (Present Position)



3 Harumasa Kurokawa

Director, Senior Managing Executive Officer,
General Manager of Materials Div.

Born: 1957
April 1981 Joined the Company
June 2004 General Manager of Toyo Smelter & Refinery, Copper & Precious Metals Business Unit, Non-Ferrous Metals Div.
January 2007 General Manager of Niihama Nickel Refinery, Non-Ferrous Metals Div.
April 2008 General Manager of Administration Dept., Non-Ferrous Metals Div.
June 2011 Executive Officer
Senior Deputy General Manager of Non-Ferrous Metals Div.
June 2013 Senior Deputy General Manager of Technology Div.
June 2014 Managing Executive Officer
General Manager of Technology Div.
June 2017 Director (Present Position)
Senior Managing Executive Officer (Present Position)
General Manager of Materials Div. (Present Position)

6 Hitoshi Taimatsu

Outside Director

Born: 1951
April 1994 Professor of the Mining College of Akita University
April 1998 Professor of the Faculty of Engineering and Resource Science of Akita University
April 2006 Director of the Radioisotope Research Center of Akita University
April 2008 Member of the Education and Research Council of Akita University
Vice Dean of the Faculty of Engineering and Resource Science of Akita University
April 2010 Professor of the Graduate School of Engineering and Resource Science of Akita University
Vice Dean of the Graduate School of Engineering and Resource Science of Akita University
June 2015 Director of the Company (Present Position)
April 2016 Professor of the Graduate School of Engineering Science of Akita University
April 2017 Visiting professor of Akita University (Present Position)

7 Kazuhisa Nakano

Outside Director

Born: 1948
April 1971 Joined Idemitsu Kosan Co., Ltd.
April 2003 Executive Officer and General Manager of Personnel Department of Idemitsu Kosan Co., Ltd.
June 2004 Director of Idemitsu Kosan Co., Ltd.
June 2005 Managing Director of Idemitsu Kosan Co., Ltd.
June 2007 Executive Vice President and Representative Director of Idemitsu Kosan Co., Ltd.
June 2009 President and Representative Director of Idemitsu Kosan Co., Ltd.
June 2013 Chairman and Representative Director of Idemitsu Kosan Co., Ltd.
June 2015 Executive Advisor of Idemitsu Kosan Co., Ltd.
June 2016 Director of the Company (Present Position)
June 2017 Retired from Executive Advisor of Idemitsu Kosan Co., Ltd.

5 Hiroyuki Asai

Director, Managing Executive Officer,
General Manager of Corporate Planning Dept.

Born: 1958
April 1980 Joined the Company
October 2008 General Manager of Ome District Div., Advanced Materials Div.
June 2011 General Manager of Personnel Dept.
June 2012 Executive Officer
October 2015 General Manager of Human Resources Development Dept.
June 2016 General Manager of Public Relations & Investor Relations Dept.
June 2017 Managing Executive Officer (Present Position)
June 2018 Director (Present Position)
General Manager of Corporate Planning Dept. (Present Position)

8 Taeko Ishii

Outside Director

Born: 1956
April 1986 Registered as a lawyer
March 1992 Joined Ryoichi Wada Law Firm
June 2018 Established Ohta & Ishii Law Firm
Director of the Company (Present Position)

Audit & Supervisory Board Members



1 Kazushi Ino

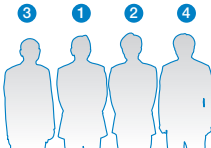
Senior Audit & Supervisory Board
Member (Standing)

Born: 1959
April 1982 Joined the Company
December 2010 General Manager of Administration Dept., Advanced Materials Div.
June 2012 General Manager of Legal & General Affairs Dept.
June 2014 Executive Officer
Senior Deputy General Manager of Materials Div.
June 2017 Senior Audit & Supervisory Board Member (Standing) (Present Position)

2 Yasuyuki Nakayama

Audit & Supervisory Board
Member (Standing)

Born: 1959
April 1982 Joined the Company
June 2001 Finance & Accounting Dept.
April 2012 General Manager of Administration Dept., Semiconductor Materials Div.
July 2012 General Manager of Semiconductor Materials Business Unit, Materials Div.
October 2014 President and Representative Director of Shinko Co., Ltd.
June 2016 Audit & Supervisory Board Member (Standing) (Present Position)



3 Junichi Kondo

Outside Audit & Supervisory Board
Member

Born: 1950
April 1973 Joined Export-Import Bank of Japan
April 1999 Director of General, Administration and General Services Department of Export-Import Bank of Japan
October 1999 Director of Corporate Finance Department of Japan Bank for International Cooperation (JBIC) (which was formed as a result of integration between the former Export-Import Bank of Japan and the former Overseas Economic Cooperation Fund)
April 2001 Director of Personnel Department of JBIC
November 2002 Executive Director of JBIC
October 2003 Resident Executive Director, Osaka Branch of JBIC
October 2005 Senior Executive Director of JBIC
September 2007 Resigned from Senior Executive Director of JBIC
January 2008 Corporate Advisor of Tokyo Electric Power Company, Incorporated
February 2012 Corporate Advisor of ITOCHU Corporation
January 2015 President and Representative Director of Japan Institute for Overseas Investment
June 2016 Audit & Supervisory Board Member of the Company (Present Position)

4 Yuichi Yamada

Outside Audit & Supervisory Board
Member

Born: 1954
March 1988 Registered as a certified public accountant
August 2003 Partner of ASAHII & Co. (current KPMG AZSA LLC)
June 2008 Board Member of KPMG AZSA & Co. (current KPMG AZSA LLC)
June 2016 Left KPMG AZSA LLC upon reaching mandatory retirement age
July 2016 Established Yuichi Yamada Certified Public Accountant Firm
June 2017 Audit & Supervisory Board Member of the Company (Present Position)

Executive Officers

An asterisk indicates the officer is also serving concurrently as a director.

President

* Akira Nozaki

Senior Managing Executive Officer

* Harumasa Kurokawa

General Manager of Materials Div.

Managing Executive Officers

* Hiroyuki Asai

General Manager of Corporate Planning Dept., in charge of Secretarial Dept., Public Relations & Investor Relations Dept., Internal Audit Dept.

Masahiro Morimoto

General Manager of Finance & Accounting Dept., in charge of Purchasing Dept., Information System Dept.

Masaki Imamura

General Manager of Technology Div.

* Hiroshi Asahi

General Manager of Mineral Resources Div.

Executive Officers

Atsushi Idegami

Senior Deputy General Manager of Materials Div.

Shuichi Yasukawa

General Manager of Human Resources Development Dept., General Manager of Personnel Dept., in charge of Legal & General Affairs Dept.

Fumio Mizuno

General Manager of Engineering Div.

Atsushi Kaikake

General Manager of Safety & Environment Control Dept., in charge of Quality Assurance Dept.

Nobuhiro Matsumoto

General Manager of Non-Ferrous Metals Div.

Fumikazu Oshita

Senior Deputy General Manager of Mineral Resources Div.

Masahiro Kamiya

Senior Deputy General Manager of Non-Ferrous Metals Div., in charge of Osaka Branch

Isao Abe

Senior Deputy General Manager of Materials Div.

Takahiro Kanayama

General Manager of Besshi-Niihama District Div.

Ryoichi Sato

Senior Deputy General Manager of Mineral Resources Div.

Kazunori Takizawa

Senior Deputy General Manager of Materials Div.

Hiroshi Yoshida

Senior Deputy General Manager of Non-Ferrous Metals Div.

Messages from the Outside Directors



SMM has eight directors, three of whom are outside directors. Each of these outside directors fulfills an important role in the Company's corporate governance, leveraging their experience and knowledge to provide comments at Board of Directors and other meetings. In 2018, Ms. Taeko Ishii was newly appointed as an outside director. Here we introduce messages from the three outside directors.



Hitoshi Taimatsu

Mr. Taimatsu has held positions at Akita University as a professor in the Mining College of Akita University and Faculty of Engineering and Resource Science, the director of the university's Radioisotope Research Center, and vice dean of the Graduate School of Engineering and Resource Science. Currently he is serving as a visiting professor of the university, specializing in materials engineering. In FY2016, he was presented with the Award for Distinguished Achievements in Research by the Japan Society of Powder and Powder Metallurgy. He has served as an outside director at SMM since 2015.

As an outside director, it is important to take society's perspective. I believe that time is taken to thoroughly discuss safety management.

In the past, I was involved in the management of a university. However, universities and companies are operated differently and have different stakeholders. As for myself, at a university I am an expert with knowledge and experience, when it comes to a company with a variety of stakeholders, I am a regular member of society who doesn't have much experience or knowledge regarding management of a company. Now, taking part in the management of SMM as an outside director, I think it is most important that I maintain this stance.

During discussions at meetings of the Board of Directors, I particularly focus on technical and safety aspects of the business. When we receive detailed reports on compliance and safety management from the business divisions, I believe that time is taken to discuss them thoroughly. When making judgements at these meetings, I don't just focus on content, but also place importance on what kind of process is being developed.

I also deepen my understanding of the businesses by visiting workplaces, such as plants, including joining Audit & Supervisory Board members on site visits. I am particularly interested in the development of engineers, and I try to participate in research report meetings for young engineers, so that I can hear from them directly.

SMM's greatest strength is the experience and technology it has accumulated since its founding. I don't think there are any other companies in Japan that have this kind of technological capability in the non-ferrous mineral resources and smelting and refining fields. I think the Company has stayed in business for 420 years because it has always valued the voices of employees and the communities in which it does business and has kept a sound position in relation to society. Going forward, I want the Company to maintain this approach and to continue to be a company that employees and their families can be proud of.

To realize sustainable growth, it is not enough to just focus on current management. It is also important to discuss what the Company will become in the future.

I have long years of experience participating in the management of a company that differs from SMM by developing oil, coal, and the like. I leverage this experience to actively make comments at meetings of the Board of Directors. The discussions at these meetings are very vigorous and I feel the content can often be very deep, sometimes requiring new detailed reports from business divisions.

Businesses in fields such as mineral resources and smelting and refining require an extremely long time before operations produce a profit. Also, resource reserves shrink as the years go by, and compensating for this requires investment with a long-term perspective. In order to realize future growth, it is sometimes necessary to make decisions that involve a certain amount of risk. As an outside director, I want to use my personal experience to contribute to making these risk-taking decisions.

If you were to ask me to raise an issue, I would say cultivating personnel. In the recruitment and training of human resources, a global perspective, recruiting and training overseas, is crucial. In addition, to cultivate personnel who can take on the management of the Company in the future, we should take a forward-looking approach that takes governance into account and involves delegating authority to senior employees. To realize sustainable growth, it is not enough to just focus on current management. It is also important to discuss what the Company should aim to become in the future. For example, the Company's long-term vision is to "become a world leader in the non-ferrous metals industry and an excellent company of Japan," but what specifically would such a company be like? From here on, I want the Company to also deepen discussion on topics with a focus on the near future.



Kazuhisa Nakano

Mr. Nakano has been involved in company management for a long time, having previously served as both president and chairman of Idemitsu Kosan Co., Ltd. As the domestic market was becoming mature during his time at Idemitsu, he swiftly steered the company toward overseas development, promoting a growth strategy that included decisions such as investment in an oil refinery project in Vietnam. He has served as an outside director at SMM since 2016.

Establishing an environment in which talented personnel can perform is an important issue not just for Japanese society, but also for SMM

Recently, the human resources and labor issues facing Japan include excessive working hours and getting women participating in the workforce. Going forward, Japan's working population will shrink rapidly. Unless we are able to realize an environment in which women, and indeed all talented personnel, can perform, sustainable growth will not be possible. I think these same important issues also apply to SMM.

I have been participating in the human resources and labor field as a lawyer for over 30 years. "Although it might be sound legal reasoning, it just doesn't work like that in company management..." In my time as a corporate lawyer, I've worked with many

companies and I have heard this kind of statement often. Each time, I have kept a firm stance as a legal expert and given my advice. Companies that do not practice compliance cannot increase in value. I intend to continue this approach at SMM and as an outside director, I will fully leverage my experience up to now and give my opinion.

I am also SMM's first female director. I feel I can play a positive role in reflecting women's unique perspective and sensibilities in the management of the Company.

This is also a new challenge for me as my first experience of serving as an outside director. I am greatly looking forward to learning many things.



Taeko Ishii

Ms. Ishii was registered as a lawyer in 1986. She is a member of the Dai-ichi Tokyo Bar Association. She is particularly knowledgeable about legal practice concerning relationships between labor and management. Published works include "Legal Practices for Handling Problem Employees," and "A Q&A on Practice Relating to Equality Law, Childcare and Caregiver Leave Law, and Part-time Worker Law." She was newly appointed as an outside director at SMM in 2018.