

## Message from the President



## Carrying out our 2018 3-Year Business Plan to completion, we will achieve our growth strategy and strengthen our business foundation, to realize our “Vision for 2030”

### Solid Response to the Current Severe Business Environment

The business environment surrounding the SMM Group remains severe, against the backdrop of expanding resource nationalism, tightening environmental regulations, and rising investment and running costs. The economic outlook too has become increasingly opaque, with the global economy in a slowdown largely attributable to trade friction between the United States and China, further compounded by new risks since the start of 2020 stemming from the COVID-19 pandemic.

In the SMM Group, however, we have a responsibility to provide stable supplies of the materials indispensable to society. Even in the face of the current unpredictable situation, we will continue to stably supply our products, making no notable changes to either our long-term strategy or our inherent social role.

To minimize impact of the pandemic on our business performance, we are taking under review and implementing measures to secure short-term earnings and improve our cash flows. While remaining fully cognizant of the current picture, we will stay the course toward achieving the targets set in our 2018 3-Year Business Plan, maintaining a favorable financial position even amid the crisis in the short to medium term and building up the resilience necessary to recover swiftly after the pandemic is over.

Although recovery in demand for non-ferrous metals is projected to take some time, we believe that even if a temporary supply-demand gap emerges, eventually the situation will return to normal. Once that occurs, we expect the general tide to shift with accelerating speed toward realizing digitalization and a decarbonized society, and at that time applications of non-ferrous metals, and their necessity itself, will expand further. Business in the metal materials and advanced materials produced from our operations in Mineral Resources, Smelting & Refining, and Materials will grow all the more as materials supporting the shift in tide. In cooperation with our customers, we will leverage our three-business collaboration and execute our growth strategy through implementation of the three main basic strategies laid out in our 2018 3-Year Business Plan.

### Firmly Focused on Our Newly Formulated “Vision for 2030” and Realization of Our Long-Term Vision to be a “World Leader in the Non-Ferrous Metals Industry”

Throughout the 430 years since its founding, the SMM Group has consistently strived to resolve social issues through its business operations. Two core themes in our corporate

**Vision for 2030**

We formulated our “Vision for 2030” to define the milestone we aspire to reach by 2030, en route to realizing our Long-Term Vision of becoming a “World Leader in the Non-Ferrous Metals Industry.” See “Special Feature 1,” page 24.

**11 Material Issues**

In our “Vision for 2030,” we identified 11 material issues that are important to both society and SMM Group business with respect to their impact, risk if not actively addressed, and opportunities gained if actively addressed. See “Special Feature 1,” page 27.

**TCFD**

SMM has formally announced its support for TCFD, the Task Force on Climate-related Financial Disclosures. See [https://www.smm.co.jp/E/news/release/uploaded\\_files/20200304\\_2\\_en.pdf](https://www.smm.co.jp/E/news/release/uploaded_files/20200304_2_en.pdf)

TCFD was established by the Financial Stability Board (FSB) at the request of G20, to examine how climate-related information should be disclosed and how financial institutions should respond. It recommends companies to disclose items concerning climate-change-related risks and opportunities. See <https://tcfd-consortium.jp/en/about>



**SDGs**

Listed in the 2030 Agenda for Sustainable Development and adopted at the UN Sustainable Development Summit in September 2015, the Sustainable Development Goals (SDGs) are a set of international goals for creating a sustainable and better world by 2030.

philosophy are “sustainable co-existence with the global environment” and “respect for all individuals.” The SMM Group, which inherited the original business operations of the Sumitomo Group and wholly embodies the Sumitomo DNA, has historically resolved social issues through its businesses, based on the Sumitomo Business Philosophy.

In March 2020 we formally announced our “Vision for 2030.” It reflects two major points of difference since we formulated our “Vision for 2020.” The first is the increasingly important role played today by metal materials and advanced materials in tandem with society’s rapid progress in digitalization. The second is growing social demands related to human rights issues in the sourcing of minerals and to avoidance of complicity in human rights issues within the supply chain. Given the SMM Group’s position within the mineral resources industry, we have a responsibility to address these issues aggressively.

Our “Vision for 2030” has set the year 2030 as a milestone for achieving our Long-Term Vision and its overarching business target – to become a “World Leader in the Non-Ferrous Metals Industry” – while projecting future shifts in social demands. In contrast to the “Vision for 2020,” we have identified, evaluated, and selected material issues based not only on sustainability concerns but also concerns relative to business management. This constitutes a total change in our orientation.

In our “Vision for 2030” we have selectively narrowed down to 11 material issues. The selected issues take into account both our current position and future environmental changes, rising social demands, relationship with the SDGs, and their extremely high level of importance to our business operations. In terms of content, the issues go quite far – for example, they reflect our endorsement of the principles of the TCFD. They demonstrate our commitment to resolving social issues, and our “Vision for 2030” is a clear declaration of our strong determination to strive for lofty goals appropriate to our Long-Term Vision to become a “World Leader in the Non-Ferrous Metals Industry.”

We also identified “SDG Goal 12: Ensure responsible consumption and production patterns” as our most important goal, and we will implement measures to support this goal’s realization. We believe that achieving responsible consumption and production can also contribute to resolving issues in developing regions – poverty, famine, education, etc., which are other SDGs – and going forward we will conduct our business operations also conscious of these goals.

**The First Year of the 2018 3-Year Business Plan in Review: “Taking on the Challenge for New Growth”**

In the SMM Group, we draw up our business plans through “backcasting,” always looking 10 to 15 years into the future and then mulling what measures we should take during the next three years. Much of the business we do in the SMM Group requires a long time span of five or 10 years, and we have to proceed in carrying out our necessary tasks, even amid difficult circumstances, in order to reach our long-term goals. Our 2018 3-Year Business Plan – in which we are “Taking on the Challenge for New Growth” – was formulated as an aggressive plan calling for an investment of management resources on unprecedented scale. Unfortunately, the results posted in fiscal 2019, the first year of the plan, were insufficient and unsatisfying. Progress in carrying out the three major projects designated in the 2018 3-Year Business Plan was mixed. In the Mineral Resources division, construction work on Quebrada Blanca Phase 2 had to be temporarily suspended, and close attention will be paid to project-related moves going forward. In the Smelting & Refining division, the feasibility study conducted for the Pomalaa project is still underway, and once it is completed, we will then



proceed to the next step: rendering an investment decision. In our Materials business, under our project to increase production of battery materials, we now have capacity to produce 4.55 kilotonnes of NCA per month, and we are focusing on reaping returns on our invested capital.

We are forecasting sustained growth in demand for nickel-based advanced materials, including vehicle-use cathode materials, and we expect such materials will primarily use either “class 1” pure nickel or nickel products such as nickel sulfate, which has relatively few impurities. Amid a paucity of class 1 nickel development projects, our HPAL technology – which enables production of intermediate materials used to produce class 1 nickel from widely available laterite reserves – is of extremely great significance.

In the materials business, the needs of customers are constantly changing. This means we have to respond swiftly, through ongoing discussions with our customers, continually recognizing which products will be needed and when.

Concerning our three-business collaboration, we will seek to optimize our overall business operations in overlapping areas, leveraging the special characteristics of each business concerned.

Strengthening our growth foundation, centering on the three major projects noted above, is a pillar of our growth strategy – and will remain so. No matter what constraints we might face, we will move steadily forward, with resilience and recovery planning, toward achieving the targets of our 2018 3-Year Business Plan.

**How to Develop and Make Best Use of Human Resources Who Will Lead the Future**

Securing excellent human resources is an extremely important but increasingly difficult task in today’s Japan. Today, calls are heard to make specific responses toward reforming working styles, and Japanese society in general is facing a number of erosive and unprecedented trends among young workers: a weakening sense of belonging to their company, declining retention in the jobs, and more fluid labor pools. In addition, debate over hiring rules is gathering significant momentum.

In this environment, securing human resources capable of achieving SMM’s sustained growth, personnel of equal excellence as the employees of our business partners or rivals





both at home and abroad, is a major management challenge. In our 2018 3-Year Business Plan, securing, developing and making best use of human resources is cited as one of our core strategies. Going forward, while monitoring short-term swings of the pendulum and shifts in the tide, we will proceed in creating systems and an environment suited to our circumstances: developing human resources and putting in place systems and an environment offering more choices in working styles. Within the SMM Group, for some time we have called for a 10% reduction in personnel working at the Head Office, to help alleviate our employees' commuting pressures in Tokyo and partly in response to the Tokyo Olympic and Paralympic Games, and we have prepared satellite offices, for example making use of idle space available at bases in the Tokyo metropolitan area. Impact from the spread of COVID-19 has been severe, but taking this period of change as a prime opportunity, going forward we will proceed further in carrying out fundamental reforms in working styles, creating an environment in which employees can choose to work remotely – for example those who, for given circumstances, can't leave home for work, or those wanting to create more concentrated work hours.

We are also contemplating reforming our policies on evaluations and KPIs with respect to our personnel and their achievements. We think that, especially insofar as systems directly connected to management are concerned, current policies will not necessarily be effective 10 years from now, so we will focus on restructuring them.

We believe that in order to change people's awareness and develop human resources that are always ready to take up new challenges, it is necessary to periodically rethink our structures in keeping with the times, to induce reforms in awareness. We are now commencing along this path.

## Strengthening Our Corporate Governance

At SMM we view corporate governance as a vital disciplinary framework, complementing corporate activities, and an important management issue both for maximizing our corporate value and for ensuring sound management practices. As such, we continuously review our current systems and strive to improve them.

In fiscal 2020 we increased to two the number of our Outside Directors who have experi-

ence in corporate management. By inviting into our ranks an individuals who have highly specialized knowledge and experience in corporate management, we will have access to advice concerning matters such as digital transformation based on the latest expertise, which we expect will further enhance corporate governance within the SMM Group. In times like ours, when management is undergoing major reforms, it is important to vitalize discussions of issues through inclusion of people experienced in corporate management and people with different backgrounds, especially. Even before this, we have brought in Outside Directors who have experience as managers and experts in this area, thereby ensuring the diversity of our Board of Directors and making Board discussions vibrant.

## Message to Our Stakeholders

The SMM Group deals in depleting resources, and for that reason we are always seeking to acquire new interests. Besides exploring for such resources on a continuous basis, it is important for us to maintain a sound financial position – an equity ratio of 50% or higher – in order to be considered a worthy partner in resource development and to stand prepared to take on large-scale projects and M&A's. Similarly, insofar as our shareholder dividends are concerned, in our 2018 3-Year Business Plan we have declared intent to keep our dividend payout ratio at 35% or higher, and we will keep to that target.

Concerning safety initiatives, by fiscal 2021 we are aiming to “prevent serious accidents by clearly defining priority issues needing improvement and implementing PDCA cycles while promoting safety activities.” To achieve that goal, we are taking steps to enhance line management at our workplaces, with emphasis on the three realities principle – real places, real facts, real things – and smooth communication with our workers. Furthermore, to cope with the unforeseen risks of unprecedented scale associated with the COVID-19 pandemic, we are instructing all those in charge of workplaces about the importance of our employees' lives and good health.

Today, both society at large and investors are making increasingly diverse and specific demands of companies and how they comport themselves toward achieving sustained social development. To win understanding of the strategies and policies of the SMM Group, going forward we will enhance our communication with our stakeholders further, making use of our basic designs for the new brand image proclaiming our aspiration to become a “World Leader in the Non-Ferrous Metals Industry.”

Our 3-Year Business Plans incorporate our foremost goals and initiatives, and we have an unwavering commitment to carry them through to completion. At the same time, however, to attain our goals we must also be ready to modify our policies flexibly when necessary. To realize our Long-Term Vision, we are committed to diligently carrying out our 2018 3-Year Business Plan and to creating a sustainable society, by resolving social challenges such as decarbonization and responding to social needs arising from ongoing developments in digital technology. Through these commitments we will respond to the hopes and expectations of society at large and all our stakeholders.

### Vibrant Discussions

SMM ensures vibrant and dynamic discussions at its Board of Directors meetings through the presence of three Outside Directors among its 8 directors. Outside Directors express their broad-based views at Board of Directors meetings and other important meetings, reflecting their personal knowledge, experience, abilities, insights, etc. In this and other ways, they serve in an objective supervisory capacity, independent from other directors. See “Corporate Governance,” page 68.

Value Creation Process

The SMM Group started 430 years ago with a copper smelting business and we have established a unique business model based on organic collaboration between our three businesses—the Mineral Resources Business which develops and operates mines, the Smelting & Refining Business which creates high quality metals from minerals, and the Materials Business which adds new value to the metals created. At the same time, we have used a variety of management capital to enhance the seven competitive strengths that support our sustainable growth. Using these, we aim to maximize corporate value by providing a stable supply of basic materials and highly advanced materials and contributing to solving social issues and realizing a sustainable society.

Opportunities and Risks

P.20

Input

(FY2019)

P.22

Capital (seven competitive strengths)

Social and relationship capital

Investment related to environmental preservation ¥5.3 billion

Accumulated sustainability data

Natural capital

Mines Japan 1 Overseas 7

Property, plants and equipment (end of March 31, 2020) ¥463.4 billion

Capital expenditure ¥50.7 billion

Manufactured capital

Smelting & Refining

Plants Japan 5 Overseas 2

Materials

Plants Japan 16 Overseas 3

Intellectual capital

Patents and design rights Approx. 3,000

Research and development expenses ¥6.9 billion

Human capital

High levels of employee satisfaction

Officers and employees (consolidated) 6,873

Financial capital

Total assets (end of March 31, 2020) ¥1,719.6 billion

Debt-to-equity ratio for FY2019 (end of March 31, 2020) 0.37

Three-Business Collaboration Business Model

Competitive capabilities generated by our unique three-business collaboration model

- Greatly reduced procurement risk due to the sharing of controlled resource development and supply and demand trends
- Efficient collaboration such as new product development with materials business customers through the sharing of technological information concerning non-ferrous metals
- A stable supply of highly advanced materials including cathode materials for automobile batteries made possible by collaboration between the Smelting & Refining and Materials businesses
- Optimized characteristics in the materials we supply realized through collaboration between the Smelting & Refining and Materials businesses
- Advance knowledge and expansion of mining business opportunities through collaboration between the Mineral Resources and Smelting & Refining businesses
- Cutting-edge innovation through the collective wisdom possessed by human resources with diverse backgrounds
- Building of cyclical systems and expansion of opportunities realized through collaboration between the Mineral Resources, and Smelting & Refining, and Materials businesses

Mineral Resources Business

Materials Business

Smelting & Refining Business

Mineral Resources × Smelting & Refining × Materials

A foundation supporting the creation of value

Corporate governance

Compliance

Environmental management

Risk management

Quality assurance

Occupational health and safety

Human rights management

Human resources management

Supply chain management

Stakeholder communication

Output

Products and services

Non-ferrous metal materials

Ni

Mineral Resources Smelting & Refining

Annual production volume FY2019 89 kt (global top five in scale)

Cu

Mineral Resources Smelting & Refining

Annual production interest FY2019 250 kt

Au

Mineral Resources Smelting & Refining

Annual production interest FY2019 7.1 t

Start construction on the Cote Gold Mine

Highly advanced materials

Cathode materials for batteries

Mineral Resources Smelting & Refining Materials

Monthly production capacity FY2019 4,550 t

Effective use of resources

Smelting & Refining

Recover scandium and chromite from nickel oxide ore

Materials

Develop a recycling process for lithium-ion secondary batteries (copper, nickel, cobalt)

3-Year Business Plan

P.37

Long-Term Vision

P.1

Outcome

Value we provide

Social and relationship capital

Stable supply and effective use of resources / Securing of long-term profits through participation in highly difficult resource development projects

Securing of mineral resources and swift, stable development, production, and supply structures

Planning and execution that realizes economic activity for local communities and avoids or minimizes negative impact on lifestyles and the environment, and creation of stable local employment

Open communication with stakeholders

Natural capital

Contribution to forming a circular economy / Co-existence with the local communities and preservation of the global environment

Setting of GHG emission reduction targets for the entire Group (keeping emissions below FY2013 levels) and promotion of investment—initiatives such as climate change scenario analysis, TCFD, and internal carbon pricing system

Reduction of GHG emissions intensity at each business site (set targets of a reduction of at least 26% compared to FY2013)—initiatives such as stabilizing operations, preventing trouble, increasing production, and introducing new technology

Engagement in planned preservation of the environment and biodiversity

Manufactured capital

Securing of mineral resources and swift, stable development, production, and supply structures

Establishment of plant that use resources effectively

Development of technology for recovering metals

Intellectual capital

Innovation regarding new materials / Generation of wisdom through the application of knowledge and experience

Shift or replacement of energy sources to low-carbon or other energy sources and introduction of energy-saving technology

Human capital

Pride and joy in work / Stronger unity between employees and the building of long-term relationships of trust with suppliers

Securing work environments that are safe, sanitary, and healthy

Financial capital

Earning capacity that strengthens our business base / Return of profits to investors through appropriately timed investments

Profit before tax FY2019 ¥79.0 billion

Profit attributable to owners of parent FY2019 ¥60.6 billion

Taxes paid (by region)

Japan	¥13,018 million
Asia	¥3,059 million
North America	¥2,096 million
South America	¥6,449 million
Other regions	¥524 million

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## Opportunities and Risks

As the SMM Group makes advances in value creation, it is unavoidable that our management will have to tackle opportunities and risks. We have established a medium- to long-term strategy based on our Seven Competitive Strengths, and by working to maximize opportunities and reduce risks we are balancing the maximizing of corporate value with disciplined management to contribute to realizing a sustainable society.

External Environment	Risks to the Group	Opportunities for the Group	Material Issues	Three Main Basic Strategies (see p. 37)	Strategies	Competitive Strengths
<b>1</b> <b>Current situation and issues regarding governments and policy</b> <ul style="list-style-type: none"> <li>- Sharp rise in protectionism</li> <li>- Strengthened environmental regulations</li> <li>- Rise in mineral resource nationalism</li> </ul>	<ul style="list-style-type: none"> <li>■ Increased cost of investing and operating mines and refineries</li> <li>■ Increasingly strict development permit processes</li> </ul>	<ul style="list-style-type: none"> <li>■ Stable procurement of resources from mine interests we possess</li> <li>■ Realizing the advanced processing of local nickel ores through HPAL plants</li> </ul>	<ul style="list-style-type: none"> <li>8 Engagement with Stakeholders</li> <li>9 Co-Existence and Mutual Prosperity with Local Communities</li> <li>10 Rights of Indigenous Peoples</li> </ul>	<ul style="list-style-type: none"> <li>1 Strengthen the growth foundation</li> </ul>	<ul style="list-style-type: none"> <li>● Invest in superior overseas mines, and participate in overseas mine development</li> <li>● Build third HPAL plant</li> </ul>	<ul style="list-style-type: none"> <li>● Focus on technology that has been continually honed over 430 years with an eye to the next generation</li> <li>● Maintain involvement with local communities that has been built up through our core business</li> <li>● Cultivate relationships of trust with business partners that have been formed with a long-term perspective</li> <li>● Maintain a financial position that enables us to take advantage of investment opportunities</li> </ul>
<b>2</b> <b>Current situation and issues regarding the business environment</b> <ul style="list-style-type: none"> <li>- Metal price and forex movement</li> <li>- Commodification of technology</li> <li>- Rise in awareness regarding the forming of a sustainable society</li> <li>- Spread of infectious disease</li> </ul>	<ul style="list-style-type: none"> <li>■ Fall in profits</li> <li>■ Fall in price and decline in superiority of material products</li> <li>■ Decline in superiority of HPAL technology</li> <li>■ Rise in development and operation costs in response to the demands of society (carbon taxes, etc.)</li> <li>■ Negative impacts on production, including unpredictability in supply &amp; demand and supply chains</li> </ul>	<ul style="list-style-type: none"> <li>■ Rise in demand for nickel, cobalt, and copper accompanying growth in demand for electric vehicles</li> <li>■ Rise in demand for cathode materials accompanying growth in demand for electric vehicles</li> <li>■ Increase in demand for and functionality of telecommunications equipment accompanying remote work</li> </ul>	<ul style="list-style-type: none"> <li>1 Effective Use of Non-Ferrous Metal Resources</li> <li>2 Climate Change</li> </ul>	<ul style="list-style-type: none"> <li>1 Strengthen the growth foundation</li> <li>2 Strengthen three-business collaboration</li> </ul>	<ul style="list-style-type: none"> <li>● Increase added value of HPAL technology through development of applications for and effective use of by-products from HPAL plants</li> <li>● Strengthen the Materials Business as a core business (continuous creation of new products)</li> </ul>	<ul style="list-style-type: none"> <li>● Focus on technology that has been continually honed over 430 years with an eye to the next generation</li> <li>● Cultivate a close affinity with our customers' needs and the collaborative capabilities to continuously respond to them</li> <li>● Maintain a financial position that enables us to take advantage of investment opportunities</li> </ul>
<b>3</b> <b>Current situation and issues regarding resource development</b> <ul style="list-style-type: none"> <li>- Resource depletion</li> <li>- Growing seriousness of accidents and disasters</li> <li>- Growing awareness of human rights</li> <li>- Worsening of social conditions</li> </ul>	<ul style="list-style-type: none"> <li>■ Increase in the cost of investing in and operating mines</li> <li>■ Stronger competition for acquiring interests in superior mines</li> <li>■ Delays and/or withdrawals from projects due to opposition from local communities and/or indigenous people</li> <li>■ Suspension of production activities in countries due to riots or strikes</li> </ul>	<ul style="list-style-type: none"> <li>■ Collaborate with business partners building good relationships</li> <li>■ Increase in demand for the procurement of conflict-free resources</li> </ul>	<ul style="list-style-type: none"> <li>1 Effective Use of Non-Ferrous Metal Resources</li> <li>9 Co-Existence and Mutual Prosperity with Local Communities</li> <li>10 Rights of Indigenous Peoples</li> <li>11 Human Rights in the Supply Chain</li> </ul>	<ul style="list-style-type: none"> <li>1 Strengthen the growth foundation</li> <li>2 Strengthen three-business collaboration</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to build relationships with good business partners</li> <li>● Build relationships of trust with local communities</li> <li>● Promote responsible sourcing, including mineral sourcing</li> </ul>	<ul style="list-style-type: none"> <li>● Cultivate relationships of trust with business partners that have been formed with a long-term perspective</li> <li>● Maintain involvement with local communities that has been built up through our core business</li> <li>● Focus on technology that has been continually honed over 430 years with an eye to the next generation</li> </ul>
<b>4</b> <b>Current situation and issues regarding work environments</b> <ul style="list-style-type: none"> <li>- Decreasing working-age population due to dwindling birthrates and aging populations</li> <li>- Diversification of working styles</li> <li>- Respect for diversity</li> </ul>	<ul style="list-style-type: none"> <li>■ Negative impacts of labor shortages on operations</li> <li>■ Delays in existing projects and loss of opportunities to participate in new projects due to a lack of human assets</li> <li>■ Falling out of favor among job seekers</li> </ul>	<ul style="list-style-type: none"> <li>■ Evolve and develop digital technology and streamlining and labor-savings as it enhances infrastructure (IoT, AI, VR, 5G, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>5 Employees' Occupational Health and Safety</li> <li>6 Diverse Human Resources</li> <li>7 Development and Participation of Human Resources</li> </ul>	<ul style="list-style-type: none"> <li>1 Strengthen the growth foundation</li> <li>3 Strengthen corporate functions</li> </ul>	<ul style="list-style-type: none"> <li>● Expand business opportunities for materials used in digital technologies</li> <li>● Ensure diversity by actively recruiting mid-career employees who can hit the ground running</li> <li>● Promote safer processes and equipment in plants (advancing smart technology)</li> <li>● Improve infrastructure, equipment, and working styles that lead to active participation by diverse human resources</li> </ul>	<ul style="list-style-type: none"> <li>● Focus on technology that has been continually honed over 430 years with an eye to the next generation</li> <li>● Cultivate employees who share our business spirit and an open and vibrant organizational climate</li> <li>● Maintain a firm resolve in regard to safety and a management framework that heightens hazard awareness</li> </ul>
<b>5</b> <b>Current situation and issues regarding global warming and climate change</b> <ul style="list-style-type: none"> <li>- Negative impacts on marine and terrestrial ecosystems</li> <li>- Increase in frequency of natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>■ Property destruction and leakages caused by intensification of floods, storms, etc.</li> <li>■ Interruption of global supply chains</li> </ul>	<ul style="list-style-type: none"> <li>■ Contribute to the resolution of environmental and social issues through the development of products contributing to a low-carbon society, etc.</li> </ul>	<ul style="list-style-type: none"> <li>2 Climate Change</li> <li>3 Significant Environmental Accidents</li> <li>4 Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>1 Strengthen the growth foundation</li> <li>2 Strengthen three-business collaboration</li> </ul>	<ul style="list-style-type: none"> <li>● Constrain total GHG emissions and formulate a plan to reduce our emissions to zero in the second half of the century</li> <li>● Expand our business in products contributing to a low-carbon society</li> <li>● Examine the setting of in-house carbon pricing</li> <li>● Make improvements and strengthen management (at tailing dams, etc.) to prevent significant environmental accidents</li> </ul>	<ul style="list-style-type: none"> <li>● Focus on technology that has been continually honed over 430 years with an eye to the next generation</li> </ul>



# INPUTS

## The SMM Group's Capital: Seven Competitive Strengths Cultivated by the Sumitomo Business Spirit

The SMM Group has cultivated a variety of management capital over its 430 years of history, which started with the copper smelting and refining business that was the original business it inherited from the Sumitomo Group, and it has combined these in its strategies and businesses to create “Seven Competitive Strengths.”

These strengths form the base of the Group's growth and they are built upon the Sumitomo Business Spirit. The application of this business spirit has enabled the Group to overcome every difficulty so far. Now we are responding flexibly to the changes of the times through collaboration among our three businesses of Mineral Resources, Smelting and Refining, and Materials in a way that leverages the strengths of each business.

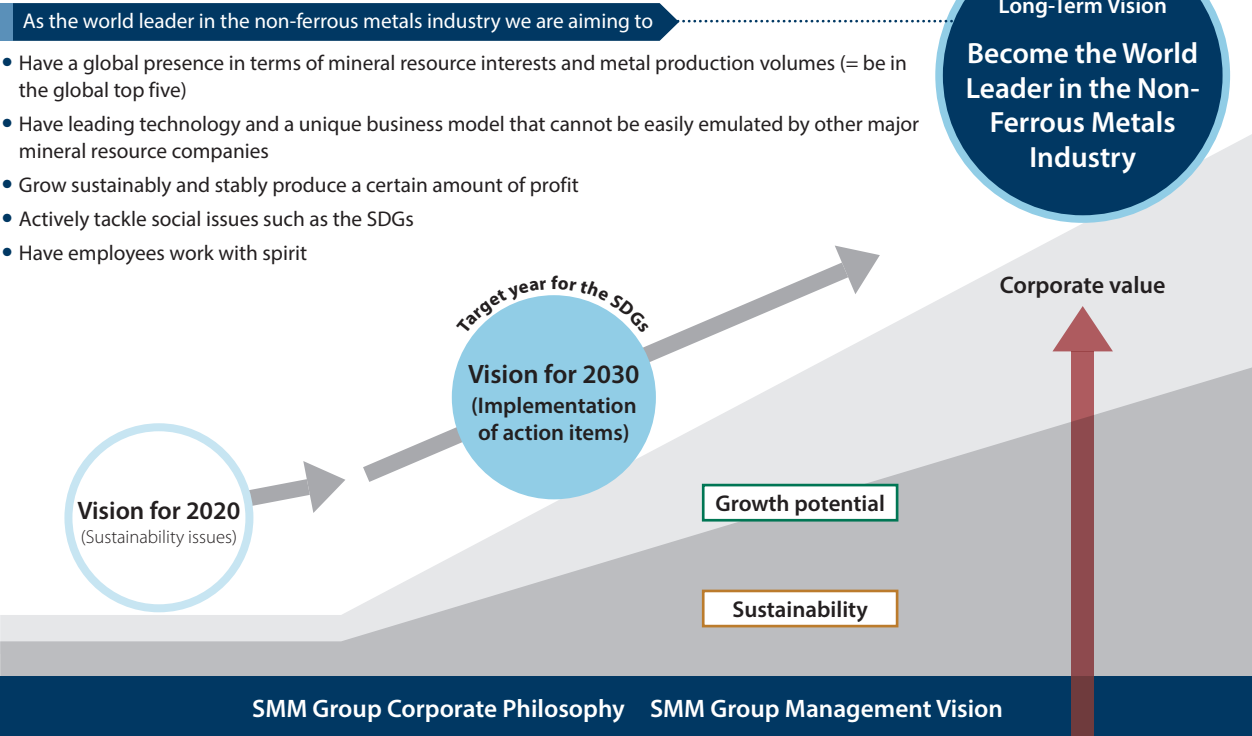


7 Competitive Strengths	
<div>  <div>Intellectual Capital, Manufactured Capital</div> </div> <p><b>Technology that has been continually honed over 430 years and is focused on the next generation</b></p>	<ul style="list-style-type: none"> <li>• Technological capabilities that have their origins in the Nanban-buki method started in Kyoto by Soga Riemon in around 1600</li> <li>• Exploration, mining, and mineral processing technology for taking on the challenges presented by difficult-to-develop new deposits and sea-floor resource development, and advanced smelting and refining technology such as HPAL, the world's first method for converting low-grade oxide ore into a nickel resource</li> <li>• A business model in which our three businesses collaborate through a fully integrated supply chain, against the background of advanced technological capabilities such as crystal growth and processing technology in the materials field</li> <li>• A framework for building partnerships with academic institutions with the aim of realizing technological innovation focused on the society of 2050</li> </ul>
<div>  <div>Human Capital</div> </div> <p><b>Employees who share our business spirit and an open and vibrant organizational climate</b></p>	<ul style="list-style-type: none"> <li>• A desire to raise human resources who can be entrusted with 430 years of Sumitomo DNA</li> <li>• The fostering of our traditional business spirit is achieved through training and a climb up to the former Besshi Copper Mine, the site where Sumitomo's various businesses were developed</li> <li>• Securing diversity in our human resources and reenergizing the organization by adapting to recent changes in the speed of the development environment, including the recruitment of mid-career employees who can hit the ground running</li> </ul>
<div>  <div>Social and Relationship Capital</div> </div> <p><b>Relationships of trust with business partners that have been formed with a long-term perspective</b></p>	<ul style="list-style-type: none"> <li>• New business opportunities produced by building relationships of trust with preferred long-term business partners</li> <li>• Strength offered by the possession of superior mine interests</li> <li>• A model unlike those of general trading companies, in which instead of just holding overseas interests, we leverage our knowledge and technology to implement processes all the way to smelting and refining, and creating partnerships with business contacts</li> </ul>
<div>  <div>Social and Relationship Capital</div> </div> <p><b>Involvement with local communities that has been built up through our core business</b></p>	<ul style="list-style-type: none"> <li>• An approach to growth inherited from our predecessors which is based on the Sumitomo Business Spirit, in which we work to make people happy, including the families of employees, and develop together with society, while at the same time realizing harmonious and mutually beneficial relationships with local communities through projects that contribute to society, such as reforestation</li> <li>• Mine development that early in our history started with the creation of a town through the establishment of schools, hospitals and other infrastructure. Niihama City's elementary school was founded by Sumitomo 120 years ago</li> <li>• Contributions to local communities not only in Japan, but also overseas through scholarship programs, the operation of hospitals and schools, road construction, and other initiatives</li> </ul>
<div>  <div>Human Capital and Manufactured Capital</div> </div> <p><b>A firm resolve in regard to safety and a management framework that heightens hazard awareness</b></p>	<ul style="list-style-type: none"> <li>• Recognition that in both mine development and smelting and refining business, unless the correct management framework is established, there is the risk of serious accidents that cost lives</li> <li>• Maintaining of high safety standards and the creation of workplaces that have a sense of alertness, realized through patrols by workplace staff members to discover issues, and support for setting up systems for avoiding accidents</li> <li>• Provision of a wide variety of training for improving skills based on the belief that skill is important in regard to safety activities</li> </ul>
<div>  <div>Social and Relationship Capital</div> </div> <p><b>A close affinity with our customers' needs and the collaborative capabilities to continuously respond to them</b></p>	<ul style="list-style-type: none"> <li>• Strength provided by a comprehensive knowledge of not only materials, but also the characteristics of their component materials, which we leverage to connect the various technologies we have developed to date with the innovation sought by the customer</li> <li>• The top share of the global market of cathode materials for lithium-ion batteries used by major electric vehicle manufacturers realized through our technology for extracting nickel from low-grade oxide ore and a framework that enables us to secure materials stably</li> <li>• Ongoing new product creation in the energy and environment, and information and communications domains, based on recognition of the importance of taking a long-term approach to handling customer demands steadily and sincerely, in a way that wins trust</li> </ul>
<div>  <div>Financial Capital</div> </div> <p><b>Financial position that enables us to take advantage of investment opportunities</b></p>	<ul style="list-style-type: none"> <li>• A process of selection, concentration and investment overseas implemented since 2000, following a course to return to core business under the firm conviction that mineral resources and smelting and refining are growth industries that will support future global economic growth</li> <li>• A focus on keeping initial investments as low as possible, carefully timing aggressive investment in accordance with growth strategies and defensive investment that strengthens our business base, building solid positions in turbulently fluctuating markets, and concentrating limited management resources on core business</li> <li>• Possession of Japan's only large-scale commercial gold mine, the Hishikari Mine, as well as many superior mine interests, including an interest in the Morenci Copper Mine, one of the world's top-class producers of copper</li> </ul>

Special Feature 1

Formulation of the SMM Group Vision for 2030

Our Long-Term Vision and our Vision for 2030



Calling for sustainable co-existence with the global environment in our Corporate Philosophy, the SMM Group has worked to solve social issues through our business while communicating with diverse stakeholders.

As we reach the target year of our Vision for 2020, a set of guidelines indicating directions for our Group in creating value, we have formulated our next set of guidelines, Vision for 2030.

We have set Vision for 2030 as a milestone for achieving the long-term vision that is the goal of our management: being the world leader in the non-ferrous metals industry.

Drawing on the values expressed in our corporate philosophy and management vision, the SMM Group will contribute to the formation of a sustainable society by securing resources and by providing non-ferrous metals, advanced materials, and other high-quality materials. Doing so, we will maximize the growth potential and sustainability of our Group, enhance our corporate value, and achieve our long-term vision.

Relationship with the SDGs

Recognizing the close affinity between the SDGs' pledge of "leave no one behind" and our Group's corporate philosophy and vision, we formulated our Vision for 2030 with the same target year as the SDGs. The results of our work to evaluate issues and connect them with SDG targets are shown in the diagram at upper right. In particular, we set the 12th SDG, "responsible consumption and production," as our most important goal, as this goal indicates our approach toward all issues and directly connects to our management vision.

**SDGs**

Listed in the 2030 Agenda for Sustainable Development and adopted at the UN Sustainable Development Summit in September 2015, the Sustainable Development Goals (SDGs) are a set of international goals for creating a sustainable and better world by 2030.

Diagram of Relationship with the SDGs



The numbers 1 to 11 in the diagram indicate material issues in Vision for 2030. See p. 27 for details.

The Path to Vision for 2030

	Initiatives by the SMM Group	Events in Society
2008	Formulation of Vision for 2020 and the six CSR areas of high priority, taking into account impacts on the Company and degree of social demand.	• CSR Year 1 in Japan (2003) • Release of ISO 26000 (2010) • Guiding Principles on Business and Human Rights (2011) • Release of GRI G4 (2013)
2015	Review of Vision for 2020 in line with the formulation of the 2015 3-Year Business Plan, and formulation of more specific targets and KPIs.	• Adoption of the 2030 Agenda for Sustainable Development, which includes the SDGs, by the United Nations General Assembly • Adoption of the Paris Agreement at COP 21
2018	Start of examination of our next Vision as the target year of Vision for 2020 approaches.	• Release of GRI Standards (2016) • TCFD recommendations (2017) • Release of ISO 20400 (2017)
2020	Formulation of Vision for 2030, 11 material issues, targets, and KPIs	• Expansion of ESG investing

Overview of Vision for 2030

In formulating Vision for 2030, we identified material issues from the perspective of issues facing management, in order to achieve greater integration with management.

In particular, we believe that actively addressing social issues, such as the SDGs, is indispensable to growth strategy in the Mineral Resources and Smelting & Refining businesses.

For that reason, the material issues in Vision for 2030 emphasize climate change, rights of indigenous peoples, and human rights in the supply chain.

Taking changing social demands into account, we also made refinements to issues carried over from Vision for 2020, such as effective use of resources, occupational health and safety, and environmental preservation.

**ISO 26000**

An international standard for social responsibility, ISO 26000 was released in November 2010 by the International Organization for Standardization (ISO). It addresses the seven themes of organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

**GRI**

An acronym for Global Reporting Initiative. An organization that creates and promotes international guidelines and standards for sustainability reports.

**Paris Agreement**

Adopted at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) held in Paris, France, the Paris Agreement is an international framework for reducing greenhouse gas emissions from 2020. The agreement marked the achievement of an initiative that has the involvement of all countries.

**ISO 20400**

The ISO standards offering guidance for sustainable procurement. These standards were created to contribute to sustainability into the future and also include social responsibility perspectives such as legal, ethical, environmental and human rights in the procurement activities of an organization.

- Guidelines referenced**
- Topics of the GRI Standards
  - Issues in ISO 26000
  - Principles and position statements of the ICMM
  - The Ten Principles of the United Nations Global Compact
  - Items noted in the DJSI and other corporate assessments

- Main perspectives in evaluation of materiality**
- Materiality for stakeholders**
- Degree of impact on stakeholders' immediate rights
  - Opinions of stakeholders
  - Requests directed at the SMM Group, organizations to which we belong, and our industry
  - Social issues in areas where we operate, and the scale of these social issues
  - Scale of the potential negative or positive impacts of our business

- Materiality for the business of the SMM Group**
- Degree of impact on our social license to operate
  - Degree of relationship with our business policy and business strategy
  - International social norms and industry rules
  - Opportunities for income and sources of competitiveness in the future

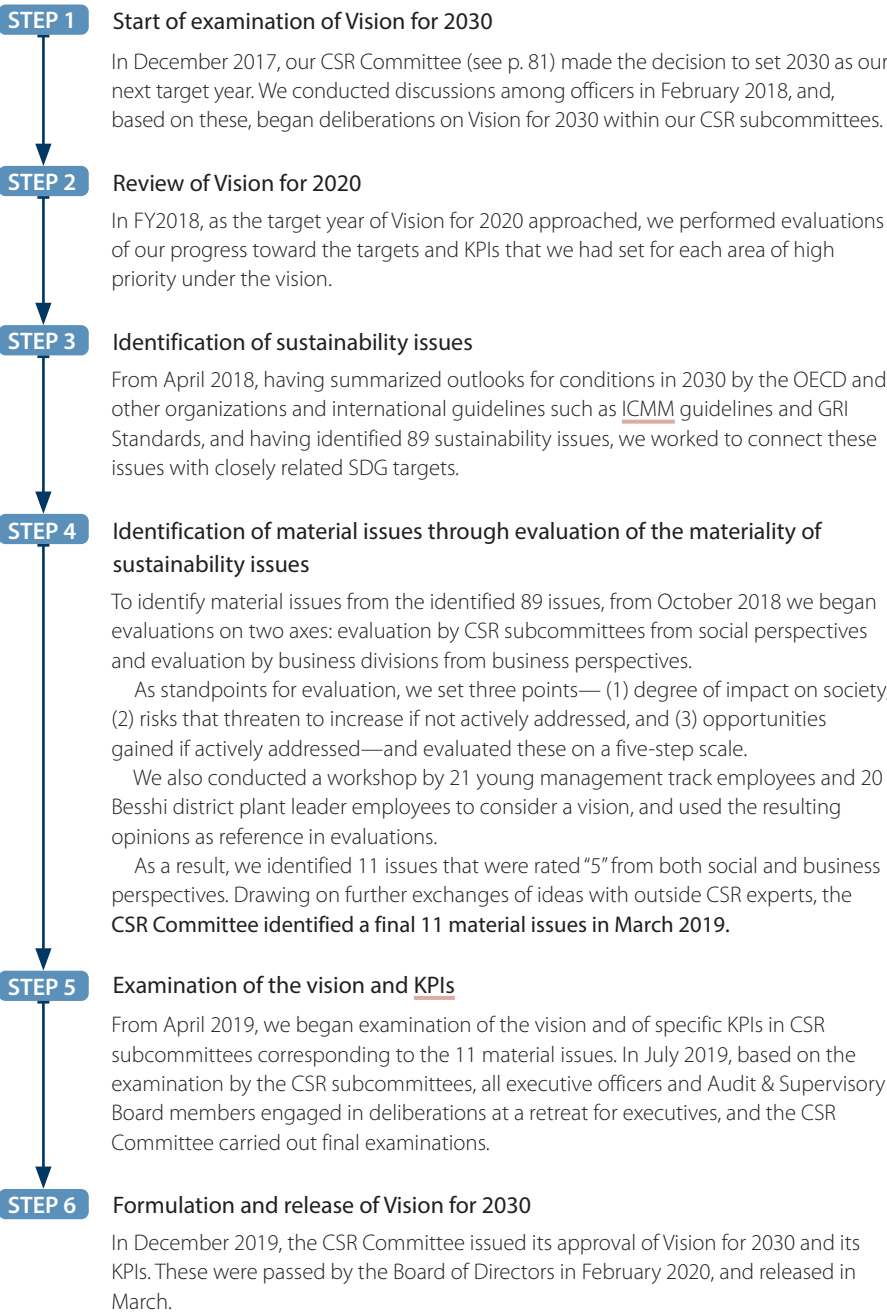
**ICMM**  
An acronym for International Council on Mining and Metals. This is an organization composed of worldwide metal and mining companies and related industry bodies.

**KPI**  
Key Performance Indicator

See details of the Vision for 2030 KPIs starting on p. 107.

To formulate Vision for 2030 and achieve sustainable value creation, we considered issues arising in the course of Vision for 2020, and took into account our response to climate change, global human rights, and other stakeholder needs and issues such as the rapid development of IoT and digitalization for which materials industry trends have greatly changed, as well as connections to the SDGs, which have the same target year of 2030, and undertook a full change of the Vision. In addition, we further listened to the opinions of everyone from officers to employees within our Company and to outside experts as needed, and underwent an extensive process of deliberations.

The Process of Formulating Vision for 2030



Material Issues in Vision for 2030, and Background to These

- 1 Effective Use of Non-Ferrous Metal Resources**

Non-ferrous metals are natural resources that find use in many areas of society. By stably supplying these metals, we will contribute to the development of a sustainable society.

At the same time, technology for the creation of value from unused resources and for recovering and recycling metals from hard-to-process resources are also crucial for making effective use of limited natural resources.
- 2 Climate Change**

Within our Group are some businesses that emit large amounts of CO<sub>2</sub> and other greenhouse gases (GHGs). Accordingly, we must reduce GHG emissions and contribute to controlling climate change. The progress of climate change has impacts on mine development and on demand for final products. Products contributing to a low-carbon society, such as the battery materials and sunlight shielding inks that our Group provides, contribute to the prevention of global warming.
- 3 Significant Environmental Accidents**

As business activities have a large impact on surrounding marine and land environments, we must minimize any negative impacts. Initiatives to rationalize the use of precious water resources and to prevent significant environment accidents that can seriously impact biodiversity are especially vital.

**4 Biodiversity**
- 5 Employees' Occupational Health and Safety**

Eliminating work-related loss of life and aftereffects in employees and other related parties is the highest-priority issue in occupational health and safety. A safe and healthy work environment leads to greater trust in the Company and motivation in employees, which in turn leads to increased productivity. In order to better ensure such work environments, we will continue our ongoing initiatives while also promoting the introduction of advanced technologies such as the IoT and AI.
- 6 Diverse Human Resources**

An environment in which diverse human resources can fully demonstrate their capabilities and play active roles under varied work styles is vital to the sustainable growth of a company. We believe that greater diversity creates environments that facilitate innovation.

**7 Development and Participation of Human Resources**
- 8 Engagement with Stakeholders**

A company must be accountable for meeting the concerns and expectations of all stakeholders who are impacted by the company's business activities. As recognition of our Group is generally low, we consider building recognition and understanding of our Group as a first step in dialogues aimed at accountability.
- 9 Co-Existence and Mutual Prosperity with Local Communities**

Earning a social license to operate in regions where we conduct business is indispensable, particularly in mine development. Along with economic activities such as local procurement and employment, it is important that we contribute to the region's sustainable development by fostering the next generation and providing support for the disabled and the elderly.
- 10 Rights of Indigenous Peoples**

Dialogues with indigenous peoples are important in mine development. These must be carried out on an ongoing basis, with an understanding of the history, traditions, and culture of the peoples.
- 11 Human Rights in the Supply Chain**

Companies must not create human rights violations in the supply chain. Particularly in mineral sourcing, we believe that supplying customers and society with safe products without complicity in human rights violations leads to the sustainable development of business.



Vision for 2030

1 Effective Use of Non-Ferrous Metal Resources

A company that generates resources through high technological capabilities

- 1 A company that stably provides non-ferrous metals to society
- 2 A company that contributes to society by effectively using impurities through collaborative, open technological development among industry, academia, and government
- 3 A company that contributes to the construction and maintenance of recycling systems for non-ferrous metals
- 4 A company that develops and supplies highly advanced materials that contribute to the resolution of social issues

2 Climate Change

A company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs)

3 Significant Environmental Accidents 4 Biodiversity

A company that values water resources and biodiversity, and protects the richness of the sea and land

5 Employees' Occupational Health and Safety

A company where all employees work together with safety first the priority in a comfortable working environment as well as safe facilities and operations

6 Diverse Human Resources 7 Development and Participation of Human Resources

A company where all employees can take a vibrant and active part

- 1 A company that respects the humanity of each and every employee, and where employees feel pride, motivation, and joy in work
- 2 A company that provides each and every employee with opportunities to improve his/her capabilities, and grows together with employees

8 Engagement with Stakeholders

A company that is appreciated and understood to be the world leader in non-ferrous metals

9 Co-Existence and Mutual Prosperity with Local Communities

A company that contributes to regional development and earns trust as a member of the local community

10 Rights of Indigenous Peoples

A company that understands and respects the traditions and culture of indigenous peoples

11 Human Rights in the Supply Chain

A company that undertakes responsible sourcing across the supply chain

Examples of Reviews of Vision for 2020

Contribution to Society and Local Communities

· Communicate with local communities to recognize social issues in regions where we do business, and implement programs to support solutions to those issues

We carried out a wide range of social contribution activities at Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation, including the Livelihood project that aims to improve social infrastructure and maintain livelihoods in local communities. In areas around the Morenci Copper Mine in the U.S. and in regions around Japan, we carried out measures as appropriate to our relationships with local communities.

Occupational Health and Safety

· Ensure safety

The number of accidents in recent years has been about 15 annually for all types of accident (with fatal accidents occurring in 2017 and 2019). We are making progress in reducing risks on-site and in reforming safety consciousness in top management at our sites, but eliminating the many accidents that are caused primarily by unsafe behavior remains difficult.

We plan to further reduce unsafe conditions, enact measures and initiatives to more deeply understand the underlying causes of unsafe behavior, and engage in safety activities that leverage the unique features of each site.

Stakeholder Communication

· Encourage mutual understanding with shareholders and investors

Since 2015, we have made preparations with relevant departments for the publication of an integrated report, publishing our first integrated report on schedule in November 2016. Making appropriate revisions based on opinions received inside and outside the Company, we have received a degree of acclaim for the report, including commendations from outside the Company.

Examples of Material Issue-Specific Major Measures under Vision for 2030

1 Effective Use of Non-Ferrous Metal Resources

· Demonstrate and commercialize automobile secondary battery recycling technology

We are working to demonstrate and commercialize a lithium-ion battery recycling process that we have developed, through testing at a pilot plant.

2 Climate Change 3 Significant Environmental Accidents 4 Biodiversity

· Reduce GHG emissions

In addition to promotion of low-carbon energy use, promotion of GHG emissions per unit of production reductions through stable operation and efficient production, and other measures, we are considering internal carbon pricing to promote investment projects that will reduce GHG emissions. In February 2020, we also declared support for TCFD. We will examine better means of information disclosure and will actively disclose information regarding climate change-related risks and opportunities.

10 Rights of Indigenous Peoples 11 Human Rights in the Supply Chain

We will provide support for initiatives that lead to understanding and respect for indigenous peoples and their traditions and culture. We will also continue our efforts to completely eliminate mines, smelters, and refineries that are complicit in human rights violations, such as the use of child labor in the supply chain.



Social contribution activities in the Philippines



Environmental Communication Awards Prize of Excellence, received in FY2018



In the FY2019 Award for Excellence in Corporate Disclosure, SMM was selected by securities analysts as the top company in the Steel / Non Ferrous Metal category for the ninth consecutive year.

LIB

An abbreviation for lithium-ion secondary batteries.

Internal carbon pricing

A framework for promoting investment that leads to the reduction of carbon, by uniquely pricing carbon emissions within a company, attaching monetary values to GHG emission reductions, and incorporating these into return on investment.



Committing the accident to organizational memory and using systems to prevent accidents

The JCO Criticality Accident

On September 30, 1999, a criticality accident occurred in a fuel conversion test facility at the Tokai Division of JCO Co., Ltd., (JCO), a wholly owned subsidiary of SMM in Tokaimura, Ibaraki Prefecture. The village of Tokaimura responded to notification of the accident by evacuating all residents within a 350-meter radius of the facility, while the government of Ibaraki Prefecture issued a warning asking residents within 10 kilometers to stay indoors. The Japan Railway Joban Line was stopped, a section of the Joban Expressway was closed, and Japan's Self-Defense Forces were dispatched to the area around the facility.

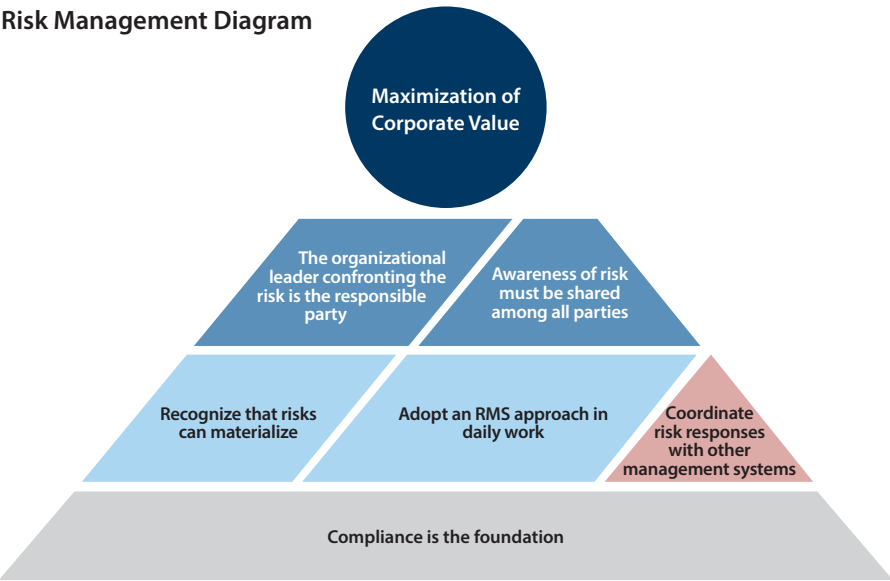
Two JCO employees died in the accident; many employees and other people were exposed to radiation. Following the accident, Ibaraki Prefecture agricultural and marine products and tourism facilities suffered from negative rumors, significantly harming the regional economy.

During this period, the SMM Group undertook a wide-ranging response that included the dispatch of over 200 employees to JCO and the preparation of over ¥20 billion in funding. JCO was found to be in violation of the Act on Control of Nuclear Reactors and the Industrial Safety and Health Act. The direct cause of the accident was the pouring of a uranyl nitrate solution containing medium-level enriched uranium into a precipitation tank, a deviation from standard procedure. SMM subsequently drew on lessons learned from the accident to launch its Corporate Reform Plan.

The Essence of Corporate Reform

Among the causes of the criticality accident were insufficient regulatory compliance by JCO and a mindset (i.e., a presumption) that criticality, a known major risk, could not occur at that business site. Our Corporate Reform Plan takes us back to the starting point of the Sumitomo Business Spirit—placing prime importance on integrity and sound management, and never

Risk Management Diagram



pursuing easy gains or acting imprudently—and reinforces this spirit anew in all employees. We have also adopted ISO 14001 in all Group companies, conducted a review of the SMM Group Code of Conduct to ensure thorough compliance, and introduced a risk management system, as efforts to construct a system that will prevent such a major accident from ever occurring again. By aptly managing risks with consideration of the probability of occurrence, with regulatory compliance as our foundation, we set our aim on regaining lost social trust and on sustaining and growing our business.

Another underlying cause of the accident was the fact that SMM at that time engaged in diversified management unsuited to the company's stature. Following the accident, a new management team aimed to return SMM to its core non-ferrous metals business, with the result that the JCO criticality accident became the starting point for our current management.

Strengthened Crisis Management Capabilities and Future-Oriented Value Creation

In November 2010, a decade after the accident, SMM opened the JCO Study Center in Niihama, Ehime Prefecture, the manufacturing base of our company. The JCO Study Center serves as a place for learning about the JCO criticality accident, and conducts human resource training aimed at keeping the accident in our minds. As a part of SMM's risk management, we retain the memory of the accident within our people and our organizational system overall, and make efforts to continuously enhance the level of our management from a foundation in PDCA, not merely undertake temporary crisis response.

As a result of reflecting on the accident and implementing our Corporate Reform Plan under such initiatives, we have grown remarkably since the time of the accident two decades ago. This growth could not have happened without efforts born from the lessons of the accident. These lessons continue to live in our endeavors to create value for the future.

(See details of risk management starting on p. 88.)

Applying the Lessons of the Accident to the Future

A place for human resource development

About 400 employees of our Group attend training at the JCO Study Center every year to learn about topics including the direct causes of the accident and the company's risk management at the time, through documents, audio, and video. Although all of our employees have gone through the training once, 20 years have now passed since the accident, and the percentage of employees who were not with the company at the time has reached 60%. As generations without direct experience of the accident increase, how to apply the lessons of the accident to human resource development is a major theme that we are addressing in the current fiscal year.

opened. While recognizing fact as fact and committing it to memory, SMM believes that we have an obligation and a responsibility to keep this memory alive for future generations. For as long as our company exists, all employees, regardless of position, will keep the memory alive in their work as a matter of personal responsibility, and will instill this stance in our organizations. We will learn from the solemn lessons of the JCO criticality accident for as long as our company exists.

Learning from the lessons of the accident for as long as the Company exists

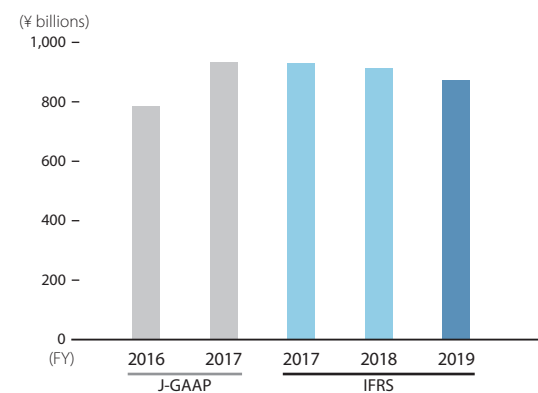
"There are things we would like to forget, yet here there are things that we must not forget." These are words spoken by Nobumasa Kemori, President of SMM at the time this Center was



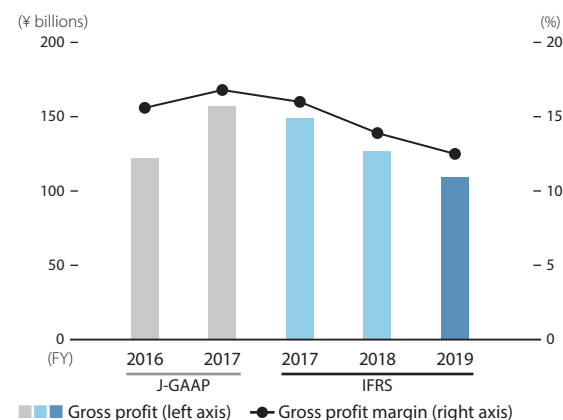
Training at JCO Study Center

## Financial and Non-Financial Highlights

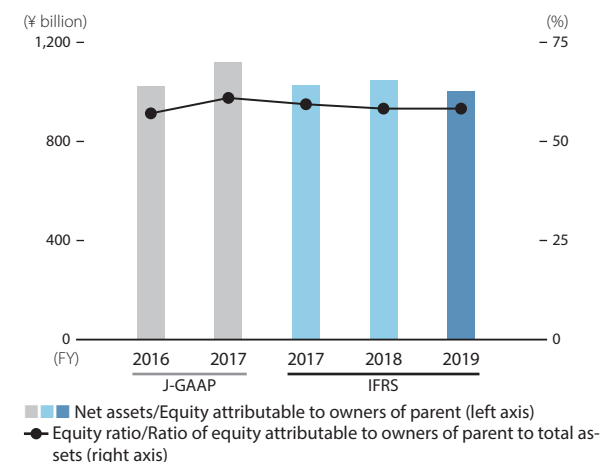
### Net Sales



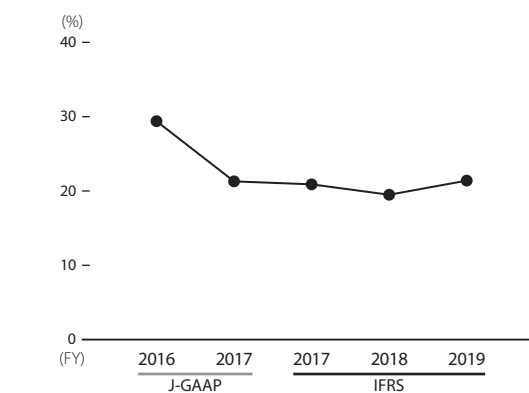
### Gross Profit/Gross Profit Margin



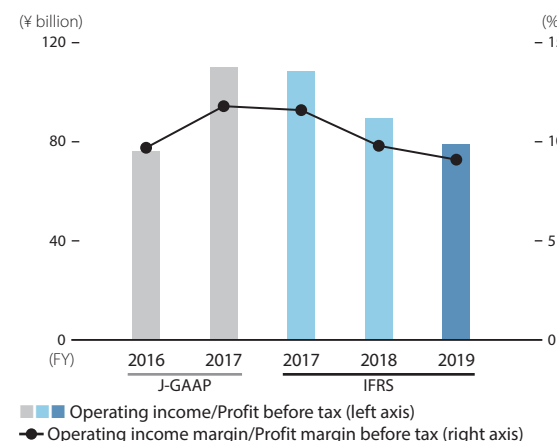
### Net Assets/Equity Ratio Equity Attributable to Owners of Parent/Ratio of Equity Attributable to Owners of Parent to Total Assets (IFRS)



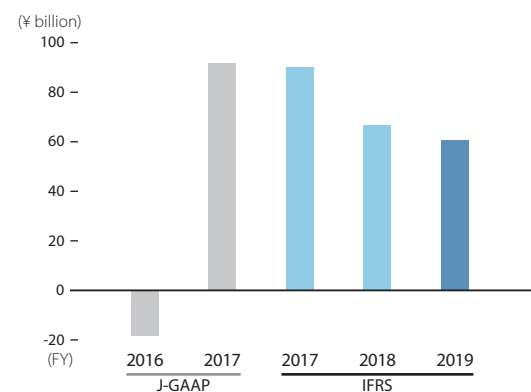
### Interest-Bearing Liabilities to Total Assets Ratio



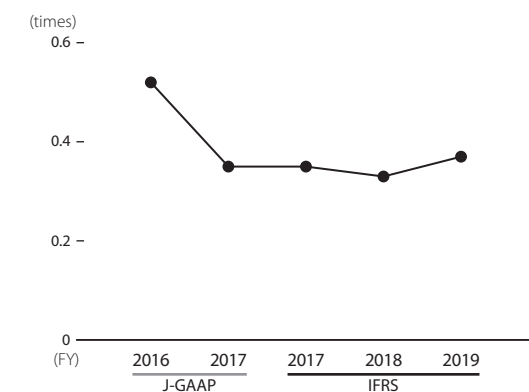
### Operating Income/Operating Income Margin Profit Before Tax/Profit Margin Before Tax (IFRS)



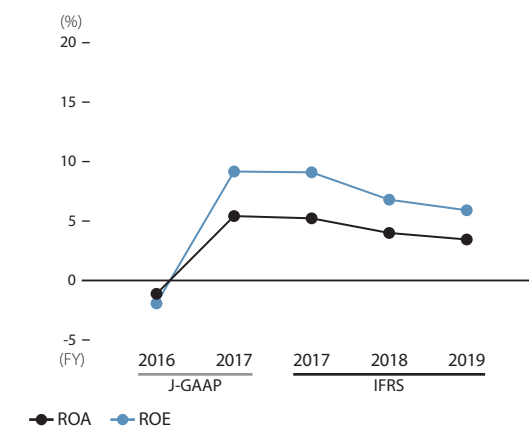
### Profit Attributable to Owners of Parent



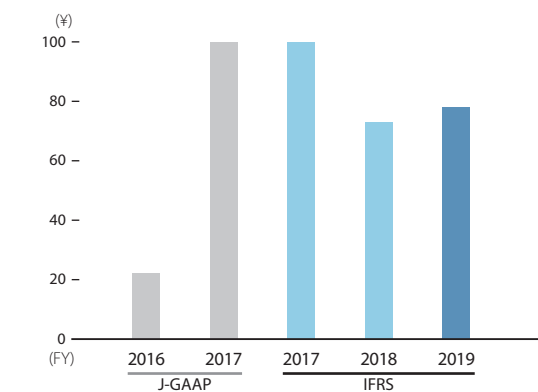
### Debt-to-Equity Ratio



### ROA/ROE

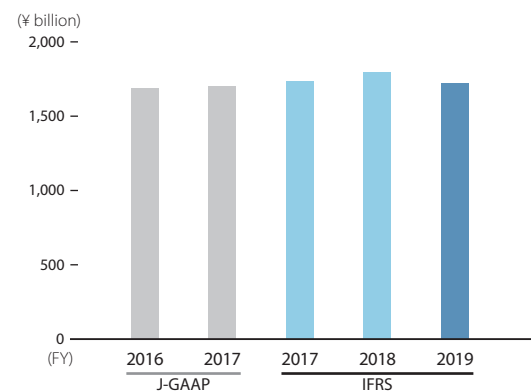


### Dividend per Share



SMM consolidated its stocks on October 1, 2017. Values for 2016 have been converted according to post-consolidation criteria.

### Total Assets



### Share Price by Fiscal Year

FY	Annual high (yen)	Annual low (yen)	Year-end (yen)	Volatility
2010	3,152	2,140	2,862	34.0%
2011	2,932	1,900	2,326	27.9%
2012	3,214	1,580	2,686	33.5%
2013	2,974	2,136	2,592	32.8%
2014	3,898	2,568	3,517	31.1%
2015	4,044	2,074	2,235	40.9%
2016	3,333	1,997	3,167	35.7%
2017	5,491	2,642	4,480	33.7%
2018	4,882	2,796	3,270	36.4%
2019	3,711	1,864	2,218	47.4%

Source: Capital IQ

• Volatility is calculated by annualizing the standard deviation of weekly closing prices for the 52 weeks of the year.

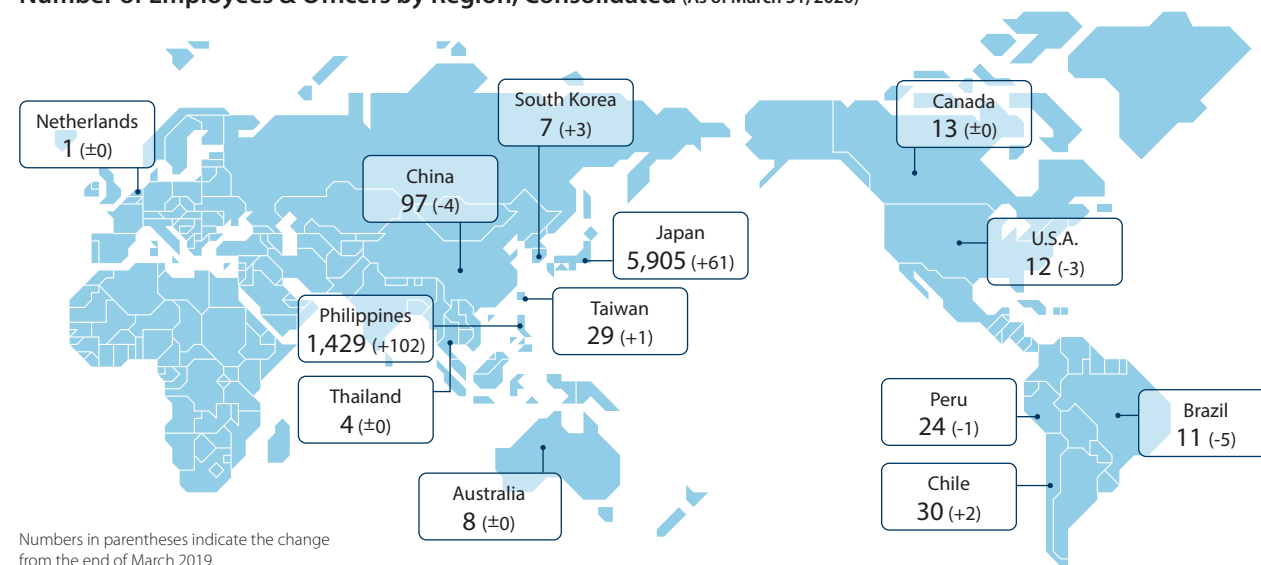
### Income Tax by Country or Region (FY2019)

Country or region	Amount (millions of yen)
Japan	13,018
U.S.A.	2,096
Peru	3,584
Chile	2,865
China	802
Philippines	1,561
Indonesia	695
New Caledonia	267
Australia	238
Others	20
Total	25,147

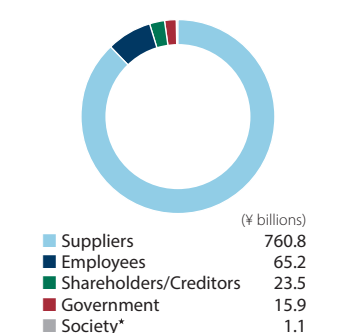
Note: With regard to equity-method affiliates, the above amounts include the Company's proportional burden of income tax.



## Number of Employees &amp; Officers by Region, Consolidated (As of March 31, 2020)



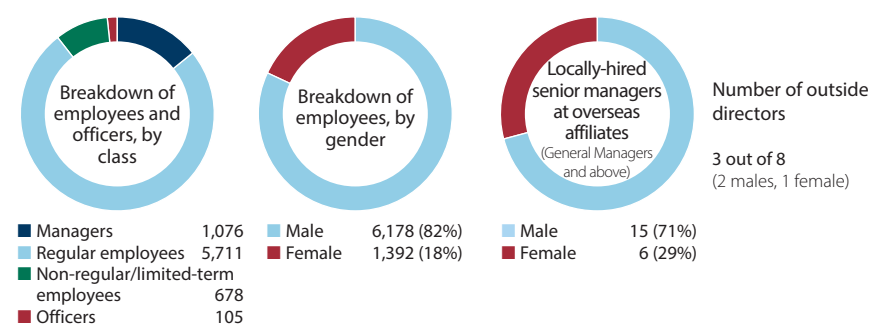
## Distribution of Economic Value to Stakeholders (FY2019)



\* Other than the above, there is retained value of ¥36.6 billion. Rent for use of land is minimal and therefore included in "Payments to suppliers."

★ In the Philippines (CBNC, THPAL), the ¥1 billion expended through the social development management program (SDMP) and other contributions in the same country are included.

## Number of Employees &amp; Officers Worldwide (Consolidated) (March 31, 2020)

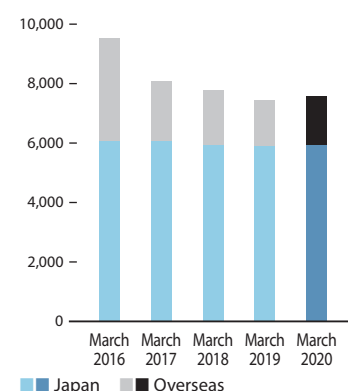


## Capital Expenditure Related to Environmental Preservation

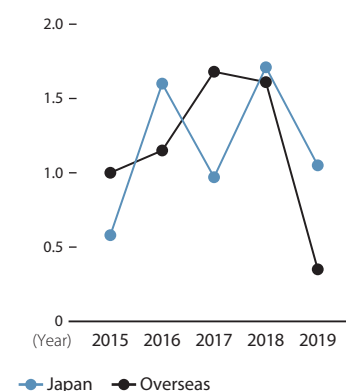
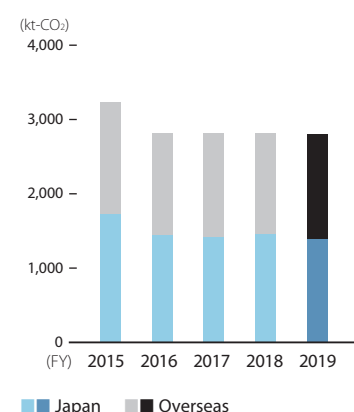
FY	Pollution prevention / environmental preservation	Energy conservation	Total	Ratio of capital expenditure
2019	5,244	141	5,385	10.6%
2020 (plan)	8,118	538	8,656	15.9%

(¥ millions/%)

## Number of Employees &amp; Officers Worldwide (Consolidated)

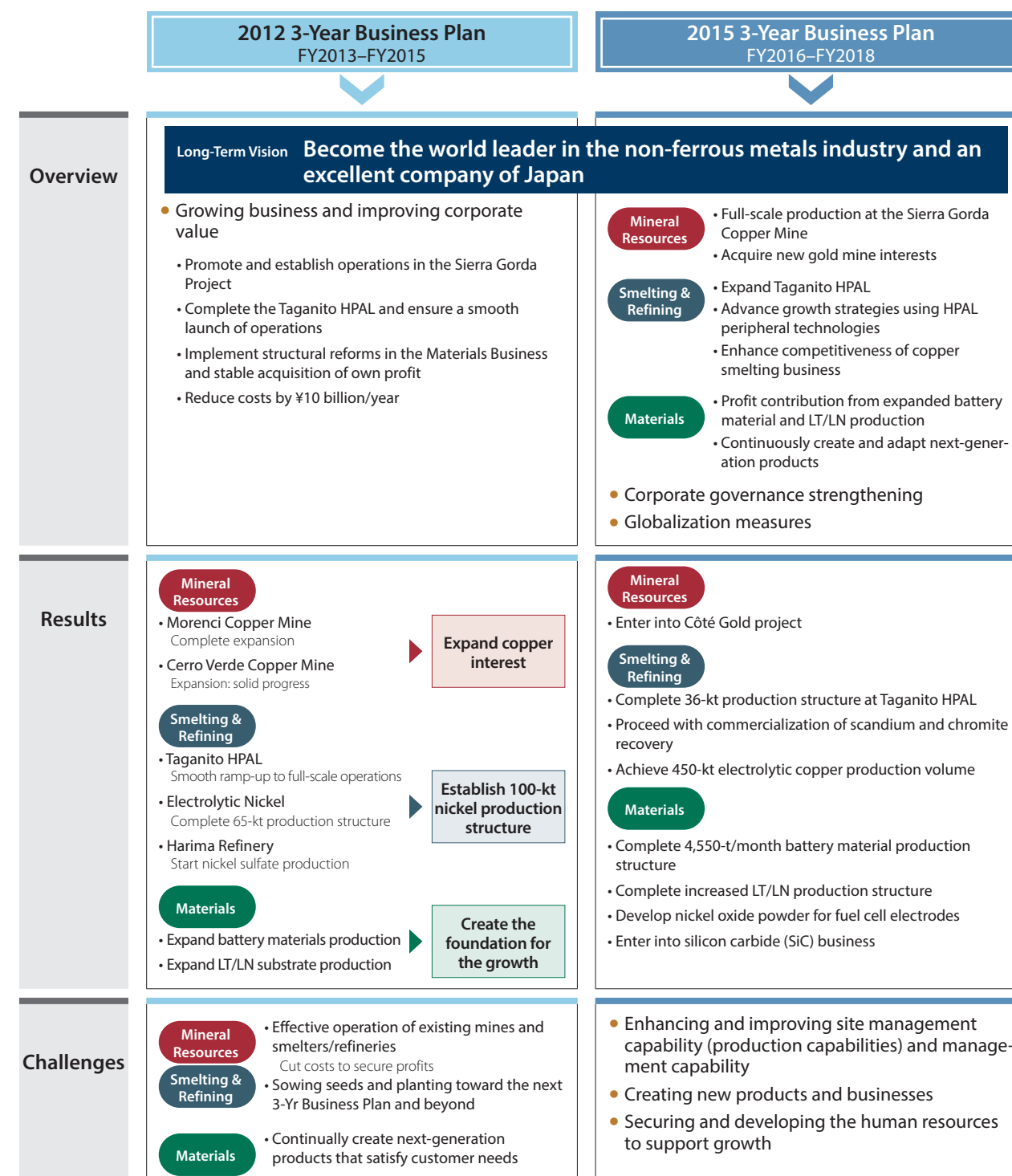


## Occupational Accident Frequency Rate

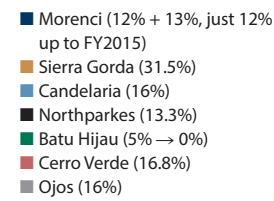
CO<sub>2</sub> Emissions

## Review of Past 3-Year Business Plans

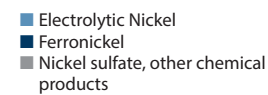
SMM has been implementing business plans for 20 years, starting with the business restructuring that resulted from the JCO criticality accident in 1999 and continuing up to the current growth strategies in its 2018 3-Year Business Plan. In our Corporate Reform Plan formulated in 2000, the year after the accident, we implemented the selection and concentration of core businesses as a measure to reinforce corporate organization. Then, from the 2003 3-Year Business Plan onward, we made growth strategies centered on large-scale projects into a pillar for the Company and realized long-term growth by expanding and strengthening core businesses. Following a certain amount of success in the 2015 3-Year Business Plan, we are attempting to break into the next stage of growth through our current 2018 3-Year Business Plan.



## Copper Interest Production

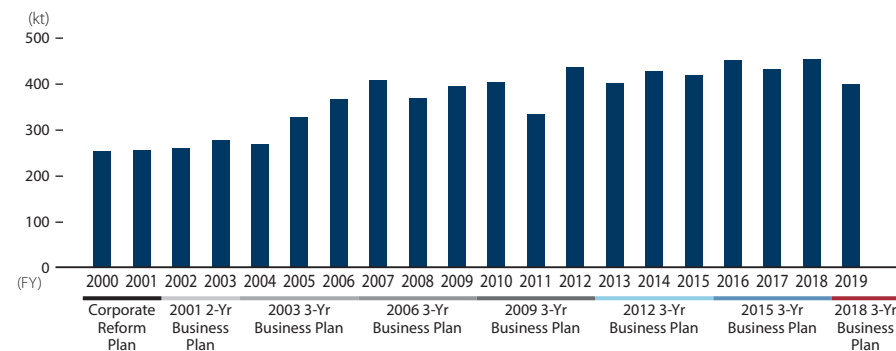


## Nickel-based Product Production

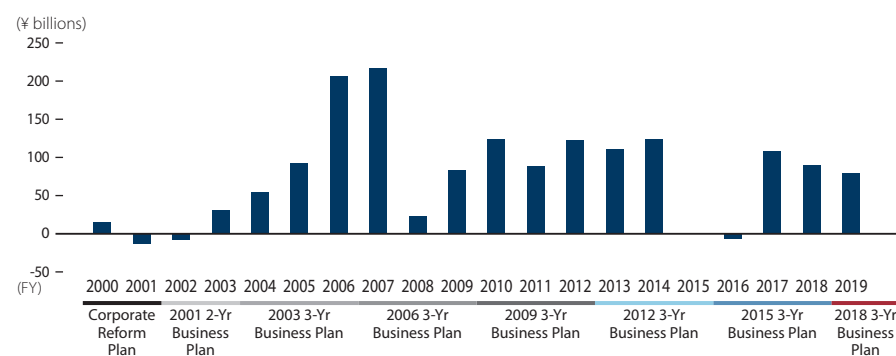


Amounts converted to a nickel content basis

## Electrolytic Copper Production



## Profit before tax



## Growth Rate of Total Assets (book value, compared to the end of FY2000)

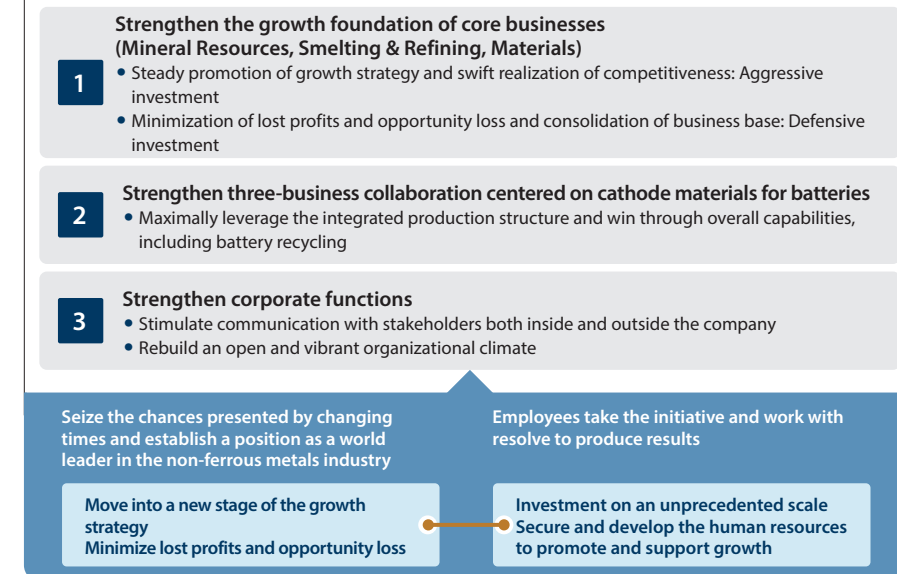


## Summary of the 2018 3-Year Business Plan

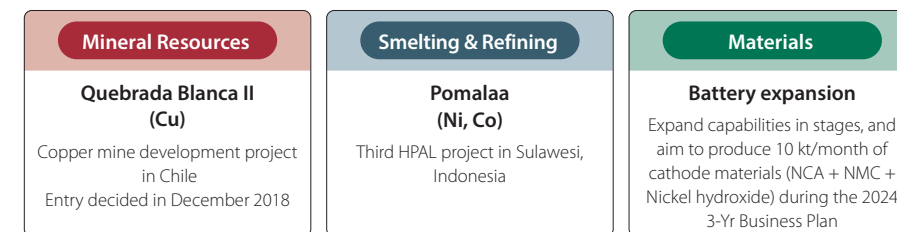
## Positioning of the 2018 3-Year Business Plan

Our 2018 3-Year Business Plan started in April 2019. The plan contains three main basic strategies based on issues clarified during the 2015 3-Year Business Plan, under the theme of "Taking on the Challenge for New Growth." It was formulated as a preparatory period to break into the next strategic stage and aim for new heights, from a medium- to long-term perspective that looks ahead to the next 10 to 15 years. Compared with an investment and financing amount of ¥392.1 billion in the 2015 3-Year Business Plan, the 2018 3-Year Business Plan is an aggressive plan that calls for investment and financing on an unprecedented scale, totaling ¥490.0 billion. We will work to achieve sustainable growth and maximize our corporate value through the steady execution of the plan.

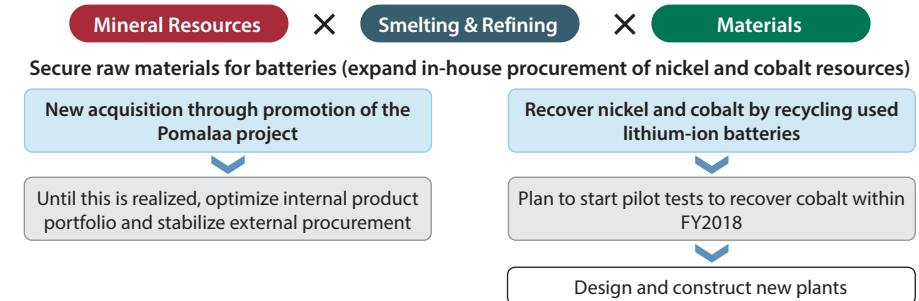
## Three Main Basic Strategies



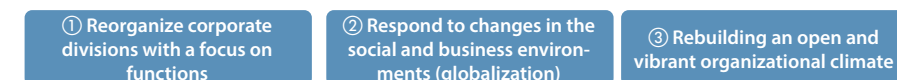
## 1 Strengthen the growth foundation of core businesses (Mineral Resources, Smelting &amp; Refining, Materials): 3 major projects



## 2 Strengthen three-business collaboration



## 3 Strengthen corporate functions



# FY2019 Results and FY2020 Plan

## Review of FY2019 Results

Consolidated net sales in FY2019 decreased by ¥39.6 billion year-on-year to ¥872.6 billion, due mainly to falling copper prices and appreciation of the yen. Consolidated profit before tax decreased by ¥10.3 billion year-on-year to ¥79.0 billion despite a turnaround in the share of profit (loss) of investments accounted for using the equity method, due mainly to decrease in income and to deterioration of finance income owing to factors including fluctuations in foreign exchange caused by appreciation of the yen. Profit attributable to owners of parent decreased by ¥6.2 billion year-on-year to ¥60.6 billion, due mainly to the decrease in consolidated profit before tax.

### ● Mineral Resources Segment

Segment income decreased year-on-year, due mainly to a decline in copper prices.

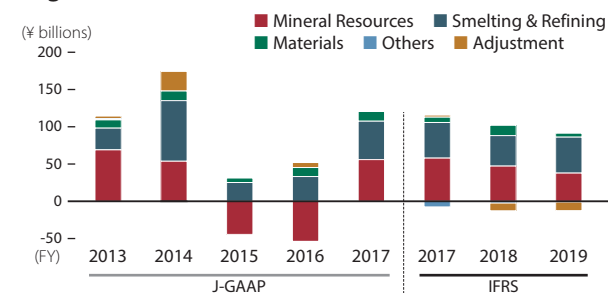
The status of our main mines is as follows (excluding our non-controlling interests in overseas copper mines).

Mining operations at the Hishikari Mine remained steady. The gold content in sold ore was in line with plans, nearly unchanged from the previous fiscal year at 6 t. Production levels at the Morenci Copper Mine (of which the Company holds a 25.0% interest, excluding non-controlling interest) in the United States increased year-on-year to 461,000 t, due mainly to strong production of cathode. Production volume at the Cerro Verde Copper Mine (of which the Company holds a 16.8% interest, excluding non-controlling interest) in Peru fell from the previous fiscal year to 455,000 t, due mainly to a decline in ore grade. Production volume at the Sierra Gorda Copper Mine (of which the Company holds a 31.5% interest, excluding non-controlling interest) in Chile rose year-on-year to 108,000 t, due mainly to increases in throughput and ore grade.

### ● Smelting & Refining Segment

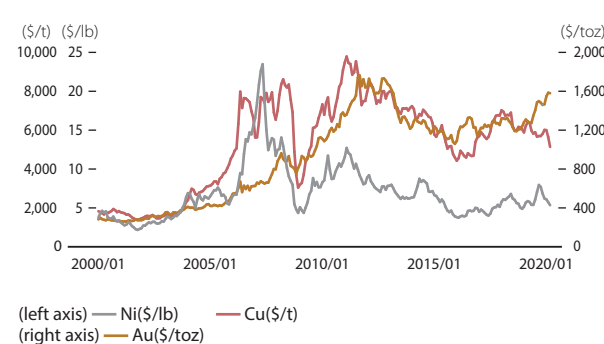
Segment income increased year-on-year despite a decline in copper prices, due mainly to increases in nickel and gold prices and to gain on the sale of fixed assets accompanying the business withdrawal of Taihei Metal Industry Co., Ltd. Although production volume of electrolytic copper declined year-on-year due to scheduled furnace repairs at the Toyo Smelter & Refinery, production volume of electrolytic nickel increased year-on-year. Production volume at Coral Bay Nickel Corporation declined year-on-year, due mainly to equipment problems. Production volume at Taganito HPAL Nickel Corporation increased year-on-year, due to improvement in operating conditions from the previous fiscal year.

## Segment Income (Loss)

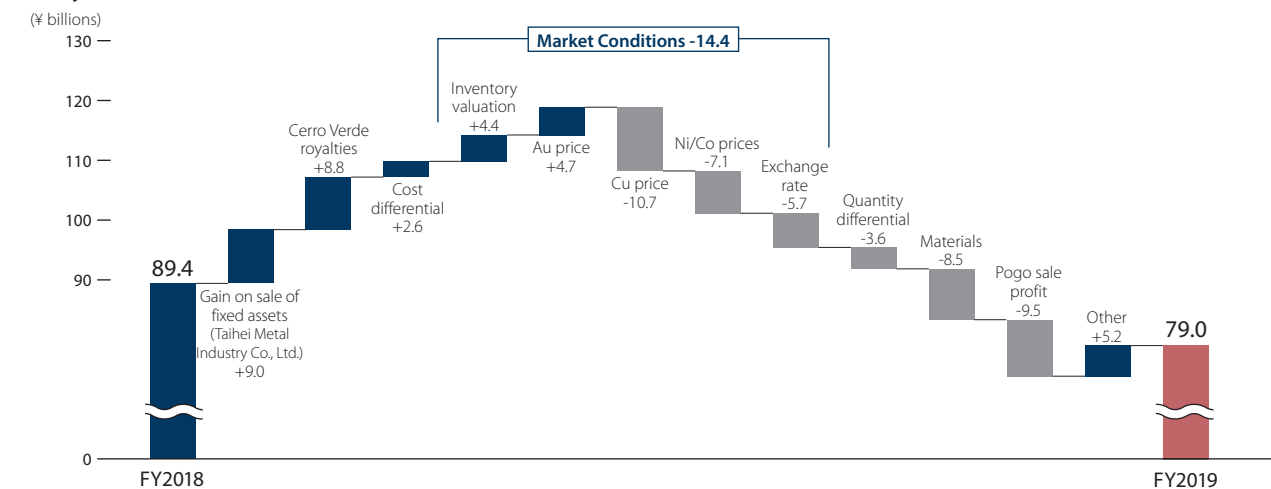


J-GAAP data is based on recurring profit or loss and IFRS data is based on profit before tax.

## Metal Prices



## Analysis of Profit before Tax (FY2018 vs. FY2019)



### ● Materials Segment

Segment income declined year-on-year despite increased sales volume of battery materials under increased demand for automotive batteries, owing mainly to factors including negative impacts of inventory valuation, a decrease in sales volume of powder materials, and customer inventory adjustments for crystal materials.

## FY2020 Plan

Our full-year consolidated operating results forecast was unclear at the time of our FY2019 financial results announcement, due to the uncertain economic outlook caused by the COVID-19 pandemic. Under assumptions considered reasonable based on information available at the time of our FY2020 first quarter financial results announcement, we set prices for major non-ferrous metals, taking into consideration current levels, and made plans for production and sales volumes of major products based on business performance at the time. As a result, we forecast net sales of ¥835.0 billion, profit before tax of ¥48.0 billion, and profit attributable to owners of parent of ¥32.0 billion on a consolidated basis.

### ● Mineral Resources Segment

In the copper business, we are taking action on Phase 2 of the Quebrada Blanca copper mine to restart construction, which is temporarily suspended due to the pandemic. We maintain stable operation at the Sierra Gorda Copper Mine, and will continue to engage in debottlenecking and cost reduction. While there were no major impacts at other overseas copper mines (with the exception of the Cerro Verde Copper Mine entering temporary operation under care and maintenance), we will deepen communication with partners and keep a close watch on movements. In gold mining, normal operations continue at the Hishikari Mine. At the Côté Gold Project, we moved construction work to July, with the aim of beginning operations in 2023.

### ● Smelting & Refining Segment

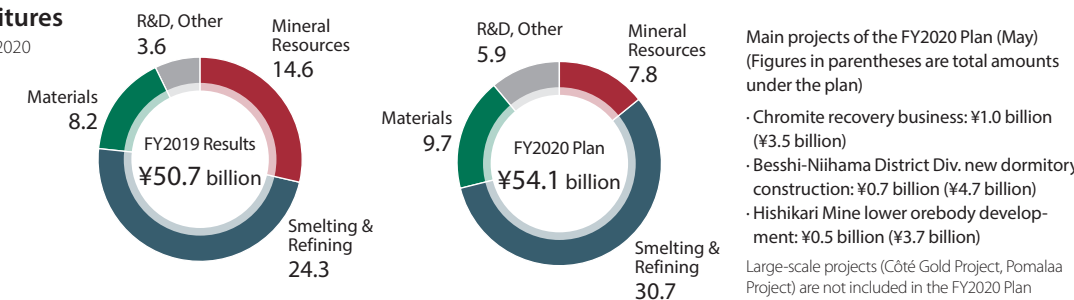
In copper smelting and refining, we plan production of 444,000 t of electrolytic copper. In nickel smelting and refining, suspension of some operations at Taganito HPAL Nickel Corporation had been prolonged due to the pandemic. We resumed normal operations and plan production of 31,000 t.

### ● Materials Segment

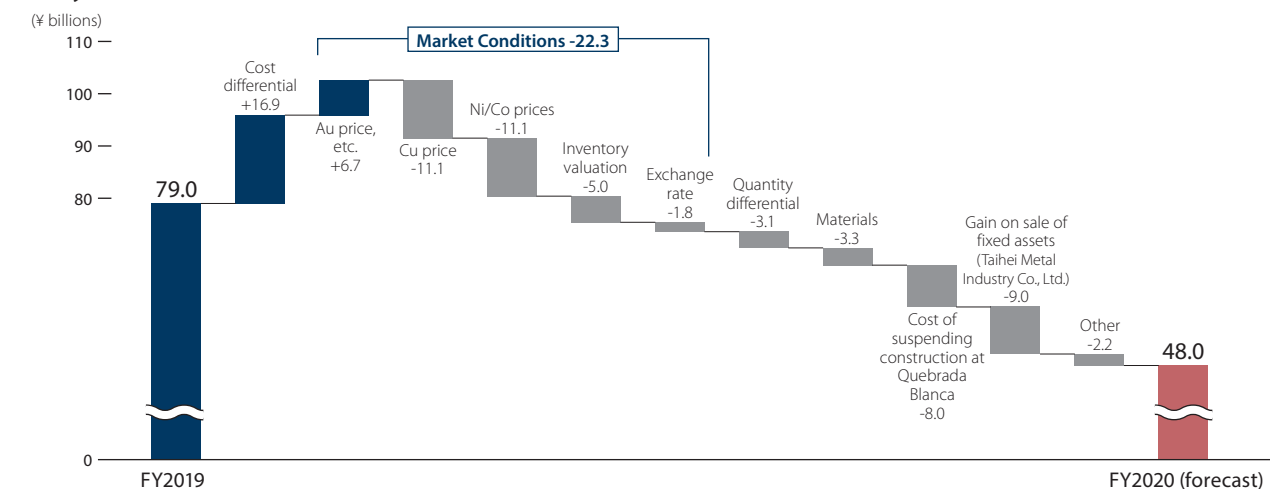
In the Materials Business, sales for the smartphone and automobile segments are struggling, despite robust demand related to PCs and 5G infrastructure. In battery materials, we will continue to keep a watch on market movements, closely share information with users, and act with agility.

## Capital Expenditures

(FY2019 Results and FY2020 Plan (May))



## Analysis of Profit before Tax (FY2019 Result vs. FY2020 Forecast)





# Financial Position and Financial Strategy

## Financial Position

Our Group places importance on growth investments and consistency of management in our financial strategies, and believes that executing growth strategies and reinforcing our business base to steadily make our business profitable will lead to improvement of our corporate value. Our core business of mining and smelting projects requires considerable time for the recovery of investments; accordingly, we seek to enhance ROA and ROE from a medium- to long-term perspective while balancing long-term investment and the optimal balance of capital and asset efficiency. Under such policies, the SMM Group's interest-bearing debt at the end of FY2019 was ¥367.9 billion on a consolidated basis, with a D/E ratio of 0.37. Our equity ratio was 58.3% on a consolidated basis, and we maintain the 50% equity ratio that is a financial soundness-related numerical target in our 3-Year Business Plan.

With regard to cash flow, we intend to steadily enhance our investment capabilities for future business continuity and growth investments by strengthening capital efficiency, through cash management systems (CMSs) within the Group, creation of cash flow by improving the cash conversion cycle (CCC), and other means. Looking ahead, we will work to strengthen our financial standing, prepare for even larger projects and M&A, maintain an equity ratio of 50% and an AA- (JCR) credit rating, and prepare for fluctuations in non-ferrous metals markets, exchange rates, and elsewhere in the business environment.

## Funding

We believe it is necessary to maintain a certain amount of liquid funds on hand based on overall demand for funds such as large-scale overseas mining or processing projects or strategic expansions within the materials business. This is essential from the standpoint of management stabilization. Under that premise, we conduct funding in line with the use of the funds, while comprehensively considering the outlook for non-ferrous metal prices and currency exchange, conditions in interest rate markets, and other factors. Our interest-bearing debt in FY2019 increased by ¥18.1 billion, due to factors including refinancing of short-term loans and issuance of corporate bonds.

## Investment

The SMM Group works to enhance its competitiveness in both raw materials procurement and manufacturing, pursuing measures to meet changes in the business environment. With regard to cost competitiveness in overseas mining in particular, we have set a target of becoming world-class, ranking in at least the top one-third of companies. Raw material ores for non-ferrous metals are subject to sharp price fluctuations related to supply and demand, natural disasters, and other factors, and it is not always possible to secure necessary quantities of ores due to price levels. For that reason, it is our policy to raise our ratio of procurement from our own mines, securing stable sources of raw materials by developing and acquiring interests in overseas mines. In mine development and acquisition of interests, we invest in carefully selected projects by leveraging our extensive experience and knowledge of exploration and mine valuation, with country risk fully taken into account, to avoid additional expenditures or increases in mining costs arising from uncertainty. Under the 2018 3-Year Business Plan, we will actively carry out strategic investments, with cumulative capital expenditure, investment, and financing of ¥490.0 billion planned over the three years. While nearly all of the effects will not be seen until the next 2021 3-Year Business Plan and later, we view

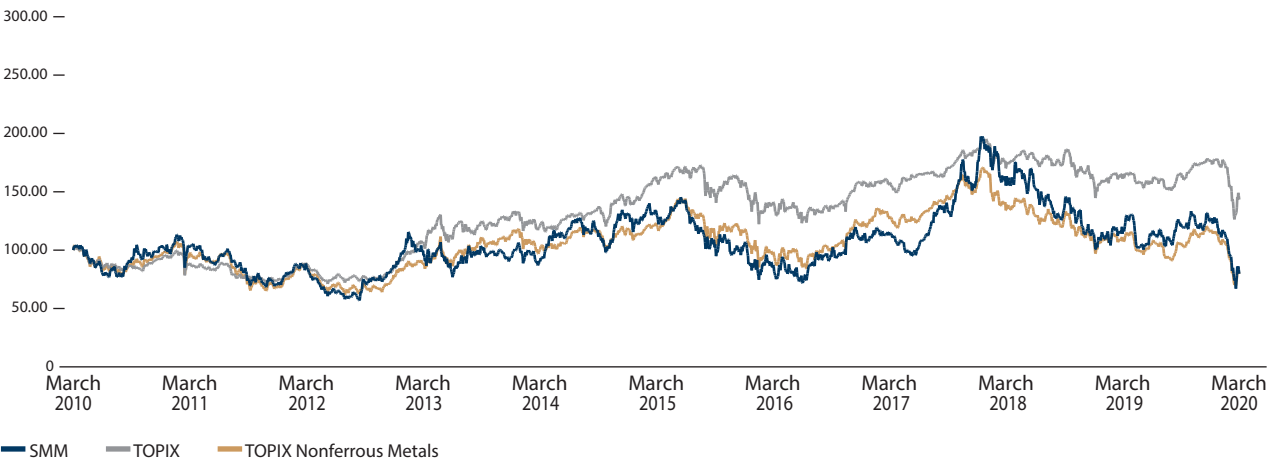
the maintenance of a sound financial standing throughout the 2018 3-Year Business Plan as feasible. Investment in FY2019 totaled ¥50.7 billion, falling with the scope of cash flow from operating activities (¥136.5 billion).

## Return to Shareholders

In our dividend policy, we decide on a balance of dividends and internal reserves through comprehensive consideration of our business performance, our dividend payout ratio, the business outlook, the soundness of our financial standing, and other factors. As our financial strategy in the 2018 3-Year Business Plan, we will continue working to uphold the soundness of our financial standing and will maintain a consolidated equity ratio of 50% or higher, while seeking a consolidated dividend payout ratio of 35% or higher. We increased our annual dividend by ¥5 from the previous year to ¥78 in FY2019, for a dividend payout ratio of 35.4%.

## Share Price Performance

Share price movement reflected using the share price at the end of March 31, 2010 as 100



## Share Price Performance (TSR)

Investment period	1 year	3 years		5 years		10 years	
	Cumulative and Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
SMM	-29.8%	-22.0%	-8.0%	-27.4%	-6.2%	4.6%	0.5%
TOPIX	-9.5%	-0.1%	0.0%	1.6%	0.3%	71.0%	5.5%
TOPIX Nonferrous Metals	-23.5%	-30.6%	-11.5%	-21.8%	-4.8%	1.8%	0.2%

Source: Bloomberg

• TSR (Total Shareholder Return): Calculated using  $([\text{share price at the end of the fiscal year ended March 31, 2020}] - [\text{share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2020}]) + [\text{total cash dividend per share for the relevant period}]) \div [\text{share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2020}]$

• Annual cash dividend per share for TOPIX and TOPIX Nonferrous Metals: Calculated using the weighted average of the cash dividend per share value for each stock over the 12 months previous to the base date and the formula used by TOPIX itself (Calculated using Bloomberg values)