



Integrated Report 2024

The Sumitomo Business Spirit

Article 1

Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2

Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

(Quoted from the Sumitomo Goshi Kaisha Administrative Regulations, named "Summary of Business Operations", formulated in 1928)

SMM Group Corporate Philosophy

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.

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.

SMM Group Management Vision

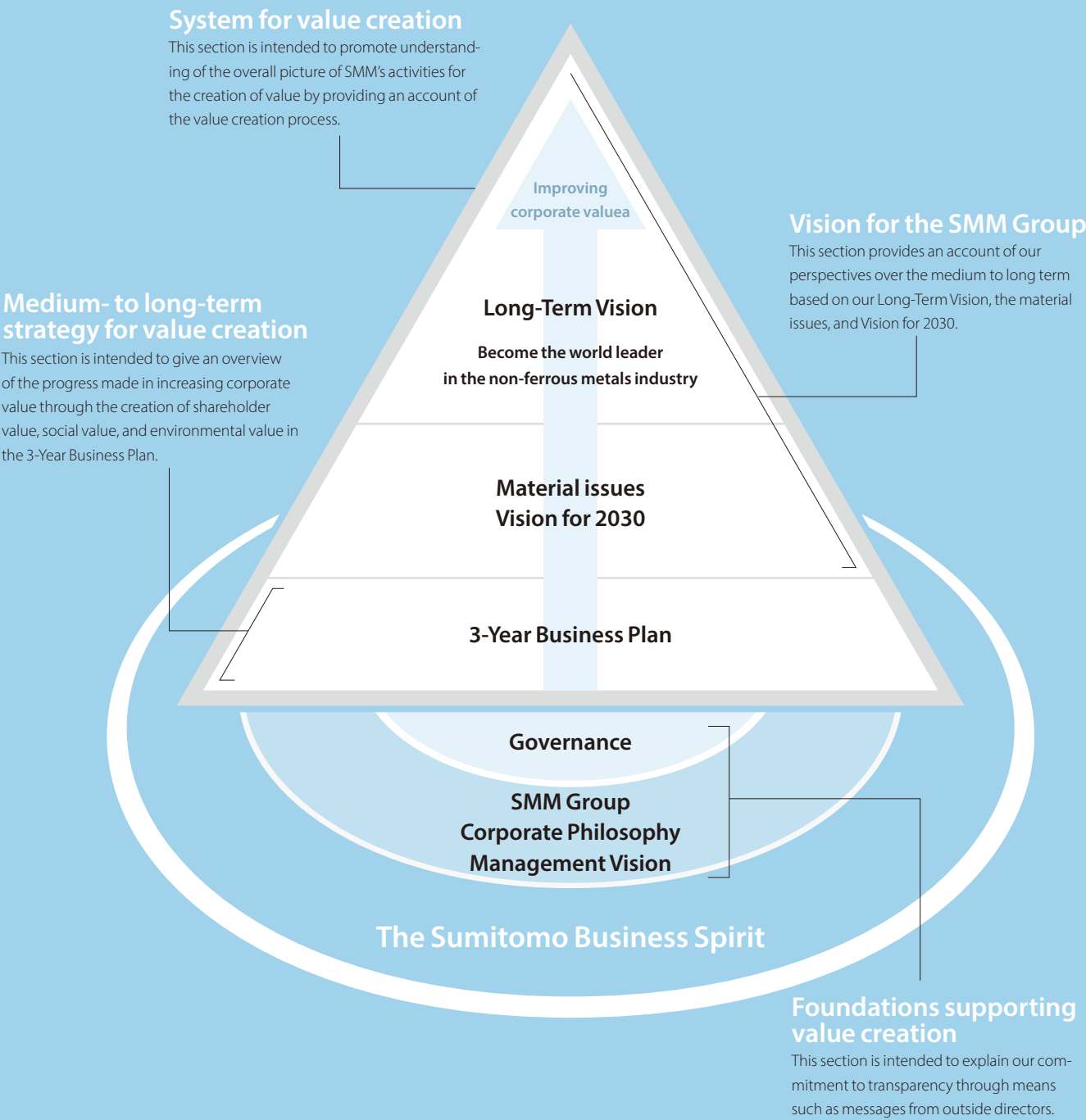
By improving technical capabilities, we shall fulfill our social responsibilities as a manufacturing enterprise.

Based on the principles of compliance, environmental protection and operational safety, SMM Group shall pursue maximum corporate value through the securing of resources and the provision of high-quality materials such as non-ferrous metals and advanced materials via its global network.

Value Creation Initiatives of the Sumitomo Metal Mining Group

Sumitomo Metal Mining positions the Sumitomo Business Spirit as the foundation for its activities. It has also formulated the material issues and Vision for 2030 toward achieving SMM's long-term vision of becoming the world leader in the non-ferrous metals industry. To realize this long-term vision, SMM is working to achieve its targets through the

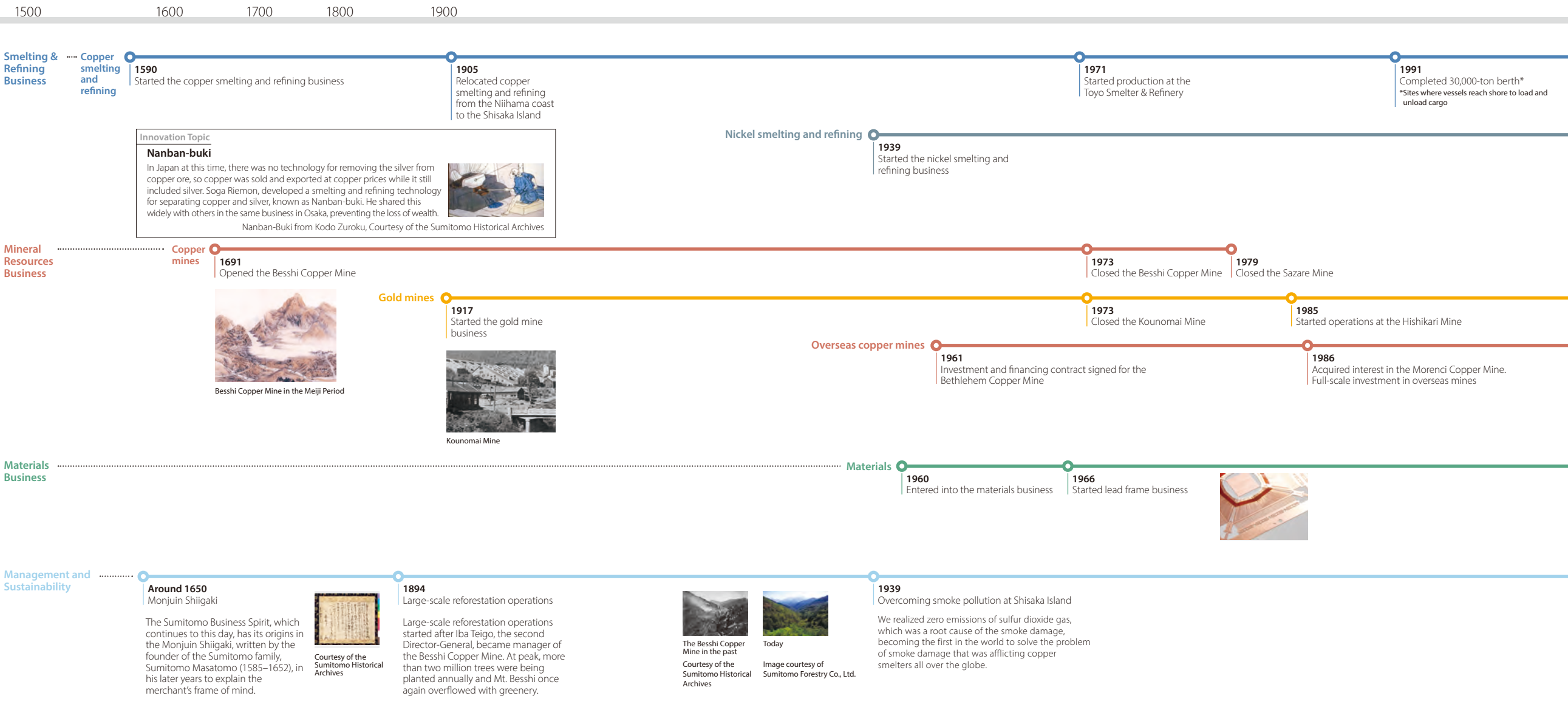
implementation of specific business activities in accordance with the 3-Year Business Plan. This Integrated Report is intended to position and give an account of the course undertaken from the long-term vision through to the 3-Year Business Plan as value creation activities, including governance as the foundation of the business.



Our History of Value Creation

Through a history of over 430 years, we have provided society with the non-ferrous metals that are indispensable to people's lives. In this environment, the SMM Group has been keenly aware of major changes in the business environment and has generated new value.

Based on our long-cultivated technologies for handling metals and our spirit of co-existence with the global environment and society, we will recognize changes in increasingly diversifying and sophisticating social demands as business opportunities and continue renewed challenges for change.



Our path toward long-term value creation

The beginning of Sumitomo's original business: copper smelting and refining business

In 1590, the Sumitomo copper business began in Kyoto as a copper smelting and decorative copperwork operation. By being the first in Japan to perfect a smelting technique known as Nanban-buki for the separation of copper from silver, Sumitomo solidified its business foundation.

Opening of the Besshi Copper Mine triggers discovery of new value, mineral resources

The Besshi Copper Mine operated continuously for 283 years from its opening in 1691 and made a huge contribution to Sumitomo's development. The opening of the mine presented an opportunity to expand the company's business to include mineral resources business in addition to copper smelting and refining. The mining technology cultivated at the Besshi Copper Mine continues to be inherited by SMM's Mineral Resources Business as it expands across the globe.

Adding new metals to the Smelting & Refining and Mineral Resources Businesses portfolio

At a time when the importance of gold as a resource was growing, we acquired the management rights for the Kounomai Mine in Hokkaido in 1917. Beginning in 1939, SMM also pioneered and commercialized the smelting and refining of nickel in Japan, which had hitherto relied on imports as nickel could not be smelted domestically.

Entered into the Materials Business

In 1960, the electronic materials business was being watched as a new market, and SMM began production of germanium dioxide for use in transistors. Since then, we have continued to provide the market with various electronic materials.

Participated in overseas copper mines and acquired interests

The downsizing of mines in Japan meant that smelting and refining businesses had to switch to resources procured from overseas. In 1961, SMM signed an investment and financing contract with Bethlehem Copper Mine, beginning the company's involvement with overseas mines and creating a foothold for the acquisition of mining interests that continues to this day.

Started operation of the Hishikari Mine

With the closure of the Sazare Mine in 1979, the curtain closed for a time on SMM's long heritage of mining technology. However, in 1985, operations began at the Hishikari Mine and SMM Group's technology began to chart a new history in a new area. The mine boasted a rich gold content ratio, even to date and has become a primary source of profit for the Group, and it also played a role in passing down our mining technology.

Social Setting



Around 1700 | The majority of Nagasaki trade

In the Edo period, about half of all copper produced in Japan for international trade was exported through Nagasaki. In the year 1698, Sumitomo's annual production reached about 1,500 tons, a quantity that accounted for one quarter of Japan's copper production.

Export box containing copper bars from Nagasaki (model), courtesy of the Sumitomo Historical Archives

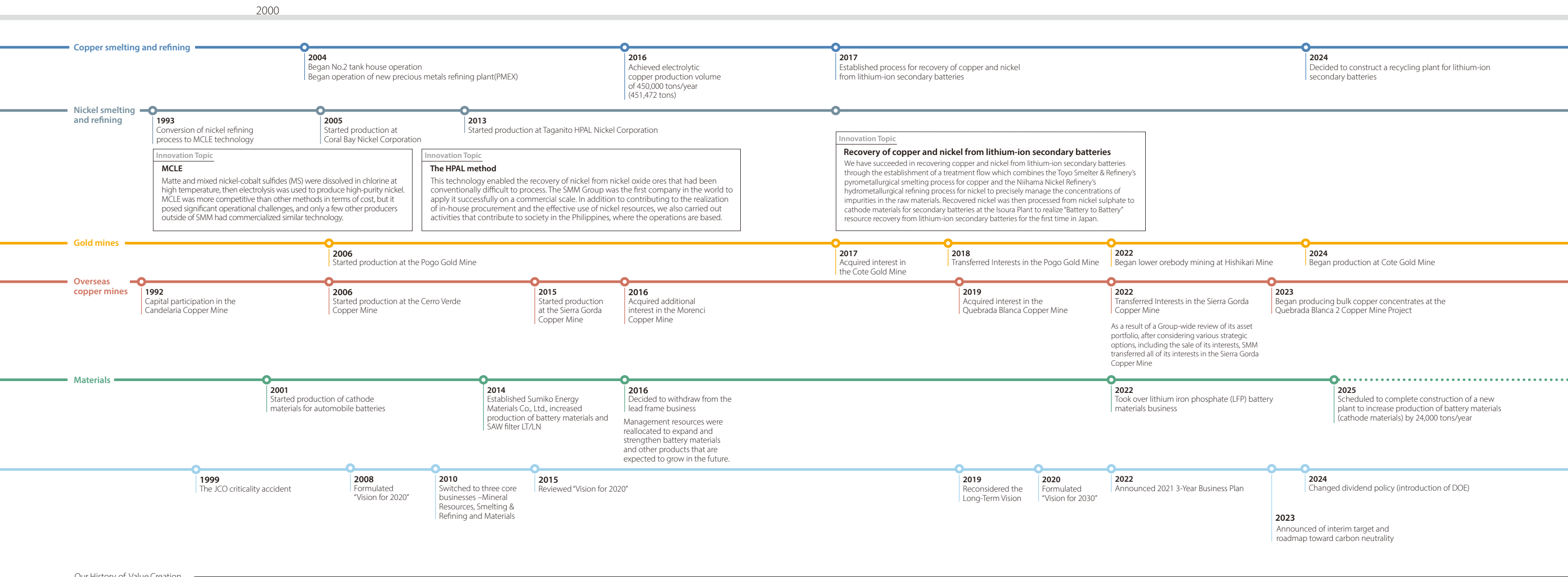


Around 1900 | The modernization of industry

Starting in the Meiji Period, with the growth in demand for communications lines, wires for electric lighting, and copper alloy fabricated products, domestic demand for copper increased significantly. The Besshi Copper Mine, which introduced Western-style smelting and refining, supported the industry in Japan.

Besshi Mine Upper Railway, Courtesy of the Sumitomo Historical Archives

Our History of Value Creation



Our History of Value Creation

Corporate reform since the JCO criticality accident

On September 30, 1999, a criticality accident occurred at SMM subsidiary, JCO Co., Ltd., which manufactured fuel for nuclear power generation. This was a turning point in the management of the SMM Group, whereupon it reflected and in 2000 formulated the Corporate Reform Plan. We have thoroughly fostered and instilled compliance and a culture of safety, and even though more than 20 years have passed since the accident, we will not forget and will pass the lessons learnt on to younger generations.

Return to core business

Since FY2002, following the Corporate Reform Plan, in order to improve our profitability, we have been further promoting business selection and concentration to reform the business and cost structure of the SMM Group to build a corporate structure strong enough to withstand international competition even in a severe business environment.

Promoting the growth strategy

From FY2004 onward, we have steered our course toward the growth strategy by promoting large-scale projects and concentrating management resources in growth areas to expand and strengthen our core businesses. In FY2010, we shifted our business model to three core businesses: Mineral Resources, Smelting & Refining, and Materials. We have continued to implement our growth strategy to enhance our corporate value and competitiveness.

Began to increase the production of battery materials

We have been promoting high-performance materials for automobile batteries (cathode materials), which are expected to grow significantly in the future, and gradually increasing production capacity by leveraging our strength of an integrated process from the procurement of nickel raw material through to processing (3-business collaboration synergy).

Long-term vision to become a world leader in the non-ferrous metals industry

In the 2018 3-Year Business Plan, we set the long-term vision of becoming the world leader in the non-ferrous metals industry and worked to strengthen our growth foundation through the promotion of large-scale projects, reinforced collaboration among our three businesses, and strengthened our corporate functions. In the subsequent 2021 3-Year Business Plan, we are tackling the 4 Challenges under the theme of "renewed challenge for change," toward the realization of realize our long-term vision.

Social Setting



Around 1980 | The spread of stainless steel

Nickel, a product of the SMM Group, was used as a raw material in stainless steel and special steels. These materials were used in various areas such as communications, medical, construction materials, and the generation of electricity. Demand for stainless steel picked up after 1987, and Hyuga Smelting Co., Ltd. expanded ferronickel production.



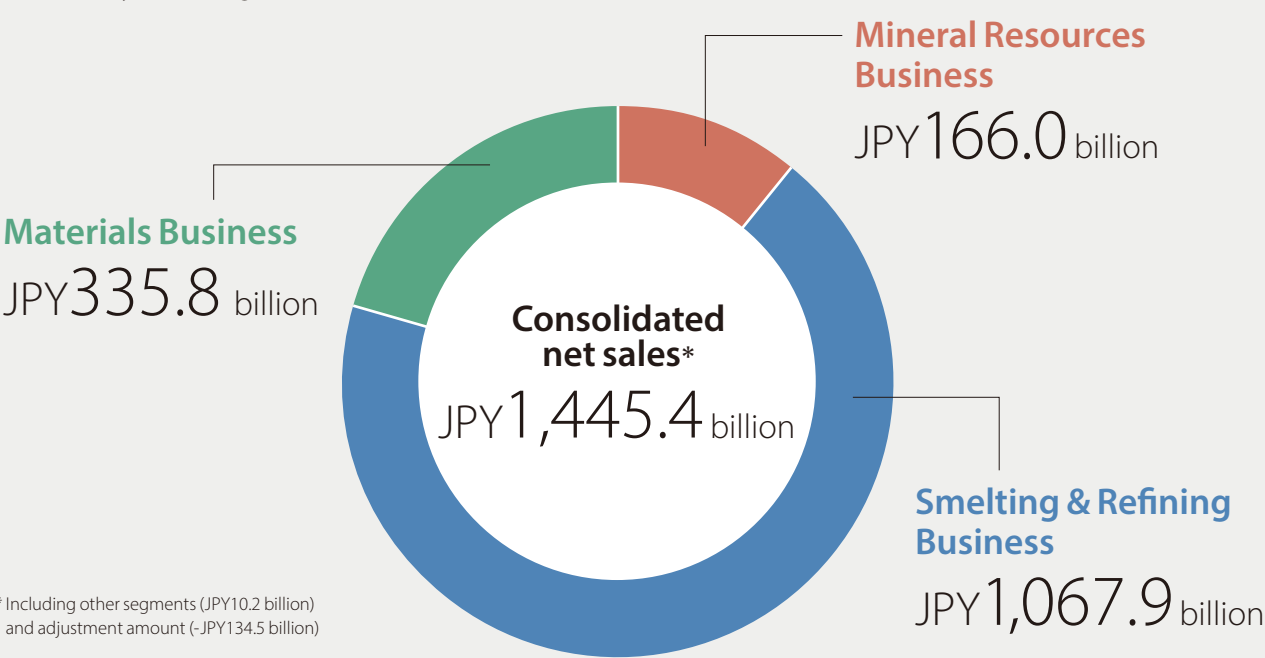
Around 2000 | Rapidly rising demand for cathode materials for automobile batteries

Against the background of rising environmental awareness and other factors, demand rose rapidly for cathode materials for secondary batteries in hybrid and other electric vehicles. Through close collaboration with customers, the SMM Group worked to supply high performance, safe battery cathode materials in addition to fulfilling its obligation as a producer of nickel and cobalt, the raw materials of battery cathode materials.

At a Glance (FY2023)

Figures Showing the Group's Special Characteristics

■ Net sales by business segment

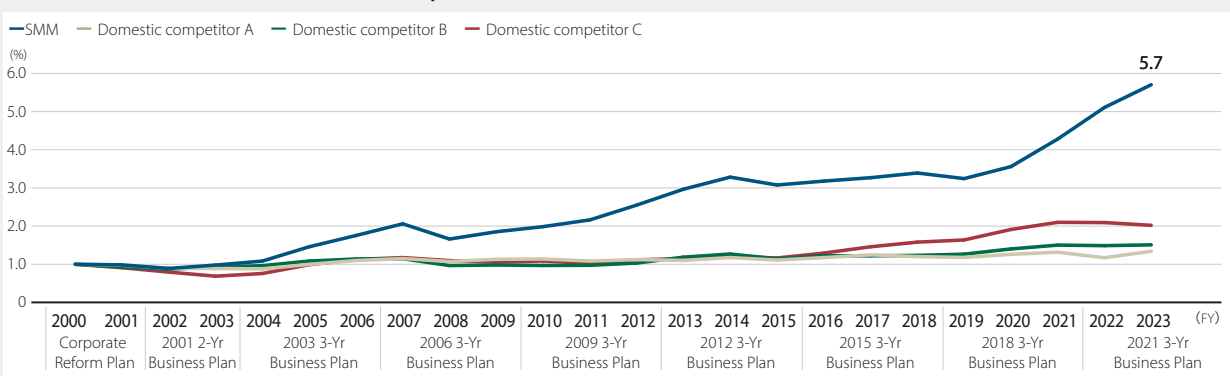


More than
430 years of history
The second longest history of Japan's listed companies

Employees (consolidated)
7,496

Our business countries and regions
14

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



Figures Showing Each Business's Special Characteristics

Mineral Resources Business

Leveraging over 300 years of mine development and operational experience and technologies, we operate the Hishikari Mine, Japan's largest gold mine, with a focus on sustainability. We participate in the operation of overseas mines in which we hold interests to produce copper, gold, and other resources to provide materials and in order to secure mineral resources. We are also working to acquire and develop new superior mines.

Main Products
Gold and Silver Ore, Copper Concentrates, Copper, Gold, Molybdenum



Cumulative amount of gold produced from Hishikari Mine

268.5 tons, No.1 in Japan
(As of March 31, 2024)

Smelting & Refining Business

For over 430 years since the start of our copper smelting and refining business in 1590, we have stably supplied a variety of metal materials to a wide range of industries. We engage in business on the strength of our advanced smelting and refining technology, which was the first in the world to achieve the successful recovery of nickel from low-grade nickel oxide ore using the High Pressure Acid Leach (HPAL) method on a commercial basis.

Main Products
Copper, Gold, Silver, Electrolytic Nickel, Electrolytic Cobalt, Ferronickel, Palladium, Chemical Products



Global Class 1 nickel interest production

NO. 7
*Source: Research by SMM; Including salts

Materials Business

We develop and produce highly advanced materials used in wide-ranging fields including automobiles, energy, environment, communications and information, and home appliances, along with products that contribute to carbon neutrality.

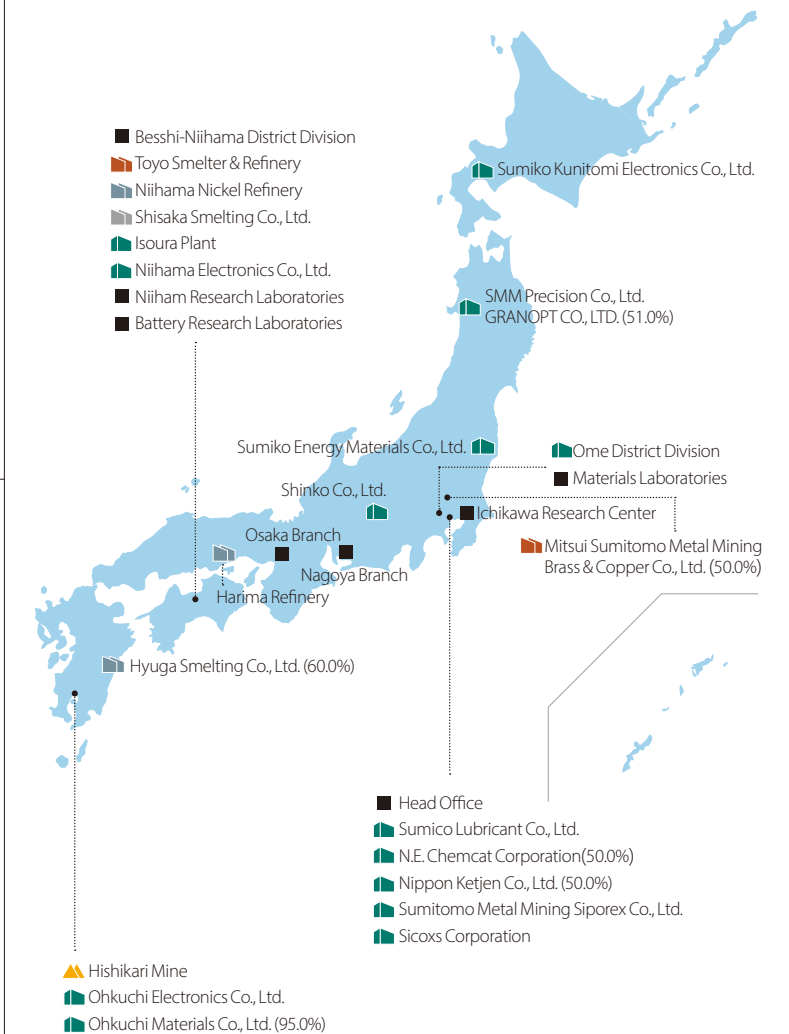
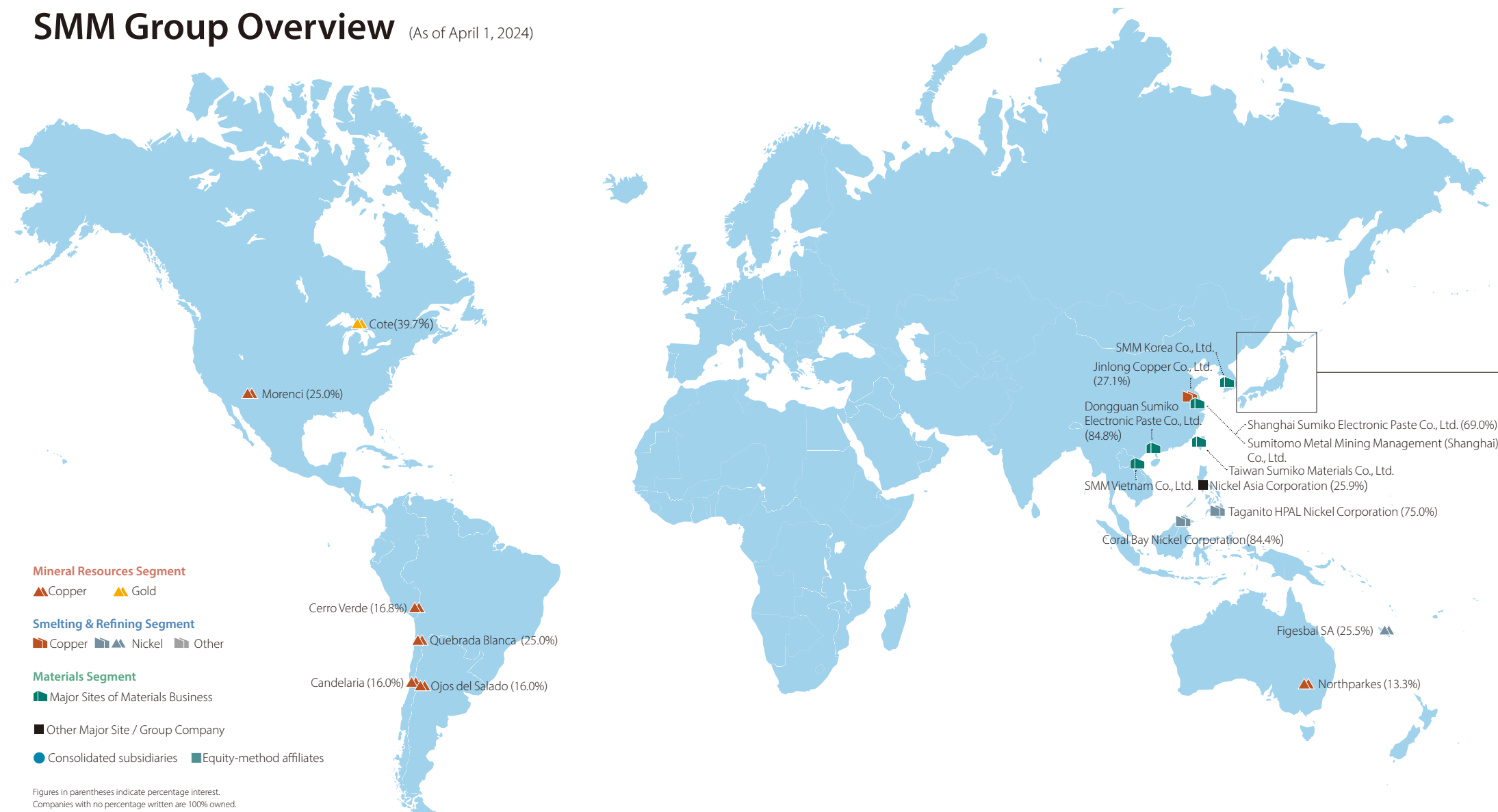
Main Products
Battery Materials, Powder Materials, Crystal Materials, Package Materials, Oil Refining Catalysts, Automotive Catalysts, Autoclaved Lightweight Concrete, Lubricants



Increase production of nickel-based cathode materials for secondary batteries

+24,000 tons/year
(starting in FY2025)

SMM Group Overview (As of April 1, 2024)



Japan

Sumitomo Metal Mining Co., Ltd.

Mineral Resources

- Sumiko Resources Exploration & Development Co., Ltd.

Smelting & Refining

- Acids Co., Ltd.
- MS Zinc Co., Ltd.
- Shisaka Smelting Co., Ltd.
- Sumiko Logistics Co., Ltd.
- Hyuga Smelting Co., Ltd.
- Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.

Materials

- SMM Precision Co., Ltd.
- N.E. Chemcat Corporation
- Ohkuchi Electronics Co., Ltd.
- Ohkuchi Materials Co., Ltd.
- GRANOPT Co., LTD.
- Sicoxs Corporation
- Shinko Co., Ltd.
- Sumiko Energy Materials Co., Ltd.
- Sumiko Kunitomi Electronics Co., Ltd.
- Sumico Lubricant Co., Ltd.

- Sumitomo Metal Mining Siporex Co., Ltd.
 - Niihama Electronics Co., Ltd.
 - Nippon Ketjen Co., Ltd.
- Other**
- Igeta Heim Co., Ltd.
 - JCO Co., Ltd.
 - Sumiko Technical Service Co., Ltd.
 - Sumiko Techno-Research Co., Ltd.
 - Sumitomo Metal Mining Engineering Co., Ltd.
 - Japan Irradiation Service Co., Ltd.

Asia

Mineral Resources

- Cordillera Exploration Company Inc. (Philippines)

Smelting & Refining

- Jinlong Copper Co., Ltd. (China)
- Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)
- Sumitomo Metal Mining Management (Shanghai) Co., Ltd.(China)
- Coral Bay Nickel Corporation (Philippines)
- Nickel Asia Corporation (Philippines)

- Taganito HPAL Nickel Corporation (Philippines)
- Sumitomo Metal Mining Philippine Holdings Corporation (Philippines)

Materials

- Dongguan Sumiko Electronic Paste Co.,Ltd.(China)
- Shanghai Sumiko Electronic Paste Co., Ltd. (China)
- Sumiko Lubricant Trading (Shanghai) Co., Ltd. (China)
- Granopt Optics Trading (Shenzhen) Co., Ltd. (China)
- Shinko Trading (Zhong Shan) Co.,Ltd. (China)
- Taiwan Sumiko Materials Co., Ltd. (Taiwan)
- SMM Korea Co., Ltd.(South Korea)
- SMM Vietnam Co.,Ltd.(Vietnam)

North America

Mineral Resources

- SMMA Candelaria Inc. (U.S.A.)
- SMM Exploration Corporation (U.S.A.)
- Sumitomo Metal Mining America Inc. (U.S.A.)
- Sumitomo Metal Mining Arizona Inc. (U.S.A.)
- SMM Morenci Inc. (U.S.A.)
- SMM Gold Cote Inc. (Canada)
- Sumitomo Metal Mining Canada Ltd. (Canada)
- SMM Resources Inc. (Canada)

Other Regions

Mineral Resources

- Compania Contractual Minera Candelaria (Chile)
- Compania Contractual Minera Ojos del Salado (Chile)
- Sumitomo Metal Mining Chile LTDA. (Chile)
- SMMQB Holding SpA (Chile)
- SMM Quebrada Blanca SpA (Chile)
- Quebrada Blanca Holdings SpA (Chile)
- Sumitomo Metal Mining Peru S.A. (Peru)
- Sociedad Minera Cerro Verde S.A.A. (Peru)
- Sumitomo Metal Mining do Brasil LTDA. (Brazil)
- Sumitomo Metal Mining Oceania Pty. Ltd. (Australia)
- SMM Cerro Verde Netherlands B.V. (Netherlands)
- SMMCV Holding B.V. (Netherlands)

Smelting & Refining

- FIGESBAL SA(New Caledonia)

Operational mines

Japan 1 Overseas 8

Plants of Smelting & Refining Business

Japan 5 Overseas 3

Plants of Materials Business

Japan 17 Overseas 4

Consolidated subsidiaries

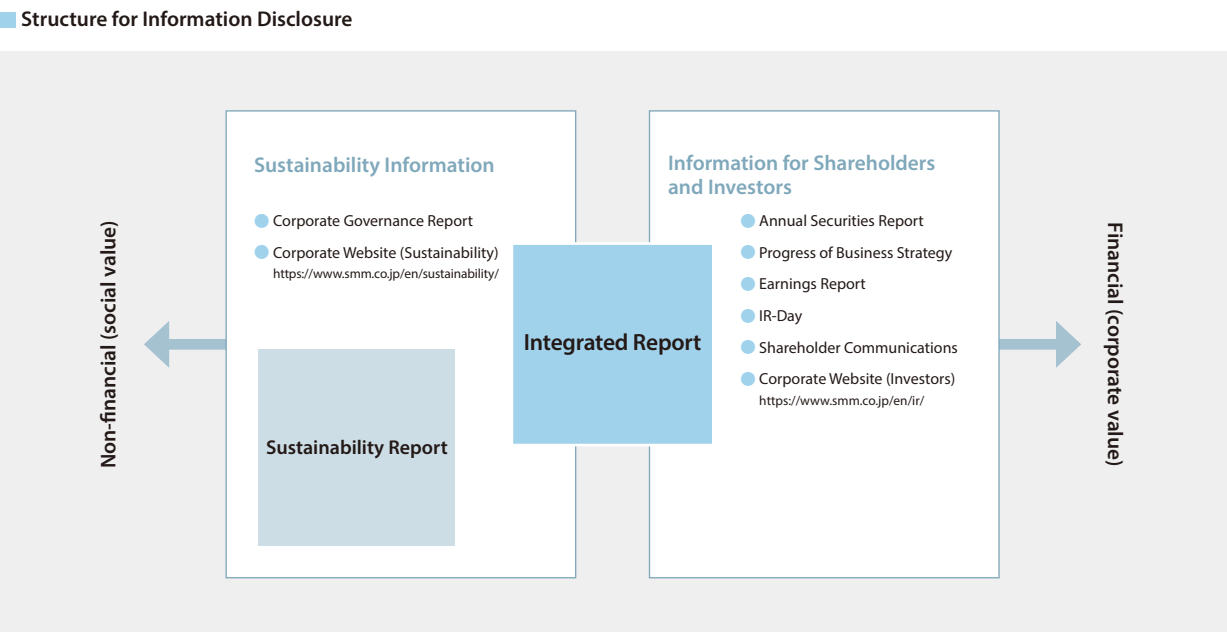
52

Equity-method affiliates

13

Contents and Editorial Policy

<div><div>The Sumitomo Business Spirit<ul style="list-style-type: none">• SMM Group Corporate Philosophy• SMM Group Management Vision</div><div>1 Value Creation Initiatives of the Sumitomo Metal Mining Group</div><div>2 Our History of Value Creation</div><div>6 At a Glance</div><div>8 SMM Group Overview</div><div>10 Contents and Editorial Policy</div><div>12 Message from the President</div></div>	<div>90 Focus 1 Carbon Neutrality</div> <div>96 Focus 2 Management of Tailings Dams</div> <div>98 Focus 3 Human Rights</div>
<div>System for Value Creation</div> <div>20 Seven Competitive Strengths</div> <div>22 Value Creation Process</div> <div>24 Business Model</div> <div>26 Financial and Non-Financial Highlights</div> <div>31 Delivering Economic Value to Stakeholders</div>	<div>Foundations Supporting Value Creation</div> <div>104 Corporate Governance</div> <div>118 Messages from the Outside Directors</div> <div>120 Tax Governance</div> <div>122 Compliance</div> <div>124 Risk Management</div> <div>127 Quality Assurance</div> <div>130 Occupational Health and Safety</div> <div>132 Environmental Management</div> <div>134 Information Security</div> <div>136 Directors and Audit & Supervisory Board Members</div>
<div>Vision for the SMM Group</div> <div>34 Long-Term Vision</div> <div>36 Material Issues and Vision for 2030</div> <div>38 Vision for 2030 – Formulation Approach</div> <div>40 Risks and Opportunities</div>	<div>Data Section</div> <div>138 Glossary</div> <div>142 The Global Non-Ferrous Metal Industry and the SMM Group</div> <div>144 Targets and Progress of Our Long-Term Vision</div> <div>146 Eleven-Year Financial Summary</div> <div>148 Financial Performance by Business Segment</div> <div>150 Consolidated Statement of Financial Position/</div> <div>152 Consolidated Statement of Profit or Loss/</div> <div>Consolidated Statement of Comprehensive Income</div> <div>154 Consolidated Statement of Changes in Equity</div> <div>157 Consolidated Statement of Cash Flows</div> <div>159 Corporate Data and Investor Information</div> <div>160 Attestation of Validity</div>
<div>Medium- to Long-Term Strategy for Value Creation</div> <div>Strategy and Resource Allocation</div> <div>44 Changes in the 3-Year Business Plan</div> <div>46 The Value Creation Logic Tree</div> <div>48 Main Progress of the 2021 3-Year Business Plan</div>	<div>Scope of the Report</div> <div>Sumitomo Metal Mining Co., Ltd. (SMM)</div> <div>The Sumitomo Metal Mining Group<ul style="list-style-type: none">SMM and consolidated subsidiaries<div>Economic and Environmental Topics<ul style="list-style-type: none">SMM, consolidated subsidiaries and equity-method affiliates</div><div>Social Topics<ul style="list-style-type: none">SMM and consolidated subsidiaries</div></div>
<div>Financial Strategy</div> <div>52 Basic Approach to Financial Strategy</div> <div>54 Funding/Investment/Return to Shareholders</div> <div>56 Results and Plan</div>	<div>Publication Date</div> <div>August 2024 Next scheduled publication: July 2025</div> <div>(Previous publication: September 2023)</div>
<div>Strategies for Individual Business Segments</div> <div>58 Mineral Resources Business</div> <div>62 Smelting & Refining Business</div> <div>66 Materials Business</div>	<div>Period Covered</div> <div>(Some activities before or after the following periods have also been included)</div> <div>Japan: April 1, 2023–March 31, 2024</div> <div>Overseas: January 1, 2023–December 31, 2023</div>
<div>Reinforcing Intangible Assets</div> <div>72 Research & Development</div> <div>76 Human Resources Strategy</div> <div>80 Digital Transformation (DX) at the SMM Group</div>	<div>Inquiries</div> <div>Public Relations & Investor Relations Department,</div> <div>Sumitomo Metal Mining Co., Ltd.</div> <div>11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan</div> <div>Tel: +81-3-3436-7705 Fax: +81-3-3434-2215</div> <div>https://www.smm.co.jp/en/contact/</div>
<div>Promotion of Sustainability Activities</div> <div>86 Sustainability Management</div> <div>88 Vision for 2030 (Material Issues and KPIs)</div>	



Referenced Guidelines and External Evaluations and Initiatives for Improvement

<div>Integrated Report</div> <div><div>International Integrated Reporting Framework</div><div>We describe in detail the Company's distinctive "3-business collaboration" business model at the core of our value creation process. Based on the perspective of integrated thinking, we also seek to structure this report with an awareness of the relationship between financial capital and non-financial capital.</div><div>Guidance for Collaborative Value Creation</div><div>We summarize the overall concept of the publication based on an awareness of systematic and comprehensive organization of corporate philosophy, business models, strategies, governance, and so on. We also strive to clarify our value creation story by organizing and describing in detail our business model.</div><div>Consideration of Outside Opinions</div><div>In addition to reviewing last year's report, we received opinions from external experts when investigating the structure of the report during the process of its production and we focused on explaining the relationship between sustainability and business issues. This report also includes an article based on discussions with employees concerning research and development with a focus on on-site initiatives.</div></div>
<div>Sustainability Report</div> <div><div>Global Reporting Initiative (GRI) "GRI Standards" (compliant)</div><div>Task Force on Climate-related Financial Disclosures (TCFD) recommendations</div><div>Corporate Sustainability Reporting Directive (CSRD)</div></div>

Disclaimer	The forward-looking statements in this integrated report, including business result forecasts, are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this report. Actual business results may differ substantially due to a number of factors. Also, unless otherwise stated, the term "ton" refers to a metric ton.
------------	--

Message from the President

H. matsumoto

President and Representative Director

With a management stance focused on *MONOZUKURI* (manufacturing and operation), my goal is to achieve our Long-Term Vision by increasing the profitability of our core businesses and growing our growth businesses.

As the SMM Group's new President

I will keep a sharp focus on *MONOZUKURI*, based on my years of experience in production

It is an honor and privilege to address you in my new position as President and Representative Director of SMM, following my appointment in June 2024. More than 35 years have passed since I joined the Company in 1987, and for much of that long period I worked directly in production. At SMM I have had the good fortune to amass many valuable experiences: from 2006 to 2008, for example, I was assigned to a HPAL Plant in the Philippines, and after returning to Japan I was General Manager of the Niihama Nickel Refinery. My many years of direct involvement in sites of *MONOZUKURI* today place me in a prime position as President to focus on the SMM Group's *MONOZUKURI-RYOKU* (manufacturing and operational capability), the root source of our competitive power.

Close to my heart I always keep a piece of advice given to me by a senior colleague when I was young. "Always remember," he said, "it is better to eliminate one negative factor from the past than to pursue profit from starting something new in the present." At the time, we were considering making a capital investment in a facility to process new raw materials, and what my colleague was saying was that instead of focusing only on what would be new, we should focus on issues or influences that negatively impact our current processes. I believe what he taught me then remains relevant for the SMM Group today.

The non-ferrous metals which the SMM Group provides today – copper, nickel, gold, etc. – are indispensable for today's social and industrial development, and as such the SMM Group has a social responsibility to provide them on a stable, continuous basis. To carry out that responsibility, new measures of course are necessary. But at the same time, it is also important to look closely for problems affecting our existing production infrastructure, and to improve and resolve any such issues completely.

With this in mind, I believe that reviewing and strengthening,

from an array of perspectives, *MONOZUKURI-RYOKU* that sustain our stable provision of non-ferrous metals will lead to enhancement of the SMM Group's value through the long term.

Aiming to achieve our Long-Term Vision of becoming "the world leader in the non-ferrous metals industry"  P.34

My agenda is to formulate a growth strategy that reflects increasing demand and the difficulties of securing mineral resources

In our Long-Term Vision we aim to become "the world leader in the non-ferrous metals industry." By this we mean a company that has a global presence, possesses superlative technologies and a unique business model, generates a stable amount of profit, actively addresses the SDGs and other social issues, and has employees who work with spirit.

The growth strategy for achieving this Long-Term Vision is underpinned by the social importance of the non-ferrous metals which the SMM Group produces, especially copper and nickel. Demand for these metals is projected to continue expanding through the long term in areas addressing climate change – renewable energy-related facilities, EVs, etc. – and for use in the construction of the large-scale data centers necessary for developing and operating generative AI. To respond to this increased demand, we plan to expand our copper and nickel production volumes as well as our business in advanced materials: cathode materials for use in vehicle batteries, silicon carbide (SiC), and near-infrared absorbing materials. Through these expansion initiatives we are targeting stable achievement of 150 billion yen in annual profit attributable to owners of parent.

Simultaneously, however, in pursuing our Long-Term Vision we must also pay close attention to various medium- and long-term risks. One major issue in this respect will be securing the mineral resources necessary to enable stable provision of non-ferrous metals as demand for them expands. With respect to copper, for example, in recent years business has become increasingly challenging due

Message from the President

to mine locations at increasingly higher altitudes or underground depths, deterioration in ore grade, and increased transportation costs because new mining areas tend to be located at greater distances from coasts. Concerning nickel, as competition for mineral resources intensifies in existing procurement nations such as Indonesia, the Philippines and New Caledonia, we need to secure new procurement sites. Today we are already considering new projects in Australia and Canada, and I hope to indicate a path toward commercialization in our next 3-Year Business Plan.

Response to sustainability issues

My focus will be on effective use of non-ferrous metal resources, measures addressing climate change, and prevention of significant environmental accidents

As a step toward achieving our Long-Term Vision, the SMM Group formulated an interim "Vision for 2030." In it we identified 11 material issues that will have a major impact on both society as a whole and our own business operations.

Topping the list is "effective use of non-ferrous metal resources." In pursuing realization of a sustainable society, we aim to build a circular economy in non-ferrous metal resources. Toward that goal we are taking steps including promotion of processing of secondary materials – scrap, etc. – in our copper smelting and refining business, and demonstration and commercialization of recycling technologies for automobile secondary batteries.

We will also boost our focus on climate change, an issue faced by all mankind. In December 2023 we announced the medium-term targets and roadmap to achieve carbon neutrality. In the preparation stage we reviewed our earlier target and set a new, more stringent target of reducing our GHG emissions by 38% or more compared to the 2015 level. One measure for achieving our new target is energy conversion. Within Japan our transition from heavy fuel oil to LNG has been nearly completed, while overseas, where our dependency on coal is still significant, we are working to shift to biofuels. We aim to achieve carbon neutrality by 2050 both by maximizing use of such existing technologies and by introducing new technologies. We will also proactively strive to contribute to realization of a carbon-neutral society through development and provision of products that have a light carbon footprint.

To prevent significant environmental accidents, we are focusing especially on proper management of tailings dams – slag accumulation sites for mineral wastes generated during mineral processing, etc. In the Philippines, for example, we manage two large-scale tailings dams, and to prevent any significant accidents such as a dam burst that would impact the surrounding region, we will continue conducting proper management in line with global standards, including the Global Industry Standard on Tailings Management (GISTM).

The 2021 3-Year Business Plan's 4 Challenges

Results are being achieved in all areas, and we are now concentrating on points in need of strengthening

The key strategies under the SMM Group's 2021 3-Year Business Plan, i.e. the period from FY2022 through FY2024, consist of "4 Challenges." Here, I will summarize what progress has been achieved so far in each of these four aspects and discuss which points we are currently focusing on in particular.

4 Challenges ▶ P.45

- 1

Increasing corporate value – Promotion of large-scale projects
- 2

Improving core business sustainability
- 3

Adapting to changes in the social environment
- 4

Strengthening the foundation of business management

Challenge 1

Increasing corporate value – Promotion of large-scale projects
Steady progress is being achieved in carrying out our two large-scale projects: Quebrada Blanca 2 and Côté gold mine development. Construction is now nearly completed, and the focus has shifted to raising facility operating ratios and achieving stable production. To expand production capacity for battery cathode materials in order to meet increasing demand, we intend to bring the startup of our new factory forward.

Challenge 2

Improving core business sustainability
Construction has been started on a lithium-ion battery recycling plant. The aim is to achieve "battery-to-battery" recycling, i.e. extracting the copper, nickel, cobalt and lithium from spent EV batteries, and using these materials to make new batteries. Under our 2024 3-Year Business Plan, we are aiming to complete a plant capable of processing 10,000 tons per year. We will also build a recycling supply chain in collaboration with established recycling companies.

To secure our required nickel resources, we are currently considering securing new mineral resources in Australia and Canada. In our battery materials business, we will continue exploring the feasibility of expanding business in lithium ferrophosphate (LFP) cathode materials as a lower-cost, highly stable substitute for nickel and other rare metals.

Human capital management is essential for boosting my focus on *MONOZUKURI-RYOKU*.



Challenge 3

Adapting to changes in the social environment

In addition to the carbon neutrality measures noted earlier, we are also focusing on securing, fostering and utilizing human capital. In July 2023 we revamped our personnel system for managerial track employees. Going forward we will implement measures to stimulate and enhance employee motivation through the introduction of a job grading system and our internal recruitment program, the "Career Up Challenge System."

Challenge 4

Strengthening the foundation of business management

Our emphasis here is on measures to strengthen our safety initiatives. Through the various measures we have implemented until now, over the long term the number of accidents is trending downward. Unfortunately, however, we have not achieved our target of keeping domestic employee accidents to 7 or fewer cases per year. In this respect, continuous education is of utmost importance. Previously we operated an educational program known as "SMM Anzen Dojo," under which safety leaders were trained to play the core role in safety promotion at each business site, in a quest to continuously enhance safety activities. In FY2024 this system was reinaugurated. Now, once again we will strengthen the flow whereby newly trained safety leaders will return to their workplaces and firmly convey the basics of safe conduct to their fellow employees.

Initiatives to secure, foster and utilize human capital

We are creating new vitality through mid-career hiring as a complement to new recruits

In conjunction with Challenge 3 above and our need to secure, foster and utilize human capital, I would like to augment my earlier

remarks from the perspective of "human capital management," a topic much discussed today.

In order to strengthen the Company's *MONOZUKURI-RYOKU*, a focus of my duties as president, embracement of human capital management, or "HCM," is indispensable. HCM sees human resources as "capital," with the aim of maximizing their value. Under the revisions made to our managerial track employees system noted above, young employees can now be selected for inclusion, and this flexible approach is already beginning to produce positive results. At the same time, going forward we will also focus on securing specialists through mid-career hiring. Up until now, mid-career hiring at SMM has centered on human resources in such areas as accounting, legal affairs, and sales. Recently, however, approaches to human resources have become more flexible, and we intend to proactively hire outside personnel in relation to *MONOZUKURI* such as technology development and R&D, with the expectation that their inclusion will lead to new innovations.

This new direction is an outgrowth of a sense of crisis: namely, although we have been able to secure the human resources we need to undertake our existing businesses and projects, we sense a shortage of human resources who can bring the extra capabilities we need to come up with new ideas and new business developments. Up to now, SMM has perhaps tended to hire human resources fitting a certain type: individuals who all look in the same direction and who act along the identical vectors to maintain and sustain our existing businesses. From now on, I believe the kind of human resources we need are those the SMM Group never had before: people who aren't afraid to say things that are, in a sense, entirely "off the wall." Since fostering such free-thinking human resources internally is not easy, I will do my best to nurture a free and open corporate culture that is accepting of new DNA from outside the Company and that can make optimal use of such individuals' strengths.

Message from the President

Strengthening of our corporate governance

Despite the challenges presented by the special nature of our businesses, we will maintain a solid financial foundation and fulfill our social responsibilities

Relative to Challenge 4, besides implementing the safety initiatives described earlier, I am also intent on strengthening our corporate governance. I believe that by continuously increasing our corporate value while focusing on transparency and accountability in our business activities and organizational management, we will fulfill our responsibilities both to our shareholders and investors and to society as a whole.

In the SMM Group, we believe that by maintaining a solid financial foundation and steadily implementing our growth strategy toward achieving our Long-Term Vision, we will enhance our valuation within the stock market over the medium and long term. Today, however, the indicators which our shareholders and investors focus on are by no means always favorable. One factor behind this situation is the special nature of the SMM Group's business operations.

Prices of non-ferrous metals – copper, nickel, etc. – are set by commodity exchanges such as the London Metal Exchange (LME), and for that reason the SMM Group's bottom line tends to be impact-

ed by the overall market environment. In addition, as competition to secure mineral resources intensifies amid growing demand for non-ferrous metals, mineral resource development projects are becoming more difficult and costly to carry out than earlier. Before we take part in any new project, we always consider the matter prudently from a variety of perspectives. If we do decide to participate, our outlay can require hundreds of billions of yen, and several years are needed before results are reaped.

SMM's PBR (price-to-book ratio) has remained below 1.0x in recent years, a situation we believe owes significantly to the aforementioned special nature of our business operations. Nevertheless, we receive offers from all around the world to become a potential partner in mineral resource development, because our financial foundation is solid enough to withstand these environmental factors. In the years ahead, we will continue to be vigilant of the need to accord highest priority to maintaining our financial foundation, and we will strengthen our provision of information so as to win the understanding and support of our shareholders and investors.

To maintain a solid financial foundation, raising our asset efficiency will also be important. An area I am focusing on in particular is reducing our inventories. In our battery materials and advanced materials areas, we are already trimming inventories and cutting

lead times through adoption of the Toyota Production System (TPS). Going forward, by expanding application of TPS Company-wide, I intend to reduce our inventory assets in areas such as raw materials, goods in process, finished products, etc

Message to our shareholders and investors

To become “the world leader in the non-ferrous metals industry” we will raise our corporate value

In the performance of corporate management going forward, I believe maintaining keen awareness toward capital costs and toward the Company's share price will be very important. I am also focusing on communication with shareholders and investors in order to enhance the market's expectations of us. Another focus is shareholder returns. As our dividend payout ratio, I am looking for a performance-based dividend in principle of 35% or higher. We are also setting our DOE (dividend on equity) at a minimum of 1.5%, regardless of market conditions and our business performance.

[Return to Shareholders](#) ▶ P.55

What I wish to convey to shareholders and investors is my determination to raise SMM's corporate value. Besides strengthening disclosures of non-financial information – information relating to

technology development, the Company's *MONOZUKURI-RYOKU*, etc. – I will focus on providing easier-to-understand explanations. I will also engage in deeper discussions with shareholders and investors concerning the various measures we are taking toward realizing our Long-Term Vision of becoming “the world leader in the non-ferrous metals industry,” and strive to provide explanations that will invite trust in SMM as a company that contributes to society. By incorporating the opinions and impressions derived from these interactions into our management measures and business activities, and conveying the results in an easy-to-understand format, this should lead to the kind of information disclosure shareholders and investors are calling for.

To become “the world leader in the non-ferrous metals industry” will require entering new businesses and implementing new measures. At the same time, in line with the instruction that I noted at the outset – that “it is better to eliminate one negative factor from the past than to pursue profit from starting something new in the present” – we must also build up our existing businesses to form our core. By carrying out these dual initiatives in tandem, we will strengthen our *MONOZUKURI-RYOKU* and pursue sustained growth for the entire SMM Group. I ask everyone for your continued support and advice as we go forward.



I believe communication with shareholders and investors is extremely important, in part to raise the market's expectations of us.

My Aspirations for Our New President

I wish to express my heartfelt appreciation to all employees for your extraordinary support and cooperation during my tenure as president since June 2018.

In retrospect, during my six years as your president, our business environment underwent continuous changes, marked most of all by the spread of the COVID-19 pandemic and inflation on a global scale. Against that backdrop, calls intensified for us to respond to an array of social issues – carbon neutrality, DX, ESG, SDGs, DEI – making this a period of tumultuous transformations impacting our corporate management.

During my term as president, at times I feared that sustaining our growth strategy may have reached a crossroads. My worries proved unnecessary, however, because so long as we continue to strive forward toward our goals, I truly believe that we have any number of growth paths laid out before us, in myriad directions.

Nobuhiro Matsumoto, my successor and your new president, has experience serving as General Manager of our non-ferrous metals plants both in Japan and abroad. Even in the face of difficulties, he has demonstrated great strength, making well thought-out judgments with attention down to the finest details, and he has always guided his team tenaciously toward improvement. I have deep trust in his consistently positive approach to everything and his solid management decisiveness. As a manager,



President Matsumoto (left) and Chairman Nozaki (right)

I take utmost joy in being able to pass the torch to the most appropriate successor at the most appropriate time.

My hope is that Mr. Matsumoto will at all times take up new challenges, never fearing changes, and set the foundations for the Company's next leap forward. To all employees, I ask that you never be satisfied with the status quo, that you always take up new challenges with determination to grow and improve. I believe firmly that doing so will not only support Mr. Matsumoto in his new position as president, but also drive SMM toward further growth.

Akira Nozaki, Chairman and Representative Director