

CSR Report 2015

SMELTING & REFINING

MINERAL RESOURCES

MATERIALS



SUMITOMO METAL MINING CO., LTD.

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Editorial Policy

This report has been created for the benefit of customers, citizens of local communities, shareholders, suppliers, employees and all other stakeholders. The intention was to provide a clear outline of the vision and activities Sumitomo Metal Mining Co., Ltd. (SMM) is pursuing in order to achieve sustainable co-existence with society and the global environment.

The articles in this report focus on activities relating to the “Six Key CSR Areas,” which were selected in 2008 after three months of deliberation in six workshops by an in-house group of 20 people comprising executive officers and general managers of Head Office divisions. Their selection was based on the impact those areas have on the company and the extent of related social needs. To determine those needs, we used insight gained through regular communication with stakeholders and information from other sources (e.g., GRI* guidelines

and other international standards, and trends in civil society). For each of the Six Key CSR Areas, we have set a Vision for 2020, and we created a roadmap in 2008 that shows the course to realize these visions. We subsequently conducted a review in 2012 against the background of changing social conditions and another review covering the ten months from June 2014 to March 2015 before formulating the 2015 3-Year Business Plan. We also established indicators to measure levels of achievement. This review process and its results are also covered in the report.

In addition, this report is in accordance with the Core option of GRI's G4 Sustainability Reporting Guidelines.

* Global Reporting Initiative (GRI): An organization established with the purpose of creating and promoting international guidelines for sustainability reports.

Boundary of the Report

Sumitomo Metal Mining Co., Ltd. (SMM)

The Sumitomo Metal Mining Group
(consolidated subsidiaries)

Economic Aspects: SMM, consolidated subsidiaries and equity-method affiliates

Environmental Aspects: SMM and consolidated subsidiaries (32 companies)

• From the perspective of materiality, we included equity-method affiliate Nippon Ketjen Co., Ltd., but excluded consolidated subsidiaries with a low environmental impact. The boundary of the report is stated on pages 83–84. Companies marked with an asterisk (*) are included in the boundary of the report.

Social Aspects: SMM and consolidated subsidiaries

Publication Date

November 2015
Previous publication: November 2014
Next scheduled publication: November 2016

Period Covered

Japan: April 1, 2014 - March 31, 2015
Overseas: January 1, 2014 - December 31, 2014
(Some activities before or after the above period have also been included)

Referenced Guidelines

GRI's G4 Sustainability Reporting Guidelines
Environmental Reporting Guidelines of the Japanese Ministry of the Environment (2012 version)
Unless otherwise stated, the term 'ton' refers to a metric ton.

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Disclaimer

The forward-looking statements in this CSR 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.



Corporate Philosophy for a Sustainable Society

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.

"Business Principles" forming the "Rules Governing the House of Sumitomo," formulated in 1928

SMM Group Code of Conduct

All officers (including executive officers) and staff (including fixed-term and temporary employees) shall, in accordance with the corporate philosophy of the SMM Group, comply with the following Code of Conduct. Officers in particular shall, in reflection of their position and responsibilities, exercise strict self-discipline, set an example in carrying out the Code, and educate employees to honor and strictly obey the Code in full.

1. Compliance: Abidance by Laws and Rules

- We will comply with foreign and domestic laws and rules, and conform to social norms.
- We will never under any circumstances commit an infraction of the law or act counter to social norms, even if doing so would seem to be in the company's interests.

2. Respect for Individuals

- We will accept diversity and respect the individuality and rights of people.
- We will never violate human rights, engage in discriminatory conduct, or contribute to such conduct.

3. Assurance of Health and Safety

- We will give highest priority to ensuring the physical health and safety of all persons affected by our operations.

4. Development of Human Resources

- We will strive not only for personal self-improvement, but also to nurture successors through systematic training and by providing various opportunities in the course of work.

5. Risk Management

- We will strive to identify risks, prevent their occurrence, and if risks occur, minimize the effects.

6. Adherence to a Progressive Stance

- We will approach our jobs with a positive and progressive attitude suitable to the creation of technologies and systems in the vanguard of changing times.

7. Respect for Teamwork, Promotion of Good Communication

- We will place high value on teamwork, in the form of cooperation both with other organizations and with fellow workers.
- We will strive to create a cheerful and broad-minded corporate atmosphere conducive to the smooth transfer of required information and the timely performance of reporting, liaison and consultation.

8. In Harmony with Society and Local Communities

- As members of society, we will participate in social contribution activities in accordance with our personal beliefs.
- We will strive toward a harmonious and mutually beneficial relationship with local communities.

9. Separation of Corporate Business and Personal Affairs

- We will at all times conduct ourselves based on sound judgment, and make a clear distinction between corporate business and our personal affairs.

10. Collection, Management and Usage of Information

- We will collect information swiftly, properly and lawfully, manage it appropriately, and use it effectively.
- We will utilize information acquired in conjunction with corporate business expressly for that purpose only, and will not leak such information to any third party.

11. Handling of Intellectual Property

- We will nurture and maintain conscious recognition of the importance of intellectual property as a vital asset of the Group, and strive toward the creation of such property.
- We will strive to properly protect and effectively use all corporate intellectual properties; we will also respect intellectual properties of other parties.

12. Assurance of Quality

- We will continuously improve quality management systems and provide products and services that satisfy customers.
- We will enhance technologies and seek to engage in manufacturing that takes into account customers' safety and their environment.

13. Stance toward Performance of Sales and Purchasing

- We will comply with competition laws and conduct sales and purchasing activities based on fair competition.

14. Stance toward Entertainment and Gifts

- We will entertain and present gifts to others, and accept entertainment and gifts, within the proper limits of both the law and social acceptability.
- We will comply with laws against bribery and will maintain healthy and proper relationships with government and political organizations.

15. Severance of Relationships with Socially Disruptive Forces

- We will staunchly eliminate socially disruptive forces and have no relations whatsoever with them.

16. Concern for the Global Environment

- Taking into consideration climate change and biodiversity, we will act in a manner enabling us to contribute to the resolution and/or improvement of resource, energy and environmental problems of global scale.

17. Attitude in the Performance of Global Business Activities

- We will strive to interact with people in the countries or regions where we undertake business and engage in conduct that respects local culture and practices as well as globally accepted norms and their spirit.

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.

Each SMM Stakeholder Category's “Ideal Company”

Customers	A company with all-round competitiveness, a sound understanding of customer needs, and advantages over competitors in terms of technology, quality, delivery and price
Shareholders and Investors	An attractive investment as a company aiming to raise corporate value through efficient business management and sound governance while delivering a dividend commensurate with performance and disclosing information as appropriate
Employees	A company that provides a healthy work environment where individual roles within the organization are clearly defined and employees take pride in their work
Local Communities	A company seeking to co-exist with the local community and contribute to regional growth
Creditors	A trustworthy company with strong earning power and sound finances
Business Partners	A company demonstrating considerable technological capability and integrity while placing value on trust and with which mutual prosperity can be assured
Citizen Groups	A company that engages in an appropriate level of communication, maintaining an acute awareness of its corporate responsibilities
Government	A company that maintains total legal compliance and contributes to the growth of the countries and communities in which it operates

Our Stakeholders

Prior to the launch of CSR activities at the SMM Group in 2008, deliberations were held relating to the SMM Group Corporate Philosophy, Management Vision, CSR Policy and Vision for 2020, and the following entities with an interest in the Group's activities were identified as stakeholders: customers, shareholders, employees, local communities, creditors, business partners, citizen groups, and the government. The SMM Group aims to maximize its corporate value and has established targets that specify the “ideal company” for each stakeholder category.

Shown on page 66 Communication with Stakeholders.

SMM Group Management Vision

By developing and employing innovative technology, we shall fulfill our social responsibilities as a manufacturing enterprise.

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

CSR Policy

1.
SMM shall work to combat global warming by promoting recycling and effective resource utilization while also targeting technological innovation and continuous improvements in energy efficiency.
2.
SMM shall promote sustainable co-existence with society by respecting the needs of local communities in which we operate around the world.
3.
To continue sound business activities, SMM shall respect human rights and shall try to be a company in which diverse human resources take active parts.
4.
According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents.
5.
SMM shall strengthen communications with all stakeholders to build healthy, trust-based relationships.

Financial and Non-financial Summary

Results for the year (Millions of yen)

FY	2014	2013	2012	2011	2010	2009	2008	2007
Net sales	921,334	830,546	808,540	847,897	864,077	725,827	793,797	1,132,372
Operating income	125,779	75,418	95,785	88,577	96,038	66,265	10,534	155,394
Recurring profit	174,226	114,352	115,034	108,829	123,701	87,791	32,572	217,866
Income before taxes and minority interests	123,261	111,006	122,455	87,962	123,394	82,776	22,942	216,504
Net income	91,113	80,258	86,640	65,286	83,962	53,952	21,974	137,808

Financial position at year-end (Millions of yen)

FY	2014	2013	2012	2011	2010	2009	2008	2007
Total assets	1,740,246	1,572,367	1,351,153	1,146,759	1,052,353	981,458	880,001	1,091,716
Net assets	1,158,945	1,019,053	844,547	726,039	684,103	629,684	547,251	640,345
Long-term debt due after one year	245,000	243,130	212,323	157,119	135,128	132,311	141,716	169,394
Interest-bearing debt	394,094	383,580	330,073	265,951	210,969	200,939	218,534	258,054

Amounts per share (Yen)

FY	2014	2013	2012	2011	2010	2009	2008	2007
Net income	165.11	145.35	155.58	116.17	149.38	96.26	38.87	238.13
Net assets	1,905.50	1,653.83	1,393.02	1,173.97	1,121.19	1,043.50	913.92	1,017.96
Cash dividends	48.0	37.0	34.0	28.0	32.0	20.0	13.0	30.0

Key ratios (%)

FY	2014	2013	2012	2011	2010	2009	2008	2007
ROA	5.50	5.49	6.94	5.94	8.26	5.80	2.23	13.64
ROE*	9.28	9.54	12.13	10.12	13.80	9.89	4.02	25.39
Equity ratio*	60.4	58.1	56.9	57.5	59.9	59.8	57.3	54.0
Interest-bearing debt to total assets ratio	22.6	24.4	24.4	23.2	20.0	20.5	24.8	23.6
Debt-to-equity ratio* (times)	0.37	0.42	0.43	0.40	0.33	0.34	0.43	0.44

* Shareholders' equity is defined as follows: Total shareholders' equity + Accumulated other comprehensive income

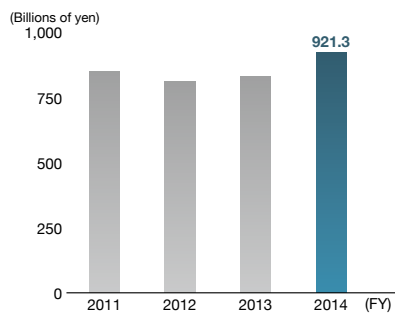
Number of Employees & Officers Worldwide (Consolidated) (March 31, 2015)

	No. of employees at year-end				Employee gender breakdown		Average number of non-regular/limited-term employees during the year	Total	Temporary employees
	Full-time officers	Managers	Regular employees	Total	Male	Female			
SMM non-consolidated	20	442	1,649	2,111	1,877	234	247	2,358	103
Consolidated subsidiaries in Japan	65	389	2,828	3,282	2,770	512	412	3,694	178
Consolidated subsidiaries overseas	40	483	2,870	3,393	2,453	940	91	3,484	528
Subtotal	125	1,314	7,347	8,786	7,100	1,686	750	9,536	809

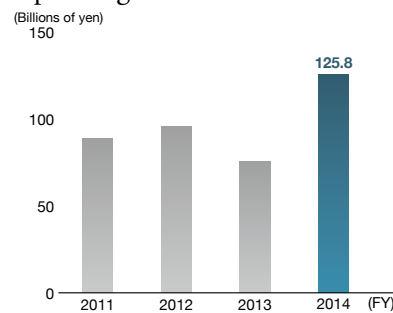
Number of Employees & Officers by Region (Consolidated) (March 31, 2015)

Japan	U.S.A.	South Korea	Peru	Chile	China	Philippines	Taiwan	Singapore	Malaysia	Thailand	Australia	Solomon Islands	Brazil	Total
6,052	348	4	14	38	844	1,138	452	38	538	1	7	51	11	9,536

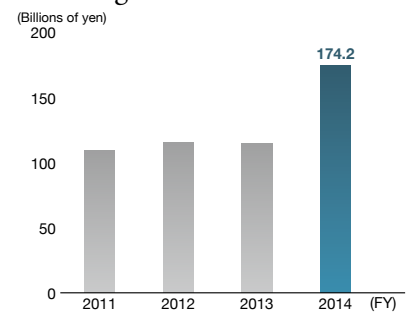
Net Sales



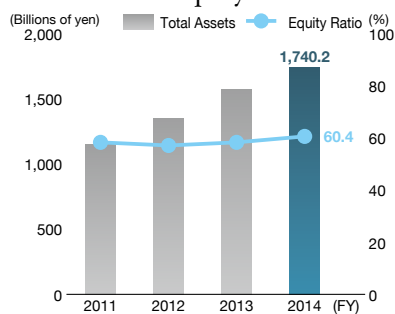
Operating Income



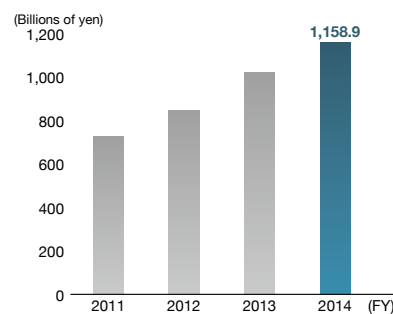
Recurring Profit



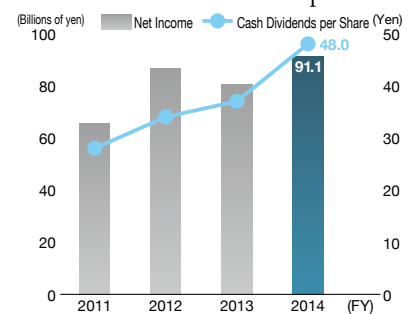
Total Assets / Equity Ratio



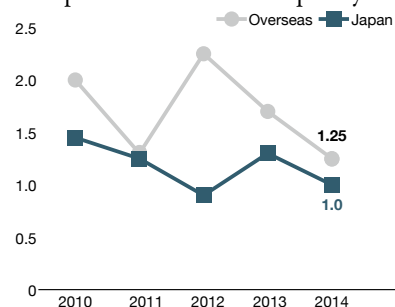
Net Assets



Net Income / Cash Dividends per Share

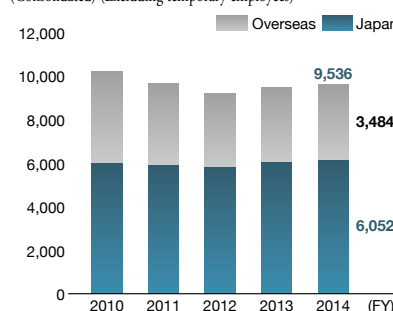


Occupational Accident Frequency Rate



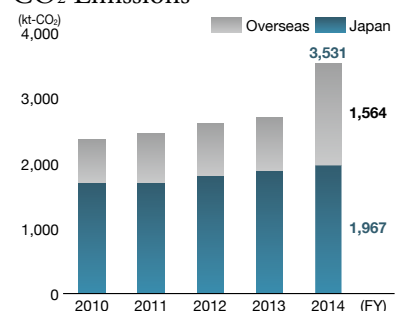
Frequency rate = number of fatalities and injuries due to industrial accidents ÷ cumulative hours worked x 1,000,000
Related information on p. 60

Number of Employees & Officers Worldwide



Related information on p. 55

CO₂ Emissions



Related information on p. 47

Distribution of Economic Value to Stakeholders

Stakeholder	Amount	Details
Suppliers	¥773.6 billion	Payments for purchase of merchandise, etc.
Employees	¥35.6 billion	Payments to employees
Shareholders/Creditors	¥30.0 billion	Payments of dividends/interest
Government	¥48.0 billion	Taxes paid
Society★	¥1.6 billion	Donations, etc.

• A retained value of ¥66.8 billion is not included in the above. Rent for use of land is minimal and therefore included in "Payments for purchase of merchandise, etc."

★ In the Philippines (CBNC, THPAL), ¥0.97 billion expended through the social development management program (SDMP) and other contributions in the same country is included.

Financial Assistance from the Government

Stakeholder	Amount	Details
Government	¥0.2 billion	Subsidies, grants, etc.

• No governments have an equity stake in SMM

Projected Benefit Obligation

SMM has the following defined-benefit systems in place, principally in Japan: a lump-sum retirement payment plan; a defined-benefit corporate pension plan; and an employees' pension fund. The projected benefit obligation is ¥64.9 billion. The portion of the projected benefit obligation to be funded by pension assets is ¥63.6 billion. Pension assets available for allocation to that portion are ¥57.5 billion.

Long-Term Vision

A World Leader in the Non-Ferrous Metals Industry & an Excellent Company of Japan

Sumitomo Metal Mining Co., Ltd. (SMM) aims to become a World Leader in the Non-Ferrous Metals Industry and an Excellent Company of Japan by promoting a continuous growth strategy while deploying advanced technical capabilities cultivated over a history of more than 400 years.

Execute a continuous growth strategy

03 3-Yr Business Plan
FY2004–FY2006

06 3-Yr Business Plan
FY2007–FY2009

09 3-Yr Business Plan
FY2010–FY2012

12 3-Yr Business Plan
FY2013–FY2015

Strengthen platform
for global competition

Strengthen global
competitiveness



Long-Term Vision Targets

World Leader in the Non-Ferrous Metals Industry

Copper

Annual production interest

300 kt

SMM is pursuing investment in overseas mining projects. In 2011, we acquired an interest in Chile's Sierra Gorda Project. We currently hold interests in copper mines located in the US, Chile, Peru, Australia and other countries. Going forward, we will seek to participate in new development projects, expand production at existing mines, and take other steps to raise our annual copper production interest to 300,000 tons.

Nickel

Annual production capacity

150 kt

Production at the Taganito Project started in the second half of 2013, broadening our annual nickel production structure to 100,000 tons. Our goal is to further expand our capacity to 150,000 tons, with a focus on development initiatives suitable for application of our HPAL technology.

Gold

Annual production interest

30 t

SMM owns the Hishikari Mine, the only commercially operated metal mine in Japan. We also operate the Pogo Gold Mine in Alaska, USA. Using our accumulated expertise in mine operation, we are seeking to raise our annual gold production interest to 30 tons, principally through new mine development.

New Materials

Recurring profit

5 billion

Through collaboration between the Materials Division and the Research Development Division, we aim to accelerate new materials development and raise profitability.

An Excellent Company of Japan

Net sales ¥ **1** trillion

Net income ¥ **100** billion

15 3-Yr Business Plan
FY2016–FY2018

18 3-Yr Business Plan
FY2019–FY2021

Become a World Leader in the Non-Ferrous Metals Industry
and an Excellent Company of Japan

2021

2012 3-Year Business Plan Strategies

Research and Development

- Accelerate development of new products in materials business
- Technical innovation in mineral resources, smelting and refining
- Promote process development

Financial Strategy

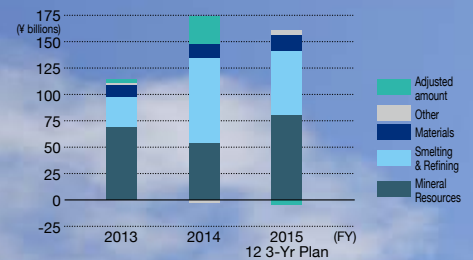
Maintain sound financial constitution

- Maintain ample liquidity to support large projects
- Maintain minimum consolidated equity ratio of 50%

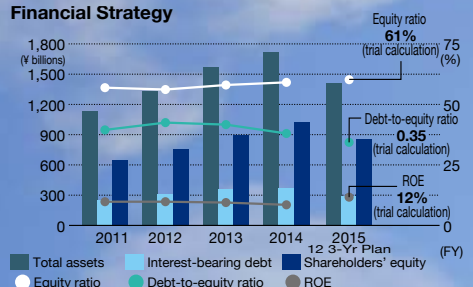
Dividend Policy

- Continue in line with business results
- Investor return: Raise consolidated dividend ratio from minimum 20% to minimum 25%

Segment Profit



Financial Strategy



Business Profile

Under our long-term vision to be a “World Leader in the Non-Ferrous Metals Industry and an Excellent Company of Japan,” we are expanding our scope of operations to the entire globe.

Stable raw materials supply for the smelting and refining business

Developing and mining resources



Development capabilities cultivated over many years in Japan and overseas

Mineral Resources Business

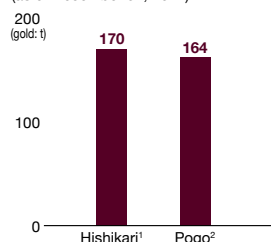
Promoting Expanded Profitability: Shifting from Raw Material Procurement to Resources Development and Mine Management

To adapt to the changes in our business environment, SMM is increasing the supply of raw materials to its smelting and refining business. In addition, we are aiming to increase revenues from our mineral resources business. We will leverage our accumulated technical expertise to promote prospecting activities and participate in new development discussions, and will strive to acquire majority production interests.

FY2014 Review

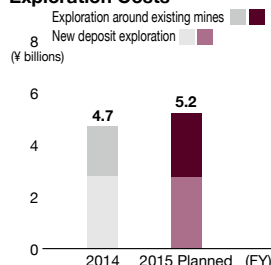
- Operations at Hishikari Mine proceeded on a stable basis, producing 6.9 tons of gold.
- Production at Pogo Gold Mine was steady, producing volume on a par with the previous year.
- Overseas, copper production at Morenci Mine was stable, while output fell at the Cerro Verde Mine, mainly due to a decline in the ore grade.

Metal Interests by Mine (as of December 31, 2014)

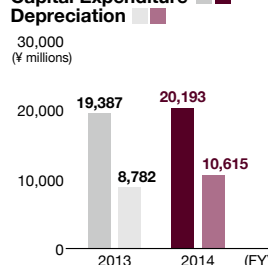


1. [Hishikari Mine] Recoverable metal, JIS standard: 170 t 2. [Pogo Gold Mine] Reserve: 55 t Resource: 108 t (Canadian standard)

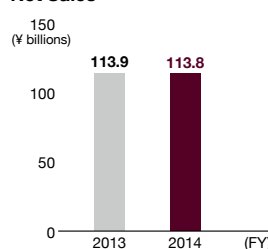
Exploration Costs



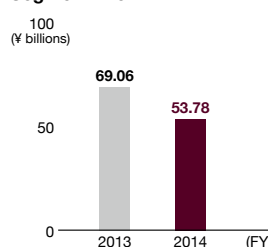
Capital Expenditure Depreciation



Net Sales



Segment Profit



Segment Profit
36.3%

Extracting metals



Unsurpassed hydrometallurgical and pyrometallurgical technology

Smelting & Refining Business

Cost-Efficient Operations with World-Leading Smelting and Refining Technology

For nickel, we are using HPAL technology to produce intermediates from low-grade ore in the Philippines. We then refine these intermediates into electrolytic nickel in Japan. SMM is Japan's sole producer of electrolytic nickel. We are also producing electrolytic copper at the Toyo Smelter & Refinery, which has world-class production capacity and cost competitiveness. Using its advanced technology, SMM is generating further initiatives for cost-efficient operations with reduced environmental footprints.

FY2014 Review

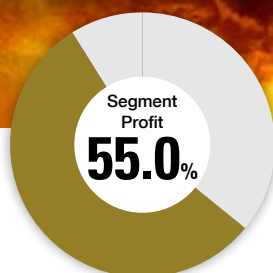
- In nickel refining, Taganito HPAL Nickel Corporation established full-scale operations. Production also increased considerably at the nickel plants that process intermediate materials produced at Taganito. Operations at Coral Bay Nickel Corporation also proceeded steadily.
- In copper smelting, production increased from the previous year when regular maintenance was conducted.

SMM is pursuing an integrated business that ranges from primary upstream manufacturing processes, including resources development, non-ferrous metal refining, and the development of electronic and functional materials using the most advanced technologies, to the development and sale of metal materials that are indispensable for daily life. SMM's strengths include its technology and R&D expertise, capacity to expand business globally, and sound financial position. SMM focuses its management resources in three core business areas: mineral resources, smelting and refining, and materials, and is reinforcing its competitive capabilities.

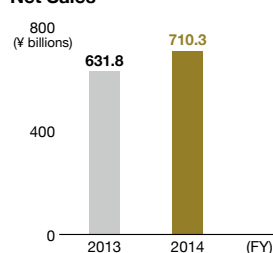
Supplying quality metals to the materials business

from ore

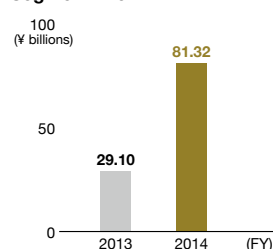
Adding value to metals



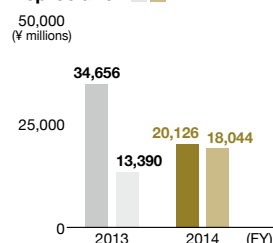
Net Sales



Segment Profit



Capital Expenditure
Depreciation



Leveraging our competitive advantage in metals to expand our business to the environmental and energy field

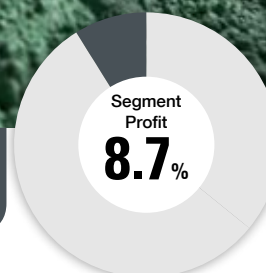
Materials Business

Building a Deeper Relationship with Our Valued Customers

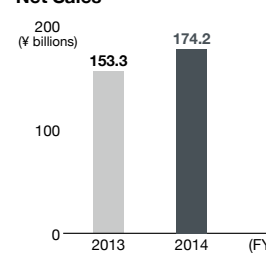
In the 1960s, SMM leveraged its accumulated metals technology to enter the electronics materials business. Now, we are promoting advanced material development in the field of environmental preservation and energy conservation, particularly in the battery materials market for hybrid vehicles produced by major auto manufacturers, and for electric vehicles, which have met with significant success in the U.S.

FY2014 Review

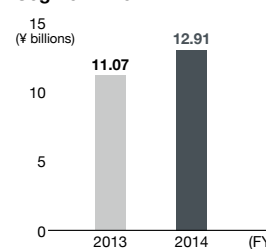
- Sales of battery materials increased due to strong demand for automobile batteries.
- Demand was healthy for leadframes, electronic pastes and crystal materials for use in smartphones.



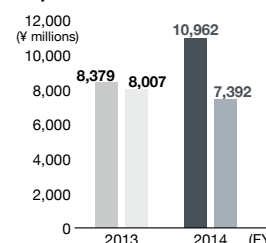
Net Sales



Segment Profit



Capital Expenditure
Depreciation



The Six Areas of High Priority and the Kind of Company that We Would Like to be in 2020

In 2008, SMM determined a Vision for 2020 (which states “The Kind of Company that We Would Like to be in 2020”) and key areas of CSR activity for the Group based on the impact of those areas on the Group and the extent of related social needs. We will actively pursue initiatives in these areas in line with the CSR Policy, toward our goal of “sustainable co-existence with society and the global environment.”

The circumstances of the society around us and its demands on our Group are constantly changing. In the promotion of CSR activities, appropriately grasping these changes and reflecting them in our objectives are of paramount importance in efforts to continuously increase the Group’s corporate value while earning the trust of society.

Based on this concept, we released a comprehensively revised version of our Vision for

2020 this fiscal year and also have been working on the formulation of our 2015 3-Year Business Plan.

We have established key performance indicators (KPI) to enable a clear understanding of achievement evaluations of the activities performed for meeting the revised goals. Details on KPI are provided on page 24.



The Kind of Company that We Would Like to be in 2020

**A company
that generates resources using
innovative technology**

[KPI]

Develop and implement technologies to efficiently recover resources (low-grade/hard-to-process ores)

Develop new and effective uses for by-products

Promote recycling



The Kind of Company that We Would Like to be in 2020

**A company that uses advanced technologies
to reduce environmental impacts
and contributes to preserving
the global environment**

[KPI]

Advance biodiversity preservation initiatives

Maintain our record of zero significant environmental accidents



Contribution to Society and Local Communities

The Kind of Company that We Would Like to be in 2020

A company that earns trust and contributes to regional development through our business and social contribution activities rooted in each region

[KPI]

1. Communicate with local communities to recognize social issues in regions where we do business, and implement programs to support solutions to those issues.
2. Provide support for the improvement of educational infrastructure and the maintenance and development of academic activities, culture, tradition, and art in countries where we do business.
3. Provide support for recovery and reconstruction after large-scale disasters.

Allocate financial resources for initiatives 1 to 3 above.



Respect for People and Human Rights

The Kind of Company that We Would Like to be in 2020

A company where diverse human resources exercise their ability sufficiently and take a vibrant and active part in each field

A company that works with its stakeholders to strive for a society that actively respects human rights

[KPI]

A company where employees can take a vibrant and active part

Respect diversity

Develop human resources

Prevent major human rights infringements



Occupational Health and Safety

The Kind of Company that We Would Like to be in 2020

A company that accords safety the highest priority and provides comfortable working environments

[KPI]

Ensure safety

Provide comfortable working environments



Stakeholder Communication

The Kind of Company that We Would Like to be in 2020

A company that works to communicate transparently with all worldwide stakeholders to deepen mutual understanding

[KPI]

Encourage deeper mutual understanding with employees

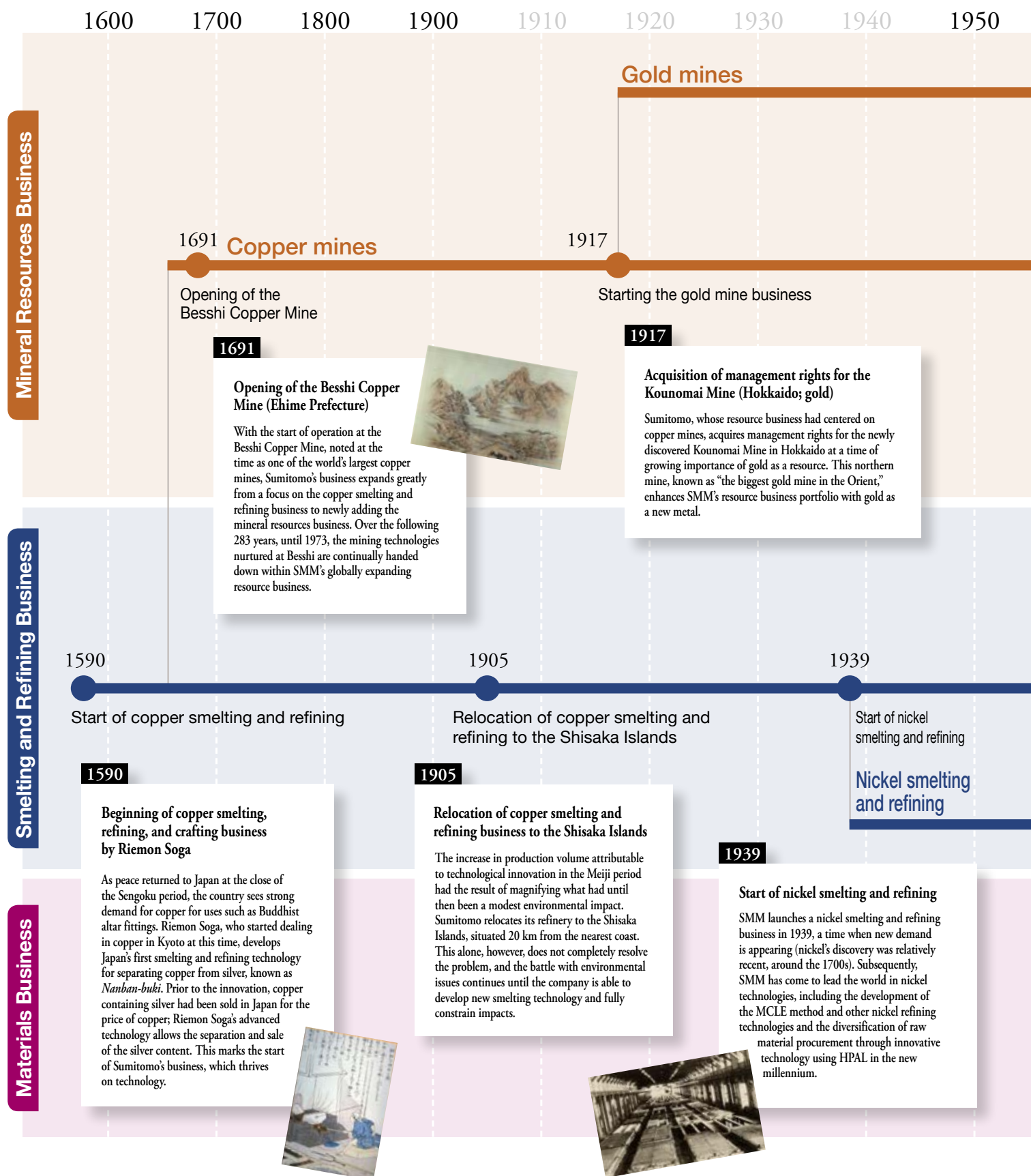
Encourage mutual understanding with local communities and citizen groups

Encourage mutual understanding with shareholders and investors

Encourage mutual understanding with other stakeholders

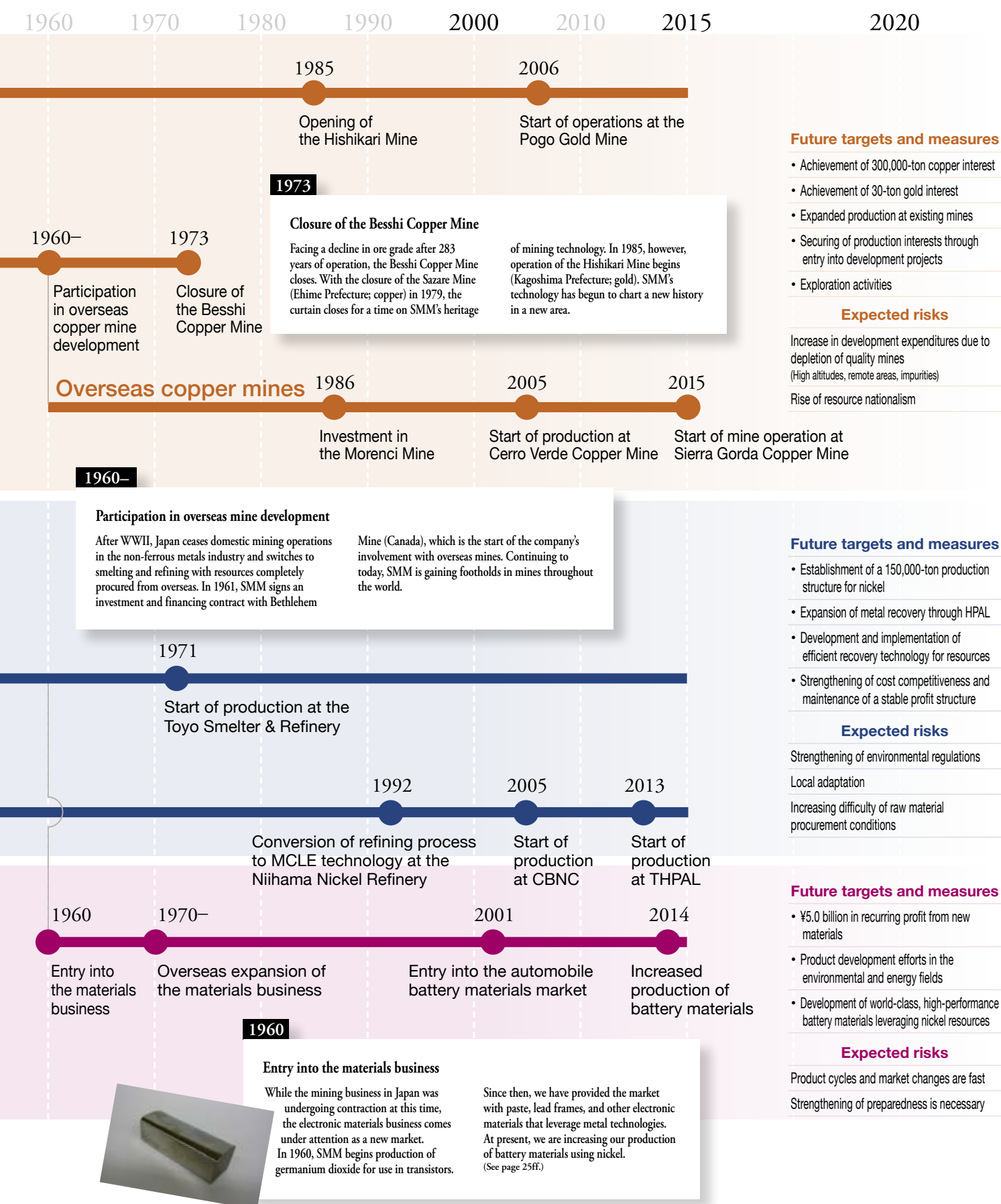
The History of the SMM Group's Business

425 years of business transitions in response to changes in the surrounding environment



Throughout its long history, the SMM Group has conducted business with an adherence to a progressive stance, in accordance with the Sumitomo business spirit and holding a keen grasp of social conditions and our surrounding environment in every era. In the launch and operation of new businesses, the Group has fully leveraged experience and knowledge nurtured through the operation of related businesses. Looking ahead, the SMM Group will bring together its technologies and knowledge backed by experience, and, building on our philosophical foundation of “Benefit yourself and others, for they are the same,”** will contribute to the creation of a sustainable society.

* “Benefit yourself and others, for they are the same” (*Jiri-rita Koshi-ichinyo*): This expression characterizes the thinking behind Sumitomo’s business, which proclaims that our business must benefit the nation and benefit society even as it benefits Sumitomo itself. Still today, Sumitomo Group companies carry forward this mind-set.



The SMM Group's Business Model

Contributing to the stable supply of products by developing our three core businesses throughout the supply chain

Unlike the business models of many major mineral resource companies, the SMM Group engages its business in mineral resources, smelting and refining, and materials. We will continue our efforts to make maximum use of the strengths of each business as well as the strengths created through cooperation among them, thereby increasing our corporate value.

- Earth resources
- Relationship with communities
- Human resources and technology
- Equipment

Input

Au
Gold mines

Hishikari, Pogo

Cu
Copper mines

Morenci, Cerro Verde, Sierra Gorda,
Candelaria, Ojos del Salado,
Northparkes, Batu Hijau

Mineral Resources

Ni
Nickel mines

Rio Tuba Nickel Mining Corporation
Taganito Mining Corporation

Overseas

Smelting and Refining

Copper concentrates
Hishikari ore
Supply

Nickel intermediate materials

The strengths of the SMM Group

- Technology and knowledge nurtured over many years of business and utilized for exploration and development and operation of mines
- Leveraging our own mine in Japan for continuous training for mining engineers

The strengths of the SMM Group

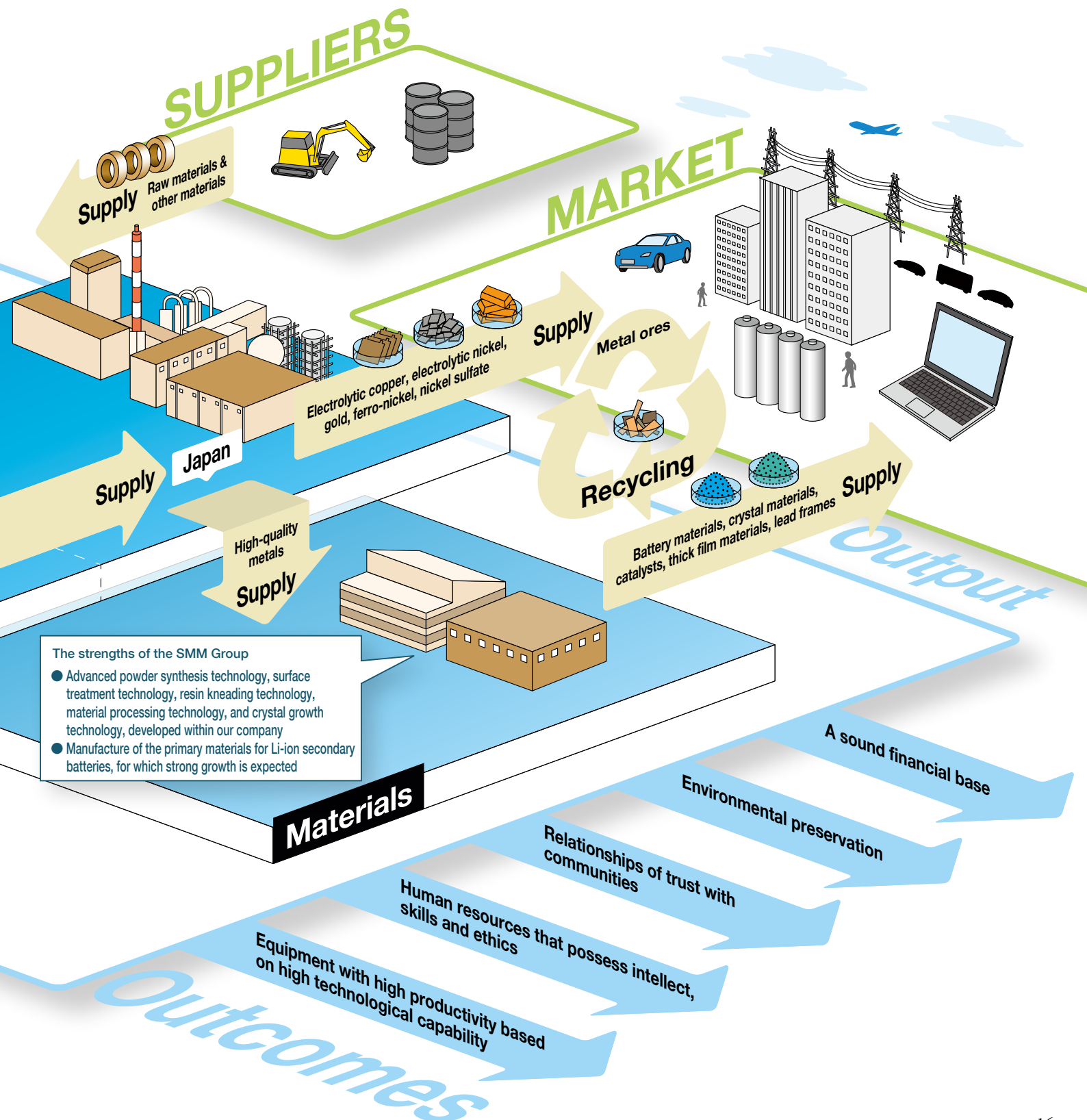
- Making use of low-grade nickel ore using the world's highest level of HPAL technology
- Refineries with high cost competitiveness (copper, nickel)

Businesses

Mineral Resources
Smelting and Refining
Materials

Strengths through
cooperation among
our three businesses

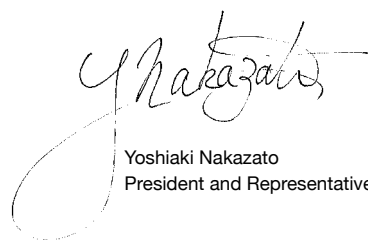
- Through our company's involvement in mineral resources, smelting and refining, and material processing, we are able to easily verify "clean" practices free of complicity with problems such as human rights violations, which provides our customers with peace of mind.
- By working to reflect the requests of customers, such as requests for quality characteristics in material manufacturing, into products from the smelting and refining stage, we are able to contribute to the market superiority of our customers' and our Group's products.
- With our mineral resources business and smelting and refining business, we are able to provide a stable supply of materials, including automotive-use nickel battery materials, which is a field where strong growth is expected.



Interview with the President



“By elevating our management quality and continuously pursuing relationships of trust with society, we will strive to achieve our Long-Term Vision.”



Yoshiaki Nakazato
President and Representative Director

Q1 How did the SMM Group perform in fiscal 2014, and what is the outlook for this fiscal year and beyond?

In fiscal 2014 we succeeded in posting increases in both sales and income, with recurring profit reaching 174.2 billion yen. And while the year-on-year increase in recurring profit over fiscal 2013 was attributable to some degree to changes in the external environment – depreciation of the yen, for example – I believe our growth in profit owes greatly to the shift to full production at Taganito HPAL and steady progress in implementing our business strategies: cost-reduction measures and so on.

Not everything went smoothly, however, and as might be expected we still have areas where further improvements in terms of management are needed. So going forward, instead of contenting ourselves with the positive results posted in fiscal 2014, we will continue to pursue realization of our Long-Term Vision as a concerted and determined effort by all SMM Group employees.

The environment we find ourselves in today isn't altogether a favorable one. On the plus side, the weak yen continues to provide a welcome tail wind. But metal prices are unlikely to rise substantially, at least through the near term, and for that reason we will need to strengthen our earning capacity regardless of what is taking place in our external environment.

One major issue is the increasing severity we are seeing today in the environment surrounding resource development – an outgrowth, for example, of “resource nationalism” in some countries. We are also facing longer development periods and expanding costs, and because of these trends we will need to exercise even greater cautiousness in managing project risks. In the coming years I believe strengthening our relationships of trust with the countries and regions where we undertake projects, and securing infrastructure that addresses environmental and regional needs, will also become more important than ever.

Q2 What points will be of greatest importance in SMM's quest to achieve its Long-Term Vision?

To achieve our Long-Term Vision I think two things will be necessary: growth strategies to enhance our earning capacity, and continuous strengthening of our management base. Particularly in the cases of Mineral Resources and Smelting & Refining, these are businesses that involve lengthy time spans: a single project can take decades to carry out. Developing resources equates to community development – development undertaken with the local community; a project can't go forward if the company undertaking it fails to win the trust of the local people. This is why it's absolutely necessary for us to enhance the quality of our management from a broad perspective, and build up our management base in a way that will foster trust.

Through our history stretching back over more than 400 years, the SMM Group has learned the importance of being a company that is trusted, a stance that has been passed down through the years in the Sumitomo Business Spirit. To cite an example, consider the matter of employee safety. In the SMM Group we believe it's crucial not only to ensure

the safety of our employees themselves but also to ensure that their families can live with full peace of mind. The same is true of our relationship with the local community. Wherever we engage in mining, smelting or refining, we always put down roots and undertake activities fitting the specific local situation. We have created scholarship programs, for example, and at Taganito HPAL and Coral Bay Nickel we have supported the construction and operation of schools and health clinics.

In developing the Sierra Gorda Copper Mine, to protect the local environment we secure the water we need for the mine's operation by bringing seawater to the site by pipeline – a distance of more than 100 kilometers. In this way, our growth strategies are intimately and inseparably intertwined with the strengthening of our management base through CSR and other initiatives.

Q3 How would you describe the essence of the SMM Group's CSR initiatives?

The products produced from our three areas of business – Mineral Resources, Smelting & Refining, and Materials – are indispensable to society. And as a company whose business is *monozukuri* – manufacturing – I believe the SMM Group's greatest social responsibility is to stably supply its customers with the products society requires. Also, at the very minimum, we have a responsibility to perform *monozukuri* in harmony with society, with local communities, and with the environment.

For these reasons, in the SMM Group, undertaking CSR activities is nothing out of the ordinary; on the contrary, all our employees put CSR into practice every day in the regular performance of their work. And now, as our business steadily expands worldwide, a global approach to CSR is also of critical importance.

Earlier, as a group we have hoisted our “Vision for 2020” describing the future image we should target in our CSR activities, and this past year we reviewed its contents in light of changes in the social picture. We also made the targets and progress of this initiative more readily understandable by establishing key performance indicators, disclosing materiality, and so forth.

Q4 What is your thinking with regard to human resources development?

In recent years the concept of “diversity” is garnering a great deal of attention. It’s only natural that when you attempt to do business in a different country, region or culture, clashes of various kinds can occur; and this holds true of co-existing with local communities, also. What’s important is to have respect for your mutual differences. In that sense it’s extremely important to develop human resources who embrace such an approach to others.

When developing human resources, I think it’s important to encourage face-to-face dialogue. Email and telephone can often suffice to convey what needs to be said, but it’s when people speak directly to one another, making eye contact, that the message truly comes across. Also important, I think, is the “chit-chat” you make with people on occasions like that, casual talk on topics unrelated to everyday work. As an example, we often learn or realize things in the course of a casual conversation: for example, mention of an article on economic matters that appeared in the newspaper. In my case I always make it a point, whenever I visit a workplace or group company, to meet directly with as many employees as possible, to hear what they have to say.

Q5 How is SMM responding to the increasing focus on corporate governance along with globalization?

Strengthening our corporate governance is another extremely important issue we need to address in order to achieve higher management quality and greater social trustworthiness on a global scale. As a response to the adoption of Japan’s Corporate Governance Code in June 2015, we have added a second outside director to our Board. In the coming years we will improve our corporate governance system further in response to society’s demands.

Another area gaining in importance is dialogue with our investors as more and more institutional investors come to adopt Japan’s Stewardship Codes. Going forward we will proactively create opportunities for such exchanges of opinions between investors and

me personally, as well as with others who are in charge of our various businesses.

Insofar as management issues are concerned, it’s important to raise our ROE, an indicator of capital efficiency, of course. But at companies like ours that undertake resource development requiring a long time span, ROA, a measure of asset efficiency, is also an extremely important factor. I intend to clearly convey detailed information of this kind to our investors, to carry out our responsibility in terms of accountability.

Q6 In the long-range view, what will be the company’s strategies and strengths in the coming years?

I don’t anticipate any fundamental shifts in direction in our next 3-Year Business Plan, which is set to start in fiscal 2016. We will focus our total efforts on achieving the targets – annual production volumes and the like – hoisted in our Long-Term Vision.

There will also be no change in our position that our three core businesses – Mineral Resources, Smelting & Refining, and Materials – will form the nucleus of our growth strategies. Going forward, we will further enhance the links between these various areas in order to further manifest strengths unique to our group.

Many of the nickel products we supply today have become indispensable, as exemplified by our battery materials used in hybrid and electric vehicles; and I get a sense that expectations toward materials among automakers are rising tremendously. We are also seeing steadily deepening relationships of trust with our customers, and this has enabled us to acquire highly valuable information concerning their detailed needs vis-à-vis products of our Materials business. If we apply such information and link together our core businesses, we should be able to achieve even more finely tuned *monozukuri*. In our nickel smelting and refining processes, we intend to proceed forward in recovery of rare metals such as scandium; here too, we may be able to develop uses for such metals as materials by enhancing the links between our core businesses.

I think the SMM Group’s business model of having three core businesses – Mineral



Resources, Smelting & Refining, and Materials – will be highly effective in further enhancing the trust we enjoy from society. In recent years, more and more business enterprises are addressing environmental protection and human rights issues, as represented by conflict minerals, as their social responsibilities, and they are examining their business practices from a broader perspective that extends to the upstream sources of the materials they use. Among customers of our Materials business, we now have corporate clients who come to see our mines or our smelting and refining sites. Going forward we intend to further avail of the strength of our unique group business model – our attention to environmental and social aspects throughout our supply chain – as a way of securing our sustained growth.

Q7 What are SMM's financial policies?

One overarching feature that sets apart our operations in Mineral Resources and Smelting & Refining is that it generally takes roughly five years from the launch of a project until operations get under way. Also, projects in our business typically involve considerable risk. For these reasons I believe it's crucial for us to always maintain a sound financial structure;

in our current 3-Year Business Plan, our policy calls for keeping our equity ratio above 50%.

As to shareholder returns, in our 2012 3-Year Business Plan we set our dividend payout ratio at higher than 25%, and in fiscal 2014 we distributed the highest annual dividend in the company's history. Going forward, we will continue to pursue our growth strategies in our quest to further elevate our enterprise value.

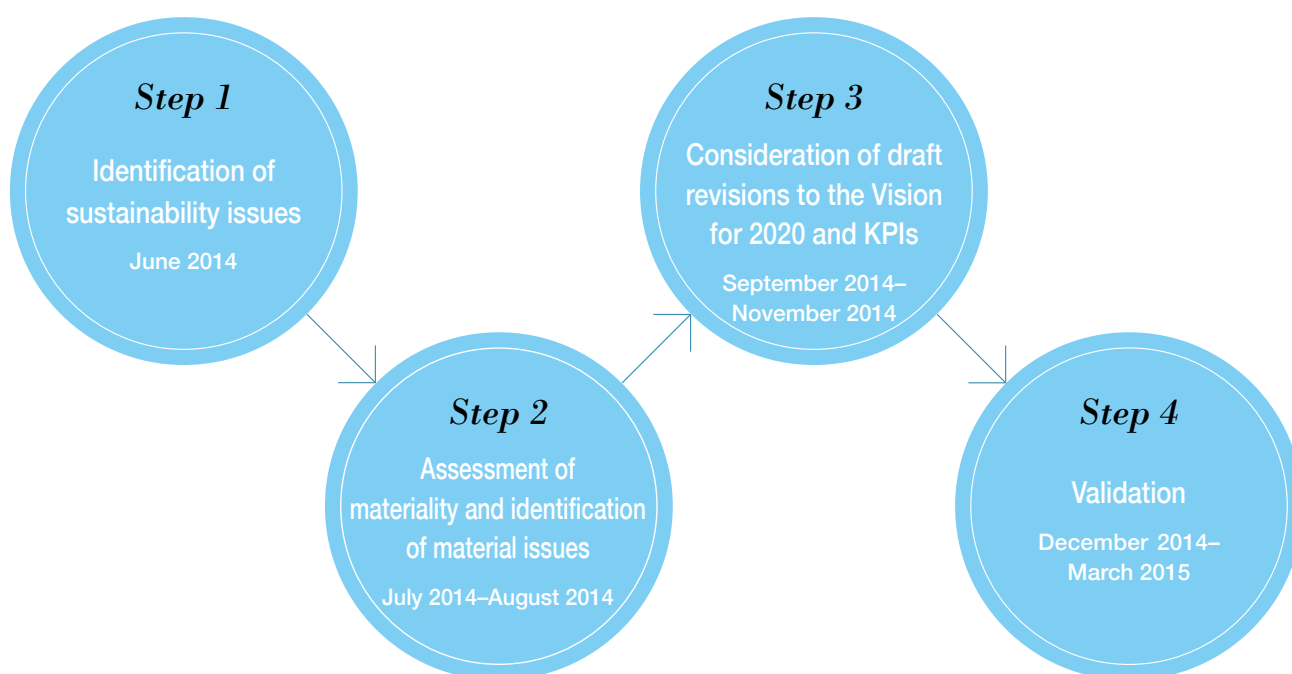
Q8 Do you have a message for SMM's stakeholders?

The SMM Group's business model – having three businesses in Mineral Resources, Smelting & Refining, and Materials – is highly unique in all the world. And to advance our growth strategies and pursue our Long-Term Vision of becoming a world leader in the non-ferrous metals industry and an excellent company of Japan, I think we must further enhance the corporate quality we have built up through our history spanning more than 400 years. By developing human resources who can serve as our driving force, and by gathering together the knowledge and wisdom of all employees, I am confident that we will respond to the expectations of all our stakeholders.

Vision for 2020 and Material Issues for the SMM Group

Since the launch of the SMM Group's CSR Committee in 2008, we have promoted CSR under targets for our key areas and for our Vision for 2020. This fiscal year, in order to respond to requests to the SMM Group, changes in society, and other issues as we engage in CSR activities, we released a comprehensively revised version of our Vision for 2020 and also have been working on the formulation of our 2015 3-Year Business Plan. We performed the review according to procedures described in the GRI Sustainability Reporting Guidelines Version 4 (G4), the global standard for disclosure of sustainability-related information.

Material issue identification process



Step 1

Identification of sustainability issues

As sustainability issues, we identified a variety of issues that positively or negatively impact the formation of a sustainable society. In doing so, we focused on the guidelines at right, with the result that we identified 102 issues.

We further consolidated the issues according to their shared qualities, in the end identifying 58 sustainability issues.

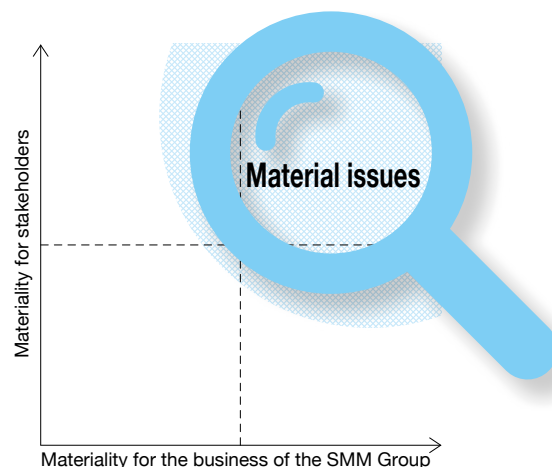
Guidelines referenced

- Aspects of the GRI Sustainability Reporting Guidelines Version 4 (G4)
- 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

Step 2

Assessment of materiality and identification of material issues

We evaluated the materiality of our 58 sustainability issues. We conducted evaluation on the two axes of materiality for stakeholders (the scale of stakeholders' expectations and concerns toward our company or the industry to which we belong) and materiality for the business of the SMM Group. We identified 26 material issues for which importance is high on both axes and for which our current initiatives should be strengthened.



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

Material Issues Identified by the SMM Group

Effective Use of Resources

- 1 Utilizing unused resources (low-grade/hard-to-process ores)
- 2 Development of new applications and effective use of by-products
- 3 Exploration and development of new resources

Environmental Preservation

- 4 Energy conservation at SMM business sites
- 5 Development of products and technologies that contribute to reducing environmental impact
- 6 Respect for nature preservation areas
- 7 Preservation and restoration of ecosystems in areas where we do business
- 8 Minimizing chemical substance emissions into the air, water, and soil (including in our portfolio companies and supply chain)
- 9 Release and transfer volume of chemical substance
- 10 Waste management

Contributing to Society and Local Communities

- 11 Community investments
- 12 Local hiring
- 13 Local procurement
- 14 Utilization of partnerships
- 15 Management of closed mines
- 16 Recovery support for areas affected by devastating disasters

Respect for People and Human Rights

- 17 Human resources development
- 18 Diversity and equal opportunity
- 19 Protection of employees' human rights
- 20 Avoidance of contributing to human rights infringements with our supply chain
- 21 Respect for the rights of indigenous populations

Occupational Health and Safety

- 22 Ensure safety
- 23 Secure occupational health

Stakeholder Communication

- 24 Engagement with local communities
- 25 Engagement with employees
- 26 Communication with shareholders and investors

Step 3

Consideration of draft revisions to the Vision for 2020 and key performance indicators (KPIs)

We categorized the identified material issues into Six Key CSR Areas and formulated draft revisions to the Vision for 2020, in line with our targets and our approaches for addressing the organized material issues as a Group.



We also identified specific targets and KPIs for assessing our degree of achievement toward the Vision for 2020.

Step 4

Validation

The Chairman, President, and all 24 executive officers took part in 15 hours of deliberations on the considered material issues, the Vision for 2020, the specific targets, and the KPIs, with a focus on verifying consistency with our business policy and business strategy. Validation of the final draft was carried out through confirmation by the CSR Committee and decision by the Board of Directors.



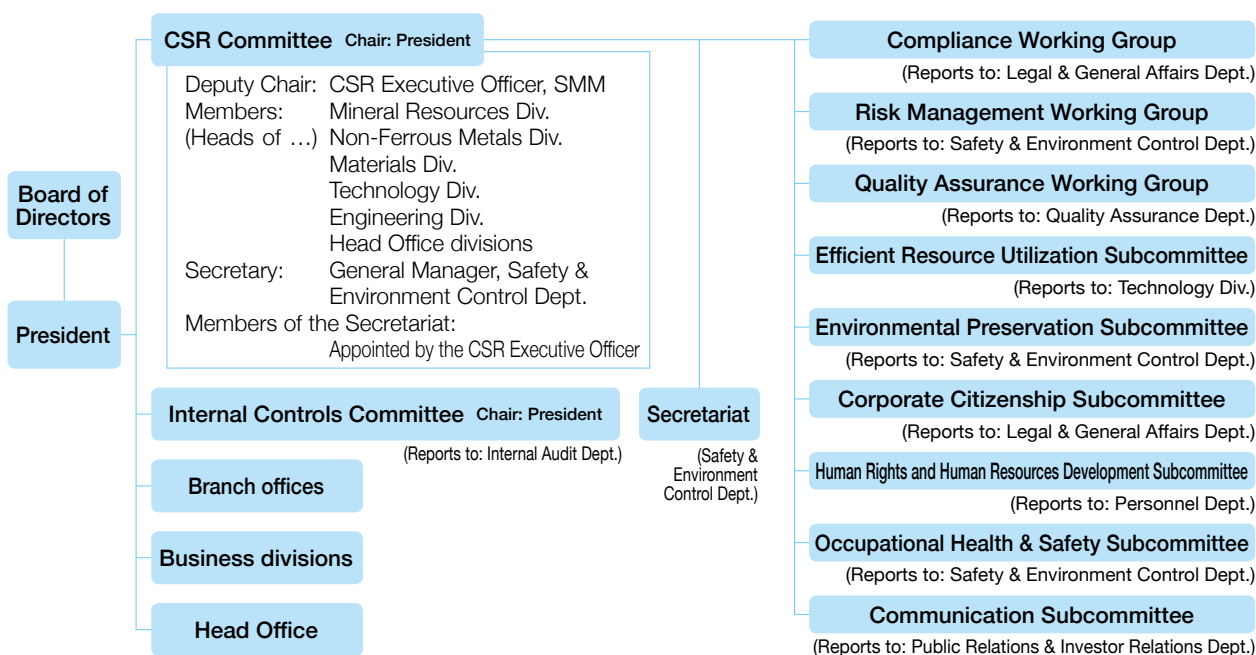
Moving ahead

Measures for attainment of targets concerning material issues will be reflected into our 2015 3-Year Business Plan and our fiscal year plans. Through steady implementation of the PDCA cycle within a management framework for CSR promotion, we will work toward achievement of the targets and enhancement of our corporate value. We have also launched a Quality

Assurance Working Group under our CSR Committee. Looking ahead, we will engage more actively than ever in manufacturing that responds to the demands of customers and society.

With regard to issues other than material issues, we will also continue our present management efforts and maintain the level of our activities to address the issues.

CSR Promotion Framework



* Directors who are also members of the CSR Committee are the President, the General Manager of the Non-Ferrous Metals Division, the General Manager of the Engineering Division, and the General Manager of the Corporate Planning Department.

Specific Targets and KPIs for the Six Key CSR Areas

Effective Use of Resources

- | | |
|--|---|
| <p>1. Develop and implement technologies to efficiently recover resources (low-grade/hard-to-process ores)</p> <p>Q 1,3</p> | <p>1) Promote rational use of low-grade nickel ore
<small>Make nickel produced from low-grade ores 2/3 of nickel production overall</small></p> <p>2) Achieve profitability in our copper business by developing processing technologies for low-grade/hard-to-process ores</p> <p>3) Develop efficient gold mining technologies</p> <p>4) Be active in marine resource development projects
<small>Contribute to the development of mining technologies and processing solutions</small></p> |
| <p>2. Develop new and effective uses for by-products</p> <p>Q 2</p> | <p>1) Recover and market scandium from nickel oxide ore</p> <p>2) Recover raw material for iron and steel manufacturing from nickel oxide ore
<small>Commercialize chromite and hematite</small></p> |
| <p>3. Promote recycling</p> <p>Q 1</p> | <p>Improve our effective use of recycled resources</p> |

Environmental Preservation

- | | |
|--|---|
| <p>1. Advance biodiversity preservation initiatives</p> <p>Q 4,5,6,7,8,9</p> | <p>1) Implement global warming countermeasures
(1) Expand materials business for products (creating, storing, and saving energy) with low CO₂ emissions
<small>Achieve a 5-fold expansion of revenue (measured against FY2011) from materials for products with low CO₂ emissions</small></p> <p>(2) Reduce CO₂ emissions from operations
- Continue to reduce CO₂ emissions by approximately 1% annually
- Contribute to CO₂ emission reductions by constructing a plant using HPAL, etc., which has significant energy saving advantages over other technologies such as NPI</p> <p>(3) Develop and use renewable energy to contribute to CO₂ emission reductions</p> <p>2) Steadily develop and adopt technologies for reducing environmental impacts
(1) Implement a planned approach for minimizing the emission of chemical substances
(2) Contribute to environmental preservation through forestation, etc.</p> |
| <p>2. Maintain our record of zero significant environmental accidents</p> <p>Q 8,10</p> | <p>1) Improve strength against earthquake and severe weather at closed mine sites</p> <p>2) Prevent significant environmental accidents by strengthening environmental risk management</p> |

Contribution to Society and Local Communities

- | | |
|--|---|
| <p>1. Communicate with local communities to recognize social issues in regions where we do business, and implement programs to support solutions to those issues</p> <p>Q 11,12,13,14,15</p> | <p>1) When devastating disasters occur in Japan or elsewhere in the world, provide support for recovery and reconstruction, taking the relationship between the affected area and SMM group's business into consideration</p> <p>2) Provide continuous support for the people and areas affected by the Great East Japan Earthquake</p> |
| <p>2. Provide support for the improvement of educational infrastructure and the maintenance and development of academic activities, culture, tradition, and art in countries where we do business</p> <p>Q 11,14,15</p> | <p>1) When devastating disasters occur in Japan or elsewhere in the world, provide support for recovery and reconstruction, taking the relationship between the affected area and SMM group's business into consideration</p> <p>2) Provide continuous support for the people and areas affected by the Great East Japan Earthquake</p> |
| <p>3. Provide support for recovery and reconstruction after large-scale disasters</p> <p>Q 16</p> | <p>1) When devastating disasters occur in Japan or elsewhere in the world, provide support for recovery and reconstruction, taking the relationship between the affected area and SMM group's business into consideration</p> <p>2) Provide continuous support for the people and areas affected by the Great East Japan Earthquake</p> |
| <p>4. Allocate financial resources for initiatives 1 to 3 above</p> | <p>1) When devastating disasters occur in Japan or elsewhere in the world, provide support for recovery and reconstruction, taking the relationship between the affected area and SMM group's business into consideration</p> <p>2) Provide continuous support for the people and areas affected by the Great East Japan Earthquake</p> |

Respect for People and Human Rights

- | | |
|---|--|
| <p>1. A company where employees can take a vibrant and active part</p> <p>Q 19</p> | <p>1) Satisfying work
<small>Make continual improvements based on the results of employee satisfaction surveys</small></p> <p>2) Mental health
(1) Optimize the work environment through training and the reduction of overly long working hours
(2) Reduce mental health afflictions in employees</p> |
| <p>2. Respect diversity</p> <p>Q 18</p> | <p>1) Support the active contribution of women at SMM (domestically)
(1) Target number of female managers: 10 or more
(2) Target proportion of female employee in the recruitment of management track employees: 1/3</p> <p>2) Promote non-Japanese employees as key personnel</p> <p>3) Employ people with disabilities
<small>Establish and achieve an internal target for the number of employees with disabilities in the Group domestically</small></p> <p>4) Establish a strategy and supportive framework as a means to facilitate initiatives 1 to 3 above</p> |
| <p>3. Develop human resources</p> <p>Q 17</p> | <p>1) Continue the program for select employees after confirming the effectiveness of selective training initiatives</p> <p>2) Develop broad-based training to boost the level of our workforce
<small>Provide training opportunities to all employees: 100% participation in training courses</small></p> <p>3) Enhance training for locally hired executive managers overseas</p> <p>4) Conduct training for further support for the active contribution of female employees</p> |
| <p>4. Human rights</p> <p>Q 19,20,21</p> | <p>1) Prevent major human rights infringements
(1) Hold regular training on the SMM Group Human Rights Policy: applicable to all workplaces
(2) Establish human rights hotlines (offering multiple means for reporting): applicable to all workplaces
(3) Make employees aware of the SMM direct hotline: applicable to all workplaces
(4) Implement regular human rights due diligence (in three categories): once every 3 years</p> |

Occupational Health and Safety

- | | |
|---|---|
| <p>1. Ensure safety</p> <p>Q 22</p> | <p>1) Make our final target zero occupational accidents overall</p> <p>2) Reduce occupational accidents to three or fewer per year by 2020 and establish frameworks for achieving this target
<small>(Applicable to all domestic Group employees)</small></p> <p>3) Halve the frequency rate of occupational accidents by 2020 (Applicable to all domestic and overseas Group employees)
<small>Reduce the frequency rate from 1.28 (FY2011) to 0.60 (FY2020)</small></p> |
| <p>2. Provide comfortable working environments</p> <p>Q 23</p> | <p>1) Provide healthy working environments
(1) Achieve zero new cases of employees with occupational disease (requiring treatment)
<small>(Applicable to all domestic and overseas Group employees)</small>
(2) Achieve zero Control Class 3 workplaces (excluding locations stipulated in guidelines, etc.)
<small>(Applicable to all domestic business sites)</small></p> <p>2) Implement other working environment improvements</p> |

Stakeholder Communication

- | | |
|---|--|
| <p>1. Encourage deeper mutual understanding with employees</p> <p>Q 25</p> | <p>1) Continue conducting employee awareness surveys</p> <p>2) Hold regular dialogues with workers' unions or representatives from employee ranks</p> |
| <p>2. Encourage mutual understanding with local communities and citizen groups</p> <p>Q 24</p> | <p>1) Continue regular meetings with local communities and participate in community activities</p> <p>2) Carry out cooperative activities with NGOs/NPOs</p> |
| <p>3. Encourage mutual understanding with shareholders and investors</p> <p>Q 26</p> | <p>1) Publish integrated reports and improve their content</p> <p>2) Promote dialogue with investors</p> |
| <p>4. Encourage mutual understanding with other stakeholders</p> | <p>1) Publish integrated reports and improve their content</p> <p>2) Promote dialogue with investors</p> |

Numbers next to **Q** indicate the corresponding Material Issues from page 22.

The Endless Possibilities of SMM's Nickel Business

In 2014, the world's most advanced HPAL plant, constructed in Taganito on Mindanao Island in the Philippines, began full production.

Looking at the market, sharp expansion is predicted for lithium-ion secondary batteries that use nickel-based materials produced by SMM. We would like to present an overview of the nickel business of SMM, which aims to become a top global nickel producer.



World's most advanced smelting and refining technologies

World's first commercialization of HPAL technology

Amid major shifts surrounding the mineral resources environment, including the rise of "resource nationalism," High Pressure Acid Leach (HPAL) technology has gained attention as a process for smelting and refining nickel. A feature of this technology is its ability to use low-grade oxide ore as a resource. Although this ore can be found close to the earth's surface, until now it has been little used. SMM's Taganito HPAL Nickel Corporation (THPAL), which began commercial production in Taganito on Mindanao Island in the Philippines in October 2013, is an HPAL plant that incorporates the world's most advanced technology.

Global initiatives to commercialize HPAL began in the 1990s. While many companies run into difficulties in developing the technology, SMM became the first in the world to achieve practical implementation of HPAL. In April 2005, SMM began commercial production at the Coral Bay Nickel Corporation (CBNC) on Palawan Island in the Philippines. Currently, SMM's annual production of nickel intermediate materials is equivalent

to 24,000 tons of nickel.

Our success was made possible through the operating know-how and precision engineering of Japanese manufacturing and through the smelting and refining technologies built up over SMM's history of more than 400 years. Among these technologies, the Matte Chlorine Leach Electrowinning (MCLE) process deployed at the Niihama Nickel Refinery in Niihama, Ehime Prefecture became an extremely valuable technological backbone in the commercialization of HPAL.

Further strengthening the competitive advantage of HPAL

The wealth of knowledge gained through commercialization at CBNC has been put to many uses and given a more evolved form at THPAL. We consolidated the back-end process portions of the two-line process, and introduced automation to many parts of the equipment. As a result, labor productivity per employee greatly exceeds that at CBNC.



Column



Engaging in projects with local communities

At THPAL, SMM engages in activities that involve communities as well as technology and people. In order to put down roots locally and develop together with local communities, we are working together with Taganito Mining Corporation, a company under the umbrella of Nickel Asia Corporation, to improve roads and construct residences and clinics in villages near the plant.

We are also undertaking original initiatives to restore land after use. With regard to the tailing dam where residues from the plant are rendered harmless and

stored, we plan to cover the dam with soil after the landfill is completed and restore greenery to the site. At CBNC, fruit and other agricultural produce are also being grown on such restored land. We will undertake similar activities at THPAL to contribute to revitalizing the region and creating employment.



Nobuhiro Matsumoto

General Manager,
Administration Dept.,
Non-Ferrous Metals Div.

Tree planting at the tailing dam

The same is true not only for technology but also in the training of people. In launching the plant, we dispatched engineers from the Philippines to CNBC for on-site training, and posted staff from CNBC at THPAL to provide support. Expert engineers from the Niihama Nickel Refinery in Japan were also stationed at THPAL during the launch period. These engineers

are working to transfer technology at THPAL, as Japanese and Philippine staff work together.

THPAL began full-scale production of 30,000 tons per year in 2015, with plans to boost production to 36,000 tons per year.

HPAL, which uses low-grade nickel ore to produce high-grade nickel material, is a technology with a very high competitive advantage in the smelting and refining of nickel. While working to effect improvements for further increases in production capacity, SMM will also take up the exploration of new possibilities. A variety of metals are produced as byproducts of the HPAL process, and we are now working on technological development to recover rare metals such as scandium.

We also continue to perform feasibility studies for upcoming nickel projects, including the Pomalaa project in Indonesia.



Pioneering Initiatives in the Expanding Market for Automotive Lithium-Ion Secondary Batteries

Lithium-ion secondary batteries have become familiar parts of our lives through devices such as smartphones and home appliances. Within this market, rapid expansion is predicted in the area of automotive applications. SMM is taking a pioneering lead in lithium nickel oxide, the positive electrode material that holds the key to these automotive batteries, and is establishing a competitive advantage.



Hiroki Kadoya
Executive Officer
Senior Deputy General Manager,
Materials Div.

Together with the rapidly expanding EV market

In recent years, demand for electric vehicles (EVs) has shown marked growth, and the automotive lithium-ion secondary battery market is expected to grow accordingly.

One key element in lithium-ion secondary batteries is the positive electrode material. Major automobile manufacturers have so far adopted manganese-based positive electrode material for use in their EVs, but these present issues including short single-charge driving range. Lithium nickel oxide (NCA) has garnered attention as the next-generation positive electrode material to break through these barriers. U.S.-based Tesla Motors has adopted batteries using NCA, and is manufacturing and selling EVs with a driving range of about 500 km.

The provider of the mainstay lithium-ion secondary batteries used by Tesla Motors is Japan's Panasonic Corporation. The supplier of the NCA for these batteries' positive electrode material is SMM.

A market holding even greater potential

In 2004, SMM and Panasonic began joint development aimed at mass production of lithium-ion secondary batteries using NCA.

The primary technological theme to address was improving charging characteristics and safety. Resolving these issues calls for NCA with high quality and high performance. SMM carried out upfront investment to



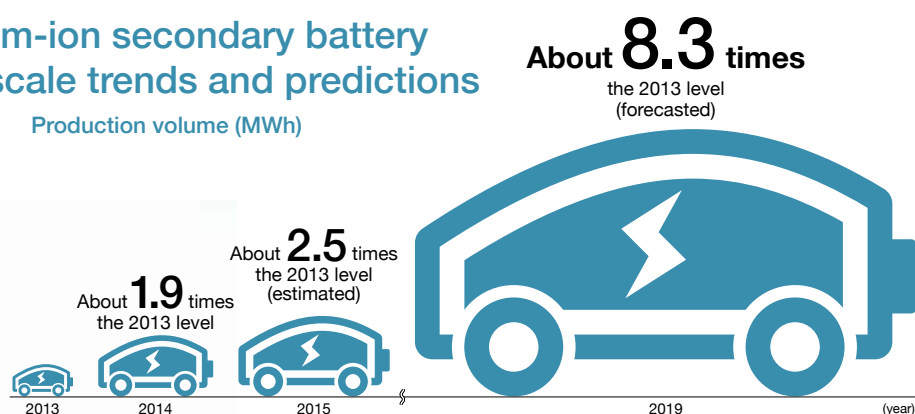
construct a full-featured production environment, a pioneering strategy that has now come to bear fruit.

In 2014, SMM established a production system at our Isoura Plant to supply 850 tons of NCA per month. In 2015, we plan to enhance the system to produce 1,850 tons per month.

Tesla Motors has announced plans to expand EV production from about 35,000 vehicles in 2014 to 500,000 per year in the latter half of the decade. As the safety of the technology becomes established, and as its cost decreases through mass production, Japanese automobile manufacturers, too, have begun

Lithium-ion secondary battery market scale trends and predictions

Production volume (MWh)



Source: *Battery Market 2015: Comprehensive Survey for Current Aspect Vol. 1*, Fuji Keizai Co., Ltd.



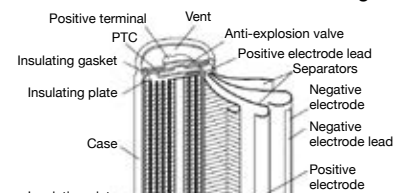
investigating nickel-based positive electrode materials for use in batteries. The technology is further expected to spread into markets other than automobiles, including power tools, cordless appliances and household storage batteries.

Taking full advantage of its status as a pioneer in NCA for use in lithium-ion secondary batteries, SMM will strengthen its production and work to expand the outlets for supply. We are also engaging in a range of research and development projects at our Battery Research Laboratories, with an eye toward further possibilities in the future.

Battery Construction and Positive Electrode Materials



Cross-section structure and manufacturing



Column

Construction of a new production site in Fukushima Prefecture

To reinforce our production of lithium nickel oxide (NCA), SMM is constructing a new production site in Naraha, a town in Futaba county, Fukushima Prefecture. We established Sumiko Energy Materials Co., Ltd. as a fully owned subsidiary where we are now installing production equipment. Construction is scheduled for completion during FY2015 and operation will start with a workforce of about 30 persons, with plans for about 20 new hires from the area. We have also made an agreement to outsource a portion of the production process to the current plant of Nihon Kagaku Sangyo, and plan to enhance the new location to become our second production site for NCA after the Isoura Plant.



Sumiko Energy Materials Co., Ltd. Naraha Plant

A Supply Chain that Closely Links the Three Core Businesses of Mineral Resources, Smelting and Refining, and Materials

Aiming to be a Global Top Producer of Nickel

In 2014, SMM set an objective of establishing a 100,000-ton nickel production structure. The company's long-term vision further calls for making a leap to a 150,000-ton production structure and securing a place among the world's top five producers of nickel. With our driving force being a unique supply chain that organically links everything from mineral resources to markets, we will continue taking up this challenge.

Raw materials refined in the Philippines and brought to Japan

The low-grade nickel ore used at our CBNC and THPAL plants is supplied from neighboring mines operated by Nickel Asia Corporation (NAC), in which SMM is an investor.

NAC is the largest nickel mining company in the Philippines, and has achieved stable operation through its close relationship of trust with SMM.

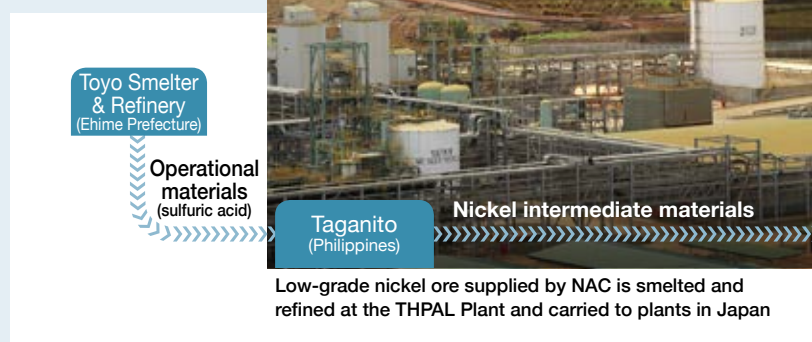
At these HPAL plants, MS (mixed sulfide, a mixed nickel-cobalt sulfide) with a nickel grade of 55-60% is produced from low-grade ore containing about 1% nickel. The MS is then loaded on a ship and carried to Japan.

At the Niihama Nickel Refinery, we produce electrolytic nickel using the MCLE process, and also produce nickel sulfate. SMM is Japan's only smelter and refiner of electrolytic nickel, or nickel with high purity of 99.99%. We also produce nickel sulfate at our Harima Smelter.

The Materials Division's Isoura Plant procures nickel sulfate from sources including the Niihama Nickel Refinery and Harima Smelter, to produce lithium nickel oxide (NCA) for supply to customers. This NCA is used in the positive electrode material of lithium-ion secondary batteries.

Efficiently and stably supplying high-quality product

As the preceding overview shows, SMM's supply chain that links mineral resources, smelting and refining, and materials is a great strength in our nickel business. For our materials business, having a stable supply base for nickel raw materials is an important condition for gaining



the trust of customers. Linking with upstream smelting and refining processes also allows us to respond precisely to customers' requests concerning the quality or characteristics of materials.

Our smelting and refining business, too, receives a variety of benefits, including aid in the collection of customer feedback through the materials business in order to improve processes. Cooperation with the Isoura Plant, the outlet for supply, also leads to cost reductions. Having nickel sulfate as a core product, along with electrolytic nickel for which we are the only manufacturer in Japan, creates a risk hedge against changes in the market.

SMM has identified a 150,000-ton nickel production structure as our long-term vision. We will further polish our unique supply chain as we work to become a global top-class nickel producer.



Niihama Nickel Refinery
(Ehime Prefecture)

Battery materials

Niihama Nickel Refinery, the production site for electrolytic nickel and nickel sulfate

Smelting and Refining Business

Products



Isoura Plant
(Ehime Prefecture)

Production of lithium nickel oxide (NCA) at the Materials Division's Isoura Plant

Materials Business

Products

Market

Column

Using sulfuric acid from Japan in the Philippines

As indicated by the term High Pressure Acid Leach, HPAL technology requires a large volume of sulfuric acid in its processes. The Toyo Smelter & Refinery, the core site of our Copper Business, produces sulfuric acid as a by-product of the copper smelting and refining process. Securing outlets for this supply of acid had been an issue for the refinery. At present, the sulfuric acid produced by the Toyo Smelter & Refinery is carried to CBNC and THPAL in the Philippines and is used in the HPAL process. By going beyond the boundaries of the "nickel" and "copper" labels on our businesses in making use of resources, we are pursuing efficiency from a company-wide perspective.

Securing human resources to support the supply chain

Ehime Prefecture is the region that housed the roots of SMM, the Besshi Copper Mine. Even now, SMM's production sites, including the Toyo Smelter & Refinery that processes copper, the Niihama Nickel Refinery, and the Isoura Plant, are concentrated in Ehime Prefecture. In conjunction with the bolstering of production at the Materials Division's Isoura Plant, we are making use of the Group's highly experienced human resources. At the foundation of initiatives like this is our view of human resources as treasured assets, as well as SMM's desire to create sustainable employment rooted in communities. At overseas sites, too, we conduct employment with this stance as our foundation.



Effective Use of Resources



Environmental Preservation



Contribution to Society and Local Communities

Activity Report

| Performance in fiscal 2014 |

SMM's CSR activities are promoted by the CSR Committee, which convenes at least once a year and comprises the President, as chairman, and the heads of the business and Head Office. Attached to the CSR Committee are three working groups—the Compliance, Risk Management, and Quality Assurance Working Groups—and six subcommittees overseeing the following areas: efficient resource utilization, environmental preservation, corporate citizenship, human rights and human resources development, occupational health and safety, and communication. Each of these six subcommittees, which correspond to the SMM Group's "Six Key CSR Areas," works toward annual plans and targets in the quest to realize the "Vision for 2020." CSR activities consistent with these annual plans and targets are advanced principally through initiatives at business sites and group companies. Actual implementation is carried out by all officers and employees according to their individual roles. The CSR Committee reviews the activities of each area based on reports from working groups and subcommittees. Reviews include activity progress reports and activity plans for the next fiscal year, evaluations of the company's environmental, social, and economic performance, the execution of corrective measures where necessary, and the implementation of our PDCA (Plan-Do-Check-Act) cycle.

Respect for People and Human Rights



Occupational Health and Safety



Stakeholder Communication



Main Results of Activities in FY2014

Effective Use of Resources

[Vision for 2020]

A company that generates resources using innovative technology

Perspective	Aim	Target	FY2014 Achievements
Effective use of natural resources	Acquisition and development of new resources	Develop the Sierra Gorda Mine	● In October 2014, the mine's opening ceremony was held and the first ship laden with copper concentrate arrived at the Toyo Smelter & Refinery
	Effective use of refining technologies to process low-grade/hard-to-process ores	Advance the Taganito Project	● From June 2014, we converted to a complete MS (mixture of nickel sulfide and cobalt sulfide) production system using high-pressure acid leaching (HPAL) technology from low-grade nickel oxide ore
	Recovery and effective use of concomitant trace elements	Recover raw materials (chromite) for iron and steel manufacturing from nickel oxide ores	● Conducted verification tests at our chromite recovery pilot plant constructed at CBNC and proceeded with process formulation and commercial plant design
		Recover raw materials (hematite) for iron and steel manufacturing from nickel oxide ores	● Constructed a hematite recovery pilot plant at THPAL and started tests geared toward practical utilization
		Recover previously ignored elements in ores besides targeted metals	● Constructed a scandium recovery pilot plant from nickel oxide ore at CBNC and formulated a high-purity scandium oxide recovery process
	Utilization of recycled materials	Establish processes for recycling Ni-MH secondary batteries	● In conjunction with a battery manufacturer and a recycling company, we formulated a low-cost/high-yield nickel recovery process from Ni-MH batteries
	Effective use of by-products	Establish technology for maintaining or improving slag quality	● With the objective of expanding its civil engineering applications, we supported the drafting of guidelines for concrete construction utilizing non-ferrous slag aggregate (JSCE) and for non-ferrous slag (JMIA)

Environmental Preservation

[Vision for 2020]

A company that meets international anti-global warming standards by using advanced technologies

Target	FY2014 Achievements
Continue reducing unit energy consumption by 1% compared to the previous year Reduce CO ₂ emissions by the entire SMM Group	● Reduced unit energy consumption by 3.5%. Despite a 33-kiloton decrease in CO ₂ emissions from energy-saving activities, the launch of THPAL operations and other developments pushed up total CO ₂ by 833 kilotons to 3,531 kilotons
Reduce final disposal of industrial waste to zero	Further expand sales of iron pellets ● Started recycling iron pellets in collaboration with a new customer Advance recycling of precipitate from wastewater treatment at Toyo Smelter & Refinery ● Achieved 100% recycling of precipitate from wastewater treatment in the plant
Expand sales of materials used in products with a low environmental impact (1.7 times base year sales; base year: 2011)	● Attained sales targets two years in a row to 340% of the FY2011 level
Advance biodiversity preservation initiatives	● Strove to reduce the environmental burden by implementing EMS at all our business sites ● [CBNC, THPAL] Periodic meetings were held with each mine owner, our suppliers, to share issues ● [Solomon Project] We continued local soil bed vegetation base studies with the support of Sumitomo Forestry Co., Ltd.

Contribution to Society and Local Communities

[Vision for 2020]

A company in which employees are proud to work along with the company on social contribution activities rooted in the area

Target	FY2014 Achievements
Engage in support activities that are embedded in local communities	<ul style="list-style-type: none"> ● Provided scholarships to 563 individuals in areas where we do business, centered on the Solomon Islands and the U.S., to support human resource development ● Participated in the Global Human Resource Development Community, a public and private sector cooperative study abroad support program created by the Japan Student Services Organization (JASSO)
Contribute to maintaining and developing the living conditions, culture and traditions of local communities without impeding their independence or harmony	<ul style="list-style-type: none"> ● Provided continuous support to the people of the Philippines (operated schools and hospitals, implemented educational programs for indigenous people, installed and constructed homes, waterworks, churches, markets, infrastructure, police stations, etc.)
Have employees also actively participate in social contribution activities	<ul style="list-style-type: none"> ● Bestowed the President's CSR Award to 10 individuals ● Started the Positive Off program of self-improvement leave of absences, which includes social contribution activities
Provide support for recovery and reconstruction after large-scale disasters	<ul style="list-style-type: none"> ● Prepared warehouses and equipment in Tokyo to accommodate external disaster victims unable to return home and ran practice drills. Promoted the formulation of a free Wi-Fi network in our offices for such victims ● Provided relief for cyclone victims in the Solomon Islands and torrential rain victims in Hiroshima
Provide ongoing assistance to victims of the Great East Japan Earthquake	<ul style="list-style-type: none"> ● Continued to donate rice produced in Kyowa-cho through a specified nonprofit corporation ● Implemented support by promoting understanding of the status of disaster areas and the sale of local products, organizing the 3rd annual CSR Forum (discourse on disaster areas and the sale of local products) for Head Office employees

Respect for People and Human Rights

[Vision for 2020]

A company that respects human rights and diversity of employees, develops employees with high awareness of human rights, and gives equal opportunities depending on motivations to work and abilities of employees.

A company that respects human rights of people who are affected by business activities of the SMM Group.

A company that does not get involved in complicity with an entity that causes violations of human rights at areas with undeveloped social infrastructure and at troubled areas.

Target	FY2014 Achievements
1) Implement human rights education throughout the entire SMM Group and make progress on establishing workplaces free of human rights infringements and cultivating employees with strong human rights awareness	<ul style="list-style-type: none"> ● Held periodical SMM Group Human Rights Policy training at all business sites and provided human rights training when promoting or dispatching employees overseas ● Conducted surveys, reviewed by our Committee for the Promotion of Respect for Human Rights, on human rights due diligence targeting all employees
2) Promote understanding about diversity and make progress on establishment of workplaces where diverse talents can work dynamically and with motivation	<ul style="list-style-type: none"> ● Developed new workplaces for the disabled with potential sites at the Head Office and the Besshi-Niihama District Division (Disabled employee ratio: 2.05%, as of the end of FY2014) ● In support of women, we conducted training at every level and newly created or revised our Positive Off program, special hourly childcare leave, promotion requirements and others, and continued infrastructure building at each business site ● Interviewed personnel regarding global human resource utilization at relevant internal departments
Refuse to be complicit in human rights infringements while appealing to parties within the supply chain over which the SMM Group has influence to prevent human rights infringements	<ul style="list-style-type: none"> ● Conducted human rights education at compliance seminars, special training for group company presidents, group company officer training and overseas management training ● Verified adequacy of our mechanisms by conducting human rights due diligence at one domestic company and one overseas company, with the aim of building human rights due diligence for our supply chain
Revise our communications with regional societies and conduct ongoing necessary activities with knowledge on the effects of the SMM Group on human rights in regional areas	<ul style="list-style-type: none"> ● Promoted efforts to examine continuous management methods in hopes of avoiding human rights issues among regional inhabitants and occurring as a result of our business activities at overseas facilities

Occupational Health and Safety

[Vision for 2020]

A company that accords safety the highest priority and provides comfortable working environments

Target	CY2014 Achievements	
Ensure safety	Number of accidents in CY2014 <ul style="list-style-type: none"> Domestic Group employees: 3 or fewer lost time; 10 or fewer in total Domestic contractors: 2 or fewer lost time; 4 or fewer in total 	Number of injury accidents in CY2014 <ul style="list-style-type: none"> Employees (SMM-controlled workplaces and group companies): 4 lost time; 13 in total Contractors: 3 lost time; 7 in total
Provide comfortable working environments	<ul style="list-style-type: none"> No new cases of occupational disease Control Class 3 workplaces <ul style="list-style-type: none"> Dust: 2 or fewer Lead, nickel compounds, arsenic, etc.: 0 Cobalt, etc.: 8 Noise (workload value ≥ 1): 2 or fewer Promote the four cares (self-care, care by the organization, care by health staff, outside care)	<ul style="list-style-type: none"> No new cases of occupational disease Control Class 3 workplaces (figures in parentheses are 2013 results) <ul style="list-style-type: none"> Dust 2 (3) Lead 0 (0), nickel compound 1 (3), arsenic, etc. 1 (1), Cobalt, etc. 7 (15), chlorine 5 (2), manganese 1 (-), IPA 1 (-) Noise 8 (4) Continued meetings with industrial physicians for employees who worked long hours Mental health checks were implemented through employee assistance programs (EAP) (2,811 employees) Mental health care training was implemented (25 times) Industrial counselor training (4 counselors)

Stakeholder Communication

[Vision for 2020]

A company that is open to communication with stakeholder groups worldwide

Target	FY2014 Achievements
Create opportunities for dialogue with stakeholders	<p>[Employees]</p> <ul style="list-style-type: none"> Utilized the in-house magazine to disseminate the SMM Group Code of Conduct Disseminated and publicized the details of the 3-Year Business Plan (distributed and showed videos at each location, introduced individual plans in the in-house magazine) <p>[Local Communities]</p> <ul style="list-style-type: none"> Conducted a survey on cases of the community's activities at each facility and shared details throughout SMM <p>[Citizen groups]</p> <ul style="list-style-type: none"> Held regular meetings with related NGOs to exchange information Held in-house lectures by Sumitomo Forestry Co., Ltd. experts to study and introduce CSR activities centered on collaboration with NGOs <p>[Shareholders and investors]</p> <ul style="list-style-type: none"> Conducted site tours of our Toyo Smelter & Refinery and Shisaka Smelting Co., Ltd. to deepen institutional investors' understanding of CSR Participated in IR events held by the Niihama Chamber of Commerce and Industry

Main Activity Plans for FY2015

Effective Use of Resources

[Vision for 2020]

A company that generates resources using innovative technology

Target	FY2015 Plan	
Develop and implement technologies to efficiently recover resources (low-grade/hard-to-process ores)	1) Promote rational use of low-grade nickel ore Make nickel produced from low-grade ores 2/3 of nickel production overall	<ul style="list-style-type: none"> ● [CBNC] Formulate effective processing methods that match residual ore compositions ● [THPAL] Establish optimal operational requirements that meet planned production periods ● Proceed with efforts to examine new processes for nickel smelting using low-grade ores
	2) Achieve profitability in our copper business by developing processing technologies for low-grade/hard-to-process ores	<ul style="list-style-type: none"> ● Promote copper/arsenic separation technology ● Promote mineral processing technology for low-grade copper ore
	3) Develop efficient gold mining technologies	<ul style="list-style-type: none"> ● [Pogo Mine] Promote the development of new mining methods ● [Hishikari Mine] Promote the development of new automated ore sorters
	4) Be active in marine resource development projects Contribute to the development of mining technologies and processing solutions	<ul style="list-style-type: none"> ● Participate in a submarine hydrothermal deposit development project ● Participate in a cobalt rich crust development project
Develop new and effective uses for by-products	1) Recover and market scandium from nickel oxide ore	<ul style="list-style-type: none"> ● Promote efforts to examine the construction of a commercial plant
	2) Recover raw material for iron and steel manufacturing from nickel oxide ore Commercialize chromite and hematite	<ul style="list-style-type: none"> ● [Chromite] Promote efforts to examine the construction of a commercial plant ● [Hematite] Evaluate samples and formulate processes
Promote recycling	Improve our effective use of recycled resources	<ul style="list-style-type: none"> ● Promote the increase of secondary copper materials ● Promote the commercialization of the secondary battery recycling process ● Maintain and promote quality for effective slag utilization

Sierra Gorda copper mine



Environmental Preservation

[Vision for 2020]

A company that uses advanced technologies to reduce environmental impacts and contributes to preserving the global environment

Target	FY2015 Plan	
1. Advance biodiversity preservation initiatives		
1) Implement global warming countermeasures	(1) Expand materials business for products (creating, storing, and saving energy) with low CO ₂ emissions Achieve a 5-fold expansion of revenue (measured against FY2011) from materials for products with low CO ₂ emissions	● Start increased battery production capacity as planned
	(2) Reduce CO ₂ emissions from operations <ul style="list-style-type: none"> Continue to reduce CO₂ emissions by approximately 1% annually Contribute to CO₂ emission reductions by constructing a plant using HPAL, etc. which has significant energy saving advantages over other technologies such as NPI 	<ul style="list-style-type: none"> Formulate a new internal scheme for effective energy-saving and CO₂ reduction Continue studying energy-saving and CO₂ reducing technology information Advance efforts to examine optimal HPAL processes, plant designs and infrastructure, etc. for the new HPAL plant construction being considered at Pomalaa, Indonesia
	(3) Develop and use renewable energy to contribute to CO ₂ emission reductions	● Continue examining ways to introduce renewable energy
2) Steadily develop and adopt technologies for reducing environmental impacts	(1) Implement a planned approach for minimizing the emission of chemical substances	<ul style="list-style-type: none"> At business sites with substantial chemical emission volumes from air and water outlets, promote reduction based on substance-specific targets Measure chemical concentration levels at site boundaries to grasp current conditions Promote reductions to our disposal of industrial waste into landfills
	(2) Contribute to environmental preservation through forestation, etc.	<ul style="list-style-type: none"> [CBNC, THPAL] Continue forestation and greening activities at Tailings Dam and surrounding areas and promote environmental recovery [Solomon Project] Continue seed planting tests and seed germination tests, among others, in collaboration with Sumitomo Forestry Co., Ltd.
	(3) Verify the environmental impacts of our portfolio companies and supply chain, and implement measures to reduce risks	● [CBNC, THPAL] Periodically meet with each mine owner, our suppliers, to share issues, propose resolutions and cooperate in their implementation
2. Maintain our record of zero significant environmental accidents		
1) Improve strength against earthquake and severe weather at closed mine sites		● Evaluate closed mine sites corresponding to specific conditions set forth by the Ministry of Economy, Trade and Industry and strengthen earthquake and weather resistance during FY2015 for all 5 closed mine sites where the needs of priority improvement measures are recognized
2) Prevent significant environmental accidents by strengthening environmental risk management		● Revise major environmental risks for the SMM Group and shore up weaknesses at each business site (equipment, management, etc.) in light of changing conditions such as increase in the frequency of torrential rains

Contribution to Society and Local Communities

[Vision for 2020]

A company that earns trust and contributes to regional development through our business and social contribution activities rooted in each region

Target	FY2015 Plan	
1. Communicate with local communities to recognize social issues in regions where we do business, and implement programs to support solutions to those issues	1) Support human resources development in local communities 2) Support improvement of living environment and infrastructure without impeding local communities' independence or harmony 3) Formulate a mechanism for effective social contribution activities	<ul style="list-style-type: none"> Implement support for development of human resources in demand in regions (countries) where we do business Continue to carry out social contribution activities centered on SDMP (Social Development Management Programs) in the Philippines Provide practical support in regions where we do business Continue to support the reconstruction of the Sumitomo Besshi Hospital Set forth basic policies and formulate a PDCA mechanism and database with regard to social contribution activities
2. Provide support for the improvement of educational infrastructure and the maintenance and development of academic activities, culture, tradition, and art in countries where we do business	1) Continue to create support activities and academic promotional efforts through Sumitomo group companies and JMIA 2) Contribute to maintaining and developing the culture and traditions of local communities without impeding their independence or harmony	● Support academic and cultural activities in regions where we do business
3. Provide support for recovery and reconstruction after large-scale disasters	1) When devastating disasters occur in Japan or elsewhere in the world, provide support for recovery and reconstruction, taking the relationship between the affected area and SMM group's business into consideration 2) Provide continuous support for the people and areas affected by the Great East Japan Earthquake	<ul style="list-style-type: none"> Provide support in demand in regions where we do business Continue to support provision of scholarships and food Continue to educate employees and support disaster areas by holding CSR Forums

Respect for People and Human Rights

[Vision for 2020]

A company where diverse human resources exercise their ability sufficiently
and take a vibrant and active part in each field

A company that works with its stakeholders to strive
for a society that actively respects human rights

Target	FY2015 Plan	
1. A company where employees can take a vibrant and active part	1) Work satisfaction Make continual improvements based on the results of employee satisfaction surveys	<ul style="list-style-type: none"> ● Establish specific targets for employee satisfaction at each department and promote improvements at workplaces to attain them. Evaluate employee satisfaction based on employee awareness survey results
	2) Mental health (1) Optimize the work environment through training and the reduction of overly long working hours (2) Reduce mental health afflictions in employees	<ul style="list-style-type: none"> ● Formulate policies based on consultations with each department regarding the revision of work allocation and production crews to reduce overly long working hours. Draft and promote a roadmap with specific measures geared towards cutting down on work hours at each department ● Establish and implement mental health patient reduction goals
2. Respect diversity	1) Support for women's careers at SMM (domestically) (1) Target number of female managers: 10 or more (2) Target proportion of female employee in the recruitment of management track employees: 1/3	<ul style="list-style-type: none"> ● Provide an internal framework to enable consulting for life events ● Promote ongoing fortification efforts to recruit female management track employees
	2) Promote non-Japanese employees as key personnel	<ul style="list-style-type: none"> ● Establish the SMM Global HR Policy and clarify policies to use foreign employees as key personnel ● Set forth foreign employee utilization measures in collaboration with each division
	3) Employ people with disabilities Establish and achieve an internal target for the number of employees with disabilities in the Group domestically	<ul style="list-style-type: none"> ● Establish voluntary targets and formulate an action plan to achieve them for each domestic affiliate
	4) Establish a strategy and supportive framework as a means to facilitate initiatives 1 to 3 above	<ul style="list-style-type: none"> ● Launch a specialized organization and encourage activities for the promotion of diversity
3. Develop human resources	1) Continue the program for select employees after confirming the effectiveness of selective training initiatives	<ul style="list-style-type: none"> ● Ongoing efforts based on an examination of the role and vision for existing selective training
	2) Develop broad-based training to boost the level of our workforce Provide training opportunities to all employees: 100% participation in training courses	<ul style="list-style-type: none"> ● Utilize Careership* to formulate a system for understanding individual training course conditions <p>* Careership: e-learning system designed to enable the management of course records and other training information</p>
	3) Enhance training for locally hired executive managers overseas	<ul style="list-style-type: none"> ● Advance planning in sync with policies for total participation of DM (department manager) class or higher in overseas facility senior management training
	4) Conduct training for further support for women's careers	<ul style="list-style-type: none"> ● Along with continuous training in support for women's careers, offer study opportunities for further training beyond the second year of service to achieve the second step
4. Human rights	1) Prevent major human rights infringements (1) Hold regular training on the SMM Group Human Rights Policy (2) Establish human rights hotlines (offering multiple means for reporting) (3) Make employees aware of the SMM direct hotline (4) Implement regular human rights due diligence (in three categories): once every 3 years	<ul style="list-style-type: none"> ● Provide SMM Group Human Rights Policy training to all employees by December ● Formulate and disseminate hotlines and contact points at overseas facilities where such is particularly deficient ● Conduct onsite studies based on employee questionnaires on human rights due diligence ● Launch full implementation of human rights due diligence for our supply chain ● Promote the formulation of a framework to support efforts to understand current conditions and information sharing with the Head Office through a CSR Committee newly formed at SMM Philippines with regard to the human rights of regional inhabitants

Occupational Health and Safety

[Vision for 2020]

A company that accords safety the highest priority and provides comfortable working environments

Target	CY2015 Plan	
Ensure safety	2015 targets ● Domestic Group employees: 3 or fewer lost time; 10 or fewer in total ● Domestic contractors: 2 or fewer lost time; 4 or fewer in total	● Identify accident risks in priority areas ● Strengthen residual risk management ● Enhance education for less-experienced employees ● Further develop and enhance group education for individual workplaces ● Enhance safety management for contractors ● Develop safety leaders at the <i>Safety Dojo</i> ● Implement hazard simulation training based on actual tasks
Secure occupational health	1) Provide healthy working environments (1) Develop worker health management and chemical substance management (2) Control Class 3 workplace improvement for dust, lead and specified substances 2015 targets Dust: 1 or fewer Lead, nickel compounds, arsenic, etc.: 0 Cobalt, etc.: 3 or fewer Noise (workload value ≥ 1): 1 or fewer 2) Implement other working environment improvements	● Steadily implement and continue work environment improvements ● Manage use and maintenance of protective equipment ● Thorough understanding and dissemination of the risks and hazards of chemical substances ● Guidance on new regulations and legal revisions ● Improve communications to create a comfortable work environment

Stakeholder Communication

[Vision for 2020]

A company that works to communicate transparently with all worldwide stakeholders to deepen mutual understanding

Target	FY2015 Plan	
Encourage deeper mutual understanding with employees	1) Continue conducting employee awareness surveys 2) Hold regular dialogues with workers' unions or representatives from employees	● Conduct the 3rd employee awareness survey ● Promote dialogues with workers' unions or employee representatives at each business site based on an understanding of actual conditions of the site
Encourage mutual understanding with local communities and citizen groups	1) Continue regular meetings with local communities and participate in community activities 2) Carry out cooperative activities with NGOs/NPOs	● Continue regular meetings with local communities at each business site ● Continue to summarize the conditions of the community's activities at each business site and publish information using the in-house magazine, etc. ● Continue holding regular meetings with relevant NGOs ● Conduct status studies on NGO/NPO relations at each business site
Encourage mutual understanding with shareholders and investors	1) Publish integrated reports and improve their content 2) Promote dialogue with investors	● Advance preparations for issuing an integrated report ● Hold ongoing meetings with investors ● Conduct site tours for ESG investors ● Participate in IR events held by The Niihama Chamber of Commerce and Industry
Encourage mutual understanding with other stakeholders		● Strengthen information publication capabilities by developing our website

Effective Use of Resources

Basic Approach The SMM Group's business centers on the utilization of the earth's valuable, yet limited, resources. The effective use of resources is therefore considered an important managerial issue as we seek sustainable business development. Based on this understanding, the SMM Group has included "effective use of resources" as one of its Six Key CSR Areas and is advancing recycling efforts. As stated in our Vision for 2020, we strive to be "a company that generates resources using

innovative technology." We are developing technologies that will assist with the effective utilization of minerals which have not previously been converted into resources, such as low-grade and hard-to-process ores. We are also endeavoring to refine technologies for recovering valuable metals, including copper and precious metals, from items such as used home appliances and electronic devices, as we develop valuable-metal recovery technologies for recycling nickel, etc. from used batteries.

Making Effective Use of Low-Grade Ores

The plant of CBNC¹ commenced full-scale operations in April 2005. Adjacent to the plant, the Rio Tuba Nickel Mining Corporation's nickel mine has excavated nickel oxide ore since its opening. However, while high-grade oxide ore with high nickel content buried deep in the earth was being mined, low-grade oxide ore with low nickel content existing close to the surface was not extracted. Because this low-grade oxide ore is said to make up around 70% of all nickel oxide ore resources worldwide, there was global demand for the development of technology that would allow it to be processed.

Recovering nickel from this low-grade oxide ore requires a hydrometallurgical technique called High-Pressure Acid Leaching (HPAL). Large-scale production using this process requires a high degree of equipment engineering and operational skill. Industry players the world over have been struggling with the application of HPAL technology, but SMM overcame many technical hurdles to become the first company in the world to successfully apply HPAL technology to commercial production. Turning previously unusable low-grade ore into resources also has tremendous significance in terms of effective resource utilization.

In order to make full use of this HPAL technology, SMM embarked on its Taganito Project in 2009. The project entails the construction of a large HPAL process plant with an annual production of 30 kilotons of nickel in the Taganito District on Mindanao Island in the Philippines. The project has been progressing well, and operations at THPAL² got underway in autumn 2013, achieving production of over 3 kilotons in August 2014.



Low-grade nickel ore for THPAL

1. Coral Bay Nickel Corporation (CBNC)
Shareholders: Sumitomo Metal Mining Co., Ltd. (54%), Mitsui & Co., Ltd. (18%), Sojitz Corp. (18%), Rio Tuba Nickel Mining Corp. (10%)
Head Office: Rio Tuba, Bataraza, Palawan Province, Philippines
2. Taganito HPAL Nickel Corporation (THPAL)
Shareholders: Sumitomo Metal Mining Co., Ltd. (62.5%), Mitsui & Co., Ltd. (15%), Nickel Asia Corporation (22.5%)
Head Office: Taganito, Surigao del Norte Province, Philippines

Using Resources Effectively through Recycling

Recovery and recycling of copper and copper alloys were readily pursued because of their high scrap value even before the 3Rs (reduction, reuse and recycling) were advocated as

a catch-phrase by society. Almost all the copper shavings generated by manufacturers of electric cables and wrought copper and copper alloy products are reused as raw material.

The SMM Group procures copper and precious metal scrap from the market and recovers valuable and precious metals from electric arc furnace dust and used printed circuit boards, among other sources. FY2014 had the same consumption level of copper alloy secondary materials, electric arc furnace dust and other recycled raw materials as in FY2013. However, because of the surge in the nickel oxide ore consumption level following the start of operations at THPAL, the relative ratio of recycled raw materials fell by approx. 2.2%.

Ratio of Recycled Materials Used

FY	2012	2013	2014
Total volume of materials used (kt)	7,731	7,850	12,055
Recycled materials (kt)	263	271	264
Recycled materials ratio (%)	3.4	3.5	2.2

Meanwhile, the volume of electrolytic copper produced from recycled copper materials in FY2014 was approx. 79 kilotons, or about 18.3% of total production, a modest increase compared with the 17.2% posted in FY2013.

Slag as a Recycled Material

Copper slag is a by-product produced during smelting at the Toyo Smelter & Refinery, which manufactures electrolytic copper. The main use for copper slag (almost two thirds of the total volume) is cement production in Japan and overseas. With an iron content of around 40%, copper slag is widely used as a source of iron for cement. Copper slag output in FY2014 was approx. 901 kilotons, with a sales volume of approx. 977 kilotons.

Hyuga Smelting manufactures ferro-nickel, a material used in stainless steel. It generated around 803 kilotons of ferro-nickel slag. Approx. 1,185 kilotons of ferro-nickel slag was sold as a recycled material, mainly to blast furnaces for steelmaking. With a magnesia content of around 30%, ferro-nickel slag is used as a source of magnesia for blast furnace flux. By taking advantage of their respective features, both copper slag and ferro-nickel slag are also used as substitutes for natural sand in concrete aggregate and public works in ports and harbors. This fiscal year, Japan Industrial Standards (JIS) for concrete aggregate will be revised to include the environmentally sound quality of slag aggregate for concrete. Demand is also increasing for tougher environmental standards for slag, and ours comfortably meets this demand.

Recycling Nickel Metal Hydride Batteries

SMM manufactures and sells materials used in the cathodes of nickel-metal hydride (Ni-MH) batteries for hybrid vehicles (HV). Demand for Ni-MH batteries is surging as more fuel efficient HVs diffuse on the market.

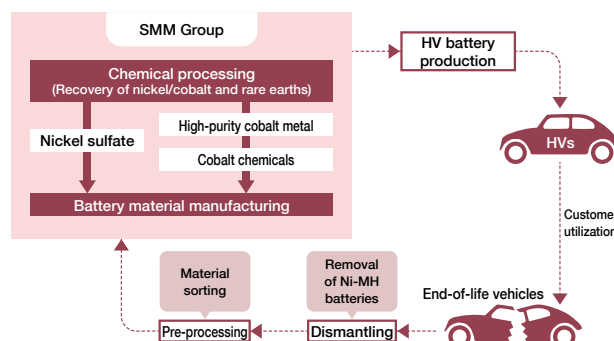
This sharp increase in demand will ultimately lead to massive end-of-life Ni-MH battery disposals in a decade's time. Ni-MH batteries contain a substantial amount of useful metals and advancing the recycling of end-of-life units is extremely important not merely in terms of reducing waste but also for effective resource utilization.

SMM, which focuses on the effective resource utilization aspect of recycling, has been researching ways to recycle Ni-MH batteries since FY2000. In FY2010, in collaboration with Toyota Motor Corporation, SMM collected used Ni-MH batteries from end-of-life HVs and recycled their components for use in cathode materials on new Ni-MH batteries, thus enabling the world's first "battery-to-battery" resource cycle. We have recycling facilities at Niihama Nickel Refinery, where recycling operations are promoted.

SMM leverages its metal refining expertise, built up over many years, in the recycling process. This is part of how the company applies its valuable technologies, works to effectively

utilize resources, and actively strives to protect the environment.

Ni-MH Battery Recycling: Flow Diagram

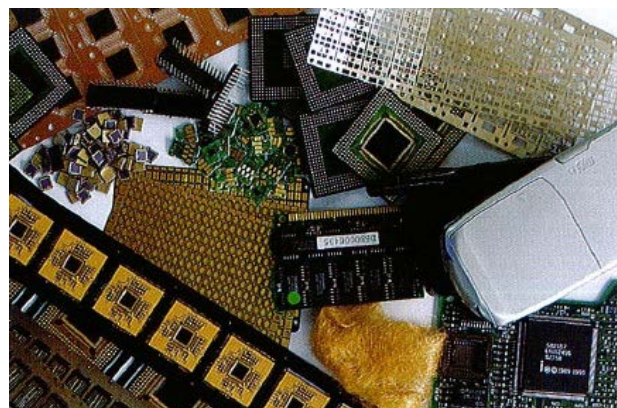


Recycling Precious Metal

SMM smelts non-ferrous metals using raw materials ores extracted from mines both inside and outside Japan. Meanwhile, with the non-renewable resource³ cycle being our social commitment, we apply proprietary smelting technologies in the separation and recovery of precious metals from end-of-life home appliances and electronic components.

Japan, while poor in natural resources, is one of the few urban mine countries in the world. The Precious Metals Recycling Division of Ohkuchi Electronics Co., Ltd., a SMM Group company, collects, separates and mills urban mine raw materials including precious metals, then roasts and dissolves them using acids and alkali to effectively recover and enrich precious metals for reuse as alloys in other metals at our Toyo Plant.

In recent years, the amount of precious metals used in making home appliances has fallen due to cost reductions and technological innovations, and the form of collected raw materials and their suppliers are diversifying. The SMM Group will flexibly adapt to these market conditions and contribute to society while collaborating in all directions in hopes of fulfilling our mission as a non-ferrous smelter.



Some recycled materials

3. Non-renewable resource: A resource that decreases the more it is used; that is, a resource that decreases by the rate it is used and whose growth is slow.

Global Environmental Considerations

Environmental Management

Basic Approach Many chemical substances are handled by SMM Group businesses during mineral resource processing and manufacturing. If an accident should occur, it carries the risk of seriously affecting the local environment. The SMM Group emphasizes the need to prevent contamination by supplying equipment and strengthening management, and by providing training for relevant staff members. Every year,

drills are held in order to learn how to minimize the effects and prevent external impacts in the unlikely event an incident does occur. We have also worked to improve facilities, and we are installing a system that automatically shuts off the discharge if any abnormalities are detected just before the wastewater port.

Environmental Management System and Education

Environmental Management Initiatives

Every year, the President sets targets (SMM Group environmental targets) in consideration of the environmental risks faced by the SMM Group. In response, business sites and group companies of each business division integrate these targets into their environmental management systems established according to the ISO 14001 standard.

As for environmental management systems which serve as the basis for environmental preservation activities, the Head Office, branches and all production bases and sites responsible for closed and suspended mines in the SMM Group have acquired ISO 14001 certification. In addition, any new production bases are also required to acquire certification as quickly as possible.

Internal Environmental Audit Seminars

The SMM Group has adopted an in-house qualification system for internal environmental auditors, the key people in workplace environmental management, and completion of initial training is a requirement for obtaining the qualification. The Safety & Environment Control Department implements initial training for internal environmental auditors as well as training to upgrade their skills.

In FY2014, six opportunities to undergo initial training were offered, and 88 employees became new internal environmental auditors. Trainings to upgrade skills were held twice at the Head Office, and seven employees took part. A remaining challenge, in order to energize environmental activities in each workplace, is how to increase the number of employees who take part in training to upgrade their skills.

Moreover, ISO 14001 has been revised in 2015, and education is being prepared for the revised standard.

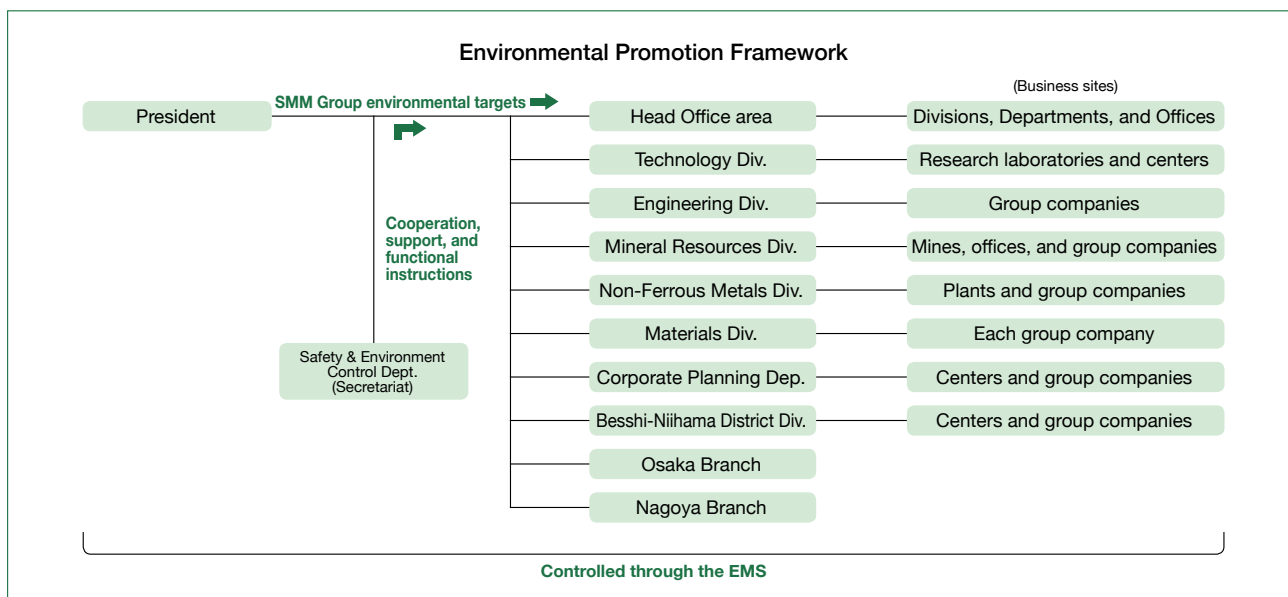
Response to Environmental Risks

The SMM Group handles large amounts of chemical substances during the manufacturing of products, particularly in smelting and refining operations, and for that reason some business sites bear considerable environmental risk.

Each site continuously performs environmental management and runs accident response drills corresponding to the magnitude of risk. In addition, every year, the heads of every division that exercises control over business sites, inspect those business sites (including group companies) to check whether environmental management is being implemented appropriately. Moreover, in the Niihama District, where the SMM Group's largest smelter and refining facilities are located, the Safety & Environment Control Center (Besshi-Niihama District Division) provides guidance to business sites located within the district on their initiatives for environmental management. The center also provides support for group business sites located within the local region, such as by regularly holding meetings for the exchange of information.

In the Materials Division, the Safety & Environment Control Department has been established to provide the business sites under its control with support and guidance on environmental management. Since FY2008, the Safety & Environment Control Department has continued its environmental care activities, visiting these business sites to check on the status of activities to reduce the risk of environmental accidents. The department prepares reports on the results of checks and shares any issues with the head of the business site and the head of the department responsible for the site. Countermeasures are considered at the business site, leading to improvements in the level of environmental management. In FY2014, the Safety & Environment Control Department performed environmental care activities for 19 business sites.

In addition, close-call events are reported to the Safety & Environment Control Department when they exceed voluntary standards and/or have an effect on operations. In the event of an incident, the Safety & Environment Control Department will provide advice after checking the causes and the response taken. In addition, the department also makes efforts to prevent similar close-call events from occurring, such as by alerting each business site in the SMM Group, where necessary, and requiring them to check and report back on their management situation, and by encouraging preventive action to be taken if factors were present similar to those that caused the incident. In FY2014, a discharge of mine water that did not meet effluent standards occurred at the Hishikari Mine. As a result of an



onsite inspection by supervisory authorities, it was confirmed that there were no environmental or other problems.

There were also two environmental complaints from concerned parties, and these were handled in an appropriate manner. Going forward, the SMM Group will continue working to upgrade its activities.

Risk Management for Mining Waste

The SMM Group carries out appropriate management of mining waste, such as topsoil, spoil, tailings, and sludge, generated by the mineral resources business.

Oxidization of rocks (spoil) containing sulfide minerals can cause acidic water that contains sulfate ions or water containing heavy metal ions, and therefore wastewater from mines is properly processed in water treatment facilities before release. The Pogo Mine further alleviates risk by surrounding all mineralized spoil with dehydrated flotation tailings so as to isolate it from the outside environment. Tailings containing chemicals that are a high risk to the environment are stabilized by mixing them with cement for use as backfill, while all other tailings are stored outside the mine after undergoing dehydration to reduce volume. Lowering the volume of the tailings reduces the area required for accumulation sites and alleviates risk related to the structural stability of sites.

Seismic Retrofit Work at Mining Waste Accumulation Sites in Japan

In the 2011 Great East Japan Earthquake, there were accidents that involved the outflow of sediments at three accumulation sites belonging to other companies in the Tohoku region. Japan's Ministry of Economy, Trade and Industry reviewed the technical guidelines related to accumulation sites and required earthquake resistance for accumulation sites that are subject to "special conditions." SMM has been implementing assessments of earthquake resistance at accumulation sites since 2012. As it was determined that countermeasures are required for five out of ten accumulation sites subject to "special conditions," seismic retrofit work is being conducted from FY2014 through FY2015. We are also gradually assessing earthquake resistance at accumulation sites not subject to "special conditions," and plan to take countermeasures where necessary.

Environmental e-learning

The SMM Group has established two e-learning courses on environmental laws with the objective of raising levels of compliance, and employees, especially managers and supervisors involved in environmental management and internal environmental auditors, are taking part in the courses. Moreover, course content, which is updated in line with legal amendments, is also used after learning to check legal requirements and for education on environmental laws in the workplace. The e-learning course on Japan's main environmental laws introduced in the second half of FY2008 covers ten laws that are deeply related to the business of SMM and provides explanations of mandatory standards and notification procedures. As failing to comply with these requirements constitutes a violation of the law, employees must be certain to keep them in mind when conducting business. In the second half of FY2013, a new e-learning course entitled Environmental Laws Plus was released in order to deepen understanding about the underlying spirit of the law and to encourage employees to actively strive toward executing their duties to the best of their ability. Given not only compliance with regulations and obligations, but also the voluntary risk management and information disclosure demanded of businesses today, the course provides a stepping stone for properly conducting business. This course covers 12 laws, including the Basic Environment Act, the Basic Act on Biodiversity, the Basic Act on Establishing a Sound Material-Cycle Society, the Act on Education in Environmental Conservation Activities (abbreviated title), Law Concerning Access to Environmental Information for the Promotion of Environmental Consideration by Corporations (abbreviated title), Act on Promotion of Global Warming Countermeasures, Act on the Rational Use of Energy, Air Pollution Control Act (including the content of the Act on Pollution Prevention in Factories), Water Pollution Control Act, Soil Contamination Countermeasures Act, PRTR Law, Poisonous and Deleterious Substances Control Act, Waste Management and Public Cleansing Act, Act on Measures concerning Treatment of PCB Wastes (abbreviated title), and Act on Promoting Green Purchasing.

Laws covered in the environmental e-learning course content

Environmental Laws	Environmental Laws Plus
Basic Environment Act	Basic Environment Act
—	Basic Act on Biodiversity
Basic Act on Establishing a Sound Material-Cycle Society	Basic Act on Establishing a Sound Material-Cycle Society
—	Act on Education in Environmental Conservation Activities (abbreviated title)
—	Law Concerning Access to Environmental Information for the Promotion of Environmental Consideration by Corporations (abbreviated title)
—	Act on Promotion of Global Warming Countermeasures
Act on the Rational Use of Energy	Act on the Rational Use of Energy
Air Pollution Control Act (including the content of the Act on Pollution Prevention in Factories)	Air Pollution Control Act
Water Pollution Control Act	Water Pollution Control Act
Soil Contamination Countermeasures Act	—
PRTR Law	PRTR Law
Poisonous and Deleterious Substances Control Act	—
Waste Management and Public Cleansing Act	Waste Management and Public Cleansing Act
Act on Measures concerning Treatment of PCB Wastes (abbreviated title)	—
—	Act on Promoting Green Purchasing

Approach to Biodiversity

Basic Approach SMM is committed to biodiversity from the three perspectives of reduction of environmental impact, countermeasures to global warming, and preservation of ecosystems.

SMM strives not only to reduce direct effects on biodiversity that accompany mine development and plant construction, but also to reduce environmental impacts from operating plants that indirectly affect biodiversity through impacts on regions that support biodiversity.

In addition, SMM views climate change due to global warming as a threat to biodiversity as well as a serious risk to SMM Group business activities.

The SMM Group contributes to building an affluent society by mining ore and producing and supplying non-ferrous metals and a range of materials. However, due to

the nature of its business, direct and indirect impacts on biodiversity are unavoidable. Nevertheless, by bearing this in mind, it is possible to minimize these impacts and even to improve on the state of pre-development biodiversity.

The SMM Group promotes its business activities based on an awareness that consideration of biodiversity is essential for conducting those business activities.

In FY2013, the SMM Group prepared the *Biodiversity and SMM's Business Activities* pamphlet to raise awareness among Group employees. In FY2015, there are plans to prepare pamphlets in English, Spanish, Chinese and Malaysian to further promote the spread of awareness at the SMM Group's overseas facilities.

SMM Group's Approach to Biodiversity



Reduction of Environmental Impact

Management of Chemical Substances

Given that many of the SMM Group's products are chemicals and that many diverse chemical substances are also used in the manufacturing processes for these products, all business sites have their own system for managing chemical substances within their environmental management system, which is operated under the direction of the relevant division. For example, when a business site intends to use a new chemical, it conducts a preliminary study including hazard statements, laws and regulations and other applicable information, and deliberates on safety for people and the environment in a meeting at the business site before deciding whether to adopt the chemical. The relevant business division and the Safety & Environment Control Department provide the business site with preliminary advice. Furthermore, regardless of whether there are legal obligations, an SDS¹ is issued for all chemicals that are transferred or provided to customers or to other business sites within the SMM Group.

Semiconductor materials and advanced materials produced by the SMM Group are incorporated by our customers into electrical and electronic products and circulated widely to domestic and foreign markets. Therefore, with an eye on the value chain, information on the chemical substance content of SMM's chemicals is assessed across the supply chain to provide customers with information on SMM's products. Screening of development themes for new products also puts an emphasis on products with low environmental impact that can be used more safely by customers.

1. SDS (Safety Data Sheet): A document listing information on a chemical, including the chemical substance, the product name, the supplier, hazards, safety precautions and emergency procedures.
2. RoHS Directive: The Restriction of Hazardous Substances Directive.
3. REACH Regulation: The Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.

Overseas regulations such as the RoHS Directive² and REACH Regulation³ are also taken into account. The development of products that eliminate substances prohibited under RoHS and registration of chemical substances exported to the EU with REACH are being progressively promoted.

Reduction in Volume of Chemical Substance Emissions, etc.

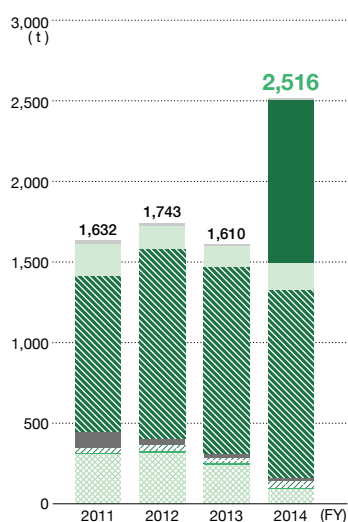
Soot and Smoke Emissions

In FY2014, the volume of soot and smoke emissions increased due to the new inclusion within the scope of THPAL emissions. SOx emissions increased by about 56% from FY2013. At the Toyo Smelter & Refinery, although production of electrolytic copper increased by about 7% from FY2013, SOx emissions conversely declined by about 63%. This was due to having undertaken improvement work on the treatment of exhaust gas for the concentrate drying process and due to the effect of strengthening the management of facilities for removing hazardous substances being fully demonstrated for one year. At CBNC, although production was about the same as in FY2013, usage of coal for the SMM Group as a whole rose due to an increase in power generated for supply of electricity to contractors, and SOx emissions rose by about 29%. NOx emissions increased by about 66% from FY2013.

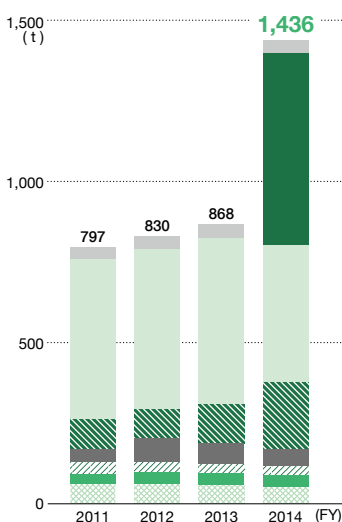
Total soot and dust emissions fell by about 18% for the Group as a whole. Emissions at Hyuga Smelting decreased by about 38% from FY2013 due to the upgrading of dryer bag filters and the installation of electric dust collectors. The systematic upgrade of equipment is also scheduled at other business sites.

Emissions excluding THPAL decreased by about 7% from FY2013 for SOx, about 3% for NOx, and about 19% for soot and dust.

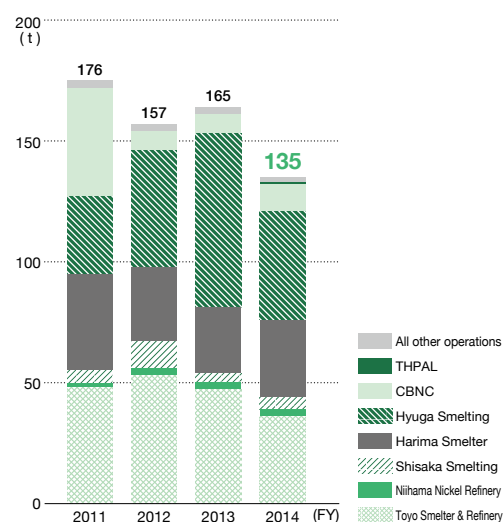
Volume of SOx Emissions



Volume of NOx Emissions



Volume of Soot and Dust Emissions



COD and BOD Pollutant Loads

The COD¹ pollutant load in FY2014 increased by about 5% from FY2013. Although the BOD² pollutant load increased by about 22%, this is considered within the normal range of fluctuation as there were no particular reasons for the increase at the Hishikari Mine, which accounts for a high proportion of the total. Many SMM Group business sites face onto Japan's Seto Inland Sea and are subject to controls on the total amounts of COD, nitrogen and phosphorous emissions under the Act on Special Measures Concerning Conservation of the Environment of the Seto Inland Sea.

Water Usage

Freshwater used for the Group as a whole increased by about 26% due to new inclusion within the scope of THPAL usage. Excluding THPAL, freshwater usage only increased about 2% from FY2013. Seawater usage increased about 9%, which this largely corresponds to the increase in production at the Toyo Smelter & Refinery.

Chemical Substance Releases and Transfers

The following is an overview of FY2014 releases and transfers of chemical substances in Japan managed in line with the Pollutant Release and Transfer Register (PRTR) system.

The SMM Group had 28 data-submitting sites (28 in FY2013) and 38 substances requiring registration (37 in FY2013).

The total release and transfer volume (releases + transfers) increased by about 18% from FY2013 to 3,084 tons due to an increase in transfers. The increase in transfers was due to an increase in iron clinkers,³ which undergo final disposal as an industrial waste by-product, and an increase in off-site transfers of manganese at Shisaka Smelting Co., Ltd. In terms of release volumes, releases into landfills on SMM premises and releases into the atmosphere decreased. This was mainly due to a decrease in dichloromethane emissions at the Ome District Division, and a decrease in arsenic and

other substances associated with a decrease in the size of the landfill within the business site at the Toyo Smelter & Refinery. Releases into water increased about 9%. It is thought that the main reason for this was the increase in boron concentration in wastewater precipitate from the Hishikari Mine.

No ozone depleting substances were released from the production processes of the SMM Group.

Final Disposal of Industrial and Mining Waste

The SMM Group has long been making efforts to reduce industrial waste in Japan and the amount of wastewater sludge (mining waste) that undergoes final disposal from the mine-affiliated Toyo Smelter & Refinery.

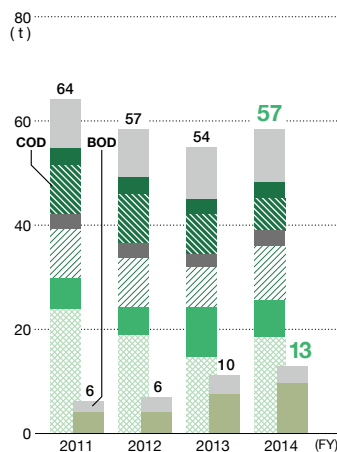
The total final disposal volume in FY2014 was 111 kilotons, which was an increase of about 14 kilotons from FY2013.

The main contributing factor was the increase in iron clinker at Shisaka Smelting. In addition to promoting increased sales of iron pellets at Shisaka Smelting, new destinations for resource recovery will also be explored.

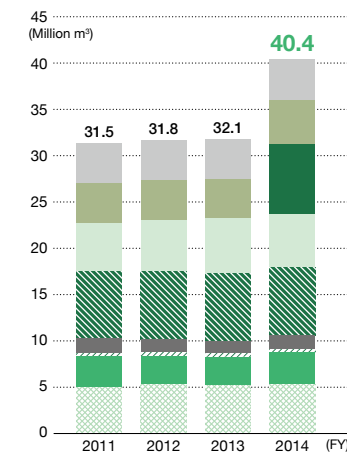
The total volume of waste generated from all sites, including overseas facilities (see p. 46) is classified separately according to processing method, direct or contracted disposal, and hazardous or non-hazardous nature. This also increased due to the effect of waste generated from THPAL.

1. COD (Chemical Oxygen Demand): Measured for emissions into seas, including emissions into rivers flowing into enclosed seas.
2. BOD (Biochemical Oxygen Demand): Measured for emissions into rivers, excluding emissions flowing into enclosed seas.
3. Iron clinker: The residue remaining during the processing of electric arc furnace dust after recovering zinc. The residue able to be sold is called "iron pellets," and the residue included in final disposal is called "iron clinkers."

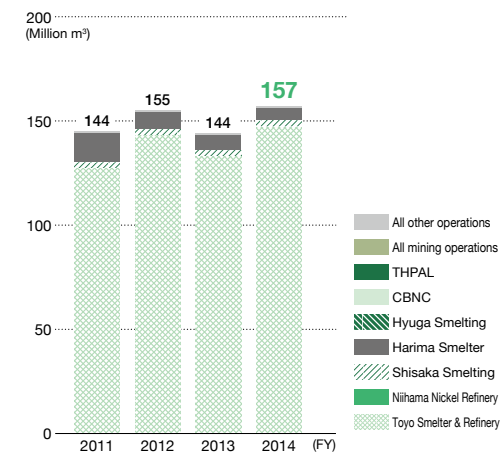
COD and BOD Pollutant Loads



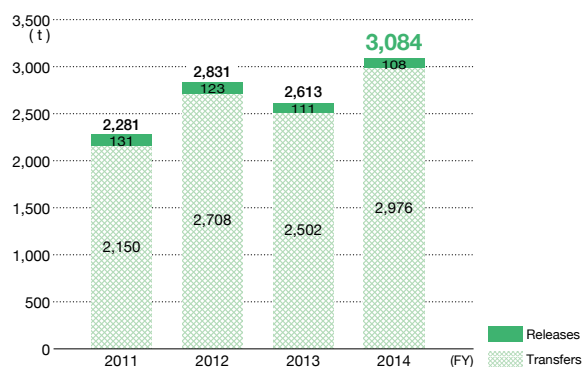
Water Usage (Freshwater)



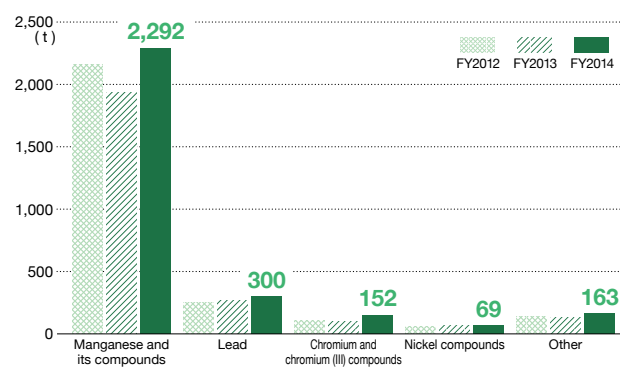
Water Usage (Seawater)



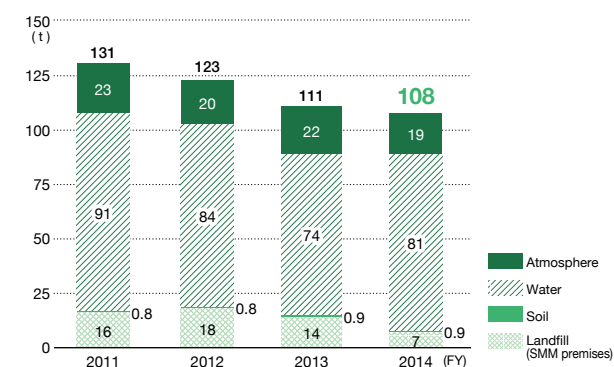
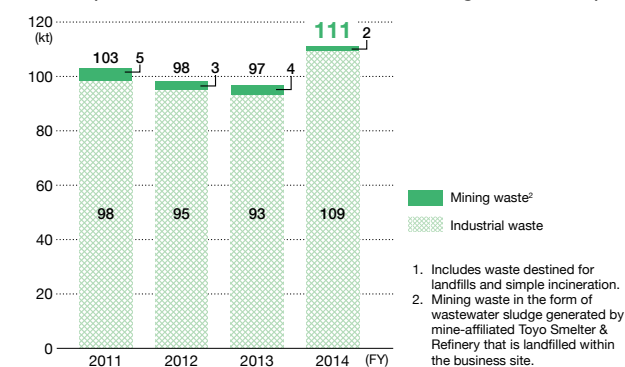
Release and Transfer Volume of PRTR Substances



Breakdown of Transfers

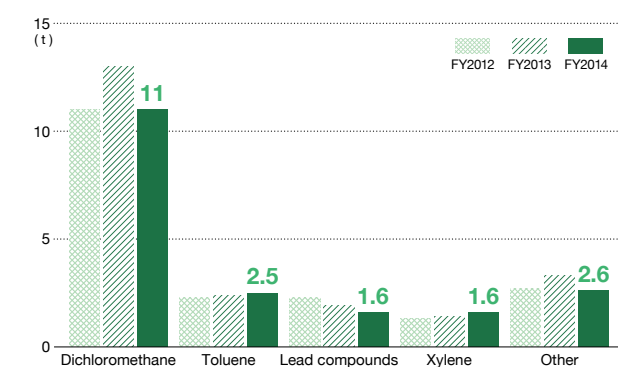


Breakdown of Releases

Final Disposal Volumes¹ of Industrial and Mining Waste in Japan

1. Includes waste destined for landfills and simple incineration.
2. Mining waste in the form of wastewater sludge generated by mine-affiliated Toyo Smelter & Refinery that is landfilled within the business site.

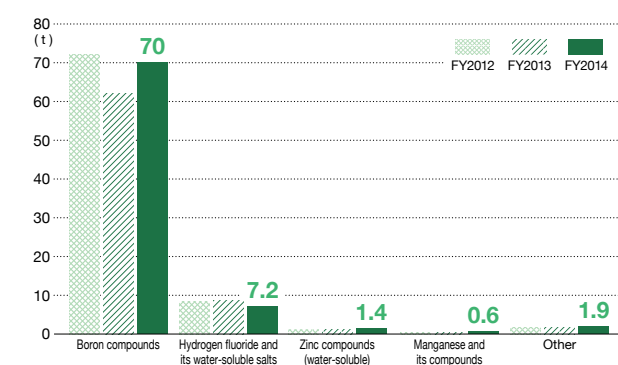
Breakdown of Releases into the Atmosphere

Volume of Waste (Hazardous³/Non-hazardous⁴)

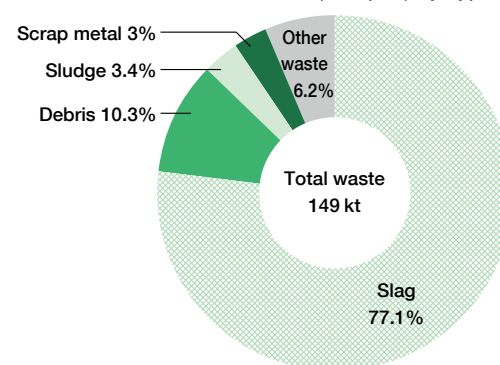
		Total	Hazardous	Non-hazardous
Processing method	Recycling	48	10	38
	Landfill	9,785	105	9,680
	Incineration	2	1	1
	Volume reduction, etc.	1	1	0
Total		9,835	117	9,719
Direct/Contracted	Direct disposal	9,677		
	Contracted disposal	159		

3. In general, this depends upon definitions in the countries concerned. Since Japan does not have such laws or regulations, SMM applies the following definition: "Specially controlled industrial waste and waste delivered to controlled landfill sites (excluding designated inert waste that should have been delivered to landfill sites for inert industrial waste, but was disposed of at controlled landfill sites due to the distance limitation)."
4. Waste other than hazardous waste.

Breakdown of Releases into Water



Breakdown of Industrial Waste (in Japan) by Type of Waste



Prevention of Global Warming

Energy Conservation at SMM Business Sites

Unit energy consumption in the domestic smelting and refining business decreased by 3.5% in FY2014 compared with FY2013. The main reasons for the decrease were the continuation of active energy conservation and the achievement of increased production plans through stable operation. Unit CO₂ emissions declined by 2.6% due to the decrease in unit energy consumption, despite a deterioration in the emissions factors of electric power suppliers.

The volume of energy derived CO₂ emissions for the SMM Group in Japan was reduced by about 33 kilotons through energy conservation, but increased by about 106 kilotons due to higher production. The total rose overall by about 100 kilotons compared with FY2013 to about 1,942 kilotons, including the impact from the deterioration in the emissions factors of electric power suppliers (about 27 kilotons). Overseas, the volume of energy derived CO₂ emissions stood at about 1,066 kilotons, an increase of about 472 kilotons, due to such factors as the commencement of operations at THPAL, a new site.

In FY2015, a reduction of about 140 kilotons in CO₂ emissions is forecast in the domestic smelting and refining and other businesses due to ongoing energy conservation and the end of production of prime western grade zinc, etc.

In order to reduce indirect CO₂ emissions in domestic transportation, efforts are being made to increase the use of ship transportation and improve load efficiency. However,

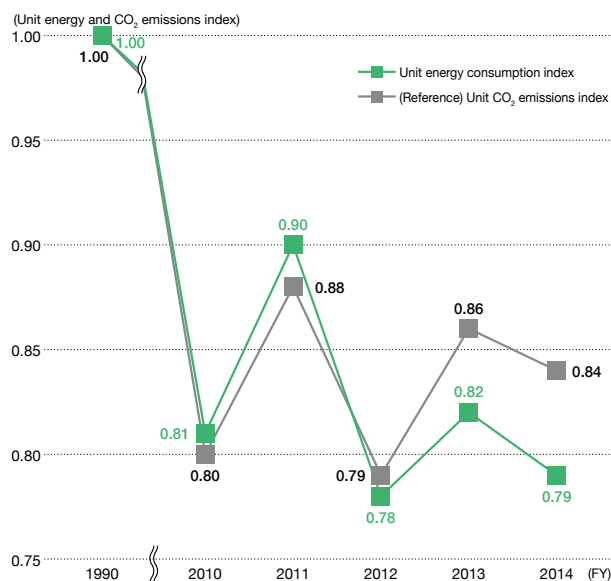
CO₂ emissions in FY2014 increased by about 2 kilotons, to 25 kilotons, compared with FY2013, due to an increase in automobile transportation resulting from increased production of nickel and battery materials.

The Japan Mining Industry Association, a non-ferrous metals industrial organization, took part in the planning of a "Commitment to a Low Carbon Society" led by Keidanren (the Japan Business Federation) as the basis for announcing the industry target of a "15% reduction in unit CO₂ emissions by FY2020 in comparison to FY1990." SMM has already achieved this target in the Japanese smelting and refining business, and we are working towards the goal of reducing unit energy consumption by 1% each year, as described above.



Awarded the FY2014 "Chairman Prize of ECCJ" (Isoura Plant). Efforts for fixed reductions in electric power through visualization of electric power consumption recognized as an outstanding example of energy conservation

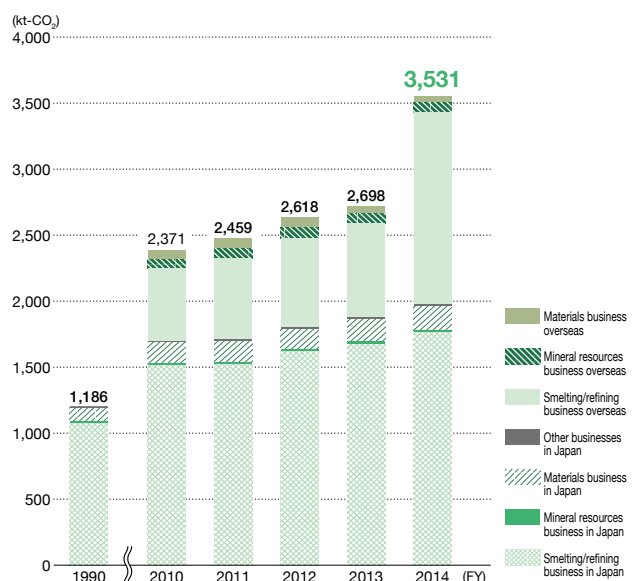
Unit Energy and CO₂ Emissions Index¹ Scope: Smelting/Refining Business in Japan



1. Unit energy and CO₂ emissions index:
The amount of energy consumed and CO₂ emitted during the production of 1 ton of product, assuming the FY1990 value to be 1 (including fuels used as reducing agents).

CO₂ Emissions

FY1990 Scope: Business in Japan
FY2010-2014 Scope: All businesses in Japan and Overseas



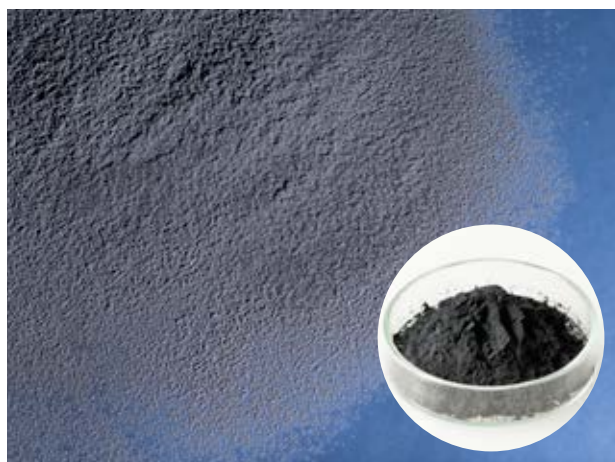
* Emissions in Japan and overseas which do not relate to electric power are calculated using emission factors conforming to the Japanese Act on Promotion of Global Warming Countermeasures. These include non-energy-derived CO₂ emissions (514 kt-CO₂) that are outside the scope of the above act. CO₂ emissions derived from purchased electricity in Japan are calculated using the emission factors of the electric power suppliers.
Emission factors for overseas are based on International Energy Agency (IEA) data.

Development of Products and Technologies that Contribute to Reducing Environmental Impact

The SMM Group sees its supplying of specialty materials for products with a low environmental impact to be one of its contributions to a more sustainable society.

By focusing on energy-related materials, the SMM Group aims to expand its business in the domains, shown in the diagram below, relating to the creating, storing, and saving of energy.

The Battery Materials Business Unit of the Materials Division manufactures positive electrode materials for nickel metal hydride batteries used mainly in hybrid vehicles, and positive electrode materials for lithium batteries used in electric vehicles and other products.



Lithium nickel oxide

Electric vehicles are automobiles run by a motor with externally-generated electricity charged to the batteries. Generally speaking, electric vehicles emit less CO₂—and therefore have a smaller environmental impact during use—for every kilometer driven than a gasoline-engine vehicle.

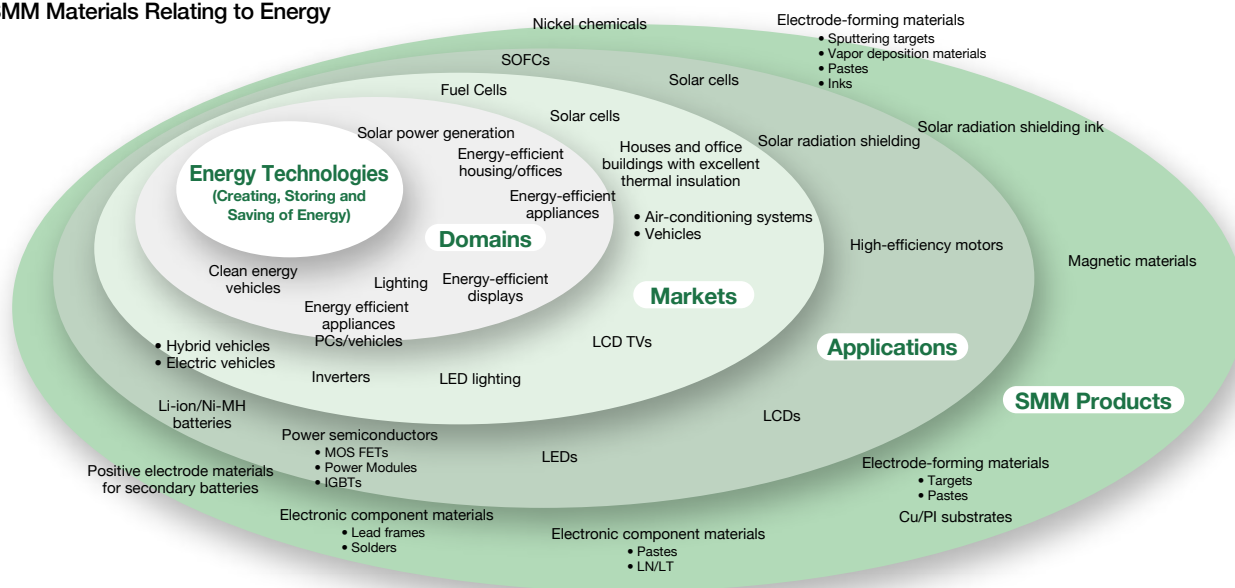
Both hybrid vehicles and electric vehicles need to store energy in the form of electricity, and so they both have a battery for that purpose.

Li-ion batteries, installed in electric vehicles, use a chemical compound combining lithium oxide and one or more metal oxides such as nickel and cobalt, as a positive electrode material, and carbon, which can store lithium ions, as a negative electrode material. SMM manufactures the metal oxide compounds that go into making the positive electrode.

Demand for environmentally-friendly vehicles typified by hybrid and electric vehicles is forecast to increasingly grow in the future. SMM believes that it can contribute to reducing the environmental impact of automobiles by providing battery materials for these kinds of environmentally-friendly vehicles.

Moreover, in addition to utilizing inorganic synthesis technologies that apply refining and smelting technologies cultivated over many years, SMM hopes to also contribute to reducing the environmental impact in the manufacture of battery materials through integrated, efficient production from nickel and cobalt mines, and through advances in the refining and smelting process and the final synthesis of battery materials.

SMM Materials Relating to Energy



Reduction and Avoidance of Environmental Impact that Occurs during Mine Development and Plant Construction

Example of Biodiversity Considerations in the Mineral Resources Business

The Pogo Mine in Alaska, U.S.A., required 83 separate permits before operations could begin as it falls under extremely stringent environmental protection standards enforced by state and federal governments.

SMM undertook exhaustive environmental considerations right from the design stage, seeking to preserve ecosystems as well as infrastructure sustaining indigenous communities in the mine vicinity. Particularly important issues were protection of rivers where salmon return to spawn and prevention of adverse effects on moose habitats.

Groundwater from the mine is purified by a treatment plant and partially reused in production processes. In gold extraction, water that comes into contact with chemicals during the process is isolated within a closed system to make sure it is not released. The impact of mine operations is confirmed through annual monitoring of the salmon run, as well as by catching and analyzing fish to check for abnormal levels of heavy metals.

We have also tried to minimize the impact of mine access road construction on moose habitats by circumventing breeding grounds and not allowing traffic other than mine-related vehicles.



Fish are caught in a river near the Pogo Mine for monitoring

Example of Biodiversity Considerations in the Smelting and Refining Business

CBNC and THPAL in the Philippines produce intermediates used in the manufacture of electrolytic nickel.

To construct a refinery in the Philippines, we first had to obtain an Environmental Compliance Certificate (ECC)

from the Department of Environment and Natural Resources (DENR). This required undertaking various procedures before submission of an Environmental Impact Assessment (EIA) summarizing the environmental effects to the DENR.

When constructing the refinery, we sought adequate dialogue with the Philippine government, local authorities and local citizens right from the planning stage. Efforts were made to construct a plant that would have a minimal impact on the environment. For example, a pier used to deliver sulfuric acid and methanol to the plant was made to circle around the coral reef, and wastewater outlets were also positioned to ensure the reef's protection.

CBNC began operations of the refinery in April 2005 based on an environmentally responsible design certified after completing such procedures and was followed by THPAL in October 2013. The refineries have set up an Environmental Management Office (EMO) to promote environmental initiatives in operations. Besides environmental surveys by the EMO, a team of representatives from organizations such as the DENR, local authorities and NGOs carry out regular sampling of air, water, flora and fauna, ensuring ongoing monitoring of the environment.

Production activities are carried out while keeping environmental impact from wastewater and other factors to a minimum and checking that the construction and operation of plants do not have serious impacts on the ecosystem.



Water quality monitoring in rivers around CNBC

Business Activities in Areas of High Biodiversity Value¹

Area	Size of production site (hectares)	Details
Seto Inland Sea	62 (Minoshima & Ienoshima islands)	Shisaka Smelting operates on Minoshima and Ienoshima islands, neighboring Setonaikai National Park (IUCN Category 2)
The Philippines	428	Coral Bay Nickel Corporation operates on Palawan Island (in hunting-prohibited and bird protection areas (IUCN Category 4))

1. Protected areas classified as Category 4 and above by the International Union for Conservation of Nature (IUCN) and neighboring areas (SMM research). Areas classified as Category 1 are of highest priority.

* Currently, there are no projects in any regions requiring the preparation of management plan.

Amount of Land Developed or Rehabilitated

(hectares)

	A Total area of land not rehabilitated (as of the end of FY2013)	B Area of land newly developed in FY2014	C Area of land newly rehabilitated in FY2014	D Total area of land developed but not rehabilitated (A+B-C)
Hishikari Mine	21	0	0	21
Pogo Mine	163	4	0	167
CBNC	327	0	24	303
THPAL	229	0	38	191

* Figures revised as a result of adjustment to total area of land developed but not rehabilitated at Hishikari Mine and Pogo Mine (as of March 31, 2013).

Material Flows within Business Activity

The SMM Group ascertains the amount of resources and energy it consumes, as well as the Group's overall environmental impact in quantitative terms, and carries out

various activities to lower environmental impact. Here we summarize the inputs and outputs to and from operations in Japan and overseas during FY2014.

INPUT (Resources & Energy)

Raw Materials ¹				Recycled Materials ²	
Gold and silver ore	1,102 kt	Raw material for batteries	11 kt	Copper scrap	98 kt
Copper concentrates	1,430 kt	ALC raw material, incl. silica rock	212 kt	Secondary zinc	52 kt
Nickel oxide ore	8,957 kt	Raw material for metalworking	3 kt	Secondary precious metals	3 kt
Nickel matte, etc.	36 kt	Hydrotreating catalyst raw material	42 kt	Scrap for metalworking	1 kt
				Electric arc furnace dust	110 kt
				ALC waste	332 t

Energy ³	Consumption	Energy value
Heavy oil	61,974 kL	2,557 TJ
Coal/coke	624,061 t	16,352 TJ
Wood pellets	3,856 t	68 TJ
Diesel/gasoline/kerosene/naphtha	23,881 kL	896 TJ
LPG/LNG	8,677 t	441 TJ
City gas/natural gas	5,670 km ³	257 TJ
Purchased electricity	1,877,321 MWh	18,275 TJ
Purchased steam	147 GJ	150 GJ

Materials	
Silica sand (for copper smelting)	135 kt
Chemicals (lime-based)	1,496 kt
Chemicals (sodium-based)	71 kt
Chemicals (magnesium-based)	12 kt
Sulfuric acid	671 kt
Cement etc.	111 kt

Water	
Freshwater total	40,431 km ³
Industrial water	14,064 km ³
Groundwater	10,814 km ³
Tap water	1,517 km ³
Surface water	14,038 km ³
Seawater	157,084 km ³

OUTPUT (Products & Emissions)

Products ¹		Emissions into the Atmosphere		Emissions into Water		Waste (including Items of Value)	
Electrolytic copper	429 kt	CO ₂	3,557 kt	Total wastewater	211,114 km ³	Total waste	9,835 kt
Gold	19 t	Direct emissions ⁴	2,330 kt	Discharges into seas ⁷	202,984 km ³	Breakdown of total waste	
Dore	12 t	Indirect emissions ⁵	1,202 kt	Discharges into rivers	6,976 km ³	Spoil	684 kt
Silver	194 t	Emissions during transportation (Japan) ⁶	25 kt	Underground seepage	75 km ³	Flotation tailings	764 kt
Electrolytic nickel	57 kt			Sewerage, etc.	1,079 km ³	Wastewater sludge from CBNC, THPAL, etc.	8,226 kt
Nickel sulfate	14 kt	SO _x	2,516 t	COD (chemical oxygen demand)	57 t	Industrial waste (Japan)	149 kt
Electrolytic cobalt	4 kt	NO _x	1,436 t	BOD (biochemical oxygen demand)	13 t	Other	12 kt
Prime western grade zinc	49 kt	Soot and dust	135 t	Total phosphorus	1 t	Landfill on premises	9,677 kt
Crude zinc oxide	3 kt	PRTR substances	19 t	Total nitrogen	86 t	PRTR substances ⁸	2,976 t
Ferro-nickel	127 kt			PRTR substances (discharged into public water areas)	81 t		
Battery materials	14 kt			PRTR substances (discharged into the soil or in landfills within business premises)	8 t		
Sulfuric acid	505 kt						
Slag	1,704 kt						
Processed metal products	1 kt						
Hydrotreating catalyst	8 kt						
ALC (Siporex)	437 km ³						

1. The switch to oxide ore only operations for zinc production has eliminated the use of zinc and lead concentrates and production of electrolytic zinc.

2. Does not include materials recycled within plants.

3. Calorific values for both Japan and overseas are calculated using coefficients conforming to the Japanese Act on the Rational Use of Energy. For Japan, calorific values for both Japan and overseas are calculated using coefficients conforming to the Japanese Act on the Rational Use of Energy. For overseas, calorific values for both Japan and overseas are calculated using coefficients conforming to the Japanese Act on the Rational Use of Energy. For overseas, calorific values for both Japan and overseas are calculated using coefficients conforming to the Japanese Act on the Rational Use of Energy. For overseas, calorific values for both Japan and overseas are calculated using coefficients conforming to the Japanese Act on the Rational Use of Energy.

4. Direct emissions for both Japan and overseas are calculated using emission factors conforming to the Japanese Act on Promotion of Global Warming Countermeasures. Besides CO₂ emissions resulting from regulated activities, this includes CO₂ emissions (514 kt-CO₂) resulting from non-regulated sources, which is not regulated.

Recycling-derived products ratio
3.92%

- The switch to oxide ore only operations for zinc production has eliminated the use of zinc and lead concentrates and production of electrolytic lead.
- Does not include materials recycled within plants.
- Calorific values for both Japan and overseas are calculated using coefficients conforming to the Japanese Act on the Rational Use of Energy. Fuels used as reducing agents are also included. Energy value indicates the energy input in the case of purchased electricity and purchased steam, and calorific value for all others.
- Direct emissions for both Japan and overseas are calculated using emission factors conforming to the Japanese Act on Promotion of Global Warming Countermeasures. Besides CO₂ emissions resulting from regulated activities, this includes CO₂ emissions (514 kt-CO₂) resulting from non-energy sources, which is not regulated.
- Emission factors used by electric power suppliers are employed for CO₂ volume emissions originating from electricity purchased in Japan. Emission factors for overseas are based on International Energy Agency (IEA) data.
- Emissions during transportation in Japan are calculated in line with the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures.
- Discharges into rivers flowing into enclosed seas are included as "discharges into seas."
- Total transfers to sewerage and off-site transfers.

Contribution to Society and Local Communities

Basic Approach The SMM Group has long been providing a secure foundation for living for its employees and their families as part of its business, and building a social infrastructure open to the public in many fields including culture, education and medicine. For our businesses,

we have established the SMM Group Corporate Philosophy and CSR Policy. Based on these, we execute business after ample deliberation at meetings at all levels and after taking into consideration the regional environment and society.

Impact on Local Economies

Local Procurement

Procurement is one aspect of the SMM Group's business operations that benefits the vicinity of our operating areas. Our procurement in these areas complies with legal regulations and follows fair competition practices in full recognition of the importance of mutual development.

The Niihama District, as our main business center, has always supported our business and we have developed in tandem with the community. We contribute to local development through procurement wherever the Group operates.

The proportion of payments made to local suppliers in FY2014 was 46% (¥10.1 billion) for the Niihama District. The Pogo Mine procures materials and equipment from some 235 suppliers in Alaska, and the total value of those transactions is around US\$73 million a year.

Local Hiring

The SMM Group's employment of individuals in the vicinity of operating areas not only directly contributes to the economy of the local society, but also helps to revitalize the region through human resource development and the provision of stable job opportunities. Since we believe that local residents' understanding of our business activities, paired with our understanding of local issues, is effective for deepening mutual concern, we continue to actively promote local hiring.

When an individual is hired, we clarify recruitment processes for each overseas facility while adhering strictly to laws and ordinances of the respective regions. Fairness in job appraisal, including promotions, is also ensured.

Actual conditions are periodically confirmed through the implementation of Group-wide questionnaires.

At the Pogo Mine, we strive to hire people locally and 70% of the approx. 300 employees are Alaska residents. At Coral Bay Nickel Corporation (CBNC) in the Philippines, efforts have been made to employ locals from Bataraza, achieving a ratio of 58%. At Taganito HPAL Nickel Corporation (THPAL), also in the Philippines, 51% are from Claver.

Number of Locally-hired Senior Managers (General Managers and Above) at Overseas Affiliates (March 31, 2015)

Company	No.	
	Male	Female
Sumitomo Metal Mining Pogo LLC (USA)	1	1
Sumitomo Metal Mining Chile Ltda. (Chile)	2	0
Sumitomo Metal Mining do Brasil Ltda. (Brazil)	0	1
Coral Bay Nickel Corporation (Philippines)	3	1
Taganito HPAL Nickel Corporation (Philippines)	1	0
Sumitomo Metal Mining Philippine Holdings Corporation (Philippines)	2	1
Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)	1	0
SH Asia Pacific Pte. Ltd. (Singapore)	3	0
Malaysian SH Electronics Sdn. Bhd. (Malaysia)	2	3
Malaysian SH Precision Sdn. Bhd. (Malaysia)	4	1
Malaysian Electronics Materials Sdn. Bhd. (Malaysia)	0	1
SH Electronics Chengdu Co., Ltd. (China)	2	1
SH Electronics Suzhou Co., Ltd. (China)	1	3
Suzhou SH Precision Co., Ltd. (China)	0	1
SH Precision Chengdu Co., Ltd. (China)	2	1
SMM KOREA Co., Ltd. (South Korea)	1	0
Shanghai Sumiko Electronic Paste Co., Ltd. (China)	3	0
Total	28	15

Mine Closure Plans

Taking into consideration the treatment procedures that must be carried out once mining is finished, the SMM Group makes an effort to minimize the impact on the environment during the development stage. When actually closing a mine, procedures are advanced in a proper manner in keeping with the SMM Group Corporate Philosophy and in accordance with laws and regulations. At mines in which SMM has more than a 50% interest, we draw up suitable plans once closure of the mine is foreseeable. Closure formalities and management are carried out according to the laws of the country in question.

Future environmental considerations at the Hishikari Mine include shaping spoil heaps into slopes, covering them with soil if necessary, and then spraying with seed to create vegetation. The costs are covered by reserves put aside for the purpose of mine pollution control, in line with Japanese law. The Pogo Mine in the United States falls under Alaskan state law, which requires sites to be covered with soil and revegetated after all mine facilities have been removed. The law stipulates the remedial programs required and their extent, the water quality

parameters to be monitored, and the costs required for remedial work and revegetation.

SMM Group employees who worked at the Besshi Copper Mine and other Japanese mines that are now closed have been transferred to other workplaces or given assistance in finding new jobs.

Closure Plan for Smelting Plants

In the Philippines, we are required to submit a closure and cleanup plan, not only for closure of the mine, but also for the refinery and mineral processing plant at CBNC. We are also required to put aside funds needed for the closure of any related workplaces. The total cost according to the closure plan submitted by CBNC to the Department of Environmental and Natural Resources (DENR) is 110 million pesos, and funds are being set aside every year for an eight-year period starting in 2012.

We are also providing assistance via SDMP* to help local residents make a living (such as in the farming and fishing industries) even after closure of a facility. For THPAL, a total of approx. 120 million pesos will be necessary for the closure plan, and funds will be set aside each month for an eleven-year period starting in 2016.

* SDMP: Social Development Management Program, conducted by a company for the welfare of residents living in the vicinity of its operating area.

Reserves for Mine Closures

Mine	Reserve name	Reserves (2014)
Hishikari Mine	Mine pollution control reserve	¥20.53 million
Pogo Mine	Reclamation Bond	US\$57.10 million*

* Total reserves for the entire project. The burden of costs, when they actually incur, will be divided among companies according to their participating interest.

Social Contribution Activities

This year, the SMM Group set forth “a company that earns trust and contributes to regional development through our business and social contribution activities rooted in each region” as its Vision for 2020 in the area of “Contribution to Society and

Local Communities.” We will revise our past social contribution activities to improve upon them based on dialogue with local communities, in hopes of directing activities to support the development of the regional society.

Major Donations in FY2014

[Social infrastructure building activities at operating areas]

- Infrastructure building and construction of schools, hospitals, etc. with operational support in the Philippines
- Scholarships bestowed at each operating area
- Support for hospital construction in Niihama City, Ehime

[Cultural and academic support]

- Support for remodeling of Amano Museum in Peru
- Support and contribution to universities, support for the protection of cultural assets, etc.

[Nature conservation]

- Contribution to the Keidanren Nature Conservation Fund

[Disaster area support]

- Contribution to storm damage relief in Hiroshima
- Contribution to cyclone victims in the Solomon Islands
- Continuous food aid for victims of the Great East Japan Earthquake (Purchase and donation of specialty rice produced in operating areas)
- Continuous donations to scholarship foundation for children orphaned by the Great East Japan Earthquake
- Continuous holding of internal discourse on the current status of recovery efforts for the Great East Japan Earthquake and of sales events for products from afflicted areas

Respect for People and Human Rights

Human Resources Development

Basic Approach The basis of human resources development in the SMM Group is on-the-job training (OJT) in which supervisors and senior colleagues carefully train individual employees through duties in the workplace. SMM has also prepared programs that include a range of in-service training and seminars, e-learning, and correspondence education to complement OJT. In recent years,

developing global human resources, training the next generation of managers, and providing support for female employees to play active roles have been promoted as priority areas. Moreover, Vision for 2020 mentions providing opportunities every year for all employees to increase their skills and motivation, and the framework for this is currently being diligently created.

Human Resources Development Program

In order to realize the growth strategy put forward in its 3-Year Business Plan, the SMM Group has defined the human resources it is looking for: people who see opportunity in change, perceive issues correctly, and push forward with determination toward finding solutions.

A framework structured around three components—on-the-job training (OJT), which is the primary component, self-development, and off-the-job training (OFF-JT)—has been



Introductory training for new employees (former Besshi Copper Mine climbing tour)

put in place to develop such human resources. We also systematically carry out more specialized education through human resources development programs created for different job types.

Specific Human Resources Development Initiatives

In particular, we focus on these human resources development initiatives:

(1) Global human resources development

(2) Next-generation management development

We also intend to introduce new programs and review existing training programs as required.

Global Human Resources Development

The globalization of business has created a need for human resources who can actively pursue SMM's business strategy at overseas facilities and within markets for each business division in mineral resources, smelting and refining, and materials, and in corporate divisions. Acknowledging that the development of such human resources needs to start as early as possible, SMM implements a short-term overseas training program whereby all new management track employees are seconded overseas for a two-month period.

More than just an opportunity to polish language skills, the program is designed to bring about general improvements to the

employees' ability to accommodate other cultures and their ability to act under their own initiative in an overseas setting. Training in business skills, which are perhaps one common language within a global business, is also readily incorporated into the different types of management training and training for employees promoted. Global human resource development is thus approached from a number of angles, not simply from the language aspect.

Next-generation Management Development

In addition to bottom-up training of the entire workforce, in FY2008 we also launched a specialized program for training the next generation of managers.

Section manager-level and general manager-level personnel with the potential for a future senior management role at the company are selected for the program, which is carried out over about six months and is designed to help them develop a senior manager's perspective. Moreover, practical training launched in FY2011 for newly promoted general manager-level personnel involves current officers in charge at each workplace providing guidance and advice to participants on a one-on-one basis to let them develop a sense for management. The training also involves participants themselves playing a leading role in actually addressing managerial issues faced by the company and observing the results. Furthermore, the Officers' coaching school started in FY2014 to show that officers themselves are studying as well as cultivating an atmosphere more conducive to human resources development.

FY2014 Total Annual Hours of Education

	(hours)					
	Officers	General managers	Section managers	Regular employees	Other	Total
SMM non-consolidated	140	1,670	6,280	33,107	668	41,865
Consolidated subsidiaries in Japan	424	643	2,333	13,339	1,889	18,627
Consolidated subsidiaries overseas	911	267	1,845	44,491	542	48,056
Annual hours of education per employee	11.8	9.9		12.4	2.0	10.5
Number of officers and employees at the end of the fiscal year	125	1,314		7,347	1,559	10,345

Diversity and Equal Opportunity

Basic Approach The foundation for corporate development is diverse human resources demonstrating their full potential and playing active roles in their respective workplaces. In 2012, the SMM Group established a dedicated organization, and began specific efforts, to support women's careers. Moreover, as well as having promoted employment for people with disabilities for some

time, further efforts are being made to employ foreign nationals in management track positions and to train locally hired executive managers overseas.

In addition, the establishment of a dedicated organization for diversity management to comprehensively promote these is planned for October 2015.

Establishment of Workplace Environments Favorable to Diverse Human Resources

Working Environments Favorable to Women

It is the third year since the new Female Activation Support Group was established within the Personnel Department in July 2012, starting with the message from SMM's President that activities to support women's careers are the first step in embracing diversity and increasing corporate competitiveness. Based on a policy of developing SMM into a company where ambitious female employees feel motivated, are able to work dynamically, and gain a sense of personal growth through their jobs while demonstrating their full potential, the Group has developed a full-scale effort under three main categories with the aim of establishing environments favorable to women.

1) Promotion of awareness

In FY2014, training was launched for female management track employees, female normal track employees, and managers and supervisors of female normal track employees. This training was carried out for female employees to think about working styles with an awareness of the future and for supervisors to improve important communication skills for carrying out human resource development based on correctly understanding the diversity of their subordinates. In FY2015, additional training programs will be provided utilizing the awareness obtained from this training.

2) Review of systems

As a result of a review of systems conducted from 2013 through 2014, it is now possible to choose a variety of working styles. The details of the revised systems are being disseminated via the office organization, the in-house bulletin and bulletin boards. At the same time, follow-up surveys on the utilization of the systems are confirming whether the review was effective.

3) Infrastructure placement

In conjunction with the infrastructure placement, the working areas of women are being extended and women are being assigned to previously male-only workplaces. Consequently, even more in-depth adaptations are beginning to come about in the respective workplaces.

The development and administration of a fair human resources system means there is no gender disparity in terms of basic salaries in the SMM Group.

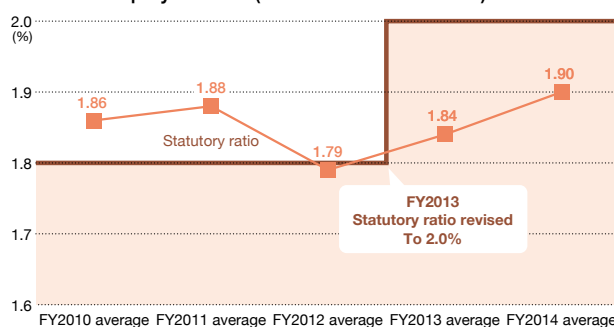
Working with the Disabled

Recognizing that human rights issues are a common global challenge, and that their resolution and improvement is a corporate social responsibility, SMM has operated the Committee for the Promotion of Respect for Human Rights to promote SMM Group-wide activities aimed at resolving human rights issues. In July 2014, the organization and functions of the committee were revamped to include promoting employment for people with disabilities and improving the disabled employee ratio. This was done through

such means as developing new workplaces for people with disabilities, expanding the scope of the degree of disability eligible for employment, and collaborating with special schools aimed at regular hiring of new graduates. As a result, we met the statutory ratio for disabled employees (2.0%) at the end of FY2014, and we are making efforts to maintain and improve this in FY2015.

Furthermore, the Head Office area, which is leading the employment of people with intellectual disabilities, is also striving to ensure that there are projects to capitalize on the individuality and skills of people with disabilities, as well as offering training aimed at protecting the human rights of people with disabilities.

Disabled Employee Ratio (SMM non-consolidated)



Support for Elderly Employees

Since revisions were made to SMM's manager re-employment system in FY2013, we have rehired all employees over the age of 60 who wished to remain employed. With an increasing number of people making use of the system, we are reviewing suitable levels of treatment and systems that can contribute to motivational improvements.

Initiatives for Enhancing Work-life Balance

A satisfying lifestyle leads to satisfaction at work, too. Based on this belief, SMM is making efforts to enhance the work-life balance of employees. Efforts include strengthening, and promoting the use of, various systems. In addition to restricting long working hours and encouraging employees to take paid leave, we have enhanced the reduced working hour system available during child care and established a new return-to-work system.

We are also directing energy into enhancing the child-care leave system, elderly and nursing care systems, and our response to the Japanese Law for Measures to Support the Development of the Next Generation. In advancing these efforts, we make full use of labor-management councils for surveying current conditions and drafting specific provisions, and we incorporate council results in system revisions.

People and Human Rights-related Data

Number of Employees & Officers Worldwide (Consolidated) (March 31, 2015)

	No. of employees at year-end				Employee gender breakdown		Average number of non-regular/limited-term employees during the year	Total	Temporary employees
	Full-time officers	Managers	Regular employees	Total	Male	Female			
SMM non-consolidated	20	442	1,649	2,111	1,877	234	247	2,358	103
Consolidated subsidiaries in Japan	65	389	2,828	3,282	2,770	512	412	3,694	178
Consolidated subsidiaries overseas	40	483	2,870	3,393	2,453	940	91	3,484	528
Subtotal	125	1,314	7,347	8,786	7,100	1,686	750	9,536	809

The 20 full-time officers and 750 non-regular/limited-term employees of Sumitomo Metal Mining Co., Ltd. are not included in the figure presented in the Overview of Business Operations on page 83 of this report, hence the different total here.

Number of Employees & Officers by Region (Consolidated) (March 31, 2015)

Japan	U.S.A.	South Korea	Peru	Chile	China	Philippines	Taiwan	Singapore	Malaysia	Thailand	Australia	Solomon Islands	Brazil	Total
6,052	348	4	14	38	844	1,138	452	38	538	1	7	51	11	9,536

Consolidated Employee Breakdown (March 31, 2015)

	Younger than 30		30-49 years old		50 and older		Total
	Male	Female	Male	Female	Male	Female	
Managers	25	8	653	79	536	13	1,314
Regular employees	1,426	575	3,329	902	1,006	109	7,347
Subtotal	1,451	583	3,982	981	1,542	122	8,661

* The 125 full-time officers and 750 non-regular/limited-term employees of the SMM Group are not included in this table, hence the different totals under "Number of Employees & Officers Worldwide (Consolidated)" and "Number of Employees & Officers by Region (Consolidated)" on this page.
 * Full-time officers of Sumitomo Metal Mining Co., Ltd.: All male, 50 and older.

Company-wide Human Resources Development Program

	OJT	Self-development	OFF-JT									
	OJT program	Self-development assistance	Head Office employee (university graduate) education	Rank-based training	Specialized education			Outside placement	International training	Other		
Officers												
General managers				Follow-up training General manager second-year training Newly promoted general manager training		Executive management program	Officers' coaching school					
Section managers		Company-wide correspondence education		Newly promoted section manager training		Middle management program Management basic course						
E-class		Fee assistance for language proficiency tests		Newly promoted E-class employee training			Brush-up training Outside seminars/workshops					
S-class	Introductory duty-based OJT for new employees		3-year management track employee training program	Newly promoted S-class employee training (at each branch office)	New employee supervisor training Supervisor/line leader training Supervisor/line leader follow-up training			Pursue higher education in Japan Training in Japan	Language training prior to overseas assignment Global course Trainee course Short-term study/secondment course	Overseas management training	Compliance seminars Human rights seminars Seminars relating to women's career support	Hazard simulation training Equipment skills training
F-class			Introductory training Pre-departure training (for short-term overseas training) Short-term overseas training Second-year training	Newly promoted F-class employee training (at each branch office)	Prospective employee education							
J-class												

Employee Turnover Number and Rate (FY2014)

Location		Younger than 30		30-49 years old		50 and older		Total
		Male	Female	Male	Female	Male	Female	
Japan	Departures	17	14	43	13	36	11	134
	Total employees	650	197	2,559	457	1,353	92	5,308
	Turnover (%)	2.6	7.1	1.7	2.8	2.7	12.0	2.5
U.S.A.	Departures	5	0	13	1	9	0	28
	Total employees	47	3	175	13	91	9	338
	Turnover (%)	10.6	0	7.4	7.7	9.9	0	8.3
South Korea	Departures	0	0	2	0	0	0	2
	Total employees	0	0	1	2	0	0	3
	Turnover (%)	0	0	200	0	0	0	66.7
Peru	Departures	0	0	0	0	0	1	1
	Total employees	1	1	6	2	1	1	12
	Turnover (%)	0	0	0	0	0	100	8.3
Chile	Departures	0	0	0	0	0	0	0
	Total employees	1	1	15	4	11	3	35
	Turnover (%)	0	0	0	0	0	0	0
China	Departures	153	138	42	39	0	0	372
	Total employees	224	139	272	176	12	2	825
	Turnover (%)	68.3	99.3	15.4	22.2	0	0	45.1
Philippines	Departures	37	17	29	6	0	0	89
	Total employees	381	125	481	85	24	3	1,099
	Turnover (%)	9.7	13.6	6.0	7.1	0	0	8.1
Taiwan	Departures	18	10	31	13	0	0	72
	Total employees	30	41	220	113	23	9	436
	Turnover (%)	60.0	24.4	14.1	11.5	0	0	16.5
Singapore	Departures	0	0	2	0	0	0	2
	Total employees	2	3	16	11	4	1	37
	Turnover (%)	0	0	12.5	0	0	0	5.4
Malaysia	Departures	40	24	12	18	0	0	94
	Total employees	112	70	215	111	20	5	533
	Turnover (%)	35.7	34.3	5.6	16.2	0	0	17.6
Thailand	Departures	0	0	0	0	0	0	0
	Total employees	0	0	0	0	0	0	0
	Turnover (%)	0	0	0	0	0	0	0
Australia	Departures	0	0	0	0	0	0	0
	Total employees	0	1	2	1	1	0	5
	Turnover (%)	0	0	0	0	0	0	0
Solomon Islands	Departures	0	0	0	0	0	0	0
	Total employees	1	1	16	2	2	0	22
	Turnover (%)	0	0	0	0	0	0	0
Brazil	Departures	0	0	0	0	0	0	0
	Total employees	2	1	4	1	0	0	8
	Turnover (%)	0	0	0	0	0	0	0
Total	Departures	270	203	174	90	45	12	794
	Total employees	1,451	583	3,982	978	1,542	125	8,661
	Turnover (%)	18.6	34.8	4.4	9.2	2.9	9.6	9.2

* Figures exclude 125 officers, 809 temporary employees, 750 non-regular and limited-term employees.

* Turnover rate (%) = number of departures ÷ number of employees at fiscal year end × 100

Respect for Human Rights

Basic Approach As well as being a corporate social responsibility, respect for human rights is something that should be valued for every single individual as a human being. The human rights of not only SMM employees but also stakeholders must be protected equally. In order to achieve this, SMM provides the necessary awareness

training to all employees, in addition to implementing proper monitoring through the establishment of human rights hotlines, the conduct of human rights due diligence, and by taking prompt and appropriate action when a human rights problem is confirmed.

SMM Group Policy on Human Rights

The SMM Group's policy on human rights, in accordance with the SMM Group Corporate Philosophy and the SMM Group Code of Conduct, has been established as follows.

1. The SMM Group will comply with domestic laws and international standards relating to human rights and encourage persons within the Group, as well as outside parties over which the Group has influence, to work toward the realization of a society without human rights infringements.
2. The SMM Group will not allow harassment or other incidents of a discriminatory nature within the Group and will make efforts to prevent such incidents from occurring among outside parties over which the Group has influence.
3. The SMM Group will not engage in child labor or forced labor and will make efforts to prevent child labor or forced labor from occurring among outside parties over which the Group has influence.
4. The SMM Group will show other considerations to human rights in addition to items 1-3 above within the Group and in relationships with outside parties over which the Group has influence.
5. The SMM Group will establish appropriate measures and procedures for responding to human rights problems should they occur.
6. The SMM Group will identify and stay aware of the current and changing state of human rights in the world, as well as the impact of corporations in the area of human rights, and carry out awareness-raising activities and other necessary measures on an ongoing basis.

Enhancing Management of Human Rights

The SMM Group is constructing a Group-wide human rights management program that incorporates a human rights due diligence framework. We aim to build a structured system to prevent and avoid complicity in either direct or indirect violations of human rights, and to respond appropriately to any concerns that come to light. The system will apply to Group employees both inside and outside Japan, persons in the supply chain who may be affected by the Group's activities, and local residents in the areas in which the Group conducts its business activities.

We have established working groups for each of these target scopes and have begun studying the issues. A human rights management program for employees that is part of this began full-scale operation in FY2014, and a simultaneous survey was conducted at all facilities including group companies. The results of the survey were deliberated on by the Committee for the Promotion of Respect for Human Rights, a sub-committee of the CSR Committee that includes the General Managers of the Personnel Department, the Legal & General Affairs Department, the Safety & Environmental Control Department, and the Internal Audit Department as well as an outside attorney-at-law in an advisory capacity. As a result of these deliberations, improvements will be promoted at sites where problems with activities were identified. In addition, the human rights management program will continue to be promoted Group-wide. A human rights management program for the supply chain has been tried at two supplier companies in Japan and overseas, confirming the suitability of the program. In FY2015, the number of suppliers covered by the program will be increased with plans to transition to full-scale operation.

In FY2014, there were no human rights-related discrimination incidents. There were five human rights-related complaints, and appropriate actions were taken.

Human Rights Seminars

Human rights seminars are held regularly and include lectures, education on human rights risks for employees scheduled to be posted overseas, and education as part of promotion training. The primary objectives are to deepen awareness of potential human rights issues in the workplace and to prevent them from occurring. These seminars are held mainly for officers and managers at the Head Office, while seminars at business divisions and business sites target a broader range of employees. In addition to these seminars, we hold training on human rights, including the SMM Group Policy on Human Rights, for all employees—including those at group companies—every December during Japan's Human Rights Week. Going forward, we intend to further enhance human rights education.

Preventing Harassment

In order to prevent every kind of harassment, each workplace runs human rights training. Each business facility has established a contact personnel for sexual harassment and other incidents concerning human rights as well as appointing a harassment prevention officer. In FY2014, there were three incidents of sexual harassment and two incidents of workplace bullying, and appropriate actions were taken.

Mental Health Care

Initiatives related to mental health care for employees include mental health care training by specialized institutions and health level self-checks. We have also established a health consultation system, which can be accessed at any time by employees and their families via telephone or our website.

Self-checks have been implemented in FY2014. Based on the results, guidance was implemented for activities related to workplace communication and other areas. Training for managers and supervisors as well as regular employees

was also continued. A "trial return to work" system was also implemented to help employees who have been on long-term leave due to a mental disorder settle back into work life.

We are also nurturing in-house mental health care specialists by having human resources personnel obtain industrial counselor qualifications.

In FY2015, we will continue to enhance mental health care initiatives to build a legally compliant system based on existing initiatives as well as the stress checks, which will be mandatory from December 2015 accompanying the amendment of the Industrial Safety and Health Act.

Respect for the Human Rights of Indigenous People and Local Citizens

Starting/Ceasing Operations

When making investments or equity contributions, the SMM Group uses a project risk check sheet for committees, primarily the Management Committee, to investigate risks that include not only human rights issues such as discrimination, forced labor, and child labor, but also the political system, economy, law and order, locally-specific diseases, labor issues, religious restrictions, and the impact on the local community. In FY2014, six investment projects were proposed to the Management Committee, none of them fell under the scope of human rights issues. Continued monitoring of human rights issues is conducted after the investment or equity contribution, for example through board meetings of the company invested in. If any issues should arise, prompt action is taken after clarification of the cause.

Relocation of Local Citizens for Development

There are occasions when we inevitably have to ask local citizens to relocate to make way for development of the mine or the construction of associated facilities. On such occasions, we seek the approval and understanding of local citizens and

offer alternative land. For the Hishikari Mine, three households in total relocated from 1983 to 1989. No relocations took place for development of the Pogo Mine. For THPAL, we asked 41 households in areas to be affected by the plant's construction to relocate. A relocation plan was formulated in line with the World Bank's Operational Directive on Involuntary Resettlement. With the agreement of all citizens, the relocation was completed by December 2010.

Prevention of Child Labor and Forced Labor

We gain knowledge of current conditions through questionnaires sent out to group companies in Japan and overseas. No reports of child labor or forced labor were received during FY2014.

Artisanal and Small-scale Mining

As of July 2015, there were no cases of work environment issues relating to artisanal and small-scale mining (ASM) in regions where SMM operates, nor did SMM have any programs for involvement in ASM.

Initiatives Relating to Conflict Minerals

Resources that are mined in the Democratic Republic of the Congo and surrounding countries lead to human rights abuses such as forced labor and child labor, and armed groups use such resources as a source of funds, thereby expanding and prolonging conflicts. Besides demands to stem conflict by requesting nations to ban arms exports to countries involved in conflicts, and requesting boycotts of minerals sold by armed groups, legislative measures are also being put in place. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act that became law in the United States in July 2010, corporations listed on American stock exchanges are obligated to report to the Securities and Exchange Commission (SEC) on their use of "conflict minerals" (gold, tin, tantalum and tungsten) produced in the Democratic Republic of Congo or any of nine surrounding countries.

Given the above circumstances, the SMM Group agrees with and declares support for the principles of the

Extractive Industries Transparency Initiative (EITI). Based on the SMM Group Policy on Human Rights, it is working to improve transparency among raw materials suppliers to avoid contributing to human rights violations related to conflict minerals. To give assurance that the SMM Group's gold smelting and refining business does not make use of conflict minerals that may lead to human rights violations or aggravation of conflicts, we began implementing the LBMA Responsible Gold Guidance* issued by the London Bullion Market Association (LBMA) in FY2012. We also undergo an annual audit by a third party organization.

* LBMA Responsible Gold Guidance:
Guidance issued by the London Bullion Market Association which sets strict standards to prevent widespread organizational violation of human rights, ensure transactions are not used to fund conflicts or terrorism, and prevent money laundering.

Occupational Health and Safety

Basic Approach SMM engages in a wide range of activities in line with its CSR Policy, which states, "According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents." The Vision for 2020 depicts "a company that accords safety as the highest priority and provides comfortable working environments," stipulating the following targets.

Assuring safety

- Zero occupational injury accidents as the ultimate goal.
- Setting the goal of no more than three occupational accidents per year by 2020 and formulating a system for achieving it. (Japan)
- Halving the occupational accident frequency rate by 2020. (Japan and overseas) 1.28 (2011) to 0.60 or less (2020)

Assuring comfortable workplace environments

- Assuring healthy work environments
 - (1) Number of occupational diseases: New cases (requiring treatment) zero in Japan and overseas
 - (2) Number of Control Class 3* workplaces (excluding those based on guidelines, etc.): zero in Japan
- Other workplace environment improvements

* Control Class 3: Workplaces where the average concentration of a harmful chemical substance in the air in the work environment exceeds the control level.

Safety-related activities are promoted based on our CSR Policy and under a basic policy to nurture a safety culture and ensure thorough safety management at all business sites and Group companies in order to realize the Vision for 2020. Health-related activities include ascertaining levels of dust, noise, specified chemicals and organic solvents, making improvements to those environments where necessary, and enhancing occupational health management.

Occupational Health and Safety Management Framework

The executive officer supervising the Safety & Environment Control Department is responsible for matters relating to health, safety and the environment, and coordinates health and safety management for the SMM Group. Also, each sector of our Head Office organization and each workplace will have assigned a health and safety manager in charge of functional coordination relating to health and safety issues.

The general manager of each workplace is appointed health and safety manager for that workplace, as provided for by the Japanese Industrial Safety and Health Act. Health and safety management is advanced within the organization according to instructions given by the health and safety manager of each workplace.

Constructive discussions on ways to improve health and safety in the workplace take place during meetings of the Occupational Health and Safety Committee comprising representatives from both labor and management.



One of the annual Occupational Health and Safety Committee meetings



Holding improvement case study presentations, lectures, and training intended to be implemented at each workplace

Assuring Health and Safety

Health and Safety Activities in Business Sites

Safety-related activities in CY2014 were conducted with a focus on the following measures:

- (1) Priority-oriented accident risk identification
- (2) Strengthening residual risk¹ management
- (3) Strengthening education for less-experienced employees²
- (4) Implementation of employee education at workplaces of every size
- (5) Enhancement of safety management for contractors

To raise the effectiveness of measures, we implement activities with a focus on the issues particular to that workplace based on the analysis of past accidents. Safety activities are also advanced by employees of the SMM Group together with contractors.

Health-related activities during 2014 were pursued under the following themes.

- (1) Steady implementation and continuation of work environment improvements
- (2) Protective equipment usage management and maintenance
- (3) Enhancing awareness of, and communication about, the dangers and hazards of chemical substances
- (4) Compliance with stricter work environment regulations relating to chemical substances
- (5) Providing care as part of health management (e.g. health guidance for employees diagnosed with an illness)

Under a labor-management agreement concerning dust, visual display terminals (VDT), lead and noise, procedures for preventing illness and taking action when illnesses occur are set forth.

None of our workplaces were required to improve work environments relating to organic solvents, such as chloroform, designated as Specified Chemical Substances in August 2014. We will obtain information on revisions of laws and regulations that will continue to toughen and rapidly make the necessary developments.

1. Residual risks: Risks remaining after measures are implemented

2. Less-experienced employees: Employees with less than five years' experience

Hazard Simulation Courses (Activities at the Oji-kan Facility)

The SMM Group's practical training facility, the Oji-kan, commenced hazard simulation courses in January 2010. By April 30, 2015, a period of roughly five years, a total of 5,700 Japan-based SMM Group employees and 3,300 contractor employees had undergone training there. In 2014, the Oji-kan made efforts to increase participant numbers by actively holding on-site practical hazard simulation courses and dispatching its staff to workplaces. Workplaces also use the Oji-kan's facilities for their own independent safety training activities.

Even overseas workplaces make good use of the Oji-kan. Every year, around 10 employees from Coral Bay Nickel Corporation (CBNC) in the Philippines visit the facility to take part in hazard simulation courses. The Pogo Mine in Alaska, the United States also sends a number of representatives each year to tour the facility and apply what they learn to safety



On-site hazard simulation—Pinched in an air cylinder

activities at the mine. Tours of the Oji-kan facility are also actively provided to other companies and organizations. Every year, a large number of them come to visit the facility to exchange information.

SMM Anzen Dojo

Our Safety & Environment Control Department has held the SMM *Anzen Dojo* (lit. safety training center) since 2013 to enhance the sensibility of all SMM Group employees with respect to hazards and to bring up the level of safety activities at each workplace by experiencing live hazards. The *Anzen Dojo* fosters personnel that will serve as safety experts at their workplaces as well as safety leaders, who bring back to their workplaces all that they absorbed at the *Anzen Dojo* for use as material for group education and safety activities.

Following the successes of 2013, the *Anzen Dojo* was held twice in 2014 where safety leaders learned about unsafe activity patterns, accidents from the perspective of human characteristics, accident countermeasure techniques, and more. The *Anzen Dojo* will be held twice again in 2015 to complete all programs.



Safety Activity Concepts taken from the *Anzen Dojo*'s course material

Incidence of Occupational Accidents

The total number of occupational injury accidents occurring at workplaces in Japan fell to 13 in 2014 from 16 the previous year. However, there were four lost-time accidents, which increased from the best safety performance of only one accident achieved in 2013.

There were nine injury accidents at overseas workplaces. No fatal accidents occurred at workplaces in Japan or overseas. There were no new instances of occupational illnesses at workplaces either in Japan or overseas. Note that this data was collected during the calendar year, January to December 2014.

Data on Occupational Accidents in Japan

Year	Item	SMM non-consolidated	Group companies	Total
2014	All accidents	5	8	13
	Fatalities	0	0	0
	Lost time accidents	1	3	4
	Working days lost	50	118	168
2013	All accidents	5	11	16
	Fatalities	0	0	0
	Lost time accidents	0	1	1
	Working days lost	204	97	301
2012	All accidents	3	8	11
	Fatalities	0	0	0
	Lost time accidents	0	3	3
	Working days lost	9	172	181
2011	All accidents	5	11	16
	Fatalities	0	0	0
	Lost time accidents	1	4	5
	Working days lost	313	60	373
2010	All accidents	8	11	19
	Fatalities	0	0	0
	Lost time accidents	2	3	5
	Working days lost	98	27	125

* Scope: SMM, subsidiaries in Japan, Nippon Ketjen Co., Ltd., N.E. Chemcat Corporation, and the Mie District Div. of Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.
 * No fatal accidents have occurred at SMM or any group companies since 2004. SMM non-consolidated number of lost working days is affected by the lost time accidents that occurred in 2011.
 * Number of working days lost is calculated based on the Ministry of Health, Labour and Welfare's definition of "Aggregated number work-days lost."

Initiatives to Fortify Accident Countermeasures

Although the number of accident cases in the SMM Group has been falling over the long term as a result of various safety-related activities, accidents are being repeated due to similar unsafe activities, thus requiring initiatives to further bring up the level in hopes of achieving our goal. Therefore, we introduced a new tool called "Ikisatsu Diagram," which is a diagram of the sequence of events in injury accidents, in 2015.

This tool, which was deployed at The Kansai Electric Power Co., Inc., among others, uncovers the causes of unfavorable phenomena in the stages leading up to accidents and proposes measures to counter intrinsic underlying factors to prevent similar unsafe activities from happening again. Currently, guidance is being provided to make this tool a permanent fixture at the SMM Group.

Stakeholder Communication

Engagement with Employees

Basic Approach The basis of employee engagement is that all employees can be proud to work at Sumitomo Metal Mining Group. In order to achieve this, SMM implements a variety of efforts including social contribution through its core business, providing a workplace environment where each individual can work dynamically, establishing human resources development programs, and ensuring respect

for diversity and human rights. The top executives of each division have the fundamental responsibility for promoting activities to identify and enhance employee engagement. However, SMM as a whole conducts regular employee awareness surveys to assess the situation as well as pave the way to improving activities.

Establishment of a Workplace Environment to Enable Working Dynamically

Employee Awareness Survey

To promote communication with employees, who are important stakeholders, and create a better company and workplaces, SMM carries out employee awareness surveys through a specialized outside organization.

Following on from the first survey in 2010, a second survey was conducted in March 2013. The aims of the survey were to quantitatively determine how employee awareness had changed over the three years since the last survey and what kind of awareness employees possessed as they went about their jobs, and then to apply that knowledge to the development of measures for creating a better company and workplaces.

As with the previous survey, all of the roughly 3,000 employees of business locations directly controlled by SMM were surveyed. There were a total of 118 questions, comprising the same 113 questions asked in the previous survey, and five additional questions relating to women's careers. The response rate was 97.0%, higher than the previous survey, which suggests a high level of interest in the survey among employees.

Survey results were reported to top management, general managers of Head Office divisions, general managers of business divisions, and workers' unions over eight feedback briefing sessions. Additionally, feedback seminars were held at seven directly-controlled business locations. Targeting management at each facility, these seminars were used to disclose data for each location, ascertain outstanding issues for the location, and think about measures for creating better workplaces. For employees, survey results and an explanatory article appeared in the in-house bulletin, *Ibuki*, in November 2013.

Measures will be implemented at each location based on survey results and while engaging in communication with employees. The results of the latest survey will also be used as a reference in considering measures for promoting CSR in-house.

Labor-management Relations

Workers' unions formed at SMM branch offices and facilities of SMM Group companies in Japan carry out activity under the umbrella of the Federation of Sumitomo Metal Mining Workers Union (Sumikoren). All regular employees join workers' unions in accordance with union shop agreements. Overseas, three consolidated subsidiaries have workers' unions. As of March 31, 2015, around 18% of employees belonged to workers' unions at overseas consolidated subsidiaries. In order to build up healthy labor-management relations based on mutual trust, in which company and workers' union mutually respect the other party's position, labor-management council meetings, or labor-management discussions, are held at least once a month with workers' unions at each branch office or group company. The Central Labor-Management Conference, a meeting between SMM management and executives of Sumikoren workers' unions, is held once a year around March.

We also implement questionnaires to ascertain conditions relating to the establishment of workers' unions overseas and actually visit overseas business facilities in order to observe the labor-management situation in those locations and to exchange information. Various committees comprising members from labor and management are set up to tackle matters deemed important to both sides so that the views of both labor and management can be reflected in revisions, or the formulation of new systems. In the case of business reforms expected to have a significant impact on employees, considerations include providing sufficient advance notice. As a result of these efforts, no plant closures of a week or more due to strikes or other action were reported during FY2014 within the entire SMM Group—both in Japan and overseas—and there were no serious infringements upon freedom of association.

Matters discussed with Sumikoren (during FY2014) include:

- Discussions relating to human resources system revision
- Plans relating to business restructuring

Engagement with Local Communities

Basic Approach When commencing and continuing operations in a certain area, the SMM Group seeks to coexist with the local community and to make a contribution to community development. Therefore, in addition to establishing opportunities for regular

communication with the local community and creating an environment that promotes mutual understanding, SMM actively implements a variety of efforts to integrate with the community.

Promotion of Mutual Understanding and Contribution to Local Development

Involvement with Local Communities

Agreements are entered into with communities in line with the law at the mines, smelters and refineries in which the SMM Group has more than a 50% interest.

At the Hishikari Mine, the Pollution Prevention Council meets twice a year. In FY2014, budget briefings were held in April and September.

At CBNC, the Community Relations Section (Comrel) has been established. This section works to stimulate and strengthen management of SDMP activities. By means of the Information Education and Communication (IEC) activities, the section is regularly sharing information with the 11 impact barangays in the Rio Tuba area. Through this activity, it obtains understanding for the SMM Group's activities, paving the way to stable operations.

CBNC also set up the Comrel Information Center within the town site in August 2014. As both CBNC and RTN¹ now have Comrel offices on-site, access for local residents is facilitated, which has made for effective communication with the impact barangays, including dialogue and briefing sessions.

Similarly, THPAL communicates with 14 barangays, including impact barangays in four nearby locations, as part of IEC activities. In addition to this, it also carries out diverse activities such as the construction of local healthcare, school and other facilities and activities for children through SDMP and CSR. It also provides support for and builds positive relations with indigenous people through focused efforts. In 2014, a project to provide indigenous people with a supply of potable water was launched.

During the approval process for operations at the Pogo Mine, the Alaskan government provided explanations about the project to 13 villages inhabited by indigenous people in an area with a radius of more than 200 kilometers around the Pogo Mine, particularly in the Tanana River basin, and G2G Consultation was held to collect opinions. In addition, since operations began, there has been regular communication with local people. In 2014, four sessions were held to disclose information to stakeholders, including local residents, and the status of operations was explained. There have been no pending issues resulting from complaints from indigenous people in the areas surrounding the mines, smelters and refineries in which SMM has more than a 50% interest.

There were four complaints² to the SMM Group about community impacts, and the appropriate action was taken.

1. RTN (Rio Tuba Nickel Mining Corp.): A CBNC supplier mining company that mines nickel oxide ore that is a raw material in refining.
2. Four complaints: The number of complaints received by the SMM Group, regardless of which party was responsible.



NAC and CBNC partner to help doctors provide free annual consultations for local residents



Potable water supply project at THPAL

Communication with Shareholders and Investors

Basic Approach SMM strives to carry out fair and understandable disclosure of information required by shareholders and parties thinking about purchasing SMM shares. Information is made available on the SMM website, including business activities, earnings, financial data, and outlines and progress updates of the 3-Year Business Plan and other growth strategies. The *Report for Shareholders* is also sent out to shareholders twice a year to report on

financial results and the progress of business strategies. We have also formulated an IR policy to serve as a set of guidelines for adequate engagement in IR activity and have published it on the SMM website. We will continue working to build and maintain a system of business administration so as to remain a company that has the trust and meets the expectations of its stakeholders, including shareholders.

Ongoing Dialogue with Shareholders and Investors

Investor Relations

SMM holds twice yearly Business Strategy Progress Briefing Sessions in which the president provides explanations to institutional investors and securities analysts in person following the announcement of full-year and second quarter results. The PR and IR Department also holds earnings briefings via teleconference four times a year on days that quarterly results are announced. Documents for these briefings are made available on the day via the SMM website.

SMM has formulated an IR Policy in order to conduct appropriate IR activities. The policy stipulated standards and methods for information disclosure and is posted on the SMM website.

In addition, a total of around 390 individual meetings with institutional investors and securities analysts were held in Japan and overseas in FY2014 to provide a direct communication channel. The president also pays visits to major institutional investors to explain the management policies and governance of SMM and to gain feedback.

We also respond to a variety of telephone and email inquiries from individual shareholders, which is a valuable opportunity for communication.

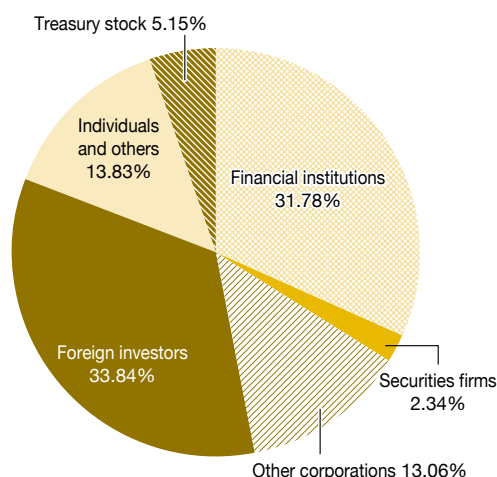


SMM IR website <http://www.smm.co.jp/E/ir/>

Framework to Utilize Feedback from Shareholders and Investors

Opinions and requests received through communication with institutional and individual investors in Japan and overseas are regularly reported to management and applied to administration of the company.

Shareholder Composition (as of March 31, 2015)



Communication with Individual Investors

SMM has established a section for individual investors in the company website and endeavors to disclose IR information. The website provides data that provides a better understanding of our business, and also includes information such as materials aimed at institutional investors and Annual Reports.



Business Strategy Progress Briefing Sessions

General Meeting of Shareholders

The General Meeting of Shareholders is an opportunity to engage in communication with shareholders. SMM aims for a general meeting that shareholders can follow easily, using methods such as incorporation of video into presentations on business performance. Notices of meetings and reports are available on the SMM website.

Communication with Other Stakeholders

Basic Approach SMM believes that the transparent, timely and appropriate disclosure of information is a corporate responsibility, and we endeavor to disclose information impartially to all stakeholders. SMM actively publishes

current activities and plans and policies for the future via the SMM website. The aim is mutual understanding through communication so that business is promoted in a shared direction with all of our stakeholders.

Promotion of Mutual Understanding with Other Stakeholders

Communication with NGOs

SMM exchanges views with international environmental NGO Friends of the Earth Japan (FoE Japan) on a regular, ongoing basis about the quality of water in rivers surrounding the plants of Coral Bay Nickel Corporation (CBNC) on Palawan Island and Taganito HPA Nickel Corporation (THPAL) on Mindanao Island in the Philippines.

By minimizing the impact of plant construction and operation on the surrounding environment, with the understanding and support of local residents, CBNC and THPAL are working to coexist with the natural environment. CBNC has also been promoting rehabilitation efforts that will turn its Tailings Storage Facility No. 1, a tailings dam no longer in use, back into a natural state.

SMM explains these local activities in detail and continues to advance necessary improvements while listening to opinions and arguments put forward by FoE Japan.



Revegetation at CBNC tailings dam

Main Organizations in Which SMM Has Membership

Organization	Responsibilities of SMM officers and employees	Initiatives relating to public policy
Nippon Keidanren	Participation in committees on: industrial technology, risk management, Canada, environment and safety, oceanic resources, international cooperation, China, South Asia, Japan-Myanmar economic relations and Japan-Brazil economic relations Committee on Gender Diversity: participation since July 2014	As a unified business organization with the goal of making improvements to the autonomous growth of the domestic economy and to public life, we act reliably and swiftly after gathering opinions from the business world with regards to various internal and external economic challenges
Japan Mining Industry Association	Director; participation in committees relating to planning and coordination, energy, overseas development, environmental management, customs duties, funds, supply and demand, taxation, exploration and development, mining reserves (chairman and deputy chairman), sulfide ore and sulfuric acid, and the special committee for depletion allowance measures	Submission of mining industry policy demand to relevant government agency regarding electricity fee issues, taxation, resource development, smelting and recycling technology, mine safety, and development of employee training. Members to be sent to government sponsored investigative committees to present industry viewpoint.
The Sulphuric Acid Association of Japan	One director; participation in Editorial Committee and Technical Committee	Communicating policy and information from the Manufacturing Industries Bureau of the Ministry of Economy, Trade and Industry to member companies and compiling and presenting requests from member companies
International Council on Mining and Metals (ICMM)	Participation and promotion of activities in each of the following committees: Environment and Climate Change, Health and Safety, Materials Stewardship, Social and Economic Development	<ul style="list-style-type: none"> Environment Initiatives for biodiversity, global warming countermeasures and water management Health and safety Enhanced performance through use of benchmarks and sharing of health and safety information Materials stewardship Initiatives for science-based chemical substance management and supply chain management Society and economy Promotion of EITI activities, preparation of various toolkits and guidelines, and promotion of best practice
Japan Society of Newer Metals Japan Electronics and Information Technology	Director; participation in Target Group	Hearings with government in relation to policy (rare metal reserve issues, etc.)
Industries Association (JEITA)	Participation in Electronic Components Board and Electronic Materials Committee	Collection of various statistics, and participation in reviews of regulations, environmental measures and other issues
Battery Association of Japan	Associate member	

Involvement with the International Community

ICMM Membership

The International Council on Mining and Metals (ICMM) aims to provide leadership on sustainable development initiatives for the mining and metal refining industries.

The SMM Group reflects the ICMM's 10 Principles in its CSR Policy and issues reports in line with the GRI guidelines, as is required of all member companies. As a corporate member, we also carry out a variety of initiatives, including ensuring conformance with position statements adopted for the 10 Principles.

SMM's three core businesses are mineral resources, smelting and refining, and materials. In the mineral resources and smelting and refining businesses, our aim is to become a world leader in the non-ferrous metals industry, and so we are pushing ahead with mineral exploration activities overseas and bolstering investment in existing mines. Seeking greater opportunities for operating on the global stage, SMM hopes to contribute to the development of the mining and metal refining industries in harmony with society.

Declaration of Support for the EITI

The Extractive Industries Transparency Initiative (EITI)* is an initiative aiming to promote social and economic development in countries which produce mineral resources by ensuring that money, such as taxes paid to governments from corporations that extract mineral resources, flow back into those countries or regions.

It is sometimes the case in resource-rich countries, where societal and economic development is often stagnant, that revenues generated by resources are not invested effectively in the country's development, leading instead to problems such as poverty, conflict and corruption. These are global issues, and advanced nations and corporations are being called upon to play a part in resolving them.

SMM agrees with the objectives of the EITI and supports its activities. As of May 2014, Peru was compliant, and the United States, the Philippines, the Solomon Islands and Indonesia are the candidate countries in which SMM is conducting business.

* Extractive Industries Transparency Initiative; homepage: <http://eiti.org/>

The 10 Principles of the ICMM

- Principle 1:** Implement and maintain ethical business practices and sound systems of corporate governance.
- Principle 2:** Integrate sustainable development considerations within the corporate decision-making process.
- Principle 3:** Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
- Principle 4:** Implement risk management strategies based on valid data and sound science.
- Principle 5:** Seek continual improvement of our health and safety performance.
- Principle 6:** Seek continual improvement of our environmental performance.
- Principle 7:** Contribute to conservation of biodiversity and integrated approaches to land use planning.
- Principle 8:** Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
- Principle 9:** Contribute to the social, economic and institutional development of the communities in which we operate.
- Principle 10:** Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

ICMM Position Statements

ICMM has adopted the following position statements to complement the 10 Principles. SMM follows through on these position statements.

- **Transparency of Mineral Revenues**
- **Principles for Climate Change Policy Design**
- **Mercury Risk Management**
- **Mining and Protected Areas**
- **Indigenous Peoples and Mining Position Statement**
- **Mining: Partnerships for Development**

The EITI Principles

1. We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make—including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors, and non-governmental organisations.

Communication with Stakeholders

Customers

Communication with customers occurs mainly via sales personnel. Responses are made to opinions received through action at the management level for each business using the frameworks in place.

Shareholders and Investors

Institutional investors and analysts are kept informed about the progress of the business strategies under SMM's 3-Year Business Plan through Business Strategy Progress Briefing Sessions held twice a year. They are also updated on SMM's financial results through conference calls at the time of the quarterly result announcements. Meetings are also held on an individual basis to facilitate understanding of SMM's management.

Individual investors are briefed on business conditions via such means as the company website and the *Report for Shareholders*, which is published twice a year.

All feedback from investors is regularly reported to the management and applied to the administration of the company.

Employees

In Japan, workers' unions formed at branch offices and SMM Group companies fall under the umbrella of the Federation of Sumitomo Metal Mining Workers' Union. SMM routinely holds briefings or discussions with each union. Overseas, organizations representing employees are regularly briefed on the business situation and opportunities for employees to offer

feedback and requests are arranged. Talks between individual employees and their supervisors are also held to ascertain the progress being made to meet job targets set for the fiscal year. Many comments and questions are fielded through these talks.

Local Communities

The SMM Group seeks to communicate sufficiently with people in the community when making inroads into a new region. Opportunities for communication are regularly arranged even after operations commence and an effort is made to offer adequate explanations to members of the community when problems occur. We also carry out various activities to strengthen ties with the community, such as providing support for and participating in events.

Business Partners

This is based on friendly relationships built up over the years. Individual divisions within the SMM Group stay in touch with business partners on a daily basis to hold dialogue on business operations and products and to exchange technological information.

Other

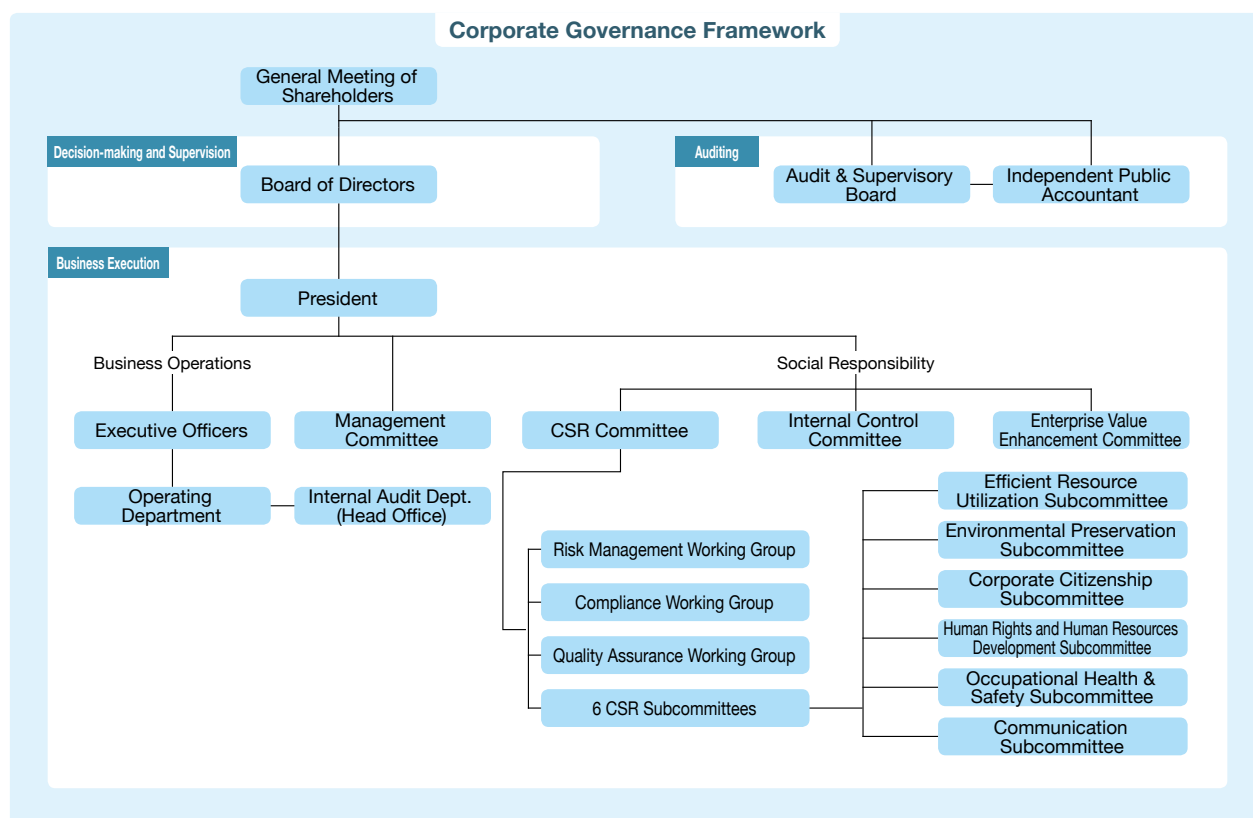
SMM also engages in regular information exchange and round-table discussions with local government and industry groups in communities where our facilities and group companies are located, as well as with citizen groups related to our business.

Corporate Governance

Basic Approach and Framework

1. The SMM Group views corporate governance as a disciplinary framework both for maximizing the enterprise value of the SMM Group and for ensuring sound management practices. As such, it is an important management issue.
2. SMM has instituted the SMM Group Corporate Philosophy based on the Sumitomo Business Spirit, and has formulated the SMM Group Code of Conduct as a set of behavioral standards to guide executives and employees.
3. SMM is committed to striving to achieve the goals contained in the business philosophy, to conducting efficient and sound business activities, to making a valuable social contribution, and to fulfilling responsibilities to stakeholders.
4. SMM has a Board of Directors and has also adopted executive officer and Audit & Supervisory Board systems to ensure that decision-making, supervision and execution of business management each function effectively within governance systems.

Corporate Governance Framework



Management Decision-making and Business Execution Structures and Systems

SMM delegates substantial authority to executive officers. This in turn has clarified the authority and responsibilities of each director and executive officer, which strengthened the Board of Directors' rapid decision-making and supervisory functions.

Directors and the Board of Directors

SMM's Articles of Incorporation provides for a Board of Directors of up to ten members. This number is considered appropriate to ensure agility together with lively discussion during meetings. The Board of Directors meets on a regular basis once a month, with extraordinary meetings held as and when required, to ensure that decisions are made expeditiously and to deliberate on matters regarding conflict-of-interest transactions and important duty executions to be resolved and reported. Any resolutions taken by, and any matters reported to, the Board of Directors are in turn reported at meetings of executive officers to ensure that

information is properly shared. The Chairman chairs the Board of Directors.

Management Committee

SMM has established the Management Committee as a forum to engage in preliminary deliberations for matters that require a decision by management. The Management Committee accordingly deliberates on matters requiring careful consideration from a wider point of view prior to their submission for resolution by the Board of Directors or approval by the president. In this regard, the Management Committee plays an important role in ensuring rational decision-making, increasing the efficiency of the decision-making process and promoting appropriate internal control.

Executive Officer System

Executive officers are appointed by the Board of Directors. As previously mentioned, substantial authority has been delegated to executive officers whose authority and

responsibilities have been clearly defined to reinforce their executive function. Executive officers are entrusted with important positions (such as heading an operational division, a department or an office at SMM's headquarters) and

expected to perform their duties with the specific authority assigned to each position. In addition, executive officers report on the status of business execution once a month at meetings of executive officers.

Auditing System

At SMM, business execution is monitored through statutory audits by the Audit & Supervisory Board Members and internal audits by the Internal Audit Department. An independent public accountant conducts accounting audits and internal control audits as an independent public accounting firm.

Audit & Supervisory Board

SMM is a company with an Audit & Supervisory Board. Audit & Supervisory Board Members remain independent of the Board of Directors and audit the status of management decision-making, business execution and accounting. SMM's Articles of Incorporation provide for up to five Audit & Supervisory Board Members. The Audit & Supervisory Board meets on a regular basis once a month in conjunction with ordinary meetings of the Board of Directors, with extraordinary meetings held as and when required.

Audit & Supervisory Board Members attend meetings of the Board of Directors, Management Committee and all other meetings considered of importance. Audits are conducted on the basis of reports received from directors, consideration of financial reports and materials, and onsite visits to business offices and plants as well as subsidiaries. Audit & Supervisory Board Members who have business experience at SMM present their opinions at important meetings, including meetings of the Board of Directors, based on the audits they have conducted as Standing Audit & Supervisory Board Members keeping independence from the management, while Outside Audit & Supervisory Board Members present their opinions based on their expertise in specialized fields. At meetings of the Audit & Supervisory Board, Standing Audit & Supervisory Board

Members shall report the details of onsite audits that have been conducted solely by Standing Audit & Supervisory Board Members as well as meetings that were not attended by Outside Members.

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

The Internal Audit Department undertakes internal audits on a regular basis on the status of business execution across the SMM Group. At the same time, the Internal Audit Department provides an explanation of its audit plans to Audit & Supervisory Board Members while passing on all relevant information. Audit & Supervisory Board Members provide details of audit plans determined at meetings of the Audit & Supervisory Board to the Internal Audit Department, accompany staff of the Internal Audit Department when conducting internal audits as required, and attend meetings when reports on the results of internal audits are delivered to executive officers and the heads of operational divisions. KPMG AZSA & Co. is currently serving as SMM's independent public accountant and conducts accounting as well as internal control audits in its capacity as an independent public accounting firm. Audit & Supervisory Board Members provide details of audit plans to the independent public accountant. Audit & Supervisory Board Members in turn receive explanations regarding audit plans and reports on audit results from the independent public accountant. In this manner, close collaboration is maintained between the independent public accountant and Audit & Supervisory Board Members.

Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors and Outside Audit & Supervisory Board Members speak and advise at Board of Directors and other meetings from an independent perspective leveraging their

respective knowledge and experience. SMM uses their contributions to develop and strengthen our auditing system and corporate governance framework.

Outside Directors and Outside Audit & Supervisory Board Members

Title and Name	Outside Director Tsutomu Ushijima	Outside Director Hitoshi Taimatsu	Outside Audit & Supervisory Board Member Hikoyuki Miwa	Outside Audit & Supervisory Board Member Shigeru Nozaki
Reason for Appointment	Based on his specialist knowledge and wealth of experience as a lawyer and a licensed tax accountant, he was appointed as an outside director to provide advice to SMM on business matters, particularly from a compliance perspective.	He was appointed as an outside director with the expectation of leveraging both his specialized knowledge as a researcher in materials engineering and his scholarship as a university professor.	Based on his auditing experience accumulated over many years at audit firms as well as his extensive knowledge in accounting, he was appointed an outside Audit & Supervisory Board Member.	Based on his wealth of financial institution experience as well as his international knowledge and perspective, he was appointed as an outside Audit & Supervisory Board Member.
Attendance at Meetings	During the term, the Board of Directors convened 21 times (12 regular meetings and 9 extraordinary sessions). He attended all meetings.	He was appointed at the Ordinary General Meeting of Shareholders held in June 2015.	During the term, he attended all 21 Board of Directors meetings (12 regular meetings and 9 extraordinary sessions) and all 15 meetings of the Audit & Supervisory Board.	During the term, the Board of Directors convened 21 times (12 regular meetings and 9 extraordinary sessions). He attended 20 of these meetings (12 regular meetings and 8 extraordinary sessions) and all 15 meetings of the Audit & Supervisory Board.

Note 1. Relationship with SMM: Each outside director and outside Audit & Supervisory Board Member signed a limited liability agreement separately with SMM and does not hail from any SMM Group company.

Note 2. Independence: All outside directors and outside Audit & Supervisory Board Members are designated as independent officers according to the regulations of the Tokyo Stock Exchange (individuals who do not have the potential to cause conflict of interest against general shareholders).

Remuneration System for Directors and Audit & Supervisory Board Members

Limits on the total amounts of remuneration paid to directors and Audit & Supervisory Board Members are ratified at general shareholders meetings. In addition, the total amount of bonuses to be paid to directors (with the exception of outside directors), if applicable, is also ratified at shareholders meetings.

While the amount of remuneration paid to each director is determined by the representative director under the authority of the Board of Directors, the basic remuneration (excluding bonus payments) takes into consideration predetermined criteria based on SMM's performance as well as other factors including an evaluation of the performance of each division and the status of business execution together with the performance of each individual based on specific assessment criteria. Bonuses are determined based on the same remuneration criteria together with an assessment of each individual's performance (with the exception of outside directors). Taking into consideration the independent status of outside directors and the focus placed on outside directors' oversight function, an assessment of individual performance is not reflected in the payment of remuneration to outside directors. Accordingly, the payment of remuneration to outside directors is limited to basic remuneration and does not include any bonus payment.

While the payment of remuneration to individual Audit & Supervisory Board Members is determined through deliberations between Audit & Supervisory Board Members,

taking into consideration the independent status of Audit & Supervisory Board Members in the execution of their duties and the focus placed on the audit function, an assessment of individual performance is not reflected in the payment of remuneration to Audit & Supervisory Board Members. Accordingly, the payment of remuneration to Audit & Supervisory Board Members is limited to basic remuneration and does not include any bonus payment.

The total amounts of remuneration by officer classification and type as well as the number of officers to whom remuneration was paid (including officers who retired during the period) for the fiscal year under review are presented as follows.

Remuneration of Directors and Audit & Supervisory Board Members for FY2014

Officer Classification	Number of Officers	Total Remuneration	Total Remuneration by Type	
			Basic Remuneration	Bonus
Directors (excluding one outside director)	9	¥405 million	¥295 million	¥110 million
Audit & Supervisory Board Members (excluding two outside Audit & Supervisory Board Members)	3	¥63 million	¥63 million	—
Outside Directors Outside Audit & Supervisory Board Members	3	¥36 million	¥36 million	—

Note: In addition to the aforementioned, an employee salary portion totaling ¥28 million was paid to persons who concurrently serve as directors and employees.

Takeover Defense Measures

SMM introduced takeover defense measures in 2007 and updated them in 2010. Revisions and renewal of these measures were ratified at SMM's 88th Ordinary General Meeting of Shareholders held in June 2013. SMM will maintain these measures with an effective period of three years, to expire at the conclusion of SMM's 91st Ordinary General Meeting of Shareholders to be held in June 2016. In the event of a large-scale acquisition of SMM's shares by a

third party, an independent committee consisting of outside directors and other participants shall consider any takeover proposal and make an appropriate recommendation regarding the application of takeover defense measures to preserve SMM's enterprise value. Setting forth procedures that require judgments on the suitability of takeover defense measures increases enterprise value and contributes to the common interests of shareholders.

Compliance

Basic Approach

The corporate activities of the SMM Group are founded upon principles of compliance. Though compliance is usually construed as applying to only laws and regulations, the SMM Group goes further, viewing compliance as the fulfillment of social and moral duties as a member of society through sound corporate activities. In 2000, the year after the JCO criticality accident¹ of September 1999, the SMM Group formulated a Corporate Reform Plan and embarked on a new beginning with three initial priorities:

1. Reconfirmation and Thorough Execution of the Corporate Philosophy;
2. Reinforcement of Corporate Organization;
3. Reform of Corporate Culture.

Based on the above, in 2004, we established the SMM Group Corporate Philosophy and the SMM Group Code of Conduct to be applied throughout the SMM Group. The Code of Conduct² was revised in 2008 in line with full-scale launch of our CSR activities and revised again in 2015

1. JCO criticality accident: On September 30, 1999, criticality occurred as uranium was being handled at an SMM subsidiary, JCO Co., Ltd. Two workers died from radiation injuries as a result. This accident caused immeasurable suffering to the local community, with citizens living close to the plant forced to evacuate.
2. The SMM Group Code of Conduct can be viewed in the "About Us" section of the SMM website: http://www.smm.co.jp/E/corp_info
In the 2015 revision, we clarified the need to comply with competition laws and laws against bribery.

for responding to globalization and strengthening of CSR activities to further advance initiatives steadily put in place based on our long-term vision articulated in the 2012 3-Year Business Plan.

We put compliance at the top of 17 items in the Code of Conduct and set forth, as abidance not only by laws and regulations, but also by social norms, as follows:

We will comply with foreign and domestic laws and rules, and conform to social norms.

We will never under any circumstances commit an infraction of the law or act counter to social norms, even if doing so would seem to be in the company's interest.

Compliance Management and Strengthening

Compliance management is performed according to our basic compliance regulations. The Compliance Working Group established under the CSR Committee plays a central role in efforts to improve and strengthen compliance and we implement the following main measures:

1. Review of draft revisions to the SMM Group Code of Conduct

2. Establishment and revision of compliance-related regulations

- Basic compliance regulations
- Regulations on insider trading prevention and information management
- Regulations on the safeguarding of personal information
- Export administration regulations
- Regulations for managing the legal process database
- Regulations on the management of confidential information, etc.

3. Implement compliance education

Through a range of different training programs, we ensure awareness among employees that the Sumitomo Business Spirit, SMM Group Corporate Philosophy, and CSR Policy require ethics-based conduct and decision-making that goes beyond abidance by laws and regulations.

4. Convene the Compliance Working Group

Confirmation of the compliance status in FY2014 by the Compliance Working Group indicated that, with regard to the environment, there was one incident violating discharging water standards according to

the Mine Safety Act where we received a strict warning regarding this violation from the supervising regulatory agency. Aside from this case, there were no major violations of laws or regulations relating to products and services, including competition laws.

Speak Up System

In situations where problems or doubts under the SMM Group Code of Conduct occur, and consultation with superiors fails to bring forth an appropriate response, employees are able to use the Speak Up System to directly report the matter to: (i) in-house liaisons which are the general managers of the Legal & General Affairs Department, the Safety & Environmental Control Department, and the Internal Audit Department; or (ii) outside liaisons which are designated attorneys. The source of the information is always kept secret and if, for any reason, the informant is unfairly treated, the person who initiated the unfair treatment will be punished appropriately.

In FY2014, there were five cases that the Speak Up System was used. These comprised: three cases regarding human resource management, one case regarding sexual harassment and one case regarding factory operation. These cases were all handled properly.

Compliance Seminars

The SMM Group previously had annual "compliance conferences" every year since 2001, which gives employees an opportunity to reaffirm their basic knowledge of compliance and learn about the latest legislative changes. After deliberation on the objectives and structure of these conferences, the Group now implements "compliance seminars" for the senior management of SMM and group companies to ensure the implementation of the Code of Conduct and compliance with related laws and regulations. These seminars include education for personnel in charge of legal processes at each workplace that covers specific cases.

In addition to seminars, through everyday work we repeatedly provide guidance on the implementation of the Code of Conduct and compliance with laws and regulations, and CSR awareness in a combined manner.

Participants of Compliance Education (FY2014)

	Type of seminar	Target	Participants
Compliance education	Compliance education (Basic course)	Newly-appointed general managers of divisions and group company officers, general managers of head office divisions, heads of branches and general managers of district divisions and plants, and managers of general affairs section	73
	Compliance education (Advanced course)	General managers of business divisions and administration departments, general managers of head office divisions, and heads of branches and general managers of district divisions, and presidents of subsidiaries in Japan, etc.	77
	Special seminar for group company presidents	Group company presidents (34)	79
	Seminar for group company officers	Group company officers (45)	
	Group seminar for new employees	New management track employees and normal track employees in the Head Office zone	31
	Seminar for newly promoted E-class employees	Employees newly promoted to E-class	50
	Seminar for newly promoted section managers	Employees newly promoted to section manager	29
	Education for mid-career employees	New mid-career employees	9
	Compliance seminar for section managers/senior staff at sites	Personnel at section manager/senior staff level providing guidance on compliance at each division/group company	173

* Seminar attendees also included those from our equity-method affiliates.

Risk Management

Basic Approach

Reflecting gravely on the JCO criticality accident in 1999, SMM formulated its Corporate Reform Plan in 2000. The Plan set forth risk management (RM) as a crucial part of corporate structure strengthening efforts. In 2001, in order to prevent another major accident, we established an integrated risk management system (RMS) for the entire SMM Group

as the essential measure for thorough compliance, etc. and formulated its regulations. Subsequently, we added the provision “We will strive to identify risks, prevent their occurrence, and if risks occur, minimize the effects” in the SMM Group Code of Conduct and widely disseminated it to all SMM officers and staff.

Framework

RM is conducted proactively by each business division with top management taking the lead. Our RM annual policy of honing the risk sensibilities of top management, grasping all imaginable scenarios and fortifying our actions through proper emphasis orientation is a call for all of our business divisions to take action based on an understanding of their respective situations. Further, we operate our RM as a system, establishing risk identification guidelines, carrying out risk registration, RM internal audits, RM patrols, and other approaches.

The SMM Safety & Environment Control Department, in charge of RMS implementation in the SMM Group, grasps

registered risks at group companies and business sites, as well as the RMS implementation status, while providing all necessary support. It also checks the status of risk plan formulation, progression and achievement to ensure that the fixation of RMS in our organization is done effectively as an essential initiative to ensure business continuity. A Risk Awareness Month was also established as we advance revision and improvement efforts.

The risk management matters of the overall SMM Group are coordinated by the Risk Management Working Group under the CSR Committee.

Principal Assumed Risks

At each of our business divisions, we revised risk issues and identified new risks primarily during the Risk Awareness Month (each September), focusing on the major risks noted below.

Occupational accidents

Careless management, unsafe behavior, operating errors, equipment defects, etc. can directly or indirectly cause individuals engaged in production to have accidents. Disasters can be particularly severe when explosions and fires occur.

Natural disasters

Measures must be put in place in preparation for large-scale earthquakes, the tsunamis they spark, torrential rains or new highly virulent influenza pandemics, among others risks based on the characteristics of each separate worksite region.

Environmental destruction

Atmospheric, water and soil contamination, among other types of pollution, can be expected due to equipment breakdowns, human error in operation, natural disasters or other causes. We must be very vigilant when managing substances such as chemicals that are toxic to humans and the environment.

Poor quality

Customers may incur huge damages due to managerial errors and other factors during the product manufacturing process or before and after delivery. Depending on the amount and details of compensation settlements, the SMM Group may incur significant financial losses and a deterioration of the public's trust.

Others

Depending on the region in the world, we must consider the possibility of rioting and terrorism. Protecting the lives of employees is paramount and preparations for worksite security, evacuation drills, requests for government assistance, etc. must be done on a daily basis.

Initiatives

The SMM Group sets “strengthening our ability to handle natural disaster risks,” “selecting and implementing effective drills that meet our objectives” and “introducing RMS at every overseas business site” as its RM annual policy and guides its further communication company-wide.

Based on the many cases of explosions and fires at other companies during FY2014, we are revising our registered risks in relation to those cases, reexamining and responding to the need for new risk registrations for the entire SMM Group.

Responding to natural disaster risks

We advanced measures to respond to water damage and landslides caused by torrential rains and earthquakes; created measures for new, highly virulent influenza pandemics; built revetments; strengthened buildings against earthquakes; stocked emergency food and water; and implemented response drills for the cases where risks are eminent at every worksite. Furthermore, we are working to increase wastewater treatment volumes, install water storage tanks, and install emergency equipment. We have also conducted disaster countermeasure headquarters setup drills, held evacuation drills under various circumstances, revised commuting routes based on hazard maps, and moved employees out of company residences that did not conform to earthquake-proof standards at each facility.

Implementing drills

Based on manuals, each division implemented workshops to check procedures, etc. not independently, but in conjunction with other related divisions.

Also, the SMM Safety & Environment Control Department held drill planning skills development courses for drill managers at each division, whereby consideration is made for allowing them to select and execute drills based

on their own objectives, thus encouraging the smooth implementation of drills.

RM evaluation and feedback

We drafted 100 questions for seven topics* regarding RM and requested all the general managers of the 62 facilities including plants, group companies and others under the control of our business divisions to evaluate themselves for each question. The feedback was provided to each facility by the SMM Safety & Environment Control Department, which took into consideration items such as the business conducted at each site.

RMS adoption at overseas business sites

Regarding overseas group companies that have yet to adopt RMS, the SMM Group has promoted adoption of RMS with the help of overseas business sites that have RMS and with the business divisions under control taking a leadership role. During FY2014, we confirmed that all business sites had successfully introduced RMS.

Manager training

From these RM evaluations, we inferred that daily communication between general managers for each business site and subordinates is crucial in the handling of emergency situations when risks are actualized. Thusly, we established risk communication training seminars for all general managers for each business site, where they can think carefully on ways to effectively gather information on potential problems and reflect on the roles of top management. General managers for each business site are laying the groundwork to be able to create better workplaces for all.



Disaster drill training at the head office



Disaster drill training at a business site



Risk communication training

Issues and Targets

The SMM Group's RM is the basis for all proactive initiatives by each of our business divisions. We will make improvements by periodical registrations, practice, and revisions that encompass all aspects from risk identification to drills for actualization of risk.

In recent years in Japan, there has been an increasing amount of large-scale devastation by natural disasters. The formulation of business continuity plans (BCP) that provide contingencies for the disaster itself as well as recovery efforts has become essential in the execution of social

responsibilities by companies. Therefore, we are promoting the formulation of efficient BCPs at not only individual business sites but also multiple business sites working together in a unified fashion.

At overseas facilities, RMS is progressing to implementation following introduction, however, due to significant unabated risks of terrorism and employee kidnapping, among others, we will continue to conduct drills and perform our duties properly to respond to threats.

* Seven topics regarding RM: Information and Communication, Education and Enlightenment, Compliance, Top Management, Risk Sensibility, Crisis Management, RM System Operation

Quality Control

Basic Approach

The SMM Group's core business consists of mineral resources, smelting and refining, and materials. In addition to manufacturing and selling metal ingots made from excavated and refined ore, we process metal ingots and other incidental substances, drawing out the potential of each individual material, and sell them as semiconductor material and advanced material. To improve the quality of such materials, we established quality policies for each business division based on our company-wide quality policy. We strive to ensure product quality and have set, "We provide the world's top-class products and services and improve our systems to continuously maintain high product quality" as the quality policy in our smelting and refining business; and, "We achieve the No. 1 quality in the industry by enhancing

the strength of competitiveness in terms of product quality" in our material business. Further, through product safety and compliance to product-related laws and regulations, we manufacture products with superior safety, environment and quality levels that only our Group can provide thanks to an integrated production process from upstream ore excavation to downstream raw materials and products.

Company-wide Quality Policy

Provide quality to satisfy our customers through continual improvements of quality assurance and control systems.

- 1 Pursue quality levels that stand out from the trends of the time
- 2 Abide by laws and rules and strive to create products incorporating safety and environmental considerations

Quality Management Frameworks

Based on the quality policies of our business divisions, our managers at each business site formulate policies and plans in tune with their respective conditions and issues, and execute quality management through the organization of the business site based on systems using ISO 9001 standards.

As a mechanism for promoting and supporting overall activities laterally for all business divisions, we newly established the Quality Assurance Department at the Head Office in July 2014. This Department integrates the quality management tasks for the entire Group to ensure thorough quality management that saves our customers from any inconveniences and achieves manufacturing from the perspective of stakeholders.

Its interdivisional functions effectively improve management systems at each division by responding to

2015 revisions to ISO 9001 standards, realizing internal audits focused on system effectiveness, and formulating and applying measures to avoid complaints and other issues at our business divisions.



Company-wide quality meeting

Human Resource Development

To maintain consistent customer satisfaction in quality, it is necessary to nurture employees who can respond to ever changing demands and circumstances. To achieve this, we are continuously implementing initiatives to effectively utilize management systems and enhance employee skills. Manufacturing sites and managers receive diverse quality management training as well as technical QC courses. In order to double-up our efforts to ensure process conformity and continuous improvement, we also provide training to internal quality auditors charged with determining system effectiveness.

With the objective of identifying onsite issues and instilling a culture of improvement by employees throughout the SMM Group, we are conducting and amplifying "mini-pro" improvement activities and small-group activities in step with conditions at business sites. In November 2014, we held a mini-pro activity presentation event for our material

business. Seventy employees, including top management from all business sites and business divisions as well as quality managers, gathered to present the results of eight activities geared toward improving not only quality but also the environment. They will apply these activities for enhancement of improvement efforts.



Mini-pro activity presentation event

Raising the Standard of Total Quality

At the SMM Group, we accurately determine the effects of products and services on health and safety so that we can seek improvements through organized implementation and link management systems covering the environment (considerations toward and improvements to local and

global environments), product safety (safety for customers when using our products), occupational safety (safety of business processes) and quality (satisfaction from product use). Almost all our products are subjected to this integrated cycle to ensure the improvement of total quality.

Disclosure of Information on Products and Services

Most items in the SMM Group product lineup are supplied as raw or processed materials for use by customers for manufacturing. Information customers require in order to handle our products properly from safety and environmental perspectives, as well as information needed to enable them to supply final products, is basically communicated

in product specifications at the time of contracting, during technical discussions and via product inspection certificates and SDS, based on prior and the latest information, proprietary knowledge and necessary studies.

SMM products supplied as final products to customers are carefully designed, incorporating considerations toward safety and environmental compatibility, and are only delivered after thorough trials and inspections carried out during their manufacture.

We make sure that information utilized for the above is always appropriate through management systems, reviewing it based upon the latest technology, laws and regulations and demands from customers.

In FY2014, there were no violations to laws or regulations regarding our products and services.

Important Information on Products and Services

Does the product or service contain materials that are potentially harmful to the environment or society?

What information is available regarding how to use the product or service safely?

Will recycling or disposal of the product harm the environment or society?

We also conduct surveys linked to life cycle assessments (LCA) for copper, nickel and zinc through substance-specific associations.

Methods for Providing Information

Provision of Information Relating to Specifications

We indicate product specifications requested by the customer on the order received sheet to provide necessary information to them.

Provision of Information Relating to Chemicals

The SMM Group provides information on chemical substances contained in products using SDS and other methods to ensure the health and safety relating to product handling and compliance with chemical substance regulations.

Other Initiatives

The SMM Group also engages in transactions such as the sale of different types of lubricants to general consumers. In line with related laws and regulations, we provide information on products and services in this area through labeling, advertisements and explanations to ensure correct understanding.

Information on SMM Products Requiring Disclosure by Labeling and Applicable Products/Services

Information requiring disclosure	Applicable products/services
The sourcing of components of the product or service	All products/services containing substances requiring management under legislation while no such information requirement is addressed to our main products (raw materials and internally-processed materials).
Content, particularly with regard to substances that might produce environmental or social harm	All products/services containing substances requiring management under legislation
Safe use of the product or service	All products/services containing substances requiring management under legislation
Environmental/social harm from disposal of the products	All products/services containing substances requiring management under legislation

Communication with Customers

As for raising the level of customer satisfaction, first we will improve methods of measuring and evaluating customer satisfaction and then work to increase customer satisfaction through effective measures after accurately identifying the issues at hand.

To that end, accurate and ample communication with customers is crucial. By instilling quality with stakeholders in mind, we are improving the yield of our products and contributing to resource and energy reduction efforts.

Issues and Targets

After re-acknowledging that quality is all about striving to fulfill the requirements of the customer, with everyone involved making an effort to find out what those requirements really are, information sharing activities have been commenced.

These activities require efforts based on timely and accurate communication. We will continue to improve our management

systems through activities such as stratified training and responses to ISO 9001 revisions in 2015.

Further, regarding product safety and information disclosure, we are providing information on substances contained in our products and materials and we will work to strengthen systems for accurate and rapid responses to customer requests.

GRI Content Index

This report has been written in accordance with the Core option of GRI's G4 Sustainability Reporting Guidelines.

GENERAL STANDARD DISCLOSURES ● = requirements of the G4 Guidelines' Core option

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● G4-11	Percentage of total employees covered by collective bargaining agreements.	61	Labor-management Relations
● G4-12	Organization's supply chain.	15-16	The SMM Group's Business Model
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● G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	41-42 44 65	Response to Environmental Risks Management of Chemical Substances ICMM Membership
● G4-15	Externally developed charters, principles, or other initiatives to which the organization subscribes or endorses.	65-66	Involvement with the International Community
● G4-16	Memberships of associations and national or international advocacy organizations.	64	Main Organizations in Which SMM Has Membership
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● G4-19	All the material Aspects identified in the process for defining report content.	21-24	Material Issues for the SMM Group
● G4-20	Report the Aspect Boundary within the organization.	21-24	<p>The Boundaries have been determined as follows, based on results from verifying specific processes in key CSR areas. Any other boundaries apply to the SMM Group (see p. 2 for the Group's scope).</p> <p>◆SMM Group & Suppliers Aspect: (Environmental) Emissions Aspect: (Environmental) Effluents and Waste</p> <p>◆Suppliers Aspect: (Human Rights) Supplier human rights assessment</p>
● G4-21	Report the Aspect Boundary outside the organization.		
● G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	—	N/A
● G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	2	Boundary of the Report
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Core	Aspect	Page	Item
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G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	23 31	CSR Promotion Framework Activity Report
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G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	—	—
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G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	—	—
G4-51	The remuneration policies for the board and senior executives, and the linkage between performance criteria and the organization's sustainability objectives.	67-68	Corporate Governance
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■ = aspects addressed by the SMM Group material issues

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G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	70 74	Compliance Disclosure of Information on Products and Services
Product and Service Labeling			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	74	Disclosure of Information on Products and Services
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	70 74	Compliance Disclosure of Information on Products and Services
G4-PR5	Results of surveys measuring customer satisfaction	—	—
Marketing Communications			
G4-PR6	Sale of banned or disputed products	—	—
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	70 74	Compliance Disclosure of Information on Products and Services
Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	—	—
■ Compliance		DMA	69, 70, 73, 74
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	70 74	Compliance Disclosure of Information on Products and Services
■ Materials Stewardship		DMA	35, 39-40, 74
MM11	Programs and progress relating to materials stewardship	39-40 48 74	Making Effective Use of Low-Grade Ores Using Resources Effectively through Recycling Development of Products and Technologies that Contribute to Reducing Environmental Impact Disclosure of Information on Products and Services

External Awards

Some of the awards received by the SMM Group in FY2014.

List of main external awards (FY2014)

Recognition (awarding party)	Date	Recipients	Award received for
CMAJ Technology Award (Catalyst Manufacturers Association, Japan)	June 6, 2014	Nippon Ketjen Co., Ltd.	Highly praised by the petroleum refining industry for the unique technology in the diesel ultra-depth desulfurization catalyst Super Type II Active Reaction Sites (STARS) developed in 1998
Award for Excellence in Corporate Disclosure (Securities Analysts Association of Japan)	October 10, 2014	Sumitomo Metal Mining Co., Ltd.	Ranked No. 1 in the Iron/Non-ferrous Metals Category as evaluated by securities analysts (four consecutive years)
Mine Safety Promotion Council Chairman's Award (Mine Safety Promotion Council)	October 14, 2014	Hidenori Terabe, General Manager, Konomai Office	Praised for distinguished services in safety assurance as a closed and suspended mine pollution prevention services provider
Best Partner Award (Panasonic Corporation)	November 7, 2014	Sumitomo Metal Mining Co., Ltd.	Praised for significant contributions that SMM has made to Panasonic's product appeal through the provision of high-quality metals and electronic materials incorporating cutting-edge technologies
Chairman Prize of ECCJ (Energy Conservation Center, Japan)	January 28, 2015	Isoura Plant	Praised for superior energy-saving promotional efforts through large-scale equipment fixed electric power reduction initiatives enabled by the visualization of electric power
Kanto District Electricity Use Rationalization Committee Award for Excellence (The Japan Electric Association Kanto Branch)	February 26, 2015	Sumitomo Metal Mining Co., Ltd.	Praised for initiatives for power safety management and energy-saving at the Head Office building
Certificate of Appreciation for Aiding Children Orphaned by Traffic Accidents (Kagoshima Prefecture Traffic Accident Victim Aid Association)	March 31, 2015	Hishikari Mine	Praised for 20 years of continuous fund raising drives, called "Handoru Kenkin," which are donations for aiding children orphaned by traffic accidents



In March 2015, SMM was selected for the third consecutive year as a Nadeshiko Brand by the Tokyo Stock Exchange. Activities supporting greater female participation at SMM still have a long way to go, but this will encourage us to put even more effort into promoting these activities.

[Nadeshiko Brand] Since FY2012, the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange have jointly selected and publicized listed companies with superior female participation promotional initiatives as a Nadeshiko Brand. By introducing these listed companies as attractive to investors that value increased corporate value over the medium to long term, they aim to promote investment in these companies and accelerate their initiatives.

SMM Pogo employee named Business Leader of the Year

On April 18, 2014, Ms. Lorna Shaw, the External Affairs Manager of Sumitomo Metal Mining Pogo LLC, was chosen as the Business Leader of the Year by the School of Management of the University of Alaska Fairbanks. The award, which is in its 38th year, is given to people who show outstanding leadership in the business, social activities, education support, and other sectors in the Greater Fairbanks area. Our External Affairs Manager is the face of the company in charge of communication

and PR with respect to the regional society and government. She plays a very important part in promoting mine exploration and development as well as our coexistence with society through social volunteer activities, etc. In addition to being Chairwoman for the Greater Fairbanks Chamber of Commerce, she is also a senior executive of the Alaska State Miners' Association, and her activities were considered to be of great merit, which led to her receiving this award.

Lorna Shaw (at the award party)



Independent Assurance Report



Independent Assurance Report

To the President & Representative Director of Sumitomo Metal Mining Co., Ltd.

We were engaged by Sumitomo Metal Mining Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental, social and economic performance indicators listed in the table below (the "Indicators") for the period from April 1, 2014 to March 31, 2015 included in its CSR Report 2015 (the "Report") for the fiscal year ended March 31, 2015; the Company's self-declaration that the Report is prepared in accordance with the Global Reporting Initiative's G4 Sustainability Reporting Guidelines (the "G4 Guidelines") at a core level; the alignment of the Company's policies to the International Council on Mining and Metals ("ICMM")'s 10 Sustainable Development ("SD") Principles and the applicable mandatory requirements set out in ICMM position statements; the Company's identification and prioritization of material issues; the Company's approach and management of its material issues; and the completeness of material sustainability information in the Report.

Items	Pages	Indicators assured
Financial and Non-financial Summary	6	Distribution of Economic Value to Stakeholders, Financial Assistance from the Government and the portion of the projected benefit obligation to be funded by pension assets and pension assets available for allocation to that portion
Using Resources Effectively through Recycling	39	Ratio of Recycled Materials Used
Reduction of Environmental Impact	44 - 46	Volume of SOx Emissions, Volume of NOx Emissions, Volume of Soot and Dust Emissions, COD and BOD Pollutant Loads, Water Usage (Freshwater/Seawater), Release and Transfer Volume of PRTR Substances, Breakdown of PRTR Substance Releases, Final Disposal Volumes of Industrial and Mining Waste in Japan and Volume of Waste (Hazardous/Non-hazardous) by disposal or processing category
Prevention of Global Warming	47	Unit Energy and CO ₂ Emissions Index and CO ₂ Emissions
Reduction and Avoidance of Environmental Impact that Occurs during Mine Development and Plant Construction	49	Size of production site in areas of high biodiversity value and Amount of Land Developed or Rehabilitated
Material Flows within Business Activity	50	INPUT (Raw Materials, Recycled Materials, Energy, Materials and Water) and OUTPUT (Products, Emissions into the Atmosphere, Emissions into Water and Waste including Items of Value)
Impact on Local Economies	51	Payments made to local suppliers and Number of Locally-hired Senior Managers (General Managers and Above) at Overseas Affiliates
Human Resources Development Program	53	Total Annual Hours of Education
Establishment of Workplace Environments Favorable to Diverse Human Resources	54	Disabled Employee Ratio (SMM non-consolidated)
People and Human Rights-related Data	55 - 56	Number of Employees & Officers Worldwide (Consolidated), Number of Employees & Officers by Region (Consolidated), Consolidated Employee Breakdown and Employee Turnover Number and Rate
Respect for the Human Rights of Indigenous People and Local Citizens	58	Number of investments which have undergone human rights screening
Occupational Health and Safety	60	Data on Occupational Accidents in Japan
Establishment of a Workplace Environment to Enable Working Dynamically	61	Number of companies with workers' unions and Percentages of employees belonging to workers' unions
Compliance	70	Participants of Compliance Education

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report, which are derived, among others, from the G4 Guidelines and Environmental Reporting Guidelines of Japan's Ministry of the Environment; self-declaring that the Report is prepared in accordance with the criteria stipulated in the G4 Guidelines; reporting on the alignment of the Company's policies to the ICMM's 10 SD Principles and the applicable mandatory requirements set out in ICMM position statements; reporting on the Company's identification and prioritization of material issues; reporting on the Company's approach and management of its material issues; and including the material sustainability information defined in the 'Sustainability Reporting Assurance and Registration Criteria' of the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS") in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of J-SUS. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also recalculating the Indicators.
- Visiting to the Tochigi factory of Sumitomo Metal Mining Siporex Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.
- Evaluating the Company's self-declaration that the Report is prepared in accordance with the G4 Guidelines at a core level against the criteria stipulated in the G4 Guidelines.
- Assessing the alignment of the Company's policies to the ICMM's 10 SD Principles and the applicable mandatory requirements set out in ICMM position statements through documentation reviews and interviews.
- Interviewing with the Company's responsible personnel and reviewing documents with respect to the Company's process of identifying and prioritizing its material issues and its approach to and management of its material issues.
- Assessment of whether or not all the material sustainability information defined by J-SUS is included in the Report.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that:

- the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report;
- the Company's self-declaration that the Report is prepared in accordance with the G4 Guidelines at a core level does not conform to the criteria stipulated in the G4 Guidelines;
- the Company's policies are not aligned to the ICMM's 10 SD Principles and the applicable mandatory requirements set out in ICMM position statements as described on page 65;
- the Company has not identified and prioritized its material issues as described on pages 2 and 21 to 24;
- the Company has not approached and managed its material issues as described on pages 31 to 38; and
- all the material sustainability information defined by J-SUS is not included in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 30, 2015



As a testament to the reliability of the sustainability information in this report SMM is authorized to attach the mark shown above, which indicates that the report meets the standards for sustainability report assurance and registration established by the Japanese Association of Assurance Organizations for Sustainability Information (<http://j-sus.org/english.html>).

Overview of Business Operations

Corporate Data

Company name
Sumitomo Metal Mining Co., Ltd.

President
Yoshiaki Nakazato

Founded
1590

Incorporated
1950

Capital
¥93.2 billion

Listings
Tokyo Stock Exchange

No. of consolidated subsidiaries¹
68

No. of equity-method affiliates¹
16

No. of employees (consolidated)^{1, 2}
8,766 (750)

Net sales (consolidated)¹
¥921.3 billion

Recurring profit (consolidated)¹
¥174.2 billion

1: As of March 31, 2015

2: The number of full-time employees. The average number of additional temporary staff during the year is shown in parentheses.

Main Facilities

Head Office
11-3, Shimbashi 5-chome, Minato-ku, Tokyo
(Shimbashi Sumitomo Building)

Main branch
Osaka Branch

Branches
Nagoya Branch, Besshi-Niihama District
Division (Ehime Prefecture)

Plants
Toyo Smelter & Refinery (Ehime Prefecture)
Niihama Nickel Refinery (Ehime Prefecture)
Harima Smelter (Hyogo Prefecture)
Ome District Division (Tokyo)
Sagami Plant (Kanagawa Prefecture)
Isoura Plant (Ehime Prefecture)

Mine
Hishikari Mine (Kagoshima Prefecture)

Research centers
Ichikawa Research Laboratories (Chiba Prefecture)
Niihama Research Laboratories (Ehime Prefecture)
Battery Research Laboratories (Ehime Prefecture)
Materials Research & Development Center (Tokyo)

Main Products

1. Mineral resources segment

Gold and silver ore, copper concentrates, copper, gold

2. Smelting & refining segment

Copper, gold, silver, electrolytic nickel, ferro-nickel, zinc, chemical products

3. Materials segment:

Semiconductor materials, thick film materials, thin film materials, battery materials, crystal materials, magnetic materials, oil refining catalysts, automotive catalysts, autoclaved lightweight concrete, lubricants

No. of countries and regions where business is conducted
16

SMM Group Business Locations

(As of March 31, 2015)

- ▲ : Mineral Resources (SMM's interest*)
★ : Smelting & Refining (SMM's investment*)
* Rounded to one decimal place

Japan

Sumitomo Metal Mining Co., Ltd.*

Mineral Resources

- Sumiko Resources Exploration & Development Co., Ltd.
- Sumiko Solomon Exploration Co., Ltd.

Smelting & Refining

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

Materials

- SH Copper Products, Co., Ltd.
- SH Precision Co., Ltd.*
- SH Materials Co., Ltd.
- SMM Precision Co., Ltd.*
- N.E. Chemcat Corporation
- Ohkuchi Electronics Co., Ltd.*
- Ohkuchi Materials Co., Ltd.*
- Granopt Co., Ltd.
- Shinko Co., Ltd.*
- Sumiko Energy Materials Co., Ltd.
- Sumiko Kunitomi Denshi Co., Ltd.*
- Sumico Lubricant Co., Ltd.*
- SumikoTec Co., Ltd.*
- Sumitomo Metal Mining Siporex Co., Ltd.*
- Niihama Electronics Co., Ltd.*
- Niihama Materials Co., Ltd.*
- Nittosha Co., Ltd.*
- Nippon Ketjen Co., Ltd.*

Other

- Igeta Heim Co., Ltd.*
- JCO Co., Ltd.*
- Sumiko Technical Service Co., Ltd.
- Sumiko Techno-Research Co., Ltd.
- Sumiko Plantech Co., Ltd.
- Sumitomo Metal Mining Engineering Co., Ltd.*
- Japan Irradiation Service Co., Ltd.*

★ Jinlong Copper Co., Ltd.
(27.1%)

★ Nickel Asia Corporation
(26.0%)

★ Coral Bay Nickel Corporation
(54.0%)

★ Sorowako
(20.1%)

▲ Batu Hijau
(3.5%)

Asia

Mineral Resources

- Cordillera Exploration Co., Inc. (Philippines)

Smelting & Refining

- Jinlong Copper Co., Ltd. (China)
- Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)
- Sumitomo Metal Mining (Hong Kong) Co., Ltd. (China)
- Coral Bay Nickel Corporation (Philippines)*
- Nickel Asia Corporation (Philippines)
- Taganito HPAL Nickel Corporation (Philippines)*
- Sumitomo Metal Mining Philippine Holdings Corporation (Philippines)
- P.T. Vale Indonesia Tbk (Indonesia)

Materials

- Dongguan Sumiko Electronic Paste Co., Ltd. (China)
- Shanghai Sumiko Electronic Paste Co., Ltd. (China)
- SH Electronics Suzhou Co., Ltd. (China)*
- Suzhou SH Precision Co., Ltd. (China)*
- Sumiko Advanced Materials (Suzhou) Co., Ltd. (China)*
- SH Electronics Chengdu Co., Ltd. (China)*
- SH Precision Chengdu Co., Ltd. (China)
- Sumico Lubricant Trading (Shanghai) Co., Ltd. (China)
- Taiwan Sumiko Materials Co., Ltd. (Taiwan)
- SH Electronics Taiwan Co., Ltd. (Taiwan)*
- SMM KOREA Co., Ltd. (South Korea)



- ▲ Hishikari Mine
- ★ Harima Smelter
- ★ Toyo Smelter & Refinery
- ★ Niihama Nickel Refinery
- ★ Shisaka Smelting Co., Ltd. (100.0%)
- ★ Hyuga Smelting Co., Ltd. (60.0%)

▲ Morenci (12.0%)

★ Taganito HPAL Nickel Corporation (62.5%)

★ Figesbal (25.5%)

★ Goro (7.6%)

▲ Northparkes (13.3%)

▲ Cerro Verde (16.8%)

▲ Candelaria (16.0%)

▲ Sierra Gorda (31.5%)

▲ Ojos del Salado (16.0%)

Other Regions

Mineral Resources

- Compañía Contractual Minera Candelaria (Chile)
- Compañía Contractual Minera Ojos del Salado (Chile)
- Sumitomo Metal Mining Chile Ltda. (Chile)
- SMM Sierra Gorda Inversiones Ltda. (Chile)
- Sierra Gorda S.C.M. (Chile)
- SMM-SG Holdings Inversiones Ltda. (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)
- SMM Solomon Ltd. (Solomon Islands)

Smelting & Refining

- Figesbal S.A. (New Caledonia)
- Sumic Nickel Netherlands B.V. (Netherlands)

Other

- SMM Holland B.V. (Netherlands)

North America

Mineral Resources

- SMMA Candelaria Inc. (U.S.)
- SMM Exploration Corporation (U.S.)
- Sumitomo Metal Mining America Inc. (U.S.)
- Sumitomo Metal Mining Arizona Inc. (U.S.)
- Sumitomo Metal Mining Pogo LLC (U.S.)*
- Stone Boy Inc. (U.S.)
- Sumitomo Metal Mining Canada Ltd. (Canada)
- SMM Resources Ltd. (Canada)
- Sumac Mines Ltd. (Canada)

- Consolidated subsidiaries
 - Equity-method affiliates
- * Included in the scope of environmental Aspects

- Malaysian Electronics Materials Sdn. Bhd. (Malaysia)
- Malaysian SH Electronics Sdn. Bhd. (Malaysia)*
- Malaysian SH Precision Sdn. Bhd. (Malaysia)*
- SH Asia Pacific Pte. Ltd. (Singapore)
- Sumiko Tape Materials Singapore Pte. Ltd. (Singapore)
- Sumiko Leadframe (Thailand) Co., Ltd. (Thailand)



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- The report uses paper certified by the Forest Stewardship Council® (FSC®) and made with wood from FSC®-certified forests.
- The report is printed using vegetable oil-based ink.

