

# FY2022 Progress of Business Strategy

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MINING THE FUTURE

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# I. Safety Initiatives

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# I. Safety Initiatives

## 《Domestic employee occupational accidents》

2021 3-year Plan target: 7 cases or less ➡ 2022 actual: 24 cases  
2023 (Jan.–Apr.): 2 cases

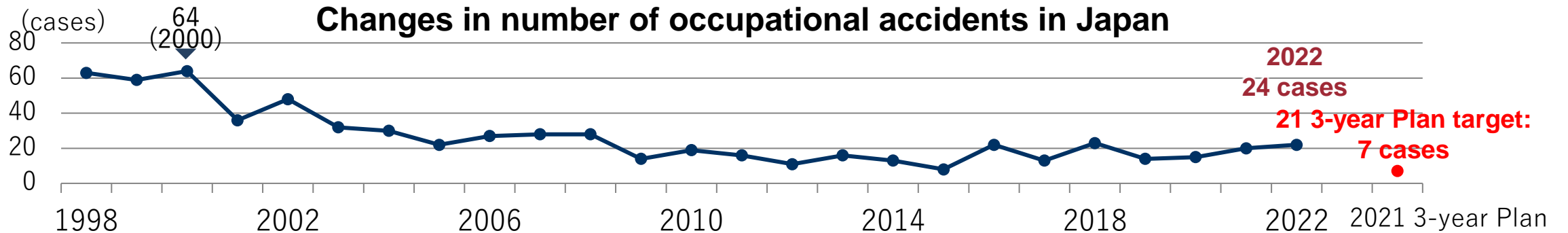
Frequently recurring accidents\* (e.g., Fall and caught accidents) resulted in an increased number of accidents.

Serious accidents resulting in absence from work for more than 3 months : 3 cases (incl. contractors, 2021: 3 cases)

**We will eradicate serious accidents and frequently recurring accidents by driving forward the development of a safety foundation, including line management-based safety management, while improving the essential safety of facilities.**

### 2021 3-year Plan targets:

- ✓ Serious accidents of employees and contractors in Japan and overseas sites: **None**
- ✓ Domestic employee accidents: **7 cases/year** or less
- ✓ Employee accidents at overseas sites: **1 case/year** or less



\* Recurring accidents: Accidents that occurred multiple times in the previous 20 years within the SMM Group

## II. Environment Surrounding SMM

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# 1. Global Economy

- ◆ Prolonged instability in Ukraine
- ◆ Inflation remaining high and continued financial tightening
- ◆ Uncertainty in financial markets
- ◆ Formation of economic blocs (fragmentation) continues unabated.

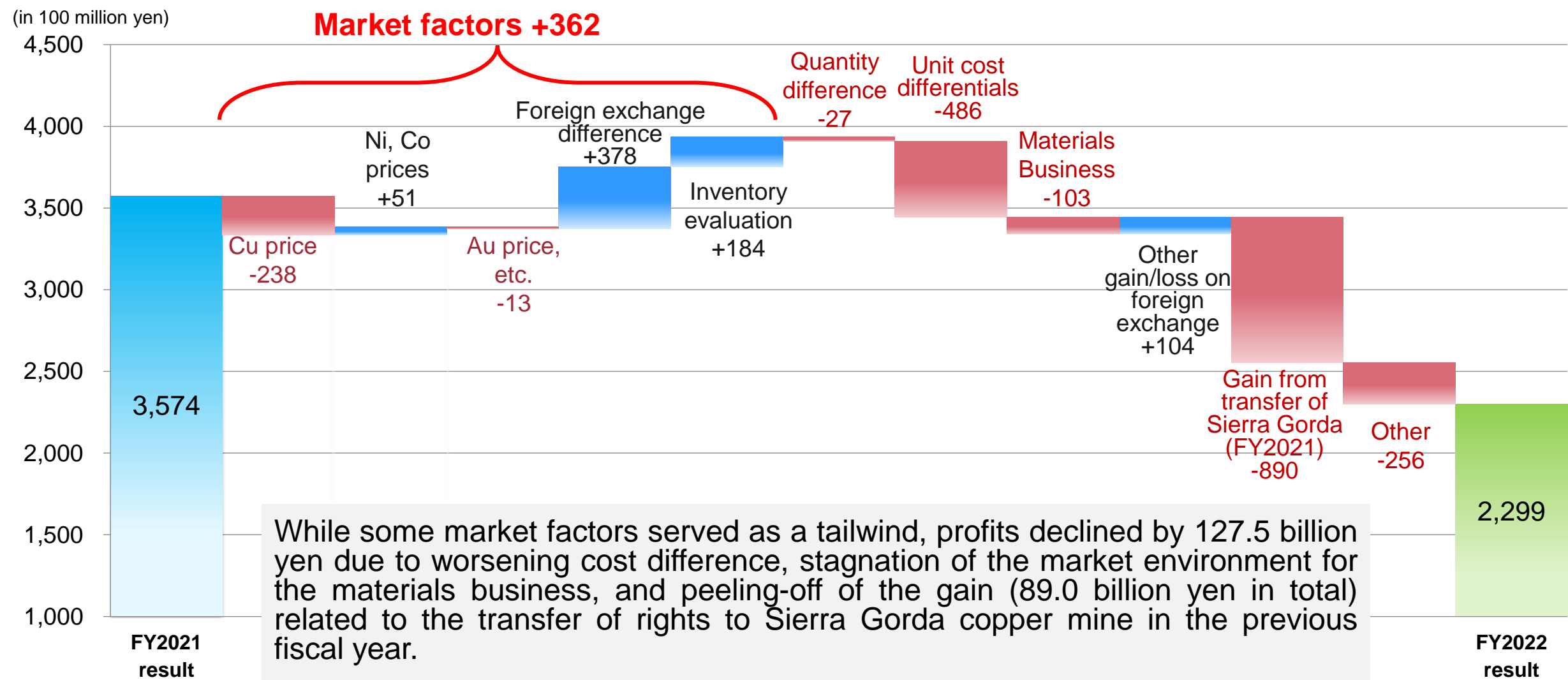


Outlook for  
global economy  
remains uncertain.

IMF's forecast on global economic growth (April forecast)

	2022	2023	2024
	Growth rate	Growth rate	Growth rate
Global	↗ 3.4%	↗ 2.8%	↗ 3.0%
US	↗ 2.1%	↗ 1.6%	↗ 1.1%
Europe	↗ 3.5%	↗ 0.8%	↗ 1.4%
Japan	↗ 1.1%	↗ 1.3%	↗ 1.0%
China	↗ 3.0%	↗ 5.2%	↗ 4.5%

## 2. Profit before Tax Analysis FY2022 Results vs. FY2021 Results



### 3. Impact of Energy and Operating Material Prices

Energy and operating material prices are expected to remain high.

[Unit cost differentials]		
FY2022 results vs. FY2021 results	-46.5 billion yen	Energy prices peaked out in FY2022 but continue to be in a high range. Prices of some operating materials are remaining high.
FY2023 May forecast vs. FY2022 results	-1.3 billion yen	Prices of energy and some operating materials are expected to remain high.

FY2022 results vs. FY2021 results rough estimate of impact

- ◆ Impact of rising energy prices: approx. -30.0 billion yen
- ◆ Impact of rising operating material prices, etc., approx. -16.5 billion yen

**We will continue to work on efficiency improvement and cost reduction, which are the basis of a manufacturing company.**



## 4. Metal Supply and Demand Outlook

### 《Copper》 Supply and demand will ease in the short term.

- ◆ The supply-demand balance will be eased temporarily during 2023–2024 due to the opening of new mines and the expansion of existing ones.
- ◆ Fundamentals are helping copper demand. (global decarbonization, clean energy, EV shift, etc.)
- ◆ Supply tightened to in the latter half of 2020s as the number of new projects decreases.

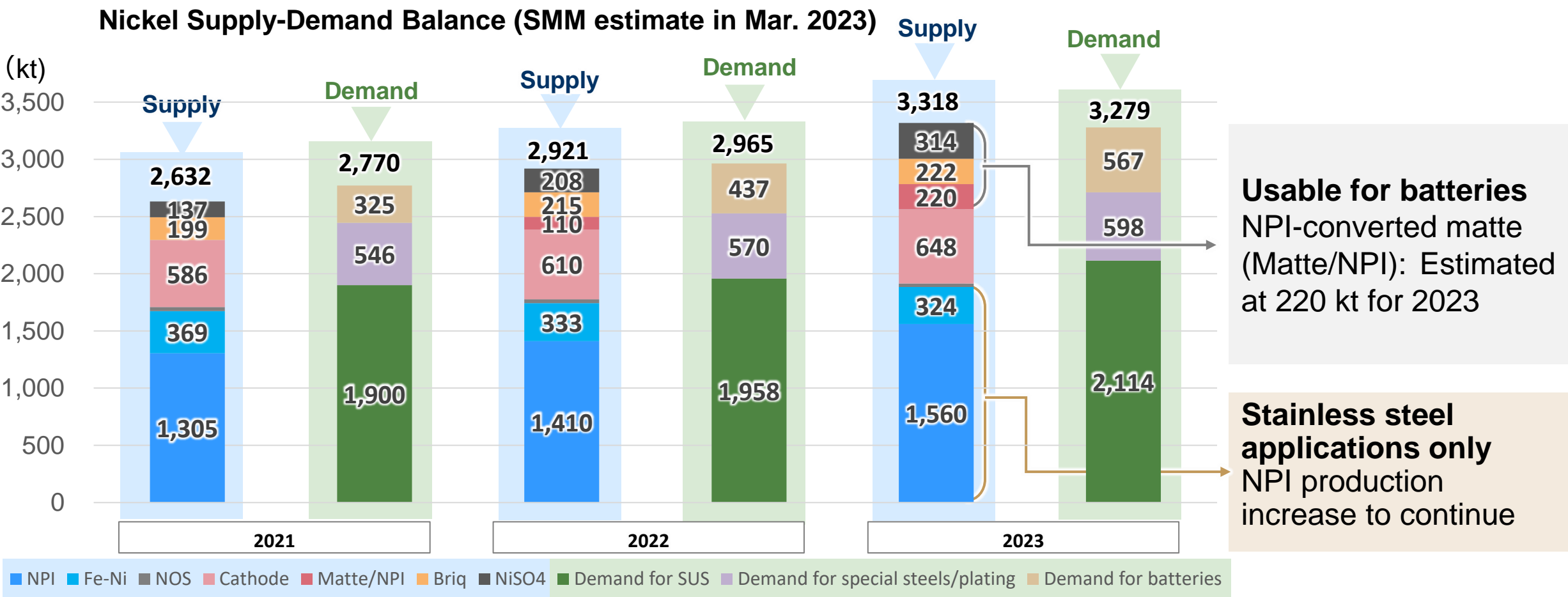
Cu	ICSG forecast (Apr. 2023)		
(kt)	2022 Result	2023 Forecast	2024 Forecast
Production	25,641	26,317	27,537
Usage	26,067	26,513	27,273
Balance	-426	-196	+265

### 《Nickel》 Continued growth is anticipated.

- ◆ Demand for nickel-based lithium-ion batteries for EVs will continue to grow.
- ◆ Increased NPI production is expected to continue in Indonesia; production volume of Class I from intermediate products is expected to increase further.
- ◆ Both demand and supply have respective growth risks, but the Ni market is expected to continue growing even after factoring in the risks.

Ni	INSG forecast (Apr. 2023)		
(kt)	2021 Result	2022 Forecast	2023 Forecast
Production	2,612	3,036	3,387
Usage	2,775	2,892	3,216
Balance	-163	+144	+171

# 5. Nickel Business Environment: Supply-Demand Balance



**We will continue to monitor the direction of NPI production increase and trend of conversion from NPI.**

## 6. Metal Price Estimation for FY2023

《Copper》 \$8,500/t (FY2022 ave.: \$8,551/t Apr. 2023 ave.: \$8,814/t)

- ◆ There are uncertainty factors such as the U.S.-China conflict and Russia's invasion of Ukraine. Still, the copper market is expected to remain firm on prospects of an upward swing in user demand in China.

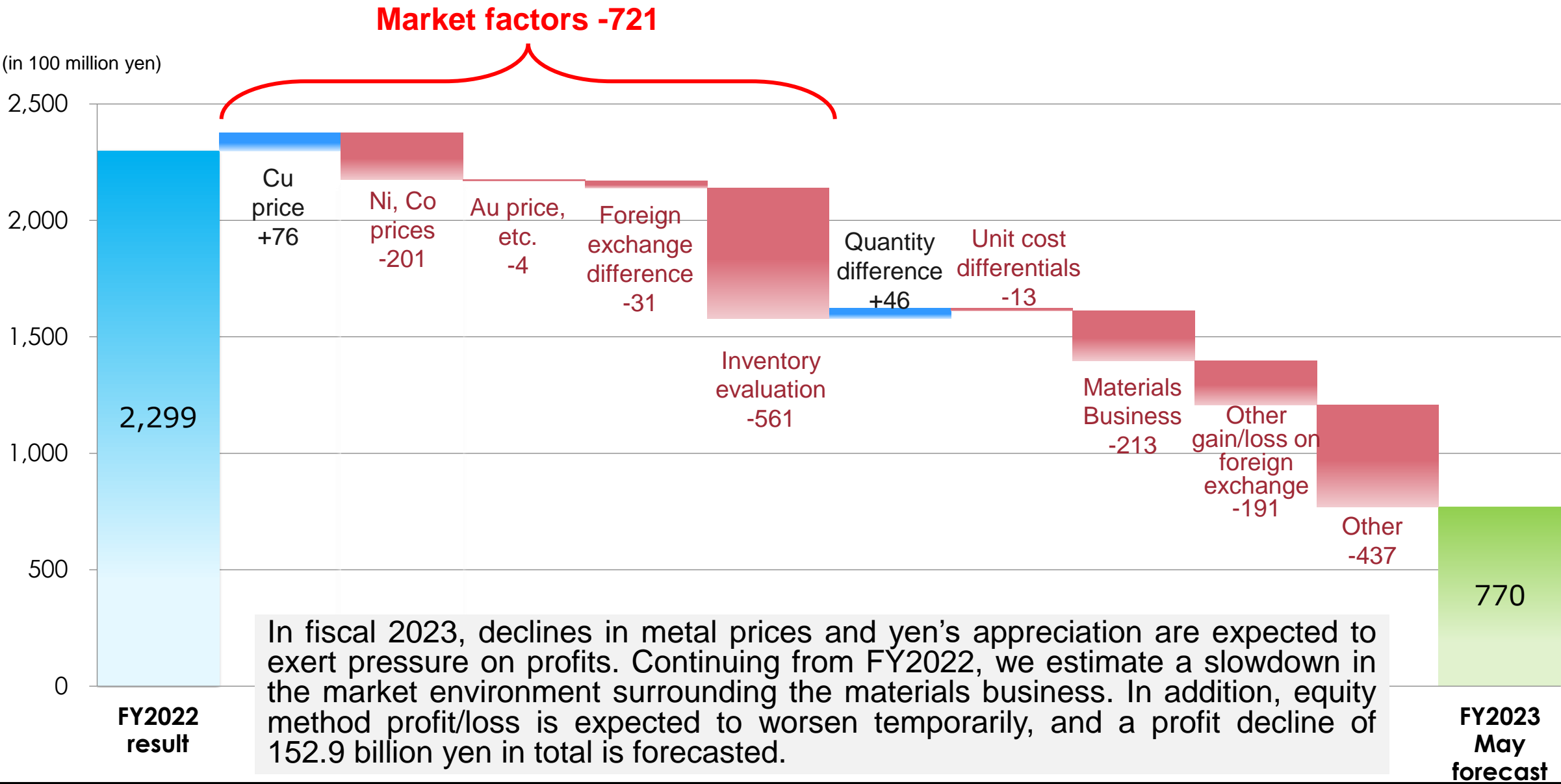
《Nickel》 \$10.00/lb (FY2022 ave.: \$11.63/lb Apr. 2023 ave.: \$10.78/lb)

- ◆ Supply-demand balance of nickel in 2023 is expected to be in over-supply
- ◆ While there are expectations of an economic recovery in China on the demand side, there is a strong impact from the increase in nickel supply from nickel sources in Indonesia, and we expect it to be primarily in the \$10/lb range.

《Gold》 \$1,800/toz (FY2022 ave.: \$1,805/toz Apr. 2023 ave.: \$2,000/toz)

- ◆ There was the collapse of a medium-sized U.S. bank, Silicon Valley Bank (SVB), and the crisis of Credit Suisse at the beginning of the year, and the price of gold, which is a safe asset, recently increased.
- ◆ The U.S. financial authorities' intention to control inflation appears to continue. There is a high possibility of them continuing with the interest rate hike, and the gold price is expected to soften gradually.

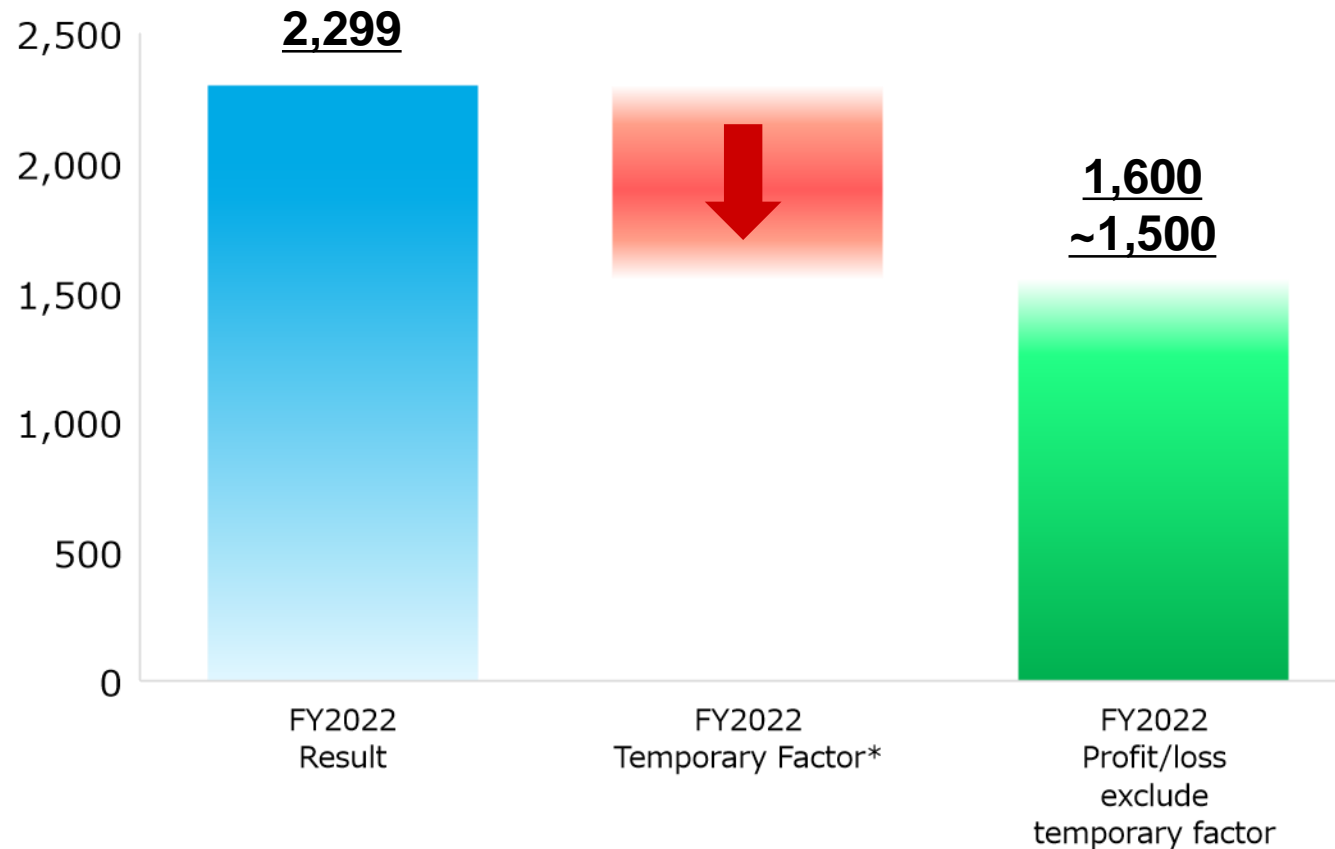
# 7. Profit before Tax Analysis: FY2023 Forecast vs. FY2022 Results



## 8. Profit/Loss Exclude Temporary Factor Based on Current Business Environment: (1) FY2022 Results

Profit/loss exclude temporary factor: Calculated by excluding the impact of temporary gains/losses in a situation where metal prices or foreign exchange fluctuate, as well as the impact of special factors for the concerned period from the actual value.

(In ¥100 million)



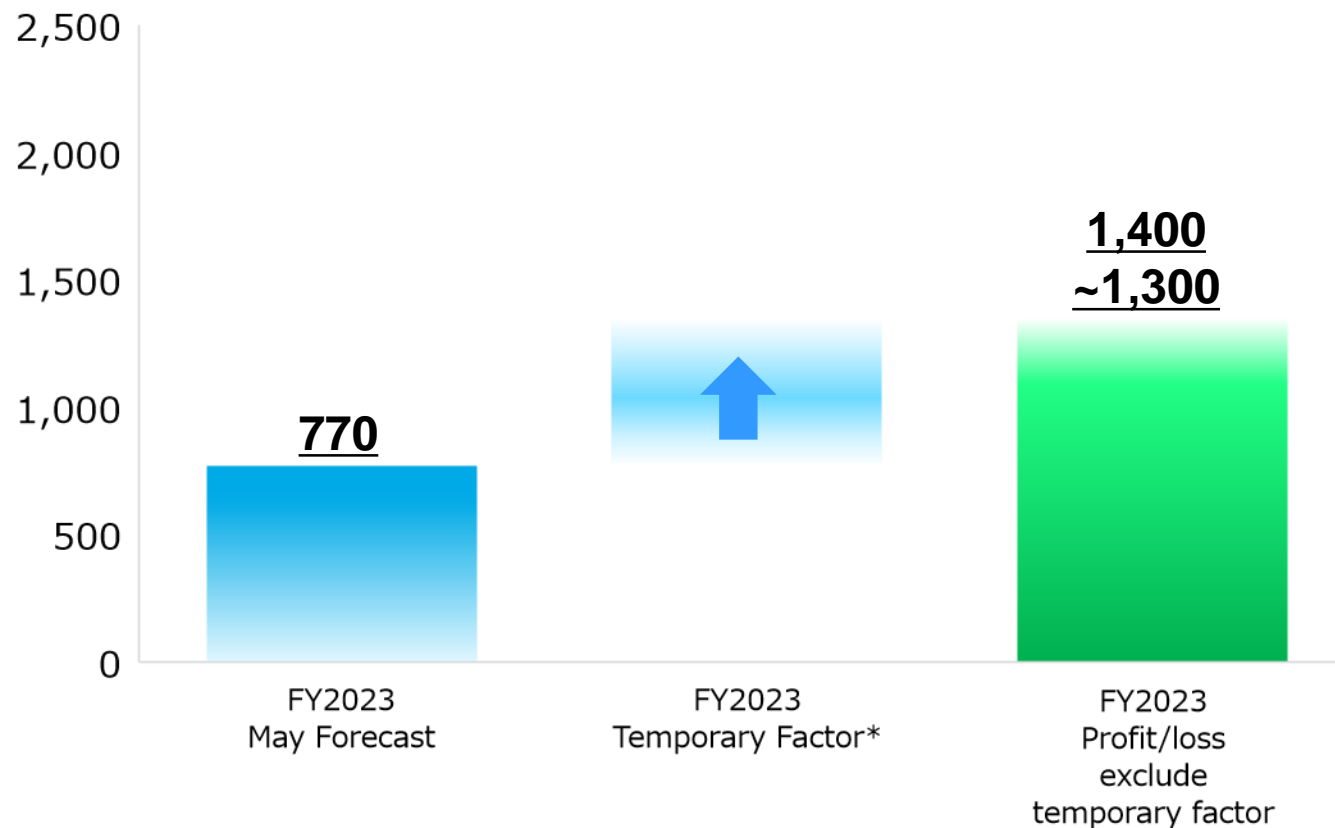
Temporary factors\* in FY2022 results

- Impact of inventory evaluation
- Gain/loss on foreign exchange (financial revenue/expenses, and other revenue/expenses)
- Impact of price adjustment in overseas copper mine

## 8. Profit/Loss Exclude Temporary Factor Based on Current Business Environment: (2) FY2023 May Forecast

Profit/loss exclude temporary factor : Calculated by excluding the impact of temporary gains/losses in a situation where metal prices or foreign exchange fluctuate, as well as the impact of special factors for the concerned period from the forecast value.

(In ¥100 million)



Temporary factors\* in FY2023 May forecast

- Impact of inventory evaluation
- Impact of price adjustment in overseas copper mine
- Equity method profit/loss (SMM estimate)

**The main differences in the actual profit for FY2022 are prices and foreign exchange rate assumptions.**

## 9. Dividends / Cash Flows & Financial Position (1)

### Business characteristics of non-ferrous metals

- Demand for non-ferrous metals (copper, nickel, etc.) is expected to grow steadily in the future.
- Prices of non-ferrous metals are decided on market led by LME, and the profit/loss of the non-ferrous metal business is significantly influenced by the market environment.
- Non-ferrous metal assets wear out as companies mine, and it is necessary to replace them constantly.
- Global resource major companies are leading competitions for first-class assets.
- New development of resources is becoming more difficult due to factors such as the higher altitude of such sites and the necessity to mine deeper. Besides, the industry has been facing increasing operating materials and personnel costs in recent years.
- Under such circumstances, we are carefully considering participation in resource development projects from various angles and by spending sufficient time. Once the decision is taken to participate in one, it immediately necessitates expenditure on the scale of hundreds of billions of yen.
- It takes years to harvest the fruits of investment, and if we do not have the tenacity to withstand it, we will not be able to sustain the business, and neither would we be chosen as a partner candidate.
- It is also necessary to accelerate our sustainability-related initiatives, including GHG emissions reduction and DX.
- Moreover, we are also focusing on the materials business as a driver of further growth.

## 9. Dividends / Cash Flows & Financial Position (2)

### Cash flows and financial position

- ◆ We will continue with record-high levels of capital investment and investments and financing in 2023 to execute the growth strategy.  
Meanwhile, we expect to harvest the fruits from 2024 onwards.
- ◆ To improve capital efficiency, we will continue to promote measures such as strengthening cost management and inventory management.
- ◆ We will maintain competitiveness with cost reduction and improvement in productivity to maintain financial standings that would enable us to make swift moves when a large-scale investment becomes necessary.

### Dividends

Shareholder return policy: Continue with the policy to link it with financial results. The consolidated payout ratio is at least to be 35% or higher.

#### ◆ FY2022

Full-year financial results were at a high level, although the business environment continued to be difficult given the significant rise in prices of energy and operating materials, volatility in foreign exchange rates and metal prices, and stagnant demand for electronic components.

→ Plan to pay the annual dividend of **205 yen/share**

#### ◆ FY2023 forecast

We expect a major decline in profits compared with FY2022 due to a temporary increase in costs at equity method affiliates in addition to weak metal prices, rebound from the rapid depreciation of the yen last year, and lackluster recovery in electronic component demand.

→ Forecasting an annual dividend of **54 yen/share**



# 10. Comparison of Financial Results and Forecast

(Billions of yen)		FY2022 result (A)	FY2021 result (B)	Change (A)–(B)	FY2023 forecast (C)	Change (C)–(A)
Net sales		1,423.0	1,259.1	+163.9	1,366.0	-57.0
Gross profit		250.1	257.8	-7.7	139.0	-111.1
Profit / loss before tax		229.9	357.4	-127.5	77.0	-152.9
Equity method profit/loss		36.5	57.5	-21.0	14.5	-22.0
Segment profit	Mineral resources	76.4	208.5	-132.1	62.0	-14.4
	Smelting & refining	117.9	114.8	+3.1	28.0	-89.9
	Materials	17.3	27.6	-10.3	-4.0	-21.3
	Other	-3.0	-0.9	-2.1	-5.0	-2.0
	Diff. adjustment	21.3	7.4	+13.9	-4.0	-25.3
Net income attributable to owners of parent		160.6	281.0	-120.4	42.0	-118.6
Copper (USD/t)		8,551	9,691	-1,140	8,500	-51
Nickel (USD/lb)		11.63	9.35	+2.28	10.00	-1.63
Gold (USD/toz)		1,805	1,818	-13	1,800	-5
Cobalt (USD/lb)		25.57	27.46	-1.89	17.00	-8.57
Exchange (JPY/\$)		135.48	112.39	+23.09	130.00	-5.48

# III. Sustainability-related Initiatives

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# 1. Material Issues for Realizing Vision for 2023

## SMM Group's material issues

We assessed issues from both social and business perspectives and identified issues with significant impact.

1	Effective Use of Non-Ferrous Metal Resources	7	Development and Participation of Human Resources
2	Climate Change	8	Engagement with Stakeholders
3	Significant Environmental Accidents	9	Co-Existence and Mutual Prosperity with Local Communities
4	Biodiversity	10	Rights of Indigenous Peoples
5	Employees' Occupational Health and Safety	11	Human Rights in the Supply Chain
6	Diverse Human Resources		

## 2. Carbon Neutrality-related Actions



- A roadmap for net zero by 2050  
Plan to announce it within fiscal 2023 in accordance with the ICMM commitment
- Participation in the first phase (FY2023–FY2025) of GX League (May 15, 2023)
- Concrete initiatives for reducing CO<sub>2</sub> emissions in manufacturing process
  - [Energy conversion]
    - Smelting and Refining: Energy conversion to LNG at Toyo Smelter & Refinery's heat supply equipment and Niihama Nickel Refinery boilers (being implemented)
    - Introduction of solar power generation system at Niihama Nickel Refinery (to be completed in fiscal 2024)
    - Co-firing of coal and woody biomass as fuel for CBNC boiler (full-scale introduction within fiscal 2023)
  - [Increasing purchase of electric power generated from renewable energy]
    - Mineral Resources: Hishikari Mine (100% from 2023)
    - Smelting & Refining: Harima Refinery (100% from 2022)
- Utilize SMM's ICP (internal carbon pricing) system and accelerate the initiatives
- Promoting conversion to electric power generated from renewable energy also at mines operated in JV
  - Candelaria (80% from 2023), QB2 (100% from 2025)

### 3. Initiatives Related to Environment, Local Community, Human Rights

#### -Initiatives related to the environment and local community

- CBNC won a total of three prizes: 2022 Presidential Mineral Industry Environmental Award (PMIEA), the first place in the Safest Mineral Processing - Extraction Category Award, and the first place in the Best Mining Forest Contest
- THPAL won the second place behind CBNC in the Best Mining Forest Contest
- PMIEA is the highest honor in the mining industry in the Philippines.  
The awards were in recognition of the two companies' responsible operations in terms of safety, social contribution, preservation of biodiversity, etc.

#### -Human rights-related initiatives in supply chains (human rights DD)

##### Responsible Mineral Sourcing Policy

- Gold, silver: SMM has been renewing the LBMA RGG/RGC certification
- Cobalt: Has been renewing RMI certification obtained in 2021
- Nickel: Obtained RMI certification in April 2023
- Copper: Considering obtaining Copper Mark in 2023



## 4. Initiatives Related to Human Resources

### 《Revision of personnel system for career track employees》

- Drastic review of the personnel system to ensure implementation of growth strategy**  
(from July 2023)  
[Aim] Raise motivation by offering various opportunities to perform  
Develop a corporate culture of taking on challenges, transformation, and growth  
Create an organizational culture of allowing individual employees to continue growing.
- Shift to a compensation scheme commensurate with duties and responsibilities**  
→Switch the scheme for career track employees, who implement strategies, from the system based on functions as well as role and qualification (emphasis on competency and experience) to a system based on job grade (emphasis on job value) to enable securing, nurturing, and utilizing diverse and outstanding human resources.
- Establishment of **Career Up Challenge System**  
→Assuming internal recruitment of project members and others.  
Encourage employees to autonomously come up with career plans and to take on the challenges of gaining promotion to a position with higher responsibility or in another job category.

# IV. Progress in Implementing Key Strategies under 2021 3-year Plan

I Safety Initiatives

II Our Business Environment

III Sustainability Initiatives

**IV** Progress in Implementing Key Strategies under 2021 3-year Plan

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# 1. Four Challenges under 2021 3-year Plan

## Four challenges

### Challenge 1. Increasing corporate value - Promotion of large-scale projects

- [Expanding production capacity for battery cathode materials](#)
- [Quebrada Blanca 2 project](#)
- [Côté gold mine development project](#)

### Challenge 3. Adapting to changes in the social environment

- [Reducing greenhouse gas \(GHG\) emissions](#)
- [Promoting the development of products, technologies and processes that can help achieve carbon neutrality](#)
- Adaptation to digital transformation (DX)
- [Initiatives for securing, fostering and utilizing human capital](#)

### Challenge 2. Improving core business sustainability

- [3-biz collaboration to strengthen the value chain for Ni-batteries](#)
- Shifting Hishikari Mine to sustainability-oriented operation
- Enhancing competitiveness of copper-smelting business
- [Strategy for advanced materials business expansion](#)

### Challenge 4. Strengthening the foundation of business management

- [Strengthening safety initiatives](#)
- [Reorganizing and enhancing sustainability promotion framework](#)
- Corporate governance



## 2. Progress in Strengthening Battery Materials Business

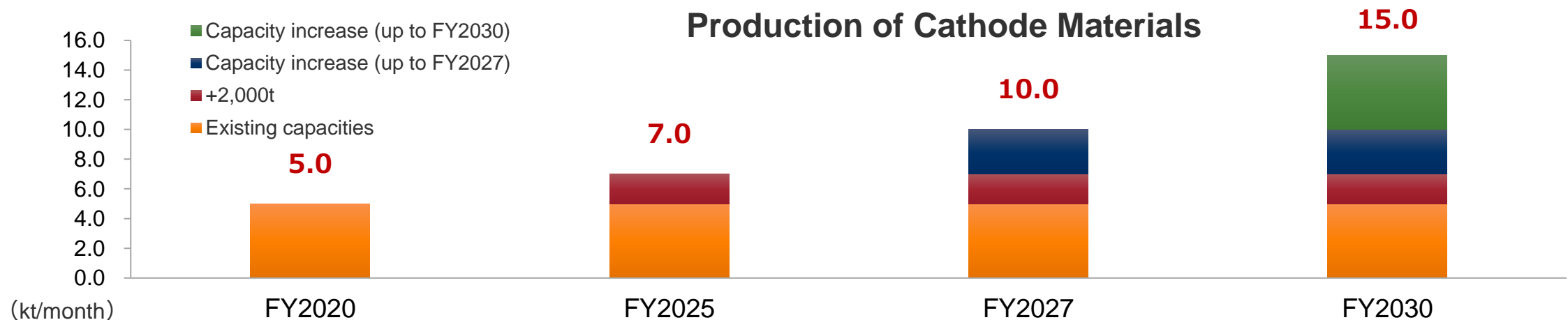
### Construction of New Plant (Nickel-based)

#### Expand battery (cathode) materials production capacity

- ◆ Raise production capacity by 2,000t/month (by end of FY2024)  
Making good progress in both the construction of the new Niihama Plant and the hiring of personnel; building construction is currently underway.
- ◆ Continue consideration to increase production in the next period  
Legal systems are rapidly changing worldwide, incl. the U.S.  
Continue monitoring the US Inflation Reduction Act, as its draft guidance was released at the end of March 2023, but details are yet to be finalized.  
Continue examining and having discussions with customers to make investments at optimal timing and in the best locations.



As of April 2023



### 3. Quebrada Blanca 2 (QB2) Project

## Ramping up (launching) facilities to achieve full-production by the end of the year

- ◆ Began loading ores into key facilities and producing bulk copper concentrate (March 2023)
- ◆ Sent additional engineers from SMM for the production launch and construction and trial operation of remaining facilities together with Teck Resources



# 4. Current Status of Côte Gold Project (1)

## Construction work mostly progressing well

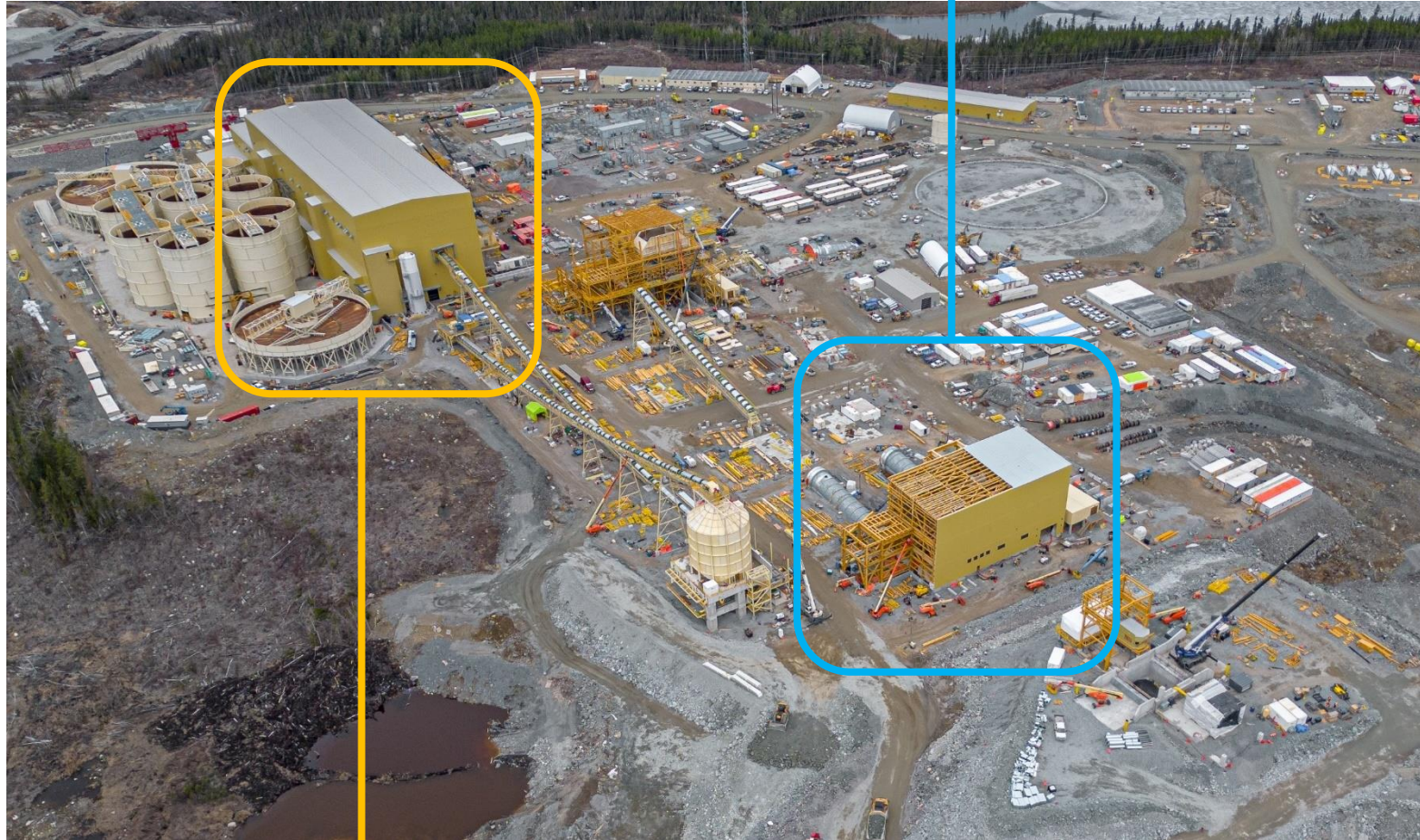
- Construction work during the winter progressed without major delay.
- Driverless trucks began operating (in Jan. 2023).
- Production is expected to start during the Jan-Mar quarter of 2024.
- Additional investments were completed as planned; the current interest ratios are approx. IMG at 60 and SMM at 40.
- Enhancing project management together with IAMGOLD. Dispatching additional SMM engineers and assigning them to key positions ahead of the production launch ensures a strong involvement of SMM and provides opportunities for young engineers to gain experience.



	Start-up cost (in US\$ million )
Jul. 2020	1,538
Nov. 2021	1,910
Nov. 2022	2,965
Note: Including costs for leasing major heavy equipment	



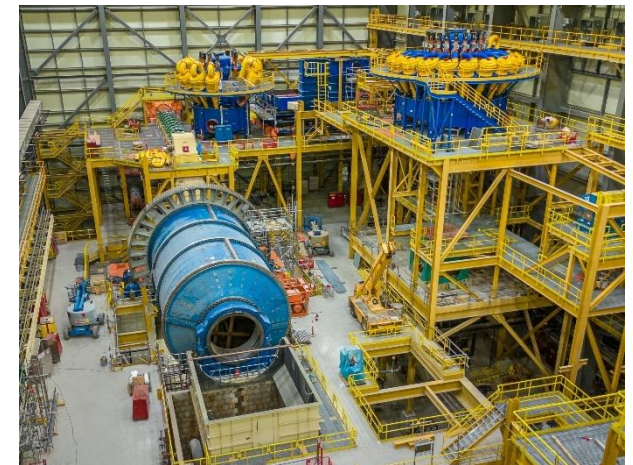
## 4. Current Status of Côté Gold Project (2)



As of April 2023



Ore crushing plant



Ore processing plant (inside)



# 5. Nickel Business Strategy

## 3-business collaboration (Nickel-batteries) to strengthen the value chain

### Secure nickel resources and implement measures to enhance collaboration among the three core businesses

- ◆ Enhance the exploration of new nickel projects for the next period (medium to long term).
  - Accelerate the exploration of projects at various stages, mainly in the Pacific Rim region, based on ore distribution.
  - Narrow them down to a few targets and begin investigation.
- ◆ Business development utilizing existing intermediate materials in circulation (short-term).
- ◆ Continue exploring measures to secure ores for CBNC and THPAL.
- ◆ Commercialize the battery recycling business.
  - Move facilities designing with the assumption of processing 10,000 tons of used LiB a year.
  - Chosen as a project supported by the Green Innovation Fund run by NEDO\* (Apr. 2022).



\*NEDO: New Energy and Industrial Technology Development Organization

## 6. Smelting & Refining Business Topics

### **SMM Green Metal concept: an initiative to offer low-carbon products**

- ◆ Given the anticipated growth in the need for low-carbon products, SMM began examining the provision of its electrolytic copper using the mass-balance method.
- ◆ Aim to complete certification work by a third-party organization by the end of FY2023.
- ◆ After completing the certification work of electrolytic copper, plan to roll it out to electrolytic nickel.

### **Production plan of ferronickel**

- ◆ Given the current business environment, making production adjustments, including temporary shutdowns.
- ◆ Plan to take actions such as cost reduction, facility renewal, and GHG reduction during the shutdown period.
- ◆ Organize a structure so that SMM can respond speedily when the situation improves.

## 7. Expansion of Advanced Materials Business

**Full-scale recovery is not expected at least until the second half of the year as the inventory adjustment phase continues**

Due to the falling demand for smartphones, PCs, and so on that has been continuing since FY2022, demand for parts used in these products has declined significantly.

→Sales of core products are stagnant.

The speed of the recovery in demand is slow; full-scale recovery is likely to take a while.

Continue working on cost reduction, productivity improvement, product development, and so forth to proactively capture any recovery in demand and to improve profit/loss status.



**Develop and increase sales of advanced materials to strengthen earnings power**

## V. Supplementary Materials

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# 1. Supply Demand Trends (Copper and Nickel)

Data/Reference

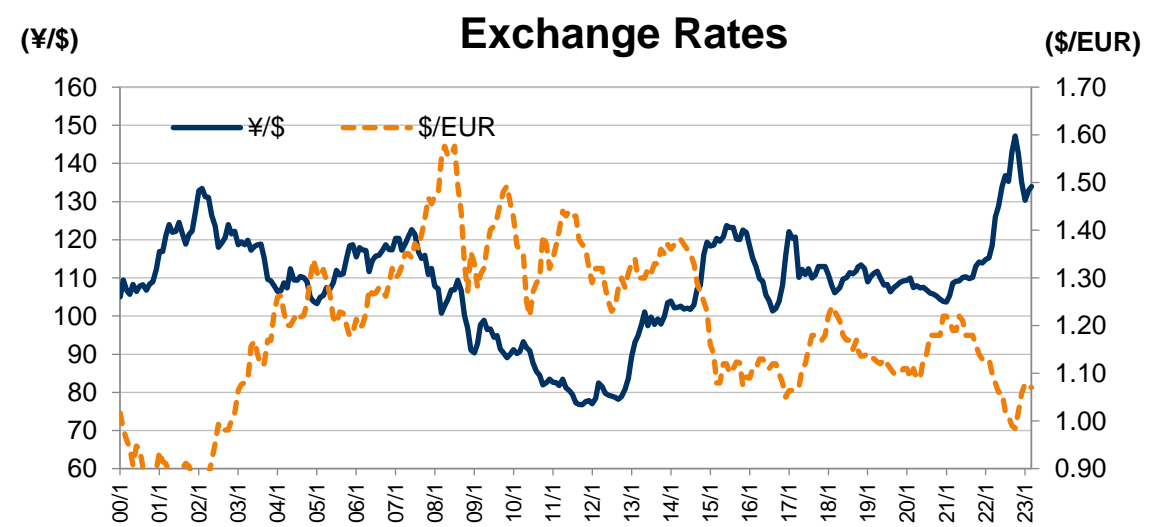
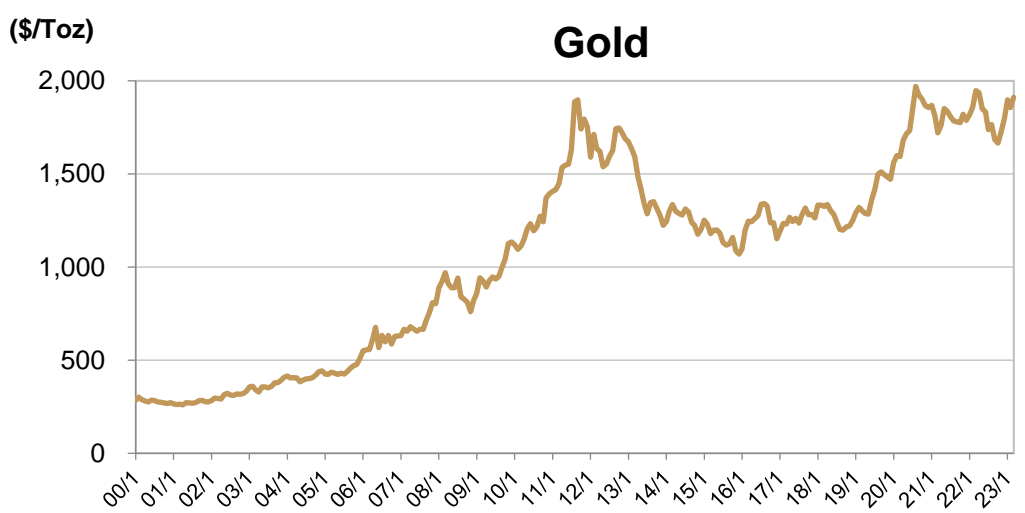
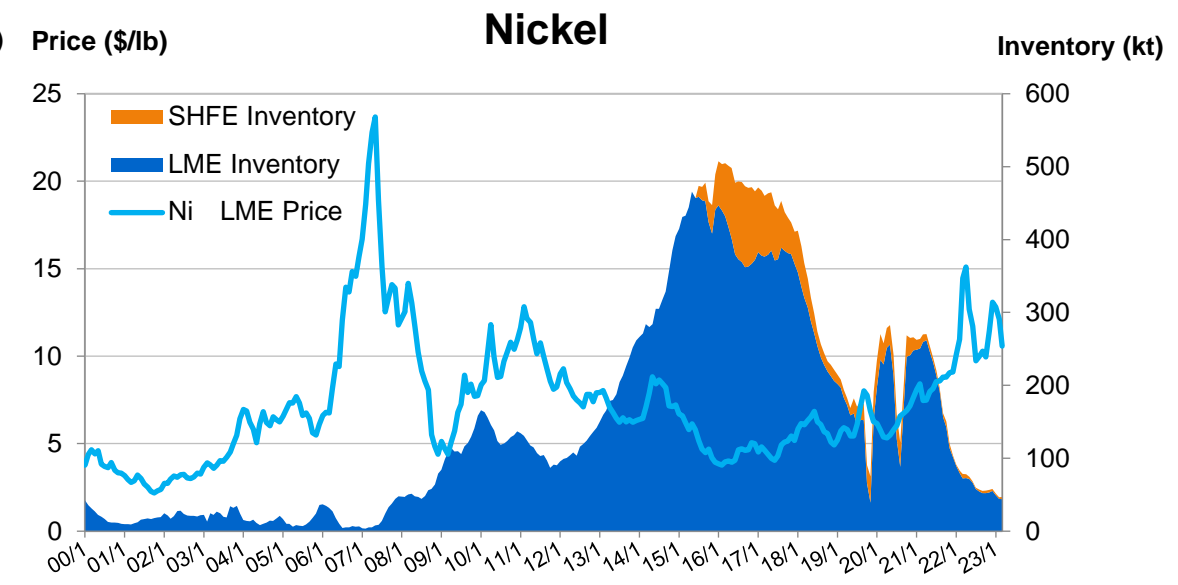
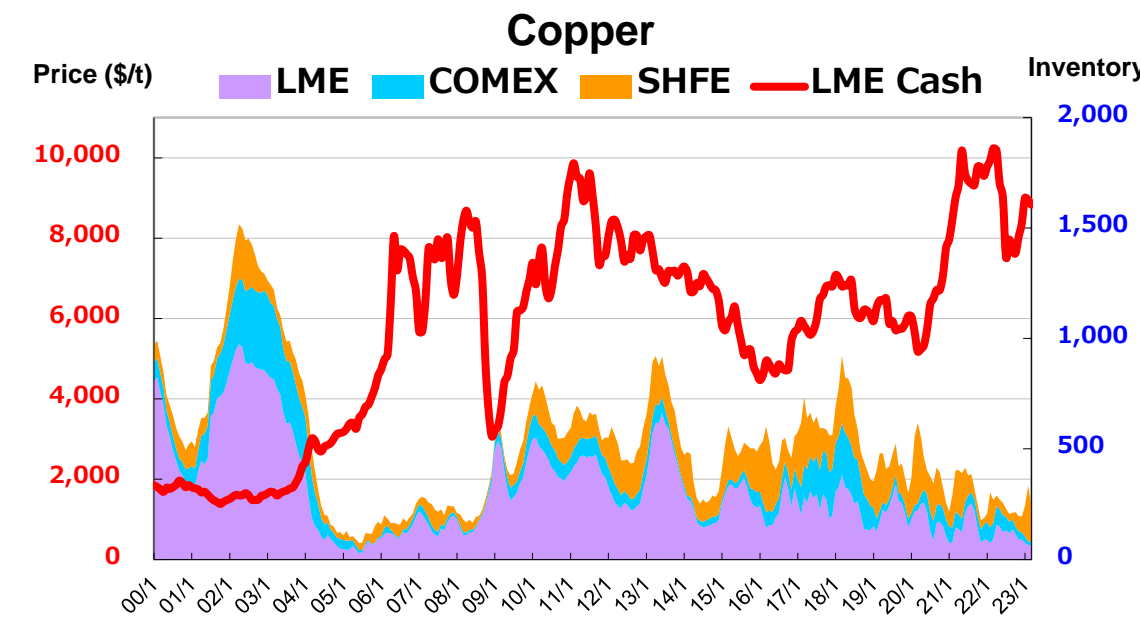
## Copper

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Balance	-426	-196	+265

## Nickel

	INSG Projection (Apr. 2023)			SMM Projection (Mar. 2023)		
(kt)	2021 Result	2022 Forecast	2023 Forecast	2021 Result	2022 Forecast	2023 Forecast
Production	2,612	3,036	3,387	2,632	2,921	3,318
Usage	2,775	2,892	3,216	2,770	2,965	3,279
Balance	-163	+144	+171	-138	-44	+39

# 2. Non-ferrous Metal Prices and Exchange Rates



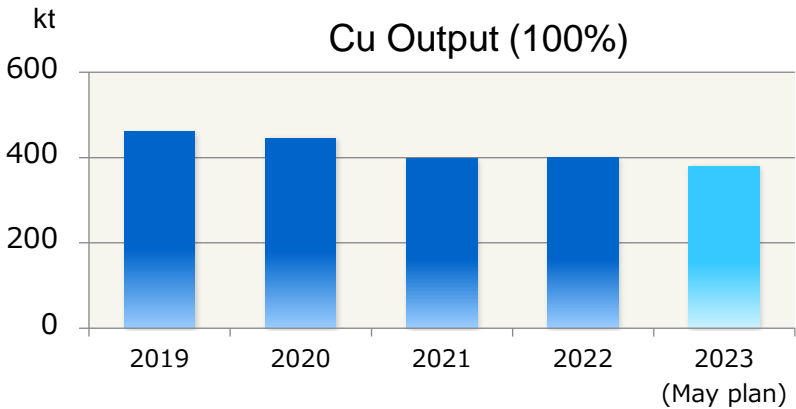
# 3. State of Business—Mineral Resources (1) Copper (Overseas Mines)

## Morenci Copper Mine (USA)

Interest ratios	FCX	72%
	SMM	25%
	Sumitomo Corp.	3%



- Output: FY2021 397 kt (actual)  
FY2022 400 kt (actual)  
FY2023 380 kt (plan)

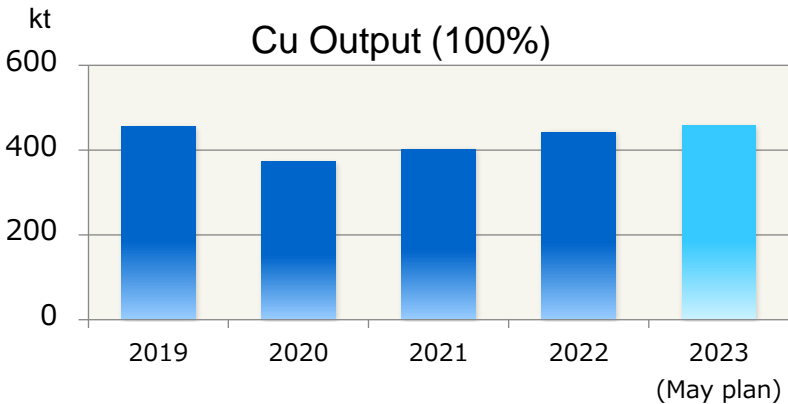


## Cerro Verde Copper Mine (Peru)

Interest ratios	FCX	53.56%
	SMM	16.80%
	Sumitomo Corp.	4.20%
	Others	25.44%



- Output: FY2021 402 kt (actual)  
FY2022 442 kt (actual)  
FY2023 457 kt (plan)

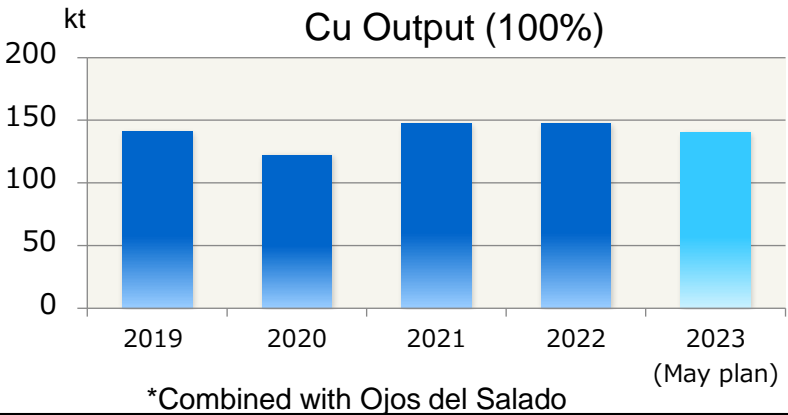


## Candelaria Copper Mine (Chile)

Interest ratios	Lundin	80%
	SMM	16%
	Sumitomo Corp.	4%



- Output: FY2021 146 kt (actual)  
FY2022 147 kt (actual)  
FY2023 140 kt (plan)

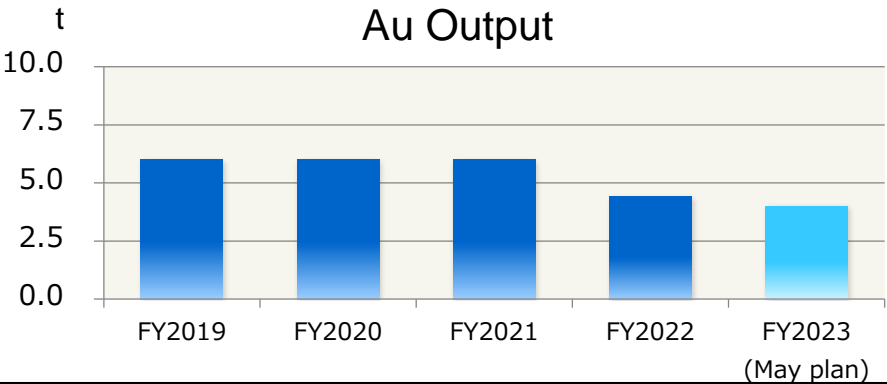


### Hishikari Mine (Kagoshima Pref.)

Interest ratio	SMM	100%
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- Continue sustainability-focused operation
- Mineable gold reserve as of the end of 2022: 155 tons (JIS Standard)
- Output in FY2023: 4.0 tons



### Côté Gold Mine Development Project (Canada)

Interest ratios	IAMGOLD	Approx. 57.81%
	SMM	Approx. 34.69%
	Others	7.50%
*As of March 31, 2023		

Acquisition price: USD195 million (approx. ¥21.5 billion)
Location: Ontario

- F/S completed in Nov. 2018
- Construction began in Aug. 2020
- Production scheduled to begin in Jan-Mar 2024



Mine life	18 years
Total gold output	205 tons
Mineable reserve	233 Mt
Mineable ore grade	0.96 g/t

(Source: SMM press release on July 21, 2020)

Toyo Smelter & Refinery (Ehime Pref.)

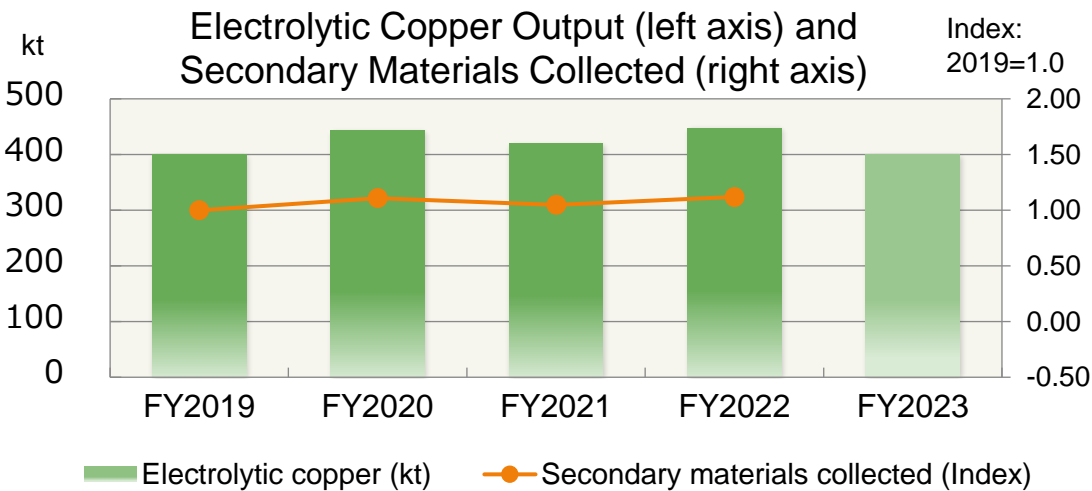
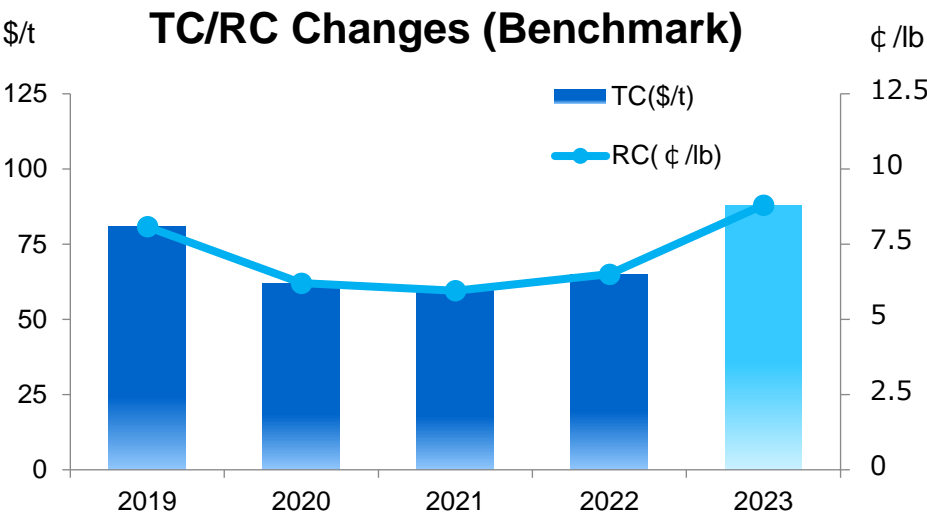
Electrolytic copper output

FY2021: 419 kt (actual)

FY2022: 447 kt (actual)

FY2023: 400 kt (May plan)

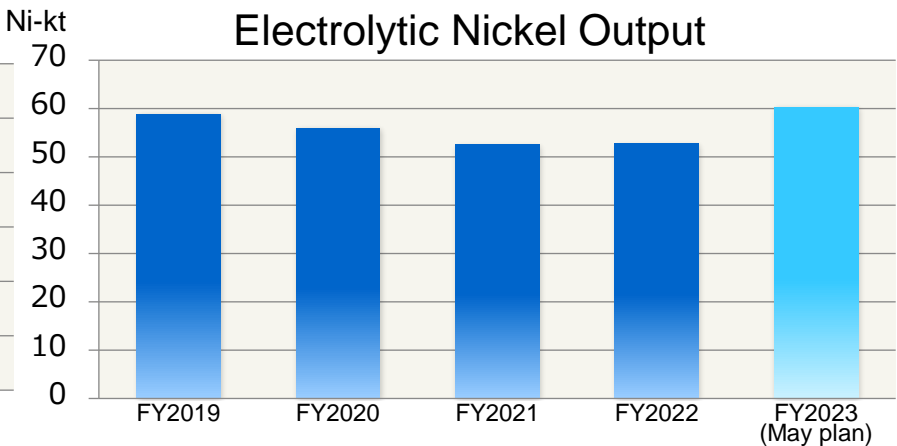
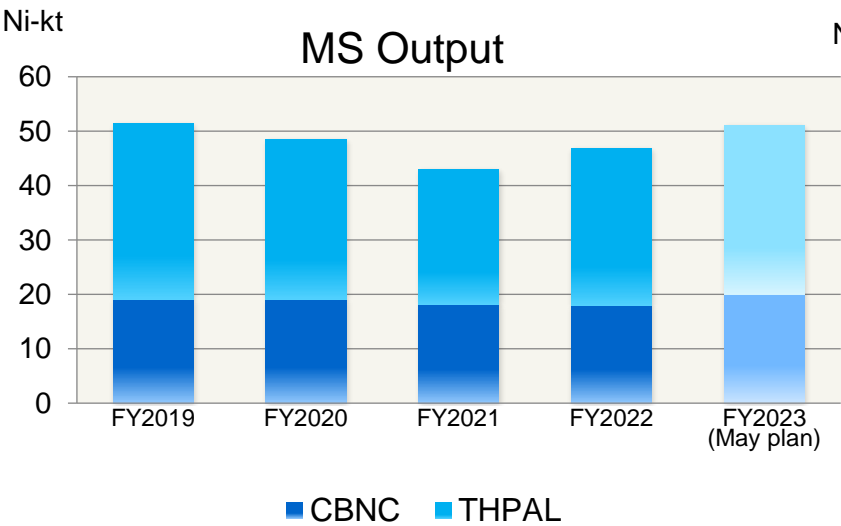
\*A large shutdown is scheduled in FY2023, first time in 12 years. During the shutdown, some facilities will undergo an energy switch and so on.



CBNC (Philippines), THPAL (Philippines), Niihama Refinery (Ehime Pref.)

Output

(Ni-kt)	FY2021 Actual	FY2022 Actual	FY2023 May plan
CBNC	18.1	17.9	20.0
THPAL	24.8	28.9	31.0
Niihama Refinery	52.5	52.8	60.3



Maximizing HPAL by-product recovery

Scandium oxide:  
Commercial production  
started in 2019.

Chromite:  
Sales started in FY2021.



## 4. State of Business—Smelting & Refining (3) Nickel Sulfate (Niihama and Harima)

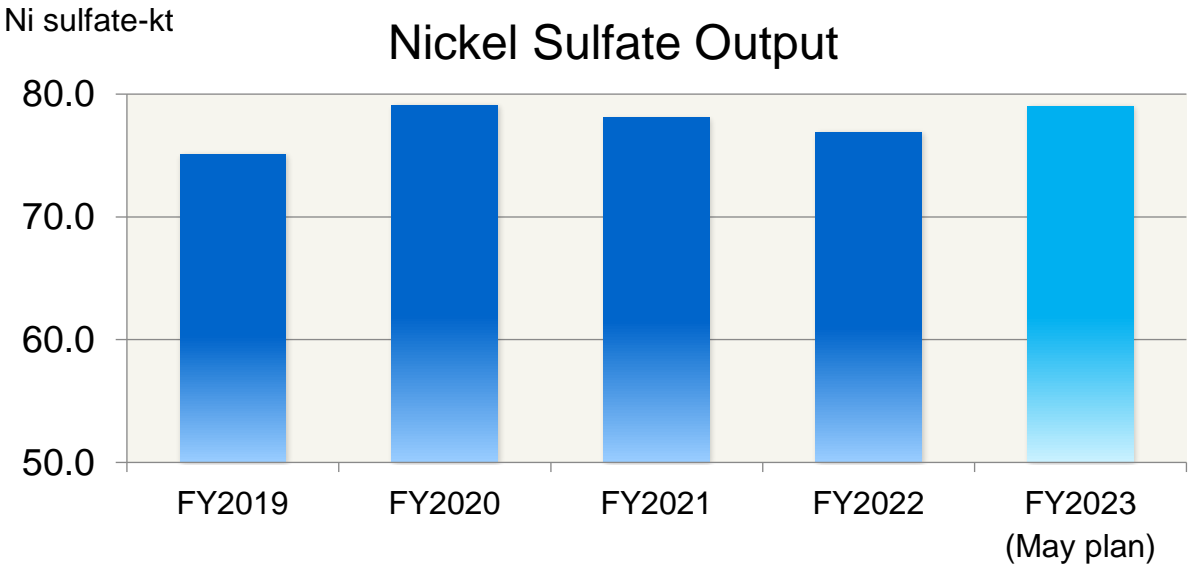
### Niihama Refinery (Ehime Pref.) and Harima Refinery (Hyogo Pref.)

Nickel sulfate output (total of Niihama and Harima)

FY2021: 78.1 kt (actual)

FY2022: 76.9 kt (actual)

FY2023: 79.0 kt (May plan)



## 4. State of Business—Smelting & Refining (4) Ferronickel (Hyuga)

### Hyuga Smelting Co., Ltd. (Miyazaki Pref.)

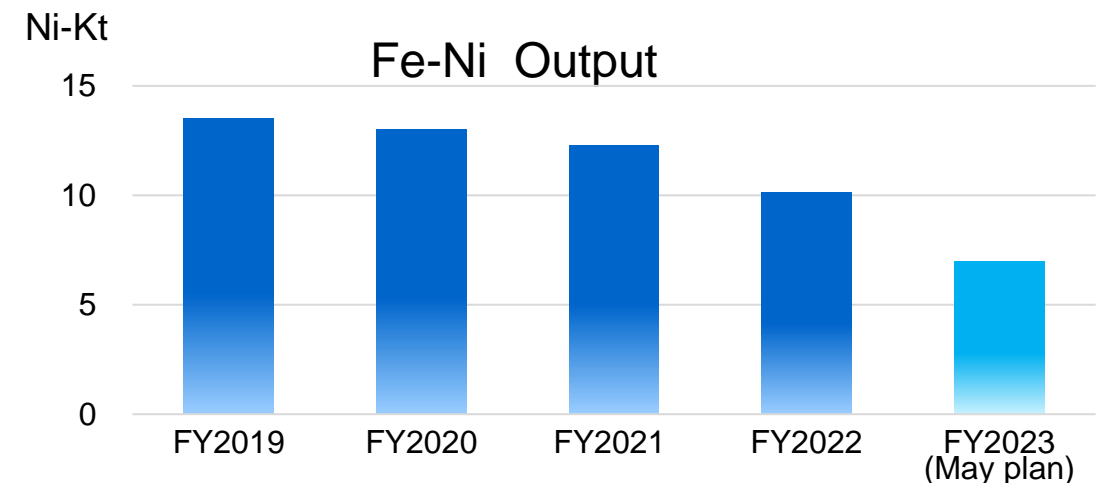
#### Output

FY2021: 12.3 Ni-kt (actual)

FY2022: 10.1 Ni-kt (actual)

FY2023: 7.0 Ni-kt (May plan)

- ◆ Making production adjustments, incl. temporary shutdown, based on the current business environment.
- ◆ Plan to take actions such as cost reduction, facility renewal, and GHG reduction during the shutdown.
- ◆ Organize a structure to take action promptly when the situation improves.





## 5. Status of Business—Materials

Data/Reference

### Battery materials

Production is on track as EV-related markets remain strong. Continuing examinations and research for production increase in the next period.

### Powder materials

Weak performance in FY2022 mainly due to a rapid fall in consumer sector demand due to the impact of lockdowns in China. A gradual recovery is expected from 2H FY2023. In the medium to long term, demand is expected to rise with the electrification of automobiles and the spread of 5G smartphones.

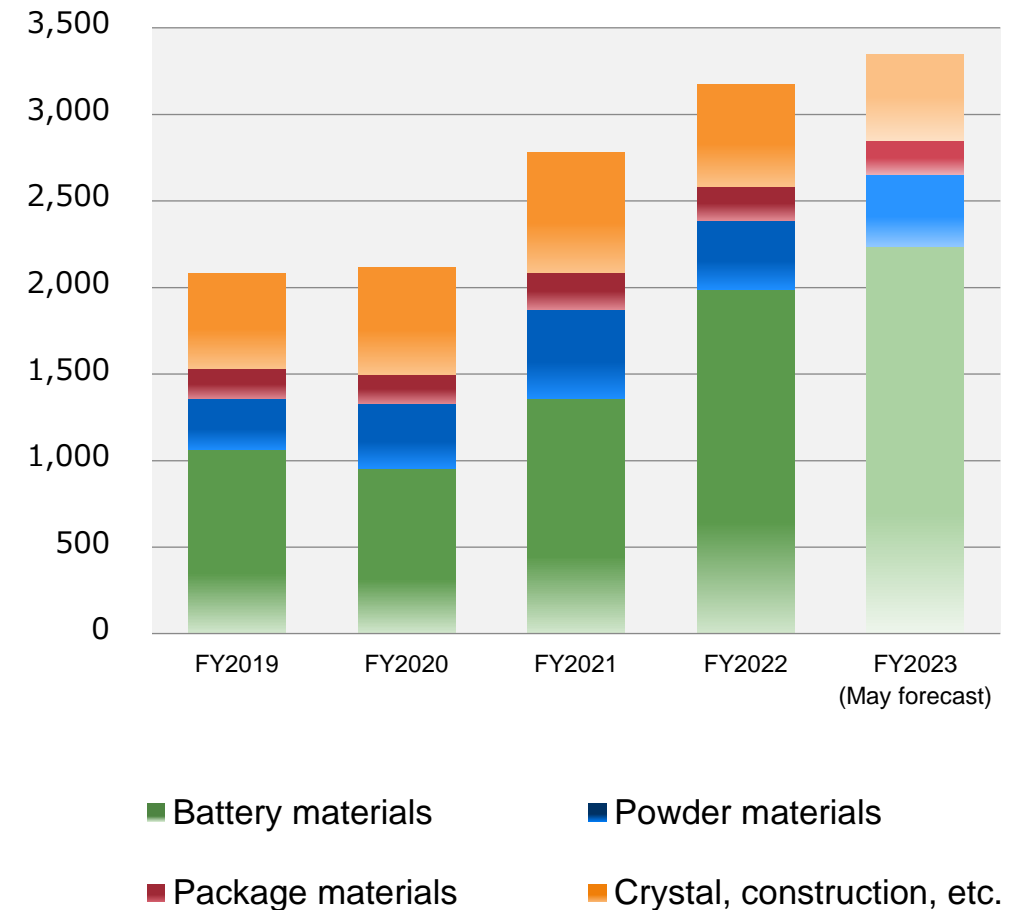
### Crystal materials

Demand for SAW devices remain stagnant, despite the spread of 5G, mainly due to weak smartphone sales. Demand is also weak for communication devices and for data centers, which had been strong, mainly due to reduced investments by US high-tech companies.

### Package materials

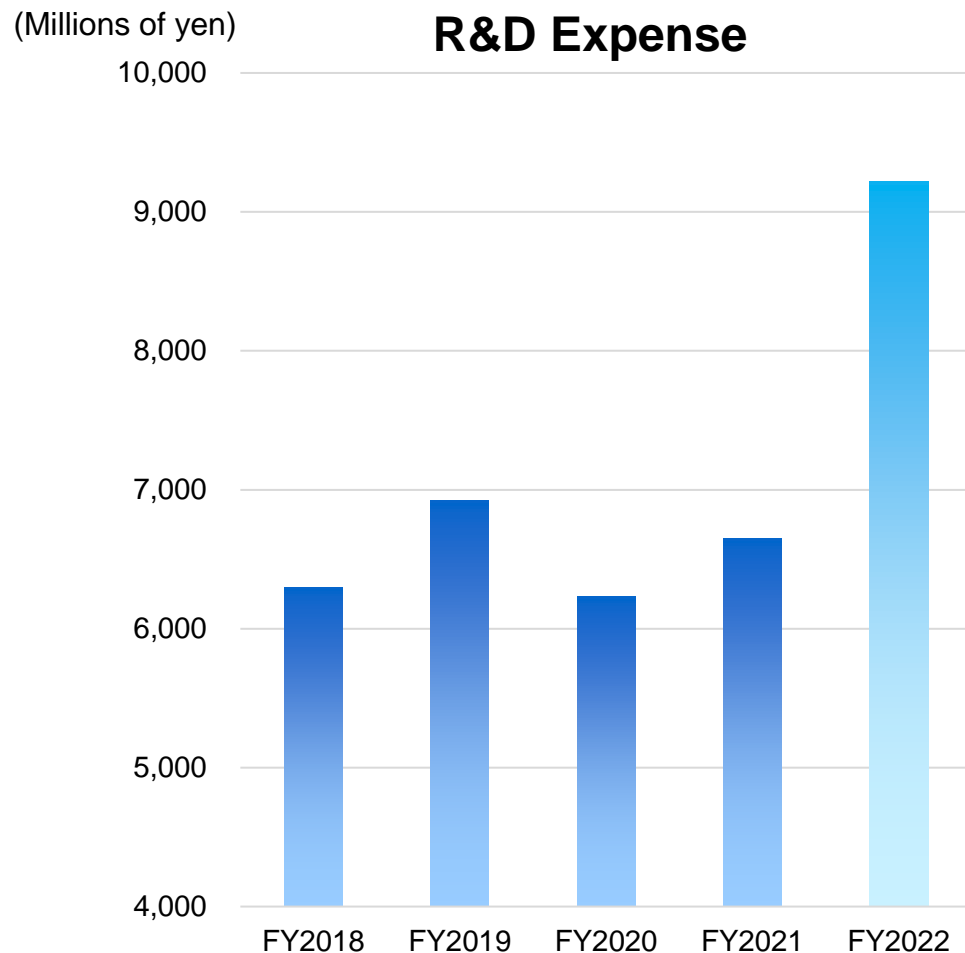
Demand slowed in display and monitor markets as they entered a major adjustment phase in FY2022. A moderate recovery is expected from 2H FY2023.

(In ¥100 million) **Changes in Sales of Materials**



## 6. Status of Business—Research & Development (1)

Data/Reference

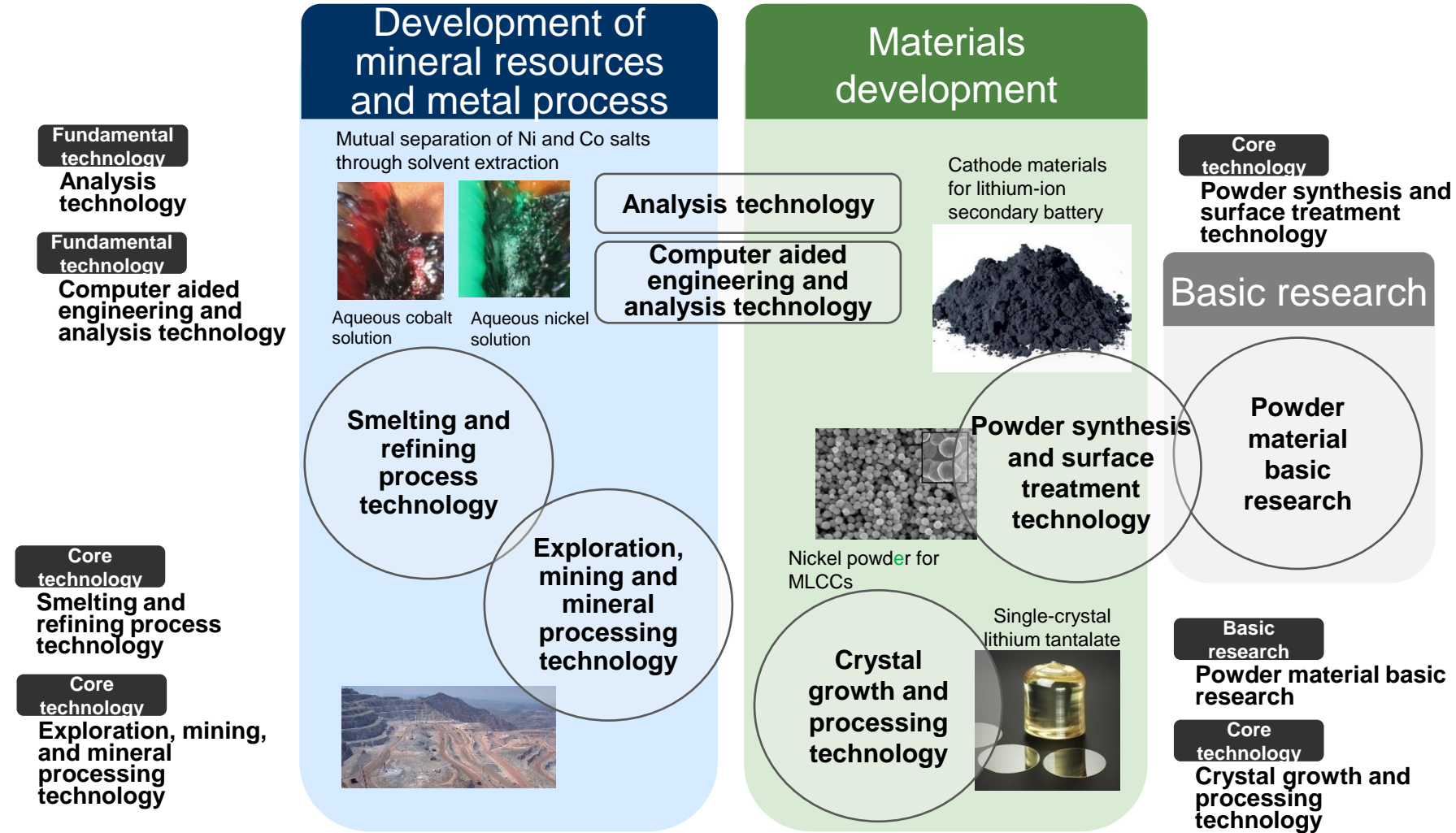


### Accelerating the development of products, technologies and processes that contribute to carbon neutrality

- ◆ Advanced materials (materials using hydrogen, future battery materials):  
Established the “SMM x Tohoku University GX Materials Science Co-creation Research Center”
- ◆ Direct reduction of GHG emissions from existing processes
  - ✓ Reducing neutralizers, fixing CO<sub>2</sub>, using biomass reductants, etc.
- ◆ Direct reduction of GHG emissions from innovative smelting and refining process
  - ✓ Pursuit of a next-generation nickel smelting and refining process, use of hydrogen reduction technologies, etc.
- ◆ New projects to reduce carbon footprints
  - ✓ Battery recycling (Ni, Co, Cu, and Li): Chosen as a NEDO-subsidized project
  - ✓ Lithium refining (direct recovery from salt lake brine)
  - ✓ Development of cathode materials for all-solid batteries: Chosen as a NEDO-subsidized project
  - ✓ Research on photocatalyst materials for artificial photosynthesis: Established an industry-academia joint course on carbon dioxide with Kyoto University

## 6. Status of Business—Research & Development (2) Areas/Fields

Data/Reference



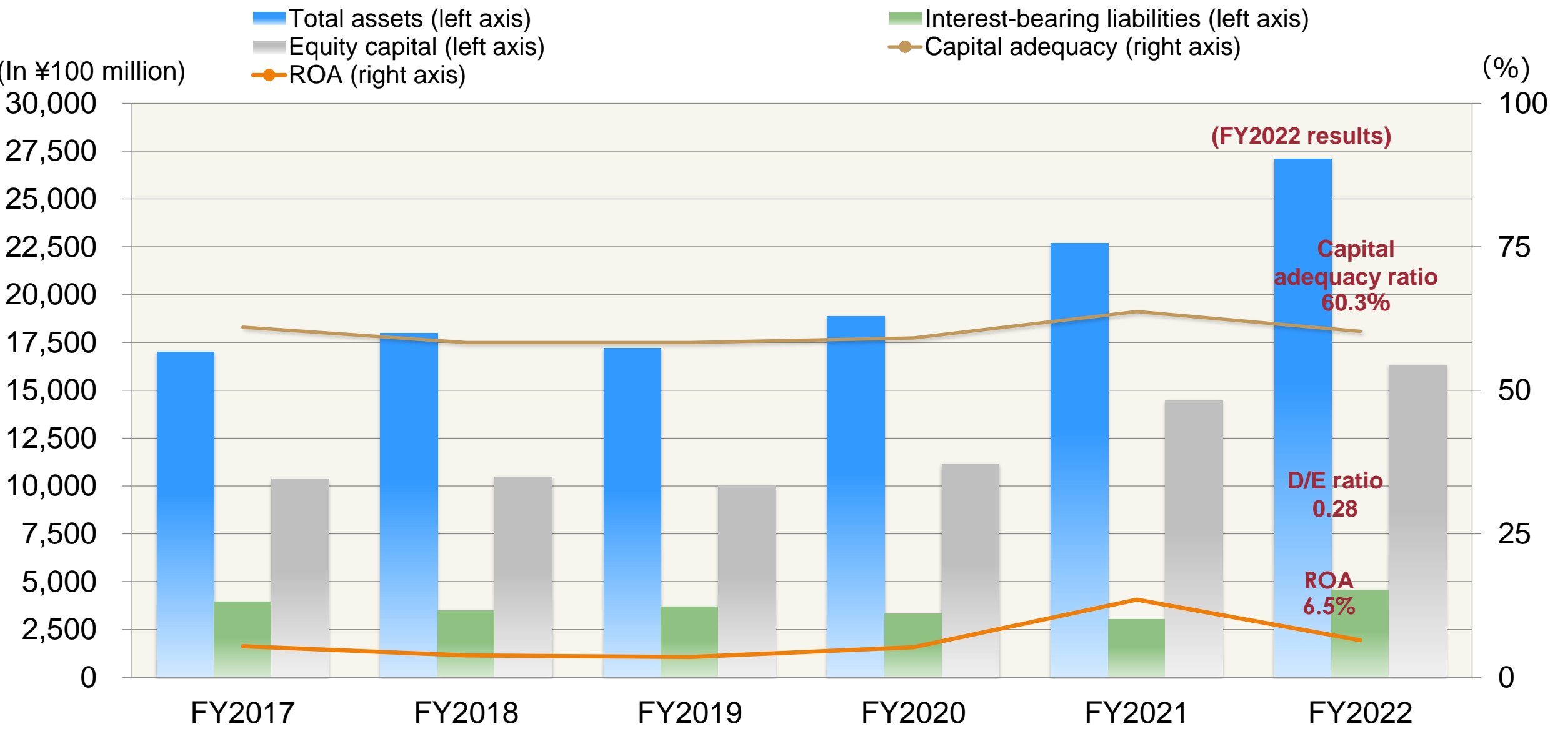
Focus on growth strategy fields, search for the *seeds* of next-generation business

# 7. Changes in Business Results (FY2018—FY2023 Forecast)

Data/Reference

(Billions of yen)		FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (May forecast)
Net sales		912.2	851.9	926.1	1,259.1	1,423.0	1,366.0
Pretax profit		89.4	79.0	123.4	357.4	229.9	77.0
Equity method profit/loss		-4.9	6.2	8.7	57.5	36.5	14.5
Segment income	Mineral resources	47.3	37.9	63.1	208.5	76.4	62.0
	Smelting/refining	40.9	48.2	53.0	114.8	117.9	28.0
	Materials	13.8	5.3	10.5	27.6	17.3	-4.0
	Other	-2.0	-0.9	-2.8	-0.9	-3.0	-5.0
	Adjustments	-10.6	-11.5	-0.4	7.4	21.3	-4.0
Net income attributable to owners of the parent		66.8	60.6	94.6	281.0	160.6	42.0
Copper (USD/t)		6,341	5,860	6,879	9,691	8,551	8,500
Nickel (USD/lb)		5.85	6.35	6.80	9.35	11.63	10.00
Gold (USD/toz)		1,263	1,462	1,824	1,818	1,805	1,800
Cobalt (USD/lb)		31.64	15.76	16.62	27.46	25.57	17.00
Exchange rate (¥/USD)		110.92	108.74	106.07	112.39	135.48	130.00

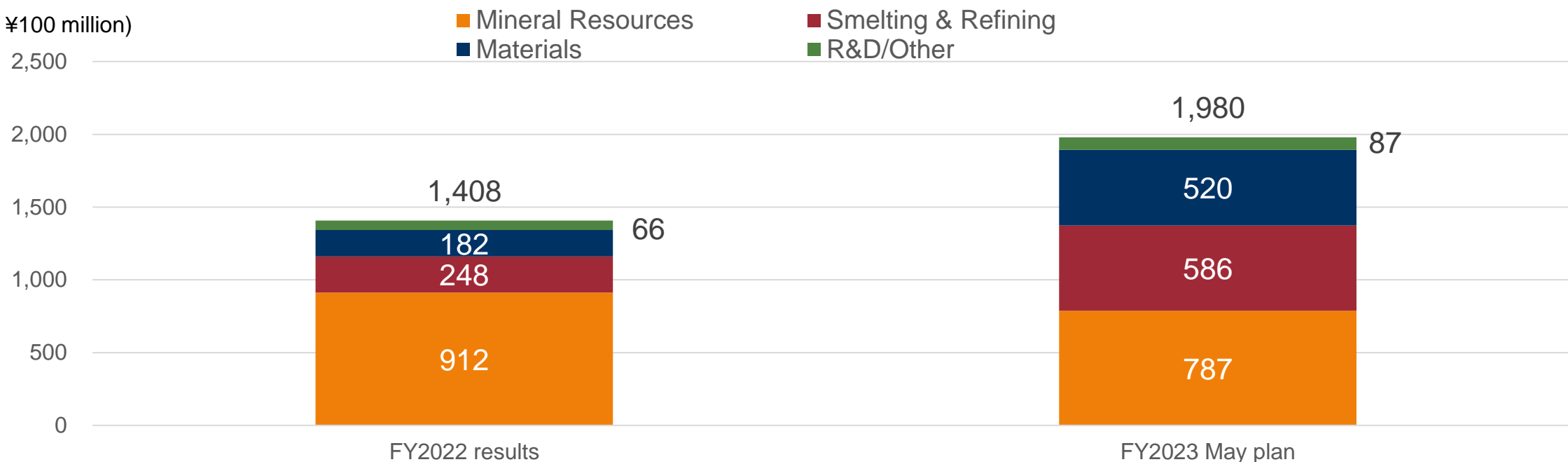
# 8. Changes in Financial Position



# 9. Capital Investment, Investments and Financing

Data/Reference

(In ¥100 million)



## Investments and financing excl. capital investment

FY2022 result	¥101.7bn
FY2023 May plan	¥96.0bn

### Key Projects in FY2023 May Plan

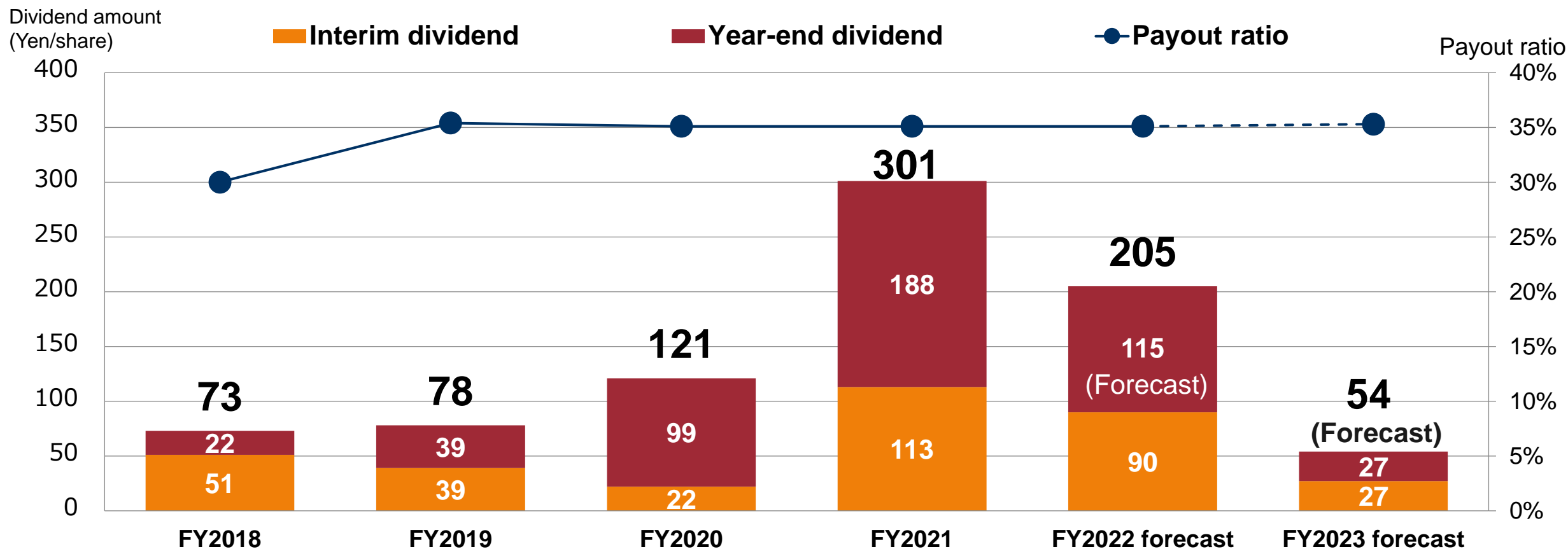
- Côte Gold Development Project (initial interest) ¥32.8bn (Total: USD 846mn)  
(Additional interest) ¥20.5bn (Total: USD 274mn)  
Total: ¥53.3bn (Total: USD 1,120mn)
- Increased production of cathode materials for automotive batteries (Besshi District + Harima Refinery) ¥25.7bn (Total: ¥47.0bn)
- Development of the lower ore body in Hishikari Mine (installation of new dewatering facilities): ¥0.2bn (Total: ¥3.7bn)
- Fuel switch to LNG in Besshi District (\*) ¥0.6bn (Total: ¥1.9bn)  
\*Internal carbon pricing project



# 10. Shareholder Return (Dividend Forecast)

Data/Reference

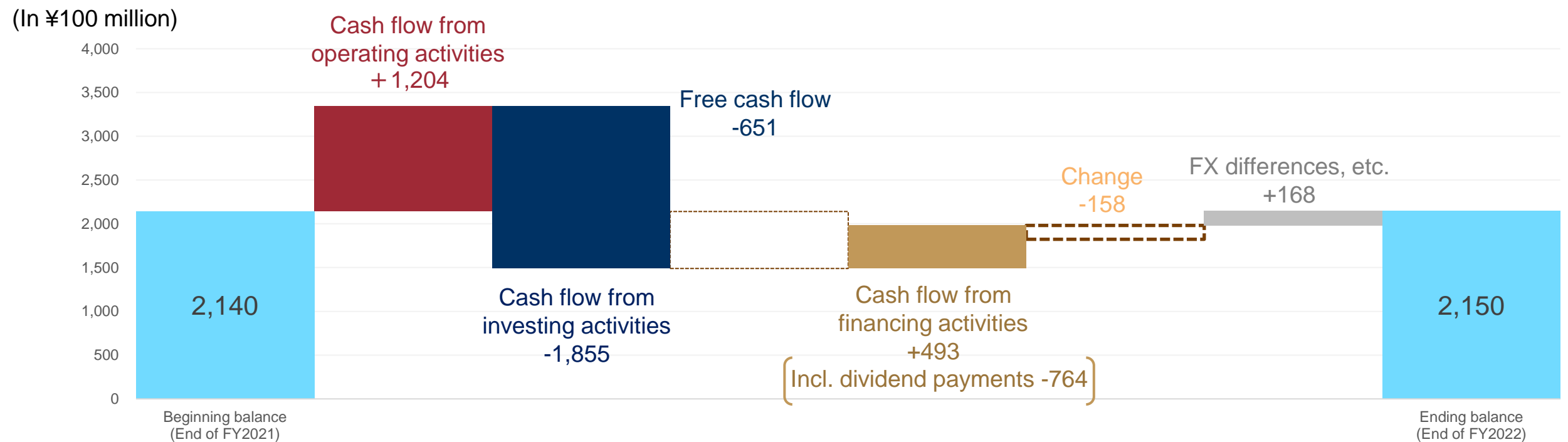
**<Period under 2021 3-year Plan>**  
**Annual dividend payout ratio: At least 35% (in principle)**



**Note:** The dividend payout ratio for FY2021 is calculated, excluding adjustments related to the transfer of Sierra Gorda.

# 11. Cash Flows (FY2022 Results)

Data/Reference



**Cash flow used in investing activities rose due to expenditures for growth strategy, which resulted in a negative free cash flow.**

**Maintain an appropriate level of liquidity in hand and continue promoting the growth strategy set out in the 3-Year Plan to prepare for further future growth investments.**

## 12. Sensitivity Estimation

(Billions of yen)

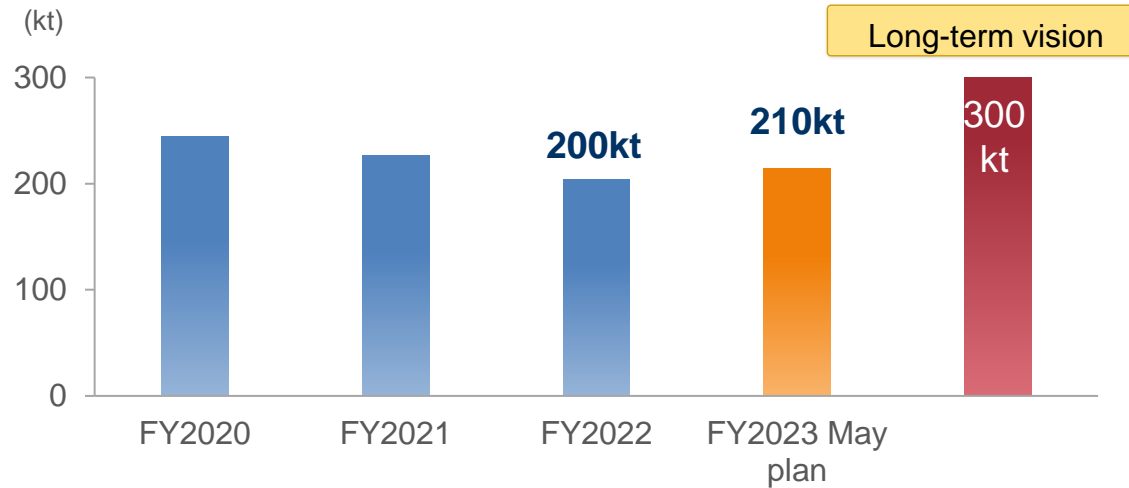
Element	Fluctuation	FY2023 Profit before tax
Cu	±100\$/t	2.7
Ni	±10 ¢ /lb	1.7
Au	±10\$/toz	0.2
Exchange rate (Yen/USD)	±1 yen/USD	1.3

Note: The monetary value of the impact of exchange rate fluctuations provided above is the sum of the revenue from metal processing operations in Japan and FOREX differences in foreign operations. It does not include the impact of inventory valuation.

# 13. Long-term Vision Targets and Their Achievements

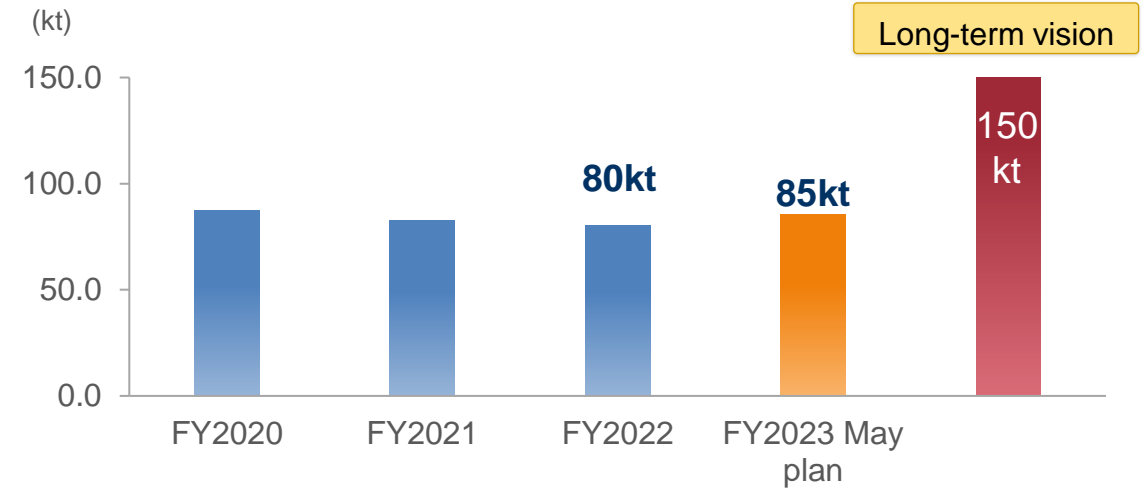
Data/Reference

## Cu (Production from company mines)

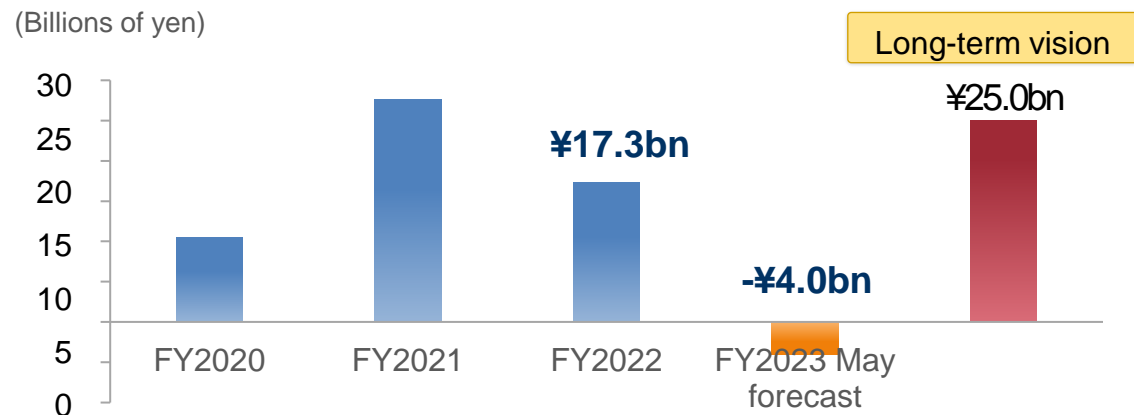


## Ni (Annual production volume)

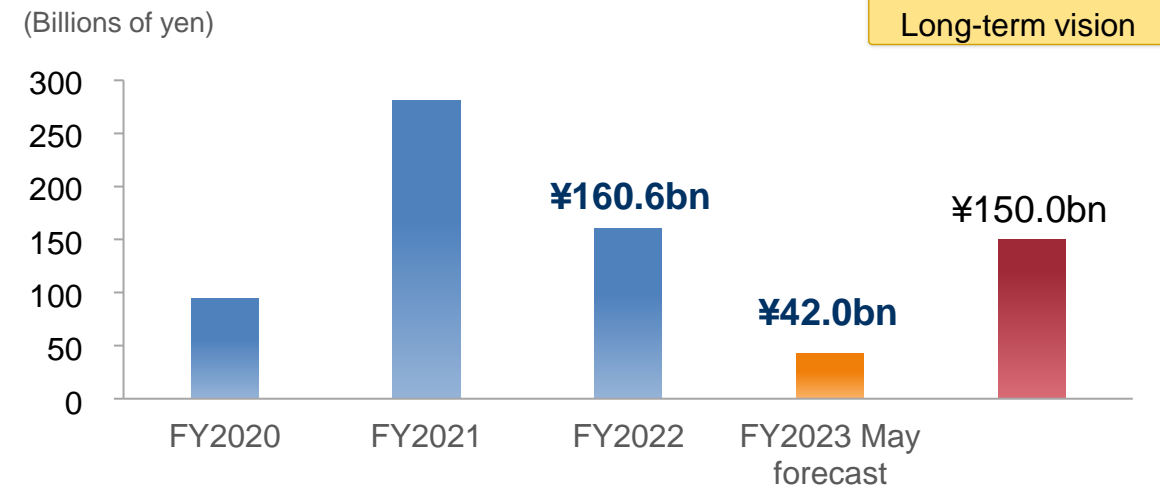
\*Long-term vision focuses on "production capacity"



## Materials Business (Segment profit)



## Net income (Attributable to owners of the parent)



# Disclaimer

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