

# FY2023 Progress of Business Strategy

May 16, 2024

President and Representative Director  
Akira Nozaki



MINING THE FUTURE

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# I. Safety Initiatives

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## I Safety Initiatives

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# 1. Safety Initiatives

## 《Domestic employee occupational accidents》

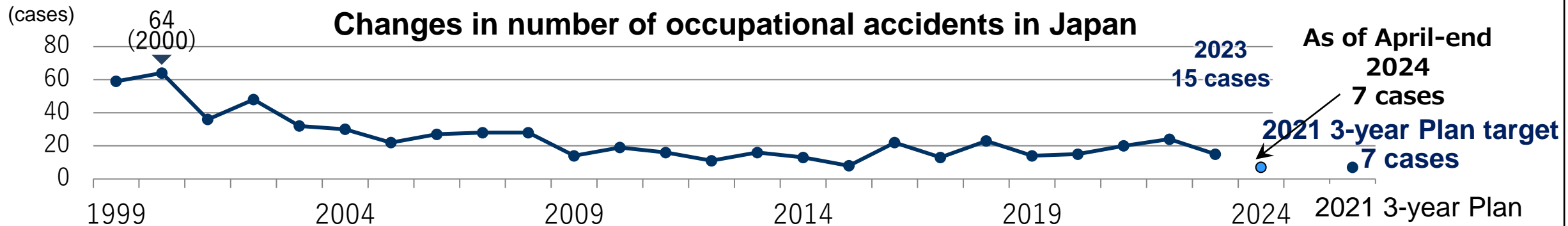
**2021 3-year Plan Target: 7 cases or less ➡ 2023 actual: 15 cases  
2024 (Jan.–Apr.): 7 cases**

- 2023 actual: Improved year on year (24 cases). Nevertheless, in addition to accidents caused by unsafe actions, the number of accidents caused by falls and other conditions resulting from old adults increased and we were unable to achieve the target.  
There was 1 serious accident resulting in absence from work for more than 3 months (2 including contractors)
- **We will eradicate accidents caused by neglect of risks and human error by further improving the essential safety of facilities and developing a foundation through stratified education as well as promoting safety measures targeting old adults**

### 2021 3-year Plan targets:

- ✓ Serious accidents of employees and contractors in Japan and overseas sites: **Zero (0)**
- ✓ Domestic employee accidents: **7 cases/year** or less (7)
- ✓ Employee accidents at overseas sites: **1 case/year** or less (0)

Note: ( ) are figures for Jan.–Apr. 2024



## II. Environment Surrounding SMM

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# 1. Global Economy
















- ◆ Rising geopolitical risks (Ukraine, Middle East)
- ◆ U.S. Inflation remaining high and continued financial tightening
- ◆ Slowdown in growth of Chinese economy, low growth in Europe
- ◆ Formation of economic blocs (fragmentation) continues unabated



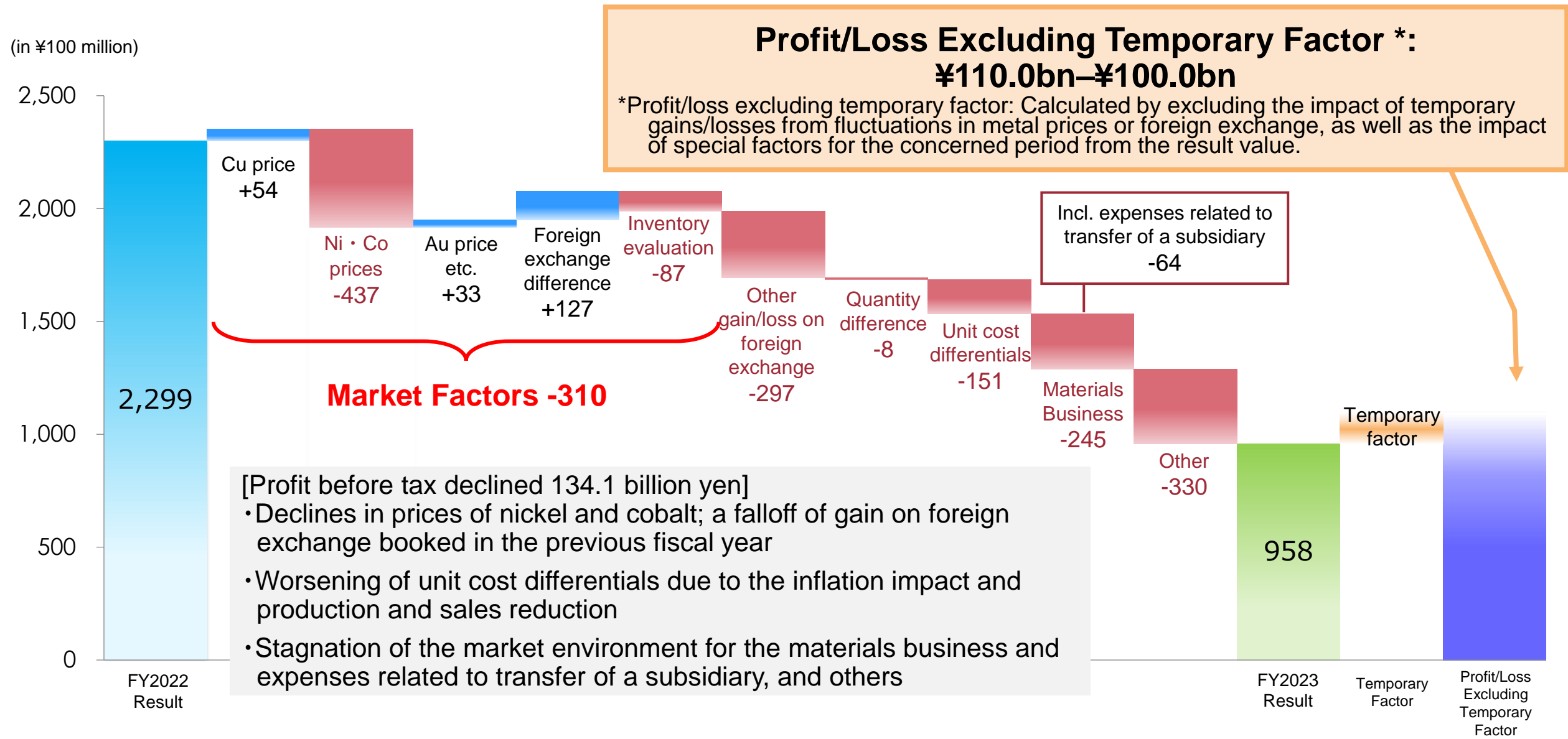
**Medium- to long-term growth prospect remains at a low level**

**Outlook continues to be unclear**

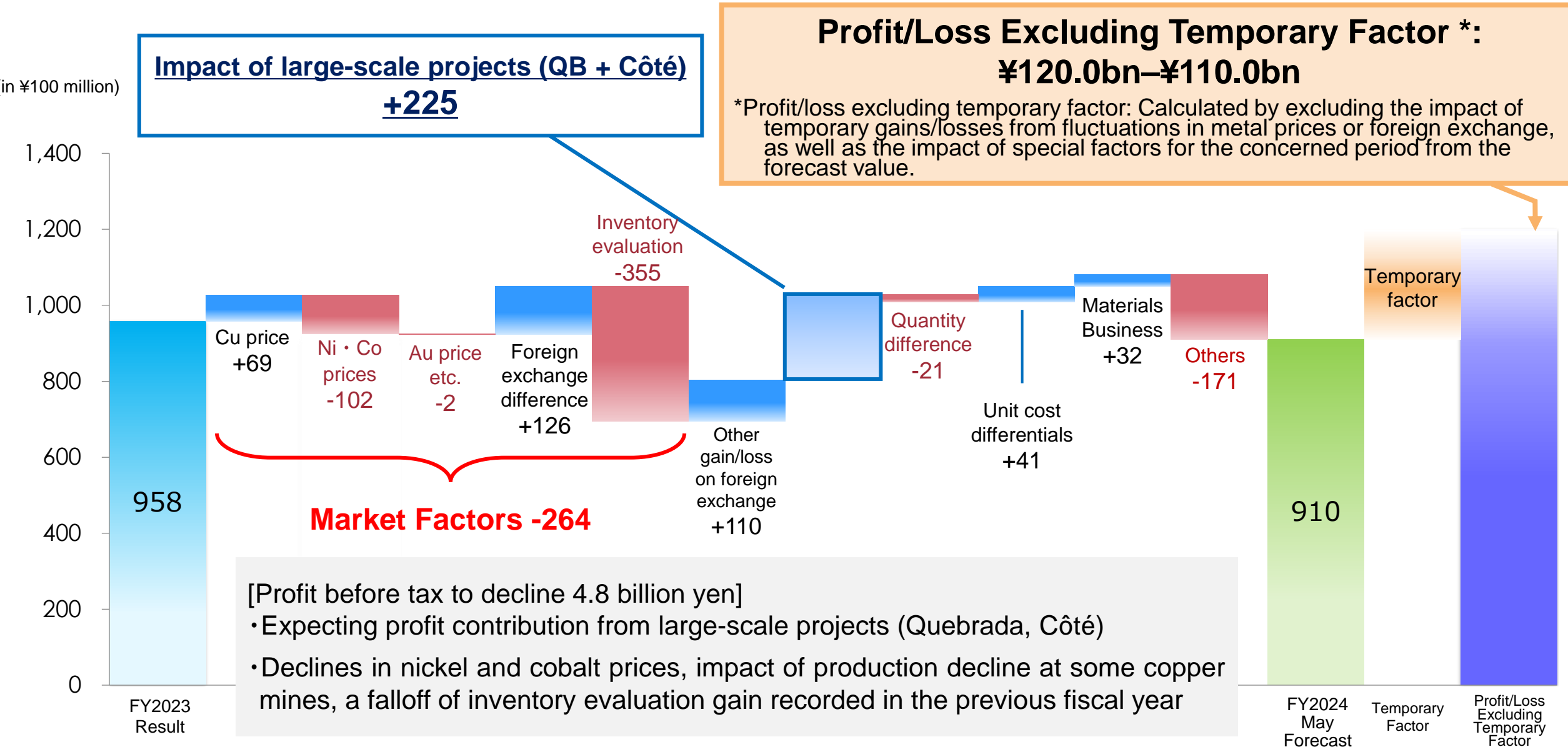
IMF's forecast on global economic growth (January and April forecasts; arrows denote comparison with the January forecast)

	2023		2024		2025	
	(Jan. forecast)	(Apr. forecast)	(Jan. forecast)	(Apr. forecast)	(Jan. forecast)	(Apr. forecast)
Global	3.1%	 3.2%	3.1%	 3.2%	3.2%	 3.2%
U.S.	2.5%	 2.5%	2.1%	 2.7%	1.7%	 1.9%
Europe	0.5%	 0.4%	0.9%	 0.8%	1.7%	 1.5%
Japan	1.9%	 1.9%	0.9%	 0.9%	0.8%	 1.0%
China	5.2%	 5.2%	4.6%	 4.6%	4.1%	 4.1%

# 2. Profit before Tax Analysis FY2023 Results vs. FY2022 Results



# 3. Profit before Tax Analysis: FY2024 Forecast (May) vs. FY2023 Results





## 4. Metal Supply and Demand Outlook

### 《Copper》 Growing tightness in the short term

- ◆ While opening and expansion of mines are expected, there is growing tightness given suspension of some mines and downward revisions of production plans.
- ◆ Fundamentals are helping copper demand.  
(global spread of decarbonization, clean energy, EV shift, etc.)
- ◆ Supply to tighten in the latter half of 2020s as the number of new projects decreases.

Cu	ICSG forecast (Apr. 2024)		
(kt)	2023 Result	2024 Forecast	2025 Forecast
Production	26,547	27,325	27,976
Usage	26,549	27,118	27,793
Balance	-3	+207	+183

### 《Nickel》 Assuming growth to continue

- ◆ Demand for nickel-based lithium-ion batteries for EVs and that for stainless steel application will continue to grow.
- ◆ Excessive supply due to NPI production increase in Indonesia and production increase of Class I from intermediate products of Indonesian origin
- ◆ There are growth risks for both demand and supply, but the nickel market is expected to grow after accounting for these risks.

Ni	INSG forecast (Apr. 2024)		
(kt)	2022 Result	2023 Forecast	2024 Forecast
Production	3,060	3,356	3,554
Usage	2,963	3,193	3,445
Balance	+98	+163	+109

## 5. Metal Price Estimation for FY2024

《Copper》 \$9,000/t (FY2023 ave.: \$8,362/t Apr. 2024 ave.: \$9,482/t)

- ◆ Growing supply uncertainty due to suspension of some mines and downward revision of production plans, while copper supply is expected to be in excess in 2024 (ICSG April forecast).
- ◆ There are risks for downward pressure on the price such as downturn of the Chinese economy and opening of new smelting plants in the second half of 2024.

《Nickel》 \$8.00/lb (FY2023 ave.: \$8.68/lb Apr. 2024 ave.: \$8.24/lb)

- ◆ Supply-demand balance of nickel in 2024 is expected to be in over-supply (INSG April forecast).
- ◆ While the downturn of the Chinese economy, slowdown in demand for automotive batteries, and increase in supply Indonesian-origin nickel will have a strong impact, the market will be conscious of production adjustment in the price decline phase.

《Gold》 \$2,000/toz (FY2023 ave.: \$1,989/toz Apr. 2024 ave.: \$2,336/toz)

- ◆ A sense of overheating of price given heightening geopolitical tensions as well as demand for physical gold by central banks of emerging countries.

## 6. Initiatives to Realize Management Conscious of Capital Cost and Share Price

### Promotion of growth strategy, pursuit of efficient management

- ◆ Steady launch of large-scale projects (QB2, Côté, production increase of cathode materials)
- ◆ Steady implementation of 2021 3-year Plan (battery recycling, SiC, etc.)
- ◆ Pursuit of ROCE management (strengthening of investment return criteria, improvement of capital efficiency)
- ◆ Business portfolio with prospects for realizing long-term growth story
  - Improvement of lead time in the battery material business, inventory reduction
  - Decided to transfer a subsidiary engaged in the construction material business to a partner who is expected to generate more synergies with the subsidiary (issued a press release on March 27, 2024)

### Enhancing non-financial information disclosure, engagement with stakeholders

- ◆ Establishing the new personnel system, implementation of human resources management that bolsters the business
- ◆ Continued efforts to address sustainability topics
- ◆ Strengthening of information dissemination capability (explanation including business characteristics such as profit/loss excluding temporary factors and long-term growth story)
- ◆ Leveraging feedback from engagement to improve corporate value

# 7. Dividends / Cash Flows & Financial Position

## Cash flows and financial position

- ◆ We will continue to make high levels of capital investment as well as investments and financing in 2024 to execute the growth strategy. We will focus on harvesting the fruits early on as large-scale projects QB2 and Côté move on to the production stage.
- ◆ We will continue to promote measures to improve capital efficiency such as strengthening cost management and inventory management.
- ◆ We will maintain financial standings that would enable us to make swift moves when a large-scale investment becomes necessary by maintaining competitiveness through cost reduction and improvement in productivity

## Shareholder return policy and dividends

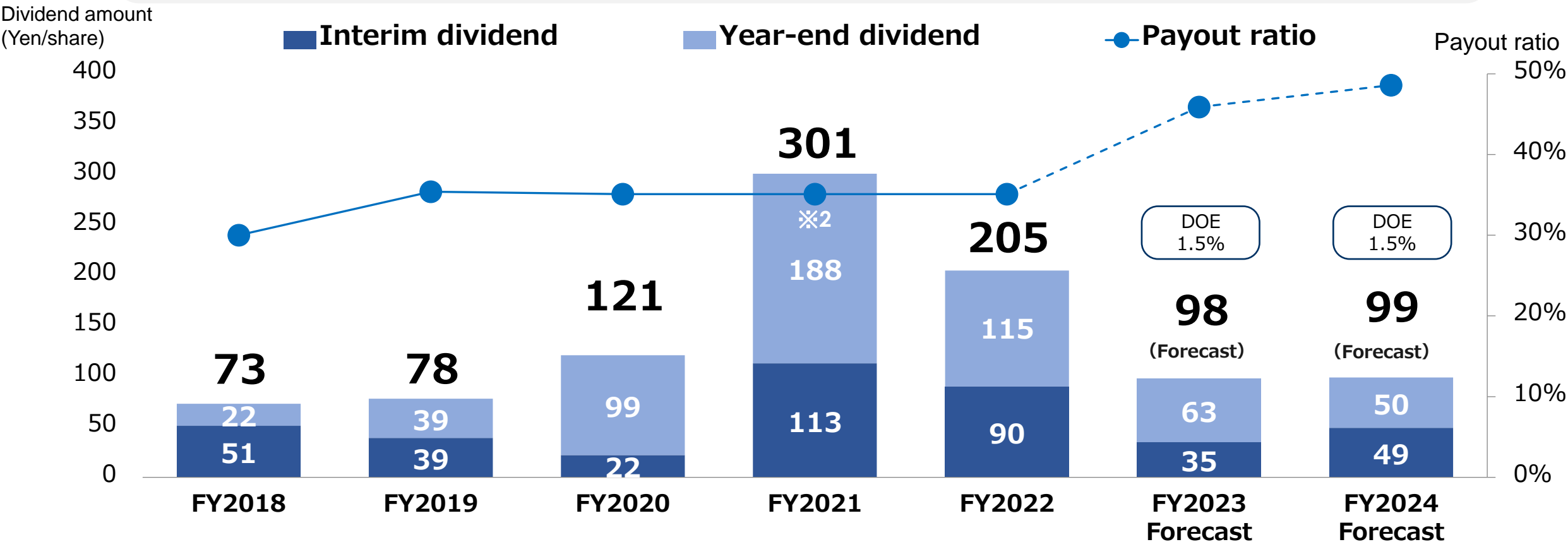
Shareholder return policy:

We aim for a consolidated payout ratio of **35% or higher in principle** and the **minimum Indicator is DOE of 1.5%**.

- ◆ FY2023 forecast (DOE1.5%)  
→Annual dividend (forecast): **98 yen/share (interim dividend paid: 35 yen, year-end dividend forecast: 63 yen)**
- ◆ FY2024 forecast (DOE1.5%)  
→Annual dividend (forecast): **99 yen/share (interim dividend forecast: 49 yen, year-end dividend forecast: 50 yen)**
- ◆ Our basic shareholder return policy is to link it with financial results but we will continue to discuss it by taking into consideration cash flows, financial standing, and the balance with the growth strategy.

# 8. Shareholder Returns (Dividend Forecast)

<Period under 2021 3-year Plan>  
Annual dividend payout ratio: 35% or higher (in principle)  
Minimum Indicator is DOE of 1.5%\*1



※1 DOE of 1.5% as minimum indicator take effect from the year-end dividend for the fiscal year ended March 31, 2024.

※2 The dividend payout ratio for FY2021 is calculated, excluding adjustments related to the transfer of Sierra Gorda.

## 9. Comparison of Financial Results and Forecast

(in ¥100 million)		FY2023 Result (A)	FY2022 Result (B)	Change (A)-(B)	FY2024 Forecast (C)	Change (C)-(A)	21 3-Year Plan FY2024 (D)	Change (C) - (D)
Net sales		14,454	14,230	+224	14,920	+446	11,160	+3,760
Gross profit		1,661	2,501	-840	1,360	-301	-	-
Profit / loss before tax		958	2,299	-1,341	910	-48	1,570	-660
Equity method profit/loss		331	365	-34	285	-46	620	-335
Segment profit	Mineral Resources	528	764	-236	840	+312	990	-150
	Smelting & Refining	622	1,179	-557	180	-442	480	-300
	Materials	-72	173	-245	-40	+32	150	-190
	Other	-15	-30	+15	-30	-15	-30	0
	Diff. adjustment	-105	213	-318	-40	+65	-20	-20
Net income attributable to owners of parent		586	1,606	-1,020	560	-26	1,180	-620
Copper (USD/t)		8,362	8,551	-189	9,000	+638	8,000	+1,000
Nickel (USD/lb)		8.68	11.63	-2.95	8.00	-0.68	7.50	+0.50
Gold (USD/toz)		1,989	1,805	+184	2,000	+11	1,600	+400
Cobalt (USD/lb)		14.16	25.57	-11.41	13.00	-1.16	-	-
Exchange (JPY/\$)		144.63	135.48	+9.15	150.00	+5.37	115.00	+35.00

# III. 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 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 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 4. Strengthening the foundation of business management

- Strengthening safety initiatives
- Reorganizing and enhancing sustainability promotion framework
- Corporate governance



## 2. Quebrada Blanca 2 (QB2) Project (1)

**Construction is almost complete.**

**Transitioning steadily for full-scale operation within 2024**

### **[Progress in construction]**

- ◆ Started production and supply of bulk copper concentrate (June 2023)
- ◆ Completed construction of the copper-molybdenum separation plant. Started production of Mo concentrate (March 2024)
- ◆ Completed construction of the port offshore facilities. Started loading copper concentrate bound for our Toyo Smelter & Refinery (Ehime prefecture; March 2024). It is expected to reach Toyo Smelter & Refinery in May 2024.
- ◆ Started demobilization of construction workers and expect to complete around the end of June

### **[Ramping up status]**

- ◆ The maximum copper ore processing volume per day at the processing site reached 100% of the designed capacity
- ◆ We are focusing on stabilization of processing volume

### **[FY2024 outlook]**

- ◆ Expecting production of 207,000 tons or more (full JV basis)
- ◆ Plan to raise it to around 280,000 tons from 2025.



Overall picture of mining pit and processing site



Completed construction copper-molybdenum separation plant

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

### Promising competitiveness and future potential

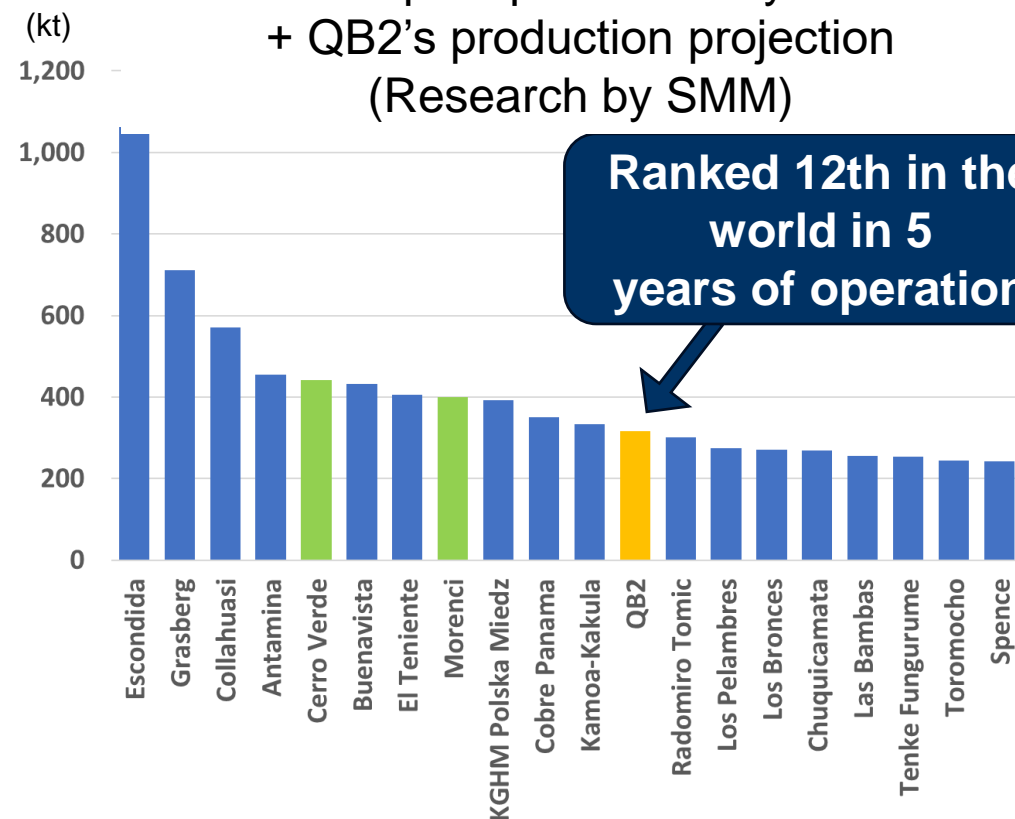
#### [QB2's competitive advantages]

- ◆ Low strip ratio and superior cost competitiveness
- ◆ Production of high grade, low impurity concentrate
- ◆ The equipment can be monitored and operated remotely from the integrated operation center in Santiago, the capital. It enables good labor environment that does not require long distance commuting or camping, thus enabling us to secure good operators.
- ◆ Highly sustainable operation
  - It uses desalinated water supplied by the desalination facility owned by the project for all water other than rain water
  - Plan to use renewable energy for all electricity needs in 2025
- ◆ Teck, the JV operator, has experience in operation in Chile

#### [Potential]

- ◆ Given the vast volume of resources, there is room for expansion. We are currently considering future expansion.

2022 Top 20 producers by mines  
+ QB2's production projection  
(Research by SMM)





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



Mining pit in operation



Autonomous truck



Tailing dam



Loading for the first shipment  
to Toyo Smelter & Refinery  
(April 2024)



Desalination facility

**As uncertainties over copper concentrates acquisition increase rapidly around the world, start of operations of QB2 adds significant stability to our ability to secure copper concentrates**



### 3. Côte Gold Project (1)

**Construction works are substantially complete.  
Started production of gold doré and we are promoting ramping up**

#### [Construction status]

- ◆ Construction works are substantially over

#### [Ramping up status]

- ◆ Produced the first doré (gold/silver alloy) on March 31, 2024
- ◆ Focusing on improvement in rate of operation of equipment and time-based processing volume with the aim of achieving full capacity production early on
- ◆ Promote ramping up in cooperation with the JV partner with the aim of achieving 90% of the designed capacity at the end of 2024

#### [FY2024 outlook]

- ◆ Expecting gold production of 6.9 tons in 2024 (full JV basis)
- ◆ Plan to raise production to the maximum of 15 tons per year from 2025 on



Mining pit



Ore processing area  
where gold doré is produced

### 3. Côte Gold Project (2)

## Ramping up for early stabilization of production



Autonomous haul truck in operation  
(August 2023)



Ore processing plant  
(March 2024)



Ball mill inside the ore processing plant  
(January 2024)

Diligently promoting ramping up of operations in cooperation with our partner IAMGOLD for early stabilization of production so as to maximize the benefits from the rising gold prices



### 3. Côté Gold Project (3)

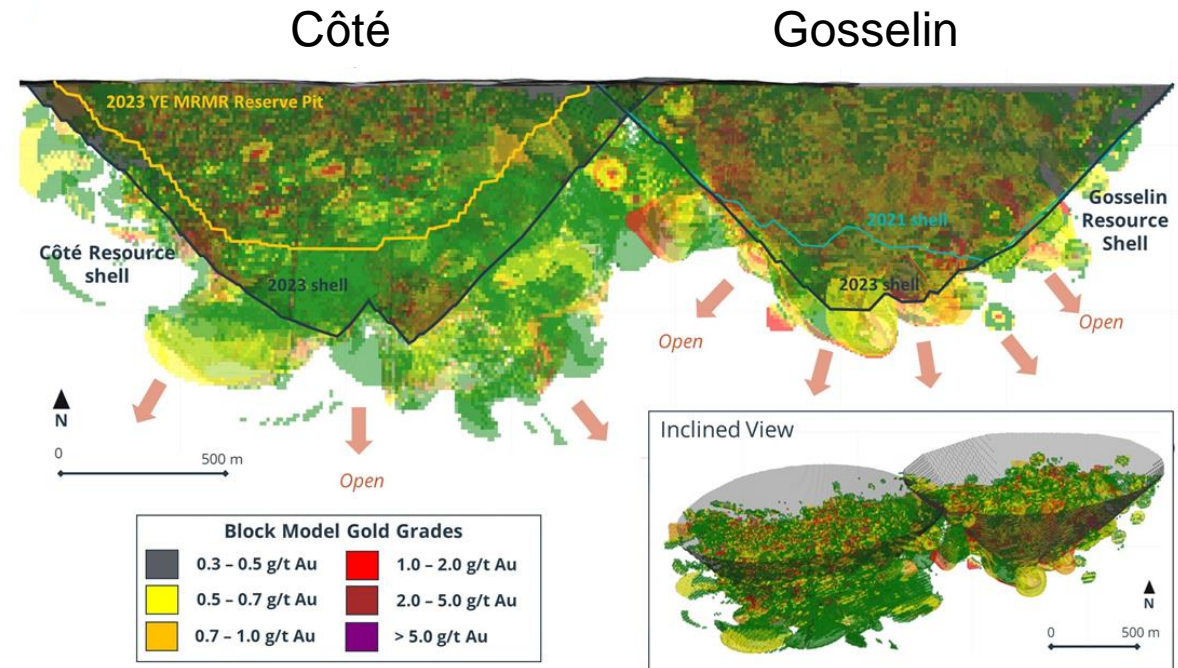
## Expectations on rising project value with an increase in the volume of resources in adjacent areas

#### [Resource volume (100% JV)]

- ◆ An increase in resources at the Gosselin deposit, adjacent to Côté, was announced in February 2024
- ✓ Indicated mineral resources: Ore 161.3Mt@ 0.85g/t Au, Gold 137t (up 32% from previous announcement)
- ✓ Inferred mineral resources: Ore 123.9Mt@0.75g/t Au, Gold 93t (up 74% from previous announcement)

#### [Potential]

- ◆ The results of the exploration so far has suggested that the Gosselin deposit could likely expand to a size comparable to the Côté mine (resources of about 370t), which is raising expectations of increased value of the project
- ◆ Continue with exploration and promote assessment towards development  
→ Processing tests being conducted also by SMM



Information on Côté gold mine development project and Gosselin area exploration (\*The IAMGOLD announcement of February 15, 2024, with some additions)

## 4. Initiatives to Secure New Nickel Ore Sources

### Decided to carry out feasibility study and to participate in Kalgoorlie Nickel Project – Goongarrie Hub in Australia

#### ◆ Project overview

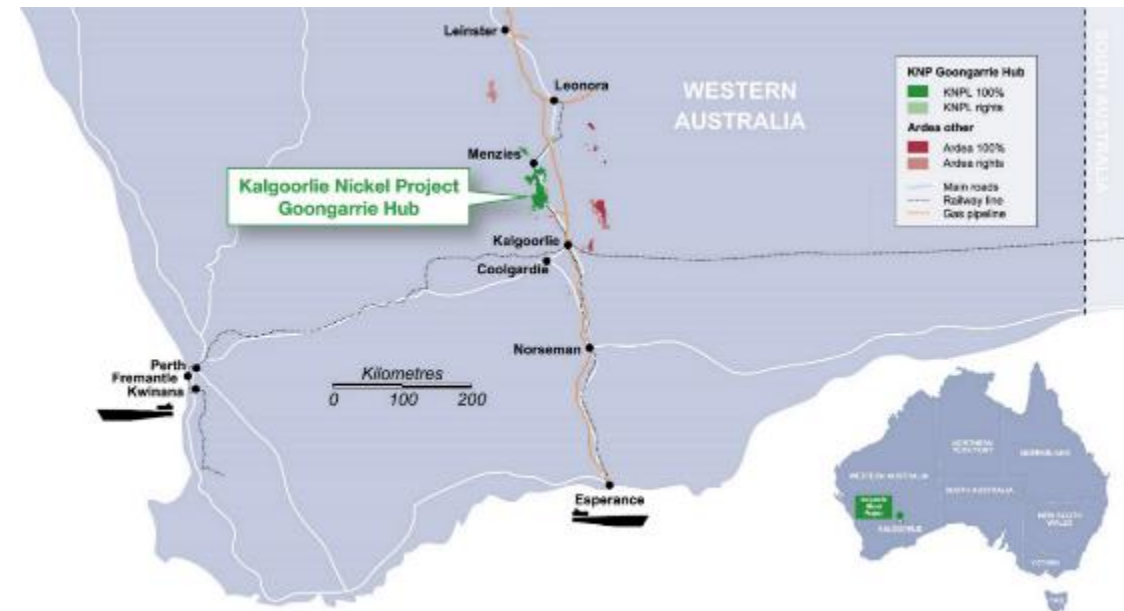
- ✓ Process: Extract ore from mine and produce mixed sulfide (MS) using High Pressure Acid Leach (HPAL) process
- ✓ Ore reserves: 194Mt (about 40 years)\*

#### ◆ Feasibility study

- ✓ Budget: 98.5 million AUD
- ✓ Period: First half of 2024 to second half of 2025

#### ◆ SMM and Mitsubishi Corporation to acquire a maximum of 50% share

#### ◆ Certified as the Critical Minerals Supply Security Plan of Ministry of Economy, Trade and Industry (2023 Critical Mineral No. 2-1)



Geographic location of the project

\*Based on Pre-Feasibility Study announced by Ardea Resources Limited in July 2023

# 5. Battery Material Business: Progress in Expanding Production Capacity

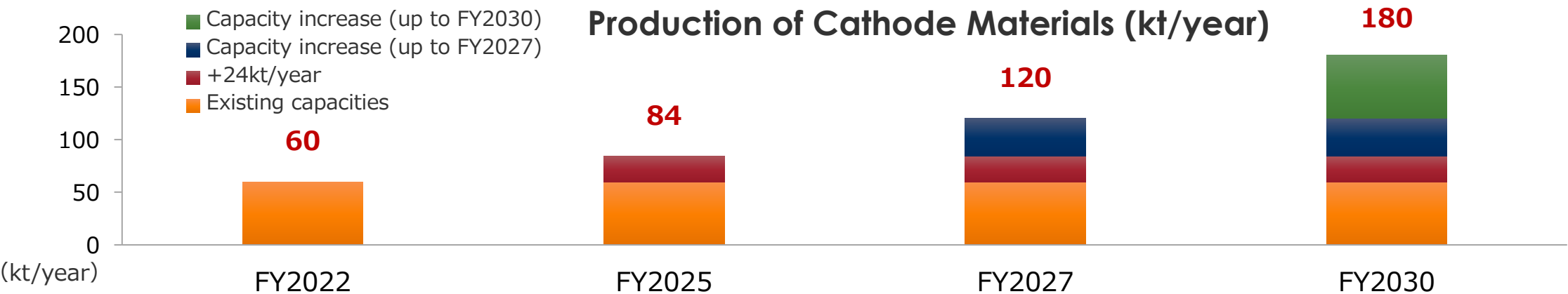
## Expand battery (cathode) materials production capacity

New Niihama Plant photographed in early April 2024

[Raise production capacity by +24,000t/year (nickel-based)]  
New Niihama Plant is under construction for the earlier-than-scheduled start of operation.  
Discussing with customers when to start supplying products (aiming to start by 4Q FY2024).



- ◆ Deliberation toward next-phase production increase  
Continuing R&D on a new mass production process of lithium ferrous phosphate (LFP) cathode materials and discussions on mass production facilities.  
Inquiries on LFP cathode materials are increasing due to the needs to diversify geopolitical risks and supply chains.  
Also continuing R&D on cathode materials for all solid batteries that are expected to become next-generation batteries.





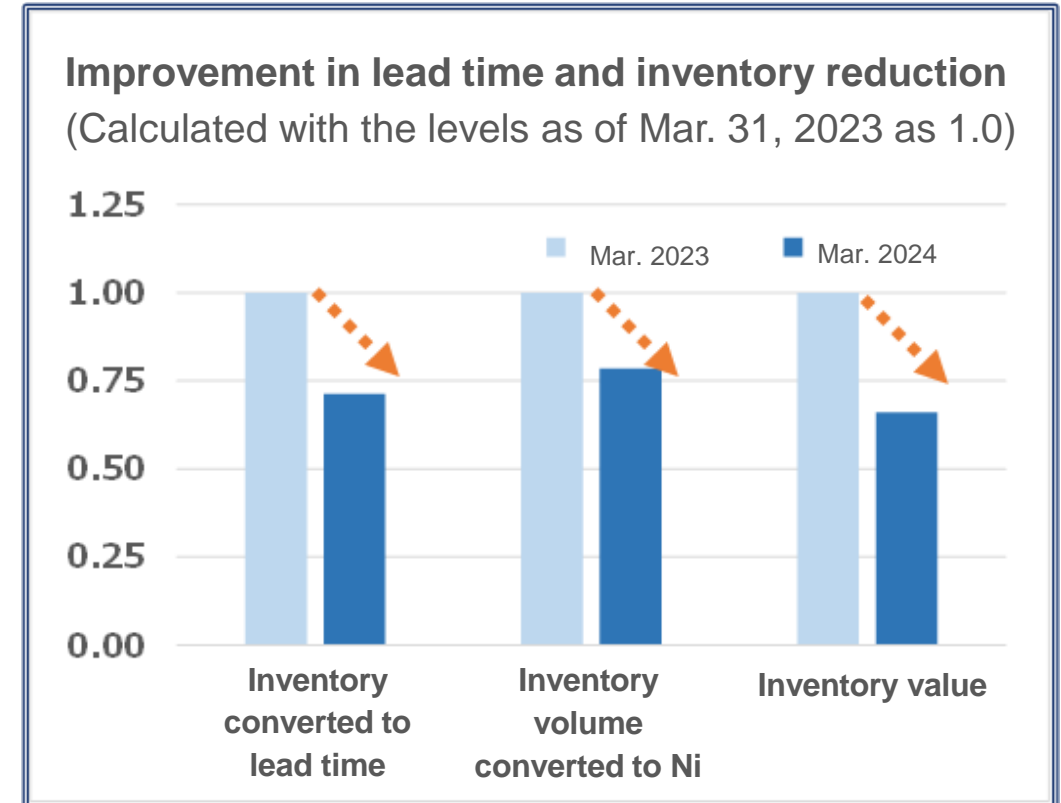
## 5. Battery Material Business: Initiative to Strengthen Asset Efficiency

### Progress in *kaizen* activities in battery material business

Promoting productivity improvement utilizing Toyota production system (TPS)

#### [Improvement of lead time and inventories]

- ◆ Intermediate products: Reducing inventory of intermediate products waiting for analysis (to raise test efficiency and process capacity)
- ◆ Cutting logistics expense and raising efficiency: Reducing logistics expense between plants and warehouses and external warehousing fees by decreasing inventory of intermediate products
- ◆ Impact: **Improvement of about 25%** in terms of manufacturing lead time and goods volume (right graph)

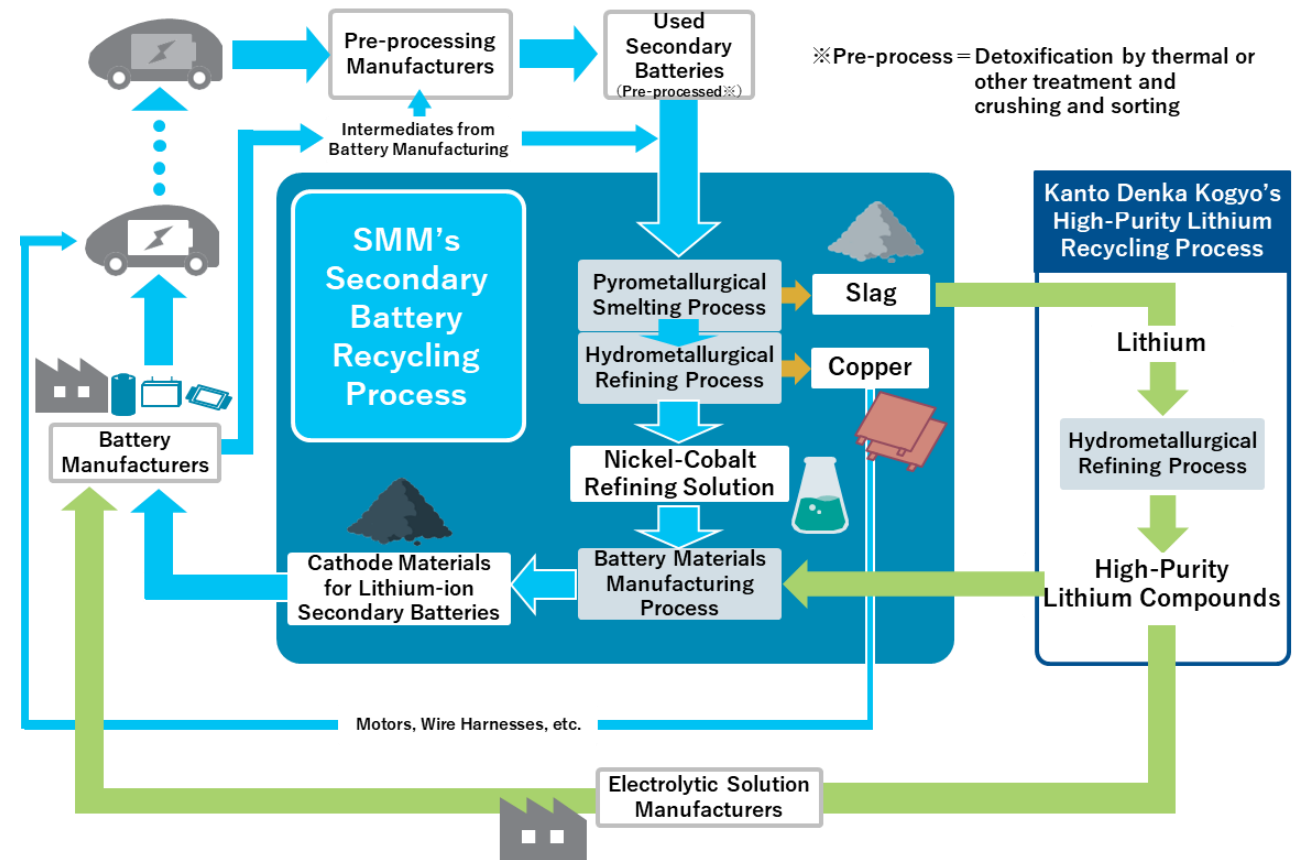


**Further promote production process improvement and inventory reduction in all production bases**

## 6. 3-Business Collaboration (Nickel-Battery) to Strengthen Value Chain

### Began building a lithium ion secondary battery recycling plant

- ◆ The new plant with processing capacity of approx. 10,000 tons in terms of LIB cells is scheduled to be completed in June 2026
- ◆ Using unique technology combining pyrometallurgical smelting and hydrometallurgical refining, the plant efficiently separates and processes used LIB that contain many impure substances to collect copper, nickel, and cobalt for recycling
- ◆ Collecting and recycling lithium by combining the process of Kanto Denka Kogyo Co., Ltd.
- ◆ Concluding partnership agreements with major trading companies and intermediate scrap treatment companies in Japan to build collaboration relationships for future collection of materials and so on
- ◆ Selected as a Green Innovation Fund Project of the New Energy and Industrial Technology Development Organization (NEDO) (April 2022)



## 7. Expansion of Advanced Materials Business (1)

### Full-scale recovery is not expected until second half of FY2024, although demand is in a recovery trend

Demand for components used in smartphones, PCs and so on, which had been declining due to the shrinking demand for these products since FY2022, has hit bottom and is in a gradual recovery trend. However, sales of key products remain weak.

→The speed of recovery is slow; it will take time before full-scale recovery.

We will continue cutting costs, raising productivity, and developing products to proactively capture the recovery in demand to improve our income.



- Develop and increase sales of advanced materials that help reduce GHG emissions to strengthen our earnings power and contribute to carbon neutrality in our supply chains
- Promote production improvement activities to raise competitiveness

## 7. Expansion of Advanced Materials Business (2)

### Development of products contributing to lower carbon emissions

[SiC (silicon carbide)]

- ◆ Sicoxs Corporation manufactures bonded SiC substrate, SiCkrest. Sicoxs can manufacture more than 50 direct bonded substrates from a single monocrystalline substrate, we can flexibly respond to the rapidly growing demand for SiC substrates and contribute to reducing environmental impact.
- ◆ Some of the 6-inch substrates are on sale.
- ◆ In response to a strong request to certify and evaluate 8-inch substrates from a prospective customer, we have built a development line and begun producing prototypes from 1Q FY2024.
- ◆ To respond to the demand to increase supply, we began licensing of bonding technology to some customers.

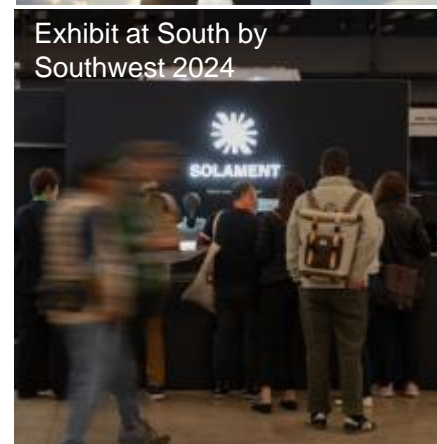


[CWO® (near-infrared light absorbing material)]

- ◆ **To improve recognition of CWO® and increase competitiveness,** strongly promoting differentiation strategy through branding and launched a materials technology brand, SOLAMENT™.
- ◆ Announced a new brand at Japan Mobility Show 2023 (Tokyo), the largest mobility industry exhibition in Japan and exhibited featherless down jackets as the brand's key concept.
- ◆ Exhibited at South by Southwest 2024 (Austin, Texas, USA), one of the world's largest advance technology exhibitions, gaining response from many industries.
- ◆ In addition to the automotive/building materials markets where CWO® is already used to shield sunlight, promoting entries into apparel, agriculture and beauty industries (collaborating with Mizuno Corp., AOKI Holdings, etc.)



Exhibit at South by Southwest 2024



## 8. Promoting Development of Products, New Technologies and Processes Contributing to Carbon Neutrality

### ■ Target for FY2030: Expansion of GHG reduction contribution of low-carbon contribution products **more than 600kt-CO<sub>2</sub>**

- Battery cathode materials for use in automobiles
- Near-infrared absorbing materials (for automotive glass)



**Actual results for FY2022**  
**540kt-CO<sub>2</sub>/year**

#### 【Increased production capacity of battery cathode materials】

- Construction of New Niihama Refinery (Nickel-based)
- Development of new process technology for LFP (lithium iron phosphate) cathode materials

#### 【Development and sales expansion of high-functional materials】

- Launch and sales expansion of 「SOLAMENT™」, a material technology brand for CWO®(Near-infrared absorbing materials)
- Expansion of SiC(silicon carbide) substrate production
- Development and deployment of materials related to hydrogen production

#### Examples of low-carbon contribution products

	Contribution of SMM materials within the final product		
	Small←		→ Large
in process for mass-produced	Ni powder magnet Copper poly	CWO	Battery cathode materials Low-carbon contribution product (current)
preparing for mass production		SiC Low-carbon contribution product (candidate)	LFP Related Hydrogen production • Nickel Oxide • Scandium • Photocatalyst
Research and development stage			



# Introduction of the next president



## Nobuhiro Matsumoto

April 1987	Joined Sumitomo Metal Mining Co., Ltd.
April 2008	General Manager of Niihama Nickel Refinery, Non- Ferrous Metals Division
June 2014	General Manager of Administration Department, Non-Ferrous Metals Division
June 2016	Executive Officer Deputy General Manager of Non-Ferrous Metals Division General Manager of Administration Department, Non-Ferrous Metals Divis
June 2018	Executive Officer General Manager of Non-Ferrous Metals Division
June 2019	Director Executive Officer General Manager of Non-Ferrous Metals Division
June 2020	Director Managing Executive Officer General Manager of Non-Ferrous Metals Division
June 2022	Director Senior Managing Executive Officer General Manager of Non-Ferrous Metals Division
June 2023	Director Senior Managing Executive Officer
June 2024	Representative Director President

## IV. Supplementary Materials

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Supplementary Materials

# 1. Supply Demand Trends (Copper and Nickel)

Data/Reference

## Copper

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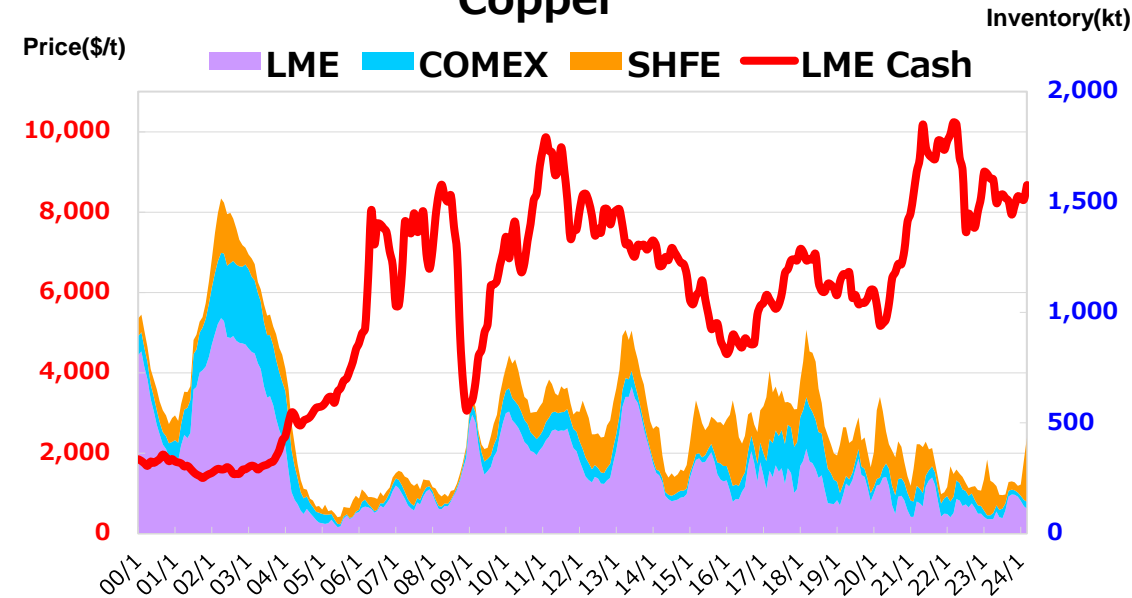
## Nickel

	INSG Projection (Apr 2024)			SMM Projection(Mar 2024)		
(kt)	2022 Result	2023 Forecast	2024 Forecast	2022 Result	2023 Forecast	2024 Forecast
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Usage	2,963	3,193	3,445	2,940	3,144	3,350
Balance	+98	+163	+109	-44	+120	+151

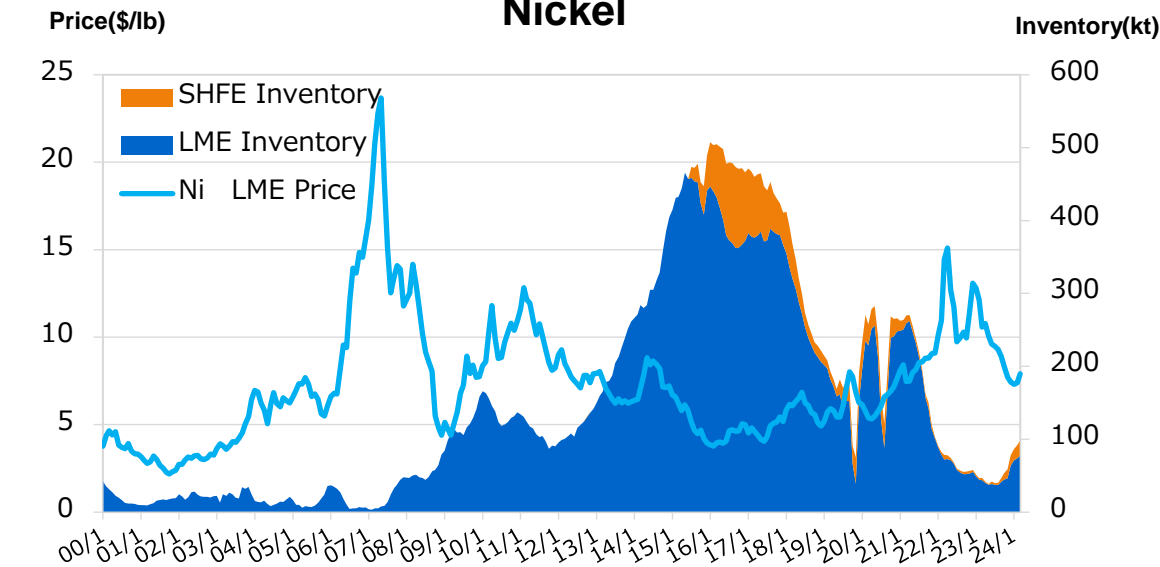


# 2. Non-ferrous Metal Prices and Exchange Rates

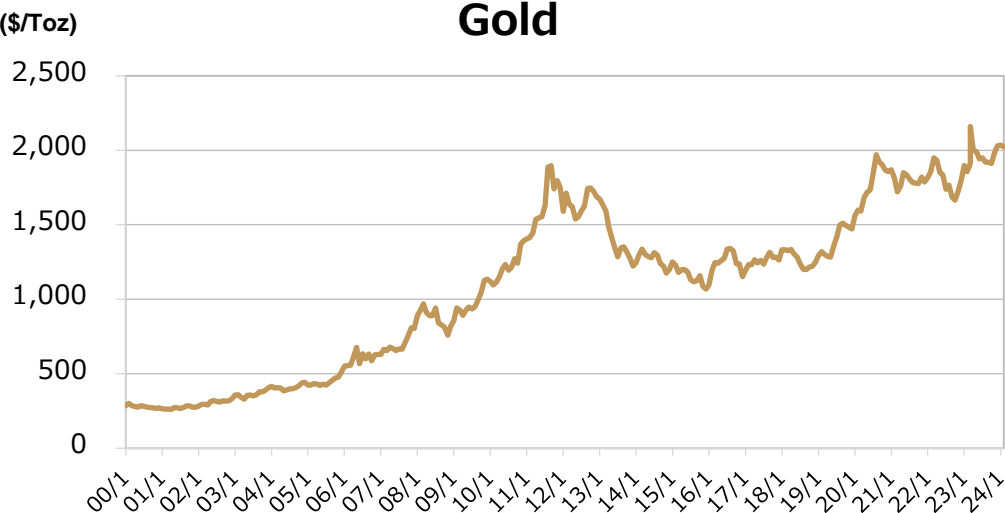
### Copper



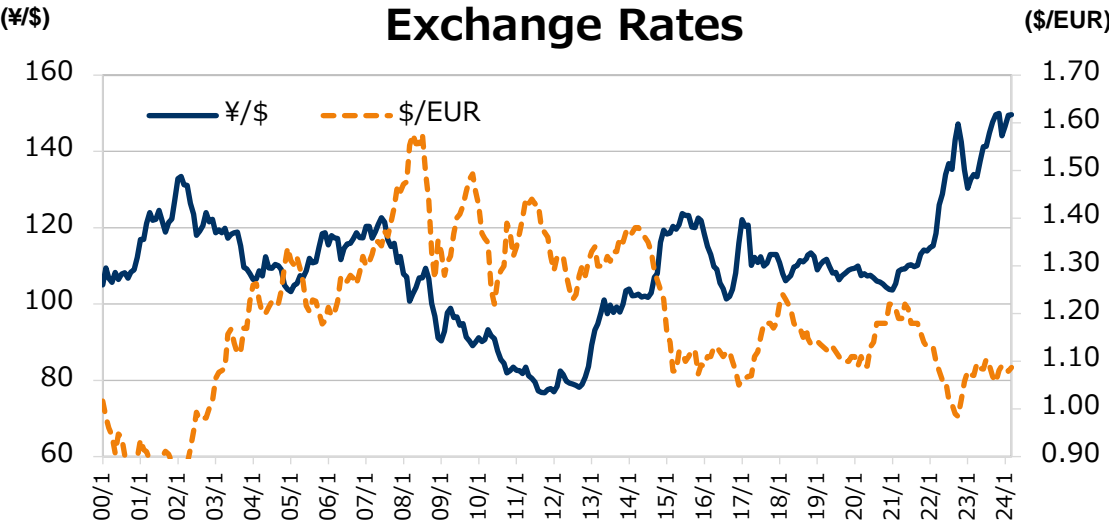
### Nickel



### Gold



### Exchange Rates



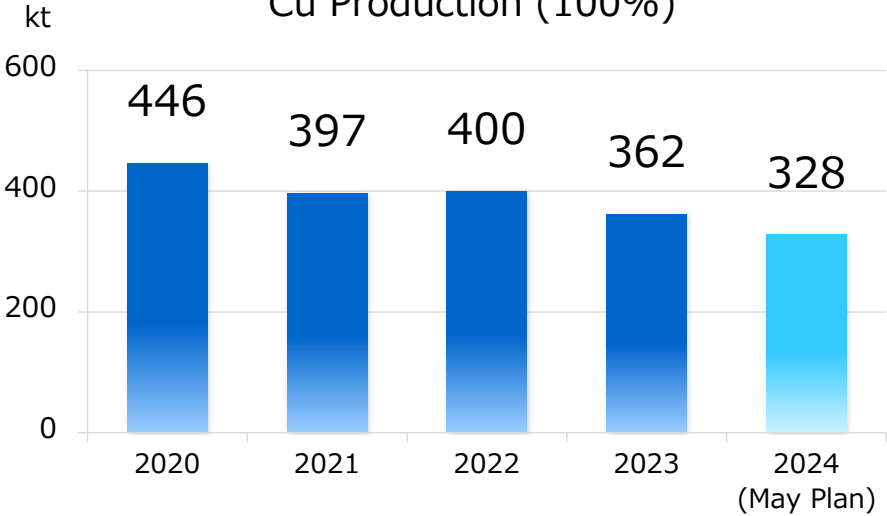
# 3. State of Business - Mineral Resources (1) Copper - 1

## Morenci (US)

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



Cu Production (100%)

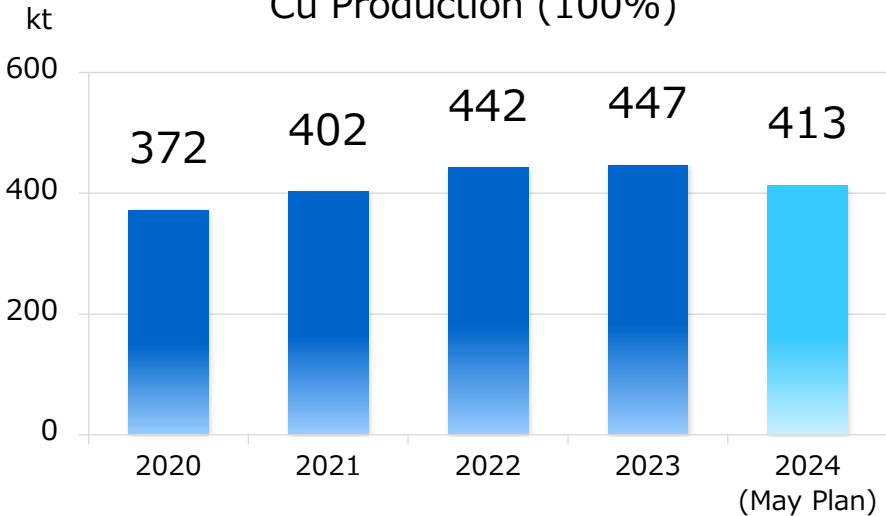


## Cerro Verde (Peru)

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



Cu Production (100%)

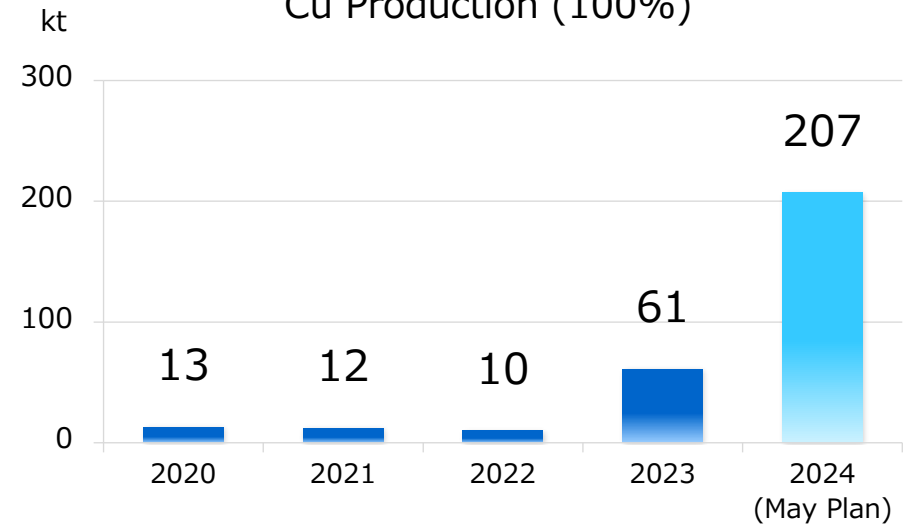


Quebrada Blanca (Chile)

Interest	Teck	60%
	SMM	25%
	Sumitomo Corp.	5%
	Others	10%



Cu Production (100%)

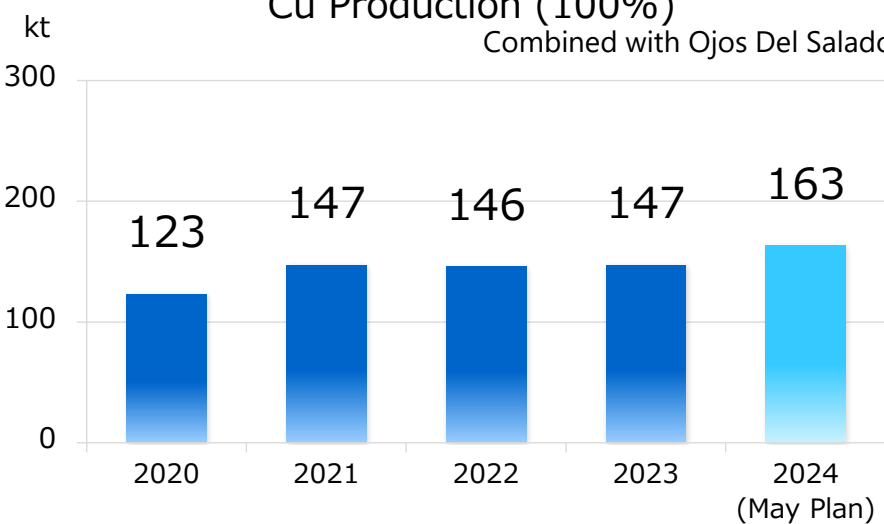


Candelaria Complex (Chile)

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



Cu Production (100%)  
Combined with Ojos Del Salado



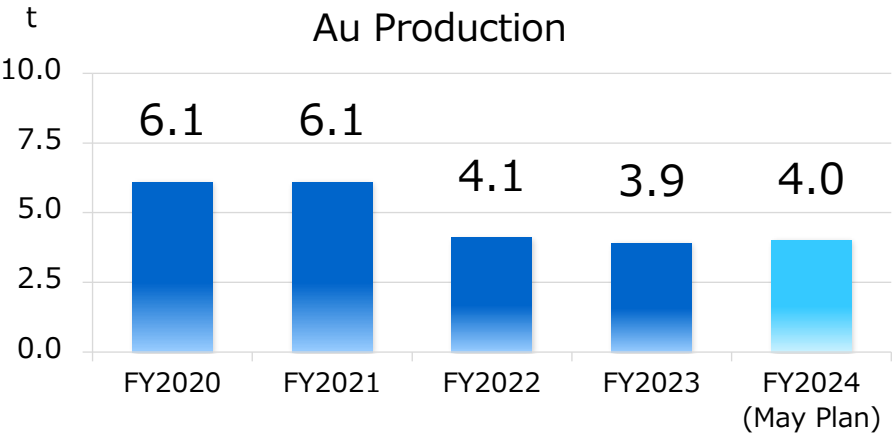
### 3. State of Business - Mineral Resources (2) Gold (Hishikari and Côté)

#### Hishikari Mine (Kagoshima Pref.)

Interest      SMM      100%



- Mineable gold reserve as of the end of 2023:  
155 tons (JIS Standard)

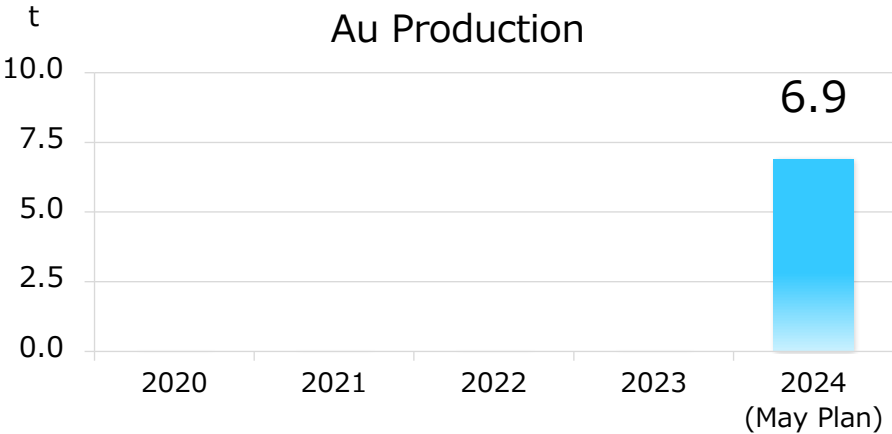


#### Côté Gold Mine (Canada)

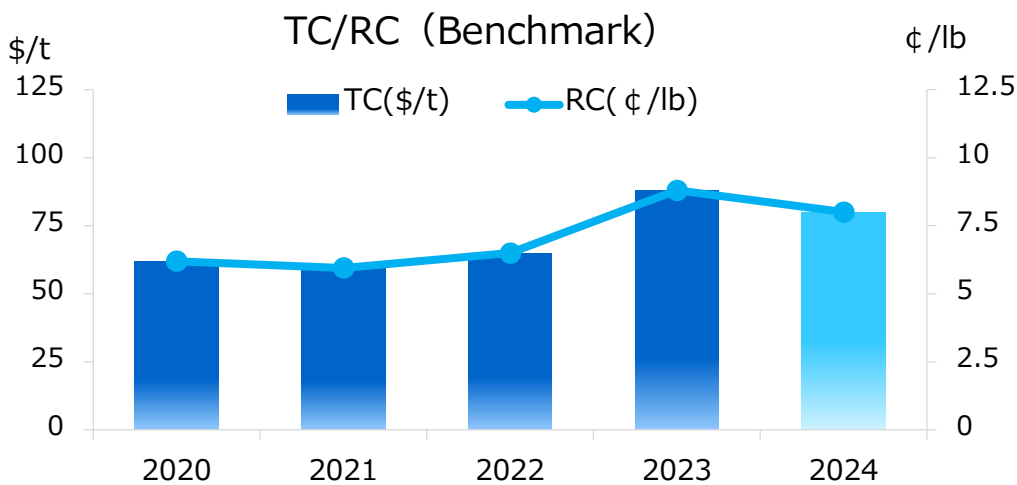
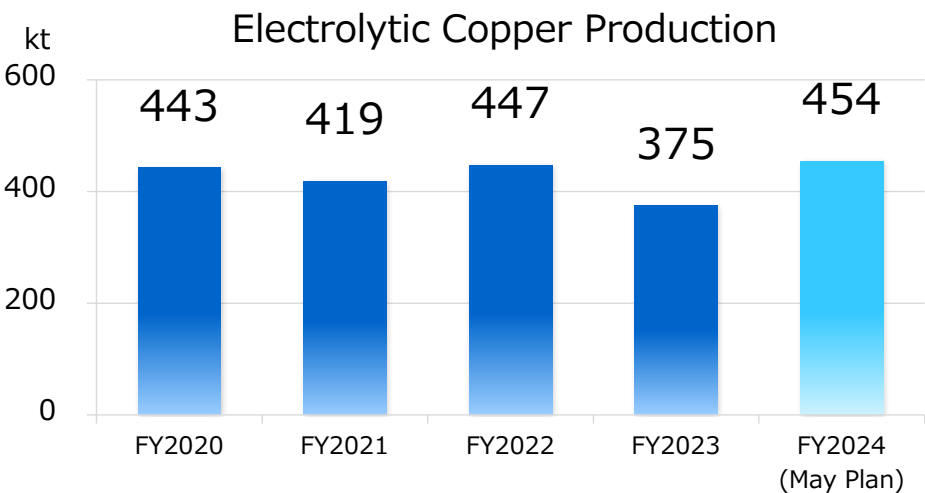
JV Ineterst      IAMGOLD      Approx. 60.3%  
SMM      Approx. 39.7%



- Construction began in 2020
- Production began in Mar 2024

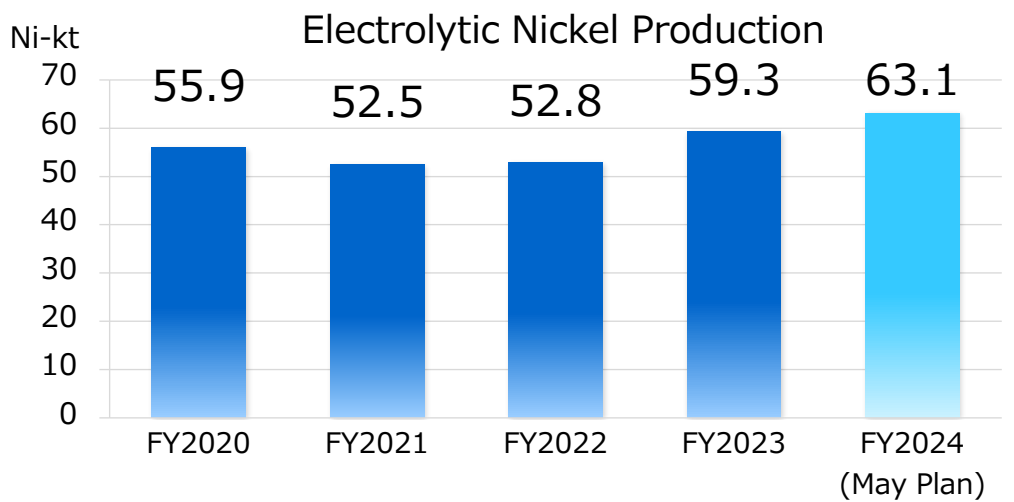
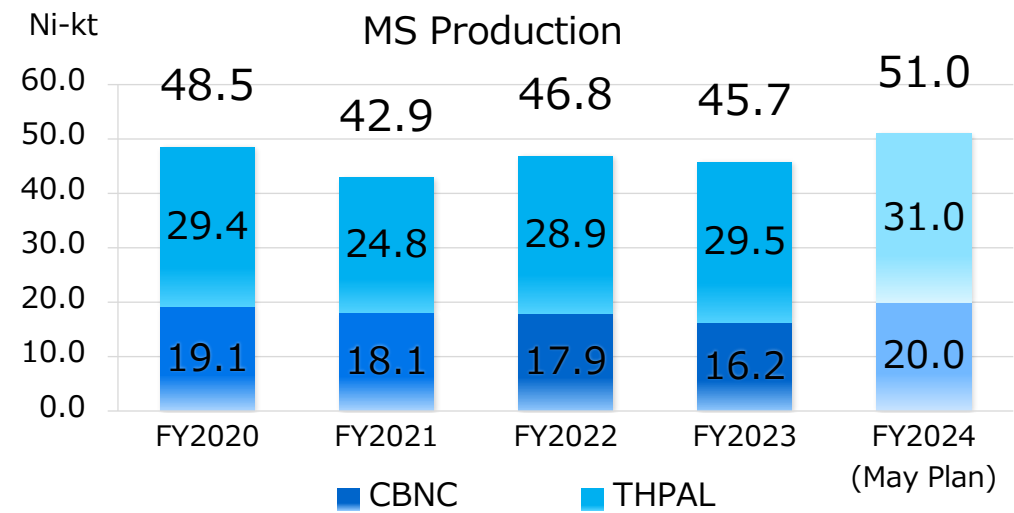


Toyo Smelter & Refinery (Ehime Pref.)



A large shutdown was implemented in FY2023, first time in 12 years. During the shutdown, some facilities underwent an energy switch and so on.

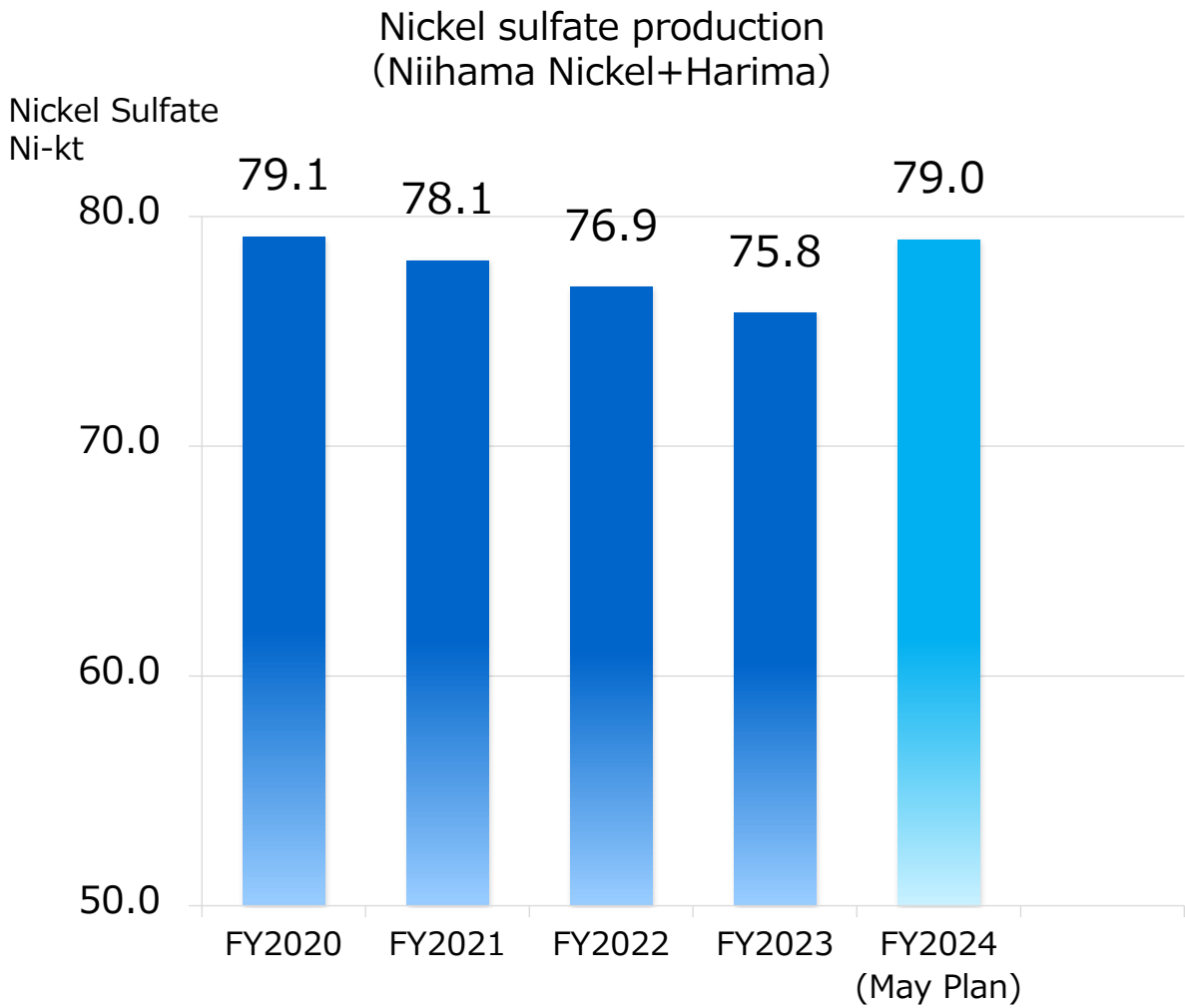
CBNC、THPAL (Philippines) 、Niihama Nickel Refinery (Ehime Pref.)



THPAL

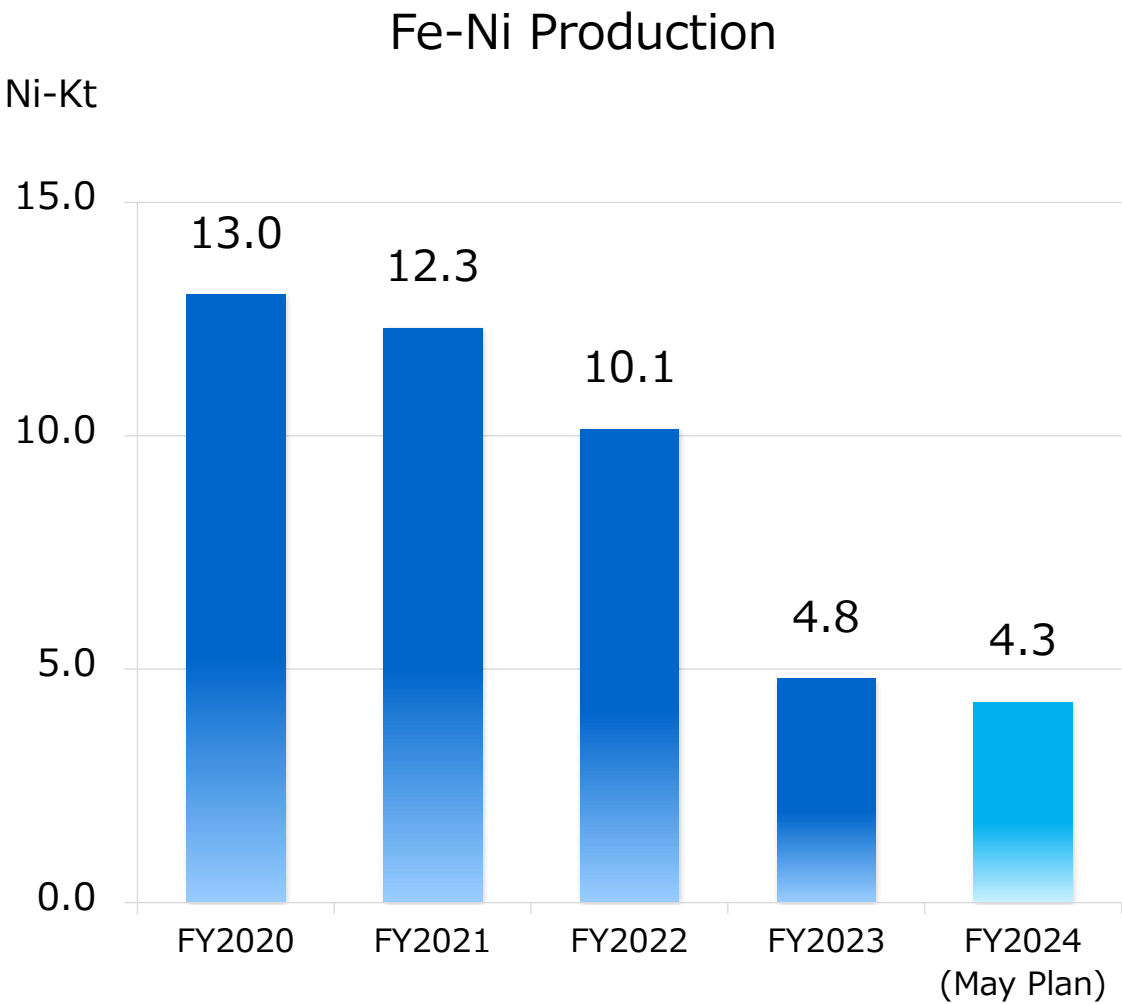


Niihama Nickel Refinery (Ehime Pref.), Harima Refinery (Hyogo Pref.)



Harima Refinery

Hyuga Smelting Co.,Ltd (Miyazaki Pref.)



- ◆ 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

There is a cautious view that the growing demand for batteries used in electric vehicles (EVs) has levelled off.

The xEV market is expected to grow solidly in the medium- to long-term.

Continue production in accordance with customer demand in FY2024.

### Powder materials

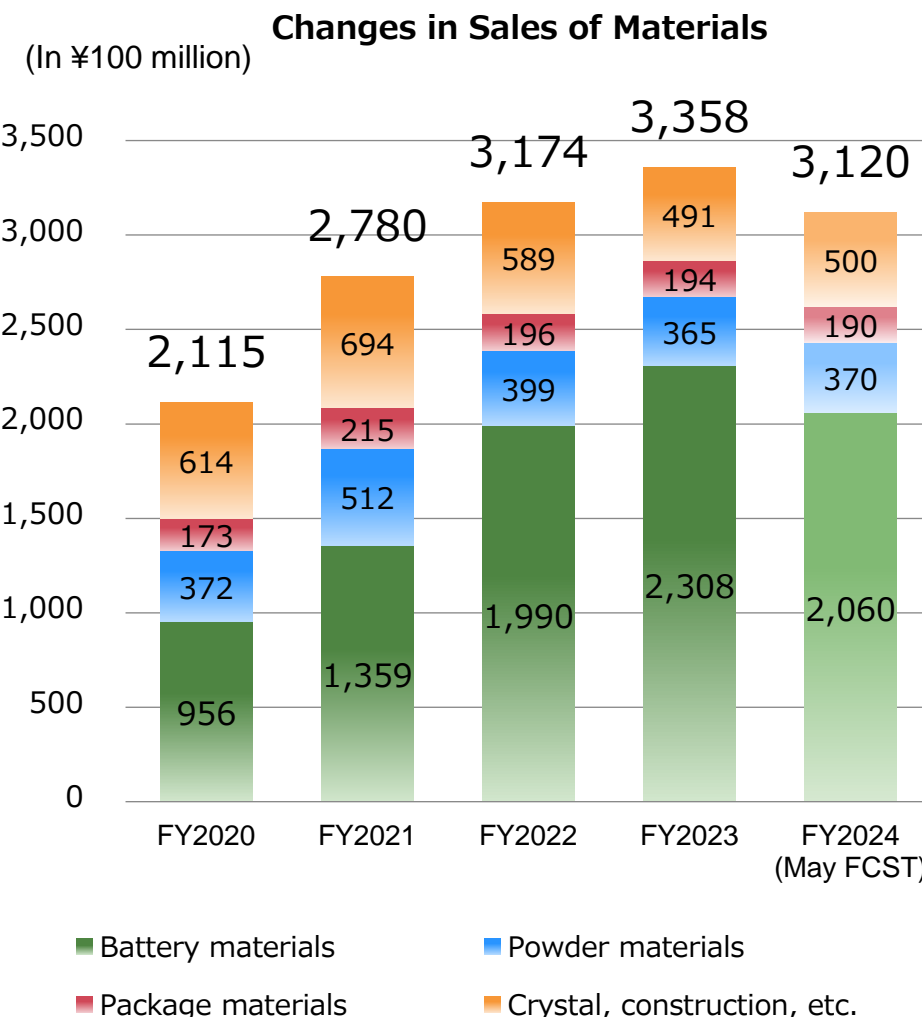
Inventory adjustment has ended for smartphones, PCs and displays and demand is recovering in the Chinese and Taiwanese markets recovery, however, is slow overall and full-scale recovery will take time. Demand is projected to grow in the medium- to long-term due to the electrification of cars and the spread of 5G networks for smartphones.

### Crystal materials

Despite the spread of 5G networks, demand for SAW devices remains weak mainly due to poor smartphone sales. AI server-related demand is currently growing for communication devices, but its outlook is unclear.

### Package materials

The display/monitor market entered a major adjustment phase in FY2022, and demand slowed. A moderate recovery is expected in 1H FY2024 mainly due to the special Olympics-related demand.

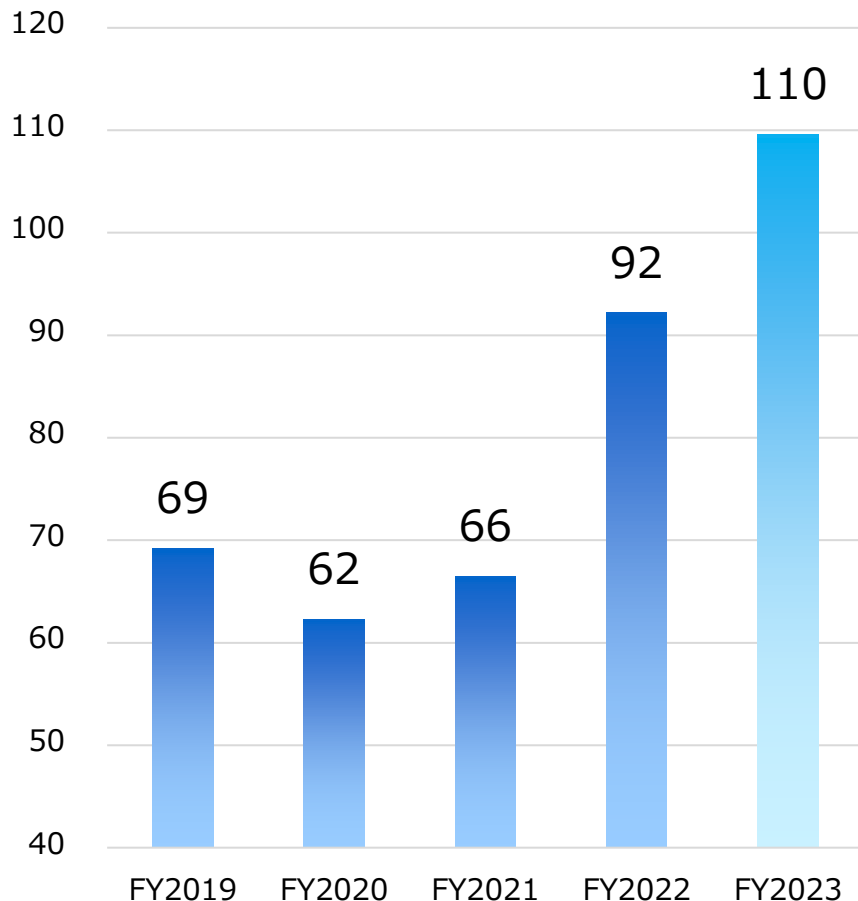


## 6. Status of Business - Research & Development (1)

Data/Reference

(In ¥100 million)

### R&D Expense

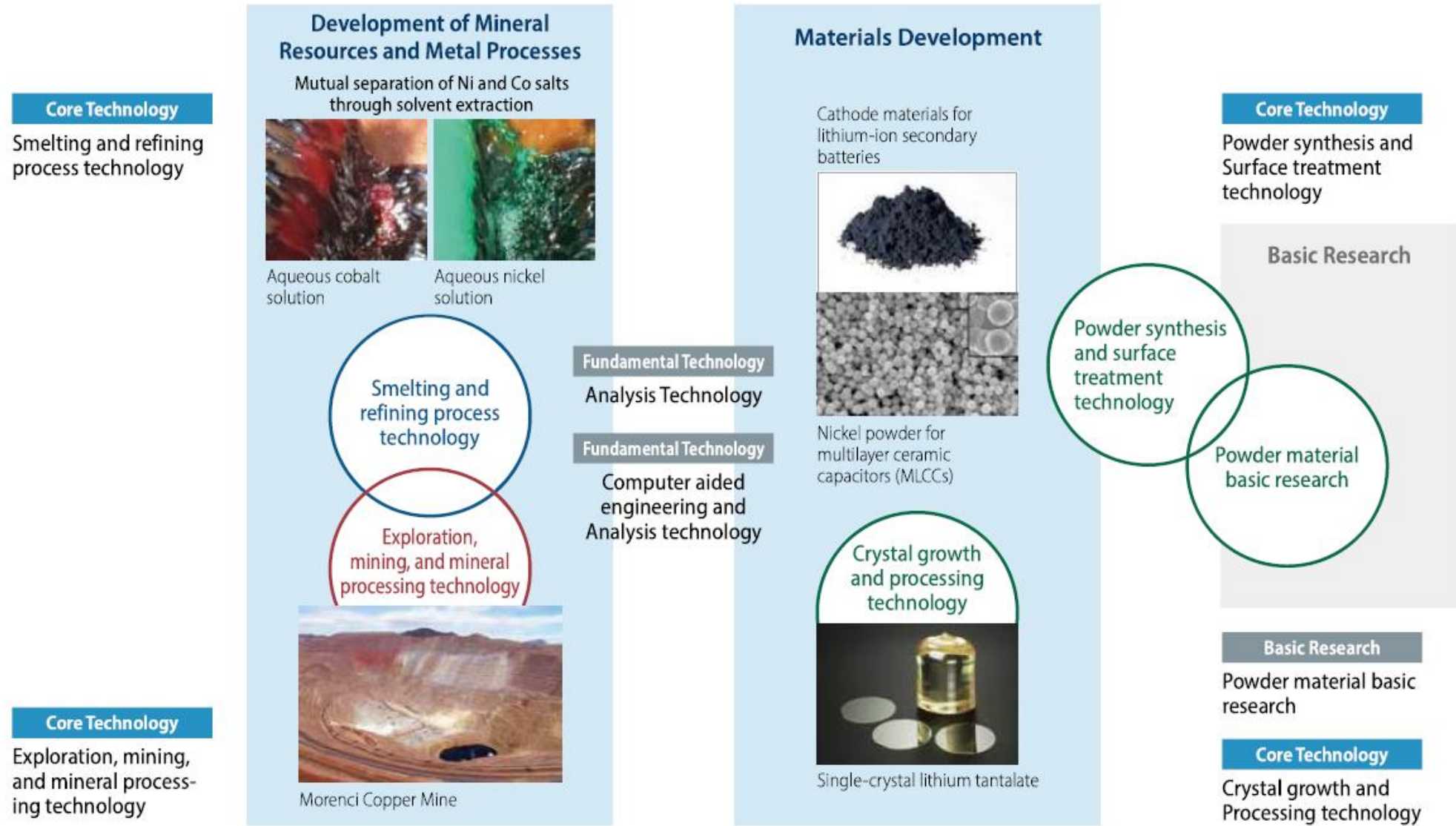


### Promoting the development of products, new technologies and processes that contribute to carbon neutrality

- ◆ Advanced materials (materials using hydrogen, future battery materials): Exploring new material themes at GX Materials Science Co-creation Research Center established in Tohoku University
- ◆ 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 process
  - ✓ Pursuit of a next-generation nickel smelting and refining process, use of hydrogen reduction technologies, etc.
- ◆ New businesses to reduce carbon footprints
  - ✓ Battery recycling (Ni, Co, Cu, Li): Promote a NEDO-subsidized project
  - ✓ Direct recovery of lithium from salt lake brine
  - ✓ Development of cathode materials for all-solid batteries: Promote a NEDO-subsidized project
  - ✓ Research on photocatalyst materials for artificial photosynthesis: Opened 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

## FY2022 Result

	Mineral Resources	Smelting & Refining	Materials (Battery material and Advanced material)
FY2022 Result	8.6%	12.0%	4.8%

※ Figures for "Materials" above do not include other than battery material and advanced material.

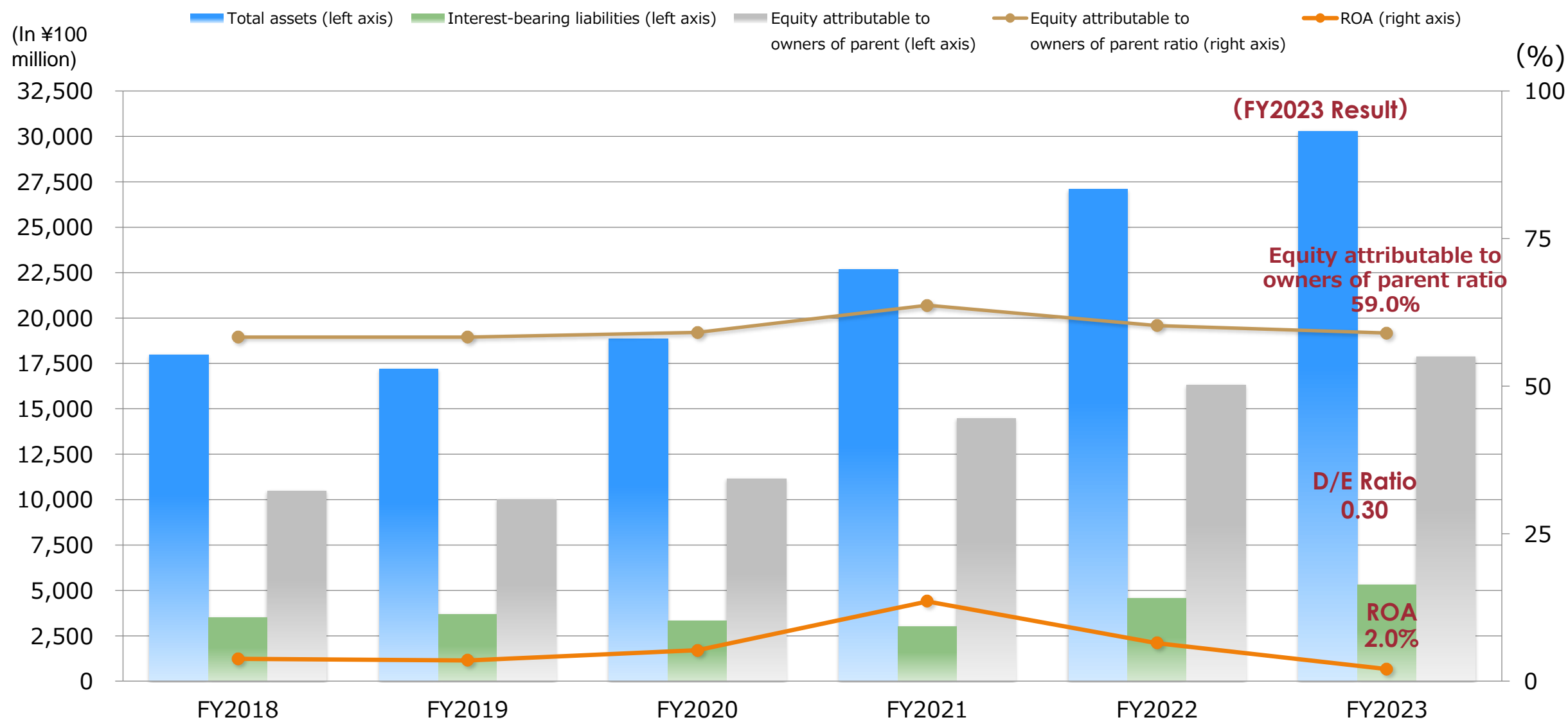
## 【Reference : Trial Calculation in FY2024 under 21 3-Year Plan (ROCE standard during 21 3-Year Plan period: 5.5%) 】

	Mineral Resources	Smelting & Refining		Materials	
21 3-Year Plan 2024	10.1%	4.5%		4.1%	
	Cu	Ni	Gold	Exchange rate (¥/\$)	
21 3-Year Plan Assumed price for trial calculation	\$8,000/t	\$7.5/lb	\$1,600/toz	115	

## 8. Changes in Financial Results (FY2019 - FY2024 Forecast) Data/Reference

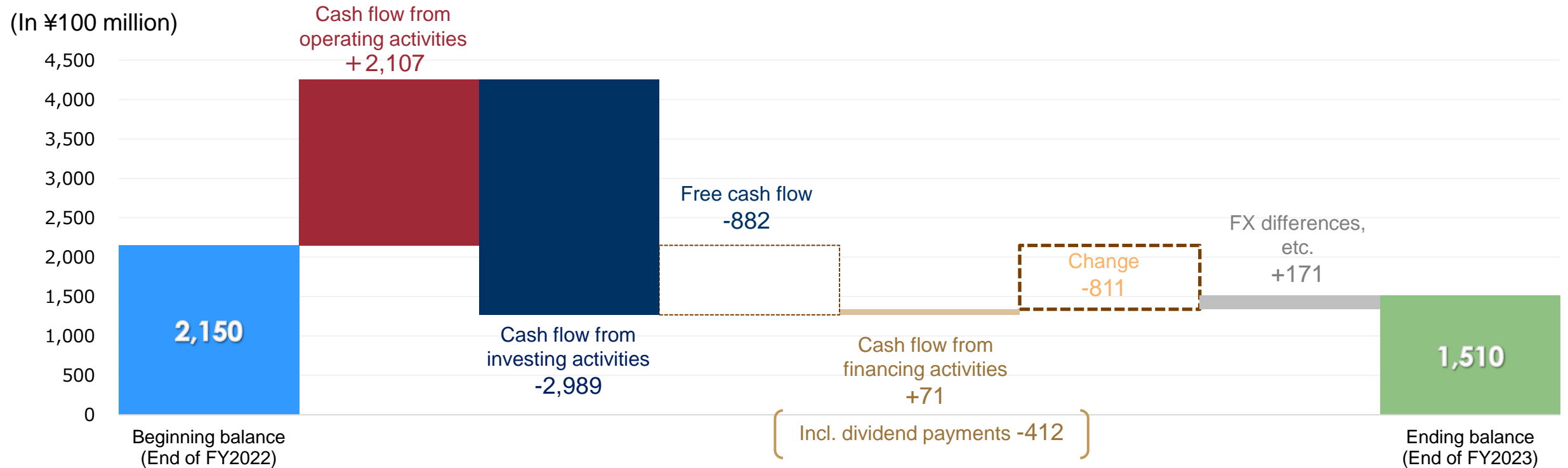
(in ¥100 million)		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 (Forecast)	FY2024 (21yr-Mid Plan)
Net sales		8,519	9,261	12,591	14,230	14,454	14,920	11,160
Gross profit		1,095	1,509	2,578	2,501	1,661	1,360	-
Profit / loss before tax		790	1,234	3,574	2,299	958	910	1,570
Equity method profit/loss		62	87	575	365	331	285	620
Segment profit	Mineral Resources	379	631	2,085	764	528	840	990
	Smelting & Refining	482	530	1,148	1,179	622	180	480
	Materials	53	105	276	173	-72	-40	150
	Other	-9	-28	-9	-30	-15	-30	-30
	Diff. adjustment	-115	-4	74	213	-105	-40	-20
Net income attributable to owners of parent		606	946	2,810	1,606	586	560	1,180
Copper (USD/t)		5,860	6,879	9,691	8,551	8,362	9,000	8,000
Nickel (USD/lb)		6.35	6.80	9.35	11.63	8.68	8.00	7.50
Gold (USD/toz)		1,462	1,824	1,818	1,805	1,989	2,000	1,600
Cobalt (USD/lb)		15.76	16.62	27.46	25.57	14.16	13.00	-
Exchange (JPY/\$)		108.74	106.07	112.39	135.48	144.63	150.00	115.00

# 9. Changes in Financial Position



# 10. Cash Flows (FY2023 Results)

Data/Reference



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

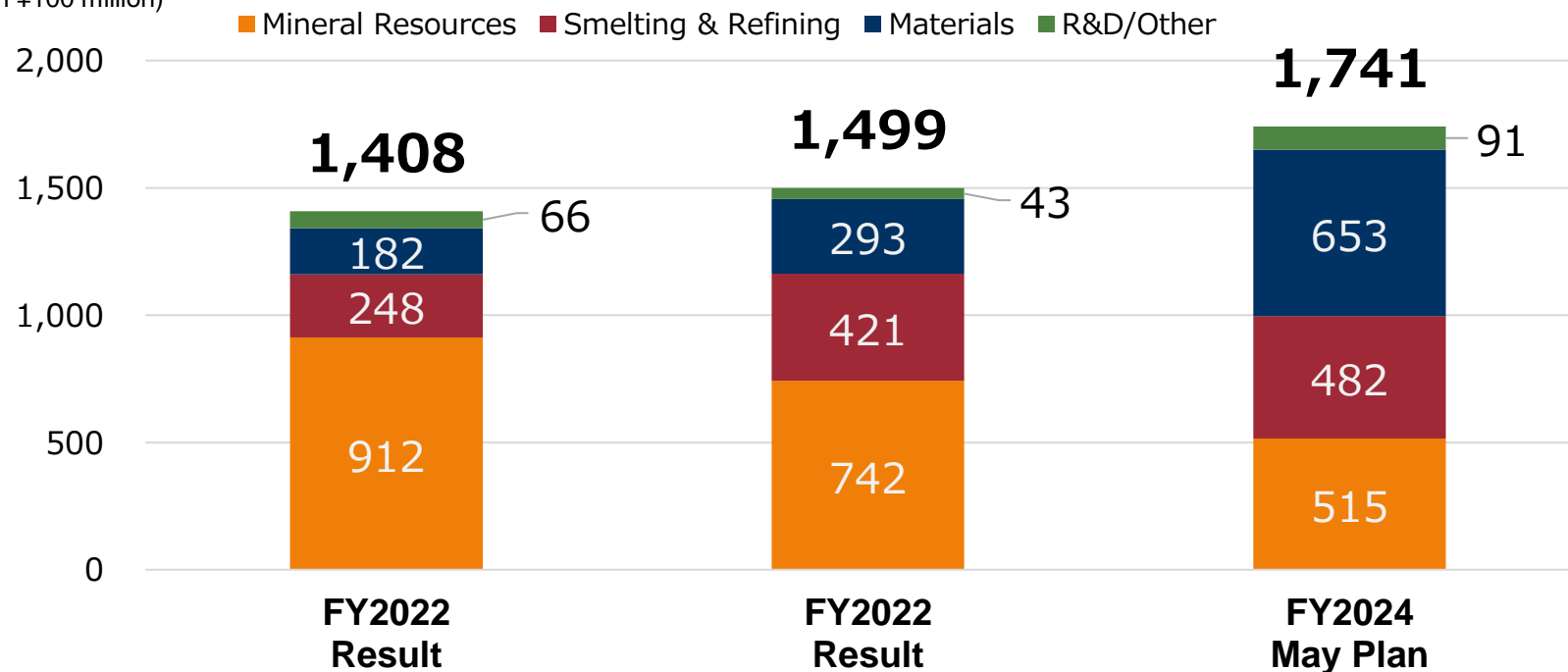
**Maintain an appropriate level of liquidity in hand for further future growth investments and continue promoting the growth strategy set out in the 3-Year Plan.**



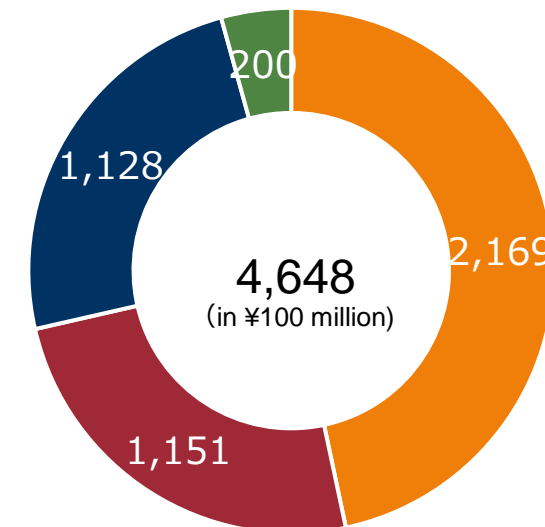
# 11. Capital Investment, Investments and Financing

Data/Reference

(in ¥100 million)



21 3-Yr Total Forecast  
(FY2022・FY2023+FY2024Forecast)



## Investments and financing excl. capital investment

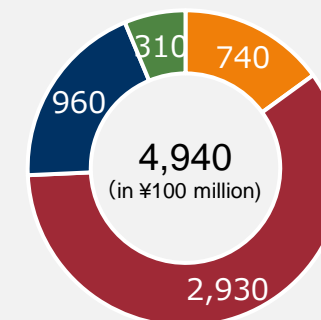
FY2022 Result	1,017
FY2023 Result	1,480
FY2024 May Plan	776
21 3-Year Plan Total	3,273



### 【Key Projects in FY2024 May Plan】

1. Expansion of production capacity for cathode materials for secondary batteries for electric vehicles:  
35.5 billion yen (total outlay: 47.0 billion yen)
2. Cote Gold Project:  
18.3 billion yen (total outlay: USD 1,134 million)

21 3-Yr Plan



+Investments and financing  
1,090

## 12. Sensitivity Estimation

Data/Reference

(in ¥100 million)

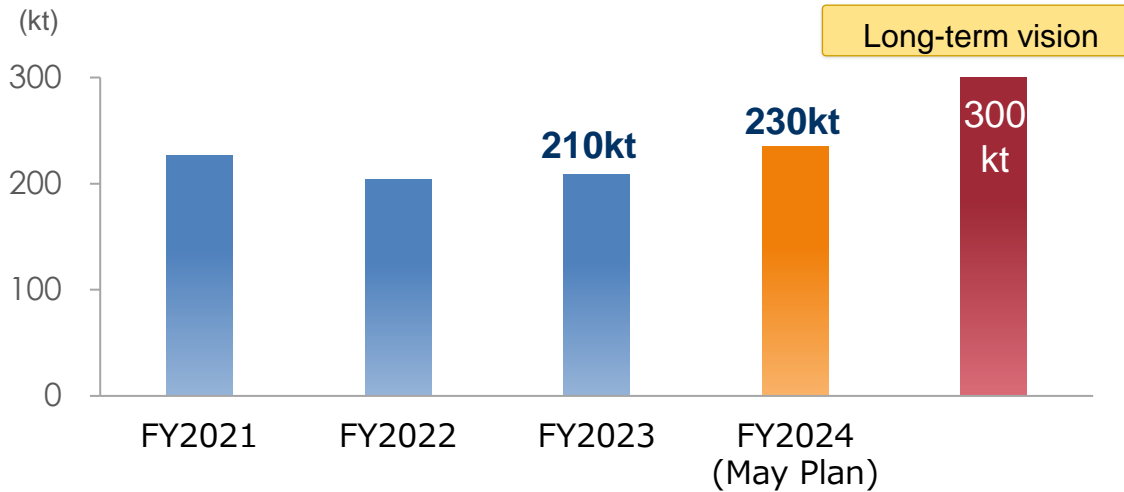
Element	Fluctuation	FY2024 Profit before tax
Cu	±100\$/t	34
Ni	±10 ¢ /lb	15
Au	±10\$/toz	3
Exchange rate (Yen/USD)	±1¥/\$	11

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

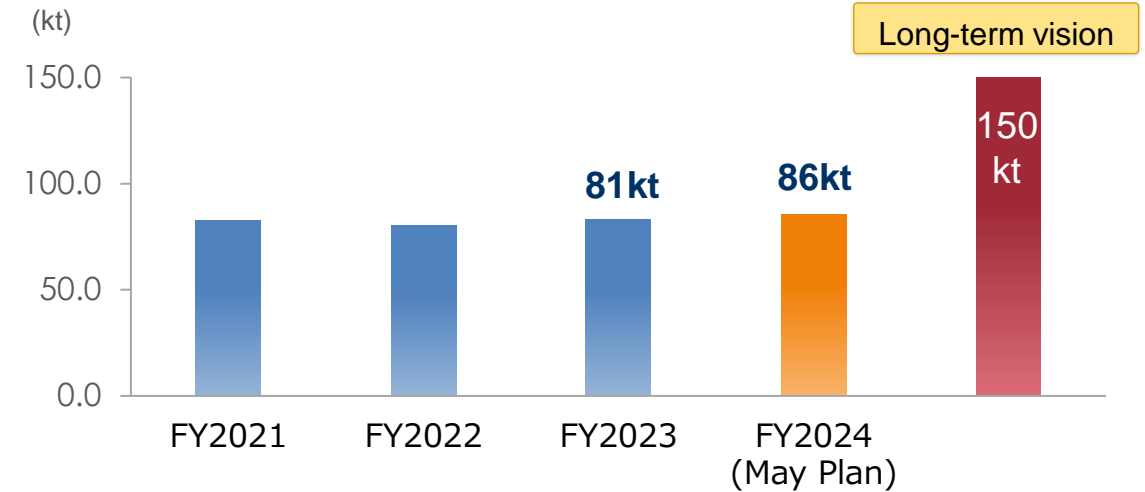
Data/Reference

## Cu (Production from company mines)

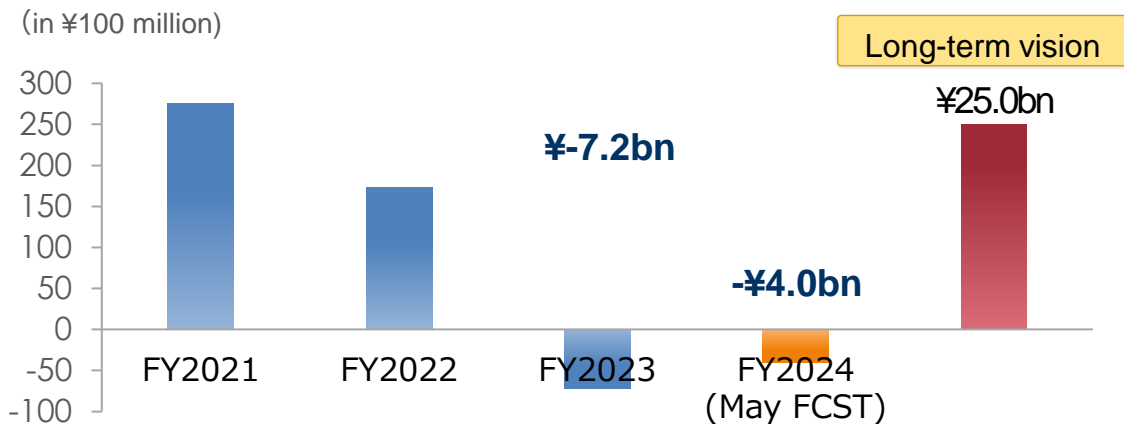


## Ni (Annual production volume)

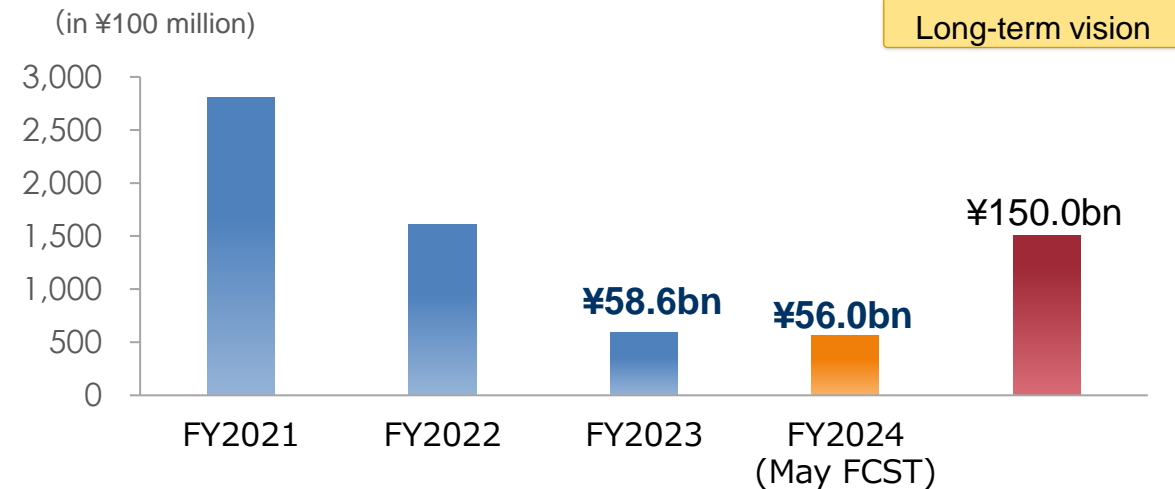
\*Long-term vision focuses on "production capacity"



## Materials Business (Segment profit)



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



## SMM Group's material issues

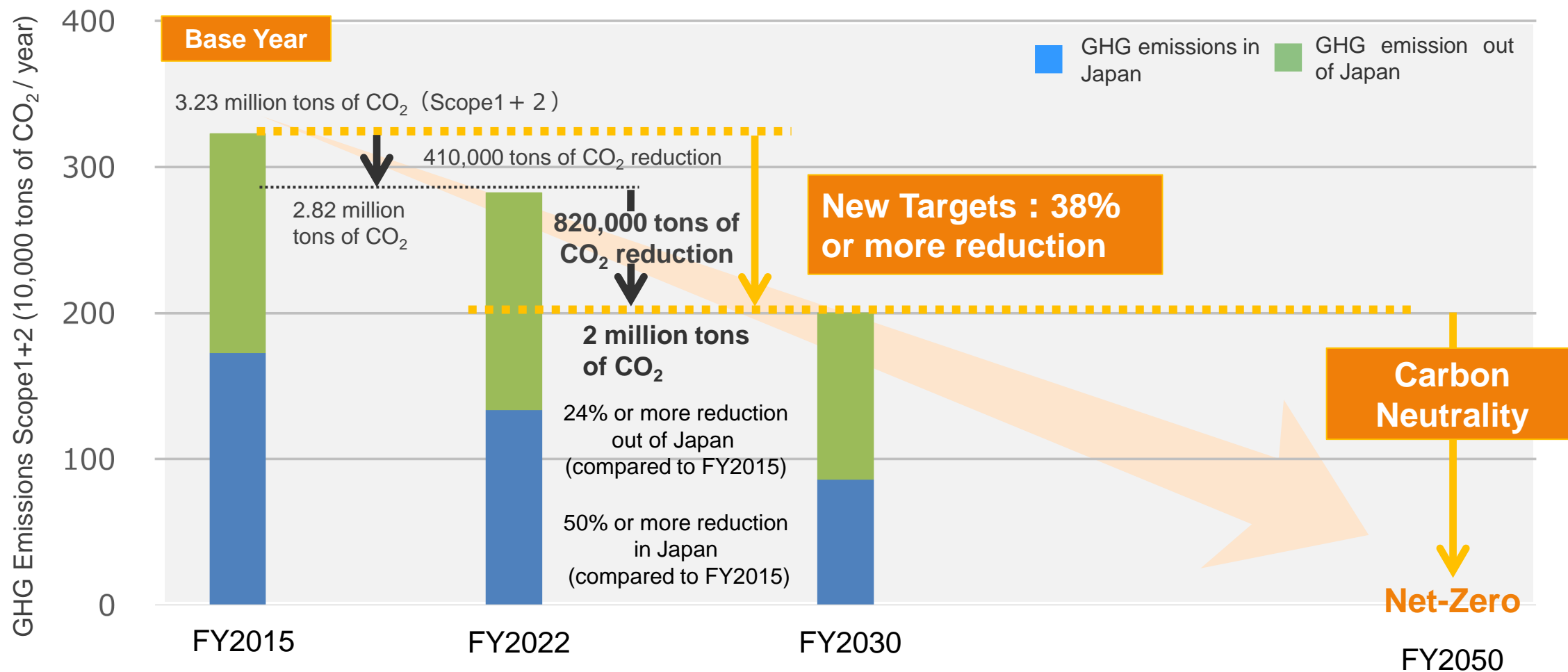
We assessed issues from both social and business perspectives and identified issues with significant impact.

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		

# 15. Carbon Neutrality Initiatives

Announcement of interim target and roadmap toward carbon neutrality (December 26, 2023)

- Reduction target for FY2030 : 38% or more reduction compared to FY2015  
(More than 50% in Japan, 24% out of Japan)



## - Initiatives for the environment and communities

- CBNC received the following three awards: 2023 Presidential Mineral Industry Environmental Award (PMIEA) and first place in the Safest Mineral Processing – Extraction Plant Category and in the Best Mining Forest Contest, Mineral Processing Plant Category.
- THPAL was the runner-up for PMIEA and in the Best Mining Forest Contest, Mineral Processing Plant Category, following CBNC.

→ PMIEA is the most prestigious award in the Philippines' mining industry. CBNC and THPAL were recognized as *responsible operators* in terms of safety, contribution to society, biodiversity preservation, and so on.

## - Human rights-related initiatives in supply chains

Responsible mineral sourcing

→ Gold/silver: Renewed LBMA RGG/RGC certification

Cobalt: RMI certification since 2021

Nickel: RMI certification since 2023

Copper: RMI certification since 2023



- **Published Sustainability Report in addition to Integrated Report (from 2023)**
  - Significantly increased the information we disclosed in response to demands from stakeholders and in compliance with the revised GRI standards, new ICMM benchmarks
- **Engagement with investors (FY2023 results)**
  - **Enhanced our information dissemination capability mainly through IR activities while utilizing the valuable feedback obtained through our engagement with investors in our business management to raise our corporate value**
    - President and Representative Director, Chairman and Director, Outside Directors, Executive Officers

Financial results briefings, small meetings with President, meetings with outside directors, engagement with institutional investors in Japan and overseas (incl. those in charge of the exercise of voting rights and ESG)
  - Executive Officer in charge of IR + concerned and relevant divisions

Financial results briefings, one-on-one engagement with institutional investors, analysts, etc. : approx. 220 times

Additionally, we also held briefings for individual investors, IR Day, business briefings, and briefings at business bases, etc.



# Disclaimer

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Any projections included in these materials are based solely on information available at the time of this briefing, and are subject to change based on market conditions, competition conditions, and a number of other factors.

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