

SMM, “Renewed Challenge for Change”, Adapting to Changes in the Social Environment and Achieving Change, Further Expansion of Measures for Next Growth

This is a transcript of the SMM 2021 3-Year Business Plan Presentation held on February 16, 2022.

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2021 3-Year Business Plan

Nozaki: Good morning, everyone. I’m Nozaki, the President. Thank you very much for coming to our 2021 3-Year Business Plan conference today. We would also like to express our gratitude for your continued understanding and support of our company business. Then, I will explain the contents along with the materials.

The subtitle on the cover of the materials is “Renewed Challenge for Change.”. The 2021 3-Year Business Plan covers three years from 2022 to 2024. Regarding management, I would like to talk to you later about why we use the words “change” and “challenge,” which are relatively clichés.

1. Long-term vision and targets

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Continuing to pursue the long-term vision and targets under 18 3-Year Plan

Page 4 is our company's long-term vision and targets. The 2018 3-Year Business Plan was reviewed for the time being, but the content has not been changed this time.

Our long-term vision is to become the "world leader in the non-ferrous metals industry." Our targets include the numerical targets shown on the slide. One of the major themes of the new 3-Year Business Plan is "how to enhance the content appropriate for a non-ferrous leader."

2. Vision for 2030

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Company we want to be in 2030

- ◆ A company that generates resources through high technological capabilities
- ◆ A company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs)
- ◆ A company that values water resources and biodiversity, and protects the richness of the sea and land
- ◆ A company where all employees work together with safety first the priority in a comfortable working environment as well as safe facilities and operations
- ◆ A company where all employees can take a vibrant and active part
- ◆ A company that is appreciated and understood to be the world leader in non-ferrous metals
- ◆ A company that contributes to regional development and earns trust as a member of the local community
- ◆ A company that understands and respects the traditions and culture of indigenous peoples
- ◆ A company that undertakes responsible sourcing across the supply chain

On page 5, you can see our vision for 2030. Our company has identified 11 key issues and categorized them into the nine themes listed on the slide. Internally, KPIs are defined and implemented by seven subcommittees.

On page 4, the targets of the long-term vision are listed as numerical targets, and our company has set "Company we want to be in 2030" as a milestone in the long-term vision. The corporate vision is to show the corporate attitude of "how to work on it" in achieving the long-term vision.

3. Review of 18 3-Year Plan 1) Safety performance

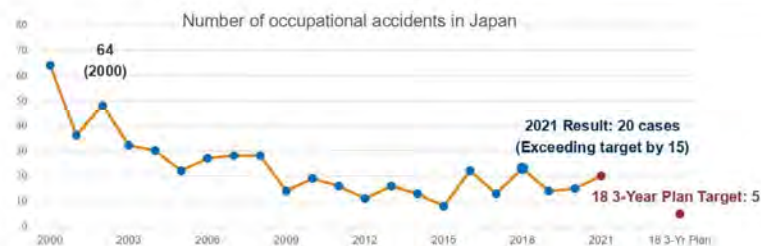
3. Review of 18 3-Year Plan 1) Safety performance

**The number of occupational accidents in Japan decreased significantly over the past 20 years but only to a certain level in recent years.
The target under 18 3-Year Plan remains unachieved.**

◆ **Serious accidents** including fatal ones occurred despite efforts to improve the safety of equipment.

◆ **Recurrent accidents**, which are akin to those experienced before, occurred in significant number

	18 3-Year Plan Target	2019 Results	2020 Results	2021 Results
Number of occupational accidents in Japan	5 or less	14	15	20
Number of occupational accidents overseas	3 or less	1	0	2



This is our review of the 2018 3-Year Plan. Safety performance is an essential part of the manufacturing industry's business foundation. As you can see from the line chart on the slide, unfortunately, we haven't improved in the last ten years.

Our company is striving for safety on the ground-based on the "three realities principle," but there are still cases where dangerous areas or dangerous work are overlooked. At present, the knowledge of external consultants has been introduced to improve the observation ability of supervisors.

Of course, as a company, we are making our facilities inherently safer. We're now providing some hands-on simulation experience training such as "what it means to be drawn into a machine" and "under what circumstances contact with heavy machinery occurs" by using VR. We will continue to focus on safety education.

3. Review of 18 3-Year Plan 2) Impact of COVID-19

Impact of COVID-19 on our strategy

- ◆ At each location or site of operations, measures to prevent the spread of COVID-19 have been implemented thoroughly and dedicated efforts have been made to ensure operational stability.
 - ➡ Some overseas operations were affected, but there was no significant impact on production
- ◆ The sales environment remained favorable thanks partly to an overall economic recovery following the rollout of COVID-19 vaccination.
- ◆ There was a delay in the progress of large-scale projects as well as in the commencement of capital investment plans.
 - ➡ However, the Growth Strategy remains unchanged.

During the 2018 3-Year Business Plan period, approximately 2/3 of the time is the period of the spread of COVID-19. Although there has been a delay in the measure level, there has been no significant change in the strategy itself.

We have taken measures to prevent infection at various locations in our domestic operations, and we believe that the impact of the COVID-19 has been minimized. As for overseas operations, there have been some cases in which we have reduced the operations due to requests from local governments.

Overseas mine development projects were particularly affected. Large projects in North and South America were significantly affected by the reduction of camps and the delay in mobilizing construction personnel. This recovery is part of our 2021 3-Year Business Plan.

One issue that does not show up in the figures is that we have not been able to exchange opinions and meet with our stakeholders in Japan directly and overseas, such as business partners, over the past two years. We continued to have online interviews, but we are concerned that this will not negatively impact the future.

3. Review of 18 3-Year Plan 3) Large-scale projects

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Progress of large-scale projects

(1) QB2 (Quebrada Blanca 2) Project

- ✓ Construction was suspended for half a year due to COVID-19 and production is now slated to begin in the second half of 2022 (1 year behind the original schedule)

(2) Côté Gold Project

- ✓ The start of construction was delayed by 1.5 years and production is now slated to begin in the first half of 2023 (2 years behind the original schedule), leading to a \$362 million increase in the initial capital cost (on a 100% basis).

(3) Sierra Gorda copper mine

- ✓ Established a stable and full-scale operation with declined costs ⇒ Became profitable.
- ✓ It was decided to sell the entire stake in the mine as a result of a portfolio review.

(4) Pomalaa Project

- ✓ Due to COVID-19, we were unable to investigate on real places.
- ✓ Despite efforts to obtain necessary permits and continued negotiations with our partner, we could not reach a final investment decision by the end of the 18 3-Year Plan period.

(5) Battery materials

- ✓ A decision was made in FY21 to increase the production capacity by 2,000 tons per month, with construction slated to complete in 2025. It is behind the schedule under 18 3-Year Plan.

This is the progress of large-scale projects. Each business division will tell you the details later. Plans for the Quebrada Blanca 2 (QB2) project and the Côté gold development project have been delayed, due to COVID-19. We are currently trying to recover it.

The operation level of the Sierra Gorda copper mine was improved in each stage as a result of efforts by our company team to improve operations. The decision to sell the interest was made as part of our business portfolio.

3. Review of 18 3-Year Plan 4) Steps toward realizing our vision(1)

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Steps in line with TCFD recommendations

Source	Category	Others	Anticipated realization (2023)	Impact on business	TCFD recommendation (step 1)	2021 Strategic plan (business plan for realizing vision 2030)
TCF	Climate change policy	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)
	Climate change policy	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)
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	Climate change policy	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)
TCF	Climate change policy	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)	Climate change policy (2021-2023)
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Integrated Report 2021, p72

Results of climate-related scenario analysis disclosed in Integrated Report 2021

- ✓ Scenario analysis was conducted to identify climate-related risks and opportunities under global warming scenarios of 1.5°C and 4°C.
- ✓ ICMM commitment
We go along with the ICMM commitment to building clear pathways no later than the end of 2023 to achieving net zero CO2 by 2050.
➡ It is imperative to accelerating measures to achieve carbon neutrality.

Page 9 describes our recommendations for TCFD as a part of steps toward realizing our "vision for 2030." In our company, the 2021 Integrated Report analyzed climate change scenarios in 2 patterns: a 1.5-degree rise and a 4-degree rise.

Today, we recognize that the biggest challenge for companies is climate change. We must contribute to reducing the burden on the global environment, mainly when we extract resources from the earth and manufacture products using many raw materials and materials.

We are also actively participating in international organizations such as ICMM, and we will continue to respond to climate change following the guidelines.

3. Review of 18 3-Year Plan 4) Steps toward realizing our vision(2)

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Business and human rights

Realization of **Vision for 2030**(*)

⇒ Exercise and operation of due diligence under the UN Guiding Principles on Business and Human Rights

<Employees>

- * A company where all employees can take a vibrant and active part
⇒ Promotion of diversity, exercise of due diligence to respect the human rights of employees

<Host community residents and indigenous people>

- ◆ * A company that contributes to regional development and earns trust as a member of the local community
⇒ Exercise of due diligence to respect the human rights of host community residents
- * A company that understands and respects the traditions and culture of indigenous peoples
⇒ Dialogue and collaboration with people in indigenous host communities in the Canada, Philippines, etc.

<Supply chain>

- * A company that undertakes “responsible sourcing” across the supply chain
⇒ Responsible Mineral Sourcing: Gold, silver, cobalt, copper, nickel -- Proactive compliance with international standards
⇒ CSR Sourcing Policy: Collaboration with suppliers, promotion of the exercise of human rights due diligence by suppliers

Page 10 is about business and human rights. Digitalization and the adoption of EVs are advancing, and attention is being paid to whether the materials used in them are being supplied sustainably.

The acquisition of a license to operate (a social operation permit) has long been a fundamental part of resource development. We continue to engage in dialogue with indigenous peoples, local communities, the international environment, and NGOs, and we will continue to do so.

3. Review of 18 3-Year Plan 4) Steps toward realizing our vision(3)

Trials for change

◆Shiki-nen Reform Project

- ✓ Calling for SMM's mainstay technologies, institutional frameworks and business systems to repeatedly go through a "scrap-and-build" process periodically on a mandatory basis.
- ✓ Main objectives: (1) change of mind, (2) handing down technology, expertise and experience to the next generation, and (3) development of human capital

◆Change ways of meeting

- ✓ Methods of holding meetings to be changed to permit more in-depth, broader-based discussions and deliberations

◆Refurbish Head Office

- ✓ Work underway to realize a working environment enabling employees to tackle business duties in a lively manner and achieve innovation

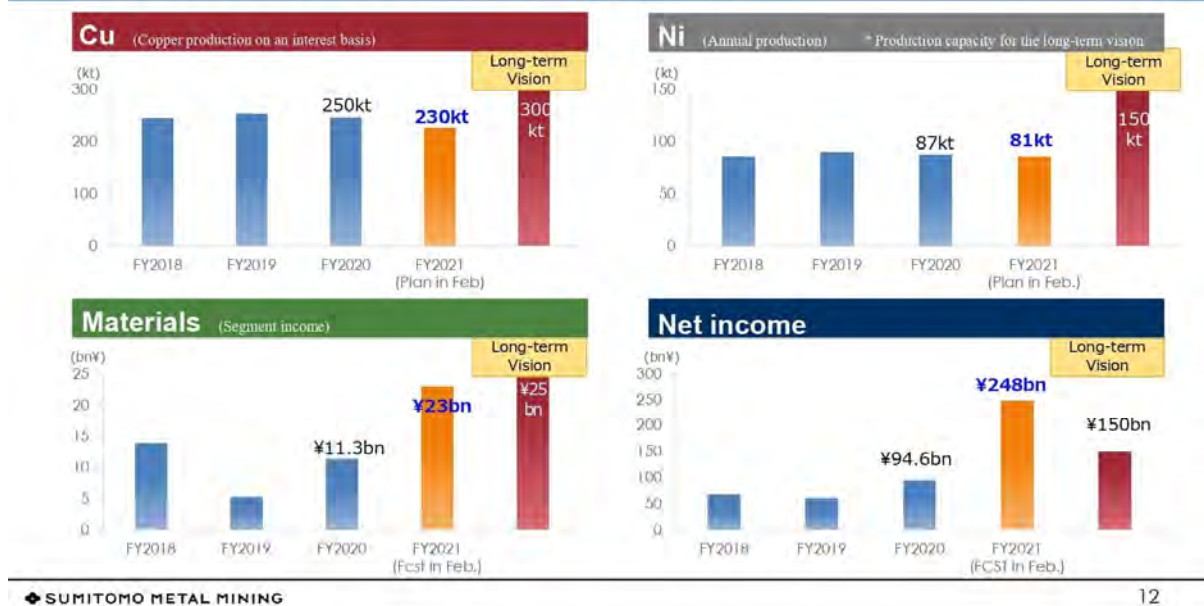
Page 11 is our change trials, which will lead to the 2021 3-Year Business Plan. This section describes our internal efforts.

Shiki-nen Reform is a project that periodically reviews existing systems and mechanisms and repeatedly goes through a "scrap-and-build" process. As for the change of ways of meeting, we have changed the course of meetings at the management level. We are currently working on the refurbishment of our head office.

We know from history that companies will gradually deteriorate if they maintain the status quo, so we are taking on the challenge of changing it.

3. Review of 18 3-Year Plan 5)Progress toward the targets

3. Review of 18 3-Year Plan 5) Progress toward the targets



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In terms of progress toward the targets, copper, nickel, materials, and net income are shown as bar graphs. Although net income at the bottom right of the slide is entirely different from the trial calculation in the 2018 3-Year Business Plan due to the upturn in the market for non-ferrous metals, it has been cleared on a numerical basis.

In the materials business, we aim for a profit of 25 billion yen under the long-term vision. The figure was 23 billion yen, though slightly less than the target. However, we have achieved results that demonstrate that counting the long-term vision is not a distant goal.

1. Business environment

1. Business environment

◆ Supply demand balance in non-ferrous metals expected to ease temporarily

- ✓ Supply demand balance in both copper and nickel is expected to ease temporarily due to an increase in supply.
- ✓ Demand is expected to increase in the medium to long-term, mainly for use in EVs and Renewable energy purposes.

◆ Increasingly challenging environment for resource development as well as for smelting and refining operations

- ✓ Rising resource nationalism
- ✓ Greater difficulties involved in mining because of the higher, further, and/or deeper location of mines, the lower quality of ores, etc.
- ✓ Greater hurdles that must be overcome in building a positive relationship with host communities
- ✓ Stricter environmental regulations
- ✓ Increasing investment and running costs

◆ Expanding applications for materials

- ✓ Increasing demand for copper and nickel for use in power grids and EVs
- ✓ Acceleration in transition to carbon neutrality and digital transformation drives technological innovation and market growth in various areas, opening a great opportunity to expand materials business

We will explain our business environment starting on page 14. In terms of our business environment, the supply and demand of non-ferrous metals have been attracting a great deal of attention in the context of social movements, as I mentioned earlier, and demand has been increasing. However, the timing of the start of projects for both copper and nickel is expected to ease the supply and demand balance temporarily.

Our business environment for resource development and smelting and refining operations has become more severe, and the difficulty of resource development has become more pronounced in recent years. However, the field of materials is expanding, and we intend to continue supplying materials that can contribute to society. Each business unit will explain later.

2. Major issues we face (Social factors)

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◆ Accelerating transition to carbon neutrality (CN)

- ✓ The world heading to net zero GHG by 2050 shared as a common understanding
 - ➡ It takes the development and introduction of innovative technology on an extensive scale, on top of steady emissions reduction efforts.

◆ Adaptation to digital transformation (DX)

- ✓ Accelerating adaptation to digitalization and the proliferation of information technology
 - ➡ This is imperative to maintaining our competitive edge and it takes changing the mindset.

◆ Increasing difficulty of securing human capital

- ✓ Greater diversity in the ways of working and changing mindset of employees (Increasing mobility of human resources)
 - ➡ We will adapt to the changing environment by reforming and reframing the personnel system.

This 3-Year Business Plan has identified three key issues: carbon neutrality, DX, and human resources strategy.

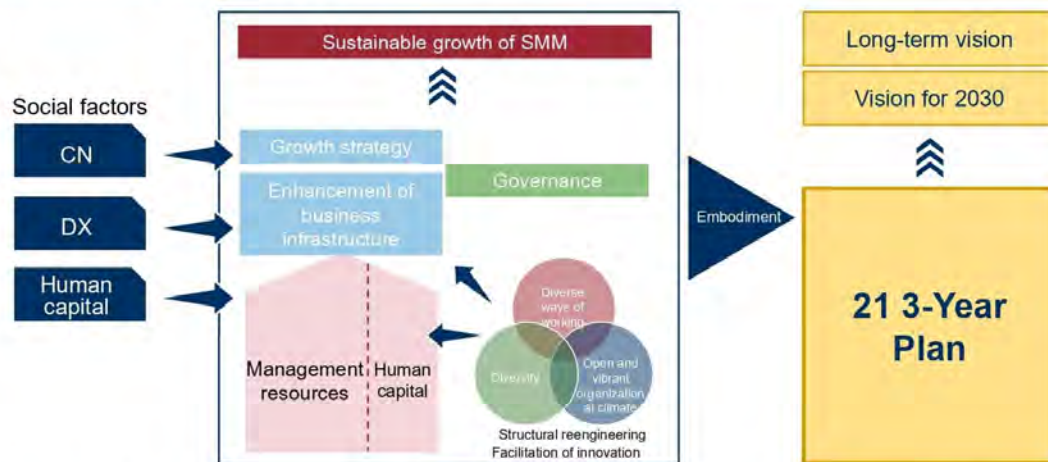
The items listed on the slide are difficult to perceive as a crisis as familiar to every company employee as the COVID-19. At the management level, we are very concerned that if we do not address these issues now, we will lose our corporate strength in the future.

Without carbon neutrality and a reduced carbon footprint, there is a risk of being removed from the supply chain. As for DX, I feel that if we don't do this, we will be inferior in competitiveness.

Without human resources, a company will not survive. These three significant challenges are the characteristics of this 3-Year Business Plan.

3. Positioning of 21 3-Year Plan

3. Positioning of 21 3-Year Plan



Adapting social changes and using important factors as a leverage to spark self-transformation, and taking further measures for future growth

The slide shows the positioning of the 2021 3-Year Business Plan, including the factors mentioned above. As I said earlier, a company cannot survive unless it changes or keeps changing.

There are various challenges, but carbon neutral and DX maybe some external pressure. However, we would like to utilize this as an opportunity for change. I would like to see solutions to essential issues lead to change and revitalize the organization. The above is an explanation of the business environment.

[18 3-Year Plan: 4 Challenges]

[18 3-Year Plan: 4 Challenges]



I will talk about the main strategies of the 2021 3-Year Business Plan. It is described as "Four Challenges." As I always say, corporate governance at our company is a system that maximizes corporate value and ensures sound management. Maximizing corporate value is defined as promoting growth strategies and strengthening the business foundation.

"Challenge 4" at the bottom right of the slide shows the strengthening of the business foundation, but it can also be interpreted as strengthening the management foundation. We believe that this challenge will contribute to maximizing the corporate value of "Challenge 1" described in the upper left. In response to significant trends, such as changes in social conditions and increasing corporate social responsibility, Challenge 3 is adapting to changes in the social environment.

Challenge 2 is related to the two categories just described, but it is mentioned in terms of sustainability as a company.

Challenge 1: Increasing corporate value Promoting large-scale projects:1) Battery materials

Challenge 1: Increasing corporate value

Promoting large-scale projects:1) Battery materials

Expanding production capacity for battery cathode materials

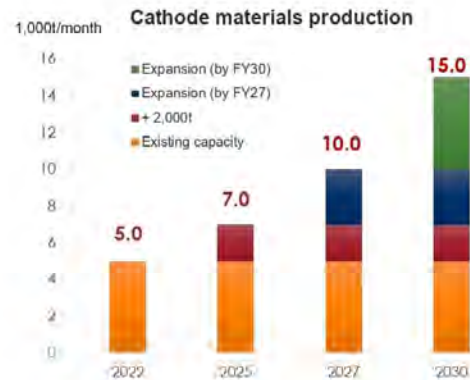
◆ Increasing the production capacity by 2,000 tons per month by the end of FY25

◆ Achieving a production volume of **10,000 tons per month** by FY27

◆ Building a production capacity of **15,000 tons per month** by the end of the 27 3-Year Plan period (FY28 through FY30)
⇒ Maintaining a leading position in the market share of nickel-based cathode materials

* We will consider increasing production and/or building new production capacity for other products in accordance with market demand.

◆ Introduce Toyota Production System



We will explain each challenge from page 19. We'll provide some business-related explanations for a while, but the general managers will explain the detail later, so I would like to mention just the points.

In the cathode materials business, in the previous 3-Year Business Plan, we talked about increasing production capacity to 10,000 tons per month during the 2024 3-Year Business Plan. We have not changed this plan and set a new target of 15,000 tons per month over the 2027 3-Year Business Plan period.

In addition, as noted at the bottom of the slide, some manufacturing sites are introducing Toyota Production System. The expansion will continue, but we have reached a certain point, and we want to introduce TPS to improve our cost competitiveness.

Challenge 1: Increasing corporate value Promoting large-scale projects: 2) Pomalaa

Challenge 1: Increasing corporate value

Promoting large-scale projects: 2) Pomalaa

Pomalaa Project

- ◆ A high-pressure acid leaching (HPAL) project to build a production capacity of 40k nickel tons per year
- ◆ The project is planned to produce MS (mixed sulfide of nickel and cobalt), a material for Class-1 high grade nickel, for which demand is expected to grow for use in xEVs.
- ◆ We aim to reach a final investment decision.
- ◆ We are planning to launch and move into full operations in the latter half of the 2020s.

We will continue negotiations with our partner toward making a final decision and efforts to obtain necessary permits.



Page 20 is the Pomalaa project in the smelting & refining business. As I will explain later, this is one of the upstream measures in the value chain of our nickel business. This is also a significant initiative.

Challenge 1: Increasing corporate value Promoting large-scale projects: 3) QB2

Quebrada Blanca 2 (QB2) Project

- ◆ Start of production planned for the second half of 2022
- ◆ Final year of 21 3-Year Plan (FY2024)
Planned production: 284,000 tons
(SMM's interest production: 71,000 tons)
- ◆ With the progress of exploration drilling, the mineral resource estimate tends to increase.
➡ Growing prospect of future expansion



Page 21 is about the Quebrada Blanca 2 (QB2) project. This is under construction. The planned production volume for 2024 is 280,000 tons, a vast mine. We are also making progress in checking the number of resources.

The general manager will explain later that this project is characterized by high-cost competitiveness. The cost of mining depends on how much and how little of the pre-stripped ores, so-called "Zuri" (in Japanese). This mine needs very little of that clay. We look forward to cost competitiveness in this regard.

Challenge 1: Increasing corporate value Promoting large-scale projects: 4) Côte

Challenge 1: Increasing corporate value

Promoting large-scale projects: 4) Côté

Côté Gold Project

- ◆ Start of production planned for the first half of 2023
- ◆ Final year of 21 3-Year Plan(FY24)
Planned production: 13 tons
(SMM's production interest: 4 tons)
- ◆ Prospect drilling in areas around the mine has confirmed the presence of additional resources
➔ Increasing the project's value with additional projects in the future



Page 22 is the Côté gold development project in Canada. The construction started later than planned, but now the construction is progressing steadily. New resources are expected to be acquired in the neighborhood area.

Challenge 2: Improving core business sustainability 1) 3-biz collaboration (1)

3-business collaboration to strengthen the value chain for Ni - batteries

Securing the supply of nickel resources and implementing measures to enhance collaboration among the three core businesses

- ◆ Moving forward with the Pomalaa Project
- ◆ Securing a supply of nickel ore to CBNC and THPAL
- ◆ Continuing the search for new nickel deposits



Page 23 is about a 3-business collaboration. We aim to strengthen the value chain for nickel to batteries. We are also making steady progress in the upstream Pomalaa project, which we talked about earlier, and measures to secure resources for the existing Coral Bay Nickel (CBNC) and Taganito (THPAL) plants in the Philippines. It will also continue to search for new sources of nickel.

3-business collaboration to strengthen the value chain for Ni - batteries

- ◆ Increasing the internal supply of raw materials in step with an increase in the production capacity for battery cathode materials
 - ✓ Continuing nickel sulfate production at maximum capacity (Niihama Nickel Refinery and Harima Refinery)
 - ✓ Maximizing the supply of cobalt
- ◆ Considering developing new cobalt products to be better prepared for possible changes in the demand structure
- ◆ Recycling of batteries
 - ✓ Realizing battery-to-battery recycling to recover nickel, cobalt, and lithium
 - ✓ Aiming to achieve a processing capacity of 10,000 tons per year by the end of 24 3-Year Plan period (FY25 through FY27)
(Processing plant set to go into operation by the end of 21 3-Year Plan)



On page 24, we look at the downstream aspects of enhancing the value chain. We aim to establish a recycle processing system of 10,000 tons during the 2024 3-Year Business Plan, and we are planning to conduct tests with actual equipment during the 2021 3-Year Business Plan.

Challenge 2: Improving core business sustainability 2) Hishikari Mine

Hishikari Mine (Shifting to sustainability-oriented operations)

- ◆ Shifting to sustainable production centered on average-grade ore mining to extend the mine's life
6.0 tons per year (18 3-Year Plan period) ➔ 4.4 tons per year (21 3-Year Plan period)
- ◆ Moving forward with tunnelling to explore deep underground ore bodies by making full use of new dewatering facilities
Acquiring a new supply of ore
- ◆ Achieving cost reductions by restructuring the operational framework by incorporating digital transformation, etc.



Page 25 shows the operation of the Hishikari Mine. Since its operation in 1985, it is estimated to produce about 260 tons of gold by the end of March. If you compare it with 83 tons of Sado Gold Mine, you can see its scale. It is the largest gold mine in Japan.

This mine is a gold mine of very high quality in the eyes of the world, but we are thinking of moving to a sustainable operating system based on the concept of mine life. Since the high grade points of ore has been confirmed, the amount of gold produced will be slightly reduced by shifting to mining at the average grade.

However, when combined with the Côté we just mentioned, our group's gold production will increase in 2024.

Challenge 2: Improving core business sustainability 3) Copper smelting and refining

Challenge 2: Improving core business sustainability

3) Copper smelting and refining

Enhancing competitive edge in copper smelting and refining

- ◆ Ensuring stable operations to produce 450,000 tons of electrolytic copper per year → Establishing a production capacity of 460,000 tons per year
 - ✓ Main supply source of copper concentrates: Shift from Sierra Gorda to QB2
 - ✓ Improving the capability to ensure production stability by taking the opportunity of the planned cooldown of a flash furnace in 2023
 - ✓ Increasing the production capacity by 10,000 tons per year through facility improvements
- ◆ Enhancing the logistics infrastructure
 - ✓ Optimizing internal logistics considering for environment



Page 26 focuses on strengthening the copper smelting & refining business. Toyo Smelter & Refinery has been our company's flagship smelter since it began operations in 1971. To continue to be our company's core business, we will continue to invest in infrastructure improvements.

Challenge 2: Improving core business sustainability 4) Advanced materials

Strategy for advanced materials business expansion

- ◆ Silicon carbide
 - ✓ Establishing a mass production capacity of 10,000 pieces per month in FY25
- ◆ Nickel powders (For use in paste for MLCCs)
 - ✓ Expanding sales in high-end markets by taking advantage of the low cost, uniform diameter, and low content of coarse particles—all achieved by wet processing.
- ◆ Functional inks
 - ✓ Expanding sales of window films for automobiles and developing new markets (clothing, agriculture, 3D printing, infrared identification)
- ◆ Communication devices
 - ✓ Building production and sales capabilities to capture every market growth opportunities

Page 27 is our strategy for expanding our advanced materials business. We will continue to develop and sell products that contribute to the digitalization of society and the reduction of carbon emissions. We will be pursuing our 2021 3-Year Business Plan with the products listed on the slide.

Although these products are in growing markets, our mission is to achieve our production and sales volumes that exceed the market's growth.

Challenge 3: Adapting to changes in the social environment 1) Carbon neutrality
(1)

Challenge 3: Adapting to changes in the social environment

1) Carbon neutrality (1)

Initiatives for greenhouse gas (GHG) emission reductions

We will keep our GHG emissions below the FY13 level, develop a plan for reaching **net zero GHG emissions no later than 2050**, and implement various necessary measures.

- ◆ **Establishing an organizational framework for promoting the initiatives**
 - ✓ Setting up a committee to promote carbon neutrality
- ◆ **Executing the ICMM commitment**
 - ✓ Building clear pathways no later than the end of 2023 to achieving net zero Scope 1 and 2 GHG emissions by 2050
 - ✓ Setting targets for Scope 3 GHG emissions
- ◆ **Continuing to reduce unit energy consumption**
- ◆ **Implementing the internal carbon pricing (ICP) scheme more extensively** (including a negative performance evaluation for an increase in emissions)
- ◆ **Considering the use of carbon credits**

See page 28 for adapting to changes in the social environment, especially about carbon neutrality. In this 3-Year Business Plan, we plan to reduce GHG emissions below fiscal 2013, formulate a plan to achieve net 0 GHG emissions by 2050, and promote various measures.

A Carbon Neutrality Promotion Committee has been established to promote individual measures, plans and discussions. As I said earlier, we will fulfill the commitments of international organizations such as ICMM.

Challenge 3: Adapting to changes in the social environment 1)Carbon neutrality
(2)

Challenge 3: Adapting to changes in the social environment

1) Carbon neutrality (2)

Investment for reducing GHG emissions

- ◆ Total investment of 12 billion yen planned for the 21 3-Year Plan period
 - Of which, 5 billion yen is for capital investments including those subject to internal carbon pricing (Boiler fuel conversions, solar power generation, etc.)
 - 7 billion yen in testing and research related to the reduction of GHG emissions including those from Scope 3 sources

	Amount (in million yen)	
Direct reduction of GHG emissions from the SMM group	500	Environmentally friendly smelting and refining
Contribution to reducing GHG emissions from society (Upstream)	1,000	Lithium refining, battery recycling, etc.
Contribution to reducing GHG emissions from society (Downstream)	4,500	Battery materials, heat-ray shielding materials, etc.
Contribution to electricity and energy conservation and electrification	1,000	Powder Materials, etc.
Total	7,000	

Page 29 is what we will do in our 3-Year Business. I am thinking of investing 12 billion yen. Of this amount, 5 billion yen was spent on fuel conversion and renewable energy, and 7 billion yen was spent on research and development to reduce GHG emissions, including scope 3, including applying the Internal Carbon Pricing (ICP) system.

Our company's GHG emissions are approximately 2.8 million tons in Japan and overseas. About 1.4 million tons each, half in Japan and half overseas, 60% of which comes from electricity. First, we want to focus on reducing the GHG emissions from the remaining 40% of operations.

Challenge 3: Adapting to changes in the social environment 1)Carbon neutrality
(3)

Challenge 3: Adapting to changes in the social environment

1) Carbon neutrality (3)

Promoting the development of products, technologies, and processes that can help achieve carbon neutrality

- ◆ Advanced materials (functional inks, nickel powders, silicon carbide, etc.)
- ◆ Direct reduction of GHG emissions from existing processes
 - ✓ Reduction of use of neutralizer, CO₂ fixation, use of biomass as a reductant, etc.
- ◆ Direct reduction of GHG emissions from smelting and refining operations by introducing innovative processes
 - ✓ Consideration of introducing next-generation nickel smelting and refining processes, employing a hydrogen reduction technology, etc.
- ◆ Contribution to reducing carbon footprint through new projects
 - ✓ Battery recycling (nickel, cobalt, lithium)
 - ✓ Lithium refining (direct recovery from salt lake brine)
 - ✓ Development of cathode materials for all-solid-state batteries
 - ✓ Research of photocatalyst materials for artificial photosynthesis

Page 30 describes the promotion of products, new technologies, and processes that contribute to carbon neutrality. Concerning the products listed on the slide, our approach may require the use of petrochemical fuels to produce metals from oxide ores and may emit CO₂ to neutralize them, but we will consider alternatives based on the power of technology.

Challenge 3: Adapting to changes in the social environment 2)DX

Adaptation to digital transformation (DX)

- ◆ Establishing a new unit tasked with DX promotion in FY22 to accelerate company-wide DX
 - ➡ Enhancing competitive edge and establishing infrastructure for implementing measures toward achieving our vision by leveraging DX
- ◆ Investment and expenditures planned for the 21 3-Year Plan period
 - ➡ Company-wide DX infrastructure: 7 billion yen; Division-level DX: 6 billion yen
 - DX-related expenditures: 2 billion yen



Page 31 is our second major challenge: DX. Specifically, the DX Promotion Committee will be established similarly to carbon neutrality to accelerate company-wide DX. Our company has many technical and operational divisions, and DX-related initiatives have been in place for several years. We will integrate these initiatives throughout our company and clarify the direction.

As shown on the slide, we plan to invest a total of 15 billion yen during the 2021 3-Year Business Plan. We will digitize our operations and consider the development of digital operations and digital businesses.

Challenge 3: Adapting to changes in the social environment 3) Securing, fostering, and utilizing human capital

Challenge 3: Adapting to changes in the social environment

3) Securing, fostering, and utilizing human capital

Initiatives for securing, fostering, and utilizing human capital

Securing	Fostering	Utilizing
<ul style="list-style-type: none">● Enhancing recruiting capabilities and increase recruitment staff● Expanding the long-term engineering internship program● Improving corporate branding● Introducing scholarships	<ul style="list-style-type: none">● Promoting the evolution and deepening of OJT (1on1 meetings)● Enriching the coaching training program● Introducing a career building program● Introducing a talent management system● Enhancing the management leadership training program for selected employees	<ul style="list-style-type: none">● Reviewing the remuneration and performance evaluation systems, allowances, and benefits● Hiring and utilizing diverse human capital● Implementing mental health care management and health promotion programs
Aggressive investment in human capital		
<ul style="list-style-type: none">● Launching a training program designed to foster next-generation leaders● Work Experience Program (Renewed acknowledgement of capabilities and skills, mid-career development, life stage support for employees 65 and older)● Diversifying online learning opportunities as a way to support self-motivated career building (reskilling, recurrent training)● Promoting health and productivity management: Raising of retirement age to 65 to support employees wishing continue to work and stay active for life		

Page 32 is our human resources strategy. Concerning the declining birthrate, the aging of society, and the liquidity of the labor market, we are aware that companies have shifted to the side selected by the labor market. The awareness of working has changed over the past two to three years, especially among young people. We recognize that this is a fundamental challenge for the survival of our company.

Naturally, human resources are resources and capital. We intend to divide this management into three segments: securing, fostering, and utilizing. We are taking various measures, and as shown in the slide, we will take soft measures.

Challenge 4. Strengthening the foundation of business management 1) Sources of competitiveness

Challenge 4. Strengthening the foundation of business management

1) Sources of competitiveness

Sumitomo's 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.

Sources of competing power

Technology

Technology that has been continually honed over 430 years and is focused on the next generation

Corporate climate

Employees who share our business spirit and an open and vibrant organizational climate

Business partners

Relationships of trust with business partners that have been formed with a long-term perspective

Local communities

Involvement with local communities that has been built up through our core business

Safety

A firm resolve in regard to safety and a management framework that heightens hazard awareness

Customers

A close affinity with our customers' needs and the collaborative capabilities to continuously respond to them

Financial strength

Financial position that enables us to take advantage of investment opportunities

Page 33 is about strengthening our foundation of business management. The "Source of Competitiveness" is shown on the slide. The backbone of our management is Sumitomo's Business Spirit. As for the seven competitive strengths, we are looking to strengthen our foundation at the points listed on the slide.

Challenge 4. Strengthening the foundation of business management 2) Safety

Challenge 4. Strengthening the foundation of business management 2) Safety

Safety initiatives

Emphasis placed on preventing "serious accidents" (absence from work for 3 months or more) & reducing "recurring accidents"

- (1) Promote measures related to equipment & essential safety, focused on serious accident risks (moving parts, crashes/falls, heavy objects, heavy machinery)
- (2) Improve on-site management power by strengthening checks on realities & actions through "work observation" & "practical risk assessment (RA)" as well as through priority-oriented initiatives, etc.
- (3) Improve risk sensitivity by introducing and practicing more effective education & training (including hands-on training based on VR, etc.)



Targets during the 21 3-Year Plan period

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

Page 34 is our commitment to safety. As I said earlier, the reality is that they are not improving. We will redouble our initiatives to prevent serious and repeated accidents.

We feel that the safety measures we are taking are not effective enough, but as a company, there may be times when experience has not been passed down because generations change and people change.

Therefore, I believe that it is fundamental to do the same thing repeatedly, but I would like to accept and change the proposals of external consultants that I have just mentioned to the extent that they do not become an obstacle to doing so.

Challenge 4. Strengthening the foundation of business management 3) Promote sustainability (1)

Challenge 4. Strengthening the foundation of business management

3) Promote sustainability (1)

Reorganize & strengthen framework for tackling 11 “Material Issues”



On page 35, we will explain sustainability measures to our vision for 2030. This is described in the integrated report, so I will omit the explanation.

Challenge 4. Strengthening the foundation of business management 3) Promote sustainability (2)

Challenge 4. Strengthening the foundation of business management

3) Promote sustainability (2)

From “CSR” to “sustainability”

- ◆ Toward achieving “Vision for 2030,” we will revise the existing promotional framework into an committees focused on the “Sustainability Committee” to adequately address social needs.

Sumitomo Metal Mining Group’s sustainability policy (changed from CSR policy)

“The SMM Group will tackle management issues that contribute to society’s sustainable development, and will strive to achieve continuous growth in our business and improve our corporate value.”

This is a review of our sustainability promotion system. We understand that the history of the Sumitomo Metal Mining Group is the history of CSR and sustainability. We have been engaged in CSR activities to solve social issues through our businesses.

The understanding that our company’s CSR activities are the same as today’s sustainability activities has spread throughout the company. However, while the term “sustainability” has become widely used, we have difficulty explaining it.

To gain a clear understanding of our company’s activities, we decided to establish an organization that fully emphasizes the word sustainability, putting aside our company’s interpretation.

Challenge 4. Strengthening the foundation of business management 3) Promote sustainability (3)

Challenge 4. Strengthening the foundation of business management

3) Promote sustainability (3)



This is our sustainability promotion framework. There is a Sustainability Committee under the President, and under it are the 7 Sustainability Subcommittees, 4 Management System Working Groups, etc., from the left side of the slide. These have all reorganized what is now our company's operating organization.

The Carbon Neutrality Promotion Committee and the DX Promotion Committee are already working independently and reorganized.

Challenge 4. Strengthening the foundation of business management 4)Corporate governance (1)

Challenge 4. Strengthening the foundation of business management

4) Corporate governance (1)

Basic approach to corporate governance

◆ Corporate governance

...is a disciplinary framework both for maximizing the corporate value of the SMM Group and for ensuring sound management practices.

◆ By striving to enhance our corporate governance,

...SMM will conduct efficient and sound business activities, make positive contributions to society, and fulfill our responsibilities to our shareholders and all other stakeholders in order to realize the SMM Group Corporate Philosophy.

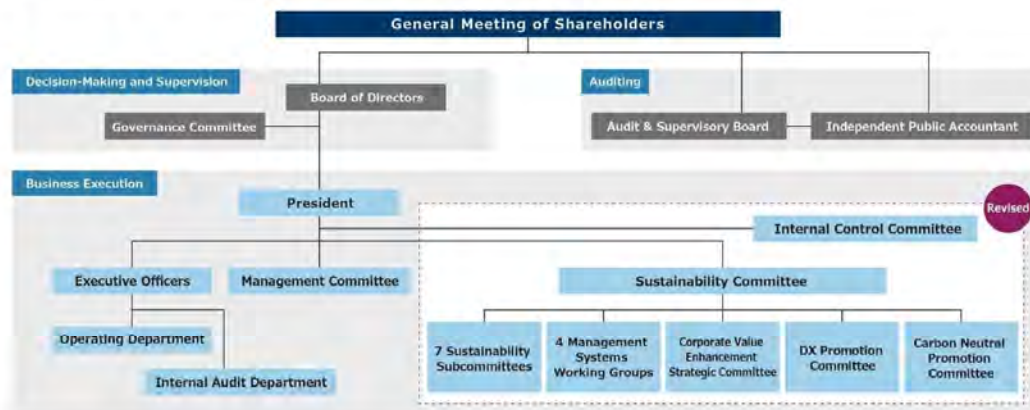
This is the basic approach to corporate governance, as I mentioned earlier in our company's section on corporate governance.

Challenge 4. Strengthening the foundation of business management 4)Corporate governance (2)

Challenge 4. Strengthening the foundation of business management

4) Corporate governance (2)

Corporate governance framework (from April 2022)



The Sustainability Committee supervises other committees and working groups.

This is a framework of corporate governance. This is the overall picture of our company's corporate governance, including the sustainability promotion structure shown at the bottom right of the slide. The execution is all under the President.

Challenge 4. Strengthening the foundation of business management 5) Corporate governance (3)

Basic policy on business portfolio

◆ Policy formulated as follows:

✓ Manage the business portfolio for each business unit (consolidated basis), using ROCE (return on capital employed) as an indicator.

When a business unit falls short of the target in each 3-Year Plan period, it is positioned as "a business subject to confirmation of its continuation" and, in the following two years, whether to continue the business is confirmed while its improvement and reform are pursued, in principle, with a final judgment made in the following fiscal year. The Board of Directors shall regularly oversee the status.

◆ ROCE target during 21 3-Year Plan period: 5.5%

Page 40 shows our policy on the business portfolio as required by the Corporate Governance Code, etc. As far as the portfolio is concerned, it may be a matter of business revitalization, but in the case of our company, after considerable selection and concentration about 20 years ago, we believe that businesses close to our core business are still in our hands.

Even in such a situation, we cannot randomly manage our business, so we are considering setting so-called financial efficiency indicators to monitor the business trends. We will work our business portfolio using ROCE (Return on Capital Employed) as an indicator.

In the case of our company, we look at each business unit. Few assets in our business units are not related to our business, and we believe ROCE is good. The target for the 2021 3-Year Business Plan is 5.5%.

Challenge 4. Strengthening the foundation of business management

5) Corporate governance (4)

Takeover defense measures

◆ Introduction decided in 2007, renewed since until today

✓ It requires a long time to secure non-ferrous metal resources, ranging from a decision on development to enjoying its outcome. Possessing promising resources, our company faces the risk of takeover bids for the resources held.

✓ There is no guarantee in Japan's legal system and market regulations that necessary information and time will always be secured for the target company and its shareholders to consider whether any proposed acquisition is acceptable or not.

Necessity unchanged today as well



Cases increasing where companies confirm intentions of shareholders only after takeover proposals



Not to renewal of takeover defense measures decided

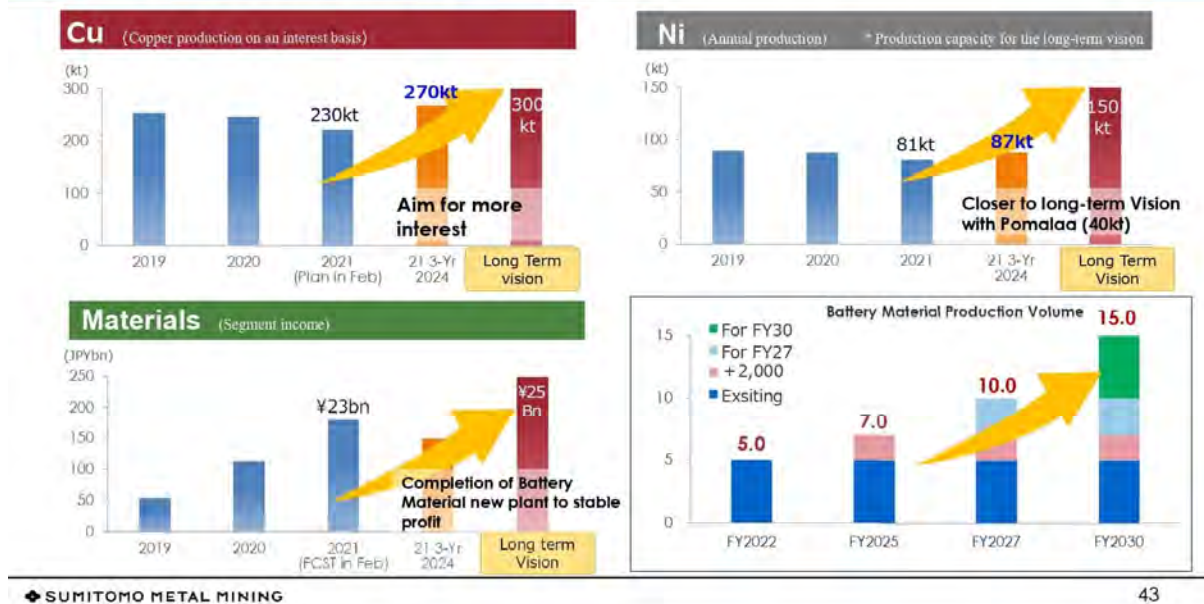
When a massive purchase of our shares is proposed or other relevant actions are taken, we will sound out shareholders on adequate response at that point as necessary.

Page 41 describes the takeover defense measures in the corporate governance announced yesterday. Given the nature of our company's business and the assets it holds, the emergence of an abusive acquirer remains a threat. As a result, since 2007, we have proposed and continued pre-warning takeover defense measures at shareholders' meetings.

Many investors are familiar with the situation in our company, but very often, we receive negative feedback about proactive defenses against unspecified acquirers. In light of the current situation, I do not think they need for countermeasures has changed for our company, but we have decided not to continue the anti-takeover measures.

1. Progress to target

1. Progress to target



43

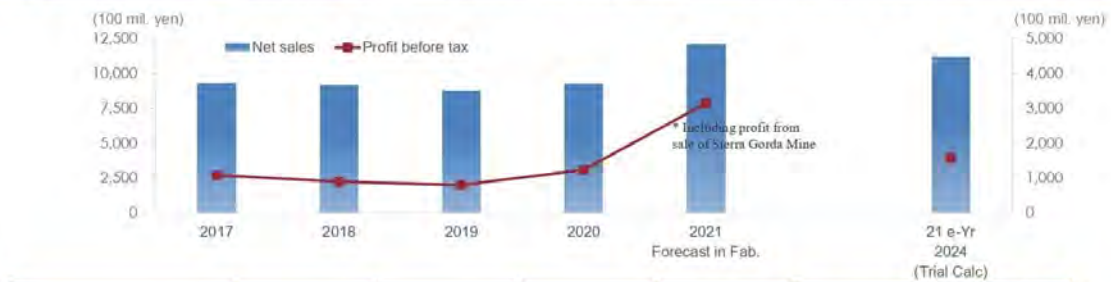
As the 2021 3-Year Business Plan achievement, page 43 refers to progress to the target. This is a rather rough document, but we would like to say that if global economic growth is assumed to be around 3% per year, growth of approximately 10% in a certain 3-Year Business Plan period is not a growth strategy. If I want to, I want to aim for more.

Both resource development and capital investment are carried out, and the results may not be obtained during a certain 3-Year Business Plan period. However, if results are achieved, we aim to achieve growth that meets the expected growth rate over multiple 3-Year Business Plan periods.

As for copper, in 2024, it was 270,000 tons, an increase of about 40,000 tons. We hope to increase this to 300,000 tons further.

2. Business Performance 1) Profit/Loss Trial Calculation under 3-Year Plan

2. Business Performance 1) Profit/Loss Trial Calculation under 3-Year Plan



	2017	2018	2019	2020	2021 Forecast	21 3-Yr 2024 (Trial Calc.)
Net sales (100 mil yen)	9,297	9,122	8,519	9,261	12,110	11,160
Pretax profit (100 mil yen)	1,083	894	790	1,234	3,140	1,570
Copper (\$/t)	6,444	6,341	5,860	6,879	9,445	8,000
Nickel (\$/lb)	5.06	5.85	6.35	6.80	8.51	7.50
Gold (\$/Toz)	1,285	1,263	1,462	1,824	1,787	1,600
Exchange rate (yen/\$)	111	111	109	106	112	115

This is a trial calculation of our business performance. The chart on the slide shows the trend of profit. Although the 2024 trial calculation is not as good as the 2021 forecast, the forecast is based on the assumption that copper is \$8,000 per ton, nickel is \$7.50, gold is \$1,600 per ounce, and the exchange rate is 115 yen from the right side of the table at the bottom of the slide.

2. Business Performance 2) Trial Calculation of 21 3-Year Plan

2. Business Performance 2) Trial Calculation of 21 3-Year Plan

21 3-Year plan 2024 Trial Calculation of profit before tax : 157bn Yen

Metal Price / Sierra Gorda Transfer profit not exist; But QB2 and Cote contribute to Profit



Let me explain how the trial calculations on page 44 compare to our company's current business performance. There is a waterfall graph on page 45. The leftmost one is the forecast for 2021. It is affected by about 60 billion yen due to market factors. Sierra Gorda is a unique factor for a single year, and this impact is 74 billion yen.

I would like to say a few things about the extent to which I can explain it without those impacts. First of all, the cost difference is 23 billion yen, which results from trial calculations based on the expectation that energy costs will rise in overseas copper mines.

In addition, approximately 24 billion yen has been recorded as an asset replacement effect. This is the difference between the loss of Sierra Gorda due to the contributions of QB2 and Côte, but I think it is a strategic effect.

2. Business Performance 3) ROCE by segment

2. Business Performance 3) ROCE by segment

Trial Calculation in FY2024 under 21 3-Year Plan

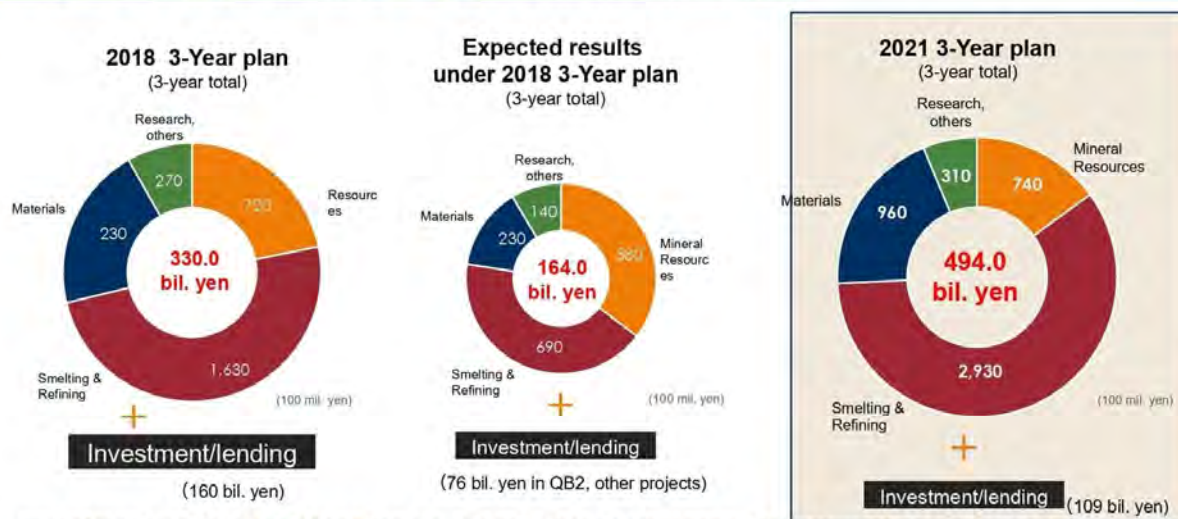
	Mineral resources	Smelting & refining	Materials	Others	Total
Pretax profit	990	480	150	-50	1,570
Earnings before interest & tax (a)	910	380	110	-40	1,360
Capital employed (b)	9,000	8,350	2,580	730	20,660
ROCE (a/b)	10.1%	4.5%	4.1%	-	6.6%

- ◆ Resources: Contributed by earnings from QB2, Côte projects
- ◆ Metals: Burdened by advance investment in Pomalaa project
- ◆ Materials
 - Batteries: Burdened by advance investment in new plants (contributing from FY2025)
 - Advanced materials: Higher profits on greater sales in existing businesses
- ◆ Company-wide: Investment made in advance in response to growth strategy, CN, DX

This section describes ROCE by segment from resources to materials. As for the ROCE estimated in fiscal 2024, the target of 5.5%, which I mentioned earlier, has been cleared as a whole. By division, there are some areas where we have not achieved the target due to the upfront burden of certain investments and price reductions. We will continue to watch them.

3. Capital expenditure & investment/lending

3. Capital expenditure & investment/lending



Investment under 21 3-Year Plan up sharply due to unrealized investment carried over from 18 3-Year Plan plus additional new investment

This is capital expenditure. The 2018 3-Year Business Plan calls for a capital expenditure of 330 billion yen, but actual results are expected to be 164 billion yen, about half of the total. Including unrealized capital expenditures such as delays in this project, we plan to invest 494 billion yen in plant and equipment under our 2021 3-Year Business Plan.

4. Research & development expenses

4. Research & development expenses



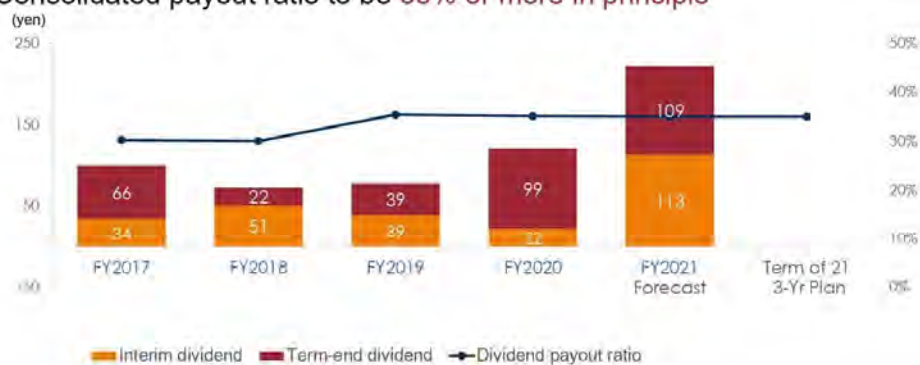
These are research and development expenses. You can see an increase of 30% compared to the 2018 3-Year Business Plan.

5. Dividend policy

5. Dividend policy

Dividend policy

- ◆ Policy for returning **performance-based** benefits to shareholders to remain intact
- ◆ Consolidated payout ratio to be **35% or more in principle**



This is our dividend policy. Our company pays dividends to shareholders in a performance-based manner. The consolidated dividend payout ratio is at least 35%, the same as the current ratio, but it is "principle."

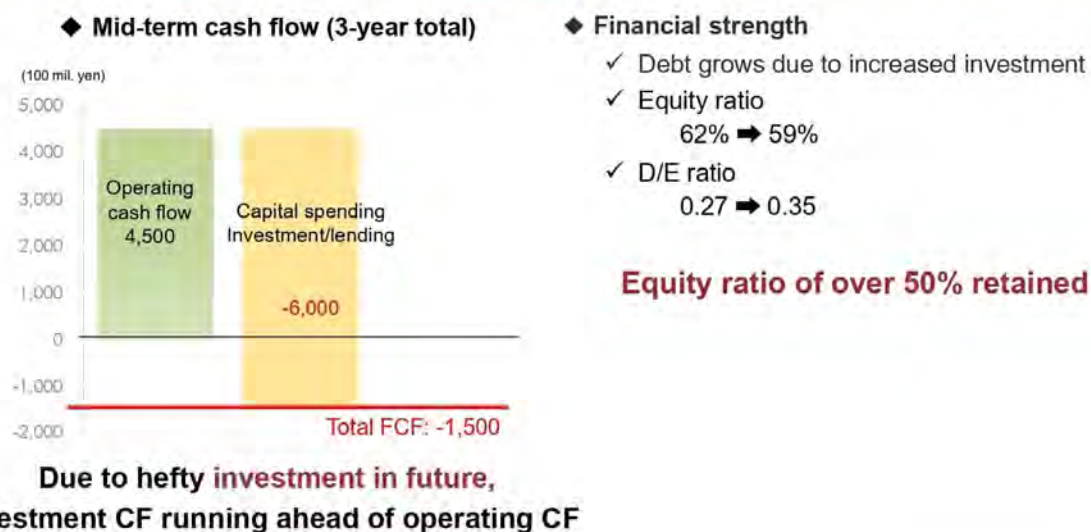
What I would like to say is that, as I explained earlier, we would like to actively implement carbon neutrality, in particular, if BAT (Best Available Technology) is developed through technological innovation and our company considers it applicable. In that case, the level of investment will probably be relatively high.

Compared with cash flows from operating results, when such unique factors arise, it is difficult to say that we do not make any proposals that are not 35% as shown on the slide, taking into account the current financial condition, future financial forecasts, and financial position forecasts.

There's nothing like that right now, so if there's nothing more to come, that's what's on the slide.

6. Cash flow and financial strength

6. Cash flow and financial strength



This is the cash flow and financial strength. The operating cash flow is 450 billion yen, the investment is 600 billion yen for three years, and about 150 billion yen is procurement.

Under these circumstances, some people might say that the dividend payout ratio will remain at 35%. As for our financial position, we are targeting a capital adequacy ratio of 50%, and as long as this ratio is maintained, we intend to return profits to shareholders as planned.

In terms of financing, projects can be project finance, green finance, or conventional corporate bonds. However, we are not considering equity financing at this time.

The above is an overview. From here on, the general managers of the division in charge will explain the strategy of each business.

1. Mineral Resources Business 1) Important Themes

1. Mineral Resources Business 1) Important Themes

Important themes

- (1) Completion of prep work and start-up of QB2 & Cote projects as planned
- (2) Redesign of production at Hishikari Mine
- (3) To Acquire new projects
the pipeline expansion project selection



Sato: I'm Sato. I will explain about the Mineral Resources Business. There are three essential themes of resources in the 2021 3-Year Business Plan.

The first is the planned completion and startup of the Quebrada Blanca 2 and Côté. The second is a redesign of the production system at the Hishikari Mine. The third is the acquisition of new projects and expansion of the pipeline after the sale of Sierra Gorda.

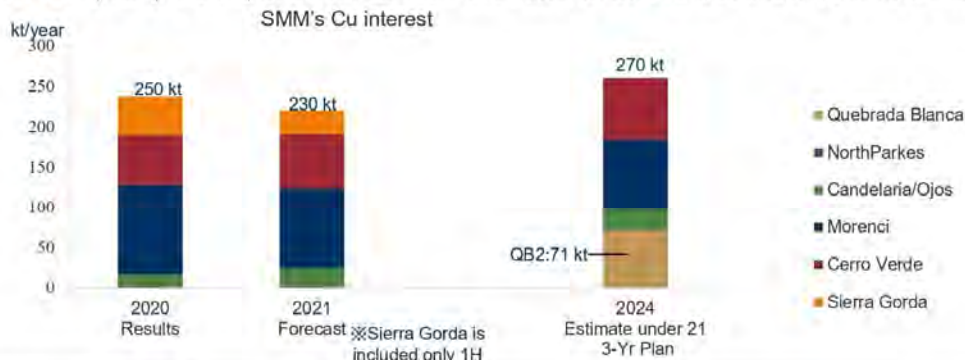
1. Mineral Resources Business 2) Quebrada Blanca 2 Project

1. Mineral resources business 2) Quebrada Blanca 2 Project

Quebrada Blanca 2 (QB2) Project

SMM interest	25%
Teck	60%

- ◆ Production seen starting within 2H 2022
- ◆ Production plan : 284kt in FY2024 (SMM interest 71kt)
- ◆ Thanks to QB2's contribution, copper output equivalent to mine interests in the final year (FY2024) of 21 3-Year Plan estimated to exceed that under 18 3-Year Plan



First, I will explain Quebrada Blanca 2. Our company has a 25% interest and aims to start production in the second half of 2022.

As Nozaki explained earlier, the characteristics of this project are that the stripping ratio is meager at 0.72 percent, and the ore grade is also 0.52 percent. It is pretty high compared to the average grade of 0.3. Later, I will explain our primary mines, such as Morenci and Cerro Verde.

In addition, ore dressing using seawater is performed, but all seawater is desalinated. The actual yield is 90% by using desalinated water for ore dressing. Because of these conditions, the project is cost-competitive.

In 2024, the final year of the 2021 3-Year Business Plan, we will plan to produce 284,000 tons, 71,000 tons for the interests of our company. Combined all mines production, 270,000 tons of concession copper in 2024. This is making up for the losses in Sierra Gorda and reaching even higher levels. However, there is a precondition that existing mines must continue to operate stably.

1. Mineral Resources Business 3) Copper mines abroad

1. Mineral resources business 3) Copper mines abroad

Morenci Mine (U.S.)			Cerro Verde Mine (Peru)			Candelaria Mine (Chile)		
Ownership ratio	FCX	72%	Ownership ratio	FCX	53.56%	Ownership ratio	Lundin	80%
	SMM	25%		SMM	16.8%		SMM	16%
	Sumitomo Corp.	3%		Sumitomo Corp.	4.20%		Sumitomo Corp.	4%
				Others	25.44%			
								
Output FY2021 397 kt (actual)			Output FY2021 402 kt (actual)			Output FY2021 146kt (actual)		
						※Include Ojos del salado		

Our company's primary copper mines are Morenci in the United States, Cerro Verde in the Peruvian Republic, and Candelaria in Chile, while Morenci and Cerro Verde are among the world's top 10 copper mines with an annual production of around 400,000 tons. We will continue to strive for stable operations together with Freeport McMoran Inc.

On the other hand, Candelaria has been unable to meet production targets due to the union strike two years ago, and the prevention of pit collapses last year. In the future, we will strengthen the system and aim for 180,000 tons in 2024, 30,000 tons more than in 2021.

1. Mineral Resources Business 4) Hishikari Mine, Côté Project (Au)

1. Mineral resources business 4) Hishikari Mine, Côté Project (Au)

Hishikari Mine

Structural reform based on long-term operation plan

Shifting to sustainability-oriented operations

Giving priority to average-grade ore mining to extend the mine's life

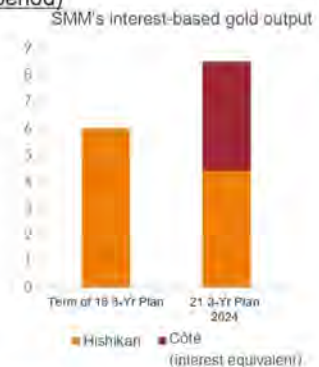
6.0 tons per year (18 3-Year Plan period) ➡ 4.4 tons per year (21 3-Year Plan period)

- ◆ Completing new dewatering facilities during the 21 3-Year Plan period
- ◆ Aggressively promoting deep-lying pits to secure new ore deposits
- ◆ Achieving cost reductions by restructuring the operational framework by incorporating digital transformation, etc.

Côté gold project

Operation set for launch in 2023 as planned and shift to stable production

SMM interest
27.75%
IAMGOLD 64.75%



This is about Hishikari Mine and Côté. At the Hishikari Mine, we will shift to operations that emphasize sustainability. Aiming to extend our mine life, we will focus on mining at an average grade of mineable ore. Production volume was 6 tons per year during the 2018 3-Year Business Plan and will be 4.4 tons per year during the 2021 3-Year Business Plan.

As a topic, the startup of a hot spring dewatering facility will be completed during the 2021 3-Year Business Plan. As this is the first operation of a new hot water dewatering facility in about 30 years, we will actively explore the deep part of the ore body below the current hot spring water level to acquire new ore. In addition, we will review our operating system by incorporating the latest technologies such as DX to reduce costs.

With the completion of construction in the first half of 2023 and the transition to stable production, the Côté project aims to produce 13 tons of gold in 2024 and 4 tons from its interests in our company. That's all for my explanation.

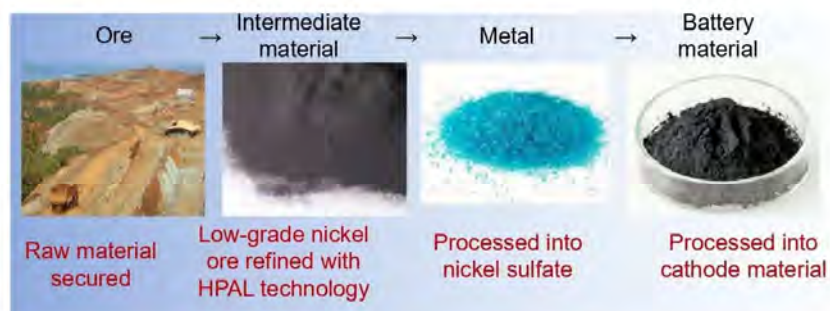
2. Smelting & Refining business 1) Important themes

2. Smelting & Refining business 1) Important themes

Important themes

(1) Strengthen value chain of SMM Group's Ni business

(2) Enhance competitiveness of Cu business



Matsumoto: I'm Matsumoto from the Non-ferrous Metals Division. I will explain about the smelting & refining business.

There are two critical themes as metals that I will explain today. The first is to strengthen the value chain of our group's nickel business and to strengthen the value chain centered on our company's distinctive nickel, and we will explain our efforts to "enlarge the core."

As shown in the slide, the nickel business in our company is involved in the development of low-grade nickel oxide ore at overseas mines and manufacturing mixed sulfide, an intermediate raw material, using a technology called HPAL in the field.

This is transported to a refinery in Japan to manufacture a nickel sulfate, which is then used as a raw material to manufacture cathode materials for batteries, mainly automotive batteries, and supply them to battery manufacturers. We are working to strengthen this process.

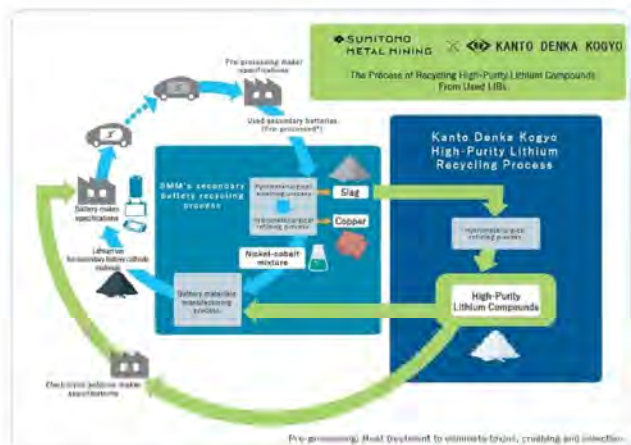
The second theme is our efforts to strengthen the competitiveness of the copper business, the backbone of our company's smelting and refining business.

2. Smelting & Refining business 2) Enhancing value chain of Group's Ni business

2. Smelting & Refining business 2) Enhancing value chain of Group's Ni business

Value chain of Ni business

- ◆ Promote Pomalaa project
aim to reach a final investment decision.
- ◆ Stable supply of nickel-based material
for battery/advanced materials businesses
- ◆ Battery recycling
Aiming to achieve a processing capacity of 10,000 tons per year by the end of 24 3-Year Plan period (FY25 through FY27)
Seeking to launch operation of commercial plant within the 21 3-Year Plan period



Concerning strengthening the value chain of the nickel business, which I mentioned earlier, we will continue to promote the Pomalaa project in terms of raw material processing. In addition, we will continue to provide a stable supply of nickel-based raw materials for batteries and advanced materials.

Recycling of batteries is a topic of the 2021 3-Year Business Plan. As explained earlier, we plan to commence operations at the plant during the 2021 3-Year Business Plan and bring the plant to a level capable of processing 10,000 tons per year during the 2024 3-Year Business Plan.

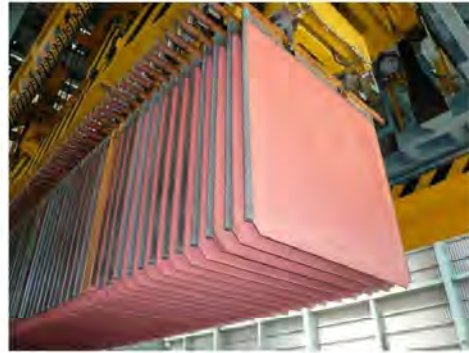
The right side of the slide shows the battery to battery recycling model. We will collect the deteriorated battery of the EV on the market and receive it after the domestic pretreatment manufacturer processes it.

Our company uses a combination of pyrometallurgical and hydrometallurgical processes to recover nickel, cobalt, copper, and lithium recently released in a press release and then supplies it as raw material for batteries.

2. Smelting & Refining business 3) Enhancing competitiveness of Cu business

Copper-Smelting business

- ◆ 460 kt/year electrolytic copper output established at Toyo Smelter & Refinery
- ◆ Seeking to further improve yield
- ◆ Producing quality products matching market needs
- ◆ Promoting logistics optimization within plant premises



As for the second theme, strengthening the competitiveness of the copper business, we will focus on the four points shown on the slide.

First, the production volume of electrolytic copper at the Toyo Smelter & Refinery is currently 450,000 tons per year. By remodeling these bottlenecks and other facilities, we will increase production by another 10,000 tons, creating a system of 460,000 tons per year.

Secondly, we are further improving the recovery rate. We are improving the recovery rate by recovering valuable metals from various intermediates and slag.

Thirdly, from the perspective of creating quality that meets market needs, higher purity electrolytic copper has been required to develop EV business in recent years. We aim to respond to such conditions and supply them to our customers.

Fourthly, as for the promotion of logistics optimization within plant premises, we are working to further improve the environment and efficiency to strengthen our competitiveness. That's all for my explanation.

3. Materials business 1) Important themes

3. Materials business 1) Important themes

Important themes

Battery materials

Aiming at globally leading share in world nickel-based cathode material market



Advanced materials

- (1) Enhancing product portfolio management & introducing roadmap-based management
- (2) Formulating measures for profit maximization & future corporate value improvement



Abe: I'm Abe, and I will explain the battery materials business.

One of the critical themes of battery materials in this 3-Year Business Plan is to aim for a share of the world's top-class nickel cathode materials. Here are some numbers from a research company: our company is currently in the top five for the share of cathode materials in the world. We're trying to stay in the top five.

3. Materials business 2) Battery materials (1)

3. Materials business 2) Battery materials (1)

◆Promoting 2,000 t/month expansion

- ✓ Equipment completion & launch in FY2024 planned
- ✓ Plant positioned as model factory for DX promotion
- ✓ Employment/education to be launched ahead of other fields under 21 3-Year Plan to ensure steady start-up



◆Stable NCA output of 4,850 t/month, profitability improvement

- ✓ Stable production system established by improving equipment
- ✓ Improvement measures taken at various bases, such as reducing repair expenses & unit costs, and improving productivity

◆Introduce Toyota Production System

In the battery materials business, the new plant we are currently working on will be named the Niihama Plant, and we will work to start a business to expand production by 2,000 tons. The facility is scheduled to be completed and launched by the end of fiscal 2024 and is positioned as a model factory for DX promotion. The DX is intended to improve productivity and critical quality through machine learning and automated control of production facility operating parameters through data analysis.

During the 2021 3-Year Business Plan, we plan to hire and train staff at the new plant ahead of schedule and establish the new plant.

Next, I would like to explain the stable production of 4,850 tons per month and the improvement in profit and loss of the NCA currently in operation. In order to establish a stable production system by improving facilities, customers are demanding that our products become more sophisticated, and we are dealing with quality programs in particular.

In addition, we plan to implement improvement measures at each site, such as reducing repair costs, reducing unit costs, and improving productivity. As part of this measure, we consider introducing the Toyota Production System that Nozaki explained earlier. In addition to improving on-site capabilities and reducing costs, another important point is introducing TPS for human resource development. It is current

tly being used in Sumiko Energy Materials Co., Ltd. in Fukushima Prefecture and is planned to be expanded to all sites during this 3-Year Business Plan.

3. Materials business 2) Battery materials (2)

3. Materials business 2) Battery materials (2)

◆Mulling next phase of output expansion

Looking into product portfolio, plant location, etc.

◆Securing raw materials

Securing new sources of procurement along with Smelting & Refining business, promoting recycling

◆Securing & developing human resources ahead of next phase of output expansion

◆Response to GHG reduction in entire battery life cycle



As Nozaki explained earlier, we aim to increase battery materials production to 10,000 tons per month by the end of fiscal 2027 and 15,000 tons by fiscal 2030. However, even if the new plant is completed, it will be 7,000 tons. This is still not enough.

We intend to consider this issue, including customer requirements and locations. It is important to secure raw materials. As explained earlier by the Non-ferrous Metals Division, we intend to ensure new suppliers and promote recycling together with the smelting & refining business.

In the battery materials business, the European Directive announced in December called for a 4% recycling rate for nickel in cathode materials by 2030, and we intend to promote this as a target.

We plan to increase the number of employees at our new plant by more than 200 during this 3-Year Business Plan period. We will continue to secure human resources.

As for GHG reduction measures throughout the battery life cycle, we plan to focus on green procurement of electric power at sites and the conversion of heat sources

to natural gas during the period of this 3-Year Business Plan to work toward GHG reduction. That's all for my explanation.

3. Materials business 3) Advanced materials (1)

3. Materials business 3) Advanced materials (1)

(1) Enhancing product portfolio management

◆ What it should look like in future, sought by Advanced Materials Division

- A leading runner in each market,
- continuing to hone materials technology meeting the needs of all ages,
- securing high profitability and leading shares

◆ Introduction of roadmap-based management

As tools to realize the vision, introduce Market Roadmap, Business Division Roadmap, and New Product Roadmap.

(2) Formulating measures for profit maximization & future corporate value improvement

◆ Targeted growth rate of each product = Market growth rate + α

Takizawa: I am Takizawa, General Manager of the Advanced Materials Division. The first point of the 2021 3-Year Business Plan for the Advanced Materials Business is to strengthen portfolio management. This division has a wide range of products, including powder materials, crystal materials, and packaging materials. We aim to keep our portfolio updated and in optimal condition. We believe this will enable us to continue to grow.

The aim of the Advanced Materials Division for a long period has been clearly stated, and the goal and aim will not change even if the organization and people change have been confirmed. As you can see on the slide, we want to be a product group with high profitability and top market share.

We have also introduced roadmap management as a tool to realize this vision. As shown in the slide, there are three roadmaps: the market, business divisions, and new products. This roadmap overviews social and market trends. We anticipate the future, identify changes and new needs, and consider adapting and growing. In addition, we will share the direction and course we always aim for, and the parties concerned will work to realize it.

The second is to maximize revenue. The electronic components industry, in which we supply materials and components, has recently been defined by the term DX. Against this background, a high growth rate is expected in the future.

However, if this division grows at the same rate as this growth rate, the value of the business will be questioned. For this reason, we believe that our presence as a business is valuable only when we achieve a positive growth rate in the market.

By introducing new products or technologies, developing and operating innovative production processes, and developing new sales strategies, we hope to achieve the growth as mentioned earlier rate plus alpha.

3. Materials business 3) Advanced materials (2)

3. Materials business 3) Advanced materials (2)

Powder materials business

◆ Pastes

Shifting to high-functionality sphere by developing new products

◆ Ink materials

Sales expansion & development of new markets

Future plan of Ome District Division

Accelerating development of new products by integrating functions of powder materials development in Ome district



Page 63 covers the powder materials business. In the paste business, we will expand our nickel paste business based on the MLCC by developing new products to meet the needs of our customers, particularly in the high-functionality sphere.

In ink materials, we will ensure that demand from existing customers grows. In addition, we will develop new markets and new applications by taking advantage of the advanced characteristics of ink materials to achieve a market growth rate plus alpha.

As for the Ome District Division, a major manufacturing and development base for powder materials, we will start a plan to strengthen and accelerate the development of new products by consolidating the research & development functions of the powder materials business, which are currently scattered throughout Japan, in the Ome district.

3. Materials business 3) Advanced materials (3)

3. Materials business 3) Advanced materials (3)

Crystal materials business

- ◆ Expanding sales seizing on spread of 5G smartphones
- ◆ FR: Production/sales framework established not to miss market growth

Package materials business

- ◆ Retaining share in display COF market
- ◆ Boosting sales of high-performance substrates for smartphones

SiC (silicon carbide)

- ◆ Market penetration & launching mass production for in-car use in FY2025



The crystal materials business follows this. The LT and LN substrates market is expected to grow further due to the spread of 5G smartphones. We will take advantage of this opportunity to expand sales. FR is a component of optical communications equipment, and the telecommunications market is expected to continue to grow at a high rate. We would like to build a manufacturing and sales system so as not to miss this opportunity.

In the package materials business, we will retain the top share of COF substrates for displays in the tape materials business and expand the development and sales of high-performance substrates for smartphones.

Concerning SiC (silicon carbide), which we are working to commercialize, we are working to penetrate the market with our group's proprietary "laminated substrate" technology. We are rapidly addressing these issues to start mass production for automotive applications in 2025 as a milestone. That's all for my explanation.

Questions and Answers: On asset replacement, capital expenditure, Indonesian policy, and LFP

Questioner 1: I have three questions. First, please explain on page 45. The graph in the slide is described as "plus 24 billion yen for replacement of mine interest". The Quebrada Blanca 2 and the Coté Project contributed to it, including the withdrawal of Sierra Gorda. Is it just my understanding?

I think Sierra Gorda was 8 billion yen this term. If this disappears and the Coté project and QB2 are added, will it be 32 billion yen plus, and will it be 24 billion yen in total? Or could you tell us what this plus 24 billion yen is, including whether there will be any profit contribution from the withdrawal of Sierra Gorda, which will result in some kind of withdrawal clause?

Nozaki: I'm not going to give you specific figures, but QB2 and Coté are the factors that will increase profits. As for Sierra Gorda, in terms of financial measures, it includes items such as profit and loss adjustment of an investment subsidiary, so I think that the amount recorded in FY 2021 is probably higher than what you think. It means that there is no discrepancy in our calculation.

Questioner 1: Could you explain it more clearly?

Nozaki: I think the question is how to look at Sierra Gorda's profits and losses. The earnings of Sierra Gorda, including those of its investment subsidiaries, are the result of a variety of financial interactions, including interest rate and loan loss provisions. Therefore, I would like you to think that the figures are different from the performance of the mine itself. If you compare 2021 to 2024 based on the graph on the slide, you will understand that there are other elements to compare the actual mine performance.

Questioner 1: In other words, "8 billion yen" refers to the profit from the equity-method profit, but there is a portion of the loss that is decreasing, including the investment subsidiaries that invested in the equity method, which is being eliminated, and QB2 and Coté contribute effectively, resulting in an additional 24 billion yen?

Nozaki: As a matter of fact, Sierra Gorda-related profits in fiscal 2021 are expected to exceed equity in profit, as financially positive.

Q & A: Capital Expenditure Planning

Questioner 1: The second question is about capital expenditure planning on page 47. In the smelting and refining business, the amount was 293 billion yen, but because of Pomalaa, the 18 3-Year Business Plan total has shrunk, and I understand that it has shrunk slightly due to the COVID-19. Please tell me if Pomalaa causes this 200 billion yen. This time, the Toyo Smelter & Refinery reinforcement is added, so it's a little difficult for me to understand.

Nozaki: A significant portion of this is what we call a new source, this time Pomalaa. I would like you to consider this as an investment. It is not clear whether capital expenditure and lending are actually used, but capital expenditure is used at present.

Questioner 1: Even if you invest in these three years, it says that you will start up in the second half of the 2020s. Does the next 3-Year Business Plan mean that construction is continuing?

Nozaki: That's right. The investment amount of 494 billion yen is indeed large, but if you look at the capital expenditure in our company on a consolidated basis, the depreciation expense is about 45 billion yen. Even if the amount of investment for maintenance and renewal alone is 45 billion yen for three years, that is, 130 billion yen to 140 billion yen, it is expected, so if you think about 360 billion yen as a new project-related amount, it is not a too large amount.

Q & A: Impact of Indonesian Nickel Policy Change

Questioner 1: I got it. As for the third question, I think the Indonesian smelting and nickel policy has changed slightly. According to them, "Don't deal with things like nickel pig iron anymore" and "Shift to things with higher added value as much as possible." In an extreme case, I think it means "we will impose export duties on nickel pig iron this year.".

As for your company's "higher value-added products," the first impression I received from the Pomalaa project was that "This is a high value-added nickel, so I think there's any danger of stopping it.". Is there any risk that your company's plan will not go as planned because of this Indonesian policy change? Also, in the course of this review, I think the frequent LFP of battery materials has been taken into consideration, but I would like to hear your company's findings.

Nozaki: Abe, General Manager of Battery Materials Division, will answer LFP. As for Indonesian tariffs, as you said, there is talk of imposing tariffs on ferronickel and NPI. However, we will make an intermediate product called Mixed Sulfide, which

ch has higher nickel purity. For this reason, I do not expect to be affected by the tax policy so far. But I'm sure we're paying attention.

Abe: Let me tell you our view on LFP. Major automobile manufacturers have already announced that they will use LFP in areas where prices are low. There are many LFP EVs in China, and we believe that 40% of the global market will be LFP.

However, we estimate that 60% of EVs will be made from nickel-based materials, so we expect demand for nickel EVs to continue.

Q & A: Interim profit and loss calculations and revenues of Quebrada Blanca

Questioner 2: I have two questions. From the graph on page 45, the first point is that even if you remove the market factors, the target would be a little lower than the current figure. Could you tell us if you had not thought of trying to increase the profit by trying a little harder?

Second, regarding the "Quebrada Blanca 2 Project," could you tell us how much profit contribution you see in total in this 3-Year Business Plan, and what is the tax stabilization provision of Chile's Foreign Capital legislation No. 600?

Nozaki: As for your question, the first is how much you thought about "doing your best" during the 3-Year Business Plan. Second, the contribution of Quebrada Blanca and DL 600, the so-called tax agreement, is also related to the royalties currently being discussed in Chile, so that Sato will respond to that later.

You may have an impression that our profits and losses are insufficient during this period, but the position we are in now is the period in which we are completing the large-scale investment in progress. In addition, we believe it is time to invest in carbon neutrality and other investments that are not directly profitable.

It may not be impossible to control spending and make money, but I think it's time to spend rather than do it. Please understand that it will lead to the next step up.

Sato: I would like you to consider the profit of Quebrada Blanca in the range of about 10 billion yen. The rest is related to the Tax Stabilization Agreement. We believe that the Agreement will be maintained for 15 years after the start of operations, and we do not think that it will have any immediate impact.

Q & A: Profit from materials business during the 3-Year Business Plan period and acquisition of new projects

Questioner 3: I have three questions. The first point is that the profit of your materials business during the 3-Year Business Plan period is 15 billion yen, so I have an impression that it will not increase a little. Please tell me the background of this. The second theme was the acquisition of new projects in the mineral resource business. Please let me know if other deals, including your company's human capacity, are possible in the first place.

Lastly, as you have experience stabilizing operations at a mine in Sierra Gorda, I would like to hear your thoughts on how this has contributed to your company's attractiveness as a buyer.

Nozaki: As for the profit and loss of the materials business, I will answer the questions because the answers will differ from the individual division managers.

As you said, our profit will decrease compared to fiscal 2021. However, as I explained in the middle of the explanation, we are aiming for quantitative expansion of advanced materials, so we are thinking of improving our profitability. However, we are now making major investments, particularly in battery materials.

In addition, as you mentioned, it will be three years in which we will be leading the way in terms of costs, because we have to provide a wide range of human resources. The following 3-Year Business Plan is to make profits as soon as possible.

Sato will explain the capacity for acquiring new resource projects and how the Sierra Gorda operations team will leverage its contributions in the future.

Sato: We are currently engaged in two projects, Quebrada Blanca 2 and Côté, and as you pointed out, there is a balance of human resources. There is no doubt that we will focus on completing these two projects during this period.

On the other hand, resources will be depleted. We will do various searches to treat the next one from now on. We have not seen the local area for a long time due to the COVID-19. We have prepared a shopping list and plan to travel around the country actively after the COVID-19.

In addition, based on our experience of improving operations in Sierra Gorda, we are looking for medium-scale and small-scale mines that can increase value through our efforts, even in operational mines, not in development projects.

On the other hand, we are also engaged in exploration. Metal prices are very high right now, and it's pretty expensive to buy a on-going project, so growing from the exploration will take time, but we want to do it in parallel.

Q & A: Profit target of the materials business, profit/loss difference of the materials division in the medium-term profit/loss calculation, and ROCE target

Questioner 4: I have two questions. The first question concerns the materials business. In the materials business, you explained that it had raised the production volume target for cathode materials for batteries from 10,000 tons to 15,000 tons over the long term. Despite this, your company's long-term profit target for the materials business remains unchanged at 25 billion yen. The previous explanation said that profit would not increase during this 3-Year Business Plan due to cost priority. Could you tell us about the long-term view that profit targets have not changed even if volume increases?

In addition, the medium-term profit and loss forecast on page 45 shows a negative figure of approximately 8 billion yen for the materials business. I would appreciate it if you could explain the difference between receipt and payment of cobalt and so on. This is the first question in broad terms.

I will ask the second point, looking at page 40 of the material. A new ROCE target of 5.5% for the 3-Year Business Plan period has been set. As for those that fall below that level, you explained that you would position them as business portfolio management, that is, as a business whose continuous control should be confirmed, and that you would supervise them regularly in the future.

The materials and smelting businesses are below this target in the ROCE shown in the 3-Year Business Plan. Could you explain more about how you set this up and manage each business?

Nozaki: Your first question is about the profit targets of your long-term vision for the materials business. The profit target of our company's long-term vision is 150 billion yen for the entire company, and this figure was achieved in FY 2021 and will be exceeded in FY 2024.

The way to create a 3-Year Business Plan is to first decide on a long-term vision and then expand it to each division. Therefore, it is in this form, but we may review the numerical targets of the long-term vision in the future. In other words, when the size of our assets increases and the depth of our business grows, I don't think we will continue with the same goal.

In that sense, we have not yet achieved the target of 25 billion yen in the materials business you asked about, but I think we will achieve it in the future and the next target will be another one. We haven't had that much discussion yet.

Next, we will explain the negative 8 billion yen difference in profit and loss in the materials division. Various factors are involved in this, but I understand that the major factor is the investment or expense related to the upfront investment, as I mentioned earlier. Depending on the product or business, this is also a little up and down.

As I mentioned earlier, some businesses are close to our core business that we can compete in, as you pointed out earlier, "Some have already fallen short of their ROCE targets for managing their segment portfolios.". I feel it is necessary to observe this at a fixed point and improve it.

Therefore, if we fail to achieve our targets within a short period of a certain 3-Year Business Plan, we will consider drastic measures. First, we will consider what we should do and leverage it throughout the company. I think it will be a product group that will be in a slump for a long time in terms of materials. Or, in terms of smelting, we think of metals separately.

I think we have to do something about this area. Experience shows that the level of profit and efficiency fluctuates considerably. I would like to deal with it carefully.