



2018 3-Year Business Plan

Become a World Leader in the Non-Ferrous Metals Industry
—Taking on the Challenge for New Growth—

February 2019



SUMITOMO METAL MINING CO., LTD.

Akira Nozaki
President and Representative Director

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Financial Information and Supplementary Materials

1. Progress Over the Last 20 Years

September 1999 JCO criticality accident ► Formulated a Corporate Reform Plan and started over

2001 2-Year Business Plan ... Return to core business

2003 3-Year Business Plan ... Growth strategy

Mineral Resources

Cerro Verde Copper Mine
Sierra Gorda Copper Mine
Acquisition of interest

Morenci Copper Mine
Acquisition of additional interest
Operation of Pogo Gold Mine

Smelting & Refining

Toyo Smelter & Refinery
Built a 450-kt copper production structure

Construction of CBNC and THPAL

Electrolytic nickel
Built an increased nickel sulfate production structure

Materials

Selection and Concentration
Built an increased battery materials and crystal materials production structure

Business pillars have been strengthened,
with FY2018 profit levels 6 times, and total assets 3.5 times
greater than in FY2000

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'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
	Corporate Reform Plan	2001 2-Yr Business Plan	2003 3-Yr Business Plan		2006 3-Yr Business Plan		2009 3-Yr Business Plan		2012 3-Yr Business Plan		2015 3-Yr Business Plan								
	Nurture legal compliance and a safety culture	Return to core business (Selection and Concentration)	Promote growth strategy (5 Major Projects +1)		Further boosting corporate value by promoting growth strategy		Growth strategy based on realigned business structure		Strengthen competitiveness through the execution of a continuous growth strategy		Growth strategy focused on efficient response to external business environment changes								
	Reconfirm the Corporate Philosophy																		
	Reinforce Corporate Organization												Become a world leader in the non-ferrous metals industry and an excellent company of Japan						
JCO criticality accident																			
Sept. 30	Reform management systems	Reform business structure	Expand and strengthen core businesses (Mineral Resources & Metals, Electronics & Advanced Materials)		Further expand core businesses		Shift business model to three core businesses (Mineral Resources, Smelting & Refining, Materials)		Develop measures in line with the basic growth strategy model (Sowing, Planting, Nurturing, Harvesting)		Strengthen synergy through three-business collaboration (Mineral Resources x Smelting & Refining x Materials)								
	Manage risk	Reform cost structure																	
	Restructure the organization						Concentrate management resources on mineral resources and nickel												
	President Fukushima (from April 01, 2000)							President Kemori (from June 28, 2007)					President Nakazato (from June 24, 2013) President Nozaki (from June 26, 2018)						

2. Positioning of the 2018 3-Year Business Plan

Taking on the Challenge for New Growth

Formulated with a medium- to long-term perspective focused on the next 10 to 15 years

A period of preparation for entering a new stage of the growth strategy and aiming for new heights

An aggressive plan to seize the chances presented by changing times and invest management resources on an unprecedented scale to realize sustainable improvement in corporate value

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Three-year cumulative capital expenditure, investment, and financing of ¥490.0 billion. Although most of the effects of this will not be seen until the next 3-year business plan (2021 3-Year Business Plan) and later, a sound financial foundation can be maintained.

Capex, investment and financing	¥490 billion (3 year cumulative)
Free cash flow	- ¥110 billion (3 year cumulative)
Profit before tax	¥135 billion (FY2021 trial calculation)
Profit (Loss) *	¥97 billion (FY2021 trial calculation)
EBITDA	¥470 billion (3 year cumulative)
Dividend payout ratio	35% or more (has been 30% or more)
ROA (profit)	4.8% (FY2021 trial calculation)
ROE (profit)	7.9% (FY2021 trial calculation)
Equity ratio	61.5% (FY2018 year-end forecast) ▶ 60.6% (FY2021 year-end forecast)
Debt-to-equity ratio	33.0% (FY2018 year-end forecast) ▶ 37.4% (FY2021 year-end forecast)

* Profit (Loss) = Profit (Loss) attributable to owners of parent (the same shall apply hereinafter)

3. Maximizing Corporate Value

An incubation period for all large-scale projects.
Most of the effects of these will not be seen until the next 3-yr business plan (2021 3-Year Business Plan) and later.

Each individual employee to act with initiative and resolve.
Enhance the intangible aspects of business, such as human resources development.

Become a world leader in the non-ferrous metals industry and achieve profit of ¥150.0 billion, re-consider the Long-Term Vision

Achieve sustainable growth and maximize corporate value

II. The Long-Term Vision and Initiatives to Date



Message from the President



The Long-Term Vision and Initiatives to Date



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Financial Information and Supplementary Materials

Long-Term Vision (Revised)

Become a World Leader in the
Non-Ferrous Metals Industry

<Targets>

Nickel (Ni) Annual production capacity of 150 kt

Copper (Cu) Annual production interest of 300 kt

Gold (Au) Participation in new mine operations through the acquisition of superior interests

Materials Achievement of annual profit before tax of ¥25.0 billion through portfolio management

Profit Annual profit ¥150.0 billion

The World Leader in the Non-Ferrous Metals Industry We Are Aiming to Become

- Have a global presence in terms of mineral resource interests and metal production volumes (= be in the global top five)
- Have leading technology and a unique business model that cannot be easily emulated by other major mineral resource companies
- Be growing sustainably and stably producing a certain amount of profit
- Be actively tackling social issues such as the SDGs
- Have employees working with spirit

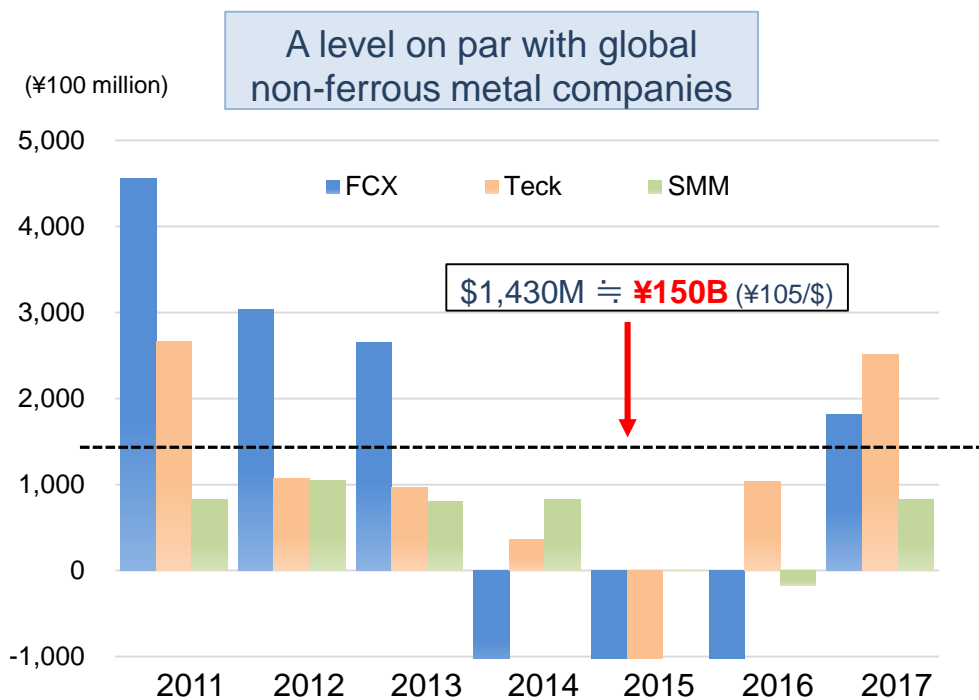
These are also the conditions required of an “excellent company,” but we have removed the term “an excellent company of Japan” from our Long-Term Vision to avoid repetition and make it simpler.

Regarding Profit of ¥150.0 Billion

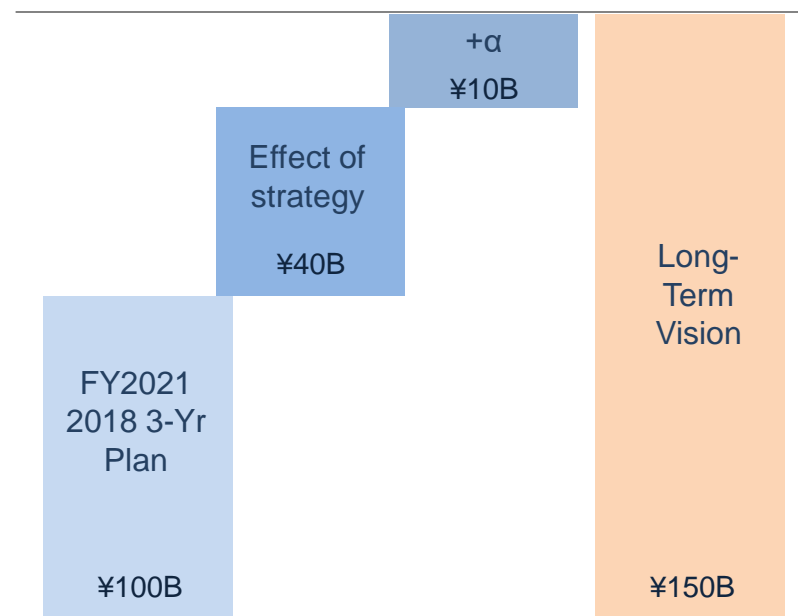
A numerical target appropriate for a “world leader in the non-ferrous metals industry”

A level that can be sustainably achieved through steady strategic investment and minimizing opportunity loss

Comparison of profit (loss)



Estimation for achieving the Long-Term Vision (Values based on the FY2018 3-Yr Plan)



Reasoning Behind the Targets

Nickel

Annual production capacity: 150 kt

A quantity that will position us as top class globally (about 5th)

A responsible quantity for meeting growing demand, including for battery materials

Copper

Annual production interest: 300 kt

A quantity that will position us as mid-level globally

Likelihood of achievement through participation in Quebrada Blanca II → Stronger

Gold

Participation in new mine operations through the acquisition of superior interests

Rather than increasing the number of interests, participating in superior projects will increase profitability and value of operational experience

Materials

Realize annual profit before tax of ¥25.0 billion through portfolio management

Create a presence as a core business by selecting the best mix of businesses based on the life cycle of each product group

2) Overview of Initiatives to Date 1

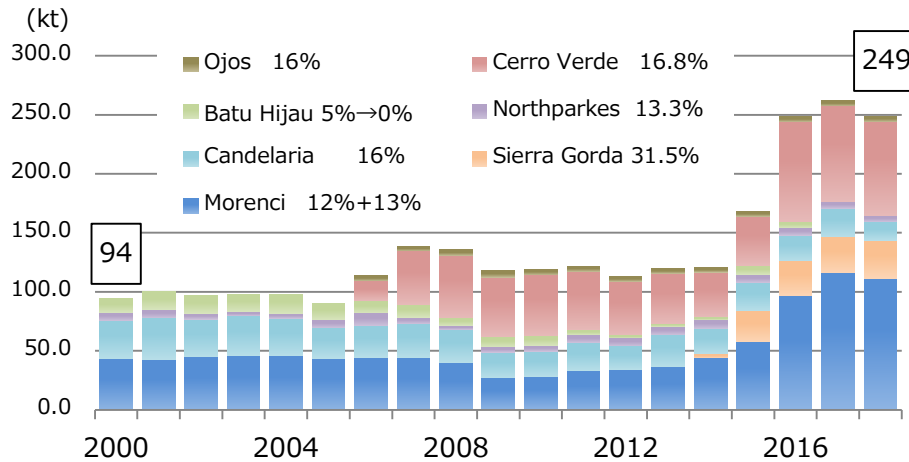
Major Projects Since the Corporate Reform Plan

		Corporate Reform Plan		01 2-Yr Plan		03 3-Yr Plan			06 3-Yr Plan			09 3-Yr Plan			12 3-Yr Plan			15 3-Yr Plan			
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
5 Major Projects + 1	Build 450-kt Cu structure		Decide							Investment completed								Achieve 450 kt			
	Cerro Verde					Decide															
	CBNC		Decide						Start production												
	Goro					Decide											Withdraw				
	Pogo				Decide						Full-scale production										Sell
	Copper-clad polyimide film, reinforcement					Decide					Complete										
Mineral Resources	Pogo, additional interest												Decide								
	Sierra Gorda											Decide					Commercial production				
	Solomon, development											Decide							Decide to withdraw		
	Morenci, expansion												Decide			Full-scale production					
	Cerro Verde, expansion													Decide			Full-scale production				
	Morenci, increase interest																Decide				
	Cote																		Decide		
	QB2																				Decide
Metals	CBNC, make 2 lines						Decide														
	Electrolytic nickel, 30 kt/year or more									Decide (41 kt)								Achieve 65 kt			
	THPAL											Decide				Commercial production				Transition to 36-kt production structure	
	Harima Refinery, transition structure												Decide					Zn, End production			
	Harima Refinery nickel sulfate												Decide 1		Complete	Decide 2		Complete			
	Scandium																Decide			Start production	
	Chromite																		Decide		
Materials	Sapphire, development								Decide				Start mass production			Withdraw					
	Battery NCA, 300 t/month or more														Decide (850 t)	Decide (1,850 t)		Decide (3,550 t)	Decide (4,550 t)		
	LT/LN, 120,000 pieces/month or more															Decide (210,300)	Decide (400 kp)	Complete 300 kp			
	SiC, buy development company																		Decide		
	F/W, L/F, withdraw																				L/F decide

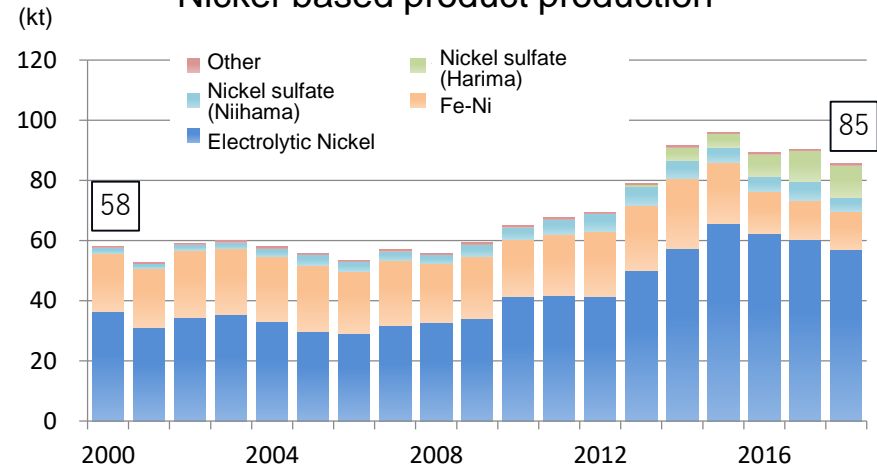
Effect of Long-Term Strategy

Significant growth in scale of both production and profits compared to levels in 2000

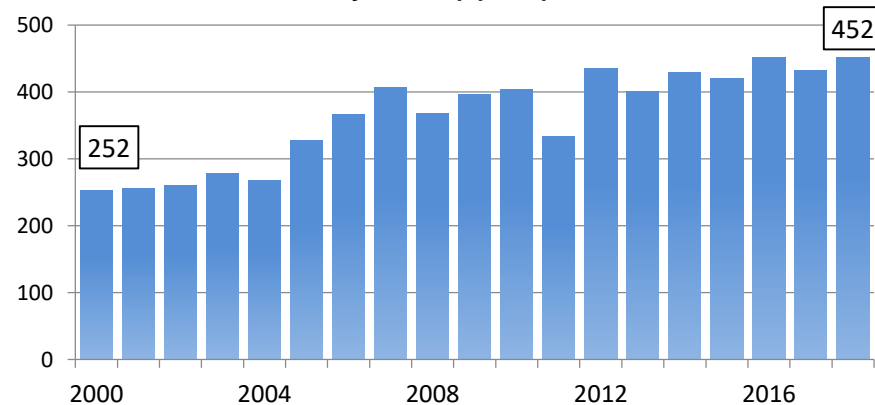
Copper interest production



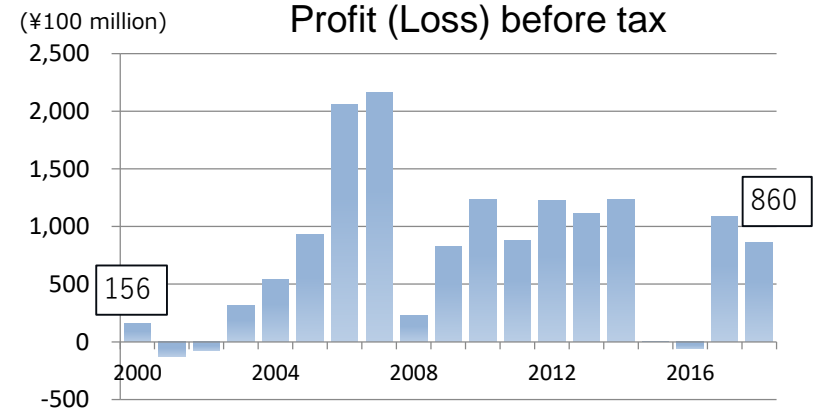
Nickel-based product production



Electrolytic copper production



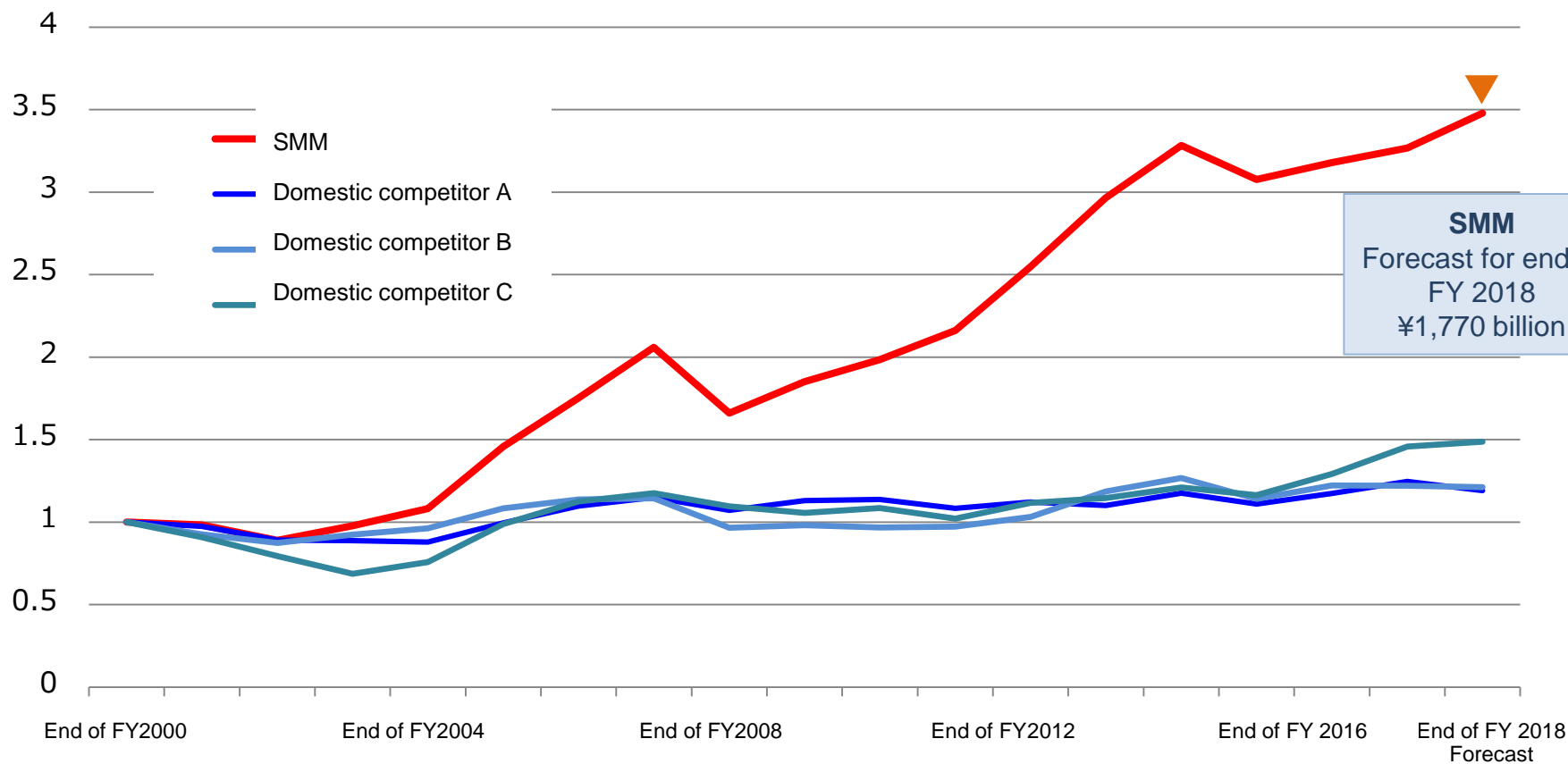
Profit (Loss) before tax



Effect of Long-Term Strategy

Growth at a pace surpassing that of our competitors in the 20 years since the JCO accident

Growth rate of total assets (book value, compared to the end of FY2000)



III. Review of 2015 3-Year Business Plan



Message from the President



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Financial Information and Supplementary Materials

1) Safety Results

The target for the number of domestic occupational accidents was not achieved in any of the fiscal years of the 2015 3-Year Business Plan

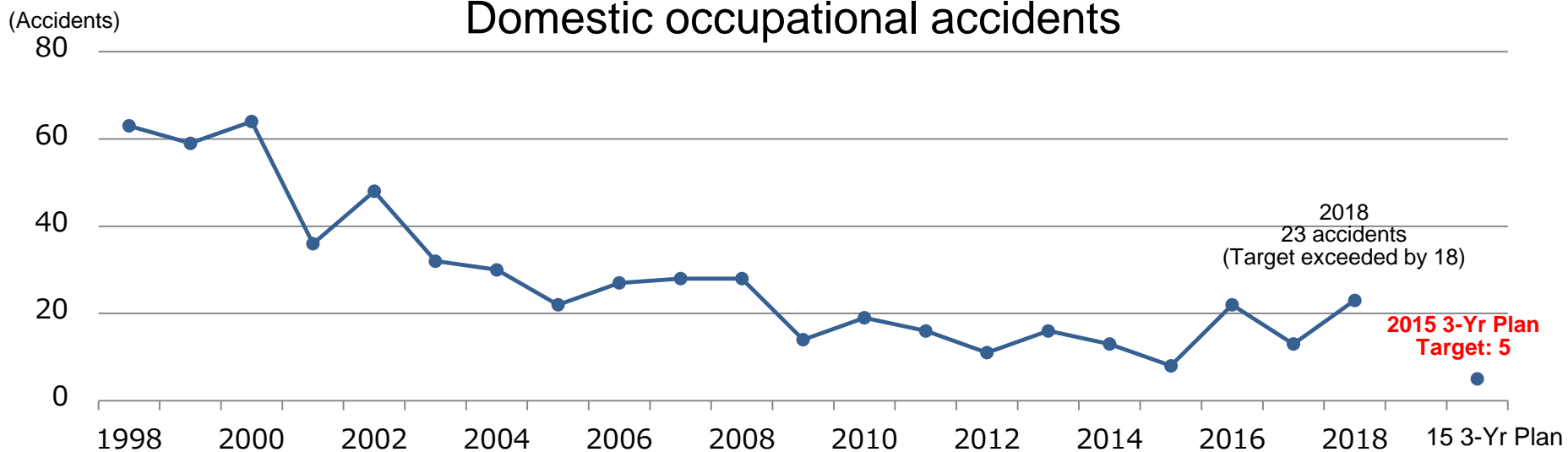
Line management not thorough enough

Unsafe acts overlooked

Insufficient efforts to make facilities safer

	15 3-Yr Plan Targets	2016 Results	2017 Results	2018 Results
Total domestic occupational accidents	5 or less	22	13	23
Total overseas occupational accidents	9 or less	11	10	5

Domestic occupational accidents



2) Top Priorities in the 2015 3-Yr Business Plan



Mineral Resources

Full-scale production at the Sierra Gorda Copper Mine

Acquisition of new gold mine interests

Sierra Gorda Copper Mine
Production slump and rise in costs.

▶ Large impairment loss incurred

Expand Cerro Verde Copper Mine

Acquire additional interest in Morenci Copper Mine

Acquire interest in Quebrada Blanca II

Enter into Côté Gold project

Transfer Pogo Gold Mine interest

Smelting & Refining

Expanding Taganito HPAL Nickel Corporation

Advancing growth strategies using peripheral HPAL technologies

Enhancing competitiveness of the copper smelting business

Complete 36 -kt production structure at Taganito HPAL.

▶ Stabilization measures are needed

Proceed with commercialization of scandium and chromite recovery

Achieve 450-kt electrolytic copper production volume

Complete 49-kt nickel sulfate production structure

Begin Pomalaa Project DFS

Materials

Profit contribution from expanded battery material and LT/LN production

Sustainable innovation and adaptation of next-generation products

Complete 4,550 -t/month battery material production structure

Complete increased LN/LT production structure

▶ No contribution to profits yet due to continued fall in demand

Develop nickel oxide powder for fuel cell electrodes

Enter into silicon carbide (SiC) business

Withdraw from lead frame business

Corporate Governance

Increase number of outside directors, female directors, etc.

Globalization Measures

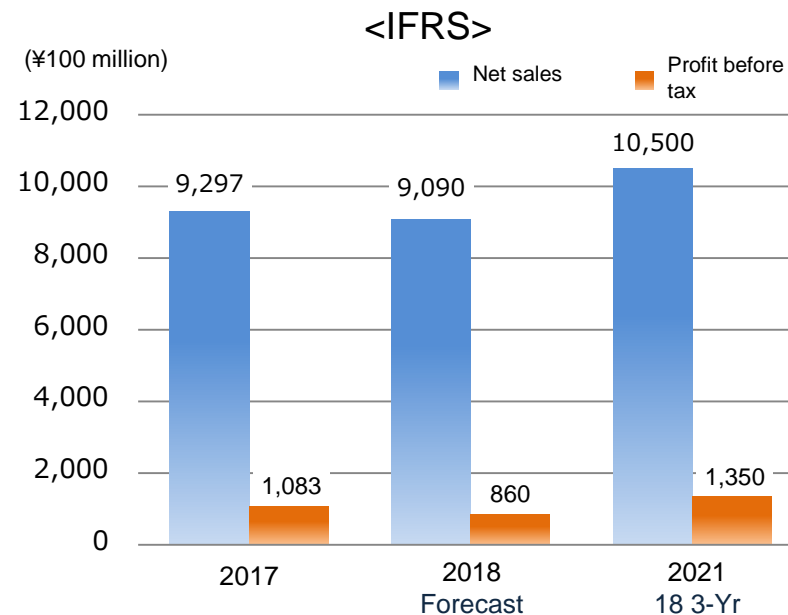
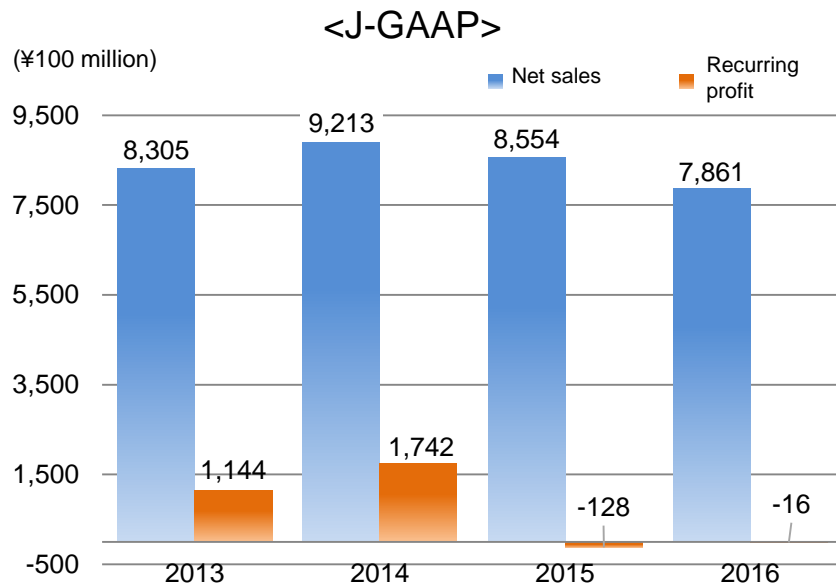
Publish integrated report

Transition to IFRS

3) Consolidated Performance Trends



Failed to achieve 3-Year Business Plan targets for both net sales and profit



<J-GAAP>	2013	2014	2015	2016
Net sales	8,305	9,213	8,554	7,861
Recurring profit	1,144	1,742	-128	-16

<IFRS>	2017	2018 Forecast	2021 18 3-Yr
Net sales	9,297	9,090	10,500
Profit before tax	1,083	860	1,350

(¥100 million)

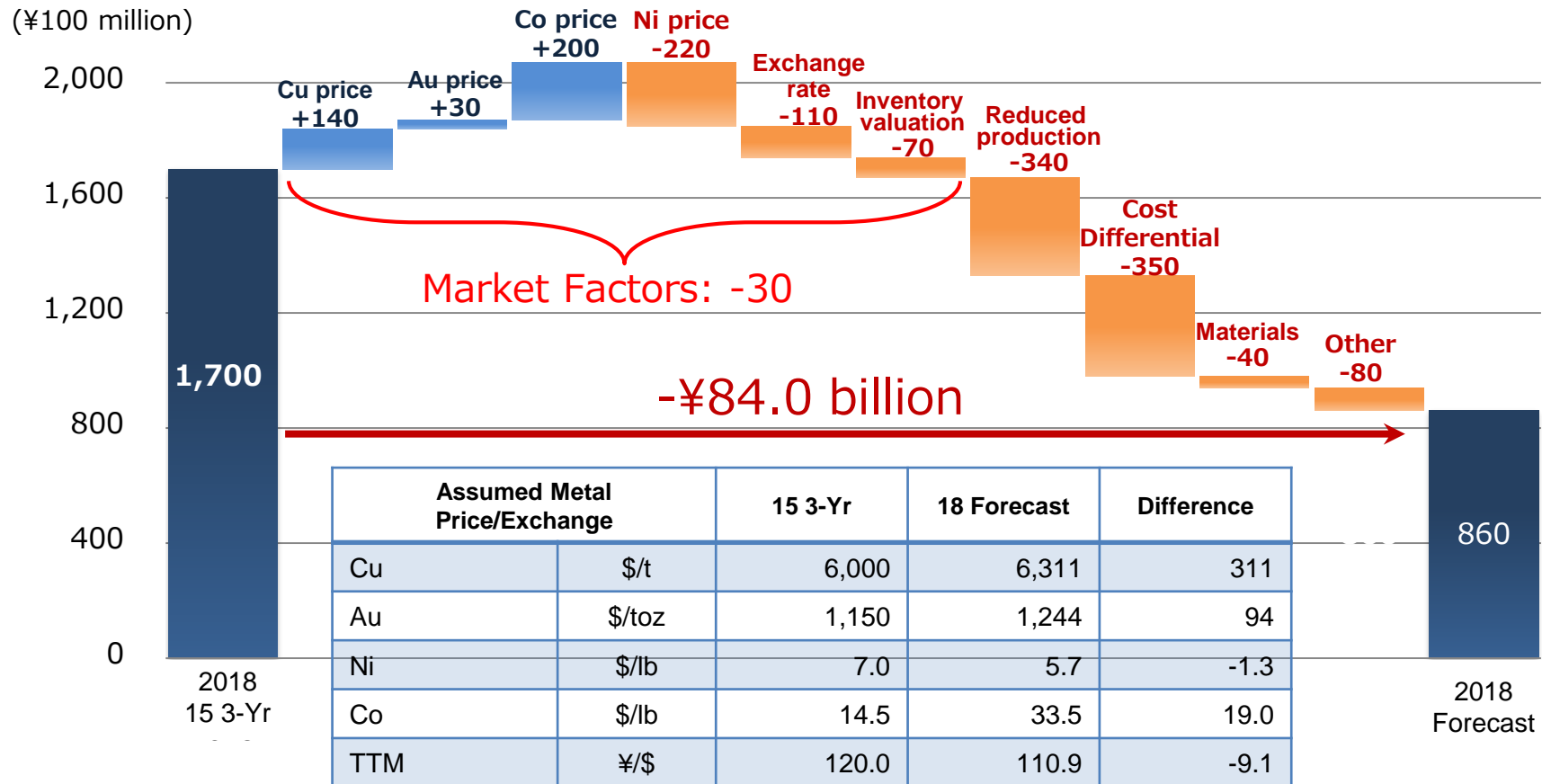
(¥100 million)

4) Analysis of Profit Before Tax

(2015 3-Yr Business Plan 2018 vs. FY2018 Forecast)

For the FY2018 performance results, a profit decline of ¥84.0 billion is expected compared to the 3-Year Business Plan

The main factors: decreased production and cost@ (reflecting lower production) (mineral resources: -51.0, smelting & refining: -11.0)



Enhancing and Improving Site Management Capability (Production Capabilities) and Management Capability

- Continuing stable operations
- Improving safety performance
- Eliminating quality/environment problems
- Preventing lost profits and opportunity loss (strengthen facility management, operations management, and cost management capabilities)
- Strengthening our ability to gather and analyze information to get an accurate picture of management trends
- Responding swiftly and accurately to changes in the business environment

Creating New Products and Businesses

Securing and Developing the Human Resources to Support Growth

- Rebuilding an open and vibrant organizational climate
- Evolving and deepening working style reform
- Strengthening cognition, conceptualization, action and solving of solutions of issues

IV. 2018 3-Year Business Plan—Basic Strategy



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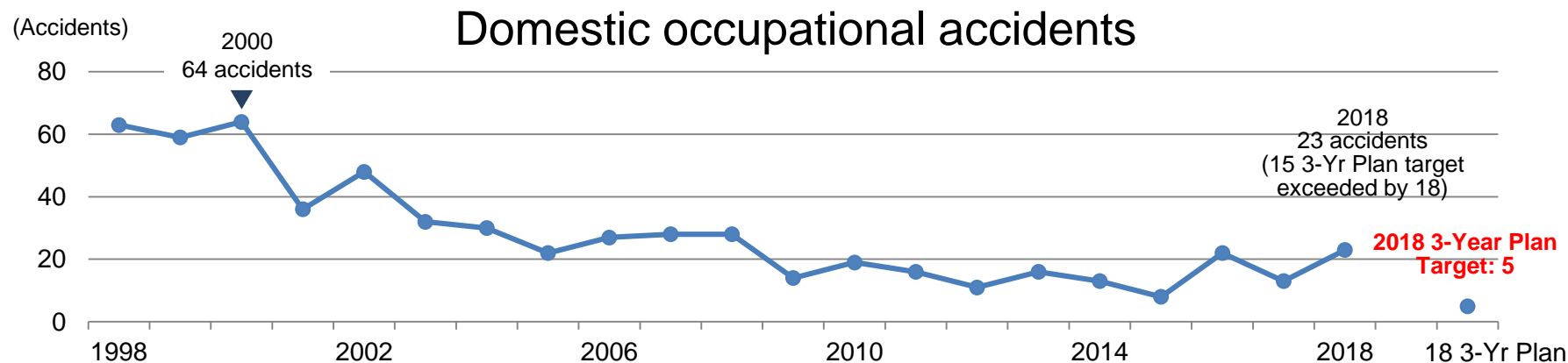
To achieve by FY2021

Workplaces that prevent serious accidents by **clearly defining priority issues needing improvement** and **implementing PDCA cycles** while promoting safety activities

Workplaces that ensure **that top management and supervisors communicate with workers, grasp actual conditions** at sites and **promote facility improvements** based on the **three realities principle (real places, real facts, real things)**, and work using **procedures that naturally take safety into sufficient consideration.**

2018 3-Yr Business Plan Targets

Limit domestic occupational accidents to **5** or less
Limit overseas occupational accidents to **3** or less



Strengthen the growth foundation of core businesses (Mineral Resources, Smelting & Refining, Materials)

Steady promotion of growth strategy and swift realization of competitiveness: Aggressive investment

Minimization of lost profits and opportunity loss and consolidation of business base: Defensive investment

Three-business collaboration centered on cathode materials for batteries

Maximally leverage the integrated production structure and win through overall capabilities, including battery recycling

Strengthen corporate functions

Stimulate communication with stakeholders both inside and outside the company

Rebuild an open and vibrant organizational climate



Seize the chances presented by changing times and establish a position as a world leader in the non-ferrous metals industry

Employees take the initiative and work with resolve to produce results

Move into a new stage of the growth strategy

Minimize lost profits and opportunity loss



Investment on an unprecedented scale

Secure and develop the human resources to promote and support growth

3) Three Main Basic Strategies

(1) Strengthen the growth foundation: 3 major projects

Mineral Resources

Quebrada Blanca II
(Cu)

- Copper mine development project in Chile. Entry decided in December 2018 (Planned start of production: 2021. Mine life: Approx. 28 years. Average annual copper production volume: 240 kt)
- Capital contribution: Teck Resources Limited 60%, SMM 25%, Sumitomo Corporation 5%, other 10%
- Investment: US\$4.7 billion (100% of the project)

Smelting & Refining

Pomalaa
(Ni · Co)

- Third HPAL project in Sulawesi, Indonesia
- DFS (Definitive Feasibility Study) to be completed in FY2019 → Investment decision
- Production volume: 40 kt of Ni mixed sulfides (roughly)
- Investment: Several billion US\$ (100% of the project)
- Operation to start in the mid-2020s (target)

Materials

Battery expansion

- Expand capabilities in stages, and aim to produce 10 kt/month of cathode materials (NCA + NMC + Nickel hydroxide) during the 2024 3-Yr Business Plan
- Investment (2018 3-Yr Plan period): ¥35.0 billion

3) Three Main Basic Strategies

(2) Strengthen three-business collaboration



Secure raw materials for batteries (expand in-house procurement of nickel and cobalt resources)

New acquisition through promotion of the Pomalaa project

Until this is realized, optimize internal product portfolio and stabilize external procurement

Recover nickel and cobalt by recycling used lithium-ion batteries

Plan to start pilot tests to recover cobalt within FY2018

Design and construct new plants



Expand mining business

Consider external sale of copper concentrates produced by mines in which we have interests

3) Three Main Basic Strategies

(3) Strengthen corporate functions

Become an organization that copes with change and new issues

Reorganize corporate divisions with a focus on functions

Strengthen capacity to tackle the shared issues of CSR, the SDGs, and ESG while focusing on specializations

Respond to changes in the social and business environments (globalization)

Speed up financial reporting, consolidated tax payment, update core systems

Promote working style reform

Rebuilding an open and vibrant organizational climate

Review and expand the various related systems

Secure human resources

Review recruitment strategy and promote SMM's uniqueness in coordination with PR activities

Develop and make the most of human resources

Review various personnel-related systems to lead to flexibility, fairness, and dynamism

Promote diversity to improve productivity and respond to varied needs

Promote off-the job training, on-the-job training, and self study for strategic human resources development

Improve organizational and workplace environments

Promote working style reform and engage in health management

The Sumitomo Business Spirit

Article 1

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

Article 2

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

SMM Group Corporate Philosophy

Sumitomo Metal Mining Co., Ltd. (SMM), in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.

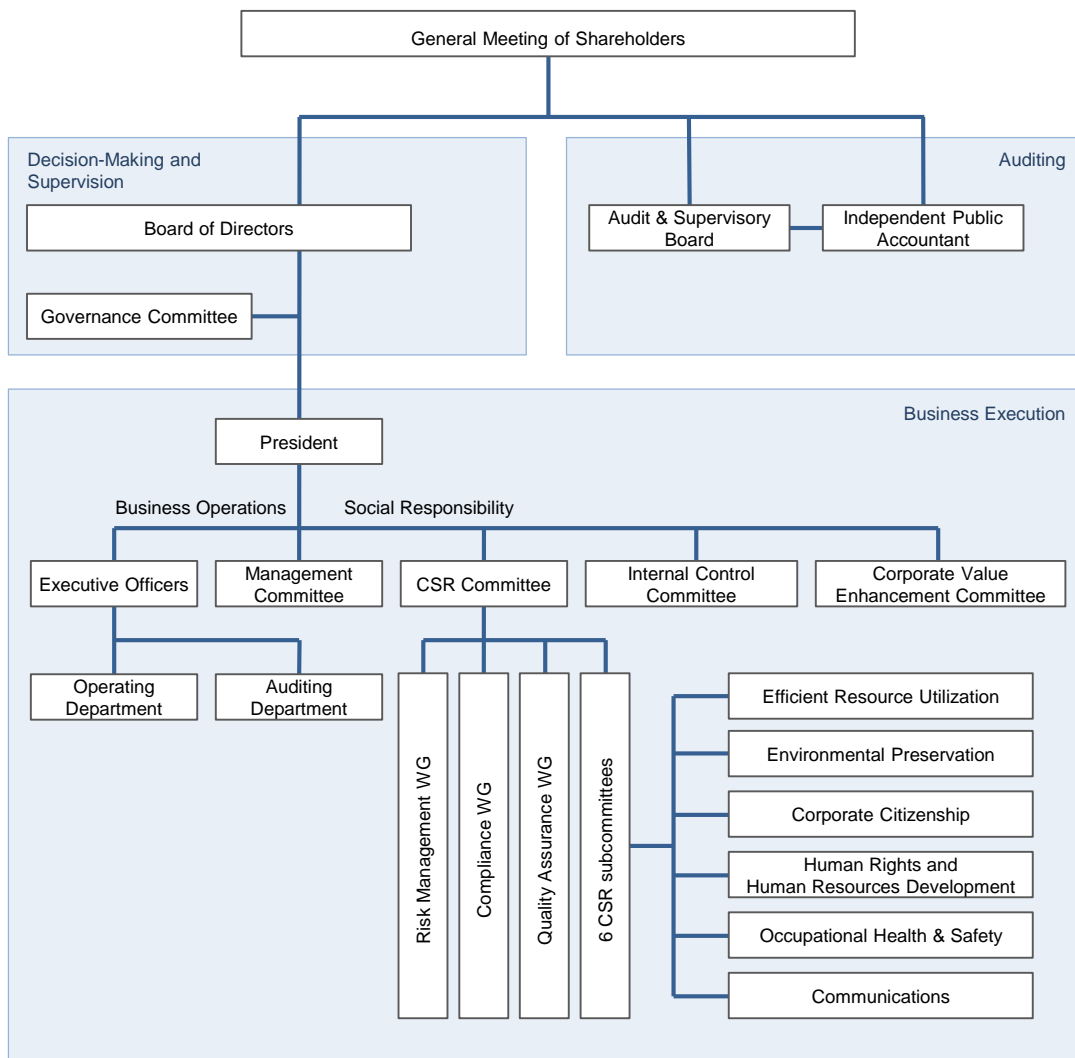
SMM shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

SMM Group Management Vision

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

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

Corporate Governance Framework



Progress of Strengthening Governance

FY2016

- More than one third of the Board to be outside directors (three out of eight directors)
- Established an Outside Directors Council
- Discussed what the Board of Directors should ideally be
- Established a site visit system for outside directors
- Started training for officers
- Shifted to an integrated report (Annual Report + CSR Report)

FY2017

- Revision of standards for resolutions and reporting to the Board of Directors (based on discussion of what the Board of Directors should ideally be)

FY2018

- One female director appointed
- Established opportunities for the Board to discuss management issues and policies
- Transitioned to International Financial Reporting Standards (IFRS)

Corporate Governance Guidelines

Basic Views

- SMM views corporate governance as a disciplinary framework for maximizing the corporate value of the SMM Group and for ensuring sound management practices. As such, it is one of the most important management issues.
- Through 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.

Work to bring corporate governance to a higher level
to increase corporate value

Renewal of Our Takeover Defense Measures

- ▶ Introduced at the 2007 Annual General Meeting of Shareholders (AGM)
- ▶ Renewed at the 2010, 2013, and 2016 AGMs
- ▶ A proposal for renewal is expected to be submitted at the 2019 AGM

Compare takeover person's proposal and the Company's management strategy, obtain information so stakeholders can make a decision, and give them the opportunity to evaluate it

Necessity

With the advancement of 3 business collaboration making it possible to provide consistent battery materials from nickel and cobalt raw materials, the risk of a takeover is higher than 3 years ago when the 2015 3-Yr Plan was announced

Under Japan's laws, it is not possible to eliminate hostile takeovers



Need to ensure the corporate value or the common interests of its shareholders by taking the necessary and reasonable countermeasures against such a large-scale acquisition
(Necessity to give the opportunity)

Actions and Governance

To improve transparency and clarity, the BOD clearly states the following:

- (1) absolutely convene a meeting of shareholders to confirm the intent when the defense measures are enacted
- (2) limit the enactment to coercive two-step purchases and the so-called Tokyo High Court 4 types of hostile takeovers for which defense measures are allowed

Continuing to strengthen Corporate Governance

- The independent outside directors (include a woman) : the number to three (3), 1/3 or more of the board of directors
- Advice from the Governance Committee for nominations, compensation and other such matters regarding corporate governance



We will explain the uniqueness of our business to get our shareholder's understanding.

SMM CSR

Consideration of the promotion structure for our Vision for 2030



CSR Policy

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

Six CSR Areas of High Priority and Vision for 2020

Effective Use of Resources	A company that generates resources using innovative technology
Environmental Preservation	A company that uses advanced technologies to reduce environmental impacts and contributes to preserving the global environment
Contribution to Society and Local Communities	A company that earns trust and contributes to regional development through our business and social contribution activities rooted in each region
Respect for People and Human Rights	A company where diverse human resources exercise their ability sufficiently and take a vibrant and active part in each field A company that works with its stakeholders to strive for a society that actively respects human rights
Occupational Health and Safety	A company that accords safety the highest priority and provides comfortable working environments
Stakeholder Communication	A company that works to communicate transparently with all worldwide stakeholders to deepen mutual understanding

Formulating Our Vision for 2030

Under our medium- to long-term vision, we will formulate a **Vision for 2030** during FY2019 in coordination with the SDGs, which also have 2030 as their target year, and formulate, announce, and implement related activities.

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



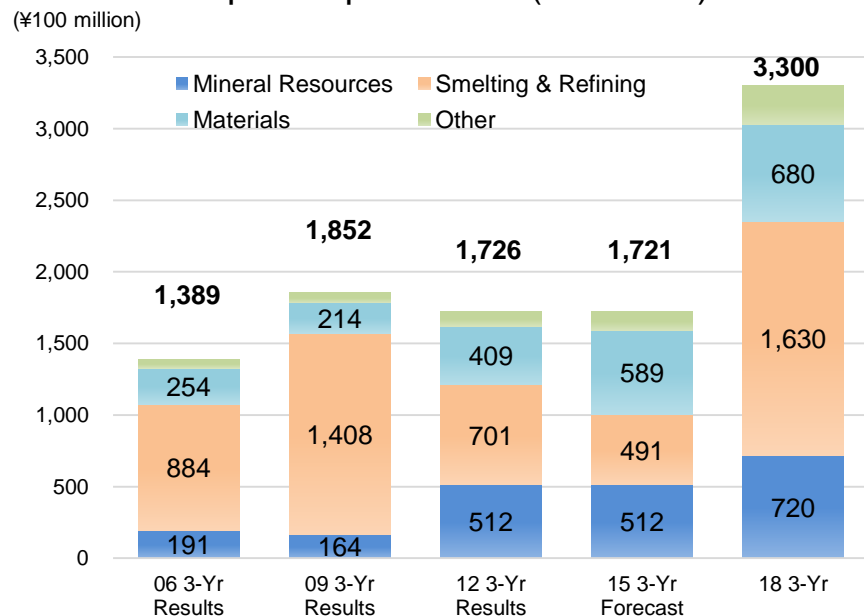
6) Capital Expenditure, Investment, and Financing

Three-year cumulative capital expenditure, investment, and financing over the 2018 3-Yr Business Plan will be an unprecedented ¥490.0 billion.

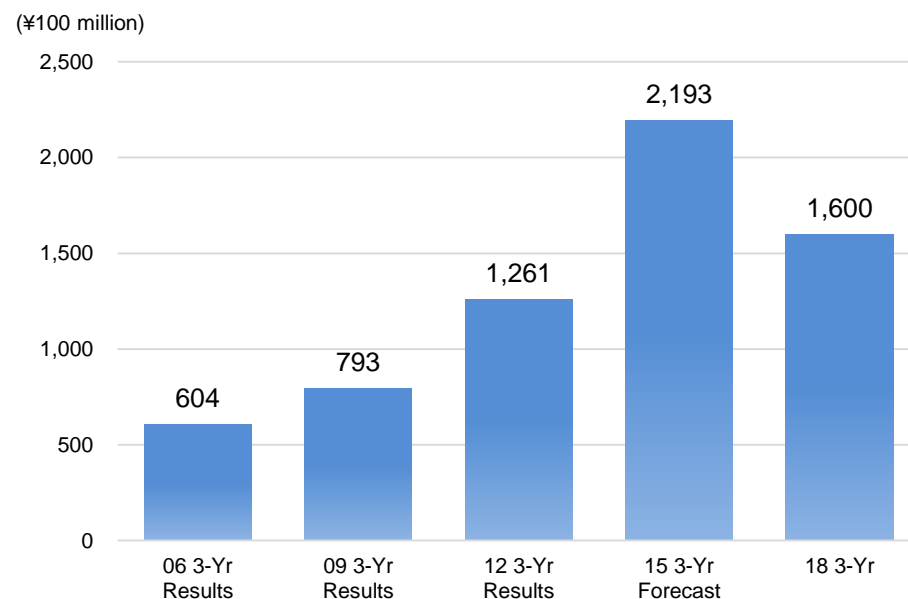
However, most of the effects of this will not be seen until the next 3-yr business plan and later (2021 3-Yr Business Plan).

	FY2007-2009	FY2010-2012	FY2013-2015	FY2016-2018	FY2019-2021
Unit: 100 million yen	06 3-Yr Plan Results	09 3-Yr Plan Results	12 3-Yr Plan Results	15 3-Yr Plan Forecast	18 3-Yr Plan
Investment (CapEx + investment and financing)	1,993	2,361	2,987	3,914	4,900

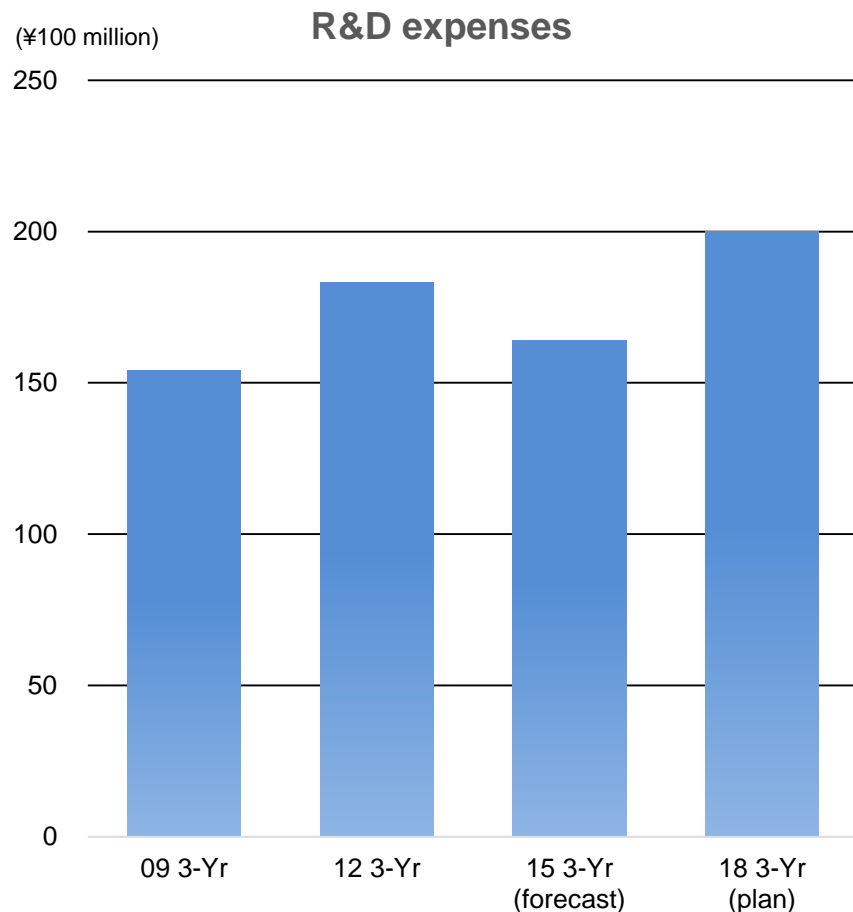
Capital expenditures (3-Yr Plan)



Investment and financing



In the 2018 3-Yr Business Plan, we will commit more than 20% more to R&D expenses than in the 2015 3-Year Business Plan.



Priority Allocation of Resources to Growing Businesses and Creation of New Businesses and Products

1. Create new businesses with a view to 10 years from now
2. Develop products that customers will prefer, and stay ahead of competitors
3. Develop new processes that can differentiate us and support sustainable growth

Targets

Automobile, environment, energy, and telecommunications fields

Recycling of discarded lithium ion batteries

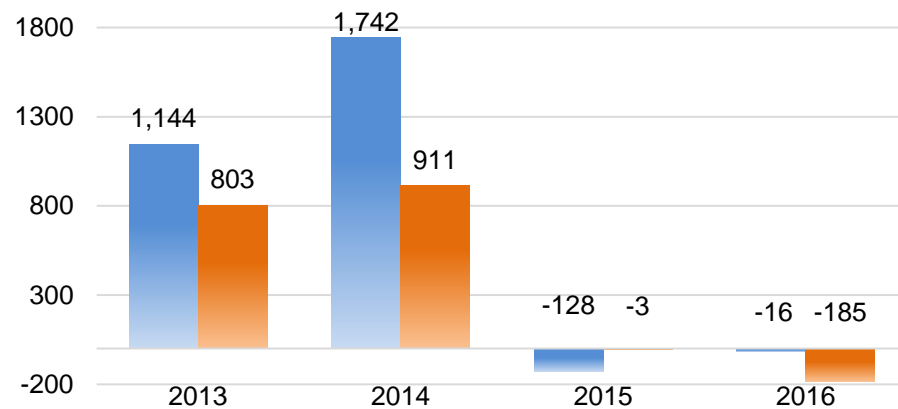
8) Profit Before Tax

J-GAAP	2013	2014	2015	2016
Recurring Profit (¥100 million)	1,144	1,742	-128	-16
Profit / Loss (¥100 million)	803	911	-3	-185
Cu price (\$/T)	7,104	6,554	5,215	5,154
Ni price (\$/lb)	6.5	7.6	4.7	4.6
Au price (\$/toz)	1,327	1,248	1,150	1,258
Forex (¥/\$)	100.2	109.9	120.2	108.4

IFRS	2017	2018 Forecast	2021 18 3-Yr
Profit before tax (¥100 million)	1,083	860	1,350
Profit / Loss (¥100 million)	902	640	970
Cu price (\$/T)	6,444	6,311	6,500
Ni price (\$/lb)	5.1	5.7	7.0
Au price (\$/toz)	1,285	1,244	1,300
Forex (¥/\$)	110.9	110.9	105.0

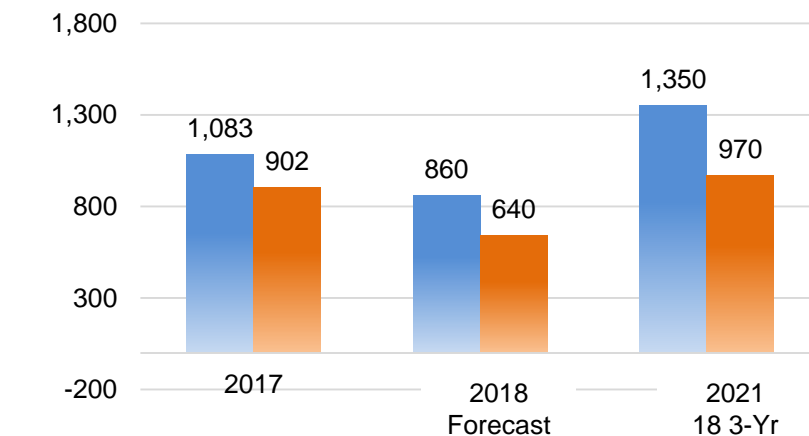
J-GAAP

(¥100 million) ■ Recurring Profit ■ Profit / Loss



IFRS

(¥100 million) ■ Profit before tax ■ Profit / Loss

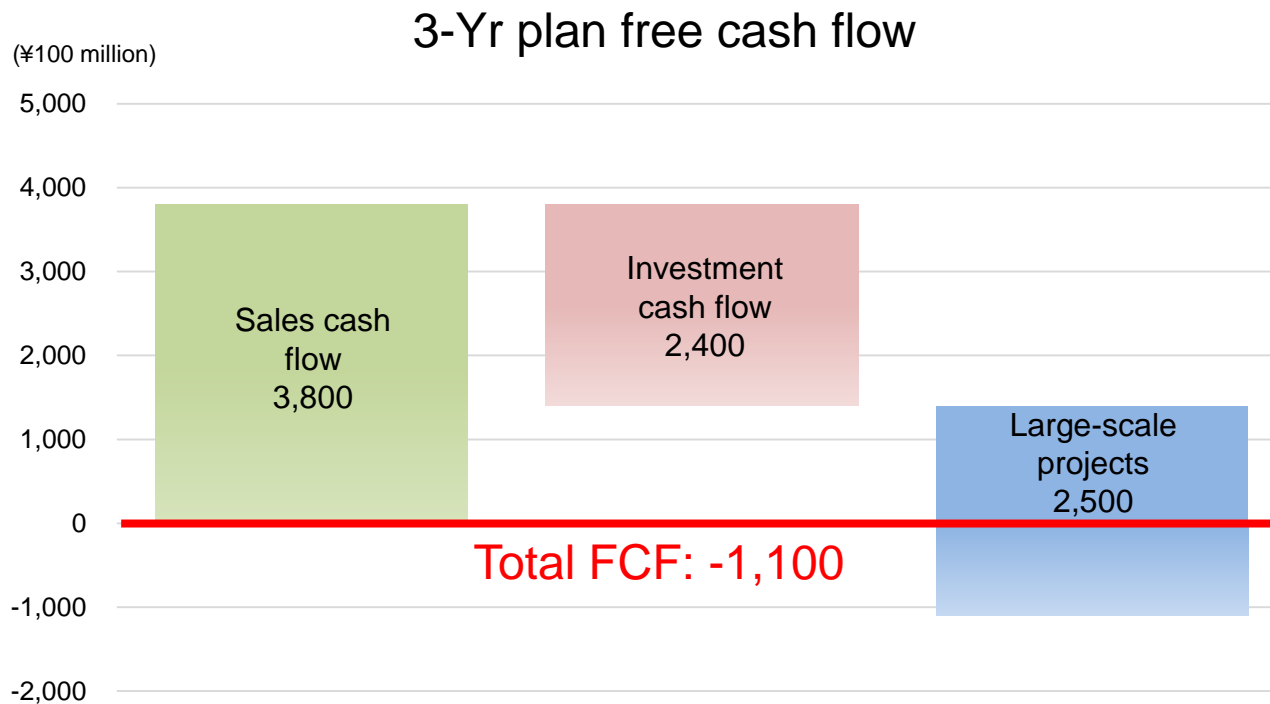


9) Free Cash Flow (FCF)

Three-year cumulative FCF in the 2018 3-Year Business Plan to be a significant deficit of ¥110.0 billion

→ Plan to be financed through business profits, borrowing, reduction of cash and deposits, etc.

Equity Ratio	0.9 Pt. reduction (61.5% ▶ 60.6%) (vs. end of FY2018 forecast)
Debt-to-Equity Ratio	4.4Pt. worsen (33.0% ▶ 37.4%) (vs. end of FY2018 forecast)



Dividend Policy

Continue policy of performance-linked dividends

Consolidated dividend payout ratio **raised** from 30% or higher ► **35% or higher**

Financial Targets

Prepare for even larger-scale projects or M&A by maintaining sound financial standing

Maintain **an equity ratio of 50% or higher**

Reasoning Behind Dividend Payout Ratio Increase

In the 2018 3-Yr Business Plan, there will be a significant FCF deficit. However, the overall scale and profitability of business will be significantly greater than before, enabling us to cope with greater strategic investment while maintaining a healthy financial structure.



Reflects SMM management's resolve to increase shareholder return as much as possible

V. 2018 3-Year Business Plan—Strategy for Each Business



Message from the President



The Long-Term Vision and Initiatives to Date



Review of 2015 3-Year Business Plan



2018 3-Year Business Plan—Basic Strategy



2018 3-Year Business Plan—Strategy for Each Business



Financial Information and Supplementary Materials

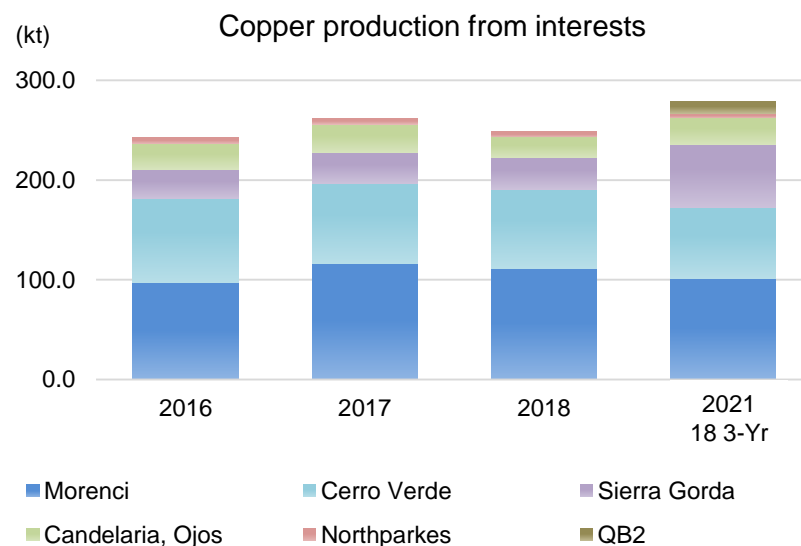
1) Mineral Resources

(1) Quebrada Blanca II PJ Implementation

Equity interest ratio	Teck 60%, SMM 25%, Sumitomo Corporation 5%, other 10%
Planned investment	US\$4.7 billion (100% of the project)
Average annual production volume	240 kt/year
Planned start of production	2021
Location	165 km southeast of Iquique, Region 1, Republic of Chile



- Expect to realize the Long-Term Vision (300 kt/year copper production from interests)
- Utilize overall capabilities, advance project according to plan (lessons from Sierra Gorda)
- Consider large-scale expansion using plentiful resources



Debottlenecking according to plan

Mineral ore processing volume: current 110 kt/day ► 130 kt/day in 2020

As **copper ore grade improves**, we forecast approx. 800 kt/year concentrate production and 200 kt/year copper production in 2021

Enhancing operation rates to **establish stable, full operation and reduce costs**

Operation rates will improve with thorough implementation of the 3S technique for conveyors and strengthening management of scheduled operation halts.

Aim for further enhancement by improving maintenance systems, etc.

Aim for cash flow to be in the black within the 2018 3-Year Business Plan



We expect to be able to be in the black in 2021 due to debottlenecking and ore grade improvement

We are going to utilize overall capabilities during construction phase to begin production in 2021.

<Time Frame Projection>

2017	2018	2019	2020	2021	
PFS	FS	Detailed design	Construction	Commissioning & Ramp up	



From the IAMGOLD website



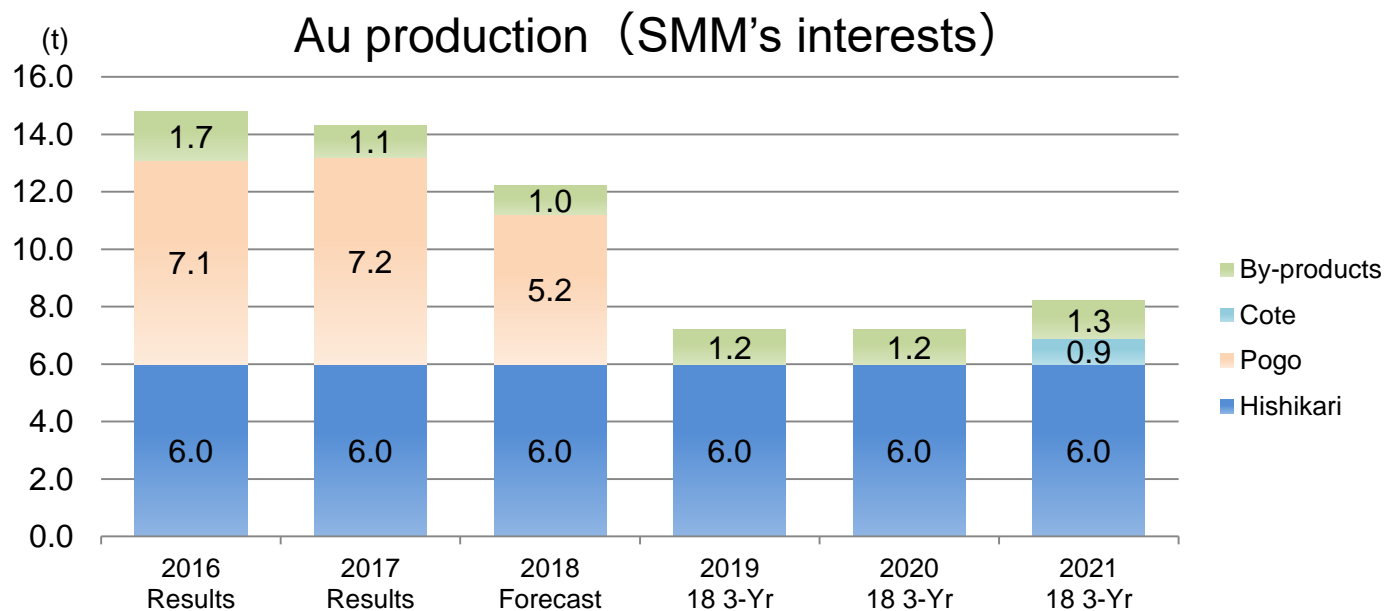
1) Mineral Resources

(4) Hishikari Mine: Establishing a Base for Long-Term Stable Operation

Maintain **6 t/year gold production structure**

Use as a research location for mineral resource engineers

Acquire ore with continued exploration



Exploration

While the success rate of exploration is falling world-wide, proceed with careful selection of projects, and raise the success rate.



- Aggressively develop consideration of exploration and participation projects for gold and copper primarily in the Pacific Rim where there are few restrictions on development possibilities.
- Undertake exploration focused on regions with high potential by using both our own exploration and JV exploration.
- Aim for participation in exploration projects that are getting results at an early stage to raise the possibility of moving to early production.

Acquisition of new interests

- In addition to minor participation in large-scale projects, which we have done to date, proceed with negotiations with participation in middle-scale projects, too, where we can be the operator.

Aim for **150-kt structure**
Advance the Pomalaa Project



From April 2018: Start Definitive Feasibility Study (DFS)

Expect to complete DFS in FY2019

➡ Decide on investment

If decide to participate



Production: 40 kt of Ni mixed sulfides (roughly)

Investment: Several billion US\$ (100% of the project)

Operation to start in the mid-2020s (target)

2) Smelting & Refining

(2) Further Strengthen Production Capabilities



THPAL: Establish **stable, full production structure**

Eliminate unscheduled operation halts with thorough preventive maintenance
Shorten scheduled operation halts by making work more efficient
Leverage ICT technology



Toyo Smelter & Refinery: Establish a **stable production structure** and pursue profitability

Improve operation rates by regularly maintaining and upgrading facilities and with preventive maintenance
Expand collection of valuable secondary materials

Niihama Nickel Refinery, Harima Refinery: Continue to implement measures to **improve productivity and reduce costs**

Maximize HPAL **by-product recovery**

Scandium oxide: Quickly establish full load stable production structure and make profitable
Chromite: Design aimed at FY2020 launch, advance construction smoothly

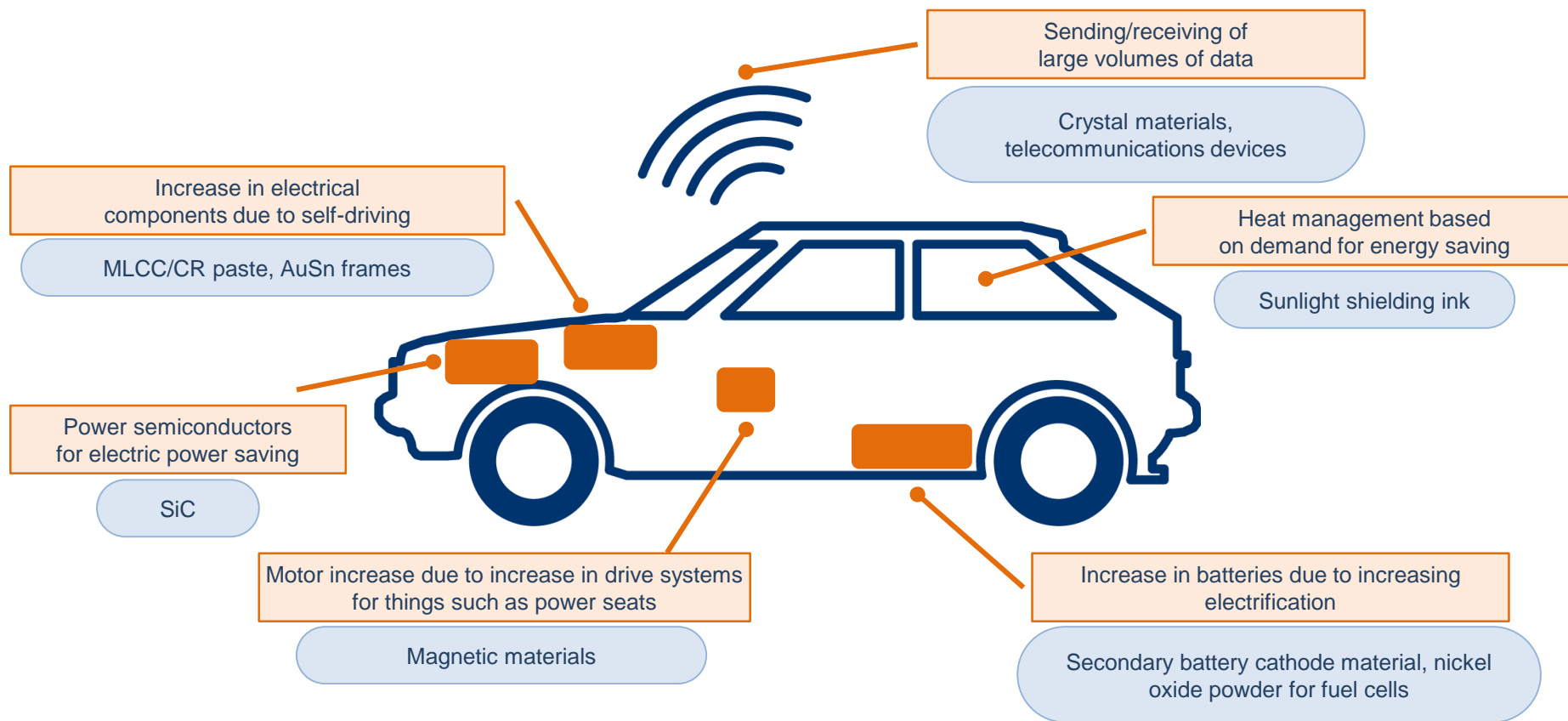
Hyuga Smelting Co., Ltd.: **Maximize production volume** under a 2-kiln 1-electric furnace structure

3) Materials

(1) Continuous Creation of New Products and Renewal of Business Portfolio

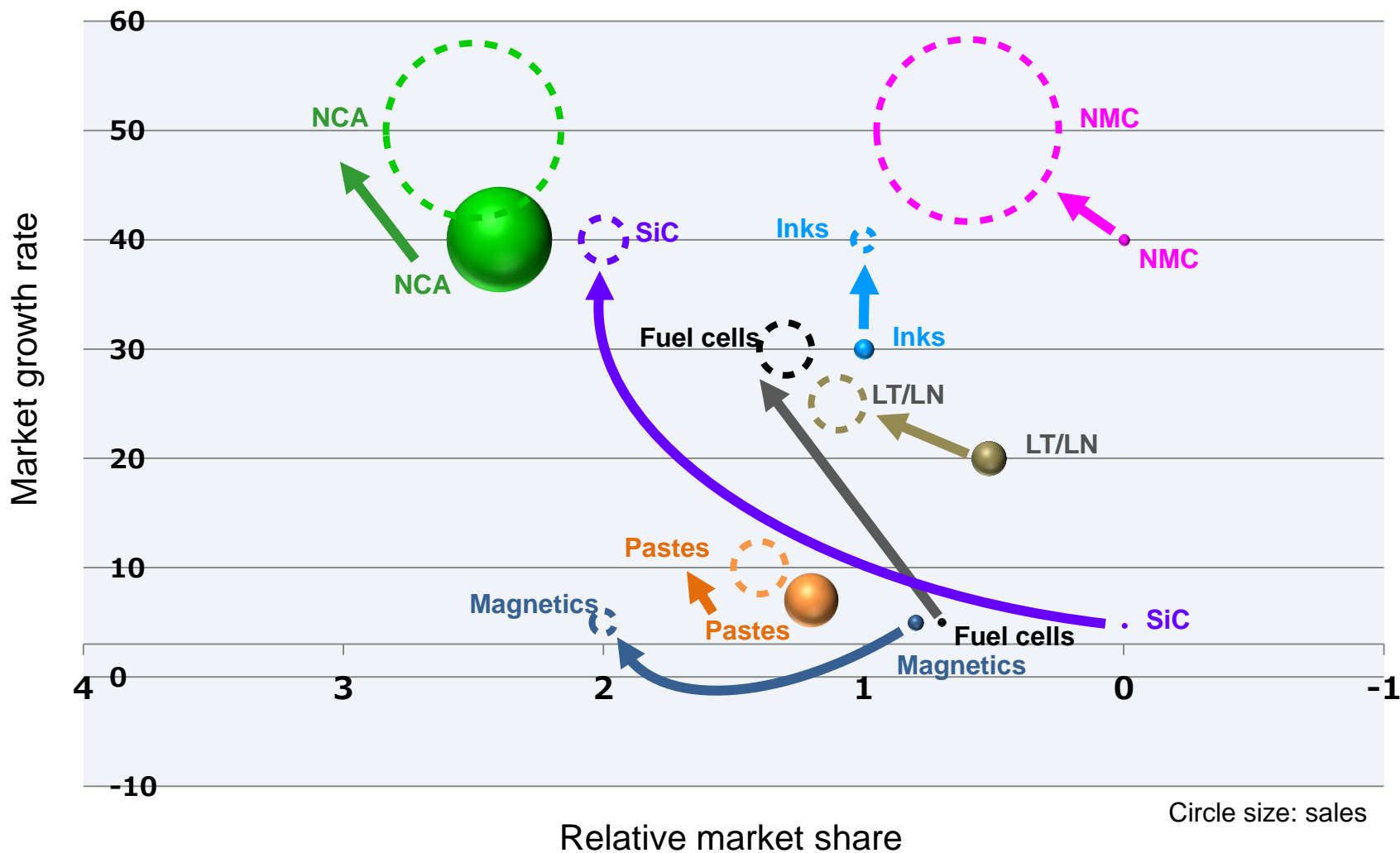
Make energy and the environment, and information and communications our domain, and continually create new products

Promote **CASE*** ▶ Expand opportunities for materials business



*Connected, autonomous, shared, electric

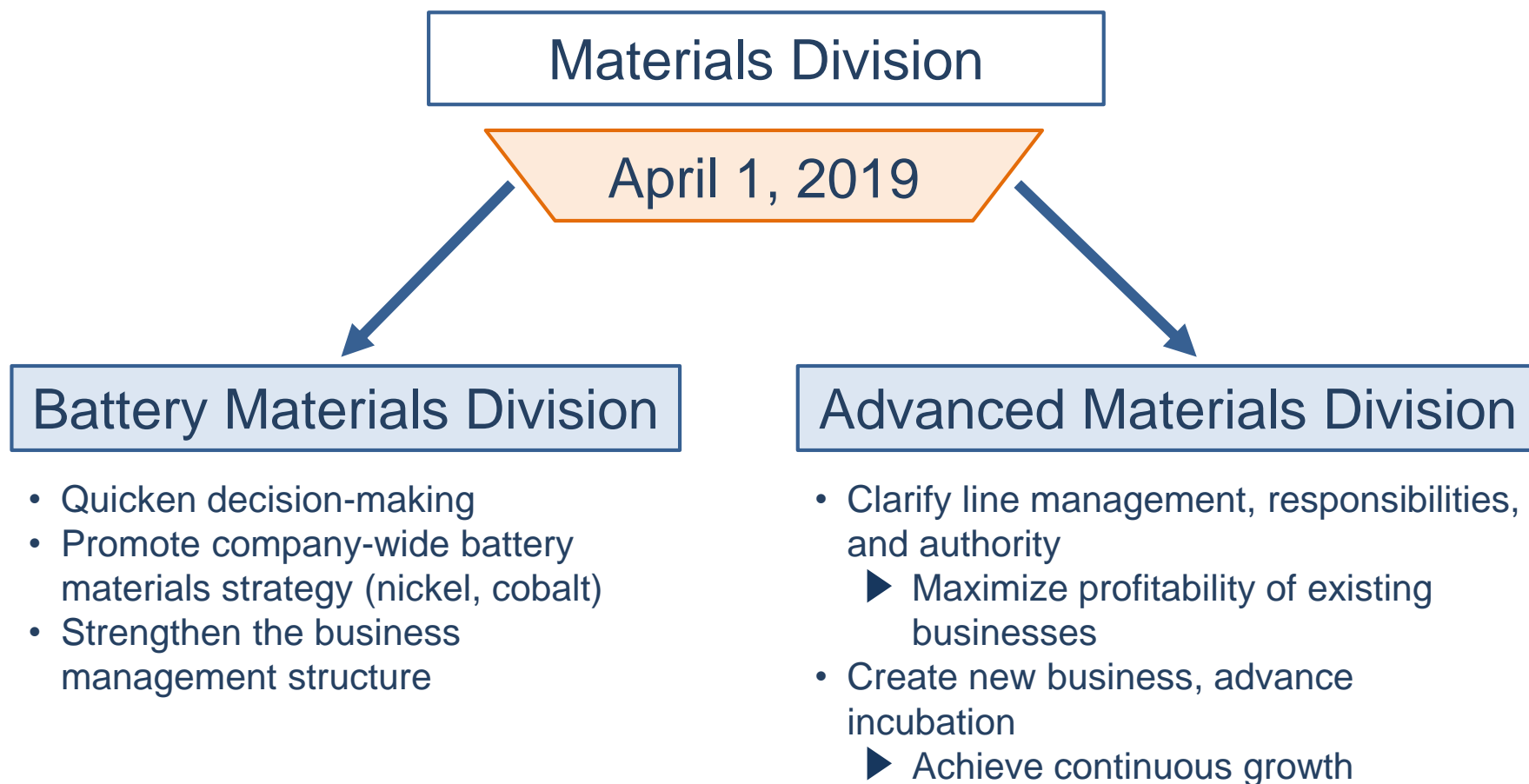
Materials business portfolio for the 2024 3-Yr Business Plan



3) Materials

(2) Become Self-Sufficient as a True Core Business

Establish a strategic implementation structure for the battery materials business and sustainable growth for the advanced materials business

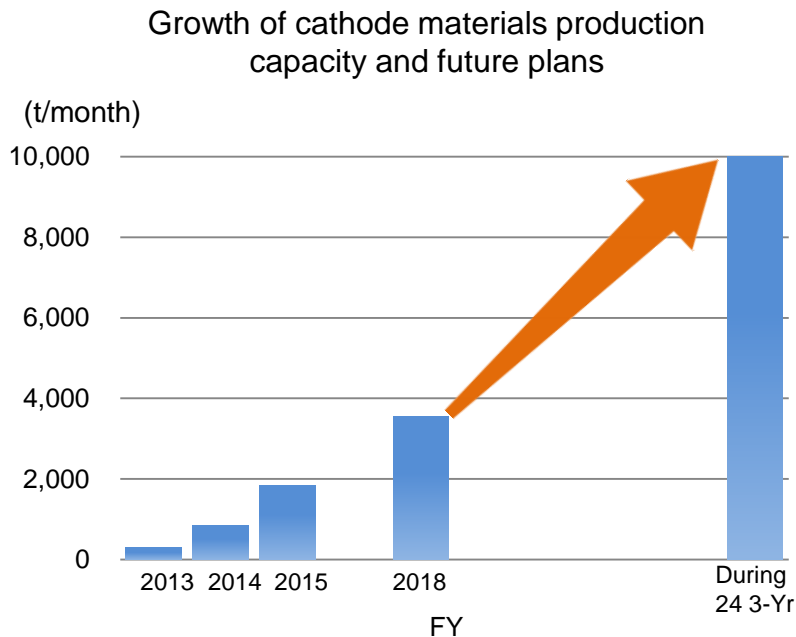


3) Materials

(3) Battery Materials Business, Crystals Business

Battery cathode materials (NCA + NMC + Nickel hydroxide)

Aim for a **10 kt/month structure**
(2024 3-Yr Business Plan)



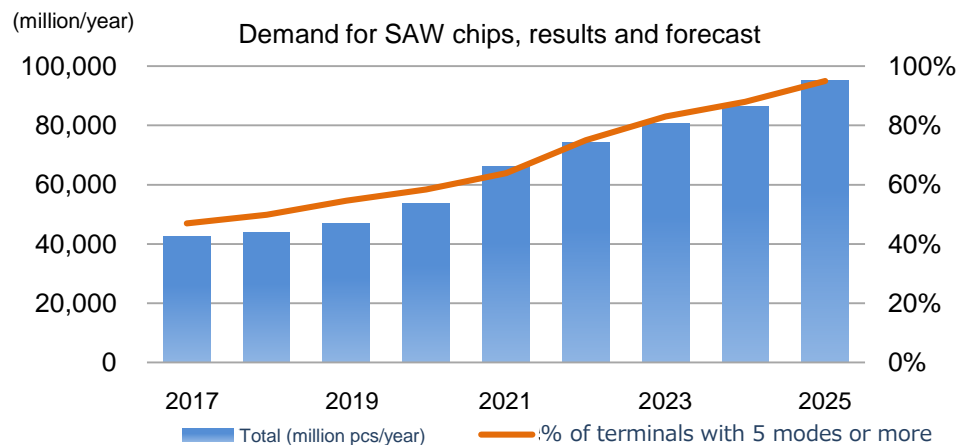
Crystal materials (LT/LN)

(Lithium tantalate / Lithium niobate)

Expansion of 5G and IoT

→ Increased demand expected

(World-wide demand for substrates: less than 500 kp/month in 2018 ⇒ 1,000 kp/month in 2025)



Crystal material (SiC) (Silicon carbide)

Aim for launch:

2020 general use

2025 automobile

4) Research & Development



Create new businesses with a view to 10 years from now

Strengthen theme proposal capabilities using **new business and new creation systems**

Acquire new technology related to powder synthesis, powder technology, and magnetic materials

Develop cathode materials for **all-solid-state batteries**

Develop products that customers will prefer, and stay ahead of competitors

Strengthen battery development capabilities

Develop **low-cost SiC substrates**

Reduce LT/LN costs and develop next-generation technology

Develop and propose new processes

Develop **lithium-ion battery recycling** process



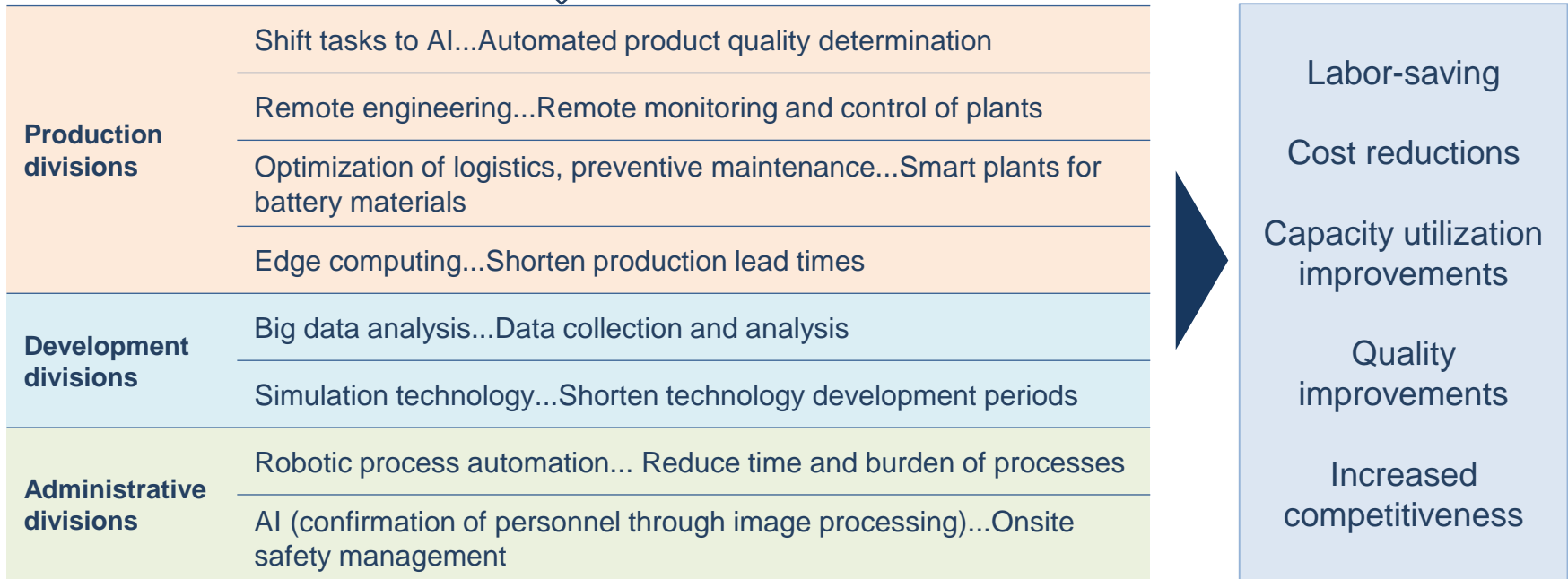
Issues to be tackled

Improve production capabilities

Accelerate technological development

Optimize administration

Acquire ICT technology



Promotion of IoT company-wide

Cultivation of ICT literacy

VI. Financial Information and Supplementary Materials



Message from the President



The Long-Term Vision and Initiatives to Date



Review of 2015 3-Year Business Plan



2018 3-Year Business Plan—Basic Strategy



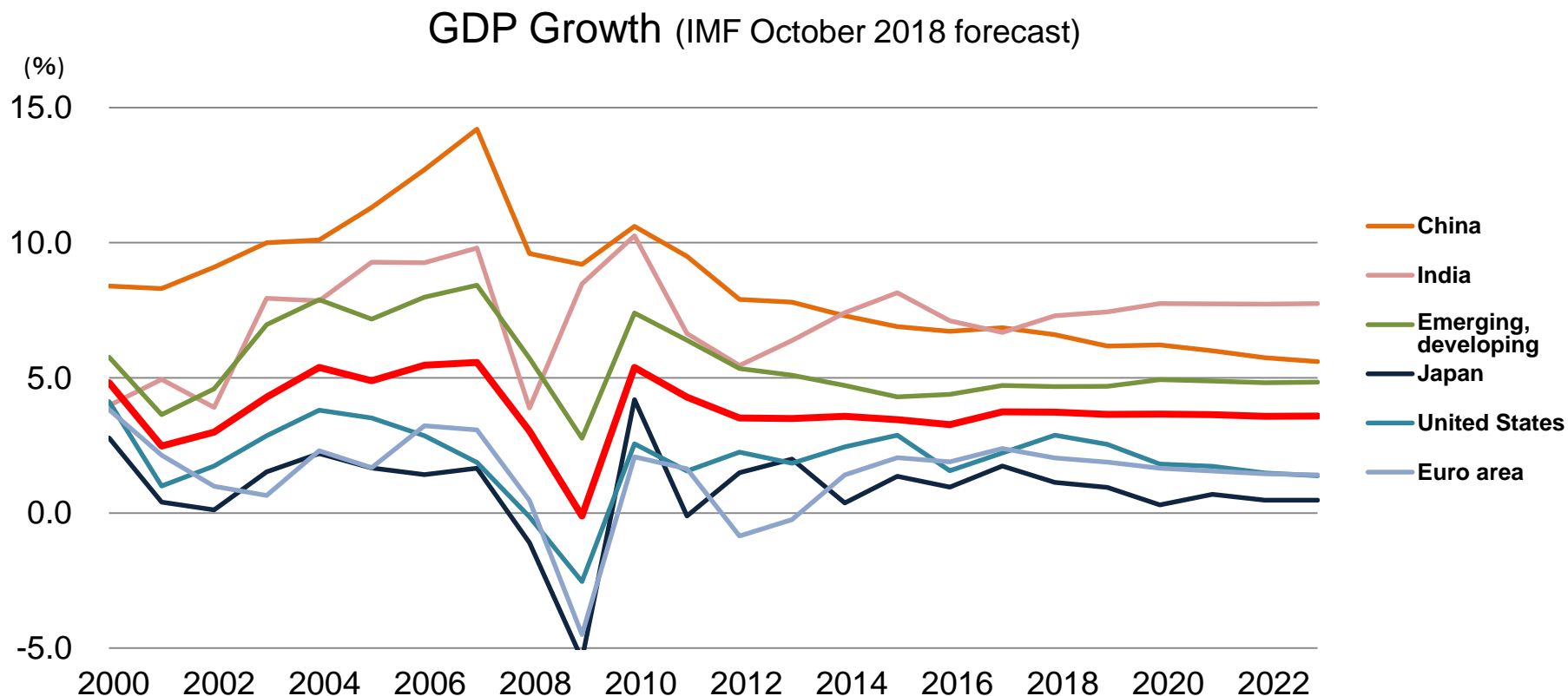
2018 3-Year Business Plan—Strategy for Each Business



Financial Information and Supplementary Materials

1) Global Economy

- The global GDP growth rate remains roughly flat (continuing gentle growth)
- Decelerating trend in U.S., Chinese, European, and Japanese growth rates
- However, growth rates in India and emerging and developing countries have risen in recent years



Society as a Whole

Global economy: increase in uncertainty, decrease in clarity

- Worsening of U.S.-China relations, spreading nationalistic capitalism, rising protectionism
-

Social fragmentation caused by immigration problems and economic disparity

- Rising populism, increasing geopolitical risk
-

Rapid development of dwindling birthrates and aging populations in developed countries

Downturn in economic growth rates due to slowdown in labor productivity growth

- Applying digital technology to increase productivity
-

Accelerating global trends toward tackling the SDGs and ESG investment

Shift to sustainable societies (lessening of environmental impact)

- Reducing emissions of environmentally harmful substances (ex. CO₂)
- Growing resource recycling
- Developing the sharing economy

Related to SMM Business

Slowdown of growth rates in advanced countries and China, continuation of effect from worsening of U.S.-China relations

Continuation of the current tight non-ferrous metal supply and demand situation

- Rising resource prices over the medium term
-

Deterioration in the resource development and refinery operation business environments

- Rising resource nationalism
 - Increasing difficulty of development due to mines in higher, deeper, or more remote locations, declining ore grades, etc.
 - Strengthening of environmental regulation and difficulty of gaining the understanding of local residents
 - Increasing investment and running costs
-

Evolution and development of digital technology and its becoming infrastructure

- Accelerating development of AI, IoT, 5G, and VR technology
- Introducing CASE and robotics into everyday life
- Expanding applications for materials

3) Risks Facing SMM

Risk of fluctuations in metal prices and the forex markets

Risk of impairment of large-scale projects triggered by production problems

Risk of being unable to advance projects due to lack of necessary human resources

Deterioration in the business environment leading to surplus manpower

Country risk in countries of operation

Dependence on specific customers

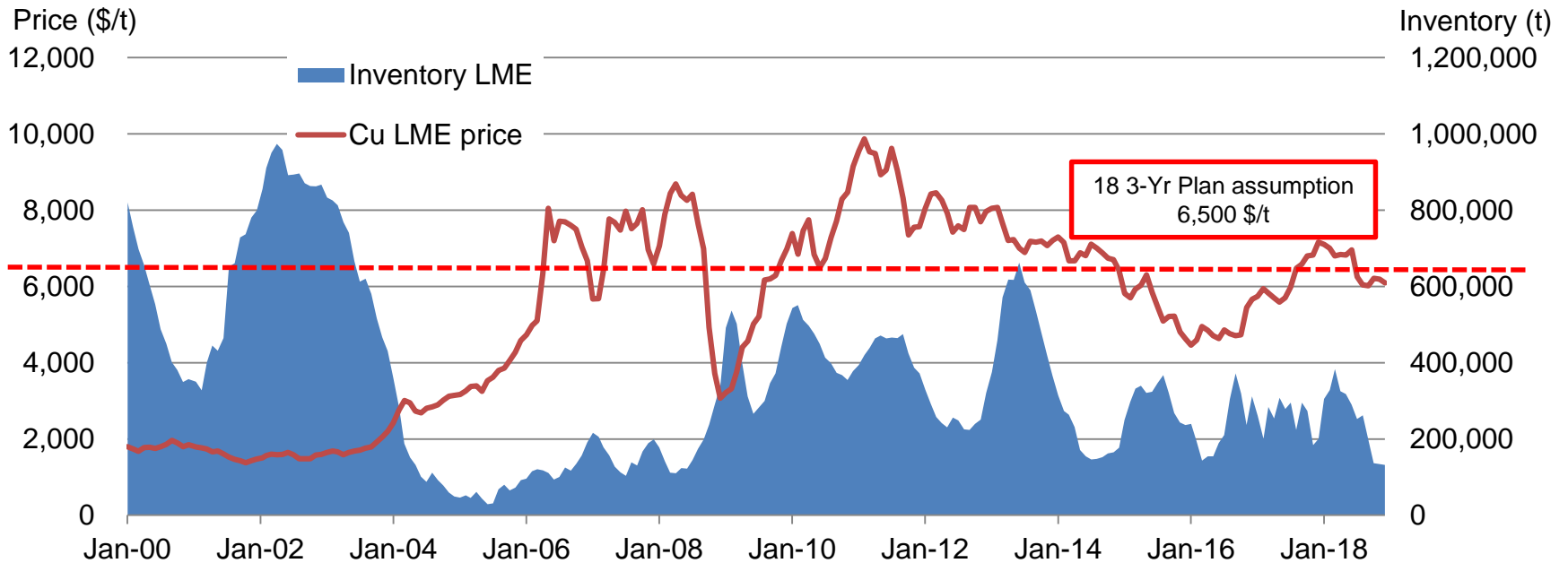
Halt of operations due to human rights infringements or serious incidents (disasters, environmental)

Risk of acquisition by a third-party

Risk of damage from natural disasters, such as earthquakes and tsunamis, violent storms, and flooding

4) Forecast of Copper Price Trends and Supply & Demand Balance

Supply and demand are generally balanced, no big price fluctuations at present

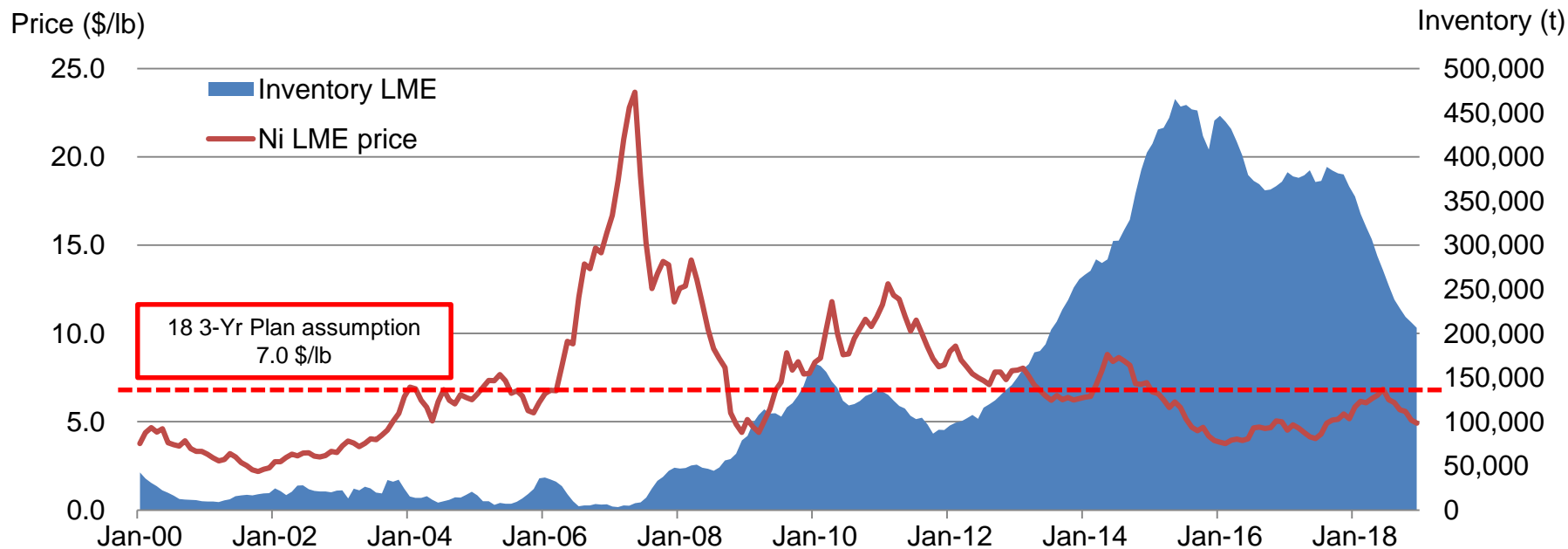


2016-2019 INSG forecast (October 2018)

(kt)	2016	2017	2018	2019
Production	23,339	23,498	24,161	24,825
Usage	23,491	23,759	24,253	24,890
Balance	-152	-261	-92	-65

5) Forecast of Nickel Price Trends and Supply & Demand Balance

Continuation of negative supply and demand balance, upward trend on prices

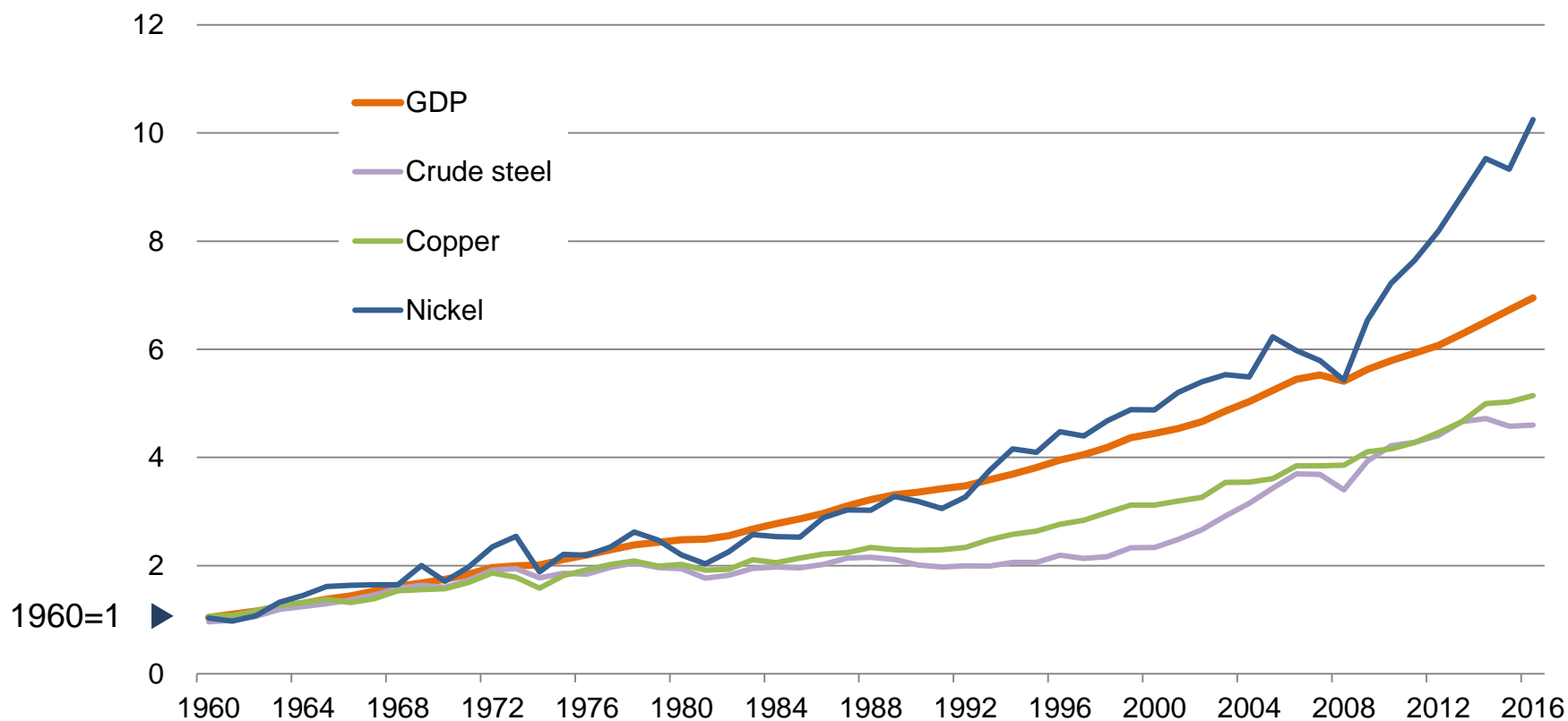


(kt)	INSG forecast (October 2018)			SMM forecast (November 2018)		
	2017	2018	2019	2017	2018	2019
Production	2,070	2,204	2,389	2,065	2,170	2,290
Usage	2,184	2,350	2,422	2,142	2,263	2,339
Balance	-114	-146	-33	-77	-93	-49

6) Forecast of Economic Growth Rates and Supply & Demand Balance

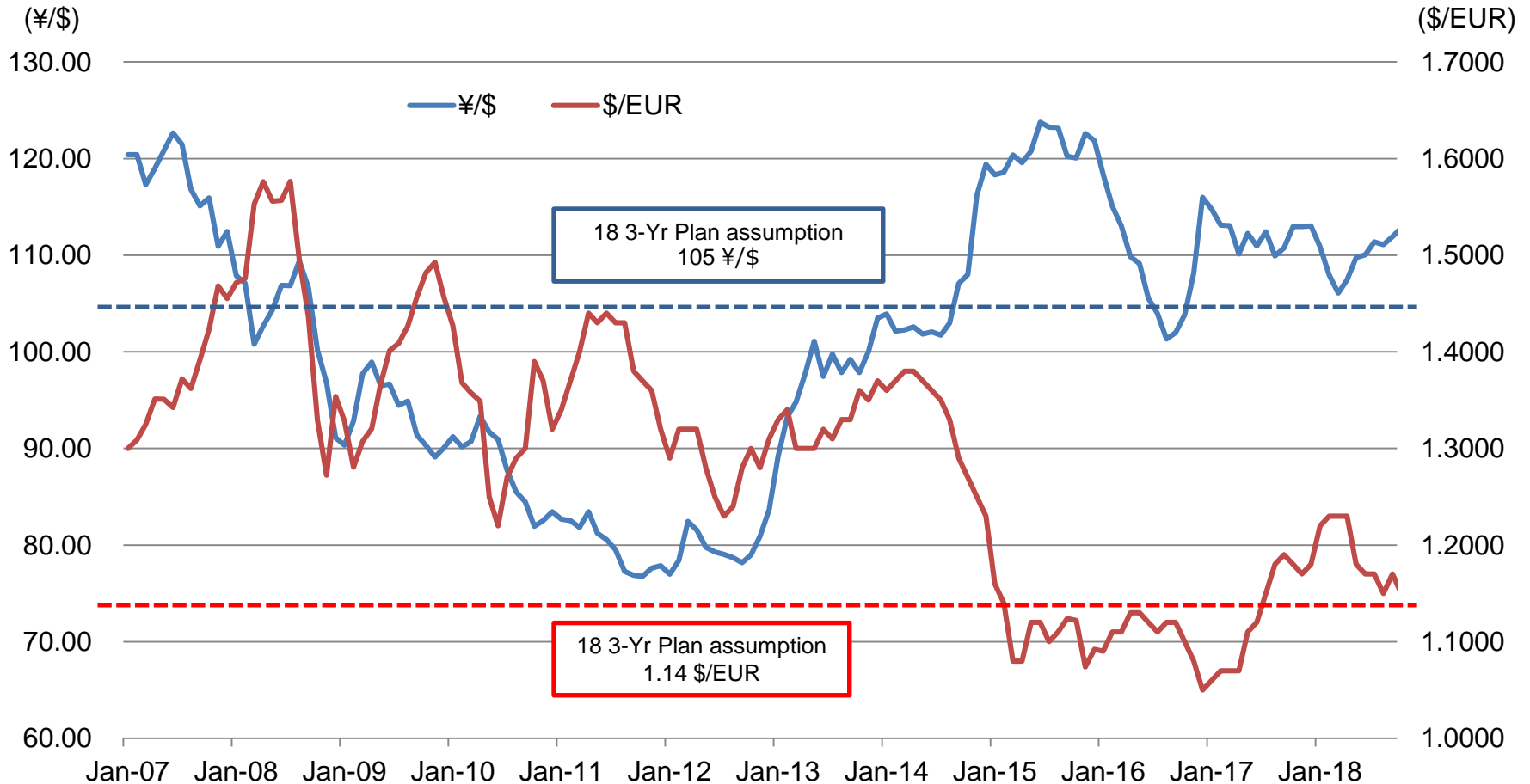
Copper and nickel demand rising in line with GDP growth.

Recent rise in nickel demand in particular has been greatly exceeding economic growth rates.



7) Forex Trends

Awareness of risk of economic downturn in the U.S. and China prompting risk-averse yen buying, leading to a trend of yen appreciation against the dollar



8) Trend of Consolidated Business Performance

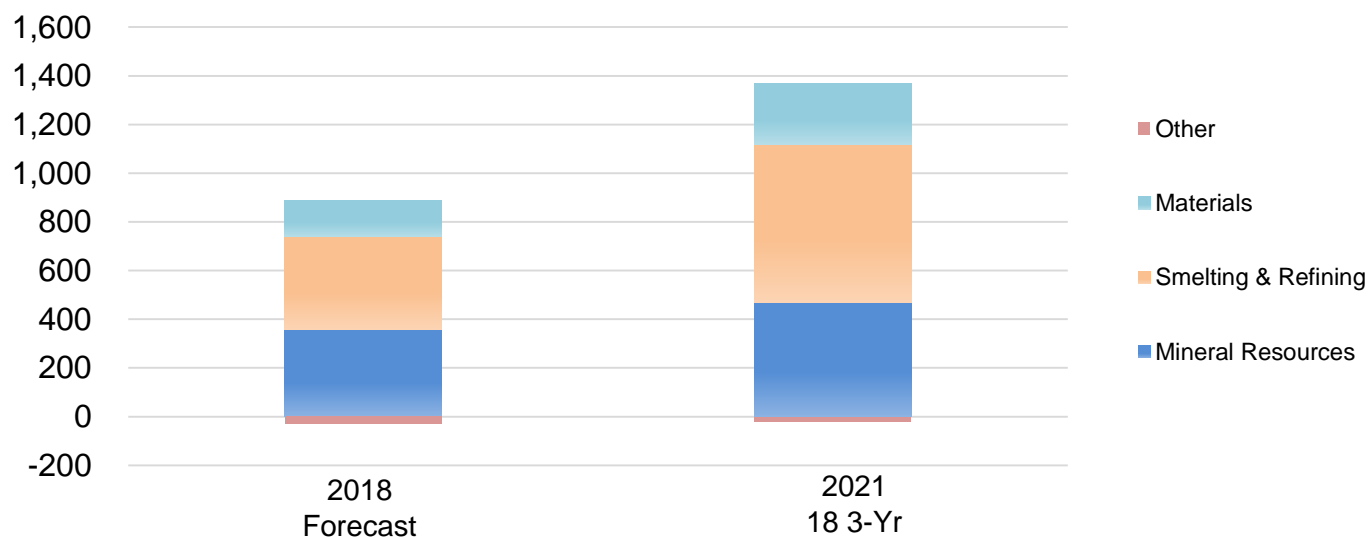
<IFRS>	2017	2018 Forecast	2021 (18 3-Yr Plan)
Net sales (¥100 million)	9,297	9,090	10,500
Profit before tax (¥100 million)	1,083	860	1,350
Equity method profit (¥100 million)	123	-25	270
Profit (¥100 million)	902	640	970
Cash dividends per share (¥)	100	70	N/A
Copper (\$/t)	6,444	6,311	6,500
Nickel (\$/lb)	5.1	5.7	7.0
Gold (\$/toz)	1,285	1,244	1,300
Cobalt (\$/lb)	30.6	33.5	27.5
Exchange (¥/\$)	110.9	110.9	105.0

9) Segment Profit (before tax)

(¥100 million)

		2018 Forecast	2021 18 3-Yr Plan	Difference
Segment Profit	Mineral Resources	360	470	110
	Smelting & Refining	380	650	270
	Materials	150	250	100
	Other	-30	-20	10
Profit before tax		860	1,350	490

(¥100 million)

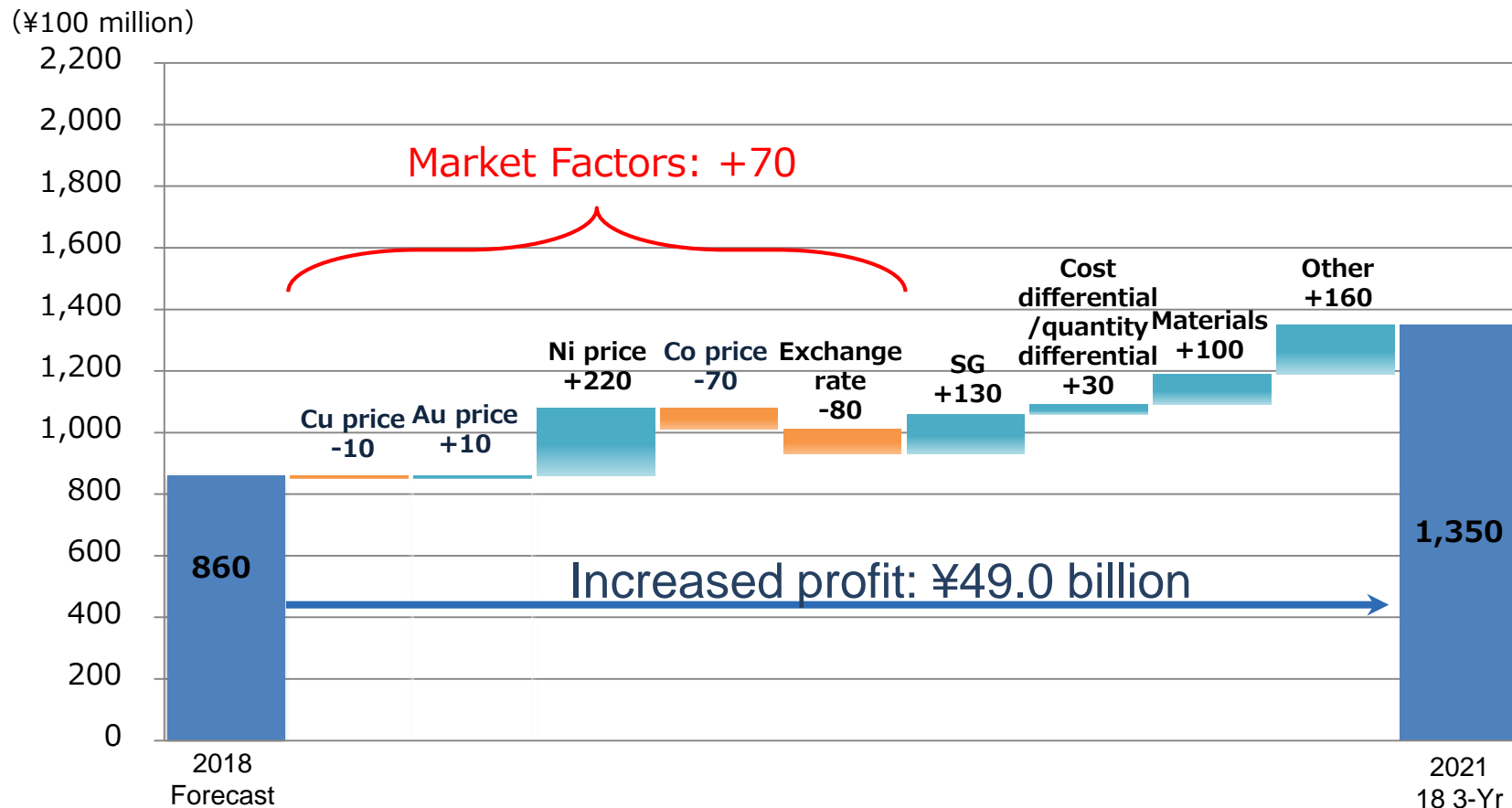


11) Analysis of Profit before Tax

(FY2021 in 18 3-Yr Plan vs. FY2018 Forecast) (Forecast as of February)

Expect ¥49.0 billion more profit in FY2021 (18 3-Yr Plan) compared to the 2018 forecast.

Major factors for increased profit: reduced Sierra Gorda Copper Mine (SG) losses, recovery from decreased THPAL production, and upswing in the Materials business.



Consolidated Balance Sheet

(¥100 million)

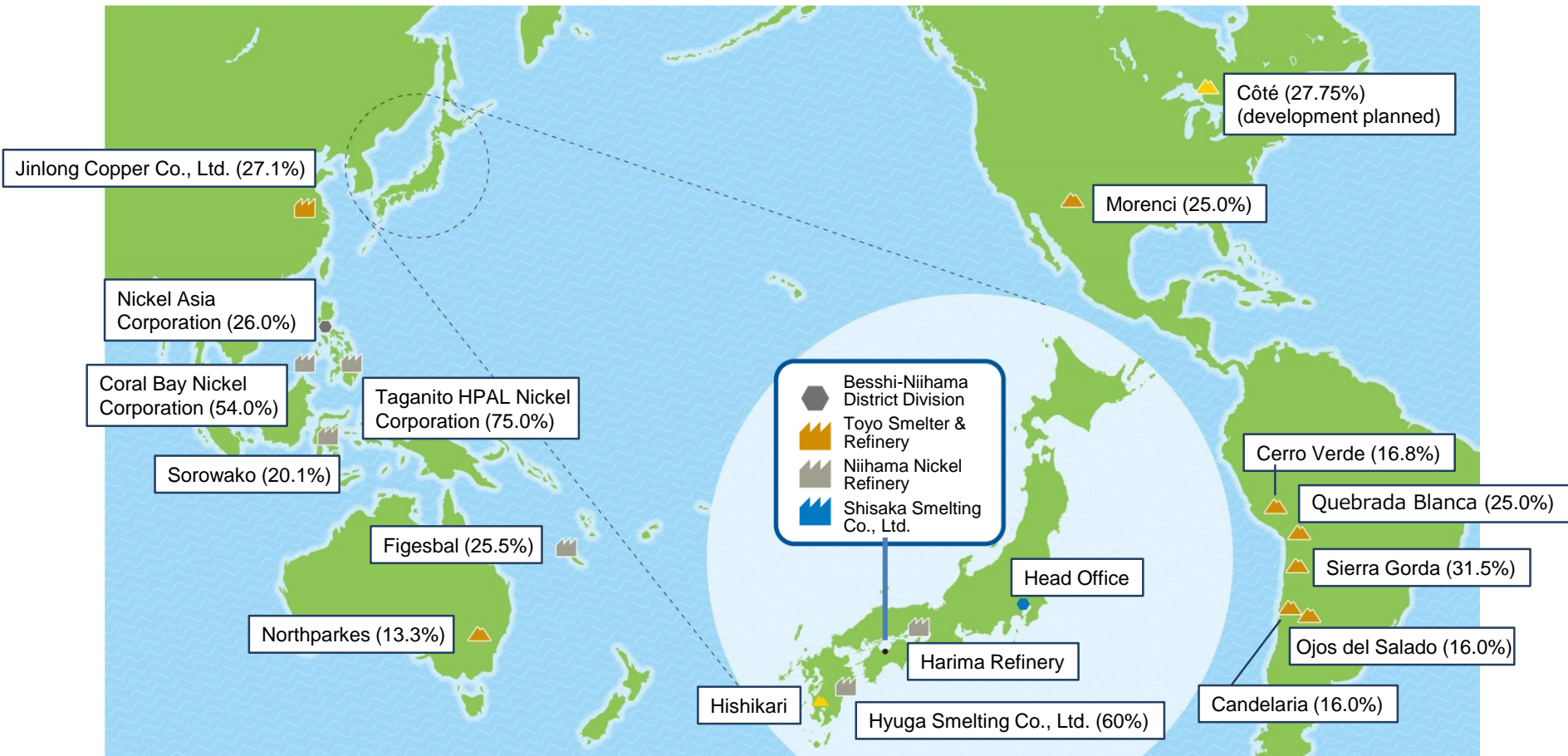
	End of FY2021 (projections)	End of FY2018 (forecast)	Difference
Total current assets	6,000	5,600	400
Total non-current assets	14,900	12,100	2,800
Total assets	20,900	17,700	3,200
Total liabilities	7,100	5,900	1,200
Total net assets	13,800	11,800	2,000
Total liabilities and equity	20,900	17,700	3,200
Interest-bearing debt	4,700	3,600	1,100
Equity ratio	60.6%	61.5%	-0.9Pts.
D/E ratio	37.4%	33.0%	4.4Pts.

13) Sensitivity Trial Calculation

(¥100 million)

Element	Degree of variation	FY2021 Profit before tax
Cu	±100\$/t	28
Au	±100\$/toz	23
Ni	±1\$/lb	171
Exchange (¥/\$)	±1¥/\$	15

14) SMM's Mines, Smelters and Refineries



Note

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