



FY2020 Progress of Business Strategy

President and Representative Director
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MINING THE FUTURE



住友金属鉱山

SUMITOMO METAL MINING

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Summary① Review of FY2020 (Production / Sales / Projects)

[Production / Sales]

A year of the COVID-19 pandemic. While many things big and small were affected, we endeavored to continue operations through a variety of means at each workplace.

As a result of our effort to keep selling and producing, the rise in metal prices is reflected in our financial results.

 **This result is thanks to straightforward, fundamental work**

(effort to maintain operations, suppression of operating costs, obtaining sale premiums, etc.)

[Large Projects]

- Cote had construction determination settled, work commenced and is progressing smoothly
- QB2 is restarting after its temporary construction suspension
- Pomalaa had investigation progress affected by external factors
- Battery materials had partial expansion of business determination settled



Effects on progress due to COVID-19

Moving forward under restrictions

Summary② Recent management challenges

1) The effects of societal problems on business

- Carbon neutrality (Risk of not being selected, technological development / application difficulties)
- Digital transformation (Risk of losing competitive edge, security risk)
- Human resource strategy (Securing / fostering / utilization of human resources)
(Risk of decline in business vitality)

2) Original problems related to our business

- State of countries where we operate business
(Example: Resource nationalism)
- Rise of competing technology
(Example: Smelting and refining of low-grade nickel ore)

**“Vision for 2030”
PDCA realization
“2021 3-year Business Plan”**

3) Resource / Material supply responsibility (⇔ cost increase apprehensions)

- Development difficulties, costs (Resource degradation, location, construction costs...)
- (In a broad sense) Environmental cost
(Protection / preservation + dams, electric power, recycling...)

Summary ③ Safety initiatives

2018 3-year Business Plan Targets Not Achieved

- Prevented any serious accidents, but the overall number of occupational accidents was not greatly improved.
- We are making progress with safety improvements with equipment, but we will make further progress with effective risk assessments.
- Occupational accidents due to unsafe practices are frequent in occurrence. Observation of operations will give insight into on-site realities, and it will be possible to move forward with corrections or measures.

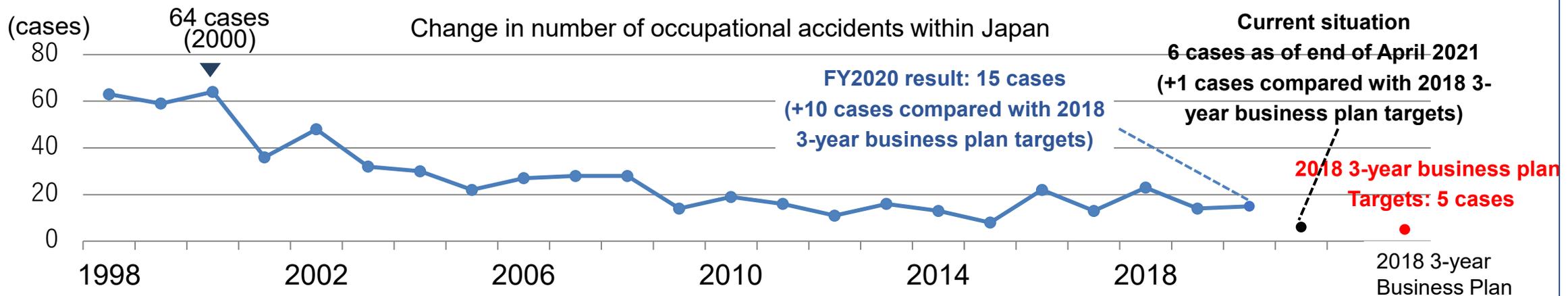
Safety Vision to be achieved in FY2021

- 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



II. Overview of FY2020 results and FY2021 forecast

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1) Change in financial results (FY2015-FY2021 forecast)

(billion yen)		Japanese Standards [J-GAAP]			International Financial Reporting Standards [IFRS]				
		2015	2016	2017	2017	2018	2019	2020	2021 Forecast
Net sales		855.4	786.1	933.5	929.7	912.2	851.9 (*2)	926.1	1,047
Operating profit		59.7	76.4	110.2	-	-	-	-	-
Recurring profit/loss		-12.8	-1.6	124.9	-	-	-	-	-
Profit/loss before tax		0.6	-6.0	105.8	108.3	89.4	79	123.4	138
Equity method profit/loss		-73.2	-86	11.4	12.3	-4.9	6.2	8.7	40.5
Segment Profit	Mineral resources	-44.3	-53.6	56	58	47.3	37.9	65.3	89
	Smelting & refining	25.3	33.3	51.5	47.8	40.9	48.2	55.8	37
	Materials	6.0	12.1	15.3	7.1	13.8	5.3	11.3	11
	Other	-0.8	-0.1	0.2	-7.4	-2	-0.9	-2.8	-2
	Diff. Adjustment	1.0	6.7	1.9	2.8	-10.6	-11.5	-6.2	3
Net profit/loss (*1)		-0.3	-18.5	91.6	90.2	66.8	60.6	94.6	104
Copper (\$/t)		5,215	5,154	6,444	6,444	6,341	5,860	6,879	7,800
Nickel (\$/lb)		4.71	4.56	5.06	5.06	5.85	6.35	6.80	7.00
Gold (\$/Toz)		1,150	1,258	1,285	1,285	1,263	1,462	1,824	1,700
Cobalt (\$/lb)		11.73	13.67	30.64	30.64	31.64	15.76	16.62	15.00
Exchange (¥/\$)		120.15	108.40	110.86	110.86	110.92	108.74	106.07	107.00

(*1) Profit attributable to owners of parent.

(*2) Changes in accounting policies regarding materials supplied for a fee were retroactively applied.

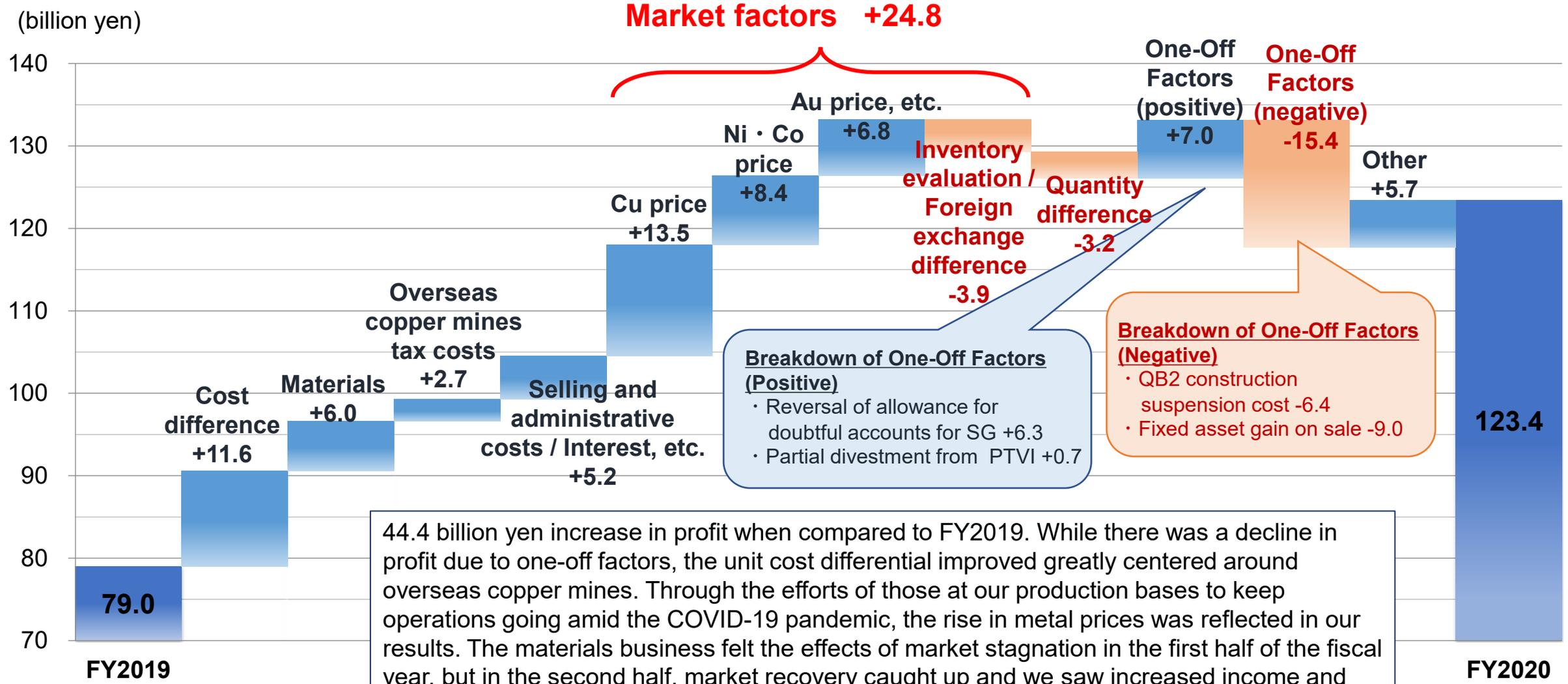
2) FY2020 results and FY2021 forecast

(billion yen)		2020 results (A)	2019 results (B)	Fluctuations (A) - (B)	2021 Forecast (C)	Fluctuations (C) - (A)
Net sales		926.1	851.9 (*2)	+74.2	1,047	+120.9
Sales total profit		150.9	109.5	+41.4	150	-0.9
Profit/loss before tax		123.4	79	+44.4	138	+14.6
Equity method profit/loss		8.7	6.2	+2.5	40.5	+31.8
Segment Profit	Mineral resources	65.3	37.9	+27.4	89	+23.7
	Smelting & refining	55.8	48.2	+7.6	37	-18.8
	Materials	11.3	5.3	+6	11	-0.3
	Other	-2.8	-0.9	-1.9	-2	+0.8
	Diff. Adjustment	-6.2	-11.5	+5.3	3	+9.2
Net income (*1)		94.6	60.6	+34	104	+9.4
Copper (\$/t)		6,879	5,860	+1,019	7,800	+921
Nickel (\$/lb)		6.80	6.35	+0.45	7.00	+0.20
Gold (\$/Toz)		1,824	1,462	+362	1,700	-124
Cobalt (\$/lb)		16.62	15.76	+0.86	15.00	-1.62
Exchange (¥/\$)		106.07	108.74	-2.67	107.00	+0.93

(*1) Profit attributable to owners of parent.

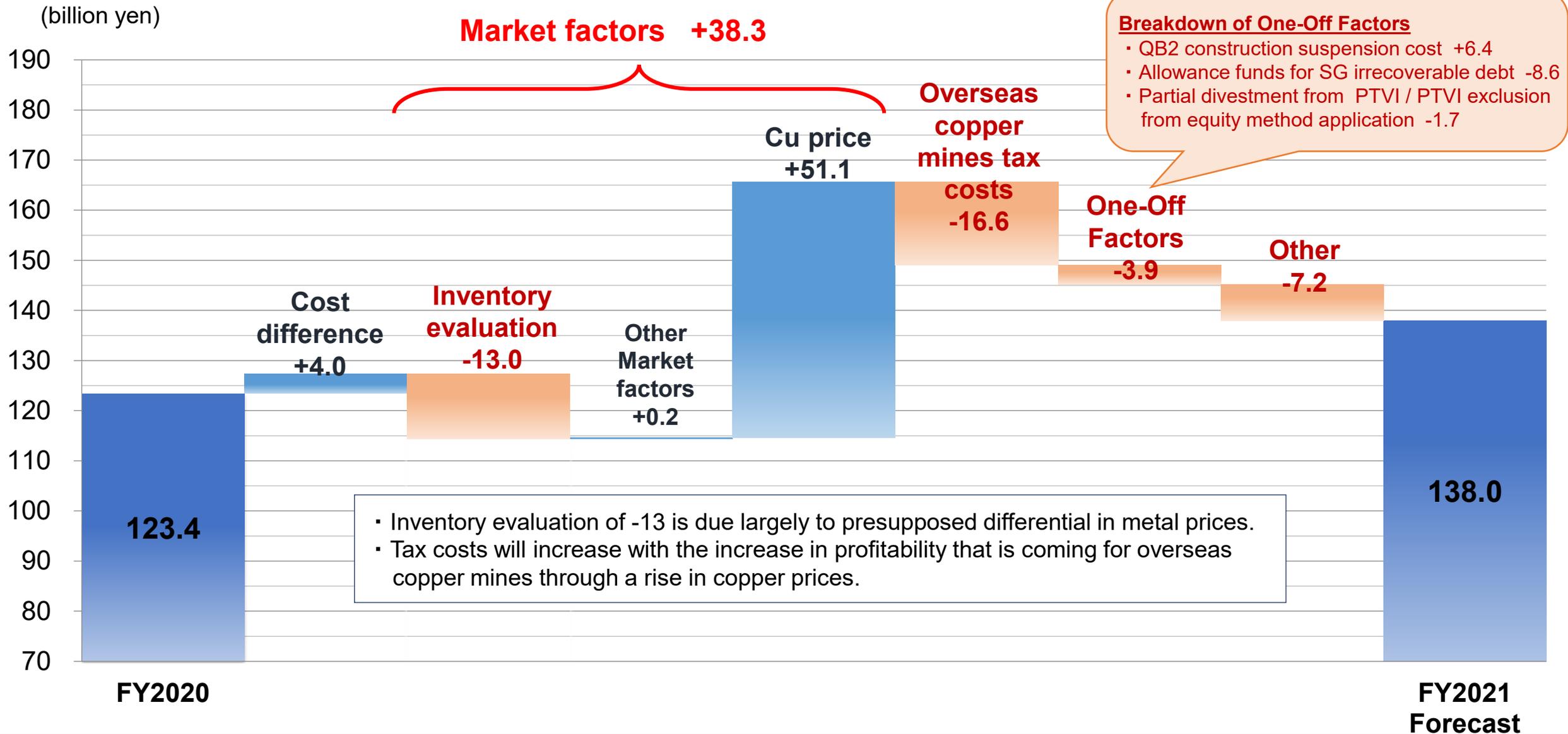
(*2) Changes in accounting policies regarding materials supplied for a fee were retroactively applied.

3) Profit/loss before tax analysis FY2020 results vs FY2019 results

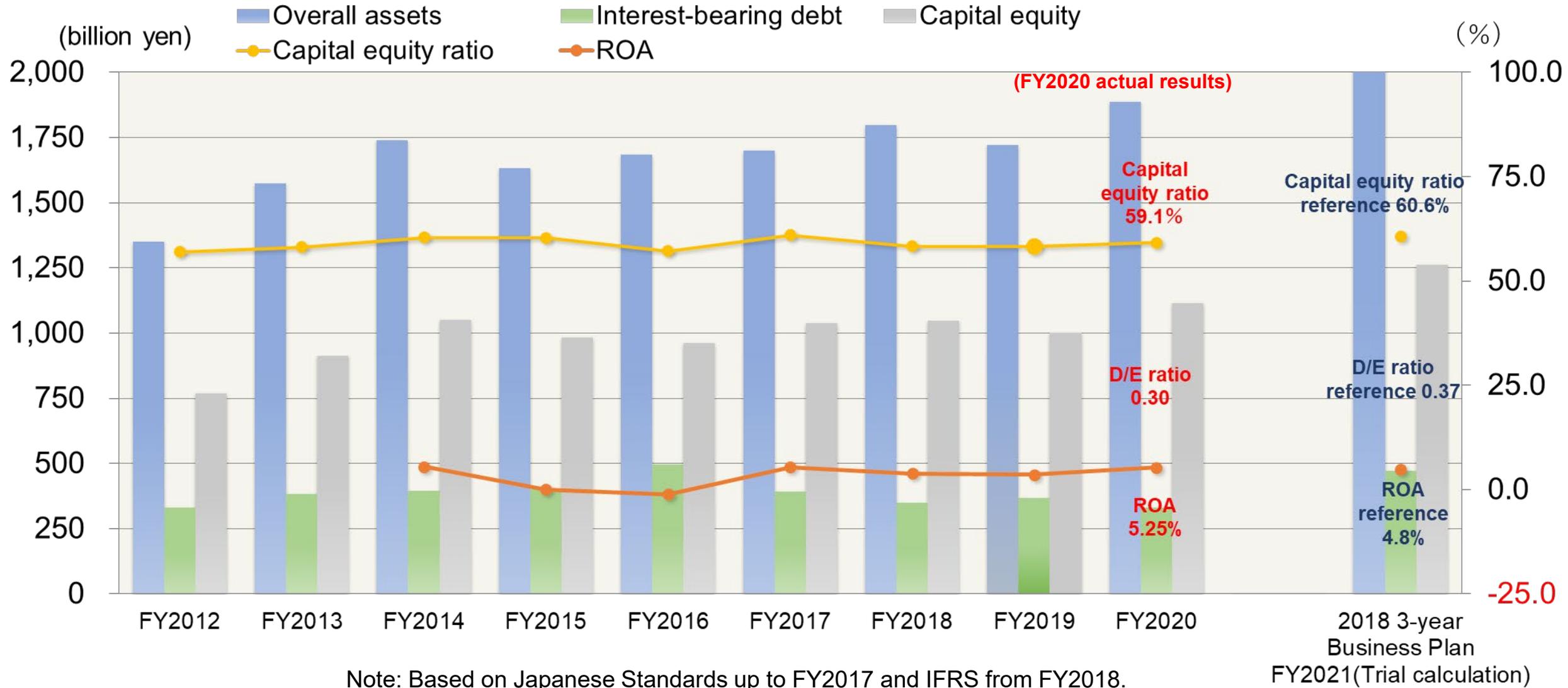


44.4 billion yen increase in profit when compared to FY2019. While there was a decline in profit due to one-off factors, the unit cost differential improved greatly centered around overseas copper mines. Through the efforts of those at our production bases to keep operations going amid the COVID-19 pandemic, the rise in metal prices was reflected in our results. The materials business felt the effects of market stagnation in the first half of the fiscal year, but in the second half, market recovery caught up and we saw increased income and profit. Selling and administrative costs condensed.

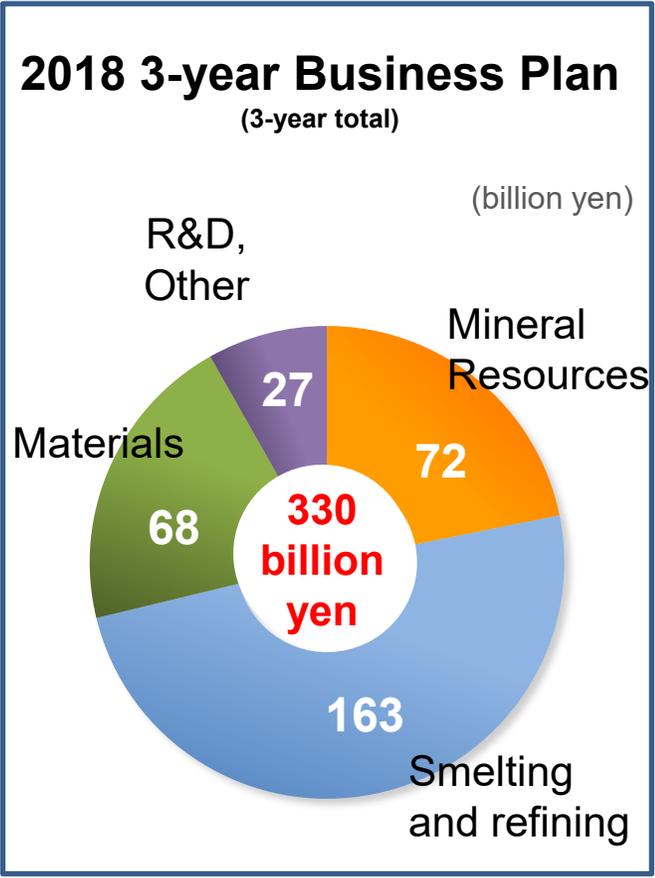
4) Profit/loss before tax analysis FY2021 forecast vs FY2020 results



5) Financial position changes

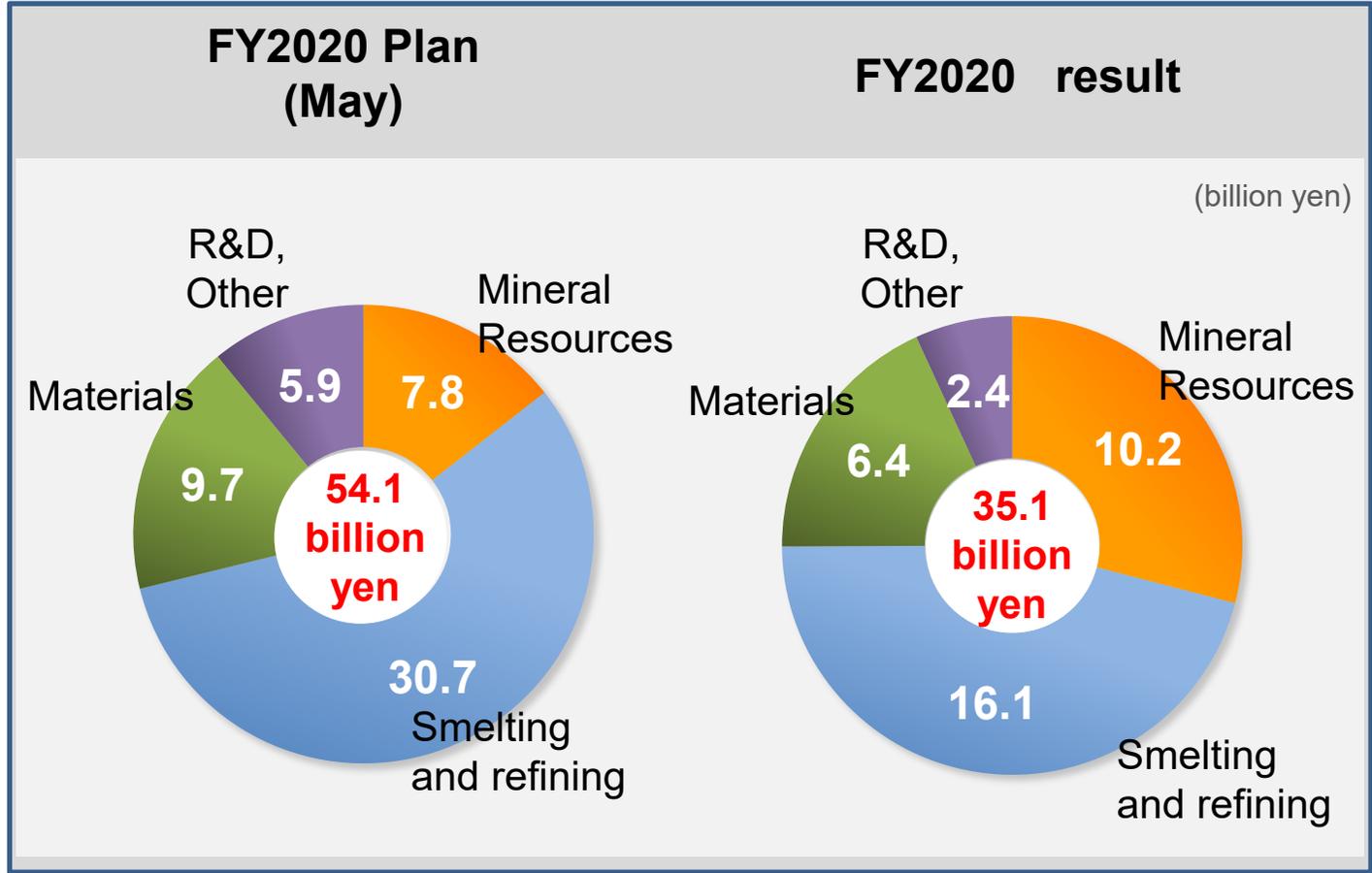


6) Capital expenditure results (FY2020 result vs FY2020 plan)



+

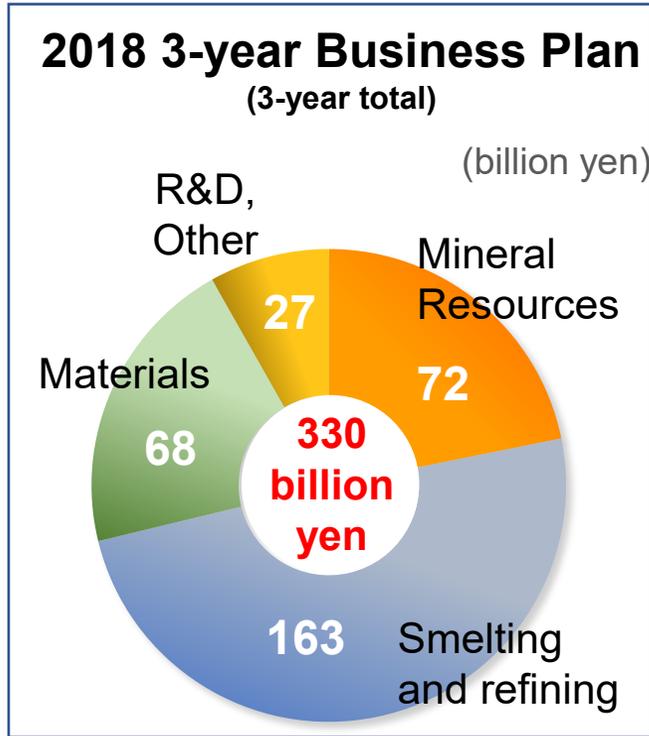
Investment and financing
(QB2, etc. 160 billion yen)



FY2020 May Plan vs FY2020 results: Main reasons for -19.0 billion yen
Discrepancies in acceptance inspection periods, condensing of nonessential and nonurgent equipment investment, etc.

- Main projects**
(Values in parentheses are planned total amounts)
- Cote Gold Project 4.5 billion yen (Total amount \$395 million)
 - Development of lower orebodies at Hishikari Mine 350 million yen (Total amount 3.7 billion yen)

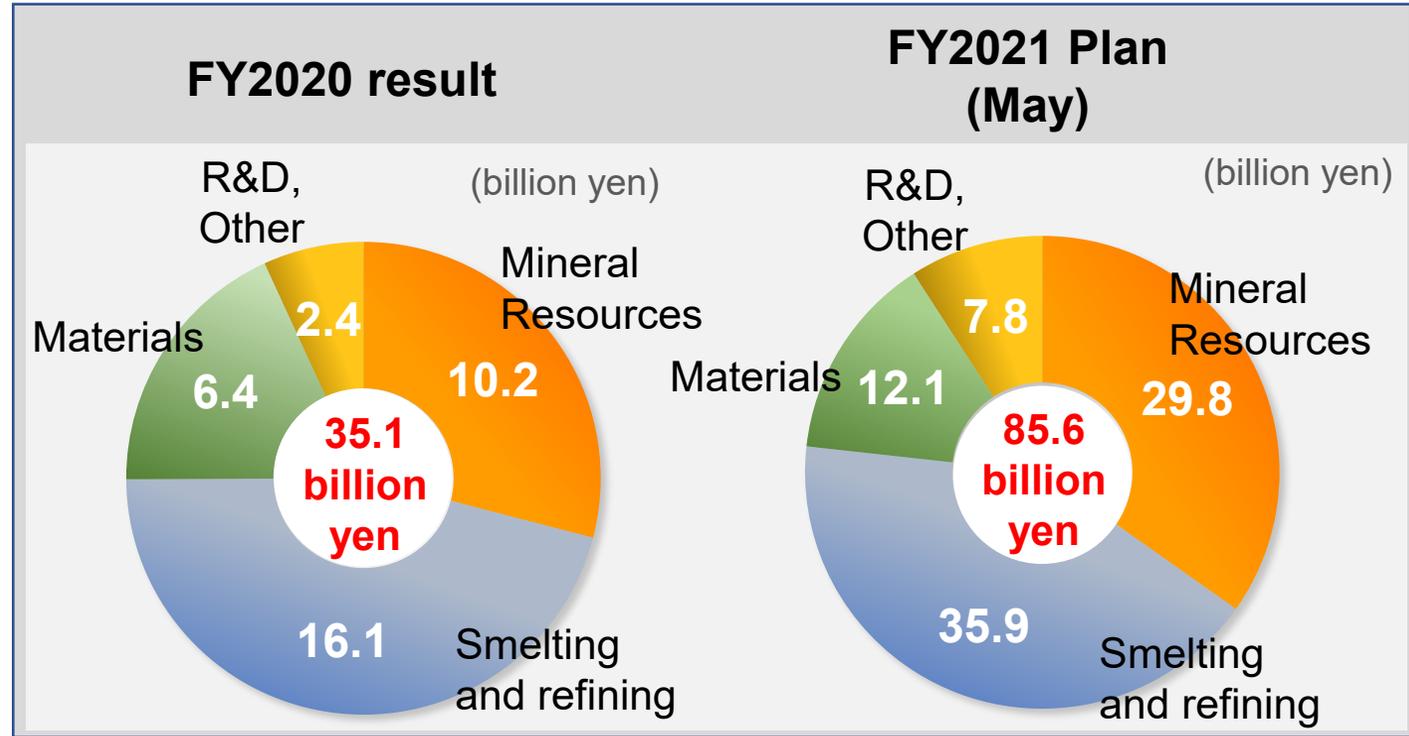
7) Capital expenditure plan (FY2021)



+

Investment and financing

(QB2, etc. 160 billion yen)



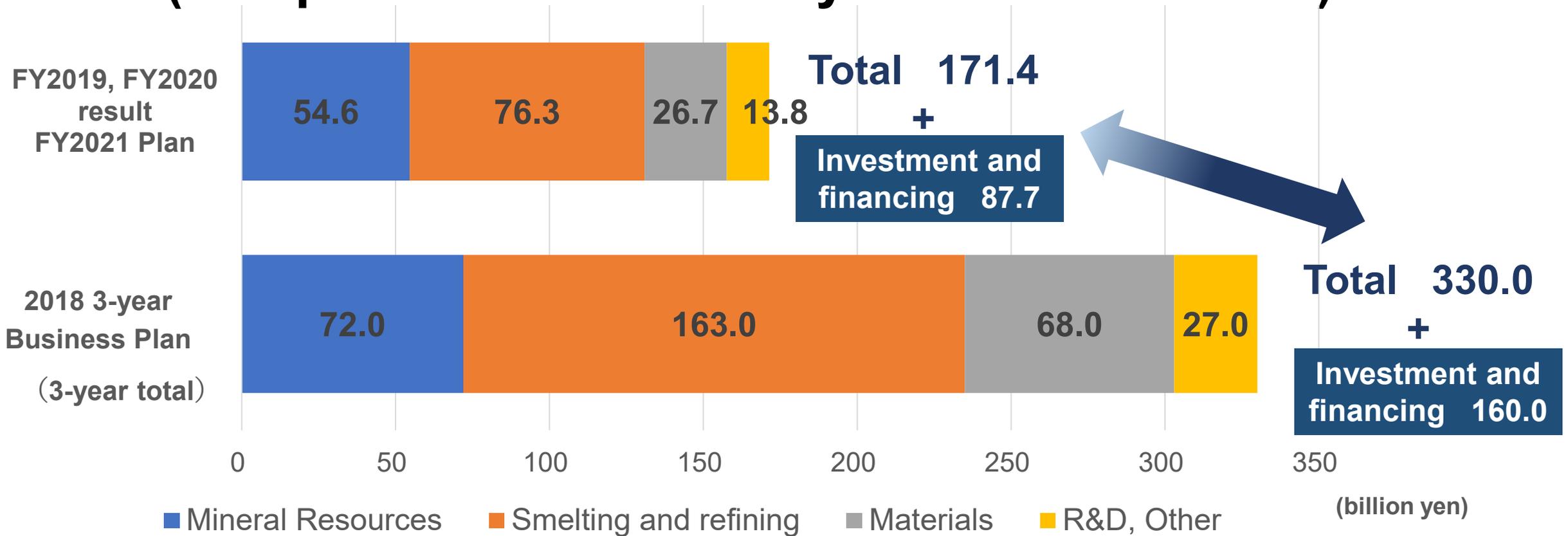
Main projects
(Values in parentheses
are planned
total amounts)

- Cote Gold Project 18.6 billion yen (\$395 million)
 - Expansion and improvement of Battery Research Laboratories 1.4 billion yen (1.6 billion yen)
 - Besshi-Niihama District Div. newly established company dormitory 1.0 billion yen (4.7 billion yen)
 - Development of lower orebodies at Hishikari Mine 400 million yen (3.7 billion yen)
 - Switch to LNG boilers* 200 million yen (800 million yen)
- *Internal carbon pricing applicable project

***Disclosures related to the Pomalaa project will be made individually as our company has reached a judgement on the investment decision.**

8) Capital expenditure / Investment and financing plan

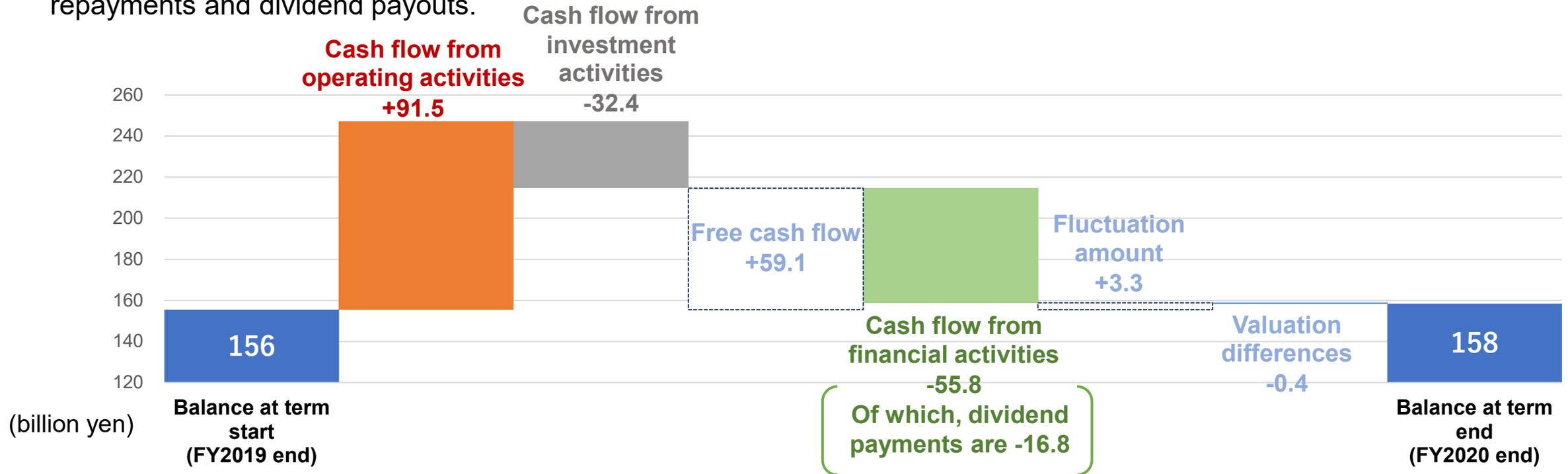
(comparison with 2018 3-year Business Plan)



The effect of postponing investment periods due to COVID-19 (Pomalaa, condensing investments, etc.) and the utilization of project finance in the QB2 project led to a rate of progress of approximately 50%

9) Cashflow (FY2020 results)

End of FY2020 cash and cash equivalents were 158.4 billion yen, a 2.9 billion yen increase from the balance of retained earnings at the beginning of the period. Operating activity cash flow was 91.5 billion yen in revenue, investment activity cash flow was 32.4 billion yen in expenditures, and financial activity cash flow was 55.8 billion yen in expenditures due to debt repayments and dividend payouts.



The investment activity cash flow expenditures estimated in the 2018 3-year business plan are 490 billion yen^(*). Combining recent progress with the FY2019 investment activity cash flow expenditures of 70.3 billion yen^(*), expenditures are currently at 102.7 billion yen.

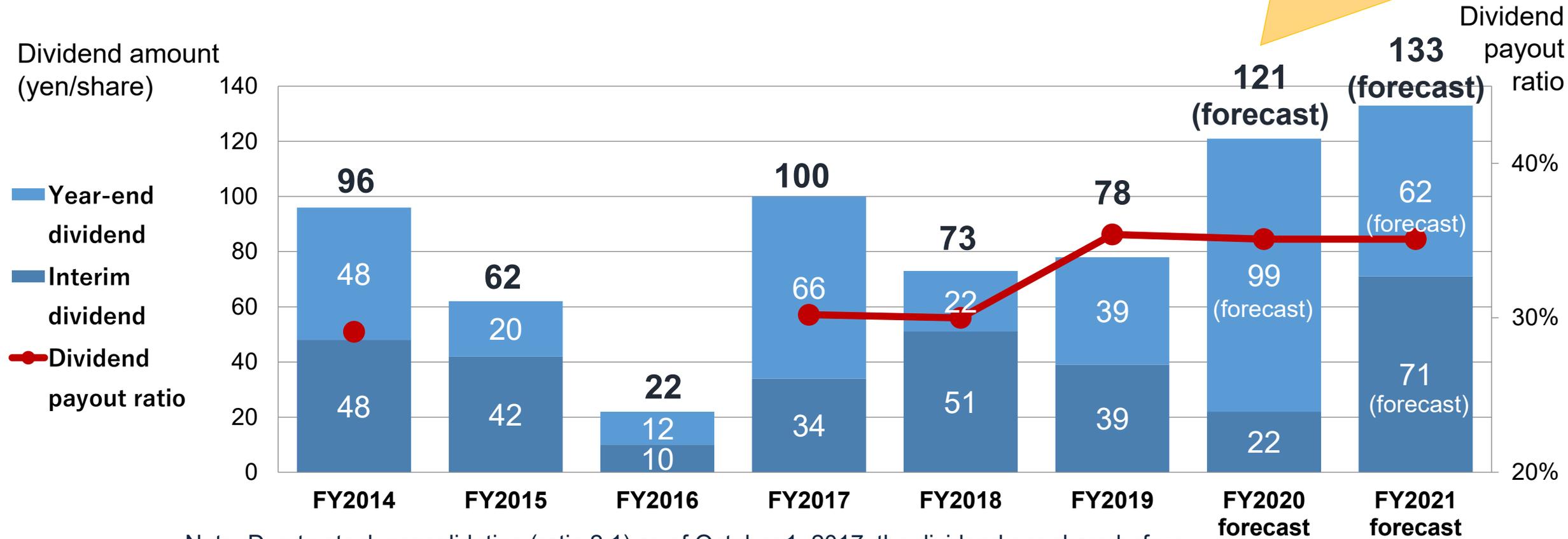
(*1)From an implementation perspective, the 490 billion yen includes sourced project finance.

Continuing to progress as planned with the growth strategy laid out in the 2018 3-year Business Plan, expenditures which had their timing changed will be made moving forward.

10) Shareholder return (Dividend forecast: FY2020 / FY2021)

<2018 3-year plan>
Dividend payout ratio 35% or higher

Highest per stock dividend amount
in company's history



Note: Due to stock consolidation (ratio 2:1) as of October 1, 2017, the dividend per share before that date is calculated and presented based on the standard after stock consolidation.

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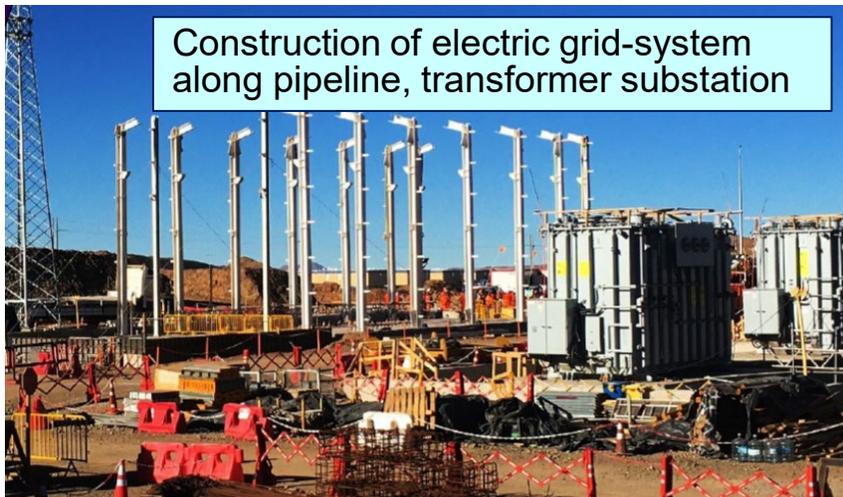
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1) QB2 Project (Progress / Schedule moving forward)

- ◆ Construction was suspended last year due to the COVID-19 pandemic, but COVID-19 countermeasures have been taken and construction has resumed
 - Over the end of construction and the start of production are scheduled for the second half of 2022
- ◆ This April, the project passed the overall midway point
 - Over 9,000 people have been mobilized recently aimed at full-swing construction of the project.
 - Vaccine distribution is progressing smoothly in Chile and we estimate employee peak at around halfway through this year.



2) Pomalaa project (Investigation / Initiatives moving forward)

We will continue procedures and negotiations to allow for quick investment decision making

Our third HPAL project following CBNC and THPAL in the Philippines

- Production estimated at 40 kt-Ni / year.
- 150 kt laid out as a milestone in the long-term vision. Supply of raw materials for Class 1 nickel smelting and refining, which is anticipated to expand due to demand for xEV.
- It is taking some time to obtain the necessary permits and consult with partners due to the impact of COVID-19.



Sulawesi Island, Indonesia

3) Battery Materials Business Expansion (Current situation / Prospects)

During 2024 3-year business plan (until FY2027), we aim to establish a system for cathode material (NCA + NMC + nickel hydroxide) production totaling 10,000 t/month

- Lithium nickel cobalt aluminum (NCA) will increase production mid-2022 from 4,550 kt/month to 4,850 kt/month. Moving forward as planned.
- Electrification of automobiles is rapid around the world. Production will be increased with appropriate timing.
- Expansion and improvement of battery research laboratories implemented to develop next-generation high-performance nickel cathode materials and solid-state battery cathode materials. Prospective completion in July 2022. Equipment investments for 2021 are scheduled to be 1.4 billion yen.



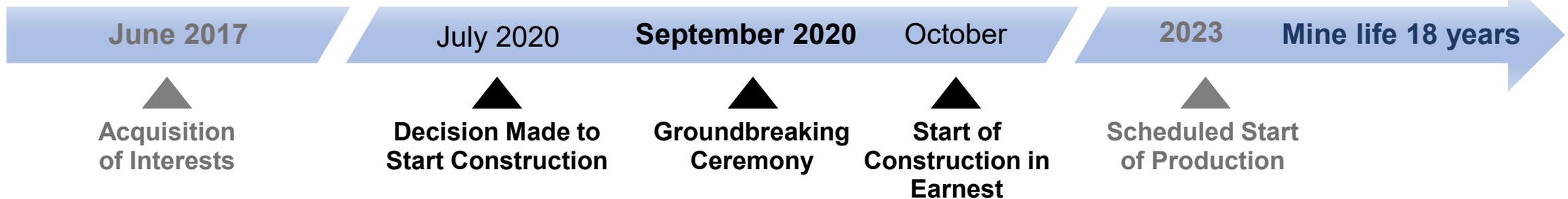
Ternary cathode materials (NMC)

4) Cote Gold Project (Progress / Schedule moving forward)

- ◆ With the determination to begin construction made in 2020, we are currently protecting inhabitant fish and constructing camps. We strengthened COVID-19 countermeasures and construction is largely progressing smoothly.
- ◆ Aimed at a scheduled 2023 start of production, 2021 will largely be centered on engineering construction.
- ◆ Exploration of Gosselin zone and the surrounding area is being actively pursued.



Currently progressing smoothly



IV. Recent issues and important measures

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1) Mineral Resources ①Hishikari Mine

◆ Operations

- As laid out in the 2018 3-year Business Plan, yearly production of 6.0t is being stably maintained.
- Reserve as of the end of 2020 is 159t.

◆ Lower orebody development

- To drop hot water about 30m (-32ML to 10 ML above sea level), a new hot water extraction room is being constructed at -80ML.
- Establishment of infrastructure for hot water extraction has largely finished, and test boring for ore veins subject to hot water extraction began in January of this year.



Boring to extract hot water

1) Mineral Resources ②Overseas copper mines (Morenci, Cerro Verde, Candelaria)

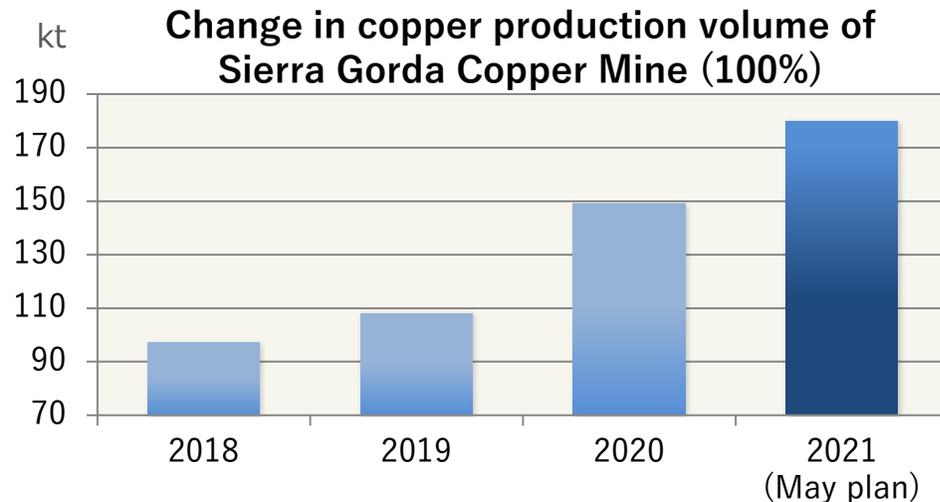
- **Morenci's** planned production volume for 2021 is 368kt. With the consideration on the impact on operation from COVID-19, a part of the concentrators is on care and maintenance and reduced operation measures continue. We expect the leaching production, which went better than we had assumed they would, to return to normal.
- In 2021, **Cerro Verde** is expected to process mineral ore at a rate of 360kt/day, has a planned production volume of 409kt/year and is expected to have an increase in production when compared to 2020, where operations were suspended due to the spread of COVID-19. We expect the previous mineral ore processing rate of 400kt/day to recover as the COVID-19 pandemic ends.
- **Candelaria's** planned production volume for 2021 is 175kt (*), the mill improvement project is expected to be completed, and an increase in production is expected when compared to 2020, in which the strike occurred.
- Currently, there is no major impact on operation from COVID-19.

*Combined with that of Ojos del Salado

1) Mineral Resources

③ Sierra Gorda Copper Mine

- Copper production volume is expanding favorably, and the 2020 production volume was the largest in the mines history at 149kt. 130 kt/day mineral ore processing volume was established due to debottlenecking. We will keep working to keep it stable.
- Planned production volume for 2021 is 180kt, and production increases are expected through improvements to mineral ore processing volume and grade of supply.
- Continuation of consideration of strategic options that include sale related to equity of interests.



2) Smelting and refining ① Domestic smelters

- In the second half of the fiscal year, the Toyo Smelter & Refinery has periodic maintenance scheduled that will take approximately a month. Planned electrolytic copper production volume for FY2021 is 421kt (a drop of 21kt vs the FY2020 result)
- The Niihama Nickel Refinery has a planned electrolytic nickel production volume of 57kt for FY2021.
- Full nickel sulfate operation is continuing at the Niihama Nickel Refinery and the Harima Refinery, and with increasing demand for batteries, the FY2020 production volume of 79.1kt was the highest in our company's history. In FY2021, planned production volume is 77.9kt.
- Hyuga Smelting Co., Ltd has a planned ferronickel production volume of 13.7kt for FY2021.



2) Smelting and refining ②CBNC / THPAL



<CBNC>

- Planned production volume for FY2021 is 20kt.

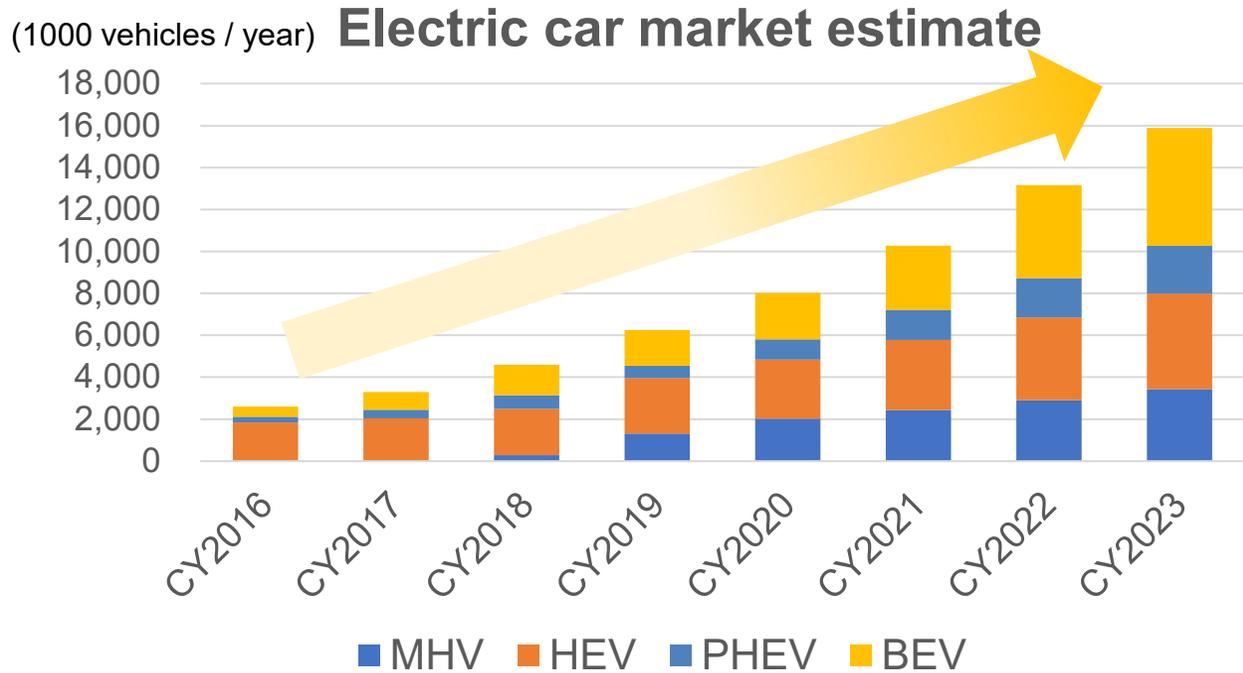
<THPAL>

- Planned production volume for FY2021 is 33kt.
- Chromite sales planned from FY2021.

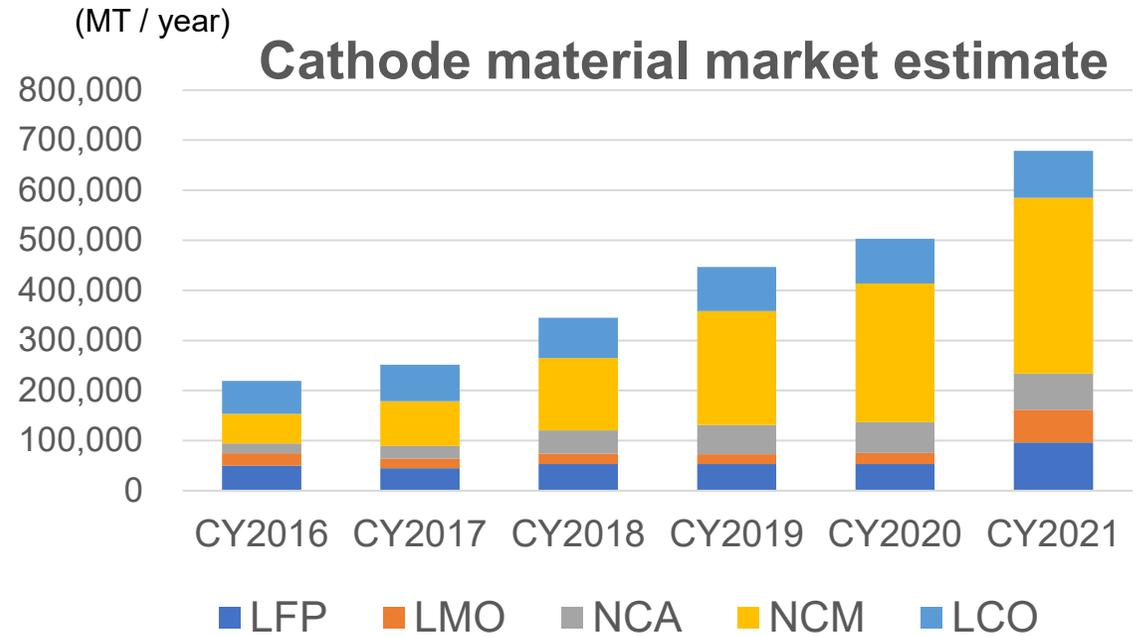
In March of this year, CBNC and THPAL were awarded the “2020 Presidential Mineral Industry Environmental Award” by the Philippine Department of Environment and Natural Resources. This is the first time both bases have received the award.

Through further strengthening of our production capabilities, we will improve both stable production and our competitiveness to continue operating in a way that allows us to achieve co-prosperity with local communities and the environment.

3) Materials ① Battery materials Market trends / Effect on our company, etc.



(Quote: B3 report 20-21 / November 2020)



(Quote: B3 report 20-21/ February 2021)

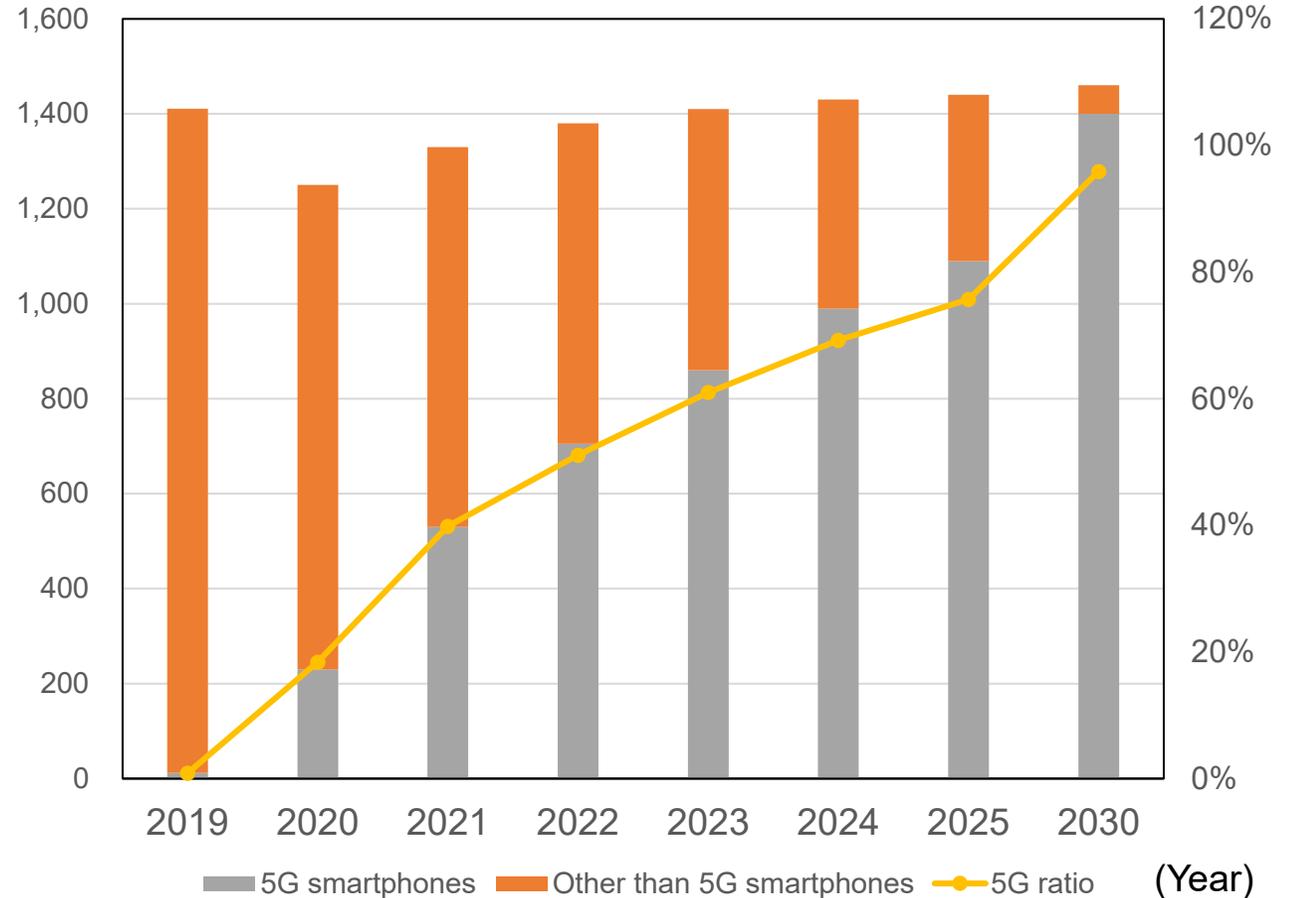
- The FY2021 market overall is in recovery, and we estimate that normal production and sales will continue.
- Battery Association for Supply Chain has been established in April of this year. We participate as a member company.

3) Materials ②Advanced materials Each business / Main products

- We expect sales numbers for the smartphone, PC, television and in-vehicle markets to increase. While we forecast a one-off adjustment for related materials, we expect steady sales and currently are continuing a high level of production at our major production bases.
- In 2021, the telecommunications move to 5G will accelerate, and we expect increased usage of crystal and powder materials.

(Million units)

Smartphone production numbers and 5G ratio forecast



*2020 is estimate, 2021 and after is forecast

Reference: Fuji Chimera Research Institute, Inc
 “Future Prospects for Core Technologies in the Realization of 5G Telecommunications, 2021”

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1) Climate change Initiatives to reduce greenhouse gases

TCFD scenario analysis:

We are identifying risks and opportunities and investigating countermeasures aimed at the 2021 3-year Business Plan. We are planning to report our progress in the “Integrated Report 2021.”

Internal carbon pricing system:

Introduced from the FY2021 budget planning. For example, some boilers will be switched from those that use heavy oil as fuel to those that use LNG.

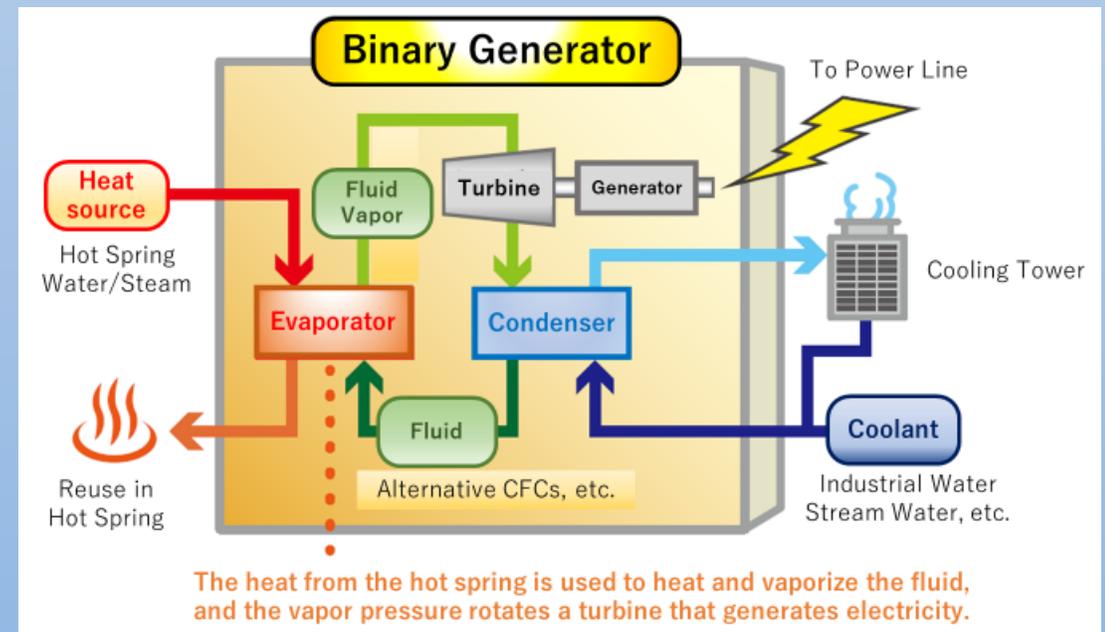
<Introduction of binary power generation to Hishikari Mine>

Binary power generation equipment was installed, and operation began from January 2021.

We are reducing our greenhouse gas emissions with power generation that utilizes heat from naturally occurring hot water.

Power generation amount: Approximately 570,000 kwh a year
(About 2% of what is used at Hishikari Mine)

Yearly CO2 reduction: 330t



2) Progress of other key measures and future schedule

**Effective Use of
Non-Ferrous Metal
Resources**

**Employees'
Occupational Health
and Safety**

**Start of Digital Transformation Promotion
Committee**

A Digital Transformation Promotion Committee was started on April 1, 2021 with the president as the head. The committee is aiming at maximizing contributions to business through company-wide promotion.

**Diverse Human
Resources**

**Development and
Participation of Human
Resources**

**Commencement of radical amendments to
human resources and salary systems**

We are looking into radical amendments to human resources systems towards “Becoming a company that can respect the humanity of each and every employee, and that allows employees to work with a sense of pride, satisfaction and fulfillment.”

Human Rights in the Supply Chain

**Establishment of SMM Group Responsible Sourcing Policy and requests for
consent from our customers**

The responsibility of complying with environmental, societal and compliance standards does not lie solely with our group. As of April 2020, we have established the “Sumitomo Metal Mining Group CSR Sourcing Policy,” which our entire supply chain is engaging in. At present at the end of FY2020, it has been accepted by over 99% of our primary customers. We are commencing the construction of a due diligence mechanism.

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1) Trends in supply and demand (copper and nickel)

Copper

[ISCG forecast of April 2021]

(kt)

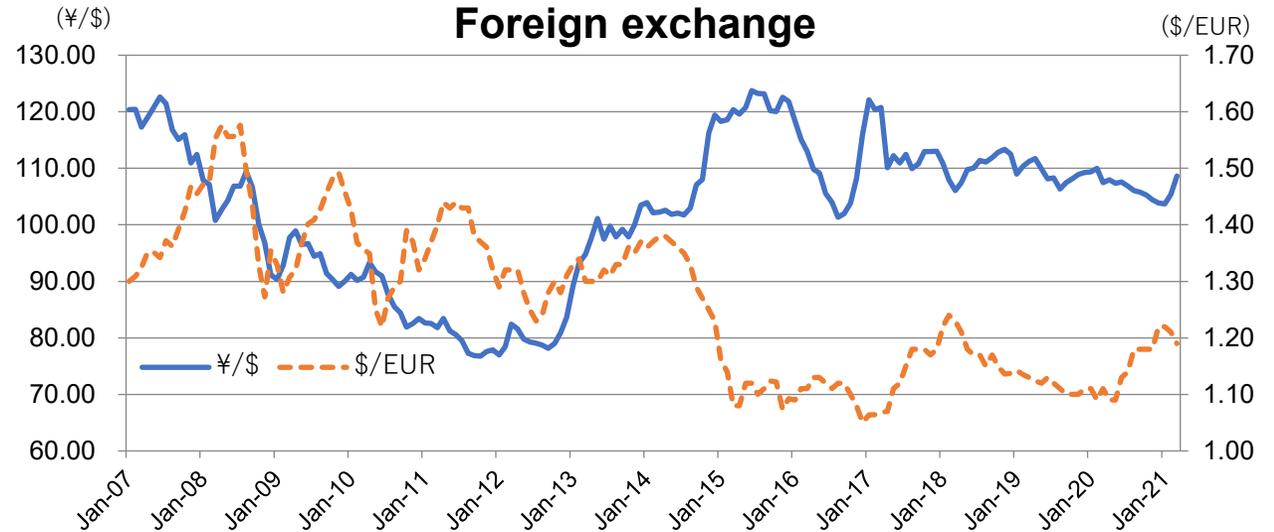
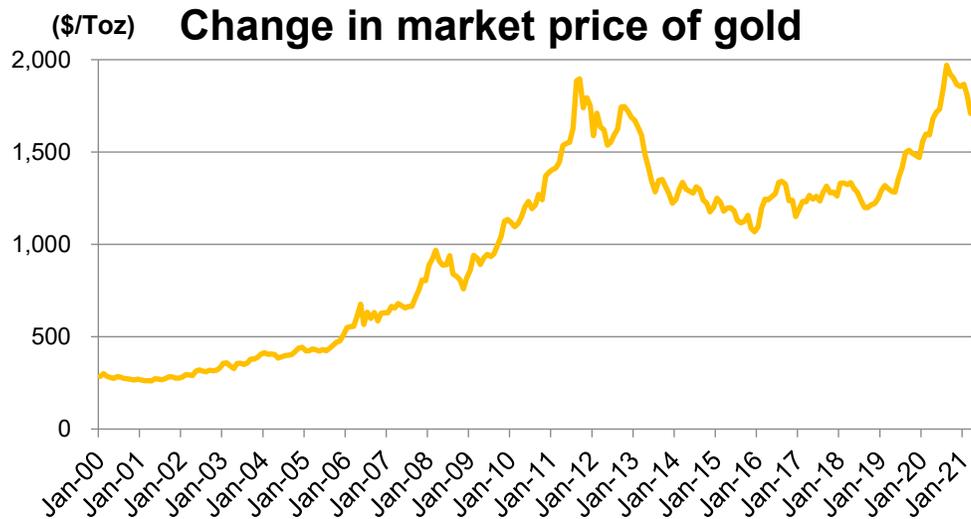
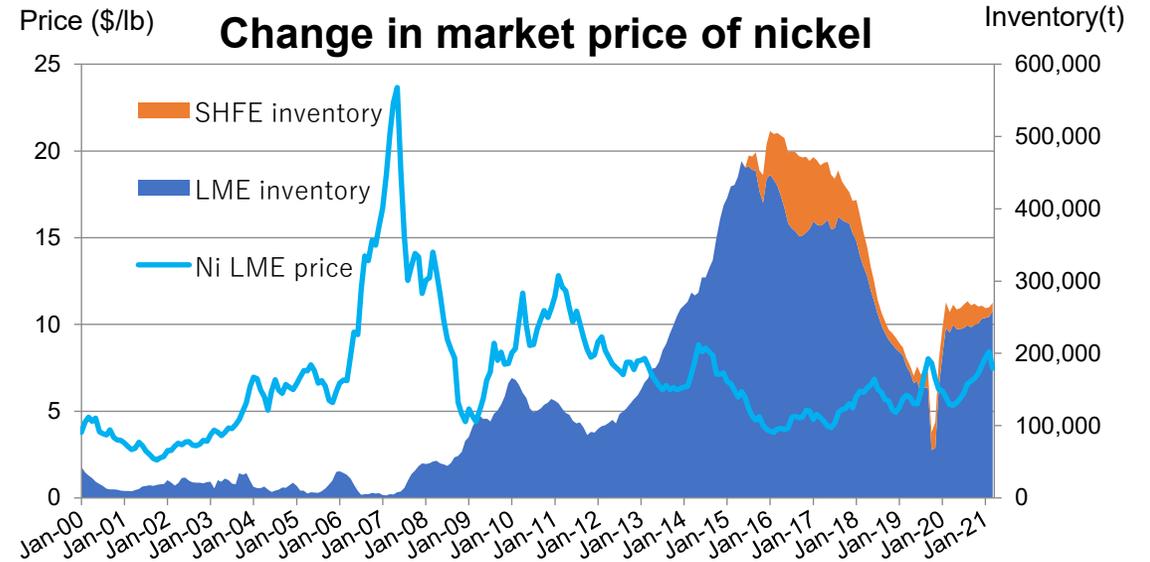
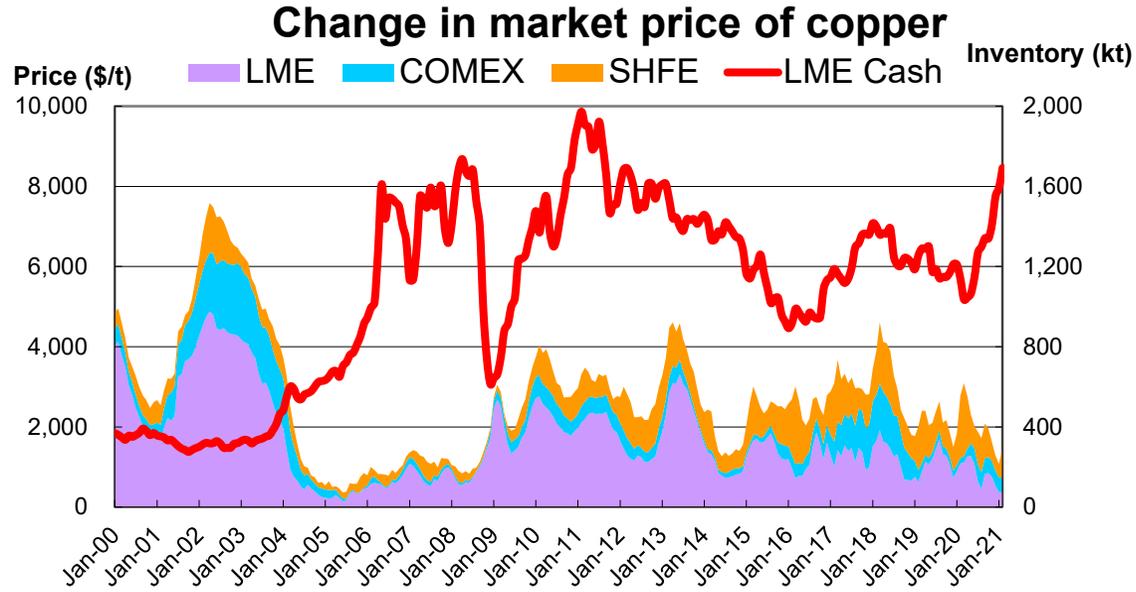
	2019	2020	2021 (forecast)
Production	24,045	24,437	25,167
Usage	24,427	25,042	25,088
Balance	-382	-604	+79

Nickel

(kt)

	INSG forecast in April 2021			SMM forecast in February 2021		
	2019	2020	2021 (forecast)	2019	2020	2021 (forecast)
Production	2,369	2,494	2,718	2,380	2,442	2,593
Usage	2,405	2,386	2,673	2,403	2,310	2,525
Balance	-36	+108	+45	-23	+132	+68

2) Metal price and foreign exchange



3) Individual business overview Mineral Resource ① Copper (overseas copper mines)

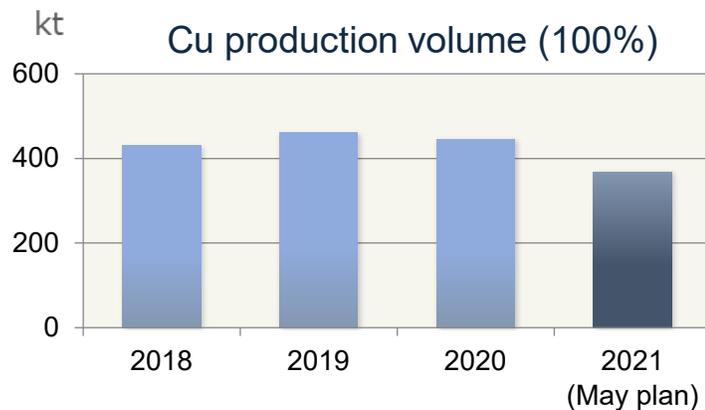
Morenci Copper Mine (US)

Ratio of interests	FCX	72%
	SMM	25%
	Sumitomo Corporation	3%



Production volume

FY2020 446 kt (results)
FY2021 368 kt (plan)



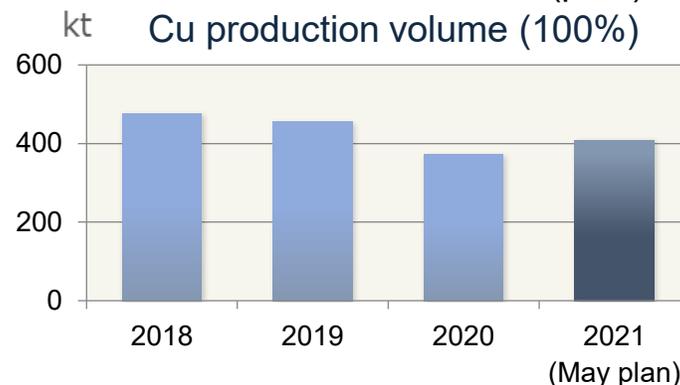
Cerro Verde Copper Mine (Peru)

Ratio of interests	FCX	53.56%
	SMM	16.80%
	Sumitomo Corporation	4.20%
	Other	25.44%



Production volume

FY2020 372 kt (results)
FY2021 409 kt (plan)



Candelaria Copper Mine (Chile)

Ratio of interests	Lundin	80%
	SMM	16%
	Sumitomo Corporation	4%



Production volume

FY2020 123kt (results)
FY2021 175 kt (plan)



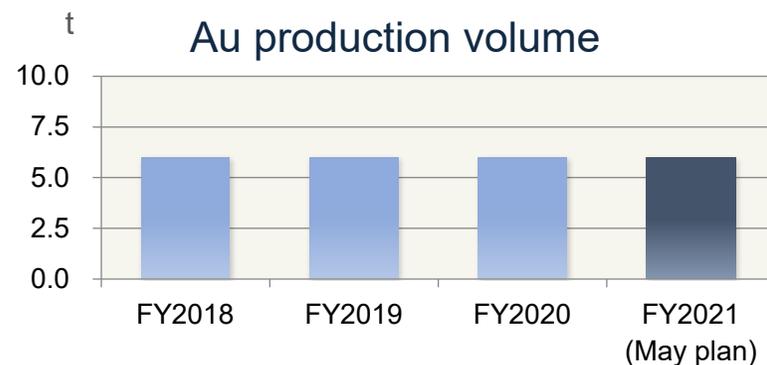
3) Individual business overview Mineral Resource ② Gold (Hishikari/Cote)

Hishikari Mine (Kagoshima Prefecture)

Interest ratio SMM 100%



- Lower orebody development: Continued with safety-first policy
- Reserve: 159t (based on JIS) at the end of 2020
- Production volume FY2021 6.0t (May plan)



Cote Gold Development Project (Canada)

Interest ratio
 IAMGOLD 64.75%
 SMM 27.75%
 Other 7.50%

Acquisition amount: 195 million \$US (approx. 21.5 billion yen)
 Location: Ontario

- F/S completed in November 2018
- Construction started August 2020
- Production start scheduled from 2023



Initial construction project costs	US \$1,423M
Mine life	18 years
Overall gold production volume	205t
Reserve	233Mt
Reserve grade	0.96g/t

(from a July 21, 2020 press release)

3) Individual business overview Smelting and refining ① Copper (Toyo Smelter & Refinery)

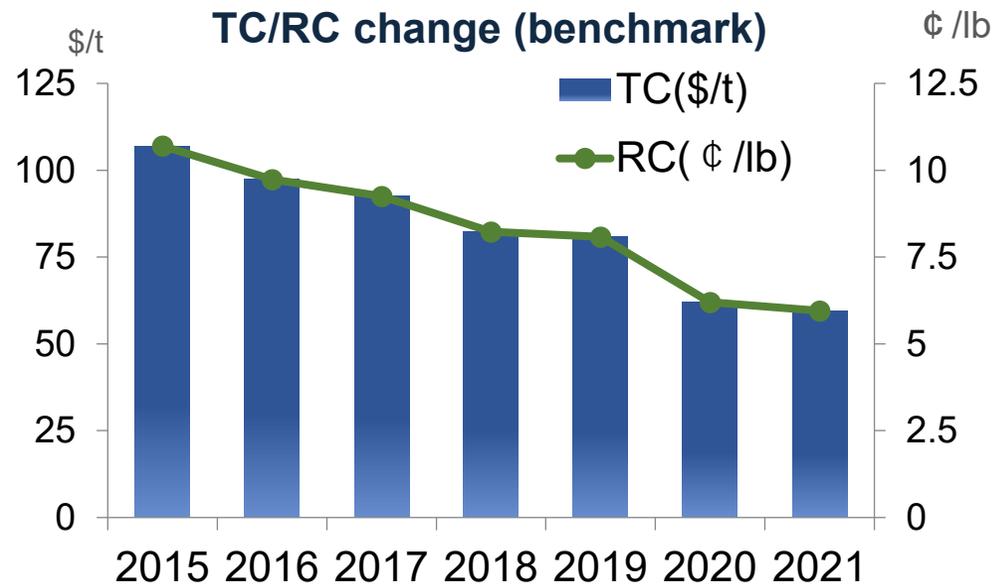
Toyo Smelter & Refinery

Production volume of electrolytic copper

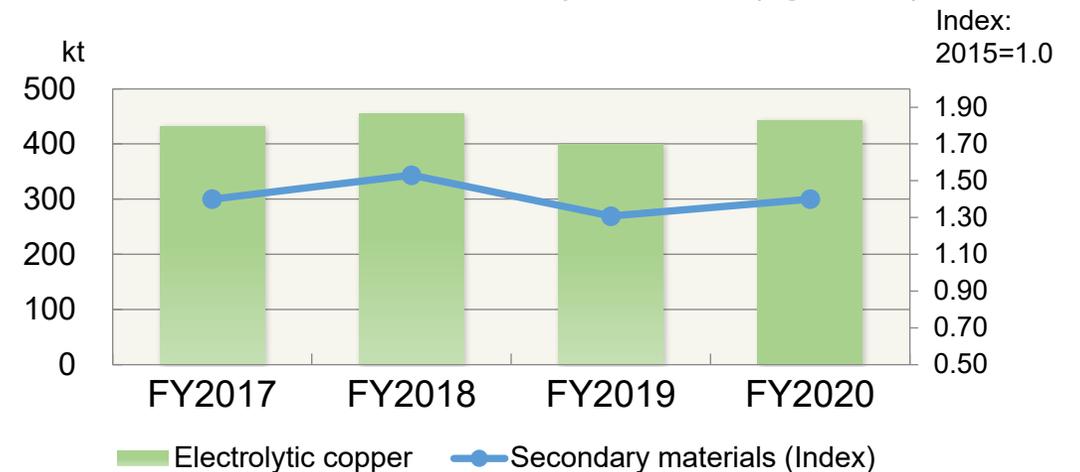
FY2020 443 kt (results)

FY2021 421Kt (May plan)

*Regular maintenance and repair work scheduled in FY2021



Electrolytic copper production volume (left axis) / Volume of collected secondary materials (right axis)



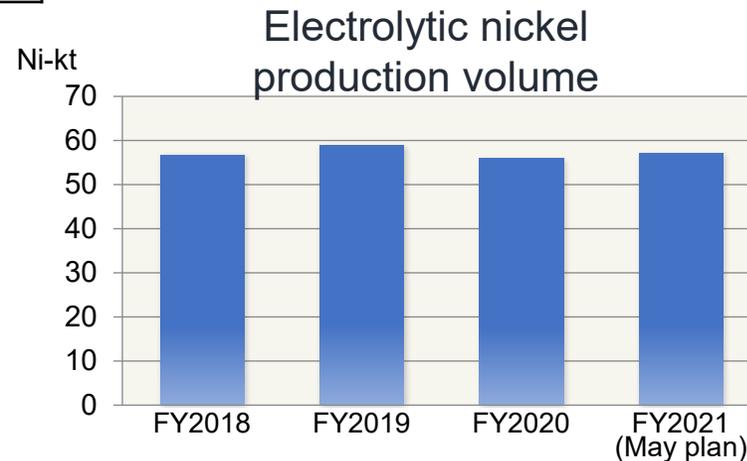
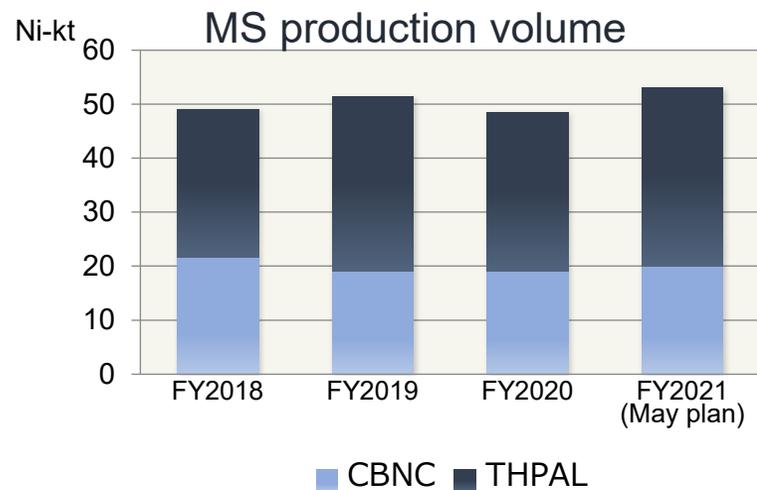
3) Individual business overview Smelting and refining ② Nickel

CBNC, THPAL, Niihama Nickel Refinery

(CBNC, THPAL, Niihama Nickel Refinery)

Production volume (FY2020 results, FY2021 May plan)

unit Ni-kt	FY2020 Result	FY2021 (May plan)	Fluctuation
CBNC	19.1	20.0	+0.9
THPAL	29.4	33.0	+3.6
Niihama Nickel Refinery	55.9	57.0	+1.1



Maximize HPAL by product recovery

Scandium oxide:
Started commercial production from
January 2019

Chromite:
Sales planned to start in FY2021

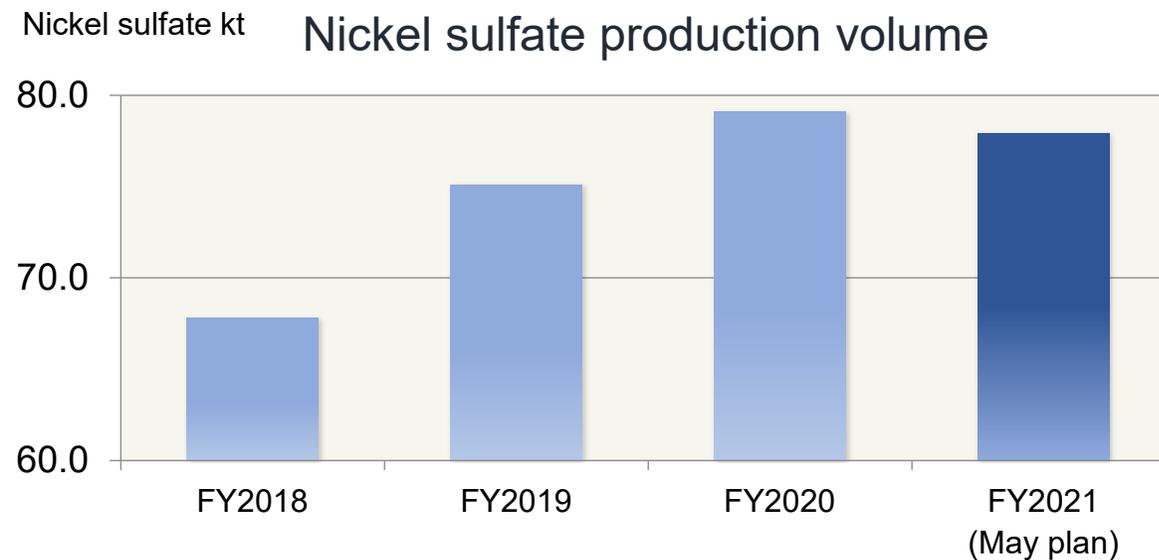
3) Individual business overview Smelting and refining ③ Nickel sulfate (Niihama Nickel Refinery, Harima Refinery)

Niihama Nickel Refinery, Harima Refinery

Production volume of nickel sulfate (Total of Niihama Nickel Refinery and Harima Refinery)

FY2020 79.1 kt (result) a record high

FY2021 77.9 kt (May plan)



3) Individual business overview Smelting and refining ④ Ferronickel (Hyuga Smelting Co., Ltd)

Hyuga Smelting Co., Ltd

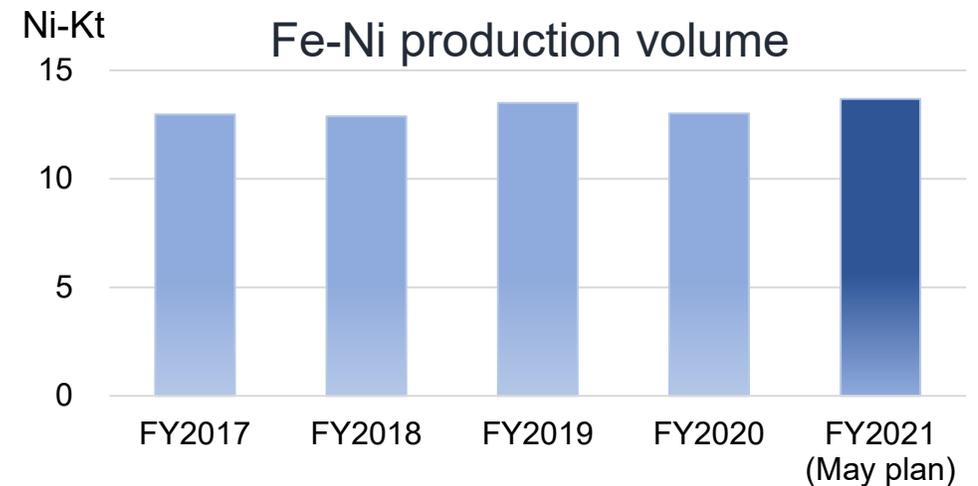
Production volume

FY2020 13.0 Ni-kt (results)

FY2021 13.7 Ni-kt (May plan)



- Aim to maximize production volume using system of 2 kilns, 1 electric furnace
- Strive for cost reduction through stable production and efficient operation, and secure profits



3) Individual business overview **Materials**

Battery materials

FY2020 result: The first half of the fiscal year saw market stagnation due to the spread of COVID-19, which led to reduced production and sales. However, recovery began from the second half.

FY2021 forecast: The market overall is in recovery, and we estimate that normal production will continue.

Crystal materials

FY2020 result: Smartphone demand was sluggish in the first half of the year due to the impact of COVID-19, however, recovery began from the second half.

FY2021 forecast: With the expansion of the 5G smartphone market, we expect the trend showing recovering demand to continue.

Powder Materials

FY2020 result: In-vehicle products were affected by the spread of COVID-19, however, demand centered around consumer products remained steady.

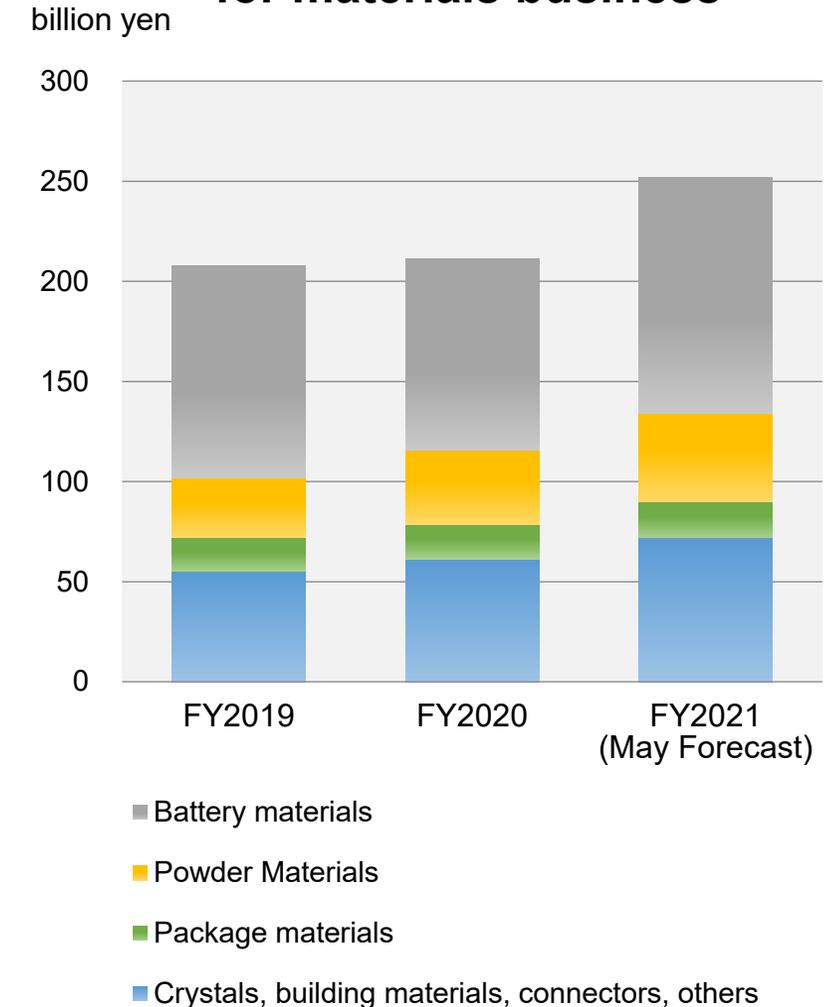
FY2021 forecast: We expect steady sales centered around consumer products, like demand for at-home products and telework, as well as for those related to 5G smartphones.

Package Materials

FY2020 result: The smartphone market continued to be sluggish, but recovered in the second half of the fiscal year.

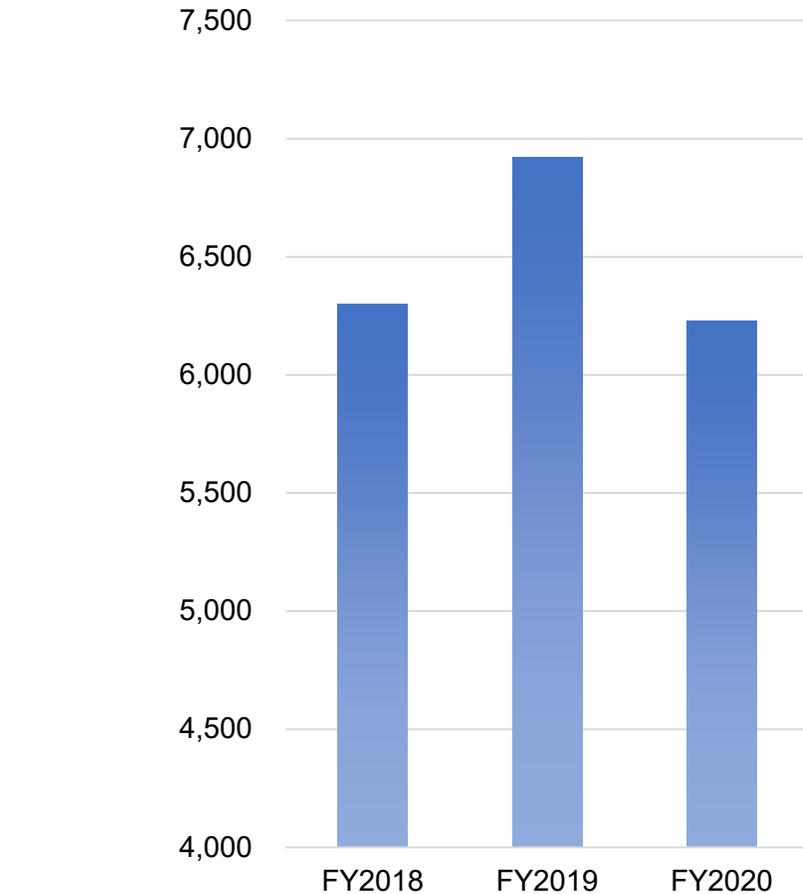
FY2021 forecast: We expect steady demand to continue with things like teleworking demand.

Shift in sales for materials business



3) Individual business overview Research & development ① Results

Change in research and development expenses
(million yen)



Material Business (material development)

[Battery materials]

- Research & development of higher performance battery cathode materials
- Customizing for solid state batteries

[Crystal materials]

- Cost reduction ahead of commodification
Achievement of improved productivity through crystal lengthening, larger bore, and improved crystal growing/production yield, etc.
- Meeting new user needs
Large bore LT crystal growth technology established, now in user work

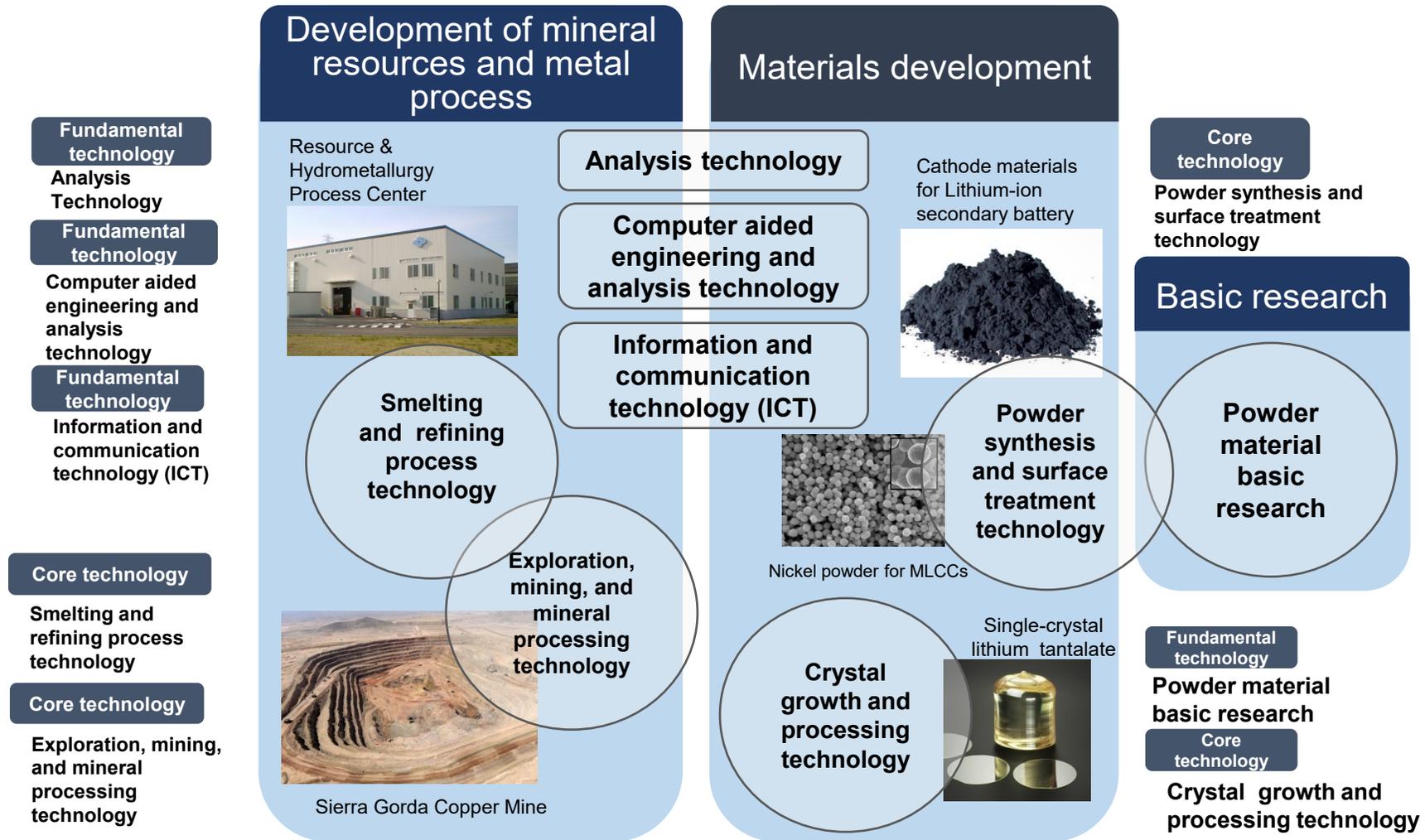
Smelting & Refining Business (process development)

[Lithium ion battery recycling]

- Develop cobalt recovery process which was the subject of recycling, and pilot test is under verification.

3) Individual business overview

Research & development ②Area/field



Concentration on growth strategy fields, search for "seeds" of next-generation business

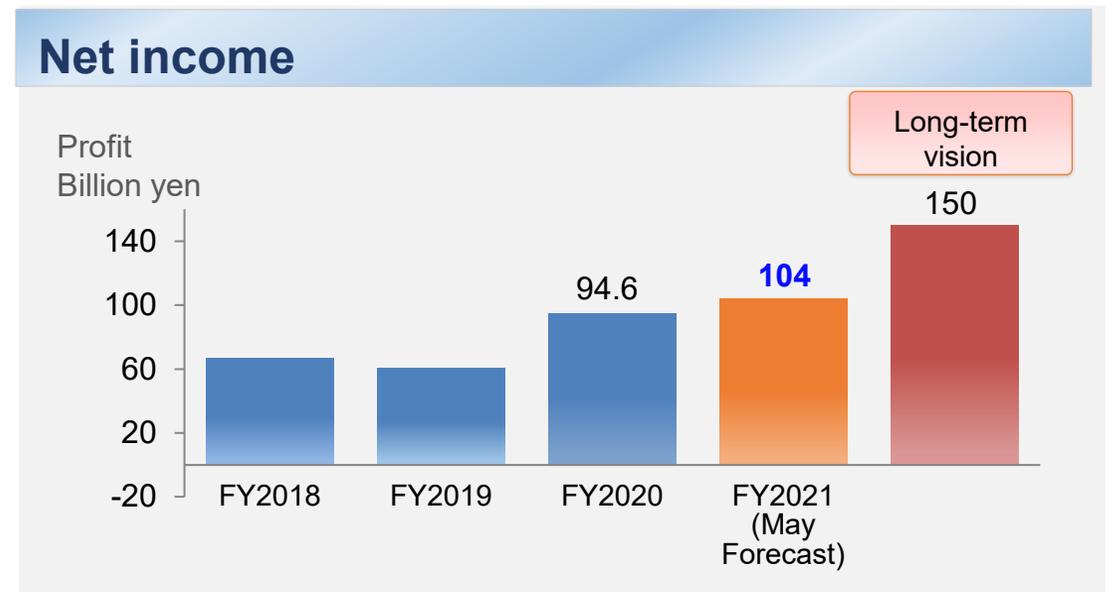
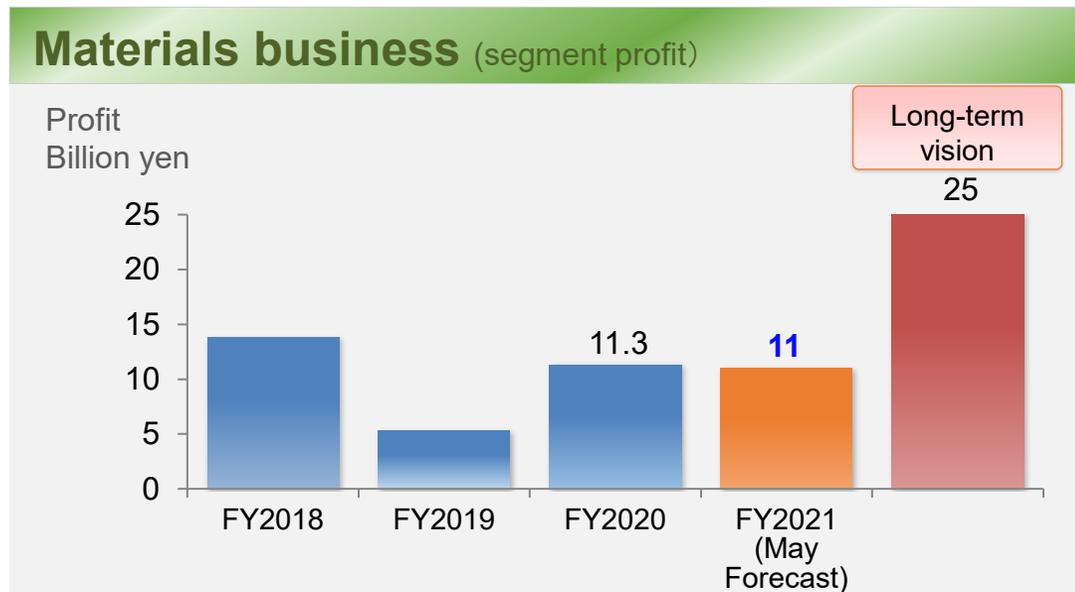
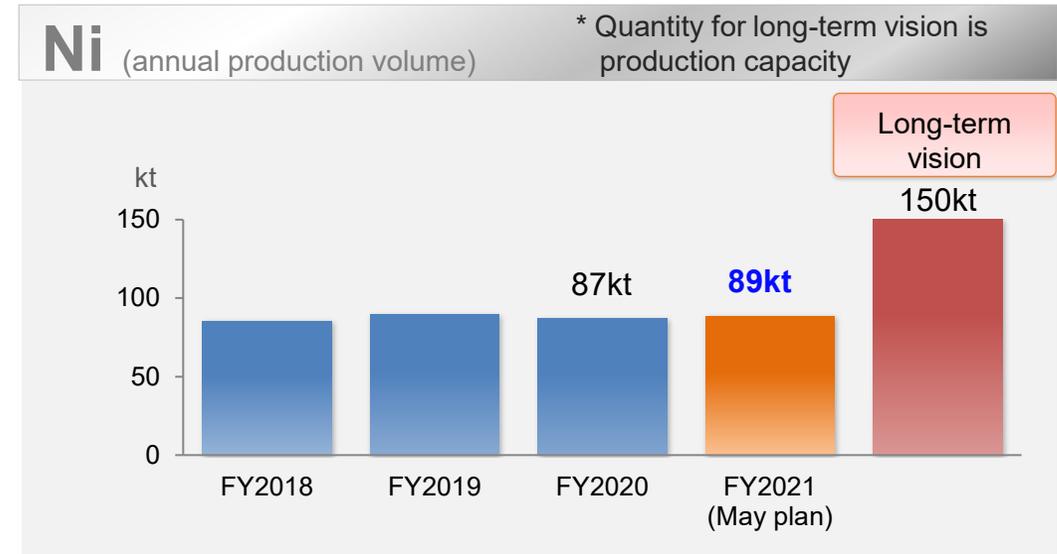
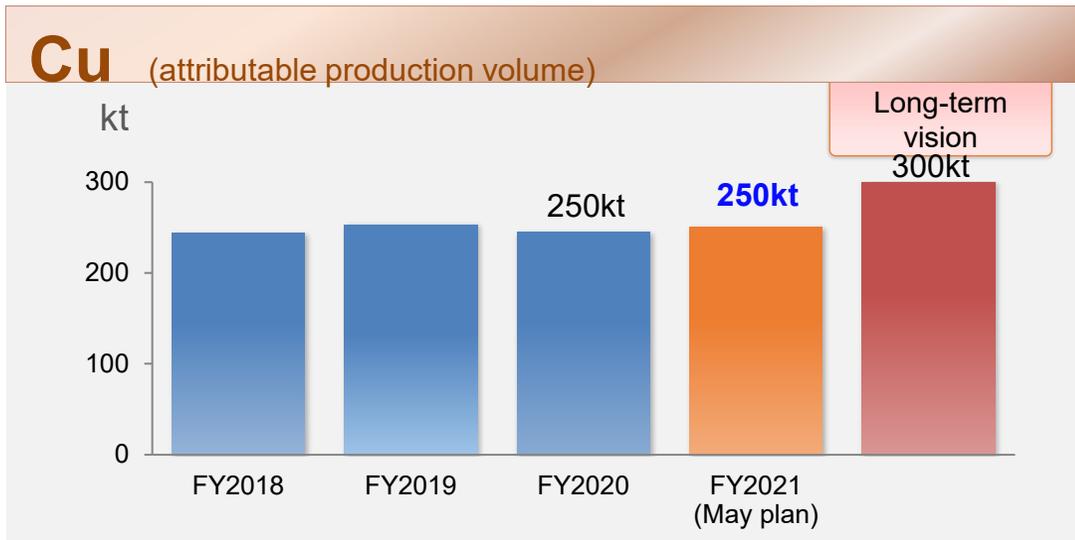
4) Sensitivity

(billion yen)

Element	Margin of change	Up / Down of profit before tax for FY2021
Cu	±100\$/t	2.5
Ni	±10 ¢ /lb	1.5
Au	±10\$/toz	0.2
JPY / US\$	±1 yen/\$	1.8

Note: US\$ /JPY translation include RC-related and conversion rate of overseas consolidated / equity- method affiliate companies' profit.

5) Targets and achievement of long-term vision



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