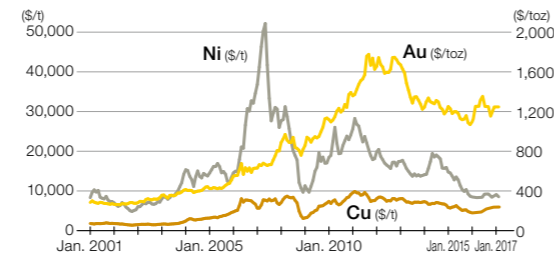


# FY2016 Results and FY2017 Plan

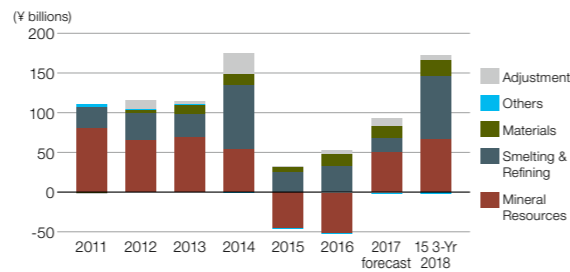
## Review of FY2016 Results

Consolidated net sales in FY2016 decreased by ¥69.3 billion on a year-on-year basis to ¥786.1 billion, due to the drops in the nickel and copper prices and yen appreciation against the US dollar, despite the higher sales volume of electrolytic copper. Consolidated operating income amounted to ¥76.4 billion, a year-on-year increase of ¥16.7 billion, due to depreciation of the yen against the US dollar toward the end of FY2016 and an upturn in the inventory valuation from an increased gold price, as well as the contribution from the additional interest acquisition of the Morenci Copper Mine. Consolidated recurring loss decreased by ¥11.2 billion year-on-year to ¥1.6 billion, owing mainly to an upturn in consolidated operating income, despite the increase in investment loss by equity method primarily from the impairment loss of the Sierra Gorda S.C.M. Loss attributable to owners of parent increased by ¥18.2 billion year-on-year to ¥18.5 billion. This was due to recording a provision of allowance for decommissioning preparations as an extraordinary loss at our domestic consolidated subsidiary, JCO Co., Ltd., as well as a lack of its reversal of allowance for investment loss, which was recorded in the previous fiscal year. These

## Metal Prices



## Segment Profits (Loss)



factors amounted to more than the offset from the gain on liquidation of investment securities, recorded under extraordinary income, resulting from the dissolution of Nusa Tenggara Mining Corporation, which held interests in the Batu Hijau Mine.

## Capital Expenditure Related to Environmental Preservation

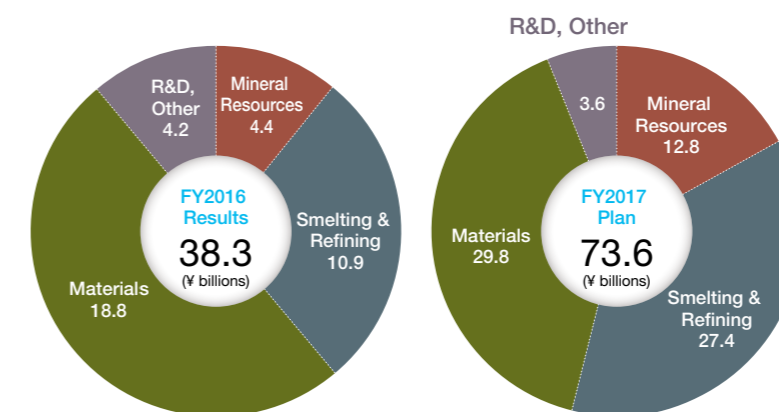
| FY   | Pollution prevention/ environmental preservation | Energy conservation | Total |
|------|--|---------------------|-------|
| 2016 | 3,730  | 240                 | 3,970 |
| 2017 | 6,508  | 731                 | 7,238 |

Expenditures on suspended or abandoned mines are recorded as "maintenance expense of suspended or abandoned mines" so they are excluded from capital expenditures. Please refer to p. 49 for expenses related to suspended or abandoned mines.

## FY2017 Plan

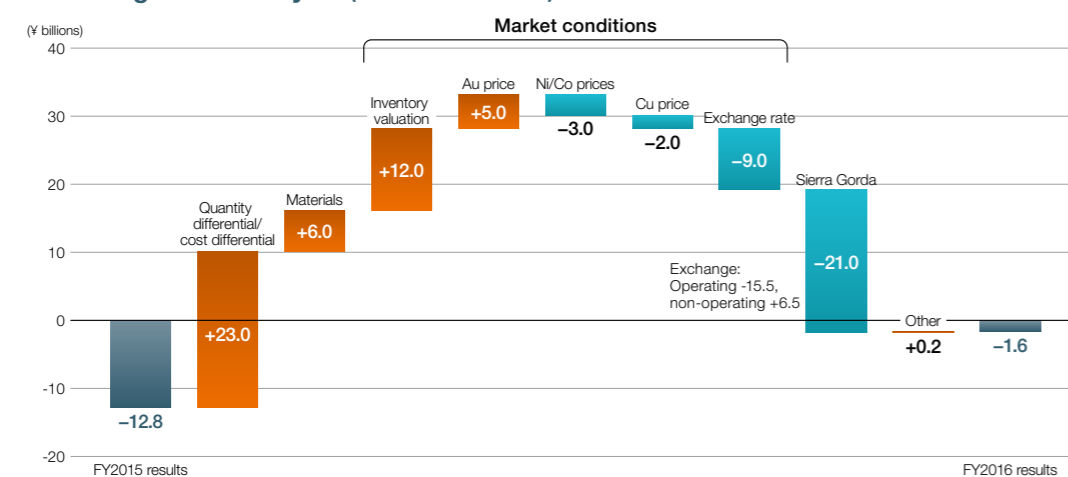
In FY2017, although net sales are expected to increase, primarily due to an upturn in the prices of copper and nickel, operating income is expected to decrease, mainly due to deterioration of the terms and conditions for purchasing copper concentrates and the impact of inventory valuation of electrolytic copper. Net sales are expected to reach ¥855.0 billion, with operating income of ¥75.0 billion, recurring profit of ¥90.0 billion, and profit attributable to owners of parent of ¥63.0 billion on a consolidated basis.

## Capital Expenditures (FY2016 Results and FY2017 Plan)

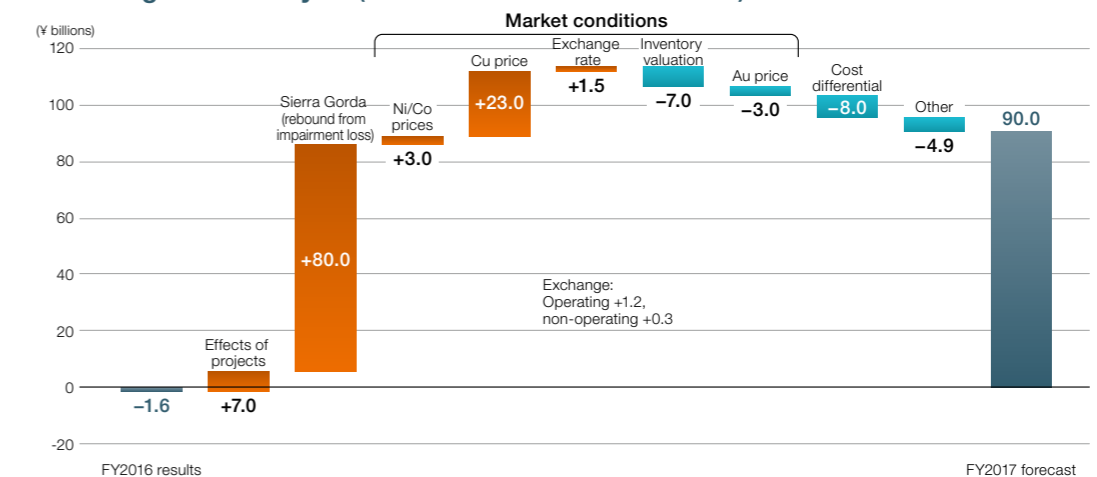


For FY2017, we plan capital expenditures of ¥73.6 billion, an increase from ¥38.3 billion in FY2016, excluding ¥112.0 billion of investments on overseas mineral resources and non-ferrous metals projects. Major investments are ¥17.5 billion for expanding monthly production of lithium nickel oxide production by 3,550 t, ¥3.5 billion on the scandium recovery business, and ¥2.0 billion for expanding LT/LN substrate production capacity.

## Recurring Profit Analysis (FY2015 vs. FY2016)



## Recurring Profit Analysis (FY2016 Results vs. FY2017 Forecast)



### Mineral Resources Segment

Hishikari Mine continued operating according to plans. The output of gold and silver ores in FY2016 amounted to 149,959 t (the gold content was 6,269 kg). Production levels and sales volume at the Pogo Gold Mine (U.S.) declined compared to the previous fiscal year due to a decline in the ore grade. Production levels and sales volume at the Morenci Copper Mine (U.S.) were nearly unchanged from the previous fiscal year. However, the production levels and sales volume included in consolidated performance grew because of the increase of our interest from 15% to 28%. A segment loss was recorded due to the impairment loss in Sierra Gorda S.C.M. and lower copper prices.

### Smelting & Refining Segment

On a year-on-year basis, the production levels and sales volume of copper increased while nickel and gold declined. Segment profit grew mainly due to cost reductions at Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation, despite the impact of the drop in nickel prices, lower nickel sales volume and other factors.

### Materials Segment

Production levels and sales volume increased year-on-year as we invested in expansion of battery and crystal material production to meet increasing demand for materials for automobile batteries, smartphones and others. Sales volume of package materials fell due to sluggish demand for components used in PCs and LCD televisions. Overall the segment profit increased year-on-year as a result of investments on expansions.

Since the proportion of SMM's recurring profit (segment gain/loss) includes the proportion attributable to non-controlling interests, it does not match the proportion that SMM itself holds.

### Mineral Resources Segment

In the mineral resources segment, earnings are expected to increase compared to the previous year, FY2016, mainly due to an increase in copper prices and decreased loss by Sierra Gorda S.C.M. Net sales for the segment are expected to increase by ¥23.6 billion year-on-year to ¥147.0 billion, and segment profit is expected to increase by ¥102.6 billion year-on-year to ¥49.0 billion.

### Smelting & Refining Segment

In the smelting and refining segment, earnings are expected to fall compared to the previous year, FY2016, mainly due to deterioration of the terms and conditions for purchasing copper concentrates and the impact of inventory valuation of electrolytic copper. Net sales for the segment are expected to increase by ¥22.9 billion year-on-year to ¥588 billion and segment profit is expected to decrease by ¥7.3 billion year-on-year to ¥26.0 billion.

### Materials Segment

In the materials segment, earnings are expected to be roughly on par with FY2016 because the lower earnings from withdrawal from the lead frame business will be offset by increased revenues from the battery materials and crystal materials businesses. Net sales for the segment are expected to increase by ¥10.9 billion year-on-year to ¥185.0 billion and segment profit is expected to decrease by ¥0.1 billion year-on-year to ¥12.0 billion.