

Approach to Finance

Maintaining a Sound Financial Standing in Preparation for Risk and Medium- to Long-Term Investments

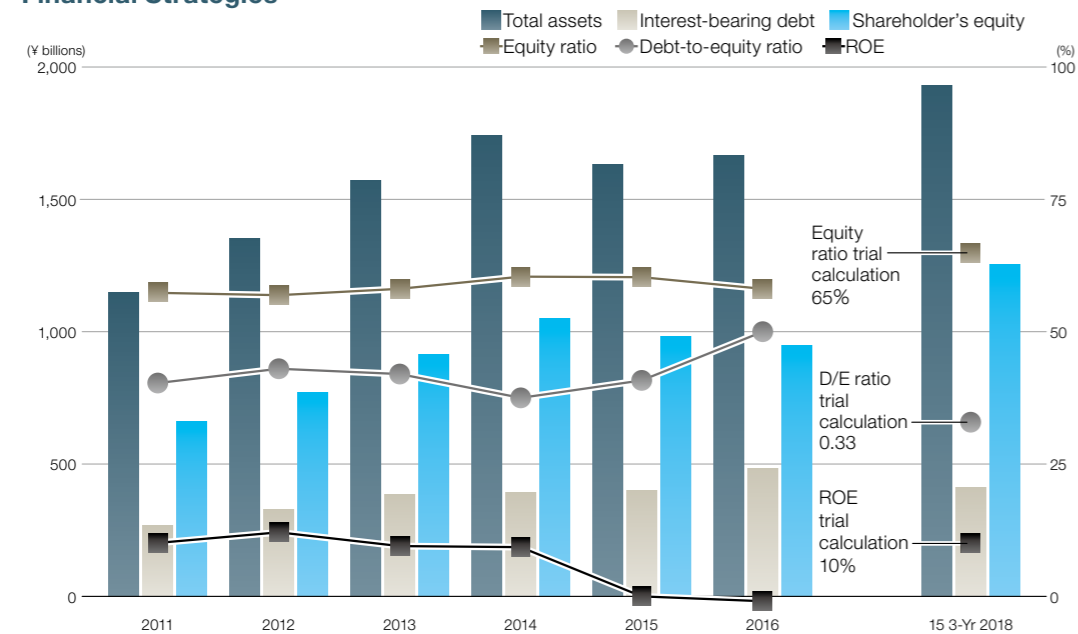
The short-term performance of SMM's core businesses, mineral resources and smelting and refining, is greatly affected by factors including the volatility of non-ferrous metal prices and foreign exchange rates.

To prepare for risks and medium- to long-term investments, the SMM Group has always strived to maintain the soundness of its financial standing, and has maintained a consolidated equity ratio of at least 50% since FY2006. Under our 2015 3-Yr Business Plan, which covers FY2016 to 2018, we will leverage this strong financial base and concentrate management resources into priority areas, while undertaking active investment aimed at acquiring

interests and operating overseas mines, the enhancement of smelting and refining facilities, and expanding battery and crystal material production capacity.

Improving ROA is also an important management barometer for the SMM Group. However, in mining or smelting and refining projects, it usually takes about five years before starting to recover the investment. By the nature of our business, it is difficult to engage in such projects while simultaneously aiming simply to improve ROA or ROE for a certain year. Therefore, SMM sets ROA improvement as a medium- to long-term goal.

Financial Strategies

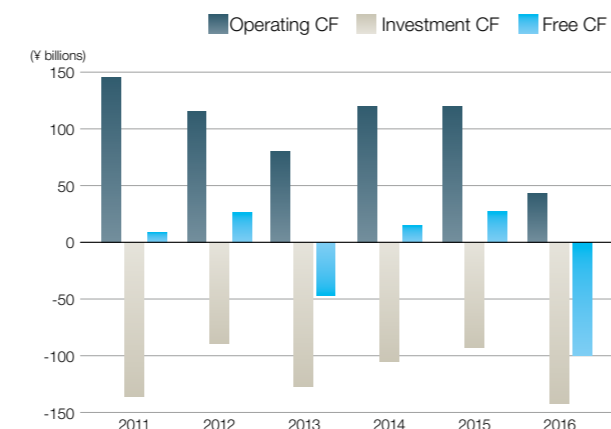


Approach to Funding

We believe it is necessary to maintain a certain amount of liquid funds on hand based on overall demand for funds such as large-scale overseas mining or processing projects or strategic expansions within the materials business. It is also essential from the standpoint of management stabilization.

Under that premise, we will procure funding that is favorable in accordance with the use of the funds, and also comprehensively consider the outlook for metal prices, foreign currency exchange, and interest rate markets.

Cash Flow Trends



Approach to Investment

Cautiously Assessing Profitability and Executing Carefully Selected Investments

The SMM Group works to enhance its competitiveness in both raw materials procurement and manufacturing to overcome a deteriorating business environment. In terms of cost competitiveness in particular, we have set a target to become world-class, or at least ranking in the top one-third.

Due to uncontrollable factors such as changes in the balance of supply and demand for commodities and the impacts of natural disasters, it is not always possible to purchase the raw materials for non-ferrous metals in the necessary quantities or at economical prices. To hedge against such unforeseen changes, the SMM Group does everything possible to secure stable sources by developing and acquiring interests in overseas mines, as well as through increasing SMM's holding ratio of these sources. With respect to the development and acquisition of such sources, we select investments carefully through strict profitability assessments using our extensive experience and knowledge of exploration and mine valuation, and

fully taking risks into account to avoid any additional expenditure or increase of mining costs arising from uncertainty.

In FY2016, we increased our existing 12% interest in the Morenci Copper Mine with the acquisition of an additional 13% from Freeport-McMoRan Inc. The Morenci Copper Mine boasts world-class copper production and a long history of operation in the U.S. We believe that this mine, which continues to operate stably, will play a vital role in SMM's mineral resources business.

The needs and demands from the materials market change rapidly, even though a high level of product development capabilities and the input of considerable amounts of management resources are often required. In order to meet those needs, the SMM Group will build close, trusting relationships with leading companies in the market, and will grow together with them to ensure stable supply and by undertaking ceaseless cost reductions.

Major Projects

Project name		FY2015	FY2016	FY2017	FY2018 and later
Mineral Resources	Cu Sierra Gorda Copper Mine	● Start commercial production	● 110-kt production structure		● Start debottlenecking
	Cu Morenci Copper Mine	● Start expanded full-scale production	● Additional interest acquired		
	Cu Cerro Verde Copper Mine		● Start full-scale operations of expansion project		
Smelting & Refining	Ni Solomon			● Decision to withdraw (August 2017)	
	Ni Taganito HPAL			● 36-kt production structure	
	Ni Pomalaa Project			● Conduct DFS	● Decision on investment
Materials	Ni Harima Refinery nickel sulfate		● Second line launch		● 49-kt production structure
	Battery materials		● NCA 1,850-t structure		● NCA 3,550-t structure ● NCA 4,550-t structure
	Crystal materials (LT/LN)	● Decision on production increase	● 300-k piece production structure	● 400-k piece production structure	

Approach to Dividends

Dividend Policy

SMM determines the balance between dividends and the internal reserve by taking into consideration factors such as future business development, sound financial standing, operating performance and the payout ratio. As our financial strategy in the 15 3-Yr Business Plan, we have the policy of maintaining a consolidated equity ratio above 50% while also having a consolidated dividend payout ratio of at least 30% based on operating performance, in order to sustain our sound financial standing.

Dividends

