

## 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.

Sierra Gorda Copper Mine

# SMM History

As the corporation inheriting the original business of the SMM

Group, not only have we responded flexibly to the changes in the surrounding environment based on the Sumitomo Business Spirit, we have also driven the business with a progressive stance. The current strengths of the SMM Group have been formed by the various management decisions and solutions to problems which occurred in that process. We will continue to reinforce our strengths and bring about new strengths through our business activities.



Employees



## Monjuin Shiigaki

The Sumitomo Business Spirit, which continues to this day, has its origins in the *Monjuin Shiigaki*, written by the founder of the Sumitomo family, Sumitomo Masatomo (1585–1652), in his later years to explain the merchant's frame of mind. At the SMM Group, the Sumitomo Business Spirit is the common spirit among employees and we work to inculcate common goals and standards of action as guideposts for carrying out duties through various educational opportunities.

1600



## Smelting & Refining Business

**1590**  
Start of copper smelting and refining

## The majority of Nagasaki trade

The Edo Period, Japan's production of copper is the largest in the world, at 6,000 tons a year, and it also reaches half of all exports in Nagasaki trade. In the year 1698, Sumitomo's production reaches about 1,500 tons, accounting for one quarter of Japan's copper production.

Technology



## Nanban-buki

Soga Riemon, who started dealing in copper in Kyoto around 1596 to 1615, develops Japan's first smelting and refining technology for separating copper and silver, known as *Nanban-buki*, and discloses it broadly to others in the same business. Until then, there had been no technology in Japan to remove the silver from copper ore so copper was sold, and exported, at copper prices while it still included silver. With Soga's technology, it was now possible to sell the copper after separating out the silver.



Local communities



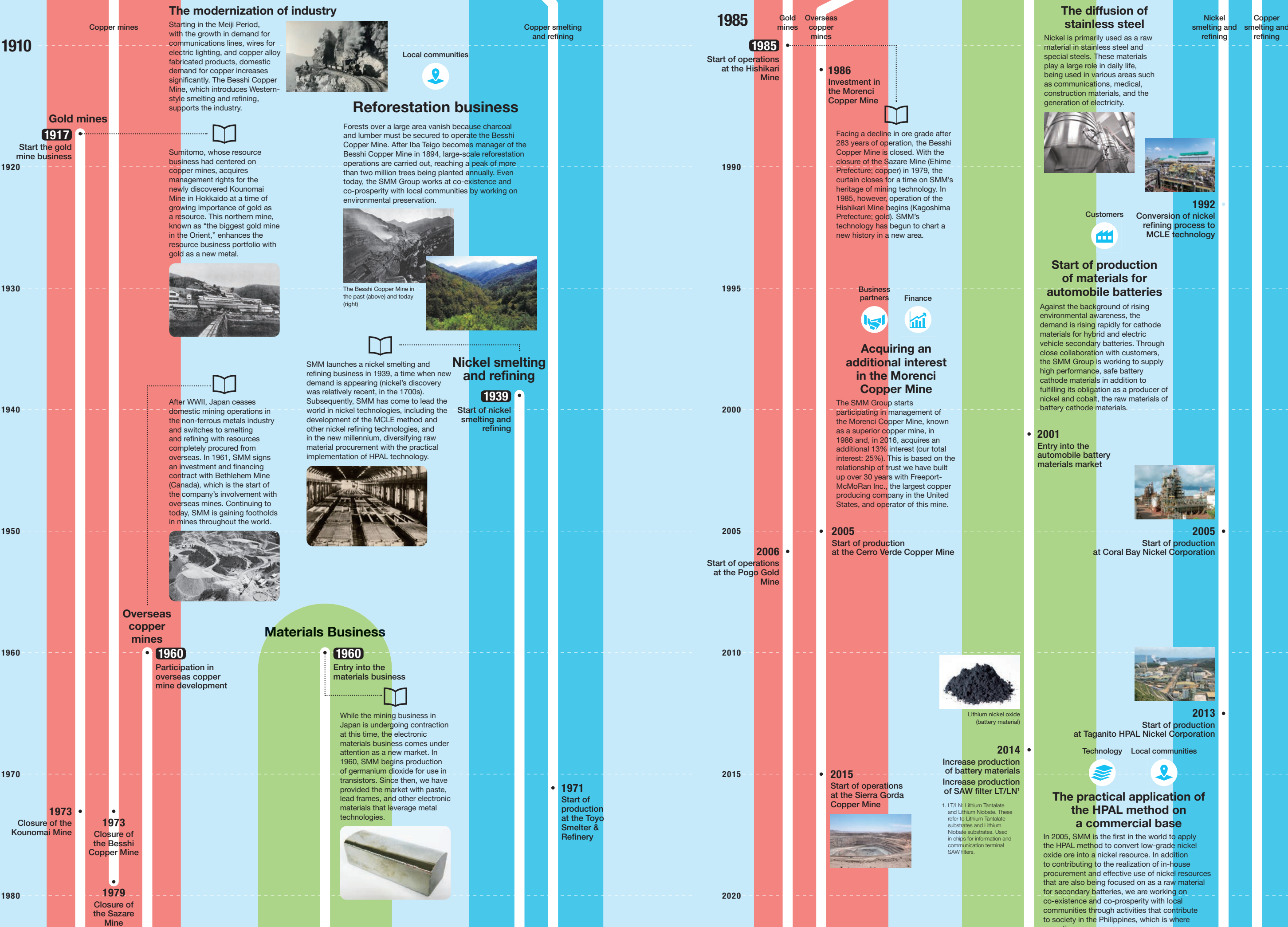
## Overcoming smoke damage

With the modernization of the Besshi Copper Mine, increases in the amount of ore extracted are planned, and the smelter is relocated to the coastal area of Niihama. As a result, agricultural crops in the surrounding area are damaged more and more by the smoke produced by the smelting operations because of the sulfur dioxide gas it contains, becoming severe by 1893. Iba Teigo, the second Director-General, purchases uninhabited islands which don't even have water, and are located about 20 kilometers north of Niihama City, to alleviate the smoke damage, and moves the smelter there in 1905. Sumitomo isn't alone in facing this problem of smoke damage; all copper smelters and refineries around the world face the same problem. But after many years and spending huge sums on research, in 1939 Sumitomo becomes the first smelter in the world to bring about zero emissions of sulfur dioxide gas, which was a root cause of the smoke damage, finally solving the problem of smoke damage after 47 years. In overseas operations today, too, such as in the Philippines, SMM Group works to not only preserve the environment but also aims for co-existence and co-prosperity with local communities by providing support for regional promotion policies which build and preserve a trusting relationship.



**1905**  
Relocation of copper smelting and refining to the Shisakajima Islands







# SMM Group Overview

(As of July 15, 2018)

## Corporate Data

Company name	Sumitomo Metal Mining Co., Ltd.
President	Akira Nozaki
Founded	1590
Incorporated	1950
Capital	¥93.2 billion
Listing	Tokyo Stock Exchange
No. of subsidiaries (consolidated)	60 (including the money held in trust which is deemed to be a consolidated company)
No. of equity-method affiliates	15
Net sales (consolidated)	¥933.5 billion (for the year ended March 31, 2018)
Recurring profit (consolidated)	¥124.9 billion (for the year ended March 31, 2018)

## Japan

### Sumitomo Metal Mining Co., Ltd.\*

#### Mineral Resources

- Sumiko Resources Exploration & Development Co., Ltd.
- Sumiko Solomon Exploration Co., Ltd.

#### Smelting & Refining

- Acids Co., Ltd.
- MS Zinc Co., Ltd.
- Shisaka Smelting Co., Ltd.\*
- Sumiko Logistics Co., Ltd.\*
- Taihei Metal Industry Co., Ltd.\*
- Hyuga Smelting Co., Ltd.\*
- Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.

#### Materials

- SH Materials Co., Ltd.\*
- SMM Precision Co., Ltd.\*
- N.E. Chemcat Corporation
- Ohkuchi Electronics Co., Ltd.\*
- Ohkuchi Materials Co., Ltd.\*
- GRANOPT Co., Ltd.\*
- SICOXS CORPORATION
- Shinko Co., Ltd.\*
- Sumiko Energy Materials Co., Ltd.\*
- Sumiko Kunitomi Denshi Co., Ltd.\*
- Sumico Lubricant Co., Ltd.\*
- Sumiko Tec Co., Ltd.\*
- Sumitomo Metal Mining Siporex Co., Ltd.\*
- Niihama Electronics Co., Ltd.\*
- Niihama Materials Co., Ltd.\*
- Nittosha Co., Ltd.\*
- Nippon Ketjen Co., Ltd.\*

#### Other

- Igeta Heim Co., Ltd.\*
- JCO Co., Ltd.\*
- Sumiko Technical Service Co., Ltd.
- Sumiko Techno-Research Co., Ltd.\*
- Sumiko Plantech Co., Ltd.
- Sumitomo Metal Mining Engineering Co., Ltd.\*
- Japan Irradiation Service Co., Ltd.\*

## Asia

#### Mineral Resources

- Cordillera Exploration Co., Inc. (Philippines)

#### Smelting & Refining

- Jinlong Copper Co., Ltd. (China)
- Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)
- Sumitomo Metal Mining (Hong Kong) Co., Ltd. (China)
- Coral Bay Nickel Corporation (Philippines)\*
- Nickel Asia Corporation (Philippines)
- Taganito HPAL Nickel Corporation (Philippines)\*
- Sumitomo Metal Mining Philippine Holdings Corporation (Philippines)
- PT Vale Indonesia Tbk. (Indonesia)

#### Materials

- Dongguan Sumiko Electronic Paste Co., Ltd. (China)\*
- Shanghai Sumiko Electronic Paste Co., Ltd. (China)\*
- Sumico Lubricant Trading (Shanghai) Co., Ltd. (China)
- Sumiko Tec (Dongguan) Co., Ltd. (China)
- Taiwan Sumiko Materials Co., Ltd. (Taiwan)\*
- SMM KOREA Co., Ltd. (South Korea)
- Sumiko Tec (Thailand) Co., Ltd. (Thailand)

## North America

#### Mineral Resources

- SMMA Candelaria Inc. (U.S.A.)
- SMM Exploration Corporation (U.S.A.)
- Sumitomo Metal Mining America Inc. (U.S.A.)
- Sumitomo Metal Mining Arizona Inc. (U.S.A.)
- Sumitomo Metal Mining Pogo LLC (U.S.A.)\*
- Stone Boy Inc. (U.S.A.)
- SMM Morenci Inc. (U.S.A.)
- SMM Gold Cote Inc. (Canada)
- Sumitomo Metal Mining Canada Ltd. (Canada)
- SMM Resources Inc. (Canada)

## Other Regions

#### Mineral Resources

- Compania Contractual Minera Candelaria (Chile)
- Compania Contractual Minera Ojos Del Salado (Chile)
- Sumitomo Metal Mining Chile Ltda. (Chile)
- SMM Sierra Gorda Inversiones Ltda. (Chile)
- Sierra Gorda S.C.M. (Chile)
- SMM-SG Holding Inversiones LTDA. (Chile)
- Sumitomo Metal Mining Peru S.A. (Peru)
- Sociedad Minera Cerro Verde S.A.A. (Peru)
- Sumitomo Metal Mining do Brasil Ltda. (Brazil)
- Sumitomo Metal Mining Oceania Pty. Ltd. (Australia)

- SMM Cerro Verde Netherlands B.V. (Netherlands)
- SMM CV Holding B.V. (Netherlands)
- SMM Solomon Ltd. (Solomon Islands)

#### Smelting & Refining

- Figesbal SA (New Caledonia)

#### Other

- SMM Holland B.V. (Netherlands)

#### Main Facilities

- Head Office  
11-3, Shimbashi 5-chome, Minato-ku, Tokyo (Shimbashi Sumitomo Building)
- Main branch  
Osaka Branch
- Branches  
Nagoya Branch (Aichi Prefecture)  
Besshi-Niihama District Division (Ehime Prefecture)
- Plants  
Toyo Smelter & Refinery (Ehime Prefecture)  
Niihama Nickel Refinery (Ehime Prefecture)  
Harima Refinery (Hyogo Prefecture)  
Ome District Division (Tokyo)  
Isoura Plant (Ehime Prefecture)
- Mine  
Hishikari Mine (Kagoshima Prefecture)
- Research centers  
Niihama Research Laboratories (Ehime Prefecture)  
Battery Research Laboratories (Ehime Prefecture)  
Materials Laboratories (Tokyo)  
Ichikawa Research Center (Chiba Prefecture)

#### Main Products

- 1. Mineral resources segment**  
Gold and silver ore, copper concentrates, copper, gold
- 2. Smelting and refining segment**  
Copper, gold, silver, electrolytic nickel, ferro-nickel, chemical products
- 3. Materials segment**  
Battery materials, thick film materials, crystal materials, thin film materials, magnetic materials, package materials, oil refining catalysts, automotive catalysts, autoclaved lightweight concrete, lubricants

#### No. of countries and regions where business is conducted

16

#### Mineral Resources Segment

- ▲ Copper ▲ Gold

#### Smelting & Refining Segment

- ▲ Copper ▲ Nickel ▲ Other

#### Materials Segment

- ◆ Major Sites of Materials Business

- Other Major Site / Group Company

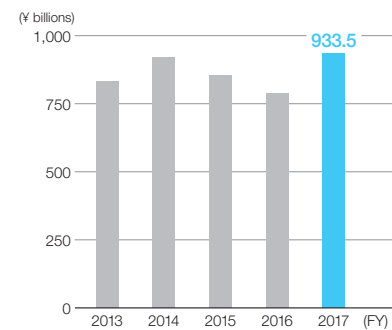
Figures in parentheses indicate percentage interest. Companies with no percentage written are 100% owned.

The number of business sites has decreased due to our withdrawal from the lead frame business.



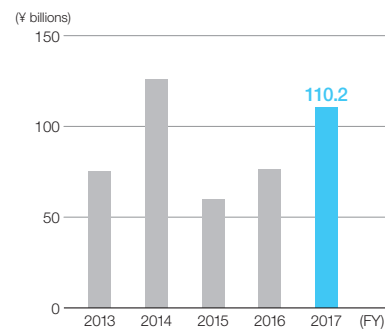
# Financial and Non-Financial Summary

## Net Sales



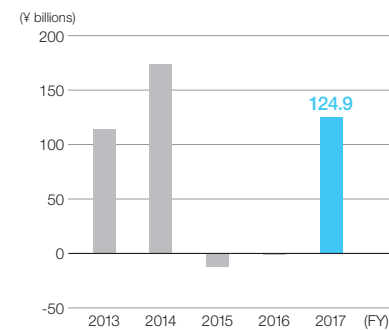
Consolidated net sales increased by ¥147.4 billion year-on-year to ¥933.5 billion, mainly due to the rise in major non-ferrous metals prices and yen depreciation.

## Operating Income



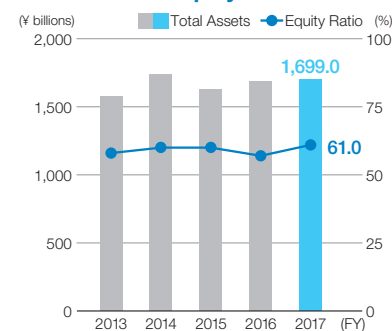
Consolidated operating income amounted to ¥110.2 billion, a year-on-year increase of ¥33.8 billion, mainly due to an increase in net sales.

## Recurring Profit (Loss)

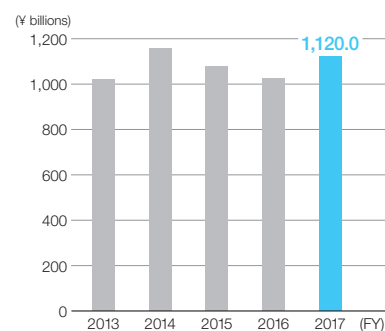


Consolidated recurring profit increased by ¥126.4 billion year-on-year to ¥124.9 billion, mainly due to a decrease in share of loss of entities accounted for using the equity method for Sierra Gorda S.C.M., in addition to an increase in consolidated operating income.

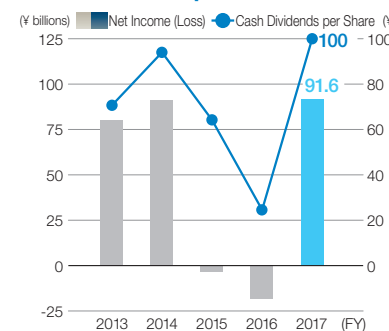
## Total Assets / Equity Ratio



## Net Assets

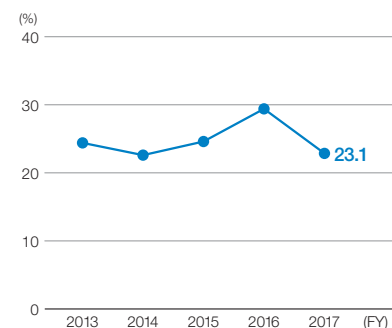


## Net Income (Loss) / Cash Dividends per Share

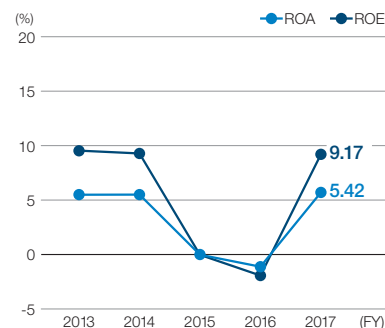


• SMM consolidated its common stock at a rate of one share for every two shares with October 1, 2017 as the effective date. Figures for cash dividends per share in FY2017 and previous fiscal years have been adjusted to reflect levels after said share consolidation.

## Interest-Bearing Debt to Total Assets Ratio

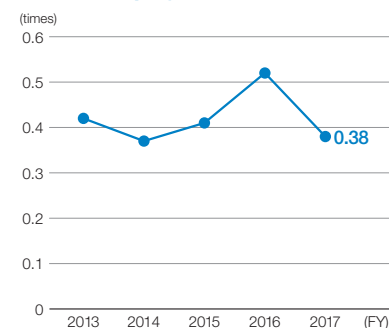


## ROA/ROE\*



\* Shareholders' equity is defined as follows: Total shareholders' equity + Accumulated other comprehensive income

## Debt-to-Equity Ratio\*



## Share Price by Fiscal Year

FY	Annual high (yen)	Annual low (yen)	Year-end (yen)	Volatility
2008	4,100	1,112	1,882	66.2%
2009	3,180	1,936	2,782	38.4%
2010	3,152	2,140	2,862	34.0%
2011	2,932	1,900	2,326	27.9%
2012	3,214	1,580	2,686	33.5%
2013	2,974	2,136	2,592	32.8%
2014	3,898	2,568	3,517	31.1%
2015	4,044	2,074	2,235	40.9%
2016	3,333	1,997	3,167	35.7%
2017	5,491	2,642	4,480	33.7%

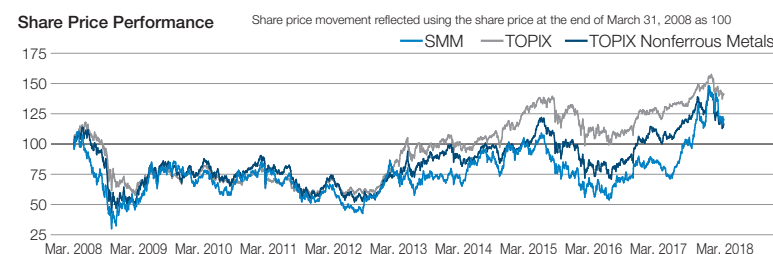
• Volatility is calculated by annualizing the standard deviation of weekly closing prices for the 52 weeks of the year.  
• Prices before October 1, 2017 have been recalculated to be in line with the post-consolidation share basis.

## Share Price Performance (TSR)

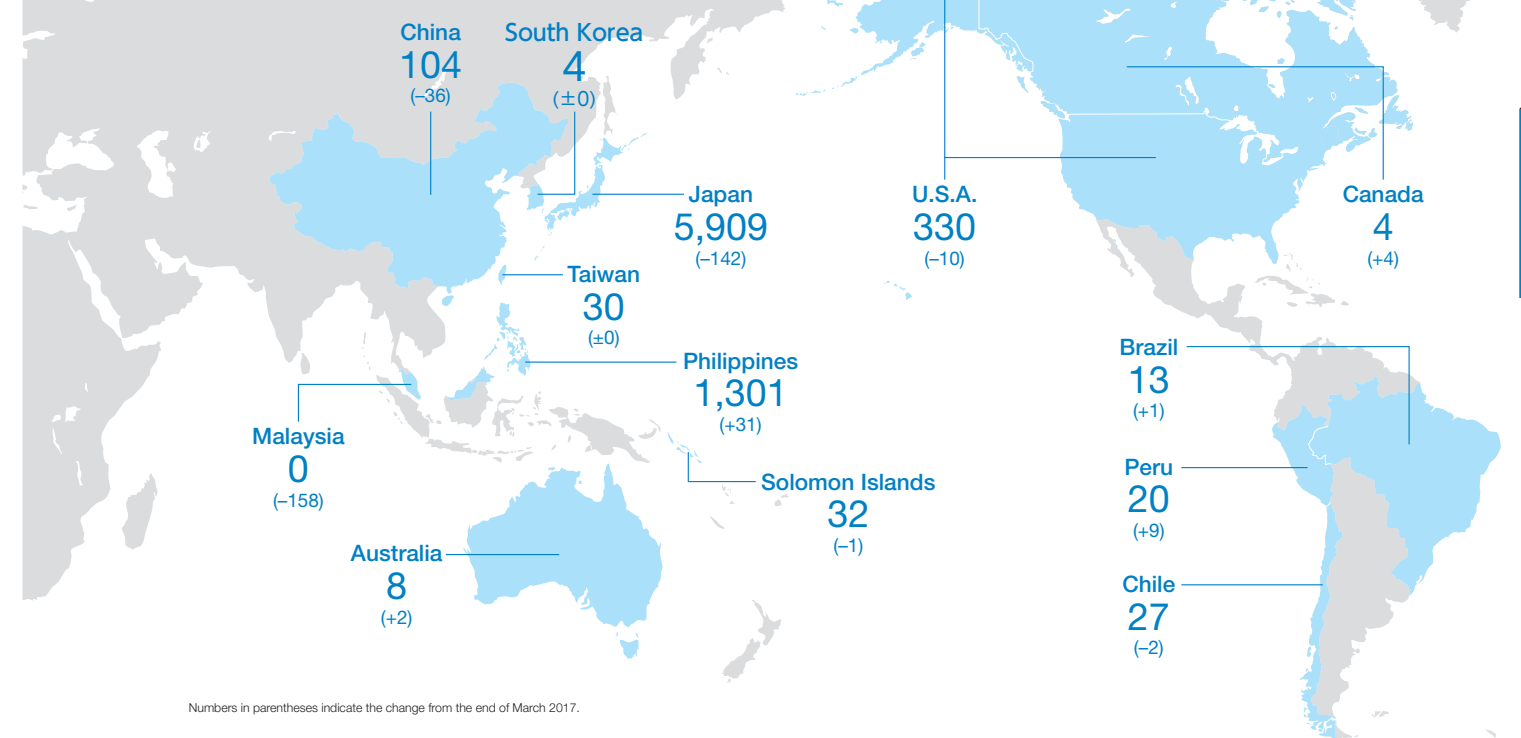
Investment period	1 year		3 years		5 years		10 years	
	Cumulative and Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative
SMM	44.6%	32.6%	9.9%	80.0%	12.5%	37.1%	3.2%	
TOPIX	15.6%	17.0%	5.4%	79.2%	12.4%	60.6%	4.9%	
TOPIX Nonferrous Metals	10.8%	22.6%	7.0%	69.5%	11.1%	32.4%	2.8%	

• TSR (Total Shareholder Return): Calculated using [(share price at the end of the fiscal year ended March 31, 2018) - (share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2018)] ÷ [(share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2018)]  
• Annual cash dividend per share for TOPIX and TOPIX Nonferrous Metals: Calculated using the weighted average of the cash dividend per share value for each stock over the 12 months previous to the base date and the formula used by TOPIX itself

## Share Price Performance

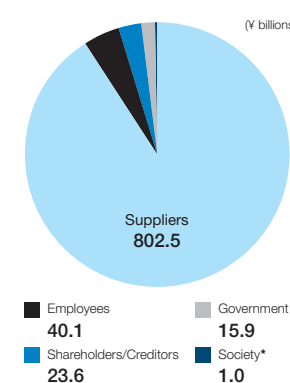


## Number of Employees & Officers by Region, Consolidated As of March 31, 2018



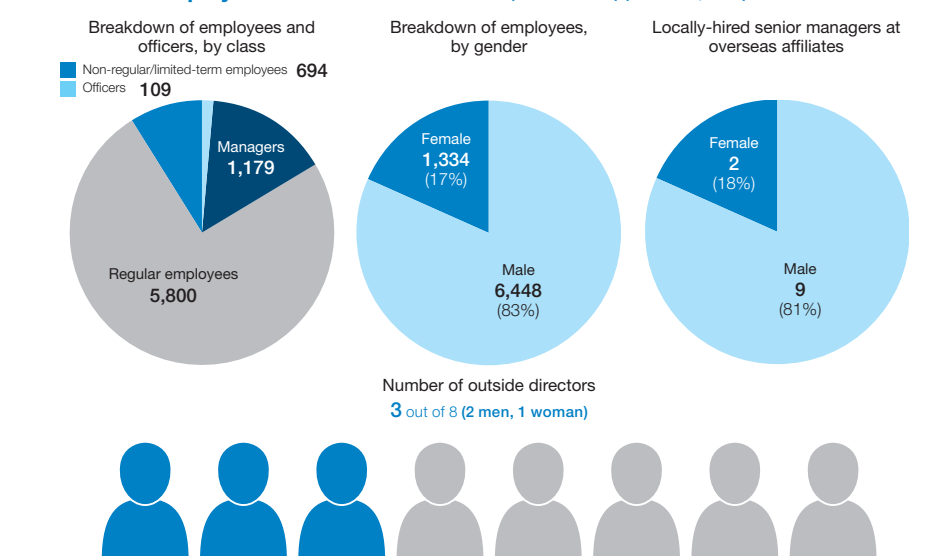
Numbers in parentheses indicate the change from the end of March 2017.

## Distribution of Economic Value to Stakeholders (FY2017)

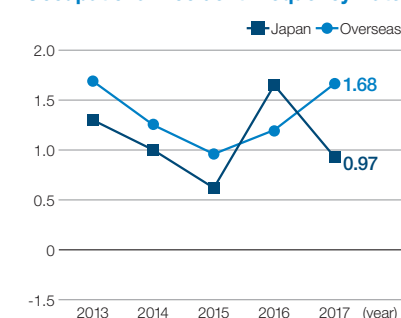


• Other than the above, there is retained value of ¥79.0 billion. Rent for use of land is minimal and therefore included in "Payments to suppliers."  
• In the Philippines (CBNC, THPAL), the ¥0.8 billion expended through the social development management program (SDMP) and other contributions in the same country is included.

## Number of Employees & Officers Worldwide (Consolidated) (March 31, 2018)



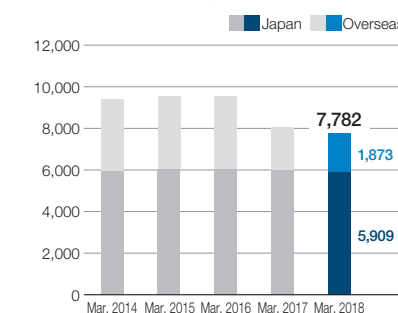
## Occupational Accident Frequency Rate



There was a total of 13 occupational injury accidents (frequency rate of 0.97) at business sites in Japan, a decrease from the previous year, and there were four lost-time accidents, also a decrease.

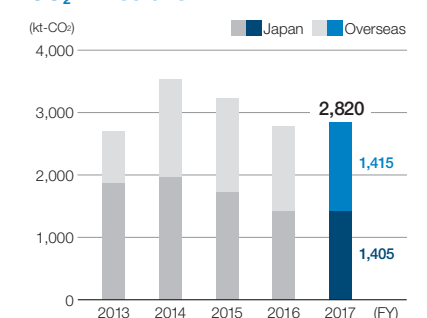
• Frequency rate = number of fatalities and injuries due to industrial accidents ÷ cumulative hours worked x 1,000,000

## Number of Employees & Officers Worldwide (Consolidated) (Excluding temporary employees)



The number of employees, mainly in China and Malaysia, decreased compared to FY2017, a continuation of the decrease from FY2016, due to the sale of the lead frame business.

## CO<sub>2</sub> Emissions



Although emissions were reduced through energy-saving activities and the sale of the lead frame business, increased production in the battery business and a deterioration in operating conditions in overseas smelting and refining businesses resulted in being level with the previous year.



With our eyes always set on the future, we work as a close-knit team with employees in pursuing the creation of enhanced corporate value, aiming for a new leap forward.

Akira Nozaki  
President and Representative Director

**To begin, please tell us your aspirations as you take up your new position as SMM's President.**

**Like my predecessors, I will be resolute in making decisions to enable SMM to grow continuously, always focused on the future.**

SMM's businesses—especially our Mineral Resources and Smelting & Refining businesses—take a long time between when an investment decision is taken and production gets underway. And an even longer cycle is required when we add in the time it takes before profits are generated that can be directed into new investments. Today's SMM was formed from the decisions and efforts made by my predecessors.

I've been working at SMM for more than 30 years, and since 2013 I have been involved in the Company's management as an Executive Officer. So I am more than familiar, intuitively, with the special traits of SMM's business operations that I just described. As such, even after this change of Presidents, there will be no significant changes in how the Company is managed. Like those who have served in this role before me, I will keep a constant eye on the future, my aspiration being to resolutely make decisions that will contribute positively to SMM's future.

In contrast to Mineral Resources and Smelting & Refining operations, our Materials business—the third pillar of SMM's operations—is an area in which changes occur with tremendous speed. In order to project how the materials market is likely to shift beyond each change, and to compete successfully in that market, it's indispensable that we have an internal environment conducive to flexible formation of new ideas, and sharing of

those ideas, by all employees. At the same time, I believe that in the years ahead it will be important to create that same kind of open environment in our Mineral Resources and Smelting & Refining businesses too. In order for SMM to continue being a company that responds to the hopes and expectations of all its stakeholders, as well as a company that wins broad social trust, I will strive to exercise good leadership as its President and, together with all employees, rebuild an open and vibrant organizational climate.

**How did SMM perform in fiscal 2017?**

**Business performance improved significantly, enabling us to finish in the black for the first time in three years. But in the details not everything was totally satisfying.**

In fiscal 2017 our business results finished in positive territory for the first time since fiscal 2014, posting substantial increases in both recurring profit and net income. This outcome was attributable largely to the elimination of the impairment losses booked in fiscal 2015 and fiscal 2016, the result of improved operations at the Sierra Gorda Copper Mine. Also, our operating environment this past year was favorable, as metal prices trended higher and the yen, on average, weakened in the forex markets. Meanwhile, earnings were negatively impacted by previous-year royalty payment obligations in conjunction with the Cerro Verde Copper Mine and by opportunity loss from equipment problems and other factors that prevented operating targets from being achieved.

Fiscal 2017 was the second year in our 2015





We will strengthen the competitive advantages of our unique business model, which interconnects three areas of business.

and in executing projects will, I believe, be a critical challenge as we pursue new growth into the future.

### What changes are taking place in SMM's business environment?

**As development of mineral resources today becomes increasingly severe, I feel the need to further strengthen the competitive advantages of our unique business model.**

Today, the environment surrounding mineral resources development is becoming increasingly severe all around the world—marked by newly imposed restrictions on foreign investments and higher taxation on the mining industry resulting from spreading resource nationalism, lower ore grades in general, and mine sites in increasingly remote locations or higher elevations. Meanwhile, we're beginning to see the major global mineral resource companies incorporating new technologies—IoT and AI, for example—into mine development and business operations, in pursuit of greater efficiency. These represent new possibilities in mineral resources development, and this is an issue that the SMM Group needs to address without delay.

Recently, companies that focus on nickel and cobalt as battery materials amid expansion of the market for electric vehicles are beginning to show interest not only in those materials but also in mineral resources and smelting & refining. Talking to them, I get a sense that companies that operate upstream have difficulty responding to the quality demanded by the end user. In that respect, at SMM we have our own Materials business and can incorporate what the customer

3-Year Business Plan. In our Mineral Resources business, in June 2017 we concluded an agreement on acquisition of interest in the Côté Gold Project in eastern Canada. Operations at the Sierra Gorda Copper Mine were generally stable, and steady profits were generated on our earlier acquisition of additional interest in the Morenci Copper Mine and increased investment in the Cerro Verde Copper Mine. In our Smelting & Refining business, in fiscal 2017 we made progress in converting the business structure of our Harima Refinery and undertook investment targeting increased production of nickel sulfate. In our Materials business, the business structure reforms underway for some time were nearly completed, and in the battery materials segment—an area expected to grow in the years ahead—we invested to increase production. We are moving toward a monthly production capacity of 4,550 tonnes of NCA<sup>1</sup>.

Our business results improved substantially in fiscal 2017, but in the details not everything was totally satisfying. In not a few instances, performance failed to reach target owing, for example, to slow response to changes in the business environment or to opportunities lost because of equipment trouble. Improving our management capabilities both at the workplace

1. NCA: lithium nickel cobalt aluminum oxide, a cathode active material used in lithium rechargeable batteries

wants into our Mineral Resources and Smelting & Refining businesses. Our business model, which interconnects three areas of business—Mineral Resources, Smelting & Refining, and Materials—is unique in all the world and our foremost strength. But I know all too well that we need to strengthen this competitive advantage further.

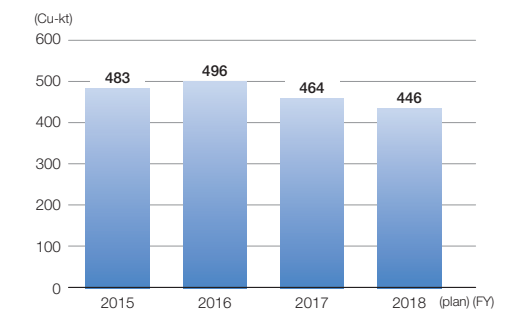
We regularly hold meetings of the general managers of our three business divisions and the Technology Division, giving them an opportunity to exchange views. Up to now, I myself attended those gatherings in my position as the person responsible for the Smelting & Refining business. Now that opportunities for exchanging information and opinions freely at every level within the employee hierarchy are expanding, sharing information is becoming possible as never before.

### Please tell us what initiatives are being taken in the Mineral Resources segment—regarding acquisition of interest in gold mines, for example.

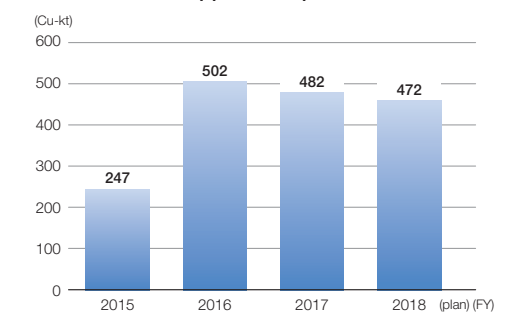
**Operations are now hitting stride at the Sierra Gorda Copper Mine, and we will continue our endeavors to acquire expanded interest in gold mines.**

Concerning our Mineral Resources business, we sent a team of engineers on special assignment to the Sierra Gorda Copper Mine, our biggest undertaking in this segment, to get operations on track. Thanks in part to our success there, after copper, now production of molybdenum is also approaching our initial target level. Going forward, we will develop a structure that, with modest investments, will enable accrual of earnings through

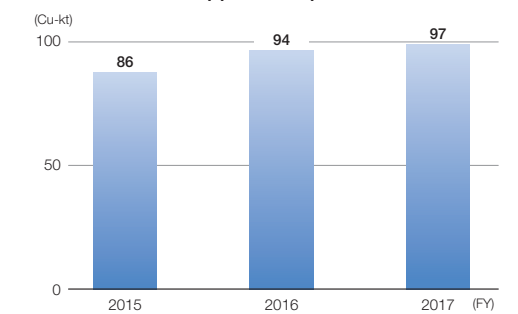
#### Morenci Copper Mine production



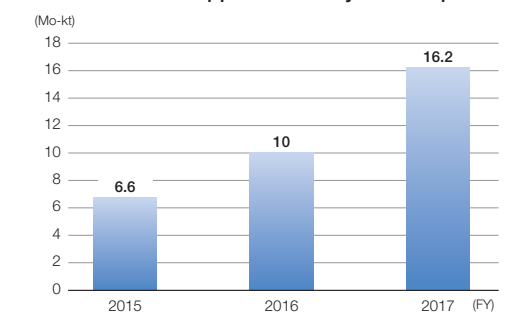
#### Cerro Verde Copper Mine production



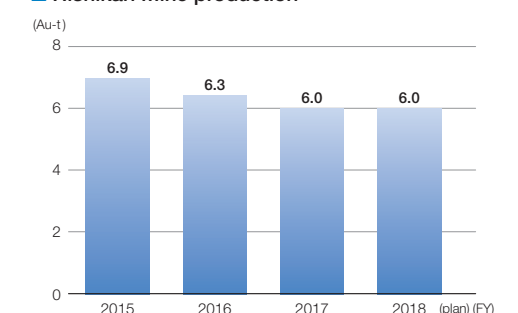
#### Sierra Gorda Copper Mine production



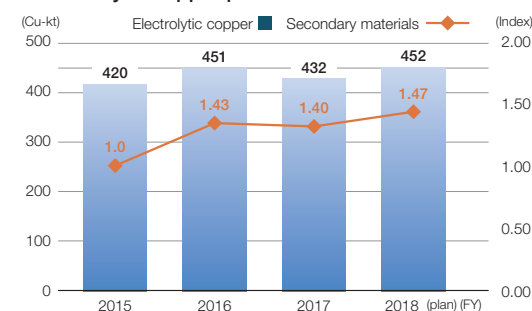
#### Sierra Gorda Copper Mine molybdenum production



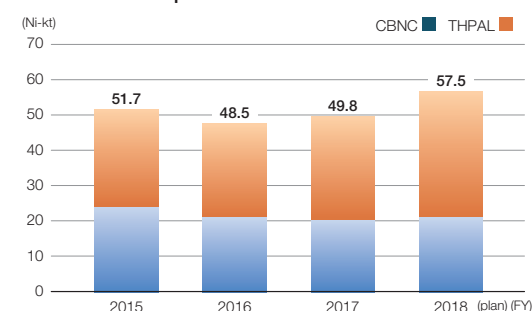
#### Hishikari Mine production



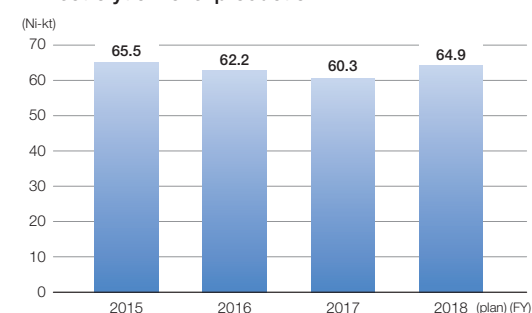
### ■ Electrolytic copper production



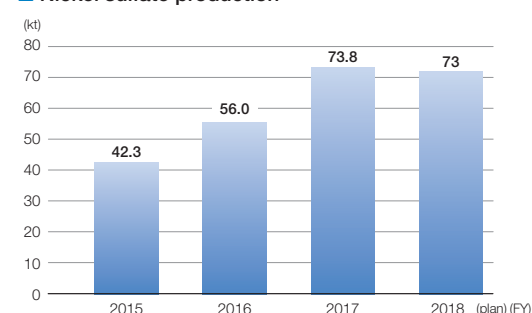
### ■ Mixed sulfide production



### ■ Electrolytic nickel production



### ■ Nickel sulfate production



debottlenecking and other measures that will drive production volumes up between 10 and 20%.

Regarding gold mines, last year we acquired 27.75% interest in the Côté Gold Project in eastern Canada, and currently we are involved in a feasibility study. Besides contributing to our profits, this project offers us a great deal to learn in terms of starting up a mine overseas, operations management, implementing environmental measures, co-existence with the local community and so on, so we hope it will serve as a place where we can accumulate new technologies. The project is also expected to bring major economic benefits both to Canada as a whole and to the region around the mine, and in recognition of this we, along with our project partner IAMGOLD Corporation, have received the prestigious Viola R. MacMillan Award from the Prospectors & Developers Association of Canada (PDAC) (see page 50).

We are still a long way from reaching the target we set in our Long-Term Vision—attributable gold production of 30 tonnes per year—but in the years ahead we will continue taking proactive steps to expand our earnings, selectively choosing which projects offer the best opportunities.

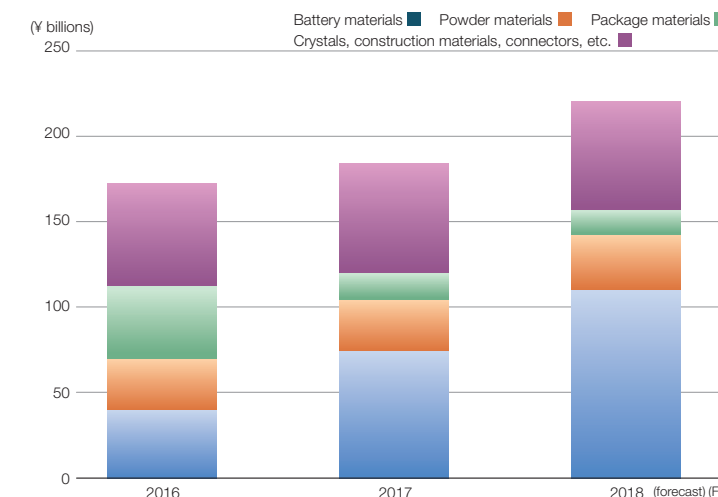
### What strategies do you have in mind to enhance SMM's competitive superiority in the Smelting & Refining business?

**We are converting this segment's business structure and have reinforced our production system for the raw materials used in battery materials. We will further increase the added value of our HPAL<sup>2</sup> technology, one of SMM's greatest strengths.**

In our Smelting & Refining business, in order to reinforce our system for producing the raw materials used in battery materials—products in growing demand—we are converting our business structure at the Harima Refinery, already increasing production capacity in nickel sulfate to 49,000 tonnes. The reinforcement initiative took the form of creating a structure that directly supplies the nickel sulfate to the battery materials plant on the same premises. This has resulted in a significant boost in efficiency.

2. HPAL: high-pressure acid leaching

### ■ Sales of materials products



Production capacity has also been increased by 20%, to 36,000 tonnes per year, at Taganito HPAL, which supplies nickel/cobalt mixed sulfide to both the Harima Refinery and the Niihama Nickel Refinery. We have also started full-scale recovery of scandium, a by-product of the HPAL process, and our plans now call for commercial production, in conjunction with the Harima Refinery, to commence within fiscal 2018 (see page 54). Construction is also underway of a recovery plant for chromite, a similar by-product. In addition to enhancing our competitiveness in HPAL, a strength unique to SMM, we are opening up new markets.

At Coral Bay Nickel, however, production of mixed sulfide is expected to decrease in the future, partly owing to lower grades of nickel in the local ore. In our quest to achieve our nickel target of 150,000 tonnes set in our Long-Term Vision, we launched a full-fledged feasibility study for the Pomalaa Project in Indonesia in 2018.

### Please tell us what initiatives are being taken today, and what plans for tomorrow, in the Materials segment.

**We're increasing production of battery materials, a market that's beginning to take off. And we're also focusing on developing new business areas for tomorrow.**

In our Materials business, we have been undertaking structure reforms by concentrating in our core competencies, shifting from package

materials to advanced materials—an area where we can make better use of our technologies. Those reforms were nearly completed within fiscal 2017, and now we have reached a stage where our Materials business can stand on its own as a main pillar of our business, just like our Mineral Resources and Smelting & Refining businesses.

NCA, one of the battery materials we produce, is the mainstay of our Materials segment, and today we continue to take steps to increase its production. In fiscal 2017 we achieved monthly production capability of 3,550 tonnes, and now we're making preparations toward boosting output further to 4,550 tonnes per month. We are also establishing a stable supply structure for nickel hydroxide, which is used in hybrid vehicles.

By contrast, in fiscal 2017 production of crystal materials, of the kind used in smartphones and such, decreased substantially from the level of fiscal 2016, largely due to ongoing inventory adjustments by users. And while it's conceivable that this trend may continue through fiscal 2018, we expect demand to recover at some point. So we will continue to pursue greater operational efficiency and lower costs with an eye on the future.

In another development, in October 2017 we acquired a 51% stake in SICOXS CORPORATION, a company that is developing silicon carbide (SiC) substrates, a material to be used in next-generation power semiconductors. Making use of Sicoxs's substrate production technology, we will focus on creating a new market (see page 63).

## What is your position with regard to sustainability and human resources development?

**These aspects constitute the foundation that supports the sustained growth of SMM's businesses. Maintaining keen awareness of this, we will continue our initiatives in both regards.**

In recent years, interest in sustainability has heightened, as seen in the Sustainable Development Goals (SDGs) and the Paris Agreement. What I personally sense is that even before attention focused on this issue, sustainability and business have continuously been inseparable at SMM. This is a trait and a strength unique to SMM cultivated through our history of more than 420 years.

Mineral Resources and Smelting & Refining are businesses that require long periods of time to achieve. In order to continue carrying on those businesses, it's absolutely essential not just to secure business partners as one might expect, but also to build sustainable relationships with nations and regions and to gain a "social license to operate" (see page 36).

As Coral Bay Nickel Corporation in the Philippines illustrates, SMM has an understanding of social issues in the surrounding region and is performing activities to support their resolution: creating jobs, for example, and building infrastructure, operating schools and hospitals, and improving public hygiene. The reports we receive from Coral Bay Nickel on a regular basis even include the number of local individuals suffering from dengue fever. Our rehabilitation activities in the surrounding area will continue long after business has ended, until a green environment has been restored. These activities are highly regarded within the Philippines, and for four consecutive years Coral Bay Nickel has received the country's "Presidential Mineral Industry Environmental Award" (see page 56).

Discussions with management personnel at the major mineral resource companies and others recently reveal an extreme sensitivity to trends relating to sustainability. At SMM too, we see sustainability as a management issue, and going forward, with a strong sense of consciousness backed by our worldview and sense of moral duty, we aim to continue taking steps to achieve it.

Among such ongoing initiatives, human

resources development is also a vital management issue. In order for all employees to perform to the maximum limit of their individual potential, it's of critical importance to create an organization in which everyone, regardless of age or position, can engage freely in discussions, work closely together, and proceed toward shared goals. I know from personal experience that even when you run up against a wall, you invariably grow if you never flee and squarely face the challenge before you. I will create the environment in which all employees can share in that approach.

In April 2018, SMM, in collaboration with Tohoku University, established a joint research department at the university (see page 65). Its founding objectives are to secure and develop engineers specialized in non-ferrous metal smelting and refining. We believe that continuously developing engineers specialized in these areas—whose numbers are gradually shrinking in Japan—is of extremely vital importance not only for SMM but for the future of Japan as well.

## Has SMM taken any new steps to strengthen its corporate governance?

**In a quest for highly transparent management, we reinforced governance by incorporating the perspective of diversity.**

Reinforcing corporate governance is another important management issue that needs to be addressed in order for any company to fulfill its responsibilities in our global society, and to achieve sustained growth. At SMM, seeking more transparent management, in 2016 we increased the number of our outside directors from two to three. As a result, outside directors now make up more than one-third of our Board, which has eight members. Moreover, the new outside director we appointed in June 2018 is a female, chosen for her truly outstanding background (see page 72). As a result, our Board of Directors meetings are now the scene of lively discussions that, when appropriate, include considerations of diversity.

In conjunction with measures being taken to achieve globalization, we took the decision to adopt International Financial Reporting Standards (IFRS) when disclosing our results information. The new standards have gone into effect starting with the current fiscal 2018.

## We will strive for engagement with our stakeholders and aim for sustained growth.



## In closing, may we ask for a message to SMM's stakeholders?

**Through a variety of opportunities we strive for active dialogue, aiming for sustained growth together with all our stakeholders.**

Fiscal 2018 is the final year of our 2015 3-Year Business Plan. Under this plan, we have focused on sowing and growing the seeds that will enable our next leap forward. These initiatives—which include stabilizing operations at the Sierra Gorda Copper Mine, converting the business structure of the Harima Refinery, and undertaking structure reforms in the Materials business—are steadily coming to reap results. In fiscal 2018, in addition to driving forward the measures we took last year, we will further focus on creating the foundation for our forward leap.

In our subsequent 3-Year Business Plan, to start in fiscal 2019, development of the Cote Gold Mine will get underway on full scale, which should propel our business to a new phase. In pursuit of achievement of our Long-Term Vision, I will proactively take under consideration acquisition of mine interests and other measures.

As I noted at the outset, for SMM to achieve sustained growth into the future, it's vital to have a vantage point that enables us to look well into the future. In the Mineral Resources and Smelting & Refining businesses, a very long amount of time is needed to carry out development and get operations underway; moreover, project-related risks are by no means negligible. Meanwhile, to take hold of opportunities for business expansion through acquisition of interests, for example, requires swift decision making. I believe that for this purpose too, it's of great importance to maintain a sound financial foundation.

To win understanding of our corporate position and of my policies toward management, I pledge to strive for ever-more active dialogue with all stakeholders. People, first and foremost, are the energy that drives a company forward—toward its future. Going forward, together with all employees we will devote our collective capabilities to making SMM a company that can address the tasks at hand with a positive attitude. And together with all our stakeholders, we will continue to pursue sustained growth for tomorrow.