SUMITOMO METAL MINING

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SUMITOMO METAL MINING

Integrated Report 2020



MINING THE FUTURE





Integrated Report 2020

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

Long-Term

Vision

>>**>**

By improving technical capabilities, we shall fulfill our social responsibilities as a manufacturing enterprise.

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

Formulating a Basic Brand Design

The SMM Group has formulated a brand message as a statement of its intent to realize the long-term vision of becoming the world leader in the non-ferrous metals industry. We have also created a new company logotype, tagline, and logo as the embodiment of this message.

Brand Message

Materials required in the future.

Materials will be required to build a sustainable society. Materials will be required to create happiness and peace of mind for people.

It has been 430 years since Sumitomo's founding. We, Sumitomo Metal Mining, have inherited the original business of Sumitomo. We stably shoulder the development and operation of mines, smelting and refining which produce metals, and even produce advanced materials. In doing so, we exhibit a unique value as a company unlike any other in the world.

If the supply of our materials were to stop, society would come to a halt. At the same time, mine development must never harm the sustainability of the environment and local communities.

In our DNA is a spirit of taking a broad view as a global citizen and engaging in proper business, together with partners with whom we share a great responsibility toward future generations.

As we enhance our technology, the metals that we discover and extract will serve as materials for dreams and support human progress. Not only for people alive today, but also for those who will be born and live in future generations.

Our mission continues, becoming the future for all.

Company Logotype

Taking the typeface of the Company logotype established in 1983 as a base, and valuing the trust we have earned over a history of more than 430 years, we revised the design to make our Company familiar to and accepted by a wider variety of people than ever.





Brand Tagline

The resources that we unearth are smelted and refined. becoming materials that shape the future "MINING THE FUTURE" is a declaration of the value we provide, the meaning of our existence, and our will to continue providing materials that will shape the future. We will use this statement alongside our Company logotype and logo to present a unified expression of our brand.

MINING THE FUTURE

Logo

Taking the shape "SMM," our logo encapsulates our pride in conducting business together with mining, and our willingness to tackle major social issues, to pioneer paths, and to overcome. "SMM" also symbolizes our three-business collaboration among Smelting and Refining, Mineral Resources, and Materials



World Leader in the Non-Ferrous Metals Industry

As a World Leader in the Non-Ferrous Metals Industry We Are Aiming to

- 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

The SMM Group possesses leading technology and a unique business model that covers from the securing of resources to the provision of high-functionality materials in house that cannot be easily emulated, even by other major mineral resource companies. This is one of the Group's competitive strengths and means we are able to effectively utilize resources and materials without limits.

Our ambition is to raise our societal value through sustainable growth and become the world leader in the non-ferrous metals industry.

We aim to have a global presence in terms of mineral resource interests and metal production volumes (be in the global top five), to grow sustainably and stably produce a certain amount of profit, to actively tackle social issues such as the SDGs, and to have employees working with spirit. This is what we are aiming for, what our long-term vision of becoming the world leader in the non-ferrous metals industry looks like.

Nickel (Ni) ---- Annual production capacity of 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 (Cu) ---- Annual production interest of 300 kt

A quantity that will position us as mid-level globally

Achievement expected through participation in the Quebrada Blanca 2 Project → Continue to maintain

Targets

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

Increasing profitability and value of operational experience by participation in superior projects, rather than increasing

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

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

····Annual profit ¥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

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Integrated Report 2020 Concepts

Resolve to Become the World Leader in the Non-Ferrous **Metals Industry and Commitment to Initiatives Aiming** to Realize a Sustainable Society

Strict Information Disclosure

When compiling the Introduction, The SMM Group's Creation of Value, Activity Report, A Foundation Supporting the Creation of Value, and Financial Data / Corporate Data sections of Integrated Report 2020, we focused on including the information that is most material to our stakeholders, particularly long-term investors.

In the special features, we introduce our Vision for 2030, which sets out the milestones to be achieved by 2030 in order to realize our long-term vision of becoming the world leader in the non-ferrous metals industry. We also provide explanations of our vision and KPI for the 11 material issues that have been identified, evaluated, and selected from a perspective that incorporates management issues as well as sustainability issues.

We have also mapped our ESG information onto these new material issues and included the basic information in this report, along with a more detailed version in the Supplementary ESG Data Book 2020. By coordinating the data book and this report, we have strived to maintain the quality and volume of information we disclose while presenting it in an easy to read format.

Improving Content Based on an Integrated Approach

In Value Creation Process, we have included details of each process in a more quantifiable format with the aim of clarifying the characteristics of the Group's value creation model.

Furthermore, in Review of Past 3-Year Business Plans, we provide a review of the past two 3-year business plans in order to demonstrate management continuity and add content that evaluates this management from a long-term perspective.

Through this entire report, we express the high ambition of our long-term vision of becoming the world leader in the non-ferrous metals industry and our resolve to achieve this. We also show not only our business strategies, but also our commitment to sustainability, primarily in our initiatives for achieving Vision for 2030.

• Editorial Policy

Since 2016, we have been publishing this integrated report so that all of our stakeholders, including customers, shareholders and investors, and local communities, can gain an even better understanding of our initiatives aimed at sustainable growth and maximization of corporate value, which is the goal of the SMM Group. In this Sumitomo Metal Mining Co., Ltd. Integrated Report 2020, the fifth publication of the integrated report, we provide explanations of the risks and opportunities surrounding our businesses, our competitiveness and the value we provide, and our business models and strategies in a way that further demonstrates how these are interconnected, in order to foster an understanding of the Group's value creation. This includes an introduction to our Vision for 2030, which sets out the milestones to be achieved by 2030 in order to realize our long-term vision.

In this report, CBNC and THPAL are acronyms for Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation, respectively. Also, unless otherwise stated, the term "ton" refers to a metric ton.

• Referenced Guidelines and Assurance

In editing this report, we referenced the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry. For information on sustainability, we have complied with the Core option of the Global Reporting Initiative's Sustainability Reporting Standards, and the Company's self-declaration and performance data have received independent assurance.

1. Global Reporting Initiative (GRI): An organization established with the purpose of creating and promoting international guidelines for sustainability reports. The GRI Content Index is on our website: https://www.smm.co.ip/F/

Company and on certain assumptions deemed to be reasonable as of the date of release of this report. Actual business results may differ substantially due to a number of factors.

Disclaimer The forward-looking statements in this integrated report, including business result forecasts, are based on information available to the

* This document is the English version of the report used in Japan.

• Boundary of the Report

Sumitomo Metal Mining Co., Ltd. (SMM)

The Sumitomo Metal Mining Group

(SMM and consolidated subsidiaries)

Economic Topics

SMM, consolidated subsidiaries and equity-method affiliates

Environmental Topics

SMM, consolidated subsidiaries and one equity-method affiliate The boundary of the environmental report is stated on p. 6–7. Companies marked with an asterisk (*) and Nittosha Co., Ltd., which we sold in March 2019, are included in the boundary of the report.

Social Topics

SMM and consolidated subsidiaries

Publication Date

November 2020

Next scheduled publication: November 2021 (Previous publication: November 2019)

Period Covered

(Some activities before or after the following periods have also been included) Japan: April 1, 2019–March 31, 2020 Overseas: January 1, 2019-December 31, 2019

• Referenced Guidelines

GRI's Sustainability Reporting Standards IIRC's International Integrated Reporting Framework Ministry of the Environment's Environmental Reporting Ministry of Economy, Trade and Industry's Guidelines (Fiscal Year 2018 Version) Guidance for Collaborative Value Creation



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Development of the SMM Group

1500 1600 1700 1900 Around 1700 Around 1900 Around 1980 Rapidly rising demand for cathode materials for automobile batteries The majority of Nagasaki trade The modernization of industry The diffusion of stainless steel In the Edo period, about half of all copper produced in Starting in the Meiji Period, with the growth in demand for commu-Nickel is used as a raw material in stainless steel Against the background of rising environmental awareness, demand has risen rapidly for History Japan for international trade is exported through Nagasaki. nications lines, wires for electric lighting, and copper alloy fabricatand special steels. These materials are used in cathode materials for hybrid and electric vehicle secondary batteries. Through close In the year 1698, Sumitomo's annual production reaches ed products, domestic demand for copper increases significantly. various areas such as communications, medical, collaboration with customers, the SMM Group is working to supply high performance, construction materials, and the generation of safe battery cathode materials in addition to fulfilling its obligation as a producer of nickel about 1,500 tons, a quantity that accounts for one quarter The Besshi Copper Mine, which introduces Western-style smelting of Japan's copper production. and refining, supports the industry in Japan. and cobalt, the raw materials of battery cathode materials. Around 1650 Large-scale reforestation operations Monjuin Shiigaki The JCO criticality accident Switch to three core businesses -Issuance of the Reconsideration of the Formulation of "Vision for Mineral Resources, Smelting & Refining Long-Term Vision The Sumitomo Business Spirit, which continues Large-scale reforestation operations are started after Iba A criticality accident occurs at SMM subsidiary, JCO Co., Declaration for the to this day, has its origins in the Monjuin Shiigaki Ltd., which manufactures fuel for nuclear power generapromotion of Working The 2018 3-Year Business Plan We formulated our Vision for 2030, Teigo, the second Director-General, becomes manager of the and Materials written by the founder of the Sumitomo family, Besshi Copper Mine. At peak, more than two million trees are tion. The SMM Group reflects on this accident and in 2000 In the 2009 3-Year Business Plan, it is announced Style Reform is announced. This reveals a which states the milestone to be Sumitomo Masatomo (1585–1652), in his later being planted annually and Mt. Besshi once again overflow it formulates the Corporate Reform Plan which promotes reconsideration of the reached by 2030 in order to realize that SMM will switch to a business model with three years to explain the merchant's frame of mind. the reconfirmation and thorough execution of the Long-Term Vision and a target | the SMM Group's Long-Term Vision core businesses – Mineral Resources & Smelting & corporate philosophy, reinforcement of corporate Refining & Materials. Management resources are of ¥150.0 billion in annual of becoming the "world leader in organization, and reform of corporate culture. profit as a world leader in the the non-ferrous metals industry." concentrated and invested in these core businesses ...Copper mines 🕡 non-ferrous metals industry. Gold mines **■** Overseas • Opening of the opper mines | 1961 Besshi Copper Mine Start of the 2019 Closure of the Investment and financing Closure of the gold mine Acquisition of addi- Acquisition of Start of operations at the Acquisition of interest in the Start of production at Acquisition of interest Start of production at the contract signed for the Kounomai Mine Sazare Mine Hishikari Mine tional interest in the interest in the in the Quebrada Blanca business Morenci Copper Mine. Full-scale the Sierra Gorda Cerro Verde Copper Mine Bethlehem Mine in Canada and the Besshi Copper Mine Morenci Copper Mine | Cote Gold Mine Copper Mine investment in overseas mines Copper Mine smelting and Nickel smelting and refining • refining 1590 Innovation Topic Start of the copper Relocation of copper smelting Start of the nickel smelting and Start of production at the Toyo Nanban-buki Conversion of nickel refining Start of production at Coral Bay Nickel Corporation Start of production at Taganito HPAL Nickel Corporation smelting and refining and refining from the Niihama refining business Smelter & Refinery In Japan at this time, there was no technology for process to MCLE technology coast to the Shisaka Island Innovation Topic removing the silver from copper ore, so copper was Practical application of the HPAL method sold and exported at copper prices while it still in-World-leading nickel smelting and refining technology cluded silver. Soga Riemon, develops a smelting and SMM is the first in the world to apply the HPAL method to convert low-grade nickel In 1939, SMM launches its nickel smelting and refining business and goes on to refining technology for separating copper and silver, oxide ore into a nickel resource. In addition to contributing to the realization of develop nickel refining technologies such as the MCLE method. In the 2000's, facknown as Nanban-buki. He shares this widely with in-house procurement and the effective use of nickel resources, we also carry out tors such as the diversification of raw material procurement through the practical others in the same business in Osaka, preventing activities that contribute to society in the Philippines, where the operations are based application of HPAL technology push us toward becoming the world leader in nic the loss of wealth. el smelting and refining technology. 1960 Innovation Topic Start of production of cathode materials for automobile batteries Entry into the materials | Adding new value to metals Increase production of battery materials, increase production Innovation Topic As mining business in Japan undergoes a contraction, of SAW filter LT/LN1 attention turns to electronic materials business as a Making high-capacity batteries possible new market. In 1960, SMM begins production of ger-Lithium nickel-cobalt-aluminum oxide (NCA) produced by the SMM Group has high-levels of manium dioxide for use in transistors. Since then, we NCA (battery material nickel content which has made high-capacity batteries possible. We are leveraging our strength have continued to provide the market with various of being able to provide an integrated production structure that ranges from resource procureelectronic materials ment to battery material supply and contributing to extending the range that an electric vehicle 1. LT/LN: Lithium Tantalate and Lithium Niobate. These refer to Lithium Tantalate

Mineral Resources Business

technology.

Starting operation of the Hishikari Mine

With the closure of the Sazare Mine in 1979, the curtain closes for a

operations begin at the Hishikari Mine and SMM Group's technology

gold content ratio to date and has become a primary source of profit

begins to chart a new history in a new area. The mine boasts a rich

for the Group, and it also plays a role in passing down our mining

time on SMM's heritage of mining technology. However, in 1985,

Inheriting over 300 years of mining technology

The Besshi Copper Mine operated continuously for 283 years

from its opening and made a huge contribution to Sumitomo's development. The opening of the mine presented an opportunity to expand the company's business to include mineral resources business in addition to copper smelting and refining. The mining technology cultivated at the Besshi Copper Mine continues to be inherited by SMM's Mineral Resources Business as it expands across the globe.

Mineral Resources Business

At a time when the importance of gold as a resource was growing, we acquired the management rights for the Kounomai Mine in Hokkaido. This added gold as a new metal to our Mineral Resources Business portfoli which had previously been centered on copper.

Starting our gold mining business

1917

Overcoming smoke pollution at Shisaka Island

sulfur dioxide gas, which was a root cause of the smoke damage, becoming the first in the world to solve the problem of smoke damage that was afflicting copper smelters all over the

Smelting & Refining Business

In 1939, we realized zero emissions of

1939

Mineral Resources Business Participating in overseas copper mines and acquiring interests

After WWII, the closure of mines in Japan meant that smelting and refining businesses had to switch to resources procured from overseas. In 1961, SMM signed an investment and financing contract with Bethlehem Mine, beginning the company's involvement with overseas mines. To present, SMM has created footholds in mine interests and in 1986 we acquired an interest in the Morenci Copper Mine, known as a superior copper mine.

substrates and Lithium Niobate substrates. Used in chips for information and communication terminal SAW filters.

Materials Business

can travel on a single charge.

Corporate reform since the JCO criticality accident

The JCO criticality accident in 1999 was a turning point for the

turn toward returning to core values and thorough compliance

learnt on to younger generations.

management of the SMM Group. Since then we have taken a strong

through the Corporate Reform Plan. Although more than 20 years has

passed since the accident, we will not forget and will pass the lessons

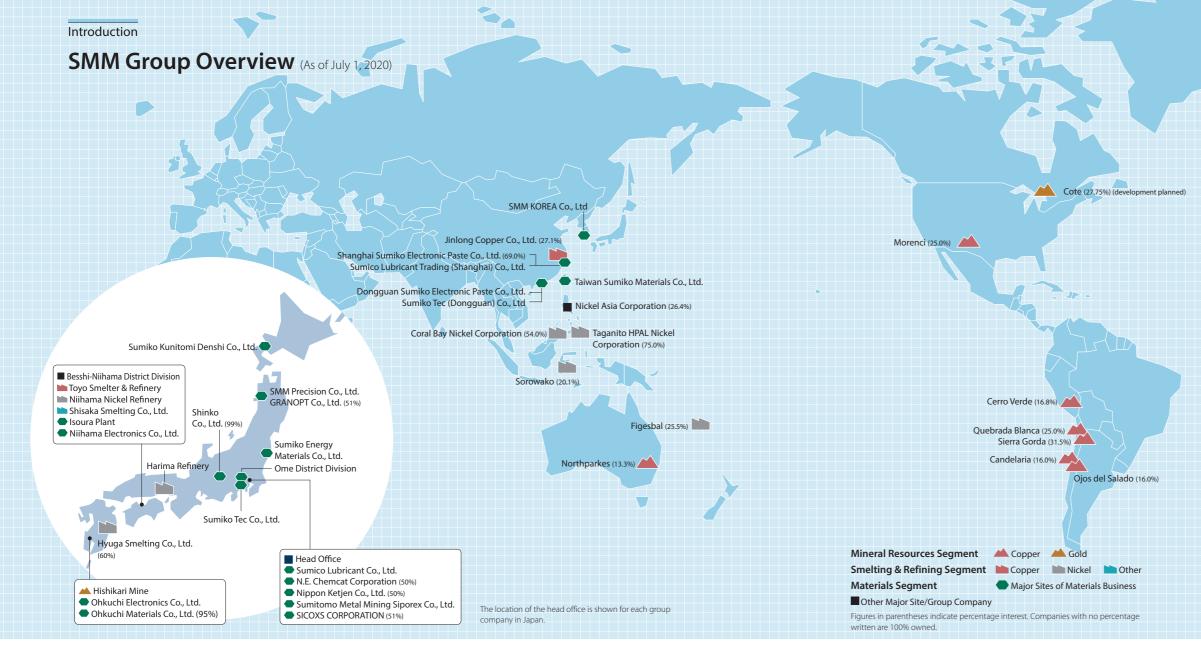
1985

2014

Increasing the production of battery materials

In 2014, we announced that we were increasing production of cathode materials for automobile batteries and converting the business structure of our Harima Refinery to increase nickel sulfate production. We leveraged our strength of an integrated process from the procurement of nickel raw material through to processing in order to further advance material performance and ensure a stable supply.

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◆ Consolidated subsidiaries ◆ Equity-method affiliates * Included in the boundary of the environmental performance data

Sumitomo Metal Mining Co., Ltd.*

Mineral Resources

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

Smelting & Refining

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

Materials

- ◆ 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.*
- Nippon Ketjen Co., Ltd.*

- ◆ Igeta Heim Co., Ltd.* ◆ JCO Co., Ltd.*
- Sumiko Technical Service Co., Ltd.
- ◆ Sumiko Techno-Research 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.
- 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)

- Dongguan Sumiko Electronic Paste Co., Ltd.
- ♦ Shanghai Sumiko Electronic Paste Co., Ltd. (China)*
- Sumico Lubricant Trading (Shanghai) Co., Ltd. (China)
- Sumiko Tec (Dongguan) Co., Ltd. (China)
- ◆ Granopt Optics Trading (Shenzhen) 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.) ◆ 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

- Ocompania Contractual Minera Candelaria (Chile)
- Compania Contractual Minera Ojos Del Salado
- Sumitomo Metal Mining Chile Ltda. (Chile)
- ◆ SMM Sierra Gorda Inversiones Ltda. (Chile) Sierra Gorda S.C.M. (Chile)
- ◆ SMM-SG Holding Inversiones Ltda. (Chile)
- ◆ SMMQB Holding SpA (Chile)
- ◆ SMM Quebrada Blanca SpA (Chile) Quebrada Blanca Holdings SpA (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.
- ◆ SMM Cerro Verde Netherlands B.V. (Netherlands)
- ◆ SMM CV Holding B.V. (Netherlands) ◆ SMM Holland B.V. (Netherlands)

Smelting & Refining

● FIGESBAL (New Caledonia)

Corporate Data

H		
ı	Company name	Sumitomo Metal Mining Co., Ltd.
	President & Representative Director	Akira Nozaki
l	Founded	1590
	Incorporated	1950
l	Capital	¥93.2 billion
	Listing	Tokyo Stock Exchange
	No. of subsidiaries (consolidated)	56 (including the money held in trust which is deemed to be a consolidated company)
	No. of equity- method affiliates	15
	Net sales (consolidated)	¥872.6 billion (for the year ended March 31, 2020)
	Profit before tax (consolidated)	¥79.0 billion (for the year ended March 31, 2020)

Main Facilities

11-3, Shimbashi 5-chome, Minato-ku, Tokyo Office (Shimbashi Sumitomo Building)

Osaka Branch Branch

Branches Nagoya Branch (Aichi Prefecture) Besshi-Niihama District Division (Ehime

Prefecture) Toyo Smelter & Refinery (Ehime Prefecture)

Niihama Nickel Refinery (Ehime Prefecture) Harima Refinery (Hyogo Prefecture) Ome District Division (Tokyo) Isoura Plant (Ehime Prefecture)

Hishikari Mine (Kagoshima Prefecture)

Research Niihama Research Laboratories (Ehime Prefecture) Battery Research Laboratories (Ehime Prefecture) Materials Laboratories (Tokyo) Ichikawa Research Center (Chiba Prefecture)

Main Products

Mineral Resources Segment	Gold and silver ore, copper concen trates, copper, gold
Smelting and Refining Segment	Copper, gold, silver, electrolytic nickel, electrolytic cobalt, ferronickel, palladium, chemical products
Materials Segment	Battery materials, paste, powder materials, crystal materials, thin filr materials, magnetic materials, package materials, oil refining catalysts, automotive catalysts, autoclaved lightweight concrete, lubricants

No. of countries and regions where business is

15

SUMITOMO METAL MINING CO., LTD. Integrated Report 2020 7 SUMITOMO METAL MINING CO., LTD. Integrated Report 2020

The Global Non-Ferrous Metal Industry and the SMM Group



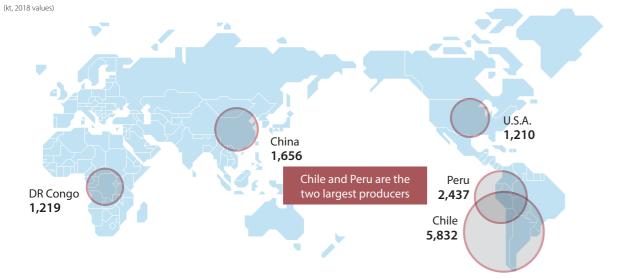
■ The Business Environment Surrounding Copper

Copper is thought to be the first metal used in human history. It offers high heat and electrical conductivity, is relatively inexpensive, and has superior workability. This has resulted in it becoming an indispensable base metal for electrical wiring and copper alloy fabricated products in a wide range of industries.

Chile and Peru are the world's two largest copper ore producing countries, followed by China and the U.S.

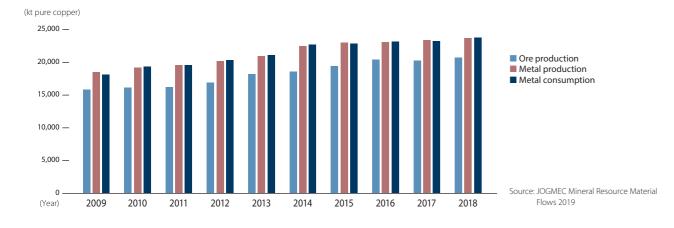
Copper is an indispensable base metal in a wide range of industries, particularly for infrastructure such as electrical wiring and copper alloy fabricated products, and China accounts for about half of global copper demand. Going forward, there is expected to be firm increases in demand along with global economic development. However, on the supply side, with development moving forward on the world's superior mines, the development of new sites will unavoidably occur in increasingly remote locations or higher elevations and with increasingly lower grade ore, making it more difficult. It is thought that this will result in the continuation of the current tight situation, including for recycled products.

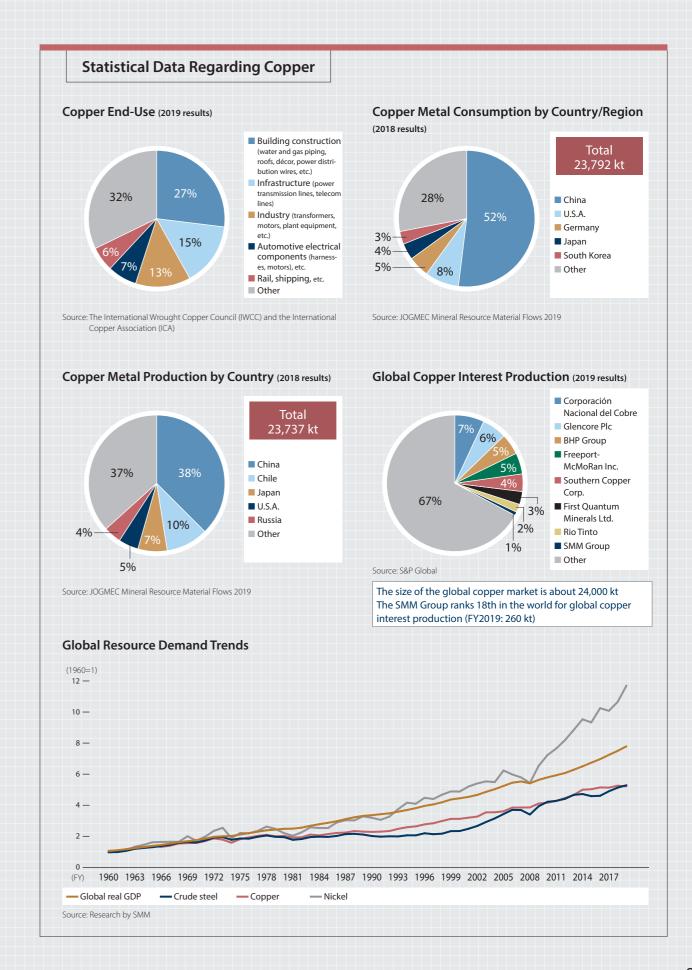
World's Largest Copper Ore Producing Countries



Source: JOGMEC Mineral Resource Material

Global Copper Supply and Demand





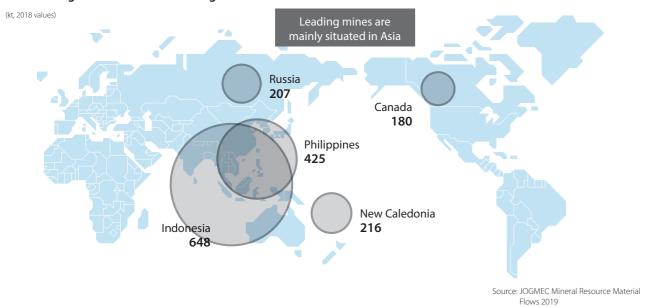


■ The Business Environment Surrounding Nickel

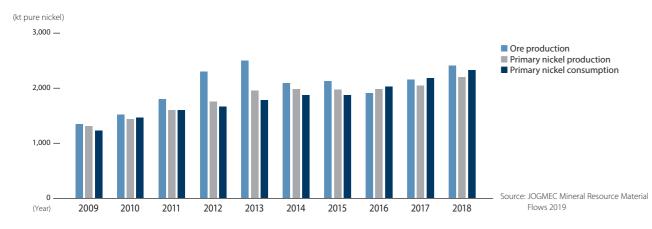
The main end-use of nickel is in stainless steel and a certain amount of increase in demand is expected. In addition to this, the electrification of the automotive sector has accelerated globally in recent years and an increase in demand for nickel for use in cathode materials for lithium-ion secondary batteries is expected to accompany this.

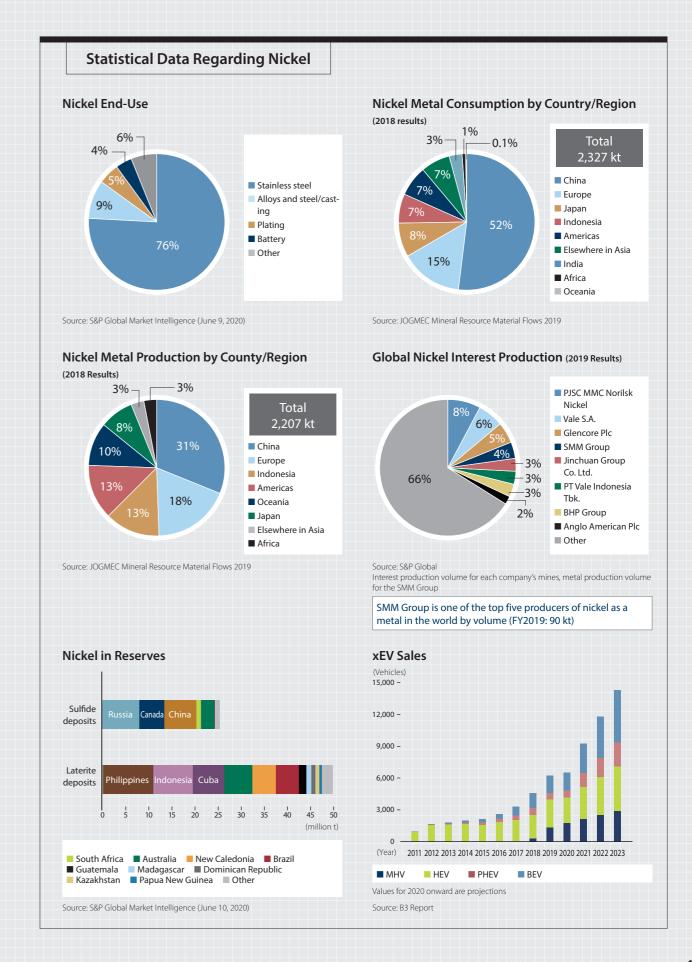
The Philippines and Indonesia are the world's two largest nickel ore producing countries. The end-use of about 70% of all nickel is in stainless steel and, like copper, China accounts for about half of global demand. In recent years, the growth in demand for nickel has been increasing at a much greater rate than growth in demand for copper and going forward, an increase in demand for use in cathode materials for lithium-ion secondary batteries is expected to accompany the spread of EVs. However, on the supply side, although the supply of products that are not of particularly high grade—so-called "class 2" nickel grades, such as ferronickel and nickel pig iron (NPI), which are mainly used as raw materials for stainless steel production—will be brisk due to development by Chinese companies in countries such as Indonesia, for products in the "class 1" high-grade nickel category used as raw materials in special steels and batteries for EVs, there is a limit to the specific new development that can be carried out and a situation in which demand exceeds supply is expected to continue.

World's Largest Nickel Ore Producing Countries

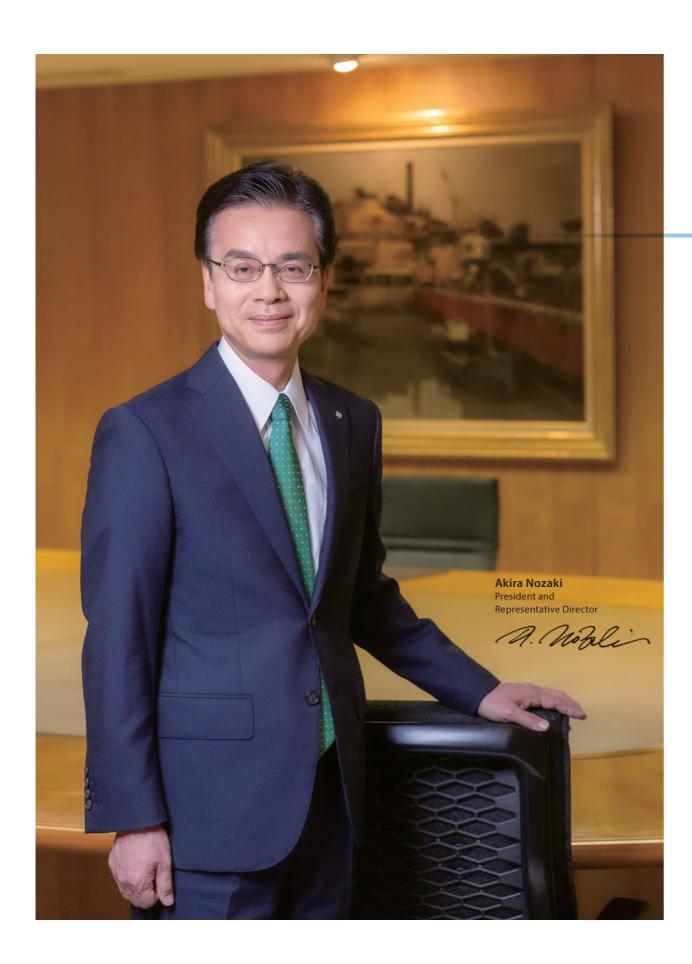


Global Nickel Supply and Demand





Message from the President



Carrying out our 2018 3-Year Business Plan to completion, we will achieve our growth strategy and strengthen our business foundation, to realize our "Vision for 2030"

Solid Response to the Current Severe Business Environment

The business environment surrounding the SMM Group remains severe, against the backdrop of expanding resource nationalism, tightening environmental regulations, and rising investment and running costs. The economic outlook too has become increasingly opaque, with the global economy in a slowdown largely attributable to trade friction between the United States and China, further compounded by new risks since the start of 2020 stemming from the COVID-19 pandemic.

In the SMM Group, however, we have a responsibility to provide stable supplies of the materials indispensable to society. Even in the face of the current unpredictable situation, we will continue to stably supply our products, making no notable changes to either our long-term strategy or our inherent social role.

To minimize impact of the pandemic on our business performance, we are taking under review and implementing measures to secure short-term earnings and improve our cash flows. While remaining fully cognizant of the current picture, we will stay the course toward achieving the targets set in our 2018 3-Year Business Plan, maintaining a favorable financial position even amid the crisis in the short to medium term and building up the resilience necessary to recover swiftly after the pandemic is over.

Although recovery in demand for non-ferrous metals is projected to take some time, we believe that even if a temporary supply-demand gap emerges, eventually the situation will return to normal. Once that occurs, we expect the general tide to shift with accelerating speed toward realizing digitalization and a decarbonized society, and at that time applications of non-ferrous metals, and their necessity itself, will expand further. Business in the metal materials and advanced materials produced from our operations in Mineral Resources, Smelting & Refining, and Materials will grow all the more as materials supporting the shift in tide. In cooperation with our customers, we will leverage our three-business collaboration and execute our growth strategy through implementation of the three main basic strategies laid out in our 2018 3-Year Business Plan.

Firmly Focused on Our Newly Formulated "Vision for 2030" and Realization of Our Long-Term Vision to be a "World Leader in the Non-Ferrous Metals Industry"

Throughout the 430 years since its founding, the SMM Group has consistently strived to resolve social issues through its business operations. Two core themes in our corporate

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Vision for 2030

We formulated our "Vision for 2030" to define the milestone we aspire to reach by 2030, en route to realizing our Long-Term Vision of becoming a "World Leader in the Non-Ferrous Metals Industry." See "Special Feature 1", page 24.

11 Material Issues

In our "Vision for 2030," we identified 11 material issues that are important to both society and SMM Group business with respect to their impact, risk if not actively addressed, and opportunities gained if actively addressed. See "Special Feature 1," page 27.

TCFD

SMM has formally announced its support for TCFD, the Task Force on Climate-related Financial Disclosures. See https://www.smm. co.jp/E/news/release/uploaded_ files/20200304_2_en.pdf

TCFD was established by the Financial Stability Board (ESB) at the request of G20, to examine how climate-related information should be disclosed and how financial institutions should respond. It recommends companies to disclose items concerning climate-change-related risks and opportunities. See https:// tcfd-consortium.jp/en/about



Listed in the 2030 Agenda for Sustainable Development and adopted at the LIN Sustainable Development Summit in September 2015, the Sustainable Development Goals (SDGs) are a set of international goals for creating a sustainable and better world by 2030.

philosophy are "sustainable co-existence with the global environment" and "respect for all individuals."The SMM Group, which inherited the original business operations of the Sumitomo Group and wholly embodies the Sumitomo DNA, has historically resolved social issues through its businesses, based on the Sumitomo Business Philosophy.

In March 2020 we formally announced our "Vision for 2030." It reflects two major points of difference since we formulated our "Vision for 2020." The first is the increasingly important role played today by metal materials and advanced materials in tandem with society's rapid progress in digitalization. The second is growing social demands related to human rights issues in the sourcing of minerals and to avoidance of complicity in human rights issues within the supply chain. Given the SMM Group's position within the mineral resources industry, we have a responsibility to address these issues aggressively.

Our "Vision for 2030" has set the year 2030 as a milestone for achieving our Long-Term Vision and its overarching business target – to become a "World Leader in the Non-Ferrous Metals Industry" – while projecting future shifts in social demands. In contrast to the "Vision for 2020," we have identified, evaluated, and selected material issues based not only on sustainability concerns but also concerns relative to business management. This constitutes a total change in our orientation.

In our "Vision for 2030" we have selectively narrowed down to 11 material issues. The selected issues take into account both our current position and future environmental changes, rising social demands, relationship with the SDGs, and their extremely high level of importance to our business operations. In terms of content, the issues go quite far - for example, they reflect our endorsement of the principles of the TCFD. They demonstrate our commitment to resolving social issues, and our "Vision for 2030" is a clear declaration of our strong determination to strive for lofty goals appropriate to our Long-Term Vision to become a "World Leader in the Non-Ferrous Metals Industry."

We also identified "SDG Goal 12: Ensure responsible consumption and production patterns" as our most important goal, and we will implement measures to support this goal's realization. We believe that achieving responsible consumption and production can also contribute to resolving issues in developing regions – poverty, famine, education, etc., which are other SDGs – and going forward we will conduct our business operations also conscious of these goals.

The First Year of the 2018 3-Year Business Plan in Review: "Taking on the Challenge for New Growth"

In the SMM Group, we draw up our business plans through "backcasting," always looking 10 to 15 years into the future and then mulling what measures we should take during the next three years. Much of the business we do in the SMM Group requires a long time span of five or 10 years, and we have to proceed in carrying out our necessary tasks, even amid difficult circumstances, in order to reach our long-term goals. Our 2018 3-Year Business Plan – in which we are "Taking on the Challenge for New Growth" – was formulated as an aggressive plan calling for an investment of management resources on unprecedented scale. Unfortunately, the results posted in fiscal 2019, the first year of the plan, were insufficient and unsatisfying. Progress in carrying out the three major projects designated in the 2018 3-Year Business Plan was mixed. In the Mineral Resources division, construction work on Quebrada Blanca Phase 2 had to be temporarily suspended, and close attention will be paid to project-related moves going forward. In the Smelting & Refining division, the feasibility study conducted for the Pomalaa project is still underway, and once it is completed, we will then



proceed to the next step: rendering an investment decision. In our Materials business, under our project to increase production of battery materials, we now have capacity to produce 4.55 kilotonnes of NCA per month, and we are focusing on reaping returns on our invested capital.

We are forecasting sustained growth in demand for nickel-based advanced materials, including vehicle-use cathode materials, and we expect such materials will primarily use either "class 1" pure nickel or nickel products such as nickel sulfate, which has relatively few impurities. Amid a paucity of class 1 nickel development projects, our HPAL technology – which enables production of intermediate materials used to produce class 1 nickel from widely available laterite reserves – is of extremely great significance.

In the materials business, the needs of customers are constantly changing. This means we have to respond swiftly, through ongoing discussions with our customers, continually recognizing which products will be needed and when.

Concerning our three-business collaboration, we will seek to optimize our overall business operations in overlapping areas, leveraging the special characteristics of each business

Strengthening our growth foundation, centering on the three major projects noted above, is a pillar of our growth strategy – and will remain so. No matter what constraints we might face, we will move steadily forward, with resilience and recovery planning, toward achieving the targets of our 2018 3-Year Business Plan.

How to Develop and Make Best Use of Human Resources Who Will Lead the Future

Securing excellent human resources is an extremely important but increasingly difficult task in today's Japan. Today, calls are heard to make specific responses toward reforming working styles, and Japanese society in general is facing a number of erosive and unprecedented trends among young workers: a weakening sense of belonging to their company, declining retention in the jobs, and more fluid labor pools. In addition, debate over hiring rules is gathering significant momentum.

In this environment, securing human resources capable of achieving SMM's sustained growth, personnel of equal excellence as the employees of our business partners or rivals



both at home and abroad, is a major management challenge. In our 2018 3-Year Business Plan, securing, developing and making best use of human resources is cited as one of our core strategies. Going forward, while monitoring short-term swings of the pendulum and shifts in the tide, we will proceed in creating systems and an environment suited to our circumstances: developing human resources and putting in place systems and an environment offering more choices in working styles. Within the SMM Group, for some time we have called for a 10% reduction in personnel working at the Head Office, to help alleviate our employees' commuting pressures in Tokyo and partly in response to the Tokyo Olympic and Paralympic Games, and we have prepared satellite offices, for example making use of idle space available at bases in the Tokyo metropolitan area. Impact from the spread of COVID-19 has been severe, but taking this period of change as a prime opportunity, going forward we will proceed further in carrying out fundamental reforms in working styles, creating an environment in which employees can choose to work remotely – for example those who, for given circumstances, can't leave home for work, or those wanting to create more concentrated work hours.

We are also contemplating reforming our policies on evaluations and KPIs with respect to our personnel and their achievements. We think that, especially insofar as systems directly connected to management are concerned, current policies will not necessarily be effective 10 years from now, so we will focus on restructuring them.

We believe that in order to change people's awareness and develop human resources that are always ready to take up new challenges, it is necessary to periodically rethink our structures in keeping with the times, to induce reforms in awareness. We are now commencing along this path.

Strengthening Our Corporate Governance

At SMM we view corporate governance as a vital disciplinary framework, complementing corporate activities, and an important management issue both for maximizing our corporate value and for ensuring sound management practices. As such, we continuously review our current systems and strive to improve them.

In fiscal 2020 we increased to two the number of our Outside Directors who have experi-

ence in corporate management. By inviting into our ranks an individuals who have highly specialized knowledge and experience in corporate management, we will have access to advice concerning matters such as digital transformation based on the latest expertise, which we expect will further enhance corporate governance within the SMM Group. In times like ours, when management is undergoing major reforms, it is important to vitalize discussions of issues through inclusion of people experienced in corporate management and people with different backgrounds, especially. Even before this, we have brought in Outside Directors who have experience as managers and experts in this area, thereby ensuring the diversity of our Board of Directors and making Board discussions vibrant.

Message to Our Stakeholders

The SMM Group deals in depleting resources, and for that reason we are always seeking to acquire new interests. Besides exploring for such resources on a continuous basis, it is important for us to maintain a sound financial position – an equity ratio of 50% or higher – in order to be considered a worthy partner in resource development and to stand prepared to take on large-scale projects and M&A's. Similarly, insofar as our shareholder dividends are concerned, in our 2018 3-Year Business Plan we have declared intent to keep our dividend payout ratio at 35% or higher, and we will keep to that target.

Concerning safety initiatives, by fiscal 2021 we are aiming to "prevent serious accidents by clearly defining priority issues needing improvement and implementing PDCA cycles while promoting safety activities." To achieve that goal, we are taking steps to enhance line management at our workplaces, with emphasis on the three realities principle – real places, real facts, real things – and smooth communication with our workers. Furthermore, to cope with the unforeseen risks of unprecedented scale associated with the COVID-19 pandemic, we are instructing all those in charge of workplaces about the importance of our employees' lives and good health.

Today, both society at large and investors are making increasingly diverse and specific demands of companies and how they comport themselves toward achieving sustained social development. To win understanding of the strategies and policies of the SMM Group, going forward we will enhance our communication with our stakeholders further, making use of our basic designs for the new brand image proclaiming our aspiration to become a "World Leader in the Non-Ferrous Metals Industry."

Our 3-Year Business Plans incorporate our foremost goals and initiatives, and we have an unwavering commitment to carry them through to completion. At the same time, however, to attain our goals we must also be ready to modify our policies flexibly when necessary. To realize our Long-Term Vision, we are committed to diligently carrying out our 2018 3-Year Business Plan and to creating a sustainable society, by resolving social challenges such as decarbonization and responding to social needs arising from ongoing developments in digital technology. Through these commitments we will respond to the hopes and expectations of society at large and all our stakeholders.

Vibrant Discussions

SMM ensures vibrant and dynamic discussions at its Board of Directors meetings through the presence of three Outside Directors among its 8 directors. Outside Directors express their broad-based views at Board of Directors meetings and other important meetings, reflecting their personal knowledge, experience, abilities, insights, etc. In this and other ways, they serve in an objective supervisory capacity, independent from other directors. See "Corporate Governance," page 68.

The SMM Group started 430 years ago with a copper smelting business and we have established a unique business model based on organic collaboration between our three businesses—the Mineral Resources Business which develops and operates mines, the Smelting & Refining Business which creates high quality metals from minerals, and the Materials Business which adds new value to the metals created. At the same time, we have used a variety of management capital to enhance the seven competitive strengths that support our sustainable growth. Using these, we aim to maximize corporate value by providing a stable supply of basic materials and highly advanced materials and contributing to solving social issues and realizing a sustainable society.





· Total assets (end of March 31, 2020)

Debt-to-equity ratio for FY2019

(end of March 31, 2020)

¥1,719.6 billion

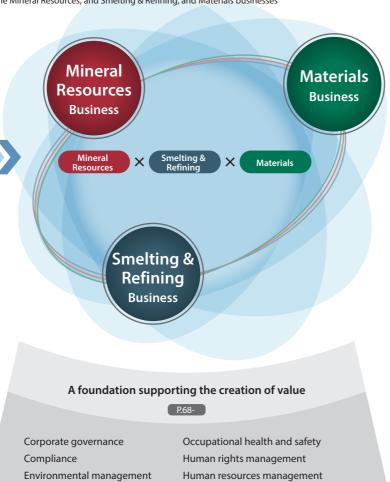
Risk management

Quality assurance



Competitive capabilities generated by our unique three-business collaboration model

- Greatly reduced procurement risk due to the sharing of controlled resource development and supply
- Efficient collaboration such as new product development with materials business customers through the sharing of technological information concerning non-ferrous metals
- A stable supply of highly advanced materials including cathode materials for automobile batteries made possible by collaboration between the Smelting & Refining and Materials businesses
- Optimized characteristics in the materials we supply realized through collaboration between the Smelting & Refining and Materials businesses
- Advance knowledge and expansion of mining business opportunities through collaboration between the Mineral Resources and Smelting & Refining businesses
- Cutting-edge innovation through the collective wisdom possessed by human resources with diverse
- Building of cyclical systems and expansion of opportunities realized through collaboration between the Mineral Resources, and Smelting & Refining, and Materials businesses



Supply chain management

Stakeholder communication

Output

Products and services

■ Non-ferrous metal materials











250 kt

7.1 t

 Annual production interest FY2019





Annual production interest FY2019

Start construction on the Cote Gold



■ Highly advanced materials

Cathode materials for batteries







■ Effective use of resources



Recover scandium and chromite from nickel oxide ore



· Develop a recycling process for lithium-ion secondary batteries (copper, nickel, cobalt)

Outcome

Value we provide

■ Social and relationship capital

Stable supply and effective use of resources / Securing of long-term profits through participation in highly difficult resource development projects

• Securing of mineral resources and swift, stable development, production, and supply structures

Long-Term

Vision

- Planning and execution that realizes economic activity for local communities and avoids or minimizes negative impact on lifestyles and the environment, and creation of stable local employment
- Open communication with stakeholders

■ Natural capital

Contribution to forming a circular economy / Co-existence with the local communities and preservation of the global environment

- Setting of GHG emission reduction targets for the entire Group (keeping emissions below FY2013 levels) and promotion of investment—initiatives such as climate change scenario analysis, TCFD, and internal carbon pricing system
- Reduction of GHG emissions intensity at each business site (set targets of a reduction of at least 26% compared to FY2013)—initiatives such as stabilizing operations, preventing trouble, increasing production, and introducing new technology
- Engagement in planned preservation of the environment and biodiversity

■ Manufactured capital

Securing of mineral resources and swift, stable development, production, and supply structures

- · Establishment of plant that use resources effectively
- Development of technology for recovering metals

■ Intellectual capital

Innovation regarding new materials / Generation of wisdom through the application of knowledge and experience

• Shift or replacement of energy sources to low-carbon or other energy sources and introduction of energy-saving technology

■ Human capital

Pride and joy in work / Stronger unity between employees and the building of long-term relationships of trust with suppliers

· Securing work environments that are safe, sanitary, and healthy

■ Financial capital

Profit before tax

•Profit

Taxes

Earning capacity that strengthens our business base / Return of profits to investors through appropriately timed investments

t attributable to owners of parent	FY2019	¥60.6 billion
paid (by region)	Japan Asia North America South America: Other regions	¥13,018 million ¥3,059 million ¥2,096 million ¥6,449 million ¥524 million

FY2019

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¥79.0 billion

Opportunities and Risks

As the SMM Group makes advances in value creation, it is unavoidable that our management will have to tackle opportunities and risks. We have established a medium- to long-term strategy based on our Seven Competitive Strengths, and by working to maximize opportunities and reduce risks we are balancing the maximizing of corporate value with disciplined management to contribute to realizing a sustainable society.

Exter	nal Environment	Risks to the Group	Opportunities for the Group	Material Issues	Three Main Basic Strategies (see p. 37)	Strategies	Competitive Strengths
1	Current situation and issues regarding governments and policy - Sharp rise in protectionism - Strengthened environmental regulations - Rise in mineral resource nationalism	 Increased cost of investing and operating mines and refineries Increasingly strict development permit processes 	 Stable procurement of resources from mine interests we possess Realizing the advanced processing of local nickel ores through HPAL plants 	8 Engagement with Stakeholders 9 Co-Existence and Mutual Prosperity with Local Communities 10 Rights of Indigenous Peoples	1 Strengthen the growth foundation	Invest in superior overseas mines, and participate in overseas mine development Build third HPAL plant	 Focus on technology that has been continually honed over 430 years with an eye to the next generation Maintain involvement with local communities that has been built up through our core business Cultivate relationships of trust with business partners that have been formed with a long-term perspective Maintain a financial position that enables us to take advantage of investment opportunities
2	Current situation and issues regarding the business environment - Metal price and forex movement - Commodification of technology - Rise in awareness regarding the forming of a sustainable society - Spread of infectious disease	 Fall in profits Fall in price and decline in superiority of material products Decline in superiority of HPAL technology Rise in development and operation costs in response to the demands of society (carbon taxes, etc.) Negative impacts on production, including unpredictability in supply & demand and supply chains 	 Rise in demand for nickel, cobalt, and copper accompanying growth in demand for electric vehicles Rise in demand for cathode materials accompanying growth in demand for electric vehicles Increase in demand for and functionality of telecommunications equipment accompanying remote work 	1 Effective Use of Non-Ferrous Metal Resources 2 Climate Change	Strengthen the growth foundation Strengthen three-business collaboration	Increase added value of HPAL technology through development of applications for and effective use of by-products from HPAL plants Strengthen the Materials Business as a core business (continuous creation of new products)	 Focus on technology that has been continually honed over 430 years with an eye to the next generation Cultivate a close affinity with our customers' needs and the collaborative capabilities to continuously respond to them Maintain a financial position that enables us to take advantage of investment opportunities
3	Current situation and issues regarding resource development - Resource depletion - Growing seriousness of accidents and disasters - Growing awareness of human rights - Worsening of social conditions	 Increase in the cost of investing in and operating mines Stronger competition for acquiring interests in superior mines Delays and/or withdrawals from projects due to opposition from local communities and/or indigenous people Suspension of production activities in countries due to riots or strikes 	 Collaborate with business partners building good relationships Increase in demand for the procure- ment of conflict-free resources 	1 Effective Use of Non-Ferrous Metal Resources 9 Co-Existence and Mutual Prosperity with Local Communities 10 Rights of Indigenous Peoples 11 Human Rights in the Supply Chain	Strengthen the growth foundat ion Strengthen three-business collaboration	Continue to build relationships with good business partners Build relationships of trust with local communities Promote responsible sourcing, including mineral sourcing	 Cultivate relationships of trust with business partners that have been formed with a long-term perspective Maintain involvement with local communities that has been built up through our core business Focus on technology that has been continually honed over 430 years with an eye to the next generation
4	Current situation and issues regarding work environments - Decreasing working-age population due to dwindling birthrates and aging populations - Diversification of working styles - Respect for diversity	 Negative impacts of labor shortages on operations Delays in existing projects and loss of opportunities to participate in new projects due to a lack of human assets Falling out of favor among job seekers 	■ Evolve and develop digital technology and streamlining and labor-savings as it enhances infrastructure (IoT, AI, VR, 5G, etc.)	 5 Employees' Occupational Health and Safety 6 Diverse Human Resources 7 Development and Participation of Human Resources 	Strengthen the growth foundation Strengthen corporate functions	 Expand business opportunities for materials used in digital technologies Ensure diversity by actively recruiting mid-career employees who can hit the ground running Promote safer processes and equipment in plants (advancing smart technology) Improve infrastructure, equipment, and working styles that lead to active partici- pation by diverse human resources 	 Focus on technology that has been continually honed over 430 years with an eye to the next generation Cultivate employees who share our business spirit and an open and vibrant organizational climate Maintain a firm resolve in regard to safety and a management framewor that heightens hazard awareness
5	Current situation and issues regarding global warming and climate change - Negative impacts on marine and terrestrial ecosystems - Increase in frequency of natural disasters	 Property destruction and leakages caused by intensification of floods, storms, etc. Interruption of global supply chains 	■ Contribute to the resolution of envi- ronmental and social issues through the development of products contrib- uting to a low-carbon society, etc.	 2 Climate Change 3 Significant Environmental Accidents 4 Biodiversity 	Strengthen the growth foundation Strengthen three-business collaboration	Constrain total GHG emissions and formulate a plan to reduce our emissions to zero in the second half of the century Expand our business in products contributing to a low-carbon society Examine the setting of in-house carbon pricing Make improvements and strengthen management (at tailing dams, etc.) to prevent significant environmental accidents	Focus on technology that has been continually honed over 430 years with an eye to the next generation

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INPUTS

The SMM Group's Capital: Seven Competitive Strengths Cultivated by the Sumitomo Business Spirit

The SMM Group has cultivated a variety of management capital over its 430 years of history, which started with the copper smelting and refining business that was the original business it inherited from the Sumitomo Group, and it has combined these in its strategies and businesses to create "Seven Competitive Strengths."

These strengths form the base of the Group's growth and they are built upon the Sumitomo Business Spirit. The application of this business spirit has enabled the Group to overcome every difficulty so far. Now we are responding flexibly to the changes of the times through collaboration among our three businesses of Mineral Resources, Smelting and Refining, and Materials in a way that leverages the strengths of each business.

The Sumitomo **Business Spirit**

Trustworthiness and pride inherited from the original business

Competitive Strengths • Technological capabilities that have their origins in the Nanban-buki method started in Kyoto by Soga Riemon in around 1600 • Exploration, mining, and mineral processing technology for taking on the challenges presented by difficult-to-develop new deposits and sea-floor resource development, and advanced smelting and refining technology such as HPAL, the world's first method for converting Intellectual Capital, Manufactured Capital low-grade oxide ore into a nickel resource Technology that has been continually A business model in which our three businesses collaborate through a fully integrated supply chain, against the background of advanced honed over 430 years and is focused on technological capabilities such as crystal growth and processing technology in the materials field the next generation • A framework for building partnerships with academic institutions with the aim of realizing technological innovation focused on the society of 2050 • A desire to raise human resources who can be entrusted with 430 years of Sumitomo DNA Human Capital • The fostering of our traditional business spirit is achieved through training and a climb up to the former Besshi Copper Mine, the site **Employees who share our business** where Sumitomo's various businesses were developed spirit and an open and vibrant Securing diversity in our human resources and reenergizing the organization by adapting to recent changes in the speed of the developorganizational climate ment environment, including the recruitment of mid-career employees who can hit the ground running • New business opportunities produced by building relationships of trust with preferred long-term business partners Social and Relationship Capital • Strength offered by the possession of superior mine interests Relationships of trust with business • A model unlike those of general trading companies, in which instead of just holding overseas interests, we leverage our knowledge and partners that have been formed with a technology to implement processes all the way to smelting and refining, and creating partnerships with business contacts long-term perspective An approach to growth inherited from our predecessors which is based on the Sumitomo Business Spirit, in which we work to make people happy, including the families of employees, and develop together with society, while at the same time realizing harmonious and Social and Relationship Capital mutually beneficial relationships with local communities through projects that contribute to society, such as reforestation Involvement with local communities Mine development that early in our history started with the creation of a town through the establishment of schools, hospitals and other that has been built up through our core infrastructure. Niihama City's elementary school was founded by Sumitomo 120 years ago business • Contributions to local communities not only in Japan, but also overseas through scholarship programs, the operation of hospitals and schools, road construction, and other initiatives · Recognition that in both mine development and smelting and refining business, unless the correct management framework is estab-Human Capital and Manufactured Capital lished, there is the risk of serious accidents that cost lives Maintaining of high safety standards and the creation of workplaces that have a sense of alertness, realized through patrols by workplace A firm resolve in regard to safety and a staff members to discover issues, and support for setting up systems for avoiding accidents management framework that heightens hazard awareness Provision of a wide variety of training for improving skills based on the belief that skill is important in regard to safety activities • Strength provided by a comprehensive knowledge of not only materials, but also the characteristics of their component materials, which 0000 we leverage to connect the various technologies we have developed to date with the innovation sought by the customer Social and Relationship Capital • The top share of the global market of cathode materials for lithium-ion batteries used by major electric vehicle manufacturers realized A close affinity with our customers' through our technology for extracting nickel from low-grade oxide ore and a framework that enables us to secure materials stably needs and the collaborative capabilities • Ongoing new product creation in the energy and environment, and information and communications domains, based on recognition of to continuously respond to them the importance of taking a long-term approach to handling customer demands steadily and sincerely, in a way that wins trust A process of selection, concentration and investment overseas implemented since 2000, following a course to return to core business under the firm conviction that mineral resources and smelting and refining are growth industries that will support future global economic growth Financial Capital • A focus on keeping initial investments as low as possible, carefully timing aggressive investment in accordance with growth strategies and Financial position that enables us to defensive investment that strengthens our business base, building solid positions in turbulently fluctuating markets, and concentrating take advantage of investment limited management resources on core business opportunities • Possession of Japan's only large-scale commercial gold mine, the Hishikari Mine, as well as many superior mine interests, including an interest in the Morenci Copper Mine, one of the world's top-class producers of copper

Our Long-Term Vision and our Vision for 2030 **Long-Term Vision** As the world leader in the non-ferrous metals industry we are aiming to **Become the World** • Have a global presence in terms of mineral resource interests and metal production volumes (= be in Leader in the Nonthe global top five) • Have leading technology and a unique business model that cannot be easily emulated by other major **Ferrous Metals** mineral resource companies Industry • Grow sustainably and stably produce a certain amount of profit Actively tackle social issues such as the SDGs Have employees work with spirit Aarget year for the SOC Corporate value Vision for 2030 (Implementation of action items) **Growth potential** Vision for 2020 (Sustainability issues) Sustainability SMM Group Corporate Philosophy SMM Group Management Vision

Calling for sustainable co-existence with the global environment in our Corporate Philosophy, the SMM Group has worked to solve social issues through our business while communicating with diverse stakeholders.

As we reach the target year of our Vision for 2020, a set of guidelines indicating directions for our Group in creating value, we have formulated our next set of guidelines, Vision for 2030.

We have set Vision for 2030 as a milestone for achieving the long-term vision that is the goal of our management: being the world leader in the non-ferrous metals industry.

Drawing on the values expressed in our corporate philosophy and management vision, the SMM Group will contribute to the formation of a sustainable society by securing resources and by providing non-ferrous metals, advanced materials, and other high-quality materials. Doing so, we will maximize the growth potential and sustainability of our Group, enhance our corporate value, and achieve our long-term vision.

SDGs

Listed in the 2030 Agenda for Sustainable Development and adopted at the UN Sustainable Development Summit in September 2015, the Sustainable Development Goals (SDGs) are a set of international goals for creating a sustainable and better world by 2030.

Relationship with the **SDGs**

Recognizing the close affinity between the SDGs' pledge of "leave no one behind" and our Group's corporate philosophy and vision, we formulated our Vision for 2030 with the same target year as the SDGs. The results of our work to evaluate issues and connect them with SDG targets are shown in the diagram at upper right. In particular, we set the 12th SDG, "responsible consumption and production," as our most important goal, as this goal indicates our approach toward all issues and directly connects to our management vision.

$Diagram\ of\ Relationship\ with\ the\ SDGs$



The numbers 1 to 11 in the diagram indicate material issues in Vision for 2030. See p. 27 for details.

The Path to Vision for 2030

Initiatives by the SMM Group **Events in Society** · CSR Year 1 in Japan (2003) Formulation of Vision for 2020 and 2008 · Release of ISO 26000 (2010) the six CSR areas of high priority, · Guiding Principles on Business and taking into account impacts on the Human Rights (2011) Company and degree of social · Release of GRI G4 (2013) demand. 2015 Review of Vision for 2020 in line with Adoption of the 2030 Agenda for Sustainable Development, which the formulation of the 2015 3-Year includes the SDGs, by the United Nations Business Plan, and formulation of General Assembly more specific targets and KPIs. · Adoption of the Paris Agreement at COP 21 Start of examination of our next · Release of GRI Standards (2016) 2018 Vision as the target year of Vision for · TCFD recommendations (2017) • Release of <u>ISO 20400</u> (2017) 2020 approaches. Formulation of Vision for 2030, 11 · Expansion of ESG investing 2020 material issues, targets, and KPIs

Overview of Vision for 2030

In formulating Vision for 2030, we identified material issues from the perspective of issues facing management, in order to achieve greater integration with management.

In particular, we believe that actively addressing social issues, such as the SDGs, is indispensable to growth strategy in the Mineral Resources and Smelting & Refining businesses.

For that reason, the material issues in Vision for 2030 emphasize climate change, rights of indigenous peoples, and human rights in the supply chain.

Taking changing social demands into account, we also made refinements to issues carried over from Vision for 2020, such as effective use of resources, occupational health and safety, and environmental preservation.

ISO 26000

An international standard for social responsibility, ISO 26000 was released in November 2010 by the International Organization for Standardization (ISO). It addresses the seven themes of organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

GRI

An acronym for Global Reporting Initiative. An organization that creates and promotes international guidelines and standards for sustainability reports.

Paris Agreement

Adopted at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) held in Paris, France, the Paris Agreement is an international framework for reducing greenhouse gas emissions from 2020. The agreement marked the achievement of an initiative that has the involvement of all countries.

ISO 20400

The ISO standards offering guidance for sustainable procurement. These standards were created to contribute to sustainability into the future and also include social responsibility perspectives such as legal, ethical, environmental and human rights in the procurement activities of an organization.

24

Guidelines referenced

- Topics of the GRI Standards
- Issues in ISO 26000
- Principles and position statements of the ICMM
- The Ten Principles of the United Nations Global Compact
- Items noted in the DJSI and other corporate assessments

Main perspectives in evaluation of materiality

Materiality for stakeholders

- Degree of impact on stakeholders' immediate rights
- Opinions of stakeholders
- Requests directed at the SMM we belong, and our industry
- Social issues in areas where we operate, and the scale of these
- Scale of the potential negative or positive impacts of our business

Materiality for the business of the SMM Group

- Degree of impact on our social license to operate
- Degree of relationship with our business policy and business strateav
- International social norms and industry rules
- Opportunities for income and sources of competitiveness in the

ICMM

An acronym for International Council on Mining and Metals. This is an organization composed of worldwide metal and mining companies and related industry hodies

Key Performance Indicator

See details of the Vision for 2030 KPIs starting on p. 107.

To formulate Vision for 2030 and achieve sustainable value creation, we considered issues arising in the course of Vision for 2020, and took into account our response to climate change, global human rights, and other stakeholder needs and issues such as the rapid development of IoT and digitalization for which materials industry trends have greatly changed, as well as connections to the SDGs, which have the same target year of 2030, and undertook a full change of the Vision. In addition, we further listened to the opinions of everyone from officers to employees within our Company and to outside experts as needed, and underwent an extensive process of deliberations.

The Process of Formulating Vision for 2030

STEP 1

Start of examination of Vision for 2030

In December 2017, our CSR Committee (see p. 81) made the decision to set 2030 as our next target year. We conducted discussions among officers in February 2018, and, based on these, began deliberations on Vision for 2030 within our CSR subcommittees.

STEP 2

Review of Vision for 2020

In FY2018, as the target year of Vision for 2020 approached, we performed evaluations of our progress toward the targets and KPIs that we had set for each area of high priority under the vision.

STEP 3

Identification of sustainability issues

From April 2018, having summarized outlooks for conditions in 2030 by the OECD and other organizations and international guidelines such as ICMM guidelines and GRI Standards, and having identified 89 sustainability issues, we worked to connect these issues with closely related SDG targets.



Identification of material issues through evaluation of the materiality of sustainability issues

To identify material issues from the identified 89 issues, from October 2018 we began evaluations on two axes: evaluation by CSR subcommittees from social perspectives and evaluation by business divisions from business perspectives.

As standpoints for evaluation, we set three points—(1) degree of impact on society, (2) risks that threaten to increase if not actively addressed, and (3) opportunities gained if actively addressed—and evaluated these on a five-step scale.

We also conducted a workshop by 21 young management track employees and 20 Besshi district plant leader employees to consider a vision, and used the resulting opinions as reference in evaluations.

As a result, we identified 11 issues that were rated "5" from both social and business perspectives. Drawing on further exchanges of ideas with outside CSR experts, the CSR Committee identified a final 11 material issues in March 2019.



Examination of the vision and KPIs

From April 2019, we began examination of the vision and of specific KPIs in CSR subcommittees corresponding to the 11 material issues. In July 2019, based on the examination by the CSR subcommittees, all executive officers and Audit & Supervisory Board members engaged in deliberations at a retreat for executives, and the CSR Committee carried out final examinations.



STEP 6 Formulation and release of Vision for 2030

In December 2019, the CSR Committee issued its approval of Vision for 2030 and its KPIs. These were passed by the Board of Directors in February 2020, and released in March.

Material Issues in Vision for 2030, and Background to These

1 Effective Use of Non-Ferrous Metal Resources

Non-ferrous metals are natural resources that find use in many areas of society. By stably supplying these metals, we will contribute to the development of a sustainable society.

At the same time, technology for the creation of value from unused resources and for recovering and recycling metals from hard-to-process resources are also crucial for making effective use of limited natural resources.

2 Climate Change

Within our Group are some businesses that emit large amounts of CO₂ and other greenhouse gases (GHGs). Accordingly, we must reduce GHG emissions and contribute to controlling climate change. The progress of climate change has impacts on mine development and on demand for final products. Products contributing to a low-carbon society, such as the battery materials and sunlight shielding inks that our Group provides, contribute to the prevention of global warming.

3 Significant Environmental Accidents 4 Biodiversity

As business activities have a large impact on surrounding marine and land environments, we must minimize any negative impacts. Initiatives to rationalize the use of precious water resources and to prevent significant environment accidents that can seriously impact biodiversity are especially vital.

5 Employees' Occupational Health and Safety

Eliminating work-related loss of life and aftereffects in employees and other related parties is the highest-priority issue in occupational health and safety. A safe and healthy work environment leads to greater trust in the Company and motivation in employees, which in turn leads to increased productivity. In order to better ensure such work environments, we will continue our ongoing initiatives while also promoting the introduction of advanced technologies such as the IoT and Al.

6 Diverse Human Resources 7 Development and Participation of Human Resources

An environment in which diverse human resources can fully demonstrate their capabilities and play active roles under varied work styles is vital to the sustainable growth of a company. We believe that greater diversity creates environments that facilitate innovation.

8 Engagement with Stakeholders

A company must be accountable for meeting the concerns and expectations of all stakeholders who are impacted by the company's business activities. As recognition of our Group is generally low, we consider building recognition and understanding of our Group as a first step in dialogues aimed at accountability.

9 Co-Existence and Mutual Prosperity with Local Communities

Earning a social license to operate in regions where we conduct business is indispensable, particularly in mine development. Along with economic activities such as local procurement and employment, it is important that we contribute to the region's sustainable development by fostering the next generation and providing support for the disabled and the elderly.

10 Rights of Indigenous Peoples

Dialogues with indigenous peoples are important in mine development. These must be carried out on an ongoing basis, with an understanding of the history, traditions, and culture of the

11 Human Rights in the Supply Chain

Companies must not create human rights violations in the supply chain. Particularly in mineral sourcing, we believe that supplying customers and society with safe products without complicity in human rights violations leads to the sustainable development of business.



In the FY2019 Award for Excellence in Corporate Disclosure, SMM was selected by securities analysts as the top company in the Steel / Non Ferrous Metal category for the ninth consecutive year

An abbreviation for lithium-ion secondary batteries.

Internal carbon pricing

A framework for promoting investment that leads to the reduction of carbon, by uniquely pricing carbon emissions within a company, attaching monetary values to GHG emission reductions, and incorporating these into return on investment.



Vision for 2030

1 Effective Use of Non-Ferrous Metal Resources

A company that generates resources through high technological capabilities

- 1 A company that stably provides non-ferrous metals to society
- 2 A company that contributes to society by effectively using impurities through collaborative, open technological development among industry, academia, and government
- 3 A company that contributes to the construction and maintenance of recycling systems for non-ferrous metals
- 4 A company that develops and supplies highly advanced materials that contribute to the resolution of social issues

2 Climate Change

A company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs)

3 Significant Environmental Accidents 4 Biodiversity

A company that values water resources and biodiversity, and protects the richness of the sea and land

5 Employees' Occupational Health and Safety

A company where all employees work together with safety first the priority in a comfortable working environment as well as safe facilities and operations

6 Diverse Human Resources 7 Development and Participation of Human Resources

A company where all employees can take a vibrant and active part

- 1 A company that respects the humanity of each and every employee, and where employees feel pride, motivation, and joy in work
- 2 A company that provides each and every employee with opportunities to improve his/her capabilities, and grows together with employees

8 Engagement with Stakeholders

A company that is appreciated and understood to be the world leader in non-ferrous metals

9 Co-Existence and Mutual Prosperity with Local Communities

A company that contributes to regional development and earns trust as a member of the local community

10 Rights of Indigenous Peoples

A company that understands and respects the traditions and culture of indigenous peoples

11 Human Rights in the Supply Chain

A company that undertakes responsible sourcing across the supply chain

Examples of Reviews of Vision for 2020

Contribution to Society and Local Communities

· Communicate with local communities to recognize social issues in regions where we do business, and implement programs to support solutions to those issues

We carried out a wide range of social contribution activities at Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation, including the Livelihood project that aims to improve social infrastructure and maintain livelihoods in local communities. In areas around the Morenci Copper Mine in the U.S. and in regions around Japan, we carried out measures as appropriate to our relationships with local communities.

Occupational Health and Safety

· Ensure safety

The number of accidents in recent years has been about 15 annually for all types of accident (with fatal accidents occurring in 2017 and 2019). We are making progress in reducing risks on-site and in reforming safety consciousness in top management at our sites, but eliminating the many accidents that are caused primarily by unsafe behavior remains difficult.

We plan to further reduce unsafe conditions, enact measures and initiatives to more deeply understand the underlying causes of unsafe behavior, and engage in safety activities that leverage the unique features of each site.

Stakeholder Communication

· Encourage mutual understanding with shareholders and investors

Since 2015, we have made preparations with relevant departments for the publication of an integrated report, publishing our first integrated report on schedule in November 2016. Making appropriate revisions based on opinions received inside and outside the Company, we have received a degree of acclaim for the report, including commendations from outside the Company.

Examples of Material Issue-Specific Major Measures under Vision for 2030

1 Effective Use of Non-Ferrous Metal Resources

· Demonstrate and commercialize automobile secondary battery recycling technology We are working to demonstrate and commercialize a lithium-ion battery recycling process that we have developed, through testing at a pilot plant.

2 Climate Change 3 Significant Environmental Accidents 4 Biodiversity

· Reduce GHG emissions

In addition to promotion of low-carbon energy use, promotion of GHG emissions per unit of production reductions through stable operation and efficient production, and other measures, we are considering internal carbon pricing to promote investment projects that will reduce GHG emissions. In February 2020, we also declared support for TCFD. We will examine better means of information disclosure and will actively disclose information regarding climate change-related risks and opportunities.

10 Rights of Indigenous Peoples 11 Human Rights in the Supply Chain

We will provide support for initiatives that lead to understanding and respect for indigenous peoples and their traditions and culture. We will also continue our efforts to completely eliminate mines, smelters, and refineries that are complicit in human rights violations, such as the use of child labor in the supply chain.

Committing the accident to organizational memory and using systems to prevent accidents

The JCO Criticality Accident

On September 30, 1999, a criticality accident occurred in a fuel conversion test facility at the Tokai Division of JCO Co., Ltd., (JCO), a wholly owned subsidiary of SMM in Tokaimura, Ibaraki Prefecture. The village of Tokaimura responded to notification of the accident by evacuating all residents within a 350-meter radius of the facility, while the government of Ibaraki Prefecture issued a warning asking residents within 10 kilometers to stay indoors. The Japan Railway Joban Line was stopped, a section of the Joban Expressway was closed, and Japan's Self-Defense Forces were dispatched to the area around the facility.

Two JCO employees died in the accident; many employees and other people were exposed to radiation. Following the accident, Ibaraki Prefecture agricultural and marine products and tourism facilities suffered from negative rumors, significantly harming the regional economy.

During this period, the SMM Group undertook a wide-ranging response that included the dispatch of over 200 employees to JCO and the preparation of over ¥20 billion in funding. JCO was found to be in violation of the Act on Control of Nuclear Reactors and the Industrial Safety and Health Act. The direct cause of the accident was the pouring of a uranyl nitrate solution containing medium-level enriched uranium into a precipitation tank, a deviation from standard procedure. SMM subsequently drew on lessons learned from the accident to launch its Corporate Reform Plan.

The Essence of Corporate Reform

Among the causes of the criticality accident were insufficient regulatory compliance by JCO and a mindset (i.e., a presumption) that criticality, a known major risk, could not occur at that business site. Our Corporate Reform Plan takes us back to the starting point of the Sumitomo Business Spirit—placing prime importance on integrity and sound management, and never

Recognize that risks can materialize

Adopt an RMS approach in daily work

risk responses with other management systems

Compliance is the foundation

pursuing easy gains or acting imprudently—and reinforces this spirit anew in all employees. We have also adopted ISO 14001 in all Group companies, conducted a review of the SMM Group Code of Conduct to ensure thorough compliance, and introduced a risk management system, as efforts to construct a system that will prevent such a major accident from ever occurring again. By aptly managing risks with consideration of the probability of occurrence, with regulatory compliance as our foundation, we set our aim on regaining lost social trust and on sustaining and growing our business.

Another underlying cause of the accident was the fact that SMM at that time engaged in diversified management unsuited to the company's stature. Following the accident, a new management team aimed to return SMM to its core non-ferrous metals business, with the result that the JCO criticality accident became the starting point for our current management.

Strengthened Crisis Management Capabilities and Future-Oriented Value Creation

In November 2010, a decade after the accident, SMM opened the JCO Study Center in Niihama, Ehime Prefecture, the manufacturing base of our company. The JCO Study Center serves as a place for learning about the JCO criticality accident, and conducts human resources training aimed at keeping the accident in our minds. As a part of SMM's risk management, we retain the memory of the accident within our people and our organizational system overall, and make efforts to continuously enhance the level of our management from a foundation in PDCA, not merely undertake temporary crisis response.

As a result of reflecting on the accident and implementing our Corporate Reform Plan under such initiatives, we have grown remarkably since the time of the accident two decades ago. This growth could not have happened without efforts born from the lessons of the accident. These lessons continue to live in our endeavors to create value for the future.

(See details of risk management starting on p. 88.)

Applying the Lessons of the Accident to the Future

A place for human resource development -

About 400 employees of our Group attend training at the JCO Study Center every year to learn about topics including the direct causes of the accident and the company's risk management at the time, through documents, audio, and video. Although all of our employees have gone through the training once, 20 years have now passed since the accident, and the percentage of employees who were not with the company at the time has reached 60%. As generations without direct experience of the accident increase, how to apply the lessons of the accident to human resource development is a major theme that we are addressing in the current fiscal year.

Learning from the lessons of the accident for as long as the Company exists

"There are things we would like to forget, yet here there are things that we must not forget." These are words spoken by Nobumasa Kemori, President of SMM at the time this Center was opened. While recognizing fact as fact and committing it to memory, SMM believes that we have an obligation and a responsibility to keep this memory alive for future generations. For as long as our company exists, all employees, regardless of position, will keep the memory alive in their work as a matter of personal responsibility, and will instill this stance in our organizations. We will learn from the solemn lessons of the JCO criticality accident for as long as our company exists.

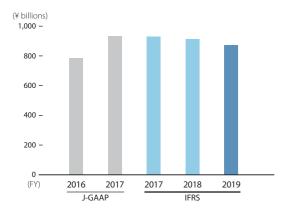


Training at JCO Study Center

Interest-Bearing Liabilities to Total Assets Ratio

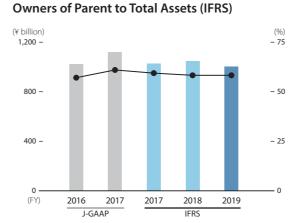
Financial and Non-Financial Highlights

Net Sales



Gross Profit/Gross Profit Margin

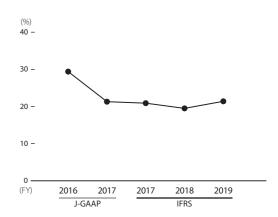




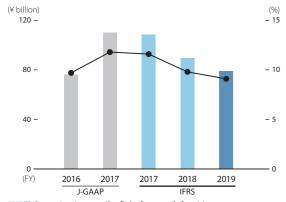
Net Assets/Equity Ratio Equity Attributable to

Owners of Parent/Ratio of Equity Attributable to

Net assets/Equity attributable to owners of parent (left axis) - Equity ratio/Ratio of equity attributable to owners of parent to total as-

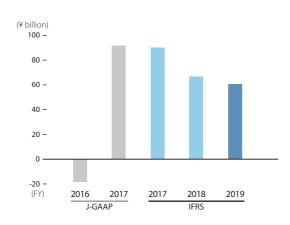


Operating Income/Operating Income Margin Profit Before Tax/Profit Margin Before Tax (IFRS)

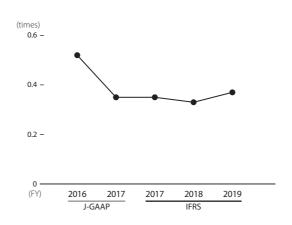


Operating income/Profit before tax (left axis) Operating income margin/Profit margin before tax (right axis)

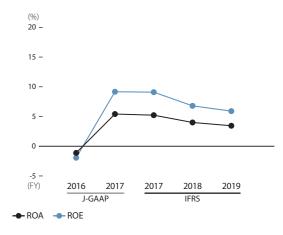
Profit Attributable to Owners of Parent



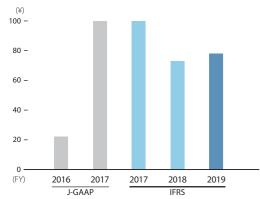
Debt-to-Equity Ratio



ROA/ROE

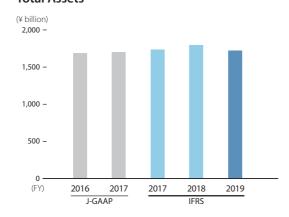


Dividend per Share



SMM consolidated its stocks on October 1, 2017. Values for 2016 have been converted according to post-consolidation criteria.

Total Assets



Share Price by Fiscal Year

FY	Annual high (yen)	Annual low (yen)	Year-end (yen)	Volatility
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%
2018	4,882	2,796	3,270	36.4%
2019	3,711	1,864	2,218	47.4%

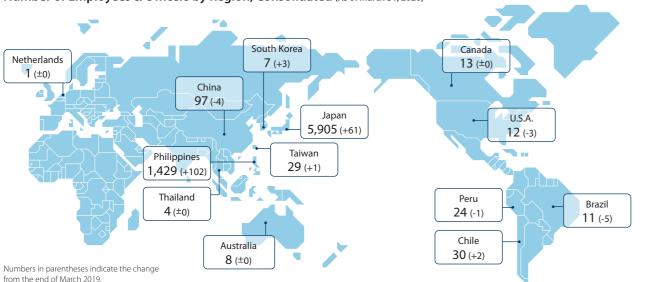
 $\bullet \textit{Volatility is calculated by annualizing the standard deviation of weekly closing prices for the 52 weeks of the year. } \\$

Income Tax by Country or Region

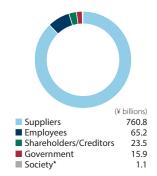
Country or region	Amount (millions of yen)
apan	13,018
I.S.A.	2,096
eru	3,584
hile	2,865
hina	802
hilippines	1,561
ndonesia	695
lew Caledonia	267
ustralia	238
thers	20
otal	25,147

Note: With regard to equity-method affiliates, the above amounts include the Company's proportional burden of income tax.

Number of Employees & Officers by Region, Consolidated (As of March 31, 2020)

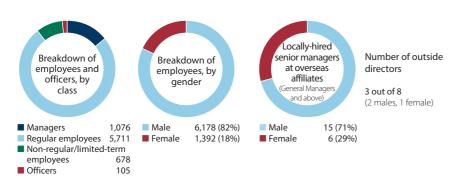


Distribution of Economic Value to Stakeholders (FY2019)



- Other than the above, there is retained value of ¥36.6 billion. Rent for use of land is minima and therefore included in "Payments to
- ★ In the Philippines (CBNC, THPAL), the ¥1 billion expended through the social development management program (SDMP) and other contributions in the same country are included.

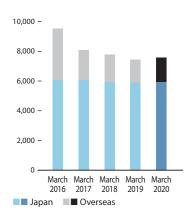
$Number\ of\ Employees\ \&\ Officers\ Worldwide\ ({\it Consolidated})\ ({\it March}\ 31,2020)$



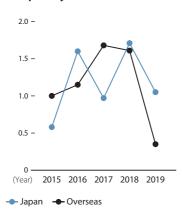
Capital Expenditure Related to Environmental Preservation

				(¥ millions/%)
FY	Pollution prevention / environmental preservation	Energy conservation	Total	Ratio of capital expenditure
2019	5,244	141	5,385	10.6%
2020 (plan)	8,118	538	8,656	15.9%

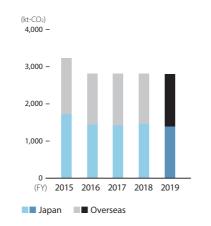
Number of Employees & Officers Worldwide (Consolidated)



Occupational Accident Frequency Rate

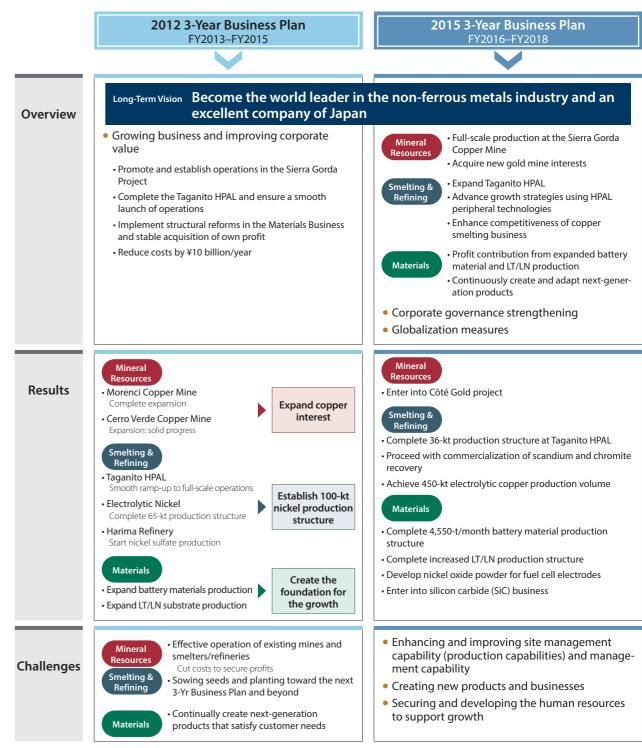


CO₂ Emissions



Review of Past 3-Year Business Plans

SMM has been implementing business plans for 20 years, starting with the business restructuring that resulted from the JCO criticality accident in 1999 and continuing up to the current growth strategies in its 2018 3-Year Business Plan. In our Corporate Reform Plan formulated in 2000, the year after the accident, we implemented the selection and concentration of core businesses as a measure to reinforce corporate organization. Then, from the 2003 3-Year Business Plan onward, we made growth strategies centered on large-scale projects into a pillar for the Company and realized long-term growth by expanding and strengthening core businesses. Following a certain amount of success in the 2015 3-Year Business Plan, we are attempting to break into the next stage of growth through our current 2018 3-Year Business Plan.



Copper Interest Production

- Morenci (12% + 13%, just 12% up to FY2015)
- Sierra Gorda (31.5%)
- Candelaria (16%)
- Northparkes (13.3%)
- Batu Hijau (5% → 0%)
- Cerro Verde (16.8%)
- Oios (16%)

(% indicates the Company's interest)

Nickel-based Product Production

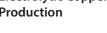
■ Electrolytic Nickel

products

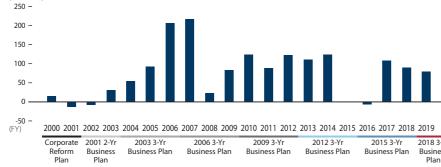
■ Ferronickel ■ Nickel sulfate, other chemical

Amounts converted to a nickel content

Electrolytic Copper Production

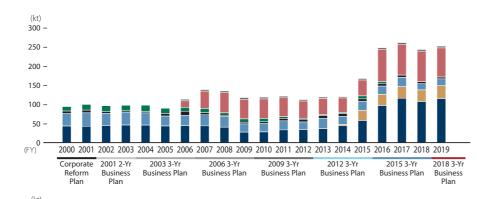


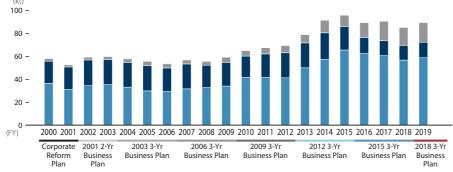
Profit before tax

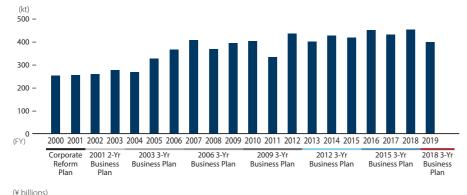


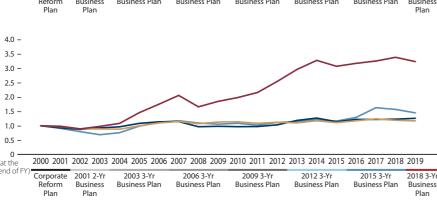
Growth Rate of Total Assets (book value, compared to the end of FY2000)

- SMM
- Domestic competitor A Domestic competitor B
- Domestic competitor C









Positioning of the 2018 3-Year Business Plan

Our 2018 3-Year Business Plan started in April 2019. The plan contains three main basic strategies based on issues clarified during the 2015 3-Year Business Plan, under the theme of "Taking on the Challenge for New Growth." It was formulated as a preparatory period to break into the next strategic stage and aim for new heights, from a medium- to long-term perspective that looks ahead to the next 10 to 15 years. Compared with an investment and financing amount of ¥392.1 billion in the 2015 3-Year Business Plan, the 2018 3-Year Business Plan is an aggressive plan that calls for investment and financing on an unprecedented scale, totaling ¥490.0 billion. We will work to achieve sustainable growth and maximize our corporate value through the steady execution of the plan.

Summary of the 2018 3-Year Business Plan

Three Main Basic Strategies

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

- Steady promotion of growth strategy and swift realization of competitiveness: Aggressive
- Minimization of lost profits and opportunity loss and consolidation of business base: Defensive
- Strengthen 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

Move into a new stage of the growth Minimize lost profits and opportunity loss Employees take the initiative and work with resolve to produce results

Investment on an unprecedented scale Secure and develop the human resources to promote and support growth

1 Strengthen the growth foundation of core businesses (Mineral Resources, Smelting & Refining, Materials): 3 major projects



Copper mine development project in Chile Entry decided in December 2018

Smelting & Refining

Pomalaa (Ni, Co)

Third HPAL project in Sulawesi, Indonesia

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

Materials

2 Strengthen three-business collaboration

X Smelting & Refining Mineral Resources

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

3 Strengthen corporate functions

③ Rebuilding an open and brant organizational climate

Review of FY2019 Results

Consolidated net sales in FY2019 decreased by ¥39.6 billion year-on-year to ¥872.6 billion, due mainly to falling copper prices and appreciation of the yen. Consolidated profit before tax decreased by ¥10.3 billion year-on-year to ¥79.0 billion despite a turnaround in the share of profit (loss) of investments accounted for using the equity method, due mainly to decrease in income and to deterioration of finance income owing to factors including fluctuations in foreign exchange caused by appreciation of the yen. Profit attributable to owners of parent decreased by ¥6.2 billion year-on-year to ¥60.6 billion, due mainly to the decrease in consolidated profit before tax.

Mineral Resources Segment

Segment income decreased year-on-year, due mainly to a decline in copper prices.

The status of our main mines is as follows (excluding our non-controlling interests in overseas copper mines).

Mining operations at the Hishikari Mine remained steady. The gold content in sold ore was in line with plans, nearly unchanged from the previous fiscal year at 6 t. Production levels at the Morenci Copper Mine (of which the Company holds a 25.0% interest, excluding non-controlling interest) in the United States increased year-on-year to 461,000 t, due mainly to strong production of cathode. Production volume at the Cerro Verde Copper Mine (of which the Company holds a 16.8% interest, excluding non-controlling interest) in Peru fell from the previous fiscal year to 455,000 t, due mainly to a decline in ore grade. Production volume at the Sierra Gorda Copper Mine (of which the Company holds a 31.5% interest, excluding non-controlling interest) in Chile rose year-on-year to 108,000 t, due mainly to increases in throughput and ore grade.

Smelting & Refining Segment

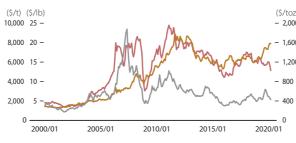
Segment income increased year-on-year despite a decline in copper prices, due mainly to increases in nickel and gold prices and to gain on the sale of fixed assets accompanying the business withdrawal of Taihei Metal Industry Co., Ltd. Although production volume of electrolytic copper declined year-on-year due to scheduled furnace repairs at the Toyo Smelter & Refinery, production volume of electrolytic nickel increased year-on-year. Production volume at Coral Bay Nickel Corporation declined year-on-year, due mainly to equipment problems. Production volume at Taganito HPAL Nickel Corporation increased year-on-year, due to improvement in operating conditions from the previous fiscal year.

Segment Income (Loss)



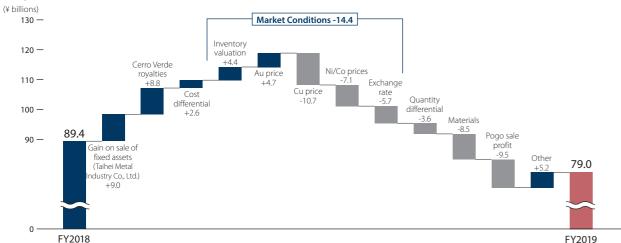
 $\mbox{J-GAAP}$ data is based on recurring profit or loss and IFRS data is based on profit before tax.

Metal Prices



(left axis) — Ni(\$/lb) — Cu(\$/ (right axis) — Au(\$/toz)

Analysis of Profit before Tax (FY2018 vs. FY2019)



Materials Segment

Segment income declined year-on-year despite increased sales volume of battery materials under increased demand for automotive batteries, owing mainly to factors including negative impacts of inventory valuation, a decrease in sales volume of powder materials, and customer inventory adjustments for crystal materials.

FY2020 Plan

Our full-year consolidated operating results forecast was unclear at the time of our FY2019 financial results announcement, due to the uncertain economic outlook caused by the COVID-19 pandemic. Under assumptions considered reasonable based on information available at the time of our FY2020 first quarter financial results announcement, we set prices for major non-ferrous metals, taking into consideration current levels, and made plans for production and sales volumes of major products based on business performance at the time. As a result, we forecast net sales of ¥835.0 billion, profit before tax of ¥48.0 billion, and profit attributable to owners of parent of ¥32.0 billion on a consolidated basis.

Mineral Resources Segment

In the copper business, we are taking action on Phase 2 of the Quebrada Blanca copper mine to restart construction, which is temporarily suspended due to the pandemic. We maintain stable operation at the Sierra Gorda Copper Mine, and will continue to engage in debottle-necking and cost reduction. While there were no major impacts at other overseas copper mines (with the exception of the Cerro Verde Copper Mine entering temporary operation under care and maintenance), we will deepen communication with partners and keep a close watch on movements. In gold mining, normal operations continue at the Hishikari Mine. At the Côté Gold Project, we moved construction work to July, with the aim of beginning operations in 2023.

Smelting & Refining Segment

In copper smelting and refining, we plan production of 444,000 t of electrolytic copper. In nickel smelting and refining, suspension of some operations at Taganito HPAL Nickel Corporation had been prolonged due to the pandemic. We resumed normal operations and plan production of 31,000 t.

Materials Segment

In the Materials Business, sales for the smartphone and automobile segments are struggling, despite robust demand related to PCs and 5G infrastructure. In battery materials, we will continue to keep a watch on market movements, closely share information with users, and act with agility.



Main projects of the FY2020 Plan (May) (Figures in parentheses are total amounts under the plan)

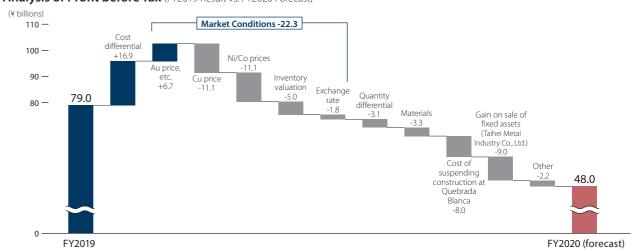
· Chromite recovery business: ¥1.0 billion (¥3.5 billion)

Besshi-Niihama District Div. new dormitory construction: ¥0.7 billion (¥4.7 billion)
 Hishikari Mine lower orebody development: ¥0.5 billion (¥3.7 billion)

Large-scale projects (Côté Gold Project, Pomalaa

Project) are not included in the EY2020 Plan.

Analysis of Profit before Tax (FY2019 Result vs. FY2020 Forecast)



Financial Position and Financial Strategy

Financial Position

Our Group places importance on growth investments and consistency of management in our financial strategies, and believes that executing growth strategies and reinforcing our business base to steadily make our business profitable will lead to improvement of our corporate value. Our core business of mining and smelting projects requires considerable time for the recovery of investments; accordingly, we seek to enhance ROA and ROE from a medium- to long-term perspective while balancing long-term investment and the optimal balance of capital and asset efficiency. Under such policies, the SMM Group's interest-bearing debt at the end of FY2019 was ¥367.9 billion on a consolidated basis, with a D/E ratio of 0.37. Our equity ratio was 58.3% on a consolidated basis, and we maintain the 50% equity ratio that is a financial soundness-related numerical target in our 3-Year Business Plan.

With regard to cash flow, we intend to steadily enhance our investment capabilities for future business continuity and growth investments by strengthening capital efficiency, through cash management systems (CMSs) within the Group, creation of cash flow by improving the cash conversion cycle (CCC), and other means. Looking ahead, we will work to strengthen our financial standing, prepare for even larger projects and M&A, maintain an equity ratio of 50% and an AA- (JCR) credit rating, and prepare for fluctuations in non-ferrous metals markets, exchange rates, and elsewhere in the business environment.

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. This is essential from the standpoint of management stabilization. Under that premise, we conduct funding in line with the use of the funds, while comprehensively considering the outlook for non-ferrous metal prices and currency exchange, conditions in interest rate markets, and other factors. Our interest-bearing debt in FY2019 increased by ¥18.1 billion, due to factors including refinancing of short-term loans and issuance of corporate bonds.

Investment

The SMM Group works to enhance its competitiveness in both raw materials procurement and manufacturing, pursuing measures to meet changes in the business environment. With regard to cost competitiveness in overseas mining in particular, we have set a target of becoming world-class, ranking in at least the top one-third of companies. Raw material ores for non-ferrous metals are subject to sharp price fluctuations related to supply and demand, natural disasters, and other factors, and it is not always possible to secure necessary quantities of ores due to price levels. For that reason, it is our policy to raise our ratio of procurement from our own mines, securing stable sources of raw materials by developing and acquiring interests in overseas mines. In mine development and acquisition of interests, we invest in carefully selected projects by leveraging our extensive experience and knowledge of exploration and mine valuation, with country risk fully taken into account, to avoid additional expenditures or increases in mining costs arising from uncertainty. Under the 2018 3-Year Business Plan, we will actively carry out strategic investments, with cumulative capital expenditure, investment, and financing of ¥490.0 billion planned over the three years. While nearly all of the effects will not be seen until the next 2021 3-Year Business Plan and later, we view

the maintenance of a sound financial standing throughout the 2018 3-Year Business Plan as feasible. Investment in FY2019 totaled ¥50.7 billion, falling with the scope of cash flow from operating activities (¥136.5 billion).

Return to Shareholders

In our dividend policy, we decide on a balance of dividends and internal reserves through comprehensive consideration of our business performance, our dividend payout ratio, the business outlook, the soundness of our financial standing, and other factors. As our financial strategy in the 2018 3-Year Business Plan, we will continue working to uphold the soundness of our financial standing and will maintain a consolidated equity ratio of 50% or higher, while seeking a consolidated dividend payout ratio of 35% or higher. We increased our annual dividend by ¥5 from the previous year to ¥78 in FY2019, for a dividend payout ratio of 35.4%.

Share Price Performance

Share price movement reflected using the share price at the end of March 31, 2010 as 100



Share Price Performance (TSR)

Investment period	1 year	3 years		5 years		10 years	
	Cumulative and Annualized Annualized		Cumulative	Annualized	Cumulative	Annualized	
SMM	-29.8%	-22.0%	-8.0%	-27.4%	-6.2%	4.6%	0.5%
TOPIX	-9.5%	-0.1%	0.0%	1.6%	0.3%	71.0%	5.5%
TOPIX Nonferrous Metals	-23.5%	-30.6%	-11.5%	-21.8%	-4.8%	1.8%	0.2%

Source: Bloomberg

- •TSR (Total Shareholder Return): Calculated using ([share price at the end of the fiscal year ended March 31, 2020] [share price at the end of the fiscal year Syears previous to the fiscal year ended March 31, 2020] + [total cash dividend per share for the relevant period]) ÷ [share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2020]
- 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 (Calculated using Bloomberg values)

Hiroshi Asahi Director, Senior Managing Executive Officer, General Manager of Mineral Resources Division

Business Environment

The global economy continued on a declining trend, against a backdrop of U.S.-China trade friction, among other factors. The global spread of COVID-19, which appeared in the fourth quarter of FY2019, made economic activity slow down and the resulting decrease in demand and decline in profitability had a huge impact on the entire non-ferrous metals industry. Therefore, we have been ensuring the profitability of our operational mines through measures such as cutting operating costs and postponing capital expenditure.

In the medium to long term, we expect to see a rise in demand for electric vehicles and from the infrastructure and construction industries in China and other emerging countries, so

Progress and Issues in Our Top Priorities

	FY2019	FY2020	FY2021	FY2022	FY2023 and later
Cu Sierra Gorda Copper Mine >	●110-kt production ●Debottlenecking u	structure ●130-kt pro inderway	duction structure		
Cu Morenci Copper Mine	●Exceeded planned	ř	ion of cost reductions a	nd investment postpon	ements
Cu Cerro Verde Copper Mine		●Temporary	operation under care a	nd maintenance → Res	tart
Cu Candelaria Copper Mine		●Planned in	crease in production ba	sed on effects of the mi	ll reinforcement project
Cu Quebrada Blanca 2 Project >	• Acquisition of interest	●Temporary	halt of construction		
Au Hishikari Mine		●Continuing	lower orebody develop	oment	
Au Côté Gold Project		●Start of co	nstruction		Start of production scheduled

Strategies for the Mineral Resources Business in the 2018 3-Year Business Plan

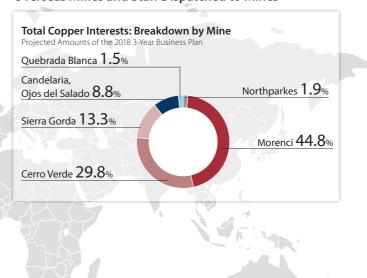
- 1 Promotion of the Quebrada Blanca 2 Project
- 2 Stabilization of operations at the Sierra Gorda Copper Mine
- 3 Promotion of the Côté Gold Project
- 4 Hishikari Mine: Establishment of a foundation for long-term stable operation

demand for copper and nickel is predicted to remain steady. Furthermore, there is currently an influx of speculative investment in the market for gold, which is seen as a safe asset, and prices are remaining at high levels, so we think we need to optimize assets by continuing to participate in superior projects and other means. In regard to resource development, which is crucial for the growth of the Mineral Resources Business, we are seeing the further manifestation of issues including a rise in resource nationalism, increasing geopolitical risk, stricter environmental measures in each country, rising costs due to development taking place in increasingly remote locations or at higher elevations, and higher levels of impurities.

Review of FY2019

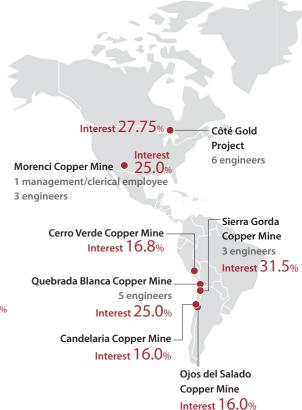
Reviewing the status of our major mines in FY2019, mining operations at the Hishikari Mine remained steady, and the volume of gold produced was in line with the planned amount. Production volumes at the Morenci Copper Mine (U.S.) exceeded both the amount produced in the previous fiscal year and the planned amount, mainly due to a high level of cathode production. The production level at the Cerro Verde Copper Mine (Peru) fell from the previous fiscal year due mainly to a drop in the grade of ore. The effects of the COVID-19 pandemic also led to a reduction in operating capacity. The results of the accumulated operational improvements made to date were reflected in the production level at the Sierra Gorda Copper Mine (Chile), which achieved every major indicator according to plan, including ore processing volume, recovery rate, and production volume (see Investment in Growth). In the Quebrada Blanca Copper Mine Phase 2 Development Project (Quebrada Blanca 2 Project), which is one of the three major projects in our 2018 3-Year Business Plan, construction was progressing smoothly toward starting production in 2021, but we were forced to stop work in March due to the COVID-19 pandemic (see Investment in Growth). In the Côté Gold Project

Overseas Mines and Staff Dispatched to Mines



Northparkes Copper Mine Interest 13.3% 1 engineer

Staff are also dispatched to joint-venture exploration projects and to research institutions



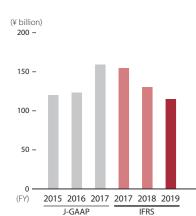
SUMITOMO METAL MINING CO., LTD. Integrated Report 2020

(Canada), we aimed to begin construction during 2019 but factors such as a downturn in the gold market meant that during this fiscal year, detailed design to reduce risk needed to take precedent, and in July 2020, we decided together with our business partner IAMGOLD Corporation (IMG) to move the construction period. Project members from both companies are advancing preparations to begin construction with the aim of starting production in

Role in the Three-Business Collaboration

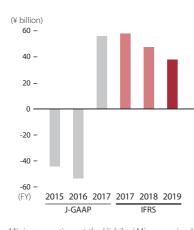
With the discovery of superior mines getting more difficult and an upsurge in resource nationalism, the relationships of trust that we have built with our partner companies over the years are leading to the acquisition of new resource interests for the SMM Group. Collaboration among our business divisions is another strength of our Group. The Mineral Resources Division has the role of supplying raw material ore and other items to the Non-Ferrous Metals Division, reducing risk, and achieving control of costs.

Specifically, we estimate we will achieve our Long-Term Vision target of copper production from interests of 300 kt/year through the acquisition of an additional interest in the Morenci Copper Mine, enhancement of operations at the Cerro Verde Copper Mine, and start of production in the Quebrada Blanca 2 Project. Therefore, we recognize that getting the Quebrada Blanca 2 Project up and running on schedule is an important role for our business in supplying raw material ore. We also remain vigilant and collect information in a timely manner so that we can keep track of future movement in the resources industry. In particular, we leverage the diverse geological knowledge of resource engineers, not only concerning gold and copper, but also nickel, cobalt, and other mineral resources, to support the Non-Ferrous Metals Division, the Materials Division and their customers by providing information regarding the amounts and properties of mineral ore resources, even resources other than the non-ferrous metals produced by our Group. To strengthen three-business collaboration centered on cathode materials for batteries as stipulated in the 3-Year Business Plan, we will actively provide more support than ever through our knowledge gained from evaluating the Non-Ferrous Metals Division's nickel projects to contribute to expanding in-house procurement of nickel and cobalt resources.



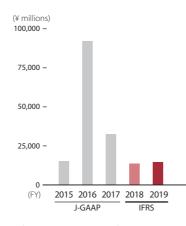
Segment Net Sales

Segment Income



Mining operations at the Hishikari Mine remained steady, and the gold content in sold ore was in line with the planned amount, nearly unchanged from the previous fiscal year at 6 t. Production volumes at the Morenci Copper Mine (U.S.) increased year on year, mainly due to a high level of cathode pro-

Capital Expenditure



The SMM Group continued to carry out capital expenditure at Hishikari Mine, primarily focusing on exploration and development. We also carried out capital expenditure to support mining and production at overseas mines, including the Morenci

Investment in Growth

Advancing the Quebrada Blanca 2 Project

Based on the construction promotion framework being advanced under the firm leadership of our business partner Teck Resources Limited, full-scale construction on the project began in January 2019 and had been progressing smoothly.

However, the COVID-19 pandemic meant that we had to temporarily halt construction work in order to ensure the health and safety of people involved in construction and their families, and to demonstrate maximum support as a large-scale mine project for efforts by the Chilean government and locals to prevent the spread of infection.

This is because the construction period prior to a mine opening involves a larger concentration of people than regular mine operations, and we needed to avoid the three C's (Closed spaces, Crowded places, and Close contact). However, even within this situation, we are doing what we can to restart construction, including advancing work that is possible under present conditions and increasing the number of rooms at the camp to decrease the risk of

While the current environment does not allow our team members in Japan and North America to go to Chile freely, we are sharing information through various channels.

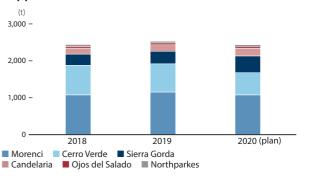


About 165 km southeast of Iquique, Region 1, Chile

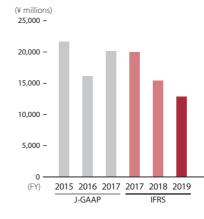
Overview of the Quebrada Blanca 2 Project

- Equity interest: Teck Resources Limited 60%, SMM 25%, Sumitomo Corporation 5%, other 10%
- Planned investment: US\$5.2 billion (100% of the project, includes effects of inflation)
- Average annual copper production volume: 240 kt
- Location: About 165 km southeast of Iquique, Region 1, Chile

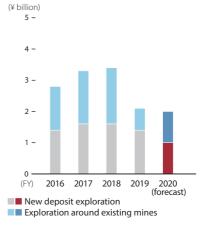
Copper Production from Interests



Depreciation and Amortization Expense



Exploration Costs



We will continue exploration in FY2020, with a focus on gold. Costs for exploration in areas around operating mines are expected to increase for the Candelaria Copper Mine.

Recoverable Gold Reserves at the Hishikari Mine

(gold: tonnes)

2015	2016	2017	2018	2019
170	169	169	167	163

Recoverable reserves of gold at the Hishikari Mine, calculated as of December 31, 2019, are 163 tonnes (down 4 tonnes from last fiscal year).

Debottlenecking

A project to enhance operations by strengthening a portion of existing operational lines

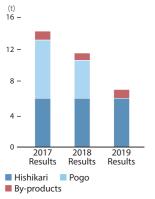


About 130 km south-southwest of Timmins in Ontario Province, Canada



Isa, Kagoshima Prefecture

Au Production (SMM's interests)



Progress of Debottlenecking at the Sierra Gorda Copper Mine

The Sierra Gorda Copper Mine is operating at a level close to full production capacity due to work carried out to stabilize operations. In FY2019, we achieved copper a production volume amounting to 108 kt, exceeding the amount planned at the start of the year. In FY2020, we will continue advancing measures to reduce costs while aiming to establish a 130-kt/day production structure through the execution of a debottlenecking plan (initially planned capacity was 110 kt/day).

Additionally, Sierra Gorda S.C.M., which operates this project, was given the FY2019 National Mining Society Award by the Sociedad Nacional de Mineria, the Chilean mining industry association. The award was presented in recognition of its unflagging efforts and outstanding operational record, as exemplified by how it has increased ore processing quantity after overcoming numerous operational difficulties, and is continuing operations on a stable basis.

Promotion of the Côté Gold Project

In the Côté Gold Project in Canada, in June 2017 we concluded the acquisition of 30% of the 92.5% interest held by Canadian gold producer IAMGOLD Corporation (IMG), an amount equivalent to 27.75% of the project overall. The interests that we acquired include periphery mining zones and are located within the Abitibi area in eastern Canada, one of the world's leading gold producing regions, so we expect that additional resource amounts may be added through future exploration. While we were discussing starting construction on the project with IMG, consideration of factors such as a downturn in market conditions meant we need a detailed design to reduce various risks before carrying out construction. As a result, although moving the construction period will delay the project by about two years, it will also extend the life of the mine and increase the total expected production volume, so we have decided to begin construction in July 2020. Project members from both companies are advancing preparations to begin construction with the aim of starting production in 2023.

Long-Term Stable Operation at Hishikari Mine

The Hishikari Mine (Kagoshima Prefecture) has produced 248.2 tons of gold (as of the end of March 2020) since it opened in 1985. Worldwide, the amount of gold contained in gold ore is said to be three to five grams per ton. However, the Hishikari Mine is characterized by its high grade with 30 to 40 grams of gold per ton, or about 10 times the average. The mine continues to produce about six tons of gold per year. As of the end of December 2019, the mine has recoverable reserves of 163 tons. We have been continuing mine operations while taking measures to prevent COVID-19 infections and our planned annual gold production volume for FY2020 is six tons. We are also carrying out the ongoing development of the mine's lower orebody with safety as our first priority.

The Hishikari Mine is the only gold mine in Japan at which large-scale operations continue to be carried out on a commercial basis. We will also continue using the mine as a place for human resources development where resource engineers can accumulate the skills and experience needed for mine operation.

Exploration Plans and Acquisition of New Interests

The possibility of success in exploration is said to be on the decline worldwide. However, exploration experts in the SMM Group are taking actions to enhance the chance of success through the strict selection of projects. We actively carry out investigation of gold- and

copper-related exploration and participation projects, mainly in the Pacific Rim, and conduct exploration both on our own and through joint ventures, with a focus on high-potential regions. To enhance the possibility of fast transition to production, we also take an interest in participation in exploration projects that deliver results at the initial stage. The difficulty of exploration is such that only about three in a thousand projects succeed, but we plan to deliver results through target management.

We have had to slow the pace of exploration activities due to the effects of the COVID-19 pandemic. The pace of global development in regard to considering the acquisition of new interests has also slowed and we think we have to respond through investigation and preparation. In addition to the minor participation in large-scale projects that we have undertaken in the past, we are also pursuing negotiations on medium-scale mine operations, where we can act as the operator.

Strategic Topics

Human Resources Active around the World

The SMM Group's engineers became active around the world with our acquisition of interest in the Morenci Copper Mine in the U.S. in 1986. Since then, by exposing engineers to experience through rotation among sites where we participate in business, we have accumulated skills and knowledge concerning mining operations at international standards.

In 2019, we dispatched two additional personnel to the Morenci Copper Mine, an exploration engineer and a geological engineer, and both of them have been contributing to activities at the mine. Also, on the Quebrada Blanca 2 Project, for which we acquired an interest in 2019, we have dispatched a total of five engineers specializing in resources and engineering to participate in managing construction work. Going forward, we will continue to cultivate our ability to manage overseas mines by providing a variety of personnel with opportunities, from a viewpoint of diversity, to gain experience by participating in the development and operation of overseas mining sites.

Striving Toward Digital Transformation in the Resources Business

As major resources companies are advancing measures such as using IoT and AI technology to improve resource business operations, automate heavy machinery, and realize remote monitoring, the Mineral Resources Division has been participating in initiatives at joint venture mines and continuously investigating the latest technologies. In our Vision for 2030 (See Special Feature 1 on p. 27), "the effective use of non-ferrous metal resources" is one of our 11 material issues and one of the KPI we have set is "improve productivity by introducing new technology." Specifically, we aim to introduce IoT, AI, and other digital tools into our mine operations to realize "smart mining" which seamlessly merges IT and non-IT areas to make mine management more efficient. First, we assessed the current situation, created a roadmap, and carried out Wi-Fi tests with the aim of establishing communications infrastructure within Hishikari Mine, which we fully own. Next, we plan to trial the installation of remote monitoring systems in our heavy vehicles. These initiatives will enable us ensure safety, respond to the aging of the workforce, and use digital data to maintain and improve cost competitiveness, and it will also be useful in operating mines overseas.

Binary Power Generation

A type of power generation that make use of geothermal energy

Tailing dams

Facilities for accumulating mineral solids resulting from a separating process that separates slag produced from mineral processing, smelting, and refining at mines into solids and water.

ESG Case Study

Binary Power Generation at the Hishikari Mine

At the Hishikari Mine, we are engaged in pumping thermal spring water discharged from underground in order to develop the mine below sea level. About a third of the spring water pumped is supplied to recipients such as local hot spring inns, and the remainder is kept in a cooling tower until it has cooled to a temperature below that stipulated by environmental standards, after which it is processed and released into a river. Since the mine opened, we have carried out environmental measures with the aim of realizing a clean mine, so this time we focused on the heat produced by the spring water and decided to introduce a binary power generation system that uses the steam produced by this heat to generate electricity, thereby reducing greenhouse gas emissions. Construction of the facility is scheduled to be completed within 2020.

Once the binary power generation system is operational, we expect to realize energy saving effects by reducing the amount of power needed to cool water in the cooling tower.

The Appropriate Management of Tailings Dams (Slag Accumulation Sites)

Sustainable mine development and operation require efforts to minimize impacts on the environment.

At closed mines, we treat wastewater containing heavy metals discharged from drifts and manage tailing dams that collect slag discharged by mineral ore processing facilities. We have enacted safety measures at 42 tailing dam locations we manage in Japan. In regard to stabilization work, we responded to revisions to management standards for accumulation sites made in light of the Great East Japan Earthquake in 2011, and in the period up to 2019, we invested a total of approximately ¥4.5 billion.

Furthermore, as treating wastewater requires removing heavy metals until water quality meets wastewater quality standards, it is a key part of the management of closed mines, so a portion of treatment costs are subsidized by the Japanese government. In recent years, there has been increasing attention on passive treatment technologies that use microbes to remove heavy metals.

As passive treatment is a natural method of purifying wastewater that does not require the use of force or chemicals, it is expected to be introduced as a process that is lower cost and more environmentally friendly than wastewater treatment using chemicals. Since 2016, we have been working with JOGMEC to check the effectiveness of the technology through verification testing at our Yaso Mine (Fukushima Prefecture), which closed in 1970.



Activity Report

Smelting & Refining Business

The Smelting & Refining Business has its roots in Sumitomo's original business of copper smelting, which began in 1590. Today, we continue to tackle issues in the effective use of resources, through technological achievements that include establishing the HPAL process that enables efficient recovery of nickel from lowgrade ores, and successfully achieving the world's first commercial production of nickel intermediates.

> **Nobuhiro Matsumoto** Director, Managing Executive Officer, General Manager of Non-Ferrous



Business Environment

Amid concern over the impacts of U.S.-China trade friction on the global economy and stagnation of the global economy due to the COVID-19 pandemic, global demand for both copper and nickel is expected to decrease sharply from the previous year in FY2020. On the supply side, while our mining business was impacted by the COVID-19 pandemic in the first half of 2020, operations have mostly been restarted. Accordingly, as the decline in demand for copper and nickel was greater than the decline in supply, these metals are expected to face a slight surplus in FY2020.

Progress and Issues in Our Top Priorities

	FY2019	FY2020	FY2021	FY2022	FY2023 and later
Ni Pomalaa Project		●Decision on ir	vestment following i	n-progress DFS	●Operation to start in the mid-2020s (target)
Ni Taganito HPAL Nickel Corporations	1	of at least on volume •Aim for ercial production of s	start of commercial p	roduction of chromi	te
Nickel sulfate Ni Niihama Nickel Refinery and Harima Refinery	●Achievement o	of record high produc •Maximum pr	ction level oduction and output	to meet cathode ma	terial demand

Strategies for the Smelting & Refining Business in the 2018 3-Year Business Plan

1 Expansion of our nickel business

• Promotion of Pomalaa Project to achieve 150-kt production structure

- 2 Reinforcement of production capabilities
- THPAL: Establishment of a stable, full-scale production structure
- Toyo Smelter & Refinery: Establishment of a stable production system and the pursuit of earning capacity
- Niihama Nickel Refinery and Harima Refinery: Continuous implementation of productivity improvements and cost
- Maximization of HPAL by-product recovery
- Hyuga Smelting Co., Ltd.: Maximization of production level under structure of two kilns and one electric furnace

Looking ahead, we anticipate an increase in demand for metals due to countries' economic measures and the resumption of economic activities in the short term, and the growth of the global economy in the medium to long term. However, the outlook remains uncertain due to factors including U.S.-China trade friction and the timing of the end of the COVID-19 pandemic.

Review of FY2019

We are continuing a definitive feasibility study (DFS) at the Pomalaa Project in Indonesia, one of the three major projects in our 2018 3-Year Business Plan. Upon completion of the study, we will progress to the step of deciding whether to invest.

Topics which we tackled in FY2019 include the strengthening of our ability to handle impurities in nickel raw material at the Niihama Nickel Refinery. Facing limits on the securing of nickel raw materials, we broadened our procurement of nickel raw materials through facility expansion and reinforcement over the past year, to achieve a system able to further eliminate impurities. We recognize the securing of nickel raw materials, the business models of our Smelting & Refining Business and Materials Business, the development of synergies, and the need to achieve planned production levels as issues that remain. (For details of production levels and initiatives at sites, see Investment in Growth.)

From the end of FY2019, impacts on the supply chain from the COVID-19 pandemic have become apparent in the Smelting & Refining Business as well. We are strengthening collaboration between our sites and outside ore suppliers and are working to minimize impacts on our operations, while enacting measures to prevent contagion.

Role in the Three-Business Collaboration

The Smelting & Refining Business smelts and refines raw materials procured from mines in which we hold interests or from other overseas mining companies, to create high-purity copper, nickel, cobalt, gold, and other metals which we then sell. Among these metals, demand is growing year by year for nickel and cobalt, which are used in battery cathode materials aimed at EVs and other vehicles.

Our Group stably procures nickel ore through means including investment in overseas nickel mining companies. We also recover nickel and cobalt through proprietary technologies such as the <u>HPAL</u> and <u>MCLE</u> methods, and supply nickel sulfate and other products to outside customers and to our Battery Materials Division. We are building a unique business model as one of the few companies in the world with a supply chain that spans the entire stream. Intermediate raw materials from Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL) form the primary raw materials for our cobalt products, which our customers can use with confidence under our responsible mineral sourcing.

Examples of enhancing collaboration among our business divisions include maximizing our supply of nickel sulfate for use in battery materials, and recycling of used lithium-ion batteries (waste LIBs).

Strategic Topic

Expansion of Our Nickel Business

Our Long-Term Vision calls for annual nickel production capacity of 150 kt. In addition to CBNC and THPAL, we are forging ahead with a third HPAL plant, the Pomalaa Project. After the completion of the in-progress DFS, we will make a decision on investment.

Overview of the Pomalaa Project

A third HPAL plant, following CBNC and THPAL in the Philippines

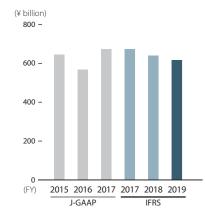
- Production level: MS-40 kt-Ni (roughly)
- Investment: Several billion US\$ (100% of the project)
- Operation to start in the mid-2020s (target)

An acronym for High Pressure Acid Leach. This technology enables the recovery of nickel from nickel oxide ores that had been conventionally difficult to process. The SMM Group was the first company in the world to apply it successfully on a commercial scale.

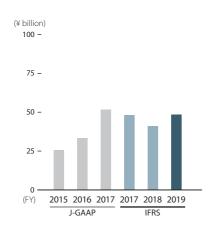
MCLE

An acronym for Matte Chlorine Leach Electrowinning. This is a manufacturing process adopted at the SMM Group's Niihama Nickel Refinery Matte and mixed nickel-cobalt sulfides (MS) are dissolved in chlorine at high temperature, then electrolysis is used to produce high-purity nickel. MCLE is more competitive than other methods in terms of cost, but poses significant operational challenges, and only two other producers outside of SMM have commercialized it using similar technology.

Segment Net Sales

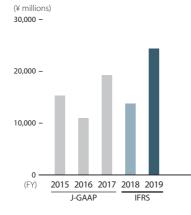


Segment Income



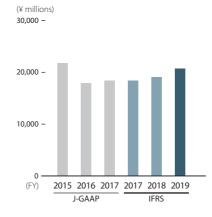
Despite a decline in copper prices, segment income increased year-on-year due mainly to increases in nickel and gold prices and to gains on the sale of land and buildings accompanying the business withdrawal of Taihei Metal Industry Co., Ltd.

Capital Expenditure

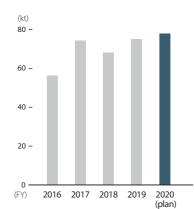


Capital expenditures in FY2019 include those related to upkeep and renewal of facilities at refineries and chromite recovery at THPAL

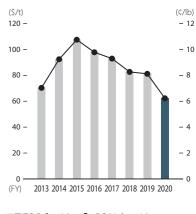
Depreciation and Amortization Expense



Production Volume of Nickel Sulfate



TC/RC (benchmark)



Demand for battery cathode materials and other nickel advanced materials is predicted to continue growing. We believe that the nickel used in these advanced materials will center on the pure nickel known as class 1, or nickel chemicals such as nickel sulfate with low levels of impurities. With few class 1 nickel development projects available, we expect that our HPAL technology, which can produce intermediate raw materials for class 1 nickel production from relatively abundant laterite deposits, is extremely effective. Moreover, as an initiative aimed at building a sustainable, circular economy, we are tackling the development of LIB recycling technology (see the ESG Case Study: Recycling of Waste LIBs for details).

Investment in Growth

Reinforcement and Improvement of Production Capabilities

• Coral Bay Nickel Corporation (CBNC)

Located in the province of Palawan in the Philippines, CBNC operates our Group's first HPAL plant. In FY2019, the production level of mixed nickel-cobalt sulfides (MS) was 19.1 Ni-kt (or 19,100 tons of nickel), falling short of the 21.5 Ni-kt in our May plan due to reasons including small-scale equipment troubles and ore composition.

• Taganito HPAL Nickel Corporation (THPAL)

Located in the province of Surigao del Norte in the Philippines, THPAL increased its MS production capacity by 20% in FY2017 to 36 Ni-kt. In FY2019, the plant achieved production

SMM Group Refineries and Their Main Products Niihama Nickel Refinery and Hyuga Smelting **Toyo Smelter & Refinery** Shisaka Smelting Harima Refinery Co., Ltd. Co., Ltd. Electrolytic nickel Electrolytic cobalt Ferronickel shot Zinc oxide pellets Nickel sulfate Nickel chloride Green sand **Coral Bay Nickel** Corporation Taganito HPAL **Nickel Corporation** MS (mixed nickel-cohalt sulfides)

of 32 Ni-kt, its first year of production in excess of 30 Ni-kt. The plant aims to establish a stable full-scale production structure while making increased use of ICT.



• Toyo Smelter & Refinery

Located in the city of Saijo, Ehime Prefecture, the Toyo Smelter & Refinery is a large-scale coastal smelter where we have established world-class smelting and refining technology, production management technology, and environmental preservation technology. Due to factors including planned regular stoppage and fluctuations in copper concentrate composition, the smelter's production level of electrolytic copper was 399 kt in FY2019. The smelter plans an electrolytic copper production level of 444 kt in FY2020, and will strengthen its earning capacity through further streamlining and cost reductions. While working to increase the facility's operating ratio through planned upkeep, renewal, and preventive maintenance of facilities, we are working to establish a stable production structure and bolster earning capacity through means including increased collection of recycled materials.

• Niihama Nickel Refinery and Harima Refinery

Located in Niihama, Ehime Prefecture, Niihama Nickel Refinery is the only plant in Japan producing electrolytic nickel and electrolytic cobalt, and is distinguished by its adoption of the extremely efficient production method called MCLE. Niihama Nickel Refinery produces electrolytic nickel, electrolytic cobalt, nickel sulfate, and other products using MS produced at CBNC and THPAL in the Philippines, and using the raw material called matte procured from locations including Indonesia.

Nickel sulfate is produced at Harima Refinery in Hyogo Prefecture as well as Niihama Nickel Refinery. These refineries are meeting growing demand in the battery business through strong production of nickel sulfate, and together achieved a record high production level of nickel sulfate in FY2019. The Harima Refinery engages in efficient end-to-end production that extends from nickel sulfates to the <u>precursors</u> that are raw materials for battery cathode materials.

Production Status at Other Plants

Hyuga Smelting Co., Ltd., which produces ferronickel, achieved its planned production level in FY2019 through sustained full-load operation with two kilns and one electric furnace. Shisaka Smelting Co., Ltd., which recovers and recycles the zinc contained in steelmaking flue dust, achieved its planned production level of crude zinc oxide in FY2019.

• Maximization of HPAL By-Product Recovery

The nickel ore used as a raw material in HPAL contains trace amounts of scandium and chromite, which THPAL is working to recover. Commercial production of scandium oxide began in January 2019, while commercial production of chromite is currently planned to begin in FY2020. Scandium oxide for use in solid fuel batteries and aluminum alloys, and chromite for use in stainless steel and other specialty steels, are expected to see wide-ranging

Precursors

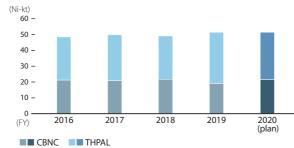
Intermediate products in the production of cathode materials. We produce cathode materials by combining these with lithium and calcining.

An abbreviation for mixed sulfides

of nickel and cobalt.

demand. By efficiently recovering such by-products, the SMM Group is enhancing the added value of HPAL technology.

MS Production Volume

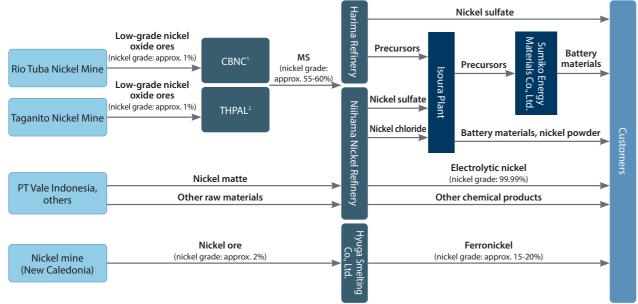


ESG Case Study

Utilizing Low-Grade Nickel Ore for HPAL

The HPAL process adopted at CBNC and THPAL is able to recover metals such as nickel and cobalt from low-grade nickel oxide ore conventionally not subject to smelting and refining, and is noted for its effective utilization of unused resources. The SMM Group boasts unique strengths in the stable provision of nickel and cobalt, which face growing demand for use in automobile secondary batteries, and in responsible mineral sourcing throughout our supply chain that lets customers use our products with confidence.

The Nickel Supply Chain



- 1. Coral Bay Nickel Corporation (CBNC): Shareholders: Sumitomo Metal Mining Co., Ltd. (54%); Mitsui & Co., Ltd. (18%); Sojitz Corp. (18%); Nickel Asia Corporation (10%). Head Office: Rio Tuba, Bataraza, Palawan Province, Philippines
- 2. Taganito HPAL Nickel Corporation (THPAL): Shareholders: Sumitomo Metal Mining Co., Ltd. (75%); Mitsui & Co., Ltd. (15%); Nickel Asia Corporation (10%). Head Office: Taganito Surigao del Norte Province, Philippines.

CBNC Captures the Top ASEAN Mineral Award

The ASEAN Mineral Awards are presented to outstanding mining, smelting, and refining companies in order to promote resource industries in ASEAN countries. CBNC is working to achieve responsible operations while contributing to society through infrastructure development in surrounding areas, expansion of employment, and local procurement of materials, and while preserving biodiversity through operations that minimizes environmental impact, prevention of environmental accidents, and restoration of ecosystems through the greening

The latest ASEAN Mineral Awards mark a second round of the awards, following the first in 2017. The 11 ASEAN countries nominate one representative company in each category; three companies which pass screening and selection then conduct final selection of award recipients. CBNC was selected as an awardee after receiving a recommendation from the government of the Philippines as a representative company in the metallic and mineral processing category.

Recycling of Spent LIBs

As an initiative aimed at building a sustainable, circular economy, the SMM Group is tackling the development of spent LIB recycling technology (see Research & Development: Innovation Topics on p. 65 for details). Research and development into new recycling processes, including for cobalt, are now underway, with the aim of commercialization in 2022. We also continue the recovery of valuable metals from spent LIBs at the Toyo Smelter & Refinery and Niihama Nickel Refinery, and from spent nickel-metal hydride batteries (Ni-MH) at Hyuga Smelting Co., Ltd. These initiatives also directly connect to "demonstrate and commercialize automotive secondary battery recycling technology," a KPI for "effective use of non-ferrous metal resources," one of the 11 material issues in our Vision for 2030 (see Special Feature 1 on p. 27 for details). In the Smelting & Refining Business, on the technical side we are cooperating in technological development involving equipment technology, dealing with slag, and our expertise in separation and refining technology cultivated through pyrometallurgical smelting and hydrometallurgical refining. On the commercial side, we are engaging in market research, marketing, and cooperation and collaboration with other vital industries involved in recycling.

GHG Emission Reduction and Smart Factory Initiatives by Our Sites

To achieve "reduce GHG emissions," a KPI for "climate change" as a material issue in our Vision for 2030, our plants are enacting the following specific initiatives: (1) improvement of fuel consumption per unit through high-utilization, stable operation of smelting and refining furnaces; (2) recovery of waste heat from smelting and refining exhaust gas; (3) expansion of the use of recycled fuels; (4) introduction of highly efficient energy-conserving equipment; (5) LED lighting for plants.

In addition, in studies aimed at building a model for smart factories at our existing plants, we are tackling these measures: (1) infrastructure improvements in plants (e.g., introduction of wireless LANs in plants); and (2) improvement of maintenance work efficiency through mobile devices (e.g., distribution of tablets in workplaces, introduction of voice recognition systems for inspection journal entry in workplaces).

Pyrometallurgical smelting

A refining method in which precursor ore is smelted at high temperature in a furnace and metals are separated in a molten state. While this technique allows processing large volumes of ore at once, it also requires periodic repair of the heatproofing equipment.

Hydrometallurgical refining

A refining method in which metals and impurities are dissolved in a solution, and chemical reactions are used to separate them. The method is stable and enables continuous processing, but incurs the costs of chemical reagents.

The Materials Business is composed of the Battery Materials Division, aimed at creating an organization that can respond swiftly and flexibly to the rapid expansion of our battery business, and the Advanced Materials Division, an organization for realizing sustainable growth in fields of advanced materials, particularly the energy, environment, and information communications fields.



Kazunori Takizawa Executive Officer, General Manager of Advanced Materials Division



CAFE standards

CAFE standards calculate and regulate fuel economy for automobiles on the basis of weighted harmonic mean fuel economy, not by model but for all shipments by a manufacturer. The standards have been adopted by the EU, and have also been adopted in Japan for use in FY2020 fuel economy standards.

NEV mandate policy

New Energy Vehicle mandate policy China's New Energy Vehicle mandate policy applies to automobile companies in China that produce or import 30,000 or more finished vehicles annually. The companies must obtain credits awarded on the basis of their NEV production record, based on their volume of production or importation of conventional vehicles in China. The targets were 10% for 2019 and 12% for 2020. Companies without the required credits must make up the shortfall by buying credits from other companies.

Business Environment

The Battery Materials Division mainly produces battery cathode materials for automobiles. In the environment surrounding the business, electrification—the switch to hybrid vehicles and electric vehicles—is a tide sweeping the automobile industry. In particular, the EU's Corporate Average Fuel Efficiency (CAFE) standards on CO₂ emissions mandate high fines for exceeding standards, providing impetus to automobile manufacturers in electrifying their product lines. In China, too, the New Energy Vehicle (NEV) mandate policy regulates sales of a certain volume of hybrid and electric vehicles. Due to the COVID-19 pandemic, poor demand for vehicles is forecast for FY2020, with global unit sales expected to fall 20% year-on-year to about 70 million vehicles. As meeting regulatory standards will call for sales of a large number of relatively expensive electric vehicles, regulations may be relaxed in the short term in light of economic conditions. However, the medium- to long-term outlook for high battery demand is unchanged. SMM, which commands a world-class share in cathode materials for automobile batteries, will act with a sense of urgency as electrification makes steady progress in the industry.

With the energy, environment, and information communications fields as its main business domains and with "Global Niche Top" as its slogan, the Advanced Materials Division stably provides products that leverage SMM's unique technologies in niche markets found between existing industries and aims to secure high share and profitability. In the division's business environment, sales of smartphones, automobiles, industrial machinery, and other products face short-term stagnation under the pandemic, but information communications and digitalization are making rapid advances amid telework and other changes in work styles. In 2020, 5G communication made a full-fledged debut, becoming a part of our social infrastructure, and investment continues in data centers and 5G infrastructure.

The information communications field is expected to undergo market growth, greater capacity, and greater functionality once the COVID-19 pandemic subsides, accompanied by full-scale proliferation of 5G smartphones, global demand for infrastructure, and the achievement of an IoT-based society in which all things connect. With regard to materials handled in this business, we anticipate an increasing need for the resolution of heat management issues to enable higher thermal resistance in heat-generating devices, as frequencies and integration densities increase in devices.

Review of FY2019

Demand was sluggish in industries related to the Materials Business through the end of FY2019, due to the COVID-19 pandemic and U.S.-China trade friction.

In the Battery Materials Business, the impact of pandemic-related production cuts by

Progress and Issues in Our Top Priorities

		FY2019	FY2020	FY2021	FY2022	FY2023 and later
Battery materials	>	●Completion of	4,550 t/month produ	ction structure		10-kt/month cathode material production by FY2027 (NCA + NMC + nickel hydroxide)
						FY2025
Crystal materials	>			SiC launch for markets	consumer	SiC launch for automotive markets

Strategies for the Materials Business in the 2018 3-Year Business Plan

- 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
- Materials business portfolio for the 2024 3-Year Business Plan
- 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

automobile manufacturers started to become apparent, but demand remained firm for our cathode materials for automobile batteries. We finished the creation of a monthly 4,550-t production structure for lithium nickel oxide (NCA), and maintained full production.

Moreover, our NMC was adopted for use in a new-model hybrid automobile (see Battery Materials Business: Strategic Topic for details). How the automobile market will progress in FY2020 is unclear, given the COVID-19 pandemic. Because the status of electric vehicle production differs by country and region, we will closely watch market movements, closely share information with customers, and act with agility.

In the Advanced Materials Business, growth in the smartphone market reached a ceiling due to increased penetration and maturation, and inventory adjustments for components started to become apparent toward the end of the fiscal year due to the COVID-19 pandemic. Around the end of the fiscal year, orders started coming in again for products for which China is the main market, but consumption trends in major advanced countries are unclear, and future waves in demand are cause for concern. Under this environment, our manufacturing sites continued operations while enacting contagion control measures. Our 2018 3-Year

Si

Silicon carbide, a semiconductor material used in the control of electric power.

NCA

An acronym for a type of secondary battery cathode material composed primarily of N (nickel), C (cobalt), and A (aluminum).

NMC

An acronym for a type of secondary battery cathode material composed primarily of N (nickel), M (manganese), and C (cobalt).

SUMITOMO METAL MINING CO., LTD. Integrated Report 2020 57

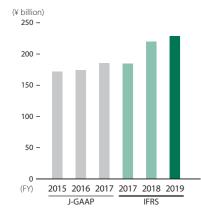
Business Plan calls for creating new business, and advancing incubation. Unfortunately, in FY2019 we were unable to achieve noteworthy results in this area. However, as a mechanism for continually creating new products, the Technology Division, Battery Materials Division, and Advanced Materials Division are collaboratively developing a new business generation system that covers from the search for new products to proposals for commercialization. As an initiative to complement this effort, in FY2020 we began new activities to clarify and share the direction and goals for the Advanced Materials Business over a 10-year span. In FY2020, we will work to create new businesses, incorporating perspectives on what changes the COVID-19 pandemic will have on social life and industrial activities in the future.

Technical Strengths of the Materials Business and its Role in the Three-Business Collaboration

We believe that the strengths of our Materials Business lie in both powder synthesis and processing technology and in crystal growth and processing technology, primarily for metals. While maintaining this technological backbone, we are strengthening initiatives in which we engage in development after our sales people communicate with customers to clarify their needs. Within our three-business collaboration, our Battery Materials Business is positioned particularly close to customers, and is in a position to directly obtain information about the automobile industry's extremely broad supply chain. Accordingly, the business has functions for collecting market information such as growth in the percentage of electric vehicles and changes in the battery material specifications demanded by customers, and for feeding this information back to the Materials and Smelting & Refining businesses, as well as functions for securing new buyers for the products created by the Smelting & Refining Business. The Battery Materials Business is further able to provide customers with up-to-date information obtained from the Mineral Resources Business, such as the volume and forms of mineral resources other than the non-ferrous metals currently produced by our Group, in preparation for future growth in the usage of resources as electrification advances. This three-business collaboration helps us earn the trust of customers.

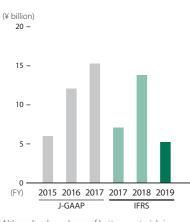
The three-business collaboration among our Mineral Resources, Smelting & Refining, and Materials businesses places priority on sharing information about markets and assessing customer activity. While coordinating closely within the Company, the Materials Business will

Segment Net Sales



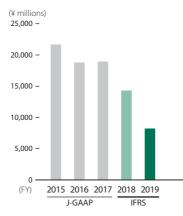
Demand for our automotive battery materials remained firm. Growth in the smartphone market has reached a ceiling due to increased penetration and maturity

Segment Income



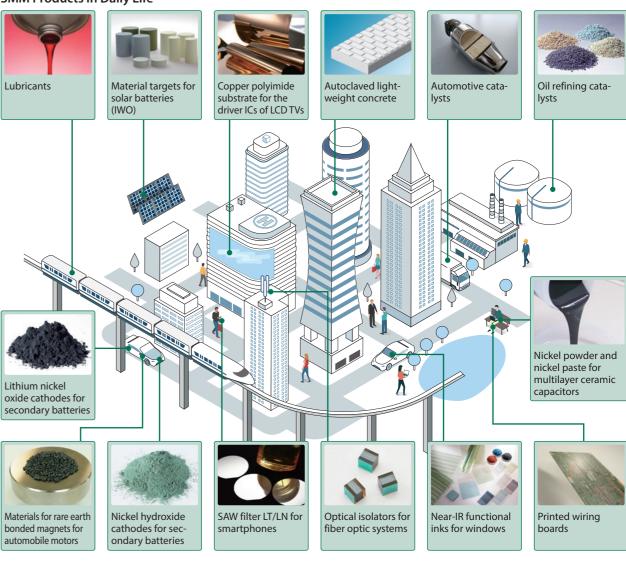
Although sales volume of battery materials increased under growing demand for automotive applications, segment income decreased year-onvear due to deterioration caused by inventory valuations, decline in sales volume of powdered materials, and crystal material inventory adjustments

Capital Expenditure

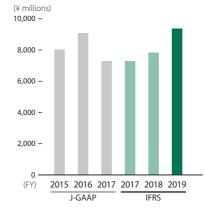


Some investments were postponed

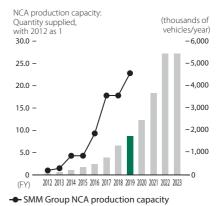
SMM Products in Daily Life



Depreciation and Amortization Expense



NCA Production Capacity and Number of Electric Vehicles Shipped

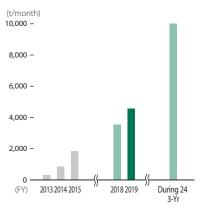


(left axis, FY-end value) ■■ Number of battery electric vehicles (BEVs)

shipped (right axis) Demand for automobile batteries is forecast to

continue to grow significantly. SMM is increasing production of NCA, a cathode material, in accordance with this growth.

Growth of Cathode Materials Production Capacity and Future Plans



Source of EV shipped units: B3 Report

build relationships of trust with customers that purchase materials, and will assess trends in order to discern the timing for production increases and investments in new products.

Battery Materials Business

Investment in Growth

Increasing Production Capacity of Automobile Battery Cathode Materials

In the Battery Materials Business, understanding customer trends is of utmost importance. Amid the extremely dynamic movements of the business environment, we believe it is vital to analyze information accurately and make speedy decisions. As an initiative aimed at expansion of the battery materials business, one of the three major projects of our 2018 3-Year Business Plan, we are working to establish a 10-kt/month production structure for automobile battery cathode materials (NCA, NMC, and nickel hydroxide) during the 2024 3-Year Business Plan (i.e. by FY2027). As global competition continues to intensify, we will adapt to meet it while remaining even more conscious of quality, performance, costs, and the predominance that we hold.

Strategic Topic

SMM's Battery Cathode Material NMC is Selected for Hybrid Automobile from Toyota Motor Corporation

NMC produced by SMM is being used in the hybrid version of Toyota Motor Corporation's new Yaris automobile, which went on sale in February 2020. As electric vehicles increase against a backdrop of increasingly rigorous environmental regulations around the world, market expectations are building for the development and supply of high-performance secondary batteries. For about 20 years, SMM has worked with customers such as Toyota Motor Corporation to develop and manufacture cathode materials for secondary batteries in electric and hybrid vehicles. We are currently the top manufacturer in this area. Of the four main materials in secondary batteries, cathode materials hold the key to increasing battery performance and capacity. Given the demand for electric vehicles with longer cruising ranges and fuel-efficient hybrid vehicles, SMM expects demand to grow for our high-performance cathode materials.

ESG Case Study

Initiatives by the Battery Materials Business to Address Climate Change

The Battery Materials Business is tackling "reduce GHG emissions," a KPI for the issue of climate change, which is named as one of the 11 material issues in our Vision for 2030. (See Special Feature 1 on p. 27 for details.) The automobile industry, a customer for our battery materials, is increasing electrification of vehicles to reduce CO2 emitted during driving. SMM will contribute to reducing CO₂ by providing high-performance cathode materials for the automobile batteries that are crucial to electric vehicles. We recognize the presence of issues such as methods for calculating contributions to GHG reduction and the defining of products other than battery materials that contribute to a low-carbon society, and are taking these issues into consideration.

Advanced Materials Business

Strategic Topics

GRANOPT Co., Ltd. Included among the New Global Niche Top Companies Selection 100

In July 2020, GRANOPT Co., Ltd., an SMM Group company that manufactures and sells Faraday rotators (FRs), was selected by the Ministry of Economy, Trade and Industry for inclusion in the New Global Niche Top Companies Selection 100. FRs from GRANOPT are key devices in semiconductor laser diodes (LDs) used for optical communications and in optical isolators, optical components inserted between optical fibers. Boasting a market share in excess of 50% for its FRs and a high growth rate, GRANOPT is literally a global niche company. With few FR suppliers in the world, GRANOPT's stable supply of product is key to the construction of optical communication infrastructure. New advances will transpire along with the proliferation of 5G, such as self-driving automobiles, the adoption of Al, and the spread of the IoT. Communications volume is expected to expand rapidly worldwide in the era of living with the COVID-19. GRANOPT established a sales subsidiary in Shenzhen, China, in FY2019, and is working now to further expand sales.

Open Innovation Site for Our Powder Materials Business Launching "X-MINING" (Cross-Mining)

In January 2020, SMM established the Project Planning & Development Dept. within the Applied Powder Materials Business Unit, as a marketing organization to open up new markets based on our existing powder products. We launched X-MINING (Cross-Mining), a website to communicate product information for creating value, and began releasing information on the site in October 2020. The basic concept of the site is uncovering ("mining") the new value and new ideas of the diverse people with whom we co-create ("cross"). Our aim is to co-create new value through our materials and the ideas of researchers, marketers, and other diverse people who are now sketching out the future of the environment, energy, communications, and more. Through these efforts, we also want to let employees, especially the young ones who will shoulder the Advanced Materials Business in the future, experience the joy of taking on new challenges.

ESG Case Study

Initiatives Aimed at the Development of Products Contributing to a Low-Carbon Society

SMM is tackling "reduce GHG emissions," a KPI for the issue of climate change, which is named as one of the 11 material issues in our Vision for 2030. (See Special Feature 1 on p. 27 for details.)

The development of products that use sunlight-shielding inks shows great promise in contributing to a low-carbon society. We will expand these from sunlight shielding for automobiles, the current key application, to applications including covering materials for agricultural use and heat-generating fibers, contributing to energy savings. We are also undertaking the commercialization of fine, high-purity nickel oxide powder for use in electrodes for fuel cells, a market that is expected to grow rapidly. Nickel oxide powder is a product in which we can demonstrate the strength of our three-business collaboration manufacturing process that spans nickel raw material to the manufacturing of highly advanced material. Looking ahead, we will continue to meet market needs by leveraging our technological development capabilities and mass production technologies.

X-MINING logo



https://crossmining.smm.co.jp/en/

This logo expresses an image of co-creating new value through the crossing of diverse individualities.

Trademark registration for the X-MINING logo is pending.



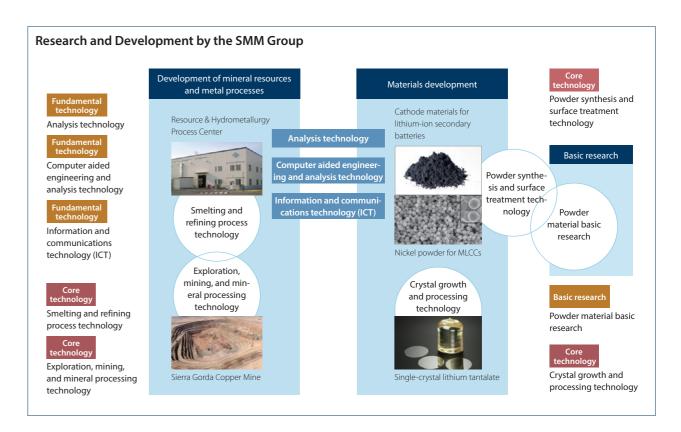
Business Environment

Regarding the business environment, while U.S.-China trade friction and the global spread of COVID-19 have stalled the global economy in the short term, demand for materials driven by factors such as the evolution and development of digital technology and infrastructure enhancement has not slowed and it is expected to grow further. In order to meet this demand, we will not only work on supplying the materials themselves, but we also hope to expand their applications by drawing out new functions from these materials in the medium to long term. The Technology Division will accelerate our initiatives pursuing future-orientated technological development.

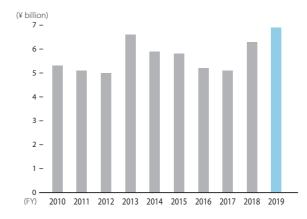
Review of FY2019

In our 2018 3-Year Business Plan, the three major themes for research and development were (1) create new businesses with a view to 10 years from now, (2) develop products that customers will prefer, and stay ahead of competitors, and (3) develop new processes that can differentiate us and support sustainable growth. Looking back on our progress on these themes in FY2019, in regard to (1) creating new businesses, we centered exploration and research on themes that will contribute to new business creation with a focus on fields that are expected to grow in the future, such as automobiles, environment, energy, and communications, while also investigating the possibilities of functions we develop as a materials manufacturer and starting preliminary experiments. Also, in regard to the themes proposed through the Foresight Project carried out in FY2017, the Technology Division is collaborating with the business divisions to consider research methods that can make greater contribu-

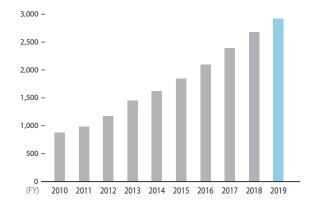
tions through investigations and preliminary experiments, and to match themes to markets. In regard to (2) developing products that customers will prefer, we focused on development that will enhance our competitiveness, such as raising productivity and the performance of products such as battery cathode materials for automobiles and crystal materials for SAW devices. Also, in regard to (3) developing new processes, we continued to secure battery



Research and Development Expenses



Number of Patents Held by the SMM Group



materials and develop manufacturing processes while also advancing the verification of new lithium-ion battery (LIB) recycling processes through pilot tests.

Role of the Technology Division in the Three-Business Collaboration

Our Group has four research and development sites around the country, each of which is dedicated to a specialist field. Niihama Research Laboratories is positioned as a smelting- and refining-related process laboratory that further raises the level of the smelting and refining technology that is the foundation of our Group's technology. The neighboring Battery Research Laboratories works on the development of high-performance cathode materials for LIBs. Materials Laboratories performs research and development of crystal materials and paste materials. The Ichikawa Research Center is specialized in basic research that bears the function of sowing the seeds of the Group's materials development, centered on basic research into functional powders.

The SMM Group's Mineral Resources, Smelting & Refining, and Materials three-business collaboration functions as a supply chain for non-ferrous metal resources. Non-ferrous metal resources secured by the Mineral Resources Business are processed into metals and chemical products by the Smelting & Refining Business and then made into highly advanced material products by the Materials Business.

While we must raise the research and development capabilities of each of these business areas, the Technology Division also has the role of working to optimize the inter-business area overall of the three businesses. We achieve this by providing robust support to research and development efforts by each business, advancing research and development ranging from basic analysis to the application of technology onsite, and providing feedback to each business.

The role of the Technology Division in the strengthening of three-business collaboration centered on cathode materials for batteries is to develop battery materials for automobiles, an area where long-term growth is expected, test and verify battery recycling technologies, and develop processes such as lithium refinement. We work on each of these areas separately but at the same time, we also interlink initiatives. On the other hand, we have to respond to factors such as customers' needs in accordance with changes in the business environment. Going forward, we will implement measures such as the reallocation of business resources as needed in line with factors such as changes in targets and timelines, and the emergence of new themes.

Investment in Growth

Research and Development Strategy for FY2020

In the 2018 3-Year Business Plan, we are making investments that are at least 20% more than the three-year cumulative research and development expenses under the 2015 3-Year Business Plan, and in FY2020, we will implement research and development primarily focused on growth businesses. In battery cathode materials, which has been positioned as a target

growth market, at the same time as carrying out development aimed at raising performance, we will also advance the development of next-generation battery materials, including solid-state batteries, and work on improving processes and developing new processes to raise productivity. These efforts will be centered on the Battery Research Laboratories and a large portion of the increased investment will be spent in this area.

At the Materials Laboratories, we are continuing development that aims to realize larger diameters and increase the length of crystal materials for SAW devices, as well as the development of silicon carbide (SiC) which we expect to use in next-generation power devices. At the Ichikawa Research Center, we are continuing to focus investment on research related to powders and crystal materials. At Niihama Research Laboratories, we are advancing research and development related to the recycling of waste LIBs and lithium refinement processes. Furthermore, we will continue development closely related to business activities, such as improving mineral processing technologies for the Mineral Resources and Smelting & Refining businesses, and in this field, we are beginning to explore themes that will contribute to solving social needs included in our Vision for 2030.

When formulating Vision for 2030, we considered how the world will be in 2050 or 2100, and thought about ways to generate materials without damaging the global environment and discussed what the non-ferrous metals industry needs to do now to realize these. Also, we will take a medium- to long-term perspective and constantly watch how trends in society change and transform in the 10-year period up to 2030, so we can respond swiftly in line with these changes and transformations and strengthen initiatives for realizing the effective use of non-ferrous metal resources.

Innovation Topics

We are currently focused on developing LIB recycling technologies and lithium refinement processes as specific initiatives for the effective use of non-ferrous metal resources, a material issue in our Vision for 2030. These are priorities alongside creating new products and businesses.

• Developing LIB Recycling Technologies and Lithium Refinement Processes

The development of LIB recycling technologies is driven by concern that the shift to LIBs as a main power source for vehicles that is accompanying the electrification of vehicles, an area where long-term growth is expected, will result in demand that could potentially strain the nickel, cobalt and copper metal resources that are essential for these batteries, particularly cobalt. Cobalt production areas are extremely unevenly distributed, making it hard to secure volumes in response to demand. Furthermore, it is in great demand as an essential item in advanced metal materials, so in order to effectively use resources, the development of recycling technologies is a pressing issue. We have used existing metal, smelting, and refining technologies to start operations for recovering and recycling copper and nickel from spent LIBs, and as a result of further developing these technologies, we have established a recycling technology that can also recover cobalt. Verification testing at a pilot plant for this technology has been underway since March 2019.

The development of lithium refinement processes involves developing technologies that recover the lithium needed for LIBs from saltwater. One technology under development uses

Saltwater

Natural water containing salts such as sodium chloride.

Efforts to Help Prevent the Spread of COVID-19

To address these circumstances, in the SMM Group, the president has communicated to employees some important points. In this message he states that he will give the highest priority to the safety of customers, business partners, employees, and local communities while working to prevent the spread of COVID-19 infections. It also says that, despite the limitations we face, we will continue our on-going efforts to stably supply indispensable materials to society.

responsibility standpoint

The pages for each business division contain information on the impacts for that division, as well as corresponding countermeasures (see details starting on p. 42).

Furthermore, with regard to necessary responses from the standpoint of social responsibility, we are carrying out the following initiatives.

Efforts to prevent the spread of COVID-19

Activity Report

- In principle, employees at the Head Office, Osaka Branch, and Nagoya Branch worked from home during the nationwide state of emergency.
- Measures are being taken against the risk of infection for employees of mines and refineries in Japan. E.g.: Response measures have been established to handle new infections; on-site employees are working in two cohorts and interaction between the two is prohibited.
- Measures are being taken against the risk of infection at overseas mines. E.g.: We have formulated COVID-19 protocols and spread out the times during which cafeterias are in use.
- Countermeasures shared across locations
- Employees are not to come to work if there is the possibility of having been infected.
- There are restrictions on holding and attending meetings, events, etc.
- There are restrictions on business trips, etc.
- Employees are asked to voluntarily restrict their trips outside the house.
- Education and training activities are being carried out online.

Efforts addressing employee programs, wages, and hiring

- We adopted a special, paid leave program for at-home child-raising, applicable to employees who needed to stay home because their child/children's elementary school, kindergarten, or nursery school temporarily closes.
- We are paying 90% of the temporary leave benefit.
- We are committed to maintaining employment and avoiding layoffs.
- We are paying appreciation bonuses to all Group employees.

Efforts for local communities

- In areas where we have business sites inside or outside Japan, we are donating to fundraising campaigns and supplying beverages, infection prevention goods, and the like.
- We are supporting healthcare institutions and providing them with masks and personal protective equipment.

Cooperation with industry group initiatives and international initiatives.

- We support the Open COVID-19 Declaration addressing intellectual property.
- We support the Declaration of Partnership Building.²

Going forward, the SMM Group will continue to urge greater awareness and thorough implementation of countermeasures as we swiftly carry out any necessary responses to prevent the spread of COVID-19 infections.

- 1. A declaration started voluntarily by companies, universities, and other groups, stating that signatories will "not assert any patent, utility model, design, or copyright, "nor seek any payment or compensation for intellectual property, during the stated period, "with respect to the activities whose sole purpose is a constant of the contract of thstopping the spread of COVID-19." 2. A declaration intended to support the development of a "system to promote the introduction of appropriate trade practices among companies, along with
- other actions, in order to prevent SMEs and small businesses from bearing the burdens of worsened business environments resulting from impacts of the novel coronavirus disease and other factors."This was prepared by the Cabinet Office and the Small and Medium Enterprise Agency and the new partnerships were asked to involve "efforts for increasing value added across supply chains."

• Development of Cathode Materials for Solid-State LIBs

We are advancing development of solid-state LIB cathode materials based on a strategy of establishing SMM cathode materials as the standard for solid-state LIBs, which are promising, when sulfide-based solid-state batteries for use in automobiles, start to be deployed. These batteries are expected to be deployed several years from now.

Also, it is predicted solid-state LIBs that use solid oxide electrolytes will have various applications, such as use in wearable devices, so future demand is expected to grow in this field as well. Therefore, we are continuing investigations in this area.

Also, in regard to the development of solid-state LIBs, as a member of LIBTEC, we have started participating in the Development of Fundamental technologies for All Solid-State Battery applied to Electric Vehicles project backed by NEDO. This project is building a framework for realizing collaborations and partnerships between automobile, storage battery, and material manufacturers and using the scientific knowledge and public research results of universities and research institutions to advance the development of shared underlying technologies centered on solid-state LIB material research and evaluation technologies that can function as shared indicators for the industry.

ESG Case Study

Start of Initiatives Based on a Vision Co-Creation Partnership with Tohoku University

The SMM Group has started initiatives aimed at 2050 based on a Vision Co-Creation Partnership with Tohoku University. We aim to achieve our vision for the creation of a Solar Energy Society by conducting joint research that contributes to solutions for energy and environmental problems that are global in scale through the creation of innovative materials

Over the past two years, starting from FY2018, we have conducted discussions that have involved academic staff from arts subjects as well as technical subjects to expand our field of vision. Through these discussions, we have formulated an ideal state for 2050 as "meet the world's energy demands with solar energy" and a vision for 2050 as "create a Solar Energy" Society through the creation of innovative materials science." Backcasting from that, we have laid out steps for FY2020 through which we aim to create new value by starting the joint research and development of new materials, as well as their commercialization and societal implementation.

Organization

LIBTEC

Consortium for Lithium Ion Battery

New Energy and Industrial

Technology Development

Corporate Governance

Company with Audit & Supervisory Board

Listed companies in Japan usually select one of the following types organizational structure— Company with Audit & Supervisory Board, Company with Three Committees (Nomination, Audit and Remuneration), or Company with Supervisory Committee. The majority of Japanese listed companies choose to use the Company with an Audit & Supervisory Board structure. Japan's Corporate Governance Code June 1, 2018 Tokyo Stock Exchange, Inc. https://www.jpx.co.jp/english/ news/1020/b5b4pj000000jvxratt/20180602_en.pdf

Basic Approach

SMM views corporate governance as a disciplinary framework both 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.

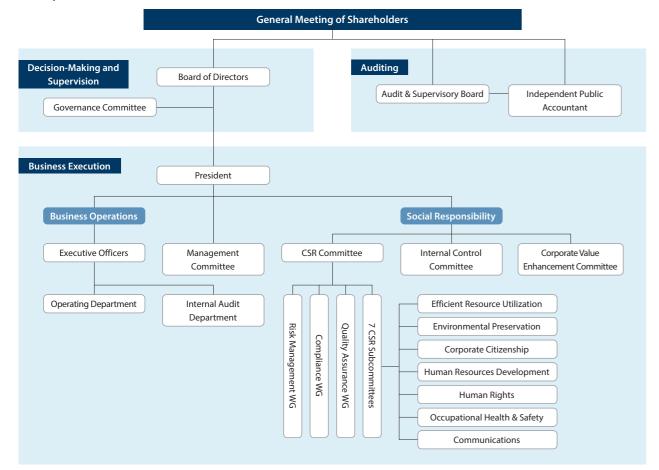
SMM has established the following SMM Group Corporate Philosophy based on the Sumitomo Business Spirit. Through striving to enhance our corporate governance, we will conduct efficient and sound business activities, make positive contributions to society, and fulfill our responsibilities to our shareholders and all other stakeholders in order to realize the SMM Group Corporate Philosophy.

SMM Group Corporate Philosophy

1) 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. 2) 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 has adopted a Company with Audit & Supervisory Board system and an executive officer system to ensure effective execution, monitoring, and supervisory functions within management.

■ Corporate Governance Framework



Formulating Corporate Governance Guidelines

SMM has established Corporate Governance Guidelines which cover our basic philosophy on corporate governance and our corporate governance framework, including our relationship with stakeholders

Decision Making and Supervisory System

Directors and the Board of Directors

SMM's Articles of Incorporation provide for a Board of Directors of up to ten members, each appointed for one year, and the "Chairman and Representative Director" is the Chairman of the Board. Furthermore, our policies stipulate that one-third or more of directors shall be independent outside directors.

Currently, SMM has three outside directors among our eight directors. With regard to our directors being eight in number, we have determined that this is an appropriate number for ensuring agility and active discussion by the Board.

SMM works toward continuous improvement of the functions of the Board of Directors and conducts an evaluation of its effectiveness every year in order to verify whether it functions appropriately and, based on the findings, to enact appropriate measures, such as ameliorating problems.

■ Governance Committee

The Governance Committee is composed of the chairman of the Board of Directors, who is not an executive officer, and independent outside directors and it was established to provide the president with advice from an objective standpoint with regard to particularly important matters relating to corporate governance, including the nomination and compensation of directors, executive officers, and others.

In September 2019, outside director Kazuhisa Nakano was appointed as chair of the Governance Committee.

Outside Directors and Outside Audit & Supervisory Board Members

At important meetings such as those of the Board of Directors, outside directors are expected to express their views from a broad perspective based on their knowledge, experience, abilities, and insight and are expected to fulfill the function of providing objective supervision from a standpoint independent from the representative directors and the executive directors. Outside Audit & Supervisory Board members use their specialized expertise and diverse perspectives to offer supervision, provide valuable comments at Board of Directors and other meetings, and exercise oversight.

All SMM outside directors and Audit & Supervisory Board members meet the criteria for independence established by the Tokyo Stock Exchange, Inc. as well as our own internal independence standards, and all outside directors and Audit & Supervisory Board members have been declared as independent officers, pledging that there is no conflict of interest with that of shareholders. We also publish our standards governing the independence of outside officers on the following website.

WEB https://www.smm.co.jp/E/ir/management/governance/

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■ Outside Directors and Outside Audit & Supervisory Board Members

	Reason for Appointment	Attendance at Meetings
Outside Director Manabu Kinoshita	He has served as a Senior Executive Vice President of NEC Corporation and has abundant knowledge and experience in managing a company and in relation to digital business. He was appointed as an outside director so that he may utilize his knowledge and experience to fulfill a role in strengthening corporate governance by appropriately supervising the Company's business management, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the Group.	He was newly appointed as an outside director at the Ordinary General Meeting of Shareholders held in June 2020.
Outside Director Kazuhisa Nakano	He offers a wealth of knowledge and experience in company management and natural resources business and was appointed as an outside director to continue fulfilling his role in strengthening corporate governance.	In FY2019, the Board of Directors convened 14 times (12 regular meetings and 2 extraordinary sessions). He attended all meetings.
Outside Director Taeko Ishii	Based on her specialist knowledge and wealth of experience as a lawyer, she was appointed as an outside director to provide advice to SMM on business matters, particularly from a compliance perspective and to continue fulfilling her role in strengthening corporate governance.	In FY2019, the Board of Directors convened 14 times (12 regular meetings and 2 extraordinary sessions). She attended all meetings.
Outside Audit & Supervisory Board Member Wataru Yoshida	He offers a wealth of experience in financial institutions and has abundant knowledge of managing a company. He was appointed as an outside Audit & Supervisory Board member with the expectation that he will utilize his knowledge and experience to fulfill the role.	He was newly appointed as an outside Audit & Supervisory Board Member at the Ordinary General Meeting of Shareholders held in June 2020.
Outside Audit & Supervisory Board Member Yuichi Yamada	He was appointed an outside Audit & Supervisory Board member in order to exercise oversight that leverages his auditing experience accumulated over many years at audit firms as well as his extensive knowledge of accounting.	In FY2019, the Board of Directors convened 14 times (12 regular meetings and 2 extraordinary sessions), and the Audit & Supervi- sory Board convened 15 times. He attended all meetings of both.

Business Execution Structures and System

System of Internal Memorandums for Approval and the Management Committee

The basic method for making decisions on business execution is to examine and approve such matters through the system of internal memorandums. The Management Committee holds meetings for important management matters that require deliberation, thereby conducting careful decision-making and rational business judgment based on diverse perspectives.

The Management Committee is composed of the president, executive officers from the Corporate Planning Department, and other executive officers. The Chairman of the Board as well as the outside directors, and Audit & Supervisory Board members may attend Management Committee meetings. Among matters to be resolved by the Board of Directors and matters to be approved by the president, the Management Committee will deliberate from a broad perspective on matters determined to require deliberation and then will determine whether those matters will be referred to the Board of Directors. The Committee also fulfills the function of supporting approval granted by the president.

Executive Officer System

Substantial authority has been delegated to executive officers whose authority and responsibilities have been clearly defined to reinforce their executive function. Appointed by the Board of Directors, executive officers are entrusted with important positions (such as heading a business division, or heading a division or department at SMM's head office) and are expected to perform their duties with the specific authority assigned to each position.

Auditing System

Audit & Supervisory Board

The Audit & Supervisory Board has four members (two standing Audit & Supervisory Board members and two outside Audit & Supervisory Board members). Internal Audit & Supervisory Board members are able to conduct rigorous audits by their ability to collect information within the Company in an appropriate and timely manner. Outside Audit & Supervisory Board members conduct independent audits by utilizing their specialized knowledge in various fields and multilateral viewpoints.

In order to ensure managerial soundness and increase the corporate value of SMM, and in accordance with the audit policies, audit plans, and other such matters prescribed by the Audit &Supervisory Board, each Audit & Supervisory Board member will attend meetings of the Board of Directors, the Management Committee, and other important meetings, receive reports and, when necessary, request explanations from directors, executive officers, and employees regarding the status of the performance of their duties, inspect important approval and other such documents, and examine the status of operations and assets at the head office and other major business sites.

Collaboration between the Internal Audit Department, Independent Public Accountant and Audit & Supervisory Board Members

The Internal Audit Department regularly undertakes internal audits on the status of business execution across the SMM Group. The Department provides an explanation of its audit plans to Audit & Supervisory Board members while passing on all relevant information. At the same time, Audit & Supervisory Board members provide details of audit plans determined at meetings of the Audit & Supervisory Board to the Internal Audit Department, accompany staff of the Internal Audit Department as required when conducting internal audits, and attend meetings when reports on the results of internal audits are delivered to executive officers and the heads of operational divisions. In FY2019, Audit & Supervisory Board members attended such meetings 16 times. KPMG AZSA LLC, an independent registered public accounting firm, audits the consolidated financial statements and the effectiveness of the internal control over financial reporting. Audit & Supervisory Board members provide details of audit plans to the independent public accountant. Audit & Supervisory Board members in turn receive explanations regarding audit plans and reports on audit results and reports reviewing each quarter from the independent public accountant. In this manner, close collaboration is maintained between the independent public accountant and Audit & Supervisory Board members.

Director and Audit & Supervisory Board Member Compensation

Maximum limits on the total amounts of basic compensation for directors and compensation for Audit & Supervisory Board members will be determined by resolution of the General Meeting of Shareholders. If bonuses are paid to directors, then the total amount of bonuses to directors, excluding outside directors, will be determined in the same way. 1) Details of Procedures for Determining the Amount of Director Compensation The president & representative director, with the authorization of the Board of Directors, will determine the amount of director compensation as outlined below.

The specific amount of basic compensation for the Chairman of the Board and each director who also serves as an executive officer will be calculated by reflecting the individual performance of the director calculated with position-specific evaluation items such as "division performance," "the degree to which individual targets set in accordance with medium- to long-term business strategies are being achieved," and "safety results (number of labor accidents), etc." as standards on a base compensation amount determined in consideration of the consolidated performance of the SMM Group; the compensation amount will then be determined after receiving the advice of the Governance Committee. The specific amount of each director's bonus will be calculated by reflecting the individual performance of each director, which is calculated with the same posi-

tion-specific evaluation items as the above standards, on a base bonus amount determined in consideration of the consolidated performance of the SMM Group; the bonus amount will then be determined after receiving the advice of the Governance Committee. However, because of the importance placed on the outside directors fulfilling a supervisory function from a standpoint independent from business execution, individual performance will not be reflected and only the base compensation amount with no bonuses will be paid to outside directors.

2) Details of Procedures for Determining the Amount of Audit & Supervisory Board Member

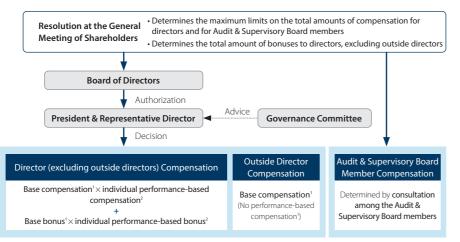
The amount of basic compensation for each individual Audit & Supervisory Board member will be determined by consultation among the Audit & Supervisory Board members at the Audit & Supervisory Board within the total compensation amount approved by the General Meeting of Shareholders.

■ FY2019 Director and Audit & Supervisory Board Member Compensation

Officer Classification	Number of	Total Compensation	Total Compensation by Type		
Officer Classification	Officers		Basic Compensation	Bonus	
Directors (excluding outside directors)	6	¥262 million	¥220 million	¥42 million	
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	2	¥65 million	¥65 million	_	
Outside Directors	3	¥41 million	¥41 million	_	
Outside Audit & Supervisory Board Members	2	¥23 million	¥23 million	_	

Note: In addition to the aforementioned, an employee salary portion totaling ¥21 million was paid to one person who serves concurrently as a director and executive officer.

■ Procedures for Determining the Amount of Compensation for Directors and Audit & Supervisory Board Members



- 1. Takes into consideration the consolidated performance of the Group.
- 2. Calculated reflecting the following position-specific evaluation items
- Division performance, the degree to which individual targets set in accordance with medium- to long-term business strategies are being achieved, safety results (number of labor accidents), etc., and other individual items for evaluating each position. 3. Stipulated due to SMM's emphasis on oversight functions from a standpoint independent of business execution.

Indicators Used to Determine Performance-Based Compensation

The indicators used to determine performance-based compensation are, as described above, calculated for individual directors on the basis of position-specific evaluation items such as consolidated performance (profit before tax), division performance (return on assets [ROA], free cash flow, segment income), the degree to which individual targets set in accordance with medium- to long-term business strategies are being achieved, and safety results (number of labor accidents).

The reason that each indicator has been selected is as follows: consolidated performance (profit before tax) was selected because SMM has set profitability targets that it aims to achieve as part of its long-term vision; performance indicators for division performance (ROA, free cash flow, segment income) were selected in order to evaluate the three criteria of asset efficiency, cash flow, and absolute value of profit in a balanced manner; the degree to which individual targets set in accordance with medium- to long-term business strategies are being achieved was selected because we believe that the steady implementation of plans with a medium- to long-term perspective is essential to increase our corporate value in a sustainable manner; safety results were selected because we believe that securing a safe workplace is our operating foundation as a company engaged in the mining and manufacturing industries.

Initiatives to Strengthen Governance

SMM positions corporate governance as one of the most important issues in our management, and is taking steps to strengthen governance.

To achieve even better corporate governance going forward, we will appropriately review our corporate governance framework in accordance with revisions to laws, changes in social conditions, and other external factors.

■ Transitions in Governance at SMM



June 2007 Appointment of an outside director (term of directors from two years to one year to clarify management responsibilities June 2015 Board of Directors composition changed to include two outside directors D November 2015 Establishment of a Governance Committee and evaluation of the effectiveness of the Board of Directors [a] stablished a Governance Committee, which is not based on legal direction or necessity, for the purpose of obtaining objective advice from the Chairman of the Board and outside directors, who are not executive officers. Started analyzing and evaluating the effectiveness of the Board of Directors in FY2015. February 2016 Establishment of Corporate Governance Guidelines 🕞 Board of Directors composition changed to include three outside directors @ August 2016 Outside Directors Council meeting held 🕕 rted convening Outside Directors Council meetings as a venue for discussion attended only by outside directors and outside Audit & Supervisory Board members

providing an opportunity for outside directors and outside Audit & Supervisory Board members to exchange information and share understanding. December 2016 Discussion of what the Board of Directors should ideally be 1

June 2018 Appointment of a female director

September 2019 Appointment of the chair of the Governance Committee (§)

Evaluation of the Effectiveness of the Board of Directors

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed. Japan's Corporate Governance Code Supplementary Principle 4.11.3 June 1, 2018 Tokyo Stock Exchange, Inc. https://www.ipx.co.jp/english/ news/1020/b5b-4pj000000jvxr-att/20180602_ en.pdf

Evaluation of the Effectiveness of the Board of Directors

According to the Corporate Governance Code formulated by the Financial Services Agency and the Tokyo Stock Exchange, Inc., the effectiveness of the entire board of directors should be analyzed and evaluated and a summary of those results should be disclosed. Referring to each director's self-evaluation is a large pillar of this evaluation of the effectiveness of the board of directors. Also, the same is stipulated in SMM's Corporate Governance Guidelines, and the Board has been carrying out evaluations of itself, regarding appropriate decisionmaking and supervisory functions, since FY2015.

Overview of the Evaluation of Effectiveness

For the analysis and evaluation of the effectiveness of the Board of Directors, the Board carries out a questionnaire targeting the directors and Audit and Supervisory Board members every year. To make sure the responses are not seen by administrative staff, the responses are sent to an external law office, where the results are analyzed. Based upon the overall results of the self-evaluations by directors and Audit & Supervisory Board members included in the survey, the external evaluations by the law firm, and the confirmation of what the Board of Directors should ideally be (aim to achieve a Board of Directors focused on decision-making function) conducted in fiscal 2016, the Board of Directors reviews its own effectiveness.

■ The Process of Evaluating the Effectiveness of the Board of Directors



FY2019 Evaluation Results and Initiatives Going Forward

The FY2019 analysis and evaluation of the Board of Directors' effectiveness found that with reference to "what the Board of Directors should ideally be," the Board of Directors exercises its supervisory functions through its decision making, and it was confirmed that no serious problems were perceived in the effectiveness of the Board of Directors. Additionally, although the FY2019 questionnaire surveyed the necessity of a review of "what the Board of Directors should ideally be," as three years had passed since the formulation of this policy, all directors were in agreement that the review of policy was not required. Many questionnaire responses stated that discussion was conducted from diverse perspectives, with outside directors and Audit & Supervisory Board members actively stating their opinions based on their experience and respective fields of specialty. Overall, the evaluation confirmed that the Board of Directors conducted appropriate discussion and deliberation. Meanwhile, regarding the need to establish opportunities for discussion and deliberation of important management issues, an area for improvement identified in the FY2017 and FY2018 evaluations, it was confirmed that although the Board of Directors worked to create such opportunities, it was not able to discuss each of SMM's three business segments in a balanced manner. Also, it was confirmed that there is a need for the Board to take a perspective which focuses on decision-making function, to revisit and check the implementation progress and results of investment projects that it previously resolved. The Board of Directors also confirmed that in addition to steps that include reviewing items for report and checking the affiliation of the chairperson, reports on the latest trends in corporate governance will also be made to the Board of Directors as part

of initiatives to increase training opportunities for officers. Through the discussion and deliberation outlined above, in FY2019 the Board of Directors confirmed it was taking steps to 1) deliberate on important management issues and monitor investment projects resolved by the Board of Directors, 2) have reports on current issues (securing personnel, etc.) made to the Board of Directors and carry out related discussion, and 3) have reports on recent trends in corporate governance made to the Board of Directors. It also confirmed that these steps are being taken in ongoing manner. Going forward, we will make further efforts to enhance the efficiency of the Board of Directors.

Takeover Defense Measures

SMM has introduced takeover defense measures in the event that it receives a proposal for a large-scale acquisition of its shares. The aim of these measures is to enable the Board of Directors to present an alternative proposal to shareholders or ensure necessary time and information for shareholders to decide whether or not to accept the large-scale acquisition proposal, to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders, or to take other actions as necessary. In 2019, SMM renewed its Countermeasures to Large-Scale Acquisitions of Sumitomo Metal Mining Co., Ltd. Shares (Takeover Defense Measures) to put in place the procedures necessary for realizing the above aims, such as requiring that an acquirer provides information in advance in the case that said acquirer intends to make an acquisition of 20% or more of the Company's share certificates or other equity securities.

For further details, please refer to the relevant news releases for February 14 and 15, 2019.

WEB https://www.smm.co.jp/E/news/release/2019/02/post-1558.html https://www.smm.co.jp/E/news/release/2019/02/post-1566.html

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Messages from the Outside Directors

SMM has three outside directors among its eight directors. Mr. Manabu Kinoshita was appointed a new outside director in June 2020. The outside directors spoke with us about the discussions that take place in SMM's Board of Directors and Governance Committee, and about recent changes in the business environment and opportunities for growth.



SMM is equipped with the three key elements of corporate governance.

Kazuhisa Nakano

With a career that includes serving as president and chairman of Idemitsu Kosan Co., Ltd., Mr. Nakano has long involvement in company management and extensive knowledge and experience concerning the resources business. While the domestic market was maturing during his time at Idemitsu, he swiftly steered the company toward overseas development, promoting a growth strategy that included decisions such as investment in an oil refinery project in Vietnam. He has served as an outside director at SMM since 2016.

I believe that there are three elements that corporate governance must have. The first is that the management team have a sense of mission and ethics. The second is that systems exist to enable fair and rational management. The third is that the corporate culture allows individuals to say what they think. If these three are present, a company will not engage in behavior that betrays shareholders' expectations. SMM is equipped with the three key elements of corporate governance. In the Governance Committee that I chair, every member frankly offers experience-based opinions regarding new executive nominations and executive compensation.

We have now created our Vision for 2030. The things

stated in this vision's material issues, as well as in the SDGs, which have the same target year, are things that SMM has been practicing for 430 years. For us to be the world leader in the non-ferrous metals industry, we reorganized what we have undertaken up to now, added new issues to tackle, brought this all to the next level, and took this as our Vision for 2030. There are now three common issues that the world as a whole must tackle: response to climate change, conservation of resources for future generations, and securing food resources. Our battery business is a business that can help resolve the climate change issue by supplying products that contribute to a low-carbon society and that lead to lower CO2 emissions.

Under the COVID-19 pandemic, our offices are shifting

toward remote work. I think that this shift has its good points and is irreversible, but we have to sort out what types of jobs can and cannot be performed through telecommuting. Some things, like corporate culture, are nurtured through people gathering to discuss things; I have a bit of concern that loyalty to the Company, or a sense of mission in work, could be weakened. In that sense, I think we need to keep up face-to-face discussions regarding our medium- to long-term vision and our strategies.



The time has come for SMM to be aggressive, and we need to seek out more challenge-oriented people.

Ms. Ishii was registered as a lawyer in 1986. She is a member of the Dai-ichi Tokyo Bar Association. She is particularly knowledgeable about legal practice concerning relationships between labor and management, and also provides counsel to the Company regarding compliance. Published works include "Legal Practices for Handling Problem Employees," and "A Q&A on Practice Relating to Equality Law, Childcare and Caregiver Leave Law, and Part-time Worker Law." She has served as an outside director at SMM since 2018.

Taeko Ishii

In meetings of the Board of Directors and the Governance Committee, the Company's top management and outside directors freely exchange thoughts on various issues. One item that made an impression on me during discussions in FY2019 was the issue of securing human resources. The recruitment and development of employees who will support our sustainable growth is a key issue. We must develop human resources who can overcome difficulties, a point that we are discussing enthusiastically. To take the securing of human resources as an example, we have to get people to understand the appeal of not only SMM but of our industry as well, and must recruit diverse human resources within Japan and overseas, without limiting ourselves to new

graduates. Regarding the development of human resources, we face issues such as how we can use our evaluation system not only for determining employee treatment but also for training to develop young people, who hold different values and a different way of thinking about motivation in work.

Under the current pandemic, there are companies that have done away with power harassment through the shift to remote work, and companies that have instead seen harassment increase. Expressions like "reading the air" suggest a sort of communication that is deeply rooted in Japanese companies, which means remote work may not work well for some. However, I imagine that young people will likely want

to incorporate remote work in their jobs; their superiors will have to change their instruction and guidance to a form that suits remote work.

Looking ahead, the time has come for SMM to be aggressive, and we need to seek out more challenge-oriented people. Although major waves are buffeting the business environment, our business is originally one of setting and carrying out long-term plans, not one of short-term battles. I want the Company to flexibly overcome this wave of fluctuations and achieve its long-term business goals. I believe that we have the power to do this, and welcome the high expectations of our stakeholders.



Joint value creation with customers and business partners is vital.

Manabu Kinoshita

Serving in positions including Senior Executive Vice President of NEC Corporation, Mr. Kinoshita has extensive knowledge and experience in corporate management and digital businesses. The Company expects that he will offer counsel making use of his knowledge in the digital sector and his experience with developing solutions through joint value creation together with other industries. He was newly appointed as an outside director at SMM in 2020.

SMM's non-ferrous metal materials find use in products that make our lives more vibrant and abundant. I believe that the Company has a role to play in making sustainable society a reality.

Objectively evaluating and monitoring aspects of management from an outside viewpoint is generally seen as what outside directors do, but I think there is more to it. Employee satisfaction is particularly vital for corporate management. During a crisis like the COVID-19 pandemic, it is important that management and employees come together to create and share a vision for where the company is headed and what form it should take, based on its management philosophy. As an outside director, I want to watch

over how management achieves these things, and whether employees think and act on their own, and are vibrantly active and motivated.

During the COVID-19 pandemic, the lagging state of DX and ICT in Japan were revealed as problems. This is expected to spur the use of robots and AI that will take over some jobs. Employees need to respond to this by polishing their skill sets. Accordingly, companies have to provide educational opportunities to their employees. Opportunities for employees to gain global experience and see Japan from the outside, and to learn about diverse values through interactions with other industries, are also vital.

Moreover, from a perspective of how we will resolve

environmental problems and other societal issues through our Materials Business, we must look at medium- to long-term changes in markets, and must provide materials that will meet markets' needs after the pandemic and that can contribute to a circular economy. To build a business model that hones the technological strengths of our Materials Business and transforms these into social value, we have to engage in joint value creation with our customers and business partners. I hope that my experience can be of some help on this point.

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Directors and Audit & Supervisory Board Members (As of July 1, 2020)

Directors



Chairman and Representative Director

Number of shares of the Company



Hiroshi Asahi Director, Senior Managing Executive Officer, General Manager of Mineral Resources Div.

Number of shares of the Company



Materials Div.

Position)

Jun. 2012 Representative Director (Present

(Present Position)

Jun. 2013 President and Representative Director Jun. 2018 Chairman and Representative Director

Jun. 2013 Left the Ministry of Economy, Trade

Engineering Dept., Mineral Resources

Senior Deputy General Manager of Mineral Resources Div.

General Manager of Mineral Resources

Oct. 2013 Joined the Company

Jun. 2017 Director (Present Position)

Div. (Present Position)

Jun. 2020 Senior Managing Executive Officer (Present Position)

Jul. 2010 General Manager of Nickel Sales & Raw

Jul. 2014 General Manager of Copper & Precious

Metals Raw Materials Dept., Non-Ferrous Metals Div.

Jun. 2017 Sumitomo Metal Mining Philippine Holdings Corporation, Director and

un. 2019 Executive Officer (Present Position)

Jun. 2020 Director of the Company (Present

Apr. 1986 Registered as a lawyer

Senior Deputy General Manager of Non-Ferrous Metals Div.

General Manager of Corporate

Joined Ryoichi Wada Law Firm

Mar. 1992 Established Ohta & Ishii Law Firm Jun. 2018 Director of the Company (Present

Planning Dept. (Present Position)

Materials Dept., Non-Ferrous Metals

Jun. 2018 Managing Executive Officer

Apr. 1986 Joined the Company

Senior Managing Executive Officer





Director, Executive Officer, General Manager of Corporate Planning Dept.

Number of shares of the Company owned1: 4.000

Taeko Ishii

Outside Director

owned1:0



President and Representative Director





Nobuhiro Matsumoto Director, Managing Executive Officer, General Manager of Non-Ferrous



Metals Div. Number of shares of the Company owned1: 3,800

Apr. 1987 Joined the Company

Apr. 2008 General Manager of Niihama Nickel Refinery, Non-Ferrous Metals Div. Jul. 2013 Administration Dept., Non-Ferrous Metals Div Jun. 2014 General Manager of Administration Dept., Non-Ferrous Metals Div.

Jun. 2013 Executive Officer

Jun. 2014 Director

Senior Deputy General Manager of

President and Representative Director

General Manager of Corporate

Non-Ferrous Metals Div

Jun. 2015 General Manager of Non-Ferrous

Jun. 2016 Managing Executive Officer Jun. 2018 Representative Director (Present

Planning Dept.

Position)

Jun. 2016 Executive Officer Senior Deputy General Manager of Non-Ferrous Metals Div.

Jun. 2018 General Manager of Non-Ferrous Metals Div. (Present Position) Jun 2019 Director (Present Position) Jun. 2020 Managing Executive Officer (Present

of Personnel Department of Idemitsu

Representative Director of Idemitsu

Jun. 2009 President and Representative Director

of Idemitsu Kosan Co., Ltd. Jun. 2013 Chairman and Representative Director

of Idemitsu Kosan Co., Ltd.

Kosan Co., Ltd.

Jun. 2007 Executive Vice President and

Kosan Co., Ltd.

Co. Ltd.

Position)



Apr. 1971 Joined Idemitsu Kosan Co., Ltd. Apr. 2003 Executive Officer and General Manage Jun. 2004 Director of Idemitsu Kosan Co., Ltd. Jun. 2005 Managing Director of Idemitsu Kosan

Kazuhisa Nakano

Outside Director Number of shares of the Company

Jun. 2015 Executive Advisor of Idemitsu Kosan Jun. 2016 Director of the Company (Present Position)

Jun. 2017 Retired from Executive Advisor of

> Apr. 1978 Joined NEC Corporation Apr. 2006 Executive General Manager. Distribution and Service Industries Solutions Operations Unit of NEC

Idemitsu Kosan Co., Ltd.

Manabu Kinoshita

Outside Director owned1:0

Apr. 2008 Associate Senior Vice President of NEC Apr. 2010 Senior Vice President of NEC Corporation
Jun. 2010 Director of NEC Corporation Apr. 2016 Senior Executive Vice President of NEC Corporation Apr. 2018 Senior Officer of NEC Corporation (Present Position) Jun. 2020 Director of the Company (Present

1. The number of shares of the Company owned is as of May 31, 2020.

Audit & Supervisory Board Members



Kazushi Ino Senior Audit & Supervisory Board Member (Standing) Number of shares of the Company

Apr. 1982 Joined the Company Dec. 2010 General Manager of Administration Dept., Advanced Materials Div. Jun. 2012 General Manager of Legal & General

Jun. 2014 Executive Office Senior Deputy General Manager of Materials Div

Mar. 1988 Registered as a certified public

Aug. 2003 Partner of ASAHI & Co. (current KPMG

Jun. 2008 Board Member of KPMG AZSA & Co. (current KPMG AZSA LLC)

Jul. 2016 Established Yuichi Yamada Certified

un. 2017 Audit & Supervisory Board Member of

the Company (Present Position)

Public Accountant Firm

accountant

AZSA LLC)

Jun 2016 Left KPMG AZSALLC

. 2017 Senior Audit & Supervisory Board Member (Standing) (Present Position)



Yasuyuki Nakayama Audit & Supervisory Board Member (Standing)

Number of shares of the Company owned1: 3,700

Apr. 1982 Joined the Company Apr. 2012 General Manager of Administration Dept., Semiconductor Materials Div. Jul. 2012 General Manager of Semiconductor Materials Business Unit, Materials Div Oct. 2014 President and Representative Director Jun. 2016 Audit & Supervisory Board Member

Outside Audit & Supervisory Board Member

owned1: 0

Executive Officers

Isao Abe

Materials Div.

*Toru Higo

Internal Audit Dept.

Dept.,



Wataru Yoshida

Number of shares of the Company

Apr. 1975 Joined Export-Import Bank of Japan Apr. 2001 Director of Corporate Finance Department of Japan Bank for International Cooperation (JBIC) (which was formed as a result of integration between the former Export-Import Bank of Japan and the former Overseas Economic Cooperation Fund) Nov. 2002 Director of Personnel Department of

Oct. 2004 Executive Officer for Asia and Pacific

Region of JBIC

Apr. 2007 Senior Executive Director of JBIC

(Standing) (Present Position)

Sep. 2008 Resigned from Senior Executive Director of JBIC

Feb. 2009 Corporate Advisor of Marubeni

Corporation Mar 2016 Corporate Advisor of NIPPON STEEL CORPORATION (which was NIPPON

STEEL & SUMITOMO METAL President and Representative Director of Nippon Usiminas Co.,Ltd.

Jun. 2020 Audit & Supervisory Board Member of the Company (Present Position)

Executive Officers

An asterisk indicates the officer is also serving concurrently as a director

President

Yuichi Yamada

Member

owned1:0

Outside Audit & Supervisory Board

Number of shares of the Company

*Akira Nozaki

Senior Managing Executive Officer

*Hiroshi Asahi

General Manager of Mineral Resources Div.

Managing Executive Officers

Masahiro Morimoto

General Manager of Finance & Accounting Dept., in charge of Secretarial Dept., Purchasing Dept., Information System Dept.

Shuichi Yasukawa

General Manager of CSR Dept., in charge of General Affairs Dept., Public Relations & Investor Relations Dept.

Fumio Mizuno General Manager of Engineering

Atsushi Kaikake General Manager of Safety & Environment Control Dept., in charge of Quality Assurance Dept.

*Nobuhiro Matsumoto General Manager of Non-Ferrous

Metals Div.

Takahiro Kanayama General Manager of Personnel Dept., in charge of Human

General Manager of Battery

General Manager of Corporate

Planning Dept., in charge of Legal

Ryoichi Sato

enior Deputy General Manager of Mineral Resources Div.

Kazunori Takizawa General Manager of Advanced

Materials Div

Hiroshi Yoshida

Senior Deputy General Manager of Non-Ferrous Metals Div.

Masaru Tani

Senior Deputy General Manager of Mineral Resources Div.

Hitofumi Okubo Senior Deputy General Manager of Engineering Div.

Kouji Sakamoto Senior Deputy General Manager of

Battery Materials Div. Shuichi Ogasawara

General Manager of Technology Div

Hiromasa Oba

General Manager of Besshi-Niihama District Div

Katsuva Tanaka

Senior Deputy General Manager of Battery Materials Div. Masaru Takebayashi

General Manager of Toyo Smelter & Refinery, Non-Ferrous Metals Div.

Sustainability at the SMM Group Management Approach

■The Social Responsibility of the SMM Group

With the stable supply of non-ferrous metals and materials as our mission, the SMM Group must fulfill its social responsibility, meeting the conditions of a greatly changing society. To do that, it is vital that we strive to improve our corporate value by achieving continuous growth in our business and by promoting the Group's social responsibility. In these initiatives, it is essential to thoroughly enforce internal control and oversight. Important business execution decisions are made at meetings of the Board of Directors in order to carry out a balanced approach to executing these corporate activities.

■ Committees and Framework

Corporate Value Enhancement Committee

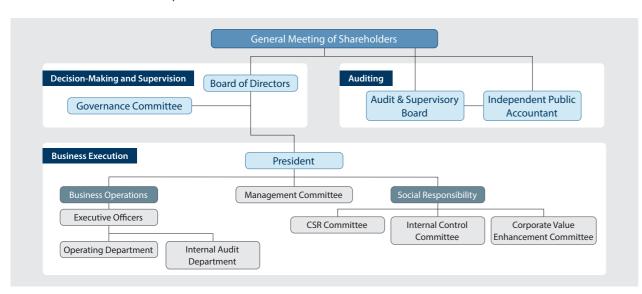
In our Mineral Resources, Smelting & Refining, and Materials businesses, the SMM Group positions projects in excess of a certain investment value and expected return value as large-scale projects.

We categorize these large-scale projects under the labels "Sowing," which spans from narrowing down projects to selection; "Planting," which covers determination of the project organization to completion of construction for the project; "Nurturing," which ranges from the start of production to achievement of the design capacity; and "Harvesting," which covers ongoing verification of the project through full production. For each of these, the Corporate Value Enhancement Committee takes the lead in receiving status reports on project progress and offering on-the-spot counsel and instruction.

The Corporate Value Enhancement Committee is chaired by the president. General managers and deputy general managers of business divisions, the General Manager of the Technology Div., the General Manager of the Engineering Div., and the heads of related operational divisions in the Head Office serve as committee members, holding regular meetings twice a year.

Internal Control Committee

To enforce thorough internal control and oversight of initiatives for boosting corporate value, we work primarily through the Internal Control Committee to build, maintain, and improve internal control systems in our Group. The creation of internal control systems for the proper and efficient execution of business leads to enhanced legal compliance, efficiency, and transparency in management. We view internal control systems as vital tools in securing the sustainable growth of our Group and are working to strengthen initiatives through the Internal Control Committee.



The committee operates with the president as chairman, the executive officer supervising the Internal Audit Dept. as the vice-chairman, and the general manager of the Internal Audit Dept. and other heads of related operational divisions in the Head Office as committee members.

CSR Committee

To pursue our social responsibility, the SMM Group deliberates material issues mainly through our CSR Committee. Meeting twice a year, the CSR Committee is chaired by the president, with the CSR executive officer participating as deputy chair, the general managers of divisions, the General Manager of the Technology Div., the General Manager of the Engineering Div., and the heads of operational divisions in the Head Office as committee members, and the CSR Dept. as secretariat.

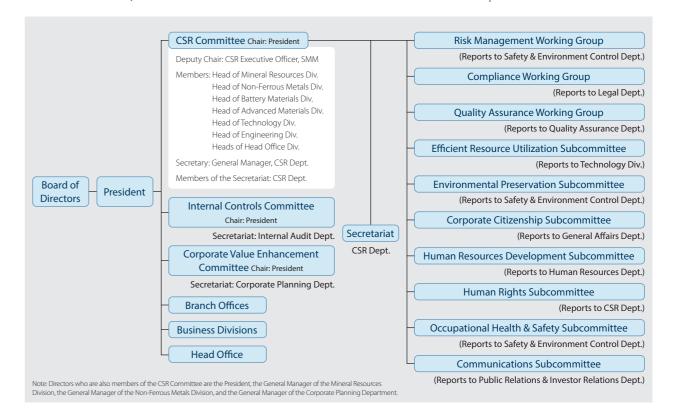
Specifically, we deliberate and decide on CSR policy, material issues, and proposals to modify the Vision for 2030. In addition, we also discuss and finalize indicators for evaluating our progress toward the Vision for 2030 and important matters regarding CSR activities, such as those in our annual CSR activity plans. Other activities include regular evaluations of CSR activities and the launch of corrective measures, as well as the provision and exchange of information regarding the promotion of CSR activities, explanations of important issues, sharing of understanding, and deliberating important issues concerning CSR activities. We continue such initiatives with the goal of sustainable co-existence with the global environment, as set forth in the SMM Group Corporate Philosophy.

Attached to the CSR Committee are three working groups—the Risk Management, Compliance, and Quality Assurance Working Groups—and seven subcommittees, including the Efficient Resource Utilization Subcommittee, that address material issues. The seven subcommittees and three working groups are under the jurisdiction of the relevant divisions, and draft and execute annual targets and plans in line with the KPIs set for each material issue.

The CSR Committee reviews activities in each area based on reports from working groups and subcommittees. Reviews include activity progress reports and activity plans for the next fiscal year, evaluations of the Group's environmental, social, and economic performance, the execution of corrective measures where necessary, and the implementation of our PDCA (Plan-Do-Check-Act) cycle.

CSR Policy

- 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.
- SMM shall promote sustainable co-existence with society by respecting the needs of the local communities in which we operate around the world.
- 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.
- According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents.
- SMM shall strengthen communications with all stakeholders to build healthy, trust-based relationships.



SUMITOMO METAL MINING CO., LTD. Integrated Report 2020

The SMM Group's corporate activities are based on compliance. We believe in going beyond just complying with laws, regulations, Articles of Incorporation, and our own rules, and working to fulfill the moral and social responsibilities demanded of us as a member of society through corporate activities. We continue to advance various initiatives based on this approach.

■ Promotion Framework

The president is the person responsible for compliance initiatives and he appoints an executive to take charge of implementation.

Compliance is promoted through management lines at each site and its basic components are (1) executing operations based on compliance with laws and regulations, (2) picking up any issues concerning compliance, and (3) carrying out education and fostering awareness of legal compliance.

Compliance is managed according to our internal basic compliance regulations. We have established the Compliance Working Group (WG) under the CSR Committee to promote and improve that management. The Compliance WG provides and exchanges information, and discusses policy and key measures concerning the promotion of compliance.

■ Initiatives

Initiatives to Take on Issues and Provide Improvements

In FY2019 we formulated the following Group-Wide Compliance Goal and compliance priorities, and promoted initiatives to reach these in each department.

FY2019 Group-Wide Compliance Goal:

Prevent compliance violations that may seriously damage business. Compliance priorities:

- Communicate to all employees a consistent approach to our compliance and strive to further enhance the ethical mindset of each individual employee.
- 2 Foster an organizational culture that emphasizes compliance, especially among business site general managers, and strive to create workplaces that make it easy for employees to
- 3 Identify and thoroughly comply with laws and regulations directly related to the protection of lives and physical safety.

Also, the Compliance WG was convened in FY2019, confirming the following.

- •The results of checking FY2019 compliance status show that there were no serious legal or regulatory violations, including cases of corruption or breaches of the Antimonopoly Act, regarding the environment, products, service, or marketing.
- Issues revealed through analysis of the results of a compliance themed employee awareness survey implemented in February 2019, and future measures to solve these issues have been shared.
- •The current system for reporting compliance violations has been revised to encourage swift reporting from a crisis management perspective and to enhance measures aimed at preventing the reoccurrence of similar situations, and details of the new system have been
- Progress is being made toward achieving targets set by each department in accordance with the Group-Wide Compliance Goal and compliance priorities for FY2019.

To address the risk of serious violations of the law in our Group, we have established the following company regulations and are working to prevent legal violations.

- Regulations on insider trading prevention and information management
- Regulations on the safeguarding of personal information
- Export administration regulations
- Regulations for the prevention of bribery
- Regulations for observance of competition law, etc.

Compliance Employee Awareness Survey

In February 2019, we implemented a compliance themed employee awareness survey. Analysis of the results of this survey revealed issues that need to be addressed going forward. In addition to implementing measures that will prevent the occurrence of compliance violations that might have a serious impact on our business, we will also implement measures to create workplaces that can respond appropriately to any compliance issues in terms of organization and in accordance with internal rules.

Compliance with Competition Laws

In April 2019, the SMM Group formulated its Basic Policy for Compliance with Competition Laws and we have established regulations for observance of competition law based on this policy, which indicate the duty of its officers and employees to prevent acts prohibited under those laws through efforts such as refraining from conducting unfair transactions or making a prompt report to their superior or otherwise taking necessary action when they discover potential violations of those laws. Additionally, we have created a Competition Law Compliance Manual that explains the content of the basic policy and regulations in an easy-to-understand manner, with a focus on acts that violate competition laws and points to be aware of when conducting everyday duties.

Hotline (Speak Up System)

In situations where problems or doubts under the SMM Group Code of Conduct occur, and consultation with superiors fails to bring forth an appropriate response, employees are able to use the internal reporting hotline (Speak Up System) to directly report the matter to: (i) in-house liaisons which are the general managers of the Legal Department, the Safety & Environment Control Department, and the Internal Audit Department; or (ii) outside liaisons which are designated attorneys. The source of the information is always kept secret and if, for any reason, the informant is treated unfairly, the person who initiated the unfair treatment will be punished appropriately.

In FY2019, there were 10 cases brought up through the SMM Group hotline (Speak Up System). Broken down, these were five cases involving harassment, four cases involving human resources and labor management, and one case involving a relationship with a business partner. Each of these consultations was handled appropriately.

■ Participants of Compliance Education (FY2019) ✓

Type of seminar	Target	Participants
Compliance seminar for general managers Compliance seminar for officers	Officers	48
JCO Study Center training Introductory training for new employees Seminar for newly promoted employees (section managers, E-class, S-class)	Employee	552

See next page for SMM Group Code of Conduct

SMM Group Code of Conduct

All officers (including executive officers) and staff (including fixed-term and temporary employees) shall, in accordance with the corporate philosophy of the SMM Group, comply with the following Code of Conduct.

1. Compliance: Abidance by Laws and Rules

- We will comply with foreign and domestic laws and rules, and conform to social norms.
- We will never under any circumstances commit an infraction of the law or act counter to social norms, even if doing so would seem to be in the company's interests.

2. Respect for Individuals

- We will accept diversity and respect the individuality and rights of people.
- We will never violate human rights, engage in discriminatory conduct, or contribute to such conduct.

3. Assurance of Health and Safety

 We will give highest priority to ensuring the physical health and safety of all persons affected by our operations.

4. Development of Human Resources

 We will strive not only for personal self-improvement, but also to nurture successors through systematic training and by providing various opportunities in the course of work.

5. Risk Management

• We will strive to identify risks, prevent their occurrence, and if risks occur, minimize the effects.

6. Adherence to a Progressive Stance

 We will approach our jobs with a positive and progressive attitude suitable to the creation of technologies and systems in the vanguard of changing times.

7. Respect for Teamwork, Promotion of Good Communication

- We will place high value on teamwork, in the form of cooperation both with other organizations and with fellow workers.
- We will strive to create a cheerful and broadminded corporate atmosphere conducive to the smooth transfer of required information and the timely performance of reporting, liaison and consultation.

8. In Harmony with Society and Local Communities

- As members of society, we will participate in social contribution activities in accordance with our personal beliefs.
- We will strive toward a harmonious and mutually beneficial relationship with local communities.

9. Separation of Corporate Business and Personal Affairs

 We will at all times conduct ourselves based on sound judgment, and make a clear distinction between corporate business and our personal affairs

10. Collection, Management and Usage of Information

- We will collect information swiftly, properly and lawfully, manage it appropriately, and use it effectively.
- We will utilize information acquired in conjunction with corporate business expressly for that purpose only, and will not leak such information to any third party.

11. Handling of Intellectual Property

- We will nurture and maintain conscious recognition of the importance of intellectual property as a vital asset of the Group, and strive toward the creation of such property.
- We will strive to properly protect and effectively use all corporate intellectual properties; we will also respect intellectual properties of other parties.

12. Assurance of Quality

- We will continuously improve quality management systems and provide products and services that satisfy customers.
- We will enhance technologies and seek to engage in manufacturing that takes into account customers' safety and their environment.

13. Stance toward Performance of Sales and Purchasing

 We will comply with competition laws and conduct sales and purchasing activities based on fair competition.

14. Stance toward Entertainment and Gifts

- We will entertain and present gifts to others, and accept entertainment and gifts, within the proper limits of both the law and social acceptability.
- We will comply with laws against bribery and will maintain healthy and proper relationships with government and political organizations.

15. Severance of Relationships with Socially Disruptive Forces

 We will staunchly eliminate socially disruptive forces and have no relations whatsoever with them.

16. Concern for the Global Environment

 Taking into consideration climate change and biodiversity, we will act in a manner enabling us to contribute to the resolution and/or improvement of resource, energy and environmental problems of global scale.

17. Attitude in the Performance of Global Business Activities

 We will strive to interact with people in the countries or regions where we undertake business and engage in conduct that respects local culture and practices as well as globally accepted norms and their spirit.

A Foundation Supporting the Creation of Value

Environmental Management

■ Approach

The SMM Group handles a large number of chemical substances in its corporate activities. For that reason, we face the risk of exerting undesirable effects on the local environment in the event that an accident does occur. On the other hand, we believe that we can contribute to the resolution of social issues, such as climate change, through the supply of our material products.

■ Policy

We have positioned environmental conservation as one of our priority CSR areas and established an Environmental Preservation Subcommittee under the CSR Committee to further initiatives aimed at achieving the Group's Vision for 2020. In FY2019, we formulated our Vision for 2030, which covers even further into our future.

■ Framework

Setting of SMM Group Environmental Targets

At the SMM Group, the president, in whom ultimate accountability resides, sets annual SMM Group Environmental Targets by taking into consideration environmental risks and opportunities for contribution. Acting on these targets, business sites and companies in each business division implement environmental management systems based on the ISO 14001 standard, with the Safety & Environment Control Department as the secretariat providing cooperation, support, and functional direction.

Operation of Environmental Management Systems

Under the SMM Group Environmental Targets, business sites and companies under each business division effectively operate environmental management systems and implement associated initiatives. For those systems, which form the basis of our environmental preservation and improvement activities, we have acquired ISO 14001 certification at our Head Office, branches, and all of the manufacturing sites and sites responsible for closed mines under the SMM Group. In addition, new manufacturing sites are required to promptly acquire that certification as well. Also, regarding risk management, we have linked our Group's own risk management systems to our environmental management systems and are working to prevent significant environmental accidents.

Initiatives

Climate Change Measures

The SMM Group recognizes that measures in response to climate change are one of the highest-priority issues for corporations. As such, we are conducting initiatives to reduce greenhouse gas (GHG) emissions. More specifically, we are working toward reducing indirect GHG emissions by expanding our business in battery materials and other products contributing to a low carbon society, reducing energy consumption per unit based on the Japanese Energy Conservation Act, and reducing direct GHG emissions largely through the use of renewable energy. With respect to measures against climate change by the SMM Group, every year, we respond to the questionnaire on climate change issued by the CDP.

In February 2020, we became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). Also, in Vision for 2030, climate change is one of the 11 material issues we are working to resolve by 2030 and we have set KPIs accordingly (See Special Feature 1: Formulation of the SMM Groups Vision for 2030 on p. 27).

CDP

NGO established in the UK in 2000 that operates a global information-disclosure system for managing environmental impact.

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When constructing the refinery, we sought adequate dialogue with the Philippine government, local authorities and local citizens right from the planning stage. Efforts were made to construct a plant that would have a minimal impact on the environment. For example, a pier used to deliver sulfuric acid and methanol to the plant was made to circle around the coral reef, and wastewater outlets were also positioned to ensure the reef's protection.

CBNC began operations of the refinery in April 2005 based on a design certified by the DENR, and was followed by THPAL in October 2013. The refineries have set up Environmental Management Offices (EMO) as bodies to promote environmental initiatives in operations. Besides environmental surveys by the EMO, the environment is monitored by a team of representatives from organizations such as the DENR, local authorities and NGOs which carry out regular sampling of the air, water, flora and fauna. With this sort of environmental monitoring, we check that the construction and operation of plants do not have serious impacts on the ecosystem, while keeping environmental impacts from wastewater and other factors to a minimum.

■ Tackling Global Warming Through the Supply of Materials

of energy.

contribution to energy efficiency.

The SMM Group sees supplying manufacturers in Japan and overseas with specialty materials to support the functions of products with a low environmental impact to be one of its contributions to a more sustainable society. By focusing on energy-related materials, the SMM Group is expanding its business in domains related to the creating, storing, and saving

In the energy creation domain, we provide nickel oxide powder, which is used in the electrodes of solid oxide fuel cells (SOFC). Fuel cells are clean and highly efficient power generation systems that convert hydrogen and oxygen into electricity and heat, and their use is expected to grow as plans to promote them are being formulated in countries all over the world.

In the energy storage domain, we are contributing to the realization of a mobile society with low environmental impact by engaging in the supply of high-quality nickel-containing materials for cathodes used in the batteries required by electric-powered vehicles, such as EV and hybrid vehicles. In the auto industry, initiatives to suppress greenhouse gas emissions are being promoted globally, and demand for these kinds of vehicles is growing greatly as a result.

In the energy saving domain, we are manufacturing functional inks, such as cesium tung-

sten oxide (CWO) to block solar radiation. Films with these inks are applied to glass, included

contained in sunlight, therefore greatly reducing temperature increases. Currently, these are

being widely used in vehicle windows, building windows, and semi-transparent roofs when

design or allowing daylight in is an important consideration, and are making a significant

in an interlayer film, or kneaded directly in polycarbonates, to block the near-infrared rays



Prevention of Significant Environmental Accidents

Accumulation sites for the waste rock, tailing, and deposits produced by mines may cause major damage should they collapse. We evaluated the earthquake resistance of the 42 accumulation sites that the SMM Group manages in Japan, and since FY2014, we have been pushing forward with stabilization work for facilities judged to require countermeasures. In FY2018, we completed that stabilization work for all of the facilities that we scheduled it for. We will continue to manage these sites to ensure their stability.

Significant environmental accidents not only impact the environment, they also have a direct link to the lifestyles and interests of communities, and potentially cause us to lose the trust that forms the premise of our business continuity. Through means such as examining the environmental risk of new businesses and regularly revising the significant risks involved, methodically updating old equipment and bolstering our monitoring and emergency response efforts, we are endeavoring to prevent significant environmental accidents and alleviating their impact in the event that they occur.

Moreover, in FY2019, we experienced no significant spill accidents.

■ Overview of Initiatives

REACH Regulation

	Main Initiatives	FY2019 Achievements and Issues
Climate Change Measures	We are reducing indirect GHG emissions by expanding our business in battery materials and other products contributing to a low carbon society, reducing energy consumption per unit of production based on the Japanese Energy Conservation Act, and reducing direct GHG emissions largely through the use of renewable energy.	We have achieved the targets for climate change measures set in our Vision for 2020, including expanding our business in products contributing to a low carbon society. We will now move forward with initiatives for realizing our Vision for 2030. We have also declared our support for the TCFD. Information disclosure is moving forward.
Reduction of Environmental Impact	We are working to reduce the environmental impact of our development efforts, operations, and product use in order to minimize any undesirable direct or indirect impact on biodiversity. We also carry out activities such as monitoring ecosystems and planting trees.	Initiatives for controlling emissions, such as chemical substances, in line with our Vision for 2020 have proceeded as planned. Going forward we will further reduce hazardous chemical substance emissions volumes and continue with efforts such as greening activities.
Management of Chemical Substances	When a business site intends to handle a new chemical, it conducts a preliminary study that covers hazard statements and other applicable information, and deliberates on safety in a meeting at the business site before deciding whether to adopt the handling of said chemical. We also provide customers with information on SMM Group products using safety data sheets (SDS), regardless of whether or not we are legally obligated to do so.	We will continue to practice safe and reliable chemical substance management through our supply chain to ensure such substances are handled appropriately, as well as provide information on products.
Prevention of Significant Environmental Accidents	We evaluated the earthquake resistance of accumulation sites at closed mines, and from FY2014, we carried out stabilization work for facilities judged to require countermeasures, which was completed in FY2018.	We will continue to manage accumulation sites at closed mines to ensure their stability. Also, we will continue to reinforce and improve equipment and infrastructure to address increases in sources of natural risk.
Effective Use of Water Resources	We implement various measures (water stewardship) that are considerate of the local communities and environment in the water areas that we use and that use the water responsibly and effectively.	We implemented initiatives that prevented overdrawing by strengthening water management and encouraging reuse and recycling. We disclose information related to the Group's water management through CDP's Water Security questionnaire. Going forward, we will implement various measures to further streamline our use of water resources.
Enforcement of Compliance	In addition to providing education on environ- mental laws, each year we hold seminars on laws and regulations for personnel in charge of the environment at business sites. We also gather information in a range of areas such as legal amendments, including those for overseas regulations covering areas like the	We will continue to provide education, including through e-learning, on matters such as environmental laws and chemical substance management, as well as seminars on laws and regulations. We will also maintain the necessary knowledge and capabilities to ensure thorough compliance through the gathering and sharing

of information on legal amendments.

REACH Regulation

The Regulation on Registration,

In June 2019, we released information

regarding our tailings dams in Japan and overseas through our website.

https://www.smm.co.jp/E/csr/

activity_highlights/environment/

pdf/190611_tailingscertificate.pdf

An EU regulation concerning the registration, evaluation, approval, and limiting of chemical substances.

For more details see

2020

P.2~4

Coral transplanting by CBNC

Evaluation, Authorisation and Restriction of Chemicals.

Sustainability Data P.112~115

• Supplementary ESG Data Book

Risk Management

■ Policy

The SMM Group engages in risk management (RM) under the following Six Principles established for Maximizing Corporate Value.

- 1 Compliance is the foundation
- 2 The organizational leader confronting the risk is the responsible party
- 3 Awareness of risk must be shared among all parties involved
- 4 Adopt an RM approach in daily work
- 5 Recognize that risks can materialize
- 6 Coordinate risk responses with other management systems

■ Framework

Risk Management Framework

The president as the person with the ultimate responsibility for risk management at the SMM Group formulates RM policy as a part of his fiscal year policy. Based on this policy each business site formulates a fiscal year RM action plan and conducts RM activities. These activities are checked and reviewed by RM internal audits and RM patrols. For major risks that would cause serious damage if they materialize and require action across the entire SMM Group (SMM Group-Wide Serious Risks), a group-wide Crisis Management Framework has been built to appropriately respond to the damage and impact of these risks. Through repeated training we are enhancing our ability to respond to such situations.

These activities are in place as the SMM Group RM system (RMS).

See Special Feature 2 for a risk management diagram on p. 30.

■ Initiatives

Individual Risks and Daily RM Activities

Daily RM activities in each site as part of usual work tasks involve identifying and assessing individual potential risks, according to the change in the circumstances, and taking the appropriate action. These activities identify the <u>risks</u>, shown on the left, at each site, resulting in more than 1,400 individual risks currently registered in the RM system. On a daily basis, as a means of reducing risk, in cases whereby there are changes to the environment and conditions that serve as prerequisites for identified risks, such as business environments, work environments, people, equipment, work procedures, and quality standards, these registered risks are reviewed and updated, or new risks are added. A periodical risk review is also undertaken during the RM Promotion Campaign every September.

The FY2020 RM Policy and Activities

The FY2020 RM policy is the same as that prescribed in FY2019, "Identify and address risks that hinder executing the business plan and reaching its goals as usual work." Meanwhile, the key RM activities are prescribed as "The business plan and risk countermeasures will be revised as appropriate using a PDCA cycle taking into consideration changes impacting execution of the business plan and the achievement status of business plan goals." In FY2020, a particular risk hindering achievement of business plan goals is the risk from COVID-19 that has spread globally since its outbreak in Wuhan, China at the end of 2019. As infectious disease measures become protracted, various changes can be expected. To prevent risks from materializing as a result of these changes, or to minimize the impact or damage when they do materialize, each of these changes must be managed appropriately. Through a process of PDCA, appropriate changes will be made to the approach used thus far, and after

the changes have been made their effectiveness will be evaluated and further changes made as necessary.

In tandem with the infectious disease measures, activities are being led by top management to prevent issues such as compliance breaches, environmental accidents, occupational accidents, and quality issues, to ensure success and achievement of goals in new business and projects.

Other RM Activities

Each site enacts measures against natural disasters, such as earthquakes, tsunamis, floods, soil liquefaction, landslides, and volcanic eruptions, in accordance with each site's hazard level, working to reinforce buildings against earthquakes, maintain embankments, enhance drainage capabilities, add more water storage tanks, stockpile emergency rations, maintain emergency supplies. In addition, each site engages in drills to prepare for earthquakes, fires, and environmental accidents, as well as terrorism, riots, and kidnappings at overseas locations. These drills are planned to deal with problems such as lack of experience handling materials and machinery, insufficient understanding of rules and procedures, insufficient manuals, as well as to improve the decision-making abilities of members at countermeasures headquarters.

Measures for the COVID-19 pandemic included revision of the SMM business continuity plan (BCP), utilization of emergency supplies, measures to support expatriate employees and their families, limiting employee movement along with activities such as travel to and from work, business trips, postponing participation in meetings and events, working from home, and self-restraint in going out (staying at home). We will improve our risk management capacity such as by improving the manual and verifying the content of each measure such as through drills.

Information Security Measures

At the SMM Group, information technology is a key component of our management structure. Thus, we see the threat represented by cyber security risks as a management risk. In addition to the above risk management activities, we implement the following measures in line with the Cybersecurity Management Guidelines of the Ministry of Economy, Trade and Industry.

1 Defense against threats from cyberspace

We prevent external attacks on the SMM Group such as computer viruses, cyberattacks and malware by limiting the number of internet connections and taking multi-layered security measures.

2 Preventing leaks of personal information

We prevent leaks of personal information by stipulating company regulations on protecting personal information and selecting a manager responsible for protecting personal information.

3 Preventing leaks of customer, third-party and company confidential information Regarding the handling of digital files, leaks are prevented by strictly managing access to servers storing digital files, as well as by educating employees on information security. Also, particularly important information is protected by encryption.

0 (11)

Main envisaged risks:

Explosions and fires

• Legal violations

• Quality failure

Environmental pollutionNatural disasters

• Occupational accidents

• Supply chain disruptions

• Other risks include those

duct, such as fraudulent

and malfeasance.

• Damage from harmful rumors

• Violation of intellectual property

originating from moral miscon-

accounting, human rights issues,

Terrorism / abductionPandemics

Information leaks

Quality Assurance

■ Approach

The SMM Group's three core businesses—Mineral Resources, Smelting & Refining, and Materials—collaborate closely, and we are continuously improving these products and endeavoring to provide high-quality products that meet the needs of our customers.

■ Policy

To provide our customers with high-quality products, the president, in whom ultimate accountability resides, has established a Company-Wide Quality Policy and sets SMM Quality Objectives every year. Based on these standards, each business division sets forth and implements division-specific quality targets and conducts quality activities whose vector is aligned with the entire SMM Group.

Company-Wide Quality Policy

Provide quality to satisfy our customers through continual improvements of quality assurance and control systems.

- 1 Pursue quality levels that stand out from the trends of the time
- 2 Abide by laws and rules and strive to create products incorporating safety and environmental

■ Framework

Quality assurance is promoted—under the ultimate responsibility of the president—by designated officers responsible for quality assurance. Each business division develops and maintains their own quality assurance frameworks, while the Quality Assurance Department is the Head Office organization that manages quality across the entire Group and ensures a Group-wide unified approach.

Additionally, not only does the Quality Assurance Working Group—which comes under the CSR Committee—deliberate key measures for promoting quality assurance, it works to improve the Group's quality assurance frameworks through the sharing of information on progress toward departmental targets and quality control status, and reduce the number of complaints against the Company.

■ Initiatives

Improving Effectiveness of Quality Management Systems

The SMM Group has established and operates quality management systems (QMS) at each of its business sites. To effectively operate those QMS, we have been conducting activities based on the SMM Quality Standards, which constitute a summary of the ideal form of QMS at our Company. Every fiscal year, each business site sets a target level for the SMM Quality Standards prior to engaging in improvement activities, and—while assessing these activities through internal quality audits and quality audits by the Quality Assurance Department—undertakes self-assessments of its level of quality achieved as of the end of the fiscal year. The effectiveness of QMS at business sites is continually being improved by setting new targets for the next fiscal year based on the results of these assessments and then conducting improvement activities.

Additionally, the SMM Quality Standards established in FY2016 were revised in FY2019 to include factors for preventing inappropriate acts that pertain to quality and the new knowledge gained in our activities up until that point. We will continue to improve the ideal form of QMS at the SMM Group and will ensure a level of quality that will satisfy our customers.

Strengthening of Our Internal Quality Audits

We are reviewing the internal quality audits performed by our business sites and—based on the SMM Quality Standards—are implementing activities to achieve internal quality audits to identify potential internal issues from a third-person point of view and ensure that they are relayed to top management. We will also conduct audits to help prevent inappropriate acts that pertain to quality. To this end, we are holding training in various locations around Japan to nurture leaders in internal quality audits. In FY2019 we nurtured approximately 90 new leaders. In future we will progress this initiative to confirm whether internal quality audits are being implemented effectively at each business site.

Expansion of Group-Wide Quality Assurance Education

We have established a quality assurance education system so that our employees at all levels, from new employees to managers and supervisors, will be able to equip themselves with the QMS management capabilities that they need. The aim of this is to contribute to even better manufacturing and will enable employees to share their extensive knowledge and awareness of quality management.

In FY2019, we conducted an online training program, SMM Hinkaku, to give all employees at every organizational level an understanding of basic knowledge related to quality and to ensure they can use this knowledge in their work.

Disclosure of Information on Products and Services

Most items in the SMM Group product lineup are supplied as raw or processed materials for use by customers for manufacturing. Information that customers require in order to handle our products properly from safety and environmental perspectives, as well as information needed to enable them to supply final products, is basically communicated in product specifications at the time of contracting, during technical discussions and via product inspection certificates and safety data sheets (SDS), based on prior and the latest information, proprietary knowledge and necessary studies. SMM products supplied as final products to customers are carefully designed, incorporating considerations toward safety and environmental compatibility, and are only delivered after thorough trials and inspections carried out during their manufacture." We make sure that information utilized for the above is always appropriate through management systems, reviewing it based upon the latest technology, laws and regulations and demands from customers.

*1 We also conduct surveys linked to life cycle assessments (LCA) for copper, nickel, and zinc through substance-specific associations.

Communication with Customers

As for raising the level of customer satisfaction, first, we will improve methods of measuring and evaluating customer satisfaction and then work to increase customer satisfaction through effective measures after accurately identifying the issues at hand. To that end, accurate and ample communication with customers is crucial. By keeping stakeholders in mind, the SMM Group builds products with quality, improving the yield of its products and contributing to resource and energy reduction efforts.

Initiatives to Take on Issues and Provide Improvements

All employees are aligned toward our objectives and future direction and actively take part in efforts to reach targets, so we are able to achieve quality that customers trust completely. This requires decisions and implementation based on facts obtained through external and internal communication. To ensure this is done, we will continue to implement initiatives to effectively utilize our quality management system through various activities focused on the SMM Quality Standards.

Information on SMM Products Requiring Disclosure by Labeling and Applicable Products/Services

Information requiring disclosure	Applicable products/services
The sourcing of components of the product or service	All products/ services containing substances requi ing management under legislation while no such information requirement is addressed to our main products (raw materials and internally processed materials).
Content, particularly with regard to substances that might produce environmental or social harm	All products/ services containing substances requii ing management under legislation
Safe use of the product or service	All products/ services containing substances requi ing management under legislation
Environmental/ social harm from disposal of the products	All products/ services containing substances requi ing management under legislation

[Provision of Information Relating to Specifications]

We indicate product specifications requested by the customer on the order received sheet to provide necessary information to them

[Provision of Information Relating to Chemicals1

The SMM Group uses SDS, etc. to provide information on chemical substances contained in products, complying with regulations for chemical substances and usage, regarding health and safety.

[Other Initiatives]

The SMM Group also engages in transactions such as the sale of different types of lubricants to general consumers. In line with related laws and regulations, we provide information on products and services in this area through labeling, advertisements, and explanations to ensure correct understanding.

SDS (Safety Data Sheet)

A document listing information on a chemical, including the chemical substance, the product name, the supplier, hazards, safety precautions and emergency procedures.

■ Approach

For SMM Group, realizing safe, comfortable work environments where employees can carry out their work with peace of mind is a crucial managerial factor. We believe it leads to greater relationships of trust between employees and the Group and higher employee motivation, as well as other positive effects, such as enhancing recruitment and employee retention rates and reducing turnover.

■ Policy

The SMM Group's CSR Policy states, "According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents," and we are advancing initiatives that will foster a culture of safety in line with this.

■ Framework

Organizational Framework

We are building a line management framework in which the president is the person ultimately responsible for occupational health and safety and the person in charge of each business site is appointed health and safety manager of that site, operating under the guidance and supervision of the general managers of the relevant divisions. Constructive discussions on ways to improve health and safety in the workplace also take place during meetings of the Occupational Health and Safety Committee comprising representatives from both labor and management. Furthermore, the executive officer responsible for the Safety & Environment Control Department tackles occupational health and safety by providing guidance and advice to each department and each of the Group's business sites, as well as coordinating efficiently with the health and safety officer assigned to each divisions and business site in order to improve health and safety.

Occupational Health and Safety Management

In order to prevent accidents and illness caused by unsafe circumstances and behavior at business sites, we are advancing occupational health and safety measures based on the concept of hierarchy of controls. In Japan, we are building an occupational health and safety management framework as stipulated by the Japanese Industrial Safety and Health Act, and are formulating policies, targets, and plans. We are also implementing a one-year PDCA cycle and each level of the Company is working to reduce risk in accordance with their role. The business division with jurisdiction and the Safety & Environment Control Department are implementing internal audits at all business sites, patrolling each one, and we are advancing activities based on the Ministry of Health, Labour and Welfare's Occupational Safety and Health Management Systems (OSHMS) guidelines. We have business sites that have received OSHMS certification through the Japan Industrial Safety and Health Association (JISHA) accreditation method, as well as business sites that have received or are preparing to receive ISO 45001 certification (migrating from OHSAS 18001).

At overseas business sites, we are building an occupational health and safety management framework based on local laws and regulations and are implementing initiatives including activities to ensure hazard prediction, risk assessment, and the improvement of equipment are at the same level as in Japan.

■ Initiatives

Initiatives at Each Business Site Safety Initiatives at the Harima Refinery

At the Harima Refinery, which is shifting its business activities from the smelting and refining of zinc and lead to the production of nickel sulfate and battery materials, there have been no accidents among employees since July 2013. The main safety activities carried out have been "creating vibrant, open-minded workplaces by speaking openly and honestly," "prioritizing making equipment safer based on the three realities principle," and "transforming visual settings and awareness through signage and 3S (putting in order [seiri], keeping in order [seiton], and keeping clean [seisou])" activities. In order to ensure two-way participation in safety activities, we identify high-risk, unpleasant, and difficult tasks through small group discussions. After checking the actual tasks, the supervisors and on-site workers work together to make changes, such as radical upgrades of equipment or revisions to work procedures. Although we have made equipment fundamentally safer compared to before the shift in the work being done at the refinery and reduced the amount of dangerous work, we were concerned about a weakening of hazard awareness due to an increase in employees on short working hours and continued absence of accidents. Therefore, we are advancing safety activities that prevent complacency and enhance the safety-consciousness and hazard awareness of each individual employee.

Declaration of a New Era of Safety at Sumitomo Metal Mining Siporex Co., Ltd.

Due to the occurrence of many accidents involving contracted drivers falling from vehicle beds at Sumitomo Metal Mining Siporex Co., Ltd. (Siporex), in FY2019 the company declared a new era of safety and vowed to protect the happiness and safety of all partners involved with Siporex, not just employees. In order to prevent these accidents, company-wide measures have been taken, including installing fall prevention equipment in loading bays and cargo fastening areas within plants, and setting a rule that truck sideboards must be horizontally secured during loading to ensure sound footing, and these are improving safety results. Safety and occupational health activities at plants involve using past cases of serious accidents within the Group as references for ensuring thorough safety improvements. Looking at initiatives specific to each plant, the Mie Plant has identified "procedures not being followed and difficult tasks" as a significant source of accidents, and it is revising work procedures to make them highly efficient and safe. Siporex is also actively implementing various

other measures and in January 2020, it recorded two years with zero accidents at both the Mie and Tochigi plants. In regard to occupational health, the Tochigi Plant is focusing on measures to tackle dust produced during product processing, and together with the Mie Plant, all workplaces have been declared Control Class 1 workplaces, meaning they maintain appropriate levels of occupational health.



Group-Wide Activities

In FY2019, we implemented the following initiatives in order to ensure safety.

Japan

- 1) Implemented comprehensive checks to prevent serious accidents due to falls, hose disconnections and the leak of hazardous substances, etc. because of the causes of fatal accidents in plants
- 2 Encouraged on-site risk assessments in Besshi district through work observations
- 3 Improved efforts at business sites with instruction and support through patrols by individual divisions, the Besshi-Niihama District Division, and the Safety & Environment Control Department
- 4 Improved efforts through the discussion and implementation of response to risk assessment issues at meetings of health and safety officers
- 5 Innovated hazard simulation training through content that facilitates thorough awareness of and compliance with safety rules at business sites

Overseas

- 1 Improved initiatives at business sites to provide instruction through patrols by individual divisions and the like
- 2 Effectively implemented initiatives such as 10-second employee hazard prediction and activities to reduce risk through work observations and the like
- 3 Continued to bring 15 employees a year to Japan for hazard simulation training

Occupational Health Activities

- 1 Promoted activities to reduce exposure to nickel and cobalt dust and the like, led by divisions together with business sites (such as strengthening progress management by committees and others, and strengthening management of maintenance as well as improvement)
- 2 Encouraged the improvement of work environments by providing on-site instruction and support from the Safety & Environment Control Department, Besshi-Niihama District Division, and others

For more details see

Sustainability Data

P.116

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P.5~7

Hierarchy of controls

An approach for lowering risk to

tion as follows: Elimination of

source of risk -> Engineering

OSHMS

source of risk -> Substitution of

controls -> Administrative controls

-> Personal protective equipment

Source: The US National Institute

OSHMS is an abbreviation of

Occupational Safety and Health

Management System and it is a management system that aims to

improve occupational health and

through the implementation of a

PDCA cycle (Plan, Do, Check, Act),

safety levels at business sites

set of processes known as the

based on cooperation between

businesses and their workers.

for Occupational Safety and Health

acceptable levels through prioritiza-

Human Rights Management

■ Approach

The SMM Group operates on a global scale, and we believe that this necessitates the responsibility to maintain respect for human rights in our business activities at all positions in the value chain.

■ Policy

As shown below, the SMM Group has established a policy on human rights, in accordance with the SMM Group Corporate Philosophy and the SMM Group Code of Conduct.

SMM Group Policy on Human Rights

The SMM Group's policy on human rights, in accordance with the SMM Group Corporate Philosophy and the SMM Group Code of Conduct, has been established as follows.

- 1 The SMM Group will comply with domestic laws and international standards relating to human rights and encourage persons within the Group, as well as outside parties over which the Group has influence, to work toward the realization of a society without human rights infringements.
- 2 The SMM Group will not allow harassment or other incidents of a discriminatory nature within the Group and will make efforts to prevent such incidents from occurring among outside parties over which the Group has influence.
- 3 The SMM Group will not engage in child labor or forced labor and will make efforts to prevent child labor or forced labor from occurring among outside parties over which the Group has influence
- 4 The SMM Group will show other considerations to human rights in addition to items 1-3 above within the Group and in relationships with outside parties over which the Group has influence.
- **3** The SMM Group will establish appropriate measures and procedures for responding to human rights problems should they occur.
- **6** The SMM Group will identify and stay aware of the current and changing state of human rights in the world, as well as the impact of corporations in the area of human rights, and carry out awareness-raising activities and other necessary measures on an ongoing basis.

■ Framework

These initiatives are promoted with the president as the person with ultimate responsibility. While ensuring that all employees receive the necessary awareness education, we properly monitor the situation by establishing a hotline and carrying out due diligence for human rights, then quickly and appropriately handle problems when they arise.

SMM established the SMM Group Policy on Human Rights in 2010. The SMM Group has constructed a Group-wide human rights management program that incorporates a human rights due diligence framework based on the UN's Guiding Principles on Business and Human Rights. In FY2019, the SMM Group Policy on Human Rights was selected as the basic policy for 38 Group companies inside and outside Japan. We aim to build and operate a structured system to prevent and avoid complicity in either direct or indirect violations of human rights, and to make possible more appropriate responses, including access to remedies for concerns that arise.

■ Initiatives

Human Rights Due Diligence

The human rights management program covers SMM Group employees inside and outside Japan, the supply chain that the SMM Group is able to influence, and the local citizens in

areas where the Group does business (see details of supply chain initiatives starting on p. 98: Supply Chain Management).

• Human rights management program for employees

A human rights management program for employees began full-scale operation in FY2014, and in FY2019 we carried out a survey focusing mainly on harassment at six business sites and Group companies in Japan and overseas.

2 Local communities in regions where the SMM Group does business

A third party regularly assesses the <u>SDMP</u> carried out by Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation. This has allowed us to check the SDMP efforts while understanding local needs through closer dialogue with the communities.

3 Human rights management program for indigenous peoples

In February 2019, we invited to Japan the leader of the indigenous people of the northern area of Mindanao Island, Philippines and we also assisted with holding events, such as a university symposium on indigenous human rights. Additionally, we held a dialogue with this indigenous leader at our Head Office as part of efforts to understand the rights of indigenous peoples and to promote mutual understanding between indigenous peoples and business operators.

Human Rights Seminars

Human rights seminars are held regularly and include lectures, education on human rights risks for employees scheduled to be posted overseas, and human rights education as part of training when promoted. The primary objectives are to deepen awareness of potential human rights issues in the workplace and to prevent problems from occurring. These seminars are held not only for officers and managers, but also for a broader range of employees including regular employees and limited-term employees.

Also, in order to prevent every kind of harassment, each workplace runs human rights education. In addition to the above seminars, in FY2019 we newly designated December as Human Rights Month, and promoted diversity and held education on human rights companywide.

Going forward, we intend to further enhance human rights education. Education is conducted so that the manager of each business site talks directly to the employees about themes that should be touched upon at that particular site, and so that the management at each business site can communicate their thoughts to all employees.

Initiatives to Take on Issues and Provide Improvements

Issues in promoting the prevention of human rights violations include the difficulty in quantifying the results of education on the SMM Group Policy on Human Rights, further spreading the diversity promotion framework, and continuing to make employees aware of the SMM direct hotline.

In FY2019, harassment eradication initiatives were considered and put into practice at each business site and Group company. With regard to the three categories in human rights due diligence (employees, supply chain, and local communities), surveys were conducted on employees at sites where it was necessary, on-site interviews were held along the supply chain to ensure that all was going according to plan, and the direction to take for surveys of local communities around overseas business sites was considered.

SDMP

Social Development and Management Program, conducted by a company for the welfare of residents living in the vicinity of its operating area.

For more details see

• Supplementary ESG Data Book 2020

P.10

Human Resources Management

■ Approach

The SMM Group believes that the growth of each individual employee is linked to the continual growth of the Group overall.

■ Policy

Along with carrying forward the Sumitomo Business Spirit, our Group is giving all employees opportunities to boost their skills as we put effort into developing human resources and promoting diversity to deal with new business models and adapt to a changing business environment.

■ Framework

As we work to achieve our Vision for 2030, we are identifying specific targets and KPIs, and also providing employees with opportunities to boost their skills, with our focus categories including the fostering of the next generation of management, project leaders, and global human resources.

We aim to strengthen the management base and execute a solid growth strategy by promoting training in line with the talent required at the SMM Group. The human resources development program is composed of three components—on-the-job training (OJT) is the base, augmented by off-the-job training (OFF-JT), and self-development—and works to develop human resources by utilizing a training cycle that involves selection --> training --> assignment --> practical application --> evaluation.

■ Initiatives

Development of Human Resources

Human resources development, which has OJT by one's supervisor or senior colleagues as the foundation, is not simply the acquisition of job knowledge and skills, but also promotes growth as a person through work. In order to augment OJT, we have established abundant training programs intended to boost skill levels. Also, in order to help stimulate employees' motivation for personal growth by having them interact with people outside the Company, we send employees to management training seminars run by external organizations. We have established an environment conducive to autonomous learning for employees by enhancing our menu of courses for independent education. These courses include e-learning, correspondence classes, foreign language lessons, and the like.

Educational efforts to produce SMM's next generation of managerial human resources focus on three keywords: Cognition, the ability to understand the essence of matters and make correct judgments; Conceptualization, the ability to systematically consider, organize, and summarize matters; and Action, the ability to create and execute plans. Also, educational efforts are under way to select management candidates for leadership training at each stage.

Officers' Coaching Schools

We launched the Officers' Coaching Schools in 2014 as a program that allows Company officers and school students to mutually inspire one another and consider self-development. With a director, deputy director, and 8 to 10 students, each self-regulated school makes a report once a year (typically at the June Executive Officers' Meeting). In total, there are five schools divided into the broad categories of: project promotion, sales, corporate operations, management and accounting, and manufacturing and development technology. Every year, each school separately determines the themes they will address and endeavors to foster skills for thoroughly thinking problems through, learning cooperatively, and putting strategies into practice in the workplace.

Working Style Reform, Health and Productivity Management

Efforts to promote working style reforms began in FY2017. We strove to achieve our announced goal of having, by FY2019, an average of 1,900 hours or less per year for total hours worked. However, due to certain items being newly included in the total of work hours, the actual number came to 1,960 hours.

The purpose of the reform is not merely the shortening of working hours, but also the associated creation of new value. Our aim is to recreate a free and open corporate culture in which all employees can use their limited time effectively and engage in work with motivation. We believe that this reform is also extremely important in the development of the next generation of managerial human resources.

Furthermore, as one initiative for improving the workplace environment, we adopted a new, Company-wide work management system in FY2019. This new system allows more fine-tuned administration of working hours and greatly simplifies procedures for applying for time off and changing one's work schedule. Also, as one part of supporting flexible workstyles, we opened satellite offices and introduced a work-from-home system.

With regard to responding to COVID-19, we are prioritizing employee safety and health while implementing measures to prevent infection. To the extent possible for each business site, we are trying to continue operations, and, in order to stop the spread of infection, we adopted a work-from-home policy (in principle), mainly at offices including the SMM Head Office and the Osaka Branch, for the duration of the nationwide state of emergency declaration.

Promotion of Diversity

FY2019 diversity promotion activities adopted a broader perspective than activities to date, which had focused on female employees and employees with disabilities. We strove to become an organization that is better able to mutually recognize different values due to different generations, nationalities, and sexual orientations, as well as different values due to limitations such as childcare, family nursing care, disabilities, and treatments for disease. The objective of this commitment to diversity promotion is to translate these efforts into greater innovation by allowing a diverse workforce to fundamentally reassess conventional workstyles and ways of thinking.

We held a female employee Career Coaching School intended to transform the awareness of female normal-track employees. And we fully revised educational materials to instill the thought of normalization of employees with disabilities, to support their retention, and facilitate understanding of reasonable accommodation of them.

With regard to child rearing, our approach is one of supporting efforts to raise the next generation. We held seminars promoting the participation of fathers in child rearing and also had sessions explaining our programs supporting child rearing that includes the participation of males and females both. As for nursing care, we conducted a survey with a questionnaire on the subject in order to assess families' current situations and to help with designing future measures. Furthermore, based on the idea of promoting diversity, there are no distinctions or differences due to sex, nationality, or age in our Group's compensation system.

Initiatives to Take on Issues and Provide Improvements

In order to enhance internal communication, we are fostering in-house instructors with training on coaching, while also embracing measures to draw out the enthusiasm and potential of every employee though stronger relationships between supervisors and subordinates. In terms of human resources development, we are refining our system of selective training and also strengthening cultivation of our next generation of managerial human resources. Additionally, we are providing self-development opportunities suited to the needs of employees as we support them in the pursuit of self-initiated learning.

For more details see

Sustainability Data

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Supply Chain Management

■ Approach

In response to growing social demands related to human rights issues in the sourcing of minerals and avoiding complicity in human rights violations in the supply chain, the SMM Group has a duty as a resource company to actively address these issues. We believe, as a group with global operations, we must undertake our business operations responsibly by respecting human rights in every aspect of our supply chain.

■ Policy

Given its business operations around the world, the SMM Group absolutely requires initiatives geared toward sustainability in its overall supply chain. According sufficient consideration to human rights and the environment impacts our ability to conduct our projects and businesses smoothly.

The SMM Group Policy on Human Rights stipulates the consideration to be given to human rights not only within the Group but among outside parties over which the Group has influence. We are working to meet these considerations (see SMM Group Policy on Human Rights on p. 94).

Regarding mineral sourcing, we have established a SMM Group Responsible Mineral Sourcing Policy to clarify our stance toward fulfilling our social responsibility as a company with core businesses of Mineral Resources, Smelting & Refining, and Materials. This policy is established with respect to the quidance of the Organisation for Economic Co-operation and Development (OECD) on mineral sourcing.

■ Framework

Sustainability initiatives in our overall supply chain are executed by the executive officer in charge of CSR, under the ultimate responsibility of the president. The initiatives are promoted by a Human Rights Subcommittee made up of members from business and corporate divisions.

■ Initiatives

Human Rights in our Supply Chain

The SMM Group engages in close exchange of information with our partner companies at mines where we hold interests in addition to the mines and business sites that we operate, and takes due consideration to prevent human rights violations.

Establishment and Publication of SMM Group Responsible Sourcing Policy

The SMM Group Responsible Sourcing Policy was established and announced in April 2020 to clarify our Group stance toward building a sustainable supply chain that takes into consideration social issues such as human rights and environmental issues in all aspects of our sourcing activities, not only mineral sourcing. Not only do our Group officers and employees thoroughly comply with this policy, we are working to ensure all our suppliers also understand this policy.

Responsible Mineral Sourcing

Minerals mined from the Democratic Republic of the Congo and nine surrounding countries (tin, tantalum, tungsten and gold (3TG)) are subject to tighter regulations as "conflict minerals" that serve to fund armed groups and child labor, forced labor and other human rights violations, and supply a catalyst for the expansion and prolonging of conflict. In recent years there have also been initiatives launched related to non-3TG minerals such as cobalt, copper and nickel, including the Responsible Minerals Initiative (RMI) and the London Metals Exchange (LME) position paper.

To ensure that the smelting and refining of gold in our business does not make use of these conflict minerals, in FY2012, we began operating in accordance with the Responsible Gold Guidance of the London Bullion Market Association (LBMA) and undergo periodic audits by a third-party organization. We have also begun operating in accordance with the Responsible Silver Guidance of the LBMA with respect to silver since FY2018.

Moreover, we are establishing systems to conduct due diligence for cobalt, copper and nickel based on the SMM Group Responsible Mineral Sourcing Policy and with respect to the OECD guidance on mineral sourcing.



LBMA Responsible Gold Certificate

SMM Group Responsible Mineral Sourcing Policy

Pursuant to the SMM Group Policy on Human Rights, we do not buy minerals that may be associated with human rights violations such as child labor or forced labor, environmental destruction, illegal mining, or corruption, or minerals that may be used as a source of funding for armed groups or other such organizations. We respect the guidance established by the OECD regarding mineral sourcing, and we exercise appropriate influence over suppliers as we work for responsible mineral sourcing throughout the entire supply chain.

Cooperation with Suppliers

Every three years since 2015, our Mineral Resources, Smelting & Refining, and Materials divisions, in cooperation with the Purchasing Department, ask about 60 of our largest suppliers by annual transaction value to respond to a triennial questionnaire on human rights. Based on the results, the divisions and the Purchasing Department select companies as targets of inspection, and make visits to survey the companies. The survey we conducted in 2019 turned up no problematic suppliers.

When entering into a business relationship with new mining companies that are suppliers to our smelting and refining business, we perform environmental due diligence (environmental DD) to assess how those companies carry out environmental management. In FY2019, there were no new suppliers for which we conducted environmental DD.

Furthermore, since the occurrence of accidents at any time during the development of a mine creates the risk of significant environmental impacts, we work with our partners to mitigate environmental risks even at mines we do not operate, such as mines in which we hold an interest.

Initiatives to Take on Issues and Provide Improvements

In relation to promoting the preservation of biodiversity, we have set forth as targets: the verification of the environmental impact of our portfolio companies and supply chain and the implementation of measures to reduce risks. We are currently facing the issue of implementing those measures on an ongoing basis. In 2019, we had both Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation encourage suppliers to apply measures toward the stabilization of heavy metal concentrations.

Additionally, we have improved regional living environments through hiring individuals from the communities around our business operations and developing those regions, and are endeavoring to elevate our co-existence and co-prosperity with such local communities and our bonds of trust with them.

• Supplementary ESG Data Book 2020

Responsible Minerals Initiative (RMI)

An international initiative on the responsible sourcing of minerals by the Responsible Business Alliance (RBA), an organization founded in 2004 for the purpose of promoting a common code of conduct in the world's electronic equipment industry.

London Metal Exchange (LME)

The LME specializes in trading of non-ferrous metals such as copper, nickel, aluminum, lead, and zinc. The LME trading prices for metals are used as the international pricing benchmarks for sales of refined metal and purchases of refining ores.

For more details see

P.15

Stakeholder Communication

Investor FAQs

Here we answer some questions from individual investors.

Q1. Is there a future in non-ferrous metals?

Non-ferrous metal materials together with advanced materials vital in high-speed communications, and the electrification and digitization of various fields are playing increasingly important and wide-ranging roles amid major changes in the materials industry with the rapid digitization of society, and changes in energy and technological innovation toward achieving a zero carbon future. The SMM Group is helping meet the demands of a changing society by providing non-ferrous metal materials and highly advanced materials.

Q2. What makes Hishikari Mine special?

Hishikari Mine's most impressive features are its world leading gold ore grades (approximately 30–40 grams of gold per ton of ore), its high profitability and cost competitiveness. It produces approximately 6 tons of gold annually and has remaining reserves of 163 tons and lifespan of nearly 30 years of long, stable operations, as of December

■ Approach

At the SMM Group, the following entities were identified as stakeholders that we affect, or are affected by us: customers, shareholders, employees, local communities, creditors, business partners, civil society organizations, and government agencies.

■ Policy

A specific target has been established as the SMM Group's proper objective for each stake-holder and we are advancing various initiatives in order to realize these targets.

■ The SMM Group's Stakeholders and Proper Objectives Regarding Each Stakeholder

To Customers	Be a company that accurately understands customer needs and has comprehensive competitiveness with an edge over other firms with respect to technology, quality, delivery and costs.
To Shareholders	Be an excellent entity in which to invest: one that pursues maximum corporate value through efficient management and sound governance, disburses dividends matching its business performance, and discloses information as appropriate.
To Employees	Be a company that provides a favorable work environment, clearly defines the roles of all individuals within the organization, and makes employees proud to work for it.
To Local Communities	Be a company that coexists well with its local communities and that makes positive contributions to those regions' development
To Creditors	Be a company that has earning capacity, outstanding financial strength, and trustworthiness.
To Business Partners	Be a company that possesses outstanding technological strength, places importance on integrity and trust, and is capable of co-prosperity.
To Civil Society Organizations	Be a company that is keenly alert to its social responsibilities and undertakes appropriate communication.
To Government Agencies	Be a company that implements compliance fully and makes positive contributions for the benefit of the countries and local communities where it is undertaking its projects.

■ Initiatives

Communication with Customers

One of the SMM Group's greatest strengths is our relationships of trust with our customers. As nearly all of the products handled by the SMM Group are various kinds of fundamental raw materials that have a significant effect on the performance and quality of the products manufactured by our customers, so it is crucial we maintain appropriate communication in a timely manner from the time of taking an order, through to manufacture, delivery, and follow-up after the customer has received the product. We are responding to changes in the market environment, including globalization, while also taking a long-term perspective to sincerely meet our customers' needs. In regard to new product development, we maintain close communication, not only between market-leading customers and our business divisions, but also between different organizations and employee ranks, in order to build relationships of trust.

On the other hand, recently companies in our supply chain have been showing growing interest in CSR activities and where materials and raw materials are derived from, particularly in regard to conflict minerals. We strive to communicate with our customers in an appropriate manner by disclosing information through our website and Integrated Report.

■ Communication with Shareholders

The SMM Group strives to provide our shareholders and people who are considering purchasing shares with the information we think they need in a timely, appropriate, fair, and easy-to-understand manner.

On our website, we share our growth strategy, primarily through business descriptions, business results, financial information, and 3-year business plans, as well as the progress being made on this strategy. We deliver reports to shareholder twice a year and report on financial results and the progress of management strategies.

We have also formulated an IR Policy to ensure IR activities are implemented appropriately, which is publicly available on our website. Twice a year, after the announcements of our yearly financial results and financial results for the second quarter, the president briefs institutional investors and securities analysts directly. Since fiscal 2018, general managers also give briefings on their respective divisions at the briefing after the announcement of second quarter financial results. SMM released online video of the president explaining Vision for 2030 in conjunction with its launch in March 2020, amid the COVID-19 pandemic, and also explaining the financial results for fiscal 2019, in May 2020.

We also strive to actively disclose IR information for individual investors through our website. We will continue working to win the trust and meet the expectations of all stakeholders, including our shareholders.

Communication with Local Communities and NGOs

When the SMM Group starts and continues businesses in specific areas, we think a major prerequisite to the continuation of said business is co-existence with the local community through the building of relationships of trust. A contributing factor to this is mutual understanding achieved through communication and contributions that benefit the local community. We work to raise the direct contribution we make to the local economy through measures such as recruiting from areas surrounding our business site and procuring from local suppliers, and we also contribute to improving the lifestyles of these communities, particularly in emerging nations, by providing infrastructure such as roads and ports, and building and operating public facilities such as schools, hospitals, and marketplaces. When implementing these measures, we establish opportunities for regular communication with local communities and move forward while also checking the requirements of local citizens. Additionally, twice a year we hold exchanges of opinion with the international environmental NGO Friends of the Earth Japan (FoE Japan) regarding their findings on topics such as the water quality of rivers around Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation plants in the Philippines, and we implement necessary improvement measures that reference the group's opinions and recommendations.

Initiatives to Take on Issues and Provide Improvements

The SMM Group will continue striving to share information in a fair manner with all stake-holders through transparent, timely and appropriate information disclosure carried out by releasing various reports, holding briefings, and issuing press releases. Meanwhile, in line with our goal of becoming the world leader in the non-ferrous metals industry, in March 2020 we showed our intention to achieving this with a revised company logotype, and newly developed tagline and logo. We will work to widely spread understanding and gain acceptance of this move within SMM Group and beyond. Also, in regard to our involvement in the international community, as a member of the International Council on Mining and Metals (ICMM), we comply with the ICMM 10 Principles and we also agree with the purpose of the Extractive Industries Transparency Initiative (EITI), which aims to encourage the development of countries from which mineral resources are extracted, and we support its activities. (See details of ESG Data Book 2020 on p. 13.)

Investor FAQs

Q3. Why don't you extract more gold when the price is high?

We are focused on maintaining stable and deliberate production from a long-term perspective based on our operation plan and the life of the mine. For example, at Hishikari Mine we are continuing exploration in surrounding areas as we maintain a stable production of 6 ton of gold per year. We also use the mine to develop the next generation of mineral resources technicians.

Q4. What strengths do you have in three-business collaboration?

We have a globally unique business model whereby we control every aspect of the process from possessing our own non-ferrous metal resources that we smelt and refine, right through to supplying highly advanced materials. This enables us to stably supply metals and battery materials and so on with traceability through our unique blend of high technological capabilities and possessing the raw material mineral resources.

Q5. Can you give details of your dividend policy?

The SMM Group recognizes appropriate distribution of profits to shareholders as one of our most important management issues. Our dividend policy is performance based and under our 2018 3-Year Business Plan the consolidated dividend payout ratio was raised by 5% to 35% from the previous 3-Year Business Plan ratio of 30%.

For more details see:

· Sustainability Data P.118-119

· Supplementary ESG Data Book 2020

P.11-13

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Review of Vision for 2020

Effective Use of Resources

Vision for 2020: A company that generates resources using innovative technology

Goals and KPIs	Achieve- ment Level*	Results	Future Issues
Develop and implement technologies to efficiently recover resources (low-grade/hard-to-process ores) Promote rational use of low-grade nickel ore (make nickel produced from low-grade ores 2/3 of nickel production overall)	Δ	Our ratio of nickel produced from low-grade ores to total nickel produced stayed at 57% in FY2019 due to the impact of lower produc- tion at CBNC and THPAL. We made advances with our technology for efficient recovery, but did not achieve our target volume.	Make progress with preparations for starting production for the Pomalaa Project and, from the perspective of extending the life of the CBNC plant, continue pursuing development of low-grade nickel ore processing technology.
Achieve profitability in our copper business by developing processing technologies for low-grade/hard-to-process ores	0	Developed Cu/Mo separation technology, supported operation of the Sierra Gorda Copper Mine, and carried out new process development. Maintained suitable operating conditions, improved the recovery rate on site, and contributed to lowering molybde- num content in copper concentrate.	 With regard to Cu/As separation technology, push forward technological development with the consortium of 3 non-ferrous metals companies and carry out demonstration tests using mineral processing pilot facilities. Continue joint research with Hokkaido University on the development of recovery technology using fine-particle agglomeration and aggregation.
3) Develop efficient gold mining technologies	0	Continued development of optimal mining methods at the Hishikari Mine and Pogo Mine (for the latter, interests sold in 2018).	 Survey and proceed to adopt the newest automation and remote-operation technology for achieving efficient and streamlined operations at the Hishikari Mine.
4) Participate in sea-floor resource development projects (contribute to the development of mining technologies and processing solutions)	0	Participated in an 8-company consortium for a pilot test excavating and lifting sea-floor massive sulfide deposits. In 2017, achieved the world's first successful excavating and ore lifting of sea-floor sulfides. Completed development of basic technology for cobalt-rich ferromanganese crust mineral processing by combining primary concentrating (using mineral processing technology) and secondary concentrating (using smelting and refining technology).	Devote effort to enable on-going participation and contribution to projects by JOGMEC on sea-floor massive sulfide deposits and cobalt-rich ferromanganese crust.
Develop new and effective uses for by-products Recover and market scandium from nickel oxide ore	0	Started construction in FY2017 of commercial facilities at THPAL and started commercial production in July 2018 of scandium oxide at the Harima Refinery.	Continue to increase production through operational improvements, and further boost the recovery rate. Strive to unlock demand as well.
Recover raw material for iron and steel manufacturing from nickel oxide ore (commercialize chromite and hematite)	×	Implemented hematite filtration pilot trials at THPAL; however, had to halt recovery of raw material for iron and steel manufacturing, due to problems with composite ingredients. Started on a chromite recovery project instead.	 Although we gave up on attempts to use hematite as a raw material for iron and steel manufacturing, we are pursuing development of other applications, for example as a building material.
3. Promote recycling Improve our effective use of recycled resources	Δ	Developed a process for the generation of battery raw materials by creating alloy from detoxified battery scrap, using a pyrometallur- gical process, and recovering nickel and cobalt, using a hydrometallurgical process.	• Test and verify the developed LIB recycling process in a pilot plant, then aim for commercialization.

Environmental Preservation

Vision for 2020: A company that uses advanced technologies to reduce environmental burden and contributes to preserving the global environment

Goals and KPIs	Achieve- ment Level*	Results	Future Issues
1. Advance biodiversity preservation initiatives 1) Implement global warming countermeasures ① Expand materials business for products contributing to a low carbon society (creating, storing, and saving energy) Achieve a 5-fold expansion of net sales (measured against FY2011) from materials for products contributing to a low carbon society	0	 Continued steady growth in sales of products contributing to a low-carbon society, such as battery materials (for EV/HEV batteries) and ink materials (for infrared absorbing films for buildings and car windows). FY2019 net sales of ¥129.0 billion, up 10.4-fold compared to FY2011. 	 Set new definitions and adopt a certification system for low-carbon products. Consider a method for calculating our contribution to reducing GHGs. Expand production and supply of low-carbon products, such as battery materials, and pursue development of new products.
Reduce CO ₂ emissions from operations • Continue to reduce CO ₂ emissions equivalent to approximately 1% per year (a decrease of 220 kt-CO ₂ in Japan)	0	• Made progress at each business site switching to LED lighting, high-efficiency ventilation systems, and inverters. Cut annual CO ₂ emissions by 20 kt, meeting the FY2019 target. Also, cut annual CO ₂ emissions by 230 kt (compared to FY2014) through operational changes (zinc —> nickel sulfate) at the Harima Refinery.	 Set major, Group-wide CO₂ emissions reduction targets and encourage investment (climate change scenario analysis, TCFD, internal carbon pricing, and other initiatives). Initiatives to cut GHG emissions intensity (stabilize operations, prevent equipment trouble, increase production, adopt new technology).

* Achievement Level, O=achieved, Δ =portion remaining unachieved, \times =Difficulty in achieving

Goals and KPIs	Achieve- ment Level*	Results	Future Issues
 Contribute to CO₂ emission reductions by constructing a plant using HPAL, etc., which has significant energy saving advantages over other technologies such as nickel pig iron 	0	Gathered basic test data on the construction of the HPAL plant under consideration in Indonesia (Pomalaa).	Consider construction of an HPAL plant in Indonesia and elsewhere. Extend the life and increase the efficiency of the HPAL plar in the Philippines.
③ Utilize positively renewable energy to contribute to CO ₂ emission reductions	0	- Built an approx. 2-MW solar power plant (operations commenced in August 2016) on SMM property in Kashima, Ibaraki Prefecture. After operations commenced, the expanded plant generated 3,600 MWh in FY2019. This solar power generation helped cut FY2019 CO2 emissions by 1,760 t. - From April 2017, started buying and using biomass-generated steam at the Tochigi Plant of Sumitomo Metal Mining Siporex Co., Ltd. This helped cut FY2019 CO2 emissions by 4,100 t (nearly 0.2% of the Group's overall emissions volume).	Promote power generation from renewable energy within the Group. Purchase electricity generated from renewable energy source. Make indirect contributions to cuts, such as expanding renewable energy generation in society. Combine these initiatives and continue efforts to cut CO2 emissions going forward.
Steadily develop and adopt technologies for reducing environmental impacts Implement a planned approach for reducing the emission of chemical substances	Δ	•With regard to the release of harmful chemical substances into the air and water, formulated and pursued a reduction plan. Total Group release volume of flue gas was at the same level as FY2016. Achieved an approx. 10% cut (compared to the FY2014 peak level) in the release and transfer volume of PRTR substances.	Continue cutting PRTR substance release and transfer volur Aim for major release and transfer volume cuts through or ational and process changes. Support and continue efforts to respond to strengthening regulations in each location where we do business.
② Promote to environmental preservation through forestation, etc.	0	• Carried out greening of 391 hectares to date (41 hectares in FY2019) at CBNC and THPAL.	• Continue greening projects going forward, such as tree planting in areas of the Philippines where we do business.
③ Verify the environmental impacts in our portfolio companies and supply chain companies, and implement measures to reduce risks	0	At CBNC, managed wastewater and local river water quality with our suppliers who own mines. At THPAL, integrated three systems releasing wastewater into rivers and worked toward more efficient wastewater management.	Continue encouraging ore supplying companies in the Philippines and South America to engage in environment preservation. Continue providing detailed explanations of environment improvement initiatives to local residents and other partie involved.
. Maintain our record of zero significant environmental accidents			
In Improve strength against earthquake and severe weather at closed mine sites	0	 From FY2014–2018, we checked 11 accumula- tion sites and other such areas at domestic closed mines and, using the results, carried out earth- quake stabilization and post-construction green- ing, all of which was completed without incident. 	 Accumulation sites at closed mines met earthquake resistance standards. Strive to strengthen management going forward in order to ensure stable accumulation sites.
Prevent significant environmental accidents by strengthening environmental risk management	0	Renewed pipes for hot spring water inside and outside Hishikari Mine. At smelting and refining business sites inside and outside Japan, monitored exhaust, carried out exhaust leakage prevention, boosted capacity for handling exhaust, and also improved dust control and other equipment.	Effectively improve infrastructure at each business site wh leveraging RMS & EMS frameworks.

Contribution to Society and Local Communities

Vision for 2020: A company that earns trust and contributes to regional development through our business and social contribution activities rooted in each region

Goals and KPIs	Achieve- ment Level*	Results	Future Issues
Communicate with local communities to recognize social issues in regions where we do business, and implement programs to support solutions to those issues	0	 In activities to contribute to society, CBNC and THPAL used communication with local govern- ment bodies and communities to conduct diverse activities that range from improvement of social infrastructure to other projects involved with maintaining people's livelihoods. 	 Take further steps toward dialog and collaboration with NPOs and NGOs engaged in social issues, while linking those efforts to sup- porting development of the next generation, and supporting the elderly and people with disabilities. Also, with regard to initiatives currently being carried out, we must execute measures, such as publicizing them in our in-house bulletins, to further increase par- ticipation and sustain the initiatives going forward.
Provide support for the improvement of educational infrastructure and the maintenance and development of academic activities, culture, tradition, and art in the countries where we do business	0	Communicated with local government bodies about maintaining and preserving historical structures in the Besshi district and, where necessary, appropriately carried out efforts in cooperation with Sumitomo companies. Provided support for educational and other facilities through Social Development Management Program and CSR activities at CBNC and THPAL.	Continue scholarship programs in areas where we have over- seas mines and continue advancing plans to set up and implement a domestic scholarship program in 2023.

Goals and KPIs	Achieve- ment Level*	Results	Future Issues
3. Provide support for recovery and reconstruction after large-scale disasters 1) Provide support taking into consideration the relationship between the affected area and SMM Group's business	0	Implemented suitable support in Japan for disasters according to disaster conditions and areas designated as serious disaster areas. Overseas, implemented disaster support mainly for serious natural disasters around areas where we do business.	Natural disasters due to climate change are increasing in frequency and severity. We must assess our criteria, etc. related to disaster support. Current SMM disaster support is focused on donations; however, we also need to consider support through programs that involve employee participation.
2) Provide continuous support for the people and areas affected by the Great East Japan Earthquake	0	Continued to provide donations to scholarship funds for orphans in the three disaster-affected prefectures (Miyagi, Iwate, and Fukushima). At Sumiko Energy Materials Co., Ltd., in Naraha, Fukushima Prefecture, which started operating in April 2016, we contributed to the creation of employment in an area affected by the Great East Japan Earthquake.	Continue to provide donations to scholarship funds in the three disaster-affected prefectures until 2031 (when children born during the disaster will reach age 20). Continue SMM support, mainly provided by Sumiko Energy Materials Co., Ltd., to help recovery in Naraha.

Respect for People and Human Rights

Vision for 2020: 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

Goals and KPIs	Achieve- ment Level*	Results	Future Issues
1. A company where employees can take a vibrant and active part 1) Work satisfaction Make continual improvements based on the results of employee satisfaction surveys	0	We carried out the following measures based on results of the employee awareness survey. - Expanded training on coaching, which started with business division heads and presidents of Group companies, to now include section managers. - Provided feedback on employment environment surveys (employee interviews, etc.) conducted at 17 of 24 business sites in Japan by FY2019.	Support employee activity by reassessing human resource-related programs. Switch to in-house implementation of training on coaching and provide the training to each business site. Review the current state of harassment incidents and communication challenges (as indicated in the employment environment survey) and assess the gap with our Vision for 2030, then consider and implement necessary measures.
2) Mental health ① Optimize the work environment through training and the reduction of overly long working hours	Δ	Since FY2016, total actual working hours have trended between 1,950 –1,980 hr/year. Pushed forward various work-style measures (work-from-home program, flextime, expansion of optional staggered working hours, establishment of satellite offices, etc.).	Further reduce long work hours. Fradicate harassment by further improving human rights awareness. Continue promoting initiatives such as enhanced support for life events, including child raising, nursing care, and receiving medical treatment.
② Reduce mental health afflictions in employees	Δ	 Continued to offer employee stress checks by specialized institutions, as well as education from those institutions; however, the number of employees with mental health issues remained flat. 	Through initiatives to improve the aforementioned employment environment, continue countermeasures to steadily cut the number of employees struggling with mental health issues.
2. Respect diversity 1) Female employees promoted at SMM (domestically) ① Target number of female managers: 10 or more	0	• Achieved the KPI with 11 female managers as of April 1, 2020.	 Continue support through training and exchange with women in different industries, as well as individual counsel- ing. Continue to further enhance the awareness of supervi- sors and support growth for female employees.
②Target proportion of female employ- ees in the recruitment of manage- ment track employees: 1/3	Δ	Number and ratio of new female graduates employed in 2020: 7 women, 22%. Employed 4 women in technology-related positions and, for the first time, exceeded a 20% ratio of female employees; however, we did not reach our target.	Aim to increase hiring numbers through the following measures:
Promote non-Japanese employees as key personnel	Δ	 In accord with changes to corporate strate- gies, the globalization needs for each busi- ness division diverged, necessitating changes to hiring strategies. 	Each business division is addressing globalization in its own way; however, going forward, the response by the Head Office's Human Resources Development Department must be strengthened.
Employ people with disabilities Establish and achieve an internal target for the number of employees with disabilities in the Group domestically	0	Each business site and Group company in Japan created a 2020 action plan and SMM's employment rate for people with disabilities as of April 1, 2020 was 2.41%.	 Continue hiring activities and engage in efforts to normalize the employment of people with disabilities in the SMM Group by, for example, encouraging understanding of "reasonable accommodation" among supervisors and co-workers.
4) Establish a strategy and supportive framework as a means to facilitate initiatives 1 to 3 above	0	Established a framework for promoting diversity, strengthened support for each workplace and Group company, strove for an awareness transformation (through training seminars, workshops, etc.), and endeavored to improve the workplace environment.	Continue strengthening and enhancing individual support tailored to the different knowledge, experience, and know- how of each site, Group company, and division.

* Achievement Level, O=achieved, Δ =portion remaining unachieved, \times =Difficulty in achieving

Goals and KPIs	Achieve- ment Level*	Results	Future Issues
3. Develop human resources 1) Continue the program for select employees after confirming the effectiveness of selective training initiatives	0	Continued implementing selective training, including the Executive Management Program for the general manager level and the Middle Management Program for section managers, and continued sending employees to outside training seminars.	Reassess our programs for developing the next generation of management and clarify the positioning of selective training. Strengthen encouragement of supervisor involvement, effec- tive placement of employees after training, and the like.
Develop broad-based training to boost the level of our workforce Provide training opportunities to all employees: 100% participation in training courses	0	Offered training for each group business site, established e-learning, set up web-based lan- guage learning, and reassessed correspon- dence education programs.	Continue providing education and self-development programs that are user-friendly and popular with employees, while also using IT to enhance program formats.
Enhance training for locally hired executive managers overseas	0	 Invited to Japan the upper management of Group overseas sites and continued annual Head Office training and training/observation tours in the Besshi district, Kyoto, and elsewhere. 	 Enhance the content of training from the perspective of overseas sites and continue to provide training tailored to the needs of participants.
Conduct training to promote further support for female employees	0	Endeavored to create a transformation in awareness through training and exchange with women in different industries, in addition to offering the Career Coaching School for women, and other measures. Continued offering support by providing individual counseling, creating programs for employees on maternity/childcare leave, and other measures.	Further engender awareness of fostering female employees by educating managers. Engender in female managers an awareness of becoming role models and fostering the next class of female managers. Continue discovering roles for female workers at production worksites.
4. Human rights Prevent major human rights infringements ① Hold regular education on the SMM Group Human Rights Policy: applicable to all workplaces in Japan and overseas	0	Adopted the SMM Group Policy on Human Rights at all Group companies and carried out human rights education every year at all sites.	• Enhance activities at each Group company and business site for the SMM Group Human Rights Month (December), which we started in FY2019.
② Establish human rights hotline (Speak Up System) (offering multiple means for reporting): applicable to all workplaces in Japan and overseas	0	Established a human rights and harassment hotline and the SMM Group direct hotline (Speak Up System). Every other year, carried out training for individuals in charge of the human rights and harassment hotline.	 In an easy-to-understand manner, communicate how to use the hotlines and what procedures follow a consultation; con- tinue to build a framework that facilitates more user-friendli- ness for all Group employees.
③ Make employees aware of the SMM direct hotline (Speak Up System): applicable to all workplaces in Japan and overseas	0	 Publicized the hotlines through electronic bulletin board postings and various training sessions. 	
Implement regular human rights due diligence (human rights DD) in three categories (employees, supply chain, local communities): once every 3 years	0	With regard to employees, we surveyed the human rights support structure at each busi- ness site through questionnaires (FY2016). With regard to local communities, we carried out a survey in the Hishikari district (FY2017). With regard to the supply chain, we conducted on-site interviews at four companies every year.	Strengthen initiatives for the human rights of indigenous peoples. Enhance our human rights initiatives in our supply chain.

Occupational Health and Safety
Vision for 2020: A company that accords safety the highest priority and provides comfortable working environments

Goals and KPIs	Achieve- ment Level*	Results	Future Issues
1. Ensure safety 1) Make our final target zero occupational accidents overall	×	The number of accidents in recent years has been about 15 per year (with one fatal acci- dent each in 2017 and 2019).	Measures for promoting safer equipment that prevents severe accidents • Promote equipment improvements through appropriate risk
 Reduce occupational accidents to three or fewer per year by 2020 and establish frameworks for achieving this target (Applicable to all domestic Group employees) 	Δ	Made progress with reforms of safety consciousness in top management at sites through safety patrols and instruction for newly appointed site managers. Created supervisor guidelines and started following them in practice. Used the Anzen Dojo to promote safety activities involving frontline workers.	assessments. After improving equipment, strengthen our approach to "check, act, and follow-up." Measures for engraining safer procedures in order to mitigate unsafe behavior Until full-fledged safety changes can be made, establish and thoroughly follow concrete rules addressing residual risks.
3) Halve the frequency rate of occupational accidents by 2020 (Applicable to all domestic and overseas Group employees) Reduce the frequency rate from 1.28 (CY2011) to 0.60 (CY2020)	Δ	 Occupational accident frequency rate (see p. 116) Sent safety officers to some overseas business sites and built frameworks for quickly gathering occupational accident information (on par with systems in Japan). Adopted hazard prediction training matching the on-site conditions at some overseas business sites. 	Carefully observe workplaces using the "three realities principle" and keenly monitor work tasks. Thoroughly follow basic movements. Improve cumbersome work tasks. Voluntary initiatives in consideration of the unique problems and focus issues at each site

* Achievement Level, O=achieved, Δ =portion remaining unachieved, \times =Difficulty in achieving

Goals and KPIs	Achieve- ment Level*	Results	Future Issues	
2. Provide comfortable working environments 1) Provide healthy working environments ① Achieve zero new cases of employees with occupational disease (requiring treatment) (Applicable to all domestic and overseas Group employees)	0	• In recent years, there have been no new cases of employees with abnormal findings (requiring treatment) indicated in health checkups. Every year, we survey employees with abnormal findings and continue to monitor any changes.	Continue monitoring employees with abnormal findings indicated in health checkups. Continue to proactively improve Control Class 2 and 3 workplaces.	
② Achieve zero Control Class 3 work-places (excluding locations stipulated in guidelines, etc.) and reduce Control Class 2 workplaces (Applicable to all domestic business sites)	0	Control Class 3 workplaces In work areas with dust at Toyo Smelter & Refinery, equipment improvements are difficult; however, we achieved unmanned operations by installing cameras that monitor work processes. Control Class 2 workplaces We set management targets for each business site and started efforts to reduce the number of Control Class 2 workplaces.	As with safety issues, clarify the matters indispensable to operations and continue acquiring the necessary environmentally friendly equipment. When increasing production or starting new production, establish countermeasures ahead of time in order to ensure a safe work environment. Continue gathering and sharing examples of best practices and improvement measures at business sites.	

Stakeholder Communication

Vision for 2020: A company that works to communicate transparently with all worldwide stakeholders to deepen mutual understanding

understandin	9			
Goals and KPIs	Achieve- ment Level*	Results	Future Issues	
Encourage deeper mutual under- standing with employees Continue conducting employee awareness surveys	0	Conducted 4 employee awareness surveys. Reviewed the target subjects of each survey and assessed the need for additional questions.	Continue conducting surveys while reassessing targets and questions as needed in order to accurately understand trends in employee awareness.	
Hold regular dialogues with workers' unions or representatives from employees	0	Surveyed the status of regular labor-manage- ment discussions in the SMM Group and con- firmed that regular communication is taking place.	Continue discussions and constructively giving feedback on business conditions and challenges when there are opportu- nities to meet employees, such as during briefings at the Head Office and at business sites.	
Encourage mutual understanding with local communities and citizen groups Continue regular meetings with local communities and participate in community activities	0	Although there are differences between each business site in the Group, we confirmed that the channels of daily communication are being maintained at each site.	With regard to predicting emergencies and building frameworks for risk communication with local residents, we will consider and support approaches to communication focusing on model business sites.	
2) Carry out cooperative activities with NGOs/NPOs	0	Met (twice a year) with environment and human rights NGO Friends of the Earth Japan (FOEJ) and, with regard to issues where we do business in the Philippines, as well as SMM Group initia- tives, we continued dialogues that exchanged data and interpretations on both sides.	Continue explaining Company initiatives through regular dialogues with FOEJ. Share FOEJ suggestions and advice not only with relevant internal departments, but also with suppliers; use that advice for activities including environmental protection, preventing human rights infringements, etc.	
Encourage mutual understanding with shareholders and investors Publish integrated reports and improve their content	0	Starting in 2015, we formed working groups in related departments to make preparations for publishing an integrated report, and in October 2016 we published our first integrated report on schedule. Incorporating revisions based on opinions received inside and outside the Company, the report has received a degree of acclaim, including commendations from outside the Company.	•The information disclosure demands on integrated reports, such as information on ESG investing and connections to the SDGs, are becoming more sophisticated and wide-ranging. Going forward, we will strengthen our editing structure and polish the content of our reports with a commitment to continuous improvement.	
2) Promote dialogue with investors	0	• The IR commitment of top management received a degree of acclaim from outside the Company. (2016: IR Grand Prix, Japan Investor Relations Association; 2019: selected for the 9th year in a row for Excellence in Corporate Disclosure, ranked number one in the Steel/ Non Ferrous Metal category, The Securities Analysts Association of Japan)	Continue to follow fair disclosure rules; continue to deepen dialogue on our initiatives and non-financial information—primarily with investors with medium- to long-term perspectives—focusing on our Vision for 2030 and SMM's sustainable growth story.	
4. Encourage mutual understanding with other stakeholders	Δ	Publicized the Company to students and business people with corporate ads in news- papers and on bullet trains, through support for SDG-related forums, and through active PR efforts; however, SMM's low level of recogni- tion and other factors meant that we did not communicate our true size to society.	 In FY2019, we established basic designs for the new brand image we will promote. In order to ensure that it is not a one- off initiative, we must roll out and share the brand-related PR tools to employees, as well as outside the Company, in a steady, impactful manner. 	

A Foundation Supporting the Creation of Value

Vision for 2030

Effective Use of Non-Ferrous Metal Resources

Vision for 2030: A company that generates resources through high technological capabilities

VISIOII IOI ZUSU: A COM	· · ·	hrough high technological capa	bilities
	KPIs	Current Status	FY2020 Plans
Indicators 1. 1) Advance copper mine	Goals - Strengthen production structure at JV	• Gathering information on the activities	Continue gathering information through man-
projects	mines to achieve and maintain copper production level of 300 kt/year from interests. • Achieve steady copper production level by reinforcing exploration of surrounding and deep areas in JV mines, expanding mineral processing technology, and improving operations leveraging IoT and AI.	of JV mines through management committees and technical meetings. JV mine companies are thoroughly implementing COVID-19 countermeasures and preventing the spread of infection within mine areas. Expect to be able to keep the impact on copper production levels to a minimum.	agement committees and technical meetings.
	Advance Phase 2 and later projects at the Quebrada Blanca Copper Mine	Construction of Phase 2 of the Quebrada Blanca Copper Mine is at 20% completion and has been sus- pended since March 31, 2020 due to COVID-19 pandemic response.	 Appropriately monitor the impact of the COVID-19 pandemic and decide on restarting the project. Even after restarting the project, taking appropriate risk measures due to fears of reoccurrence of the social unrest that broke out in October 2019.
2) Acquire new superior copper and gold resources	Develop new mines for which we have operatorship	Despite ongoing project appraisals, no projects have been unearthed that have reached the business evaluation stage.	Aim to acquire additional copper interests while watching the progress of the three major resource projects (Cote Gold Mine, Phase 2 of the Quebrada Blanca Copper Mine, Sierra Gorda Copper Mine)
Improve productivity by introducing new technology	Promote remote operation and unmanned operation of heavy machin- ery and information infrastructure equipment inside and outside of the Hishikari Mine	Surveyed applicable technology for Hishikari Mine and produced a road- map for equipment adoption. Determined area within the mine for developing communications infra- structure and tested adoption of Wi-Fi equipment.	Consider and implement work improvements and increased efficiency by leveraging IoT and Al such as expanding communications infra- structure to cover the entire mine, introducing a remote monitoring system for mine waste- water treatment facilities, and adopting image recognition equipment utilizing Al in ore pro- cessing facilities outside of Hishikari Mine.
Advance nickel ore projects and improve productivity	① Nickel production: 150 kt/year ② Recovery rate compared to FY2018: +2%	 Investment in Pomalaa Project was planned to be decided by the end of FY2019, however, due to various cir- cumstances no decision on investment has been made. Yield at CBNC and THPAL remained mostly flat compared to FY 2018. 	Obtain permissions for Pomalaa Project, continue business negotiations with partners, and finalize the decision on investment. Aim to further increase yield at CBNC and THPAL by raising the leaching rate and improving processes.
1) Develop technology to separate, stabilize and bleed off, and create value from impurities generated by smelting processes and mines	Develop technology to stabilize and bleed off impurities: Develop and demonstrate the process	 Participating in JOGMEC research since 2017 to reduce arsenic compounds brought into Japan as copper concen- trate impurities. Within a consortium of 3 non-ferrous metals companies, we are advancing development of tech- nology to separate arsenic. 	 Summarize 3 years of JOGMEC research and implement a demonstration experiment using a pilot mineral processing facility at our Company based on arsenic separation tech- nology obtained as a result of research.
Develop technology to cre- ate value from unused non-ferrous metal resources	 Contribute to existing (e.g. marine resource development) and new devel- opment projects) 	 Participating in and achieving results in JOGMEC sea-floor resource develop- ment projects, such as a pilot test of excavating and ore lifting of sea-floor massive sulfide deposits and develop- ment cobalt-rich ferromanganese crust (CRC). 	Continue improving mechanisms for excavating and ore lifting of sea-floor massive sulfide deposits. Proceed with development of test equipment for excavating and ore lifting, and further improving mineral processing and smelting and refining technology of cobalt-rich ferromanganese crusts.
3) Recover non-ferrous met- als from hard-to-process resources	Participate in business and technology for recovery of lithium from salt-lake water in the presence of high levels of impurities	Developing a refining process for recovering lithium from salt-lake water using an inorganic adsorbent.	Further improve performance of the adsorbent through a pilot test of lithium refining technology, and review and demonstrate the refining process.
3. Demonstrate and commercialize automobile secondary battery recycling technology	Demonstrate, commercialize, and expand scale of recycling technology that recovers cobalt from automotive lithium-ion batteries Commercialization: 2022	Process development has been com- pleted and a demonstration experi- ment at a plant is underway.	Continue the demonstration experiment and obtain engineering data for designing a bat- tery recycling unit.
4. 1) Leverage our strengths to create new products and new businesses that contribute to society	Research, develop, and commercialize new advanced materials in the fields of energy, automobiles, and information communications	Advancing systems for creating new products and businesses in the Technology Division, Advanced Materials Division, and Battery Materials Division.	Use new systems to advance: ① exploration of new themes, ② commercialization proposals of research and development themes, and ③ Vision Co-Creation Partnership with Tohoku University.
Hold raw materials in-house for favorable and stable procurement	Commercialize NiO for fuel cells follow- ing demonstration project	Started operation of pilot facilities in preparation for mass production of NiO for fuel cells in FY2019.	Continue technological development and verification of equipment at the pilot facilities in preparation for mass production of NiO for fuel cells.
3) Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials	Maintain top class global share in the expanding cathode materials market	Currently SMM has a top-class global share in battery materials, primarily NCA, and sales, mainly for electric vehi- cles, are growing every year.	Aim to maintain a top-class global share by expanding sales of low-cost battery cathode materials through collaboration with the Non-Ferrous Metals Division, which has achieved cost reductions.

Vision for 2030: A company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs)

KPIs		Current Status	FY2020 Plans
Indicators	Goals	Current Status	F12020 Plans
Reduce GHG emissions	Keep total GHG emissions below that of FY2013 and formulate a plan to reduce our emissions to zero in the second half of the century	Total GHG emissions decreased in Japan as a result of converting the business structure of Harima Refinery (halting smelting and refining of zinc) but increased overseas due to THPAL becoming operational in 2014.	1. Promote projects investing in GHG emissions reductions Follow up on projects investing in GHG emissions reductions. Consider an internal carbon pricing framework. Consider awareness-raising activities at business divisions and sites.
	2. Cut GHG emissions intensity by at least 26% compared to FY2013	With FY2013 set as 1, the GHG emissions intensity index for FY2018 was 0.92 (8% reduction).	Advance GHG emissions intensity reductions through stable operations and increased production Strengthen operations management, prevent trouble, and increase production at divisions. Study and support adoption of technologies such as IoT, AI, and the Factory Energy Management System. 2. Advance use of low-carbon energy Survey information on low-carbon energy technologies. Adopt renewable energy generation, storage batteries, LNG at divisions.
	3. Expand contribution of GHG reduction by products contributing to a low-carbon society: 600 kt-CO2 or more	• In-house calculations show the amount of GHG reduction in society by our products increased from 3,800 t-CO ₂ in FY2013 to 72,000 t-CO ₂ in FY2018.	1. Look into the definitions, certification systems, and standards of products contributing to a low-carbon society (examples of products contributing to a low-carbon society: battery materials, ink materials, copper metals). 2. Look into and evaluate the methods of calculating contribution to reducing GHG emissions in society. 3. Advance increased production of products contributing to a low-carbon society and the development of new products in divisions.

Significant Environmental Accidents Biodiversity

Vision for 2030: A company that values water resources and biodiversity, and protects the richness of the sea and land

KPIs		Current Status	FY2020 Plans	
Indicators	Goals	Current Status	F12020 Fidils	
1. Zero significant environmental accidents	Promote improvements through the use of risk management and environmental management systems	 Improved facilities according to issues at business sites. In FY2019 we had zero significant environmental accidents, but we did have minor accidents. 	Smooth implementation of facility improvements to deal with issues at divisions. Strengthen the risk management system by registering risks and the environmental management system for items of environmental significance.	
	Reinforce and improve equipment and infrastructure to address increases in sources of natural hazard	The following facilities and infrastructure have been reinforced or improved: Seismic strengthening and greening of tailings dams at closed mines. Reinforced mountainside waterways at THPAL. Reinforced the Hadeba, Niihama City wastewater treatment facility.	Evaluate risks using scenario analysis and consider matters needing addressing. Strengthen and improve facilities and infrastructure for dealing with increased sources of natural hazards at divisions (tailing dams, mine wastewater treatment facilities, etc.).	
2. Reduce emissions of hazard- ous substances (year-on-year)	Optimize water use; reduce emissions of hazardous substances to the atmosphere and water.	 Various initiatives underway such as preventing excessive water withdrawal by promoting and strengthening man- agement of recycling and reuse. 	Consider and set Group policy on optimizing water use. Strengthen measures to reduce emissions of hazardous substances to the atmosphere and water.	
	Promote various environmental preservation and biodiversity preservation activities, such as regular reforestation	 In the Philippines (CBNC, THPAL), regu- lar reforestation is ongoing and the environmental impact in our portfolio companies and supply chain compa- nies is being verified and risk mitigation measures undertaken. 	Continue to implement greening measures at CBNC and THPAL, and promote various envi- ronmental preservation and biodiversity pres- ervation activities through communication with mine companies.	

Employees' Occupational Health and Safety
Vision for 2030: A company where all employees work together with safety first the priority in a comfortable working environment as well as safe facilities and operations

KPIs		Current Status	FY2020 Plans
Indicators	Goals	Current Status	F12020 Flatis
Prevent occupational accidents	Serious accidents: zero (in Japan and overseas, including contractors). All accidents: reduce year-on-year, with aim of eventually zero.	Among all Group employees (in Japan and overseas), the number of injuries that resulted in absence from work was 11 in 2018 and 6 in 2019. These were serious accidents from facilities in an unsafe state and similar serious accidents from unsafe behaviors.	 Increase safety of facilities to prevent serious accidents (develop and use risk assessment guidelines, research and consider adoption of advanced technologies). Establish safer procedures through educating about, and giving instruction in, work observation methods. Thoroughly adopt basic and safe behaviors through education and instruction at the Ojikan Facility. Safety initiatives that capitalize on the unique character of each site.
Prevent occurrence of occu- pational diseases	Number of workplaces that present higher health risks: reduce year-on-year Occurrence of occupational diseases: zero	Control Class 3 workplaces Control Class 3 workplaces increased when increasing production or starting operation at increased volume, however this has been improved. Measures for noise are being considered for Shinko Co., Ltd., and Niihama Nickel Refinery. In other cases, improvement is ongoing and expected to reach close to zero. Control Class 2 workplaces Business site-specific management goals have been set and mitigation initiatives started.	Continue work environment improvements and effectiveness in Control Class 2 and 3 workplaces (publication of relevant examples for learning, dispatch of experts, ascertaining results of measures when appropriate, occupational health patrols). Promote progress management and support of measures that capture opportunities for collaboration with the Safety & Environment Control Center of the Besshi-Niihama District Division. Thoroughly implement and follow up on special medical examinations.

■ Diverse Human Resources ■ Development and Participation of Human Resources

Vision for 2030: A company where all employees can take a vibrant and active part				
KPIs		Current Status	FY2020 Plans	
Indicators	Goals	Current Status	F12020 Plans	
Promote working style reform and create workplaces that make use of digital technology, enabling diverse human resources to play vibrant and active roles	Improve scores for "Management by managers and superiors," "Appeal of job," and "Work environment" in employee awareness survey	•The following issues were revealed by the 2019 employee awareness survey. Management by managers and superi- ors: indirect support; Appeal of job: sense of achievement in work; and Work environment: ambitious attitude.	Consider and implement review of human resource-related systems from the perspec- tive of supporting employees in playing vibrant and active roles.	
	2) ① Number of female managers: 50 (SMM employees) ② Increase workplaces open to women and improve ratio of female employees (20% or higher at Japanese sites)	• As of March 31, 2020, there were: ① 11 female managers, and ② 15.9% female employees.	Dispatch females for training and exchange with women in different industries, conduct training for management track female employees. Conduct a survey into the range of workplaces open to women, particularly in production-side roles.	
	Expand number of managerial track employees of foreign nationality	Considering directly employing Philippine management track employees.	• Establish a scheme for and try directly employing Philippine management track employees.	
	4) Percentage of employees with disabilities: 3% or higher	Percentage of employees with disabilities was 2.4% as of March 31, 2020.	Aim to promote understanding related to employing people with disabilities and to improve retention rates.	
	5) Assign jobs and provide support matched to employees' life stages	Continued supporting childcare and nursing care. Support for employees undergoing medical treatment for ill- ness to be considered in the future.	Make childcare and nursing care support initiatives available to both male and female employees and ascertain the situation of employees undergoing medical treatment for illness and work to support them.	
2. Support employees' mental and physical health	Halve the number of people found to require support in stress checks Percentage of employees with abnormal findings indicated in health checkups: 50% or lower	1) The number of people found to require support in stress checks in FY2019 remains within the standard range for data from all companies handled by the organization specializing in stress checks, however, the number is trending slightly upward. 2) Percentage of employees in our Group with abnormal findings indicated in health checkups was 60.6% in FY2018.	Analyze the causes of stress at each work-place based on the results of the FY2020 stress checks and consider measures for each. Start health and productivity management initiatives.	
3. Diversify opportunities to enhance the abilities of employees according to employee needs and work needs	Utilize one-on-one meetings that bring out the motivation and potential of every employee and boost the growth of sub- ordinates through regular dialogues between superiors and subordinates	Started considering methods of implementing one-on-one meetings.	Select business sites to test implementation, and look for best practices.	

KPIs		Current Status	FY2020 Plans	
Indicators	Goals	Current Status	F12020 Fidils	
	Reconstruct the human resources development program (in-house education, external education, etc.) to provide opportunities to employees to enhance their abilities in line with their roles	 Considering revision of the develop- ment program for the next generation of management and seminars for newly promoted employees. 	Consider the timing and content of training in line with the restructuring of the human resource systems.	
	Provide opportunities for self-devel- opment matched to each employee's life plans and needs (correspondence courses, online training, etc.)	Analyze employee needs based on the status of applications for correspon- dence education and the like, and work to improve the content.	Work to diversify employee self-development opportunities.	

Engagement with Stakeholders

Vision for 2030: A company that is appreciated and understood to be the world leader in non-ferrous metals

KPIs		Current Status	FY2020 Plans
Indicators	Goals	Current Status	PT 2020 Plans
Further penetrate our Group brand among employees	Improve results of employee awareness survey (increase ratio of employees who feel pride in working at the Company)	Establish a brand message, and, to embody this branding, revise the Company logotype and develop a brand tagline and logo. Ratio of employees who responded in the 2019 employee awareness survey that they felt pride in working at the Company was 62%.	Development of basic branding approach Thoroughly explain branding to those responsible for communication of Group policies. Establish plan to roll out a basic branding design at business sites. Register trademarks in Japan and overseas for basic branding designs. Raise brand profile within the Group. Establish plan of action to penetrate brand within the Group.
2. Ensure quality and quantity in communication of information at the level of "world leader in the non-ferrous metals industry"	Earn a high reputation for the integrated report from outside the Company (including hearings with shareholders and investors, and improvements in questionnaire and evaluation results)	Edit the integrated report with the aim of taking it to the next level, and ensuring it is easy to understand and highlights the unique character, strengths, and competitive advantages of the SMM Group. SMM Group integrated report is ranked in the top 10 in Japan of the approximately 514 companies publishing integrated reports.	Strict selection of contents and reflection of recent trends Rigorously narrow down content to that related to the 11 ESG-related material issues newly established in Vision for 2030. Strengthen explanations of management strategies from a medium- to long-term perspective—from the past to the future. Clearly define our Group value creation model. Declare our commitment to our Vision for 2030 as a management issue.
3. Increase in recognition and understanding of our goal of "world leader in the non-ferrous metals industry"	Improvement in findings of surveys by external bodies (degree of recognition and understanding, etc.)	Actively work to improve Company recognition via visual advertisements—in media such as The Nikkei newspaper—and via sponsorship of events. Brand Japan 2019 recognition rankings: 28th of 30 companies in the Materials and Machinery category.	Mass media advertising: year-round advertising in bullet trains, newspapers, and magazines; and short-term focused advertising, such as television advertisements, targeting business people. Active public relations: propose themes related to topics of social interest and work to get effective articles published in the media.

Co-Existence and Mutual Prosperity with Local Communities

Vision for 2030: A company that contributes to regional development and earns trust as a member of the local community

	KPIs		FY2020 Plans	
Indicators	Goals	Current Status	F12020 Platis	
Participate in local communities through dialogue and collaboration.	Accurately identify local issues through dialogues with local communities, and execute the following measures.	 While various proactive initiatives that contribute to society are implemented at Group business sites in Japan and overseas, the Head Office is not suffi- ciently aware of their content. 	Make progress recording examples of initiatives at business sites into a database and share the social issues of each location with the Head Office and each business site in Japan.	
Support the local community via employee participation	Implement employee participation programs (from 2023)	Business sites are conducting clean up events and participating in events in their local communities, and many employees participate in disaster volun- teer activities as individuals. No Group- wide initiatives are being implemented.	Gather information on initiatives of other companies and consider programs suitable to the SMM Group. Take actions to increase participation and ensure continuity of currently ongoing initiatives such as by publicizing in in-house bulletins and so on.	
2. Hire and procure locally	Continually implement and assess of performance	 Employment and procurement situations at major business sites that impact local communities are being ascertained in a timely manner. 	Continue local hiring and local procurement that is currently ongoing and continue to confirm the details of these.	
Support for nurturing of the next generation	Implement programs to nurture the next generation in collaboration with government, local bodies, NPOs, etc. (one or more times/year)	 Specific programs for nurturing of the next generation are currently being considered. 	Collaborate with government, local bodies, and NPOs, and ascertain the relevant issues and needs. Gather information on initiatives of other companies and consider programs suitable to the SMM Group.	

KPIs		Current Status	FY2020 Plans	
Indicators	Goals	Current Status	F12020 Plans	
	Establish and award scholarships in Japan and maintain existing overseas scholarships (from 2023)	 Meetings are being held with trust banks and other companies about how to establish scholarships in Japan, and an appropriate way forward for the Group is being considered. 	 Make progress with considering scholarships in Japan and with necessary steps towards establishment. 	
4. Support for people with disabilities and the elderly	Implement programs to support people with disabilities and the elderly in col- laboration with government, local bod- ies, NPOs, etc. (one or more times/year)	Specific programs to support people with disabilities and the elderly are being considered.	Collaborate with government, local bodies, and NPOs, and ascertain the relevant issues and needs. Gather information on initiatives of other companies and consider programs suitable to the SMM Group.	
5. Support during disasters	Support regions affected by large-scale disasters	Providing suitable support to disaster affected areas based on the disaster situation and whether it has been classified by the government as a major disaster. Providing support to areas affected by major disasters overseas, particularly in the areas around our business sites.	•When a disaster occurs in the future we will continue with currently ongoing initiatives.	

Rights of Indigenous Peoples

Vision for 2030: A company that understands and respects the traditions and culture of indigenous peoples

KPIs		Current Status	EVADAD Plant	
Indicators	Goals	Current Status	FY2020 Plans	
Understand indigenous peoples and their traditions and culture	Percentage of SMM Group sites implementing in-house education: 100% by the end of FY2023	July 2016 Invited Keiichi Omoto, emeritus professor of anthropology at the University of Tokyo, to give an in-house lecture on the Mamanwa tribe in the Philippines. October 2018 Held in-house lecture on the initiative to support indigenous peoples by employees of the Community Relations Section of THPAL.	Prepare for planned publication in FY2021 of pamphlets to educate Group employees on indigenous peoples.	
2. Support initiatives that lead to respect for the traditions and cultures of indigenous peoples	Provide scholarships for indigenous peoples (continue existing initiatives)	 While the Group runs scholarship pro- grams for local residents of our over- seas resource and non-ferrous metals sites, we have no scholarships targeting only indigenous peoples. 	Continue existing scholarship programs at over- seas sites and gather information such as on the operational status of scholarship programs.	
	Support indigenous people-related initiatives by NGOs, academic societies, etc.: one initiative or more each year	 Receiving instruction and advice as appropriate from Keiichi Omoto, University of Tokyo emeritus professor, and other experts from a research group investigating the problems of indigenous peoples. 	 Gather information on appropriate initiatives related to indigenous peoples from experts on indigenous peoples and Group overseas business sites, and consider supporting initia- tives where support is possible. 	

Human Rights in the Supply Chain
Vision for 2030: A company that undertakes responsible sourcing across the supply chain

KPIs		Comment Status	5.V 51
Indicators	Goals	Current Status	FY2020 Plans
Promote responsible sourcing, particularly responsible mineral sourcing	1. Responsible mineral sourcing 1) Establish a responsible mineral sourcing management system in line with international standards by the end of FY2021 2) Zero mines or smelters and refineries complicit in child labor or other infringements of human rights in the supply chain	Advancing the following initiatives through collaboration between the CSR Department and business divisions. Responding to LME position paper (copper and nickel). Started work toward establishing systems for receiving third-party audits for cobalt. Establishing and implementing a framework for rapid and accurate responses to responsible mineral sourcing templates (Conflict Minerals Reporting Template and Cobalt Reporting Template).	Rapidly establish management systems related to responsible mineral sourcing and establish a framework to receive third-party audits particularly for cobalt, through collaboration between the CSR Department and business divisions (Non-Ferrous Metals, Battery Materials, Advanced Materials). Maintain a framework for rapid and accurate responses to responsible mineral sourcing templates (CMRT and CRT).
	2. Responsible sourcing 1) Business partners that have received and agreed with the SMM Group Responsible Sourcing Policy: 100% by the end of FY2030 2) Establish a responsible sourcing management system in line with international standards by the end of FY2024 3) Continue implementing due diligence (DD)	Established Human Rights Subcommittee in August 2019. After significant consideration by the Human Rights Subcommittee the SMM Group Responsible Sourcing Policy was established and launched on April 1, 2020.	Complete adoption of the SMM Group Responsible Sourcing Policy at all Group subsidiaries. Complete selection of business partners to ro out the Responsible Sourcing Policy in FY2020. Hold lectures by experts for management-level staff related to responsible sourcing and in-hous training for those responsible for sourcing. Deploy the Responsible Sourcing Policy to selected business partners.

Climate Change

CO₂ Emissions **☑**



Battery materials business and advanced materials business

■ Other businesses in Japan ■ Smelting & refining business overseas

■ Mineral resources business overseas ■ Materials business overseas

With regard to CO₂ emissions by the SMM Group in FY2019, the Group reduced emissions year on year to a total of 2,807 kt-CO₂ emissions. Factors contributing to this result included a decrease in emissions due to energy-saving activities and other endeavors as well as the sale of the Pogo Gold Mine. Although there were also increases in emissions due to an increase in production in the Group's overseas Smelting & Refining Business. Emissions of CO2 related transport in Japan, which are indirect emissions, came to 25 kt-CO₂.

The SMM Group will continue to promote energy-saving activities in FY2020 as well, and anticipates reductions of 6 kt-CO2 for the year.

CO₂ emissions reduced due to solar power generated at the solar power plant operated by the Group in Kashima, Ibaraki Prefecture came to approximately 1.6 kt-CO₂ in FY2019.

Figures for both Japan and overseas were calculated using emission factors derived in a manner conforming to the "Act on Promotion of Global Warming Countermeasures" of Japan. Figures include non-energy-derived CO₂ emissions (410 kt-CO₂), which are not subject to the Act on Promotion of Global Warming Countermeasures, in addition to CO₂ emissions that accompany emissions activities, which are subject to said Act. CO2 emissions derived from purchased electricity in Japan were calculated in a manner conforming to the market-based methods using emission factors of electric power suppliers. For overseas electricity emissions, the most recent per-country emission factors published by the International Energy Agency (IEA) were used

Unit Energy and CO₂ Emissions Index¹ (Scope: Smelting and refining business in Japan) ✓



■ Unit energy consumption index
Unit CO₂ emissions index

In the SMM Group's Smelting and Refining Business in Japan, unit energy for FY2019 saw a slightly negative change, rising by 6%. This was caused by a decrease in production volume of electrolytic copper due to regular maintenance and equipment trouble at the Toyo Smelter

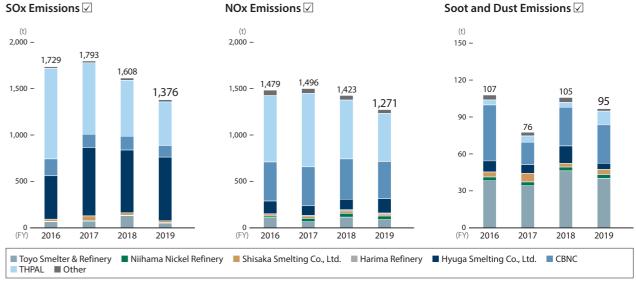
SMM is a member of the Japan Mining Industry Association (JMIA), an organization of non-ferrous mining, smelting and refining companies, as well as a participant in The Commitment to a Low Carbon Society led by the Japan Business Federation (Keidanren).

The SMM Group will also continue to proactively tackle thorough energy management, the promotion of energy-saving activities, the introduction of renewable energy, the use of unutilized heat and other endeavors as it aims to reduce unit energy by an average of at least 1% per year and further lower CO₂ emissions over the medium to long term.

1. Unit energy and CO2 emissions index: The amount of energy consumed and CO2 emitted during the production of 1 ton of product, assuming the FY1990 value to be 1 (including fuels used as reducing agents).

Significant Environmental Accidents Biodiversity

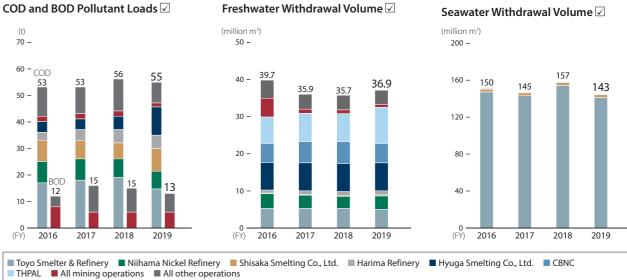
Emissions into the Atmosphere



The SOx emissions during FY2019 decreased by about 14% year-on-year. Taganito HPAL Nickel Corporation saw a decrease of about 22% due to improvements in desulfurization capacity using low-heat fuel. The NOx emissions decreased by about 11% year-on-year. The soot and dust emissions decreased by about 10% year on year. At Hyuga Smelting Co., Ltd., that figure decreased by about 60% due to improved management of electric dust collectors.

Each emissions figure was calculated based on the measurement of flue gas.

Emissions into Water



The COD¹ pollutant load in FY2019 was very much the same year-on-year. The BOD² pollutant load decreased about 13% from the previous year. Many SMM Group business sites face onto Japan's Seto Inland Sea and are subject to controls on the total amounts of COD, nitrogen and phosphorous emissions under the Act on Special Measures Concerning Conservation of the Environment of the Seto Inland Sea.

The volume of freshwater withdrawal was very much the same year-on-year at approximately 37 million m³. In this calculation, diversion water3, which is unrelated to production, is excluded from withdrawal and release at mines. The volume of seawater withdrawal decreased by about 8% year-on-year. This was attributable to the decrease in production volume along with down time due to regular plant maintenance work at the Toyo Smelter & Refinery.

- 1. COD (Chemical Oxygen Demand): Measured for emissions into seas, including emissions into rivers flowing into enclosed seas.
- 2. BOD (Biochemical Oxygen Demand): Measured for emissions into rivers, excluding emissions flowing into enclosed seas.
- 3. Diversion water: Water that flows into the site as an input and flows out of the site as an output without being used for production purposes. Included starting with data for FY2017.

Material Flows within Business Activity (FY2019)

INPUTS (Resources & Energy) ✓

Raw Materials		
Gold and silver ore	194 kt	
Copper concentrates	1,232 kt	
Nickel oxide ore	8,858 kt	
Nickel matte, etc.	41 kt	
Raw material for batteries	83 kt	
ALC raw material, incl. silica rock	188 kt	
Raw material for metalworking	0.1 kt	
Hydrotreating catalyst raw material	50 kt	

Recycled Materials ¹	
Copper scrap	129 kt
Secondary zinc	15 kt
Secondary precious metals	3 kt
Electric arc furnace dust	79 kt
ALC waste	158 t
Percentage of recycled input raw materials used 2.08%	

Materials	
Silica sand (for copper smelting)	133 kt
Chemicals (lime-based)	1,232 kt
Chemicals (sodium-based)	106 kt
Chemicals (magnesium-based)	13 kt
Sulfuric acid	659 kt
Cement, etc.	100 kt

	1	
Energy ²	Consumption	Energy Value
Non-renewable sources		
Heavy oil	49,246 kL	1,990 TJ
Coal/coke	549,405 t	14,185 TJ
Diesel/gasoline/kerosene	17,111 kL	640 TJ
LPG·LNG	8,473 t	430 TJ
City gas/natural gas	9,348 ML	420 TJ
Purchased electricity	1,469,587 MWh	14,296 TJ
Purchased steam	69,473 GJ	71 TJ
Sub-total		32,033 TJ
Renewable sources		
Wood pellets	1,024 t	19 TJ
Total energy consumption	-	32,052 TJ

Water ³	
Total volume of fresh water withdrawn	36,880 ML
Surface water (rivers)	14,085 ML
Rain water	36 ML
Groundwater	8,059 ML
Industrial water (water from another organization)	14,293 ML
Tap water (water from another organization)	407 ML
Volume of seawater withdrawn	143,468 ML
Total volume of water consumed from all areas ⁴	6,195 ML

- 1. Does not include materials recycled within plants.
- 2. Calorific values for both Japan and overseas are calculated using coefficients conforming to the Japanese Act on the Rational Use, etc. of Energy for fuel, heat, electricity, etc. that were consumed in business activities both in Japan and overseas. Fuels used as reducing agents are also included. Energy value indicates the energy input in the case of purchased electricity and purchased steam, and calorific value for all
- 3. SMM uses the WWF/DEG Water Risk Filter to determine regions with high water stress. As a result of this, there are no areas of high water stress at
- 4. The total water consumption is estimated by subtracting the total amount of water discharged from the total amount of water withdrawn.

Business Activities in Areas of High Biodiversity Value¹ (FY2019) ✓

Area	Size of production site (hectares)	Details
Seto Inland Sea	62 (Minoshima & lenoshima islands)	Shisaka Smelting Co., Ltd. operates on Minoshima and lenoshima islands, neighboring Setonaikai National Park (IUCN Category 2)
The Philippines	428	Coral Bay Nickel Corporation operates on Palawan Island (in hunting-prohibited and bird protection areas (IUCN Category 4))

Currently, there are no projects in any region requiring the preparation of a management plan.

OUTPUTS (Products & Emissions)

Electrolytic copper	399 kt
Gold	18 t
Silver	208 t
Electrolytic nickel	59 kt
Nickel sulfate	12 kt
Electrolytic cobalt	4 kt
Crude zinc oxide	35 kt
Ferronickel	78 kt
Battery materials	53 kt
Sulfuric acid	376 kt
Slag	1,386 kt
Hydrotreating catalysts	11 kt
ALC (Siporex)	385 ML

4.77%

Emissions into the Atmosphere	
CO ₂	2,832 kt
Direct emissions ¹	1,943 kt (Increase of 104 kt compared to the previous fiscal year)
Indirect emissions ²	865 kt (Decrease of 106 kt compared to the previous fiscal year)
Emissions during transportation (Japan) ³	25 kt (The same year-on- year)
SOx	1,376 t
NOx	1,271 t
Soot and dust	95 t
PRTR substances	15 t

Waste (including Items of Value)	
Total waste	7,403 kt
Breakdown of total waste	
Spoil	29 kt
Wastewater sludge from CBNC, THPAL, etc.	7,279 kt
Industrial waste (Japan)	94 kt
Other	1 kt
Landfill on company 7,309 kt	
PRTR substances ⁵ 2,120 t	

Emissions into Water	
Total wastewater	174,392 ML
Discharges into seas ⁴	173,456 ML
Discharges into rivers	890 ML
Sewerage, etc.	47 ML
COD (chemical oxygen demand)	55 t
BOD (biochemical oxygen demand)	13 t
Total phosphorus	1 t
Total nitrogen	67 t
PRTR substances (discharged into public water areas)	79 t
PRTR substances (discharged into the soil or in landfills within business premises)	3 t

- 1. Direct emissions for both Japan and overseas are calculated using emission factors conforming to the Japanese Act on Promotion of Global Warming Countermeasures. This includes non-energy-derived CO₂ emissions (410 kt-CO₂) that are outside the scope of the law. CO₂ from wood pellets is not included.
- 2. The amount of CO₂ emissions from electric power purchased in Japan is calculated with the market-based method using emission factors of electric suppliers. For overseas emission factors, we used the latest emission factors for each country as published by the IEA. The amount of indirect emissions was 767 kt-CO₂ when calculating both Japan and overseas with the location-based method using IEA country-specific emission
- 3. Emissions during transportation in Japan are calculated in line with the Act on the Rational Use, etc. of Energy and the Act on
- Promotion of Global Warming Countermeasures. 4. Discharges into rivers flowing into enclosed seas are included
- as "discharges into seas."
 5. Total transfers to sewerage and off-site transfers.

Amount of Land Developed or Rehabilitated (FY2019) ✓

				(nectares)
	A: Total area of land not rehabili- tated (as of the end of FY2018)	B: Area of land newly developed in FY2019	C: Area of land newly rehabilitated in FY2019	D: Total area of land developed but not rehabilitated (A+B-C)
Hishikari Mine	22	0	0	22
Coral Bay Nickel Corporation	274	0	4	270
Taganito HPAL Nickel Corporation	432	0	411	391

^{1.} Taganito HPAL Nickel Corporation is also advancing rehabilitation activities in nearby regions outside the site. In cooperation with the Philippine government, rehabilitation of 26 hectares was achieved in fiscal 2019 in nearby regions outside the site. To date, 382 hectares in total have been certified as rehabilitated area.

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^{1.} Protected areas classified as Category 4 and above by the International Union for Conservation of Nature (IUCN) and neighboring areas (SMM research). Areas classified as Category 1 are of highest priority.

■ Employees' Occupational Health and Safety

Work-Related Incidents (Results for 2019)

"Employees" includes employees and part-time workers from group companies

		Jap	oan	, ,,	iciades employe		Overseas					
	Employees		Non-emplo	yee workers	Empl	oyees	Non-employ	ee workers				
	Number	Rate	Number	Rate	Number	Rate	Number	Rate				
Number of work-related fatalities and frequency rate (Calculated per 1,000,000 hours, same applies below)	1	0.08	0	0	0	0	0	0				
Number of work-related injuries resulting in disability and frequency rate ✓	0	0	0	0	0	0	0	0				
Number of recordable work-related injuries and frequency rate² ✓	14	1.05	11	4.05	1	0.35	6	0.67 ⁶				
Main types of work-related incidents	lacerations, con	between objects, of tact with harmful se actions, falls, stum	ubstances, results	of movements			jects, getting ta e, contact with h					
Cumulative hours worked	13,321,6	52 hours	2,714,0	00 hours ^{4,5}	2,826,0	000 hours⁴	8,922,00	0 hours ^{4,5}				
Number of potential incidents ³		26		14		1		2				
Sources of work-related hazards that lead to disability, and method of determination	 9) hand tools Causes and pat Classifications a incidents in the 		is damage is easily sis into damage ca	r incurred. aused by	rotating object machinery, 8)	ds, 2) chemicals, 3) high-temperature objects, 4) ects, 5) electricity, 6) high places, 7) heavy 8) cylinders, 9) hand tools ed on the results of analysis of incidents in Japan						
Incidents leading to disabilities and resulting from sources of work-related hazards, and actions taken or underway to eliminate these hazards using the hierarchy of controls'	 High place (resulting in death): Erect safety fencing and safety seating. Comprehensive safety checks for work in high places. High place (resulting in absence from work): In the case where there isn't any lifting equipment installed on vehicles, use permanent equipment in the workplace. High-temperature object (resulting in absence from work): Improve checks when using cranes and ensure people are clear of the area and strengthen technical management. Revolving object (not resulting in absence from work): Improve inspection port, ensure equipment operations to clear clogging (reverse direction) → Tool use → conduct operations based on an order prioritized to relieive stress 				N/A							
Incidents resulting from other sources of workplace hazards and actions taken or underway to eliminate these hazards using the hierarchy of controls'	N/A				N/A							

- 1. Hierarchy of controls: An approach for lowering risk to acceptable levels through prioritization as follows:
- Elimination of source of risk \rightarrow Substitution of source of risk \rightarrow Engineering controls \rightarrow Administrative controls \rightarrow Personal protective equipment
- Source: The US National Institute for Occupational Safety and Health (NIOSH)
- 2. "Workplace accidents requiring reporting" is the total of injuries that required hospital treatment and resulted in absence from work and injuries not resulting in absence from work.
- 3. The number of minor incidents (visited the hospital but no treatment needed).
- 4. Estimated based on one person working 2,000 hours per year.
- 5. Total working hours of workers other than employees (those working at partner companies) based survey numbers from May 2020. Calculated based on *4
- 6. This indicator is outside the scope of independent assurance.

Work-Related III Health (Results for 2019)

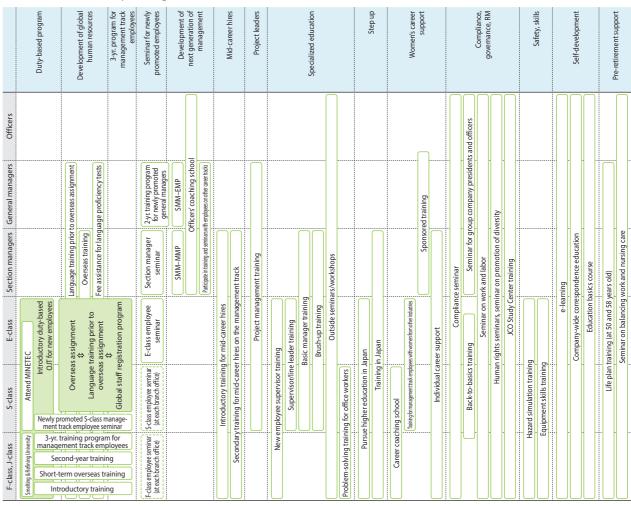
"Employees" includes employees and part-time workers from group companies

	Japan		Ove	rseas
	Employees	Non-employee workers	Employees	Non-employee workers
Number of fatalities as a result of work-related ill health	0	0	0	0
Number of cases of recordable work-related ill health ⁴	0	2	0	0
Primary types of work-related ill health and method of determination	As stated in the Japanese occupational health and Pneumoconiosis Ionizing radiation injury Organic solvent poisoning Damage caused by specified chemical substa cancer, skin damage, etc.) Lead poisoning Vibration-induced damage Noise-induced hearing loss Occupational dental problems (dental erosion	nces (occupational	As stated in occupational and regulations of each o	
Sources of work-related hazards that lead to ill health	• Dust • Ionizing radiation • Organic solvents • substances • Lead • Vibrating tools • Noise erode the teeth (acids)	3		
Incidents resulting from sources of work-related hazards leading to illness and actions taken or underway to eliminate these hazards using the hierarchy of controls'	No work-related ill health occurred that requir Implementing improvements to working envi sites, with Control Class 3 workplaces as a pric Using a risk assessment database of chemical sub	ironments at business ority	No work-related ill health treatment	occurred that required

- 1. Hierarchy of controls: An approach for lowering risk to acceptable levels through prioritization as follows:
- $Elimination of source of risk \rightarrow Substitution of source of risk \rightarrow Engineering \ controls \rightarrow Administrative \ controls \rightarrow Personal \ protective \ equipment$
- Source: The US National Institute for Occupational Safety and Health (NIOSH)
- 2. Under Japanese laws and regulations, for workers other than employees, this falls under the responsibility and management of the businesses that hire them, so while we provide leadership, we are unable to disclose information.
- 3. For overseas business sites, depending on the laws and regulations of each country, we investigate whether work-related ill health certification is present and the names of relevant laws and regulations, but we do not investigate details.
- 4. Regarding employees in Japan, we also record the number of workers who receive abnormal findings but do not require treatment (as this is personal information, it is not disclosed).

■ Diverse Human Resources ■ Development and Participation of Human Resources

Employee Skill Improvement and Transition Support Program



Employment Ratio of Disabled People Over the Past Five Years

(SMM non-consolidated, average employment ratio over each fiscal year)



Through initiatives such as expanding work areas in which people with disabilities can participate and accepting interns from special-needs schools, we have continuously worked to recruit new employees with disabilities. Since FY2015, we have maintained an employment ratio above the statutory ratio for Japan (2.2% since April 2018).

Employee and Labor-Related Information

Number of Employees & Officers Worldwide (Consolidated) (March 31, 2020) ☑

								Empl	1									
							manent								Occas empl	sional		
	- "				Mana	igers				Re	egular e	mploye	es		Non-re	egular/	Total	Temporary employees
		-time icers		inger in 30	30- year	-49 s old	50 a old			nger n 30		-49 s old	50 a old		limited empl			, ,
	Male	Female	Male	Female	Male	Female	Male I	Female	Male	Female	Male	Female	Male I	emale	Male	Female		
SMM nonconsolidated		0	0	0	166	5		5		78			500	52			2,702	185
Consolidated subsidiaries in Japan	56	0	0		83	2	201	0	353	64	1,189	291	484	73	237	170	3,203	251
Consolidated subsidiaries overseas	26	0	30		174	54	23	5					48	9		1	1,665	28
Total	105	0	30	13	423	61	539	10	1,028	318	2,551	648	1,032	134	470	208	7,570	464

In Japan, 70% of employees belonged to workers' unions. Overseas, two companies 🗹 have workers' unions (excluding Chinese labor unions) resulting in a workers' union membership ratio at overseas consolidated subsidiaries of 51% 🔽

Number of Employees & Officers by Country and Region (March 31, 2020) ☑

Country/ Region	Japan	U.S.A.	Canada	Netherlands	Peru	Chile	China	South Korea	Philippines	Taiwan	Australia	Brazil	Thailand	Total
Male	4,950	6	12	1	21	20	62	2	1,075	13	6	9	1	6,178
Female	955	6	1	0	3	10	35	5	354	16	2	2	3	1,392

Engagement with Stakeholders

External Recognition

List of Main External Awards (FY2019)

Recognition (awarding party)	Month received	Recipients	Award received for
FY2019 National Mining Society Award (Sociedad Nacional de Mineria, Chile)	Aug. 2019	Sierra Gorda S.C.M.	This award recognized untiring effort and superior operation results, including increased ore processing volume and continuous safe operations. It is the most prestigious award in the Chilean mining industry.
Private Fire Brigade Awards Competition (Ome City Fire Station)	Sept. 2019	Sumitomo Metal Mining Co., Ltd., Ome District Division	The purpose of the awards competition is to help nurture private fire brigades in the Ome district of Tokyo. Specially selected team members braved sweltering weather to train for and get their first win in the three-person fire hydrant competition at the 46th installment of the event.
The Japan Society for Analytical Chemistry Medal of Merit	Sept. 2019	Sumiko Techno-Research Co., Ltd.	This award is given to individuals who have amassed long-term research results in chemical analysis or in the maintenance of chemical instruments and equipment. The work of two employees was recognized with the Medal of Merit.
JACG Industrial Achievement Award	Oct. 2019	Sumitomo Metal Mining Co., Ltd., Technology Division et al.	Six SMM Group researchers received this award for their work to achieve mass production of single-crystal lithium tantalate, a substrate material used in mobile communications, most notably in smartphones.
2019 Platinum Award of the Presidential Mineral Industry Environmental Award (Department of Environment and Natural Resources of the Philippines)	Nov. 2019	Coral Bay Nickel Corporation	This is the most prestigious award in the Philippine mining industry. CBNC received a high overall assessment for its plant's environment management, safety management, preservation of the global environment, and contribution to the local community.

Recognition (awarding party)	Month received	Recipients	Award received for
2019 Titanium Award of the Presidential Mineral Industry Environmental Award (Department of Environment and Natural Resources of the Philippines)	Nov. 2019	Taganito HPAL Nickel Corporation	In both 2016 and 2017, THPAL received the Titanium Award (3rd place behind the Presidential and Platinum Awards), while in 2018, they received the Platinum Award—four awards in four straight years.
ASEAN Mineral Awards	Dec. 2019	Coral Bay Nickel Corporation	Judges review and select finalists from nominees in each category with companies from the 11 member countries of ASEAN. CBNC received 1st place for Best Practices in Sustainable Mineral Development in the Metallic and Mineral Processing Category.
2019 JSCM Most Accessed Paper Award (Japan Society of Colour Material)	Mar. 2020	Sumitomo Metal Mining Co., Ltd., Technology Division	This award is given to the research paper posted to the JSCM website and earning the greatest number of access queries. The awarded paper reported a summary of results from testing manufacturing conditions for a two-layer (polyimide & metal) substrate with high mounting reliability.

■ Co-Existence and Mutual Prosperity with Local Communities

Percentage of Payments to Local Suppliers and Local Employment

Name of company or business site ¹	Local procurement	Local employment,	
(payment area)	Payment to the area	Percentage ³	percentage² (March 31, 2020)
Niihama District (Ehime Prefecture)	¥18.3 billion	52%⁴	82%⁵
Coral Bay Nickel Corporation (Philippines)	\$69 million	49%	59%
Taganito HPAL Nickel Corporation (Philippines)	\$109 million	44%	42%
Hishikari Mine (Kagoshima Prefecture)	¥1,230 million	49%	89%
Sumiko Energy Materials Co., Ltd. (Fukushima Prefecture)	¥486 million	35%	86%
Shanghai Sumiko Electronic Paste Co., Ltd. (China)	CNY 106 million	28%	93%

^{1.} Totaled for the three core segments (Mineral Resources, Smelting & Refining, and Materials), business sites that are not only necessary for the business, but are also relatively large-scale (one domestic, one overseas site for each segment).

Investment in Infrastructure and Support Services

Region	Details	Amount (FY2019)
Japan	Donations to scholarship funds for orphans in Iwate, Miyagi, and Fukushima Prefectures, which were hit by the Great East Japan Earthquake (making donations every year since 2012) Undertaking activities for various types of social contribution, such as support and contributions for healthcare groups and sports organizations, culture and art such as historic and archaeological site preservation activities, and contributions to the Keidanren Nature Conservation Fund	¥100 million
The Philippines	Supporting measures to prevent dengue fever in communities neighboring the plant (awareness activities, spraying insecticide, cleaning activities, etc.) Undertaking Operation Smile, a program to provide treatment for cleft palates for children, covering all of Palawan, which is where the plant is located (from 2016) Undertaking a water supply equipment installation project for communities neighboring the plant Popularizing organic rice cultivation among communities neighboring the plant with the help of technical experts In the Philippines we are continuing to provide support through SDMP¹.	¥1,000 million

 $^{1. \,} SDMP: Social \, Development \, Management \, Program, conducted \, by \, a \, company \, for \, the \, welfare \, of \, residents \, living \, in \, the \, vicinity \, of \, its \, operating \, area.$

 $[\]bullet \text{The number of all employees excluding officers is used as the denominator of the workers' union membership ratio. } \\$

^{2.} Percentage of local hiring: number of employees from the payment area ÷ total employees x 100.

^{3.} Percentage of payments: amount of payments to payment area ÷ amount of total procurement payments x 100.

^{4.} Sumitomo Metal Mining Co., Ltd.'s Besshi-Niihama District Division, Toyo Smelter & Refinery, Niihama Nickel Refinery, Isoura Plant and Niihama Research Laboratories.

5. Sumitomo Metal Mining Co., Ltd.'s Besshi-Niihama District Division, Toyo Smelter & Refinery, Niihama Nickel Refinery, Isoura Plant, Niihama Research Laboratories and Battery

Conclusion

KPMG

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe

- the Indicators in the Report and the ESG Data Book are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report and the ESG Data Book;
- the Company's self-declaration that the Report is prepared in accordance with the GRI Standards at a core level does not conform to the criteria stipulated in the GRI Standards;
- the Company's policies are not aligned to the ICMM's 10 Principles and the applicable mandatory requirements set out in ICMM position statements as described on page 101 of the Report and page 13 of the ESG Data Book;
- the Company has not identified and prioritized its material issues as described on pages 26 and 27 of the
- the Company has not approached and managed its material issues as described on pages 102 to 111 of the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustansbelly co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan October 22, 2020

Independent Assurance Report

To the President and Representative Director of Sumitomo Metal Mining Co., Ltd.

We were engaged by Sumitomo Metal Mining Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental, social and economic performance indicators marked with 🗹 (the "Indicators") for the period from April 1, 2019 to March 31, 2020 included in its Integrated Report 2020 (the "Report") and ESG Data Book 2020 (the "ESG Data Book") for the fiscal year ended March 31, 2020; the Company's self-declaration that the Report is prepared in accordance with the Global Sustainability Standards Board's GRI Sustainability Reporting Standards (the "GRI Standards") at a core level; the alignment of the Company's policies to the International Council on Mining and Metals ("ICMM")'s 10 Principles and the applicable mandatory requirements set out in ICMM position statements; the Company's identification and prioritization of material issues; and the Company's approach and management of its material issues.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report and the ESG Data Book; self-declaring that the Report is prepared in accordance with the criteria stipulated in the GRI Standards; reporting on the alignment of the Company's policies to the ICMM's 10 Principles and the applicable mandatory requirements set out in ICMM position statements; reporting on the Company's identification and prioritization of material issues; and for reporting on the Company's approach and management of its material issues.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report and the ESG Data Book, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and the ESG Data Book and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Mie Plant of Sumitomo Metal Mining Siporex Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.
- Evaluating the Company's self-declaration that the Report is prepared in accordance with the GRI Standards at a core level against the criteria stipulated in the GRI Standards.
- Assessing the alignment of the Company's policies to the ICMM's 10 Principles and the applicable mandatory requirements set out in ICMM position statements through documentation reviews and interviews.
- Interviewing the Company's responsible personnel and reviewing documents with respect to the Company's process of identifying and prioritizing its material issues and its approach to and management of its material issues.

Glossary

Term	Explanation	Pages
CASE	An acronym for Connected, Autonomous, Shared/Service, and Electric. The term is becoming increasingly recognized as a key word indicating major trends in the automobile industry.	55
Copper concentrates	A raw material used in copper smelting, consisting of about 30% copper content with sulfur and iron as most of the remainder. Copper concentrates are produced mainly from sulfide ores. At present, ores extracted from overseas mines generally have a grade of about 1%. The ores are then "dressed" at the mine to enhance the grade and produce concentrate. The raw materials imported by copper smelting and refining plants in Japan are primarily copper concentrates.	7, 53, 107, 114
Coral Bay Nickel Corporation (CBNC)	The SMM Group's first HPAL plant. Located in the Province of Palawan in the Philippines, CBNC produces mixed nickel-cobalt sulfides (MS) using HPAL technology for export to the Group's Niihama Nickel Refinery and Harima Refinery.	4, 6, 29, 34, 38, 51-55, 87, 95, 99, 101-103, 107, 108, 113-115, 118, 119
CSR procurement (responsible sourcing)	Responsible sourcing ensures that there is no complicity in negative effects such as infringement on human rights, environmental destruction, or corruption in the procurement of parts, services, etc. It affirms that companies in the supply chain do not cause such negative effects, requests corrections when necessary, and enhances transparency in the supply chain.	21, 28, 98, 111
EITI	An acronym for Extractive Industries Transparency Initiative. EITI is a framework for multinational cooperation that enhances transparency in the flow of funds from the so-called extractive industries, those that are involved in oil, gas, and mineral resources, to the governments of resource-producing countries, to prevent corruption and conflict and thereby promote responsible resource development that leads to growth and the reduction of poverty.	101
Electrolytic copper	A high-purity copper material produced through electrolytic refining in a solution (electrolysis). At our Group's Toyo Smelter & Refinery, we dissolve copper concentrate in a flash furnace, pass it through a converter and a refining furnace, cast anodes in plate form, and produce electrolytic copper through electrolytic refining. Electrolytic nickel and electrolytic cobalt are also produced through electrolytic refining.	35, 36, 39, 52, 53, 112, 115
GRI	An acronym for Global Reporting Initiative. An organization that creates and promotes international guidelines and standards for sustainability reports. It issued its first guidelines in 2000, and has transitioned to issuing standards from 2016.	2, 3, 25, 26
HPAL	An acronym for High Pressure Acid Leach. This technology enables the recovery of nickel from nickel oxide ores that had been conventionally difficult to process. The SMM Group was the first company in the world to apply it successfully on a commercial scale. HPAL causes oxide ores to react stably with sulfuric acid under high-temperature and high-pressure conditions, to produce a high-grade nickel raw material.	4, 5, 15, 20, 21, 23, 35, 37, 49-54, 103

Term	Explanation	Pages
Human rights due diligence	An approach to human rights protection based on the United Nations Guiding Principles on Business and Human Rights approved by the United Nations Human Rights Council in 2011, this is a series of processes for performing preventive investigations to avoid and mitigate the negative effects that organizations have on human rights, and for taking appropriate corrective action based on the findings. The SMM Group built system for human rights due diligence in FY2014 and has followed it since then.	94, 95, 99, 105, 111
Hydrometallurgical refining	A refining method in which metals and impurities are dissolved in a solution, and chemical reactions are used to separate them. The method is stable and enables continuous processing, but incurs the costs of chemical reagents.	55
ICMM	An acronym for International Council on Mining and Metals. This is an organization composed of worldwide metal and mining companies and related industry bodies. Its mission is "In collaboration with others, we will strengthen the social and environmental performance of the mining and metals industry and build recognition of its contribution to local communities and society at large."	26, 101
loT	An acronym for "Internet of Things," referring to communication among objects via the Internet. Communication devices such as smartphones and PCs, and even items such as home appliances, are becoming connected to the Internet, creating expectations for a future society in which all things are connected to networks.	21, 26, 27, 47, 56, 61, 107, 108
ISO 26000	An international standard for social responsibility, ISO 26000 was created with the participation of 99 countries and was released in November 2010 by the International Organization for Standardization (ISO). It addresses the seven themes of organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.	25, 26
LME	An acronym for London Metal Exchange. The LME specializes in the trading of non-ferrous metals such as copper, nickel, aluminum, lead, and zinc. Metal trading prices determined at the LME are used as international benchmarks for metal sales prices and raw material purchase prices.	98, 111
LT/LN	Lithium Tantalate and Lithium Niobate. These are used in chips for information and communication terminal SAW filters.	5, 35, 59
Matte	A term for metal sulfides. Niihama Nickel Refinery produces electrolytic nickel using nickel matte (of about 75–80% purity) sourced from P.T. Vale Indonesia.	51, 53, 54, 114
MCLE	An acronym for Matte Chlorine Leach Electrowinning. This is a manufacturing process adopted at the SMM Group's Niihama Nickel Refinery. Matte and mixed nickel-cobalt sulfides (MS) are dissolved in chlorine at high temperature, then electrolysis is used to produce high-purity nickel. MCLE is more competitive than other methods in terms of cost, but poses significant operational challenges, and only two other producers outside of SMM have commercialized it using similar technology.	4, 5, 51, 53

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Term	Explanation	Pages
MLCC	An acronym for multi-layer ceramic capacitor. These are capacitors made of multiple layers of ceramic dielectric bodies for greater capacity. In addition to consumer applications, in recent years they are being used often in electric automobiles so demand is expected to increase. The nickel paste produced by our Group is used in the internal electrodes of MLCCs.	63
MS	An acronym for mixed sulfides of nickel and cobalt. CBNC and THPAL produce a mixed nickel-cobalt sulfide intermediate containing about 55–60% nickel by weight. It is used as a raw material in the production of electrolytic nickel, nickel sulfate, and other products.	51-54
Nanban-buki	A smelting and refining method that uses lead to remove silver and impurities contained in crude copper. An alloy made by melting and rapidly cooling lead and crude copper containing silver is heated, and silver-containing lead, which melts out at a melting point below that of copper, is heated atop ash. The lead is absorbed by the ash and only the silver remains. This allows the collection of silver while obtaining high-purity refined copper.	4, 23
NCA	An acronym for a type of secondary battery cathode material composed primarily of N (nickel), C (cobalt), and A (aluminum).	5, 15, 37, 57, 59, 60, 108
Nickel oxide ores (laterite ore)	While predominantly higher-grade sulfide ores are used in nickel refining, nickel oxide ores are more prevalent than nickel sulfides. High refining costs and technical issues have limited the use of oxide ores in nickel refining to date, but the SMM Group has succeeded in refining nickel from low-grade oxide ores based on HPAL technology.	5, 11, 15, 19, 23, 51, 52, 54, 102, 114
NiO (nickel oxide) for fuel cells	Fuel cells are a clean and highly efficient method for generating electricity and heat through the chemical reaction of hydrogen and oxygen. Plans for increased use of fuel cells in a wide range of applications, from homes to factories, are being formulated in countries around the world. Nickel oxide powder for fuel cells is used in the electrodes of solid oxide fuel cells (SOFC), which deliver the highest power generation efficiency.	35, 61, 87, 107
NMC	An acronym for a type of secondary battery cathode material composed primarily of N (nickel), M (manganese), and C (cobalt).	37, 57, 60
Off-JT	A method of training conducted away from the workplace or separate from normal work. Its aim is the acquisition of advanced work capabilities or other knowledge and skills not directly connected to normal work based on systematic knowledge and theory.	96
ОЈТ	An acronym for On-the-Job Training, this is a method of training for the acquisition of knowledge and skills through the performance of actual work in the workplace under the guidance of superiors or senior colleagues. Its aim is the fast acquisition of work execution capabilities.	96

Term	Explanation	Pages
SDGs	Listed in the 2030 Agenda for Sustainable Development and adopted at the UN Sustainable Development Summit in September 2015, the Sustainable Development Goals (SDGs) are a set of international goals for creating a sustainable and better world by 2030. They are composed of 17 goals and 169 targets, and pledge to "leave no one behind."	15, 24-26, 77, 106
Secondary battery cathode materials	Materials used in the cathodes of batteries (secondary batteries) that can be charged and reused. The constituent components of secondary batteries break down roughly into cathode material, anode material, a separator, and electrolytic solution. The SMM Group produces the cathode materials used in electric and hybrid automobiles, as well as lithium-ion secondary battery cathode materials.	10, 57, 59, 60, 63
Smelting & Refining	This refers to the extraction of valuable metals from ore and other raw materials, and is mainly divided into pyrometallurgical refining and hydrometallurgical refining. The SMM Group's Toyo Smelter & Refinery in Saijo, Ehime Prefecture uses pyrometallurgical refining in its upstream processes (treatment processes), while Niihama Nickel Refinery in Niihama, Ehime Prefecture uses only hydrometallurgical refining throughout.	1, 4-7, 13, 14, 18-20, 22, 23, 25, 29, 31, 35, 37-40, 48-50, 52-55, 58, 62-65, 67, 71, 73, 80, 87, 90, 92, 98, 99, 101-103, 107, 108, 112, 114, 117, 119
Taganito HPAL Nickel Corporation (THPAL)	The SMM Group's second HPAL plant. Located in the Province of Surigao del Norte in the Philippines, THPAL produces mixed nickel-co- balt sulfides (MS) using HPAL technology for export to the Group's Niihama Nickel Refinery and Harima Refinery.	5, 6, 29, 34, 35, 38, 39, 49-54, 87, 95, 99, 101-103, 106-108, 111, 113, 115, 119
TCFD	An acronym for the Task Force on Climate-related Financial Disclosures. Established by the Financial Stability Board (FSB) to examine the disclosure of climate-related information and how financial institutions should respond. It recommends the disclosure of information concerning governance, strategy, risk management, and metrics and targets concerning climate change-related risks and opportunities.	14, 19, 25, 29, 85, 86, 102, 108
TC/RC	An acronym for treatment charge and refining charge. These are costs that make up a part of the terms of purchase of metal raw materials (copper concentrate, nickel ore, etc.). As an example, the LME price at a given point in time, minus the TC/RC used in the transaction (plus other terms) is used as the purchase price of copper concentrates.	51
UN Global Compact	Announced by then-UN Secretary-General Kofi Annan at the 1999 World Economic Forum (Davos meeting), the UN Global Compact is a global framework for achieving sustainable growth. It sets forth 10 principles in the four areas of protection of human rights, elimination of unjust labor, environmental initiatives, and anti-corruption.	26

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Part	IFRS				J-GAAP	l						Millions of yen (exc	cept per share amou	unts and key ratios)
Method	Years ended March 31	2020	2019	2018	Years ended March 31	2018	2017	2016	2015	2014	2013	2012*2	2011	2010
Processor Proc	Results for the year:				Results for the year:									
Conting notice Part Conting notice Conting notice	Net sales	¥ 872,615	¥ 912,208	¥ 929,746	Net sales	¥ 933,517	¥ 786,146	¥ 855,407	¥ 921,334	¥ 830,546	¥ 808,540	¥ 847,897	¥ 864,077	¥ 725,827
Part	Gross profit	109,471	126,637	149,015	Gross profit	157,089	122,296	113,862	174,257	124,822	140,650	132,421	138,810	105,956
Professional Pro					Operating income	110,203	76,390	59,720	125,779	75,418	95,785	88,577	96,038	66,265
Part					Other income (expenses)	124,853	(1,565)	(12,764)	174,226	114,352	115,034	108,829	123,701	87,791
Section Color Co	Profit before tax	79,035	89,371	108,286	Profit (loss) before income taxes	105,795	(5,999)	559	123,261	111,006	122,455	87,962	123,394	82,776
Part		60,600	66,790	90,227		91,648	(18,540)	(309)	91,113	80,258	86,640	65,286	83,962	53,952
Marked the production for field in control field in cont	Capital expenditures	50,689	47,445	74,675	Capital expenditures	74,589	125,950	51,013	55,232	66,441	59,291	73,143	53,105	26,414
Montation provided by foreign or parameter (Marcola)	Depreciation	45,355	43,541	46,762	Depreciation	46,865	44,232	46,141	38,125	32,426	27,578	31,132	34,625	34,746
Consisting activities Cons					Financial revenue (expenses)	10,804	10,546	8,927	6,250	3,530	(144)	663	257	(654)
Investing pacieting 1,000		136,545	114,744	78,552		79,405	43,796	119,704	120,003	80,014	114,665	144,999	102,458	44,153
Fee cash flow		(70,334)	(142,354)	(22,787)		(22,994)	(143,219)	(92,876)	(105,024)	(126,937)	(88,745)	(135,932)	(75,735)	(75,443)
Flancial position at year-ends		9,149	(29,047)	(89,797)		(90,095)	70,392	(4,003)	(39,047)	81	21,549	50,314	7,379	(19,322)
Total aissess	Free cash flows	66,211	(27,610)	55,765	Free cash flows	56,411	(99,423)	26,828	14,979	(46,923)	25,920	9,067	26,723	(31,290)
Total aissess	Financial position at year-end				Financial position at year-end							-		
Figurity 1,10,86 1,115,86 1,115,86 1,113,46		¥1 719 690	¥1 797 701	¥1 732 333	•	¥1 699 037	¥1 685 018	¥1 630 800	¥1 740 246	¥1 572 367	¥1 351 153	¥1 146 759	¥1 052 353	¥ 981.458
Non-current liabilities 10,252 38,943 378,48 10 or grem loans payable after one year a											, ,			
Non-current labilities 402.520 388.943 378.488 after one year														
Amounts per share (Yen)": Amounts per share (Yen)": Suppose	Non-current liabilities	402,520	388,943	378,438		257,409	358,564	248,036	245,000	243,130	212,323	157,119	135,128	132,311
Amounts per share (Yen)": Equity attributable to owners of parent per share Basic earnings per share 221 243 327 —Basic Diluted earnings per share 221 243 255 —Diluted 225 —Diluted 226 —Diluted 227 243 255 —Diluted 228 —Diluted 229 —Diluted 229 —Diluted 229 —Diluted 220 —Diluted 220 —Diluted 220 —Diluted 221 —Diluted 222 —Diluted 223 —Diluted 224 —Diluted 225 —Diluted 226 —Diluted 227 —Basic 228 —Diluted 229 —Diluted 220 —Diluted 220 —Diluted 220 —Diluted 221 —Diluted 222 —Diluted 223 —Diluted 224 —Diluted 225 —Diluted 226 —Diluted 227 —Diluted 228 —Diluted 229 —Diluted 220 —Diluted 220 —Diluted 221 —Diluted 222 —Diluted 223 —Diluted 224 —Diluted 225 —Diluted 226 —Diluted 227 —Diluted 228 —Diluted 229 —Diluted 220 —Diluted 220 —Diluted 221 —Diluted 222 —Diluted 223 —Diluted 224 —Diluted 225 —Diluted 226 —Diluted 227 —Diluted 228 —Diluted 229 —Diluted 220 —Diluted 220 —Diluted 220 —Diluted 221 —Diluted 222 —Diluted 223 —Diluted 224 —Diluted 225 —Diluted 226 —Diluted 227 —Diluted 228 —Diluted 229 —Diluted 220 —Diluted 220 —Diluted 221 —Diluted 222 —Diluted 223 —Diluted 224 —Diluted 225 —Diluted 226 —Diluted 227 —Diluted 228 —Diluted 229 —Diluted 220 —Diluted 220 —Diluted 221 —Diluted 221 —Diluted 222 —Diluted 223 —Diluted 224 —Diluted 224 —Diluted 225 —Diluted 226 —Diluted 227 —Diluted 228 —Diluted 229 —Diluted 220	Interest-bearing liabilities	367,882	349,798	361,775	Interest-bearing liabilities	362,297	495,504	400,559	394,094	383,580	330,073	265,951	210,969	200,939
Figurity attributable to owners of parent per share 221 243 327 —Basic 259 —Diluted 259 259 —Diluted 259 259 250					Working capital	369,668	382,810	313,812	307,436	314,198	338,866	312,542	267,072	229,259
Owners of parent per share \$ 3,646 \$ 3,812 \$ 3,746 Basic earnings per share 221 243 327 —Basic \$ 332,42 \$ (33.61) \$ (0.56) \$ 165,11 \$ 145,35 \$ 155,58 \$ 116,17 \$ 149,38 \$ 96,26 Diluted earnings per share 221 243 295 —Diluted 299,94 — e 149,44 129,71 142,40 106,84 136,98 88,75 Dividends 78 73 100 Cash dividends 100.0 110.0 31.0 1,81.91 1,905,50 1,653,83 1,393,02 1,173,97 1,121,19 1,043,50 Expraises Expraises Expraises Expraises 2.0 <td>Amounts per share (Yen)*3:</td> <td></td> <td></td> <td></td> <td>Amounts per share (Yen)*3:</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Amounts per share (Yen)*3:				Amounts per share (Yen)*3:									
Diluted earnings per share 21 243 295 —Diluted 299.4 — — 149.4 129.71 142.40 106.84 136.98 88.75 136.96 13		¥ 3,646	¥ 3,812	¥ 3,746	Net income (loss)									
Shareholders'equity" Shareholders'equity"	Basic earnings per share	221	243	327	—Basic	¥ 332.42	¥ (33.61)	¥ (0.56)	¥ 165.11	¥ 145.35	¥ 155.58	¥ 116.17	¥ 149.38	¥ 96.26
No.	Diluted earnings per share	221	243	295	—Diluted	299.94	_	_	149.44	129.71	142.40	106.84	136.98	88.75
Key ratios: ROA (%) 3.5 3.8 5.2 ROA (%) 5.42 (1.12) (0.02) 5.50 5.49 6.94 5.94 8.26 5.80 8.26 (1.12) (Shareholders' equity*1	3,771.69	1,743.46	1,781.91	1,905.50	1,653.83	1,393.02	1,173.97	1,121.19	1,043.50
ROA (%) 3.5 3.8 5.2 ROA (%) 5.42 (1.12) (0.02) 5.50 5.49 6.94 5.94 8.26 5.80 ROE (%) 5.9 6.4 9.1 ROE (%)" 9.17 (1.93) (0.03) 9.28 9.54 12.13 10.12 13.80 9.89 Equity ratio (%) 58.3 58.3 59.4 Equity ratio (%)" 61.0 57.1 60.3 60.4 58.1 56.9 57.5 59.9 59.8 Interest-bearing liabilities to total asset ratio (%) 21.3 29.4 24.6 22.6 24.4 24.4 23.2 20.0 20.5 Debt-to-equity ratio (times) 0.37 0.33 0.35 Debt-to-equity ratio (times)" 0.35 0.52 0.41 0.37 0.42 0.43 0.40 0.33 0.34	Dividends	78	73	100	Cash dividends	100.0	11.0	31.0	48.0	37.0	34.0	28.0	32.0	20.0
ROA (%) 3.5 3.8 5.2 ROA (%) 5.42 (1.12) (0.02) 5.50 5.49 6.94 5.94 8.26 5.80 ROE (%) 5.9 6.4 9.1 ROE (%)" 9.17 (1.93) (0.03) 9.28 9.54 12.13 10.12 13.80 9.89 Equity ratio (%) 58.3 58.3 59.4 Equity ratio (%)" 61.0 57.1 60.3 60.4 58.1 56.9 57.5 59.9 59.8 Interest-bearing liabilities to total asset ratio (%) 21.3 29.4 24.6 22.6 24.4 24.4 23.2 20.0 20.5 Debt-to-equity ratio (times) 0.37 0.33 0.35 Debt-to-equity ratio (times)" 0.35 0.52 0.41 0.37 0.42 0.43 0.40 0.33 0.34	Key ratios:				Key ratios:									
ROE (%) 5.9 6.4 9.1 ROE (%)" 9.17 (1.93) (0.03) 9.28 9.54 12.13 10.12 13.80 9.89 Equity ratio (%) 58.3 58.3 59.4 Equity ratio (%)" 61.0 57.1 60.3 60.4 58.1 56.9 57.5 59.9 59.8 Interest-bearing liabilities to total asset ratio (%) 19.5 20.9 Interest-bearing debt to total asset ratio (%) 21.3 29.4 24.6 22.6 24.4 24.4 23.2 20.0 20.5 Debt-to-equity ratio (times) 0.37 0.33 0.35 Debt-to-equity ratio (times)" 0.35 0.52 0.41 0.37 0.42 0.43 0.40 0.33 0.34	•	3.5	3.8	5.2		5.42	(1.12)	(0.02)	5.50	5.49	6.94	5.94	8.26	5.80
Equity ratio (%) 58.3 58.3 59.4 Equity ratio (%) 61.0 57.1 60.3 60.4 58.1 56.9 57.5 59.9 59.8 Interest-bearing liabilities to total asset ratio (%) 21.4 19.5 20.9 Interest-bearing debt to total asset ratio (%) 21.3 29.4 24.6 22.6 24.4 24.4 23.2 20.0 20.5 Debt-to-equity ratio (times) 0.37 0.33 0.35 Debt-to-equity ratio (times) 0.35 0.52 0.41 0.37 0.42 0.43 0.40 0.33 0.34	ROE (%)				ROE (%)*1									
Interest-bearing liabilities to total asset ratio (%) Debt-to-equity ratio (times) 21.4 19.5 20.9 Interest-bearing debt to total asset ratio (%) Debt-to-equity ratio (times) 21.3 29.4 24.6 22.6 24.4 24.4 23.2 20.0 20.5 20.5 Debt-to-equity ratio (times) 21.3 29.4 24.6 25.0 26.0 27.0 20.5 Debt-to-equity ratio (times)	Equity ratio (%)		58.3		Equity ratio (%)*1									
			19.5		9		29.4						20.0	
		0.37	0.33	0.35		0.35	0.52	0.41	0.37	0.42	0.43	0.40	0.33	0.34
	Current ratio (times)								2.29					

^{*1} Shareholders' equity is defined by the following equation.

Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income

*2 The Company applied the new accounting method retrospectively and restated the consolidated financial statements for the year ended March 31, 2012.

*3 The Company consolidated its shares at a rate of one share for every two shares of its common stock with October 1, 2017 as the effective date.

"Amounts per share" is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the current year at the beginning of the year ended March 31, 2018.

1) Consolidated Statement of Financial Position

	Notes	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)			
		Millions of yen	Millions of yen	Thousands of U.S. dollars		
Assets						
Current assets						
Cash and cash equivalents	7	81,261	155,530	1,429,372		
Trade and other receivables	8, 33	151,598	123,393	1,134,023		
Other financial assets	15, 33	9,493	8,959	82,336		
Inventories	9	288,918	252,799	2,323,307		
Other current assets	16	19,945	20,541	188,779		
Total current assets		551,215	561,222	5,157,816		
Non-current assets						
Property, plant and equipment	10	458,802	463,405	4,258,846		
Intangible assets and goodwill	11	61,207	58,338	536,146		
Investment property	13	3,428	3,428	31,504		
Investments accounted for using equity method	14	363,165	365,090	3,355,298		
Other financial assets	15, 33	330,212	241,957	2,223,665		
Deferred tax assets	17	11,276	8,466	77,805		
Other non-current assets	16, 22	18,396	17,784	163,441		
Total non-current assets		1,246,486	1,158,468	10,646,705		
Total assets	6	1,797,701	1,719,690	15,804,522		

	Notes	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)		
		Millions of yen	Millions of yen	Thousands of U.S. dollars	
Liabilities and equity					
Liabilities					
Current liabilities					
Trade and other payables	18, 33	165,823	104,803	963,174	
Bonds and borrowings	19, 33	75,282	80,656	741,255	
Other financial liabilities	19, 20, 33	2,225	5,019	46,126	
Income taxes payable		2,724	4,687	43,075	
Provisions	21	4,753	4,392	40,364	
Other current liabilities	23	6,671	6,753	62,062	
Total current liabilities		257,478	206,310	1,896,057	
Non-current liabilities					
Bonds and borrowings	19, 33	304,009	316,847	2,911,929	
Other financial liabilities	19, 20, 33	3,502	11,705	107,573	
Provisions	21	22,362	21,708	199,504	
Retirement benefit liability	22	10,391	14,024	128,885	
Deferred tax liabilities	17	47,791	37,394	343,663	
Other non-current liabilities	23	888	842	7,738	
Total non-current liabilities		388,943	402,520	3,699,292	
Total liabilities		646,421	608,830	5,595,350	
Equity					
Share capital	24	93,242	93,242	856,925	
Capital surplus	24	87,598	87,598	805,055	
Treasury shares	24	(37,983)	(38,002)	(349,251)	
Other components of equity		25,756	(94)	(864)	
Retained earnings	24	878,948	859,202	7,896,351	
Total equity attributable to owners of parent		1,047,561	1,001,946	9,208,216	
Non-controlling interests		103,719	108,914	1,000,956	
Total equity		1,151,280	1,110,860	10,209,172	
Total liabilities and equity		1,797,701	1,719,690	15,804,522	
• •					

	Notes	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)			
		Millions of yen	Millions of yen	Thousands of U.S. dollars		
Net sales	26	912,208	872,615	8,019,621		
Cost of sales	27	(785,571)	(763,144)	(7,013,547)		
Gross profit		126,637	109,471	1,006,075		
Selling, general and administrative expenses	27	(49,329)	(49,098)	(451,227)		
Finance income	28	20,967	15,390	141,439		
Finance costs	28	(8,862)	(7,858)	(72,218)		
Share of profit (loss) of investments accounted for using equity method	14	(4,901)	6,178	56,778		
Other income	29	13,011	12,855	118,142		
Other expenses	29	(8,152)	(7,903)	(72,631)		
Profit before tax	6	89,371	79,035	726,358		
Income tax expense	17	(22,130)	(18,283)	(168,027)		
Profit		67,241	60,752	558,331		
Profit attributable to:						
Owners of parent		66,790	60,600	556,934		
Non-controlling interests		451	152	1,397		
Profit		67,241	60,752	558,331		
Earnings per share						
Basic earnings per share (Yen)	31	243.06	220.54	2.03		
Diluted earnings per share (Yen)	31	243.06	220.54	2.03		

Consolidated Statement of Comprehensive Income

	FY2018 Notes (From April 1, 2018 to March 31, 2019)		FY20 (From Apr to March 3	il 1, 2019
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		67,241	60,752	558,331
Other comprehensive income Items that will not be reclassified to profit or loss:				
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	30	(6,969)	(21,126)	(194,155)
Remeasurements of defined benefit plans	30	(3,036)	(2,520)	(23,160)
Share of other comprehensive income of investments accounted for using equity method	14, 30	(205)	(115)	(1,057)
Total of items that will not be reclassified to profit or loss		(10,210)	(23,761)	(218,371)
Items that will be reclassified to profit or loss:				
Cash flow hedges	30	466	(1,645)	(15,118)
Exchange differences on translation of foreign operations	30	475	(5,108)	(46,944)
Share of other comprehensive income of investments accounted for using equity method	14, 30	(6,323)	(2,979)	(27,378)
Total of items that will be reclassified to profit or loss		(5,382)	(9,732)	(89,440)
Other comprehensive income, net of tax		(15,592)	(33,493)	(307,812)
Comprehensive income		51,649	27,259	250,519
Comprehensive income attributable to:				
Owners of parent		50,351	28,541	262,301
Non-controlling interests		1,298	(1,282)	(11,782)
Comprehensive income		51,649	27,259	250,519

3) Consolidated Statement of Changes in Equity

FY2018 (From April 1, 2018 to March 31, 2019)

			Equ	ity attributable	to owners of pare	ent	
			1	-	-	components of	equity
	Notes	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehen- sive income
		Millions of	Millions of	Millions of	Millions of	Millions of	Millions of
A CA 11 2010		yen	yen	yen	yen	yen	yen
As of April 1, 2018 Cumulative effect of accounting		93,242	87,598	(37,959)	(11,944)	241	50,118
change		-	_	_	-	_	_
Restated balance as of April 1, 2018		93,242	87,598	(37,959)	(11,944)	241	50,118
Profit		_	_	_	_	_	_
Other comprehensive income	30	_	_	_	(6,629)	390	(7,120)
Total comprehensive income			_	_	(6,629)	390	(7,120)
Purchase of treasury shares	24	_	_	(25)	_	-	_
Disposal of treasury shares	24	_	0	1	_	_	_
Dividends	25	_	-	-	_	-	_
Establishment of subsidiaries with non-controlling interests		_	_	_	_	_	_
Changes in ownership interests		_	_	_	_	_	_
Transfer to retained earnings	15					_	700
Transactions with owners - total			0	(24)		_	700
As of March 31, 2019		93,242	87,598	(37,983)	(18,573)	631	43,698
		Equ Other compon	ity attributable tents of equity	to owners of par	rent	N	
	Notes	Remeasure- ments of defined benefit plans	Total	Retained earnings	Total	Non- controlling interests	Total equity
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018		_	38,415	848,089	1,029,385	83,964	1,113,349
Cumulative effect of accounting change		_	_	_	_	_	_
Restated balance as of April 1, 2018		_	38,415	848,089	1,029,385	83,964	1,113,349
Profit		_	_	66,790	66,790	451	67,241
Other comprehensive income	30	(3,080)	(16,439)		(16,439)	847	(15,592)
Total comprehensive income		(3,080)	(16,439)	66,790	50,351	1,298	51,649
Purchase of treasury shares	24	_	_	_	(25)	-	(25)
Disposal of treasury shares	24	_	_	_	1	-	1
Dividends	25	_	_	(32,151)	(32,151)	(5,049)	(37,200)
Establishment of subsidiaries with non-controlling interests		_	_	_	_	17,976	17,976
Changes in ownership interests		-	-	_	-	5,530	5,530
Transfer to retained earnings	15	3,080	3,780	(3,780)			
Transactions with owners - total		3,080	3,780	(35,931)	(32,175)	18,457	(13,718)

25,756

878,948

1,047,561

103,719

1,151,280

			Equ	ity attributable	to owners of par	ent	
			1		Other	components of	equity
	Notes	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehen- sive income
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019		93,242	87,598	(37,983)	(18,573)	631	43,698
Cumulative effect of accounting change		_	_	_	(1,045)	-	_
Restated balance as of April 1, 2019		93,242	87,598	(37,983)	(19,618)	631	43,698
Profit		_	_	_	_	_	_
Other comprehensive income	30	_	_	_	(6,758)	(1,547)	(21,039)
Total comprehensive income		_			(6,758)	(1,547)	(21,039)
Purchase of treasury shares	24	_	_	(19)	_	_	_
Disposal of treasury shares	24	_	0	0	_	_	_
Dividends	25	_	_	_	_	_	_
Establishment of subsidiaries with non-controlling interests		_	_	_	_	_	-
Changes in ownership interests		_	_	_	_	_	_
Transfer to retained earnings	15	_	_	_	_	_	4,539
Transactions with owners - total		_	0	(19)	_	_	4,539
As of March 31, 2020		93,242	87,598	(38,002)	(26,376)	(916)	27,198
		Equ	uity attributable	to owners of par	rent		
		Other compon	ents of equity			NI	
	Notes	Remeasure- ments of defined benefit plans	Total	Retained earnings	Total	Non- controlling interests	Total equity
		Millions of	Millions of	Millions of	Millions of	Millions of	Millions of
		yen	yen	yen	yen	yen	yen
As of April 1, 2019		-	25,756	878,948	1,047,561	103,719	1,151,280
Cumulative effect of accounting		_	(1,045)	(56,330)	(57,375)	_	(57,375)

		o mer compon	ents of equity			Non-		
	Notes	Remeasure- ments of defined benefit plans	Total	Retained earnings	Total	controlling interests	Total equity	
		Millions of	Millions of	Millions of	Millions of	Millions of	Millions of	
		yen	yen	yen	yen	yen	yen	
As of April 1, 2019		_	25,756	878,948	1,047,561	103,719	1,151,280	
Cumulative effect of accounting change		_	(1,045)	(56,330)	(57,375)	_	(57,375)	
Restated balance as of April 1, 2019		_	24,711	822,618	990,186	103,719	1,093,905	
Profit		_	_	60,600	60,600	152	60,752	
Other comprehensive income	30	(2,715)	(32,059)	_	(32,059)	(1,434)	(33,493)	
Total comprehensive income		(2,715)	(32,059)	60,600	28,541	(1,282)	27,259	
Purchase of treasury shares	24	_	_	_	(19)	_	(19)	
Disposal of treasury shares	24	_	_	_	0	_	0	
Dividends	25	_	_	(16,762)	(16,762)	(3,121)	(19,883)	
Establishment of subsidiaries with non-controlling interests		_	_	_	_	_	_	
Changes in ownership interests		_	_	_	_	9,598	9,598	
Transfer to retained earnings	15	2,715	7,254	(7,254)	_	_	_	
Transactions with owners - total		2,715	7,254	(24,016)	(16,781)	6,477	(10,304)	
As of March 31, 2020			(94)	859,202	1,001,946	108,914	1,110,860	

As of March 31, 2019

			Equ	ity attributable	to owners of par	ent	
					Other	components of	equity
	Notes	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehen- sive income
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars			
As of April 1, 2019		856,925	805,055	(349,076)	(170,692)	5,799	401,599
Cumulative effect of accounting change		_	_	_	(9,604)	_	_
Restated balance as of April 1, 2019		856,925	805,055	(349,076)	(180,296)	5,799	401,599
Profit		_	_	_	_	-	_
Other comprehensive income	30				(62,108)	(14,217)	(193,355)
Total comprehensive income		_	_	_	(62,108)	(14,217)	(193,355)
Purchase of treasury shares	24	_	_	(175)	_	_	_
Disposal of treasury shares	24	_	0	0	_	_	_
Dividends	25	_	_	_	_	_	_
Establishment of subsidiaries with non-controlling interests		_	_	_	_	_	_
Changes in ownership interests		-	-	-	-	_	_
Transfer to retained earnings	15						41,715
Transactions with owners - total			0	(175)			41,715

805,055

(349,251)

(242,404)

(8,418)

249,959

		Equ	uity attributable				
		Other compor	nents of equity			Non-	
	Notes	Remeasure- ments of defined benefit plans	Total	Retained earnings	Total	controlling interests	Total equity
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2019		_	236,706	8,077,824	9,627,433	953,212	10,580,645
Cumulative effect of accounting change		_	(9,604)	(517,691)	(527,295)	_	(527,295)
Restated balance as of April 1, 2019			227,102	7,560,132	9,100,138	953,212	10,053,350
Profit		_	_	556,934	556,934	1,397	558,331
Other comprehensive income	30	(24,952)	(294,633)		(294,633)	(13,179)	(307,812)
Total comprehensive income		(24,952)	(294,633)	556,934	262,301	(11,782)	250,519
Purchase of treasury shares	24	_	_	_	(175)	_	(175)
Disposal of treasury shares	24	_	_	_	0	_	0
Dividends	25	_	_	(154,048)	(154,048)	(28,683)	(182,731)
Establishment of subsidiaries with non-controlling interests		_	_	_	_	_	_
Changes in ownership interests		_	_	_	_	88,209	88,209
Transfer to retained earnings	15	24,952	66,667	(66,667)	_	_	_
Transactions with owners - total		24,952	66,667	(220,715)	(154,223)	59,526	(94,697)
As of March 31, 2020			(864)	7,896,351	9,208,216	1,000,956	10,209,172

4) Consolidated Statement of Cash Flows

	Notes	Notes (From April 1, 2018 to March 31, 2019) Millions of yen	FY2019 (From April 1, 2019 to March 31, 2020)	
			Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		89,371	79,035	726,358
Depreciation and amortization expense		43,541	45,355	416,827
Loss (gain) on sale of property, plant and equipment		(56)	(8,616)	(79,184)
Impairment losses		_	1,506	13,841
Share of loss (profit) of investments accounted for using equity method		4,901	(6,178)	(56,778)
Loss (gain) on sale of subsidiaries		(9,512)	488	4,485
Increase or decrease in retirement benefit asset or liability		(1,438)	892	8,198
Increase (decrease) in provisions		(2,930)	(1,635)	(15,026)
Finance income		(20,967)	(15,390)	(141,439)
Finance costs		8,862	7,858	72,218
Decrease (increase) in trade and other receivables		3,941	26,820	246,485
Decrease (increase) in inventories		(14,573)	35,331	324,704
Increase (decrease) in trade and other payables		12,849	(28,825)	(264,911
Increase (decrease) in accrued consumption taxes		1,451	553	5,082
Other		(3,608)	(2,042)	(18,767
Subtotal		111,832	135,152	1,242,092
Interest received		2,607	5,112	46,981
Dividends received		14,662	11,991	110,201
Interest paid		(6,737)	(6,669)	(61,290
Income taxes paid		(12,701)	(10,587)	(97,298
Income taxes refund		5,081	1,546	14,208
Net cash provided by (used in) operating activities		114,744	136,545	1,254,894
Cash flows from investing activities				
Payments into time deposits		(32,300)	(9,272)	(85,213
Proceeds from withdrawal of time deposits		28,674	10,652	97,895
Proceeds from redemption of investments		10,610	_	_
Purchase of property, plant and equipment		(49,657)	(45,778)	(420,715
Proceeds from sale of property, plant and equipment		689	10,849	99,706
Purchase of intangible assets		(1,527)	(695)	(6,387
Proceeds from sale of investment securities		740	6,307	57,963
Purchase of shares of subsidiaries and associates		(49,169)	(43,657)	(401,222
Payments for short-term loans receivable		(969)	(2)	(18
Collection of short-term loans receivable		3,698	260	2,389
Payments for long-term loans receivable		(75,408)	(3,246)	(29,832
Collection of long-term loans receivable		27	3,138	28,839
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	32	24,531	885	8,133
Other		(2,293)	225	2,068
Net cash provided by (used in) investing activities		(142,354)	(70,334)	(646,393)

As of March 31, 2020

Cash flows from financing activities Millions of yen Millions of yen Thousands of U.S. dollars Proceeds from short-term borrowings 32 78,577 188,223 1,729,832 Repayments of short-term borrowings 32 (75,816) (185,585) (1,705,588) Proceeds from long-term borrowings 32 15,928 28,629 263,110 Repayments of long-term borrowings 32 (23,985) (29,891) (274,708) Proceeds from issuance of bonds 32 19,917 19,884 182,741 Redemption of bonds 32 (30,000) - - Proceeds from share issuance to non-controlling shareholders 23,556 9,598 88,209 Purchase of treasury shares (25) (19) (175) Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (56,657) 75,360 692,5		Notes	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
Proceeds from short-term borrowings 32 78,577 188,223 1,729,832 Repayments of short-term borrowings 32 (75,816) (185,585) (1,705,588) Proceeds from long-term borrowings 32 15,928 28,629 263,110 Repayments of long-term borrowings 32 (23,985) (29,891) (274,708) Proceeds from issuance of bonds 32 19,917 19,884 182,741 Redemption of bonds 32 (30,000) - - Proceeds from share issuance to non-controlling shareholders 23,556 9,598 88,209 Purchase of treasury shares (25) (19) (175) Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583			Millions of yen	Millions of yen	
Repayments of short-term borrowings 32 (75,816) (185,585) (1,705,588) Proceeds from long-term borrowings 32 15,928 28,629 263,110 Repayments of long-term borrowings 32 (23,985) (29,891) (274,708) Proceeds from issuance of bonds 32 19,917 19,884 182,741 Redemption of bonds 32 (30,000) - - Proceeds from share issuance to non-controlling shareholders 23,556 9,598 88,209 Purchase of treasury shares (25) (19) (175) Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816	Cash flows from financing activities				
Proceeds from long-term borrowings 32 15,928 28,629 263,110 Repayments of long-term borrowings 32 (23,985) (29,891) (274,708) Proceeds from issuance of bonds 32 19,917 19,884 182,741 Redemption of bonds 32 (30,000) - - Proceeds from share issuance to non-controlling shareholders 23,556 9,598 88,209 Purchase of treasury shares (25) (19) (175) Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027) <td>Proceeds from short-term borrowings</td> <td>32</td> <td>78,577</td> <td>188,223</td> <td>1,729,832</td>	Proceeds from short-term borrowings	32	78,577	188,223	1,729,832
Repayments of long-term borrowings 32 (23,985) (29,891) (274,708) Proceeds from issuance of bonds 32 19,917 19,884 182,741 Redemption of bonds 32 (30,000) - - Proceeds from share issuance to non-controlling shareholders 23,556 9,598 88,209 Purchase of treasury shares (25) (19) (175) Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)	Repayments of short-term borrowings	32	(75,816)	(185,585)	(1,705,588)
Proceeds from issuance of bonds 32 19,917 19,884 182,741 Redemption of bonds 32 (30,000) - - Proceeds from share issuance to noncontrolling shareholders 23,556 9,598 88,209 Purchase of treasury shares (25) (19) (175) Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)	Proceeds from long-term borrowings	32	15,928	28,629	263,110
Redemption of bonds 32 (30,000) — — Proceeds from share issuance to noncontrolling shareholders 23,556 9,598 88,209 Purchase of treasury shares (25) (19) (175) Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)	Repayments of long-term borrowings	32	(23,985)	(29,891)	(274,708)
Proceeds from share issuance to non-controlling shareholders 23,556 9,598 88,209 Purchase of treasury shares (25) (19) (175) Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)	Proceeds from issuance of bonds	32	19,917	19,884	182,741
controlling shareholders 23,556 9,598 88,209 Purchase of treasury shares (25) (19) (175) Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)	Redemption of bonds	32	(30,000)	-	-
Dividends paid 25 (32,151) (16,762) (154,048) Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)			23,556	9,598	88,209
Dividends paid to non-controlling shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)	Purchase of treasury shares		(25)	(19)	(175)
shareholders (5,049) (3,121) (28,683) Other 32 1 (1,807) (16,607) Net cash provided by (used in) financing activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)	Dividends paid	25	(32,151)	(16,762)	(154,048)
Net cash provided by (used in) financing activities (29,047) (29,047) (29,047) (29,047) (29,047) (29,047) (30,042) (30,042) (30,042) (40,042) (50,657) (50	1		(5,049)	(3,121)	(28,683)
activities (29,047) 9,149 84,082 Net increase (decrease) in cash and cash equivalents (56,657) 75,360 692,583 Cash and cash equivalents at beginning of period 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents (1,091) (10,027)	Other	32	1	(1,807)	(16,607)
equivalents (50,657) 75,360 692,383 Cash and cash equivalents at beginning of period 7 137,330 81,261 746,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)			(29,047)	9,149	84,082
period 81,201 /46,816 Effect of exchange rate changes on cash and cash equivalents 588 (1,091) (10,027)			(56,657)	75,360	692,583
cash equivalents (1,091) (10,027)		7	137,330	81,261	746,816
Cash and cash equivalents at end of period 7 81,261 155,530 1,429,372			588	(1,091)	(10,027)
	Cash and cash equivalents at end of period	7	81,261	155,530	1,429,372

Corporate Data and Investor Information (As of March 31, 2020)

Corporate Data

Founded	1590
Incorporated	1950
Paid-In Capital	¥93.2 billion
Number of Employees	6,873 (Consolidated)
Head Office	11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan

Contact Information

Public Relations & Investor Relations Department

11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan

Phone: +81-3-3436-7705 Facsimile: +81-3-3434-2215 https://www.smm.co.jp/E/

Investor Information

Closing Date	March 31		
Ordinary General Meeting of Shareholders	June		
Common Stock	Number of authorized shares 500,000,000 Number of issued and outstanding shares 290,814,015		
	Number of shareholders	44,544	
	Listing of shares	Tokyo	
	Stock transaction unit	100 shares	

Note: SMM consolidated its common stock at a rate of one share for every two shares with October 1, 2017

Registrar of Shareholders

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Stock Transfer Agency Department: Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Method of Public Notice

Electronic notification (However, if electronic notification is not available due to unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.)

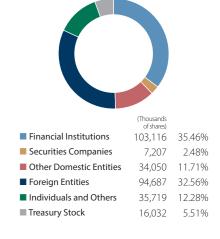
Independent Public Accountant

KPMG AZSA LLC 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

Major Shareholders

	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,512	10.0
Japan Trustee Services Bank, Ltd. (Trust Account)	19,365	7.0
Toyota Motor Corporation	11,058	4.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,152	1.9
JP MORGAN CHASE BANK 385151	4,162	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 7)	4,078	1.5
Sumitomo Mitsui Banking Corporation	3,825	1.4
JP MORGAN CHASE BANK 385632	3,770	1.4
Sumitomo Realty & Development Co., Ltd.	3,745	1.4
Sumitomo Life Insurance Company	3,737	1.4
Notes 1 We our 16 022 million shares of transum stock		

Breakdown of Shareholders



Stock Price and Trading Volume



Note: SMM reduced the number of shares in a trading unit of stock and consolidated its common stock at a rate of one share for every two shares with October 1, 2017 as the effective $date. \ Because of this, in the graph, the pre-September 2017 stock price is shown as double, and the trading volume is shown as half.$

Notes: 1. We own 16,032 million shares of treasury stock.
2. The shareholding ratios were calculated based on the total number of issued shares less treasury stock.