

Integrated Report 2021



MINING THE FUTURE



The report is printed using non-VOC ink.

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### Supplementary ESG Data Book 2021

- 1 Effective Use of Non-Ferrous Metal Resources
- 2 Climate Change
- 3 Significant Environmental Accidents/Biodiversity
- 10 Employees' Occupational Health and Safety
- 14 Diverse Human Resources/Development and Participation of Human Resources
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### Editorial Policy

Since 2016, we have published these integrated reports to serve as a tool for dialogue with stakeholders inside and outside the Group and to help stakeholders attain a deeper understanding of the SMM Group's efforts toward sustainable growth and maximization of corporate value.

Recent years have seen a sharp increase in interest and demands directed at companies' ESG-related initiatives. Importance is shifting away from information centered on short-term performance changes and finances and toward information related to long-term value creation and ESG. The Sumitomo Metal Mining Co., Ltd. Integrated Report 2021, our sixth integrated report, describes value creation by our Group in connection with the risks and opportunities that surround our business, our competitiveness and the value we provide, and our business model and strategies, as we further integrate business with sustainability.

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.

### Disclaimer

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

\* This document is the English version of the Japanese original.

## Integrated Report 2021 Concepts

### A focus on resolution of social issues through business and on content of interest to stakeholders

Integrated Report 2021 consists of six chapters: "Introduction," "The SMM Group's Creation of Value," "Growth Strategy," "Strategy for Co-creating Value with Society," "Governance Strategy as a Foundation for Value Creation," and "Data Section." This report attempts to make the content easier to read for stakeholders, and enriches information that takes into consideration the perspective of investment decisions regarding our Company's stock.

A Special Feature takes up the theme of the electrification of automobiles, which bears a role in achieving decarbonization as a solution to social issues. This section discusses the development of our secondary battery cathode material business for xEVs through collaboration among our three businesses of Mineral Resources, Smelting & Refining, and Materials, and explains the strengths generated by that collaboration.

The report further positions our Vision for 2030, a milestone toward realizing our long-term vision, as a material issue of our Group, and describes our progress over the past year toward each of 11 material issues, along with the KPIs we use.

Detailed data concerning sustainability is separately sorted and selected for publication in the supplementary ESG Data Book 2021. Integrated Report 2021 narrows down its coverage to pursue greater readability, while maintaining the quality and quantity of information the report has always offered.

### A basis in integrated thinking

In Value Creation Process, this report further quantifies the details of value creation processes to clarify features of our Group's value creation model. From this year, the report adds explanations that enhance understanding of our Group's unique mechanisms for creating value.

Throughout its entirety, the report expresses our value creation and the high goals and determination behind our long-term vision of being the "world leader in the non-ferrous metals industry." The report reveals our commitment to sustainability, with a focus on our business strategy and our efforts toward achieving Vision for 2030.

### Referenced Guidelines and Assurance

In editing this report, we referenced the International Integrated Reporting Framework of Value Reporting Foundation (VRF; reorganized in June 2021 from the previous 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. 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.jp/en/>

### 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 equity-method affiliates (27 companies)

Social Topics SMM and consolidated subsidiaries

### Publication Date

November 2021 Next scheduled publication: November 2022 (Previous publication: November 2020)

### Period Covered

(Some activities before or after the following periods have also been included)

Japan: April 1, 2020–March 31, 2021

Overseas: January 1, 2020–December 31, 2020

### Referenced Guidelines

GRI's Sustainability Reporting Standards

VRF'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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## 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.

(Quoted from the Sumitomo Goshi Kaisha Administrative Regulations, named "Summary of Business Operations", formulated in 1928)

## SMM Group Corporate Philosophy

Sumitomo Metal Mining Co., Ltd. (SMM), in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.

SMM shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

## SMM Group Management Vision

By 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.

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.

 SUMITOMO METAL MINING



MINING THE FUTURE

# Development of the SMM Group

Our path toward long-term value creation

1691 Mineral Resources Business

### A major step toward the mining business

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.

1917 Mineral Resources Business

### Starting our gold mining 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 portfolio, which had previously been centered on copper.



1939 Smelting & Refining Business

### Overcoming smoke pollution at Shisaka Island

In 1939, we realized zero emissions of 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 globe.



1500 1600 1700 1800 1900

## Management and CSR

Around 1650  
*Monjuin Shiigaki*

The Sumitomo Business Spirit, which continues to this day, has its origins in the *Monjuin Shiigaki*, written by the founder of the Sumitomo family, Sumitomo Masatomo (1585–1652), in his later years to explain the merchant's frame of mind.



1894  
Large-scale reforestation operations

Large-scale reforestation operations are started after Iba Teigo, the second Director-General, becomes manager of the Besshi Copper Mine. At peak, more than two million trees are being planted annually and Mt. Besshi once again overflows with greenery.

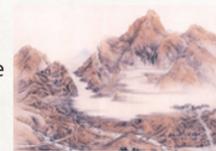


The Besshi Copper Mine in the past (left) and today (right)

## Mineral Resources Business

Copper mines

1691  
Opening of the Besshi Copper Mine



Gold mines

1917  
Start of the gold mine business



Kounomai Mine

Overseas copper mines

1961  
Investment and financing contract signed for the Bethlehem Mine in Canada

1973  
Closure of the Kounomai Mine and the Besshi Copper Mine

1979  
Closure of the Sazare Mine

## Smelting & Refining Business

Copper smelting and refining

1590  
Start of the copper smelting and refining business

1905  
Relocation of copper smelting and refining from the Niihama coast to the Shisaka Island

Nickel smelting and refining

1939  
Start of the nickel smelting and refining business

1971  
Start of production at the Toyo Smelter & Refinery

## Materials Business

1960  
Entry into the materials business

Innovation Topic

### Nanban-buki

In Japan at this time, there was no technology for removing the silver from copper ore, so copper was sold and exported at copper prices while it still included silver. Soga Riemon, develops a smelting and refining technology for separating copper and silver, known as *Nanban-buki*. He shares this widely with others in the same business in Osaka, preventing the loss of wealth.



### World-leading nickel smelting and refining technology

In 1939, SMM launches its nickel smelting and refining business and goes on to develop nickel refining technologies such as the MCLC method<sup>1</sup>. In the 2000's, factors such as the diversification of raw material procurement through the practical application of HPAL<sup>2</sup> technology push us toward becoming the world leader in nickel smelting and refining technology.



### Adding new value to metals

As mining business in Japan undergoes a contraction, attention turns to electronic materials business as a new market. In 1960, SMM begins production of germanium dioxide for use in transistors. Since then, we have continued to provide the market with various electronic materials.

### The majority of Nagasaki trade

In the Edo period, about half of all copper produced in Japan for international trade is exported through Nagasaki. In the year 1698, Sumitomo's annual production reaches about 1,500 tons, a quantity that accounts for one quarter of Japan's copper production.



### Around 1900

### The modernization of industry

Starting in the Meiji Period, with the growth in demand for communications lines, wires for electric lighting, and copper alloy fabricated products, domestic demand for copper increases significantly. The Besshi Copper Mine, which introduces Western-style smelting and refining, supports the industry in Japan.



## History

1961 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.

1985 Mineral Resources Business

**Starting operation of the Hishikari Mine**

With the closure of the Sazare Mine in 1979, the curtain closes for a time on SMM's heritage of mining technology. However, in 1985, operations begin at the Hishikari Mine and SMM Group's technology begins to chart a new history in a new area. The mine boasts a rich gold content ratio to date and has become a primary source of profit for the Group, and it also plays a role in passing down our mining technology.

1999 Management

**Corporate reform since the JCO criticality accident**

The JCO criticality accident in 1999 was a turning point for the management of the SMM Group. Since then we have taken a strong turn toward returning to core values and thorough compliance through the Corporate Reform Plan. Although more than 20 years have passed since the accident, we will not forget and will pass the lessons learnt on to younger generations.

2014 Materials Business

**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.

**2000**

- 1985** Start of operations at the Hishikari Mine
- 1986** Acquisition of interest in the Morenci Copper Mine. Full-scale investment in overseas mines
- 1993** Conversion of nickel refining process to MCLE technology
- 1999** The JCO criticality accident. A criticality accident occurs at SMM subsidiary, JCO Co., Ltd., which manufactures fuel for nuclear power generation. The SMM Group reflects on this accident and in 2000 it formulates the Corporate Reform Plan which promotes the reconfirmation and thorough execution of the corporate philosophy, reinforcement of corporate organization, and reform of corporate culture.
- 2001** Start of production of cathode materials for automobile batteries
- 2005** Start of production at Coral Bay Nickel Corporation
- 2006** Start of production at the Cerro Verde Copper Mine
- 2010** Switch to three core businesses – Mineral Resources, Smelting & Refining and Materials. In the 2009 3-Year Business Plan, it is announced that SMM will switch to a business model with three core businesses – Mineral Resources & Smelting & Refining & Materials. Management resources are concentrated and invested in these core businesses.
- 2013** Start of production at Taganito HPAL Nickel Corporation
- 2015** Start of production at the Sierra Gorda Copper Mine
- 2016** Acquisition of additional interest in the Morenci Copper Mine
- 2017** Issuance of the Declaration for the promotion of Working Style Reform
- 2017** Acquisition of interest in the Cote Gold Mine
- 2019** Reconsideration of the Long-Term Vision. The 2018 3-Year Business Plan is announced. This reveals a reconsideration of the Long-Term Vision and a target of ¥150.0 billion in annual profit as a world leader in the non-ferrous metals industry.
- 2019** Acquisition of interest in the Quebrada Blanca Copper Mine
- 2020** Formulation of "Vision for 2030". We formulated our Vision for 2030, which states the milestone to be reached by 2030 in order to realize the SMM Group's Long-Term Vision of becoming the "world leader in the non-ferrous metals industry."

**Making high-capacity batteries possible**

Lithium nickel-cobalt-aluminum oxide (NCA) produced by the SMM Group has high-levels of nickel content which has made high-capacity batteries possible. We are leveraging our strength of being able to provide an integrated production structure that ranges from resource procurement to battery material supply and contributing to extending the range that an electric vehicle can travel on a single charge.

**Practical application of the HPAL method**

SMM is the first in the world to apply the HPAL method to convert low-grade nickel oxide ore into a nickel resource. In addition to contributing to the realization of in-house procurement and the effective use of nickel resources, we also carry out activities that contribute to society in the Philippines, where the operations are based.



Nickel-based battery materials LT/LN

1. 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.
2. 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.
3. LT/LN: Lithium Tantalate and Lithium Niobate. These refer to Lithium Tantalate substrates and Lithium Niobate substrates. Used in chips for information and communication terminal SAW filters.

**Around 1980**

■ The diffusion of stainless steel  
Nickel is used as a raw material in stainless steel and special steels. These materials are used in various areas such as communications, medical, construction materials, and the generation of electricity.

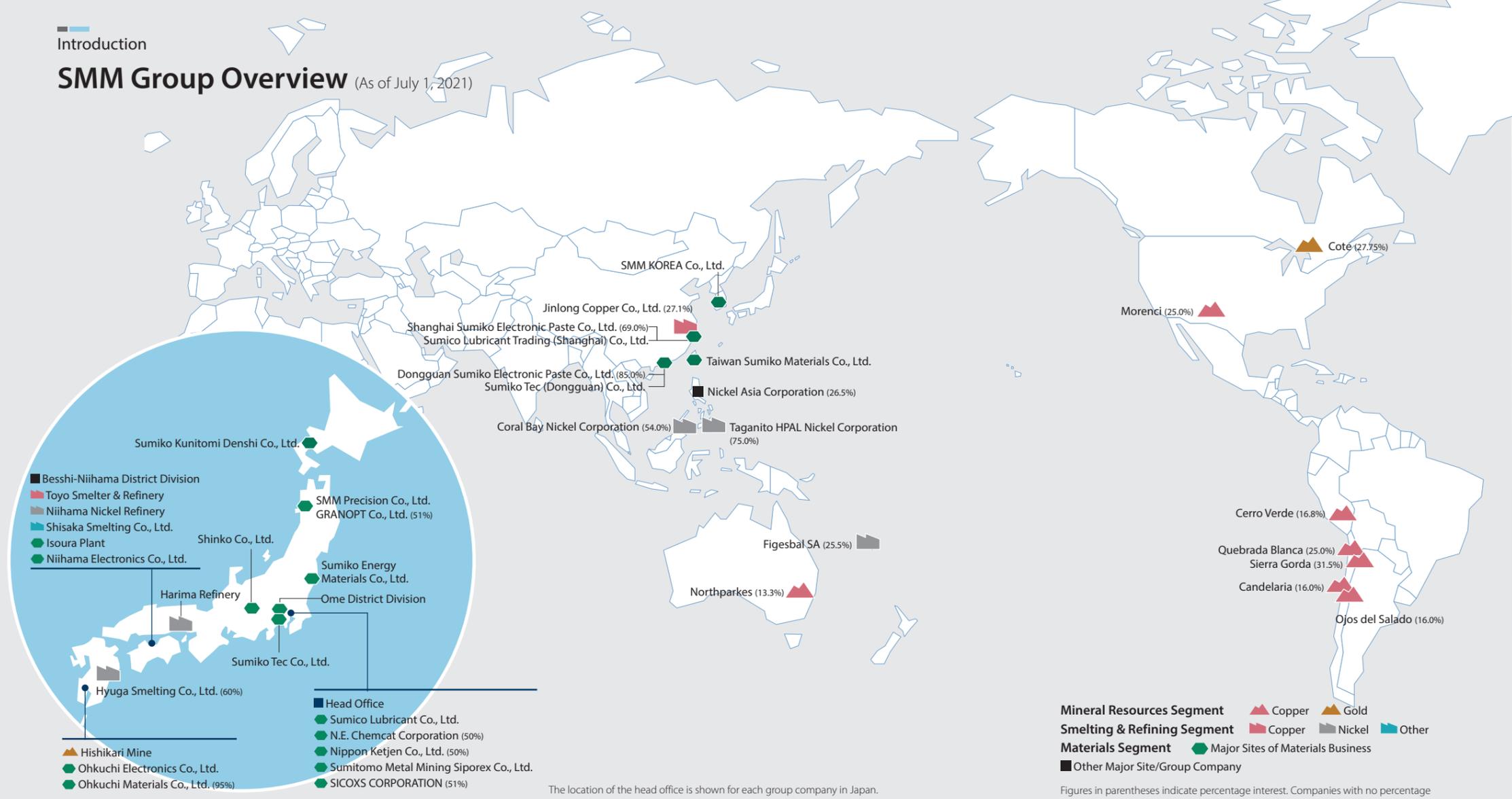


**Around 2000**

■ Rapidly rising demand for cathode materials for automobile batteries  
Against the background of rising environmental awareness, demand has risen rapidly for cathode materials for hybrid and electric vehicle secondary batteries. Through close collaboration with customers, the SMM Group is working to supply high performance, safe battery cathode materials in addition to fulfilling its obligation as a producer of nickel and cobalt, the raw materials of battery cathode materials.



# SMM Group Overview (As of July 1, 2021)



## Corporate Data

Company name	Sumitomo Metal Mining Co., Ltd.
President & Representative Director	Akira Nozaki
Founded	1590
Incorporated	1950
Capital	¥93.2 billion
Listing	Tokyo Stock Exchange

No. of subsidiaries (consolidated)	55 (including the money held in trust which is deemed to be a consolidated company)
No. of equity-method affiliates	14
Net sales (consolidated)	¥926.1 billion (for the year ended March 31, 2021)
Profit before tax (consolidated)	¥123.4 billion (for the year ended March 31, 2021)

## Main Facilities

Head Office	11-3, Shimbashi 5-chome, Minato-ku, Tokyo (Shimbashi Sumitomo Building)
Main Branch	Osaka Branch

Branches	Nagoya Branch (Aichi Prefecture) Besshi-Niihama District Division (Ehime Prefecture)
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Plants	Toyo Smelter & Refinery (Ehime Prefecture) Niihama Nickel Refinery (Ehime Prefecture) Harima Refinery (Hyogo Prefecture) Ome District Division (Tokyo) Isoura Plant (Ehime Prefecture)
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Mine	Hishikari Mine (Kagoshima Prefecture)
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Research centers	Niihama Research Laboratories (Ehime Prefecture) Battery Research Laboratories (Ehime Prefecture) Materials Laboratories (Tokyo) Ichikawa Research Center (Chiba Prefecture)
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## Main Products

Mineral Resources Segment	Gold and silver ore, copper concentrates, 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 film materials, magnetic materials, package materials, oil refining catalysts, automotive catalysts, autoclaved lightweight concrete, lubricants

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

14

● Consolidated subsidiaries ■ Equity-method affiliates \* Included in the boundary of the environmental performance data

### Japan

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

##### Mineral Resources

- Sumiko Resources Exploration & Development 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.\*

##### Other

- 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 Company Inc. (Philippines)

#### Smelting & Refining

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

### Materials

- Dongguan Sumiko Electronic Paste Co., Ltd. (China)\*
- Shanghai Sumiko Electronic Paste Co., Ltd. (China)\*
- Sumico Lubricant Trading (Shanghai) Co., Ltd. (China)
- Sumiko Tec (Dongguan) Co., Ltd. (China)
- 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

- Compania Contractual Minera Candelaria (Chile)
- Compania Contractual Minera Ojos del Salado (Chile)
- Sumitomo Metal Mining Chile LTDA. (Chile)
- SMM Sierra Gorda Inversiones LTDA. (Chile)
- Sierra Gorda S.C.M. (Chile)
- SMM-SG Holding Inversiones LTDA. (Chile)
- 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. (Australia)
- SMM Cerro Verde Netherlands B.V. (Netherlands)
- SMMCV Holding B.V. (Netherlands)
- SMM Holland B.V. (Netherlands)

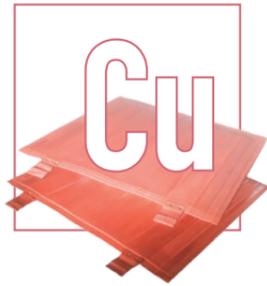
#### Smelting & Refining

- FIGESBAL SA (New Caledonia)

The location of the head office is shown for each group company in Japan.

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

# 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, DR Congo 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

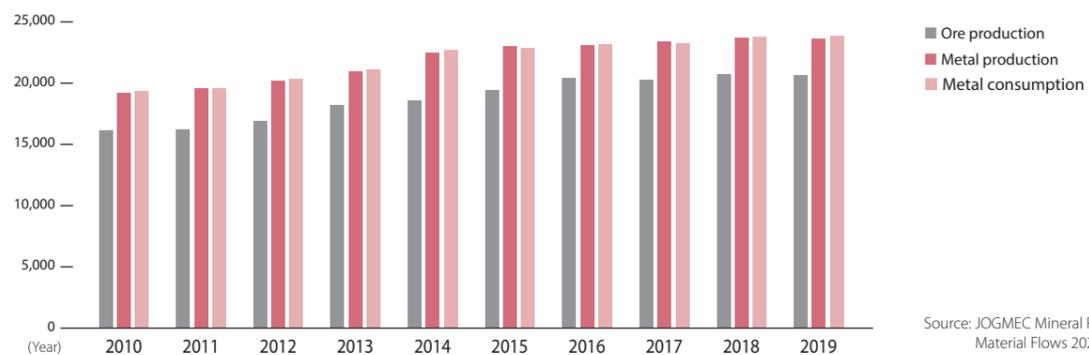
(kt, 2019 values)



Source: JOGMEC Mineral Resource Material Flows 2020

### Global Copper Supply and Demand

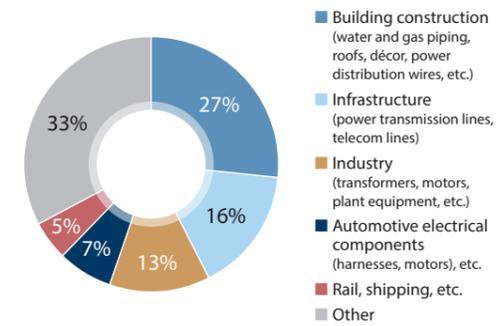
(kt pure copper)



Source: JOGMEC Mineral Resource Material Flows 2020

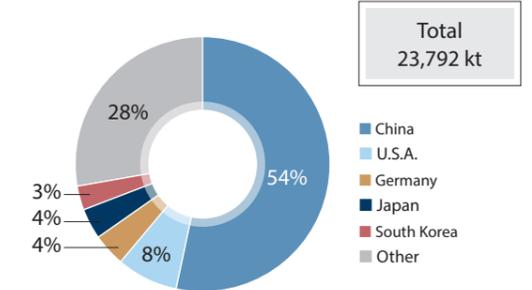
## Statistical Data Regarding Copper

### Copper End-Use (2020 results)



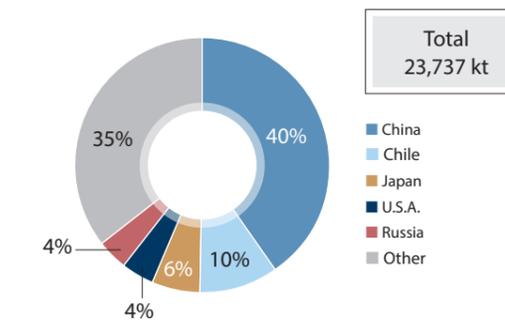
Source: The International Wrought Copper Council (IWCC) and the International Copper Association (ICA)

### Copper Metal Consumption by Country/Region (2019 results)



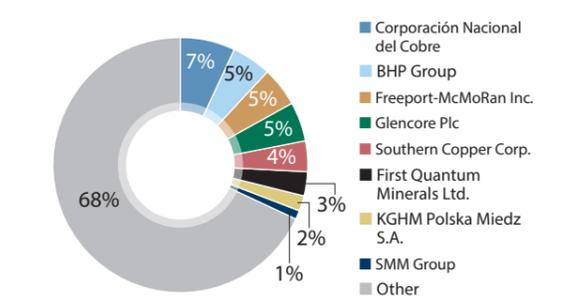
Source: JOGMEC Mineral Resource Material Flows 2020

### Copper Metal Production by Country (2019 results)



Source: JOGMEC Mineral Resource Material Flows 2020

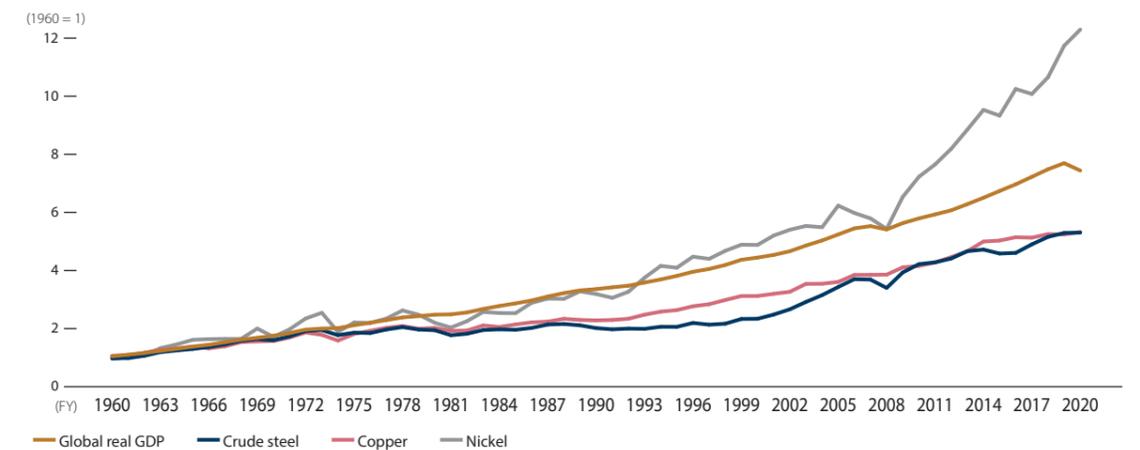
### Global Copper Interest Production (2020 results)



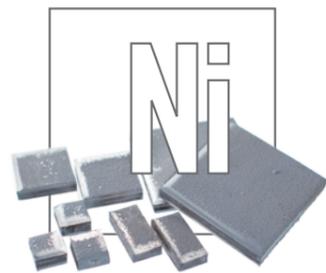
Source: S&P Global

The size of the global copper market is about 24,400 kt  
The SMM Group ranks 18th in the world for global copper interest production (FY2020: 250 kt)

### Global Resource Demand Trends



Source: Research by SMM



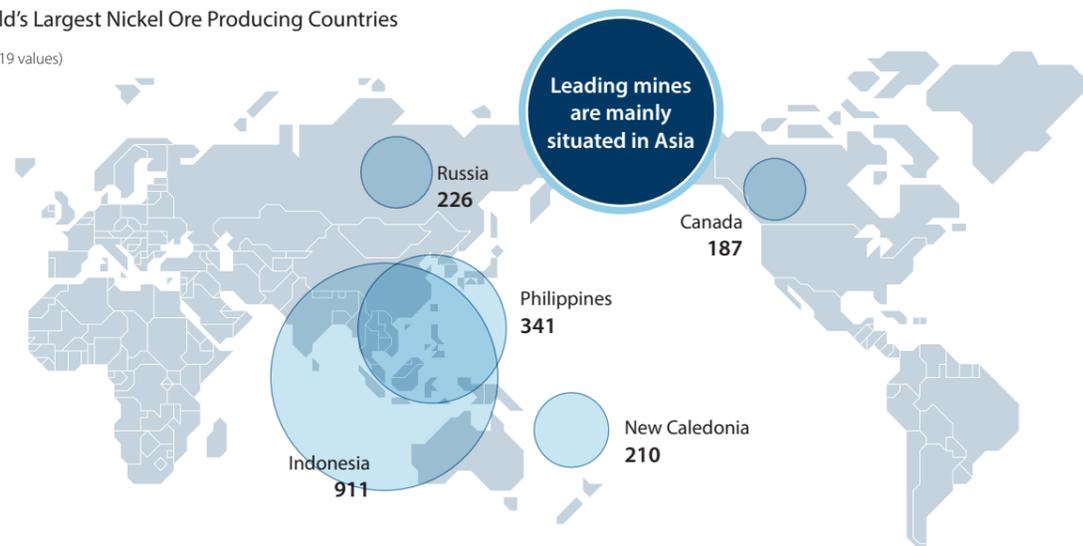
### The Business Environment Surrounding Nickel

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

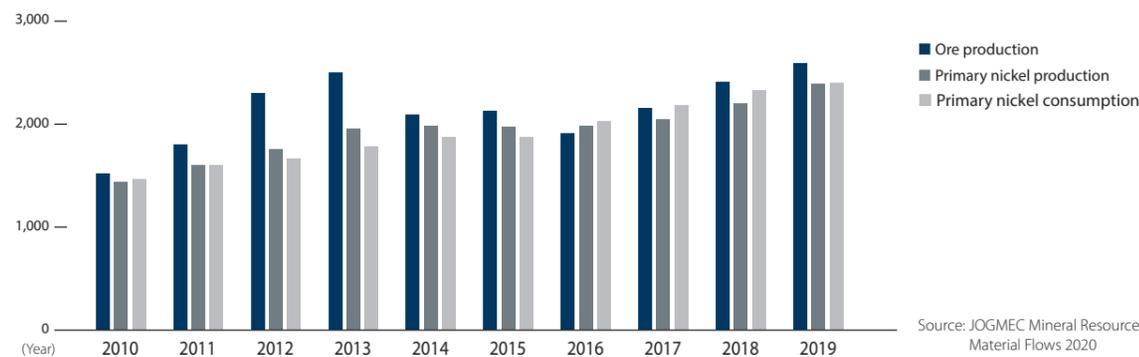
(kt, 2019 values)



Source: JOGMEC Mineral Resource Material Flows 2020

#### Global Nickel Supply and Demand

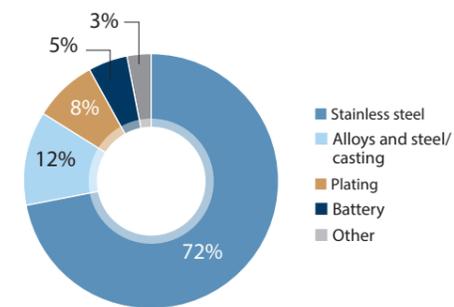
(kt pure nickel)



Source: JOGMEC Mineral Resource Material Flows 2020

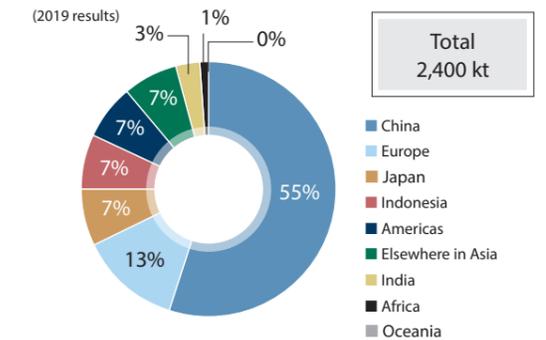
### Statistical Data Regarding Nickel

#### Nickel End-Use



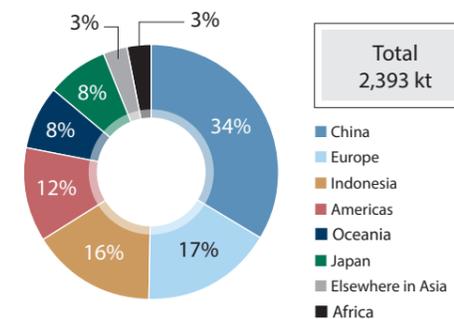
Source: S&P Global Market Intelligence (June 28, 2021)

#### Nickel Metal Consumption by Country/Region



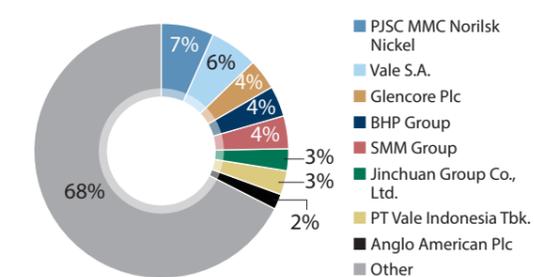
Source: JOGMEC Mineral Resource Material Flows 2020

#### Nickel Metal Production by Country/Region (2019 Results)



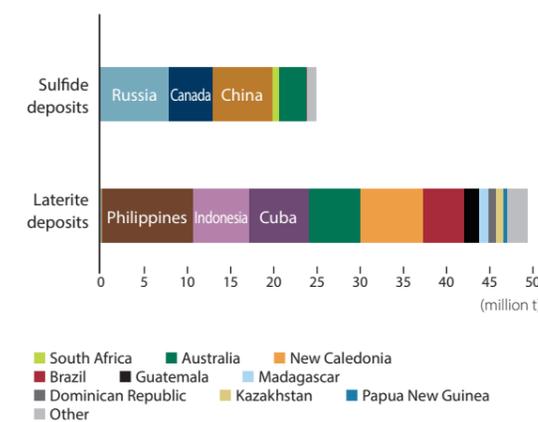
Source: JOGMEC Mineral Resource Material Flows 2020

#### Global Nickel Interest Production (2020 Results)



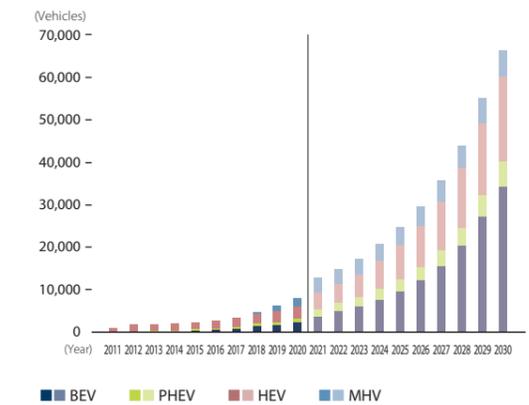
Source: S&P Global Interest production volume for each company's mines, metal production volume for the SMM Group

#### Nickel in Reserves



Source: S&P Global Market Intelligence (July 7, 2021)

#### xEV Sales



Values for 2021 onward are projections

Source: B3 Report 21-22

## Message from the President



Akira Nozaki  
President and  
Representative Director

## Responding to Social Changes and Business Opportunities – Creating New Value and Achieving Sustained Growth

### FY2020 Overview: Supply Stability Maintained amid the Pandemic

In retrospect, fiscal 2020 was a year heavily impacted by the coronavirus pandemic. In the SMM Group, impact took such forms as temporary work stoppages and delayed construction at some of our overseas copper mines. On our production floors, however, while taking maximum precautions to prevent virus contagion, we were able to maintain operations, so I believe we fulfilled our role as a producer and stable supplier of materials. This continuity owed greatly to sustained operations, keeping the status quo, throughout our groupwide supply chain, and we are truly grateful to all our business partners. In addition to maintaining supply stability, initiatives were taken this past year at all production sites to trim costs through a variety of innovative means. As a result, and further buoyed by higher metal prices during the period, in fiscal 2020 we achieved the third-highest consolidated net income in the Company's history.

That accomplishment aside, some delays have occurred in the implementation of our growth strategy incorporated into our 2018 3-Year Business Plan, which got underway in April 2019. Here too, the situation was impacted by the pandemic. The Plan focuses on three major projects of vital importance for strengthening the growth foundation of our core businesses: Mineral Resources, Smelting & Refining, and Materials. In our Mineral Resources business, the Quebrada Blanca Phase 2 project was impacted by a temporary halt to construction due to COVID-19; operations subsequently resumed. In our Smelting & Refining business, we encountered delays in receiving necessary permits and consulting with our partners on the Pomalaa project, which is our third HPAL project, here too owing to COVID-19; but we are making every effort to be in a position to make an investment decision as early as possible. In our Materials business, where we are undertaking a project to increase production of battery materials, in fiscal 2020 we took the decision to invest toward boosting nickel-based cathode

material production by 300 tons per month. This was followed in July 2021 with a decision to invest toward increasing production by a further 2 kilotons per month, and going forward we will continue to incrementally expand production capacity, aiming for monthly production of 10 kilotons of cathode materials by 2027.

Today, the situation surrounding our business operations is changing at a dizzying pace. Nevertheless, strengthening the growth foundation of our businesses, centered on the foregoing three projects, is a core pillar of our 2018 3-Year Business Plan, and we remain committed to carrying this program forward.

## Business Challenges and Risk Awareness

Diverse social issues impact the SMM Group significantly, and we place importance on responding to such issues, which we view as our business challenges. Three issues in particular are vitally important: carbon neutrality, digital transformation (DX), and human resources strategy. If we are unable to respond to the demand for carbon neutrality, we risk being weeded out by customers and investors. If we are slow to digitalize, we will fall behind in terms of digital technology and data utilization, potentially losing our competitive strength. If we err in terms of a human resources strategy, not only would we lose our vitality as an organization; this could conceivably even develop into a matter of our corporate survival. All three of these issues are topics I believe we need to focus closely on in our next 3-Year Business Plan.

Other issues exist that are unique to the SMM Group. The first is the social situation in the various countries where we operate. In South America, moves are underway to increase taxes levied on industries that deal in natural resources: a situation reflecting a form of resource nationalism. In Indonesia, a movement is underway to promote local industry by prohibiting exports of unprocessed ore and raising ore's added value to a high level within the country. The second issue is the emergence of competitive technologies: for example, in pyrometallurgical smelting for making Class 1 nickel from nickel pig iron. At present, challenges exist with respect to ore grade and energy costs, for example. But a precedent is found in the case of Class 2 nickel, where similar concerns existed; here, a shift has occurred from nickel pig iron to ferronickel, which now prevails. In the SMM Group, we will continue improving our HPAL technology, which is superior in terms of cost competitiveness and low environmental impact, and simultaneously also keep exploring for innovative new smelting processes. The third issue is responsibility for supplies of resources and materials, and their rising costs. In the years ahead, consumption of non-ferrous metals, including copper and nickel, will increase; but with the arrival of a highly environmentally conscious society, conditions for resource development are expected to become more severe. Also, the energy consumed in tomorrow's production activities will need to be clean energies, regardless of their higher costs. We will also face higher costs for research into the development of new technologies to curb greenhouse gas (GHG) emissions, and to introduce the optimal technologies that respond to environmental demands. Recycling, too, will require correspondingly heavier infusions of investment money, time and labor.

In addition, challenges exist with respect to the environment and coexistence with local communities. In developing mines, obtaining social permission to operate in the project area is absolutely essential. What this means is that, in addition to complying with legal regulations, projects must be accepted by their local communities. Last year, a resource mining company set off a storm of anger in Australia when it destroyed an ancient site of great importance to the Aboriginal population. International standards have now been announced for the safe management of tailings dams, and the SMM Group, as a member of the International Council on Mining and Metals (ICMM), is preparing its response to enable our compliance with the new regulations (see p. 76).



As these various movements indicate, in the years ahead the stance taken by companies involved in mine development and metal smelting toward the environment and toward their local communities will become even more stringently scrutinized. Clearly, as ESG considerations become increasingly important, the position taken by the SMM Group toward ESG will be ever more critical for our continuous business development. [Refer to "Business and Human Rights" on p. 80 and "Rights of Indigenous Peoples" on p. 91.]

## Strategies for Achieving our "Vision for 2030" – How SMM is Addressing its Business Challenges –

Our "Vision for 2030," announced in March 2020, identified 11 material issues to serve as milestones for realizing our Long-Term Vision to "Become a World Leader in the Non-ferrous Metals Industry." It also indicated what we must do to achieve that vision. [For details, see "Vision for 2030" on p. 66-67.]

Among the 11 issues, to "ensure employees' occupational health and safety" is of extreme importance as our business foundation. Because the work sites where the SMM Group operates have many facilities of large scale, heavy-duty machinery and so on, the risk of occupational accidents is by no means negligible. To reduce such risk and achieve safer and more pleasant work environments, through the years we have implemented a variety of measures, both tangible and intangible: for example, innovations to make equipment safer and safety education. In our 2018 3-Year Business Plan we set targets of less than 5 domestic occupational accidents and less than 3 accidents of all types combined at our overseas business sites. Unfortunately, so far these targets have gone unachieved by wide margins, and their achievement remains a major challenge. We will therefore implement safety measures even more vigorously going forward, to prevent serious accidents from occurring and keep our workers free from injury.

Another important material issue in our Vision for 2030 is "effective use of non-ferrous metal resources." In our Long-Term Vision, in our quest for a global presence in terms of mineral resources interests and metal production volumes, we are targeting expansion in attributable copper production and nickel production and acquisition of superior projects involving gold. Here, besides new development and production increases, we have set targets pertaining to use of unused resources and recycling. For example, we are focusing efforts toward commercializing technology for recycling automobile secondary batteries.

Looking to the future, we cannot achieve business continuity unless we take steps toward decarbonization. In the wake of the Japanese government's declaration to go carbon neutral by 2050, demands to reduce GHGs are growing among our customers and within our supply chain, and unless our businesses are able to respond, we will inevitably be compelled to withdraw from related areas. The SMM Group's businesses are in industries that consume large volumes of power and energy, and going forward we will keep striving for improvements: for



example, pursuing low-carbon impact and higher energy efficiency in our production processes. We also will be focusing on developing and supplying products that contribute to reducing GHG emissions – automobile secondary batteries, for example – and through our business operations we aim to help prevent global warming. Starting this year we have introduced an internal carbon pricing system. In addition, in line with the Task Force on Climate-related Financial Disclosures (TCFD), we are now identifying risks and opportunities through scenario analysis, and considering measures to deal with those issues. (For more information, refer to p. 72-73.)

DX is another important topic in terms of the issues of “[making] effective use of non-ferrous metal resources” and “[ensuring] employees’ occupational health and safety.” In April 2021 the SMM Group inaugurated a DX Promotion Committee. Already, use of big data, communication infrastructure development, robotic process automation (RPA) and other DX-related initiatives are underway in all our business divisions. The DX Promotion Committee is tasked with getting an overall grasp of such initiatives, investigating measures that can be deployed in other divisions, discussing how they can contribute to promoting greater management efficiency and safety in all aspects of our Group business, and responding to issues relating to information security and cyberattacks.

To carry out business strategies, what is absolutely necessary are human resources capable of achieving them. A human resources strategy is one theme of our Vision for 2030, with the relevant material issues identified as “diverse human resources” and “development and participation of human resources.” Here, our focus is to respond in three aspects: securing, developing, and making effective use of human resources. In terms of securing human resources, we will actively implement career recruitment, and also confirm and supplement human resource allocation for future business development. With respect to human resources development, we will closely examine the contents of the various methods already in place, and also aim to elevate levels of experience through practical experience, for example through the “*Shikinen Kaikaku Project*” introduced Company-wide in 2020 (see p.86). Finally, regarding effective utilization of human resources, we are now taking under review, from multiple perspectives, measures for undertaking systematic changes: not only reforming workstyles, but also hiring diverse human resources, and making active use of employees of senior age through the extended retirement program. We are also currently starting fundamental revisions to our personnel and compensation systems.

Today, amid growing interest in respect for human rights in the performance of business activities and measures to address this issue being taken around the globe, the subject of “human rights and business” is becoming ever more important. For the SMM Group also, according full attention to human rights and environmental matters is indispensable for the smooth execution of our projects and businesses. In our Côté Gold Project in Canada, for example, in addition to giving full consideration to the environment and local ecosystems, we are steadily carrying out this project while forging good relations with the local and regional communities, including the indigenous population. Furthermore, to ensure human rights within our supply chain, in April 2020 we set down and announced a policy on responsible sourcing, and presently a due diligence framework is being developed.

## Enhancement of Corporate Governance

Strengthening corporate governance is an issue of extremely great importance, and we believe it forms the core of our business operations. As such, we continuously monitor the current situation and take steps to improve and enhance our corporate governance on an ongoing basis, always taking into consideration the changes occurring in society and the opinions of all our stakeholders.

Starting in fiscal 2020, we have been revising our basic policy on corporate governance. We disclosed our reasons for appointing the current members of the Board of Directors (Vision for the Board of Directors); the roles and functions of our outside directors; and our policies for deciding matters such as each director’s compensation. At our Ordinary General Meeting of Shareholders held in June 2021, approval was voted to our resolution to amend our Articles of Incorporation in two respects: 1) to abolish the Adviser system; and 2) to revise the mechanism that called for the President and Director, as the officer bearing ultimate responsibility for business execution, to automatically preside at Board of Directors meetings in the event that no Chairman of the Board has been appointed, etc.

Fiscal 2021 marks the year in which the next 3-Year Business Plan will be prepared. This year the Board of Directors will engage in deeper discussions regarding issues to be included in the new 3-Year Business Plan, including the management issues noted above, based on an assessment of the progress recorded in fiscal 2020. Discussions and examinations will also be conducted concerning the Corporate Governance Code revised in June 2021, to respond appropriately and put the revisions into practice. In these ways, continuous efforts will be made to further enhance our corporate governance in the years ahead.

## The SMM Group’s Fundamental Roles

A major tenet of the SMM Group’s corporate philosophy is our commitment to promoting “sustainable co-existence with the global environment.” To carry out our social mission and responsibility as a company engaged in “*monozukuri*” – manufacturing in the spirit of dedicated craftsmanship – for more than 430 years we have contributed to the development of a sustainable society by securing resources for resource-poor Japan and providing non-ferrous metals, highly advanced materials, etc. Making effective use of limited resources is an issue of global proportions, and one example of how we are addressing this challenge is our world-leading commercialization of HPAL (High Pressure Acid Leach). HPAL is a technology that enables extraction of high-purity nickel from low-grade nickel ore, which had long been considered difficult to convert to a useful resource. Today, the SMM Group possesses one of the most sophisticated technologies in this area. Contributing, through our businesses, to the solution of social issues is fundamental to our activities, and this commitment aligns with today’s global embracement of ESG values and the pursuit of sustainability.

The materials we provide are used in a broad array of areas that support contemporary society, including basic infrastructure, industrial machinery, construction materials, automobiles and electronic equipment. Today they are indispensable to our everyday lives, and in the years ahead the situations in which our materials are used are projected to increase amid progress in digitalization and the pursuit of an environmentally harmonious

society. As a company that seeks to “Become a World Leader in the Non-Ferrous Metals Industry,” we are firmly determined to be a company that, more than just pursuing growth in business scale and profitability, can contribute through its businesses to solving the many diverse issues arising from changes in our social environment. To attain that goal, we aim to be a company befitting an industry leader, undertaking initiatives focused on the SDGs and on our CSR, based on the “Sumitomo Business Spirit” deeply rooted in our operations.

## Message to Our Stakeholders

In the SMM Group, we take pride in being able to contribute to solving social issues through the materials we provide. But to continue playing that role going forward, we cannot merely strive for business scale expansion and higher profitability. All around the world, companies have been investing in environmental protection – pollution prevention, etc. – to enable their business continuity, and going forward, as society becomes increasingly decarbonized, I believe investments into this area will grow as never before. Not all investments relating to environmental protection produce results that are directly reflected in earnings, however; so it is imperative that companies strengthen their financial structures in order to prepare for the diverse investments and expenditures that will be necessary to respond to social demands. In the SMM Group, through the years we have maintained a solid financial structure that has enabled us to advance and execute our growth strategies, including large-scale resource development projects. In the years ahead, to enable us to introduce and utilize optimal technologies that respond to social demands, and simultaneously to support solid shareholder returns, we will strive to maintain a corporate structure that also enables the generation of stable profits.

To achieve society’s continuous development, the roles demanded of the corporate sector today are diversifying, and responding appropriately to changes is an issue of great urgency. Even amid these changing times, however, two aspects of the SMM Group are immutable. The first is our commitment to contribute to solving social issues through our core businesses. The second is our management stance based on a long-range perspective. Given the nature of our businesses, many of the SMM Group’s business operations are undertaken in parameters of five or 10 years. Because we commence with measures farthest upstream, the results of decisions I take may not materialize within my tenure as president. However, I perform my management duties with the firm determination to pass down maximum assets to my successors. To win the understanding of this corporate philosophy and of our strategies and measures, communication with all our stakeholders is of great importance, so going forward we will further strengthen our communication.

Next year will mark the start of our “2021 3-Year Business Plan,” which will set us on our way to achieving our “Vision for 2030,” as a prelude to realizing our Long-Term Vision to “Become a World Leader in the Non-Ferrous Metals Industry.” I pledge to make every effort to address our various management issues, achieve continuous business growth, and enhance our corporate value in the years ahead.

## Efforts to Help Prevent the Spread of COVID-19

### The response incumbent upon companies from a social responsibility standpoint

Since the fourth quarter of FY2019, COVID-19 has been spreading globally and although progress is being made on vaccination efforts, the pandemic is still ongoing.

To address these circumstances, the SMM Group is giving the highest priority to the safety of our stakeholders, including customers, business partners, employees, and local communities, while working to prevent the spread of COVID-19 infections. Despite the limitations we face, we will continue with efforts to stably supply indispensable materials to society.

The pages for each business division contain information on the impacts for that division, as well as corresponding countermeasures (see details on p. 44-59).

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

Employees at the Head Office, Osaka Branch, and Nagoya Branch are continuing to work from home, depending on the situation regarding infections.

- Measures are being taken against the risk of infection for employees of mines, smelters, 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 (monitoring, prevention, and management plans) 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 and if an employee is infected, we check on their physical condition and provide care.
  - Meetings, events, etc. are held or attended online or with precautions in place for avoiding the 3Cs (Closed spaces, Crowded spaces, Close-contact settings).
  - There are restrictions on overseas business trips and for business trips within Japan, the number of people and duration are carefully considered.
  - We ensure that actions take requests from local authorities into account.
  - 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 closed temporarily.
- We are paying 90% of the temporary leave benefit.
- We are committed to maintaining employment and avoiding layoffs.
- We are paying appreciation bonuses to SMM Group employees.

#### Efforts for local communities

- In areas where we have business sites, whether inside or outside Japan, we are donating to fundraising campaigns and supplying infection prevention goods and the like.  
E.g.: We supplied infection prevention goods (such as high-performance masks) to Sumitomo Hospital in Osaka.  
We made a donation to the Hyogo COVID-19 Countermeasure Support Fund.<sup>1</sup>  
We provided children in Niihama, Ehime Prefecture, with novelty items such as jigsaw puzzles to cheer them up while they are restricted from attending school (distributed to all first and second grade students in the city).  
We supplied stock items that can be utilized for medical purposes at the request of the Japan Business Federation (Keidanren).

#### Cooperation with industry group initiatives and international initiatives

- We support the Open COVID-19 Declaration addressing intellectual property.<sup>2</sup>
- We support the Declaration of Partnership Building.<sup>3</sup>

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 fund established for improving working conditions for healthcare workers in Hyogo Prefecture.  
2. 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 stopping the spread of COVID-19.”  
3. 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.

**INPUTS** (FY2020)

**Capital & Seven Competitive Strengths** P.28

**Financial capital** end of March 31, 2021

- Total equity **¥1,223.0 billion**
- Interest-bearing liabilities **¥330.7 billion**

**Manufactured capital**

- Mineral Resources** • Operational mines **8**
- Smelting & Refining** • Plants Japan **5** Overseas **2**
- Materials** • Plants Japan **18** Overseas **3**
- Research centers Japan **4**

**Intellectual capital**

- Research and development expenses **¥6.2 billion**
- Patents **2,785**
- Ability to effectively use low-grade ores, cost competitiveness, technological strength related to production methods and operating techniques that are superior in terms of productivity and other aspects (HPAL, MCLE, etc.)
- Technology and tacit knowledge that has been continually accumulated and honed over 430 years and is focused on the next generation
- A large pool of collective knowledge supported by 3-business collaboration

**Human capital**

- Consolidated employees **7,072**
- Officers and employees who have inherited and internalized the Sumitomo Business Spirit and the Group's corporate culture
- Skill development through OJT
- Human resources systems focused on expertise

**Social and relationship capital**

- Regarding society
  - An organizational sense of ethics
  - Risk management structures
  - Social license to operate
- Regarding business partners
  - Relationships of trust that have been cultivated over many years
  - Appropriate supply chain management
- Regarding governments
  - Relationships of trust with governments in each country and region
- Regarding customers and employees
  - The SMM brand

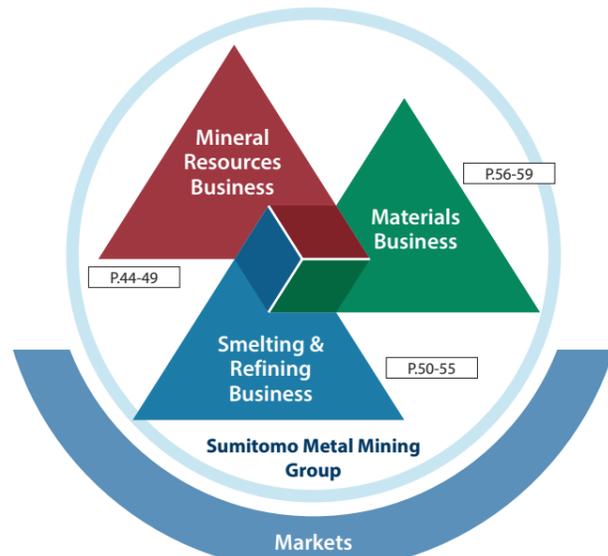
**Natural capital**

- Operational mines Japan **1** Overseas **7**
- Raw mineral resources
  - Copper concentrates usage **1,441 kt**
  - Nickel oxide ore usage **8,581 kt**
  - Gold and silver ore usage **191 kt**
  - Recycled materials **229 kt**
- Water resources (fresh water and seawater) **200,305,000 m<sup>3</sup>**
- Energy from coal and coke **13,817 TJ** (43.5% of overall energy consumption)

**BUSINESS ACTIVITIES**

**Competitive capabilities generated by our 3-business collaboration model**

- Greatly reduced procurement risk due to the sharing of controlled resource development and supply and demand trends
- 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 backgrounds
- Building of cyclical systems and expansion of opportunities realized through collaboration between the Mineral Resources, Smelting & Refining, and Materials businesses
- Assurance of traceability in terms of quality and the like through a fully integrated internal supply chain



**3-Year Business Plan** P.38-41

**Strategy for co-creating value with society (Vision for 2030)** P.66-93

**Governance strategy as a foundation for value creation** P.94-113

**OUTPUTS** (FY2020)

**Products and services**

**Non-ferrous metal materials**

- Ni** Smelting & Refining
  - Annual production volume **87 kt**
- Cu** Mineral Resources Smelting & Refining
  - Annual production interest **250 kt**
  - Annual production volume of electrolytic copper **440 kt**
- Au** Mineral Resources Smelting & Refining
  - Annual production volume\* **17 t**
  - \*Annual production volume after smelting

**Highly advanced materials**

**Cathode materials for batteries** Mineral Resources Smelting & Refining Materials

- Monthly production capacity **4,550 t**

**Effective use of resources**

- Smelting & Refining
  - Recover scandium and chromite from nickel oxide ore
- Materials Smelting & Refining
  - Develop a recycling process for lithium-ion secondary batteries (copper, nickel, cobalt, lithium)

**As the 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
- Grow sustainably and stably produce a certain amount of profit
- Actively tackle social issues such as the SDGs
- Have employees work with spirit

**Nickel (Ni)** Annual production capacity of 150 kt

**Copper (Cu)** Annual production interest of 300 kt

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

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

**Profit** Annual profit ¥150.0 billion



**OUTCOMES** (FY2020)

**Value we provide**

**Financial capital**

- Sound financial standing (equity ratio of 50% or higher)
- Consolidated dividend payout ratio of 35% or higher
- Growth investment
- Equity ratio **59.1%** (result)
- Dividend payout ratio **35.1%** (Dividend **¥121** (+¥43 YoY))
- JCR credit rating **AA-**

**Manufactured capital**

- Increase, expansion, and upgrading of business sites and equipment
- Increase of production capacity in response to growth in demand
- Development underway on the Côté Gold Project and Quebrada Blanca 2 Project P.46, 47
- Debottlenecking at Sierra Gorda Copper Mine completed P.47
- Decision made to increase production of nickel-based cathode materials 4,550 t/month → **4,850 t/month**

**Intellectual capital**

- Development expertise
- Production and equipment development technology
- Patents and design rights held in Japan (as of March 31, 2021) **3,126** (+177 YoY)
- Engaging in the X-MINING project aimed at realizing open innovation
- Engaging in the verification and commercialization of technology for recovering and recycling cobalt and lithium from lithium-ion secondary batteries used in vehicles P.55, 62

**Human capital**

- Raising of awareness and encouragement of understanding among employees
- High levels of safety consciousness
- Understanding regarding indigenous peoples
- Responsible mineral sourcing
- Social contribution
- Skill development through OJT Mining School
- Skill development through off-the-job training
- Smelting & Refining University
- External training fully paid for (graduate school, correspondence education)
- Improved job satisfaction for employees
- Serious accidents **0**
- All accidents **15** (level with previous FY)
- Occupational diseases **0**
- Carried out internal education activities regarding indigenous peoples P.91
- Annual hours of education per employee **20.8** (18.7 hours in the previous FY)
- Mining School P.49, 86
- Smelting & Refining University students **5** P.55

**Social and relationship capital**

- Building and maintaining of good relationships with business partners, contractors, and supply chain partners
- Building and maintaining of good relationships with local communities and indigenous peoples
- Contribution to resource-scarce Japan
- Proper fulfillment of tax obligations
- Expansion of product applications through co-creation with customers
- Significant environmental accidents **0**
- Infrastructure investment and spending on support services **¥1,460 million** Supplementary ESG Data Book 2021 p. 23
- Two business sites awarded the Philippine's 2020 Presidential Mineral Industry Environmental Award P.55, 88
- Practiced responsible mineral sourcing and CSR procurement (responsible sourcing) P.92
- Reduced environmental impact during plant construction P.77
- Carried out internal education activities regarding indigenous peoples
- Income tax paid **¥28.5 billion** For details, see Income Tax by Country or Region on p. 35
- Formulated the Sumitomo Metal Mining Group's Basic Policy on Taxes P.103
- Participated in JOGMEC sea-floor resource development research projects P.70

**Natural capital**

- Environmental destruction from development
- Hazardous substances emitted into the atmosphere and water
- Energy consumption
- Production of recycled copper and precious metals
- Response to climate change
- Amount of land developed or rehabilitated P.77
- Capital expenditure related to environmental preservation **¥6,054 million** P.37
- Reduction in water use through optimization **1,914,000 m<sup>3</sup>**
- Increase in emissions of hazardous substances into the atmosphere and water **502 t**
- Reduction in consumption of energy from coal and coke **368 TJ**
- Percentage of recycled materials used **2.13%**
- Engaging in an initiative to reduce GHG emissions to zero in the second half of the century
- Reduction in GHG emissions intensity (compared to FY2013) **4%**

The + and - signs express the nature of the impact of each type of capital

# Value Creation Process Explanation

## INPUTS

### Financial capital

We will work to enhance our business base, including using interest-bearing debt, and invest in growth so that we can maintain a sound financial standing while still responding to risks and opportunities created by future changes in the external environment.

### Manufactured capital

At our operational mines, plants, and research centers in Japan and overseas, we deliver products and services that provide value by leveraging the technology and experience we have cultivated to date.

### Intellectual capital

The technology and tacit knowledge we have continually accumulated and honed over 430 years and our large pool of collective knowledge supported by 3-business collaboration enables us to deliver value to society, including the ability to effectively use low-grade ores, cost competitiveness, and technological strength related to production methods and operating techniques that are superior in terms of productivity and other aspects.

### Human capital

Our officers and employees, who have inherited and internalized the Sumitomo Business Spirit and the Group's corporate culture, strive to raise our competitive strength so that we can respond to diverse social needs amid rapid change.

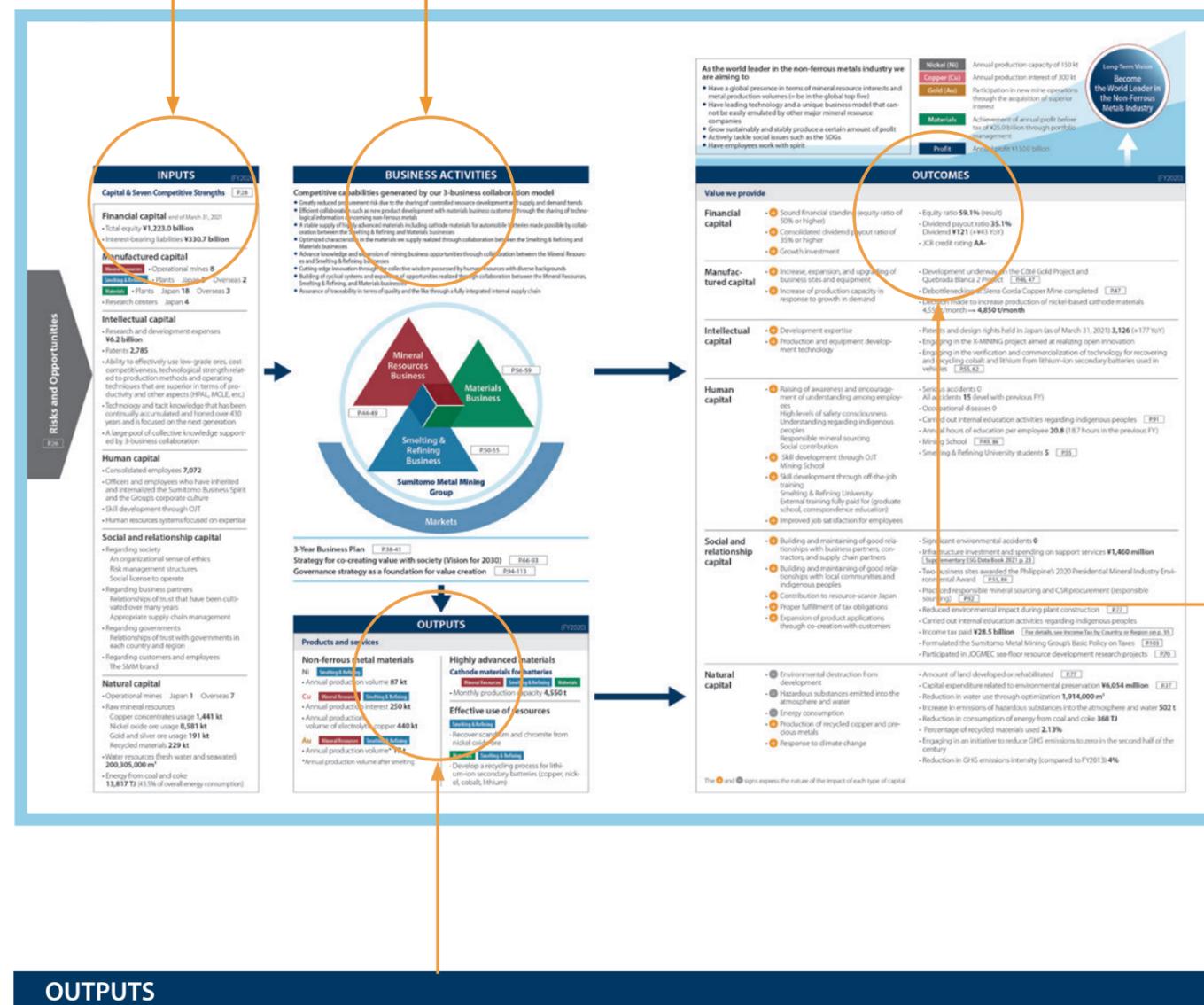
### Social and relationship capital

We build and value relationships of trust with the governments and communities in the countries where we do business and with long-standing business partners. We also strive to practice appropriate supply chain management and to establish and promote the SMM brand among customers and employees.

By establishing an organizational sense of ethics and risk management structures, we have been granted a social license to operate by society which is crucial to our business operations.

### Natural capital

The mines developed by the SMM Group are a form of natural capital and our business involves the extraction of mineral resources. We strive to use these limited resources effectively while working to conserve the environment and preserve biodiversity.



## OUTPUTS

The products and services provided by the Group include non-ferrous metal materials that are used in various industries and that are essential to people's lives, such as copper, nickel, and gold, and advanced materials that are primarily used in the energy, environment, and information and communications fields, including battery materials such as cathode materials for secondary batteries. In regard to copper, the Toyo Smelter & Refinery is one of the world's top-class producers of electrolytic copper, producing 440 kt per year. We also produce a total of 87 kt of nickel products per year,

including electrolytic nickel and nickel sulfate. Our production capacity for battery cathode materials, an advanced material realized through 3-business collaboration, is 4,550 t per month.

We are also demonstrating our technological strength to use resources effectively, including by recovering scandium and chromite from nickel oxide ore in the Smelting & Refining Business and by developing a process for recycling the copper, nickel, cobalt, and lithium from lithium-ion secondary batteries in the Materials Business.

## BUSINESS ACTIVITIES

Our Mineral Resources Business develops and operates mines in a way that is considerate to the environment and society. Our Smelting & Refining Business then generates high quality metal materials from the extracted ores. Finally, our Materials Business adds value to these materials that meets the needs of the times. In this way, we are realizing organic collaboration between our three businesses and are providing materials that shape the future. Our 3-business collaboration model is a globally unique business model that fully integrates processes from resource development through to smelting, refining, and the production of advanced materials. It is a foundation that provides the Group with competitive advantages that cannot be easily emulated.

## OUTCOMES

We are working to achieve our "Vision for 2030," which sets out the milestones we aspire to reach by 2030, en route to realizing our Long-Term Vision of becoming the "World Leader in the Non-Ferrous Metals Industry." This is contributing to the formation of a sustainable society by providing a wide range of value to society and stakeholders.

# Vision for 2030

Drawing on its corporate philosophy and management vision, the SMM Group will expand its growth potential and sustainability by securing resources and providing non-ferrous metals, battery materials, advanced materials, and other high-quality materials, and will enhance its company value and achieve its long-term vision of becoming the world leader in the non-ferrous metals industry.

We formulated our Vision for 2030 as a milestone toward the realization of these initiatives, which will also contribute to the formation of a sustainable society.

## Overview of Vision for 2030

In the process<sup>1</sup> of formulating Vision for 2030, we selected material issues from a perspective that also included management issues, to enable further integration with management.

In particular, we believe that proactively tackling the SDGs and their targets is indispensable to the growth strategy of our Group's business.

In the end, we identified issues that continue from our Vision for 2020, including Effective Use of Non-Ferrous Metal Resources, Occupational Health and Safety, and Environmental Preservation, and issues that have risen in priority, including Climate Change, Rights of Indigenous Peoples, and Human Rights in the Supply Chain, for a total of 11 material issues.

After considering our Vision for 2030 and KPIs<sup>2</sup> with respect to each of these material issues and receiving approval for

the selections at the CSR Committee meeting held in December 2019, Vision for 2030 was resolved by the Board of Directors and was formulated and announced in March 2020.

1. Formulation process: See p. 65  
2. Material issues, Vision for 2030, and KPIs: See p. 66-67

## Relationship with the SDGs

Recognizing the close affinity between the SDGs and our Group's corporate philosophy and vision, we formulated our Vision for 2030 with the SDGs kept firmly in mind. The results of our work to evaluate issues and connect them with SDG targets are shown in the diagram below. 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. 66-67 for details.

## Material Issues in Vision for 2030, and Background to These

<p><b>1 Effective Use of Non-Ferrous Metal Resources</b></p>	<p>Non-ferrous metals are limited natural resources that find use in many areas of society. The stable provision of non-ferrous metals to society, the effective use of unused resources, and the utilization of technology for recovering and recycling non-ferrous metals from hard-to-process resources are all vital undertakings in contributing to a sustainable society.</p>
<p><b>2 Climate Change</b></p>	<p>Due to the nature of our Group's business, it is imperative that we reduce greenhouse gas (GHG) emissions, particularly CO<sub>2</sub> emissions, and contribute to controlling climate change. The advance 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 functional inks (near-infrared absorbing materials) produced by our Group, contribute to the prevention of global warming.</p>
<p><b>3 Significant Environmental Accidents</b> <b>4 Biodiversity</b></p>	<p>We must minimize the negative impacts of our business activities on surrounding marine and land environments. Initiatives to rationalize the use of precious water resources and to prevent significant environment accidents that can seriously impact biodiversity are especially vital.</p>
<p><b>5 Employees' Occupational Health and Safety</b></p>	<p>Eliminating work-related serious accidents in employees and related parties is the highest priority of our Group. A safe and healthy work environment leads to greater motivation and trust in the Company among employees, and to heightened productivity as well. In addition to ongoing efforts involving intrinsic equipment safety improvements and safety education, we will promote the introduction of advanced technologies such as AI and the IoT.</p>
<p><b>6 Diverse Human Resources</b> <b>7 Development and Participation of Human Resources</b></p>	<p>An environment in which diverse human resources can fully demonstrate their individual capabilities and play active roles under varied work styles is vital to the sustainable growth of a company. We will improve workplace environments using digital technologies and will advance the diversification of opportunities for capacity building matched to the needs of employees and work.</p>
<p><b>8 Engagement with Stakeholders</b></p>	<p>Our Group must be accountable for how we have addressed the expectations and interests of our stakeholders. As we consider building recognition and understanding of our Group as a first step in dialogues, we will ensure quality and quantity in our dissemination of information.</p>
<p><b>9 Co-Existence and Mutual Prosperity with Local Communities</b></p>	<p>Earning a social license to operate in regions where we conduct business is indispensable, not only in mine development but throughout our Group's business. Along with procurement and employment in the regions where we operate, it is important that we contribute to the regions' sustainable development by fostering the next generation and providing support for disabled persons and the elderly.</p>
<p><b>10 Rights of Indigenous Peoples</b></p>	<p>In mine development in particular, we must proceed with projects while earning the understanding of local indigenous peoples. Toward that end, we must actively continue dialogues with an understanding of the history, traditions, and cultures of indigenous peoples.</p>
<p><b>11 Human Rights in the Supply Chain</b></p>	<p>Companies must not create human rights violations in the supply chain. Particularly in mineral sourcing, our Group believes that supplying customers and society with safe products without complicity in human rights violations leads to the sustainable development of business and society.</p>

# Risks and Opportunities

External Environment	Risks (Threats)	Actions to reduce risk	Opportunities	Strategies (Concrete initiatives)
<p><b>1</b></p> <p><b>Current situation and issues regarding governments and policy</b></p> <ul style="list-style-type: none"> <li>• Sharp rise in protectionism</li> <li>• Strengthened environmental regulations</li> <li>• Rise in mineral resource nationalism</li> </ul>	<ul style="list-style-type: none"> <li>• Increased cost of investing and operating mines and refineries</li> <li>• Increasingly strict development permit processes</li> <li>• Export bans on unprocessed ore</li> <li>• Nationalization of mines; increased taxation</li> </ul>	<ul style="list-style-type: none"> <li>• Stable procurement of resources from mine interests we possess</li> <li>• Processing of low-grade nickel ore locally by HPAL plants</li> <li>• Environmental and social contribution (return of profit); approach to local communities and indigenous peoples</li> </ul>	<ul style="list-style-type: none"> <li>■ Growth in demand for copper associated with economic growth and development in emerging countries</li> </ul>	<ul style="list-style-type: none"> <li>■ Realization of a third HPAL plant (increase in value added locally)</li> </ul>
<p><b>2</b></p> <p><b>Current situation and issues regarding the business environment</b></p> <ul style="list-style-type: none"> <li>• Metal price and forex movement</li> <li>• Generalization of advanced smelting and refining technologies</li> <li>• Changes in the markets of the Materials Business</li> <li>• Rise in awareness regarding the forming of a sustainable society</li> <li>• Growth in interest in ESG investment (negative screening, etc.)</li> <li>• Acceleration of the carbon neutrality movement</li> <li>• Increase in the importance of information security</li> <li>• Growth in the importance of intellectual property due to globalization</li> <li>• Spread of infectious disease</li> </ul>	<ul style="list-style-type: none"> <li>• Decline in metal prices; exchange rate fluctuations</li> <li>• Decline in superiority of HPAL technology</li> <li>• Obsolescence of products and technologies due to technological innovation</li> <li>• Exclusion from investment due to lagging approach to ESG</li> <li>• Decline in competitiveness due to lagging approach to GHG emissions reduction</li> <li>• Leakage, destruction, falsification, etc. of information due to lagging construction of information security systems</li> <li>• Initiation of proceedings involving patent infringement or other intellectual property matters</li> <li>• Negative impacts of infectious diseases on supply and demand and on production, including supply chains</li> </ul>	<ul style="list-style-type: none"> <li>• Prior analysis of management impacts caused by fluctuations in metal prices and exchange rates</li> <li>• Deepening/continuous improvement and stable operation of production technology (HPAL)</li> <li>• Strengthening of research &amp; development in collaboration with customers; development of new customers and markets</li> <li>• GHG emissions reduction activities</li> <li>• Strengthening of information security <a href="#">P.107</a></li> <li>• Enforcement of and support for intellectual property management</li> <li>• Formulation of BCP</li> <li>• Stable supply through an integrated supply chain</li> </ul>	<ul style="list-style-type: none"> <li>■ Growth in demand for copper associated with increase in clean energy</li> <li>■ Growth in demand for nickel and copper associated with increase in demand for electric vehicles</li> </ul>	<ul style="list-style-type: none"> <li>■ Participation in development of and investment in superior overseas mines, etc.</li> <li>■ Realization of a third HPAL plant</li> <li>■ Enhancement of the added value of HPAL technology</li> <li>■ Expansion of business in products that contribute to a low-carbon society</li> <li>■ Strengthening of the Materials Business (development of new products; increase in production capacity)</li> </ul>
<p><b>3</b></p> <p><b>Current situation and issues regarding resource development</b></p> <ul style="list-style-type: none"> <li>• Depletion of resources; decrease in number of superior mines (increased difficulty of mine development)</li> <li>• Occurrence of serious accidents or disasters</li> <li>• Emergence of issues related to business and human rights</li> <li>• Worsening of social conditions in areas where we do business</li> <li>• Expansion, utilization, and optimization of digital technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the cost of investing in and operating mines</li> <li>• Serious environmental incidents, including the collapse of tailing dams</li> <li>• Delays in or withdrawal from projects due to opposition from local communities or due to infringement of the rights of local communities and indigenous peoples</li> <li>• Suspension of production activities due to riots or strikes</li> <li>• Decline in competitiveness due to lagging support for DX</li> </ul>	<ul style="list-style-type: none"> <li>• Operational improvements (dispatch of engineers for stable operation and streamlining, improvement of existing operating equipment, enhancement of process capacities)</li> <li>• Promotion of environmental management system (EMS)</li> <li>• Management in line with international standards (tailing dam management, etc.)</li> <li>• Dialogues and coexistence with local communities</li> <li>• Enhancement of understanding of indigenous cultures</li> <li>• Due diligence for mineral procurement</li> <li>• BCP; crisis management support</li> </ul>	<ul style="list-style-type: none"> <li>■ Growth in demand for cathode materials associated with increase in demand for electric vehicles</li> <li>■ Growth in demand for advanced materials used in electronic devices aimed at achieving a digital society</li> </ul>	<ul style="list-style-type: none"> <li>■ Securing of a sound financial base <a href="#">P.42-43</a></li> <li>■ Participation in development of and investment in superior overseas mines, etc.</li> <li>■ Promotion of responsible sourcing, including mineral sourcing</li> <li>■ Improvements and strengthening of management to prevent serious environmental accidents (tailing dams, etc.)</li> <li>■ Launch of an organization to promote DX</li> </ul>
<p><b>4</b></p> <p><b>Current situation and issues regarding work environments</b></p> <ul style="list-style-type: none"> <li>• Decreasing working-age population due to dwindling birthrates and aging populations</li> <li>• Diversification of working styles - Respect for diversity</li> </ul>	<ul style="list-style-type: none"> <li>• Adverse effects on operations due to shortages of labor (project delays, loss of opportunities for new entry, increased difficulty of technology transmission and continuation of production activities)</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of human resources utilization through support for diversity and Working Style Reform</li> <li>• Securing, developing, and active recruitment of human resources who acknowledge our philosophy</li> <li>• Promotion of occupational health and safety system</li> </ul>	<ul style="list-style-type: none"> <li>■ Growth in demand for recycling associated with depletion of resources, heightened environmental awareness, increased demand for metals, increased collection of used products, etc.</li> </ul>	<ul style="list-style-type: none"> <li>■ Assurance of diversity through active mid-career recruitment</li> <li>■ Promotion of safer and smarter plants</li> <li>■ Promotion of human resource strategy (securing, developing, and utilization)</li> <li>■ Labor saving through the promotion of DX</li> </ul>
<p><b>5</b></p> <p><b>Current situation and issues regarding global warming and climate change</b></p> <ul style="list-style-type: none"> <li>• Increase in frequency and intensity of natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>• Damage to equipment/facilities and occurrence of spill accidents due to intensification of floods, storms, etc.</li> <li>• Interruption of global supply chains</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment development, training, and BCP support to mitigate disaster risks</li> </ul>		<ul style="list-style-type: none"> <li>■ Equipment development, training, and BCP support as disaster strategy</li> </ul>

# 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 changes in 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 and by realizing transformation, legacy, and education through The "Shikinen Kaikaku Project" (The Fixed Period Reform Project).



## The Sumitomo Business Spirit

Trustworthiness and pride inherited from the original business

# 7 Competitive Strengths

1	 <b>Intellectual Capital, Manufactured Capital</b> <b>Technology that has been continually honed over 430 years and is focused on the next generation</b>	<ul style="list-style-type: none"> <li>• Technological capabilities that have their origins in the <i>Nanban-buki</i> method started in Kyoto by Soga Riemon in around 1600</li> <li>• 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 low-grade oxide ore into a nickel resource</li> <li>• A business model as 3-business collaboration through an integrated supply chain</li> <li>• Contribution to a decarbonized society against the background of advanced technological capabilities in the material field</li> <li>• A framework for building partnerships with academic institutions with the aim of realizing technological innovation focused on the society of 2050</li> </ul>
2	 <b>Human Capital</b> <b>Employees who share our business spirit and an open and vibrant organizational climate</b>	<ul style="list-style-type: none"> <li>• Developing human resources who can be entrusted with 430 years of Sumitomo DNA</li> <li>• The fostering of our traditional business spirit is achieved through training and a climb up to the former Besshi Copper Mine, the site where Sumitomo's various businesses were developed</li> <li>• Securing diversity in our human resources and reenergizing the organization by adapting to recent changes in the speed of the development environment, including the recruitment of mid-career employees who can hit the ground running</li> </ul>
3	 <b>Social and Relationship Capital</b> <b>Relationships of trust with business partners that have been formed with a long-term perspective</b>	<ul style="list-style-type: none"> <li>• New business opportunities produced by building relationships of trust with preferred long-term business partners</li> <li>• Strength offered by the possession of superior mine interests</li> <li>• A model unlike those of general trading companies, in which instead of just holding overseas interests, we leverage our knowledge and technology to implement processes all the way to smelting and refining, and creating partnerships with business contacts</li> </ul>
4	 <b>Social and Relationship Capital</b> <b>Involvement with local communities that has been built up through our core business</b>	<ul style="list-style-type: none"> <li>• 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 mutually beneficial relationships with local communities through projects that contribute to society, such as reforestation</li> <li>• Mine development early in our history started with the creation of a town through the establishment of schools, hospitals and other infrastructure. Niihama City's elementary school was founded by Sumitomo 126 years ago</li> <li>• 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</li> </ul>
5	 <b>Human Capital and Manufactured Capital</b> <b>A firm resolve in regard to safety and a management framework that heightens hazard awareness</b>	<ul style="list-style-type: none"> <li>• Recognition that in both mine development and smelting and refining business, unless the correct management framework is established, there is the risk of serious accidents that cost lives</li> <li>• Maintaining of high safety standards and the creation of workplaces that have a sense of alertness, realized through patrols by workplace staff members to discover issues, and support for setting up systems for avoiding accidents</li> <li>• Provision of a wide variety of training for improving skills based on the belief that skill is important in regard to safety activities</li> </ul>
6	 <b>Social and Relationship Capital</b> <b>A close affinity with our customers' needs and the collaborative capabilities to continuously respond to them</b>	<ul style="list-style-type: none"> <li>• Strength provided by a comprehensive knowledge of not only materials, but also the characteristics of their component materials, which we leverage to connect the various technologies we have developed to date with the innovation sought by the customer</li> <li>• The top share of the global market of cathode materials for lithium-ion batteries used by major electric vehicle manufacturers realized through our technology for extracting nickel from low-grade oxide ore and a framework that enables us to secure materials stably</li> <li>• Ongoing new product creation in the energy and environment, and information and communications domains, based on recognition of the importance of taking a long-term approach to handling customer demands steadily and sincerely, in a way that wins trust</li> </ul>
7	 <b>Financial Capital</b> <b>Financial position that enables us to take advantage of investment opportunities</b>	<ul style="list-style-type: none"> <li>• A focus on keeping initial investments as low as possible, carefully timing aggressive investment in accordance with growth strategies and defensive investment that strengthens our business base, building solid positions in turbulently fluctuating markets, and concentrating limited management resources on core business</li> <li>• 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</li> </ul>

**Special Feature**

# Automobile Electrification Accelerates toward a Decarbonized Society

## — Business opportunities for our Group and resolution of social issues through business

Since 2020, the movement toward decarbonization has accelerated rapidly in countries around the world. The electrification of automobiles, which are major emitters of CO<sub>2</sub>, is a major theme in the pursuit of carbon neutrality. Nickel, copper, and other non-ferrous metal resources are essential to components used in the manufacture of EVs, while demand for vehicle batteries is expected to grow significantly as EVs increase in number. These factors present a major opportunity for our Group, which engages in the three businesses of Mineral Resources, Smelting & Refining, and Materials. Our Group will leverage the strength of collaboration among these three businesses to further grow our business, while working to solve social issues by supplying materials that contribute to breaking away from carbon.

### Trends in the Electrification of Automobiles

Since the European Commission revealed its long-term vision for carbon neutrality in November 2018, countries have stepped up their efforts towards reducing carbon. This movement is rapidly strengthening, as seen in Japanese Prime Minister Suga's October 2020 declaration of carbon neutrality by 2050 as an aim for Japan, and the U.S.'s February 2021 rejoining of the Paris Agreement

global framework for global warming countermeasures. Last year, the European Commission made the decision to spend 1 trillion euro on climate change countermeasures by 2030 under the European Green Deal. The U.S., meanwhile, has announced plans to invest two trillion dollars in environmental and infrastructure investments, including battery-related investments, by 2025.

Amid such movements, the electrification of automobiles has emerged as a key theme in global industry. The electrification movement is making rapid progress to mitigate the environmental burdens of noise and of exhaust gases, including CO<sub>2</sub>. There have also been great advances in bringing IT into automobiles, including the installation of in-vehicle cameras and sensors to prevent

traffic accidents. These applications are precipitating a shift from lead batteries to high-capacity batteries. While these trends constitute a major inflection point that is strongly pushing the transformation of business structure in many industries globally, they can also be viewed as great opportunities to achieve growth in new businesses.

### Automobile Electrification and the Business of the SMM Group

The amount of non-ferrous metals used in automobiles is expected to increase significantly through electrification. A hybrid vehicle (HEV) and an EV use an estimated 1.7 and 2.7 times, respectively, the roughly 20kg of copper used in an internal combustion engine automobile. While nickel is rarely used in internal combustion engine automobiles, data suggests that an EV uses about 30 kg (with differences by vehicle model). Copper will be increasingly used for cables as electrification advances; nickel will see use as a cathode material for the batteries in EVs. Our Group engages in business that spans three areas: one that spans copper mine development and operation to smelting and refining of electrolytic copper with a purity of 99.99% or more, one that spans nickel ore procurement to intermediate product smelting and refining followed by cathode material manufacturing, and one that spans resource development to metal smelting/refining and materials. We believe that the

electrification of automobiles is a major opportunity for our Group in terms of business growth and in terms of solving social issues through our business.

#### The Importance of Cathode Materials

Of the materials used in secondary batteries, cathode material, anode material, electrolyte solution, and separators are called the four main components. Cathode material is the determinant of the capacity of the battery. For a given size of automobile battery, the performance of the cathode material affects the cruising range. The nickel-based cathode material that is a strength of ours is the mainstream material for the automobile batteries currently used in developed countries. Among these users, there is a trend toward increasing the percentage of nickel in cathode materials. A higher proportion of nickel increases the electrical storage capacity, but at the same time, storing a large amount of power in a small

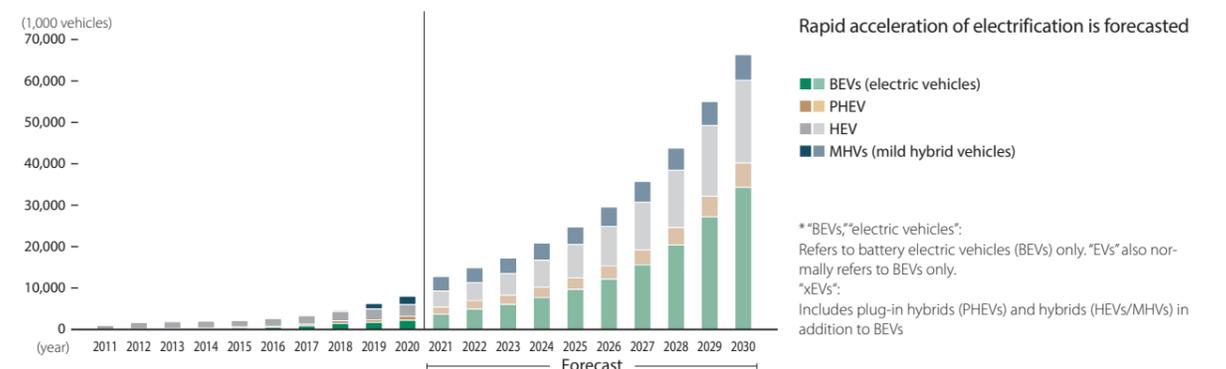


#### Countries' Reduction Targets

Country/region	2030 Target
Japan	-46% (from FY2013) (Continue efforts to meet further goal of -50%)
EU	At least -55% (from 1990)
U.S.	-50% to -52% (from 2005)
China	(1) Strive to reach peak CO <sub>2</sub> emissions by 2030 (2) Lower CO <sub>2</sub> emissions per unit of GDP by over 65% (from 2005)
India	Reduce emissions intensity of GDP by 33 to 35% (from 2005)
Russia	70% relative to the 1990 level (-30%)

(Source: Prepared by SMM from "Intended Nationally Determined Contributions (INDC): Greenhouse Gas Emission Reduction Target in FY2030," Ministry of Foreign Affairs of Japan website)

#### xEV Sales Number Estimates



(Source: B3 report, p. 21-22)

battery also increases risks, including risk of combustion. Together with customers, our Group has built up technical and quality control capabilities over a history of more than 20 years in the battery materials business.

### Strengths through 3-Business Collaboration

Nickel is an indispensable resource in the shift toward electrification of automobiles, but its regions of production are unevenly distributed. Moreover, high-grade ore decreases as mine development progresses over the years, leaving only low-grade ores that are difficult to process. As such, the overall quality of ore is declining. Amid these circumstances, our Group possesses great strengths in a proprietary, integrated nickel supply chain that spans the securing of nickel ore to the production of battery materials, and in the achievement of traceability in the securing of raw materials, stable supply, quality, and other factors.

Holding mining resources within the Group is a major strength of ours. Naturally-derived ores contain a variety of impurities, requiring adjustment of operating conditions in the smelting and refining process according to the types and amounts of impurities. As our Group is able to stably procure nickel ore from mines in which we hold interests, we are able to efficiently carry out stable operation in the smelting and refining process.

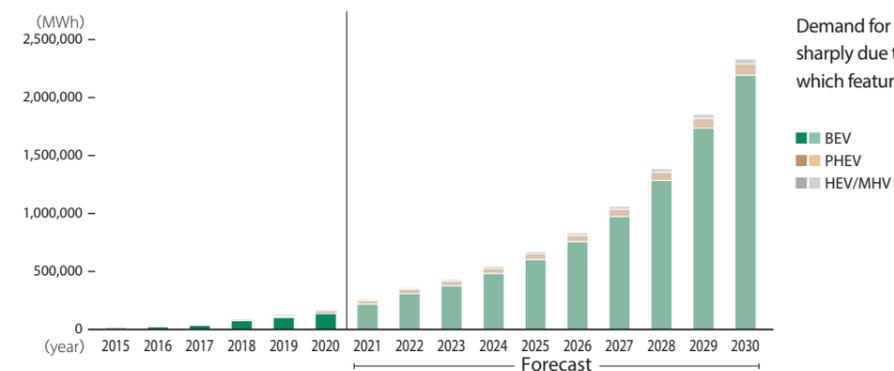
Having both smelting and refining, and battery mate-

Leveraging these capabilities, we provide the market with high-performance and safe cathode materials that have seen significant sales growth in recent years.

rials businesses within our Group is also a major strength. Grade, form, and other factors must be adjusted in the processing of nickel ore into battery materials. Our Group, which engages in smelting and refining, and also battery materials businesses, is able to use optimal methods in all of these processes. As an example, the nickel sulfate that is a raw material for battery materials is generally refined into a crystalline state for delivery to battery materials manufacturers, and is then solubilized for use. As our Group has both smelting and refining plants and battery materials plants in neighboring areas, we are able to skip the crystallization process and bring nickel sulfate in liquid form to the battery manufacturing process, in optimum amounts at the optimum time. This allows us to reduce costs and ensure stable operation.

The growing demand for battery materials is also drawing attention to means of securing mineral resources. The interests that we hold in nickel mines give us a strength in stably supplying battery materials to customers.

Demand for Automobile Battery Capacity



(Source: B3 report, p. 21-22)

Demand for batteries is expected to increase sharply due to the growth of the BEV market, which features large installed capacity per vehicle.

■ BEV  
■ PHEV  
■ HEV/MHV

### Combining Our Strengths for Further Growth

The strengths of our Group lie in the competitive advantage that comes from holding the three businesses of Mineral Resources, Smelting & Refining, and Materials, as well as from our accumulated knowledge. As an example, we leverage our accumulated metals analysis technologies to perform quality analysis and performance analysis for battery materials and advanced materials. Our deep knowledge of smelting and refining equipment, which demands harsh conditions such as high temperature and high pressure, finds use in engineering and many other areas.

The recycling of used products made with non-ferrous metals, which are rare resources, is also growing in importance. In automobiles, for example, there are strong demands to make use of batteries containing recycled materials, particularly in Europe. We are taking advantage of the strengths of our Smelting & Refining business to promote the practical implementation of recycling that extends to materials.

Another strength of ours is the supply and demand outlook for non-ferrous metal resources in areas close to final consumer goods, obtained from customers for our battery materials and advanced materials. This is an important source of information for our medium- to long-term growth investments in the resource field and the smelting and refining field.

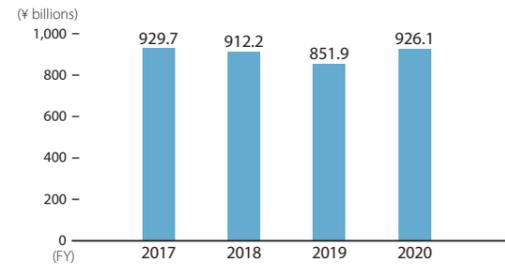
By combining the knowledge gained from our three businesses, including technologies in wide-ranging fields, experience and achievements in numerous projects, and market forecasting, our Group seeks to achieve further growth in the growing world of non-ferrous metals.

#### Stable Supply through an Integrated Supply Chain Spanning Ores to Metals and Materials



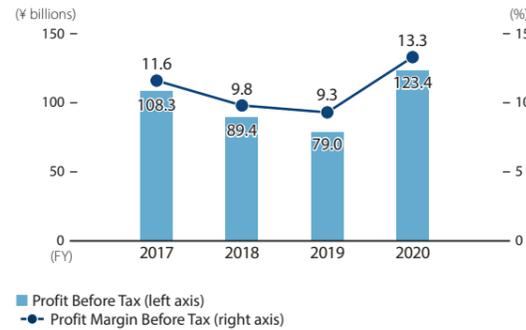
# Financial and Non-Financial Highlights

## Net Sales



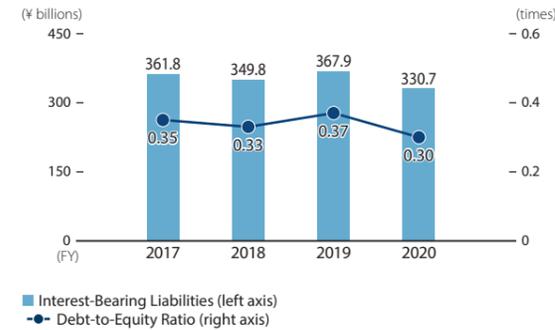
Consolidated net sales increased by ¥74.2 billion year on year to ¥926.1 billion, mainly due to year-on-year increases in copper, nickel, and gold prices and despite factors such as reduced sales in the battery materials business resulting from a temporary production adjustment.

## Profit Before Tax/Profit Margin Before Tax



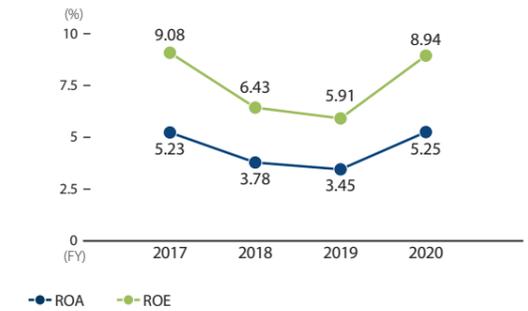
Consolidated profit before tax increased by ¥44.4 billion year on year to ¥123.4 billion, mainly due to an increase in income from rises in the prices of non-ferrous metals and other sources, as well as an upturn in profit from investments accounted for using the equity method.

## Interest-Bearing Liabilities/Debt-to-Equity Ratio



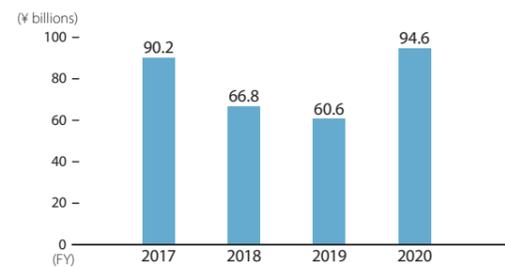
The amount of interest-bearing liabilities as of March 31, 2021, decreased by ¥37.2 billion year on year to ¥330.7 billion. The debt-to-equity ratio decreased by 0.07 points year on year to 0.30 times.

## ROA/ROE



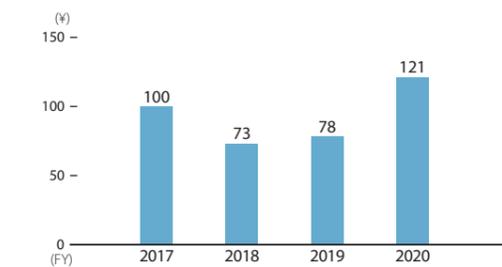
ROA improved by 1.80 points year on year to 5.25%. ROE improved by 3.03 points year on year to 8.94%. ROA levels exceeded the FY2021 estimates in our 2018 3-Year Business Plan.

## Profit Attributable to Owners of Parent



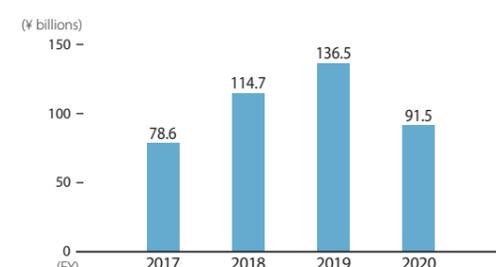
Profit attributable to owners of parent increased by ¥34.0 billion year on year to ¥94.6 billion, mainly due to an increase in consolidated profit before tax.

## Dividend per Share



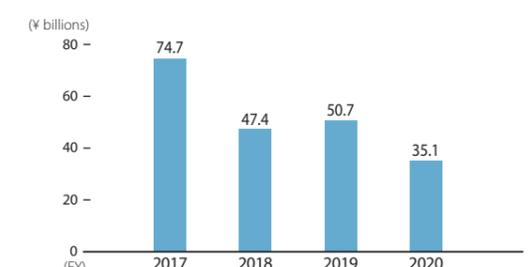
The annual dividend for the fiscal year ended March 31, 2021, was ¥121, comprising an interim dividend of ¥22 and a year-end dividend of ¥99. This was an increase of ¥43 compared to the fiscal year ended March 31, 2020. Payout ratio was 35.1%, fulfilling the dividend policy in our 2018 3-Year Business Plan of maintaining a dividend payout ratio at 35% or higher. SMM consolidated its stocks on October 1, 2017.

## Net Cash Provided by Operating Activities



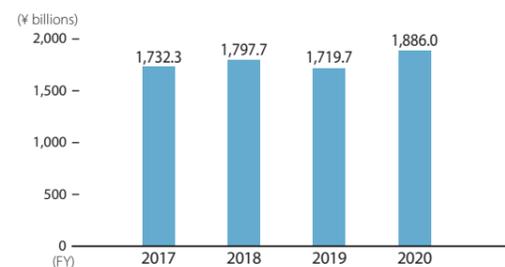
Net cash provided by operating activities decreased year on year, mainly due to increases in inventories and trade and other receivables, and despite increases in profit before tax and trade and other payables.

## Capital Expenditure



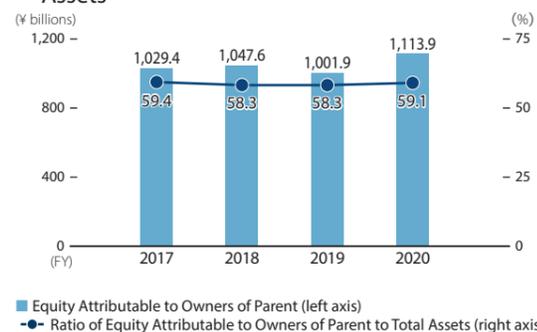
The Group carried out capital expenditure required to maintain and enhance production activities and to raise productivity. We invested ¥35.1 billion (based on property, plant and equipment and intangible assets), a year-on-year decrease of 30.8%, primarily due to certain expenditures being delayed to the next fiscal year onward.

## Total Assets



Total assets as of March 31, 2021, increased by ¥166.3 billion year on year to ¥1,886.0 billion. This was mainly due to increases in inventories and trade and other receivables as a result of rises in the prices of non-ferrous metals and other factors, as well as an increase in the prices of stocks held.

## Equity Attributable to Owners of Parent/Ratio of Equity Attributable to Owners of Parent to Total Assets



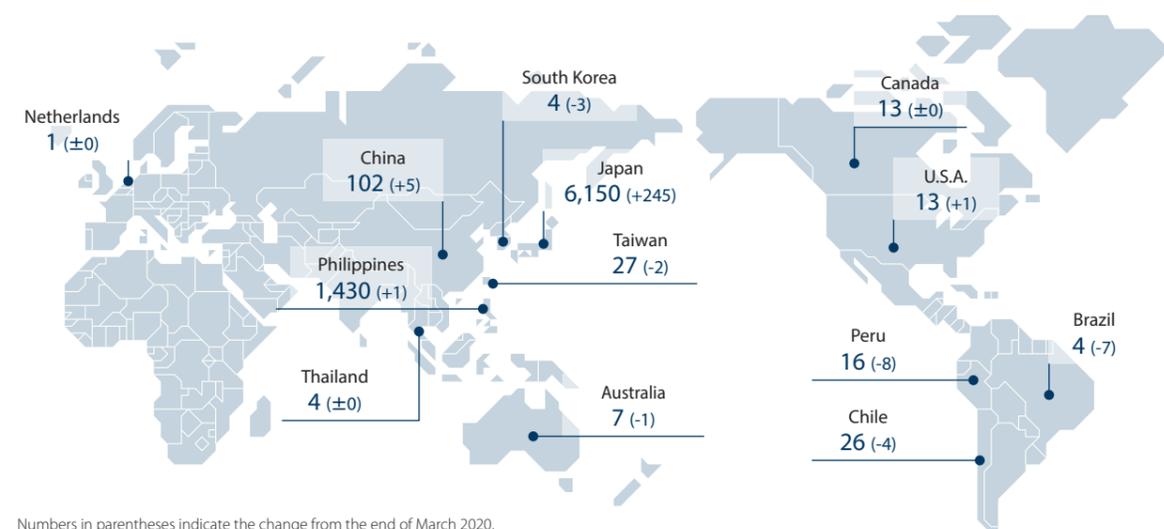
Total equity attributable to owners of parent increased by ¥112.0 billion year on year to ¥1,113.9 billion. The ratio of equity attributable to owners of parent to total assets (equity ratio) was 59.1%. We were able to achieve a level higher than 50%, our target for maintaining a sound financial position.

## Income Tax by Country or Region (FY2020)

Country/Region	Income Tax (millions of yen)
Japan	23,558
U.S.A.	3,188
Peru	4,723
Chile	2,045
China	864
Philippines	2,336
New Caledonia	267
Australia	276
Others	30
<b>Total</b>	<b>37,287</b>

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, 2021)



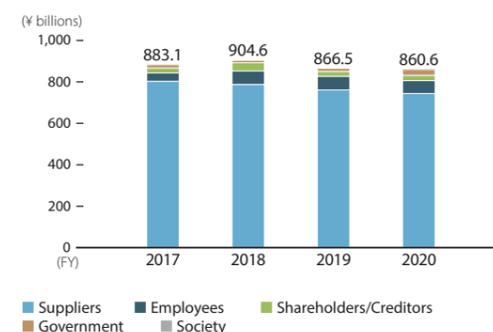
■ Number of Employees & Officers Worldwide (Consolidated) Figures are for March 31 of each fiscal year

	FY	2017	2018	2019	2020
Breakdown of employees and officers, by class	Managers	1,179	1,107	1,076	1,082
	Regular employees	5,800	5,579	5,711	5,895
	Non-regular/limited-term employees	694	612	678	710
	Officers	109	110	105	110
	Total	7,782	7,408	7,570	7,797
Breakdown of employees and officers, by gender	Male	6,448	6,079	6,178	6,328
	Female	1,334	1,329	1,392	1,469
Locally-hired senior managers at overseas affiliates (General Managers and above)	Male	9	11	15	12
	Female	2	2	6	5
Breakdown of directors	Male	7	7	7	7
	Female	1	1	1	1
	Total	8	8	8	8
	Outside directors	3	3	3	3

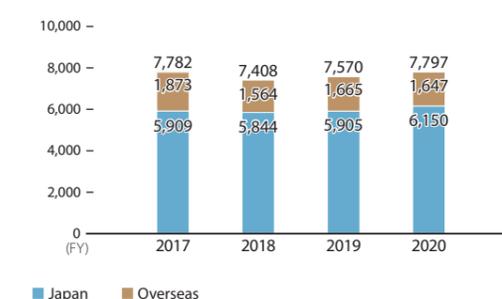
■ Capital Expenditure Related to Environmental Preservation

	(millions of yen)				
FY	2017	2018	2019	2020	2021 (plan)
Pollution prevention/environmental preservation	4,343	5,508	5,244	5,715	15,254
Energy conservation	198	100	141	339	262
Total	4,541	5,608	5,385	6,054	15,516
Ratio of capital expenditure	6.1%	11.8%	10.6%	17.3%	18.1%

■ Distribution of Economic Value to Stakeholders



■ Number of Employees & Officers Worldwide (Consolidated) Figures are for March 31 of each fiscal year

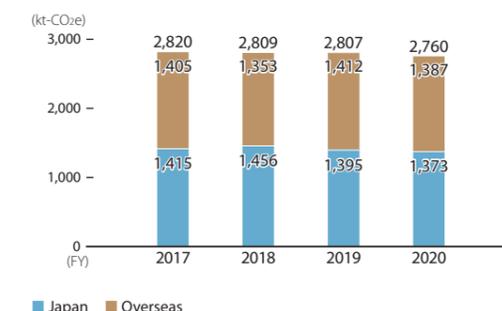


■ Occupational Accident Frequency Rate



At business sites in Japan, we were unable to bring the number of accidents below 15 (a frequency rate of 1.13) despite initiatives to curb unsafe behavior and efforts to make equipment safer through risk assessments. At business sites overseas, we began to see the effects of initiatives such as rolling out disaster countermeasures in each country, hazard prediction education and safety patrols, achieving zero occupational accidents among employees for the first time.

■ Greenhouse Gas Emissions (Scope 1 + 2)

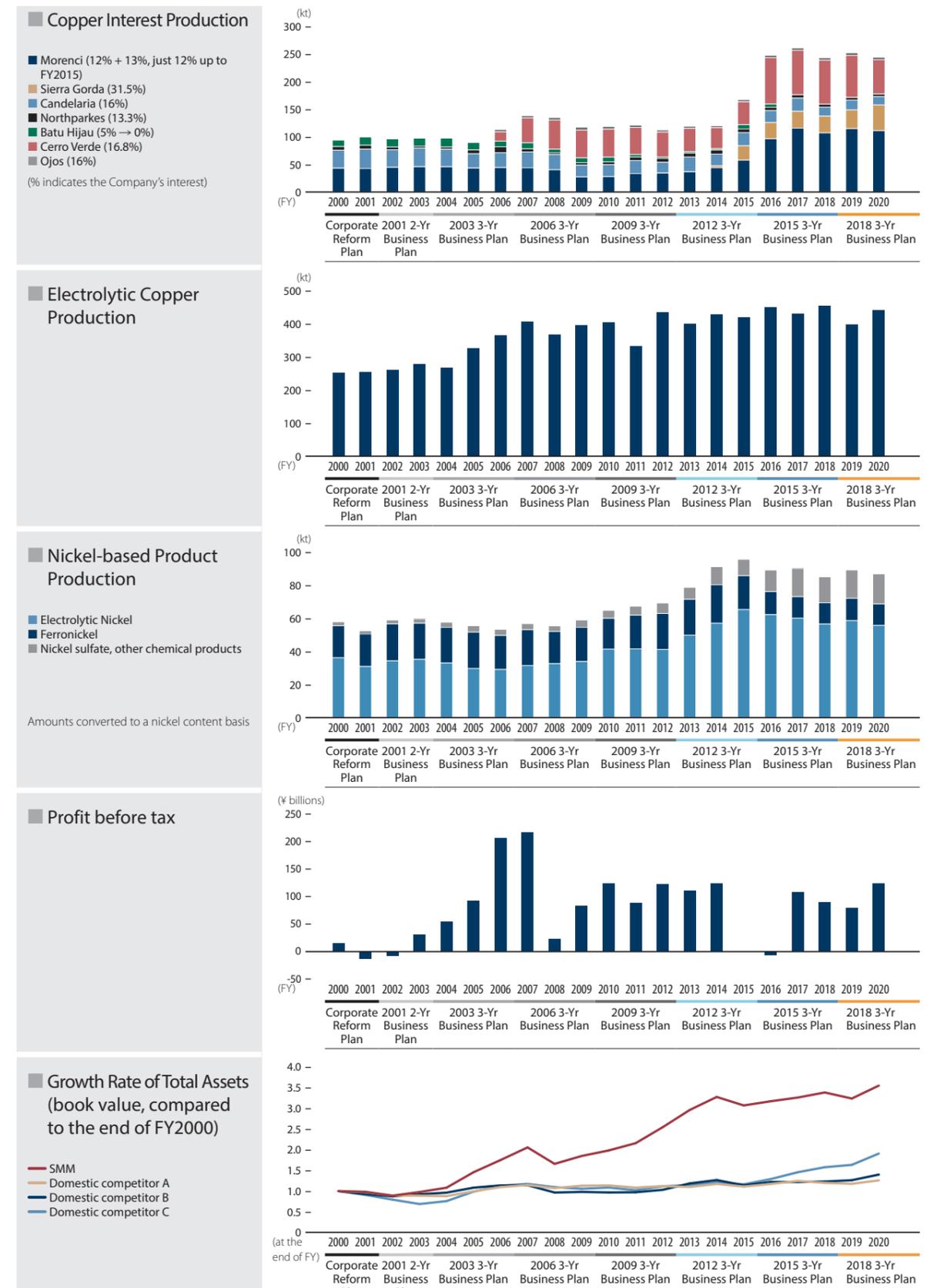


In FY2020, greenhouse gas emissions (Scope 1 + 2) for the Group decreased to 2,760 kt-CO<sub>2</sub>e due to a decrease in production volumes and initiatives such as energy-saving activities.

# Review of Past 3-Year Business Plans

Passing through the business reforming conducted after the JCO criticality accident in 1999, SMM's business plans have continued up to the current growth strategies of the 2018 3-Year Business Plan. From the time of the Corporate Reform Plan (FY2000 to FY2001) that we formulated in 2000 following the accident, and through our 2001 2-Year Business Plan (FY2002 to FY2003), we implemented the selection and concentration of core businesses as a measure to reinforce corporate organization. From the 2003 3-Year Business Plan (FY2004 to FY2006) onward, we steered our course toward the growth strategy and realized long-term growth by expanding and strengthening core businesses, particularly large-scale projects. Following a degree of success in the 2015 3-Year Business Plan (FY2016 to FY2018), we are now tackling further growth upon a new stage under our current 2018 3-Year Business Plan. (FY2019 to FY2021).

	2012 3-Year Business Plan FY2013–FY2015	2015 3-Year Business Plan FY2016–FY2018
<b>Overview</b>	<p><b>Long-Term Vision</b> Become the world leader in the non-ferrous metals industry and an excellent company of Japan</p> <ul style="list-style-type: none"> <li>Growing business and improving corporate value                             <ul style="list-style-type: none"> <li>Promote and establish operations in the Sierra Gorda Project</li> <li>Complete the Taganito HPAL and ensure a smooth launch of operations</li> <li>Implement structural reforms in the Materials Business and stable acquisition of own profit</li> <li>Reduce costs by ¥10 billion/year</li> </ul> </li> </ul>	<p><b>Mineral Resources</b></p> <ul style="list-style-type: none"> <li>Full-scale production at the Sierra Gorda Copper Mine</li> <li>Acquire new gold mine interests</li> </ul> <p><b>Smelting &amp; Refining</b></p> <ul style="list-style-type: none"> <li>Expand Taganito HPAL</li> <li>Advance growth strategies using HPAL peripheral technologies</li> <li>Enhance competitiveness of copper smelting business</li> </ul> <p><b>Materials</b></p> <ul style="list-style-type: none"> <li>Profit contribution from expanded battery material and LT/LN production</li> <li>Continuously create and adapt next-generation products</li> </ul> <ul style="list-style-type: none"> <li>Corporate governance strengthening</li> <li>Globalization measures</li> </ul>
<b>Results</b>	<p><b>Mineral Resources</b></p> <ul style="list-style-type: none"> <li>Morenci Copper Mine: Complete expansion</li> <li>Cerro Verde Copper Mine: Expansion: solid progress</li> </ul> <p><b>Smelting &amp; Refining</b></p> <ul style="list-style-type: none"> <li>Taganito HPAL: Smooth ramp-up to full-scale operations</li> <li>Electrolytic Nickel: Complete 65-kt production structure</li> <li>Harima Refinery: Start nickel sulfate production</li> </ul> <p><b>Materials</b></p> <ul style="list-style-type: none"> <li>Expand battery materials production</li> <li>Expand LT/LN substrate production</li> </ul> <p><b>Strategic Outcomes:</b></p> <ul style="list-style-type: none"> <li>Expand copper interest</li> <li>Establish 100-kt nickel production structure</li> <li>Create the foundation for the growth</li> </ul>	<p><b>Mineral Resources</b></p> <ul style="list-style-type: none"> <li>Enter into Côté Gold project</li> </ul> <p><b>Smelting &amp; Refining</b></p> <ul style="list-style-type: none"> <li>Complete 36-kt production structure at Taganito HPAL</li> <li>Proceed with commercialization of scandium and chromite recovery</li> <li>Achieve 450-kt electrolytic copper production volume</li> </ul> <p><b>Materials</b></p> <ul style="list-style-type: none"> <li>Complete 4,550-t/month battery material production structure</li> <li>Complete increased LT/LN production structure</li> <li>Develop nickel oxide powder for fuel cell electrodes</li> <li>Enter into silicon carbide (SiC) business</li> </ul>
<b>Challenges</b>	<p><b>Mineral Resources</b></p> <p><b>Smelting &amp; Refining</b></p> <ul style="list-style-type: none"> <li>Effective operation of existing mines and smelters/refineries: Cut costs to secure profits</li> <li>Sowing seeds and planting toward the next 3-Yr Business Plan and beyond</li> </ul> <p><b>Materials</b></p> <ul style="list-style-type: none"> <li>Continually create next-generation products that satisfy customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing and improving site management capability (production capabilities) and management capability</li> <li>Creating new products and businesses</li> <li>Securing and developing the human resources to support growth</li> </ul>



# Progress of the 2018 3-Year Business Plan, FY2020 Results, and FY2021 Plan

## Progress of the 2018 3-Year Business Plan

FY2020 marked the second year of the 2018 3-Year Business Plan spanning FY2019 to FY2021. However, some strategies under the plan hit delays due to the COVID-19 pandemic. In the Mineral Resources Business, construction was temporarily suspended at the Quebrada Blanca 2 Project (Chile) due to the pandemic, but has since been restarted. In the Smelting & Refining Business, we are moving the Pomalaa Project (Indonesia) toward annual nickel production of 150,000 tons, and are continuing a definitive feasibility study (DFS). Due to the pandemic, however, obtaining the necessary permits is taking time.

In the Materials Business, in July 2021 we made the decision to increase production of nickel-based cathode materials for automotive secondary batteries by 2,000 tons amid the ongoing electrification of automobiles.

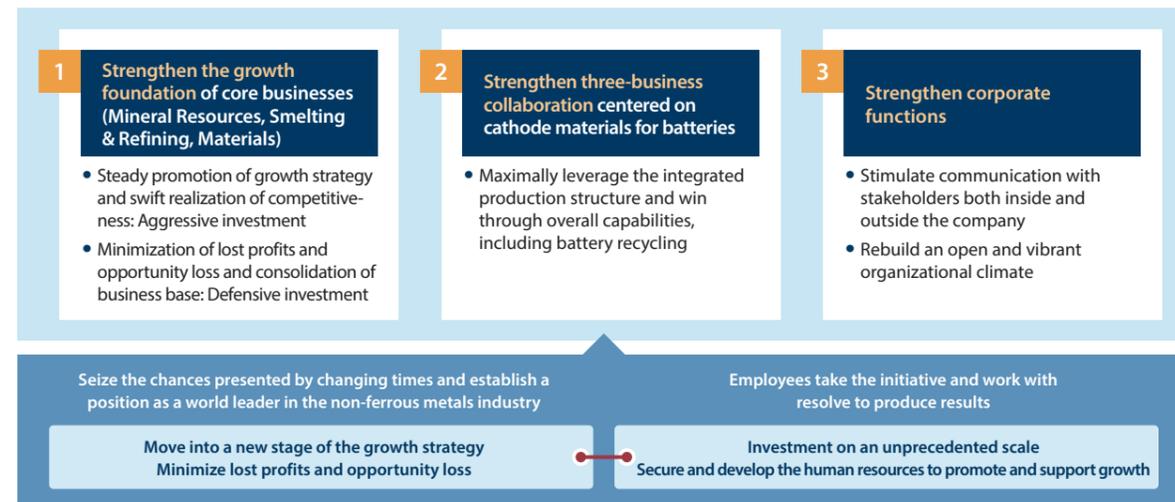
As we now formulate the next 3-Year Business Plan for the

period FY2022 to FY2024, our major directions for the growth of core businesses remain unchanged. We will continue working to maximize our corporate value through sustainable growth.

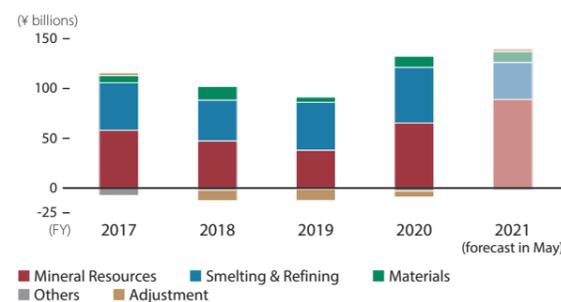
## Review of FY2020 Results

In the Group's performance in FY2020, sales declined due to temporary production adjustments in materials for automobile batteries. Despite this, consolidated net sales increased year on year due mainly to prices of copper, nickel, and gold being higher than in the previous year. Consolidated profit before taxes increased year on year due to factors including an increase in income and an upturn in share of profit (loss) of investments accounted for using the equity method. Profit attributable to owners of parent increased year on year due to factors including an increase in consolidated profit before tax.

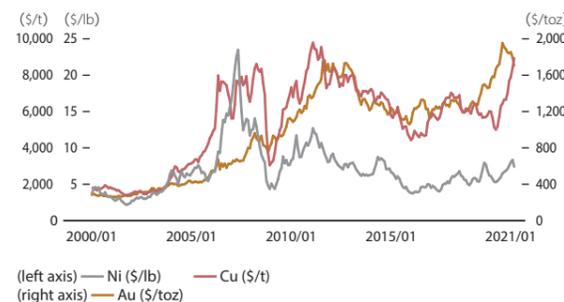
## Three Main Basic Strategies



## Segment Income (Loss)



## Metal Prices



## Mineral Resources Segment

Segment income increased year on year due to factors such as increases in gold and copper prices, despite a decline in sales volume due to the COVID-19 pandemic and deterioration attributable to recording of expenses during the suspension of construction at the Quebrada Blanca Copper Mine (Chile).

Mining operations at the Hishikari Mine remained steady. The sales volume of gold was in line with the planned amount, nearly unchanged from the previous fiscal year at 6 tons.

Production volume at the Morenci Copper Mine (United States) (of which the Company holds a 25.0% interest, excluding non-controlling interest) declined year on year to 446,000 tons, due mainly to a decrease in ore throughput.

Production volume at the Cerro Verde Copper Mine (Peru) (of which the Company holds a 16.8% interest, excluding non-controlling interest) declined year on year to 372,000 tons, due mainly to the temporary transition of operations to care and maintenance status in response to the declaration of a national state of emergency under the COVID-19 pandemic.

Production volume at the Sierra Gorda Copper Mine (Chile) (of which the Company holds a 31.5% interest, excluding non-controlling interest) rose year on year to 149,000 tons, due mainly to an increase in ore throughput.

## Smelting & Refining Segment

Segment income increased year on year, due mainly to an increase in non-ferrous metals prices.

Although production and sales volumes of electrolytic copper increased year on year, production and sales volumes of electrolytic nickel decreased in the same period.

The production volume at Coral Bay Nickel Corporation (Philippines) remained unchanged year on year as the impact of the COVID-19 pandemic was minimal. At the same time, the planned shut-down period at Taganito HPAL Nickel Corporation (Philippines) was partially extended due to the pandemic. Following the shut-down, operations resumed largely in line with plans; however, the production level decreased year on year, due in part to heavy rainfall.

## Materials Segment

Despite a decrease in the sales volume of battery materials, etc. as a result of temporary production adjustments, segment income increased year on year, due mainly to an increase in the sales volume of powder and other materials year on year.

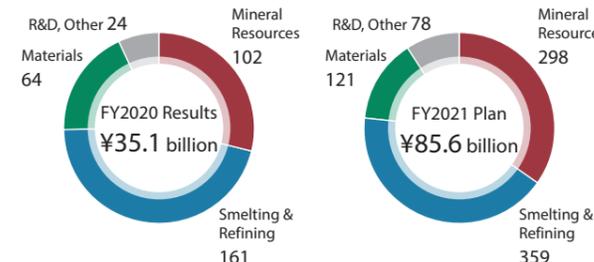
## FY2021 Plan

Although the global economy is expected to recover to an extent due to countries' monetary and fiscal policies in response to the COVID-19 pandemic as well as the proliferation of vaccination, rapid economic deterioration is a possibility, depending on the COVID-19 situation. While non-ferrous metals prices have remained high due to expectations of an economic upturn and the inflow of surplus funds into commodities markets, prices are at a level considered out of line with the supply and demand environment and a risk of sharp decline is assumed.

In industries related to the Materials Business, although continued demand growth is expected due to accelerated efforts to achieve carbon neutrality and support digital transformation, the situation remains unpredictable due to concerns including the impacts of shortages of semiconductors for automobiles.

In the forecast for FY2021 consolidated operating results, our forecast for major non-ferrous metals prices was set through consideration of levels at the time of plan formulation and prediction of future supply-demand balance. Production and sales volumes of major products were planned on the basis of the business environment. We expect net sales of ¥1,047.0 billion, profit before tax of ¥138.0 billion, profit of ¥114.0 billion, and profit attributable to owners of parent of ¥104.0 billion on a consolidated basis.

## Capital Expenditure Results and Plans (FY2020 Results and FY2021 Plan (May))



### Main projects of the FY2021 Plan (May)

(Figures in parentheses are total amounts under the plan)

- Côte Gold Project: ¥18.6 billion (total US\$395 million)
- Expansion and improvement of Battery Research Laboratories: ¥1.4 billion (total ¥1.6 billion)
- Besshi-Niihama District Div. new company dormitory: ¥1.0 billion (total ¥4.7 billion)
- Development of lower orebodies at Hishikari Mine (construction of new hot spring water extraction room): ¥0.4 billion (total ¥3.7 billion)
- Switch to LNG boilers\*: ¥0.2 billion (total ¥0.8 billion)

\* Project subject to internal carbon pricing

# Financial Strategy

## Basic Approach

Because the SMM Group deals in resources that become depleted, we must always prepare to participate in large-scale projects in order to acquire new resource interests. Mineral Resources Business and Smelting & Refining Business development projects, including the construction of new smelters and refineries, involve relatively long periods of time between execution and recovery of investment. Accordingly,

it is important to maintain a sound financial position that can withstand large temporary cash outflows. Based on this thinking, we set a consolidated equity ratio of 50% or more as a foundation for our financial strategy. As of the end of FY2020, our consolidated equity ratio was 59.1%.

## Funding

We believe it is necessary to maintain a certain amount of liquid funds on hand based on overall demand for funds such as for large-scale overseas projects in the Mineral Resources and Smelting & Refining businesses, 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.

In FY2020, based on the state of progress of large-scale projects, we worked to reduce interest-bearing liabilities by allocating cash inflows generated through operating activities to the repayment of debt, without undertaking new funding for projects. As a result, our interest-bearing liabilities in FY2020 decreased by ¥37.2 billion to ¥330.7 billion.

## Investment

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 this reason, we must secure stable sources of raw materials through the development of overseas mines and acquisition of interests. In mine development and acquisition of interests, and in large-scale overseas projects in the Smelting & Refining Business, we carry out investments by leveraging our extensive exploration experience, knowledge of mine valuation, and smelting and refining technologies, with country risk and local issues fully taken into account, to avoid additional investments or increases in costs arising from uncertainty. We also carefully select and execute capital investments other than large-scale projects, with full consideration of investment effect and efficiency (profitability).

Investment in FY2020 totaled ¥35.1 billion, falling with the scope of cash flow from operating activities (¥91.5 billion).

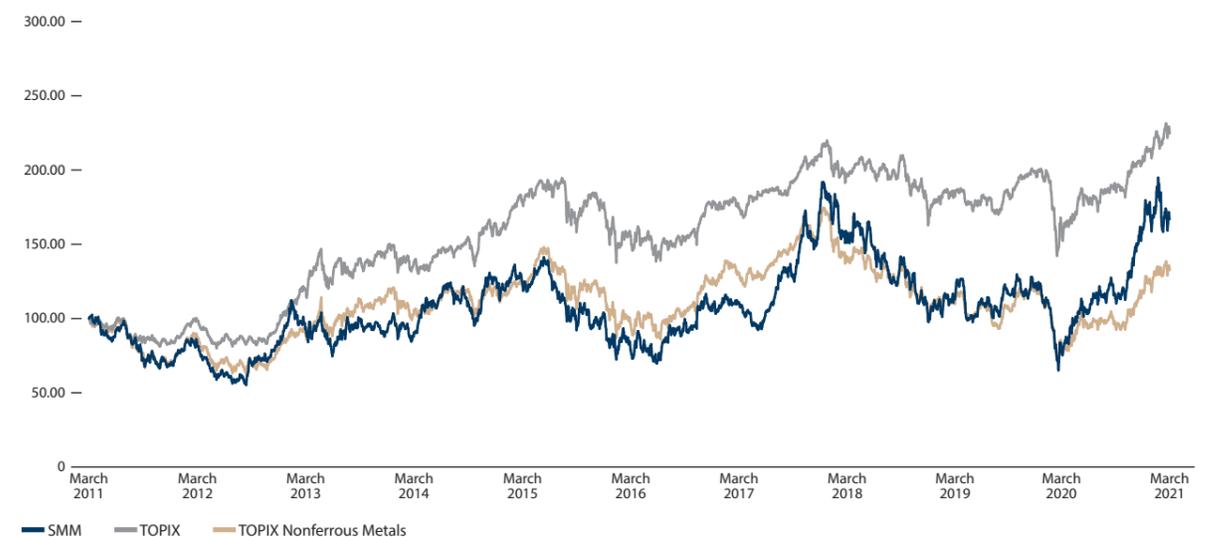
In our 2018 3-Year Business Plan, we planned for a total of ¥490.0 billion in capital investment and in investment and financing over the course of three years. However, we expect progress in these outlays to reach only about 50% of the planned amount due to delays in investment period and other impacts of the COVID-19 pandemic.

## 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 position, 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 position and will maintain a consolidated equity ratio of 50% or higher, with a consolidated dividend payout ratio of 35% or higher. In FY2020, we increased the annual dividend by ¥43 from the previous fiscal year to ¥121, for a dividend payout ratio of 35.1%.

■ Share Price (Share prices calculated with share price at the end of March 31, 2011 set to 100)



■ Share Price Performance (TSR)

Investment period	1 year	3 years		5 years		10 years	
	Cumulative and Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
SMM	120.9%	12.7%	4.1%	131.5%	18.3%	93.2%	6.8%
TOPIX	41.8%	20.3%	6.4%	57.8%	9.6%	157.8%	9.9%
TOPIX Nonferrous Metals	66.1%	-0.2%	-0.1%	53.0%	8.9%	56.3%	4.6%

Source: Bloomberg  
 • TSR (Total Shareholder Return): Calculated using  $([\text{share price at the end of the fiscal year ended March 31, 2021}] - [\text{share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2021}]) + [\text{total cash dividend per share for the relevant period}] \div [\text{share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2021}]$   
 • 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)

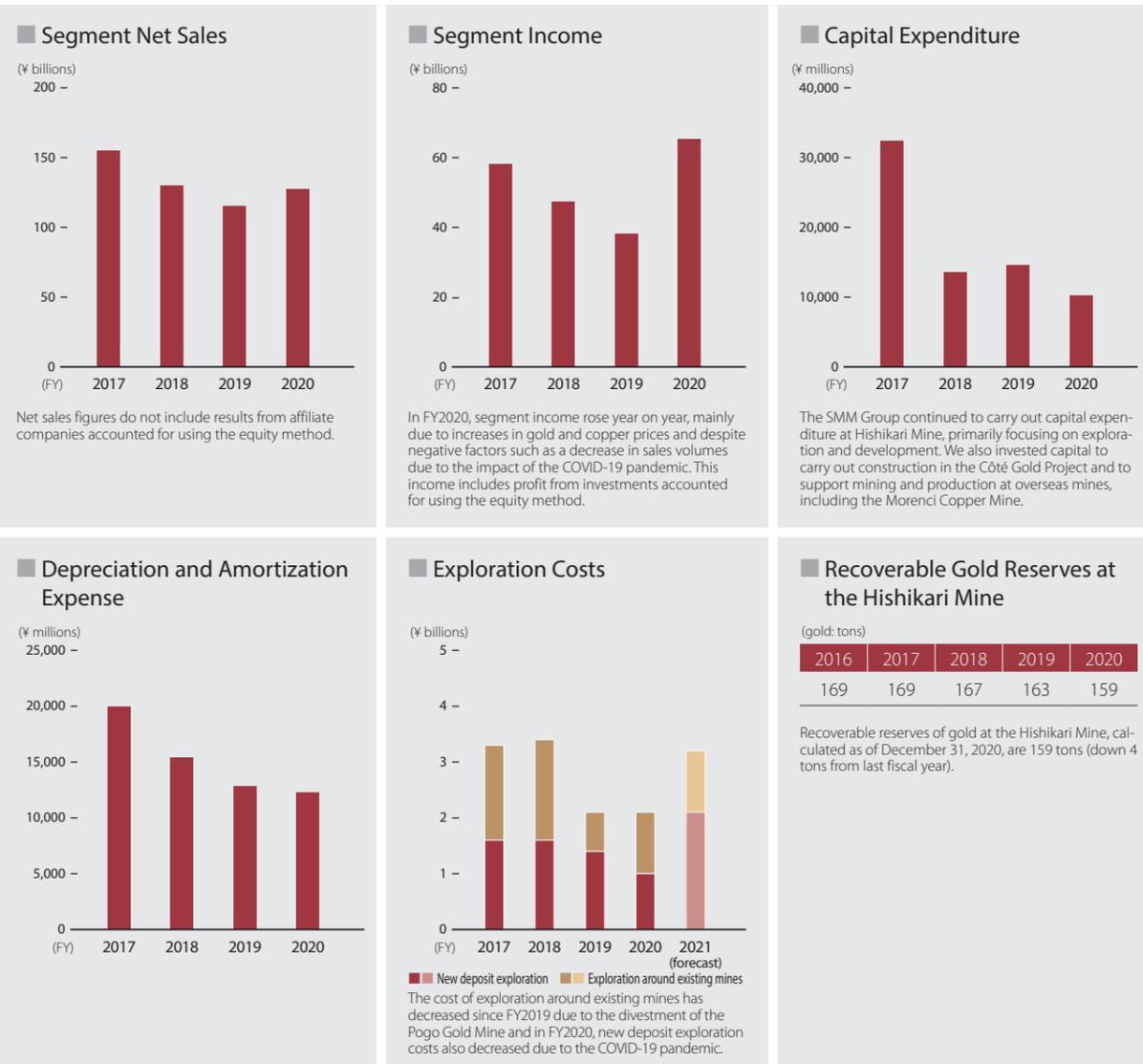
# Mineral Resources Business

Expanding the development and operation of superior mines globally

**Ryoichi Sato**  
 Managing Executive Officer,  
 General Manager of Mineral Resources Division



The Mineral Resources Business is leveraging over 300 years of mine development and operational experience that we have inherited to operate the Hishikari Mine, Japan's largest gold mine, and to participate in mine development and operation projects around the world. We work to secure mineral resources by pursuing new superior mines and advancing projects in countries all over the globe.



## Review of FY2020

In FY2020, as the situation regarding the effects of the COVID-19 pandemic remained unclear, we implemented anti-infection protocols (monitoring, prevention, and management planning) at each of our mines and projects and worked to minimize impact through cost-cutting measures. In regard to our major mines, 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 the planned amount mainly due to a high level of cathode production. At the Cerro Verde Copper Mine (Peru), we limited operations at the request of the government as part of measures to prevent the spread of COVID-19 infections. However, once these measures were lifted, mining operations remained steady, and we were able to keep the decrease in production volumes to a minimum. At the Sierra Gorda Copper Mine (Chile), the results of the accumulated operational improvements made to date were reflected in production levels, and we were able to achieve every major indicator according to plan, including ore processing volume, recovery rate, and production volume. In the Quebrada Blanca 2 Project, which is one of the three major projects in our 2018 3-Year Business Plan, construction was halted for several months from March 2020 in order to ensure the safety of workers involved in the construction as the COVID-19 pandemic spread. Construction restarted after thorough anti-infection measures were put in place and at present, we have mobilized a greater number of workers than before construction was halted while keeping infections under control. The Côté Gold Project (Canada) has been progressing according to plan since the decision to begin construction was made in July 2020. We are also continuously working to raise the value of the project through exploration activities in the surrounding area.

## Business Environment and Outlook

The COVID-19 pandemic has also had a huge impact on the mining industry.

Regarding copper supply, there was a big decrease in production volumes following the manifestation of the pandemic in March 2020 as many mines halted operations. However, from May onward, mine operations restarted under anti-infection measures, dispelling concerns about supply. In early 2021, sharp rises in copper prices prompted discussions about raising taxation and strengthening the regulations of the mining industry, which is a concern for the future.

Copper demand dropped significantly in the first half of 2020 as economies slumped. Within this, demand in China recovered from March 2020 due to economic stimulus measures, such as large-scale investment in infrastructure, and movement toward the restart of economic activity. There was also an upward trend in demand in other countries as measures for coming out of lockdown were planned. Additionally, copper has been attracting attention as a "green metal" that has many applications in electric vehicles and the renewable energy industry, so demand is forecast to rise in the long-term.

In March 2020, the price of copper was 4,618\$/t, its lowest price since 2016, due to a fall in demand accompanying the COVID-19 pandemic. However, as economic activity restarted due to monetary easing and economic stimulus measures carried out around the world, demand also recovered. This led to a rapid rise in price toward the end of the fiscal year and as of March 2021, prices were in excess of 9,000\$/t.

Regarding gold prices, the declaration of the pandemic in the middle of March 2020 led to a temporary decline in investor confidence, resulting in 2020's lowest price of 1,477\$/toz. However, lower interest rates accompanying monetary easing and a sense of uncertainty about the pandemic drove a sharp rise in price, reaching a record high of 2,058.15\$/toz in August. Following this, the recovery prospects of the global

economy led prices to decline again and in March 2021, gold was 1,720\$/toz.

### Progress on the 2018 3-Year Business Plan and Future Strategy

#### Advancement of the Quebrada Blanca 2 Project

This project is being advanced under the firm leadership of our business partner Teck Resources Limited ("Teck"). Full-scale construction on the project began in January 2019 and has been progressing smoothly.

In April 2021, we completed 50% of overall progress on the project. Going forward, we will continue to move the project forward in close cooperation with Teck with a view to realizing our Long-Term Vision target of copper production from interests of 300 kt/year.



Mineral processing facility location: About 165 km southeast of Iquique, Region 1, Chile



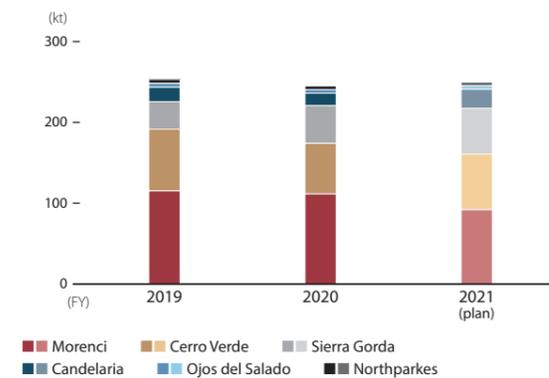
Port location: About 60 km south of Iquique, Region 1, Chile

#### Overview of the Quebrada Blanca 2 Project

Equity interest	Teck 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

\* Figures do not take into account the effects of the COVID-19 pandemic.

#### Copper Production from Interests



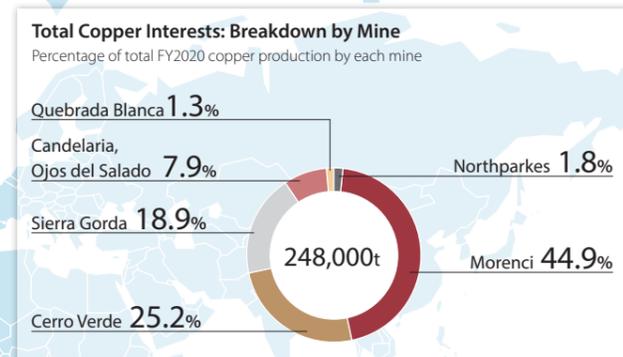
#### Progress of Debottlenecking at the Sierra Gorda Copper Mine

At the Sierra Gorda Copper Mine, the debottlenecking project (a project to enhance operations by strengthening a portion of existing operational lines) that has been considered and implemented since 2017 was completed in December 2020 and ore processing capacity has been increased from 110 kt per day to 130 kt. The annual copper production volume for FY2020 was 149 kt (as 100% equity interest), a record high. In FY2021, we will continue advancing measures to reduce costs while stably maintaining a 130-kt per day ore processing structure.

#### Promotion of the Côté Gold Project

This is a gold mine development project being advanced together with Canadian gold producer IAMGOLD Corporation ("IMG"). In July 2020, the decision was made to begin construction. In September 2020, a groundbreaking ceremony was held attended by guests including Canadian Prime Minister Justin Trudeau. In FY2021, construction has been progressing steadily under thorough anti-infection protocols,

#### Overseas Mines and Staff Dispatched to Mines (as of July 1, 2021)



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

#### Progress and Plans on Our Top Priorities

	FY2019	FY2020	FY2021	FY2022	FY2023 and later
<b>Cu</b> Sierra Gorda Copper Mine	● Operational structure that can process 110 kt/day ● Debottlenecking underway	● Operational structure that can process 130 kt/day	● Planned increase in copper production to 180 kt/year		
<b>Cu</b> Morenci Copper Mine	● Exceeded planned production volume	● Consideration of cost reductions and investment postponements			
<b>Cu</b> Cerro Verde Copper Mine		● Temporary operation under care and maintenance -> Restart			
<b>Cu</b> Candelaria Copper Mine		● Operations halted due to strike -> Restart	● Mining delayed due to pit safety concerns		
<b>Cu</b> Quebrada Blanca 2 Project	● Acquisition of interest	● Temporary halt of construction -> Restart		● Start of production scheduled	
<b>Au</b> Hishikari Mine		● Continuing lower orebody development			
<b>Au</b> Côté Gold Project		● September: Groundbreaking ceremony ● October: Start of construction			● Start of production scheduled

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

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

primarily work to prepare the land at the site planned for the mineral processing area and work to reroute a river that flows through the planned pit site. We are continuing to collaborate closely with IMG to advance the project with the goal of starting production in 2023. Also, in 2020, exploration activities in the Gosselin zone, located about 1.5 km to the north-east of the planned pit site, confirmed continuing gold mineralization. We will continue test boring activities aimed at raising the future value of the project and will analyze information such as the continuity and grade of the ore body.



The Côté Gold Project construction site



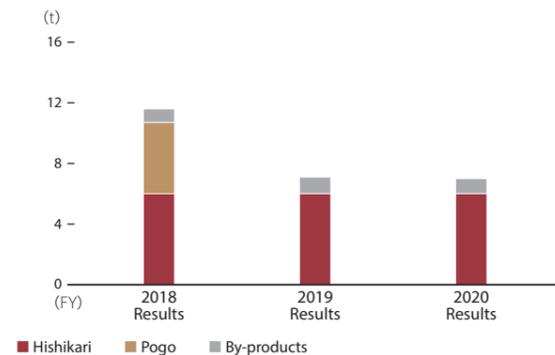
An explanation using a model given at the groundbreaking ceremony attended by Prime Minister Trudeau

### Long-Term Stable Operation at Hishikari Mine

The Hishikari Mine (Kagoshima Prefecture) has produced 254.2 tons of gold (as of the end of March 2021) 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 20 grams of gold per ton, or about five times the average. The mine continues to produce about six tons of gold per year. As of the end of December 2020, the mine has recoverable reserves of 159 tons. We have been continuing stable mine operations while taking measures to prevent COVID-19 infections and our planned annual gold production volume for FY2021 is six tons. We are also carrying out the ongoing development of the mine's lower orebody with safety as our first priority.

We use the Hishikari Mine as a place for human resources development where resource engineers can accumulate the skills and experience needed for mine operation. We will continue to use the mine to develop human resources and to link these activities to overseas development.

### Au Production (SMM's interests)



Hishikari Mine (Location: Isa, Kagoshima Prefecture)

### 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 investigate gold- and copper-related exploration projects in high-potential regions, mainly in the Pacific Rim, and conduct exploration both on our own and through joint ventures. In regard to joint ventures, we actively participate in exploration projects that deliver results at the initial stage.

In addition to exploration activities, we also look to acquire new mine interests by continuously considering participation in projects all over the world. Although there is a global trend toward mine development taking place in increasingly remote locations and with increasingly lower grade ore, which results in a decrease in chances to participate in projects with promising conditions, we will use our extensive human network in the mining industry to ensure we do not miss any excellent opportunities for growth.

## Sustainability Topics

### Excavation at the Quebrada Blanca 2 Port Construction Site

Related: Vision for 2030, p. 91

In the Quebrada Blanca 2 Project, which we are advancing together with Teck, work to strip land in the port area led to the discovery of a number of important archaeological artifacts from a BCE culture and burial sites of indigenous peoples. In light of these historic discoveries, the Chile's National Monuments Council established a committee that includes government-affiliated members and there has been an ongoing constructive exchange of opinions. Work on the project in the area where the discoveries were made has been temporarily halted and

careful excavation work was carried out with archaeologists and government-affiliated observers in attendance. The discovered artifacts were properly preserved and we carried out the required approval procedures. The National Monuments Council and government-affiliated observers have assessed the project as exemplary in regard to properly conserving cultural heritage. We will continue to carry out ESG initiatives, including cultural heritage conservation, at overseas mine development sites in the future.

### Developing Human Resources and Enabling Them to Work Actively in the Mineral Resources Business

Related: Vision for 2030, p. 83-86

In the Mineral Resources Business, we are leveraging the strengths possessed by the Hishikari Mine by using it as a Mining School where new employees specializing in resources who have been assigned to the Hishikari Mine or Niihama Research Laboratories can acquire specialist skills and skills related to overall operations through OJT within Japan. Once employees complete this training, we ensure they accumulate a variety of experiences, such as onsite development and operations experience at an

overseas mine or project management experience at the Head Office, in order to cultivate technicians who can work actively around the world.

Going forward, we are actively looking to carry out onsite surveys of overseas projects with a view to acquiring superior new interests, and we think that participating in this process will provide particularly valuable experience to each employee involved.

### Striving Toward Digital Transformation in the Resources Business

Related: Vision for 2030, p. 68-70

Major resources companies, among others, are introducing IoT and AI technology to improve their resource business operations. The Mineral Resources Division has been sharing technology with joint venture partners and continuously investigating the latest technologies, and we are advancing digitalization with a focus on three areas: establishing infrastructure, making operations more efficient, and making maximum use of information. At the Hishikari Mine, we are preparing to establish communications infrastructure within the mine in order to collect digital data and enable machinery to be operated auto-

matically or remotely. We are also using AI to analyze exploration data from the area around the mine. Additionally, we are building a database for collecting daily production and management data in order to make the management of operations more efficient at mines in Japan and overseas and at closed mines in Japan, and to enable faster information sharing between business sites. We will also take changes in work styles into consideration as we make the maximum use of digital data to strengthen our competitive edge.

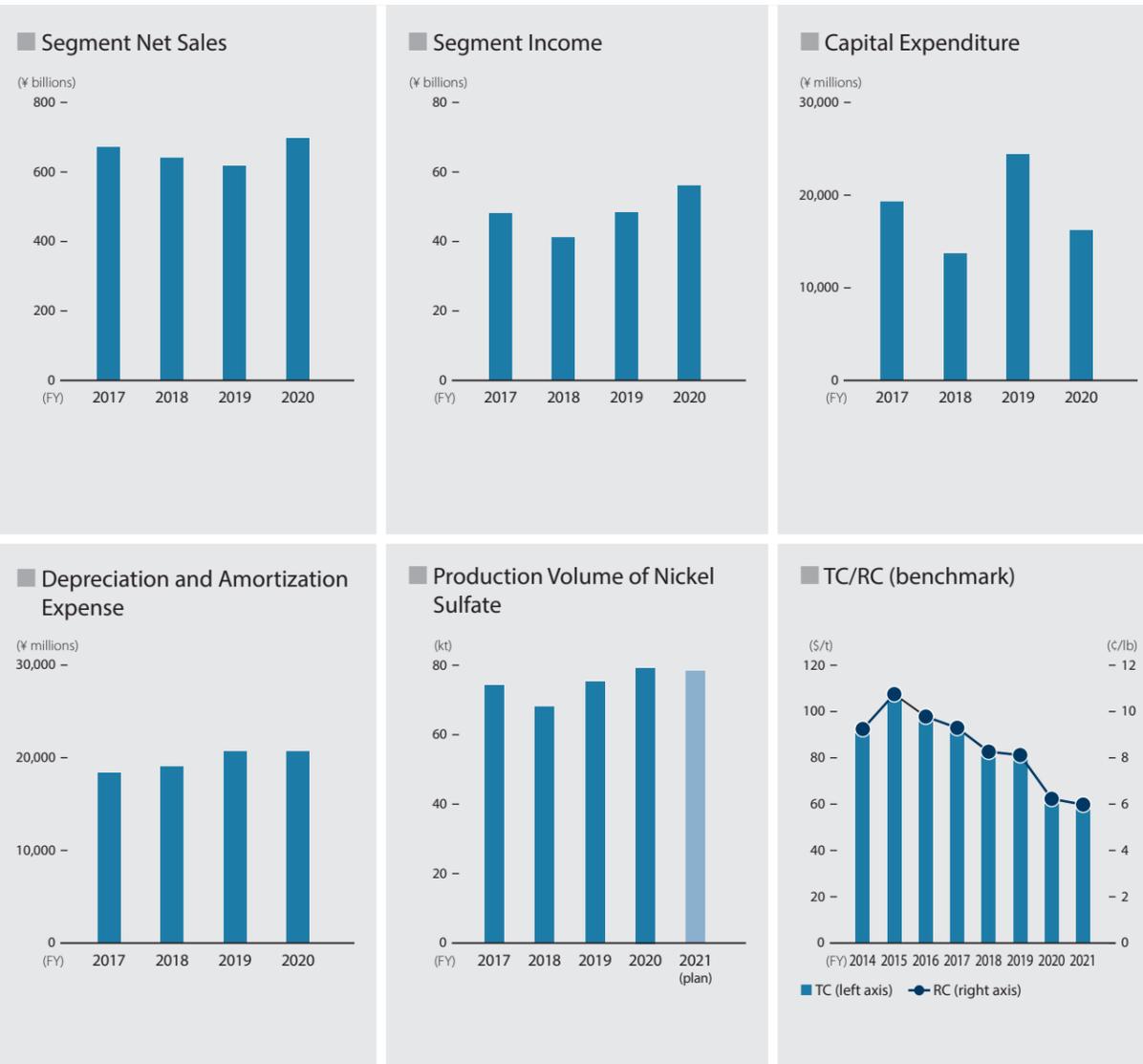
# Smelting & Refining Business

Leveraging advanced technological capabilities to provide a stable supply of the metal materials that support society

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



The Smelting & Refining Business has been developing and fine-tuning smelting and refining technology for over 430 years since the Company's foundation. This enables us to provide a stable supply of high-quality metal materials made using difficult to recover low-grade ores as a base material. We are also contributing to the formation of a sustainable, circular economy through initiatives such as recycling various metals and reducing greenhouse gas emissions.



## Review of FY2020

In FY2020, as COVID-19 infections spread around the world, we were able to continue operations at our business sites in Japan and overseas while carrying out anti-infection measures such as requiring masks to be worn, ensuring physical distance between employees, limiting the number of participants at meetings, and encouraging remote working. As a result, we were able to keep the impact on areas such as raw materials procurement and planned stoppage schedules to a minimum and production volumes at each business site were roughly according to plan.

In regard to sales, there was a slowdown in the Japanese market, particularly during the first half of the fiscal year, so we implemented countermeasures such as increasing volumes for export.

In the Pomalaa Project, we are continuing to carry out a definitive feasibility study (DFS) but in FY2020, the effects of the COVID-19 pandemic meant that it took time to obtain permissions and coordinate with partners. We will continue carrying out the study to enable a decision to be made as early as possible.

Also, although the effects of the pandemic were felt all year round, we continued to address business issues such as reinforcing production capabilities, securing raw materials, and strengthening collaboration with other business divisions, particularly the Battery Materials Division. Our main successes in FY2020 included achieving record production volumes of nickel sulfate, a cathode material for lithium-ion secondary batteries, and the achievement by Taganito HPA Nickel Corporation (THPAL) of mixed nickel-cobalt sulfide (MS) production levels of about 30 Ni-kt (or 30,000 tons of nickel) despite the effects of the COVID-19 pandemic.

## Business Environment and Outlook

The COVID-19 pandemic continues to strongly affect the business environment around the Non-Ferrous Metals Division.

Regarding raw materials procurement, in FY2020, the pandemic caused a certain amount of disruption at mines and shipping ports, but we worked to minimize the impact as much as possible. At present, we expect to be able to secure the raw materials we require but we will continue to closely monitor the situation.

Regarding sales, the slowdown that began last year continues to affect some sectors of the Japanese market but there are signs of recovery overall. On a global scale, demand seems to be breaking free of the effects of the pandemic and gradually growing. Furthermore, an expansion in the applications of copper and nickel in the renewable energy sector and in electric vehicles, particularly as a battery material, is expected so demand is forecast to grow going forward.

In addition to this anticipated growth in demand, recently various countries have enacted economic stimulus measures and surplus funds resulting from this have flowed into the non-ferrous metals market, which has raised metal prices.

Also, the growing use of nickel as a battery material is leading to the emergence of technologies for converting nickel pig iron, which was previously used in Indonesia and other countries to manufacture stainless steel, into battery materials such as nickel sulfate. We are watching this trend closely.

## Progress on the 2018 3-Year Business Plan and Future Strategy

### Nickel Business

In the Pomalaa Project, the nickel business' most important project, we are continuing to investigate whether or not to invest in a nickel refining plant that uses HPAL technology in Indonesia. We are already carrying out a DFS together with our project partners, but at present, the effects of the COVID-19 pandemic means that it is taking time to obtain permissions and coordinate with partners. We will continue to carry



THPAL Plant

out the study to enable an investment decision to be made as early as possible.

At THPAL, we previously had frequent trouble with equipment which led to a decrease in operating capacity. However, we have taken various measures in response to this, including revising inspection and maintenance procedures, upgrading equipment, promoting preventive maintenance, and strengthening the management of spare parts. As a result, MS production levels reached 32.3 Ni-kt in FY2019 and 29.4 Ni-kt in FY2020, despite the effects of changes to planned stoppage schedules (a decrease of about 2 Ni-kt) due to the pandemic. Going forward, we will continue to enhance operating rates.

At the Niihama Nickel Refinery, in FY2020 we completed capital expenditure aimed at enhancing capabilities for removing impurities, such as iron and copper, from raw materials in anticipation that it will become difficult to secure high quality materials with low levels of impurities in the future. We will use the results of this expenditure in order to broaden the scope of raw materials we procure going forward.

At Hyuga Smelting Co., Ltd., we continued to focus on maintaining the stable operation of a structure comprising two kilns and one electric furnace. In FY2020, raw material procurement was slightly hindered by disruptions at raw

material sourcing regions due to the COVID-19 pandemic, but we were able to achieve planned production levels.

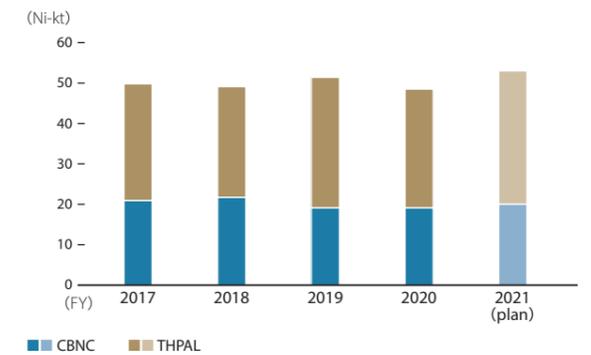
We are also continuing consideration of various measures for maximizing synergies between the nickel business and the battery materials business. In FY2020, the Harima Refinery and Niihama Nickel Refinery achieved record production volumes of nickel sulfate. For details on our various other initiatives, see the Special Feature (p. 30–33).

### Copper Business

In FY2019, the Toyo Smelter & Refinery produced 399 kt of electrolytic copper. This fell below planned production levels due to factors such as a decrease in anode production caused by equipment trouble. From the second half of FY2019 through to FY2020, we undertook various measures to improve this situation, including renewing and repairing various smelting and refining equipment and reducing the rate of loss in other areas. As a result, the electrolytic copper production volume for FY2020 was 443 kt, roughly level with plans.

As an ongoing effort to reduce instances of equipment trouble, going forward we will strengthen efforts to carry out planned maintenance and renewals of equipment, as well as preventative maintenance, with the aim of further enhancing

### MS Production Volume



operating rates.

Also, regarding copper smelting and refining, factors such as the fact that the grade of copper found in copper concentrate has fallen by about 20% compared to 20 years ago mean that it has become difficult to secure superior ores. Therefore, to maintain electrolytic copper production volumes, we are investing in enhancing our ability to process more raw materials by eliminating bottlenecks in smelting and refining processes.

### SMM Group Refineries and Their Main Products

Toyo Smelter & Refinery	Niihama Nickel Refinery and Harima Refinery	Hyuga Smelting Co., Ltd.	Shisaka Smelting Co., Ltd.
Electrolytic copper Copper sulfate Gold ingots Slag sand Gold shot Silver shot	Electrolytic nickel Electrolytic cobalt Nickel sulfate Nickel chloride MS (mixed nickel-cobalt sulfides)	Ferronickel shot Green sand	Zinc oxide pellets

### Progress and Plans on Our Top Priorities

	FY2019	FY2020	FY2021	FY2022	FY2023 and later
<b>Ni</b> Pomalaa Project			<ul style="list-style-type: none"> <li>Decision on investment following in-progress DFS</li> <li>Continuation of procedures and discussions</li> </ul>		<ul style="list-style-type: none"> <li>Operation to start in the second half of the 2020s (target)</li> </ul>
<b>Ni</b> Taganito HPAL Nickel Corporation	<ul style="list-style-type: none"> <li>Achievement of at least 30-kt production volume</li> <li>Start of commercial production of scandium oxide</li> </ul>	<ul style="list-style-type: none"> <li>Start of commercial production of chromite</li> </ul>			
<b>Ni</b> Nickel sulfate Niihama Nickel Refinery and Harima Refinery	<ul style="list-style-type: none"> <li>Achievement of record high production level (75.1 kt)</li> </ul>	<ul style="list-style-type: none"> <li>Achievement of new record high production level (79.1 kt)</li> <li>Maximum production and output to meet cathode material demand</li> </ul>			

### 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

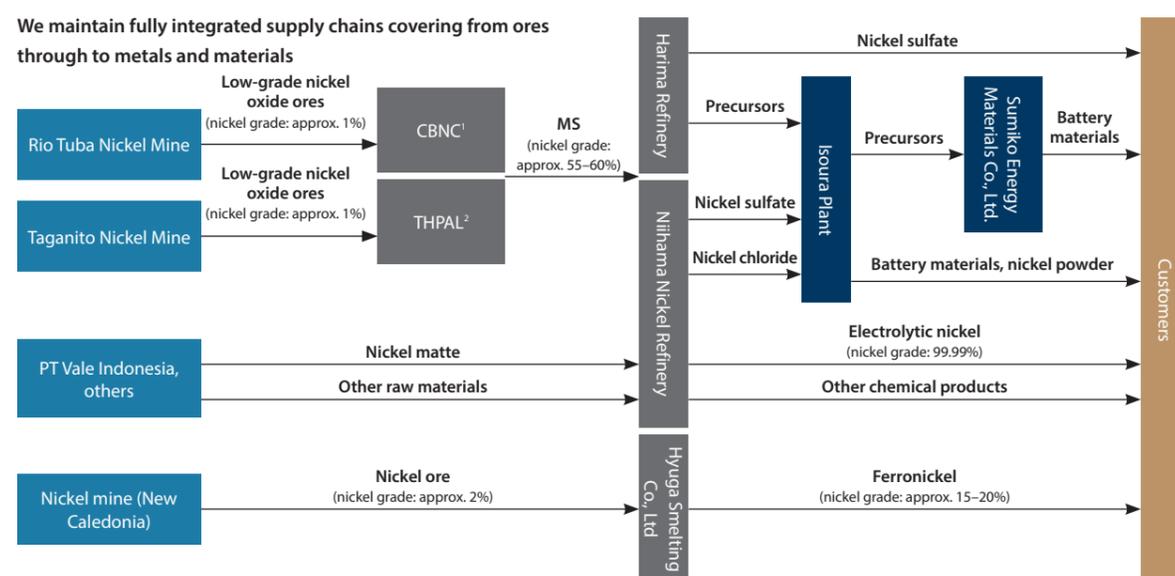
- THPAL: Establishment of a stable, full-scale production structure
- Toyo Smelter & Refinery: Establishment of a stable production system and the pursuit of earning capacity
- Niihama Nickel Refinery and Harima Refinery: Continuous implementation of productivity improvements and cost reductions
- Maximization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

### Greenhouse Gas Emission Reduction Initiatives

We are continuing to implement initiatives for reducing greenhouse gas emissions at each of the Non-Ferrous Metals Division's business sites. At each of our plants, we are actively implementing measures such as improving fuel consumption per unit, recovering waste heat from smelting and refining exhaust gas, expanding the use of recycled fuels, introducing highly efficient energy-conserving equipment, and installing LED lighting. Going forward, we intend to further expand measures aimed at reducing greenhouse gas emissions.

### Supply Chains for Realizing a Stable Supply of Nickel

We maintain fully integrated supply chains covering from ores through to metals and materials



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.

## Sustainability Topics

### Utilizing Low-Grade Nickel Ore Through HPAL Technology

Related: Vision for 2030, p. 68-70

The HPAL process adopted at Coral Bay Nickel Corporation (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, meaning it has huge significance in terms of effectively utilizing

unused resources. Our supply chains also enable the stable production of nickel and cobalt, which face growing demand for use in secondary batteries, and this has become a strength of the Group's nickel business.

### Winning the Presidential Mineral Industry Environmental Award in the Philippines

Related: Vision for 2030, p. 75-79

In March 2021, CBNC and THPAL were presented with the 2020 Presidential Mineral Industry Environmental Award (PMIEA) by the Philippine Department of Environment and Natural Resources. This is the sixth time CBNC has received the award and the first time for THPAL.

PMIEA is the highest honor that can be awarded in the Philippine mining industry. It was given to CBNC and THPAL in recognition of their continuing operations in the Philippines that give consideration to both safety and the environment.

Moving forward, CBNC and THPAL will continue to operate in a socially responsible manner and contribute to surrounding areas by building infrastructure for local communities, increasing employment, sourcing materials

locally, and other initiatives. They will also strive to operate with minimum environmental impact, prevent environmental accidents, and preserve biodiversity through initiatives such as greening tailings dams to restore ecosystems.



The award trophies (left: CBNC, right: THPAL)

### Recovering and Reusing Raw Materials from Used Lithium-Ion Secondary Batteries

Related: Vision for 2030, p. 68-70

We are working to recover and reuse the copper and nickel contained in used lithium-ion secondary batteries through a process that combines the Toyo Smelter & Refinery's copper smelting and refining processes and the Niihama Nickel Refinery's nickel smelting and refining processes.

This process is the first practical application in Japan for recovering copper and nickel from used lithium-ion secondary batteries.

In particular, the recovered nickel is processed as a secondary battery cathode material at the Isoura Plant, realiz-

ing Japan's first "battery to battery" recycling using materials recovered from used lithium-ion secondary batteries.

SMM is working to form a sustainable, circular economy and to contribute to addressing global resource depletion through the promotion of resource recycling. We are doing this by continuing research and development focused on reusing resources from used lithium-ion secondary batteries, including developing processes that enable the recovery of cobalt and lithium (see p. 62).

### Smelting & Refining University

Related: Vision for 2030, p. 83-86

Since 2017, we have been holding Smelting & Refining University for young technical employees in the Smelting & Refining Division. Employees participate in the university after they have built up some experience in their assigned department. The aim is for employees to learn the theory behind onsite production processes and to develop problem-solving skills by once again participating in an off-the-job training environment.

Smelting & Refining University is carried out through two

lectures a week, given by lecturers that include researchers from the SMM research laboratories and section managers from various plants. It provides participants with a valuable opportunity to acquire specialized knowledge and learn how to approach problems as a smelting and refining engineer. Going forward, we will continue holding the Smelting & Refining University program and focus on cultivating smelting and refining engineers to take over the skills and technologies developed by the Group.

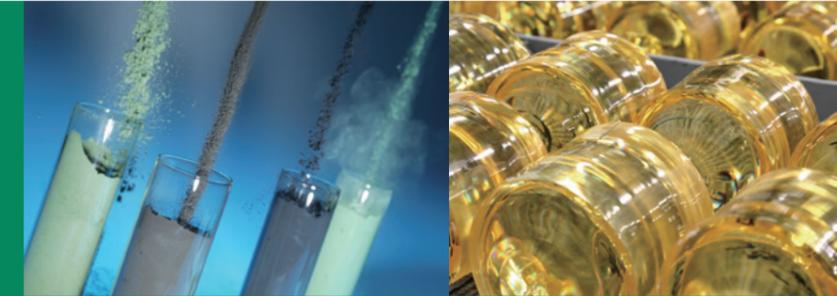
# Materials Business

Addressing the needs of the times and adding new value to materials

**Isao Abe**  
General Manager of  
Battery Materials Division



**Kazunori Takizawa**  
Executive Officer,  
General Manager of  
Advanced Materials  
Division



The Materials Business develops and produces cathode materials and other materials for secondary batteries, for which demand is expected to grow under the advance of electric vehicles, as well as advanced materials used primarily in the fields of energy, the environment, and ICT.

## Review of FY2020

Industries related to the Materials Business faced sluggish demand at the start of FY2020 under the COVID-19 pandemic, but demand recovered in the second half of the fiscal year. Economic recovery picked up in China from April, ahead of other countries. Sales to China were strong under the restoration of production and policy-driven 5G infrastructure investment.

In the battery materials business, sales volume declined in the first half of the fiscal year due to the COVID-19 pandemic and slumping demand for automobile batteries, a key application for our products. In the second half, sales recovered as automobile sales revived in many countries and demand for electric vehicles grew. In response to the increase in customer demand, in September 2020 we decided to increase monthly production of lithium nickel oxide from 4,550 tons to 4,850 tons. We explored responses to subsequent further increases in demand, and in July 2021 decided on an additional 2,000 tons of nickel-based cathode material production per month.

In the advanced materials business, the COVID-19 pandemic brought telework and other changes to people's lifestyles around the world and accelerated digitalization. Restrictions on leaving home boosted demand for at-home products, and sales of smartphones, personal computers, televisions, games, and other consumer products maintained high levels. The smartphone market was affected by the pandemic in the first half of the fiscal year, but recovered to nearly the level of the previous year in the second half, and shipments of components for smartphones increased under the advance of 5G. Amid strong market conditions, our manufacturing sites continued to operate at high levels while enacting contagion control measures, successfully fulfilling our supply responsibilities. To spur the ongoing creation of new products, in October 2020 we held the grand opening of X-MINING (pronounced "Cross-Mining"), a product information site aimed at the development of new applications and the creation of value for existing powder material products.

## Business Environment and Outlook

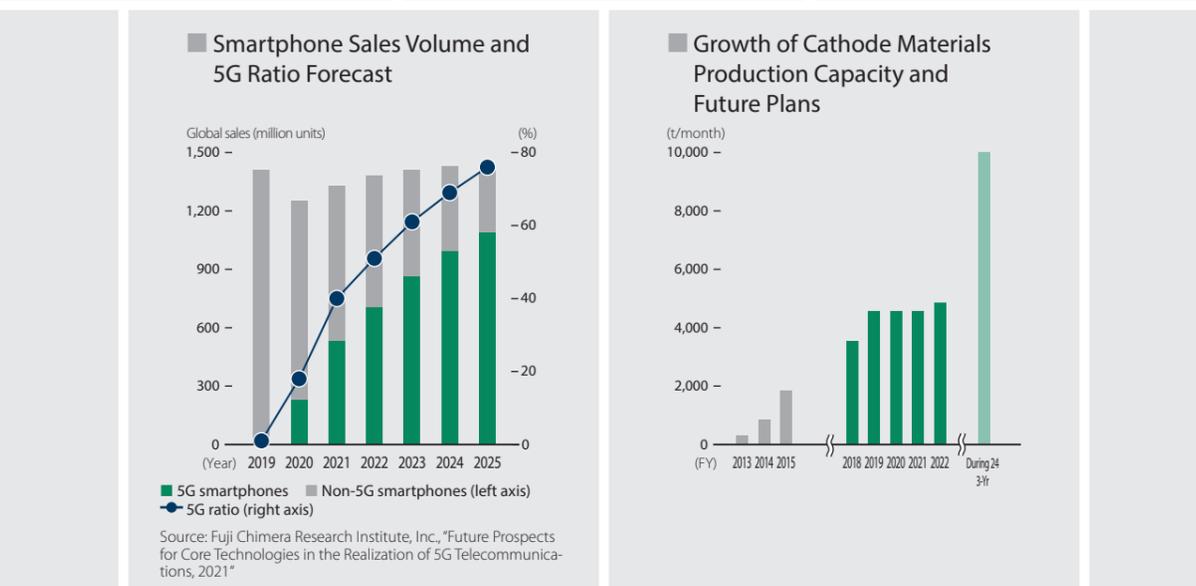
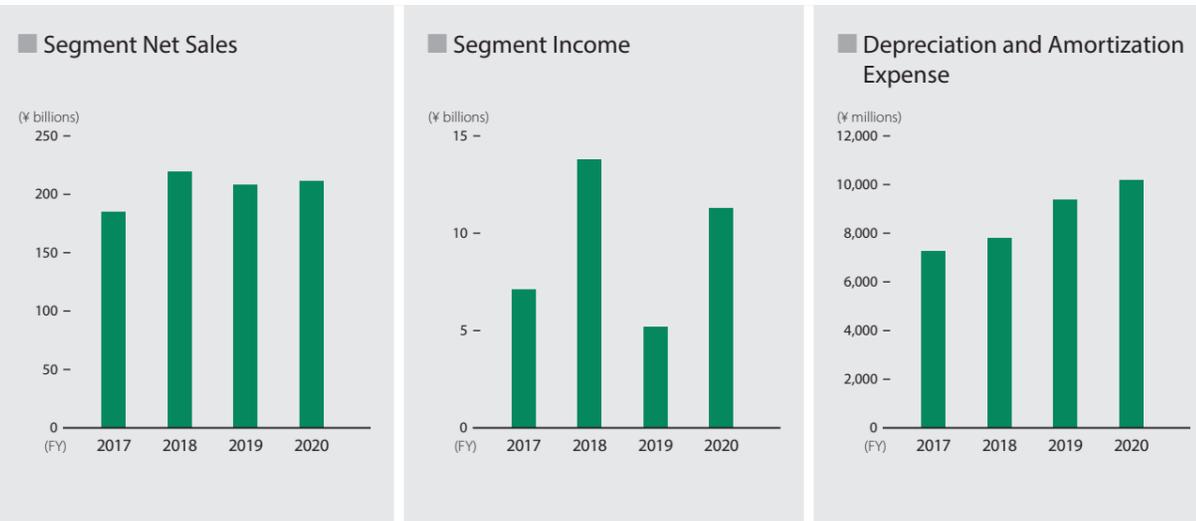
The 5G-centered digital society is expected to further accelerate in the post-COVID-19 period, when economic activity has normalized. Environmental measures such as carbon neutrality and clean energy will ramp up, and social needs for highly advanced materials will increase.

In the battery materials business, movement toward the electrification of automobiles is intensifying with the aim of carbon neutrality in 2050, and demand for battery materials is expected to grow. We will leverage the advantage that we hold in a stable supply capacity that spans nickel raw materials to cathode materials, and in cutting-edge technology for the manufacture of nickel-based cathode materials for automobiles, refined together with our customers over the span of two decades. Doing so, we will continue to expand the scale of our business.

In the advanced materials business, we have set a new vision for our future selves. We will continue to closely watch market trends, anticipate customers' needs, and create new products as we work to achieve that vision.

### Our vision for the advanced materials business

Be the lead runner in the markets for our products, continue to refine our material technology capabilities to meet the needs of every era, and secure high profitability and top-class market share



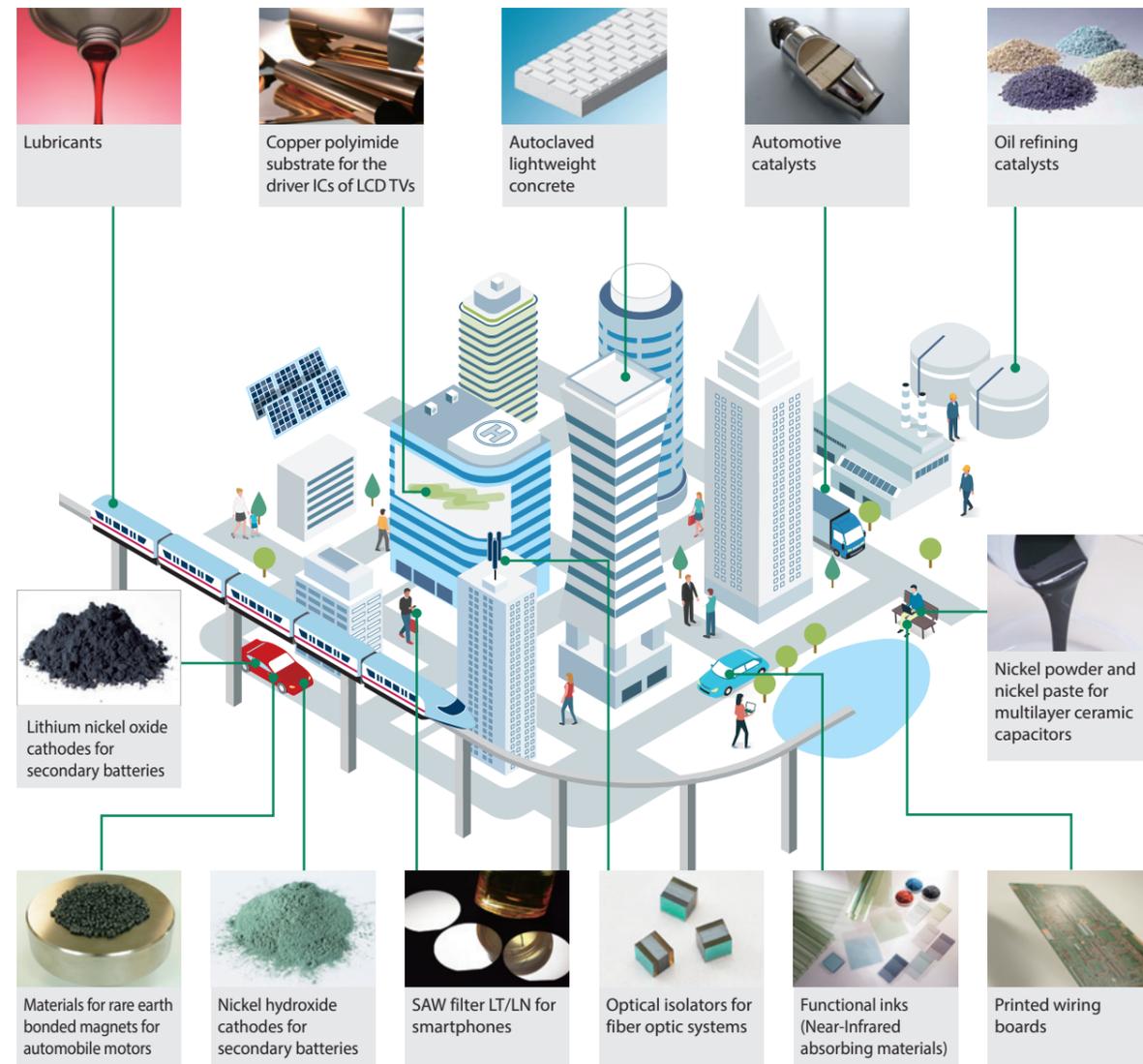
### Progress on the 2018 3-Year Business Plan and Future Strategy

In the 2018 3-Year Business Plan, we aim to achieve sustainable growth in our business against a backdrop of increasing demand as 5G advances in the field of communications. We also anticipate market expansion in automobile-related fields amid the ongoing shift to electric drive and electric components. Upheavals such as U.S.-China trade friction and the COVID-19 pandemic are also occurring in the market environment, causing the growth of our business to fluctuate. Some areas exhibit a sense of overheating under current extremely strong demand; coupled with semiconductor shortages, this

is creating concerns that a temporary inventory adjustment phase may occur. In FY2021, we will accurately assess these fluctuations in demand and quickly respond to customers' needs, to prepare for the future expansion of sales and production capacity.

In the advanced materials business, we are creating a road-map that connects societal circumstances and markets a decade from now with our products and technologies, to make our vision for the business a reality. While maintaining a watchful eye on changes in the needs of society and the market, we will continue to adapt our technologies and products to these changes and to expand our business.

#### SMM Products in Daily Life



#### Progress and Plans on Our Top Priorities

1.NCA: An acronym for a type of secondary battery cathode material composed primarily of N (nickel), C (cobalt), and A (aluminum).  
2.NMC: An acronym for a type of secondary battery cathode material composed primarily of N (nickel), M (manganese), and C (cobalt).

	FY2019	FY2020	FY2021	FY2022	FY2023 and later
Battery materials	● Completion of 4,550 t/month production structure			● NCA <sup>1</sup> : Increase in production to 4,850 t/month from mid-2022	● 10-kt/month cathode material production by FY2027 (NCA + NMC <sup>2</sup> + nickel hydroxide)
Crystal materials			● SiC launch for consumer markets		● 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

#### Sustainability Topics

##### Commercialization of Nickel Oxide for Fuel Cells through the Use of In-house Raw Materials

Related: Vision for 2030, p. 68–70

We are working toward the commercialization of nickel oxide for fuel cell applications, a powerful means of achieving a hydrogen-based society that is expected to reduce CO<sub>2</sub> emissions. In demonstration tests aimed at mass production, we confirmed production capacity at

the same level as design values through increases in processing speed and improvement of yield. In FY2021, we will tackle optimization of production conditions and labor-saving to reduce costs.

##### Commercialization of Silicon Carbide (SiC) Substrates

Related: Vision for 2030, p. 68–70

SiC is a power semiconductor material used mainly in electric power control applications. As a material capable of reducing energy loss in high-capacity fields (high current and high voltage resistance) demanded for drive control devices, particularly in hybrid vehicles and electric vehicles,

SiC faces high expectations for its mass production.

We are working to develop low-cost SiC substrate manufacturing using bonding technology, and have so far received positive evaluations of samples from multiple customers. We aim to begin sales for electric vehicles around 2025.

##### Thermal Management Using Near-Infrared Absorbing Materials

Related: Vision for 2030, p. 71–74

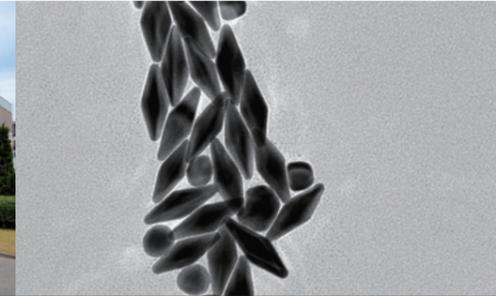
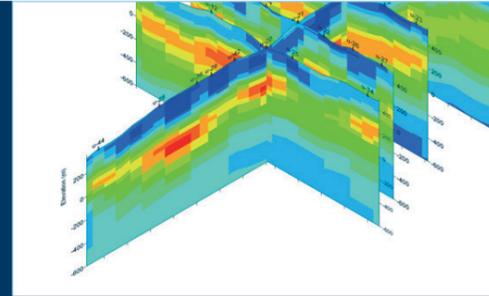
Our near-infrared absorbing material is able to selectively absorb the near-infrared energy of sunlight and convert this into usable thermal energy, achieving both transparency and heat-shielding performance at high levels. We are taking advantage of these unique material properties

to pioneer new applications in clothing, horticulture, and the life sciences, in addition to the environmental field of actively creating energy. This near-infrared absorbing material is a product that contributes to a low-carbon society and to the reduction of GHG emissions.

# Research & Development

To sustainably grow the business, we must strengthen our new product development capabilities

**Shuichi Ogasawara**  
Executive Officer,  
General Manager of Technology Division



The SMM Group has four research and development sites and we are engaged in raising our competitiveness by evolving existing technologies while also advancing research and development into next-generation metal smelting and refining technologies and pioneering new materials.

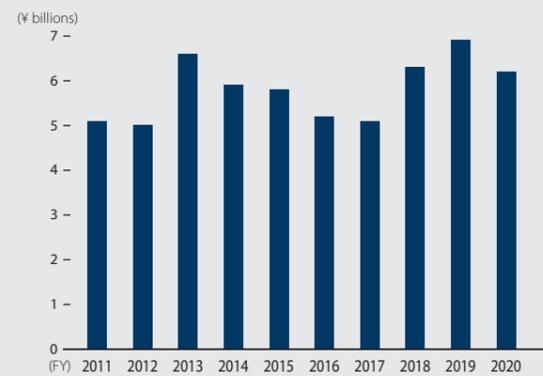
## Review of FY2020

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.

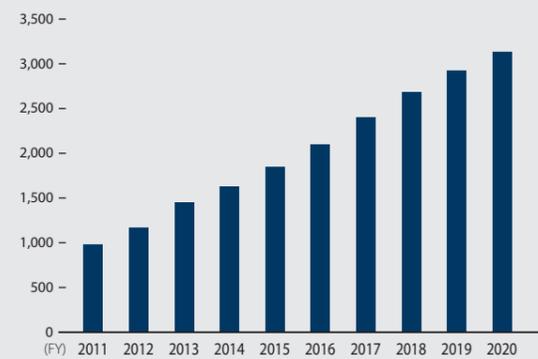
Looking back on our progress on these themes in FY2020, in regard to (1) creating new businesses, we centered exploration on areas where future growth is anticipated such as automobiles, environment, energy, and communications,

while also discovering the functions of new materials and identifying the mechanisms that lead to flaws. In regard to (2) developing products that customers will prefer, we continued to focus on development that will enhance our competitiveness, including 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 are carrying out pilot tests in order to verify a new process for recycling used lithium-ion secondary batteries.

Research and Development Expenses



Number of Patents and Design Rights Held by the SMM Group



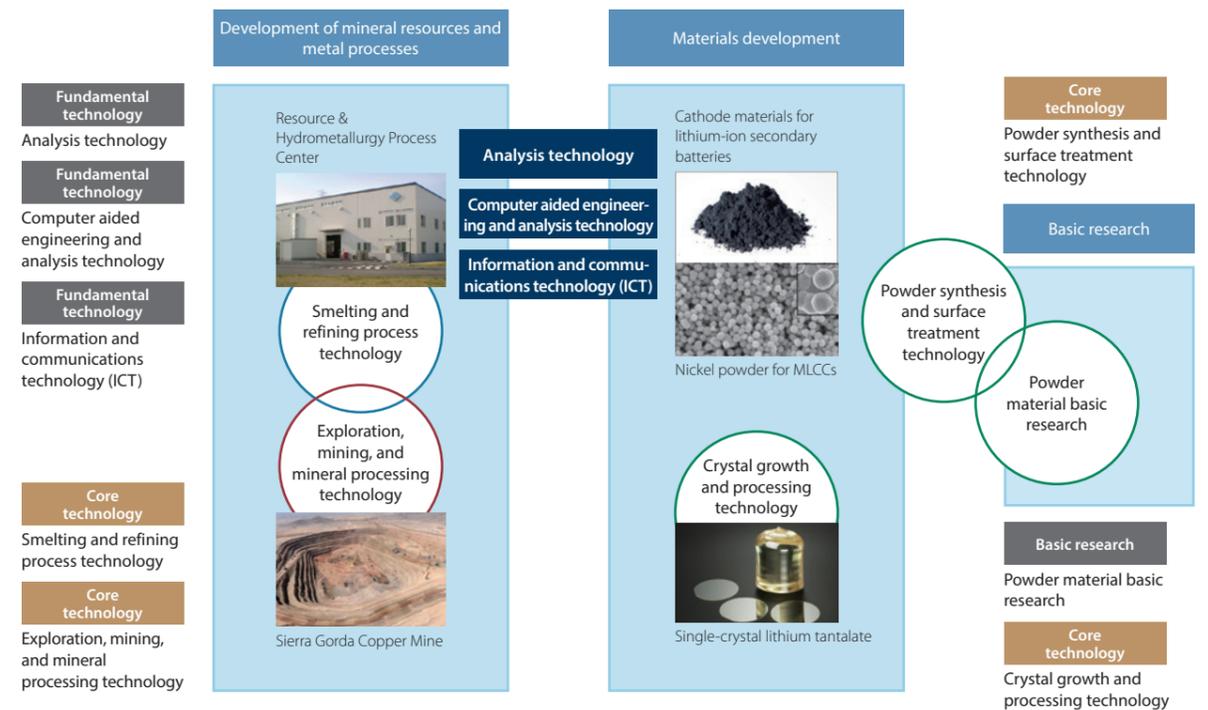
## Future Research and Development Strategy

In FY2021, the final year of the 2018 3-Year Business Plan, 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 developing new processes to raise productivity.

These efforts will mainly be led by the Battery Research Laboratories. We are also constructing a new building and expanding facilities, which will be completed in 2022, with the aim of strengthening development capabilities and improving efficiency.

At the Materials Laboratories, we are continuing development that aims to realize larger diameters of crystal materials for SAW devices. At the Ichikawa Research Center, we are continuing to focus on development related to powders and crystal materials. At the Niihama Research Laboratories, we are advancing research and development related to the

### Research and Development by the SMM Group



recycling of used lithium-ion secondary batteries 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, as represented by the carbon neutral movement, 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 almost 10-year period up to 2030, so we can respond swiftly in line with these changes and transformations and advance initiatives for realizing the effective use of non-ferrous metal resources.

### Sustainability Topics

#### Developing Battery Recycling Technologies

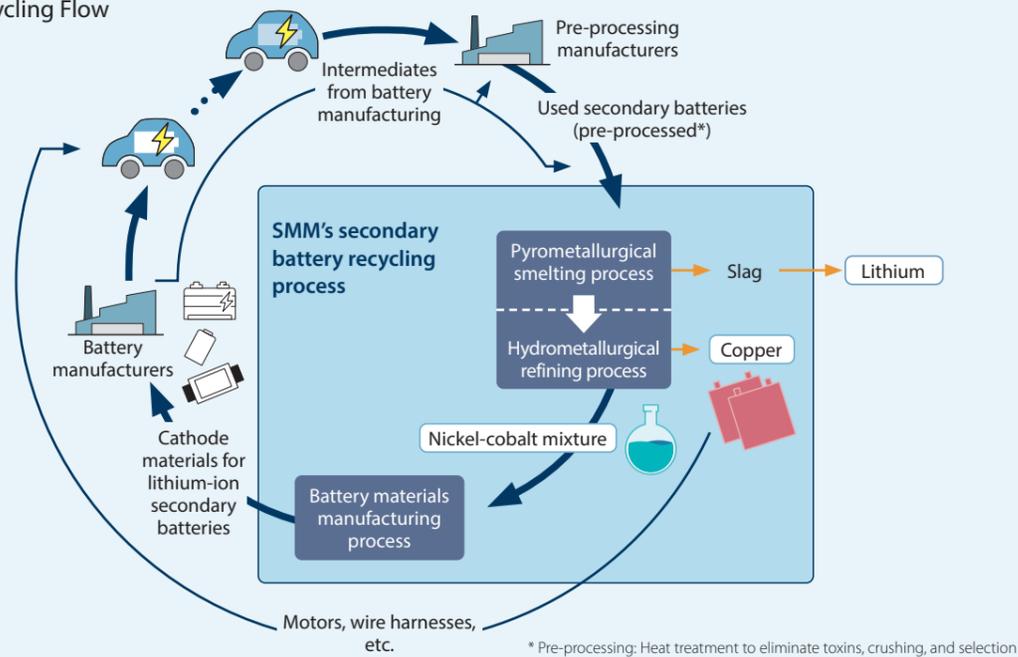
Related: Vision for 2030, p. 68-70

The electrification of automobiles is forecast to be a rapid and long-term development and in accordance with this, demand is rising for nickel and cobalt, which are used in cathode materials for electric vehicle lithium-ion secondary batteries. However, as these are rare metals, establishing stable supplies is a major issue and demand for the recycling of these resources is growing more than ever before. We have used existing metal, smelting, and refining technologies to start operations for recovering and recycling copper and nickel from used lithium-ion sec-

ondary batteries, and as a result of further development of these technologies, we are able to purify the recovered nickel and cobalt and we have verified that it can be reused as a raw material in lithium-ion secondary battery cathode materials. Additionally, through our world-first original lithium recovery technology, we have established a new recycling process that is able to recycle copper, nickel, cobalt and lithium from used secondary batteries.

Going forward, we will work on ways to use these efforts to realize "battery to battery" recycling. (See p. 55)

#### Recycling Flow



## Digital Transformation (DX) at the SMM Group

In April 2021, we formulated our DX Promotion Regulations and established the DX Promotion Committee, chaired by the president, as an organization responsible for drafting the Group's DX Vision and promoting Group-wide DX activities. Through such actions, we are accelerating our DX initiatives.

### DX Vision: Leverage DX to enhance our competitiveness and create new businesses.

#### Vision for 2030

- A company that generates resources through high technological capabilities
- A company where all employees work together with safety first the priority in a comfortable working environment as well as safe facilities and operations
- A company where all employees can take a vibrant and active part

#### Specific Issues and Responses

##### Business reform and creation of new businesses

- Utilize DX in business transformation and development of new products and processes, and to accelerate the speed of these.
- Shift to new business models through supply chain reform.

Development of DX

##### Securing of human resources amid a declining birthrate

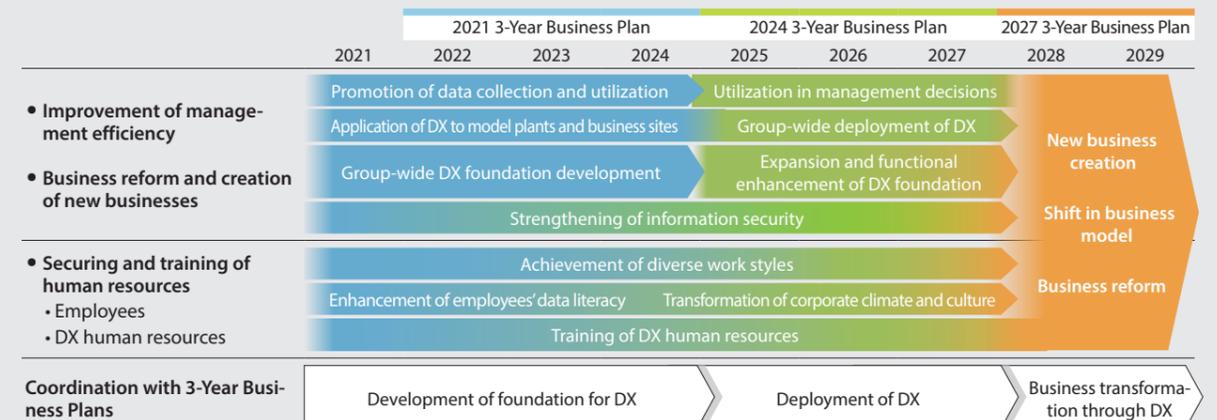
- Enable business continuity and development amid a declining birthrate through automation and unmanned operations at manufacturing sites, drastic streamlining of indirect operations, etc.
- Become a company that is attractive to workers by using DX to create safe workplaces and achieve diverse work styles that consider work-life balance.

##### Improvement of management efficiency

- Use data to make speedy management decisions.
- Carry out operational streamlining and enhancement of labor productivity through DX to improve competitiveness in all fields of business.
- Build a foundation for high-speed networks, cloud utilization, the IoT, and other elements indispensable for DX, and respond to ever-changing and growing information security threats.

Related

#### Road Map



# Sustainability at the SMM Group Management Approach

## Solving Social Issues through Business

Drawing on the Sumitomo Business Spirit that has been passed down for 430 years since our founding, our Group has consistently endeavored to solve social issues through business, calling for respect for all individuals and sustainable co-existence with the global environment in our Corporate Philosophy.

We systematized past social- and environment-related activities as CSR activities in 2008, and since then have advanced such activities primarily through the CSR Committee that is chaired by our president.

As our Vision for 2020, which formed the foundation for these activities, had reached its target year, in March 2020 our Group formulated and announced the new Vision for 2030 as a milestone on the way to our long-term vision of being the “world leader in the non-ferrous metals industry.”

Through our efforts to achieve Vision for 2030, we will aim to solve social issues, enhance our corporate value, and make our long-term vision a reality.

## Promotion Structure

The SMM Group promotes the Group’s sustainability activities—that is, CSR activities—primarily through the 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 Division, the General Manager of the Engineering Division, and the heads of operational divisions in the Head Office as committee members, and the CSR Department 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 deliberation of important themes concerning CSR activities. Through such deliberations by the CSR Committee, we evaluate the progress and performance of CSR activities, review and rework activity plans for the next fiscal year, and carry out the PDCA cycle.

As subordinate organizations, the CSR Committee has set up seven CSR subcommittees corresponding to material

issues and three working groups: the Risk Management Working Group, Compliance Working Group, and Quality Assurance Working Group. Both the seven CSR subcommittees and the three working groups fall under the oversight of relevant divisions, and set and carry out annual goals and plans in line with KPIs set for individual themes. The seven CSR subcommittees in particular are cross-company organizations with members drawn from business divisions and corporate divisions. These subcommittees engage in CSR activities integrated with our business.

As an internal control and supervisory function for our CSR activities, the Board of Directors conducts regular or occasional deliberations on the Company’s medium- to long-term issues.\*

\*See p. 94–101.

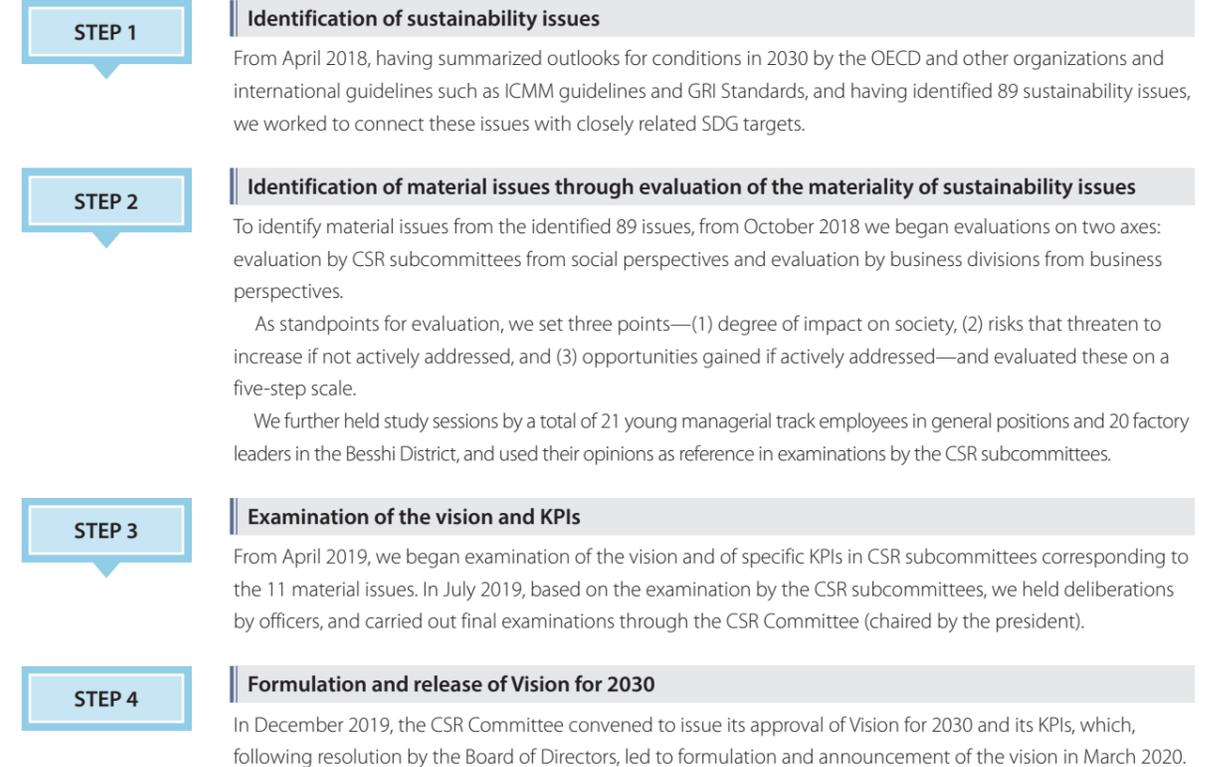
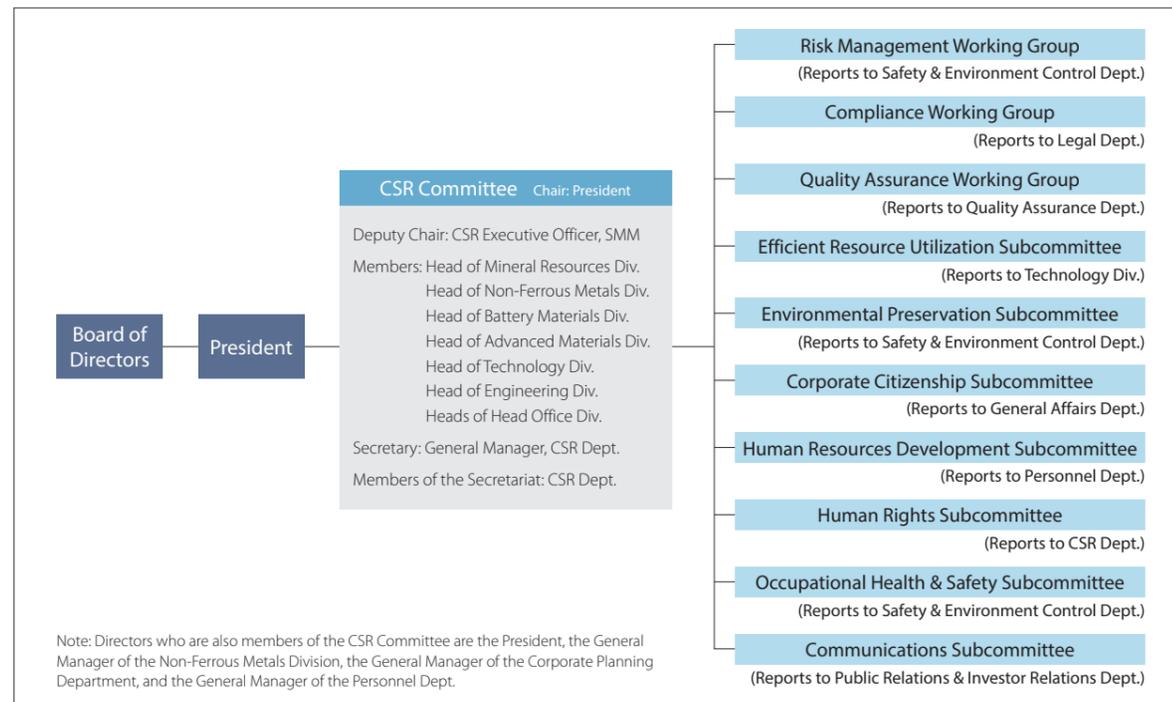
## The Process of Formulating Vision for 2030 (Including Identification of Material Issues and Setting of KPIs)

To formulate Vision for 2030 and achieve sustainable value creation, we considered issues remaining from Vision for 2020, and took into account our response to climate change, global human rights, and other needs of stakeholders and society. We also considered 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 listened to the opinions of our officers and employees while also heeding outside experts, and underwent an extensive process of deliberations.

### CSR Policy

1. 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.
2. SMM shall promote sustainable co-existence with society by respecting the needs of the local communities in which we operate around the world.
3. 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.
4. According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents.
5. SMM shall strengthen communications with all stakeholders to build healthy, trust-based relationships.



# Vision for 2030, Material Issues, KPIs (Indicators and Goals)

## 1 Effective Use of Non-Ferrous Metal Resources

Vision for 2030: 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

KPI	Indicators	Goals
1. 1)	Advance copper mine projects	<ul style="list-style-type: none"> <li>Strengthen production structure at JV mines to achieve and maintain copper production level of 300 kt/year from interests</li> <li>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</li> <li>Advance Phase 2 and later projects at the Quebrada Blanca Copper Mine</li> </ul>
2)	Acquire new superior copper and gold resources	<ul style="list-style-type: none"> <li>Develop new mines for which we have operatorship</li> </ul>
3)	Improve productivity by introducing new technology	<ul style="list-style-type: none"> <li>Promote remote operation and unmanned operation of heavy machinery and information infrastructure equipment inside and outside of the Hishikari Mine</li> </ul>
4)	Advance nickel ore projects and improve productivity	<ol style="list-style-type: none"> <li>(1) Nickel production: 150 kt/year</li> <li>(2) Recovery rate compared to FY2018: +2%</li> </ol>
2. 1)	Develop technology to separate, stabilize and bleed off, and create value from impurities generated by smelting processes and mines	<ul style="list-style-type: none"> <li>Develop technology to stabilize and bleed off impurities: Develop and demonstrate the process</li> </ul>
2)	Develop technology to create value from unused non-ferrous metal resources	<ul style="list-style-type: none"> <li>Contribute to existing (e.g. marine resource development) and new development projects</li> </ul>
3)	Recover non-ferrous metals from hard-to-process resources	<ul style="list-style-type: none"> <li>Participate in business and technology for recovery of lithium from salt-lake water in the presence of high levels of impurities</li> </ul>
3.	Demonstrate and commercialize automobile secondary battery recycling technology	<ul style="list-style-type: none"> <li>Demonstrate, commercialize, and expand scale of recycling technology that recovers cobalt from automotive lithium-ion batteries</li> <li>Commercialization: 2022</li> </ul>
4. 1)	Leverage our strengths to create new products and new businesses that contribute to society	<ul style="list-style-type: none"> <li>Research, develop, and commercialize new advanced materials in the fields of energy, automobiles, and information communications</li> </ul>
2)	Hold raw materials in-house for favorable and stable procurement	<ul style="list-style-type: none"> <li>Commercialize NiO for fuel cells following demonstration project</li> </ul>
3)	Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials	<ul style="list-style-type: none"> <li>Maintain top class global share in the expanding cathode materials market</li> </ul>

## 2 Climate Change

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)

KPI	Indicators	Goals
Reduce GHG emissions		<ol style="list-style-type: none"> <li>1. 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</li> <li>2. Cut GHG emissions intensity by at least 26% compared to FY2013</li> <li>3. Expand contribution of GHG reduction by products contributing to a low-carbon society: 600 kt-CO<sub>2</sub> or more</li> </ol>

## 3 Significant Environmental Accidents 4 Biodiversity

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

KPI	Indicators	Goals
1. Zero significant environmental accidents		<ol style="list-style-type: none"> <li>1) Promote improvements through the use of risk management and environmental management systems</li> <li>2) Reinforce and improve equipment and infrastructure to address increases in sources of natural hazard</li> </ol>
2. Reduce emissions of hazardous substances (year-on-year)		<ol style="list-style-type: none"> <li>1) Optimize water use; reduce emissions of hazardous substances to the atmosphere and water</li> <li>2) Promote various environmental preservation and biodiversity preservation activities, such as regular reforestation</li> </ol>

## 5 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

KPI	Indicators	Goals
1. Prevent occupational accidents		<ul style="list-style-type: none"> <li>Serious accidents: zero (in Japan and overseas, including contractors)</li> <li>All accidents: reduce year-on-year, with aim of eventually zero</li> </ul>
2. Prevent occurrence of occupational diseases		<ul style="list-style-type: none"> <li>Number of workplaces that present higher health risks: reduce year-on-year</li> <li>Occurrence of occupational diseases: zero</li> </ul>

## 6 Diverse Human Resources 7 Development and Participation of Human Resources

Vision for 2030: 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

KPI	Indicators	Goals
1. Promote working style reform and create workplaces that make use of digital technology, enabling diverse human resources to play vibrant and active roles		<ol style="list-style-type: none"> <li>1) Improve scores for "Management by managers and superiors," "Appeal of job," and "Work environment" in employee awareness survey</li> <li>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)</li> <li>3) Expand number of managerial track employees of foreign nationality</li> <li>4) Percentage of employees with disabilities: 3% or higher</li> <li>5) Assign jobs and provide support matched to employees' life stages</li> </ol>
2. Support employees' mental and physical health		<ol style="list-style-type: none"> <li>1) Halve the number of people found to require support in stress checks</li> <li>2) Percentage of employees with abnormal findings indicated in health checkups: 50% or lower</li> </ol>
3. Diversify opportunities to enhance the abilities of employees according to employee needs and work needs		<ol style="list-style-type: none"> <li>1) Utilize one-on-one meetings that bring out the motivation and potential of every employee and boost the growth of subordinates through regular dialogues between superiors and subordinates</li> <li>2) 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</li> <li>3) Provide opportunities for self-development matched to each employee's life plans and needs (correspondence courses, online training, etc.)</li> </ol>

## 8 Engagement with Stakeholders

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

KPI	Indicators	Goals
1. Further penetrate our Group brand among employees		<ul style="list-style-type: none"> <li>Improve results of employee awareness survey (increase ratio of employees who feel pride in working at the Company)</li> </ul>
2. Ensure quality and quantity in communication of information at the level of "world leader in the non-ferrous metals industry"		<ul style="list-style-type: none"> <li>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)</li> </ul>
3. Increase in recognition and understanding of our goal of "world leader in the non-ferrous metals industry"		<ul style="list-style-type: none"> <li>Improvement in findings of surveys by external bodies (degree of recognition and understanding, etc.)</li> </ul>

## 9 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

KPI	Indicators	Goals
Participate in local communities through dialogue and collaboration		<ul style="list-style-type: none"> <li>Accurately identify local issues through dialogues with local communities, and execute the following measures</li> </ul>
1. Support the local community via employee participation		<ul style="list-style-type: none"> <li>Implement employee participation programs (from 2023)</li> </ul>
2. Hire and procure locally		<ul style="list-style-type: none"> <li>Continually implement and assess of performance</li> </ul>
3. Support for nurturing of the next generation		<ol style="list-style-type: none"> <li>1) Implement programs to nurture the next generation in collaboration with government, local bodies, NPOs, etc. (one or more times/year)</li> <li>2) Establish and award scholarships in Japan and maintain existing overseas scholarships (from 2023)</li> </ol>
4. Support for people with disabilities and the elderly		<ul style="list-style-type: none"> <li>Implement programs to support people with disabilities and the elderly in collaboration with government, local bodies, NPOs, etc. (one or more times/year)</li> </ul>
5. Support during disasters		<ul style="list-style-type: none"> <li>Support regions affected by large-scale disasters</li> </ul>

## 10 Rights of Indigenous Peoples

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

KPI	Indicators	Goals
1. Understand indigenous peoples and their traditions and culture		<ul style="list-style-type: none"> <li>Percentage of SMM Group sites implementing in-house education: 100% by the end of FY2023</li> </ul>
2. Support initiatives that lead to respect for the traditions and cultures of indigenous peoples		<ol style="list-style-type: none"> <li>1) Provide scholarships for indigenous peoples (continue existing initiatives)</li> <li>2) Support indigenous people-related initiatives by NGOs, academic societies, etc.: one initiative or more each year</li> </ol>

## 11 Human Rights in the Supply Chain

Vision for 2030: A company that undertakes responsible sourcing across the supply chain

KPI	Indicators	Goals
Promote responsible sourcing, particularly responsible mineral sourcing		<ol style="list-style-type: none"> <li>1. Responsible mineral sourcing <ol style="list-style-type: none"> <li>1) Establish a responsible mineral sourcing management system in line with international standards by the end of FY2021</li> <li>2) Zero mines or smelters and refineries complicit in child labor or other infringements of human rights in the supply chain</li> </ol> </li> <li>2. Responsible sourcing <ol style="list-style-type: none"> <li>1) Business partners that have received and agreed with the SMM Group Responsible Sourcing Policy: 100% by the end of FY2030</li> <li>2) Establish a responsible sourcing management system in line with international standards by the end of FY2024</li> <li>3) Continue implementing due diligence (DD)</li> </ol> </li> </ol>

# 1 Effective Use of Non-Ferrous Metal Resources

Efficient Resource Utilization Subcommittee: For details on our subcommittee framework, etc., see p. 64–65

## Approach and Policy

We aim to contribute to realizing a sustainable society by using our production capabilities as a foundation for carrying out research and development that includes collaboration with external parties. We will also aim to enhance our technological capabilities related to product creation and advance various initiatives such as realizing a stable supply of non-ferrous metal resources, creating value from unused resources, and utilizing technologies for recovering and recycling hard-to-process resources.

## Vision for 2030, KPIs, Results, and Action Plans

### Vision for 2030: 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

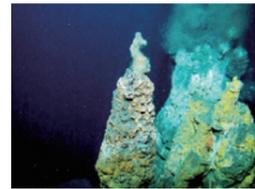
KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>1. 1) Advance copper mine projects</b> <ul style="list-style-type: none"> <li>Strengthen production structure at JV mines to achieve and maintain copper production level of 300 kt/year from interests</li> <li>Achieve steady copper production level by reinforcing exploration of surrounding and deep areas in JV mines, expanding mineral processing technology, and improving operations leveraging IoT and AI</li> <li>Advance Phase 2 and later projects at the Quebrada Blanca Copper Mine</li> </ul>	<ul style="list-style-type: none"> <li>We maintained operations at JV mines in North and South America despite limitations accompanying the COVID-19 pandemic response.</li> <li>Construction of Phase 2 of the Quebrada Blanca Copper Mine was suspended in March 2020 due to the COVID-19 pandemic but restarted once safety measures were put in place.</li> </ul>	<ul style="list-style-type: none"> <li>Gather JV mine information.</li> <li>Implement COVID-19 anti-infection measures.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to gather information through technical meetings and the management committees.</li> <li>Operate the project steadily under thorough COVID-19 anti-infection measures.</li> </ul>
<b>2) Acquire new superior copper and gold resources</b> <ul style="list-style-type: none"> <li>Develop new mines for which we have operatorship</li> </ul>	<ul style="list-style-type: none"> <li>We are advancing considerations regarding the acquisition of projects that aim to begin operations in the future.</li> </ul>	<ul style="list-style-type: none"> <li>Identify and consider new interests.</li> </ul>	<ul style="list-style-type: none"> <li>Continue ongoing appraisals aimed at acquiring new interests.</li> </ul>
<b>3) Improve productivity by introducing new technology</b> <ul style="list-style-type: none"> <li>Promote remote operation and unmanned operation of heavy machinery and information infrastructure equipment inside and outside of the Hishikari Mine</li> </ul>	<ul style="list-style-type: none"> <li>We considered establishing information infrastructure both inside and outside mines as a platform for the automation and remote operation of heavy machinery.</li> <li>We carried out onsite trials to decide on specifications for Wi-Fi networks within mines.</li> </ul>	<ul style="list-style-type: none"> <li>Establish Wi-Fi environments in the main tunnel of each mine.</li> <li>Install remote monitoring systems in heavy vehicles.</li> </ul>	<ul style="list-style-type: none"> <li>Begin communications using Wi-Fi networks in some sections of mines.</li> <li>Test remote monitoring systems in heavy vehicles.</li> </ul>
<b>4) Advance nickel ore projects and improve productivity</b> <ul style="list-style-type: none"> <li>(1) Nickel production: 150 kt/year</li> <li>(2) Recovery rate compared to FY2018: +2%</li> </ul>	<ul style="list-style-type: none"> <li>(1) Steady progress was made on the Pomalaa Project despite the possibility of delays caused by the COVID-19 pandemic in areas such as the obtainment of permissions.</li> <li>(2) Technological improvements for improving recovery rates at CBNC and THPAL were successful, and we achieved targets.</li> </ul>	<ul style="list-style-type: none"> <li>(1) Advance procedures and discussions that enable investment decisions to be made at an early stage.</li> <li>(2) Continue to develop technologies to overcome the decline in ore grades.</li> </ul>	<ul style="list-style-type: none"> <li>(1) Obtain required permissions and advance discussions with partners.</li> <li>(2) Continue to develop technology that enhances leaching rates and improves processes.</li> </ul>

KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>2. 1) Develop technology to separate, stabilize and bleed off, and create value from impurities generated by smelting processes and mines</b> <ul style="list-style-type: none"> <li>Develop technology to stabilize and bleed off impurities: Develop and demonstrate the process</li> </ul>	<ul style="list-style-type: none"> <li>In the final year of the JOGMEC research project, we carried out research into the efficient separation and concentration of arsenic minerals.</li> </ul>	<ul style="list-style-type: none"> <li>Consider the optimum conditions for separating arsenic and carry out verification tests using pilot facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Explore the adaptability of arsenic separation technology and investigate its compatibility with various ores.</li> </ul>
<b>2) Develop technology to create value from unused non-ferrous metal resources</b> <ul style="list-style-type: none"> <li>Contribute to existing (e.g. marine resource development) and new development projects</li> </ul>	<ul style="list-style-type: none"> <li>Regarding deep sea-floor mineral resource development, we continued to participate in JOGMEC initiatives such as enhancing the functionality of equipment for excavating sea-floor massive sulfide deposits and the trial extraction of cobalt-rich crust.</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the functionality of excavation equipment, carry out trial extractions in the drilling business, and make various improvements in the mineral processing and smelting &amp; refining businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to participate in JOGMEC initiatives.</li> </ul>
<b>3) Recover non-ferrous metals from hard-to-process resources</b> <ul style="list-style-type: none"> <li>Participate in business and technology for recovery of lithium from salt-lake water in the presence of high levels of impurities</li> </ul>	<ul style="list-style-type: none"> <li>We continued development of a refining process for recovering lithium from salt-lake water using an inorganic adsorbent.</li> </ul>	<ul style="list-style-type: none"> <li>Verify and optimize the process through trials using pilot facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Carry out trials and confirm the long-term reliability of the adsorbent.</li> </ul>
<b>3. Demonstrate and commercialize automobile secondary battery recycling technology</b> <ul style="list-style-type: none"> <li>Demonstrate, commercialize, and expand scale of recycling technology that recovers cobalt from automotive lithium-ion batteries Commercialization: 2022</li> </ul>	<ul style="list-style-type: none"> <li>We continued verification testing through trials using pilot facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Establish and verify a process with a view to commercialization.</li> </ul>	<ul style="list-style-type: none"> <li>Resolve outstanding issues using pilot facilities and consider commercialization.</li> </ul>
<b>4. 1) Leverage our strengths to create new products and new businesses that contribute to society</b> <ul style="list-style-type: none"> <li>Research, develop, and commercialize new advanced materials in the fields of energy, automobiles, and information communications</li> </ul>	<ul style="list-style-type: none"> <li>We proceeded with activities to create new businesses and products at both the Creation Conference and at subcommittees for each theme.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to search for new research themes and steadily manage research progress.</li> </ul>	<ul style="list-style-type: none"> <li>Set new exploration themes and advance R&amp;D to the next stage.</li> <li>Continue joint development under the Vision Co-Creation Partnership with Tohoku University.</li> </ul>
<b>2) Hold raw materials in-house for favorable and stable procurement</b> <ul style="list-style-type: none"> <li>Commercialize NiO for fuel cells following demonstration project</li> </ul>	<ul style="list-style-type: none"> <li>We carried out verification testing of pilot equipment for the mass production of NiO for fuel cells.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce production costs and analyze and resolve barriers to increasing production.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce man-hours required by improving pilot facilities and confirm the effects of long-term continuous operation.</li> </ul>
<b>3) Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials</b> <ul style="list-style-type: none"> <li>Maintain top class global share in the expanding cathode materials market</li> </ul>	<ul style="list-style-type: none"> <li>We were able to maintain a top class global share in the NCA for vehicles market, despite the impact of the COVID-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>Respond to demand for increased production from customers and sell low-cost cathode materials for batteries.</li> </ul>	<ul style="list-style-type: none"> <li>Secure nickel resources, increase production and sales of NMC for vehicles, launch low-cost cathode materials onto the market.</li> </ul>

## Initiatives

### Participation in Deep Sea-Floor Mineral Resource Development Projects

Japan has limited resources, so the resources found on the ocean floor surrounding the country present huge possibilities. SMM is participating alongside a number of other companies in marine resource development projects being advanced by the Japan Oil, Gas and Metals National Corporation (JOGMEC), a Japanese government Independent Administrative Institution. We took part in projects focused on enhancing equipment for excavating sea-floor massive sulfide deposits and developing mineral processing, smelting, and refining processes for cobalt-rich crust, and we are now working toward realizing commercialization in the future.



Sea-floor massive sulfide deposits  
Photo credit: JOGMEC

### Recovering Lithium from Salt-lake Water

Demand for lithium is anticipated to grow due to its use in lithium-ion secondary batteries for vehicles and other applications, so we are developing technology for recovering lithium from salt-lake water.

At present, this technology is still under development, but it will enable the efficient recovery of lithium from salt-lake water containing large amounts of impurities using a unique adsorbent that can selectively recover lithium.

Compared to current lithium recovery processes, such as solar evaporation, we think this technology will be able to hugely shorten manufacturing lead times and offer superiority in terms of both technology and cost.



Salar de Atacama in Chile, which is rich in lithium

### Initiatives Based on the Vision Co-Creation Partnership with Tohoku University

Since FY2020, we have continued to engage in initiatives based on a Vision Co-Creation Partnership\* with Tohoku University aimed at 2050.

These initiatives follow three steps: 1) Develop research ideas, 2) carry out research and development with a view to commercialization, and 3) realize social applications.

In FY2020, we achieved success with some initiatives for developing research ideas. For example, in the melt synthesis of zinc antimonide (Zn4Sb3), one of the thermoelectric conversion materials for the realization of energy harvesting (a technology for generating electricity from the energy around us), cracks interfere with the performance of the material, but we have found how cracks form and a method for eliminating the cracks, enabling high thermoelectric conversion performance.

Both parties will continue to work on initiatives that leverage Tohoku University's strength in materials science, wide-ranging knowledge, and innovation together with SMM's strengths derived from the three-business collaboration model and metal materials research and development capabilities.

\* For more information on the Vision Co-Creation Partnership, see the Company's website.

### Collaborating with Shiga University to Cultivate Data Scientists

SMM and Shiga University are fully engaged in collaborative research into education related to the data analysis of manufacturing processes. This research is aimed at developing practical data analysis learning materials for students who are studying data science. In this groundbreaking endeavor, SMM will offer the university with an opportunity to engage in the experimental creation of analysis data for processes that are akin to those of an actual manufacturing site. The university will then create their own mock manufacturing process data and offer it as genuine learning materials to students. This will mean students not only receive fundamental education on statistical analysis, but also applied education aimed at practical manufacturing. Through this industry-academic collaborative initiative, we are aiming to cultivate data scientists who are well-versed in the manufacturing industry.



SMM employees together with Shiga University students

## 2 Climate Change

Environmental Preservation Subcommittee: For details on our subcommittee framework, etc., see p. 64–65.

### Approach and Policy

As a group of companies that produces a significant amount of greenhouse gas (GHG) emissions, we are committed to contributing to mitigating climate change by reducing global GHG emissions. We will do this by reducing GHG emission volumes and intensity through operational improvements and technological innovation, as well as expanding our business through the development of products that contribute to a low-carbon society, such as battery materials and functional inks (near-infrared absorbing materials).

#### Operation of Environmental Management Systems

The president, in whom ultimate accountability resides, sets annual SMM Group Environmental Targets comprising policies, targets, and measures by taking into consideration environmental risks and opportunities for contribution. Acting on these targets, each business division (including each business site and contractor) establishes and operates under environmental management systems based on the ISO 14001 standard. We have acquired certification for environmental management systems at Head Office, branch offices, and all Group manufacturing sites.

### Vision for 2030, KPIs, Results, and Action Plans

#### 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 (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>Reduce GHG emissions</b>			
1. 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	<ul style="list-style-type: none"> <li>1. Carry out investments that reduce GHG emissions.                             <ul style="list-style-type: none"> <li>• We started binary power generation at the Hishikari Mine, and solar power generation and storage at the Ome District Division and other sites.</li> <li>• We launched an internal carbon pricing system (ICP).</li> </ul> </li> <li>2. Advance a TCFD response.                             <ul style="list-style-type: none"> <li>• We conducted climate change scenario analysis.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>1. Carry out investments that reduce GHG emissions.</li> <li>2. Gather and consider information on reducing GHG emissions.</li> <li>3. Further develop our response to climate change risks and opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>1. Carry out investments that reduce GHG emissions.                             <ul style="list-style-type: none"> <li>• Verify and improve operation of the internal carbon pricing system.</li> <li>• Follow up on investments.</li> </ul> </li> <li>2. Gather and consider information on reducing GHG emissions.                             <ul style="list-style-type: none"> <li>• Investigate technologies in areas such as hydrogen and carbon recycling.</li> </ul> </li> <li>3. Advance a TCFD response.                             <ul style="list-style-type: none"> <li>• Review and refine climate change scenario analysis.</li> </ul> </li> </ul>
2. Cut GHG emissions intensity by at least 26% compared to FY2013	<ul style="list-style-type: none"> <li>1. Reduce GHG emissions intensity through operational improvements.                             <ul style="list-style-type: none"> <li>• GHG emissions intensity for FY2020 was about 4% lower than FY2013 levels.</li> </ul> </li> <li>2. Advance the use of low-carbon energy.                             <ul style="list-style-type: none"> <li>• We considered using low-carbon energy.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>1. Continue to reduce GHG emissions intensity through further operational improvements.</li> <li>2. Shift to low-carbon energy.</li> </ul>	<ul style="list-style-type: none"> <li>1. Reduce GHG emissions intensity through operational improvements.                             <ul style="list-style-type: none"> <li>• Strengthen management of operations and check the effects.</li> </ul> </li> <li>2. Advance the use of low-carbon energy.                             <ul style="list-style-type: none"> <li>• Consider introducing low-carbon energy.</li> </ul> </li> </ul>
3. Expand contribution of GHG reduction by products contributing to a low-carbon society: 600 kt-CO <sub>2</sub> or more	<ul style="list-style-type: none"> <li>1. Look into and evaluate methods of calculating contribution to reducing GHG emissions.                             <ul style="list-style-type: none"> <li>• We formulated a process for calculating reduction contributions from battery materials, etc.</li> </ul> </li> <li>2. Increase production of products contributing to a low-carbon society and develop new products.                             <ul style="list-style-type: none"> <li>• We continued to enhance production capacity of products contributing to a low-carbon society (battery materials, functional inks, etc.).</li> <li>• We continued joint development, including of new materials.</li> </ul> </li> </ul> <p>* Initiatives based on the Vision Co-Creation Partnership with Tohoku University (see p. 70) among others.</p>	<ul style="list-style-type: none"> <li>1. Define "products contributing to a low-carbon society."</li> <li>2. Look into and evaluate methods of calculating contribution to reducing GHG emissions.</li> <li>3. Increase production of products contributing to a low-carbon society and develop new products.</li> </ul>	<ul style="list-style-type: none"> <li>1. Consider a certification system and standards for products contributing to a low-carbon society.</li> <li>2. Look into and evaluate methods of calculating contribution to reducing GHG emissions.</li> <li>3. Increase production of products contributing to a low-carbon society and develop new products.</li> </ul>

TCFD Initiatives

In February 2020, we became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). Then in March 2020, we formulated and released our Vision for 2030 which positioned climate change as a material issue. Our vision regarding

climate change is to become “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.” We have made a

commitment to strengthening efforts to achieve this vision and to enhance disclosure of relevant information.

The Group's climate change response is considered by the CSR Committee (chaired by the president) and the Environmental Preservation Subcommittee (chaired by the General Manager of the Safety & Environment Control Department and comprising members from business and corporate divisions) under it. These considerations are reported to and discussed by the Board of Directors and then specific measures are developed at each division.

The TCFD recommendations advise that the disclosure of climate change-related risks and opportunities should be organized according to four core elements of corporate management and operations (governance, strategy, risk management, and metrics & targets). Efforts at SMM are being led by

members of the Environmental Preservation Subcommittee's Climate Change Taskforce, who have solicited insight from experts in the field and incorporated it into climate change scenario analysis.

Analysis involved 1) identifying key drivers, 2) establishing scenarios for temperature rises of 1.5°C and 4°C, 3) considering impact on business, 4) identifying and evaluating risks and opportunities, and then 5) considering ways to approach these (such as Vision for 2030).

We have shared information gained from the results of this analysis within the Group through means such as briefing sessions for the CSR Committee and relevant officers.

Going forward, we will actively disclose information about climate change-related risks and opportunities.

See the TCFD Content Index on p. 2 of the supplementary ESG Data Book 2021

Climate Change Scenario Analysis Results

We considered two scenarios for 2050

- 1.5°C scenario** A scenario in which ongoing efforts are made to keep the rise in average temperatures to within 1.5°C. Information sources included the IEA's<sup>1</sup> WEO<sup>2</sup> 2019 Sustainable Development Scenario<sup>3</sup> and ETP<sup>4</sup> Beyond 2D Scenario, and the IPCC's<sup>5</sup> special report Global Warming of 1.5°C.
- 4°C scenario** A scenario in which no countermeasures are taken, and temperatures are allowed to continue rising. Information sources included the IEA's WEO 2018 New Policies Scenario and the IPCC's RCP<sup>6</sup> 8.5 Scenario.

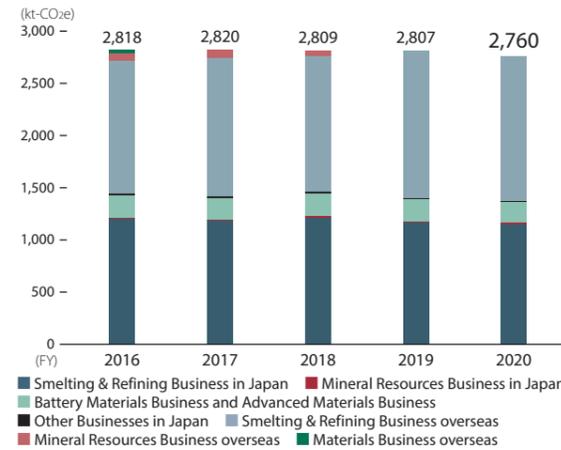
1. IEA: International Energy Agency. A global body focused on energy.  
 2. WEO: World Energy Outlook. A report issued by the IEA covering topics such as energy demand and the outlook concerning technological development.  
 3. Sustainable Development Scenario: A scenario that analyzes pathways for fully achieving the targets of the Paris Agreement.  
 4. ETP: Energy Technology Perspectives. A report issued by the IEA.  
 5. IPCC: Intergovernmental Panel on Climate Change.  
 6. RCP: Representative Concentration Pathway.

Scenario	Category	Drivers	Anticipated situation (2050)	Impact on business	Risk and opportunity (medium- to long-term)	SMM Group approach: Initiatives for realizing Vision 2030
1.5°C	Climate change policy	Carbon pricing (carbon taxes, emissions trading, etc.)	Overall monetary amounts have risen (depending on nation or region)	Increased tax burden, etc.	Risk Large	Climate Change: Reduce GHG emissions <a href="#">See p.71-74</a>
				Increases in R&D costs and investment in low-carbon facilities and equipment	Risk Short- to long-term, large	Climate Change: Reduce GHG emissions <a href="#">See p.71-74</a> Effective Use of Non-Ferrous Metal Resources: Improve productivity by introducing new technology, Advance nickel ore projects and improve productivity <a href="#">See p.68-70</a>
	Climate change policy	Tightening of vehicle regulations, policy to promote LEVs <sup>7</sup>	Fuel consumption regulations have been tightened and restrictions on movement introduced Policy is supportive of EVs and LEVs Internal combustion-based vehicles have been replaced by LEVs	Increase in sales due to growing demand for batteries and nickel accompanying the spread of EVs	Opportunity Large	Climate Change: Reduce GHG emissions <a href="#">See p.71-74</a> Effective Use of Non-Ferrous Metal Resources: Advance nickel ore projects and improve productivity, Develop technology to create value from unused non-ferrous metal resources, Leverage our strengths to create new products and new businesses that contribute to society, Hold raw materials in-house for favorable and stable procurement, Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials <a href="#">See p.68-70</a>
				Increase in sales of nickel oxide powder and lithium batteries accompanying the development of a hydrogen society and the spread of FCVs Increase in sales of other products contributing to a low-carbon society		
	Society and infrastructure	Progress of digital transformation related to vehicles, changes in values	Self-driving vehicles, MaaS <sup>8</sup> , and car-sharing are common Fewer households own cars			
	Technology	Development of hydrogen technology, fuel cells	Fuel cell vehicles (FCV) are common EVs and plug-in hybrid EVs (PHEV) are common			
Climate change policy	Shift to electrical energy	Electricity occupies a higher proportion of final energy consumption	Increase in demand for copper accompanying the strengthening of electrical grids (although there is competition from aluminum, etc.)	Opportunity Large	Effective Use of Non-Ferrous Metal Resources: Advance copper mine projects, Acquire new superior copper and gold resources <a href="#">See p.68-70</a>	
Technology	Technological shift in automobile storage batteries	There has been a shift in the market share of automobile storage batteries	Rise in the proportion of nickel used in batteries and increased sales of nickel accompanying efforts to move away from cobalt Solid state batteries that leverage SMM technology as next-generation batteries	Opportunity Medium	Climate Change: Reduce GHG emissions <a href="#">See p.71-74</a> Effective Use of Non-Ferrous Metal Resources: Advance nickel ore projects and improve productivity, Develop technology to create value from unused non-ferrous metal resources, Leverage our strengths to create new products and new businesses that contribute to society, Hold raw materials in-house for favorable and stable procurement, Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials <a href="#">See p.68-70</a>	
			Spread of iron and manganese-based batteries accompanying efforts to move away from cobalt Spread of new batteries that do not leverage SMM technology as next-generation batteries	Risk Medium		
			Limits on raw materials sourcing, increase in materials and manufacturing costs, greater advantages due to owning our own mines Expansion of the automobile secondary battery recycling business Impact of ESG investment on financing Reputational risk if SMM's efforts are evaluated as insufficient	Opportunity Medium Risk Medium to large		
Society and infrastructure	Interest in matters such as responsible sourcing, environmental footprint, and the social impact of businesses	There is greater awareness regarding sustainability ESG investment is mainstream There are more possible applications for alternative materials and recycled metals			Effective Use of Non-Ferrous Metal Resources: Advance copper mine projects, Acquire new superior copper and gold resources, Advance nickel ore projects and improve productivity, Hold raw materials in-house for favorable and stable procurement, Demonstrate and commercialize automobile secondary battery recycling technology <a href="#">See p.68-70</a> Human Rights in the Supply Chain: Promote responsible sourcing, particularly responsible mineral sourcing <a href="#">See p.92-93</a> Rights of Indigenous Peoples: Understand indigenous peoples and their traditions and culture, Support initiatives that lead to respect for the traditions and cultures of indigenous peoples <a href="#">See p.91</a>	
4°C	Temperatures and rainfall	Rises in average temperature, sea surface temperature, and sea levels Sea levels have risen Storm surges are more frequent	Decline in port functionality, greater risk of storm surges, possibility of facility-based countermeasures needing to be taken at some coastal business sites		Risk Large	Significant Environmental Accidents and Biodiversity: Zero significant environmental accidents <a href="#">See p.75-79</a>
				Increase in risk of flooding or water shortages at business sites in certain regions, possibility of facility-based countermeasures needing to be taken	Risk Large	Significant Environmental Accidents and Biodiversity: Zero significant environmental accidents <a href="#">See p.75-79</a>
				Decline in operations at key suppliers, decline in plant operations due to interruptions to procurement and shipping routes	Risk Large	Significant Environmental Accidents and Biodiversity: Zero significant environmental accidents, Reduce emissions of hazardous substances <a href="#">See p.75-79</a>
				Possibility of facility-based countermeasures needing to be taken due to the increased risk of damage to tailing dams	Risk Large	Significant Environmental Accidents: Zero significant environmental accidents <a href="#">See p.75-79</a>

7 An abbreviation for LEVs: Low-Emission Vehicles  
 8 An abbreviation for MaaS: Mobility as a Service

## Initiatives and Sustainability Data

### GHG Emissions (Scope 1 + 2)



In FY2020, we reduced total Group GHG emissions (Scope 1 + 2) to 2,760 kt-CO<sub>2</sub>e due to factors including a decrease in production volumes and initiatives such as energy-saving activities. GHG emissions related transport operations in Japan (Scope 3) came to 25 kt-CO<sub>2</sub>e.

The SMM Group will continue to promote energy-saving activities in FY2021 as well, and anticipates reductions of 16 kt-CO<sub>2</sub>e for the year.

GHG 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-CO<sub>2</sub>e in FY2020.

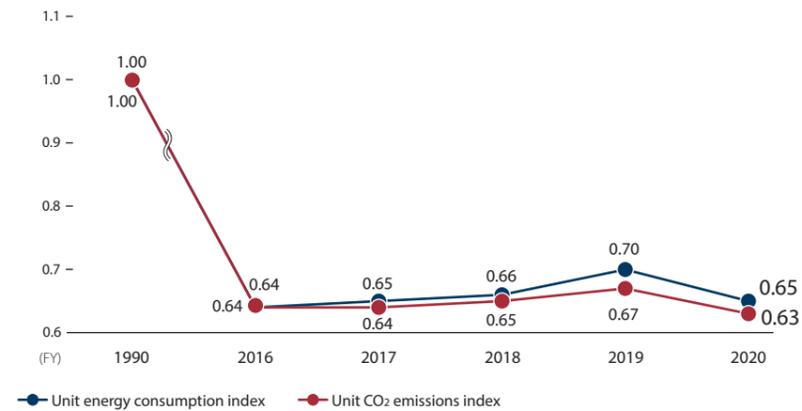
	Group companies in Japan	Group companies overseas	Total
Scope 1	492	1,385	1,877
Scope 2	881	2	882
Total	1,373	1,387	2,760

Scope 3: See Scope 3 (emissions during domestic transport) in the Output table on p.79

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 GHG emissions (385 kt-CO<sub>2</sub>e) that are outside the scope of the law. The amount of GHG emissions from electric power purchased in Japan is calculated according to the market-based method using the emission factors of electric suppliers. For overseas emission factors, we used the latest emission factors for each country as published by the IEA.

### Unit Energy and CO<sub>2</sub> Emissions Index<sup>1</sup>

(Scope: Smelting & Refining Business in Japan)



In the Group's Smelting & Refining Business in Japan, unit energy consumption for FY2020 improved, decreasing by 5 points. This was due to a recovery in FY2020 from the situation in FY2019, when regular maintenance and equipment trouble at the Toyo Smelter & Refinery caused a decline in production of electrolytic copper.

SMM is a member of the Japan Mining Industry Association (JMIA), an organization of non-ferrous mining, smelting and refining companies, and we are participating in action by JMIA to implement the Carbon Neutrality Action Plan (formerly called The Commitment to a Low Carbon Society) being led by the Japan Business Federation (Keidanren) within the non-ferrous mining, smelting and refining industry.

We will continue to proactively engage in thorough energy management, the promotion of energy-saving activities, the introduction of renewable energy, the use of unutilized heat, and other endeavors with the aim of reducing unit energy by an average of at least 1% per year and further lowering CO<sub>2</sub> emissions over the medium to long term.

1. Unit energy and CO<sub>2</sub> emissions index: The amount of energy consumed and CO<sub>2</sub> emitted during the production of 1 ton of product, assuming the FY1990 value to be 1 (including fuels used as reducing agents).

## 3 Significant Environmental Accidents

## 4 Biodiversity

Environmental Preservation Subcommittee: For details on our subcommittee framework, etc., see p. 64–65.

### Approach and Policy

Significant environmental accidents have major impacts on the environment and communities, and can result in loss of the trust that is a prerequisite for business continuity. By improving our facilities and management to address intensifying natural disasters, we are working to prevent serious environmental accidents and mitigate impacts in the event of occurrence.

We are also working to rationalize our use of water resources and to reduce our emissions of harmful substances into the atmosphere and water, and are developing environmental conservation activities that place importance on biodiversity.

Operation of Environmental Management Systems (See p.71)

### Vision for 2030, KPIs, Results, and Action Plans

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

KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>1. Zero significant environmental accidents</b>  1) Promote improvements through the use of risk management and environmental management systems	1. Zero significant environmental accidents in FY2020.  2. Implemented facility improvements, etc. - Carried out initiatives based on risk management system (RMS) and environmental management system (EMS) plans. - Completed major construction and began operation of new mine wastewater treatment facility at Yaso Akakura (Fukushima Prefecture).	1. Continue facility improvements.	1. Continue facility improvements, etc. - Continue management through RMS, EMS. - Implement measures in line with FY2021 budget.
2) Reinforce and improve equipment and infrastructure to address increases in sources of natural hazard	1. Assessed risk through climate change scenario analysis; examined necessary adaptations.  2. Examined initiatives for Global Industry Standard on Tailings Management (GISTM).  3. Strengthened and improved equipment and infrastructure in response to increasing sources of natural risk. - Formulated accumulation site management standards for closed/suspended mines.	1. GISTM compliance.  2. Continue strengthening and improving equipment and infrastructure in response to increasing sources of natural risk.	1. Promote GISTM compliance.  2. Strengthen and improve equipment and infrastructure in response to increasing sources of natural risk. - Strengthen management to ensure stability of accumulation sites, etc.
<b>2. Reduce emissions of hazardous substances (year on year)</b>  1) Optimize water use; reduce emissions of hazardous substances to the atmosphere and water	1. Examined SMM Group policy regarding optimization of water resources. - Performed benchmark survey.  2. Reduced hazardous substance emissions into the atmosphere and water. - Enforced management at business sites.	1. Examine policies regarding optimization of water use.  2. Further reduce hazardous substance emissions into the atmosphere and water.	1. Formulate SMM Group policy on optimization of water use.  2. Continue efforts to reduce hazardous substance emissions into the atmosphere and water at business sites.
2) Promote various environmental preservation and biodiversity preservation activities, such as regular reforestation	1. Continued regular reforestation. - Conducted regular reforestation at CBNC and THPAL.  2. Encouraged active use of recycled raw materials and reuse of slag. - Strengthened settling to counter muddy water entering rivers during heavy rains in rainy season in the Philippines.	1. Continue regular reforestation.  2. Further promote effective use of secondary materials, waste, and other resources.	1. Continue regular reforestation. - Continue greening of CBNC and THPAL.  2. Promote effective use of resources. - Promote processing of scrap and other secondary materials. - Promote reuse of slag and sludge. Communication with mining companies through CBNC and THPAL.

## Significant Environmental Accidents: Initiatives

### The Appropriate Management of Tailings Dams (Slag Accumulation Sites)

Accumulation sites in which tailings from mines are dumped can collapse and cause considerable damage.

In August 2020, Global Tailings Review (GTR) formulated the Global Industry Standard on Tailings Management (GISTM). The International Council on Mining and Metals (ICMM; see supplementary ESG Data Book 2021, p. 22) is committed to compliance with GISTM. As a member of ICMM, we are conducting examinations to comply with the standard.

At closed mines managed by our Group, 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

criteria for accumulation sites made in light of the Great East Japan Earthquake in 2011, and in the period up to 2020, invested a total of approximately ¥4.5 billion.

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<sup>1</sup> technologies that use microbes to remove heavy metals.

We will continue performing management to ensure stability as we strengthen and improve our equipment and infrastructure.

There were no significant leakage accidents in FY2020.

1. Passive treatment is a natural method of purifying wastewater that does not require the use of force or chemicals. It is expected to find use as a lower cost, more environmentally friendly process than wastewater treatment using chemicals.

## Biodiversity: Initiatives and Sustainability Data

### Effective Use of Water Resources (Water Stewardship)

Our Group's manufacturing processes require large amounts of water, particularly in the Smelting & Refining Business. At the same time, water is a shared resource of local regions and is closely connected to the lives of local residents and communities, as well as to the surrounding ecosystem.

We must consider local communities and the environment in areas where we use water, and make responsible use of water. We can also make contributions to the community in connection with water. As such, we are undertaking a number of initiatives related to water.

- Prevention of excessive withdrawal of water by understanding the amounts of withdrawal by source
- Reduction of water withdrawal and effluent amounts by promoting the use of recycled and reused water
- Promotion of effective use of water by understanding water balance and optimizing our amounts used
- Reduction of environmental impact by reducing amounts of hazardous chemical substances in effluent discharged into water
- Promotion of preservation of biodiversity through aquatic life monitoring surveys near our business sites
- Promotion of infrastructure development in areas where access to water is difficult

Every year, we respond to the CDP's water security questionnaire regarding our Group's water management.

### Enforcement of Chemical Management

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. In addition, to enable appropriate and safe use of chemicals throughout the supply chain, 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.

### Enforcement of Environment-Related Compliance

In addition to providing education on environmental 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 the REACH Regulation<sup>2</sup> and other overseas regulations.

2. REACH Regulation: The Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals. An EU regulation concerning the registration, evaluation, approval, and limiting of chemical substances.

### Consideration of Biodiversity

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 impacts on biodiversity.

We are systematically curbing our discharges of chemicals and other substances, and continue to further cut our emissions of hazardous chemical substances.

To preserve the ecosystems as well as the foundation of life for communities in the area around the Hishikari Mine, SMM conducts annual environmental monitoring surveys in the area, analyzing 18 items including water quality, rice paddy soil, unpolished rice, straw, and other natural elements every year. Every other year, we catch fish to check for abnormal levels of heavy metals.

In the Philippines, Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL) undertake greening activities. CBNC holds a yearly *Shokuju* (Tree Planting) Day event in which employees and local residents plant seedlings.



Scene from *Shokuju* (Tree Planting) Day

### Reducing the Environmental Impact of Constructing New Plants

CBNC and THPAL in the Philippines produce electrolytic nickel and nickel sulfate intermediates. To construct a refinery in the Philippines, we first had to obtain an Environmental Compli-

ance Certificate (ECC) from the Department of Environment and Natural Resources (DENR). This required submitting an Environmental Impact Assessment (EIA).

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.



Rooted coral planted since 2005

### Amount of Land Developed or Rehabilitated (FY2020)

	A: Total area of land not rehabilitated (as of the end of FY2019)	B: Area of land newly developed in FY2020	C: Area of land newly rehabilitated in FY2020	D: Total area of land developed but not rehabilitated (A+B-C)
Hishikari Mine	22	0	0	22
Coral Bay Nickel Corporation	274	6	0	280
Taganito HPAL Nickel Corporation	567 <sup>1</sup>	0	-2 <sup>2</sup>	568

1. The area of the developed land was reviewed on the basis of the survey results.

2. THPAL conducted rehabilitation of 12 hectares in the developed land in fiscal 2020. However, as the survey shows a decrease in existing rehabilitated area due to withering and other factors, the area of newly rehabilitated land is adjusted. THPAL is also advancing rehabilitation activities in nearby regions outside the site. In cooperation with the Philippine government, rehabilitation of 74 hectares was achieved in FY2020 in nearby regions outside the site. To date, 455 hectares in total have been certified as rehabilitated area.

## Material Flows within Business Activity (FY2020)

### INPUT (Resources & Energy)

Raw Materials		Recycled Materials <sup>1</sup>		Materials	
Gold and silver ore	191 kt	Copper scrap	135 kt	Silica sand (for copper smelting)	122 kt
Copper concentrates	1,441 kt	Secondary zinc	19 kt	Chemicals (lime-based)	1,202 kt
Nickel oxide ore	8,581 kt	Secondary precious metals	4 kt	Chemicals (sodium-based)	106 kt
Nickel matte, etc.	39 kt	Electric arc furnace dust	71 kt	Chemicals (magnesium-based)	14 kt
Raw material for batteries	75 kt	ALC waste	73 t	Sulfuric acid	460 kt
ALC raw material, incl. silica rock	159 kt			Cement, etc.	103 kt
Hydrotreating catalyst raw material	39 kt				

Percentage of recycled input raw materials used  
**2.13%**

Energy <sup>2</sup>	Consumption	Energy Value
<b>Non-renewable sources</b>		
Heavy oil	44,991 kL	1,843 TJ
Coal/coke	535,636 t	13,817 TJ
Diesel/gasoline/kerosene	18,145 kL	680 TJ
LPG/LNG	8,812 t	448 TJ
City gas	8,775 ML	395 TJ
Purchased electricity	1,486,802 MWh	14,465 TJ
Purchased steam	65,802 GJ	67 TJ
<b>Sub-total</b>		<b>31,716 TJ</b>
<b>Renewable sources</b>		
Solar power generation, binary power generation	306 MWh	0.03 TJ
Wood pellets	621 t	12 TJ
<b>Total energy consumption</b>		<b>31,728 TJ</b>

Water <sup>3</sup>	
Total volume of fresh water withdrawn	35,173 ML
Surface water (rivers)	13,717 ML
Rainwater	68 ML
Groundwater	6,657 ML
Industrial water (water from another organization)	14,339 ML
Tap water (water from another organization)	393 ML
Volume of seawater withdrawn	165,132 ML
<b>Total volume of water consumed from all areas<sup>4</sup></b>	<b>4,281 ML</b>

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 others.  
 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 SMM Group's production sites.  
 4. The total water consumption is estimated by subtracting the total amount of water discharged from the total amount of water withdrawn.

### OUTPUT (Products & Emissions)

Products		Emissions into the Atmosphere		Emissions into Water	
Electrolytic copper	443 kt	CO <sub>2</sub>	2,785 kt	Total wastewater	199,057 ML
Gold	17 t	Scope 1 (direct emissions) <sup>1</sup>	1,877 kt (Decrease of 65 kt compared to the previous fiscal year)	Discharges into seas <sup>4</sup>	198,051 ML
Silver	203 t	Scope 2 (indirect emissions) <sup>2</sup>	882 kt (Increase of 17 kt compared to the previous fiscal year)	Discharges into rivers	965 ML
Electrolytic nickel	56 kt	Scope 3 (emissions during domestic transport) <sup>3</sup>	25 kt (The same year on year)	Sewerage, etc.	42 ML
Nickel sulfate	11 kt	SO <sub>x</sub>	1,733 t	COD (chemical oxygen demand)	49 t
Electrolytic cobalt	4 kt	NO <sub>x</sub>	1,444 t	BOD (biochemical oxygen demand)	15 t
Crude zinc oxide	33 kt	Soot and dust	80 t	<b>Total phosphorus</b>	<b>1 t</b>
Ferronickel	70 kt	PRTR substances	9 t	<b>Total nitrogen</b>	<b>69 t</b>
Battery materials	49 kt			PRTR substances (discharged into public water areas)	74 t
Sulfuric acid	341 kt			PRTR substances (discharged into the soil or in landfills within business premises)	3 t
Slag	1,458 kt				
Hydrotreating catalysts	7 kt				
ALC (Siporex)	327 ML				

Percentage of products from recycled input  
**4.87%**

Waste (including Items of Value)	
Total waste	6,857 kt
<b>Breakdown of total waste</b>	
Spoil	3 kt
Wastewater sludge from CBNC, THPAL, etc.	6,777 kt
Industrial waste (Japan)	76 kt
Other	1 kt
Landfill on company premises	6,780 kt
PRTR substances <sup>5</sup>	1,822 t

- 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 GHG emissions (385 kt-CO<sub>2</sub>e) that are outside the scope of the law. GHGs from wood pellets are not included.
- The amount of GHG emissions from electric power purchased in Japan is calculated according to the market-based method using the 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 744 kt-CO<sub>2</sub>e when calculated for both Japan and overseas with the location-based method using IEA country-specific emission factors.
- 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.
- Discharges into rivers flowing into enclosed seas are included as "discharges into seas."
- Total transfers to sewerage and off-site transfers.

## Business and Human Rights

The responsibilities that companies must fulfill with regard to business and human rights are increasing in importance. Our Group has constructed a management system that addresses employees, local communities, indigenous peoples, and supply chains, in accordance with international standards and our Group's policies.

### Employees

In accordance with the SMM Group Policy on Human Rights, we began operating our human rights management program<sup>1</sup> in FY2014. At business sites where issues are identified, we conduct on-site surveys as needed. In FY2020, there were no reports of cases of child labor or forced labor, serious infringements on freedom of association, or plant closures due to causes such as strikes.

1. A Group-wide program that incorporates a human rights due diligence framework based on the UN's Guiding Principles on Business and Human Rights. We aim to build 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 relief, to concerns that arise.

#### Number of requests for consultations received from employees (FY2020)

Item	Number
Concerning harassment	12
Concerning personnel affairs/work/wages	4
Total <sup>2</sup>	16

We responded appropriately to all requests for consultations.  
2. Includes those directed to SMM Group direct hotlines

### Local Communities and Indigenous Peoples

There are occasions when we inevitably have to ask local citizens to relocate to make way for development of a mine or the construction of associated facilities. On such occasions, we seek the understanding of local citizens and offer alternative land. For the Hishikari Mine, from 1983 to 1989 three households in total were asked to relocate. For Taganito HPA Nickel Corporation, we asked 41 households in areas to be affected by the plant's construction to relocate.<sup>3</sup> In FY2020, there were no matters for concern, such as complaints from indigenous peoples, reported regarding any of the mines or smelters and refineries in which SMM has more than a 50% interest.

We also plan a program for human rights due diligence aimed at local communities, to be implemented at overseas business sites.

3. A relocation plan was formulated in line with the World Bank's Operational Policy on Involuntary Resettlement. With the agreement of all citizens, the relocation was completed by December 2010. Furthermore, we have continued to provide support since the relocation, including for home repair and maintenance, and programs to help restore livelihoods that encourage getting skills and know-how so the citizens can get income for the rest of their lives.

### Supply Chain

We undertake due diligence based on international standards and in accordance with the SMM Group Responsible Sourcing Policy and the SMM Group Responsible Mineral Sourcing Policy. (See p. 92–93)

In FY2020, there were no suppliers identified as having current or potential problems or issues. As of July 2020, there were no cases of artisanal and small-scale mining (ASM) with work environment issues in regions where SMM operates, nor did SMM have any programs for involvement in ASM.

## 5 Employees' Occupational Health and Safety

Occupational Health & Safety Subcommittee: For details on our subcommittee framework, etc., see p. 64–65.

### Approach and Policy

The SMM Group aims to create comfortable and safe workplaces, including at our contractors. An environment in which employees can carry out their work in safety and with peace of mind is an important element of management, leading to higher employee motivation and greater relationships of trust between employees and the Company. To address such issues, we are further advancing our ongoing equipment safety measures and have begun introducing advanced technologies such as the IoT<sup>1</sup> and artificial intelligence (AI).

1. IoT: The Internet of things, under which services are deployed through all manner of things being connected through the Internet.

#### Occupational Health and Safety Management System

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 division and business site in order to improve health and safety under the concepts of the OSHMS.<sup>2</sup> 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. 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 that hazard prediction, risk assessment, and the improvement of equipment are at the same level as in Japan.

2. OSHMS is an abbreviation of Occupational Safety and Health Management System and it is a management system that aims to improve occupational health and safety levels at business sites through the implementation of a set of processes known as the PDCA cycle (Plan, Do, Check, Act), based on cooperation between businesses and their workers.

### Vision for 2030, KPIs, Results, and Action Plans

#### 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 (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>1. Prevent occupational accidents</b>  Serious accidents: zero (in Japan and overseas, including contractors). All accidents: reduce year on year, with aim of eventually zero.	<ul style="list-style-type: none"> <li>Zero serious accidents.</li> <li>Number of accidents (CY2020) Numbers in parentheses are CY2019 results Employees: Japan 15 (14); overseas 0 (1) Contractors: Japan 8 (11); overseas 3 (6)</li> <li>Examined conversion to smart plants (mines).</li> <li>Implemented patrols using the web, etc.</li> <li>Acquired ISO 45001 certification at Niihama Nickel Refinery.</li> <li>Created manuals and implemented education for safety personnel.</li> <li>Introduced virtual reality (VR) hazard simulation equipment.</li> </ul>	<ol style="list-style-type: none"> <li>Continue to enhance equipment safety.</li> <li>Construct a management system with effective checks and actions.</li> <li>Continue development of human resources who place safety first in work.</li> </ol>	<ol style="list-style-type: none"> <li>Enhance equipment safety                             <ul style="list-style-type: none"> <li>Formulate and execute investment plans for equipment safety enhancement.</li> <li>Undertake DX initiatives to ensure safety at manufacturing bases.</li> </ul> </li> <li>Construct a management system with effective checks and actions                             <ul style="list-style-type: none"> <li>Conduct appropriate risk assessments.</li> <li>Promote ISO 45001 certification acquisition.</li> </ul> </li> <li>Continue development of human resources who place safety first in work                             <ul style="list-style-type: none"> <li>Make effective use of work observation manual.</li> <li>Promote understanding of safety rules through implementation of hazard simulation training.</li> </ul> </li> </ol>
<b>2. Prevent occurrence of occupational diseases</b>  Number of workplaces that present higher health risks: reduce year on year Occurrence of occupational diseases: zero	<ul style="list-style-type: none"> <li>There was some increase in the number of workplaces classified as Control Class 3 / Control Class 2 due to equipment deterioration, etc., but we continued to improve workplace environment.</li> <li>Zero occupational diseases.</li> </ul>	<ol style="list-style-type: none"> <li>Promote investments for improving workplace environments, and strengthening of management of maintenance.</li> <li>Checks and guidance during patrols, and follow-up on results of work environment measurement.</li> </ol>	<ol style="list-style-type: none"> <li>Promote investments for improving workplace environments, strengthen management of maintenance                             <ul style="list-style-type: none"> <li>Improve and manage maintenance of atmospheric hazardous substance concentration in workplaces.</li> <li>Standardize trend management and strengthen preventive measures.</li> </ul> </li> <li>Checks and guidance during patrols, and follow-up on results of work environment measurement.</li> </ol>

## Initiatives and Sustainability Data

### Group-Wide Activities

While we faced restrictions in 2020 due to the COVID-19 pandemic, we implemented the following measures to ensure safety.

Japan	(1) Formulated and began using the SMM work observation manual to prevent serious accidents, based on discussions in health and safety manager meetings on improving the effectiveness of work observation • Made work improvements and enhanced hazard awareness by clarifying points for discerning on-site risks	Overseas	(1) Improved initiatives at business sites to provide instruction and safety education through remote patrols by individual divisions and the like (2) Continued initiatives such as 10-second employee hazard prediction and activities to reduce risk through work observations and the like
	(2) Conducted group discussions on serious accident patterns at business sites, confirmation of on-site work, and work observation following improvements (3) Improved efforts at business sites with instruction and support through patrols (including remote patrols) by individual divisions, the Besshi-Niihama District Division, and the Safety & Environment Control Department (4) Continued hazard simulation training focused on compliance with safety rules at business sites		Occupational Health Activities

### Work-Related Incidents (2020)

("Employees" includes employees and part-time workers from Group companies)

	Japan				Overseas			
	Employees		Non-employee workers		Employees		Non-employee 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)	0	0	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 rate <sup>1</sup>	15	1.13	8	4.07	0	0	3	0.28

1. "Recordable work-related injuries" is the total of injuries that required hospital treatment and resulted in absence from work and injuries not resulting in absence from work.

### Work-Related Ill Health (2020)

("Employees" includes employees and part-time workers from Group companies)

	Japan		Overseas	
	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 <sup>2</sup>	0	— <sup>3</sup>	0	0

2. 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).

3. 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.

### Initiatives and Internal Awards at Coral Bay Nickel Corporation (Philippines)

At Coral Bay Nickel Corporation (CBNC), the SMM Group's first HPAL plant, occupational accidents of minimal (not requiring absence from work) or greater severity had occurred nearly every year until 2016. In response, CBNC undertook hazard prediction education and in-house development of best practices, and effectively executed wide-ranging safety activities including safety patrols and guidance by night managers and other persons in charge. The result was the achievement of 4 million continuous, fully accident-free person-hours since 2017. In March 2021, CBNC received the President's award for security, safety, and occupational health management, a first for an overseas business site of our Group.



Hazard prediction board at CBNC



Scene from toolbox meeting (CBNC)

### Topic in 2021

In June 2021, a fatal accident involving contact with a forklift occurred at the workplace of a Group company in Japan. In order to prevent the recurrence of such accidents, we will comply with workplace rules that return to the basics, enforce the implementation of basic actions, further enhance safety of equipment and deter unsafe behavior, and promote the creation of safe workplaces.

## 6 Diverse Human Resources

## 7 Development and Participation of Human Resources

Human Resources Development Subcommittee: For details on our subcommittee framework, etc., see p. 64–65

### Approach and Policy

Based on the Group Corporate Philosophy of "respect for all individuals" and in accordance with the SMM Group Policy on Human Rights, we work to secure, develop, and make the most of human resources by respecting the diverse values of each individual employee and fostering workplace environments in which each individual can fully demonstrate their abilities.

### Vision for 2030, KPIs, Results, and Action Plans

#### Vision for 2030: 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

KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>1. Promote working style reform and create workplaces that make use of digital technology, enabling diverse human resources to play vibrant and active roles</b>  1) Improve scores for "Management by managers and superiors," "Appeal of job," and "Work environment" in employee awareness survey	<ul style="list-style-type: none"> <li>As employee awareness surveys are carried out once every three years, we used similar and connected items from stress checks. A comparison of the checks carried out in FY2019 and FY2020 showed improvement in the proportion of employees with issues for each item.</li> </ul>	<ul style="list-style-type: none"> <li>Support employees' activities by revising various human resources systems.</li> <li>Improve productivity in the Head Office District.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to carry out events in FY2021 that influence "Appeal of job," and "Work environment" in particular, such as announcing proposed revisions to human resources systems and renovating the Head Office building. Steadily implement these alongside efforts to improve productivity in the Head Office District.</li> </ul>
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)	<ul style="list-style-type: none"> <li>As of March 31, 2021, there were: (1) 11 female managers, and (2) 18% female employees.</li> </ul>	<ul style="list-style-type: none"> <li>Transform the awareness of female employees and their supervisors.</li> </ul>	(1) Target 20 female managers by March 31, 2023. (2) Formulate action plans for 11 Group companies by March 31, 2022, ahead of when revisions to the Act on the Promotion of Female Participation and Career Advancement in the Workplace make it mandatory in April 2022.
3) Expand number of managerial track employees of foreign nationality	<ul style="list-style-type: none"> <li>One employee of foreign nationality has been hired in FY2021.</li> <li>In FY2020, two new graduates and one mid-career employee of foreign nationality were hired.</li> </ul>	<ul style="list-style-type: none"> <li>While each business division is addressing globalization, the response by the personnel departments will be strengthened going forward.</li> </ul>	<ul style="list-style-type: none"> <li>Survey the foreign national recruitment needs of each division.</li> <li>Formulate a Group-wide policy for recruiting employees of foreign nationality, recruitment conditions, division assignments, and education plans for after joining the Group based on the results of this survey, and reflect these in recruitment activities.</li> </ul>
4) Percentage of employees with disabilities: 3% or higher	<ul style="list-style-type: none"> <li>As of April 2021, the percentage of employees with disabilities was 2.56% (legally required percentage: 2.3%).</li> <li>Internships were given to three students from Tsukuba University of Technology (Japan's only national university for people with disabilities).</li> </ul>	<ul style="list-style-type: none"> <li>Continue recruitment activities aimed at achieving a 3% employment rate and provide thorough support to help employees with disabilities to stay with the Company, such as individual interviews after joining.</li> </ul>	<ul style="list-style-type: none"> <li>Advance internship initiatives for new graduates with disabilities (hearing impairments and developmental disabilities).</li> </ul>
5) Assign jobs and provide support matched to employees' life stages	<ul style="list-style-type: none"> <li>Childcare: We held seminars for both men and women on balancing work with family commitments and in the period up to March 31, 2021, 12 male employees took childcare leave.</li> <li>Nursing care: We held lectures by external experts.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to actively carry out initiatives that support employees in coping with life events, such as childcare, nursing care, and recovery from illness, so that they can demonstrate their full abilities.</li> </ul>	<ul style="list-style-type: none"> <li>Childcare: Continue FY2020 activities.</li> <li>Nursing care: Hold briefings explaining SMM's systems in addition to lectures by external experts.</li> <li>Recovery from illness: Identify issues related to balancing recovery with work and propose ideas for addressing these.</li> </ul>

KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>2. Support employees' mental and physical health</b> 1) Halve the number of people found to require support in stress checks 2) Percentage of employees with abnormal findings indicated in health checkups: 50% or lower	1) The number of people found to require support in FY2020 was 211, or 6.9% of all employees who took stress checks. 2) The percentage of employees in our Group with abnormal findings indicated in health checkups in FY2020 was 58.9%.	1) Steadily reduce the number of employees suffering from illnesses through initiatives to improve working environment at each workplace. 2) Lower the percentage of employees with abnormal findings.	1) (1) Aim for 6.0% for the two years from FY2021 to FY2022. (2) Provide feedback from each type of check as necessary to prevent illnesses in advance. (3) Use the Work-life Support Desk to respond to individual situations. 2) Work with the health insurance union to provide individual guidance for employees with a high risk of developing lifestyle-related diseases and support for quitting smoking as health and productivity management initiatives.
<b>3. Diversify opportunities to enhance the abilities of employees according to employee needs and work needs</b> 1) Utilize one-on-one meetings that bring out the motivation and potential of every employee and boost the growth of subordinates through regular dialogues between superiors and subordinates 2) 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 3) Provide opportunities for self-development matched to each employee's life plans and needs (correspondence courses, online training, etc.)	• We implemented training to cultivate in-house coaching instructors, which was taken by 48 employees. • Two executive officers and one general manager received coaching from a professional coach. • We started carrying out training online due to the COVID-19 pandemic. • We positioned brush-up training (MBA course) as self-improvement training and opened it up to regular employees who applied. • We revised which correspondence courses can be taken based on courses already taken and employees' needs. • Brush-up training was taken by 16 employees. • We carried out life plan training at 50 years old (62 employees) and 58 years old (86 employees).	• Develop in-house training on coaching and provide this training to each business site. • Hold one-on-one meetings. • Reconstruct the human resources development program. • Expand opportunities for employees to enhance their abilities. • Provide education and self-development programs that are accessible and appealing to employees. • Use IT to expand the ways in which employees can take training.	• Promote OJT in the Head Office District by enhancing communication between supervisors and their team members through one-on-one meetings (started with the personnel departments in May 2021 and being expanded to each Head Office division in stages). • Reconstruct the program for managerial track human resources development to correspond with the program for duty-based human resources development. • Execute touring JCO Study Center training that teaches the reinforcement of corporate organization by addressing driving factors (root causes). • Set up and launch a framework that supports recurrent education. • Carry out life plan training at 50 years old (74 employees) and 58 years old (116 employees) and release money planning training as e-learning.

## Diverse Human Resources: Initiatives and Sustainability Data

### 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.

- 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.
- 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.
- The SMM Group will not engage in child labor or forced labor within the Group and will make efforts to prevent child labor or forced labor from occurring among outside parties over which the Group has influence.
- 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.
- The SMM Group will establish appropriate measures and procedures for responding to human rights problems should they occur.
- 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.

### Employee Human Rights Initiatives

We have positioned December as Human Rights Month and each year we carry out activities to educate all Group employees on human rights matters, such as the SMM Group Policy on Human Rights (total time dedicated to human rights-related training: 5,797 hours). Also, we started a three-year plan in FY2019 which includes the advancement of awareness-raising activities on the major theme of "accepting diversity and creating workplaces where all employees can work with spirit." In FY2020, we created an educational pamphlet covering the sub-theme of "considering things from other peoples' perspectives" which was distributed and used for training at each workplace.

We have also been setting up the Work-life Support Desk as a place where employees can more easily and effectively consult about various topics, such as harassment, balancing work with family commitments, and avoiding quitting work, and this initiative was launched in April 2021.

### Diversity Initiatives

In addition to our established initiatives supporting the active participation of female employees, expanding the recruitment of people with disabilities, and recruiting people of foreign nationality, we are also developing new initiatives including measures to support employees at each life stage, such as making male employees aware of childcare leave and holding lectures on nursing care, as well as LGBT-awareness training for officers and management-level employees.

We have positioned childcare support as an issue that we should address for all employees, regardless of gender. In FY2020, we held briefing sessions on our systems for supporting the balancing of work and childcare twice in September and twice in February and these were attended by a total of 154 employees. Childcare leave was taken by 45 employees, including nine men.

■ Employment Ratio of Disabled People Over the Past Five Years (SMM non-consolidated, average employment ratio over each fiscal year)



We consider it to be of the utmost importance to support employees with disabilities to stay employed with the Company and in addition to holding regular interviews with disabled employees, we have also raised the employment ratio of disabled people through new initiatives such as offering internships to students with disabilities.

■ Current Situation Regarding Parental Leave (as of March 31, 2021) (SMM non-consolidated)

	Total	Male	Female
Employees with the right to take parental leave <sup>1</sup>	190	153	37
Employees who took parental leave	45	8	37
Employees who took parental leave during FY2020 and have since returned to work	24	6	18
Employees who were still working at the Company 12 months after returning from parental leave <sup>2</sup>	13	1	12
Ratio of workers who returned after parental leave <sup>3</sup>	21/22 (95.5%)	5/5 (100%)	16/17 (94.1%)
Retention rate of workers who returned after parental leave <sup>4</sup>	13/13 (100%)	1/1 (100%)	12/12 (100%)

1. Out of employees who have notified the Company of a birth:  
 Male employees—From the day of birth until the day before the child turns one year old.  
 Female employees—From 56 days before the expected delivery date until the last day of the April immediately following the fiscal year (ending March 31) when the child becomes one year old (the day before their birthday), or the day the child becomes one and a half years old, whichever is longer.  
 2. The number of employees who returned to work in FY2019 and were still working at the Company 12 months later.  
 3. Return ratio: number of people who returned to work in FY2020 ÷ number of people who intended to return to work in FY2020 x 100.  
 4. Retention rate: number of employees who returned to work in FY2019 and were still working at the Company 12 months later ÷ number of employees who returned to work in FY2019 x 100.

## Development and Participation of Human Resources: Initiatives

### Initiatives for Securing, Developing, and Making the Most of Human Resources

We are securing the employees we need through various initiatives. This includes recruiting new graduates by focusing on publicity activities at an early stage and holding internships and workplace observations at Niihama District, as well as holding online briefings and sharing videos. We are also actively working to recruit mid-career employees.

Our human resources development is based on OJT and includes the SMM Middle Management Program which aims to cultivate candidates for top management positions, the Mining School where resource engineers learn operational fundamentals and skills through OJT at the Hishikari Mine, and the Smelting & Refining University where metallurgy engineers learn the fundamentals of refining technologies. We also encourage employees to develop themselves by providing self-development and education courses through e-learning and correspondence courses.

### 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. In total, there are five schools divided into the broad categories of: project promotion, sales, corporate operations, management and accounting, and manufacturing and development tech-

nology. 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.

### The Shikinen Kaikaku Project (The Fixed Period Reform Project)

The *Shikinen Kaikaku* Project involves the fixed period, mandatory application of a scrap and build process (inspired by the *Shikinen Sengu* ritual\*) to the Group's core technologies, programs, and operational systems with the following aims: (1) Swiftly and voraciously identifying and absorbing social and environmental changes, technological trends, and other movement in society and reflecting these in the Group's management (transformation), (2) regularly reviewing and exploring existing technologies, programs, and systems in-depth to gain a fundamental understanding so the Group's technology and culture can be passed down to future generations (legacy), and (3) providing a venue for the focused development of human resources (education). We appoint future leadership candidates as project leaders to provide them with practical experience on various themes which they cannot gain through off-the-job training. We believe this will lead to even greater growth.

\* *Shikinen Sengu*: A ritual held about every 20 years at Ise Jingu Shrine and other shrines in which the divine palace and its sacred apparel, furnishings, and divine treasures are completely remade and the enshrined deity is moved to the new sanctuary.

### Annual hours of education per employee (FY2020)

	Officers		Managers		Regular employees		Occasional employees and temporary employees	Total
	Male	Female	Male	Female	Male	Female		
Annual hours of education per employee (average)	7.6	0.0	22.0	10.0	23.8	17.1	13.5	20.8
Number of officers and employees at the end of the fiscal year	110	0	986	96	4,720	1,175	1,205	8,292

## 8 Engagement with Stakeholders

Communications Subcommittee: For details on our subcommittee framework, etc., see p. 64–65.

### Approach and Policy

We are working to ensure that our diverse shareholders correctly understand the true size of the Group and encouraging them to share in our goal of becoming the world leader in the non-ferrous metals industry. We have identified the groups of stakeholders who affect or are affected by the Group as customers, shareholders, employees, local communities, creditors, business partners, civil society organizations, and government agencies. We have set targets for how we should engage with each of these groups, and we are advancing various initiatives to achieve these targets.

### Vision for 2030, KPIs, Results, and Action Plans

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

KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>1. Further penetrate our Group brand among employees</b>  • Improve results of employee awareness survey (increase ratio of employees who feel pride in working at the Company)	• We created branding development tools including main visuals for advertisements, name cards, envelopes, clear files, and company brochures.  • We sorted out and shared issues with the relevant departments in preparation to raise brand profile within the Group.	• Arrange the positioning of activities to raise brand profile within the Group and create an implementation structure through cooperation between departments.  • Cooperate with each business site on brand development proposals for sites across Japan.	• Unify visual representation, such as signs, at all business sites in Japan and create guidelines.  • Systemize concepts and policies for raising brand profile within the Group and formulate and execute brand proliferation measures.  • Carry out an employee awareness survey once every three years.
<b>2. Ensure quality and quantity in communication of information at the level of "world leader in the non-ferrous metals industry"</b>  • 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)	• Integrated Report 2020 was released in both Japanese and English. It received the Bronze Award at the WICI Japan Integrated Reporting Awards 2020.	• Build stories that communicate a consistent integrated approach.  • Strengthen the connectivity between business strategy and sustainability information.  • Incorporate trends that are of great interest to stakeholders, such as climate change or human rights in business, into articles.	• Explain the Group's value creation in a way that shows the connections between combining sustainability and business, risks and opportunities in the business environment, competitiveness and delivering value, and our business model and strategies.
<b>3. Increase in recognition and understanding of our goal of "world leader in the non-ferrous metals industry"</b>  • Improvement in findings of surveys by external bodies (degree of recognition and understanding, etc.)	• In our mass media advertising, we raised awareness among business people by combining advertising media in response to change, such as adopting digital advertising during the pandemic.  • We issued effective articles on themes that are of great interest to the public, such as the SDGs, DX, and battery materials.	• Revise where we place advertising based on a deep exploration of our target audiences and the amount of exposure provided by each type of media.  • Implement an active public relations PDCA cycle and increase the number of articles published according to our strategy.	• Strengthen TV advertising, which provides a greater chance of connecting with target audiences, and utilize web advertising.  • Implement an active public relations PDCA cycle and increase effective media exposure according to our strategy.

Initiatives

List of Main External Awards (FY2020)

Awards	Date	Recipient	Award received for
Japan Mining Industry Association Engineering Award	2020/6	Sumitomo Metal Mining Co., Ltd., Non-Ferrous Metals Division	This award was given in recognition of a presentation given at a conference for people responsible for mining, smelting, and refining business sites across Japan which introduced a collaborative improvement initiative by business sites and maintenance departments that aimed to improve the capacity of automated equipment for stripping starting sheets at Niihama Nickel Refinery, as well as activities that contribute to improving working environments.
45th Mining and Materials Processing Institute of Japan Thesis Award	2020/9	Sumitomo Metal Mining Co., Ltd., Technology Division	This award was presented for Development of Recycling Process for Copper-Gallium Target, a thesis compiling research on a process for recovering gallium, a rare metal, from the target scrap produced in the manufacturing process of CIGS solar cells.
FY2020 Governor's Award for Environmental Conservation Work (Environmental Conservation Category)	2020/9	Sumitomo Metal Mining Co., Ltd., Technology Division	This is an award presented by the governor of Hyogo Prefecture which recognizes employees who engage in the management of specified air and water quality management facilities and environmental monitoring and reporting operations, and who also serve for a long time on organizations such as the Hyogo Prefectural Environmental Conservation Management Association's water quality and waste subcommittees.
The Japan Society for Analytical Chemistry Medal of Merit	2020/9	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.
Special Commendation by the Head of the Akita Prefectural Labor Bureau (for Safety Measures)	2020/10	SMM Precision Co., Ltd.	This award recognizes long-term health and safety efforts by SMM Precision, including its continuous risk assessment activities and the fact it has not had a single accident resulting in one day or more of lost working time in the 20 years since its founding.
The Catalyst Manufacturers Association Japan (CMAJ) 2020 Technology Award	2020/10	Nippon Ketjen Co., Ltd.	Nippon Ketjen received the CMAJ Technology Award in recognition of the development and commercialization of a next-generation catalyst system with excellent performances for residue hydrotreating in petroleum refining process.
Encouragement Award from the Head of the Fukushima Prefectural Labor Bureau (for Safety Measures)	2020/11	Sumiko Energy Materials Co., Ltd.	This award was given based on a high appraisal of the occupational health and safety activities carried out by Sumiko Energy Materials to date, including its swift response to safety issues, its visualization of the findings of safety patrols, and the fact it has not had a single accident resulting in lost working time in the four years since its founding.
2020 Presidential Mineral Industry Environmental Award, PMIEA	2021/3	Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation	This is the highest honor that can be awarded in the Philippine mining industry. It is given to companies that score highly on a comprehensive assessment of factors including environmental and safety management at plants, conservation of local environments, and contribution to local communities. This is the sixth time Coral Bay Nickel Corporation has received the award and the first time for Taganito HPAL Nickel Corporation.

Communication with Shareholders and Investors

The SMM Group strives to provide our shareholders and investors with the information we think they need in a timely, appropriate, fair, and easy-to-understand manner.

On our website, we share our latest announcements, management policies and strategy, business descriptions, business results, financial information, and other information. In March 2021, we carried out a complete renewal of the website to further enhance the information provided, adding content such as pages on sustainability and for individual investors. We also deliver reports to shareholder twice a year and report on financial results and the progress of business 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 financial results, the president and general managers of business divisions give Business Strategy Progress Briefing Sessions for institutional investors and securities analysts. In December 2020, we held an IR Day which included business briefings for institutional investors. We are also actively working to share IR information with individual investors through efforts such as holding briefings several times a year. We are even actively working to provide information and enhance dialogue during the COVID-19 pandemic and in FY2020, we held all the briefings described above online and also released information such as videos and meeting records through our website.

We will continue working to win the trust and meet the expectations of all shareholders and investors.

9 Co-Existence and Mutual Prosperity with Local Communities

Corporate Citizenship Subcommittee: For details on our subcommittee framework, etc., see p. 64–65.

Approach and Policy

We think it is important that we engage with communities in the areas in which we do business through dialogue to find out what issues they are facing and to see how we can contribute to solving these issues. We will also vitalize regional economies hiring and procuring locally and continue to support areas that have been affected by major natural disasters such as earthquakes and typhoons.

Vision for 2030, KPIs, Results, and Action Plans

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

KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>Participate in local communities through dialogue and collaboration</b>  Accurately identify local issues through dialogues with local communities, and execute the following measures.	We collected information from organizations we think we can collaborate with, such as the Central Community Chest of Japan, the Japan Business Federation (Keidanren), and NPO organizations, regarding what regional social issues we should be contributing to addressing.	Get a more concrete understanding of regional social issues in order to achieve our Vision for 2030.	Get an understanding of regional social issues we should be contributing to addressing together with government, local bodies, and NPOs we think we can collaborate with, analyze existing efforts in the social contribution activity database, and share our vision.
<b>1. Support the local community via employee participation</b>  • Implement employee participation programs (from 2023)	Head Office: Activities to collect PET bottle caps, collect used stamps, collect used books, and donate their sales, etc.  Business sites: Employees participated in local support activities. E.g., tree planting, shoreline cleaning, cleaning areas around plants.	Share examples of initiatives in which employees can participate in on a voluntary basis. E.g., blood donation, consuming foods from disaster-hit areas, used book charity for children.	(1) Investigate case studies of employee participation programs at other companies and then consider trial programs that are a good fit for the Group.  (2) Take actions to increase participation and ensure continuity of currently ongoing initiatives such as by publicizing in in-house bulletins and so on.
<b>2. Hire and procure locally</b>  • Continually implement and assess of performance	We gained an understanding of the employment and procurement situation at our main business sites and disclosed it as sustainability data in our Integrated Report.		Continue current activities.
<b>3. Support for nurturing of the next generation</b>  1) Implement programs to nurture the next generation in collaboration with government, local bodies, NPOs, etc. (one or more times/year)  2) Establish and award scholarships in Japan (from 2023) and maintain existing overseas scholarships	Head Office: Continued making donations to NPO Kaibigan in the Philippines.  Business sites: Carried out initiatives supporting students and children. E.g., donating picture books on minerals, sending employees to elementary schools to teach about companies.  Head Office: We explored how to establish scholarships in Japan through either a public interest incorporated foundation or a charitable trust format. Overseas: Continued the SMM Arizona (Morenci), Pogo (existing scholarships only), and SMM Oceania (Northparkes) programs.	(1) Trial programs that are a good fit for the Group.  (2) Collect information from other companies.	(1) Get an understanding of issues and needs we should be addressing together with government, local bodies, and NPOs we think we can collaborate with and consider programs that are a good fit for the Company.  (2) Collect case studies of other companies and consider programs that are a good fit for the Group.  Advance considerations about which format is appropriate for the Group and carry out procedures to establish scholarships.

KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>4. Support for people with disabilities and the elderly</b> <ul style="list-style-type: none"> <li>Implement programs to support people with disabilities and the elderly in collaboration with government, local bodies, NPOs, etc. (one or more times/year)</li> </ul>	Head Office: Currently holding discussions with the Personnel Department about providing support through transition support for employment offices for students with developmental disabilities who have IT skills. Business sites: Collaborated with organizations that support people with disabilities. E.g., making novelty items, providing cloth for use as cleaning clothes, helping sign language interpreters stay in work.	(1) Trial programs that are a good fit for the Group. (2) Share information from existing initiatives about organizations we think we can collaborate with or ideas that can be applied at our business sites. E.g., donating stockpile items to food banks.	(1) Get an understanding of the issues and needs of local elderly people and people with disabilities and consider programs that are a good fit for the Group. (2) Share case studies of initiatives at other business sites in a timelier manner through subcommittee members.
<b>5. Support during disasters</b> <ul style="list-style-type: none"> <li>Support regions affected by large-scale disasters</li> </ul>	(1) We made donations to the Japanese Red Cross Society and Isa, Kagoshima Prefecture, following in the Heavy Rain Event of July 2020. (2) We provided support for responses to the COVID-19 pandemic. (3) We donated to a fund providing support for the education of children who were orphaned because of the Great East Japan Earthquake.		Collaborate with the relevant regions to provide support at an appropriate scale and timing for each situation.

## Initiatives

### Social Contribution Activities in FY2020

We carried out a range of activities as shown in the Results section of the table above.



A poster promoting the consumption of foods made in areas affected by the Great East Japan Earthquake in order to support these areas. (Employee cafeteria)



Donating picture books on minerals to Isa, Kagoshima Prefecture.



A novelty item that was commissioned by SMM from an employment support facility for people with disabilities.

### Communication with Local Communities and NGOs

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 HPA Nickel Corporation plants in the Philippines, and we implement necessary improvement measures that reference the Group's opinions and recommendations.

## 10 Rights of Indigenous Peoples

Human Rights Subcommittee: For details on our subcommittee framework, etc., see p. 64–65.

### Approach and Policy

When developing mines, it is particularly important to proceed with the understanding of the indigenous people who live on the land. We collaborate with local governments and other organizations, using international standards such as the United Nations Declaration on the Rights of Indigenous Peoples as references, while also maintaining an ongoing dialogue with local indigenous peoples based on an understanding of their traditions and cultures.

### Vision for 2030, KPIs, Results, and Action Plans

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

KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<b>1. Understand indigenous peoples and their traditions and culture</b> <ul style="list-style-type: none"> <li>Percentage of SMM Group sites implementing in-house education: 100% by the end of FY2023</li> </ul>	We created basic in-house educational materials based on guidance from experts (distributed internally in the first half of FY2021).	Consider educational materials that will deepen understanding of indigenous peoples and their traditions and cultures.	Maintain relationships with experts in order to create educational materials that will deepen understanding of indigenous peoples and their traditions and cultures.
<b>2. Support initiatives that lead to respect for the traditions and cultures of indigenous peoples</b> <ol style="list-style-type: none"> <li>Provide scholarships for indigenous peoples (continue existing initiatives)</li> <li>Support indigenous people-related initiatives by NGOs, academic societies, etc.: one initiative or more each year</li> </ol>	We continued to provide scholarships for local people, including indigenous people, in the Philippines.  Due to the impact of the COVID-19 pandemic, the large events that need supporting could not be held.	Arrange initiatives targeting indigenous peoples in regions where we conduct business.  Gather information on the holding of events.	Investigate the need for scholarships among indigenous peoples and devise plans in accordance with the local situation.  Maintain relationships with experts, strive to gather information about events being held, and support these events as appropriate.

## Initiatives

### Creating In-house Educational Materials

We created video materials that use case studies from within the Group to explain who indigenous people are and how the Group should handle indigenous rights. These will enable employees to understand it is an issue that concerns us all.

We carried out dialogue with experts\* for about a year and received guidance that helped to ensure the content of the materials is fair.

The materials have been distributed within the Group in the first half of FY2021 through e-learning and other methods.

\* Keiichi Omoto (emeritus professor of anthropology at the University of Tokyo), Tomoaki Nishihara (specially appointed professor at Seisa University), Eiichiro Noguchi (coordinator of the NGO Taiga Forum)



A scene featuring an explanation by Professor Nishihara

### Côté Gold Project (Canada) Initiatives

We worked with our development partner IAMGOLD Corporation to get the understanding of the project by the First Nation peoples affected by the project. We have fostered relationships of mutual trust and understanding with the organization through action such as providing explanations before gaining approvals, holding ongoing dialogue, and participating in initiatives such as cultural workshops hosted by the organization, and as a result, we were able to conclude an Impact Benefit Agreement.



The concluded Impact Benefit Agreement

# 11 Human Rights in the Supply Chain

Human Rights Subcommittee: For details on our subcommittee framework, etc., see p. 64–65.

## Approach and Policy

In our supply chains, we monitor risk related to human rights and labor, compliance, quality assurance, and environment and local communities based on international standards and in accordance with the SMM Group Responsible Sourcing Policy. Should any issues occur, they are corrected. In regard to the sourcing of minerals in particular, we carry out activities with respect to OECD guidances and in accordance with the SMM Group Responsible Mineral Sourcing Policy.

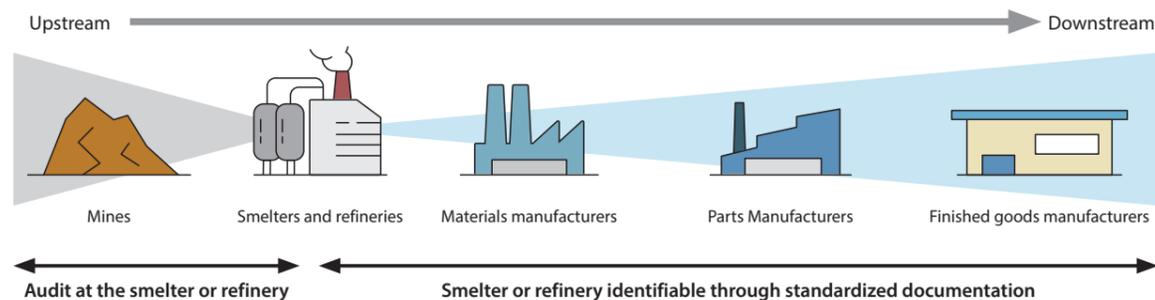
## Vision for 2030, KPIs, Results, and Action Plans

### Vision for 2030: A company that undertakes responsible sourcing across the supply chain

KPIs (Indicators and Goals)	Results	Issues	FY2021 Action Plan
<p><b>Promote responsible sourcing, particularly responsible mineral sourcing</b></p> <p><b>1. Responsible mineral sourcing</b></p> <p>1) Establish a responsible mineral sourcing management system in line with international standards by the end of FY2021</p> <p>2) Zero mines or smelters and refineries complicit in child labor or other infringements of human rights in the supply chain</p>	<p>At Niihama Nickel Refinery and Harima Refinery, we received third-party audits for responsible mineral sourcing.</p>	<p>Responsible mineral sourcing activities that are expanding in areas such as minerals targeted and scope of risk need to be objectively checked.</p>	<p>Acquire third-party certification according to standards set by an international organization for the Group's main metals products.</p>
<p><b>2. Responsible sourcing</b></p> <p>1) Business partners that have received and agreed with the SMM Group Responsible Sourcing Policy: 100% by the end of FY2030</p> <p>2) Establish a responsible sourcing management system in line with international standards by the end of FY2024</p> <p>3) Continue implementing due diligence (DD)</p>	<p>We established the SMM Group Responsible Sourcing Policy and extended it to our main suppliers. Out of these suppliers, 99% agreed with the policy.</p>	<p>Establish management systems in line with international standards and carry out due diligence.</p>	<p>Investigate suppliers as part of due diligence in line with international standards.</p>

### Responsible mineral sourcing framework advanced by the Responsible Minerals Initiative (RMI), an international initiative for responsible mineral sourcing

For supply chains that cover a lot of area from upstream to downstream, this framework enables effective responsible mineral sourcing by using smelters and refineries, which are relatively few in number, as the dividing point for upstream and downstream initiatives.



## Initiatives

### SMM Group Responsible Sourcing Policy

The SMM Group carries out sourcing activities that take into account human rights and labor, compliance, quality assurance, and environment and local communities based on the SMM Group Corporate Philosophy.

**WEB** [https://www.smm.co.jp/en/sustainability/management/csr\\_procurement/](https://www.smm.co.jp/en/sustainability/management/csr_procurement/)

### Formulating Sourcing Policy and Extending These to Suppliers

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 do our Group officers and employees thoroughly comply with this policy, we ensure all our suppliers also understand this policy.

In FY2020, we requested agreement with the policy from both suppliers that account for 90% of procurement costs and important suppliers to business divisions and business sites, for a total of 305 companies. As of the end of FY2020, 99% of these suppliers had agreed.

We will continue to build a due diligence framework based on this policy.

### 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.

### 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, due to rising public demand, the list of minerals subject to regulation has been expanded to include cobalt, copper, and nickel among others, and the scope of

risks that should be addressed also includes environmental and community risks in addition to human rights.

To ensure that the smelting and refining of gold at SMM does not make use of these conflict minerals, since FY2012, we have been operating in accordance with guidance from the London Bullion Market Association (LBMA) and undergo periodic third-party audits. In FY2018, we also began operating in accordance with guidance from the LBMA with respect to silver.

Furthermore, in March 2020, two of our business sites that produce cobalt (Niihama Nickel Refinery and Harima Refinery) received third-party audits in accordance with RMI\* standards.

Going forward, we will ensure that other responsible mineral sourcing initiatives at business sites that produce our main metal products, such as copper and nickel, are inspected from an objective perspective.

Additionally, when the Smelting and Refining Business selects a new mine as a supplier, we assess how that mine carries out environmental management, including management of water resources and tailings dams. In FY2020, there were no new suppliers selected.

\* 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.



LBMA Responsible Gold Certificate

# Corporate Governance

## 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 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.

## 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. Please check the following corporate website for further details.

**WEB** [https://www.smm.co.jp/en/ir/management/governance\\_policy/](https://www.smm.co.jp/en/ir/management/governance_policy/)

## Decision Making and Supervisory System

### Directors and the Board of Directors

SMM has three outside directors among our eight directors, and our Audit & Supervisory Board members consist of two standing Audit & Supervisory Board members and two outside Audit & Supervisory Board members.

### What the Board of Directors should ideally be

Positioning Mineral Resources, Smelting & Refining, and Materials as its three core businesses, SMM aims to realize its Long-Term Vision of becoming a "World Leader in the Non-Ferrous Metals Industry." Since all three businesses are related to non-ferrous metals, they have a mutual organic relationship and their business contents and scale are such that the Board of Directors can make decisions itself regarding diverse management issues. Furthermore, from the viewpoint of the stronger coordination currently being promoted among the three businesses, it will further stimulate the Company's growth if the Board of Directors itself comprehensively makes decisions rather than giving strong independence to each business segment and permitting them to make their own decisions. To this end, we consider that in principle a management model is appropriate for the Company's governance, rather than a monitoring model that oversees overall business execution after the fact.

Furthermore, in view of the distinctive characteristics of the SMM Group's business operations, it is important to strengthen the management infrastructure (particularly regarding compliance, safety, and the environment) and therefore necessary to establish a system whereby Audit & Supervisory Board members can point out issues to directors and executive officers without hesitation. From this viewpoint, we have adopted an organizational structure of a company with an Audit & Supervisory Board in which Audit & Supervisory Board members with guaranteed independent authority can be expected to exercise their auditing functions stably over a period of four years. At present Audit & Supervisory Board members do not have the right of convocation regarding decisions of the Board of Directors or the right to vote on the Board of Directors. The resulting inability of Audit & Supervisory Board members to propose the removal of a director to the Board of Directors is an issue for companies with an Audit & Supervisory Board. We are striving to overcome this issue by appointing multiple outside directors (at least one third of members), have them become members of the Governance Committee, and deal with the appointment and dismissal of directors and executive officers in the Governance Committee.

### Governance Committee

The Governance Committee is composed of one member who is the chairman of the Board of Directors, who is not an executive officer, and three 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 remuneration of directors, executive officers, and others.

Kazuhisa Nakano, an outside director, serves as chair of the Governance Committee.

### Role and function of outside directors and outside Audit & Supervisory Board members

Outside directors are expected to perform two functions: an advisory function and a monitoring function.

Regarding the advisory function, in order for the SMM Group to achieve sustainable growth and increase its corporate value over the medium to long term, outside directors are expected to enhance the quality of decision-making by the Board of Directors by providing advice and making decision based on their experience and other factors, without being bound by the Company's conventional way of thinking or frameworks.

Regarding the monitoring function, outside directors are expected to serve a check function on management from an independent and objective standpoint via the Board of Directors, as well as to supervise management on behalf of shareholders and other stakeholders by providing advice during decision-making on director nomination, remuneration, and other relevant matters as members of the Governance Committee.

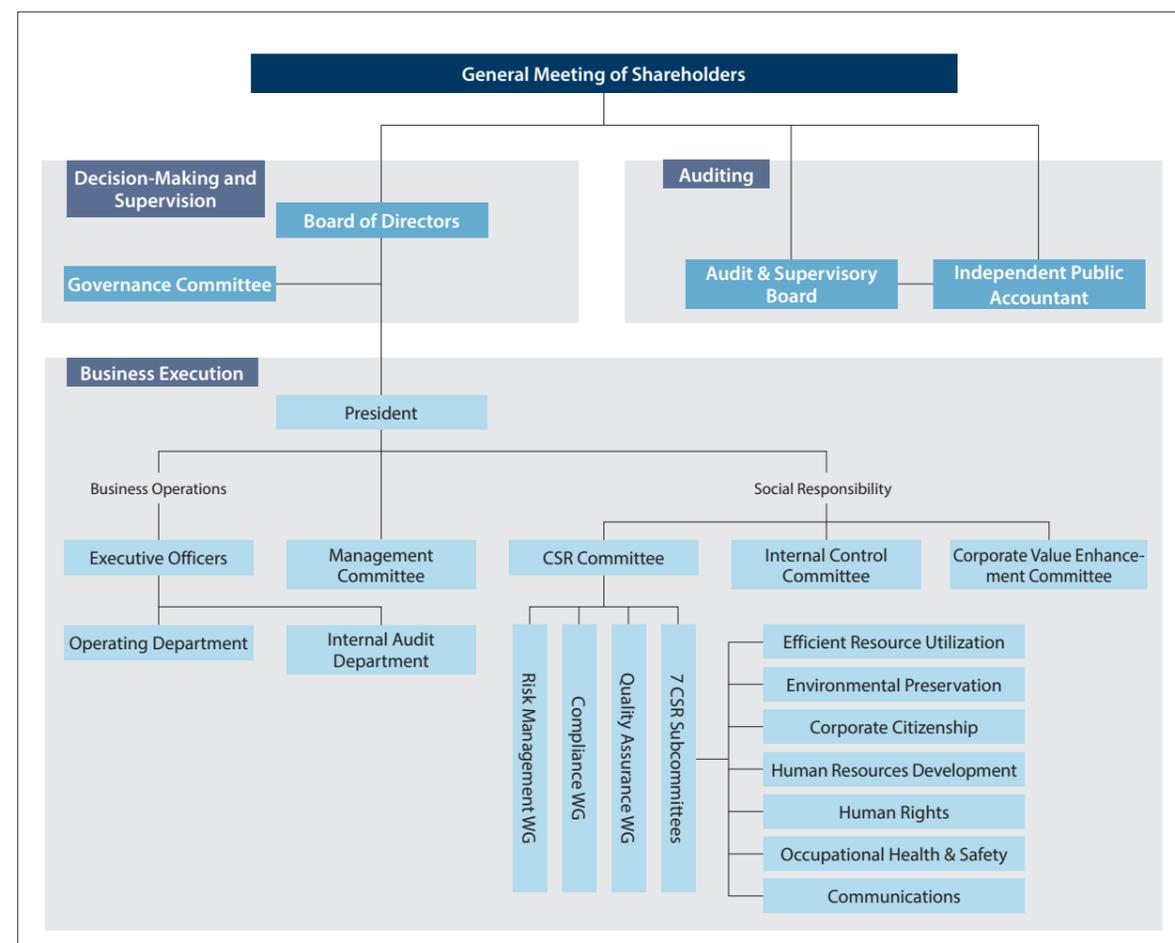
In order for the Company to achieve sound management and increase its corporate value over the medium to long term, outside Audit & Supervisory Board members are expected to conduct effective audits based on their knowledge and experience in specialized fields including finance, accounting, and legal matters, while maintaining sufficient coordination with standing Audit & Supervisory Board members belonging to the Company.

In addition, as part of the audit process, outside Audit & Supervisory Board members are expected to participate in key meetings, including Board of Directors meetings, and to actively express their forthright opinions from an independent and objective standpoint during the decision-making process, including not only the legality but also the appropriateness of proposals.

All the Company's outside directors and outside 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 corporate website.

**WEB** [https://www.smm.co.jp/en/ir/management/governance\\_policy/](https://www.smm.co.jp/en/ir/management/governance_policy/)

## Corporate Governance Framework



## 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). Standing Audit & Supervisory Board members belonging to the Company gather in-house information in an accurate and timely manner, and audit operations appropriately based on this information, while independent outside Audit & Supervisory Board members conduct audits in a manner that takes advantage of knowledge of their respective specialist fields and diverse perspectives.

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 FY2020, Audit & Supervisory Board members attended such meetings 14 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.

### Outside Directors and Outside Audit & Supervisory Board Members

	Reason for Appointment	Attendance at Meetings
<b>Outside Director</b> <b>Kazuhisa Nakano</b>	Mr. Nakano has a wealth of knowledge and experience in corporate management and resource-related business. He is expected to contribute to the improvement of quality of the Board decision-making by providing his advice regarding long-term projects, especially in our Mineral Resources Business and Smelting & Refining Business as well as the overall plan, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the SMM Group by utilizing his knowledge and experience. He is also expected to perform a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nomination and remuneration of directors and executive officers as the member of the Governance Committee. Mr. Nakano is currently an outside director of the Company and the Chairman of the Governance Committee and has been appointed as an outside director as he is currently serving the role shown above.	In FY2020, the Board of Directors convened 15 times (12 regular meetings and 3 extraordinary sessions). He attended all meetings.
<b>Outside Director</b> <b>Taeko Ishii</b>	Ms. Ishii has specialist knowledge and abundant experience as a lawyer, especially in the field of labor law. She is expected to contribute to the improvement of quality of the Board decision-making by providing her advice regarding compliance and personnel/labor-related fields, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the SMM Group by utilizing her knowledge and experience. She is also expected to perform a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nominations and remuneration of directors and executive officers as a member of the Governance Committee. Ms. Ishii is currently an outside director of the Company and a member of the Governance Committee and has been appointed as an outside director as she is currently serving the role shown above.	In FY2020, the Board of Directors convened 15 times (12 regular meetings and 3 extraordinary sessions). She attended all meetings.

	Reason for Appointment	Attendance at Meetings
<b>Outside Director</b> <b>Manabu Kinoshita</b>	Mr. Kinoshita has a wealth of knowledge and experience in corporate management and digital business. He is expected to contribute to the improvement of quality of the Board decision-making by providing his advice regarding materials businesses and digital fields where the business environment is changing significantly, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the SMM Group by utilizing his knowledge and experience. He is also expected to perform a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nominations and remuneration of directors and executive officers as a member of the Governance Committee. Mr. Kinoshita is currently an outside director of the Company and a member of the Governance Committee and has been appointed as an outside director as he is currently serving the role shown above.	In FY2020, the Board of Directors convened 11 times (9 regular meetings and 2 extraordinary sessions) following the appointment of Mr. Kinoshita as an outside director. He attended all meetings.
<b>Outside Audit &amp; Supervisory Board Member</b> <b>Wataru Yoshida</b>	Mr. Yoshida has a wealth of financial institutional experience and knowledge of corporate management. He is expected to carry out effective audits, especially regarding finance and overseas projects, based on his own knowledge and experience in order to ensure the soundness of the Group's management and improve its corporate value over the medium to long term, while fully coordinating with the standing Audit & Supervisory Board members. In addition, as part of the audit process he is expected to participate in important meetings, including Board of Directors meetings, and during the decision-making process to actively express his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals. Mr. Yoshida is currently an outside Audit & Supervisory Board member of the Company, and is performing the role shown above appropriately.	In FY2020, the Board of Directors convened 11 times (9 regular meetings and 2 extraordinary sessions), and the Audit & Supervisory Board convened 11 times following the appointment of Mr. Yoshida as an outside Audit & Supervisory Board member. He attended all meetings of both.
<b>Outside Audit &amp; Supervisory Board Member</b> <b>Shoji Wakamatsu</b>	Mr. Wakamatsu has many years of auditing and management experience at an audit firm and a wealth of knowledge about accounting. He is expected to carry out effective audits, especially regarding accounting, based on his own knowledge and experience in order to ensure the soundness of the Group's management and improve its corporate value over the medium to long term, while fully coordinating with standing Audit & Supervisory Board members. In addition, as part of the audit process he is expected to participate in important meetings, including Board of Directors meetings, and during the decision-making process to actively express his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals. Although Mr. Wakamatsu has not been involved in corporate management other than as an outside Audit & Supervisory Board member, in addition to the above reasons, he has been involved in the management of an audit firm, and accordingly the Company has appointed him as an outside Audit & Supervisory Board member as it has determined that he is able to properly perform the roles stated above.	He was newly appointed as an outside Audit & Supervisory Board member at the Ordinary General Meeting of Shareholders held in June 2021.

## Business Execution Structures and System

### Executive Officer System

In accordance with laws and regulations and the Articles of Incorporation, the Board of Directors delegates decision-making regarding business execution to the President and executive officers, and supervises the execution of duties by the President and executive officers.

The executive officers are appointed by the Board of Directors and are entrusted with important positions such as heading a business division, or a division or a department at the Company's head office, and are granted specific authority to perform their duties in each such position.

### 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.

When making investments or equity contributions, we use a project risk check sheet for committees, primarily the Management Committee, to carry out deliberations regarding human rights issues such as discrimination, forced labor, and child labor, and also the political system, economy, law and order, locally-specific diseases, labor issues, religious restrictions, and the impact on the local community. In FY2020, two new investment agreements were proposed to the Management Committee, which conducted screening for human rights issues and confirmed the investments to be unproblematic. No projects were withdrawn. We will continue to carry out regular monitoring in the future.

**CSR Committee**

Please refer to pages 64 – 65 for further details

**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 Division, the general manager of the Engineering Division, and the heads of related operational divisions in the Head Office serve as committee members, holding regular meetings twice a year.

**Internal Control Committee**

Considering the internal control systems to be vital tools for boosting the corporate value and securing the sustainable growth of the SMM Group, we have an Internal Control Committee to improve and oversee the operation of our internal control systems.

The committee operates with the president as chairman, the executive officer supervising the Internal Audit Department as the vice-chairman, and the general manager of the Internal Audit Department and other heads of related operational divisions in the Head Office as committee members to build, maintain, and improve internal control systems in the Group.

**Basic Policy and Procedures for Remuneration of Directors and Procedures for Remuneration of Audit & Supervisory Board Members**

**1) Basic Policy for Remuneration of Directors**

Remuneration for directors of SMM is linked to the business performance of the Company, and designed to motivate directors to achieve medium- to long-term goals, based on the business structure of the Company, so that it functions as a sufficient incentive to contribute to sustainable growth, increase the corporate value of the Group over the medium to long term, and to strengthen and maintain the management base. When determining the remuneration of individual directors, the amount of remuneration is calculated using a predetermined formula in order to ensure fairness, and the Company maintains a basic policy of setting remuneration at an appropriate level based on the responsibilities of each director.

Specifically, the remuneration for directors (excluding outside directors) shall consist of basic remuneration and bonuses. Basic remuneration shall consist of fixed remuneration (remuneration which is neither performance-based nor non-monetary) and performance-based remuneration, etc., while bonuses shall be performance-based remuneration, etc. Outside directors shall receive only basic remuneration and no bonuses. Basic remuneration is calculated on an annual basis for each individual and paid each month in monthly installments, while bonuses are paid once annually after approval is obtained at the Ordinary General Meeting of Shareholders.

Please refer to the corporate website below for further details.

[https://www.smm.co.jp/en/ir/management/governance\\_policy/](https://www.smm.co.jp/en/ir/management/governance_policy/)

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

The amount of basic remuneration 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 remuneration amount approved by the General Meeting of Shareholders.

**FY2020 Director and Audit & Supervisory Board Member Remuneration**

Officer Classification	Total Remuneration	Basic remuneration, etc.			Number of Officers
		Fixed remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding outside directors)	¥315 million	¥197 million	¥118 million	–	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	¥64 million	¥64 million	–	–	2
Outside directors	¥41 million	¥41 million	–	–	4
Outside Audit & Supervisory Board members	¥23 million	¥23 million	–	–	3

Note: In addition to the above, the Company paid ¥31 million as employee salary to two Directors concurrently serving as employees.

**Matters Related to Performance-based Remuneration**

The indicators employed by SMM to determine performance-based remuneration include consolidated results (profit attributable to owners of the parent, profit before tax), departmental results (return on assets [ROA], free cash flow, and segment income), the degree of attainment of personal targets under medium- to long-term management strategies, and safety record (number of occupational accidents). With regards to the reasons that these indicators have been selected, the Company’s consolidated results (profit attributable to owners of the parent, profit before tax) were chosen as the Company views these indicators as key measures of its corporate management performance, and has set profitability targets that it aims to achieve as part of its long-term vision. Performance indicators for departmental results (return on assets [ROA], free cash flow, and 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. Regarding the degree of attainment of personal targets under medium- to long-term management strategies, we

believe that the steady implementation of plans with a medium- to long-term perspective is essential in order to increase our corporate value in a sustainable manner. Finally, regarding the setting of safety record as a performance indicator, we believe that securing a safe workplace is our operating foundation as a company engaged in the mining and manufacturing industries, including the smelting and refining industry.

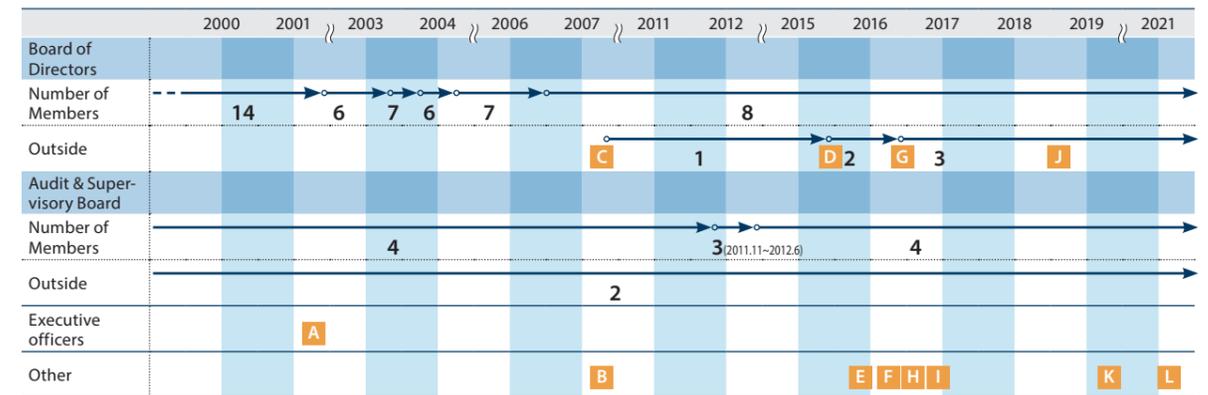
**Method of Determining Amount of Performance-based Remuneration, etc.**

The amount of performance-based remuneration, etc. is calculated by adding an amount reflecting individual performance to an amount of position-specific performance-based remuneration, etc.

For details on methods of calculation, please see “Method of Determining Amount of Performance-based Remuneration, etc.” in the Corporate Governance Report.

<https://www.smm.co.jp/en/ir/management/governance>

**Transitions in Governance at SMM**



- June 2001** Introduction of the executive officer system **A**  
Introduced the executive officer system with the aim of separating decision-making and supervisory functions in management, and revised the management system with the aim of further enhancing and strengthening the functions of each of these.
- February 2007** Introduction of takeover defense measures **B**  
Introduced countermeasures to large-scale acquisitions of the Company’s shares (takeover defense measures).
- June 2007** Appointment of an outside director **C**  
Appointed one outside director in order to strengthen corporate governance through objective management decisions by an independent, external director. Shortened the 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 **E**  
Established a Governance Committee, with regard to particularly important matters relating to governance, including the nomination and remuneration of directors, 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 **F**  
Established the SMM Corporate Governance Guidelines which cover our basic philosophy on corporate governance and our corporate governance framework.
- June 2016** Board of Directors composition changed to include three outside directors **G**  
Appointed three outside directors in order to have one third or more of the directors in the Board of Directors be outside directors.
- August 2016** Outside Directors Council meeting held **H**  
Started 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 **I**  
The Board deliberated what SMM’s Board should ideally be, reaffirming that the Board makes a point of making decisions.
- June 2018** Appointment of a female director **J**  
Appointed the Company’s first female director (outside).
- September 2019** Appointment of the chair of the Governance Committee **K**  
Appointed outside director as chair of the Governance Committee.
- June 2021** Abolition of the executive advisor system **L**

## 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.

We continue to constantly review, improve, and deepen the current state of our corporate governance in light of legal revisions and social circumstances in order to achieve even better corporate governance. We are currently considering our response to the revision of Japan's Corporate Governance Code in June 2021.

## Overview of Evaluation of the Effectiveness of the Board of Directors

Each year, the Board of Directors prepares and conducts a questionnaire for the directors and Audit & Supervisory Board members with the cooperation of a third-party organization. As the FY2020 evaluation of the effectiveness of the Board of Directors was the sixth occasion on which such an evaluation had been conducted, SMM engaged Japan Board Review Co., Ltd, a third-party organization, to support the analysis and evaluation process. In the evaluation, questionnaires and interviews were conducted, and the third-party organization reported to the Board of Directors, including proposals for improving its effectiveness.

Based upon the overall results of the analysis by the third-party organization 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 FY2016, the Board of Directors deliberated on its own effectiveness and confirmed its evaluation and response going forward.

## Results of the FY2020 Evaluation and Future Initiatives

### 1) Answers to questionnaires and interview results

Most of the major items related to the effectiveness of the Board of Directors were rated highly in general.

In particular, it was found that (1) with regard to the "role and function of the Board of Directors," the aim of the Board of Directors to be "a Board of Directors that focuses on decision-making and performs a monitoring function through its decision-making" was sufficiently shared; (2) with regard to the "operation of the Board of Directors," the decision-making process was appropriate and allowed for sufficient discussion, as decisions were made following discussion at executive meetings (administrative meetings

and Management Committee meetings) and ultimately submitted to the Board of Directors for approval; (3) discussions conducted by the Board of Directors and the Governance Committee were open and active; (4) with regard to the "size and composition of the Board of Directors," the size and composition ratio were appropriate from the perspective of business size, active discussion, and decision-making, and that the member composition was appropriate in terms of knowledge and experience.

On the other hand, the analysis found that although deliberations by the Board of Directors regarding human resources (securing appropriate human resources, developing management personnel, advancing women's careers, etc.) were identified as an area for improvement in the FY2019 effectiveness evaluation, insufficient progress had been made in this area.

### 2) Issues identified from questionnaires and interview results (proposals for improvement by third-party organization)

(1) The Board of Directors should conduct deeper discussion of the medium- and long-term challenges for the Company (medium- to long-term direction and vision for the business, including Vision for 2030, as well as the competitive environment, human resources, and environmental and social initiatives, etc.)

(2) The Company is currently working to increase opportunities for free discussion in order to facilitate deeper deliberation of such issues. Going forward the Company should continue working to conduct discussion in such formats at Board of Directors meetings or other forums.

### 3) Response to the above issues (deliberations at Board of Directors meetings)

(1) The Board of Directors confirmed that it will deliberate the medium- to long-term direction and vision for the business, including Vision for 2030 and where we want to be in the future, when setting basic policies in preparation for the formulation of business plans. Regarding the competitive environment, it was decided that each business division would report to the Board once per year on the Company's position from a marketing perspective. Regarding human resources, the Board of Directors confirmed that it would use the occasion of the review of the Company's personnel systems to deliberate on the matter. Regarding environmental and social initiatives, the Board of Directors confirmed that it will add important points from deliberations at CSR Committee meetings to the agenda of Board meetings as appropriate.

(2) Regarding the medium- to long-term challenges mentioned above, the Board of Directors confirmed that these matters will, in general, be discussed at Board of Directors meetings. However, depending on the topic, opportunities for free discussion outside of the Board of Directors meetings will also be made available.

Through the discussion and deliberation outlined above, the Board of Directors will further improve its effectiveness in an ongoing manner on the medium- to long-term challenges for the Company (medium- to long-term direction and vision for the business, including Vision for 2030 and future aspirations, as well as the competitive environment, human resources, and environmental and social initiatives, etc.)

## Cross-shareholdings

When advancing our business strategy, SMM may engage in strategic shareholdings with business partners or other companies if it is judged that doing so will contribute to strengthening our business base over the medium to long term. With regard to existing cross-shareholdings, every year the Board of Directors verifies aspects such as the objectives of holdings and whether the benefits therefrom cover the Company's cost of capital. As a result of this verification, with regard to shares whose holding is judged to have little significance, including shares considered no longer worth the cost of capital and shares judged to have become less relevant to our business due to recent business changes, we will proceed with concrete consideration based on the premise of reduction. Furthermore, in cases where a company cross-holding SMM's shares expresses a desire to sell, we respond in a sincere manner with a view to proceeding with the sale.

With regard to the exercise of voting rights in cross-shareholdings, we determine whether to vote for or against each proposal after giving comprehensive consideration, based on the financial results and other aspects of the financial condition of each of the issuing companies, to matters such as whether each proposal will contribute to increasing the corporate value of that company over the medium to long term, and what impact it will have on the SMM's corporate value. Decisions on voting are made particularly cautiously in circumstances such as cases of companies affected by major scandals or by losses that continue for a certain period of time.

## Takeover Defense Measures

SMM will not unconditionally reject a large-scale acquisition of the shares from the outset if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders. Nonetheless, there are some forms of corporate acquisition that deteriorate the corporate value of the target company and the common interests of its shareholders. Further, tender offer regulations under the Financial Instruments and Exchange Act of Japan do not generally apply to on-market trading. Therefore, when any large-scale acquisition of shares is made in the market, sufficient time and information are not necessarily secured for the target company and its shareholders to consider the acquisition. In addition, the regulations do not fully eliminate the threat of abusive acquisitions of shares, such as coercive takeovers, since partial tender offers are permitted. In light of these and other factors, 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 the shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders or take other actions as necessary.

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

WEB

[https://www.smm.co.jp/en/news/release/uploaded\\_files/190214-2E.pdf](https://www.smm.co.jp/en/news/release/uploaded_files/190214-2E.pdf)

[https://www.smm.co.jp/en/news/release/uploaded\\_files/190215-4E.pdf](https://www.smm.co.jp/en/news/release/uploaded_files/190215-4E.pdf)

# Tax Governance

## Basic Policy and Initiatives Related to Taxes

### Establishment and Announcement

The SMM Group comprehensively investigates and examines the relationships of its products to customers and local communities to develop business in a sustainable manner. Through sound corporate activities, we work toward the maximization of our after-tax profit and free cash flow to maximize corporate value and achieve our long-term vision.

As part of this, we also examine matters in terms of taxation, such as the status of tax treaties with countries where mines or plants are located, areas near key customers and markets, and countries where we do business. By continuing to comply with international tax standards and other related matters, and by fulfilling our tax filing and payment obligations appropriately and fairly, we will strive to coexist with local communities and countries where we do business.

Based on this thinking, the SMM Group formulated its Basic Policy on Taxes, which was established and announced on April 1, 2021 with the approval of the Board of Directors.

### Decision-Making Concerning Taxes, Oversight by the Board of Directors, and the Role of Audit & Supervisory Board Members

At SMM, an executive officer is responsible for the Finance & Accounting Department, which is in charge of taxes. The officer manages and oversees the daily execution of tax-related duties that are performed by the department staff.

We work to improve and operate our tax governance system, with the president and the Board of Directors playing roles as noted below.

- The Company has constructed, maintains, and properly operates an internal control system for work on financial results that enables the Group to carry out appropriate accounting work, reporting of results, and other tasks, including tax-related matters. The Internal Audit Department evaluates the effectiveness of the internal control system, and reports the results to the president.
- Tax filing and payment in the Group is handled at the level of individual companies, after confirmation of content by representatives of the companies. The Company files and pays income and other taxes as a company after approval by the president. When a tax audit is conducted, the executive officer in charge of the Finance & Accounting Department reports on the progress of the audit to the president. In cases in which additional payments or tax refunds arise due to differences with tax authorities in interpretations or opinions concerning laws and regulations, the matter is handled with the approval of the president.
- When making decisions on matters such as investment projects, the Group conducts examinations that include tax-related matters and risk assessments. Particularly important projects are taken up by the Board of Directors for approval.

When the president approves filing and payment of income or other taxes on behalf of the Company, Audit & Supervisory Board members review the documentation to confirm that filings and payments are properly managed within the Company.

### Initiatives for Tax-Related Compliance

See p. 104-105 for information on the Company's compliance promotion system and specific initiatives.

Compliance is the foundation of the Group's corporate activities. As a part of our compliance activities related to taxes, we conduct education for staff in charge of taxation and execute our business on the premise of compliance with laws and regulations.

### Tax-Related Information Collection and Initiatives Involving Government, etc.

Through our activities as a member of the Japan Mining Industry Association,\* we make inquiries, collect information on, and express opinions to governmental agencies with regard to matters such as industrial policy and tax reform.

When the Group encounters issues involving interpretations of laws and regulations or specific procedural matters, we work to properly carry out tax-related matters through prior inquiries and consultations with tax authorities and outside experts.

\*See the supplementary ESG Data Book 2021, p. 21.

## Sumitomo Metal Mining Group's Basic Policy on Taxes

### Basic Policy

Sumitomo Metal Mining (SMM) will, in the conduct of tax affairs associated with business activities, define the basic policy on taxes herein, pursuant to the SMM Group Corporate Philosophy that dictates "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."

In addition, SMM and all Group companies will make known to and instill in employees the activities that place importance on compliance focus, maximization of corporate value, and appropriateness and fairness.

### 1. Tax-related internal controls

At SMM and all Group companies, all persons (corporate officers including executive officers, and employees including fixed-term and temporary employees) engaged in considering or implementing tax-related business processes or individual transactions will share this Basic Policy and ensure tax transparency.

SMM and all Group companies will also seek to resolve tax issues for the entire Group and at each company, by maintaining a system that manages tax risk in each country and region and by business process and that shares information globally.

### 2. Compliance with tax laws, etc.

Business activities will be conducted in compliance with the tax laws, tax conventions, and other relevant laws and regulations applicable in each country and region, as well as tax-related standards and guidelines published by international institutions and others such as the Organisation for Economic Co-operation and Development (OECD).

### 3. Treatment as part of business activities

SMM and all Group companies will practice the tax studies and implementation related to any business process and transaction as part of business activities, since tax-related risk and tax expenses are closely linked to business processes and individual transactions arising from such business activities.

SMM and all Group companies will work to minimize global tax risk, such as double taxation related to business activities, through advance pricing arrangements with the tax authorities, consultation with outside experts, and other means. At the same time, SMM and all Group companies will seek to maximize corporate value and achieve its long-term vision, through proactive and constant efforts to utilize tax incentives and optimize tax expenses, tax payment periods, and other factors so that it can maximize after-tax profit and free cash flow.

However, the following types of transactions will not be practiced:

- 1) Transactions aimed solely at avoiding tax, such as transactions using tax havens; and
- 2) Transactions that avoid tax through the transfer of income in forms that clearly depart from the Group's business objectives and economic realities.

### 4. Response to transfer pricing

International transactions between SMM and all Group companies will be performed using arm's length pricing that is calculated based on methods reflecting the transaction details, industry practices, or functional and risk analysis. In conducting a functional and risk analysis of each transaction, there will be compliance with tax-related standards and guidelines published by international institutions and others such as the OECD.

### The arm's length pricing methods primarily applied:

- 1) Method based on market price according to an appropriate benchmark in line with industry practice; and
- 2) Method based on appropriate allocation of profits corresponding to the level of contribution founded on a functional and risk analysis.

### 5. Fair and appropriate tax

SMM and all Group companies will appropriately fulfill its tax payment obligations in compliance with applicable tax laws and other legal requirements at business activities in each country and region. In addition, SMM and all Group companies will seek to increase tax transparency and to build a constructive and fair relationship with the national or regional tax authorities.

### 6. Tax-related responsibilities and structure

SMM and all Group companies' tax activities will manage tax risks on a global basis and implement appropriate and fair tax treatments, subject to oversight by the executive officer in charge of SMM's Finance & Accounting Department, through the employees in charge of tax matters in the Finance & Accounting Department and the Group companies of relevant divisions operating in their respective countries and regions.

Moreover, employees with tax expertise will be assigned as necessary; and education and opportunities to increase tax knowledge will be provided to employees involved in tax considerations and implementation for business processes and individual transactions.

# Compliance

## Approach

The SMM Group places importance on compliance in business activities based on the SMM Group Corporate Philosophy and the SMM Group Code of Conduct. As expressed in the Code of Conduct, compliance at the SMM Group means that we go beyond just complying with laws, regulations, Articles of Incorporation, and our own rules, and work to fulfill the social and moral responsibilities demanded of us as a member of society through corporate activities. We continue to advance various initiatives based on this fundamental approach.

## Initiatives

### Initiatives to Take on Issues and Provide Improvements

In FY2020 we formulated the following Group-Wide Compliance Goal and compliance priorities, and promoted initiatives to reach these in each department.

#### FY2020 Group-Wide Compliance Goal

Zero compliance violations that may seriously damage business

#### Compliance priorities

- 1 Prevent recurrence of past compliance violations.
- 2 Create workplaces that can respond appropriately to compliance violations should any occur.

Also, the Compliance Working Group was convened in FY2020, confirming the following.

- The results of checking FY2020 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, marketing, or taxes.
- Progress is being made toward achieving targets set by each division in accordance with the Group-Wide Compliance Goal and compliance priorities for FY2020.

Furthermore, in FY2020, with regard to the conduct of tax affairs associated with the SMM Group's business activities, we worked to formulate Group guidelines that place importance on compliance focus, maximization of corporate value, and appropriateness and fairness in accordance with the SMM Group Corporate Philosophy to make positive contributions to society and fulfill our responsibilities to stakeholders

through the performance of sound corporate activities, in order to win ever greater trust. The Sumitomo Metal Mining Group's Basic Policy on Taxes was established as the Basic Policy on April 1, 2021. (More detailed information on the Sumitomo Metal Mining Group's Basic Policy on Taxes is available on p. 103.)

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
- Regulations for export control
- Regulations for the prevention of bribery
- Regulations for observance of competition law, etc.

### Initiatives on Export Control

Based on the regulations for export control, the SMM Group has established the Export Control Committee and strives for compliance with the Foreign Exchange and Foreign Trade Act and other laws and regulations related to exports. In FY2020, we held training on export trade control, security export control, and classification methodology for a total of 243 employees engaged in export-related work at SMM Group companies to explain the legal system and inform participants about the precautions to be taken in their work.

### Initiatives on Preventing Corruption

The SMM Group formulated the Basic Policies for Anti-Bribery and regulations for the prevention of bribery in April 2017. Revisions were made in April 2019, including the introduction of the prior approval system (a system that requires prior approval by an authorized person when seeking to provide benefits to public officials, etc. in certain cases in both Japan and overseas). In FY2020, we surveyed the status of implementation of the prior approval system introduced through the revisions at SMM Group companies during FY2019. The results of the survey confirmed there were no legal issues.

### 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. We have also prepared a manual on competition with compliance laws covering the content of the Basic Policy and regulations. In FY2020, we launched new initiatives, such as considering the introduction of new internal systems based on the status of legal revision and enforcement in each country since April 2019. We will continue responding to the latest situation going forward.

### 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.

### Number of Consultations through the Speak Up System (FY2020)

Category	Number
Consultations related to harassment	8
Consultations related to human resources, labor management, and salaries	4
<b>Total</b>	<b>12</b>

All consultations were handled appropriately.

### Participants of Compliance Education (FY2020)

Type of seminar	Target	Participants
Compliance seminar for general managers	Officers	39
JCO Study Center training Training for new employees		
Training for mid-career hires Seminar for newly promoted employees (section managers, E-class, S-class)	Employees	448

### 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 broad-minded 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.

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Governance Strategy as a Foundation for Value Creation

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# 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).

## Initiatives

### Individual Risks and Daily RM Activities

Daily RM activities involve identifying and assessing individual potential risks, according to the change in the circumstances, and taking the appropriate action. These activities identify the risks, shown on the next page, at each site, resulting in more than 1,400 cases in total 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 FY2021 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." 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 in the external environment (such as changes associated with the COVID-19 pandemic, the global push toward decarbonization, and increasingly severe natural disasters). In FY2020, as a particular risk hindering achievement of business plan goals, we tackled the risk posed by the spread of COVID-19. However, in the face of prolonged infection control measures, a variety of changes occurred, including a shift to teleworking. In addition, the push toward decarbonization is accelerating, and natural disasters such as storms and floods are becoming more severe. 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 emer-

gency 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.

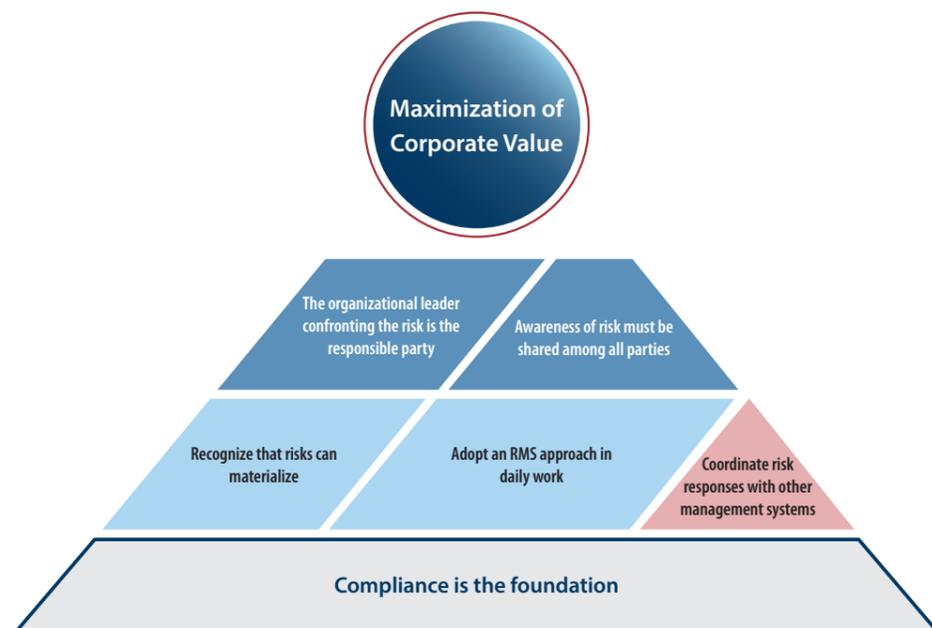
Measures for the COVID-19 pandemic included revision of the SMM business continuity plan (BCP), utilization of emergency supplies, measures to support expatriate employees and their families, limiting employee movement along with activities such as travel to and from work, business trips, postponing participation in meetings and events, working from home, and self-restraint in going out (staying at home). We implement drills to review the measures taken thus far and enhance our crisis response capacity through such means as improving manuals after verifying the content of each measure.

### 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**  
Cybersecurity threats are becoming greater due to changes in the environment such as the increase in teleworking and use of cloud computing. We are working to move from conventional security measures to a framework that enables safe use of internal and external systems in any usage environment (Zero Trust network).
- 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.

Diagram of Six Requirements for Achieving the Purpose of Risk Management



### Main envisaged risks:

- Explosions and fires
- Environmental pollution
- Natural disasters
- Legal violations
- Quality failure
- Occupational accidents
- Terrorism / abduction
- Pandemics
- Supply chain disruptions
- Information leaks
- Damage from harmful rumors
- Violation of intellectual property rights
- Other risks include those originating from moral misconduct, such as fraudulent accounting, human rights issues, and malfeasance.

# Quality Assurance

## Approach

The SMM Group has established and operates a business model based on three-business collaboration between the Mineral Resources, Smelting & Refining, and Materials Businesses. Through this business model, we endeavor to continuously improve products and respond to changing customer needs in order to deliver quality that satisfies customers.

## Policy

To provide quality that satisfies customers, the president 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 that are aligned across 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 considerations

## Framework

We are promoting quality assurance under the ultimate responsibility of the president by designating officers responsible for quality assurance. Each business division develops and maintains their own quality assurance frameworks, while the Quality Assurance Department 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 activities, it works to improve the Group's quality management systems (QMS) 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 divisions and business sites. To effectively operate those QMS, we have been conducting improvement 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.

The SMM Quality Standards are also revised each year to raise QMS to the level required by the Group so that we can deliver quality that satisfies customers.

### Strengthening of Our Internal Quality Audits

Based on the SMM Quality Standards, we are carrying out activities to achieve internal quality audits which work with a third-party-like perspective to identify potential internal issues from problems that have been found, and relay these findings to top management. We hold training to cultivate internal quality auditors at business sites in Japan, through which we have developed around 140 of such auditors to date. Since FY2020, we have been engaging some of these auditors to confirm the effectiveness of these audits through actual audits, and have been running a PDCA cycle for cultivating these auditors.

### Expansion of Group-Wide Quality Assurance Education

We are developing training based on our quality assurance education system that aims to give each level of employee, from new employees to managers, the necessary knowledge regarding quality and management ability. Since FY2019, we have been offering the *SMM Hinkaku*<sup>1</sup> program, an e-learning course for all employees that provides basic knowledge regarding quality, and we are constantly improving the content of this program.

1. Trainees learn the minimum level of knowledge and awareness regarding quality required for manufacturing and then their proficiency is graded through a test.

### 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)<sup>1</sup>, 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<sup>2</sup>. 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. 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.  
2. We also conduct surveys linked to life cycle assessments (LCA) for copper, nickel, and zinc through associations related to each metal.

### Communication with Customers

To raise customer satisfaction, we are starting by improving methods of measuring and evaluating customer satisfaction and then carrying out accurate and ample communication with customers to precisely identify issues and implement effective measures. We are also carrying out quality improvement activities that consider stakeholder perspectives to improve the yield of products, thereby 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. To achieve this, we will clarify risks and opportunities based on an understanding of situations gained through communication between internal and external parties, and then work to win the satisfaction of customers by improving the effectiveness of QMS through improvement activities that have the SMM Quality Standards as a foundation.

### 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 requiring 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 requiring management under legislation
Safe use of the product or service	All products/services containing substances requiring management under legislation
Environmental/social harm from disposal of the products	All products/services containing substances requiring management under legislation

### Methods for Providing Information

#### 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 Chemicals

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.

## Messages from the Outside Directors

SMM has appointed three outside directors among its eight directors. We asked these outside directors to speak about the material issues in the Vision for 2030 that we formulated last year to achieve our Group's long-term vision, about the Company's progress toward those issues, and about their own expert assessments of our progress.



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.

### Achieving the long-term vision requires organic coordination of SMM's vision with its 3-Year Business Plan.

I believe that our social mission is to contribute to society through the new sourcing and stable supply of non-ferrous metal resources.

The formulation of Vision for 2030 had a great significance in terms of organizing social issues that the Company should tackle in the future and sharing these issues with each other. However, I believe that the goal is to continue as the world leader in the non-ferrous metals industry.

These days, all companies are facing strong demands to address the SDGs. Looking back on our past, however, I

believe that we have tackled the social issues of every era, through what has truly been a history of putting the SDGs into practice.

There are of course also new issues like climate change that we have to tackle, but I think we can continue to move forward as we have, with confidence in our history.

The year 2021 will be a year for formulating our next 3-Year Business Plan. With our long-term vision as our aim, I believe it is important to organically link our fiscal year budget, 3-Year Business Plan, and vision, while working under the PDCA cycle, to tackle our plans as targets to be achieved.

We are a truly sustainable company that has amassed a 430-year history under our firm corporate philosophy.

While this is a strength, it can also lead to the weakness of

valuing the ways we have thought and done things in the past more than we value change.

To me, one of the roles expected of outside directors is to respond to changes in the business environment and to discuss things from diverse senses of value and perspectives.

People are the foundation of a company, and a business cannot stand if its people do not grow. Looking ahead, I hold high expectations for more active participation by women. Our number of female managers is still low, but I believe it will increase. While this will take time and investment, I see it as an urgent task in the securing and development of talented human resources.



Taeko Ishii

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.

### To secure human resources, we must adopt a spirit of challenge and search for people far and wide.

SMM has long made efforts toward occupational health and safety and operates under the aspiration of reducing occupational accidents to zero, but unfortunately we have not fully achieved that goal. In recent years, we have supplemented training with continued efforts to prevent accidents and incidents by strengthening equipment in terms of safety and by making use of DX. To help achieve results in this area, even gradually, I hope to provide advice based on my long involvement with personnel and labor. Regarding the issue "Employees' Occupational Health and Safety," both mental and physical aspects are important. The results of our employee awareness survey and other tools show that the level of stress among our

employees is lower than at other companies; as such, I believe that we are maintaining good health and safety.

The promotion of female activation is an issue for the goals of "Diverse Human Resources" and "Development and Participation of Human Resources." Along with initiatives carried out little by little over time, such as training for female employees and the setting of various numerical targets for the number of women in the Company, we have established ambitious programs such as allowing a return to work by employees who resigned for reasons of nursing care, childbirth, or accompanying a spouse on work relocation. However, SMM was slow to begin hiring women due to our history of involvement in the mining industry, and we still have progress to make in appointing female managers.

In formulating our next 3-Year Business Plan, I will be stressing the securing and developing of human resources. As a B2B

company, we first have to make efforts to become known. I also talk about the need to cast a wide net for human resources, accepting mid-career hires along with new graduates. In hiring, too, we need to adopt a greater spirit of challenge instead of sticking to the methods of the past. As there has been little progress in terms of institutional reforms in securing human resources and in developing and making the most of human resources as stated in the 2018 3-Year Business Plan, I think this will be an issue in the next Plan as well.

Our Board of Directors is more of a management-oriented than a monitoring-oriented Board. I believe that outside directors, even if a minority, bear the role of putting forth ideas based on a sense of values that differ from those inside the Company. I hope to continue helping the Board of Directors fully carry out its functions through vigorous debates.



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 has served as an outside director at SMM since 2020.

### Solving social issues requires co-creation with customers and improvement of our adaptability to change.

A material issue in Vision for 2030 is "Engagement with Stakeholders." I want to first focus on the customers that are our stakeholders. With the advent of digitalized society and carbon-free society, the need for non-ferrous metals is growing and opportunities for SMM to contribute to society are expanding. To capture changes as opportunities and achieve social value, we have to leverage our strength to create value together with customers—that is, co-creation with customers. For that reason, we must increasingly take a stance of adapting to change and proactively considering what will benefit customers. Under our "Human Rights in the Supply

Chain" initiative, we have applied human rights due diligence to suppliers. To clarify our response to a wider range of social issues, we also established a Responsible Sourcing Policy. In mine development, we engage earnestly in activities to gain the understanding of indigenous peoples and local residents. I hold the Company's stance of seeking "Co-Existence and Mutual Prosperity with Local Communities" in high regard.

As we now formulate our next 3-Year Business Plan, I believe that co-creation with customers and the promotion of DX will be indispensable in making the plan a reality. Our corporate culture is one of seriousness and integrity, backed by history and tradition. Because of the age and stability of that history, however, I feel that employees capturing changes, thinking proactively, and speedily taking action is still a step ahead of us. To accelerate our adaptation to change, we will also have to enhance mobility

within the Company through human resource system reforms, which will lead to activation of our corporate culture. DX is an effective means for achieving this. I would like to see young people show motivation in drawing up growth strategies, such as changing work styles through the use of DX and reforming business models through co-creation with customers.

At Board of Directors meetings, directors and Audit & Supervisory Board members openly and frankly express opinions, which ensures fairness and transparency. In addition to the role of monitoring, outside directors are required to take responsibility for the outcomes of management, along with the management team. In executing the PDCA cycle for strategy, I believe it is increasingly important that we not only draft strategy but also have timely discussions of issues that have become apparent in the process of execution.

# Directors and Audit & Supervisory Board Members (As of June 25, 2021)

## Directors



**Yoshiaki Nakazato**  
Chairman and Representative Director  
Number of shares of the Company owned: 26,200

Born: 1953  
Apr. 1976 Joined the Company  
Jun. 2005 Executive Officer  
Jun. 2006 Director  
Jun. 2008 Managing Executive Officer General Manager of Advanced Materials Div.  
Oct. 2008 General Manager of Semiconductor Materials Div.  
Jun. 2009 Executive Officer General Manager of Advanced Materials Div.  
Jun. 2010 Managing Executive Officer  
Jun. 2012 Representative Director  
Jun. 2013 Senior Managing Executive Officer  
Jun. 2013 President and Representative Director  
Jun. 2018 Chairman and Representative Director (Present Position)



**Akira Nozaki**  
President and Representative Director  
Number of shares of the Company owned: 16,500

Born: 1960  
Apr. 1984 Joined the Company  
Jun. 2013 Executive Officer Senior Deputy General Manager of Non-Ferrous Metals Div.  
Jun. 2014 Director General Manager of Corporate Planning Dept.  
Jun. 2015 General Manager of Non-Ferrous Metals Div.  
Jun. 2016 Managing Executive Officer  
Jun. 2018 President and Representative Director (Present Position)



**Nobuhiro Matsumoto**  
Director, Managing Executive Officer, General Manager of Non-Ferrous Metals Div.  
Number of shares of the Company owned: 4,800

Born: 1963  
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. 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 Position)



**Toru Higo**  
Director, Managing Executive Officer, General Manager of Corporate Planning Dept.  
Number of shares of the Company owned: 4,700

Born: 1961  
Apr. 1986 Joined the Company  
Jul. 2010 General Manager of Nickel Sales & Raw Materials Dept., Non-Ferrous Metals Div.  
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 President  
Jun. 2019 Executive Officer Senior Deputy General Manager of Non-Ferrous Metals Div.  
Jun. 2020 Director of the Company (Present Position) General Manager of Corporate Planning Dept. (Present Position)  
Jun. 2021 Managing Executive Officer (Present Position)



**Takahiro Kanayama**  
Director, Managing Executive Officer, General Manager of Personnel Dept.  
Number of shares of the Company owned: 2,800

Born: 1963  
Apr. 1986 Joined the Company  
Oct. 2015 General Manager of Personnel Dept.  
Jun. 2017 Executive Officer General Manager of Besshi-Niihama District Div.  
Jun. 2020 General Manager of Personnel Dept. (Present Position)  
Jun. 2021 Director (Present Position) Managing Executive Officer (Present Position)



**Kazuhisa Nakano**  
Outside Director  
Number of shares of the Company owned: 2,500

Born: 1948  
Apr. 1971 Joined Idemitsu Kosan Co., Ltd.  
Apr. 2003 Executive Officer and General Manager of Personnel Department of Idemitsu Kosan Co., Ltd.  
Jun. 2004 Director of Idemitsu Kosan Co., Ltd.  
Jun. 2005 Managing Director of Idemitsu Kosan Co., Ltd.  
Jun. 2007 Executive Vice President and Representative Director of Idemitsu Kosan Co., Ltd.  
Jun. 2009 President and Representative Director of Idemitsu Kosan Co., Ltd.  
Jun. 2013 Chairman and Representative Director of Idemitsu Kosan Co., Ltd.  
Jun. 2015 Executive Advisor of Idemitsu Kosan Co., Ltd.  
Jun. 2016 Director of the Company (Present Position)  
Jun. 2017 Retired from Executive Advisor of Idemitsu Kosan Co., Ltd.



**Taeko Ishii**  
Outside Director  
Number of shares of the Company owned: 0

Born: 1956  
Apr. 1986 Registered as a lawyer  
Joined Ryoichi Wada Law Firm  
Mar. 1992 Established Ohta & Ishii Law Firm  
Jun. 2018 Director of the Company (Present Position)



**Manabu Kinoshita**  
Outside Director  
Number of shares of the Company owned: 0

Born: 1954  
Apr. 1978 Joined NEC Corporation  
Apr. 2006 Executive General Manager, Distribution and Service Industries Solutions Operations Unit of NEC Corporation  
Apr. 2008 Associate Senior Vice President of NEC Corporation  
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 Position)

1.The number of shares of the Company owned is as of May 31, 2021.

## Audit & Supervisory Board Members



**Yasuyuki Nakayama**  
Audit & Supervisory Board Member (Standing)  
Number of shares of the Company owned: 4,100

Born: 1959  
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 of Shinko Co., Ltd.  
Jun. 2016 Materials Div. Audit & Supervisory Board Member (Standing) (Present Position)



**Wataru Yoshida**  
Outside Audit & Supervisory Board Member  
Number of shares of the Company owned: 0

Born: 1952  
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 JBIC  
Oct. 2004 Executive Officer for Asia and Pacific Region of JBIC  
Apr. 2007 Senior Executive Director of JBIC  
Sep. 2008 Resigned from Senior Executive Director of JBIC  
Feb. 2009 Corporate Advisor of Marubeni Corporation  
Feb. 2016 Resigned from Corporate Advisor of Marubeni Corporation  
Mar. 2016 Corporate Advisor of NIPPON STEEL CORPORATION (which was NIPPON STEEL & SUMITOMO METAL CORPORATION) President and Representative Director of Nippon Usiminas Co., Ltd.  
Dec. 2019 Resigned from Corporate Advisor of NIPPON STEEL CORPORATION Resigned from President and Representative Director of Nippon Usiminas Co., Ltd.  
Jun. 2020 Audit & Supervisory Board Member of the Company (Present Position)



**Koji Imai**  
Audit & Supervisory Board Member (Standing)  
Number of shares of the Company owned: 1,200

Born: 1962  
Apr. 1986 Joined the Company  
Jun. 2014 General Manager of Legal & General Affairs Dept.  
Jun. 2019 General Manager of General Affairs Dept.  
General Manager of Legal Dept.  
Jun. 2021 Audit & Supervisory Board Member (Standing) (Present Position)



**Shoji Wakamatsu**  
Outside Audit & Supervisory Board Member  
Number of shares of the Company owned: 0

Born: 1953  
Sep. 1983 Joined Ota Tetsuzo Audit Firm (current Ernst & Young ShinNihon LLC)  
Mar. 1987 Registered as a certified public accountant  
Jul. 2003 Partner of ShinNihon Audit Firm (current Ernst & Young ShinNihon LLC)  
May 2006 Board Member of ShinNihon Audit Firm  
Aug. 2008 Managing Partner of ShinNihon LLC (current Ernst & Young ShinNihon LLC)  
Aug. 2010 Senior Partner of ShinNihon LLC  
Jun. 2016 Left ShinNihon LLC  
Established Wakamatsu Certified Public Accountant Firm  
Sep. 2019 Registered as a certified public tax accountant  
Jun. 2021 Audit & Supervisory Board Member of the Company (Present Position)

## Executive Officers

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

### President

- \* Akira Nozaki

### Managing Executive Officers

- Fumio Mizuno**  
General Manager of Engineering Div.
- Atsushi Kaikake**  
General Manager of Safety & Environment Control Dept., in charge of Quality Assurance Dept.
- \* **Nobuhiro Matsumoto**  
General Manager of Non-Ferrous Metals Div.
- Isao Abe**  
General Manager of Battery Materials Div.
- \* **Toru Higo**  
General Manager of Corporate Planning Dept., in charge of Legal Dept., and Internal Audit Dept.
- \* **Takahiro Kanayama**  
General Manager of Personnel Dept., in charge of General Affairs Dept., Public Relations & Investor Relations Dept., CSR Dept., Human Resources Development Dept., and Osaka Branch
- Ryoichi Sato**  
General Manager of Mineral Resources Div.

### Executive Officers

- Kazunori Takizawa**  
General Manager of Advanced Materials Div.
- Hiroshi Yoshida**  
Senior Deputy General Manager of Advanced Materials Div.
- Masaru Tani**  
Senior Deputy General Manager of Mineral Resources Div.
- Hitofumi Okubo**  
Senior Deputy General Manager of Engineering Div.
- Koji 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.
- Katsuya Tanaka**  
Senior Deputy General Manager of Battery Materials Div.
- Masaru Takebayashi**  
Senior Deputy General Manager of Non-Ferrous Metals Div.
- Kunihiko Miyamoto**  
General Manager of Finance & Accounting Dept., in charge of Secretarial Dept., Purchasing Dept., and Information Systems Dept.
- Hideyuki Okamoto**  
Senior Deputy General Manager of Technology Div.

# Independent Assurance Report



## 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, 2020 to March 31, 2021 included in its ESG Data Book 2021 (the “ESG Data Book”) for the fiscal year ended March 31, 2021; 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; and the Company’s identification and prioritization of material issues and the Company’s approach and management of its material issues included in its Integrated Report 2021 (the “Report”).

### 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 ESG Data Book; 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 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 the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘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 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 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 Company’s Ome District Div. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.
- 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.



### Conclusion

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

- the Indicators in the ESG Data Book are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the ESG Data Book;
- 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 76 of the Report and page 22 of the ESG Data Book;
- the Company has not identified and prioritized its material issues as described on page 65 of the Report; and
- the Company has not approached and managed its material issues as described on pages 66 to 93 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 Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

November 8, 2021

## 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.	14, 62
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, 20, 53, 78
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.	5, 6, 37, 41, 52-55, 68, 75, 77, 79, 82, 88, 90
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.	16, 21, 67, 73, 80, 92, 93, 111
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.	20, 22, 31, 39, 41, 52, 53, 79
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.	Inside cover, 1, 65
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, 13, 14, 17, 20, 26, 27, 29, 33, 38, 52, 53, 54, 82
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 a system for human rights due diligence in FY2014 and has followed it since then.	80, 111

Term	Explanation	Pages
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.	62
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."	15, 65, 76
Internal carbon pricing	A framework for encouraging investment that leads to decarbonization. Internal carbon pricing uniquely attaches prices to carbon emissions within a company, attaches monetary values to GHG emission reductions, and incorporates these into investment cost-effectiveness.	16, 41, 71
IoT	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.	25, 49, 63, 65, 66, 68, 81
LT/LN	Lithium Tantalate (LT) and Lithium Niobate (LN). These are used in chips for information and communication terminal SAW filters.	5, 38, 58
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.	54, 78
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, 20
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.	61
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

Term	Explanation	Pages
<i>Nanban-buki</i>	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, 29
NCA	An acronym for a type of secondary battery cathode material composed primarily of N (nickel), C (cobalt), and A (aluminum).	59, 69
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, 20, 23, 54, 78
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.	59, 66, 69, 72
NMC	An acronym for a type of secondary battery cathode material composed primarily of N (nickel), M (manganese), and C (cobalt).	59, 69
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.	21, 55, 86
OJT	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.	20, 21, 49, 84
RPA	An acronym for robotic process automation. This technology automates the everyday tasks that people perform on a computer, replicating them in the same manner. By automating tasks with clearly defined procedures, large-volume repetitive tasks, tasks prone to human error, and similar tasks and by transferring them to software robots, people are freed up to perform higher value-added work.	16
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."	18, 21, 24, 65, 87, 110, 111

Term	Explanation	Pages
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.	51, 58, 61, 62
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.	3-7, 13-15, 19-21, 23, 26, 28-33, 38, 40-42, 50, 52-55, 60-62, 66, 67, 69, 70, 74, 77, 78, 80, 86, 88, 92, 93, 95, 96, 98, 99, 108
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-cobalt sulfides (MS) using HPAL technology for export to the Group's Niihama Nickel Refinery and Harima Refinery.	5, 6, 32, 37, 38, 41, 51-54, 68, 75, 77, 79, 80, 88, 90
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.	50
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.	16, 71-73
xEV	Electric vehicles. Types of electrification are diverse, differing by method of supplying electricity. Types include BEVs that carry batteries, plug-in hybrids (PHEVs), hybrids (HEVs/MHVs), and fuel cell electric vehicles (FCEVs/FCVs).	1, 11, 31

# Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

IFRS					J-GAAP								
Years ended March 31	2021	2020	2019	2018	Years ended March 31	2018	2017	2016	2015	2014	2013	2012*2	2011
Millions of yen (except per share amounts and key ratios)													
<b>Results for the year:</b>					<b>Results for the year:</b>								
Net sales*4	¥ 926,122	¥ 851,946	¥ 912,208	¥ 929,746	Net sales	¥ 933,517	¥ 786,146	¥ 855,407	¥ 921,334	¥ 830,546	¥ 808,540	¥ 847,897	¥ 864,077
Gross profit	150,876	109,471	126,637	149,015	Gross profit	157,089	122,296	113,862	174,257	124,822	140,650	132,421	138,810
Profit before tax	123,379	79,035	89,371	108,286	Operating income	110,203	76,390	59,720	125,779	75,418	95,785	88,577	96,038
Profit attributable to owners of parent	94,604	60,600	66,790	90,227	Other income (expenses)	124,853	(1,565)	(12,764)	174,226	114,352	115,034	108,829	123,701
Capital expenditures	35,059	50,689	47,445	74,675	Profit (loss) before income taxes	105,795	(5,999)	559	123,261	111,006	122,455	87,962	123,394
Depreciation	45,729	45,355	43,541	46,762	Profit (loss) attributable to owners of parent	91,648	(18,540)	(309)	91,113	80,258	86,640	65,286	83,962
Net cash provided by (used in) operating activities	91,522	136,545	114,744	78,552	Capital expenditures	74,589	125,950	51,013	55,232	66,441	59,291	73,143	53,105
Net cash provided by (used in) investing activities	(32,393)	(70,334)	(142,354)	(22,787)	Depreciation	46,865	44,232	46,141	38,125	32,426	27,578	31,132	34,625
Net cash provided by (used in) financing activities	(55,758)	9,149	(29,047)	(89,797)	Financial revenue (expenses)	10,804	10,546	8,927	6,250	3,530	(144)	663	257
Free cash flows	59,129	66,211	(27,610)	55,765	Net cash provided by (used in) operating activities	79,405	43,796	119,704	120,003	80,014	114,665	144,999	102,458
<b>Financial position at year-end:</b>					<b>Financial position at year-end:</b>								
Total assets	¥1,885,999	¥1,719,690	¥1,797,701	¥1,732,333	Total assets	¥1,699,037	¥1,685,018	¥1,630,800	¥1,740,246	¥1,572,367	¥1,351,153	¥1,146,759	¥1,052,353
Equity	1,222,983	1,110,860	1,151,280	1,113,349	Net assets	1,120,008	1,024,121	1,075,995	1,158,945	1,019,053	844,547	726,039	684,103
Non-current liabilities	337,694	402,520	388,943	378,438	Long-term loans payable after one year	257,409	358,564	248,036	245,000	243,130	212,323	157,119	135,128
Interest-bearing liabilities	330,678	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
<b>Amounts per share (Yen)*3:</b>					<b>Amounts per share (Yen)*3:</b>								
Equity attributable to owners of parent per share	¥ 4,054	¥ 3,646	¥ 3,812	¥ 3,746	Net income (loss)								
Basic earnings per share	344	221	243	327	—Basic	¥ 332.42	¥ (33.61)	¥ (0.56)	¥ 165.11	¥ 145.35	¥ 155.58	¥ 116.17	¥ 149.38
Diluted earnings per share	344	221	243	295	—Diluted	299.94	—	—	149.44	129.71	142.40	106.84	136.98
Dividends	121	78	73	100	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
<b>Key ratios:</b>					<b>Key ratios:</b>								
ROA (%)	5.3	3.5	3.8	5.2	Cash dividends	100.0	11.0	31.0	48.0	37.0	34.0	28.0	32.0
ROE (%)	8.9	5.9	6.4	9.1	ROA (%)	5.42	(1.12)	(0.02)	5.50	5.49	6.94	5.94	8.26
Equity ratio (%)	59.1	58.3	58.3	59.4	ROE (%)*1	9.17	(1.93)	(0.03)	9.28	9.54	12.13	10.12	13.80
Interest-bearing liabilities to total asset ratio (%)	17.5	21.4	19.5	20.9	Equity ratio (%)*1	61.0	57.1	60.3	60.4	58.1	56.9	57.5	59.9
Debt-to-equity ratio (times)	0.30	0.37	0.33	0.35	Interest-bearing debt to total asset ratio (%)	21.3	29.4	24.6	22.6	24.4	24.4	23.2	20.0
Current ratio (times)	2.1	2.7	2.1	2.6	Debt-to-equity ratio (times)*1	0.35	0.52	0.41	0.37	0.42	0.43	0.40	0.33
					Current ratio (times)	2.70	2.82	2.39	2.29	2.40	2.60	2.67	2.30

\*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.

\*4 "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.

\*5 Effective from the fiscal year ended March 31, 2021, the Company has changed its accounting policy for non-free supplied materials received from customers.

This change in accounting policy was applied retrospectively to the figure for the fiscal year ended March 31, 2020.

## 1 Consolidated Financial Statements

## (1) Consolidated Financial Statements

## 1) Consolidated Statement of Financial Position

	Notes	FY2019	FY2020		Notes	FY2019	FY2020	
		(As of March 31, 2020)	(As of March 31, 2021)			(As of March 31, 2020)	(As of March 31, 2021)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars		Millions of yen	Millions of yen	Thousands of U.S. dollars
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	7	155,530	158,373	1,430,521				
Trade and other receivables	8, 33	123,393	153,645	1,387,815				
Other financial assets	15, 33	8,959	3,995	36,085				
Inventories	9	249,884	323,229	2,919,601				
Other current assets	16	23,456	34,494	311,571				
<b>Total current assets</b>		<b>561,222</b>	<b>673,736</b>	<b>6,085,593</b>				
<b>Non-current assets</b>								
Property, plant and equipment	10	463,405	457,662	4,133,881				
Intangible assets and goodwill	11	58,338	53,180	480,354				
Investment property	13	3,428	3,477	31,406				
Investments accounted for using equity method	14	365,090	311,768	2,816,078				
Other financial assets	15, 33	241,957	354,465	3,201,743				
Deferred tax assets	17	8,466	8,693	78,520				
Other non-current assets	16, 22	17,784	23,018	207,913				
<b>Total non-current assets</b>		<b>1,158,468</b>	<b>1,212,263</b>	<b>10,949,896</b>				
<b>Total assets</b>	<b>6</b>	<b>1,719,690</b>	<b>1,885,999</b>	<b>17,035,489</b>				
<b>Liabilities and equity</b>								
<b>Liabilities</b>								
<b>Current liabilities</b>								
Trade and other payables	18, 33	104,803	151,128	1,365,080				
Bonds and borrowings	19, 33	80,656	120,725	1,090,462				
Other financial liabilities	19, 20, 33	5,019	6,794	61,368				
Income taxes payable		4,687	22,544	203,631				
Provisions	21	4,392	4,952	44,729				
Other current liabilities	23	6,753	19,179	173,236				
<b>Total current liabilities</b>		<b>206,310</b>	<b>325,322</b>	<b>2,938,506</b>				
<b>Non-current liabilities</b>								
Bonds and borrowings	19, 33	316,847	239,702	2,165,134				
Other financial liabilities	19, 20, 33	11,705	11,499	103,866				
Provisions	21	21,708	22,650	204,589				
Retirement benefit liability	22	14,024	5,851	52,850				
Deferred tax liabilities	17	37,394	57,041	515,229				
Other non-current liabilities	23	842	951	8,590				
<b>Total non-current liabilities</b>		<b>402,520</b>	<b>337,694</b>	<b>3,050,257</b>				
<b>Total liabilities</b>		<b>608,830</b>	<b>663,016</b>	<b>5,988,763</b>				
<b>Equity</b>								
Share capital	24	93,242	93,242	842,218				
Capital surplus	24	87,598	87,604	791,293				
Treasury shares	24	(38,002)	(38,027)	(343,483)				
Other components of equity		(94)	25,148	227,152				
Retained earnings	24	859,202	945,956	8,544,449				
<b>Total equity attributable to owners of parent</b>		<b>1,001,946</b>	<b>1,113,923</b>	<b>10,061,629</b>				
Non-controlling interests		108,914	109,060	985,096				
<b>Total equity</b>		<b>1,110,860</b>	<b>1,222,983</b>	<b>11,046,726</b>				
<b>Total liabilities and equity</b>		<b>1,719,690</b>	<b>1,885,999</b>	<b>17,035,489</b>				

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income  
Consolidated Statement of Profit or Loss

	Notes	FY2019	FY2020	
		(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	
Net sales	26	851,946	926,122	8,365,297
Cost of sales	27	(742,475)	(775,246)	(7,002,493)
Gross profit		109,471	150,876	1,362,804
Selling, general and administrative expenses	27	(49,098)	(46,297)	(418,183)
Finance income	28	15,390	22,955	207,344
Finance costs	28	(7,858)	(4,757)	(42,968)
Share of profit of investments accounted for using equity method	14	6,178	8,719	78,755
Other income	29	12,855	5,757	52,001
Other expenses	29	(7,903)	(13,874)	(125,318)
Profit before tax	6	79,035	123,379	1,114,434
Income tax expense	17	(18,283)	(24,670)	(222,834)
Profit		60,752	98,709	891,600
Profit attributable to:				
Owners of parent		60,600	94,604	854,521
Non-controlling interests		152	4,105	37,079
Profit		60,752	98,709	891,600
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share	31	220.54	344.29	3.11
Diluted earnings per share	31	220.54	344.29	3.11

## Consolidated Statement of Comprehensive Income

	Notes	FY2019	FY2020	
		(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	
Profit		60,752	98,709	891,600
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	(21,126)	44,921	405,754
Remeasurements of defined benefit plans	30	(2,520)	8,639	78,033
Share of other comprehensive income of investments accounted for using equity method	14, 30	(115)	304	2,746
Total of items that will not be reclassified to profit or loss		(23,761)	53,864	486,532
Items that will be reclassified to profit or loss:				
Cash flow hedges	30	(1,645)	(1,005)	(9,078)
Exchange differences on translation of foreign operations	30	(5,108)	(14,539)	(131,325)
Share of other comprehensive income of investments accounted for using equity method	14, 30	(2,979)	(7,080)	(63,951)
Total of items that will be reclassified to profit or loss		(9,732)	(22,624)	(204,354)
Other comprehensive income, net of tax		(33,493)	31,240	282,179
Comprehensive income		27,259	129,949	1,173,778
Comprehensive income attributable to:				
Owners of parent		28,541	128,758	1,163,021
Non-controlling interests		(1,282)	1,191	10,758
Comprehensive income		27,259	129,949	1,173,778

3) Consolidated Statement of Changes in Equity  
FY2019 (From April 1, 2019 to March 31, 2020)

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive 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	-	-	-	(6,758)	(1,547)	(21,039)
Total comprehensive income	-	-	-	(6,758)	(1,547)	(21,039)
Purchase of treasury shares	-	-	(19)	-	-	-
Disposal of treasury shares	-	0	0	-	-	-
Dividends	-	-	-	-	-	-
Changes in ownership interests	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	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

Notes	Equity attributable to owners of parent					
	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
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	(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	-	-	-	(19)	-	(19)
Disposal of treasury shares	-	-	-	0	-	0
Dividends	-	-	(16,762)	(16,762)	(3,121)	(19,883)
Changes in ownership interests	-	-	-	-	9,598	9,598
Transfer to retained earnings	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

FY2020 (From April 1, 2020 to March 31, 2021)

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	93,242	87,598	(38,002)	(26,376)	(916)	27,198
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	(18,707)	(1,071)	44,946
Total comprehensive income	-	-	-	(18,707)	(1,071)	44,946
Purchase of treasury shares	-	-	(25)	-	-	-
Disposal of treasury shares	-	1	0	-	-	-
Dividends	-	-	-	-	-	-
Changes in ownership interests	-	5	-	-	-	-
Obtaining of control of subsidiaries	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	74
Transactions with owners - total	-	6	(25)	-	-	74
As of March 31, 2021	93,242	87,604	(38,027)	(45,083)	(1,987)	72,218

Notes	Equity attributable to owners of parent					
	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of April 1, 2020	-	(94)	859,202	1,001,946	108,914	1,110,860
Profit	-	-	94,604	94,604	4,105	98,709
Other comprehensive income	8,986	34,154	-	34,154	(2,914)	31,240
Total comprehensive income	8,986	34,154	94,604	128,758	1,191	129,949
Purchase of treasury shares	-	-	-	(25)	-	(25)
Disposal of treasury shares	-	-	-	1	-	1
Dividends	-	-	(16,762)	(16,762)	(3,224)	(19,986)
Changes in ownership interests	-	-	-	5	2,151	2,156
Obtaining of control of subsidiaries	-	-	-	-	28	28
Transfer to retained earnings	(8,986)	(8,912)	8,912	-	-	-
Transactions with owners - total	(8,986)	(8,912)	(7,850)	(16,781)	(1,045)	(17,826)
As of March 31, 2021	-	25,148	945,956	1,113,923	109,060	1,222,983

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	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, 2020	842,218	791,238	(343,257)	(238,244)	(8,274)	245,669
Profit	-	-	-	-	-	-
Other comprehensive income	30	-	-	(168,973)	(9,674)	405,980
Total comprehensive income		-	-	(168,973)	(9,674)	405,980
Purchase of treasury shares	24	-	(226)	-	-	-
Disposal of treasury shares	24	-	9	-	-	-
Dividends	25	-	-	-	-	-
Changes in ownership interests		-	45	-	-	-
Obtaining of control of subsidiaries		-	-	-	-	-
Transfer to retained earnings	15	-	-	-	-	668
Transactions with owners - total		-	54	(226)	-	668
As of March 31, 2021	842,218	791,293	(343,483)	(407,217)	(17,948)	652,317

Notes	Equity attributable to owners of parent					
	Other components of equity			Non-controlling interests	Total equity	
	Remeasurements of defined benefit plans	Total	Retained earnings			
	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, 2020	-	(849)	7,760,835	9,050,185	983,777	10,033,963
Profit	-	-	854,521	854,521	37,079	891,600
Other comprehensive income	30	81,167	308,500	308,500	(26,321)	282,179
Total comprehensive income		81,167	308,500	1,163,021	10,758	1,173,778
Purchase of treasury shares	24	-	-	(226)	-	(226)
Disposal of treasury shares	24	-	-	9	-	9
Dividends	25	-	(151,405)	(151,405)	(29,121)	(180,526)
Changes in ownership interests		-	-	45	19,429	19,474
Obtaining of control of subsidiaries		-	-	-	253	253
Transfer to retained earnings	15	(81,167)	(80,499)	80,499	-	-
Transactions with owners - total		(81,167)	(80,499)	(70,906)	(9,439)	(161,015)
As of March 31, 2021		-	227,152	8,544,449	10,061,629	985,096

## 4) Consolidated Statement of Cash Flows

Notes	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
Cash flows from operating activities			
	79,035	123,379	1,114,434
Profit before tax			
Depreciation and amortization expense	45,355	45,729	413,052
Loss (gain) on sale of property, plant and equipment	(8,616)	(174)	(1,572)
Impairment losses	1,506	262	2,367
Share of loss (profit) of investments accounted for using equity method	(6,178)	(8,719)	(78,755)
Loss (gain) on sale of subsidiaries	488	-	-
Increase or decrease in retirement benefit asset or liability	892	(14,646)	(132,292)
Increase (decrease) in provisions	(1,635)	(2,392)	(21,606)
Finance income	(15,390)	(22,955)	(207,344)
Finance costs	7,858	4,757	42,968
Decrease (increase) in trade and other receivables	26,820	(30,489)	(275,395)
Decrease (increase) in inventories	2	36,842	(70,653)
Increase (decrease) in trade and other payables	(28,825)	52,133	470,897
Decrease (increase) in advance payments to suppliers	2	(3,788)	3,144
Increase (decrease) in accrued consumption taxes		553	(187)
Other	2	235	8,587
Subtotal	135,152	87,776	792,846
Interest received	5,112	4,034	36,438
Dividends received	11,991	11,931	107,768
Interest paid	(6,669)	(3,834)	(34,631)
Income taxes paid	(10,587)	(8,463)	(76,443)
Income taxes refund	1,546	78	705
Net cash provided by (used in) operating activities	136,545	91,522	826,682
Cash flows from investing activities			
Payments into time deposits	(9,272)	(21,401)	(193,307)
Proceeds from withdrawal of time deposits	10,652	24,736	223,431
Purchase of property, plant and equipment	(45,778)	(39,267)	(354,683)
Proceeds from sale of property, plant and equipment	10,849	375	3,387
Purchase of intangible assets	(695)	(1,203)	(10,866)
Proceeds from sale of investment securities	6,307	821	7,416
Purchase of shares of subsidiaries and associates	(43,657)	(4,566)	(41,243)
Proceeds from sale of shares of subsidiaries and associates	-	9,943	89,811
Collection of short-term loans receivable	260	253	2,285
Payments for long-term loans receivable	(3,246)	(3,424)	(30,928)
Collection of long-term loans receivable	3,138	1,596	14,416
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	32	885	-

## Corporate Data and Investor Information (As of March 31, 2021)

	Notes	FY2019	FY2020	
		(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Purchase of shares of subsidiaries resulting in change in scope of consolidation	32	–	(249)	(2,249)
Other	2	223	(7)	(63)
Net cash provided by (used in) investing activities		(70,334)	(32,393)	(292,593)
<b>Cash flows from financing activities</b>				
Proceeds from short-term borrowings	32	188,223	252,439	2,280,182
Repayments of short-term borrowings	32	(185,585)	(256,969)	(2,321,100)
Proceeds from long-term borrowings	32	28,629	1,350	12,194
Repayments of long-term borrowings	32	(29,891)	(32,908)	(297,245)
Proceeds from issuance of bonds	32	19,884	–	–
Proceeds from share issuance to non-controlling shareholders		9,598	2,158	19,492
Purchase of treasury shares		(19)	(25)	(226)
Dividends paid	25	(16,762)	(16,762)	(151,405)
Dividends paid to non-controlling shareholders		(3,121)	(3,224)	(29,121)
Other	32	(1,807)	(1,817)	(16,412)
Net cash provided by (used in) financing activities		9,149	(55,758)	(503,640)
Net increase (decrease) in cash and cash equivalents		75,360	3,371	30,449
Cash and cash equivalents at beginning of period	7	81,261	155,530	1,404,841
Effect of exchange rate changes on cash and cash equivalents		(1,091)	(528)	(4,769)
Cash and cash equivalents at end of period	7	155,530	158,373	1,430,521

### Corporate Data

Founded	1590
Incorporated	1950
Paid-In Capital	¥93.2 billion
Number of Employees	7,072 (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  
 URL: <https://www.smm.co.jp/en/>

### 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	42,489
	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 as the effective date.

### 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

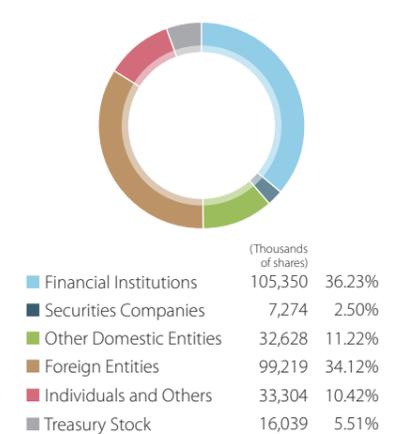
### Major Shareholders

	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,202	11.36
Custody Bank of Japan, Ltd. (Trust Account)	19,282	7.02
Toyota Motor Corporation	11,058	4.02
JP MORGAN CHASE BANK 385632	4,270	1.55
STATE STREET BANK WEST CLIENT-TREATY 505234	3,923	1.43
Custody Bank of Japan, Ltd. (Trust Account 5)	3,879	1.41
Sumitomo Mitsui Banking Corporation	3,825	1.39
Sumitomo Realty & Development Co., Ltd.	3,745	1.36
Sumitomo Life Insurance Company	3,737	1.36
Custody Bank of Japan, Ltd. (Trust Account 7)	3,644	1.33

Notes: 1. We own 16,039 million shares of treasury stock.

2. The shareholding ratios were calculated based on the total number of issued shares less treasury stock.

### Breakdown of Shareholders



### Share Price by Fiscal Year

FY	Annual high (yen)	Annual low (yen)	Year-end (yen)	Volatility
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%
2020	5,584	2,141	4,779	43.3%

Source: Capital IQ

• Volatility is calculated by annualizing the standard deviation of weekly closing prices for the 52 weeks of the year.