

Message from the President



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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.¹
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.²
- We support the Declaration of Partnership Building.³

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

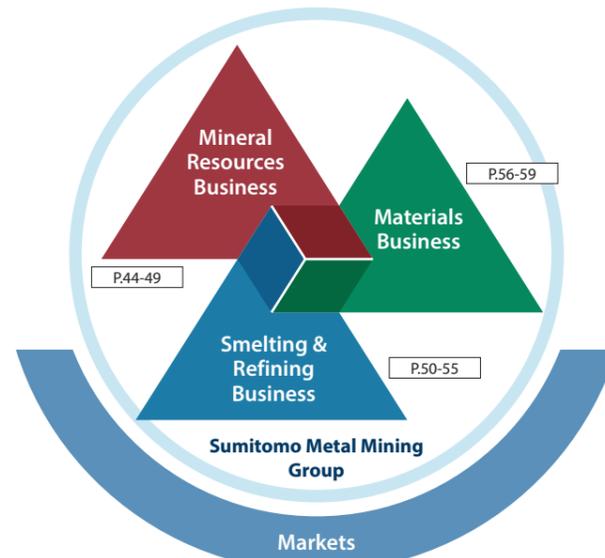
Natural capital

- 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 m³**
- 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

Long-Term Vision
Become the World Leader in the Non-Ferrous Metals Industry

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 m³**
- 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

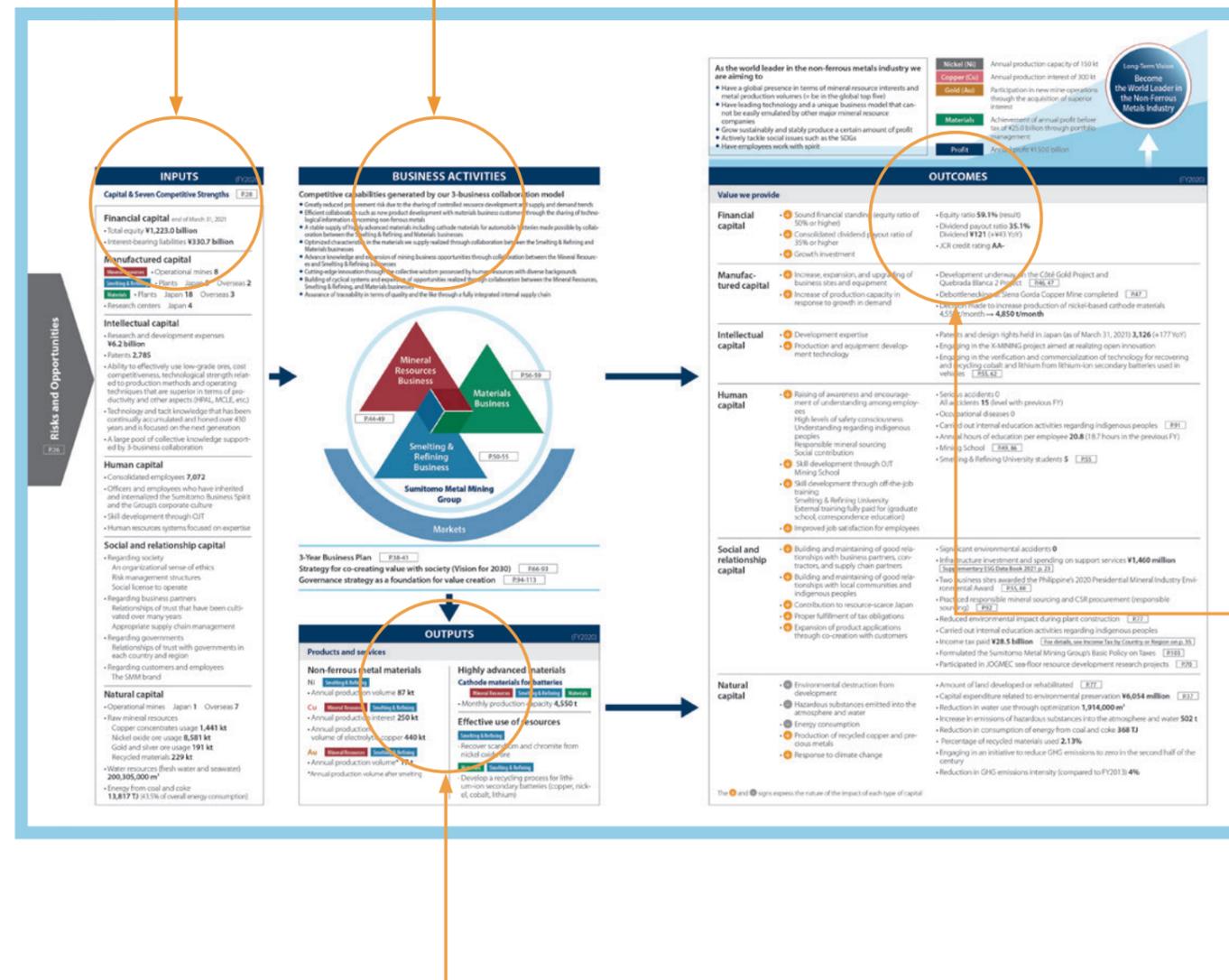
We build and value relationships of trust with the governments and communities in the countries where we do business and with long-standing business partners. We also strive to practice appropriate supply chain management and to establish and promote the SMM brand among customers and employees.

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.

BUSINESS ACTIVITIES



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.

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 process¹ 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 KPIs² 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>1 Effective Use of Non-Ferrous Metal Resources</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>2 Climate Change</p>	<p>Due to the nature of our Group's business, it is imperative that we reduce greenhouse gas (GHG) emissions, particularly CO₂ 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>3 Significant Environmental Accidents 4 Biodiversity</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>5 Employees' Occupational Health and Safety</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>6 Diverse Human Resources 7 Development and Participation of Human Resources</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>8 Engagement with Stakeholders</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>9 Co-Existence and Mutual Prosperity with Local Communities</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>10 Rights of Indigenous Peoples</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>11 Human Rights in the Supply Chain</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>1</p> <p>Current situation and issues regarding governments and policy</p> <ul style="list-style-type: none"> • Sharp rise in protectionism • Strengthened environmental regulations • Rise in mineral resource nationalism 	<ul style="list-style-type: none"> • Increased cost of investing and operating mines and refineries • Increasingly strict development permit processes • Export bans on unprocessed ore • Nationalization of mines; increased taxation 	<ul style="list-style-type: none"> • Stable procurement of resources from mine interests we possess • Processing of low-grade nickel ore locally by HPAL plants • Environmental and social contribution (return of profit); approach to local communities and indigenous peoples 	<ul style="list-style-type: none"> ■ Growth in demand for copper associated with economic growth and development in emerging countries 	<ul style="list-style-type: none"> ■ Realization of a third HPAL plant (increase in value added locally)
<p>2</p> <p>Current situation and issues regarding the business environment</p> <ul style="list-style-type: none"> • Metal price and forex movement • Generalization of advanced smelting and refining technologies • Changes in the markets of the Materials Business • Rise in awareness regarding the forming of a sustainable society • Growth in interest in ESG investment (negative screening, etc.) • Acceleration of the carbon neutrality movement • Increase in the importance of information security • Growth in the importance of intellectual property due to globalization • Spread of infectious disease 	<ul style="list-style-type: none"> • Decline in metal prices; exchange rate fluctuations • Decline in superiority of HPAL technology • Obsolescence of products and technologies due to technological innovation • Exclusion from investment due to lagging approach to ESG • Decline in competitiveness due to lagging approach to GHG emissions reduction • Leakage, destruction, falsification, etc. of information due to lagging construction of information security systems • Initiation of proceedings involving patent infringement or other intellectual property matters • Negative impacts of infectious diseases on supply and demand and on production, including supply chains 	<ul style="list-style-type: none"> • Prior analysis of management impacts caused by fluctuations in metal prices and exchange rates • Deepening/continuous improvement and stable operation of production technology (HPAL) • Strengthening of research & development in collaboration with customers; development of new customers and markets • GHG emissions reduction activities • Strengthening of information security P.107 • Enforcement of and support for intellectual property management • Formulation of BCP • Stable supply through an integrated supply chain 	<ul style="list-style-type: none"> ■ Growth in demand for copper associated with increase in clean energy ■ Growth in demand for nickel and copper associated with increase in demand for electric vehicles 	<ul style="list-style-type: none"> ■ Participation in development of and investment in superior overseas mines, etc. ■ Realization of a third HPAL plant ■ Enhancement of the added value of HPAL technology ■ Expansion of business in products that contribute to a low-carbon society ■ Strengthening of the Materials Business (development of new products; increase in production capacity)
<p>3</p> <p>Current situation and issues regarding resource development</p> <ul style="list-style-type: none"> • Depletion of resources; decrease in number of superior mines (increased difficulty of mine development) • Occurrence of serious accidents or disasters • Emergence of issues related to business and human rights • Worsening of social conditions in areas where we do business • Expansion, utilization, and optimization of digital technologies 	<ul style="list-style-type: none"> • Increase in the cost of investing in and operating mines • Serious environmental incidents, including the collapse of tailing dams • 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 • Suspension of production activities due to riots or strikes • Decline in competitiveness due to lagging support for DX 	<ul style="list-style-type: none"> • Operational improvements (dispatch of engineers for stable operation and streamlining, improvement of existing operating equipment, enhancement of process capacities) • Promotion of environmental management system (EMS) • Management in line with international standards (tailing dam management, etc.) • Dialogues and coexistence with local communities • Enhancement of understanding of indigenous cultures • Due diligence for mineral procurement • BCP; crisis management support 	<ul style="list-style-type: none"> ■ Growth in demand for cathode materials associated with increase in demand for electric vehicles ■ Growth in demand for advanced materials used in electronic devices aimed at achieving a digital society 	<ul style="list-style-type: none"> ■ Securing of a sound financial base P.42-43 ■ Participation in development of and investment in superior overseas mines, etc. ■ Promotion of responsible sourcing, including mineral sourcing ■ Improvements and strengthening of management to prevent serious environmental accidents (tailing dams, etc.) ■ Launch of an organization to promote DX
<p>4</p> <p>Current situation and issues regarding work environments</p> <ul style="list-style-type: none"> • Decreasing working-age population due to dwindling birthrates and aging populations • Diversification of working styles - Respect for diversity 	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • Promotion of human resources utilization through support for diversity and Working Style Reform • Securing, developing, and active recruitment of human resources who acknowledge our philosophy • Promotion of occupational health and safety system 	<ul style="list-style-type: none"> ■ Growth in demand for recycling associated with depletion of resources, heightened environmental awareness, increased demand for metals, increased collection of used products, etc. 	<ul style="list-style-type: none"> ■ Assurance of diversity through active mid-career recruitment ■ Promotion of safer and smarter plants ■ Promotion of human resource strategy (securing, developing, and utilization) ■ Labor saving through the promotion of DX
<p>5</p> <p>Current situation and issues regarding global warming and climate change</p> <ul style="list-style-type: none"> • Increase in frequency and intensity of natural disasters 	<ul style="list-style-type: none"> • Damage to equipment/facilities and occurrence of spill accidents due to intensification of floods, storms, etc. • Interruption of global supply chains 	<ul style="list-style-type: none"> • Equipment development, training, and BCP support to mitigate disaster risks 		<ul style="list-style-type: none"> ■ Equipment development, training, and BCP support as disaster strategy

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).



7 Competitive Strengths

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 CO₂, 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 CO₂. 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

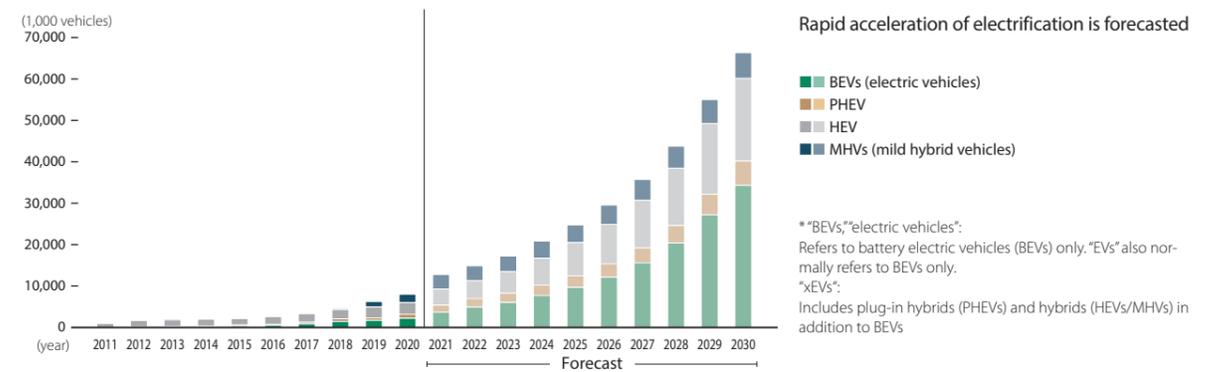


Countries' Reduction Targets

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 ₂ emissions by 2030 (2) Lower CO ₂ 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.

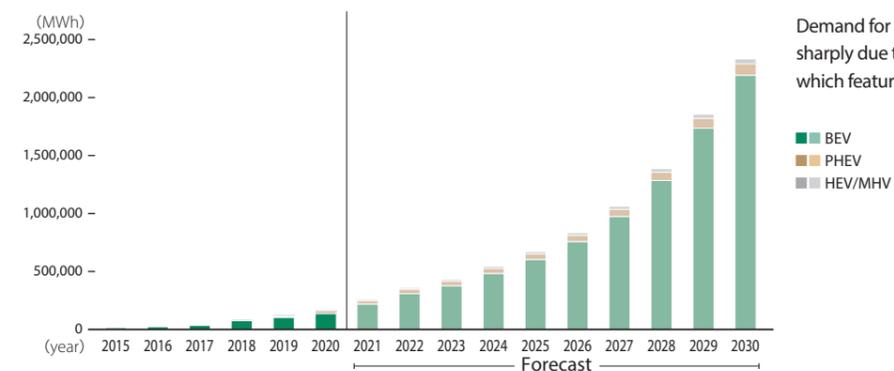
Having both smelting and refining, and battery mate-

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.

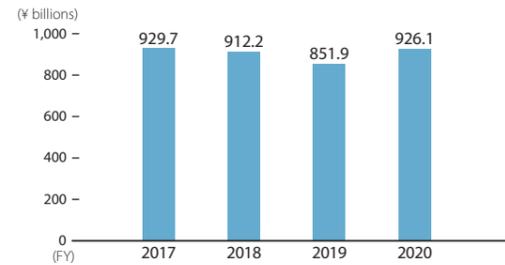
By combining the knowledge gained from our three businesses, including technologies in wide-ranging fields, experience and achievements in numerous projects, and market forecasting, our Group seeks to achieve further growth in the growing world of non-ferrous metals.

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



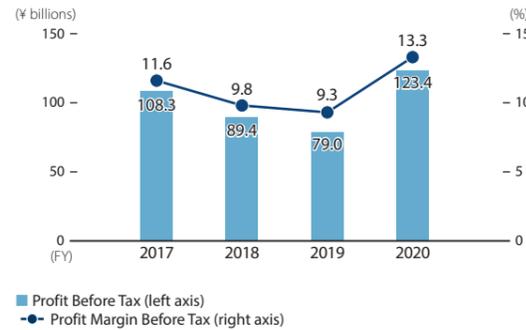
Financial and Non-Financial Highlights

Net Sales



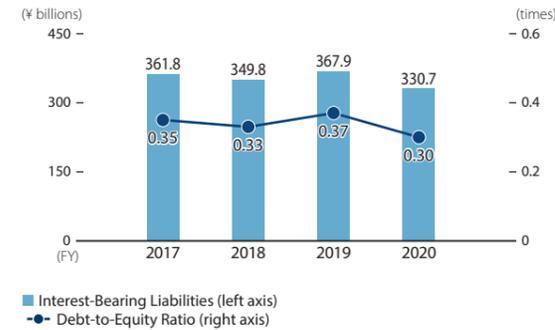
Consolidated net sales increased by ¥74.2 billion year on year to ¥926.1 billion, mainly due to year-on-year increases in copper, nickel, and gold prices and despite factors such as reduced sales in the battery materials business resulting from a temporary production adjustment.

Profit Before Tax/Profit Margin Before Tax



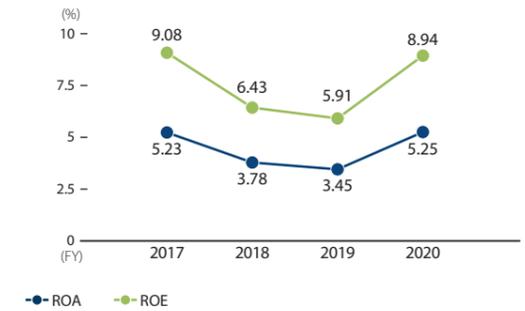
Consolidated profit before tax increased by ¥44.4 billion year on year to ¥123.4 billion, mainly due to an increase in income from rises in the prices of non-ferrous metals and other sources, as well as an upturn in profit from investments accounted for using the equity method.

Interest-Bearing Liabilities/Debt-to-Equity Ratio



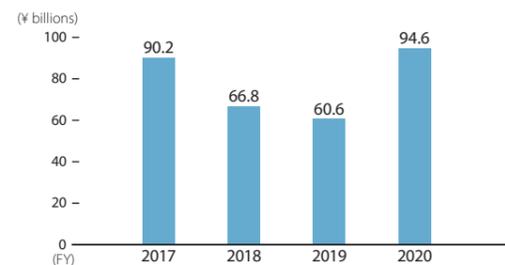
The amount of interest-bearing liabilities as of March 31, 2021, decreased by ¥37.2 billion year on year to ¥330.7 billion. The debt-to-equity ratio decreased by 0.07 points year on year to 0.30 times.

ROA/ROE



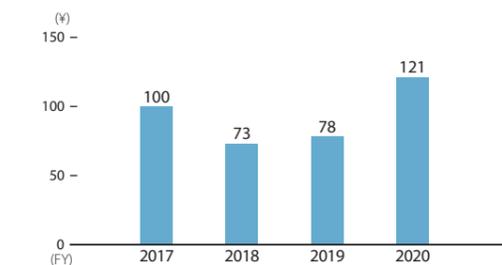
ROA improved by 1.80 points year on year to 5.25%. ROE improved by 3.03 points year on year to 8.94%. ROA levels exceeded the FY2021 estimates in our 2018 3-Year Business Plan.

Profit Attributable to Owners of Parent



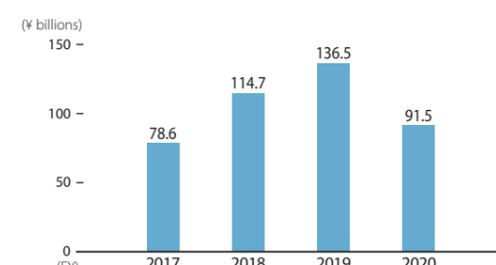
Profit attributable to owners of parent increased by ¥34.0 billion year on year to ¥94.6 billion, mainly due to an increase in consolidated profit before tax.

Dividend per Share



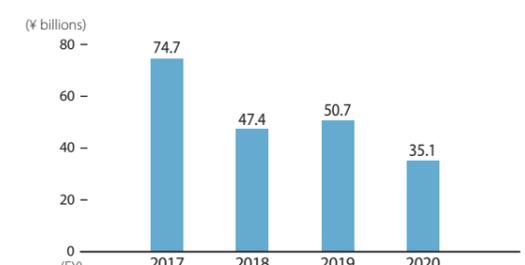
The annual dividend for the fiscal year ended March 31, 2021, was ¥121, comprising an interim dividend of ¥22 and a year-end dividend of ¥99. This was an increase of ¥43 compared to the fiscal year ended March 31, 2020. Payout ratio was 35.1%, fulfilling the dividend policy in our 2018 3-Year Business 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



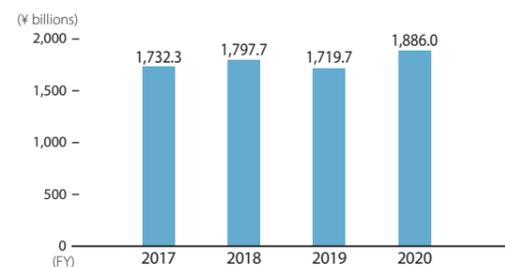
Net cash provided by operating activities decreased year on year, mainly due to increases in inventories and trade and other receivables, and despite increases in profit before tax and trade and other payables.

Capital Expenditure



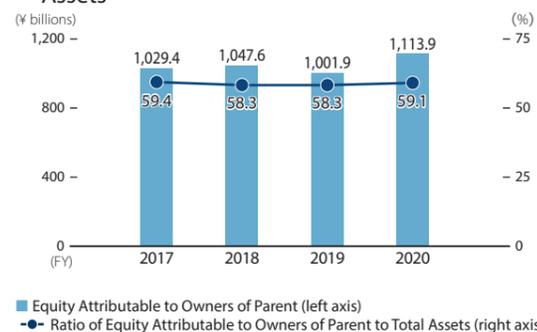
The Group carried out capital expenditure required to maintain and enhance production activities and to raise productivity. We invested ¥35.1 billion (based on property, plant and equipment and intangible assets), a year-on-year decrease of 30.8%, primarily due to certain expenditures being delayed to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



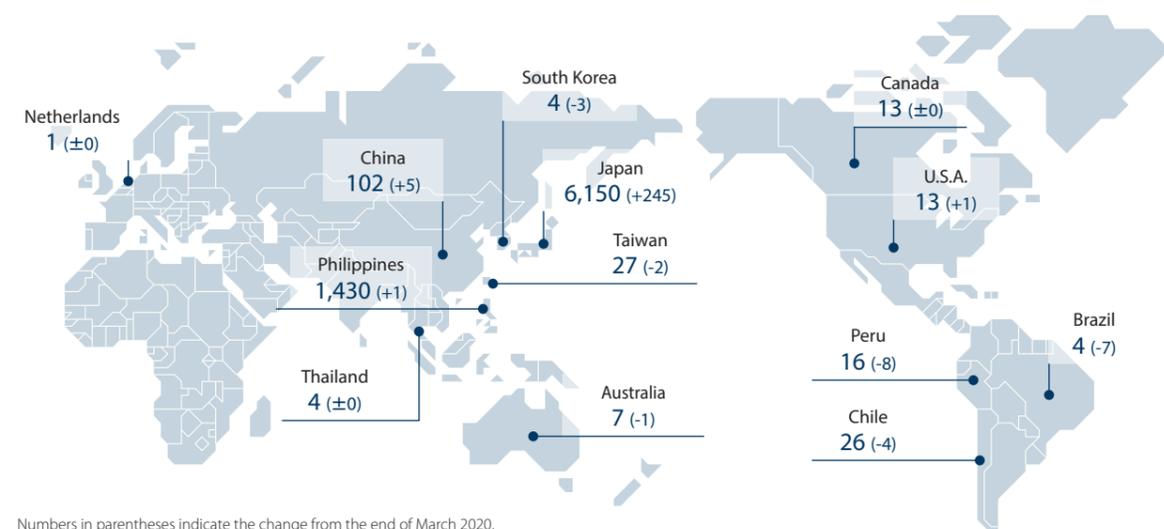
Total equity attributable to owners of parent increased by ¥112.0 billion year on year to ¥1,113.9 billion. The ratio of equity attributable to owners of parent to total assets (equity ratio) was 59.1%. We were able to achieve a level higher than 50%, our target for maintaining a sound financial position.

Income Tax by Country or Region (FY2020)

Income Tax by Country or Region (FY2020)						(millions of yen)
Japan	U.S.A.	Peru	Chile	China	Philippines	
23,558	3,188	4,723	2,045	864	2,336	
New Caledonia	Australia	Others				Total
267	276	30				37,287

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)



Numbers in parentheses indicate the change from the end of March 2020.

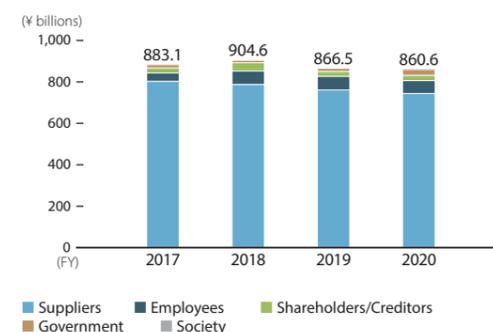
■ Number of Employees & Officers Worldwide (Consolidated) Figures are for March 31 of each fiscal year

	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

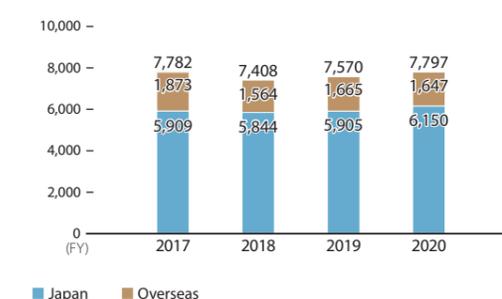
■ Capital Expenditure Related to Environmental Preservation

	(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

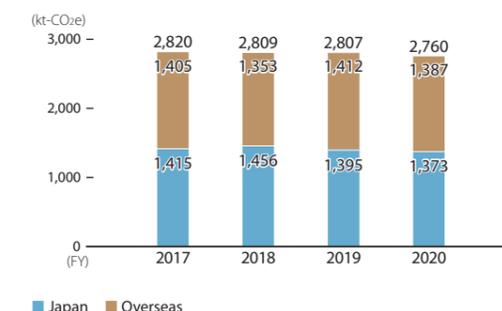


■ Occupational Accident Frequency Rate



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-CO₂e due to a decrease in production volumes and initiatives such as energy-saving activities.