

# Our History of Value Creation

Through a history of over 430 years, we have provided society with the non-ferrous metals that are indispensable to people's lives. In this environment, the SMM Group has been keenly aware of major changes in the business environment and has generated new value. Based on our long-cultivated technologies for handling metals and

our spirit of co-existence with society, we will recognize changes in increasingly diversifying and sophisticated social demands as business opportunities and continue to take on new, transformative challenges.

## Our path toward long-term value creation

### The beginning of Sumitomo's original business: copper smelting and refining business

In 1590, the Sumitomo copper business began in Kyoto as a copper smelting and decorative copper-work operation. By being the first in Japan to perfect a smelting technique known as *Nanban-buki* for the separation of copper from silver, Sumitomo solidified its business foundation.

### Opening of the Besshi Copper Mine triggers discovery of new value, mineral resources

The Besshi Copper Mine operated continuously for 283 years from its opening in 1691 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.

### Adding new metals to the Smelting & Refining and Mineral Resources businesses portfolio

At a time when the importance of gold as a resource was growing, we acquired the management rights for the Kounomai Mine in Hokkaido in 1917. Beginning in 1939, SMM also pioneered and commercialized the smelting and refining of nickel in Japan, which had hitherto relied on imports as nickel could not be smelted domestically.

### Entered into the Materials Business

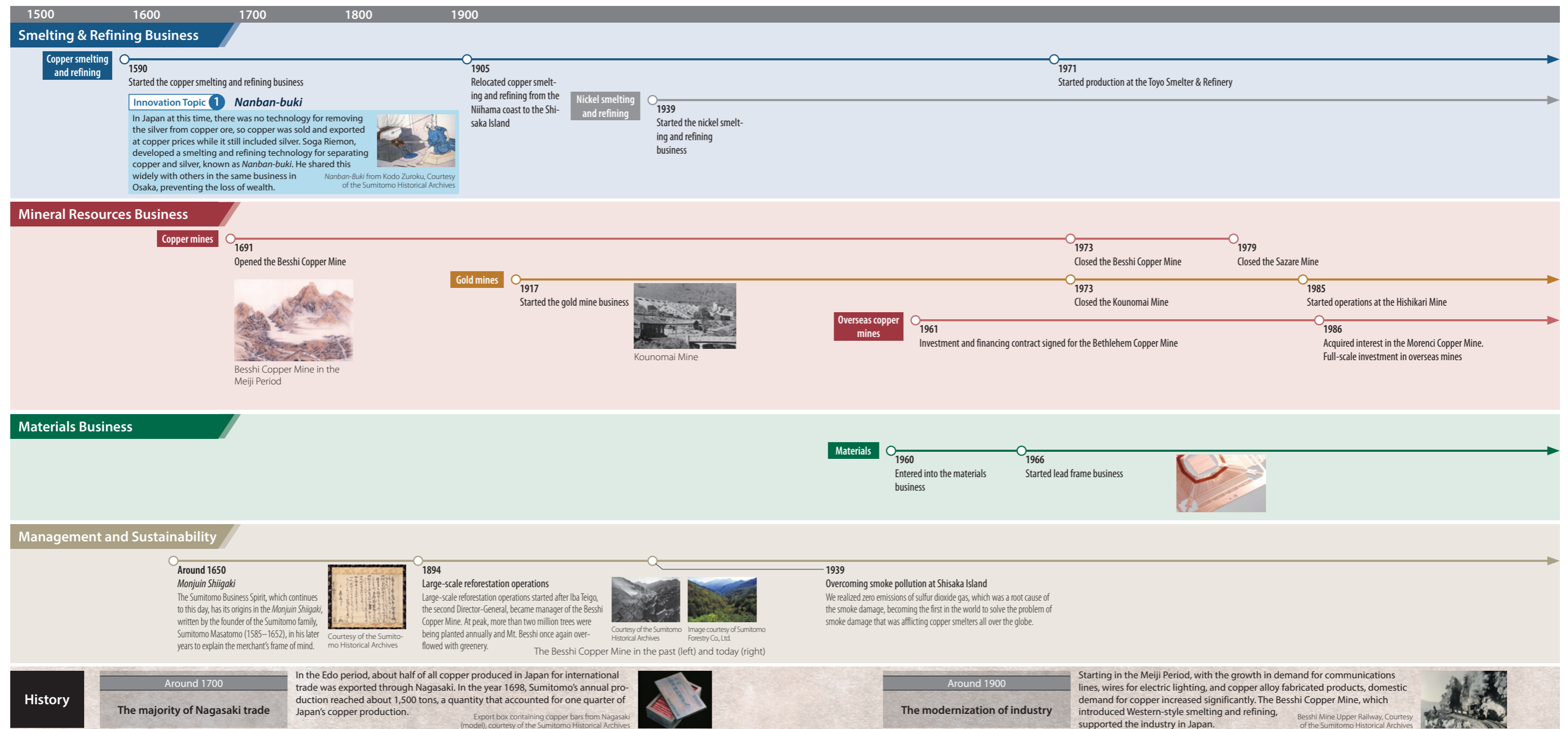
In 1960, the electronic materials business was being watched as a new market, and SMM began production of germanium dioxide for use in transistors. Since then, we have continued to provide the market with various electronic materials.

### Participated in overseas copper mines and acquired interests

The downsizing 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 Copper Mine, beginning the company's involvement with overseas mines and creating a foothold for the acquisition of mining interests that continues to this day.

### Started operation of the Hishikari Mine

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



## Our History of Value Creation

### Our path toward long-term value creation

#### Corporate reform since the JCO criticality accident

In September 1999, a criticality accident occurred at SMM subsidiary, JCO Co., Ltd., which manufactured fuel for nuclear power generation. This was a turning point in the management of the SMM Group, whereupon it reflected and in 2000 formulated the Corporate Reform Plan. We have thoroughly fostered and instilled compliance and a culture of safety, and even though more than 20 years have passed since the accident, we will not forget and will pass the lessons learnt on to younger generations.

#### Return to core business

Since FY2002, following the Corporate Reform Plan, in order to improve our profitability, we have been further promoting business selection and concentration to reform the business and cost structure of the SMM Group to build a corporate structure strong enough to withstand international competition even in a severe business environment.

#### Promoting the growth strategy

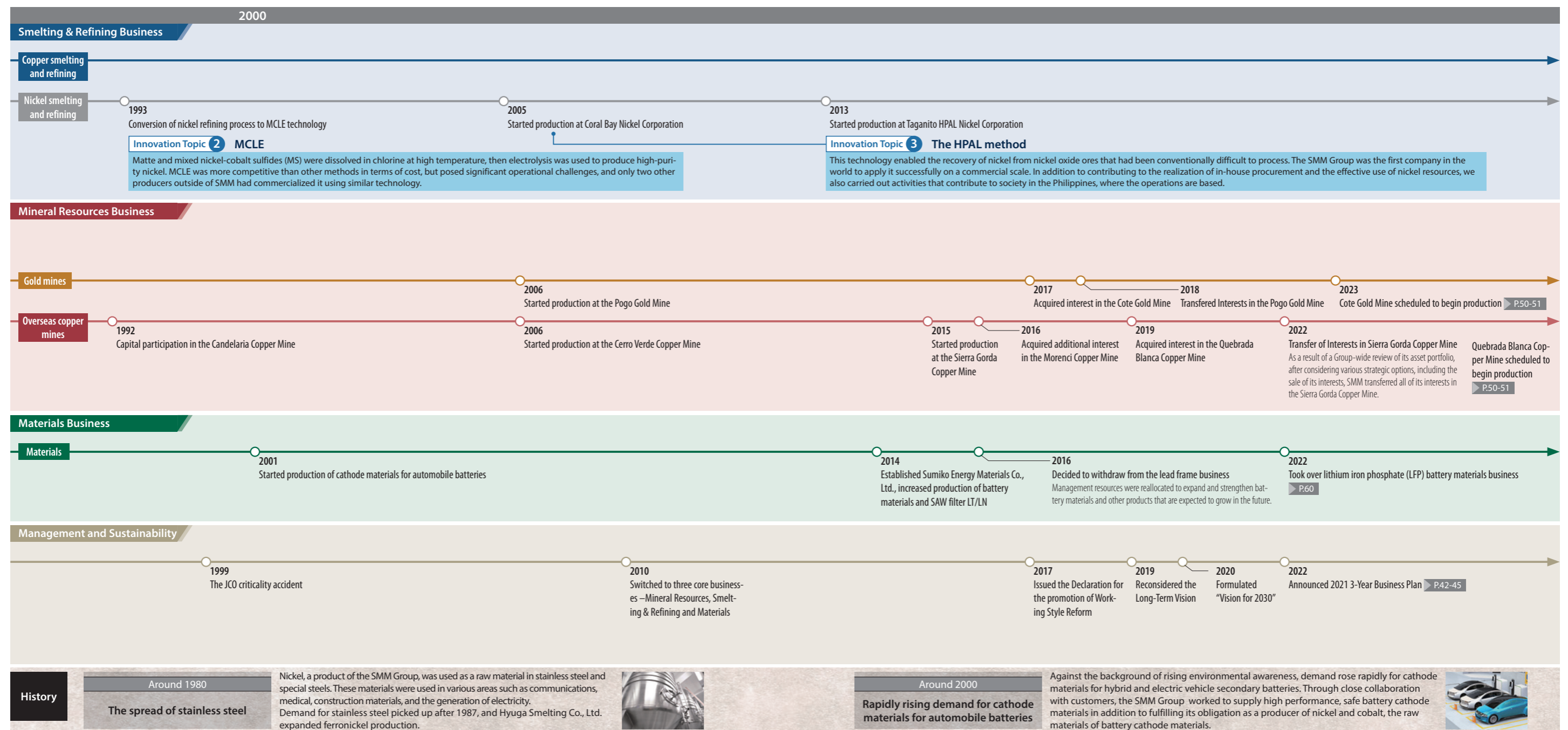
From FY2004 onward, we have steered our course toward the growth strategy by promoting large-scale projects and concentrating management resources in growth areas to expand and strengthen our core businesses. In FY2010, we shifted our business model to three core businesses: Mineral Resources, Smelting & Refining, and Materials. We have continued to implement our growth strategy to enhance our corporate value and competitiveness.

#### Began to increase the production of battery materials

We have been promoting high-performance materials for automobile batteries (cathode materials), which are expected to grow significantly in the future, and gradually increasing production capacity by leveraging our strength of an integrated process from the procurement of nickel raw material through to processing (3-business collaboration synergy).

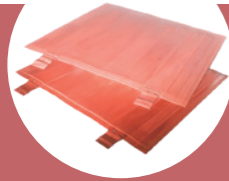
#### Long-term vision to become a world leader in the non-ferrous metals industry

In the 2018 3-Year Business Plan, we set the long-term vision of becoming the world leader in the non-ferrous metals industry and worked to strengthen our growth foundation through the promotion of large-scale projects, reinforced collaboration among our three businesses, and strengthened our corporate functions. In the subsequent 2021 3-Year Business Plan, under the theme of "renewed challenge for change," we will tackle 4 Challenges to realize our long-term vision.



# The Global Non-Ferrous Metal Industry and the SMM Group

## The Business Environment Surrounding Copper



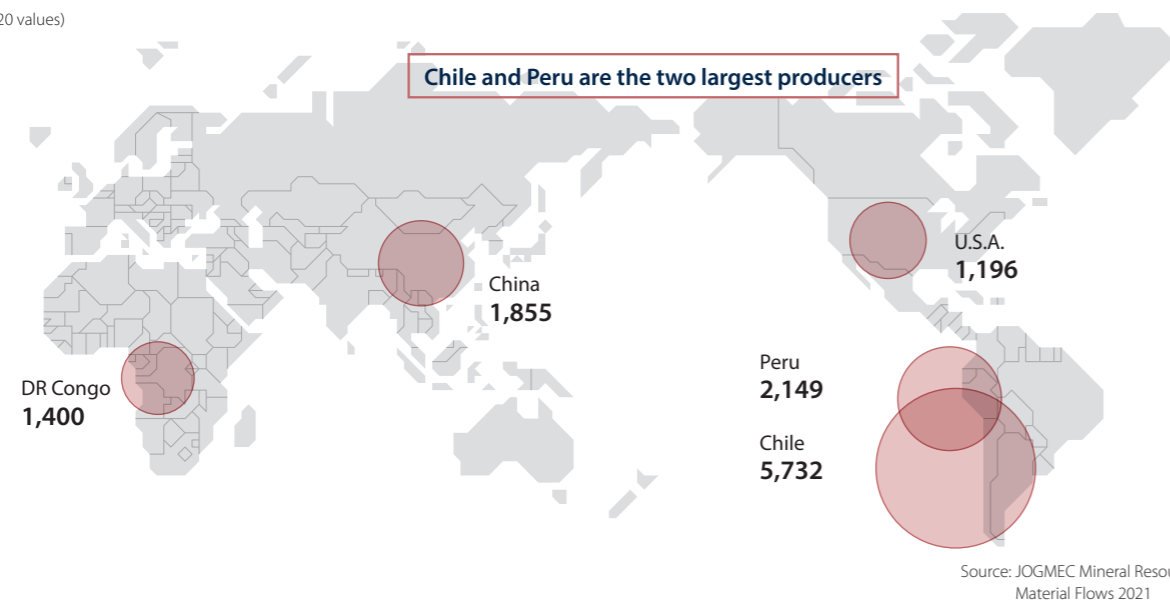
Copper is thought to be the first metal used in human history. It offers high heat and electrical conductivity, is relatively inexpensive, and has superior workability. This has resulted in it becoming an indispensable base metal for electrical wiring and copper alloy fabricated products in a wide range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

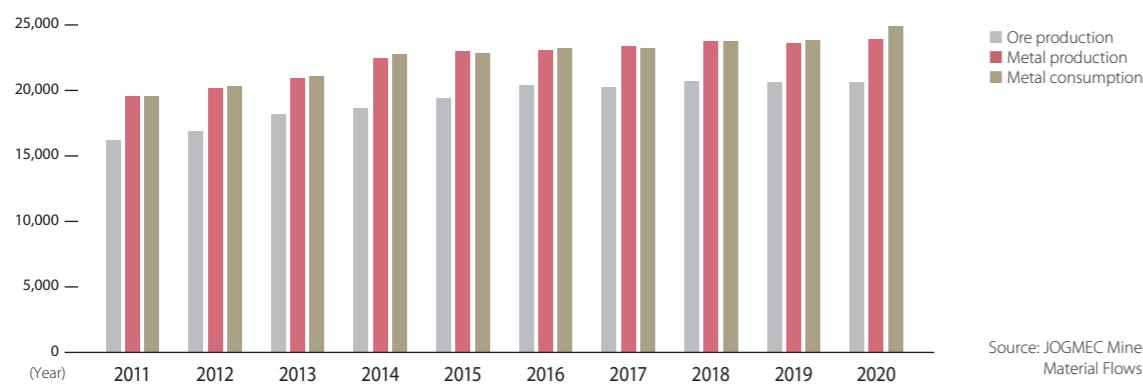
### World's Largest Copper Ore Producing Countries

(kt, 2020 values)



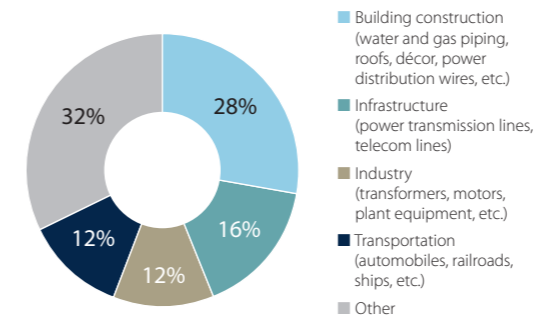
### Global Copper Supply and Demand

(kt pure copper)

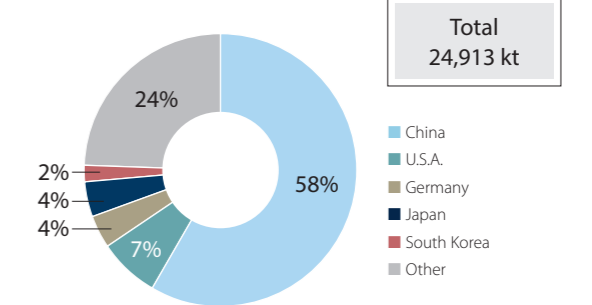


## Statistical Data Regarding Copper

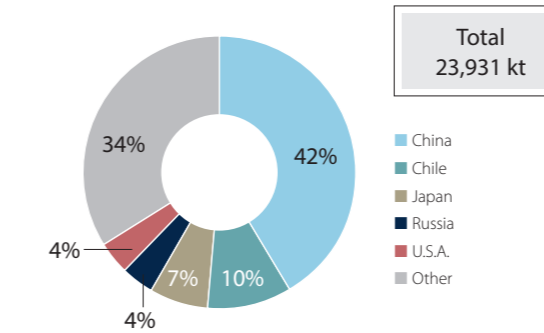
### Copper End-Use (2021 results)



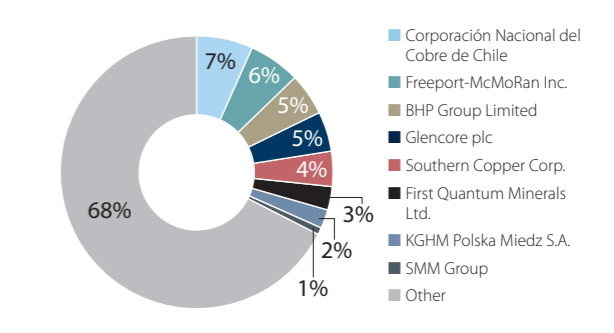
### Copper Metal Consumption by Country/Region (2020 results)



### Copper Metal Production by Country (2020 results)

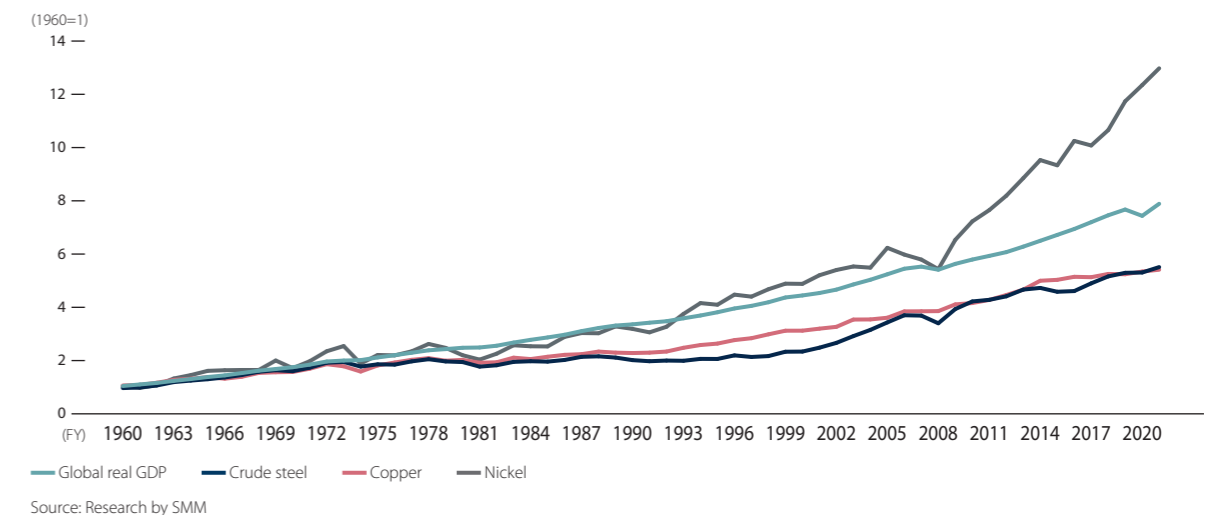


### Global Copper Interest Production (2021 results)



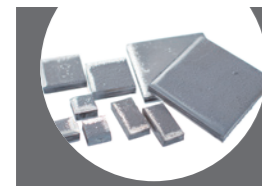
The size of the global copper market is about 24,800 kt  
The SMM Group ranks 24th in the world for global copper interest production (FY2021: 230 kt)

### Global Resource Demand Trends



## The Global Non-Ferrous Metal Industry and the SMM Group

### The Business Environment Surrounding Nickel

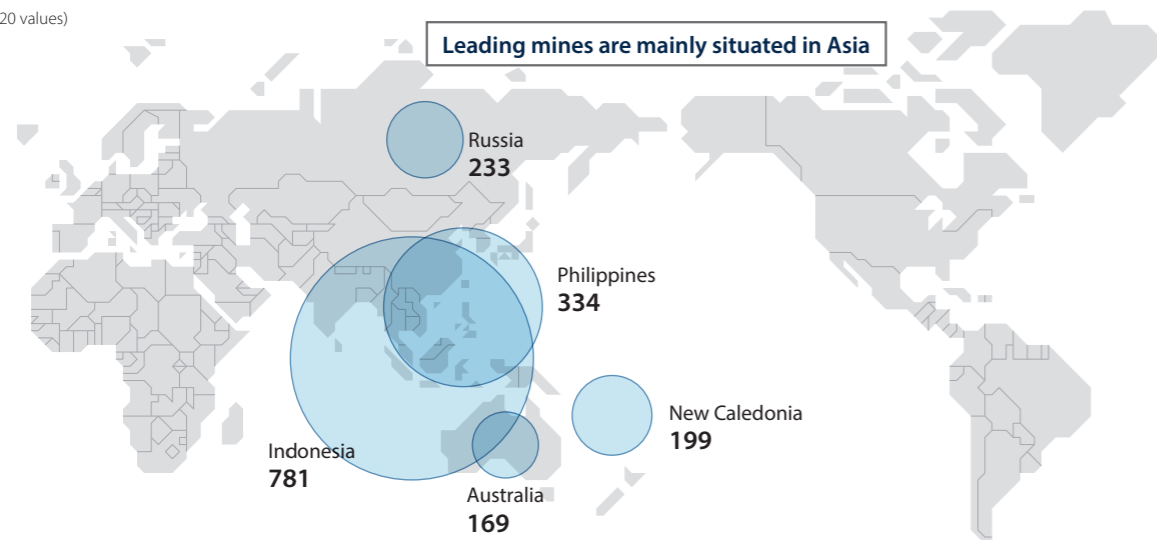


The main end-use of nickel is in stainless steel and a certain amount of increase in demand is expected. In addition to this, the electrification of the automotive sector has accelerated globally in recent years and an increase in demand for nickel for use in cathode materials for lithium-ion secondary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

Indonesia and the Philippines 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

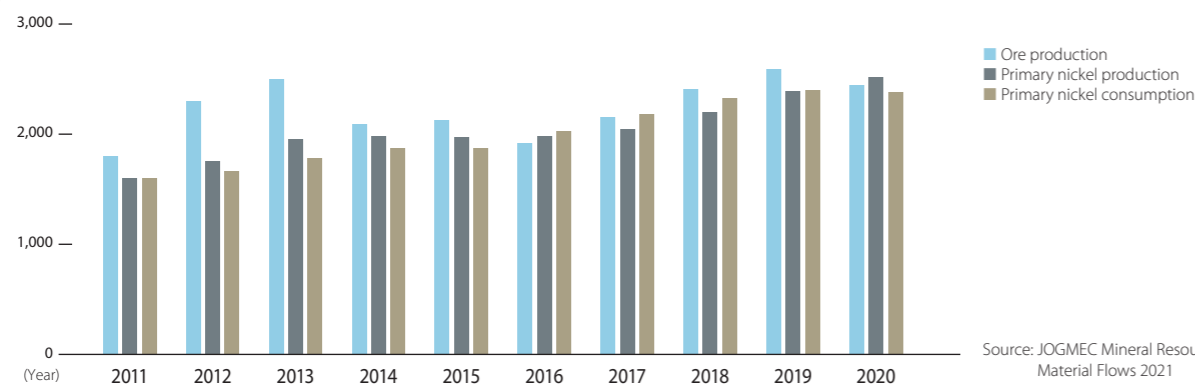
(kt, 2020 values)



Source: JOGMEC Mineral Resource Material Flows 2021

#### Global Nickel Supply and Demand

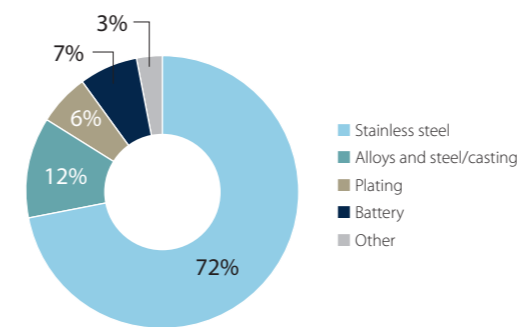
(kt pure nickel)



Source: JOGMEC Mineral Resource Material Flows 2021

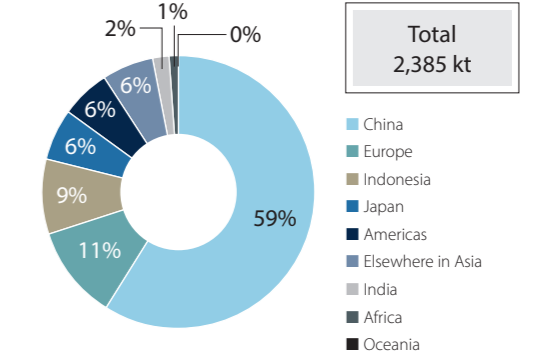
### Statistical Data Regarding Nickel

#### Nickel End-Use



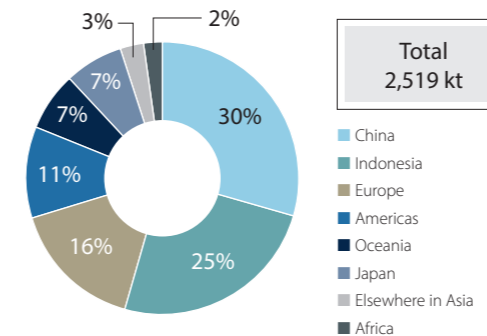
Source: S&P Global Market Intelligence (June 30, 2022)

#### Nickel Metal Consumption by Country/Region (2020 results)



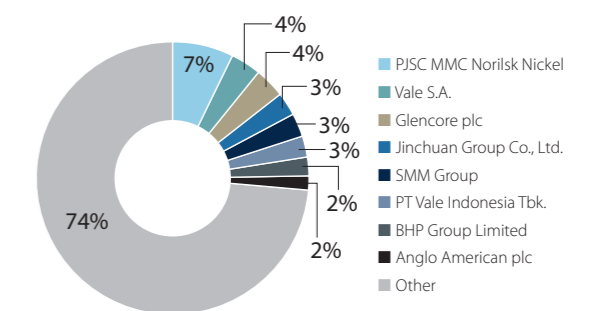
Source: JOGMEC Mineral Resource Material Flows 2021

#### Nickel Metal Production by Country/Region (2020 Results)



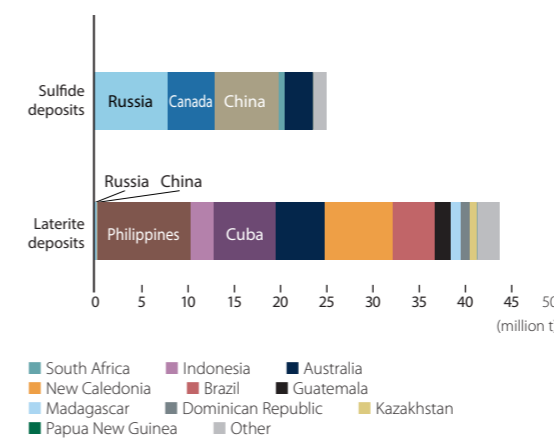
Source: JOGMEC Mineral Resource Material Flows 2021

#### Global Nickel Interest Production (2021 Results)



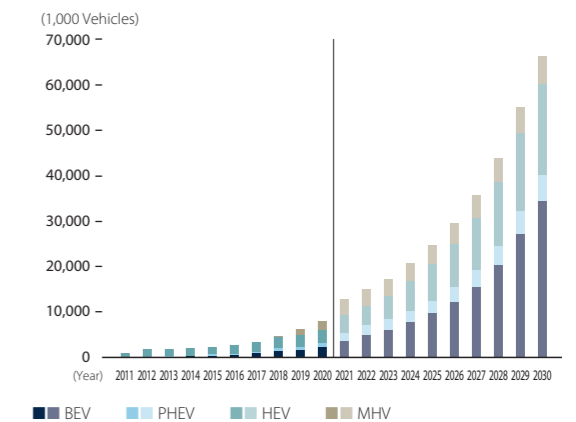
Source: S&P Global Market Intelligence  
Calculated based on interest production volume of nickel for each company, and for the SMM Group, metal production volume

#### Nickel in Reserves



Source: S&P Global Market Intelligence (July 7, 2022)

#### xEV Sales



Values for 2021 onward are projections

Source: B3 report 21-22

# Value Creation Process



## INPUTS

### Capitals

**Financial capital** as of March 31, 2022 (FY2021)  
 Seven Competitive Strengths **7**

- Sound financial standing
- Total equity **¥1,557.4 billion**
- Interest-bearing liabilities **¥301.4 billion**

### Manufactured capital

Seven Competitive Strengths **1 5**

- Mineral Resources** Operational mines **7**
- Smelting & Refining** Plants Japan **5** Overseas **3**
- Materials** Plants Japan **18** Overseas **3**
- R&D** Research centers Japan **4**

### Intellectual capital

Seven Competitive Strengths **1**

- Research and development expenses **¥6.6 billion**
- Intellectual property rights held **5,325**
- Technological strength related to production methods and operating techniques that are superior in terms of ability to effectively use low-grade ores, cost competitiveness, productivity and other aspects (HPAL, MCLC, 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 our 3-business collaboration

### Human capital

Seven Competitive Strengths **2 5**

- Consolidated employees **7,202**
- 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
- A firm resolve in regard to safety and a management framework that heightens hazard awareness

### Social and relationship capital

Seven Competitive Strengths **3 4 6**

- 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 Group brand
  - A close affinity with our customers' needs and the collaborative capabilities to continuously respond to them
- Regarding local communities
  - Involvement with local communities that has been built up through our core business

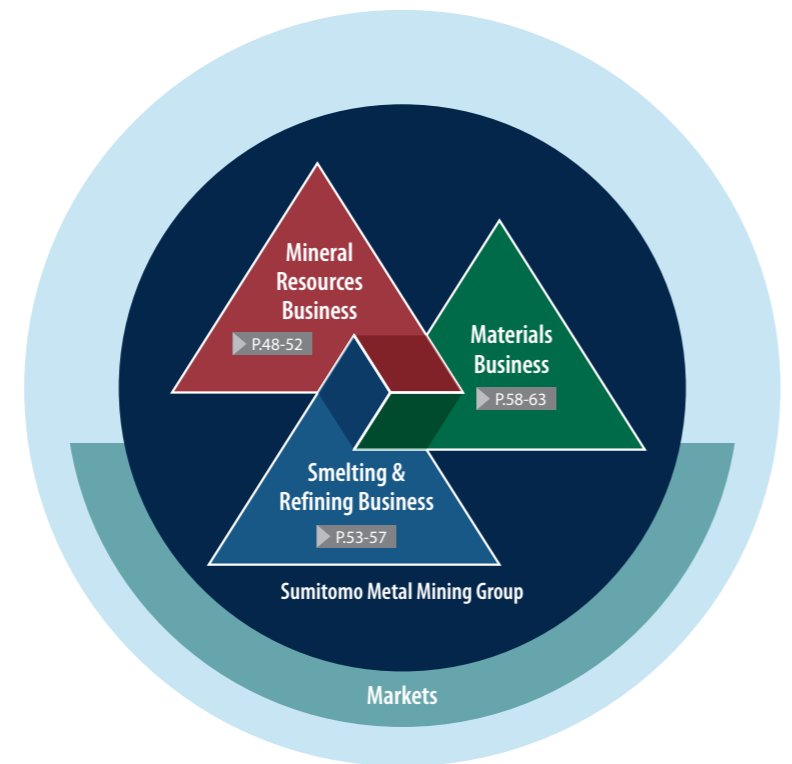
### Natural capital

- Operational mines Japan **1** Overseas **7**
- Raw mineral resources
  - Copper concentrates usage **1,287kt**
  - Nickel oxide ore usage **7,998kt**
  - Gold and silver ore usage **190kt**
  - Recycled materials **239kt**
- Water resources (fresh water and seawater) **181,271,000m<sup>3</sup>**
- Energy from coal and coke **13,048TJ** (42.6% of overall energy consumption)

Seven Competitive Strengths \* Figures denote the relevant items P.30-31

## BUSINESS ACTIVITIES

Competitive capabilities generated by our 3-business collaboration model P.29



3-Year Business Plan P.42-45 Vision for 2030 P.8-9  
 Co-creating value with society P.72-117

## OUTPUTS

### Products and services

(FY2021)

### Non-ferrous metal materials

- Ni** Smelting & Refining
  - Annual production volume **83kt**
- Cu** Mineral Resources Smelting & Refining
  - Annual production interest **230kt**
  - Annual production volume of electrolytic copper **420kt**
- Au** Mineral Resources Smelting & Refining
  - Annual production volume\* **17t**

\*Annual production volume after smelting

### Highly advanced materials

- Cathode materials for batteries** Mineral Resources Smelting & Refining Materials
  - Monthly production capacity **4,850t**

### 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)

## OUTCOMES

### Value we provide

(FY2021)

### Financial capital

- Sound financial standing (equity ratio of 50% or higher)
- Consolidated dividend payout ratio of 35% or higher
- Growth investment
- Equity ratio **63.7%** (result)
- Dividend payout ratio **35.1%** Dividend **¥301** (+¥180 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 Cote Gold Project and Quebrada Blanca 2 Project P.50-51
- 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, 2022) **3,126** (+177 YoY)
- Engaging in the X-MINING® (Cross-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.67

### 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 P.52
- Skill development through off-JT
- Smelting & Refining University
- External training fully paid for (graduate school, correspondence education)
- Improved job satisfaction for employees
- Serious accidents **2** (0 in the previous year)
- All accidents **21** (15 in the previous year)
- Occupational diseases **0** (0 in the previous year)
- Carried out internal education activities regarding indigenous peoples P.115
- Annual hours of education per employee **30** (21 hours in the previous FY) P.109
- Smelting & Refining University students **5** P.57

### 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 **¥1.3 billion** Supplementary ESG Data Book 2022 P.25
- Two business sites awarded the Philippine's 2021 Presidential Mineral Industry Environmental Award P.99, 111
- Amended the Sumitomo Metal Mining Group Policy on Human Rights P.102-105
- Practiced responsible mineral sourcing and sustainable procurement P.116-117
- Reduced environmental impact during plant construction P.98-99
- Carried out internal education activities regarding indigenous peoples P.115
- Income tax paid **¥72.1 billion** For details, see Income Tax by Country or Region on P.35 P.132-133
- Carried out activities based on the Sumitomo Metal Mining Group Basic Policy on Taxes

### 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.99
- Capital expenditure related to environmental preservation **¥7,706 million** P.37
- Reduction in water use through optimization **636,000m<sup>3</sup>**
- Decrease in emissions of hazardous substances into the atmosphere and water **90t**
- Reduction in consumption of energy from coal and coke **769TJ**
- Percentage of recycled materials used **2.38%**
- Engaging in an initiative to reduce GHG emissions to zero by 2050
- Reduction in GHG emissions intensity (compared to FY2013) **5%**

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

## IMPACTS

### Impacts on Society

Stably supply high-quality non-ferrous metals and materials

From

Vision **1** Effective Use of Non-Ferrous Metal Resources

Impacted Stakeholders

Customers  
 NGOs and NPOs (Natural Environment)

Preserve the natural environment through reduction of GHG emissions, and increased production and new development of products contributing to a low-carbon society

From

Vision **2** Climate Change  
 Vision **3** Significant Environmental Accidents

Vision **4** Biodiversity  
 Impacted Stakeholders

Customers  
 NGOs and NPOs (Natural Environment)

Create comfortable and safe workplaces where all employees can take a vibrant and active part

From

Vision **5** Employees' Occupational Health and Safety

Vision **6** Diverse Human Resources  
 Vision **7** Development and Participation of Human Resources

Impacted Stakeholders

Employees

Achieve co-existence and mutual prosperity with local communities

From

Vision **9** Co-Existence and Mutual Prosperity with Local Communities

Vision **10** Rights of Indigenous Peoples  
 Impacted Stakeholders

Local communities

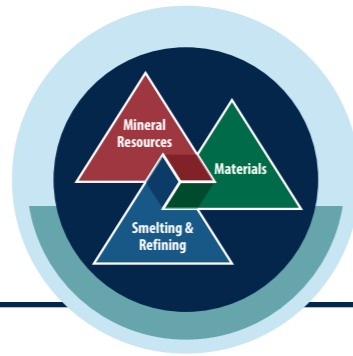
Achieve sustainable procurement in the entire supply chain

From

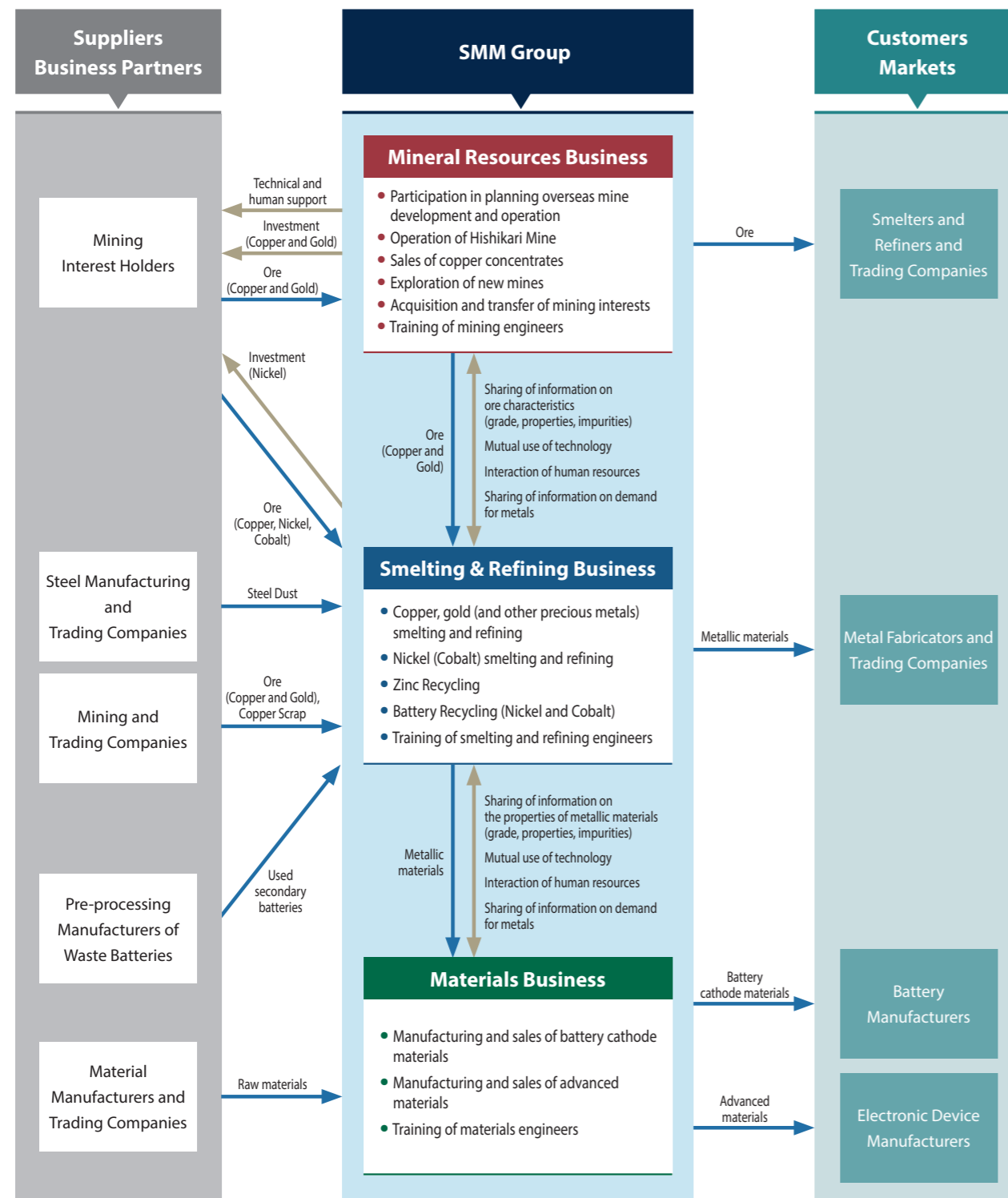
Vision **11** Human Rights in the Supply Chain  
 Impacted Stakeholders

Business partners  
 NGOs and NPOs (Human Rights, Natural Environment)

# Value Creation Process (Business Model) Explanation



## Business Model



## Key INPUTS—Seven Competitive Strengths

The SMM Group's seven competitive strengths come from its various management capital. Throughout our 430-plus years of history, we have continuously honed our competitiveness and achieved sustainable growth by combining diverse capi-

tal to execute strategies and businesses that meet the demands of the times.

▶ P.30-31

## Business Model—Organic 3-Business Collaboration

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. And, our Materials Business adds value to these materials that meet the needs of the times. In this way, SMM has a globally unique 3-business collaboration business model in which we operate three businesses — Mineral Resources, Smelting & Refining, and Materials — which collaborate in an organic way. We are building up competitive capabilities by sharing and utilizing goods, human resources, technology, and information between each business.

### Mineral Resources Business ▶ P.48-52

We invest in copper and gold mines, develop mines with our partners, supply ore to our Smelting & Refining Business, and sell some of the ore to outside parties. We also own and operate the Hishikari Mine, where we mine gold ore and supply it to our Smelting & Refining Business.

### Smelting & Refining Business ▶ P.53-57

We procure copper and gold ores from the market and our Mineral Resources Business, and nickel and cobalt ores from our investment mines for smelting and processing. As for products, metallic materials are sold to metal fabricators and trading companies, and used for battery cathode materials are supplied to our Materials Business.

### Materials Business ▶ P.58-63

In our battery materials business, we procure metallic materials from our Smelting & Refining Business and other raw materials from outside sources, process them into battery cathode materials, and sell them to battery manufacturers. In the advanced materials business, we have various product groups such as crystal materials, powder materials, and package materials, and we procure raw materials internally and externally for processing and selling to customers such as electronic device manufacturers.

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

- (1) Great reduction of procurement risk due to the sharing of resource development regulations, supply and demand trends, and other information
- (2) Promotion of efficient development of new products, etc. through the sharing of technological information concerning non-ferrous metals and collaborating with customers in the Materials Business
- (3) A stable supply of highly advanced materials including cathode materials for automobile batteries by collaboration between the Smelting & Refining and Materials businesses
- (4) Optimization of characteristics in the materials we supply through collaboration between the Smelting & Refining and Materials businesses
- (5) Advancement of knowledge and expansion of mining business opportunities through collaboration between the Mineral Resources and Smelting & Refining businesses
- (6) Cutting-edge innovation through the collective wisdom possessed by human resources with diverse backgrounds
- (7) Building of cyclical systems and expansion of opportunities realized through collaboration between the Mineral Resources, Smelting & Refining, and Materials businesses
- (8) Assurance of traceability in terms of quality and the like through a integrated internal supply chain

### Recycling ▶ P.67

The SMM Group is engaged in various recycling efforts. In the Smelting & Refining Business, we purchase steel dust from steel manufacturers and trading companies to produce and sell zinc oxide pellets, which is the raw material for metallic zinc. We also purchase copper scrap from electric wires and other sources, smelt, refine, and recycle it.

In recent years, as the shift to electric vehicles has rapidly progressed, we have been promoting battery recycling by recovering nickel and cobalt from used secondary batteries for automobiles in our Smelting & Refining Business, processing them into metallic materials, and supplying them to our Materials Business to be reused as cathode materials for batteries in our Materials Business. In addition, we have invented a technology to recover lithium from used secondary batteries. We will continue to promote a variety of recycling efforts.

## Outcomes and Impacts—Forming a Sustainable Society

The SMM Group has established its "Vision for 2030" to serve as a milestone for realizing its long-term vision to become "the world leader in the non-ferrous metals industry" and has identified 11 material issues as initiatives that must be accomplished. In addition, a major tenet of the SMM Group's corporate philosophy is "sustainable co-existence with the global environment," which is

our social mission as a manufacturing company that relies on resources. By steadily addressing each of the 11 material issues, we will earn our social license to operate, which is indispensable for our business. We will also contribute to a sustainable society together with our customers, NGOs, NPOs, employees, local communities, business partners, and other stakeholders.

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

The SMM Group has cultivated a variety of management capitals 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 4 Challenges of the 2021 3-Year Business Plan.

## The Sumitomo Business Spirit

Trustworthiness and pride inherited from the original business

1




Intellectual Capital,  
Manufactured Capital, Natural Capital

Technology that has been continually honed over 430 years and is focused on the next generation

- Originated in the *Nanban-buki* method started in Kyoto by Soga Riemon around 1600
- Have exploration, mining, and mineral processing technology for taking on the challenges presented by difficult-to-develop new deposits and sea-floor resource development
- Have advanced smelting and refining technology such as HPAL, the world's first method for converting low-grade oxide ore into a nickel resource
- Have combined high-level knowledge of metals cultivated through our history and state-of-the-art technological capabilities in the materials field and a 3-business collaboration model based on an integrated supply chain from resource development to production and recycling of highly advanced materials contributing a decarbonized society
- Have collaborations with academic institutions to realize technological innovation focused on the society of 2050

2



Human Capital

Employees who share our business spirit and an open and vibrant organizational climate

- Have Sumitomo DNA, which has been passed down from generation to generation for more than 430 years
- All employees understand and practice the Sumitomo Business Spirit, SMM Group Corporate Philosophy, and Management Vision because they are instilled through continual education
- Actively invest in human resources (various training programs, provision of learning opportunities, promotion of health and productivity management, etc.)
- Our corporate culture values people and respects diversity (assigning jobs and providing support matched to employees' life stages, and in recent years, strengthening of mid-career recruitment)
- Promote initiatives to stimulate communication across organizations and positions

3



Social and Relationship Capital,  
Natural Capital

Relationships of trust with business partners that have been formed with a long-term perspective

- Build and maintain good relationships with reliable, world-class partners as a foundation for superior mine interests overseas
- Create further business opportunities through our long-term partnerships and relationships of trust
- Have strong partnerships with our business partners based on the trust that comes from Sumitomo's approach to business operations, rooted in the Sumitomo Business Spirit, and our high-level knowledge and technologies related to metals cultivated over our long history

4



Social and Relationship Capital

Involvement with local communities that has been built up through our core business

- Have a long history of co-existence and mutual prosperity with local communities through our business activities, based on the Sumitomo Business Spirit, in which we work to make people happy, including the families of employees, and develop together with society
- Develop mines starting with town building. For example, an elementary school in Niihama City, Ehime Prefecture, was founded by Sumitomo 127 years ago, when Besshi Copper Mine was in operation.
- Contribute to local communities not only in Japan, but also overseas through scholarship programs, the operation of hospitals and schools, road construction, and other initiatives
- Build trust with local communities based on dialogue and collaboration

5




Human Capital, Manufactured Capital

Management of serious risks fulfilling responsibilities according to each level of the job classification, with a firm resolve in regard to safety

- Have a target of zero occupational accidents based on the recognition that unless the correct management framework is established, there is the risk of serious accidents that cost lives, and collaboration of labor and management to promote safety initiatives
- Promote measures related to equipment and essential safety, focused on serious accident risks (moving parts, crashes/falls, heavy objects, heavy machinery)
- Improve on-site management capability by strengthening checks on realities and actions through work observation and practical risk assessment (RA) as well as through priority-oriented initiatives, etc.
- Improve hazard awareness by introducing and practicing more effective education and training (including hands-on training based on VR)

6



Social and Relationship Capital

A close affinity with our customers' needs and the collaborative capabilities to continuously respond to them

- Have strength provided by a comprehensive knowledge of not only materials but also the characteristics of the metals that are their raw materials, which we leverage to connect the various technologies we have developed to date with the innovation sought by the customer
- Have 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
- Recognize the importance of taking a long-term approach to handling customer demands steadily and sincerely, in a way that wins trust, with ongoing new product creation in the automotive, energy and environment, communications, and other fields

7



Financial Capital, Natural Capital

Financial position that enables us to take advantage of investment opportunities

- Maintain a sound financial position to withstand large one-time cash outflows for resource and smelting & refining development projects, which require a long period of time from investment to recovery, and to avoid missing investment opportunities.
- Possess several superior mine interests that support a sound financial position, including Japan's only large-scale commercial gold mine, the Hishikari Mine, and the Morenci Copper Mine, one of the world's top-class producers of copper
- Decisively review the portfolio to maintain profitability

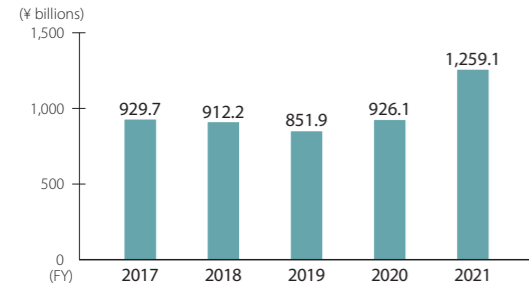
# Risks and Opportunities

Risk Factors (External/Internal)	Risks (Threats)	Actions to Reduce Risk	Opportunities	Strategies (Concrete Initiatives)
<b>1 Governments and Policy</b> <ul style="list-style-type: none"> <li>• Sharp rise in protectionism</li> <li>• Strengthened environmental regulations</li> <li>• Rise in mineral resource nationalism</li> <li>• Conflicts and friction between countries</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> <li>• Adverse impacts on production, including supply and demand and supply chains</li> </ul>	<ul style="list-style-type: none"> <li>• Stable procurement of resources from mine interests we acquire and possess</li> <li>• Processing of low-grade nickel ore locally by HPAL plants <a href="#">▶ P.57</a></li> <li>• Environmental and social contribution (return of profit); approach to local communities and indigenous peoples</li> <li>• Information gathering through embassies, governments, and JV partners</li> <li>• Conclusion of contracts that make allowances for resource nationalism</li> <li>• Diversification of materials suppliers and product customers</li> <li>• Establishment of BCP and crisis management framework <a href="#">▶ P.137</a></li> </ul>	<ul style="list-style-type: none"> <li>■ Growth in demand for copper and nickel associated with economic growth and development in emerging countries</li> </ul>	<ul style="list-style-type: none"> <li>■ Expansion of cathode materials lineup (LFP)</li> </ul>
<b>2 Business Environment</b> <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> <li>• Global economic slowdown</li> <li>• Shortages of industrial materials and parts, such as semiconductors</li> <li>• Soaring energy prices</li> </ul>	<ul style="list-style-type: none"> <li>• Adverse impacts on business performance due to lower metal prices and exchange rate fluctuations</li> <li>• Switch to alternative materials due to a sharp rise in metal prices</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> <li>• Decrease in competitiveness due to higher operating costs</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>• Entrance into alternative materials and technologies businesses (e.g. LFP) <a href="#">▶ P.60</a></li> <li>• Deepening/continuous improvement and stable operation of production technology (HPAL)</li> <li>• Realization of third HPAL plant</li> <li>• Strengthening of research &amp; development in collaboration with customers; development of new customers and markets</li> <li>• Strengthening of materials business (development of new products, increasing of production capacity) <a href="#">▶ P.58-63</a></li> <li>• GHG emissions reduction activities <a href="#">▶ P.91</a></li> <li>• Strengthening of information security <a href="#">▶ P.137</a></li> <li>• Enforcement of and support for intellectual property management</li> <li>• Establishment of BCP and crisis management framework</li> <li>• Stable supply through an integrated supply chain</li> <li>• Expenditure compression and cost reduction of materials</li> </ul>	<ul style="list-style-type: none"> <li>■ Growth in demand for copper and nickel 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>■ Efforts to secure nickel deposits</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>■ R&amp;D of processes and products that contribute to reduction of GHG emissions <a href="#">▶ P.64-66</a></li> <li>■ Expansion of production of battery materials (construction of a new plant) Establishment of 15,000-ton production capacity of battery cathode materials by FY2030 <a href="#">▶ P.59-60</a></li> </ul>
<b>3 Resource Development, Smelting and Refining Operations</b> <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>• Increased difficulty in acquiring interests due to intensified competition</li> <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 response to 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) <a href="#">▶ P.96</a></li> <li>• Management in line with international standards (tailing dam management, etc.) <a href="#">▶ P.96</a></li> <li>• Dialogues and coexistence with local communities <a href="#">▶ P.113-114</a></li> <li>• Enhancement of understanding of indigenous cultures <a href="#">▶ P.115</a></li> <li>• Due diligence for mineral procurement <a href="#">▶ P.116</a></li> <li>• Establishment of BCP and crisis management framework <a href="#">▶ P.137</a></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.46-47</a></li> <li>■ Participation in development of and investment in superior overseas mines, etc.</li> <li>■ Promotion of responsible mineral sourcing and sustainable procurement <a href="#">▶ P.116-117</a></li> <li>■ Improvements and strengthening of management to prevent serious environmental accidents (tailing dams, etc.)</li> <li>■ Launch of an organization to promote DX <a href="#">▶ P.68-69</a></li> </ul>
<b>4 Work Environments</b> <ul style="list-style-type: none"> <li>• Decreasing working-age population due to dwindling birthrates and aging populations</li> <li>• Diversification of working styles and human resources</li> <li>• Increased mobility of the Japanese labor market</li> <li>• Occurrence of serious occupational accidents</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> <li>• Outflow of talented workers</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 and developing 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 the 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 <a href="#">▶ P.68-69</a></li> <li>■ Expansion of recognition through strengthened corporate branding</li> </ul>
<b>5 Global Warming and Climate Change</b> <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>• Response to large-scale disasters</li> <li>• Establishment of BCP and crisis management framework <a href="#">▶ P.137</a></li> </ul>		<ul style="list-style-type: none"> <li>■ Equipment development, training, and BCP support as disaster strategy</li> <li>■ Decentralization of manufacturing sites</li> </ul>
<b>6 Quality Management, Compliance</b> <ul style="list-style-type: none"> <li>• Growing importance of proper quality control</li> <li>• Occurrence of compliance violations</li> <li>• Increased sophistication of quality standards from customers</li> </ul>	<ul style="list-style-type: none"> <li>• Violations of laws and regulations regarding, or major recalls of the SMM Group's products and services</li> <li>• Serious violations of laws and regulations (corruption, violations of competition law)</li> </ul>	<ul style="list-style-type: none"> <li>→ Compliance with quality management systems and efforts to further improve quality and strengthen management <a href="#">▶ P.138-139</a></li> <li>→ Establishment of frameworks to prevent compliance violations and respond appropriately should they occur <a href="#">▶ P.134-135</a></li> </ul>		



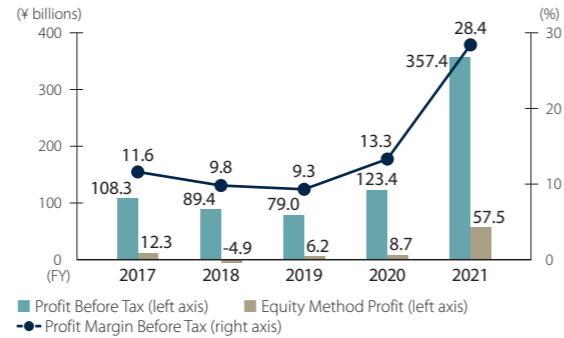
# Financial and Non-Financial Highlights

## Net Sales



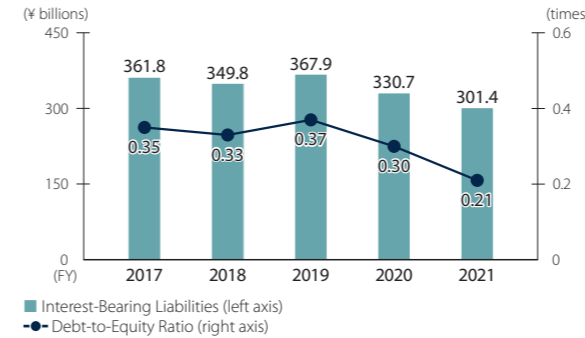
Consolidated net sales increased by ¥333.0 billion year on year to ¥1,259.1 billion, mainly due to year-on-year increases in the prices of copper and nickel and increased sales of automobile battery materials and powder materials, supported by strong demand.

## Profit Before Tax/Equity Method Profit/Profit Margin Before Tax



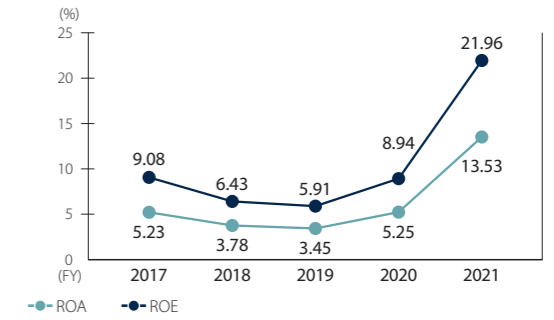
Consolidated profit before tax increased by ¥234.0 billion year on year to ¥357.4 billion, mainly due to an increase in sales, an upturn in the share of profit of investments accounted for using equity method, and the transfer of all the Company's interests in the Sierra Gorda Copper Mine (Chile).

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



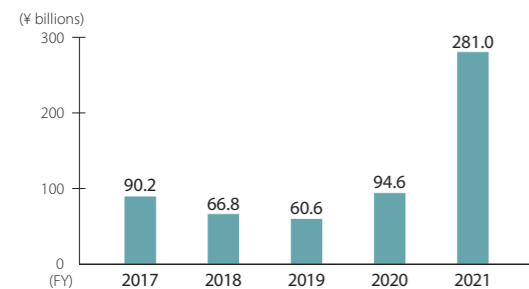
The amount of interest-bearing liabilities as of March 31, 2022, decreased by ¥29.3 billion year on year to ¥301.4 billion. The debt-to-equity ratio decreased by 0.09 points year on year to 0.21 times.

## ROA/ROE



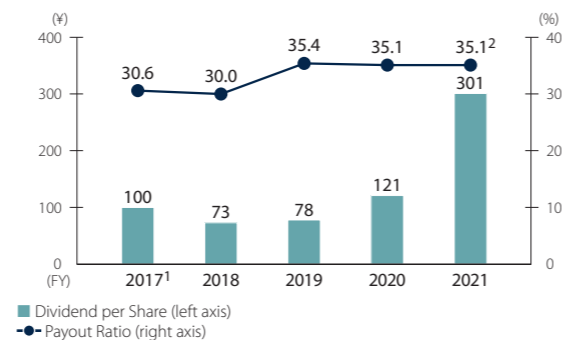
ROA improved by 8.28 points year on year to 13.53%. ROE improved by 13.02 points year on year to 21.96%. Both ROA and ROE exceeded the FY2021 estimates (ROA: 4.8%; ROE: 7.9%) in our 2018 3-Year Business Plan.

## Profit Attributable to Owners of Parent



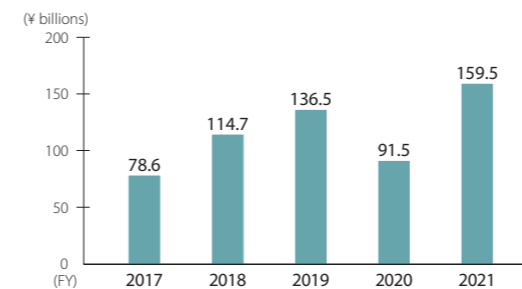
Profit attributable to owners of parent increased by ¥186.4 billion year on year to ¥281.0 billion, mainly due to an increase in consolidated profit before tax.

## Dividend per Share/Payout Ratio



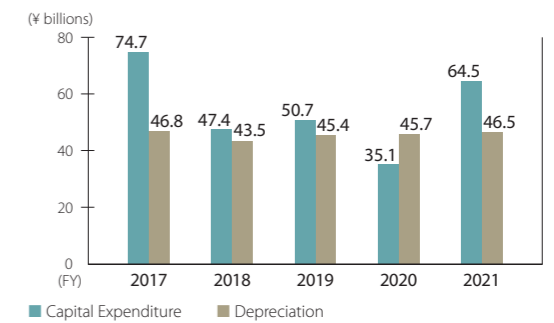
The annual dividend for FY2021 increased ¥180 year on year to a record ¥301, comprising an interim dividend of ¥113 and a year-end dividend of ¥188. The Payout ratio was 35.1%,<sup>2</sup> fulfilling the dividend policy of a consolidated payout ratio to be 35% or more in principle in our 2021 3-Year Business Plan.

## Net Cash Provided by Operating Activities



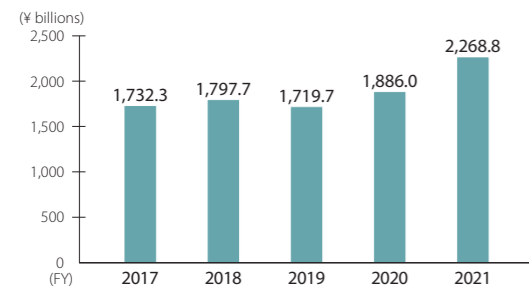
Net cash provided by operating activities during FY2021 increased mainly due to a year-on-year increase in profit before tax, despite increases in inventories and advance payments to suppliers mainly due to higher prices of non-ferrous metals.

## Capital Expenditure/Depreciation



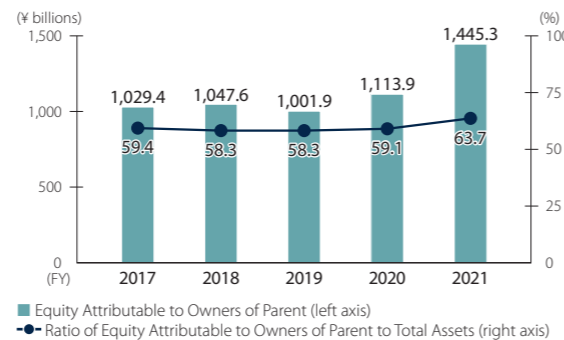
We invested ¥64.5 billion (based on property, plant and equipment and intangible assets) during FY2021, a year-on-year increase of 83.8%, primarily due to the postponement of expenditures from the previous fiscal year.

## Total Assets



Total assets as of March 31, 2022 increased by ¥382.8 billion year on year to ¥2,268.8 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 shares of subsidiaries due to the recording of profit from investments accounted for using the equity method.

## 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 ¥331.4 billion year on year to ¥1,445.3 billion. The ratio of equity attributable to owners of parent to total assets (equity ratio) was 63.7%. We were able to achieve a level higher than 50%, our target for maintaining a sound financial position.

## Income Tax by Country or Region (FY2021)

(millions of yen)					
Japan	U.S.A.	Netherlands	Peru	Chile	China
33,094	9,460	662	16,260	5,852	1,598
Philippines	New Caledonia	Australia	Others	Total	
4,040	530	574	30	72,100	

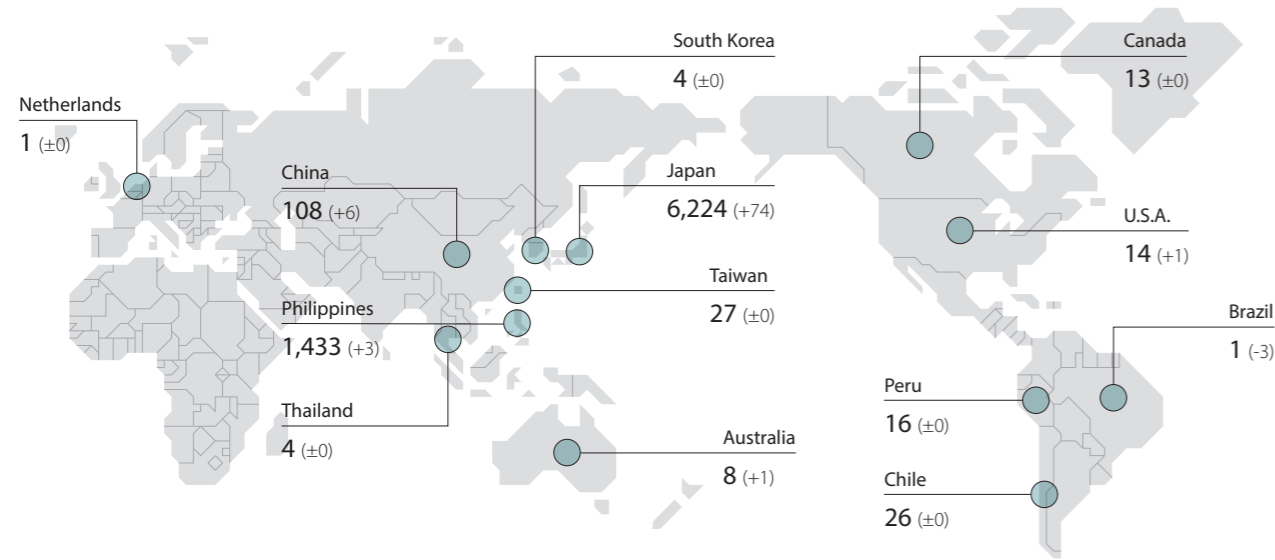
\* With regard to equity-method affiliates, the above amounts include the Company's proportional burden of income tax.

1. SMM consolidated its stocks on October 1, 2017.

2. The gain on sale associated with the transfer of all equity interest in the Sierra Gorda copper mine recorded in FY2021 includes an amount equal to a reversal of the allowance for bad debt for loans and other receivables for Sierra Gorda S.C.M., which was adjusted in the opening balance of retained earnings in FY2019 as a cumulative effect (Revised IAS 28 "Investments in Associates and Joint Ventures"). For this reason, effects on FY2021 results caused by the application of these accounting procedures and manifesting in accordance with the transfer of equity are omitted from the dividend calculation. Basic earnings per share, excluding the effects of this application of accounting procedures, were ¥857.47.

## Financial and Non-Financial Highlights

Number of Employees & Officers by Region, Consolidated (As of March 31, 2022) Numbers in parentheses indicate the change from the end of March 2021.



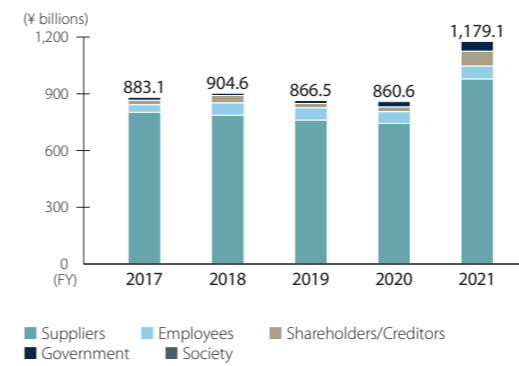
Number of Employees & Officers Worldwide (Consolidated) Figures are for March 31 of each fiscal year

FY	2017	2018	2019	2020	2021
<b>Breakdown of employees and officers, by class</b>					
Managers	1,179	1,107	1,076	1,082	1,061
Regular employees	5,800	5,579	5,711	5,895	6,033
Non-regular/limited-term employees	694	612	678	710	676
Officers	109	110	105	110	109
<b>Total</b>	<b>7,782</b>	<b>7,408</b>	<b>7,570</b>	<b>7,797</b>	<b>7,879</b>
<b>Breakdown of employees and officers, by gender</b>					
Male	6,448	6,079	6,178	6,328	6,415
Female	1,334	1,329	1,392	1,469	1,464
<b>Locally-hired senior managers at overseas affiliates (General Managers and above)</b>					
Male	9	11	15	12	14
Female	2	2	6	5	6
<b>Breakdown of directors</b>					
Male	7	7	7	7	7
Female	1	1	1	1	1
<b>Total</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
Outside directors	3	3	3	3	3

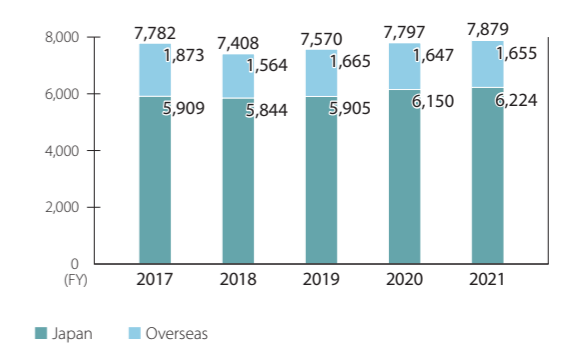
Capital Expenditure Related to Environmental Preservation (millions of yen)

FY	2017	2018	2019	2020	2021	2022 (plan)
Pollution prevention/environmental preservation	4,343	5,508	5,244	5,715	7,549	15,551
Energy conservation	198	100	141	339	157	312
<b>Total</b>	<b>4,541</b>	<b>5,608</b>	<b>5,385</b>	<b>6,054</b>	<b>7,706</b>	<b>15,863</b>
<b>Ratio of capital expenditure</b>	<b>6.1%</b>	<b>11.8%</b>	<b>10.6%</b>	<b>17.3%</b>	<b>11.9%</b>	<b>11.3%</b>

Distribution of Economic Value to Stakeholders



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

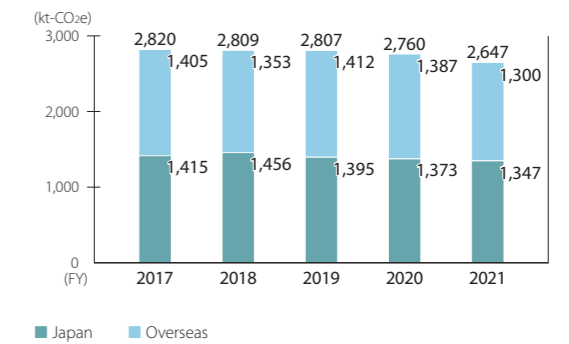


Occupational Accident Frequency Rate



At business sites in Japan, we were unable to bring the number of accidents below 20 despite efforts to make equipment safer through risk assessments and the establishment of line management systems through work observation. At business sites overseas, we began to see the effects of initiatives such as rolling out disaster countermeasures in Japan, hazard prediction education and safety patrols, achieving zero occupational accidents in 2020, and in 2021 the situation remains favorable compared to business sites in Japan.

Greenhouse Gas Emissions (Scope 1 + 2)



In FY2021, the SMM Group's GHG emissions (Scope 1 + 2) were 2,647 kt-CO<sub>2</sub>e, reduced through energy conservation activities.