

 <p>More than</p> <h1>430 years of history</h1> <p>The second longest history of Japan's listed companies</p>	 <p>Net Sales (consolidated)</p> <h1>¥1,423 billion</h1>	 <p>Profit before Tax (consolidated)</p> <h1>¥229.9 billion</h1>
 <p>Equity Ratio</p> <h1>60.3%</h1> <p>Due to the nature of our business, we aim to maintain an equity ratio of 50% or more as a sound financial position that can withstand temporary cash outflows.</p>	 <p>Total Assets</p> <h1>¥2,700 billion</h1>	 <p>Dividend Payout Ratio</p> <h1>35.1%</h1>
 <p>Employees (consolidated)</p> <h1>7,330</h1>	 <p>Our business countries and regions</p> <h1>14</h1> <p><small>P.2-3</small></p>	 <p>Manufacturing Bases</p> <h1>7 Mines</h1> <h1>8 Smelters and Refineries</h1> <h1>20 Materials Plants</h1>
 <p>Japan's only operating gold mine</p> <p>Cumulative amount of gold produced from Hishikari Mine</p> <h1>264 tons,</h1> <h1>No. 1 in Japan</h1> <p><small>(As of March 31, 2023)</small></p>	 <p>Global Class 1 nickel interest production</p> <h1>NO. 5</h1> <p><small>* Source: Research by SMM</small></p>	 <p>Nickel-based cathode materials for secondary batteries</p> <h1>Top class global share</h1> <p><small>* Source: Research by SMM</small></p>

## Three Core Businesses

### Mineral Resources Business P.54-59

Leveraging over 300 years of mine development and operational experience and technologies, we operate the Hishikari Mine, Japan's largest gold mine, with a focus on sustainability. We participate in the operation of overseas mines in which we hold interests to produce copper, gold, and other resources to provide materials and in order to secure mineral resources. We are also working to acquire and develop new superior mines.

#### Main Products

Gold and Silver Ore, Copper Concentrates, Copper, Gold, Molybdenum



### Smelting & Refining Business P.60-65

For over 430 years since the start of our copper smelting and refining business in 1590, we have stably supplied a variety of metal materials to a wide range of industries. We engage in business on the strength of our advanced smelting and refining technology, which was the first in the world to achieve the successful recovery of nickel from low-grade nickel oxide ore using the High Pressure Acid Leach (HPAL) method on a commercial basis.

#### Main Products

Copper, Gold, Silver, Electrolytic Nickel, Electrolytic Cobalt, Ferronickel, Palladium, Chemical Products



### Materials Business P.68-73

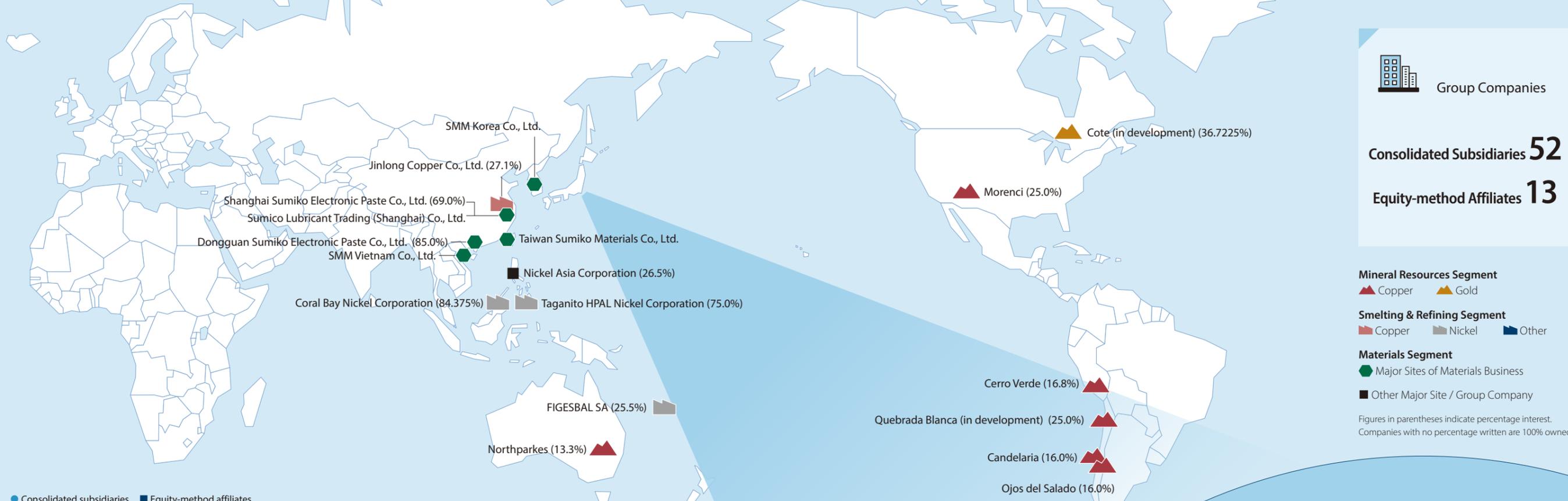
We develop and produce highly advanced materials used in wide-ranging fields including automobiles, energy, environment, communications and information, and home appliances, along with products that contribute to carbon neutrality.

#### Main Products

Battery Materials, Thick Film Paste, Powder Materials, Crystal Materials, Thin Film Materials, Magnetic Materials, Package Materials, Oil Refining Catalysts, Automotive Catalysts, Autoclaved Lightweight Concrete, Lubricants



# SMM Group Overview (As of May 1, 2023)



● Consolidated subsidiaries ■ Equity-method affiliates

## Japan

### Sumitomo Metal Mining Co., Ltd.

#### Mineral Resources

- Sumiko Resources Exploration & Development Co., Ltd.

#### Smelting & Refining

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

#### Materials

- SMM Precision Co., Ltd.
- N.E. Chemcat Corporation
- Ohkuchi Electronics Co., Ltd.
- Ohkuchi Materials Co., Ltd.
- GRANOPT CO., LTD.
- Sicoxs Corporation
- Shinko Co., Ltd.
- Sumiko Energy Materials Co., Ltd.
- Sumiko Kunitomi Electronics Co., Ltd.
- Sumiko Lubricant Co., Ltd.
- Sumitomo Metal Mining Siporex Co., Ltd.
- Niihama Electronics Co., Ltd.
- Nippon Ketjen Co., Ltd.

#### Other

- Igeta Heim Co., Ltd.
- JCO Co., Ltd.

- Sumiko Technical Service Co., Ltd.
- Sumiko Techno-Research Co., Ltd.
- Sumitomo Metal Mining Engineering Co., Ltd.
- Japan Irradiation Service Co., Ltd.

## Asia

### Mineral Resources

- Cordillera Exploration Company Inc. (Philippines)

### Smelting & Refining

- Jinlong Copper Co., Ltd. (China)
- Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)
- Sumitomo Metal Mining (Hong Kong) Co., Ltd. (China)

- Coral Bay Nickel Corporation (Philippines)

- Nickel Asia Corporation (Philippines)

- Taganito HPAL Nickel Corporation (Philippines)

- Sumitomo Metal Mining Philippine Holdings Corporation (Philippines)

### Materials

- Dongguan Sumiko Electronic Paste Co., Ltd. (China)
- Shanghai Sumiko Electronic Paste Co., Ltd. (China)
- Sumiko Lubricant Trading (Shanghai) Co., Ltd. (China)
- Granopt Optics Trading (Shenzhen) Co., Ltd. (China)
- Shinko Trading (Zhong Shan) Co., Ltd. (China)
- Taiwan Sumiko Materials Co., Ltd. (Taiwan)
- SMM Korea Co., Ltd. (South Korea)
- SMM Vietnam Co., Ltd. (Vietnam)

## North America

### Mineral Resources

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

## Other Regions

### Mineral Resources

- Compania Contractual Minera Candelaria (Chile)
- Compania Contractual Minera Ojos del Salado (Chile)
- Sumitomo Metal Mining Chile LTDA. (Chile)
- SMMQB Holding SpA (Chile)
- SMM Quebrada Blanca SpA (Chile)
- Quebrada Blanca Holdings SpA (Chile)
- Sumitomo Metal Mining Peru S.A. (Peru)
- Sociedad Minera Cerro Verde S.A.A. (Peru)
- Sumitomo Metal Mining do Brasil LTDA. (Brazil)
- Sumitomo Metal Mining Oceania Pty. Ltd. (Australia)
- SMM Cerro Verde Netherlands B.V. (Netherlands)
- SMMCV Holding B.V. (Netherlands)

### Smelting & Refining

- FIGESBAL SA (New Caledonia)



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

# SMM takes on change and challenges

Our 2021 3-Year Business Plan focuses on measures to be taken to respond to, and resolve, the three major issues impacting our business operations in recent years: the accelerating transition to carbon neutrality, adaptation to digital transformation (DX), and increasing difficulty of securing human capital. These are all material issues that cannot be resolved merely by continuing earlier means of response. Moreover, if we were to “stumble” in the early stages, failing to live up to the expectations held of us by our stakeholders, we could suffer a loss of competitiveness and eventually be shunned by the market. The central theme of our 2021 3-Year Business Plan is “Renewed Challenge for Change.” Here, we view “change” not as modification in the sense of making modest changes to mechanisms long in place but rather as something altogether new: total reform, under which our challenge begins.

This publication brings together “Special Feature” pages that address the three issues of carbon neutrality, DX, and human capital strategy.

## Special Feature 1: Digital Transformation (DX) at the SMM Group P.78

### Accelerating DX

We are accelerating Group-wide DX through means including the establishment of a Digital Transformation Committee in April 2021 and the launch of a Digital Transformation Department in July 2022 as an organization dedicated to implementing DX-related measures. Through these, we will integrate the separate DX-related initiatives that have been carried out in different areas of the Group, improving our Group-wide DX infrastructure and strengthening competitiveness.



## Special Feature 2: Initiatives of the Carbon Neutrality Committee P.99

### Addressing carbon neutrality

To strengthen our ability to take action against climate change and to accelerate our initiatives aimed at reducing greenhouse gas (GHG) emissions, in 2022 we launched the Carbon Neutrality Committee.



## Special Feature 3: Human Resources Strategy Transformation and Tradition – Preservation through Transformation – P.128

### Human capital strategy

Securing, developing and utilizing human capital have become extremely critical issues for ensuring corporate survival. Today we are undertaking a variety of measures with a focus on intangible aspects to resolve these issues: for example, we are reviewing our personnel systems, raising employee awareness, and enhancing our educational programs.



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**Disclaimer**  
The forward-looking statements in this integrated report, including business result forecasts, are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this report. Actual business results may differ substantially due to a number of factors.

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

### Integrated Report 2023 Concepts

#### Emphasizes explanations of the initiatives in the first year of the 2021 3-Year Business Plan which has the theme of Renewed Challenge for Change

The Integrated Report 2023 is composed of five chapters: "Vision for the SMM Group," "The SMM Group's System for Value Creation," "Medium- to Long-term Strategy for Value Creation," "Continuing to Support Value Creation," and "Data Section." We have strived to make the content more comprehensive yet easy-to-read for our stakeholders, and we have enhanced the information to take into account the perspectives of investment decisions regarding our stock.

In the special feature, we introduce Renewed Challenge for Change, focusing on the three material issues of the 2021 3-Year Business Plan: carbon neutrality, digital transformation (DX), and human capital strategy.

To provide stakeholders with a better understanding of our human capital initiatives, we have included a more detailed description in the special feature on our human capital strategy, which has been a topic of growing interest among our stakeholders in recent years, as well as a roundtable discussion with our outside directors.

In addition, up to now copper refining technology has not been covered very much, so we have put together information on this in the column Technological Changes at the Toyo Smelter & Refinery, which focuses on the Toyo Smelter & Refinery's efforts to increase production volume through the accumulation of technology.

Moreover, we have clarified the division of roles of reports by disclosing detailed sustainability-related data in a Sustainability Report to be issued from this year. For this Integrated Report, we included material sustainable information and further improved the report's readability.

(Sustainability Report 2023 ([https://www.smm.co.jp/en/sustainability/library/sustainability\\_report/](https://www.smm.co.jp/en/sustainability/library/sustainability_report/)))

Throughout, the report expresses the Group's high goals and commitment to value creation and our long-term vision of becoming the world leader in the non-ferrous metals industry. And along with showing our medium- to long-term strategy to create value, the report also shows SMM's commitment to sustainability.

#### Editorial Policy

While interest in social and environmental issues has been growing in recent years, with the SDGs garnering attention, companies are expected not only to create economic value but also to work to resolve these social and environmental issues.

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

In editing this Sumitomo Metal Mining Integrated Report 2023, the eighth edition of our Integrated Report, we have reviewed the articles that have been accumulated so far focusing on priority and, in conjunction with the publication of the Sustainability Report, we have carefully selected particularly important information on sustainability to be disclosed.

We have also included three special feature articles on the three material issues of the 2021 3-Year Business Plan that are of great interest to our stakeholders: carbon neutrality, digital transformation (DX), and human capital strategy. We hope these articles will help you understand our efforts to address each of these issues.

In this report, CBNC and THPAL are acronyms for Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation, respectively.

Also, unless otherwise stated, the term "ton" refers to a metric ton.

#### Referenced Guidelines

In compiling this Report, we have referred to the International Integrated Reporting Framework<sup>1</sup> and the Guidance for Collaborative Value Creation<sup>2</sup> to provide an easy-to-understand explanation of the capital and business model used in the value creation process, and the value provided to stakeholders.

1. An international corporate reporting framework from the International Financial Reporting Standards Foundation (IFRS) that tells a company's short-, medium-, and long-term value creation story.
2. Guidance compiled by the Ministry of Economy, Trade and Industry (METI) to help companies and investors deepen mutual understanding through information disclosure and dialogue, and to encourage action toward value co-creation.

#### Scope of the Report

Sumitomo Metal Mining Co., Ltd. (SMM)

**The Sumitomo Metal Mining Group** SMM and consolidated subsidiaries  
**Economic and Environmental Topics** SMM, consolidated subsidiaries and equity-method affiliates

**Social Topics** SMM and consolidated subsidiaries

#### Publication Date

September 2023 Next scheduled publication: November 2024 (Previous publication: November 2022)

#### Period Covered

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

Japan: April 1, 2022–March 31, 2023

Overseas: January 1, 2022–December 31, 2022

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## The Sumitomo Business Spirit and the SMM Group Corporate Philosophy

### The Sumitomo Business Spirit

#### Article 1

Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

#### Article 2

Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

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

### SMM Group Corporate Philosophy

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

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

### SMM Group Management Vision

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

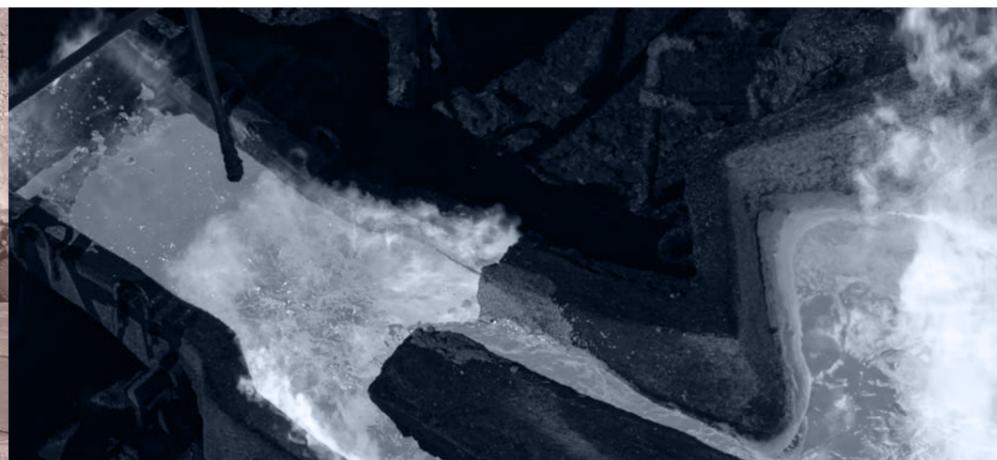
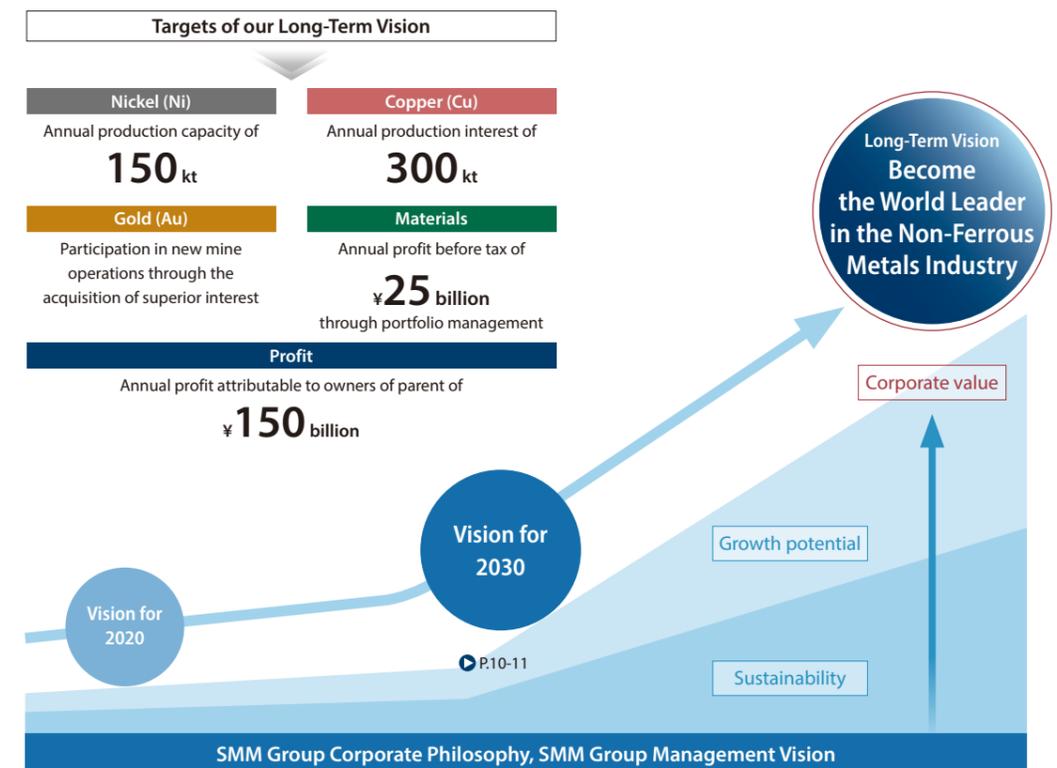
Based on the principles of compliance, environmental protection and operational safety, SMM Group shall pursue maximum corporate value through the securing of resources and the provision of high-quality materials such as non-ferrous metals and advanced materials via its global network.

## Long-Term Vision

### Become the world leader in the non-ferrous metals industry

#### 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



# 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 in an effort to enhance its company value and achieve its long-term vision of becoming the world leader in the non-ferrous metals industry.

We formulated 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

Vision for 2030 specifies the concrete KPIs and deadlines toward achieving our long-term vision of becoming the world leader in the non-ferrous metals industry.

Based on our assessments and reflections regarding Vision for 2020, we sorted out the issues we must respond to and the ones we are expected to solve as issues that must be addressed by our Group, including social issues such as the

SDGs which have the same target year. As a result, we identified 11 material issues.

In addition, Vision for 2030 and KPIs were deliberated for these 11 material issues, and formulated and released in March 2020.

\* Material issues, Vision for 2030 and KPIs: See P.86-87

## 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.86-87

## Material Issues and Their Background

Vision

### 1 Effective Use of Non-Ferrous Metal Resources

▶ A company that generates resources through high technological capabilities

The SMM Group is engaged in the mining of natural resources, the production of highly advanced materials, and everything in between. We handle a wide range of non-ferrous metal materials in the process. We believe that it is the SMM Group's responsibility to take on the challenge of making more effective use of limited non-ferrous metal resources without waste through the utilization of resources that could hitherto not be used due to technical obstacles and through the development of recycling technologies.

### 2 Climate Change

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

Society's demand for companies to reduce greenhouse gas (GHG) emissions has increased dramatically, and the business risks associated with climate change are also increasing. On the other hand, a stable supply of products contributing to a low-carbon society, such as the secondary battery materials for electric vehicles and the near-infrared absorbing materials both produced by our Group, are expected to contribute to the reduction of GHG emissions.

### 3 Significant Environmental Accidents 4 Biodiversity

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

The SMM Group recognizes that there are risks of adverse impacts on the natural environment when developing natural resources and using chemical substances. In addition to preventing significant environmental accidents, we recognize that minimizing our negative environmental impacts, including rationalization the use of water, and preserving biodiversity in our day-to-day management of operations are prerequisites for business continuity.

### 5 Employees' Occupational Health and Safety

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

It is the responsibility of management to prevent work-related accidents and illnesses, provide a safe, healthy and comfortable work environment, and strive to improve employee comfort. All of these also lead to greater motivation and productivity among employees. The SMM Group bases management on job classification, striving to ensure the safety and health of our employees through intrinsic equipment safety improvements and safety education.

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

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

The source of the SMM Group's growth is its employees. We respect individuality and diversity, and aim to create an open and vibrant organizational climate in which everyone can demonstrate their strengths and thrive. With the globalization of business and the rapid development of DX, it is a management challenge to develop human resources who can think and act on their own initiative based on their expertise.

### 8 Engagement with Stakeholders 9 Co-Existence and Mutual Prosperity with Local Communities 10 Rights of Indigenous Peoples

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

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

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

The SMM Group's main premise for business continuity is to earn a social license to operate. To this end, we recognize the importance of promoting information disclosure and transparency to the greatest extent possible, as well as deepening mutual understanding and building relationships of trust through ongoing dialogue with local communities and other stakeholders. In particular, when there is a risk that development may affect the livelihood of indigenous peoples, we gain a thorough understanding of their culture, traditions and history and engage in a continuing dialogue prior to development. It is then necessary to proceed carefully to prevent such impacts of development.

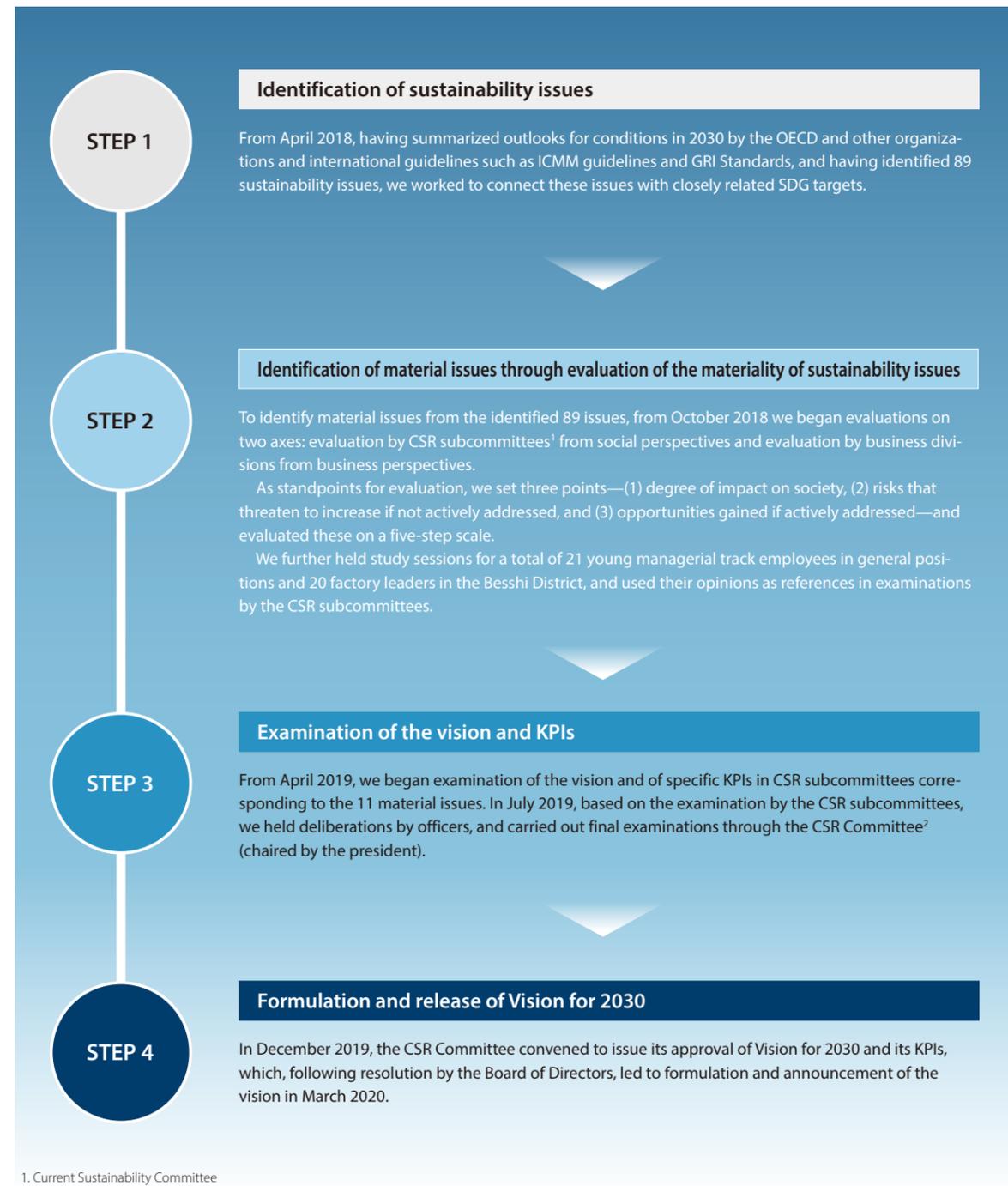
### 11 Human Rights in the Supply Chain

▶ A company that undertakes sustainable procurement across the supply chain

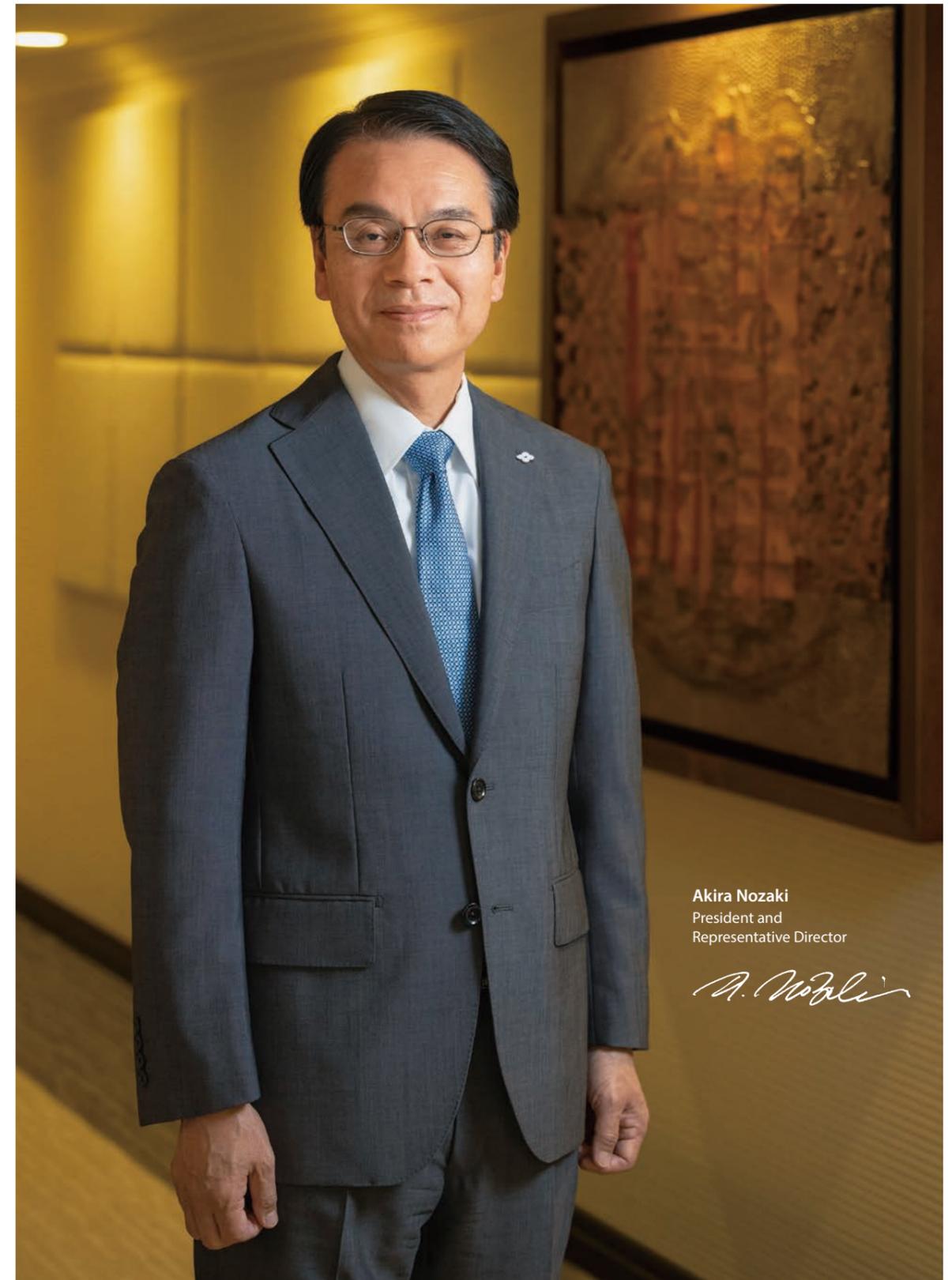
As for Business and Human Rights, the calls for companies to take strong measures to prevent human rights violations throughout their supply chains are increasing. It is necessary for the SMM Group to construct sustainable supply chains in collaboration with business partners to prevent our business activities from having negative impacts on human rights along our diverse supply chains.

## Vision for 2030 – Formulation Approach

To formulate Vision for 2030 and achieve sustainable value creation, we undertook a full change revision of the Vision for 2020. The revision addressed issues remaining from Vision for 2020, the changes to the needs of stakeholders (our response to climate change, business and human rights, etc.), changing trends in the materials industry with the rapid development of digitalization, and connections to the SDGs, which have the same target year of 2030. As shown in the figure below, we underwent an extensive process of deliberations that involved the input of everyone from officers to employees, as well as outside experts as needed.



## Message from the President



# — 1 —

## Continuous Pursuit of Changes

### A Company Grounded in Production

For more than 430 years, as a company grounded in production the SMM Group has embraced a social responsibility to provide customers with a stable supply of products indispensable to people's lives, and this social commitment has been the steady driving force behind our business operations. Throughout its long history, the Company has always met the challenge of flexibly responding to changing times. All too frequently, dramatic changes have taken place in SMM's business environment, yet at all times the Company has weathered even the roughest circumstances by continuously pursuing internal changes. "Change" is thus one of the constant characteristics defining the SMM Group's history.

As a company grounded in production, there are many aspects that must be maintained at all times. Nothing can be maintained, however, merely by aimlessly repeating again and again what was done in the past. In all facets of business – including how business is operated, its organization and systems, how work is carried out, etc. – initial purposes are lost and original functions erode in importance with the passage of time. Simply maintaining the status quo inevitably leads to atrophy: ongoing changes are necessary in order to retain what needs to be retained. The SMM Group is committed to actively and dynamically implementing changes to enable it to fulfill, long into the future, its inherent social responsibility as a company grounded in production.

### The Sumitomo Business Spirit

At the start of 2023, I notified employees throughout the Group of the Company's policies for the new year. One is a precept incorporated into the Rules Governing the House of Sumitomo set down during the Meiji Period (1868-1912): "Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times." These words constitute a philosophy that is still as relevant today as back then: Sumitomo must at all times be keenly alert to the shifting trends of society that come with changing times, and, never resting on its laurels, must continually respond to the circumstances presented to it. I believe that today we need to renew our awareness of this time-tested philosophy and spirit, and in undertaking the Company's management I aim to respond as necessary to the needs of every era through pursuit of ongoing changes.

### Long-Term Vision and "Vision for 2030"

The SMM Group's Long-Term Vision calls for the Company to become "the world leader in the non-ferrous metals industry."

To achieve this long-range goal, we believe SMM must satisfy the following defining qualifications: have a global presence; possess leading technologies; own a unique business model; produce profits of a certain amount; tackle social issues such as the SDGs; and be a company where employees work vibrantly and with spirit.

In our "Vision for 2030," which we formulated in 2020, we identified 11 "Material Issues" of major importance that the Company needs to address from both the social and business perspectives. Included among these issues are several that are garnering increased attention in years, especially climate change, biodiversity, human resources, and human rights. Going forward, we will continue our quest to become the world leader in the non-ferrous metals industry by firmly addressing these issues through ongoing pursuit of positive changes.

### Creating Workplace Environments Conducive to Pursuit of Changes

To support our quest to achieve workplace environments in which employees can work vibrantly and innovatively, in fiscal 2021 we launched a program of renewal at the Company's Head Office. This agenda was completed in April 2023. By achieving a more creative workstyle and serving in a role that promotes changes, the Head Office will take the lead in pursuing greater value of the SMM Group as a whole, paving the way toward becoming the world leader in the non-ferrous metals industry.

Outside the Head Office, the Company is looking to construct a new dormitory for employees in the Besshi District and to renovate the general office in the Harima District. In addition, we intend to create employee housing at affiliated companies, proactively carry out renovations at workplaces, improve employee productivity and creativity, secure young human capital, and create growth opportunities. Since August 2022, we have also been taking steps to promote Health Management.

### An Open and Vibrant Organizational Climate

An open and vibrant organizational climate is indispensable for achieving changes and continuously taking up new challenges targeting growth. Being "open and vibrant" is a value closely aligned with the Sumitomo Business Spirit, but up to now the vagueness of this wording resulted in a wide range of interpretations. To remedy this shortcoming, we are now working to redefine the "open and vibrant organization" we aspire to, and to win clear understanding among all employees. Our goal is to nurture a culture and climate in which, rather than seeking to avoid mistakes or failures, employees will feel open and vibrant and continuously take up new challenges.

# — 2 —

## Progress of the 2021 3-Year Business Plan's 4 Challenges

Our 2021 3-Year Business Plan, which got underway in fiscal 2022 with a central focus on "changes," incorporates four major challenges.

### Challenge 1 Increasing corporate value: Promotion of large-scale projects

#### Expanding production capacity for battery cathode materials

Aiming to increase our production capacity in battery cathode materials by 2,000 tons per month by the end of fiscal 2025, we are currently making steady progress in construction of a new plant. We have also begun securing and developing the personnel who will be needed when the plant goes onstream, and we are taking steps to improve our production infrastructure through measures such as reducing our inventories. We have also introduced the Toyota Production System at some of our manufacturing bases. Because demand for battery cathode materials is projected to continue expanding going forward, to increase our production capacity we are presently considering making investments at the optimal times and in optimal locations. We also continue to mull a new mass production process for battery cathode material of lithium iron phosphate (LFP).

## Message from the President



### Quebrada Blanca 2 (QB2) Project

In March 2023 we began production of bulk copper concentrate with feeding of ore into the key facilities. Presently, we are gradually increasing the facilities' operating ratios in the run-up to achieving full production by year's end. Although construction was delayed amid the pandemic and investment outlays have increased beyond initial projection, once QB2 achieves full production, SMM's copper interest will reach 280,000 tons per year, which will come very close to the target of 300,000 tpy which we set in our Long-Term Vision. As the QB2 project is expected to have outstanding cost competitiveness and to generate increased mineral resources in the future, we are greatly looking forward to its completion.

### Côté Gold Project

Construction work is proceeding generally on schedule in preparation for the launch of production early in 2024. Here too, construction delays and investment cost increases were incurred mainly under the impact of the pandemic, but because high expectations are held for expansion in resources, including in the surrounding areas, we are looking forward to nurturing this excellent project in partnership with IAMGOLD Corporation.

### Challenge 2 Improving core business sustainability

To strengthen the value chain of collaboration among our three core businesses (nickel to battery materials), which is our corporate strength, we are taking steps to secure nickel resource supplies and implementing measures to enhance the links among our businesses. To secure new sources of nickel ore, we are accelerating our studies of potential new projects to replace the Pomalaa Project which we decided in April 2022 not to pursue any further. As of now, we have pared down the candidates to a few projects mainly around the Pacific Rim. We are also working to procure diverse materials: for example, by securing intermediate materials currently on the market. In addition, at existing smelting locations at Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL), both in the Philippines, we continue our search to secure ore primarily through exploration of their surrounding areas.

Concerning our recycling initiatives, engineering work is fully underway on a facility capable of processing 10,000 tons of spent lithium-ion secondary batteries per year. Also, in April 2022 our processing facility was selected as a Green Innovation Fund Project sponsored by the New Energy and Industrial Technology Development Organization (NEDO).

At the Hishikari Mine, we are shifting to sustainability-oriented operations reflecting the mine's 100-year life expectancy commencing from its inauguration in 1985. In fiscal 2022 we sold 4.4 tons of gold from the mine, as originally planned. As stewards of this prized asset of Japan, we believe we have a duty to make effective and complete use of the Hishikari Mine's resources as our way of contributing to the local area through the long term.

In our operations in advanced materials, SMM is also developing business operations that will contribute to social

digitalization and decarbonization. In silicon carbide (SiC), we continue preparations toward achieving mass production for use in vehicles in 2025. In addition, operations in CWO®, our near-infrared absorbing material expected to achieve further growth in the years ahead, are getting underway in earnest, and through X-MINING®(cross-mining), our information messaging website, we are accelerating activities in partnership with our customers to create new businesses based on jointly developed ideas.

### Challenge 3 Adapting to changes in the social environment

In our efforts to achieve carbon neutrality, during fiscal 2023 we plan to announce a roadmap for achieving net zero by 2050. In fiscal 2022, utilizing the internal carbon pricing (ICP) system, we promoted energy conversion to LNG in the production processes of our smelting and refining operations at the Toyo Smelter & Refinery, Niihama Nickel Refinery, and elsewhere, while overseas we made progress in converting to biomass mixed boiler fuel at CBNC. At the Hishikari Mine and Harima Refinery, we proceeded with conversion to purchasing of renewable energy-fueled electric power, and at our overseas joint-venture mines we collaborated with our business partners in promoting a shift to purchases of renewable energy. In our business activities also, we are implementing the SMM Green Metal concept toward providing products with low-carbon footprints as a way of reducing environmental impacts, and we are taking under review acquisition of certifications from international organizations.

We are also quickening the pace of our initiatives relating to digital transformation (DX). At the Hishikari Mine, we have begun unmanned operation of heavy machinery inside the mine, and going forward we will expand this initiative further as a way of improving safety, saving manpower, and reducing costs. In addition, to improve digital literacy Company-wide and develop future digital-savvy human resources, starting in fiscal 2023 we are now selecting candidate DX human resources from each division and implementing procedures for training them.

In conjunction with our human resources strategy, in July 2023 we implemented reforms in our managerial track employees system after several years of preparation. The aims of these reforms are to enhance employee motivation through provision of diverse opportunities; nurture a corporate climate in which employees can take up new challenges, change and grow; and create a corporate culture in which all employees continue to grow. Under the new reforms to the personnel system, the former emphasis on seniority is being changed to emphasis on the value of each employee's duties: i.e., a system in which employees are required in accordance with their specific duties and attendant responsibilities. Under the new system, the Company will secure, foster and utilize outstanding and diverse human capital. In addition, we plan to introduce programs offering career building opportunities and freedom to take up new challenges, as well as an internal system that seeks candidates who want to become project members, etc., as ways of boosting the motivation of self-motivated employees and making the Company that much more vitalized.

At CBNC and THPAL in the Philippines, we are taking various steps to protect biodiversity. These include operating with minimal environmental impacts, preventing environmental accidents, and ecological restoration through greening of tailings dams. Again in 2022, CBNC received the Philippines' "Presidential Mineral Industry Environmental Award" (PMIEA), among others, and THPAL received the next-highest "Best Mining Forest Award" after CNBC. Meanwhile, in conjunction with responsible mineral procurement and response to human rights within the supply chain, we underwent a third-party audit concerning nickel in February 2023 and copper in July 2023 and our smelters received certifications under the Responsible Minerals Initiative (RMI), following earlier acquisitions pertaining to gold, silver and cobalt.

### Challenge 4 Strengthening the foundation of business management

As a company grounded in production, the SMM Group places highest priority on safety as the foundation of its business management. In fiscal 2022, although we experienced no fatal accidents, a number of recurring accidents occurred, along with serious accidents such as falling down and caught-in-between accidents, that caused injuries requiring more than three months' absence from work. Going forward, we will target inherent safety of equipment, safety management on the production line, and elimination of both recurring and serious accidents. The Company's safety record constitutes

## Message from the President

one of the KPIs linked to the remuneration of officers and many employees in managerial positions. All Group members will strive in unity in continuing and advancing initiatives to eliminate all recurring and serious accidents.

We view corporate governance as one of the most important aspects of Company management. As we go forward, we will continue to contribute to society and fulfill our responsibilities to our stakeholders by striving to continuously improve our corporate governance and conduct our corporate activities soundly and efficiently. Also, in line with our risk management system, besides our earlier risk management which has focused on bases that destabilize our management foundation, today we are taking steps to manage risks that accompany implementation of our growth and business strategies, and undertaking Company-wide crisis management to respond to emergency situations such as increasingly severe natural disasters, epidemics of communicable diseases, etc. Furthermore, concerning our business portfolio, we are working to enhance our invested capital efficiency through complete application of ROCE (return on capital employed) management, introduced from our 2021 3-Year Business Plan, in all three of our business segments: Mineral Resources, Smelting & Refining, and Materials.

### — 3 —

## The Special Nature of SMM's Business Operations

Demand for non-ferrous metals (copper, nickel, etc.), our business core, is expected to mark steady growth through the long term. But because non-ferrous metal resources gradually deplete with the ongoing progression of mining operations, we must continually recalibrate our portfolio of mines and other related assets. Moreover, because metal prices are set by commodity exchanges such as the London Metal Exchange (LME), SMM's bottom line is greatly impacted by broad economic trends and other market environmental factors. This relationship is one of the Company's key characteristics.

In addition, our business environment too is becoming increasingly severe every year. Competition for the limited excellent resources available is intensifying, development of new resources inevitably is taking place in ever higher altitudes and greater depths, and costs continue to rise. Taken together, these factors make new development more and more difficult. As a result, when we participate in resource development projects and the like, we devote much time to studying our options meticulously from diverse perspectives, because once a decision is taken, it demands immediate payment of hundreds of billions of yen. Moreover, several years must pass before results of such investments are reaped. As such, unless we have a financial foundation able to withstand these challenges, we would be unable to sustain our business operations, and other companies would be unlikely to call on us as a business partner for developing new resources.

Against the backdrop of these special business characteristics and our business environment, we believe maintaining a strong financial foundation and steadily implementing growth strategies targeted at achieving our Long-Term Vision are essential for attaining a favorable view within the stock markets over the long term. Accordingly, we have adopted a performance-based shareholder return policy, aiming for a consolidated payout ratio of 35% or higher, in principle, in our 2021 3-Year Business Plan. We are well aware of calls being made for stable shareholder returns, so we will take this matter under consideration in formulating our next 3-Year Business Plan.

SMM's PBR (price-to-book ratio) has remained below 1.0x in recent times, and we believe this owes greatly to the aforementioned special characteristics of our business operations. Together with demonstrating a solid growth trajectory, to win the understanding of our investors we will strive to strengthen our information messaging via IR and other activities. We will also apply the valuable feedback we receive from our investors to our management practices, as a way of enhancing our corporate value.

### — 4 —

## Message to Our Stakeholders

In the past few years, the environment surrounding the corporate sector has changed significantly. Today, changes have occurred in the values of diverse stakeholders and in what is demanded of business corporations, and I believe companies that are unable to respond to those changes cannot survive. SMM, throughout its long history, has sustained its business by continuously responding flexibly to the changes of the times. In that respect, the fact that we have a history exceeding 430 years may stand as proof that our business has been sustainable. Still, this longevity is no assurance that our sustainability will continue into the future. Going forward, the SMM Group must change its perception of what we earlier considered to be "risks" and instead think of such challenging circumstances as "opportunities" for positive change. Adapting to changes is one of SMM's strengths, and we view the current times as a chance to put our abundant experience to maximum use. Personally, I see my mission to be building up our sustainable Company through ongoing implementation of changes.

At the same time, we will respond responsibly and firmly to social demands. Naturally this includes advancement of initiatives in carbon neutrality and DX, but in our human resources strategy we will also proactively carry out management accepting of diversity. Through diversified use of human capital, including foreign employees, improvement in the ratio of female employees, hiring of young employees, etc., we will sweep away the image of SMM as a conservative company and forge a new, more inclusive image for the future.

Sumitomo Metal Mining is a company grounded in production. As a leading force in the production industry, we will pursue continuous growth and change, aiming to achieve our "Vision for 2030" and become "the world leader in the non-ferrous metals industry."



# 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

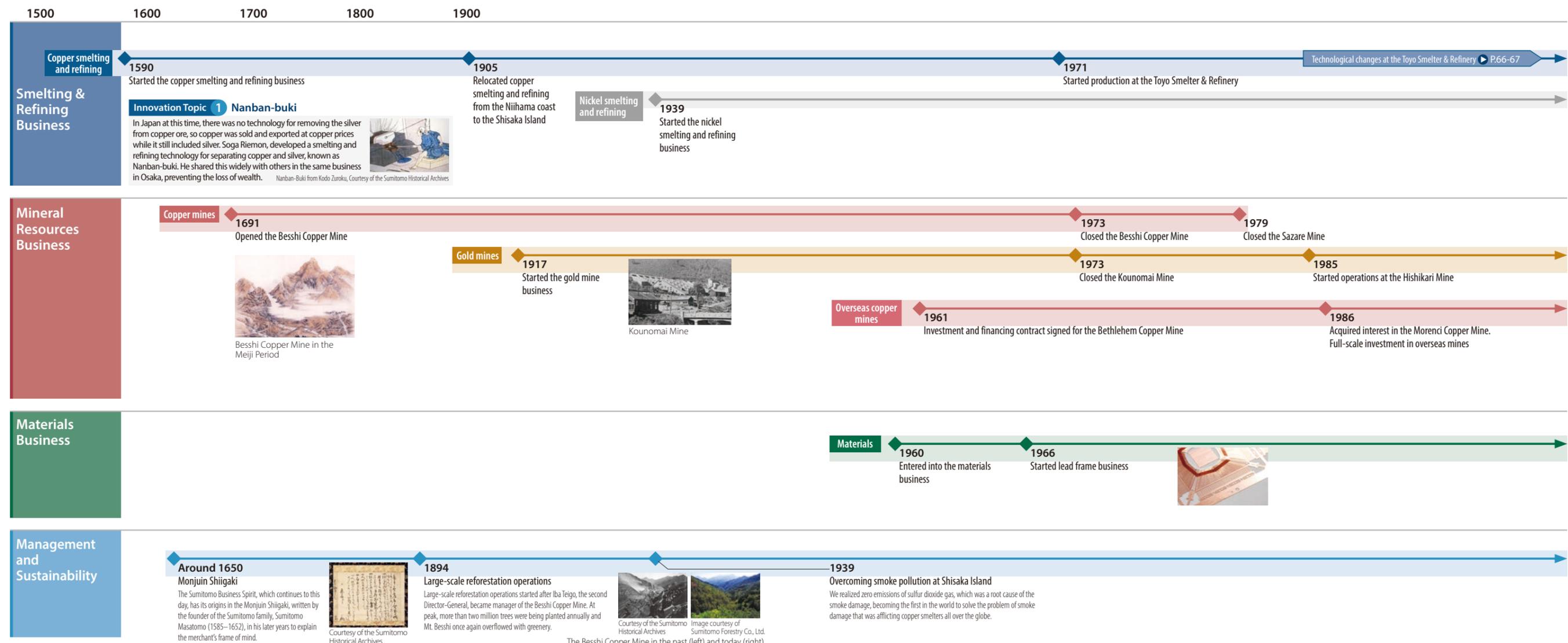
In 1960, the electronic materials business was being watched as a new market, and SMM began production of germanium dioxide for use in transistors. Since then, we have continued to provide the market with various electronic materials.

### 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.



**Social Setting**

- Around 1700: The majority of Nagasaki trade. In the Edo period, about half of all copper produced in Japan for international trade was exported through Nagasaki. In the year 1698, Sumitomo's annual production reached about 1,500 tons, a quantity that accounted for one quarter of Japan's copper production.
- Around 1900: The modernization of industry. Starting in the Meiji Period, with the growth in demand for communications lines, wires for electric lighting, and copper alloy fabricated products, domestic demand for copper increased significantly. The Besshi Copper Mine, which introduced Western-style smelting and refining, supported the industry in Japan.

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

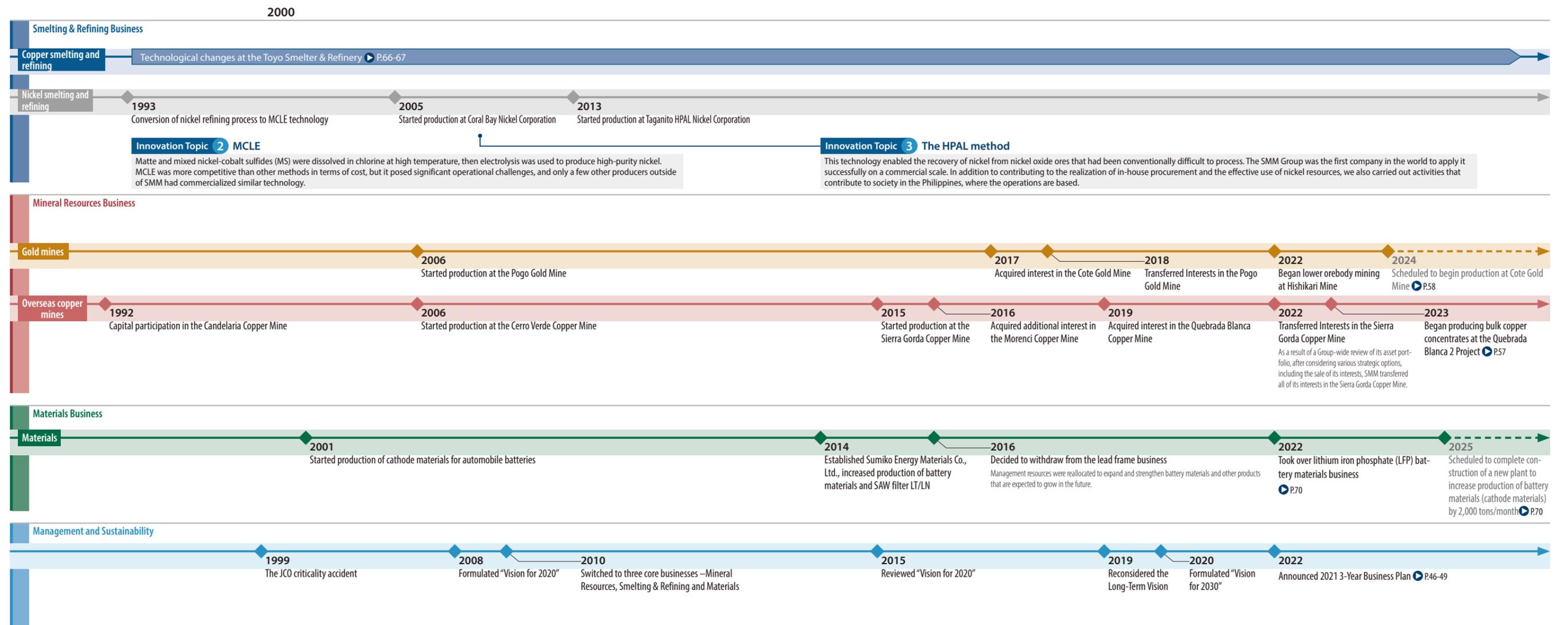
From FY2004 onward, we have steered our course toward the growth strategy by promoting large-scale projects and concentrating management resources in growth areas to expand and strengthen our core businesses. In FY2010, we shifted our business model to three core businesses: Mineral Resources, Smelting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



**Social Setting**

**Around 1980**

**The spread of stainless steel**

Nickel, a product of the SMM Group, was used as a raw material in stainless steel and special steels. These materials were used in various areas such as communications, medical, construction materials, and the generation of electricity. Demand for stainless steel picked up after 1987, and Hyuga Smelting Co., Ltd. expanded ferronickel production.



**Around 2000**

**Rapidly rising demand for cathode materials for automobile batteries**

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



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



## The Business Environment Surrounding Copper

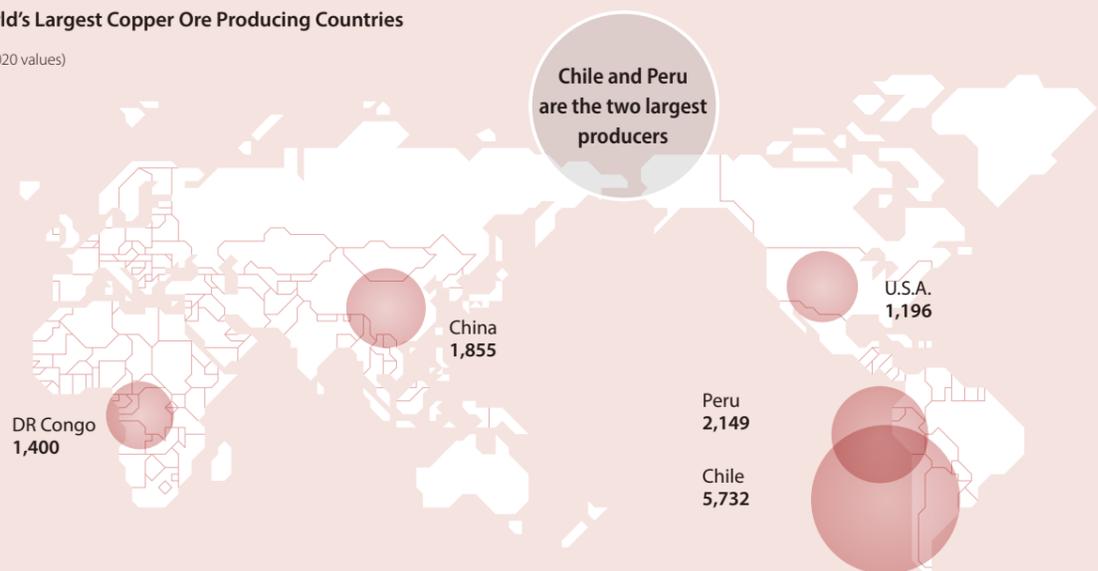
Copper is thought to be the first metal used in human history. It offers high heat and electrical conductivity, is relatively inexpensive, and has superior workability. This has resulted in it becoming an indispensable base metal for electrical wiring and copper alloy fabricated products in a wide range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

Chile and Peru are the world's two largest copper ore producing countries, followed by China, the Democratic Republic of Congo (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)



Source: JOGMEC Mineral Resource Material Flows 2021

### Global Copper Supply and Demand

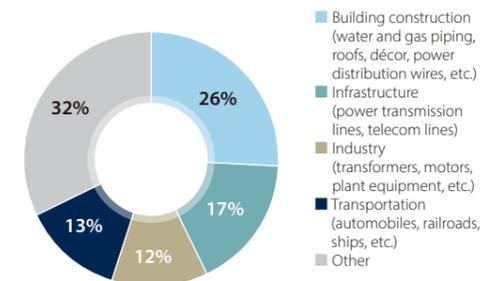
(kt pure copper)



Source: JOGMEC Mineral Resource Material Flows 2021

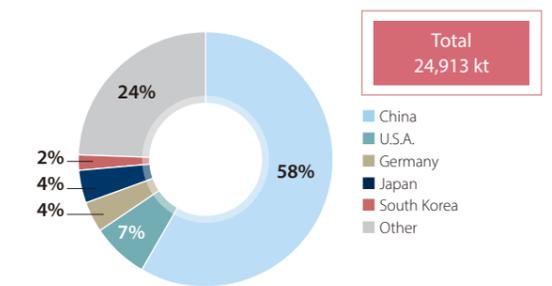
## Statistical Data Regarding Copper

### Copper End-Use (2022 results)



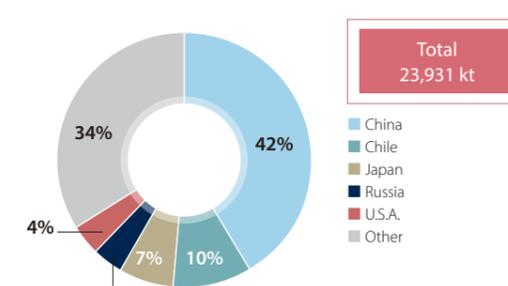
Source: The International Wrought Copper Council (IWCC) and the International Copper Association (ICA)

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



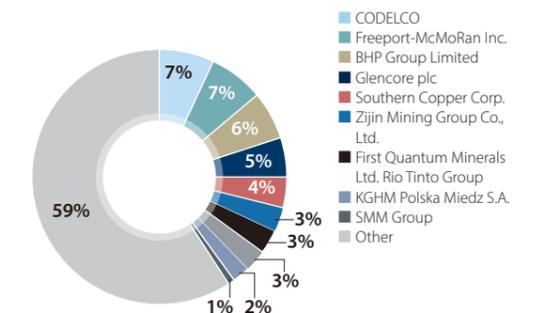
Source: JOGMEC Mineral Resource Material Flows 2021

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



Source: JOGMEC Mineral Resource Material Flows 2021

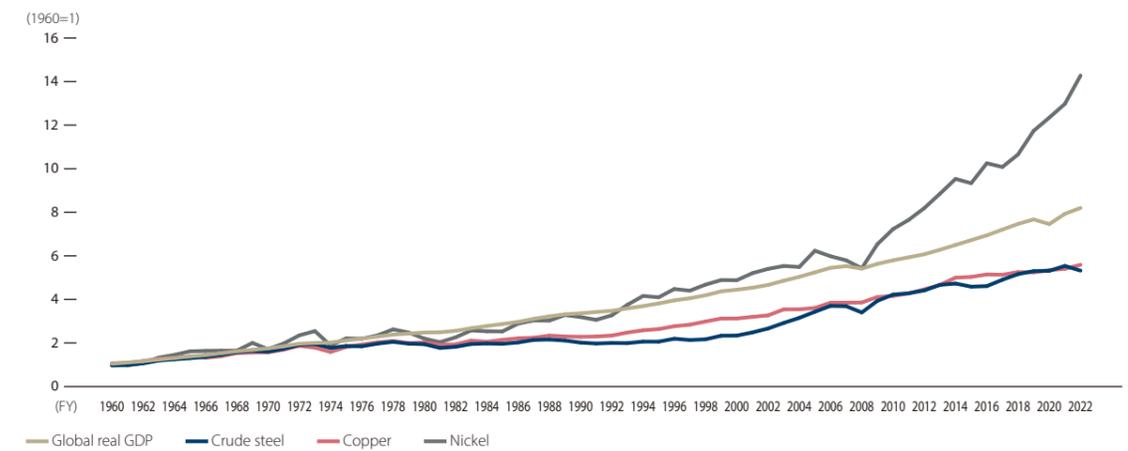
### Global Copper Interest Production (2022 results)



Source: S&P Global Market Intelligence

The size of the global copper market is about 22,080 kt  
The SMM Group ranks 23rd in the world for global copper interest production (FY2022: 200 kt)

### Global Resource Demand Trends



Source: Research by SMM



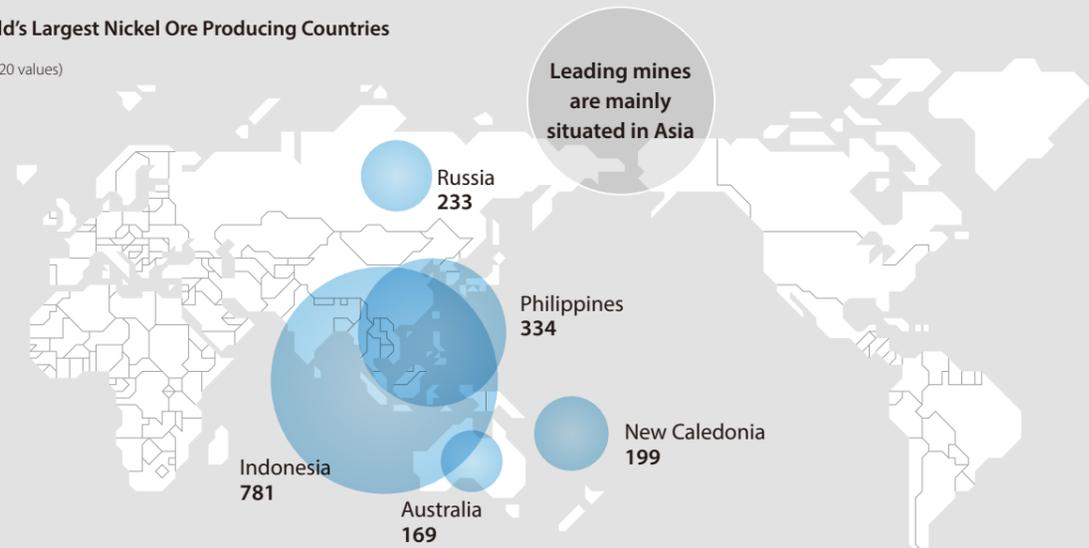
### The Business Environment Surrounding Nickel

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

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

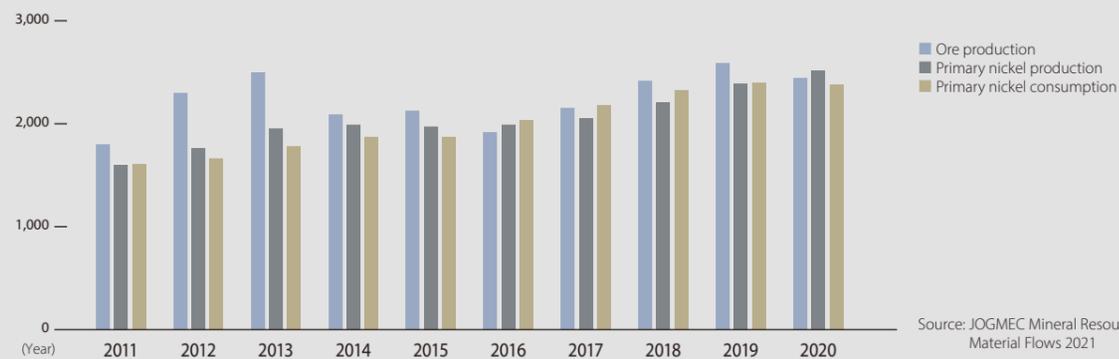
(kt, 2020 values)



Source: JOGMEC Mineral Resource Material Flows 2021

#### Global Nickel Supply and Demand

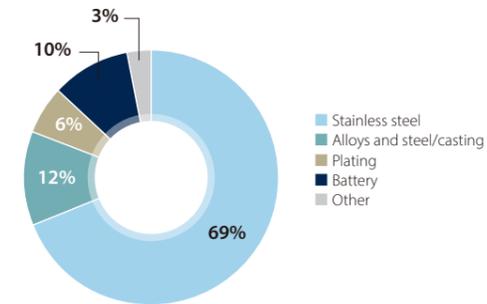
(kt pure nickel)



Source: JOGMEC Mineral Resource Material Flows 2021

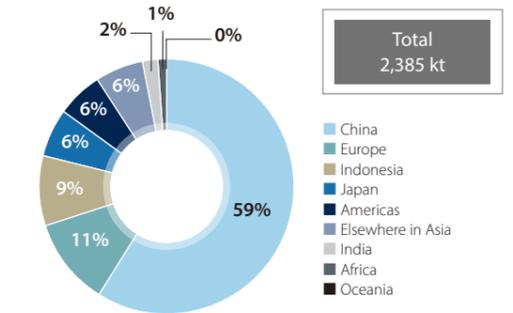
### Statistical Data Regarding Nickel

#### Nickel End-Use



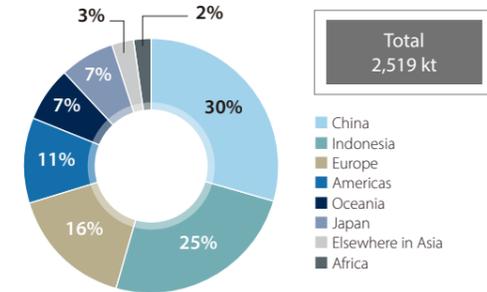
Source: S&P Global Market Intelligence (June 26, 2023)

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



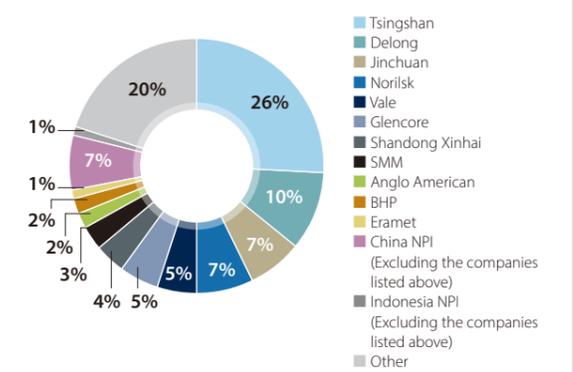
Source: JOGMEC Mineral Resource Material Flows 2021

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



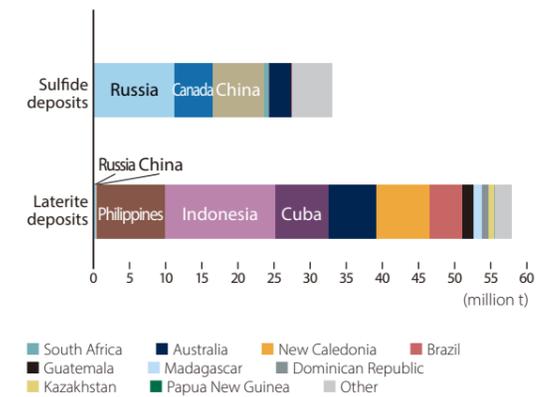
Source: JOGMEC Mineral Resource Material Flows 2021

#### Global Nickel Supply (2022 Results)



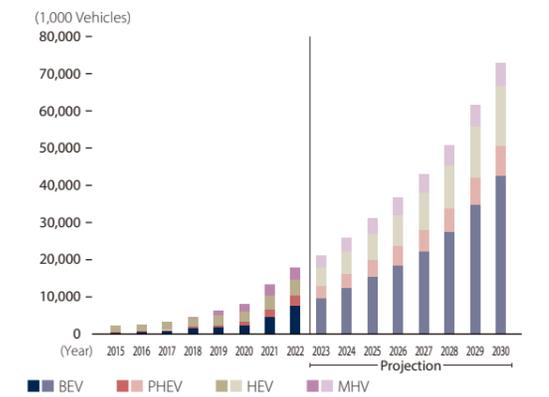
Source: Research by SMM

#### Nickel in Reserves



Source: S&P Global Market Intelligence (July 14, 2023)

#### xEV Sales

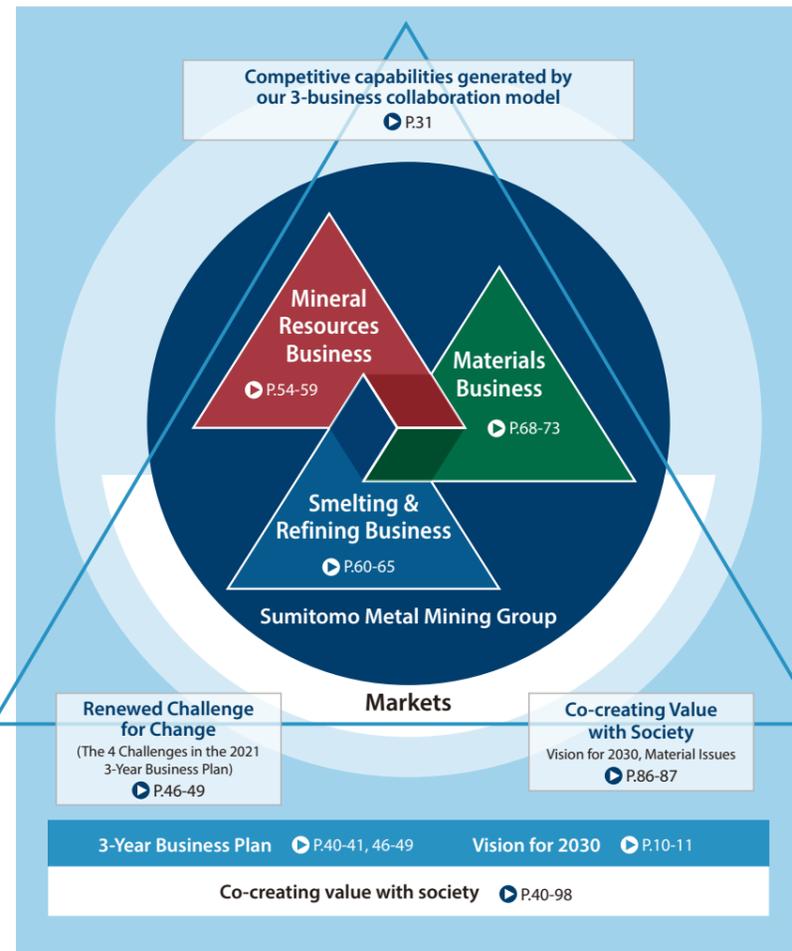


Values for 2023 onward are projections  
Source: B3 report 22-23/February 2023

Capitals  
**INPUTS**  
(FY2022 result)

<b>Financial capital</b> as of March 31, 2023 Seven Competitive Strengths <b>7</b>
<ul style="list-style-type: none"> <li>Sound financial standing</li> <li>Total equity <b>¥1,789.3 billion</b></li> <li>Interest-bearing liabilities <b>¥457.3 billion</b></li> </ul>
<b>Manufactured capital</b> Seven Competitive Strengths <b>1 5</b>
<ul style="list-style-type: none"> <li><b>Mineral Resources</b> Operational mines <b>7</b></li> <li><b>Smelting &amp; Refining</b> Plants Japan <b>5</b> Overseas <b>3</b></li> <li><b>Materials</b> Plants Japan <b>16</b> Overseas <b>4</b></li> <li><b>R&amp;D</b> Research centers Japan <b>4</b></li> <li>Capital expenditure <b>¥140.8 billion</b> (roughly two times that of the previous fiscal year)</li> </ul>
<b>Intellectual capital</b> Seven Competitive Strengths <b>1</b>
<ul style="list-style-type: none"> <li>Research and development expenses <b>¥9.2 billion</b></li> <li>Intellectual property rights held <b>5,628</b></li> <li>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.)</li> <li>Technology and tacit knowledge that has been continually accumulated and honed over 430 years and is focused on the next generation</li> <li>A large pool of collective knowledge supported by our 3-business collaboration</li> </ul>
<b>Human capital</b> Seven Competitive Strengths <b>2 5</b>
<ul style="list-style-type: none"> <li>Consolidated employees <b>7,330</b></li> <li>Officers and employees who have inherited and internalized the Sumitomo Business Spirit and the Group's corporate culture</li> <li>Skill development through OJT</li> <li>A firm resolve in regard to safety and a management framework that heightens hazard awareness</li> </ul>
<b>Social and relationship capital</b> Seven Competitive Strengths <b>3 4 6</b>
<ul style="list-style-type: none"> <li>Regarding society An organizational sense of ethics Risk management structures Social license to operate</li> <li>Regarding business partners Relationships of trust that have been cultivated over many years Appropriate supply chain management</li> <li>Regarding governments Relationships of trust with governments in each country and region</li> <li>Regarding customers and employees The SMM Group brand A close affinity with our customers' needs and the collaborative capabilities to continuously respond to them</li> <li>Regarding local communities Involvement with local communities that has been built up through our core business</li> </ul>
<b>Natural capital</b> Seven Competitive Strengths <b>1 3 7</b>
<ul style="list-style-type: none"> <li>Operational mines Japan <b>1</b> Overseas <b>7</b></li> <li>Raw mineral resources Copper concentrates usage <b>1,493kt</b> Nickel oxide ore usage <b>8,418kt</b> Gold and silver ore usage <b>202kt</b> Recycled materials <b>235kt</b></li> <li>Water resources (fresh water and seawater) <b>197,186,000m<sup>3</sup></b></li> <li>Energy from coal and coke <b>13,778TJ</b> (60.7% of overall energy consumption)</li> </ul>
<p>Seven Competitive Strengths <b>1</b> * Figures denote the relevant items P.32-33</p>

BUSINESS ACTIVITIES  
**BUSINESS ACTIVITIES**



Products and services  
**OUTPUTS**  
(FY2022 result)

<b>Non-ferrous metal materials</b>	<b>Highly advanced materials</b>
<ul style="list-style-type: none"> <li><b>Ni</b> <b>Smelting &amp; Refining</b></li> <li>Annual production volume <b>80kt</b></li> <li><b>Cu</b> <b>Mineral Resources</b> <b>Smelting &amp; Refining</b></li> <li>Annual production interest <b>200kt</b></li> <li>Annual production volume of electrolytic copper <b>450kt</b></li> <li><b>Au</b> <b>Mineral Resources</b> <b>Smelting &amp; Refining</b></li> <li>Annual production volume* <b>18t</b></li> </ul> <p>* Annual production volume after smelting</p>	<ul style="list-style-type: none"> <li><b>Cathode materials for batteries</b> <b>Mineral Resources</b> <b>Smelting &amp; Refining</b> <b>Materials</b></li> <li>Monthly production capacity <b>4,850t</b></li> <li><b>Effective use of resources</b> <b>Smelting &amp; Refining</b></li> <li>Recover scandium and chromite from nickel oxide ore</li> <li><b>Smelting &amp; Refining</b> <b>Materials</b></li> <li>Develop a recycling process for lithium-ion secondary batteries (copper, nickel, cobalt, lithium)</li> </ul>

Value we provide  
**OUTCOMES**  
(FY2022 result)

<b>Financial capital</b>	<ul style="list-style-type: none"> <li>Sound financial standing (equity ratio of 50% or higher)</li> <li>Consolidated dividend payout ratio of 35% or higher</li> <li>TSR</li> </ul>	<ul style="list-style-type: none"> <li>Equity ratio <b>59.8%</b> (result)</li> <li>JCR credit rating <b>AA-</b></li> <li>Dividend payout ratio <b>35.1%</b> Dividend <b>¥205/share</b> (-¥96/share YoY)</li> <li>TSR (10-year cumulative) <b>130.1%</b> P.52</li> </ul>
<b>Manufactured capital</b>	<ul style="list-style-type: none"> <li>Increase, expansion, and upgrading of business sites and equipment</li> <li>Increase of production capacity in response to growth in demand</li> <li>Results achieved through Digital Transformation (DX)</li> </ul>	<ul style="list-style-type: none"> <li>Development underway on the Cote Gold Project and Quebrada Blanca 2 Project <b>Impact A</b></li> <li>Increase in production of nickel-based cathode materials 4,550 t/month → <b>4,850 t/month</b> <b>Impact A</b></li> <li>Autonomous operations of Hishikari Mine's heavy machinery</li> </ul>
<b>Intellectual capital</b>	<ul style="list-style-type: none"> <li>Development expertise</li> <li>Production and equipment development technology</li> </ul>	<ul style="list-style-type: none"> <li>Patents and design rights held in Japan (as of March 31, 2023) <b>3,734</b> (+452 YoY)</li> <li>Engaging in the X-MINING® (Cross-Mining) project, an information dissemination site, aimed at realizing open innovation</li> <li>Initiatives to demonstrate and commercialize the recycling technology of automotive lithium-ion batteries <b>Impact B</b> P.77</li> </ul>
<b>Human capital</b>	<ul style="list-style-type: none"> <li>High levels of safety consciousness</li> <li>Raising of awareness and encouragement of understanding among employees</li> <li>Social contribution</li> <li>Enhanced human capital <b>Impact C</b></li> <li>Skill development through off-JT</li> <li>Skill development through OJT</li> <li>Improved job satisfaction for employees</li> <li>Promotion of health and productivity management</li> </ul>	<ul style="list-style-type: none"> <li>Serious accidents <b>1</b> (2 in the previous year)</li> <li>All accidents <b>25</b> (21 in the previous year)</li> <li>Occupational diseases <b>0</b> (0 in the previous year)</li> <li>Employee awareness survey <b>P.95</b></li> <li>Carried out internal education activities regarding indigenous peoples <b>Impact D</b> <b>P.97</b></li> <li>Revision of personnel system for managerial track employees <b>Impact C</b></li> <li>Renewal of all work spaces in the Head Office <b>Impact C</b></li> <li>New employee dormitory in Besshi (259 rooms) <b>Impact C</b></li> <li>Annual hours of education per employee <b>23</b> (30 hours in the previous FY) <b>Impact C</b> <b>P.94</b></li> <li>Smelting &amp; Refining University <b>Impact C</b> <b>P.132</b></li> <li>Mining School <b>P.133</b></li> <li>Recognized as 2023 Certified Health &amp; Productivity Management Outstanding Organization <b>Impact C</b> <b>P.133</b></li> </ul>
<b>Social and relationship capital</b>	<ul style="list-style-type: none"> <li>Building and maintaining of good relationships with local communities and indigenous peoples</li> <li>Building and maintaining of good relationships with business partners, contractors, and supply chain partners</li> <li>Expansion of product applications through co-creation with customers</li> <li>Proper fulfillment of tax obligations</li> </ul>	<ul style="list-style-type: none"> <li>Significant environmental accidents <b>0</b></li> <li>Infrastructure investment and spending on support services <b>¥1.87 billion</b> <b>P.96</b></li> <li>Grievance mechanism. Joined JaCER <b>P.97</b></li> <li>Carried out internal education activities regarding indigenous peoples <b>Impact C</b> <b>P.97</b></li> <li>CBNC and THPAL were awarded four awards by the Philippine Department of Environment and Natural Resources <b>P.65</b></li> <li>Practiced responsible mineral sourcing and sustainable procurement <b>Impact E</b> <b>P.98</b></li> <li>CWO® use expanded to clothing</li> <li>Income tax paid <b>¥69.4billion</b> <b>P.37</b></li> </ul>
<b>Natural capital</b>	<ul style="list-style-type: none"> <li>Hazardous substances emitted into the atmosphere and water</li> <li>Energy consumption</li> <li>Recycling production of copper, zinc, precious metals, etc.</li> <li>Response to climate change</li> </ul>	<ul style="list-style-type: none"> <li>Capital expenditure related to environmental preservation <b>¥12,171 million</b> <b>P.39</b></li> <li>Reduction in water use through optimization <b>1,365,000m<sup>3</sup></b></li> <li>Increase in emissions of hazardous substances into the atmosphere and water <b>124t</b></li> <li>Increase in consumption of energy from coal and coke <b>730TJ</b></li> <li>Percentage of recycled materials used <b>2.21%</b></li> <li>Reduction in GHG emissions intensity (compared to FY2013) <b>1%</b></li> </ul>

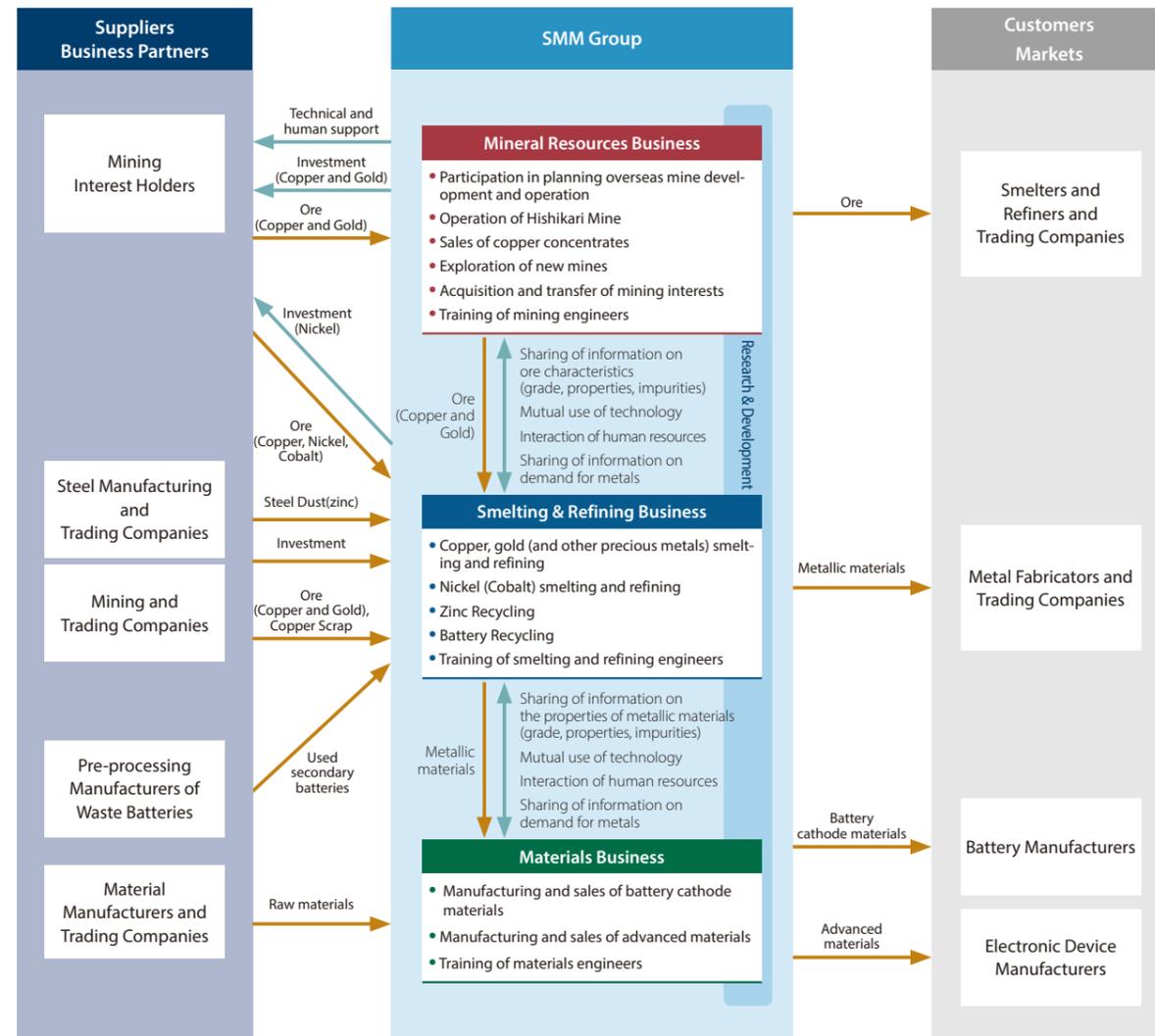
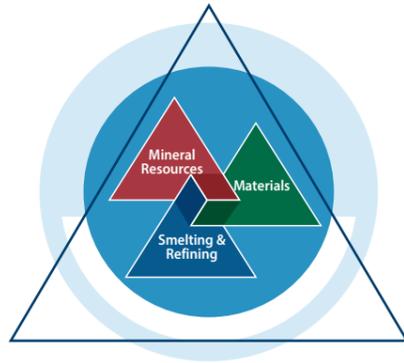
The + and - signs express the nature of the impact of each type of capital

Impacts on Society  
**IMPACTS**

<b>From Vision 1</b> Effective Use of Non-Ferrous Metal Resources <b>Impact A</b>	Stably supply high-quality non-ferrous metals and materials
<b>From Vision 2</b> Climate Change <b>Vision 3</b> Significant Environmental Accidents <b>Vision 4</b> Biodiversity <b>Impact B</b>	Preserve the natural environment through reduction of GHG emissions, and increased production and new development of products contributing to a low-carbon society
<b>From Vision 5</b> Employees' Occupational Health and Safety <b>Vision 6</b> Diverse Human Resources <b>Vision 7</b> Development and Participation of Human Resources <b>Impact C</b>	Create comfortable and safe workplaces where all employees can take a vibrant and active part
<b>From Vision 8</b> Engagement with Stakeholders <b>Vision 9</b> Co-Existence and Mutual Prosperity with Local Communities <b>Vision 10</b> Rights of Indigenous Peoples <b>Impact D</b>	Achieve co-existence and mutual prosperity with local communities
<b>From Vision 11</b> Human Rights in the Supply Chain <b>Impact E</b>	Achieve sustainable procurement in the entire supply chain

# 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

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

[▶ P.32-33](#)

### 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 human resources, goods, technology, and information between each business.

#### Mineral Resources Business [▶ P.54-59](#)

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.60-65](#)

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.68-73](#)

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 an integrated internal supply chain

#### Recycling [▶ P.77](#)

The SMM Group is engaged in various recycling efforts. In the Smelting & Refining Business, we collect 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 Capital: Seven Competitive Strengths Cultivated by the Sumitomo Business Spirit

## The Sumitomo Business Spirit Trustworthiness and pride inherited from the original business

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.

— 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 for separating crude copper from silver, developed 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 High Pressure Acid Leach (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 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
- 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
- Create further business opportunities through our long-term partnerships and relationships of trust

— 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 128 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 equipment-related measures including those related to essential safety at facilities, with a focus on risks of serious accidents involving operating facilities, high places, heavy loads, and 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 a "top-class share of the global market" of nickel-based cathode materials for lithium-ion secondary 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

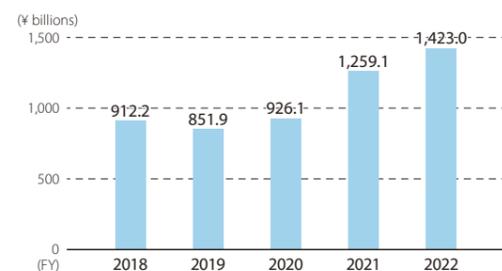
- Maintain a sound financial position to withstand large one-time cash outflows for resource and smelting & refining development projects, which require a long period of time from investment to recovery, and to avoid missing investment opportunities
- Possess several superior mine interests that support 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) and Opportunities	Strategies	Risk Countermeasures
<b>1 Governments and Policy</b> <ul style="list-style-type: none"> <li>Changes in laws and regulations (rise in mineral resource nationalism, increase in environmental awareness, etc.)</li> <li>Conflicts and friction between countries</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>Nationalization of mines; increased taxation</li> <li>Prohibition of export of mineral ores and intermediates</li> <li>Stricter approval for development and operation</li> <li>Negative impacts on production, including supply and demand and supply chains</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Introduction of preferential taxation in the automobile market</li> </ul>	<ul style="list-style-type: none"> <li>Full consideration of country risk and making investment decisions while expanding the business globally</li> <li>Cooperation with overseas local partners to monitor the status of the market entry and taking appropriate measures as needed to respond to changes after entering a new market</li> </ul>	<ul style="list-style-type: none"> <li>Conclusion of contracts that make allowances for resource nationalism</li> <li>Information gathering through embassies, governments, and JV partners</li> <li>Approach to local communities and indigenous people</li> <li>Diversification of materials suppliers and product customers</li> <li>Establishment of BCP and crisis management framework</li> <li>Consideration of establishment of next plant to increase production of battery materials</li> </ul>
<b>2 Economic Environment</b> <ul style="list-style-type: none"> <li>Metal price and forex movement</li> <li>Soaring energy prices</li> </ul>	<b>Risks</b> <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>Decrease in competitiveness due to higher operating costs</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Expanding demand for non-ferrous metals, especially copper and nickel, which are indispensable for the electrification of automobiles, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Aiming to reduce costs in the Mineral Resources and Smelting &amp; Refining businesses and stabilizing earnings in the Materials business, which is relatively insensitive to non-ferrous metal price fluctuations</li> <li>Steadily pursuing the growth strategy based on collaboration among our three businesses</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), expansion of the advanced materials business</li> <li>Promotion of energy conservation (switch to high-efficiency equipment and improvement of manufacturing processes)</li> <li>Promotion of large-scale projects</li> </ul>
<b>3 Social Environment</b> <ul style="list-style-type: none"> <li>Increased social responsibility for climate change</li> <li>Acceleration of the carbon neutrality movement</li> <li>Emergence of issues related to Business and Human Rights</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <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>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> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Growing demand for low-carbon products that contribute to GHG reduction, such as battery materials</li> </ul>	<ul style="list-style-type: none"> <li>Participating in the GX League and introducing clean energy and energy-saving equipment at production sites to achieve net zero GHG emissions by 2050</li> <li>Proceeding with reducing GHG emissions, and promoting initiatives for research and development of products that contribute to the realization of a carbon-neutral society, etc.</li> <li>Support the United Nations Guiding Principles on Business and Human Rights, and conduct due diligence and operate a complaint resolution (remedy) mechanism based on the Sumitomo Metal Mining Group Policy on Human Rights</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions reduction activities</li> <li>Dialogues and co-existence with local communities and enhancement of understanding of indigenous cultures</li> <li>Due diligence for mineral procurement</li> <li>Expansion of business for low-carbon products (e.g., battery materials and the near-infrared absorbing material CWO®)</li> </ul>
<b>4 Work Environments</b> <ul style="list-style-type: none"> <li>Shrinking and increasingly mobile Japanese labor market</li> <li>Securing human resources and diversifying work styles</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>Outflow of excellent human resources</li> <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, and occurrence of occupational accidents)</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Attract diverse human resources and create innovation</li> </ul>	<ul style="list-style-type: none"> <li>Providing employees with safe and healthy work opportunities by reforming work styles and rebuilding an open and vibrant organization climate</li> <li>Promote human resource development, encourage and evaluate efforts to address long-term issues, build a corporate culture that enables continuous "taking on of challenges," "change," and "growth," and secure, foster, and utilize a diverse human capital</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of engagement by raising the brand profile within the Group</li> <li>Rationalization and reduction of labor through the introduction of DX, etc. to reduce working hours</li> <li>Revision of the personnel system for managerial-track employees</li> <li>Raising awareness and actively recruiting by strengthening corporate branding</li> </ul>
<b>5 Technology</b> <ul style="list-style-type: none"> <li>Evolution of technology in the field of information and communication</li> <li>Catching up with the technology by overseas competitors</li> <li>Increasing and growing cybersecurity risks</li> <li>Growing importance of intellectual property due to globalization</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>Decline in competitiveness due to lagging response to DX</li> <li>Decline of HPAL technology dominance</li> <li>External leakage, destruction, falsification, etc. of information due to delays in establishing an information security system</li> <li>Delay in protecting intellectual property, infringement on other companies (patent infringement, filing of lawsuits related to intellectual property)</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Improving productivity by introducing DX and utilizing new technologies</li> </ul>	<ul style="list-style-type: none"> <li>Developing DX infrastructure to address human resources in an era of declining birth-rate, improve management efficiency, and create business reforms and new businesses</li> <li>Continuing to develop technologies to maintain and improve the HPAL recovery rate</li> <li>In addition to information security education for employees, migrating to a cloud service with advanced security features that enable safe use of internal and external systems regardless of the usage environment</li> <li>Establishing a department dedicated to intellectual property management to ensure acquisition and preservation of intellectual property</li> </ul>	<ul style="list-style-type: none"> <li>Launching a DX Department and developing human resources proficient with digital technologies</li> <li>Improving operations through data analysis</li> <li>Deepening/continuous improvement and stable operation of production technology (HPAL)</li> <li>Strengthening of information security</li> <li>Enforcement of and support for intellectual property management</li> <li>Application of DX to model factories and business sites</li> </ul>
<b>6 Development of Resources, Smelting &amp; Refining Operations, Development of Highly Advanced Materials</b> <p><b>Development of Resources</b></p> <ul style="list-style-type: none"> <li>Decrease in superior mines and increased uncertainty in mining investment</li> </ul> <p><b>Smelting &amp; Refining Operations</b></p> <ul style="list-style-type: none"> <li>Instability in procurement of non-ferrous metal raw materials and equipment</li> </ul> <p><b>Development of Highly Advanced Materials</b></p> <ul style="list-style-type: none"> <li>Rapid changes in market demands and prolongation of new product development</li> <li>Potential huge financial burden for defects in in-vehicle products</li> </ul>	<b>Risks</b> <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> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Expanding demand for non-ferrous metals, especially copper and nickel, which are indispensable for the electrification of automobiles, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Emphasizing acquiring social license centered on co-existence with local communities</li> <li>In addition to our own exploration activities, working with business partners overseas to acquire new projects</li> <li>Careful selection of investments based on a decision of profitability from our many years of experience in exploration and mine evaluation know-how, and striving to reduce and avoid the risk of uncertainty from the preparatory stage of development</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>Securing of a sound financial base</li> <li>Participation in development of and investment in superior overseas mines, etc.</li> </ul>
	<b>Risks</b> <ul style="list-style-type: none"> <li>Deterioration of raw material purchase conditions, plant shutdown</li> <li>Difficulty in procurement of raw materials and equipment and skyrocketing prices</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Growth in demand for recycling associated with the increased demand for metals, increased collection of used products, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Securing stable raw material sources (own mines) and conflict-free raw materials by investing in and participating in the management of superior overseas mines, etc.</li> <li>The materials procurement department will consider multiple purchases and alternative materials while improving unit requirements, and will take appropriate measures as needed in response to changes when responding to difficulties in the supply of materials and equipment and price hikes</li> <li>Proactively working on battery to battery horizontal recycling of used lithium-ion secondary batteries, contributing to the formation of a sustainable recycling-oriented society and strengthening the promotion of resource recycling to cope with global resource depletion</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing study of measures to secure mineral reserves for CBNC and THPAL</li> <li>Strengthening the search for new nickel projects in the next period</li> <li>Promoting the commercialization of battery recycling</li> </ul>
	<b>Risks</b> <ul style="list-style-type: none"> <li>Obsolescence of products and technologies due to technological innovation and market change</li> <li>Product liability and claims litigation (recalls and damages incurred for end products containing defective in-vehicle products)</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Rising demand for cathode materials due to increasing demand for electric automobiles</li> <li>Growing demand for advanced materials used in electronic devices for the realization of a digital society</li> </ul>	<ul style="list-style-type: none"> <li>Deepening relationships with customers, accurately understanding customer and market needs, and putting in place sufficient sales and development structures to promote new product development based on this understanding and to mitigate the impact of such development</li> <li>Ensuring the effective functioning of the Group's quality management system (QMS) to further improve quality and enhance traceability</li> <li>Accelerating development through the use of government support programs, joint development with external parties, and industry-academia collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Speeding up development of LFP battery materials</li> <li>Compliance with the quality management system and initiatives to further improve quality and strengthen management</li> <li>Expansion of production by 2,000 tons/month, including construction of a new plant in Niihama (project eligible for a subsidy from the Ministry of Economy, Trade and Industry)</li> <li>Promoting commercialization of silicon carbide (SiC) substrates</li> </ul>
<b>7 Other</b> <ul style="list-style-type: none"> <li>Increase in frequency and intensity of natural disasters</li> <li>Spread of infectious disease</li> </ul>	<b>Risks</b> <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> <li>Negative impacts of infectious diseases on production, including supply and demand and 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</li> <li>Stable supply through an integrated supply chain</li> </ul>

# Financial and Non-Financial Highlights

## Net Sales



Consolidated net sales increased by ¥163.9 billion year on year to ¥1,423.0 billion due mainly to the extremely weakened yen, rising nickel prices, and strong sales of automobile battery components.

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



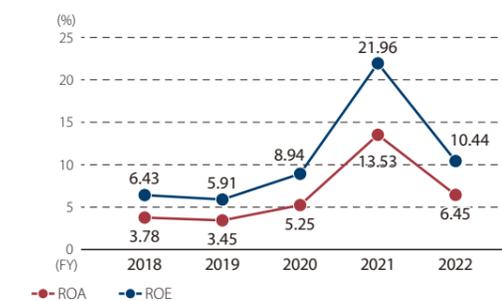
Consolidated profit before tax decreased by ¥127.5 billion year on year to ¥229.9 billion, due mainly to the lack of a gain from the transfer of the entirety of the Company's interest in the Sierra Gorda Copper Mine and share of profit of investments accounted for using equity method related to the mine, which were recorded in the previous fiscal year.

## Interest-Bearing Liabilities/Debt-to-Equity Ratio<sup>2</sup>



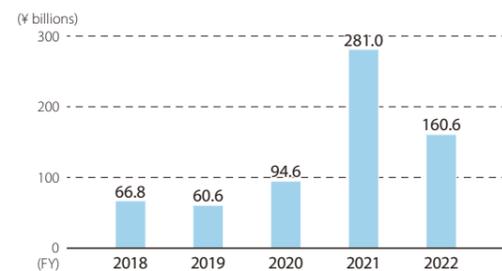
The amount of interest-bearing liabilities as of March 31, 2023, increased by ¥155.9 billion year on year to ¥457.3 billion. The debt-to-equity ratio increased by 0.07 points year on year to 0.28 times.

## ROA/ROE



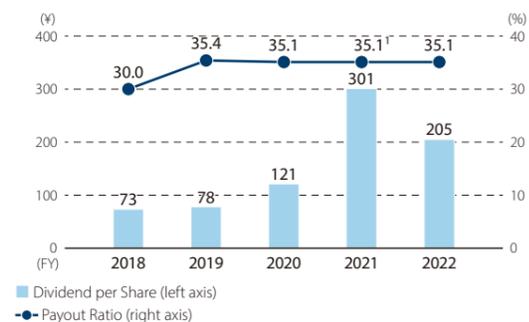
ROA decreased by 7.08 points year on year to 6.45%. ROE decreased by 11.52 points year on year to 10.44%.

## Profit Attributable to Owners of Parent



Profit attributable to owners of parent decreased by ¥120.4 billion year on year to ¥160.6 billion, due mainly to a decrease in consolidated profit before tax.

## Dividend per Share/Payout Ratio



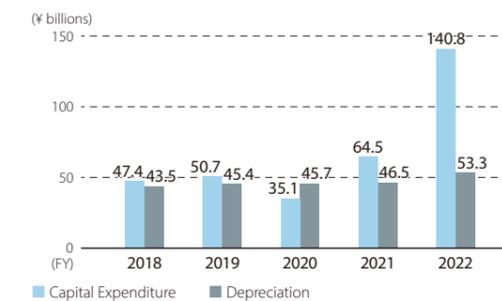
Our dividend policy is performance-based. For FY2022, the annual dividend per share was ¥205, comprising an interim dividend of ¥90 and a year-end dividend of ¥115. The payout ratio reached 35.1%, fulfilling the dividend policy of a consolidated payout ratio to be 35% or more in principle in our 2021 3-Year Business Plan.

## Net Cash Provided by Operating Activities



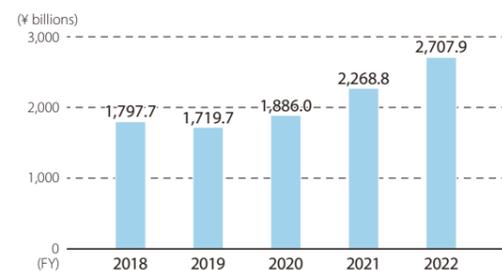
Net cash provided by operating activities decreased by ¥39.1 billion year on year, due mainly to a decrease in profit before tax and an increase in inventories due to the impact of an increase in non-ferrous metals prices, despite a decrease in trade and other receivables.

## Capital Expenditure/Depreciation



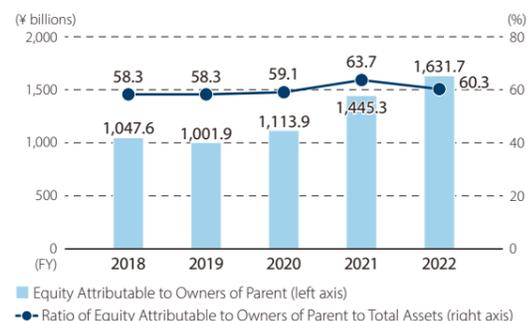
We are making the necessary capital investments to maintain, enhance, and improve productivity. Capital investment in the period ending March 31, 2023 increased by ¥76.3 billion year on year to ¥140.8 billion due to the progress of large-scale capital investments such as the Cote Gold Project and increased production of cathode materials for automobile batteries.

## Total Assets



Total assets as of March 31, 2023 increased by ¥439.1 billion year on year to ¥2,707.9 billion, due mainly to increases in inventories, property, plant and equipment, investments accounted for using equity method, and other financial assets under non-current assets.

## 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 ¥186.4 billion year on year to ¥1,631.7 billion. The ratio of equity attributable to owners of parent to total assets (equity ratio) was 60.3%. We were able to achieve a level higher than 50%, our target for maintaining a sound financial position.

## Income Tax by Country or Region (FY2022)

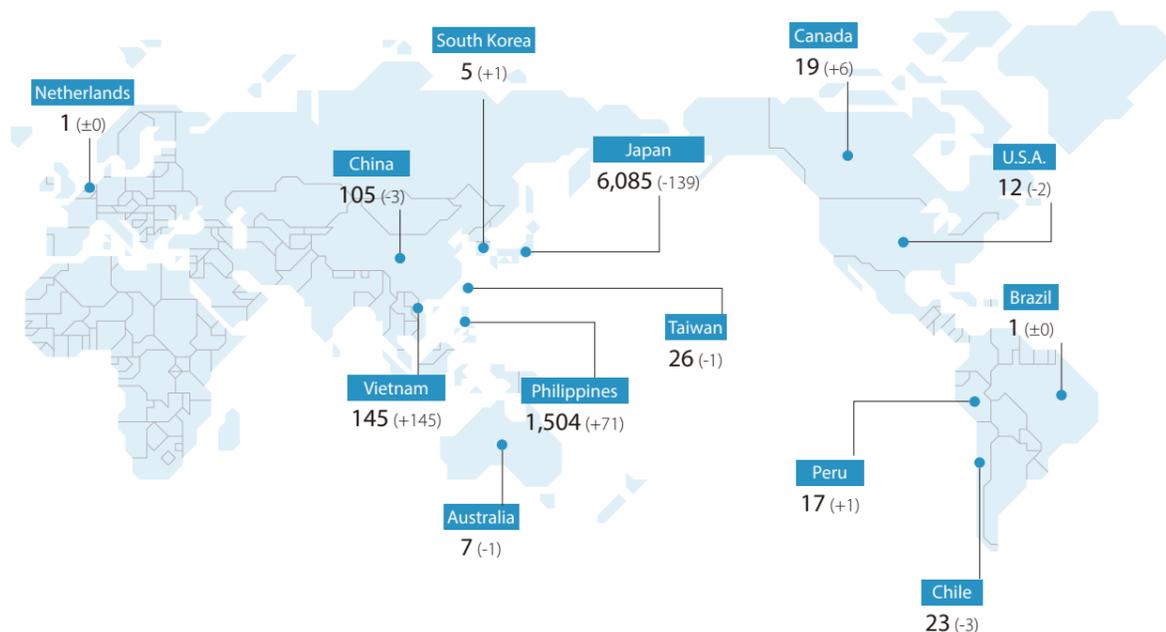
(millions of yen)					
Japan	U.S.A.	Netherlands	Peru	Chile	China
40,374	5,431	453	12,303	4,975	1,212
Philippines	New Caledonia	Australia	Others	Total	
3,717	707	266	6	69,444	

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

1. 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.  
2. Amounts of interest-bearing liabilities and the figures for the debt-to-equity ratio do not include lease liabilities.

## Financial and Non-Financial Highlights

**Number of Employees & Officers by Region, Consolidated** (As of March 31, 2023) Numbers in parentheses indicate the change from the end of March 2022.



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

FY		2018	2019	2020	2021	2022
Breakdown of employees and officers, by class	Managers	1,107	1,076	1,082	1,061	1,034
	Regular employees	5,579	5,711	5,895	6,033	6,208
	Non-regular/limited-term employees	612	678	710	676	603
	Officers	110	105	110	109	105
	Total	7,408	7,570	7,797	7,879	7,950
Breakdown of employees and officers, by gender	Male	6,079	6,178	6,328	6,415	6,477
	Female	1,329	1,392	1,469	1,464	1,473
Breakdown of directors	Male	7	7	7	7	7
	Female	1	1	1	1	1
	Total	8	8	8	8	8
	Outside directors	3	3	3	3	3

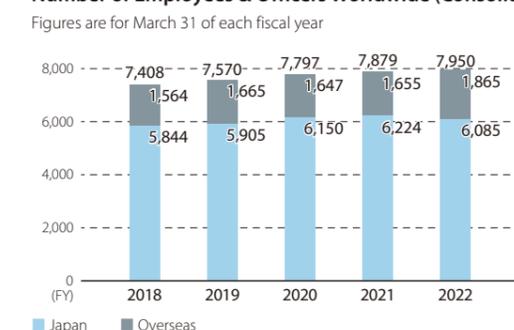
**Capital Expenditure Related to Environmental Preservation**

FY	2018	2019	2020	2021	2022	2023 (plan)
Pollution prevention/environmental preservation	5,508	5,244	5,715	7,549	11,694	18,446
Energy conservation	100	141	339	157	477	401
Total	5,608	5,385	6,054	7,706	12,171	18,847
Ratio of capital expenditure	11.8%	10.6%	17.3%	11.9%	8.6%	9.5%

**Distribution of Economic Value to Stakeholders**



**Number of Employees & Officers Worldwide (Consolidated)**

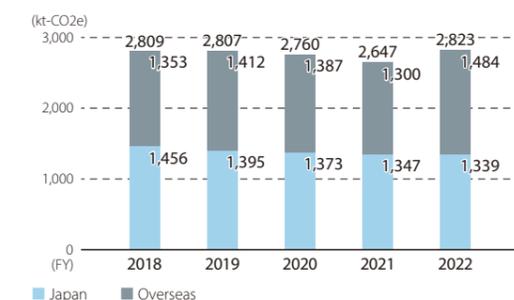


**Occupational Accident Frequency Rate**



At business sites in Japan, despite advancing facility safety through risk assessment and enhanced line management through work observation, the number of accidents increased slightly to 24, due mainly to falls. Business sites overseas took effective disaster countermeasures, such as hazard prediction education and safety patrols, and in 2022, too, the situation remains favorable compared to business sites in Japan.

**Greenhouse Gas Emissions (Scope 1 and 2)**



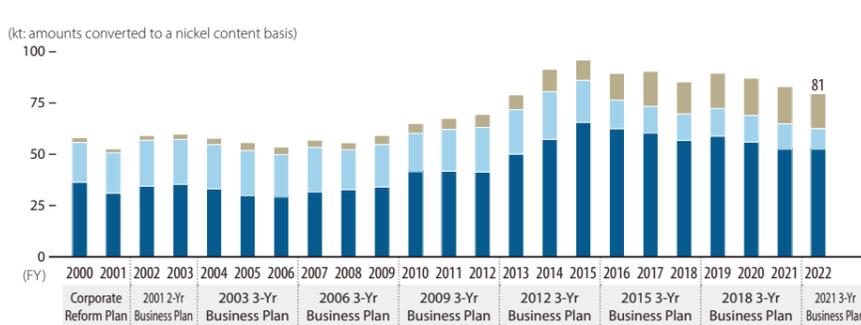
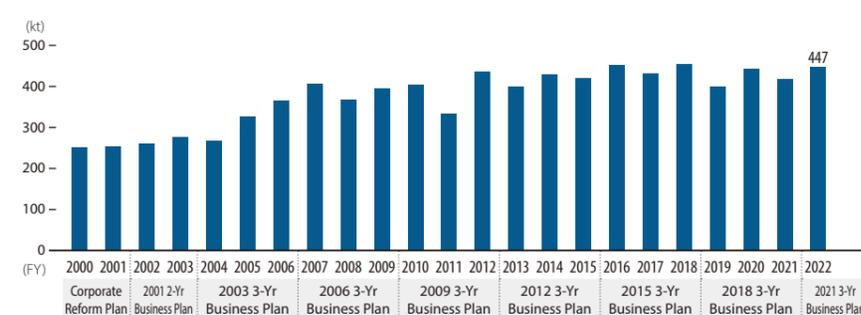
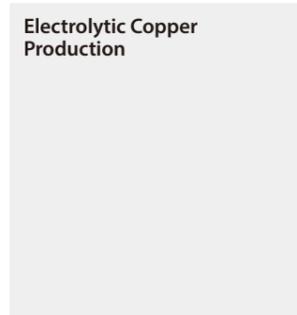
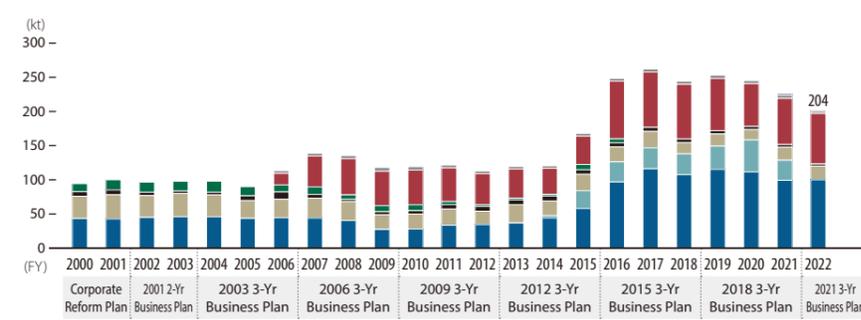
In FY2022, the SMM Group's GHG emissions (Scope 1 and 2) were 2,823 kt-CO<sub>2</sub>e due to an increase in production. Direct GHG emissions reductions from energy conservation and other activities in FY2022 were approximately 6 kt-CO<sub>2</sub>e.

# Review of Past 3-Year Business Plans

Passing through the business reforms conducted after the JCO criticality accident in 1999, SMM's business plans have continued up to the current growth strategies of the 2021 3-Year Business Plan (FY2022 to FY2024).

From the time of the Corporate Reform Plan (FY2000 to FY2001) that we formulated in 2000 following the accident, and through our 2001 2-Year Business Plan (FY2002 to FY2003), we implemented the selection and concentration of core businesses as a measure to reinforce corporate organization. From the 2003 3-Year Business Plan (FY2004 to FY2006) onward, we steered our course toward a growth strategy and realized long-term growth by expanding and strengthening core businesses, particularly large-scale projects. Following a degree of success in the 2015 3-Year Business Plan (FY2016 to FY2018), we tackled further growth upon a new stage under our 2018 3-Year Business Plan (FY2019 to FY2021).

	2015 3-Year Business Plan FY2016–FY2018	2018 3-Year Business Plan FY2019–FY2021
<b>Long-Term Vision</b>	Become the world leader in the non-ferrous metals industry and an excellent company of Japan	Become the world leader in the non-ferrous metals industry
<b>Plans</b>	<p><b>Mineral Resources</b></p> <ul style="list-style-type: none"> <li>Full-scale production at the Sierra Gorda Copper Mine</li> <li>Acquire new gold mine interests</li> </ul> <p><b>Smelting &amp; Refining</b></p> <ul style="list-style-type: none"> <li>Expand Taganito HPAL</li> <li>Advance growth strategies using HPAL peripheral technologies</li> <li>Enhance competitiveness of copper smelting business</li> </ul> <p><b>Materials</b></p> <ul style="list-style-type: none"> <li>Profit contribution from expanded battery material and LT/ LN production</li> <li>Continuously create and adapt next-generation products</li> <li>Corporate governance strengthening</li> <li>Globalization measures</li> </ul>	<p><b>1 Strengthen the growth foundation of core businesses (Mineral Resources, Smelting &amp; Refining, Materials)</b></p> <ul style="list-style-type: none"> <li>Steady promotion of growth strategy and swift realization of competitiveness: Aggressive investment</li> <li>Minimization of lost profits and opportunity loss and consolidation of business base: Defensive investment</li> </ul> <p><b>2 Strengthen 3-business collaboration centered on cathode materials for batteries</b></p> <ul style="list-style-type: none"> <li>Maximally leverage the integrated production structure and win through overall capabilities, including battery recycling</li> </ul> <p><b>3 Strengthen corporate functions</b></p> <ul style="list-style-type: none"> <li>Stimulate communication with stakeholders both inside and outside the company</li> <li>Rebuild an open and vibrant organizational climate</li> </ul>
<b>Results</b>	<p><b>Mineral Resources</b></p> <ul style="list-style-type: none"> <li>Incur a large impairment loss at the Sierra Gorda Copper Mine due to a production slump and increase in costs</li> <li>Entered into the Cote Gold Project</li> <li>Acquired interest in the Quebrada Blanca 2</li> <li>Transferred the Pogo Gold Mine interest</li> </ul> <p><b>Smelting &amp; Refining</b></p> <ul style="list-style-type: none"> <li>Completed 36-kt production structure at Taganito HPAL</li> <li>Commercialized scandium and chromite recovery</li> <li>Achieved 450-kt electrolytic copper production volume</li> <li>Completed 49-kt nickel sulfate production structure</li> <li>Began Pomalaa Project Definitive Feasibility Study (DFS)</li> </ul> <p><b>Materials</b></p> <ul style="list-style-type: none"> <li>Completed 4,550-t/month battery material production structure</li> <li>Completed increase of LT/LN production structure</li> <li>Developed nickel oxide powder for fuel cell electrodes</li> <li>Entered into silicon carbide (SiC) business</li> <li>Withdrew from lead frame business</li> <li>Increased number of outside directors, appointed female directors</li> <li>Implemented International Financial Reporting Standards (IFRS), commenced integrated report publication</li> </ul>	<p><b>Strengthen the growth foundation of core businesses (Mineral Resources, Smelting &amp; Refining, Materials)</b></p> <p><b>Mineral Resources</b></p> <ul style="list-style-type: none"> <li>Decided to sell all interests in the Sierra Gorda Copper Mine, which has established stable, full-scale production, as part of the Group-wide asset portfolio optimization and strategic asset replacement (transfer of all interests completed in February 2022)</li> <li>Had steady progress in FY2021 despite factors such as a temporary halt of construction of the Quebrada Blanca 2 Project due to COVID-19 and an increase in the initial start-up costs of the Cote Gold Project</li> </ul> <p><b>Smelting &amp; Refining</b></p> <ul style="list-style-type: none"> <li>Decided to discontinue feasibility study on the Indonesian Pomalaa Project in April 2022</li> </ul> <p><b>Materials</b></p> <ul style="list-style-type: none"> <li>Concluded a transfer contract with Sumitomo Osaka Cement Co., Ltd. to acquire their lithium iron phosphate (LFP) battery materials business on May 1, 2022</li> </ul> <p><b>Strengthen 3-business collaboration centered on cathode materials for batteries</b></p> <ul style="list-style-type: none"> <li>Decided to construct a new battery plant in 2021 (construction to be completed during the 2021 3-Year Business Plan)</li> <li>Established a new recycling process with the ability to recycle copper, nickel, cobalt, and lithium</li> </ul> <p><b>Strengthen corporate functions</b></p> <ul style="list-style-type: none"> <li>Enhanced responsiveness to changes in the business environment through organizational restructuring</li> <li>Rebuilt the organizational culture by renewing the Head Office</li> <li>Enhanced SR (Shareholder Relations) activities for institutional investors</li> </ul>
<b>Issues</b>	<ul style="list-style-type: none"> <li>Enhancing and improving site management capability (production capabilities) and management capability</li> <li>Creating new products and businesses</li> <li>Securing and developing the human resources to support growth</li> </ul>	<ul style="list-style-type: none"> <li>Missed the 2018 3-Year Business Plan safety-related initiative target of less than 5 occupational accidents in Japan (FY2021 recorded 20 accidents)</li> <li>Accelerating the search for new nickel deposits and consideration of new projects in response to the discontinuation of feasibility study on the Indonesian Pomalaa Project</li> <li>Strengthening the value chain of the 3-business collaboration (for Ni-batteries), including recycling</li> </ul>



# Strategy and Resource Allocation

## FY2022 Results

In FY2022, consolidated net sales increased compared to the previous fiscal year due to the significant depreciation of the yen, higher nickel prices, and strong sales of materials for automotive batteries. Consolidated profit before tax decreased compared to the previous fiscal year, mainly due to the lack of the gain on sale from the transfer of the entirety of the Company's interest related to the Sierra Gorda Copper Mine, and the lack of profit from investments accounted for using the equity method related to this mine, that were recorded in the previous fiscal year.

### Mineral Resources Segment

Segment income decreased year on year, despite the significant depreciation of the yen, due mainly to the decrease in copper prices, the decline in the volume of gold shipped from the Hishikari Mine in conjunction with its transition to a sustainable production, and the lack of a gain from the transfer of the entirety of our interest in the Sierra Gorda Copper Mine and share of profit of investments accounted for using equity method related to the mine, which were recorded in the previous fiscal year.

Mining operations at the Hishikari Mine remained steady, and the sales volume of gold was 4.4 tons as planned.

Production levels at the Morenci Copper Mine (United States) (in which the Company holds a 25.0% interest, excluding non-controlling interest) rose from the previous fiscal year to 400,000 tons, due mainly to the cessation of measures to decrease the operating rates of some mills as a COVID-19 countermeasure.

Production levels at the Cerro Verde Copper Mine (Peru) (in which the Company holds a 16.8% interest, excluding

non-controlling interest) rose from the previous fiscal year to 442,000 tons, due mainly to an increase in ore grade and a rise in mill plant operation rates.

### Smelting & Refining Segment

Segment income increased year over year, due mainly to the significant depreciation of the yen and the rising price of nickel, despite the decline in copper prices.

The production level and sales volume of electrolytic copper increased from the previous fiscal year. Although the production level and sales volume of electrolytic nickel were affected by raw material shortages and other factors, they were on par with the previous fiscal year due to efforts to increase production toward the end of the fiscal year.

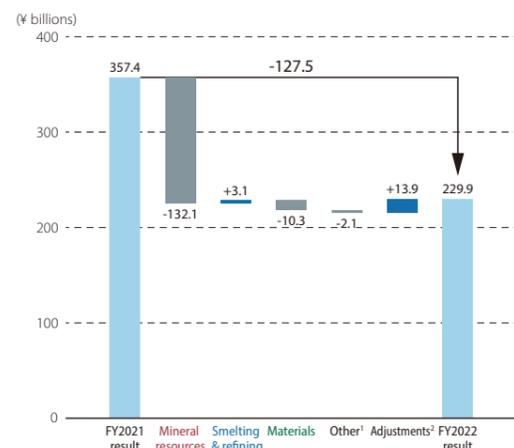
The amount of ferronickel produced and sold declined from the previous fiscal year due to the market being sluggish and trouble with facilities.

The production level at Coral Bay Nickel Corporation (Philippines) was unchanged from the previous fiscal year. The production level at Taganito HPAL Nickel Corporation (Philippines) rose from the previous fiscal year when there were reductions in production caused by equipment problems.

### Materials Segment

Segment income decreased year on year, due mainly to decreased sales of components for electronic parts as a result of declining demand for smartphones and other products in China and throughout the world, despite strong sales of automobile battery components, for which demand is solid on the back of the shift toward decarbonization.

## Profit before Tax Comparison (FY2022 result vs. FY2021 result)

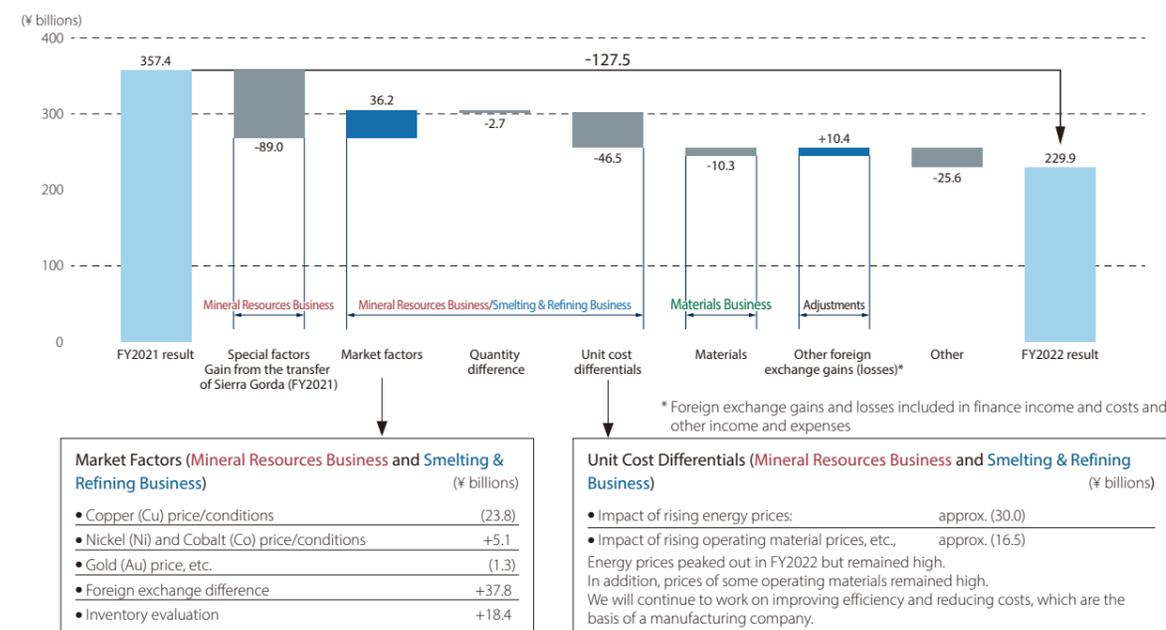


1. Other: operating segments and other income-seeking business activities that are under the control of the Head Office divisions/departments and are engaged in by business segments other than those included in the reportable segments.  
2. Adjustments: elimination of inter-segmental transactions, general and administrative expenses, finance income and costs, etc. not attributable to reportable segments.

## Profit before Tax analysis (FY2022 result vs. FY2021 result)

While some market factors served as a tailwind, profits declined by ¥127.5 billion due to the worsening cost difference, the stagnation of the market environment for the

materials business, and the peeling-off of the gain (¥89.0 billion in total) related to the transfer of rights to Sierra Gorda copper mine in the previous fiscal year.



• Copper (Cu) price/conditions	(23.8)
• Nickel (Ni) and Cobalt (Co) price/conditions	+5.1
• Gold (Au) price, etc.	(1.3)
• Foreign exchange difference	+37.8
• Inventory evaluation	+18.4

• Impact of rising energy prices:	approx. (30.0)
• Impact of rising operating material prices, etc.,	approx. (16.5)

Energy prices peaked out in FY2022 but remained high. In addition, prices of some operating materials remained high. We will continue to work on improving efficiency and reducing costs, which are the basis of a manufacturing company.

**WEB** For volumes related to production and sales of the Mineral Resources and Smelting & Refining businesses, please refer to the following Supplementary Explanation Material of Financial Summary.  
<https://www.smm.co.jp/en/ir/event/teleconference/>

## Metal Prices and the Exchange Rate

	FY2022 result	FY2021 result	Change
Copper (\$/t)	8,551	9,691	(1,140)
Nickel (\$/lb)	11.63	9.35	+2.28
Gold (\$/toz)	1,805	1,818	(13)
Exchange (¥/\$)	135.48	112.39	+23.09

## FY2022 Result (¥ billions)

	FY2022 result	FY2021 result	Change
Net sales	1,423.0	1,259.1	+163.9
Profit / loss before tax	229.9	357.4	(127.5)
Equity method profit/loss	36.5	57.5	(21.0)
Net income attributable to owners of parent	160.6	281.0	(120.4)

## Profit/Loss Excludes Temporary Factors Based on the Current Business Environment (FY2022)

In response to investors' comments that it is difficult to understand our capability due to the large impact of fluctuations in metal prices and exchange rates, we have newly disclosed our profit/loss excluding temporary factors from this fiscal year.

The profit/loss excluding temporary factors for FY2022 (profit before tax), is the profit/loss excluding fluctuations in metal prices and foreign exchange rates and the impact of special factors during the period concerned.



### Temporary factors excluded from FY2022 results

- Impact of inventory evaluation
- Other gain/loss on foreign exchange (financial revenue/expenses, and other revenue/expenses)
- Impact of price adjustment in overseas copper mine

### Image of the impact of inventory evaluation (reference)

Impact of inventory evaluation is the difference between the purchase price of raw materials and the selling price of products. It occurs temporarily due to fluctuations in metal prices and foreign exchange rates, but is equalized over the long term.



### FY2023 Plan

Uncertainties in the global economy have increased due to the credit crunch caused by inflation and financial instability, which are negative factors for economic growth, as well as the expected time required for a full-fledged economic recovery in China and concerns about excessive debt problems in developing countries.

As for non-ferrous metal prices, although demand is expected to increase in the medium to long term, mainly for electric vehicles and renewable energy, there is the risk of a decline due to the current situation where the Chinese economy has not recovered as much as expected and supply capacity has increased. The balance of supply and demand for non-ferrous metals is expected to be almost balanced or slightly oversupplied for both copper and nickel.

In the industries related to the materials business, although

demand is expected to continue to grow in response to decarbonization and digital transformation (DX), there is the risk of a delay in the full recovery of related markets due to the uncertain outlook for the global economy and other factors, and the situation remains unpredictable.

For the FY2023 forecast of consolidated operating results (prepared in May), prices of major non-ferrous metals were set based on the projected future balance of supply and demand, taking into account the levels at the time the plan was prepared, and production and sales volumes of major products were planned based on the actual results at the time the plan was prepared and other factors. As a result, consolidated net sales are expected to be ¥1,366.0 billion, consolidated profit before tax ¥77.0 billion, and profit attributable to owners of parent ¥42.0 billion.

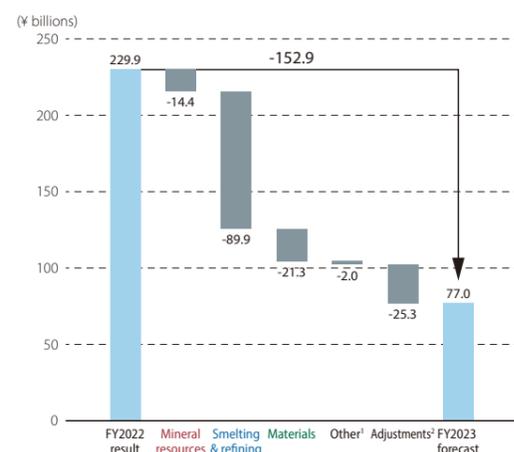
#### Metal Prices and the Exchange Rate (May forecast)

	FY2023 forecast	FY2022 result	Change
Copper (\$/t)	8,500	8,551	(51)
Nickel(\$/lb)	10.00	11.63	(1.63)
Gold (\$/toz)	1,800	1,805	(5)
Exchange (¥/\$)	130.00	135.48	(5.48)

#### FY2023 May Forecast of Consolidated Operating Results (¥ billions)

	FY2023 forecast	FY2022 result	Change
Net sales	1,366.0	1,423.0	(57.0)
Profit / loss before tax	77.0	229.9	(152.9)
Equity method profit/loss	14.5	36.5	(22.0)
Net income attributable to owners of parent	42.0	160.6	(118.6)

#### Profit before Tax Comparison (FY2023 May forecast vs. FY2022 result)

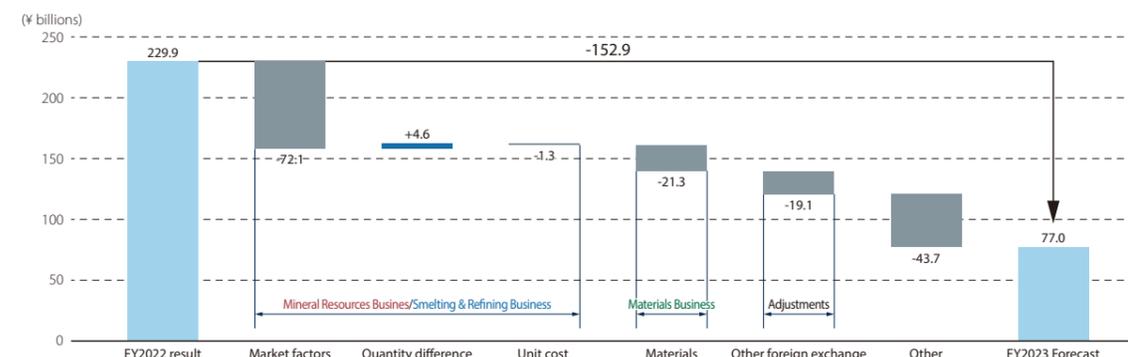


1. Other: operating segments and other income-seeking business activities that are under the control of the Head Office divisions/departments and are engaged in by business segments other than those included in the reportable segments.
2. Adjustments: elimination of inter-segmental transactions, general and administrative expenses, finance income and costs, etc. not attributable to reportable segments.

#### Profit before Tax analysis (FY2023 May forecast vs. FY2022 result)

In our forecast of consolidated operating results for FY2023 (prepared in May), we expected metal price declines and appreciation of the yen to put pressure on profits. We anticipated the market environment for the materials business to

remain sluggish, as it was in FY2022. We also expected a temporary deterioration in equity profit from investments accounted for using the equity method, which would result in an overall decline of ¥152.9 billion.



Market Factors (Mineral Resources Business and Smelting & Refining Business)		(¥ billions)
• Copper (Cu) price/conditions		+7.6
• Nickel (Ni) and Cobalt (Co) price/conditions		(20.1)
• Gold (Au) price, etc.		(0.4)
• Foreign exchange difference		(3.1)
• Inventory evaluation		(56.1)

**Other**  
 We forecast worsening in equity method affiliates not included in Market factors and Materials, and in the Other segment.

**WEB** For volumes related to production and sales of the Mineral Resources and Smelting & Refining businesses, please refer to the following Supplementary Explanation Material of Financial Summary.  
<https://www.smm.co.jp/en/ir/event/teleconference/>

#### Profit/Loss Excludes Temporary Factors Based on the Current Business Environment (FY2023 May forecast)

Profit/loss excluding temporary factors for the FY2023 May forecast (profit before tax), is the profit/loss excluding fluctuations in metal prices and foreign exchange rates (impact of inventory evaluation and impact of price adjustment in overseas copper mines) and the impact of special factors during the period concerned. The difference from the profit/loss excluding temporary factors for FY2022 is mainly due to differences in price and exchange rate assumptions.



## The 4 Challenges in the 2021 3-Year Business Plan

Our 2021 3-Year Business Plan has the overall theme of renewed challenge for change. It outlines our ongoing efforts to realize our long-term vision, targets, and milestone for Vision 2030. It also puts together our responses to the accelerating trend toward carbon neutrality, digital transformation (DX), and other changes in the social environment into 4 Challenges. As expectations and demand for non-ferrous metals grow throughout the world, we will transform SMM into the world leader in the non-ferrous metals industry by promoting these 4 Challenges.

### 1 Increasing corporate value - Promotion of large-scale projects

#### Expanding production capacity for battery cathode materials

Demand for automobile secondary batteries is expected to continue to increase due to the electrification of automobiles, and SMM is increasing its secondary battery cathode material production capacity. We will precisely meet market demand and maintain one of the largest shares of the nickel-based cathode market by building a production structure that can produce more and more as time goes on—7,000 tons/month in FY2025, 10,000 tons/month in FY2027, and 15,000 tons/month in FY2030.

In addition, to further increase cost competitiveness, we will introduce into each business site the Toyota Production System, which has already been introduced at some manufacturing sites. As for the new plant where equipment installation will be completed and will launch operation in FY2024, we will position it as a model plant for promoting DX and work to increase productivity and quality through DX. During the 2021 3-Year Business Plan, we will take the lead in recruiting and developing staff for the new plant and ensure the launch of operations at the plant.

#### Quebrada Blanca 2 Project

Copper is attracting attention for its indispensable role in the proliferation of EVs and renewable energy, and demand for the metal is increasing rapidly. At the Quebrada Blanca 2 Project in Chile (QB2; SMM interest: 25%) we began loading ores into main equipment and producing bulk copper concentrates in March 2023. We are gradually raising the capacity utilization rate of the equipment to achieve full production during 2023. Following the start of full operation at QB2, we expect copper production from our interests to be 280,000 tons/year. As we make progress in confirming mineral resource volumes through test boring as well as the cost competitiveness of the project, the potential for future expansion plans is increasing.

#### Cote Gold Project

The Cote Gold Project (Canada) (SMM interest: 36.72%) is underway, with the start of production planned between January and March 2024. Our interest production volume for the final year of the 2021 3-Year Business Plan (FY2024) is expected to be 4 tons. Also, we have confirmed new mineral resources through exploration in areas around the mine, and expect the project's value to increase through future new development.

Cathode material production volume



#### Main Initiatives in Fiscal 2022

See "Business Strategy and Progress of the 2021 3-Year Business Plan," Battery Materials Business, p. 70

#### Main Initiatives in Fiscal 2022

See "Advancement of the Quebrada Blanca 2 Project," Progress and Strategy of the 2021 3-Year Business Plan, Mineral Resources Business, p.57

#### Main Initiatives in Fiscal 2022

See "Advancement of the Cote Gold Project," Progress and Strategy of the 2021 3-Year Business Plan, Mineral Resources Business, p.58

### 2 Improving core business sustainability

#### 3-business collaboration to strengthen the value chain

One of the SMM Group's major strengths is that it possesses an in-house nickel value chain of 3-businesses collaborating—the Mineral Resources Business, the Smelting & Refining Business, and the Materials Business. To increase in-house raw material supply along with battery cathode material production capacity increases, we are not only moving forward with measures to secure supplies of ore to the existing Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL) located in the Philippines but are also searching for new deposits.

We have created a battery-to-battery recycling process that takes pre-processed used EV batteries, recovers the included nickel, cobalt, copper, and lithium, and then re-supplies those metals as battery materials. During the 2021 3-Year Business Plan, we are moving forward with demonstrations at a pilot plant, with the aim of constructing a plant with processing capacity of 10,000 tons per year by the end of 2024 3-Year Plan and establishing a processing structure.

#### Shifting Hishikari Mine to a sustainability-oriented operation

The Hishikari Mine is Japan's largest gold mine, yielding ore of extremely high grade even by international standards. The mine produced 6 tons of gold per year during the 2018 3-Year Business Plan, but has switched to sustainability-focused operations based on the mining of recoverable average-grade ore from the 2021 3-Year Business Plan onward. Looking ahead, the mine aims to acquire new supplies of ore through tunneling to explore deep underground ore bodies, carry out restructuring of its operational framework to incorporate DX and other latest technologies, and reduce costs.

#### Enhancing competitive edge in copper-smelting and refining business

In our copper smelting and refining business, we are working to establish a production structure that increases annual electrolytic copper production capacity by 10,000 tons annually to 460,000 tons by improving facilities at the Toyo Smelter & Refinery, which launched operation in 1971, and are working to increase the efficiency of internal logistics by investing in improvements in infrastructure. In parallel with the expansion of production capacity, we are also advancing a series of GHG reduction measures, such as switching the fuel we use, as we work to improve competitiveness by accelerating initiatives to decarbonize.

#### Strategy for Advanced Materials Business expansion

The electronic components industry, which requires various types of products handled by the Advanced Materials Business, is forecast to experience faster growth on account of the progress in the electrification of vehicles and other developments, such as 5G and DX. We aim to generate growth that exceeds market growth by always updating and maintaining an optimal product portfolio through measures such as introducing new products and technologies, developing new uses, creating and utilizing innovative production processes, and new sales strategies.

#### Main Initiatives in Fiscal 2022

See "3-Business Collaboration to Strengthen the Value Chain," Progress and Strategy of the 2021 3-Year Business Plan, Smelting & Refining Business, p.63

#### Main Initiatives in Fiscal 2022

See "Hishikari Mine: Establishment of a foundation for long-term stable operation," and "Sustainability Topics," Progress and Strategy of the 2021 3-Year Business Plan, Mineral Resources Business, p.59

#### Main Initiatives in Fiscal 2022

See "Meeting the Challenge of Improving Core Business Sustainability," Progress and Strategy of the 2021 3-Year Business Plan, Smelting & Refining Business, p.64

#### Main Initiatives in Fiscal 2022

See "Progress and Strategy of the 2021 3-Year Business Plan," Advanced Materials Business, p.72

### 3 Adapting to changes in the social environment

#### Carbon neutrality

The 2021 3-Year Business Plan includes plans to establish an in-house committee to promote carbon neutrality to keep our GHG emissions below the FY2013 level, develop a plan for reaching net zero GHG emissions no later than 2050, and implement various necessary measures. We are also moving forward with individual countermeasures, future plans, and discussions related to issues such as creating a path to becoming net zero by 2050 and setting Scope 3 targets in line with the commitment of ICMM and other international industry groups. In addition to ¥12.0 billion for capital expenditures and testing and research, we will tackle issues such as developing both advanced materials that contribute to carbon neutrality and new technologies and processes to reduce GHG emitted in existing processes, and contribute to lessening our carbon footprint through new businesses, such as battery recycling and the development of cathode materials for solid-state batteries.

#### Investments to reduce GHG emissions

During the 2021 3-Year Business Plan  
Total ¥12.0 billion

- ¥5.0 billion in capital expenditures, including adoption of an internal carbon pricing (ICP) system (boiler fuel conversion, solar power, etc.)
- ¥7.0 billion in testing and research related to reduction of GHG emissions, including up to Scope 3

#### Main Initiatives in Fiscal 2022

See "Climate Change," Vision for 2030, p.89-91

#### Digital transformation (DX)

We created a Digital Transformation Committee in April 2021 and launched a Digital Transformation Department in July 2022 as a body dedicated to executing DX-related measures. With these, we are accelerating our Group-wide DX. During the 2021 3-Year Business Plan, DX-related initiatives undertaken at the various business department will be integrated Group-wide, and we will strengthen competitiveness by building a Group-wide DX foundation to achieve our vision of leveraging DX to enhance our competitiveness and create new businesses. With investment plans that include ¥15.0 billion in DX-related investments, we are aiming to transform business, improve management efficiency and the data literacy of employees, and develop human resources for DX.

#### Main Initiatives in Fiscal 2022

See "Special Feature1: Digital Transformation (DX) at the SMM Group," p.78-81

#### Securing, fostering, and utilizing human capital

As birthrates dwindle, the population ages, and the labor market grows more fluid, securing outstanding human capital has grown more difficult, making it an important issue for the survival of companies. We have divided our human capital management activities into the three categories of the securing, fostering, and utilizing of human capital, and will undertake action with human capital management set as a top-priority issue in the achievement of our management strategy. In terms of "securing" human capital, we are increasing points of contact with candidates through steps including expanding long-term internships and improving branding to increase SMM name recognition. In terms of "fostering" and "utilizing" human capital we are moving forward with several initiatives, such as enriching OJT and training and revising remuneration and performance evaluation systems and allowances. We are also more actively investing in human capital, expanding training programs to foster the next generation of management and offering reskilling and recurrent education to instill new skills adapted to change.

#### Main Initiatives in Fiscal 2022

See "Special Feature3: Human Resources Strategy," p.128-131

### 4 Strengthening the foundation of business management

#### Strengthening safety initiatives

We continue to not achieve our target for number of accidents even though we are implementing equipment safety measures. This is due to our failure to find dangerous locations and operations so there are numerous accidents similar to ones that have occurred in the past (reoccurring accidents). During the 2021 3-Year Business Plan, we will stress preventing serious accidents and focus on preventing reoccurring accidents. With the passing of the baton to the next generation and change in personnel in mind, we will increase hazard awareness by introducing and expanding more effective training and development through simulation training that employs VR and other technologies, and rebuild leadership of managers and supervisors to deeply instill and maintain safety awareness. We are also striving to improve the observation skills of managers and supervisors by adopting suggestions from outside consultants.

#### Main Initiatives in Fiscal 2022

See "Employees' Occupational Health and Safety," Vision for 2030, p.93

#### Reorganizing and enhancing sustainability promotion framework

To advance the achievement of our Vision for 2030, in April 2022 we reviewed our sustainability promotion framework and established the Sustainability Committee. The SMM Group will accelerate the promotion of our sustainability policy, in which we state, "The Sumitomo Metal Mining Group is engaging in the resolution of business issues that will contribute to the development of a sustainable society, and is working to improve both our sustainable growth as a business and our corporate value."

#### Main Initiatives in Fiscal 2022

See "Vision for 2030, Material Issues, KPIs (Indicators and Goals)," p.86-87

#### Corporate governance

SMM's corporate governance is a disciplinary framework both for maximizing corporate value and for ensuring sound management practices, so it is one of the most important management issues. To maximize corporate value, we have also set a basic business portfolio policy. We will manage our business portfolio using return on capital employed (ROCE) on a consolidated basis as an indicator for each business (2021 3-Year Business Plan ROCE target: 5.5%).

Through striving to enhance our corporate governance, we will conduct efficient and sound business activities, make positive contributions to society, and fulfill our responsibilities to our shareholders and all other stakeholders in order to realize our corporate philosophy.

#### Main Initiatives in Fiscal 2022

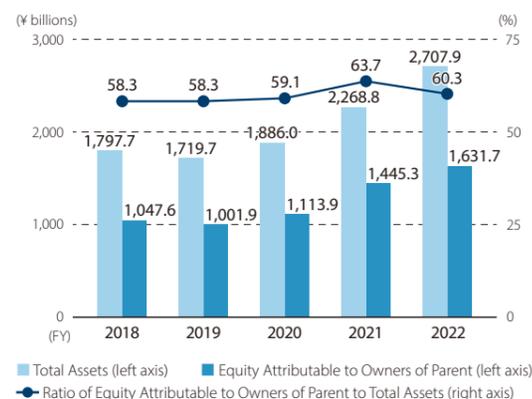
See "Corporate Governance," p.100-111

### Financial Strategy (basic approach)

Because the SMM Group deals in resources that become depleted, we must always be prepared for participation in large-scale projects or M&A in order to acquire new resource interests. Mineral Resources Business and Smelting & Refining Business development projects, including the construction of new smelters and refineries, involve relatively long periods of time between execution and recovery of investment. Accordingly, it is important to maintain a sound financial position that can withstand large temporary cash outflows. Based on this thinking, we set a consolidated equity ratio (ratio of equity attributable to owners of parent to total assets) of 50% or more as a foundation for our financial strategy.

As of the end of FY2022, our consolidated equity ratio (ratio of equity attributable to owners of parent to total assets) was 60.3%.

**Total Assets, Equity Attributable to Owners of Parent, and Ratio of Equity Attributable to Owners of Parent to Total Assets**



### Funding

We believe it is necessary to maintain a certain amount of liquid funds on hand based on overall demand for funds such as for large-scale overseas projects in the Mineral Resources and Smelting & Refining businesses, or strategic expansions within the Materials Business. This is essential from the standpoint of management stabilization. Under that premise, we conduct funding in line with the use of the funds, while comprehensively considering the outlook for non-ferrous metal prices and currency exchange, conditions in interest rate markets, and other factors.

Net cash provided by (used in) investing activities turned positive in the previous fiscal year, mainly due to gains from the divestiture of our entire interest in the Sierra Gorda Copper Mine. In FY2022, increased investments in the Quebrada Blanca 2 Project and the Cote Gold Project resulted in major outflows of cash. In line with the progress of such large-scale projects, we carried out fund-raising through means including foreign currency-denominated long-term equipment funds, yen-denominated syndicated loans, and issuance of green bonds. As a result, our interest-bearing liabilities in FY2022 increased by ¥155.9 billion to ¥457.3 billion, resulting in a D/E ratio of 0.28.<sup>1</sup>

1. Interest-bearing liabilities and D/E ratio do not include lease liabilities.

**Cash Flow, D/E Ratio**



### Investment

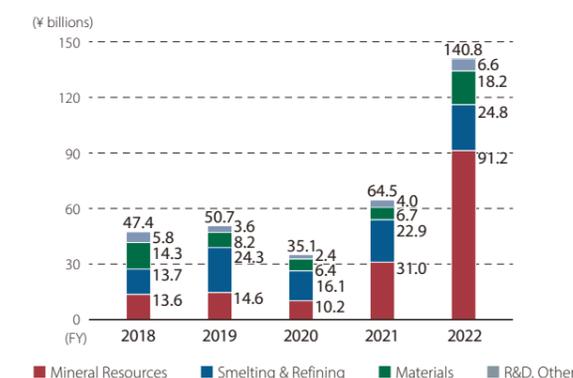
Raw material ores for non-ferrous metals are subject to sharp price fluctuations related to supply and demand, natural disasters, and other factors, and it is not always possible to secure necessary quantities of ores due to price levels. For this reason, we must secure stable sources of raw materials through the development of overseas mines and acquisition of interests. In mine development and acquisition of interests, and in large-scale overseas projects in the Smelting & Refining Business, we carry out investments by leveraging our extensive exploration experience, knowledge of mine valuation, and smelting and refining technologies, with country risk and local issues fully taken into account, to avoid additional investments or increases in costs arising from uncertainty. We also carefully select and execute capital investments other than large-scale projects, with full consideration of investment effect and efficiency (profitability).

Capital investment in FY2022 was ¥140.8 billion, under large-scale capital investments including the Cote Gold

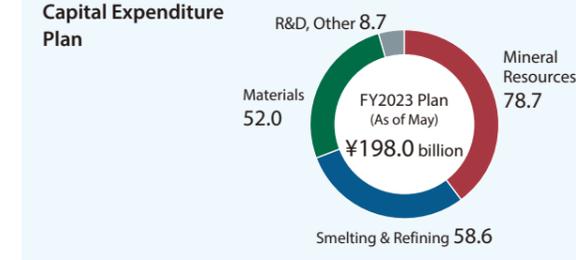
Project and increased production of cathode materials for automobile batteries.

Our capital investment plan for FY2023 is as follows (as of May).

#### Capital Expenditure



**Capital Expenditure Plan**



#### Key Projects in FY2023 May Plan

- Cote Gold Project (initial interest): ¥32.8 billion (total: USD 846 million)  
 Cote Gold Project (additional interest): ¥20.5 billion (total: USD 274 million)  
 Total: ¥53.3 billion (total: USD 1,120 million)
- Increased production of cathode materials for automobile batteries (Besshi District + Harima Refinery): ¥25.7 billion (total: ¥47.0 billion)
- Development of the lower ore body in Hishikari Mine (installation of new dewatering facilities): ¥0.2 billion (total: ¥3.7 billion)
- Fuel switch to LNG in Besshi District\*: ¥0.6 billion (total: ¥1.9 billion)

\* Internal carbon pricing project

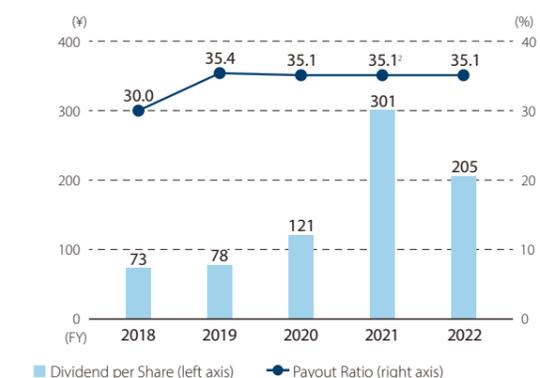
### Return to Shareholders

In our dividend policy, we decide on a balance of dividends and internal reserves through comprehensive consideration of our business performance, our dividend payout ratio, the business outlook, the soundness of our financial position, and other factors. As our financial strategy in the 2021 3-Year Business Plan, we will continue working to uphold the soundness of our financial position and will maintain a consolidated equity ratio of 50% or higher, with a consolidated dividend payout ratio of 35% or higher.

Under the above shareholder return policy, the annual dividend per share for FY2022 was ¥205, for a payout ratio of 35.1%.

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.

#### Dividend per Share, Payout Ratio



### Shareholder Value

Through means including the 4 Challenges in our current 2021 3-Year Business Plan, we have promoted growth strategies and strengthened our business base to maximize our corporate value. These actions also contribute to the enhancement of shareholder value. Our TSR, a common index for evaluating shareholder value, exceeds the past performance of the TOPIX index (3 years/5 years/10 years). At the same time, our PBR has recently remained under 1.0, although we believe that this is largely due to characteristics of our business. In addition to the disclosure of our profit/loss excluding temporary factors,\* we clearly indicate how our company will grow by solidly executing on our strategy and the competitive advantages that we possess. Doing so, we will strengthen our capabilities for communicating information through IR activities so that investors can better understand the value of our Company.

We believe that maintaining a firm financial base while steadily carrying out growth strategy aimed at achieving our

long-term vision, based on the characteristics of our business, will lead to positive valuation by the stock market in the medium to long term. Accordingly, we have set a shareholder return policy linked to performance, with a dividend payout ratio of 35% or higher in principle during the 2021 3-Year Business Plan. Recognizing that many shareholders are calling for stable returns, we will undertake consideration of returns in preparing the next 3-Year Business Plan.

We will continue working to enrich our financial and non-financial information disclosure aimed at eliminating asymmetry of information, and to enhance capital efficiency through reduction of shareholders' cost of capital under strengthened sustainability initiatives, compression of inventories, and cost reductions. Together with this, we will make efforts to incorporate valuable feedback received from investors into our management and further enhance shareholder value.

\* Profit/loss after the exclusion of "impact of temporary gains/losses in a situation where metal prices or foreign exchange fluctuate" and "impact of special factors for the period concerned" from profit before tax

#### Business Characteristics of Our Company (non-ferrous metals)

- Demand for the non-ferrous metals (copper, nickel, etc.) that we handle in our business is expected to continue growing steadily. However, as non-ferrous metal assets become depleted through mining and must be constantly replaced, a battle for first-class assets is taking place, centered on major non-ferrous players.
- In addition to the growing difficulty of developing new mineral resources at increasingly higher elevations and greater depths, the costs of materials, labor, and other inputs have also increased in recent years.
- We spend time to carefully consider participation in mineral resource development projects from various angles, but once the decision to participate is made, investments on the scale of hundreds of billions of yen are quickly required.
- Harvesting the fruits of investments requires years. Without a financial base able to withstand such time scales, we would be unable to continue our business and would not be called upon as a candidate partner for mineral resource development.
- As non-ferrous metal prices are determined in trading markets typified by the London Metal Exchange (LME), profit and loss in the non-ferrous metals business is greatly affected by the market environment. Accordingly, the volatility of our stock price is high, which leads to a higher cost of capital.

Share Price (Share prices calculated with share price at the end of March 31, 2013 set to 100)



Share Price Performance (TSR)

Investment period	1 year		3 years		5 years		10 years	
	Cumulative and Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized	
SMM	-14.7%	155.9%	36.8%	30.1%	5.4%	130.1%	8.7%	
TOPIX	5.4%	51.9%	15.0%	28.6%	5.2%	126.6%	8.5%	
TOPIX Nonferrous Metals	1.5%	81.0%	21.9%	8.3%	1.6%	82.5%	6.2%	

Source: Bloomberg

\* TSR (Total Shareholder Return): Calculated using  $([\text{share price at the end of the fiscal year ended March 31, 2023}] - [\text{share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2023}] + [\text{total cash dividend per share for the relevant period}]) \div [\text{share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2023}]$ .

\* Annual cash dividend per share for TOPIX and TOPIX Nonferrous Metals: Calculated using the weighted average of the cash dividend per share value for each stock over the 12 months previous to the base date and the formula used by TOPIX itself (Calculated using Bloomberg values).

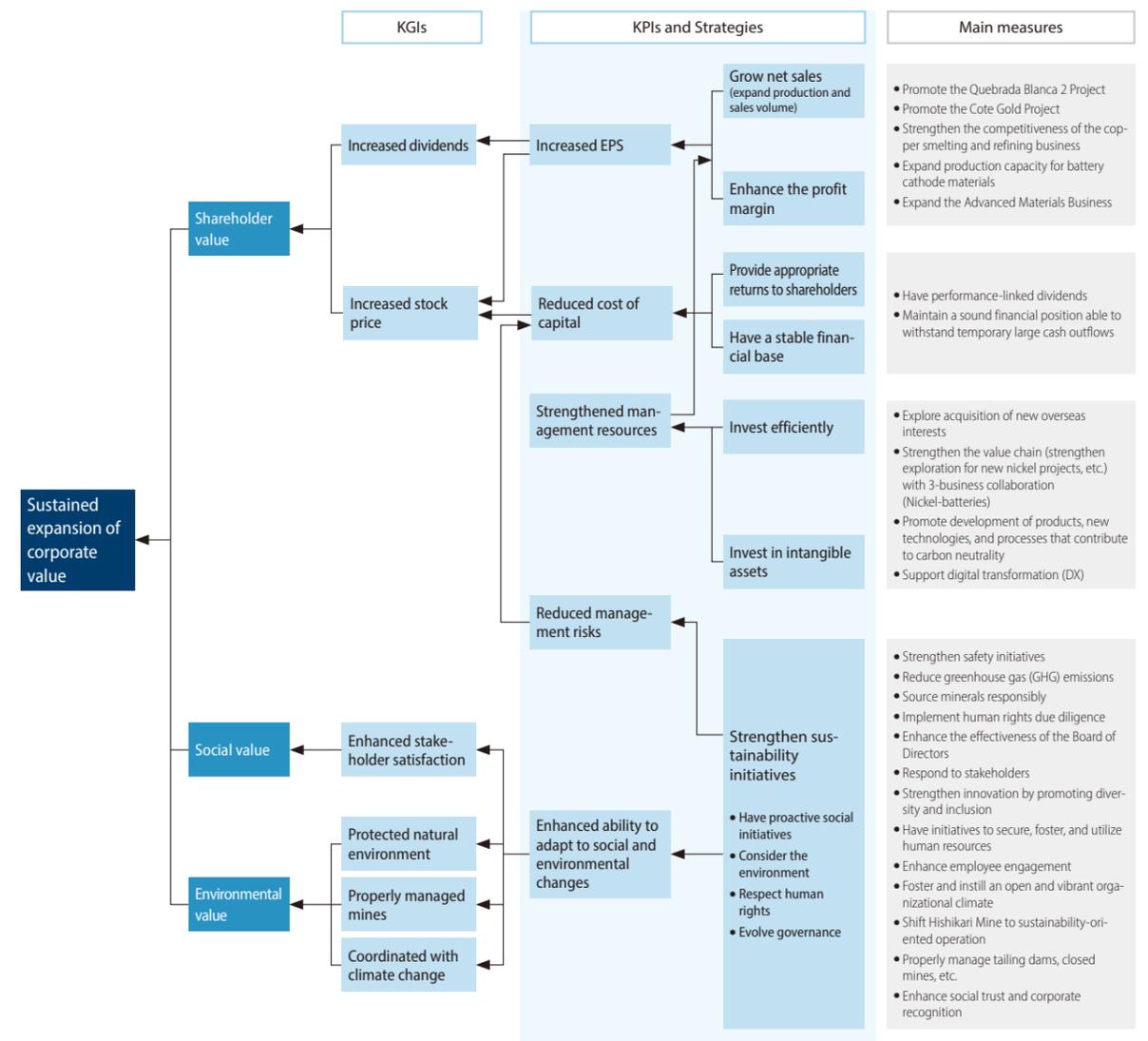
### The Value Creation Logic Tree

We believe that our corporate value is created from three values: shareholder value, social value, and environmental value. This logic tree shows the relationship between these three values and the sources of value creation, concretely incorporating strategy and management targets into main measures and diagramming the connections among them.

Shareholder value is created through increases in dividends and stock prices. While striving to maintain a stable financial base, our Company will execute growth strategies that include business expansion and enhancement of profitability in order to grow shareholder value.

Acting under our corporate philosophy, which calls for co-existence with the global environment and society, social contribution and fulfillment of responsibilities to our stakeholders through sound corporate activities, and respect for all individuals, we will further strengthen our long-running sustainability initiatives. We will connect this to reduced management risks and thus lower cost of capital, as well as to enhanced adaptability to social and environmental changes and to the creation and enhancement of social value and environmental value.

#### Logic Tree



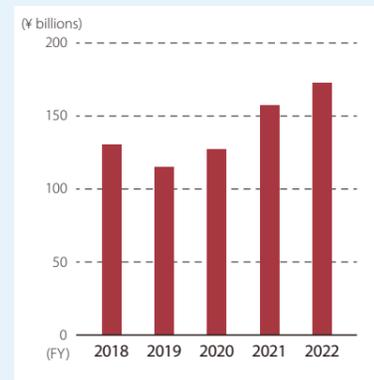
# Mineral Resources Business

Aiming for mine development and operation adapted to changes in our society

Eiichi Fukuda  
Executive Officer  
General Manager of  
Mineral Resources Division

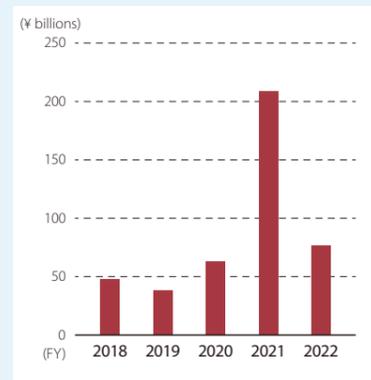


## Segment Net Sales



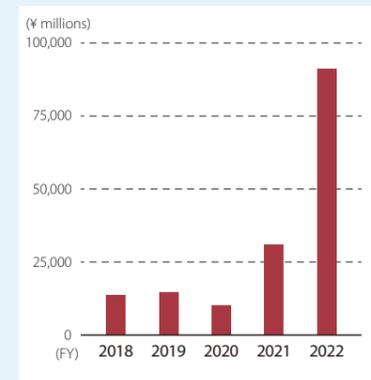
Net sales figures do not include results from affiliate companies accounted for using the equity method.

## Segment Income



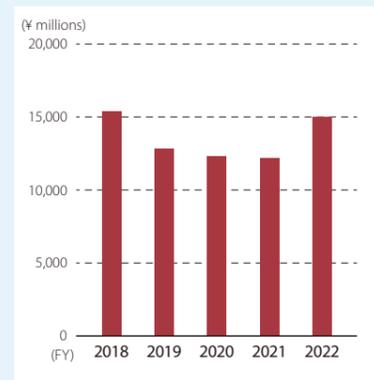
Despite the significant depreciation of the yen, segment income was lower than in the prior year for reasons including a decline in copper prices, constraints on the shipment volume of gold associated with the transition to a sustainable production system at the Hishikari Mine, the lack of gain on the sale of the Company's entire interest in the Sierra Gorda Copper Mine, and the lack of profit from the Sierra Gorda Copper Mine accounted for using the equity method, the latter two having both been recorded in the previous fiscal year.

## Capital Expenditure

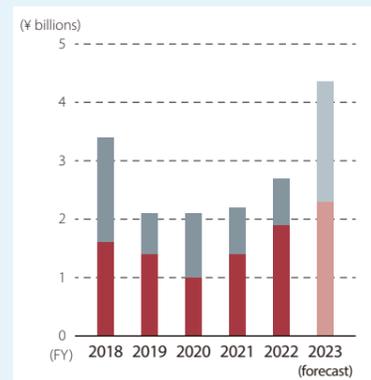


The SMM Group continued to make capital investments (¥1.9 billion) at the Hishikari Mine, primarily focusing on the exploration of deep areas and digital transformation. We also invested capital to support mining and production at overseas mines, including at the Cote Gold Project (¥75.3 billion) and at the Morenci Copper Mine (¥13.2 billion).

## Depreciation and Amortization Expense



## Exploration Costs



Exploration expenditure is expected to increase to focus on new exploration in Canada, including exploration projects newly acquired at the end of 2022, and on peripheral exploration in existing deposits with the aim of acquiring additional mineral resources.

## Recoverable Gold Reserves at the Hishikari Mine

(gold: tons)	2018	2019	2020	2021	2022
Reserves	167	163	159	157	155

Recoverable reserves of gold at the Hishikari Mine, calculated as of December 31, 2022, are 155 tons (down 2 tons from previous fiscal year).

Leveraging over 300 years of mine development and operational experience and technologies, we operate the Hishikari Mine, Japan's largest gold mine, with a focus on sustainability. We participate in the operation of overseas mines in which we hold interests to produce copper, gold, and other resources to provide materials and in order to secure mineral resources. We are also working to acquire and develop new superior mines.

## Review of FY2022

Although the COVID-19 pandemic subsided in FY2022 and its influence waned compared to FY2021, it continued to exert residual impacts on projects, including through increased start-up costs and delays in construction plans. Despite some of the challenges caused by COVID-19, FY2022 marked the first year of the Hishikari Mine's conversion to sustainability-oriented operations. We undertook cost reduction measures, a review of our operational structure, and promotion of digital transformation, including the test introduction of self-driving heavy equipment. Production volume at our overseas operating mines slightly exceeded that of FY2021 due to year-on-year increases in mineral processing operating rates at the Morenci Copper Mine (United States) and the Cerro Verde Copper Mine (Peru). At the Quebrada Blanca 2 Project (Chile), one of the major projects in our 2021 3-Year

Business Plan, we began loading ore into the main processing facilities and producing bulk copper concentrates in March 2023. However, the continued costs of necessary infection control measures in response to COVID-19, along with the prolongation of the construction period due to the quarantining of construction workers and reduction of construction efficiency, have led us to initiate a review of construction costs. At the Cote Gold Project (Canada), we moved ahead with building construction, equipment installation, and other construction work at the mineral processing area. At the same time, the financial situation of our project partner, IAMGOLD Corporation, deteriorated due to the increased start-up costs. In response, we entered into an agreement with IMG to provide additional funding to avoid concerns over the progress of the project.

## Addressing Changes in the Business Environment and Issues

While the impacts of the COVID-19 pandemic gradually subsided worldwide in FY2022, a number of challenges in the business environment remained. The capital investment required to develop the Cote Gold project to production swelled to about twice the estimate at the time of construction. The emergence of financial risk to our partner, IAMGOLD Corporation, led our Company to provide additional funding as noted above. Russia's invasion of Ukraine in FY2021 continues without an end in sight, and prices of energy and

materials continue to soar. These factors have had a strong impact on our projects under construction and on the domestic and foreign mines in which we hold interests, resulting in increased costs. Accordingly, abatement of the situation remains unclear, and numerous challenges including increases in capital expenditure, the cost of financing, and labor costs due to inflation will likely continue to affect the costs of mine development and operation. To address these circumstances, in addition to improving operating rates and

## Mineral Resources Business

other efforts to reduce finishing costs, we are converting mines to the use of clean energy that is less susceptible to high crude oil prices and rises in coal prices. The transition to clean energy not only brings about structural changes in terms of energy procurement, but is also important under recent global demands for carbon neutrality.

In December 2022 in Peru, demonstrations broke out to oppose the dismissal and arrest of the former president and the inauguration of a new administration, and to demand dissolution of the Congress. The nationwide impacts of this extended to the mining industry, with some copper mines having to suspend operations. Our Company closely shared information with our Peru office and with Freeport-McMoRan Inc., our partner at the Cerro Verde Copper Mine, to assess the situation and examine emergency measures. Fortunately, there were no significant impacts on our related businesses and we were able to maintain operations as usual. While the disturbance has quieted, a similar situation could occur in the

future. We are closely monitoring the conditions as we gather information from relevant parties.

In the area of resource nationalism, the mining royalties that have been discussed for years in Chile are expected to be approved by the Senate and the Chamber of Deputies, with legislation going into effect during FY2023. The bill involves a hybrid method that combines sales ad-valorem criteria and operating profit criteria, imposing additional taxes based on the annual copper production at mines. A movement also exists to nationalize Chile's lithium industry, which could expand to other minerals as well.

Other mining industry-related risks seen worldwide include acquisitions of mines by major resource players, the strengthening of environmental regulations, and delays in project approvals due to conflicts with local communities. We are gathering information in cooperation with various stakeholders and are engaging in risk management so that we can respond flexibly to such situations as they arise.

Despite some upward pressures on copper prices, including the easing of the lockdowns in China, expectations of a recovery in demand, and concerns over tight supplies, copper prices were weighed down by the ongoing interest rate hikes by European and US central banks and concerns over economic slowdown under China's stance of maintaining its zero-COVID policy. The average copper price in FY2022 was US\$8,551/ton. With recovery of demand in China delayed beyond original expectations and markets in Europe and the United States currently softening, there is a possibility of demand for copper decreasing. At the same time, long-term uncertainty exists in terms of both supply and demand, for reasons including unclear demand after the transition to clean energy and expected delays in supply amid delayed

launches of new copper mining projects. However, the copper price is expected to remain firm.

Gold prices declined temporarily in the middle of the fiscal year for reasons including concerns over recession and over interest rate hikes by the US Federal Reserve Board. A slowing in the pace of interest rate hikes has been observed since around November 2022, and the dollar rapidly weakened. This was the beginning of increased purchases of gold, which accelerated at the end of FY2022 due to financial instability spurred by reports of bankruptcy at US banks and financial crises at a major Swiss bank. The average gold price in FY2022 was US\$1,805/toz, remaining on par with the relatively high price level of the previous year.

### Progress and Plans for Our Top Priorities

	FY2021	FY2022	FY2023	FY2024	FY2025 and later
<b>Cu</b> Morenci Copper Mine		● Resumption of operations at 50% of mills			● Expand concentrate leaching
<b>Cu</b> Cerro Verde Copper Mine		● Operational structure that can process 400 kt/day			● Operational structure that can process 420 kt/day
<b>Cu</b> Candelaria Copper Mine					
<b>Cu</b> Quebrada Blanca 2 Project		● March: start of production of bulk copper concentrates			
<b>Au</b> Hishikari Mine		● Continuing lower orebody development ● Realization of sustainability-oriented operation (continuing from FY2023)			
<b>Au</b> Cote Gold Project			● January-March: Start of production		

### Strategies for the Mineral Resources Business in the 2021 3-Year Business Plan

1. Promotion of the Quebrada Blanca 2 Project

2. Promotion of the Cote Gold Project

3. Hishikari Mine: Establishment of a foundation for long-term stable operation

### Progress and Strategy of the 2021 3-Year Business Plan

#### Advancement of the Quebrada Blanca 2 Project

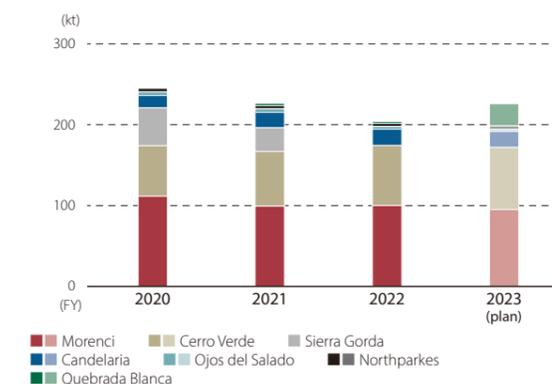
Under the strong leadership of our partner Teck Resources Limited ("Teck"), full-scale construction on the Quebrada Blanca 2 Project began in January 2019 and made steady progress during the COVID-19 pandemic. In March 2023, we began loading ore into the main processing facilities and producing bulk copper concentrates. We plan to move ahead with the ramp-up of facilities for full production and continue long-term stable production that will extend beyond 20 years. From FY2023, we will dispatch additional engineers from our Company and, working ever more closely with Teck, will move the project forward to achieve our production goal of 300,000 tons of copper per year, one of the targets of our long-term vision. In 2022, we also launched a feasibility study for a mineral processing plant expansion plan to increase ore processing volume by about 50%. This project is scheduled for completion in 2023.

#### Overview of the Quebrada Blanca 2 Project

Equity interest	Teck 60%, SMM 25%, Sumitomo Corporation 5%, Other 10%
Planned investment	US\$7.5 billion (100% of the project, includes effects of inflation and the COVID-19 pandemic)
Average annual copper production volume	240 kt

(As of July 31, 2023)

#### Copper Production from Interests



Processing plant construction at the Quebrada Blanca 2 Project

## Mineral Resources Business

### Advancement of the Cote Gold Project

This is a gold mine development project being advanced together with Canadian gold producer IAMGOLD Corporation ("IMG"), and its construction began in July 2020. In 2022, we carried out building construction and equipment installation work at the mineral processing plant, tailing dam embankment construction, open pit mining, and other work. Our operation of self-driving trucks has made a steady start since January 2023, with the project reaching a 79.8% progress rate as of the end of March 2023. Aiming for the start of production between January and March 2024, we plan to dispatch additional engineers to important positions from FY2023 to advance the project while maintaining a high level of engagement. We further plan to leverage the project as an opportunity for young engineers to gain experience. Exploration activities in the Gosselin zone, located about 1.5 km to the northeast of the pit site, have confirmed extending gold mineralization. We will continue drilling activities for raising the future value of the project and will analyze information such as the continuity and grade of the orebody.



Mineral processing plant construction at the Cote Gold Project (as of April 2023)

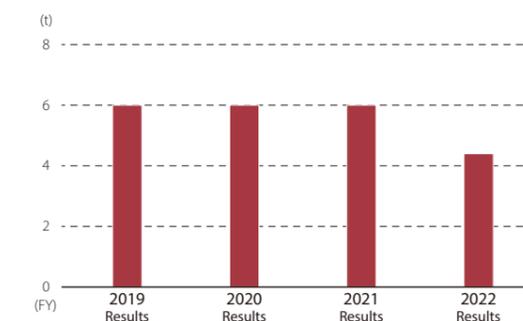
### Hishikari Mine: Establishment of a foundation for long-term stable operation

Since it started operations in 1985, the Hishikari Mine (Kagoshima Prefecture) has produced approximately 264 tons of gold as of the end of March 2023. Worldwide, the amount of gold contained in gold ore (grade) is said to be 3–5 grams per ton. However, the Hishikari Mine is characterized by its high grade with 20 grams of gold per ton, or about 5 times the global average. The sales volume of gold in FY2022 was 4.4 tons. The sales volume planned for FY2023 is 4.0 tons. As of the end of December 2022, the mine has recoverable reserves of 155 tons. The Hishikari Mine has until now sold upward of 6 tons of gold per year, but that amount is decreasing under our 2021 3-Year Business Plan. This is due to the shift in the plan to sustainability-oriented operations based on mining of average-grade recoverable gold. We are additionally taking measures that include the review of our operational structure and the introduction of digital transformation, including self-driving heavy machinery. Construction work on the -80ML\* new hot spring water extraction room to draw hot spring water from inside the mine and lower the water level, underway since 2012, has been partially completed, and mining of lower orebodies began in November

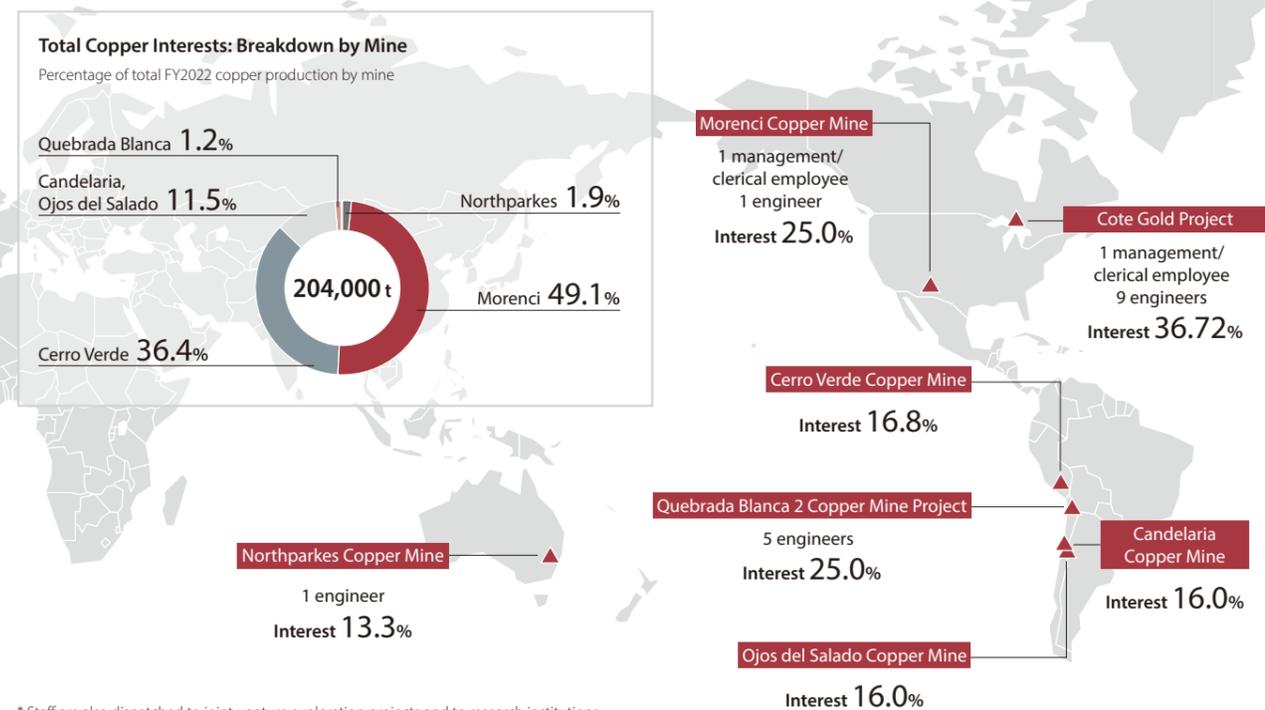
2022. This is expected to enable the mining of additional gold. While we continue long-term operations to make the Hishikari Mine a world-class mine that we can proudly show to the world, we also aim to maintain the mine as a place for human resource development (our Mining School) where resource engineers learn the technologies required for mining operation.

\* 80 meters below sea level

### Hishikari Mine's Gold Sales Volume



### Overseas Mines and Staff Dispatched to Mines (As of May 22, 2023)



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

### Sustainability Topics

#### Achievement of Effectively Zero CO<sub>2</sub> Emissions from Electric Power at the Hishikari Mine

From March 2023, we have switched to effectively all-renewable energy-derived electric power for purchased electricity used at the Hishikari Mine. As a result, 98.7% of the electric power used will be certified non-fossil fuel-derived electricity provided by Kyushu Electric Power Company, Incorporated. In conjunction with the 1.3% of electric power provided by the solar power generation and binary power generation that we had introduced by FY2022, we have achieved effectively zero CO<sub>2</sub> emissions from electric power.

To achieve effectively zero CO<sub>2</sub> emissions from the remaining non-electric power sources, we will continue our initiatives to conserve energy through operational improvements. We will also take action to achieve effectively zero CO<sub>2</sub> emissions from the Hishikari Mine by leveraging technologies and ideas such as investigating decarbonization of diesel equipment and introducing negative emissions through means such as tree planting.

#### Quebrada Blanca 2 Project

##### Receipt of the FY2022 Chilean National Mining Society Award

The Quebrada Blanca 2 Project was awarded the 2022 Mining Association Award by the Chilean mining industry association Sociedad Nacional de Minería (SONAMI). An organization with over 70 mining companies in Chile as its members, SONAMI selects and commends one company from a large-scale mine every August.

The award for the Quebrada Blanca 2 Project recognizes the project's progress in construction amid the trials of the COVID-19 pandemic and its contribution to the development of sustainable and responsible mining. Representatives of Chile, including President Gabriel Boric of the Republic of Chile, also participated in the award ceremony.



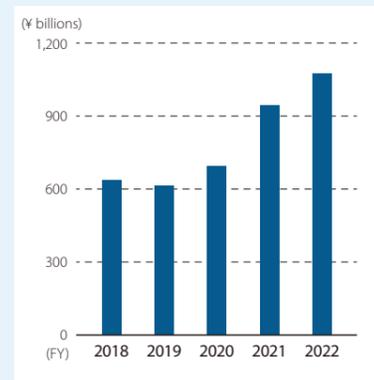
Scene from the award ceremony

# Smelting & Refining Business

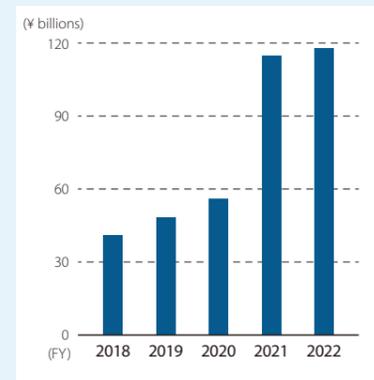
Using our advanced technological capabilities to provide a stable supply of metal materials that support society

Masaru Takebayashi  
 Director, Senior Managing Executive Officer  
 General Manager of Non-Ferrous Metals Division

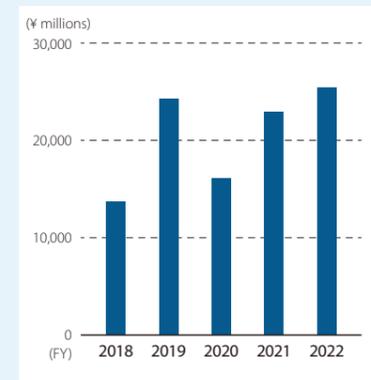
Segment Net Sales



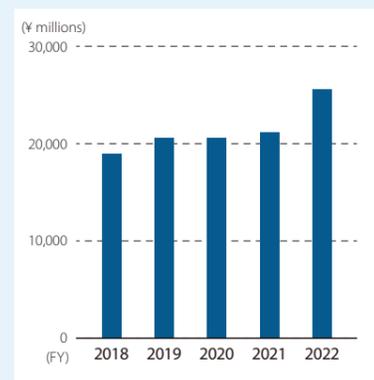
Segment Income



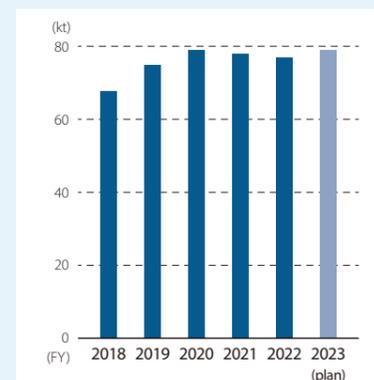
Capital Expenditure



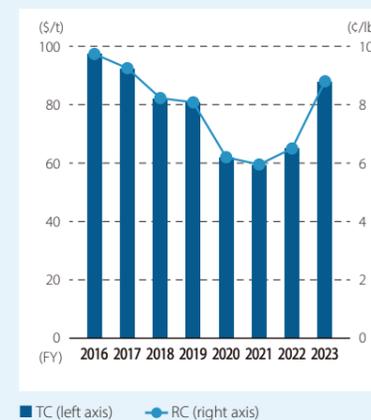
Depreciation and Amortization Expense



Production Volume of Nickel Sulfate



TC/RC (benchmark)



For over 430 years since the start of our copper smelting and refining business in 1590, we have stably supplied a variety of metal materials to a wide range of industries. We engage in business on the strength of our advanced smelting and refining technology, which was the first in the world to achieve the successful recovery of nickel from low-grade nickel oxide ore using the High Pressure Acid Leach (HPAL) process on a commercial basis.

## Review of FY2022

In FY2022, we continued operations at business sites in Japan and overseas while taking measures to address COVID-19. In addition to adjusted operational rates at some sites in response to COVID-19, lower production due to troubles at facilities and a decline in the grade of raw material, as well as production adjustments to match changes in the business environment, resulted in production volumes of major products falling below plans.

On the sales front, demand slumped as economic activity was sluggish due to the COVID-19 pandemic in China. Although there were signs of recovery in economic activity from the second half of the fiscal year, we took measures such as increasing export volume due to the delayed recovery of demand in Japan.

In terms of securing nickel resources, we decided to discontinue the feasibility study for our Pomalaa Project in April 2022. However, we will continue to work toward the 3-business collaboration to strengthen the value chain and the

stable supply of products set out in the 2021 3-Year Business Plan. In exploring new nickel projects, we accelerated the exploration of projects at various stages, mainly in the Pacific Rim region, and have narrowed them down to a few targets and begun investigation. In addition, we have been developing a business utilizing existing intermediate materials in circulation, continuing to explore measures to secure ores for Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL), and working to commercialize the battery recycling business.

In terms of enhancing the competitiveness of the copper-smelting business, in FY2022, we expanded concentrate drying capacity at the Toyo Smelter & Refinery, in addition to developing various measures, including increasing productivity, cutting costs, and improving the recovery rate. We have also been working on stable sales of the by-products produced by the Toyo Smelter & Refinery and enhancing our capabilities for dealing with impurities.

## Addressing Changes in the Business Environment and Issues

The supply-demand balance for non-ferrous metals is projected to ease temporarily for copper in the short term due to the development of new and expanded copper mine projects. As for nickel, demand for nickel-based lithium-ion batteries for EVs is expected to grow. The supply-demand balance for both copper and nickel is forecasted to start

easing due to more supply as increased production of nickel pig iron continues in Indonesia. However, conflict between China and the United States, the prolonged Russian invasion of Ukraine, inflation remaining high, continued monetary tightening, and other factors mean that the outlook for the global economy remains uncertain, and we will continue to

## Smelting & Refining Business

closely watch future movements. Trends including decarbonization, clean energy, and the shift to electric vehicles are expected to accelerate globally over the long term and provide a tailwind for non-ferrous metal demand. Against this backdrop, we expect non-ferrous metal prices in general to remain firm over the long term.

At the same time, soaring energy and material prices may lead to a downturn in revenue. Although energy prices peaked during FY2022, they are still in the high range, and the prices of some operation materials also remain high. To achieve our planned production and sales volumes and maximize revenue despite these impacts, we will strengthen our competitiveness through continued efforts to improve production efficiency and reduce costs, which are the basics for a manufacturing company.

In line with the growth of nickel demand for use in battery materials, projects for the development of technology to process nickel pig iron into nickel sulfate and other products of use in battery materials, and new projects to turn the

nickel-cobalt mixed hydroxide precipitate (MHP) used mainly in battery materials into final products, are underway in Indonesia and elsewhere. Supply-demand remains tight for nickel sulfate and briquettes, which can be used in battery materials. However, the nickel business environment is becoming increasingly volatile and uncertain as increased production of nickel pig iron exceeds demand for use in stainless steel, resulting in oversupply among other factors. We will continue to closely watch future movements.

We also continued working to improve and streamline operations through the promotion of digital transformation (DX). More specifically, in FY2022, we made infrastructure environment improvements at business sites in Japan, such as the introduction of Wi-Fi and the installation of local 5G. We also decided to work on the themes of improving the operating rate through predictive maintenance and supporting operations with future forecasts, and began consideration of using DX to respond to changes in the social environment and increase our competitiveness.

### Progress and Plans for Our Top Priorities

	FY2019	FY2020	FY2021	FY2022	FY2023 and later
<b>Ni</b> Securing nickel resources			● Implementation of Pomalaa Project DFS until FY2021	● Discontinuation of Pomalaa Project	● Strengthening of search for next project
<b>Ni</b> Taganito HPAL Nickel Corporation		● Achievement of at least 30-kt production volume	● Start of commercial production of chromite		
		● Start of commercial production of scandium oxide			
		Continuing measures to secure nickel ore supplies			
<b>Ni</b> Nickel sulfate Niihama Nickel Refinery and Harima Refinery		● Achievement of new record high production level (79.1 kt)			
		● Achievement of record high production level (75.1 kt)			
		Maximum production and output to meet cathode material demand			

### Strategies for the Smelting & Refining Business in the 2021 3-Year Business Plan

#### 1. 3-business collaboration to strengthen the value chain for Ni-batteries

- Searching for new nickel deposits
- Securing the supply of ore for CBNC and THPAL
- Strengthening of the internal supply of raw materials in line with increased production capacity for battery cathode materials
- Study of new cobalt product development
- Promotion of battery recycling business

#### 2. Enhancement of competitive edge in the copper smelting and refining business

- Stable operation of 450 kt of electrolytic copper production and establishment of a 460 kt structure
- Strengthening of logistics infrastructure

## Progress and Strategies of the 2021 3-Year Business Plan

### Nickel Business 3-Business Collaboration to Strengthen the Value Chain

The 2021 3-Year Business Plan set strengthening the value chain in the Group's nickel business as an important theme. The Group's nickel business develops low-grade nickel oxide ore from mines, and we manufacture mixed sulfide (MS), an intermediate material, using HPAL technology at CBNC and THPAL in the Philippines. The mixed sulfide is supplied to the Niihama Nickel Refinery and the Harima Refinery, our business sites in Japan which manufacture nickel sulfate. This raw material is processed into cathode materials for batteries, primarily automotive batteries, and supplied to battery manufacturers. In FY2022, CBNC and THPAL produced a total of 47,000 tons of MS, which was supplied to the two business sites in Japan. The two business sites in Japan produced a total of 77,000 tons of nickel sulfate, providing a stable supply for use in battery materials.

With regard to strengthening the value chain on the raw material side, we have implemented studies into the optimal operating conditions to prepare for future changes in ore composition at CBNC and THPAL as part of our ongoing

consideration of measures to secure nickel ore supplies for both sites. We have also positioned the search for the next nickel project as an important and urgent task, and we will continue to investigate and scrutinize projects. We will select projects that make the most of our strengths, including the development of projects utilizing the hydrometallurgical refining and pyrometallurgical smelting technologies we have cultivated to date, in addition to HPAL technology.

At Hyuga Smelting Co., Ltd., we will make production adjustments, including shutdown, in light of the current deterioration in the business environment for ferronickel. During the shutdown period, we plan to reduce costs, update equipment, and take action on reducing GHG emissions, putting in place the systems to enable a rapid response once the business environment improves.



THPAL Plant

### SMM Group Refineries and Their Main Products

Toyo Smelter & Refinery	Niihama Nickel Refinery and Harima Refinery	Hyuga Smelting Co., Ltd.	Shisaka Smelting Co., Ltd.
Electrolytic copper	Copper sulfate	Electrolytic nickel	Electrolytic cobalt
Gold ingots	Slag sand	Nickel sulfate	Nickel chloride
Gold shot	Silver shot	Green sand	Ferronickel shot
		<b>Coral Bay Nickel Corporation, Taganito HPAL Nickel Corporation</b>	
		MS (Mixed Nickel-Cobalt Sulfides)	Scandium oxide
		Chromite	Zinc oxide pellets

## Smelting & Refining Business

### Copper Business Meeting the Challenge of Improving Core Business Sustainability

Another important theme under the 2021 3-Year Business Plan is enhancing our competitive edge in copper smelting and refining, which is the mainstay of our smelting and refining business. The Toyo Smelter & Refinery's annual electrolytic copper production volume is 450,000 tons. We are increasing this by another 10,000 tons to establish a structure capable of producing 460,000 tons by eliminating bottlenecks through facility modifications. In FY2022, we expanded concentrate drying capacity, increasing concentrate processing volume. At the same time, as a measure to improve profitability, we reduced loss of valuable metals from the slag produced by the Toyo Smelter & Refinery and also implemented initiatives to increase the recovery rate.

On the sales front, from the perspective of producing quality products that meet market needs, we worked on providing products that meet the demand for even higher quality electrolytic copper and on stable sales of by-products. We

also undertook optimization of logistics and developed initiatives that will lead to enhancing competitiveness in terms of the environment and costs through the promotion of modal shift and other measures.

In FY2023, a long large-scale shutdown is scheduled due to the first major repair of a smelting furnace in 12 years. We plan to use this long shutdown to strengthen systems for stable production, improve production facilities, and increase the operating rate. We will also use this period to invest in reducing GHG emissions by converting the fuel used in a number of facilities at the Toyo Smelter & Refinery to LNG.

### Battery Recycling Business Recycling Batteries

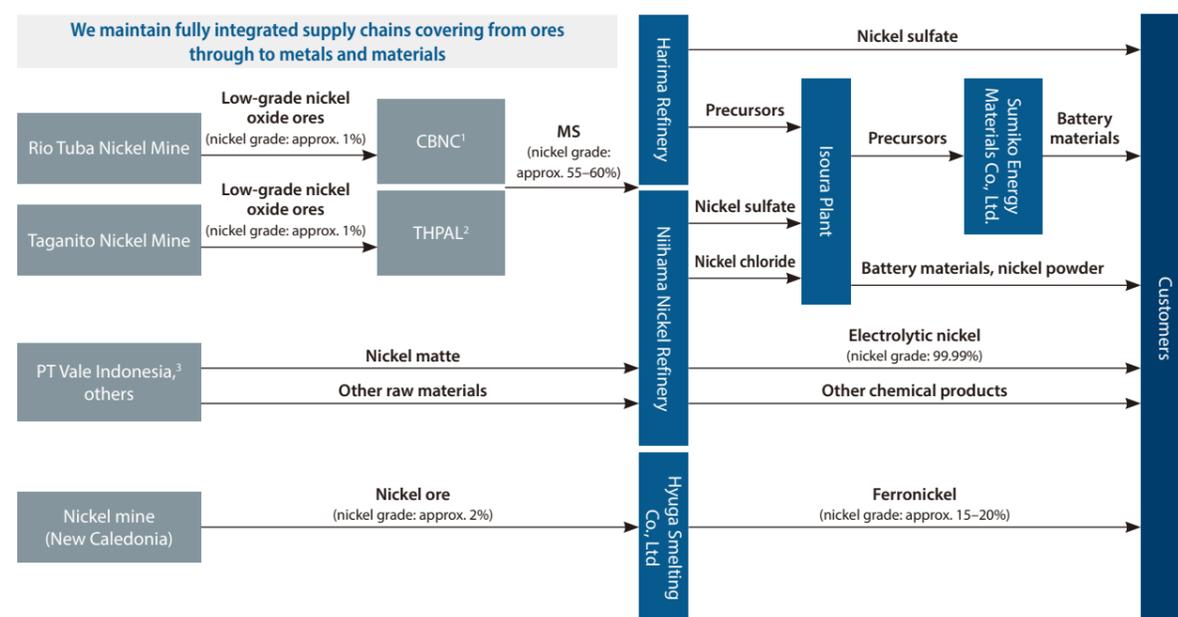
We are also working to commercialize the battery recycling business. The recycling process involves the collection of used batteries from the EVs and other vehicles that are on the market, and the material (black mass) processed by

pre-processing manufacturers in Japan is accepted by the Company. We combine pyrometallurgical smelting and hydrometallurgical refining processes to recover copper, nickel, and cobalt, which are then supplied to be used again as raw materials for batteries. Moreover, in FY2022, through joint development with Kanto Denka Kogyo Co., Ltd., we established technology that recycles lithium from lithium-ion secondary batteries (LIBs) as high-purity compounds and succeeded in developing a new process capable of horizontal recycling of copper, nickel, cobalt, and lithium. During the term of the 2024 3-Year Business Plan, we plan to establish a system capable of processing 10,000 tons a year.



Toyo Smelter & Refinery

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



1. Coral Bay Nickel Corporation (CBNC): Shareholders: Sumitomo Metal Mining Co., Ltd. (84.375%); Nickel Asia Corporation (15.625%). Head Office: Rio Tuba, Bataraza, Palawan Province, Philippines.  
 2. Taganito HPAL Nickel Corporation (THPAL): Shareholders: Sumitomo Metal Mining Co., Ltd. (75%); Mitsui & Co., Ltd. (15%); Nickel Asia Corporation (10%). Head Office: Taganito, Surigao del Norte Province, Philippines.  
 3. PT Vale Indonesia Tbk: Shareholders: Vale Canada Limited (44.3%); Sumitomo Metal Mining Co., Ltd. (15%); others (40.7%).

### Sustainability Topics

#### CBNC and THPAL Win Four Awards from the Philippine Department of Environment and Natural Resources

CBNC received a total of three awards: the 2022 Presidential Mineral Industry Environmental Award (PMIEA), first place in the Safest Mineral Processing – Extraction Plant, and first place in the Best Mining Forest Contest, Mineral Processing Plant Category, while THPAL placed second behind CBNC in the Best Mining Forest Contest, Mineral Processing Plant Category, making a total of four awards for the two companies.

PMIEA received by CBNC is the highest honor that can be awarded in the Philippine mining industry, and this is the eighth time CBNC has received the award. These awards have been given to CBNC and THPAL in recognition of their continuing operations that give consideration to safety and the environment.

Moving forward, CBNC and THPAL will continue to strive to operate in a responsible manner by contributing to the surrounding area through building infrastructure for local communities, increasing employment, and sourcing materials locally, as well as operating with the minimum environmental impact, preventing environmental accidents, restoring the ecosystem through the greening of tailings dams carried out by CBNC, and preserving biodiversity.



Presentation of trophies at the awards ceremonies (Left: CBNC; Right: THPAL)

#### GHG Reduction Initiatives

We are continuing our initiatives to reduce GHG emissions at the business sites of the Non-Ferrous Metals Division. At business sites in Japan, we have converted the fuel for boilers at the Niihama Nickel Refinery to LNG, converted the fuel for various facilities at the Toyo Smelter & Refinery to LNG, and switched to renewable energy for purchased electricity at the Harima Refinery. For our overseas business sites, we are conducting biomass co-firing tests in boilers at CBNC. We will continue working on an even wider range of measures to reduce GHG emissions.

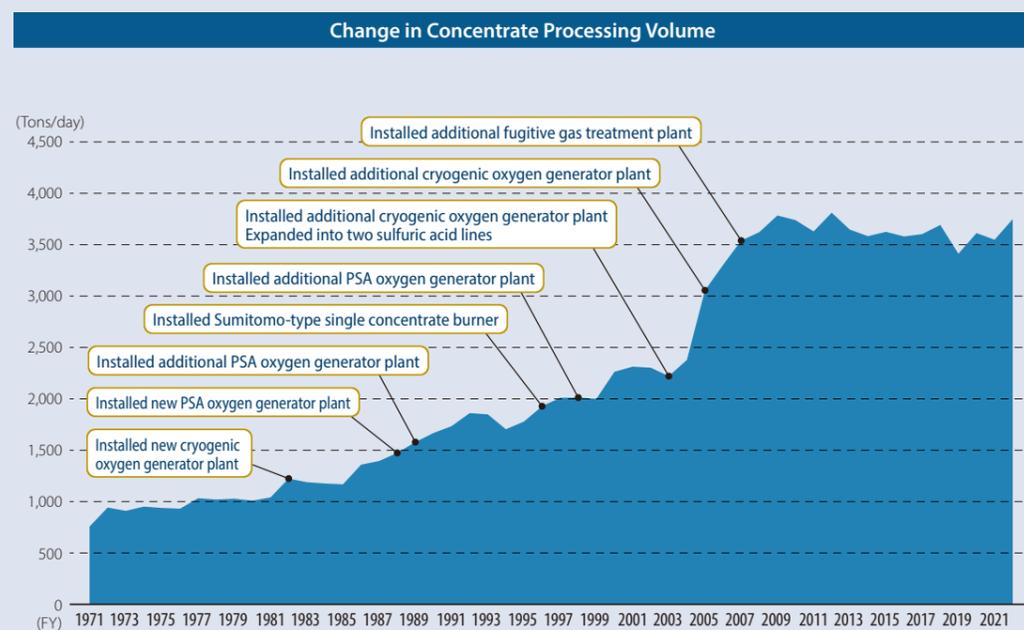
In addition, as part of the SMM Green Metal concept, an initiative to offer low-carbon products, we have begun considering the possibility of offering green metal for our electrolytic copper using the mass-balance method to respond to the growing need for low-carbon products in the future. We aim to complete certification work by a third-party organization by the end of FY2023 for electrolytic copper. Following that, we also plan to roll out the initiative to electrolytic nickel.

## Technological Changes at the Toyo Smelter & Refinery

The Toyo Smelter & Refinery began operations in 1971, carrying on the copper business that formed the foundation of Sumitomo's business development. The Toyo Smelter & Refinery has the world's largest production capacity of electrolytic copper for a smelter and refinery with a single flash furnace. Producing 447,000 tons a year in FY2022, it has been a top runner in the industry for over 50 years, especially on the environmental front.

Since beginning operations, the Toyo Smelter & Refinery has made numerous innovations. In particular, in the processing of copper concentrate, the main raw material which forms the indicator for operations, the Toyo Smelter & Refinery has increased the treated copper concentrate rate, which was 757 tons a day when operations first began, to approximately 3,700 tons a day (annual average) at present, a five-fold increase, through innovations that include oxygen enrichment into the reaction air, the development of the Sumitomo-type single concentrate burner, additional converter installation, and using two lines for the sulfuric acid process. This is the world's highest volume of concentrate melted for a single flash furnace, and energy efficiency per unit of production is also the highest in the world. In addition, the Toyo Smelter & Refinery has actively pursued the recovery of valuable metals from recycled raw materials including copper scrap, copper sludge (secondary materials containing copper), and e-scrap (scrap circuit boards from electronic equipment), and approximately one quarter of electrolytic copper production derives from these raw materials.

The Toyo Smelter & Refinery has worked with other businesses in the Group to maximize the Company's value. Since 1985, it has been processing gold ore from the Hishikari Mine, Japan's only commercial gold mine, to produce gold. At the same time, it uses the silicon dioxide contained in the gold ore to reduce the amount of silica flux required for copper smelting, thus successfully smelting gold and reducing operation materials simultaneously. These precious metals, including gold and other platinum group metals, are commercialized at the world's first completely hydrometallurgical precious metals refining plant, which began operating in 2004.



Starting in 2017, we were first in Japan to achieve the recovery of copper and nickel from used lithium-ion batteries for reuse as resources. The resource recycling process combines the Toyo Smelter & Refinery's pyrometallurgical smelting process and the Nihama Nickel Refinery's hydrometallurgical refining process to recover copper as electrolytic copper and nickel as nickel sulfate from collected used batteries. The nickel sulfate is processed into cathode materials for secondary batteries at the Isoura Plant in a groundbreaking initiative that realizes fully circular "battery to battery" recycling. In 2022, we completed development of technology to recover cobalt and lithium in addition to copper and nickel. We aim to establish part of this battery recycling process at the Toyo Smelter & Refinery in the near future.

FY	History
1971	Began operations
1985	Began processing Hishikari gold ore (pulverization at old Hoshigoe flotation plant)
1991	Completed 30,000 ton berth
2002	Obtained ISO 14001 certification
2003	Installed rotary steam dryer for concentrate Completed new sulfuric acid plant (two lines)
2004	Began No.2 tank house operation (Blocks A to D, 300 tanks) Began operation of new precious metals refining plant Obtained ISO 9001 certification
2006	Established new flotation plant
2008	Obtained new JIS certification for slag aggregate for concrete
2016	Achieved electrolytic copper production volume of 450,000 tons/year (451,472 tons)
2017	Began processing used lithium-ion battery scrap
2022	Obtained ISO 45001 certification



Initial firing ceremony at Toyo Smelter & Refinery (1971) with then President Kawakami

# Materials Business

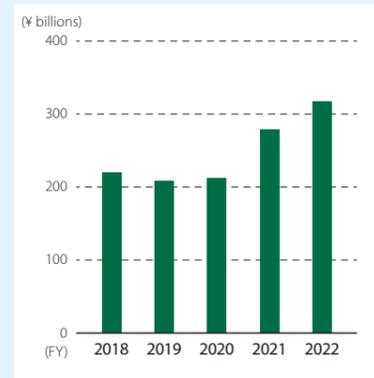
## Battery Materials Business

Contributing to society through the development and supply of highly advanced materials by making effective use of non-ferrous metal resources

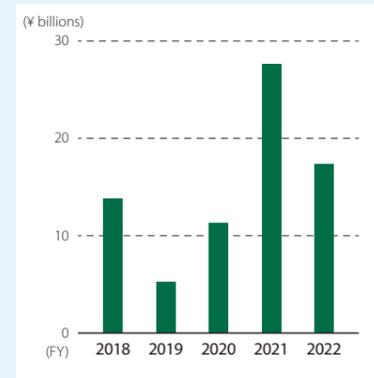
Katsuya Tanaka  
 Managing Executive Officer  
 General Manager of Battery Materials Division



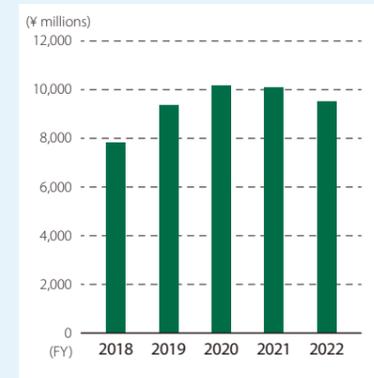
Segment Net Sales



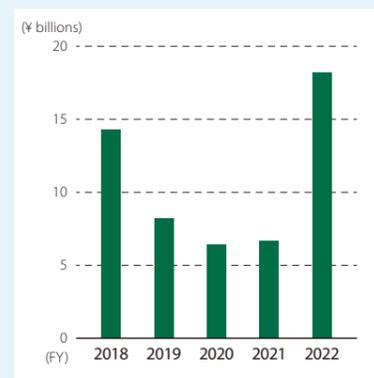
Segment Income



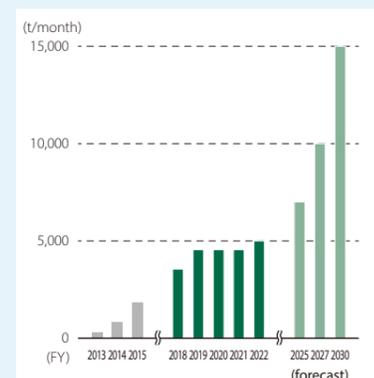
Depreciation and Amortization Expense



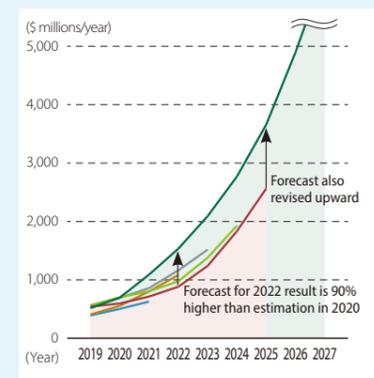
Capital Expenditure



Growth of Cathode Materials Production Capacity and Future Plans



Market Scale of SiC power devices Yole Forecast



Source: Power SiC report, Yole intelligence, 2022

— 2016 Report — 2017 Report  
 — 2018 Report — 2019 Report  
 — 2020 Report — 2022 Report

Through the manufacturing of cathode materials and resource recycling for automobile batteries, we will reduce greenhouse gas (GHG) emissions and contribute to the achievement of a sustainable society, while maintaining a worldwide leading share in nickel-based cathode materials.

### Review of FY2022

Worldwide passenger car sales in 2022 were 82 million units. While this represented a decline from the previous year in most countries and regions with the exception of China and India, worldwide sales of new passenger electric vehicles (EVs), with battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) combined, exceeded 10 million units for the first time in 2022 to reach 10.2 million units, an increase of 55% from the previous year. Sales by region were 5.9 million units in China, an increase of 80% year on year; 2.6 million units in Europe, an increase of 15%; and 990,000 units in the U.S., an increase of 55%. China accounted for nearly 60% of global EV sales. The percentage of EVs among new car sales in 2022 was 29% in China, 21% in

Europe, and 8% in the U.S., with China surpassing Europe. Under these circumstances, we made efforts to achieve stable production and sales of cathode materials. However, the tight supply of semiconductors and other materials, increases in the costs of energy and logistics, and growing anxiety over the world economy due to the Russian invasion of Ukraine resulted in reduced production and stagnation at some automobile manufacturers. Sales volume of our cathode materials also struggled. While pushing ahead with the 2,000 tons/month expansion of production capacity that was decided in FY2021, we received a transfer of the lithium iron phosphate (LFP) battery material business of Sumitomo Osaka Cement Co., Ltd. in May 2022.

### Changes of Business Environment and Response to Issues

According to estimates by the International Energy Agency (IEA), global sales of electrified vehicles (xEVs) will hit a record again in 2023, increasing 35% from 2022 to reach 14 million units, nearly a fifth of the automobile market overall. The IEA predicts that worldwide sales will reach 20.5 million units by 2025 (accounting for over 20% of all new car sales, including internal combustion engine vehicles) and will exceed 36.9 million units (35% of all new car sales) in 2030. In line with this expansion of the xEV market, the U.S. and Europe, both of which have large automobile markets, are constructing sustainable storage battery supply chains domestically and regionally through the introduction of regulations and tax

incentives. In the U.S., the Inflation Reduction Act (IRA) that came into effect in August 2022 introduced incentives for the production of EVs and components in North America, along with tax credits for EV buyers. With the release of some details of the Act in March 2023, Japan and the U.S. signed the Japan-U.S. Critical Minerals Agreement (CMA). The release of further details on the application of the Act is ongoing. In addition to such trends in countries' policies, the market outlook remains unclear due to factors including shortages of nickel, lithium, and other minerals for EVs, soaring prices associated with shortages, and the advance of battery technology. At the same time, the xEV market continues to expand as

## Materials Business

CO<sub>2</sub> emission regulations are tightened worldwide, and demand for automobile secondary batteries and components for EVs is expected to steadily increase. Seeking to expand our battery materials business, we will continue

studying the situation so that we can make appropriately-timed investment decisions concerning the establishment of next-phase plants for further production expansion.

### Progress and Strategies of the 2021 3-Year Business Plan

Our plan for the expansion of production capacity by 2,000 tons per month, which will incorporate the construction of the new plant at Niihama decided in 2022, calls for completion of buildings in 2023 followed by installation of machinery. We are making steady progress toward completion of the plan in 2025, with staffing progressing steadily as well. The ¥47 billion total cost of the expansion is eligible for grants from the Ministry of Economy, Trade and Industry. The beginning of operations under the expansion will increase our cathode material production capacity from the current level of approximately 5,000 tons per month to 7,000 tons per month. To

achieve the 2021 3-Year Business Plan announced earlier, we will also work to achieve a cathode material production volume of 10,000 tons per month by FY2027 and build production capacity of 15,000 tons per month by the end of the 2027 3-Year Business Plan period (FY2028 to 2030). To maintain a leading position in market share of nickel-based cathode materials, we will examine product expansions and plant sites aimed at meeting the demands of the market. We will also work to develop the LFP business that was transferred to us from Sumitomo Osaka Cement Co., Ltd. in May 2022.

### Sustainability Topics

#### Speeding up Development of Lithium Iron Phosphate (LFP) Battery Materials

The adoption of LFP battery materials in electric vehicles and stationary storage batteries is expected to lead to expansion of demand and the creation of new markets. We are currently working on stable production and sales to address the customers earlier supplied by Sumitomo Osaka Cement Co., Ltd.,

and have begun studying the conversion of existing processes to reduce costs. Looking ahead, we will work to maintain our mass production technology for high-quality LFP while advancing research and development and examining and responding to new customers' needs.

### SMM Products in Daily Life

1 Lithium nickel oxide cathodes for secondary batteries

2 Lubricants

3 Copper polyimide substrate for the driver ICs of LCD TVs

4 Autoclaved lightweight concrete

5 Optical isolators for fiber optic systems

6 SAW filter LT/LN for smartphones

7 Functional inks (Near-Infrared absorbing materials)

8 Printed wiring boards

9 Automotive catalysts

10 Oil refining catalysts



### Advanced Materials Business

Aiming to be the lead runner in the market by adapting quickly to technological innovation and changing needs

Shuichi Ogasawara  
Managing Executive Officer  
General Manager of Advanced Materials Division



We develop and produce highly advanced materials used in wide-ranging fields including automobiles, energy, environment, communications and information, and home appliances, along with products that contribute to carbon neutrality.

### Review of FY2022

In FY2022, the production of smartphones and personal computers declined significantly due to soaring prices of raw materials associated with inflation originating in lockdowns in China, along with a global economic slowdown and adjustments of inventory accumulated in response to the COVID-19 pandemic. Demand for electronic components stagnated considerably. From the fall of 2022 onward, slowdown became clear in data center-related areas and semiconductor manufacturing equipment, which had driven demand for components. The electronic components market overall entered negative growth.

Under this harsh market environment, we reviewed our production plans in the Advanced Materials Business in light of greatly-changed demand trends, and adapted wherever possible to avoid situations such as accumulation of inven-

tory that would lead to deterioration of profitability.

With some exceptions, our efforts under measures to achieve our vision for the Advanced Materials Business in the first year of the 2021 3-Year Business Plan did not progress far. However, we made definite advances in the development of new products and new applications. X-MINING®, our information site aimed at the development of new applications and creation of value for existing powder material products, has focused on activities to capture projects that will lead to future sales, including strengthening and streamlining our web marketing system, and increasing the number of leads (prospective customers). We are also exhibiting at international exhibitions in Japan and overseas to uncover the needs of customers and markets.

### Changes of Business Environment and Response to Issues

In 2020, remote work became widespread under the global expansion of the COVID-19 pandemic, creating demand for PCs, TVs, game consoles, and other at-home products. Under the acceleration of the digitalization of society, including full-scale sales of 5G smartphones and the ongoing electrification of vehicles, sales growth of advanced materials products exceeded the growth of the electronic components market in FY2020 and 2021. However, the world economy slowed in 2022 due to inflation, the Ukraine crisis, and lockdowns in China. The business environment for advanced materials

products deteriorated significantly, with rapid inventory adjustment phases taking place especially in the Chinese and Taiwanese markets.

Trade friction between the United States and China also worsened. The U.S. strengthened export regulations in advanced fields, China promoted domestic production, and competition in the Chinese market between Chinese local manufacturers and Japanese manufacturers intensified. However, although China has implemented some raw material export restrictions, we make the assumption that this will

## Materials Business

not lead to comprehensive import restrictions or to the exclusion of foreign capital in global supply chains.

In response to these Chinese risks, our Company will advance measures that include expanding sales to customers outside China, collaboration with Chinese materials manufacturers, and investment in differentiated products as we strive to secure

maximum profits. In response to China's export restrictions on raw materials, we will create a list of raw materials that are highly dependent on China, and will undertake measures including procurement from outside China, buildup of inventory, and search for alternate raw materials, while avoiding the occurrence of opportunity loss caused by a reduced production volume.

### Progress and Strategies of the 2021 3-Year Business Plan

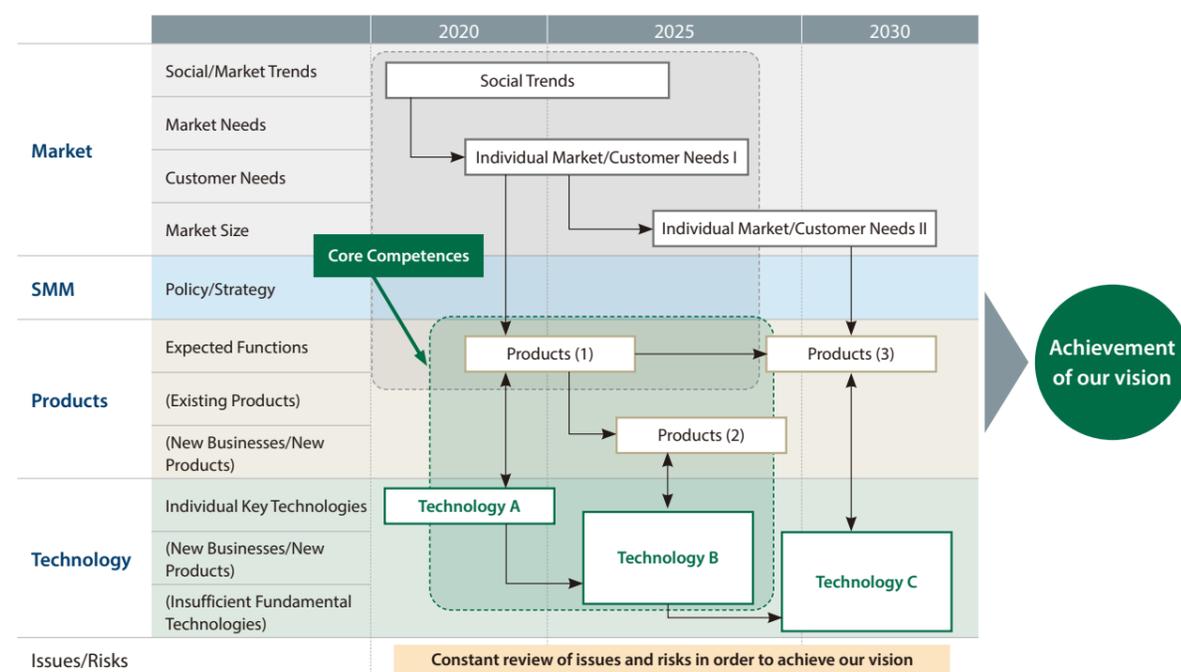
#### Our vision for the Advanced Materials Business

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

In order to bring about the vision set out for our Advanced Materials Business in the 2021 3-Year Business Plan, in FY2022 we made efforts toward the development of products and new technologies that will contribute to carbon neutrality and toward an expansion strategy for the Advanced Materials Business, in line with our roadmap. With respect to nickel powder, we have been able to enter the advanced domain of multi-layer ceramic capacitors (MLCCs) by advancing hydrometallurgical processing technology to obtain smaller and more uniform particle sizes. As a result, our products have been adopted by several companies. To meet the speed and

precise verification of product quality demanded by customers, we established a new product development department in FY2023 and are working to reinforce our customer response capabilities. For our near-infrared absorbing material CWO®, we strengthened relationships with the development teams of major customers. The product has been adopted for use in glass roofs, which have proliferated mainly in EVs, and sales have increased alongside window films. In silicon carbide (SiC), we established a new 8-inch bonded SiC substrate development line to meet customers' needs for larger diameters. We aim to produce 10,000 (6-inch equivalent) pieces per month in 2025.

#### Our roadmap concept



### Sustainability Topics

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

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

Our unique bonding technology achieves low resistance and high strength while maintaining the characteristics of a monocrystalline SiC. In addition to our current 6-inch line, we are working to build a new 8-inch development line that will allow us to meet customers' requests for large-diameter substrates at an early stage.

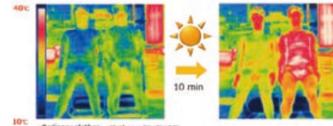


SiCrest® bonded silicon carbide (SiC) substrate

#### Thermal Management Using CWO® Near-Infrared Absorbing Material

Our near-infrared absorbing material is an inorganic material that features outstanding weather resistance, selectively absorbing near-infrared energy while allowing the sun's visible light to pass through. Taking advantage of unique material properties that convert absorbed near-infrared rays into heat, we are developing new and diverse applications. These include window materials that provide both transparency and heat shielding, clothing made from textile woven with the material to yield heat-generating and non-transparency effects, and agricultural greenhouse heat shielding curtains that suppress excessive temperature rise.

Our near-infrared absorbing material aids in the reduction of GHG emissions as a product that contributes to a low-carbon society.



Comparative depiction of heat distribution in regular clothing (left) and clothing made with CWO® (right), after exposure to sunlight for 10 minutes

#### Progress and Plans on Our Top Priorities in the Materials Business

	FY2021	FY2022	FY2023	FY2024	FY2025 and later
Battery materials	● Completion of 4,550 t/month production structure	● NCA <sup>1</sup> : Increase in production to 4,850 t/month from mid-2022		● 7,000 t/month cathode material production by FY2025 (NCA + NMC <sup>2</sup> + nickel hydroxide)	● Increase in production of cathode materials to 10 kt/month by FY2027
Crystal materials		● SiC launch for consumer markets			● SiC launch for automotive markets

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

#### Strategies for the Materials Business in the 2021 3-Year Business Plan

##### Battery Materials Business

#### Increase in battery material (cathode) production capacity

- 2,000 t/month expansion
- Building completion planned for 2023, to be followed by equipment installation. Steady progress toward finalization in 2025.
- Aggressive introduction of DX at the new plant in Niihama, realization of production optimization and labor savings
- Studying next capacity expansion: Looking into product expansions and plant sites in line with customers' requests
- Steady progress in the securing of human resources for business expansion
- Reducing GHG throughout the battery life cycle: Participation in the first phase of GX League (FY2023-FY2025). The pilot facility for new processes in the production of next-generation cathode materials is eligible for subsidies from the Ministry of Economy, Trade and Industry's Green Innovation Fund.

##### Advanced Materials Business

#### 1. Introduction of roadmap-based management

- Capture changes and needs from a top-down view of medium- to long-term market trends
- Predict the future
- Think about how we can respond to change and shape our business
- Seek a shared understanding of strategies and measures that the Advanced Materials Division should pursue in the medium to long term

#### 2. Expansion strategy for the advanced materials business

- Establishment of a 10,000 wafers/month (converted to 6 inches) mass production structure for silicon carbide (SiC) in FY2025
- Expansion of sales of Ni powders (for use in paste for MLCCs) in high-end markets
- Expansion of sales of CWO® (near-infrared absorbing materials) for window film applications and exploration of new markets
- Establishment of a manufacturing and sales structure that captures market growth in communication devices

# Research & Development

Strengthening development of new products for the sustainable growth of the Group

Hideyuki Okamoto  
Executive Officer  
General Manager of Technology Division



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

## Review of FY2022 and Progress of the 2021 3-Year Business Plan

To achieve the Vision for 2030, the 2021 3-Year Business Plan set out (1) promotion of development of new technologies and processes to achieve carbon neutrality; (2) business innovation in manufacturing and R&D divisions through DX (Digital Transformation); and (3) activation of individuals and utilization of human resources, and we are pursuing research and development in these areas.

The Group's business consists of processes that produce significant direct and indirect emissions of greenhouse gases (GHGs), such as CO<sub>2</sub>. As such, in FY2022, we worked to reduce use of neutralizers in existing smelting and refining processes, fix CO<sub>2</sub>, and develop next-generation processes for smelting and refining without using fossil fuels with the aim of

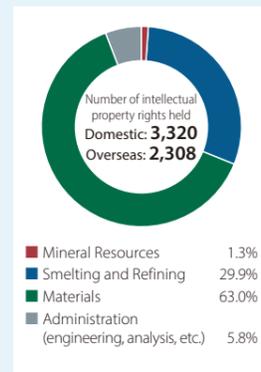
reducing direct CO<sub>2</sub> emissions, and we obtained the results for proceeding to scale-up testing.

In the area of creating new businesses to support the value chain of the 3-business collaboration in Mineral Resources, Smelting and Refining, and Materials, our work on the development and demonstration of the storage battery recycling process and the development and demonstration of high-performance cathode materials for next-generation storage batteries has been adopted as a part of the Next-generation Storage Battery and Motor Development project under the Green Innovation Fund of the New Energy and Industrial Technology Development Organization (NEDO), and we accelerated development toward commercialization.

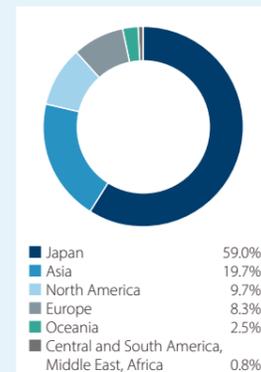
### Research and Development Expenses



### Ratio of intellectual property rights held, by business



### Ratio of intellectual property rights held, by region



## Progress of the 2021 3-Year Business Plan and Research and Development Strategy

### Future Research and Development Strategy

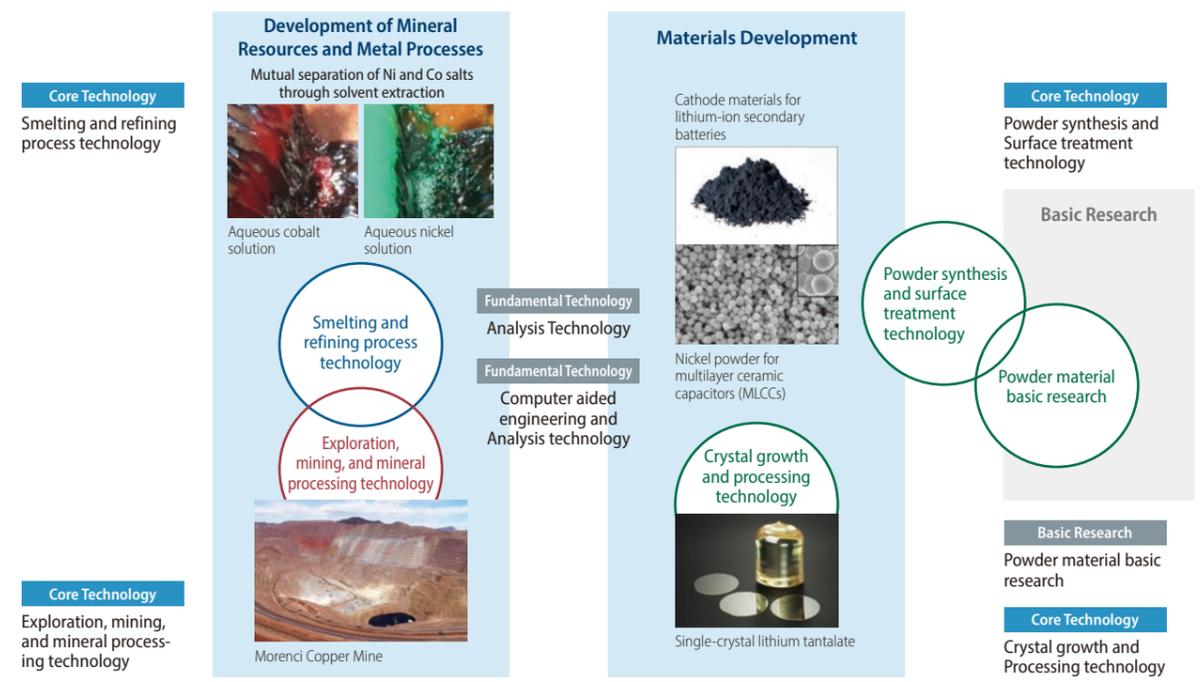
In the materials field, we will continue to develop high functionality and new products for battery materials, powder materials, and crystal materials. In the field of battery cathode materials, regarded as a growth market, alongside development to improve performance, we will develop next-generation battery materials, including solid-state batteries, and new processes that will help to improve productivity.

Under the Vision Co-Creation Partnership with Tohoku University aimed at creating innovative materials in the lead-up to 2050, we established the Tohoku University GX Materials Science Co-Creation Research Center on October 1, 2022 in partnership with the Tohoku University Advanced Institute for Materials Research to accelerate exploration of R&D themes. Through the exploration of R&D themes at the research center, we will develop young engineers. We will also focus on the development of photocatalyst materials for use in artificial photosynthesis for CO<sub>2</sub> recycling and

hydrogen production and materials related to energy-saving and energy harvesting with the aim of realizing carbon neutrality.

In formulating the Vision for 2030, we discussed how we will create materials without damaging the global environment in the world of 2050 or 2100 and what the non-ferrous metals industry should be like in order to achieve this goal. In terms of the medium-term outlook, we will be closely watching how the world changes and transforms by 2030, and we will work to respond rapidly in step with this change and transformation and make effective use of non-ferrous metal resources. In terms of concrete initiatives in the smelting and refining field, we are pursuing research and development related to next-generation nickel smelting and refining processes and lithium refining processes to significantly reduce GHG emissions. We are also exploring R&D themes that solve the social needs presented in the Vision for 2030 while continuing to develop improvements in resource exploration, mining, and mineral processing technologies.

### Research and Development by the SMM Group



## Research & Development

### Our Challenges under the 2021 3-Year Business Plan

#### Extraction of Lithium

Lithium compounds are essential raw materials for the production of lithium-ion secondary batteries, which contribute to carbon neutrality. The extraction process of lithium from lithium-containing salt lakes and ores normally results in large volumes of GHG emitted in the process of separating impurities. We developed an adsorbent that is able to selectively extract only lithium with almost no GHGs emissions in the impurity separation process. We will confirm the reliability of the process and collect the information required for its industrialization in order to make this process a reality.



The lithium-rich lake Salar de Atacama (Photographed by an SMM employee)

#### Development of Cathode Materials for Solid-State Batteries

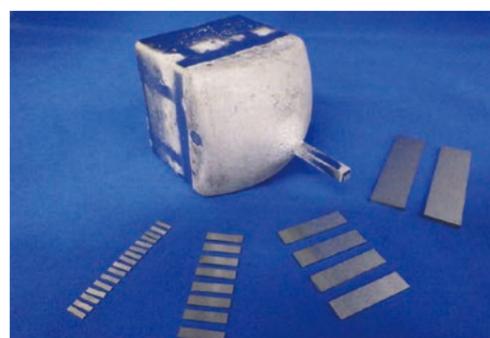
We are working on the development and demonstration of high-performance cathode materials for next-generation storage batteries, which has been adopted as a part of the Next-generation Storage Battery and Motor Development project under the Green Innovation (GI) Fund of the New Energy and Industrial Technology Development Organization (NEDO). Through the further deployment of our cathode material products for storage batteries under this project, we will perform the development and demonstration of GHG emission reduction processes and high-performance cathode materials that will enable the practical use of solid state and other high-performance lithium-ion secondary batteries.

In addition, to strengthen R&D infrastructure, we have made the decision to introduce pilot equipment and build a structure to house this equipment (Battery Research Laboratories No. 2 Development Building). Construction work is expected to be completed in December 2025. The pilot equipment for new processes is eligible for GI Fund project subsidies, and we will steadily implement the project plan with the installation of the equipment.

### Sustainability Topics

#### Developing Fe-Ga Magnetostrictive Alloy Single Crystal

In the area of energy harvesting materials that harvest and convert a variety of minute amounts of energy around us into electricity, we are developing Fe-Ga magnetostrictive alloy single crystal. It converts mechanical vibration energy into electrical energy and functions as a power source that does not need recharging or an independent sensor that does not need batteries. In October 2022, we exhibited the Fe-Ga magnetostrictive alloy single crystal under development at K2022, an international trade fair held in Dusseldorf, Germany, presenting it as an advanced material that will contribute to realizing a decarbonized society. We will develop applications in parallel with the development of the material.



Fe-Ga magnetostrictive alloy single crystal and wafers

#### Industry-Academia Collaboration with Tohoku University in the Non-Ferrous Metal Smelting and Refining Field

In April 2023, the Company and the Institute of Multidisciplinary Research for Advanced Materials, Tohoku University established the Joint Research Department in the Non-ferrous Metal Smelting and Refining Environmental Science Research Department for a second term. Following on from its first term, the Joint Research Department will continue to deepen its collaboration with non-ferrous metal smelting and refining companies in Japan and provide support for the continuation and expansion of university courses in non-ferrous metal smelting and refining while aiming to contribute to the development and recruitment of engineers.



From left: Masami Terauchi, Director of the Institute of Multidisciplinary Research for Advanced Materials, Tohoku University; Shuichi Ogasawara, General Manager of Technology Division at Sumitomo Metal Mining Co., Ltd.; and Takuro Ueda, Executive Vice President of Tohoku University (Positions are as of when the photograph was taken)

## Battery Recycling

As automobiles undergo what is expected to be a rapid and long-term shift to electric drive and battery capacity becomes increasingly higher, demand is growing for the copper, nickel, cobalt, and lithium used in lithium-ion secondary batteries (LIBs) for electric vehicles, leading to calls for effective resource recycling.

Since 2017, we have been working to recover and reuse the copper and nickel contained in LIBs through a process that combines the Toyo Smelter & Refinery's copper smelting and refining processes and the Niihama Nickel Refinery's nickel smelting and refining processes. The recovered nickel, in particular, is processed into a secondary battery cathode material at the Isoura Plant, realizing Japan's first "battery to battery" horizontal recycling using materials recovered from used LIBs.

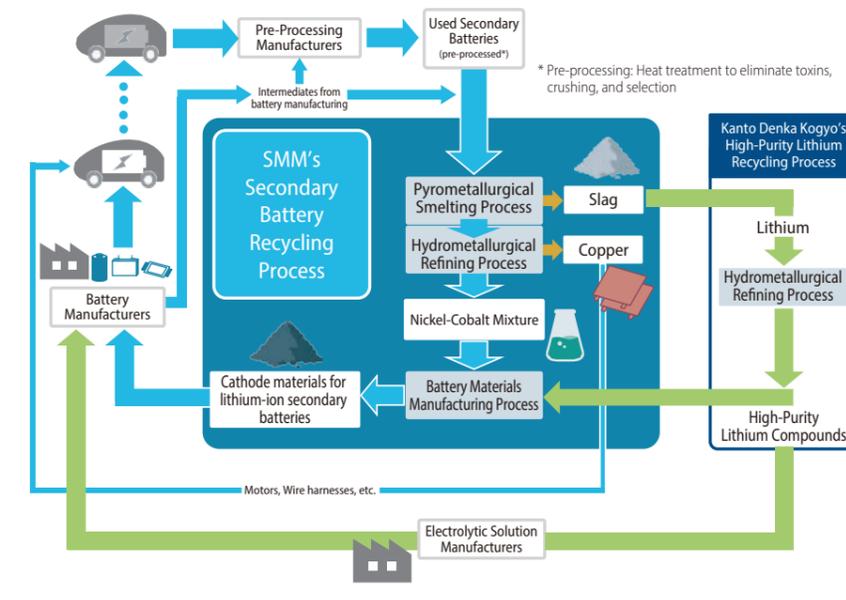
In addition to this, we have been promoting LIB recycling research and development and demonstrated in 2021 that cobalt, for which resource depletion is a concern, can also be recovered, purified to a high level, and reused as a raw material for LIB cathode materials. Moreover, through joint development with Kanto Denka Kogyo Co., Ltd., we established technology that recycles lithium from slag containing lithium into high-purity compounds in 2022, successfully developing a new process for horizontal recycling of copper, nickel, cobalt, and lithium.

In evaluations of battery performance by battery user Primearth EV Energy Co., Ltd., it was demonstrated on the product level that the performance of batteries using LIB cathode materials manufactured through this process is equal to that of batteries manufactured from conventional raw materials, primarily derived from natural resources.

We are currently studying the commercialization of battery recycling with the aim of establishing a system for processing 10,000 tons per year during the term of the 2024 3-Year Business Plan (FY2025–2027). In parallel with this, we are also working to develop technology for reducing CO<sub>2</sub> emissions from the perspective of carbon neutrality. If this new process makes it possible to reuse valuable metals as resources on a commercial basis, it can be expected to make a further contribution to resource recycling to combat global resource depletion.

Looking ahead, we will continue to actively work on "battery to battery" horizontal recycling and will contribute to the formation of a sustainable circular society and the strengthening of resource recycling to combat global resource depletion.

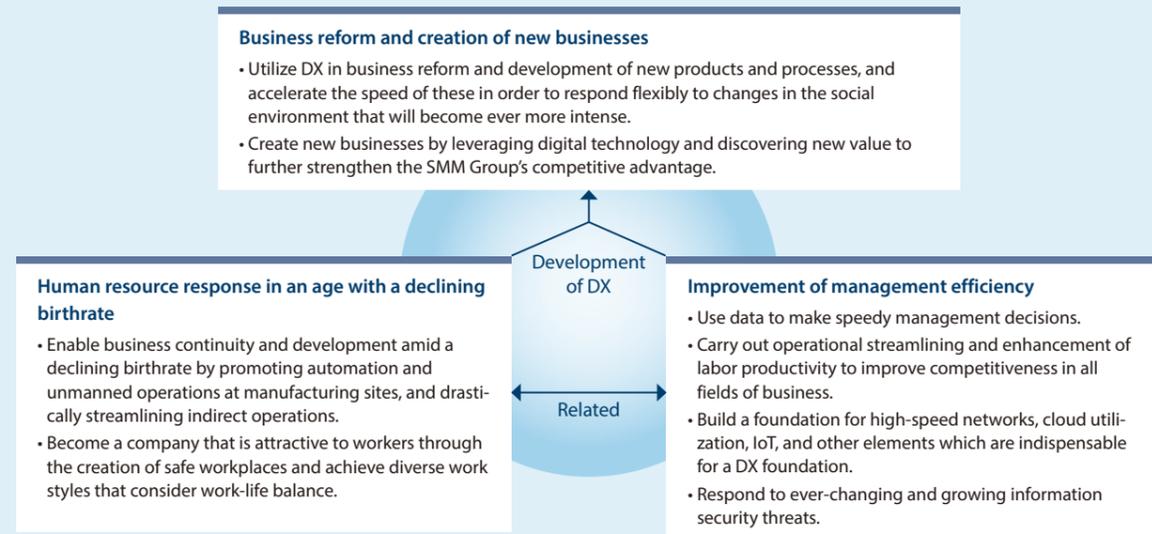
### Recycling Flow



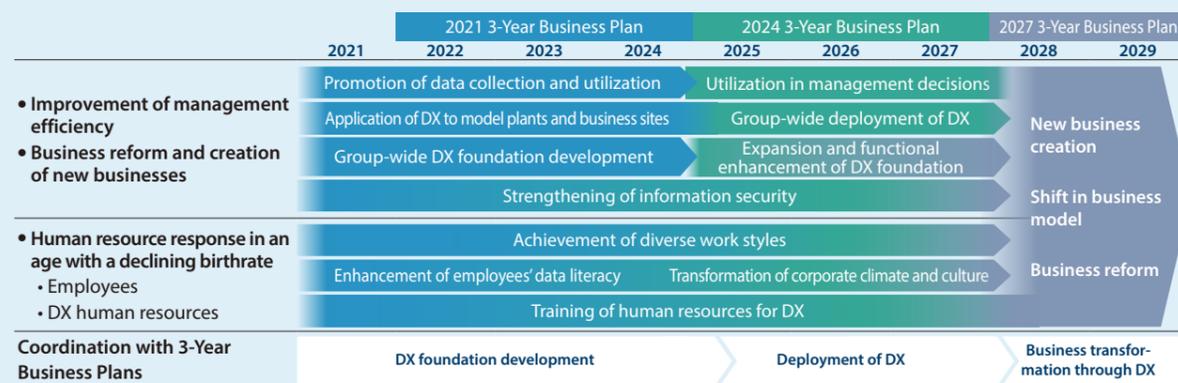
## Special Feature 1 Digital Transformation (DX) at the SMM Group

In FY2022, the SMM Group established a policy on management issues to be solved through DX, a long-term DX roadmap, and the priority areas. The planning and implementation of DX measures in each area is led by each division for business areas and the Digital Transformation Department for Group-wide work areas.

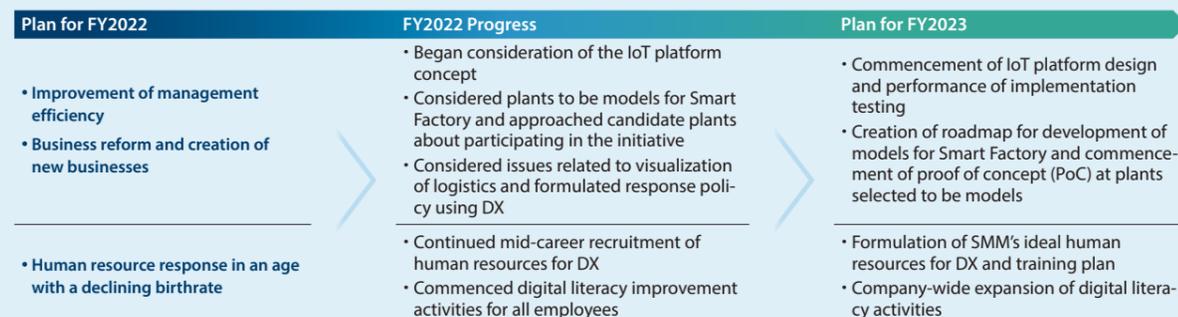
### Specific Issues and Responses



### Roadmap and Progress



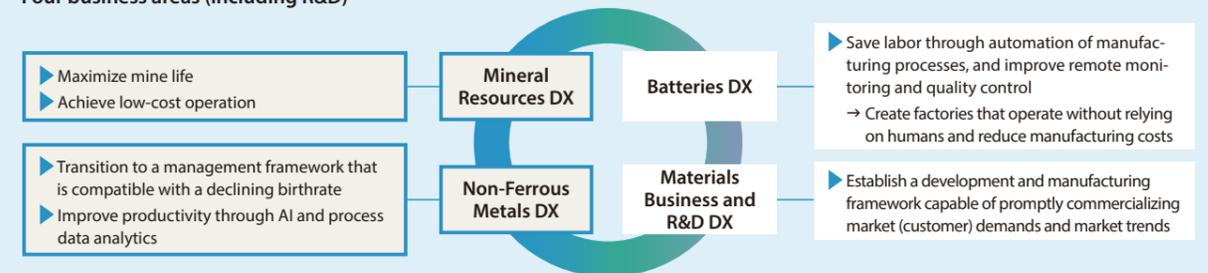
### Progress



### Priority Areas and Main Initiatives

In the area related to the digitalization of each business among the priority areas for DX, the Mineral Resources Business and the Non-Ferrous Metals Business began development of the communications infrastructure environment to serve as a base and promoted the introduction of digitalization that will translate into increases in production efficiency. Moreover, in terms of initiatives for enhancement of employees' data literacy and training of human resources for DX, which are part of the roadmap, we began enhancing the digital literacy of all employees, which forms the basis for promoting DX as a whole.

#### Four business areas (including R&D)



#### Main Initiatives in FY2022

##### Mineral Resources DX ▶ Examples of Initiatives in the SMM Group CASE-1 and 2

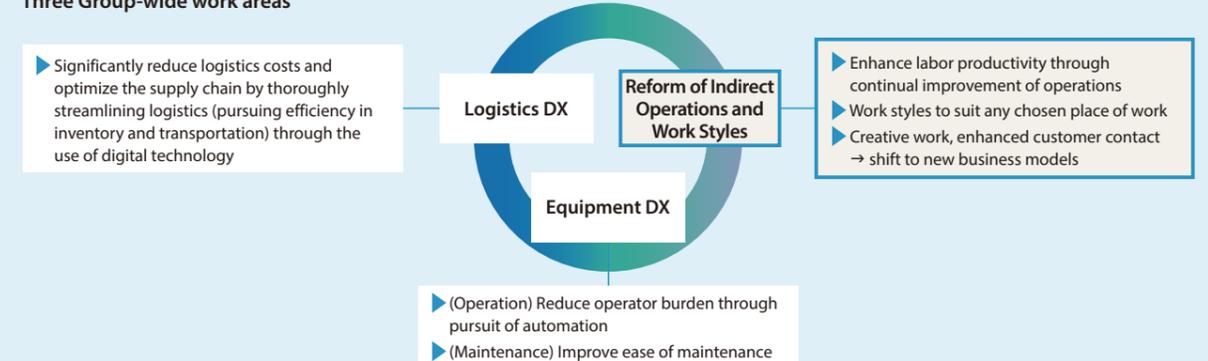
At the Hishikari Mine (Kagoshima Prefecture), with the aim of extending the life of the mine, we began initiatives to reduce costs by introducing automated load-haul-dump (LHD) and reviewing the operating system by adopting digital technology in mining work. Moreover, at closed mines, we established communications networks at each site and introduced remote monitoring and control.

##### Non-Ferrous Metals DX

We developed on-site communications infrastructure at our main plants, and completed the installation of on-site Wi-Fi at some plants. We are using mobile terminals that utilize this infrastructure to improve the efficiency of maintenance and inspection work.

In addition, we implemented verification of automated particle sizing for refined products using AI, as well as planning and preparing for the installation of plant operation support and equipment fault prediction systems.

#### Three Group-wide work areas



#### Main Initiatives in FY2022

##### Reform of Indirect Operations and Work Styles ▶ Examples of Initiatives in the SMM Group CASE-3 and 4

With the objective of addressing the issue of human resources in an age with a declining birthrate, we began company-wide digital literacy enhancement activities to train human resources who will improve their own work using digital technology. We have defined literacy levels and formulated training goals with a training curriculum for each level. We began training with the first intake of 30 trainees selected through open applications at Head Office.

Examples of Initiatives in the SMM Group

**CASE -1** Mineral Resources DX **Strengthening the Business Foundation and DX (Hishikari Mine)**

At the Hishikari Mine (Kagoshima Prefecture), we are promoting DX as one of our primary initiatives to achieve sustainability-oriented operations.

Two of the advantages that can be obtained through DX are an improvement of safety and improvement in the working environment through automation and remote operation. At the Hishikari Mine, we began testing the introduction of automated load-haul-dump (LHD) in FY2022 with the goal of having one worker outside the mine to operate multiple LHDs in the future. Eliminating the need to have operators for the heavy equipment inside the mine will significantly improve the working environment by eliminating the human burden of the work involved in transporting ore, including the harsh environment unique to working in mines, which are dusty and hot, and the vibration of heavy equipment associated with ore haulage operations.

In addition, with regards to increasing productivity and reducing costs, which were the original objectives for the introduction of DX, we have been moving forward with the digitalization of mining work. For example, the results of blasting to extract ore from bedrock can vary depending on

the experience and skill of workers. By digitalizing the drilling design to standardize the optimum blast, we aim to extract only the ore without gangue\* being mixed in with it. This will lead to increased productivity and reduced costs. Besides this initiative, we are using DX to connect our heavy equipment and underground environment management facilities to a network to optimize operations by collecting, analyzing, and utilizing data.

We will continue to move forward with DX, working toward long-term stable operations, and extending the mine life at the Hishikari Mine.

\* Gangue: Rocks, minerals, and soil with no economic value that is transported out of a mine.



Control system

**CASE -2** Mineral Resources DX **Managing Closed Mines and DX (Yaso Office, Akakura Neutralization Plant)**

At closed mines, we improve the quality of wastewater containing harmful substances to a level that meets wastewater standards before releasing it. Mine wastewater treatment operations must be managed 24 hours a day, 365 days a year. Many closed mines are located in remote and depopulated areas, and we must respond quickly if there are any abnormalities. When access to a site is difficult due to heavy rain or snow, not only does it take time to get to the site, but the workers themselves are also exposed to danger while traveling and working. In addition, the quality of the mine wastewater varies significantly depending on the season and the weather, and management often depends on the intuition of workers based on their experience.

In order to resolve these problems, we are proactively promoting the introduction of IoT at the neutralizing processing plants of closed mines. As the majority of closed mines are located in depopulated areas without mobile phone signals, we first completed the installation of optical cables and other communications networks at all the locations, and we are now introducing remote monitoring and control using mobile terminals. Enabling the remote monitoring and operation of water treatment facilities using a smartphone makes it possible to access detailed information at the office or even at home. In addition, it also helps to

improve the efficiency and quality of work, including immediate identification of the situation in the event of an abnormality and the provision of a system to prevent human error. This system was introduced at the Yaso Office of the Akakura Neutralization Plant in 2021. Workers have said that there has been a decrease in the number of on-site responses in response to abnormalities outside of business hours and that they are able to work with peace of mind due to knowing what the status is in advance. We also plan to use remote operation as an emergency measure when a site cannot be physically accessed due to a natural disaster. We will continue to implement IoT at each site based on the results from the introduction of the system at the Akakura Neutralization Plant.



Remote monitoring at a mine wastewater processing facility

**CASE -3** Reform of Indirect Operations and Work Styles **Digital Literacy Education for Employees**

In company-wide training for human resources who will improve their own work using digital tools, we have defined three types of digital human resources. These three types are the digital leader who drives DX across divisions within the Company, the digital core, who improves work using digital tools with a focus on his or her own division and own work, and the digital user, who can use new digital tools without resistance.

We define the digital literacy required by the digital core, which is the main type of the three, as knowledge, mindset, and skills. We have designed a curriculum that combines Off-JT and OJT consisting of SMM's unique e-learning content for knowledge, group training using group work for mindset, and hands-on training that involves actually using digital tools for skills, with trainees finally using digital tools to improve operations in actual work.

In FY2022, there were open applications for digital core human resources at Head Office, and approximately 30 trainees took part and worked on improving operations using digital tools.

We will roll out digital literacy education company-wide with the goal of training 150 digital core human resources in FY2023. In addition, we plan to select candidates to be digital leaders from among the trained digital core human resources and provide them with support that enables them to plan new digitalization themes in FY2024.



Group work during education on mindset

**CASE -4** Reform of Indirect Operations and Work Styles **Digital Technology Utilization Community**

We have established a digital technology utilization community for publication of work improvements using digital technology, ideas, and know-how, to enable employees to use the information as a reference in improving their own work as well as providing colleagues with support and assistance with digital technology.

The community has initiated measures that include (1) disseminating information on internal and external study groups and workshops to provide opportunities for learning new skills; (2) organizing events such as internal talk sessions to connect digital core human resources and disseminate information internally; and (3) establishing a chat channel to deepen interaction among digital core human resources.

In FY2023, we will introduce a communication system that all community members will be able to use and build a community in which employees transmit information themselves, use it as a reference, and provide cross-organizational support for each other. We will also consider measures to increase motivation in order to firmly establish activities to improve work through the utilization of digital technology.



Internal talk session

# Sustainability Management at the Sumitomo Metal Mining Group

## Sumitomo Metal Mining Group Sustainability Policy

The SMM Group will tackle management issues that contribute to society's sustainable development, and will strive to achieve continuous growth in our business and improve our corporate value.

## Sustainability Promotion Structure

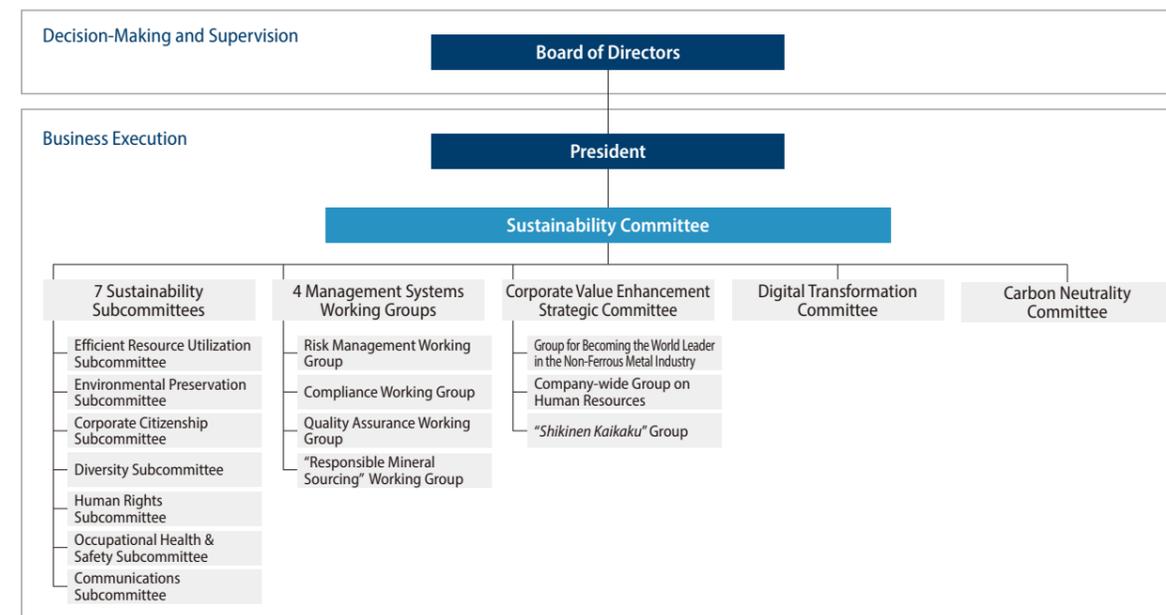
Our Group advances sustainability activities primarily through our Sustainability Committee. Since setting out our Vision for 2020 in 2008, we have consistently undertaken solutions to social issues through our business. In April 2022, we

reorganized our sustainability promotion structure with the aim of engaging in management and sustainability with greater consistency.

## Sustainability Committee

<b>Chair</b>	President
<b>Deputy Chair</b>	Executive Officer in charge of sustainability (executive officer in charge of the Corporate Planning Department)
<b>Members*</b>	General Managers of Divisions, General Managers of Administration Departments, General Manager of the Technology Division, General Manager of the Planning & Administration Department of the Technology Division, General Manager of the Engineering Division, General Manager of the Facilities Technology Department of the Engineering Division, heads of operational divisions in the Head Office *The Chairman of the Board, outside directors, and Audit & Supervisory Board members attend as observers
<b>Secretariat</b>	Sustainability Department and Corporate Planning Department
<b>Number of times convened</b>	Two or more times per year (five times in FY2022)
<b>Content of deliberations</b>	<ul style="list-style-type: none"> <li>Deliberation on revision or abolition of material issues, Vision for 2030, and the Sustainability Policy</li> <li>Deliberation and decision-making concerning important items related to annual plans and other sustainability promotion activities, and indicators for evaluating our level of achievement toward Vision for 2030</li> <li>Regular evaluation of sustainability promotion activities reflecting issues and opinions obtained through engagement with stakeholders, and invoking of corrective measures</li> <li>Provision of information on sustainability promotion activities, exchanges of information, explanation of key measures, sharing of awareness, and setting of important themes related to sustainability activities</li> </ul> <p>In FY2022, the committee deliberated on progress toward Vision for 2030, standards for achievement and action plans for 2030, revision of the Sumitomo Metal Mining Group Policy on Human Rights, and establishment of the SMM Group Digital Transformation (DX) Vision. The committee shared information on opinions and issues identified through engagement with stakeholders, grievance mechanisms, internal audits, and other means, and reflected this information in our sustainability activities. In particular, the committee made revisions to the Sumitomo Metal Mining Group Policy on Human Rights to reflect the opinions and requests of diverse stakeholders.</p>
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Internal control and supervisory functions related to sustainability activities</li> <li>Deliberation, decision-making, and approval concerning sustainability activities, progress reports, evaluation of performance, review of activity plans for the following fiscal year, etc.</li> </ul> <p>In FY2022, the Board of Directors deliberated and resolved matters including establishment of the SMM Group DX Vision and revision of the Sumitomo Metal Mining Group Policy on Human Rights.</p>

## Sustainability promotion framework



## 7 Sustainability Subcommittees

Our 7 Sustainability Subcommittees manage progress toward Vision for 2030 and engage in sustainability activities integrated with our businesses.

Subcommittee	Chair	Deputy Chair	Secretariat
Efficient Resource Utilization Subcommittee	Executive officer in charge of the Technology Division	Senior Deputy General Manager of the Technology Division	Technology Division
Environmental Preservation Subcommittee	Executive officer in charge of the Safety & Environment Control Department	Executive officer in charge of the Technology Division	Safety & Environment Control Department
Corporate Citizenship Subcommittee	General Manager of the General Affairs Department	—	General Affairs Department
Diversity Subcommittee	General Manager of the Human Resources Department	—	Human Resources Department
Human Rights Subcommittee	General Manager of the Sustainability Department	—	Sustainability Department
Occupational Health & Safety Subcommittee	Executive officer in charge of the Safety & Environment Control Department	General Manager of the Human Resources Department	Safety & Environment Control Department
Communications Subcommittee	General Manager of the Public Relations & Investor Relations Department	—	Public Relations & Investor Relations Department

## 4 Management Systems Working Groups

The Risk Management Working Group, Compliance Working Group, Quality Assurance Working Group, and “Responsible Mineral Sourcing” Working Group play roles in operating our Group’s key management systems across organizations and

strengthening our management foundations. Each working group formulates policies in line with its theme and conducts checks of progress toward achieving its activity plans.

Working Group	Chair	Deputy Chair	Secretariat	Members
Risk Management Working Group	Executive officer in charge of the Corporate Planning Department	Executive officer in charge of the Safety & Environmental Control Department	Corporate Planning Department, Safety & Environmental Control Department	General managers of divisions, General Manager of the Technology Division, General Manager of the Engineering Division, heads of operational divisions in the Head Office
Compliance Working Group	Executive officer in charge of the Legal Department	General Manager of the Legal Department	Legal Department	General managers of divisions, General Manager of the Technology Division, General Manager of the Engineering Division, heads of operational divisions in the Head Office
Quality Assurance Working Group	General Manager of the Quality Assurance Department	—	Quality Assurance Department	General managers of divisions, General Manager of the Technology Division, General Manager of the Engineering Division, heads of operational divisions in the Head Office
“Responsible Mineral Sourcing” Working Group	General Manager of the Non-Ferrous Metals Division	General Manager of the Sustainability Department	Administration Department, Non-Ferrous Metals Division	Mineral Resources Division: General Manager of the Division, General Manager of the Administration Department Non-Ferrous Metals Division: General Manager of the Administration Department, General Manager of the Nickel Sales & Raw Materials Department, General Manager of the Copper & Precious Metals Raw Materials Department, General Manager of the Copper & Precious Metals Sales Department

## Sustainability Management at the Sumitomo Metal Mining Group

### Corporate Value Enhancement Strategic Committee

We have established the Corporate Value Enhancement Strategic Committee to grow the SMM Group's business sustainably and enhance our corporate value. To further ensure the achievement of this objective, we have established the

Group for Realizing the World Leader in the Non-Ferrous Metal Industry, the Company-wide Group on Human Resources, and the "Shikinen Kaikaku" Group as subordinate organizations.

<b>Chair</b>	Executive officer in charge of the Corporate Planning Department
<b>Deputy Chair</b>	General Manager of the Corporate Planning Department
<b>Members</b>	General managers, senior deputy general managers of divisions, General Manager of the Technology Division, General Manager of the Engineering Division, General Manager of the Legal Department, General Manager of the Human Resources Department, General Manager of the Finance & Accounting Department
<b>Secretariat</b>	Corporate Planning Department
<b>Number of times convened</b>	Two or more times per year (two times in FY2022)
<b>Content of deliberations</b>	<ul style="list-style-type: none"> <li>• Deliberation on candidates for new large-scale projects</li> <li>• Selection of "seeding" projects as candidates for new large-scale projects</li> <li>• Reporting on the progress of large-scale projects, from the "planting" stage to the "harvesting" stage</li> <li>• Instruction to the Group for Realizing the World Leader in the Non-Ferrous Metal Industry, the Company-wide Group on Human Resources, and the "Shikinen Kaikaku" Group regarding examination of matters specified as issues</li> </ul>

### Digital Transformation Committee

The committee was established in April 2021 to clarify the future vision of Digital Transformation (DX) that our Group

should aim for and to maximize the contribution to management through Group-wide promotion of DX.

<b>Chair</b>	Executive officer in charge of Digital Transformation (Executive officer in charge of the Technology Division)
<b>Deputy Chair</b>	General Manager of the Digital Transformation Department
<b>Members</b>	General managers of divisions, executive officers in charge of corporate divisions, Executive officer in charge of the Safety & Environment Control Department, Executive officer in charge of the Quality Assurance Department, General Manager of the Technology Division, General Manager of the Engineering Division, General Manager of the Corporate Planning Department, General Manager of the Human Resources Department, General Manager of the Information Systems Department
<b>Secretariat</b>	Digital Transformation Department
<b>Number of times convened</b>	Two or more times per year (three times in FY2022)
<b>Content of deliberations</b>	<ul style="list-style-type: none"> <li>• Drafting of DX promotion policy and deliberation on material issues</li> <li>• Deliberation and decision-making on fiscal year plans for DX promotion activities and other key matters</li> <li>• Regular evaluation of DX promotion activities and invoking of corrective measures</li> <li>• Provision of information on DX promotion, exchanges of information, explanation of key measures, and sharing of awareness</li> <li>• Other key issues related to DX promotion activities</li> </ul>

### Carbon Neutrality Committee

This committee was established in April 2022 to set a clear policy and path toward achievement of the carbon neutrality that our Group should pursue, and to quickly and powerfully move forward in this pursuit.

The basic principle is that each business division, and each organization related to carbon neutrality, should work together with the aim of having all parties involved actively engage in activities.

<b>Chair</b>	Executive officer in charge of Carbon Neutrality Promotion (Executive officer in charge of the Technology Division)
<b>Deputy Chair</b>	Executive officer in charge of Safety & Environment Control Department
<b>Members</b>	General managers of divisions, General Manager of the Technology Division, General Manager of the Engineering Division, General Manager of the Safety & Environment Control Department, General Manager of the Corporate Planning Department, General Manager of the Sustainability Department, General Manager of the Finance & Accounting Department
<b>Secretariat</b>	Planning & Administration Department of the Technology Division
<b>Number of times convened</b>	Two or more times per year (six times in FY2022)
<b>Content of deliberations</b>	<ul style="list-style-type: none"> <li>• Drafting of company-wide policy, goals, and roadmap for the achievement of carbon neutrality, and deliberation on material issues</li> <li>• Deliberation and decision-making on fiscal year plans and other key matters related to carbon neutrality promotion activities</li> <li>• Regular evaluation of carbon neutrality promotion activities, review of goals, and invocation of corrective measures</li> <li>• Provision of information on carbon neutrality promotion, exchanges of information, explanation of key measures, and sharing of awareness</li> <li>• Deliberation and decision-making on other key issues related to carbon neutrality promotion activities</li> </ul>

### Putting Sustainability Promotion Activities into Practice

The 7 Sustainability Subcommittees manage and advance the progress of our sustainability promotion activities, with the Sustainability Committee at the center. However, responsibility for putting activities into practice is assigned across different levels through job classification-based management. In conjunction with our 2021 3-Year Business Plan, the subcommittees also formulated plans for organizations in areas related to Vision for 2030 during the period of the 3-Year

Business Plan, and are managing the progress of these plans. The 7 subcommittees assess details of organizations' activities through the subcommittees' members or secretariats, and check progress through the Sustainability Committee.

Through dialogue with shareholders and investors and through briefing videos for business partners, we explain our Group's sustainability promotion activities to outside stakeholders and call for their cooperation.

### Diffusion of Sustainability Promotion Activities

For Vision for 2030 and other sustainability promotion activities, we distribute simple, illustrated booklets with specific examples of activities to all Group employees, and post interviews and columns on specific activities in our in-house bulletins and on our portal site. We also conduct education on sustainability in annual training (new employee training, mid-career hire training, grade-specific training, selective training, etc.). In addition to regular training, in FY2022 we held "Reorganization of Sustainability Promotion Structure" briefings for managers and young employees in every district.

In conjunction with the adoption of the Sustainable Development Goals (SDGs) by the United Nations General

Assembly in September 2015, we have also set every September as a month for thinking about the Sumitomo Metal Mining Group's Vision for 2030. As a part of this, we hold the Sumitomo Metal Mining Group Vision for 2030 Awards every year as a rule. These awards recognize individuals and groups for their contributions to achieving Vision for 2030. In FY2022, a total of seven awards were given, with one individual award and six group awards (115 people in total). We also engage in awareness activities such as communicating messages from top management and conveying our progress toward Vision for 2030 to employees in a concise manner.

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

\* See the Sustainability Report 2023 for details on the results and forecast for indicators and goals, P33-126 [https://www.smm.co.jp/en/sustainability/library/sustainability\\_report/](https://www.smm.co.jp/en/sustainability/library/sustainability_report/)

## 1 Effective Use of Non-Ferrous Metal Resources

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

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

KPI Indicators	Goals
1. 1) Advance copper mine projects	<ul style="list-style-type: none"> <li>Strengthen production structure at JV mines to achieve and maintain copper production levels of 300 kt/year from interests</li> <li>Achieve steady copper production level by reinforcing exploration of surrounding and deep areas in JV mines, expanding mineral processing technology, and improving operations leveraging IoT and AI</li> <li>Advance Phase 2 and later projects at the Quebrada Blanca Copper Mine</li> </ul>
2) Acquire new superior copper and gold resources	<ul style="list-style-type: none"> <li>Develop new mines for which we have operatorship</li> </ul>
3) Improve productivity by introducing new technology	<ul style="list-style-type: none"> <li>Promote remote operation and unmanned operation of heavy machinery and information infrastructure equipment inside and outside of the Hishikari Mine</li> </ul>
4) Advance nickel ore projects and improve productivity	<ul style="list-style-type: none"> <li>(1) Nickel production: 150 kt/year</li> <li>(2) Recovery rate compared to FY2018: +2%</li> <li>(3) Recovery of scandia by-product</li> <li>(4) Recovery of chromite by-product</li> </ul>
2. 1) Develop technology to separate, stabilize and bleed off impurities, and create value from impurities generated by smelting processes and mines	<ul style="list-style-type: none"> <li>Develop technology to stabilize and bleed off impurities: Develop and demonstrate the process</li> </ul>
2) Develop technology to create value from unused non-ferrous metal resources	<ul style="list-style-type: none"> <li>Contribute to existing (e.g. marine resource development) and new development projects</li> </ul>
3) Recover non-ferrous metals from hard-to-process resources	<ul style="list-style-type: none"> <li>Participate in business and technology for recovery of lithium from salt-lake water in the presence of high levels of impurities</li> </ul>
3. Demonstrate and commercialize automobile secondary battery recycling technology	<ul style="list-style-type: none"> <li>Demonstrate, commercialize, and expand scale of recycling technology that recovers cobalt from automotive lithium-ion batteries</li> <li>Commence commissioning and commercial operation of pre-commercial plant: FY2026*</li> </ul>
4. 1) Leverage our strengths to create new products and new businesses that contribute to society	<ul style="list-style-type: none"> <li>Research, develop, and commercialize new advanced materials in the fields of energy, automobiles, and information communications</li> </ul>
2) Hold raw materials in-house for favorable and stable procurement	<ul style="list-style-type: none"> <li>Commercialize NiO for fuel cells following demonstration project</li> </ul>
3) Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials	<ul style="list-style-type: none"> <li>Maintain top class global share in the expanding cathode materials market</li> </ul>

## 2 Climate Change

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

KPI Indicators	Goals
Reduce GHG emissions	<ol style="list-style-type: none"> <li>1. Continuing to grow our business while maintaining GHG emissions below the level of FY2013. Accelerating actions to achieve net zero GHG emissions by 2050 or sooner.</li> <li>2. Cut GHG emissions intensity by at least 26% compared to FY2013</li> <li>3. Expand contribution of GHG reduction by products contributing to a low-carbon society: 600 kt-CO<sub>2</sub> or more</li> </ol>

## 3 Significant Environmental Accidents 4 Biodiversity

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

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

## 5 Employees' Occupational Health and Safety

**Vision for 2030** A company where all employees work together with safety first the priority in a comfortable working environment as well as safe facilities and operations

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

## 6 Diverse Human Resources

## 7 Development and Participation of Human Resources

**Vision for 2030** A company where all employees can take a vibrant and active part

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

KPI Indicators	Goals
1. Promote working style reform and create workplaces that make use of digital technology, enabling diverse human resources to play vibrant and active roles	<ol style="list-style-type: none"> <li>1) Improve scores for "Management by managers and superiors," "Appeal of job," and "Work environment" in employee awareness survey</li> <li>2) (1) Number of female managers: 50 (SMM non-consolidated)</li> <li>(2) Ratio of female employees: 20% or higher (SMM non-consolidated)</li> <li>3) Expand number of managerial track employees of foreign nationality</li> <li>4) Percentage of employees with disabilities: 3% or higher (SMM non-consolidated)</li> <li>5) Assign jobs and provide support matched to employees' life stages</li> </ol>
2. Support employees' mental and physical health	<ol style="list-style-type: none"> <li>1) Reduce the number of employees taking long-term leave</li> <li>2) Percentage of employees with abnormal findings indicated in health checkups: 50% or lower</li> </ol>
3. Diversify opportunities to enhance the abilities of employees according to employee needs and work needs	<ol style="list-style-type: none"> <li>1) Utilize one-on-one meetings that bring out the motivation and potential of every employee and boost the growth of subordinates through regular dialogues between superiors and subordinates</li> <li>2) Reconstruct the human resources development program (in-house education, external education, etc.) to provide opportunities to employees to enhance their abilities in line with their roles</li> <li>3) Provide opportunities for self-development matched to each employee's life plans and needs (correspondence courses, online training, etc.)</li> </ol>

## 8 Engagement with Stakeholders

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

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

## 9 Co-Existence and Mutual Prosperity with Local Communities

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

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

## 10 Rights of Indigenous Peoples

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

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

## 11 Human Rights in the Supply Chain

**Vision for 2030** A company that undertakes sustainable procurement across the supply chain

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

\* The underlined KPIs for this year have been partially revised. No change has been made to the material issues.

# Vision for 2030

## 1 Effective Use of Non-Ferrous Metal Resources

The SMM Group is engaged in the mining of natural resources, the production of highly advanced materials, and everything in between. We handle a wide range of non-ferrous metal materials in the process. We believe that it is the SMM Group's responsibility to take on the challenge of making more effective use of limited non-ferrous metal resources without waste through the utilization of resources that could hitherto not be used due to technical obstacles and through the development of recycling technologies.

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

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

KPI	Indicators	Goals	Main results	Reference page(s)
1. 1)	Advance copper mine projects	<ul style="list-style-type: none"> <li>Strengthen production structure at JV mines to achieve and maintain copper production levels of 300 kt/year from interests</li> <li>Achieve steady copper production level by reinforcing exploration of surrounding and deep areas in JV mines, expanding mineral processing technology, and improving operations leveraging IoT and AI</li> <li>Advance Phase 2 and later projects at the Quebrada Blanca Copper Mine</li> </ul>	Copper production from interests	p. 41
2)	Acquire new superior copper and gold resources	<ul style="list-style-type: none"> <li>Develop new mines for which we have operatorship</li> </ul>		
3)	Improve productivity by introducing new technology	<ul style="list-style-type: none"> <li>Promote remote operation and unmanned operation of heavy machinery and information infrastructure equipment inside and outside of the Hishikari Mine</li> </ul>	Promotion of DX at Hishikari Mine	p. 80
4)	Advance nickel ore projects and improve productivity	<ul style="list-style-type: none"> <li>(1) Nickel production: 150 kt/year</li> <li>(2) Recovery rate compared to FY2018: +2%</li> <li>(3) Recovery of scandia by-product</li> <li>(4) Recovery of chromite by-product</li> </ul>	Nickel-based product production	p. 41
2. 1)	Develop technology to separate, stabilize and bleed off impurities, and create value from impurities generated by smelting processes and mines	<ul style="list-style-type: none"> <li>Develop technology to stabilize and bleed off impurities: Develop and demonstrate the process</li> </ul>		
2)	Develop technology to create value from unused non-ferrous metal resources	<ul style="list-style-type: none"> <li>Contribute to existing (e.g. marine resource development) and new development projects</li> </ul>		
3)	Recover non-ferrous metals from hard-to-process resources	<ul style="list-style-type: none"> <li>Participate in business and technology for recovery of lithium from salt-lake water in the presence of high levels of impurities</li> </ul>	Extraction of lithium	p. 76
3.	Demonstrate and commercialize automobile secondary battery recycling technology	<ul style="list-style-type: none"> <li>Demonstrate, commercialize, and expand scale of recycling technology that recovers cobalt from automotive lithium-ion batteries</li> <li>Commence commissioning and commercial operation of pre-commercial plant: FY2026</li> </ul>	Progress in the commercialization of the recycling of batteries	p. 64
4. 1)	Leverage our strengths to create new products and new businesses that contribute to society	<ul style="list-style-type: none"> <li>Research, develop, and commercialize new advanced materials in the fields of energy, automobiles, and information communications</li> </ul>		
2)	Hold raw materials in-house for favorable and stable procurement	<ul style="list-style-type: none"> <li>Commercialize NiO for fuel cells following demonstration project</li> </ul>		
3)	Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials	<ul style="list-style-type: none"> <li>Maintain top class global share in the expanding cathode materials market</li> </ul>	Progress in cathode materials market share	p. 69

See Sustainability Report 2023 for details on results  
[https://www.smm.co.jp/en/sustainability/library/sustainability\\_report/](https://www.smm.co.jp/en/sustainability/library/sustainability_report/)

### Main Initiatives

#### Recycling of Low-Grade Nickel Oxide Ores

Low-nickel-content oxide ores found near the earth's surface are said to account for about 70% of the world's nickel oxide mineral resources, but smelting and refining using these ores as raw materials involves numerous technical challenges that made it difficult to achieve on a commercial basis. Drawing on our advanced equipment engineering and operation technologies, in April 2005 our Group led the world in achieving large-scale commercial production via the hydrometallurgical processing technology known as high pressure acid leach (HPAL) at Coral Bay Nickel Corporation (CBNC) in the Philippines. Further, from 2013, Taganito HPAL Nickel (THPAL) began operations as the second plant using HPAL technology. The nickel intermediate smelted and refined at these two HPAL plants are used in Japan as electrolytic nickel and cathode materials for secondary batteries for electric automobiles.

#### Recovery of Scandium and Chromite

Nickel ore, the raw material for HPAL, contains trace amounts of scandium and chromite, and THPAL is engaged in the business of recovering them. We began commercial production of scandia in January 2019 and chromite in March 2021. Scandia is expected to be in demand for solid fuel cells and aluminum alloys, while chromite is expected to be in demand for stainless steel and a wide array of other special steels. The SMM Group intends to add value to its HPAL technology by efficiently recovering these by-products.

## 2 Climate Change

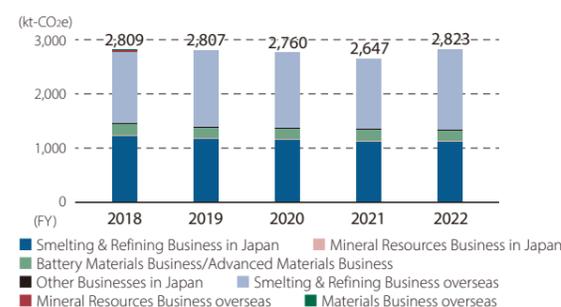
Society's demand for companies to reduce greenhouse gas (GHG) emissions has increased dramatically, and the business risks associated with climate change are also increasing. On the other hand, a stable supply of products contributing to a low-carbon society, such as the secondary battery materials for electric vehicles, and near-infrared absorbing materials produced by our Group, is expected to contribute to the reduction of GHG emissions.

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

KPI	Indicators	Goals
Reduce GHG emissions		<ol style="list-style-type: none"> <li>1. Continuing to grow our business while maintaining GHG emissions below the level of FY2013. Accelerating actions to achieve net zero GHG emissions by 2050 or sooner.</li> <li>2. Cut GHG emissions intensity by at least 26% compared to FY2013</li> <li>3. Expand contribution of GHG reduction by products contributing to a low-carbon society: 600 kt-CO<sub>2</sub>e or more</li> </ol>

### Main Results

#### GHG Emissions (Scope 1 and 2)



\* The Scope 1 and Scope 2 numbers are in the Sustainability Report 2023 See p. 46  
 The Scope 3 numbers are in the Sustainability Report 2023 See p. 50  
[https://www.smm.co.jp/en/sustainability/library/sustainability\\_report/](https://www.smm.co.jp/en/sustainability/library/sustainability_report/)

### Main Initiatives

#### Reduction of GHG Emissions in the Manufacturing Process

In the manufacturing process, we are working to reduce GHG emissions through initiatives that include medium- to long-term energy conservation and energy conversion.

#### Using Internal Carbon Pricing

The SMM Group implemented Internal Carbon Pricing (ICP), an action in which companies set an in-house carbon price to promote capital investments for decarbonization and energy savings and consider GHG emission reductions as a capital investment effect. Since introducing an ICP in September 2020, we have moved forward with decarbonization investments that make active use of ICP at business sites. Specifically, in addition to energy-saving investments, such as introducing LED lighting and replacing to highly efficient air conditioning equipment, we are actively taking on various challenges, including those related to solar power and a fuel conversion from heavy oil to LNG, which previously could not be undertaken because of poor investment return. We plan on further expanding ICP measures.

#### Development and Supply of Products that Contribute to a Low-Carbon Society

Products or materials that contribute to reducing GHG emissions across society through the production and supply by our Group are positioned as low-carbon products, and their development and supply to the market are actively promoted.

\* Of our products, the combined value that cathode materials for automobile batteries and near-infrared absorbing material (CWO (only for automobile glass)) from objectively calculated technical data provided by the public or by customers.

#### Expand Contribution of GHG Reduction by Products Contributing to a Low-Carbon Society

GHG Reduction by Products Contributing to a Low-Carbon Society	
FY2021	FY2022
420 kt-CO <sub>2</sub> e	540 kt-CO <sub>2</sub> e

#### Realizing a Stable Supply of Non-Ferrous Metal Resources

The SMM Group plays a crucial role in providing renewable energy, which is a major trend in realizing a carbon neutral society, and the main mineral resources used in the electrification of EVs and other vehicles. We are also developing technologies for the efficient recovery of lithium from salt lake water and studying its industrialization.

The exact metal usage per vehicle increases as electrification advances, with copper requiring 3.6 times the weight equivalent of a gasoline-powered vehicle. We believe that meeting the growing demand for such materials is an important role that our Group should fulfill.

#### Establishing Innovative Technologies that Support Decarbonization

In achieving carbon neutrality for our Group, it is essential to develop innovative technologies that lead to a dramatic reduction in GHG emissions within smelting and refining operations, which account for 90% of our total emissions, and to apply these technologies to our manufacturing processes. In copper smelting and refining, we are developing hydrogen reduction technology to reduce coal consumption, and for nickel smelting and refining, we are developing a next-generation process and CO<sub>2</sub> fixation technology. We have our eye on the future as we work in collaboration with multiple universities and companies to proactively pursue next-generation technology.

## Vision for 2030

### 2 Climate Change

#### Action for TCFD

In February 2020, we became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). We have not only listed climate change as a material issue in Vision for 2030, which was formulated and released in March 2020, and strengthened efforts to achieve the vision of “a company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs),” but also indicated that we will

move forward with disclosure of related information. The TCFD recommends that the disclosure of climate change-related risks and opportunities should be organized according to four core elements of corporate management and operations (governance, strategy, risk management, and metrics & targets), and we are disclosing information in line with these recommendations.

The Group responds to the CDP Climate Change Questionnaire annually regarding its GHG management.

#### Climate Change Scenario Analysis

We considered two scenarios for 2050.

**1.5°C scenario** A scenario in which ongoing efforts are made to keep the rise in average temperatures to within 1.5°C. The IEA’s WEO 2019 Sustainable Development Scenario (SDS),<sup>1</sup> Beyond 2°C Scenario (B2DS),<sup>2</sup> and the IPCC’s special report “Global Warming of 1.5°C”<sup>3</sup> were information sources for this scenario.

**4°C scenario** A scenario in which no countermeasures are taken, and temperatures are allowed to continue rising. Information sources included the IEA’s WEO 2018 New Policies Scenario and the IPCC’s RCP4.5 Scenario.

1. A scenario published by the International Energy Agency (IEA), and adopted in World Energy Outlook (WEO) 2019, a report that presents the outlook for energy supply and demand and technological developments, and analyzes the path that should be followed to fully achieve the goals set forth in the Paris Accords.  
 2. A scenario in “Energy Technology Perspectives” (ETP) published by the IEA.  
 3. A report published by the Intergovernmental Panel on Climate Change (IPCC).  
 4. Representative Concentration Pathways (RCP)

Scenario	Category	Driver	Anticipated situation (2050)	Impact on business	Risk and opportunity (medium- to long-term)	SMM Group approach: Initiatives for realizing Vision for 2030
1.5°C	Climate change policy	Carbon pricing (carbon taxes, emissions trading, etc.)	Overall monetary amounts have risen (depending on nation or region)	Increased tax burden, etc. Increases in R&D costs and investment in low-carbon facilities and equipment	Risk Large Risk Short- to long-term, large	<ul style="list-style-type: none"> <li>Climate Change: Reduce GHG emissions</li> <li>Climate Change: Reduce GHG emissions</li> <li>Effective Use of Non-Ferrous Metal Resources: Improve productivity by introducing new technology, Advance nickel ore projects and improve productivity</li> </ul>
	Climate change policy	Tightening of vehicle regulations, policy to promote LEVs	<ul style="list-style-type: none"> <li>Fuel consumption regulations have been tightened and restrictions on movement introduced</li> <li>Policy is supportive of EVs and LEVs</li> <li>Internal combustion-based vehicles have been replaced by LEVs</li> </ul>	<ul style="list-style-type: none"> <li>Increase in sales due to growing demand for batteries and nickel accompanying the spread of EVs</li> </ul>		<ul style="list-style-type: none"> <li>Climate Change: Reduce GHG emissions</li> <li>Effective Use of Non-Ferrous Metal Resources: Advance nickel ore projects and improve productivity, Develop technology to create value from unused non-ferrous metal resources, Leverage our strengths to create new products and new businesses that contribute to society, Hold raw materials in-house for favorable and stable procurement, Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials</li> </ul>
	Society and infrastructure	Progress of digital transformation related to vehicles, changes in values	<ul style="list-style-type: none"> <li>Self-driving vehicles, MaaS<sup>5</sup>, and car-sharing are common</li> <li>Fewer households own cars</li> </ul>	<ul style="list-style-type: none"> <li>Increase in sales of nickel oxide powder and lithium-ion batteries accompanying the development of a hydrogen society and the spread of FCVs</li> <li>Increase in sales of other products contributing to a low-carbon society</li> </ul>	Opportunity Large	<ul style="list-style-type: none"> <li>Effective Use of Non-Ferrous Metal Resources: Advance nickel ore projects and improve productivity, Develop technology to create value from unused non-ferrous metal resources, Leverage our strengths to create new products and new businesses that contribute to society, Hold raw materials in-house for favorable and stable procurement, Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials</li> </ul>
	Technology	Development of hydrogen technology, fuel cells	<ul style="list-style-type: none"> <li>Fuel cell vehicles (FCV) are common</li> <li>EVs and plug-in hybrid EVs (PHEV) are common</li> </ul>			
	Climate change policy	Shift to electrical energy	Electricity occupies a higher proportion of final energy consumption	<ul style="list-style-type: none"> <li>Increase in demand for copper accompanying the strengthening of electrical grids (although there is competition from aluminum, etc.)</li> <li>Rise in the proportion of nickel used in batteries and increased sales of nickel accompanying efforts to move away from cobalt</li> <li>Spread of solid state batteries that leverage SMM technology as next-generation batteries</li> </ul>	Opportunity Large	<ul style="list-style-type: none"> <li>Effective Use of Non-Ferrous Metal Resources: Advance copper mine projects, Acquire new superior copper and gold resources</li> </ul>
	Technology	Technological shift in automobile storage batteries	<ul style="list-style-type: none"> <li>There has been a shift in the market share of automobile storage batteries</li> </ul>	<ul style="list-style-type: none"> <li>Spread of iron and manganese-based batteries accompanying efforts to move away from cobalt</li> <li>Spread of new batteries that do not leverage SMM technology as next-generation batteries</li> </ul>	Opportunity Medium Risk Medium	<ul style="list-style-type: none"> <li>Climate Change: Reduce GHG emissions</li> <li>Effective Use of Non-Ferrous Metal Resources: Advance nickel ore projects and improve productivity, Develop technology to create value from unused non-ferrous metal resources, Leverage our strengths to create new products and new businesses that contribute to society, Hold raw materials in-house for favorable and stable procurement, Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials</li> </ul>
Society and infrastructure	Interest in matters such as sustainable procurement, environmental footprint, and the social impact of businesses	<ul style="list-style-type: none"> <li>There is greater awareness regarding sustainability</li> <li>ESG investment is mainstream</li> <li>There are more possible applications for alternative materials and recycled metals</li> </ul>	<ul style="list-style-type: none"> <li>Limits on raw materials sourcing, increase in materials and manufacturing costs, greater advantages due to owning our own mines</li> <li>Expansion of the automobile secondary battery recycling business</li> <li>Impact of ESG investment on financing</li> <li>Reputational risk if SMM’s efforts are evaluated as insufficient</li> </ul>	Opportunity Medium Risk Medium to large	<ul style="list-style-type: none"> <li>Effective Use of Non-Ferrous Metal Resources: Advance copper mine projects, Acquire new superior copper and gold resources, Advance nickel ore projects and improve productivity, Hold raw materials in-house for favorable and stable procurement, Demonstrate and commercialize automobile secondary battery recycling technology</li> <li>Human Rights in the Supply Chain: Promote sustainable procurement, particularly responsible mineral sourcing</li> <li>Rights of Indigenous Peoples: Understand indigenous peoples and their traditions and culture, Support initiatives that lead to respect for the traditions and cultures of indigenous peoples</li> </ul>	
4°C	Temperatures and rainfall	Rises in average temperature, sea surface temperature, and sea levels	<ul style="list-style-type: none"> <li>Sea levels have risen</li> <li>Storm surges are more frequent</li> </ul>	Decline in port functionality, greater risk of storm surges, possibility of facility-based countermeasures needing to be taken at some coastal business sites	Risk Large	<ul style="list-style-type: none"> <li>Significant Environmental Accidents and Biodiversity: Zero significant environmental accidents</li> </ul>
		Increase in abnormal climate events, such as heat waves, flooding, and water shortages	<ul style="list-style-type: none"> <li>Heavy rains and typhoons are more frequent</li> <li>Increased risk of flooding and water shortages depending on region</li> </ul>	Increase in risk of flooding or water shortages at business sites in certain regions, possibility of facility-based countermeasures needing to be taken	Risk Large	<ul style="list-style-type: none"> <li>Significant Environmental Accidents and Biodiversity: Zero significant environmental accidents</li> </ul>
				Decline in operations at key suppliers, decline in plant operations due to interruptions to procurement and shipping routes Possibility of facility-based countermeasures needing to be taken due to the increased risk of damage to tailings dams	Risk Large Risk Large	<ul style="list-style-type: none"> <li>Significant Environmental Accidents and Biodiversity: Zero significant environmental accidents, Reduce emissions of hazardous substances</li> <li>Significant Environmental Accidents: Zero significant environmental accidents</li> </ul>

5. Mobility as a Service (MaaS): a service that optimally combines multiple transportation services (buses, trains, cabs, airplanes, etc.) and performs search, reservation, payment, etc. all at once.

## Vision for 2030

### 3 Significant Environmental Accidents 4 Biodiversity

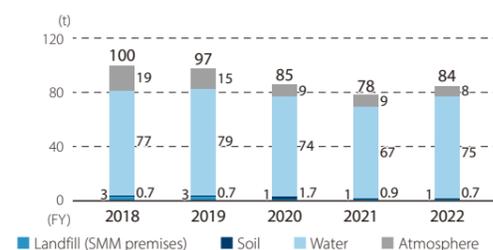
The SMM Group recognizes that there are risks of adverse impacts on the natural environment when developing natural resources and using chemical substances. In addition to preventing significant environmental accidents, we recognize that minimizing our negative environmental impacts, including the rationalization of water use, and preserving biodiversity in our day-to-day management of operations are prerequisites for business continuity.

Vision for 2030 A company that values water resources and biodiversity, and protects the richness of the sea and land		
KPI	Indicators	Goals
1.	Zero significant environmental accidents	1) Promote improvements through the use of risk management and environmental management systems 2) Reinforce and improve equipment and infrastructure to address increases in sources of natural hazard
2.	Reduce emissions of hazardous substances (year-on-year)	1) Optimize water use; reduce emissions of hazardous substances to the atmosphere and water 2) Promote various environmental preservation and biodiversity preservation activities, such as regular reforestation

#### Main Results

Number of significant environmental accidents in FY2022	0
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PRTR Substance Releases, by Destination



#### Main Initiatives

##### Managing Tailings Dams

Tailings facilities in which tailings from mines are dumped may collapse and cause considerable damage.

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

Our Group thoroughly implements measures to prevent major environment accidents at closed mines that it manages and tailings dams managed by Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL), both of which are located in the Philippines.

In August 2022, based on the GISTM, we disclosed information on our website about tailings dams with Very High or higher risk (CBNC: 1 location; and THPAL: 1 location).

##### Rehabilitating Tailings Dams

CBNC and THPAL produce intermediates for electrolytic nickel and nickel sulfate. At tailings dams, the slurry after the recovery of nickel through the production process is treated through neutralization to eliminate toxins and precipitate heavy metals. The treated slurry is then pumped to the tailings dam where it allows the solids to settle down.

When the storage capacity of the tailings dams is reached, the site is rehabilitated in order to establish an independent and sustainable ecosystem. Rehabilitation does not simply mean greening, but also making it possible for agricultural farming, and, thus, vegetables and

fruits are also grown in the area. Many local residents and indigenous peoples are involved in this work, and rehabilitation plays an important role in creating local employment.

##### Water Risk Management

Water is a shared resource of local regions in the lives of local residents and communities, as well as to the surrounding ecosystem. In addition to identifying water risks using WWF Water Risk Filter and then reducing those risks, our Group gives consideration to local communities and the environment in areas where we use water and are working with a sense of responsibility to make good use of the limited water resources.

At CBNC, on Palawan Island, in the Philippines, they treat supernatant water accumulated in tailings dams at recycling facilities and then reuse the water in the smelting and refining process. The company also supplies that water as industrial water to its suppliers of lime slurry.

A team that consists of members from the Environmental Management Office (EMO), the department that conducts environmental management activities for the company, local governments, NGOs, and other entities, strives to reduce the environmental effects caused by wastewater by conducting regular water quality tests to determine if plant operation is having a major impact on surrounding water.

**WEB** Water policy  
[https://www.smm.co.jp/en/sustainability/management/water\\_policy/](https://www.smm.co.jp/en/sustainability/management/water_policy/)

### 5 Employees' Occupational Health and Safety

It is the responsibility of management to prevent work-related accidents and illnesses, provide a safe and healthy work environment, and strive to improve employee comfort. All of these also lead to greater motivation and productivity among employees. The SMM Group bases management on job classification, striving to ensure the safety and health of our employees through intrinsic equipment safety improvements and safety education.

Vision for 2030 A company where all employees work together with safety first the priority in a comfortable working environment as well as safe facilities and operations		
KPI	Indicators	Goals
1.	Prevent occupational accidents	Serious accidents: zero (in Japan and overseas, including contractors) All accidents: reduce year-on-year, with aim of eventually reaching zero
2.	Prevent occurrence of occupational diseases	Number of workplaces that present higher health risks: reduce year-on-year Occurrence of occupational diseases: zero

#### Main Results

##### Work-Related Incidents and Frequency Rate



##### Work-Related Ill Health (2022)

\* "Employees" includes employees and part-time workers from Group companies

	Japan		Overseas	
	Employees	Non-employee workers	Employees	Non-employee workers
Number of fatalities as a result of work-related ill health	0	0	0	0
Number of cases of recordable work-related ill health*	0	0	0	0

\* Regarding employees in Japan, we also record the number of workers who receive abnormal findings but do not require treatment (as this is personal information, it is not disclosed).

#### Main Initiatives

##### Occupational Health and Safety Committee

In accordance with the Industrial Safety and Health Act, the Occupational Health and Safety Committee meets once a month at each of the Group's business sites in Japan. At the Occupational Health and Safety Committee meetings, a wide range of health and safety issues are discussed, including the progress of health and safety activity plans, analysis of the causes of occupational accidents and measures to prevent recurrence, results of working environment measurements, results of medical examinations, reports on improvements to equipment and work methods, reports on the correction of areas identified during patrols, safety and management methods for new chemical substances handled, results of pre-operational safety examinations of new equipment, and information on legal revisions. A summary of the Occupational Health and Safety Committee meetings is reported monthly by business sites to the Safety and Environment Control Department, which confirms that safety and health activities are being properly implemented at each business site.

At SMM Group's overseas business sites, occupational health and safety committee meetings are held in accordance with the laws and regulations of each country to ensure workplace safety through the creation of accident prevention measures among businesses and their workers.

Regarding regular contractors, Occupational Health and Safety Committee meetings and informal gatherings are held every month by contracting organizations in which contractors and others participate and information is shared. This information is taken back to the company where it is shared and used to make notifications.

##### Occupational Health and Safety Risk Assessments

The SMM Group proactively uses risk assessments (investigation of

hazard or harmfulness) to evaluate hazards and take appropriate countermeasures against sources of risk that may cause accidents or health hazards due to equipment, operations, or a combination of both. For example, when we introduce new equipment, we conduct a risk assessment at the time of design, taking into consideration the intrinsic safety of the equipment, and the risk assessment is reflected in the design of the equipment. Before equipment is installed and put into operation, a risk assessment (audit) is conducted again with supervisors, operators, etc., and improvements are made. After the facility goes into operation, we continuously report on the status of maintenance and improvement of residual risks at the Health and Safety Committee meetings, and work to improve the level of health and safety by ensuring that our efforts are promoted.

##### Education in Hands-on Training Facilities

Since 2010, the SMM Group has been operating a hands-on training facility (Oji-kan) in Niihama City, Ehime Prefecture, which consists of a Hazard Simulation Zone and an Equipment Training Zone. The purpose of the Hazard Simulation Zone is to increase sensitivity to occupational safety and health through simulated experiences of dangers that may be present in daily work, while the purpose of the Equipment Training Zone is to develop operators with strong skills in equipment and devices through hands-on experience with actual on-site equipment, cut models, etc. In addition to the curator and full-time instructors, site managers and supervisors, and veteran employees from throughout the Company and the Group, provide training as associate instructors. Oji-kan staff have been traveling to workplaces since 2013 to conduct hazard simulation training, and we are working to expand the number of participants.

## Vision for 2030

### 6 Diverse Human Resources

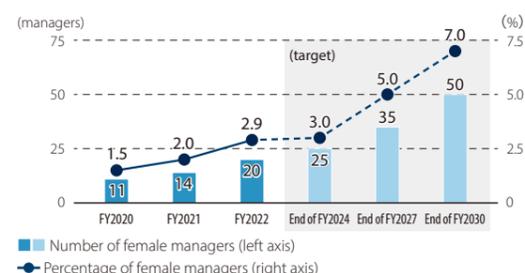
### 7 Development and Participation of Human Resources

The source of the SMM Group's growth is its employees. We respect individuality and diversity, and aim to create an open and vibrant organizational climate in which everyone can demonstrate their strengths and thrive. With the globalization of business and the rapid development of DX, it is a management challenge to develop human resources who can think and act on their own initiative based on their expertise.

Vision for 2030		A company where all employees can take a vibrant and active part	
		1. A company that respects the humanity of each and every employee, and where employees feel pride, motivation, and joy in work	
		2. A company that provides each and every employee with opportunities to improve his/her capabilities, and grows together with employees	
KPI	Indicators	Goals	
1.	Promote working style reform and create workplaces that make use of digital technology, enabling diverse human resources to play vibrant and active roles	1) Improve scores for "Management by managers and superiors," "Appeal of job," and "Work environment" in employee awareness survey 2) (1) Number of female managers: 50 (SMM non-consolidated) (2) Ratio of female employees: 20% or higher (SMM non-consolidated) 3) Expand number of managerial track employees of foreign nationality 4) Percentage of employees with disabilities: 3% or higher (SMM non-consolidated) 5) Assign jobs and provide support matched to employees' life stages	
2.	Support employees' mental and physical health	1) Reduce the number of employees taking long-term leave 2) Percentage of employees with abnormal findings indicated in health checkups: 50% or lower	
3.	Diversify opportunities to enhance the abilities of employees according to employee needs and work needs	1) Utilize one-on-one meetings that bring out the motivation and potential of every employee and boost the growth of subordinates through regular dialogues between superiors and subordinates 2) Reconstruct the human resources development program (in-house education, external education, etc.) to provide opportunities to employees to enhance their abilities in line with their roles 3) Provide opportunities for self-development matched to each employee's life plans and needs (correspondence courses, online training, etc.)	

#### Main Results

##### Number and Percentage of Female Managers



##### Time Spent on Employee Education



##### Average Training Hours per Employee (FY2022)

	Officers		Managers		Regular employees		Occasional employees	Company Average
	Male	Female	Male	Female	Male	Female		
Annual hours of education per SMM Group's employee (average)	11.0	12.0	20.6	9.1	27.4	20.4	8.5	22.9

\* In addition to the total time spent on education, employees spent the following number of hours on e-learning courses: 5,763 hours for SMM non-consolidated, and 2,012 hours for consolidated subsidiaries in Japan and overseas.

#### Main Initiatives

##### Initiatives toward Gender Balance (women's active engagement)

To realize our Vision for 2030 to create workplaces where diverse human resources can play vibrant and active roles, we have set "number and percentage of female SMM managers" and "number and percentage of female SMM employees" as KPIs. In FY2022, the percentage of female SMM managers was 2.9% (20 managers) and the percentage of female SMM employees was 12.9% (445 employees), both figures having increased from the fiscal year. We have formulated an action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life\* and are working to achieve our goals. Furthermore, through various measures such as proactive recruitment, appointment to a wide range of positions, and training of female leaders, we are making efforts toward furthering the active engagement of women.

\* Enacted in 2016 with the aim of realizing a society in which women can fully demonstrate their individuality and abilities, this law stipulates the responsibilities of the national government, local governments, and general business owners with regard to the promotion of women's active engagement.

##### Illness Prevention and Health Promotion Initiatives

In cooperation with the SMM Health Insurance Association, we are making initiatives for illness prevention and health promotion for our employees and their family members (dependents). To prevent life-style-related diseases, we promote the implementation of specific health checkups and specified health guidance, and encourage those at particularly high risk of serious illnesses to undergo check-ups. We also subsidize all or part of the costs of various medical examinations, complete medical checkups, and complete brain checkups. When undergoing complete medical checkups, employees can take health management leave (up to two days per year).

Furthermore, to promote smoking cessation, we have reduced the number of smoking areas and offer an online smoking cessation program for those who wish to quit. About 70% of participants in the smoking cessation program have successfully quit smoking.

### 8 Engagement with Stakeholders

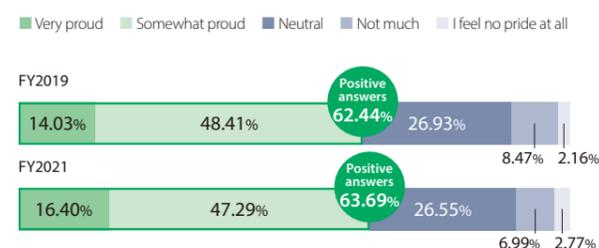
The SMM Group's main premise for business continuity is to earn a social license to operate. To this end, we recognize the importance of promoting information disclosure and transparency to the greatest extent possible, as well as deepening mutual understanding and building relationships of trust through ongoing dialogue with local communities and other stakeholders. In particular, when there is a risk that development may affect the livelihood of indigenous peoples, we gain a thorough understanding of their culture, traditions and history and engage in a continuing dialogue prior to development. It is then necessary to proceed carefully to prevent such impacts of development.

Vision for 2030		A company that is appreciated and understood to be the world leader in non-ferrous metals	
KPI	Indicators	Goals	
1.	Further penetrate our Group brand among employees	Improve results of employee awareness survey (increase ratio of employees who feel pride in working at the Company)	
2.	Ensure quality and quantity in communication of information and dialogue at the level of "world leader in the non-ferrous metals industry"	Expand opportunities for dialogues with media and investors Achieve positive evaluations of our Integrated Report from outside the Company	
3.	Increase in recognition and understanding of our goal of "world leader in the non-ferrous metals industry"	Improvement in findings of surveys by external bodies (degree of recognition and understanding, etc.)	

#### Main Results

##### Results of Employee Awareness Survey

Q. Overall, are you proud to work at SMM?



#### Main Initiatives

##### Implementation of the Employee Awareness Survey

The SMM Group has commissioned a specialized external organization to conduct employee awareness surveys in order to measure the satisfaction and engagement of its employees, who are important stakeholders, and to create a better company and workplace. These surveys have been conducted every three years since FY2010, with the fifth survey conducted in FY2021. A total of 5,153 people were surveyed, with a total of 141 questions, and a response rate of 94.4%. Their purpose is to gain a quantitative understanding of how employee awareness has changed over the three years since the previous survey and what kind of awareness employees currently have about working at the Company, and to use this information to develop management measures to create an even better company and workplace.

The results of this survey are fed back to top management, general managers of departments and divisions at the head office, heads of business divisions and business sites, presidents of Group companies, labor unions, etc. For directly controlled business sites, Group companies, and other sites, we disclose data by site to help improve management at each site. In FY2022, we held approximately 30 feedback briefings on the results of the FY2021 survey. The survey results and explanatory articles are published in in-house bulletins for employees to read.

In order to make more effective use of the employee awareness survey, the frequency of the survey will be increased from every three years to annually starting in FY2023, and the survey content and feedback methods will be revised.

##### Communication with Shareholders and Investors

The SMM Group strives to provide our shareholders and investors

#### Sumitomo Metal Mining Co., Ltd. Integrated Report 2022

##### Major Awards

	Details of the award	Details of recognition
WICI Japan Integrated Reporting Awards 2022	Silver Award for Excellence in Integrated Reporting	Recognition of descriptive detail and completeness of information
2nd Nikkei Integrated Report Award	Grand Prix S Award	Particularly, the completeness of our report's description of social (S) initiatives

with the information we think they need in a timely, appropriate, fair, and easy-to-understand manner.

On our website, we share our latest announcements, management policies and strategy, business descriptions, business results, and other information. We also deliver reports to shareholders twice a year and report on financial results and the progress of business strategies.

We have also formulated an IR Policy to ensure IR activities are implemented appropriately, which is publicly available on our website. For institutional investors and securities analysts, we hold telephone conferences at the time of announcement of our financial results, four times a year, and twice a year the president and/or general managers of business divisions give Business Strategy Progress Briefing Sessions after the announcements of our financial results. In February 2022, we announced our 2021 3-Year Business Plan and held a briefing session. We are making efforts to proactively disclose information necessary for investment decisions by committing to regular individual dialogues with major institutional investors and holding briefings for individual investors as well.

##### Enhancement of Information Communication

Since 2016, the SMM Group has published these integrated reports to help shareholders, investors, and other stakeholders attain a deeper understanding of the SMM Group's initiatives toward sustainable growth and maximization of corporate value. In the Sumitomo Metal Mining Integrated Report 2022, published in September 2022, we have tried to make it easy to understand and comprehensive, and have tried to explain the SMM Group's value creation while further integrating sustainability and our business operations.

## Vision for 2030

### 9 Co-Existence and Mutual Prosperity with Local Communities

The SMM Group's main premise for business continuity is to earn a social license to operate. To this end, we recognize the importance of promoting information disclosure and transparency to the greatest extent possible, as well as deepening mutual understanding and building relationships of trust through ongoing dialogue with local communities and other stakeholders. In particular, when there is a risk that development may affect the livelihood of indigenous peoples, we gain a thorough understanding of their culture, traditions and history and engage in a continuing dialogue prior to development. It is then necessary to proceed carefully to prevent such impacts of development.

Vision for 2030 A company that contributes to regional development and earns trust as a member of the local community		
KPI	Indicators	Goals
	Participate in local communities through dialogue and collaboration	Accurately identify local issues through dialogues with local communities, and execute the following measures
	1. Support the local community via employee participation	• Implement employee participation programs (from 2023)
	2. Hire and procure locally	• Continually implement and assess of performance
	3. Support for nurturing of the next generation	1) Implement programs to nurture the next generation in collaboration with government, local bodies, NPOs, etc. (one or more times/year) 2) Establish and award scholarships in Japan and maintain existing overseas scholarships (from 2023)
	4. Support for people with disabilities and the elderly	• Implement programs to support people with disabilities and the elderly in collaboration with government, local bodies, NPOs, etc. (one or more times/year)
	5. Support during and after disasters	• Support regions affected by large-scale disasters

#### Main Results

##### Investment in Infrastructure and Support Services<sup>1</sup>

Region	Detail	Amount (FY2022)
Japan	<ul style="list-style-type: none"> <li>• Donations to scholarship funds for orphans in Iwate, Miyagi, and Fukushima Prefectures, which were hit by the Great East Japan Earthquake (making donations every year since 2012)</li> <li>• Donations to medical organizations such as the Cancer Institute and the Japan Heart Foundation</li> <li>• Donations to sports organizations such as the Japanese Para-Sports Association</li> <li>• Support for basic science research, environmental research, and activities for the maintenance and restoration of cultural properties through The Sumitomo Foundation</li> <li>• Donations to Keidanren Nature Conservation Fund</li> <li>• Support for employment of former inmates and others by donating to the National Organization of Labor Support Providers</li> <li>• Support for victims of crime through donations to the Victim Support Center of Tokyo</li> <li>• Expenditures for social contribution activities, including donations to the Tokyo 2020 Olympic and Paralympic Games</li> </ul>	¥250 million
Philippines	<ul style="list-style-type: none"> <li>• Supporting measures to prevent dengue fever in communities neighboring the plant (awareness activities, spraying insecticide, cleaning activities, etc.)</li> <li>• Undertaking a water supply equipment installation project for communities neighboring the plant</li> <li>• Popularizing organic rice cultivation among communities neighboring the plant with the help of technical experts</li> </ul> In the Philippines we are continuing to provide support through SDMP. <sup>2</sup>	¥1,620 million

<sup>1</sup> Investment in infrastructure and support services are non-commercial and provided free of charge.

<sup>2</sup> SDMP: Social Development and Management Program, conducted by a company for the welfare of residents living in the vicinity of its operating area

#### Main Initiatives

##### Model Project for Dialogue and Collaboration

Local issues vary from region to region, and we believe it is important to understand and resolve the issues facing each region through dialogue with the local community.

The Ome District Division and the Tama University Research Institute collaborated to conduct a model project for dialogue and collaboration called the Localized Contribution Survey. The purpose of this survey was to identify local issues through research, and to develop, operate, and evaluate our unique program that contributes to solving these issues.

The initiatives include interviews with local governments and neighboring companies and their employees, holding panel discussions and workshops with local stakeholders under the title of PROJECT OME, followed by the establishment of a Social Contribution Promotion Committee at the Ome District Division. In addition, regular collaborative meetings with local social welfare councils and government officials have been established to explore issues.

Going forward, the Ome District Division will involve its employees in the formulation of the OME VISION and other activities to foster a sense of ownership and create concrete results with local stakeholders. In addition, the model projects implemented at the Ome District Division will be

implemented at other business sites to contribute to the sustainable development of local communities by resolving issues faced by those communities.

##### Establishment of Scholarships in Japan

As one of the measures to support the nurturing of the next generation, in FY2023 we established the JEES-SMM Regional Contribution Scholarship within the Japan Educational Exchanges and Services (JEES) based on our donation to support students who are willing to contribute to the sustainable development of the regions where our plants and mines are located and who need financial assistance.

This scholarship provides ¥100,000 per month, non-repayable until graduation, to students who are motivated to contribute to the sustainable development of the Tama District of Tokyo, Hyogo, Ehime, and Kagoshima Prefectures. We are awarding 20 scholarships to selected applicants in FY2023.

In addition, as a program to help scholarship recipients learn about supporting local communities, we are considering the formation of a community among scholarship recipients and the implementation of experiences for scholarship recipients to participate in efforts to solve real community issues in collaboration with the local community.

### 10 Rights of Indigenous Peoples

The SMM Group's main premise for business continuity is to earn a social license to operate. To this end, we recognize the importance of promoting information disclosure and transparency to the greatest extent possible, as well as deepening mutual understanding and building relationships of trust through ongoing dialogue with local communities and other stakeholders. In particular, when there is a risk that development may affect the livelihood of indigenous peoples, we gain a thorough understanding of their culture, traditions and history and engage in a continuing dialogue prior to development. It is then necessary to proceed carefully to prevent such impacts of development.

Vision for 2030 A company that understands and respects the traditions and culture of indigenous peoples		
KPI	Indicators	Goals
	1. Understand indigenous peoples and their traditions and culture	• Percentage of SMM Group sites implementing in-house education: 100% by the end of FY2023
	2. Support initiatives that lead to respect for the traditions and cultures of indigenous peoples	1) Provide scholarships for indigenous peoples (continue existing initiatives) 2) Support indigenous people-related initiatives by NGOs, academic societies, etc.: one initiative or more each year

#### Main Initiatives

##### Initiatives through Dialogue at Business Sites

The SMM Group collaborates with local governments, NGOs, and other stakeholders to engage in dialogue with indigenous peoples directly affected by its business activities.

In the Philippines, Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL) have established organizations to carry out community development (Social Development) in accordance with local laws and regulations, and are engaged in a Social Development and Management Program (SDMP). Under this program, based on dialogue with local residents, budgets are prepared for the categories of health, education, welfare, livelihood, etc., and free health checkups, medical treatment, agricultural assistance, etc. are provided after obtaining approval from the local government. In addition, we also separately budget for activities not included in the SDMP, such as the construction of schools and assembly halls for indigenous peoples to educate them about their culture and unique languages.

In Canada, together with our partner in the Cote Gold Project, IAMGOLD Corporation, we have held ongoing dialogue with First Nation peoples affected by it, as well as providing explanations before gaining approvals, with the aim of helping them understand the project. We have fostered relationships of mutual trust and understanding with the organization through participation in initiatives such as cultural workshops hosted by the organization, and as a result, we were able to conclude an Impact Benefit Agreement. Currently, we are working with indigenous groups and partners to construct a new lake with the same water surface area as the lake on the proposed development site, and to conserve biodiversity by releasing aquatic organisms from the existing lake into the newly constructed lake and surrounding water system.

##### Implementation of In-house Education

The SMM Group conducts in-house education to ensure that employees understand who indigenous people are and how the Group should handle indigenous rights. This education will enable

employees to understand that it is an issue that concerns us all through messages from top management and case studies from within the Group. We are also continuing dialogues with experts<sup>1</sup> on indigenous people regarding content and receiving guidance to ensure fairness in the materials.

Acting under the guidance of experts, we will continue our efforts to further deepen Group employees' understanding of indigenous peoples and their traditions and cultures.

<sup>1</sup> Keiichi Omoto (emeritus professor of anthropology at the University of Tokyo), Tomoaki Nishihara (professor at Seisa University), Eiichiro Noguchi (coordinator of the NGO Taiga Forum)

##### Grievance Mechanism: Membership in JaCER

SMM has joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER)<sup>2</sup> established in 2022 as a founding member (regular member).

JaCER is an organization that aims to support and promote the redress of grievances of member companies from a professional standpoint by providing a non-judicial Engagement and Remedy Platform for grievance redress based on the United Nations Guiding Principles on Business and Human Rights. They also established an Advisory Board consisting of external experts and an Advisory and Mediation Panel and Investigation Panel consisting of independent expert individuals.

In addition to existing mechanisms such as the Whistle-blowing System (Speak Up System)<sup>3</sup>, the Group will also utilize the platform provided by JaCER to operate a more transparent and effective grievance (remedy) mechanism. The main scope of this platform is local residents and indigenous peoples, and the supply chain (including employees therein).

• Grievances received by JaCER about the Group: 0 (FY2022)

<sup>2</sup> Japan Center for Engagement and Remedy on Business and Human Rights (JaCER): <https://jacer-bhr.org/en/index.html>

<sup>3</sup> Whistle-blowing System (Speak Up System)  P.117

## 11 Human Rights in the Supply Chain

From the perspective of Business and Human Rights, the calls for companies to take strong measures to prevent human rights violations throughout their supply chains are increasing. The SMM Group must work with its suppliers to establish sustainable supply chains to ensure that its business activities do not have any adverse effects on human rights in its extensive supply chains.

Vision for 2030		A company that undertakes sustainable procurement across the supply chain	
KPI	Indicators	Goals	
	Promote sustainable procurement, particularly responsible mineral sourcing	1. Responsible mineral sourcing 1) Establish a responsible mineral sourcing management system in line with international standards by the end of FY2021 2) Maintain a record of zero mines, smelters, and refineries complicit in child labor or other infringements of human rights in the supply chain 2. Sustainable procurement 1) Business partners that have received and agreed with the Sumitomo Metal Mining Group Sustainable Procurement Policy: 100% by the end of FY2030 2) Establish a sustainable procurement management system in line with international standards by the end of FY2024 3) Continue implementing due diligence (DD)	

### Main Results

#### Third-Party Audits at Smelters and Refineries

	Subject Minerals				
	Gold	Silver	Cobalt	Nickel	Copper
Audit standards (issuing organization)	RGG(LBMA)	RSG(LBMA)	RMAP Cobalt(RMI)	JDDS(The Copper Mark)	JDDS(The Copper Mark)
Audit start date	FY2012	FY2018	FY2020	FY2022	FY2023
Certification Body	LBMA	LBMA	RMI	RMI	RMI

### Main Initiatives

#### Initiatives Related to Responsible Mineral Sourcing

We undertake responsible mineral sourcing initiatives in line with mechanisms advanced by the international Responsible Minerals Initiative (RMI)\* to ensure supply chain transparency. This system aims to ensure transparency in a more efficient manner in the supply chain from mines that are upstream to finished product manufacturers downstream by starting from smelters and refineries, which are relatively few in number.

Downstream from the smelters and refineries, a standardized survey is extended by customer companies for the purpose of identifying the smelters and refineries that produced the minerals used in their products. We are working to ensure unified responses to these surveys across the SMM Group, and in FY2022, we responded to 330 surveys.

Upstream of smelters and refineries, we regularly undergo third-party, international standards-based audits of responsible mineral sourcing mechanisms at our smelters and refineries, covering matters including risk assessments of suppliers. Since audit standards vary from mineral to mineral, we work to ensure that each standard is met by conducting due diligence, developing internal systems and regulations, and providing internal training.

Additionally, when the Smelting & Refining Business selects a new company as a supplier, we assess that company's environmental management, including management of water resources and tailings dams.

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

#### Initiatives Related to Sustainable Procurement

The SMM Group aims to build a sustainable supply chain for its major suppliers (including local suppliers) through the following initiatives.

- **Requesting for consent to the procurement policy:** In FY2020, we asked major business partners to consent to the procurement policy, in response to which approximately 99% of those business partners have stated their consent.

- **Request for responses to questionnaire on sustainable procurement:** We prepared a questionnaire on sustainable procurement in FY2021 and sent this questionnaire to our major suppliers who consented to our procurement policy, and received responses from 98% of our suppliers. The questionnaire responses reveal that S, A, and B evaluations (the highest of the five levels of evaluation) accounted for about 85% of overall evaluations, confirming that many business partners are advancing initiatives related to sustainability.

- **Exchange of opinions with suppliers on sustainability:** We selected five of our major suppliers to exchange opinions on sustainability (especially concerning business and human rights) in FY2022 based on their responses to a survey on sustainable procurement conducted in FY2021. In addition to hearing about their actual situations, we exchanged opinions about effective activities while introducing the initiatives of our Group.

## Special Feature 2 Initiatives of the Carbon Neutrality Committee

SMM established the Carbon Neutrality Committee in April 2022 to clarify the policy and path toward the realization of carbon neutrality that our Group should aim for, and to promote it more quickly and more strongly Groupwide. The basic principle is that each business division, and each organization related to carbon neutrality, should work together with the aim of having all parties involved actively engage in activities according to their roles. The committee is chaired by the executive officer in charge of promoting carbon neutrality (Hideyuki Okamoto, Executive Officer in charge of the Technology Division), with the Executive Officer in charge of the Safety & Environment Control Department as deputy chair, and the General Managers of each division and related departments as the members, and they hold regular committee meetings.

### Details of Activities in FY2022

In FY2022, the Carbon Neutrality Committee met six times. The committee chair and the members shared issues for realizing carbon neutrality at the Group and formulated policies on action to resolve the issues. More specifically, the committee established a policy in order to disclose information on Scope 3 emissions and a policy on procurement of renewable power to reduce Scope 2 emissions.

The committee also deliberated on the appropriateness of capital investment to save energy and reduce greenhouse gas emissions using the internal carbon pricing (ICP) system proposed by each site and participation in the GX League<sup>1</sup> among other topics.

**Main Topics of Discussion**

- Issues and policies on actions aimed at realizing carbon neutrality
- Disclosure of Scope 3 emissions
- Procurement of renewable power
- Capital investment eligible for ICP in FY2023 budget
- SMM Group Green Metal concept
- Participation in GX League

1. Green transformation (GX) refers to the transformation of the entire economic and social system by shifting from a fossil fuel-based to a clean energy-based economy, society, and industrial structure. The GX League was established by the Ministry of Economy, Trade and Industry as a forum under which a group of companies that are taking on the challenge of transitioning to carbon neutrality as quickly as possible and leading GX with the inclusion of other stakeholders come together with the Japanese government, universities and other educational institutions, financial institutions and other players making efforts to realize GX to discuss GX and practice creating new markets.

**WEB** Official website preparing for the establishment of the GX League <https://gx-league.go.jp/en/>

#### Examples of Initiatives

##### Participating in GX League

Based on our Corporate Philosophy, which states, the SMM Group "shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win even greater trust," we formulated the Vision for 2030 in March 2020. As part of our vision, we identified climate change as a key issue, and we are aiming to become "A company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs)."

As the concept behind the GX League aligns with the Group's stance on realizing carbon neutrality, the Carbon Neutrality Committee decided to join the GX League in April 2023 after endorsing the GX League Basic Concept<sup>2</sup> in 2022. In terms of its activities in FY2023, the Carbon Neutrality Committee will discuss the Group's emission reduction targets and a roadmap (transition strategy) for realizing carbon neutrality by 2050 in relation to the emissions trading trial starting in the GX League from FY2023, thereby contributing to the GX League's activities.

2. See the following website for details on the GX League Basic Concept (Ministry of Economy, Trade and Industry)

**WEB** [https://www.meti.go.jp/english/press/2022/0201\\_001.html](https://www.meti.go.jp/english/press/2022/0201_001.html)

##### Initiatives Required of GX League Member Companies on which SMM is Taking Action

Initiatives to reduce emissions (voluntary emissions trading and disclosure of status)

- Formulate reduction targets for FY2030 and interim targets (FY2025) for Scope 1 and 2 emissions in Japan under the emissions trading scheme (GX-ETS) and publish progress on reduction targets
- Publish a 2050 Carbon Neutrality Declaration, formulate the transition strategy toward carbon neutrality, and publish progress

##### SMM's View of the Effects of Participating in the GX League

In addition to enabling wide-ranging dissemination of the Company's own GX-related initiatives, thereby gaining the trust of suppliers, customers, financial institutions, investors, and others, the following effects are expected.

- Using knowledge gained through GX League activities in accelerating the Company's own climate change initiatives
- Securing an advantage in fund procurement, including ESG investment and green finance, etc.
- Enhancing environmental reputation and brand value
- Acquiring experience related to the emissions trading scheme ahead of full-scale operation (from FY2026)

### Basic Approach

SMM views corporate governance as a disciplinary framework both for maximizing the corporate value of the SMM Group and for ensuring sound management practices. As such, it is one of the most important management issues.

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

### Formulating Corporate Governance Guidelines

SMM has established Corporate Governance Guidelines which cover our basic philosophy on corporate governance and our corporate governance framework, including our relationship with stakeholders. More details are available on the Company's website.

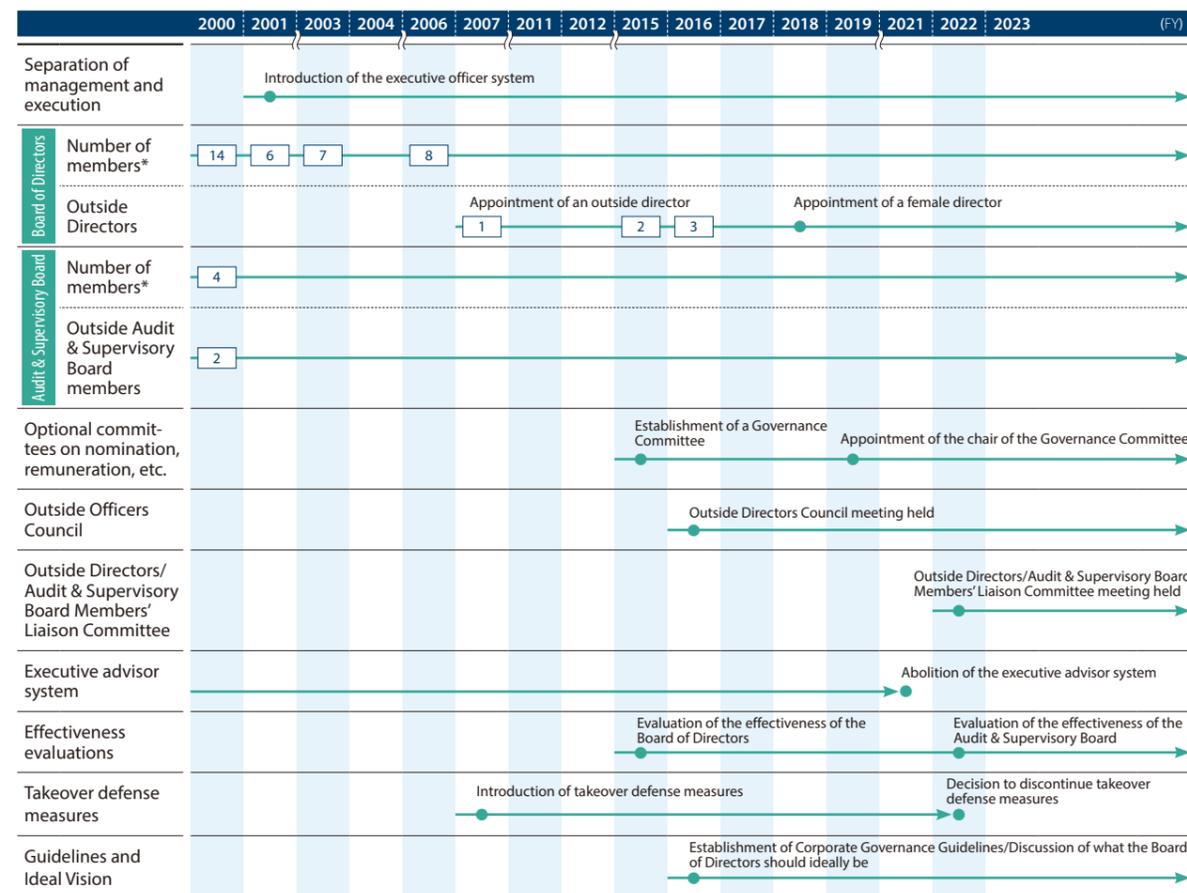
WEB [https://www.smm.co.jp/en/ir/management/governance\\_policy/](https://www.smm.co.jp/en/ir/management/governance_policy/)

### Initiatives to Strengthen Governance

SMM positions corporate governance as one of the most important issues in our management, and is taking steps to strengthen governance. We continue to constantly review, improve, and deepen the current state of our corporate

governance in light of legal revisions and social circumstances in order to achieve even better corporate governance.

### Transitions in Governance at SMM

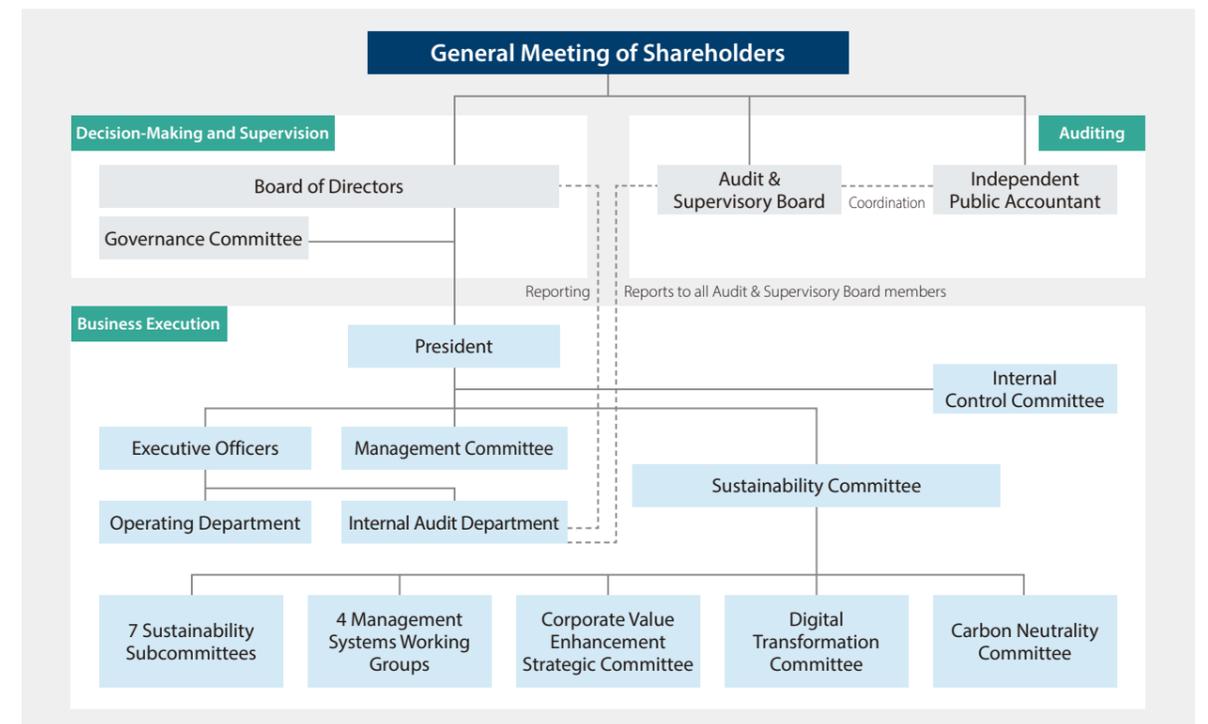


\*The Number of members of the Board of Directors and Audit & Supervisory Board are after the General Meeting of Shareholders.

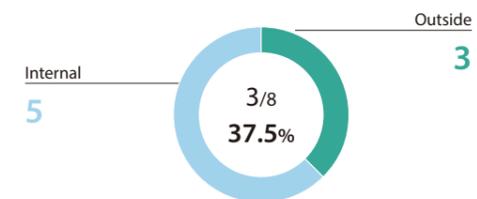
### Corporate Governance Framework

In line with its Corporate Governance Guidelines, which summarize the Company's basic philosophy for corporate governance and the framework therefore, the Company believes that its governance is a system that ensures that business execution and the associated monitoring and supervision are each functioning fully by using audit and supervisory board and executive officer systems with which to conduct

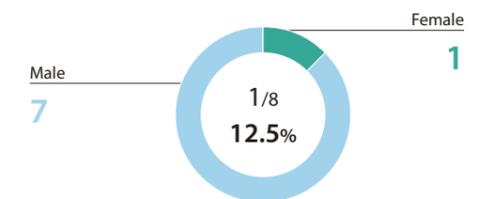
governance through a three-part organizational structure in which decision-making and supervision are addressed by the Board of Directors, business execution by the president and the executive officers, and auditing by the Audit & Supervisory Board members and the independent public accountant.



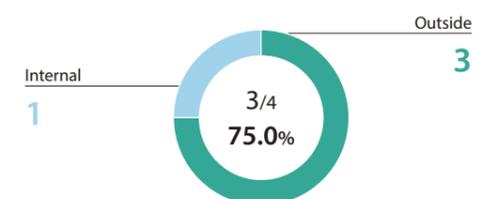
Percent of Outside Directors on the Board of Directors



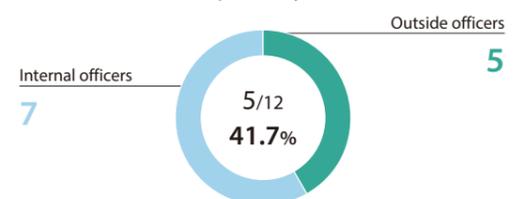
Percent of Female Directors



Percent of Outside Directors in the Governance Committee



Percent of Outside Officers (Directors and Audit & Supervisory Board Members)



## What the Board of Directors should ideally be

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

Furthermore, in view of the distinctive characteristics of the SMM Group’s business operations, it is important to strengthen the management infrastructure (particularly

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

## Decision-Making and Supervisory System

### Directors and the Board of Directors



Chairman: Yoshiaki Nakazato  
(Chairman of the Board without representation)  
Term of office: 1 year  
Meetings held in FY2022: 17

The Board of Directors has a diverse composition by including both members from within the Company who are thoroughly familiar with each area of the Company’s business as well as outside experts with knowledge, experience, ability, insight and other attributes different from that of the members from within the Company and who can supervise management on behalf of shareholders and other stakeholders.

Furthermore, striving for greater managerial transparency, the Company has a policy of appointing at least one-third of its directors as independent outside directors, and of the eight directors, three, including one with management experience, have been appointed as independent outside directors.

Among the Company’s directors, there are four directors who are also executive officers. Conflicts of interest are addressed in accordance with Japanese law. There are no controlling shareholders.

#### Main Agenda Items at Board Meetings

- Related to existing and new projects in each business
- Borrowings and other financing
- Establishment or revision of important rules and regulations, including policies on human rights, DX, etc.
- Cross-shareholdings held
- Dialogue with institutional investors
- Planning and results of auditing by Audit & Supervisory Board members and internal auditing

Other reports on the progress of sustainability activities are made at least twice a year. In addition, the status of use of the Whistle-blowing System (Speak Up System) and the status of responses are regularly reported. Also, complaints received by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), a contact point for receiving complaints from suppliers and other external parties, are also subject to reporting as a grievance (remedy) mechanism.

While any matters of critical concern that arise are required to be reported to the Board of Directors, there were no matters of critical concern reported in FY2022.

In stakeholder engagement conducted by the Board of Directors, authority is delegated to business divisions for customers and suppliers, to the Human Resources Department for employees, and to the Public Relations & Investor Relations Department for shareholders and investors.

The status of dialogue with investors is reported once a year.

### Governance Committee



Chair: Taeko Ishii (Outside Director)  
Meetings held in FY2022: 5 (2 nomination meetings, 2 remuneration meetings, 1 general governance meeting)

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

### Role and function of outside directors

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

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

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

## Auditing System

### Audit & Supervisory Board



Chairman: Koji Imai (Standing Audit & Supervisory Board member)  
Meetings held in FY2022: 18

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

In order to ensure managerial soundness and increase the corporate value of the Company, and in accordance with the audit policies, audit plans, and other such matters prescribed by the Audit & Supervisory Board, each Audit & Supervisory Board member will attend meetings of the Board of Directors and other important meetings, receive reports from directors, executive officers, and employees regarding the status of the performance of their duties, and, through on-site inspection activities at domestic and overseas business sites, confirm the status of business execution, inherent issues, and the establishment and operation of internal control systems. In addition, information collected by the standing Audit & Supervisory Board members through inspection of important approval and other such documents and reports from related departments is shared with the outside Audit & Supervisory Board members and discussed among all Audit & Supervisory Board members.

#### Main Agenda Items at Audit & Supervisory Board Meetings

- Audit plan of the Audit & Supervisory Board members (monthly and annually)
- Results of the audit of the Audit & Supervisory Board members (monthly and annually)
- Confirmation of each agenda item of the Board of Directors meeting
- Information on the business environment
- Audit report of the Audit & Supervisory Board
- Results of the evaluation of the effectiveness of the Audit & Supervisory Board

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

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

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

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

The Internal Audit Department regularly undertakes internal audits on the status of business execution across the SMM Group.

The Department provides an explanation of its audit plans to Audit & Supervisory Board members and the Audit & Supervisory Board while passing on all relevant information. At the same time, Audit & Supervisory Board members provide details of audit plans determined at meetings of the Audit & Supervisory Board to the Internal Audit Department, accompany staff of the Internal Audit Department as required when conducting internal audits, and attend meetings when reports on the results of internal audits are delivered to executive officers and the heads of operational divisions. In

FY2022, Audit & Supervisory Board members attended such meetings 19 times. KPMG AZSA LLC, an independent registered public accounting firm, audits the consolidated financial statements and the effectiveness of the internal control over financial reporting. Audit & Supervisory Board members provide details of audit plans to the independent public accountant. Audit & Supervisory Board members in turn receive explanations regarding audit plans and reports on audit results and reports reviewing each quarter from the independent public accountant. In this manner, close collaboration is maintained between the independent public accountant and Audit & Supervisory Board members.

### Standard for Independence

All the Company's outside directors and outside Audit & Supervisory Board members have been declared as independent officers, pledging that there is no conflict of interest with that of shareholders. We also publish our standards governing

the independence of outside officers on the Company website.

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

### Outside Directors/Audit & Supervisory Board Members' Liaison Committee

In FY2022, liaison meetings were held in May and December. Given reports on most recent internal audit results by the internal audit department and the overview of department

heads' hearing results from the Audit & Supervisory Board members' on-site audits, a wide range of opinions were exchanged.

### Procedures in the Nomination of Director Candidates, Appointment or Dismissal of Senior Management, and Nomination of Audit & Supervisory Board Member Candidates

With regard to the nomination of candidates for the Board of Directors, the president comprehensively considers the knowledge, experience, ability, insight and other attributes of the candidates with respect to the best lineup for resolving current and future management issues (including the positive and negative impacts on the economy, environment, and people, including human rights, for the sustainable development of the Company), and proposes suitable candidates to the Board of Directors. The Governance Committee, which consists of the Chairman of the Board of Directors who is not an executive officer and the independent outside directors who supervise the management team on behalf of shareholders and other stakeholders, will provide the president with advice. The Board of Directors makes the final decision after due deliberation.

With regard to the selection of executive officer candidates, the president, based on the recommendations of the

executive officers, comprehensively considers the knowledge, experience, ability, insight and other attributes of the candidates in accordance with the same approach as when nominating candidates for director, and the same procedures shall be used to determine the candidates.

The Governance Committee has opportunities to deliberate on the environment and methods for fostering the next president as well as concerning the candidates. In the event that an executive officer has rendered himself or herself markedly ineligible, for example by having acted unlawfully, improperly, or disloyally, and a dismissal recommendation is made to the Board of Directors after the Governance Committee gives advice on the matter, and the individual concerned may be dismissed by resolution of the Board of Directors.

With regard to the nomination of Audit & Supervisory Board member candidates, the policy is for the president to

comprehensively consider the qualifications, knowledge (including that of finance, accounting, and law), experience, ability, insight and other attributes of the candidates and,

after obtaining the prior approval of the Audit & Supervisory Board, to propose the qualified candidates to the Board of Directors, which will then determine the nominations.

### The Board's Engagement in Succession Planning for the CEO and Other Top Executives

The succession planning for holders of the office of chief executive officer (president and director) is conducted and executed appropriately on the basis of our corporate philosophy and business plans. With regard to the candidate for the successor to the president, the Governance Committee (Chair: Taeko Ishii, Director), composed of the chairman of the Board of Directors who is not an executive officer and three independent outside directors, has opportunities to deliberate on the environment and methods for fostering the next president as well as concerning the candidates, etc.

Regarding the specific procedure for selecting the successor to the president, after consulting with the Governance Committee about the candidate recommended by the

president and receiving advice on whether the candidate has the qualifications, knowledge, experience, abilities, and insight worthy of a president and director, the president makes the final proposal to the Board of Directors, which makes the final decision after due deliberation.

With regard to the selection of the candidate executive officers who will constitute the pool of candidates for future president, the president, based on recommendations from the executive officers, consults with the Governance Committee regarding the best lineup to resolve the issues management faces, formulates the final proposal with reference to that advice, and submits the proposal to the Board of Directors. The Board of Directors then makes the final decision after due deliberation.

### View on the Balance between Knowledge, Experience, and Skills of the Board as a whole, and Also on Diversity and Appropriate Board Size

The Board of Directors will achieve a diverse composition by including both members from within the Company who are

thoroughly familiar with each area of the Company's business as well as outside experts with knowledge, experience, ability,

#### Skills Matrix for Board of Directors

		Knowledge, experience, ability, etc. possessed by directors and Audit & Supervisory Board members that the Company believes will contribute to the effectiveness of the Board of Directors							
Category	Name	General Corporate Management, Sustainability	Global Capability (International Experience)	Business, Marketing	R&D, Manufacturing, Engineering	Quality, Safety, Environment	Finance, Accounting	Human Resources	Legal, Compliance
Directors	Yoshiaki Nakazato	●	●	●			●		
	Akira Nozaki	●	●	●			●		
	Toru Higo	●	●	●					●
	Nobuhiro Matsumoto	●	●	●	●	●			
	Masaru Takebayashi	●	●	●	●	●			
	Taeko Ishii							●	●
	Manabu Kinoshita	●		●				●	
	Kanji Nishiura	●	●	●				●	
Audit & Supervisory Board Members	Koji Imai								●
	Tsuyoshi Nozawa	●				●	●		
	Wataru Yoshida		●	●			●	●	
	Shoji Wakamatsu						●		

\* Fields in which Directors and Audit & Supervisory Board Members believe that they can make a particular contribution to the effectiveness of the Board of Directors are indicated with a "●".

Furthermore, the Company has established the guidelines for fulfillment. For the details, please refer to the final page of the Corporate Governance Report.

[WEB https://www.smm.co.jp/en/news/release/uploaded\\_files/230803\\_CGR\\_E.pdf](https://www.smm.co.jp/en/news/release/uploaded_files/230803_CGR_E.pdf)

insight and other attributes different from that of the members from within the Company. Based on “what the Board of Directors should ideally be,” as stated in “Reasons for selection of present corporate governance system,” the skill matrix for the Company’s directors and Audit & Supervisory Board members was created and is shown below. Each skill item has been selected through discussions by the Board of Directors, focusing on those required to realize the Company’s long-term vision and Vision for 2030. As the knowledge, experience, ability, insight, and other attributes required of the

Company’s Board of Directors may change in response to changes in management strategies and the external environment, the Board of Directors will continue to discuss the necessary knowledge, experience, ability, insight, and other attributes, and update the skills matrix as necessary. The size of the Board of Directors will be appropriate to conducting active discussions and ensuring the briskness of the Board. One-third or more of the Directors will be independent outside directors in order to strive for greater managerial transparency.

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

	Functions and Roles in Corporate Governance
<b>Taeko Ishii</b> Outside Director Attendance (FY2022) Board of Directors meetings 17/17 (100%)	Ms. Taeko Ishii has specialist knowledge and abundant experience as a lawyer, especially in the field of labor law. Ms. Taeko Ishii participates in the Board decision-making, providing her advice regarding compliance and personnel/labor related fields, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the Group by utilizing her knowledge and experience. She also performs a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nominations and remunerations of directors and executive officers as a member of the Governance Committee. Accordingly, she realizes the further improvement of quality of the decision-making by the Board of Directors and the enhancement of the monitoring function.
<b>Manabu Kinoshita</b> Outside Director Attendance (FY2022) Board of Directors meetings 17/17 (100%)	Mr. Manabu Kinoshita has a wealth of knowledge and experience in corporate management and digital business. He participates in the Board decision-making, providing his advice regarding material business and digital fields where the business environment is changing significantly, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the Group by utilizing his knowledge and experience. He also performs a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nominations and remunerations of directors and executive officers as a member of the Governance Committee. Accordingly, he realizes the further improvement of quality of the decision-making by the Board of Directors and the enhancement of the monitoring function.
<b>Kanji Nishiura</b> Outside Director Attendance (FY2022) Board of Directors meetings —	Mr. Kanji Nishiura has abundant knowledge and experience in corporate management, non-ferrous metal business, and various other businesses. Mr. Kanji Nishiura is expected to participate in the Board decision-making, providing his advice particularly on long-term projects and comprehensive plans aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the Group by utilizing his knowledge and experience. He is also expected to perform a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nominations and remunerations of directors and executive officers as a member of the Governance Committee. Accordingly, the Company expects that he will realize the further improvement of quality of the decision-making by the Board of Directors and the enhancement of the monitoring function, and has appointed him as Outside Director.
<b>Wataru Yoshida</b> Outside Audit & Supervisory Board Member Attendance (FY2022) Board of Directors meetings 17/17 (100%) Audit & Supervisory Board meetings 18/18 (100%)	Mr. Wataru Yoshida has a wealth of financial institutional experience and knowledge of corporate management. He carries out effective audits, especially regarding finance and overseas projects, based on his own knowledge and experience in order to ensure the soundness of the Group’s management and improve its corporate value over the medium to long term, while fully coordinating with the standing Audit & Supervisory Board members. In addition, as part of the audit process, he participates in important meetings, including Board of Directors meetings, and during the decision-making process actively expresses his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals.
<b>Shoji Wakamatsu</b> Outside Audit & Supervisory Board Member Attendance (FY2022) Board of Directors meetings 16/17 (94%) Audit & Supervisory Board meetings 18/18 (100%)	Mr. Shoji Wakamatsu has many years of auditing and management experience at an audit firm and a wealth of knowledge about accounting. He carries out effective audits, especially regarding accounting, based on his own knowledge and experience in order to ensure the soundness of the Group’s management and improve its corporate value over the medium to long term, while fully coordinating with standing Audit & Supervisory Board members. In addition, as part of the audit process, he participates in important meetings, including Board of Directors meetings, and during the decision-making process actively expresses his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals.

The concurrent occupations of outside directors and outside Audit & Supervisory Board members (as of March 31, 2023) are listed in the Document of Matters Subject to Measures for Electronic Provision Regarding the 98th Ordinary General Meeting of Shareholders.

[WEB https://www.smm.co.jp/en/ir/stock/meeting/pdf/2023/no98\\_houkoku.pdf](https://www.smm.co.jp/en/ir/stock/meeting/pdf/2023/no98_houkoku.pdf)

#### Training Policy for Directors and Audit and Supervisory Board Members

The training of directors and Audit & Supervisory Board members is based on the self-improvement of each individual, and therefore the Company contributes to self-improvement by

providing opportunities for training either directly or as an intermediary, and provides support for the costs thereof. Specifically, the Company will provide training on the legal

liabilities of officers, compliance, and legal knowledge for newly appointed directors, Audit & Supervisory Board members, and executive officers when assuming office. The Company will provide various kinds of internal training for directors, Audit & Supervisory Board members, executive officers, and others and endeavor to obtain timely and appropriate information through

lectures by lawyers and other external experts and through other such means. Additionally, the Company will provide information on other training opportunities such as external seminars.

Including the above, the Company will bear the entire amount of any expenses necessary for director, Audit & Supervisory Board member, and executive officer training.

#### Basic Policy and Procedures for Remuneration of Directors

##### Basic Policy

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

Specifically, the remuneration for directors (excluding the Chairman and outside directors) shall consist of basic remuneration and bonuses. Basic remuneration shall consist of fixed remuneration (remuneration which is neither performance-based nor non-monetary) and performance-based remuneration, etc., while bonuses shall be performance-based remuneration, etc. The Chairman and outside directors shall receive only fixed remuneration and no bonuses.

Basic remuneration is calculated on an annual basis for each individual and paid each month in monthly installments, while bonuses are paid once annually after approval is obtained at the Ordinary General Meeting of Shareholders.

[WEB Details are provided in the Corporate Governance Report. https://www.smm.co.jp/en/news/release/uploaded\\_files/230803\\_CGR\\_E.pdf](https://www.smm.co.jp/en/news/release/uploaded_files/230803_CGR_E.pdf)

##### Matters Related to Performance-based Remuneration

The indicators employed by the Company to determine performance-based remuneration include consolidated results (profit attributable to owners of the parent, profit before tax), departmental results (return on capital employed [ROCE], free cash flow, and segment income), the degree of attainment of personal targets under medium- to long-term management strategies, and safety record (number of industrial accidents).

##### Reason for Selection of Above Indicators

- **Consolidated results (profit attributable to owners of the parent, profit before tax)**  
Because these indicators are key measures of the Company’s corporate management performance, and are the profitability targets that it aims to achieve as part of its long-term vision.
- **Departmental results**  
The three absolute values of efficiency, cash flow, and profit were selected in order to evaluate performance in a balanced manner.
- **Degree of attainment of personal targets under medium- to long-term management strategies\***  
Because the steady implementation of plans with a medium- to long-term perspective is essential in order to increase our corporate value in a sustainable manner.
- **Safety record**  
Because we believe that securing a safe workplace is our operating foundation.

\* Growth strategies, measures to strengthen competitiveness, measures to improve sustainability, etc., set forth in the 2021 3-Year Business Plan

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

The amount of performance-based remuneration, etc. is calculated by adding an amount reflecting individual performance to an amount of position-specific performance-based remuneration, etc. Moreover, there are no sign-on bonuses or recruitment incentive payments, termination payments, claw-back systems, or retirement benefits.

The details of each calculation method are provided in “Matters related to performance-based remunerations, etc.” of the Document of Matters Subject to Measures for Electronic Provision Regarding the 98th Ordinary General Meeting of Shareholders.

[WEB https://www.smm.co.jp/en/ir/stock/meeting/pdf/2023/no98\\_houkoku.pdf](https://www.smm.co.jp/en/ir/stock/meeting/pdf/2023/no98_houkoku.pdf)

##### Annual Total Compensation Ratios (FY2022)

Ratio of the average annual total compensation for the organization’s highly-paid individuals to the total compensation for all employees <sup>1</sup>	1,039%
Ratio of the percentage increase in average annual total compensation for the organization’s highly-paid individuals to that for all employees <sup>2</sup>	71%

1. Average annual total compensation for the organization’s highly-paid individuals is calculated as annual total compensation for internal directors (plus the employee salaries of any directors concurrently serving as employees) divided by the number of internal directors.

This ratio is calculated as average annual total compensation for the organization’s highly-paid individuals divided by the median annual total compensation for all employees x 100.

2. Ratio of the percentage increase is calculated as the percentage increase in average annual total compensation for the organization’s highly-paid individuals divided by the percentage increase of the median annual total compensation of all employees x 100.

## Management Remuneration as an Incentive

The Company's financial results are significantly impacted by prevailing metal market conditions and exchange rates, and thus do not necessarily correspond with the progress of management strategies and projects. Furthermore, projects related to resource development and the construction of smelting and refining plants require extremely long time periods from start to completion, and it is not unusual for the composition of management to have changed by the time the fruits of those projects can be reaped.

Given these characteristics of its business, the Company

has considered how remuneration should operate as a healthy incentive for individual directors and managers and has consequently laid down its current remuneration system composed of performance-based remuneration and bonuses based on consolidated financial results and assessment factors such as the degree of attainment of personal targets under medium- to long-term management strategies. At present, we do not believe that remuneration in the form of Company stock would effectively operate as a healthy incentive for management, and thus have not introduced it.

## Details of Procedures for Determining the Amount of Audit & Supervisory Board Member Remuneration

The amount of basic remuneration for each individual Audit & Supervisory Board member will be determined by consultation among the Audit & Supervisory Board members at the

Audit & Supervisory Board within the total remuneration amount approved by the General Meeting of Shareholders.

## Total Amount of Remuneration, etc. Paid to Directors and Audit & Supervisory Board Members

### FY2022 Director and Audit & Supervisory Board Member Remuneration

Officer Classification	Total Remuneration	Total amount of remuneration, etc. by remuneration type			Number of Officers
		Fixed remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding outside directors)	¥405 million	¥245 million	¥160 million	—	5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	¥68 million	¥68 million	—	—	3
Outside directors	¥43 million	¥43 million	—	—	3
Outside Audit & Supervisory Board members	¥24 million	¥24 million	—	—	2

Directors whose total consolidated remuneration, etc. is ¥100 million or more are disclosed individually in the Company's Annual Securities Report.

## Analysis and Evaluation of the Effectiveness of the Board as a whole, and the Results

The Board of Directors analyzes and evaluates the effectiveness of its performance from the perspective of appropriate decision-making for business execution and enhancing monitoring functions. The following is a summary of the results of the analysis and evaluation of the effectiveness of the Board of Directors in FY2022.

### Analysis and evaluation process

The Board of Directors prepares and conducts a questionnaire to directors and Audit & Supervisory Board members with the assistance of an external evaluator (law firm). The Board of Directors outsources the compilation of responses and related analysis to the external evaluator. Based upon the results of the questionnaire, the evaluation by the external evaluator, and the confirmation of what the Board of Directors should ideally be (aim to achieve a Board of Directors focused on decision-making function) conducted in FY2016, the Board of Directors reviewed its own effectiveness

at a regular Board of Directors meeting held in February 2023, where it confirmed its evaluation and discussed its response going forward.

### Overview of analysis and evaluation results

#### 1) Response to questionnaire and results of analysis and evaluation of the external evaluator

- (1) Most of the main items related to the effectiveness of the Board of Directors received a high overall rating, and the Board of Directors can be evaluated as generally functioning effectively.
- (2) In the open-ended response section of the questionnaire, many positive opinions were expressed about the current system and operation, and many matters are pointed out as opinions to improve the current situation.
- (3) It is desirable to continue to discuss how the Board of Directors should deliberate strategies and visions. Additionally, the matters pointed out in the past fiscal years (such as securing human resources) should be continuously discussed about how to make further improvements toward implementation.

#### 2) Deliberations at the Board of Directors meeting

In response to the external evaluator's advice, the Board of Directors conducted deliberations on each of the following matters.

- (1) With respect to deliberations at Board of Directors meetings, some responses suggest that the meetings should further extend discussions of business strategy, management issues, sustainability, etc. In response to this, the Board confirmed that the following would be carried out:
  - a. Continuously ensure that the agenda includes business strategy and management issues.
  - b. Extend opportunities to discuss sustainability in addition to semiannual reports from the Sustainability Committee.
- (2) With respect to initiatives related to the matters pointed out in the past fiscal years (in particular, securing human resources, etc.), the Board of Directors confirmed that they would deliberate them based on the measures of the executive side.
- (3) The Board of Directors confirmed other matters, such as extending information that facilitates deliberations of the agenda and providing the Board of Directors with more effective feedback concerning opinions on capital markets.

### Future steps

The Board of Directors confirmed that steps will be taken with regard to the above matters in order to improve its effectiveness in an ongoing manner.

## Analysis and Evaluation of the Effectiveness of Auditing by Audit & Supervisory Board Members and the Audit & Supervisory Board, and the Results

### Purpose, etc. of the Evaluation of the Effectiveness of the Audit & Supervisory Board

In order to ensure managerial soundness and increase the corporate value of the Group, the Audit & Supervisory Board members audit the execution of duties by directors and executive officers in accordance with the audit policies, audit plans, and other such matters prescribed by the Audit & Supervisory Board. Through this evaluation of effectiveness, the Audit & Supervisory Board reviews its own audits and activities, examines issues to be improved and measures to be taken, and reflects them in the next year's audit plan and daily audit activities, thereby establishing a PDCA cycle.

### Evaluation process

In order to carry out the evaluation from an independent and objective standpoint, we requested advice on analysis and evaluation from Misono Sogo Advisory LLC, an outside

professional organization. Based on the results, the Audit & Supervisory Board discussed the matter and conducted the evaluation. The specific evaluation process included a questionnaire of all Audit & Supervisory Board members, interviews with the chairperson of the Audit & Supervisory Board (Senior Standing Audit & Supervisory Board member) and with the administrative office of the Audit & Supervisory Board by an outside professional, and discussions with participation by all Audit & Supervisory Board members (four times in total).

### Overview of evaluation results

The Audit & Supervisory Board confirmed the following points and evaluated that the audits and activities of the Audit & Supervisory Board members were functioning well and sufficiently effective.

- Through their attendance at Board of Directors meetings, discussions among Audit & Supervisory Board members, and auditing activities by Audit & Supervisory Board

members, the Audit & Supervisory Board members have conducted audits based on a perspective of appropriateness and made necessary representations of their opinions.

- The Audit & Supervisory Board members, including outside Audit & Supervisory Board members, have attended Management Committee meetings, Sustainability Committee meetings, Internal Control Committee meetings, and other important meetings, and checked the status of business execution by directors, etc. and whether the internal control system is properly maintained and operated. They have also actively expressed their opinions based on their insight and experience.
- The Audit & Supervisory Board members have regularly conducted interviews with executives, including representative directors, have established an atmosphere where they can openly exchange opinions, and have made recommendations as necessary.
- On-site audits at domestic and foreign sites, including offices, mines, plants, and affiliated companies, are conducted by a Standing Audit & Supervisory Board member and an Outside Audit & Supervisory Board member as a pair (24 sites were visited in FY2022). Through these site visits, Audit & Supervisory Board members have checked with their own eyes the business execution status, specific issues, and how the internal control system is maintained and operated, and provided advice as necessary.
- At meetings of the Audit & Supervisory Board, the Standing Audit & Supervisory Board members have shared information they collected through inspection of important approval and other such documents and reports from relevant divisions, as well as the results of their audit activities, with Outside Audit & Supervisory Board members, and have held discussions.
- Outside Audit & Supervisory Board members spend enough time and effort to fulfill their duties adequately, including on-site audits.
- Audit & Supervisory Board members share information and exchange opinions with Outside Directors at meetings or in other ways.

### Future steps

Through discussion among all members, the Audit & Supervisory Board defined the roles of the Company's Audit & Supervisory Board as follows: Monitor and restrain the management, have a strong sense of involvement in corporate management under the condition that they are non-executive, and provide the management with objective opinions as Audit & Supervisory Board members based on their professional insights and experience.

For Audit & Supervisory Board members to fulfill these roles, it is necessary to have initiatives whereby they understand the corporate management from an objective perspective and respond promptly and flexibly in light of internal and external changes. Therefore, the Audit & Supervisory Board confirmed that as matters to be focused on this fiscal year the following actions will be taken.

- Regular reflection by the Audit & Supervisory Board to maintain an objective perspective on management and fulfill their role as Audit & Supervisory Board members
- Further enhancement of on-site audit activities by improving information sharing by full-time Audit & Supervisory Board members to outside Audit & Supervisory Board members in advance of on-site audits, etc.
- Strengthening communication with departments by clarifying our awareness of issues (topics) identified through day-to-day Audit & Supervisory Board member activities (considering topics such as the Company's function of corporate planning)
- Updating information and knowledge about corporate management and other important topics, including providing training by external instructors.

In addition to the above, we have confirmed that we will continue to examine specific issues identified in the process of evaluating the effectiveness, and strive for improvement. By further improving the effectiveness of audit activities, the Audit & Supervisory Board and its members are striving to contribute to strengthening the management infrastructure and improving the corporate value of the Group.

and order, locally-specific diseases, labor issues, religious restrictions, and the impact on the local community. In FY2022, one new investment agreement was proposed to the Management Committee, which conducted screening for human rights issues and confirmed the investment to be unproblematic. We will continue to carry out regular monitoring in the future. No projects were withdrawn.

### Sustainability Committee\* and Internal Control Committee

The Company has systemized its social and environment initiatives as sustainability promotion activities and is expanding them throughout the Group. In order to promote these activities, the Sustainability Committee (headed by the president) has been established. 7 Sustainability Subcommittees and four Management System Working Groups have also been established under the Sustainability Committee, and the Company has also established the Corporate Value Enhancement Strategic Committee, Digital Transformation Committee, and Carbon Neutrality Committee.

\* Sustainability Committee Refer to p.82

### Cross-Shareholdings

When advancing our business strategy, the Company may engage in strategic shareholdings with business partners or other companies if it is judged that doing so will contribute to strengthening our business base over the medium to long term. With regard to existing cross-shareholdings, the Board of Directors verifies aspects such as the objectives of holdings and whether the benefits therefrom cover the Company's cost of capital every year. As a result of this verification, with regard to shares whose holding is judged to have little significance, including shares considered no longer worth the cost of capital and shares judged to have become less relevant due to recent business changes, we will proceed with concrete consideration based on the premise of reduction. Furthermore, in cases where a company cross-holding the Company's shares expresses a desire to sell, we will not prevent such a sale, etc. by suggesting a reduction in the size of the transaction, or by other means.

With regard to the exercise of voting rights in cross-shareholdings, the Company determines whether to vote for or against each proposal after giving comprehensive consideration, based on the financial results and other aspects of the financial condition of each of the issuing companies, to matters such as whether each proposal will contribute to increasing the corporate value of, or enhancing shareholders' interests in, that company over the medium to long term, and what impact it will have on the Company's corporate value or shareholders' interests. In order to determine whether to approve or reject proposals, the Company will engage in dialogue with the issuing company regarding the contents of each proposal, etc., as necessary. Decisions on voting are made particularly cautiously in circumstances such as cases of companies affected by major scandals or by persistent losses.

#### Number of Issues Reduced (stocks other than unlisted stocks)

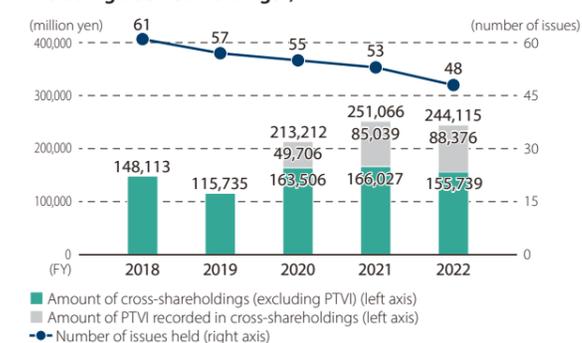
	FY2018	FY2019	FY2020	FY2021	FY2022
Whole sale	0	4	3	2	5
Partial sale	0	1	1	3	3

### Relationship with PT Vale Indonesia Tbk

SMM owns 15% of the stock of PT Vale Indonesia Tbk (PTVI), a company in the Republic of Indonesia, and has entered a shareholder's agreement with Vale Canada Limited and PT Indonesia Asahan Aluminium (Paseo), a state-owned Indonesian company, to jointly manage the company. In addition, we have also signed an agreement with these two companies and PTVI, which gives us the right and obligation to purchase production from these four companies. Due to this, SMM has the right and obligation to purchase 20% of the agreed annual production from PTVI's Sorowako mine.

One of the conditions for obtaining the mining business license required for PTVI to continue operations after 2025 was to increase the Indonesian equity stake in the company. In FY2020, SMM sold a portion of its PTVI shares and excluded PTVI from its equity-method affiliates.

### Investment shares held for purposes other than pure investment (stocks other than those unlisted stocks, including deemed holdings\*)



\* For FY2020, the number of issues held increased by one due to the exclusion of PTVI from the equity-method affiliates.

## Business Execution Structures and System

### Management Committee

The membership of the Management Committee includes the president, senior managing executive officers, and other related executive officers, and its meetings may also be attended by the chairman of the Board of Directors, outside directors, and Audit & Supervisory Board members.

The Management Committee deliberates on important matters requiring careful consideration from a wide range of perspectives prior to their submission for the Board of

Directors resolutions or approval by the president, deciding whether or not matters should be submitted to the Board of Directors, and assisting the president's decision-making.

When making investments or equity contributions, we use a project risk check sheet for committees, primarily the Management Committee, to carry out deliberations regarding human rights issues such as discrimination, forced labor, and child labor, and also the political system, economy, law

## Round-table Discussion with Outside Directors

We asked our outside directors what their role is in creating an open and vibrant organizational climate and securing, fostering, and utilizing powerful human capital.



(Left) Manabu Kinoshita  
(Center) Taeko Ishii  
(Right) Kanji Nishiura

The Company has reformed its personnel system to secure, foster, and utilize human capital in order to respond to a changing business environment and strengthen the management foundation. The outside directors discussed the points they focus on to promote the concepts behind the redesigned personnel system for managerial track employees and change the corporate culture with the aim of firmly embedding an open and vibrant organizational climate.

### What makes the ideal person for realizing sustainable growth?

**Director Taeko Ishii:** I believe it is a person who finds their work rewarding and works energetically with curiosity on new things, who takes the initiative and is willing to take on a challenge. To begin with, I think it is necessary to determine what kind of human resources are needed in each segment and the requirements in terms of their expertise and the direction in which they are heading. At present, I feel the discussion is limited to the number of employees recruited and the retention rate.

**Director Manabu Kinoshita:** The world has changed significantly with the evolution of AI, and the type of human resources needed has also changed. As such, I believe the role of human beings is to go into society, notice changes, and co-create new businesses based on dialogue and empathy with all kinds of people. In the future, there will be more demand for human resources with a human touch who are the opposite of AI.

**Director Kanji Nishiura:** I place an emphasis on the degree to which human resources possess integrity and the potential they have. As an organization, the ideal is to have a large number of inspiring people who can always do the right thing and get to the essence of things.

### What progress and results have there been on securing, fostering, and utilizing human capital, which was set out as a challenge?

**Ishii:** Initiatives such as fostering human capital through a collaboration agreement with universities and raising the Company's profile through TV commercials are producing results. At meetings of the Board of Directors in FY2022, we took time to discuss the Company's issues ahead of the reform of the personnel system. In these discussions, I pointed out the differences with other companies from an outside perspective, and recommended that the Company actively recruit experi-

enced professionals for new and specialist areas.

**Kinoshita:** The redesign of the managerial track personnel system is a major step forward in the implementation of the 2021 3-Year Business Plan. Until now, the Company's personnel system was still based on seniority. However, I believe the reforms are a major breakthrough for the promotion of younger employees and active participation of women. The managerial track personnel system is an important issue with a high level of employee interest. A perfect personnel system is impossible, so it is important to review it every year, and ensure the personnel system that is established is one that satisfies all employees. As the Board of Directors, we recognize we also have a responsibility for how we evolve the personnel system in the future.

We also had vigorous discussions around the issue of diversity, but I feel our discussions around making use of the older generation of employees are still inadequate. Also, even if we increase the recruitment of experienced professionals, we recognize that the question of whether the recruited human resources can reach their potential in this organization is also related to the corporate culture, which is a management response issue.

**Ishii:** There has been progress on information disclosure related to the percentage of women in management positions and the male-female wage differential, and the awareness of workers is also changing. Today's students are very interested in initiatives related to diversity and human rights, regardless of gender, so this is an area the Company should focus on in order to attract highly-motivated students with a high level of awareness. During my discussions with female employees, I tell them it is important to take on challenges. However, I believe it is also important for executives and managers to be aware of encouraging female and younger employees to take on challenges.

**Nishiura:** Sustainability in attracting and retaining human resources is essential for a company with a long history to ensure its sustainability as a company. A company's ability to secure human resources is based on building a personnel system that provides the environment and conditions that

make employees want to continue working at the company for as long as possible as well as continuing to provide places and opportunities for employees, including those hired as experienced professionals, to reach their potential. Even a personnel system that is reformed in step with the changing times starts to become obsolete from the day of the reform, so the substance must be periodically verified.

**Ishii:** The Company has solid foundations based on over 430 years of history and the Sumitomo Business Spirit. Even though values are diversifying, I think that everyone who wants to join the Company is basically moving forward in the same direction. Based on the culture and traditions produced by these factors and the changing times, the management team will consider the question of what kind of corporate culture to foster together.

### What is important for fostering and promoting an open and vibrant organizational climate?

**Kinoshita:** An open corporate culture is needed as the basis for fostering an open and vibrant organizational climate. A culture that tolerates mistakes facilitates the honest expression of opinions, and achieving this requires equal relationships between supervisors and their team members in a sense. The core of corporate culture must change to reduce the "waiting for instructions" mentality.

**Ishii:** The question of whether it is possible to speak freely and openly is a matter for the organization and supervisors, rather than human resources. No matter how much you are told to speak out freely, it is difficult to do so if the environment is not conducive. Therefore, it is necessary for executives and managers to think about how they interact with their team members.

**Nishiura:** I understand that corporate culture or culture is something that emerges, rather than something that is made. Many companies carry out employee awareness surveys. However, if improvements are needed in light of the results, I



think the management team needs to be broad minded enough to allow what emerges and to make very minor revisions, rather than leading from the top.

**Kinoshita:** I propose that improving employee engagement is the shortest route to changing corporate culture. In the past, the awareness survey was every three years, but it will be conducted every year from 2023 after I requested an annual survey. It is important to follow up on the issues seen in the survey results. Officers should listen directly to opinions in the workplace and have honest discussions with employees and then consider putting any important issues on the agenda for the Board of Directors.

It is concerning that affiliated companies score lower based on the results of the engagement surveys. Engagement tends to be low at organizations with compliance and safety issues, so I think this is an area where the Company, which places an emphasis on safety, needs to take some serious measures.

**Nishiura:** I would like to see the executive side take

responsibility for creating an open and vibrant organizational climate by setting an engagement survey score for executive officers to aim for as a KPI.

### What is the role of the Board of Directors in realizing the sustainability of the Company?

**Kinoshita:** The biggest personnel-related theme for the Board of Directors is the nomination of successors. Opportunities for discussing the type of future managers from a long-term perspective are needed to ensure the sustainability of the Company, which has many long-term projects. The skill set of the directors reflects the type of people needed to implement the corporate strategy. I feel there is a lack of discussion on whether we have the human resources required, what kind of training to provide, and how to develop human resources over the long term.

**Nishiura:** The outside directors can never know more about the Company's business and strategy than the executive side. As outside directors, we must always ask for provision of information on what kind of candidates there are.

**Ishii:** Opportunities have been created for the outside directors to have discussions with the executive officers who are the candidates for future management human resources. During these discussions, I try to understand the thoughts and direction of each candidate and provide my opinions from an outside perspective.

**Nishiura:** As an outside director, I will closely look at whether there are substantive discussions. I would like to see changes in the Company from the perspective of employees through the redesign of the personnel system.

**Kinoshita:** As outside directors, we have the same passion for making the Company even better and want to work together to achieve it.

#### Taeko Ishii

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

#### Manabu Kinoshita

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

#### Kanji Nishiura

Serving in positions including Representative Director of Mitsubishi Corporation, and currently as Representative Director and Deputy President of Mitsubishi HC Capital Inc., Mr. Nishiura has extensive knowledge and experience in corporate management, non-ferrous metal business, and various other businesses. He was newly appointed as an outside director at SMM in 2023.

## Tax Governance

### Approach and Policy

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

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

The Sumitomo Metal Mining Group's Basic Policy on Taxes, established and announced on April 1, 2021 with the approval of our Board of Directors, is based on this approach.

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

#### Basic Policy

Sumitomo Metal Mining (SMM) will, in the conduct of tax affairs associated with business activities, define the basic policy on taxes herein, pursuant to the SMM Group Corporate Philosophy that dictates "SMM, in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust."

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

#### 1. Tax-related internal controls

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

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

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

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

#### 3. Treatment as part of business activities

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

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

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

- 1) Transactions aimed solely at avoiding tax, such as transactions using tax havens; and

- 2) Transactions that avoid tax through the transfer of income in forms that clearly depart from the Group's business objectives and economic realities.

#### 4. Response to transfer pricing

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

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

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

#### 5. Fair and appropriate tax

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

#### 6. Tax-related responsibilities and structure

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

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

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

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

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

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

The Audit & Supervisory Board members ensure the appropriateness of tax-related practices and policies through the following roles.

- Audit & Supervisory Board members verify the appropriateness of financial closing operations, including tax calculations and tax effect accounting, through audits conducted by the independent public accountant. In addition, when necessary, they pose questions to the independent public accountant to clarify tax-related issues.
- Audit & Supervisory Board members receive reports from the internal audit department and the independent public accountant regarding the results of their evaluation of the effectiveness of the development and operation of the internal control system for financial closing operations, including tax-related matters, and subsequently review the contents of the reports.
- When the president approves the filing and payment of income or other taxes on behalf of the Company, the Audit & Supervisory Board members review the documentation to confirm that filings and payments are properly managed within the Company.
- When the president approves the development of a tax policy, the Audit & Supervisory Board members review the documentation and confirm that the tax policy is properly developed within the Company.

### Initiatives for Tax-Related Compliance

Compliance\* is the cornerstone of the Group's corporate activities. In accordance with the Sumitomo Metal Mining Group's Basic Policy on Taxes, the SMM Group endeavors to adhere to tax laws, tax treaties, and other relevant laws and regulations applicable in the countries and regions where its mines or plants are located. Additionally,

the Group follows tax-related standards published by international organizations such as the OECD. As part of these efforts, we not only ensure our operations comply with laws and regulations, but also provide education and training to our staff.

\* See Compliance, p.116-119

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

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

When the Group encounters issues involving interpretations

of laws and regulations or specific procedural matters, we work to properly carry out tax-related matters through prior inquiries and consultations with tax authorities and outside experts.

\* See Income Tax by Country or Region, p. 37

# Compliance

## Approach and Policy

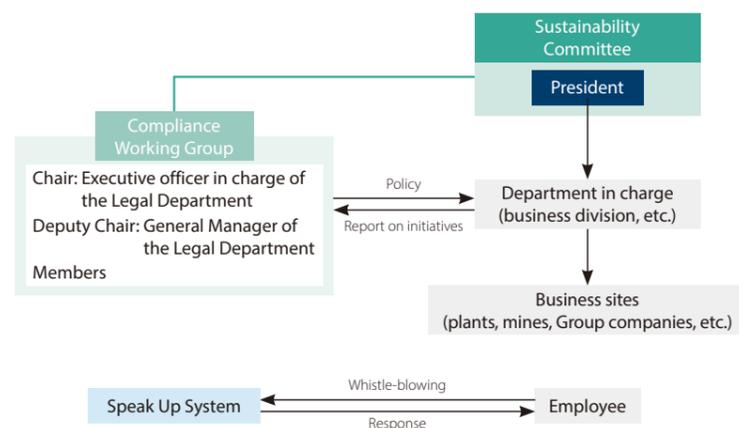
Our Group seeks to contribute to society and fulfill its responsibilities to its stakeholders through the performance of sound corporate activities. Under the philosophy that compliance is fundamental to corporate activities, we have established the SMM Group Code of Conduct and the Basic Compliance Regulations, to serve as specific guidelines for officers and employees. Further, we have established the following policies and regulations regarding individual focus areas such as human rights and procurement, which is shared across the Group.

- Sumitomo Metal Mining Group Policy on Human Rights
- Sumitomo Metal Mining Group Sustainable Procurement Policy
- Sumitomo Metal Mining Group Basic Policy on Taxes
- Regulations on insider trading prevention and information management
- Regulations on the safeguarding of personal information
- Regulations for export control
- Regulations for the prevention of bribery
- Regulations for observance of competition law
- Regulations on the Whistle-blowing System (Speak Up System)

## Promotion Structure

With the president bearing ultimate oversight responsibility for compliance, we strive to promote compliance through our organizational structure. The Compliance Working Group, which operates under the Sustainability Committee and is served by the Legal Department as secretariat, regularly

conducts deliberations and exchanges information on material issues related to compliance. A system is in place whereby measures shared in the Working Group are cascaded to the necessary employees through our organizational structure and reflected in daily operations.



## Initiatives

### Initiatives to Take on Issues and Provide Improvements

In FY2022, the Group-wide compliance goal of “Zero compliance violations that may seriously damage business” was set. The following priority initiatives were identified as focus areas and implemented sequentially and promoted within each department: 1) review of our compliance management system, 2) thorough line management to eradicate intentional fraudulent acts that may result in serious damage to the business, and compliance violations that can lead to rescission of permits, and 3) departments in charge of laws and regulations gradually start to handle matters that pose a serious threat to operations or high reputation risk.

### Responding to Compliance Issues

If a compliance incident (including GRI 2-26, “Responsible corporate conduct in organizational business activities and business relationships”) occurs or is likely to occur in our Group, it must be promptly reported to the General Manager of the Legal Department and other relevant departments through our organizational structure. Further, a system is in place whereby the issue is reported to the Representative Director, standing Audit & Supervisory Board member, etc. through the General Manager of the Legal Department, and finally to the Board of Directors. When an incident occurs, measures are taken to identify the cause of such incident, formulate measures to prevent recurrence, and if necessary deployed horizontally.

Further, the Compliance Working Group promotes compliance across the entire Group by analyzing causes of incidents, and shares information aimed at preventing recurrence.

### Compliance Status

The results of checking FY2022 compliance status show that there were no serious legal or regulatory violations, including those related to the environment, products, service, marketing, tax, anti-corruption, and anti-competitive behavior. In addition, there were no fines or penalties reported in the consolidated financial statements or in the financial information submitted to public institutions in FY2022, and there are no fines or penalties that are currently pending and could be recorded in the provisions of the balance sheet in financial statements.

### Initiatives on Preventing Corruption

The SMM Group engages in initiatives to prevent corruption. These include a prior approval system based on the Basic Policies for Anti-Bribery and regulations for the prevention of bribery, mandating prior approval by an authorized person in specified cases of provision of benefits to subject persons in Japan or overseas. Further, an anti-bribery manual was formulated based on the characteristics of each business and country/region, as well as legal and regulatory conditions. Each business division and the Legal Department work together to prevent corruption under the supervision of the officer overseeing compliance.

### Compliance with Competition Laws

The SMM Group has established the Basic Policy for Compliance with Competition Laws. Under this Basic Policy, we set out regulations for the observance of competition law and created a manual for compliance with competition laws, covering the content of the Basic Policy and rules.

Operations of the prior notification system (a system that in principle requires prior notification when contacting competitors) based on the regulations for observance of competition law came into effect on April 1, 2022.

### Initiatives on Export Control

Based on the regulations for export control, the SMM Group has established the Export Control Committee and strives for compliance with the Foreign Exchange and Foreign Trade Act and other laws and regulations related to exports. Internal systems for the management of “deemed export” was put in place by FY2021.

### Whistle-blowing System (Speak Up System)

In accordance with the enforcement of the amended Whistleblower Protection Act that came into effect on June 1, 2022, we have revised our Whistle-blowing System. Provisions thereof are incorporated in the newly established Regulations on the Whistle-blowing System, independent from the “Basic Compliance Regulations.”The new regulations provide detailed information on matters concerning the handling of whistleblower reports and reports to the Board of Directors, etc. of violations of laws and regulations discovered because

## Compliance

of such reports. Employees of our Group (excluding certain affiliate employees operating their own whistle-blowing system) can provide information directly to the internal reporting hotline, SMM Group Whistle Blowing System (Internal: General Managers of the Legal, Safety & Environment Control, or Internal Audit Departments; External: Attorney. However, depending on the matter, further responses may be conducted by the Audit & Supervisory Board) for not only matters that are in violation of laws and regulations, but also concerns or questions in line with the SMM Group Code of Conduct.

The Whistle-blowing System covers not only matters experienced by individuals, but also those that are raised for the purpose of seeking advice regarding responsible corporate

conduct within the business' activities and transactions (including those related to GRI 2-26).

In FY2022, a total of 11 incidents were reported across the Group, including those reported to affiliated companies' independent hotlines. In addition, three consultations were received by employees and others.

Further, to understand whether the Whistle-blowing System is instilled throughout the Group, an employee awareness survey asks questions regarding whistleblowing and compliance, the results of which are analyzed. In addition, the General Manager of the Legal Department gives lectures on compliance and the Whistle-blowing System during regularly held training sessions.

### Number of reports received (FY2022)

Category	Number
Human resource systems	1
Power harassment	6
Workplace communication	2
Privacy	1
Violation of employment regulation by employees	1
Relationships with business partners	1
Business processing	1
Quality errors	1
Total	14

Eleven consultations were received through the Whistle-blowing System, with three additional consultations through other means. One matter related to GRI 2-26 (systems for seeking advice and raising concerns) was raised, which was in duplicate of the abovementioned consultation. All reports were handled appropriately.

### Participants of Compliance Education (FY2022)

Type of seminar	Classification	Participants
Compliance seminar for general managers	Officers	25
Compliance seminar for officers		
Introduction to import/export trade control		
Briefing on the Revised Competition Law Compliance Program	Employees	1,215
JCO Study Center training		
Training for new employees		
Training for mid-career hires		
Seminar for newly promoted employees (section managers)		

## SMM Group Code of Conduct (Revised on October 1, 2022)

All officers and employees shall act in accordance with the following Code of Conduct so as to live up to the SMM Group Corporate Philosophy.

### 1. Compliance: Abidance by Laws and Rules

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

### 2. Respect for Individuals

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

### 3. Assurance of Health and Safety

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

### 4. Development of Human Resources

- We will strive to nurture junior colleagues and successors through systematic training and by providing them with opportunities to play an active role, and will take steps to help them shape their careers.
- We will pursue self-improvement with an awareness of our own growth.

### 5. Risk Management

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

### 6. Adherence to a Progressive Stance

- We will approach transformation with a positive and progressive attitude without clinging to conventions and practices.

### 7. A Prideworthy, Rewarding, and Joyful Workplace

- We will place high value on teamwork, in the form of cooperation both with other organizations and with fellow employees.
- We will contribute to creating a free and open-minded workplace conducive to the smooth transfer of required information and the timely performance of reporting, liaison and consultation.
- We will strive to foster a corporate culture in which people accept and believe in each other and respect diverse values.

### 8. In Harmony with Society and Local Communities

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

### 9. Separation of Corporate Business and Personal Affairs

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

### 10. Collection, Management and Usage of Information

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

### 11. Handling of Intellectual Property

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

### 12. Assurance of Quality

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

### 13. Stance toward Performance of Sales and Purchasing

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

### 14. Stance toward Entertainment and Gifts

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

### 15. Severance of Relationships with Socially Disruptive Forces

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

### 16. Concern for the Global Environment

- We will act in a manner that enables us to contribute to solving global environmental problems by reducing greenhouse gas emissions, taking biodiversity into consideration, and making effective use of water resources so as to create a decarbonized society, an advanced Sound Material-Cycle Society, and a society in harmony with nature.

### 17. Attitude in the Performance of Global Business Activities

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

# Risk Management

Approach and Policy

Policy

The SMM Group engages in risk management (RM) under the following Six Principles established to achieve our long-term vision in becoming the world leader in the non-ferrous metals industry.

1. The organizational leader confronting the risk is the responsible party
2. Compliance is the foundation
3. Recognize that potential risks can materialize and take necessary risk countermeasures
4. Risks recognized as a result of change are shared among all parties involved
5. Implement RM in daily operations, considering the organization's hierarchy, size, role, and maturity, regional and cultural factors, and the knowledge, views, and values of stakeholders
6. Conduct ongoing reviews and improvements of management framework and initiatives

Approach

The definition of risk at our Group includes both that which is beneficial to our goals and that which is detrimental to them. We see risk as something that will have an effect on the achievement of business and organizational goals and that makes the protection or creation of value uncertain. Through risk management, we are able to revise goals and measures to maximize those risks which are beneficial, and inspect and improve processes to minimize those risks which are detrimental. This helps us achieve our 3-Year Business Plan, and ties into further ensuring the realization of our Vision for 2030 and our long-term vision.

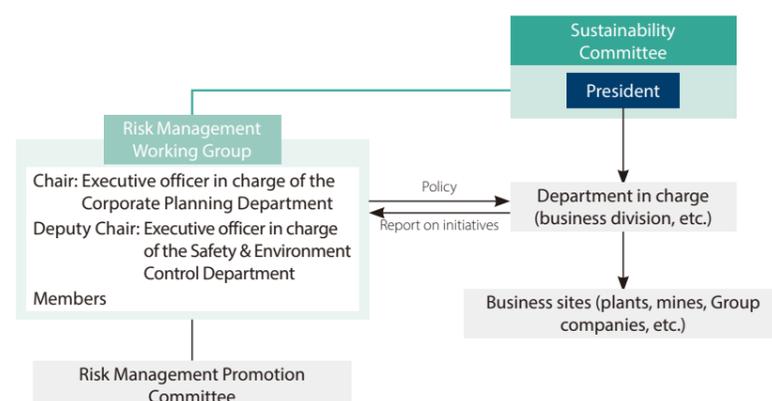
## Promotion Structure

RM will be promoted through the efforts of the president, who bears ultimate oversight responsibility for RM, and the head of each business division and business site as the person responsible for RM within their unit.

The Risk Management Working Group, operating under the Sustainability Committee and is served by the Safety & Environment Control Department as secretariat, has a system

in place to respond to risks and changes in the Group's business environment by promoting and monitoring Group-wide policies and priority measures.

In addition, the Risk Management Promotion Meeting serves to promote and monitor the Group's risk reduction and operation and improvement of RM.



## Review of Company-wide Risk Management

In reflecting on the JCO criticality accident that occurred in 1999, our RM system (RMS) was established with the president bearing ultimate oversight responsibility, focusing mainly on the prevention of serious accidents at our sites, and has been effective in preventing industrial accidents and other accidents that have a large societal impact. On the other hand, in response to the changing demands from the business environment and society, as well as increasing complexity and sophistication of risks associated with growth and business strategies, we have repositioned RM from the prevention of major accidents at business sites to the creation and protection of the organization's value. We have reviewed and updated Group-wide RMS based on three frameworks (see diagram below). Further, we have established a system to address the risks and changes surrounding our Group through the Risk Management Working Group, which promotes and monitors Group-wide policies and priority measures.



## Framework

### Business Risk Management

Regarding management and business risks associated with our Group's growth and business strategies, we have a mechanism to address critical Group-wide risks, deemed particularly important for the achievement of not only initiatives such as management meetings, various committee meetings, medium-term plans, budgets, settlements and monthly activities, but also for the achievement of strategic goals (3-year business plan). The critical Group-wide risks are discussed in management meetings attended by executive officers, including the president, and deliberated by the Board of Directors. Response policies are established, and each department's initiatives are monitored and promoted through the Risk Management Working Group.

### Operational Risk Management

At each business site, in addition to focusing on specific risks addressed annually, risks inherent in regular operations are also identified and assessed based on internal and external conditions, and are managed as individual risks (see table below). There are over 1,400 individual risks, and as a means of reducing risks daily, when there are any changes to environments and conditions that serve as prerequisites for identified risks (business environments, work environments, people, equipment, work procedures, quality standards, etc.), these risks are reviewed and updated, or handled as new risks. A periodical risk review is also undertaken during the RM Promotion Campaign every September.

#### Serious risk categories

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

### Crisis Management

In preparation for crises beyond assumed scenarios of management and site-risk management, as well as instances where on-site handling is challenging, a standing Crisis Management Committee chaired by the officer responsible for crisis management was established. The committee works toward the sharing of crisis information, the formulation and improvement of proactive measures, and the maintenance and strengthening of crisis management functions through training. It also deliberates on initial response to emergencies, and transition into Group-wide response headquarters which takes appropriate actions and provides support based on the level of crisis. The president has ultimate responsibility for crisis management as a whole.

At every business site, we are advancing measures to address earthquakes, tsunamis, flooding, soil liquefaction, landslides, volcanic eruptions, and other natural disasters, in line with the hazard level. We are undertaking seismic reinforcement of buildings, improvement of seawalls, strengthening of wastewater treatment capacity, expansion of water storage tanks, stockpiling of food and drinks, and enhancement of emergency supplies, among other measures. We also

## Risk Management

conduct training for earthquakes, fires, environmental accidents, and overseas terrorism, riots, and kidnappings, among other scenarios. In addition, we are working to address issues such as unfamiliarity with materials and equipment, insuffi-

cient understanding of rules and procedures, and inadequate manuals, and to improve the decision-making capabilities of local task force members.

### Future Initiatives

For FY2023, we will continue with the FY2022 RM policy of “Assess and respond to changes in risks caused by changes inside and outside the Company,” and based on revisions to Group-wide RM, will focus on reassessing risks and reviewing crisis measures, including major Group-wide risks and disasters as priority initiatives.

Revisions to Group-wide RM in FY2022 primarily focused on system aspects, and in FY2023 we are in the execution phase of these measures. In doing so, the entire Group will reassess risks and review crisis countermeasures to improve and streamline activities.

Further, events such as Russia’s invasion of Ukraine and the U.S. Speaker of the House’s visit to Taiwan have escalated tensions between Western countries and China-Russia. In Japan, we have seen instances of attacks during election campaign speeches, targeting both former and current prime ministers. Considering the heightened risks toward national security, we will focus on enhancing overseas crisis management, with

emphasis on preparedness for a Taiwan contingency, and prevention of and response to unlawful detention in China, etc. With regard to natural disasters, in light of ongoing threats with earthquakes on the Noto Peninsula in June 2022 and May 2023, with a seismic intensity of under 6 and over 6, respectively, and the “Damage Estimation in Tokyo resulting from a Tokyo Inland Earthquake (May 2022)” released by the Tokyo Metropolitan Government, we will work toward enhancing the Group-wide disaster preparedness measure based on the diversification of work styles, changes in values and social norms, and advancements in equipment and materials.

In tandem with these efforts, our top management continues to lead activities to prevent issues such as compliance breaches, environmental accidents, occupational accidents, and quality issues, to ensure success in new business and projects, and achievement of business goals.

## Quality Assurance

### Approach and Policy

The SMM Group has established and operates a business model based on 3-business collaboration between the Mineral Resources, Smelting & Refining, and Materials Businesses. Through this business model, we endeavor to continuously improve products and respond to changing customer needs in order to deliver quality that satisfies customers.

To provide quality that satisfies customers, the president has established a Company-Wide Quality Policy and sets SMM Quality Objectives every year. Based on these standards, each business division sets forth and implements division-specific quality targets and conducts quality activities that are aligned across the entire SMM Group.

#### Company-Wide Quality Policy

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

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

### Quality Assurance Promotion Framework

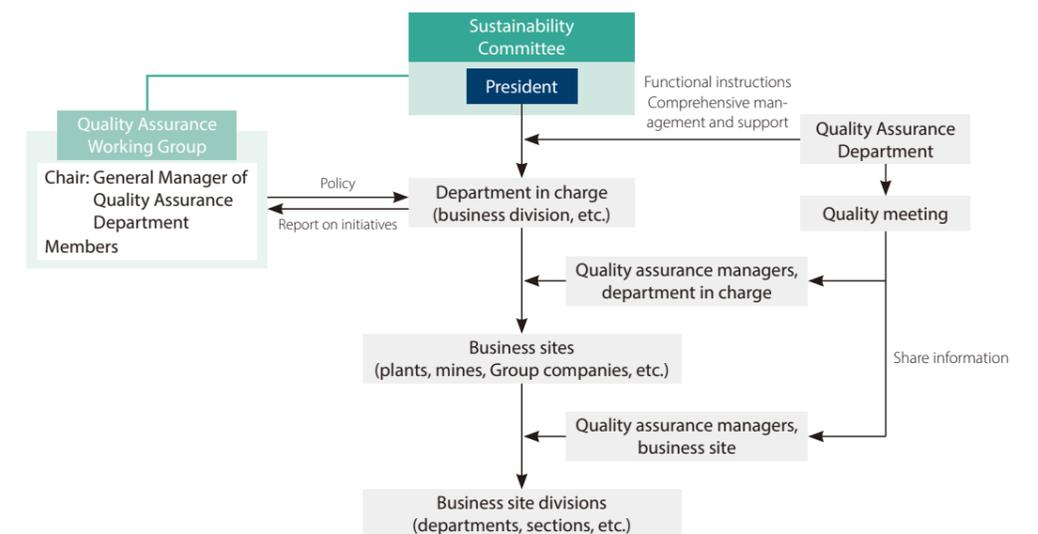
With the president bearing ultimate oversight responsibility, we have appointed an executive officer in charge of the Quality Assurance Department to drive quality assurance initiatives. Each business division develops and maintains their own quality assurance framework, while the Quality Assurance Department manages quality across the entire Group and ensures a Group-wide unified approach.

Additionally, not only does the Quality Assurance Working Group—which comes under the Sustainability Committee—deliberate key measures for promoting quality assurance

activities, it works to improve the Group’s quality management systems (QMS) through the sharing of information on progress toward departmental targets and quality control status including the reduction of the number of complaints against the Company.

In addition, quality assurance managers from the various business divisions and business sites, along with members of the head office’s Quality Assurance Department hold an annual quality meeting to share the quality management status of each business site and quality issues common across the entire Group.

#### Promotion Structure



## Quality Assurance

### SMM Quality Objectives

#### FY2023 Company-Wide Quality Policy

Drive QMS improvements to achieve zero major quality complaints and create a structure that earns customer trust.

- Zero major quality complaints. Prevent complaints on quality that could jeopardize our business foundation
- Zero occurrences of quality misconduct
- Achieve complaint goals within business divisions

### Quality Complaints

The chart to the right illustrates the trend of quality claims since FY2014 for the entire Group.

Quality complaints declined gradually from FY2014 onwards, and in FY2022, the number of complaints had reduced to approximately one-third of that of FY2014. We believe that this is due to the effective implementation of quality improvement initiatives at each business division and business site, and the impact of QMS.

Quality complaints (with FY2014 data as 100)



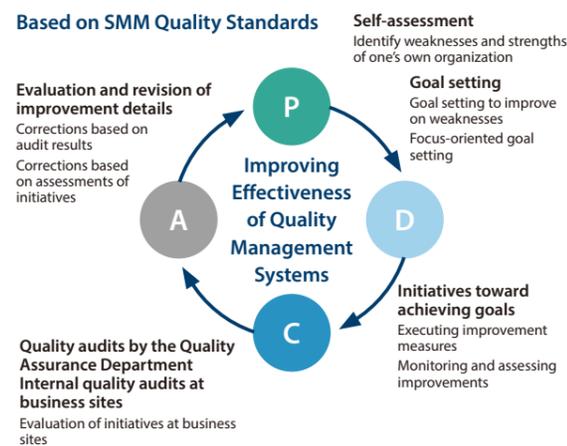
### Quality Improvement Initiatives

#### Improving Effectiveness of Quality Management Systems

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

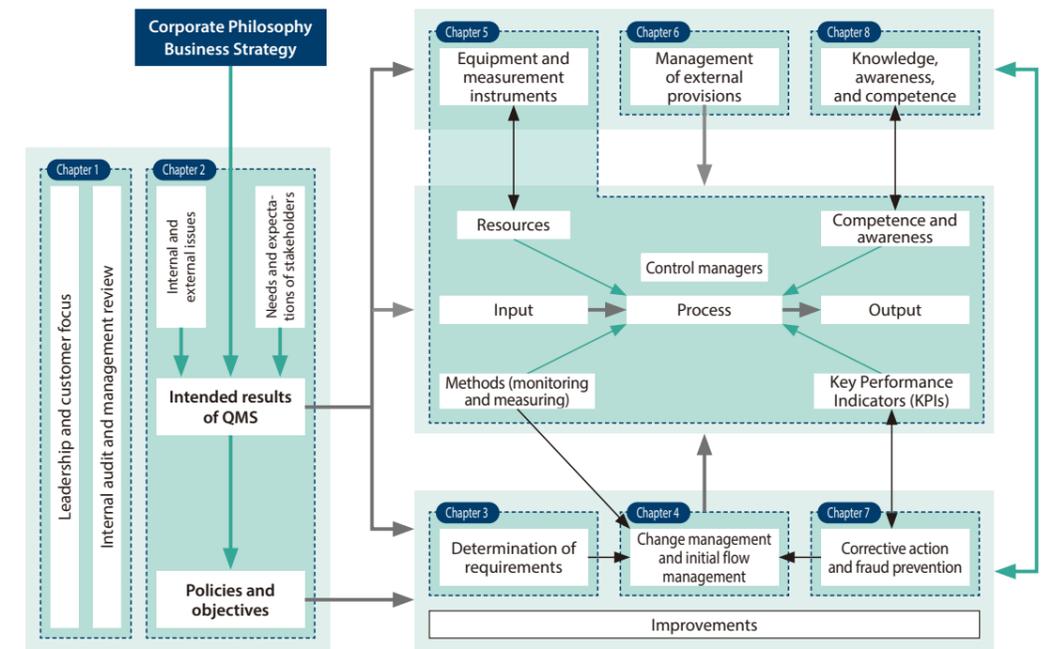
The SMM Quality Standards categorizes requirements into eight sections, with content based on prior incidents, allowing us to identify strengths and weaknesses of each business site, and to focus on improving such weaknesses.

#### PDCA cycle for QMS improvement in SMM Quality Standards



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

#### Overall picture of QMS and applicable items in SMM Quality Standards

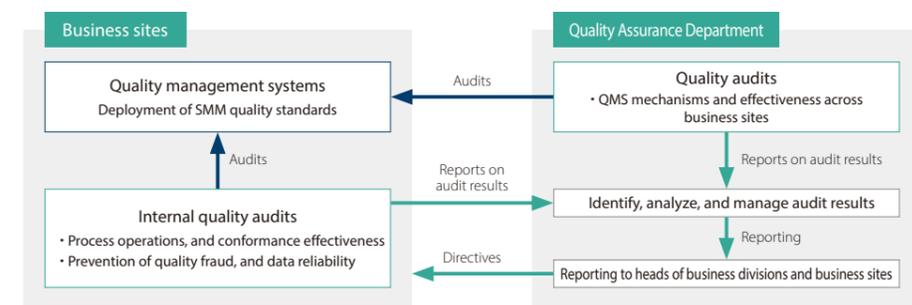


#### Strengthening of Our Internal Quality Audits

Based on the SMM Quality Standards, we currently aim to carry out activities to achieve internal quality audits which work with a third-party-like perspective to identify potential internal issues from problems that have been found, and relay these findings to top management. We hold training to cultivate internal quality auditors at business sites in Japan, turning out roughly 450 internal quality auditors from FY2019 to FY2022. We operate a PDCA cycle to develop these internal

auditors, and confirm their effectiveness through supervised audits by trained internal auditors.

To prevent quality-related misconduct such as falsification of inspection or testing data, we provide Group-wide quality fraud prevention training opportunities using e-learning. In addition, Group-wide efforts are made to deter misconduct, including internal quality audits to guarantee product quality and to confirm the reliability of inspection or testing data, automated transfer thereof to avoid human intervention, and if such automation is difficult, administrative measures are enhanced.



## Quality Assurance

### Expansion of Group-Wide Education on Quality

We provide training on quality based on our education system that aims to equip each level of employee, from new employees to managers, with necessary quality-related knowledge and management ability. With the aim to acquire wide-ranging quality-related knowledge and awareness, *SMM Hinkaku*,\* an e-learning program for all employees launched in FY2019, with approximately 5,900 employees taking the course in FY2021. *SMM Hinkaku* will be used for the education of new employees and transfers.

As a shortage is expected of human resources capable of assuming responsibility for quality in the future, training is conducted Group-wide to nurture people responsible for quality. Four practical training sessions a year are conducted to improve the effectiveness of the QMS by rolling out SMM Quality Standards to the business divisions. After completion, the trainees will determine issues to be addressed at their own business sites and aim to accomplish these issues by utilizing what they have learned in the training program. The Quality Assurance Department also follows up on the progress of the initiatives. The training was completed by roughly 25 employees in FY2022 and is currently participated by 20 employees in FY2023.

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

### Disclosure of Information on Products and Services

Most items in the SMM Group product lineup are supplied as raw or processed materials for use by customers for manufacturing. Information that customers require to handle our Group's products properly from safety and environmental perspectives, as well as information needed to enable them to supply products, is communicated in product specifications at the time of contracting, during technical discussions, and via product inspection certificates and safety data sheets (SDS),<sup>1</sup> based on prior and the latest information, our Group's proprietary knowledge, and necessary studies. SMM products supplied to customers are carefully designed, incorporating considerations toward safety and environmental compatibility, and are only delivered after thorough trials and inspections carried out during their manufacture<sup>2</sup>. We make sure that information utilized for the above is always appropriate

through management systems, reviewing it based upon the latest technology, laws and regulations and demands from customers.

1. SDS (Safety Data Sheet): A document listing information on a chemical, including the chemical substance, the product name, the supplier, hazards, safety precautions and emergency procedures.
2. We also conduct surveys linked to life cycle assessments (LCA) for copper, nickel, and zinc through associations related to each metal.

### Communication with Customers

Business divisions and business sites take the initiative in conducting customer satisfaction surveys. The results are fed back to the sales and development divisions. To enhance customer satisfaction, we are constantly improving our methods of measuring and assessing customer satisfaction, accurately identify issues through precise and sufficient communication with our customers, and execute effective measures. Through quality improvement activities, we contribute to resource and energy conservation by improving product yield.

### Initiatives to Take on Issues and Provide Improvements

Quality that earns customers' trust is achieved only when all employees align their goals and directions and actively engage in activities to achieve targets. To enable this, we clarify issues based on facts obtained through communication inside and outside the Group, set targets, and work to achieve these through active participation by all employees in Policy improvement activities based on our SMM Quality Standards.

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

Information requiring disclosure	Applicable products/services
The sourcing of components of the product or service	All products/services containing substances requiring management under legislation Requirement is not applicable to our main products (raw materials and internally processed materials)
Content, particularly with regard to substances that might produce environmental or social harm	All products/services containing substances requiring management under legislation
Safe use of the product or service	All products/services containing substances requiring management under legislation
Environmental/social harm from disposal of the products	All products/services containing substances requiring management under legislation

### Methods for Providing Information

#### Provision of Information Relating to Specifications

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

#### Other Initiatives

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

#### Provision of Information Relating to Chemicals

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

### Responding to Product Quality Issues as They Arise

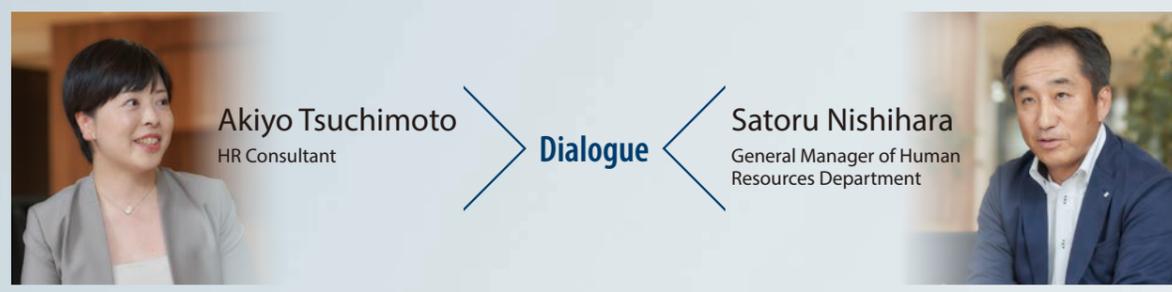
If a quality issue arises in relation to the Group's products or services, the necessary action will be taken in accordance with the Quality assurance regulations. The business divisions and business sites will immediately check facts, report results of root-cause analysis and verification to the customer, and agree on the necessary corrective actions and recurrence prevention measures.

In the unlikely event that a serious quality issue occurs, the business division will promptly report the problem to management and the General Manager of the Quality Assurance Department, who in order to resolve quality issues immediately, will check the progress of necessary response measures, and confirm the effectiveness of corrective actions and measures to prevent recurrence.

## Special Feature 3 Human Resources Strategy

# Transformation and Tradition

– Preservation through Transformation –  
What SMM Should Preserve and What SMM Should Change



Our 2021 3-Year Business Plan sets forth the 4 Challenges under the theme of “Renewed Challenge for Change.” Challenge 3 covers initiatives for securing, fostering, and utilizing human resources. We asked HR consultant Ms. Akiyo Tsuchimoto and Mr. Satoru Nishihara, General Manager of SMM’s Human Resources Department, to discuss what SMM needs to change and what it needs to preserve in its human resources strategy in order to achieve long-term growth.

### Taking action to secure human resources as the workforce continues to shrink

**Nishihara:** In securing human resources, we place the greatest emphasis on whether or not they can respond to changes. The decrease in the working population due to falling birthrates and an aging population is becoming such that companies cannot sustain their organizational structures. We hope our employees share this sense of crisis and recognize that maintaining the status quo is tantamount to regression.

**Tsuchimoto:** Since it is human resources that executes strategies, considering the capabilities and requirements for human resources is the starting point for everything in management. However, the biggest problem currently is the lack of human resources in the labor market as a whole, and if companies do not actively take the initiative to secure human resources, they will lose out to the competition. The key point is not only how to acquire human resources, but also how to develop them. This is the bottleneck, and I believe that SMM is implementing its human resources strategy with a very strong sense of urgency.

### Inheriting the values that should be preserved by SMM

**Nishihara:** We provide opportunities for our employees to visit the Besshi Copper Mine to learn about the Sumitomo Business Spirit. In 1999, one of our subsidiaries had a major accident that caused a great fallout in society. Since then, we have been more conscious of having each and every employee return to the origin of the Sumitomo Business Spirit and understand what is most important to the Group.

This mountaineering training is not only conducted by SMM, but also by many SMM Group companies as part of their corporate training programs. The climbing route is approximately 3.2 kilometers (2 miles) and takes 2.5 hours each way, making it a relatively easy trek. Before the accident, tens of thousands of people engaged in mining lived here. By walking around the mine entrance, refinery, theater, and school sites, visitors are reminded of the hardships of bygone days and learn what is important in the present moment and what must be done to ensure the development and continuation of the business.

**Tsuchimoto:** The history of SMM is one of the longest of any Japanese company. It is truly a company that helped build the industrial foundation of Japan. The COVID-19 pandemic has made many people realize the power of the tangible reality, and I believe the impact of actually seeing the remains and hearing the stories at the site is immeasurable. The training at the Besshi Copper Mine must be bringing about a significant change in employees’ mindsets.

**Nishihara:** One of our employees who actually visited the mine said, “I now feel as if I am at a transit point in the Company’s 430-odd years of history.” Climbing the mountain and coming into contact with the traces of the site seems to



bring about a realization that we are now entrusted with a baton from our predecessors and that we must pass it on to the next generation.

### To secure and foster necessary human resources

**Nishihara:** Securing human resources is becoming more and more difficult with each passing year. In addition to the shrinking working population, the number of university departments in the resources and smelting and refining fields, which are the foundation of our industry’s technology, is also decreasing. Since there is also a shortage of workers pursuing a career in the resources and smelting and refining fields, we have a policy of solidly training new graduates as soon as they are hired, and offer a Smelting & Refining University course to train smelting and refining engineers. In addition, we have established scholarship programs and have begun to focus on recruitment by job type by increasing our efforts to approach various universities to secure human resources, visiting university employment offices to ask the students themselves about their assignment preferences. At the same time, we have begun to look for ways to recruit key personnel from our overseas business sites. At present, we are planning to hire 50 to 60 new graduates and about 70 mid-career employees.

**Tsuchimoto:** The abilities required for the corporate field are relatively versatile, so acquiring personnel from the external labor market is a rational decision. The addition of outsiders will have a revitalizing effect with a high probability of changing the corporate culture. There may be things you have

always been doing a certain way over the long history of the Company without question, on which personnel coming from the outside can give constructive criticism. Such conflicts should be welcomed, and I hope that you recognize a low turnover rate is not necessarily a benefit.

**Nishihara:** I also believe that conflicts are essential. We must not shirk from conflicts in fear, and we must value free and vigorous discussion. As our customers and stakeholders are becoming more diverse, we also need to become more flexible in response.

The revision of the personnel system for managerial track employees introduced a system based on job grade, making it easier to accept mid-career personnel by improving the consistency between duties and responsibilities and compensation. We are also reviewing our human resources development program, and have begun to prepare the necessary educational tools, such as online learning tools, so that employees can proactively enhance their own skills and abilities required for their next position, whereas training used to be provided after promotion. At the same time, as in the past, we will continue to select candidates for the next generation of management and provide them with a solid education on the Sumitomo Business Spirit. In addition, while the main focus of training has been for supervisors and instructors to train young workers through practice in OJT, which is to learn to perform existing tasks in the conventional way, we will instead encourage acquiring the abilities and skills to solve new problems and respond to new changes in the environment.

**Proactively harnessing the power of women**

**Tsuchimoto:** Recruitment of mid-career personnel has become a social issue for Japan as a whole. I believe that we should make greater use of the power of women in the realm of mid-career recruitment. Japan has some of the world's best-educated women. There are many women who have left the workforce to raise children, but who want to return. I think it would be a good idea for companies to proactively start taking advantage of this kind of talent.

**Nishihara:** I also feel that women can excel in the hiring arena. However, due to the nature of our mining business, we were legally prohibited from hiring women as mine workers. The law was only amended in 2007. I also believe that the fact that the smelting and refining industry is centered on hot-weather work and shift work may be one of the reasons why we have tended to lag behind in the promotion of women. However, it is necessary to discuss how to secure and make use of female human resources at a higher level.

**Tsuchimoto:** It has also been pointed out that women are less motivated for promotion than men. However, in some cases, this is due to the lack of role models, which make women assume that they are not qualified for leadership positions. In addition, people have a similarity bias, that is, a tendency to prefer people with similar abilities to themselves. Sometimes a male supervisor may subconsciously value a male subordinate who is good at logical thinking and emotional control, for example, because he has similar abilities and characteristics as himself.

**Nishihara:** In June 2023, we welcomed our youngest and first female executive officer under our new structure. I know the role of a leader will be challenging, but I see it as a big step forward that will lead to the next stage of the Company's development.

**Tsuchimoto:** Since the Equal Employment Act was revised in 1997, both men and women have become much more egalitarian about sex-based division of labor. Companies have not been able to take advantage of this change in awareness, which is another issue.

**Nishihara:** I also believe that the physical differences between men and women in terms of physical strength can be accommodated materially, otherwise I think that men and women are completely the same.

**Tsuchimoto:** SMM's information disclosure regarding human resources shows the hours of training taken by class, by age group, and by sex, which shows that male regular employees have the highest number of hours of training. Also, it is said that investment in executives has a good return on investment, and when we actually see the figures, we can discuss whether this is really the optimal level for the Company's growth. I think this disclosure is excellent and should definitely be benchmarked.

**What value will be created by the new personnel system?**

**Tsuchimoto:** In recent years, all kinds of companies have been conducting engagement surveys. Looking at the results by age group, the higher the age group, the higher the level of engagement at all companies. This is not surprising when viewed as a reflection of Japan's seniority-based compensation system.

**Nishihara:** Employees, especially young people, have the desire to experience growth at an earlier stage and to achieve the career they desire. In order to meet these expectations, the new system will incorporate an internal open recruitment system. However, we will also emphasize the substance of the work.

**Tsuchimoto:** In recent years, job-based employment has also gained a lot of attention. This is where one chooses a university, gets a job, and becomes a professional in that role, but I question whether all people are truly happy working down the same career path for the rest of their lives. With traditional recruitment, you can explore your career until you are in your mid-30s, and if you feel that you have found the right career for yourself, you can pursue it more deeply while assessing your aptitude. There may be a rational side to it after all.

Since people hone their abilities best through their work, I think it is necessary to challenge young people more and more and to let them make their own proposals. And this, in my opinion, is related to the open and vibrant organizational

climate that your Company has set forth.

**Nishihara:** It is important to figure out how to align the trajectory of the individual's growth with that of the Company. By changing the personnel system, we will support and review the development program so that if you work hard, you will have opportunities to get the job you want as soon as possible.

By creating an open and vibrant workplace, we place high value on teamwork, in the form of cooperation both with other organizations and with fellow employees, and aim to create a system that facilitates the smooth transfer of required information.

**Tsuchimoto:** Top performers also excel in how they streamline the work they are given. One company in GAFA, an IT megacorporation in the U.S., devotes 20% of its time to innovation, and this is after completing 100% of the work in 80% of the time. The better you are, the more you think about how to make 80% of your working time more efficient.

**Nishihara:** I would like to create the conditions whereby good job opportunities are given early on so that talented employees can take a vibrant and active part. One would think that joining a company indicates a desire to leave some sort of imprint on it that will connect with the next generation of that company. The greatest management resource is people. I would like to make the most of the power of human resources who have this passion and are willing to take on various challenges.

**Human resources strategy to fulfill management strategies**

**Tsuchimoto:** Recently, there is a lot of talk about talent management. Until now, human resources departments, as human resources professionals, determined and provided all measures, but now the trend is to change this to a form that allows each field to act on its own initiative. To this end, it is necessary to have a system of openly disclosing personnel information, and it is important that managers in the field understand the purpose of such a system.

**Nishihara:** The SMM Group is also planning to introduce talent management. In particular, managers will be asked to consider which skills to have their subordinates hone and what tough experiences to put them through for their growth and future utilization. They will also be asked to clarify which experiences and skills are best suited for each job and post, and to pool people for the next executive candidates. I believe that it is our job to provide the mechanisms to make this possible.

What does "Open and vibrant organizational climate" mean?

Framework of a "Open and vibrant organizational climate"

- Freedom enabling all members to express their thoughts and observations regardless of their position within the organizational hierarchy
- An atmosphere that welcomes new ideas and new challenges
- A structure in which judgements are based on what is right, and not on who is right

The foregoing are predicated on the common sharing of organizational policies, targets, rules and regulations

Our targeted open and vibrant organization = An organization having the above mentioned elements

SUMITOMO METAL MINING

Poster for executives and employees to promote an open and vibrant organizational climate

**Satoru Nishihara,**  
Human Resources Department  
General Manager

Mr. Satoru Nishihara joined the Company in 1991. After serving as the General Manager of the Secretarial Department and the General Manager of the Human Resources Development, he has been in his current position since February 2023.



**Akiyo Tsuchimoto**  
Institution for a Global Society  
Corporation  
Executive Officer, HR Division  
(at the time of the interview in May 2023)

Ms. Akiyo Tsuchimoto joined a general electronics manufacturer as a new graduate from Tokyo University of Foreign Studies with a Bachelor of Arts degree in Foreign Languages. After working for an HR consulting company, she joined Institution for a Global Society Corporation in 2019. She is in charge of many projects to support the promotion of DX in major Japanese companies from the aspect of people and organization. She is also a lecturer of Introduction to Human Resources Management and Introduction to Human Capital Management at TUS Open College. She holds a master's degree in management of technology.

## Initiatives for Transformation and Tradition

Through our human resource development policies and measures, we introduce our values of transformation and tradition and measures in response to the social environment. These are connected to our value creation.

### Transformation

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

##### Creating regular opportunities for and instilling reforms in the culture

The *Shikinen Kaikaku* Project involves the fixed period, mandatory application of a scrap and build process (inspired by the *Shikinen Sengu*\* ritual) to the Group's core technologies, programs, and operational systems with the following aims: (1) Swiftly and voraciously identifying and absorbing social and environmental changes, technological trends, and other movement in society and reflecting these in the Group's management (transformation), (2) regularly reviewing and exploring existing technologies, programs, and systems in-depth to gain a fundamental understanding so the Group's technology and culture can be passed down to future generations (tradition), and (3) providing a venue for the focused development of human resources (education). We began the project in October 2020, and appoint future leadership candidates as project leaders to provide them with practical experience on various themes which they cannot gain through off-the-job training. We believe this will lead to even greater growth.

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

#### New employee dormitory in the Besshi District completed

##### Toward securing young human capital and improving employee productivity and creativity

The new employee dormitory, which we had been constructing in the Besshi District (Niihama City, Ehime Prefecture), was completed in September 2022. The dormitory, the largest of its kind in the Group, is designed for unmarried employees and those assigned to work alone, and includes a guest room for the use of the residents' families and a private wheelchair-accessible room.

Based on the concept of a space that improves productivity and creativity and leads to employee growth, this new dormitory will achieve both the satisfaction of private space and the encouragement of communication among residents in the common areas. By increasing the points of contact between residents, we aim to create growth opportunities for dorm residents by encouraging interactions that transcend departmental affiliations, and promoting both information exchange among employees and the building of personal networks. Along with helping house a significant increase in the number of recruits in the Besshi District, it will also help to recruit talented young people from outside the area.

#### Corporate advertising with a focus on TV commercials

##### Corporate branding for securing human capital

With the aim of securing human capital and increasing corporate recognition, a new advertising campaign focused on TV commercials was released in October 2022 to promote our brand.

With the catchphrase "Our history continues," the new ads feature Toma Ikuta, who has had a long career as an actor and continues to be active at the forefront of the industry, as the face of the brand.

With a history of more than 430 years, the SMM Group has overcome various difficulties and continued its business by looking to the future and continuing to transform itself in accordance with the changing times. "Our history continues" expresses the continuity and future orientation of SMM.

We will continue to develop this advertisement as a message that not only provides branding to our stakeholders who are potential recruits, but also motivates our employees and makes them want to continue working for SMM.

#### Recognized as a 2023 Health & Productivity Management Outstanding Organization

##### Initiatives to ensure that employees and officers are physically and mentally healthy and exercise their abilities to the fullest

The SMM Group promotes initiatives to maintain and improve the health of each and every employee. In August 2022, we established the SMM Group Health & Productivity Management Policy, and in September of the same year, the SMM Group Health & Productivity Management Promotion Regulations were established, forming a promotion system and roadmap. We recognize that an important management foundation is the ability of our employees and officers to be physically and mentally healthy, and to exercise their abilities to the fullest. In March 2023, SMM was recognized as one of the 2023 Health & Productivity Management Outstanding Organizations (large enterprise category) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program\* selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

We will continue to implement and enhance more effective measures to maintain and improve the physical and mental health of our employees and officers so that they can work with greater health and vigor.

\* Certified Health & Productivity Management Outstanding Organizations Recognition Program: This program recognizes corporations, including large enterprises and small and medium-sized companies, that practice particularly excellent health and productivity management based on their promotion of health as set forth by the Nippon Kenko Kaigi and efforts to address local health issues.



### Tradition

#### Smelting & Refining University

##### Training aimed at developing problem-solving skills by linking theory to manufacturing on-site

Since 2017, the SMM Group has been providing the Smelting & Refining University in order to promote the development of human resources in the metals field. There are increasingly fewer opportunities to learn the theories behind manufacturing in smelting and refining within non-ferrous metals-related education at universities and other institutions. In addition, the number of new employees in our metals divisions who are not majoring in materials science is increasing, and there is a growing need to provide them with opportunities to learn specialized knowledge after they join the Company. The Smelting & Refining University is mainly for employees involved in metals in their second year with the Company. After being assigned to a job and working on-site, they will again learn in an Off-JT setting, with the aim of linking theory to manufacturing on-site and acquiring problem-solving skills. Researchers from SMM research laboratories and section managers from each plant serve as lecturers, and participants acquire specialized knowledge and learn how to approach problems as a smelting and refining engineer. We will continue to focus on training the smelting and refining engineers who will take over the skills and technologies developed by the Group.

#### Mining School

##### OJT training to acquire specialized and general skills for mining operations at sites in Japan

The continuation of mine operations requires the training of engineers with advanced expertise and experience and the passing on of skills. The SMM Group is using the Hishikari Mine as the site for our Mining School to train mining engineers, with the aim of passing on advanced technical skills.

In the Mineral Resources Division, new recruits in the mining and geology fields are assigned to the Hishikari Mine, while new recruits in the mineral processing field are assigned to the Niihama Research Laboratories, where they learn the basics of specialized technologies and general mining operation techniques through OJT training. After gaining experience in the Mining School, they are dispatched to overseas mines for local development and operations, or to the Head Office for project management and other duties, becoming engineers who are active at our sites around the world. In the future, we will enhance the experience of each employee through aggressive overseas field surveys in order to acquire new superior projects.

# Directors and Audit & Supervisory Board Members (As of June 24, 2023)

## Directors



Born: 1953  
Apr. 1976 Joined the Company  
Jun. 2005 Executive Officer  
Jun. 2006 Director  
Jun. 2008 Managing Executive Officer  
General Manager of Advanced Materials Div.  
Oct. 2008 General Manager of Semiconductor Materials Div.  
Jun. 2009 Executive Officer  
General Manager of Advanced Materials Div.  
Jun. 2010 Managing Executive Officer  
Jun. 2012 Representative Director  
Senior Managing Executive Officer  
Jun. 2013 President and Representative Director  
Jun. 2018 Chairman and Representative Director  
Jun. 2022 Chairman and Director (Present Position)

**Yoshiaki Nakazato**  
Chairman and Director

Number of shares of the Company owned<sup>1</sup>: 30,500



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

**Akira Nozaki**  
President and Representative Director

Number of shares of the Company owned<sup>1</sup>: 21,300



Born: 1961  
Apr. 1986 Joined the Company  
Jul. 2010 General Manager of Nickel Sales & Raw Materials Dept., Non-Ferrous Metals Div.  
Jul. 2014 General Manager of Copper & Precious Metals Raw Materials Dept., Non-Ferrous Metals Div.  
Jun. 2017 Sumitomo Metal Mining Philippine Holdings Corporation, Director and President  
Jun. 2019 Executive Officer Senior Deputy General Manager of Non-Ferrous Metals Div.  
Jun. 2020 Director of the Company  
General Manager of Corporate Planning Dept.  
Jun. 2021 Managing Executive Officer  
Jun. 2022 Representative Director (Present Position)  
Senior Managing Executive Officer (Present Position)

**Toru Higo**  
Representative Director  
Senior Managing Executive Officer

Number of shares of the Company owned<sup>1</sup>: 6,600



Born: 1963  
Apr. 1987 Joined the Company  
Apr. 2008 General Manager of Niihama Nickel Refinery, Non-Ferrous Metals Div.  
Jun. 2014 General Manager of Administration Dept., Non-Ferrous Metals Div.  
Jun. 2016 Executive Officer  
Senior Deputy General Manager of Non-Ferrous Metals Div.  
Jun. 2018 General Manager of Non-Ferrous Metals Div.  
Jun. 2019 Director (Present Position)  
Jun. 2020 Managing Executive Officer  
Jun. 2022 Senior Managing Executive Officer (Present Position)

**Nobuhiro Matsumoto**  
Director  
Senior Managing Executive Officer

Number of shares of the Company owned<sup>1</sup>: 6,900



Born: 1966  
Apr. 1990 Joined the Company  
Jun. 2016 General Manager of Harima Refinery, Non-Ferrous Metals Div.  
Jul. 2017 General Manager of Toyo Smelter & Refinery, Non-Ferrous Metals Div.  
Jun. 2020 Executive Officer  
Jan. 2021 Senior Deputy General Manager of Non-Ferrous Metals Div.  
Jun. 2023 Director (Present Position)  
Managing Executive Officer (Present Position)  
General Manager of Non-Ferrous Metals Div. (Present Position)

**Masaru Takebayashi**  
Director,  
Managing Executive Officer,  
General Manager of Non-Ferrous Metals Div.

Number of shares of the Company owned<sup>1</sup>: 2,700



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

**Taeko Ishii**  
Outside Director

Number of shares of the Company owned<sup>1</sup>: 0



Born: 1954  
Apr. 1978 Joined NEC Corporation  
Apr. 2006 Executive General Manager, Distribution and Service Industries Solutions Operations Unit of NEC Corporation  
Apr. 2008 Associate Senior Vice President of NEC Corporation  
Apr. 2010 Senior Vice President of NEC Corporation  
Jun. 2010 Director of NEC Corporation  
Apr. 2016 Senior Executive Vice President of NEC Corporation  
Apr. 2018 Senior Officer of NEC Corporation  
Jun. 2020 Director of the Company (Present Position)  
Jun. 2021 Retired as Senior Officer of NEC Corporation

**Manabu Kinoshita**  
Outside Director

Number of shares of the Company owned<sup>1</sup>: 0



Born: 1958  
Apr. 1980 Joined Mitsubishi Corporation  
Apr. 2009 General Manager, Metals Group CEO  
Office of Mitsubishi Corporation  
Apr. 2010 Senior Vice President of Mitsubishi Corporation  
Apr. 2011 Division COO, Non-Ferrous Metals Division of Mitsubishi Corporation  
Apr. 2013 Division COO, Mineral Resources Investment Div. 1 of Mitsubishi Corporation  
Apr. 2014 Division COO, Mineral Resources Investment Div. of Mitsubishi Corporation  
Apr. 2015 Executive Vice President, Group COO, Metals Group of Mitsubishi Corporation  
Apr. 2016 Group CEO, Metals Group of Mitsubishi Corporation  
Apr. 2018 Corporate Functional Officer (responsible for Global Strategy & Coordination, Global Research, International Economic Cooperation, Logistics Management) of Mitsubishi Corporation  
Jun. 2018 Representative Director of Mitsubishi Corporation  
Apr. 2019 Corporate Functional Officer (Global strategy) of Mitsubishi Corporation  
Apr. 2020 Director of Mitsubishi Corporation  
Jun. 2020 Corporate Advisor of Mitsubishi Corporation  
Mar. 2021 Retired as Corporate Advisor of Mitsubishi Corporation  
Apr. 2021 Representative Director and Deputy President of Mitsubishi HC Capital Inc. (Present Position)  
Jun. 2023 Director of the Company (Present Position)

**Kanji Nishiura**  
Outside Director

Number of shares of the Company owned<sup>1</sup>: 500

## Audit & Supervisory Board Members



Born: 1962  
Apr. 1986 Joined the Company  
Jun. 2014 General Manager of Legal & General Affairs Dept.  
Apr. 2019 General Manager of General Affairs Dept.  
Jun. 2021 Audit & Supervisory Board Member (Standing)  
Jun. 2022 Senior Audit & Supervisory Board Member (Standing) (Present Position)

**Koji Imai**  
Senior Audit & Supervisory Board Member (Standing)

Number of shares of the Company owned<sup>1</sup>: 1,300



Born: 1964  
Apr. 1988 Joined the Company  
Jul. 2015 Public Relations & Investor Relations Dept.  
Apr. 2018 Finance & Accounting Dept.  
Jun. 2022 Audit & Supervisory Board Member (Standing) (Present Position)

**Tsuyoshi Nozawa**  
Audit & Supervisory Board Member (Standing)

Number of shares of the Company owned<sup>1</sup>: 700



Born: 1952  
Apr. 1975 Joined Export-Import Bank of Japan  
Apr. 2001 Director of Corporate Finance Department of Japan Bank for International Cooperation (JBIC) (which was formed as a result of integration between the former Export-Import Bank of Japan and the former Overseas Economic Cooperation Fund)  
Nov. 2002 Director of Personnel Department of JBIC  
Oct. 2004 Executive Officer for Asia and Pacific Region of JBIC  
Apr. 2007 Senior Executive Director of JBIC  
Sep. 2008 Resigned from Senior Executive Director of JBIC  
Feb. 2009 Corporate Advisor of Marubeni Corporation  
Feb. 2016 Resigned from Corporate Advisor of Marubeni Corporation  
Mar. 2016 Corporate Advisor of NIPPON STEEL CORPORATION (which was NIPPON STEEL & SUMITOMO METAL CORPORATION)  
President and Representative Director of Nippon Usiminas Co., Ltd.  
Dec. 2019 Resigned from Corporate Advisor of NIPPON STEEL CORPORATION  
Resigned from President and Representative Director of Nippon Usiminas Co., Ltd.  
Jun. 2020 Audit & Supervisory Board Member of the Company (Present Position)

**Wataru Yoshida**  
Outside Audit & Supervisory Board Member

Number of shares of the Company owned<sup>1</sup>: 0



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

**Shoji Wakamatsu**  
Outside Audit & Supervisory Board Member

Number of shares of the Company owned<sup>1</sup>: 0

1. The number of shares of the Company owned is as of May 31, 2023.

## Executive Officers

President	Senior Managing Executive Officer	Managing Executive Officers	Executive Officers	Executive Officers
* Akira Nozaki	* Toru Higo * Nobuhiro Matsumoto	Takahiro Kanayama Hiroshi Yoshida General Manager of Corporate Planning Dept. In charge of Human Resources Dept., Legal Dept., Digital Transformation Dept., Internal Audit Dept. and Osaka Branch Hitofumi Okubo General Manager of Engineering Div. Koji Sakamoto General Manager of Safety & Environment Control Dept. In charge of Quality Assurance Dept. Shuichi Ogasawara General Manager of Advanced Materials Div. Katsuya Tanaka General Manager of Battery Materials Div. * Masaru Takebayashi General Manager of Non-Ferrous Metals Div. Kunihiko Miyamoto General Manager of Finance & Accounting Dept. In charge of Secretarial Dept., Purchasing Dept. and Information Systems Dept.	Eiichi Fukuda General Manager of Mineral Resources Div. Hideyuki Okamoto General Manager of Technology Div. Kazuhiko Hotani Senior Deputy General Manager of Mineral Resources Div. Toru Motoki Senior Deputy General Manager of Technology Div. Shinichi Sato Senior Deputy General Manager of Advanced Materials Div. Munekazu Kawata Senior Deputy General Manager of Battery Materials Div. Yusuke Niwa Senior Deputy General Manager of Non-Ferrous Metals Div. Kazuaki Sakamoto Senior Deputy General Manager of Engineering Div. Hirohiko Matsushita General Manager of Besshi-Niihama District Div.	Yasumasa Hattori Senior Deputy General Manager of Non-Ferrous Metals Div. Yoshihiro Sagawa Senior Deputy General Manager of Mineral Resources Div. Mihoko Yano General Manager of Sustainability Dept. In charge of General Affairs Dept. and Public Relations & Investor Relations Dept.

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

## FAQ

We would like to address questions frequently asked by individual investors and other stakeholders.

### 1 I have heard that non-ferrous metals have a promising future. Why is this and what are their growth areas?

Non-ferrous metals such as copper and nickel are important materials that support social infrastructure, and their use continues to increase steadily along with the growth of the global economy. In addition, the rapid digitalization of society in recent years, the technological innovation, and energy transition toward creating a decarbonized society are major trends that are greatly expanding opportunities for non-ferrous metals.

Take the electrification of automobiles, for example. Electric vehicles are said to use about four times as much copper as conventional gasoline-powered vehicles, and demand for nickel is expected to increase for use as a cathode material in automobile batteries.

### 2 Why not increase mining and production when metal prices are high?

Some mines contain dense (high-grade) metals and some light (low-grade) metals. If only the high-grade areas are mined when metal prices are high, short-term performance will improve, but the low-grade areas will remain. As a result, there is a risk of leaving some areas unprofitable, depending on metal prices. We believe that rather than pursuing only a short-term contribution to business performance, we should give full consideration to environmental concerns and local communities, emphasize sustainable development, and strive for long-term stable operations, which will lead to the maximization of benefits for SMM and our stakeholders.

### 3 Why is production at the Hishikari Mine being reduced in the 2021 3-Year Business Plan?

The Hishikari Mine is a gold mine that boasts high earning capacity and cost competitiveness, with the most significant feature being its world-class ore grade (approximately 20 grams per ton), and has produced approximately 264 tons of gold (as of March 31, 2023) since mining began in 1985. Our mission at this mine is to completely mine out the 155 tons of recoverable reserves as of December 31, 2022. In the 2021 3-Year Business Plan, we have shifted to a sustainability-oriented operation based on average-grade ore mining. In order to extend the mine life, we plan to produce 4 tons in FY2023, down from the 6 tons before the 2021 3-Year Business Plan. We will continue to work on the development of the lower orebody of the mine and will also review our cost structure through a variety of innovative means, such as DX.

### 4 What are your plans for increasing production of battery materials needed for xEV, which are expected to grow in the future?

In July 2021, we announced a 2,000 tons per month production increase for nickel-based cathode material, including the construction of a new plant in Niihama, aiming for a production capacity of 7,000 tons/month by FY2025.

In this expansion project, the plan is to complete construction of the new plant by the end of 2023, after which the equipment will be delivered to the plant. Progress of the new plant is on track toward completion in 2025. We will continue to aggressively expand our production capacity to reach 10,000 tons/month by FY2027 and 15,000 tons/month by FY2030.

In addition, since taking over the lithium iron phosphate (LFP) battery materials business of Sumitomo Osaka Cement Co., Ltd. in 2022, we have strived for stable production and sales toward its customers, as well as considered converting our existing process to reduce cost. We will also meet a wider range of customer needs by expanding our product lineup as well as our existing nickel-based cathode materials.

### 5 What are the strengths of the Sumitomo Metal Mining Group's 3-business collaboration model?

In its more than 430 years of handling metals, the SMM Group has continued to hone not only its mining, smelting, and refining technologies, but also its analysis, quality and equipment management, research & development, and other technologies. This knowledge and these technologies related to metals are used in the three businesses of Mineral Resources, Smelting & Refining, and Materials, and the combined efforts of these businesses contribute to the expansion of our earnings. A typical example of the collaboration among these three businesses is our proprietary, integrated nickel supply chain that spans the securing of nickel ore to the production of battery materials, and achieves traceability in the securing of raw materials, stable supply, quality, and other factors. Further, we are contributing to the creation of a sustainable, circular economy and expanding business opportunities by promoting battery recycling, in which nickel and cobalt are recovered from used secondary batteries for automotive applications in the Smelting & Refining Business and recycled as cathode materials for batteries in the Materials Business. 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. Our Group seeks to achieve further growth by combining the knowledge gained from our three businesses, including technologies in wide-ranging fields, experience and achievements in numerous projects, and market forecasting.

### 6 Why did you start disclosing profit/loss, excluding temporary factors, in FY2022?

Prices of non-ferrous metals (such as copper and nickel) in which we operate are determined in trading markets represented by LME, and our profit and loss is characterized by the fact that they are significantly influenced by the market environment, including economic trends. Further, when prices of non-ferrous metals rise, the differences in timing of buying and selling causes profit to temporarily exceed standard levels, and likewise when prices decline profit temporarily fall below standard levels. We have received requests from investors to disclose our profit and loss based on actual performance, excluding temporary factors, and as such shared our actual profit and loss for FY2022 at our Progress of Business Strategy briefing. For details on what constitutes profit/loss, excluding temporary factors, please refer to p. 43.

### 7 What are your shareholder return policies on topics such as share buybacks and dividends?

Our current financial situation is characterized by a high demand for funds due to two major projects underway in the Mineral Resources segment, and the expansion of production for cathode materials for automobile batteries in the Materials segment. Further, in terms of the business environment, development in the Mineral Resources, and Smelting & Refining is becoming increasingly challenging due to factors that include the high altitude of sites, the necessity to mine deeper, and the rising cost of materials. While growth investment requires immediate expenditures in the ¥100 billion range, it takes time for the results to materialize. Without a robust financial foundation that can withstand these challenges, we cannot position ourselves as a suitable partner for development projects undertaken by major overseas non-ferrous companies.

Considering these factors, we believe it is crucial for us to maintain a strong financial foundation while steadily executing our growth strategy to achieve our long-term vision. Therefore, while we do not rule out the possibility of purchasing our own shares in the future, for the time being, we are committed to maintaining a performance-based dividend policy (consolidated dividend payout ratio of 35% or more in principle).

### 8 What are the future prospects for battery recycling?

We and Kanto Denka Kogyo Co., Ltd. have jointly developed a world-first horizontal recycling process that recovers lithium from used lithium-ion batteries (LIBs) as a high-purity compound for battery materials. We will continue our efforts to

achieve "battery to battery" recycling and contribute to the formation of a sustainable, circular economy and to address global resource depletion through the promotion of resource recycling. For details, please refer to p. 77.

### 9 What types of products contribute to a low-carbon society and to the reduction of GHG emissions?

Examples include battery materials and the near-infrared absorbing material CWO®. One type of battery materials that supports electrification in the automotive industry, such as hybrid and electric vehicles, is cathode materials. Cathode materials are materials used for the positive electrodes of batteries, and SMM mainly produces cathode materials for batteries used in automobiles. While cathode materials with high nickel content, which are our main products, have high capacity, it is difficult to ensure stable quality. We maintain a high market share worldwide thanks to our technical capabilities and quality control system that enable us to mass produce such cathode materials with stable quality. The near-infrared absorbing material CWO® is a material that combines high transmittance of visible light with strong absorption capacity of near-infrared rays. When applied to window materials, for example, it can efficiently block out the energy of near-infrared rays contained in sunlight, thereby significantly suppressing the rise in indoor temperatures while maintaining brightness.

### 10 What is your approach to business and human rights?

Based on the Sumitomo Metal Mining Group Policy on Human Rights, which is in line with the UN's Guiding Principles on Business and Human Rights, SMM conducts due diligence and operates a grievance mechanism that external stakeholders can also use. In practice, SMM places particular emphasis on the three areas of employees, local residents and indigenous peoples, and the supply chain, based on the material issues of our Vision 2030, namely: Employees' Occupational Health and Safety, Diverse Human Resources, Development and Participation of Human Resources, Co-Existence and Mutual Prosperity with Local Communities, Rights of Indigenous Peoples, Human Rights in the Supply Chain, etc. We also promote comprehensive initiatives based on dialogue and consultation with relevant stakeholders. These initiatives are regularly reported to the Sustainability Committee, which is overseen by the Board of Directors and chaired by the President.

## Glossary

Term	Explanation	Pages
<b>Copper concentrates</b>	A raw material used in copper smelting, consisting of about 30% copper content with sulfur and iron as most of the remainder. Copper concentrates are produced mainly from sulfide ores. At present, ores extracted from overseas mines generally have a grade of about 1%. The ores are then “dressed” at the mine to enhance the grade and produce concentrate. The raw materials imported by copper smelting and refining plants in Japan are primarily copper concentrates.	P. 1, 28, 30, 66
<b>Coral Bay Nickel Corporation (CBNC)</b>	The SMM Group’s first HPAL plant. Located in the Province of Palawan in the Philippines, CBNC produces mixed nickel-cobalt sulfides (MS) using HPAL technology for export to the Group’s Niihama Nickel Refinery and Harima Refinery.	P. 2, 16-17, 22, 35, 42, 47, 61, 63-65, 88, 92, 97
<b>Electrolytic copper (electrolytic nickel and cobalt)</b>	A high-purity copper material produced through electrolytic refining in a solution (electrolysis). At our Group’s Toyo Smelter & Refinery, we dissolve copper concentrate in a flash furnace, pass it through a converter and a refining furnace, cast anodes in plate form, and produce electrolytic copper through electrolytic refining. Electrolytic nickel and electrolytic cobalt are also produced through electrolytic refining.	P. 1, 28, 40-42, 47, 62-67, 88, 92
<b>GRI</b>	An acronym for Global Reporting Initiative. An organization that creates and promotes international guidelines and standards for sustainability reports. It issued its first guidelines in 2000, and has transitioned to issuing standards from 2016.	P. 12, 117-118
<b>HPAL</b>	An acronym for High Pressure Acid Leach. This technology enables the recovery of nickel from low-grade nickel oxide ores that had been conventionally difficult to process. The SMM Group was the first company in the world to apply it successfully on a commercial scale. HPAL causes low-grade nickel oxide ores to react stably with sulfuric acid under high-temperature and high-pressure conditions, to produce a high-grade nickel raw material.	P. 1, 23, 28, 32, 35, 63, 88
<b>Human rights due diligence</b>	An approach to human rights protection based on the United Nations Guiding Principles on Business and Human Rights approved by the United Nations Human Rights Council in 2011, this is a series of processes for performing preventive investigations to avoid and mitigate the negative effects that organizations have on human rights, and for taking appropriate corrective action based on the findings. The SMM Group built a system for human rights due diligence in FY2014 and has followed it since then.	P. 11, 53, 98
<b>Hydrometallurgical refining</b>	A refining method in which metals and impurities are dissolved in a solution, and chemical reactions are used to separate them. The method is stable and enables continuous processing, but incurs the costs of chemical reagents.	P. 64, 67, 77, 88
<b>ICMM</b>	An acronym for International Council on Mining and Metals. This is an organization composed of worldwide metal and mining companies and related industry bodies. Its mission is “In collaboration with others, we will strengthen the social and environmental performance of the mining and metals industry and build recognition of its contribution to local communities and society at large.”	P. 12, 48, 92

Term	Explanation	Pages
<b>Internal carbon pricing (ICP)</b>	A framework for encouraging investment that leads to decarbonization. Internal carbon pricing uniquely attaches prices to carbon emissions within a company, attaches monetary values to GHG emission reductions, and incorporates these into investment cost-effectiveness.	P. 17, 49, 51, 81, 99
<b>IoT</b>	An acronym for “Internet of Things,” referring to communication among objects via the Internet. Communication devices, such as smartphones and PCs, and even items such as home appliances, are becoming connected to the Internet, creating expectations for a future society in which all things are connected to networks.	P. 12, 78, 80, 86, 88
<b>LT/LN</b>	Lithium Tantalate (LT) and Lithium Niobate (LN). These are used in chips for information and communication terminal SAW filters.	P. 23, 40, 70
<b>Lithium Iron Phosphate (LFP)</b>	LFP is a cathode material for lithium-ion batteries, like nickel-based cathode materials (NCA, NMC), which are battery materials. While nickel-based cathode materials are made from metals such as nickel, manganese, and cobalt, LFP is made from relatively inexpensive lithium, iron, and phosphorus. It is mainly produced in China.	P. 15, 23, 35, 40, 69-70, 136
<b>MCLE</b>	An acronym for Matte Chlorine Leach Electrowinning. This is a manufacturing process adopted at the SMM Group’s Niihama Nickel Refinery. Matte and mixed nickel-cobalt sulfides (MS) are dissolved in chlorine at high temperature, then electrolysis is used to produce high-purity nickel. MCLE is more competitive than other methods in terms of cost, but poses significant operational challenges, and only a few other producers outside of SMM have commercialized it using similar technology.	P. 22, 28
<b>MLCC</b>	An acronym for Multi-Layer Ceramic Capacitor. These are capacitors made of multiple layers of ceramic dielectric bodies for greater capacity. In addition to consumer applications, in recent years they are being used often in electric automobiles so demand is expected to increase. The nickel paste produced by our Group is used in the internal electrodes of MLCCs.	P. 70, 72-73, 75
<b>MS</b>	An acronym for Mixed Sulfides of nickel and cobalt. CBNC and THPAL produce a mixed nickel-cobalt sulfide intermediate containing about 55–60% nickel by weight. It is used as a raw material in the production of electrolytic nickel, nickel sulfate, and other products.	P. 22, 63-64
<b>Matte</b>	A term for metal sulfides. Niihama Nickel Refinery produces electrolytic nickel using nickel matte (of about 75–80% purity) sourced from PT Vale Indonesia Tbk.	P. 22, 64
<b>NCA</b>	An acronym for a type of secondary battery cathode material composed primarily of N (nickel), C (cobalt), and A (aluminum).	P. 73
<b>NMC</b>	An acronym for a type of secondary battery cathode material composed primarily of N (nickel), M (manganese), and C (cobalt).	P. 73

## Glossary

Term	Explanation	Pages
Nanban-buki	A smelting and refining method that uses lead to remove silver and impurities contained in crude copper. Developed by Soga Riemon around 1600. An alloy made by melting and rapidly cooling lead and crude copper containing silver is heated, and silver-containing lead, which melts out at a melting point below that of copper, is heated atop ash. The lead is absorbed by the ash and only the silver remains. This allows the collection of silver while obtaining high-purity refined copper.	P. 20, 32
NiO (nickel oxide) for fuel cells	Fuel cells are a clean and highly efficient method for generating electricity and heat through the chemical reaction of hydrogen and oxygen. Plans for increased use of fuel cells in a wide range of applications, from homes to factories, are being formulated in countries around the world. Nickel oxide powder for fuel cells is used in the electrodes of solid oxide fuel cells (SOFCs), which deliver the highest power generation efficiency.	P. 63, 86, 88, 90
Nickel oxide ores (laterite ore)	While predominantly higher-grade sulfide ores are used in nickel refining, nickel oxide ores are more prevalent than nickel sulfides. High refining costs and technical issues have limited the use of oxide ores in nickel refining to date, but the SMM Group has succeeded in mass producing nickel from low-grade oxide ores based on HPAL technology.	P. 1, 23, 27-28, 61, 64, 88
OJT	An acronym for On-the-Job Training, this is a method of training for the acquisition of knowledge and skills through the performance of actual work in the workplace under the guidance of superiors or senior colleagues. Its aim is the fast acquisition of work execution capabilities.	P. 28-29, 48, 81, 133
Off-JT	A method of training conducted away from the workplace or separate from normal work. Its aim is the acquisition of advanced work capabilities or other knowledge and skills not directly connected to normal work based on systematic knowledge and theory.	P. 29, 81, 132
Pyrometallurgical smelting	A smelting method in which raw ore is melted in a high-temperature furnace and the metal is separated in the molten state. While it is possible to treat a large amount at one time, it requires periodic repair of heat-resistant equipment.	P. 63-64, 67, 77
SDGs	Listed in the 2030 Agenda for Sustainable Development and adopted at the UN Sustainable Development Summit in September 2015, the Sustainable Development Goals (SDGs) are a set of international goals for creating a sustainable and better world by 2030. They are composed of 17 goals and 169 targets, and pledge to "leave no one behind."	P. 7, 9-10, 12, 14, 85
Secondary battery cathode materials	Materials used in the cathodes of batteries (secondary batteries) that can be charged and reused. The constituent components of secondary batteries break down roughly into cathode material, anode material, a separator, and electrolytic solution. The SMM Group produces the secondary battery cathode materials used in electric and hybrid automobiles.	P. 23, 70, 73, 75, 77, 88

Term	Explanation	Pages
Silicon carbide (SiC)	SiC is a power semiconductor material used mainly in electric power control applications. Its use is expanding as a material capable of reducing energy loss in high-capacity fields (high current and high withstand voltage) demanded for drive control devices, particularly in hybrid vehicles and electric vehicles.	P. 17, 35, 40, 68, 72-73
Smelting & Refining	This refers to the extraction of valuable metals from ore and other raw materials, and is mainly divided into pyrometallurgical smelting and hydrometallurgical refining. The SMM Group's Toyo Smelter & Refinery in Saijo, Ehime Prefecture uses pyrometallurgical smelting in its upstream processes (treatment processes), while Niihama Nickel Refinery in Niihama, Ehime Prefecture uses only hydrometallurgical refining throughout.	P. 1-3, 7, 11, 16-18, 20-22, 28, 30-35, 40, 42-45, 47, 50-51, 60-64, 66-67, 74-77, 86-89, 92, 98, 102, 108, 123, 128, 129, 132, 136-137
Sustainable procurement	Sustainable procurement ensures that there is no complicity in negative effects such as infringement on human rights, environmental destruction, or corruption in the procurement of parts, services, etc. It affirms that companies in the supply chain do not cause such negative effects, requests corrections when necessary, and enhances transparency in the supply chain.	P. 11, 29, 87, 91, 98, 116
TC/RC	An acronym for Treatment Charge and Refining Charge. These are costs that make up a part of the terms of purchase of metal raw materials (copper concentrate, nickel ore, etc.). As an example, (LME price at a given point in time) – (TC/RC used in the transaction) + (other terms) is used as the purchase price of copper concentrates.	P. 60
TCFD	An acronym for the Task Force on Climate-related Financial Disclosures. Established by the Financial Stability Board (FSB) to examine the disclosure of climate-related information and how financial institutions should respond. It recommends the disclosure of information concerning governance, strategy, risk management, and metrics and targets concerning climate change-related risks and opportunities.	P. 90-91
Taganito HPAL Nickel Corporation (THPAL)	The SMM Group's second HPAL plant. Located in the Province of Surigao del Norte in the Philippines, THPAL produces mixed nickel-cobalt sulfides (MS) using HPAL technology for export to the Group's Niihama Nickel Refinery and Harima Refinery.	P. 2, 16-17, 22, 35, 40, 42, 47, 61-65, 88, 92, 97
xEV	Electric vehicles. Types of electrification are diverse, differing by method of supplying electricity. Types include BEVs that carry batteries, plug-in hybrids (PHEVs), hybrids (HEVs/MHVs), and fuel cell electric vehicles (FCEVs/FCVs).	P. 27, 69-70, 136

## Eleven-Year Financial Summary

IFRS						
Years ended March 31	2023	2022	2021	2020	2019	2018
<b>Results for the year:</b>						
Net sales* <sup>3</sup>	¥1,422,989	¥1,259,091	¥ 926,122	¥ 851,946	¥ 912,208	¥ 929,746
Gross profit	250,106	257,794	150,876	109,471	126,637	149,015
Profit before tax	229,910	357,434	123,379	79,035	89,371	108,286
Profit attributable to owners of parent	160,585	281,037	94,604	60,600	66,790	90,227
Capital expenditures	140,845	64,539	35,059	50,689	47,445	74,675
Depreciation	53,310	46,455	45,729	45,355	43,541	46,762
Net cash provided by (used in) operating activities	120,382	159,489	91,522	136,545	114,744	78,552
Net cash provided by (used in) investing activities	(185,503)	9,796	(32,393)	(70,334)	(142,354)	(22,787)
Net cash provided by (used in) financing activities	49,336	(129,618)	(55,758)	9,149	(29,047)	(89,797)
Free cash flows	(65,121)	169,285	59,129	66,211	(27,610)	55,765
<b>Financial position at year-end:</b>						
Total assets	¥2,707,899	¥2,268,756	¥1,885,999	¥1,719,690	¥1,797,701	¥1,732,333
Equity	1,789,296	1,557,418	1,222,983	1,110,860	1,151,280	1,113,349
Non-current liabilities	447,340	326,547	337,694	402,520	388,943	378,438
Interest-bearing liabilities	457,257	301,355	330,678	367,882	349,798	361,775
<b>Amounts per share (Yen)*<sup>2</sup>:</b>						
Equity attributable to owners of parent per share	¥ 5,938	¥ 5,260	¥ 4,054	¥ 3,646	¥ 3,812	¥ 3,746
Basic earnings per share	584	1,023	344	221	243	327
Diluted earnings per share	584	1,023	344	221	243	295
Dividends	205	301	121	78	73	100
<b>Key ratios:</b>						
ROA (%)	6.5	13.5	5.3	3.5	3.8	5.2
ROE (%)	10.4	22.0	8.9	5.9	6.4	9.1
Equity ratio (%)	60.3	63.7	59.1	58.3	58.3	59.4
Interest-bearing liabilities to total asset ratio (%)	16.9	13.3	17.5	21.4	19.5	20.9
Debt-to-equity ratio (times)	0.28	0.21	0.30	0.37	0.33	0.35
Current ratio (times)	2.2	2.4	2.1	2.7	2.1	2.6

\*1 Shareholders' equity is defined by the following equation.

Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income

\*2 The Company consolidated its shares at a rate of one share for every two shares of its common stock with October 1, 2017 as the effective date.

\*Amounts per share" is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the year ended March 31, 2018.

\*3 Effective from the fiscal year ended March 31, 2021, the Company has changed its accounting policy for non-free supplied materials received from customers. This change in accounting policy was applied retrospectively to the figure for the fiscal year ended March 31, 2020.

J-GAAP							Millions of yen (except per share amounts and key ratios)					
Years ended March 31	2018	2017	2016	2015	2014	2013						
<b>Results for the year:</b>												
Net sales	¥ 933,517	¥ 786,146	¥ 855,407	¥ 921,334	¥ 830,546	¥ 808,540						
Gross profit	157,089	122,296	113,862	174,257	124,822	140,650						
Operating income	110,203	76,390	59,720	125,779	75,418	95,785						
Other income (expenses)	124,853	(1,565)	(12,764)	174,226	114,352	115,034						
Profit (loss) before income taxes	105,795	(5,999)	559	123,261	111,006	122,455						
Profit (loss) attributable to owners of parent	91,648	(18,540)	(309)	91,113	80,258	86,640						
Capital expenditures	74,589	125,950	51,013	55,232	66,441	59,291						
Depreciation	46,865	44,232	46,141	38,125	32,426	27,578						
Financial revenue (expenses)	10,804	10,546	8,927	6,250	3,530	(144)						
Net cash provided by (used in) operating activities	79,405	43,796	119,704	120,003	80,014	114,665						
Net cash provided by (used in) investing activities	(22,994)	(143,219)	(92,876)	(105,024)	(126,937)	(88,745)						
Net cash provided by (used in) financing activities	(90,095)	70,392	(4,003)	(39,047)	81	21,549						
Free cash flows	56,411	(99,423)	26,828	14,979	(46,923)	25,920						
<b>Financial position at year-end:</b>												
Total assets	¥1,699,037	¥1,685,018	¥1,630,800	¥1,740,246	¥1,572,367	¥1,351,153						
Net assets	1,120,008	1,024,121	1,075,995	1,158,945	1,019,053	844,547						
Long-term loans payable after one year	257,409	358,564	248,036	245,000	243,130	212,323						
Interest-bearing liabilities	362,297	495,504	400,559	394,094	383,580	330,073						
Working capital	369,668	382,810	313,812	307,436	314,198	338,866						
<b>Amounts per share (Yen)*<sup>2</sup>:</b>												
Net income (loss)												
—Basic	¥ 332.42	¥ (33.61)	¥ (0.56)	¥ 165.11	¥ 145.35	¥ 155.58						
—Diluted	299.94	—	—	149.44	129.71	142.40						
Shareholders' equity* <sup>1</sup>	3,771.69	1,743.46	1,781.91	1,905.50	1,653.83	1,393.02						
Cash dividends	100.0	11.0	31.0	48.0	37.0	34.0						
<b>Key ratios:</b>												
ROA (%)	5.42	(1.12)	(0.02)	5.50	5.49	6.94						
ROE (%)* <sup>1</sup>	9.17	(1.93)	(0.03)	9.28	9.54	12.13						
Equity ratio (%)* <sup>1</sup>	61.0	57.1	60.3	60.4	58.1	56.9						
Interest-bearing debt to total asset ratio (%)	21.3	29.4	24.6	22.6	24.4	24.4						
Debt-to-equity ratio (times)* <sup>1</sup>	0.35	0.52	0.41	0.37	0.42	0.43						
Current ratio (times)	2.70	2.82	2.39	2.29	2.40	2.60						

## 1 Consolidated Financial Statements

## (1) Consolidated Financial Statements

## 1) Consolidated Statement of Financial Position

	Notes	FY2021	FY2022		Notes	FY2021	FY2022	
		(As of March 31, 2022)	(As of March 31, 2023)			(As of March 31, 2022)	(As of March 31, 2023)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars		Millions of yen	Millions of yen	Thousands of U.S. dollars
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	8	213,977	215,007	1,610,057				
Trade and other receivables	9, 34	187,310	189,199	1,416,796				
Other financial assets	16, 34	49,342	6,273	46,975				
Inventories	10	420,136	555,941	4,163,105				
Other current assets	17	44,354	56,423	422,518				
<b>Total current assets</b>		<u>915,119</u>	<u>1,022,843</u>	<u>7,659,450</u>				
<b>Non-current assets</b>								
Property, plant and equipment	11, 21	507,822	629,451	4,713,576				
Intangible assets and goodwill	12	56,586	68,217	510,836				
Investment property	14	3,477	3,477	26,037				
Investments accounted for using equity method	15	368,751	450,512	3,373,611				
Other financial assets	16, 34	387,507	497,496	3,725,446				
Deferred tax assets	18	1,645	1,822	13,644				
Other non-current assets	17, 23	27,849	34,081	255,212				
<b>Total non-current assets</b>		<u>1,353,637</u>	<u>1,685,056</u>	<u>12,618,362</u>				
<b>Total assets</b>	6	<u>2,268,756</u>	<u>2,707,899</u>	<u>20,277,812</u>				
<b>Liabilities and equity</b>								
<b>Liabilities</b>								
<b>Current liabilities</b>								
Trade and other payables	19, 34	206,013	251,696	1,884,799				
Bonds and borrowings	20, 34	120,983	158,409	1,186,229				
Other financial liabilities	20, 21, 34	7,027	10,337	77,408				
Income taxes payable		24,940	24,968	186,970				
Provisions	22	6,101	8,663	64,872				
Other current liabilities	24	19,727	17,190	128,725				
<b>Total current liabilities</b>		<u>384,791</u>	<u>471,263</u>	<u>3,529,003</u>				
<b>Non-current liabilities</b>								
Bonds and borrowings	20, 34	210,249	298,848	2,237,891				
Other financial liabilities	20, 21, 34	9,579	8,816	66,018				
Provisions	22	25,107	40,361	302,239				
Retirement benefit liability	23	5,310	4,396	32,919				
Deferred tax liabilities	18	75,631	94,041	704,216				
Other non-current liabilities	24	671	878	6,575				
<b>Total non-current liabilities</b>		<u>326,547</u>	<u>447,340</u>	<u>3,349,858</u>				
<b>Total liabilities</b>		<u>711,338</u>	<u>918,603</u>	<u>6,878,860</u>				
<b>Equity</b>								
Share capital	25	93,242	93,242	698,233				
Capital surplus	7, 25	90,213	89,800	672,458				
Treasury shares	25	(38,056)	(38,076)	(285,128)				
Other components of equity		124,304	220,383	1,650,315				
Retained earnings	25	1,175,626	1,266,322	9,482,717				
<b>Total equity attributable to owners of parent</b>		<u>1,445,329</u>	<u>1,631,671</u>	<u>12,218,594</u>				
Non-controlling interests		112,089	157,625	1,180,358				
<b>Total equity</b>		<u>1,557,418</u>	<u>1,789,296</u>	<u>13,398,952</u>				
<b>Total liabilities and equity</b>		<u>2,268,756</u>	<u>2,707,899</u>	<u>20,277,812</u>				

As to the pages indicated in "NOTES," please refer to the Consolidated Financial Statements at the following address.  
[https://www.smm.co.jp/en/ir/library/consolidated\\_financial\\_statement/pdf/Consolidated\\_Financial\\_Statement\\_2023.pdf](https://www.smm.co.jp/en/ir/library/consolidated_financial_statement/pdf/Consolidated_Financial_Statement_2023.pdf)

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

## Consolidated Statement of Profit or Loss

	Notes	FY2021	FY2022	
		(From April 1, 2021 to March 31, 2022)	(From April 1, 2022 to March 31, 2023)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	27	1,259,091	1,422,989	10,655,901
Cost of sales	28	(1,001,297)	(1,172,883)	(8,783,009)
Gross profit		257,794	250,106	1,872,892
Selling, general and administrative expenses	28	(52,711)	(63,997)	(479,235)
Finance income	29	31,884	29,389	220,076
Finance costs	29	(2,969)	(8,596)	(64,370)
Share of profit of investments accounted for using equity method	15	57,537	36,536	273,596
Other income	30	81,850	4,672	34,986
Other expenses	30	(15,951)	(18,200)	(136,289)
Profit before tax	6	357,434	229,910	1,721,656
Income tax expense	18	(58,903)	(59,469)	(445,327)
Profit		298,531	170,441	1,276,329
Profit attributable to:				
Owners of parent		281,037	160,585	1,202,524
Non-controlling interests		17,494	9,856	73,806
Profit		298,531	170,441	1,276,329
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share	32	1,022.80	584.44	4.38
Diluted earnings per share	32	1,022.80	584.44	4.38

## Consolidated Statement of Comprehensive Income

	Notes	FY2021	FY2022	
		(From April 1, 2021 to March 31, 2022)	(From April 1, 2022 to March 31, 2023)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		298,531	170,441	1,276,329
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Financial assets measured at fair value through other comprehensive income	31	39,748	8,810	65,973
Remeasurements of defined benefit plans	31	3,660	2,852	21,357
Share of other comprehensive income of investments accounted for using equity method	15, 31	137	75	562
Total of items that will not be reclassified to profit or loss		43,545	11,737	87,891
Items that will be reclassified to profit or loss:				
Cash flow hedges	31	1,167	1,662	12,446
Exchange differences on translation of foreign operations	31	46,922	58,729	439,786
Share of other comprehensive income of investments accounted for using equity method	15, 31	25,130	44,579	333,825
Total of items that will be reclassified to profit or loss		73,219	104,970	786,057
Other comprehensive income, net of tax		116,764	116,707	873,948
Comprehensive income		415,295	287,148	2,150,277
Comprehensive income attributable to:				
Owners of parent		387,078	263,161	1,970,653
Non-controlling interests		28,217	23,987	179,624
Comprehensive income		415,295	287,148	2,150,277

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3) Consolidated Statement of Changes in Equity  
FY2021 (From April 1, 2021 to March 31, 2022)

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2021	93,242	87,604	(38,027)	(45,083)	(1,987)	72,218
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	61,489	1,043	39,737
Total comprehensive income	-	-	-	61,489	1,043	39,737
Purchase of treasury shares	-	-	(29)	-	-	-
Disposal of treasury shares	-	0	0	-	-	-
Dividends	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	2,609	-	-	-	-
Loss of control of subsidiaries	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	(3,113)
Transactions with owners - total	-	2,609	(29)	-	-	(3,113)
As of March 31, 2022	93,242	90,213	(38,056)	16,406	(944)	108,842

Notes	Equity attributable to owners of parent					
	Remeasurements of defined benefit plans	Other components of equity		Non-controlling interests	Total equity	
		Total	Retained earnings			Total
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2021	-	25,148	945,956	1,113,923	109,060	1,222,983
Profit	-	-	281,037	281,037	17,494	298,531
Other comprehensive income	3,772	106,041	-	106,041	10,723	116,764
Total comprehensive income	3,772	106,041	281,037	387,078	28,217	415,295
Purchase of treasury shares	-	-	-	(29)	-	(29)
Disposal of treasury shares	-	-	-	0	-	0
Dividends	-	-	(58,252)	(58,252)	(12,053)	(70,305)
Changes in ownership interest in subsidiaries	-	-	-	2,609	(13,119)	(10,510)
Loss of control of subsidiaries	-	-	-	-	(16)	(16)
Transfer to retained earnings	(3,772)	(6,885)	6,885	-	-	-
Transactions with owners - total	(3,772)	(6,885)	(51,367)	(55,672)	(25,188)	(80,860)
As of March 31, 2022	-	124,304	1,175,626	1,445,329	112,089	1,557,418

FY2022 (From April 1, 2022 to March 31, 2023)

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2022	93,242	90,213	(38,056)	16,406	(944)	108,842
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	89,196	1,669	8,812
Total comprehensive income	-	-	-	89,196	1,669	8,812
Purchase of treasury shares	-	-	(21)	-	-	-
Disposal of treasury shares	-	0	1	-	-	-
Dividends	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	(413)	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	(3,598)
Transactions with owners - total	-	(413)	(20)	-	-	(3,598)
As of March 31, 2023	93,242	89,800	(38,076)	105,602	725	114,056

Notes	Equity attributable to owners of parent						
	Remeasurements of defined benefit plans	Other components of equity		Retained earnings	Total	Non-controlling interests	Total equity
		Total	Retained earnings				
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2022	-	124,304	1,175,626	1,445,329	112,089	1,557,418	
Profit	-	-	160,585	160,585	9,856	170,441	
Other comprehensive income	2,899	102,576	-	102,576	14,131	116,707	
Total comprehensive income	2,899	102,576	160,585	263,161	23,987	287,148	
Purchase of treasury shares	-	-	-	(21)	-	(21)	
Disposal of treasury shares	-	-	-	1	-	1	
Dividends	-	-	(76,386)	(76,386)	(7,155)	(83,541)	
Changes in ownership interest in subsidiaries	-	-	-	(413)	28,704	28,291	
Transfer to retained earnings	(2,899)	(6,497)	6,497	-	-	-	
Transactions with owners - total	(2,899)	(6,497)	(69,889)	(76,819)	21,549	(55,270)	
As of March 31, 2023	-	220,383	1,266,322	1,631,671	157,625	1,789,296	

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[https://www.smm.co.jp/en/ir/library/consolidated\\_financial\\_statement/pdf/Consolidated\\_Financial\\_Statement\\_2023.pdf](https://www.smm.co.jp/en/ir/library/consolidated_financial_statement/pdf/Consolidated_Financial_Statement_2023.pdf)

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2022	698,233	675,550	(284,978)	122,855	(7,069)	815,052
Profit	-	-	-	-	-	-
Other comprehensive income	31	-	-	667,935	12,498	65,988
Total comprehensive income		-	-	667,935	12,498	65,988
Purchase of treasury shares	25	-	(157)	-	-	-
Disposal of treasury shares	25	-	7	-	-	-
Dividends	26	-	-	-	-	-
Changes in ownership interest in subsidiaries	7	-	(3,093)	-	-	-
Transfer to retained earnings	16	-	-	-	-	(26,943)
Transactions with owners - total		-	(3,093)	(150)	-	(26,943)
As of March 31, 2023	698,233	672,458	(285,128)	790,789	5,429	854,096

Notes	Equity attributable to owners of parent					
	Remeasurements of defined benefit plans	Other components of equity		Non-controlling interests	Total equity	
		Total	Retained earnings			Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2022	-	930,837	8,803,549	10,823,192	839,366	11,662,558
Profit	-	-	1,202,524	1,202,524	73,806	1,276,329
Other comprehensive income	31	21,709	768,129	-	768,129	105,818
Total comprehensive income		21,709	768,129	1,202,524	1,970,653	179,624
Purchase of treasury shares	25	-	-	(157)	-	(157)
Disposal of treasury shares	25	-	-	7	-	7
Dividends	26	-	-	(572,008)	(572,008)	(53,579)
Changes in ownership interest in subsidiaries	7	-	-	(3,093)	214,947	211,854
Transfer to retained earnings	16	(21,709)	(48,652)	48,652	-	-
Transactions with owners - total		(21,709)	(48,652)	(523,356)	(575,251)	161,367
As of March 31, 2023	-	1,650,315	9,482,717	12,218,594	1,180,358	13,398,952

## 4) Consolidated Statement of Cash Flows

Notes	FY2021	FY2022	
	(From April 1, 2021 to March 31, 2022)	(From April 1, 2022 to March 31, 2023)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
<b>Cash flows from operating activities</b>			
Profit before tax	357,434	229,910	1,721,656
Depreciation and amortization	46,455	53,310	399,206
Loss (gain) on sale of fixed assets	(1,364)	(1,428)	(10,693)
Impairment losses	269	3,444	25,790
Share of loss (profit) of investments accounted for using equity method	(57,537)	(36,536)	(273,596)
Loss (gain) on sale of subsidiaries	(74,374)	25	187
Increase or decrease in retirement benefit asset or liability	(5,100)	(4,642)	(34,761)
Increase (decrease) in provisions	(56)	4,257	31,878
Finance income	(31,884)	(29,389)	(220,076)
Finance costs	2,969	8,596	64,370
Decrease (increase) in trade and other receivables	(28,260)	113	846
Decrease (increase) in inventories	(92,717)	(133,712)	(1,001,288)
Increase (decrease) in trade and other payables	44,663	38,689	289,718
Decrease (increase) in advance payments to suppliers	(9,401)	1,861	13,936
Increase (decrease) in accrued consumption taxes	904	(11,154)	(83,526)
Other	15,787	13,770	103,115
Subtotal	167,788	137,114	1,026,764
Interest received	3,483	11,056	82,792
Dividends received	33,248	28,657	214,595
Interest paid	(2,419)	(5,927)	(44,384)
Income taxes paid	(42,632)	(50,662)	(379,377)
Income taxes refund	21	144	1,078
Net cash provided by (used in) operating activities	159,489	120,382	901,468
<b>Cash flows from investing activities</b>			
Payments into time deposits	(43,185)	(387)	(2,898)
Proceeds from withdrawal of time deposits	83	50,848	380,770
Purchase of securities	-	(6,279)	(47,020)
Proceeds from redemption of securities	-	6,911	51,752
Purchase of property, plant and equipment	(55,408)	(123,823)	(927,235)
Proceeds from sale of property, plant and equipment	1,647	565	4,231
Purchase of intangible assets	(1,162)	(7,087)	(53,070)
Proceeds from sale of investment securities	7,483	10,053	75,281
Purchase of shares of subsidiaries and associates	(9,777)	(30,403)	(227,670)
Proceeds from sale of shares of subsidiaries and associates	25	0	0
Collection of short-term loans receivable	278	3,033	22,712
Payments for long-term loans receivable	(29,144)	(90,983)	(681,316)
Collection of long-term loans receivable	26,419	103	771

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	Notes	FY2021	FY2022	
		(From April 1, 2021 to March 31, 2022)	(From April 1, 2022 to March 31, 2023)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	33	113,002	1,592	11,922
Other		(465)	354	2,651
Net cash provided by (used in) investing activities		9,796	(185,503)	(1,389,119)
<b>Cash flows from financing activities</b>				
Proceeds from short-term borrowings	33	190,212	406,013	3,040,385
Repayments of short-term borrowings	33	(184,833)	(351,158)	(2,629,609)
Proceeds from long-term borrowings	33	15,412	110,061	824,180
Repayments of long-term borrowings	33	(47,688)	(42,928)	(321,462)
Proceeds from issuance of bonds	33	64,007	89,925	673,394
Redemption of bonds	33	(84,007)	(105,000)	(786,281)
Proceeds from share issuance to non-controlling shareholders		8,865	24,073	180,268
Dividends paid	26	(58,252)	(76,386)	(572,008)
Dividends paid to non-controlling shareholders		(12,053)	(7,155)	(53,579)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	7	–	3,746	28,052
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	7	(19,374)	–	–
Other	2, 33	(1,907)	(1,855)	(13,891)
Net cash provided by (used in) financing activities		(129,618)	49,336	369,447
Net increase (decrease) in cash and cash equivalents		39,667	(15,785)	(118,204)
Cash and cash equivalents at beginning of period	8	158,373	213,977	1,602,344
Effect of exchange rate changes on cash and cash equivalents		15,937	16,815	125,917
Cash and cash equivalents at end of period	8	213,977	215,007	1,610,057

As to the pages indicated in "NOTES," please refer to the Consolidated Financial Statements at the following address.  
[https://www.smm.co.jp/en/ir/library/consolidated\\_financial\\_statement/pdf/Consolidated\\_Financial\\_Statement\\_2023.pdf](https://www.smm.co.jp/en/ir/library/consolidated_financial_statement/pdf/Consolidated_Financial_Statement_2023.pdf)

## Corporate Data

Company name	Sumitomo Metal Mining Co., Ltd.
President & Representative Director	Akira Nozaki
Founded	1590
Incorporated	1950
Capital	¥93.2 billion
Listing	Prime Market
No. of subsidiaries (consolidated)	52 (including the money held in trust which is deemed to be a consolidated company)
No. of equity-method affiliates	13
Net sales (consolidated)	¥1,423.0 billion (for the year ended March 31, 2023)
Profit before tax (consolidated)	¥229.9 billion (for the year ended March 31, 2023)

## Investor Information

Closing Date	March 31
Ordinary General Meeting of Shareholders	June
Common Stock	Number of authorized shares 500,000,000 Number of issued and outstanding shares 290,814,015 Number of shareholders 58,107 Listing of shares Tokyo Stock transaction unit 100 shares

Note: SMM consolidated its common stock at a rate of one share for every two shares with October 1, 2017 as the effective date.

## Major Shareholders

Name of Shareholders	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	45,593	16.59
Custody Bank of Japan, Ltd. (Trust Account)	18,567	6.76
Toyota Motor Corporation	11,058	4.02
STATE STREET BANK WEST CLIENT-TREATY 505234	4,813	1.75
Sumitomo Realty & Development Co., Ltd.	3,745	1.36
SUMITOMO LIFE INSURANCE COMPANY	3,737	1.36
JPMorgan Securities Japan Co., Ltd.	3,574	1.30
SMBC Nikko Securities Inc.	3,237	1.18
JP MORGAN CHASE BANK 385781	3,123	1.14
Nippon Life Insurance Company	3,110	1.13

Notes: 1. We own 16,049 thousand shares of treasury stock.

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

Number of Employees	7,330 (Consolidated)
Head Office	11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan
Main Branch	Osaka Branch
Branch	Nagoya Branch
Research centers	Niihama Research Laboratories (Ehime Prefecture) Battery Research Laboratories (Ehime Prefecture) Materials Laboratories (Tokyo) Ichikawa Research Center (Chiba Prefecture)

## Contact Information

## Public Relations &amp; Investor Relations Department

11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan  
 Phone: +81-3-3436-7705  
 Facsimile: +81-3-3434-2215  
 URL <https://www.smm.co.jp/en/>

## Registrar of Shareholders

## Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Stock Transfer Agency Department:

## Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

## Method of Public Notice

Electronic notification (However, if electronic notification is not available due to unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.)

## Independent Public Accountant

KPMG AZSA LLC 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

## Breakdown of Shareholders



Category	(Thousands of shares)	Shareholding ratio (%)
Financial Institutions	94,528	32.50%
Securities Companies	15,361	5.28%
Other Domestic Entities	31,713	10.91%
Foreign Entities	100,333	34.50%
Individuals and Others	32,830	11.29%
Treasury Stock	16,049	5.52%

## Attestation of Validity



### On the issuance of the Sumitomo Metal Mining Co., Ltd. Integrated Report 2023

Since 2016, we have published these integrated reports to serve as a tool for dialogue with stakeholders inside and outside the Group.

The Sumitomo Metal Mining Co., Ltd. Integrated Report 2023, our eighth integrated report, describes value creation by our Group as we further integrate business with sustainability. It places particular focus on progress made under our 2021 3-Year Business Plan during its second year. In light of the creation of our new Sustainability Report 2023, this Integrated Report covers only sustainability information of a material nature for greater conciseness.

As the officer ultimately responsible for the production of this report, I attest that the process of preparing the report is legitimate and that its content described is accurate.

I hope that this Integrated Report will help our diverse stakeholders, including shareholders and investors, understand our Group's efforts toward sustainable growth and the realization of a sustainable society. We will continue to strive to appropriately disclose information.

**Mihoko Yano**

Executive Officer

In charge of Public Relations & Investor Relations Department