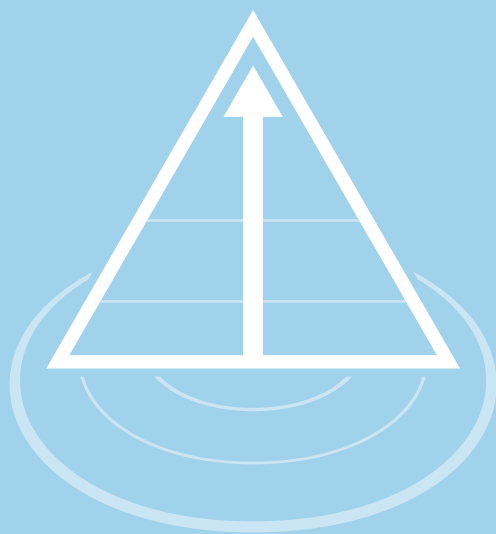


# System for Value Creation

- 20 **Seven Competitive Strengths**
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- 31 **Delivering Economic Value to Stakeholders**



Our value creation process comprises inputs (non-financial capital) born from the seven competitive strengths, business activities centering on 3-business collaboration, and outcomes (the resulting values provided).

## What we want to convey in this chapter

Here we explain the position of each business in our business model. We focus on explaining our 3-business collaboration process and competitive capabilities, especially in relation to nickel, and want readers to understand the differences between us and other major mineral resource companies.

Regarding the seven competitive strengths that we have been explaining previously, we have compiled a list so that readers can see the relationship with non-financial capital. We also, for example, refer to these competitive strengths on each business page. Through the booklet, we hope to convey the special features of our company.

Regarding financial and non-financial capital, we disclose trends quantitatively and over multiple years. In particular, the booklet explains the values provided to stakeholders in detail. We have endeavored to show what values our initiatives are providing to stakeholders in an easy-to-understand manner.



# Seven Competitive Strengths

## 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 of the Sumitomo Group it inherited, 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. At present, we implement 3-business collaboration between the Mineral Resources Business, the Smelting & Refining Business, and the Materials Business drawing on the distinct sources of financial and non-financial capital. This system enables us to respond both smoothly and with tenacity to the changing times.



 <div><b>Technology that has been continually honed over 430 years and is focused on the next generation</b> ..... Intellectual Capital, Manufactured Capital, Natural Capital</div> <div>1</div>	<ul style="list-style-type: none"><li>● Originated in the Nanban-buki method for separating crude copper from silver, developed in Kyoto by Soga Riemon around 1600</li><li>● Have exploration, mining, and mineral processing technology for taking on the challenges presented by difficult-to-develop new deposits and sea-floor resource development</li><li>● 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</li><li>● 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</li><li>● Have collaborations with academic institutions to realize technological innovation focused on the society of 2050</li></ul>
 <div><b>Employees who share our business spirit and an open and vibrant organizational climate</b> ..... Human Capital</div> <div>2</div>	<ul style="list-style-type: none"><li>● Have Sumitomo DNA, which has been passed down from generation to generation for more than 430 years</li><li>● All employees understand and practice the Sumitomo Business Spirit, SMM Group Corporate Philosophy, and Management Vision because they are instilled through continual education</li><li>● Actively invest in human resources (various training programs, provision of learning opportunities, promotion of health and productivity management, etc.)</li><li>● Our corporate culture values people and respects diversity (assigning jobs and providing support matched to employees' life stages, and strengthening of mid-career recruitment)</li><li>● Promote initiatives to stimulate communication across organizations and positions</li></ul>
 <div><b>Relationships of trust with business partners that have been formed with a long-term perspective</b> ..... Social and Relationship Capital, Natural Capital</div> <div>3</div>	<ul style="list-style-type: none"><li>● Build and maintain good relationships with reliable, worldclass partners as a foundation for superior mine interests overseas</li><li>● 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</li><li>● Create further business opportunities through our long-term partnerships and relationships of trust</li></ul>
 <div><b>Involvement with local communities that has been built up through our core business</b> ..... Social and Relationship Capital</div> <div>4</div>	<ul style="list-style-type: none"><li>● 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</li><li>● Develop mines starting with town building. For example, an elementary school in Niihama City, Ehime Prefecture, was founded by Sumitomo 129 years ago, when Besshi Copper Mine was in operation</li><li>● 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</li><li>● Build trust with local communities based on dialogue and collaboration</li></ul>
 <div><b>Management of serious risks fulfilling responsibilities according to each level of the job classification, with a firm resolve in regard to safety</b> ..... Human Capital, Manufactured Capital</div> <div>5</div>	<ul style="list-style-type: none"><li>● 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</li><li>● 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</li><li>● Introduce and deploy more effective education training to improve employee hazard awareness (including use of VR, etc.), and eliminate human error by on-site management including work observation</li></ul>
 <div><b>A close affinity with our customers' needs and the collaborative capabilities to continuously respond to them</b> ..... Social and Relationship Capital</div> <div>6</div>	<ul style="list-style-type: none"><li>● 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</li><li>● Build a framework enabling us to secure materials stably through our technology for extracting nickel from low-grade oxide ore; increase production capacity of nickel-based cathode materials for lithium-ion secondary batteries used by major electric vehicle manufacturers</li><li>● 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</li></ul>
 <div><b>Financial position that enables us to take advantage of investment opportunities</b> ..... Financial Capital, Natural Capital</div> <div>7</div>	<ul style="list-style-type: none"><li>● Maintain a sound financial position to withstand large onetime cash outflows for resource and smelting &amp; refining development projects, which require a long period of time from investment to recovery, and to avoid missing investment opportunities</li><li>● 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</li><li>● Decisively review the portfolio to maintain profitability</li></ul>

### Financial Capital

Sound financial position to avoid missing investment opportunities

### Manufactured Capital

Highly competitive manufacturing bases

### Intellectual Capital

Accumulation of knowledge of the organization to achieve 3-business collaboration

### Human Capital

Officers and employees who understand and perpetuate our corporate culture and have a firm commitment to safety

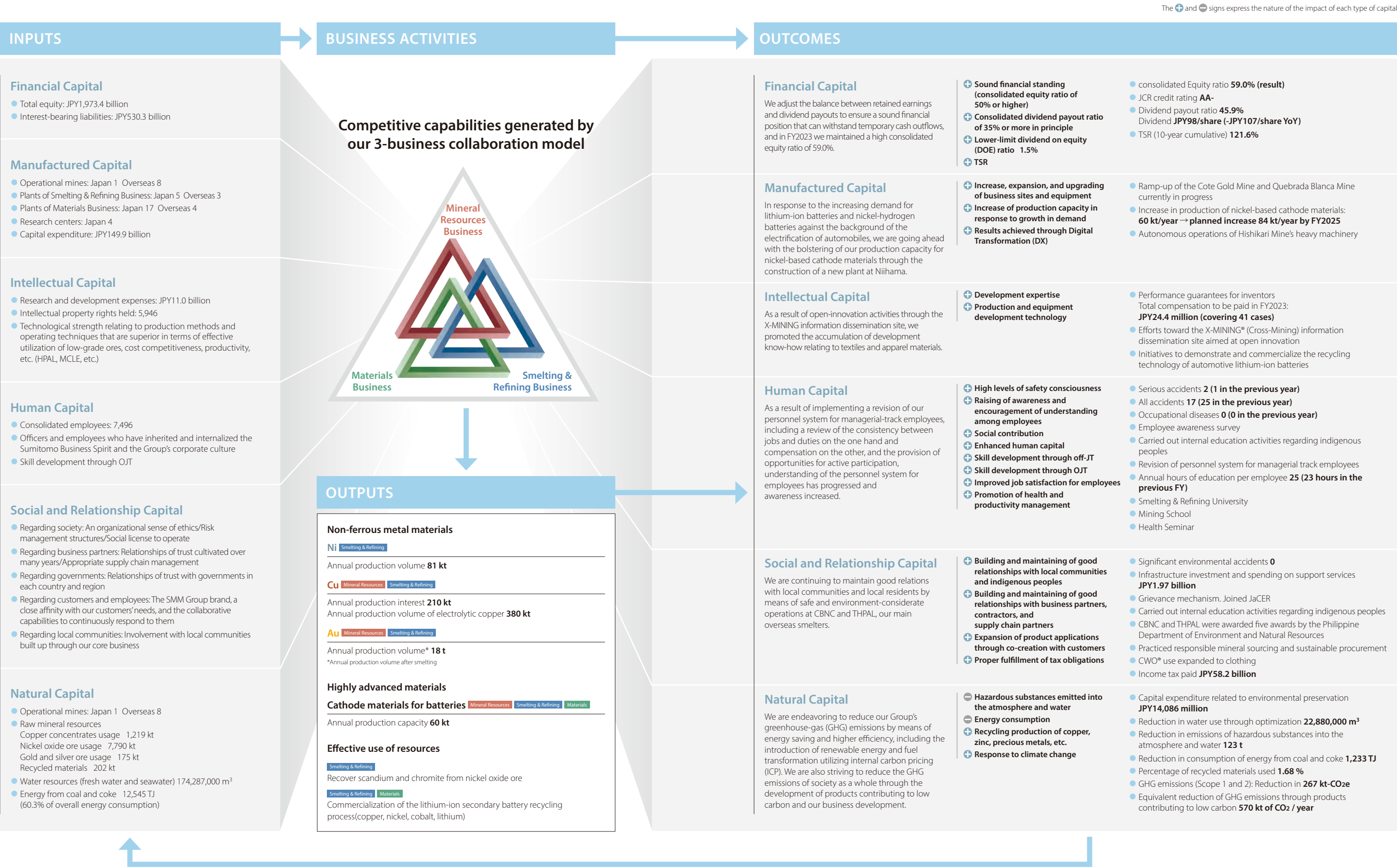
### Social and Relationship Capital

Relationship of trust developed with all stakeholders

### Natural Capital

Sustainable use of global resources and accumulation of recycling technology

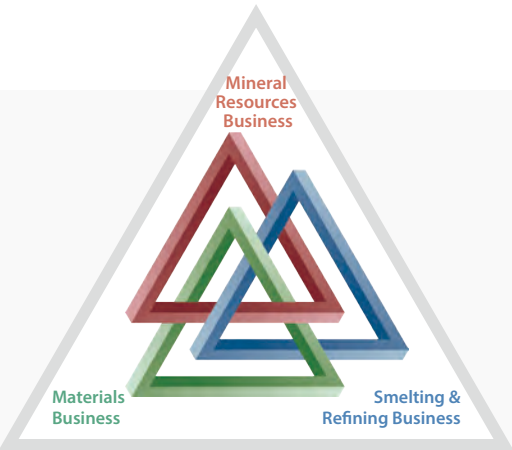
Value Creation Process



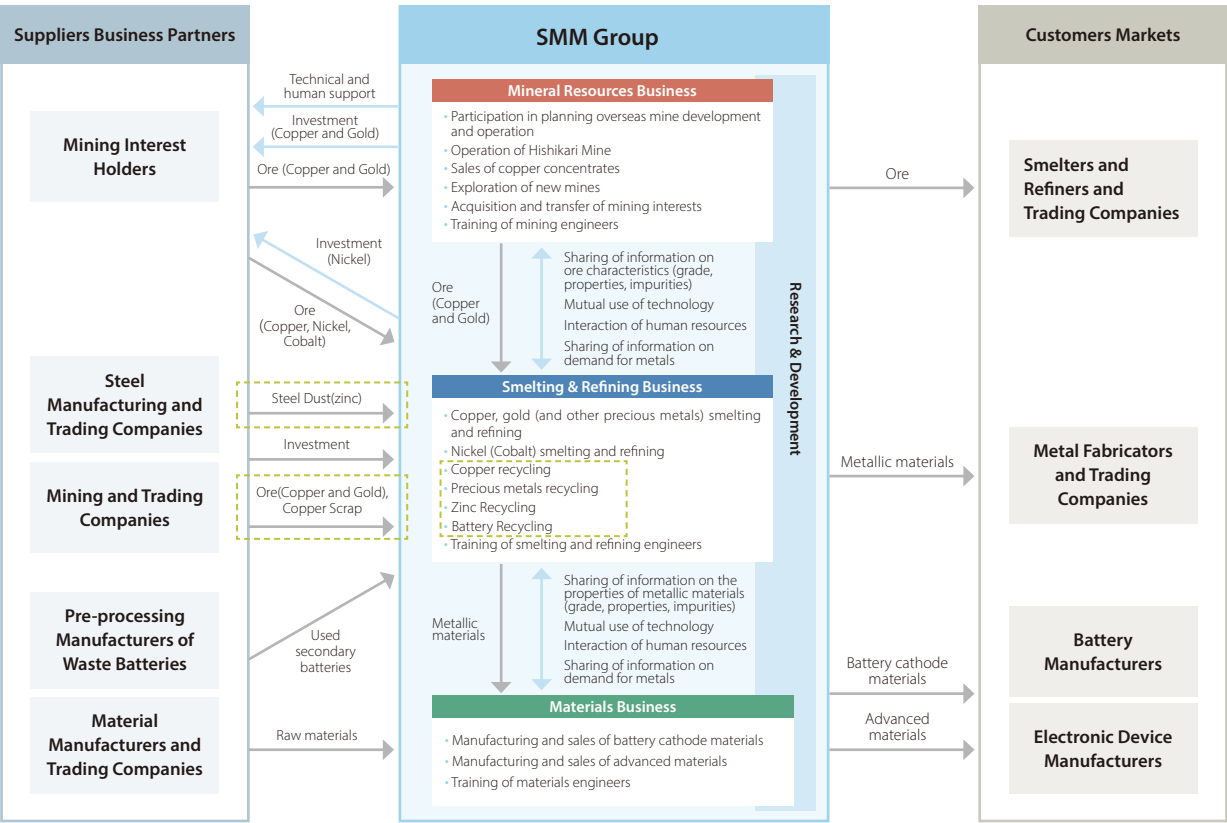
# Business Model

## 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.



### 3-Business Collaboration in Human Resources, Goods, Technology, and Information



Recycling

### Recycling at Sumitomo Metal Mining

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 bat-

teries 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.

Furthermore, we have established a technology for recovering lithium from used secondary batteries through a process developed in collaboration with partner companies.

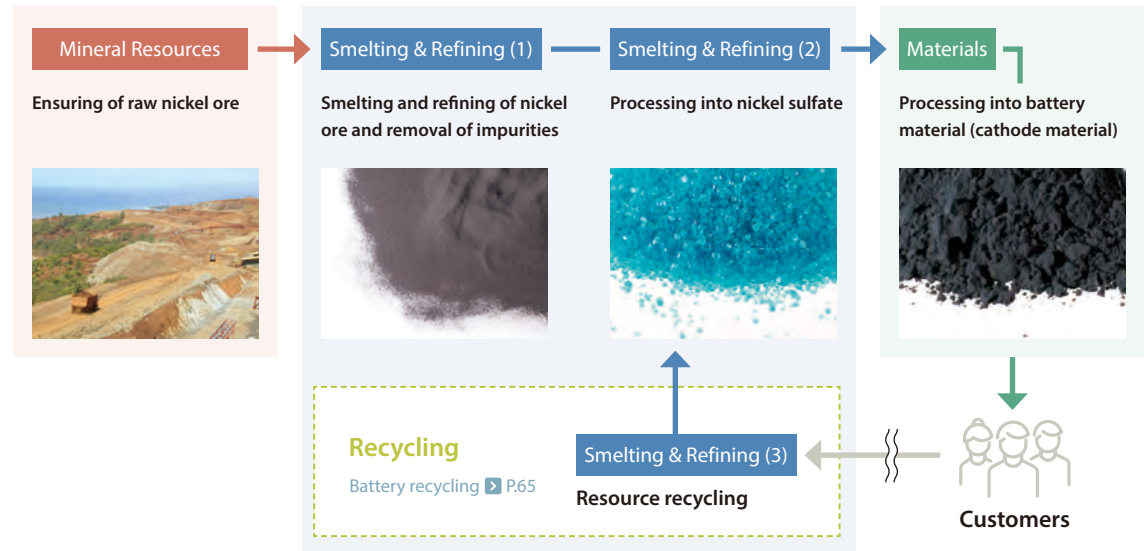
Moving forward, our group will continue to engage in various recycling initiatives, contributing to the formation of a sustainable circular society and strengthening resource circulation to address global resource depletion.

## Case Our Integrated Nickel Supply Chain from Ore to Battery Material

### Unique Business Model Unparalleled in the World

Through collaboration among our three businesses of Mineral Resources, Smelting & Refining, and Materials, we have an integrated internal nickel supply chain from the procurement of nickel ore to the production of battery material. Therefore, we ensure the procurement of raw materials, stable supplies, and traceability of quality and so on. Furthermore, by reusing resources through the recycling of nickel, the raw material for batteries, we are promoting the resource cycle.

### 3-business Collaboration in the Nickel Supply Chain



### Competitive Capabilities Generated by Our 3-Business Collaboration Model

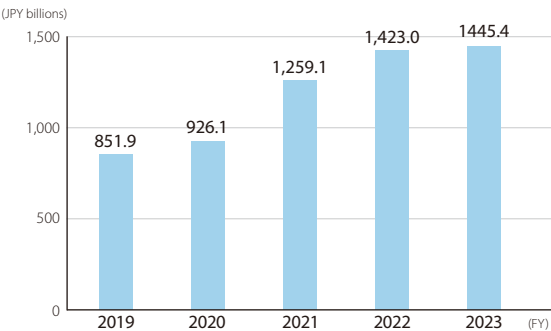
- 1 Great reduction of procurement risk due to the sharing of resource development regulations, supply and demand trends, and other information
- 2 Promotion of efficient development of new products, etc. through the sharing of technological information concerning non-ferrous metals and collaborating 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



# Financial and Non-Financial Highlights

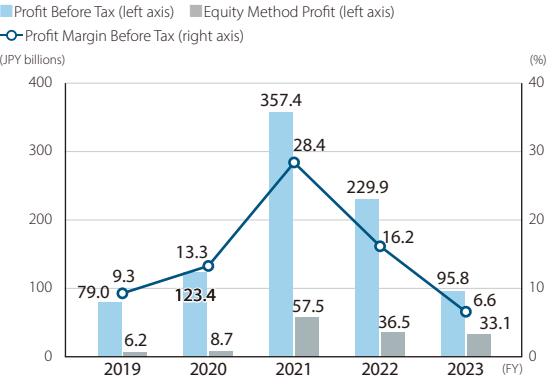
## Financial Capital

### Net Sales



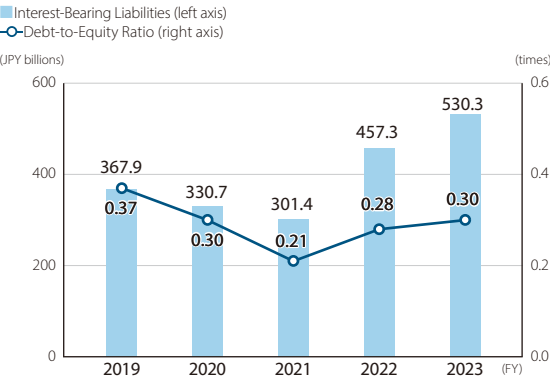
Consolidated net sales increased by JPY22.4 billion year on year to JPY1,445.4 billion due mainly to increased sales of automobile battery components.

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



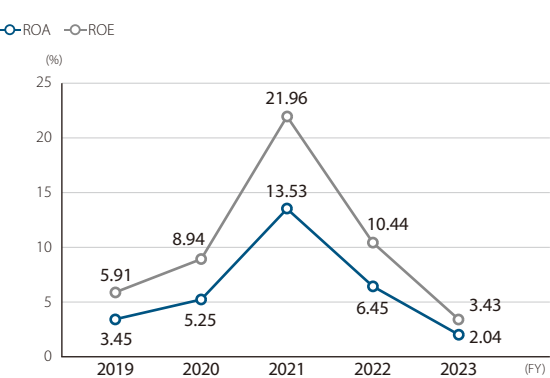
Consolidated profit before tax decreased by JPY134.1 billion year on year to JPY95.8 billion, due mainly to declining copper and nickel prices and a decrease in the current year of temporary upturn factors for profit and loss, including gains on foreign exchange rates accompanying the rapid depreciation of the yen in the previous year.

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



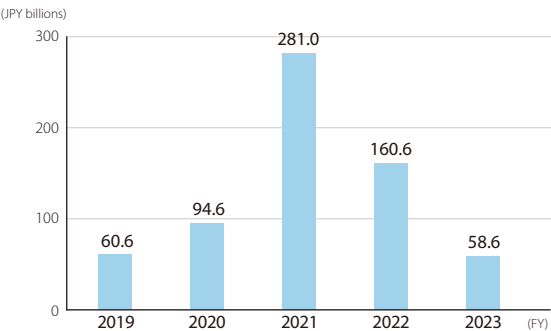
The amount of interest-bearing liabilities as of March 31, 2024, increased by JPY73.0 billion year on year to JPY530.3 billion. The debt-to-equity ratio increased by 0.02 points year on year to 0.30 times.

### ROA / ROE



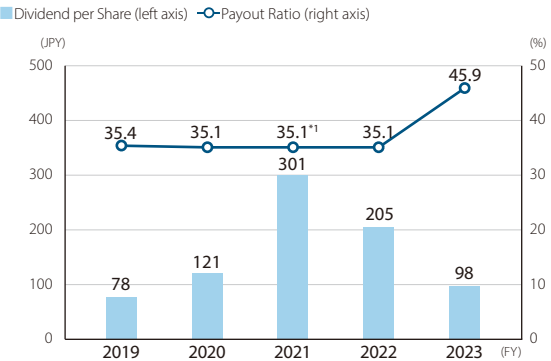
ROA decreased by 4.41 points year on year to 2.04%. ROE decreased by 7.01 points year on year to 3.43%.

### Profit Attributable to Owners of Parent



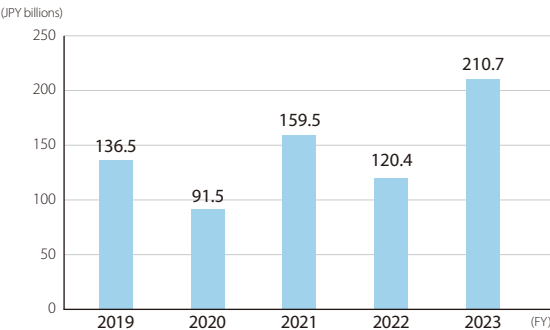
Profit attributable to owners of parent decreased by JPY102.0 billion year on year to JPY58.6 billion, due mainly to a decrease in consolidated profit before tax.

### Dividend per Share / Payout Ratio



Our dividend policy is performance-based. For FY2023, the annual dividend per share was JPY98, comprising an interim dividend of JPY35 and a year-end dividend of JPY63. The payout ratio reached 45.9%, fulfilling the dividend policy of a consolidated payout ratio of 35% or more in principle in our 2021 3-Year Business Plan and a DOE of 1.5%, which was added as a lower limit indicator from the current fiscal year.

### Net Cash Provided by Operating Activities



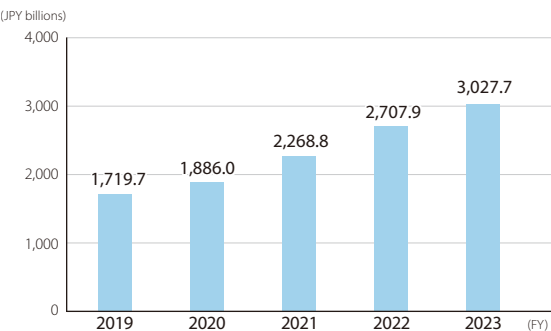
Net cash provided by operating activities increased by JPY90.3 billion year on year, due mainly to a decrease in inventories attributable to factors including decreased non-ferrous metals prices, and despite a decrease in profit before tax and the reduced scope of increases in trade and other payables.

### Financial Strength Rating



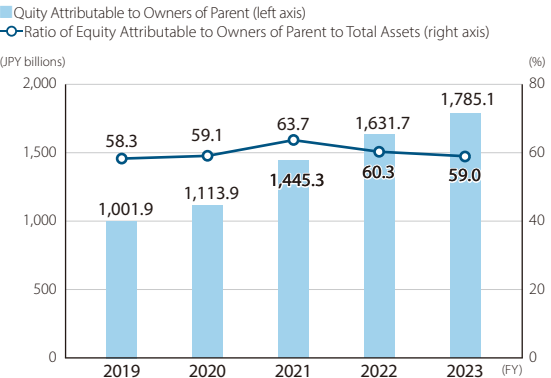
SMM has acquired a Long-term Issuer Rating of AA- ("Double-A Minus") from Japan Credit Rating Agency, Ltd. (JCR) in the Japanese domestic market thereby retaining sufficient creditworthiness for financing.

### Total Assets



Total assets as of March 31, 2024 increased by JPY319.8 billion year on year to JPY3,027.7 billion, due mainly to increases in 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 JPY153.4 billion year on year to JPY1,785.1 billion. The ratio of equity attributable to owners of parent to total assets (equity ratio) was 59.0%. We were able to achieve a level higher than 50%, our target for maintaining a sound financial position.

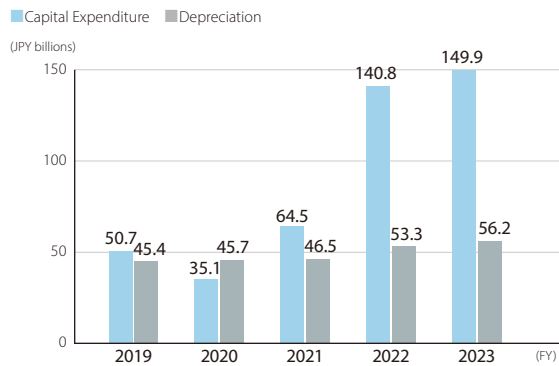
\*1 The gain on sale associated with the transfer of all equity interest in the Sierra Gorda copper mine recorded in FY2021 includes an amount equal to a reversal of the allowance for bad debt for loans and other receivables for Sierra Gorda S.C.M., which was adjusted in the opening balance of retained 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 JPY857.47.

\*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

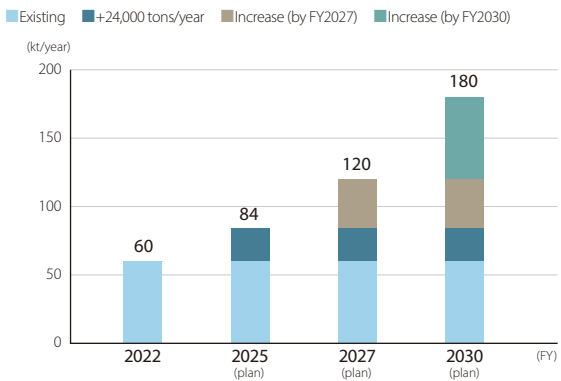
Manufactured Capital

Capital Expenditure / Depreciation



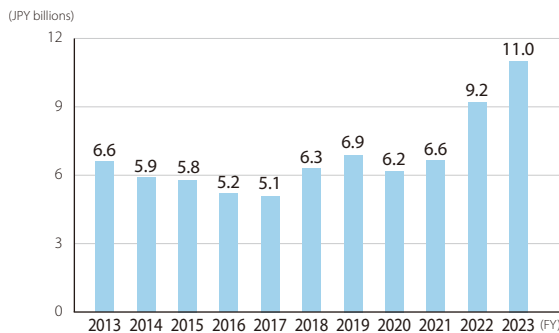
Operational mines	Japan 1	Overseas 8
Plants of Smelting & Refining Business	Japan 5	Overseas 3
Plants of Materials Business	Japan 17	Overseas 4
Research centers	Japan 4	

Production Capacity for Battery Cathode Materials

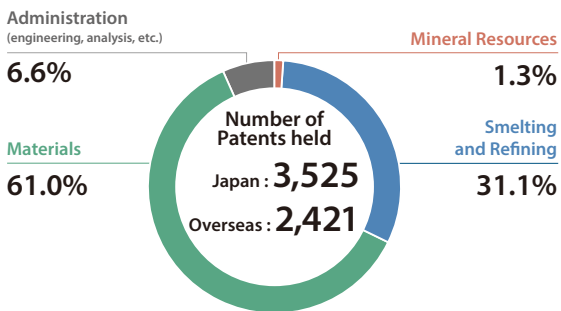


Intellectual Capital

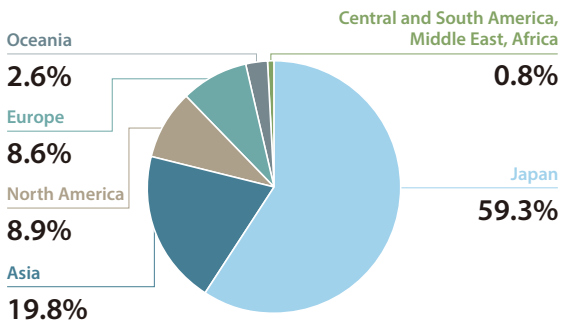
Research and Development Expenses



Ratio of the Number of Patents Held by Business



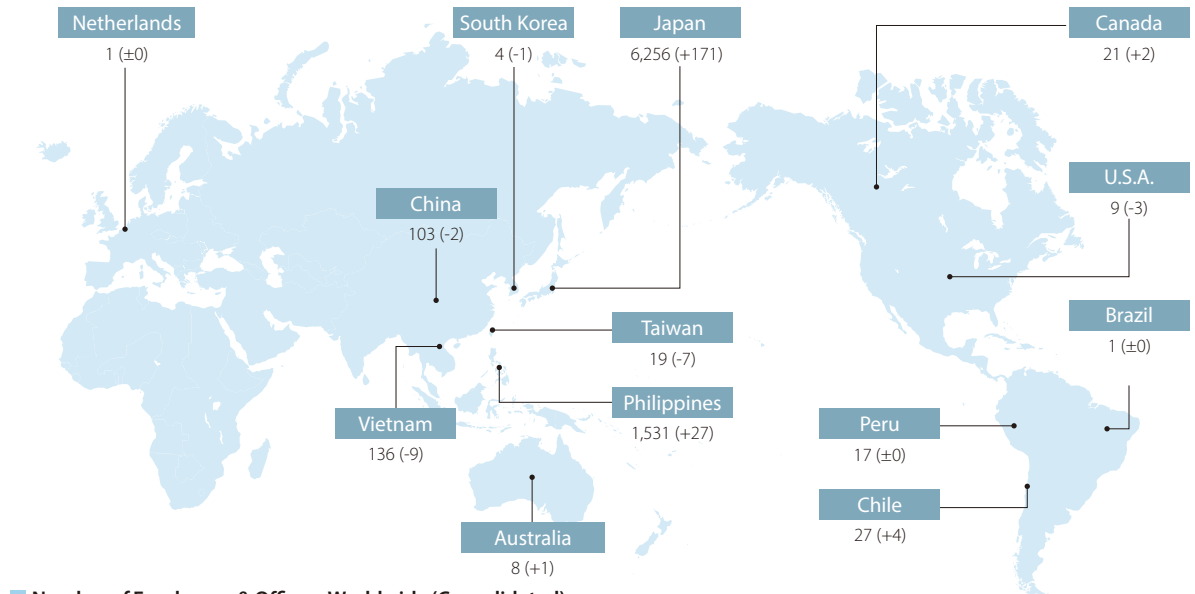
Ratio of the Number of Patents Held by Region



Human Capital

Number of Employees & Officers by Region, Consolidated (As of March 31, 2024)

Numbers in parentheses indicate the change from the end of March 2023.



Number of Employees & Officers Worldwide (Consolidated)

Figures are for March 31 of each fiscal year

		2019	2020	2021	2022	2023
Breakdown of employees and officers, by class	Managers	1,076	1,082	1,061	1,034	1,134
	Regular employees	5,711	5,895	6,033	6,208	6,284
	Non-regular/limited-term employees	678	710	676	603	611
	Officers	105	110	109	105	104
	Total	7,570	7,797	7,879	7,950	8,133
Breakdown of employees and officers, by gender	Male	6,178	6,328	6,415	6,477	6,614
	Female	1,392	1,469	1,464	1,473	1,519
Breakdown of directors (SMM non-consolidated)	Male	7	7	7	7	6
	Female	1	1	1	1	1
	Total	8	8	8	8	7
	Outside directors	3	3	3	3	2

Social and Relationship Capital

Income Tax by Country or Region (FY2023)

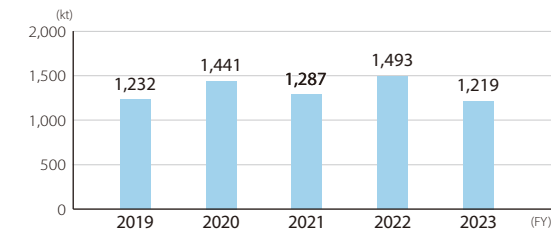
Japan	U.S.A.	Netherlands	Peru	Chile	China
18,828	3,635	908	17,205	11,076	1,555
Philippines	New Caledonia	Australia	Others	Total	
3,642	954	401	17	58,221	

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

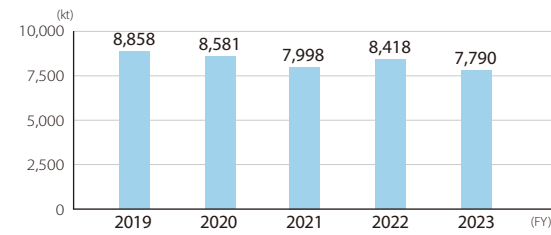
Financial and Non-Financial Highlights

Natural Capital

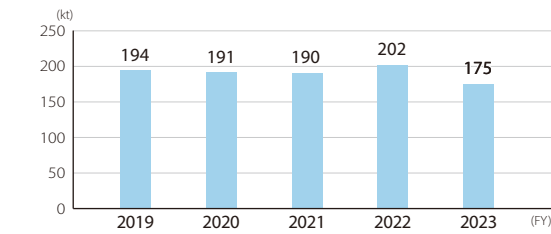
Copper Concentrates Usage



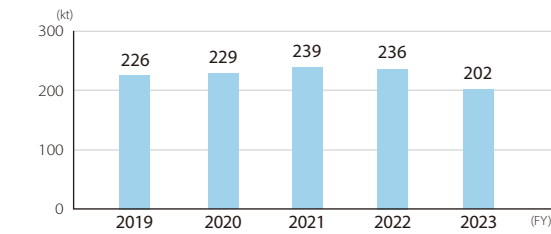
Nickel Oxide Ore Usage



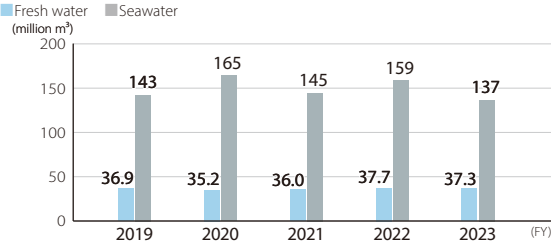
Gold and Silver Ore Usage



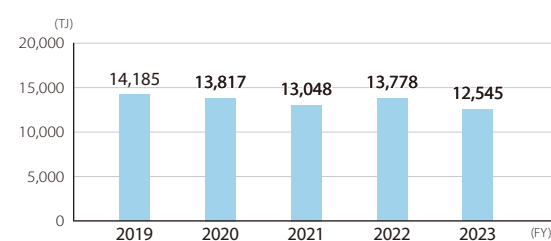
Recycled Materials



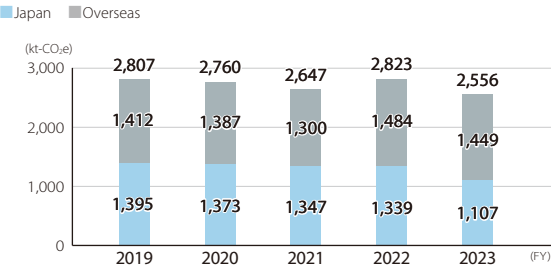
Water Resources (fresh water and seawater)



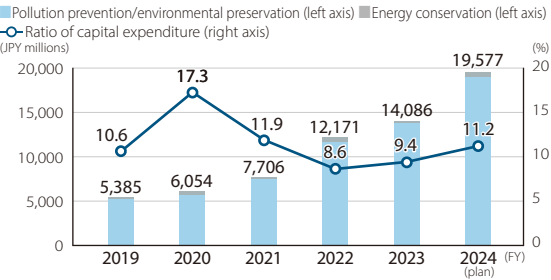
Energy from Coal and Coke



Greenhouse Gas Emissions (Scope 1 and 2)



Capital Expenditure Related to Environmental Preservation

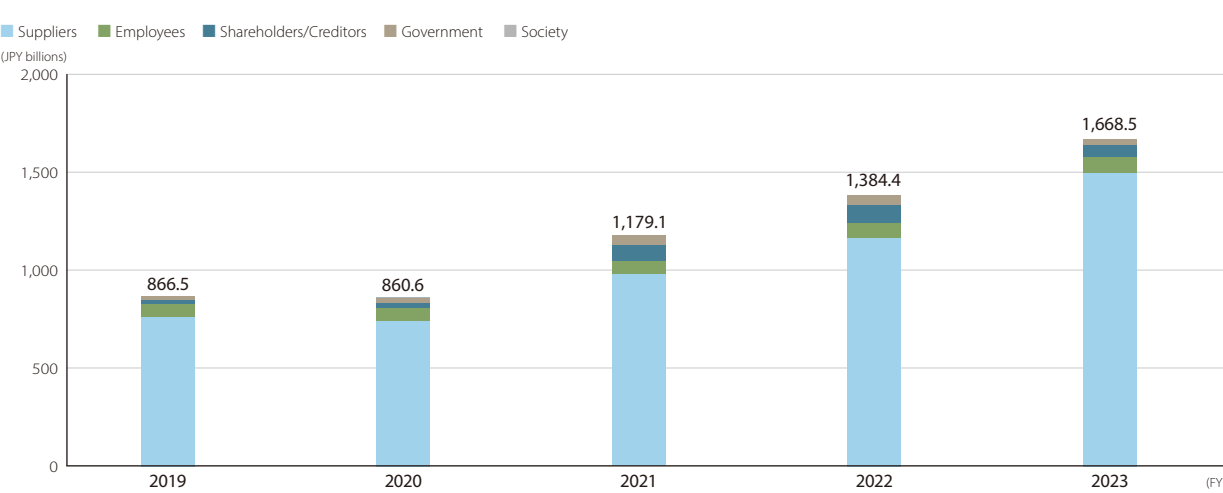


Delivering Economic Value to Stakeholders

Given the growing importance of value co-creation with stakeholders, such as shareholders, employees, suppliers, customers, creditors, and local communities, SMM distributes in an appropriate manner the earnings and outcomes generated through value co-

creation and productivity improvements to multi-stakeholders and strives in its commitment to the sustainable development of the Company and of society.

Distribution of Economic Value to Stakeholders



FY2023 Breakdown

Suppliers

Payments to suppliers: JPY1,497.6 billion

Taking into account the business environment and social conditions surrounding the Group, we make proper payments in an appropriate manner to execute our growth strategy and achieve sustainable growth.

Government

Taxes paid: JPY30.7 billion

SMM implements compliance fully and makes positive contributions to the benefit of the countries and local communities where it undertakes its projects.

Employees

Payments to employees: JPY79.9 billion

SMM appropriately compensates employees due to its provision of a favorable work environment and clear definitions of the roles of all individuals within the organization.

Society

Donations: JPY2.2 billion

SMM gives back to society due to its ability to coexist well with local communities, make positive contributions to the development of such regions, as well as to act with respect for the traditions and cultures of indigenous peoples.

Shareholders/Creditors

Payments of dividends and interest: JPY58.0 billion

SMM disburses dividends commensurate with its business performance through growth strategies and sound governance, as well as maximization of corporate value by means of information disclosure as appropriate.