

# System for Value Creation

Our value creation process is built around the “Shin” 3-business collaboration model centered on the Smelting & Refining Business. We will further refine the seven competitive strengths that we have built up over our long history and leverage collaboration among the three businesses to create value unique to the Company.

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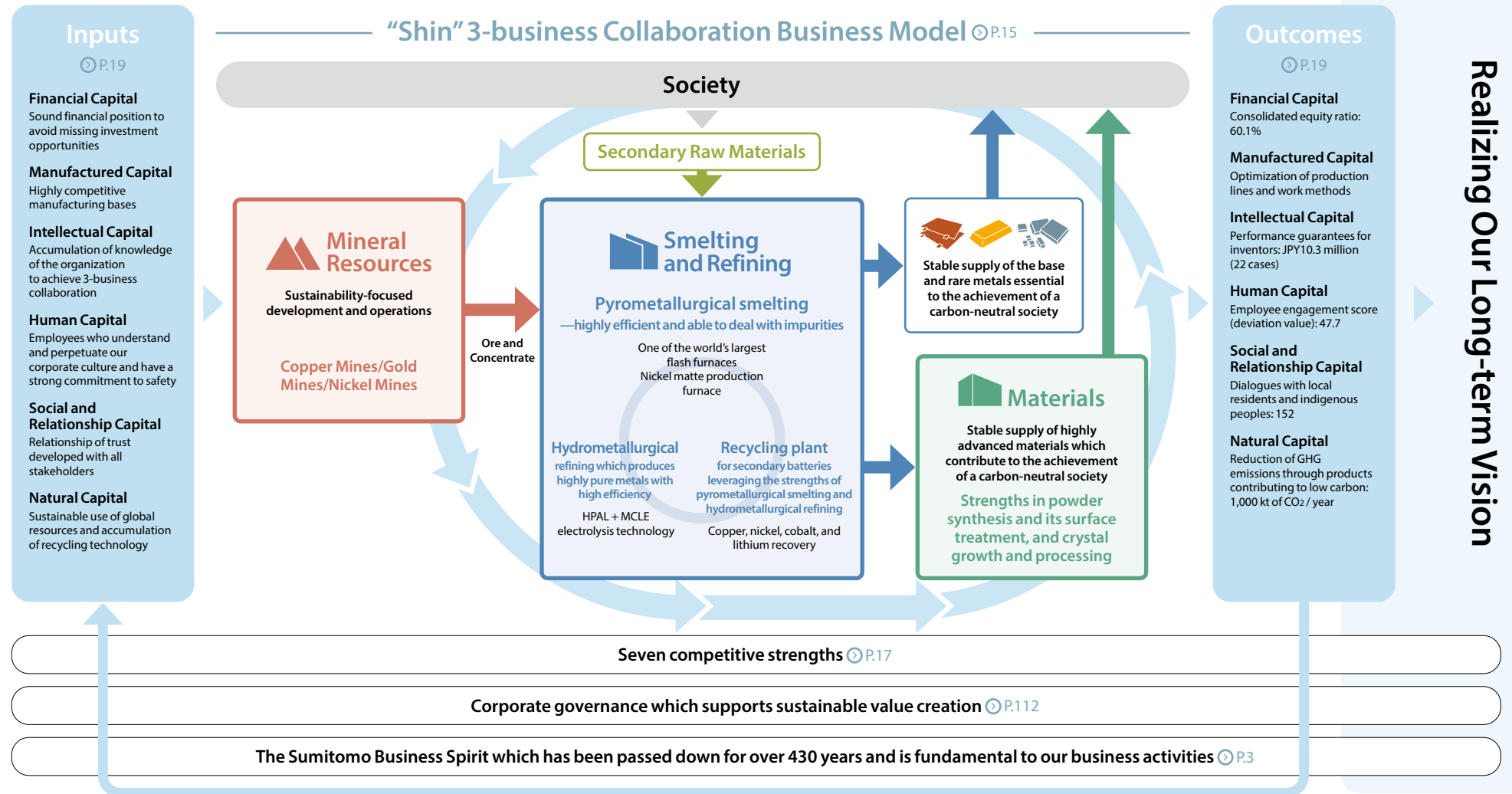


Courtesy of the  
Sumitomo Historical Archives



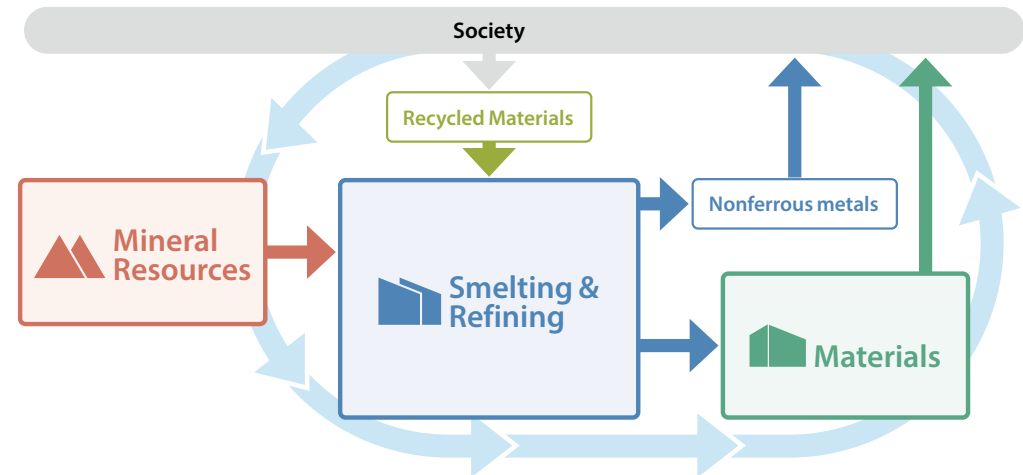
# Value Creation Process

Our “Shin” 3-business collaboration business model, with the Smelting & Refining Business at its core: whereby we build a sustainable supply chain via collaboration among these businesses and contribute to the circular economy and carbon-neutral society.



# “Shin” 3-business Collaboration Business Model

A distinguishing advantage of the SMM Group is the way in which our three businesses—Mineral Resources, Smelting & Refining, and Materials—collaborate organically in a manner which is not confined to mere vertical integration. Our “Shin” 3-business collaboration business model, with the Smelting & Refining Business at its core, is one of our Group’s major strengths, whereby we build a sustainable supply chain via collaboration among these businesses and contribute to the circular economy and carbon-neutral society.



## Possessing a highly advanced Smelting & Refining Business contributes to SMM’s ability to secure high-quality resource rights

Possessing a Smelting & Refining Business, which is capable of efficiently extracting valuable metals even from raw materials which are low-grade or have high levels of impurities, and which has a high production capacity, and thoroughly considers environmental aspects, give us competitive advantages in the acquisition of new, high-quality mineral resource interests.



## Offsetting declining profits in our Smelting & Refining Business due to low TC/RC via gains from our Mineral Resources Business

Approximately 50–60% of the ore (copper concentrates) we process at SMM’s copper smelter (Toyo Smelter & Refinery) is “own mine” ore, which we source from mines in which we hold interests. We are committed to increasing this proportion to around 70–80% in the future. While TC/RC (processing margins for copper smelting and refining business) is currently at historically low levels, these own mines allow us to offset any decline in TC/RC leading to reduced Smelting & Refining Business profits via increased profits from our Mineral Resources Business.



## Effectively utilizing ore from the Hishikari Mine as operating materials

Gold ore produced at the Hishikari Mine (Mineral Resources Business), which contains silica stone, serves as raw material for gold and silver in our Smelting & Refining Business while simultaneously being utilized as silica ( $\text{SiO}_2$ ), an essential operating material in copper smelting and refining, and is thereby contributing to cost reductions in this business.



## “Shin” 3-business Collaboration Business Model



### Contributing to GHG reduction through low-carbon products

While the generation of significant GHG emissions from our Smelting & Refining Business is unavoidable, through our Materials Business, we contribute to realizing a carbon-neutral society by supplying low-carbon products that utilize metals and other materials produced in our Smelting & Refining Business. (GHG reduction contribution target through the supply of products which contribute to a low-carbon society: 1.1 million t-CO<sub>2</sub>/year)



### Supporting recycling with smelting and refining technology

We not only ensure a stable supply of base metals and rare metals essential for a carbon-neutral society, but also actively engage in recycling of various non-ferrous metals by leveraging our strengths in both dry and wet smelting processes. In recent years, we successfully achieved Japan's first “battery-to-battery” horizontal recycling from used secondary batteries. We are currently constructing a recycling plant to recover and reuse copper, nickel, cobalt, and lithium from used secondary batteries and other sources. (Scheduled for completion in June 2026)



### Building a total supply chain: From raw material sourcing to battery materials

We ensure traceability for raw material sourcing, stable supply, and quality through our integrated in-house nickel supply chain, which encompasses from ore mining to battery materials. This total supply chain, including battery materials, is one of SMM's major strengths in facilitating the realization of a circular economy.



### Through our highly profitable Materials Business We co-exist with and prosper alongside local communities

Many of our Materials Business sites in Japan are located in regions where we previously operated resource and smelting businesses. We are remaining a trustworthy presence among local communities and fulfilling our responsibilities by developing our Materials Business in these areas, with many of the products within our portfolio in this business characterized by high profitability.



### Reducing profit and loss volatility through our Materials Business

We can mitigate any volatility in our Mineral Resources and non-ferrous metals businesses due to our Materials Business being less susceptible to fluctuations in metal prices. We will grow our Materials Business as a domain in which high-margin product lines come together, even if these may not be large in scale.



### Increasing sustainable corporate value through our “Shin” 3-business collaboration business model

Three-business collaboration delivers a wealth of tangible and intangible benefits, including the “pooling of knowledge” and information sharing among personnel from diverse backgrounds in “Mineral Resources,” “Smelting & Refining,” and “Materials,” in addition to marketing synergies. The SMM Group will achieve sustainable growth in corporate value by establishing and enhancing the “Shin” 3-business collaboration business model.

# 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 are enhancing 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 will continue to enable us to respond both smoothly and with tenacity to the changing times.



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

..... Intellectual Capital, Manufactured Capital, Natural Capital

1

- 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



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

..... Social and Relationship Capital, Natural Capital

3

- Build and maintain good relationships with reliable, worldclass 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



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

..... Human Capital

2

- 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

## Seven Competitive Strengths



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

..... Social and Relationship Capital

4

- 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 130 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



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

..... Social and Relationship Capital

6

- 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
- Build a framework enabling us to secure materials stably through our technology for extracting nickel from low-grade oxide ore; stable supply of nickel-based cathode materials for lithium-ion secondary batteries used by major electric vehicle manufacturers
- 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



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

..... Human Capital, Manufactured Capital

5

- 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
- 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



### Financial position that enables us to take advantage of investment opportunities

..... Financial Capital, Natural Capital

7

- Maintain a sound financial position to withstand large onetime 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 world-leading producers of copper, the Morenci Copper Mine and the Cerro Verde Copper Mine
- Decisively review the portfolio to maintain profitability

# Inputs and Outcomes (FY2024 result)

	INPUTS	Outcomes	
<b>Financial Capital</b>	<ul style="list-style-type: none"> <li>Total equity: <b>JPY2,049.4 billion</b></li> <li>Interest-bearing liabilities: <b>JPY560.3 billion</b></li> </ul>	<p>We ensure a sound financial position that can withstand temporary cash outflows. (Consolidated equity ratio of 50% or higher and consolidated dividend payout ratio of, 35% or higher)</p>	<ul style="list-style-type: none"> <li>Consolidated equity ratio: <b>60.1% (result)</b></li> <li>Japan Credit Rating Agency, Ltd. (JCR) credit rating: <b>AA-</b></li> <li>Consolidated dividend payout ratio: <b>173.4%</b></li> <li>Dividend: <b>JPY104/share (+JPY6/share YoY)</b></li> <li>Total shareholder return (TSR): <b>25.4% (10-year cumulative)</b></li> </ul>
<b>Manufactured Capital</b>	<ul style="list-style-type: none"> <li>Operational mines: <b>Japan 1 Overseas 8</b></li> <li>Smelters and refineries: <b>Japan 5 Overseas 3</b></li> <li>Plants of Materials Business: <b>Japan 13 Overseas 4</b></li> <li>Research centers: <b>Japan 4</b></li> <li>Capital expenditure: <b>JPY117.4 billion</b></li> </ul>	<p>With Smelting &amp; Refining Business at the core, we are building a sustainable supply chain with 3-business collaboration and contributing to the realization of a circular economy and carbon neutral society.</p>	<ul style="list-style-type: none"> <li>Stabilization and optimization of operations at the Cote Gold Mine and Quebrada Blanca Mine in progress</li> <li>Construction of a battery recycling plant currently underway</li> <li>Initiatives to improve productivity through DX (e.g., autonomous operations of Hishikari Mine's heavy machinery)</li> <li>Optimization of production lines and work methods (introduction and promotion of the Toyota Production System [TPS] in the Materials Business)</li> <li>Percentage of Group smelters and refineries in conformity with international certification*1: <b>57%</b></li> <li>Development of efficient manufacturing processes (realization of high-efficiency operations and enhanced capabilities for dealing with impurities)</li> </ul>
<b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>Research and development expenses: <b>JPY10.4 billion</b></li> <li>Intellectual property rights held: <b>6,281</b></li> <li>Technological strength relating to production methods and operating techniques that are superior in terms of effective utilization of low-grade ores, cost competitiveness, productivity, etc. (HPAL, MCLE, etc.)</li> </ul>	<p>We are promoting "X-MINING," which focuses on ideas which are unique regardless of industry, application, or scale, through timely information dissemination leveraging IT to thereby uncover new value, as an initiative to co-create new value.</p>	<ul style="list-style-type: none"> <li>Bonuses for inventors <b>JPY10.3 million (22 cases)</b></li> <li>Initiatives to demonstrate and commercialize the recycling technology of automotive lithium-ion batteries Inquiries and requests for written information to the X-MINING site <b>1,437</b></li> <li>SOLAMENT™ (near-infrared absorbing materials) fibers, increased recognition in the apparel and agricultural sectors</li> <li>Development of low-carbon smelting and refining technology</li> <li>Development and supply of products contributing to a low-carbon society</li> </ul>

\*1 International certification on responsible mineral sourcing and production (e.g., JDDS, Copper Mark Criteria, etc.)

## Inputs and Outcomes

	INPUTS	Outcomes
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>Consolidated employees: <b>7,402</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> </ul>	<p><b>We are implementing various initiatives to become a company where diverse human resources come together, and each employee can grow and actively participate.</b></p> <ul style="list-style-type: none"> <li>Engagement score (deviation value): <b>47.7</b></li> <li>Serious accidents*<sup>2</sup>: <b>3</b></li> <li>Number of workplaces with health risks*<sup>3</sup>: <b>2</b></li> <li>Health and productivity management survey (deviation value): <b>57.8</b></li> <li>Self-development system utilization rate: <b>25.8%</b></li> <li>Ratio (number) of female managers: <b>consolidated 11.5%, non-consolidated 3.3% (28)</b></li> <li>Paternity leave utilization rate*<sup>4</sup>: <b>100%</b></li> </ul>
<b>Social and Relationship Capital</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 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 built up through our core business</li> </ul>	<p><b>We undertake initiatives to maintain and enhance relationships of trust with local communities and our partners through business operations grounded in the Sumitomo Business Spirit.</b></p> <ul style="list-style-type: none"> <li>Provided education regarding indigenous peoples</li> <li>Coral Bay Nickel Corporation (CBNC) received three awards from the Philippine Department of Environment and Natural Resources</li> <li>Practiced responsible mineral sourcing and sustainable procurement</li> <li>Income tax paid: <b>JPY70.9 billion</b></li> <li>Compliance with the Global Industry Standard on Tailings Management</li> <li>Responses to inquiries from external stakeholders (grievance mechanism)</li> <li>Complaints: <b>5 (all handled and closed appropriately)</b></li> <li>Dialogues with local residents and indigenous peoples: <b>152</b></li> <li>Strengthening the foundation for social activities in local communities (cooperative planning and participation in regional contribution programs)</li> <li>Contribution amount: <b>JPY42 million</b> Total number of beneficiaries: <b>1,597</b></li> <li>Contributing to the development of the next generation in local communities (implementing scholarship and other support programs)</li> <li>Contribution amount: <b>JPY291 million</b> Total number of beneficiaries: <b>5,908</b></li> </ul>
<b>Natural Capital</b>	<ul style="list-style-type: none"> <li>Operational mines: <b>Japan 1 Overseas 8</b></li> <li>Raw mineral resources</li> <li>Copper concentrates usage <b>1,558 kt</b></li> <li>Nickel oxide ore usage <b>7,496 kt</b></li> <li>Gold and silver ore usage <b>175 kt</b></li> <li>Recycled materials <b>220 kt</b></li> <li>Water resources (fresh water and seawater) <b>193,665,000 m<sup>3</sup></b></li> <li>Energy from coal and coke <b>19,872 TJ</b></li> </ul>	<p><b>We are striving to reduce the greenhouse gas (GHG) emissions of society as a whole through the use of internal carbon pricing (ICP), the development of products contributing to low carbon, our business development, and other measures.</b></p> <ul style="list-style-type: none"> <li>Number of significant environmental accidents: <b>0</b></li> <li>Capital expenditure related to environmental preservation: <b>JPY10,525 million</b></li> <li>Reduction in emissions of hazardous substances into the atmosphere and water: <b>217 t</b></li> <li>Percentage of recycled materials used: <b>2.26 %</b></li> <li>GHG emissions (Scope 1 and 2): <b>Reduction in 200 kt-CO<sub>2</sub>e</b></li> <li>Equivalent reduction of GHG emissions through products contributing to low carbon: <b>1,000 kt-CO<sub>2</sub>e / year</b></li> <li>Energy input: <b>917 TJ reduction</b></li> <li>Copper recycling amount: <b>104 kt / year (copper content)</b></li> <li>Steelmaking dust recycling amount: <b>80,000 tons / year</b></li> </ul>

\*2 Accidents resulting in 50 or more days' absence from work

\*3 Control Class 2 and Control Class 3 workplaces under the Industrial Safety and Health Act

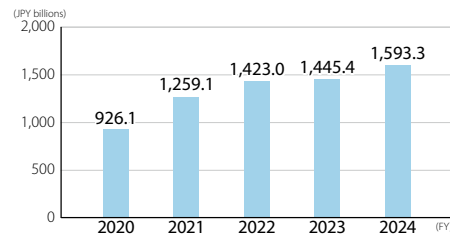
\*4 Utilization rate of parental leave and child-rearing leave under the Act on Childcare Leave/Caregiver Leave. Child-rearing leave at the Company is paid leave, available for up to nine days (including accompanying spouse during hospitalization and childbirth, in addition to seven consecutive days which can be taken from the day of hospital discharge or seven consecutive days starting from the date of returning to own home following a home-town birth).



# Financial and Non-Financial Highlights

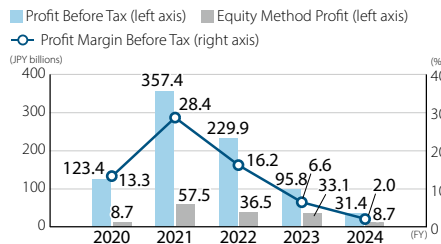
## Financial Capital

### Net Sales



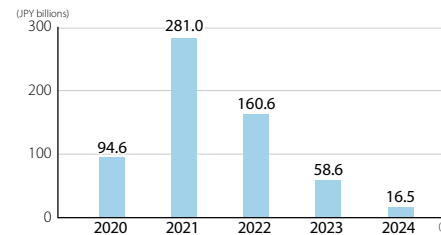
Consolidated net sales increased by JPY147.9 billion year on year to JPY1,593.3 billion due mainly to the average prices of copper and gold exceeding those in the previous year, and the impact of the weak yen.

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



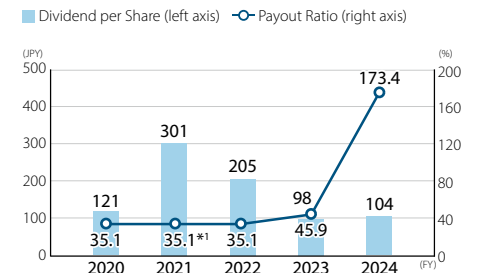
Consolidated profit before tax decreased by JPY64.4 billion year on year to JPY31.4 billion, due to incurring of an impairment loss in the Smelting & Refining and battery materials businesses, despite an increase attributable to the seamless launch of newly developed mines.

### Profit Attributable to Owners of Parent



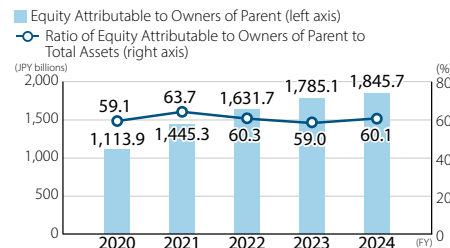
Profit attributable to owners of parent decreased by JPY42.1 billion year on year to JPY16.5 billion, due mainly to a decrease in consolidated profit before tax.

### Dividend per Share / Payout Ratio



Our dividend policy in FY2023 and FY2024 onwards has been in principle to maintain a consolidated payout ratio of at least 35% with a lower limit indicator of dividend on equity (DOE) of 1.5%. For FY2024 the annual dividend per share applied a DOE of 1.5%, combining an interim dividend of JPY49 and a year-end dividend of JPY55 for a total payout of JPY104 per share.

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

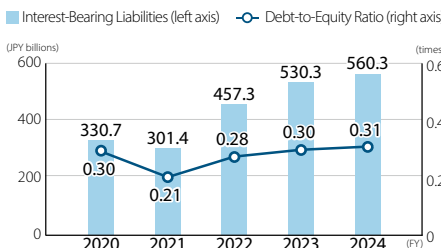


Total equity attributable to owners of parent increased by JPY60.6 billion year on year to JPY1,845.7 billion. The ratio of equity attributable to owners of parent to total assets (equity ratio) was 60.1%. We were able to achieve a level higher than 50%, our target for maintaining a sound financial position.

\*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.

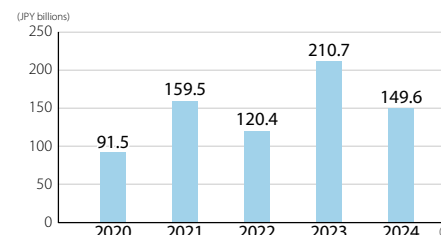
\*2 Amounts of interest-bearing liabilities and the figures for the debt-to-equity ratio do not include lease liabilities.

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



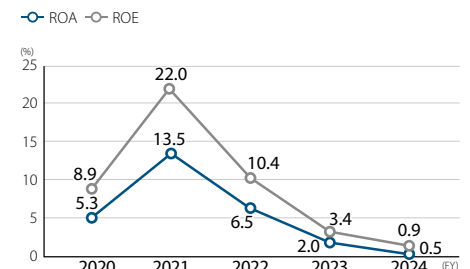
The amount of interest-bearing liabilities as of March 31, 2025, increased by JPY30.0 billion year on year to JPY560.3 billion. The debt-to-equity ratio increased by 0.01 points year on year to 0.31 times.

### Net Cash Provided by Operating Activities



Net cash provided by operating activities decreased by JPY61.1 billion year on year, due mainly to an increase in inventories and trade and other receivables and a decrease in trade and other payables, despite an increase in interest and dividends received.

### ROA/ROE



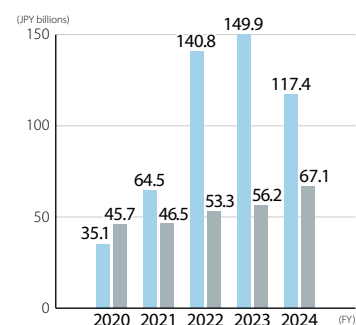
ROA decreased by 1.5 points year on year to 0.5%. ROE decreased by 2.5 points year on year to 0.9%.

# Financial and Non-Financial Highlights

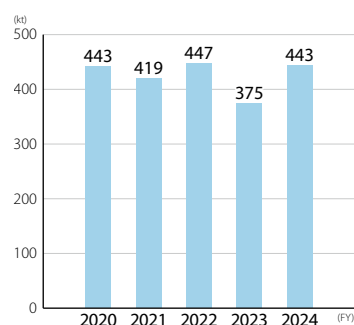
## Manufactured Capital

### Capital Expenditure / Depreciation

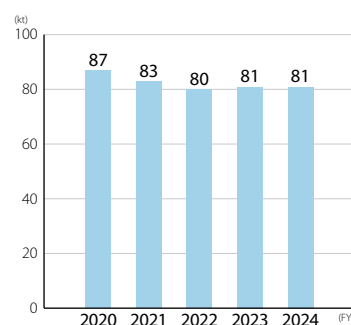
■ Capital Expenditure ■ Depreciation



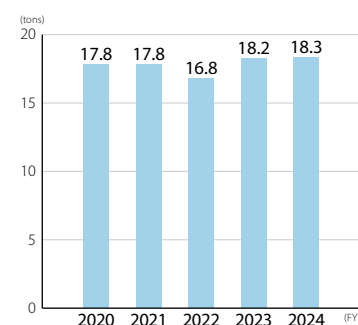
### Electrolytic copper production



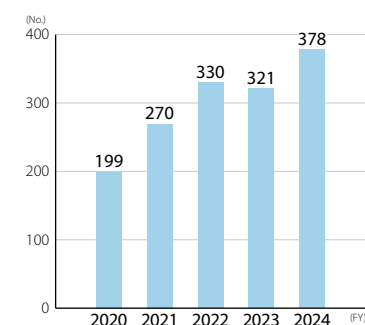
### Nickel production



### Gold production



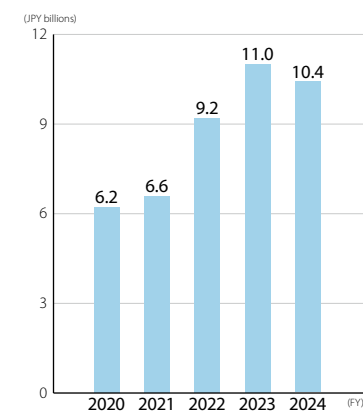
### Responses to "responsible mineral sourcing" surveys\*1



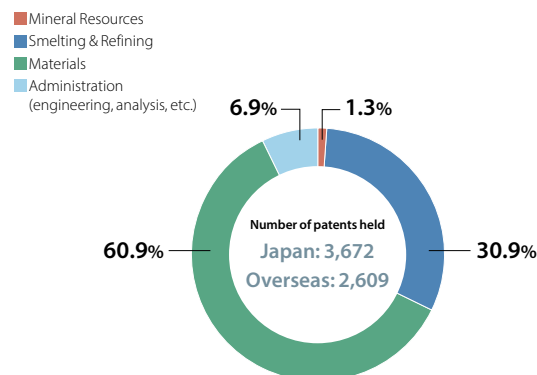
\*1 Number of responses to surveys of customers on "responsible mineral sourcing," primarily focused on identification surveys of smelters and refineries operated by RMI

## Intellectual Capital

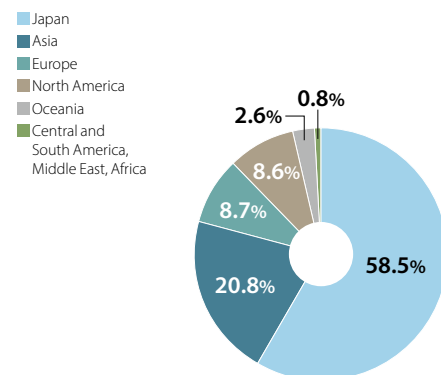
### Research and Development Expenses



### Ratio of the Number of Patents Held by Business (FY2024)



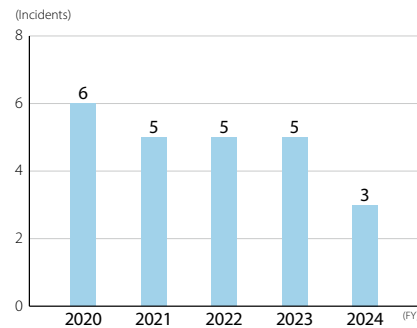
### Ratio of the Number of Patents Held by Region (FY2024)



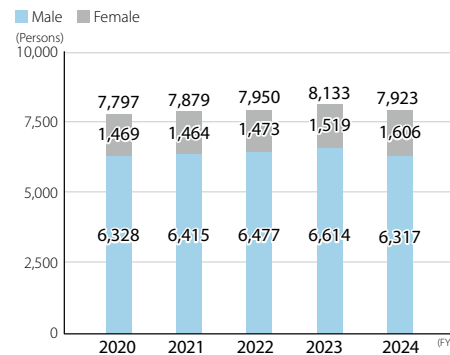
# Financial and Non-Financial Highlights

## Human Capital

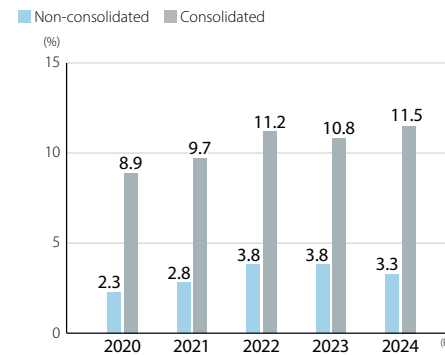
### Safety Record (Number of Serious Incidents Resulting in 50 or More Days' Absence from Work)



### Officers and employees by gender\*1,2



### Ratio of female managers



### Engagement score

47.7

(FY2024)

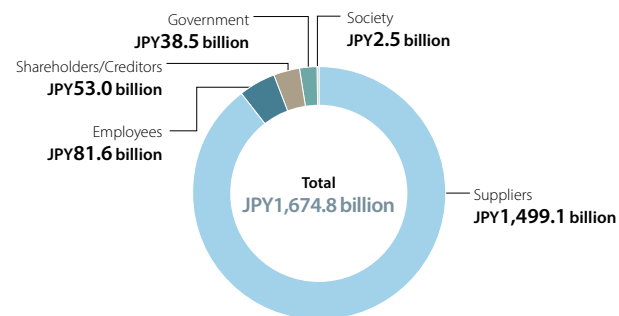
An engagement score refers to a standardized value that quantitatively measures employee engagement levels, with the average of companies participating in surveys (approximately 10,000 companies) set as 50.

\*1 Data are as of the end of March of each fiscal year (including employees on leave), and dispatched employees are recorded in the number of officers and employees of the company to which they are dispatched.

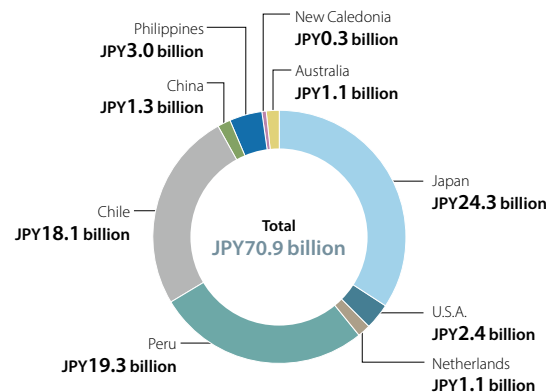
\*2 Officers include directors, Audit & Supervisory Board members, and executive officers (excluding outside directors and outside Audit & Supervisory Board members) of SMM, and directors and Audit & Supervisory Board members of consolidated subsidiaries in Japan and overseas

## Social and Relationship Capital

### Distribution of Economic Value to Stakeholders\*3 (FY2024)



### Income Tax by Country or Region\*4 (FY2024)



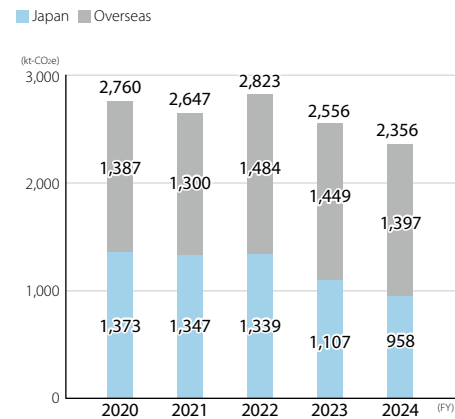
\*3 Breakdowns and totals may differ due to rounding off to the nearest unit.

\*4 With regard to equity-method affiliates, the above amounts include the Company's proportional burden of income tax.

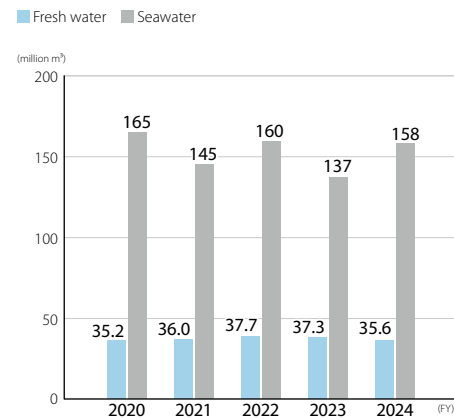
# Financial and Non-Financial Highlights

## Natural Capital

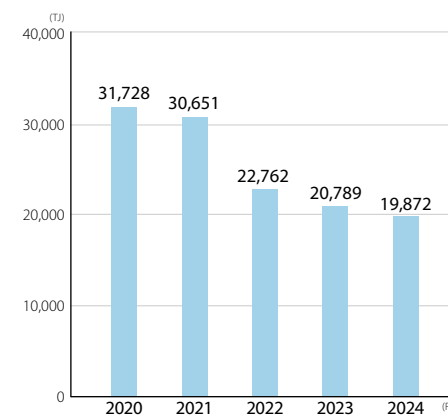
### Greenhouse Gas Emissions (Scope 1 and 2)



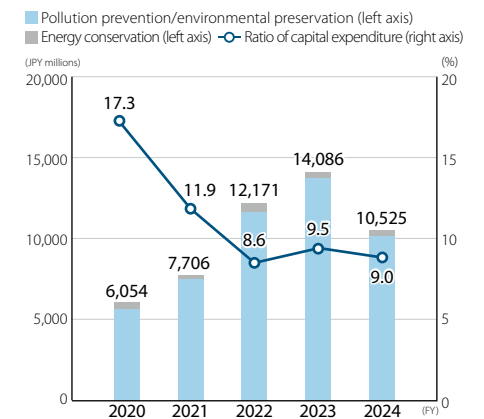
### Water Resources (fresh water and seawater)



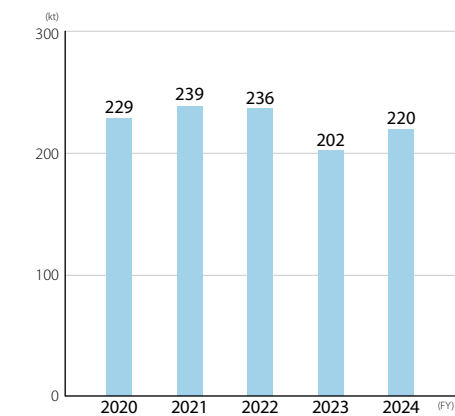
### Energy Input (calorific value\*1)



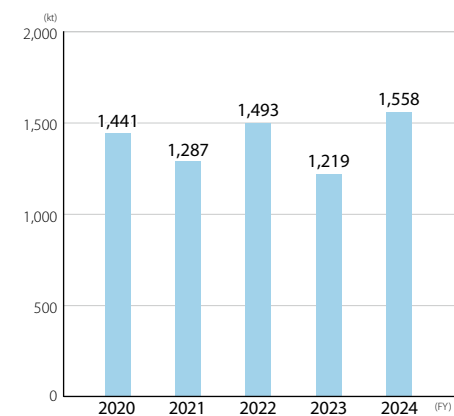
### Capital Expenditure Related to Environmental Preservation



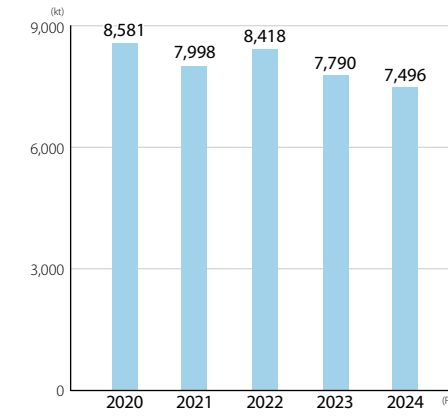
### Recycled Materials\*2



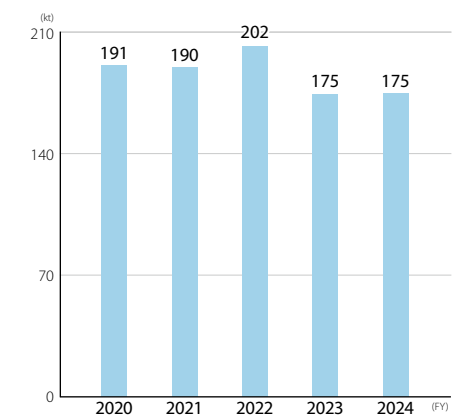
### Copper Concentrates Usage



### Nickel Oxide Ore Usage



### Gold and Silver Ore (Hishikari Mine) Usage



\*1 From FY2022 onward, fuel, heat, electricity, etc. consumed in business activities in Japan and overseas are covered, and electricity consumption is converted into joules at 3.6 GJ per 1,000 kWh.

\*2 Recycled materials: Copper scrap, secondary zinc, precious metals and other secondary materials, electric arc furnace dust, sludge, soot and dust, ALC waste