

## Message from the President

**Our Vision of “Becoming the World Leader  
in the Non-ferrous Metals Industry”  
to Meet Society’s Expectations and Earn its Trust**

**We will improve our profitability focusing on  
MONOZUKURI-RYOKU (earning power) and work to  
build our foundation or growth over the long term**



*N. matsumoto*

President and Representative Director



## Message from the President

# Q.1 What is the significance of your vision of “becoming the world leader in the non-ferrous metals industry”?

## A.1 To meet society’s needs and fulfill our duty to provide a stable supply of non-ferrous metals

### Our Long-term Vision: Becoming the World Leader in the Non-Ferrous Metals

#### To ensure the stable supply of non-ferrous metals that is essential for society by building cooperative relationships with major overseas players

Our Company’s long-term vision of “Becoming the world leader in the non-ferrous metals industry” will not be achieved simply by increasing production volume and profit. We will be required to leverage our global presence, refine our leading technologies and unique business model, generate stable profits, and address social issues with sincerity, and this will be achieved by our employees who work vibrantly and with spirit. This long-term vision will be the goal we strive to achieve no matter how the times or the environment may change.

Our mission is to provide a stable supply of the non-ferrous metals (copper, nickel, etc.) that are essential for society. However, mine development is becoming increasingly difficult throughout the world, while competition for resources is intensifying. Maintaining a stable supply in these circumstances requires that we earn the trust of major overseas non-ferrous players as a business partner and collaborate worldwide to acquire resources. The trust that our Group has earned over the years

comes from our 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. This accumulated trust is one of our Group’s greatest advantages.

At the root of our vision is our mission and our social responsibility as a manufacturing company. We believe that our vision of “becoming the world leader in the non-ferrous metals industry” is the sure path toward not only our Group’s growth, but also our contributions to the development of society and to people’s livelihoods.

### Revising the Material Issues for Achieving the Long-term Vision Meeting Society’s Demands through Initiatives on Six Consolidated Material Issues

In March 2020, our Group set the material issues we must respond to as we achieve our long-term vision, and for each issue we formulated our Vision for 2030 and our KPIs for measuring degrees of achievement and made these public. In the few years since then, there have been significant changes in society, lifestyles, and the business environment, with growing calls on a global scale for companies to contribute to building sustainable societies. With these expectations and demands from society in mind, we have

consolidated our 11 material issues into six and revised our Vision for 2030 and our KPIs, which we announced in March 2025. [P.35](#)

The key issues are these two: “1. Stable Supply of Non-Ferrous Metals and Transition to a Circular Economy” by ensuring stability and effective use of resources, and “2. Realizing a Carbon Neutral Society” to cope with the worldwide challenge of global warming. We can consider these issues that demonstrate the value our Group can provide to society. Following these are four issues: “3. Conservation and Restoration of Nature”, “4. Human Capital Management”, “5. Co-Existence and Mutual Prosperity with Local Communities and Indigenous People”, and “6. Supply Chain Management”. These will form the foundation for promoting initiatives to realize the two issues stated above. In particular, “Human Capital Management” is the foundation for all other issues, and we are working harder than ever to promote the securing, fostering, and utilization of human capital. By focusing as an entire Group on these issues, we intend to fulfill society’s expectations and demands.

## Message from the President

# Q.2 What are the goals of the newly-launched 3-Year Business Plan 2027?

## A.2 To improve profitability amid the harsh environment, achieve sustainable growth, and enhance corporate value

From “21 3-Year Plan” to “3-Year Plan 27”

### We will work to enhance corporate value from a long-term perspective while overcoming current issues

In our 2021 3-Year Business Plan (21 3-Year Plan: FY 2022-FY2024), our key strategies were these four challenges: “1. Increasing corporate value – Promotion of large-scale projects”; “2. Improving core business sustainability”; “3. Adapting to changes in the social environment”; “4. Strengthening the foundation of business management”.

I assumed the post of President and Representative Director in June 2024, the last year of the plan, and I have been working with the intention of fulfilling these strategies. Although I felt I carried out everything I needed to, the results were by no means satisfactory. In particular, safety performance, one of the foundations of business management, did not meet targets, and in terms of business performance, earnings fell sharply year-on-year, impacted by impairment losses in the battery materials business and at Coral Bay Nickel Corporation, our Philippine smelting and refining subsidiary. Unprecedented changes are occurring in both the global economy and our business environment, and we realize that our Group's current earning power has declined and that our revenue base is under

### The 4 Challenges in the 21 3-Year Plan and Review of the Plan

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

- Expanding production capacity for battery cathode materials
- Quebrada Blanca 2 project
- Cote gold mine development project
- Pomalaa Project (discontinued)

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

- Reducing greenhouse gas (GHG) emissions
- Promoting the development of products, technologies and processes that can help achieve carbon neutrality
- Adaptation to digital transformation (DX)
- Initiatives for securing, fostering and utilizing human capital

#### Challenge 2 Improving core business sustainability

- 3-business collaboration to strengthen the value chain for Ni-batteries
- Shifting Hishikari Mine to sustainability-oriented operation
- Enhancing competitiveness of copper-smelting business
- Strategy for advanced materials business expansion

#### Challenge 4 Strengthening the foundation of business management

- Strengthening safety initiatives
- Reorganizing and enhancing sustainability promotion framework
- Corporate governance

considerable strain.

Considering the results and the challenges with the 2021 3-Year Business Plan, our themes for the 3-Year Business Plan 2027 (3-Year Plan 27: FY2025-FY2027) are “Coping with Changes in the Business Environment” and “Preparing for Future Growth”.

The current business environment could be considered a

“headwind”, and we expect this to continue throughout the 3-Year Plan 27 period. With this in mind, we will first work to increase profitability for the large projects undertaken during the 2021 plan by our mineral resources business and solidify our foundation. For nickel smelting and refining, in which oversupply continues to put pressure on prices, we will promote the required

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technological development and structural reforms, including new nickel matte production at the Hyuga Smelting and development of an in-house sulfur recycling system, to improve our overall strength. In copper-smelting, even with the historically low levels of TC/RC, our best option is to continue full production at the Toyo Smelter & Refinery, given its high production efficiency and cost competitiveness. In our materials business, we are placing particular emphasis on rebuilding our battery materials business. Changes in client needs are prompting a shift in cathode material types, and we will continue to develop high-quality cathode materials, a field where we can leverage our Group's advantages.

Although our Group currently faces strong headwinds, we believe that the oversupply state will eventually be corrected and that TC/RC will recover to normal levels. Given trends in society

such as carbon neutrality, xEVs, the hydrogen economy, and the shift toward AI, applications for the non-ferrous metals and highly advanced materials our Group handles are likely to grow even further. In anticipation of this future, we will actively tackle our next growth preparations for the 3-Year Plan 27.

Some examples include the Winu Copper-Gold Project and the Kalgoorlie Nickel Project that we are pursuing with our JV partners in Australia; the recycling plant for lithium-ion secondary batteries that we are constructing in Japan (scheduled for completion in 2026); SiCkrest® bonded SiC substrates for power semiconductors that offer both outstanding performance and low cost; and SOLAMENT® near-infrared absorbing material, which offers a wide range of applications including light shielding and photothermal conversion and is expected to help cope

with climate change. Through these and other initiatives, we will continue to take on challenges to realize our long-term vision.

### “Shin” 3-Business Collaboration Model

**With the smelting and refining business at the core, we will build a sustainable supply chain with 3-business collaboration and contribute to the achievement of a circular economy and carbon-neutral society**

Our Group's business model is unique for its collaboration among our three businesses (mineral resource, smelting & refining, and materials). In the past, we have explained our integrated in-house nickel supply chain, which covers everything from securing nickel mineral ore raw material to the production of battery materials within our group, as a model case. This approach emphasized a one-directional supply chain flow with a focus on processing materials and supplying them to customers in the form of products, with the goal of expanding that core. However, we now sense the growing demands for the circular economy, and we see a greater need to develop our businesses in a way that enables circulation within our own processes, including recycling. Our business model itself remains unchanged, but its meaning has been evolved in terms of a 3-business collaboration incorporating a circular economy approach that goes beyond the conventional “expanding the core”. The “Shin” in our “Shin” 3-business collaboration business model means more than just “new” – it also signifies “evolution”, “deepening”, “true value”, and “trust” (all of which begin with the “shin” sound in Japanese). We believe the effective use of limited resources is how we will contribute to the sustainability of the mineral resources business and that advancing the circular economy is one of our Group's critical missions. [P.15](#)

## 3-Year Plan 27 Executive Summary

A critical juncture for realizing long-term vision of “becoming the world leader in the non-ferrous metals industry”

Enhance our MONOZUKURI-RYOKU to regain profitability and rebuild a foundation to sustainably increase corporate value

<p><b>Strong headwind expected in the business environment during 3-Year Business Plan 2027</b></p>	<ul style="list-style-type: none"> <li>• Prolonged oversupply due to increased nickel production in Indonesia</li> <li>• Slumping copper concentrate purchase terms (TC/RC) due to supply shortages and new copper smelter opens</li> <li>• Drastic changes in the battery materials business environment</li> </ul>
<p><b>Tailwind expected in the medium to long-term business environment</b></p>	<ul style="list-style-type: none"> <li>• Demand for non-ferrous metals (copper/nickel) continues to grow; supply will also increase, but suppliers who cannot withstand the price level will be eliminated (balance after 2030)</li> <li>• TC/RC will also return to a level where supply (production of smelters) can be maintained to meet demand (after 2030)</li> <li>• Trends such as carbon neutrality, xEVs, hydrogen economy, and AI are certainties, increasing uses for materials business products</li> </ul>



### Work to enhance corporate value from a long-term perspective while overcoming current issues

- Rebuilding of battery materials business
- Operating Smelting and Refining business under adverse conditions (nickel, copper)
- Business portfolio management (ROCE management)
- Prepare for future growth
- Focus on MONOZUKURI
- Management with an awareness of capital costs stock prices
- Strengthen and enhance shareholder returns
- Corporate governance
- Sustainability management (material issues and Vision for 2030, KPIs)

## Message from the President

# Q.3 How will enhancing MONOZUKURI-RYOKU (earning power) lead to competitive advantage?

## A.3 MONOZUKURI-RYOKU is the source of our competitiveness and the foundation for sustainable growth

### Enhance our MONOZUKURI-RYOKU

#### Refining the MONOZUKURI-RYOKU (earning power) we have consistently emphasized not only at manufacturing sites but also across all business activities

As our SMM Group Management Vision demonstrates, we have consistently emphasized our role as a “manufacturing enterprise”. I personally have spent many years at manufacturing sites, so I have a strong interest in MONOZUKURI and I have continued to advocate for strengthening the MONOZUKURI-RYOKU that is the source of our competitiveness even after being named President.

In my concept, MONOZUKURI-RYOKU means “earning power”, and with our 3-Year Plan 27 we aim to increase profitability by enhancing this power. Here, it is critical to remember that MONOZUKURI-RYOKU is not only demonstrated by the manufacturing division. MONOZUKURI refers to efforts within all division, including R&D and marketing as well as HR, accounting, and other administrative support departments, and even management; refining this MONOZUKURI-RYOKU across all business activities will lead to enhanced competitiveness. Each and every employee should take on an improvement-oriented consciousness in their positions and increase productivity using their ingenuity. I believe the accumulation of those efforts will

help enable sustainable growth for our Group.

### Human Capital Management

#### Utilizing advanced digital technologies and the Hishikari Mine to pass along our legacy of wisdom and know-how to the next generation

In enhancing our MONOZUKURI-RYOKU, I have placed the greatest emphasis on human capital, and I have included human capital management as one of our material issues.

Our Group is looking for personnel with an “edge” – that is, people who can come up with concepts beyond previous frameworks and unconventional ideas. Utilizing mid-career hiring and our career challenge system, we aim to actively bring in personnel from different fields with diverse backgrounds to generate ideas never before seen within our Group, leading to creation of new systems and technologies. On the other hand, we also see “knowledge transfer” as a major issue. Our group has accumulated wide-ranging know-how related to manufacturing throughout our long history, including fields such as safety management, environmental management, quality control, and operational management. However, we are in a state in which serious accidents are recurring. One factor is that accumulated

wisdom and know-how stays with specific employees, and knowledge transfer is not being conducted across generations. In other words, this means that personnel development is not being conducted properly, and we feel a strong sense of urgency about this.

To address this problem, we will not only create opportunities for OJT and other practical experience building, but we will also promote the visualization and sharing of efficient know-how through digital transformation (DX) and use of digital technologies such as AI. The Hishikari Mine will be particularly significant in these efforts. The mine, which started operating in 1985, is one of the Japan's largest gold mines and boasts a world-class gold content ratio. It is much more than just a revenue base for our Group; it is also a vital asset that brings multifaceted value. While serving as a place to train mining engineers covering a series of hands-on tasks from mine development to operation, it also actively incorporates advanced technologies in digital transformation, such as heavy machinery automation and remote operation, and serves as a place for improving safety and efficiency under the challenging work environment of an underground mine. Having such a facility has earned us recognition from major overseas non-ferrous players.

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# Q.4 How do you plan to improve evaluations from stakeholders?

## A.4 We will work to improve capital efficiency while enhancing communication with stakeholders

### Present Status and Outlook for Capital Efficiency

**Through thorough ROCE management, we will aim to improve capital efficiency while focusing on reaping the benefits from previous initiatives**

Our Group is cognizant that implementing “Management that is Conscious of Cost of Capital and Stock Price,” as requested by stakeholders, is a crucial element for maintaining and strengthening the management base.

Up to this point, we have taken steps to improve capital efficiency by promoting ROCE (return on capital employed) management while maintaining a sound financial position with a target consolidated equity ratio of over 50%. Our 3-Year Plan 27 also reflects our commitment to this financial strategy and ROCE management; however, as we anticipate a challenging business environment, we expect ROCE for the end of this plan period to fall short of the current WACC (weighted average cost of capital), which is in the 6-7% range.

Unfortunately, our PBR (price-to-book ratio) has remained under 1.0x. In addition to our concern regarding the current situation, we take very seriously the market’s frank evaluation that we have been slow in reaping the benefits of all the strategic investments in our 21 3-Year Business Plan and the large projects we have undertaken. We reflect on this in our 3-Year Plan 27, and we aim to take a step forward and proceed with the projects we

are advancing with our JV partners as planned, while working to visualize the results of the strategies and measures mentioned thus far through steady implementation of each, thus increasing our corporate value. In particular, we consider expanding profits in our materials business, which has relatively less impact from market fluctuations, as an effective measure to counter volatility.

### Capital Allocation

**We will conduct appropriate capital allocation in response to changes in the business environment and disseminate this clearly to stakeholders**

Capital allocation is vital for efficient use of capital to increase returns and maximize share value, and we need to constantly reevaluate it considering changes in environments both inside and outside the company.

In our 3-Year Plan 27, in contrast to the 21 3-Year Plan, we expect that growth investment, which had been high levels, will peak, and therefore we will proceed to strengthen shareholder returns. Our minimum DOE (dividend on equity) had been 1.5%, but we plan to revise this to 2.5%, and we are also considering flexible treasury share purchases.

To fund these shareholder returns, we intend to allocate sources, including cash inflow through reductions in cross-

shareholdings. In the past, we responded by reducing these flexibly as required; but in the 3-Year Plan 27, as part of our pursuit of capital efficiency, we will proceed with systematic reductions under a clear policy and proceed with sales with a target of reducing the ratio to 10% or less of consolidated net assets for 2028 and beyond.

We would like to clearly convey this capital allocation policy and strategy and use them as a starting point for communication with stakeholders. Along with this, offering a clear explanation of the originality and the benefits of the “Shin” 3-business collaboration business model should help to encourage understanding of our Group’s future potential and lead to better evaluations from stakeholders.

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### Q.5 Please offer a message to our stakeholders.

### A.5 We aim for sustainable growth to meet the expectations of all our stakeholders

#### Aspirations for the Period of the 3-Year Plan 27

#### **While leading enhancement of communication, we will foster and instill a free and open corporate culture to swiftly respond to changes in the times**

A year has passed since I took on the post of President and Representative Director in June 2024. Looking back, it has been a whirlwind year, but I have been blessed with opportunities for dialogue with our stakeholders, including our shareholders and investors, which has given me a true sense of how much support our Group receives from our stakeholders. Again, I would like to take this opportunity to express my sincere gratitude.

That said, if asked whether this communication was sufficient, I feel it was only a minimum, and I intend to be more proactive this year.

The challenging business environment will continue throughout the three years of our 3-Year Plan 27, so I see this as a critical juncture for realizing our long-term vision of “becoming the world leader in the non-ferrous metals industry”. In order to achieve the goals of strengthening profitability and sowing seeds for the future as outlined in the plan’s policies, I and each and every employee must increase opportunities for communication both inside and outside the company, and we must also refine our sensibilities for grasping current trends and valuable information. The important thing is to be prepared and

be able to sense trends before they happen, and to never miss the moment when the wind changes. Now more than ever, in this age of abundant information, the capability to discern what information is really important, or to hone your sensibilities, is crucial for generating company growth and new value. Also, the insights and information we gain should not simply stay with us; we should share them throughout the organization and put them to use as company knowledge. To this end, I will work toward fostering and instilling a free and open corporate culture that takes on challenges without fear of failure.

My goal for these three years is to create an organization based on a free and open corporate culture capable of sifting through the information we have obtained and swiftly making decisions. I believe that integrating this organizational capability with our refined MONOZUKURI-RYOKU will enable us to achieve further growth for our Group. I sincerely ask for your continued support and guidance going forward.

