

Corporate Governance

Sumitomo Metal Mining Co., Ltd.

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Sumitomo Metal Mining Co., Ltd.

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URL: <https://www.smm.co.jp/en/>

The corporate governance of Sumitomo Metal Mining Co., Ltd. (“the Company”) is as set out below.

I Basic Philosophy of Corporate Governance, Capital Structure, Corporate Data, and Other Basic Information

1. Basic philosophy

The Company’s basic philosophy pertaining to corporate governance is set out in “Corporate Governance Basic Policy, 2. Basic philosophy” and is displayed publicly on the Company website at the address below.

Corporate Governance Basic Policy

URL: <https://www.smm.co.jp/en/ir/management/governance/>

Reasons for not applying a particular principle of *Japan’s Corporate Governance Code*

The Company writes this Corporate Governance Report by reference to all Principles of the Corporate Governance Code revised as of June 1, 2018.

Supplementary Principle 4.1.3: 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: Kazuhisa Nakano, 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.

Supplementary Principle 4.2.1: 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. For the basic policies and procedures for remuneration, please refer to section (iii) of "Principle 3.1: Full disclosure" below. 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.

Disclosures pursuant to specific principles of *Japan's Corporate Governance Code*

The Company writes this Corporate Governance Report by reference to all Principles of the Corporate Governance Code revised as of June 1, 2018.

Principle 1.4: 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 mid 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 respond in a sincere manner with a view to proceeding with the sale.

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 that company over the medium to long term, and what impact it will have on the Company's corporate value. Decisions on voting are made particularly cautiously in circumstances such as cases of companies affected by major scandals or by persistent losses.

In fiscal 2020, the Company sold all cross-shareholdings in three companies.

As of March 31, 2021, the Company maintained cross-shareholdings in 55 publicly-listed companies. Each of the aforementioned cross-shareholdings was verified at the regular Board of Directors meeting held in June 2021 (excluding shares in one company that were sold in April 2021).

Principle 1.7: Related-party transactions

Transactions between the Company and our Directors or Audit & Supervisory Board Members will require the prior approval of the Board of Directors so as to ensure that the interests of the Company and the common interests of our shareholders are not harmed. Additionally, the Company will survey whether or not such transactions have been carried out and report our findings to the Board of Directors semiannually.

If any transaction with a major shareholder arises, it will be handled under the same standards as transactions between the Company and our Directors. A major shareholder is one who holds 10% or more of the voting rights of the Company.

Principle 2.6: Roles of corporate pension funds as asset owners

The Company has established the Asset Management Committee and a structure to ensure appropriate investment and management of corporate pensions. The committee advises the president, who has responsibility for pension management, in such areas as the formulation and revision of basic management policy and the strategic asset mix, and the evaluation of asset managers. The committee also endeavors to enhance the expertise of secretariat personnel by such means as having them participate in pension-related seminars.

Principle 3.1: Full disclosure

(i) Business principles and strategies

The SMM Group Corporate Philosophy and its source, Sumitomo Business Spirit, the SMM Group Management Vision, which delineates what the Company aims to become on the basis of the corporate philosophy, and the SMM Group Code of Conduct, which sets out the standards of conduct required of officers and employees to fulfill its corporate philosophy, are displayed publicly on the Company's website at the addresses below.

SMM Group Corporate Philosophy

URL: https://www.smm.co.jp/en/corp_info/philosophy/principle/

The Sumitomo Business Philosophy

URL: https://www.smm.co.jp/en/corp_info/philosophy/sumitomo/

SMM Group Management Vision

URL: https://www.smm.co.jp/en/corp_info/philosophy/vision/

SMM Group Code of Conduct

URL: https://www.smm.co.jp/en/corp_info/philosophy/conduct/

Also, the 2018 3-Year Business Plan, which covers the period from fiscal 2019 through fiscal 2021, is displayed publicly on the Company's website at the address below.

URL: <https://www.smm.co.jp/en/ir/management/plan/>

(ii) Basic views and basic policy on corporate governance

The basic policy on corporate governance, including the basic philosophy on corporate governance, has been compiled as the "Corporate Governance Basic Policy" and is displayed publicly on the Company's website at the address below.

URL: <https://www.smm.co.jp/en/ir/management/governance/>

(iii) Basic policies and procedures for the remuneration of senior management and directors

The policy regarding the determination of remuneration, etc. of individual directors (including directors who concurrently serve as Executive Officers) is as follows.

1. Basic Policy

Remuneration for Directors of the Company is linked to the business performance of the Company, and designed to motivate Directors to achieve mid 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 mid 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 Outside Directors) shall consist of base 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. Outside Directors shall receive only basic 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.

2. Basic Remuneration

1) Policy on determination of remuneration, etc. for the President and Director

Basic remuneration for the President and Director is composed of fixed remuneration and performance-based remuneration.

The amount of fixed remuneration will be set at a specified standard amount, referencing the remuneration trends of domestic companies in the same industry and domestic manufacturing companies of the same size as the Company, and will be adjusted to a certain extent each year based on employee wage trends.

As an evaluation of corporate management performance, performance-based remuneration, etc., is paid as an amount calculated in accordance with the degree of achievement of targets for net income attributable to owners of the parent and safety during the previous fiscal year.

2) Policy on determination of remuneration, etc. for the Chairman of the Board

Basic remuneration for the Chairman of the Board shall be the base amount of the basic remuneration for the President and Director, multiplied by a predetermined position-specific coefficient.

3) Policy on determination of remuneration, etc. for Outside Directors

Basic remuneration for Outside Directors shall be the base amount of the basic remuneration for the President and Director, multiplied by a position-specific coefficient.

4) Policy on determination of remuneration, etc. for Directors who concurrently serve as Executive Officers with special titles (Executive Vice President, Senior Managing Executive Officers, Managing Executive Officers)

Basic remuneration for directors who concurrently serve as executive officers with special titles is determined based on the basic remuneration of the President and Director, and takes into account job responsibilities, departmental performance, and individual performance evaluations.

Representative Directors who concurrently serve as Vice President or Senior Managing Executive Officers and Directors who concurrently serve as Managing Executive Officers shall be paid fixed remuneration predetermined in consideration of their positions and responsibilities in addition to the

basic remuneration above.

5) Policy on determination of remuneration, etc., for Directors who concurrently serve as Executive Officers (excluding Executive Officers with special titles)

Basic remuneration for Directors who concurrently serve as Executive Officers shall be composed entirely of fixed remuneration predetermined in consideration of their job responsibilities and other factors. However, the basic remuneration for their role as an executive officer shall be paid separately as an employee salary.

3. Bonuses

Bonuses for Directors shall be paid to Directors, excluding Outside Directors, as a reward for their performance in the corresponding fiscal year, and shall be proposed and deliberated at the ordinary general meeting of shareholders for the corresponding fiscal year in the case that net income attributable to owners of the parent exceeds a certain amount.

The bonus amount for the President and Director shall be calculated according to the degree of achievement of the target for net income attributable to owners of the parent for the corresponding fiscal year, and this shall represent the base amount. The bonus amount for the Chairman of the Board and the Directors who concurrently serve as Executive Officers shall be calculated by multiplying the base amount for the President and Director by a position-specific coefficient, etc., in the same manner as the base remuneration described in 2. above, and this shall represent the total amount.

The specific amount paid to each individual will be determined by reflecting the individual performance evaluation of each Director.

4. Policy on determination of ratio of fixed remuneration and performance-based remuneration, etc.

The ratio of fixed remuneration and performance-based remuneration, etc. for each director is determined according to the calculation method for each of the above remuneration types. However, the ratio of remuneration is determined in a manner that provides an appropriate incentive to increase corporate value based on consultation and advice from the Governance Committee, which is composed of the Chairman of the Board, who does not concurrently serve as an Executive Officer, and Independent Outside Directors.

In the case that net income attributable to owners of the parent does not reach the specified level, bonuses will not be paid.

5. Delegation of decisions regarding details of individual remuneration, etc. of Directors to third parties

The President and Representative Director shall be delegated the authority to determine specific details of individual remuneration based on a corresponding resolution by the Board of Directors, and the authority granted shall be the determination of the amount of basic remuneration and bonuses for Directors. Regarding the specific procedure involved, the President and Representative Director, who has been delegated authority by the Board of Directors, shall determine the specific amount of remuneration for each director after consulting the Governance Committee and obtaining its advice. When finalizing remuneration, the Secretary Office shall prepare a request for approval, which shall be approved by the President and Representative Director.

Results are reviewed by the Chairman of the Board, who is a member of the Governance Committee, as well as by Audit & Supervisory Board members.

(iv) Policies and 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 selection of executive officer candidates, the president, based on the

recommendations of the executive officers, comprehensively considers the knowledge, experience, abilities and insight of the candidates and, after receiving advice from the Governance Committee regarding the best lineup to solve the issues management faces, proposes the candidates to the Board of Directors, which makes the final decision after due deliberation.

The policy when nominating director candidates is for the President to comprehensively consider the knowledge, experience, abilities, and insight of the candidates, after which the final decision is made through the same procedures as above. The Governance Committee has opportunities to deliberate on the environment and methods for fostering the next president as well as concerning the candidates, etc. In the event that an executive officer has rendered him 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, 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, abilities, and insight 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.

Reasons for the nomination of director (including directors who are executive officers) candidates and Audit & Supervisory Board member candidates will be stated in the reference materials of the General Meeting of Shareholders.

(v) Reasons for the nomination of candidates for directors and Audit & Supervisory Board members and for individual nominations, appointments, and dismissals relating to appointments and dismissals of senior management

The reasons for individual nominations of candidates for directors and Audit & Supervisory Board members at the 96th ordinary general meeting of shareholders (held on June 25, 2021) are stated in the reference documentation for that meeting. The said reference documentation is displayed on the following the Company's website.

URL: <https://www.smm.co.jp/en/ir/stock/meeting/>

Supplementary Principle 4.1.1: Outline of scope of matters delegated to the management by the board

In accordance with laws and regulations and the Company's Articles of Incorporation, decisions for business execution are delegated to the management by the Board of Directors.

Specifically, pursuant to the Regulations of the Board of Directors it lays down, the Board of Directors adopts resolutions concerning important matters such as those relating to general meetings of shareholders, directors, executive officers, management policies, business plans, risk management, corporate social responsibility ("CSR"), organization and personnel affairs, and projects, and with regard to matters to which the said regulations' criteria do not apply, decisions are delegated to the president, executive officers, and others pursuant to other rules laid down by the Board of Directors.

Principle 4.8: Effective Use of Independent Directors

The Company appoints at least one-third of directors as independent directors.

Principle 4.9: Independence standards for independent directors

Independence standards are set out in "Corporate Governance Basic Policy, Article 6-(3)-3 Independence standards" and are displayed publicly on the Company's website at the address below.

URL: https://www.smm.co.jp/en/ir/management/governance_policy/

Supplementary Principle 4.11.1: View on the appropriate 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, abilities, and insight different from that of the members from within the Company. 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.

Supplementary Principle 4.11.2: Holding of concurrent positions by directors and auditors

The situation regarding the holding of concurrent positions by directors and Audit & Supervisory Board members is as set out in the Company's business reports and reference documentation for general meetings of shareholders. The said business reports and reference documentation are displayed on the following the Company's website.

URL: <https://www.smm.co.jp/en/ir/stock/meeting/>

Supplementary Principle 4.11.3: Analysis and evaluation of the effectiveness of the board as a whole, and the results thereof

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, and discloses a summary of these results.

Regarding "what the Board of Directors should ideally be," which is the basis of the analysis and evaluation of the effectiveness its performance, this is described below in II.3 "Reasons for selection of present corporate governance system."

In fiscal 2020, the Board of Directors analyzed and evaluated the effectiveness of its performance, with the following results:

1. Analysis and evaluation process

As the fiscal 2020 evaluation of the effectiveness of the Board of Directors was the sixth occasion on which such an evaluation had been conducted, the Company engaged Japan Board Review Co., Ltd, a third-party organization, to support the analysis and evaluation process in order to ensure neutrality and objectivity. In conducting the evaluation, the third-party organization reviewed the materials and minutes of the Board of Directors' meetings, held prior discussions with the Chairman of the Company, who serves as Chairperson of the Board of Directors, and the President and Representative Director, who is the officer having ultimate responsibility for business execution of the Company,, and all Directors and Audit & Supervisory Board Members responded to a questionnaire which was prepared with reference to the aforementioned discussions. The third-party organization analyzed the responses to the questionnaire, conducted individual interviews with all respondents, compiled the findings of its analysis of the current state of the Board of Directors and areas for improvement, and reported the results, including proposals for improving the effectiveness of the Board, at the February 2021 Board of Directors meeting.

Based upon the overall results of the analysis by the third-party organization 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 fiscal 2016, the Board of Directors reviewed its own effectiveness at a regular Board of Directors meeting held in February 2020, where it confirmed its evaluation and discussed its response going forward.

1) Questionnaire

Subjects: All Directors (8) and Audit & Supervisory Board Members (4)

Response Method: Anonymous (all 62 questions)

Evaluation items: (1) Role and function of the Board of Directors, (2) Size and composition of the Board of Directors, (3) Operation of the Board of Directors, (4) Composition and role of the Governance Committee, (5) Operation of the Governance Committee, (6) Support systems for outside directors, (7) Role and expectations of Audit & Supervisory Board Members, (8) Relationship with investors and shareholders, (9) Self-evaluation

2) Interviews

Subjects: All Directors (8) and Audit & Supervisory Board Members (4)

Response Method: Individual interviews by third-party organization

2. Overview of analysis and evaluation results

Most of the major items related to the effectiveness of the Board of Directors were rated highly in general.

In particular, it was found that (1) with regard to the "role and function of the Board of Directors," the aim of the Board of Directors to be "a Board of Directors that focuses on decision-making and performs a monitoring function through its decision-making" was sufficiently shared; (2) with regard to the "operation of the Board of Directors," the decision-making process was appropriate and allowed for sufficient discussion, as decisions were made following discussion at executive meetings (administrative meetings and Management Committee meetings) and ultimately submitted to the Board of Directors for approval; (3) discussions conducted by the Board of Directors and the Governance Committee were open and active; (4) with regard to the "size and composition of the Board of Directors," the size and composition ratio were appropriate from the perspective of business size, active discussion, and decision-making, and that the member composition was appropriate in terms of knowledge and experience.

On the other hand, the analysis found that although deliberations by the Board of Directors regarding human resources (securing appropriate human resources, developing management personnel, advancing women's careers, etc.) were identified as an area for improvement in the fiscal 2019 effectiveness evaluation, insufficient progress had been made in this area.

2) Issues identified from questionnaire and interview results

The third-party organization recommended the following improvements in order to further enhance the effectiveness of the Board of Directors going forward.

(1) The Board of Directors should conduct deeper discussion of the mid- and long-term challenges for the Company (mid- to long-term direction and vision for the business, including "Vision for 2030," as well as the competitive environment, human resources, and environmental and social initiatives, etc.)

(2) The Company is currently working to increase opportunities for free discussion in order to facilitate deeper deliberation of such issues. Going forward the Company should continue working to conduct discussion in such formats at Board of Directors meetings or other forums.

3) Response to the above issues

In response to the above recommendations, the Board of Directors conducted deliberations on each matter.

(1) The Board of Directors confirmed that it will deliberate the mid- to long-term direction and vision for the business, including "Vision for 2030" and where we want to be in the future, when setting basic policies in preparation for the formulation of business plans. Regarding the competitive environment, it was decided that each business division would report to the Board once per year on the Company's position from a marketing perspective. Regarding human resources, the Board of Directors confirmed that it would use the occasion of the review of the Company's personnel systems to deliberate on the

matter. Regarding environmental and social initiatives, the Board of Directors confirmed that it will add important points from deliberations at CSR Committee meetings to the agenda of Board meetings as appropriate.

(2) Regarding the mid- and long-term challenges mentioned above, the Board of Directors confirmed that these matters will, in general, be discussed at Board of Directors meetings. However, depending on the topic, opportunities for free discussion outside of the Board of Directors meetings will also be made available.

3. Future steps

Through the discussion and deliberation outlined above, the Board of Directors confirmed that the following steps will be taken in order to improve its effectiveness in an ongoing manner.

- The Board of Directors will deliberate, regularly or on a timely basis, on the mid- and long-term challenges for the Company (mid- to long-term direction and vision for the business, including "Vision for 2030" and future aspirations, as well as the competitive environment, human resources, and environmental and social initiatives, etc.)

- Regarding the method of deliberation, in general deliberation will take place at Board of Directors meetings. However, depending on the topic, opportunities for free discussion outside of the Board of Directors meetings will also be made available.

Supplementary Principle 4.14.2: Training policy for directors and auditors

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.

Principle 5.1: Policy for constructive dialogue with shareholders

The Company believes that receiving the understanding and support of all of our shareholders and investors is essential for the sustainable growth and increased corporate value of the Company over the mid to long term. Therefore, in consideration of increasing corporate value over the mid to long term, the Company will develop the following IR activities to achieve dialogue with our shareholders and investors in order to receive a deeper understanding of the Company.

(i) The President will coordinate dialogue with shareholders and investors and information disclosure, and the Executive Officer supervising the Public Relations & Investor Relations Department will be the officer in charge of such dialogue and disclosure.

(ii) The officer responsible for information disclosure (the General Manager of the Public Relations & Investor Relations Department) will decide whether or not information should be disclosed.

(iii) When preparing materials for disclosure, the Public Relations & Investor Relations Department will collaborate with the relevant divisions and conduct disclosure appropriately and in a

fair and timely manner.

(iv) The Company will implement measures to receive deeper understanding of our business, such as holding briefings conducted by the President for institutional investors and securities analysts regarding financial results and business strategies as well as holding briefings for individual investors. Additionally, the Company will establish a section on our website for individual investors and will endeavor to disclose IR information in a manner that is easy to understand.

(v) The Company will regularly report the views and requests learned through communication with our shareholders and investors to management and make use of those views and requests in managing the Company.

(vi) In order to prevent the divulgence of any information that could influence share prices during the preparation period of financial results announcements and to ensure fairness, the Company will establish an about two-week “quiet period” prior to the announcement of quarterly and full-year financial results and refrain from commenting or answering questions on those results during that period. Additionally, matters regarding information disclosure will be stated on internal memorandums for approval to verify the management of information. The responsible division will also thoroughly ensure that, during dialogue with shareholders and investors, no insider information is disclosed and no selective disclosure of nonpublic material information is made in accordance with the fair disclosure rule. Furthermore, if it becomes known that selective disclosure of nonpublic material information has occurred, the said information shall be publicized promptly in principle.

2. Capital structure Updated

Foreign shareholding ratio	30% or more
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Largest shareholders

Name or company name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	43,343,600	15.77
Custody Bank of Japan, Ltd. (trust account)	17,660,700	6.43
Toyota Motor Corporation	11,058,000	4.02
STATE STREET BANK WEST CLIENT—TREATY 505234	4,439,715	1.62
JP MORGAN CHASE BANK 385632	3,976,964	1.45
Sumitomo Mitsui Banking Corporation	3,825,245	1.39
Custody Bank of Japan, Ltd. (trust account 7)	3,746,600	1.36
Sumitomo Realty & Development Co., Ltd.	3,745,055	1.36
Sumitomo Life Insurance Company	3,737,000	1.36
Sumitomo Corporation	3,500,000	1.27

Controlling shareholder (except for parent company)	---
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Parent company	None
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Supplementary remarks Updated

1. The capital structure is as of September 30, 2021.
2. The Company holds 16,041,542 shares of treasury stock.

3. Corporate data

Stock market where listed and market section	Tokyo Stock Exchange First Section
Fiscal year-end	March
Type of business	Non-ferrous metals
Number of employees (consolidated) at end of previous fiscal year	1,000 or more
Net sales (consolidated) in previous fiscal year	¥100 billion or more, but less than ¥1 trillion
Number of consolidated subsidiaries at end of previous fiscal year	50 or more, but fewer than 100

4. Policy on measures to protect minority shareholders when conducting transactions, etc., with controlling shareholder

5. Other special circumstances that may materially impact corporate governance

There are no subsidiaries listed on the domestic financial exchanges.

II Business Management Organization and Other Corporate Governance Systems Pertaining to Management Decision-Making, Execution, and Supervision

1. Matters relating to organizational composition, operation, etc.

Organization form	Company with Audit & Supervisory Board Members
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Directors

Number of directors stipulated in articles of incorporation	10
Term of office of directors stipulated in articles of incorporation	1 year
Chairperson of the board of directors	Chairman (except when serving concurrently as president)
Number of directors	8
Status of appointment of outside directors	Appointed
Number of outside directors	3
Number of outside directors designated independent officers	3

Relationship with company (1)

Name	Attribute	Relationship with the company*										
		a	b	c	d	e	f	g	h	i	j	k
Kazuhisa Nakano	From another company									△		
Taeko Ishii	Lawyer											
Manabu Kinoshita	From another company									△		

* Categories of relationship with the company

“○” when a category applies to the person currently or recently; “△” when it applied in the past.

“●” when a category applies to a close relative of the person currently or recently; “▲” when it applied in the past.

a An executive of the listed company or a subsidiary thereof

- b An executive or a nonexecutive director of the parent company of the listed company
- c An executive of a sister company of the listed company
- d A person or an executive thereof for which the listed company is a major business partner
- e A major business partner of the listed company or an executive thereof
- f A consultant or accounting or legal professional who receives a large amount of monetary consideration or other property from the listed company besides remuneration as an officer
- g A major shareholder of the listed company (or an executive of the said major shareholder if it is a corporation)
- h An executive (the said individual only) of a business partner of the listed company (where any of d, e, or f above do not apply)
- i An executive (the said individual only) of a company with which there is mutual appointment of outside officers
- j An executive (the said individual only) of an organization that receives donations from the listed company
- k Other

Relationship with company (2)

Name	Independent officer	Supplementary remarks concerning applicable categories	Reasons for selection
Kazuhiisa Nakano	○	<p>Mr. Nakano had held responsibilities such as serving as representative director and chief executive officer of Idemitsu Kosan Co., Ltd., the Company's business partner.</p> <p>During fiscal 2020, the Company engaged in business with Idemitsu Kosan in such areas as the lease of real properties, but the amount of its sales to the said company totaled ¥4 million, accounting for 0.0% of the Company's nonconsolidated net sales.</p> <p>The Company also engaged in business with Idemitsu Kosan with regard to the purchase of the Company's operating materials and such. The amount paid to Idemitsu Kosan by the Company amounted to ¥850 million, which accounted for 0.0% of the Company's nonconsolidated net sales.</p>	<p>Mr. Nakano has a wealth of knowledge and experience in corporate management and resource-related business, having held responsibilities such as serving as representative director and chief executive officer of Idemitsu Kosan Co., Ltd.. He is expected to contribute to the improvement of quality of the Board decision-making by providing his advice regarding long-term projects, especially in our Mineral Resources business and Smelting and Refining business as well as the overall plan, which is aimed toward the sustainable growth and mid- to long-term enhancement of the corporate value of the Company and its groups 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 nomination and remuneration of directors and executive officers as the member of the Governance Committee. Mr. Nakano is currently an Outside Director of the Company and the Chairman of the Governance Committee and has been appointed as an Outside Director as he is</p>

			<p>currently serving the role shown above.</p> <p>As he is considered devoid of risk of conflict of interest with general shareholders, he is designated an independent officer.</p>
Taeko Ishii	○	—	<p>Ms. Ishii has specialist knowledge and abundant experience as a lawyer, especially in the field of labor law.</p> <p>She is expected to contribute to the improvement of quality of the Board decision-making by providing her advice regarding compliance and personnel/labor related fields, which is aimed toward the sustainable growth and mid- to long-term enhancement of the corporate value of the Company and its groups by utilizing her knowledge and experience. She 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 remuneration of directors and executive officers as a member of the Governance Committee. Ms. Ishii is currently an Outside Director of the Company and a member of the Governance Committee and has been appointed as an Outside Director as she is currently serving the role shown above.</p> <p>As she is considered devoid of risk of conflict of interest with general shareholders, she is designated an independent officer.</p>

Manabu Kinoshita	○	<p>Mr. Kinoshita had held responsibilities such as serving as Senior Executive Vice President of NEC Corporation, the Company's business partner.</p> <p>During fiscal 2020, the Company had no sales to NEC Corporation. Although the Company engaged in business with NEC Corporation in such areas as the purchase of equipment and software and the payment of maintenance and lease fees, the amount of its payments to the said company totaled ¥30 million, accounting for 0.0% of NEC Corporation's nonconsolidated net sales.</p>	<p>Mr. Kinoshita has a wealth of knowledge and experience in corporate management and digital business, having held responsibilities such as serving as Senior Executive Vice President of NEC Corporation. He is expected to contribute to the improvement of quality of the Board decision-making by providing his advice regarding material business and digital fields where the business environment is changing significantly, which is aimed toward the sustainable growth and mid- to long-term enhancement of the corporate value of the Company and its groups 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 remuneration of directors and executive officers as a member of the Governance Committee. Mr. Kinoshita is currently an Outside Director of the Company and a member of the Governance Committee and has been appointed as an Outside Director as he is currently serving the role shown above.</p> <p>As he is considered devoid of risk of conflict of interest with general shareholders, he is designated an independent officer.</p>
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Existence of optional committees equivalent to nomination committee or remuneration committee	Yes
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Status of establishment of optional committees, membership, and attributes of chairperson

	Committee name	Total committee members	Full-time members	Inside directors	Outside directors	Outside experts	Others	Chairperson
Optional committee equivalent to nomination committee	Governance Committee	4	0	1	3	0	0	Outside Director

Optional committee equivalent to remuneration committee	Governance Committee	4	0	1	3	0	0	Outside Director

Supplementary remarks

The Company has established a Governance Committee composed of the chairman of the Board of Directors who is not an executive officer and independent outside directors (to be composed solely of independent outside directors if the chairman of the Board of Directors is not in place, Chair: Kazuhisa Nakano, Outside Director), its task being to provide advice from an objective standpoint with regard to particularly important matters relating to governance, including the nomination and remuneration of directors, executive officers, and others. It is intended that this will enhance the transparency of management and strengthen corporate governance from the perspective of shareholders and all other stakeholders. In fiscal 2020 four meetings were held (nomination: one time, remuneration; two times, general governance: one time), with all members in attendance at all meetings.

Audit & Supervisory Board Members

Audit & Supervisory Board established	Yes
Number of Audit & Supervisory Board Members stipulated in articles of incorporation	5
Number of Audit & Supervisory Board Members	4

Status of coordination between Audit & Supervisory Board members, the accounting auditor, and the internal auditing department

As part of mutual collaboration in internal auditing, auditing by Audit & Supervisory Board members, and auditing by the accounting auditor, the Internal Audit Department provides the Audit & Supervisory Board members with appropriate information such as explanations of audit plans, and Audit & Supervisory Board members are present when the Internal Audit Department reports internal-audit results to executive officers and other personnel. In addition, Audit & Supervisory Board members provide the Internal Audit Department with audit plans decided on by the Audit & Supervisory Board, and attend auditing by the Internal Audit Department whenever necessary. The Audit & Supervisory Board members provide audit plans to the accounting auditor, who in return supplies those members with explanations of the audit plans and reports on the audit results.

With regard to the relationship between internal auditing, auditing by Audit & Supervisory Board members, auditing by the accounting auditor, and the department responsible for internal control, the latter conducts the structuring of the internal-control system and the monitoring of its operation, reports regularly—and whenever else necessary—to the Audit & Supervisory Board members and the accounting auditor, and is itself audited.

Status of appointment of outside Audit & Supervisory Board members	Appointed
Number of outside Audit & Supervisory Board members	2
Number of outside Audit & Supervisory Board members designated independent officers	2

Relationship with company (1)

Name	Attribute	Relationship with the company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Wataru Yoshida	From another company													
Shoji Wakamatsu	Certified public accountant,													

* Categories of relationship with the company

“○” when a category applies to the person currently or recently; “△” when it applied in the past.

“●” when a category applies to a close relative of the person currently or recently; “▲” when it applied in the past.

- a An executive of the listed company or a subsidiary thereof
- b A nonexecutive director or an accounting advisor of the listed company or a subsidiary thereof
- c An executive or a nonexecutive director of the parent company of the listed company
- d An auditor of the parent company of the listed company
- e An executive of a sister company of the listed company
- f A person or an executive thereof for which the listed company is a major business partner
- g A major business partner of the listed company or an executive thereof
- h A consultant or accounting or legal professional who receives a large amount of monetary consideration or other property from the listed company besides remuneration as an officer
- i A major shareholder of the listed company (or an executive of the said major shareholder if it is a corporation)
- j An executive (the said individual only) of a business partner of the listed company (where any of f, g, or h above do not apply)
- k An executive (the said individual only) of a company with which there is mutual appointment of outside officers
- l An executive (the said individual only) of an organization that receives donations from the listed company
- m Other

Relationship with company (2)

Name	Independent officer	Supplementary remarks concerning applicable categories	Reasons for selection
Wataru Yoshida	○	—	Mr. Yoshida has a wealth of financial institutional experience and knowledge of corporate management. He is expected to carry 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 full-time Audit & Supervisory Board Members. In addition, as part of the audit process he is expected to participate in important meetings,

			<p>including Board of Directors meetings, and during the decision-making process to actively express his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals. Mr. Yoshida is currently an outside Audit & Supervisory Board member of the Company, and is performing the role shown above appropriately.</p> <p>As he is considered devoid of risk of conflict of interest with general</p>
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			shareholders, he is designated an independent officer.
Shoji Wakamatsu	○	—	<p>Mr. Wakamatsu has many years of auditing and management experience at an audit firm and a wealth of knowledge about accounting. He is expected to carry 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 full-time Audit & Supervisory Board Members. In addition, as part of the audit process he is expected to participate in important meetings, including Board of Directors meetings, and during the decision-making process to actively express his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals. Although Mr. Wakamatsu has not been involved in corporate management other than as an outside Audit & Supervisory Board member, in addition to the above reasons, he has been involved in the management of an audit firm, and accordingly the Company has appointed him as an outside Audit & Supervisory Board Member as it has determined that he is able to properly perform the roles stated above.</p> <p>As he is considered devoid of risk of conflict of interest with general shareholders, he is designated an independent officer.</p>

Independent officers

Number of independent officers	5
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Other matters relating to independent officers

All the Company outside directors and Audit & Supervisory Board members meet the criteria for independence established by the Tokyo Stock Exchange as well as our own internal independence standards, and all outside directors and 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 following website as part of our Corporate Governance Guidelines [Article 6-(3)-3 Independence Standards].

URL: https://www.smm.co.jp/en/ir/management/governance_policy/

Incentives

Status of implementation of measures to grant incentives to directors	Introduction of a system of performance-based remuneration
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Supplementary remarks concerning applicable item

As of the conclusion of the 80th ordinary general meeting of shareholders (held on June 29, 2005), the system of retirement benefits for directors was abolished. The remuneration of the Company's directors (excluding outside directors) is linked to business performance each year.

Persons eligible to receive stock options	
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Supplementary remarks concerning applicable item

Directors' remuneration

Status of disclosure (of individual director remuneration)	None
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Supplementary remarks concerning applicable item

1. Total amount of directors' remuneration

The total amount of remuneration, etc., for each category of officer, the total amount of remuneration, etc., by remuneration type, and the number of eligible officers are as follows.

- 1) Directors (excluding outside directors)
 - Total amount of remuneration, etc.: 315 million yen (includes 105 million yen in director bonuses)
 - Total amount of remuneration etc. by remuneration type: Fixed remuneration 197 million yen, performance-based remuneration 118 million yen
 - Number of eligible officers: 6
- 2) Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)
 - Total amount of remuneration, etc.: 64 million yen
 - Total amount of remuneration etc. by remuneration type: Fixed remuneration 64 million yen
 - Number of eligible officers: 2
- 3) Outside Directors
 - Total amount of remuneration, etc.: 41 million yen
 - Total amount of remuneration etc. by remuneration type: Fixed remuneration 41 million yen
 - Number of eligible officers: 4
- 4) Outside Audit & Supervisory Board members
 - Total amount of remuneration, etc.: 23 million yen
 - Total amount of remuneration etc. by remuneration type: Fixed remuneration 23 million yen
 - Number of eligible officers: 3

Note: In addition to the above, the Company paid 31 million yen as employee salary to two Directors concurrently serving as employees.

Policy for determining remuneration amounts or calculation method

Yes

Disclosure of policy for determining remuneration amounts or calculation methods

1. Policy for Determining Individual Remuneration, etc. for Directors

As described above in I: *Basic Philosophy of Corporate Governance, Capital Structure, Corporate Data, and Other Basic Information; 1. Basic Philosophy; Disclosures pursuant to specific principles of Japan's Corporate Governance Code; Principle 3.1: Full disclosure; "(iii) Basic policies and procedures for the remuneration of senior management and directors."*

2. Matters Related to Performance-based Remuneration

1) Performance Indicators Employed

The indicators employed by the Company to determine performance-based remuneration include consolidated results (net income attributable to owners of the parent, profit before tax), departmental results (return on assets [ROA], 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).

2) Reason for Selection of Above Indicators

With regards to the reasons that these indicators have been selected, the Company's consolidated results (net income attributable to owners of the parent, profit before tax) were chosen as the Company views these indicators as key measures of its corporate management performance, and has set profitability targets that it aims to achieve as part of its long-term vision. Performance indicators for departmental results (return on assets [ROA], free cash flow, and segment income) were selected in

order to evaluate the three criteria of asset efficiency, cash flow, and absolute value of profit in a balanced manner. Regarding the degree of attainment of personal targets under medium-to-long-term management strategies, we believe that the steady implementation of plans with a mid- to long-term perspective is essential in order to increase our corporate value in a sustainable manner. Finally, regarding the setting of safety record as a performance indicator, we believe that securing a safe workplace is our operating foundation as a company engaged in the mining and manufacturing industries, including the smelting industry.

3) 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.

i. Method of Calculating Amount of Position-specific Performance-based Remuneration, etc.

The amount of performance-based remuneration, etc. for the President and Director is calculated from net income attributable to owners of the parent, and the amount of performance-based remuneration, etc. for officers' respective positions is calculated by multiplying this amount by a position-specific coefficient. The amount of position-specific performance-based remuneration, etc., for basic compensation is calculated using net income attributable to owners of the parent for the previous fiscal year, and the amount of position-specific performance-based remuneration, etc., for bonuses is calculated using net income attributable to owners of the parent for the current fiscal year.

Amount of position-specific performance-based remuneration, etc. for basic compensation = net income attributable to owners of the parent for the previous fiscal year x position-specific coefficient x specific coefficient not linked to performance

Amount of position-specific performance-based remuneration, etc. for bonuses = net income attributable to owners of the parent for the current fiscal year × position-specific coefficient × specific coefficient not linked to performance

ii. Method of Calculating Amount Reflecting Individual Performance

Regarding the amount reflecting individual performance in the basic compensation provided to the President and Director, the total score is calculated based on “degree of achievement of the publicly-announced results forecast” and “degree of achievement of safety performance” for the previous fiscal year, with a 4:1 ratio between the former and the latter. From this total score, the amount reflecting individual performance is calculated by determining individual performance evaluation coefficients within the range of 90% to 130% according to a predetermined coefficient table (this table considers net income before taxes).

Regarding the amount reflecting individual performance in the basic compensation provided to directors who concurrently serve as Executive Officers with special titles (Executive Vice President, Senior Managing Executive Officers, Managing Executive Officers), scores for performance during the previous fiscal year are assigned for the following criteria: “comparison of divisional performance against the previous fiscal year,” “degree of achievement of publicly-announced divisional forecasts,” “degree of achievement of personal goals set in accordance with medium- to long-term management strategies,” and “degree of achievement of safety performance.” The total score is assigned based on a respective 3:3:4:1 weighting between the aforementioned criteria, and the amount reflecting individual performance calculated in an identical manner to that described above. Regarding the amount reflecting individual performance in the bonus provided to the President and Director, the total score is calculated based on “degree of achievement of the publicly-announced results forecast” and “degree of achievement of safety performance” for the current fiscal year, with a 4:1 ratio between the former and the latter. Regarding the amount reflecting individual performance in bonuses provided to Directors who also serve as Executive Officers, in light of the spread of the COVID-19 pandemic during the fiscal year under review, only the degree of achievement of publicly-announced forecasts will be taken into consideration concerning the divisional performance, and the amount reflecting individual performance will be calculated in an identical manner to that above by calculating the total score for the following criteria during the fiscal year under review based on a 6:4:1 weighting: “degree of achievement of publicly-announced divisional forecasts: degree of achievement of individual targets: degree of achievement of safety performance”.

Amount reflecting individual performance in basic compensation = position-specific basic compensation × specific coefficient not linked to performance × individual performance evaluation coefficient

Amount reflecting individual performance in bonus = position-specific bonus amount × specific coefficient not linked to performance × individual performance evaluation coefficient

iii. Targets and Actual Results

Performance-based remuneration, etc. (basic compensation) for Directors in the current fiscal year is linked to performance during the previous fiscal year. Targets linked to performance-based remuneration in the previous fiscal year included net income attributable to owners of the parent of 64.0 billion yen on a consolidated basis, profit before tax of 74.0 billion yen on a consolidated basis, including 29.0 billion yen in the mineral resources segment, 39.0 billion yen in the smelting and refining segment, and 10.0 billion yen in the materials segment (aforementioned figures released in May 2019 results forecast), as well as safety performance (number of work-related accidents to employees at worksites in Japan during calendar 2019) of one or fewer lost-time accident and five or fewer accidents in total. Regarding performance of these indicators, consolidated net income attributable to owners of the parent was 60.6 billion yen, consolidated profit before tax was 79.0 billion yen, divisional operating results (segment income) were 38.0 billion yen in the mineral resources segment, 48.3 billion yen in the smelting and refining segment, and 5.3 billion yen in the materials segment. For safety performance (number of work-related accidents to employees at worksites in Japan during calendar 2019), there were 14 accidents in total, including 6 lost-time accidents.

Support system for outside directors (outside Audit & Supervisory Board members)

1. The Company views the role and function of outside directors and outside Audit & Supervisory Board Members as follows.

1) 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 Company to achieve sustainable growth and increase its corporate value over the mid- to long-term, outside directors are expected to enhance the quality of decision-making by the Board of Directors by providing advice and making decision 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.

2) 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 mid- 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 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.

2. In order to enable outside officers to execute the above roles and responsibilities effectively, essential support is provided as follows.

1) To maximize the thoroughness of Board of Directors deliberations, materials are distributed and explanations of agenda items given to outside directors and Audit & Supervisory Board members in advance.

2) In order to deepen outside officers' understanding of Company business, they are given opportunities to inspect the Company Group places of business. Opportunities are also provided to address and explain large-scale projects and other subjects of interest to outside officers.

3) In order to share information and to enable the objective viewpoints of people outside the Company to be reflected in management, meetings of an Outside Directors Council consisting solely of outside officers and meetings between outside officers and senior managers for direct exchanges of views are arranged.

Three personnel (occupying other positions concurrently) form a Board of Directors secretariat and three personnel (occupying other positions concurrently) form a secretariat for the Audit & Supervisory Board, both secretariats providing support for the outside directors and outside Audit & Supervisory Board members respectively.

Persons who are retired president & representative directors

Names, etc., of advisers formerly president & representative directors, etc.

Name	Position/status	Business activity	Service type/conditions (Full-time/part-time, with/without remuneration)	Retirement date from the office of president & representative director	Term of office
—	—	—	—	—	—

Total number of advisers formerly president & representative director, etc. 0

Other matters

The Company abolished its executive advisor system as of June 25, 2021.

2. Matters concerning functions such as business execution, auditing and supervision, nomination, and remuneration determination (Overview of the current corporate governance system)

The Company's governance is a system for ensuring that business execution and associated monitoring and supervision are each functioning fully within the Company's management. To achieve that it operates by using audit and supervisory board and executive officer systems, conducting governance through a three-part organizational structure in which decision-making and supervision is 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 accounting auditor. In addition, the Company has established a Governance Committee in order to increase management transparency and enhance corporate governance.

The Board of Directors conducts decision-making that includes the making of decisions on important matters relating to business execution such as those stipulated in the Companies Act, and is responsible for monitoring functions over all corporate management, including the performance of duties by the representative director and executive officers.

In accordance with laws and regulations and the Articles of Incorporation, the Board of Directors delegates business-execution decisions to the representative director and executive officers, clearly defining their authority and responsibilities. Fundamental to business execution decision-making by the representative director and executive officers is the conduct of investigation and screening followed by approval through systems such as the *ringi* process, meetings of the Management Committee being convened for managerially important matters that necessitate deliberation. This system ensures that rational management judgments are made from diverse perspectives, and prudent decision-making takes place.

Business execution comprises both business activity and social-responsibility activity, the latter being

composed of CSR activity, compliance activity, the Company's own unique risk-management activity, and internal control, and it is with these that the Company undertakes its business activity with the goal of ensuring sustainable co-existence with society and the global environment.

All Audit & Supervisory Board members coordinate as necessary with other members, the Internal Audit Department, and the accounting auditor, including through the exchange of information, auditing business execution in accordance with laws and regulations, audit policies laid down by the Audit & Supervisory Board, audit plans, etc.

The specifics of the Company's corporate governance system are set out below.

1. Decision-Making and Supervision

1) Directors and Board of Directors

The Company's Articles of Incorporation provide for up to 10 directors, each with a term of office of one year. The composition of the Board of Directors is characterized by its diversity, being composed not only of internal officers with extensive knowledge of every field of the Company's business activities, but also of outside experts with knowledge, experience, capabilities, and opinions with perspectives that differ from those of the inside directors. In addition, with the aim of achieving more transparent management, the Company has a policy of ensuring that at least one-third of the directors are independent outside directors, and thus has selected three such directors, including a person with experience as top manager, among its eight directors. The selection of directors is conducted to the utmost extent on the basis of each candidate's personal character, with no indispensable requirements for diversity with regard to gender or nationality.

The Board of Directors is responsible for determining the execution of important business matters and supervising corporate management in general, including the execution of business by the representative director and corporate officers, and determines matters stipulated in laws and regulations and the Articles of Incorporation, as well as important matters related to execution of the Company's business. Standards defining the Board's duties are clarified in internal regulations, such as the Board of Directors Rules. Specifically, these duties include requirements stipulated in the Companies Act of Japan, such as passing resolutions related to matters such as the disposal or takeover of assets, borrowing, or investments valued above a certain limit, as well as working to strengthen the Board's monitoring function, including enhancing reporting that enables the "discussion and deliberation of important management issues and policies, etc." in response to evaluations of the effectiveness of the Board of Directors.

Regular Board of Directors meetings are held once per month, but the structure also enables extraordinary Board of Directors meetings to be held whenever required, permitting flexible decision-making. In fiscal 2020, 15 meetings were convened. The attendance record of each officer in office as of March 31, 2021, is outlined below.

Name	Attendance Record
Yoshiaki Nakazato (Director)	15/15 (100%) Attended all 15 Board of Directors meetings held (12 regular, 3 extraordinary)
Akira Nozaki (Director)	15/15 (100%) Attended all 15 Board of Directors meetings held (12 regular, 3 extraordinary)
Hiroshi Asahi (Director)	15/15 (100%) Attended all 15 Board of Directors meetings held (12 regular, 3 extraordinary)

Nobuhiro Matsumoto (Director)	15/15 (100%) Attended all 15 Board of Directors meetings held (12 regular, 3 extraordinary)
Toru Higo (Director)	11/11 (100%) Attended all 11 Board of Directors meetings (9 regular, 2 extraordinary) held following appointment
Kazuhiisa Nakano (Director)	15/15 (100%) Attended all 15 Board of Directors meetings held (12 regular, 3 extraordinary)
Taeko Ishii (Director)	15/15 (100%) Attended all 14 Board of Directors meetings held (12 regular, 3 extraordinary)
Manabu Kinoshita (Director)	11/11 (100%) Attended all 11 Board of Directors meetings (9 regular, 2 extraordinary) held following appointment
Kazushi Ino (Audit & Supervisory Board Member)	15/15 (100%) Attended all 15 Board of Directors meetings held (12 regular, 3 extraordinary)
Yasuyuki Nakayama (Audit & Supervisory Board Member)	15/15 (100%) Attended all 15 Board of Directors meetings held (12 regular, 3 extraordinary)
Yuichi Yamada (Audit & Supervisory Board Member)	14/15 (93%) Attended 14 out of 15 Board of Directors meetings held (11/12 regular, 3/3 extraordinary)
Wataru Yoshida (Audit & Supervisory Board Member)	Attended all 11 Board of Directors meetings (9 regular, 2 extraordinary) held following appointment

Resolutions by and matters reported to the Board of Directors are in turn reported to Executive Officers' Meetings to ensure that information is shared among officers.

2) Governance Committee

The Company has established the Governance Committee to increase management transparency and enhance corporate governance. The Governance Committee is composed of the Chairman of the Board, who does not concurrently serve as an executive officer, and independent outside directors (or solely of independent outside directors in the case that there is no Chairman of the Board), and provides advice to the President from an objective standpoint regarding important corporate governance matters such as the nomination and remuneration of directors and executive officers, etc.

2. Business Execution

1) Delegation of authority by the Board of Directors

In accordance with laws and regulations and the Articles of Incorporation, the Board of Directors delegates decision-making regarding business execution to the President and executive officers, and supervises the execution of duties by the President and executive officers.

2) Executive officer system

As provided by its Articles of Incorporation, the Company has adopted an executive officer system.

To strengthen their executive capabilities, the executive officers' authority and responsibilities have been clearly defined, and substantial authority has been delegated to them.

There are currently 20 executive officers (including four who serve concurrently as directors). They are entrusted with important positions such as heading a business division, or a division or a department at the Company's head office, and are granted specific authority to perform their duties in each such position. In addition, executive officers report on the status of business execution once a month at Executive Officers' Meetings.

As in the case of directors, a system of performance-based remuneration has been introduced for the remuneration of executive officers. Advice from the Governance Committee is obtained with regard to the determination of the specific amounts of remuneration.

3) 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.

4) CSR Committee, Internal Control Committee, and Enterprise Value Enhancement Committee

The Company has systemized its social and environment initiatives as CSR activities and is expanding them throughout the Group. In order to promote these activities, the CSR Committee (headed by the president) has been established. Three working groups have also been established under the CSR Committee to take responsibility for compliance, risk management, and quality assurance.

The Internal Control Committee (headed by the president) has been established for the purpose of building internal-control systems within the Sumitomo Metal Mining Group and of maintaining and improving them.

In addition, in order to pursue the achievement of sustained business growth and increase enterprise value, the Enterprise Value Enhancement Committee (headed by the president) has been established.

5) Internal audits

The Internal Audit Department has been established for the purpose of conducting internal audits as part of the auditing and supervision of business execution. This internal auditing is conducted throughout the Sumitomo Metal Mining Group, the department general manager and staff members implementing internal audits on a regular basis.

3. Auditing

1) Audit & Supervisory Board members and Audit & Supervisory Board

The Company's Articles of Incorporation provide for up to five Audit & Supervisory Board members, and currently there are four (composed of two standing and two part-time [outside] members). The Company considers that the present composition and number of Audit & Supervisory Board members is suitable for ensuring the appropriate management of the Audit & Supervisory Board.

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.

Audit & Supervisory Board members audit the execution of duties by directors and other matters in accordance with the audit plan determined at Audit & Supervisory Board meetings. Standing Audit & Supervisory Board members formulate draft audit policies and plans, attend important meeting such as Board of Directors meetings, view important documents approved, interview representative directors and other key persons, and perform site audits of offices, plants, and affiliated companies. Similarly, in addition to attending important meetings such as Board of Directors meetings, the Company's outside Audit & Supervisory Board members also perform site audits together with standing Audit & Supervisory Board members. Audit Reports on site audits performed by Audit & Supervisory Board members are also shared with the representative directors and other relevant persons. Meetings of the Audit & Supervisory Board are held once a month prior to the meetings of the Board of Directors on the days upon which regular Board of Directors meetings are held, and other meetings are held whenever necessary.

Among the Audit & Supervisory Board members, Shoji Wakamatsu, who is an outside member, is a qualified certified public accountant and a certified public tax accountant, and thus has an advanced level of expertise in the fields of finance and accounting.

2) Accounting auditor

For fiscal 2020, the name of the Company's accounting auditor, the certified public accountants in charge of the audit, and details of the staff who assisted with it are as set out below.

1) Name of accounting auditor

KPMG AZSA LLC

2) Certified public accountants in charge of the audit

Designated limited liability partners and engagement partners

Kensuke Sodekawa, Takahiro Akiyama, and Yukihiro Kase

3) Number of staff who assisted with the audit

Certified public accountants: 14; Others: 14

4. Conclusion of limited liability agreements

The Company has concluded agreements prescribed in Article 427 Paragraph 1 of the Companies Act (liability limitation agreements) with the outside directors and Audit & Supervisory Board members, under which each officers' liability shall be limited to 10 million yen or to the minimum amount of liability prescribed by law, whichever is higher.

3. Reasons for selection of present corporate governance system

In line with its Corporate Governance Basic Policy, which summarizes the Company's basic philosophy for corporate governance and the framework therefor, 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 is 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 accounting auditor.

Positioning Mineral Resources, Smelting & Refining, and Materials as its three core businesses, the Company 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 would be 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 Sumitomo Metal Mining 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 auditors 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 auditors with guaranteed independent authority can be expected to exercise their auditing functions stably over a period of four years. At present auditors 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 auditors 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 directors in the Governance Committee.

III Status of Implementation of Measures Relating to Shareholders and Other Stakeholders

1. Measures to invigorate general meetings of shareholders and facilitate the exercise of voting rights

	Supplementary remarks
Early dispatch of notices of convocation of general meetings of shareholders	<p>In order to enable shareholders to fully deliberate the agenda of the general meeting of shareholders, the Company strives to send out and disclose the convocation notice at an early date each year.</p> <p>Notification of the 96th ordinary general meeting of shareholders was disclosed on the Tokyo Stock Exchange and the Company's website on May 26 of the corresponding year, prior to the sending of notices of convocation.</p> <p>The Company sends out notices of convocation three weeks prior to the date of general meetings of shareholders. The notice of convocation of the 96th ordinary general meeting of shareholders was sent on June 3, 2021.</p>
Scheduling AGMs avoiding the peak day	The 96th ordinary general meeting of shareholders was held on Friday, June 25, 2021.
Use of electronic means to exercise voting rights	Since the 83rd ordinary general meeting of shareholders on June 26, 2008, it has been possible to exercise voting rights by electronic means (Internet, etc.)
Participation in Electronic Voting Platform and other steps to enhance conditions for voting by institutional investors	Since the 83rd ordinary general meeting of shareholders on June 26, 2008, it has been possible for institutional investors to exercise voting rights through the Electronic Voting Platform.
Provision of convocation notices (summaries) in English	English versions of the convocation notice, etc. were disclosed on the Tokyo Stock Exchange and the Company's website on May 27, the day following the disclosure of the Japanese-language versions.
Other	Convocation notices, reference documentation, and reports are also posted on the Company's website.

2. IR activities

	Supplementary remarks	Explanation by company representative in person
Preparation and publication of disclosure policy	<p>An IR policy has been laid down and is posted on the Company's website.</p> <p>https://www.smm.co.jp/en/ir/policy/</p> <p>Please note that the IR policy was revised on the basis of the partial revision of the Financial Instruments and Exchange Act effected on April 1, 2018.</p>	
Regular briefings for analysts and institutional investors	<p>1) Results briefings held in teleconference format upon each announcement of quarterly results.</p> <p>2) Briefings to explain progress of the Company's management strategy as a rule twice a year upon release of second-quarter and full-year results.</p> <p>3) Briefings at times of important announcements, such as of three-year business plans.</p>	Yes
Regular briefings for overseas investors	The Company executives visit overseas institutional investors on a regular basis to explain results and management strategies.	Yes
Posting of IR materials on website	IR materials such as financial results and other materials for timely disclosure, results-briefing materials, conference materials, annual reports, CSR reports, integrated reports, stock information, convocation notices, reports, resolution notices, publicity materials for shareholders, and press-release materials are posted on the Company's website.	
Establishment of IR unit (staff in charge)	The Company has established the Public Relations & Investor Relations Department.	

3. Measures to respect the position of stakeholders

	Supplementary remarks
Internal rules and other provisions for respecting the position of stakeholders	<p>The SMM Group Corporate Philosophy includes a pledge to fulfill its responsibilities to stakeholders. As part of that, the Company aims to ensure proper information disclosure to its shareholders and other stakeholders.</p>
Implementation of environment conservation activity, CSR activity, etc.	<p>On October 1, 2008, the Company systemized its existing social and environment initiatives as CSR activities to expand them throughout the Group.</p> <p>The goal of Sumitomo Metal Mining Group CSR activities is to ensure sustainable co-existence with society and the global environment.</p> <p>Sustainable co-existence with the global environment means that the Company will be ever mindful of the fact that its corporate activities depend on a healthy planet and that the Earth's resources are limited.</p> <p>Sustainable co-existence with society means that, through such means as interaction with stakeholders, the Company is endeavoring to enhance enterprise value.</p> <p>The CSR Committee (headed by the president) has been established to ensure vigorous promotion of CSR activities. Under this, three working groups take responsibility for risk management, compliance, and quality assurance, and there are subcommittees that focus on six key CSR areas.</p> <p>In order to further strengthen CSR activities, SDGs and ESG correspondence, the Company established the CSR Department (former the CSR Group in the Safety & Environment Control Department) in April 2019.</p> <p>Each year, an integrated report is prepared to provide information on the status of the Sumitomo Metal Mining Group's CSR activities, and it is also published on the Company's website.</p>
Formulation of policies for provision of information to stakeholders	<p>The Company has formulated an IR Policy. It is posted on the following Company website.</p> <p>https://www.smm.co.jp/en/ir/policy/</p> <p>Please note that the IR policy was revised on the basis of the partial revision of the Financial Instruments and Exchange Act effected on April 1, 2018.</p>
Other	<p>Support for women's empowerment and diversity:</p> <p>For the Company, a company that seeks to be a "World Leader in the Non-Ferrous Metals Industry", it has become increasingly</p>

important to create a working environment in which diverse human resources, including female employees and people with disabilities, can become more active, and company-wide steps are being taken to create such an environment.

The Company has three basic policies for women's empowerment, namely "Promotion of awareness," "Review of systems," and "Infrastructure placement," formed the Female Activation Support Group in July 2012, and has been implementing specific measures.

As part of steps taken to ensure more effective personnel development and deployment and to foster organizational development, in October 2015 the Company established the Human Resources Development Department and the Diversity Promotion Section. These moves have assisted the creation of an environment that enables diverse human resources, including women and people with disabilities, to manifest their full capabilities, and also promote respect for human rights.

IV Matters Relating to Internal-Control Systems, etc.

1. Basic approach to internal-control systems and status of development

1. Basic policy

The building of internal control is one of the most important management issues for ensuring the sustained growth of the Sumitomo Metal Mining Group (including Sumitomo Metal Mining, both here and hereinafter). With regard to the matters referred to in item 2 onward, the policy is to build a structure in which Sumitomo Metal Mining Group officers (including executive officers, both here and hereinafter) and employees can all play their respective roles and responsibilities that are clearly defined, and to build a structure that can be revised in a timely and appropriate manner and improved constantly.

2. Systems to ensure that the performance of duties by the Company's directors and employees conforms with laws and regulations and the Articles of Incorporation (Article 362(4)(vi) of the Companies Act, and Article 100(1)(iv) of the Ordinance for Enforcement of the Companies Act)

1) The Company endeavors to nurture a corporate culture in which duties are performed in a sound and legally compliant manner, by having officers set an example of compliance with the SMM Group Code of Conduct, which sets out the standards of conduct required of officers and employees, and by having officers educate employees and ensure they are thoroughly acquainted with it.

2) The system in place is one in which, based on the Regulations of the Board of Directors, agenda items and matters reported at meetings of the Board of Directors are compliant with the Companies Act. In addition, matters of particular management importance are considered from diverse, expert perspectives, including with regard to legality, in meeting formats or through the *ringi* process in accordance with rules such as the Regulations on Head-Office Department Authority Criteria, the Management Committee Regulations, and the Approval Regulations.

3) With regard to the status of the performance of duties by officers and employees, internal audits by the Internal Audit Department are conducted regularly and whenever necessary.

4) Also in place is an internal reporting system to ensure that, if the performance of duties by officers or employees is in violation of laws, regulations, the Articles of Incorporation, etc., the said violations do not go ignored or unaddressed.

3. Systems for the storing and management of information relating to the performance of duties by directors of the Company (Article 100(1)(i) of the Ordinance for Enforcement of the Companies Act)

Minutes of general meetings of shareholders, minutes of Board of Directors meetings, *ringi* documents, and other information relating to the performance of duties by officers are stored and managed appropriately in accordance with laws and regulations, the Document Regulations, the Approval Regulations, and other rules.

4. Regulations and other systems relating to management of risk of loss by the Company (Article 100(1)(ii) of the Ordinance for Enforcement of the Companies Act)

1) To address risk management, the Regulations on Risk-Management Systems have been laid down and are being applied systematically in each organization. Units that include management personnel have been established to pursue this implementation. The president has overall control of risk management as the senior officer responsible, and this activity is conducted systematically on a company-wide basis.

2) With regard to specific individual risks, head-office departments and units with jurisdiction over each such risk have instituted internal regulations and rules and are managing the risks on the basis of the risk-management structure they create.

5. Systems to ensure that the Company's directors perform their duties efficiently (Article

100(1)(iii) of the Ordinance for Enforcement of the Companies Act)

1) The executive officer system has strengthened those officers' executive capabilities by clearly defining their authority and responsibilities and delegating substantial authority to them. Specifically, the executive officers are entrusted with important positions such as heading a business division, or a division or a department at the Company's head office, and are granted specific authority to perform their duties in each such position pursuant to the Regulations on Head-Office Department Authority Criteria and other rules.

2) Appropriate allocation of management resources within the Sumitomo Metal Mining Group is conducted in accordance with three-year business plans, budgeting systems, etc. In addition, performance-management systems enable the progress of business plans within the Group to be managed, and a system is in place under which performance assessments can be reflected in the remuneration of management and other personnel.

6. Systems to ensure the appropriateness of business within the corporate group comprising the Company and its subsidiaries (Article 100(1)(v) of the Ordinance for Enforcement of the Companies Act)

1) System for the reporting to the Company of matters relating to the performance of duties by directors, etc., of subsidiaries (Article 100(1)(v)(a) of the Ordinance for Enforcement of the Companies Act)

A system has been built to enable prior consultation, etc., with the Company to take place in accordance with internal regulations and rules when decisions are taken on important management matters at subsidiaries. Another system has been built for reporting to the Company regularly with regard to business results and whenever important business matters arise.

2) Regulations and other systems relating to management of risk of loss by subsidiaries (Article 100(1)(v)(b) of the Ordinance for Enforcement of the Companies Act)

In accordance with the Regulations on Risk-Management Systems, a system has been built for the promotion and monitoring of risk management at subsidiaries in a manner tailored to accord with factors such as the characteristics of the business being conducted and of the local region.

3) Systems to ensure that subsidiaries' directors, etc., perform their duties efficiently (Article 100(1)(v)(c) of the Ordinance for Enforcement of the Companies Act)

a. By means of three-year business plans, budgeting systems, etc., a system has been built to indicate Sumitomo Metal Mining Group management policies to subsidiaries and to make it possible for the Company to participate in the formulation of subsidiaries' business plans and budgets.

b. A system has also been built for assigning officers from the Company to subsidiaries and making it possible for them to participate in decision-making and other tasks with regard to important management matters at subsidiaries.

4) Systems to ensure that the performance of duties by subsidiaries' directors, etc., and employees conforms with laws and regulations and the Articles of Incorporation (Article 100(1)(v)(d) of the Ordinance for Enforcement of the Companies Act)

a. The Company has built a system for nurturing a corporate culture in which duties are performed at subsidiaries in a sound and legally compliant manner, by establishing the SMM Group Code of Conduct that is in principle applicable to all subsidiaries, by having officers at each subsidiary set an example of compliance with the code, and by having those officers educate the subsidiary's employees and ensure they are thoroughly acquainted with it.

b. With regard to the status of business execution at subsidiaries, internal audits by the Company's Internal Audit Department are conducted regularly and whenever necessary.

c. Also in place is an internal reporting system to ensure that, if the performance of duties by subsidiaries' officers or employees is in violation of laws, regulations, the Articles of Incorporation,

etc., the said violations do not go ignored or unaddressed.

7. Matters relating to employees in cases in which Audit & Supervisory Board members request the assignment of employees to assist them in their duties (Article 100(3)(i) of the Ordinance for Enforcement of the Companies Act)

Employees are assigned to work concurrently as Audit & Supervisory Board secretariat personnel. If Audit & Supervisory Board members request the placement of other employees to assist them in their duties, those requests will be given serious consideration.

8. Matters relating to ensuring the independence from directors of the employees referred to in 7 above and the effectiveness of instructions to those employees (Article 100(3)(ii) and (iii) of the Ordinance for Enforcement of the Companies Act)

1) If there are to be staff changes among Audit & Supervisory Board secretariat personnel, the Audit & Supervisory Board members will be consulted in advance.

2) If Audit & Supervisory Board secretariat personnel do not abide by Audit & Supervisory Board members' instructions, and Audit & Supervisory Board members request they be replaced or otherwise addressed, such a request will be dealt with seriously.

9. Systems for the Company's directors and employees, as well as subsidiaries' directors, auditors, and employees, to report to the Company Audit & Supervisory Board members (Article 100(3)(iv) of the Ordinance for Enforcement of the Companies Act)

1) A system has been built to ensure that matters required to be reported to the Company's Audit & Supervisory Board members pursuant to the Companies Act or other laws are certain to be so reported, by prescribing matters to be reported to the Board of Directors in the Regulations of the Board of Directors and other internal regulations.

2) If illegal acts, etc., occur within the Sumitomo Metal Mining Group, they are reported to the Company's standing Audit & Supervisory Board members in accordance with the Basic Compliance Regulations.

3) With regard to the status of use of the internal reporting system, a system has been built for reporting to the Company's standing Audit & Supervisory Board members in accordance with the Basic Compliance Regulations.

4) The results of internal audits by the Company Internal Audit Department relating to the status of execution of Sumitomo Metal Mining Group business are reported to the Company's standing Audit & Supervisory Board members.

10. System for ensuring that the persons reporting incidents referred to in 9 above do not receive unfavorable treatment because they have made those reports (Article 100(3)(v) of the Ordinance for Enforcement of the Companies Act)

It is stated explicitly in the Basic Compliance Regulations, etc., that it is prohibited to give unfavorable treatment to persons using the internal reporting system because they have used the said system.

11. Matters relating to policy on procedures for the prepayment or reimbursement of expenses arising in relation to the performance of duties by Audit & Supervisory Board members or on other treatment of expenses or debts arising in relation to the performance of the said duties (Article 100(3)(vi) of the Ordinance for Enforcement of the Companies Act)

When Audit & Supervisory Board members request the Company to prepay or reimburse expenses, etc., in relation to the performance of their duties, the said expenses or debts are dealt with pursuant to the Companies Act.

12. Other system for ensuring that audits by Audit & Supervisory Board members are conducted effectively (Article 100(3)(vii) of the Ordinance for Enforcement of the Companies Act)

1) When important management meetings are held, such as those of the Management Committee

and management information liaison meetings, Audit & Supervisory Board members are given the opportunity to attend them in accordance with internal regulations and rules.

2) Ringi documents to be approved by the president are shown to the standing Audit & Supervisory Board members, with the exception of items specified by standing Audit & Supervisory Board members.

2. Basic approach to elimination of antisocial forces, and status of implementation

1. Basic approach

The SMM Group Code of Conduct has been instituted as the set of standards of conduct required of officers and employees of the Company and its Group companies, and it declares, both in-house and externally, the severance of relationships with antisocial forces as follows.

SMM Group Code of Conduct

15. Severance of Relationships with Socially Disruptive Forces

We will staunchly eliminate socially disruptive forces and have no relations whatsoever with them.

2. Status of implementation of measures to eliminate antisocial forces

Sumitomo Metal Mining and its Group companies adhere to the SMM Group Code of Conduct and have also formulated a manual for handling improper demands with the aim of severing relationships with antisocial forces. Details of the status of implementation of the in-house structure and implementation measures are as follows.

1) In order to ensure that basic policy for the severance of relationships with antisocial forces is entrenched firmly, all officers and employees of the Company and its Group companies are familiarized with the SMM Group Code of Conduct by the provision of training, particularly at the time employees are hired, and also of other education and training.

2) If improper demands are made by antisocial forces, or a situation occurs that suggests they may be imminent, an organizational response is made in accordance with the manual for handling improper demands under the overall control of the general manager of the General Affairs Department.

3) In order to sever relationships with antisocial forces, the Company and its Group companies have built close collaborative relationships with police stations and other such dedicated organizations, providing them with information, obtaining advice, etc. In addition, they have created structures for obtaining legal advice from the law firms they retain.

4) The Company and its Group companies also participate actively in classes and training course held by organizations such as Centers for the Elimination of Boryokudan, and endeavor to gather up-to-date information.

V **Other Matters**

1. Introduction of defense measures against takeovers

Introduction of defense measures against takeovers	Yes
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Supplementary remarks concerning applicable item

Takeover defense measures

1) Overview of basic policy

The Company will not reject a large-scale acquisition of the shares from the outset if it will contribute to the enterprise value of the Company and, in turn, the common interests of its shareholders. The Company also believes that any decision on a proposed acquisition that would involve a transfer of control of a stock company must ultimately be made in accordance with the intent of its shareholders as a whole.

Nonetheless, there are some forms of corporate acquisition that deteriorate the corporate value of the target company and the common interests of its shareholders. .

The Company believes that persons who would make a large-scale acquisition of shares in the Company in a manner that is harmful to the enterprise value of the Company or the common interests of its shareholders would be unsuitable as a person who would control decisions on the Company's financial and business policies. The Company also believes that it is necessary to ensure the enterprise value of the Company and, in turn, the common interests of its shareholders, by taking the necessary and reasonable countermeasures against a large-scale acquisition by such persons.

2) Overview of specific steps to realize the basic policy

a. Overview of special measures that help realize the basic policy

On February 14, 2019, the Company released its 2018 3-Year Business Plan and, based on its Long-Term Vision of aiming to become a "World Leader in the Non-Ferrous Metals Industry," the Company has continued its efforts to implement its growth strategies for each of its Mineral Resources, Smelting & Refining, and Materials businesses. Specifically, in the fields of mineral resources and smelting and refining, the Company aims to extend its business toward a production structure under which it will annually produce 150,000 tonnes of nickel and, as the attributable production 300,000 tonnes of copper, while participating in new mine operations through the acquisition of superior interests for gold. Meanwhile, the Company will also strive to achieve further growth in the materials business, aiming for 25 billion yen in annual income before taxes, including new materials.

The Company has adopted a policy of appointing independent outside directors to at least one-third of the positions on the Board of Directors, with the aim of increasing management transparency. Based on this policy, three of the Company's eight directors are independent outside directors. In addition, the Company has four Audit & Supervisory Board Members including two outside Audit & Supervisory Board Members. The outside director and outside Audit & Supervisory Board Members are independent from the Company. In judging the independence of outside directors and outside Audit & Supervisory Board Members, the Company complies with the requirements for outside officers provided for in the Companies Act of Japan, the criteria for independence prescribed by Tokyo Stock Exchange, and the criteria for independence prescribed by the Company. According to such criteria, the outside directors and outside Audit & Supervisory Board Members of the Company are all independent from the Company. Also, in relation to nominations, remuneration and other such matters pertaining to directors and executive officers, the Company obtains advice from an objective perspective at the Governance Committee (Chair: Outside Director), whose members are the chairman of the Board (who is not an executive officer) and the independent outside directors (so

that a majority of the members of the Governance Committee are independent outside Directors). Further, the Company continues to work together with a third-party organization to evaluate and further enhance the effectiveness of its Board of Directors based on the self-evaluation of directors and Audit & Supervisory Board Members and other means. In addition, the Company has adopted an executive officer system, enhancing the business execution function of the executive officers by clarifying their powers and responsibilities and transferring a significant amount of authority to them.

b. Overview of measures to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate under the basic policy

At the meeting of the Board of Directors held on February 14, 2019, it was resolved to renew the "Countermeasures to Large-Scale Acquisitions of Sumitomo Metal Mining Co., Ltd. Shares (Takeover Defense Measures)," and this gained the shareholders' approval by majority vote at the 94th ordinary general meeting of shareholders (the countermeasures after this renewal to be referred to hereinafter as the "Plan").

The purpose of the Plan is to enable the Company's Board of Directors to present an alternative proposal to the shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders and take other necessary actions on the occasion that it receives a proposal for a large-scale acquisition of the shares in the Company.

The Plan sets out procedures necessary to achieve the purpose stated above, including requirements for acquirers to provide information in advance in the case that the acquirer intends to make an acquisition of 20% or more of the Company's share certificates or other equity securities.

In the event, for example, that an acquirer does not follow the procedures set out in the Plan, or a large-scale acquisition of shares in the Company could harm the enterprise value of the Company and, in turn, the common interests of its shareholders, and that the acquisition satisfies the triggering requirements set out in the Plan, the Company will allot stock acquisition rights with (a) an exercise condition that does not allow the acquirer to exercise the rights as a general rule, and (b) an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the acquirer, by means of a gratis allotment of stock acquisition rights to all shareholders, except the Company, at that time.

If a gratis allotment of stock acquisition rights were to take place in accordance with the Plan, and all shareholders other than the acquirer received shares in the Company as a result of those shareholders exercising or the Company acquiring those stock acquisition rights, shares in the Company will be issued in the range of one-half to one share per stock acquisition right, as a general rule. Therefore, the ratio of voting rights in the Company held by the acquirer may be diluted by up to a maximum of approximately 50%.

In order to eliminate arbitrary decisions by directors, in accordance with Rules of Independent Committee the Company is to establish the Independent Committee—solely composed of members who are independent from the management of the Company, such as outside directors of the Company—to make objective decisions with respect to matters such as the implementation or non-implementation of the gratis allotment of stock acquisition rights or the acquisition of stock acquisition rights in accordance with the Plan.

In addition, excluding cases in which there is not enough time to convene a general meeting of shareholders, the Board of Directors will, if a gratis allotment of stock acquisition rights were to take place in accordance with the Plan, convene a general meeting of shareholders and confirm the intent of the Company's shareholders.

Transparency with respect to the course of those procedures will be ensured by timely disclosure of information to all of the Company's shareholders.

In principle, the effective period of the Plan is until the conclusion of the 97th ordinary general meeting of shareholders, due to be held in June 2022.

3) The Board of Directors' judgment on the specific measures and the reasons therefor

The Company's 2018 3-Year Business Plan and other measures already implemented to strengthen corporate governance have been formulated as concrete steps toward ensuring the continued and stable enhancement of the Company's enterprise value and the common interests of its shareholders. As such, they are firmly in line with the Company's basic policy and are not intended to maintain the status of the Company's corporate officers.

In addition, the Plan has been introduced for the purpose of securing and increasing enterprise value and the common interests of shareholders, and thus also accords with the Company's basic policy. Of particular note is that, owing to attributes such as the following, it can be concluded that the fairness and objectivity of the Plan are assured and that the Plan does contribute to enterprise value and the common interests of shareholders and does not have the objective of maintaining the status of the Company's corporate officers: it was approved by the shareholders at the 94th ordinary general meeting of shareholders; it incorporates reasonable and objective requirements and conditions; it includes the establishment of the Independent Committee composed only of members who are independent, such as outside directors; it is essential to obtain a recommendation from the Independent Committee when making the decision for triggering the Plan; the Independent Committee may obtain advice from third-party experts at the Company's expense; the effective period is set at three years; and it is able to be abolished by the Board of Directors at any time before the expiration of the effective period.

2. Other matters concerning the corporate governance system, etc.

Internal system for timely disclosure of corporate information

1) Corporate philosophy and code of conduct

In December 2003, the Company instituted the SMM Group Corporate Philosophy, setting out what the Company aims to achieve, and the SMM Group Code of Conduct, which lays down the behavioral standards for all officers and employees required for fulfilling the corporate philosophy, and in April 2004 they were both put into effect. The SMM Group Code of Conduct was subsequently revised in October 2008 and April 2015 in parallel with changes in the business environment.

The SMM Group Corporate Philosophy includes a pledge to "fulfill its responsibilities to its stakeholders," and thus proper information disclosure is a moral obligation for the Company.

The SMM Group Code of Conduct includes "Compliance: Abidance by Laws and Rules," where a pledge is made to "comply with foreign and domestic laws and rules, and conform to social norms."

2) Systems based on internal regulations

Adhering to the SMM Group Corporate Philosophy and the SMM Group Code of Conduct, in order to address information disclosure appropriately and in a fair and timely manner, the Company sets out rules for managing insider information in the Regulations on Disclosure of Information to Media Organizations and Investors and the Regulations on Insider Trading Prevention and Information Management.

Specifically, the handling of information relating to decisions made, information relating to events, and information relating to financial results (hereinafter collectively referred to as "Important Facts") is as follows. (a. below is stipulated in the Regulations on Insider Trading Prevention and Information Management, and b. and c. below are provided for in the Regulations on Disclosure of Information to Media Organizations and Investors.)

a. If Important Facts arise or are predicted to arise at the Company or its subsidiaries, the heads of the departments with jurisdiction over those Important Facts (in the case of subsidiaries, the departments with jurisdiction over those subsidiaries) file reports to that effect to the general manager of the Legal Department.

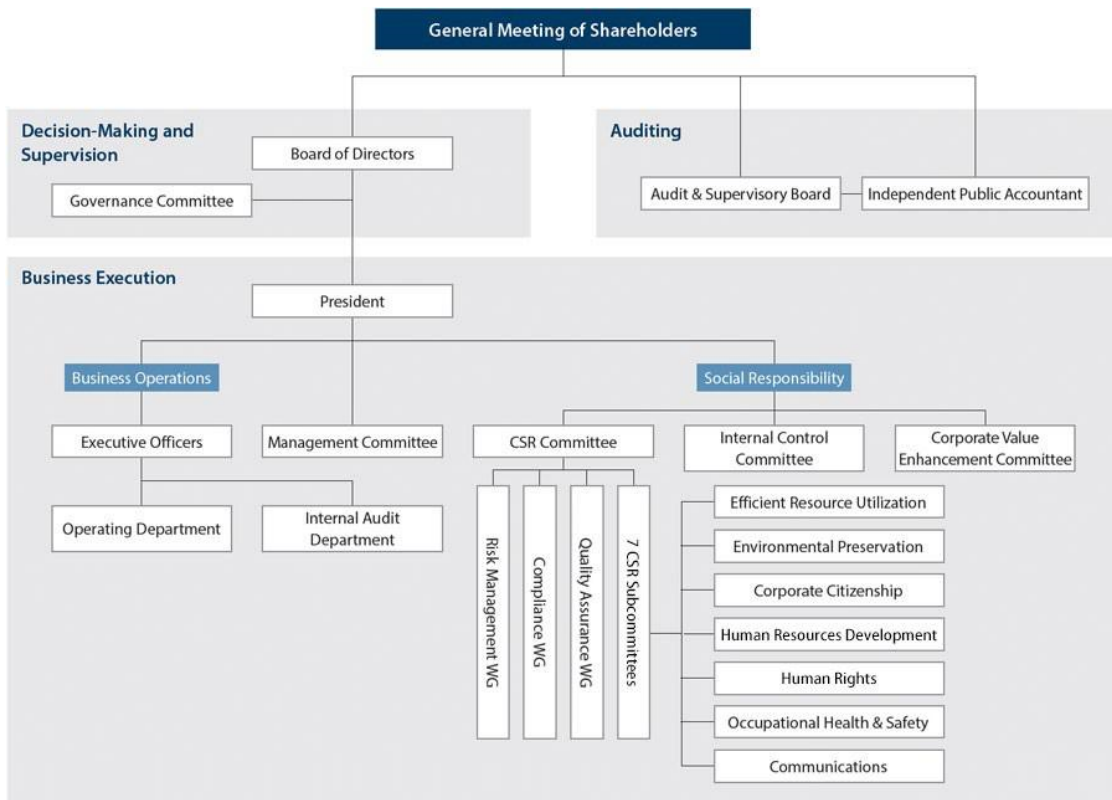
b. With regard to the Important Fact so reported, the general manager of the Legal Department then decides whether that fact falls into the category of a matter for timely disclosure, and notifies the general manager of the Public Relations & Investor Relations Department, the officer responsible for information handling.

c. The general manager of the Public Relations & Investor Relations Department makes disclosure in accordance with the regulations laid down by the Tokyo Stock Exchange or other such institution.

3) Timely-disclosure screening through the ringi process

Fundamental to business decision-making at the Company is the conduct of investigation and screening followed by approval through the ringi process. Screening for timely disclosure is conducted through ringi documents that are circulated during this decision-making process as the circumstances demand in each case.

Corporate Governance System



Flowchart for Timely Disclosure of Corporate Information

