



Integrated Report 2024

The Sumitomo Business Spirit

Article 1

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

Article 2

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

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

SMM Group Corporate Philosophy

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

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

SMM Group Management Vision

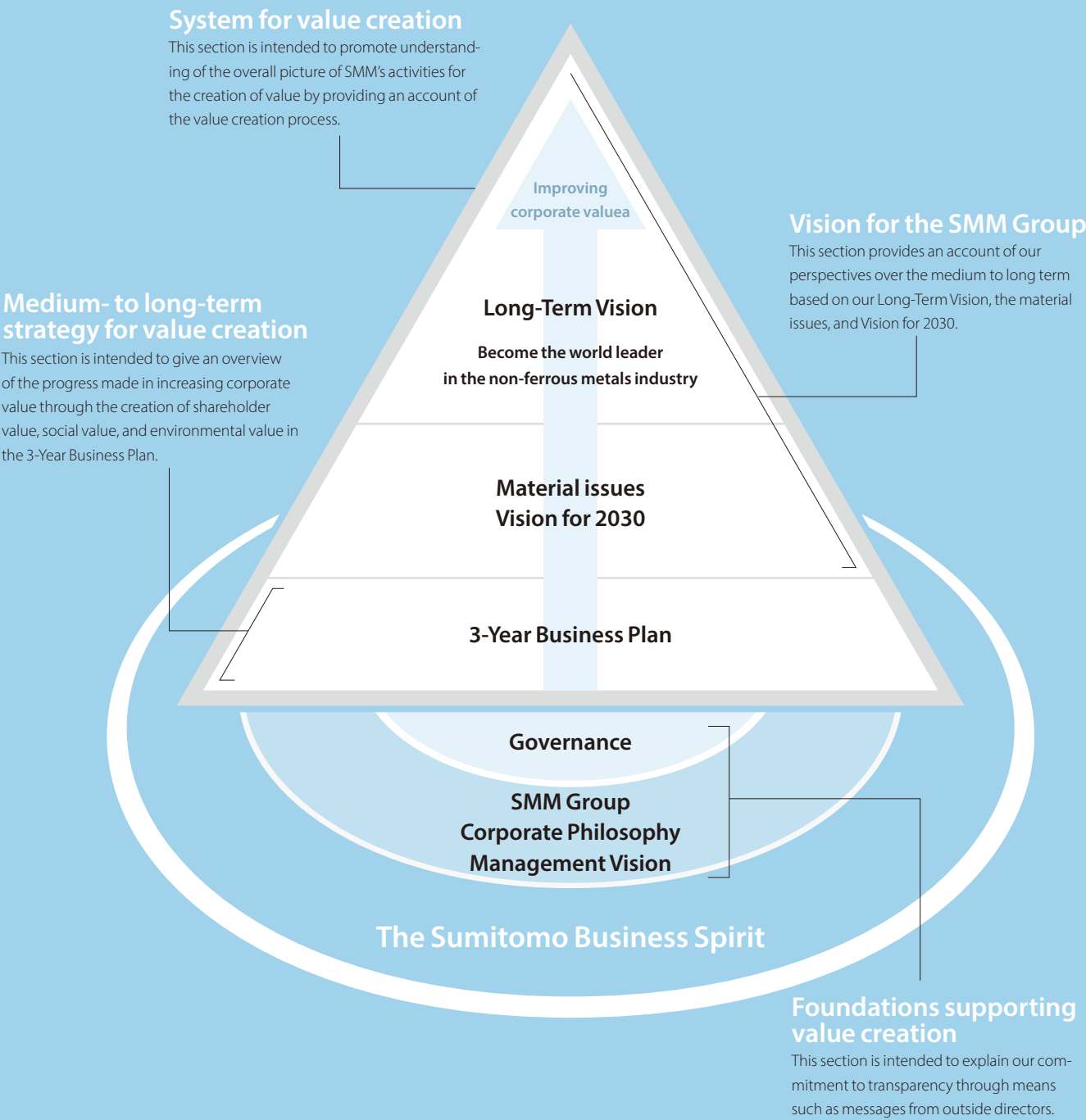
By improving technical capabilities, we shall fulfill our social responsibilities as a manufacturing enterprise.

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

Value Creation Initiatives of the Sumitomo Metal Mining Group

Sumitomo Metal Mining positions the Sumitomo Business Spirit as the foundation for its activities. It has also formulated the material issues and Vision for 2030 toward achieving SMM's long-term vision of becoming the world leader in the non-ferrous metals industry. To realize this long-term vision, SMM is working to achieve its targets through the

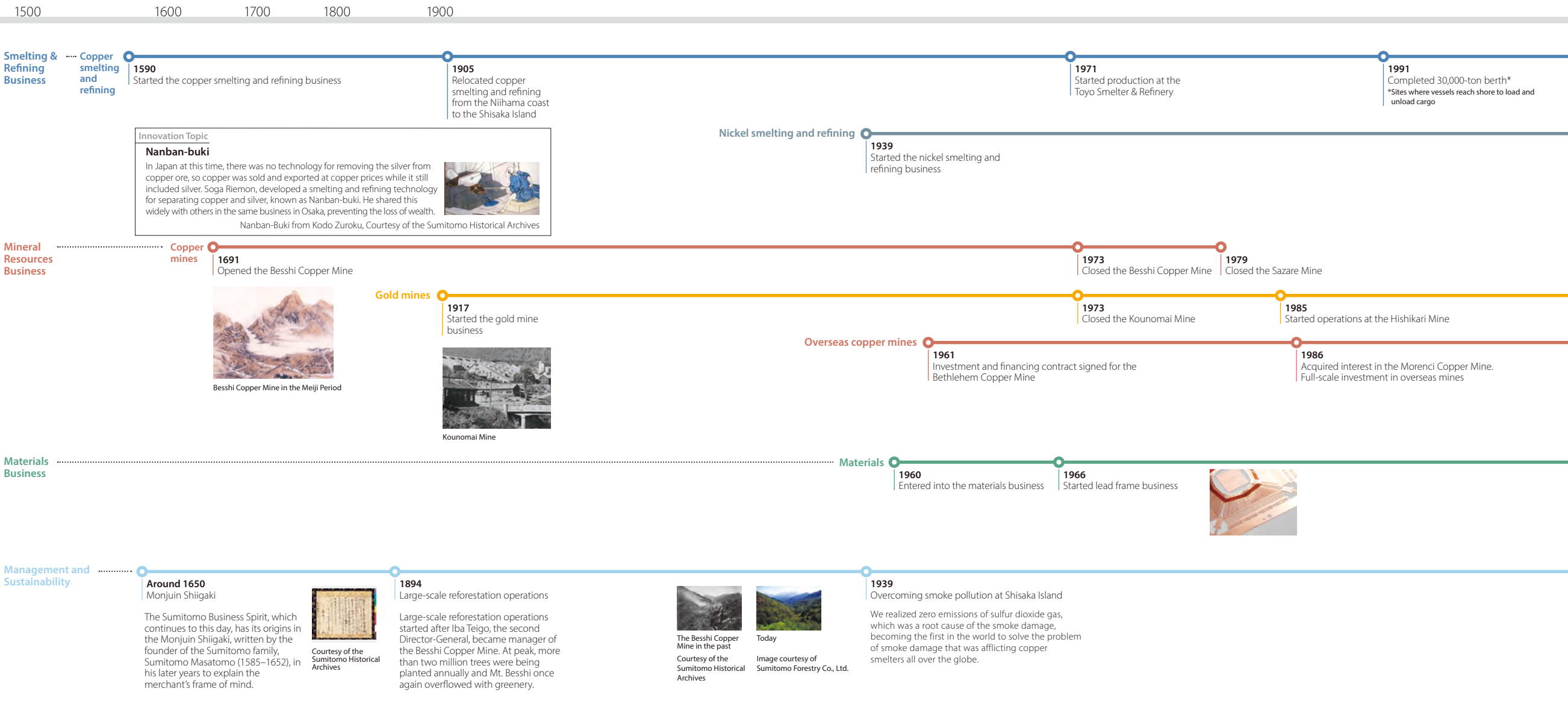
implementation of specific business activities in accordance with the 3-Year Business Plan. This Integrated Report is intended to position and give an account of the course undertaken from the long-term vision through to the 3-Year Business Plan as value creation activities, including governance as the foundation of the business.



Our History of Value Creation

Through a history of over 430 years, we have provided society with the non-ferrous metals that are indispensable to people's lives. In this environment, the SMM Group has been keenly aware of major changes in the business environment and has generated new value.

Based on our long-cultivated technologies for handling metals and our spirit of co-existence with the global environment and society, we will recognize changes in increasingly diversifying and sophisticating social demands as business opportunities and continue renewed challenges for change.



Our path toward long-term value creation

The beginning of Sumitomo's original business: copper smelting and refining business

In 1590, the Sumitomo copper business began in Kyoto as a copper smelting and decorative copperwork operation. By being the first in Japan to perfect a smelting technique known as Nanban-buki for the separation of copper from silver, Sumitomo solidified its business foundation.

Opening of the Besshi Copper Mine triggers discovery of new value, mineral resources

The Besshi Copper Mine operated continuously for 283 years from its opening in 1691 and made a huge contribution to Sumitomo's development. The opening of the mine presented an opportunity to expand the company's business to include mineral resources business in addition to copper smelting and refining. The mining technology cultivated at the Besshi Copper Mine continues to be inherited by SMM's Mineral Resources Business as it expands across the globe.

Adding new metals to the Smelting & Refining and Mineral Resources Businesses portfolio

At a time when the importance of gold as a resource was growing, we acquired the management rights for the Kounomai Mine in Hokkaido in 1917. Beginning in 1939, SMM also pioneered and commercialized the smelting and refining of nickel in Japan, which had hitherto relied on imports as nickel could not be smelted domestically.

Entered into the Materials Business

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

Participated in overseas copper mines and acquired interests

The downsizing of mines in Japan meant that smelting and refining businesses had to switch to resources procured from overseas. In 1961, SMM signed an investment and financing contract with Bethlehem Copper Mine, beginning the company's involvement with overseas mines and creating a foothold for the acquisition of mining interests that continues to this day.

Started operation of the Hishikari Mine

With the closure of the Sazare Mine in 1979, the curtain closed for a time on SMM's long heritage of mining technology. However, in 1985, operations began at the Hishikari Mine and SMM Group's technology began to chart a new history in a new area. The mine boasted a rich gold content ratio, even to date and has become a primary source of profit for the Group, and it also played a role in passing down our mining technology.

Social Setting



Around 1700 | The majority of Nagasaki trade

In the Edo period, about half of all copper produced in Japan for international trade was exported through Nagasaki. In the year 1698, Sumitomo's annual production reached about 1,500 tons, a quantity that accounted for one quarter of Japan's copper production.

Export box containing copper bars from Nagasaki (model), courtesy of the Sumitomo Historical Archives

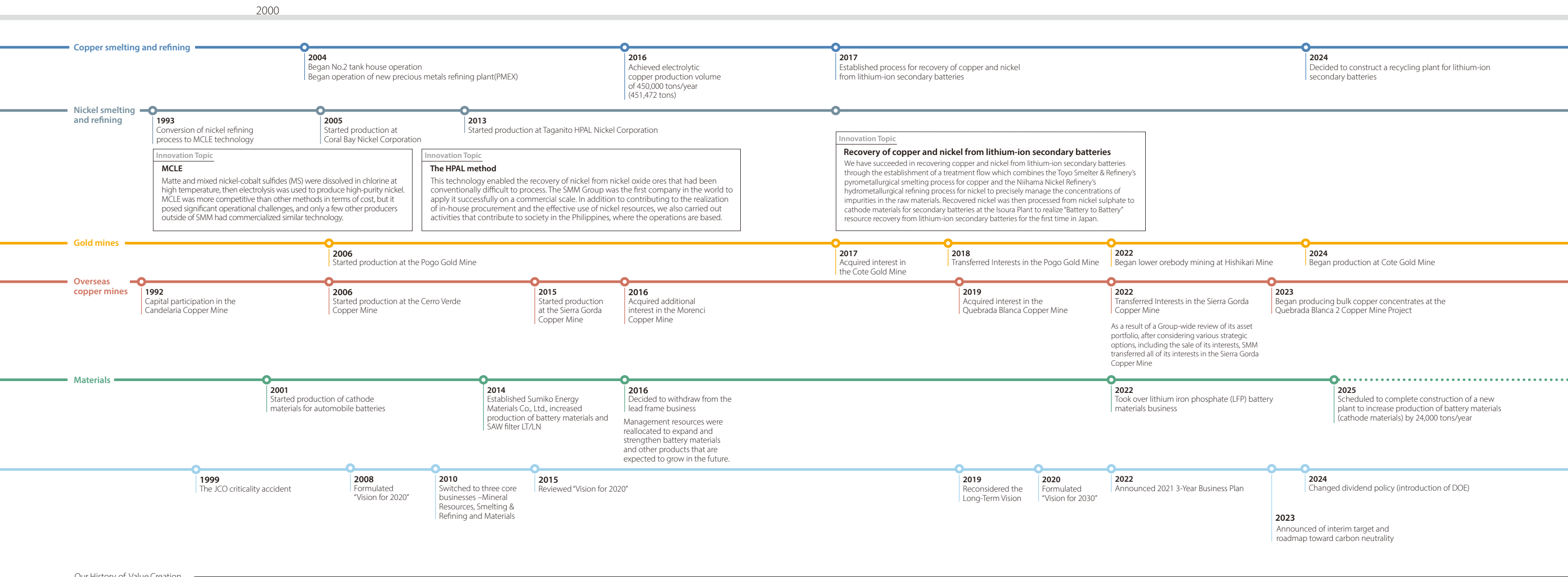


Around 1900 | The modernization of industry

Starting in the Meiji Period, with the growth in demand for communications lines, wires for electric lighting, and copper alloy fabricated products, domestic demand for copper increased significantly. The Besshi Copper Mine, which introduced Western-style smelting and refining, supported the industry in Japan.

Besshi Mine Upper Railway, Courtesy of the Sumitomo Historical Archives

Our History of Value Creation



Our History of Value Creation

Corporate reform since the JCO criticality accident

On September 30, 1999, a criticality accident occurred at SMM subsidiary, JCO Co., Ltd., which manufactured fuel for nuclear power generation. This was a turning point in the management of the SMM Group, whereupon it reflected and in 2000 formulated the Corporate Reform Plan. We have thoroughly fostered and instilled compliance and a culture of safety, and even though more than 20 years have passed since the accident, we will not forget and will pass the lessons learnt on to younger generations.

Return to core business

Since FY2002, following the Corporate Reform Plan, in order to improve our profitability, we have been further promoting business selection and concentration to reform the business and cost structure of the SMM Group to build a corporate structure strong enough to withstand international competition even in a severe business environment.

Promoting the growth strategy

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

Began to increase the production of battery materials

We have been promoting high-performance materials for automobile batteries (cathode materials), which are expected to grow significantly in the future, and gradually increasing production capacity by leveraging our strength of an integrated process from the procurement of nickel raw material through to processing (3-business collaboration synergy).

Long-term vision to become a world leader in the non-ferrous metals industry

In the 2018 3-Year Business Plan, we set the long-term vision of becoming the world leader in the non-ferrous metals industry and worked to strengthen our growth foundation through the promotion of large-scale projects, reinforced collaboration among our three businesses, and strengthened our corporate functions. In the subsequent 2021 3-Year Business Plan, we are tackling the 4 Challenges under the theme of "renewed challenge for change," toward the realization of realize our long-term vision.

Social Setting



Around 1980 | The spread of stainless steel

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



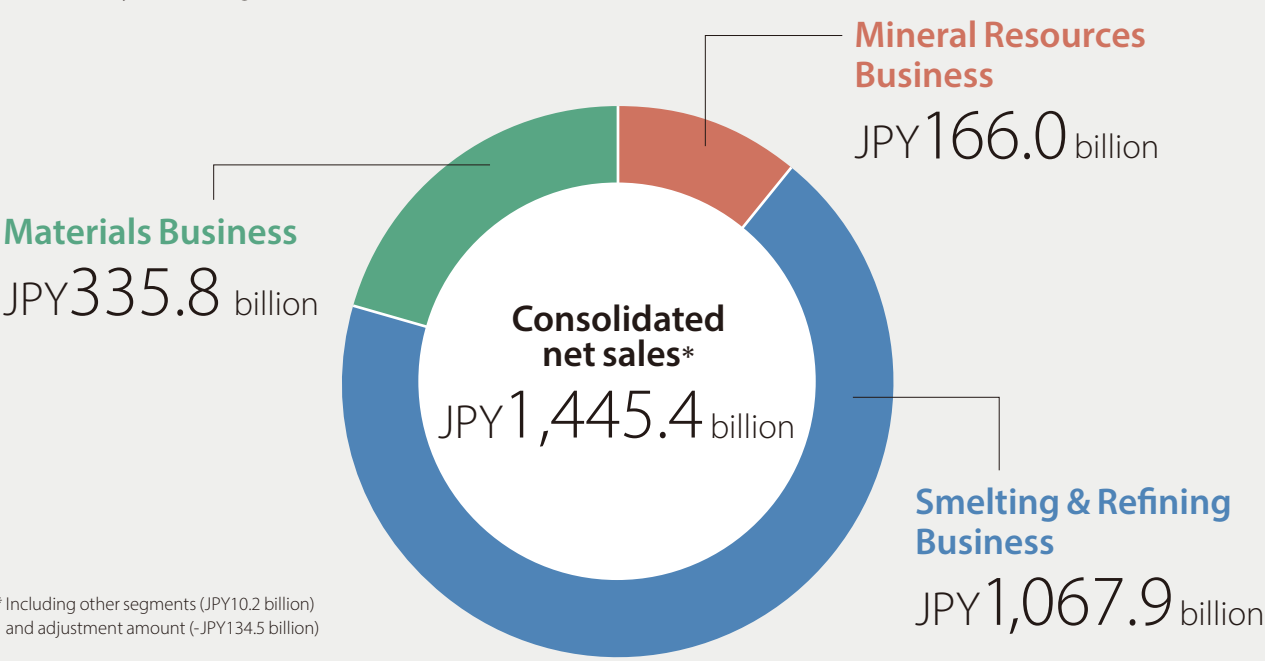
Around 2000 | Rapidly rising demand for cathode materials for automobile batteries

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

At a Glance (FY2023)

Figures Showing the Group's Special Characteristics

■ Net sales by business segment

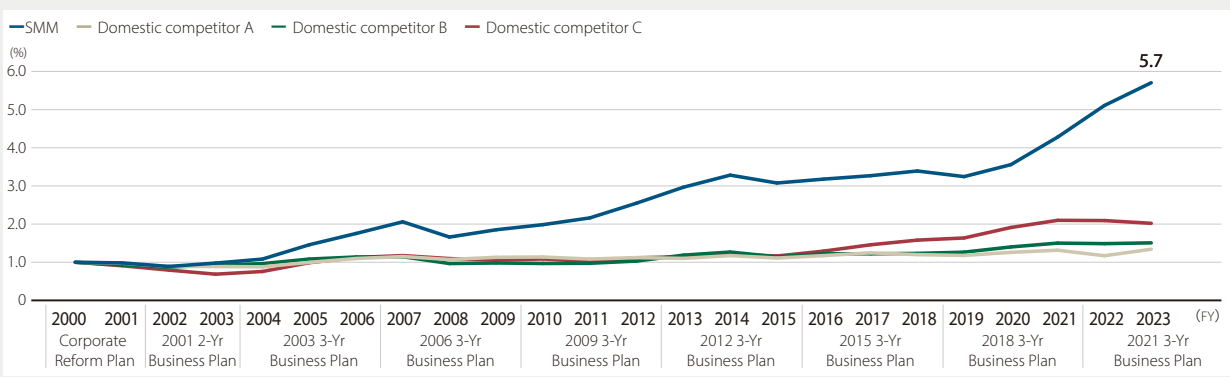


More than
430 years of history
The second longest history of Japan's listed companies

Employees (consolidated)
7,496

Our business countries and regions
14

■ Growth Rate of Total Assets (book value, compared to the end of FY2000)



Figures Showing Each Business's Special Characteristics

Mineral Resources Business

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

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



Cumulative amount of gold produced from Hishikari Mine

268.5 tons, No.1 in Japan
(As of March 31, 2024)

Smelting & Refining Business

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

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



Global Class 1 nickel interest production

NO. 7
*Source: Research by SMM; Including salts

Materials Business

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

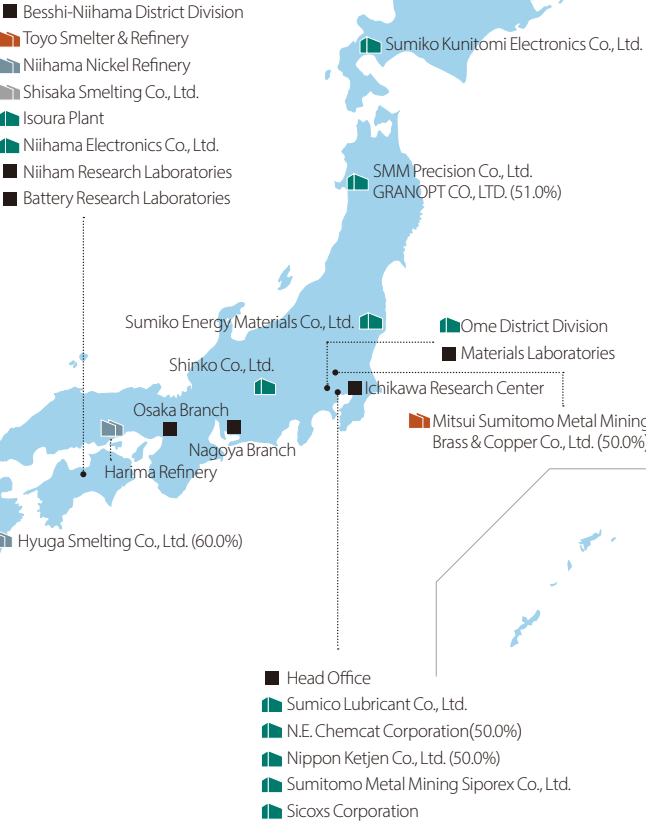
Main Products
Battery Materials, Powder Materials, Crystal Materials, Package Materials, Oil Refining Catalysts, Automotive Catalysts, Autoclaved Lightweight Concrete, Lubricants



Increase production of nickel-based cathode materials for secondary batteries

+24,000 tons/year
(starting in FY2025)

SMM Group Overview (As of April 1, 2024)



Japan

Sumitomo Metal Mining Co., Ltd.

Mineral Resources

- Sumiko Resources Exploration & Development Co., Ltd

Smelting & Refining

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

Materials

- SMM Precision Co., Ltd.
- N.E. Chemcat Corporation
- Ohkuchi Electronics Co., Ltd.
- Ohkuchi Materials Co., Ltd.
- GRANOPT CO., LTD.
- Sicoxs Corporation
- Shinko Co., Ltd.
- Sumiko Energy Materials Co., Ltd.
- Sumiko Kunitomi Electronics Co., Ltd.
- Sumico Lubricant Co., Ltd.

- Sumitomo Metal Mining Siporex Co., Ltd.
 - Niihama Electronics Co., Ltd.
 - Nippon Ketjen Co., Ltd.
- Other**
- Igeta Heim Co., Ltd.
 - JCO Co., Ltd.
 - Sumiko Technical Service Co., Ltd.
 - Sumiko Techno-Research Co., Ltd.
 - Sumitomo Metal Mining Engineering Co., Ltd.
 - Japan Irradiation Service Co., Ltd.

Asia

■ Cordillera Exploration Company Inc. (Philippines)

- Jinlong Copper Co., Ltd. (China)
- Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)
- Sumitomo Metal Mining Management (Shanghai) Co., Ltd. (China)
- Coral Bay Nickel Corporation (Philippines)
- Nickel Asia Corporation (Philippines)

- Taganito HPAL Nickel Corporation (Philippines)
- Sumitomo Metal Mining Philippine Holdings Corporation (Philippines)

Materials

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

Mineral Resources

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

Other Regions

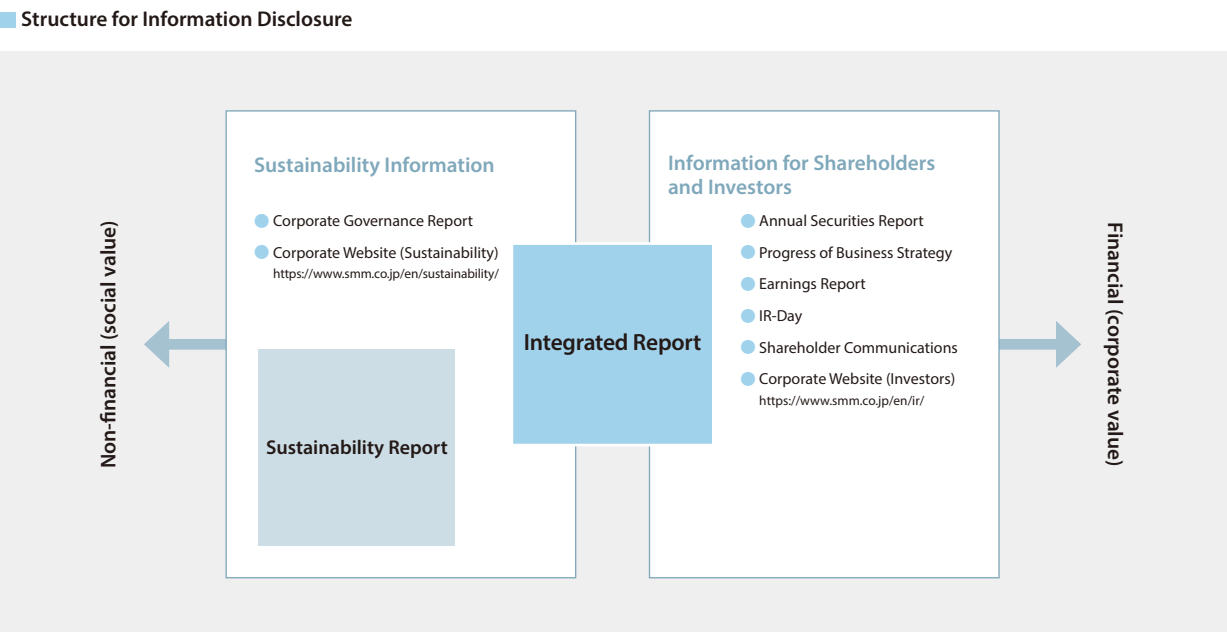
Mineral Resources

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

■ FIGESBAL SA(New Caledonia)

Contents and Editorial Policy

<div><div>The Sumitomo Business Spirit<ul style="list-style-type: none">• SMM Group Corporate Philosophy• SMM Group Management Vision</div><div>1 Value Creation Initiatives of the Sumitomo Metal Mining Group</div><div>2 Our History of Value Creation</div><div>6 At a Glance</div><div>8 SMM Group Overview</div><div>10 Contents and Editorial Policy</div><div>12 Message from the President</div></div>	<div>90 Focus 1 Carbon Neutrality</div> <div>96 Focus 2 Management of Tailings Dams</div> <div>98 Focus 3 Human Rights</div>
<div>System for Value Creation</div> <div>20 Seven Competitive Strengths</div> <div>22 Value Creation Process</div> <div>24 Business Model</div> <div>26 Financial and Non-Financial Highlights</div> <div>31 Delivering Economic Value to Stakeholders</div>	<div>Foundations Supporting Value Creation</div> <div>104 Corporate Governance</div> <div>118 Messages from the Outside Directors</div> <div>120 Tax Governance</div> <div>122 Compliance</div> <div>124 Risk Management</div> <div>127 Quality Assurance</div> <div>130 Occupational Health and Safety</div> <div>132 Environmental Management</div> <div>134 Information Security</div> <div>136 Directors and Audit & Supervisory Board Members</div>
<div>Vision for the SMM Group</div> <div>34 Long-Term Vision</div> <div>36 Material Issues and Vision for 2030</div> <div>38 Vision for 2030 – Formulation Approach</div> <div>40 Risks and Opportunities</div>	<div>Data Section</div> <div>138 Glossary</div> <div>142 The Global Non-Ferrous Metal Industry and the SMM Group</div> <div>144 Targets and Progress of Our Long-Term Vision</div> <div>146 Eleven-Year Financial Summary</div> <div>148 Financial Performance by Business Segment</div> <div>150 Consolidated Statement of Financial Position/</div> <div>152 Consolidated Statement of Profit or Loss/</div> <div>Consolidated Statement of Comprehensive Income</div> <div>154 Consolidated Statement of Changes in Equity</div> <div>157 Consolidated Statement of Cash Flows</div> <div>159 Corporate Data and Investor Information</div> <div>160 Attestation of Validity</div>
<div>Medium- to Long-Term Strategy for Value Creation</div> <div>Strategy and Resource Allocation</div> <div>44 Changes in the 3-Year Business Plan</div> <div>46 The Value Creation Logic Tree</div> <div>48 Main Progress of the 2021 3-Year Business Plan</div>	<div>Scope of the Report</div> <div>Sumitomo Metal Mining Co., Ltd. (SMM)</div> <div>The Sumitomo Metal Mining Group<ul style="list-style-type: none">SMM and consolidated subsidiaries<div>Economic and Environmental Topics<ul style="list-style-type: none">SMM, consolidated subsidiaries and equity-method affiliates</div><div>Social Topics<ul style="list-style-type: none">SMM and consolidated subsidiaries</div></div>
<div>Financial Strategy</div> <div>52 Basic Approach to Financial Strategy</div> <div>54 Funding/Investment/Return to Shareholders</div> <div>56 Results and Plan</div>	<div>Publication Date</div> <div>August 2024 Next scheduled publication: July 2025</div> <div>(Previous publication: September 2023)</div>
<div>Strategies for Individual Business Segments</div> <div>58 Mineral Resources Business</div> <div>62 Smelting & Refining Business</div> <div>66 Materials Business</div>	<div>Period Covered</div> <div>(Some activities before or after the following periods have also been included)</div> <div>Japan: April 1, 2023–March 31, 2024</div> <div>Overseas: January 1, 2023–December 31, 2023</div>
<div>Reinforcing Intangible Assets</div> <div>72 Research & Development</div> <div>76 Human Resources Strategy</div> <div>80 Digital Transformation (DX) at the SMM Group</div>	<div>Inquiries</div> <div>Public Relations & Investor Relations Department,</div> <div>Sumitomo Metal Mining Co., Ltd.</div> <div>11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan</div> <div>Tel: +81-3-3436-7705 Fax: +81-3-3434-2215</div> <div>https://www.smm.co.jp/en/contact/</div>
<div>Promotion of Sustainability Activities</div> <div>86 Sustainability Management</div> <div>88 Vision for 2030 (Material Issues and KPIs)</div>	



Referenced Guidelines and External Evaluations and Initiatives for Improvement

<div>Integrated Report</div> <div><div>International Integrated Reporting Framework</div><div>We describe in detail the Company's distinctive "3-business collaboration" business model at the core of our value creation process. Based on the perspective of integrated thinking, we also seek to structure this report with an awareness of the relationship between financial capital and non-financial capital.</div><div>Guidance for Collaborative Value Creation</div><div>We summarize the overall concept of the publication based on an awareness of systematic and comprehensive organization of corporate philosophy, business models, strategies, governance, and so on. We also strive to clarify our value creation story by organizing and describing in detail our business model.</div><div>Consideration of Outside Opinions</div><div>In addition to reviewing last year's report, we received opinions from external experts when investigating the structure of the report during the process of its production and we focused on explaining the relationship between sustainability and business issues. This report also includes an article based on discussions with employees concerning research and development with a focus on on-site initiatives.</div></div>	<div>Sustainability Report</div> <div><div>Global Reporting Initiative (GRI) "GRI Standards" (compliant)</div><div>Task Force on Climate-related Financial Disclosures (TCFD) recommendations</div><div>Corporate Sustainability Reporting Directive (CSRD)</div></div> <div><div>Disclaimer</div><div>The forward-looking statements in this integrated report, including business result forecasts, are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this report. Actual business results may differ substantially due to a number of factors. Also, unless otherwise stated, the term "ton" refers to a metric ton.</div></div>
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Message from the President



H. matsumoto

President and Representative Director

With a management stance focused on *MONOZUKURI* (manufacturing and operation), my goal is to achieve our Long-Term Vision by increasing the profitability of our core businesses and growing our growth businesses.

As the SMM Group's new President

I will keep a sharp focus on *MONOZUKURI*, based on my years of experience in production

It is an honor and privilege to address you in my new position as President and Representative Director of SMM, following my appointment in June 2024. More than 35 years have passed since I joined the Company in 1987, and for much of that long period I worked directly in production. At SMM I have had the good fortune to amass many valuable experiences: from 2006 to 2008, for example, I was assigned to a HPAL Plant in the Philippines, and after returning to Japan I was General Manager of the Niihama Nickel Refinery. My many years of direct involvement in sites of *MONOZUKURI* today place me in a prime position as President to focus on the SMM Group's *MONOZUKURI-RYOKU* (manufacturing and operational capability), the root source of our competitive power.

Close to my heart I always keep a piece of advice given to me by a senior colleague when I was young. "Always remember," he said, "it is better to eliminate one negative factor from the past than to pursue profit from starting something new in the present." At the time, we were considering making a capital investment in a facility to process new raw materials, and what my colleague was saying was that instead of focusing only on what would be new, we should focus on issues or influences that negatively impact our current processes. I believe what he taught me then remains relevant for the SMM Group today.

The non-ferrous metals which the SMM Group provides today – copper, nickel, gold, etc. – are indispensable for today's social and industrial development, and as such the SMM Group has a social responsibility to provide them on a stable, continuous basis. To carry out that responsibility, new measures of course are necessary. But at the same time, it is also important to look closely for problems affecting our existing production infrastructure, and to improve and resolve any such issues completely.

With this in mind, I believe that reviewing and strengthening,

from an array of perspectives, *MONOZUKURI-RYOKU* that sustain our stable provision of non-ferrous metals will lead to enhancement of the SMM Group's value through the long term.

Aiming to achieve our Long-Term Vision of becoming "the world leader in the non-ferrous metals industry" [P.34](#)

My agenda is to formulate a growth strategy that reflects increasing demand and the difficulties of securing mineral resources

In our Long-Term Vision we aim to become "the world leader in the non-ferrous metals industry." By this we mean a company that has a global presence, possesses superlative technologies and a unique business model, generates a stable amount of profit, actively addresses the SDGs and other social issues, and has employees who work with spirit.

The growth strategy for achieving this Long-Term Vision is underpinned by the social importance of the non-ferrous metals which the SMM Group produces, especially copper and nickel. Demand for these metals is projected to continue expanding through the long term in areas addressing climate change – renewable energy-related facilities, EVs, etc. – and for use in the construction of the large-scale data centers necessary for developing and operating generative AI. To respond to this increased demand, we plan to expand our copper and nickel production volumes as well as our business in advanced materials: cathode materials for use in vehicle batteries, silicon carbide (SiC), and near-infrared absorbing materials. Through these expansion initiatives we are targeting stable achievement of 150 billion yen in annual profit attributable to owners of parent.

Simultaneously, however, in pursuing our Long-Term Vision we must also pay close attention to various medium- and long-term risks. One major issue in this respect will be securing the mineral resources necessary to enable stable provision of non-ferrous metals as demand for them expands. With respect to copper, for example, in recent years business has become increasingly challenging due

Message from the President

to mine locations at increasingly higher altitudes or underground depths, deterioration in ore grade, and increased transportation costs because new mining areas tend to be located at greater distances from coasts. Concerning nickel, as competition for mineral resources intensifies in existing procurement nations such as Indonesia, the Philippines and New Caledonia, we need to secure new procurement sites. Today we are already considering new projects in Australia and Canada, and I hope to indicate a path toward commercialization in our next 3-Year Business Plan.

Response to sustainability issues

My focus will be on effective use of non-ferrous metal resources, measures addressing climate change, and prevention of significant environmental accidents

As a step toward achieving our Long-Term Vision, the SMM Group formulated an interim "Vision for 2030." In it we identified 11 material issues that will have a major impact on both society as a whole and our own business operations.

Topping the list is "effective use of non-ferrous metal resources." In pursuing realization of a sustainable society, we aim to build a circular economy in non-ferrous metal resources. Toward that goal we are taking steps including promotion of processing of secondary materials – scrap, etc. – in our copper smelting and refining business, and demonstration and commercialization of recycling technologies for automobile secondary batteries.

We will also boost our focus on climate change, an issue faced by all mankind. In December 2023 we announced the medium-term targets and roadmap to achieve carbon neutrality. In the preparation stage we reviewed our earlier target and set a new, more stringent target of reducing our GHG emissions by 38% or more compared to the 2015 level. One measure for achieving our new target is energy conversion. Within Japan our transition from heavy fuel oil to LNG has been nearly completed, while overseas, where our dependency on coal is still significant, we are working to shift to biofuels. We aim to achieve carbon neutrality by 2050 both by maximizing use of such existing technologies and by introducing new technologies. We will also proactively strive to contribute to realization of a carbon-neutral society through development and provision of products that have a light carbon footprint.

To prevent significant environmental accidents, we are focusing especially on proper management of tailings dams – slag accumulation sites for mineral wastes generated during mineral processing, etc. In the Philippines, for example, we manage two large-scale tailings dams, and to prevent any significant accidents such as a dam burst that would impact the surrounding region, we will continue conducting proper management in line with global standards, including the Global Industry Standard on Tailings Management (GISTM).

The 2021 3-Year Business Plan's 4 Challenges

Results are being achieved in all areas, and we are now concentrating on points in need of strengthening

The key strategies under the SMM Group's 2021 3-Year Business Plan, i.e. the period from FY2022 through FY2024, consist of "4 Challenges." Here, I will summarize what progress has been achieved so far in each of these four aspects and discuss which points we are currently focusing on in particular.

4 Challenges ▶ P.45

- 1

Increasing corporate value – Promotion of large-scale projects
- 2

Improving core business sustainability
- 3

Adapting to changes in the social environment
- 4

Strengthening the foundation of business management

Challenge 1

Increasing corporate value – Promotion of large-scale projects
Steady progress is being achieved in carrying out our two large-scale projects: Quebrada Blanca 2 and Côté gold mine development. Construction is now nearly completed, and the focus has shifted to raising facility operating ratios and achieving stable production. To expand production capacity for battery cathode materials in order to meet increasing demand, we intend to bring the startup of our new factory forward.

Challenge 2

Improving core business sustainability
Construction has been started on a lithium-ion battery recycling plant. The aim is to achieve "battery-to-battery" recycling, i.e. extracting the copper, nickel, cobalt and lithium from spent EV batteries, and using these materials to make new batteries. Under our 2024 3-Year Business Plan, we are aiming to complete a plant capable of processing 10,000 tons per year. We will also build a recycling supply chain in collaboration with established recycling companies.

To secure our required nickel resources, we are currently considering securing new mineral resources in Australia and Canada. In our battery materials business, we will continue exploring the feasibility of expanding business in lithium ferrophosphate (LFP) cathode materials as a lower-cost, highly stable substitute for nickel and other rare metals.

Human capital management is essential for boosting my focus on *MONOZUKURI-RYOKU*.



Challenge 3

Adapting to changes in the social environment

In addition to the carbon neutrality measures noted earlier, we are also focusing on securing, fostering and utilizing human capital. In July 2023 we revamped our personnel system for managerial track employees. Going forward we will implement measures to stimulate and enhance employee motivation through the introduction of a job grading system and our internal recruitment program, the "Career Up Challenge System."

Challenge 4

Strengthening the foundation of business management

Our emphasis here is on measures to strengthen our safety initiatives. Through the various measures we have implemented until now, over the long term the number of accidents is trending downward. Unfortunately, however, we have not achieved our target of keeping domestic employee accidents to 7 or fewer cases per year. In this respect, continuous education is of utmost importance. Previously we operated an educational program known as "SMM Anzen Dojo," under which safety leaders were trained to play the core role in safety promotion at each business site, in a quest to continuously enhance safety activities. In FY2024 this system was reinaugurated. Now, once again we will strengthen the flow whereby newly trained safety leaders will return to their workplaces and firmly convey the basics of safe conduct to their fellow employees.

Initiatives to secure, foster and utilize human capital

We are creating new vitality through mid-career hiring as a complement to new recruits

In conjunction with Challenge 3 above and our need to secure, foster and utilize human capital, I would like to augment my earlier

remarks from the perspective of "human capital management," a topic much discussed today.

In order to strengthen the Company's *MONOZUKURI-RYOKU*, a focus of my duties as president, embracement of human capital management, or "HCM," is indispensable. HCM sees human resources as "capital," with the aim of maximizing their value. Under the revisions made to our managerial track employees system noted above, young employees can now be selected for inclusion, and this flexible approach is already beginning to produce positive results. At the same time, going forward we will also focus on securing specialists through mid-career hiring. Up until now, mid-career hiring at SMM has centered on human resources in such areas as accounting, legal affairs, and sales. Recently, however, approaches to human resources have become more flexible, and we intend to proactively hire outside personnel in relation to *MONOZUKURI* such as technology development and R&D, with the expectation that their inclusion will lead to new innovations.

This new direction is an outgrowth of a sense of crisis: namely, although we have been able to secure the human resources we need to undertake our existing businesses and projects, we sense a shortage of human resources who can bring the extra capabilities we need to come up with new ideas and new business developments. Up to now, SMM has perhaps tended to hire human resources fitting a certain type: individuals who all look in the same direction and who act along the identical vectors to maintain and sustain our existing businesses. From now on, I believe the kind of human resources we need are those the SMM Group never had before: people who aren't afraid to say things that are, in a sense, entirely "off the wall." Since fostering such free-thinking human resources internally is not easy, I will do my best to nurture a free and open corporate culture that is accepting of new DNA from outside the Company and that can make optimal use of such individuals' strengths.

Message from the President

Strengthening of our corporate governance

Despite the challenges presented by the special nature of our businesses, we will maintain a solid financial foundation and fulfill our social responsibilities

Relative to Challenge 4, besides implementing the safety initiatives described earlier, I am also intent on strengthening our corporate governance. I believe that by continuously increasing our corporate value while focusing on transparency and accountability in our business activities and organizational management, we will fulfill our responsibilities both to our shareholders and investors and to society as a whole.

In the SMM Group, we believe that by maintaining a solid financial foundation and steadily implementing our growth strategy toward achieving our Long-Term Vision, we will enhance our valuation within the stock market over the medium and long term. Today, however, the indicators which our shareholders and investors focus on are by no means always favorable. One factor behind this situation is the special nature of the SMM Group's business operations.

Prices of non-ferrous metals – copper, nickel, etc. – are set by commodity exchanges such as the London Metal Exchange (LME), and for that reason the SMM Group's bottom line tends to be impact-

ed by the overall market environment. In addition, as competition to secure mineral resources intensifies amid growing demand for non-ferrous metals, mineral resource development projects are becoming more difficult and costly to carry out than earlier. Before we take part in any new project, we always consider the matter prudently from a variety of perspectives. If we do decide to participate, our outlay can require hundreds of billions of yen, and several years are needed before results are reaped.

SMM's PBR (price-to-book ratio) has remained below 1.0x in recent years, a situation we believe owes significantly to the aforementioned special nature of our business operations. Nevertheless, we receive offers from all around the world to become a potential partner in mineral resource development, because our financial foundation is solid enough to withstand these environmental factors. In the years ahead, we will continue to be vigilant of the need to accord highest priority to maintaining our financial foundation, and we will strengthen our provision of information so as to win the understanding and support of our shareholders and investors.

To maintain a solid financial foundation, raising our asset efficiency will also be important. An area I am focusing on in particular is reducing our inventories. In our battery materials and advanced materials areas, we are already trimming inventories and cutting

lead times through adoption of the Toyota Production System (TPS). Going forward, by expanding application of TPS Company-wide, I intend to reduce our inventory assets in areas such as raw materials, goods in process, finished products, etc

Message to our shareholders and investors

To become “the world leader in the non-ferrous metals industry” we will raise our corporate value

In the performance of corporate management going forward, I believe maintaining keen awareness toward capital costs and toward the Company's share price will be very important. I am also focusing on communication with shareholders and investors in order to enhance the market's expectations of us. Another focus is shareholder returns. As our dividend payout ratio, I am looking for a performance-based dividend in principle of 35% or higher. We are also setting our DOE (dividend on equity) at a minimum of 1.5%, regardless of market conditions and our business performance.

[Return to Shareholders](#) ▶ P.55

What I wish to convey to shareholders and investors is my determination to raise SMM's corporate value. Besides strengthening disclosures of non-financial information – information relating to

technology development, the Company's *MONOZUKURI-RYOKU*, etc. – I will focus on providing easier-to-understand explanations. I will also engage in deeper discussions with shareholders and investors concerning the various measures we are taking toward realizing our Long-Term Vision of becoming “the world leader in the non-ferrous metals industry,” and strive to provide explanations that will invite trust in SMM as a company that contributes to society. By incorporating the opinions and impressions derived from these interactions into our management measures and business activities, and conveying the results in an easy-to-understand format, this should lead to the kind of information disclosure shareholders and investors are calling for.

To become “the world leader in the non-ferrous metals industry” will require entering new businesses and implementing new measures. At the same time, in line with the instruction that I noted at the outset – that “it is better to eliminate one negative factor from the past than to pursue profit from starting something new in the present” – we must also build up our existing businesses to form our core. By carrying out these dual initiatives in tandem, we will strengthen our *MONOZUKURI-RYOKU* and pursue sustained growth for the entire SMM Group. I ask everyone for your continued support and advice as we go forward.



I believe communication with shareholders and investors is extremely important, in part to raise the market's expectations of us.

My Aspirations for Our New President

I wish to express my heartfelt appreciation to all employees for your extraordinary support and cooperation during my tenure as president since June 2018.

In retrospect, during my six years as your president, our business environment underwent continuous changes, marked most of all by the spread of the COVID-19 pandemic and inflation on a global scale. Against that backdrop, calls intensified for us to respond to an array of social issues – carbon neutrality, DX, ESG, SDGs, DEI – making this a period of tumultuous transformations impacting our corporate management.

During my term as president, at times I feared that sustaining our growth strategy may have reached a crossroads. My worries proved unnecessary, however, because so long as we continue to strive forward toward our goals, I truly believe that we have any number of growth paths laid out before us, in myriad directions.

Nobuhiro Matsumoto, my successor and your new president, has experience serving as General Manager of our non-ferrous metals plants both in Japan and abroad. Even in the face of difficulties, he has demonstrated great strength, making well thought-out judgments with attention down to the finest details, and he has always guided his team tenaciously toward improvement. I have deep trust in his consistently positive approach to everything and his solid management decisiveness. As a manager,

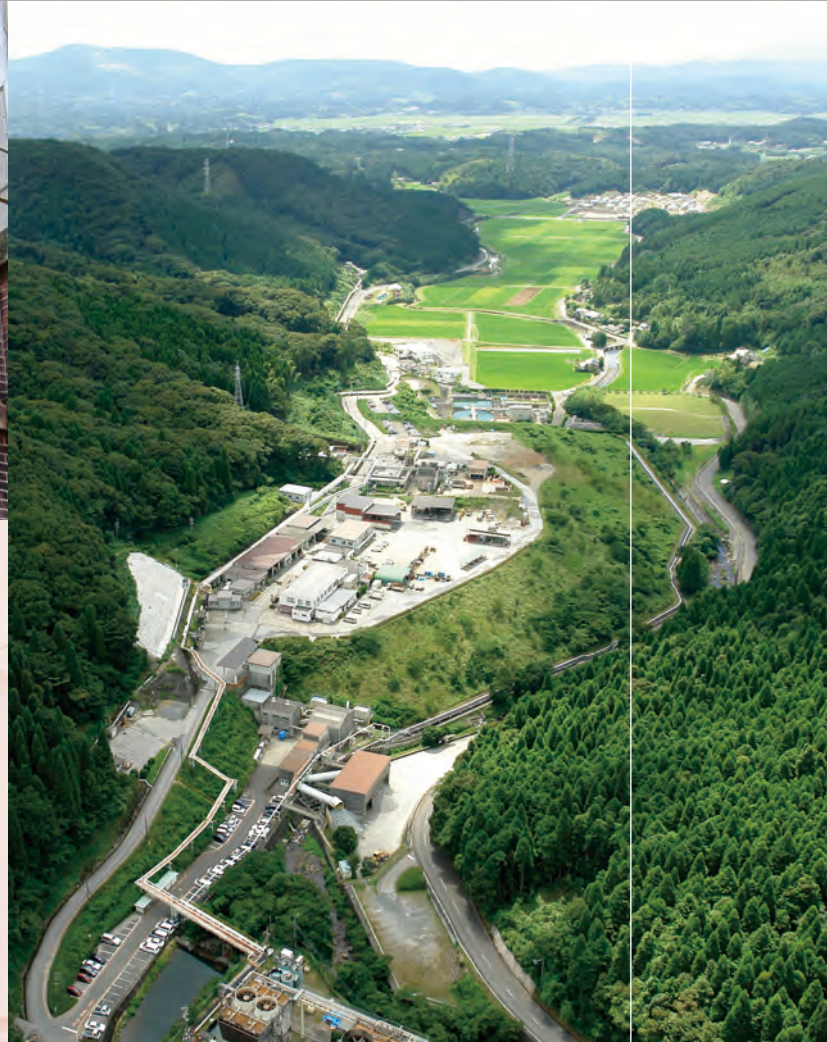


President Matsumoto (left) and Chairman Nozaki (right)

I take utmost joy in being able to pass the torch to the most appropriate successor at the most appropriate time.

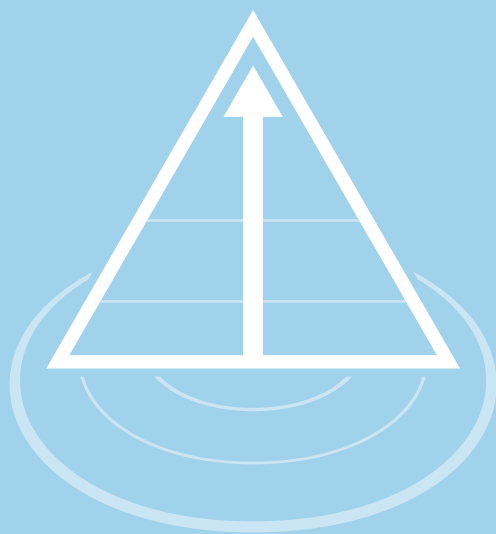
My hope is that Mr. Matsumoto will at all times take up new challenges, never fearing changes, and set the foundations for the Company's next leap forward. To all employees, I ask that you never be satisfied with the status quo, that you always take up new challenges with determination to grow and improve. I believe firmly that doing so will not only support Mr. Matsumoto in his new position as president, but also drive SMM toward further growth.

Akira Nozaki, Chairman and Representative Director



System for Value Creation

- 20 **Seven Competitive Strengths**
- 22 **Value Creation Process**
- 24 **Business Model**
- 26 **Financial and Non-Financial Highlights**
- 31 **Delivering Economic Value to Stakeholders**



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

What we want to convey in this chapter

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

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

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

Seven Competitive Strengths

Trustworthiness and pride inherited from the original business

The SMM Group has cultivated a variety of management capitals over its 430 years of history, which started with the copper smelting and refining business that was the original business of the Sumitomo Group it inherited, and it has combined these in its strategies and businesses to create “Seven Competitive Strengths.”

These strengths form the base of the Group's growth and they are built upon the Sumitomo Business Spirit. The application of this business spirit has enabled the Group to overcome every difficulty so far. At present, we implement 3-business collaboration between the Mineral Resources Business, the Smelting & Refining Business, and the Materials Business drawing on the distinct sources of financial and non-financial capital. This system enables us to respond both smoothly and with tenacity to the changing times.



 Technology that has been continually honed over 430 years and is focused on the next generation Intellectual Capital, Manufactured Capital, Natural Capital	1	<ul style="list-style-type: none">● Originated in the Nanban-buki method for separating crude copper from silver, developed in Kyoto by Soga Riemon around 1600● Have exploration, mining, and mineral processing technology for taking on the challenges presented by difficult-to-develop new deposits and sea-floor resource development● Have advanced smelting and refining technology such as High Pressure Acid Leach (HPAL), the world's first method for converting low-grade oxide ore into a nickel resource● Have combined high-level knowledge of metals cultivated through our history and state-of-the-art technological capabilities in the materials field and a 3-business collaboration model based on an integrated supply chain from resource development to production and recycling of highly advanced materials contributing a decarbonized society● Have collaborations with academic institutions to realize technological innovation focused on the society of 2050
 Employees who share our business spirit and an open and vibrant organizational climate Human Capital	2	<ul style="list-style-type: none">● Have Sumitomo DNA, which has been passed down from generation to generation for more than 430 years● All employees understand and practice the Sumitomo Business Spirit, SMM Group Corporate Philosophy, and Management Vision because they are instilled through continual education● Actively invest in human resources (various training programs, provision of learning opportunities, promotion of health and productivity management, etc.)● Our corporate culture values people and respects diversity (assigning jobs and providing support matched to employees' life stages, and strengthening of mid-career recruitment)● Promote initiatives to stimulate communication across organizations and positions
 Relationships of trust with business partners that have been formed with a long-term perspective Social and Relationship Capital, Natural Capital	3	<ul style="list-style-type: none">● Build and maintain good relationships with reliable, worldclass partners as a foundation for superior mine interests overseas● Have strong partnerships with our business partners based on the trust that comes from Sumitomo's approach to business operations, rooted in the Sumitomo Business Spirit, and our high-level knowledge and technologies related to metals cultivated over our long history● Create further business opportunities through our long-term partnerships and relationships of trust
 Involvement with local communities that has been built up through our core business Social and Relationship Capital	4	<ul style="list-style-type: none">● Have a long history of co-existence and mutual prosperity with local communities through our business activities, based on the Sumitomo Business Spirit, in which we work to make people happy, including the families of employees, and develop together with society● Develop mines starting with town building. For example, an elementary school in Niihama City, Ehime Prefecture, was founded by Sumitomo 129 years ago, when Besshi Copper Mine was in operation● Contribute to local communities not only in Japan, but also overseas through scholarship programs, the operation of hospitals and schools, road construction, and other initiatives● Build trust with local communities based on dialogue and collaboration
 Management of serious risks fulfilling responsibilities according to each level of the job classification, with a firm resolve in regard to safety Human Capital, Manufactured Capital	5	<ul style="list-style-type: none">● Have a target of zero occupational accidents based on the recognition that unless the correct management framework is established, there is the risk of serious accidents that cost lives, and collaboration of labor and management to promote safety initiatives● Promote equipment-related measures including those related to essential safety at facilities, with a focus on risks of serious accidents involving operating facilities, high places, heavy loads, and heavy machinery● Introduce and deploy more effective education training to improve employee hazard awareness (including use of VR, etc.), and eliminate human error by on-site management including work observation
 A close affinity with our customers' needs and the collaborative capabilities to continuously respond to them Social and Relationship Capital	6	<ul style="list-style-type: none">● Have strength provided by a comprehensive knowledge of not only materials but also the characteristics of the metals that are their raw materials, which we leverage to connect the various technologies we have developed to date with the innovation sought by the customer● Build a framework enabling us to secure materials stably through our technology for extracting nickel from low-grade oxide ore; increase production capacity of nickel-based cathode materials for lithium-ion secondary batteries used by major electric vehicle manufacturers● Recognize the importance of taking a long-term approach to handling customer demands steadily and sincerely, in a way that wins trust, with ongoing new product creation in the automotive, energy and environment, communications, and other fields
 Financial position that enables us to take advantage of investment opportunities Financial Capital, Natural Capital	7	<ul style="list-style-type: none">● Maintain a sound financial position to withstand large onetime cash outflows for resource and smelting & refining development projects, which require a long period of time from investment to recovery, and to avoid missing investment opportunities● Possess several superior mine interests that support a sound financial position, including Japan's only large-scale commercial gold mine, the Hishikari Mine, and the Morenci Copper Mine, one of the world's top-class producers of copper● Decisively review the portfolio to maintain profitability

Financial Capital

Sound financial position to avoid missing investment opportunities

Manufactured Capital

Highly competitive manufacturing bases

Intellectual Capital

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

Human Capital

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

Social and Relationship Capital

Relationship of trust developed with all stakeholders

Natural Capital

Sustainable use of global resources and accumulation of recycling technology

System for Value Creation

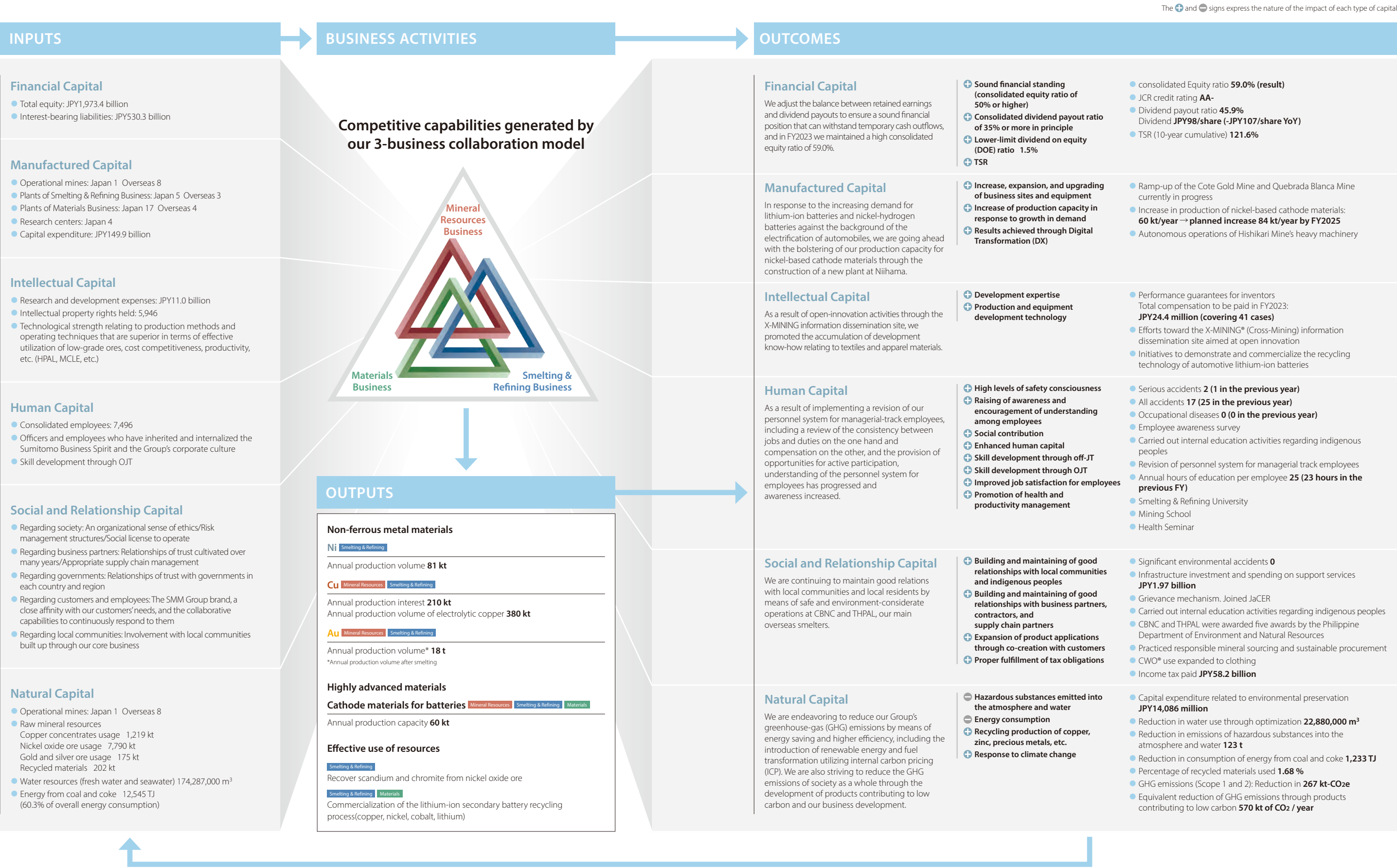
Vision for the SMM Group

Medium-to-Long-Term Strategy for Value Creation

Foundations Supporting Value Creation

Data Section

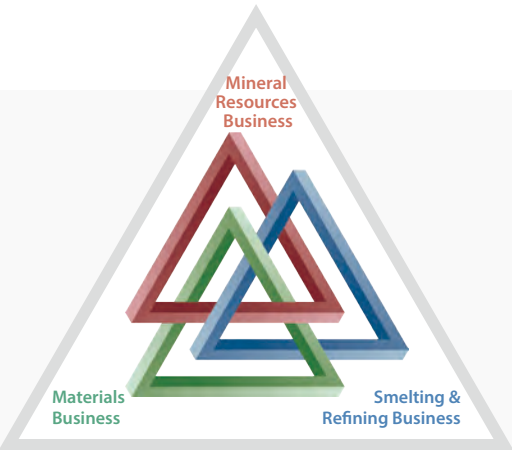
Value Creation Process



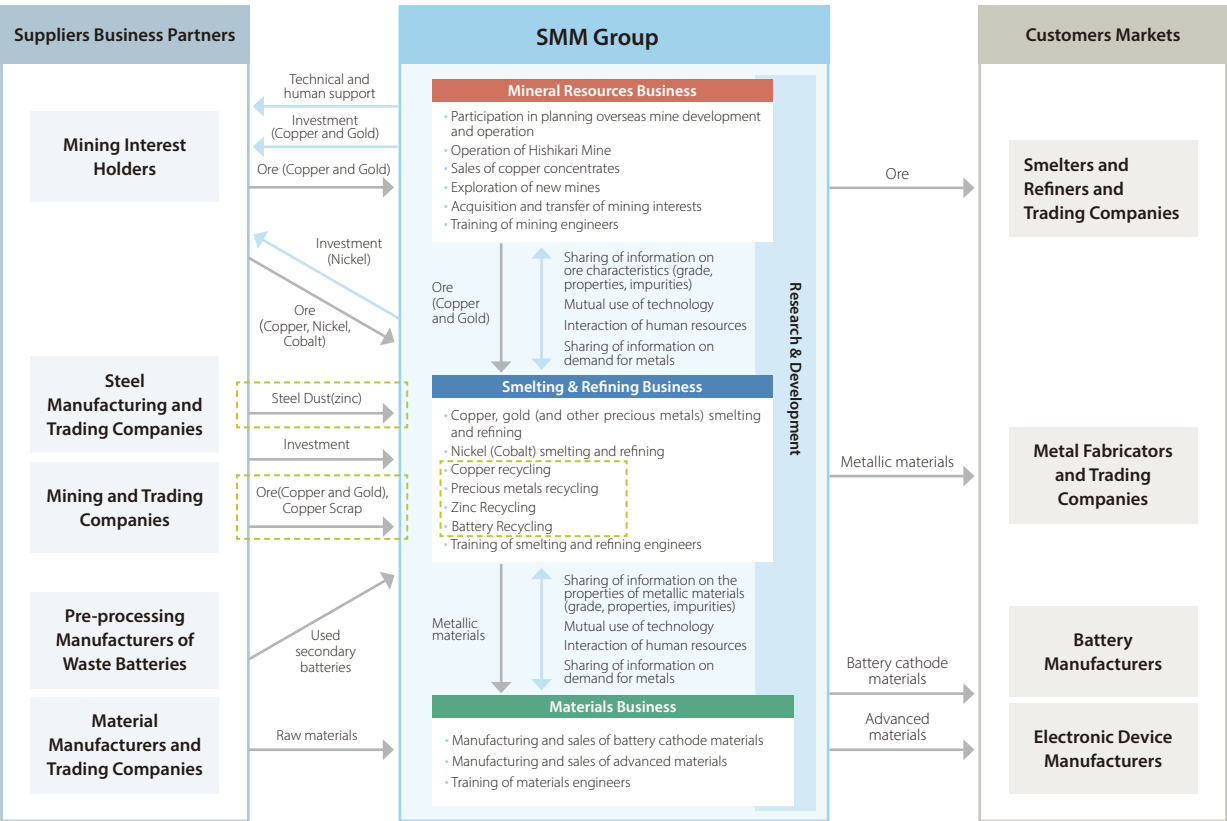
Business Model

Organic 3-Business Collaboration

Our Mineral Resources Business develops and operates mines in a way that is considerate to the environment and society. Our Smelting & Refining Business then generates high-quality metal materials from the extracted ores. And, our Materials Business adds value to these materials that meet the needs of the times. In this way, SMM has a globally unique 3-business collaboration business model in which we operate three businesses — Mineral Resources, Smelting & Refining, and Materials — which collaborate in an organic way. We are building up competitive capabilities by sharing and utilizing human resources, goods, technology, and information between each business.



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



Recycling

Recycling at Sumitomo Metal Mining

The SMM Group is engaged in various recycling efforts. In the Smelting & Refining Business, we collect steel dust from steel manufacturers and trading companies to produce and sell zinc oxide pellets, which is the raw material for metallic zinc. We also purchase copper scrap from electric wires and other sources, smelt, refine, and recycle it.

In recent years, as the shift to electric vehicles has rapidly progressed, we have been promoting battery recycling by recovering nickel and cobalt from used secondary batteries for automobiles in our Smelting & Refining Business, processing them into metallic materials, and supplying them to our Materials Business to be reused as cathode materials for bat-

teries in our Materials Business. In addition, we have invented a technology to recover lithium from used secondary batteries. We will continue to promote a variety of recycling efforts.

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

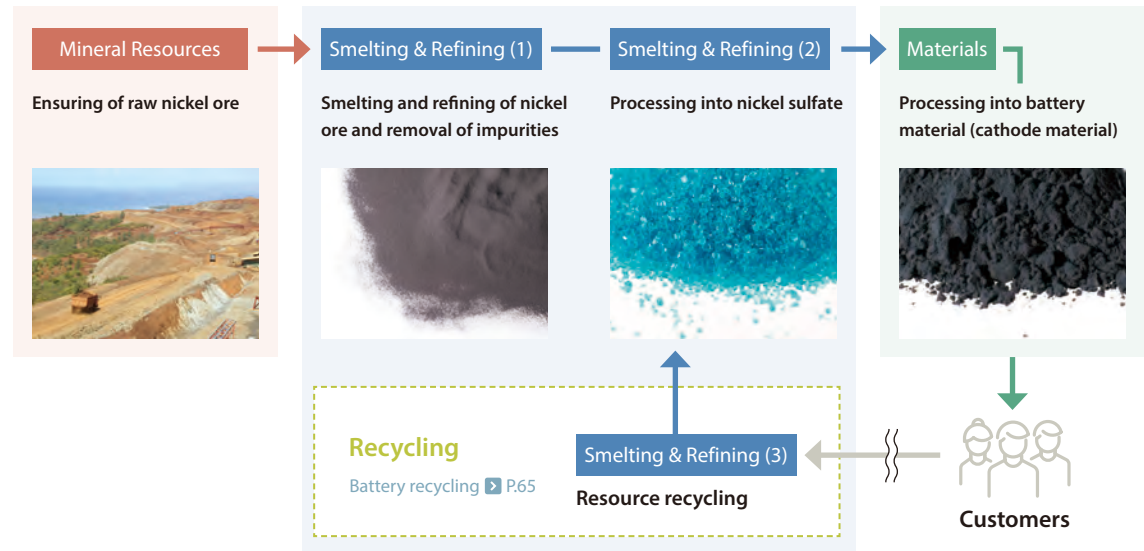
Moving forward, our group will continue to engage in various recycling initiatives, contributing to the formation of a sustainable circular society and strengthening resource circulation to address global resource depletion.

Case Our Integrated Nickel Supply Chain from Ore to Battery Material

Unique Business Model Unparalleled in the World

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

3-business Collaboration in the Nickel Supply Chain



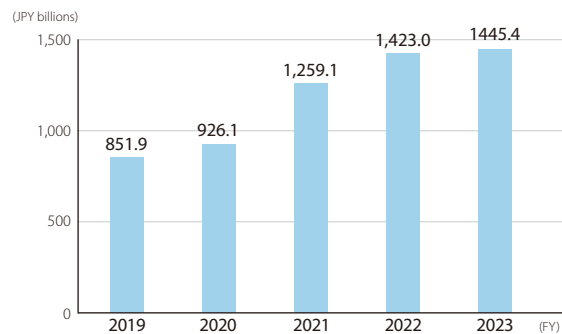
Competitive Capabilities Generated by Our 3-Business Collaboration Model

- 1 Great reduction of procurement risk due to the sharing of resource development regulations, supply and demand trends, and other information
- 2 Promotion of efficient development of new products, etc. through the sharing of technological information concerning non-ferrous metals and collaborating with customers in the Materials Business
- 3 A stable supply of highly advanced materials including cathode materials for automobile batteries by collaboration between the Smelting & Refining and Materials businesses
- 4 Optimization of characteristics in the materials we supply through collaboration between the Smelting & Refining and Materials businesses
- 5 Advancement of knowledge and expansion of mining business opportunities through collaboration between the Mineral Resources and Smelting & Refining businesses
- 6 Cutting-edge innovation through the collective wisdom possessed by human resources with diverse backgrounds
- 7 Building of cyclical systems and expansion of opportunities realized through collaboration between the Mineral Resources, Smelting & Refining, and Materials businesses
- 8 Assurance of traceability in terms of quality and the like through an integrated internal supply chain

Financial and Non-Financial Highlights

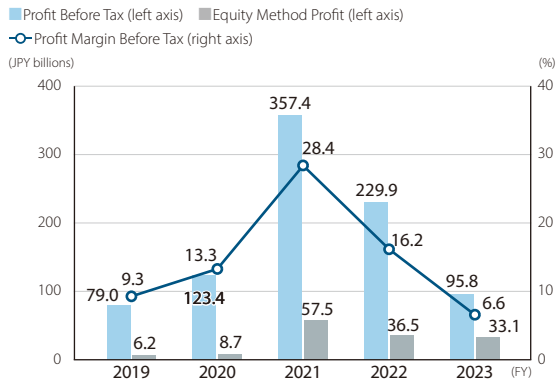
Financial Capital

Net Sales



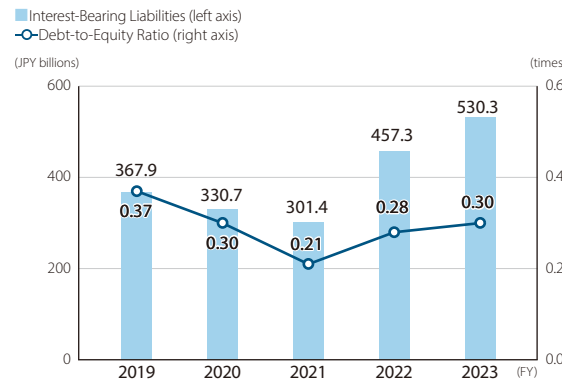
Consolidated net sales increased by JPY22.4 billion year on year to JPY1,445.4 billion due mainly to increased sales of automobile battery components.

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



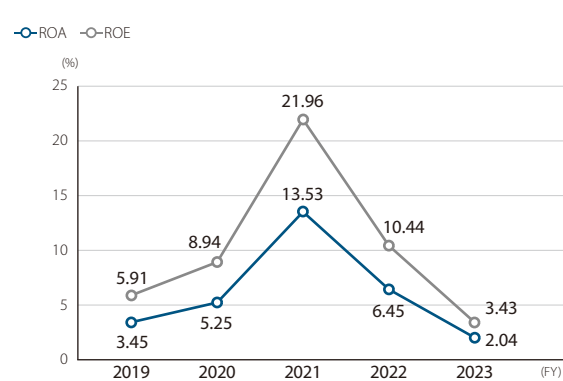
Consolidated profit before tax decreased by JPY134.1 billion year on year to JPY95.8 billion, due mainly to declining copper and nickel prices and a decrease in the current year of temporary upturn factors for profit and loss, including gains on foreign exchange rates accompanying the rapid depreciation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

Interest-Bearing Liabilities / Debt-to-Equity Ratio^{*2}



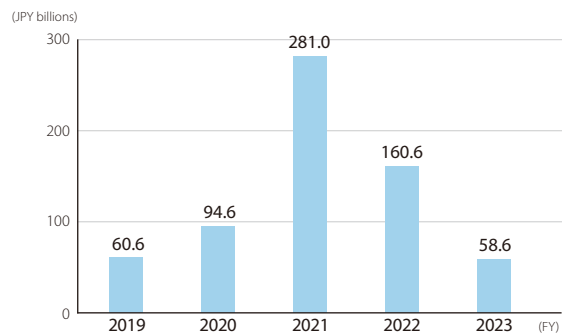
The amount of interest-bearing liabilities as of March 31, 2024, increased by JPY73.0 billion year on year to JPY530.3 billion. The debt-to-equity ratio increased by 0.02 points year on year to 0.30 times.

ROA / ROE



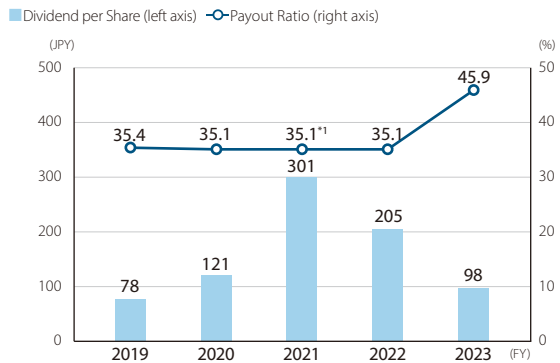
ROA decreased by 4.41 points year on year to 2.04%. ROE decreased by 7.01 points year on year to 3.43%.

Profit Attributable to Owners of Parent



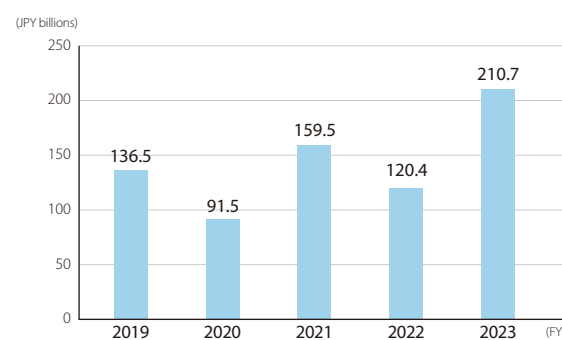
Profit attributable to owners of parent decreased by JPY102.0 billion year on year to JPY58.6 billion, due mainly to a decrease in consolidated profit before tax.

Dividend per Share / Payout Ratio



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

Net Cash Provided by Operating Activities



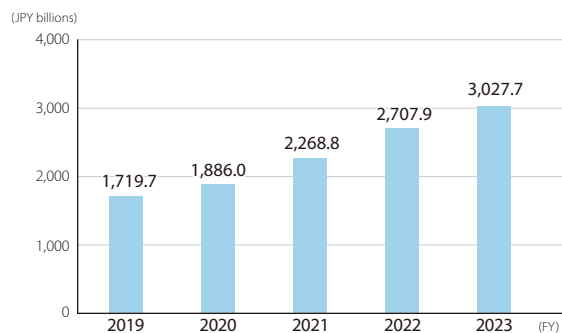
Net cash provided by operating activities increased by JPY90.3 billion year on year, due mainly to a decrease in inventories attributable to factors including decreased non-ferrous metals prices, and despite a decrease in profit before tax and the reduced scope of increases in trade and other payables.

Financial Strength Rating



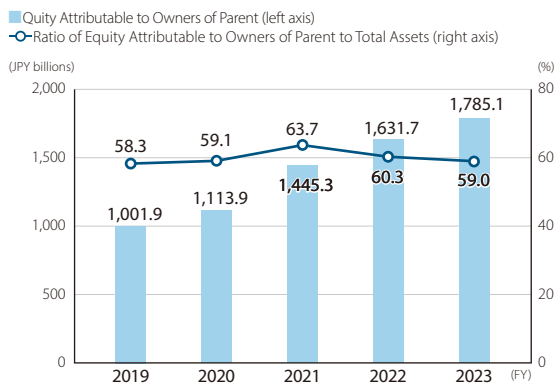
SMM has acquired a Long-term Issuer Rating of AA- ("Double-A Minus") from Japan Credit Rating Agency, Ltd. (JCR) in the Japanese domestic market thereby retaining sufficient creditworthiness for financing.

Total Assets



Total assets as of March 31, 2024 increased by JPY319.8 billion year on year to JPY3,027.7 billion, due mainly to increases in property, plant and equipment, investments accounted for using equity method, and other financial assets under non-current assets.

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



Total equity attributable to owners of parent increased by JPY153.4 billion year on year to JPY1,785.1 billion. The ratio of equity attributable to owners of parent to total assets (equity ratio) was 59.0%. We were able to achieve a level higher than 50%, our target for maintaining a sound financial position.

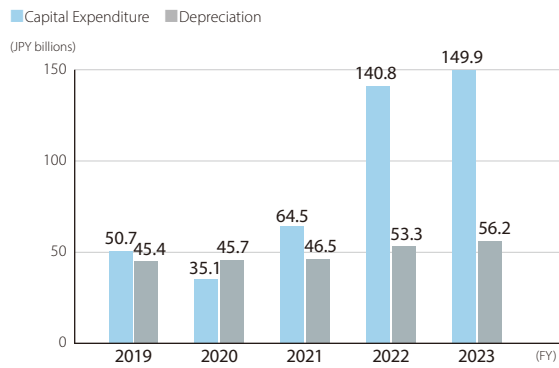
^{*1} The gain on sale associated with the transfer of all equity interest in the Sierra Gorda copper mine recorded in FY2021 includes an amount equal to a reversal of the allowance for bad debt for loans and other receivables for Sierra Gorda S.C.M., which was adjusted in the opening balance of retained earnings in FY2019 as a cumulative effect (Revised IAS 28 "Investments in Associates and Joint Ventures"). For this reason, effects on FY2021 results caused by the application of these accounting procedures and manifesting in accordance with the transfer of equity are omitted from the dividend calculation. Basic earnings per share, excluding the effects of this application of accounting procedures, were JPY857.47.

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

Financial and Non-Financial Highlights

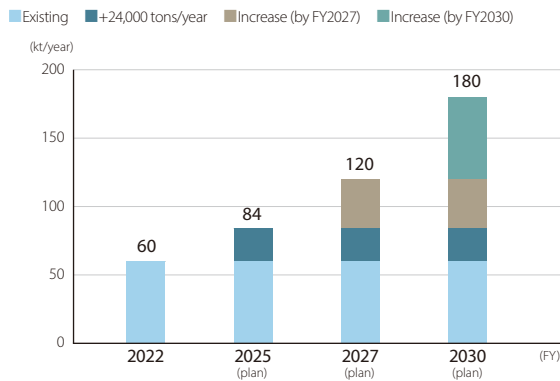
Manufactured Capital

Capital Expenditure / Depreciation



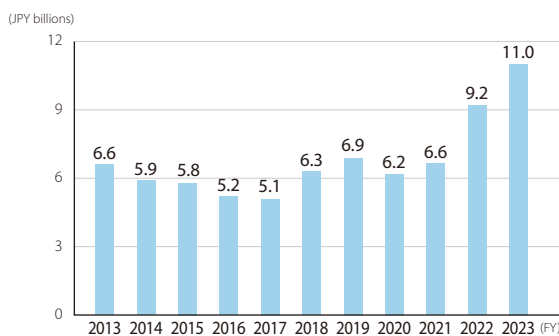
Operational mines	Japan 1	Overseas 8
Plants of Smelting & Refining Business	Japan 5	Overseas 3
Plants of Materials Business	Japan 17	Overseas 4
Research centers	Japan 4	

Production Capacity for Battery Cathode Materials

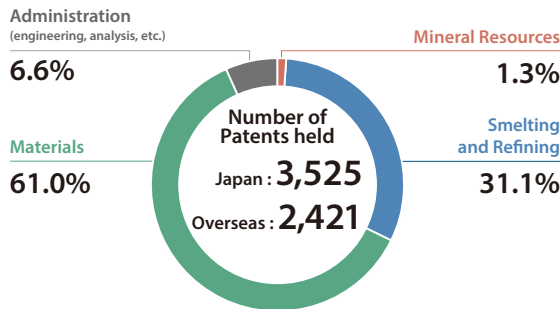


Intellectual Capital

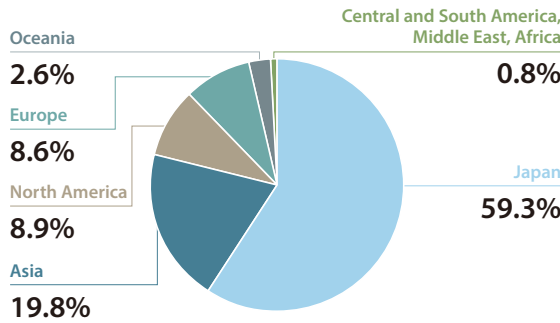
Research and Development Expenses



Ratio of the Number of Patents Held by Business



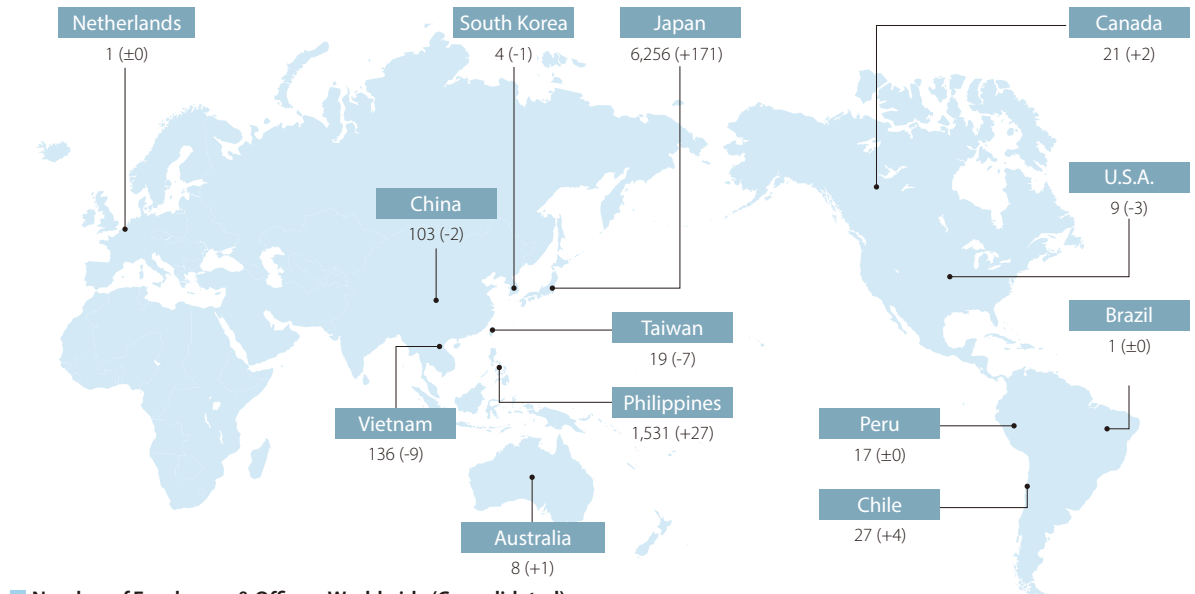
Ratio of the Number of Patents Held by Region



Human Capital

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

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



Number of Employees & Officers Worldwide (Consolidated)

Figures are for March 31 of each fiscal year

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

Social and Relationship Capital

Income Tax by Country or Region (FY2023)

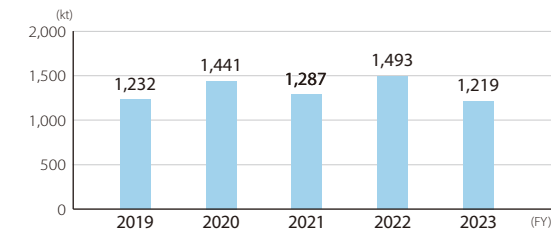
Japan	U.S.A.	Netherlands	Peru	Chile	China
18,828	3,635	908	17,205	11,076	1,555
Philippines	New Caledonia	Australia	Others	Total	
3,642	954	401	17	58,221	

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

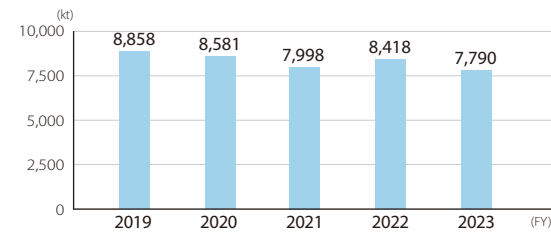
Financial and Non-Financial Highlights

Natural Capital

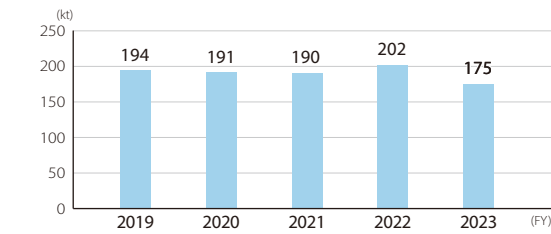
Copper Concentrates Usage



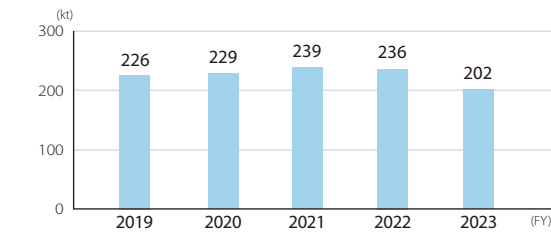
Nickel Oxide Ore Usage



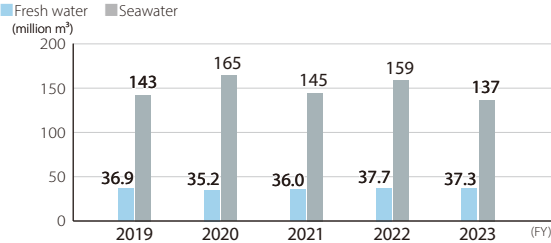
Gold and Silver Ore Usage



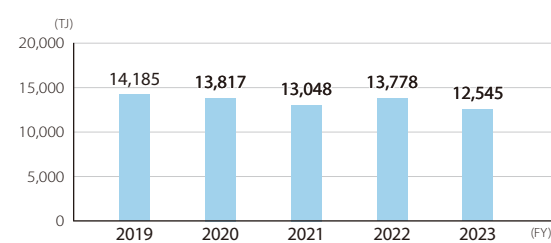
Recycled Materials



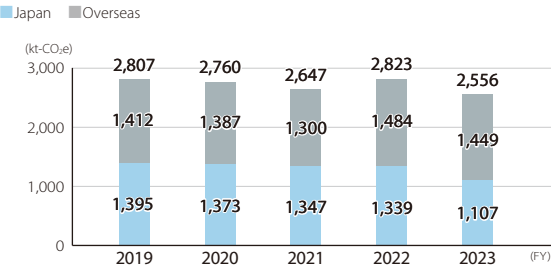
Water Resources (fresh water and seawater)



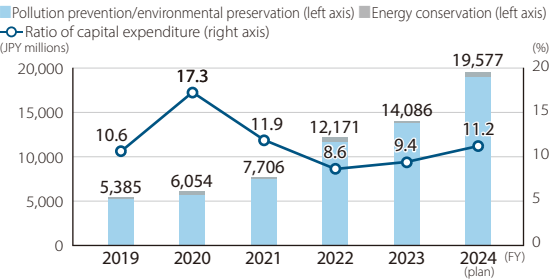
Energy from Coal and Coke



Greenhouse Gas Emissions (Scope 1 and 2)



Capital Expenditure Related to Environmental Preservation

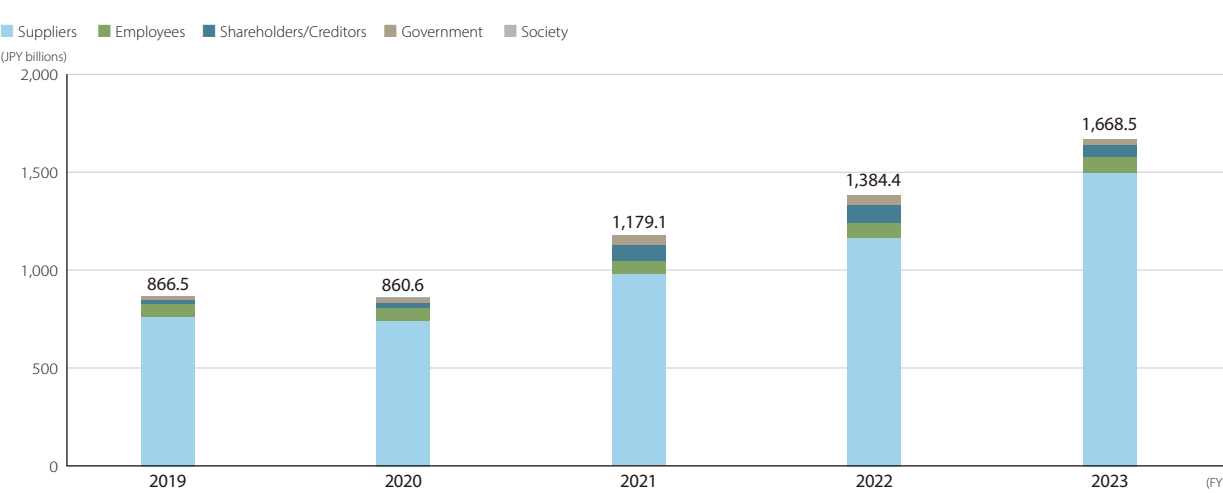


Delivering Economic Value to Stakeholders

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

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

Distribution of Economic Value to Stakeholders



FY2023 Breakdown

Suppliers

Payments to suppliers: JPY1,497.6 billion

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

Government

Taxes paid: JPY30.7 billion

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

Employees

Payments to employees: JPY79.9 billion

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

Society

Donations: JPY2.2 billion

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

Shareholders/Creditors

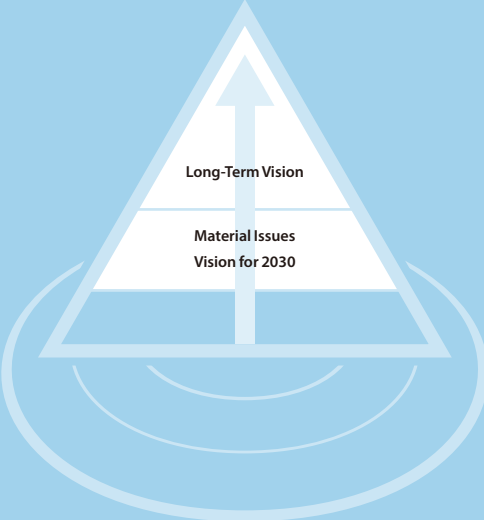
Payments of dividends and interest: JPY58.0 billion

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



Vision for the SMM Group

- 34 Long-Term Vision
- 36 Material Issues and Vision for 2030
- 38 Vision for 2030—Formulation Approach
- 40 Risks and Opportunities



SMM has identified material issues and formulated Vision for 2030 by backcasting from our long-term vision of becoming the “world leader in the non-ferrous metals industry.” In addition, by stipulating KPIs starting from our vision, we are promoting the creation of social impact through business activities that take into account risks and opportunities.

What we want to convey in this chapter

To aim for our long-term vision of becoming the “world leader in the non-ferrous metals industry,” we have stipulated targets relating to nickel, copper, gold, materials, and net income on this term. To understand the progress made here, from this term we are publishing the most recent performance figures.

In the process of deciding Vision for 2030, we guaranteed objectivity by indicating a standpoint taking account of changes in the situation surrounding SMM and changes in assumed information toward business continuity.

Regarding risks and opportunities, we help readers to understand the risks and opportunities in our businesses comprehensively by detailing risks and opportunities connected to risk factors and explaining our strategies to deal with them and, moreover, our specific responses.

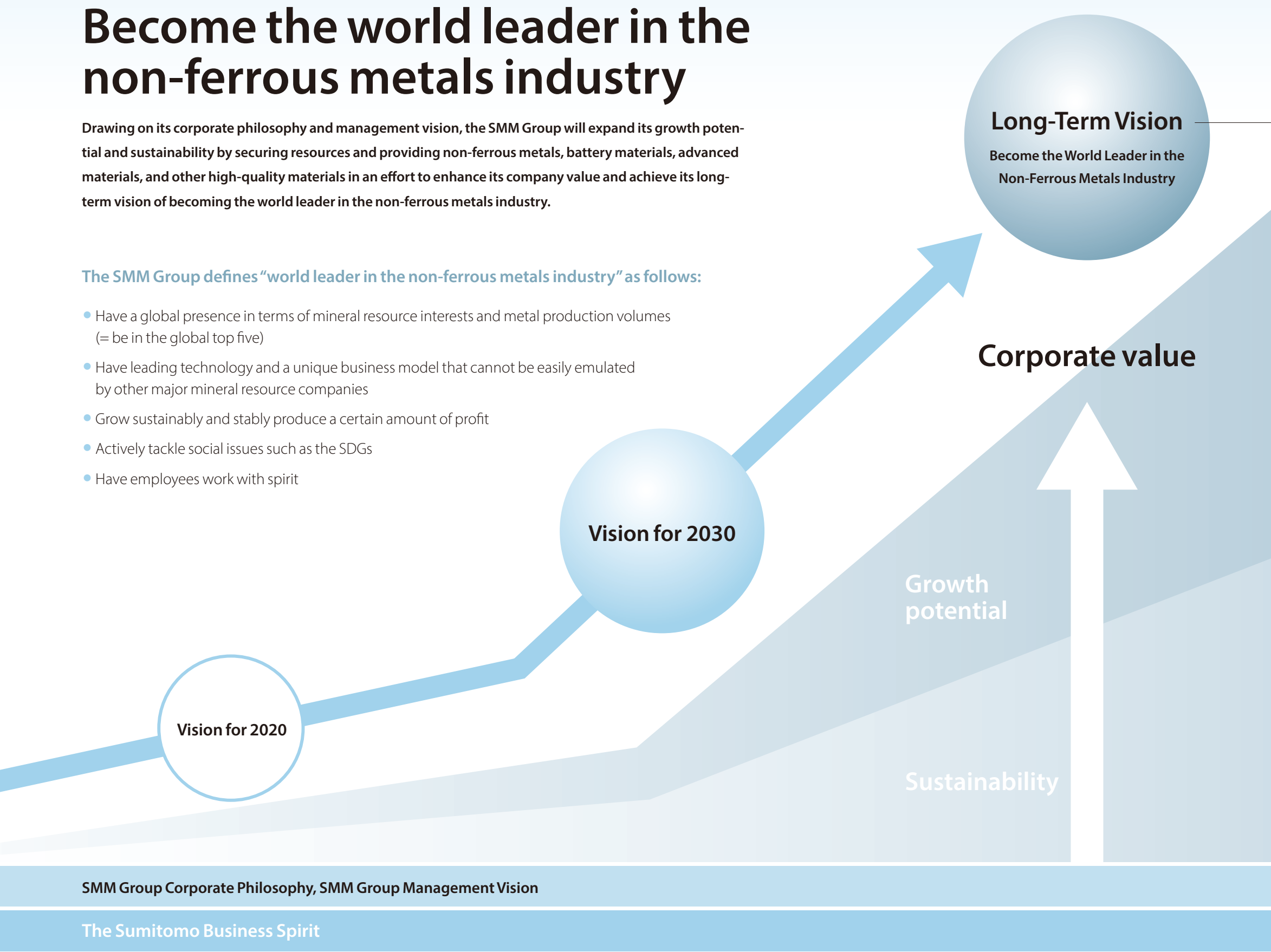
Long-Term Vision

Become the world leader in the non-ferrous metals industry

Drawing on its corporate philosophy and management vision, the SMM Group will expand its growth potential and sustainability by securing resources and providing non-ferrous metals, battery materials, advanced materials, and other high-quality materials in an effort to enhance its company value and achieve its long-term vision of becoming the world leader in the non-ferrous metals industry.

The SMM Group defines “world leader in the non-ferrous metals industry” as follows:

- Have a global presence in terms of mineral resource interests and metal production volumes (= be in the global top five)
- Have leading technology and a unique business model that cannot be easily emulated by other major mineral resource companies
- Grow sustainably and stably produce a certain amount of profit
- Actively tackle social issues such as the SDGs
- Have employees work with spirit



Targets and results of our Long-Term Vision

Nickel	
Target	Annual production capacity of 150 kt
FY2023	Annual production capacity of 81 kt
Copper	
Target	Annual production interest of 300 kt
FY2023	Annual production interest of 209 kt
Gold	
Target	Participation in new mine operations through the acquisition of superior interest
FY2023	Production to commence in 2024 at the Cote Gold development project. Our engineers are also taking on important positions and are working toward full-scale production.
Materials Business	
Target	Segment profit before tax through portfolio management of JPY25 billion
FY2023	Segment loss of- JPY7.2 billion
Profit	
Target	Annual profit attributable to owners of parent of JPY150 billion
FY2023	Annual profit attributable to owners of parent of JPY58.6 billion

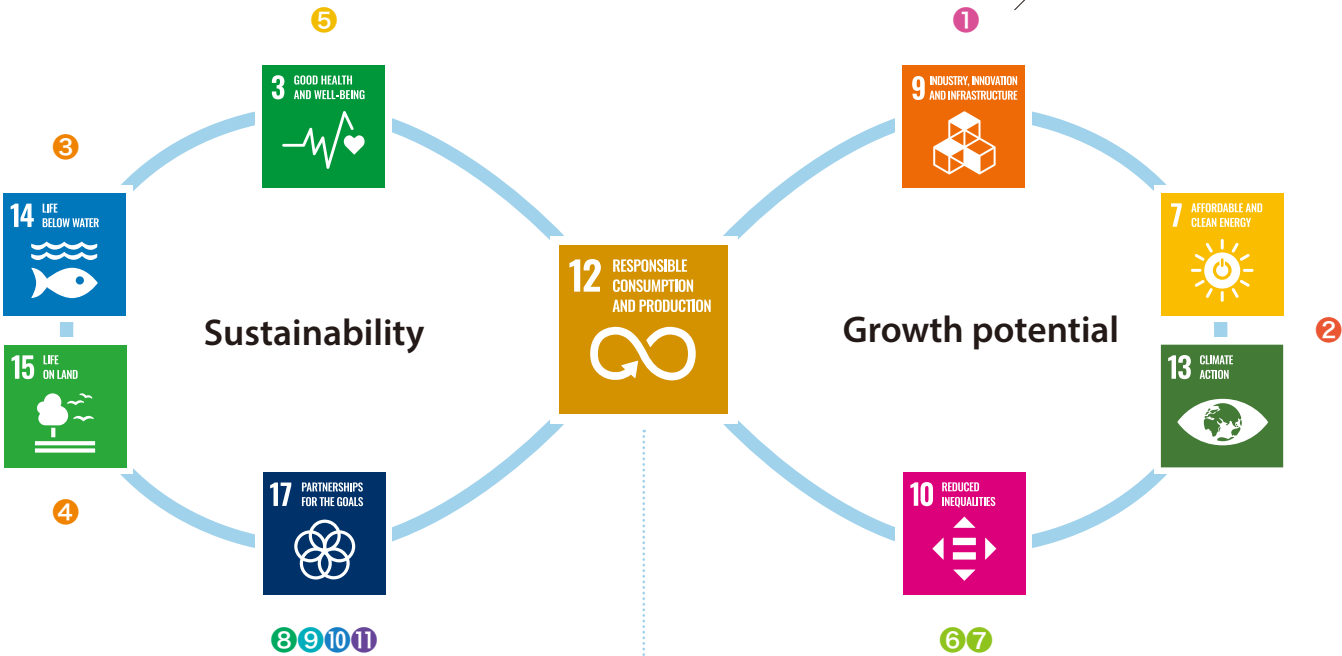
Targets and Progress of Our Long-Term Vision ▶ P.144-145

Material Issues and Vision for 2030

To realize our long-term vision of becoming the “world leader in the non-ferrous metals industry,” we have set 11 material issues. Based on these material issues, Vision for 2030 indicates specifically what we want to realize and by when.

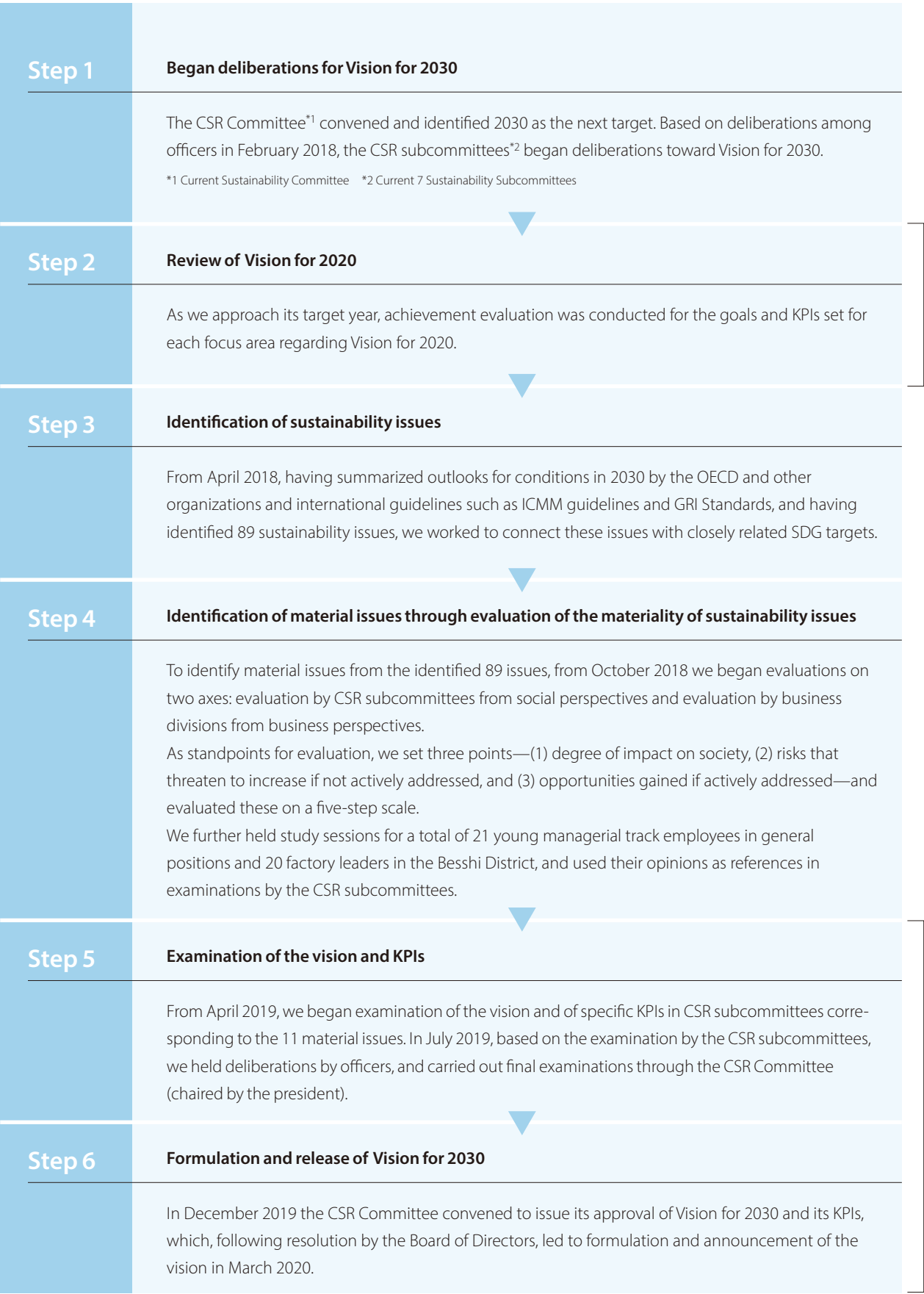
The 11 material issues are the challenges that our Group should tackle by 2030. In the light of our assessment of and reflections on Vision for 2020, we sorted out and identified issues that our Group is required to address and expected to solve, including such social challenges as the SDGs, which have the same target year. In addition, Vision for 2030 and KPIs were deliberated for these 11 material issues and formulated and re-leased in March 2020.

Diagram of Relationship with the SDGs



Material Issues	Vision for 2030 and Their Background
1 Effective Use of Non-Ferrous Metal Resources	<ul style="list-style-type: none">A company that generates resources through high technological capabilities <p>The SMM Group is engaged in the mining of natural resources, the production of highly advanced materials, and everything in between. We handle a wide range of non-ferrous metal materials in the process. We believe that it is the SMM Group's responsibility to take on the challenge of making more effective use of limited non-ferrous metal resources without waste through the utilization of resources that could hitherto not be used due to technical obstacles and through the development of recycling technologies.</p>
2 Climate Change	<ul style="list-style-type: none">A company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs) <p>Society's demand for companies to reduce GHG emissions has increased dramatically, and the business risks associated with climate change are also increasing. On the other hand, a stable supply of products contributing to a low-carbon society, such as the secondary battery materials for electric vehicles and the near-infrared absorbing materials both produced by our Group, are expected to contribute to the reduction of GHG emissions.</p>
3 Significant Environmental Accidents	<ul style="list-style-type: none">A company that values water resources and biodiversity, and protects the richness of the sea and land <p>The SMM Group recognizes that there are risks of adverse impacts on the natural environment when developing natural resources and using chemical substances. In addition to preventing significant environmental accidents, we recognize that minimizing our negative environmental impacts, including rationalization the use of water, and preserving biodiversity in our day-to-day management of operations are prerequisites for business continuity.</p>
4 Biodiversity	
5 Employees' Occupational Health and Safety	<ul style="list-style-type: none">A company where all employees work together with safety first the priority in a comfortable working environment as well as safe facilities and operations <p>It is the responsibility of management to prevent work-related accidents and illnesses, provide a safe, healthy and comfortable work environment, and strive to improve employee comfort. All of these also lead to greater motivation and productivity among employees. The SMM Group bases management on job classification, striving to ensure the safety and health of our employees through intrinsic equipment safety improvements and safety education.</p>
6 Diverse Human Resources	<ul style="list-style-type: none">A company where all employees can take a vibrant and active part <p>The source of the SMM Group's growth is its employees. We respect individuality and diversity, and aim to create an open and vibrant organizational climate in which everyone can demonstrate their strengths and thrive. With the globalization of business and the rapid development of DX, it is a management challenge to develop human resources who can think and act on their own initiative based on their expertise.</p>
7 Development and Participation of Human Resources	
8 Engagement with Stakeholders	<ul style="list-style-type: none">A company that is appreciated and understood to be the world leader in non-ferrous metals industryA company that contributes to regional development and earns trust as a member of the local communityA company that understands and respects the traditions and culture of indigenous peoples <p>The SMM Group's main premise for business continuity is to earn a social license to operate. To this end, we recognize the importance of promoting information disclosure and transparency to the greatest extent possible, as well as deepening mutual understanding and building relationships of trust through ongoing dialogue with local communities and other stakeholders. In particular, when there is a risk that development may affect the livelihood of indigenous peoples, we gain a thorough understanding of their culture, traditions and history and engage in a continuing dialogue prior to development. It is then necessary to proceed carefully to prevent such impacts of development.</p>
9 Co-Existence and Mutual Prosperity with Local Communities	
10 Rights of Indigenous Peoples	
11 Human Rights in the Supply Chain	<ul style="list-style-type: none">A company that undertakes sustainable procurement across the supply chain <p>As for Business and Human Rights, the calls for companies to take strong measures to prevent human rights violations throughout their supply chains are increasing. It is necessary for the SMM Group to construct sustainable supply chains in collaboration with business partners to prevent our business activities from having negative impacts on human rights along our diverse supply chains.</p>

Vision for 2030 – Formulation Approach



Observations from Reflection on Vision for 2020

The first observation from a reflection on Vision for 2020 concerned the rapid progress made in the digitalization of society. In this trend, metallic materials, such as copper and nickel, and highly advanced materials have come to fulfill a more important role. The second observation concerned such social requirements as the avoidance of

involvement in human rights issues in mineral procurement and human rights violations through the supply chain. Furthermore, we realized that the active tackling of various social issues, such as the SDGs, is essential in the growth strategy of each business.

Major trends in the materials industry

- Metallic materials and highly advanced materials will play an important role in technological innovations and energy transition toward the rapid advancement of digitalization, such as IoT and CASE, and the realization of a decarbonized society.

Grand premise of business continuity and sustained growth

- In response to the heightened social requirement to avoid involvement in human rights issues in mineral procurement and human rights violations through the supply chain, our Group, which is a resource enterprise, has a responsibility to actively tackle such issues.
- The active tackling of various social issues, such as the SDGs, through CSR and TCFD is essential for achieving the growth strategies of the resource and smelting businesses.

Thinking Behind Formulation of Vision for 2030

In the review, unlike the Vision for 2020, we extracted, evaluated, and selected the material issues by including the perspective of not only sustainability challenges but also management issues. In formulating Vision for 2030 relating to each material issue, while forecasting changes in social re-

quirements going forward, we conducted backcasting from our long-term vision, and management goal, of becoming the world leader in the non-ferrous metals industry and set it as a milestone in the realization of our long-term vision as of FY2030.

In our appraisal, we evaluated 89 sustainable issues in five stages from a social viewpoint and a business viewpoint.

【Evaluation viewpoints】

- Degree of impact on society
- Increased risk if not actively addressed
- Opportunities gained by active engagement

Identification of 11 Issues as Material Issues of Importance to Both Society and Business

Material Issues	Approach
1 Effective Use of Non-Ferrous Metal Resources	Exploration and development of superior non-ferrous metal resources Effective utilization of recycled materials, low-grade minerals, and high-impurity materials
2 Climate Change	Technological improvements toward transition to and replacement by low-carbon energy, etc. and energy saving Development and sale of products contributing to energy saving and low carbon
3 Significant Environmental Accidents	Strengthening of earthquake resistance and weather resistance of equipment, tailings dams, and deposit sites
4 Biodiversity	Reduction of discharge of chemical substances into rivers, ocean, and air
5 Employees' Occupational Health and Safety	Maintenance of safe workplace environments Maintenance of hygienic workplace environments Maintenance of healthy workplace environments
6 Diverse Human Resources	Promotion of diversity
7 Development and Participation of Human Resources	Skill development, education, and training for employees
8 Engagement with Stakeholders	Establishment of open communication with stakeholders Branding to shareholders, investors, customers, local communities, and employees
9 Co-Existence and Mutual Prosperity with Local Communities	Planning and implementation of measures to avoid or minimize adverse impact on the economic lives and living environment of local residents
10 Rights of Indigenous Peoples	Respect for the cultural, economic, and social rights of indigenous peoples
11 Human Rights in the Supply Chain	Checking that partners, suppliers, and subcontractors are not involved in child labor or forced labor

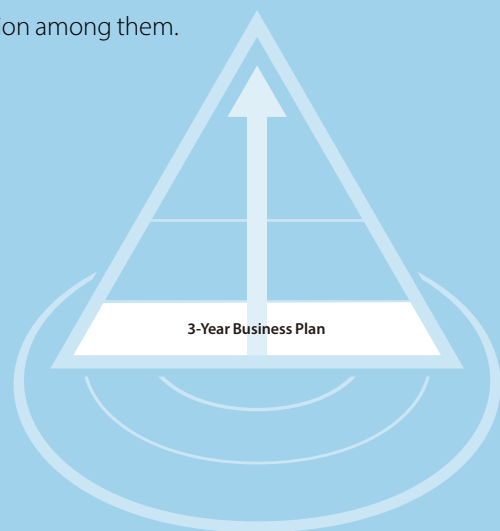
Risks and Opportunities

Risk Factors (External/Internal)		Risks (Threats) and Opportunities		Strategies	Specific Responses
1	Governments and Policy <ul style="list-style-type: none">• Changes in laws and regulations (rise in mineral resource nationalism, increase in environmental awareness, etc.)• Conflicts and friction between countries	Risks	<ul style="list-style-type: none">• Nationalization of mines; increased taxation• Prohibition of export of mineral ores and intermediates• Stricter approval for development and operation• Negative impacts on production, including supply and demand and supply chains	<ul style="list-style-type: none">• Full consideration of country risk and making investment decisions while expanding the business globally• Cooperation with overseas local partners to monitor the status of the market entry and taking appropriate measures as needed to respond to changes after entering a new market	<ul style="list-style-type: none">• Conclusion of contracts that make allowances for resource nationalism• Information gathering through embassies, governments, and JV partners• Approach to local communities and indigenous people• Diversification of materials suppliers and product customers• Establishment of BCP and crisis management framework• Consideration of establishment of next plant to increase production of battery materials
		Opportunities	<ul style="list-style-type: none">• Introduction of preferential taxation in the automobile market		
2	Economic Environment <ul style="list-style-type: none">• Metal price and forex movement• Soaring energy prices	Risks	<ul style="list-style-type: none">• Adverse impacts on business performance due to lower metal prices and exchange rate fluctuations• Switch to alternative materials due to a sharp rise in metal prices• Decrease in competitiveness due to higher operating costs	<ul style="list-style-type: none">• Aiming to reduce costs in the Mineral Resources and Smelting & Refining businesses and stabilizing earnings in the Materials business, which is relatively insensitive to non-ferrous metal price fluctuations• Steadily pursuing the growth strategy based on the 3-business collaboration	<ul style="list-style-type: none">• Formulation of project plans based on market fluctuation risks• Prior analysis of management impacts caused by fluctuations in metal prices and exchange rates• Entrance into alternative materials and technologies businesses (e.g., LFP), and expansion of the advanced materials business• Promotion of energy conservation (switch to high-efficiency equipment and improvement of manufacturing processes)• Promotion of large-scale projects
		Opportunities	<ul style="list-style-type: none">• Expanding demand for non-ferrous metals, especially copper and nickel, which are indispensable for the electrification of automobiles, etc.		
3	Social Environment <ul style="list-style-type: none">• Increased social responsibility for climate change• Acceleration of the carbon neutrality movement• Emergence of issues related to Business and Human Rights	Risks	<ul style="list-style-type: none">• Exclusion from investment due to lagging approach to ESG and insufficient information disclosure• Decline in competitiveness and reputation due to lagging approach to greenhouse gas (GHG) emissions reduction• Delays in or withdrawal from projects due to opposition from local communities or due to infringement of the rights of local communities and indigenous peoples	<ul style="list-style-type: none">• Participating in the GX League and introducing clean energy and energy-saving equipment at production sites to achieve net zero GHG emissions by 2050• Proceeding with reducing GHG emissions, and promoting initiatives for research and development of products that contribute to the realization of a carbon-neutral society, etc.• Support the United Nations Guiding Principles on Business and Human Rights, and conduct due diligence and operate a complaint resolution (remedy) mechanism based on the Sumitomo Metal Mining Group Policy on Human Rights• Deliver appropriate and accurate information to stakeholders	<ul style="list-style-type: none">• GHG emissions reduction activities• Dialogues and co-existence with local communities and enhancement of understanding of indigenous cultures• Due diligence for mineral procurement• Expansion of business for products that contribute to a low-carbon society (e.g., battery materials and the near-infrared absorbing material SOLAMENT ®)• Enhancement of ESG information disclosure
		Opportunities	<ul style="list-style-type: none">• Growing demand for low-carbon products that contribute to GHG reduction, such as battery materials		
4	Work Environments <ul style="list-style-type: none">• Shrinking and increasingly mobile Japanese labor market• Securing human resources and diversifying work styles	Risks	<ul style="list-style-type: none">• Labor shortages due to fiercer competition in hiring, outflow of human resources, and increase in mandatory retirements• Personnel shortages due to inadequate career support and delays in training management human resources• Drop in employee engagement due to delays in improvements in work styles and the working environment	<ul style="list-style-type: none">• Provide employees with safe and healthy work opportunities by reforming work styles, improving the working environment, and rebuilding an open and vibrant organization climate• Promote human resource development, encourage and evaluate efforts to address long-term issues, build a corporate culture that enables continuous “taking on of challenges,” “change,” and “growth,” and secure, foster, and utilize a diverse human capital• Provide improvements and a venue for the system suitable for career support and human resource development	<ul style="list-style-type: none">• Strengthening of engagement by raising the brand profile within the Group• Rationalization and reduction of labor through the introduction of DX, etc. to reduce working hours• Promotion of health and productivity management• Revision of the personnel system for managerial-track employees• Raising company recognition and actively recruiting by strengthening corporate branding
		Opportunities	<ul style="list-style-type: none">• Attract diverse human resources and create innovation		
5	Technology <ul style="list-style-type: none">• Evolution of technology in the field of information and communication• Catching up with the technology by overseas competitors• Increasing and growing cybersecurity risks• Growing importance of intellectual property due to globalization	Risks	<ul style="list-style-type: none">• Decline in competitiveness due to lagging response to DX• Delays in new product development and improvements to existing products in the Materials Business• External leakage, destruction, falsification, etc. of information due to delays in establishing an information security system• Delay in protecting intellectual property, infringement on other companies (patent infringement, filing of lawsuits related to intellectual property)	<ul style="list-style-type: none">• Developing DX infrastructure to address human resources in an era of declining birthrate, improve management efficiency, and create business reforms and new businesses• Speeding up development of new products and improvements to existing products based on customer needs• In addition to information security education for employees, migrating to a cloud service with advanced security features regardless of the usage environment• Establishing a department dedicated to intellectual property management to ensure acquisition and preservation of intellectual property• Promoting development of new technologies conducive to GHG emissions reduction	<ul style="list-style-type: none">• Developing human resources proficient with digital technologies• Improving operations through data analysis• Strengthening of information security• Enforcement of and support for intellectual property management• Application of DX to model factories and business sites• Developing and expanding new business in hydrogen production catalysts, catalysts for use in artificial photosynthesis, and fuel cell materials
		Opportunities	<ul style="list-style-type: none">• Improving productivity by introducing DX and utilizing new technologies• Heightened demand for new technologies conducive to GHG emissions reduction		
6	Development of Resources, Smelting & Refining Operations, Manufacturing and Development of Highly Advanced Materials Development of Resources <ul style="list-style-type: none">• Decrease in superior mines and increased uncertainty in mining investment	Risks	<ul style="list-style-type: none">• Increased difficulty in acquiring interests due to a decline in the grade of mines and intensified competition• Increase in the cost of investing in and operating mines	<ul style="list-style-type: none">• Emphasizing acquiring social license centered on co-existence with local communities• In addition to our own exploration activities, working with business partners overseas to acquire new projects• Careful selection of investments based on a decision of profitability from our many years of experience in exploration and mine evaluation know-how, and striving to reduce and avoid the risk of uncertainty from the preparatory stage of development	<ul style="list-style-type: none">• Operational improvements (dispatch of engineers for stable operation and streamlining, improvement of existing operating equipment, enhancement of process capacities)• Securing of a sound financial base• Participation in development of and investment in superior overseas mines, etc.
		Opportunities	<ul style="list-style-type: none">• Expanding demand for non-ferrous metals, especially copper and nickel, which are indispensable for the electrification of automobiles, etc.		
	Smelting & Refining Operations <ul style="list-style-type: none">• Instability in procurement of non-ferrous metal raw materials and equipment	Risks	<ul style="list-style-type: none">• Deterioration of raw material purchase conditions, plant shutdown• Difficulty in procurement of raw materials and equipment and skyrocketing prices	<ul style="list-style-type: none">• Securing stable raw material sources (own mines) and conflict-free raw materials by investing in and participating in the management of superior overseas mines, etc.• The materials procurement department will consider multiple purchases and alternative materials while improving basic unit, and will take appropriate measures as needed in response to changes when responding to difficulties in the supply of materials and equipment and price hikes• Proactively working on battery to battery horizontal recycling of used lithium-ion secondary batteries, contributing to the formation of a sustainable recycling-oriented society and strengthening the promotion of resource recycling to cope with global resource depletion	<ul style="list-style-type: none">• Ongoing study of measures to secure mineral reserves for CBNC and THPAL• Strengthening the search for new nickel projects in the next period• Promoting the commercialization of battery recycling
		Opportunities	<ul style="list-style-type: none">• Growth in demand for recycling associated with the increased demand for metals, increased collection of used products, etc.		
	Development of Highly Advanced Materials <ul style="list-style-type: none">• Rapid changes in market demands and prolongation of new product development• Potential huge financial burden for defects in in-vehicle products	Risks	<ul style="list-style-type: none">• Obsolescence of products and technologies due to technological innovation and market change• Outbreak of costly claims litigation and loss of reputation due to product liability(recalls and damages incurred for end products containing defective in-vehicle products)	<ul style="list-style-type: none">• Deepening relationships with customers, accurately understanding customer and market needs, and putting in place sufficient sales and development structures to promote new product development based on this understanding and to mitigate the impact of such development• Ensuring the effective functioning of the Group's quality management system (QMS) to further improve quality and enhance traceability• Accelerating development through the use of government support programs, joint development with external parties, and industry-academia collaboration	<ul style="list-style-type: none">• Speeding up development of LFP battery materials• Creating innovations through an open platform (X-MINING®)• Compliance with the QMS and initiatives to further improve quality and strengthen management• Expansion of production by 24,000 tons/year, including construction of a new plant in Niihama (project eligible for a subsidy from the Ministry of Economy, Trade and Industry)• Promoting commercialization of silicon carbide (SiC) substrates
		Opportunities	<ul style="list-style-type: none">• Rising demand for cathode materials due to increasing demand for electric automobiles• Growing demand for advanced materials used in electronic devices for the realization of a digital society		
7	Other <ul style="list-style-type: none">• Increase in frequency and intensity of natural disasters• Spread of infectious disease	Risks	<ul style="list-style-type: none">• Damage to equipment/facilities and occurrence of spill accidents due to intensification of floods, storms, etc.• Interruption of global supply chains• Negative impacts of infectious diseases on production, including supply and demand and supply chains	—	<ul style="list-style-type: none">• Response to large-scale disasters• Establishment of BCP and crisis management framework• Stable supply through an integrated supply chain



Medium-to Long-Term Strategy for Value Creation

As a means of responding to our materiality and Vision for 2030, SMM announced a 3-year business plan ending in FY2024. We are promoting a strengthening of our growth base by the three core businesses of Mineral Resources, Smelting & Refining, and Materials and fortifying collaboration among them.



Strategy and Resource Allocation

- 44 **Changes in the 3-Year Business Plan**
- 46 **The Value Creation Logic Tree**
- 48 **Main Progress of the 2021 3-Year Business Plan**

Financial Strategy

- 52 **Basic Approach to Financial Strategy**
- 54 **Funding/Investment/Return to Shareholders**
- 56 **Results and Plan**

Strategies for Individual Business Segments

- 58 **Mineral Resources Business**
- 62 **Smelting & Refining Business**
- 66 **Materials Business**

Reinforcing Intangible Assets

- 72 **Research & Development**
- 76 **Human Resources Strategy**
- 80 **Digital Transformation (DX) at the SMM Group**

Promotion of Sustainability Activities

- 86 **Sustainability Management**
- 88 **Vision for 2030 (Material Issues and KPIs)**
- 90 **Focus 1 Carbon Neutrality**
- 96 **Focus 2 Management of Tailings Dams**
- 98 **Focus 3 Human Rights**

What we want to convey in this chapter

We relate the value creation logic tree to our strategies in the 3-year business plan and resource allocation and arrange the connectivity of each measure in a logical manner.

We position initiatives in R&D, human-resource strategy, and DX as the strengthening of intangible assets and communicate the progress and results of these initiatives with reporting the opinions of employees.

We explain sustainability-related initiatives as medium- to long-term strategy and in particular explain high-priority initiatives as Focus.

Changes in the 3-Year Business Plan

We have been focusing on strengthening our corporate structure through selection and concentration since the Corporate Revitalization Plan (FY2000 to FY2001), which was created in the year after the JCO criticality accident in 1999, and the 2001 2-Year Business Plan (FY2002 to FY2003). In the 2003 3-Year Business Plan (FY2004 to FY2006) and beyond, we are shifting to the implementation of large-scale projects

to achieve growth strategies. We continue to expand and strengthen our core business to this day.

In recent years, there have been some projects that did not result in major successes, such as the participation in planning for the Sierra Gorda Copper Mine (transferred in 2022) and the feasibility study on the Indonesian Pomalaa Project (discontinued in 2022). However, the Cote Gold Proj-

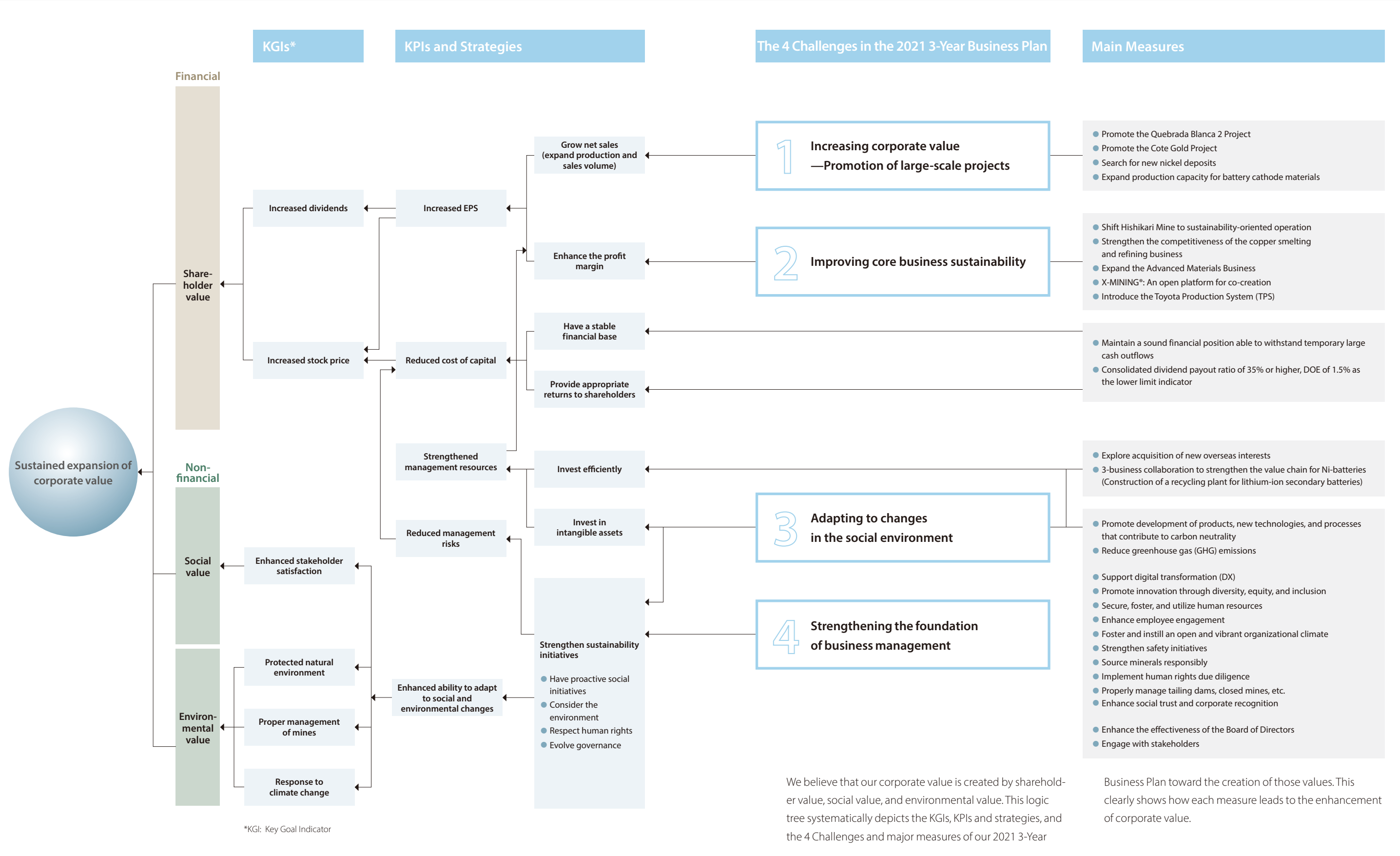
ect and the Quebrada Blanca 2 Project in which we decided to participate during our 2015 3-Year Business Plan (FY2016 to FY2018), as well as the expansion of production capacity for cathode materials for secondary batteries in which we decided to invest during the 2018 3-Year Business Plan (FY2019 to FY2021), are expected to contribute to our performance starting this fiscal year, which is the final year of the 2021

3-Year Business Plan (FY2022 to FY2024).

Going forward, as we put to use the results from our previous initiatives, we aim to further improve our corporate value and work to promote and monetize various projects.

2015 3-Year Business Plan FY2016 to FY2018		2018 3-Year Business Plan FY2022 to FY2024		2021 3-Year Business Plan FY2022 to FY2024	
Long-Term Vision	Become the world leader in the non-ferrous metals industry and an excellent company of Japan	Become the world leader in the non-ferrous metals industry		Become the world leader in the non-ferrous metals industry	
Plans	<div>Mineral Resources</div> <ul style="list-style-type: none">Full-scale production at the Sierra Gorda Copper MineAcquire new gold mine interests <div>Smelting & Refining</div> <ul style="list-style-type: none">Expand Taganito HPALAdvance growth strategies using HPAL peripheral technologiesEnhance competitiveness of copper smelting business <div>Materials</div> <ul style="list-style-type: none">Profit contribution from expanded battery material and LT/ LN productionContinuously create and adapt next-generation products <ul style="list-style-type: none">Corporate governance strengtheningGlobalization measures	<div>1 Strengthen the growth foundation of core businesses (Mineral Resources, Smelting & Refining, Materials)</div> <ul style="list-style-type: none">Steady promotion of growth strategy and swift realization of competitiveness: Aggressive investmentMinimization of lost profits and opportunity loss and consolidation of business base: Defensive investment <div>2 Strengthen 3-business collaboration centered on cathode materials for batteries</div> <ul style="list-style-type: none">Maximally leverage the integrated production structure and win through overall capabilities, including battery recycling <div>3 Strengthen corporate functions</div> <ul style="list-style-type: none">Stimulate communication with stakeholders both inside and outside the companyRebuild an open and vibrant organizational climate		<div>The 4 Challenges in the 2021 3-Year Business Plan</div> <div>1 Increasing corporate value—Promotion of large-scale projects</div> <ul style="list-style-type: none">Expanding production capacity for battery cathode materials ▶ P.48Quebrada Blanca 2 project ▶ P.48Cote gold mine development project ▶ P.48 <div>2 Improving core business sustainability</div> <ul style="list-style-type: none">3-business collaboration to strengthen the value chain for Ni-batteries<ul style="list-style-type: none">Searching for a next nickel project ▶ P.49Battery recycling ▶ P.65Shifting Hishikari Mine to sustainability-oriented operation ▶ P.60Enhancing competitiveness of copper-smelting business ▶ P.49Strategy for advanced materials business expansion ▶ P.49 <div>3 Adapting to changes in the social environment</div> <ul style="list-style-type: none">Reducing greenhouse gas (GHG) emissions ▶ P.50Promoting the development of products, technologies and processes that can help achieve carbon neutrality ▶ P.92Adaptation to digital transformation (DX) ▶ P.50Initiatives for securing, fostering and utilizing human capital ▶ P.50 <div>4 Strengthening the foundation of business management</div> <ul style="list-style-type: none">Strengthening safety initiatives ▶ P.51Reorganizing and enhancing sustainability promotion framework ▶ P.51Corporate governance ▶ P.51	
Results	<div>Mineral Resources</div> <ul style="list-style-type: none">Incurred a large impairment loss at the Sierra Gorda Copper Mine due to a production slump and increase in costsEntered into the Cote Gold ProjectAcquired interest in the Quebrada Blanca 2Transferred the Pogo Gold Mine interest <div>Smelting & Refining</div> <ul style="list-style-type: none">Completed 36-kt production structure at Taganito HPALCommercialized scandium and chromite recoveryAchieved 450-kt electrolytic copper production volumeCompleted 49-kt nickel sulfate production structureBegan Pomalaa Project Definitive Feasibility Study (DFS) <div>Materials</div> <ul style="list-style-type: none">Completed 4,550-t/month battery material production structureCompleted increase of LT/LN production structureDeveloped nickel oxide powder for fuel cell electrodesEntered into silicon carbide (SiC) businessWithdrew from lead frame business <ul style="list-style-type: none">Increased number of outside directors, appointed female directorsImplemented International Financial Reporting Standards (IFRS), commenced integrated report publication	<div>Strengthen the growth foundation of core businesses (Mineral Resources, Smelting & Refining, Materials)</div> <div>Mineral Resources</div> <ul style="list-style-type: none">Decided to sell all interests in the Sierra Gorda Copper Mine, which has established stable, full-scale production, as part of the Group-wide asset portfolio optimization and strategic asset replacement (transfer of all interests completed in February 2022)Had steady progress in FY2021 despite factors such as a temporary halt of construction of the Quebrada Blanca 2 Project due to COVID-19 and an increase in the initial start-up costs of the Cote Gold Project <div>Smelting & Refining</div> <ul style="list-style-type: none">Decided to discontinue feasibility study on the Indonesian Pomalaa Project in April 2022 <div>Materials</div> <ul style="list-style-type: none">Concluded a transfer contract with Sumitomo Osaka Cement Co., Ltd. to acquire their lithium iron phosphate (LFP) battery materials business on May 1, 2022 <div>Strengthen 3-business collaboration centered on cathode materials for batteries</div> <ul style="list-style-type: none">Decided to construct a new battery plant in 2021 (construction to be completed during the 2021 3-Year Business Plan)Established a new recycling process with the ability to recycle copper, nickel, cobalt, and lithium <div>Strengthen corporate functions</div> <ul style="list-style-type: none">Enhanced responsiveness to changes in the business environment through organizational restructuringRebuilt the organizational culture by renewing the Head OfficeEnhanced SR (Shareholder Relations) activities for institutional investors		<div>Toyo Smelter & Refinery finished its large-scale furnace repairs in the fall of 2023</div> <div>Overall picture of Quebrada Blanca mining pit and processing site</div> <div>SiCkrest® bonded silicon carbide (SiC) substrate</div> <div>Near-infrared absorbing nanoparticles: CWO®</div>	
Issues	<ul style="list-style-type: none">Enhancing and improving site management capability manufacturing and operational capabilities and management capabilityCreating new products and businessesSecuring and developing the human resources to support growth	<ul style="list-style-type: none">Missed the 2018 3-Year Business Plan safety-related initiative target of less than 5 occupational accidents in Japan (FY2021 recorded 20 accidents)Accelerating the search for new nickel deposits and consideration of new projects in response to the discontinuation of feasibility study on the Indonesian Pomalaa ProjectStrengthening the value chain of the 3-business collaboration (for Ni-batteries), including recycling			

The Value Creation Logic Tree



Main Progress of the 2021 3-Year Business Plan

1

Increasing corporate value—Promotion of large-scale projects

● Expanding production capacity for battery cathode materials

The project to expand production capacity to 24,000 tons per year is progressing steadily and generally as planned, with production scheduled to start in FY2024. After the completion of construction of the building, installation of equipment in the main building started in August 2023, and infrastructure-related construction was completed in November. Going forward, we plan to conduct trial operations in line with processes and start operation of the new plant after obtaining customer qualification. For the next phase of production expansion, we plan to continue our examination while closely monitoring the legal systems of each country, such as the Inflation Reduction Act (IRA) in the U.S.

In the lithium iron phosphate (LFP) battery material business, which was transferred to us from Sumitomo Osaka Cement Co. Ltd. in May 2022, we are continuing development of technologies

for new mass production processes. We started operation of small-volume test equipment at the Ome District Division in September 2023 and are currently conducting testing.



Exterior of the new Niihama Plant

● Quebrada Blanca 2 project

Under the leadership of our partner Teck Resources Limited ("Teck"), construction of the Quebrada Blanca 2 Project began in January 2019. Production and shipment of bulk copper concentrates started in June 2023, and construction of the main facilities, including the port and offshore facilities, was largely completed in March 2024, with the and shipment of copper concentrates from the QB port commencing shortly thereafter.

Going forward, "we plan to advance the ramp-up of facilities toward full production", and continue with long-term stable production that will extend for longer than 20 years. Working ever more closely with Teck, we will move the project forward to achieve our production goal of 300,000 tons of copper per year, one of the targets of our long-term vision.

● Cote gold mine development project



Cote Gold Mine opening ceremony (May 2024)

This is a gold mine development project being advanced together with Canadian gold producer IAMGOLD Corporation ("IMG"), and construction began in September 2020. Construction of the main facilities was substantially completed in FY2023, and initial gold production started in March 2024. Going forward, we will ramp up operations to achieve stable production as soon as possible. We further plan to leverage the project as an opportunity for young engineers to gain experience. Exploration activities in the Gosselin Area, located about 1.5 km to the northeast of the pit site, have confirmed continuous gold mineralization. We will continue drilling activities with the intention of enhancing the future value of the project. We will also analyze information such as the continuity and grade of the orebody.

2

Improving core business sustainability

● 3-business collaboration to strengthen the value chain for Ni-batteries

Searching for a next nickel project

We decided in April 2022 to discontinue our investigation of the Indonesian Pomalaa Project, which was planned at the time of announcement of the 2021 3-Year Business Plan. Even after the cancellation of this project, we have continued exploration, primarily in the Pacific Rim region, and in April 2024, we started participating with Ardea Resources Limited (Ardea), an Australian mining company, in development of the Kalgoorlie Nickel Project Goongarrie Hub, which is wholly-owned by Ardea. We reached agreement with Ardea to invest 98.5 million Australian dollars (approximately JPY10 billion) in an Ardea subsidiary and conditionally

acquire a maximum of 50% of the subsidiary's shares in stages through a joint venture established with Mitsubishi Corporation for the purpose of conducting a definitive feasibility study (DFS) for the project.

In addition to this project, we will continue to investigate, filter, and scrutinize other projects in various stages. We will select projects that make the most of our strengths, including the development of projects utilizing the hydrometallurgical refining and pyrometallurgical smelting technologies we have cultivated to date, in addition to HPAL technology.

● Enhancing competitiveness of copper-smelting business

One important theme under the 2021 3-Year Business Plan is enhancing our competitive edge in copper smelting and refining, which is the mainstay of our smelting and refining business. The Toyo Smelter & Refinery's annual electrolytic copper production volume was 450,000 tons. We are increasing this by another 10,000 tons to establish a structure capable of producing 460,000 tons. In FY2022, we expanded concentrate drying* capacity, increasing concentrate processing volume. In addition, we will increase current density in the electrolysis process to transition to a structure with annual capacity of 460,000 tons.

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

* The process of drying concentrate, which contains approximately 8% moisture.

● Strategy for advanced materials business expansion

Silicon carbide (SiC)

Under the 2021 3-year Business Plan, we set a goal for silicon carbide (SiC) a power semiconductor material): "Achieving market penetration and launching mass production for use in vehicles in FY2025". We completed construction of an 8-inch substrate development line and started prototyping in FY2024. We will continue work with the aim of constructing a mass production line with monthly capacity of 10,000 wafers (6-inch equivalent) in FY2025.

Nickel powder

Under the 2021 3-year Business Plan, we set a goal for nickel powder, which is used in multilayer ceramic capacitors and other components: "Expanding sales in high-end markets by leverag-

ing the low cost, uniform particle diameter, and low coarseness achieved by our wet processing technology". Currently, we are actively moving forward with sample work and customer evaluations to achieve this goal. In the future, we will clear each technical issue and strive to achieve the goal.

Communications devices

Regarding communication devices, under the 2021 3-year Business Plan we set a goal of "Establishing a production and sales capabilities to capture every market growth opportunity". GRA-NOPT CO., LTD., an affiliate, constructed a new plant to produce Faraday rotator and established a new sales company in China to expand business in the future and achieve this goal.

Main Progress of the 2021 3-Year Business Plan

3 Adapting to changes in the social environment

● Reducing greenhouse gas (GHG) emissions

We established the Carbon Neutrality Committee in April 2022, and the Committee is now working to reduce the GHG mis-sions of the SMM Group. The Committee is debating individual measures and future plans, including specific plans for achiev-ing net-zero emissions by 2050 and setting Scope 3 targets in accordance with the commitments of international industry organizations such as the International Council on Mining and Metals (ICMM).

In addition, we formulated and announced the Roadmap to Carbon Neutrality by 2050 in December 2023 as a path to 2050. Regarding capital expenditures, we are taking action

to reduce GHG emissions and conserve energy by using the internal carbon pricing (ICP) system. We are also tackling issues such as developing advanced materials that contribute to carbon neutrality and new technologies and processes for reducing GHG emissions in existing processes, and contribute to lessening our carbon footprint though new businesses, such as battery recycling, which was selected as a Green Innovation (GI) Fund Project,* and the development of cathode materials for solid-state batteries.

* Projects funded by the New Energy and Industrial Technology Development Organization (NEDO).

● Adaptation to digital transformation (DX)

We established the Digital Transformation Department in July 2022, and it is currently taking action in accordance with our DX roadmap. In FY2023, we set key performance indicators (KPIs) as milestones that include the main measures in each priority area and their objectives to further accelerate our DX activities. We expect that this will achieve more reliable PDCA of measures, including periodic progress reviews of DX by management and corrective measures such as reallocation of management capital.

Specific measures for contributing to the reinforcement of DX foundations throughout the SMM Group include formulating an overall concept for DX human resource development, start-ing the use of ChatGPT throughout the Group, initiating renewal of our wide-area networks, and formulating a plan and concept for data utilization platform.

Digital Transformation (DX) at the SMM Group P.80-85

● Initiatives for securing, fostering and utilizing human capital

Active investment in human resources is also ongoing as part of the 2021 3-Year Business Plan. In July 2023, we revised the personnel system for managerial track employees with the aim of providing opportunities for employees to play an active role, building a corporate climate conducive to the continuous “taking on of challenges,” “change,” and “growth,” as well as a cor-porate culture in which every employee continues to learn and grow. In conjunction with these changes, we extended the man-datory retirement age for employees in management positions,

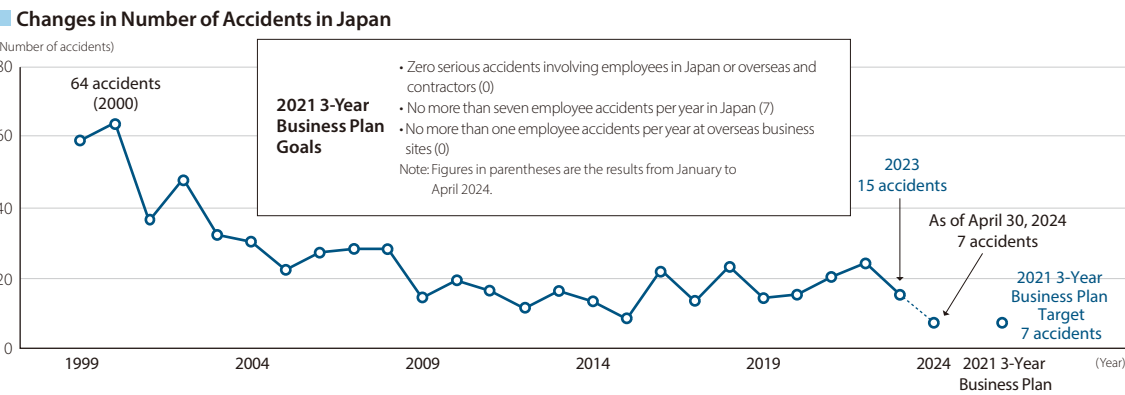
established a program for senior employees (employees over the age of 65 years), and promoted young managerial employees. In step with these efforts, we are revising our human resource development program to improve the competen-cies required for each job classification level, job function, and individual, and have clarified the persons responsible for training by respective job capacity. We are thus engaging with the cross-sectional, Group-wide development and utilization (deployment) of human resources.

4 Strengthening the foundation of business management

● Strengthening safety initiatives

During the term of the 2021 3-Year Business Plan (April 2022 to March 2025), a large number of accidents occurred due to unsafe procedures and there was an increase in accidents involving older workers, and as a result, we did not achieve our goal for employee accidents in Japan. In addition, serious accidents resulting in more than three months of missed work also occurred.

In light of this, we will further develop infrastructure through measures including making equipment inherently safe and providing rank-specific training, and we will take measures to address the safety of older workers in an effort to completely eliminate accidents caused by unaddressed risks and human error.



● Reorganizing and enhancing sustainability promotion framework

In 2020, the SMM Group formulated its Vision for 2030 and has been taking action to achieve that vision. In April 2022, we reorganized our sustainability promotion structure with the aim of engaging in management and sustainability with greater consistency. With this reorganization, we supplemented the seven subcommittees and four working groups that already existed with new organizations responsible for carbon neutrality, DX,

and human resource strategies as subordinate organizations to the Sustainability Committee, which is chaired by the president. To achieve our long-term vision and our Vision for 2030, which is a milestone toward the long-term vision, we will accel-erate the implementation of sustainability measures.

Sustainability Report 2024
https://www.smm.co.jp/en/sustainability/library/sustainability_report/

● Corporate governance

We manage our business portfolio using return on capital em-ployed (ROCE) on a consolidated basis as an indicator for each business. During the term of the 2021 3-Year Business Plan, busi-nesses that fell below the benchmark (5.5%) were positioned as “businesses to confirm the feasibility of continuation,” and the feasibility of continuing the business is examined and improve-ments and reforms are implemented in the following two years,

and in principle, final decisions are made in the following fiscal year. The Board of Directors periodically monitors the status of this process.

■ FY2022 Result

Business	Mineral Resources	Smelting & Refining	Materials
ROCE	8.6%	12.0%	4.8%

Basic Approach to Financial Strategy

Financial Strategy

Because the non-ferrous metals that the SMM Group deals in are resources that can become depleted, we must always be prepared for participation in large-scale projects or M&A to acquire new resource interests. Mineral resources and smelting & refining development projects, including the construction of new smelters and refineries, involve relatively long periods of time between execution and recovery of investment. In addition, development of new resources is becoming increasingly difficult due to higher altitudes and greater depths, and the Group has been impacted by higher costs for material, labor, and so on in recent years. Accordingly, it is important to maintain a sound financial position that can withstand large temporary cash outflows. Based on this thinking, we set a consolidated equity ratio (ratio of equity attributable to owners of parent to total assets) of 50% or more as a foundation for our financial strategy.

Our policy going forward will be to carry out our growth strategy while maintaining a strong financial foundation, and we are taking action to improve the PBR, which is currently below 1.0x.

Specifically, we are focusing on the steady startup of large-scale projects that are expected to make substantial contributions to profits starting in FY2024 including the Cote Gold Project, the Quebrada Blanca 2 Project, and the start of increased production of cathode materials for secondary batteries. Also, in the mineral resources, smelting & refining, and materials segments, we will conduct thorough management that emphasizes return on capital employed (ROCE) and take action to improve the efficiency of invested capital. At the same time, we will enhance ongoing measures to address sustainability issues and non-financial disclosures.

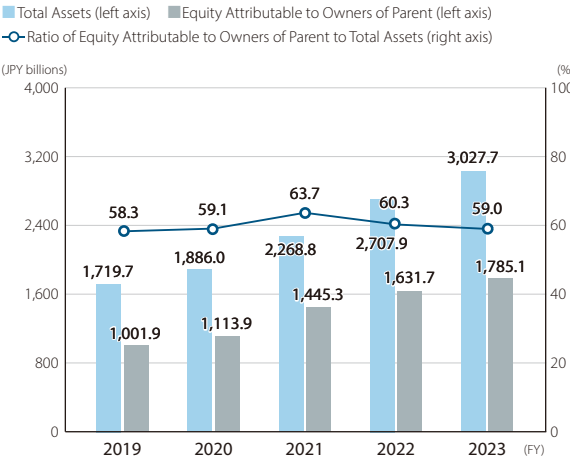
Furthermore, we will reinforce our ability to disseminate information through IR activities so that investors can understand the value of the Company, including showing profit/loss excluding temporary factors and clearly explaining the Company's competitive advantages and how we will

achieve growth by carrying out our strategies.

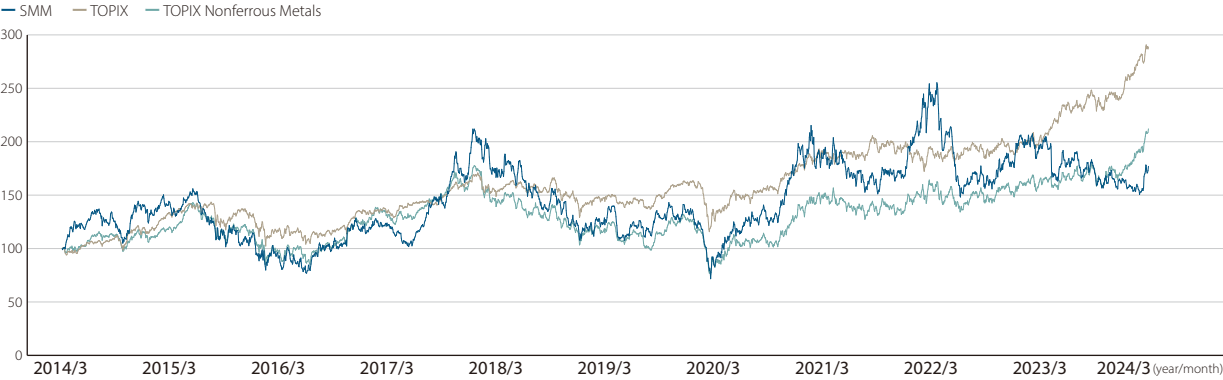
We are also investigating means of providing appropriate returns to shareholders, and in FY2023 we introduced dividend on equity (DOE) as a minimum indicator. In the past, our dividend policy was to maintain a consolidated dividend payout ratio of at least 35%, but since the Group's business results are affected by changes in non-ferrous metal prices, foreign exchange rates, and other factors, the dividend amount fluctuated substantially depending on market conditions. With the introduction of DOE, we seek to mitigate the impact on dividend amounts and the resulting impact on share prices in the event that the Group's business performance deteriorates due to these market factors and other factors.

Going forward, we will continue to carry out the strategy set forth in the 2021 3-Year Business Plan based on the idea that steadily implementing our growth strategies will lead to improved corporate value over the medium to long term. In conjunction with this, we will continue our consideration of appropriate shareholder returns while maintaining strong financial foundations.

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



Share Price (Share prices calculated with share price at the end of March 31, 2014 set to 100)

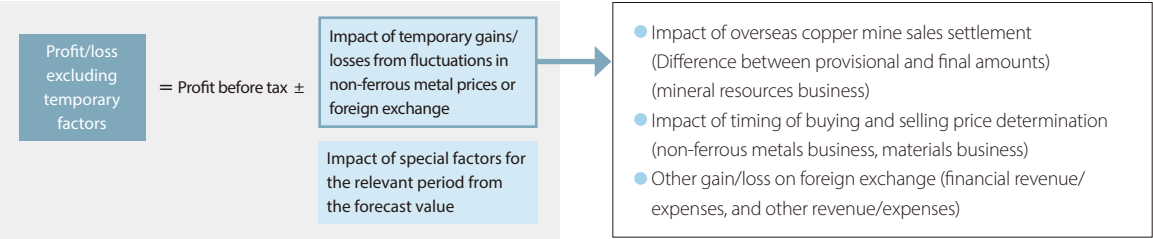


Share Price Performance (TSR)

Investment period	1 year	3 years		5 years		10 years	
	Cumulative and Annualized	Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
SMM	(7.2%)	8.6%	2.8%	64.8%	10.5%	121.6%	8.3%
TOPIX	41.3%	52.5%	15.1%	96.2%	14.4%	188.6%	11.2%
TOPIX Nonferrous Metals	28.9%	43.2%	12.7%	81.4%	12.6%	112.0%	7.8%

Source: Bloomberg
* TSR (Total Shareholder Return): Calculated using [(share price at the end of the fiscal year ended March 31, 2024) – (share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2024) + [total cash dividend per share for the relevant period]] ÷ [(share price at the end of the fiscal year X years previous to the fiscal year ended March 31, 2024) × (number of years)]
* TOPIX and TOPIX nonferrous metals use indices that include dividends, and accordingly, dividends are not added to the calculation

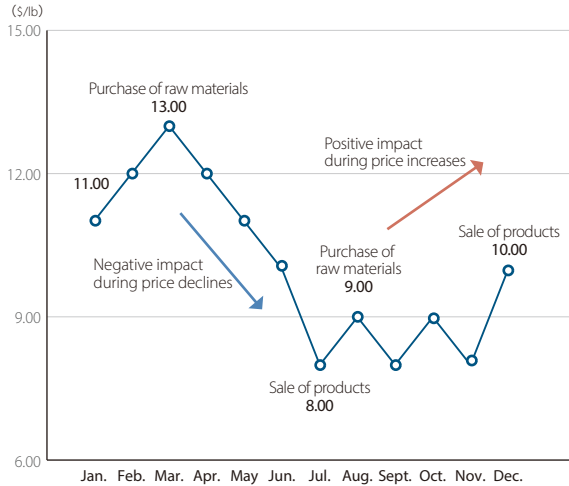
What Is Profit/Loss Excluding Temporary Factors?



Prices of non-ferrous metals (such as copper and nickel) which the Group deals in are determined in trading markets represented by London Metal Exchange (LME), and our profit and loss is characterized by the fact that they are significantly influenced by the market environment, including economic trends. Further, when prices of non-ferrous metals rise, the differences in timing of buying and selling causes profit to temporarily exceed standard levels, and likewise when prices decline profit to temporarily fall below standard levels.

Therefore, we show the profit/loss excluding temporary factors as the profit/loss excluding impact of temporary gains/losses in a situation where non-ferrous metal prices or foreign exchange fluctuate and the impact of special factors during the period concerned.

Image of the Impact of Timing of Buying and Selling Price Determination



Funding/Investment/Return to Shareholders

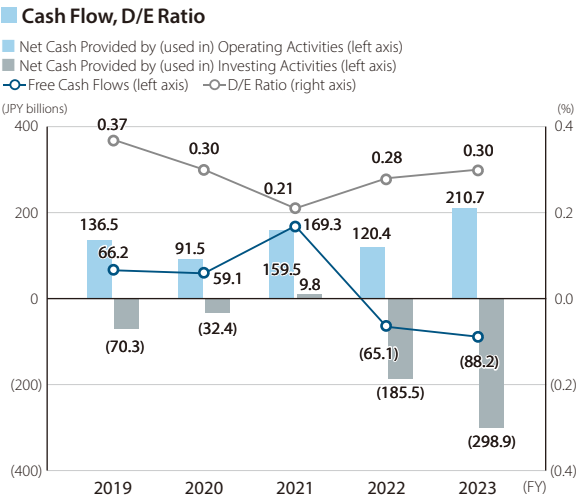
Funding

We believe it is necessary to maintain a certain amount of liquid funds on hand^{*1} based on overall demand for funds such as for large-scale overseas projects in the Mineral Resources and Smelting & Refining businesses, or strategic expansions within the Materials Business. This is essential from the standpoint of management stabilization. Under that premise, we conduct funding in line with the use of the funds, while comprehensively considering the outlook for non-ferrous metal prices and currency exchange, conditions in interest rate markets, and other factors.

In FY2023, net cash provided by investing activities were significantly higher than expenditures due to progress toward completion of the Quebrada Blanca 2 Project and the Cote Gold Project. To cover these expenditures, the Company raised funds under the foreign currency limited loan agreement with the Japan Bank for International Cooperation and procured capital under foreign and Japanese currency loan agreements with commercial banks. We also continued to pursue sustainable financing and procured capital through a syndicated green loan for investment about expansion of production for battery cathode materials. As a result, our interest-bearing liabilities

in FY2023 increased by JPY73.0 billion to JPY530.3 billion, resulting in a consolidated capital ratio of 59.0%.^{*2}

^{*1} Regarding liquidity risk, assuming a decline in cash inflow equal to 1.5 months of consolidated net sales and difficulty refinancing debts due within six months, our policy is to cover this risk by using cash on hand and the unused amount of the CP issuance limit. Also, in anticipation of the risk that CP procurement may become temporarily difficult due to trends in financial markets, in principle, we limit issuance to within the scope of borrowing limits set in accordance with commitment line agreements.
^{*2} Interest-bearing liabilities do not include lease liabilities.



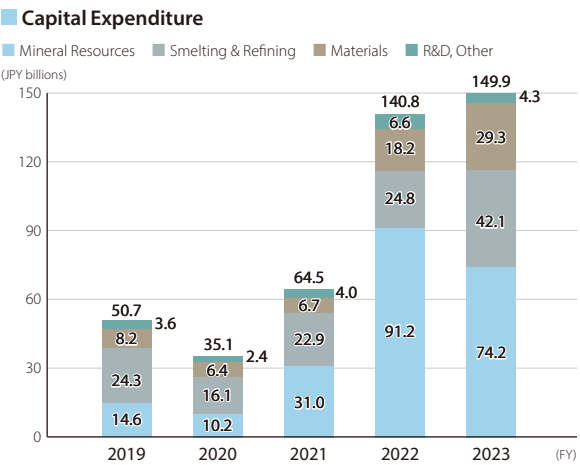
Investment

Raw material ores for non-ferrous metals are subject to sharp price fluctuations related to supply and demand, natural disasters, and other factors, and it is not always possible to secure necessary quantities of ores due to price levels. For this reason, we must secure stable sources of raw materials through the development of overseas mines and acquisition of interests.

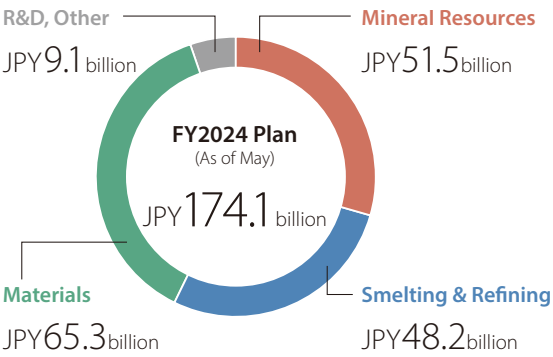
In mine development and acquisition of interests and in large-scale overseas projects in the Smelting & Refining Business, we carry out investments by leveraging our extensive exploration experience, knowledge of mine valuation, and smelting and refining technologies, with country risk and local issues fully taken into account, with an awareness that additional investments may arise, to avoid increases in costs arising from uncertainty. We also carefully select and execute capital expenditure other than large-scale projects, with full consideration of investment effect and efficiency (profitability).

Capital expenditure in FY2023 was JPY149.9 billion, under

large-scale capital investments including the Cote Gold Project and increased production of cathode materials for automobile batteries. Our capital investment plan for FY2024 is as shown in the graph on the upper right (as of May).



Breakdown of Capital Expenditure Plan



Key Projects in FY2024 May Plan

- Expansion of production capacity of cathode materials for secondary batteries for electric vehicles (Besshi District + Harima Refinery): JPY35.5 billion (total outlay: JPY47.0 billion)
- Cote Gold Project (initial interest): JPY18.3 billion (total: USD 1,134 million)

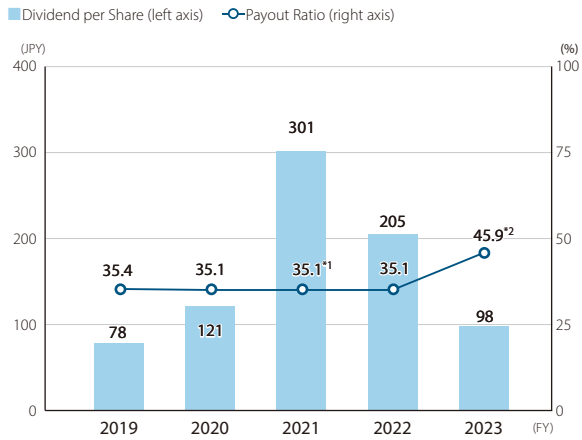
Return to Shareholders

Previously, the Company's financial strategy was based on maintaining a consolidated equity ratio higher than 50%, and the dividend policy was to have a consolidated dividend payout ratio of 35% or more in principle. Due to the nature of our business, however, the Group's performance is affected by fluctuations in metal prices and foreign exchange rates, and the amount of dividends has varied substantially depending on market conditions.

In response to these circumstances, to mitigate the impact of dividends even if the Group's performance deteriorates due to market and other factors, we added DOE of 1.5% as a lower limit indicator in FY2023 and revised the dividend policy to maintaining a consolidated dividend payout ratio of 35% or more with a DOE lower limit indicator of 1.5%.

Under the above shareholder return policy, the annual dividend per share for FY2023 was JPY98, for a payout ratio of 45.9%.

Dividend per Share, Payout Ratio



^{*1} The dividend payout ratio for FY2021 is calculated with adjustments related to the transfer of Sierra Gorda excluded.
^{*2} DOE of 1.5%

Results and Plan

FY2023 Results

In FY2023, consolidated net sales increased compared to the previous fiscal year due to strong sales of materials for automotive batteries and other factors. Consolidated profit before tax decreased compared to the previous fiscal year, mainly due to lower copper and nickel prices, a reduction in temporary factors that resulted in strong profits in the previous fiscal year including foreign exchange gains from the rapid depreciation of the yen.

Mineral Resources Segment

Segment income decreased year on year due mainly to the decrease in copper prices and higher production costs due to global inflation. Mining operations at the Hishikari Mine remained steady, and the sales volume of gold was 4.0 tons as planned.

Production levels at the Morenci Copper Mine (United States) (in which the Company holds a 25.0% interest, excluding non-controlling interest) declined from the previous fiscal year to 362,000 tons, due mainly to a decrease in mining volume.

Production levels at the Cerro Verde Copper Mine (Peru) (in which the Company holds a 16.8% interest, excluding non-controlling interest) rose from the previous fiscal year to 447,000 tons, due mainly to an increase in processing volume and an improvement in ore grade.

Metal Prices and the Exchange Rate

	FY2023 result	FY2022 result	Change
Copper (\$/t)	8,362	8,551	(189)
Nickel (\$/lb)	8.68	11.63	(2.95)
Gold (\$/toz)	1,989	1,805	184
Exchange (JPY/\$)	144.63	135.48	9.15

Smelting & Refining Segment

Segment income decreased year over year, due mainly to the falling price of nickel and a reduction in temporary factors that resulted in strong profits in the previous fiscal year including foreign exchange gains from the rapid depreciation of the yen.

The production level and sales volume of electrolytic nickel increased from the previous fiscal year, but the production level of electrolytic copper decreased due to periodic furnace maintenance (a large-scale shutdown) at the Toyo Smelter & Refinery and other factors, and sales volume was down year over year.

Production levels of Coral Bay Nickel Corporation (Philippines) and Taganito HPAL Nickel Corporation (Philippines) were generally unchanged from the previous fiscal year.

Materials Segment

Segment income decreased year on year despite higher sales of materials for automotive batteries, due to the impact of lower prices for non-ferrous metals. Also, segment income declined due to lower sales of components for electronic parts in conjunction with declining demand for smartphones, PCs, and other devices as well as the impact of accounting procedures relating to the conclusion of contracts for the transfer of subsidiary shares and other factors.

FY2023 Result (JPY billions)

	FY2023 result	FY2022 result	Change
Net sales	1,445.4	1,423.0	22.4
Profit / loss before tax	95.8	229.9	(134.1)
Equity method profit/loss	33.1	36.5	(3.4)
Net income attributable to owners of parent	58.6	160.6	(102.0)

FY2023 profit/loss excluding temporary factors

Profit/loss excluding temporary factors for the FY2023 result (profit before tax), is calculated by excluding the impact of temporary gains/losses from fluctuations in non-ferrous metal prices or foreign exchange and the impact of special factors for the relevant period from the result.

FY2023 profit before tax results	FY2023 profit/loss excluding temporary factors
JPY95.8 billion	JPY100.0 billion–JPY110.0 billion

FY2024 Plan

The global economy remains highly uncertain due to downside factors including economic slowdown in China caused by the protracted downturn in the real estate market and persistent high inflation rates as well as geopolitical risks and a rising risk of fragmentation of the global economy.

Regarding copper supply and demand, a temporary supply shortage is expected as a result of the suspension of operation and production adjustments at some overseas mines and other factors. On the other hand, the oversupply of nickel is expected to continue due to production increases in China and Indonesia. Supply and demand for non-ferrous metals, however, is expected to increase over the medium to long term, primarily due to demand for electric vehicles and renewable energy.

In industries related to the materials business, demand is expected to increase due to decarbonization measures and responses to digital transformation (DX), but the outlook for

the global economy, particularly China, remains uncertain and there is a risk of that market growth will slow, and as a result, and the situation is unpredictable.

For the FY2024 forecast of consolidated operating results, prices of major non-ferrous metals were set based on the projected future balance of supply and demand, taking into account recent levels, and exchange rates were set based on the trend of yen depreciation during the period under review, the monetary policies of Japan and the U.S. at the time of the forecast, and other factors.

Planned production and sales volumes for major products were set based on recent results and other factors. As a result, consolidated net sales are expected to be JPY1,492.0 billion, consolidated profit before tax JPY91.0 billion, profit JPY62.0 billion, and profit attributable to owners of the parent JPY56.0 billion.

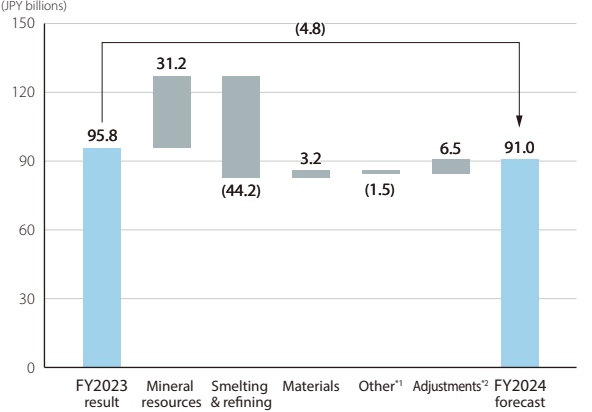
Metal Prices and the Exchange Rate

	FY2024 forecast	FY2023 result	Change
Copper (\$/t)	9,000	8,362	638
Nickel (\$/lb)	8.00	8.68	(0.68)
Gold (\$/toz)	2,000	1,989	11
Exchange (JPY/\$)	150.00	144.63	5.37

FY2024 May Forecast of Consolidated Operating Results (JPY billions)

	FY2024 forecast	FY2023 result	Change
Net sales	1,492.0	1,445.4	46.6
Profit / loss before tax	91.0	95.8	(4.8)
Equity method profit/loss	28.5	33.1	(4.6)
Net income attributable to owners of parent	56.0	58.6	(2.6)

Profit before Tax Analysis (FY2024 forecast vs. FY2023 result)



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

FY2024 profit/loss excluding temporary factors (May 2024 forecast)

Profit/loss excluding temporary factors is calculated by excluding the impact of temporary gains/losses from fluctuations in non-ferrous metal prices and exchange rates (the impact of inventory valuation and impact of overseas copper mine settlement) and the impact of special factors during the period from the May 2024 forecast (profit before tax). The profit/loss excluding temporary factors for FY2024 is expected to improve from FY2023, mainly due to the effects of large-scale projects that have been proceeded so far.

FY2024 profit before tax forecast (May)	FY2024 profit/loss excluding temporary factors
JPY91.0 billion	JPY110.0 billion–JPY120.0 billion

Mineral Resources Business

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

Hideyuki Okamoto Director, Senior Managing Executive Officer General Manager of Mineral Resources Div.

Competitive Advantages in the Mineral Resources Business

- A portfolio made up of highly cost competitive assets (Large-scale deposits with abundant resources, good locations, advanced facilities, and good relationships with local communities)
- Advanced technological capabilities that enable effective operations under restrictive conditions
- Long-term relationships of trust and partnership with major overseas resource companies
- Organized and systematic development of human resources and cultivation of talented mining engineers with experience in domestic operating mines

Overview of FY2023

Looking back on FY2023, it was a year of milestones with production starting at the Quebrada Blanca 2 Project (Chile) and the Cote Gold Project (Canada), both of which are major projects under the 2021 3-Year Business Plan. Copper production started at the Quebrada Blanca 2 Project in June 2023, following the substantial completion of construction of the main facility in March 2024. This was followed by the first loading of concentrate at the new Quebrada Blanca port facilities. An opening ceremony of the mine was held on-site on October 26, 2023 with approximately 400 people in attendance, including the President of Chile and other government officials, Japanese government officials, local community members, financial institutions, and project personnel. Regarding the Cote Gold Project, construction of the main facility is essentially completed, and production of gold dore started in March 2024. In addition, the most recent assessment of resource volume published in February 2024 by IAMGOLD Corporation, our partner in the project, indicated that the resource volume in the Gosselin Area near the Cote Gold Project was increased from the previous assessment, and as a result, the value of the project is expected to increase even further.

At the Hishikari Mine, we continued the sustainability-oriented

operations that started in FY2022, promoted digital transformation, including a test of the introduction of self-driving heavy equipment, reviewed operational structure, and implemented measures to cut costs.

As for our major overseas operating mines, production by the Morenci Copper Mine (United States) declined from FY2022, primarily due to sluggish mining volume, and production at the Cerro Verde Copper Mine (Peru) remained at the same level as in FY2022.

We are also focusing our efforts on acquiring new nickel resources. Business development initiatives included the acquisition of shares of FPX Nickel Corp., a Canadian exploration company, and in conjunction with this acquisition, preferential negotiation rights for the purchase of a portion of production from the Baptiste Nickel Project if the project, for which FPX is currently evaluating economic viability, is developed.

In this way, in addition to focusing on our existing targets for copper and gold, we are focusing on the acquisition of new nickel resources that will contribute to collaboration among our three business units.

Changes in the Business Environment and Responses to Issues

The COVID-19 pandemic was brought under control worldwide in FY2023, but the aftereffects of the pandemic were considerable, with rising inflation resulting from monetary easing policies implemented in response to the pandemic, followed by an extended period of rising interest rates due to monetary tightening policies, particularly in the United States. In addition, there are no signs of an end to Russia's invasion of Ukraine, which started in 2022, and energy and material prices remained high. As a result of these pressures, there were strong impacts on our domestic and overseas mines and joint venture projects under development, resulting in cost increases. Thus, in addition to the uncertainty of when these circumstances will be resolved, there are various external pressures that affect mine development and operating costs, such as higher capital investment costs and capital procurement costs for investment, and rising labor costs caused by inflation. In response to these circumstances, we focused efforts on improving finishing costs, including raising operating rates and implementing a phased transition to clean energy at each mine. The transition to clean energy will not only bring about structural changes in energy procurement, but is also an important step toward achieving carbon neutrality.

Regarding resource nationalism, the new mining royalty law that has been continuously debated in Chile for many years was

approved by both the Senate and the Chamber of Deputies of the National Congress. The President signed the bill on August 3, 2023, and the law came into effect on January 1, 2024. The bill involves a hybrid method that combines sales ad-valorem criteria and operating profit criteria, imposing additional taxes based on the annual copper production at each mine. Furthermore, Chile announced a National Lithium Strategy in April 2023, indicating that the government will be deeply involved in lithium development and will take a leading role in its promotion.

Other mining industry-related risks seen worldwide include acquisitions of mines by major resource players, the strengthening of environmental regulations, and delays in project approvals due to conflicts with local communities. One example is the issuance by the government of Panama in November 2023 of an order to close an operating copper mine, which had a substantial impact on the supply and demand of copper concentrate. This case highlights the importance of investigating country risks when investing, and we plan to conduct thorough investigations when considering future investment opportunities. We are also cooperating with various parties to gather information and manage risks so that we can respond flexibly if this type of unlikely event should occur with respect to one of our operating mines.

Roadmap					
	FY2022	FY2023	FY2024	FY2025	FY2026 and beyond
Cu Morenci Copper Mine				● Expand concentrate leaching	
Cu Cerro Verde Copper Mine	● Operational system that can process 400 kt/day			● Operational system that can process 420 kt/day	
Cu Candelaria Copper Mine					
Cu Quebrada Blanca 2 Project		● (June) Start of copper concentrate production	● (Within the year) Transition to full production	● (March) Start of molybdenum concentrate production and start of loading from Quebrada Blanca port	● Operations using 100% renewable energy
Au Hishikari Mine	● Implementation of sustainability-oriented operations (continued in FY2024)	● Achieving net-zero CO2 emissions from electricity generation			
Au Cote Gold Project		● (March) Start of gold production		● (Within the year) Achievement of 90% of design capacity	

Mineral Resources Business

Close Up

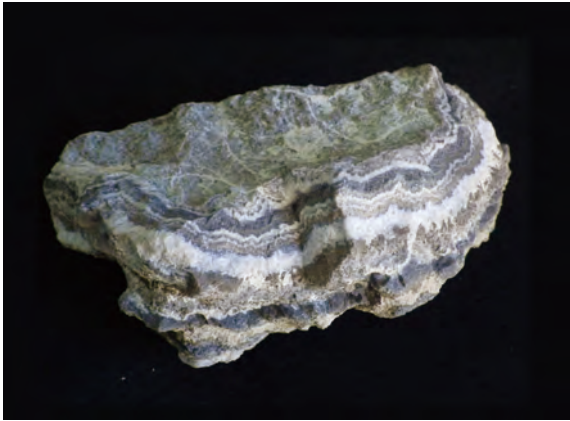
Initiatives for Long-Term Stable Operation of the Hishikari Mine

Since it started operations in 1985, the Hishikari Mine (Kagoshima Prefecture) has produced approximately 268.5 tons of gold as of the end of March 2024. Worldwide, the amount of gold contained in gold ore (grade) is said to be 3–5 grams per ton on average. However, the Hishikari Mine is characterized by its high grade with 20 grams of gold per ton, or about five times the global average. As of the end of December 2023, the mine has recoverable reserves of 155 tons.

To improve the sustainability of core business as provided in the 2021 3-Year Business Plan, we shifted our policy concerning the Hishikari Mine to sustainability-oriented operations based on mining at the average recoverable gold grade. In FY2023, the annual gold sales volume was 4 tons, and the planned sales volume for FY2024 is also 4 tons (in FY2021 and earlier, more than 6 tons were sold annually).

This policy transition is intended to prolong the mine's life and enable a continuation of business for a longer period by mining relatively low-grade ore, and also aims to meticulously extract all of the underground resources without leaving any behind.

At the Hishikari Mine, we are taking action to introduce the latest technologies including digital transformation (DX) technologies. The objectives are to improve safety and workplace hygiene by making in-mine heavy machinery unmanned and autonomous, to increase productivity, and to reduce human resource requirements in anticipation of future declines in the working population by providing our workforce with access to advanced technology to improve operational efficiency. One example of this is the completion of construction inside the mine to install Wi-Fi and the other equipment needed for automated driving. We are now conducting tests for the introduction of automated heavy machinery. Normally, when introducing these



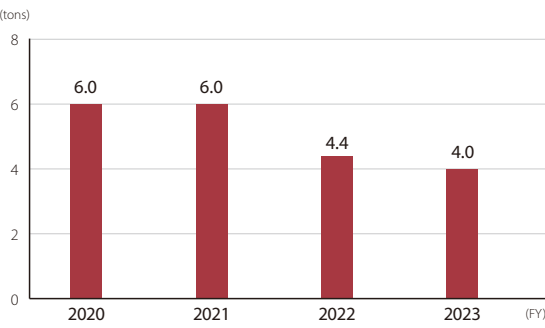
High-grade ore unique to the Hishikari Mine

technologies to narrow underground mines, there are unique constraints and challenges, but by combining the operational know-how we have accumulated over time, with the knowledge of engineers who have experience working in mines overseas, we are able to overcome these constraints and challenges and make the successful introduction of new technologies into our new strength. Now, we are taking action on a daily basis with the aim of promoting and deploying these technologies to other overseas mines.

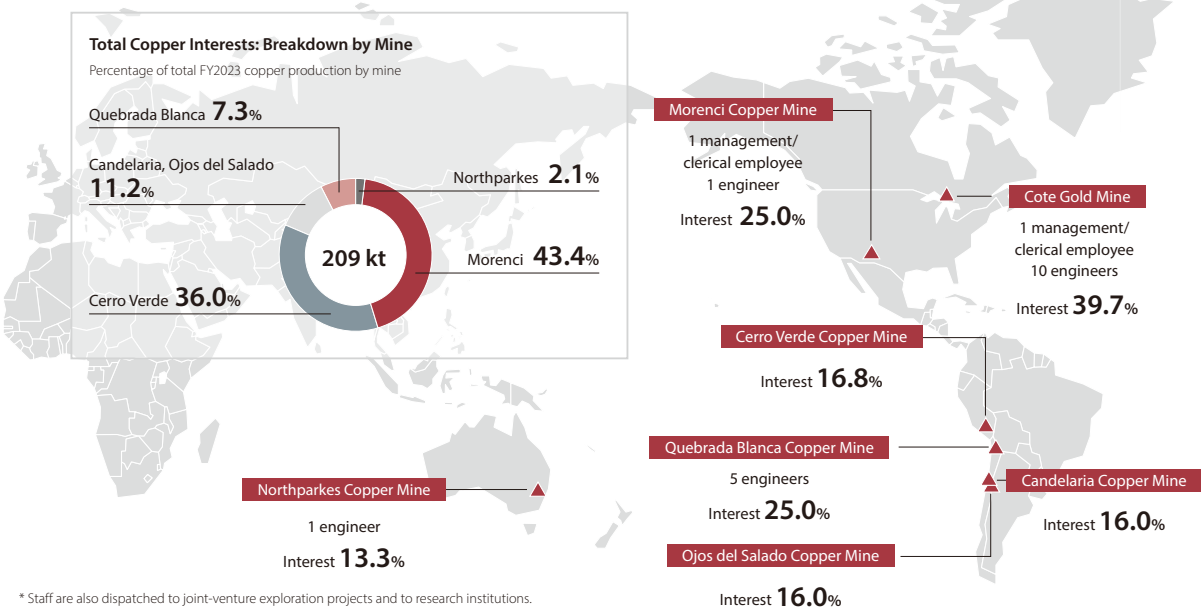
We are able to tackle these challenges because we operate the Hishikari Mine, and use it as a training ground for promising young mining engineers to refine their skills. Then, these engineers are sent to work overseas, in the global market, collaborating with engineers from around the world at overseas mines, where they continue to enhance their skills. Thus, the Hishikari Mine plays a crucial role as a “mining school.” It is a place where young engineers can learn through trial and error while tackling on-site work under the guidance of highly experienced veteran employees and acquire skills and expertise while applying themselves with their colleagues, enabling them to grow into full-fledged engineers who will be able to work effectively, even overseas or in difficult environments. They then become the engineers who take on and prevail over the challenges of modern mining at the Hishikari Mine and at our operations around the world.

We will continue operations at the Hishikari Mine for the long-term, and contribute to the local community with the objective of Hishikari remaining a foundation for our technological capabilities and human resource development, while simultaneously maintaining its competitiveness into the future.

Hishikari Mine's Gold Sales Volume



Overseas Mines and Staff Dispatched to Mines (As of May 1, 2024)



Comment from an Employee

I Want to Become a Mining Engineer Who Can Perform Active Roles on the Front Lines Overseas

I currently work on creating long-term mining plans for the Hishikari Mine with the objective of establishing a foundation for long-term stable operation. By identifying future operating issues based on a long-term mining plan, we will be able to propose and implement operating strategies for solving those issues, which will lead to stable and efficient operations.

I was assigned to the Hishikari mine immediately after joining Sumitomo Metal Mining, and after working here for about six years, I was sent overseas, where I underwent practical training for about a year and a half at the Sierrita Copper Mine in the United States, which is operated by a partner company. I am now back working again at the Hishikari Mine.

When I first started working at the Hishikari Mine, I learned about various technologies and general knowledge relating to mining operations, with a focus on mining technologies. I learned from experienced colleagues through on-the-job training and worked hard to refine my skills. I was later able to use my experience at the Hishikari Mine when I worked at the copper mine in the United States to

prepare mining designs, long-term plans, and so on, and I was recognized as a competent engineer by my local colleagues and superiors overseas. From this experience, I realized that the technological competence and knowledge that I acquired at the Hishikari Mine could also be used overseas. I'm now in a position to pass on my skills to less experienced colleagues at the Hishikari Mine, and in addition to fulfilling my role as an “upperclassman” of the “mining school,” I hope to refine my own skills even further and become a mining engineer who can work even on the front lines of overseas mines, contributing to the development of the Company and solving global-scale issues of resource development.



Naoya Inoue
Mining Support Section Supervisor
Mining Sect.
Hishikari Mine Dept.



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

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

Competitive Advantages in the Smelting and Refining Business

- Technological capabilities, including HPAL technology, which we were first in the world to successfully put into practical use
- Production of high-purity nickel using a combination of HPAL technology and MCLE technology
- Stable procurement of raw materials based on SMM's superior mine interests overseas and relationships of trust with our partners
- High production capacity, and continuous expansion of those capacity, at the Toyo Smelter & Refinery

Overview of FY2023

In contrast to FY2022 and the years leading up to it, in FY2023 we maintained normal operations at business sites in Japan and overseas without any adjustments to operational workloads, while continuing to institute measures to address COVID-19. Although production volumes of major products fell below planned levels due to issues including troubles at facilities, declines in the grade of raw materials, and raw material shortages, the Toyo Smelter & Refinery undertook a long, shutdown for the first major repairs of its flash furnace in 12 years; replaced deteriorating installations and equipment to prevent troubles at facilities; and carried out maintenance on all facilities.

On the sales front, with the shortfall in planned production volumes, sales volumes also fell below planned values. Nevertheless, sales volumes of major products were generally higher than those of FY2022, as demand for automobiles and electronic equipment in Japan is trending to recovery, with market conditions in China and other Asian markets similarly recovering,

reflecting the emergence from outbreaks of infectious disease.

We are continuing to undertake initiatives to strengthen the value chain and maintain a stable supply of products through the 3-business collaboration as set out in the 2021 3-Year Business Plan. In addition to our search for the next nickel project, we are continuously exploring and implementing measures to develop businesses utilizing intermediate materials currently distributed in the existing market, as well as measure to secure ores for Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL).

We have additionally decided to construct recycling plants to recover copper, nickel, cobalt, and lithium from used lithium-ion secondary batteries (LIBs) and other materials, on the grounds of the Toyo Smelter & Refinery and Niihama Nickel Refinery. Plant construction will commence during FY2024, for scheduled completion in June 2026.

Changes of Business Environment and Response to Issues

Regarding the supply-demand balance of non-ferrous metals, for copper, this was projected to experience a temporary easing due to the development of new mines and expansion of existing mines. However, supply concerns have arisen at existing mines, which is resulting in a tight situation in supply-demand balance. As for nickel, demand is expected to continue to grow for nickel-based lithium-ion batteries for EVs. The supply-demand balance for both copper and nickel is forecast to ease due to increased supply attributable to the ongoing increases in nickel pig iron production in Indonesia as well as the expansion and development of copper smelting and refining plants in Indonesia and India.

However, the prolonged Russian invasion of Ukraine, political instability in the Middle East, inflation remaining high, and record-breaking highs of the dollar, alongside other factors, mean that the outlook for the global economy remains uncertain, and we will continue to actively and closely observe ongoing developments.

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

Despite the peaking-out of soaring energy costs and material prices in 2022, growing inflation has led to continued increases in construction, facilities, and logistics costs as well as material prices. This is threatening to instigate a downturn in revenues while also constituting a risk factor for rising costs and delays in repairs and capital expenditure plans. To achieve our planned production and sales volumes and maximize revenue despite these impacts, we will strengthen our competitiveness through continued efforts to

improve production efficiency and reduce costs.

In line with the growth of nickel demand for use in battery materials, projects for the development of technology to process nickel pig iron into nickel sulfate and other products of use in battery materials, and new projects to turn the nickel-cobalt mixed hydroxide precipitate (MHP) used mainly in battery materials into final products, are underway in Indonesia and elsewhere. The supply-demand balance for nickel sulfate and nickel briquettes, which can be used in battery materials, has eased, due to increased supply volumes and a temporary drop in EV demand. Meanwhile, with the nickel business environment experiencing increasing uncertainty as increased production of nickel pig iron exceeds demand for use in stainless steel, resulting in oversupply, among other factors, we will continue to closely observe developments.

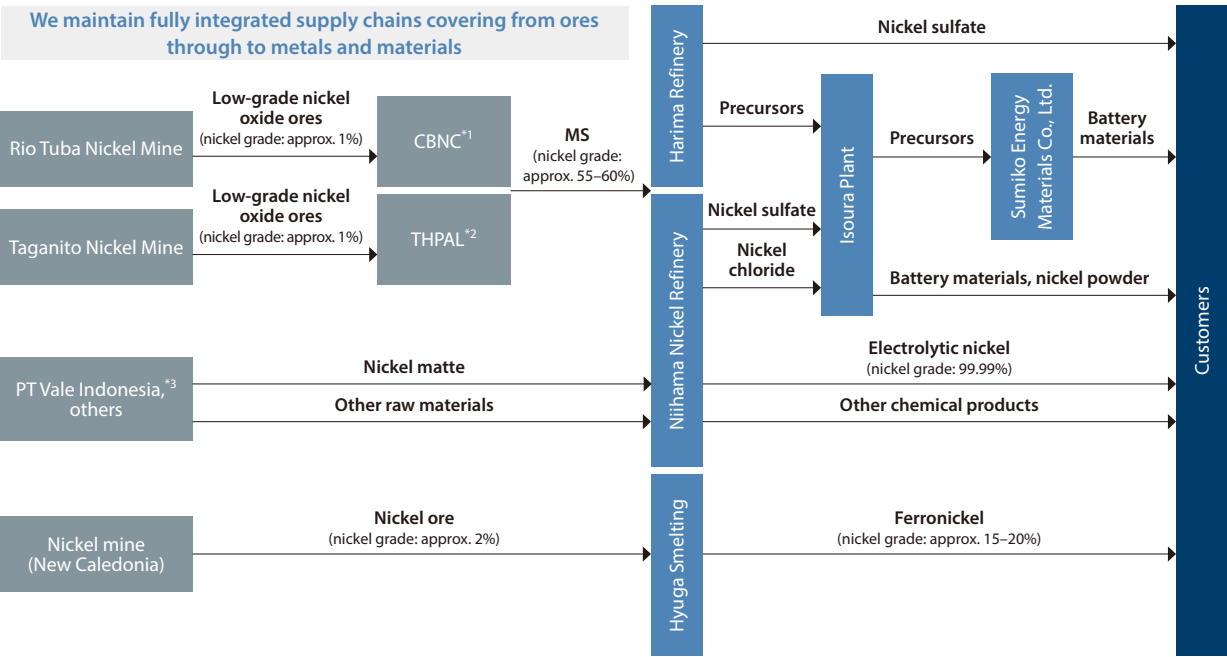
We also continued working to improve and streamline operations through the promotion of digital transformation (DX). While undertaking continuous initiatives for infrastructure development, we also set up a model plant and implemented trials to improve the operating rate through predictive maintenance as well as to support operations with future forecasts, with plans in place to roll these initiatives out to all plants at a future point in time.

To achieve our target of reducing greenhouse gas (GHG) emissions by at least 38% compared to FY2015 levels in FY2030, we have upgraded our plant facilities, converted our boilers to LNG, and conducted biomass feedstock switchover tests. We are meanwhile also proceeding with the switchover to the use of renewable power in plants.

Roadmap					
	FY2021	FY2022	FY2023	FY2024	FY2025 and beyond
Ni Securing nickel resources	● Implementation of Pomalaa Project DFS until FY2021	● Discontinuation of Pomalaa Project ● Strengthening of search for next project		● Commencement of the Kalgoorlie Nickel Project—Goongaree Hub DFS (Australia)	
Ni Taganito HPAL Nickel Corporation				Continuing measures to secure nickel ore supplies	
Ni Nickel sulfate Niihama Nickel Refinery and Harima Refinery				Maximum production and output to meet cathode material demand	
Recycling Batteries				● Commencement of construction of recycling plant	● Planned completion of recycling plant in 2026

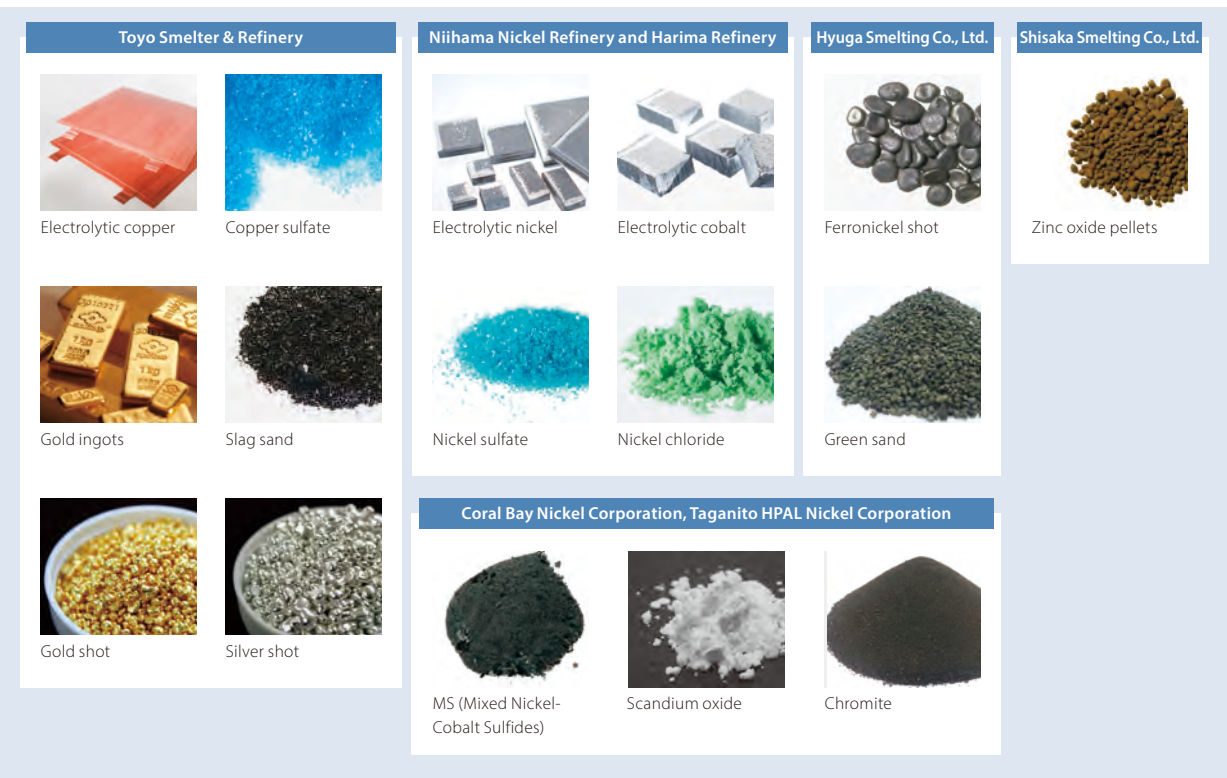
Smelting & Refining Business

Supply Chains for Realizing a Stable Supply of Nickel



*1 Coral Bay Nickel Corporation (CBNC): Shareholders: Sumitomo Metal Mining Co., Ltd. (84.4%); Nickel Asia Corporation (15.6%). Head Office: Rio Tuba, Bataraza, Palawan Province, Philippines.
*2 Taganito HPAL Nickel Corporation (THPAL): Shareholders: Sumitomo Metal Mining Co., Ltd. (75%); Mitsui & Co., Ltd. (15%); Nickel Asia Corporation (10%). Head Office: Taganito, Surigao del Norte Province, Philippines.
*3 PT Vale Indonesia Tbk: Shareholders: Vale Canada Limited (33.9%); Sumitomo Metal Mining Co., Ltd. (11.5%); others (54.6%). As of July 2024

SMM Group Refineries and Their Main Products



Close Up

Toward the Commercialization of Battery Recycling

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

Since 2017, SMM has been recovering and reusing the copper and nickel contained in LIBs through a process that combines the pyrometallurgical copper smelting processes of the Toyo Smelter & Refinery and the hydrometallurgical refining processes of the Niihama Nickel Refinery. The recovered nickel is processed into a secondary battery cathode material at the Isoura Plant, which has allowed us to realize Japan's first "battery to battery" horizontal recycling using materials recovered from used LIBs. SMM's LIB recycling process facilitates enables efficient processing of used LIBs with high impurity content by using our unique technologies that combining pyrometallurgical smelting and hydrometallurgical refining.

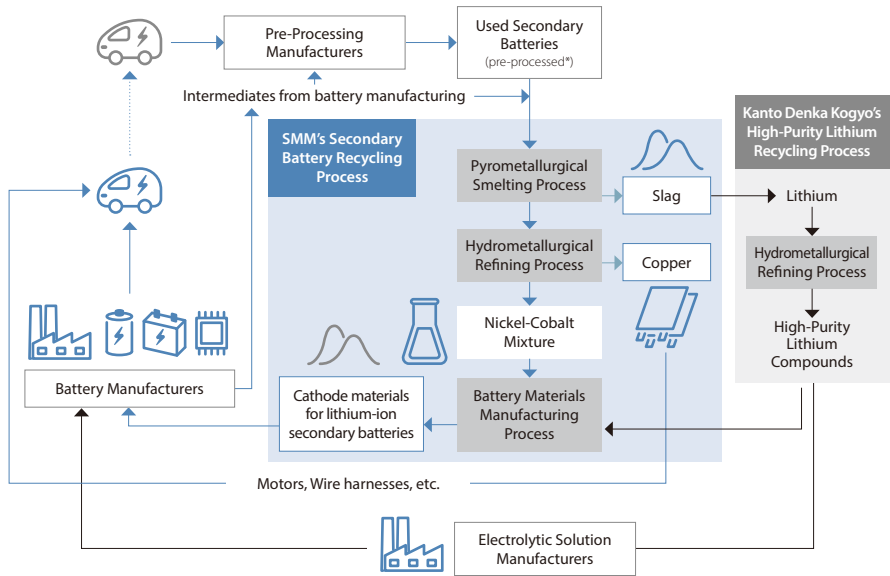
In 2022, through joint development with Kanto Denka Kogyo Co., Ltd., we established technology that recycles lithium from slag containing lithium into high-purity compounds, successfully developing a new process for horizontal recycling of copper, nickel, cobalt, and lithium.

In 2024, we have decided to construct recycling plants to

recover copper, nickel, cobalt, and lithium from used LIBs and other materials on the grounds of the Toyo Smelter & Refinery and the Niihama Nickel Refinery. Construction of the plants is scheduled to start in FY2024 (from April 2024 to March 2025) and be completed in June 2026. The capability of the facilities at the plants, which means the volume of raw material can be processed, is planned to be the equivalent of approximately 10,000 tons of LIB cells per year.

Their design takes into account handling the expecting future increase in used LIB and the metal recovery rate and recycled material inclusion rate defined in EU Battery Regulation in force since August 2023. The plants also incorporate the company's own technology for suppressing CO₂ emissions, and it shall undertake further technology development and optimization with the goal of reducing its carbon footprint. Additionally, in conjunction with the construction of the plants, we have signed partnership agreements with leading recycling companies to establish a supply chain for used LIB recycling. With this as a spur, it shall work together with the partners and accelerate its studies on a collection system for used LIB.

We shall continue with its initiatives towards establishing an LIB recycling system, and shall contribute to the achievement of a sustainable circular economy.



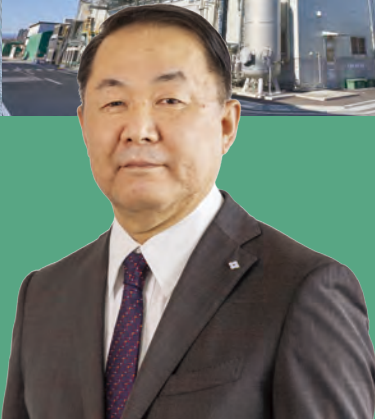
* Pre-processing: Heat treatment to eliminate toxins, crushing, and selection

Materials Business

Battery Materials Business

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

Katsuya Tanaka
Managing Executive Officer
General Manager of Battery Materials Div.



Competitive Advantages in the Battery Materials Business

- Our own integrated nickel supply chain from ore and smelting & refining to battery materials
- Strong ties with Japanese manufacturers of automotive LIBs
- Development capabilities for new products and processes leverage accumulated technology in the materials business

Overview of FY2023

Worldwide sales of new passenger electric vehicles (EVs), including battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) exceeded 10 million units for the first time in 2022, reaching 10.2 million units. In FY2023, sales were up 55% year-on-year, but the pace of the penetration of EVs slowed and fell below that of hybrid vehicles to about 28%. The effects of subsidies in a number of countries came to an end, and amidst indications of effects from concerns regarding charging infrastructure and other factors, environmental regulations are being relaxed in Europe and the United States, and the prevailing view in the short term is that the diffusion of EVs will plateau. However, we believe this is a sign that a somewhat overheated market has returned to normal and EV growth will continue over the medium to long term. On the other hand, Chinese EVs are emerging as a result of an export offensive in Europe and Southeast Asia using low prices achieved through fierce competition in China's EV market, the world's largest, and they recently surpassed the major United States manufacturers in terms of sales volume. There are concerns in Europe and the United States that government subsidies are causing overproduction and unfair competition.

Under these circumstances, the Company has maintained a stable production capacity of approximately 60,000 tons per year of nickel-based cathode materials and secured shipments generally in line with our annual plan. In addition, construction of the new plant in Niihama, which will increase nickel-based cathode materials production by 24,000 tons per year when operations start,

is proceeding at a steady pace, and installation of equipment in the main building began in August 2023. We accelerated measures to expand sales in preparation for the start of commercial production in FY2024. Construction to expand production of products for NMC was completed in May 2023. We are looking into further production increases while closely monitoring customer trends. Also, we are accelerating development of new technologies and new product types in collaboration with the Battery Research Laboratory of the Technology Division and other organizations in order to satisfy the performance requirements of NCA customers relating to cutting-edge products and technologies. In relation to the next production increase, we will continue to closely monitor demand for automotive batteries for electric vehicles (xEVs) and take into consideration the impact on business from changes to national systems and laws, such as the U.S. Inflation Reduction Act (IRA) while continuing to investigate investment in production increases in the next term. Regarding lithium iron phosphate (LFP) cathode materials, we continue to pursue improvements in productivity and cost reductions by developing new manufacturing process technologies, and in September 2023 we launched a small-scale test facility at the Ome District Division, and it is currently in the customer evaluation stage. Also in September 2023, we agreed to invest in and collaborate with Canada-based Nano One Materials Corporation to develop cathode materials using a low-cost, low environmental impact one-pot process.

Changes in the Business Environment and Responses to Issues

According to estimates made in FY2023 by the International Energy Agency (IEA), under the stated policies scenario, global EV sales are forecast to reach 20.5 million units in 2025 (more than 20% of all new car sales including internal combustion engine vehicles) and more than 36.9 million units in 2030 (more than 35% of all new car sales). The growth rate slowed in FY2023 as a result of the end of subsidy programs in various countries and the relaxation of environmental regulations, but tighter environmental regulation will be inevitable to achieve carbon neutrality in 2050, and it is expected that the xEV market will expand and demand for EV parts and materials will grow. On the other hand, the market introduction of low-cost models is an urgent matter to encourage the widespread use of EVs. Against the backdrop of massive markets in the U.S. and Europe, the development of sustainable battery supply chains has been promoted through regulatory and tax measures. The IRA, which came into effect in August 2022, stipulates the provision of incentives for EV parts and materials and to EV producers and buyers in North America, and the detailed operational rules (regulations) were clarified in part at the end of March 2023, but there are still many unclear aspects concerning the definitions of battery parts and materials and processes, and with the U.S. presidential election coming up in 2024 in particular, we need to monitor the situation and gain an understanding of how circumstances will develop under the IRA. Although the impact on the Company's business is not clear at this time, our plans for cathode material production capacity are as follows: 60,000 tons per year now, 84,000 tons in FY2025, 120,000 tons in FY2027, and 180,000 tons in FY2030. We are also renewing our investigation of sites for a plant to further increase production beyond 84,000 tons

per year in the future, and we plan to make an investment decision at the appropriate time.

The estimated breakdown of the market for cathode materials for xEVs is 60% nickel-based and 40% LFP-based. Korean companies hold a 30% share of the nickel-based market, while Chinese companies command a 99% share of the LFP-based market. Chinese battery manufacturers have maintained their strong performance through the use of LFP, which emphasizes cost and has been developed through fierce price competition in the Chinese EV market, which accounts for 70% of the global market. The ratio of LFP in the Chinese EV market has increased sharply to 70%, up 2.8 times from the previous year. Under these circumstances, the operating rates of Korean manufacturers are declining as a result of the slowdown in the European EV market, and they are making moves to enter Japanese supply chains. In terms of nickel-based materials, we are reinforcing the trust of customers that we have developed until now by not only increasing production capacity, but also working to accelerate new product and process development and strengthen competitiveness. Regarding LFP, adoption is expected to accelerate as a means of reducing battery cost, and consequently, developing new processes is an urgent matter.

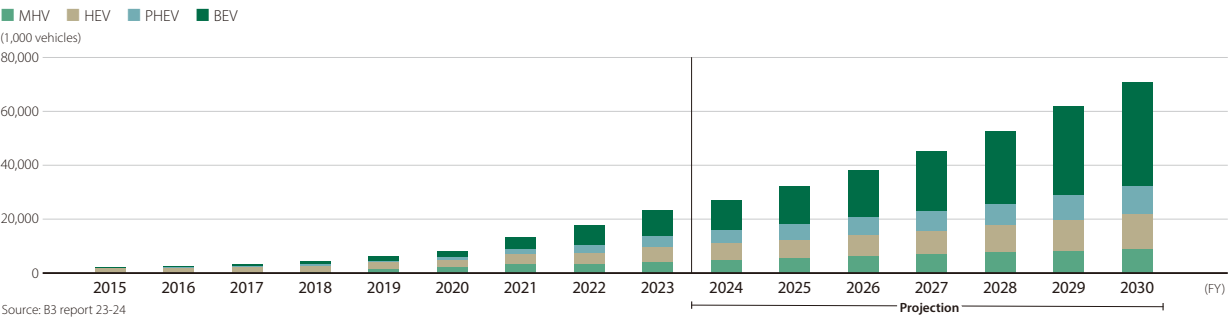
We have increased market share in line with the rapid growth of the market, but this has increased the complexity of our supply chains and inventory management, and accordingly, we are working to develop business foundations for future growth. Specifically, we are conducting Toyota Production System (TPS) activities and working on the introduction of new IT systems.

Roadmap

	FY2022	FY2023	FY2024	FY2025 and beyond
Battery materials	● NCA*1: Increase in production to 58.2 kt/year from mid-2022		● 84 kt/year cathode material production by FY2025 (NCA + NMC*2 + nickel hydroxide)	● Increase in cathode material production to 120 kt/year by FY2027 ● Increase in cathode material production to 180 kt/year by FY2030

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

Outlook for xEV Sales Volume



Source: B3 report 23-24

Materials Business

Advanced Materials Business

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

Shinichi Sato Executive Officer General Manager of Advanced Materials Div.



Competitive Advantages in the Advanced Materials Business

- Provision of products by leveraging multiple core technologies (powder synthesis, surface treatment, and crystal growth and processing)
- Contributions to carbon neutrality through development and expanded sales of highly advanced materials
- Extensive lineup of products with potential for future growth

Overview of FY2023

The surge in raw material prices in conjunction with inflation, the global economic slowdown, and adjustment of inventories that were built up in response to the COVID-19 pandemic continued in FY2023. Also, production volumes of smartphones, PCs, and other devices declined sharply, and demand for electronic components had difficulty recovering from the slump. Nonetheless, the end of inventory adjustments for devices, mainly in China, is spreading, demand for electronic components for use with generative AI, which is spreading throughout the world, is rising, demand in automotive markets is showing signs of recovery earlier than markets for other products and there were other developments, and although only some products have reached full-scale recoveries, markets are gradually returning to their earlier conditions.

Amidst this market environment, we conducted appropriate reviews of business plans in the advanced materials business in line with the drastic changes in demand trends and took action to avoid to the greatest extent possible situations that could lead to a deterioration of profitability such as building up inventories. Also measures for achieving the 2021 3-Year Business Plan failed to make substantial progress, with some exceptions, we made steady progress on the development of new products and new

applications including silicon carbide (SiC) substrates, CWO (near-infrared absorbing nanoparticles), and thick film conductive inks for printed electronics.

New initiatives launched in FY2023 include the Toyota Production System (TPS), which is being promoted in the thick film paste business (Ome District Division) and crystal materials business (Sumiko Kunitomi Electronics Co., Ltd.). We expect that by gaining a bird's-eye perspective of multiple production processes for overall optimization in improving work efficiency through equipment upgrades and automation will curtail the risks of inventory buildup and profitability deterioration mentioned above. Improvements in work efficiency have already been achieved in processes where the system was introduced on a trial basis, and the effects are clearly being felt.

Through the Advanced Materials Business, we seek to contribute to society as the lead runner in the markets for our products, continuously refining our material technology capabilities to meet the needs of every era, and securing high profitability and top-class market shares. We will act with particular emphasis on developing and expanding sales of products that contribute to reducing greenhouse gas (GHG) emissions.

Changes in the Business Environment and Responses to Issues

What we see as the greatest risk factor is the obsolescence of existing products and technologies because of technological innovation and market changes. In fact, in recent years, the Company has been compelled in some instances to change or abandon business strategies due to this type of decline in demand for existing products and other such causes. In this business, we strive to carefully confirm customer desires and needs, develop new applications that leverage the characteristics of existing products without being constrained by existing products or their characteristics, and develop new products that can be expected to generate profits in the future through collaboration with the Technology Division. As one means of doing this, we undertake product development with an awareness of synergy effects, such as investigating new products that combine the characteristics of multiple products that we handle.

In addition, one risk factor with a major impact is a decline in competitiveness caused by delayed ESG responses, particularly responses for reducing GHG emissions. In this regard, we understand that the necessity of highlighting our active measures for achieving carbon neutrality is increasing. Social demands are already increasing from the perspective of carbon footprints (CFP^{*1}) and RBA^{*2}, which have similar meanings in a broad sense, and we see this as an issue that requires urgent and strong responses with a sense of crisis that some companies may be eliminated. In fact, we are undertaking initiatives including measures relating

to the Task Force on Climate-related Financial Disclosures (TCFD) that use internal and external knowledge and collaboration, support for responses to social and customer requirements such as the CFP mentioned above, and support for the provision of information on energy-saving measures and the adoption and expansion of renewable energy use at business sites. In addition to these initiatives, we are contributing to GHG emissions reductions around the world and mitigation of climate changes through the expansion of business including the development of products contributing to lower carbon emissions, such as near-infrared absorbing materials.

Furthermore, we are aware of the China risk as a separate risk. China is advancing a policy of local production for local consumption in response to effects from Sino-American trade friction, competition with local manufacturers in Chinese markets is intensifying, and China has implemented restrictions on the export of some raw materials. In response to these risks, we are expanding sales to customers outside of China, advancing collaboration with Chinese materials makers, working to generate the highest possible profits, procuring raw materials from sources outside of China, and taking other measures to avoid lost opportunities from declining production volumes.

^{*1} A concept for converting greenhouse gas items throughout the processing of a product or service, from procurement of raw materials to disposal and recycling, into an amount of carbon dioxide.

^{*2} A shared assessment scheme relating to the sustainability of electronics devices.

Roadmap

	FY2021	FY2022	FY2023	FY2024	FY2025 and beyond
SiC		● Start of construction of 8-inch bonded substrate development line		● Completion of construction of development lines and start of prototyping	● Target: Create a system for producing 10,000 pieces (6-inch equivalent) /month (pursue additional production and sales in response to growing demand)

SMM Products in Daily Life

1

Lithium nickel oxide cathodes for secondary batteries

2

Lubricants

4

Autoclaved lightweight concrete

7

Functional inks (Near-Infrared absorbing nanoparticles)

1

Nickel hydroxide cathodes for secondary batteries

3

Copper polyimide substrate for the driver ICs of LCD TVs

5

Optical isolators for fiber optic systems

8

Printed wiring boards

1

Materials for rare earth bonded magnets for automobile motors

6

SAW filter LT/LN for smartphones

8

Nickel powder and nickel paste for multilayer ceramic capacitors

10

Oil refining catalysts

2

Auto exhaust catalysts

10

Oil refining catalysts

Materials Business

Close Up

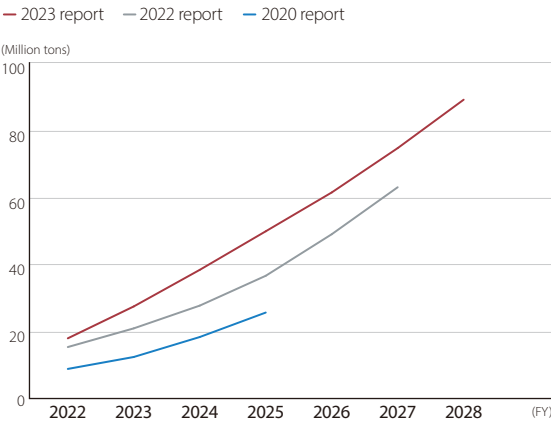
Promotion of the Bonded SiC Business

Overview of the SiC Market and Features of the Company's Products

Silicon carbide (SiC) is a power semiconductor material used in electric power control applications. In the high-capacity (high current and high withstanding voltage) required for drive control devices, particularly for electric vehicles, hybrid vehicles, SiC is an excellent material that can reduce energy loss, and the

market is expanding rapidly. SiCkrest®, a bonded SiC substrate manufactured by Sicoxs Corporation, a subsidiary, is made by bonding thin layers of a high-quality single-crystal onto a support substrate made of low-resistance polycrystalline SiC to achieve low resistance and high strength for the entire substrate while maintaining the characteristics of a monocrystalline SiC. Also, the production of monocrystalline SiC requires a lot of energy, by Sicoxs Corporation's technology enables the production of more than 50 bonded SiC substrates from one monocrystalline I SiC substrate, reducing energy consumption during production while increasing supply.

Market Scale of SiC Power Devices



Source: Power SiC report, Yole Intelligence, 2023

Current Status of and Plans for the Company's SiC Business

Sicoxs Corporation produces 6-inch bonded substrates and sell some of them. The company has received numerous requests from customers for certification evaluation of 8-inch bonded substrates and responded by building an 8-inch development line and starting prototyping the first quarter of FY2024.

Sicoxs Corporation also started granting licenses for its bonding technology to some customers so that it can respond promptly to market requests for increased supply.

By deploying its bonding technology to the market in various forms, it is contributing to the efficient use of energy and reduction of greenhouse gas emissions.

Comment from an Employee

We Want to Make SiCkrest® the Global Standard

So far, Sicoxs Corporation has established manufacturing technology for 6-inch substrates. To meet customer expectations for 8-inch substrates, we built a new 8-inch substrate development line at Ohkuchi Electronics Co., Ltd., an SMM subsidiary, and started sample prototyping. As substrates become larger, the difficulty of manufacturing increases, including maintaining processing uniformity and performing substrate handling, but we hope to quickly establish 8-inch substrate manufacturing technology based on the experience accumulated to date and expand the use of SiCkrest® so that it becomes the global standard.



Naoyuki Nakahigashi
Supervisor,
Technical Group,
Oguchi Factory
Sicoxs Corporation

X-Mining® Co-creates New Value

X-Mining® (pronounced "cross mining") is an information distribution site that was launched in 2020. The objective is to co-create value that leads to the generation of new value by combining the issues of visitors to the site with the Company's materials. Accordingly, the site includes not only basic introductions of product information, but also various articles on product functions, use cases, discussions with experts, and more. As a result of continuously expanding the content, improving the design, and making other changes, the number of site visitors increased by tens of thousands in FY2023.

We are also acting on X-Mining® to expand offline points of contact with markets by participating in domestic and international exhibitions such as the Japan Mobility Show (JMS) 2023 (Held at the Tokyo Big Sight) and SXSW 2024 (held in Texas, USA). In addition, we are implementing measures that combine both online and offline aspects, such as issuing press releases before exhibitions and using Web advertising and social media, X-Mining is effectively increasing awareness of our material brands around the world.



Case SOLAMENT® Sunlight Control Material

We began branding our near-infrared absorbing material in FY2023, and as a part of these initiatives, we created a landing page on the X-MINING site. This product was previously sold under the CWO® trademarked name, primarily as a window material for automobiles, but we plan to expand applications to a wide range of fields in the future including apparel and agriculture. To make the brand recognizable and relatable to a broad range of people, we created the brand name SOLAMENT® with a new logo and registered it as a trademark. This new trademark is a combination of the words "solar" and "element," and is intended to evoke an image of a material that controls sunlight.

Among the new applications, we are first working on marketing use in clothing. SOLAMENT, even if the amount is very small, absorbs near-infrared radiation in sunlight and converts it to heat, which makes it possible to manufacture nearly transparent heat-generating fiber. The fiber can be dyed and used in general casual wear as well as work clothes, outdoor items, and clothing in general as a thin, lightweight fabric that warms up in sunlight.

Another expected application is as a cover material in agriculture. By using SOLAMENT fiber in cover curtains used in agricultural green houses, the interior temperature can be controlled and the wavelengths of light necessary for photosynthesis can reach the plants, improving crop growth and yields. This application has social significance in terms of improving food production efficiency and reducing energy consumption, and we expect that it will be adopted worldwide.



DOWN-LESS DOWN JACKET

DOWN-LESS DOWN JACKET Using SOLAMENT Wins iF Design Award

DOWN-LESS DOWN JACKET (DLDJ) was created with the idea of making a visually-striking prototype that expresses the feature of SOLAMENT®—a transparent material that warms up in sunlight and is warm even though it is lightweight. The DLDJ does not use feathers or padding, but when exposed to sunlight, the SOLAMENT® fibers generate heat, and the jacket becomes as warm as a conventional down jacket.

A prototype DLDJ was exhibited at JMS 2023 and SXSW 2024 to convey the potential of SOLAMENT® and attracted considerable attention. In March 2024, it won the world-renowned iF Design Award 2024.



Research & Development

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

Toru Motoki

Managing Executive Officer
General Manager of Technology Div.



Future Strategies

Research and development strategy

Our company focuses on mineral resources, smelting and refining, and materials as its core business. In research and development, we have positioned “exploration, mining, and mineral processing,” “smelting and refining process,” “powder synthesis and surface treatment,” and “crystal growth and processing” as our core technologies.

Additionally, we define “analysis” and “computer simulation” as our foundational technologies, clearly delineating our technological domains to execute focused development.

Specifically, in the mineral resources field, we are working on the development of ore mining and flotation methods, and in the smelting and refining field, pyro- and hydrometallurgical processes, and in the materials field, we are working on the development of the automotive, energy, and information and communications fields.

In all these fields, we are promoting development toward carbon neutrality, which has become a growing social demand in recent years. In addition, we are focusing our efforts on the development of human resources who can perform challenging research

and development activities so that we can achieve our growth strategies.

Strengthening new product development capabilities

To ensure the sustainable growth of our business, it is essential to strengthen our new product development capabilities.

Particularly in the Materials business field, where short product life cycles prevail, it is necessary to continuously propose attractive new products to the market.

We closely analyze market and technology trends, draft research and development strategies from a long-term perspective that takes into account product life cycles and the emergence of innovative technologies, and engage in selection and concentration of research and development themes. Moreover, we are not only focusing on current development themes, but also dedicating efforts on fundamental research in the field of powder materials with a view to the future.

SMM’s Research and Development

SMM’s four research laboratories and centers and five departments of the Technology Division conduct research and development on reinforcing and developing existing businesses, improving their competitiveness, and identifying and developing new businesses.

Niihama Research Laboratories

As the company’s sole research facility dedicated to the R&D of resource and smelting technologies, Niihama Research Laboratories work on improvement of existing smelting and refining process and mineral processing. It also engages in the development of new

smelting processes such as LIB battery recycling and metal reduction methods using hydrogen that contribute to the realization of a sustainable society.

Battery Research Laboratories

To accelerate the expansion of the cathode materials business for secondary batteries, which is a growing market, we are engaged in research and development of cathode materials and their manufacturing processes. By improving the performance of our main products, we aim to increase our market share among existing

customers, and we are also advancing the commercialization of new nickel-based lithium-ion battery cathode materials. Additionally, we are conducting fundamental research and establishing battery evaluation technologies based on a long-term vision for next-generation battery materials, thereby broadly advancing our research and development of cathode materials for secondary batteries.

Materials Laboratories

The Materials Laboratories conducts research and development of new materials that add functions to non-ferrous metals by leveraging SMM’s powder synthesis and surface treatment technologies and crystal growth and processing technologies, our core technologies. It also collaborates with the Computer Aided Engineering and Development Department and the Analytical Laboratory, which are located at the same Ome District Div., to perform efficient searches for materials and elucidate the mechanisms behind functional expression to advance research and development of new materials with the aim of creating new business.

Ichikawa Research Center

The Ichikawa Research Groups are conducting basic research on powder materials that exhibit new functions and innovative powder synthesis technologies, and work with the Ichikawa Analytical Laboratory, which is equipped with the latest advanced analytical equipment, to carry out efficient material development.

Planning & Administration Department

The Planning & Administration Department oversees the company’s research and development division, promoting company-wide R&D by formulating technology strategies and R&D strategies, as well as discovering and planning new R&D themes. Additionally, it supports

the promotion of departmental R&D conducted by business units, providing assistance to ensure the efficient achievement of R&D goals and the early commercialization of projects.

Intellectual Property Department

The Intellectual Property Department provides support relating to intellectual property including development support through monitoring of patents related to research and development and analysis of patent information, supporting the creation of patent portfolio from the results of development, and providing advice on execution of technology contracts.

Computer Aided Engineering and Development Department

The Computer Aided Engineering and Development Department provides engineering support and material design support using computer simulations and AI, which are essential for advancing research and development, elucidates mechanisms through data analysis, and develops production control support technologies.

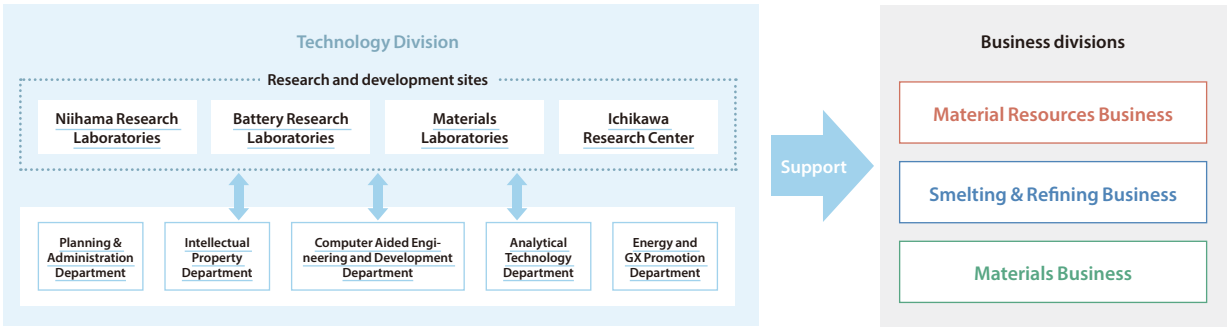
Analytical Technology Department

The Analytical Technology Department utilizes evaluation and analysis technology, a fundamental technology, to solve issues in R&D and business divisions, and continues to develop and introduces new analysis methods. The department is also responsible for guiding on and promoting the improvement of QCDS in SMM’s evaluation departments.

Energy and GX Promotion Department

The Energy and GX Promotion Department oversees the Group’s energy management, proposes group-wide policies, targets, and plan for achieving carbon neutrality, and promotes measures to address important issues.

Research and Development Structure



Approach to Intellectual Property

SMM protects and effectively uses intellectual property through the creation of a patent portfolio or tacit knowledge from the results of development, in accordance with its intellectual property strategy based on business and R&D strategies while respecting the intellectual property rights of others. The Intellectual Property Department focuses on implementing these initiatives in close collaboration with business divisions and R&D divisions. It also conducts employee training on the creation of intellectual property, responses to technical agreements, and other topics, raising awareness of intellectual property.

Through these activities, we hope to support the creation of new business and the sustainable growth of business from an intellectual property perspective, contributing to the Company’s development.



Masao Naito
General Manager
Intellectual Property Dept.

Research & Development

Close Up

Discussion with R&D Personnel

Developing New Technologies to Secure Lithium Resources



Takuya Kaseyama
Niihama Research Laboratories,
Technology Div.

I began working for SMM in 2010. After working in research and development at the Niihama Research Laboratories, I was assigned to mines in South America. I returned to the Niihama Research Laboratories in 2021 and am now participating in a project to recover lithium from a salt flat.



Osamu Ikeda
Niihama Research Laboratories,
Technology Div.

I joined SMM in 1989. I performed fieldwork in metal processing and catalyst recycling, and in 2011, I was assigned to the Niihama Research Laboratories. Since 2017, I have been involved in this project.

The company has identified "effective utilization of non-ferrous metal resources" as one of the key challenges in realizing our long-term vision. As part of our efforts, we are advancing technology development for the stable procurement of lithium resources and have commenced a pilot-scale testwork to recover lithium from salt flats in Chile in FY2023.

Here, two engineers involved in this testwork discuss the current status of the project.

Q. Please discuss the background to the initiatives for developing lithium recovery technology.

Ikeda: As solutions for global warming countermeasures become a common issue worldwide, lithium-ion secondary batteries are rapidly spreading for the realization of carbon neutrality. The recovery and refining of lithium, which is a raw material for these batteries, is precisely the practice of our company's commitment to the 'effective utilization of non-ferrous metal resources.' Additionally, I believe there is great value in our company's efforts, as we can leverage the hydrometallurgical technology we have developed over the years.

Kaseyama: That's right. What is even more important is the perspective of 'how to procure resources without environmental impact.' In the recovery of lithium from salt flats, the conventional process involved evaporating brine, which is water with a high

concentration of salt. However, lithium is mainly produced in globally arid regions. Evaporating water in such regions is becoming increasingly problematic.

The technology our company is currently developing is called 'Direct Lithium Extraction (DLE).' This method uses a unique adsorbent to recover only lithium from the brine without evaporating the water, making it a method with low environmental impact. Moreover, it is a technology that only our company is working on domestically, so it is an important initiative as we aim to become a 'global leader in non-ferrous metals.'

Q. What are your roles in this project?

Ikeda: Since I began working for the company, I have accumulated field experience in metal material smelting and processing. I believe that I was selected to participate in this project in recognition of my abundant field experience.

Kaseyama: Mr. Ikeda is very knowledgeable about the onsite equipment, so we rely on him a lot. He has been with SMM the longest in our team and acts as a kind of coordinator. On the other hand, I have less experience, so I always consult Mr. Ikeda first if anything comes up.

I have had the experience of working in South American sites, such as the Cerro Verde mine in Peru, for five years. Since this pilot-scale trial is being conducted in Chile, I believe my main role is to leverage that experience to build relationships with the local people. In the field, it's important to become amigos (friends) first,



The Maricunga Salt Flat, a potential source of brine

rather than just business partners.

Ikeda: In order to communicate with local partners, it is necessary to understand not just the language, but also the culture. For this reason, Mr. Kaseyama, who has experience working in South America, is an invaluable presence. For this experiment, if we can't procure brine locally, we can't start.

Q. What is the current status of the project, and what are the aspirations for the future?

Kaseyama: Currently, we are in the stage of relocating the pilot plant to the site and preparing to start the experiment. Although it is a large-scale project that will still require a considerable amount of time to reach practical application, the challenge from here on is how quickly we can proceed.

Ikeda: DLE is a technology that has not yet been practically implemented in the world. For our company to commercialize this technology, we need to increase our partners and expand the scale of our testwork. To be recognized as a partner worth collaborating with, the achievement of a 'successful trial' is a crucial indicator. Therefore, it is essential to ensure the success of this pilot-scale testwork at all costs.

While our company is the first in Japan to undertake this, we are a latecomer on the global stage. Many companies are already advancing their DLE experiments, so our goal is to accumulate successful results first.

Kaseyama: Meanwhile, domestically, we are continuing research aimed at improving the adsorbent.

While many companies are developing technologies to handle high-purity brine, our strength lies in extracting lithium from brine that contains many impurities and has a relatively low lithium concentration. By targeting a different field than our competitors and enhancing our technology, we aim to differentiate ourselves.

Ikeda: It is certainly true that there are still many challenges that we have to overcome, but this project is highly significant for the Company's business growth and for achieving carbon neutrality. We will do whatever we can to ensure that it is a success.

Kaseyama: There are very high expectations both in Japan and overseas concerning lithium recovery and refining. I feel a lot of pressure, but I will do my best to achieve success.



Human Resources Strategy

The business environment surrounding companies is a difficult one, in which the future is difficult to foresee. We believe that our Company, too, will face difficulty in aptly adapting to changes through the continuation of conventional approaches and are, in particular, creating an organization and developing employees undaunted by the prospect of undergoing change and of actively changing themselves.

Securing, Developing, and Utilizing Human Capital in the 2021 3-Year Business Plan

The environment in which the Group conducts business is undergoing major changes, and it is necessary that we implement growth strategies, enhance enterprise value, and build solid management foundations as a company that can adapt to that change. Human resources are at the center of these efforts, and we believe that it is important that diverse human resources respect one another’s ideas and that we achieve growth strategies as an organization that can demonstrate maximum capabilities for working toward the same goals. To be an organization where diverse human resources can play active roles, we are working to develop human resource strategies linked to management strategies, establish human resource development structures and systems that encourage independent growth and career development by individual employees, and create an internal environment that facilitates work by diverse human resources.

The Company-wide Group on Human Resources is positioned within the Corporate Value Enhancement Strategic Committee to link management strategy with human resources strategy, with meetings held on an ongoing basis at least once per quarter. With the executive officer in charge of the Human Resources Department as the Chair and the General Manager of the Human Resources Department as the Deputy Chair, the Group promotes the rational assignment of human resources and engages in discussions of cross-company human resources strategies related to the securing, fostering, and utilization of human capital, including the systematic development of the next generation of management and future managers.

Active investment in human resources is also ongoing as part of the 2021 3-Year Business Plan. In July 2023, we revised the personnel system for managerial track employees with the aim of providing opportunities for employees to play an active role, building a corporate climate conducive to the continuous “taking on of challenges,” “change,” and “growth,” as well as a corporate culture in which every employee continues to learn and grow. Alongside this, we developed a career challenge (internal job posting) system to improve employee motivation for growth. In step with these efforts, we are revising our human resource development program to improve the competencies required for each job classification level, job function, and individual, and have clarified the persons responsible for training by respective job capacity. We are thus engaging with the cross-sectional, Group-wide development and utilization (deployment) of human resources.

In the 2024 3-Year Business Plan, which is set to be formulated going forward, we will actively promote a variety of human resources strategies. However, we also consider it necessary to institute a human resources policy to serve as a basis for our human resources strategies, in order to facilitate the implementation of our management strategies aimed at achieving both the sustainable development of society and sustainable growth of the Company.

We plan to institute our human resources policy to reflect our values and organizational culture, with the aims of promoting the “taking on of challenges,” “change,” and “growth” for every employee and having it serve as the basis for decision-making on human resources matters.

Initiatives for Securing, Fostering, and Utilizing Human Capital

Securing	Fostering	Utilizing
<ul style="list-style-type: none">Enhancing recruiting capabilities and increase recruitment staffExpanding the long-term engineering internship programImproving corporate brandingIntroducing scholarships	<ul style="list-style-type: none">Promoting the evolution and deepening of OJT(1on1 meetings)Enriching the coaching training programIntroducing a career building programIntroducing a talent management systemEnhancing the management leadership training program for selected employees	<ul style="list-style-type: none">Reviewing the remuneration and performance evaluation systems, allowances, and benefitsHiring and utilizing diverse human capitalImplementing mental health care management and health promotion programs
Aggressive investment in human capital		
<ul style="list-style-type: none">Launching a training program designed to foster next-generation leadersWork Experience Program (Renewed acknowledgement of capabilities and skills, mid-career development, life stage support for employees 65 and older)Diversifying online learning opportunities as a way to support self-motivated career building (reskilling, recurrent training)Promoting health and productivity management: Raising of retirement age to 65 to support employees wishing continue to work and stay active for life		

1. Progress of the Human Resources Strategy Measures

Revision of our managerial track personnel system

To realize our Vision for 2030, we consider it imperative to adapt to the constantly changing market environment and evolve into a company which will successfully achieve sustainable growth. By realizing increased alignment between job duties/responsibility and compensation for every employee and maximizing the potential of each individual, we will in turn realize the building of a corporate culture conducive to the continuous “taking on of challenges,” “change,” and “growth.” In July 2023, we introduced a personnel system for managerial track employees (job grading system), to embody and manifest this aspiration. The value of each employee’s duties is determined by the magnitude of “job responsibilities,” “degrees of difficulty,” “impacts,” etc. and we provide opportunities for active participation by increasing the consistency between duties/responsibility and remuneration, regardless of an employee’s age or years of continuous service, thereby endeavoring to raise the motivation of all managerial track employees. The introduction of this system now means that treatment of employees is not dictated by their age and years of continuous service. This is enabling the clear statement of employee treatment aligned with duties descriptions for mid-career hires and the appointment of early career employees in their 20s to management positions, where the earliest age allowed was around 35 under the previous system. It has also enabled the retention of outstanding personnel who can be assigned to duties which fall in higher job grade categories.

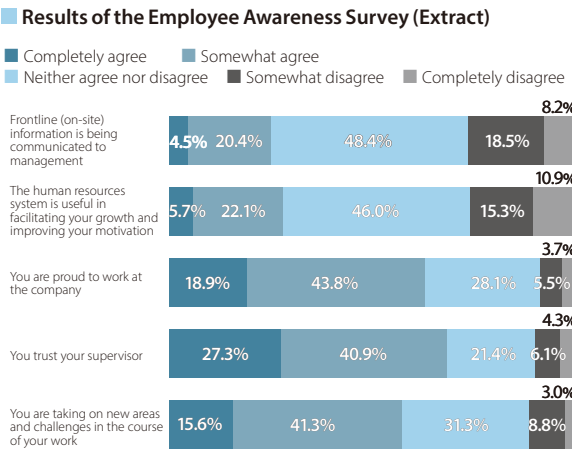
Alongside the revision of this system, we extended the retirement age for managers from 60 to 65 and introduced a system for senior employees (employees over 65 years of age). Furthermore, in December 2023, we introduced a career challenge (internal job posting) system to facilitate higher levels of achievement of the objectives of the managerial track personnel system.

In addition, in FY2024, we plan to revise the treatment of core employees who mainly support our company’s regular core operations and manufacturing workplaces from the age of 60 until the retirement age of 65.

Employee awareness survey

SMM conducts an employee awareness survey annually to ascertain the current statuses of employee awareness and motivation, as well as factors of their satisfaction or dissatisfaction, and to utilize this information in measures aimed at instituting improvements.

The FY2023 survey revealed issues such as lack of communication between managers and employees and issues in the human resources system that is not leading to increased employee motivation for growth. Meanwhile, feelings of pride in the company, good supervisor-subordinate relationships, and a culture of taking on challenges in the workplace are among the areas which the SMM Group is aspiring to further develop as its existing strengths. In addition, in the survey questions relating to corporate culture, the answers to the question on what our employees regard as the aspects of SMM’s corporate culture that they wish to cherish and maintain going forward were “taking on challenges/change,” “on-site first,” “flexible,” and “open and vibrant.” A “bureaucratic” organizational culture was singled out as one area which employees would like to see eliminated at the earliest possible juncture.



Comment from an Employee

Following My Career Path under the New System

After joining the company in April 2012, I worked as an accountant at business sites and Group companies in Japan, and in the Internal Audit Department from April 2019. In July 2024, I was reassigned under the career challenge(internal job posting) system established in December 2023, to allow me to take on new challenges in my career in terms of both accounting matters and general office administration. This I feel has proven a meaningful opportunity to fully reflect on my past, present, and future career. Since joining the company, I have benefitted from the guidance and instruction of my supervisors, senior colleagues, and all of my coworkers at my various workplaces and I will use this experience to achieve results in the position I desire and work hard to realize the career I envision.



Hirokuni Morimoto
Administration Sect.
Hinikari Mine Dept.

Human Resources Strategy

2. Actively Invest in Human Resources

Training Programs for the Development of Next Generation Management

SMM believes in the importance of expanding our human resources pool for next generation management through planned development. Toward that end, we implement selection-based programs (Middle Management Programs, training to develop the next generation of executive managers, Officers' Coaching School, etc.) for specific target groups as a way to develop the next generation of management, and are implementing training in a systematic manner. Under the Middle Management Programs, we select the human resources who can be expected to lead organizations in the future, with members of our management team serving as lecturers on sustainability issues and ESG themes toward improving our corporate value and thereby raising the level of mid-level managers. As part of training to develop next generation executive managers, we select the leaders among our human resources who will, in the near future, lead the path forward for our Company. We implement a practical program for those thus selected aimed at fostering their commitment and motivation, facilitating the acquisition of the necessary knowledge, and training them in the thinking skills that will be required of them as executive managers. At the Officers' Coaching Schools, executive officers serve as principals, decide the important themes to be covered at each school, which is composed of early- and mid-career employees, and work to learn together and put their studies into practice at their workplaces.

We also actively dispatch personnel to external programs and, through training and seminars with next-generation management resources outside the company, work to equip employees with high perspectives not obtainable within our Company.

Supporting Career Self-Development

We believe that self-driven growth by every employee will lead

to sustainable growth of the SMM Group. Self-development and practical on-the-job training (OJT) carried out through everyday work, along with appropriate assignment of personnel to foster their development, form the foundation for employee growth. We are consolidating our systems for self-study by offering numerous programs including online video-based learning and e-learning, to actively support the education of employees. To enable employees to independently envision their careers and continue working, in the second-year employees join the Company, and again at the ages of 35, 43, 50, and 58, we conduct career design training that gives employees the opportunity to clarify their future career goals and action plans. In addition, to assist with career self-development, we offer support measures and systems matched to changes in life stages, such as joining the Company, marriage, childbirth, childcare, nursing care for elderly parents, and reaching retirement age, while also providing platforms for consultation and opportunities for imparting information through training programs.

Expansion and Promotion of Health and Productivity Management

From an early stage, our Group has made securing the safety and health of officers and employees a priority from the standpoint of occupational health and safety. To ensure that all employees in our Group can work with greater health and motivation, in FY2022, we formulated the Employee Health Promotion Roadmap, which specifies medium- to long-term initiatives and targets, and a one-year Health and Productivity Management Plan, and are undertaking and rolling out effective maintenance and promotion measures for mental and physical health.

We host regular health seminars and mental health training for employees on topics such as the risk of onset of lifestyle-related diseases, the risk of obesity, female health, as well as mental health training, in addition to walking events using a health management support system (smartphone app).

Comment from an Employee

Online Video Learning Tools to Put Cross-Sectional Learning into Practice

I attend courses in a wide range of categories using online video learning tools, to equip myself with a flexible mindset and allow me to adapt to changes in my surroundings, as well as to take on new challenges. Attending a series of courses in which one is interested can lead to unexpected discoveries and insights. There are also many courses for beginners, which are ideal for getting an outline of knowledge and skills outside my area of expertise. Taking courses on cross-sectional topics allows me to renew previous learning and to acquire tips and ideas for my work.



Takanobu Hagiwara
Administration Dept.
Non-Ferrous Metals Div.

3. Ensuring Understanding of DE&I and Strengthening the Management Foundation

Each employee has different perspectives and ways of thinking, and it is necessary to create work environments where employees respect and collaborate with each other with equal opportunities while accepting and acknowledging the differences of the diverse members and making the most of their characteristics (DE&I). In addition to diversifying visible characteristics such as gender, nationality, and age, promoting diversification of skills and experience will lead to the generation of innovative ideas and enhance the flexibility and competitiveness of organizations. We believe that this will lead to the creation of new value that will be a driving force for generating innovation in the Company.

The SMM Group engages in initiatives toward gender balance (women's active engagement); promotion of employment for people with disabilities and support for their retention; increasing the number of foreign employees; as well as measures to raise understanding of sexual minorities (LGBTQ+), in the context of its promotion of DE&I. For the promotion of women's active engagement, in 2011 we set up a working group to discuss "Challenges and Measures to Encourage Women's Active Engagement," the first initiative of its kind at SMM. Subsequently, after six months of activities, the working group proposed measures to management, and concrete initiatives commenced following the establishment of a dedicated organizational apparatus, the Women's Advancement Support Group (now the Diversity Promotion Section) within the Human Resources Department. The Company has since then continued to engage in initiatives for the expansion of opportunities for women. These include the promotion of women to management positions and assignment to production sites and mine sites, as well as their stationing not only at sites in Japan but also those overseas. Furthermore, we have stipulated the target of 50 female managers and a ratio of female employees of 20% or higher in our Vision for 2030, while also establishing the target of having 30% female executive officers by 2030. To achieve these goals, we have instituted targets for the ratios of women in regular and mid-career hire

recruitment, dispatched female employees to outside training for the development of next generation of leaders, and convened "Roundtable Discussions by Officers and Female Managers," to ensure that the voices of those involved are reflected in management measures.

In addition, as stated in the SMM Group's Corporate Philosophy, we aim to be a forward-minded and vibrant company that recognizes the dignity and value of people based on respect for all individuals, and have since FY2019 designated December of each year as Human Rights Month, and are undertaking human rights training throughout the Group. Acts of harassment in the workplace which unjustly harm the dignity of workers are moreover unacceptable in our society, impeding the creation of comfortable working environments as well as the fulfilment of workers' capacities. The SMM Group has traditionally promoted awareness on harassment prevention through means including various training courses. To further enhance these initiatives, and to create more comfortable working environments for our employees, from FY2023, we decided to continue to roll-out, on an annual basis at all Group companies, the dissemination of information and education on harassment as regards its nature (types/categories), as well as on the Group's harassment prevention policies and consultation system.



Cross-industry training program for women's exchange /Internal debriefing session

Comment from an Employee

The Challenges of a Member of the Workforce Pursuing a Doctorate in Balancing Professional and Family Life

Since joining the company in 2007, I have consistently been engaged with research and development utilizing computer simulations. After taking maternity and childcare leave on two occasions and availing of SMM's unique system of voluntary leave (accompanying my husband on his job transfer overseas), and returning to the workplace, I am currently working at graduate school as a professional with doctoral degree, where I am involved in developing new calculation technologies for smelting and refining processes. I aspire to leveraging both my strengths as a computational technician and the opportunity I have been afforded to research at university to contribute to further increases in the efficiency of SMM's smelting and refining processes.



Yuko Goto
(Tohoku University)
Computer Aided Engineering
and Development Dept.
Technology Div.

Digital Transformation (DX) at the SMM Group

The SMM Group established its DX promotion policy to address the management challenges of business reform and creation of new businesses, human resource response in an age with a declining birthrate, and improvement of management efficiency, and we are taking systematic action in accordance with our roadmap. FY2024 will be a transition phase when we will execute key measures including utilization of data and development of DX human resources, and by steadily implementing these measures, we will seek to strengthen competitiveness and to achieve sustainable growth.

Overview of DX as a Whole

DX Promotion Policy: Three Objectives and Strategies

Business reform and creation of new businesses

- Utilize DX in business reform and development of new products and processes, and accelerate the speed of these in order to respond flexibly to changes in the social environment that will become ever more intense.
- Create new businesses by leveraging digital technology and discovering new value to further strengthen the SMM Group's competitive advantage.

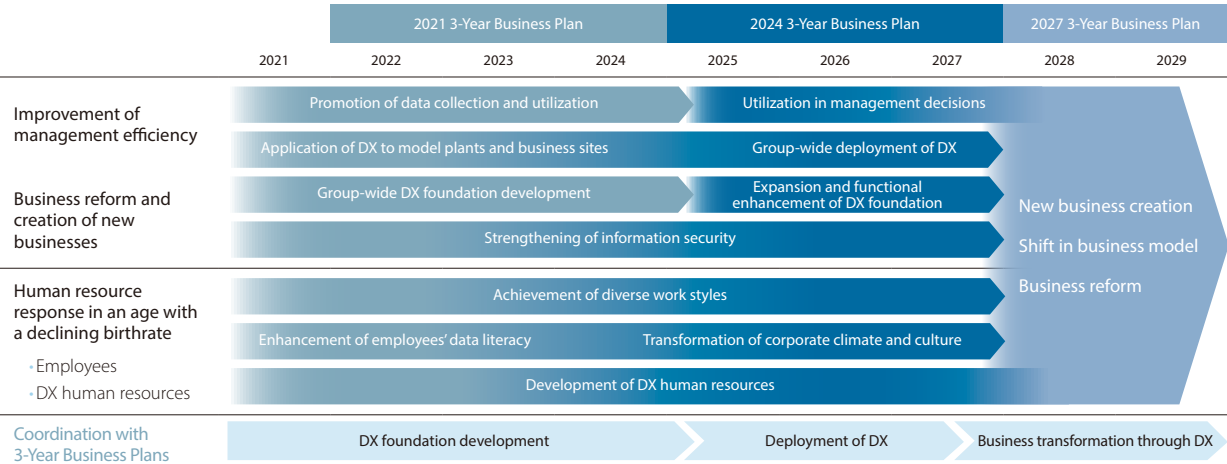
Human resource response in an age with a declining birthrate

- Enable business continuity and development amid a declining birthrate by promoting automation and unmanned operations at manufacturing sites, and drastically streamlining indirect operations.
- Become a company that is attractive to workers through the creation of safe workplaces and the achievement of diverse work styles that consider work-life balance.

Improvement of management efficiency

- Use data to make speedy management decisions.
- Carry out operational streamlining and enhancement of labor productivity to improve competitiveness in all fields of business.
- Build a foundation for high-speed
- Respond to ever-changing and growing information security threats.

Roadmap



Progress

Plan for FY2023	FY2023 progress	Plan for FY2024
Improvement of management efficiency	Started renewal of Group wide-area networks ▶ P.85	Complete renewal of Group wide-area networks
Business reform and creation of new businesses	Formulated a plan and concept for a data utilization platform ▶ P.85	Determine the requirements for a Group-wide deployment platform
Human resource response in an age with a declining birthrate	Completed the overall concept for DX human resource development ▶ P.83 Started internal use of ChatGPT ▶ P.84	Set the DX human resource development curriculum and start level 1 training Promote use of AI and increase operational efficiency

1. Positioning of DX in Our Value Creation Model

We believe that DX undertaken by the SMM Group will affect our business activities in the value creation process and the value we provide (six types of capital). By actively addressing DX, we will be able to improve this performance and value, which will contribute to improving corporate value through business reform and creation of new business, human resource responses in an age with a declining birthrate, and improvement of management efficiency, which are management issues.

Review of priority areas in DX

When setting key performance indicators (KPIs) for the DX measures undertaken in FY2023, we organized the issues, key measures, and their objectives in each priority area, and as a result, we made the following changes and redefined the areas.

“Materials business and R&D DX” divided into “advanced materials DX” and “R&D DX”

In the past, the materials business and R&D were considered one area, and the objective of activities was the development of new products. As DX initiatives have advanced, however, the scope of DX activities has expanded to include areas not only those related to new product development including simulation technology support, advanced analysis, and the introduction of new technologies such as materials informatics (MI), particularly in R&D divisions but also process improvement. In response to this, we separated advanced

materials DX and R&D DX to avoid the drawbacks of narrowly limiting the scope of measures and KPIs while maintaining new product development as a priority topic.

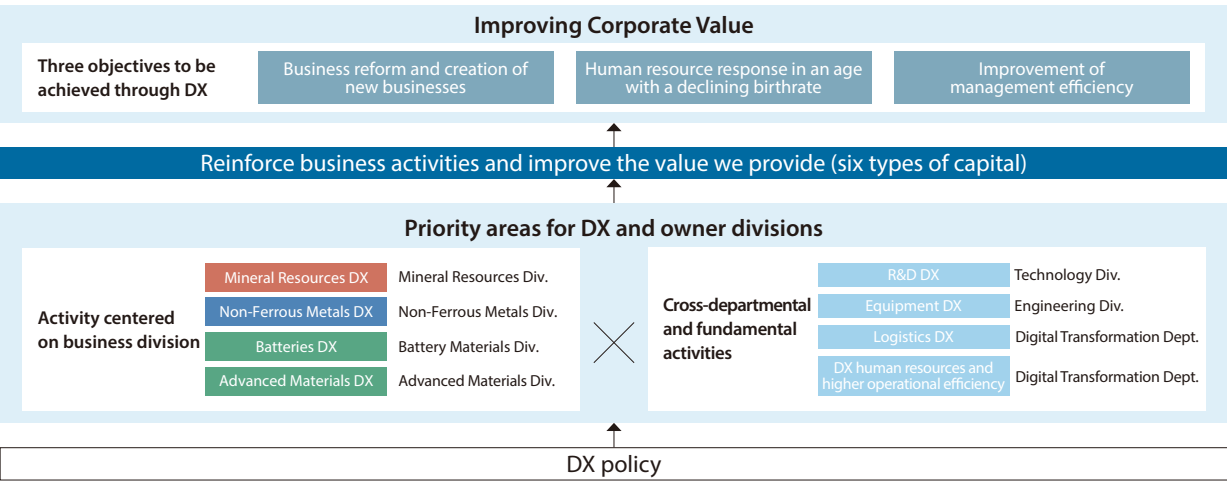
“Reform of indirect operations and work styles” revised to “DX human resources and higher operational efficiency”

We are currently implementing a diverse range of activities including internal introduction of ChatGPT, RPA, and other tools, expansion of data utilization, support for smart factories, and development of DX human resources as measures for increasing labor productivity, which are the objectives of activities in these priority areas. Considering that the scope of these activities is not limited to indirect operations and that the importance of development of human resources involved in DX is increasing, we revised the name of this priority area to “DX human resources and higher operational efficiency.”

Priority area framework redefined

In conjunction with these changes to priority areas, we streamlined activities that were managed across multiple divisions and re-clarified the owner divisions with responsibility for implementing measures in each area and achieving the KPIs.

Furthermore, among these eight priority areas, the business divisions are the owners of four, and the other four areas in which cross-departmental and fundamental measures are implemented are positioned as activities centered on business division and cross-departmental fundamental activities, respectively.



Digital Transformation (DX) at the SMM Group

2. Setting Key Measures and KPIs in Each Area

In the second half of FY2023, we set KPIs for key measures in each priority area. We expect that this will serve to promote information sharing among divisions concerning the objectives of measures and their approaches and that periodic reviews by the Digital Transformation Committee based on these KPIs will facilitate more effective implementation of

the PDCA (Plan, Do, Check, Act) cycle, thereby promoting smoother and accelerated implementation of DX initiatives. The key measures and examples of their objectives and KPIs set in each priority area are indicated below. Quantitative target values are set every three years for each KPI.

Examples of Key Measures		Objectives	Examples of KPIs
Business divisions	Mineral Resources DX	<ul style="list-style-type: none">Automate heavy machinery at the Hishikari MineRemotely operate heavy machinery from above groundImprove drilling accuracy (use image processing, etc.)	<ul style="list-style-type: none">Reduce dust and noise exposureRaise productivity <ul style="list-style-type: none">Dust exposure time reduction rateNumber of devices operated per personOvercutting reduction rate
	Non-Ferrous Metals DX	<ul style="list-style-type: none">Increase operating rates through predictive maintenanceForecast using data analysis	<ul style="list-style-type: none">Reduce loss of opportunityRaise productivity <ul style="list-style-type: none">Breakdown prediction rateRate of reduction of applicable work hours
	Batteries DX	<ul style="list-style-type: none">Advance digitalization at the Niihama PlantIntroduce and optimize a new inventory management system	<ul style="list-style-type: none">Raise productivity <ul style="list-style-type: none">Reduce management man-hours
	Advanced Materials DX	<ul style="list-style-type: none">Conduct regular evaluations and raise levels using DX implementation indicatorsCreate smart factories	<ul style="list-style-type: none">Raise DX literacyRaise productivity <ul style="list-style-type: none">Evaluation values based on customized IPA indicatorsNumber of sites where measures to create smart factories are implemented
Cross-departmental and fundamental	R&D DX	<ul style="list-style-type: none">Effective use (quantification, etc.) of analytical data (SEM images, etc.) and integration with MIAI collaboration with R&D databases	<ul style="list-style-type: none">Increase the pace and efficiency of development <ul style="list-style-type: none">Number of quantified technologies implementedNumber of AI searches per person
	Equipment DX	<ul style="list-style-type: none">Develop and utilize collaborative robotsRaise the level of maintenance operationsAnalyze operational data	<ul style="list-style-type: none">Save laborReduce lost opportunitiesOptimize operations <ul style="list-style-type: none">Number of robots installedPercentage of sites with equipment management systems installedRate of yields improvement
	Logistics DX	<ul style="list-style-type: none">Introduce DX in conjunction with updating of backbone systems	<ul style="list-style-type: none">Increase operational efficiency <ul style="list-style-type: none">Reduce work times in relevant areas
	DX human resources and higher operational efficiency	<ul style="list-style-type: none">Develop in-house DX human resourcesPromote digital workPromote use of digital data	<ul style="list-style-type: none">Promote and advance of DX activitiesIncrease efficiency and raise levels of operationsUse data and raise management levels <ul style="list-style-type: none">Number of human resources developedTotal reduction of hoursCreation of foundations and development of DMO*



A seminar on ChatGPT taught by an outside instructor (a hybrid event for all sites in Japan and overseas)



Remote operation of heavy equipment at the Hishikari Mine from above ground

3. Reinforcing Digital Foundations

(1) Development of DX human resources

We believe that developing DX human resources will have a major impact on the speed and performance of measures to address management issues and will affect a wide range of factors in day-to-day work including improvement of operational efficiency, promoting innovation, improving adaptability to change, and reinforcing security. With the objective of enhancing these effects even further, in FY2023 we reviewed the overall image of DX human resources and development within the Group. The image for human resources was divided into the literacy field, which is based on knowledge and mindsets, and the project field, which is based on the roles of DX approaches in projects and other initiatives. For both fields, we referred to the digital skill standards of the Information-technology Promotion Agency (IPA) to specify our own skill sets and curricula, and we are now working to develop DX human resources.

Human resource development in the literacy field

We assess the digital skill proficiency of employees on a three-level scale. Level 1 is “digital user human resources,” and all

employees are required to reach this basic level. Level 2 is “digital operations human resources,” and this covers approximately 3,500 employees who use PCs and mobile devices in their day-to-day work. Level 3 is “digital utilization human resources,” and this level requires more advanced digital knowledge. We will begin human resource development on all three levels starting in the second half of FY2024.

For employees who seek to reach level 2 or level 3, we first perform an assessment to determine their current skill level, and we created a system that enables individual employees to efficiently acquire the skills that they are lacking based on the results of this assessment.

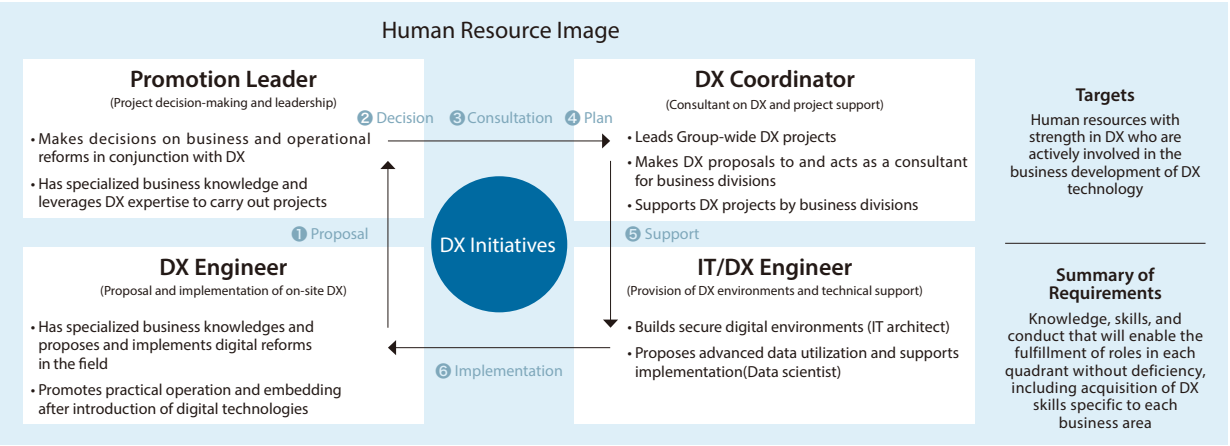
Human resource development in the project field

The roles of measures undertaken in project formats from a DX perspective are divided into four quadrants. Regarding this development, in addition to the skills needed to perform their roles, we believe that it is important for personnel to gain experience through actual projects, and this point is reflected in the curriculum. We are currently making preparations with a target of starting human resource development in this field in FY2025.

Literacy Field

Human Resource Image		Target Personnel	Summary of Requirements
Lv 3	Digital utilization human resources	Day-to-day users of PCs and mobile devices Approx 3,500 personnel	Acquire digital tools skills that can be used in any business and knowledge in areas such as networks and data utilization
Lv 2	Digital operations human resources		
Lv 1	Digital user human resources	All employees; approx. 7,500 personnel	Acquire a risk hedging-centered mindset and basic knowledge

Project Field



Digital Transformation (DX) at the SMM Group

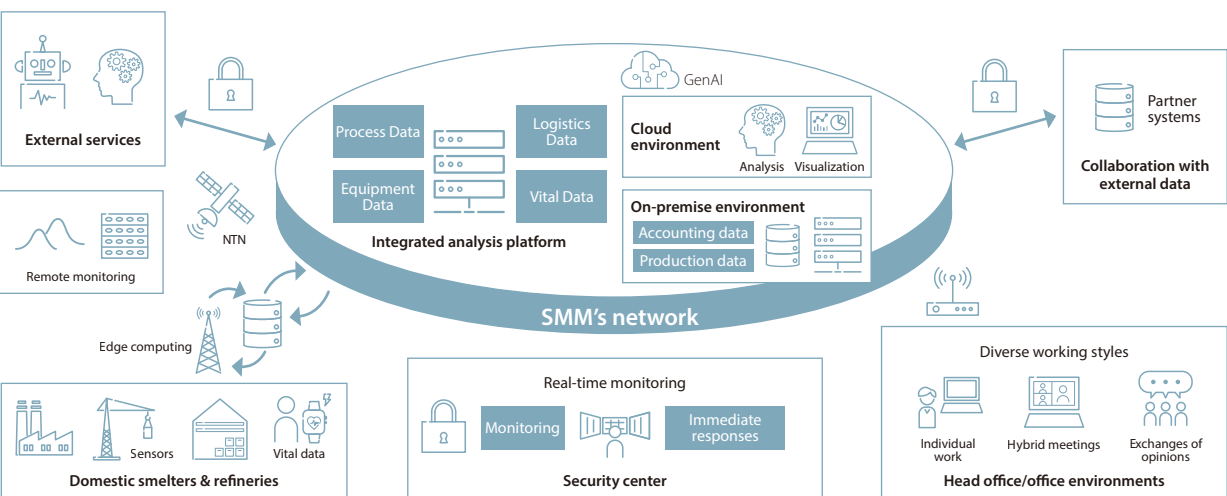
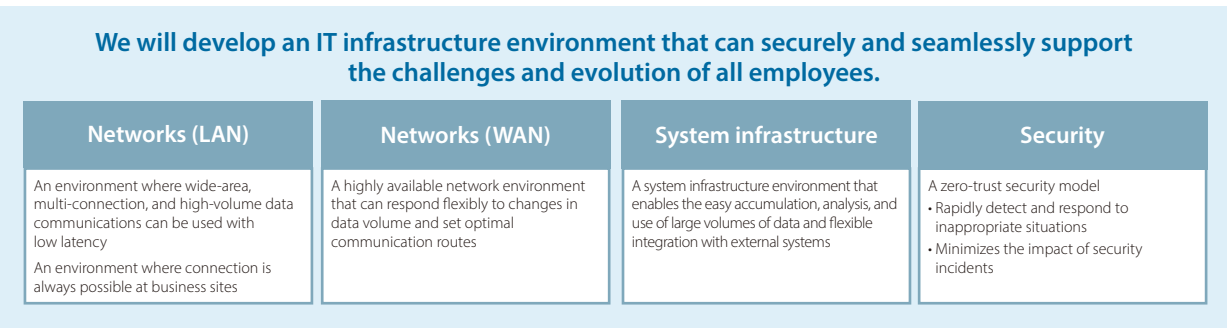
(2) Increasing operational efficiency through digitalization

The use of various digital tools is expected to have effects that include higher operational efficiency, higher quality, reduced errors, decision-making support, enhanced communication and collaboration, and facilitation of flexible working styles. Accordingly, we are actively introducing and deploying a variety of IT solutions.

ChatGPT

After creating a closed and secure environment that can be used as an in-house network, we began using the environment within the Group in November 2023. Subsequently, we have been actively adding functions including links with internal databases, image generation AI, and Web linking and promoting the use of ChatGPT. In addition, as of April 2024, approximately 30% of users, more than 1,500 employees, are participating in a community platform that we launched specifically for ChatGPT, asking questions, making requests, sharing information on uses, and so on.

SMM IT Infrastructure Grand Design



Deployment of other digital tools

We also promoting the use of other digital tools with a focus on the use of Power Platform applications, business automation through RPA, introduction of an electronic contract system, and Group-wide introduction of a BOX system.

(3) Developing DX foundations

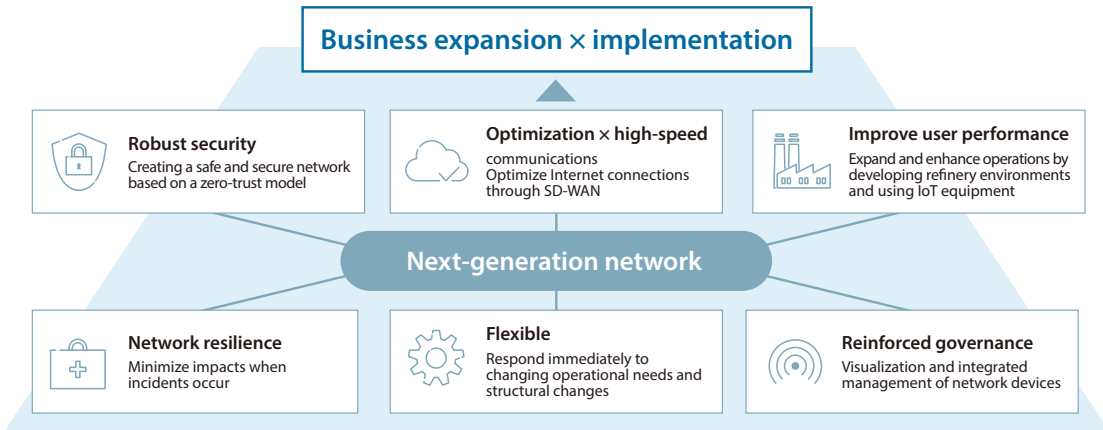
Formulation of an IT infrastructure grand design

We grew up a vision of the future of our business in the form of the infrastructure development that will be necessary for SMM to implement DX and defined the IT infrastructure that will be necessary to achieve this vision as our IT Infrastructure Grand Design. We are now developing individual elements of the infrastructure based on this grand design.

Renewal of the SMM group wide-area network

We are building a new network that can respond to the rapid increase in network traffic and increasingly severe and complex cyber security issues and achieve a flexible use

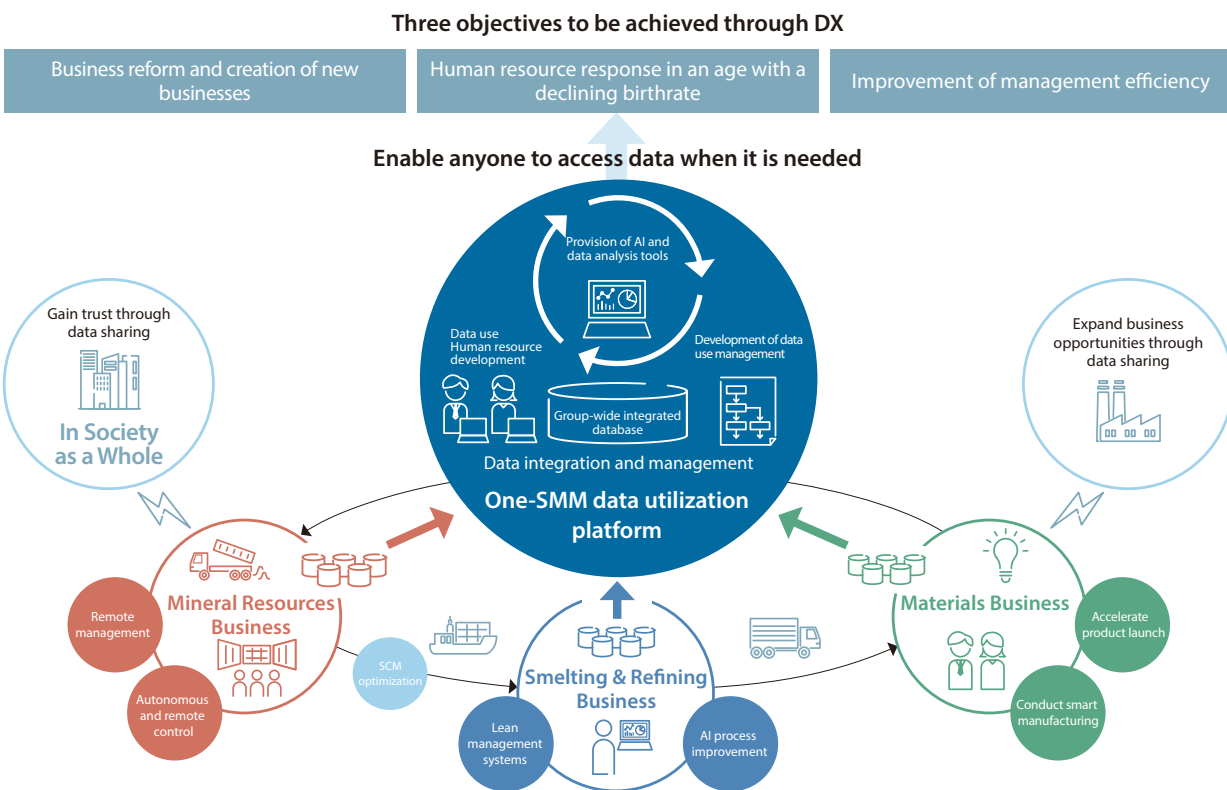
environment. We created a software-control network based on a zero-trust network model, and the switch over to the new system was completed at approximately half of Group sites including major sites in FY2023.



Data utilization platforms

We have started building mechanisms for achieving Group-wide data utilization based on the concept of "tackling challenges and evolving in response to "changing times" by retrieving the democratization of data." Although we have implemented measures to increase efficiency by using data in refinery processes and specialized areas in the past, there are many instances where data collection, processing,

management, and so on in management and administration in particular rely on manual work by individuals. As the pace of business increases even further, the working population declines, veteran employees retire, and other changes occur, we believe that creating an environment where anyone can easily access and effectively use the data that they need when they need it is an essential measure for maintaining and reinforcing our competitiveness.



Sustainability Management

Sumitomo Metal Mining Group Sustainability Policy

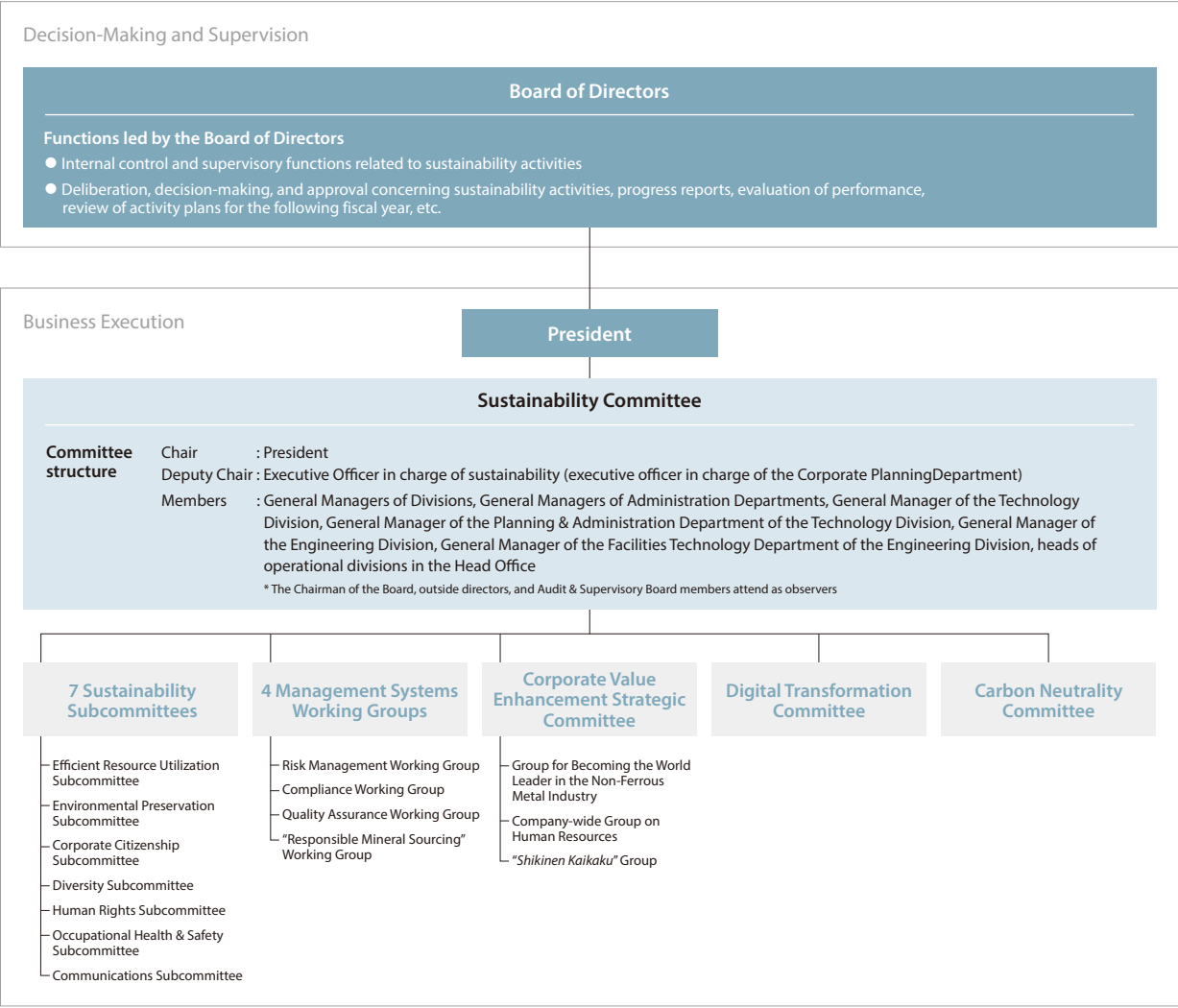
The SMM Group will tackle management issues that contribute to society's sustainable development, and will strive to achieve continuous growth in our business and improve our corporate value.

Sustainability Promotion Structure

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

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

Sustainability Promotion Framework



Matters for Deliberation in the Promotion of Sustainability

Sustainability Committee	<ul style="list-style-type: none">Deliberation and decision-making concerning important items related to annual plans and other sustainability promotion activities, and indicators for evaluating our level of achievement toward Vision for 2030Regular evaluation of sustainability promotion activities reflecting issues and opinions obtained through engagement with stakeholders, and invoking of corrective measures
Corporate Value Enhancement Strategic Committee	<ul style="list-style-type: none">Deliberation on candidates for new large-scale projectsInstruction to the Group for Realizing the World Leader in the Non-Ferrous Metal Industry, the Company-wide Group on Human Resources, and the "Shikinen Kaikaku" Group regarding examination of matters specified as issues
Digital Transformation Committee	<ul style="list-style-type: none">Deliberation and decision-making on fiscal year plans for DX promotion activities and other key mattersRegular evaluation of DX promotion activities and invoking of corrective measures
Carbon Neutrality Committee	<ul style="list-style-type: none">Drafting of company-wide policy, goals, and roadmap for the achievement of carbon neutrality, and deliberation on material issuesDeliberation and decision-making on fiscal year plans and other key matters related to carbon neutrality promotion activities

Putting Sustainability Promotion Activities into Practice

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

Business Plan, and are managing the progress of these plans. The 7 subcommittees assess details of organizations' activities through the subcommittees' members or secretariats, and check progress through the Sustainability Committee. Through dialogue with shareholders and investors and through briefing videos for business partners, we explain our Group's sustainability promotion activities to outside stakeholders and call for their cooperation.

Diffusion of Sustainability Promotion Activities

For Vision for 2030 and other sustainability promotion activities, we distribute simple, illustrated booklets with specific examples of activities to all Group employees, and post interviews and columns on specific activities in our in-house bulletins and on our portal site. We also conduct education on sustainability in annual training (new employee training, mid-career hire training, grade-specific training, selective training, etc.).

In conjunction with the adoption of the Sustainable Development Goals (SDGs) by the United Nations General Assembly in September 2015, we have also set every September as a month for thinking about the Sumitomo Metal Mining Group's Vision for 2030. As a part of this, we hold the Sumitomo Metal Mining Group Vision for 2030 Awards, in principle every year, to recognize individuals and groups for their contributions to achieving the Vision for 2030. We also engage in awareness-raising activities, such as communicating messages from top management and conveying progress toward our Vision for 2030 to employees in a clear and easy-to-understand manner.

Vision for 2030 (Material Issues and KPIs)

1 Effective Use of Non-Ferrous Metal Resources

Vision for 2030		A company that generates resources through high technological capabilities	
		1. A company that stably provides non-ferrous metals to society 2. A company that contributes to society by effectively using impurities through collaborative, open technological development among industry, academia, and government 3. A company that contributes to the construction and maintenance of recycling systems for non-ferrous metals 4. A company that develops and supplies highly advanced materials that contribute to the resolution of social issues	
KPI	Indicators		Goals
	1. 1) Advance copper mine projects		• Strengthen production structure at JV mines to achieve and maintain copper production levels of 300 kt/year from interests • Achieve steady copper production level by reinforcing exploration of surrounding and deep areas in JV mines, expanding mineral processing technology, and improving operations leveraging IoT and AI • Advance Phase 2 and later projects at the Quebrada Blanca Copper Mine
	2) Acquire new superior copper and gold resources		• Develop new mines for which we have operatorship
	3) Improve productivity by introducing new technology		• Promote remote operation and unmanned operation of heavy machinery and information infrastructure equipment inside and outside of the Hishikari Mine
	4) Advance nickel ore projects and improve productivity		(1) Nickel production: 150 kt/year (2) Recovery rate compared to FY2018: +2% (3) Recovery of scandia by-product (4) Recovery of chromite by-product
	2. 1) Develop technology to separate, stabilize and bleed off impurities, and create value from impurities generated by smelting processes and mines		• Develop technology to stabilize and bleed off impurities: Develop and demonstrate the process
	2) Develop technology to create value from unused non-ferrous metal resources		• Contribute to existing (e.g. marine resource development) and new development projects
	3) Recover non-ferrous metals from hard-to-process resources		• Participate in business and technology for recovery of lithium from salt-lake water in the presence of high levels of impurities
	3. Demonstrate and commercialize automobile secondary battery recycling technology		• Demonstrate, commercialize, and expand scale of recycling technology that recovers cobalt from automotive lithium-ion batteries Commence commissioning and commercial operation of pre-commercial plant: FY2026
	4. 1) Leverage our strengths to create new products and new businesses that contribute to society		• Research, develop, and commercialize new advanced materials in the fields of energy, automobiles, and information communications
KPI	2) Hold raw materials in-house for favorable and stable procurement		• Commercialize NiO for fuel cells following demonstration project
	3) Expand sales of low-cost battery cathode materials through favorable, stable procurement of our own nickel raw materials		• Maintain top class global share in the expanding cathode materials market

2 Climate Change

Vision for 2030		A company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs)	
KPI	Indicators		Goals
	Reduce GHG emissions		1. Reducing GHG emissions by 38% or more compared to FY2015 (more than 50% in Japan, 24% outside of Japan)*; promote various measures to achieve "net zero GHG emissions by 2050" 2. Cut GHG emissions intensity by at least 26% compared to FY2013 3. Expand contribution of GHG reduction by products contributing to a low-carbon society: 600 kt-CO ₂ or more

3 Significant Environmental Accidents 4 Biodiversity

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

5 Employees' Occupational Health and Safety

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

* Some underlined KPIs have been revised. The material issues have not changed.

For details of initiatives relating to each material issue, see the Sustainability Report 2024.

Sustainability Report 2024
https://www.smm.co.jp/en/sustainability/library/sustainability_report/

6 Diverse Human Resources 7 Development and Participation of Human Resources

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

8 Engagement with Stakeholders

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

9 Co-Existence and Mutual Prosperity with Local Communities

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

10 Rights of Indigenous Peoples

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

11 Human Rights in the Supply Chain

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

Focus 1 Carbon Neutrality

See Sustainability Report 2024 for more details of respective initiatives.
Sustainability Report 2024
https://www.smm.co.jp/en/sustainability/library/sustainability_report/

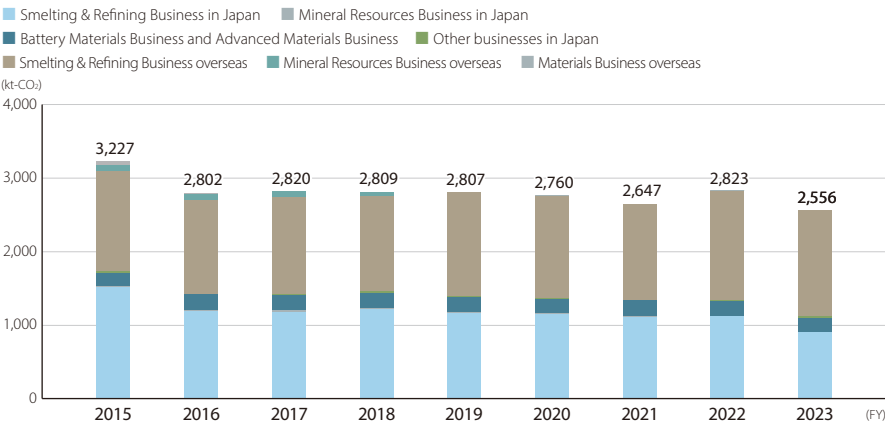
Fundamental Approach to Achieving Carbon Neutrality by 2050

SMM has set climate change as a material issue, and our Vision for 2030 is to be a company that actively undertakes climate change countermeasures, by reducing emissions and stably supplying products contributing to a low-carbon society, a future with zero greenhouse gases (GHGs). In December 2023, we revised our KPI goals to reduce GHG emissions by at least 38% compared to FY2015, the reference year, in conjunction with the formulation of a roadmap for achieving carbon neutrality by 2050.

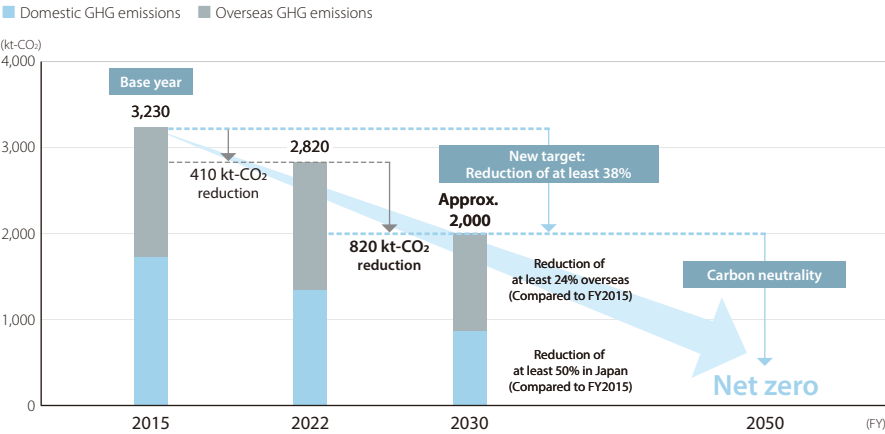
The SMM Group's GHG emissions from FY2015 to FY2023 are as shown in the graph below. Emissions in FY2023 were 2,556

kt, of which 90% was from the smelting and refining business. In the smelting and refining business, we are taking measures to conserve energy and increase efficiency, large amounts of energy are needed to maintain product quantities and quality due to a decline in the grades of ores and increases in impurities. As a result, GHG emissions have remained flat. Under these circumstances, it will be difficult for SMM to achieve its goals through existing measures to conserve energy and increase efficiency, and we believe that it will be important to identify the sources of GHG emissions and take measures suitable for each source.

GHG Emissions (Scope 1^{*1} and 2^{*2})



Roadmap for Achieving Carbon Neutrality by 2050



Governance and Risk Management by the Carbon Neutrality Committee

Regarding climate change, which is a material issue, we established and operate the Carbon Neutrality Committee* under the Sustainability Committee to formulate policies, targets, and plans for achieving our Vision for 2030, deliberate on material issues and projects subject to the Internal Carbon Pricing (ICP) program, and share external information (guidelines of affiliated organizations, international trends, regulatory revisions, etc.). The Technology Division, which serves as the secretariat for the Carbon Neutrality Committee, is a functional guidance department that undertakes measures through collaboration and cooperation with individual departments including collecting performance data and developing case studies.

Individual business divisions and business sites set their own targets based on the overall policies and targets established by the Carbon Neutrality Committee and take action to address climate change through environment management systems and other means.

Carbon Neutrality Committee

Chair	Executive officer in charge of Carbon Neutrality (Executive officer in charge of the Technology Division)
Deputy Chair	Executive officer in charge of the Safety & Environment Control Dept.
Members	General managers of divisions, General Manager of the Technology Div., General Manager of the Engineering Div., General Manager of the Safety & Environment Control Dept., General Manager of the Corporate Planning Dept., General Manager of the Sustainability Dept., General Manager of the Finance & Accounting Dept., General Manager of the Public Relations & Investor Relations Dept., General Manager of the Purchasing Dept., General Manager of the Besshi-Niihama District Div.
Secretariat	Energy & Green Transformation Dept.
Number of times convened	Two or more times per year
Content of deliberations	<ul style="list-style-type: none">Drafting of company-wide policy, goals, and roadmap for the achievement of carbon neutrality, and deliberation on material issuesDeliberation and decision-making on fiscal year plans and other key matters related to carbon neutrality promotion activitiesRegular evaluation of carbon neutrality promotion activities, review of goals, and invocation of corrective measuresProvision of information on carbon neutrality promotion, exchanges of information, explanation of key measures, and sharing of awarenessDeliberation and decision-making on other key issues related to carbon neutrality promotion activities

Measures to Achieve Carbon Neutrality by 2050

In the lead up to FY2030, we will take action to maximize the use of existing technologies including comprehensive energy conservation and increases in efficiency, fuel conversion of fossil fuels, and expanded introduction of renewable energy. To achieve carbon neutrality by FY2050, we will tackle the challenges of de-

veloping innovative technologies for refining processes, an area where it is currently difficult to achieve reductions, and introduce new technologies including next-generation energy and carbon dioxide capture and storage premised on innovative decarbonization technologies and their social implementation.

	Action up to FY2022	Action until FY2030	Action until FY2050
Process improvements	<ul style="list-style-type: none">Energy conservation and increases in efficiencyReconstruction of production processes (Harima Refinery, Hyuga Smelting, and other sites)	Maximum utilization of available technologies <ul style="list-style-type: none">Comprehensive energy conservation and increases in efficiency	
Energy transition	<ul style="list-style-type: none">Transition from heavy oil to LNG (Isoura Plant and Niihama Nickel Refinery)Introduction of solar and geothermal binary power generation (Hishikari Mine, Ome District Div, and other sites)	<ul style="list-style-type: none">Expansion of transition from heavy oil and coal to LNG and woody biomass fuelElectrification of equipment that uses heatExpanded introduction of renewable electric powerUtilization of carbon credits	Ongoing initiatives
Emissions from purchased power Improvement of coefficient	<ul style="list-style-type: none">Switch to renewable energy (Harima Refinery, Hishikari Mine)	<ul style="list-style-type: none">Expanded use of renewable energyUse of renewable energy certificates	Introduction of new technologies
Technology development	<ul style="list-style-type: none">Exploratory and basic research	<ul style="list-style-type: none">Pilot tests and verification tests	<ul style="list-style-type: none">Verification and practical implementation of innovative smelting and refining processes unique to SMM
Utilization of outside technologies		<ul style="list-style-type: none">Investigation and preparation of new technology applications	<ul style="list-style-type: none">Use of green hydrogen, green ammonia, and synthetic methaneCO₂ separation, capture, and storage technology (CCUS)

Focus 1 Carbon Neutrality

Main Initiatives (1)

Development of Innovative Smelting and Refining Processes for Achieving Carbon Neutrality

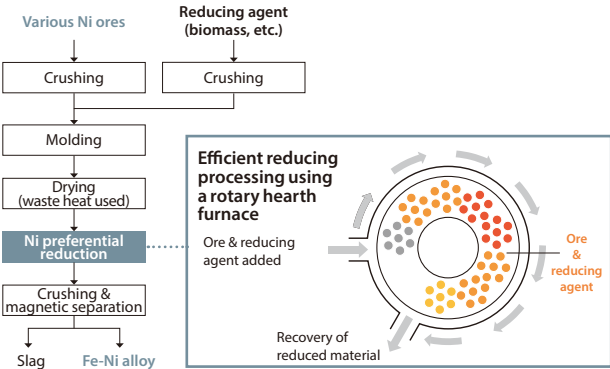
For the Group to achieve carbon neutrality by 2050, it will be necessary to make improvements to innovative smelting and refining processes that dramatically reduce GHG emissions in the smelting and refining business, a main source of GHG emissions.

To do this, we are developing new low CO₂ nickel smelting and refining methods, direct lithium extraction methods for recovering lithium from salt lakes, CO₂ absorption and fixation technologies using waste ore, and other technologies.

Low CO₂ Nickel Smelting and Refining Methods

Ni preferential reduction method

This is an efficient nickel reduction process that uses a reactor device known as a rotary hearth furnace. With this method, processing at lower temperatures and in shorter times than earlier methods is possible, and it is expected that this method will substantially reduce GHG emissions and energy usage. Also, GHG emissions can be reduced to zero by using biomass fuels as the reducing agent and green electricity as the heat source.



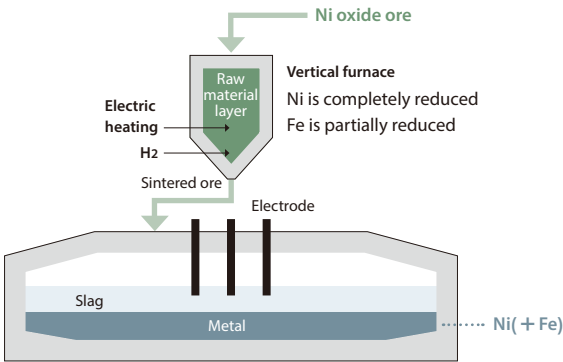
Processing at low temperature and in a short time is possible

- Substantial reduce in GHG emissions and energy usage
- Reduce GHG emissions to zero by using biomass reducing agent and green electricity as the heat source

Target
Start operation by 2050

Hydrogen reduction method

This recovery method recovered reduced nickel metal from nickel oxide ore using hydrogen, which had been considered difficult in the past. By investigating the feasibility through fundamental testing, we achieved the target of recovering reduced nickel metal. We are currently developing the process as a whole, including investigation of devices to achieve recovery, and aim to start pilot testing by 2030.



Reduction of Total Volume Using Hydrogen

- Complete carbon neutrality with zero GHG emissions
- Target nickel recovery rate achieved in basic tests

Target
Start pilot testing in 2030

Main Initiatives (2)

Reducing GHG Emissions Using ICP

The SMM Group set Internal Carbon Pricing (ICP) to develop technologies for decarbonization and to promote energy conservation and introduced an ICP system that reflects GHG reduction effects in the effects of investment. We introduced ICP in September 2020 and have actively invested in decarbonization using ICP at business sites. Specifically, in addition to energy-saving investments, such as introducing LED lighting and switching to highly

efficient air conditioning equipment, we are actively taking on challenges including introduction of solar power and a fuel transition from heavy oil to LNG, which previously were difficult under existing investment standards. Going forward, we will continue reviewing ICP as necessary in consideration of changes in social conditions and other factors and to promote decarbonization.

ICP price

JPY20,000/t-CO₂
(increased from JPY5,000 in FY2022)

Scope of ICP

Projects that contribute to enhancing the SMM Group's technological capabilities and improving corporate value through GHG reductions, after evaluating profitability

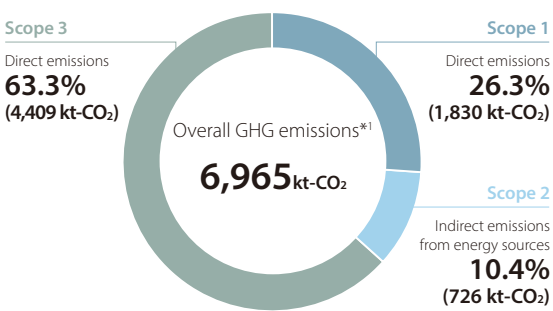
* Applies not only to capital expenditure, but also to expenses for introducing renewable energy

Examples of Application

LNG fuel conversion, biofuel co-firing, fan efficiency improvement, solar power generation, reduced steam usage, waste heat recovery, boiler water supply quality improvement, etc.

Scope 3 Measures

Scope 3 GHG emissions generated in FY2023 amounted to 4,409 kt-CO_{2e}. Starting from the categories with the highest emissions ratios, we will communicate with business partners to make the emissions calculations more accurate, confirm the status of their GHG reduction initiatives, and set Scope 3 reduction targets.



*1 Scope includes the entire SMM Group (however, data for Category 5 to 7 only covers Group companies in Japan)

Scope 3 Emissions and Percentage of Overall Emissions

Category	Emissions (kt-CO _{2e})	Percentage	Calculation Method
Total Scope 3 Emissions	4,409	63.3%	
1 Purchased goods and services	3,603	51.7%	Σ (weight of key raw materials x emissions intensity)*2
2 Capital goods	551	7.9%	Σ (amount of capital expenditures x emissions intensity x 1.05)*3 Capital expenditures include construction in progress, used equipment, and intragroup transactions
3 Fuel- and energy-related activities not included in Scope 1 or Scope 2	221	3.2%	Σ (electricity and fuel consumptions x emissions intensity [electricity*3, fuel*2])
4 Upstream transportation and distribution	23	0.3%	Emissions from domestic transportation are calculated based on the Japanese laws the "Act on Rationalizing Energy Use" and "Act on Promotion of Global Warming Countermeasures."
5 Others	11	0.1%	—

*2 For emissions intensity, we used values from the Research Institute of Science for Safety and Sustainability AIST, IDEA Laboratory LCL Database AIST-IDEA Ver. 3.4.

*3 For emissions intensity, we used values from the Database for Calculating GHG Emissions of the Supply Chain, Ver. 3.4, prepared by the Ministry of Environment and the Ministry of Economy, Trade and Industry in Japan.

Focus 1

Carbon Neutrality

Providing Products That Contribute to A Low-Carbon Society

Among the SMM Group's products, we position those products that contribute to reducing GHG emissions as low-carbon products, and the Group places the highest priority on contributing to reducing GHG emissions throughout society by developing these products and expanding business.

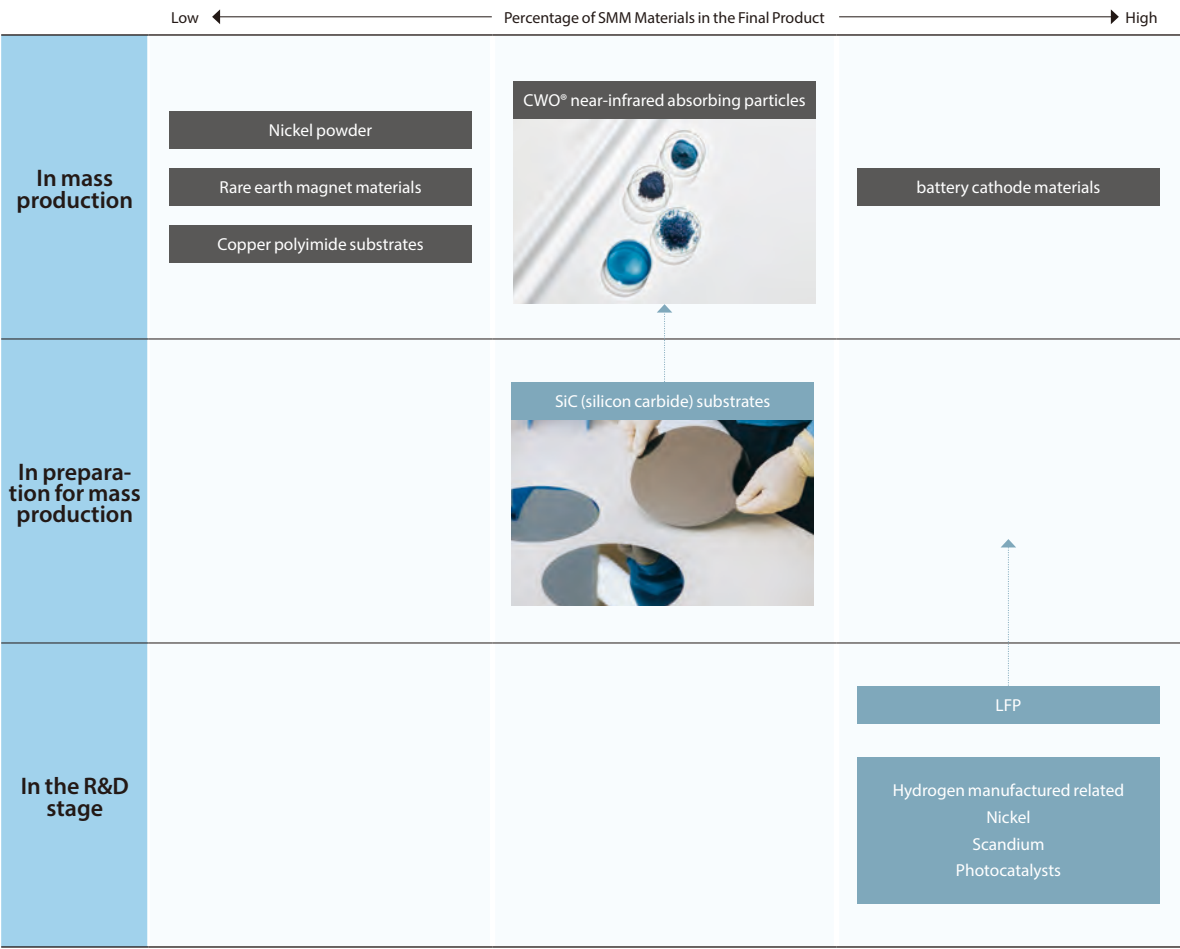
Our current target is to contribute to a reduction in GHG emissions of at least 600,000 tons through low-carbon products by 2030. The GHG reduction contribution in FY2023 was 567,000 tons.

We will continue to actively develop technology for new processes for lithium iron phosphate (LFP) cathode materials and materials relating to hydrogen manufacture while we expand business for existing low-carbon products.



SMM Vietnam, which produced LFP cathode materials

Examples of Low-Carbon Products



Action for TCFD

Governance	The Group's material issues related to sustainability, including climate change, are identified along with KPIs through discussion by senior management members and confirmed through a resolution of the Board of Directors. Climate risks, opportunities, and strategy pertaining to the Group are also reflected in 3-Year Business Plans, annual budgets, KPI targets, and other areas, and are confirmed through a resolution of the Board of Directors. The Carbon Neutrality Committee meets regularly to deliberate on and manage climate change-related matters pertaining to the Group. Initiatives and performance in regard to KPI targets are then reviewed by the Sustainability Committee and an overview is reported to the Board of Directors.
Strategy	Regarding climate change risks and opportunities that could arise in business activities, the SMM Group assumes that changes in the business environment due to the external environment include regulatory changes, technological progress, market changes, and natural disasters, and we consider the impact of each of these on business and strategy in each area, such as products and services, R&D investment, operations, and GHG emission reduction and response measures. Based on the results of this analysis, we formulate Group strategies, and these are reflected in 3-Year Business Plans. These strategies are also discussed by the Carbon Neutrality Committee and reviewed by the Sustainability Committee.
Risk management	The climate change risks identified through scenario analysis are monitored and measured by the Carbon Neutrality Committee, which also takes corrective measures and revises strategies when necessary, and are reviewed by the Sustainability Committee. Climate change risk is also managed by the Group's risk management system and Risk Management Working Group, based on consideration of the impact on other individual risks such as occupational accidents, environmental pollution, quality failures, and legal violations.
Metrics and targets	<div>To achieve carbon neutrality by 2050 we formulated interim targets for 2030 and announced roadmap. We have also set and are pursuing targets for contribution to reducing GHG emissions at a society-wide level through the supply of secondary battery cathode materials for use in automobiles and near-infrared absorbing materials produced by the Group.</div> <div><div>KPI and Results</div><div><div>1</div>Take action to reduce GHG emissions by at least 38% (at least 50% in Japan and at least 24% overseas) compared to FY2015 and achieve net zero GHG emissions by 2050 FY2023 GHG emissions: 2,556 t-CO₂e Reduction of 21% compared to FY2015; 36% in Japan and 3% overseas</div><div><div>2</div>Reduce GHG emissions intensity by at least 26% compared to FY2013 GHG intensity in FY2023 increased 3% compared to FY2013</div><div><div>3</div>Expand contribution of GHG reduction by products contributing to a low-carbon society: At least 600 kt-CO₂ FY2023 : 567 kt-CO₂</div></div>

Focus 2

Managing of Tailings Facilities

See Sustainability Report 2024 for more details of respective initiatives.

 Sustainability Report 2024
https://www.smm.co.jp/en/sustainability/library/sustainability_report/

Fundamental Approach

The SMM Group undertakes responsible tailings facility* management throughout its business and secures the management resources necessary to implement tailings facility management measures, thereby minimizing risks and environmental impacts

throughout the lifecycle including planning, design, construction, operation, decommissioning, and post-decommissioning of tailings dams.

* Slag storage facilities (sites for storing unneeded minerals that are generated during ore sorting and other process)

Management of Operated Tailings Facilities

Accumulation sites for tailings and other materials generated by mines pose a risk of major damage if they burst.

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

Our Group thoroughly implements measures to prevent significant environmental accident at decommissioned and closed mines that it manages and tailings facilities managed by CBNC and Taganito HPAL Nickel Corporation (THPAL), both of which are located in the Philippines.

In FY2023, we disclosed information concerning high-risk tailings facilities in accordance with the provisions of the GISTM, established a working group under the Environmental Preservation Subcommittee, and took measures to ensure compliance with the GISTM.

On August 1, 2024, we formulated the Sumitomo Metal Mining Group's Tailings Facility Management Policy based on the GISTM in order to clarify guidelines concerning governance and implementation structures, principles, allocation of management resources, collaboration, preparations for and responses to emergency situations, reviews, and disclosures. In this policy, we make a commitment to securing the resources necessary for conducting tailings facility management activities, cooperating with stakeholders including local communities, mitigating risks throughout the lifecycle from tailings facility planning to decommissioning, and reducing impacts on the environment, as well as providing support for the safety management of tailings facilities at mines and other facilities in which we have invested

 Tailings Facility Information Disclosures in Accordance with the GISTM
https://www.smm.co.jp/en/sustainability/management/pdf/Tailings_GISTM_2024.pdf

Rehabilitation

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

allows the solids to settle down.

CBNC has three tailings facilities and THPAL has one. The CBNC #1 tailings facility reached its storage capacity and completed its role, and accordingly, we are rehabilitating the site to establish an independent and sustainable ecosystem. Rehabilitation

does not simply mean greening, but also making it possible for the area to return into its original state which is conducive to sustaining a natural ecosystem. This involves agroforest technology wherein the forest is established alongside agricultural farming. Thus, vegetables and fruits are also grown in the area. Many local residents and indigenous people are involved in this work, and rehabilitation plays an important role in creating local employment. We perform regular monitoring, and safe and effective management of tailings facilities throughout their lifecycles is confirmed by independent organizations and other concerned parties.



The CBNC Tailings facility after greening

Managing Decommissioned and Closed Mines

We manage the nine decommissioned and closed mines and the associated tailings facilities in Japan indicated in the below table .

Wastewater from mines is generated from mine tunnels and accumulation sites where tailings and other materials were accumulated during mining operations. Such wastewater is primarily acidic and contains heavy metals, and as a result, it is properly treated at a water treatment facility before release.

We conducted assessments of accumulation sites in accordance with statutory management standards, which were revised following the Great East Japan Earthquake in 2011, and through 2018 we invested a total of approximately JPY4.5 billion to strengthen the 11 accumulation sites that failed to meet the standards. As a result, all accumulation sites now satisfy the standards.

In addition, we have responded to the increasing severity of natural disasters in recent years by completing the installation of emergency power generation equipment at each site and taking other measures by FY2023 to prepare for interruption of external power supplies and discontinuation of traffic for up to three days.

Accordingly, going forward, we will continue to soundly manage decommissioned and closed mines while also engaging in facility and infrastructure strengthening and improvement.

Decommissioned and Closed Domestic Mines
(as of July 1, 2024)

Mine Name	Location	Date of Decommissioning or Closure
Kounomai Mine	Hokkaido	October 1973
Kitami Mine	Hokkaido	October 1963
Yoichi Mine	Hokkaido	October 1963
Kunitomi Mine	Hokkaido	March 1945
Omiya Mine	Fukushima	June 1950
Yaso Mine	Fukushima	October 1970
Sazare Mine	Ehime	July 1979
Besshi copper Mine	Ehime	March 1973
Okuchi Mine	Kagoshima	September 1977

Focus 3

Human Rights

See Sustainability Report 2024 for more details of respective initiatives.


 Sustainability Report 2024
https://www.smm.co.jp/en/sustainability/library/sustainability_report/

Basic Approach to Respecting Human Rights

Business operations in resource industries require large-scale development, in many instances which means they often have significant impacts on the local communities. Mineral resource development in particular poses risks of causing human rights violations including child labor. In light of these business characteristics, the SMM Group takes measures to respect the human rights of stakeholders with an emphasis on local residents and indigenous peoples, employees in the supply chain, and Group employees. Our Group supports the UN Guiding Principles on Business and Human Rights, and our Group Corporate Philosophy espouses “respect for all individuals” as its foundation. In accordance with our Group’s human rights policy, promotes initiatives to uphold human rights, including the implementation of due diligence and the operation of grievance (remedy) mechanisms.

Membership of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER)

In addition to the Whistle-blowing System as a grievance mechanism, the SMM Group actively utilizes the platform provided by the third-party organization of JaCER as a mechanism for the potential use of external stakeholders. Zero complaints relating to the SMM Group were fielded through JaCER in FY2023.

 JaCER
<https://jacer-bhr.org/en/about/>

Respecting the Human Rights of Employees

The SMM Group takes action in accordance with its human rights policy to prevent not just violations of human rights, such as child labor and occupational health and safety at Group mines, smelters, and other facilities, but also the occurrence of workplace discrimination and harassment.

Setting December of every year as Human Rights Month, we undertake human rights training throughout our Group. In FY2022, we conducted e-learning on the revised human rights

policy, and we are conducting human rights training with “embracing diversity in creating workplaces where all employees can actively participate” as the themes in our 2021 3-Year Business Plan (FY2022 to FY2024). The SMM Group (domestic) conducts surveys (employment environment surveys) on topics including harassment and communication issues. Based on surveys conducted through questionnaires, we conduct interviews as necessary and take action to correct problems.

Human Rights in the Supply Chain

The SMM Group aims to build a sustainable supply chain in cooperation with its stakeholders. In our supply chains, we monitor risk related to human rights and labor, compliance, quality assurance, and environment and local communities based on international standards and in accordance with “the SMM Group Sustainable Procurement Policy.” Should any issues occur, they are corrected. In regard to the sourcing of minerals in particular, in order to avoid procuring minerals that may have negative impacts such as child labor and other human rights abuses or environmental pollution, we carry out activities with respect to the Organisation

for Economic Co-operation and Development (OECD) guidance and in accordance with “the SMM Group Responsible Mineral Sourcing Policy.”

 Sumitomo Metal Mining Group’s Sustainable Procurement Policy
https://www.smm.co.jp/en/sustainability/management/csr_procurement/

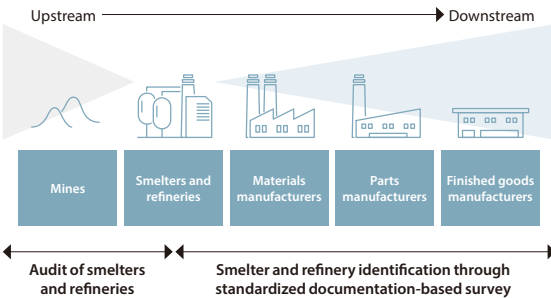
 SMM Group Responsible Mineral Sourcing Policy
<https://www.smm.co.jp/en/sustainability/management/procurement/>

Responsible Mineral Production and Sourcing

We are aware of the importance of ensuring transparency throughout the entire supply chain with respect to the mineral sourcing, which has a long and complex supply chain from upstream to downstream, we undertake responsible mineral sourcing initiatives in line with mechanisms advanced by the international Responsible Minerals Initiative (RMI) to ensure supply chain transparency (see figure on the right). These mechanisms aim to ensure transparency in the supply chain in a more efficient manner by starting with smelters and refineries, which are relatively few in number.

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

At the finished goods manufacturers downstream from the smelters and refineries, a standardized survey is extended for the purpose of identifying the smelters and refineries that produced the minerals used in their products. We have established an approval process for responses to these surveys, which are sent from supply chain to customer companies, and are working to ensure unified responses across the SMM Group.



Rights of Indigenous Peoples

Mine development, smelting, and refining can have a considerable effect on the environment and local communities and there is a risk that the rights of the indigenous peoples living on the land, who generally occupy a vulnerable position in society, will be violated. Therefore, we think it is most important to proceed while gaining the understanding and trust of these indigenous peoples. The Group respects international norms including the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), which provides for consideration of the right to “free, prior and informed consent (FPIC),” a distinctive right of indigenous peoples, as well as at the Position Statement of the International Council on Mining and Metals (ICMM). We will continue to engage in dialogue based on an understanding of the traditions and cultures of indigenous peoples with the aim of developing mutual understanding and trust while cooperating with relevant stakeholders including local governments in the areas where we conduct business.

Dialogue with Experts, NGOs, and NPOs

We work to raise the direct contribution we make to the local economy through measures such as recruiting from areas surrounding our business site and procuring from local suppliers, and we also contribute to improving the living standards of these communities, particularly in emerging nations, by providing infrastructure such as roads and ports, building needed facilities, building and operating public facilities such as schools, hospitals, and marketplaces, providing teaching materials as educational support and the goods required to operate facilities, supporting free healthcare for local communities, and promoting activities that help households to support themselves. When implementing these measures, we establish opportunities for regular communication with local communities and move forward while also checking the requirements of local residents. In addition, twice a year we exchange opinions with the international environmental NGO FoE Japan regarding issues such as the water quality of rivers around Coral Bay Nickel Corporation (CBNC) and Taganito HPAL Nickel Corporation (THPAL), in the Philippines. Those opinions and recommendations are referred to when implementing necessary improvements.

Focus 3

Human Rights

The Sumitomo Metal Mining Group Policy on Human Rights

We, the SMM Group (hereinafter referred to as the Group), support the UN Guiding Principles on Business and Human Rights and promote initiatives to respect human rights based on these principles.

Our SMM Group upholds “Coexistence with the Earth and society” and “Respect for all individuals as the basis” in our corporate philosophy. Our Group aims to focus on its social mission and responsibility as a manufacturing company, and aims to contribute to the formulation of a sustainable society by securing resources and providing society with non-ferrous metals and high-performance materials.

The Group's long-term vision is to become a “World Leader in the Non-Ferrous Metals Industry”, and our sustainability policy upholds that we will “contribute to the development of a sustainable society, and we are working to improve both our sustainable growth as a business and our corporate value”.

From among the key social issues that are closely related to our Group, 11 material issues have been identified, including “Diverse Human Resources”, “Development and Participation of Human Resources”, “Co-Existence and Mutual Prosperity with Local Communities”, “Rights of Indigenous Peoples” and “Human Rights in the Supply Chain”. Our SMM Group has also formulated the “SMM Group Vision for 2030” and KPIs as milestones in its long-term vision to address these issues, and is promoting initiatives.

We will continue to follow the Sumitomo Business Spirit, which is the basis of our Group, and aim to become a company recognized by society as the “World Leader in the Non- Ferrous Metals Industry”.

1. Our Group's approach to respect for human rights

Our Group understands that all our business activities may directly or indirectly affect human rights.

Our Group takes utmost care not to infringe on the human rights of all people, avoids causing or contributing to adverse human rights impacts through our business activities, and works towards correcting and remedying any such situation that may arise.

Where stakeholders, in particular business partners such as suppliers, are involved in adverse human rights impacts, the Group encourages them not to infringe on the human rights and cooperates with efforts for correction and remedy.

In actual efforts, we will particularly focus on the three areas of “Employees”, “Local Residents and Indigenous Peoples” and “Supply Chain (including employees therein)”.

2. Commitments on fundamental human rights issues

- 1) Respect for children's rights and prohibition of child labor
We respect the fundamental human rights of children under 18 years of age and engage in relevant business activities and social contribution activities. We do not permit child labor, especially the worst forms of child labor, such as slave labor through forced recruitment in times of conflict, and labor that is harmful to the health and safety of children.
- 2) Prohibition of forced labor
We do not recognize modern slavery in the form of forced labor, debt labor (work in situations where a person is forced to work for an employer to repay a debt) and human trafficking.
- 3) Prohibition of discrimination
Discrimination, harassment and bullying on the basis of race, religion, gender, age, sexual orientation, disability, nationality and other factors are not permitted in employment and work situations.
- 4) Respect for basic labor rights
We respect basic labor rights (such as freedom of association and workers’ right to collective bargaining) and engage in constructive dialogue between labor and management.
- 5) Working hours and wages
We endeavor to properly manage working hours, holidays and leave in accordance with laws and regulations, including reducing excessive working hours, and we pay wages at or above the minimum wage stipulated by laws and regulations.
- 6) Occupational health and safety
We actively address to ensure a safe and healthy working environment and give top priority to safety and health for life and limb.

3. Scope of application

This policy applies to all executives and employees of the SMM Group (Sumitomo Metal Mining Co., Ltd. and its subsidiaries). Our SMM Group also expects and encourages stakeholders directly linked to our operations, products or services, in particular business partners, to understand and support this policy.

4. Respect for International Norms on Human Rights

Our Group, in cooperation with its stakeholders, will address to respect human rights in accordance with the following international norms and standards.

In addition, our Group will comply with all applicable laws and regulations in the regions where we operate.

In the unlikely event of a conflict between these laws and regulations and international norms on human rights, we will seek

ways to respect international norms while complying with the laws and regulations.

- UN Guiding Principles on Business and Human Rights
- International Bill of Human Rights (“Universal Declaration of Human Rights”, “International Covenant on Civil and Political Rights”, and “International Covenant on Economic, Social and Cultural Rights”)
- International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- ILO Tripartite Declaration of Principles on Multinational Enterprises and Social Policy
- United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)
- The 2030 Agenda for Sustainable Development (SDGs)
- Convention on the Rights of the Child
- OECD Due Diligence Guidance for Responsible Business Conduct
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
- International Council on Mining and Metals (ICMM) Mining Principles
- Voluntary Principles on Security and Human Rights

5. Governance and Promotion Structure

The Diversity Subcommittee and the Human Rights Subcommittee, which are subordinate organizations of the Sustainability Committee chaired by the President, shall report regularly on the status of compliance with this policy and the Group's efforts to respect human rights to the Sustainability Committee, which is overseen by the Board of Directors, and reflect this information in the Group's business policies and procedures.

6. Human Rights Due Diligence

In accordance with the OECD Due Diligence Guidance for Responsible Business Conduct and other guidelines, our Group will conduct the human rights due diligence in the following steps. In doing so, our Group will strive to utilize the human rights expertise and engage in meaningful consultation with stakeholders.

- 1) Identify and assess adverse impacts associated with our Group's operations, either directly or indirectly.
- 2) Integrate the results of the assessment into the company's processes, including allocating budgets to address any adverse impacts identified as a result of the assessment.
- 3) Seek to cease, prevent and mitigate adverse impacts.
- 4) Monitor and track the status of implementation and carry out assessments of the effectiveness of our Group's initiatives.
- 5) Disclose information on the status of the implementation and the effectiveness.

7. Grievance Mechanism

Our Group will establish a grievance mechanism that is accessible to all stakeholders, including not only employees of our Group but also employees in the supply chain, local residents and indigenous peoples, and that aims to resolve grievances by consensus through dialogue

8. Dialogue and Consultation with Stakeholders


Our Group will engage in dialogue and consultation with stakeholders, including human rights experts, labor unions, customers and business partners, to promote comprehensive measures based on expertise and a broad range of perspectives for the adaption and the revision of this policy and for our Group's efforts to respect human rights.

In addition, we will raise awareness and provide training to all executives and employees of our Group to promote their understanding of this policy and their engagement in initiatives to respect human rights.

9. Reporting and Information Disclosure

Our Group will regularly disclose the progress of its initiatives based on this policy.

This policy was formulated with the assistance of human rights experts, discussed within the Sustainability Committee of Sumitomo Metal Mining Co., Ltd. and approved by the Board of Directors.

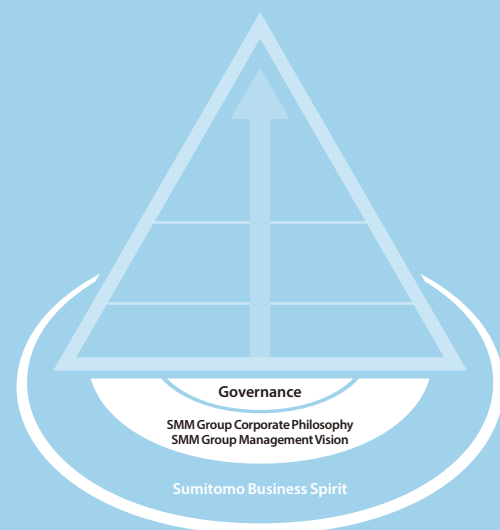


Akira Nozaki
President and Representative Director
Amended on June 1, 2022



Foundations Supporting Value Creation

104	Corporate Governance
118	Messages from the Outside Directors
120	Tax Governance
122	Compliance
124	Risk Management
127	Quality Assurance
130	Occupational Health and Safety
132	Environmental Management
134	Information Security
136	Directors and Audit & Supervisory Board Members



SMM has established the SMM Group Corporate Philosophy based on the Sumitomo Business Spirit. Through striving to enhance our corporate governance, we realize our corporate philosophy, make positive contributions to society, and fulfill our responsibilities to our shareholders and all other stakeholders.

What we want to convey in this chapter

SMM has voluntarily established the Governance Committee. In FY2023 discussions focus mainly on the selection of a new president and new management team.

In messages from outside directors, Taeko Ishii and Manabu Kinoshita, who are members of the Governance Committee, talk about what they see as important in the appointment of a new president.

In the light of analysis and evaluation of the effectiveness of auditing by Audit & Supervisory Board members and the Audit & Supervisory Board, we are studying the establishment of a body where auditors can share information.

SMM has built and is operating management systems relating to compliance, risks, quality, safety, and environment, respectively.

Corporate Governance

Basic Approach

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

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

Formulating Corporate Governance Guidelines

SMM has established Corporate Governance Guidelines which cover our basic philosophy on corporate governance and our

corporate governance framework, including our relationship with stakeholders. More details are available on the Company's website.

Overview of Corporate Governance Framework (As of June 26, 2024)

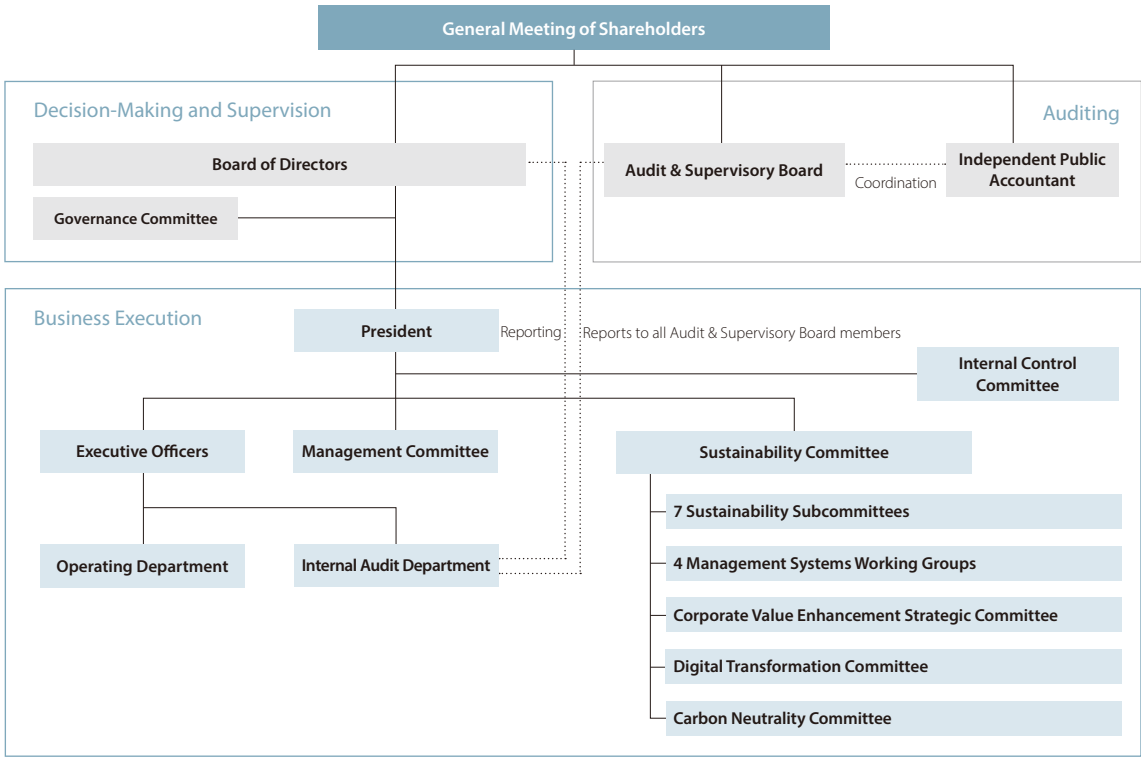
Institutional design	Company with an Audit & Supervisory Board
Number of Directors/Term of office	8/1 year
Number of directors who are independent outside directors	3
Chairman of the Board of Directors	Akira Nozaki
Engagement by outside directors in the selection of director candidates	Yes
Engagement by outside directors in the determination of remuneration	Yes
Independent Public Accountant	KPMG AZSA LLC

Corporate Governance Guidelines
https://www.smm.co.jp/en/ir/management/governance_policy/

Corporate Governance Framework

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

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

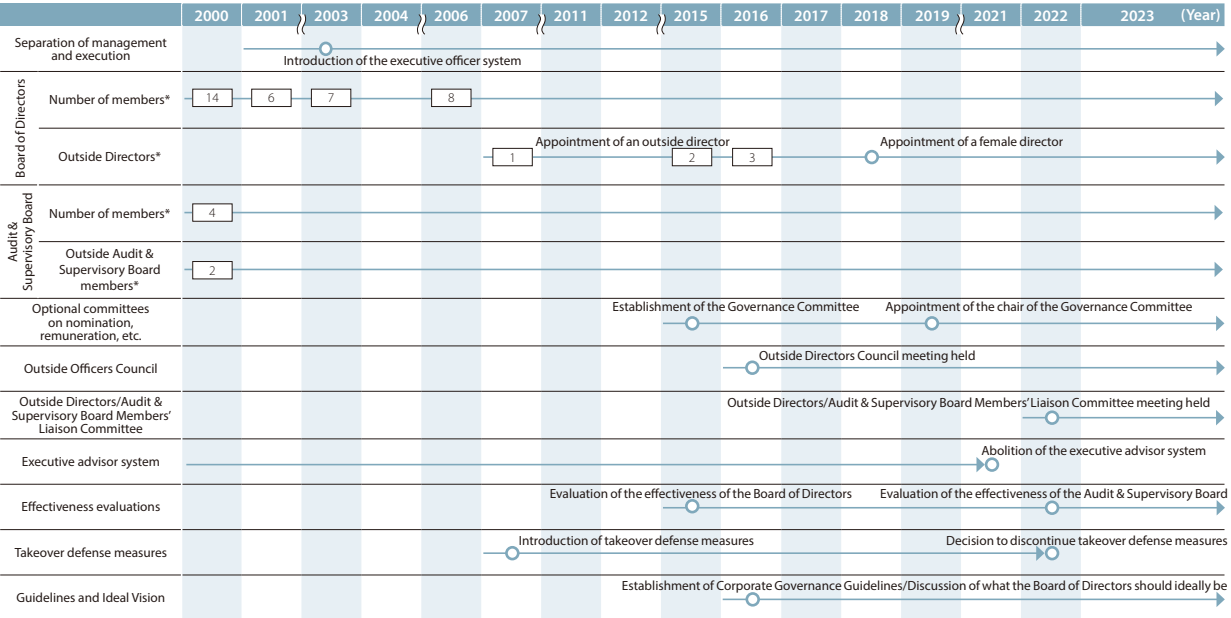


Initiatives to Strengthen Governance

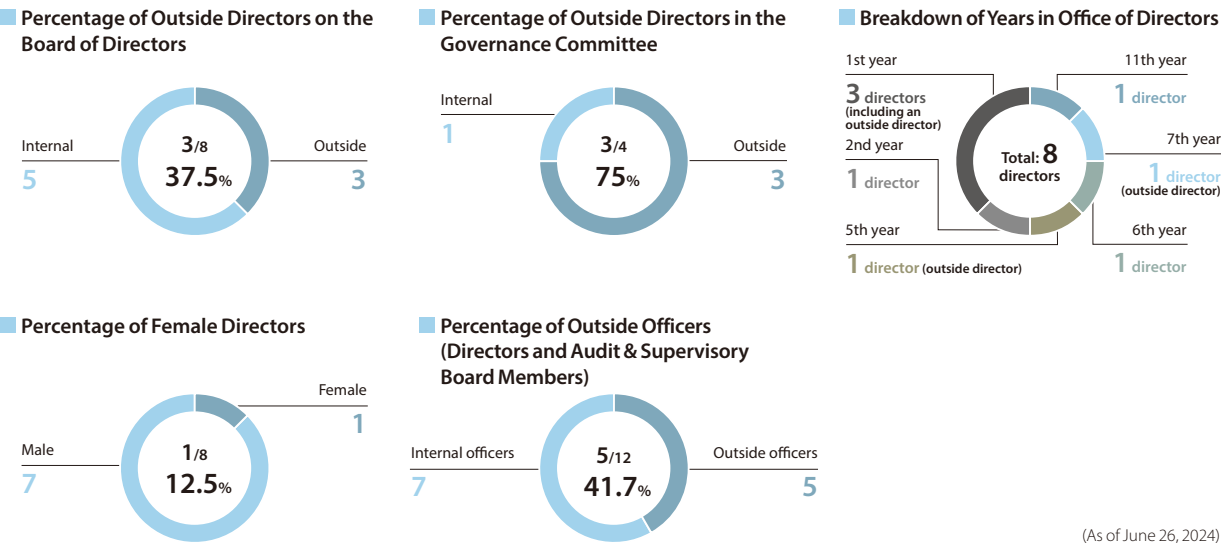
SMM positions corporate governance as one of the most important issues in our management, and is taking steps to strengthen governance. We continue to constantly review, improve, and deepen the current state of our corporate governance in light of legal revisions and social circumstances in order to achieve even

better corporate governance. Measures to reinforce the Company's governance include the appointment of outside directors since 2007, the establishment of the Governance Committee, which is an optional body, implementation of evaluations of the effectiveness of the Board of Directors, and various other improvements.

Transitions in Governance at SMM



*The Number of members are after the General Meeting of Shareholders.



(As of June 26, 2024)

Corporate Governance

What the Board of Directors Should Ideally Be

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


Furthermore, in view of the distinctive characteristics of the SMM Group’s business operations, it is important to strengthen the management infrastructure (particularly regarding compliance, safety, and the environment) and therefore necessary to establish

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

* Independent authority system: Audit & Supervisory Board Members can independently exercise their authority including investigative authority, injunctive authority, and so on.

Decision-Making and Supervisory System

Directors and the Board of Directors



Chairman: Akira Nozaki
(Chairman of the Board who is not an executive officer)
Term of office: 1 year
Meetings held in FY2023: 16

8 directors (3 outside directors)

*As of June 26, 2024

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

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

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

Other reports on the progress of sustainability activities are made at least twice a year and opinions on sustainability are exchanged once a year. In FY2023, the exchange of opinions was

Main Agenda Items at Board Meetings

- Matters relating to existing and new projects in each business (resolution)
- Borrowings and other financing (resolution)
- Establishment or revision of important rules and regulations, including water policy (resolution)
- Cross-shareholdings (reporting)
- Dialogue with institutional investors (reporting)
- Planning and results of auditing by Audit & Supervisory Board members and internal auditing (reporting)
- Personnel system-related matters, etc. (reporting)
- Sustainability issues (discussion)
- Responses for achieving management with an awareness of capital costs and stock prices (discussion)

held on the details of progress and issues to be addressed in the future in light of changes in the external environment. In addition, the status of use of the Whistle-blowing System (Speak Up System) and the status of responses are regularly reported. Also, complaints received by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), a contact point for receiving complaints from suppliers and other external parties, are also subject to reporting as a grievance (remedy) mechanism.

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

concern reported in FY2023.

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

The status of dialogue with investors is reported from the Public Relations & Investor Relations Department once a year.

Governance Committee



Chair: Taeko Ishii (outside director)
Meetings held in FY2023: 6
(3 nomination meetings, 2 remuneration meetings, 1 general governance meeting)

4 Governance Committee members
(3 outside directors)

*As of June 26, 2024

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

Auditing System

Audit & Supervisory Board



Chairman: Koji Imai (Standing Audit & Supervisory Board member)
Meetings held in FY2023: 15

4 Audit & Supervisory Board members
(2 outside Audit & Supervisory Board members)

*As of June 26, 2024

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

In order to ensure managerial soundness and increase the corporate value of the Company, and in accordance with the audit policies, audit plans, and other such matters prescribed by the Audit & Supervisory Board, each Audit & Supervisory Board member will attend meetings of the Board of Directors and other important meetings, receive reports from directors, executive

Role and Function of Outside Directors

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

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

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

officers, and employees regarding the status of the performance of their duties, and, through on-site inspection activities at domestic and overseas business sites, confirm the status of business execution, inherent issues, and the establishment and operation of internal control systems. In addition, information collected by the standing Audit & Supervisory Board members through inspection of important approval and other such documents and reports from related departments is shared with the outside Audit & Supervisory Board members and discussed among all Audit & Supervisory Board members.

Main Agenda Items at Audit & Supervisory Board Meetings

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

Corporate Governance

Role and Function of Outside Audit & Supervisory Board Members

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

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

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

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

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

are delivered to executive officers and the heads of operational divisions. In FY2023, Audit & Supervisory Board members attended such meetings 20 times. KPMG AZSA LLC, an independent registered public accounting firm, audits the consolidated financial statements and the effectiveness of the internal control over financial reporting. Audit & Supervisory Board members provide details of audit plans to the independent public accountant. Audit & Supervisory Board members in turn receive explanations regarding audit plans and reports on audit results and reports reviewing each quarter from the independent public accountant. In this manner, close collaboration is maintained between the independent public accountant and Audit & Supervisory Board members.

Collaboration with Outside Directors

Meetings of the Outside Directors/Audit & Supervisory Board Members’ Liaison Committee

Meetings of this committee have been held since FY2022 to facilitate regular exchanges of opinions and the development of shared awareness of issues among the outside directors and the Audit & Supervisory Board members, who are independent from management. In FY2023, the committee met in August and March, and the Audit & Supervisory Board members provided general information on the results of on-site audits and wide-ranging opinions were exchanged.

Other

Action plans for on-site audits, interviews of heads of operational divisions, and so on were shared with the outside directors, and in FY2023, outside directors participated in some on-site audits and attended division head interviews.

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

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

With regard to the selection of executive officer candidates, the president, based on the recommendations from the executive officers, comprehensively considers the knowledge, experience, ability, insight and other attributes of the candidates in accordance with the same approach as when nominating candidates for

director, and the same procedures shall be used to determine director candidates.

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

With regard to the nomination of Audit & Supervisory Board member candidates, the president comprehensively considers the qualifications, knowledge (including that of finance, accounting, and law), experience, ability, insight and other attributes of the candidates and, after obtaining the prior approval of the Audit & Supervisory Board, proposes the qualified candidates to the Board of Directors, which then determines the nominations.

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

The succession planning for holders of the office of chief executive officer (president and director) is developed 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, 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.

In selecting of the candidates for executive officers who serve as a 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.

Corporate Governance

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

The Board of Directors achieves a diverse composition by including both members from within the Company who are thoroughly familiar with each area of the Company’s business as well as outside experts with knowledge, experience, ability, insight and other attributes different from that of the members from within the Company. Based on “what the Board of Directors should ideally be,” as stated in the Corporate Governance Report, the skill matrix for the Company’s directors and Audit & Supervisory Board members was created and is shown below. Each skill item has been selected through discussions by the Board of Directors, focusing on those required to realize the Company’s long-term vision and

Vision for 2030. As the knowledge, experience, ability, insight, and other attributes required of the Company’s Board of Directors may change in response to changes in management strategies and the external environment, the Board of Directors will continue to discuss the necessary knowledge, experience, ability, insight, and other attributes, and update the skills matrix as necessary. The size of the Board of Directors will be appropriate to conducting active discussions and ensuring the briskness of the Board. One-third or more of the Directors will be independent outside directors in order to strive for greater managerial transparency.

Skills Matrix for Board of Directors

Knowledge, experience, ability, etc. possessed by directors and Audit & Supervisory Board members that the Company believes will contribute to the effectiveness of the Board of Directors											
Category	Name	Years in Office (As of June 26, 2024)	General Corporate Management, Sustainability	Global Capability (International Experience)	Business, Marketing	R&D, anufacturing, Engineering	Quality, Safety, Environment	Finance, Accounting	Human Resources	Legal, Compliance	
Directors	Akira Nozaki	10 years	●	●	●			●			
	Nobuhiro Matsumoto	5 years	●	●	●	●	●				
	Masaru Takebayashi	1 year	●	●	●	●	●				
	Hiroshi Yoshida	—	●	●	●			●	●	●	
	Hideyuki Okamoto	—	●	●	●	●	●				
	Taeko Ishii Outside	6 years							●	●	
	Manabu Kinoshita Outside	4 years	●		●				●		
	Koji Takeuchi Outside	—			●	●					
Audit & Supervisory Board Members	Koji Imai	3 years								●	
	Tsuyoshi Nozawa	2 years	●				●	●			
	Shoji Wakamatsu Outside	3 years						●			
	Tsuguya Ieda Outside	—		●	●			●	●		

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


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

 [The Corporate Governance Report](https://www.smm.co.jp/en/news/release/uploaded_files/240711_CGR_E.pdf)
https://www.smm.co.jp/en/news/release/uploaded_files/240711_CGR_E.pdf

Outside Directors and Outside Audit & Supervisory Board Members

Functions and Roles in Corporate Governance	
Taeko Ishii Outside Director Attendance (FY2023) Board of Directors meetings 15/16 (93%)	Ms. Taeko Ishii has specialist knowledge and abundant experience as a lawyer, especially in the field of labor law. Ms. Taeko Ishii participates in the Board decision-making, providing her advice regarding compliance and personnel/labor related fields, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the Group by utilizing her knowledge and experience. She also performs a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nominations and remunerations of directors and executive officers as a member of the Governance Committee. Accordingly, she realizes the further improvement of quality of the decision-making by the Board of Directors and the enhancement of the monitoring function.
Manabu Kinoshita Outside Director Attendance (FY2023) Board of Directors meetings 16/16 (100%)	Mr. Manabu Kinoshita had served as Senior Executive Vice President of NEC Corporation and has abundant knowledge and experience in managing a company and regarding digital business. He participates in the Board decision-making, providing his advice regarding material business and digital fields where the business environment is changing significantly, which is aimed toward the sustainable growth and medium- to long-term enhancement of the corporate value of the Group by utilizing his knowledge and experience. He also performs a check function on management by participating in decision-making at the Board of Directors from an independent and objective standpoint, and to oversee the management on behalf of shareholders and other stakeholders by being involved in decision-making regarding nominations and remunerations of directors and executive officers as a member of the Governance Committee. Accordingly, he realizes the further improvement of quality of the decision-making by the Board of Directors and the enhancement of the monitoring function.
Koji Takeuchi Outside Director Attendance (FY2023) Board of Directors meetings —	Mr. Koji Takeuchi has abundant experience in the research and development of substrate materials for semiconductor packaging as well as in the electronic materials business at Ajinomoto Co., Inc. He also had served as Member of the Board and Vice President of its major subsidiary and has abundant knowledge and experience in corporate management and regarding advanced materials. He is expected to participate in the Board decision-making, providing his advice particularly on research and development as well as materials business, 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 remunerations of directors and executive officers as a member of the Governance Committee. Accordingly, the Company expects that Mr. Koji Takeuchi will realize the further improvement of quality of the decision-making by the Board of Directors and the enhancement of the monitoring function, and has appointed him as Outside Director.
Shoji Wakamatsu Outside Audit & Supervisory Board Member Attendance (FY2023) Board of Directors meetings 16/16 (100%) Audit & Supervisory Board meetings 15/15 (100%)	Mr. Shoji Wakamatsu has many years of auditing and management experience at an audit firm and a wealth of knowledge about accounting. He carries out effective audits, especially regarding accounting, based on his own knowledge and experience in order to ensure the soundness of the Group’s management and improve its corporate value over the medium to long term, while fully coordinating with standing Audit & Supervisory Board members. In addition, as part of the audit process, he participates in important meetings, including Board of Directors meetings, and during the decision-making process actively expresses his frank opinions from an independent and objective standpoint, including not only the legality but also the appropriateness of proposals.
Tsuguya Ieda Outside Audit & Supervisory Board Member Attendance (FY2023) Board of Directors meetings — Audit & Supervisory Board meetings —	Mr. Tsuguya Ieda has abundant and extensive experience in financial institutions and knowledge about corporate management. He is expected to carry out effective audits based on his main knowledge about and experience in the financial sector, while fully coordinating with full-time Audit & Supervisory Board Members, which is aimed toward the ensuring of the soundness of the Group’s management and mid- to long-term enhancement of the corporate value of the Company and its groups. 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, and has appointed him as Outside Audit & Supervisory Board Member.

The concurrent occupations of outside directors and outside Audit & Supervisory Board members (as of March 31, 2024) are listed in the Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.

 [The Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders](https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf)
https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf

Standard for Independence

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

 [Standard for Independence](https://www.smm.co.jp/en/ir/management/governance_policy/)
https://www.smm.co.jp/en/ir/management/governance_policy/

Outside Officers Council

The Outside Officers Council has been meeting since August 2016 as an informal gathering attended only by outside officers (outside directors and outside Audit & Supervisory Board members) to provide opportunities for exchanging opinions and sharing information. In FY2023, meetings were held in August and March, and opinions were exchanged on a wide range of topics including trends in corporate governance and improving the effectiveness of the Board of Directors.

Corporate Governance

Training Policy for Directors and Audit and Supervisory Board Members

The training of directors and Audit & Supervisory Board members is based on the self-improvement of each individual, and therefore the Company contributes to self-improvement by providing opportunities for training either directly or as an intermediary, and provides support for the costs thereof.

Specifically, the Company provides 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 provides

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 provides information on other training opportunities such as external seminars.

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

Basic Policy and Procedures for Remuneration of Directors

Basic Policy

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

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

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

The detailed outline of the “Policy on determining the details of remunerations for each Director” are included in the Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.

 **The Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.**
https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf

The ratio of fixed remuneration to performance-based remuneration for eligible directors in the current fiscal year will be approximately 2:1.

Matters Related to Performance-based Remuneration

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

Reason for Selection of Above Indicators

Consolidated results (profit attributable to owners of the parent, profit before tax)
Because these indicators are key measures of the Company's corporate management performance, and are the profitability targets that it aims to achieve as part of its long-term vision.

Departmental results
The three absolute values of efficiency, cash flow, and profit were selected in order to evaluate performance in a balanced manner.

Degree of attainment of personal targets under medium- to long-term management strategies*1
Because the steady implementation of plans with a medium- to long-term perspective is essential in order to increase our corporate value in a sustainable manner.

Safety record
Because we believe that securing a safe workplace is our operating foundation.

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

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

The amount of performance-based remuneration, etc. is calculated by adding an amount reflecting individual performance to an amount of position-specific performance-based remuneration, etc.

The details of each calculation method are provided in “Matters related to performance-based remunerations, etc.” of the Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.


Moreover, there are no sign-on bonuses or recruitment incentive payments, termination payments, clawback systems, or retirement benefits.

Annual Total Compensation Ratios (FY2023)

Ratio of the average annual total compensation for the organization's highly-paid individuals to the total compensation for all employees*2	975%
Ratio of the percentage increase in average annual total compensation for the organization's highly-paid individuals to that for all employees*3	—

*2 Average annual total compensation for the organization's highly-paid individuals is calculated as annual total compensation for internal directors (plus the employee salaries of any directors concurrently serving as employees) divided by the number of internal directors. This ratio is calculated as average annual total compensation for the organization's highly-paid individuals divided by the median annual total compensation for all employees x 100.

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

 **The Document of Matters Subject to Measures for Electronic Provision Regarding the 99th Ordinary General Meeting of Shareholders.**
https://www.smm.co.jp/en/ir/stock/meeting/pdf/2024/no99_houkoku_E.pdf

Management Remuneration as an Incentive

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

Given these characteristics of its business, the Company has

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

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

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

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

Corporate Governance

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

FY2023 Director and Audit & Supervisory Board Member Remuneration

Officer Classification	Total Remuneration	Total amount of remuneration, etc. by remuneration type			Number of Officers
		Fixed remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding outside directors)	JPY345 million	JPY252 million	JPY93 million	—	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	JPY68 million	JPY68 million	—	—	2
Outside directors	JPY41 million	JPY41 million	—	—	4
Outside Audit & Supervisory Board members	JPY25 million	JPY25 million	—	—	2

Directors whose total remuneration, etc. is JPY100 million or more are disclosed individually in the Company's Annual Securities Report.

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

The Board of Directors analyzes and evaluates the effectiveness of its performance from the perspective of appropriate decision-making for business execution and enhancing monitoring functions. In FY2023, the Board of Directors analyzed and evaluated the effectiveness of the Board of Directors, with the following results.

1. Analysis and evaluation process

The Company engaged a third-party organization, Japan Board Review Co., Ltd., to assist in the analysis and evaluation. A questionnaire to Directors and Audit & Supervisory Board members was prepared based on data for Board meetings, meeting minutes, and prior discussion among the third party, the Chairman of the Board of Directors, who assumes the chairmanship of the Board, and the President and Representative Director, who is the officer with ultimate responsibility for business execution. In addition, individual interviews with all respondents by the third party were conducted for the first time in three years, and a new mutual evaluation within the categories of Inside Director, Outside Director and Audit & Supervisory Board member was conducted in the interviews.

The Board of Directors deliberated on the effectiveness of the Board of Directors at the ordinary meeting held in February 2024, based on the report from the third party and the “what the Board of Directors should ideally be (aiming for a Board of Directors that emphasizes decision-making functions)” confirmed in FY2016, and confirmed its evaluation and future actions.

2. Overview of analysis and evaluation results

1) Questionnaire responses and interview results
Major items related to the roles and composition of the Board of

Directors were rated highly and specifically as follows.

(1) With regard to the “role and function of the Board of Directors,” it was shared that the Board of Directors aims to be a “Board of Directors that emphasizes decision-making and supervises through decision-making.” A shared understanding of the roles and functions of the chairman, outside directors, and inside directors, and Audit & Supervisory Board members was well established. The idea that changes are necessary toward the future was also indicated.

(2) The decision-making process, which is discussed at the Management Committee and submitted to the Board of Directoes is appropriate and allowed for active and essential discussion.

(3) The size and composition of the Board of Directors is appropriate from the perspective of active discussion, decision-making, knowledge, and experience. There is also an opinion that it is necessary to further ensure diversity in terms of gender and expertise.

(4) Appropriate efforts are being made to address issues identified in the last year as those to be continuously addressed (securing appropriate human resources, etc.) .

(5) Important management issues and sustainability were adequately deliberated by the Board of Directors through open and active discussions. Implementation status of proposals and its results were also appropriately followed up. On the other hand, there is an opinion that medium- to long-term competitive advantages needed to be further discussed for the future.

(6) The composition of the Governance Committee is appropriate, and its role is clearly defined.

(7) The system to support outside directors is adequate. Their cooperation and communication with Audit & Supervisory Board

members is also sufficient.

2) Issues identified from the responses to the questionnaire and the results of the interviews (suggestions for improvement by the third-party organization)

(1) Medium- to long-term business direction and strategies, including sustainability, should be further discussed for strengthening supervisory function through decision-making.

(2) The operation of the Board of Directors meetings should be further improved (e.g.,by systematically setting discussion themes).

3) Response to the above issues (deliberations at Board of Directors meetings)

(1) Important themes among the medium-to-long-term business direction and strategies, will be systematically handled as discussion themes. The holding of off-site meetings for this purpose will also be considered.

(2) Board meetings material will be further enriched to improve the quality of discussion.

3. Future steps

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

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

In order to ensure managerial soundness and increase the corporate value of the Company's group, the Audit & Supervisory Board Members audit the execution of duties by directors and executive officers in accordance with the audit policies, audit plans, and other such matters prescribed by the Audit & Supervisory Board. In order to confirm and improve the effectiveness of the audits performed by Audit & Supervisory Board members and the Audit & Supervisory Board's activities, the Audit & Supervisory Board analyzes and evaluates their effectiveness.

Through this analysis and evaluation of the effectiveness, the Audit & Supervisor Board review the audits and activities during the previous fiscal year, consider issues to be improved and how to address them, and incorporate the findings in the next fiscal year's audit plan and day-to-day audit activities.

1. Analysis and evaluation process

We engaged an outside professional organization, Anderson Mori & Tomotsune, to conduct the analysis and evaluation from an independent and objective standpoint. Based on the results, the Audit & Supervisory Board conducted a self-evaluation and discussed key matters.

Specifically, the outside professional organization reviewed documents related to the Company's audit activities and the Audit & Supervisory Board in FY2023, based on which the following process was performed:

(1) Questionnaires for all Audit & Supervisory Board members

(2) Individual interviews with all Audit & Supervisory Board members

(3) Interviews with the administrative office of the Audit & Supervisory Board

(4) Discussions at Audit & Supervisory Board meetings based on results of the evaluation and findings by the outside professional organization.

2. Overview of the analysis and evaluation results (overall rating)

The outside professional organization reported that “the evaluation concluded that fruitful audit activities were carried out” by the Audit & Supervisory Board. The Audit & Supervisory Board confirmed this evaluation and the following points and rated that the Audit & Supervisory Board were effectively functioning and the audits were effective.

1) Again in FY2023, based on audit plans Audit & Supervisory Board members performed audits mainly through attendance at important meetings including Board of Directors meetings and various committees, interviews with executives including representative directors, and on-site inspections at sites and affiliated companies; checked the status of business execution by directors, etc.; confirmed that the establishment and operation of the internal control system had been effectively implemented; and made necessary representations of their opinions as well as remarks.

2) The Company's outside Audit & Supervisory Board members attended important meetings as many as possible and conducted on-site inspections in cooperation with full-time Audit & Supervisory Board members. As a result, outside Audit & Supervisory Board members bore greater burden in conducting audit activities compared to outside Audit & Supervisory Board members at other companies.

3) In auditing, Audit & Supervisory Board members including outside

Corporate Governance

Audit & Supervisory Board members not only attending important meetings and providing their opinion, but also placed importance on observing sites and affiliated companies with their own eyes and communicating directly with local responsible personnel from the perspective of the independent decision-making system applicable to Audit & Supervisory Board members. In addition, Audit & Supervisory Board members played certain roles because they communicated findings obtained during routine audit activities to management personnel, heads of divisions, and organizations that received on-site inspections in the form of statements made during meetings, delivery of investigation reports, etc. and such findings were utilized for future management.

3. Issues and future actions for them

Based on the overall rating in 2. above and from the viewpoint of further enhancing audit activities by the Company's Audit & Supervisory Board, the outside professional organization pointed out issues.

Although many points were discussed on the basis of those issues, the following are the major issues and actions that were confirmed to be addressed and taken by the Audit & Supervisory Board, respectively. The Audit & Supervisory Board will also continue to examine other issues.

1) Issues concerning information sharing and cooperation among Audit & Supervisory Board members

Each regular Audit & Supervisory Board meeting is currently held before the succeeding ordinary Board of Directors meeting and therefore the time for discussion at regular Audit & Supervisory Board meetings is limited. Therefore, information is shared and opinions exchanged appropriately among Audit & Supervisory Board members not only during but also outside regular Audit & Supervisory Board meetings. In order to conduct more meaningful audit activities through in-depth discussions on

issues identified or questions raised by Audit & Supervisory Board members, establishment of a new forum for discussion between all Audit & Supervisory Board members will be considered, and the results of such discussions recorded.

2) Issues concerning information sharing with Audit & Supervisory Board members of affiliated companies

In general, the risk of scandals is increasing in subsidiaries. It is therefore important to communicate with dedicated Audit & Supervisory Board members of affiliated companies. Currently, communication is promoted through the attendance of full-time Audit & Supervisory Board members at dedicated Audit & Supervisory Board member liaison meetings that are held with full-time Audit & Supervisory Board members of affiliated companies every two months. It will be examined to share information obtained from dedicated Audit & Supervisory Board members of affiliated companies further with outside Audit & Supervisory Board members.

3) Issues concerning follow-up after audit activities

It is important to follow up the status of improvement of actions, etc. taken by executives in response to feedback expressed and remarks made by Audit & Supervisory Board members to executives in on-site inspection reports or during Board of Directors meetings regarding results of audits and discussions at Audit & Supervisory Board meetings. Accordingly, the Company will consider confirming and recording the status of follow-up actions taken by executive management regarding highly significant matters among the remarks made by Audit & Supervisory Board members to executives.

The Audit & Supervisory Board and its members will further improve the effectiveness of audit activities and strive to contribute to strengthening the management infrastructure and improving the corporate value of the Company's group.

Business Execution Structures and System

Management Committee

The membership of the Management Committee includes the president, senior managing executive officers, and other related executive officers, and its meetings may also be attended by the chairman of the Board of Directors, outside directors, and Audit & Supervisory Board members.

The Management Committee deliberates on important matters requiring careful consideration from a wide range of perspectives prior to their submission for the Board of Directors resolutions or

approval by the president, deciding whether or not matters should be submitted to the Board of Directors, and assisting the president's decision-making.

When making investments or equity contributions, we use a project risk check sheet for committees, primarily the Management Committee, to carry out deliberations regarding human rights issues such as discrimination, forced labor, and child labor, and also the political system, economy, law and order, locally-specific diseases, labor issues, religious restrictions, and the impact on the local community.

Sustainability Committee and Internal Control Committee

The Company has systemized its social and environment initiatives as sustainability promotion activities and is expanding them throughout the Group. In order to promote these activities, the Sustainability Committee (headed by the president) has been

Cross-Shareholdings

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

With regard to the exercise of voting rights in cross-shareholdings, the Company determines whether to vote for or against each proposal after giving comprehensive consideration, based on the financial results and other aspects of the financial condition of each of the issuing companies, to matters such as whether each proposal will contribute to increasing the corporate value of, or enhancing shareholders' interests in, that company over the medium to long term, and what impact it will have on the Company's corporate value or shareholders' interests. In order to determine whether to approve or reject proposals, the Company will engage in dialogue with the issuing company regarding the contents of each proposal, etc., as necessary. Decisions on voting are made particularly cautiously in circumstances such as cases of companies affected by major scandals or by persistent losses.

■ Number of Issues Reduced (stocks other than unlisted stocks)

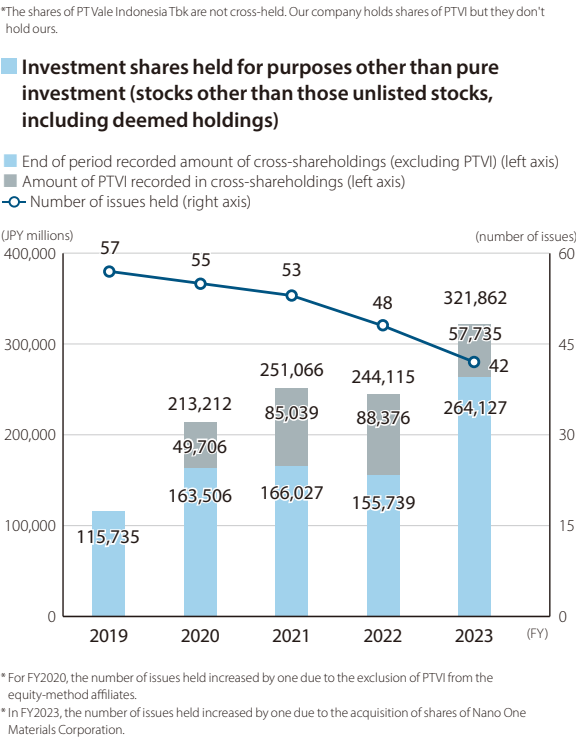
	2019	2020	2021	2022	2023	(FY)
Whole sale	4	3	2	5	7	
Partial sale	1	1	3	3	4	

established. 7 Sustainability Subcommittees and four Management System Working Groups have also been established under the Sustainability Committee, and the Company has also established the Corporate Value Enhancement Strategic Committee, Digital Transformation Committee, and Carbon Neutrality Committee. Sustainability Committee P. 86-87

Relationship with PT Vale Indonesia Tbk

SMM owns 15% of the stock of PT Vale Indonesia Tbk (PTVI), a company in the Republic of Indonesia, and has entered a shareholder's agreement with Vale Canada Limited and PT Mineral Industri Indonesia (Persero), a state-owned Indonesian company, to jointly manage PTVI. In addition, we have also signed an agreement regarding the right and obligation to purchase production with these four companies including PTVI. Due to this, SMM has the right and obligation to purchase 20% of the agreed annual production from PTVI's Sorowako mine.

One of the conditions for obtaining the mining business license required for PTVI to continue operations after 2025 was to increase the Indonesian equity stake in the company. In FY2020, SMM sold a portion of its PTVI shares and excluded PTVI from its equity-method affiliates.



Messages from the Outside Directors

With a view to improving corporate value over the medium to long term, SMM’s two outside directors shared thoughts based on their expert insights regarding expectations on both the new president and new management team, their assessment of the Board of Directors and issues to address, their own roles to play within SMM, and actions they would like to take going forward.



Seeing potential in the new management team, working to contribute to discussions for advancing women’s empowerment and securing human resources

Taeko Ishii Outside Director

Ms. Ishii was registered as a lawyer in 1986, and is currently a member of the Dai-ichi Tokyo Bar Association. She is particularly knowledgeable about legal practice concerning labor issues, and provides counsel to the Board of Directors regarding compliance. Published works include “Legal Practices for Handling Problem Employees,” and “A Q&A on Practice Relating to Equality Law, Childcare and Caregiver Leave Law, and Part-time Worker Law.” She has served as an outside director at SMM since 2018.

Potential of the incoming president and new management team

The Company’s transition to a new president and new management team at a time with major investment projects just ahead, such as overseas mine development and the new plant in Niihama, gave off a positive impression that a new generation will be putting the Company on a strong trajectory. It is amid this that I see great potential in the incoming president.

In selecting a new president, candidates were based on proposals from the former president, followed by deliberation by the Governance Committee and approval of the selected candidate by the Board of Directors. Since the successful candidate had experience at the Company as an executive officer, I had a good understanding of his background and work experience, so I shared information with him about what kind of president the Company needed and provided advice accordingly.

Toward diversity and women’s empowerment

I believe that what is expected of me is to make proposals from the perspective of shareholders and other stakeholders, while utilizing my knowledge and experience in the practice of law. Beyond this, I believe that people expect me to speak from a perspective of diversity and empowering women, including how to build workplaces and working environments that are facilitative for women.

Recently, after consultation from the Company’s Human Resources Department, I attended a roundtable meeting on the topic of creating facilitative work environments for women. Those women in management positions at the Company who attended the roundtable inspired me with great motivation and vitality.

The Company’s places of work are often in mines or where people handle chemical substances in metal smelting, which is regulated by the Labor Standards Act and other laws and regulations. This can impede women gaining experience in these areas. In this environment, it is very difficult for me to know much progress can be made in empowering women, but when considering the diversity of human resources that will be needed in the future, I feel that we must focus our efforts on cultivating women human resources.

Going forward, business challenges include securing human resources

The young working population has been on the decline and there has been an expectation of increasingly difficult hiring of both new graduates and mid-career professionals. Amid this environment, the Company launched a revamp of its managerial track personnel system in July 2023 with the aim of continuing to secure and utilize excellent human resources. In the past year, we have been in a state of transitional observation to ensure that the revamped system has been firmly established. Given the Company’s long-standing seniority system leading up to this change, it will take a little longer to catch up with the times. In my visits to the field with Audit & Supervisory Board members, the feedback I received was that we still have a long way to go in terms of employee acceptance.

Whether or not things go according to the Company’s philosophy depends on the initiatives taken going forward. Therefore, my first focus will be on spreading the new approach to the managerial track personnel system throughout the organization. I will also make use of my expertise and experience in human resources and labor affairs to make further efforts to secure and cultivate human resources.



Harnessing past experiences and insights to propel digital and business transformation founded in adaptability to change

Manabu Kinoshita Outside Director

Serving in positions including Senior Executive Vice President of NEC Corporation, Mr. Kinoshita has extensive knowledge and experience in corporate management and digital businesses. He offers counsel making use of his knowledge in the digital sector and his experience with developing solutions through co-creation together with other industries. He has served as an outside director at SMM since 2020.

Looking forward to quicker management under the incoming president

Simply put, incoming president Matsumoto is a cheerful and energetic man with a nimble bearing. He has earned great trust among employees, and I believe he is the right person for the position of president. My expectation for Mr. Matsumoto is that he gets out of the conference room from time to time and experiences the changes in the world around us first-hand. I was once a sales manager myself, a job where I always tried to maintain a dialogue with both customers and front-line employees. I believe that doing so unlocks rapid adaptation to change. Outwardly, you expand your touchpoints with customers, while inwardly, you treasure your field contacts. It is my hope that he uses this dual approach to accelerate management.

As for the selection process for president, I do have one recommendation going forward. As the world changes, so too does the kind of president a company needs. The question we must answer is, how do we define human resources accordingly? My feeling is that we should establish a forum for discussion and constantly reassess what kind of career support and executive training is necessary to help candidates acquire the necessary skills.

Advancing digital transformation to drive true changes in the way people work

I know that people expect me to advance digital transformation, or DX, and there are some points to keep in mind regarding this topic. Japan and other areas are facing a serious shortage of workers, and there are things we need to take care of before just increasing headcount or hastily rushing into DX. One of these things is to take

stock of the work that needs to be done. It is to eliminate unnecessary tasks, and automate necessary tasks with IT if they can be standardized. The time saved can then be used to expand customer touchpoints and dialogue, which will lead to the development of new products and new businesses. I believe that is where we will find work that can demonstrate the true potential of human beings.

To sort through tasks is the responsibility of upper management, and DX is a means to transform the way work is done. My desire is to help drive DX to achieve this kind of true change in the way we work.

Initiatives to solve essential issues

The final year of our 3-Year Business Plan is an important year in which the Company is determined to carry this plan across the finish line, and to identify essential issues and link them to the next 3-year business plan.

The Materials Business is currently in a difficult phase, and I feel that the reason for this is sluggish adaptation to change. With changes in society come changes in the needs of customers, in the situation of competitors, and in the flow of money. It is essential to constantly maintain a dialogue with customers and the market, and to reach out and touch the signs of change ourselves.

The ROCE (return on capital employed) management approach is also useful for sensing the nature of change. Once each business is evaluated separately in terms of its cost of capital, the business portfolio itself can be examined. In some cases, this may lead to a decision to withdraw from a particular business. I hope to offer my counsel based on past experience and insights in these dialogue and judgment processes.

Tax Governance

Approach and Policy

The SMM Group established and announced the Sumitomo Metal Mining Group Basic Policy on Taxes on April 1, 2021. Under this policy, we comprehensively investigate and examine the relationships of its products to customers and local communities to develop business in a sustainable manner, as well as work toward the maximization of after-tax profit and free cash flow to maximize corporate value and achieve our long-term vision through sound corporate

activities. A part of this, we also examine in terms of taxation, such as the status of tax treaties with countries where mines or plants are located, areas near key customers and markets, and countries where we do business. By continuing to comply with international tax standards and other related matters, and by fulfilling our tax filing and payment obligations appropriately and fairly, we will strive to coexist with local communities and countries where we do business.

Sumitomo Metal Mining Group's Basic Policy on Taxes

Basic Policy

Sumitomo Metal Mining (SMM) will, in the conduct of tax affairs associated with business activities, define the basic policy on taxes herein, pursuant to the SMM Group Corporate Philosophy that dictates "SMM, in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust."

In addition, SMM and all Group companies will make known to and instill in employees the activities that place importance on compliance focus, maximization of corporate value, and appropriateness and fairness.

1. Tax-related internal controls

At SMM and all Group companies, all persons (corporate officers including executive officers, and employees including fixed-term and temporary employees) engaged in considering or implementing tax-related business processes or individual transactions will share this Basic Policy and ensure tax transparency.

SMM and all Group companies will also seek to resolve tax issues for the entire Group and at each company, by maintaining a system that manages tax risk in each country and region and by business process and that shares information globally.

2. Compliance with tax laws, etc.

Business activities will be conducted in compliance with the tax laws, tax conventions, and other relevant laws and regulations applicable in each country and region, as well as tax-related standards and guidelines published by international institutions and others such as the Organisation for Economic Co-operation and Development (OECD).

3. Treatment as part of business activities

SMM and all Group companies will practice the tax studies and implementation related to any business process and transaction as part of business activities, since tax-related risk and tax expenses are closely linked to business processes and individual transactions arising from such business activities.

SMM and all Group companies will work to minimize global tax risk, such as double taxation related to business activities, through advance pricing arrangements with the tax authorities, consultation with outside experts, and other means. At the same time, SMM and all Group companies will seek to maximize corporate value and achieve its long-term vision, through proactive and constant efforts to utilize tax incentives and optimize tax expenses, tax payment periods, and other

factors so that it can maximize after-tax profit and free cash flow.

However, the following types of transactions will not be practiced:

- 1) Transactions aimed solely at avoiding tax, such as transactions using tax havens; and
- 2) Transactions that avoid tax through the transfer of income in forms that clearly depart from the Group's business objectives and economic realities.

4. Response to transfer pricing

International transactions between SMM and all Group companies will be performed using arm's length pricing that is calculated based on methods reflecting the transaction details, industry practices, or functional and risk analysis. In conducting a functional and risk analysis of each transaction, there will be compliance with tax-related standards and guidelines published by international institutions and others such as the OECD.

The arm's length pricing methods primarily applied:

- 1) Method based on market price according to an appropriate benchmark in line with industry practice; and
- 2) Method based on appropriate allocation of profits corresponding to the level of contribution founded on a functional and risk analysis.

5. Fair and appropriate tax

SMM and all Group companies will appropriately fulfill its tax payment obligations in compliance with applicable tax laws and other legal requirements at business activities in each country and region. In addition, SMM and all Group companies will seek to increase tax transparency and to build a constructive and fair relationship with the national or regional tax authorities.

6. Tax-related responsibilities and structure

SMM and all Group companies' tax activities will manage tax risks on a global basis and implement appropriate and fair tax treatments, subject to oversight by the executive officer in charge of SMM's Finance & Accounting Department, through the employees in charge of tax matters in the Finance & Accounting Department and the Group companies of relevant divisions operating in their respective countries and regions.

Moreover, employees with tax expertise will be assigned as necessary; and education and opportunities to increase tax knowledge will be provided to employees involved in tax considerations and implementation for business processes and individual transactions.

Tax-Related Decision Making and Management and Implementation Structures

At SMM, an executive officer is responsible for the Finance & Accounting Department, which is in charge of taxes. The officer manages and oversees the daily execution of tax-related duties that are performed by the department staff.

- We work to improve and operate our tax governance system, with the president and the Board of Directors playing roles as noted below.
- The Group has established, maintains, and effectively operates an internal control system for financial closing operations so that it can conduct appropriate accounting work, reporting of results, and other tasks, including tax-related matters. The Internal Audit Department evaluates the effectiveness of the internal control system, and reports the results to the president.
 - The representatives of individual Group companies including the Company review and approve tax returns and payment details before filing and paying taxes. If a tax audit is conducted, the executive officer in charge of the Finance & Accounting Department reports on the progress of the audit to the president. In cases in which additional payments or tax refunds arise, the practical procedures are handled with the approval of the president.
 - When making decisions on matters such as investment projects, the Group conducts examinations that include tax-related matters and risk assessments. Particularly important projects are taken up by the Board of Directors for approval.

- The Audit & Supervisory Board members ensure the appropriateness of tax-related practices and policies through the following roles.
- Audit & Supervisory Board members verify the appropriateness of financial closing operations, including tax calculations and tax effect accounting, through audits conducted by the independent public accountant. In addition, when necessary, they pose questions to the independent public accountant to clarify tax-related issues.
 - Audit & Supervisory Board members receive reports from the internal audit department and the independent public accountant regarding the results of their evaluation of the effectiveness of the development and operation of the internal control system for financial closing operations, including tax-related matters, and subsequently review the contents of the reports.
 - When the president approves the filing and payment of income or other taxes on behalf of the Company, the Audit & Supervisory Board members review the documentation to confirm that filings and payments are properly managed within the Company.
 - When the president approves the development of a tax policy, the Audit & Supervisory Board members review the documentation and confirm that the tax policy is properly developed within the Company.

Tax Compliance and Responses to Government

Compliance is the cornerstone of the Group's corporate activities. In accordance with the Sumitomo Metal Mining Group's Basic Policy on Taxes, the SMM Group endeavors to adhere to tax laws, tax treaties, and other relevant laws and regulations applicable in the countries and regions where its mines or plants are located. Additionally, the

Group follows tax-related standards published by international organizations such as the Organisation for Economic Co-operation and Development (OECD).

[Compliance](#) ➡ P.122

Tax-Related Information Collection and Initiatives Involving Government, etc.

Through our activities as a member of the Japan Mining Industry Association, we make inquiries, collect information on, and express opinions to governmental agencies with regard to matters such as industrial policy and tax reform.

When the Group encounters issues involving interpretations

of laws and regulations or specific procedural matters, we work to properly carry out tax-related matters through prior inquiries and consultations with tax authorities and outside experts.

[Income Tax by Country or Region](#) ➡ P.29

Compliance

Approach and Policy

The SMM Group has established the SMM Group Code of Conduct to facilitate the realization of its Corporate Philosophy of contributions to society and the fulfillment of its responsibilities to its stakeholders through the performance of sound corporate activities, aiming to thereby make the Group an increasingly trusted corporate presence. Within this Code of Conduct we have established specific guidelines on conduct for officers and employees, and indicated compliance as fundamental to our corporate activities. Together with the Code of Conduct, the Basic Compliance Regulations set out a fundamental framework for compliance. Further, we have established the following policies and regulations regarding individual focus areas such as human rights and procurement, which are shared across the Group.

- **Sumitomo Metal Mining Group's Policy on Human Rights** [▶ P.100](#)
- **Sumitomo Metal Mining Group's Sustainable Procurement Policy**
 https://www.smm.co.jp/en/sustainability/management/csr_procurement/
- **Sumitomo Metal Mining Group's Basic Policy on Taxes** [▶ P.120](#)
- **Sumitomo Metal Mining Group's Basic Policies for Anti-Bribery**
 https://www.smm.co.jp/en/sustainability/management/bribery_prevention/
- **Regulations on insider trading prevention and information management**
- **Regulations on the safeguarding of personal information**
- **Regulations for export control**
- **Regulations for observance of competition law**
- **Regulations on the Whistle-blowing System (Speak Up System)**

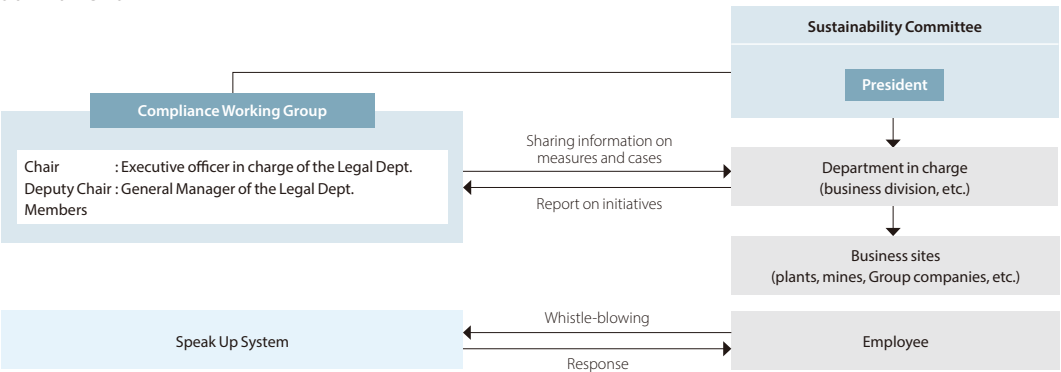
Compliance-Related Promotion Framework

With the president bearing ultimate oversight responsibility for compliance, we strive to promote compliance through our organizational structure. The Compliance Working Group, which operates under the Sustainability Committee and is served by the Legal Dept. as secretariat, regularly conducts deliberations and exchanges information on material issues related to compliance. A system is in place whereby measures and case studies shared in the Working Group are communicated through Working Group members to respective divisions, and we are currently consolidating the framework to use this information in daily operations.

In FY2023, the Group-wide compliance goal of “Zero compli-

ance violations that may seriously damage business” was set. Based on this goal, the following priority initiatives were identified as focus areas and implemented sequentially and promoted within each department: 1) review of our compliance management system, 2) thorough line management to eradicate intentional fraudulent acts that may result in serious damage to the business, and compliance violations that can lead to rescission of permits, and 3) departments in charge of laws and regulations sequentially develop measures, starting with those that can be initiated, for items posing a serious threat to operations or high reputation risk.

Promotion Framework



Compliance Issues and Their Responses

We established the SMM Group Whistle Blowing System on June 1, 2022 in response to the Amended Whistleblower Protection Act. In FY2023, a total of 12 incidents were reported through the internal

reporting hotline across the Group, including those reported to affiliated companies' independent hotlines. Appropriate action was taken in response to all reports.

Initiatives on Preventing Corruption

The SMM Group engages in initiatives to prevent corruption. Based on the SMM Group Basic Policies for Anti-Bribery and regulations for the prevention of bribery, we introduced a prior approval system (mandating approval by an authorized person in cases of entertainment or gifts, etc. to public officials, whether in Japan or overseas), while prohibiting bribery by officers or employees at each of the Group's companies in Japan and overseas. Further, an anti-bribery manual was formulated based on the characteristics

of each business and country/region, as well as legal and regulatory conditions. Each business division and the Legal Dept. work together to prevent corruption under the supervision of the officer overseeing compliance.

We have furthermore made it mandatory for all employees to attend e-learning training seminars on anti-corruption legislation in advance of their promotion to certain managerial positions.

Compliance with Competition Laws

The SMM Group has established the Basic Policy for Compliance with Competition Laws and regulation for observance of competition law, while also having established, and is currently operating, a prior notification system (a system that in principle requires prior notification when contacting competitors) in addition to establishing

rules governing contact with competitors. Furthermore, we have prepared a manual on regulations for the observance of competition law, to provide specific overviews on the content of the basic policy and regulations, with education on competition law also provided in the course of various training seminars and e-learning programs.

Initiatives on Export Control

Based on the regulations for export control, the SMM Group has established the Export Control Committee and strives for compliance with the Foreign Exchange and Foreign Trade Act and other laws and regulations related to exports, which includes consolidating internal

procedures for export and technology transactions, internal audits, in-house education, and provision of guidance to each Group company.

Risk Management

Approach and Action Principles

Approach

The definition of risk at our Group includes both that which is beneficial to our goals and that which is detrimental to them. We see risk as something that will have an effect on the achievement of business and organizational goals and that makes the protection or creation of value uncertain. Through risk management, we are able to revise goals and measures to maximize those risks which are beneficial, and inspect and improve processes to minimize those risks which are detrimental. This helps us achieve our 3-Year Business Plan, and ties into further ensuring the realization of our Vision for 2030 and our long-term vision.

Action Principles

The SMM Group established the following Six Principles in the Basic Risk Management Regulations, which were formulated based on ISO 31000, a standard on risk management issued by the International Organization for Standardization, and engages in risk management (RM) to achieve our long-term vision of becoming the world leader in the non-ferrous metals industry.

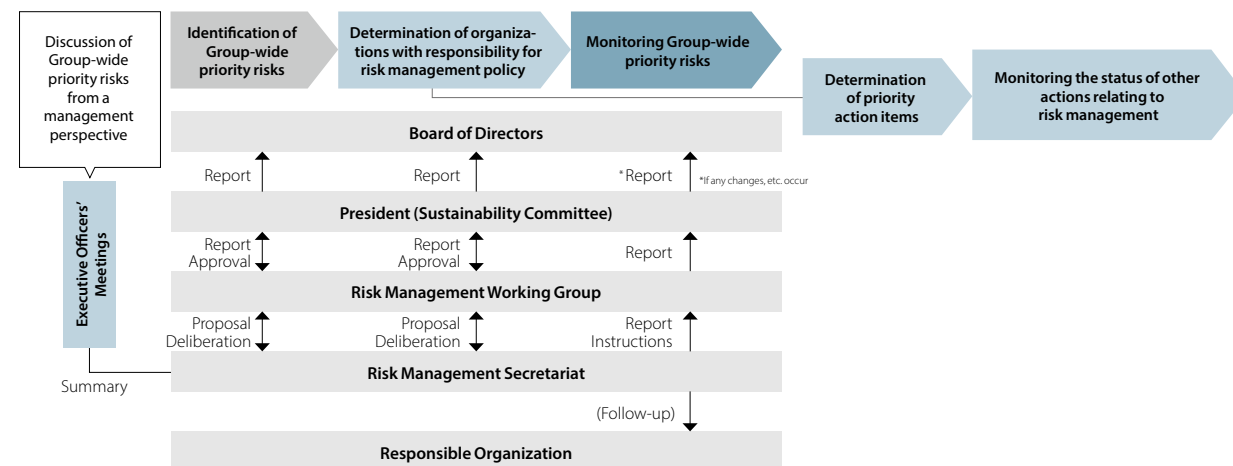
- 1 The leader of the organization confronting the risk is the responsible party
- 2 Compliance is the foundation
- 3 Recognize that potential risks can materialize and take necessary risk countermeasures
- 4 Risks recognized as a result of change are shared among all parties involved
- 5 Implement RM in daily operations, considering the organization's hierarchy, size, role, and maturity, regional and cultural factors, and the knowledge, views, and values of stakeholders
- 6 Conduct ongoing reviews and improvements of management framework and initiatives

Promotion Framework

We took the criticality accident that occurred at JCO in 1999 very seriously and established the Risk Management Working Group as a body for implementing and monitoring risk management including Group-wide initiatives relating to risk management policies and pri-

ority measures. We established a structure with the president having the highest level of responsibility to respond to risks that the Group faces and changes in those risks. The risk management structure operated under this structure comprises three frameworks.

■ Group-wide Risk Management Promotion and Monitoring Framework



Management and Business Risk Management

Among the management and business risks associated with execution of the Group's growth and business strategies, we have a mechanism to define critical Group-wide risks, which are particularly like to affect the achievement of our strategic goals (3-Year Business Plan), and address them. The critical Group-wide risks are discussed in management meetings attended by executive officers, including the president, and deliberated by the Board of Directors. To address the critical Group-wide risks, we establish response policies, designate the responsible department, and take action. The Risk Management Working Group monitors the status of actions to address critical Group-wide risks.

Also, management and business risk other than Group-wide critical risks are addressed through monitoring and implementing initiatives by management meetings, various committee meetings, medium-term plans, budgets, monthly reports, and so on.

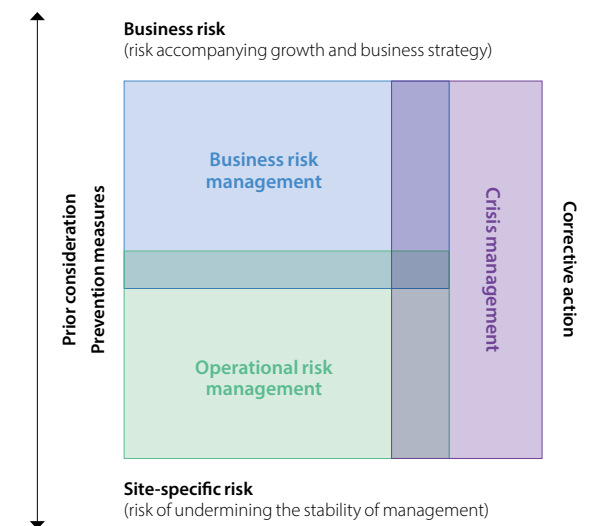
Operational Risk Management

At each business site, in addition to focusing on specific risks addressed annually (focus areas), risks inherent in regular operations are also identified and assessed based on internal and external conditions, and are managed as individual risks (see serious risk categories). There are over 1,300 individual risks and we conduct risk mitigation on a daily basis by reviewing risk-management measures, when there are any changes to or variations in the environments and conditions that serve as prerequisites for identified risks (business environments, work environments, people, equipment, work procedures, quality standards, etc.), and taking measures against new risks. A periodic risk review is also undertaken company-wide during “RM Promotion Month” every September.

Serious Risk Categories

- Explosions and fires
- Environmental pollution
- Legal violations
- Quality failure
- Occupational accidents
- Supply chain disruptions
- Information leaks
- Damage from harmful rumors
- Violation of intellectual property rights
- Other risks include those originating from moral misconduct, such as fraudulent accounting, human rights issues, and malfeasance

■ Company-wide Risk Management Framework



Crisis Management

In preparation for crises beyond assumed scenarios of management and site-risk management, as well as instances where on-site handling is challenging, a standing Crisis Management Committee chaired by the officer responsible for crisis management was established as a permanent body. The committee works toward the sharing of crisis information, the formulation and improvement of proactive measures, and the maintenance and strengthening of crisis management functions through drills. It also deliberates on initial response to emergencies, and transition into Group-wide response headquarters which takes appropriate actions and provides support based on the level of crisis. The president has ultimate responsibility for crisis management as a whole.

At each business site, we are promoting measures against natural disasters, such as earthquakes, tsunamis, flooding, soil liquefaction, landslides, volcanic eruptions, in line with the hazard level of each site. Such measures include seismic reinforcement of buildings, improvement of seawalls, strengthening of wastewater treatment capacity, enhancement of expansion of water storage tanks, and stockpiling of food, and drinks, and emergency supplies. We also conduct drills to simulate earthquakes, fires, environmental accidents, and overseas terrorism, riots, and kidnappings, among other scenarios. We are working to address issues such as unfamiliarity with materials and the operation of equipment, lack of understanding of rules and procedures, and inadequate manuals, and to improve the decision-making capabilities of local task force members.

Risk Management

Future Initiatives

In FY2024, we identify two priority initiatives: “improving the effectiveness of risk mitigation measures and crisis management systems through internal audits and self-inspections” and identifying and responding to cybersecurity risks.

For the first priority initiative, we will review the re-identification of risks implemented in FY2023 and the crisis management systems used at each site to respond to accidents, disasters, and so on. Based on the results, we will implement measures to improve the effectiveness of risk management.

For the second, we will respond to the occurrence of incidents at companies in Japan that have had a major impact on corporate management, such as the interruption of business and leaks of information due to system outages caused by cyberattacks, by implementing cybersecurity measures throughout the Group and reinforcing responses in accordance with on our business continuity plan (BCP).

In parallel with these initiatives, in addition to risk management in new business and projects, we are taking action under the leadership of top management so that we can achieve our business goals without causing any compliance violations, environmental accidents, occupational accidents, quality issues, or the like. Also, in the context of heightened security-related risks, such as a Taiwan contingency or unlawful detentions in China, we will work to not only prevent overseas incidents but also reinforce our responses when they occur. Concerning natural disasters, we will strengthen our earthquake countermeasures in response to ongoing threats including an earthquake with a seismic intensity of 7 (the highest level on the Japanese scale) in January 2024 on the Noto Peninsula and an earthquake measuring a low 6 in April 2024 in the Bungo Channel.

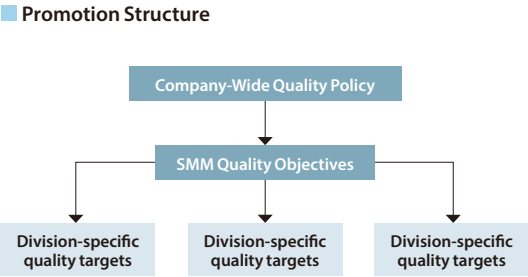
Furthermore, we will identify risks in the next 3-Year Business Plan and discuss policies for responding to those risks.

Quality Assurance

Approach and Policy

The SMM Group has established and operates a business model based on 3-business collaboration between the Mineral Resources, Smelting & Refining, and Materials Businesses. Through this business model, we endeavor to continuously improve products and respond to changing customer needs in order to deliver quality that satisfies customers.

To provide quality that satisfies customers, the president has established a Company-Wide Quality Policy and sets SMM Quality Objectives every year. Based on these standards, each business division sets forth and implements division-specific quality targets and conducts quality activities that are aligned across the entire SMM Group.



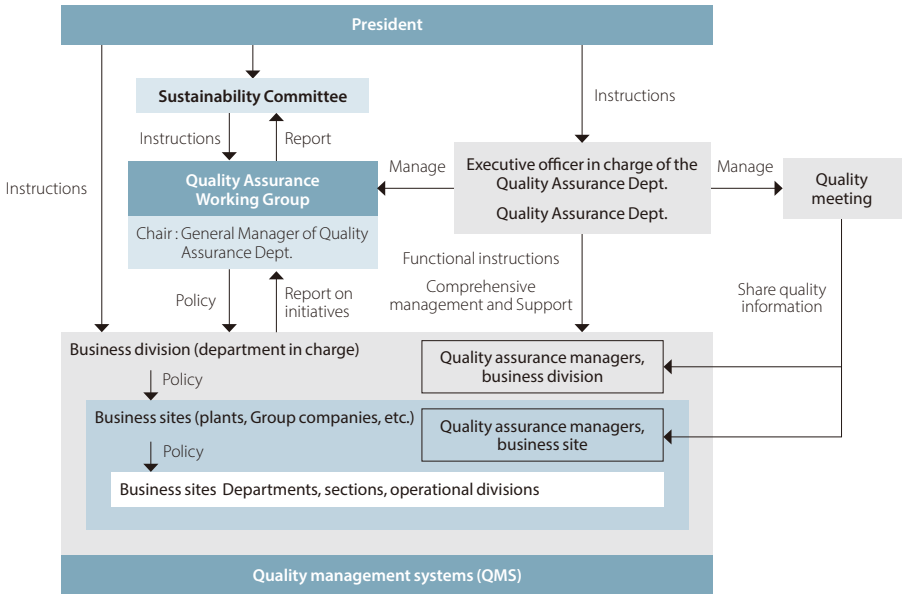
Quality Assurance Promotion Framework

With the president bearing ultimate oversight responsibility, we have appointed an executive officer in charge of the Quality Assurance Dept. to drive quality assurance initiatives. Each business division develops and maintains their own quality assurance framework, while the Quality Assurance Dept. manages quality across the entire Group and ensures a Group-wide unified approach.

Additionally, not only does the Quality Assurance Working Group—which comes under the Sustainability Committee—deliberate key measures for promoting quality assurance activities, it works to improve the Group’s quality management systems (QMS) through the sharing of information on progress toward departmental targets and quality control status including the reduction of the number of complaints against the Company.

In addition, quality assurance managers from the various business divisions and business sites, along with members of the head office’s Quality Assurance Dept. hold an annual quality meeting to share the quality management status of each business site and quality issues common across the entire Group.

Promotion Framework



Quality Assurance

Company-Wide Quality Policy and Results

Company-Wide Quality Policy

Provide quality to satisfy our customers through continual improvements of quality assurance and control systems.

- Pursue quality levels that stand out from the trends of the time
- Abide by laws and rules and strive to create products incorporating safety and environmental considerations

FY2024 Company-Wide Quality Policy

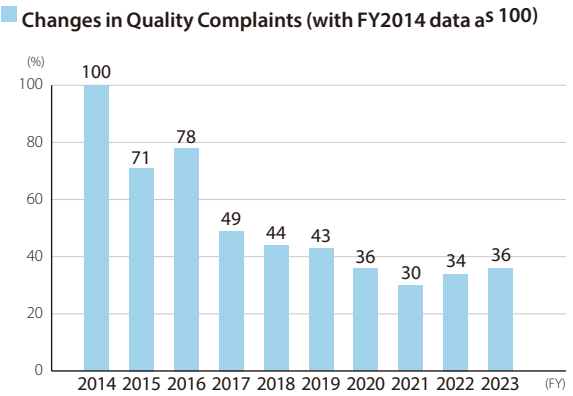
Drive QMS improvements to achieve zero major quality complaints and create a structure that earns customer trust.

- Zero major quality complaints. Prevent complaints on quality that could jeopardize our business foundation
- Zero occurrences of quality misconduct
- Achieve complaint goals within business divisions

FY2023 Results

The figure to the lower illustrates the changes in quality complaints for the entire Group with FY2014 data set as 100. The number of quality complaints decreased gradually starting from FY2014, reaching approximately one-third in FY2023 compared to FY2014.

In FY2023, number of quality complaints increased slightly from the previous year. This was mainly due to defects caused by human error in some departments. We will enhance risk analysis, take countermeasures to eliminate the true causes, and continue quality improvement measures in each business division and business site in the same manner as until now.



Quality Improvement Initiatives

Issues and Initiatives for Improvement

Quality trusted by customers can be achieved only when all employees align their goals and directions and actively engage in activities to achieve targets. To enable this, we clarify issues based on facts obtained through external and internal communication to set targets, and all employees proactively participate in quality improvement activities based on our “SMM Quality Standards,” which summarizes the ideal form of QMS at our Company in order to achieve our goals.

Improving Effectiveness of Quality Management Systems

The SMM Group has established and is operating QMS at its business divisions and business sites. For such QMS to function effectively, we have been conducting improvement activities based on the SMM Quality Standards. Every fiscal year, each business site sets a target standard to be achieved for the SMM Quality Standards and undertakes improvement activities. At the end of fiscal year, we conduct a self-evaluation to determine whether the quality level has achieved the targets, while evaluating and reviewing activities through internal quality audits and quality audits by the Quality Assurance Department. Based on the results, new targets are set for the next fiscal year, and the PDCA cycle of improvement is executed to continuously improve effectiveness of QMS at business sites.

The SMM Quality Standards categorizes requirements into eight chapters, with content based on the details of checks incorporating past issues,, allowing us to identify strengths and weaknesses of each business site, and to focus on improving such weaknesses.

The SMM Quality Standards are revised each year, and we will continue to provide quality that satisfies our customers by improving the ideal QMS required by our Group.

Strengthening of Our Internal Quality Audits

In accordance with the SMM Quality Standards, we carry out measures with the objective of conducting internal quality audits that can identify, from a third-party-like perspective, potential internal issues arising from problems that have been discovered and relay these findings to top management. We hold training to cultivate internal quality auditors at business sites in Japan, turning out roughly 570 internal quality auditors from FY2019 to FY2023. Internal quality auditors supervise the actual audits and verify their effectiveness, and we implement a PDCA cycle to develop these internal auditors.

To prevent quality-related misconduct such as falsification of inspection or testing data, we provide Group-wide quality fraud prevention training opportunities using e-learning. In addition, Group-wide efforts are made to deter misconduct, including internal quality audits to guarantee product quality and to confirm the reliability of inspection or testing data, automated transfer thereof to avoid human intervention, and if such automation is difficult, administrative measures are enhanced.

Expansion of Group-Wide Education on Quality

We provide training on quality based on our education system that aims to equip each level of employee, from new employees to managers, with necessary quality-related knowledge and management ability. With the aim to acquire wide-ranging quality-related knowledge and enhance awareness, SMM Hinkaku,* an e-learning program for all employees launched in FY2019, with approximately 5,900 employees taking the course in FY2021. SMM Hinkaku will be used for the education of new employees and transferees.

As a shortage is expected of human resources capable of assuming responsibility for quality in the future, training is conducted Group-wide to nurture people responsible for quality. Four practical training sessions a year are conducted to improve the effectiveness of the QMS by rolling out SMM Quality Standards to the business divisions. After completion, the trainees will determine issues to be addressed at their own business sites and aim to accomplish these issues by utilizing what they have learned in the training program. The Quality Assurance Dept. also follows up on the progress of the initiatives. The training was completed by 19 employees in FY2023 and is currently participated by 18 employees in FY2024.

* Trainees learn the minimum level of knowledge and awareness regarding quality required for manufacturing and then their proficiency is graded through a test

Responding to Product Quality Issues as They Arise

If a quality issue arises in relation to the Group’s products or services, the necessary action will be taken in accordance with the Quality Assurance Regulations. The business divisions and business sites will immediately check facts, report results of root-cause analysis and verification to the customer, and agree on the necessary corrective actions and recurrence prevention measures.

In the unlikely event that a serious quality issue occurs, the business division will promptly report the problem to management and the General Manager of the Quality Assurance Dept., who in order to resolve quality issues immediately, will check the progress of necessary response measures, and confirm the effectiveness of corrective actions and measures to prevent recurrence.

Occupational Health and Safety

Approach and Policy

Because the Group's business activities involve working at heights and handling large equipment, heavy machinery, and chemical substances, employees are exposed to the risks of occupational accidents, including fatalities, and health hazards.

On the other hand, an environment in which employees can work in safety and with security is one of the most important management elements that leads to greater employee motivation and stronger relationships of trust between employees and the

Company. Therefore, the SMM Group aims to create comfortable and safe workplaces, including at our contractors, and is further advancing its equipment intrinsic safety measures and has begun introducing advanced technologies including the IoT* and AI (Artificial Intelligence).

* Internet of things: Connecting many different types of things via the Internet to provide various services.

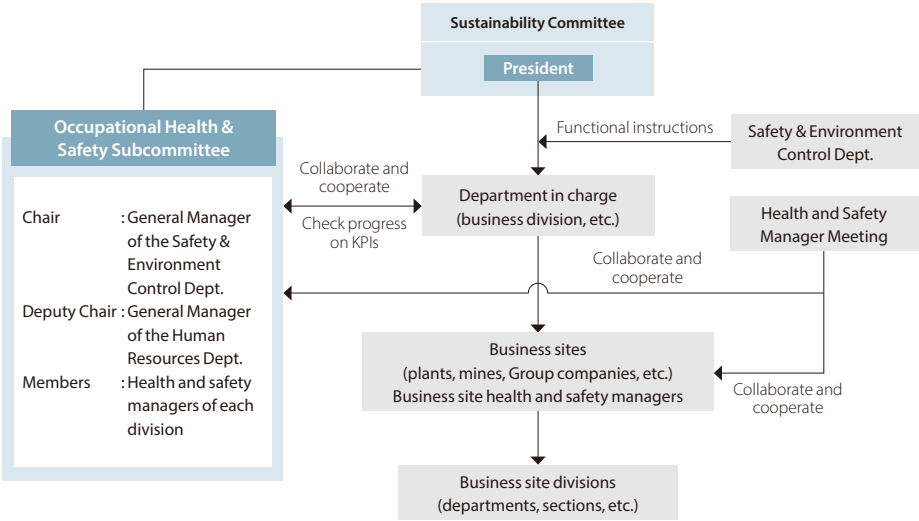
Promotion Framework

Occupational health and safety is managed by the chain of command in which the president is the person ultimately responsible, general managers of the relevant divisions provide guidance and supervision, and the person in charge of each business site is appointed as the health and safety manager of that site. Constructive discussions on ways to improve health and safety in the workplace also take place during meetings of the Occupational Health and Safety Committee comprising representatives from both labor and management. Furthermore, the General Manager of the Safety & Environment Control Dept. provides guidance and advice on safety and health initiatives to each division and each workplace of the Group, while the health and safety manager assigned to each division and business site coordinate efficiently to promote improvements in safety and health. The SMM Group strives to improve health

and safety under the concepts of the OSHMS,* and has business sites that have already obtained ISO 45001 certification or are certified according to the Japan Industrial Safety and Health Association (JISHA) OSHMS standards. We conduct risk assessments when introducing new equipment or making changes to operational procedures and make improvements to reduce risk. At overseas business sites, we have also built an occupational health and safety management framework based on local laws and regulations, and conduct the same level of risk assessment, improvement of equipment, and hazard prediction activities as in Japan.

* OSHMS is an abbreviation of Occupational Safety and Health Management System and it is a management system that aims to improve occupational health and safety levels at business sites through the implementation of a set of processes known as the PDCA cycle (Plan, Do, Check, Act), based on cooperation between businesses and their workers.

Promotion Framework



Occupational Health and Safety Policies, Targets, and Plans

Occupational Safety Policy	Occupational Health Policy
<div>① Elimination of serious accidents</div> <div>② Prevention of accidents caused by ignoring risks and human error</div> <div>③ Achieve work with safe procedures and equipment through priority-oriented safety activities based on the Three Reality Principle and line safety management.</div>	Ensure a comfortable work environment through measures to improve the work environment and prevent illness

Targets and results

2023 Results			2024 Targets		
Occupational health	1. Occupational accidents	Serious accidents	All accidents	Serious accidents	All accidents
	1) Japan Group employees	2	15	0	7 or less
	2) Japan contractor employees		18	0	2 or less
	3) Overseas business site employees		1	0	1 or less
	2. Traffic accidents				
Traffic accidents caused by employees resulting in injury or death		3		6 or less	
Occupational safety	1. Dust, lead, and specified substances				
	1) Number of Control Class 3 workplaces		-		0 (excluding noise)
	2) Number of Control Class 2 workplaces		Reduction (2022: 11→2023: 7)		Reduction
	2. Noisy workplaces				
	Control Class 3 workplaces with a workload value of 1 or more		4		1 or less
	3. Employees with work-related ill health				
	Number of ill employees (requiring treatment)		0		0
4. Mental health enhancement					
		Number of workers taking long-term absence of 1 month or longer: 27		Reduction of number of workers taking long-term absence of 1 month or longer	
		Total number of days of absence for workers taking long-term absence: 3,004.5		Reduction of total number of days of absence for workers taking long-term absence	

Environmental Management

Approach and Policy

Significant environmental accidents have major impacts on the environment and communities, and can result in loss of the trust that is a prerequisite for business continuity. In particular, the SMM Group's business activities have the potential to cause environmental pollution through such means as the leakage of mining waste and chemicals. By improving our facilities and management to address such risks as well as intensifying natural disasters, we are working to

prevent significant environmental accidents and mitigate impacts in the event of occurrence.

We are also working to sustainably utilize and manage water resources and to reduce our emissions of harmful substances into the atmosphere and water, and are developing environmental conservation activities that place importance on biodiversity.

Promotion Framework

The Environmental Preservation Subcommittee and the Safety & Environment Control Dept.

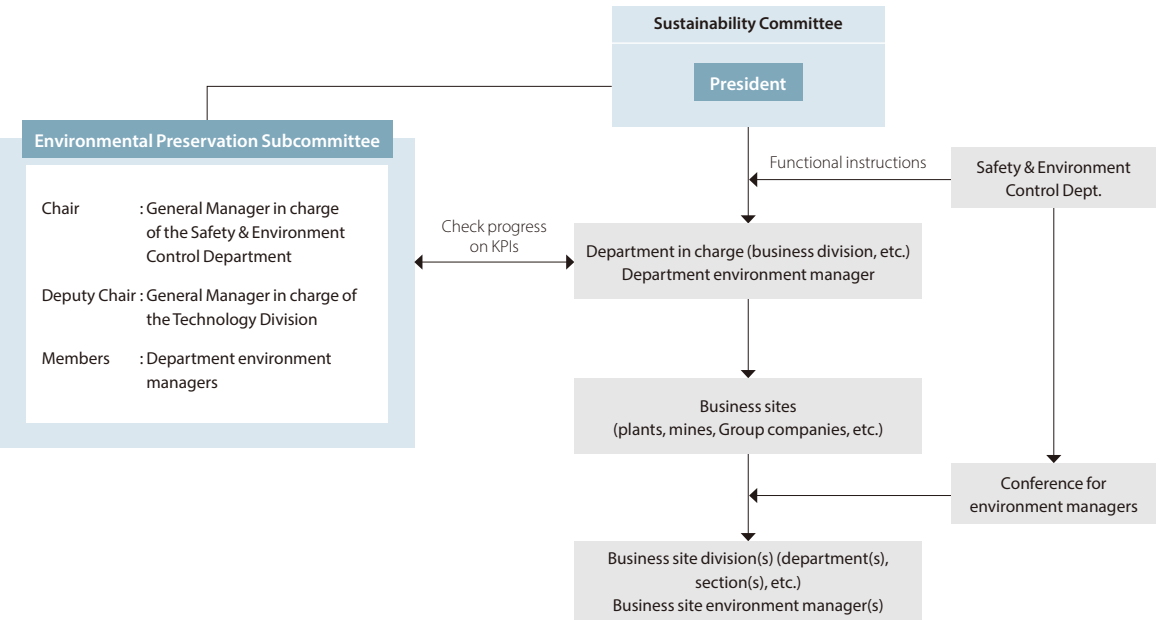
The Safety & Environment Control Dept. serves as the secretariat of the Environmental Preservation Subcommittee. The Department is the functional instructing department for all environmental preservation activities, promoting initiatives through the cooperation and collaboration of various departments to realize the Vision. This includes the operations of the Environmental Preservation Subcommittee, functional instructions to site managers based on legal revisions and other external information, various reports and inspections, and alerts and inspection directives through the sharing

information about environmental accidents and minor incident cases within the Group.

Conference for Environment Managers

Conferences for environment managers are held in principle once per year and are attended by environment managers from all business sites. In these meetings, we aim to enhance the capabilities of these managers through education and discussion on the progress of environmental objectives, updates on legal amendments and compliance status, as well as environmental performance and priority areas of focus.

■ Promotion Framework



Environmental Management System

Based on our Group's environmental vision and progress toward it, the Safety & Environment Control Dept. formulates a proposal for the Group's environmental targets (policies, objectives, strategies), which are reviewed and approved by the president. At each business site, annual targets and plans are developed based on the Group's environmental targets, considering the unique risks of each site, and are carried out through the environmental management system (EMS) based on ISO 14001 (JIS Q 14001). As of April 1, 2024, all our production sites have obtained third-party ISO 14001 certification.

Through the EMS, each business site conducts activities on a regular basis to improve the level of environmental management through the PDCA cycle. Such activities include evaluations of the effect on the environment of the business' activities (environmental risk assessment), formulation of action plans for achieving environmental targets, preventive environmental preservation activities,

tracking through internal and third-party audits, management reviews, and emergency response training in case of accidents.

In FY2023, we implemented management improvements using a risk management system (RMS) and an environmental management system (EMS) including inspections by the General Manager of the Safety & Environmental Control Dept., training for new site managers, environmental communication, and dissemination of information through REC (Risk Environment Compliance) e-newsletter used to periodically distribute information within the company concerning the environment, quality, and compliance. Each site set a target of enhancing their ability to respond to environmental problems and took measures in accordance with their individual business site plans using management systems. As a result, in FY2023 there were no significant environmental accidents or violations that had a substantial impact on the environment or society.

FY2024 Environmental Policy and Targets

Policy	FY2024 Targets
Use an environmental management system (EMS) to strengthen environmental management, prevent environmental problems, and address global environmental issues.	<ul style="list-style-type: none">● Eliminate environmental accidents and compliance breaches● Reduce greenhouse gas (GHG) emissions● Promote preservation of nature that creates biodiversity

Information Security

Approach and Policy

To promote information security management throughout the SMM Group, we have established and implemented a security policy consisting of the “Information Security Regulations” and “Group-wide Standards for Information Security.”

FY2024 Information Security Policy

- Strengthening responses to changing information security threats.
- We will strengthen measures against ransomware, which has been causing numerous incidents of harm in Japan and overseas.
 - We will review systems and work to strengthen security.

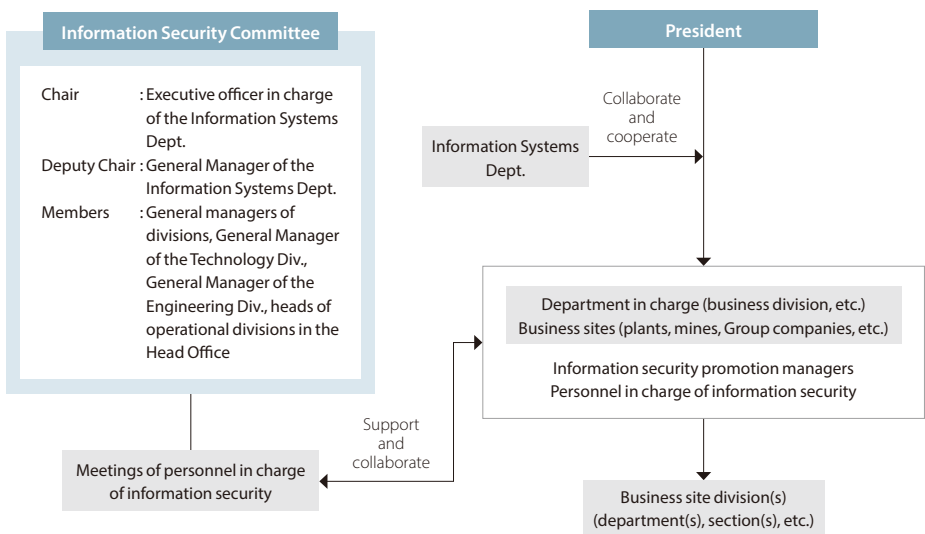
Promotion Framework

The Information Security Committee regularly deliberates Group-wide strategies and basic policies regarding information security, as well as Group-wide measures for information security. The Information Security Committee consists of the executive officer in charge of the Information Systems Dept. as the Chair, the General Manager of the Information Systems Dept. as the Deputy Chair, the general managers of divisions, the General Manager of the Technology Div., the General Manager of the Engineering Div., and the heads of operational divisions in the Head office as committee members, and the secretariat is set up as the Information Systems Dept.

Measures to improve the level of information security are led by the Information Systems Dept. and are specifically promoted with the cooperation of the information security promotion managers, who are the heads of the organizational units (plant, office, branch, etc.), and the information security personnel at each site. In order to facilitate promotion and follow up of the measures, the Information Systems Dept. serves as the secretariat for the meetings of personnel in charge of information security, which are held regularly.

The implementation status of the measures is fed back to the Information Security Committee and actions are taken as necessary.

Promotion Framework



Response to Information Security Risks

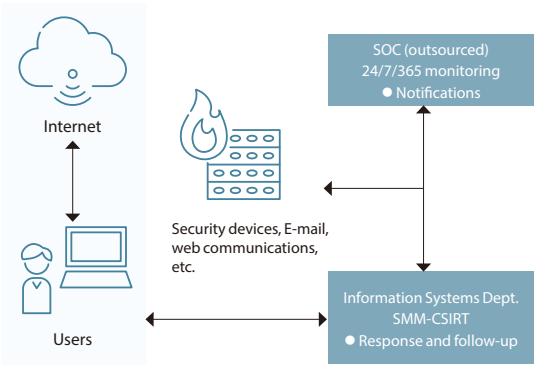
To ensure the safety of in-house information assets from increasingly sophisticated cyber security attacks, we are taking countermeasures on both a system and human level.

For threats such as cyber-attacks from outside, the SOC,^{*1} to which we are outsourced, monitors newly detected malware, targeted e-mails, and other threats 24 hours a day, 365 days a year. When an abnormality is detected, we have a system in place where the Information Systems Dept. is promptly contacted and,

together with the SMM-CSIRT^{*2} quickly implements an appropriate response.

We also educate and train employees through e-learning and targeted attack e-mail drills to prevent damage from cyber-attacks.

^{*1} Security Operation Center (SOC): An organization specializing in monitoring and analyzing information from security devices, taking countermeasures, etc.
^{*2} Computer Security Incident Response Team (CSIRT): The generic name for the organization that analyzes the causes of computer security problems, investigates the scope of impact, and responds



Response to Security Incidents

The SMM-CSIRT, consisting of the Information Systems Dept. and representatives from user departments, has been established to respond promptly and prevent the spread of damage in the unlikely event of a serious security incident despite the security measures taken.

We codify the main response processes in the event of an incident, and the Information Systems Dept. and the relevant user

departments work together to respond to incidents and bring them to an early end, while also working along with external responses.

SMM-CSIRT is a member of the Nippon CSIRT Association (NCA), cooperates with external organizations, and is enhancing responsive capabilities by participating in the annual incident response training held by NCA.

Directors and Audit & Supervisory Board Members

(As of June 26, 2024)

Directors



Akira Nozaki

Representative Director
Chairman and Director

Number of shares of the Company owned: 23,700

Born: 1960
Apr.1984 Joined the Company
Jun.2013 Executive Officer
Senior Deputy General Manager of Non-Ferrous Metals Div.

Jun.2014 Director
General Manager of Corporate Planning Dept.

Jun.2015 General Manager of Non-Ferrous Metals Div.

Jun.2016 Managing Executive Officer

Jun.2018 Representative Director (Present Position)
President and Director
President (Executive Officer)

Jun.2024 Chairman and Director (Present Position)



Nobuhiro Matsumoto

Representative Director
President and Director
President

Number of shares of the Company owned: 7,900

Born: 1963
Apr.1987 Joined the Company
Apr.2008 General Manager of Niihama Nickel Refinery, Non-Ferrous Metals Div.

Jul. 2013 Administration Dept., Non-Ferrous Metals Div.

Jun.2014 General Manager of Administration Dept., Non-Ferrous Metals Div.

Jun.2016 Executive Officer
Senior Deputy General Manager of Non-Ferrous Metals Div.

Jun.2018 General Manager of Non-Ferrous Metals Div.

Jun.2019 Director

Jun.2020 Managing Executive Officer

Jun.2022 Senior Managing Executive Officer

Jun.2024 Representative Director (Present Position)
President and Director (Present Position)
President (Executive Officer) (Present Position)



Masaru Takebayashi

Director
Managing Executive Officer
General Manager of Non-Ferrous Metals Div.

Number of shares of the Company owned: 3,800

Born: 1966
Apr.1990 Joined the Company
Jun.2016 General Manager of Harima Refinery, Non-Ferrous Metals Div.

Jul. 2017 General Manager of Toyo Smelter & Refinery, Non-Ferrous Metals Div.

Jun.2020 Executive Officer

Jan. 2021 Senior Deputy General Manager of Non-Ferrous Metals Div.

Jun.2023 Director (Present Position)
Managing Executive Officer (Present Position)
General Manager of Non-Ferrous Metals Div. (Present Position)



Hiroshi Yoshida

Director
Managing Executive Officer
General Manager of Corporate Planning Dept.

Number of shares of the Company owned: 4,200

Born: 1964
Apr.1987 Joined the Company
Jun.2016 General Manager of Corporate Planning Dept.

Jun.2018 Executive Officer
Senior Deputy General Manager of Non-Ferrous Metals Div.

Jun.2021 Senior Deputy General Manager of Advanced Materials Div.

Jun.2022 Managing Executive Officer (Present Position)
General Manager of Advanced Materials Div.

Jun.2023 General Manager of Corporate Planning Dept. (Present Position)

Jun.2024 Director (Present Position)



Hideyuki Okamoto

Director,
Managing Executive Officer,
General Manager of Mineral Resources Div.

Number of shares of the Company owned: 2,600

Born: 1964
Apr.1989 Joined the Company
Mar.2018 Planning & Administration Dept., Technology Div.

Jun.2019 General Manager of Niihama Research Laboratories, Technology Div.

Jun.2021 Executive Officer
Senior Deputy General Manager of Technology Div.

Jun.2023 General Manager of Technology Div.

Jun.2024 Director (Present Position)
Managing Executive Officer (Present Position)
General Manager of Mineral Resources Div. (Present Position)



Taeko Ishii

Outside Director

Number of shares of the Company owned: 0

Born: 1956
Apr.1986 Registered as a lawyer
Joined Ryoichi Wada Law Firm

Mar.1992 Established Ohta & Ishii Law Firm

Jun.2018 Director of the Company (Present Position)



Manabu Kinoshita

Outside Director

Number of shares of the Company owned: 0

Born: 1954
Apr.1978 Joined NEC Corporation
Apr.2006 Executive General Manager, Distribution and Service Industries Solutions Operations Unit of NEC Corporation

Apr.2008 Associate Senior Vice President of NEC Corporation

Apr.2010 Senior Vice President of NEC Corporation

Jun.2010 Director of NEC Corporation

Apr.2016 Senior Executive Vice President of NEC Corporation

Apr.2018 Senior Officer of NEC Corporation

Jun.2020 Director of the Company (Present Position)

Jun.2021 Retired as Senior Officer of NEC Corporation



Koji Takeuchi

Outside Director

Number of shares of the Company owned: 0

Born: 1946
Apr.1970 Joined Ajinomoto Co., Inc.

Jul. 1988 Head of Central Research Center of Ajinomoto Co., Inc.

Jul. 1993 Head of Development Planning Dept. of Ajinomoto Co., Inc.

Oct.1993 Member of the Board; General Manager, Electronic Materials Division of Ajinomoto Fine-Techno Co., Inc.

Jun.2002 Member of the Board and Senior Managing Director, General Manager, Electronic Materials Division of Ajinomoto Fine-Techno Co., Inc.

Jun.2004 Member of the Board and Vice President of Ajinomoto Fine-Techno Co., Inc.

Jul. 2008 Chief Director of Ajinomoto Co., Inc.

Jun.2009 Retired as Chief Director of Ajinomoto Co., Inc.

Jun.2012 Advisor of Ajinomoto Fine-Techno Co., Inc.

Jun.2014 Retired as Advisor of Ajinomoto Fine-Techno Co., Inc.

Jun. 2024 Director of the Company (Present Position)

Audit & Supervisory Board Members



Koji Imai

Senior Audit & Supervisory Board Member (Standing)

Number of shares of the Company owned: 1,500

Born: 1962
Apr.1986 Joined the Company
Jun.2014 General Manager of Legal & General Affairs Dept.

Apr.2019 General Manager of General Affairs Dept.
General Manager of Legal Dept.

Jun.2021 Audit & Supervisory Board Member (Standing)

Jun.2022 Senior Audit & Supervisory Board Member (Standing) (Present Position)



Tsuyoshi Nozawa

Audit & Supervisory Board Member (Standing)

Number of shares of the Company owned: 800

Born: 1964
Apr.1988 Joined the Company
Jul. 2015 Public Relations & Investor Relations Dept.

Apr.2018 Finance & Accounting Dept.

Jun.2022 Audit & Supervisory Board Member (Standing) (Present Position)



Shoji Wakamatsu

Outside Audit & Supervisory Board Member

Number of shares of the Company owned: 0

Born: 1953
Sep. 1983 Joined Ota Tetsuzo Audit Firm (current Ernst & Young ShinNihon LLC)

Mar. 1987 Registered as a certified public accountant

Jul. 2003 Partner of ShinNihon Audit Firm (current Ernst & Young ShinNihon LLC)

May 2006 Board Member of ShinNihon Audit Firm

Aug.2008 Managing Partner of ShinNihon LLC (current Ernst & Young ShinNihon LLC)

Aug.2010 Senior Partner of ShinNihon LLC

Jun. 2016 Left ShinNihon LLC
Established Wakamatsu Certified Public Accountant Firm

Sep. 2019 Registered as a certified public tax accountant

Jun. 2021 Audit & Supervisory Board Member of the Company (Present Position)



Tsuguya Ieda

Outside Audit & Supervisory Board Member

Number of shares of the Company owned: 0

Born: 1958
Apr. 1982 Joined Export-Import Bank of Japan

Oct. 2008 Head of Credit Department of Japan Bank for International Cooperation, Japan Finance Corporation

Jan. 2011 Head of Corporate Management Office of Japan Bank for International Cooperation, Japan Finance Corporation

Apr. 2012 Western Japan Representative of Japan Bank for International Cooperation

Dec.2013 Executive Officer, Western Japan Representative of Japan Bank for International Cooperation

Jun. 2015 Retired as Executive Officer of Japan Bank for International Cooperation

Jul. 2015 Retired from Japan Bank for International Cooperation

Aug.2015 Advisor of Nomura Securities Co., Ltd.

Jun. 2017 Retired as Advisor of Nomura Securities Co., Ltd.
Executive Managing Director, CEO of JBIC IG Partners

Jun. 2023 Retired as Executive Managing Director, CEO of JBIC IG Partners

Jun. 2024 Audit & Supervisory Board Member of the Company (Present Position)

Executive Officers

*An asterisk indicates the officer is also serving concurrently as a director

President	Managing Executive Officers	Executive Officers	
Nobuhiro Matsumoto*	Hiroshi Yoshida* General Manager of Corporate Planning Dept. In charge of Human Resources Dept., Legal Dept., Digital Transformation Dept., Safety & Environment Control Dept., Quality Assurance Dept., and Internal Audit Dept.	Shinichi Sato General Manager of Advanced Materials Div.	Mihoko Yano General Manager of Sustainability Dept. In charge of General Affairs Dept., Public Relations & Investor Relations Dept., and Osaka Branch
	Katsuya Tanaka General Manager of Battery Materials Div.	Munekazu Kawata Senior Deputy General Manager of Battery Materials Div.	Naoki Kawai Senior Deputy General Manager of Non-Ferrous Metals Div.
	Masaru Takebayashi* General Manager of Non-Ferrous Metals Div.	Yusuke Niwa Senior Deputy General Manager of Non-Ferrous Metals Div.	Takahiro Hagiwara Senior Deputy General Manager of Mineral Resources Div.
	Hideyuki Okamoto* General Manager of Mineral Resources Div.	Kazuaki Sakamoto General Manager of Engineering Div.	Toru Kitazaki Senior Deputy General Manager of Non-Ferrous Metals Div.
	Kazuhiko Hotani General Manager of Finance & Accounting Dept. In charge of Secretarial Dept., Purchasing Dept., and Information Systems Dept.	Hirohiko Matsushita General Manager of Besshi-Niihama District Div.	Kenji Hara Senior Deputy General Manager of Engineering Div.
	Toru Motoki General Manager of Technology Div.	Yasumasa Hattori Senior Deputy General Manager of Technology Div.	Yukinori Okano Senior Deputy General Manager of Battery Materials Div.

Glossary

Term	Explanation	Pages
Copper concentrates	A raw material used in copper smelting, consisting of about 30% copper content with sulfur and iron as most of the remainder. Copper concentrates are produced mainly from sulfide ores. At present, ores extracted from overseas mines generally have a grade of about 1%. The ores are then “dressed” at the mine to enhance the grade and produce concentrate. The raw materials imported by copper smelting and refining plants in Japan are primarily copper concentrates.	▶ P.5,7,22,24,30,48,59
Coral Bay Nickel Corporation (CBNC)	The SMM Group’s first HPAL plant. Located in the Province of Palawan in the Philippines, CBNC produces mixed nickel-cobalt sulfides (MS) using HPAL technology for export to the Group’s Niihama Nickel Refinery and Harima Refinery.	▶ P.4,9,56,62,64,96,99
Dore	An alloy of 90%-grade gold and silver. Intermediate product of the Cote Gold Mine, produced by mineral processing and smelting of mined gold ore in the ore processing plant. Dore is smelted and refined into high-grade gold by external specialists.	▶ P.58
Electrolytic copper (electrolytic nickel and cobalt)	A high-purity copper material produced through electrolytic refining in a solution (electrolysis). At our Group’s Toyo Smelter & Refinery, we dissolve copper concentrate in a flash furnace, pass it through a converter and a refining furnace, cast anodes in plate form, and produce electrolytic copper through electrolytic refining. Electrolytic nickel and electrolytic cobalt are also produced through electrolytic refining.	▶ P.4,22,44,49,56,64
GRI	An acronym for Global Reporting Initiative. An organization that creates and promotes international guidelines and standards for sustainability reports. It issued its first guidelines in 2000, and has transitioned to issuing standards from 2016.	▶ P.11,38
GX/GX League	GX is an acronym for green transformation. GX refers to activities for transformations or towards the realization of transformations to facilitate the utilization of clean energy while using the bare minimum of fossil fuels. The GX League is a forum for companies—which aim to achieve sustainable growth in the present and future society by engaging with the challenge of GX with a view to achieving carbon neutrality and social transformation by 2050—to collaborate with government and academia as part of a group of companies working on similar initiatives.	▶ P.41,73
HPAL	An acronym for High Pressure Acid Leach. This technology enables the recovery of nickel from low-grade nickel oxide ores that had been conventionally difficult to process. The SMM Group was the first company in the world to apply it successfully on a commercial scale. HPAL causes low-grade nickel oxide ores to react stably with sulfuric acid under high-temperature and high-pressure conditions, to produce a high-grade nickel raw material.	▶ P.4,7,21-22,44,49,62

Term	Explanation	Pages
Human rights due diligence	An approach to human rights protection based on the Guiding Principles on Business and Human Rights approved by the Human Rights Council in 2011, this is a series of processes for performing preventive investigations to avoid and mitigate the negative effects that organizations have on human rights, and for taking appropriate corrective action based on the findings. The SMM Group built a system for human rights due diligence in FY2014 and has followed it since then.	▶ P.47,101
Hydrometallurgical refining	A refining method in which metals and impurities are dissolved in a solution, and chemical reactions are used to separate them. The method is stable and enables continuous processing, but incurs the costs of chemical reagents.	▶ P.5,49,65
ICP (Internal carbon pricing)	A framework for encouraging investment that leads to decarbonization. Internal carbon pricing uniquely attaches prices to carbon emissions within a company, attaches monetary values to greenhouse gas (GHG) emission reductions, and incorporates these into investment cost-effectiveness.	▶ P.23,50,91,93
ICMM	An acronym for International Council on Mining and Metals. This is an organization composed of worldwide metal and mining companies and related industry bodies. Its mission is “In collaboration with others, we will strengthen the social and environmental performance of the mining and metals industry and build recognition of its contribution to local communities and society at large.”	▶ P.38,50,96,99,101
IoT	An acronym for “Internet of Things,” referring to communication among objects via the Internet. Communication devices, such as smartphones and PCs, and even items such as home appliances, are becoming connected to the Internet, creating expectations for a future society in which all things are connected to networks.	▶ P.39,85,88,130
LT/LN	Lithium Tantalate (LT) and Lithium Niobate (LN). These are used in chips for information and communication terminal SAW filters.	▶ P.4,44,69
Lithium Iron Phosphate (LFP)	LFP is a cathode material for lithium-ion batteries, like nickel-based cathode materials (NCA, NMC), which are battery materials. While nickel-based cathode materials are made from metals such as nickel, manganese, and cobalt, LFP is made from relatively inexpensive lithium, iron, and phosphorus. It is mainly produced in China.	▶ P.5,14,41,44,48,66-67,94
MCLE	An acronym for Matte Chlorine Leach Electrowinning. This is a manufacturing process adopted at the SMM Group’s Niihama Nickel Refinery. Matte and mixed nickel-cobalt sulfides (MS) are dissolved in chlorine at high temperature, then electrolysis is used to produce high-purity nickel. MCLE is more competitive than other methods in terms of cost, but poses significant operational challenges, and only a few other producers outside of SMM have commercialized it using similar technology.	▶ P.4,22,62

System for Value Creation

Vision for the SMM Group

Medium-to-Long-Term Strategy for Value Creation

Foundations Supporting Value Creation

Data Section

Glossary

Term	Explanation	Pages
MS	An acronym for Mixed Sulfides of nickel and cobalt. CBNC and THPAL produce a mixed nickel-cobalt sulfide intermediate containing about 55–60% nickel by weight. It is used as a raw material in the production of electrolytic nickel, nickel sulfate, and other products.	▶ P.4,64
Matte	A term for metal sulfides. Niihama Nickel Refinery produces electrolytic nickel using nickel matte (of about 75–80% purity) sourced from PT Vale Indonesia Tbk.	▶ P.4,64
NCA	An acronym for a type of secondary battery cathode material composed primarily of Li (Lithium), N (nickel), C (cobalt), and A (aluminum).	▶ P.66-67
NMC	An acronym for a type of secondary battery cathode material composed primarily of Li (Lithium), N (nickel), M (manganese), and C (cobalt).	▶ P.66-67
Nanban-buki	A smelting and refining method that uses lead to remove silver and impurities contained in crude copper. Developed by Soga Riemon around 1600. An alloy made by melting and rapidly cooling lead and crude copper containing silver is heated, and silver-containing lead, which melts out at a melting point below that of copper, is heated atop ash. The lead is absorbed by the ash and only the silver remains. This allows the collection of silver while obtaining high-purity refined copper.	▶ P.2,21
NiO (nickel oxide) for fuel cells	Fuel cells are a clean and highly efficient method for generating electricity and heat through the chemical reaction of hydrogen and oxygen. Plans for increased use of fuel cells in a wide range of applications, from homes to factories, are being formulated in countries around the world. Nickel oxide powder for fuel cells is used in the electrodes of solid oxide fuel cells (SOFCs), which deliver the highest power generation efficiency.	▶ P.88
Nickel oxide ores (laterite ore)	While predominantly higher-grade sulfide ores are used in nickel refining, nickel oxide ores are more prevalent than nickel sulfides. High refining costs and technical issues have limited the use of oxide ores in nickel refining to date, but the SMM Group has succeeded in mass producing nickel from low-grade oxide ores based on HPAL technology.	▶ P.4,7,22,30,64,92
OJT	An acronym for On-the-Job Training, this is a method of training for the acquisition of knowledge and skills through the performance of actual work in the workplace under the guidance of superiors or senior colleagues. Its aim is the fast acquisition of work execution capabilities.	▶ P.22-23,76,78
Off-JT	A method of training conducted away from the workplace or separate from normal work. Its aim is the acquisition of advanced work capabilities or other knowledge and skills not directly connected to normal work based on systematic knowledge and theory.	▶ P.23

Term	Explanation	Pages
Pyrometallurgical smelting	A smelting method in which raw ore is melted in a high-temperature furnace and the metal is separated in the molten state. While it is possible to treat a large amount at one time, it requires periodic repair of heat-resistant equipment.	▶ P.5,49,65,72
Secondary battery cathode materials	Materials used in the cathodes of batteries (secondary batteries) that can be charged and reused. The constituent components of secondary batteries break down roughly into cathode material, anode material, a separator, and electrolytic solution. The SMM Group produces the secondary battery cathode materials used in electric and hybrid automobiles.	▶ P.65,67,95
Silicon carbide (SiC)	SiC is a power semiconductor material used mainly in electric power control applications. Its use is expanding as a material capable of reducing energy loss in high-capacity fields (high current and high withstand voltage) demanded for drive control devices, particularly in hybrid vehicles and electric vehicles.	▶ P.13,41,44-45,49,68-70,94
Smelting & Refining	This refers to the extraction of valuable metals from ore and other raw materials, and is mainly divided into pyrometallurgical smelting and hydrometallurgical refining. The SMM Group's Toyo Smelter & Refinery in Saijo, Ehime Prefecture uses pyrometallurgical smelting in its upstream processes (treatment processes), while Niihama Nickel Refinery in Niihama, Ehime Prefecture uses only hydrometallurgical refining throughout.	▶ P.2-10,14,20-25,28,40-42,44,49,51-52,54-57,62-66,72-73,79,85,90-92,99,106,113,127,148-149
Sustainable procurement	Sustainable procurement ensures that there is no complicity in negative effects such as infringement on human rights, environmental destruction, or corruption in the procurement of parts, services, etc. It affirms that companies in the supply chain do not cause such negative effects, requests corrections when necessary, and enhances transparency in the supply chain.	▶ P.23,37,89,98,122
TCFD	An acronym for the Task Force on Climate-related Financial Disclosures. Established by the Financial Stability Board (FSB) to examine the disclosure of climate-related information and how financial institutions should respond. It recommends the disclosure of information concerning governance, strategy, risk management, and metrics and targets concerning climate change-related risks and opportunities.	▶ P.11,39,69,95
Taganito HPAL Nickel Corporation (THPAL)	The SMM Group's second HPAL plant. Located in the Province of Surigao del Norte in the Philippines, THPAL produces mixed nickel- cobalt sulfides (MS) using HPAL technology for export to the Group's Niihama Nickel Refinery and Harima Refinery.	▶ P.4,9,44,56,62-64,96,99
xEV	Electric vehicles. Types of electrification are diverse, differing by method of supplying electricity. Types include BEVs that carry batteries, plug-in hybrids (PHEVs), hybrids (HEVs/MHVs), and fuel cell electric vehicles (FCEVs/FCVs).	▶ P.66-67

System for Value Creation

Vision for the SMM Group

Medium-to-Long-Term Strategy for Value Creation

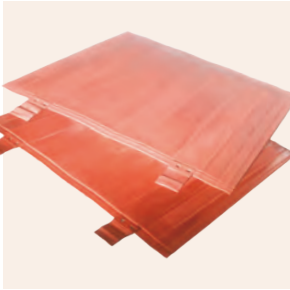
Foundations Supporting Value Creation

Data Section

The Global Non-Ferrous Metal Industry and the SMM Group

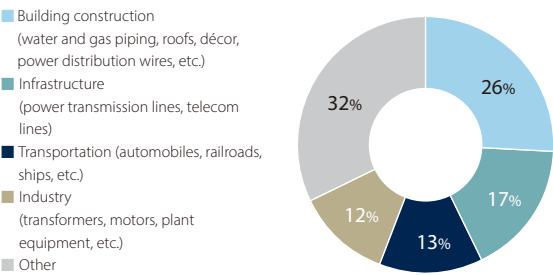
The Business Environment Surrounding Copper

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



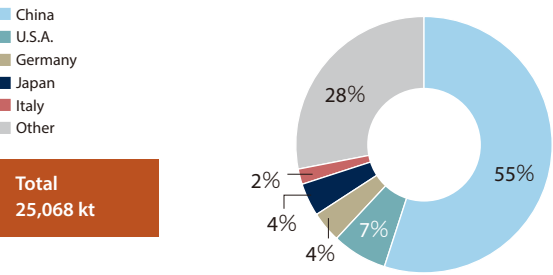
Statistical Data Regarding Copper

Copper End-Use (2022 results)



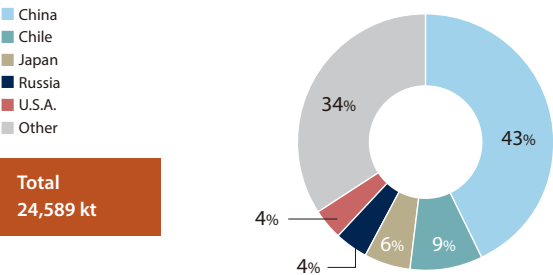
Source: The International Wrought Copper Council (IWCC) and the International Copper Association (ICA)

Copper Metal Production by Country (2021 results)



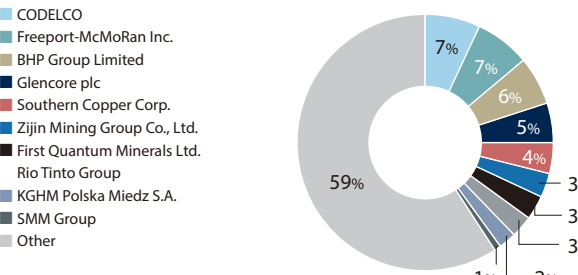
Source: JOGMEC Mineral Resource Material Flows 2022

Copper Metal Consumption by Country (2021 results)



Source: JOGMEC Mineral Resource Material Flows 2022

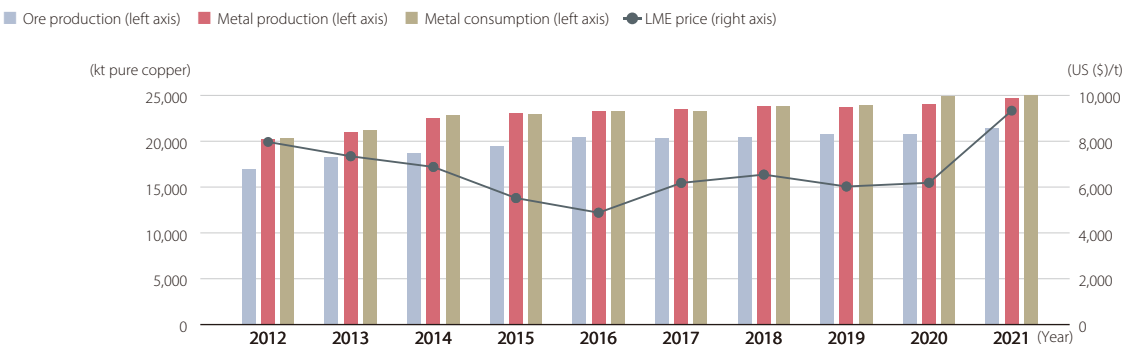
Global Copper Interest Production (2022 results)



Source: S&P Global Market Intelligence

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

Global Copper Supply and Demand



Source: JOGMEC Mineral Resource Material Flows 2022

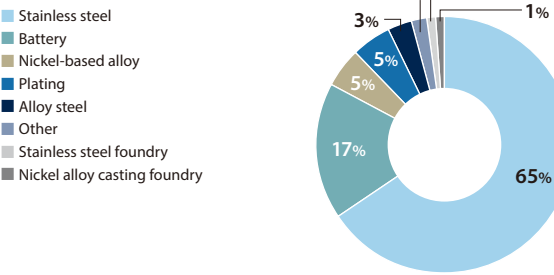
The Business Environment Surrounding Nickel

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



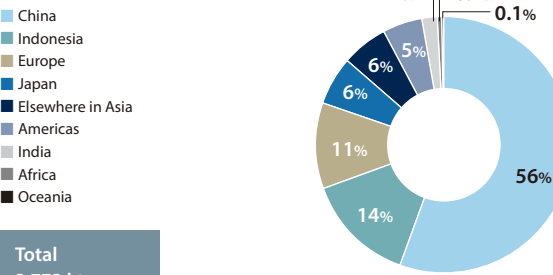
Statistical Data Regarding Nickel

Nickel End-Use (2022 results)



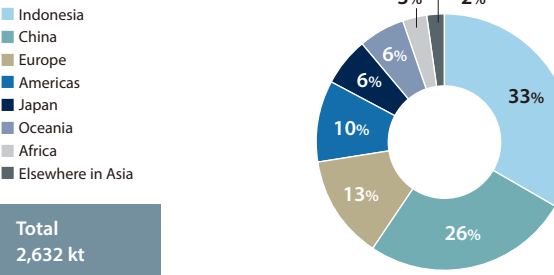
Source: Nickel Institute, SMR–Steel & Metals Market Research GmbH (June 10, 2024)

Nickel Consumption by Country/Region (2021 results)



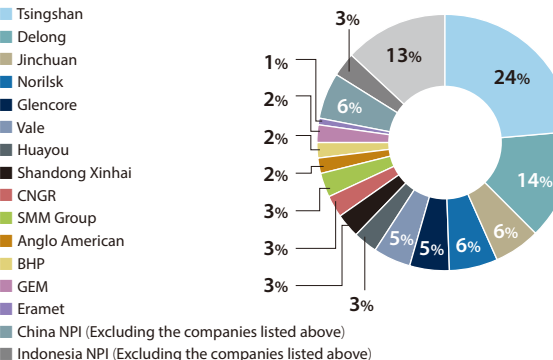
Source: JOGMEC Mineral Resource Material Flows 2022

Nickel Production by Country/Region (2021 results)



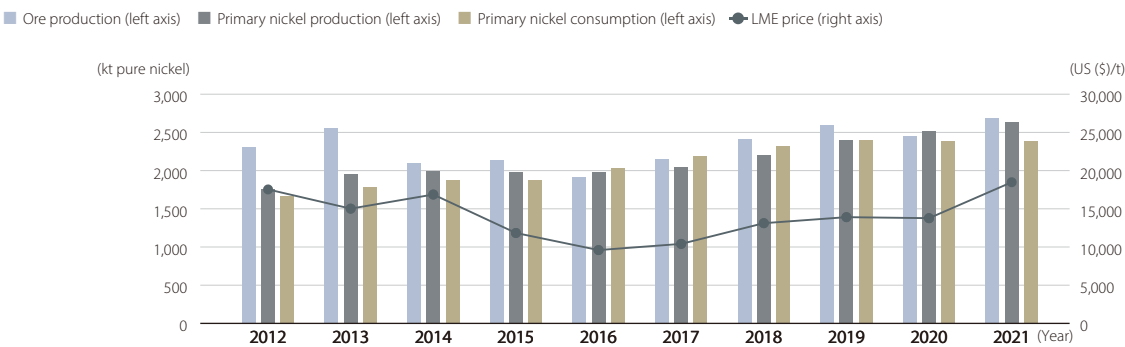
Source: JOGMEC Mineral Resource Material Flows 2022

Global Nickel Supply (2023 results)



Source: Research by SMM

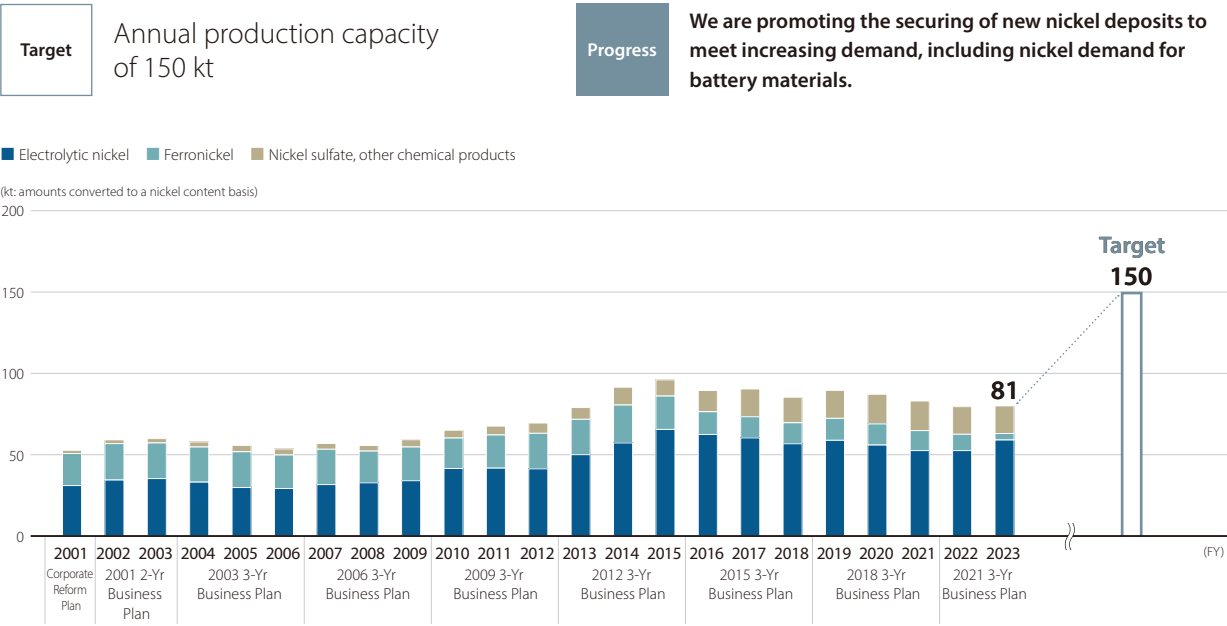
Global Nickel Supply and Demand



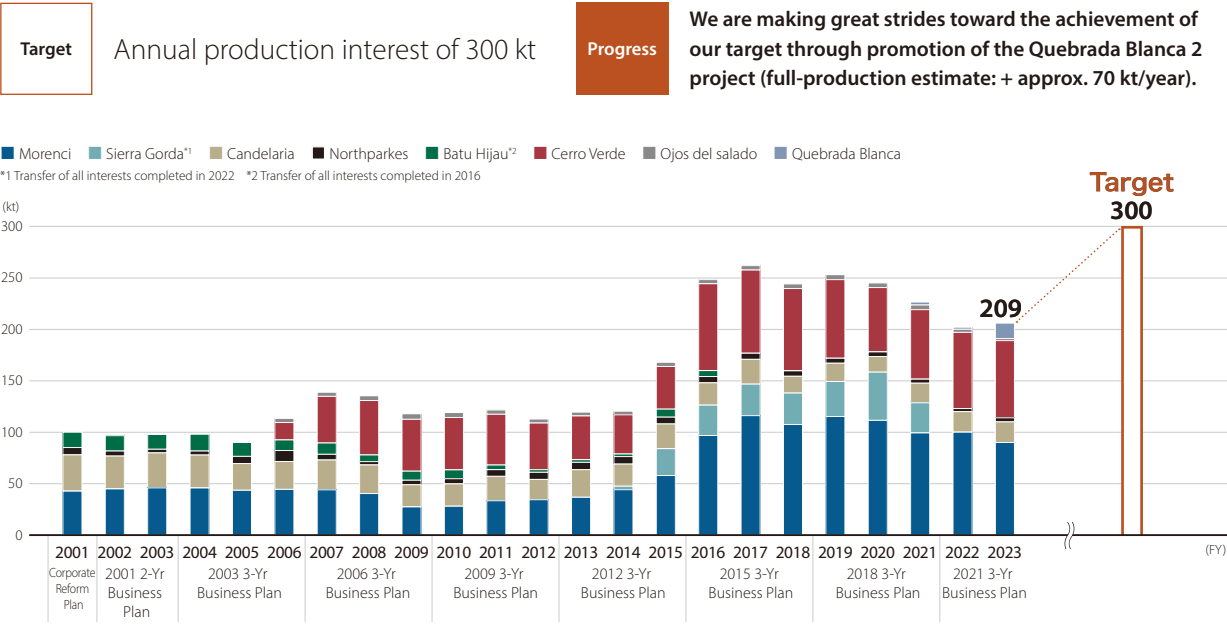
Source: JOGMEC Mineral Resource Material Flows 2022

Targets and Progress of Our Long-Term Vision

Nickel



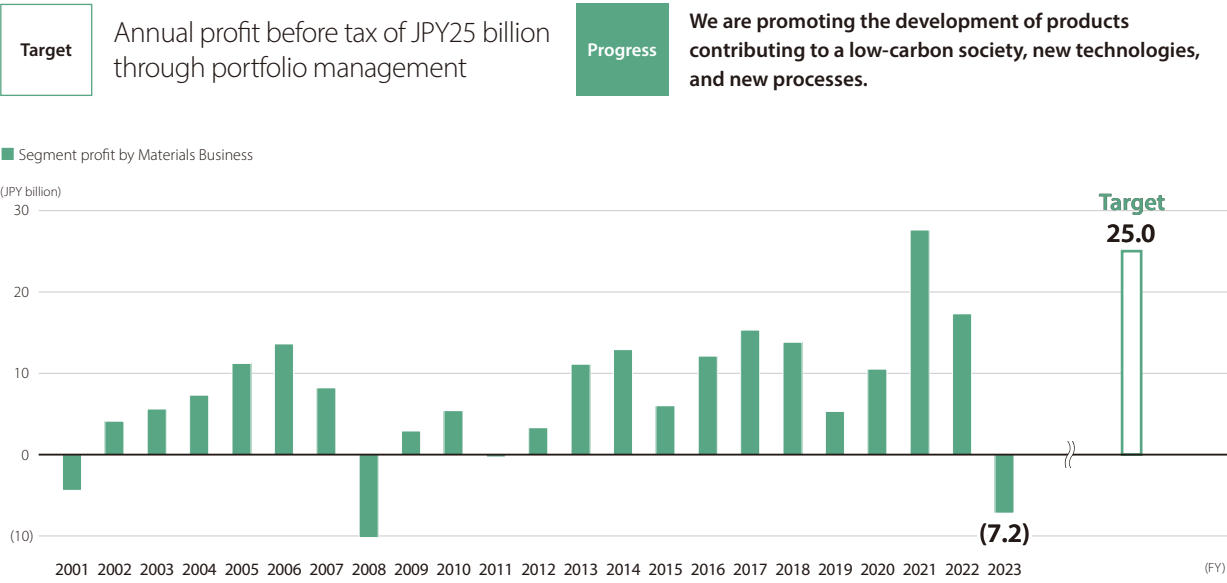
Copper



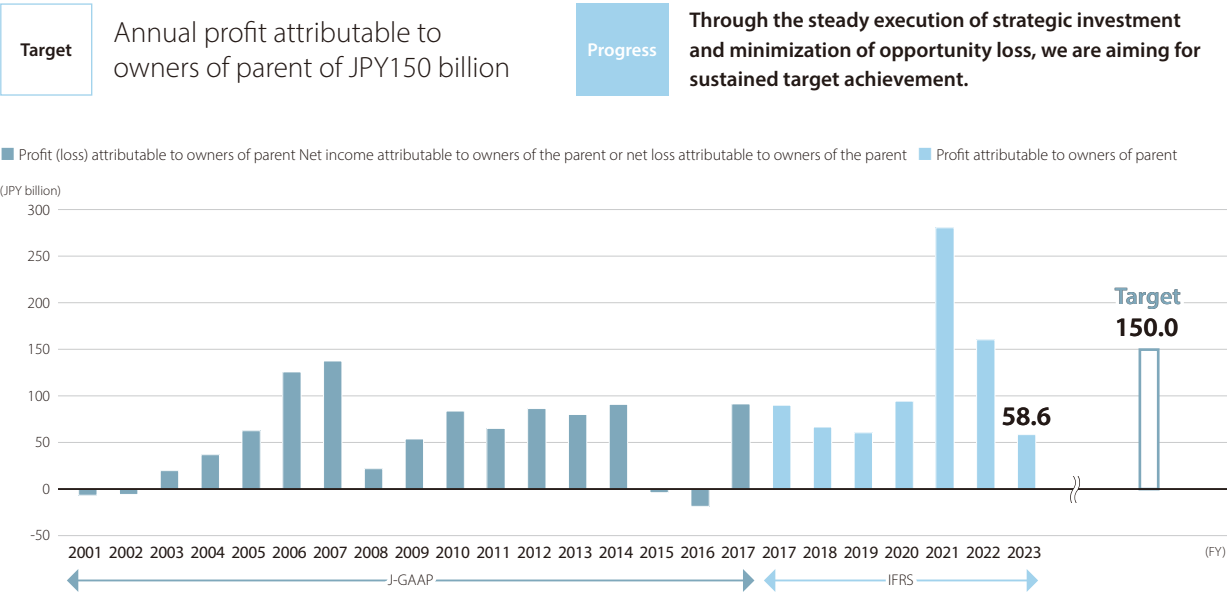
Gold



Materials Business



Profit



Eleven-Year Financial Summary

IFRS

Years ended March 31	2024	2023	2022	2021	2020	2019	2018
Results for the year:							
Net sales ^{*3}	1,445,388	1,422,989	1,259,091	926,122	851,946	912,208	929,746
Gross profit	166,133	250,106	257,794	150,876	109,471	126,637	149,015
Profit before tax	95,795	229,910	357,434	123,379	79,035	89,371	108,286
Profit attributable to owners of parent	58,601	160,585	281,037	94,604	60,600	66,790	90,227
Capital expenditures	149,923	140,845	64,539	35,059	50,689	47,445	74,675
Depreciation	56,224	53,310	46,455	45,729	45,355	43,541	46,762
Net cash provided by (used in) operating activities	210,675	120,382	159,489	91,522	136,545	114,744	78,552
Net cash provided by (used in) investing activities	(298,887)	(185,503)	9,796	(32,393)	(70,334)	(142,354)	(22,787)
Net cash provided by (used in) financing activities	7,090	49,336	(129,618)	(55,758)	9,149	(29,047)	(89,797)
Free cash flows	(88,212)	(65,121)	169,285	59,129	66,211	(27,610)	55,765
Financial position at year-end:							
Total assets	3,027,714	2,707,899	2,268,756	1,885,999	1,719,690	1,797,701	1,732,333
Equity	1,973,380	1,789,296	1,557,418	1,222,983	1,110,860	1,151,280	1,113,349
Non-current liabilities	590,724	447,340	326,547	337,694	402,520	388,943	378,438
Interest-bearing liabilities	530,289	457,257	301,355	330,678	367,882	349,798	361,775
Amounts per share (JPY) ^{*2} :							
Equity attributable to owners of parent per share	6,497	5,938	5,260	4,054	3,646	3,812	3,746
Basic earnings per share	213	584	1,023	344	221	243	327
Diluted earnings per share	213	584	1,023	344	221	243	295
Dividends	98	205	301	121	78	73	100
Key ratios:							
ROA(%)	2.0	6.5	13.5	5.3	3.5	3.8	5.2
ROE(%)	3.4	10.4	22.0	8.9	5.9	6.4	9.1
Equity ratio (%)	59.0	60.3	63.7	59.1	58.3	58.3	59.4
Debt-to-equity ratio (times)	0.30	0.28	0.21	0.30	0.37	0.33	0.35
Current ratio (times)	2.0	2.2	2.4	2.1	2.7	2.1	2.6

*1 Shareholders' equity is defined by the following equation. Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income
*2 The Company consolidated its shares at a rate of one share for every two shares of its common stock with October 1, 2017 as the effective date.
"Amounts per share" is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the fiscal year ended March 31, 2018.
*3 Effective from the fiscal year ended March 31, 2021, the Company has changed its accounting policy for non-free supplied materials received from customers.
This change in accounting policy was applied retrospectively to the figure for the fiscal year ended March 31, 2020.

J-GAAP

JPY millions (except per share amounts and key ratios)

Years ended March 31	2018	2017	2016	2015	2014
Results for the year:					
Net sales	933,517	786,146	855,407	921,334	830,546
Gross profit	157,089	122,296	113,862	174,257	124,822
Operating income	110,203	76,390	59,720	125,779	75,418
Other income (expenses)	124,853	(1,565)	(12,764)	174,226	114,352
Profit (loss) before income taxes	105,795	(5,999)	559	123,261	111,006
Profit (loss) attributable to owners of parent	91,648	(18,540)	(309)	91,113	80,258
Capital expenditures	74,589	125,950	51,013	55,232	66,441
Depreciation	46,865	44,232	46,141	38,125	32,426
Financial revenue (expenses)	10,804	10,546	8,927	6,250	3,530
Net cash provided by (used in) operating activities	79,405	43,796	119,704	120,003	80,014
Net cash provided by (used in) investing activities	(22,994)	(143,219)	(92,876)	(105,024)	(126,937)
Net cash provided by (used in) financing activities	(90,095)	70,392	(4,003)	(39,047)	81
Free cash flows	56,411	(99,423)	26,828	14,979	(46,923)
Financial position at year-end:					
Total assets	1,699,037	1,685,018	1,630,800	1,740,246	1,572,367
Net assets	1,120,008	1,024,121	1,075,995	1,158,945	1,019,053
Long-term loans payable after one year	257,409	358,564	248,036	245,000	243,130
Interest-bearing liabilities	362,297	495,504	400,559	394,094	383,580
Working capital	369,668	382,810	313,812	307,436	314,198
Amounts per share (JPY) ^{*2} :					
Net income (loss)					
—Basic	332.42	(33.61)	(0.56)	165.11	145.35
—Diluted	299.94	—	—	149.44	129.71
Shareholders' equity ^{*1}	3,771.69	1,743.46	1,781.91	1,905.50	1,653.83
Cash dividends	100.0	11.0	31.0	48.0	37.0
Key ratios:					
ROA(%)	5.42	(1.12)	(0.02)	5.50	5.49
ROE(%) ^{*1}	9.17	(1.93)	(0.03)	9.28	9.54
Equity ratio (%) ^{*1}	61.0	57.1	60.3	60.4	58.1
Debt-to-equity ratio (times) ^{*1}	0.35	0.52	0.41	0.37	0.42
Current ratio (times)	2.70	2.82	2.39	2.29	2.40

Financial Performance by Business Segment

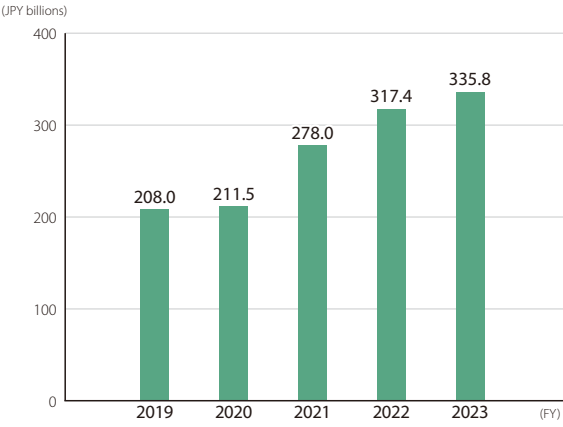
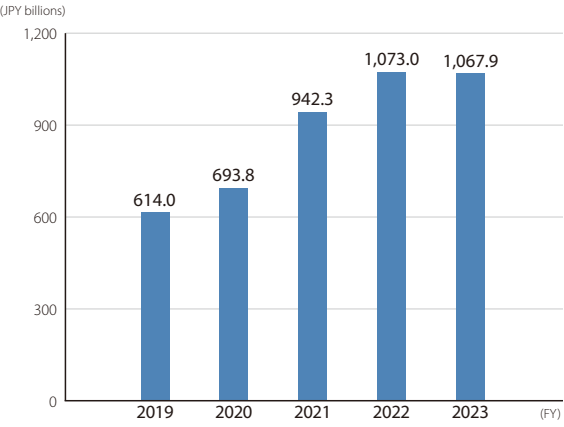
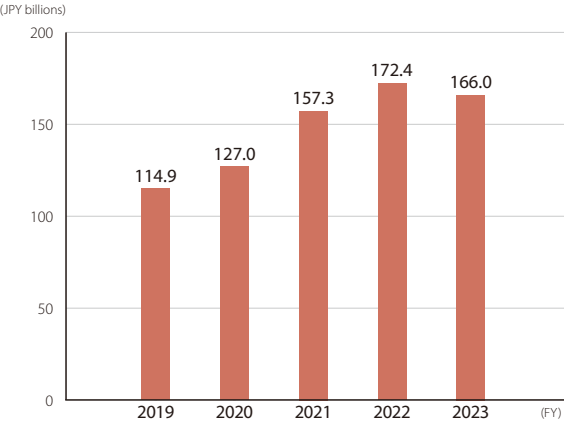
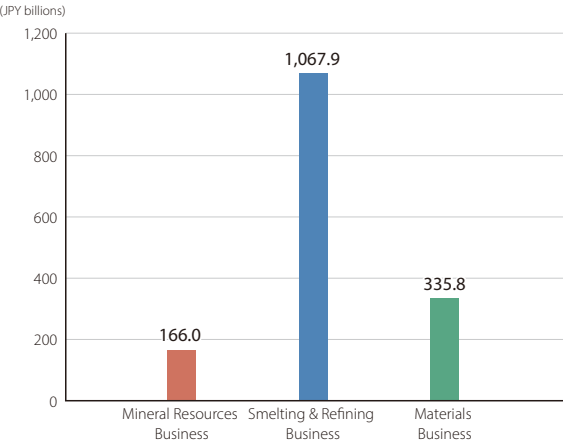
Total for Three Business (FY2023)

Mineral Resources Business

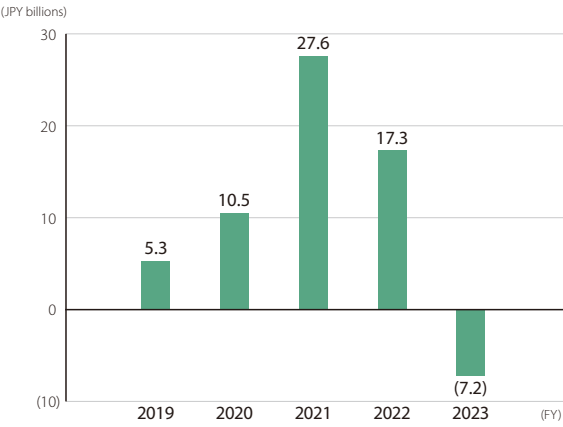
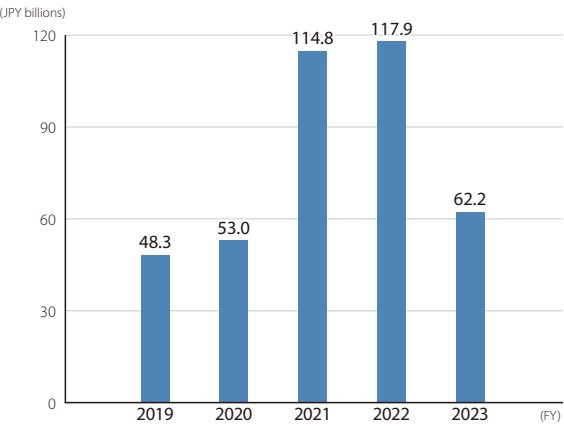
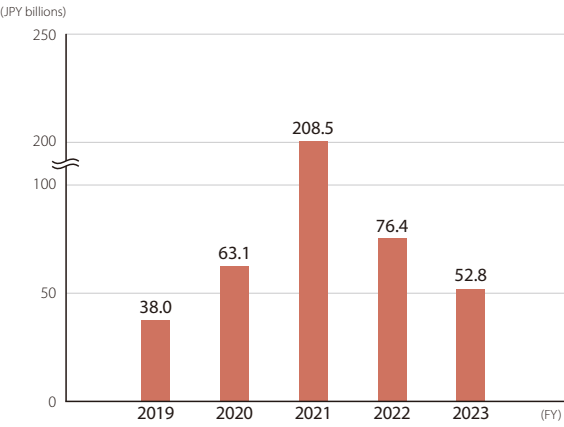
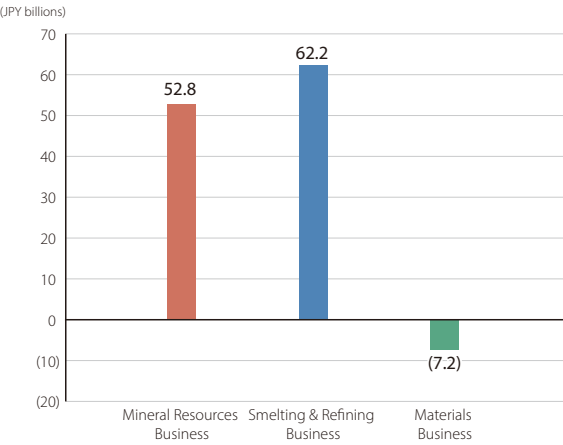
Smelting & Refining Business

Materials Business

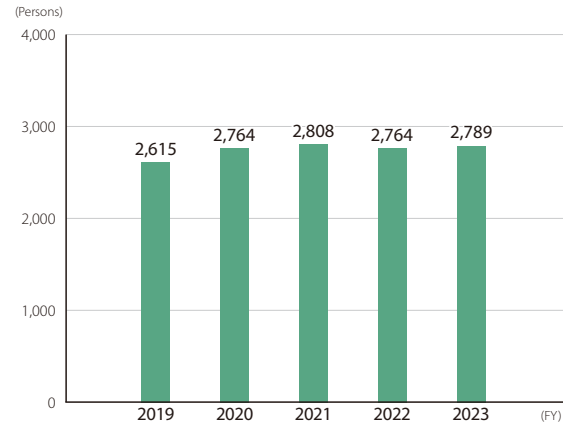
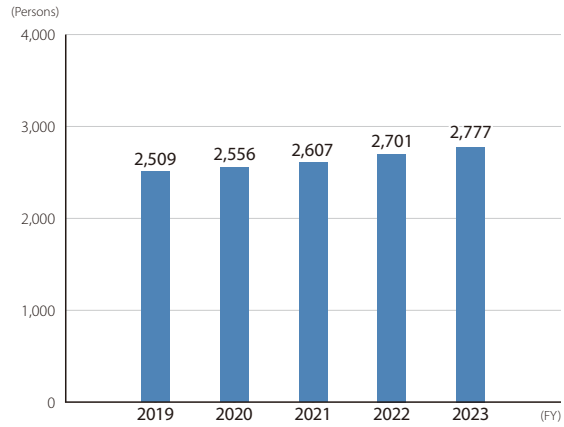
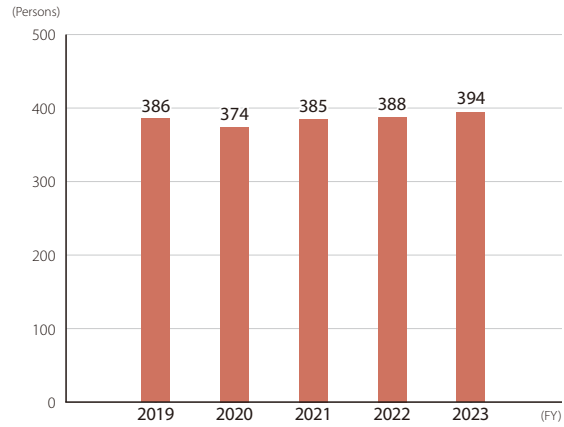
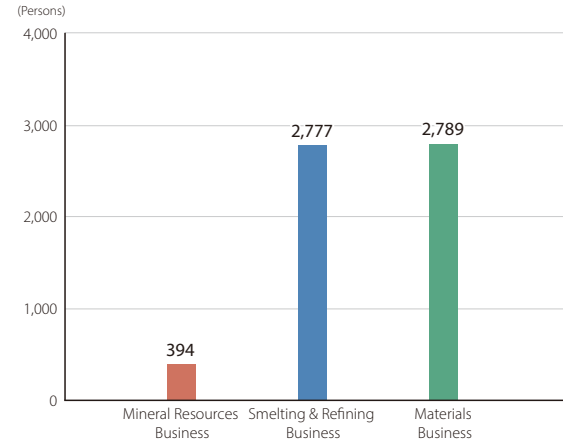
FY2023 Net Sales



FY2023 Segment Profit



FY2023 Employees



1 Consolidated Financial Statements


(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets				
Current assets				
Cash and cash equivalents	8	215,007	151,022	997,965
Trade and other receivables	9, 35	189,199	185,238	1,224,067
Other financial assets	17, 35	6,273	9,054	59,830
Inventories	10	555,941	516,014	3,409,859
Other current assets	18	56,423	43,611	288,185
Subtotal		1,022,843	904,939	5,979,905
Assets held for sale	11	–	19,482	128,739
Total current assets		1,022,843	924,421	6,108,643
Non-current assets				
Property, plant and equipment	12, 22	629,451	759,484	5,018,727
Intangible assets and goodwill	13	68,217	72,468	478,874
Investment property	15	3,477	3,477	22,976
Investments accounted for using equity method	16	450,512	499,097	3,298,070
Other financial assets	17, 35	497,496	722,250	4,772,682
Deferred tax assets	19	1,822	1,828	12,080
Other non-current assets	18, 24	34,081	44,689	295,308
Total non-current assets		1,685,056	2,103,293	13,898,718
Total assets	6	<u>2,707,899</u>	<u>3,027,714</u>	<u>20,007,361</u>

	Notes	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	20, 35	251,696	263,054	1,738,281
Bonds and borrowings	21, 35	158,409	133,610	882,905
Other financial liabilities	21, 22, 35	10,337	16,961	112,080
Income taxes payable		24,968	11,168	73,799
Provisions	23	8,663	8,387	55,422
Other current liabilities	25	17,190	26,015	171,909
Subtotal		471,263	459,195	3,034,395
Liabilities directly associated with assets held for sale	11	–	4,415	29,175
Total current liabilities		471,263	463,610	3,063,570
Non-current liabilities				
Bonds and borrowings	21, 35	298,848	396,679	2,621,285
Other financial liabilities	21, 22, 35	8,816	14,354	94,852
Provisions	23	40,361	42,997	284,127
Retirement benefit liability	24	4,396	3,223	21,298
Deferred tax liabilities	19	94,041	128,808	851,173
Other non-current liabilities	25	878	4,663	30,813
Total non-current liabilities		447,340	590,724	3,903,549
Total liabilities		918,603	1,054,334	6,967,118
Equity				
Share capital	26	93,242	93,242	616,150
Capital surplus	7, 26	89,800	89,800	593,405
Treasury shares	26	(38,076)	(38,099)	(251,761)
Other components of equity		220,383	344,241	2,274,770
Retained earnings	26	1,266,322	1,295,920	8,563,537
Total equity attributable to owners of parent		1,631,671	1,785,104	11,796,101
Non-controlling interests		157,625	188,276	1,244,142
Total equity		1,789,296	1,973,380	13,040,243
Total liabilities and equity		<u>2,707,899</u>	<u>3,027,714</u>	<u>20,007,361</u>

As to the pages indicated in "NOTES," please refer to the Consolidated Financial Statements at the following address.

 https://www.smm.co.jp/en/ir/library/consolidated_financial_statement/pdf/Consolidated_Financial_Statement_2024.pdf

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income


Consolidated Statement of Profit or Loss

	Notes	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	28	1,422,989	1,445,388	9,551,232
Cost of sales	29	(1,172,883)	(1,279,255)	(8,453,413)
Gross profit		250,106	166,133	1,097,819
Selling, general and administrative expenses	29	(63,997)	(67,647)	(447,016)
Finance income	30	29,389	18,819	124,357
Finance costs	30	(8,596)	(18,295)	(120,895)
Share of profit of investments accounted for using equity method	16	36,536	33,117	218,840
Other income	31	4,672	3,575	23,624
Other expenses	31	(18,200)	(39,907)	(263,708)
Profit before tax	6	229,910	95,795	633,021
Income tax expense	19	(59,469)	(34,992)	(231,230)
Profit		170,441	60,803	401,791
Profit attributable to:				
Owners of parent		160,585	58,601	387,240
Non-controlling interests		9,856	2,202	14,551
Profit		170,441	60,803	401,791
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share	33	584.44	213.28	1.41
Diluted earnings per share	33	584.44	213.28	1.41

Consolidated Statement of Comprehensive Income

	Notes	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		170,441	60,803	401,791
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Financial assets measured at fair value through other comprehensive income	32	8,810	63,162	417,379
Remeasurements of defined benefit plans	32	2,852	7,948	52,521
Share of other comprehensive income of investments accounted for using equity method	16, 32	75	471	3,112
Total of items that will not be reclassified to profit or loss		11,737	71,581	473,013
Items that will be reclassified to profit or loss:				
Cash flow hedges	32	1,662	(837)	(5,531)
Exchange differences on translation of foreign operations	32	58,729	50,185	331,626
Share of other comprehensive income of investments accounted for using equity method	16, 32	44,579	27,603	182,403
Total of items that will be reclassified to profit or loss		104,970	76,951	508,498
Other comprehensive income, net of tax		116,707	148,532	981,511
Comprehensive income		287,148	209,335	1,383,301
Comprehensive income attributable to:				
Owners of parent		263,161	194,671	1,286,401
Non-controlling interests		23,987	14,664	96,901
Comprehensive income		287,148	209,335	1,383,301

As to the pages indicated in "NOTES," please refer to the Consolidated Financial Statements at the following address.

 https://www.smm.co.jp/en/ir/library/consolidated_financial_statement/pdf/Consolidated_Financial_Statement_2024.pdf

3) Consolidated Statement of Changes in Equity
FY2022 (From April 1, 2022 to March 31, 2023)


Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2022	93,242	90,213	(38,056)	16,406	(944)	108,842
Profit	—	—	—	—	—	—
Other comprehensive income	32	—	—	89,196	1,669	8,812
Total comprehensive income		—	—	89,196	1,669	8,812
Purchase of treasury shares	26	—	(21)	—	—	—
Disposal of treasury shares	26	—	0	—	—	—
Dividends	27	—	—	—	—	—
Changes in ownership interest in subsidiaries	7	—	(413)	—	—	—
Transfer to retained earnings	17	—	—	—	—	(3,598)
Transactions with owners - total		(413)	(20)	—	—	(3,598)
As of March 31, 2023	93,242	89,800	(38,076)	105,602	725	114,056

		Equity attributable to owners of parent					
		Other components of equity					
Notes	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2022	–	124,304	1,175,626	1,445,329	112,089	1,557,418	
Profit	–	–	160,585	160,585	9,856	170,441	
Other comprehensive income	32	2,899	102,576	–	102,576	14,131	
Total comprehensive income		2,899	102,576	160,585	263,161	23,987	
Purchase of treasury shares	26	–	–	–	(21)	–	
Disposal of treasury shares	26	–	–	–	1	–	
Dividends	27	–	–	(76,386)	(76,386)	(7,155)	
Changes in ownership interest in subsidiaries	7	–	–	–	(413)	28,704	
Transfer to retained earnings	17	(2,899)	(6,497)	6,497	–	–	
Transactions with owners - total		(2,899)	(6,497)	(69,889)	(76,819)	21,549	
As of March 31, 2023		–	220,383	1,266,322	1,631,671	157,625	
						1,789,296	

FY2023 (From April 1, 2023 to March 31, 2024)

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2023	93,242	89,800	(38,076)	105,602	725	114,056
Profit	—	—	—	—	—	—
Other comprehensive income	32	—	—	65,298	(832)	63,187
Total comprehensive income		—	—	65,298	(832)	63,187
Purchase of treasury shares	26	—	(23)	—	—	—
Disposal of treasury shares	26	—	0	—	—	—
Dividends	27	—	—	—	—	—
Changes in ownership interest in subsidiaries		—	—	—	—	—
Transfer to retained earnings	17	—	—	—	—	(3,795)
Transactions with owners - total		0	(23)	—	—	(3,795)
As of March 31, 2024	93,242	89,800	(38,099)	170,900	(107)	173,448


		Equity attributable to owners of parent					
		Other components of equity				Non-controlling interests	Total equity
Notes	Remeasurements of defined benefit plans	Total	Retained earnings	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2023	—	220,383	1,266,322	1,631,671	157,625	1,789,296	
Profit	—	—	58,601	58,601	2,202	60,803	
Other comprehensive income	32	8,417	136,070	—	136,070	12,462	148,532
Total comprehensive income		8,417	136,070	58,601	194,671	14,664	209,335
Purchase of treasury shares	26	—	—	—	(23)	—	(23)
Disposal of treasury shares	26	—	—	—	0	—	0
Dividends	27	—	—	(41,215)	(41,215)	(6,248)	(47,463)
Changes in ownership interest in subsidiaries		—	—	—	—	22,235	22,235
Transfer to retained earnings	17	(8,417)	(12,212)	12,212	—	—	—
Transactions with owners - total		(8,417)	(12,212)	(29,003)	(41,238)	15,987	(25,251)
As of March 31, 2024		—	344,241	1,295,920	1,785,104	188,276	1,973,380

As to the pages indicated in "NOTES," please refer to the Consolidated Financial Statements at the following address.
 https://www.smm.co.jp/en/ir/library/consolidated_financial_statement/pdf/Consolidated_Financial_Statement_2024.pdf

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2023	616,150	593,405	(251,609)	697,826	4,791	753,691
Profit	—	—	—	—	—	—
Other comprehensive income	32	—	—	431,494	(5,498)	417,544
Total comprehensive income	—	—	—	431,494	(5,498)	417,544
Purchase of treasury shares	26	—	(152)	—	—	—
Disposal of treasury shares	26	—	0	—	—	—
Dividends	27	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Transfer to retained earnings	17	—	—	—	—	(25,078)
Transactions with owners - total	—	0	(152)	—	—	(25,078)
As of March 31, 2024	616,150	593,405	(251,761)	1,129,320	(707)	1,146,157

Notes	Equity attributable to owners of parent					
	Other components of equity				Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total	Retained earnings	Total		
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2023	—	1,456,307	8,367,951	10,782,204	1,041,598	11,823,802
Profit	—	—	387,240	387,240	14,551	401,791
Other comprehensive income	32	55,620	899,161	899,161	82,350	981,511
Total comprehensive income	—	55,620	899,161	1,286,401	96,901	1,383,301
Purchase of treasury shares	26	—	—	(152)	—	(152)
Disposal of treasury shares	26	—	—	0	—	0
Dividends	27	—	—	(272,352)	(41,287)	(313,639)
Changes in ownership interest in subsidiaries	—	—	—	—	146,931	146,931
Transfer to retained earnings	17	(55,620)	(80,698)	80,698	—	—
Transactions with owners - total	—	(55,620)	(80,698)	(191,654)	105,643	(166,861)
As of March 31, 2024	—	2,274,770	8,563,537	11,796,101	1,244,142	13,040,243

As to the pages indicated in "NOTES," please refer to the Consolidated Financial Statements at the following address.


 https://www.smm.co.jp/en/ir/library/consolidated_financial_statement/pdf/Consolidated_Financial_Statement_2024.pdf

4) Consolidated Statement of Cash Flows

Notes	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities			
Profit before tax	229,910	95,795	633,021
Depreciation and amortization	53,310	56,224	371,532
Loss (gain) on sale of fixed assets	(1,428)	(1,162)	(7,679)
Impairment losses	3,444	761	5,029
Impairment losses on assets held for sale	2	2,249	42,404
Share of loss (profit) of investments accounted for using equity method	(36,536)	(33,117)	(218,840)
Increase or decrease in retirement benefit asset or liability	(4,642)	(11,861)	(78,378)
Increase (decrease) in provisions	4,257	1,877	12,403
Finance income	(29,389)	(18,819)	(124,357)
Finance costs	8,596	18,295	120,895
Decrease (increase) in trade and other receivables	113	(3,698)	(24,437)
Decrease (increase) in inventories	(133,712)	43,851	289,771
Increase (decrease) in trade and other payables	38,689	1,538	10,163
Decrease (increase) in advance payments to suppliers	1,861	2,433	16,077
Increase (decrease) in accrued consumption taxes	(11,154)	14,197	93,815
Other	2	11,546	178,828
Subtotal	137,114	199,793	1,320,247
Interest received	11,056	31,927	210,976
Dividends received	28,657	36,447	240,845
Interest paid	(5,927)	(18,601)	(122,917)
Income taxes paid	(50,662)	(39,541)	(261,290)
Income taxes refund	144	650	4,295
Net cash provided by (used in) operating activities	120,382	210,675	1,392,156
Cash flows from investing activities			
Payments into time deposits	(387)	(281)	(1,857)
Proceeds from withdrawal of time deposits	50,848	313	2,068
Purchase of securities	(6,279)	—	—
Proceeds from redemption of securities	6,911	—	—
Purchase of property, plant and equipment	(123,823)	(125,275)	(827,827)
Proceeds from sale of property, plant and equipment	565	3,097	20,465
Purchase of intangible assets	(7,087)	(2,803)	(18,522)
Purchase of investment securities	2	(81)	(12,291)
Proceeds from sale of investment securities	10,053	8,689	57,418
Purchase of shares of subsidiaries and associates	(30,403)	(45,396)	(299,980)
Collection of short-term loans receivable	3,033	395	2,610
Payments for long-term loans receivable	(90,983)	(136,317)	(900,793)
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	34	1,592	—
Other	2	538	3,641
Net cash provided by (used in) investing activities	(185,503)	(298,887)	(1,975,068)

	Notes	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from financing activities				
Proceeds from short-term borrowings	34	406,013	415,905	2,748,331
Repayments of short-term borrowings	34	(351,158)	(485,070)	(3,205,379)
Proceeds from long-term borrowings	34	110,061	130,668	863,464
Repayments of long-term borrowings	34	(42,928)	(52,065)	(344,049)
Proceeds from issuance of bonds	34	89,925	99,938	660,398
Redemption of bonds	34	(105,000)	(74,999)	(495,599)
Proceeds from share issuance to non-controlling shareholders		24,073	22,235	146,931
Dividends paid	27	(76,386)	(41,215)	(272,352)
Dividends paid to non-controlling shareholders		(7,155)	(6,248)	(41,287)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	7	3,746	—	—
Other	34	(1,855)	(2,059)	(13,606)
Net cash provided by (used in) financing activities		49,336	7,090	46,851
Net increase (decrease) in cash and cash equivalents		(15,785)	(81,122)	(536,060)
Cash and cash equivalents at beginning of period	8	213,977	215,007	1,420,782
Effect of exchange rate changes on cash and cash equivalents		16,815	17,137	113,243
Cash and cash equivalents at end of period	8	215,007	151,022	997,965

As to the pages indicated in "NOTES," please refer to the Consolidated Financial Statements at the following address.

 https://www.smm.co.jp/en/ir/library/consolidated_financial_statement/pdf/Consolidated_Financial_Statement_2024.pdf

Corporate Data and Investor Information (As of March 31, 2024)

Corporate Data

Company name	Sumitomo Metal Mining Co., Ltd.
President & Representative Director	Nobuhiro Matsumoto (As of June 26, 2024)
Founded	1590
Incorporated	1950
Capital	JPY93.2 billion
Listing	Prime Market
No. of subsidiaries (consolidated)	52 (including the money held in trust which is deemed to be a consolidated company)
No. of equity-method affiliates	13
Net sales (consolidated)	JPY1,445.4 billion (for the year ended March 31, 2024)
Profit before tax (consolidated)	JPY95.8 billion (for the year ended March 31, 2024)

Number of Employees	7,496 (Consolidated)
Head Office	1-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan
Main Branch	Osaka Branch
Branch	Nagoya Branch
Research centers	Niihama Research Laboratories (Ehime Prefecture) Battery Research Laboratories (Ehime Prefecture) Materials Laboratories (Tokyo) Ichikawa Research Center (Chiba Prefecture)

Investor Information

Closing Date	March 31
Ordinary General Meeting of Shareholders	June
Common Stock	Number of authorized shares 500,000,000 Number of issued and outstanding shares 290,814,015 Number of shareholders 57,422 Listing of shares Tokyo Stock transaction unit 100 shares

Note: SMM consolidated its common stock at a rate of one share for every two shares with October 1, 2017 as the effective date.

Registrar of Shareholders

Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Stock Transfer Agency Department:
Sumitomo Mitsui Trust Bank, Limited,
Stock Transfer Agency Business Planning Department
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Method of Public Notice

Electronic notification (However, if electronic notification is not available due to unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.)

Independent Public Accountant

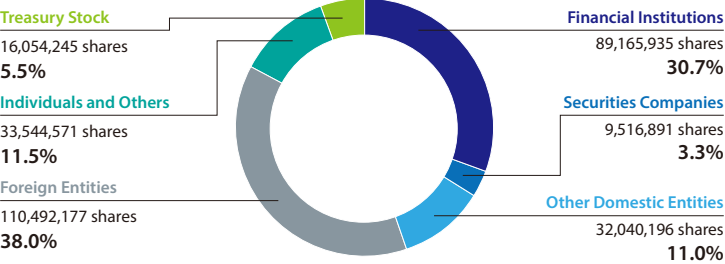
KPMG AZSA LLC 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo 162-0821, Japan

Major Shareholders

Name of Shareholders	Number of shares held	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,895,900	15.98
Custody Bank of Japan, Ltd. (Trust Account)	18,682,600	6.80
Toyota Motor Corporation	11,058,000	4.02
STATE STREET BANK WEST CLIENT-TREATY 505234	5,406,815	1.97
STATE STREET BANK AND TRUST COMPANY 505001	4,543,393	1.65
Sumitomo Realty & Development Co., Ltd.	3,745,055	1.36
SUMITOMO LIFE INSURANCE COMPANY	3,737,000	1.36
BNYM AS AGT/CLTS NON TREATY JASDEC	3,402,989	1.24
GOVERNMENT OF NORWAY	3,319,482	1.21
JP MORGAN CHASE BANK 385781	3,246,596	1.18

Notes: 1 We own 16,054,245 shares of treasury stock.
2 The shareholding ratios were calculated based on the total number of issued shares less treasury stock.

Stock Distribution (by shareholders)



Attestation of Validity

On the issuance of the Sumitomo Metal Mining Co., Ltd. Integrated Report 2024



The SMM Group has been producing the Integrated Report since 2016, so the Integrated Report 2024 is the ninth edition. In this report, we explain our value creation through fusion of the SMM Group's business and sustainability and give a detailed account of the progress made in the four challenges laid out in the 2021 3-Year Business Plan.

As the officer ultimately responsible for the production of this report, I attest that the process of creating the report is legitimate and that its content is accurate.

I hope that this Integrated Report will help our diverse stakeholders, including shareholders and investors, understand our Group's efforts toward sustained growth and the realization of a sustainable society. We will continue to strive to appropriately disclose information.

Mihoko Yano
Executive Officer
General Manager of Sustainability Dept.
In charge of General Affairs Dept.,
Public Relations & Investor Relations Dept., and Osaka Branch