

This is an unofficial translation of the Japanese language original.

Securities Code No. 5713

June 4, 2018

## To our shareholders

11-3, Shimbashi 5-chome, Minato-ku, Tokyo

### **Sumitomo Metal Mining Co., Ltd.**

Yoshiaki Nakazato, Representative Director and President

#### Convocation Notice of the 93<sup>rd</sup> Ordinary General Meeting of Shareholders

Sumitomo Metal Mining Co., Ltd. (the "Company") hereby gives notice of the 93<sup>rd</sup> Ordinary General Meeting of Shareholders (the "Meeting") as outlined below and requests your attendance.

If you are unable to attend the Meeting, you may vote in writing or by an electromagnetic method (via the Internet, etc.). In that case, we cordially request that you examine the attached Reference Documents for Shareholders Meeting and exercise your voting rights no later than 5:00pm (Japan Time) on Monday, June 25, 2018.

1. Date and time: June 26, 2018 (Tuesday) at 10:00am (Japan Time)
  
2. Place: Shinagawa Prince Hotel, Prince Hall (Annex Tower, 5F)  
10-30, Takanawa 4-chome, Minato-ku, Tokyo
  
3. Agenda:  
Matters for Reporting Report on the contents of the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 93<sup>rd</sup> business year (April 1, 2017 – March 31, 2018) and the results of audits of the Consolidated Financial Statements for the 93<sup>rd</sup> business year by the Accounting Auditor and the Audit & Supervisory Board  
Matters for Resolution Proposal No.1: Appropriation of Surplus  
Proposal No.2: Election of eight (8) Directors  
Proposal No.3: Election of one (1) substitute Audit & Supervisory Board Member  
Proposal No.4: Payment of bonuses to Directors

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- \* Notes on the Consolidated Financial Statements and Notes on the Non-Consolidated Financial Statements are posted on the Company's website (<http://www.smm.co.jp/>) in accordance with the law and the Company's Articles of Incorporation.
  - \* If any amendments to the Shareholders' Meeting Reference Documents, the Business Report, the Consolidated Financial Statements or Non-Consolidated Financial Statements are made, the notification of the details shall be provided on the Company's website (<http://www.smm.co.jp/>).
  - \* When you attend the meeting, you are kindly requested to present the enclosed voting form to the receptionist. Shareholders may attend the meeting by proxy; provided, however, the proxy is just one person who is another shareholder with voting rights. When a proxy votes on behalf of a shareholder, the proxy must submit a document evidencing the authority of proxy together with the voting form of the shareholder voting by proxy.

## Reference Documents for Shareholders Meeting

### Proposals and Reference Matters

#### Proposal No.1: Appropriation of Surplus

The Company proposes that the appropriation of surplus be made in the following manner.

Matters regarding the year-end dividend

The appropriate return of profits to shareholders is one of the most important management issues of the Company. Based on the Company's policy of aiming to achieve a consolidated dividend payout ratio of 30% or more, and in comprehensive consideration of factors such as future business development, financial soundness and financial performance in the 93<sup>rd</sup> business year, the Company proposes to pay a year-end dividend of 66 yen per share as described below.

(1) The kind of the Dividend Property

Cash

(2) The matters regarding the allotment of the Dividend Property to shareholders and the total amount thereof

66 yen per share of common stock of the Company

The total amount: 18,136,398,456 yen

(3) The day on which the distribution of dividend of surplus will take effect

June 27, 2018

<Reference>

(1) The Company implemented a consolidation of 2 shares of the Company's stock into 1 share, effective October 1, 2017. In consideration of the consolidation of shares, total dividend for the 93<sup>rd</sup> business year (including the interim dividend of 17 yen) will amount to 100 yen per share calculated in the ratio of the consolidation of shares.

(2) As our financial strategy in the 15 3-Yr Business Plan, we have the policy of maintaining a consolidated equity ratio above 50% while also having a consolidated dividend payout ratio of at least 30% based on operating performance, in order to sustain our sound financial standing.

|   | 90 <sup>th</sup> business year<br>(Year ended March<br>31, 2015) | 91 <sup>st</sup> business year<br>(Year ended March<br>31, 2016) | 92 <sup>nd</sup> business year<br>(Year ended March<br>31, 2017) | 93 <sup>rd</sup> business year<br>(Year ended March<br>31, 2018) |
|---|--|--|--|--|
| Total dividend per<br>share (Yen)             | 96   | 62   | 22   | 100  |
| Total dividend<br>amount<br>(Millions of yen) | 26,481   | 17,101   | 6,068  | 27,513   |
| Consolidated<br>dividend payout<br>ratio (%)  | 29.1   | -  | -  | 30.1   |
| Consolidated Equity<br>ratio (%)              | 60.4   | 60.3   | 57.1   | 61.0   |

(Notes)

(1) The Company implemented a consolidation of 2 shares of the Company's stock into 1 share, effective October 1, 2017.

(2) Total dividend per share shown in above table is calculated in the ratio of the consolidation of shares.

(3) Total dividend per share, Total dividend amount and Consolidated dividend payout ratio of 93<sup>rd</sup> business year shown in above table are calculated based on assumption that Proposal No.1 will be approved as proposed.

## Proposal No.2: Election of eight (8) Directors

The terms of all Directors (eight (8) Directors) will expire at the close of the Meeting, therefore, the Company proposes the election of eight (8) Directors. When nominating the candidates for Directors, the Company received advice from the Governance Committee, which is comprised of the Independent Outside Directors. The candidates for Directors are as follows.

| No. | Name              | Current Position*                             | Attribute of the Candidate              | Number of years in office of the Company as a Director |
|-----|-------------------|---|---|--|
| 1   | Yoshiaki Nakazato | Representative Director<br>President          | Reappointment                           | 12years  |
| 2   | Akira Nozaki      | Director<br>Managing Executive Officer        | Reappointment                           | 4years   |
| 3   | Harumasa Kurokawa | Director<br>Senior Managing Executive Officer | Reappointment                           | 1year  |
| 4   | Hiroshi Asahi     | Director<br>Executive Officer                 | Reappointment                           | 1year  |
| 5   | Hiroyuki Asai     | Managing Executive Officer                    | New                                     | -  |
| 6   | Hitoshi Taimatsu  | Independent Outside Director                  | Reappointment<br>Outside<br>Independent | 3years   |
| 7   | Kazuhisa Nakano   | Independent Outside Director                  | Reappointment<br>Outside<br>Independent | 2years   |
| 8   | Taeko Ishii       | -   | New<br>Outside<br>Independent           | -  |

\* The notations in Attribute of the candidates are as follows.

Reappointment ... candidate for Director (reappointment)

New ... candidate for Director (new)

Outside ... candidate for Outside Director

Independent ... candidate for Independent Director for notification to Tokyo Stock Exchange



| No.  | Name<br>Date of birth ( Age)   | Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations   |
|--|--|--|
| 2  | <b>Akira Nozaki</b><br>Jun. 20,1960 (57) <span style="border: 1px solid black; padding: 2px;">Reappointment</span> | Apr. 1984 Joined the Company<br>Jul. 2010 Corporate Planning Dept.<br>May. 2012 Administration Dept., Sierra Gorda Project Dept.<br>Jun. 2013 Executive Officer<br><br>Senior Deputy General Manager of Non-Ferrous Metals Div.<br><br>Jun. 2014 Director (Present Position)<br>General Manager of Corporate Planning Dept.<br>Jun. 2015 General Manager of Non-Ferrous Metals Div. (Present Position)<br>June 2016 Managing Executive Officer (Present Position)<br><br>[Significant concurrent occupations or positions at other organizations]<br>Commissioner of PT Vale Indonesia Tbk |
| Number of shares of the Company owned  |  |  |
| 8,000 Shares   |  |  |
| Attendance of the Board of Directors meetings fiscal year ended March 31, 2018   |  |  |
| 17 out of 17 (100%)  |  |  |
| Number of years in office of the Company as Director   |  |  |
| 4 years  |  |  |
| Reasons for his candidacy as Director  |  |  |
| Mr. Akira Nozaki has extensive knowledge regarding the Mineral Resources Business and Smelting & Refining Business as well as abundant experience with corporate business strategies and management of overseas projects. He has been presented as a candidate for Director so that he may continue to utilize his experience and knowledge regarding such as Mineral Resources Business and Smelting & Refining Business in strengthening the function of the Board of Directors. |  |  |



| No.  | Name<br>Date of birth ( Age)   | Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations   |
|--|--|--|
| 4  | <b>Hiroshi Asahi</b><br>Jul. 1,1958 (59) <span style="border: 1px solid black; padding: 2px;">Reappointment</span> | <p>Apr. 1982 Joined the Ministry of International Trade and Industry(current Ministry of Economy, Trade and Industry)</p> <p>Apr. 2008 Director for Technology Affairs of the Ministry of Economy, Trade and Industry</p> <p>Mar. 2010 Deputy Director-General for Energy and Environment of the Ministry of Economy, Trade and Industry</p> <p>Jul. 2012 Director-General for Technology Policy Coordination of the Ministry of Economy, Trade and Industry</p> <p>Jun. 2013 Left the Ministry of Economy, Trade and Industry</p> <p>Oct. 2013 Joined the Company<br/>Engineering Dept., Mineral Resources Div.</p> <p>Jun. 2014 Executive Officer(Present Position)<br/>Senior Deputy General Manager of Mineral Resources Div.</p> <p>Jun. 2017 Director (Present Position)<br/>General Manager of Mineral Resources Div.<br/>(Present Position)</p> <p>[Significant concurrent occupations or positions at other organizations]<br/>Director of Sociedad Minera Cerro Verde S.A.A.</p> |
| <b>Number of shares of the Company owned</b>   |  |  |
| 4,600 Shares   |  |  |
| <b>Attendance of the Board of Directors meetings fiscal year ended March 31, 2018</b>  |  |  |
| 12 out of 12 (100%)  |  |  |
| <b>Number of years in office of the Company as Director</b>  |  |  |
| 1 year   |  |  |
| <b>Reasons for his candidacy as Director</b>   |  |  |
| <p>Mr. Hiroshi Asahi has performed significant role in Mineral Resources Div. as a General Manager and has experience of working in government agency, through such experience, he has extensive knowledge regarding exploration, development and engineering of the mineral resources. He has been presented as a candidate for Director so that he may continue to utilize his experience and knowledge in strengthening the function of the Board of Directors.</p> |  |  |

| No.  | Name<br>Date of birth ( Age)  | Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations  |
|--|---|---|
| 5  | <b>Hiroyuki Asai</b><br>Feb. 5,1958 (60) <input data-bbox="475 524 711 577" type="text" value="New"/> | Apr. 1980 Joined the Company<br>Oct. 2008 General Manager of Ome District Div, Advanced Materials Div.<br>Jun. 2011 General Manager of Personnel Dept.<br>Jun. 2012 Executive Officer<br>Oct. 2015 General Manager of Human Resources Development Dept.<br>Jun. 2016 General Manager of Public Relations & Investor Relations Dept. (Present Position)<br>Jun. 2017 Managing Executive Officer (Present Position) |
| Number of shares of the Company owned  |   |   |
| 6,900 Shares   |   |   |
| Attendance of the Board of Directors meetings fiscal year ended March 31, 2018   |   |   |
| -  |   |   |
| Number of years in office of the Company as Director   |   |   |
| -  |   |   |
| Reasons for his candidacy as Director  |   |   |
| Mr. Hiroyuki Asai has experience of successively holding General Managers of Personnel Dept., Human Resources Development Dept. and Public Relations & Investor Relations Dept. as well as extensive knowledge regarding corporate management such as Human Resources management. He has been presented as a candidate for Director so that he may utilize his experience and knowledge in strengthening the function of the Board of Directors. |   |   |

| No.  | Name<br>Date of birth ( Age)   | Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations   |
|--|--|--|
| 6  | <p><b>Hitoshi Taimatsu</b><br/>Nov. 20,1951 (66)</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 2px 10px;">Reappointment</div> <div style="border: 1px solid black; padding: 2px 10px;">Outside</div> <div style="border: 1px solid black; padding: 2px 10px;">Independent</div> </div> | <p>Apr. 1979 Research Associate of the Mining College of Akita University</p> <p>Oct. 1988 Lecturer of the Mining College of Akita University</p> <p>Apr. 1990 Associate Professor of the Mining College of Akita University</p> <p>Apr. 1994 Professor of the Mining College of Akita University</p> <p>Apr. 1998 Professor of the Faculty of Engineering and Resource Science of Akita University</p> <p>Apr. 2006 Director of the Radioisotope Research Center of Akita University</p> <p>Apr. 2008 Member of the Education and Research Council of Akita University</p> <p>Vice Dean of the Faculty of Engineering and Resource Science of Akita University</p> <p>Apr. 2010 Professor of the Graduate School of Engineering and Resource Science of Akita University</p> <p>Vice Dean of the Graduate School of Engineering and Resource Science of Akita University</p> <p>Jun. 2015 Director of the Company (Present Position)</p> <p>Apr. 2016 Professor of the Graduate School of Engineering Science of Akita University</p> <p>Apr. 2017 Visiting professor of Akita University(Present Position)</p> <p>[Significant concurrent occupations or positions at other organizations]</p> <p>Visiting professor of Akita University</p> |
| Number of shares of the Company owned  |  |  |
| 0 Share  |  |  |
| Attendance of the Board of Directors meetings<br>fiscal year ended March 31, 2018  |  |  |
| 17 out of 17 (100%)  |  |  |
| Number of years in office of the Company as<br>Outside Director  |  |  |
| 3years   |  |  |
| Reasons for his candidacy as Outside Director  |  |  |
| <p>Mr. Hitoshi Taimatsu has specialized knowledge as a researcher in the field of materials science and engineering. He also has experience managing an organization through his services at a university as a member of the Education and Research Council, a vice dean, and in other roles. He has been presented as a candidate for Outside Director so that he may continue to perform the required role of strengthening corporate governance by utilizing his knowledge and backed by his learning as a university professor. He has not participated in corporate management in any form other than as Outside Director; however, for the above reasons, the Company determined that he is able to serve as Outside Director appropriately.</p> |  |  |

Independence/ Contract for Limitation of Liability

1. Mr. Hitoshi Taimatsu is a candidate for Outside Directors as set out in Article 2(3)(vii) of the Enforcement Regulations of the Companies Act of Japan.
2. Mr. Hitoshi Taimatsu complies with the requirements for outside directors provided for in the Companies Act of Japan, the criteria for independence prescribed by the Tokyo Stock Exchange and the criteria for independence prescribed by the Company. Therefore, the Company has appointed Mr. Hitoshi Taimatsu as Independent Directors who is unlikely to have any conflicts of interest with general investors as specified by the Tokyo Stock Exchange and submitted notice of his appointment to the Exchange. The Company's criteria for independence are as set out on page eighteen (18).
3. The Company has entered into a Contract for Limitation of Liability with Mr. Hitoshi Taimatsu limiting his maximum liability to 10 million yen or the minimum liability amount prescribed by applicable laws and regulations, whichever is higher. The Company intends to extend the Contracts with him.

| No.  | Name<br>Date of birth ( Age)  | Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations  |
|--|---|---|
| 7  | <p><b>Kazuhisa Nakano</b><br/>Jan. 4,1948 (70)</p> <p>Reappointment</p> <p>Outside</p> <p>Independent</p> | <p>Apr. 1971 Joined Idemitsu Kosan Co., Ltd.</p> <p>Apr. 2003 Executive Officer and General Manager of Personnel Department of Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2004 Director of Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2005 Managing Director of Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2007 Executive Vice President and Representative Director of Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2009 President and Representative Director of Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2013 Chairman and Representative Director of Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2015 Executive Advisor of Idemitsu Kosan Co., Ltd.</p> <p>Jun. 2016 Director of the Company (Present Position)</p> <p>Jun. 2017 Retired Executive Advisor of Idemitsu Kosan Co., Ltd.</p> |
| Number of shares of the Company owned  |   |   |
| 2500 Shares  |   |   |
| Attendance of the Board of Directors meetings fiscal year ended March 31, 2018   |   |   |
| 17 out of 17 (100%)  |   |   |
| Number of years in office of the Company as Outside Director   |   |   |
| 2years   |   |   |
| Reasons for his candidacy as Outside Director  |   |   |
| <p>Mr. Kazuhisa Nakano had served as President and Representative director of Idemitsu Kosan Co., Ltd. and has abundant experience in managing a company and experience regarding natural resources business. He has been presented as a candidate for Outside Director so that he may continue to perform the required role of strengthening corporate governance by supervising the Company's proper business management that 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.</p>   |   |   |
| Independence/ Contract for Limitation of Liability   |   |   |
| <p>1. Mr. Kazuhisa Nakano is a candidate for Outside Directors as set out in Article 2(3)(vii) of the Enforcement Regulations of the Companies Act of Japan.</p> <p>2. Mr. Kazuhisa Nakano had held responsibilities such as serving as president and representative director of Idemitsu Kosan Co.,Ltd., which is one of the business partners of the Company. During 93<sup>rd</sup> business year (year ended March 31, 2018), the Company engaged in business with Idemitsu Kosan in such areas as the lease of real properties , but the amount of its sales to the Company totaled some ¥3 million, accounting for only 0.0% of the Company's nonconsolidated net sales. The Company also engaged in business with Idemitsu Kosan Co.,Ltd with regard to the purchase of the Company's operating materials. The amount paid to Idemitsu Kosan Co.,Ltd by the Company amounted to some ¥1,120 million, which accounted for 0.0% of the Company's nonconsolidated net sales.</p> <p>3. Mr. Kazuhisa Nakano complies with the requirements for outside directors provided for in the Companies Act of Japan, the criteria for independence prescribed by the Tokyo Stock Exchange and the criteria for independence prescribed by the Company. Therefore, the Company has appointed Mr. Kazuhisa Nakano as Independent Directors who is unlikely to have any conflicts of interest with general investors as specified by the Tokyo Stock</p> |   |   |

Exchange and submitted notice of his appointment to the Exchange. The Company's criteria for independence are as set out on page eighteen (18).

4. The Company has entered into a Contract for Limitation of Liability with Mr. Kazuhisa Nakano limiting his maximum liability to 10 million yen or the minimum liability amount prescribed by applicable laws and regulations, whichever is higher. The Company intends to extend the Contracts with him.

| No.   | Name<br>Date of birth ( Age)  | Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations   |
|---|---|--|
| 8   | <p><b>Taeko Ishii</b><br/>May. 7, 1956 (62)</p> <p><input type="checkbox"/> New</p> <p><input type="checkbox"/> Outside</p> <p><input type="checkbox"/> Independent</p> | <p>Apr. 1986 Registered as a lawyer<br/>Joined Ryoichi Wada Law Firm<br/>Mar. 1992 Established Ohta &amp; Ishii Law Firm</p> <p>[Significant concurrent occupations or positions at other organizations]<br/>Lawyer of Ohta &amp; Ishii Law Firm</p> |
| Number of shares of the Company owned   |   | <p>Outside Audit &amp; Supervisory Board Member of Furusato Service Co., Ltd.</p>  |
| 0 Share   |   |  |
| Attendance of the Board of Directors meetings fiscal year ended March 31, 2018  |   |  |
| -   |   |  |
| Number of years in office of the Company as Outside Director  |   |  |
| -   |   |  |
| Reasons for her candidacy as Outside Director   |   |  |
| <p>Ms. Taeko Ishii has special knowledge and abundant experience as a lawyer. She has been presented as a candidate for Outside Director so that she may perform the required role of strengthening corporate governance by providing suggestions from the perspective of compliance. She has not participated in corporate management in any form other than as Outside Audit &amp; Supervisory Board Member; however, for the above reasons, the Company determined that she is able to serve as Outside Director appropriately.</p>  |   |  |
| Independence/ Contract for Limitation of Liability  |   |  |
| <p>1. Ms. Taeko Ishii is a candidate for Outside Director as set out in Article 2(3)(vii) of the Enforcement Regulations of the Companies Act of Japan.</p> <p>2. Ms. Taeko Ishii complies with the requirements for outside directors provided for in the Companies Act of Japan, the criteria for independence prescribed by the Tokyo Stock Exchange and the criteria for independence prescribed by the Company. Therefore, The Company plans to appoint Ms. Taeko Ishii as Independent Director who is unlikely to have any conflicts of interest with general investors as specified by the Tokyo Stock Exchange and submit notice of her appointment to the Exchange. The Company's criteria for independence are as set out on page eighteen (18).</p> <p>3. The Company plans to enter into a Contract for Limitation of Liability with Ms. Taeko Ishii limiting her maximum liability to 10 million yen or the minimum liability amount prescribed by applicable laws and regulations, whichever is higher.</p> |   |  |

(Notes)

Information of the candidates such as age or career shown above in this proposal is as of Jun. 1, 2018.

**Proposal No. 3: Election of one (1) substitute Audit & Supervisory Board Member**

In case the number of Audit & Supervisory Board Members falls below the number specified by laws and regulations or the Articles of Incorporation, the Company proposes the election of one (1) substitute Audit & Supervisory Board Member as a substitute for Outside Audit & Supervisory Board Member Mr. Junichi Kondo and Mr. Yuichi Yamada.

The Company has obtained consent for this proposal from the Audit & Supervisory Board.

The candidate for substitute Audit & Supervisory Board Member is as follows.

| Name<br>Date of birth ( Age)   | Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations  |
|--|---|
| <p><b>Kazuhiro Mishina</b><br/>Sep. 23, 1959 (62)</p> <div style="border: 1px solid black; width: fit-content; margin: 5px auto; padding: 2px 10px;">Outside</div> <div style="border: 1px solid black; width: fit-content; margin: 5px auto; padding: 2px 10px;">Independent</div>  | <p>Sep. 1989 Assistant Professor of Harvard Business School<br/>Oct. 1995 Assistant Professor of the Center for Research and Investigation of Advanced Science and Technology of Japan Advanced Institute of Science and Technology<br/>Apr. 1997 Assistant Professor of the School of Knowledge Science of Japan Advanced Institute of Science and Technology<br/>Oct. 2002 Assistant Professor of the Graduate School of Business Administration of Kobe University<br/>Oct. 2004 Professor of Graduate School of Business Administration of Kobe University (Present Position)</p> <p>[Significant concurrent occupations or positions at other organizations]<br/>Professor of Graduate School of Business Administration of Kobe University<br/>Outside Director of Fuji Oil Holdings Inc.</p> |
| Number of shares of the Company owned  |   |
| 0 Share  |   |
| Reasons for his candidacy as substitute Audit & Supervisory Board Member   |   |
| <p>Mr. Kazuhiro Mishina has specialized knowledge as a researcher in the field of corporate strategy and business strategy. He has been presented as a candidate for substitute Audit &amp; Supervisory Board Member so that he may perform his role as Outside Audit &amp; Supervisory Board Member by utilizing his knowledge and backed by his learning as a university professor. He has not participated in corporate management in any form other than as Outside Director; however, for the above reasons, the Company determined that he is able to serve as Outside Audit &amp; Supervisory Board Member appropriately.</p> |   |
| Independence/ Contract for Limitation of Liability   |   |
| <p>1. Mr. Kazuhiro Mishina is a candidate for Outside Audit &amp; Supervisory Board Member as set out in Article 2(3)(viii) of the Enforcement Regulations of the Companies Act of Japan.<br/>2. Mr. Kazuhiro Mishina complies with the requirements for outside audit &amp; supervisory board members provided for in the Companies Act of Japan, the criteria for independence prescribed by the Tokyo Stock Exchange and the criteria for independence prescribed by the Company. The Company's criteria for independence are as set out on</p>   |   |

page eighteen (18).

3. If Mr. Kazuhiro Mishina assumes the office of Outside Audit & Supervisory Board Member, the Company plans to enter into a Contract for Limitation of Liability with him limiting his maximum liability to 10 million yen or the minimum liability amount prescribed by applicable laws and regulations, whichever is higher.

(Notes)

Information of the candidates such as age or career shown above in this proposal is as of Jun. 1, 2018.

<Reference>

### Criteria for Independence

The Company will follow the requirements for Outside Directors provided for the Companies Act of Japan and the criteria for independence prescribed by the Tokyo Stock Exchange in judging the independence of Outside Directors and Outside Audit & Supervisory Board Members (collectively, "Outside Officers"). However, even if an Outside Officer belongs to a business partner of the Company or in other such situations, the Outside Officer will, in principle, be judged to be independent when falling under the following immateriality standards prescribed by the Company.

|                             |   |
|-----------------------------|---|
| Business Partners and Banks | <ul style="list-style-type: none"><li>• In the most recent business year, sales of the Company (non-consolidated) to the business partner (non-consolidated) were less than 2% of the sales of the Company (non-consolidated).</li><li>• In the most recent business year, sales of the business partner (non-consolidated) to the Company (non-consolidated) were less than 2% of the sales of the business partner (non-consolidated).</li><li>• In the most recent business year, the outstanding balance of loans from the business partner to the Company (non-consolidated) was less than 2% of the total assets of the Company (non-consolidated).</li></ul>   |
| Consultants, Experts, etc.  | <ul style="list-style-type: none"><li>• Consultants, accounting experts, legal experts, or other such experts who received money or other such assets (if the recipient of such assets is a corporation, partnership, or other such organization, then any person belonging thereto), other than officer compensation, of less than an annual amount of 10 million yen in the most recent business year from the Company (non-consolidated).</li></ul>  |
| Contributions, etc.         | <ul style="list-style-type: none"><li>• If the recipient is an individual Directors or Audit &amp; Supervisory Board Members: The amount of money or other such assets received from the Company (non-consolidated) in the most recent business year is less than an annual amount of 1 million yen.</li><li>• If the recipient is a corporation, etc. to which a Director or Audit &amp; Supervisory Board Member belongs (in case of national university corporations, incorporated educational institutions, or the like, the recipient will be the department or post-graduate course to which the Director or Audit &amp; Supervisory Board Member belongs will be deemed to a recipient): The amount of money or other such assets received from the Company (non-consolidated) in the most recent business year is less than an annual amount of 10 million yen.</li></ul> |

**Proposal No.4: Payment of bonuses to Directors**

The Company proposes the payment of a total of 62 million yen as bonuses to Five (5) Directors, excluding Outside Directors among the Eight (8) Directors who were in office as of the end of the 93<sup>rd</sup> business year (year ended March 31, 2018) in order to reward their distinctive merits. The Directors' bonuses of the Company are calculated by considering the performance of the Company and reflecting the job performance of each Director.

<Reference>

## Corporate Governance of the Company

### (1) Basic Approach to Corporate Governance

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

The Company has instituted the SMM Group Corporate Philosophy based on the Sumitomo's Basic Business Philosophy. Through striving to enhance our corporate governance, the Company 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.

### Sumitomo's Basic Business Philosophy

#### 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.

### SMM Group Corporate Philosophy

- The Company, in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with society and 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.
- The Company shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

\* Details of Basic Approach to Corporate Governance of the Company are available on the website below.

[http://www.smm.co.jp/ir/management/governance/governance\\_policy.html](http://www.smm.co.jp/ir/management/governance/governance_policy.html)

### (2) Governance Framework

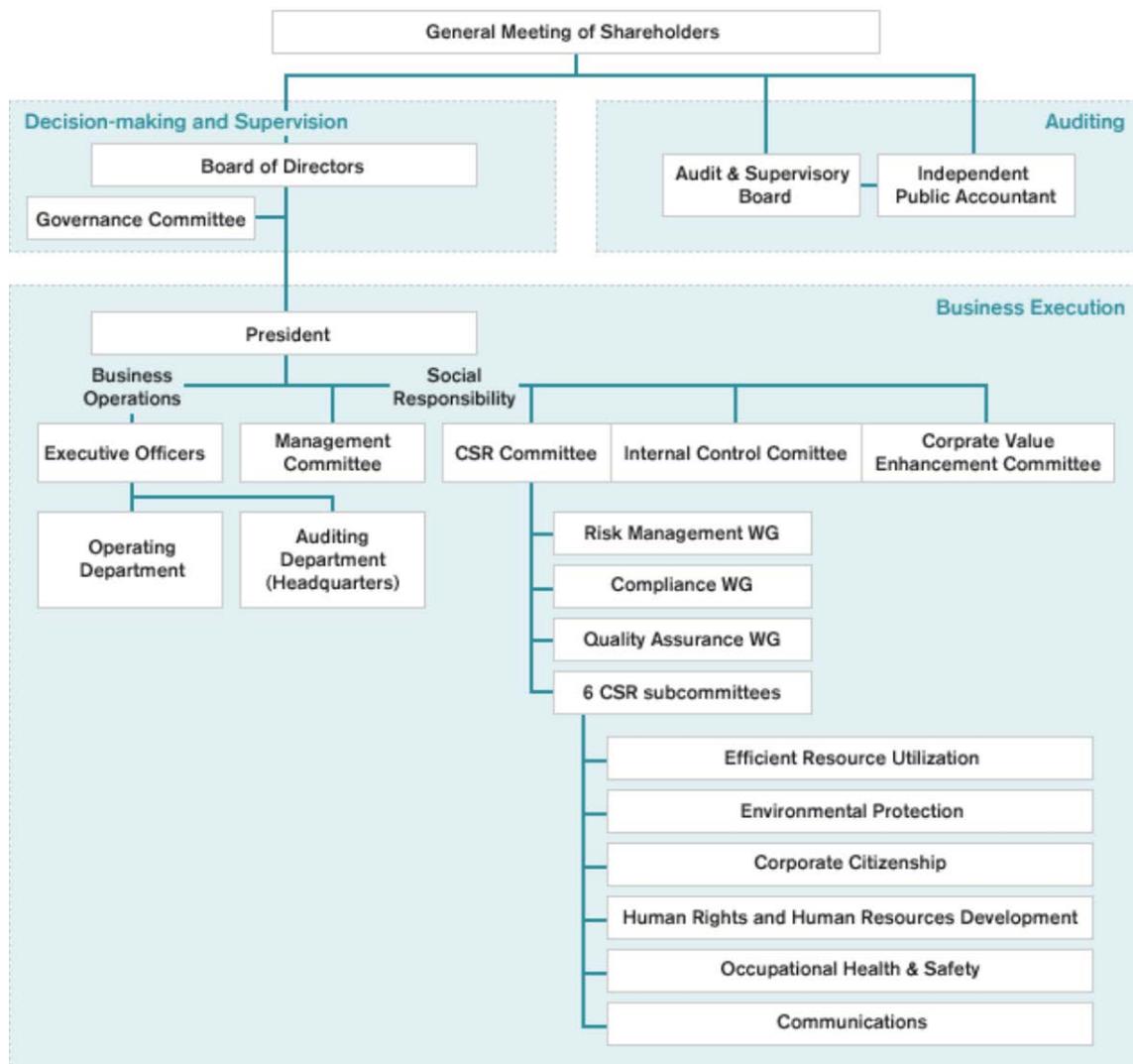
#### ① Organizational Structure

The Company has adopted Audit & Supervisory Board and Executive Officer systems to ensure effective execution, monitoring, and supervisory functions within management. The Company is managed by three organs, namely (i) the Board of Directors, in charge of major decisions and supervision, (ii) Representative Directors and Executive Officers, in charge of the execution of business, and (iii) the Audit & Supervisory Board Members and Accounting Auditor, in charge of auditing.

② Reasons for adoption of present corporate governance system

With regard to the appropriateness of business-execution decisions and supervision capabilities, the Company considers its corporate governance system to be working effectively. This is because, among other factors, the Company's Board of Directors deems that as a result of analysis and appraisal of the effectiveness of the Board of Directors based on external evaluation, no significant problems have been observed; as a result of the Internal Control Committee's monitoring of the status of operation of internal-control system, no significant problems have been observed; and no problems have been indicated in the audit reports of the Audit & Supervisory Board. It intends to continue to pursue soundness, transparency, and efficiency of management by endeavoring to maintain and build an optimum business management structure.

**Corporate Governance System**



## **Instructions for Exercising Voting Rights by an electromagnetic method**

### **1. Exercise of voting rights via the Internet**

- (1) Please access the voting rights exercise site (<https://www.web54.net>), enter your voting rights exercise code and password appearing on the enclosed voting form and follow the instructions to register your vote either for or against the proposals. The voting rights exercise site can also be accessed on the Internet from a cell phone.
- (2) The deadline for the exercise of voting rights via the Internet is 5:00pm (Japan Time), Monday, June 25, 2018.
- (3) Any connection fees to providers or telephone charges, etc. for accessing the voting rights exercise site shall be borne by the shareholders.
- (4) The following system environments are necessary to access the voting rights exercise site.
  - a. The Internet browser software necessary to access the voting rights exercise site using a PC is Microsoft® Internet Explorer® version 5.01 SP2 or newer.
  - b. In order to ensure security when accessing the voting rights exercise site using a cell phone, a model enabling 128 bit SSL encrypted communication is necessary. You may also exercise your voting rights using smartphones or the full browser function of cell phones; however, please understand that depending on the model of your cell phone, in some cases this method may not work.(Microsoft and Internet Explorer is a registered trademark of Microsoft Corporation used in the United States, Japan and other countries.)

Please contact the direct number below if you have any questions concerning the exercise of voting rights via the Internet.

Administrator of Shareholder Registry :

Securities Agent Web Support

Sumitomo Mitsui Trust Bank, Limited

0120-652-031 (toll-free within Japan only; open from 9:00am to 9:00pm (Japan Time))

### **2. Voting rights exercise platform for institutional investors**

Institutional investors may use voting rights exercise platform operated by ICJ (Investor Communications Japan Inc.) for institutional investors if having made an application for its use in advance.

### **3. Matters concerning the exercise of voting rights**

- (1) In the event of having voted multiple times electronically (via the Internet, etc.) or both by PC and by cell phone and the content of the vote, whether for or against, with respect to one proposal differs, the last vote exercised shall prevail.
- (2) In the event of having voted both in writing and electronically (via the Internet, etc.) and the content of the vote, whether for or against, with respect to one proposal differs, the vote exercised electronically shall prevail.