

This is an unofficial translation of the Japanese language original.

Securities Code No. 5713

June 3, 2019

## To our shareholders

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

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

Akira Nozaki, Representative Director and President

### Convocation Notice of the 94<sup>th</sup> Ordinary General Meeting of Shareholders

Sumitomo Metal Mining Co., Ltd. (the “Company”) hereby gives notice of the 94<sup>th</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 24, 2019.

1. Date and time: June 25, 2019 (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 94 <sup>th</sup> business year (April 1, 2018 – March 31, 2019) and the results of audits of the Consolidated Financial Statements for the 94 <sup>th</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) Audit & Supervisory Board Member Proposal No.4: Election of one (1) substitute Audit & Supervisory Board Member Proposal No.5: Payment of bonuses to Directors Proposal No.6: Renewal of countermeasures to large-scale acquisitions of the Company shares (takeover defense measures)

- 
- \* Notes on the development of systems necessary to ensure the properness of operations, notes on basic policies related to the way a person is to control the decisions on the financial and business policies of the company, 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 94<sup>th</sup> business year, the Company proposes to pay a year-end dividend of 22 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

22 yen per share of common stock of the Company

The total amount: 6,045,330,390yen

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

June 26, 2019

<Reference: The financial policy of the company and the changes in the dividend>

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.

	91 <sup>st</sup> business year (Year ended March 31, 2016)	92 <sup>nd</sup> business year (Year ended March 31, 2017)	93 <sup>rd</sup> business year (Year ended March 31, 2018)	94 <sup>th</sup> business year (Year ended March 31, 2019)
Total dividend per share (Yen)	62	22	100	73(tentative)
Total dividend amount (Millions of yen)	17,101	6,068	27,513	20,060(tentative)
Consolidated dividend payout ratio (%)	-	-	30.1	30.0(tentative)
Consolidated equity ratio (%)	60.3	57.1	61.0	—
Equity attributable to owners of parent ratio (%)	—	—	—	58.3

(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) Dividend payout ratio (Consolidated) and Consolidated Equity ratio up to 93rd business year (Year ended March 31, 2018) are calculated in accordance with the Japanese generally accepted accounting principles. Dividend payout ratio (Consolidated) and Equity attributable to owners of parent ratio from 94th business year (Year ended March 31, 2019) are calculated in accordance with International Financial Reporting Standards.

(4) Total dividend per share, Total dividend amount and Consolidated dividend payout ratio of 94<sup>th</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 Chairman who is not an Executive Officer, and 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 Chairman	Reappointment	13years
2	Akira Nozaki	Representative Director Officer President	Reappointment	5years
3	Hiroyuki Asai	Director Managing Executive Officer	Reappointment	1year
4	Hiroshi Asahi	Director Managing Executive Officer	Reappointment	2years
5	Nobuhiro Matsumoto	Executive Officer	New	-
6	Hitoshi Taimatsu	Independent Outside Director	Reappointment Outside Independent	4years
7	Kazuhisa Nakano	Independent Outside Director	Reappointment Outside Independent	3years
8	Taeko Ishii	Independent Outside Director	Reappointment Outside Independent	1year

\* 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.		<b>Yoshiaki Nakazato</b>	<b>Reappointment</b> May. 13, 1953 (66)
1		Number of shares of the Company owned	21,500 Shares
		Number of years in office of the Company as Director	13 years
		Attendance of the Board of Directors meetings fiscal year ended March 31, 2019	18 out of 18 (100%)
Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations		Reasons for his candidacy as Director	
<p>Apr. 1976 Joined the Company</p> <p>Dec. 1997 General Manager of Administration Dept., Electronics Div.</p> <p>Jun. 2004 General Manager of Corporate Planning Dept.</p> <p>Jun. 2005 Executive Officer</p> <p>Jun. 2006 Director</p> <p>Jun. 2007 General Manager of Affiliated Business Administration Dept.</p> <p>Jun. 2008 Managing Executive Officer General Manager of Advanced Materials Div.</p> <p>Oct. 2008 General Manager of Semiconductor Materials Div.</p> <p>Jun. 2009 Executive Officer General Manager of Advanced Materials Div.</p> <p>Jun. 2010 Managing Executive Officer</p> <p>Jun. 2012 Representative Director Senior Managing Executive Officer</p> <p>Jun. 2013 President and Representative Director</p> <p>Jun. 2018 Chairman (Present Position)</p>		<p>Mr. Yoshiaki Nakazato has served as President and Director for five years. Since June 2018, he has served as Chairman. He has been presented as a candidate for Director so that he may continue to utilize his knowledge and experience regarding the Company's entire business in strengthening the function of the Board of Directors.</p>	
<p>[Significant concurrent occupations or positions at other organizations]</p> <p>Chairman of Metal Economics Research Institute, Japan</p>			


No.		Akira Nozaki	<u>Reappointment</u> Jun. 20, 1960 (58)
2		Number of shares of the Company owned	10,400 Shares
		Number of years in office of the Company as Director	5 years
		Attendance of the Board of Directors meetings fiscal year ended March 31, 2019	18 out of 18 (100%)
Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations		Reasons for his candidacy as Director	
Apr. 1984 Joined the Company Jul. 2010 Corporate Planning Dept. May. 2012 Administration Dept., Sierra Gorda Project Dept. 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 Representative Director (Present Position)		Since June 2018, Mr. Akira Nozaki has served as President and Director. He has been presented as a candidate for Director so that he may continue to utilize his knowledge and experience regarding the Company's entire business in strengthening the function of the Board of Directors.	

No.		Hiroyuki Asai	<u>Reappointment</u> Feb. 5, 1958 (61)
3		Number of shares of the Company owned	7,400 Shares
		Number of years in office of the Company as Director	1 year
		Attendance of the Board of Directors meetings fiscal year ended March 31, 2019	13 out of 13 (100%)
Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations		Reasons for his candidacy as Director	
Apr. 1980 Joined the Company Oct. 2008 General Manager of Ome District Div, Advanced Materials Div. Jun. 2011 General Manager of Personnel Dept. Jun. 2012 Executive Officer Oct. 2015 General Manager of Human Resources Development Dept. Jun. 2016 General Manager of Public Relations & Investor Relations Dept. Jun. 2017 Managing Executive Officer (Present Position) Jun. 2018 Director (Present Position) General Manager of Corporate Planning Dept. (Present Position)		Mr. Hiroyuki Asai has experience of successively holding General Managers of Personnel Dept., Human Resources Development Dept., Public Relations & Investor Relations Dept. and Corporate Planning Dept. as well as extensive knowledge regarding corporate 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.		<b>Hiroshi Asahi</b>	<b>Reappointment</b> Jul. 1, 1958 (60)
4		Number of shares of the Company owned	5,700 Shares
		Number of years in office of the Company as Director	2 years
		Attendance of the Board of Directors meetings fiscal year ended March 31, 2019	17 out of 18 (94%)
Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations		Reasons for his candidacy as Director	
<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 Engineering Dept., Mineral Resources Div.</p> <p>Jun. 2014 Executive Officer(Present Position) Senior Deputy General Manager of Mineral Resources Div.</p> <p>Jun. 2017 Director (Present Position) General Manager of Mineral Resources Div. (Present Position)</p> <p>Jun. 2018 Managing Executive Officer (Present Position)</p>		<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>	
[Significant concurrent occupations or positions at other organizations]			
Director of Sociedad Minera Cerro Verde S.A.A.			

No.		<b>Nobuhiro Matsumoto</b>	<b>New</b> Feb. 24, 1963 (56)
5		Number of shares of the Company owned	2,500 Shares
		Number of years in office of the Company as Director	-
		Attendance of the Board of Directors meetings fiscal year ended March 31, 2019	-
Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations		Reasons for his candidacy as Director	
<p>Apr. 1987 Joined the Company</p> <p>Apr. 2008 General Manager of Niihama Nickel Refinery, Non-Ferrous Metals Div.</p> <p>Jul. 2013 Administration Dept., Non-Ferrous Metals Div.</p> <p>Jun. 2014 General Manager of Administration Dept., Non-Ferrous Metals Div.</p> <p>Jun. 2016 Executive Officer (Present Position) Senior Deputy General Manager of Non-Ferrous Metals Div.</p> <p>Jun. 2018 General Manager of Non-Ferrous Metals Div. (Present Position)</p>		<p>Mr. Nobuhiro Matsumoto has abundant experience in Smelting &amp; Refining Business as well as extensive knowledge regarding technology of Smelting &amp; Refining Business. 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>	
<p>[Significant concurrent occupations or positions at other organizations]</p> <p>Commissioner of PT Vale Indonesia Tbk.</p>			

No.		Hitoshi Taimatsu	Reappointment Outside Independent Nov. 20,1951 (67)
6		Number of shares of the Company owned	0 Share
		Number of years in office of the Company as Director	4 years
		Attendance of the Board of Directors meetings fiscal year ended March 31, 2019	18 out of 18 (100%)
Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations		Reasons for his candidacy as Director	
Apr. 1979 Research Associate of the Mining College of Akita University Oct. 1988 Lecturer of the Mining College of Akita University Apr. 1990 Associate Professor of the Mining College of Akita University Apr. 1994 Professor of the Mining College of Akita University Apr. 1998 Professor of the Faculty of Engineering and Resource Science of Akita University Apr. 2006 Director of the Radioisotope Research Center of Akita University Apr. 2008 Member of the Education and Research Council of Akita University Vice Dean of the Faculty of Engineering and Resource Science of Akita University Apr. 2010 Professor of the Graduate School of Engineering and Resource Science of Akita University Vice Dean of the Graduate School of Engineering and Resource Science of Akita University		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;	

<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</p> <p>Mar. 2019 Retired Visiting professor of Akita University</p>	<p>however, for the above reasons, the Company determined that he is able to serve as Outside Director appropriately.</p>
<p>Independence/ Contract for Limitation of Liability</p>	
<p>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.</p> <p>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 twenty-one (21).</p> <p>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.</p>	

No.		Kazuhisa Nakano	Reappointment Outside Independent Jan. 4, 1948 (71)
7		Number of shares of the Company owned	2,500 Shares
		Number of years in office of the Company as Director	3 years
		Attendance of the Board of Directors meetings fiscal year ended March 31, 2019	17 out of 18 (94%)
Career summary, position and area of responsibility at the Company, and significant concurrent occupations or positions at other organizations		Reasons for his candidacy as Director	
<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>		<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 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			

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.
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 94<sup>th</sup> business year (year ended March 31, 2019), 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 ¥4 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 ¥1,358 million, which accounted for 0.0% of the Company's nonconsolidated net sales.
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 Exchange and submitted notice of his appointment to the Exchange. The Company's criteria for independence are as set out on page twenty-one (21).
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.



#### Independence/ Contract for Limitation of Liability

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.
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 twenty-one (21).
3. The Company has entered 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. The Company intends to extend the Contracts with her.

(Notes)

Information of the candidates such as age or career shown above in this proposal is as of Jun. 1, 2019.




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

With respect to Audit & Supervisory Board Member Mr. Yuichi Yamada, the term of office will expire at the close of the Meeting. Therefore, the Company proposes the election of one (1) Audit & Supervisory Board Members.

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

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

	<p><b>Yuichi Yamada</b></p>	<p>Reappointment Outside Independent March 25, 1954 (65)</p>
	<p>Number of shares of the Company owned</p>	<p>0 Share</p>
	<p>Attendance of the Board of Directors meetings fiscal year ended March 31, 2019</p>	<p>18 out of 18 (100%)</p>
	<p>Attendance of the Board of Corporate Auditors meetings fiscal year ended March 31, 2019</p>	<p>16 out of 16 (100%)</p>
	<p>Number of years in office of the Company as Outside Audit &amp; Supervisory Board Member</p>	<p>2 years</p>
	<p>Career summary, position and significant concurrent occupations or positions at other organizations</p>	<p>Reasons for his candidacy as Outside Audit &amp; Supervisory Board Member</p>
<p>Mar. 1988 Registered as a certified public accountant Aug. 2003 Partner of ASAHI &amp; Co. (current KPMG AZSA LLC) Jun. 2008 Board Member of KPMG AZSA &amp; Co. (current KPMG AZSA LLC) Jun. 2016 Left KPMG AZSA LLC Jul. 2016 Established Yuichi Yamada Certified Public Accountant Firm Jun.2017 Audit &amp; Supervisory Board Member (Standing) (Present Position)</p>	<p>Since June 2017, Mr. Yuichi Yamada has served as Audit &amp; Supervisory Board Member. He has a wealth of experience in financial institutions. He has been presented as a candidate for Outside Audit &amp; Supervisory Board Member because he is expected to continue to perform his role as Outside Audit &amp; Supervisory Board Member by</p>	

	<p>utilizing his knowledge and experience. He has not participated in corporate management in any form other than as Outside Audit &amp; Supervisory Board Member; however, he was involved in the management of a major accounting firm. For this and the above reasons, we determined that he is able to appropriately serve as Outside Audit &amp; Supervisory Board Member.</p>
<p>[Significant concurrent occupations or positions at other organizations]  Certified public accountant of Yuichi Yamada Certified Public Accountant Firm  Outside Audit &amp; Supervisory Board Member of Japan Finance Corporation</p>	
<p>Independence/ Contract for Limitation of Liability</p>	
<p>1. Mr. Yuichi Yamada 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.  2. Mr. Yuichi Yamada has family member within the third degree, who is employee of Sumitomo Mitsui Banking Corporation, which is Specified Associated Service Provider (main bank) of the Company. The employee is in non-administrative position, has no relationship with the Company's business, and makes independent living from Mr. Yuichi Yamada. For these reasons, the Company judged this relationship has no influence on his independence.  3. Mr. Yuichi Yamada 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 Mr. Yuichi Yamada 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 him appointment to the Exchange. The Company's criteria for independence are as set out on page twenty-one (21).  4. The Company has entered into a Contract for Limitation of Liability with Mr. Yuichi Yamada 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.</p>	

(Notes)


Information of the candidate such as age or career shown above in this proposal is as of Jun. 1, 2019.

**Proposal No. 4: 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.

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

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

	<p><b>Kazuhiro Mishina</b></p>	<p>Outside</p> <p>Independent</p> <p>Sep. 23,1959 (59)</p>
	<p>Number of shares of the Company owned</p>	<p>0 Share</p>
<p>Career summary, position and significant concurrent occupations or positions at other organizations</p>		<p>Reasons for his candidacy as substitute for Outside Audit &amp; Supervisory Board Member</p>
<p>Sep. 1989 Assistant Professor of Harvard Business School</p> <p>Oct. 1995 Assistant Professor of the Center for Research and Investigation of Advanced Science and Technology of Japan Advanced Institute of Science and Technology</p> <p>Apr. 1997 Assistant Professor of the School of Knowledge Science of Japan Advanced Institute of Science and Technology</p> <p>Oct. 2002 Assistant Professor of the Graduate School of Business Administration of Kobe University</p> <p>Oct. 2004 Professor of Graduate School of Business Administration of Kobe University (Present Position)</p>		<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</p>

	appropriately.
[Significant concurrent occupations or positions at other organizations]	
Professor of Graduate School of Business Administration of Kobe University Outside Director of Fuji Oil Holdings Inc.	
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.</p> <p>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 page twenty-one (21).</p> <p>3. If Mr. Kazuhiro Mishina assumes the office of Outside Audit &amp; 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.</p>	

(Notes)

Information of the candidate such as age or career shown above in this proposal is as of Jun. 1, 2019.

<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</li></ul>

	<p>the Director or Audit &amp; Supervisory Board Member belongs will be deemed to a recipient):</p> <p>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.</p>
--	--

**Proposal No.5: Payment of bonuses to Directors**

The Company proposes the payment of a total of 50 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 94<sup>th</sup> business year (year ended March 31, 2019) 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.

## **Proposal No.6: Renewal of countermeasures to large-scale acquisitions of Company shares (takeover defense measures)**

The effective period of the plan (the “Former Plan”) for countermeasures to large-scale acquisitions of the shares in the Company, for which shareholder approval was obtained at the 91<sup>st</sup> ordinary general meeting of shareholders held on June 27, 2016, will expire at the conclusion of the Meeting.

The Company’s Board of Directors determined at its meeting held on February 14, 2019 to partially revise the basic policy regarding the persons who control decisions on the Company’s financial and business policies (as provided in Article 118, Item 3 of the Enforcement Regulations of the Companies Act of Japan; the “Basic Policy”) and to partially revise the Former Plan and introduce a renewed plan (the introduction is to be referred to as the “Renewal,” and the renewed plan is to be referred to as the “Plan”) as a measure to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed inappropriate (Article 118, Item 3(b)(ii) of the Enforcement Regulations of the Companies Act of Japan) under the Basic Policy after the revision. The Renewal will be subject to the approval of shareholders at the Meeting.

Thus, the Company hereby requests that you approve the Renewal.

### **I. Reasons for the Proposal**

#### **1. Details of the Basic Policy**

The Company develops its business in mineral resources such as non-ferrous metals (mainly copper, nickel and gold), and engages in smelting and refining of those mineral resources for its customers under its principal operations, Mineral Resources and Smelting & Refining. The Company continues to promote its growth strategy with its three core businesses, namely, Mineral Resources and Smelting & Refining described above as well as Materials, which is a business in the downstream sector, and consequently has become one of the few Japanese companies to hold a position as a non-ferrous metal company that owns and operates multiple mines and refineries both in Japan and overseas while continuing to increase interests in mineral resources overseas and manufacturing non-ferrous metal such as copper and nickel. Non-ferrous metals are materials that not only enrich the lives of people in Japan but are also essential to maintain Japan’s international competitiveness, and therefore their stable supply is highly important for the nation’s development. The Company believes that, as a leading non-ferrous metal production company in Japan, the Company’s social responsibility is to secure interests in non-ferrous metal resources and continue to stably supply non-ferrous metals both domestically and internationally.



Japan is one of the major producers and consumers of non-ferrous metals in the world. However, as it is difficult to domestically procure metal resources, their supply is dependent on countries outside Japan.

Worldwide, there is an oligopoly over non-ferrous metal resources by the super major resource companies and the efforts by emerging countries for securing mineral resources and energy have not abated. In addition, factors such as the heightening of resource nationalism in countries that possess resources and the increasing difficulty of developing new and promising mines due to their tendency for being in high-lying, remote locations, or low-grading are making it more difficult to secure mineral resources. Further, in these days, there has been hard competition for securing non-ferrous metals as battery material in the trend of rapid EV conversion of automobiles. Taking into consideration these worldwide trends and activities involving “resources,” we cannot deny that there is a possibility that unilateral large-scale acquisitions of shares in the Company, which owns promising resources both domestically and internationally, will be implemented.

The Company will not unconditionally reject a large-scale acquisition of the shares from the outset if it will contribute to the corporate value of the Company and the common interests of its shareholders. The Company also believes that any decision on a proposed acquisition that would involve a change of control of the Company must ultimately be made by its shareholders as a whole.

Nonetheless, there are some forms of corporate acquisition that deteriorate the corporate value of the target company and the common interests of its shareholders including those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares. The Company also believes that persons who would make a large-scale acquisition of the shares in the Company that deteriorate the corporate value of the target company and the common interests of its shareholders would be inappropriate to become persons who would control decisions on the Company’s financial and business policies. The Company also believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition by such persons.

Further, tender offer regulations under the Financial Instruments and Exchange Act of Japan do not generally apply to on-market trading. Therefore, when any large-scale acquisition of shares is made in the market, sufficient time and information are not necessarily secured for

the target company and its shareholders to consider the acquisition. In addition, the regulations do not fully eliminate the threat of abusive acquisitions of shares, such as coercive takeovers, since partial tender offers are permitted. As such, the Company's Board of Directors believes the Plan provides the necessary framework to address the above purposes (Note 1).

## **2. The Source of the Company's Corporate Value and Special Measures to Realize the Basic Policy**

### **(1) 3-Year Business Plan and Policy for Profit Return to Shareholders**

#### **(a) Long-Term Vision and 3-Year Business Plan to Enhance the Corporate Value**

Since the Company aimed to be "a major force in the non-ferrous metal industry" as a medium to long term target in its "2003 3-Year Business Plan," the Company has been pursuing its integrated growth strategies, yielding many positive results.

In its "2018 3-Year Business Plan", the Company aimed to be "a world leader in the non-ferrous metals industry" as a long-term vision. In particular, the company aims to expand its Mineral Resources Business and Smelting & Refining Business through establishing an annual production capacity of 150 kt for nickel and realizing an annual production volume of 300 kt for copper interests, while for gold, the Company aims for new participation in mining operations by acquiring quality interests. In addition, in its Materials Businesses, the Company further aims to continue to grow its business through realizing an annual profit before taxes of 25 billion yen including from new products. The Company aims to evolve into a company that continuously plans and realizes growth strategy under strong management bases, such as its firmly established corporate philosophy and management vision as well as efforts for further enhancement of corporate governance and fulfillment of CSR (corporate social responsibility) activities based thereon.

#### **(b) 2018 3-Year Business Plan**

##### **a. Basic strategy of the 2018 3-Year Business Plan**

The Company released its "2018 3-Year Business Plan" related to fiscal years 2019 through 2021 (the "2018 3-Year Plan") on February 14, 2019.

Through the 2018 3-Year Plan, the Company will respond to changes in the business environment, while also continuously pursuing growth strategies in the Mineral Resources, Smelting & Refining, and Materials Businesses under the fundamental strategy of aiming to become "a world leader in the non-ferrous metal industry." In the following items we explain the main content of the 2018 3-Year Plan.

b. Profit projection

Assuming non-ferrous metals prices and exchange rate in fiscal year 2021 of 6,500 US\$/t for copper, 7.0 US\$/lb for nickel, 27.5 US\$/lb for cobalt, and 1,300 US\$/Toz for gold, and an exchange rate of 105 yen to the US dollar, it is anticipated based on projections that incorporate the effects of the strategies that annual profit before taxes for fiscal year 2021 will be 135 billion yen and net income attributable to owners of parent will be 97 billion yen, resulting in an ROE of 7.9%.

Segment profit in fiscal year 2021 is anticipated to be 47 billion yen in the Mineral Resources Business, 65 billion yen in the Smelting & Refining Business, and 25 billion yen in the Materials Business.

c. Capital expenditure, investment and loans

The aggregate amount of capital expenditure, investment and loans over the term of the 2018 3-Year Plan is planned to be 490 billion yen, including 160 billion yen for investment and loans in overseas mines, which on a segment basis will comprise 72 billion yen for Mineral Resources, 163 billion yen for Smelting & Refining, 68 billion yen for Materials, and 27 billion yen for other items. The Company is also planning to invest 140 billion yen in the Quebrada Blanca Copper Mine Development Project, which is a new copper mine development project in Chile, and 35 billion yen in enhancement of the battery material business.

d. Financial strategies and dividend policy

The Company will maintain a sound financial structure by striving to maintain and strengthen its sturdy financial position while also steadfastly maintaining an equity ratio of 50% or more to prepare for scenarios such as large-scale projects in mineral resources or smelting & refining, or mergers and acquisitions by the Company. The Company will also continue its performance-linked dividend policy and will raise the consolidated dividend payout ratio from the existing “30% or higher” to “35% or higher.”

e. Core business growth strategies

(i) Mineral Resources Business

- Working on the Quebrada Blanca Copper Mine Development Project and the realization of stable operations at the Sierra Gorda Copper Mine, the copper equity volume will reach 280 kt in 2021, and the Company will be closer to realizing its long-term vision of 300 kt.
- The Company will aim for long-term stable operations by maintaining the annual gold ore production volume of 6.0 t of refined gold at the Hishikari Mine.
- As to the Côte Gold Project (Canada), we are going to utilize overall capabilities during construction phase to begin production in 2021.

- The Company will continue to focus on gold as the top priority of exploration.

(ii) Smelting & Refining Business

- The Company will promote the Pomalaa Project in Indonesia, aiming for an annual nickel production base of 150 kt.

- The Company will strive to stably supply nickel and cobalt as raw materials in line with the quantitative expansion of the battery materials business.

- Regarding the copper smelting business, the Company will maintain its 450 kt annual electrolytic copper production at the Toyo Smelter & Refinery and lift profitability further through the improvement of operating rate and recovery.

(iii) Materials Business

- In battery materials business, the Company will establish the Battery Materials Division as an independent business division, strengthen cooperation with the Mineral Resources Division and Non-Ferrous Metals Division more than before, and increase production even further for the lithium nickelate (NCA) and ternary cathode materials (NMC) used in cathode materials in lithium-ion secondary batteries.

- Although the current market environment of the Crystal Materials Business is sluggish, demand is expected to increase with the progress of 5G and IoT in the near future. The Company will work on intensive yield improvement and cost reduction, and is planning to increase its production capacity in preparation for this.

- By focusing its management resources on these growth strategies, the Company will aim for a fiscal year 2021 segment profit of 25 billion yen.

**(2) 3-Year Business Plan and takeover defense measures**

To date, the Company has renewed its takeover defense measures third since introducing them in June 2007. During the intervening period, the Company has continuously formulated and realized numerous growth strategies, such as the acquisition of additional interests in the Pogo Gold Mine (in 2009), commencing operation of a second line at the HPAL plant of the Coral Bay Nickel Corporation in the Philippines (in 2009), deciding to participate in the Sierra Gorda Copper Mine development project (in 2011), commencing full operation at the Taganito HPAL Nickel Corporation's HPAL plant (in 2014), deciding to increase production of cathode materials for secondary batteries (lithium nickelate) (in 2014), deciding to acquire additional interests in the Morenci Copper Mine (in 2016), deciding to participate in the Côté Gold Project (in 2017), deciding to expand production of cathode materials for secondary batteries (lithium nickelate) (in 2017) and deciding to participate in the Quebrada Blanca Copper Mine Development project (in 2018).

Even as the business environment continues to undergo dramatic change, the Company will continue to strive toward the realization of becoming “a world leader in the non-ferrous metals industry.” In the 2018 3-Year Plan, the Company aims to further increase its corporate value by placing the Quebrada Blanca Copper Mine Development Project, Pomalaa Project and production increase of battery materials as the three major projects and concentrating management resources in these projects.

Throughout the world, it is becoming increasingly challenging to secure mineral resources for non-ferrous metals, which means that there is an ever-growing threat that the Company—which possesses advanced technology as well as promising mineral resources both in Japan and abroad—could be the target of a unilateral large-scale acquisition of its shares. If such a large-scale acquisition were to be implemented, it would not only make it difficult for the Company to fulfill what it considers to be its social responsibility of stably supplying non-ferrous metals both domestically and internationally, but it would also become difficult to maintain the Company’s unique, integrated business model that spans mineral resources and smelting and refining, to downstream materials.

Going forward, by pursuing the 2018 3-Year Plan the Company will continue to strive to increase its corporate value and the common interests of its shareholders over the medium to long term.

### **(3) Strengthening of Corporate Governance**

The Company has established a policy of having one third or more of its directors be independent outside directors, aiming for more transparent management, and on the basis of this policy, the Company has eight Directors, including three independent Outside Directors, and there are also four Audit & Supervisory Board Members including two Outside Audit & Supervisory Board Members. In judging the independence of Outside Directors and Outside Audit & Supervisory Board Members, the Company complies with the requirements for outside officers provided for in the Companies Act of Japan, the criteria for independence prescribed by Tokyo Stock Exchange, Inc. as set out on page twenty-one (21), and the criteria for independence prescribed by the Company. According to such criteria, the Outside Directors and Outside Audit & Supervisory Board Members of the Company are all independent from the Company, and have been appointed as independent directors or audit & supervisory board members who are unlikely to have any conflicts of interest with general investors as specified by the Tokyo Stock Exchange, and the Company has submitted notification of their appointment to the Exchanges. Also, in relation to nominations, compensation and other such matters pertaining to Directors and Executive Officers and matters regarding corporate governance, the Company convenes a Governance Committee whose members are the Chairman of the Board (who is not an Executive Officer) and the

Independent Outside Directors (so that a majority of the members of the Governance Committee are Independent Outside Directors), and obtains advice from the Governance Committee from an objective standpoint. In addition, based on the self-evaluation of Directors and Audit & Supervisory Board Members, the Board of Directors conducts the assessment with an outside law firm to further enhance the effectiveness of the Board of Directors.

In addition, the Company has adopted an Executive Officer system, and in addition to enhancing the business execution function of the Executive Officers and strengthening its oversight function in respect of the Executive Officers by clarifying their powers and responsibilities and transferring a significant amount of authority to them.

### **3. Purpose of the Plan**

The Plan is in line with the Basic Policy set out in Section I above for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

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

## **II. Details of the Proposals**

### **1. Plan Outline**

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

In the event that an acquirer does not follow the procedures set out in the Plan or if a large-scale acquisition of shares in the Company satisfies the triggering requirements set out in the Plan and the Company obtains the approval of a general meeting of shareholders of the Company, the Company may allot share options (*shinkabu yoyakuken mushou wariate*) with

(a) an exercise condition that does not allow the acquirer to exercise the rights as a general rule, and (b) an acquisition provision to the effect that the Company may acquire the share options in exchange for shares in the Company from persons other than the acquirer, by means of a gratis allotment of share options to all shareholders, except the Company, at that time. If a gratis allotment of share options were to take place in accordance with the Plan and all shareholders other than the acquirer received shares in the Company as a result of those shareholders exercising or the Company acquiring those share options, shares in the Company will be issued in the range of one-half to one share per share option, as a general rule. Therefore, the ratio of voting rights in the Company held by the acquirer may be diluted by up to a maximum of approximately 50%.

In order to eliminate arbitrary decisions by Directors, the Company will, in accordance with the Rules of the Independent Committee (outlined in Note 2), establish the Independent Committee, which is solely composed of members who are independent from the management of the Company such as Outside Directors of the Company to make objective decisions with respect to matters such as the implementation or non-implementation of the gratis allotment of share options or the acquisition of share options under the Plan. In addition, the Company's Board of Directors will, if it implements the gratis allotment of share options in accordance with the Plan, convene a general meeting of shareholders and confirm the intent of the Company's shareholders.

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

## **2. Plan Details**

### **(1) Procedures for Triggering the Plan**

#### **(a) Targeted Acquisitions**

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under (i) or (ii) below or any similar action, or a proposal (Note 3) for such action (except for such action as the Company's Board of Directors separately determines not to be subject to the Plan; the "Acquisition") takes place.

(i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*, Note 4) of a holder (*hoyuusha*, Note 5) totaling at least 20% of the share certificates, etc. (*kabuken tou*, Note 6) issued by the Company; or

(ii) A tender offer (*koukai kaitsume*, Note 7) that would result in the party conducting the

tender offer's ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariai*, Note 8) and the ownership ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*, Note 9) totaling at least 20% of the share certificates, etc. (*kabuken tou*, Note 10) issued by the Company.

The party intending to make the Acquisition (the "Acquirer") shall comply with the procedures prescribed in the Plan, and the Acquirer must not effect the Acquisition until and unless the Company's Board of Directors resolves not to implement the gratis allotment of share options in accordance with the Plan.

(b) Submission of Acquirer's Statement

The Company will request the Acquirer to submit to the Company in the form separately prescribed by the Company a legally binding document that includes an undertaking that the Acquirer will comply with the procedures set out in the Plan (signed by or affixed with the name and seal of the representative of the Acquirer and to which no conditions or reservations are attached) and a qualification certificate of the person who signed or affixed its name and seal to that document (collectively, "Acquirer's Statement") before commencing or effecting the Acquisition. The Acquirer's Statement must include the name, address or location of headquarters, location of offices, the governing law for establishment, name of the representative, contact information in Japan for the Acquirer and an outline of the intended Acquisition. The Acquirer's Statement and the Acquisition Document set out in (c) below and other materials submitted by the Acquirer to the Company or the Independent Committee must be written in Japanese.

(c) Request to the Acquirer for the Provision of Information

The Company will provide the Acquirer the format for the Acquisition Document (defined below), including a list of information that the Acquirer should provide to the Company, no later than 10 business days after receiving the Acquirer's Statement. The Acquirer must provide the Company's Board of Directors with the document in the form provided by the Company (the "Acquisition Document"), which includes the information described in each item of the list below ("Essential Information").

If the Company's Board of Directors receives the Acquisition Document, it will promptly send it to the Independent Committee (standards for appointing members, requirements for resolutions, resolution matters, and other matters concerning the Independent Committee are as described in Note 2 and business backgrounds and other matters of members of the Independent Committee at the time of the Renewal will be as described in Attachment 'Profiles of the Members of the Independent Committee'). If the Company's Board of



Directors and the Independent Committee determine that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period and request that the Acquirer provide additional information. In such case, the Acquirer should provide the additional information within the set time limit. The Company's Board of Directors and the Independent Committee may repeatedly request the Acquirer provide additional Essential Information until the Acquirer provides the necessary and sufficient Essential Information; however, such information should be provided no later than 60 days from the receipt of the Acquisition Document (the "Final Response Deadline") even if it is not determined that necessary and sufficient information has been provided. (The Final Response Deadline may be extended to the extent necessary, if the Acquirer so requests.)

(i) Details (including name, capital relationship, financial position, operation results, details of violation of laws or ordinances in the past (if any), and terms of any trading of the Company's share certificates, etc. by the Acquirer as well as terms of previous transactions by the Acquirer similar to the Acquisition) of the Acquirer and its group (including joint holders (Note 11), persons having a special relationship and persons having a special relationship with a person in relation to whom the Acquirer is the controlled corporation (Note 12))(Note13)

(ii) The purpose, method and specific terms of the Acquisition (including the type and amount of consideration, the basis for calculation, the timeframe, the scheme of any related transactions, the legality of the Acquisition method, and the feasibility of the Acquisition).

(iii) The details of any agreement between the Acquirer and a third party regarding the share certificates, etc. of the Company.

(iv) Financial support for the Acquisition (specifically including the names of providers of funds for the Acquisition (including all indirect providers of funds), financing methods and the terms of any related transactions).

(v) Post-Acquisition management policy, business plan, capital and dividend policies for the Company and the Company group.

(vi) Policies for the Company's shareholders (other than the Acquirer), employees of the Company group, business partners, and stakeholders in the local communities of the production base where mineral resources are located and smelter & refineries take place.

(vii) Information regarding any relationship with an anti-social force

(viii) Any other information that the Independent Committee reasonably considers necessary.

(d) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal

(i) Request to the Company's Board of Directors for the Provision of Information

If the Acquirer submits the Acquisition Document and any additional information that the Independent Committee requests or the Final Response Deadline arrives, the Independent Committee may set a reply period (the "Board Consideration Period") considering the time required for the Company's Board of Directors to collect information and consider company value, and request that the Company's Board of Directors present an opinion (including an opinion to refrain from giving such opinion; hereinafter the same) on the Acquirer's Acquisition terms, materials supporting such opinion, an alternative proposal (if any), and any other information that the Independent Committee considers necessary.

(ii) Independent Committee Consideration

The Independent Committee should conduct its consideration of the Acquisition terms, collection of information such as the management plans and business plans of the Acquirer and the Company's Board of Directors and comparison thereof, and consideration of any alternative plan presented by the Company's Board of Directors, and the like for the maximum period of 90 days (including the Board Consideration Period; hereinafter referred to as "Independent Committee Consideration Period") after the day immediately after the earlier of (i) the date on which the Independent Committee receives the Acquisition Document from the Acquirer and any information that the Independent Committee requests the Company's Board of Directors provide or (ii) the Final Response Deadline. If it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer. The Independent Committee may, to the extent that it is reasonably necessary for actions such as consideration of the terms of the Acquirer's Acquisition, consideration of an alternative proposal and discussion and negotiation with the Acquirer, extend the Independent Committee Consideration Period up to 30 days. In order to ensure that the Independent Committee's decision contributes to the Company's corporate value and, in turn, the common interests of its shareholders, the Independent Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, tax accountants, consultants or any other experts). If the Independent Committee directly or indirectly requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Independent Committee, the Acquirer must promptly respond to such request.

(e) Recommendation by the Independent Committee

Based on the abovementioned procedures, if the Independent Committee determines that an Acquisition does not fall under any of the trigger events set out below in 2(2), 'Requirements

for the Gratis Allotment of Share Options' (collectively, "Trigger Events"), the Independent Committee will recommend that the Company's Board of Directors should not implement the gratis allotment of share options (as detailed in 2(3) 'Outline of the Gratis Allotment of Share Options'; the relevant share options hereinafter referred to as "Share Options") regardless of whether the Independent Committee Consideration Period has ended or not. Notwithstanding the foregoing, even after the Independent Committee has already made a recommendation for the non-implementation of the gratis allotment of Share Options, if a Trigger Event arises because of reasons such as a change in the facts on which the recommendation decision was made, the Independent Committee may make a new recommendation that the Company should implement the gratis allotment of Share Options.

On the other hand, if the Independent Committee determines that an Acquisition falls under a Trigger Event, the Independent Committee will recommend that the Company's Board of Directors should implement the gratis allotment of Share Options except in any specific case where further provision of information by the Acquirer or discussion or negotiation with the Acquirer is necessary. Notwithstanding the foregoing, even after the Independent Committee has already made a recommendation for the implementation of the gratis allotment of Share Options, if the Independent Committee determines that the situation corresponds to either of the cases where (i) the Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation, or (ii) there is no longer any Trigger Events due to a change in the facts on which the recommendation decision was made or the like, it may make a new recommendation that (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Share Options) the Company should suspend the gratis allotment of Share Options, or (ii) (from the effective date of the gratis allotment of Share Options and until the day immediately prior to the commencement date of the exercise period of the Share Options) the Company should acquire the Share Options for no consideration.

In addition to the foregoing, if there is a possibility that the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed by the Acquisition, the Independent Committee may recommend convocation of a general meeting of shareholders (Note 14) to confirm the intent of the shareholders regarding the Acquisition by the Acquirer or make other recommendations, along with the reasons therefore.

(f) Convocation of Shareholders Meeting

If the Company's Board of Directors seeks to implement a gratis allotment of Share Options, it shall convene a general meeting of shareholders (the "Shareholders Meeting") and confirm the intent of the Company's shareholders, unless there is not enough time to convene such

Shareholders Meeting.

(g) Resolutions by the Board of Directors

If the Shareholders Meeting is held in accordance with (f) above, the Company's Board of Directors will pass a resolution in line with the resolution of the Shareholders Meeting.

On the other hand, if a recommendation by the Independent Committee in accordance with (e) above is made and the Shareholders Meeting is not held, the Company's Board of Directors will, by respecting the recommendation by the Independent Committee to the maximum extent, and in its authority under the Companies Act as a governing organ, pass a resolution for the implementation, non-implementation or otherwise of a gratis allotment of Share Options.

(h) Information Disclosure

When operating the Plan, the Company will disclose, in a timely manner, information on matters that the Independent Committee or the Company's Board of Directors considers appropriate including the progress of each procedure set out in the Plan (including the fact that the Acquirer's Statement and Acquisition Document have been submitted, the fact of whether the Acquirer has provided information, the fact that an Acquirer who intends to effect the Acquisition without submitting the Acquirer's Statement and Acquisition Document emerges, the fact the Independent Committee Consideration Period has commenced, and the fact that the Independent Committee Consideration Period has been extended, as well as the extended period and the reason for the extension), an outline of recommendations made by the Independent Committee, an outline of resolutions by the Board of Directors and an outline of resolutions by the Shareholders Meeting, in accordance with the relevant laws and ordinances or the regulations and rules of the financial instruments exchange.

**(2) Requirements for the Gratis Allotment of Share Options**

The requirements to trigger the Plan to implement gratis allotment of Share Options are as follows. As described above at (e) of 2(1), 'Procedures for Triggering the Plan,' the Company's Board of Directors will make a determination as to whether any of the following requirements applies to an Acquisition for which the recommendation by the Independent Committee has been obtained.

Trigger Event (1)

The Acquisition is not in compliance with the procedures prescribed in the Plan (including cases where reasonable time and information necessary to consider the details of the Acquisition is not offered) and it is reasonable to implement the gratis allotment of Share

Options.

### Trigger Event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of Share Options.

(a) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the following actions:

(i) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company's affiliates at a high price.

(ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company group's material assets.

(iii) Diversion of the Company group's assets to secure or repay debts of the Acquirer or its group company.

(iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company group's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.

(b) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable or unclear).

### **(3) Outline of the Gratis Allotment of Share Options**

An outline of the gratis allotment of Share Options scheduled to be implemented under the Plan is described below.

(a) Number of Share Options

The maximum number of Share Options to be allotted upon implementation of a gratis allotment of Share Options is the most recent total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined in a resolution by the Company's Board of Directors relating to the gratis allotment of Share Options (the "Gratis Allotment Resolution").

(b) Shareholders Eligible for Allotment

The Company will allot the Share Options to those shareholders, other than the Company, who are recorded in the Company's final register of shareholders on the Allotment Date (the "Entitled Shareholders"), at a ratio of one Share Option for each share in the Company held.

(c) Effective Date of Gratis Allotment of Share Options

The effective date of the gratis allotment of Share Options will be separately determined in the Gratis Allotment Resolution.

(d) Number of Shares to be Acquired upon Exercise of the Share Options

The number of shares to be acquired upon exercise of the Share Options shall, in principle, be the number of Share Options multiplied by the number separately determined in the Gratis Allotment Resolution by the Company's Board of Directors in the range of one-half to one share. The number of shares to be acquired upon exercise of each Share Option (Note 15) (the "Applicable Number of Shares") shall, in principle (Note 16), be the number separately determined in the Gratis Allotment Resolution by the Company's Board of Directors in the range of one-half to one share. If there are any resulting fractional shares in the number of shares to be delivered to the Share Option holders who exercise the Share Options, the Company will dispose of the fractional shares in accordance with the applicable laws and ordinances.

(e) Amount to be Contributed upon Exercise of Share Options

Contributions upon exercise of the Share Options are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Share Options will be an amount separately determined in the Gratis Allotment Resolution within the range of a minimum of one yen and a maximum of the amount equivalent to one-half of the fair market value of one share in the Company. "Fair market value" means an amount equivalent to the average closing price (including quotations) for regular transactions of the common stock of the Company on the Tokyo Stock Exchange on each day during the 90 day period prior to the Gratis Allotment Resolution (excluding the days on which trades are not made), with any fraction less than one yen after such calculation to be rounded up to the nearest whole yen.

(f) Exercise Period of the Share Options

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the "Exercise Period Commencement Date"), and the period will, in principle, be a period from one month to six months long as separately determined in the Gratis Allotment Resolution;

provided, however, that the Exercise Period for the Share Options acquired by the Company in accordance with (ii) of paragraph (i) below (Acquisition of the Share Options by the Company) ends on the business day immediately prior to the acquisition date. If the last day of the Exercise Period falls on holiday for the place handling cash payments, the Exercise Period will end on the business day immediately prior to that date.

(g) Conditions for Exercise of Share Options

Except where any exceptional event (Note 17) occurs, the following parties may not exercise the Share Options (the parties falling under (I) through (VI) below shall collectively be referred to as “Non-Qualified Parties”):

- (I) Specified Large Holders (Note 18);
- (II) Joint Holders of Specified Large Holders;
- (III) Specified Large Purchasers (Note 19);
- (IV) Persons having a Special Relationship with Specified Large Purchasers;
- (V) Any transferee of, or successor to, the Share Options of any party falling under (I) through (IV) without the approval of the Company’s Board of Directors; or
- (VI) Any Affiliated Party (Note 20) of any party falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and ordinances to exercise the Share Options may not as a general rule exercise the Share Options (provided, however, that the Share Options held by nonresidents will be subject to acquisition by the Company in exchange for shares, etc. in the Company as set out in (ii) of paragraph (i) below (Acquisition of the Share Options by the Company) subject to compliance with applicable laws and ordinances). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Share Options, indemnity clauses and other covenants, may not exercise the Share Options.

(h) Assignment of Share Options

Any acquisition of the Share Options by assignment requires the approval of the Company’s Board of Directors.

(i) Acquisition of Share Options by the Company

a. At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company’s Board of Directors deems that it is appropriate for the Company to acquire the Share Options, the Company may, on a day that falls on a date

separately determined by the Company's Board of Directors, acquire all of the Share Options for no consideration.

b. On a date separately determined by the Company's Board of Directors, the Company may acquire all of the Share Options that have not been exercised before or on the day immediately prior to such date determined by the Company's Board of Directors, that are held by parties other than Non-Qualified Parties (if any) and, in exchange, deliver shares, etc (Note 21). in the Company in the number equivalent to the Applicable Number of Shares (Note 22) for each Share Option.

Further, if, on or after the date upon which the acquisition takes place, the Company's Board of Directors recognizes the existence of any party holding Share Options other than Non-Qualified Parties, the Company may, on a date determined by the Company's Board of Directors that falls after the date upon which the acquisition described above takes place, acquire all of the Share Options held by that party that have not been exercised by or on the day immediately prior to such date determined by the Company's Board of Directors (if any) and, in exchange, deliver shares, etc. in the Company in the number equivalent to the number of the Applicable Number of Shares for each Share Option. The same will apply thereafter.

(j) Delivery of Share Options in Case of Merger, Absorption-type Demerger (*kyushu bunkatsu*), Incorporation-type Demerger (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*)

These matters will be separately determined in the Gratis Allotment Resolution.

(k) Issuance of Certificates Representing the Share Options  
Certificates representing the Share Options will not be issued.

(l) Other

In addition, the details of the Share Options will be separately determined in the Gratis Allotment Resolution.

#### **(4) Procedures for the Renewal of the Plan**

The Company will renew the Plan subject to shareholder approval at the Ordinary General Meeting of Shareholders of the agenda item regarding the Renewal.

#### **(5) Effective Period, Abolition and Amendment of the Plan**



The effective period of the Plan (the “Effective Period”) will be the period until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of the Ordinary General Meeting of Shareholders.

However, if, before the expiration of the Effective Period, the Company’s Board of Directors resolves to abolish the Plan, the Plan will be abolished in accordance with the resolution.

Further, the Company’s Board of Directors may revise or amend the Plan even during the Effective Period of the Plan, in cases where any law, ordinance, or regulation or rule of a financial instruments exchange or the like concerning the Plan is established, amended or abolished, or cases where it is appropriate to revise the wording because of typographical errors and omissions, subject to the approval of the Independent Committee.

If the Plan is abolished, revised or amended, the Company will promptly disclose the fact that such abolition, revision or amendment has taken place, and (in the event of a revision or amendment) the details of the revision, amendment and any other matters.

#### **(6) Revision Due to Amendment to Laws and Ordinances**

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as of February 14, 2019. If it becomes necessary after such date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the establishment, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above will be read accordingly as required to a reasonable extent, taking into consideration the purposes of such formulation, amendment or abolishment.

### **3. Impact on Shareholders and Investors**

#### **(1) Impact on Shareholders and Investors Upon Renewal of the Plan**

Upon the Renewal, the Plan will have no direct or material impact on shareholders and investors because no actual gratis allotment of Share Options will be implemented.

#### **(2) Impact on Shareholders and Investors at the Time of the Gratis Allotment of Share Options**

(a) Procedures for Shareholders upon Gratis Allotment of Share Options

If the Company's Board of Directors passes a Gratis Allotment Resolution, it will also decide the Allotment Date in the same resolution and give public notice of this Allotment Date. In this case, the Company will make a gratis allotment of Share Options to the Entitled Shareholders for one Share Option per share in the Company held by the Entitled Shareholders. All Entitled Shareholders will become Share Option holders as a matter of course on the effective date of the gratis allotment of Share Options, and no further procedures, such as applying for such gratis allotment, will be necessary.

In addition, even after the Company's Board of Directors passes a Gratis Allotment Resolution, the Company may, by respecting any recommendation of the Independent Committee described above in (e) of 2(1), 'Procedures for Triggering the Plan,' to the maximum extent, (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Share Options), cancel the gratis allotment of Share Options, or (ii) (from the effective date of the gratis allotment of Share Options and until the day immediately prior to the commencement date of the exercise period of the Share Options) acquire the Share Options for no consideration. In such cases, no dilution of the value per share in the Company held by the shareholders will result, and it is possible that any investors who have sold or bought the shares in the Company expecting to see such a dilution will be subject to unforeseen loss as a result of a fluctuation in the share price.

(b) Procedures for Exercising Share Options

The Company will deliver, as a general rule, a document necessary to be submitted for the exercise of the Share Options (in the form prescribed by the Company and containing necessary matters such as the terms and number of the Share Options for exercise and the exercise date for the Share Options, as well as representations and warranties regarding matters such as that the shareholders themselves satisfy the exercise conditions of the Share Options, indemnity clauses and other covenants, and information necessary to allocate shares of the Company to the account of the Entitled Shareholders) and other necessary documents. After the gratis allotment of Share Options, the shareholders will be issued, as a general rule, shares in the Company in the range of one-half to one share in exchange for each Share Option as separately determined in the Gratis Allotment Resolution by the Company's Board of Directors upon submitting these necessary documents during the exercise period of Share Options and by paying in the prescribed manner an amount equivalent to the exercise price determined in the Gratis Allotment Resolution, which will be an amount within the range of one yen to one-half of the fair market value of the Company's stock per Share Option, as a general rule. The Non-Qualified Parties intending to exercise Share Options must follow the Company's separate determination in accordance with (g) of

2(3), 'Outline of the Gratis Allotment of Share Options.'

If the Company's shareholders do not exercise their Share Options or pay the amount equivalent to the exercise price, the shares they hold in the Company will be diluted by the exercise of Share Options by other shareholders.

However, it is also possible for the Company to acquire the Share Options of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (c) below. If the Company carries out such acquisition procedures, all shareholders other than Non-Qualified Parties will, in principle, come to receive shares in the Company without exercising their Share Options or paying an amount equivalent to the exercise price and, in principle, there will be no subsequent dilution of the shares in the Company they hold.

(c) Procedures for the Acquisition of Share Options by the Company

If the Company's Board of Directors determines to acquire the Share Options, the Company will acquire the Share Options in accordance with the statutory procedures from the shareholders other than Non-Qualified Parties, on the date separately determined by the Company's Board of Directors and, in principle, deliver shares in the Company in exchange. In this case, the shareholders concerned will come to receive shares in the Company in the range of one-half to one share in exchange for each Share Option, in principle, as separately determined in the Gratis Allotment Resolution by the Company's Board of Directors as consideration for the acquisition by the Company of those Share Options, without paying the amount equivalent to the exercise price. However, in such case, the shareholders concerned will be separately requested to provide information necessary to allocate shares of the Company to the account of the Entitled Shareholders and submit, in the form prescribed by the Company, a written undertaking including representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants. (See (i) of 2(3), 'Outline of the Gratis Allotment of Share Options.')

In addition, the Company will disclose information to or notify all of its shareholders with respect to the particulars of the allotment method, exercise method and method for acquisition by the Company after any Gratis Allotment Resolution, so we request that shareholders check these details at that time.

Notes:

1. The tender offer regulations under the Financial Instruments and Exchange Act of Japan provide for takeover defense measures on the premise that individual companies may introduce them, and therefore do not negate the existence of such measures.

The Company believes that the necessity of takeover defense measures is not negated even under the tender offer regulations of Japan. First, the regulations do not apply to on-market trading. Therefore, when a large-scale acquisition is made in the market, time and information are not secured for the target company and its shareholders to make a decision about the acquisition. Second, when a tender offer is made, the target company may ask questions through its position statement but the acquirer is not obliged to answer them. In addition, the tender offer regulations permit partial tender offers, and oblige the acquirer to make a mandatory offer only when its shareholding ratio after the offer will be two-thirds or more. Therefore, there is no legal framework to address coercive takeovers, and the Company believes that not having an effective injunction system against the abusive acquisition of shares is another problem that must be addressed.

2. The outline of the Rules of the Independent Committee is as follows:

- There will be no less than three members in the Independent Committee, and the Company's Board of Directors shall elect the members from (i) Outside Directors of the Company, and (ii) Outside Audit & Supervisory Board Members of the Company, or (iii) experts, all of whom are independent from the management involved in the execution of the businesses. Such experts must be experienced corporate managers, parties with knowledge of the investment banking industry, parties with knowledge of the Company's business, lawyers, certified public accountants, researchers whose research focuses on the Companies Act of Japan or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Company's Board of Directors that contains a provision obligating the experts to exercise their duty of care to the Company or a similar provision.
- Unless otherwise determined in a resolution by the Company's Board of Directors, the term of office of members of the Independent Committee will be until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years of the Meeting. However, the term of office of any member of the Independent Committee who is an Outside Director or Outside Audit & Supervisory Board Members will end simultaneously in the event that they cease to be a Director or Audit & Supervisory Board Member (except in the case of their re-appointment).
- The Independent Committee may make decisions on the matters put to it by the Board of Directors and certain other matters to be judged by the Board of Directors,

- such as the implementation or non-implementation of the gratis allotment of Share Options and the cancellation of the gratis allotment of Share Options or the gratis acquisition of Share Options.
- As a general rule, meetings of the Independent Committee will be convened by the members of the Independent Committee, and resolutions will pass with a majority vote when at least two-thirds of the members of the Independent Committee are in attendance (including attendance via video conference or telephone conference).
3. “Proposal” includes solicitation of a third party to make an Acquisition.
  4. Defined in Article 27-23(4) of the Financial Instruments and Exchange Act of Japan. This definition applies throughout this proposal.
  5. Including persons described as a holder under Article 27-23(3) of the Financial Instruments and Exchange Act of Japan (including persons who are deemed to fall under the above by the Board of Directors of the Company). The same applies throughout this proposal.
  6. Defined in Article 27-23(1) of the Financial Instruments and Exchange Act of Japan. The same applies throughout this proposal unless otherwise provided for.
  7. Defined in Article 27-2(6) of the Financial Instruments and Exchange Act of Japan. The same applies throughout this proposal.
  8. Defined in Article 27-2(8) of the Financial Instruments and Exchange Act of Japan. The same applies throughout this proposal.
  9. Defined in Article 27-2(7) of the Financial Instruments and Exchange Act of Japan (including persons who are deemed to fall under the above by the Board of Directors of the Company); provided, however, that persons provided for in Article 3(2) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Financial Instruments and Exchange Act of Japan. The same applies throughout this proposal.
  10. Defined in Article 27-2(1) of the Financial Instruments and Exchange Act of Japan.
  11. Defined in Article 27-23(5) of the Financial Instruments and Exchange Act of Japan, including persons regarded as a joint holder under Article 27-23(6) of the Financial Instruments and Exchange Act of Japan (including persons who are deemed a joint holder by the Company’s Board of Directors). The same applies throughout this proposal.
  12. Defined in Article 9(5) of the Order for Enforcement of the Financial Instruments and Exchange Act of Japan.
  13. If an Acquirer is a fund, information relating to the matters described in (i) about each partner and other constituent members is required.
  14. A “general meeting of shareholders” is not limited to a meeting of shareholders that determines matters provided for in Article 295 of the Companies Act of Japan, and includes meetings convened by procedures similar to those provided for in the Companies Act for

general meetings of shareholders that make advisory resolutions on matters other than those provided for in such Article. The same applies throughout this proposal.

15. Even if the Company becomes a company issuing class shares (Article 2, Item 13 of the Companies Act of Japan) in the future, both (i) the shares in the Company to be delivered upon exercise of Share Options and (ii) the shares to be delivered in exchange for acquisition of Share Options are the same class of shares of common stock that have been issued at the time of the Meeting.

16. In case of a stock split, etc., the Company will adjust the Applicable Number of Shares as necessary.

17. Specifically, the Company intends to set out that an “exceptional event” means when (x) the Acquirer cancels or revokes the Acquisition, or promises that it will not conduct any subsequent Acquisition, after the Gratis Allotment Resolution and the Acquirer or other Non-Qualified Parties dispose of their shares in the Company through a securities firm appointed and authorized by the Company to do so, and (y) the Acquirer’s shareholding ratio determined by the Company’s Board of Directors (when calculating the shareholding ratio, Non-Qualified Parties other than the Acquirer and its Joint Holders are deemed to be Acquirer’s Joint Holders, and Share Options held by Non-Qualified Parties, the conditions of which have not been satisfied, are excluded) (the “Non-Qualified Parties’ Shareholding Ratio”) falls below the lower of (i) the Non-Qualified Parties’ Shareholding Ratio before the Acquisition, or (ii) 20%, the Acquirer or other Non-Qualified Parties making the disposal may exercise Share Options to the extent that the number of shares to be issued or delivered upon exercise of the Share Options is up to the number of shares disposed of and to the extent of the ratio under either (i) or (ii) above. Detailed conditions and procedures for exercise of Share Options by Non-Qualified Parties will be determined separately by the Company’s Board of Directors.

18. “Specified Large Holder” means, in principle, a party who is a holder of share certificates, etc., issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including any party who is deemed applicable to the above by the Company’s Board of Directors); provided, however, that a party that the Company’s Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company’s corporate value or the common interests of shareholders or a certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same applies throughout this proposal.

19. “Specified Large Purchaser” means, in principle, a person who makes a public announcement of purchase, etc., (as defined in Article 27-2(1) of the Financial Instruments and Exchange Act of Japan; the same applies throughout this Note) of share certificates, etc., (as defined in Article 27-2(1) of the Financial Instruments and Exchange Act of Japan; the

same applies throughout this Note) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc., in respect of such share certificates, etc., owned by such person after such purchase, etc., (including similar ownership as prescribed in Article 7(1) of the Order for Enforcement of the Financial Instruments and Exchange Act of Japan) is at least 20% when combined with the ratio of ownership of share certificates, etc., of a person having a special relationship (including any party who is deemed to fall under the above by the Company's Board of Directors); provided, however, that a party that the Company's Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or certain other party that the Company's Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. The same applies throughout this proposal.

20. An "Affiliated Party" of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Company's Board of Directors), or a party deemed by the Company's Board of Directors to act in concert with such given party. "Control" means to "control the determination of the financial and business policies" (as defined in Article 3(3) of the Enforcement Regulations of the Companies Act of Japan) of other corporations or entities.

21. For the purpose of the Plan, shares in the Company are to be delivered, in principle, as consideration for acquiring the Share Options. As stated in (d) of II.2.(3) above, under this Plan, fractions in the Applicable Number of Shares may result, in which case, property other than shares in the Company may be delivered to the extent necessary to dispose of the fraction.

22. The Company intends to properly dispose of any fraction in the Applicable Number of Shares in accordance with applicable laws and ordinances. In that case, the number of shares, etc. in the Company to be delivered for each Stock Acquisition Right may differ from the Applicable Number of Shares.

---End---

## Attachment

### Profiles of the Members of the Independent Committee

The following three persons are scheduled to be the initial members of the Independent Committee upon the Renewal.

#### Hitoshi Taimatsu

Career Summary:

November 1951	Born
April 1979	Research Associate of the Mining College of Akita University
October 1988	Lecturer of the Mining College of Akita University
April 1990	Associate Professor of the Mining College of Akita University
April 1994	Professor of the Mining College of Akita University
April 1998	Professor of the Faculty of Engineering and Resource Science of Akita University
April 2006	Director of the Radioisotope Research Center of Akita University
April 2008	Member of the Education and Research Council of Akita University Vice Dean of the Faculty of Engineering and Resource Science of Akita University
April 2010	Professor of the Graduate School of Engineering and Resource Science of Akita University Vice Dean of the Graduate School of Engineering and Resource Science of Akita University
June 2015	Appointed Director of the Company
April 2016	Professor of the Graduate School of Engineering Science of Akita University
April 2017	Visiting professor of Akita University
Mar. 2019	Retired Visiting professor of Akita University

As of June 1, 2019

Director of the Company

Mr. Hitoshi Taimatsu is an Outside Director of the Company, under Article 2(3)(vii) of the Enforcement Regulations of the Companies Act of Japan, as set out in Proposal No.2. Should Mr. Hitoshi Taimatsu be reelected at the Meeting, he is expected to assume his office as an Outside Director of the Company.

He does not have any special interests in the Company.

The Company has appointed him as an Independent Director who is unlikely to have any conflicts of interest with general investors as specified by the Tokyo Stock Exchange and submitted notification of his appointment to the Exchanges.



## **Kazuhisa Nakano**

### Career Summary:

January 1948	Born
April 1971	Joined Idemitsu Kosan Co., Ltd
April 2003	Executive Officer, General Manager of Personnel Department of Idemitsu Kosan Co., Ltd
June 2004	Director of Idemitsu Kosan Co., Ltd
June 2005	Managing Director of Idemitsu Kosan Co., Ltd
June 2007	Representative Director, Executive Vice President of Idemitsu Kosan Co., Ltd
June 2009	Representative Director, President of Idemitsu Kosan Co., Ltd
June 2013	Representative Director, Chairman of Idemitsu Kosan Co., Ltd
June 2015	Advisor of Idemitsu Kosan Co., Ltd
June 2016	Appointed Director of the Company
June 2017	Retired Advisor of Idemitsu Kosan Co., Ltd.

As of June 1, 2019

Director of the Company

Mr. Kazuhisa Nakano is an Outside Director of the Company, under Article 2(3)(vii) of the Enforcement Regulations of the Companies Act of Japan, as set out in Proposal No.2. Should Mr. Kazuhisa Nakano be reelected at the Meeting, he is expected to assume office as an Outside Director of the Company.

He does not have any special interests in the Company.

The Company has appointed him as an Independent Director who is unlikely to have any conflicts of interest with general investors as specified by the Tokyo Stock Exchange and submitted notification of his appointment to the Exchanges.

## **Taeko Ishii**

### Career Summary:

May 1956	Born
April 1986	Registered as a lawyer Joined Ryoichi Wada Law Firm
March 1992	Established Ohta & Ishii Law Firm
June 2018	Appointed Director of the Company

As of June 1, 2019

Director of the Company

Outside Audit & Supervisory Board Member of NEC Corporation

Outside Audit & Supervisory Board Member of DTS Corporation

Outside Audit & Supervisory Board Member of Furusato Service Co., Ltd.

Ms. Taeko Ishii is an Outside Director of the Company, under Article 2(3)(vii) of the Enforcement Regulations of the Companies Act of Japan, as set out in Proposal No.2. Should Ms. Taeko Ishii be reelected at the Meeting, she is expected to assume office as an Outside Director of the Company.

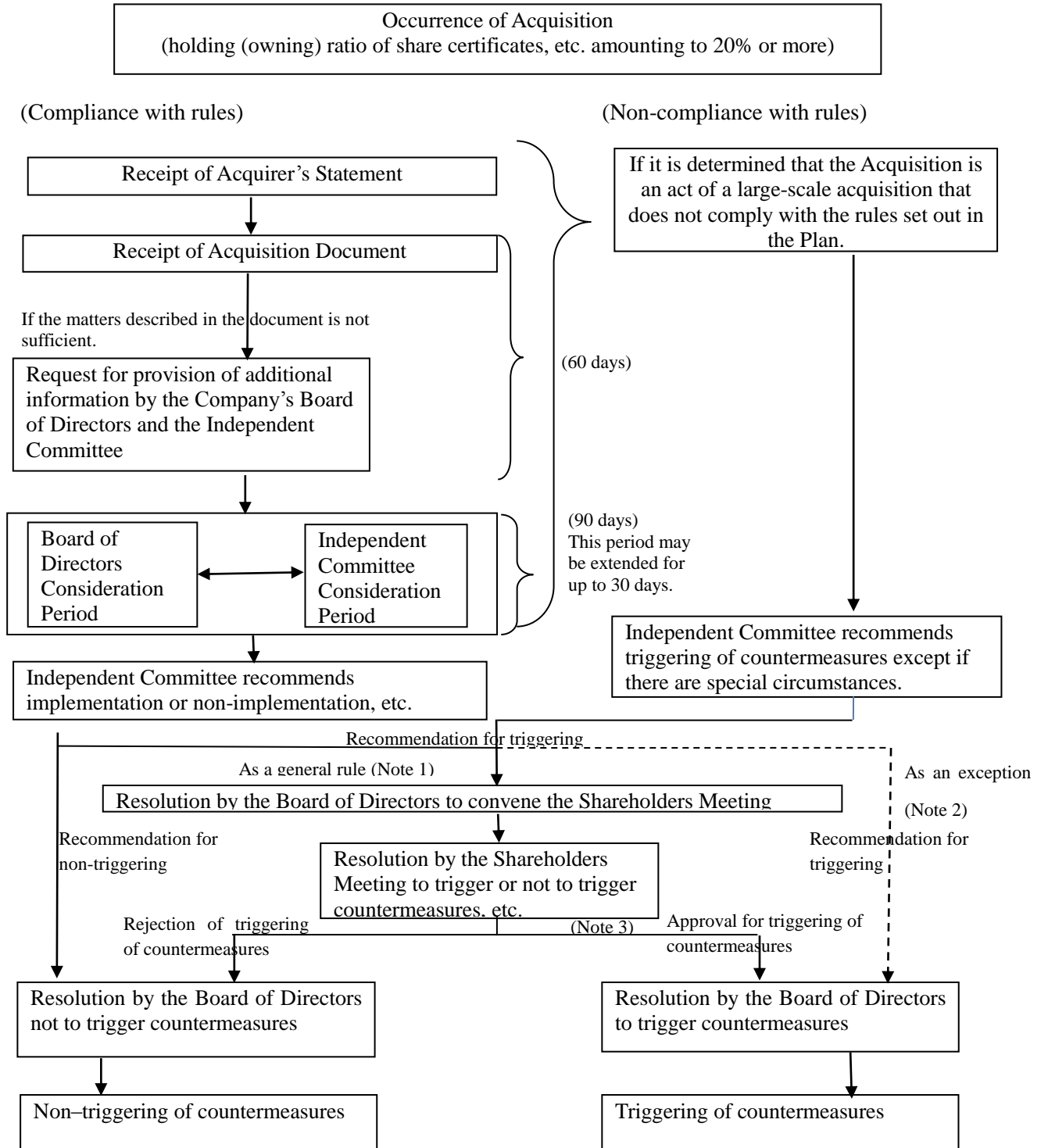
She does not have any special interests in the Company.

The Company has appointed her as an Independent Director who is unlikely to have any conflicts of interest with general investors as specified by the Tokyo Stock Exchange and submitted notification of her appointment to the Exchanges.

---End---

**Reference Material**

**Flowchart of Countermeasures to Large-scale Acquisition of Shares in the Company**



Note 1: If the Company's Board of Directors seeks to implement a gratis allotment of Share Options, it shall convene the Shareholders Meeting and confirm the intent of the Company's shareholders, unless there is not enough time to convene such Shareholders Meeting.

Note 2: Case where the Independent Committee recommends triggering of countermeasures and the Shareholders Meeting is not convened, because there is not enough time to convene such Shareholders Meeting.

Note 3: In addition to the cases expressly indicated in this flowchart, if the Independent Committee recommends confirmation of the intent of shareholders regarding the Acquisition by the Acquirer when there is a possibility that the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed by the Acquisition, the Company's Board of Directors will take measures respecting such recommendation to the maximum extent.

<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

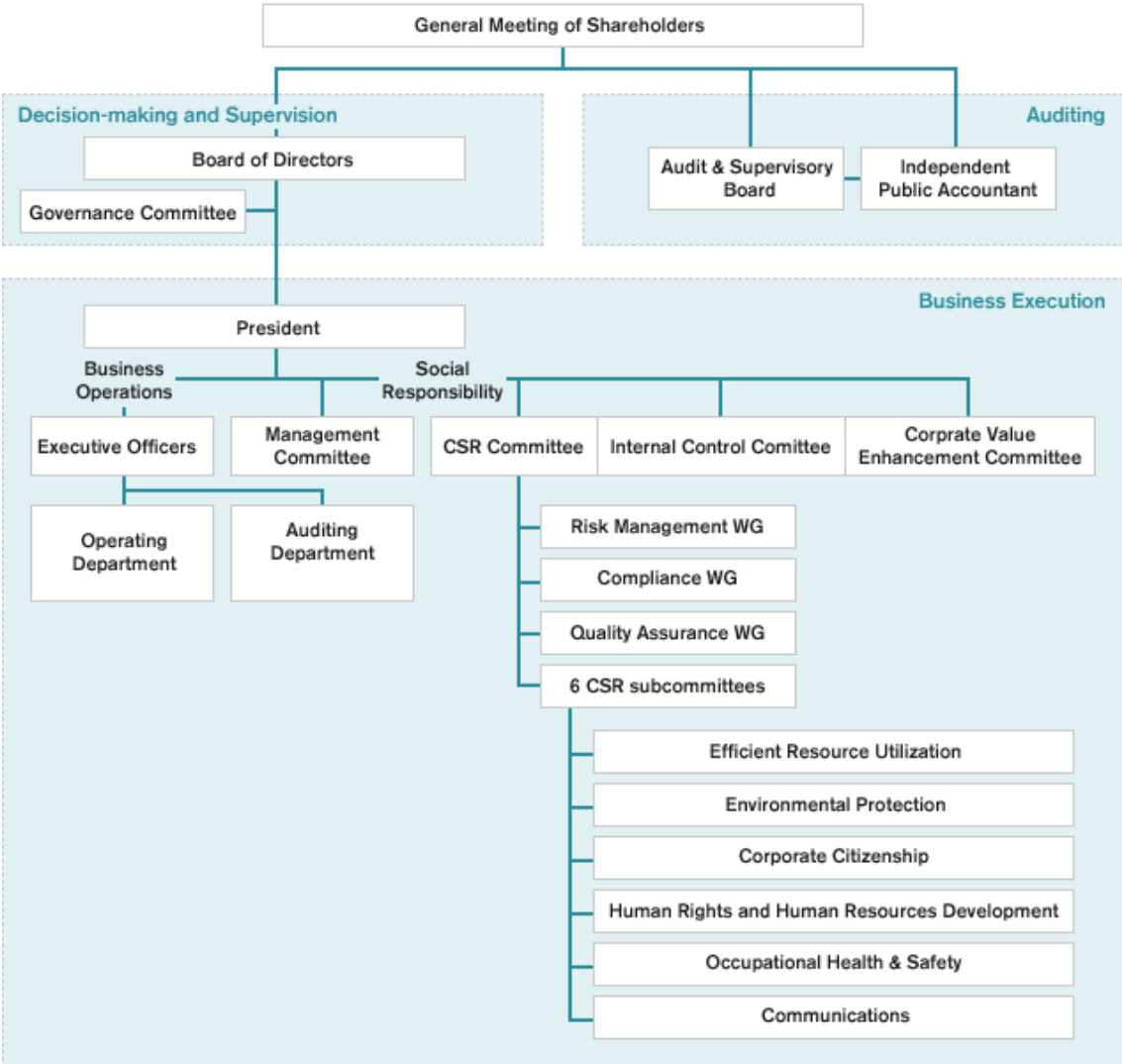
The Company has adopted Audit & Supervisory Board and Executive Officer systems to

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) You may access the voting rights exercise site (<https://www.web54.net>), enter your voting rights exercise code and password appearing on the enclosed voting form or scan the 2d barcode on the enclosed voting form and follow the instructions to register your vote either for or against the proposals.
- (2) The deadline for the exercise of voting rights via the Internet is 5:00pm (Japan Time), Monday, June 24, 2019.
- (3) Any connection fees to providers or telephone charges, etc. for accessing the voting rights exercise site shall be borne by the shareholders.

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.