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Press Release

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Formulation of the 2018 3-Year Business Plan
— Taking up the challenge of a new round of growth —

Sumitomo Metal Mining Co., Ltd. (SMM) has reviewed its long-term vision and formulated its 2018 3-Year Business Plan (“18 3-Yr Plan”), which extends from fiscal 2019 to fiscal 2021 and is aimed at achievement of this vision.

1. Looking back at the 2015 3-Year Business Plan

In its 2015 3-Year Business Plan (extending from fiscal 2016 to fiscal 2018; “15 3-Yr Plan”), SMM posted the long-term vision of “Aiming to be a World Leader in the Non-Ferrous Metals Industry and an Excellent Company of Japan”, and promoted growth strategy toward achievement of this vision.

In its Mineral Resources business, a substantial impairment loss was posted for the second consecutive year owing to production difficulties and cost increases at the Sierra Gorda Copper Mine. However, SMM dispatched an expert team that became deeply involved in the operation, and this has managed to stabilize the operation as of the present. In addition, SMM sold the Pogo Gold Mine and decided to participate in the Côte Gold Mine development project.

In its Smelting and Refining business, SMM established a system for an annual production of 36,000 tons at the Taganito HPAL (“THPAL”), and embarked on recovery of the by-product metals scandium and chromite from HPAL process.

In its Materials Business, SMM vigorously invested in growth fields such as battery materials and crystal materials. At the same time, it operated its system for the creation of new products and businesses, and embarked on business revolving around nickel oxide powder for fuel cell electrodes and silicon carbide.

During the period of the 15 3-Yr Plan, prices for non-ferrous metals followed a comparatively firm trend, but the effect of this trend was offset by the appreciation of the yen against the dollar. Factors including the failure to meet planning targets in the operation of the Sierra Gorda Copper Mine, decreased production due to a lowering of

the grade of ore supplied at the Morenci Copper Mine and Cerro Verde Copper Mine, and lower production at the THPAL because of equipment trouble have made it difficult to reach the (calculation) figure posted in the 15 3-Yr Plan for consolidated net income.

2. Basic policy in the 18 3-Yr Plan

In the 15 3-Yr Plan, SMM posted the long-term vision of “Aiming to be a World Leader in the Non-Ferrous Metals Industry and an Excellent Company of Japan”. For the 18 3-Yr Plan, it has made the long-term vision simpler by rephrasing it as “Becoming a World Leader in the Non-Ferrous Metals Industry,” in the belief that “an excellent company of Japan” is included in the definition of “World Leader in the Non-Ferrous Metals Industry.” In addition, although SMM has previously set numerical targets for gold, the assurance of materials for smelters in Japan is not part of the purpose of business in gold, unlike the case with copper. For this reason, it has instead adopted improvement of earning power and accumulation of more experience in the operation as objectives in this business, and set “ New participation in mine operations through the acquisition of superior interests” as the target.

In the 18 3-Yr Plan, SMM is taking aim at “Becoming a World Leader in the Non-Ferrous Metals Industry” as its long-term vision, and will continue promoting growth strategy in its core businesses of Mineral Resources, Smelting & Refining, and Materials.

Long-term vision

“Becoming a World Leader in the Non-Ferrous Metals Industry”

Targets

Nickel: annual production of 150,000 tons

Copper: annual production interests of 300,000 tons

Gold: New participation in mine operations through the acquisition of superior interests

Materials business: achievement of annual profit before tax of 25 billion yen through portfolio management

Profit: annual profit attributable to owners of parent 150.0 billion yen

The amount of investment over the three-year period of the 18 3-Yr Plan (490 billion yen, including both investment and financing) will be on an unprecedented scale for SMM. Because the effects of this investment will appear mainly after the start of the next three-year plan (the fiscal 2021 3-Year Business Plan), the free cash flow is projected to be minus 110 billion yen over the same period. The 18 3-Yr Plan period will be one of preparation and investment for the future. SMM has positioned it as an important

three-year period for achieving sustained growth and maximizing the corporate value.

3. Growth strategy for core businesses in the 18 3-Yr Plan

1) Mineral Resources

SMM will make an all-out effort in the project for development of the Quebrada Blanca Copper Mine, in which it decided to participate in December 2018. Through stabilization of the operation and other improvements, copper production for which SMM has interests at the Sierra Gorda Copper Mine is projected to reach 280,000 tons in 2021, and will therefore near the target of 300,000 tons in the long-term vision.

As for gold, in the Hishikari Mine, SMM intends to maintain production of 6 tons per year through construction of a new hot-water extraction chamber and other steps, and aims to place the operation on stable footing into the long term. The Côté Gold Mine development project, we are going to utilize overall capabilities during construction phase to begin production in 2021. In addition, SMM is going to continue placing top priority on exploration for gold.

2) Smelting & Refining

In nickel business, besides promoting the Pomalaa project for establishment annual production of 150,000 tons, SMM will strive for a stable supply of nickel and cobalt, which are needed as battery materials, in step with the quantitative expansion of business in these materials. At the same time, it will constantly pursue an optimal product portfolio.

For copper, SMM plans to maintain the system for stable production of 450,000 tons of electrolytic copper per year at Toyo Smelter & Refinery. It will also further increase productivity by improving the operation rate and recovery percentage.

3) Materials

For battery materials, the demand for which is projected to expand, SMM is instituting an independent unit (tentative name “the Battery Materials Division”) and making coordination with the Mineral Resource Division and Non-Ferrous Metals Division closer than before. It is also going to work for a further increase in production of lithium nickel oxide and ternary materials, which are used as cathode materials for lithium ion secondary batteries.

Although the environment of the market for lithium tantalate and lithium niobate crystal substrates, which are materials for SAW filters, is currently slumping, the demand is expected to expand in the near future, along with the spread of 5G and IoT technology. In preparation for this expansion, SMM will work on intensive yield

improvement and cost reduction. It is taking aim at profits of 25 billion yen in this segment in fiscal 2021 through these growth businesses.

For detailed information on the 18 3-Yr Plan, please check the presentation materials on our website.

End.

Reference

SMM's profit structure is affected by fluctuations in prices for non-ferrous metals and currency exchange rates. In the 18 3-Yr Plan, the conditions noted below for non-ferrous metal prices and exchange rates in fiscal 2021 were applied in calculation of profit and loss incorporating the effects of strategy. The results yielded a figure of 135 billion yen for consolidated profit before tax in fiscal 2021.

Conditions / Profit and Loss Calculations

| | | 18 3-Yr Plan 2021 Projection | 2018 Forecast | Diff. |
|--|---------------------|---|--------------------------|--------------|
| Net Sales (¥100 million) | | 10,500 | 9,090 | 1,410 |
| Segment Profit/loss | Mineral Resources | 470 | 360 | 110 |
| | Smelting & Refining | 650 | 380 | 270 |
| | Materials | 250 | 150 | 100 |
| | Other | △20 | △30 | 10 |
| Profit (loss) before tax (¥100 million) | | 1,350 | 860 | 490 |
| Equity Method Profit/loss (¥100 million) | | 270 | △25 | 295 |
| Profit (loss) | | 970 | 640 | 330 |
| ROA (%) | | 4.8 | 3.7 | 1.1 |
| ROE (%) | | 7.9 | 6.0 | 1.9 |
| Copper (\$/t) | | 6,500 | 6,311 | 189 |
| Nickel (\$/lb) | | 7.0 | 5.7 | 1.3 |
| Cobalt (\$/lb) | | 27.5 | 33.5 | △6.0 |
| Gold (\$/toz) | | 1,300 | 1,244 | 56 |
| Forex (¥/\$) | | 105.0 | 110.9 | △5.86 |

Capital investment and other investment & financing plans

SMM is planning for a total of 490 billion yen in capital investment and other investment & financing over the three-year period of the 18 3-Yr Plan. It has positioned the Quebrada Blanca Copper Mine project, Pomalaa project, and the project for expansion of battery materials production as its three biggest projects during the same period, and shall promote them through a company-wide effort. The amount of investment needed for the Pomalaa project has not yet been determined, because an official decision has not been made as of

the present time.

| | Amount (¥100 million) | Major Projects |
|------------------------|-----------------------------|---|
| Mineral Resources | 720 | Côte Gold Mine development project etc. (excluding investments and financing for overseas mines) |
| Smelting & Refining | 1,630 | Pomalaa project, maintenance and replacement of equipments |
| Materials | 680 | Reinforcement of the battery materials business etc. |
| Other | 270 | |
| Total | 3,300 | |

Addition of 160 billion yen in investment and financing for mines overseas yields a total investment of 490 billion yen.

End.