Progress of Business Strategy of 2009 3-Year Business Plan

March 2011

SUMITOMO METAL MINING Co., Ltd.
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Ⅰ. SMM’s Strengths
Ⅱ. Progress of Growth Strategy
Ⅲ. Market Environment
Ⅳ. Financial Highlights・Supplementary Materials
I. SMM’s Strengths

Cerro Verde Mine
1) SMM’s Skill Sets proven by 400yrs History

1691–1973
Besshi Mine

1985 commenced
Hishikari Mine

1986
Join ed Morenci mine

1939
Commenced Ni Smelting

1960
Commenced Electronics materials

1950
Commenced Cu smelting

1960
Commenced Electronics materials

2005 CBNC commenced HPAL production

Copper

Gold

Nickel

Environment & Energy domain

Mineral Resources

Smelting & Refining

Materials

SUMITOMO METAL MINING CO., LTD.
2) Excellent mineral resources interests～Reserves

Value US$87B (About 7 trillion JPY)

Notes:
1. Based on SMM equity interests
2. SMM share of reserves = reserves × SMM equity interest in mine (%)
3. Estimated Value = SMM share of reserves × standard metal price
   (Cu:$8,600/t Ni:$10.7/lb Au:$1,370/toz)
2) ① Hishikari Mine

An environmentally-friendly mine and underground plant

Highly profitable site with high gold content (approximately 50g/t), gold output highest in Japan

Output (Cumulative: 1985-2010) | Reserves (end of 2010)
---|---
Gold output: 187 t | Gold reserves: 150 t

7.5tpa output, 7.5tpa discovery

A location for training mining engineers
Developed from Grassfield

1995  Found a vein of Gold
2006  Mining commenced
2009  SMM equity rights upto 85% and became a Operator

First oversea mine operated and managed by SMM

For new O/S mines management

Reserves (end-2009) : 119t
Securing new veins Via local exploration

SUMITOMO METAL MINING CO., LTD.
A. Utilization of SMM-operated mines (Hishikari/Pogo)

B. Sharp growth in engineers/specialist hires (Japan/local)

Nos. of engineers/specialists

- 2009
- 2012
- 2020

Japanese (domestic)
Japanese (overseas)
Local hires
3) World leader in smelting technologies

① Ni smelting: HPAL

Control of low-grade nickel oxide ore (limonite) means control of nickel resources

HPAL technology is used for recovering nickel from limonite

In 2005 SMM started HPAL commercial production at CBNC

(Coral Bay Nickel Corp. (Philippines))

(World nickel resources (Mt))

<table>
<thead>
<tr>
<th></th>
<th>Operating</th>
<th>Not developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxide ores</td>
<td>42</td>
<td>93</td>
</tr>
<tr>
<td>Sulfide ores</td>
<td>44</td>
<td>17</td>
</tr>
</tbody>
</table>

2005 Phase I: initiation output 10ktpa
2009 Phase II: production increase completed output 22ktpa
2010 process upgrades 24ktpa set-up
2013 Taganito PJ Ni 30ktpa operational

High Pressure Acid Leach (HPAL) technology allows Ni-Co recovery from low-grade Ni oxide ores (SMM is the first in the world to commence large scale commercial production.)
3) World leader in smelting technologies
②Cu smelting : Toyo

1. More cost competitive (higher productivity)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Furnace/s</th>
<th>Capa (kt)</th>
<th>Estimated '10 output</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Guixi</td>
<td>2</td>
<td>770</td>
</tr>
<tr>
<td>2</td>
<td>Onsan</td>
<td>2</td>
<td>525</td>
</tr>
<tr>
<td>3</td>
<td>Hamburg East</td>
<td>2</td>
<td>425</td>
</tr>
<tr>
<td>4</td>
<td>Toyo</td>
<td>1</td>
<td>450</td>
</tr>
<tr>
<td>5</td>
<td>Saganoseki</td>
<td>1</td>
<td>470</td>
</tr>
</tbody>
</table>

Minimum cost operation

2. Technical development
[1] Ore burner, cont. converter furnace
[2] Dressing (boost concentrate grade)

3. Expand earnings
[1] Raise prod. margins (cut losses)
[2] Improve sales premium

Multiplier effect with developing Cu mines

Plan for reducing costs at Toyo
4) Maintenance and utilization of sound finances

Funding for o/seas interests
### 5) Consolidated results

**Cons. Recurring Profit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cons. Recurring Profit</th>
<th>Overseas asset contribution to cons. RP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>326 (JPY 100M)</td>
<td>402</td>
</tr>
<tr>
<td>2009</td>
<td>878 (Forecast)</td>
<td>461</td>
</tr>
<tr>
<td>2010</td>
<td>1,110 (Forecast)</td>
<td>750</td>
</tr>
<tr>
<td>2012</td>
<td>1,100 (Forecast)</td>
<td>550</td>
</tr>
</tbody>
</table>

**Cu ($/T)**

- 2008: 5,864 (JPY 100M)
- 2009: 6,101 (JPY 100M)
- 2010: 7,977 (JPY 100M)
- Forecast: 6,000 (JPY 100M)

**Ni ($/lb)**

- 2008: 7.48 (JPY 100M)
- 2009: 7.72 (JPY 100M)
- 2010: 10.25 (JPY 100M)
- Forecast: 8.0 (JPY 100M)

**Au ($/Toz)**

- 2008: 867.4 (JPY 100M)
- 2009: 1,023.3 (JPY 100M)
- 2010: 1,290.2 (JPY 100M)
- Forecast: 1,000 (JPY 100M)

**Forex (¥/US$)**

- 2008: 100.54 (JPY 100M)
- 2009: 92.86 (JPY 100M)
- 2010: 85.90 (JPY 100M)
- Forecast: 90.0 (JPY 100M)

*Note: Goro Project results are included in consolidated recurring profit, but not in overseas asset contribution to consolidated recurring profit.*
II. Progress of Growth Strategy

Pogo Mine
1) 09 3-Yr Business Plan Strategic Points

Non-ferrous major

Long-term Vision

Cu interests: 180ktpa → 300ktpa
Ni: Solomons operational
Au interests: 20tpa → 30tpa

Cu: Application of R&D
Ni: 150ktpa set-up
Earnings boosted via radical reforms

Mineral Resources

Cu/Au: secure mine interests
Ni: Solomons project B-FS

Smelting & Refining

Cu: more cost competitive
Ni: progress at Taganito

Materials

Expand into E&E
Exit loss-making ops


Fight for resources
Higher investment risk
Tight ore supplies
Severe supply terms
Lack of supply in longer term
Shorter life-spans, faster price erosion
2) Resources – ① Three ways to expand interests in overseas mines

- Acquire Majority
- Be a Strategic Partner

1) SMM development
2) Participation in development projects
3) Increased production at existing mines

[Expansion of interests]
Cu interests: 180kt/y → 300kt/y
Au interests: 20t/y → 30t/y

- Expansion of exploration area
- Focus on projects in earlier stages
- Cerro Verde doubling plan, F/S complete in 1H 2011

Cu Output

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cu</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Au Output

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Au</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2) Resources – SMM development:
Exploration projects in progress

Engaged in approx. 20 exploration projects

- **Stone Boy JV**
  - Alaska, USA
    - (Au)

- **Yukon Territory, Canada**
  - (Cu, Au, Ni, PGM)

- **Philippines**
  - (Au)

- **Border JV**
  - Solomon Islands
    - (Ni)

- **Carajas JV**
  - Brazil
    - (Cu, Au)

- **Radiss JV**
  - Peru
    - (Cu, Au)

- **Australia**
  - (Cu, Au)

- **Chile**
  - (Cu, Au)
2) Resources – ③ SMM development:
Solomon Exploration projects

March 2010
JOGMEC joined (30%)
Proceeding as National PJ

Dec. 2010
Acquired additional exploration rights
356km² + Additional
330km² Total 686km²
<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Long-term vision**

- **GD**: Grand Design
- **SS**: Scoping Study
- **F/S**: Feasibility Study
- **EIS**: Environmental Impact Study

**Key Activities**

- **F/S**: Feasibility Study
- **B-F/S**: Baseline Feasibility Study
- **Construction**: Saprolite extraction
- **Operation**: HPAL construction

**Timeline**

- **Sep-09**: Preparations
- **Taganito HPAL facility built**

**SUMITOMO METAL MINING CO., LTD.**
Simultaneously studying over 10 projects per year
Evaluate (1) costs, (2) scale, and (3) risks for large-scale projects that have at least 5 million tons of reserves

(Source: Metals Economics Group)
2) Resources – ⑥ Increased production at favorably performing existing mines

**Cerro Verde (Peru)**

- SMM interests: 16.8% (FCX: 53.56%)
- Capa: Concentrate 180 kt / E-Cu 90 kt/y
  - FY2010: Increase processing volume and increase production of concentrate by approx. 14 kt-Cu
  - F/S for “Increase concentrate production” will be prepared by 1H 2011

After expansion outcome will be Cu-500kt/y as world top class output mines

**Morenci (USA)**

- SMM interests: 12% (FCX: 85%)
  (Take-in-Kind method/Australia NP same)
  - Almost all E-Cu production
  - Increase mining output from 500 kt/d in 4Q 2010 to 700 kt/d by 3Q 2011
3) Smelting & Refining – ① SMM Ni business

- **SMM**
  - **NAC**
    - 20.1%
    - 25.5%
  - **P.T. Inco**
    - 22.5%
    - 10%
    - (Approx. 80 kt/y)
  - **Figesbal**
    - 54%
  - **Taganito**
    - 62.5%
    - 22.5%
    - 10%
    - (30 kt/y)
  - **Solomon PJ Mining**
    - 11% capital injection by SMM
    - (No contribution of raw materials)
  - **Goro project**
  - **Saprolite**
  - **CBNC**
    - 25%
    - (24 kt/y)
  - **Ni-Matte**
    - 60%
  - **Hyuga Smelting**
    - 2010→2013 production capacity
    - E-Ni
    - 41→65 kt/y
    - Ni-Chemicals
    - 6→10 kt/y
    - FeNi
    - 22kt/y
  - **Niihama Nickel Refinery**
    - 100%

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### 3) Smelting & Refining – ② Ni
Mile Stoes toward Ni 100kt/y & 150kt/y

![Bar chart showing top 5 companies in Ni production](image)

<table>
<thead>
<tr>
<th>(Capacity)</th>
<th>End-2009</th>
<th>2013</th>
<th>Long-term vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrolytic Ni</td>
<td>41</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Ferronickel</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Refined Ni products</td>
<td>6</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Nickel oxide sinter (Goro)</td>
<td>0</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>New Ni products</td>
<td>-</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>Over 100</td>
<td>Over 150</td>
</tr>
</tbody>
</table>
Launch of construction of world’s most advanced HPAL plant based on CBNC results

- Production capacity: Ni 30kt/year; Co 2.6 kt/year
- Investment amount: US$1.3bn
- Investment ratio: SMM (62.5%), NAC (22.5%), Mitsui & Co. (15%)
- Project operating life: 30 yrs
- Sep 2009: Announcement of project
- Mar 2010: Launch of construction
- 2013: Completion of construction
- Test operations
- Commercial production
3) Smelting & Refining ④ Ni

Establishing a base in the Philippines

On February 10 2011, President Kemori and the NAC President visited President Aquino to strengthen cooperation with NAC and establish SMMPH (regional headquarters)
Expansion of E–Ni production
41kt/y → 65kt/y
CAPEX 14 Billion yen
Complete in 2013
(Start together with Taganito HPAL)

Development of Ni 10万t/y

Niihama Nickel Refinery
3) Smelting & Refining – ⑥ Securing Cu smelting profits

[Securing profits]
(1) Raise prod. margins (cut losses)
(2) Improve sales premium
(3) Securing TC/RC

“Maintain minimum cost operations”
(1) Continuation of approx. 10% production decrease

(2) Promotion of cost reductions
   -Reduction of operating/materials costs and repairs
   -Control of capital expenditure and reduction of depreciation expenses

(3) Promotion of technological improvement/development
Development of flash furnace concentrate burner at Toyo Plant

S.O.F (Side-blowing and Oxy-fuel Flash smelting)

(Effect) Based on the results of the pilot test, the inside walls of the shaft can be expected to be protected by the low dust generation rate* and high oxygen efficiency.

Renovation of all bricks in flash furnace at Toyo Plant in 2011

(Effect)
- Avoid risk of molten metal leaks caused by furnace degradation
- Respond to high-load operations by strengthening and improving furnace cooling mechanism
- Improvement of degree of operational freedom and copper slag loss

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4) Materials: battery business ① The expanding market

In the secondary battery market, the car battery market has rapidly grown. It is expected a new market will be created that surpasses the consumer market.

*In addition to consumer and car batteries, the growth of applications for mass storage batteries is expected. (a market of 1.5 to 2 trillion yen is expected by 2020)

Source: IIT, 2010
4) **Materials: battery business** ② a promising future for Li–ion battery anode materials

<table>
<thead>
<tr>
<th>Costs, resources</th>
<th>LMO</th>
<th>LFPO</th>
<th>LNCMO</th>
<th>LNO</th>
<th>LCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Possible</td>
<td>Good</td>
<td>Superior</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Performance, energy density | LMO; LiNiO₂ | LNCMO | LNO | LFPO | LCO; LiCoO₂ | LMO; LiMnO₄ | LNCMO; LiNiCoMnO₂ | FePO₄ |

<table>
<thead>
<tr>
<th>Thermal stability</th>
<th>LNO</th>
<th>LNCMO</th>
<th>LCO</th>
<th>LFPO</th>
<th>LMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Possible</td>
<td>Good</td>
<td>Superior</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SMM battery materials business development (maintain the top share for existing products and respond to market needs)**

<table>
<thead>
<tr>
<th>Current mass-produced products</th>
<th>Nickel-metal hydride battery</th>
<th>nickel hydroxide upgrade (HEV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithium ion battery</td>
<td>LNO (lithium nickel oxide)</td>
<td>(consumers, HEV)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STEP 1</th>
<th>Nickel-metal hydride battery</th>
<th>nickel hydroxide upgrade (HEV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithium ion battery</td>
<td>high-performance nickel battery (LNO) product with highest performance in the world (EV- electric vehicles, PCs)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STEP 2</th>
<th>Lithium ion battery</th>
<th>high output product (LNO, LNCMO) post-nickel-metal hydride battery (HEV)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>STEP 3</th>
<th>Lithium ion battery</th>
<th>high-performance product (LNO, LNCMO) (PHEV-plug-in hybrid electric vehicle)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>STEP 4</th>
<th>Lithium ion battery</th>
<th>new materials (high performance, highly safe) (PHEV, EV)</th>
</tr>
</thead>
</table>
4) Materials: battery business

- Business growth with Panasonic and Toyota at the core
- Provide a new business model for resources -> anode materials -> recycling
- Gain new customers and markets. Develop businesses in response to market needs.

- Battery materials development
  - Mass production and proprietary technology
  - Materials design, development expertise
  - Battery raw materials production
  - Nickel plant
  - SMM Ni and Co resources

- Business growth with Panasonic and Toyota at the core
- Battery materials integration department
- Gain new customers and markets. Develop businesses in response to market needs.
- Battery research center

- Auto market
  - Battery manufacturer
  - Auto manufacturer
  - General consumers

- Venous business
  - Recycled resources
  - Recycling
  - Recycling plant

- Arterial business
  - SMM Ni and Co resources
Ⅲ. Market Environment

Hishikari Mine
1) Copper – ① LME prices and stocks
## 1) Copper – ② Supply & demand balance

<table>
<thead>
<tr>
<th></th>
<th>ICSG</th>
<th>Macquarie</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Production</td>
<td>18,356</td>
<td>19,081</td>
</tr>
<tr>
<td>Consumption</td>
<td>18,189</td>
<td>18,882</td>
</tr>
<tr>
<td>Balance</td>
<td>167</td>
<td>199</td>
</tr>
<tr>
<td>FY($/t)</td>
<td>6,101</td>
<td>—</td>
</tr>
<tr>
<td>CY($/t)</td>
<td>5,150</td>
<td>—</td>
</tr>
<tr>
<td>Prediction</td>
<td>2010.10</td>
<td>2011.1</td>
</tr>
</tbody>
</table>
2) Nickel – LME prices and stocks

Nickel LME Prices & Stocks

LME Stocks

LME Prices

SUMITOMO METAL MINING CO., LTD.
## 2) Nickel – Supply & demand balance

<table>
<thead>
<tr>
<th>(Kt)</th>
<th>SMM</th>
<th>INSG</th>
<th>Macquarie</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>1,292</td>
<td>1,374</td>
<td>1,585</td>
</tr>
<tr>
<td>Consumption</td>
<td>1,265</td>
<td>1,431</td>
<td>1,561</td>
</tr>
<tr>
<td>Balance</td>
<td>27 △57 24</td>
<td>105 △ 2 85 △ 8</td>
<td></td>
</tr>
<tr>
<td>Estimated Timing</td>
<td>2010.12</td>
<td>2010.10</td>
<td>2011.1</td>
</tr>
<tr>
<td>FY ($/lb)</td>
<td>7.72</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Ni Pig Iron (Included)</td>
<td>95</td>
<td>140</td>
<td>150</td>
</tr>
<tr>
<td>Stainless steel</td>
<td>25,421</td>
<td>29,905</td>
<td>32,144</td>
</tr>
</tbody>
</table>

### Coral Bay Nickel Corporation

![Coral Bay Nickel Corporation](image1)

### Niihama Nickel Refinery

![Niihama Nickel Refinery](image2)
3) Au prices continuing strong

**Public gold reserves by country**
(September 2010)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Gold reserves (t)</th>
<th>Gold / foreign reserves (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>8,134</td>
<td>72.1%</td>
</tr>
<tr>
<td>Germany</td>
<td>3,403</td>
<td>67.4%</td>
</tr>
<tr>
<td>IMF</td>
<td>2,907</td>
<td>-</td>
</tr>
<tr>
<td>Italy</td>
<td>2,452</td>
<td>66.2%</td>
</tr>
<tr>
<td>France</td>
<td>2,435</td>
<td>65.7%</td>
</tr>
<tr>
<td>China</td>
<td>1,054</td>
<td>1.5%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1,040</td>
<td>15.1%</td>
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<tr>
<td>Japan</td>
<td>765</td>
<td>2.7%</td>
</tr>
<tr>
<td>Russia</td>
<td>726</td>
<td>5.7%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>613</td>
<td>55.8%</td>
</tr>
<tr>
<td>India</td>
<td>558</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

**London Gold Price**

- **Gold / foreign reserves (%)**

The London Gold Price graph shows the fluctuation of gold prices over time, with a notable increase in recent years.
4) Currency trends – Effect of strong yen/strong currencies of resource-rich countries

Significant Impact on Japanese Economy and Price of Metal Resources

Value of US$:
- Drops
- Rises

Index: Jan-07 = 1.0

Graph showing the value of US$ from January 2007 to October 2010 for various countries:
- Japan
- Brazil
- Australia
- Canada
- Peru
- Chile
- Euro
- South Africa
- India
IV. Financial Highlights • Supplementary Materials

Taganito Project
1) Trends of financial summary

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010 Forecast</th>
<th>09 3-Yr 2012</th>
</tr>
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<tbody>
<tr>
<td>Net Sales</td>
<td>6,256</td>
<td>9,668</td>
<td>11,324</td>
<td>7,938</td>
<td>7,258</td>
<td>8,500</td>
<td>7,800</td>
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<tr>
<td>Operating Income</td>
<td>828</td>
<td>1,626</td>
<td>1,554</td>
<td>105</td>
<td>663</td>
<td>910</td>
<td>850</td>
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<tr>
<td>Recurring Profit</td>
<td>997</td>
<td>2,053</td>
<td>2,179</td>
<td>326</td>
<td>878</td>
<td>1,110</td>
<td>1,100</td>
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<tr>
<td>Equity Method profit</td>
<td>219</td>
<td>467</td>
<td>740</td>
<td>315</td>
<td>261</td>
<td>291</td>
<td>300</td>
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<tr>
<td>Net Income</td>
<td>628</td>
<td>1,261</td>
<td>1,378</td>
<td>220</td>
<td>540</td>
<td>790</td>
<td>700</td>
</tr>
<tr>
<td>ROA(%)</td>
<td>9.3</td>
<td>14.8</td>
<td>13.6</td>
<td>2.2</td>
<td>5.8</td>
<td>N/A</td>
<td>6</td>
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<tr>
<td>ROE(%)</td>
<td>19.1</td>
<td>29.0</td>
<td>25.4</td>
<td>4.0</td>
<td>9.9</td>
<td>N/A</td>
<td>10</td>
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<tr>
<td>Dividend Per Share(¥)</td>
<td>14.0</td>
<td>27.0</td>
<td>30.0</td>
<td>13.0</td>
<td>20.0</td>
<td>30.0</td>
<td>N/A</td>
</tr>
<tr>
<td>Copper ($/T)</td>
<td>4,097</td>
<td>6,970</td>
<td>7,584</td>
<td>5,864</td>
<td>6,101</td>
<td>7,977</td>
<td>6,000</td>
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<tr>
<td>Nickel ($/lb)</td>
<td>6.6</td>
<td>14</td>
<td>15.5</td>
<td>7.5</td>
<td>7.7</td>
<td>10.25</td>
<td>8.0</td>
</tr>
<tr>
<td>Gold ($/Toz)</td>
<td>477</td>
<td>629</td>
<td>766</td>
<td>867</td>
<td>1,023</td>
<td>1,290</td>
<td>1,000</td>
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<tr>
<td>Zinc ($/T)</td>
<td>1,614</td>
<td>3,579</td>
<td>2,986</td>
<td>1,560</td>
<td>1,934</td>
<td>2,164</td>
<td>2,000</td>
</tr>
<tr>
<td>Forex (¥/$)</td>
<td>113.3</td>
<td>117.0</td>
<td>114.4</td>
<td>100.7</td>
<td>92.9</td>
<td>85.9</td>
<td>90.0</td>
</tr>
</tbody>
</table>
2) Sound financial Position: Free Cash Flow

- Operating activities
- Investing activities
- Free Cash Flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating activities</th>
<th>Investing activities</th>
<th>Free Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>500</td>
<td>1,000</td>
<td>-500</td>
</tr>
<tr>
<td>2004</td>
<td>500</td>
<td>1,000</td>
<td>-500</td>
</tr>
<tr>
<td>2005</td>
<td>1,500</td>
<td>-500</td>
<td>-500</td>
</tr>
<tr>
<td>2006</td>
<td>1,500</td>
<td>-500</td>
<td>-500</td>
</tr>
<tr>
<td>2007</td>
<td>1,000</td>
<td>500</td>
<td>1,000</td>
</tr>
<tr>
<td>2008</td>
<td>1,500</td>
<td>-500</td>
<td>-500</td>
</tr>
<tr>
<td>2009</td>
<td>500</td>
<td>1,000</td>
<td>-500</td>
</tr>
<tr>
<td>2010</td>
<td>500</td>
<td>1,000</td>
<td>-500</td>
</tr>
<tr>
<td>2010/1H</td>
<td>500</td>
<td>1,000</td>
<td>-500</td>
</tr>
</tbody>
</table>

(Sumitomo Metal Mining Co., Ltd.)
3) Shareholder dividends

- Performance-linked shareholder returns
- Consolidated dividend payout ratio of 20%+

SUMITOMO METAL MINING CO., LTD.
4) Overseas mines / Refineries

Metals (SMM's interest)
[Annual production capacity]

Gold
Nickel
Copper

- Pogo (85.0%)
- Taganito (27.1%)
- Morenci (22.0%)
- Jinlong Copper Co., Ltd. (27.1%)
- Coral Bay (54.0%)
- Batu Hijau (3.5%)
- Northparkes (13.3%)
- Soroako (20.1%)
- Cerro Verde (16.8%)
- Ojos del Salado (16.0%)
- Candelaria (16.0%)

nickel/cobalt mixed sulfide
Nickel: 24,000 tonnes, cobalt 1,500 tonnes

SUMITOMO METAL MINING CO., LTD.
5) Domestic mine / Refineries

- **Harima Smelt**
  - Zinc: 90,000 tonnes, Lead: 30,000 tonnes

- **Toyo Smelter & Refinery (Ehime)**
  - Copper: 450,000 tonnes, Gold: 60 tonnes, Silver: 360 tonnes

- **Niigama Nickel Refinery**
  - Nickel: 41,000 tonnes

- **Shisaka Plant**
  - Zinc oxide: 120,000 tonnes processing capacity

- **Hyuga Smelting Co., Ltd. (60%)**
  - Ferro-nickel: 23,000 tonnes

- **Hishikari Mine**
Copper concentrates

Used as raw materials in copper smelting, copper concentrates have a copper content of about 30% by weight. The remainder consists mostly of sulfur and iron. Copper concentrates are made mostly from sulfide ores. Ores extracted from overseas mines have a typical grade of about 1%. The ores are then “dressed” at the mine to increase the purity and produce concentrate. Most of the copper ores imported by SMM for smelting in Japan are concentrates.

Nickel oxide ores

Whilst the higher-grade sulfide ores are used predominantly in nickel refining, nickel oxide ores are more prevalent than nickel sulfides. The sulfide-oxide ratio in current nickel reserves is believed to be about 3:7. High refining costs and technical issues have limited use of oxide ores in nickel refining to date, but SMM has succeeded in refining nickel from low-grade oxide ores based on HPAL technology.

Mixed sulfide (MS)

CBNC produces a mixed nickel-cobalt sulfide intermediate containing about 60% nickel by weight. This is used as a raw material in electrolytic nickel production.

Matte

A matte is another term for metal sulfides. For raw material, electrolytic nickel production at SMM also uses a nickel matte (of about 75-80% purity) sourced from PT Inco.

Proprietary ore ratio

This ratio is the proportion by volume of ore procured from overseas mining interests relative to the overall volume of smelting ores used as raw materials. Typically, off-take rights are proportional to the equity interest in a mine. In the case of Cerro Verde, SMM has secured 50% off-take rights for the first ten years of production from 2006, based on a 21% equity interest.
4) Nickel production process

Coral Bay Nickel Corporation (CBNC)

Based in the Philippines, this SMM subsidiary produces mixed nickel-cobalt sulfides using HPAL technology and exports the raw materials to the SMM Group’s nickel refining facilities in Niihama, Ehime Prefecture.

High Pressure Acid Leach (HPAL)

HPAL technology enables the recovery of nickel from nickel oxide ores that traditionally were difficult to process. SMM was the first company in the world to apply it successfully on a commercial scale. The oxide ores are subjected to high temperature and pressure and reacted under stable conditions with sulfuric acid to produce a nickel-rich refining intermediate.

Matte Chlorine Leach Electrowinning (MCLE)

MCLE is the technology used in the manufacturing process at SMM’s nickel refinery. The matte and mixed sulfide ores are dissolved in chlorine at high pressure to produce high-grade nickel using electrolysis. MCLE is competitive in cost terms, but poses significant operational challenges. Other than SMM, only two companies are producing nickel based on this kind of technology.

5) Main applications for metals

Copper

Copper is fabricated into wires, pipes and other forms. Besides power cables, copper is used widely in consumer applications such as wiring in vehicles or houses, and in air conditioning systems.

Electrolytic nickel

This form of nickel, which has a purity of at least 99.99%, is used in specialty steels, electronics materials and electroplating, among other applications. SMM is the only producer of electrolytic nickel in Japan.

Ferronickel

Ferronickel is an alloy containing nickel (about 20%) and iron. Its main use is in the manufacture of stainless steel, which is about 10% nickel by weight. Based in Hyuga, Miyazaki Prefecture, SMM Group firm Hyuga Smelting produces ferronickel.

Gold

Gold is in demand worldwide for investment and decorative purposes. Gold is widely used in Japanese industry within the electronics sector because of its high malleability and ductility. Part of SMM’s gold production goes to SMM Group companies engaged in fabricating and selling bonding wire.

Chip-on-film (COF) substrates

COF substrates are electronic packaging materials used to make integrated circuits for LCD drivers. They connect these circuits to the LCD panel.

Lead frames (L/F)

Lead frames are electronic packaging materials used to form connections in semiconductor chips and printed circuit boards. They contain thin strips of a metal alloy containing mostly nickel or copper.

Bonding wire

Composed of gold wire that is just a few micrometers thick, bonding wire is used to make electrical connections between lead frames and the electrodes on semiconductor chips.

Secondary batteries

Secondary batteries are ones that can be recharged and used again. SMM supplies battery materials that are used in the anodes of nickel metal hydride batteries and lithium-ion rechargeable batteries, which supply power for hybrid vehicles or notebook computers, among other consumer applications.
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