

# 2006 3-Year Business Plan

Further boosting corporate value by  
promoting growth strategy

February 20 2007

**SUMITOMO METAL MINING CO., LTD.**

Koichi Fukushima, President

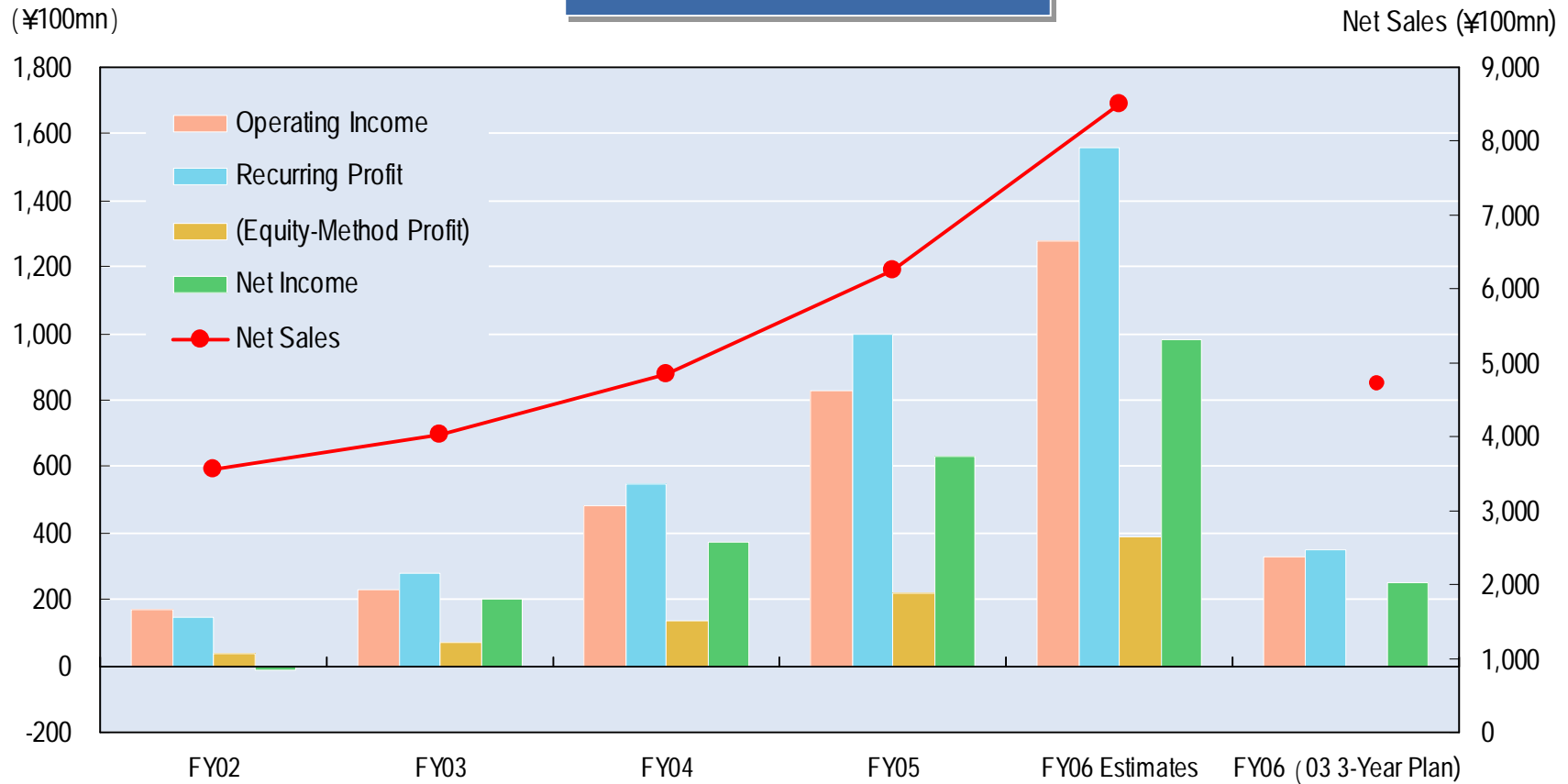
# Table of Contents

<b>2003 3-Year Business Plan Summary</b> .....	<b>3~8</b>	<b>Electronics &amp; Advanced Materials: Key Points</b> .....	<b>21</b>
<b>2006 3-Year Business Plan</b> .....	<b>9~</b>	Development of Electronics Materials Production Bases Overseas .....	22
Operational Environment .....	9	Research & Development .....	23
Basic Strategy .....	10	<b>Estimates for Financials, Financial Policy, &amp; Strengthening Management Infrastructure</b> .....	<b>24~</b>
P&L Estimates Results (Summary) .....	11	Investments & Capex .....	24
<b>Mineral Resources, Metal Strategy: Key Points</b> ..	<b>12</b>	FY09 P&L Estimates .....	25
Designed Outlook of 100,000 tpa Nickel Production ..	13	Estimates for Effects of 2006 3-Year Plan .....	26
HPAL Project .....	14~15	Balance Sheet & Cash Flow Estimates .....	27
· Coral Bay I & II		Financial Policy .....	28
· HPAL II, Solomon Exploration		Further Reinforcement of Management Infrastructure ..	29
Goro Nickel Project .....	16	Initiatives for Takeover Protection .....	30
Copper 450,000 tpa Project (Toyo Smelter) .....	17	<b>Supplemental Materials</b> .....	<b>31~</b>
Securing Copper Conc and Cerro Verde Copper Mine Sulfide Ore Development project .....	18		
Jinlong Smelter & Refinery .....	19		
Pogo Gold Mine .....	20		

In this presentation, SMM refers to  
SUMITOMO METAL MINING CO., LTD.

# Realization of Growth

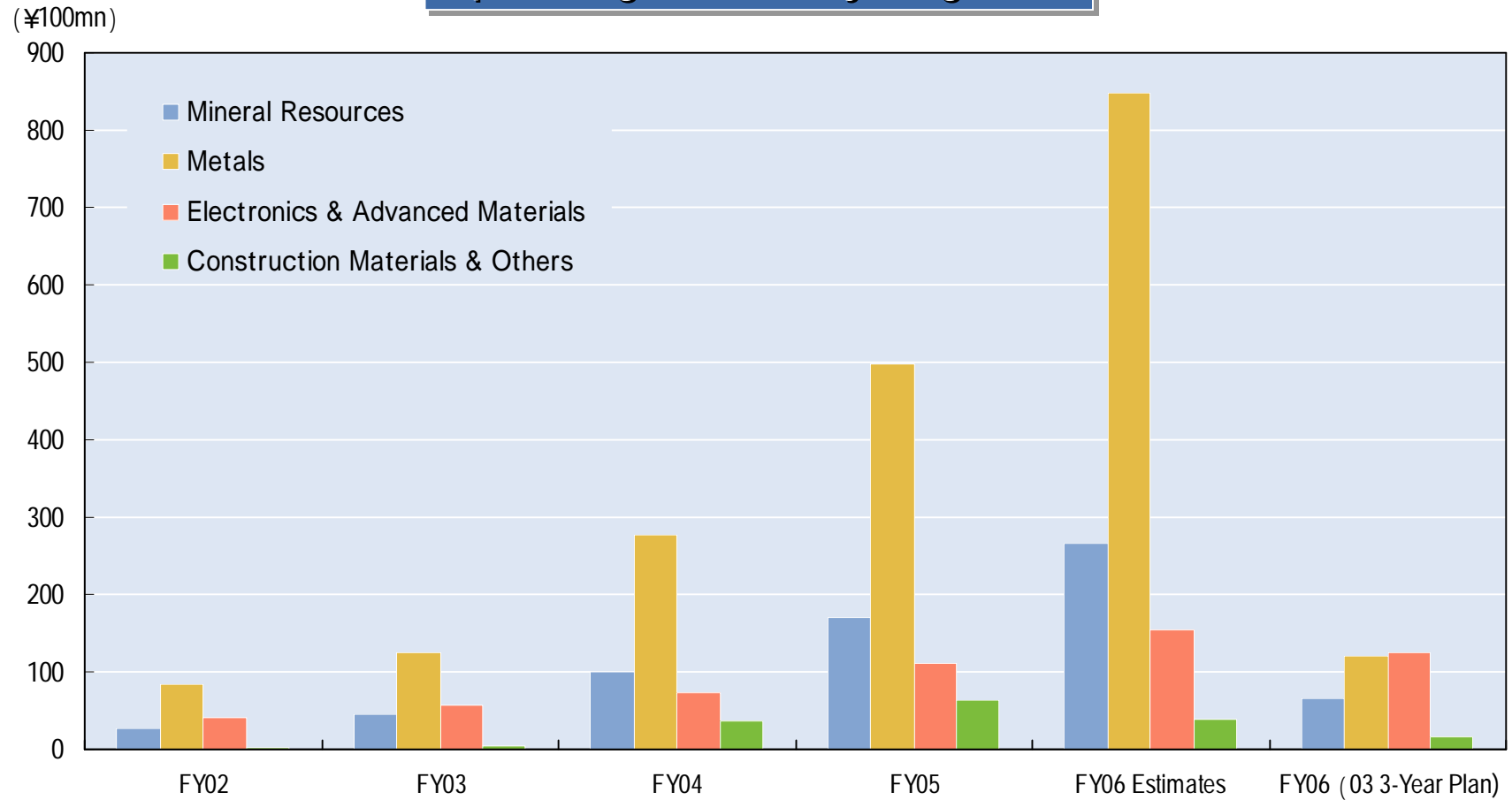
## Consolidated Results



FY06 estimates released on October 27, 2006

# Growth in All Segments

## Operating Income by Segment



FY06 estimates released on October 27, 2006

## Realization of Strategy + Strong Tailwind

**Surpassed** ¥35bn recurring profit target  
(FY06 estimates ¥156bn    ¥37bn from price, forex adjustment)  
Profit surged on **Non-ferrous Metal Prices**

## Assessment by Stock Market

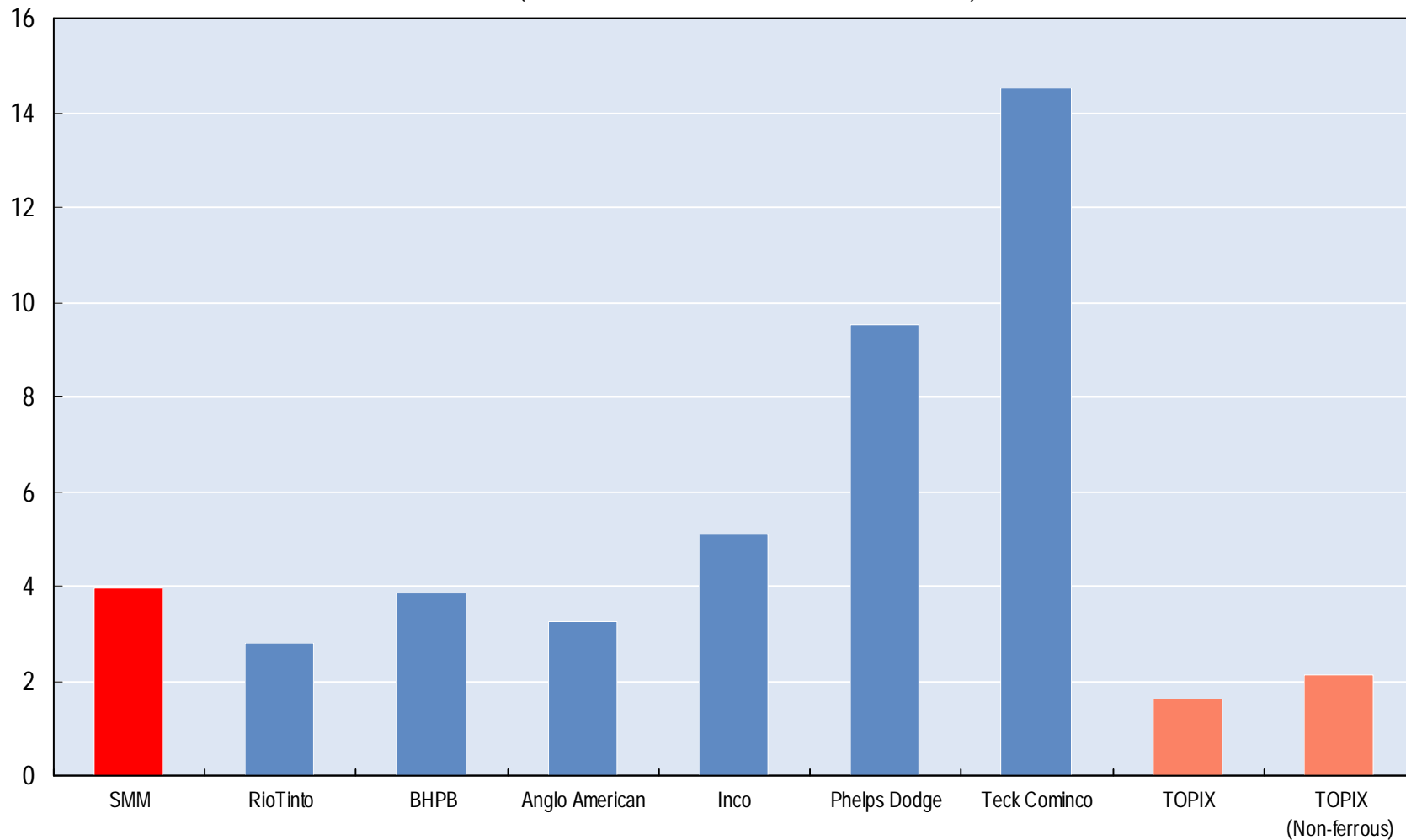
Our stock's **Market Cap Growth Rate** sharply  
outperformed TOPIX

# Assessment by Stock Market

## Market Cap Growth Rate Comparison

(Multiple of Dec 2001 Market Cap)

(December 2001- December 2006)



# Reinforcement of Investment as Growth Strategy



Initial amount of ¥140bn increased due to reinforcement of copper-clad polyimide film and Coral Bay II expansion

## Major Projects

(¥100mn)

Copper 450,000tpa	120
Pogo ( 51% )	200
Coral Bay I	60
Coral Bay II	70
Copper-clad Polyimide Film	130
<b>Capex</b>	<b>580</b>
Cerro Verde	230
Ojos	20
Goro	210
<b>Overseas Mine Investments</b>	<b>460</b>
<b>Total</b>	<b>1,040</b>

# Promoting 5 Major Projects + 1

Toyo Copper 450,000tpa, Cerro Verde Copper Mine, Pogo Gold Mine, Coral Bay Nickel, Goro Nickel, Copper-clad Polyimide Film

## Positive Results of Reinforcement of Two Core Business

Mineral Resources + Metals, Electronics & Advanced Materials

Enhanced technical advantages

SMM's HPAL  
Copper-clad polyimide film for LCDs

Took initiative in overseas mineral resource, metals projects

Coral Bay Nickel, Pogo Gold Mine

## Delayed Projects

Goro Nickel, Pogo Gold Mine

(HPAL: High Pressure Acid Leach)  
(LCD: Liquid Crystal Display)



## 06 3-Year Business Plan Operational Environment

### Strategy for Further Growth

- **Rapid growth continues in the BRICs countries**
  - Global economic growth moderate and stable
- **Intense competition for securing mineral resources**
  - Reconciling with mineral resources nationalism and global environmental protection
- **Non-ferrous metal prices on moderate downturn trend**
- **Harsher competition in Electronics & Advanced Materials**

## 06 3-Year Plan: Basic Strategy

1 Strictly adhere to Group's management philosophy and vision (See p.31)

2 Further reinforce and expand core business

- Mineral Resources & Metals:  
Become a major force in the non-ferrous industry
- Electronics & Advanced Materials:  
Capture leading market shares in our major products

3 Further reinforce management infrastructure



Further Boost Corporate Value

# 2009 P&L Estimates (summary)

## 1 Price assumptions for estimates

Copper	\$4,000/t	Nickel	\$7.0/lb
Gold	\$550/Toz	Zinc	\$2,250/t
Forex	¥110/\$1		

2 Recurring Profit ..... ¥100bn

Total assets ..... ¥970bn

3 Shareholders' equity ratio ..... 60 %

Interest-bearing debt ..... ¥160bn

4 Net cash flow ..... +¥40bn

(See p.34-5)

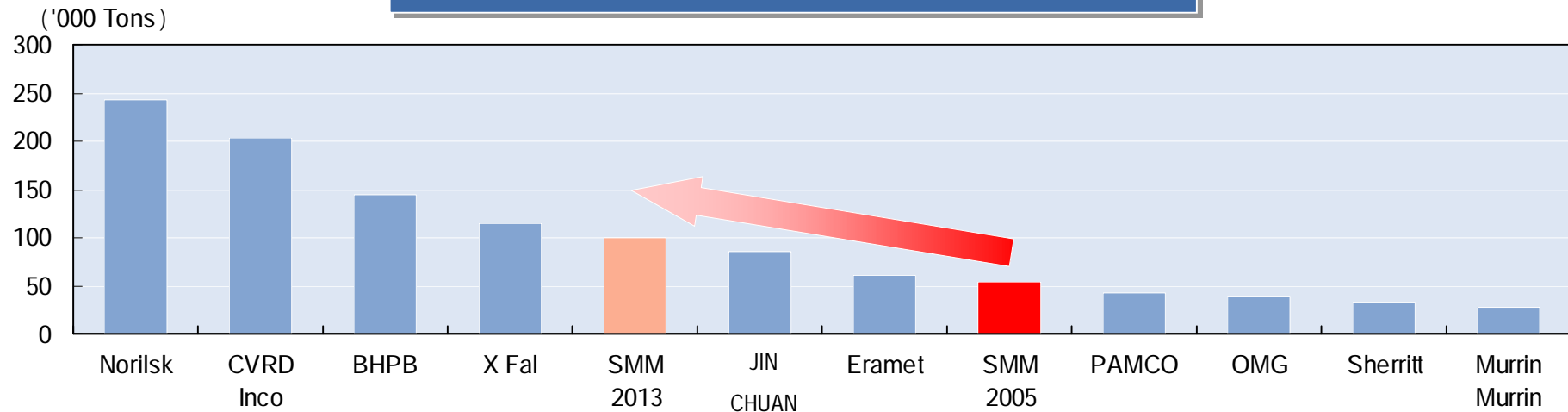
# Mineral Resources and Metals: Key Points

Become a major force in the non-ferrous industry

1. Expand **Nickel production to 100,000tpa**
2. Secure 450,000tpa capacity at Toyo Smelter & Refinery
3. Secure resources and boost captive concentrate ratio
4. Achieve full production at Pogo Gold Mine

# Designed Outlook of 100,000tpa Nickel Production

## 2005 Refined Nickel Production



( 1000 Tons)

	Present	2013
Electrolytic nickel	30	65
Ferro-nickel	22	23
Nickel-treated products	4	5
Nickel Oxide (Goro)	0	7
<b>Total</b>	<b>56</b>	<b>100</b>

Increased electrolytic nickel resources from production hikes at HPAL II, CBNC II and PTInco

# SMM's HPAL Project

Recovering nickel from **ample low-grade oxide ore**

## 1 Coral Bay (Philippines, 54% owned by SMM)

Capacity	10kta	Investment	US\$180mn
Annual Prod. (Nickel)	FY05	FY06	FY07
	4kt	8kt	10kt

**Construction of No.2 facility has begun**

(Planned production: 10ktpa, scheduled to start operations in spring 2009, Capital cost: US\$285mn)



## SMM's HPAL

- Recognized as state-of-the-art technology
- Based on technology and staff of SMM

(HPAL: High Pressure Acid Leach)

# SMM's HPAL Project (cont.)

## 2 HPAL II

Intend to start construction in 2009 at prospective site after completion of feasibility study, **begin operations in 2012**

- Annual production 30kt (nickel volume)
- Total investment estimated at US\$1.2bn (100%)

## 3 Solomon Exploration Project

Prepare for the **next generation project** after HPAL II

- Feasibility study planned in FY09

# Goro Nickel Project (New Caledonia)

Contract with Inco signed in April 2005

Japanese stake	21% (SMM 11%, Mitsui & Co. 10%)
Total investment	US\$1.878bn
Production volume	60kta (Nickel volume)
Production start	Oct-Dec 2007



## Current situation

Under construction; expect delays in completion and investment expected to swell; situation under review

Seeking early completion in cooperation with CVRD Inco

This **mega project is also important** in  
securing global nickel supply



# Toyo Smelter & Refinery (Ehime Prefecture)

Copper expansion to 450,000tpa  
Steadily approaching global top class status

(See p.36)

**Total Investment** ¥29bn (including investments prior to 03 3-Year Business Plan)

FY03	FY05	FY06	FY07
300	365	410	450kta capacity



**Captive concentrate ratio** (tonnage proportionate to SMM's stake in mines + off-take right from Cerro Verde purchase) **will rise from 20%+ to 40% through start of production at Cerro Verde**

(See p.18, 37)

# Securing Copper Concentrates

Secure concentrates and profit via stable mine operation, incl. Cerro Verde  
Actively explore to gain lead share in new mining projects  
Increase captive concentrate ratio to 2/3 over time

## Cerro Verde Copper Mine (Peru)

Sulfide ore development project began operations in November 2006

Contract with Phelps Dodge signed in March 2005

Sumitomo Stake	21% (incl. SMM's 16.8%)
Total Investment	US\$850mn (Japanese portion: US\$265mn)
Production Volume	180kta (Copper Volume)

SMM's Copper Concentrate Off-take Right  
First 10 years: 50% of production (90kta [Cu])



# Jinlong Copper Smelter & Refinery (China)

1995: SMM took an equity stake      built a new smelter

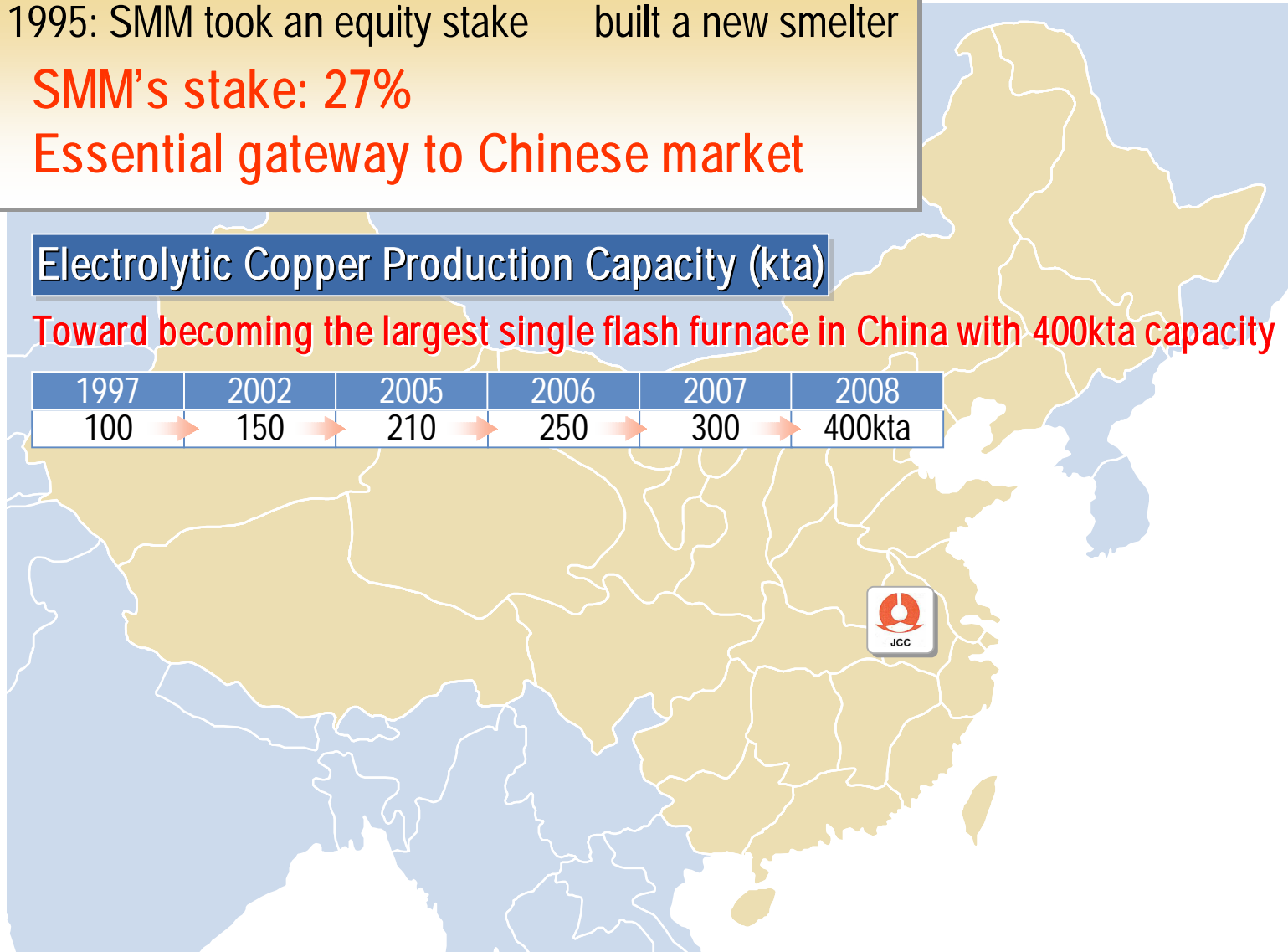
**SMM's stake: 27%**

**Essential gateway to Chinese market**

**Electrolytic Copper Production Capacity (kta)**

**Toward becoming the largest single flash furnace in China with 400kta capacity**

1997	2002	2005	2006	2007	2008
100	150	210	250	300	400kta



# Pogo Gold Mine (Alaska)

SMM's Stake	51%
Develop. Investment	US\$378mn (incl. filter press expansion)
Gold Deposits Est.	152t
Operations Started	February 2006
Production Volume	12tpa (average over production period)



## Current Situation

Full production from April 2007 (After tailing filter press expansion)

Exploration ongoing in surrounding areas

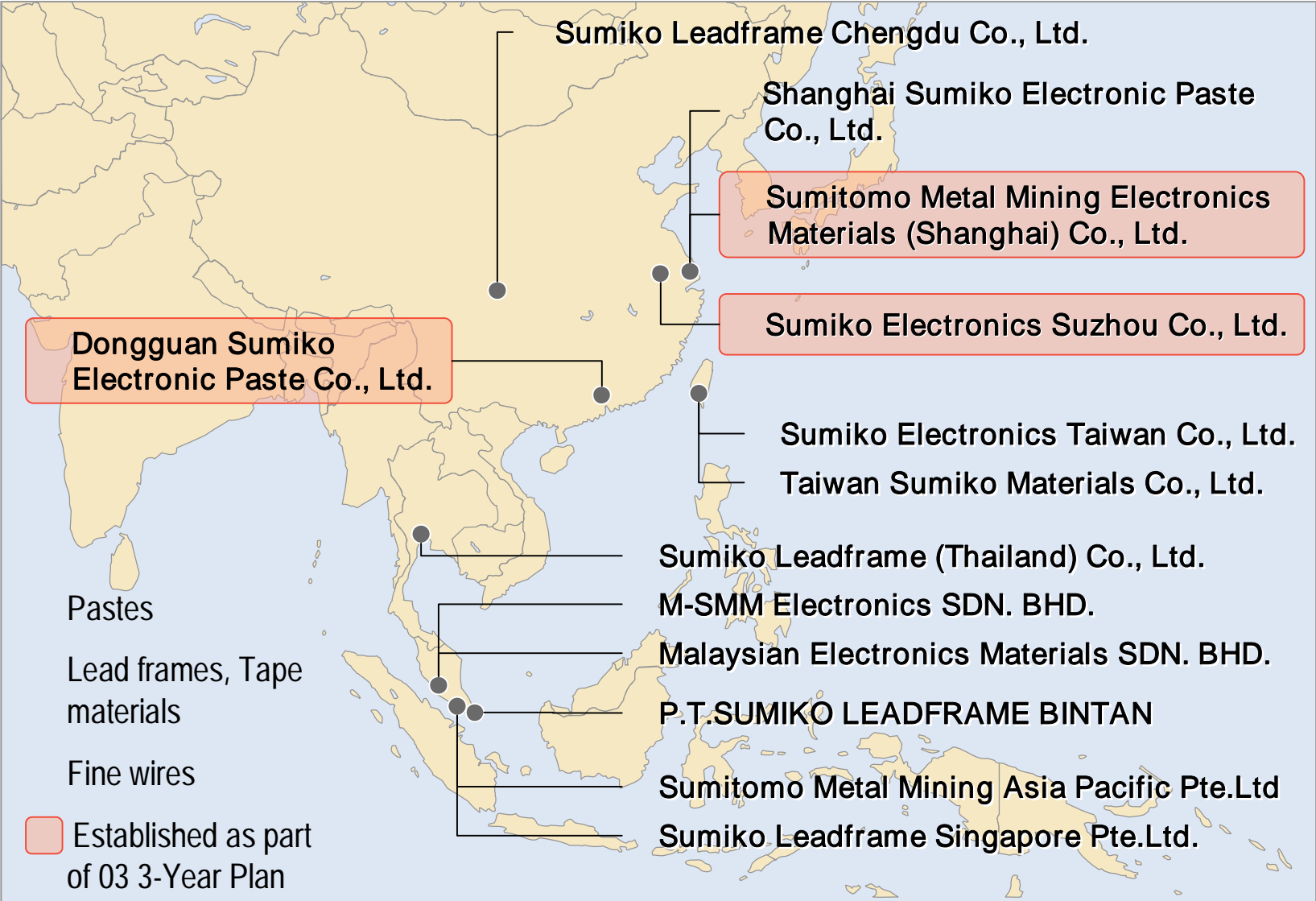
# Electronics & Advanced Materials: Key Points

## Aiming for Global Top Class Share

**Target operating income of ¥20bn**

- **Advanced Materials: Rapidly Growing Products**
  - Copper-clad polyimide film: maintain high market share
  - Battery materials: grow into key business via sales expansion
- **Electronics Materials: Aiming for No. 1 Share in Main Products**
  - Fine wire, nickel paste
  - Develop new products such as sapphire substrates into businesses
- **Reinforcing Packaging Materials Business**
  - Lead frames: top share maintained, Suzhou in full gear
  - Tapes: Aiming for No. 1 share in Taiwan & China markets

# Development of Electronics Materials Production Bases Overseas



# Developing New Products & Technologies via R&D

Developing new products mainly in Electronics & Advanced Materials

Contributing to ¥20bn in operating income from Electronics & Advanced Materials

## Important Core Technologies

Separation, refinement, crystallization    Fine powders    Surface treatments  
Organic resins    Evaluation and analysis

## Important Development Projects (including product upgrades)

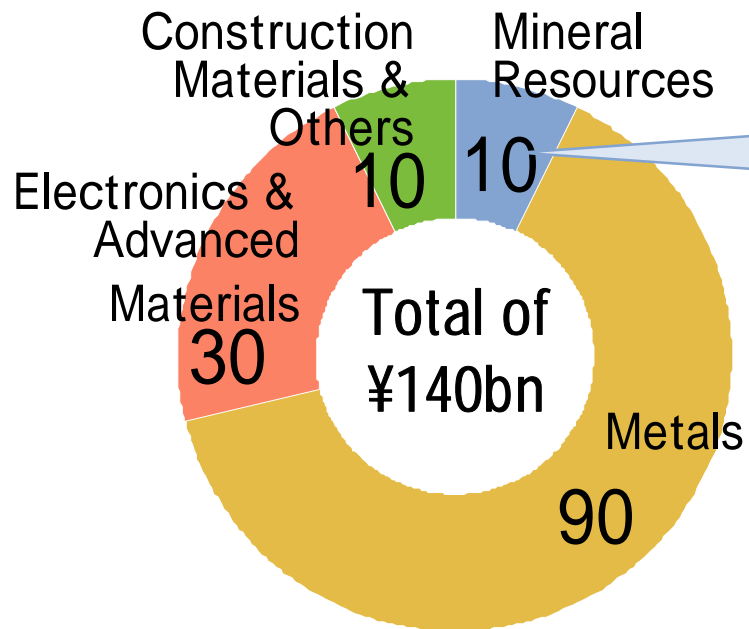
Smelting technologies (new copper & nickel smelting technology)    Battery  
materials (LNO)    Crystal materials (sapphire substrates)    Thin-film materials  
(target materials)    Thin mounting materials (copper-clad polyimide film, circuit substrates)

**Total R&D Investment : ¥20bn (3 years)**

# Investment & Capex Plan

Total: ¥140bn over 3 years

incl. ¥60bn for Nickel to achieve 100,000 tpa production  
(¥30bn for CBNC II & ¥26bn for HPAL II [partial])



Investment for securing new mineral resources (exploration etc.) not included



# FY2009 P&L Estimates

(¥100mn)

	FY2009 (3-Year Plan Estimates)		FY 2006 Estimates		Change	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Mineral Resources	550	155	760	265	-210	-110
Metals	4,650	370	6,550	847	-1,900	-477
Electronics & Advanced Materials	2,400	200	2,105	155	295	45
Construction Materials & Others	416	35	440	38	-24	-3
Elimination or corporate	-1,216	0	-1,355	-25	139	25
<b>Total</b>	<b>6,800</b>	<b>760</b>	<b>8,500</b>	<b>1,280</b>	<b>-1,700</b>	<b>-520</b>
<b>Recurring Profit</b>	<b>1,000</b>		<b>1,560</b>		<b>-560</b>	
Profit before tax	980		1,570		-590	
Net Income	640		980		-340	
(Equity Method Profit)	310		386		-76	
Avg. Total Assets	9,600		8,100		1,500	
ROA	7%		12%		-5%	
Copper (\$/T)	4,000		6,720		-2,720	
Nickel (\$/lb)	7.00		9.57		-2.57	
Gold (\$/Toz)	550		612		-62	
Zinc (\$/T)	2,250		3,014		-764	
Forex (¥/\$)	110.0		112.7		-2.7	

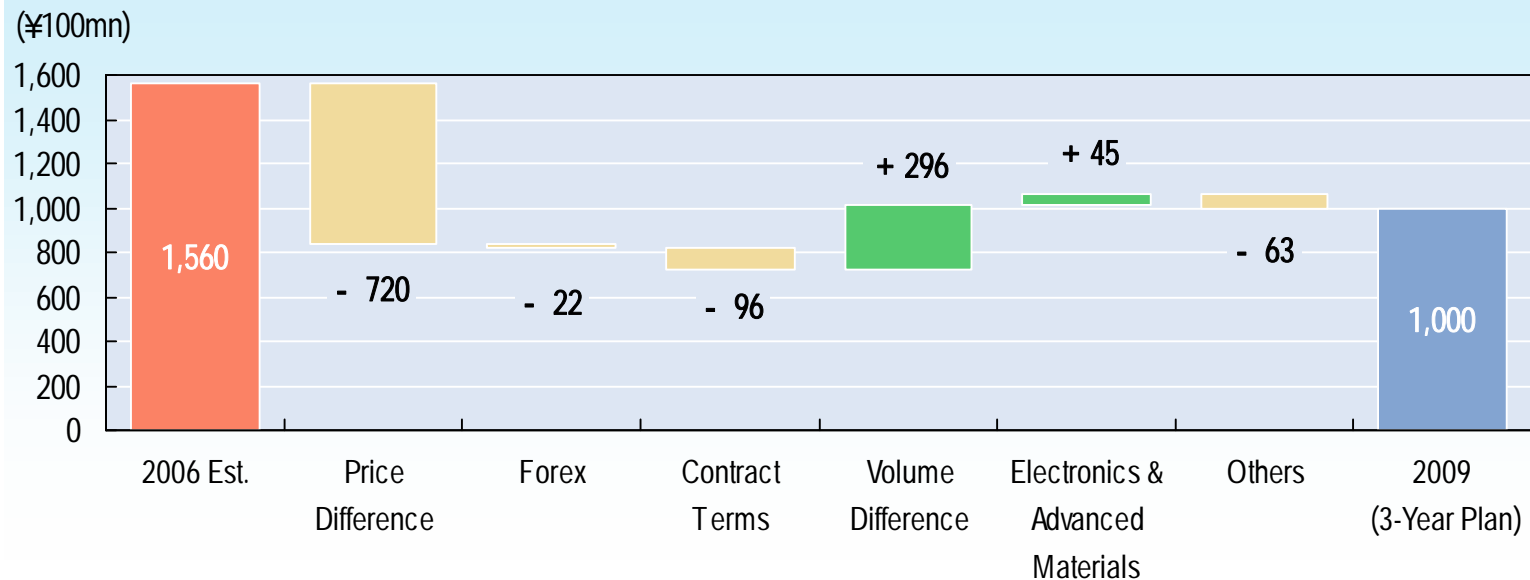
FY06 estimates released on October 27, 2006

# Improved profitability of 06 3-Year Plan

## 06 3-Year Plan (FY06 - 09) ¥25bn in Recurring Profit

- Mineral Resources, Metals Projects ¥20bn  
(Pogo, Cerro Verde, Copper 450,000tpa, Coral Bay)
- Electronics & Advanced Materials ¥5bn

## Analysis of Changes in Consolidated Recurring Profit



FY06 estimates released on October 27, 2006

# Balance Sheets & Cash Flow Estimates

Investments & equity method profit growth boost total assets; CF +¥40bn

## Consolidated Balance sheets

(¥100mn)

	FY2009 end	FY2006 end	Change
Current Assets	3,400	3,100	300
Fixed Assets	6,300	5,400	900
<b>Total Assets</b>	<b>9,700</b>	<b>8,500</b>	<b>1,200</b>
Interest-bearing Debt	1,600	2,000	-400
Other Liabilities	1,900	1,800	100
<b>Total Liabilities</b>	<b>3,500</b>	<b>3,800</b>	<b>-300</b>
<b>Total Net Assets</b>	<b>6,200</b>	<b>4,700</b>	<b>1,500</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>9,700</b>	<b>8,500</b>	<b>1,200</b>
Equity Ratio	60%	52%	8%
D/E Ratio	28%	45%	-18%
Avg. Total Assets	9,600	8,100	1,500

## Consolidated Cash Flow (3 years)

(¥100mn)

Profit before tax	2,700
Depreciation	1,000
Change in Working Capital	-200
Equity Method Profit/Loss	-900
Equity Method Dividends	400
Taxes	-800
<b>Operating Cash Flow</b>	<b>2,200</b>
<b>Investments</b>	<b>-1,400</b>
Profit Appropriation	-400
<b>Net Cash Flow</b>	<b>400</b>

FY06 estimates released on October 27, 2006

# Financial Policy

## 1 Maintaining a Solid Financial Position

- Consolidated shareholders' equity ratio over 50%
- Investment for further growth
- Investment funds covered by profit and depreciation
- Funds for major new projects outside of the main plan will be raised as needed

## 2 Dividend Policy

- Definite profit growth realized under 03 3-Year Plan
- Shift from stable to performance-linked dividend while looking forward to further growth
- Aiming for dividend payout ratio of 20% or more from FY10

# Further Reinforcement of Management Infrastructure

## 1. Reinforcing management base support system

Establishing culture of safety, reinforcing risk management system

Responding to new regulations including internal control system requirements

Further thoroughness in management of compliance

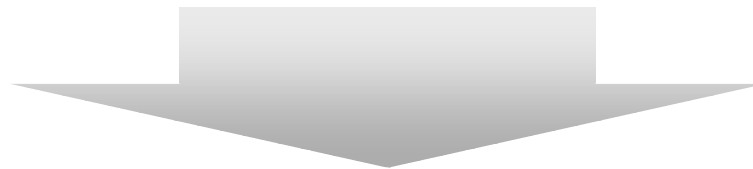
## 2. Hiring, training, and utilizing human resources

## 3. Continued 'Selection and Concentration'

## 4. Protecting shareholders' interests from abusive acquisitions

# Purpose of Introducing Takeover Defense Plan

- Implementation of 06 3-Year Business Plan  
Enhancement of Corporate Value
- As a general rule, respect the intent of shareholders with regard to an acquisition proposal
- Secure time and information needed to consider an acquisition proposal
- Protect corporate value and common interest of shareholders from abusive acquirers



Introduction of Takeover Defense Plan

(see p. 40,41)

## Supplemental Materials

Management Philosophy and Vision .....	32
Strategic Developments Preceding the 06 3-Year Plan .....	33
Consolidated Performance and Commodity Price Trends ..	34
Performance by Segment & Sensitivity Calculations .....	35
Capacities of Main Global Copper Smelters .....	36
Securing Copper Ore .....	37
Electronics & Advanced Materials Products .....	38-9
Takeover Defense Related Information .....	40-1
Cautionary Statement .....	42

# Management Philosophy & Vision

## Management Philosophy

- SMM, In accordance with the Sumitomo's Business Spirit, shall, through the performance of sound corporate activities, seek to make positive contributions to society and fulfill its responsibilities to its stakeholders, in order to win ever greater trust
- SMM shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company

## Management Vision

- Based on the principles of compliance, environmental protection and operational safety, the Sumitomo Metal Mining Group shall pursue maximum corporate value through the provision, via its global network, of high-quality materials such as non-ferrous metals and electronics materials



# Strategic Developments Preceding 06 3-Year Plan

## September 1999, JCO Accident

### April 2000: Corporate Revitalization Plan

Recovery from JCO accident (reacquaintance with management principals, risk management system, corporate culture reforms)

### April 2002: 01 2-Year Plan – Business Restructuring –

Business profit recovery (selection & concentration, cost-cutting, asset reduction), Consolidated ROA of 3%

### April 2004: 03 3-Year Plan – A New Start, to Elevate SMM to a New Level –

Expansion & reinforcement (taking the helm of growth strategy) of core business (Mineral Resources & Metals, Electronics & Advanced Materials)

### April 2007: 06 3-Year Plan

#### – Further Boosting Corporate Value by Promoting a Growth Strategy –

Further enhancement of core businesses by leveraging results of 03 3-Year Business Plan

# Consolidated Performance & Commodity Price Trends

	FY00	FY01	FY02	FY03	FY04	FY05	FY06 Estimates	FY06 (03 3Yr Pln)	FY09 (06 3-Yr Pln)
Net Sales	3,754	3,302	3,552	4,021	4,846	6,256	8,500	4,800	6,800
Operating Income	269	11	166	228	479	828	1,280	330	760
Recurring Profit	251	- 15	146	278	545	997	1,560	350	1,000
Equity Method Profit	41	15	34	71	135	219	387	NA	310
Net Income	151	- 66	- 12	199	370	628	980	250	640
ROA (%)	2.85	-	-	4.02	6.78	9.33	12.00	NA	7.00
Dividend Per Share (¥)	6.0	4.0	5.0	6.0	8.0	14.0	22.0	NA	NA
Copper (\$/T)	1,806	1,526	1,587	2,046	3,000	4,097	6,720	2,000	4,000
Nickel (\$/lb)	3.59	2.66	3.32	5.10	6.34	6.63	9.57	3.50	7.00
Gold (\$/Toz)	272.5	277.8	325.6	377.6	414.0	476.6	612.4	320.0	550.0
Zinc (\$/T)	1,101	830	777	899	1,110	1,614	3,014	950	2,250
Forex (¥/\$)	110.6	125.1	121.9	113.1	107.5	113.3	112.7	110.0	110.0

FY06 estimates released on October 27, 2006

# Operating Income by Segment

(¥100mn)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06 Estimates	FY06 (03 3-Yr Pln)	FY09 (06 3-Yr Pln)
Mineral Resources	24	8	27	45	100	171	265	67	155
Metals	182	35	83	126	277	497	847	121	370
Electronics & Advanced Materials	80	-44	41	56	73	112	155	126	200
Construction Materials & Others	0	16	3	4	36	64	38	16	35
Inter-segment Eliminations	-17	-4	12	-3	-7	-16	-25	0	0
<b>Total</b>	<b>269</b>	<b>11</b>	<b>166</b>	<b>228</b>	<b>479</b>	<b>828</b>	<b>1,280</b>	<b>330</b>	<b>760</b>

FY2006 Estimates were announced on Oct 27 2006

# Sensitivity Calculation (operating income/recurring profit)

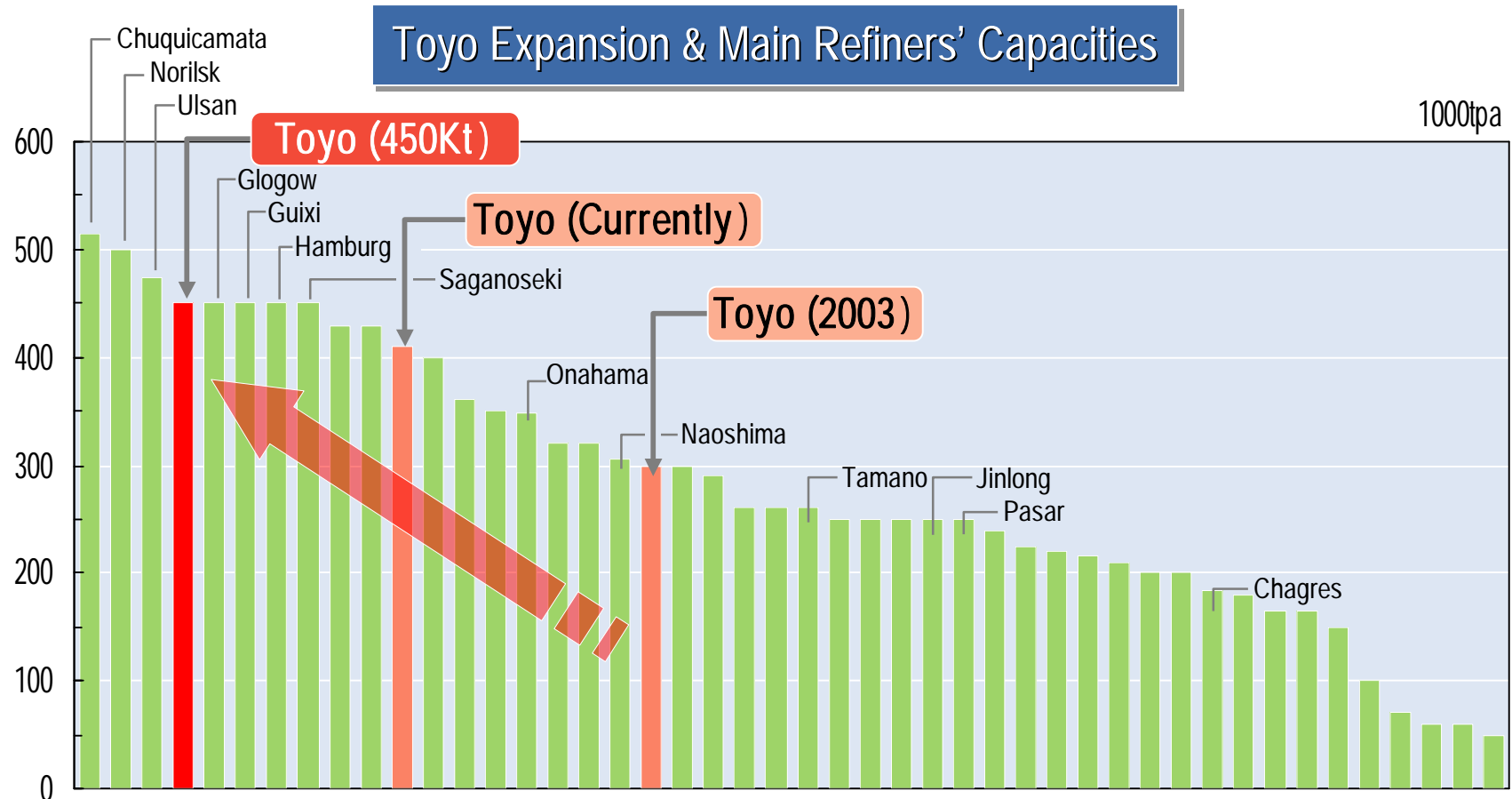
(¥100mn)

Sensitivity to a change of:	FY06 Estimates	FY09 Estimates
Copper (+\$100/t)	11 / 16	12 / 20
Nickel (+\$1/lb)	60 / 80	75 / 95
Gold (+\$30/Toz)	10 / 10	14 / 14
Forex (+1¥/\$)	5.5 / 5.5	6 / 6

FY2006 Estimates were announced on Oct 27 2006

# Capacities of Main Global Copper Smelters

## Toyo Smelter & Refinery: Headed for World's Top 5



Source: Metal Economics Research Institute, Japan (Toyo, Jinlong based on SMM data)

# Securing Copper Ore

## Concerning the In-house Ore Ratio

### 1. Revision of the in-house ore ratio definition

**New** Amt. proportionate to SMM's stake in mines + off-take right from Cerro Verde purchase(50% of prod.)  
Electrolytic Cu produced from Cu concentrate at Toyo Smelter & Refinery (Cu vol. basis)

**Old** Total amount of Cu concentrate purchased from overseas mines in which SMM owns rights  
Total amt. of Cu concentrate purchased by SMM (DMT basis)

### 2. Achievement (FY07) under 2003 3-Year Plan

**From 20% to 40%** (from 40% to 60% under old definition)

### 3. Going Forward

Achieve high production volume and stable operation for Cerro Verde sulfide ore

Secure ores and earnings through stable operation of overseas mines

Actively explore to gain lead share in new major development projects

Aim for 2/3 in-house ore ratio over time

# Electronics & Advanced Materials Products - 1



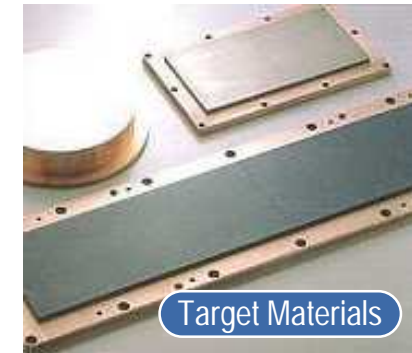
Thick Film Pastes



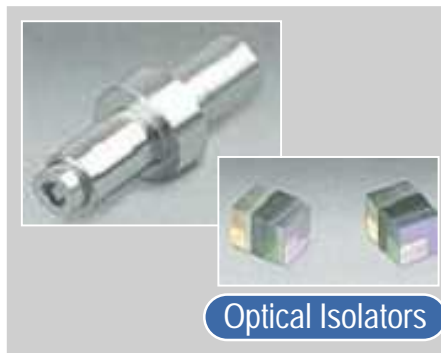
Crystals



Alloy Preforms



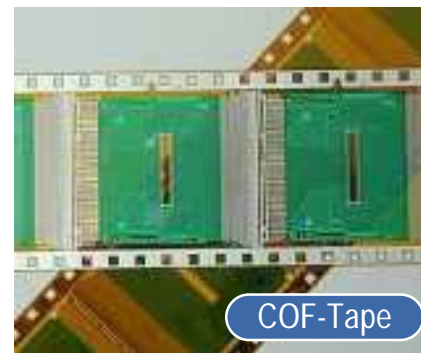
Target Materials



Optical Isolators



Bonding Wire



COF-Tape



Lead Frames



Copper-Clad Polyimide Film

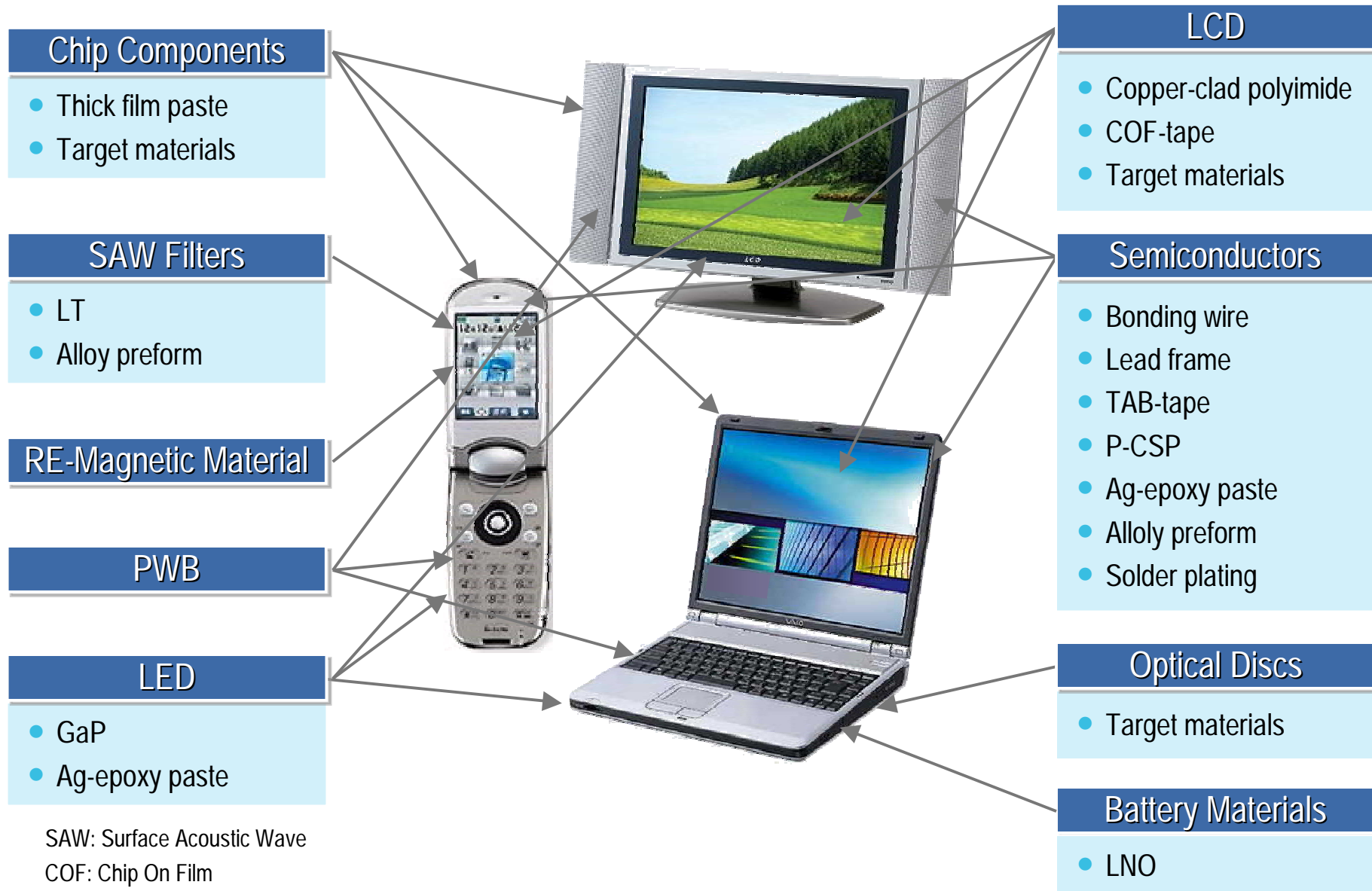


Nickel-Hydroxide Powder



RE-Magnetic Materials

# Electronics & Advanced Materials Products - 2



SAW: Surface Acoustic Wave  
 COF: Chip On Film  
 LNO: Lithium Nickellite

# Takeover Defense Plan Ensuring Rationality

## Plan Details

<b>Takeover defense plan to be adopted</b>	<p>Advance-Notice-Type Plan                      (Countermeasures: gratis allotment of stock acquisition rights with discriminatory exercise conditions)                      (Protect shareholders other than hostile acquirers by setting out call option)</p>
<b>Measures to enhance corporate value</b>	<p>See 3-Year Business Plan</p>
<b>Trigger provision</b>	<p>Holding 20% or more of voting rights or TOB for the purposes of holding 20% or more of voting rights</p>
<b>Sunset Clause</b>	<p>3 years (Sunset Clause)</p>
<b>Abolition of the Plan</b>	<p>May be resolved at a meeting of board of directors or general shareholders' meeting (neither dead hand nor slow hand)</p>
<b>Independent Committee</b>	<p>1 outside director and 2 outside corporate auditors (after next general shareholders meeting).                      Independent Committee's judgment will be required to trigger the plan.</p>
<b>Shareholders' Approval</b>	<p>To be submitted as an agenda item at next general shareholders' meeting.</p>



# Other Reference Information

<p>Details of corporate governance</p>	<ul style="list-style-type: none"><li>• Executive officer system adopted and incentive-based compensation system for officers applied</li><li>• Currently 8 directors and 4 corporate auditors (including 2 internal and 2 outside corporate auditors)</li><li>• Term of office of directors scheduled to be shortened to one year at next general shareholders' meeting</li><li>• 1 outside director who is highly independent scheduled to be elected at next general shareholders' meeting</li></ul>
<p>Other takeover defense</p>	<p>Not Applicable</p>

# Cautionary Statement

These materials do not constitute disclosures under the Securities Exchange Law, and the accuracy or integrity of the information contained therein cannot be guaranteed. Moreover, the forward-looking statements contained in these materials are based on information available at time of announcement and are susceptible to many uncertain factors such as market and competitive conditions. Investors are therefore urged not to make investment decisions based solely on these materials. SMM bears no responsibility whatsoever for any damage resulting from the use of these materials.

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