

## Press Release

July 8, 2011

### **Zinc/Lead Operations at Harima Smelter Set for Major Revamp**

Sumitomo Metal Mining Co., Ltd. (SMM), in a move designed to enhance the company's competitive position in zinc smelting operations, has decided to terminate processing of zinc and lead concentrates, which are imported into Japan as raw materials, and focus exclusively on operations based on recycled zinc oxide ore. The new business structure will take effect from the start of the 2012 business year commencing April 1, 2012.

Currently SMM produces prime western grade zinc\* and electrolytic lead at its Harima Smelter in Hyogo Prefecture utilizing imported zinc and lead concentrates and recycled zinc oxide ores the principal raw materials. Recently, however, the company has achieved the technological capacity to conduct operations relying exclusively on recycled zinc oxide ore, which offers relative advantages over concentrates in terms of procurement. This technological progress has spurred SMM to cease operations in the refining of imported zinc and lead concentrates at the end of the current fiscal year.

In conjunction with the changeover, sulfuric acid, a by-product of the zinc and lead concentrate smelting processes, will no longer be generated. Its elimination, together with the resulting reduction in lead production to minimal quantities, has induced SMM to halt production of sulfuric acid and electrolytic lead and related processing at Harima Smelter by the end of fiscal 2011.

Production of prime western grade zinc from recycled zinc oxide ore will continue, and stable supplies will be maintained to all customers. With respect to electrolytic lead, although demand for storage cells has increased since the Great East Japan Earthquake, domestic production capacity in the main outstrips domestic demand; accordingly, SMM believes that the termination of electrolytic lead production at the Harima Smelter will not put a strain on the overall domestic supply balance. The company is committed to working closely with all customers to ensure they are not inconvenienced by these developments.

As to the idle space and redundant production staff to result from the cessation of sulfuric acid production and lead electrolysis at the Harima Smelter, SMM is presently

taking under consideration concentrating production of nickel sulphate here. Nickel sulphate is expected to meet robust growth in demand for use as battery materials.

In this way, SMM aims to transform the Harima Smelter to a new two-pronged structure: a) as a zinc refinery boasting excellent competitive strength and b) as a production base for nickel chemicals, a niche expected to mark solid growth. Harima Smelter will thus continue to function as one of the company's most important bases.

*\* Prime western grade zinc is zinc with a purity level near 98.5% produced applying the Imperial Smelting Process (ISP) etc. It is employed primarily in hot dip galvanizing.*

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