

January 30, 2012

Press Release

Sumitomo Metal Mining Co., Ltd.

Measures for Structural Transformation in the Materials Business

Sumitomo Metal Mining Co., Ltd. (SMM, Headquarters: Minato-ku, Tokyo; President: Nobumasa Kemori) has investigated "select and focus" initiatives involving the clarification of businesses targeted for growth, and the sale of or withdrawal from businesses with uncertain mid-to-long-term prospects. Through these initiatives, the company aims to implement the business structure transformation that forms the core strategy of its Materials Business in the company's 2009 3-Year Business Plan.

Toward the above end, SMM has made the decision to expand and strengthen its business in materials for the environmental and energy sectors, where continued growth is expected. The company has also made the decision to withdraw from its businesses in bonding wire, in production of lead frames in Thailand, and in subtractive chip on film (COF) production in Taiwan, for which growth strategies are not apparent.

Management resources will subsequently be directed from the latter businesses and toward businesses engaged in materials for the environmental and energy sectors, including battery materials and sapphire substrates.

1) Bonding wire business

Bonding wire has seen a notable decline in profitability due to increasingly severe price competition in recent years. Furthermore, against a background of soaring gold prices, the market structure is rapidly shifting from gold wire to copper wire, a movement that is expected to further accelerate. In response to this market transformation, SMM has undertaken development of copper wire and creation of a mass production system. However, with a clear path toward future growth not apparent, the company plans to discontinue production of bonding wire from June 2012 and to withdraw from the business.

The company forecasts losses of about 3.0 billion yen in conjunction with the withdrawal, and plans to record an allowance in its settlement for the fiscal year ending March 2012. The above item is not included in the consolidated earnings forecast issued by the company on November 8, 2011.

2) Lead frame production in Thailand

Regarding Sumiko Leadframe (Thailand) Co., Ltd.(SLT) which was forced to

suspend operations due to the large-scale flooding that occurred in Thailand in October 2011, SMM investigated restoration and resumption of production following the abatement of flooding in November. However, with the period of flooding exceeded one month, SMM determined that resumption of production would require a considerable length of time and that other production sites in the corporate group could provide substitute supply of the lead frame products. As such, SMM deemed lead frame production at SLT unnecessary in the future, and made the decision to withdraw from lead frame production in Thailand without undertaking restoration and resumption of production.

SMM forecasts damages from the flooding in Thailand plus expenses for the withdrawal to total about 2.0 billion yen, including the equivalent book value of the submerged equipment that was incorporated into the consolidated earnings forecast announced on November 8, 2011. The company plans to record the losses and make provision for allowance for the losses in its settlement for the fiscal year ending March 2012.

3) Subtractive COF production in Taiwan

Regarding the COF produced at the Sumitomo Metal Mining Group company, Sumiko Electronics Taiwan Co., Ltd.(SET) core demand is shifting toward higher precision product that exceeds the high-precision manufacturing capabilities of the subtractive process, and demand for COF obtainable through the latter process is forecasted to further contract. With the added factor of sharply falling prices due to oversupply, SMM has deemed subtractive process products as offering poor prospects for growth and economic efficiency. As such, the company plans to discontinue from June 2012 and withdraw from subtractive process production.

Sumitomo Metal Mining will focus future COF business development on ultra-high precision products produced through the semi-additive process that is already in operation in SET.

The company forecasts losses of about 3.0 billion yen in conjunction with withdrawal, and plans to record the losses and make provision for allowance for the losses in its settlement for the fiscal year ending March 2012. The above item is not included in the consolidated earnings forecast issued by the company on November 8, 2011.

Reference

Overview of companies

(1) Bonding wire-related businesses

Sumitomo Metal Mining Co., Ltd. Semiconductor Materials Division (sales

company)

Okuchi Electronics Co., Ltd. (manufacturing company)

Location	Kagoshima Prefecture, Japan
Paid-in capital	1 billion yen (100% subsidiary of Sumitomo Metal Mining Co., Ltd.)
Operations	Lead frames, Bonding wire, Precious metal recycling, Functional inks, Sapphire substrates

Taiwan Sumiko Materials Co., Ltd. (manufacturing company)

Location	Kaohsiung, Taiwan
Paid-in capital	75.8 million TWD (100% subsidiary of Sumitomo Metal Mining Co., Ltd.)
Operations	Bonding wire, Thin film materials

Malaysian Electronics Materials SDN.BHD. (sales and manufacturing company)

Location	Selangor D.E., Malaysia
Paid-in capital	10 million MYR (100% subsidiary of Sumitomo Metal Mining Co., Ltd.)
Operations	Bonding wire, Thick film materials

Sumitomo Metal Mining Electronics Materials (Shanghai) Co., Ltd. (sales and manufacturing company)

Location	Shanghai, China
Paid-in capital	50.746 million RMB (100% subsidiary of Sumitomo Metal Mining Group)
Operations	Bonding wire

(2) Lead frame-related businesses

Sumiko Leadframe (Thailand) Co., Ltd.

Location	Ayutthaya Province, Thailand
Paid-in capital	360 million THB (100% subsidiary of Sumitomo Metal Mining Group)
Operations	Lead frames

(3) COF-related businesses

Sumiko Electronics Taiwan Co., Ltd.

Location	Kaohsiung, Taiwan
Paid-in capital	1.11 billion TWD (70% subsidiary of Sumitomo Metal Mining Group)
Operations	Lead frames, Chip On Film

Glossary

Bonding wire

Conductive wire connecting IC (integrated circuit) electrodes with lead frames.

COF

Tape material for wiring LCD panels to LCD driver ICs.

Subtractive process

Method for forming wiring through the etching of copper-plated polyimide film.

Semi-additive process

Method for forming wiring through the layering of copper plating on polyimide film.

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