

SUMITOMO METAL MINING CO., LTD.

News Release: February 19, 2007

New Medium-Term Business Plan

Pursuing Higher Corporate Value under a New Growth Strategy

Sumitomo Metal Mining Co., Ltd. (SMM) has completed a new Medium-Term Business Plan for the fiscal years 2007 through 2009.

Under our current Medium-Term Business Plan formulated in 2003 (spanning from fiscal 2004 through fiscal 2006), our basic strategy has called for the expansion and strengthening of the Company's core businesses (Mineral Resources & Metals, and Electronics & Advanced Materials) and the development of new products. In line with that strategy, we have implemented diverse measures all targeted at enhancing SMM's corporate value.

These initiatives have produced solid results. In the Mineral Resources & Metals segment, achievements have been realized through large-scale projects: the Electrolytic Copper Production Expansion Project, Coral Bay Nickel Project, Pogo Gold Mine Project, Cerro Verde Copper Mine Development Project and the Goro Nickel Project. In the Electronics & Advanced Materials segment, achievements have been made largely by proactively pursuing sales expansion of copper-clad polyimide film and battery materials and by developing operations in China relating to our pastes, bonding wire and lead frames.

In our new Medium-Term Business Plan, we have drawn up business strategies aimed at further enhancing our corporate value by further developing and strengthening the current plan's growth strategy based on that plan's achievements.

1. Management Philosophy & Vision

As our fundamental business management policy, within the new Medium-Term Business Plan we will steadfastly maintain the management philosophy and vision laid down in drawing up the current Medium-Term Business Plan, and we will continue to strive forward toward their realization.

Management Philosophy

- In accordance with the Sumitomo “business spirit,” SMM shall seek, through the performance of sound corporate activities, to be a company that makes positive contributions to society and fulfills its responsibilities to its stakeholders, as its way of garnering ever greater trust.
- SMM shall seek to be an open and vibrant company that, based on respect for all individuals, recognizes each person’s dignity and value.

Management Vision

Based on the principles of compliance, environmental protection and operational safety, SMM shall seek to maximize its corporate value through the provision, via its global network, of non-ferrous metals and electronic and other high-quality materials.

2. Business Strategies

Under our new Medium-Term Business Plan, SMM will carry on the basic strategies of our current business plan and pursue a growth strategy targeting the further expansion and strengthening of the Company’s core businesses.

We will also continue to implement measures toward the achievement of two goals: to become a major player in non-ferrous metals (Mineral Resources & Metals) and to enter the top ranks in global market share for all products (Electronics & Advanced Materials).

1) Mineral Resources & Metals

In our quest to become a major player in non-ferrous metals, we will continue to pursue a change in our business model: away from one based on ore purchasing and refining toward one of mineral resource ownership and refining. In this connection, we will strive to develop our production system and to secure stable supplies of raw materials.

In contrast to our current Medium-Term Business Plan, which focused on strengthening our copper operations, in the new business plan the core will be expansion and strengthening of nickel operations. We will concentrate on pursuing expansion in business scale by adding further luster to the technologies SMM has cultivated through the years, especially high-pressure acid leaching (HPAL) and matte chlorine leach electrowinning (MCLE). Aiming to forge a nickel production system of 100,000t/yr by 2013, we will pursue the necessary nickel resources by adding a second production plant at Coral Bay Nickel Corporation (CBNC) in the Philippines and carrying forward the second HPAL Project. Our goal is to boost our production volume of electrolytic nickel from the current 30,000t to 65,000t by 2013. With respect to ferro-nickel, we will maintain stable production through measures to deal with superannuation of production facilities and low-grade resources. Concerning the Goro Nickel Project (New Caledonia), a comprehensive review of project plans is called for due to schedule delays and other problems, and in collaboration with the major shareowner, CVRD Inco, we will aim for early completion of the project. In addition, in order to secure future nickel resources, we will carry forward our ore-prospecting project in the Solomon Islands.

In conjunction with copper operations, we will focus on strengthening cost-competitiveness by completing a production system at the Toyo Smelter and Refinery (Ehime Prefecture) capable of producing 450,000t/yr of electrolytic copper. We will also seek stable operation of overseas mines – including the Cerro Verde Mine (Peru), which will become our main source of copper in coming years – in an effort to secure resources and well as revenue, and we will undertake aggressive prospecting activities toward the development of copper mines in which we will someday have major shares. At a time of intensifying competition to secure resources, we have reconsidered what the proper definition of the “own-mine-ore ratio” should be, so that it may serve as an indicator more closely expressing the true picture. Under the new

definition, when the Cerro Verde Mine goes fully onstream, our ratio of ore derived from Company-owned mines is scheduled to rise from the current rate just above 20% to 40%.

Regarding operations in precious metals, we will pursue the establishment of a full-scale operating system (12t/yr) at the Pogo Gold Mine (Alaska) and maintenance of stable operations at the Hishikari Mine (Kagoshima Prefecture).

With respect to zinc and lead operations, we will pursue higher earning capacity through increased processing of iron pellets, a resource offering advantages, and securing sales volume of distilled zinc.

Revised definition of “Own-mine-ore Ratio”

In conjunction with our new Medium-Term Business Plan, SMM has revised its definition of the “own-mine-ore ratio.” Whereas until now the Company has considered the total volume of ore purchased from a mine in which it has rights and interests to be ore derived from its own mines, going forward SMM will treat as “own-mine-ore” only that portion proportionate to its interest in the given mine. (However, insofar as the Cerro Verde Mine is concerned, during the first 10 years, because SMM possesses the right to purchase 50% of the mine’s concentrate production volume, that portion alone will be added to the Company’s own-mine-ore.)

Previous:

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

New:

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

2) Electronics & Advanced Materials

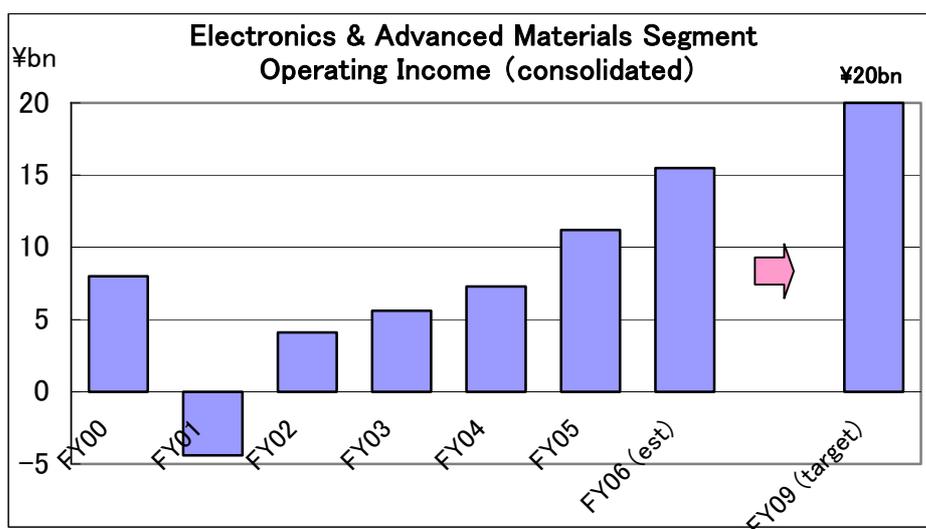
By advancing our strategy for securing a top-class share in existing products and proactively pursuing the development and commercialization of new products, SMM will forge a system enabling stable booking of ¥20 billion per year in consolidated

operating income.

In electronic materials operations, by responding swiftly and precisely to the customer's needs and steadily securing growth markets such as China, we will pursue sales expansion of nickel pastes, bonding wire and other existing products with the goal of elevating all major product groups to the No.1 market share or entry into the top group. We will also pursue commercialization of sapphire substrates for use in high-luminescence white light-emitting diodes (LED).

In advanced materials operations, we will seek to maintain our high market share in double-layered plated substrates through higher cost-competitiveness enabled by improved productivity. We will also develop operations in battery materials into a core earnings driver by sustaining full-capacity production of nickel hydroxide and boosting production of lithium nickel oxide (LNO).

In our packaging materials business, against the backdrop of a favorable environment surrounding the lead frame market, we will pursue sales expansion in a quest to maintain and increase our No.1 global market share. In tape materials, by turning our Taiwanese factory into a strategic force we will push for expanded sales in the markets of Taiwan and China, in a drive to secure a top share within the tape materials market.



3) Other Businesses

In conjunction with environment-related operations, we will concentrate on maximizing synergies with our core business areas. In the area of construction materials, we will continue to forge a structure enabling sustained booking of stable profits.

4) Research and Development

Going forward, we will undertake research and development centered on five core technological areas: separation/refining/crystallization technologies, fine powder technologies, surface-processing technologies, organic resin technologies and evaluation analysis technologies. We will also focus greater efforts on the development and cultivation of new products, particularly in the Electronic Materials & Advanced Materials segment.

Over the three-year period of the Medium-Term Business Plan, a total of roughly ¥20 billion is to be earmarked as R&D costs and R&D investment costs.

Core Technologies

1) Separation/refining/crystallization technologies, 2) fine powder technologies, 3) surface-processing technologies, 4) organic resin technologies, 5) evaluation analysis technologies

Core Development Themes

1) Refining technologies (new copper/nickel refining methods, 2) battery materials (LNO, etc.), 3) crystal materials (sapphire substrates, etc.), 4) thin-film materials (target materials, etc.), 5) film packaging materials (copper-clad polyimide film, printed wiring boards, etc.)

3. Corporate Strategies

In order to realize its management philosophy and management vision, SMM will, in addition to its business strategies, implement the following measures.

1) Strengthening of systems supporting the management base

Safety and health, environmental protection and compliance are among the most important factors supporting a business corporation. Going forward, SMM will strive to strengthen the operation of and achieve maximum benefit from its various systems currently in place: the occupational safety and health management system (OSHMS), environmental management system, risk management system, etc. We will also work on our internal control system and pursue its steady expansion groupwide.

2) Securing, cultivating and applying human resources

In a quest to secure, cultivate and make active use of human resources to support the Company's business growth strategies, we will strengthen our activities in hiring new graduates, employ outstanding human resources available outside the Company, cultivate global-minded individuals through measures including an overseas study program, and reexamine our organization and systems.

3) Financial strategy

We will continue to take steps to maintain a solid financial structure and keep our consolidated equity ratio above 50%.

Pertaining to dividend disbursements of profits, in tandem with the realization of improved earning capacity we aim to change from our traditional focus on stable dividends to a policy of disbursements linked to earnings. Starting from dividend disbursements on earned surplus in fiscal 2009, we aim at a dividend propensity exceeding 20%.

4) Introduction of takeover defense measures

SMM aims for further enhancement of its corporate value through the execution of the strategies delineated in its new Medium-Term Business Plan, and in this regard we

recognize the need to establish measures to thwart would-be buyers who would otherwise destroy the corporate value the Company is attempting to build. As such, the Company has determined to introduce defensive “advance warning” type measures against a potential takeover.

4. Earnings Estimates

SMM’s earnings structure is impacted by fluctuations in non-ferrous metal prices, and given the current prices, which are at historically rare high levels, it is extremely difficult to project where prices might be three years forward. The assumptions we have made under the new Medium-Term Business Plan for non-ferrous metal prices in fiscal 2009 are shown in the attached materials, and our earnings estimates reflect anticipated merits from our various strategies under those terms. As a result, we estimate consolidated recurring profit in fiscal 2009 at ¥100 billion.

Although this represents a decline of ¥56 billion from the ¥156 billion in consolidated recurring profit projected for fiscal 2006, the decrease is attributable primarily to bottom-line deterioration by roughly ¥72 billion stemming from lower metal prices. In real terms, the new Medium-Term Business Plan calls for sustained growth. We anticipate the strategies and measures hoisted in the Business Plan will boost consolidated recurring profit in fiscal 2009 by approximately ¥25 billion.

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Reference Materials

- Assumptions

	FY2009(New Business Plan)	FY2006(forecasts) *
Exchange rate(¥/US\$)	110.0	112.7
Copper price(\$/t)	4,000	6,720
Gold price(\$/toz)	550	612
Nickel price(\$/lb)	7.00	9.57
Zinc price(\$/t)	2.250	3.014

* Assumptions used in rendering earnings forecasts in October 2006.

- Earnings Estimates (consolidated)

	¥bn					
	FY2009(estimates)		FY2006(forecasts)		Change	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Mineral Resources	55	16	76	27	▲21	▲11
Metals	465	37	655	85	▲190	▲48
Electronics & Advanced Materials	240	20	211	16	30	5
Construction Materials/Other Businesses	42	4	44	4	▲2	▲0
Eliminations/Companywide	▲122	0	▲136	▲3	14	3
Total	680	76	850	128	▲170	▲52
Recurring profit	0	100	0	156	*	▲56
Net profit	0	64	0	98	0	▲34

* Declines in metal prices eroded recurring profit (-¥560 billion) by ¥720 billion.

- Capital Investments (consolidated)

Under the current Medium-Term Business Plan, capital investments are scheduled in a total amount of approximately ¥140 billion (consolidated), with a focus on expanding and strengthening nickel operations.

	¥bn
Mineral Resources	10
Metals	90
Electronics & Advanced Materials	30
Construction Materials/Other Businesses	10
Total(Consolidated)	140

- Sales Volume by Metal

	FY2006 forecast	FY2009 target
Copper (t)	378,338	450,000
Nickel (t)	57,346	60,500
Gold (kg)	53,781	49,200
Zinc (t) (including consignment sales)	108,670	117,200

- Current Medium-Term Business Plan Achievement Status

The achievement status of core items in the current Medium-Term Business Plan are as follows:

Consolidated recurring profit

Target: ¥35.0 billion Forecast: ¥156.0 billion

(Evaluated at ¥37.0 billion in real terms, applying the metal-price and exchange-rate assumptions of the current Medium-Term Business Plan)

Expansion and strengthening of core businesses

- Earnings were boosted by proactively carrying out five major projects (450,000 t production system at Toyo Smelter and Refinery, Coral Bay Nickel Project, Pogo Gold Mine Project, Cerro Verde Copper Mine Project, Goro Nickel Project).
- Growth was achieved in both sales and profits in the Electronic Materials & Advanced Materials segment.

FY2006 sales: Business Plan target: ¥189.0 billion Forecast: ¥210.5 billion

FY2006 operating income: Business Plan target: ¥12.6 billion Forecast: ¥15.5 billion

New product development

Achievement of three new products (battery materials, heat shielding materials, target materials) with sales scale of ¥1-3 billion Business Plan called for five or more