

**New Spin-off Company to be Established
To Take Over Operations in Crystal and Magnetic Materials**

Sumitomo Metal Mining Co., Ltd. (SMM) has reached a formal decision to establish a new company, to be known as Sumiko Kunitomi Electronics Co., Ltd., to take over operations in the manufacture of crystal and magnetic components currently performed by SMM's Kunitomi District Division located in Iwanai, Hokkaido. The transfer of operations will occur in the form of a spin-off effective April 1, 2009. An outline is presented below.

1. Objectives

SMM is currently implementing a growth strategy targeting further reinforcement and expansion of its core businesses, and in the division handling electronics and advanced materials diverse measures are being taken toward achieving the goal of capturing leading global market shares for each of the company's products. In order to realize this objective, the company will undertake reorganization of this division, with a target date set at October 1, 2008. The reorganization seeks to achieve synergy merits from the overall optimal perspective and also targets further acceleration of new product development. Earlier, the company already announced in May that it is taking steps to strengthen its tape operations.

The Kunitomi District Division set for the forthcoming spin-off presently serves as a production base for crystal materials, including lithium tantalite and lithium niobate, and magnetic materials such as samarium iron nitride. Operations in these areas are vulnerable, however, to the sudden market corrections characteristic of the electronics industry and to a severe operating environment marked by unforeseen price declines. The decision to split off these operations in the form of a simple company spin-off was reached in a quest to forge a structure that will offer SMM enhanced productivity and efficiency.

2. Spin-off overview

1) Schedule:

Effective date: April 1, 2009

Registration date: April 1, 2009

In accordance with the terms of Article 805 of Japan's Companies Act, this (simple) spin-off will take place without approval at a general shareholders meeting as stipulated in the same Act's Article 804, Paragraph 1.

2) Method:

The spin-off will be carried out as a "simple" spin-off under which the pertinent operations at SMM will be split off and transferred to a newly established company, to be known as Sumiko Kunitomi Electronics Co., Ltd.

3) Resultant decrease in capitalization, etc.

The spin-off will not incur any decrease in capitalization, etc.

4) Treatment of stock purchase warrants and bonds with stock purchase warrants of the company undertaking the spin-off

The spin-off will have no impact on the privileges attending stock purchase warrants or bonds with stock purchase warrants issued by SMM.

5) Privileges and obligations taken over by the spin-off company

The spin-off company will take over the privileges and obligations relating to the manufacturing operations in crystal and magnetic materials now performed at SMM's Kunitomi District Division.

6) Projected performance of obligations

We believe there will be no problems in carrying out the obligations to be borne by both SMM and/or the spin-off company following the spin-off.

3. Overview of the companies involved in the spin-off

1) Trade name	Sumitomo Metal Mining Co., Ltd. (company undertaking the spin-off)	Sumiko Kunitomi Electronics Co., Ltd. (spin-off company)
2) Scope of operations	Mining and smelting of non-ferrous metals; manufacture of electronics and advanced materials	Manufacture of crystal and magnetic materials
3) Date of establishment	March 1, 1950	April 1, 2009

4) Head office	11-3, Shimbashi 5-chome, Minato-ku, Tokyo	351-1 Kunitomi, Kyowa-cho, Iwanai-gun, Hokkaido
5) President	Nobumasa Kemori	Pending
6) Capitalization	93,242 million yen (as of March 31, 2008)	400 million yen
7) Number of outstanding shares	581,628,031 (as of March 31, 2008)	8,000
8) Net assets	640,345 million yen (consolidated) (as of March 31, 2008)	--
9) Gross assets	1,091,716 million yen (consolidated)	4,193 million yen *
10) End of fiscal year	March 31	March 31
11) Major shareholders and equity ratios	The Master Trust Bank of Japan, Ltd. (Trust Account): 9.98% Japan Trustee Services Bank, Ltd. (Trust Account): 9.55% Sumitomo Metal Industries, Ltd.: 1.50% Trust & Custody Services Bank, Ltd. (Trust Account B): 1.48% BNP Paribas Securities (Japan) Limited: 1.33% (as of March 31, 2008)	Sumitomo Metal Mining Co., Ltd.: 100%

* Based on book value on balance sheet at March 31, 2008.

4. Overview of the operations to be spun off

1) Scope of operations

The division targeted for spin-off currently manufactures crystal materials sold by SMM's Electronics Headquarters (lithium niobate, lithium tantalite, yttrium aluminum garnet, etc.) and magnetic materials marketed by the Advanced Materials Division (samarium iron nitride, etc.).

2) Operating record of spin-off division

Sales in fiscal 2007

Division business:	4,955 million yen
SMM (consolidated)	1,132,372 million yen
Percentage (a)/(b)	0.44%

3) Spin-off division's assets and value

As of March 31, 2008 (unit: million yen)

Assets	
Type	Type
Current assets	Current assets
Fixed assets	Fixed assets
Total	Total

5. Overview of new spin-off company

1) Trade name	Sumiko Kunitomi Electronics Co., Ltd.
2) Scope of business	Manufacture of crystal and magnetic materials
3) Location of head office	351-1 Kunitomi, Kyowa-cho, Iwanai-gun, Hokkaido
4) President	Pending
5) Capitalization	400 million yen
6) End of fiscal year	March 31

6. Status of listed company after spin-off

The spin-off will result in no change in the trade name, scope of business, location of the head office, president, capitalization or end of fiscal year.

7. Projected impact of spin-off on earnings

No impact is anticipated.

Address inquiries concerning this News Release to:

Sumitomo Metal Mining Co., Ltd.

Hiromasa Ohba, Publicity & IR Department

TEL: 03-3436-7705