

November 11, 2016

Press Release

Sumitomo Metal Mining Co., Ltd.

Withdrawal from the Lead Frame Business

Sumitomo Metal Mining Co., Ltd. (SMM) has decided to withdraw from the lead frame business, based on an assessment of the changing business environment. The lead frame market itself has gone from a growth market to the mature phase, resulting in over-commoditization of lead frame products. Moreover, the emergence of Chinese local manufacturers has intensified competition for these products.

SMM holds shares through subsidiary SH Materials Co., Ltd. (SH Materials, Headquarters: Minato-ku, Tokyo; President and Representative Director: Naoka Inoue) in three domestic and eight overseas companies that produce and sell lead frame products. As announced in the September 30 SMM press release "Cooperation of Chang Wah Electromaterials in Rebuilding of Lead Frame Business," SMM has been in discussions with Chang Wah Electromaterials Inc. (Chang Wah Electromaterials, Headquarters: Kaohsiung, Taiwan) toward a drastic reform of its lead frame business management. As a result of these discussions, a stock sale and purchase agreement for transferring six overseas companies engaged primarily in the IC lead frame business was signed today with Chang Wah Electromaterials and its affiliate, Chang Wah Technology Co., Ltd. (Headquarters: Kaohsiung, Taiwan, hereinafter referred to collectively as the Chang Wah Electromaterials Group). Premised on obtaining the necessary approvals and permission from the relevant authorities in each country, the sale is moving forward toward an expected closing on March 31, 2017.

Additionally, today a Letter of Intent was signed with Jih Lin Technology Co, Ltd. (Jih Lin Technology, Headquarters: Kaohsiung, Taiwan) to carry out detailed discussions toward the future transfer of one domestic and two overseas companies engaged primarily in the power semiconductor lead frame business.

Of the two domestic companies not included in the above agreements, SMM will continue to study the disposition of one of the companies with the Chang Wah Electromaterials Group, and will formulate specific plans regarding SH Materials and one other company toward a gradual downsizing on the way to full withdrawal from the business.

Withdrawal of SMM from the lead frame business is predicated on dissolution of an existing agreement with Hitachi Metals, Ltd. (Headquarters: Minato-ku, Tokyo) concerning the lead frame business and copper products business, as announced in the September 30 SMM press release “De-integration of Lead Frame and Copper Product Businesses.”

The SMM Materials Division is making active investments in its growth strategy and seeking to make a smooth transition to next generation products through selection and concentration, which is the basic strategy of the materials business in the 2015 medium-term business plan. To this end, it is allocating management resources to battery materials and to crystal materials, aimed at further expanding and enhancing its business in fields where future growth is expected, including in-vehicle products, environment, and information & communication fields.

The impact of this withdrawal on SMM business results will undergo a detailed review, but is believed to be minor.

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[Reference]

Overview of Chang Wah Electromaterials Inc.

Location: Nanzih Export Processing Zone, Kaohsiung, Taiwan

Established: May 1989

Capital: 639 million TWD

Chairman: Canon Huang

Employees: 80 (not including subsidiaries, etc.)

Business: Manufacture and sale of semiconductor packaging materials and LCD materials

Overview of Chang Wah Technology Co., Ltd.

Location: Nanzih Export Processing Zone, Kaohsiung, Taiwan

Established: December 2009

Capital: 245 million TWD

Chairman: Canon Huang

Employees: 140 (not including subsidiaries, etc.)

Business: Manufacture and sale of LED lead frames

Overview of Jih Lin Technology Co., Ltd.

Location: Nanzih Export Processing Zone, Kaohsiung, Taiwan

Established: October 2000

Capital: 748 million TWD

President: Shang Yuen Tsai

Employees: Approx. 290 (not including subsidiaries, etc.)

Business: Manufacture and sale of power semiconductor and split system lead frames

Overview of business withdrawal plans

The disposition of each company affected by the withdrawal of SMM from the lead frame business is as follows.

1) Companies to be transferred to the Chang Wah Electromaterials Group

SH Asia Pacific Pte. Ltd. (Singapore)

Malaysian SH Electronics Sdn. Bhd. (Selangor, Malaysia)

SH Electronics Taiwan Co., Ltd. (Kaohsiung, Taiwan)

SH Electronics Suzhou Co., Ltd. (Suzhou, China)

SH Electronics Chengdu Co., Ltd. (Chengdu, China)

SH Precision Chengdu Co., Ltd. (Chengdu, China)

2) Companies being considered for transfer to Jih Lin Technology

Malaysian SH Precision Sdn. Bhd. (Negeri Sembilan, Malaysia)

Suzhou SH Precision Co., Ltd. (Suzhou, China)

SH Precision Co., Ltd. (Yonezawa-shi, Yamagata, Japan)

3) Company being continued to study the disposition with the Chang Wah Electromaterials Group

Ohkuchi Materials Co., Ltd. (Isa-shi, Kagoshima, Japan)

4) Companies subject to gradual business downsizing and eventual withdrawal

Niihama Materials Co., Ltd. (Niihama-shi, Ehime, Japan)

SH Materials Co., Ltd. (Minato-ku, Tokyo, Japan)