

2nd Quarter FY2008

**Progress of
Business Strategy**

Sumitomo Metal Mining

Nov. 5, 2008



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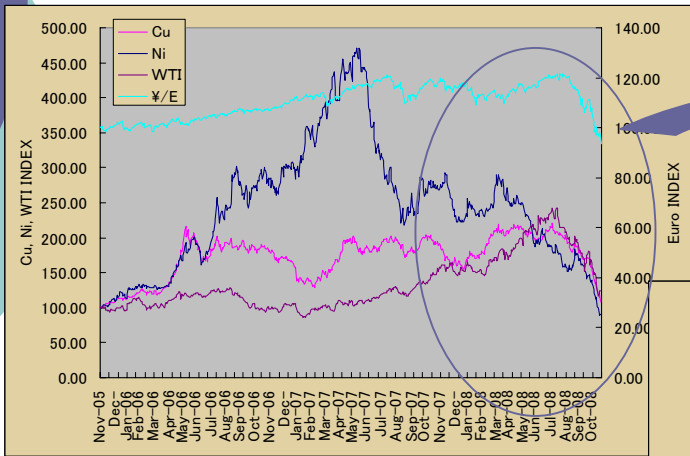
IV . Trends in Non-ferrous Metals / Forex

I . Change of Business Environment



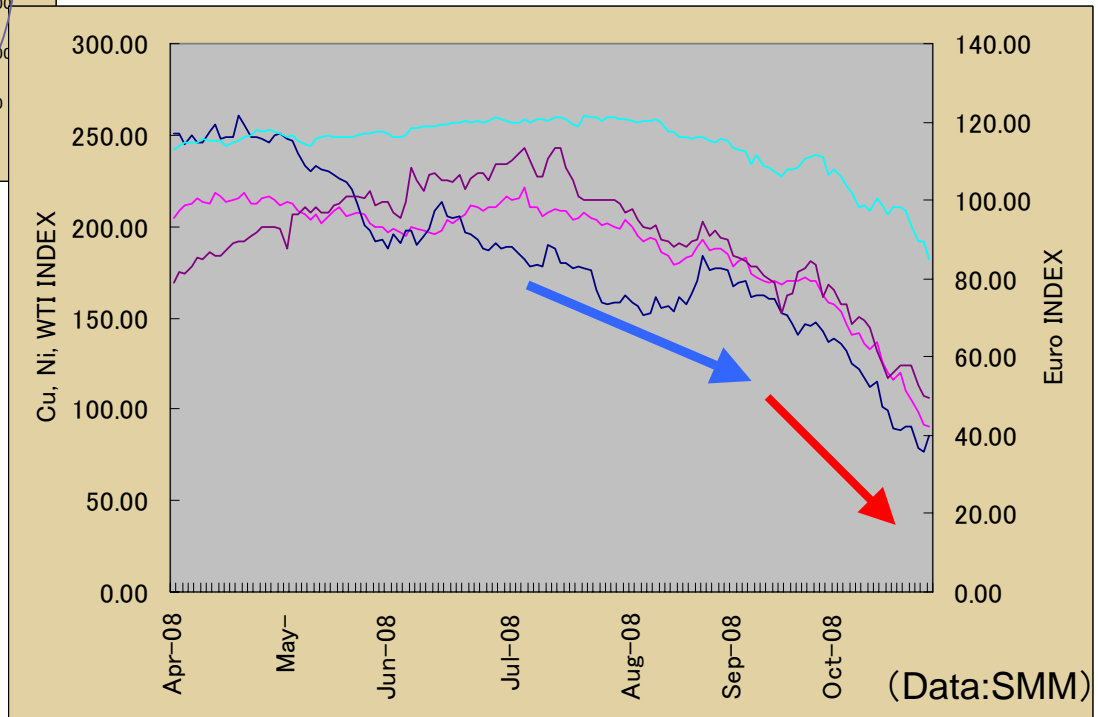
Niihama Nickel Refinery (Japan)

Trends in Price of Non-ferrous Metals / Oil and Forex



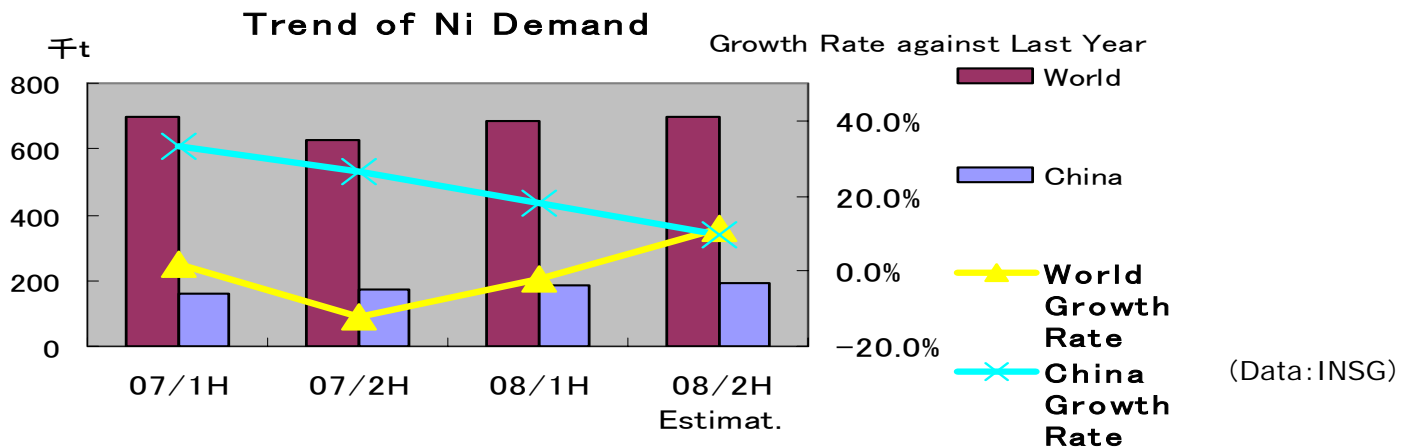
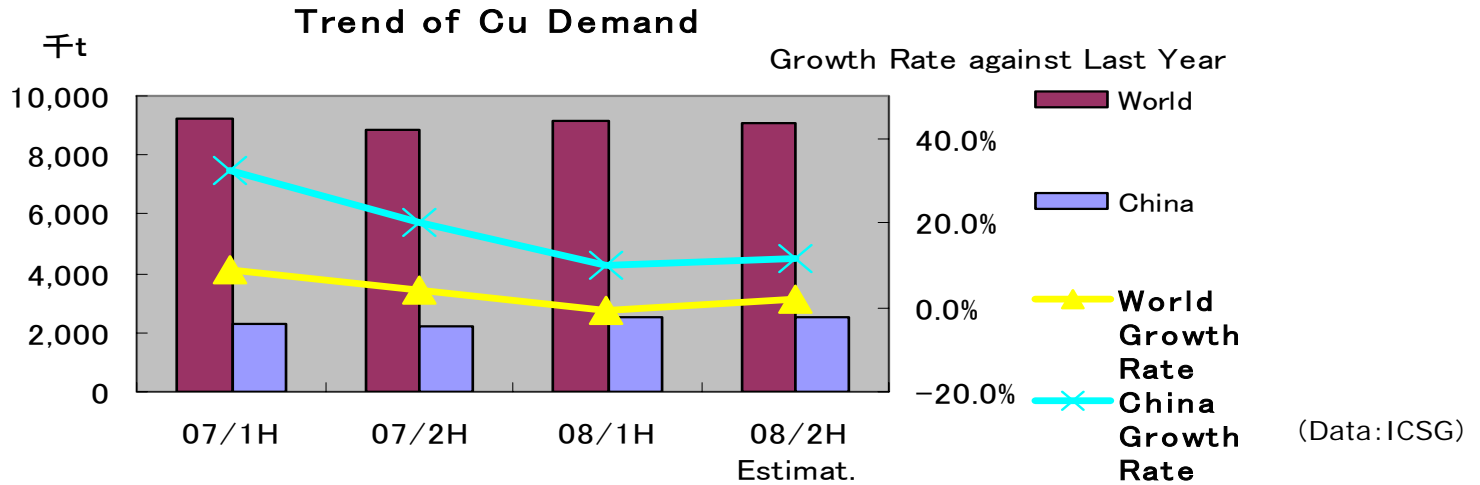
(Reference)

Price	WTI \$/B	Cu \$/t	Ni \$/lb
Jan-08	80	7,000	12.5
Mar-08	110	8,881	15.1
Jul-08	147	8,900	9.0
Sep. 15-08	97	6,879	8.1
Oct. 1-08	99	7,371	7.2
Oct. 24-08	64	3,721	4.0

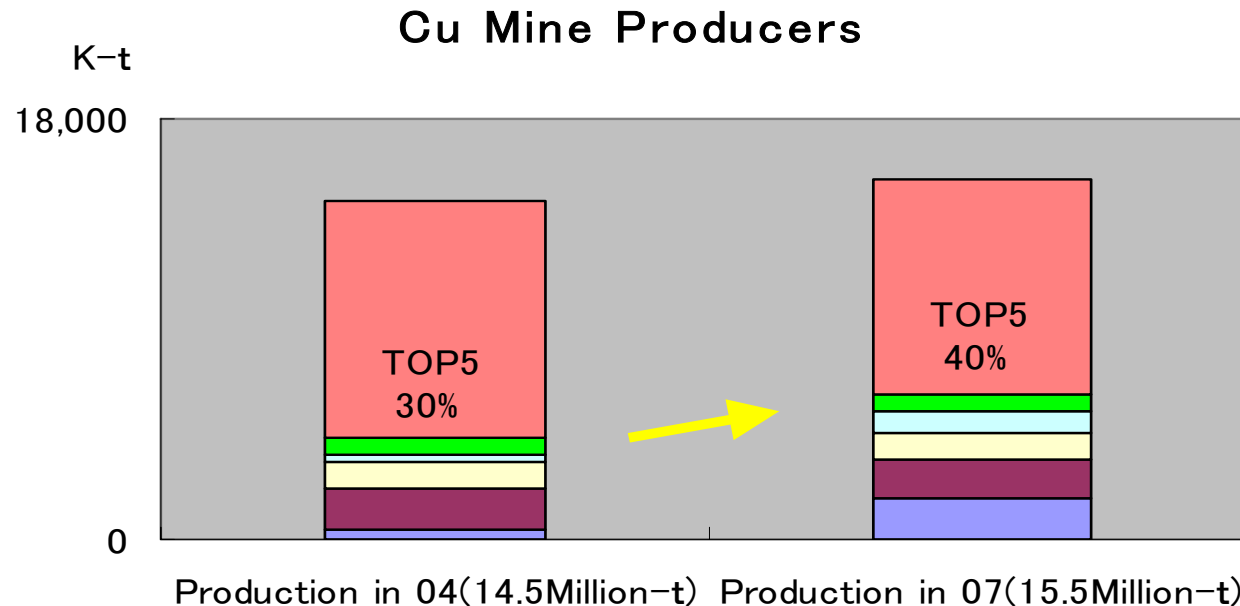


Trends of Consumption (Cu/Ni) in China

Deterioration of real economy does not appear in statistics



Cu: Occupation Rate Increasing by Majors

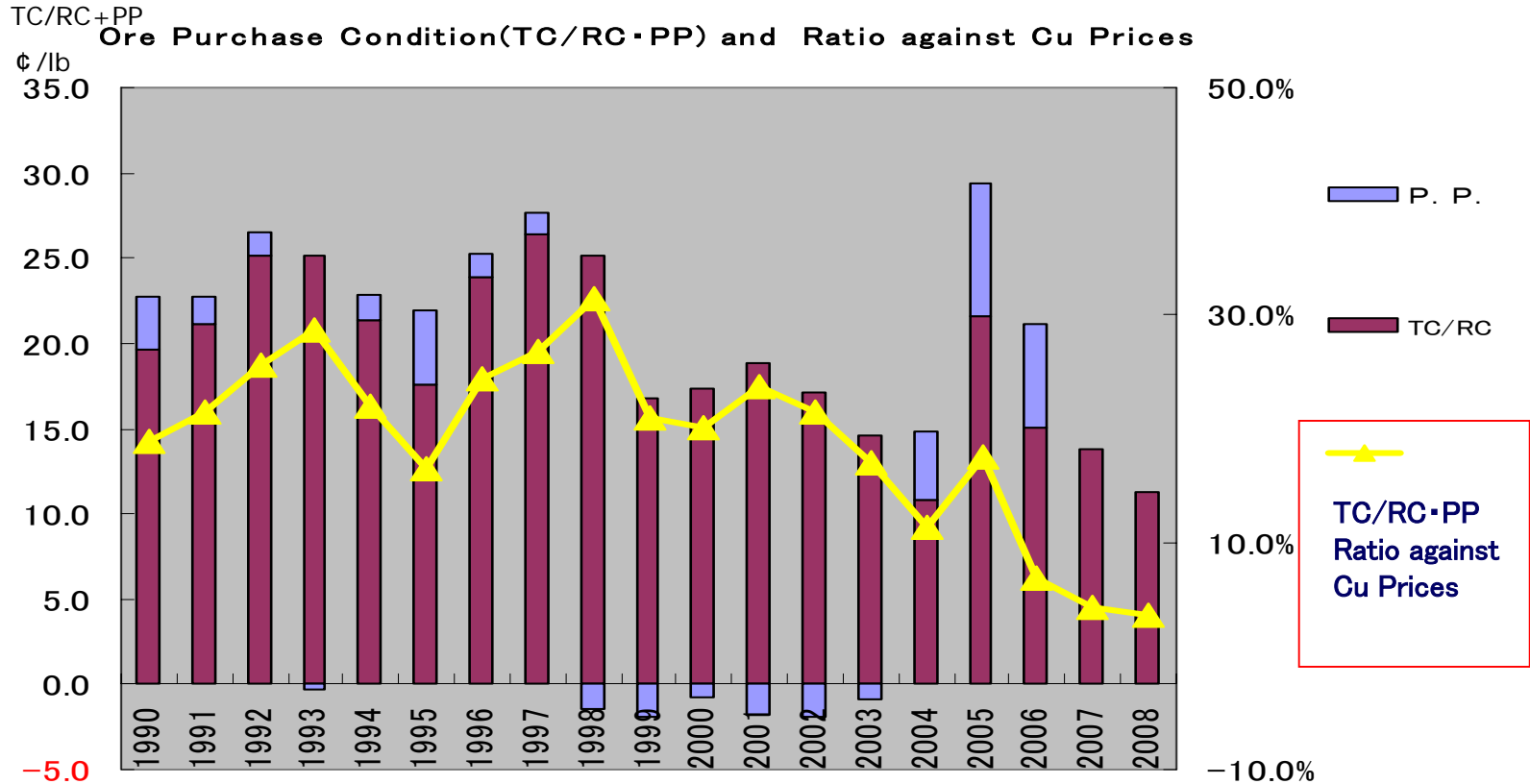


Top 5 Occupation Rate Increasing 2004 : **30%** → 2007 : **40%**

2007 Top 5

- ①Freeport McMoRan(USA) ②CODELCO(Chile)
- ③BHP Billiton(Australia) ④Xstrata(Switzerland)
- ⑤Rio Tinto(Britain)

Trends of TC/RC-PP



Implication: In the future TC/RC Transition ?

(Data:JOGMEC)

Decrepit of Cu mines and Position of Toyo smelter

World Major mines

No.	Cu mine	07 Production (kt)	Cu Content (%)	Start up year	Elapsed Years
1	Escondida	1,485	1.24	1991	17
2	Codelco Norte	600	0.79	1915	93
3	Grasberg	482	1.08	1973	35
4	El Teniente	405	0.97	1912	96
5	Collahuasi	394	1.00	1998	10
6	Morenci	350	0.46	1873	135

Decrepit of Cu mines causes
①More Disruption
②Cost Increasing.

2008 Plan

Cerro Verde	320	0.49	2006	2
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World Top Smelters By Site (kt)

No.		Capa	07 Result	Series
1	Guixi	685	529	2
2	Onsan	545	502	2
3	Saganoseki	470	436	1
4	Toyo smelter	450	407	1
5	Norddeutsche East	425	420	1

Smelters must reduce cost urgently

(Data:SMM)

New Cu mines

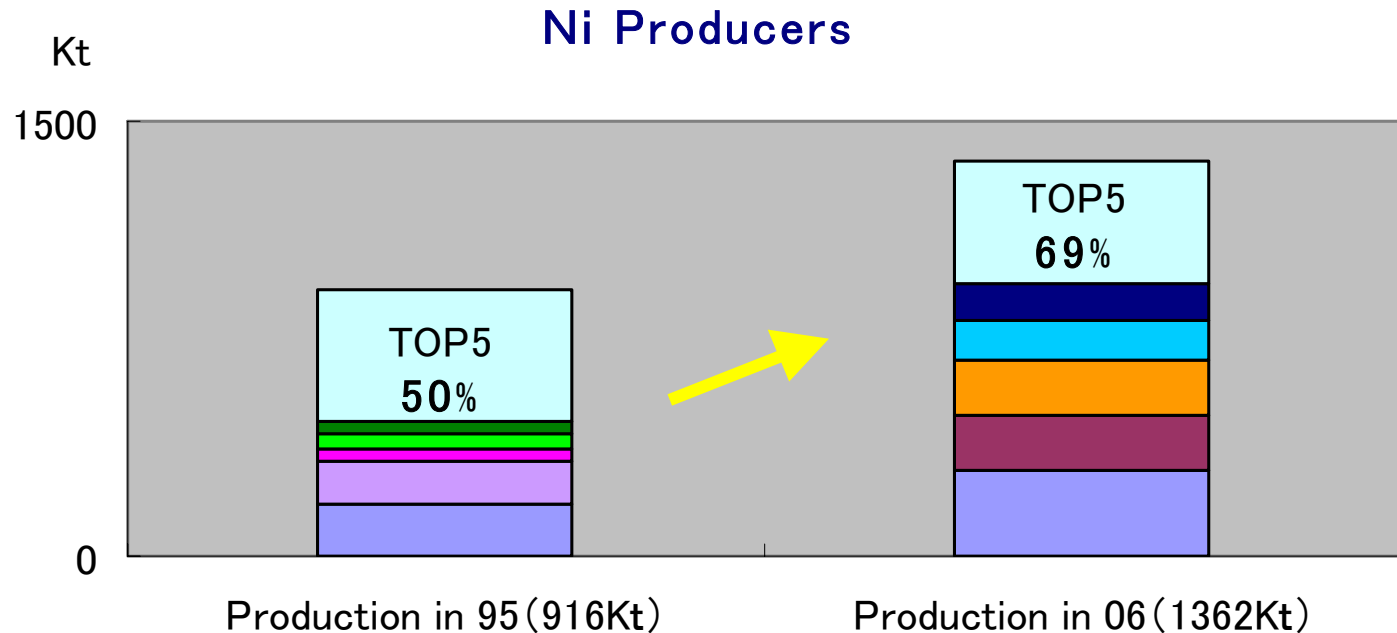
Cu mine	Country	Rights	Deposits (mt)	Cu grade (%)	Start up Planned	Start up Estimate	1st year (kt)	Capa. (kt)	CAPEX m\$
Prominent Hill	Australia	Oxiana(100%)	101	1.50	2008	2009	10	40~50	344
Esperanza	Chile	Antofagasta(95%)	367	0.64	2009	2010	50	180	700
Salobo 1	Brazil	Vale(100%)	700	0.86	2010	2010	50	90	400
Caserones	Chile	Pan PacificCopper(100%)	628	0.43	2009	2012	-	150	600
Oyu Toigo	Mongolia	Ivanhoe Mines(100%)	1,499	1.30	2010	2012	35 ?	300 ?	1,327
El Pachon	Argentine	Xstrata(100%)	724	0.65	2009	2014 ?	100	250	1,100
Galore Creek	Canada	NovaGold(100%)	474	0.65	2009	2017 ?	80	200	1,102

(Data:SMM)

Most of new mines are small.

Most of developments are delayed.

Ni: Occupation Rate Increasing by Majors also

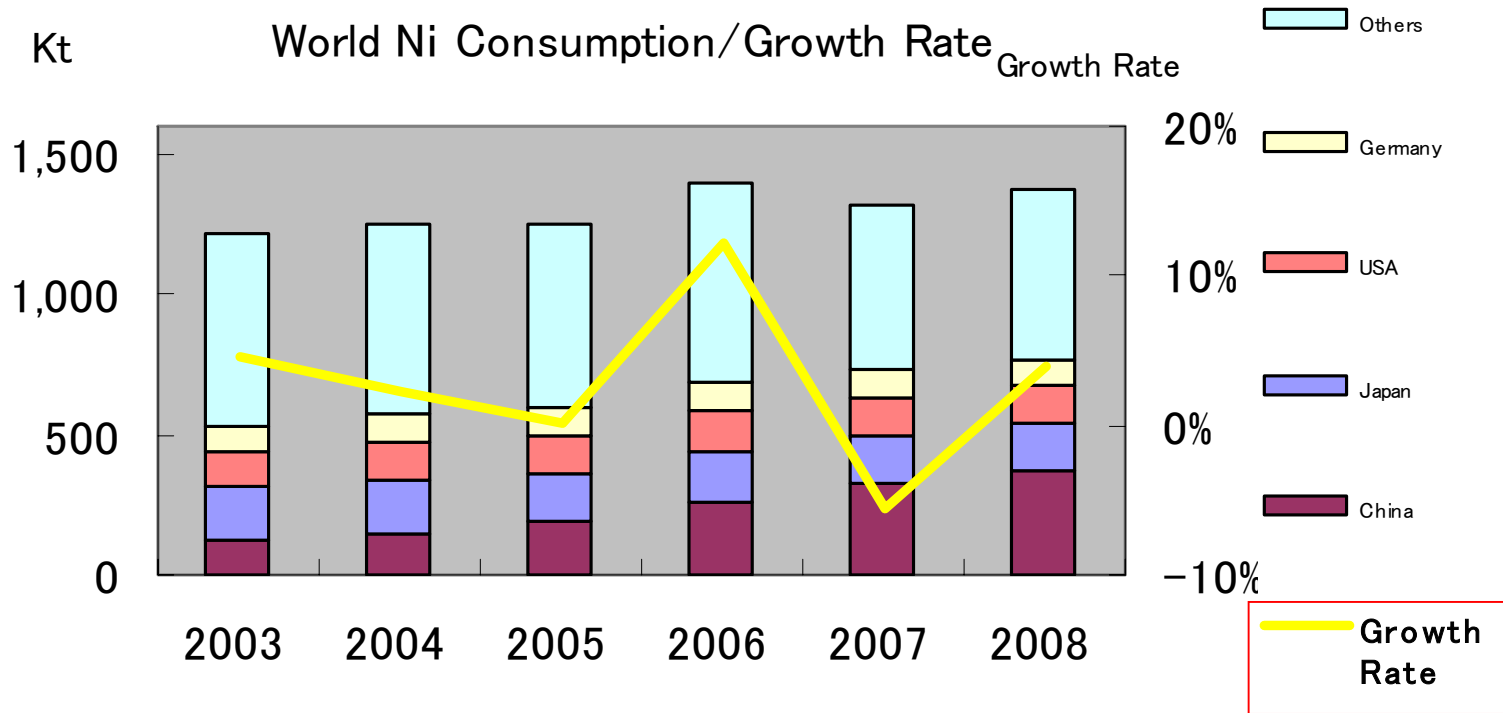


Top 5 Occupation Rate Increasing 1995: **50%** → 2006: **69%**

2006 Top 5

①Norilsk Nickel(Russia)	②Vale(Brazil)
③BHP Billiton(Australia)	④China
⑤Xstrata(Switzerland)	

Ni Consumption



Ni Growth Rate Ave. 4.2% from 1999 to 2006

Data: INSG

(Cu : 2.1%, 5years)

Nickel Oxide Ores Development Projects

Project name	Country	Company	Products	Capa. K-Nit	Start	Remarks
[Under operating]						
Murrin Murrin	Australia	Anaconda/Glencore	Metal	45→40	1998	Results Aprox. 30kt
Cawse	Australia	Norilsk	Mid-Products	11	1998	Suspended
Bulong	Australia	Preston	Metal	9	1998	Closed
CBNC I	Philippines	SMM/MBK/Sojitz	MS	11	2005. 2Q	As scheduled
Ravensthope	Australia	BHP	MH	50	2008. 1Q	*Low production

*Ravensthope delayed start up by nine months, 08/2H Production 2Kt,09/1H Production 7Kt(Est.)

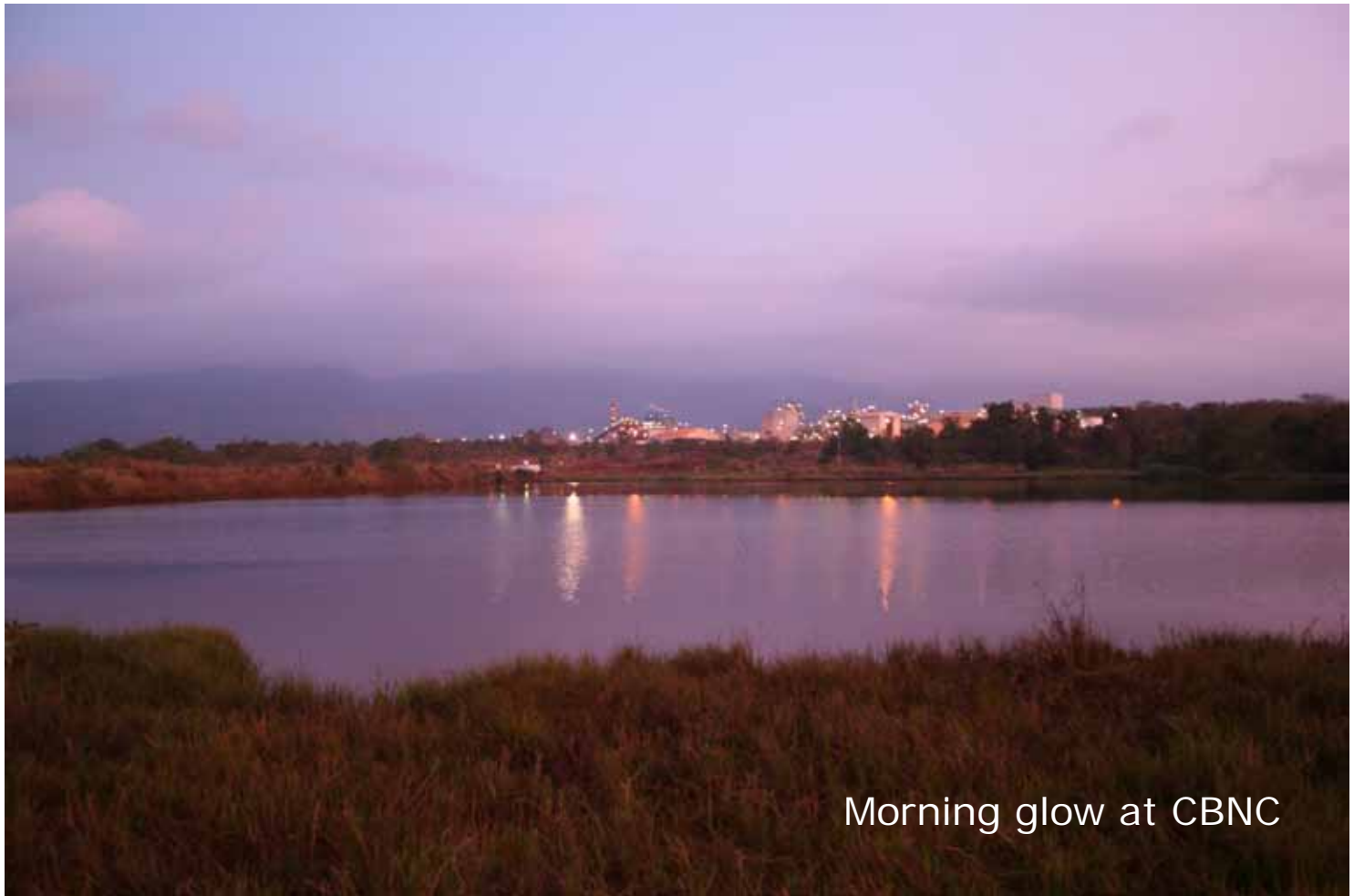
[Under Construction]						
CBNC II	Philippines	SMM/MBK/Sojitz	MS	11	2009. 2Q	As scheduled
GORO	New Caledonia	CVRD — INCO/SMM/MBK	NOS	60	2009. 1Q	As scheduled
Ramu	P.New Guinea	Highland Pacific/MCC /Jilin	MS	33	2010	?
Ambatoby	Madagascar	Sherritt/SC/Kores	Metal	60	2010 ?	Reduce OPEX?
Vermelho	Brazil	Vale — INCO	Metal	46	2012. 1Q	Postpone

[Under FS]						
Taganito	Philippines	SMM	MS	30	2012	Making B-FS
Caldag	Turkey	European Nickel	MH	21	2011 ?	Postpone
Weda Bay	Indonesia	Eramet/Antam	Mid-Products	53	2014 ?	No information

Many Projects have suspended or not achieved the plan. (Data:SMM)

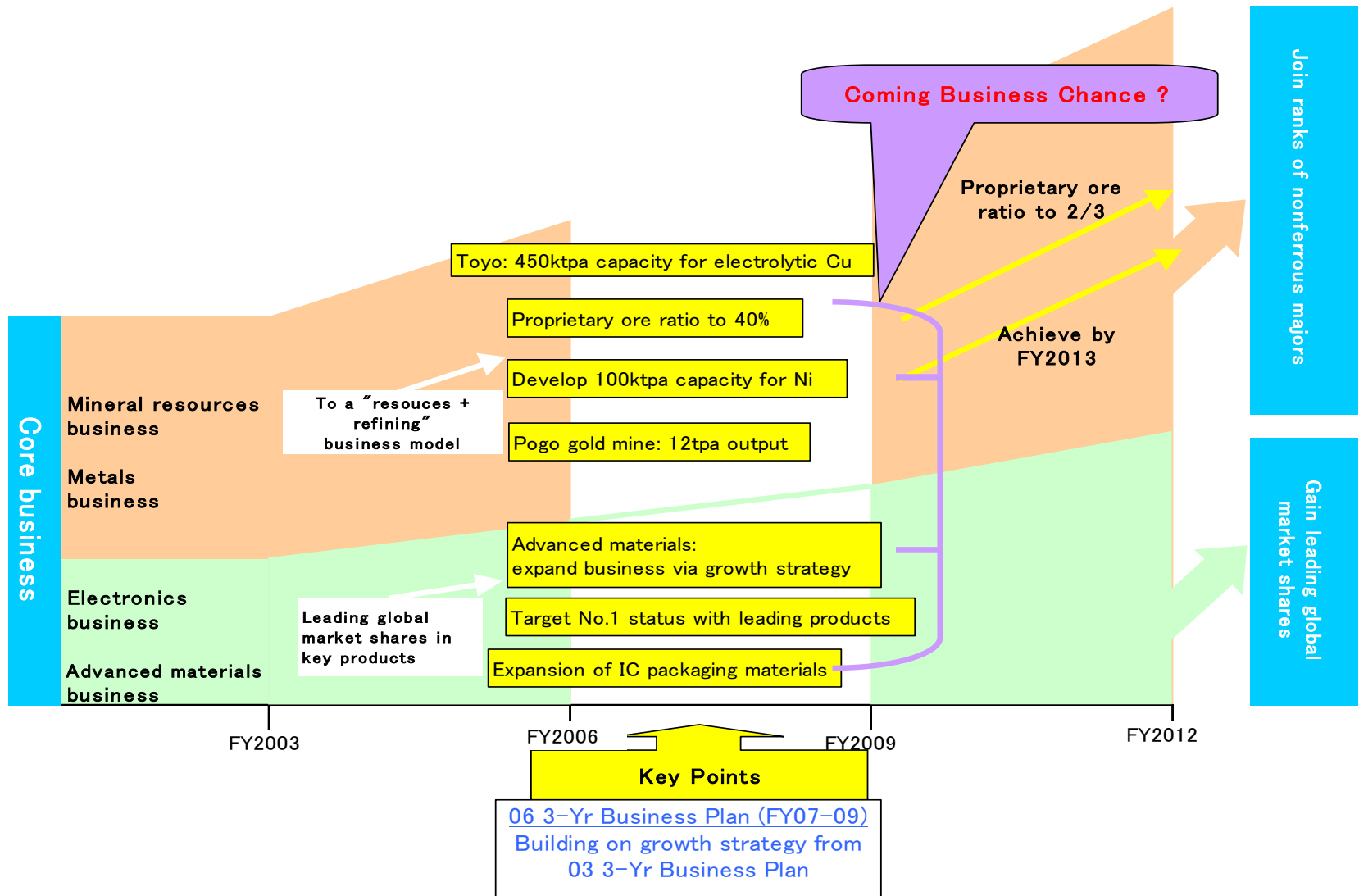
CBNC and Sumitomo's Projects only have achieved the plans.

II . Execute steadily '06 3-Year Business Plan

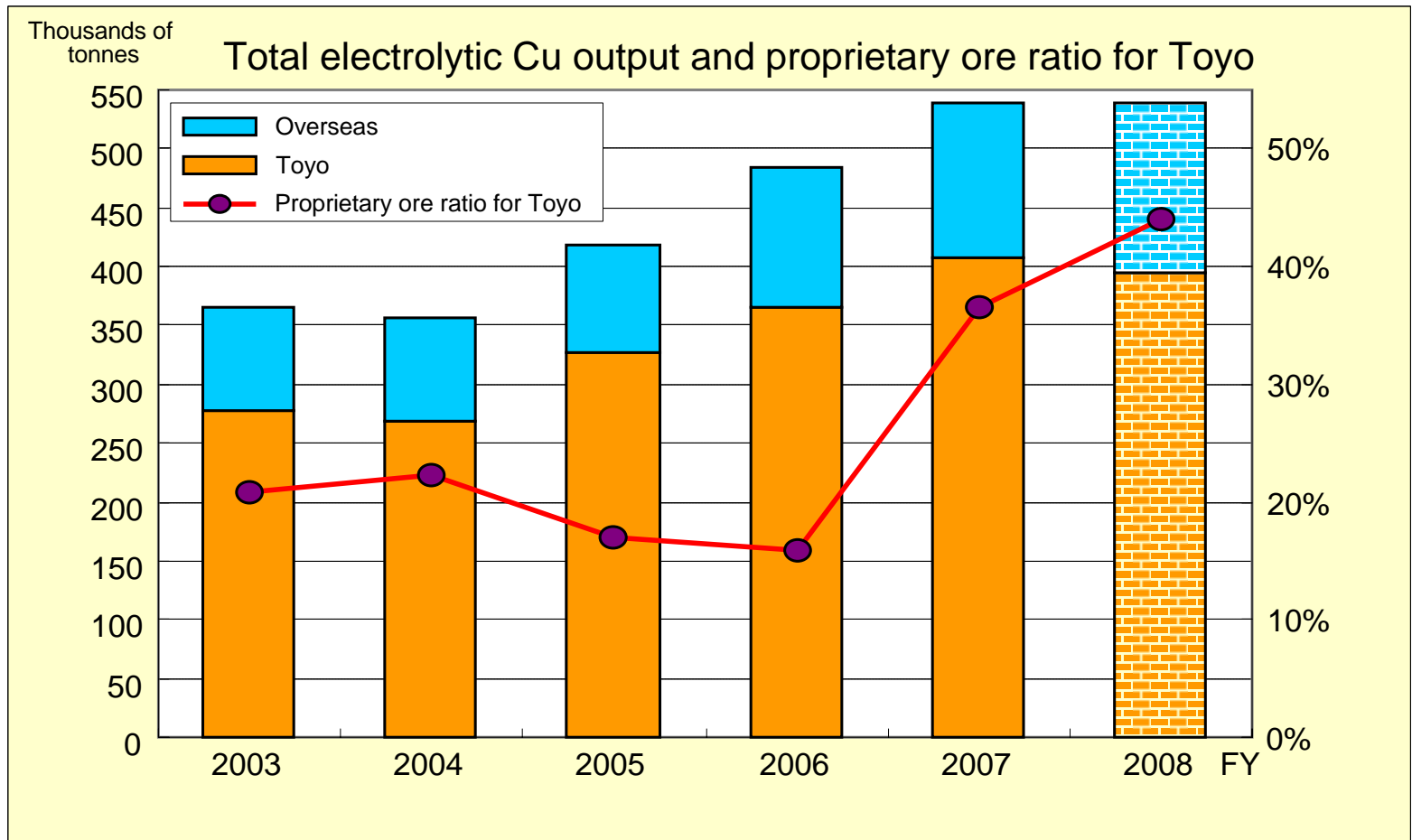


Morning glow at CBNC

Positioning of 06 3-Yr Business Plan (FY07-09)



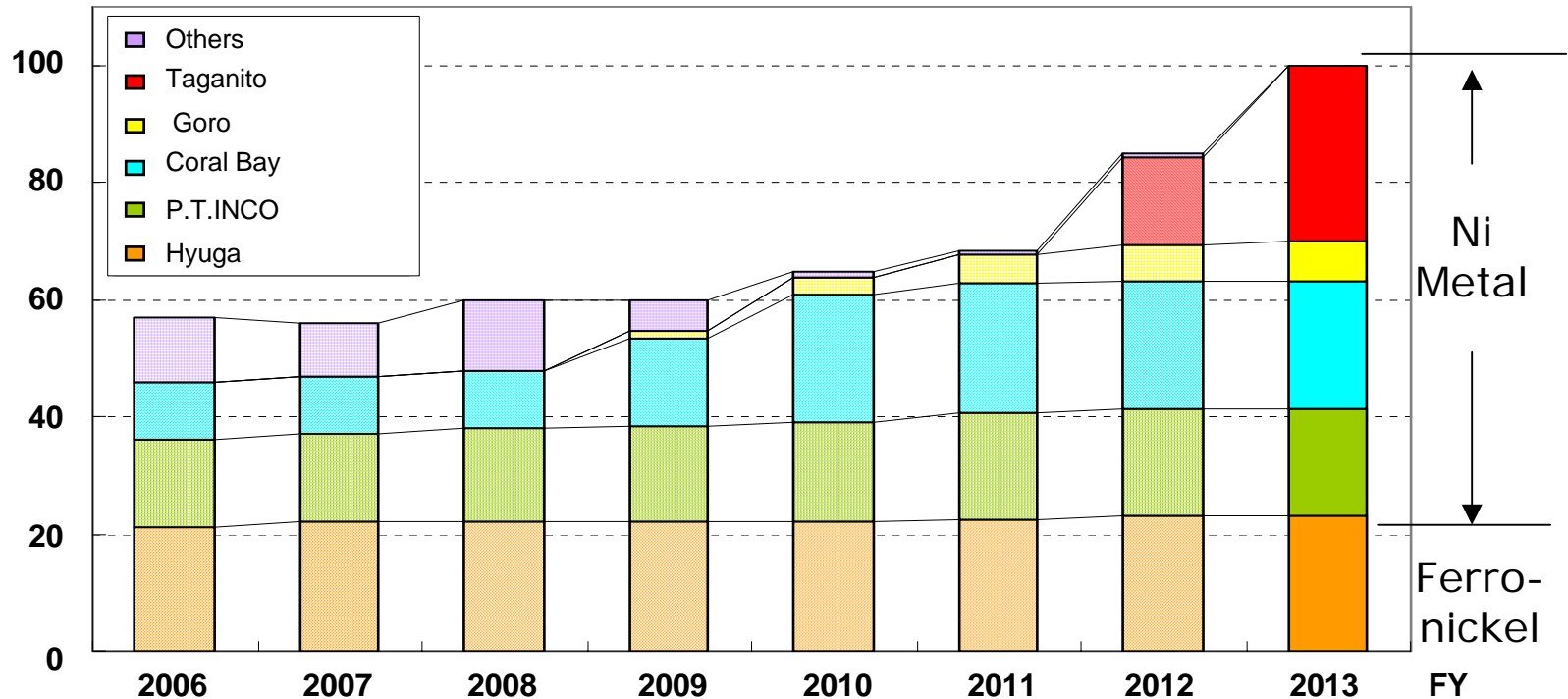
Total electrolytic Cu output



Overseas Products: Jinlong, Morenci, Cerro Verde(Cathode) Total 150 Kt

Develop 100ktpa capacity for Ni

Thousands of tonnes



(1) Apr. 2005: Coral Bay Phase I start (10ktpa)

(2) Apr. 2009: Coral Bay Phase II start
(10ktpa → 22ktpa)

(3) FY09: Ni refinery capacity from 36ktpa to 41ktpa

(4) Early 2009: Goro start (60ktpa)

(5) 2010: P.T. Inco 200 million-lb start (15ktpa → 18ktpa)

(6) 2012: Taganito start

(7) 2013: Ni refinery from 41ktpa to 65ktpa
100ktpa capacity achieved

Expansion of Niihama Nickel Refinery (MCLE Process)

April 2009: capacity increase 36kt→41kt
(with completion of CBNC II)

Total investment: ¥5.7bn

(Also planning more capital investment
to boost capacity 65ktpa by 2013)

Applied equipments:

Exudation, solvent extraction,
higher electrolytic capacity, etc.



Progress of CBNC Phase II

Investment: US\$307mn Capa. 10Kt→22Kt-Ni

Double lines to yield extra benefits (e.g. improved boiler functioning)

=Progress of the Project=

Nov.-08:

Trial run of utilities (power generation facilities etc.)

Trial run of production process by water

Completion by the end of 2008

Jan.-09

Trail run of overall plant

Apr.-09: start the production

(on schedule)

Already completed to secure man power

Supervisors are trained in Japan until

Nov.-2008

Investors' plant tour
in December



HPAL II Project (Taganito)

30kt raw material secured

Location: Northeast Mindanao Island, Philippines
 Output: Mixed sulfides (30kt/year in Ni equivalents)
 Projected lifespan: 30 years
 Total Investment: Exceeds US\$1 billion (est.)
 (Development Policy)

Believes its predominant position as
 ①“Resources+Refining” business model & ②Sound financial position and aims to induce maximum effect from this project while maintaining SMM’s predominant position.

Hopes its decision will be understood as being founded on the desire to carry out the project proactively from a more dominant position as SMM carefully monitors the current situation.



Planned Site



III. Financial Highlights



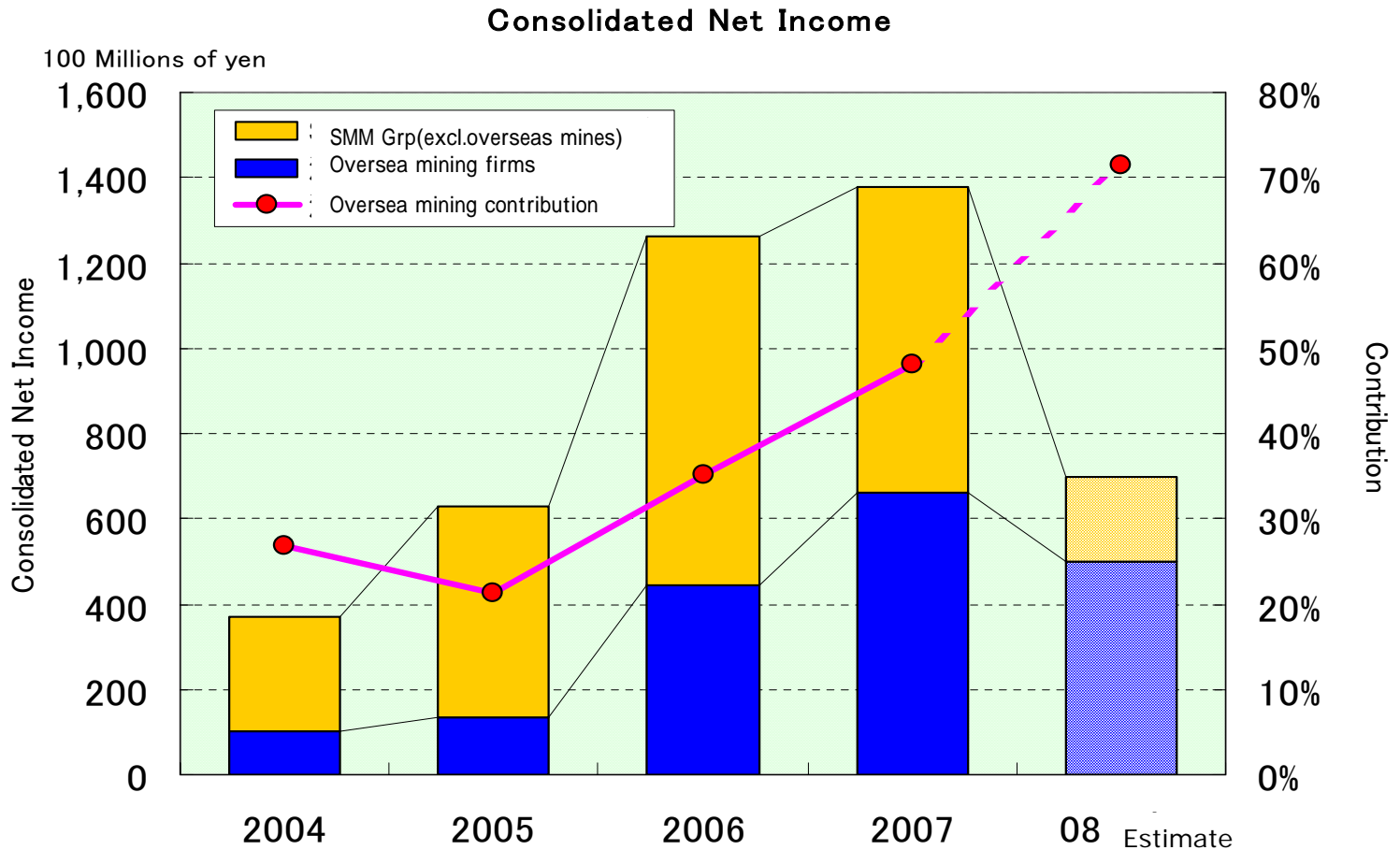
Hishikari Mine situated in a lush mountain valley & High grade ore body

Consolidated Results

(100Millions of JPY)

	FY04	FY05	FY06	FY07	FY08 forecast
Sales	4,846	6,256	9,668	11,324	9,000
Operating Profit	479	828	1,626	1,554	590
Recurring Profit	545	997	2,053	2,179	1,050
Net Income	370	628	1,261	1,378	700
(JPY) Net Income / Share	64.77	109.96	220.49	238.13	122.92
(JPY) Dividend / Share	8.00	14.00	27.00	30.00	26.00

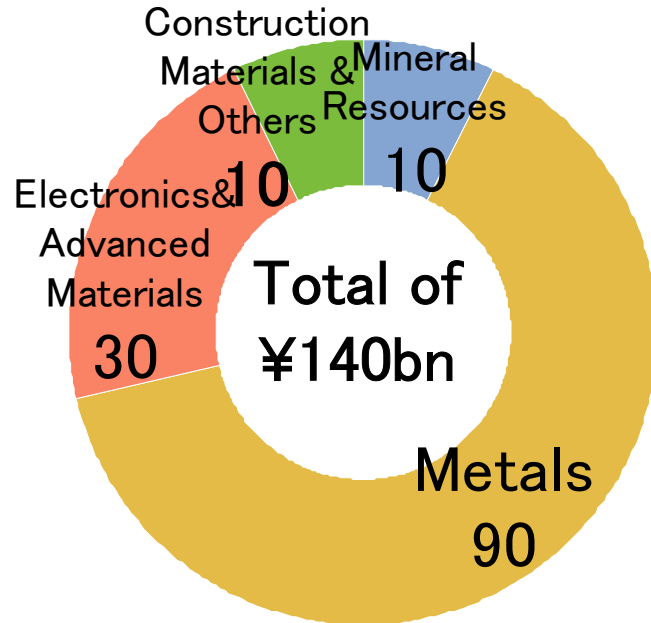
Rising contribution from overseas Metals & Resources segment



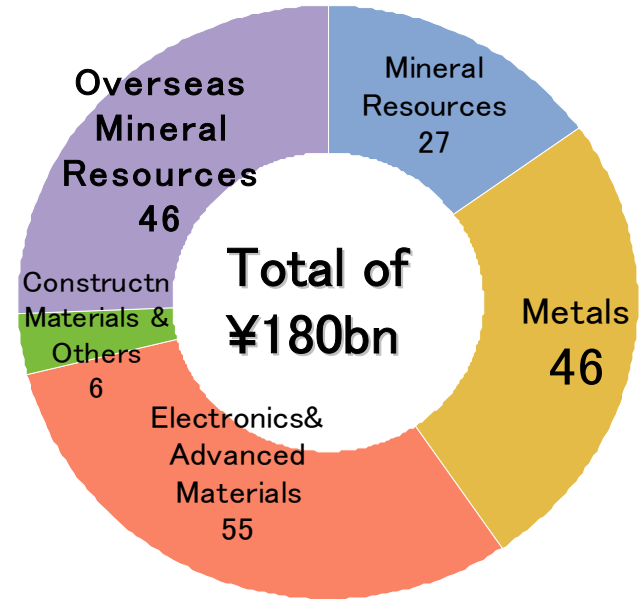
Consolidated Equity method Cu : Morenci, Northparkes, Ni : Coral Bay, Gold : Pogo

Consolidated Equity method Cu : Cerro Verde, Ojos, Candelaria, Ni : P.T.INCO, Figesbal

Equipment & Investment Plan



06 3-Yr Business Plan (FY07-09)



03 3-Yr Business Plan (FY04-06)

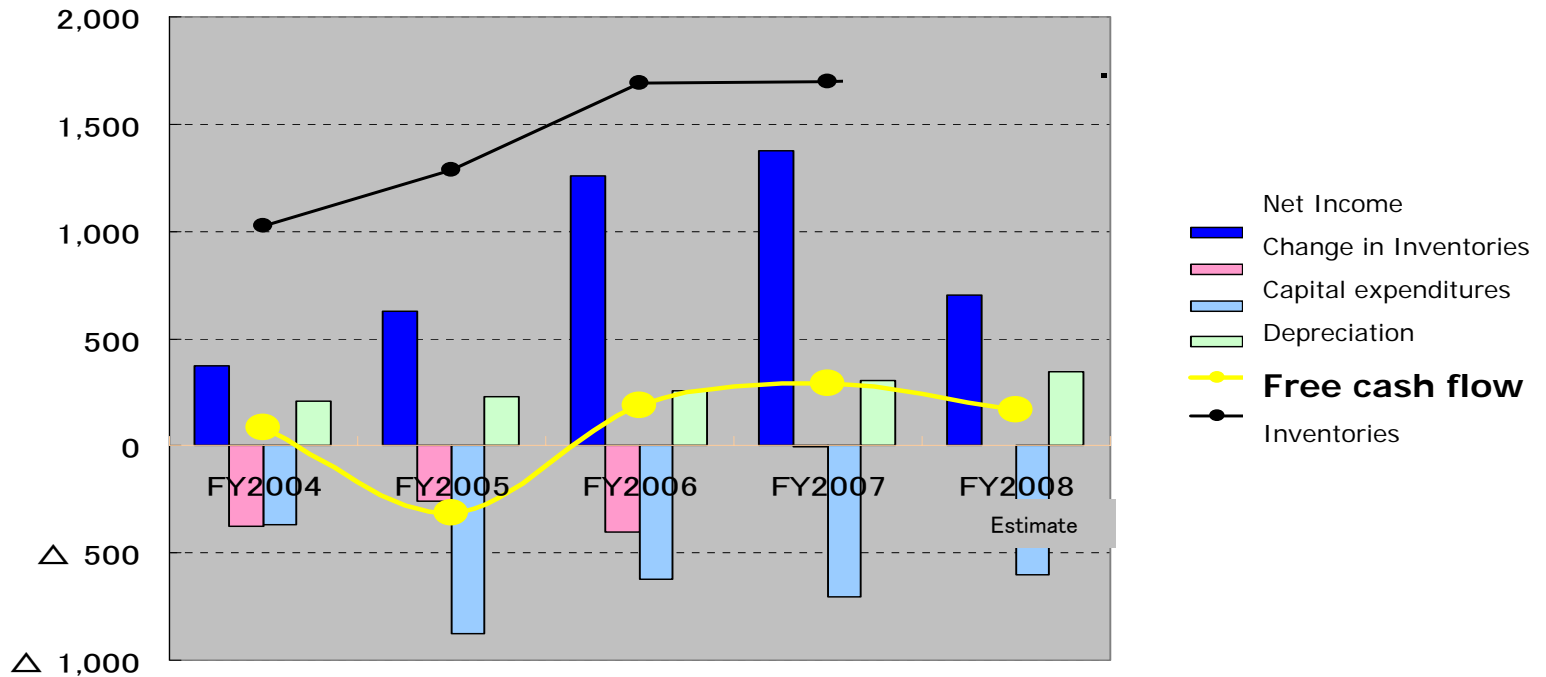
06 3-Year Business plan's CAPEX ¥140bn does not include overseas mineral resources assets.

Inc. ¥60bn for Ni to achieve 100,000 tpa production (CBNC II etc. -related at 300, HPAL II (partial)260 etc.

Free Cash Flow

Maintain Sound Free Cash Flow

100 Millions of yen



(Billions of yen)

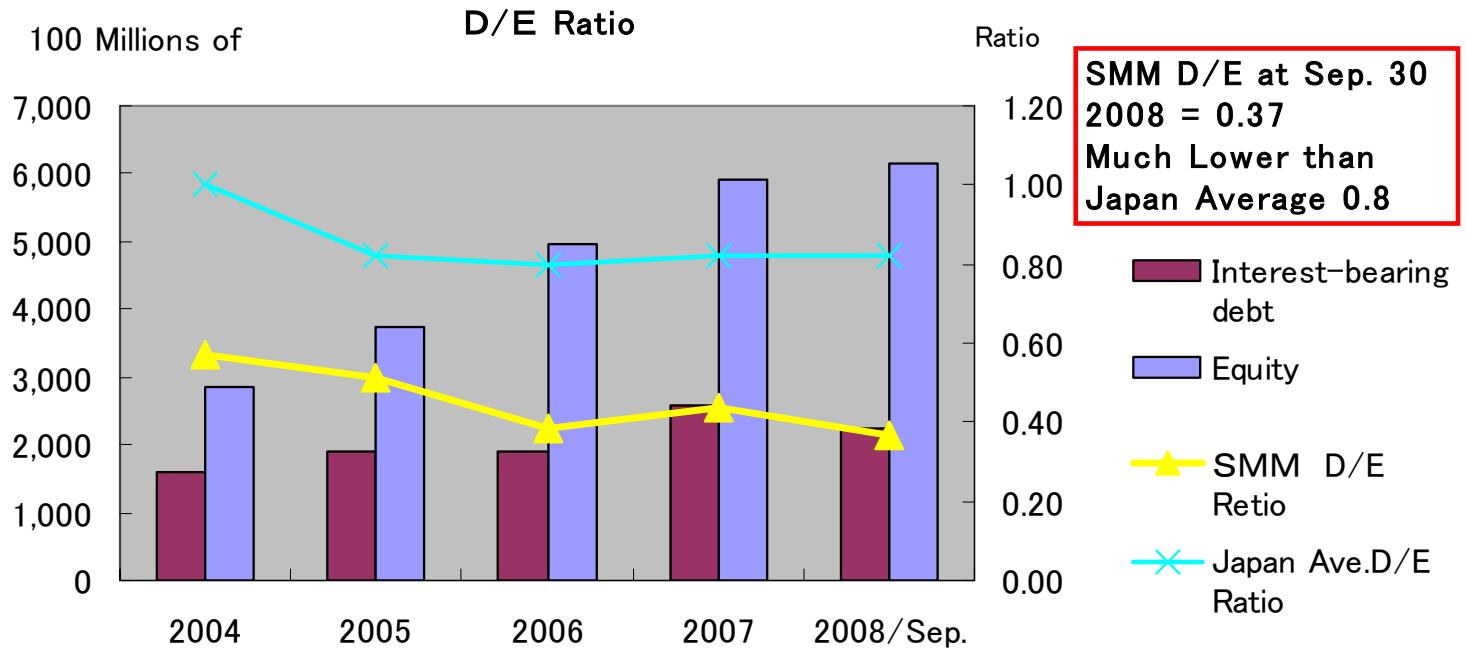
	FY2004	FY2005	FY2006	FY2007	FY2008 Estimate.
Net income	37.0	62.8	126.1	137.8	70.0
Change in inventory	(37.8)	(26.1)	(40.4)	(0.3)	0.0
Capital expenditures	(36.5)	(87.8)	(62.5)	(70.3)	(60.0)
Depreciation	20.6	23.0	25.7	30.5	34.7
Inventories	102.8	128.9	169.3	169.6	172.2
Free cash flow	8.5	(31.6)	18.6	28.9	17.0

Sound Financial Position

(Billions of yen)

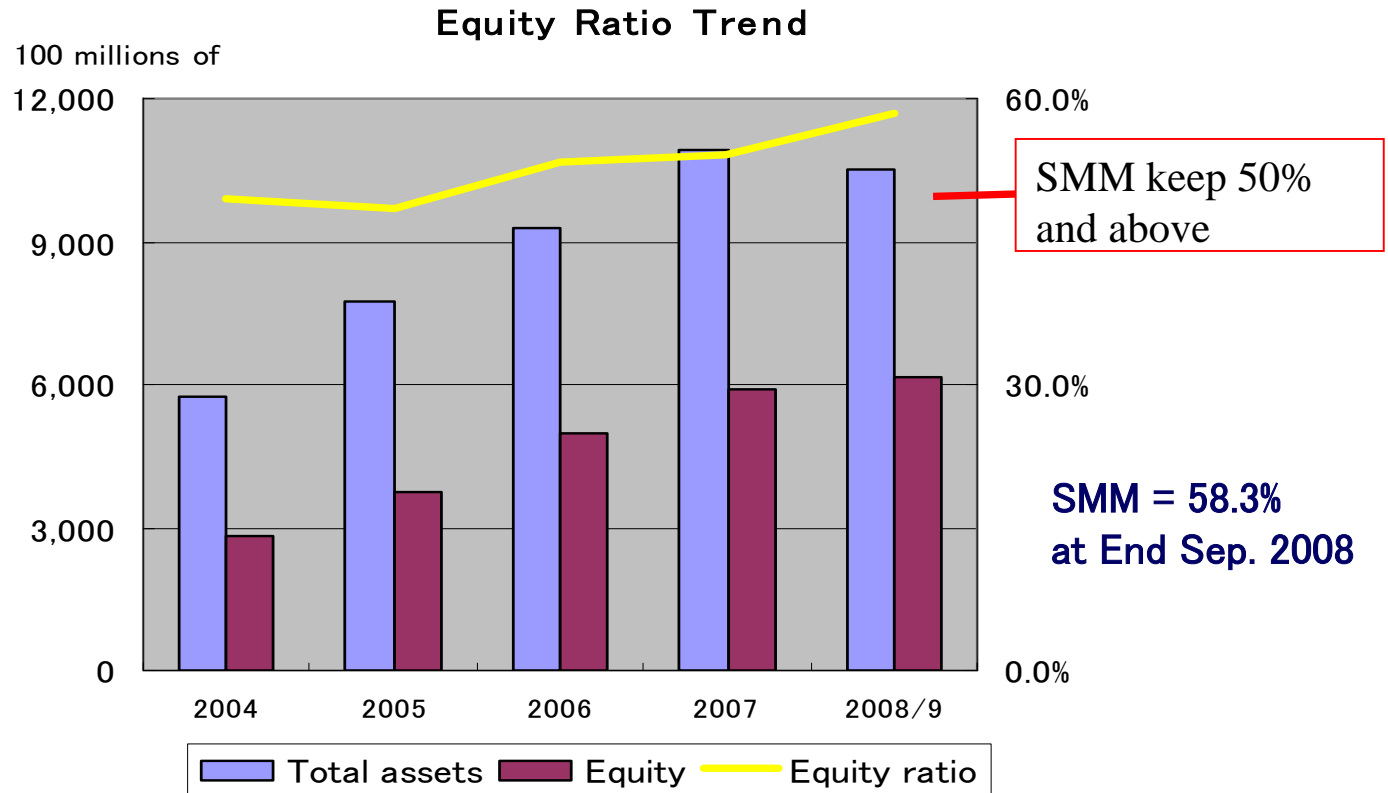
	FY2004	FY2005	FY2006	FY2007	2008/9
Total assets	573.9	772.6	929.2	1,091.8	1,052.5
Interest-bearing debt	160.5	190.9	189.9	258.1	224.8
Interest-bearing debt ratio	28.0%	24.7%	20.4%	23.6%	21.4%
(A) D/E ratio	0.57	0.51	0.38	0.44	0.37
(B) Equity ratio	49.5%	48.4%	53.4%	54.0%	58.3%
(C) ROE	13.78%	19.10%	28.99%	25.39%	17.32%

(A) Debt / Equity Ratio

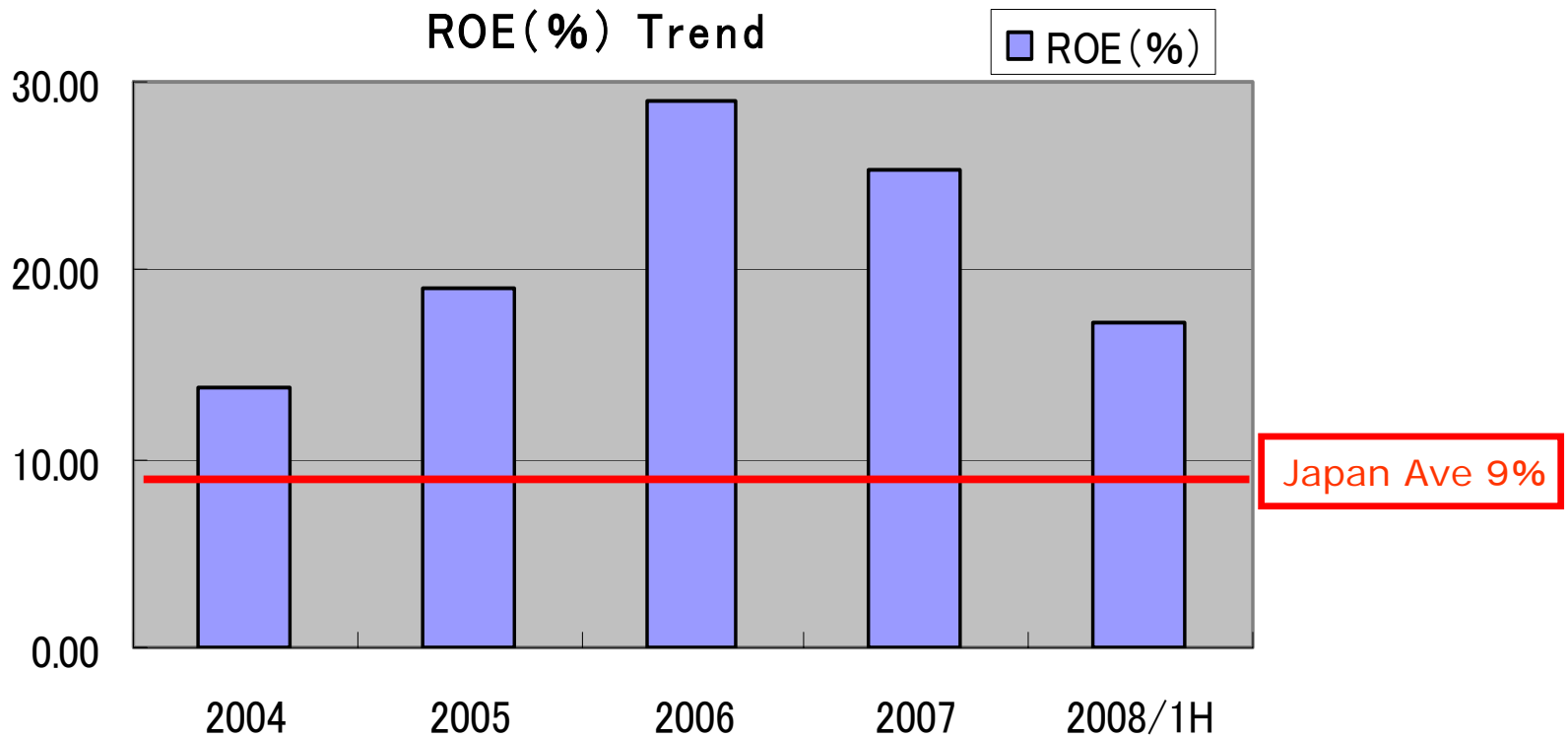


JCR Ranking
 Short Term : J-1 (Highest Level)
 Long Term : A+ (Top30%)

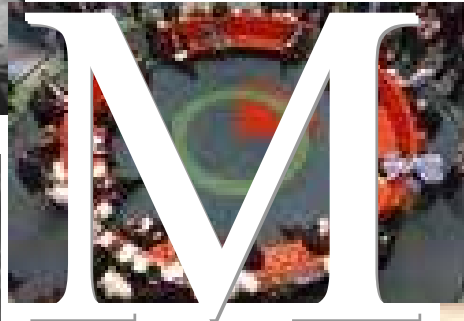
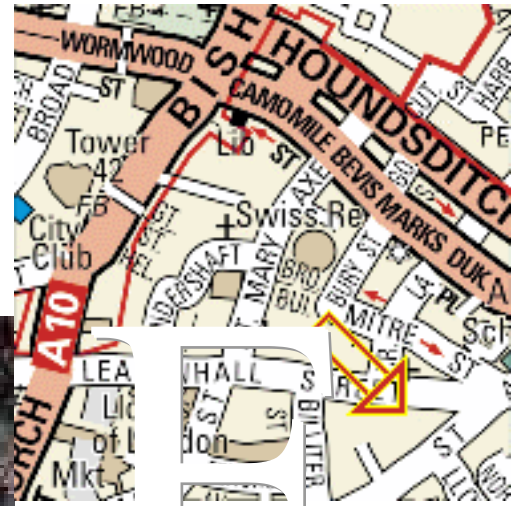
(B) Equity ratio



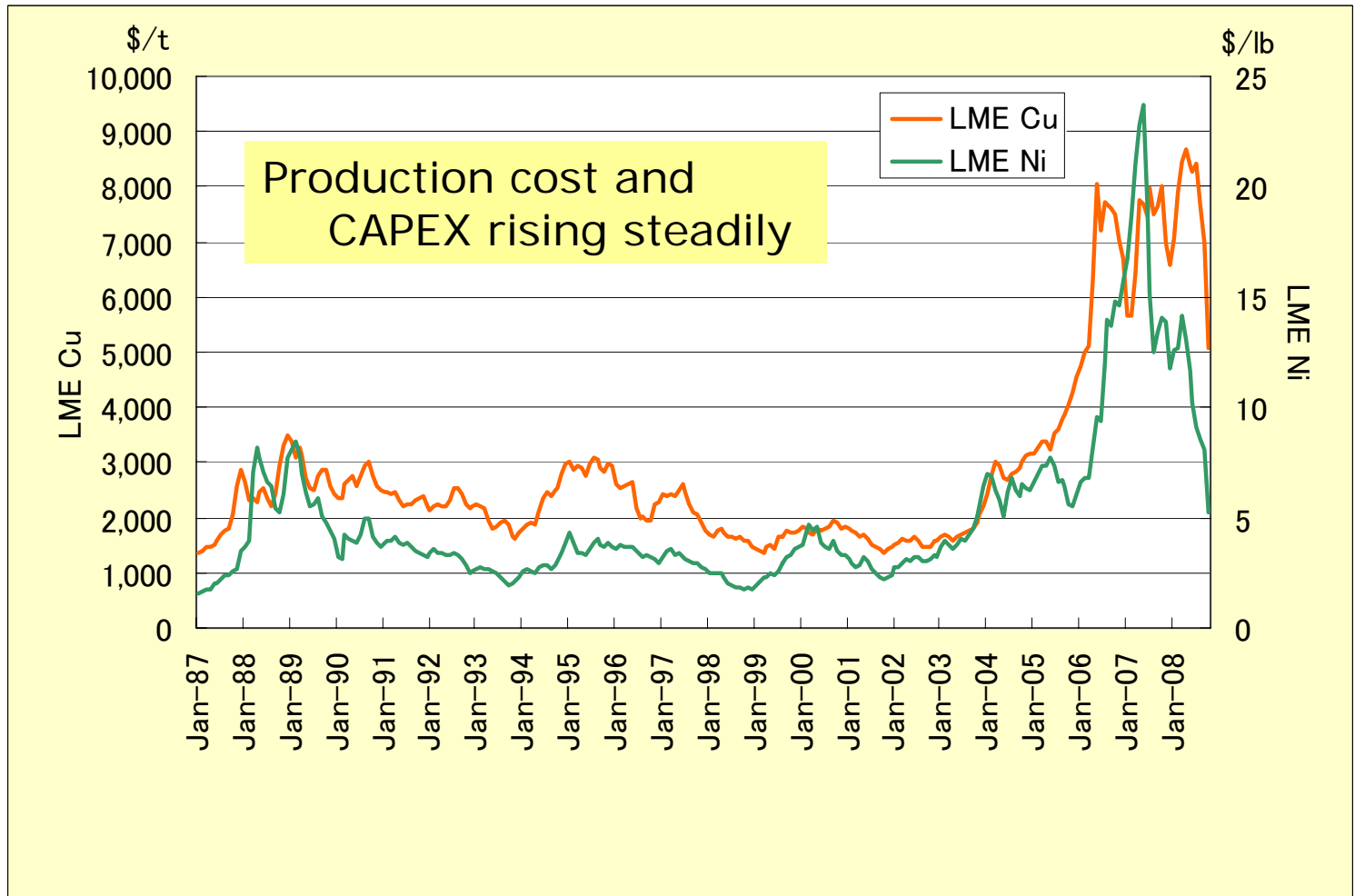
(C) ROE Trend



IV. Trends in Non-ferrous Metals / Forex



Non-ferrous Metals Prices: Common Factors



Cost Increasing at Major Mines

P.T.INCO Unit cash cost

	2002	2003	2004	2005	2006	2007	08-1H
\$/lb	1.38	1.60	1.83	2.29	3.13	3.47	4.24

P.T.INCO Unit cash cost

	07-1Q	07-2Q	07-3Q	07-4Q	08-1Q	08-2Q
\$/lb	3.35	3.30	3.63	3.98	4.02	4.51
	1.00	0.99	1.08	1.19	1.20	1.35

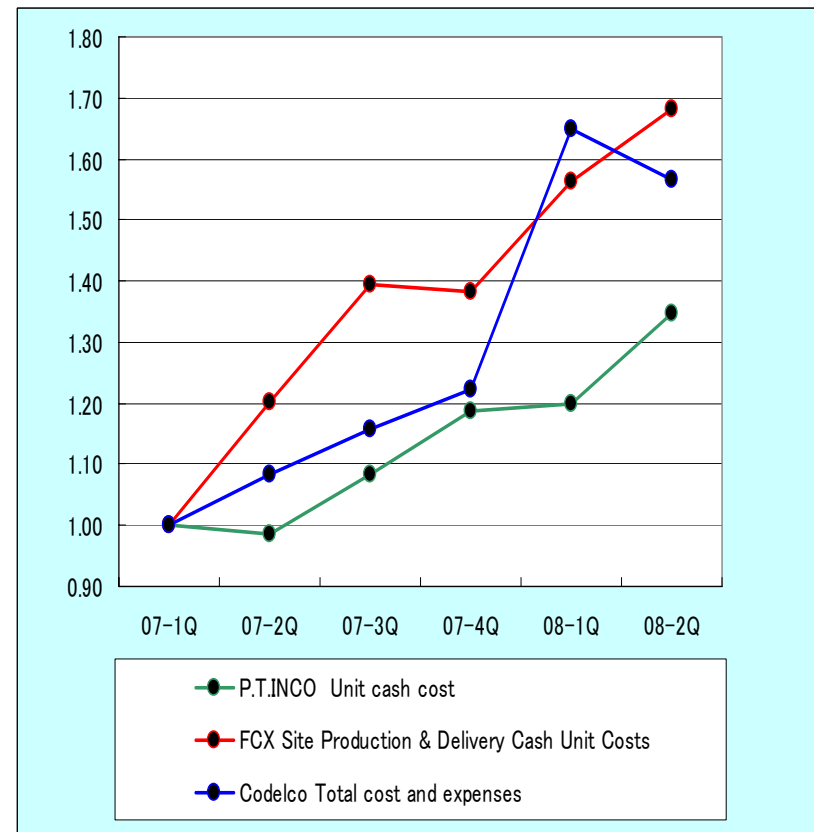
FCX Site Production & Delivery Cash Unit Costs

	07-1Q	07-2Q	07-3Q	07-4Q	08-1Q	08-2Q
\$/lb	0.94	1.13	1.31	1.30	1.47	1.58
	1.00	1.20	1.39	1.38	1.56	1.68

Codelco Total cost and expenses

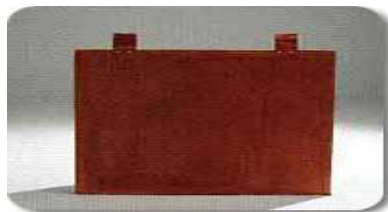
	07-1Q	07-2Q	07-3Q	07-4Q	08-1Q	07-2Q
\$/lb	1.164	1.261	1.346	1.423	1.919	1.822
	1.00	1.08	1.16	1.22	1.65	1.57

< INDEX >



Copper: Supply/Demand & Price Forecasts

	ICSG			Macquarie	B.Hunt	(kt) SMM
	2007	2008	2009	2008	2008	2008
Production	18,016	18,359	19,153	18,735	18,740	
Consumption	17,722	18,250	18,876	18,464	18,695	
Balance	294	109	277	271	45	
FY(\$/t)	7,584	—	—	—	—	2H: 6000
CY(\$/t)	7,119	—	—	7,863	7,707	—
Forecasted Timing	Result	2008.10		2008.9	2008.9	2008.10



Electrolytic Cu



Wire / Strip Cu etc.



Cu Decrease Production by Lower Ore Grade and Price crash

~ **Continual depression of Cu output by Majors** ~

Chronic lower Cu content into Cu ore grade

Grasberg : 760Kt/2006→452Kt/2007 Δ 284Kt

Open pit Ore grade Down 1.21%→0.7%

Los Pelambres : Ore's Cu content 0.81%→0.73%

Major Cu Mines; Escodida(Recent Force Majeure), Codelco etc.

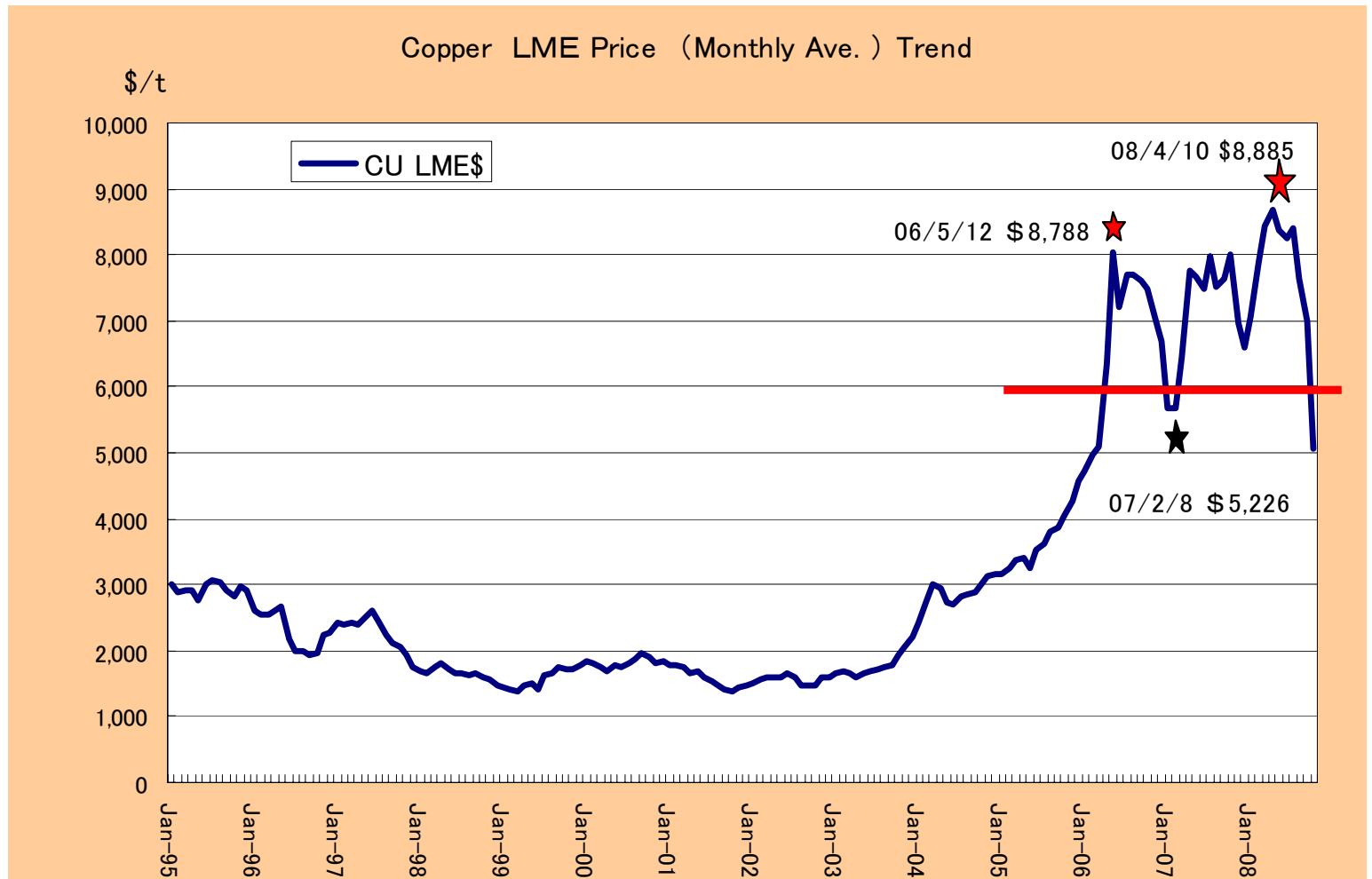
Decrepit & Deeper of Cu mines made lower Cu content and cost up

Price crash for Cu and Sulfuric acid caused deterioration for Smelters' return

Tongling in China could not pay for imported raw materials due to price crash of Cu and sulfuric acid (Sulfur Price: FOB Vancouver \$800→\$50/t)

Much more smelters may face the same problem and suspend production as possibility.

Copper

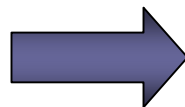


Nickel: Supply/Demand & Price Forecasts

	SMM			INSG		Macquarie	
	2007	2008	2009	2008	2009	2008	2009
Production	1,338	1,318	1,498	1,410	1,550	1,414	1,461
Consumption	1,283	1,298	1,409	1,380	1,440	1,384	1,441
Balance	55	20	89	30	110	30	20
FY(\$/lb)	15.47	2H: 6.00	—				
CY(\$/lb)				—	—	—	—
Forecasted Timing	Result	2008.10		2008.10		2008.11	
Ni Pig Iron (excl. P & C)	85	70	60	—	—		
Stainless	28,240	28,199	30,954	—	—	28,672	29,774



Electrolytic Nickel



Special/Stainless steel, electronic materials etc

Ni:

Increasing Disruption / Decreasing New Projects

~ **Aiming to reduce CAPEX·OPEX** ~

Vale : Onca Puma (Brazil) Capa:57Kt **2009/1Q start up delayed**
Velmelho(Brazil) Capa:48Kt **2012/1H start up delayed**
PT. INCO reduce production by 20%

Sherritt : **Ambatovy**(Madagascar)Capa:60Kt Start up in 2010

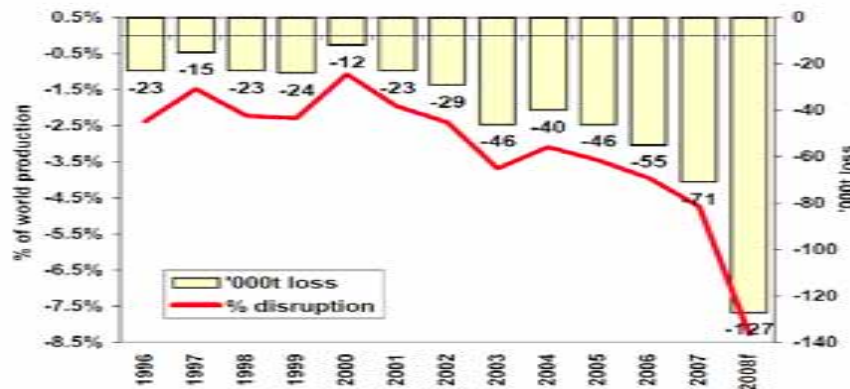
Review contracts of labor and engineering to reduce **OPEX by 15%**

Moa Bay(Cuba), **Fort Saskatchewan**(Canada) **suspend Expansion plans**

Norilsk : **Cawse suspended** review production in Australia

BHP : **Hallmar mine development**(Philippine) postponed Kalgoorie less output by 33kt

Xstrata : **Falcondo**(Dominican)FeNi production suspended for 4 months and reduce output by 10Kt



Source: Macquarie Research, Inco, August 2008

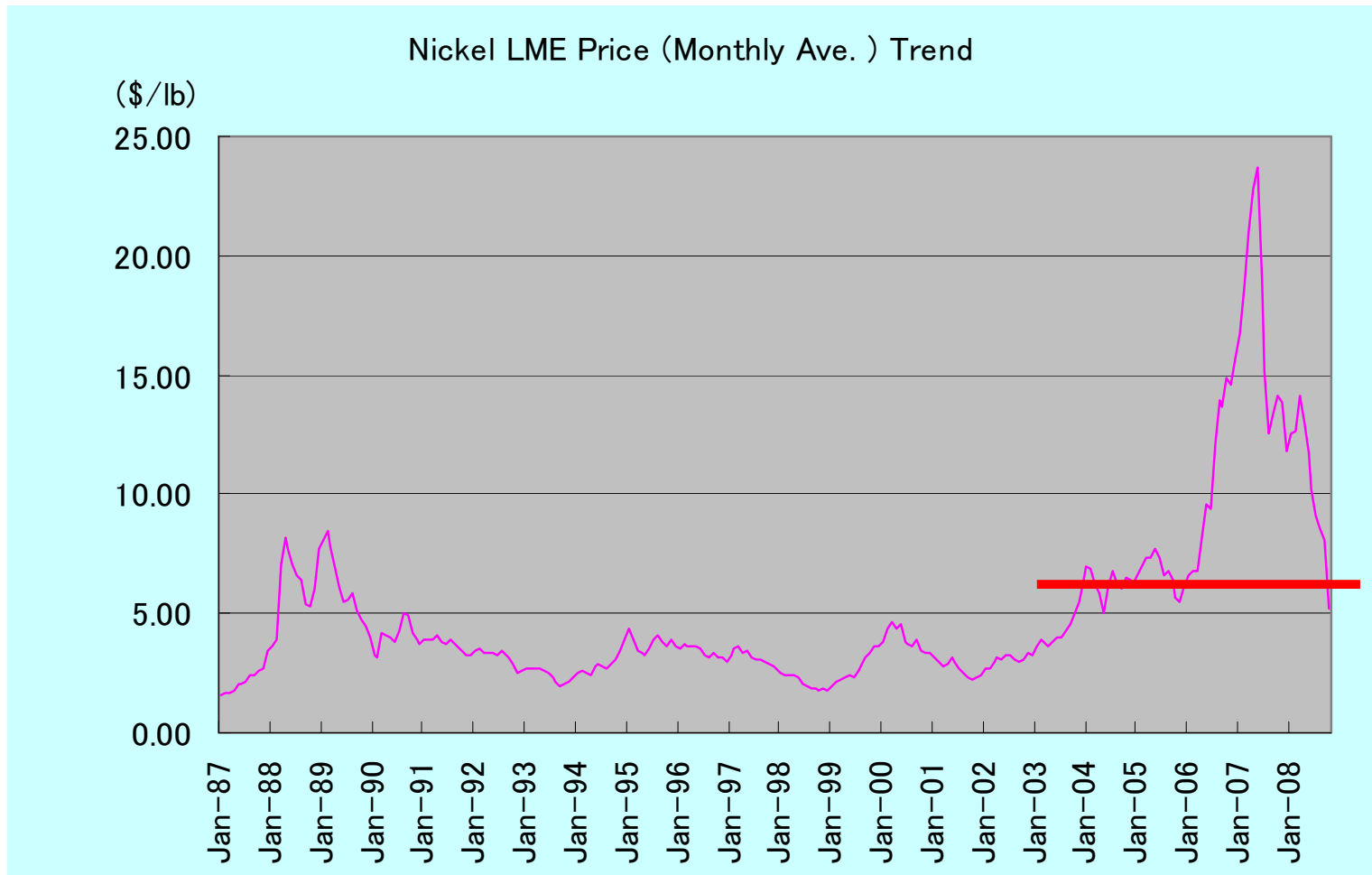
【Disruption Ratio %】

Up to 2002 : around 1.5%

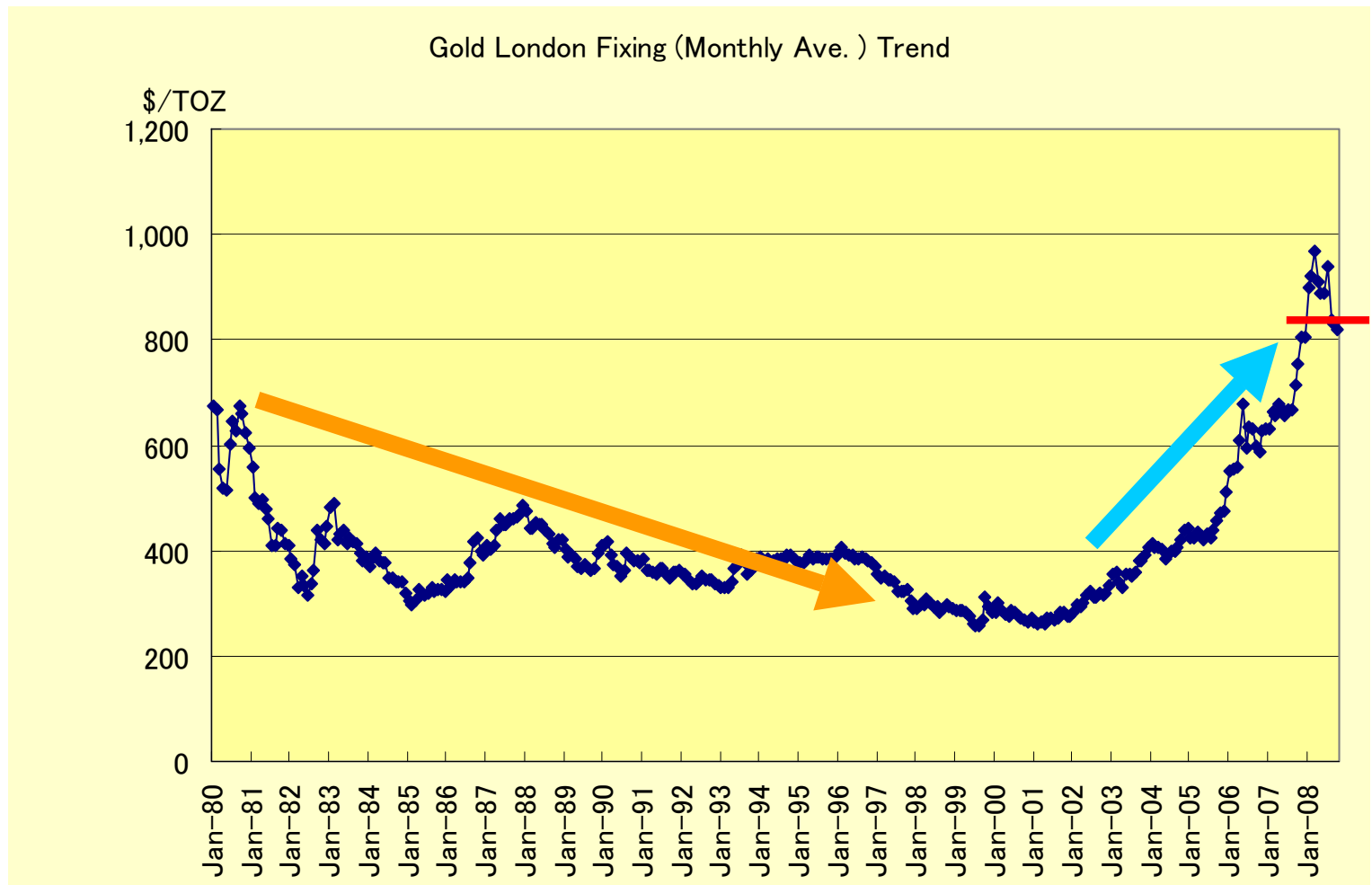
2003 onward : 2% and above

2008 : 7.5% (Approx.130Kt)

Nickel

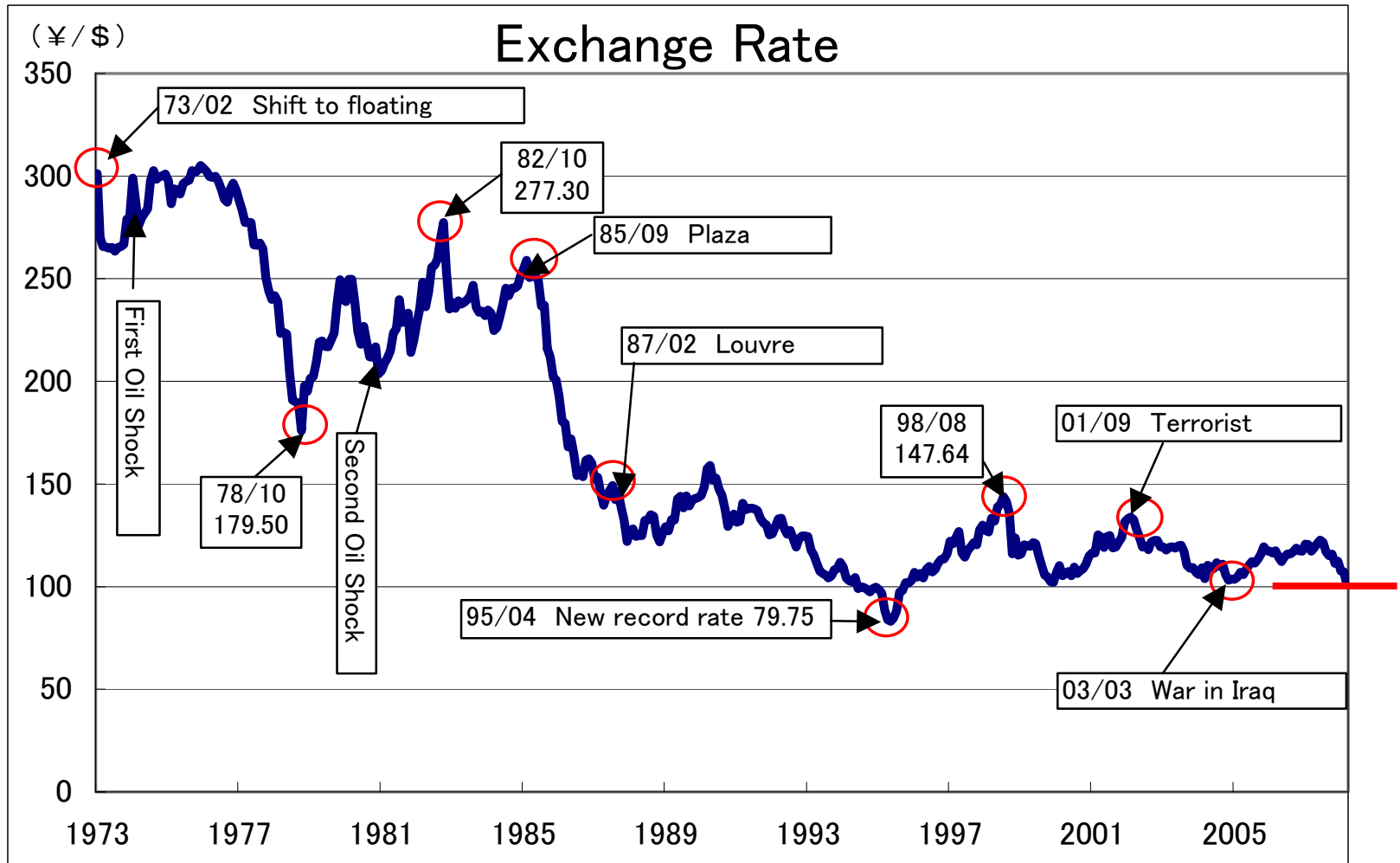


Gold



Exchange

Exchange	FY04	FY05	FY06	FY07	FY08 Forecast
JP¥/US\$	107.54	113.32	117.03	114.29	100.00



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