5713

FY2008

Progress of Business Strategy

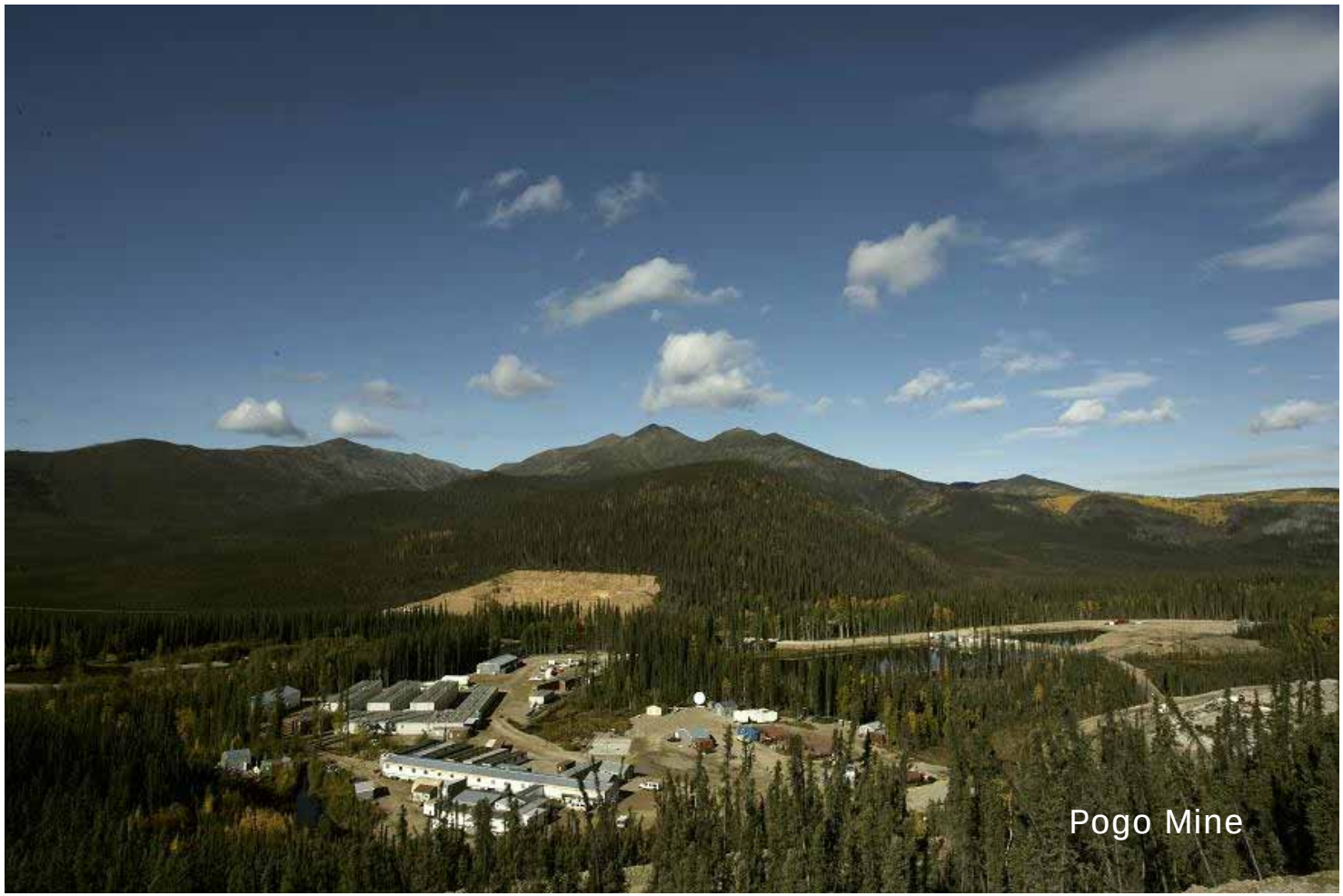
SUMITOMO METAL MINING Co., Ltd.

May 2009

Contents

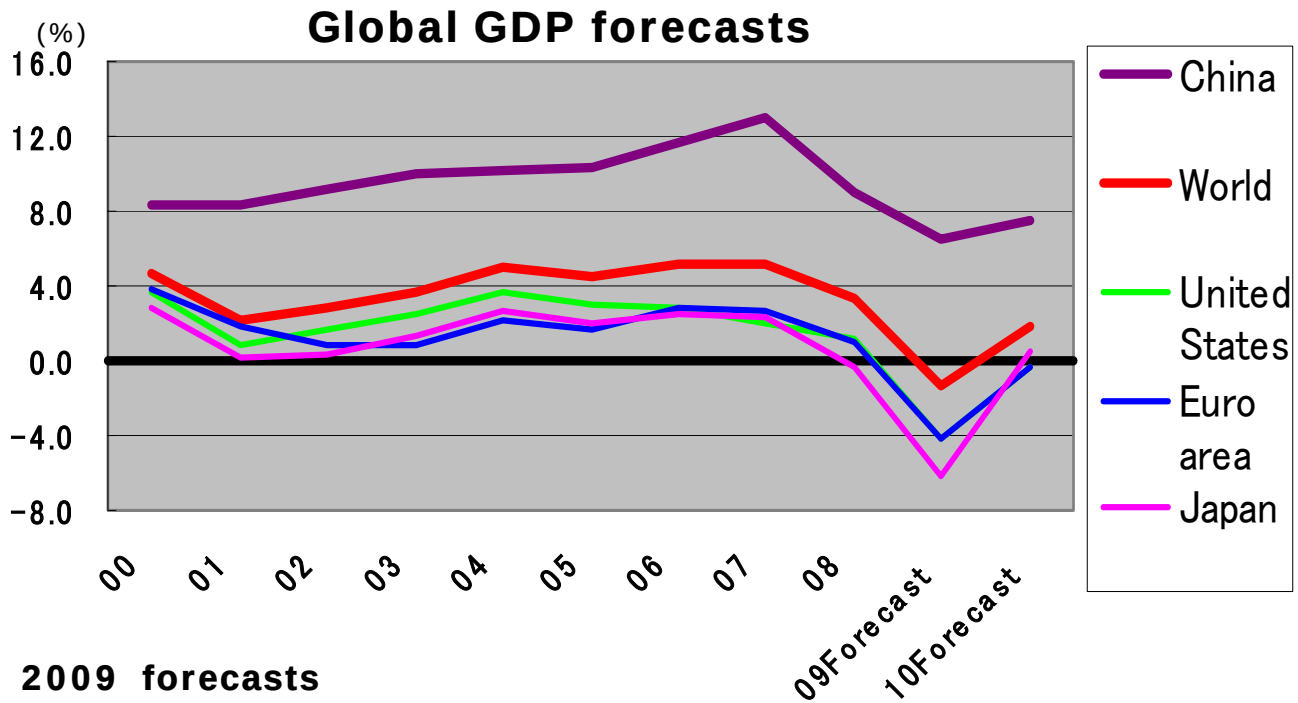
Ⅰ. Changes in Business Environment

～ Has economic sentiment related to our business areas bottomed out? ～



1）Business sentiment – Negative factors

① Further downward revisions to GDP forecasts



2009 forecasts

(%)	World	China	USA	Euro area	Japan
09/4Forecast	△1.3	6.5	△2.8	△4.2	△6.2
09/1Forecast	0.5	6.7	△1.6	△2.0	△2.6

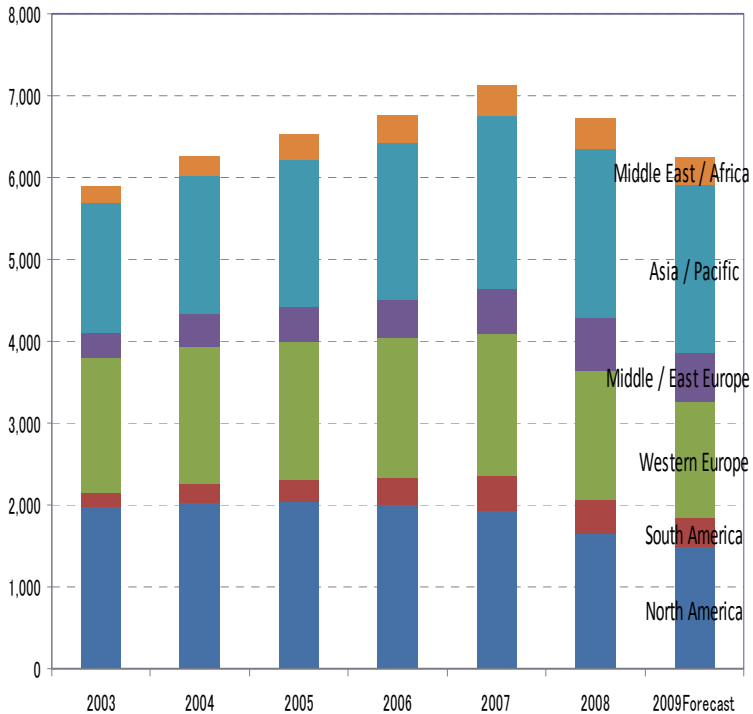
(Source：IMF)

Japan 08／10–12 actual △3.2% (annualized rate△12.1%)
09／ 1– 3 actual **△4.0% (annualized rate△15.2%) Recovery projected from 2Q**

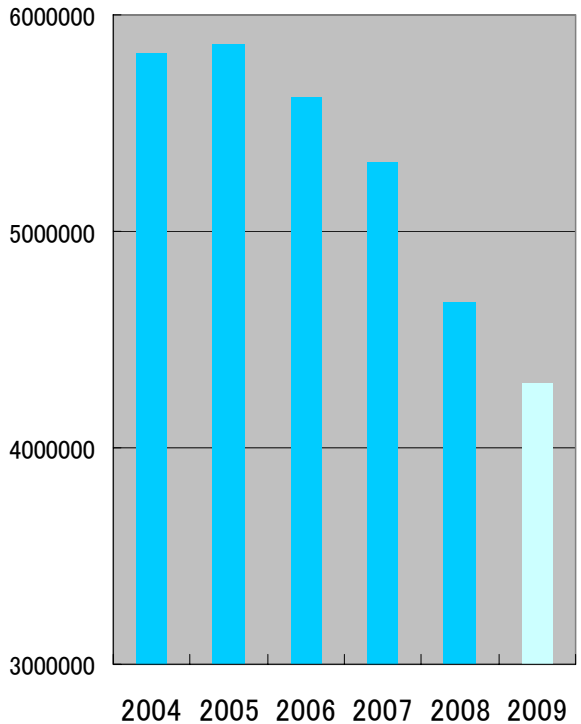
1）Business sentiment – Negative factors

② Sharp declines in auto sales

Global auto sales volumes



Auto sales in Japan



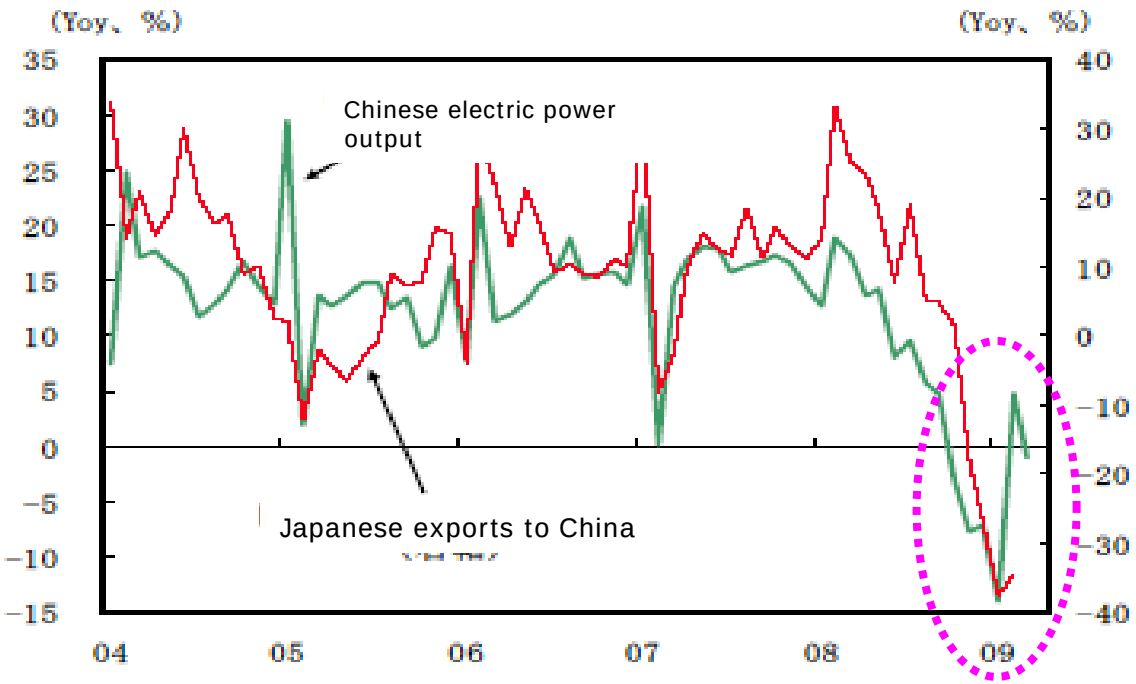
(Source: JAMA, etc.)

Auto sales are projected to drop sharply in 2009 and recover starting in 2010

2) Business sentiment – Positive factors

① Sustainability of economic recovery in China

Chinese electric power output / Japanese exports to China



(Source:CEIC)

Chinese electric power output, an indicator of the real economic situation, began recovering in 2009;
close attention to this indicator will be paid going forward.

2) Business sentiment – Positive factors

② Expansion in Chinese domestic demand

① Jia Dian Xia Xiang: Government subsidy program to promote ownership of home electronics in rural areas

◎TVs, refrigerators, washing machines, mobile phones, air-conditioners, water heaters, computers
13% subsidy, from Feb .2009 through Jan. 2013, in all provinces

⇒Operating ratios of Taiwanese FPD makers
Jan.09：**30-40%** ⇒ Mar.-Apr.：**50-60%** ⇒ July～：**85% and higher**

⇒1Q overseas： Chips for **TVs/mobile phones**
Estimated **△10%** ⇒ Actual **+10%**

② Subsidy on small cars (below 1600cc)

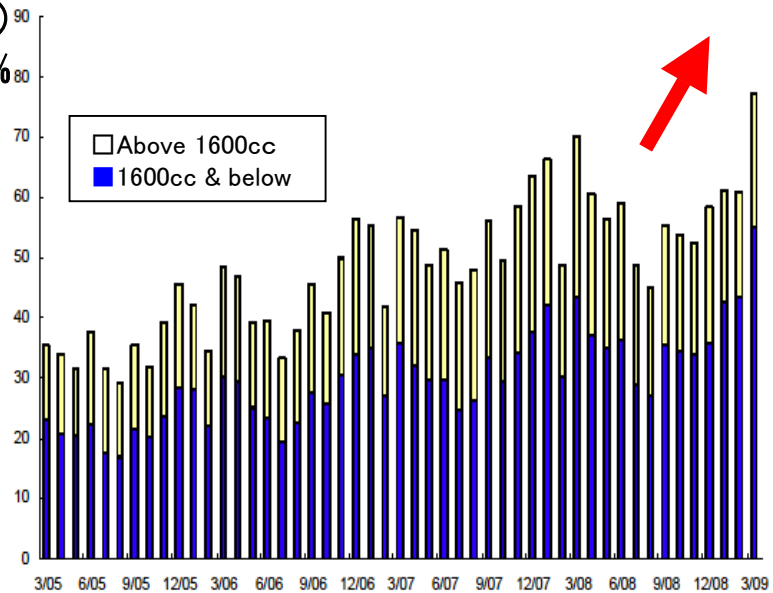
Acquisition tax lowered from10% to 5%

③ Qi Che Xia Xiang:

Government subsidy program to promote car ownership in rural areas

◎ 10% subsidy on replacement purchases of cars of 1300cc and below

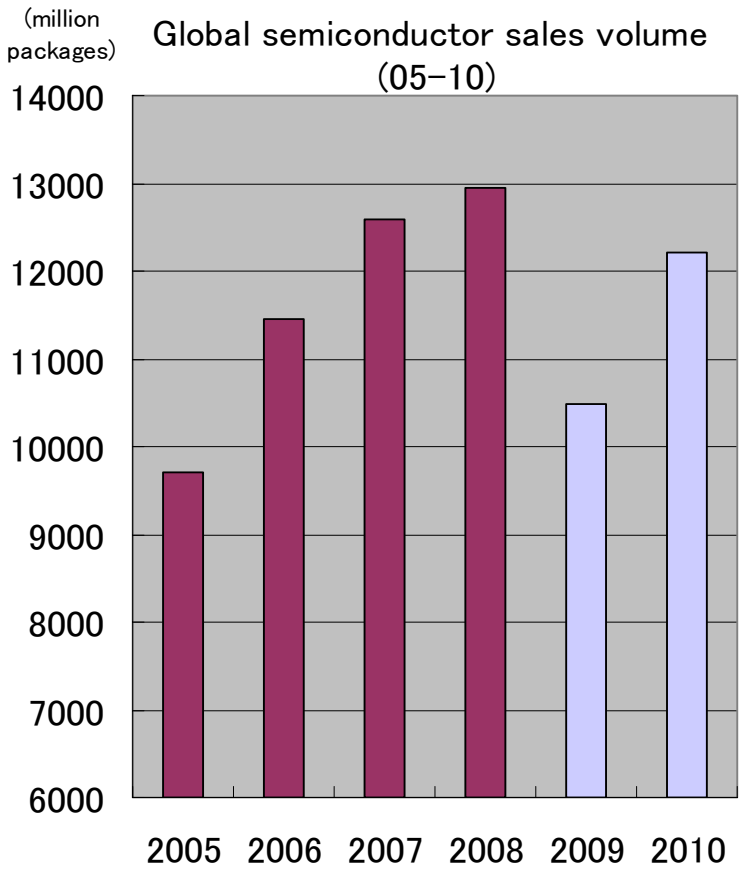
⇒**In 09/1Q, sales volume of target cars increased 22%.**

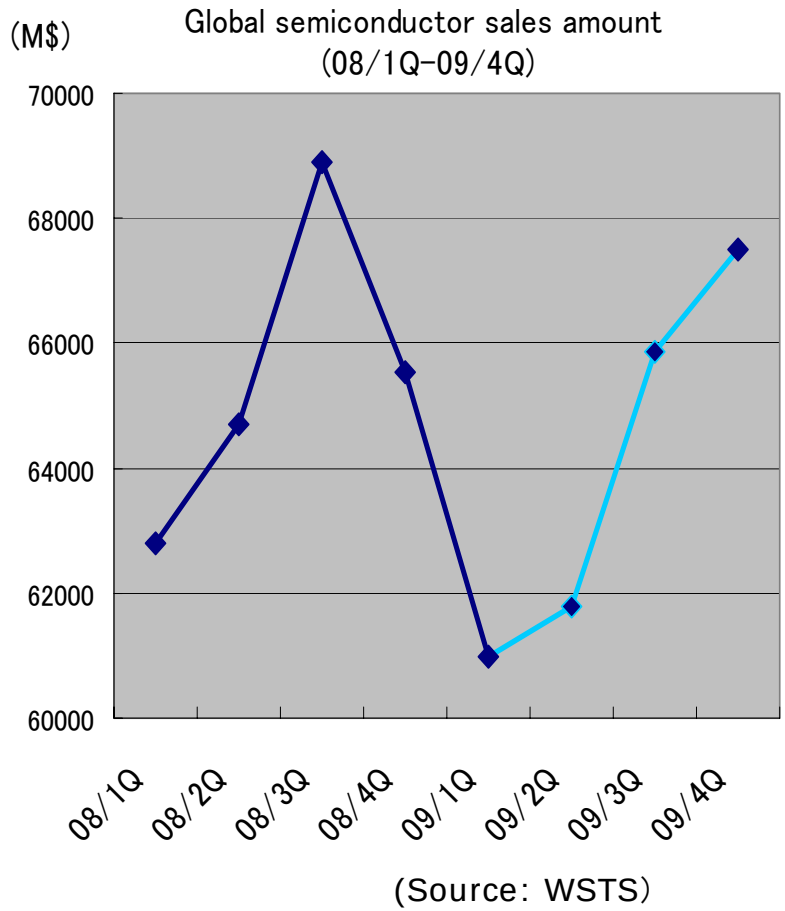


(Source: CEIC)

Ripple effect on global economy?
Sustainability?
Economic pump-priming only; not the start of a full-scale trend

3) Semiconductor market ～ Real recovery will start in 2010 or later

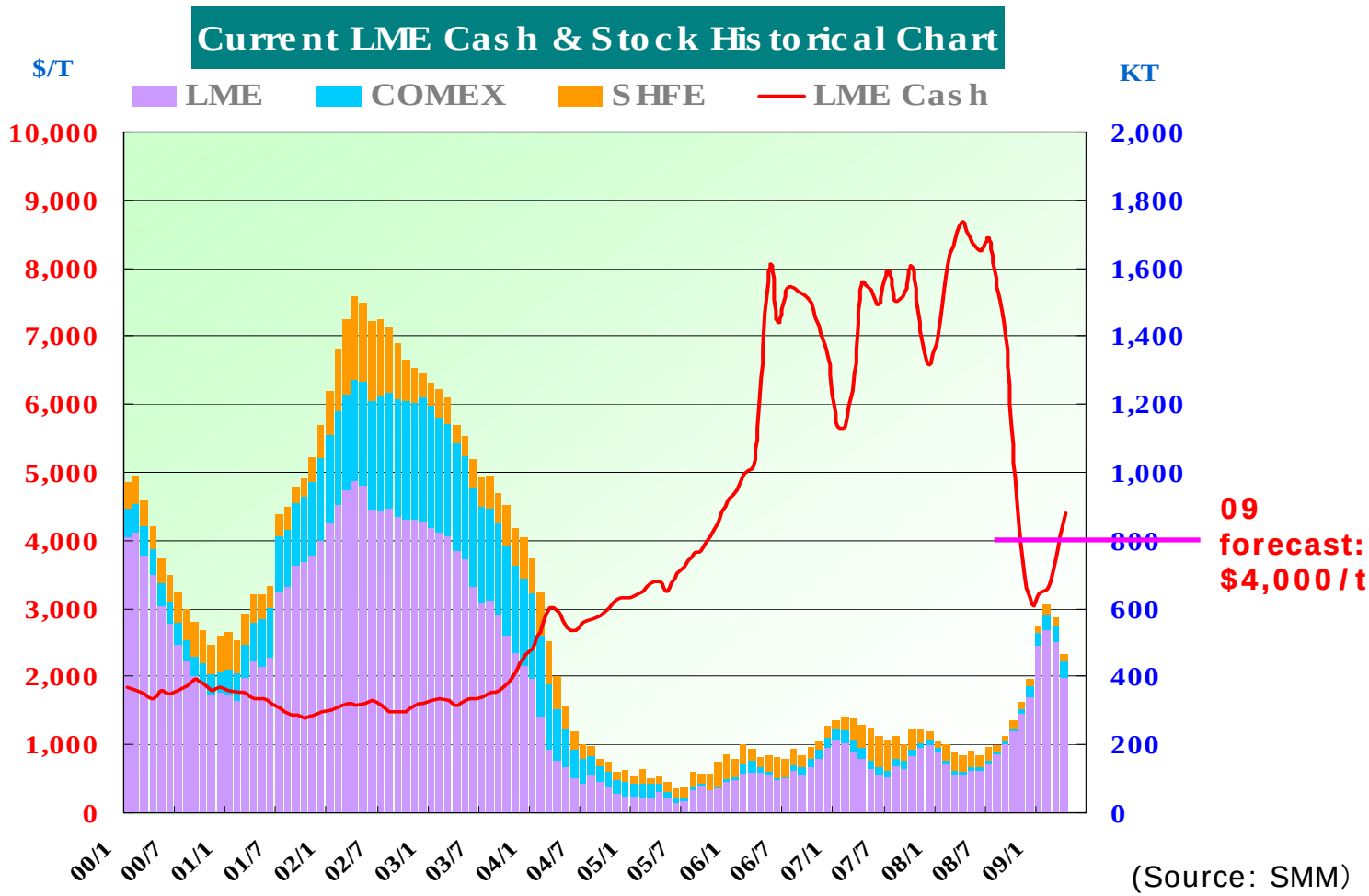




(Source: WSTS)

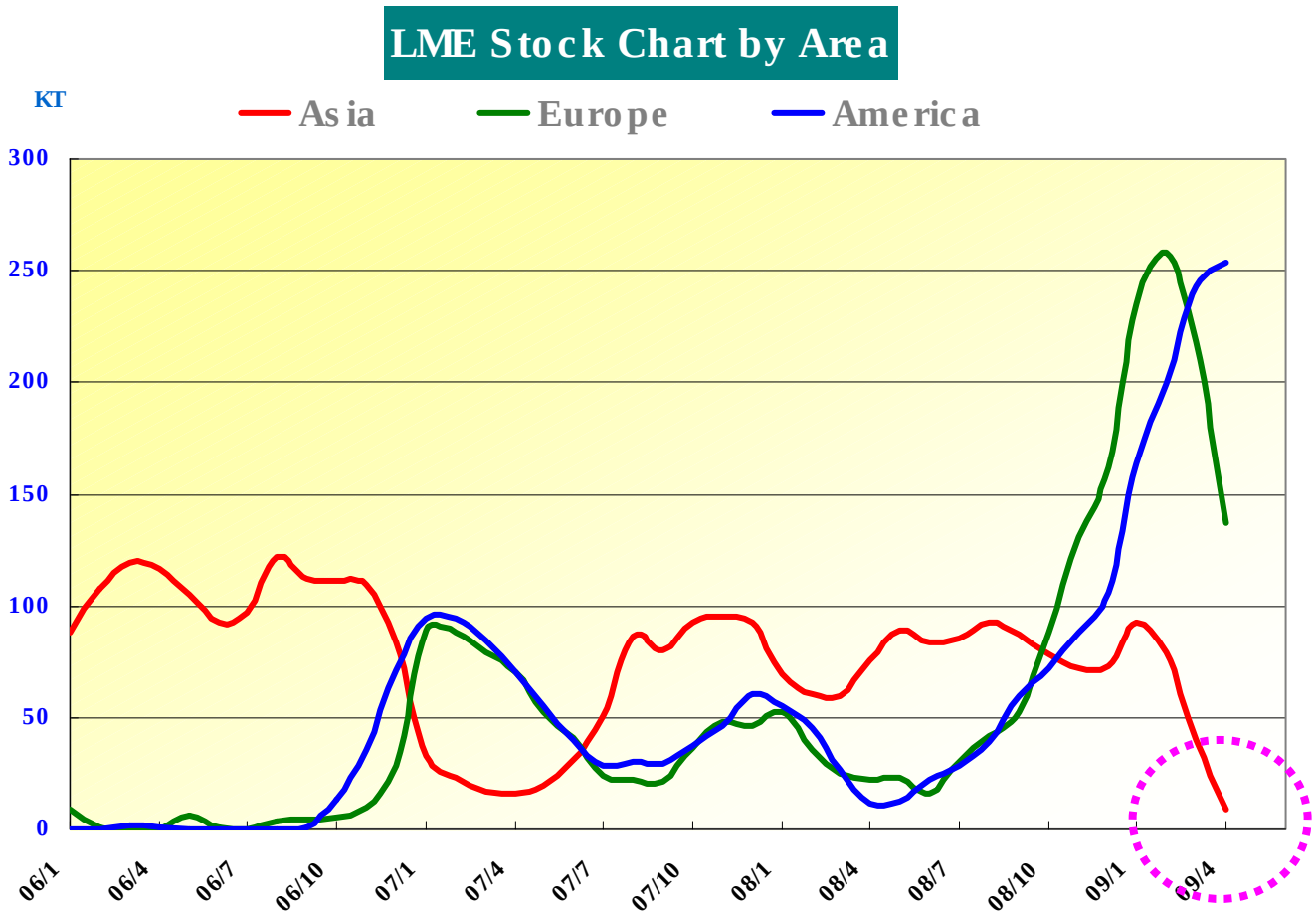
Ⅱ. Metal Markets

1）Copper ～
①LME Price ・LME/COMEX/SHFE Stock



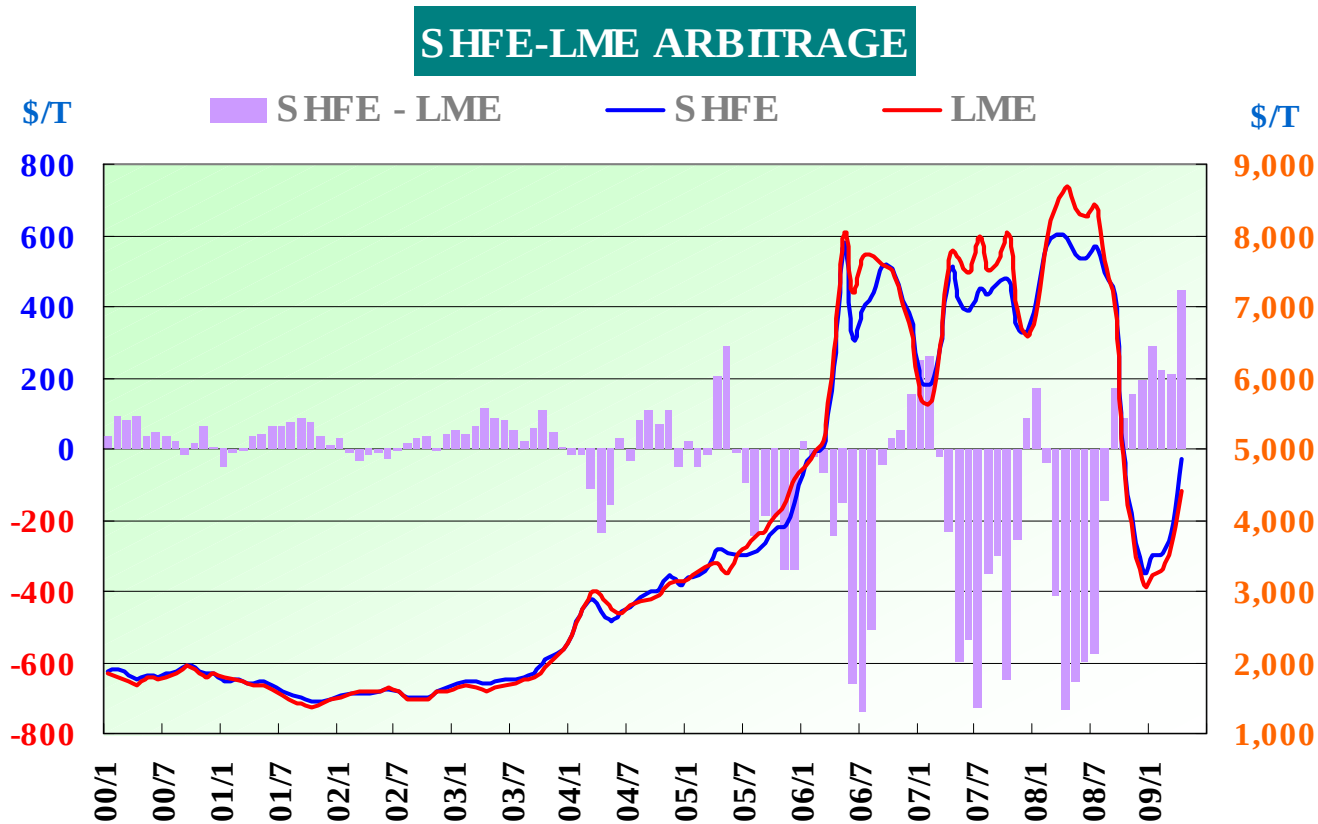
(Source: SMM)

1）Copper ～
②LME Stock: Rapid decrease in Asia stock



(Source: SMM)

1）Copper ～ ③ SHFE- LME arbitrage



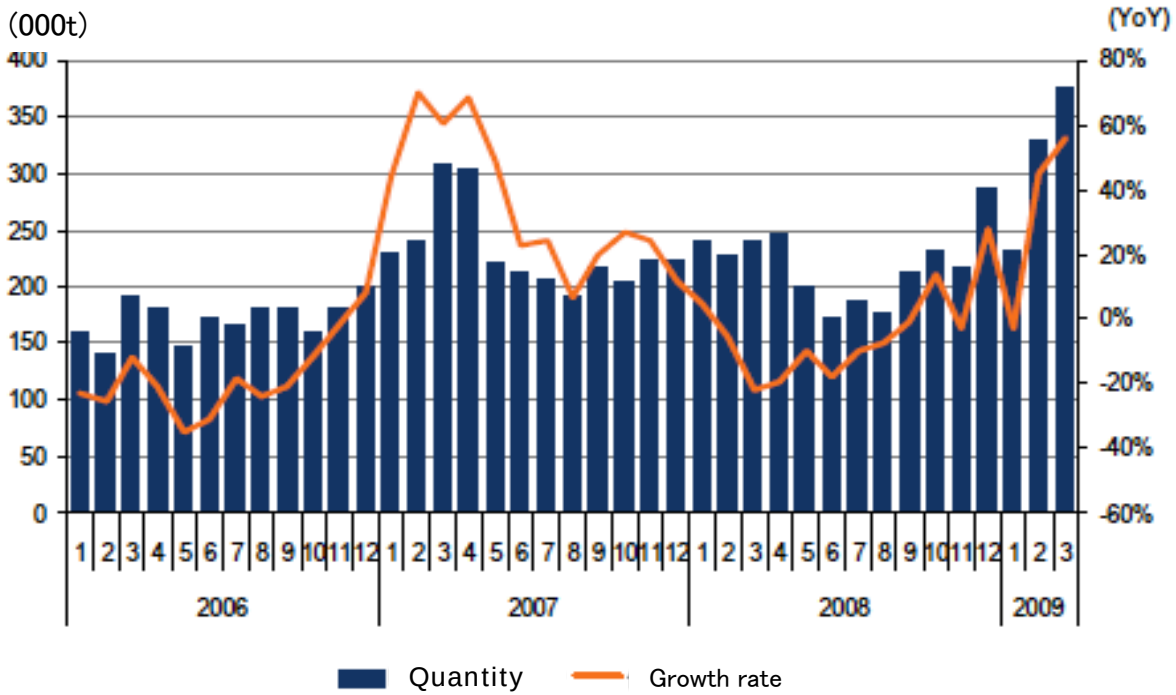
(Source: SMM)

Increase in Cu imports to China attributable to SHFE prices being higher than LME prices

1）Copper

～ ④ Rapid increase in imports to China

Cu imports (unwrought & products) to China

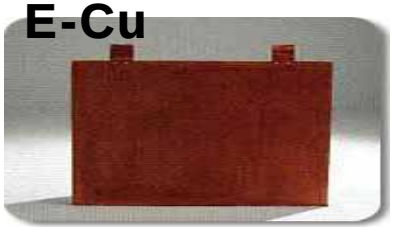


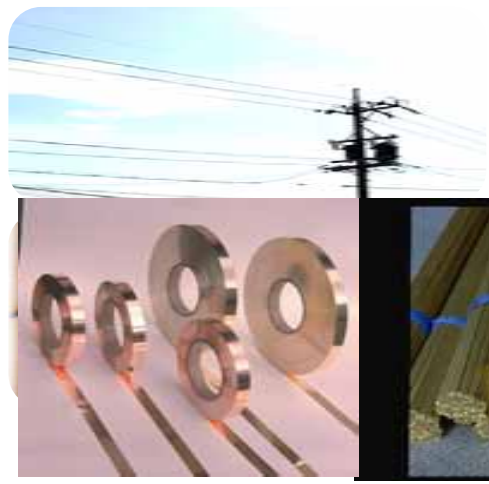
(Source：CEIS)

China's State Reserves Bureau (SRB) has already purchased about 300kt-Cu (of a planned 1000kt-Cu). Although this is having an impact on the global Cu market, it does not reflect real demand.

1）Copper
～ ⑤ Supply & demand / Price forecasts

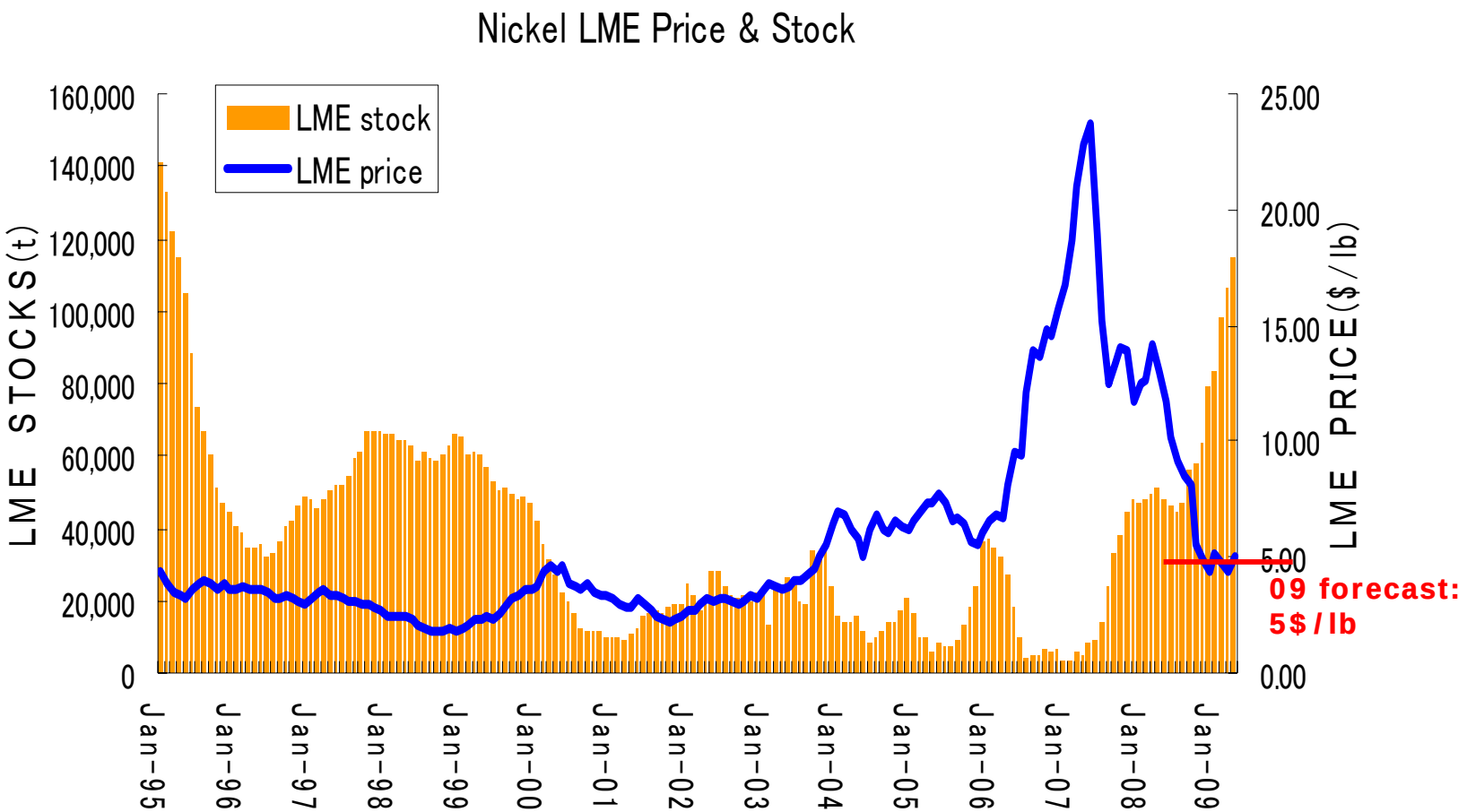
	ICSG			Macquarie	SMM
(kt)	2007	2008	2009	2009	2009
Output	18,008	18,244	17,574	17,845	18,100
Consumption	17,722	17,995	17,230	17,000	17,900
Balance	286	249	344	845	200
FY($/t)	7,584	5,864	—	3,472	4,000
CY($/t)	7,119	6,956	—	3,417	3,857
Estimated Timing	Result	2009.4		2009.5	2009.4





Wire, strip copper, etc.

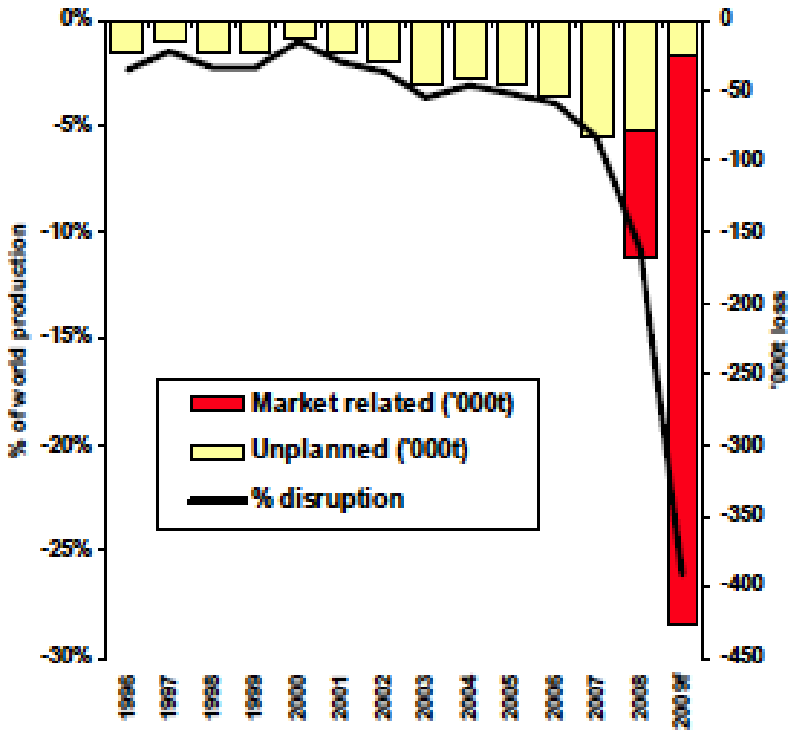
2）Nickel ～ ① LME price & stock



(Source: SMM)

2）Nickel
～ ② Disruption vs production increase

Nickel production is running around 25% below plan in 2009.



Source: Macquarie Research, April 2009

Rapid increase in disruption

Start of 09 : △300Kt
⇒ current: △400Kt & higher

●Vale Inco announced 09 production cutbacks

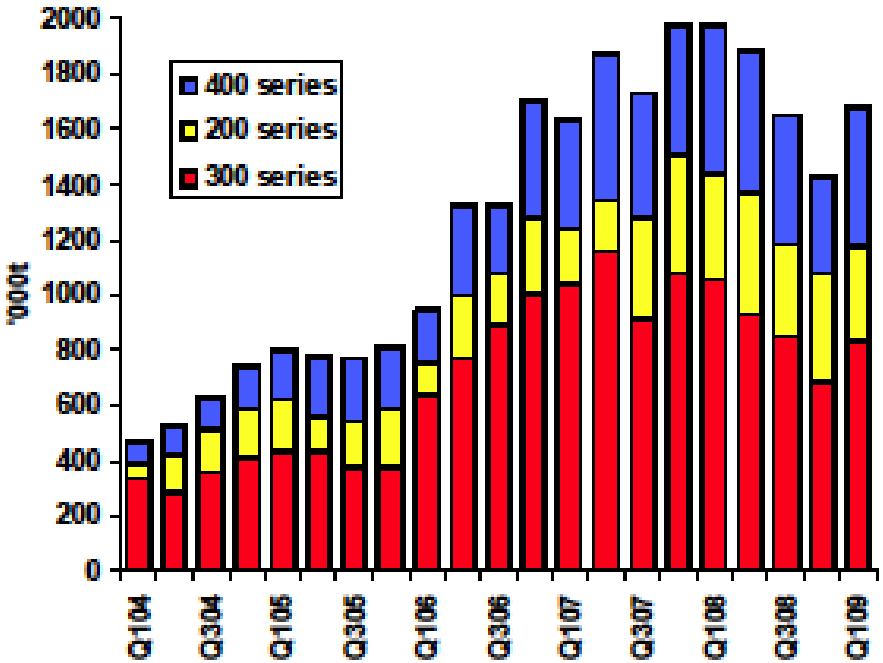
・Sudbury	△13Kt
・Onca Puma	△ 4
・PT INCO	△15
Total	△32

●New 09 Projects

・POSCO	+16Kt
・CBNC	+ 7
・Goro	+ 7
Total	+30

2）Nickel ～ ③ Is stainless steel production in China in recovery?

Chinese reported quarterly stainless steel output



- **China 09/1Q: Ni-stainless steel production in rising trend (300 series)**
- **Stocks remain at low level in Euro/USA/Japan**

Sources: CSSC, Macquarie Research, April 2009

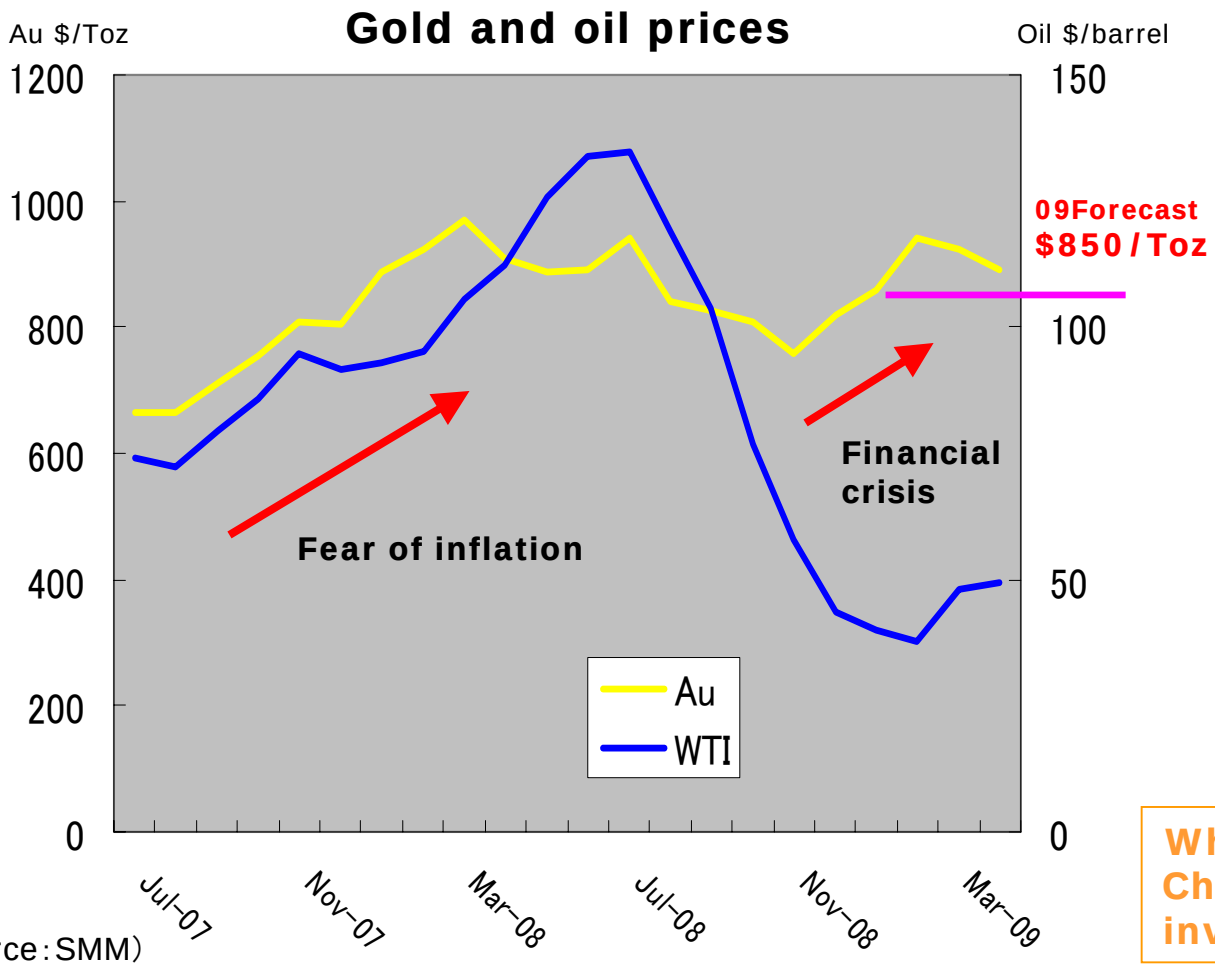
2）Nickel ～ ④ Supply & demand, Price forecasts

(Kt)	SMM			INSG			Macquarie
	2007	2008	2009	2007	2008	2009	2009
Output	1,395	1,355	1,357	1,420	1,390	1,260	1,204
Consumption	1,377	1,289	1,318	1,310	1,290	1,180	1,167
Balance	18	66	39	110	100	80	37
FY($/lb)	15.47	7.48	5.00	15.47	7.48	—	4.63
CY($/lb)	16.89	9.58	4.94	16.89	9.58	—	4.50
Estimated Timing	2009.3			2009.4			2009.5
Ni Pig Iron (Excluded)	85	65	50	—	—	—	
Stainless steel	28,525	25,913	24,917	—	—	—	22,574

Nickel

Special/stainless steel, electronic materials, etc.

3) Gold ～ ① Price



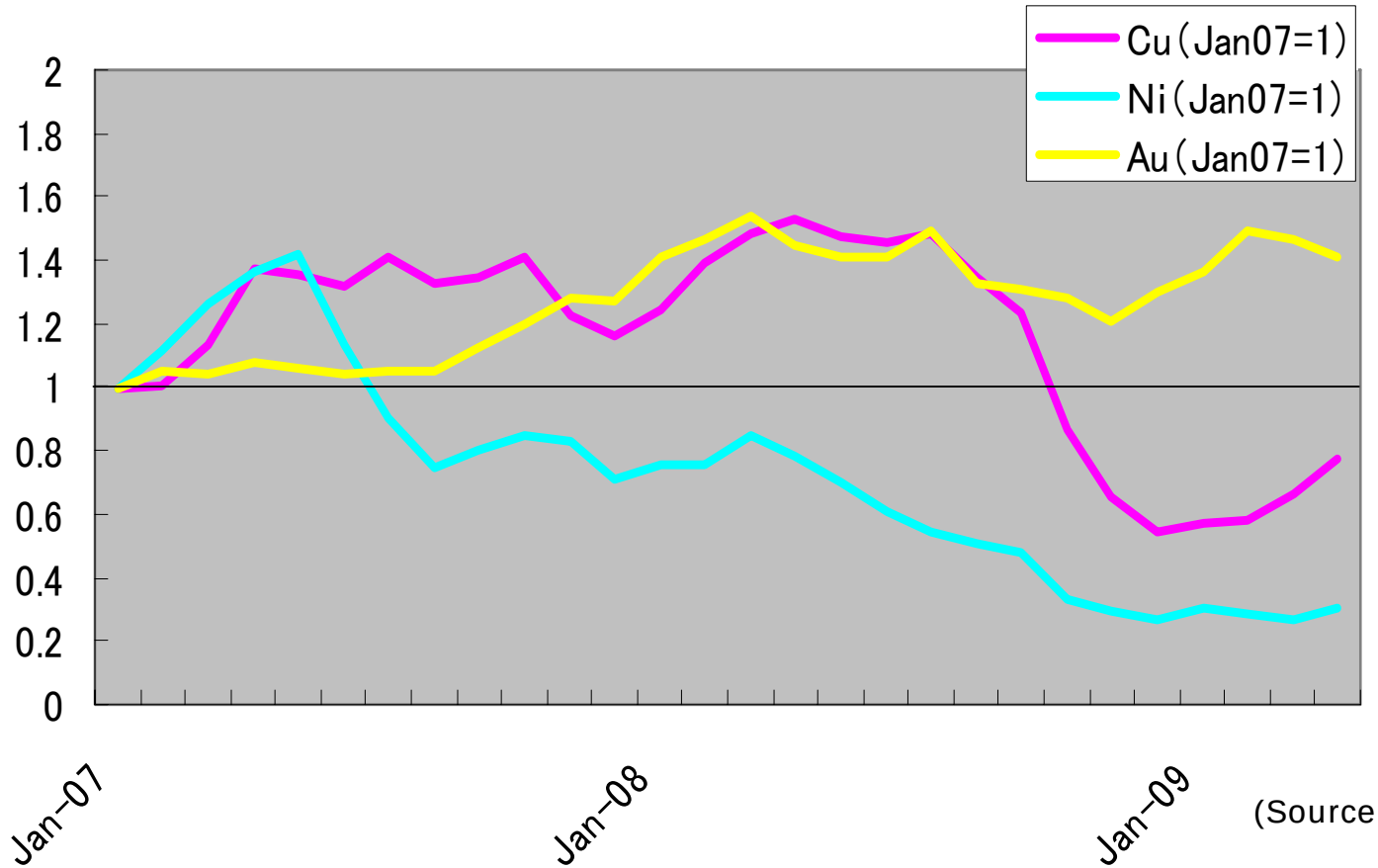
(Source：SMM)

Public gold reserves by country

	Reserves (t)
USA	8,134
Germany	3,413
IMF	3,217
France	2,509
Italy	2,452
Switzer-land	1,040
Japan	765
Nether-lands	621
China	600

What impact from Chinese gold investment?

4）SMM Metals Portfolio (Cu・Ni・Au)

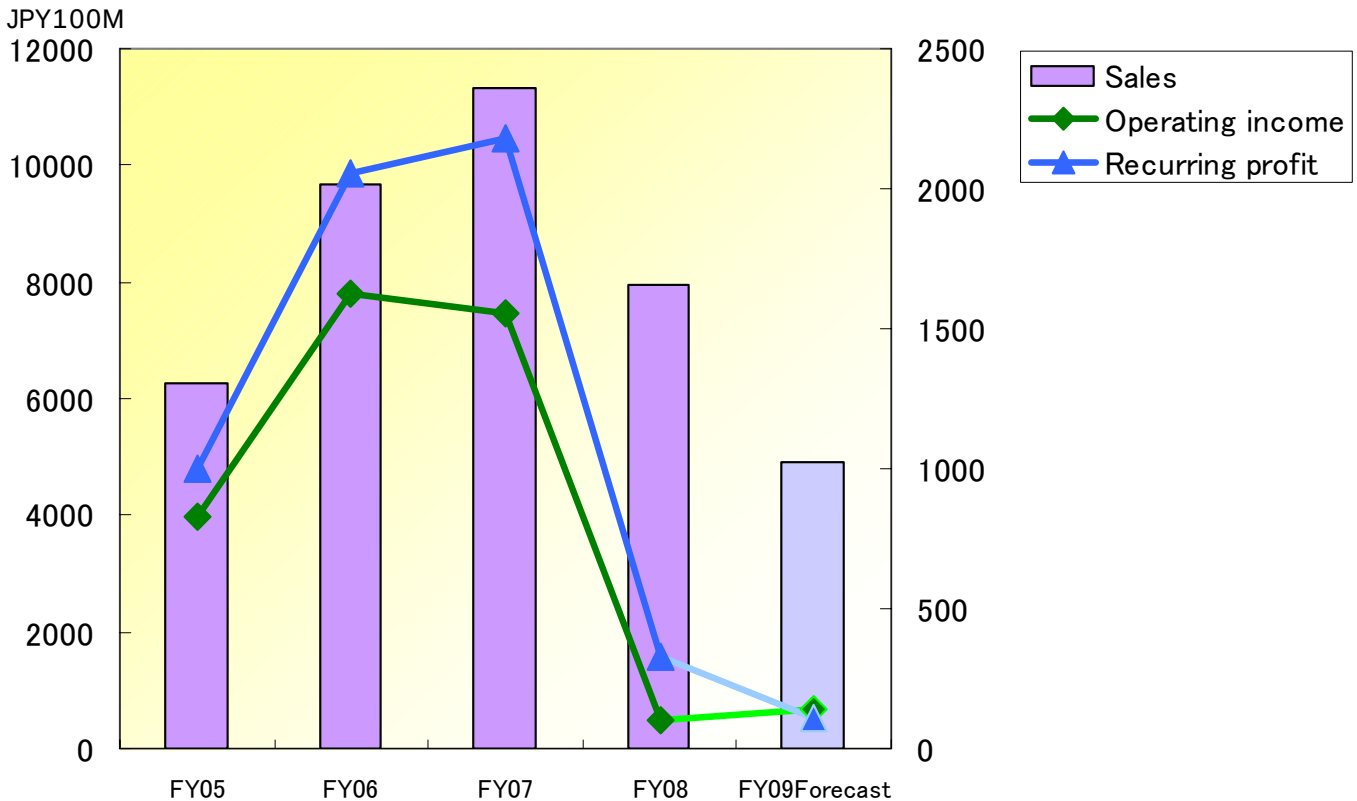


(Source：SMM)

Price trends of SMM's main metals: Cu・Ni・Au

Ⅲ. FY2009 Earnings Maximization

1) Significant deterioration in consolidated performance



FY08: Special losses totaling ¥90 billion (inventory impairment, etc.)

FY09: Further deterioration in business environment

From FY08 2H: Implementation of emergency management measures

2) Emergency management measures to ensure profitability

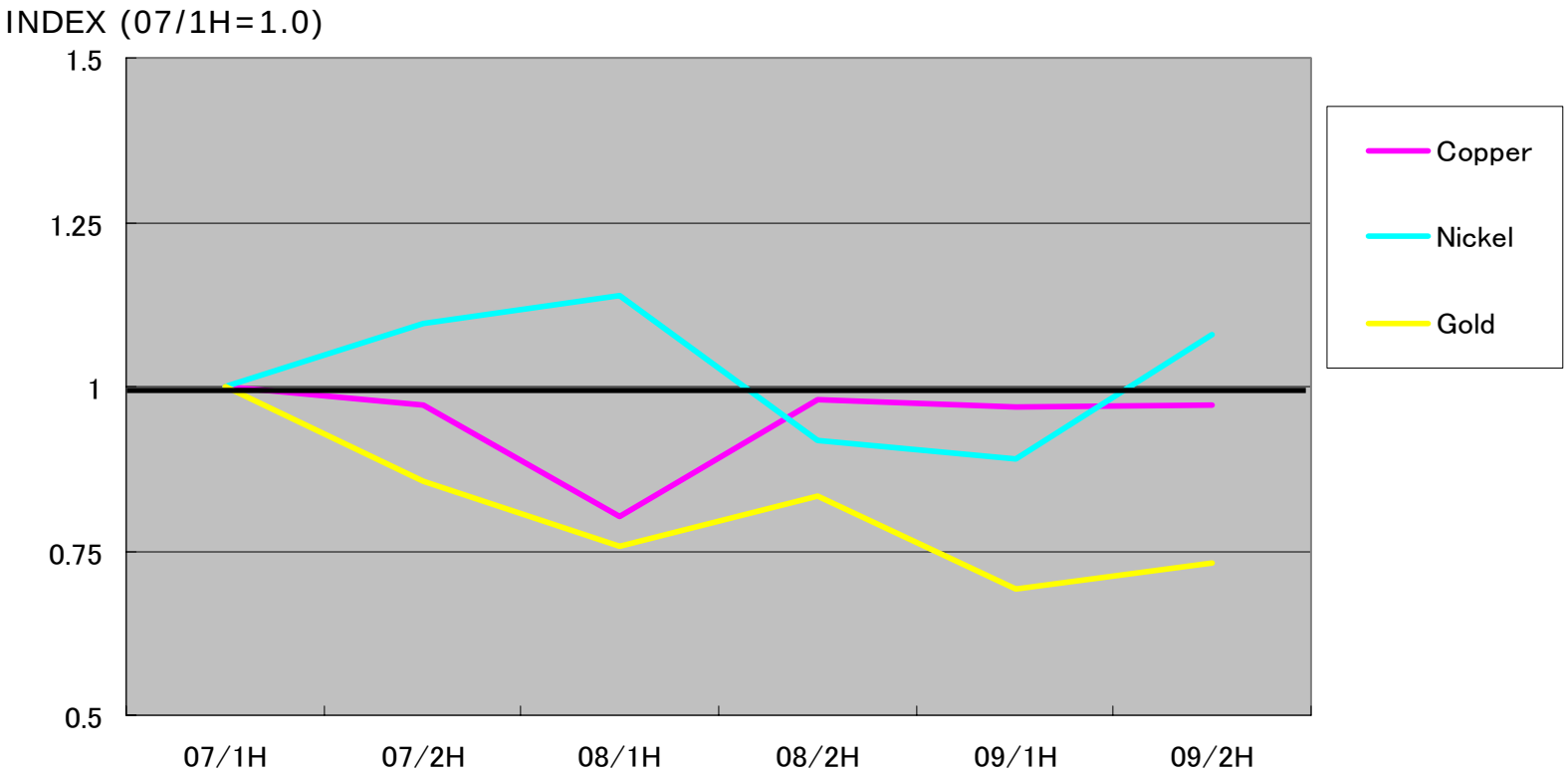
Business operations focused on earnings maximization and cost minimization

(1) Reduce finishing costs, increase operating efficiency.
(2) Pare investment and exploration costs to strategic projects only.
(3) Select and focus on improvement of unprofitable business operations and products

Total cost reductions: ¥15 bn

Mineral Resources & Metals: ¥10bn reduction
Electronics & Advanced Materials: ¥5bn reduction
(Energy costs: ¥5bn; Repair costs: ¥3bn; Controllable costs: ¥3bn;
CAPEX, labor, etc. costs from reduced CAPEX: ¥4bn)

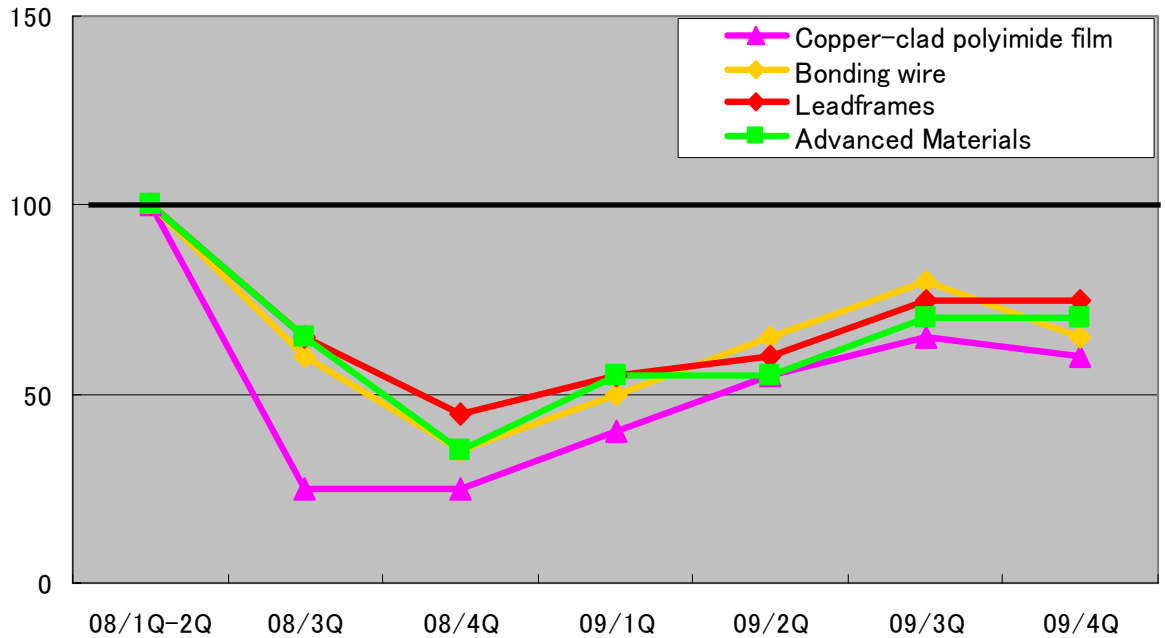
3) Metal production trends ～ Product cutbacks to continue in FY2009



		07/1H	07/2H	08/1H	08/2H	09/1H	09/2H
Copper	t	206,621	200,670	165,884	202,783	200,000	201,000
Nickel	t	25,376	27,818	28,891	23,267	22,600	27,400
Gold	kg	24,602	21,085	18,618	20,529	17,000	18,000

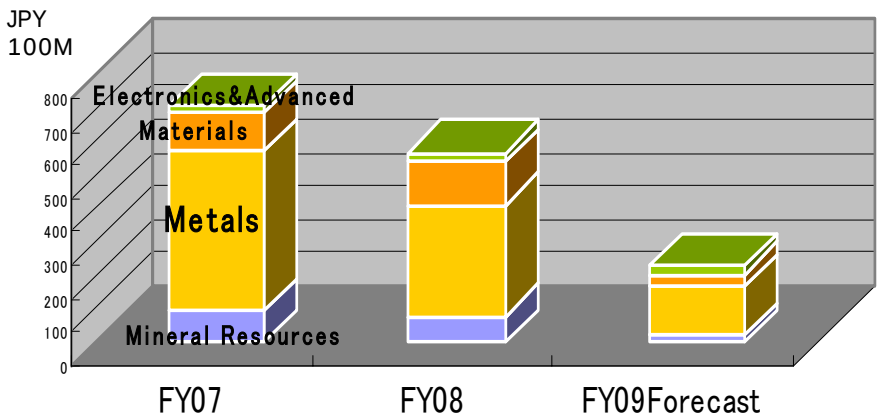
4) Electronics & Advanced Materials sales trends ～ Slow recovery in FY2009

INDEX (FY08/1Q-2Q=100)

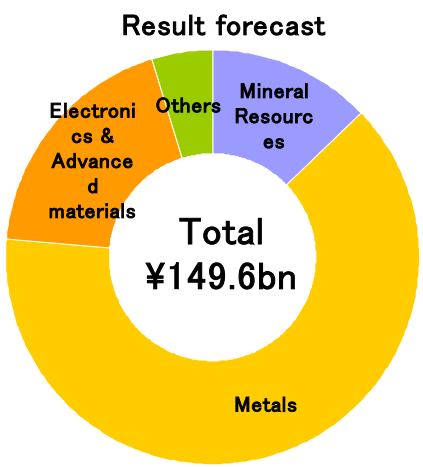


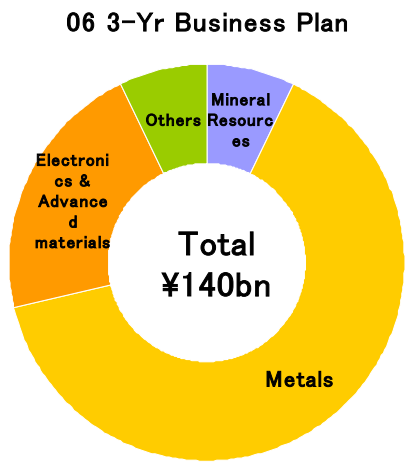
	FY2008			FY2009			
	1Q-2Q	3Q	4Q	1Q	2Q	3Q	4Q
Copper-clad polyimide film	100	25	25	40	55	65	60
Bonding wire	100	60	35	50	65	80	65
Leadframes	100	65	45	55	60	75	75
Advanced Materials	100	65	35	55	55	70	70

5) Capital Expenditure



Maximum reduction in FY2009





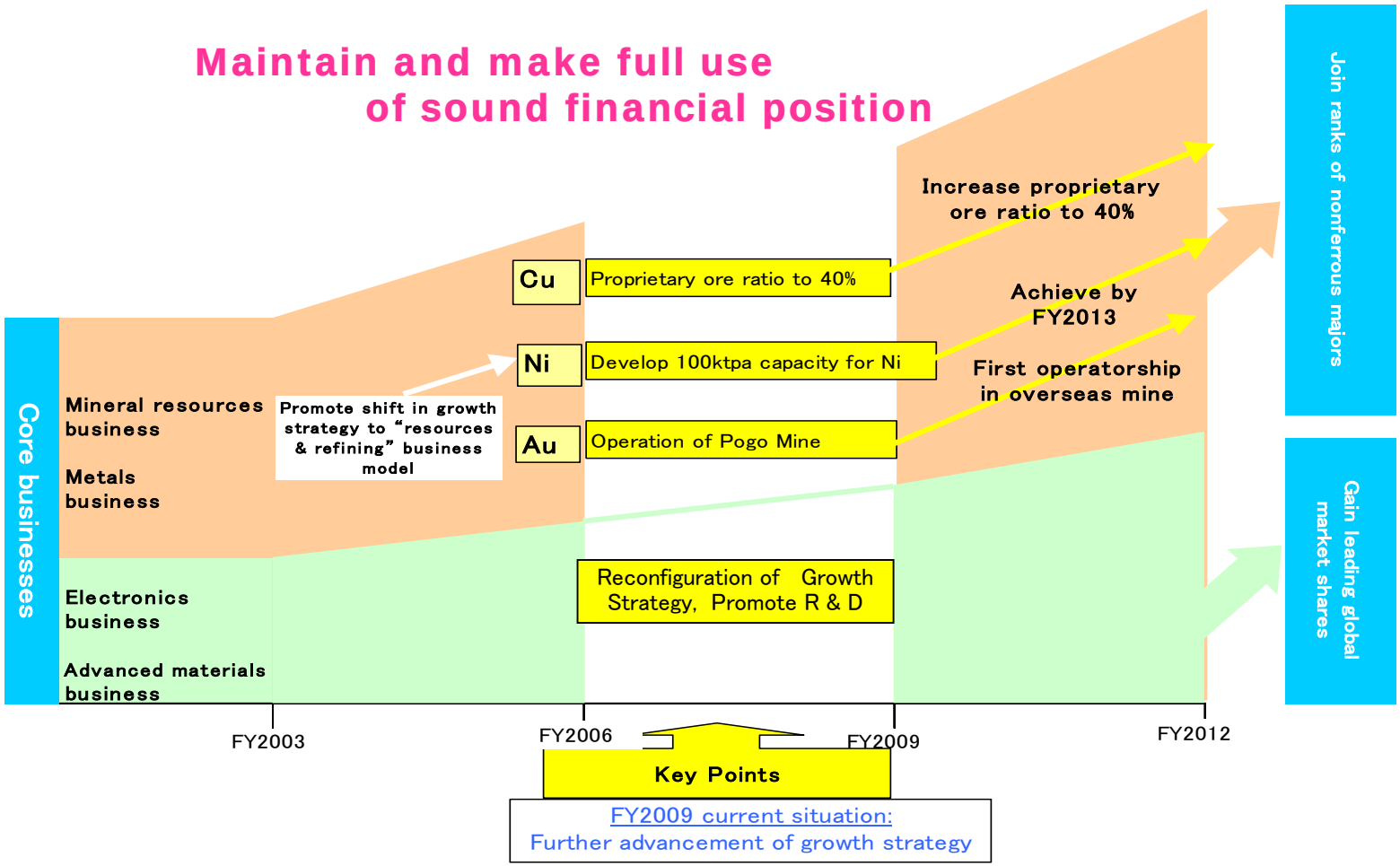
(JPY 100M)

FY07 Result	703
FY08 Result	566
FY09 Forecast	227
Total	1,496

Implement as planned;
¥9.6bn in unscheduled items, etc.
(excluding acquisition of interest in overseas mines, etc.)

Ⅳ. Run-up to 09 3-Yr Business Plan

1) Transition from 06 3-Yr Plan to 09 3-Yr Plan ～Reconfiguration of Growth Strategy



2) Transition from 06 3-Yr Plan to 09 3-Yr Plan ～ Reconfiguration of Growth Strategy

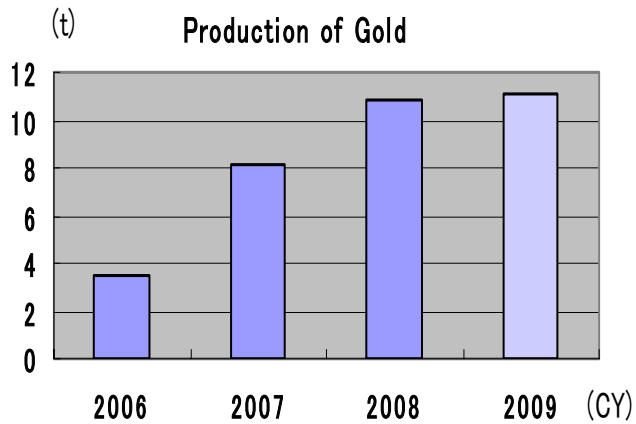
Low metal prices, strong yen, reduced sales; Expansionary trend assuming slow economic growth

Reassessment of growth potential and competitive strength of all business operations and products

1. **Mineral Resources & Metals:**
   Secure profitability on all projects
2. **Electronics & Advanced Materials:**
   Reconfiguration of growth strategy
3. **Strengthening of R&D and acceleration of development**
4. **Securing and education of personnel**
   Personnel for overseas operations, Establishment of personnel development center, strengthening of management education

3) Pogo Operatorship & Majority
①Acquisition of 100% interest

Acquisition, at end of June 2009, of Teck's interest (40%) for $245M, bringing Japanese interest to 100%



First overseas mine with SMM serving as operator

Estimated gold resources: 108.8t (at end of 2008)

Annual production : 11–12t

(Impact on earnings: + about ¥2bn/year)

・Cash operating cost (per toz)

2009 : further reduction

2008 : US$487

2007 : US$499

Pogo Mine

Logo mark designed by a high school student in Pogo

3) Pogo Operatorship & Majority

② Preparations to join ranks of nonferrous majors

Additional SMM staff to serve as operators at Pogo (presently 4 SMM staff)

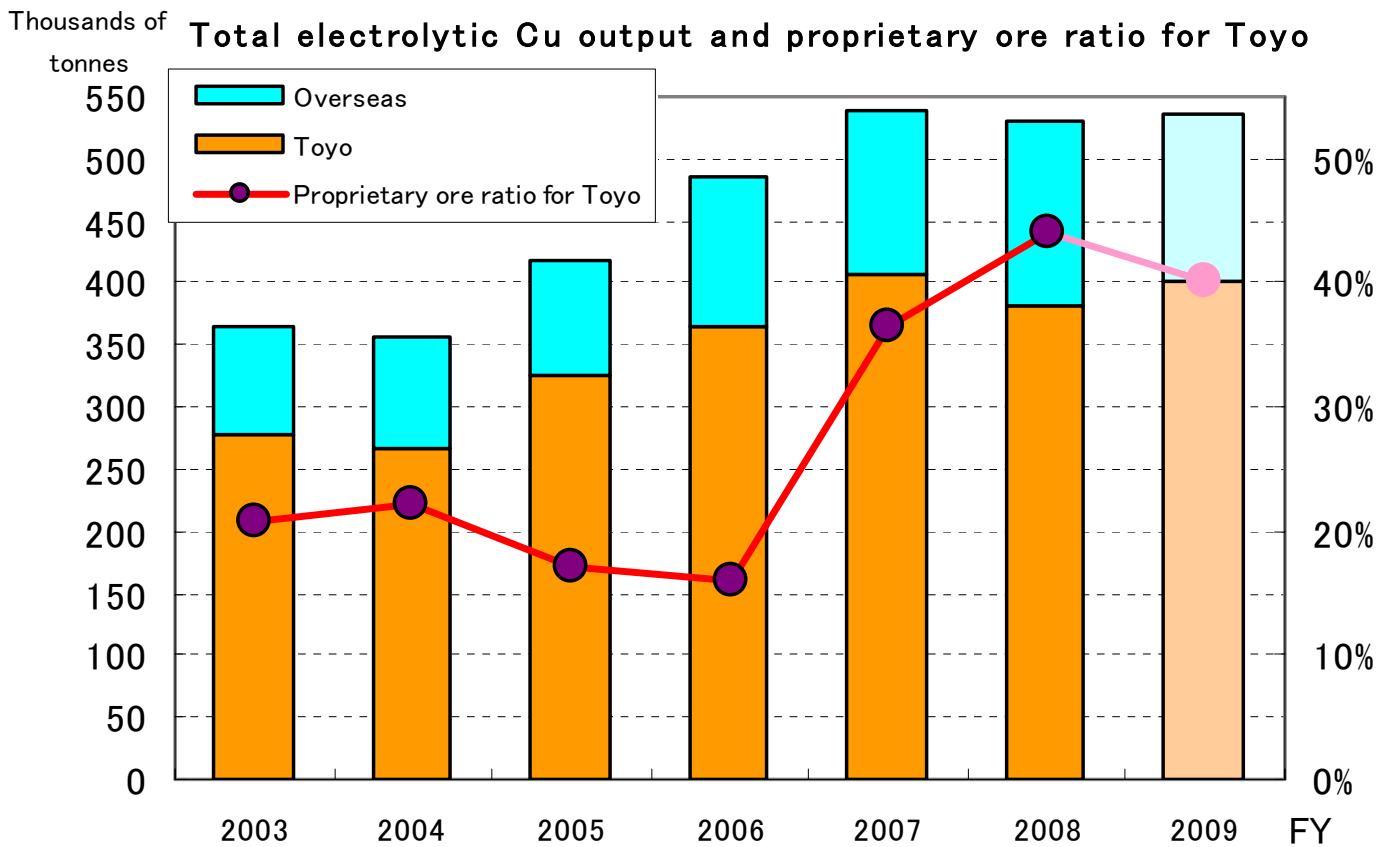
Category	Addi-tional SMM staff	Roles
Management	1	General management
Geologist	2	Acquisition of additional deposits (mining management), Production planning
Mining	2	Medium-term production planning, Productivity enhancement, Reduction of mining costs, Achievement of production control
Mineral dressing	2	Promotion of recovery ratio enhancement measures
Maintenance	1	Operation ratio enhancement, Implementation of preventive maintenance
Accounting・Legal affairs	2	Arrangement of legal affairs

SMM engineers and specialists who have working experience at Pogo Mine will be posted to other overseas mines (Cu・Ni・Au).

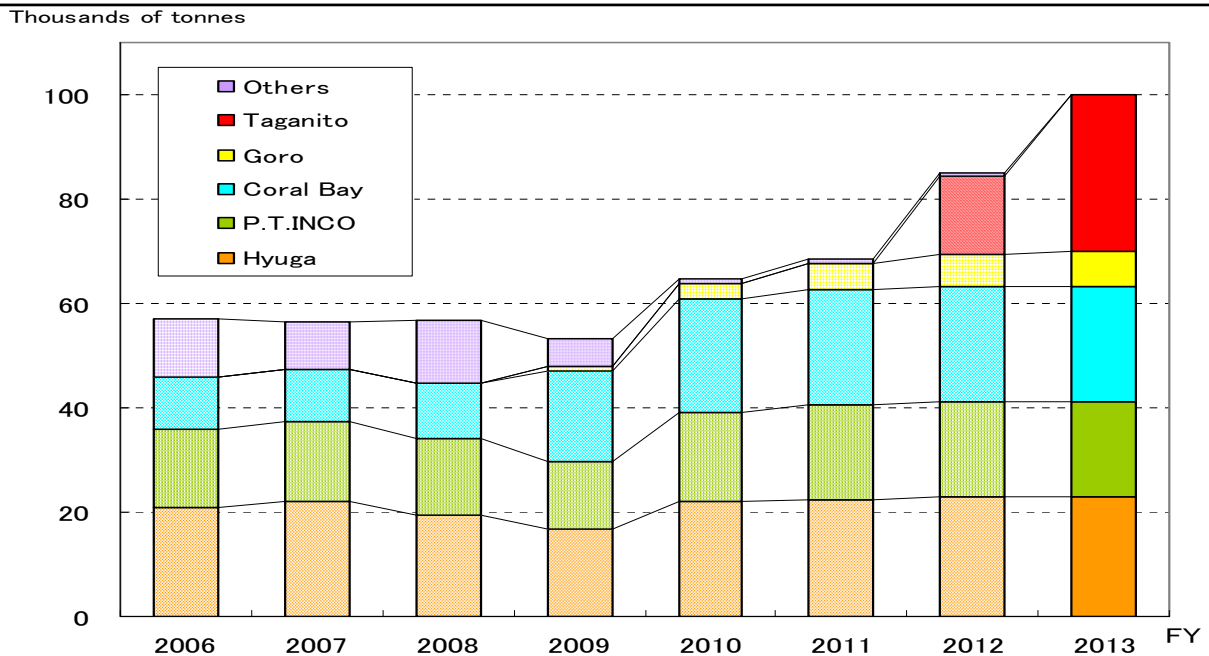
4) Copper :

Achievement of 450kt and 2/3 proprietary ore ratio at Toyo

FY09 ① Significant reduction of production cost,
② Pursuit of rights to profitable copper mines



5) Nickel: Development of 100kt Capacity



(1) FY09 CBNC・Ni refinery
: smooth startup after expansion
CBNC Ⅱ: production launch; Increase capacity from 10kt to 22kt (product: 17kt)
Ni refinery: Increase capacity from 36kt to 41kt (product: 33.2kt)

(2) Goro FY09-2Q production launch (SMM forecast)

(3) Taganito: To induce maximum effect from project, new F/S is under way; aiming for production launch in 2012, as planned.

(4) 2013 Ni refinery: Increase capacity from 41kt to 65Kt

(5) 2010 P.T.INCO 200M-pound production launch: 15kt ⇒ 18kt

6) Strengthening of R&D

"Maintain R&D expenses at current level, with no reductions "

06 3-Yr Plan:

Implement planned R&D expenses and investments of about ¥20bn (07-09)

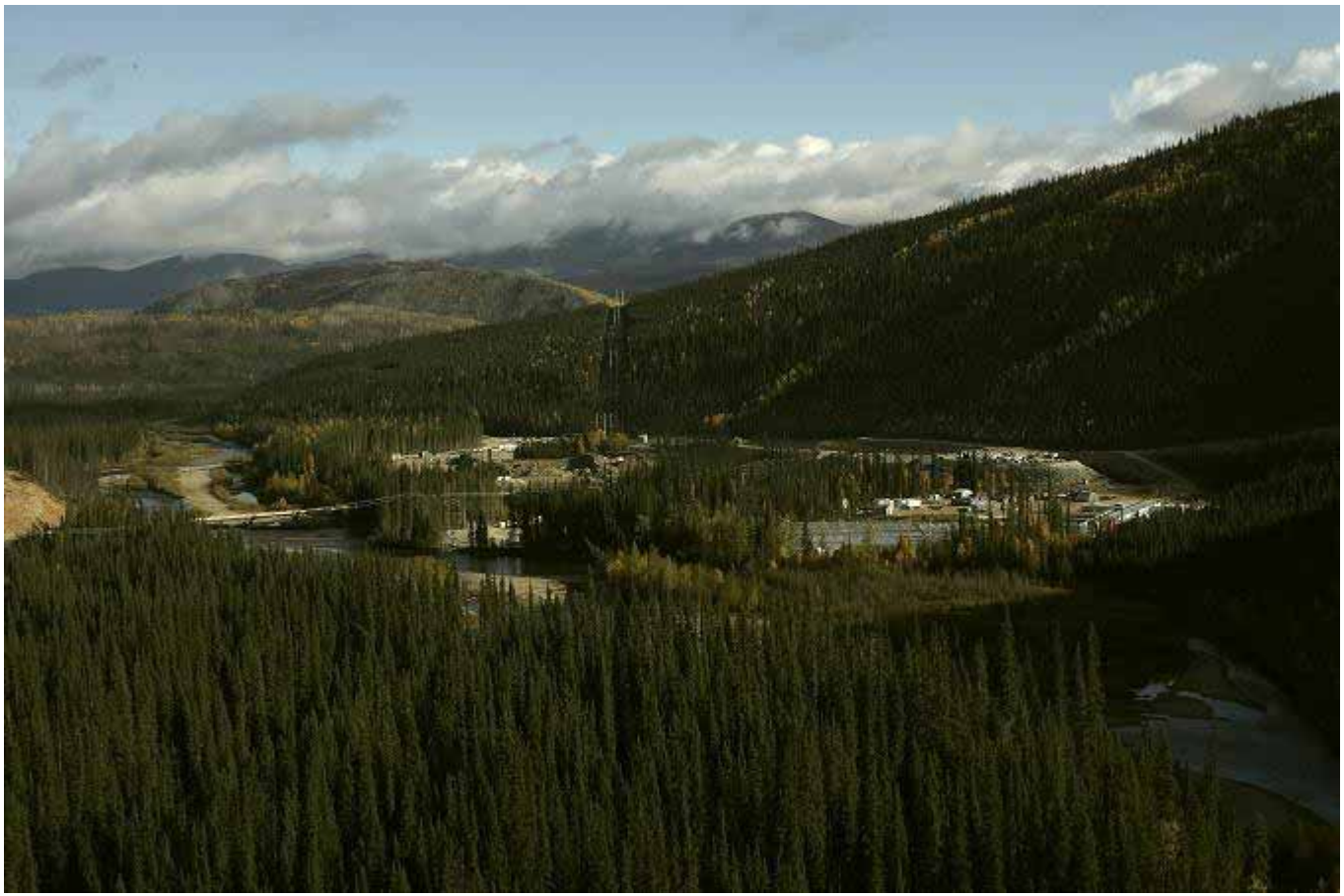
FY09 Targets:

20% acceleration in R&D speed, 20% higher R&D results,
50% increase in total R&D

Central R&D Topics

① Smelting technology (new copper smelting process)
② Battery materials (for rechargeable car batteries: LNO, etc.)
③ Thin-film materials (materials for solar cells)
④ Crystal materials (sapphires for LEDs)

Ⅴ. Financial Highlights



1）Consolidated financial summary

(JPY 100M)

	FY05	FY06	FY07	FY08	FY09 forecast
Sales	6,256	9,668	11,324	7,938	4,930
Operating profit	828	1,626	1,554	105	140
Recurring profit	997	2,053	2,179	326	110
Net income	628	1,261	1,378	220	70
Net income / share (JPY)	109.96	220.49	238.13	38.87	12.68
Dividend / share (JPY)	14.00	27.00	30.00	13.00	5.00

2) FY09 Forecasts vs. FY08 Results

JPY 100M

	09 Forecast	08 Result	Change
Net sales	4,930	7,938	△ 3,008
Operating profit	140	105	35
Recurring profit	110	326	△ 216
Net income	70	220	△ 150
Copper($/t)	4,000	5,864	△ 1,864
Nickel($/lb)	5.00	7.48	△ 2.48
Gold($/toz)	850.0	867.4	△ 17.4
Exchange(¥/$)	95.0	100.54	△ 5.54

Factors affecting changes in consolidated recurring profit:

(JPY)

1. Market factors : △55bn

   Prices, terms and conditions : △77bn
   Inventory valuation losses : +31bn
   Exchange rates: △7bn
   Others: △2bn

2. Reduced sales volumes : △10bn

3. Reduced operating costs : +47bn

   Overseas mines : +43.5bn
   Domestic unit price difference : +3.5bn
   Domestic cost cuts in FY2009 :
   Expenses: +15bn; Capacity variance: △11.5bn

4. Electronics & Advanced Materials : +3.7bn
   Operating income : △6.5bn in 2009,
   △10.2bn in 2008)

5. Others : △7.3bn

3) FY08 vs. FY07 Results Comparison

JPY 100M

	08Result	07Result	Change
Net sales	7,938	11,324	△ 3,386
Operating profit	105	1,554	△ 1,449
Recurring profit	326	2,179	△ 1,853
Net income	220	1,378	△ 1,158
Copper($/t)	5,864	7,584	△ 1,720
Nickel($/lb)	7.48	15.47	△ 7.99
Gold($/toz)	867.4	766.0	101.4
Exchange(¥/$)	100.54	114.29	△ 13.75

Factors affecting changes in consolidated recurring profit:

(JPY)

1. Market factors: △125bn

   Prices, terms and conditions: △83bn
   Inventory valuation losses: △21bn
   Exchange rates: △24bn
   Others: ＋3bn

2. Reduced sales volumes: △13bn

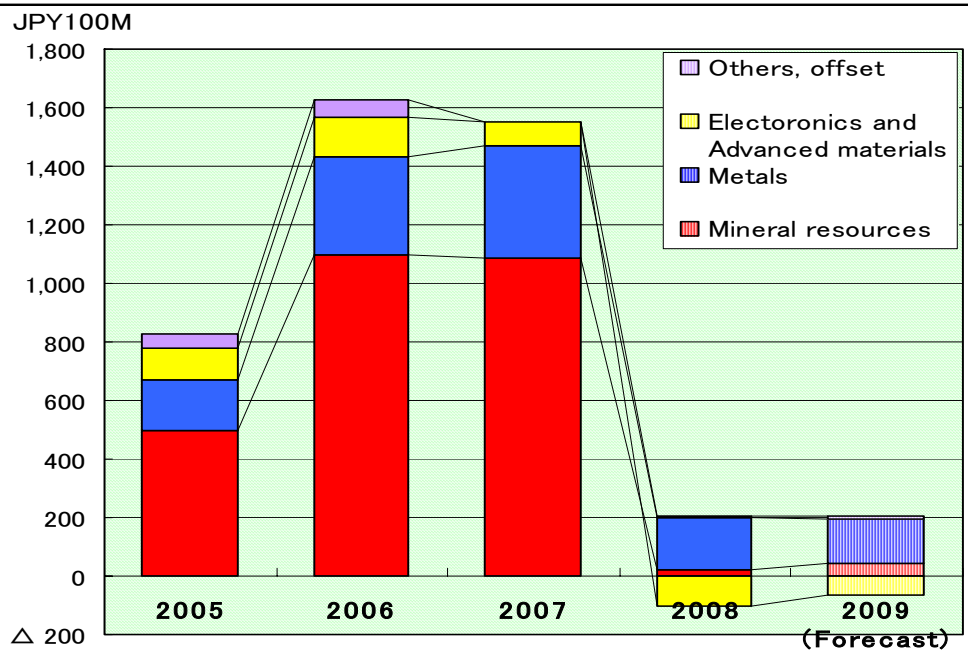
3. Increased operating costs: △15bn

   Overseas mines: △8.3bn
   Domestic unit price difference : △6.7bn;
   Domestic cost cuts in FY2008 2H:
   Expenses: −2.0bn; Investments: −4bn

4. Electronics & Advanced Materials: △18.4bn
   Operating income: △10.2bn in 2008,
   8.2bn in 2007)

5. Others: △13.9bn

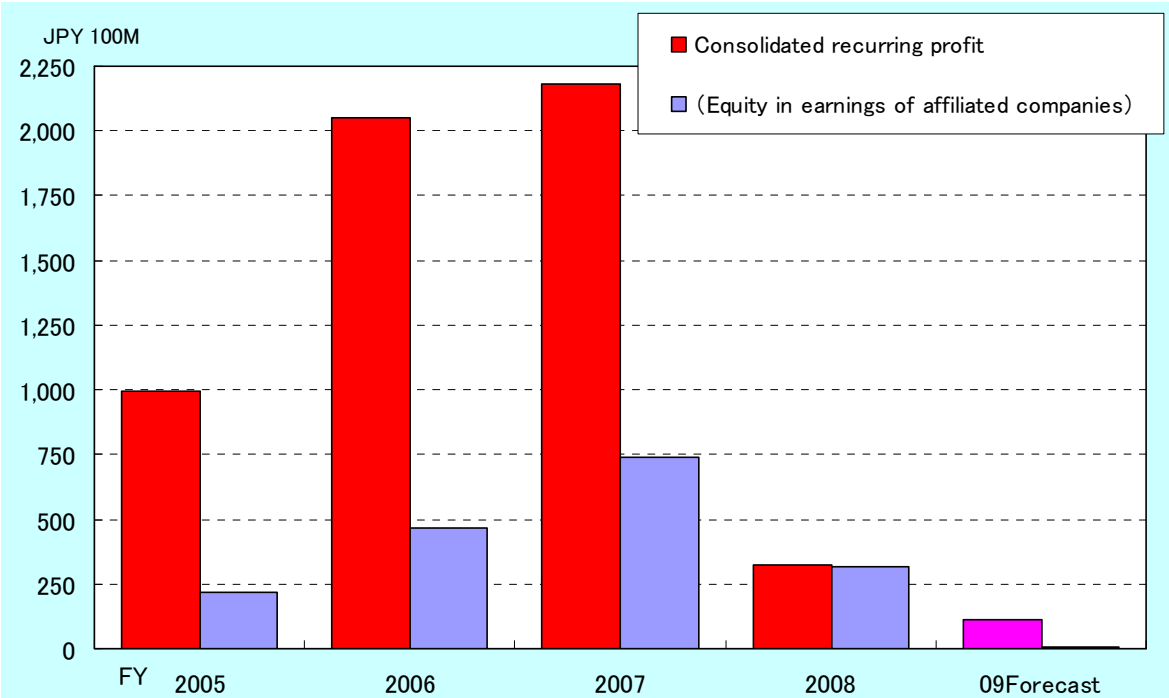
4) Operating Income, By Segment



JPY100M

Division	2005	2006	2007	2008	2009 (Forecast)
Mineral resources	497	1,096	1,088	24	44
Metals	171	335	381	177	150
Electronics and Advanced materials	112	136	82	△ 102	△ 65
Others, offset	48	59	3	6	11
Total	828	1,626	1,554	105	140

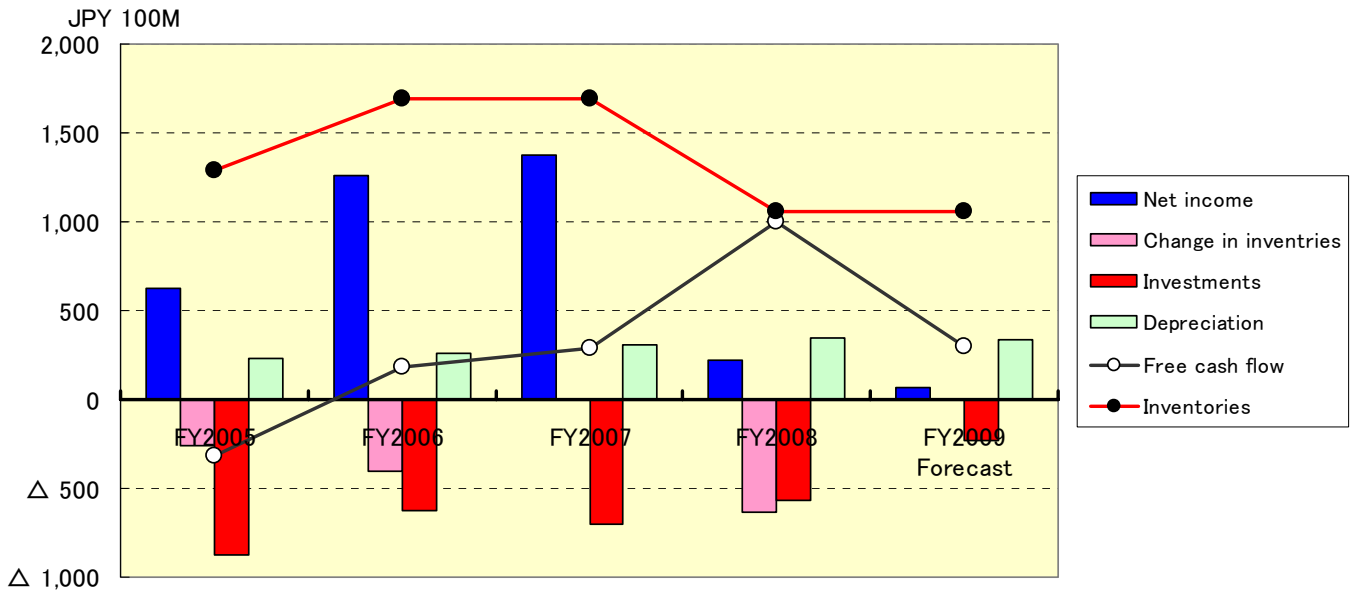
5) Earnings from Equity in Affiliated Companies



JPY 100M

	FY05	FY06	FY07	FY08	FY09 Forecast
Consolidated recurring profit	997	2,053	2,179	326	110
(Equity in earnings of affiliated companies)	219	467	740	315	6

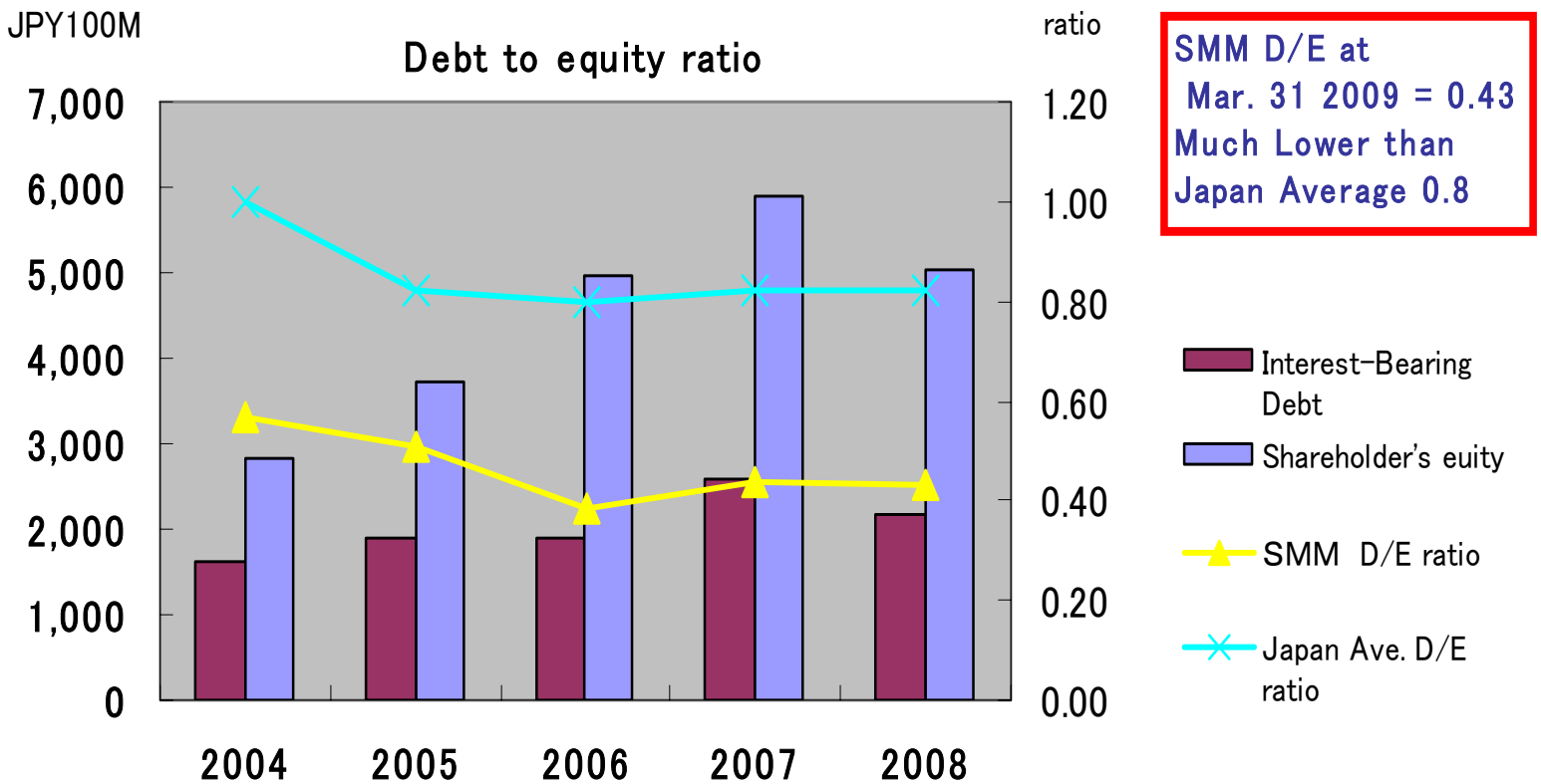
6) Cash Flows



JPY 100M

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009 Forecast
Net income	370	628	1,261	1,378	220	70
Change in inventries (−)	△ 378	△ 261	△ 404	△ 3	△ 634	
Investments	△ 365	△ 878	△ 625	△ 703	△ 566	△ 227
Depreciation	206	230	257	305	343	339
Inventories	1,028	1,289	1,693	1,696	1,062	1,062
Free cash flow	85	△ 316	186	289	996	300

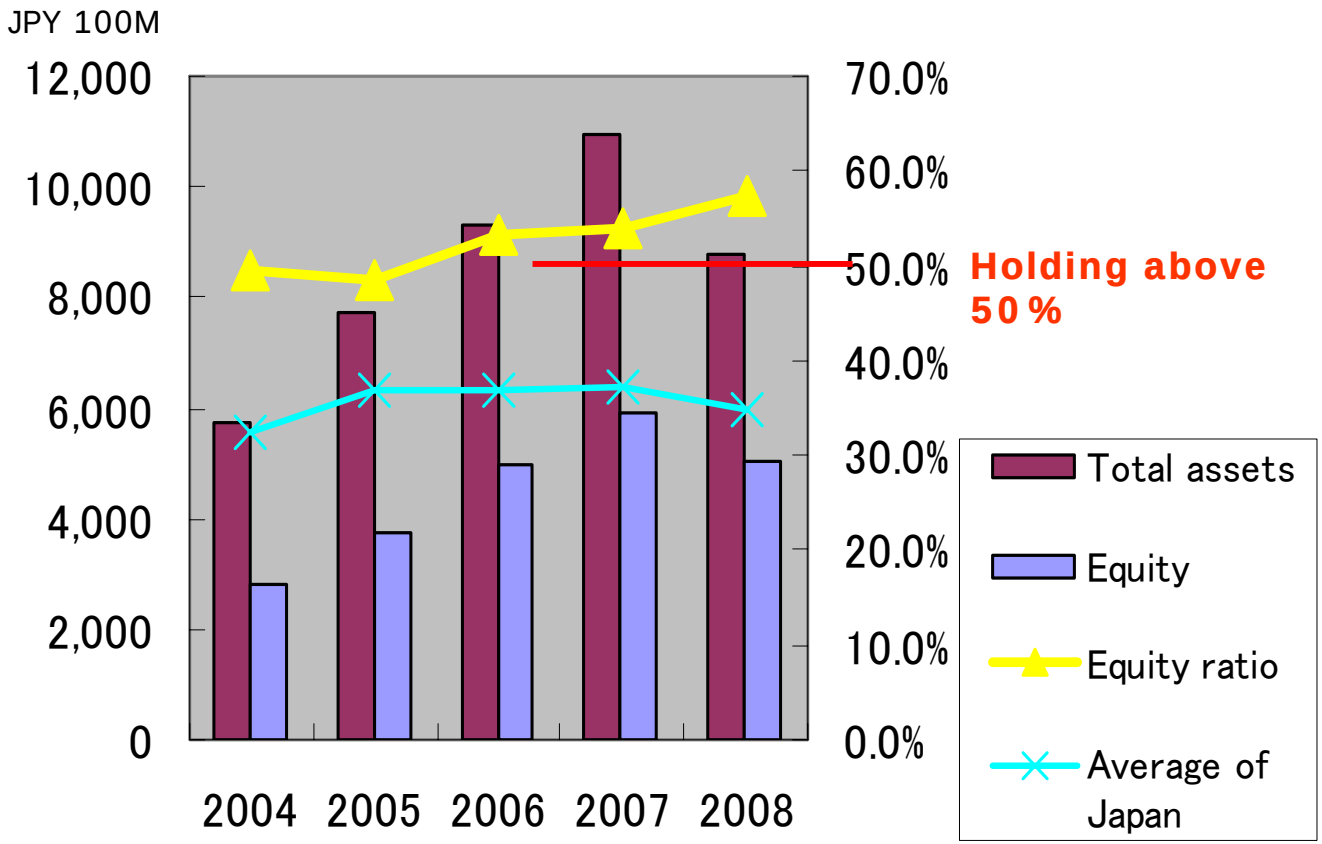
7) D/E Ratio ～ Sound Financial Status Maintained



SMM D/E at
Mar. 31 2009 = 0.43
Much Lower than
Japan Average 0.8

JCR Ranking:
Short-term: J-1 (highest level)
Long-term: A+ (top 30%)

8) Equity Ratio ～ Sound Financial Status Maintained



9) Sensitivity

Billions of Yen／FY09

	Fluctuation	FY09(Forecast)
Cu	±10 ¢ /lb	1.4／2.7
Ni	±10 ¢ /lb	0.7／0.8
Au	±10$/Toz	0.4／0.4
¥／$	±1 ¥/$	0.7／0.7

Remarks

1）Operating income / Recurring profit

2）USD/JPY translation applied to RC-related only. (Overseas profit effects excluded).

10) Overseas Mining Production (Reference)

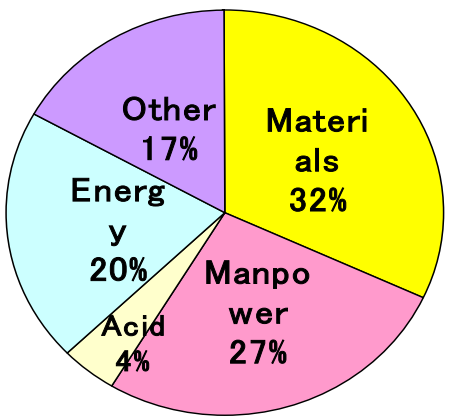
(Cu・Ni: kt　Au: t)

		SMM's Interest	Production <SMM estimate (100%)>				
			FY05	FY06	FY07	FY08	FY09
Copper	Morenci	12%	362.8	369.8	368.0	337.0	221.0
	La Candelaria	16%	163.2	169.8	181.0	174.0	148.0
	Cerro Verde	17%	93.8	100.7	269.5	315.0	306.0
	North Parkes	13%	54.0	83.3	43.1	25.0	32.0
	Batu Hijau	5%	270.3	205.8	219.4	129.0	218.0
Nickel	PT Inco	20%	76.4	71.7	76.7	72.4	63.5
	Coral Bay	54%	3.4	8.2	10.1	10.6	17.5
Gold	Hishikari (t)	100%	7.5	7.5	7.5	7.5	7.5
	Pogo (t)	51%	—	3.5	8.1	10.8	11.1

(Source:SMM)

11) FCX Cost Reductions in 2009 (Reference)

	FCX Cash cost	North America	South America	Indonesia	Consolidated
2008	Site Production & Delivery	1.88	1.13	1.59	1.51
	Others	(0.55)	0.01	(0.63)	(0.35)
	Unit Net Cash Costs	1.33	1.14	0.96	1.16
2009	Site Production & Delivery	1.30	0.97	1.10	1.11
	Others	(0.13)	0.03	(1.11)	(0.40)
	Unit Net Cash Costs	1.17	1.00	(0.01)	0.71
09/08(%)	Site Production & Delivery	69%	86%	69%	74%



←Site production & delivery costs (consolidated, 2009): US$1.11/lb

Cost Breakdown

Site production & delivery costs down 26% in 2009 (consolidated)

(Source: FCX)

Glossary

1) [Five major projects]

SMM established five major projects for the FY2004–6 Medium-term Business Plan. All are strategic projects in the Mineral Resources and Metals sector.

① Capacity expansion to 450ktpa for copper at the Toyo Smelter & Refinery (Ehime Prefecture, Japan)
② Cerro Verde Copper Mine Project (Peru)
③ Coral Bay Nickel Project (Philippines)
④ Goro Nickel Project (New Caledonia)
⑤ Pogo Gold Mine Project (Alaska, United States)

2) [Proprietary ore ratio]

This ratio, which we use mainly for copper, equals the proportion by volume of ore procured from overseas mining interests relative to the overall volume of smelting ores used as raw materials. SMM has 50% off-take rights at the Cerro Verde Copper Mine for the first ten years after production commenced in 2006. These ores are also included in the numerator of the formula.

(Calculation formula:)

$$\frac{\text{Copper equivalent to SMM interests by volume} + \text{Cerro Verde off-take rights in Cu-equivalents}}{\text{Volume of copper used to produce electrolytic Cu at Toyo facility}}$$

3) [HPAL]

HPAL (High-Pressure Acid Leach, pronounced "H-PAL") is a groundbreaking refining method that facilitates the recovery of nickel and cobalt from difficult-to-process low-grade nickel oxide ores. In this method, low-grade nickel oxide ores are subjected to high temperature and pressure in an autoclave. Sulfuric acid is then fed into the autoclave to selectively extract nickel and cobalt. SMM subsidiary CBNC employs the HPAL method to produce nickel-cobalt mixed sulfides, the intermediate raw material used in nickel refining.

4) [MCLE]

MCLE (Matte Chlorine Leach Electrowinning) is a refining method employed in the manufacturing process at our nickel refinery to produce high-quality electrolytic nickel at low cost. By combining the HPAL and MCLE methods, SMM developed and successfully commercialized a state-of-the-art method for recovering high-purity nickel from low-grade nickel oxide ores.

5) [LCD driver ICs]

Liquid crystals are substances that combine the properties of liquids and crystals. The application of an electric voltage across a liquid crystal alters these properties. Liquid crystal displays (LCDs) change in line with the precise way in which electricity is passed through the crystals.

LCD driver ICs are integrated circuits that are used to control the passage of electricity through the LCD panel to change (or "drive") the screen display.

6) [COF]

Chip-on-film (COF) tape bonding materials are a type of semiconductor packaging material used with LCD driver ICs. They are substrates that are used to connect driver ICs to LCD panels.

7) [Lead frames and tape bonding materials]

These are build-up packaging materials used in semiconductor assembly processes to provide electrical connections between semiconductor chips and printed circuit boards. Lead frames comprise metals to provide a flat, board-like substrate, while tape bonding materials consist of plastic tape attached to copper foil.

8) [Bonding wire]

Bonding wire is used to create an electrical connection between the electrode on the semiconductor chip and the electrode on the lead frame or other build-up packaging material.

9) [Sputtering targets and thin-film materials]

Fabricated in flat or disk-like shapes using metals and transparent conductors such as indium tin oxide (ITO), sputtering targets are used in the formation of electrode films and other thin-films for manufacturing products such as LCD panels and photovoltaic panels.

10) [Paste]

Thick-film paste is ink-like substances produced by mixing powdered metals and glass in various solvents. They are used in the manufacture of electronic components such as capacitors based on a type of printing process. Resin pastes, which consist of powdered metals mixed with organic resins, are also used in the manufacture of electronic components.

11) [Secondary batteries]

Secondary batteries are rechargeable and reusable. Nickel metal hydride (NiMH) batteries were commercialized in the 1990s as a replacement for the nickel-cadmium (NiCad) batteries that had been common until then. NiMH batteries are in turn now being superseded by high-capacity lithium-ion rechargeable batteries, which have been developed for widespread use in products such as mobile phones and PCs.

12) [LNO]

Battery materials manufactured by the SMM Group include nickel hydroxide and lithium nickel oxide (LNO). Used in the positive electrodes in NiMH and lithium-ion batteries, these materials produce electricity as the result of a chemical reaction.

13) [Lithium niobate and lithium tantalate]

Lithium niobate (LN) and lithium tantalate (LT) are materials used in the SAW filters of mobile phones. SAW (surface acoustic wave) filters are functional components that reduce background noise during mobile phone conversations.

Other terminology

LME

(London Metal Exchange)

Established in 1877, the London Metal Exchange provides trading in spot contracts and commodity futures for non-ferrous metals such as copper, nickel, aluminum, lead and zinc. Producers can monetize surplus inventory of refined ores by holding these stocks in LME-designated warehouses. The exchange also enables users to purchase quantities of metal when needed.

London fixing

In contrast to copper, nickel and other base metals, gold is not traded on the LME. The price of gold is still determined largely by telephone or electronic communication methods between market participants for each transaction. The financial institutions that are the so-called "fixing members" of the London Bullion Market Association (LBMA) agree on a standard price for gold based on the results of all these individual transactions and publish it at 10:30 a.m. and 3:00 p.m. London time on each trading day. Buy and sell orders for gold bullion are then collated and processed at these times at the published prices. The London fixing price is thus the benchmark for global trading in gold.

Copper concentrates

Copper smelting based on the melting of ores (dry-process smelting) uses copper concentrates as its raw material. These are ores that have been "dressed" (the extracted ore is separated from non-metallic impurities), a process that raises the copper content to around 30% by weight. Copper concentrates typically contain around 30% each of copper, iron and sulfur, with the remaining 10% consisting of gold and platinum group metals.

Electrolytic nickel/ferronickel

Nickel is graded as Class 1 or Class 2. Electrolytic nickel is a typical Class 1 grade of high-purity nickel, which is traded on the LME. Ferronickel is the name given to Class 2 grades of nickel, which are alloys typically containing about 20% nickel and 70% iron. Ferronickel is mainly used in the manufacture of stainless steel. Electrolytic nickel is used in a broad range of applications, including specialty steels, electronics materials and electroplating.

Note

The materials provided herein are not intended as disclosure under the Securities Law, and no warranty is made as to their completeness or accuracy. Any projections included in these materials are based solely on information available at the time of this briefing, and are subject to change based on market conditions, competitive conditions, and a number of other factors. Therefore, we ask that you refrain from making any investment decisions based on these materials alone. The Company cannot be held responsible in any way for any losses that may occur as a result of the use of these materials.