New long-term vision-oriented growth strategy

SUMITOMO METAL MINING CO., LTD.

Annual Report 2010

For The Year Ended March 31, 2010

The Sumitomo Business Spirit

Article 1 Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2 Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

"Business principles" forming the Rules Governing the House of Sumitomo (version formulated in 1928)

SMM Group Corporate Philosophy

- Sumitomo Metal Mining Co., Ltd. (SMM), in accordance with the Sumitomo Business Sprit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.

- SMM shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

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Key Message

Sumitomo Metal Mining (SMM) was able to report better results for the year ended March 2010 (fiscal 2009) due to a recovery in market conditions and the effects of various cost-reduction initiatives implemented by management. However, having engineered a turnaround, we are not content to rest on our laurels. We are focusing intently on where SMM needs to be in five or ten years from now, and how we will get there. Our business environment is in the middle of a structural shift — one that presents challenges, but that also brings significant future growth opportunities for SMM.

The new medium-term business plan that we have formulated to take us to the end of fiscal 2012 is based on the promotion of a new growth strategy that takes into consideration the long-term vision of a structural change within our business. In this Annual Report, we explain the key themes of this plan and how they relate to SMM's medium-to-long-term growth prospects. We review our long corporate history, look to the future, and discuss the steps that we have already taken on this path.

Unless specifically stated otherwise, information in this annual report is as of July 1, 2010.
Forward-looking Statements: Statements made in this annual report with respect to plans, strategies and future performance that are not historical facts are forward-looking statements. SMM cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Consolidated Financial Highlights

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Millions of yen (Except per share amounts and key ratios)

Years ended March 31	2010	2009	2008
Results for the year:			
Net sales	¥725,827	793,797	1,132,372
Operating income	66,265	10,534	155,394
Recurring profit	87,791	32,572	217,866
Net income	53,952	21,974	137,808
Equity in earnings of affiliated companies	26,090	31,536	73,956
Net cash flows from operating activities	44,153	128,000	157,383
Net cash flows from investing activities	(75,443)	(28,386)	(126,413)
Net cash flows from financing activities	(19,322)	(74,086)	55,727
Financial position at Year-end:			
Total assets	981,458	880,001	1,091,716
Net assets	629,684	547,251	640,345
Long-term debt due after one year	132,311	141,716	169,394
Interest-bearing debt	200,939	218,534	258,054
Amounts per share (Yen):			
Net income	96.26	38.87	238.13
Shareholders' equity	1,043.50	913.92	1,017.96
Cash dividends	20	13	30
Key ratios:			
ROA (%)	5.80	2.23	13.64
ROE (%)	9.89	4.02	25.39
Equity ratio (%)	59.8	57.3	54.0
Interest-bearing debt to total asset ratio (%)	20.5	24.8	23.6
Debt-to-equity ratio (times)	0.34	0.43	0.44

Review of Key Performance Indicators

Net sales: Net sales in the year ended March 2010 (FY2009) declined 8.6% in year-on-year terms to ¥725.8 billion, reflecting a lingering impact from the sharp fall in non-ferrous metal prices that occurred in FY2008.

Operating income: Operating income recovered sharply to ¥66.3 billion. This was due to the success of a major cost-reduction program, combined with higher earnings from overseas operations in the mineral resources and smelting & refining segments and a turnaround in the materials business.

Net income: Higher operating income and a sharp recovery in equity in earnings of affiliated companies helped to boost net income to ¥54.0 billion, an increase of 145.5% compared with FY2008.

Equity ratio: Higher shareholders' equity contributed to an improvement of 2.5 percentage points in the equity ratio compared with the end of FY2008, to 59.8%. SMM aims to take advantage of its financial strength in the new three-year medium-term business plan starting in April 2010.

Debt-to-equity (D/E) ratio: The D/E ratio improved for the second consecutive year, declining to 0.34 times. This was mainly due to the growth in net income and the increase in shareholders' equity.

Sumitomo's involvement with copper mining spans over 420 years.

During that time, the business has faced several major challenges due to changes in external conditions. In each case, management responded to the changes with skill and tenacity to forge a new business with a revised strategy and organization. The enterprise's sustained growth has made a significant and wide-ranging contribution to the development of Japanese society.

Today, as the direct successor of Sumitomo's original business, SMM once again draws inspiration from this illustrious history to move forward based on the Sumitomo Business Spirit.

Learn from History, Live by the Spirit

Materials provided by Sumitomo Shiryokan

1590 onward (Edo Period)
Early copper smelting to mining at Besshi

Following years of war-torn strife, Japan moved steadily toward the Edo Period, an era of relative peace and tranquility. Around that time, the Sumitomo family firm succeeded in mastering the new technology of copper smelting. The start of operations at the Besshi mine later provided the foundations for business development.

The start of copper smelting

The Sumitomo copper business began in 1590 in Kyoto. Copper smelting and decorative copper-work were performed under the name Izumiya. Copper ore from all parts of Japan was turned into refined copper metal. Sumitomo was the first in Japan to perfect a smelting technique known as '"Nanban-buki" for the separation of copper from silver. Prior to the development of this technology, copper was exported with high levels of silver impurities, which sharply reduced potential smelting profits. The competitive advantage gained from this more advanced technology helped Sumitomo to establish a highly profitable base of operations.

Copper smelting during the Edo Period

First shaft dug at Besshi mine

In 1690, large outcrops of copper ore were found on the southern slopes of the Akaishi Mountain range in Ehime Prefecture. The Besshi copper mine that was developed at that location went on to operate continuously for 283 years and substantially underpinned Sumitomo's development. Once the first shaft was dug at Besshi, the Sumitomo family firm shifted focus from just smelting copper to become a full-fledged industrial resource business.

Problems and breakthroughs at Besshi

Operations at Besshi did not always proceed smoothly. Within eight years of the first shaft being dug, annual copper production had risen to 1,521t. Output then dipped, however. As the tunnels became deeper, operations were troubled by the discharge of water which built up in the mine. The transportation over long distances of the wood and charcoal required for smelting also drove up production costs. Employing methods to drain away the water together with the periodic use of forestry helped to stabilize operations.

The Besshi mine in the Meiji Period

(photo) The Besshi mine today

1860s onward
At the end of the Edo Period and with the Meiji Restoration crisis
— Adoption of modern Western technology

As feudal society, in which the samurai class had played a dominant role for over 670 years began to break down in Japan, the Besshi mine, caught up in social transformation, faced a severe crisis. However, Sumitomo was able to overcome these challenges at the dawn of a new age for the country.

Operations concentrated at Besshi mine

Sumitomo had to endure a serious crisis as Japan was racked by social convulsions from the end of shogun rule. Threatened by warehouse seizures and the requisition of the Besshi mine, the company faced possible collapse. Sumitomo overcame the crisis due largely to the unceasing efforts of Saihei Hirose (please refer to the column at right), the general manager of Besshi at the time. Yet management faced repeated crises as business conditions worsened. Hirose fought to stop factions within the Sumitomo family from selling the Besshi mine. The various measures he took laid the foundations for the mine's ultimate revival.

A technical revolution in mining

In 1874, Hirose hired the French mining engineer Larroque to advise on the introduction of Western technology to revitalize Besshi's production capacity. Larroque wrote a detailed report on how to reform methods at Besshi from a Western mining and metallurgical viewpoint. Hirose introduced a number of technological innovations. Dynamite was first used for tunneling at Besshi in 1882, and in 1891 the mine began using a rock drill. Railway construction began at Besshi in 1890.

Adoption of Western smelting methods

On the metal refining side, in 1884 a pilot-scale Western-style copper smelter was constructed and began operating at a site in Niihama. Full-scale smelting operations began in 1888. Transport capacity increased dramatically once the dedicated railway was completed to connect the mine to the smelter. Copper smelting volumes grew substantially at Niihama.

The adoption of Western methods revolutionized the technology employed at the Besshi mine. By 1897, annual copper output had grown to 3,500t, some six times the production figure thirty years earlier.

The #4 support tunnel (Showa Period)

Saihei Hirose (1828–1914) and the Besshi copper mine

Overcoming the crisis at Besshi

Hirose had lived on the mountain at Besshi from a young age. On occasion he had visited the mine tunnels, and he knew that there were extensive ore deposits under the mountain. When Koichiro Kawada (a samurai from the victorious Kochi Prefecture-based Tosa clan who later became governor of the Bank of Japan) came to requisition the mine, Hirose argued forcefully that, while Besshi had been subject to Tokugawa shogunate rule, the Sumitomo family had always managed it independently. It would not be in the national interest to confiscate the Besshi mine and put it in the hands of somebody with little experience of its operations. Kawada was impressed by Hirose's argument. The two men sought and obtained the formal approval of the new Meiji government to continue operations under Sumitomo control.

Concentration of operations at Besshi

In 1871 the Meiji government ordered Hirose to inspect other mines at Ikuno. At Ikuno, Hirose met the advising French engineer Coignet and learned about modern mining techniques using black powder. This trip convinced Hirose that he had no other choice but to introduce Western methods at Besshi to ensure the firm's revival. Planning to concentrate operations at Besshi, he set about closing down unprofitable operations in other parts of Japan. Following an inspection of a mine on the Izu peninsula, Hirose stopped over at Tokyo. At that time, steps were taken to close certain financial operations including the Nakahashi commercial exchange office in Chuo-ku, Yaesu and a rice brokerage in Asakusa.

The modernization of the Besshi mine

Based on the report written by the French engineer Larroque, Hirose began modernizing the mining and transport methods used at Besshi to extend the eastern sloping mine shafts and replace the ox carts still in use at that time. When dynamite was first introduced to blast new support tunnels, it enabled the completion of 1,021 meters of new tunneling in just four years. On his later travels to the West to celebrate his 60th birthday, in North America Hirose saw how a railway line had been cut through the precipitous terrain of the Rockie Mountains to connect to the Colorado Central mine. He made plans to do the same at Besshi.

(photo) Historical memorial to Saihei Hirose (in grounds of former residence)

1890s onward
Smelter relocation and the start of nickel refining

Japan was now developing at a rapid pace as modernization proceeded. The Besshi mine followed this trend, experiencing good fortune and the occasional crisis as it made progress.

Smelter relocated to offshore island

After expansion and upgrade, the copper smelter at Niihama began full-scale operations in 1888. For the first time, the mine at Besshi and the smelter at Niihama were operating in unison. However, smoke damage due to the sulfur dioxide gas produced by the smelter was creating major problems. Sumitomo needed to take drastic action. The Besshi general manager at the time, Teigo Iba (who later became a director of Sumitomo), decided to move the smelter from the mainland to an offshore island in the Seto Inland Sea called Shisaka.

Smelter on Shisaka Island (Meiji Period)

Start of electrolytic smelting operations and ore purchasing

Business dipped after the end of WWI. Sumitomo regained the recovery track by building a new refinery based on the use of electrolysis at Niihama while at the same time substantially rebuilding the existing Shisaka smelter. Showing an enthusiasm for innovation that remains to this day, Sumitomo introduced new technology around this time and upgraded its infrastructure. Up until that point the Niihama smelter had processed the entire output of the Besshi mine. From this point on, Sumitomo began purchasing copper ores and unrefined metal from other firms to supply the smelter. This was a major step on the way to Sumitomo becoming a significant player in metal refining.

Start of nickel operations amid global conflict

In 1933, on the assumption that Japan would require domestic nickel supplies in the future, Sumitomo began developing nickel production technology. The company also put a lot of effort into developing new international sources of ore. After the technical and raw material issues had been solved, construction work on an electrolytic-nickel refinery commenced in 1938. The new facility began operating as soon as it was complete.

Nickel refinery (early Showa Period)

(photo) The nickel refinery today

1950s onward
Entry into the electronics sector and the closure of Besshi

Japan's economy recovered rapidly in the years following WWII. This led to demands from Western countries for Japan to liberalize trade and make its currency fully convertible. Japan eventually dismantled tariffs and promoted free trade. SMM responded by undertaking fundamental business reforms to ensure the company would be internationally competitive.

SMM enters the electronics business

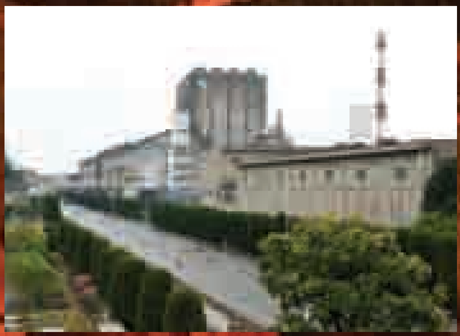
Domestic sales prices for metals in Japan declined substantially in the 1950s due to the impact of trade liberalization. In response, SMM adopted a policy of seeking higher profits by processing the metal further to add to its sales value. In 1960, SMM established Tokyo Electronic Metal Co., Ltd. (later absorbed into the parent firm in 1966) to manufacture electronic materials. Anticipating the dawn of the electronic age, SMM began making functional metal materials for electronic components. Early products included high-purity germanium for use in radios, alloy preform for use in transistors and integrated circuits, and lead frames for other IC applications. These operations developed into SMM's electronic and advanced materials business. In this manner, SMM has continued to add value to metals.

Spirit of Besshi lives on after closure of mine

After an operating history lasting some 283 years, the Besshi mine closed in March 1973. During that time, a total of around 700km of tunnels were dug at the site, the deepest of which were 1,000 meters below sea level. Cumulative production was about 650kt of copper equivalents. The Besshi mine was not only the foundation of the various Sumitomo businesses, but also made a significant contribution to the development of Japanese society. The spirit inherited from the Besshi mine is also a major part of SMM.

Construction and operational start-up of Toyo refining facility

Japanese demand for copper rose steadily while the country maintained high rates of economic growth. To supply this demand and strengthen international competitiveness, in 1966 SMM began deliberating a plan to increase copper smelting capacity. SMM decided not to upgrade the smelter on Shisaka that had underpinned the company's operations for more than 60 years, and instead develop a new site to increase smelting capacity. Production at the new Toyo facility began on its completion in 1971. The flame used at a special ceremony to light the Toyo furnace was taken from the smelting furnace at Shisaka, echoing a similar ceremony that had taken place in 1904 when the Besshi kiln was transported to Shisaka to facilitate the lighting of the Shisaka furnace. Thus, the flame used to initiate copper smelting at Besshi had been passed down over the generations to Shisaka and then to Toyo.



Toyo facility

Trade liberalization and a major shift in business strategy

The impact of free trade

In 1959, Western nations put significant pressure on Japan to liberalize trade and currency controls as part of the negotiations for the General Agreement on Tariffs and Trade (GATT). As far as the West was concerned, the country's rapid post-war economic growth had helped it to establish a strong economic base. For internationally uncompetitive Japan, however, trade liberalization was a threat on a par with earlier market-opening demands. For the Japanese non-ferrous metals industry, free trade would result in unlimited imports of copper and nickel that could even threaten the sector's entire existence.

Convinced that free trade would happen, SMM made some major changes to its business strategy.

New strategy [1]: cut back mining in Japan

Having prospered by sourcing most of its copper ores from Besshi and other mining operations in Japan, SMM decided to cease all domestic exploration and copper mine development activities. The company proceeded to cut back operations at three copper mines and close two others.

New strategy [2]: source ore from overseas

SMM accelerated the prevailing trend of procuring smelting ore from overseas sources and borrowed funds to develop fresh sources of ore. The proportion of unrefined ore and copper metal used in the production of electrolytic copper increased from 17% in 1956 to over 83% by 1968.

New strategy [3]: expand into new business areas

SMM established and expanded operations in new fields, including electronic materials, precious metal catalysts and rolled copper products.

(photo) The smelting furnace at Toyo

1970s onward
Hishikari mine operation to growing international competitiveness

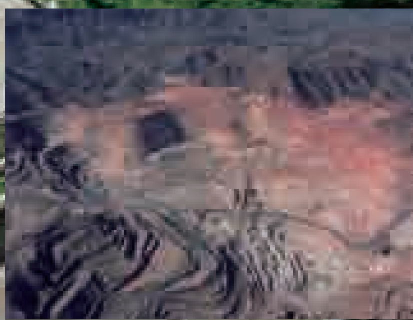
As the years of high growth started to come to an end, Japan's largest manufacturers led corporate Japan in a dynamic campaign to develop global business franchises. SMM adopted this global challenge as well, and set about building an internationally competitive business platform.

Exploration success and mine development at Hishikari

The closure of the mines at Besshi in 1973 and Sazare in 1979 brought an end to SMM's mining operations with a history of nearly 300 years. However, a major gold deposit was then discovered at the Hishikari mine in Kagoshima Prefecture in 1981. Mining of this deposit began at Hishikari in 1985, putting SMM back in the mineral resources business again. The Hishikari mine still continues to yield high-grade gold ore. As well as being a pillar of earnings, the mine has come to play an important role in providing technical training to new generations of mining engineers.

Investment in overseas copper mines

Non-ferrous metal prices remained depressed during the 1980s. Japanese copper producers were forced to buy ore from abroad and try to boost profits through smelting operations. In 1986, SMM decided to invest in the Morenci copper mine in the United States. This launched SMM's initial steps toward securing resources. As non-ferrous metal prices started to rise around 1990, global-scale mine development and an increase in production progressed in earnest. SMM acquired a production interest in the Candelaria copper mine in Chile in 1992 and then took an equity stake in the Northparkes copper and gold mine in Australia the following year.



Morenci copper mine

World-leading technical innovation

In 2001, SMM began construction of a new nickel refining facility on the island of Palawan in the Philippines. This plant utilized the High Pressure Acid Leach (HPAL) method, a technology that was first developed in Cuba in the 1950s but never adopted commercially due to poor production yields. Using refining technology cultivated over many years, SMM was able to start operations at the plant in 2005 and then increase production to design capacity as planned.

*For more details of this project, please see the Feature section.

Coral Bay Nickel Corporation

(photo) Hishikari mine

Overview of New Medium-Term Business Plan

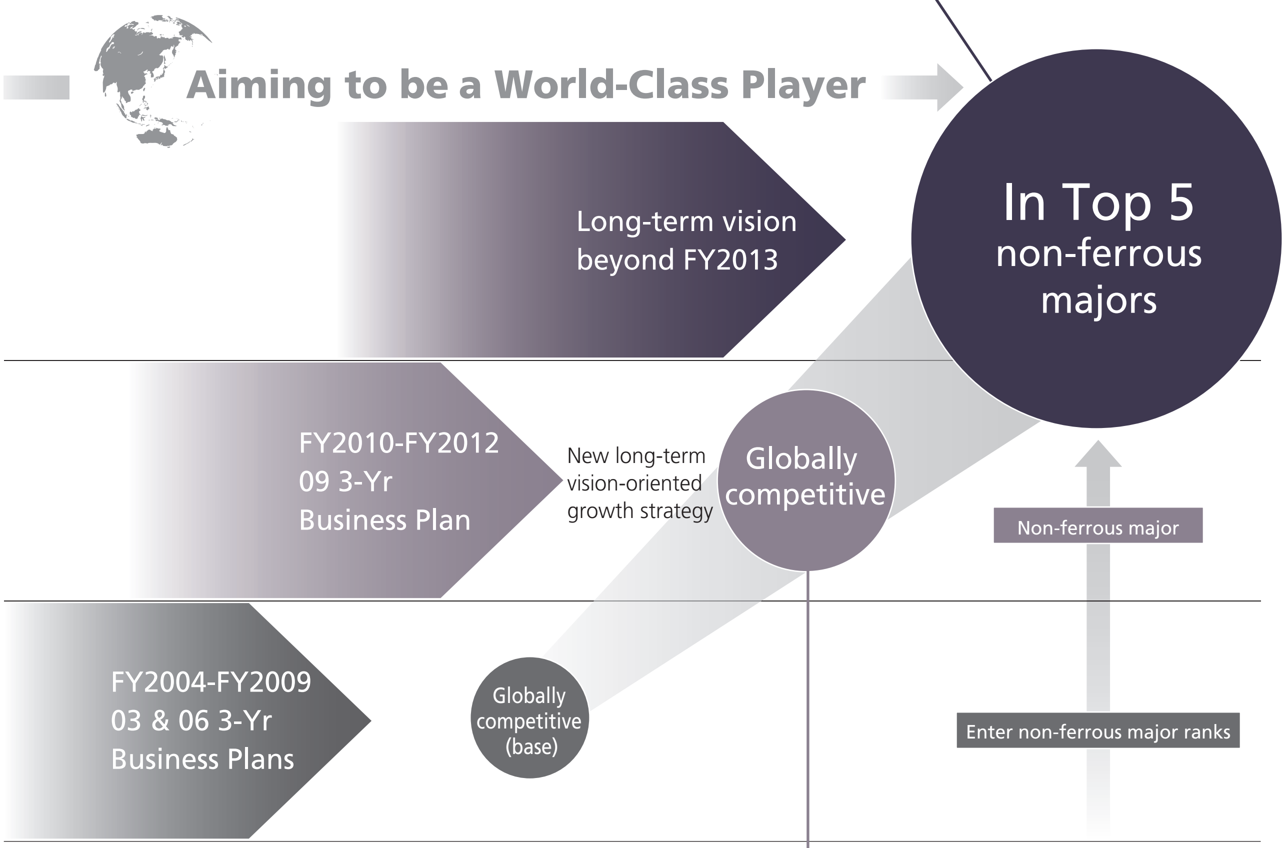
2009 3-Year Business Plan
Promotion of New Growth Strategy Based on Long-Term Vision

Long-Term Vision

[Mineral Resources]
Cu interests: 180ktpa → 300ktpa
Ni: Solomons operational
Au interests: 20tpa → 30tpa

[Smelting & Refining]
Cu: Application of R&D
Ni: 150ktpa set-up

[Materials]
Earnings boosted via
radical reforms



Key Point

A Change in Business Structure
Create stand-alone core businesses and channel business resources into growth sectors

Strategic Point

[Mineral Resources]
Cu/Au: secure mine interests
Ni: Solomons project B-FS

[Smelting & Refining]
Cu: more cost competitive
Ni: progress at Taganito

[Materials]
Expand into E&E
Exit loss-making ops

1. Business environment

Our financial results improved steadily until FY2007, but were then adversely impacted by the global financial crisis (GFC) that erupted in September 2008. In the wake of the GFC, falling metals prices affected our mineral resources and metals businesses. Our electronic and advanced materials business also suffered severely due to the retrenchment in global demand for electronic equipment. In the year ended March 2010 (FY2009), our earnings rebounded due to a recovery in metals prices and in markets for electronic goods, which benefited from demand stimulus measures by governments across the world.

Nonetheless, our business environment remains extremely harsh. In copper refining, purchasing terms for copper concentrate on a global basis are becoming poorer as control over copper mines becomes gradually concentrated in the hands of a few global super-major resource companies. Moreover, prospects for substantial growth in demand in the Japanese market remain lackluster in the electronic and advanced materials sector.

2. Core strategy

Against this backdrop, we have formulated a new medium-term business plan covering the three-year period of FY2010–12(April 2010–March 2013). The "FY10–12 Plan" sets out a core strategy targeting enhanced long-term growth.

For the purposes of the FY10–12 Plan, we will promote a new growth strategy that takes into consideration the long-term vision of a structural change within our business. Under the previous two three-year medium-term business plans, we defined our core businesses as "mineral resources and metals" and "electronic and advanced materials." In the new plan, we designate "mineral resources," "smelting & refining" and "materials" as our three core businesses. Our plan is to channel our business resources into growth sectors where we can continue to build international competitiveness. To counteract pressures on the bottom line caused by deteriorating purchase terms for metal ores and rising energy costs, we also plan to reinforce our basic operating platform based on a range of comprehensive measures to boost efficiency and reduce costs. This will enable SMM to target increased earnings growth. Finally, we will exit business sectors where we cannot pursue a growth strategy through divestments.

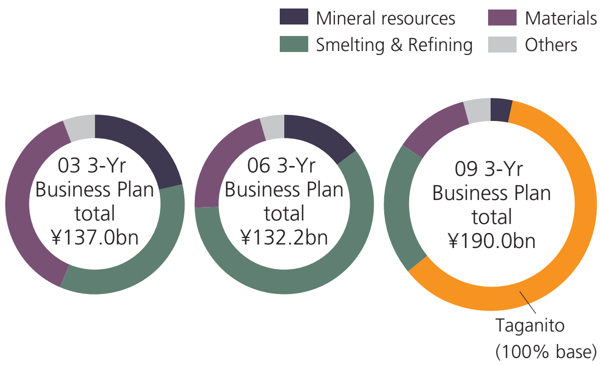
3. Strategy by business segment

■ Mineral resources

Under previous medium-term business plans, we pursued a "mineral resources + refining" business model for our upstream operations and focused efforts in this segment on the supply of raw materials for our smelting & refining operations. Under the new plan "mineral resources" is positioned as a core business in its own right.

Non-ferrous metals prices have reached new, higher levels since 2004 due to the growth in demand from industrializing economies. Over the same period, the degree of control exerted by major resources players over global mining has strengthened. To respond to these shifts in business conditions, we have invested in human resources and technical development while seeking to gain control of first-class resource assets. We have promoted exploration activities, entered new resource development projects, and moved to acquire majority interests in certain projects. In July 2009, we

Capex excl. o/seas interests



purchased an additional stake in the Pogo gold mine in Alaska, USA from Teck Resources Ltd. of Canada. This acquisition increased Japanese interests in the mine to 100% (of which we own 85%). It also made SMM the mine's sole operator. Pogo is the first mine outside Japan in which we have gained sole operatorship. We also met our annual gold production target for Pogo of 12t in 2009 for the first time. These achievements have given us a solid foothold from which we can expand into other overseas mining operations.

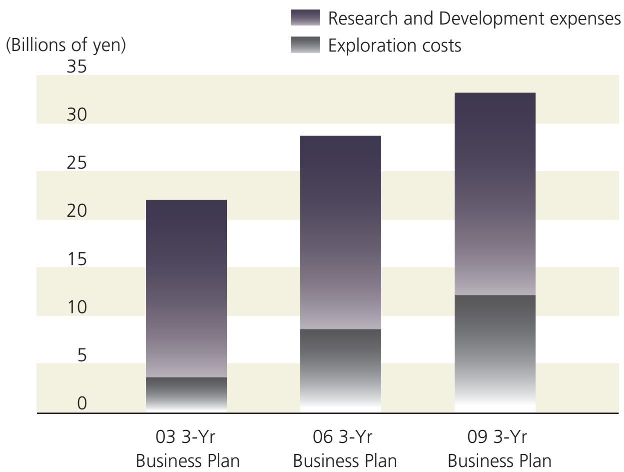
In copper, our long-term vision is to expand our total production interest to 300ktpa of copper equivalents. Our other goals are to establish at least one copper mine in which we own a majority interest and to look at participating in further copper resource development projects. In nickel, following on from our current goal of establishing a 100ktpa set-up for nickel by 2013, we have set a new goal of expanding supply to 150ktpa. To reach this goal, we are currently exploring for nickel deposits in the Solomon Islands. In March 2010 we signed an agreement under which Japan Oil Gas and Metals National Corporation (JOGMEC) will take an equity stake in this project. Going forward, we plan to undertake an aggressive exploration program in collaboration with our new mining development partner. We are also actively exploring for gold and aim to boost our interest in gold production to 30tpa over time.

■ Smelting & refining

Our nickel refining business possesses world-leading technical capabilities in technologies such as High Pressure Acid Leach (HPAL). Our aim is to raise earnings while continuing to reinforce our technical expertise. Over the course of the new plan, we expect to increase our overall nickel refining capacity to 100ktpa. At our nickel refining facility in Ehime Prefecture, we are preparing new electrolytic nickel production capacity of 65ktpa. In order to secure the necessary raw materials, our Taganito Project located in the northeastern part of the island of Mindanao in the Philippines is due to enter commercial production in 2013. Once completed, it will become SMM's second overseas refining facility.

Business conditions have become more difficult for copper smelting in the Japanese market. The growing degree of oligopoly in the mineral resources sector has resulted in poorer terms for purchasing ore. Under these circumstances, cost reduction concerns have emerged as the most pressing issue. Accordingly, our FY2010-12 Plan places the utmost emphasis on a wide range of cost reduction measures including efforts to increase the efficiency of our operations and to improve our technological capabilities.

Exploration/R&D costs



Materials

Under the new plan, we have designated our semiconductor and advanced materials operations as our core materials businesses. We see this field as a growth area, mainly because of the expanding range of energy and environmental (E&E) applications. Battery materials is one area where we see demand growing in the future, especially for anode materials used in battery packs for hybrid electric vehicles or various secondary batteries for consumer applications. In line with the market's growth potential, we are endeavoring to expand and strengthen these businesses. Another field where demand is expected to grow is that of sapphire substrates for use in white LEDs. By exploiting our integrated production capabilities in crystal growth and fabrication, we aim to capture the leading share of the market for large substrates of this type.

In copper-clad polyimide film, where we are the leading global supplier, we are working to bolster our earnings structure based on quality improvements and higher productivity. In nickel pastes, we plan to leverage our existing Ni supply chain to expand sales by developing fresh demand in China.

4. Research and development

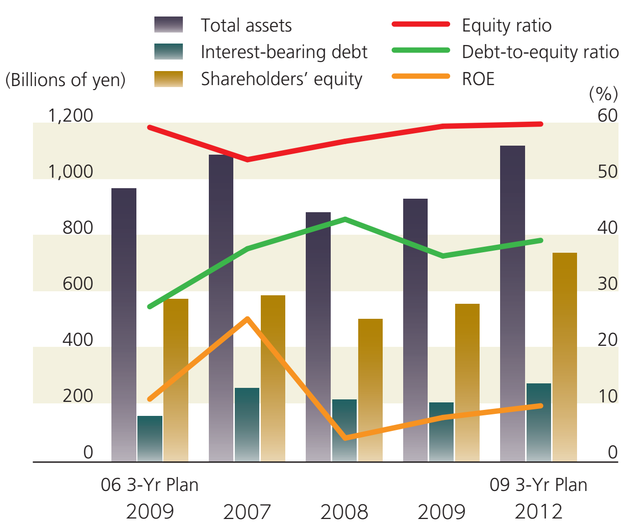
R&D plays an important role in supporting divisional business strategies and in solving technical challenges. We will be upgrading our R&D capabilities further during the course of the new medium-term business plan.

In E&E-related materials, our main development targets for R&D are anode materials for secondary batteries, pastes and high-performance copper-clad films. Taking advantage of our integrated supply chain for nickel, we also plan to promote research into battery material recycling, notably for automotive battery packs. In other initiatives, based on the projected expansion in our Ni production capacity, we will also focus on developing new nickel and cobalt products.

5. Finance

It is also vital for us to maintain strong finances so that we can implement our medium-to-long-term growth strategy for SMM. As of the end of March 2010, the equity ratio was a solid 59.8%. Going forward, we expect to deploy capital for new investments while maintaining this ratio above 50%. We also plan to maintain our dividend policy, which targets a consolidated payout ratio of at least 20%.

Financial indicators



Message to Stakeholders

My main message to everyone within the SMM Group has always been that we must achieve the targets that we have set.

Business conditions remained highly challenging in fiscal 2009, but we were able to make progress on a number of important fronts. First, we remained in profit. Second, we formulated a new medium-term business plan. Third, we took effective steps to strengthen our business resource base.

In this message, I would like to share with all our stakeholders those targets that I have set for myself personally as well as the results achieved to date.

Fiscal 2009 targets and achievements

We commenced the fiscal year ended March 2010 confronted by a harsh business environment, most notably characterized by the slump in metal prices and weak economic conditions due largely to the global financial crisis. At that time, I set two goals for SMM to ensure our future growth: first, boost profits; second, reinforce competitiveness.

We recognized that, at the very least, SMM would need to maintain strong finances to ensure that we could continue pursuing a growth strategy. In light of this goal, I issued a stern directive to all of SMM's operating divisions that every business group must generate a profit. At the same time, we started to implement a company-wide series of emergency cost-reduction measures to shave at least ¥15 billion off our cost base relative to fiscal 2008. In the end, we succeeded in reducing costs by a total of more than ¥18 billion.

Identifying the drop in metal prices as an opportunity for action, we then worked diligently to newly secure resource interests leveraging our strong financial position. As a result, we purchased an additional equity stake in the Pogo gold mine in Alaska, USA in July 2009. In doing so, we assumed operatorship of our first overseas mine as a company.

In addition, to boost SMM's cost competitiveness, we began looking at various initiatives to constrain processing costs and cut budgeted capital expenditures on projects. For instance, at the Taganito nickel project, where investment decisions had been postponed following steep increases in construction costs, we re-examined the project and set challenging hurdles in terms of targeted cuts in both the upfront capital cost and running costs. We were able to meet these new demanding conditions, and proceeded to project in September 2009.

While uncompetitive businesses were not clearly in evidence due to the underlying strength provided by external environments during favorable economic periods, the downturn in the economy gave rise to substantial losses. This prompted us to target further progress in terms of exiting those businesses and products with poor growth potential, notably within the materials division.

Under these circumstances, and despite a fiscal year greatly impacted by substantial fluctuations in the external environment, I am personally convinced that we were able to accomplish the targets that we had set.

Formulation of new medium-term business plan

In February 2010, we announced a new medium-term business plan for the period to March 2013. This was the first such plan that I had formulated as president of SMM. Since my appointment to the top job in 2007, I have been pondering the future of the company while collecting information about all of our production, R&D and other facilities. Creating a medium-term business plan is a test of management skill, because we must translate the future vision for the company into actions for today's business. In that sense, I believe the year that we spent crafting this plan was extremely worthwhile.

This plan marks the culmination of our efforts to attain the long-term goal that we set in a previous plan covering the period fiscal 2004–6. The original goal was to enter the ranks of the non-ferrous metal majors within ten years (that is, by the end of the third three-year medium-term business plan to FY2012). In the wake of the global financial crisis of 2008, our business has undergone a dramatic shift in circumstances. As a result, we were forced to accept that we may not be in the position to achieve all of the goals established for each and every business by 2009, the final year of the FY2007-9 Plan. For the latest plan to the end of March 2013, we have taken a fresh look at the kind of company that we want SMM to be ten years from now. The major theme of the plan is to establish a new long-term vision for the business and map out how we intend to follow the targeted path.

Under this new FY2010-12 Plan, we recognize that in steadfastly implementing the initiatives outlined beginning with the Taganito project will be completed during the next plan, we are laying a major stepping stone for future growth.

A change in business structure

As well as embarking on the new business plan, we are now pursuing a fresh growth strategy based on our long-term business vision. A change in business structure is a critical element of our plans.

First and foremost, the structural shift within SMM's operations is based on accurately responding to changes in our operating environment. Business conditions have been changing ever since our predecessor firm's copper refining business was founded in 1590. We have selectively developed our business operations over many intervening decades depending on the demands of the times.

For example, after its discovery by Sumitomo in 1690, the Besshi copper mine became the foundation of the development of Sumitomo's extensive business operations. By the 1960s and 1970s, however, domestic mining operations in Japan were extremely inferior when compared with imported overseas ores. At the time, many people declared that mining operations could no longer play a profitable role in the Japanese economy. The Besshi copper mine could not prevail against the trend, and we eventually closed it in 1973 after 283 years of continuous operation. Then, metal refining operations again became the mainstay of SMM's business. Over the past several years, however, the emergence of the developing world has boosted demand for copper and other base metals. With mine management showing renewed promise, the mining for such resources is once again in the spotlight.

The business requirements of the times will always be in flux. The key to our sustained growth as an enterprise is always to select the best business mix.

Under the new plan, we have changed the definition of our core businesses from "mineral resources and metals" and "electronic and advanced materials" to "mineral resources," "smelting & refining" and "materials." We also plan to target autonomous growth within each of these three core businesses.

In mineral resources, we have set-up a structure that aims to bolster overseas resource development. In this manner, we anticipate mineral resources will serve as a core source of earnings and ensure further growth. Under the "mineral resources + refining" business model that we were pursuing in the previous medium-term business plan, the main purpose of our resource mining operations was to supply ores for processing at our refining facilities in Japan. This strategic rationale dictated that we seek to acquire interests mainly in the Asia-Pacific region, because this provided seaborne transportation options for mined ores. Going forward, we will also focus on building up the earnings base of our mining business in its own right. We will undertake exploration activities across a broader range of geographic regions, including countries such as Brazil and Argentina.

Due to the growing influence of major overseas players within the resources sector, profit margins in our copper smelting business have been squeezed significantly. Processing fees have fallen to historical lows, making it more difficult to generate profits from copper smelting operations alone. Under these conditions, the way forward is to reinforce the earnings base by reducing costs rather than relying on supply from in-house mining operations to ensure smelting stays profitable. We have changed the name from the "Metals" to the "Smelting & Refining" to clarify the shift in emphasis toward smelting as a stand-alone profit center.

Copper smelting was the original foundation of Sumitomo's business. Accordingly, it is often referred to as a primary source or lead off business for the Sumitomo Group whose history extends over some 420 years. In this context, I believe that we should therefore continue to maintain SMM's Japan-based smelting operations into the future and seek to rebuild earnings in this sector.

Turning to our materials operations, this is a business segment where I have received many tough questions from investors since we posted an operating loss for the segment of over ¥10 billion in fiscal 2008. I believe, however, that this should remain one of SMM's core businesses and that it is important that we continue to develop it further going forward. All businesses go through good times and bad times, as SMM has experienced on numerous occasions in the past. We have now been in the materials business for 50 years. I do not think that this is the time to abandon the sector, which has a bright future. Maintaining confidence in the promise of this business, we will continue to secure increased profit-earning capacity.

Yet we should not forget that this sector fell a long way short of expectations in FY2009, the final year of the previous medium-term business plan. For this year we recorded segment operating income of ¥2.9 billion, compared with an initial target of ¥20 billion. We have set a fresh operating income target of ¥15 billion for this business in the new plan. Taking the aforementioned into consideration, we must engage in management activities with an even greater determination and resolve to ensure that we achieve this new earnings target for the materials business.

Our core areas of focus over the next three years

While we will be implementing various measures across our operations over the course of the new plan, the single most important project on which we will focus is the nickel ore processing facility at Taganito in the Philippines. Over the next three years, our nickel operations are set to absorb the vast majority of a total capex budget of ¥190 billion. Our target completion date for the Taganito project, the core of our nickel operations, is in fiscal 2013, which will be the first year of the next medium-term business plan. Once the facility comes on stream, SMM's in-house nickel output will increase by 30ktpa overnight. We expect this to contribute substantially to earnings.

Another key long-term issue that we will be addressing is the acquisition of additional copper production interests. In an effort to lift the proprietary ore ratio to two-thirds, and in further recognizing the depletion of ore reserves at existing mines, we will work toward acquiring new mine interests moving forward.

Turning to our materials operations, we will place particular emphasis on battery materials for use in environmental and energy fields, which are projected to enjoy considerable growth. Priority will also be given to expanding sapphire substrate activities.

No major projects made any significant contribution to the bottom line in fiscal 2010. Going forward, we will continue to focus on cost reduction as one of the key approaches to boosting earnings. Above all, I plan to manage closely all of our major ongoing projects to ensure that we make progress as planned.

Building a solid platform for the future

Although we faced tough conditions in fiscal 2009, we did not neglect areas that will help define SMM's future such as human resources development and R&D. We exempted these two specific areas from the company-wide program of targeted cost reductions aimed at saving money.

People are a particularly valuable resource for SMM, and so developing our workforce is a vitally important issue. Reflecting this approach, we have built three new training facilities since the beginning of 2009. Each has a specific purpose. The first is a hands-on training facility for employees and managers alike. The second center will provide space for lectures, seminars and training courses, while the third is a strategic HR development facility aimed primarily at training directors and senior staff. I believe these three new facilities will play a valuable role in the execution of SMM's future growth strategy.

On the R&D front, the imperative since SMM's earnings collapsed in fiscal 2008 has been to increase the speed of research and development programs by 50%. One year on, I believe that we have started to see a tangible change in the mindset of our research teams. The results have been especially good in battery materials, which is an area with excellent prospects. I look forward to seeing developments in these areas bolster our future performance.

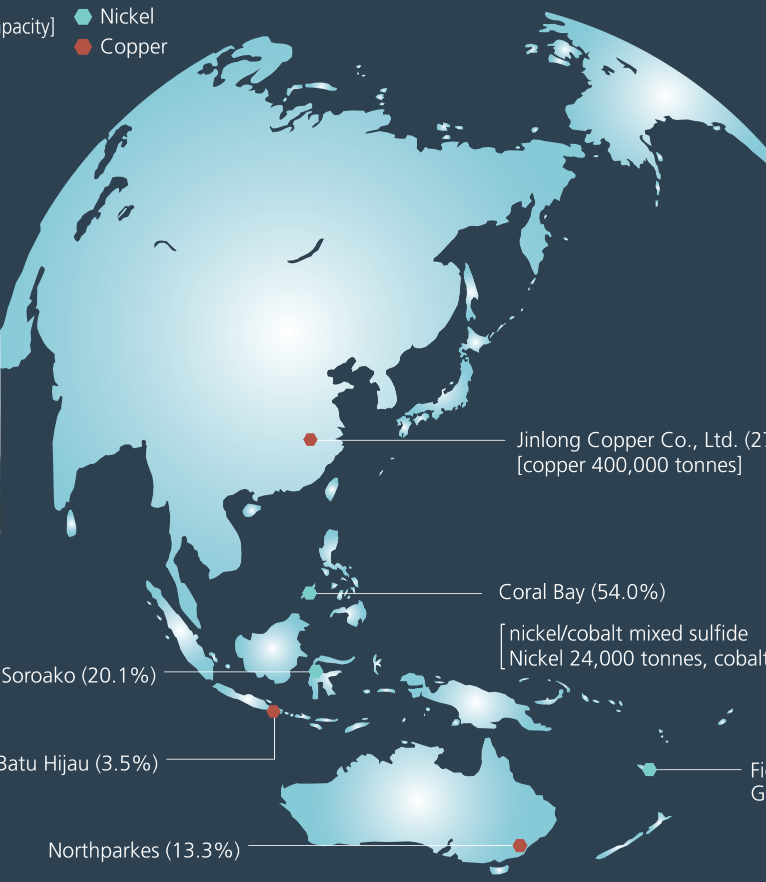
Structural change is the core theme of our new medium-term business plan. We have shifted to a set-up in which each of our three core businesses has been tasked with securing and expanding profits on an autonomous basis. While operating conditions are expected to remain harsh, each part of SMM is now focused on pursuing our designated growth strategy to develop consolidated earnings. I am confident in our ability to develop SMM's next generation of skilled and valuable employees. Looking ahead, we will work ever more diligently to further strengthen our business platform.

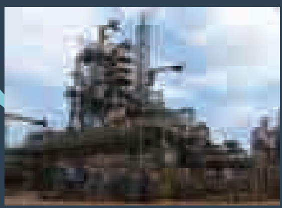
August 2010

Nobumasa Kemori
President and Representative Director

Business Network

SMM's Mines and Refineries —Overseas—





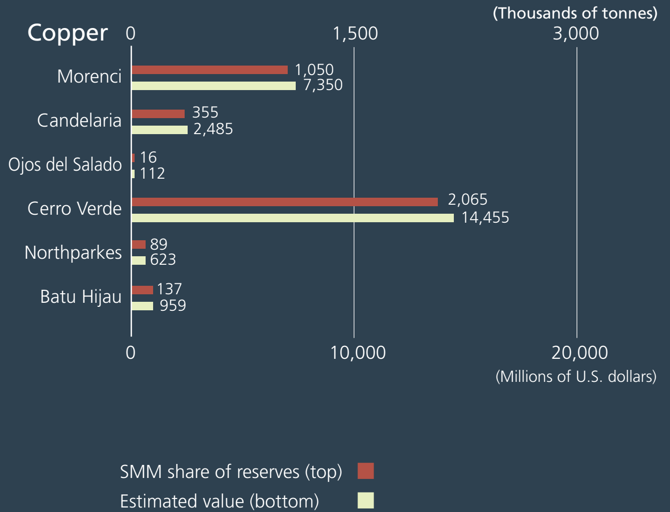
Coral Bay Nickel Corporation (Philippines)

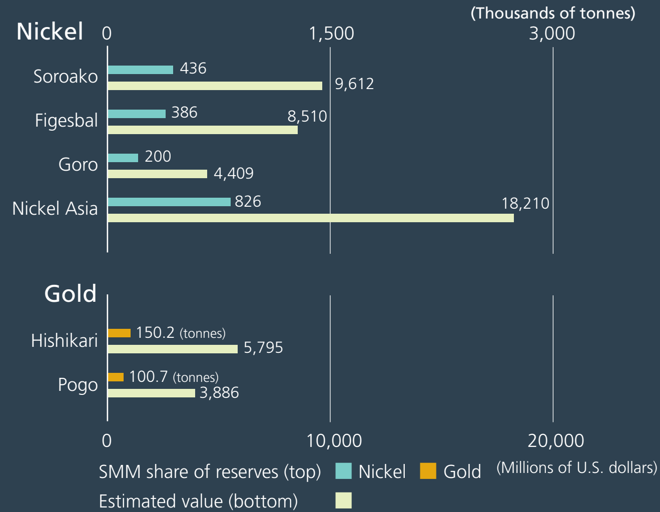
Jinlong Copper Co., Ltd. (China)

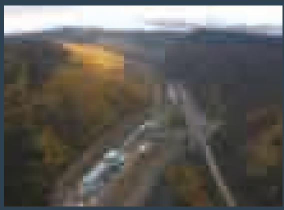
SMM's Metal Shares and Estimated Values

By Mine

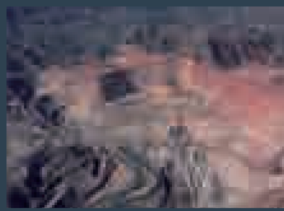
SMM share of reserves (end-Dec. '09)



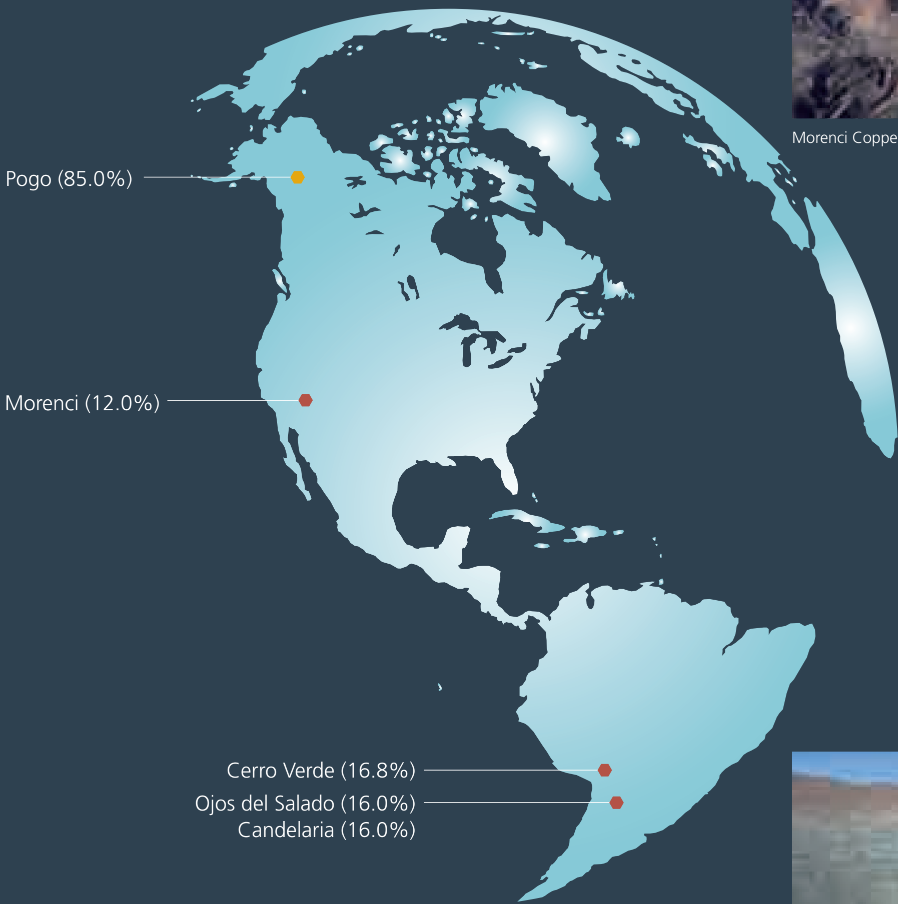


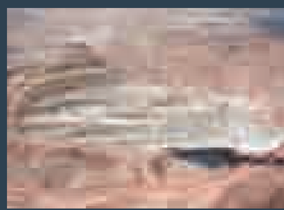


Pogo Gold Mine (USA)



Morenci Copper Mine (USA)



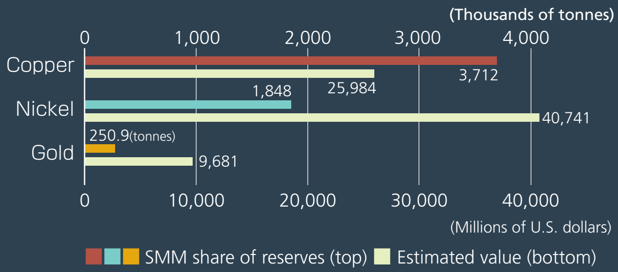


Cerro Verde Copper Mine (Peru)

Candelaria Copper Mine (Chile)

By Metal

SMM share of reserves (end-Dec. '09)



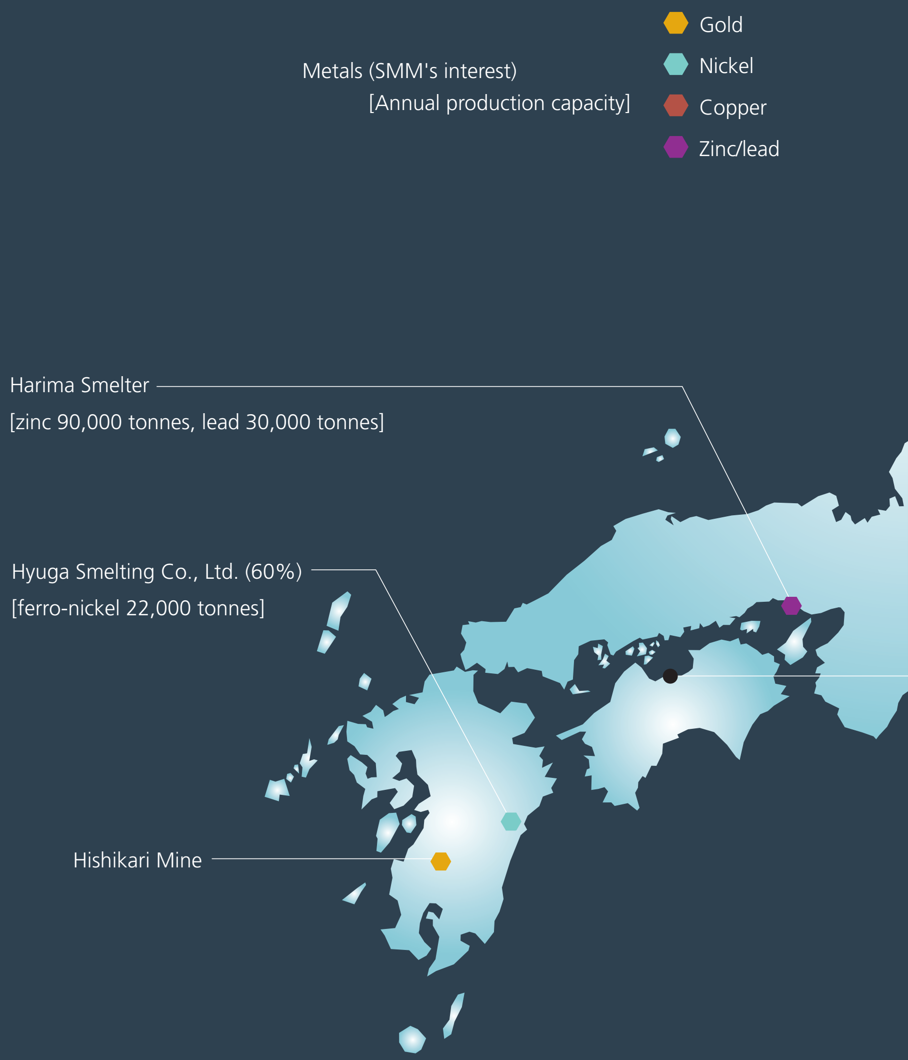
Notes:
1. Based on SMM equity interests
2. SMM share of reserves = reserves x SMM equity interest in mine (%)
3. Estimated value = SMM share of reserves x standard metal price
4. Standard metal price = average price in Apr–Jun 2010
(Copper: US$7,000/tonne; Nickel: US$10/lb; Gold: US$1,200/toz)

SMM’s Mines and Refineries —Domestic—


Harima Smelter (Hyogo)


Hyugo Smelting Co., Ltd. (Miyazaki)


Hishikari Mine (Kagoshima)




Toyo Smelter & Refinery (Ehime)


Niihama Nickel Refinery (Ehime)


Shisaka Plant (Ehime)

SMM's Production Facilities for Materials

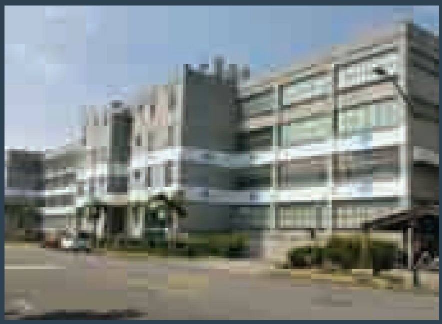
■ Semiconductor materials ■ Advanced materials

A	■ (Advanced)	Sumiko Kunitomi Denshi Co., Ltd.
B	■ (Advanced)	SMM Precision Co., Ltd.
C	■ (Semiconductor)	Shinko Co., Ltd.
D	■ (Advanced)	Sagami Plant
E	■ (Semiconductor)	Nittosha Co., Ltd.
F	■ (Semiconductor)	Sumiko Tec Co., Ltd.
G	■ (Advanced)	Ome District Division
H	■ (Advanced)	Isoura Plant
I	■ (Semiconductor)	Niihama Electronics Co., Ltd.
J	■■ (Semiconductor, Advanced)	Ohkuchi Electronics Co., Ltd.
K	■ (Semiconductor)	SMM KOREA Co., Ltd.
L	■ (Advanced)	Shanghai Sumiko Electronic Paste Co., Ltd.
M	■ (Semiconductor)	Sumitomo Metal Mining Electronics Materials (Shanghai) Co., Ltd.
N	■ (Semiconductor)	Sumiko Electronics Suzhou Co., Ltd.
O	■ (Semiconductor)	Sumiko Leadframe Chengdu Co., Ltd.
P	■ (Semiconductor)	Sumiko Precision Chengdu Co., Ltd.
Q	■ (Semiconductor)	Sumiko Electronics Taiwan Co., Ltd.
R	■ (Semiconductor)	Taiwan Sumiko Materials Co., Ltd.
S	■ (Advanced)	Dongguan Sumiko Electronic Paste Co., Ltd.
T	■ (Semiconductor)	Sumiko Leadframe (Thailand) Co., Ltd.
U	■ (Semiconductor)	M-SMM Electronics SDN. BHD.
V	■■ (Semiconductor, Advanced)	Malaysian Electronics Materials SDN. BHD.
W	■ (Semiconductor)	Sumitomo Metal Mining Asia Pacific Pte. Ltd.

Ome District Division (Japan)

Isoura Plant (Japan)

Ohkuchi Electronics Co., Ltd. (Japan)

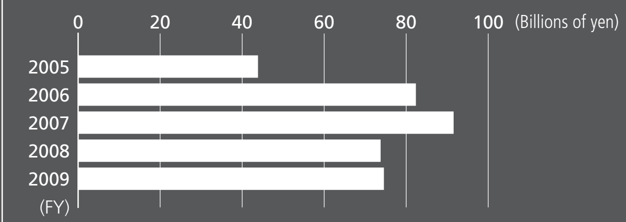


Sumiko Electronics Taiwan Co., Ltd. No. 2 Plant (Taiwan)

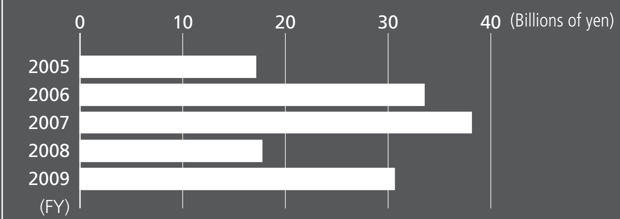
Mineral Resources

Tasked with the dual mission of boosting the earnings of the mineral resource business and securing raw materials for the refining business, this segment is engaged in the exploration for and development, production, and sales of non-ferrous metal resources.

Net sales

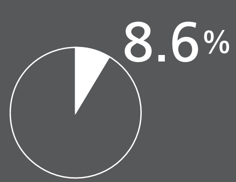


Operating income



Sales composition

(For the year ended March 2010)



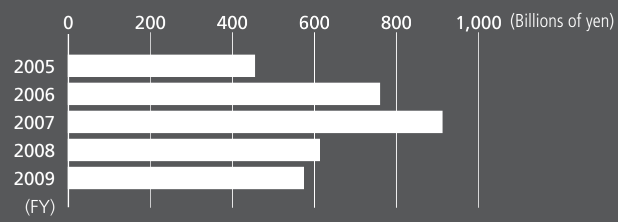
Main products

Gold and silver ores
Copper concentrates
Copper
Gold
Geological research

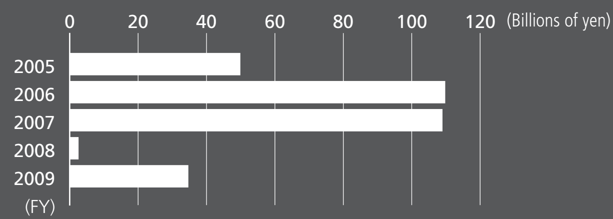
Smelting & Refining

This segment refines raw materials procured from overseas mining companies and the mineral resources segment into metals such as gold, copper, nickel and zinc, which it then sells. Having achieved the world's first commercially viable method of recovering nickel from low-grade ore, which had been considered difficult with conventional technology, we possess world-class refining technology and are the industry leader.

Net sales

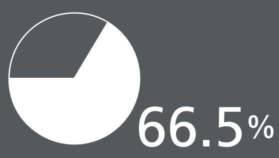


Operating income



Sales composition

(For the year ended March 2010)



Main products

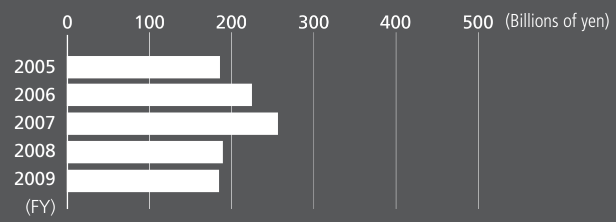
Gold
Silver
Copper
Nickel
Ferro-nickel
Zinc
Chemical products
Copper and brass

Note: Operating income and net sales figures include inter-segment transactions.

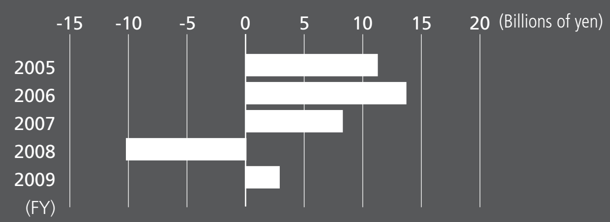
Materials

In the semiconductor materials business, we apply the materials and fabrication technologies that we have developed as a non-ferrous metals producer to supply high-quality materials that are critical to the manufacture of semiconductors and electronic equipment. In the advanced materials business, we apply metals-related technologies to create a range of high-value-added materials with specific functions. These include thick-film pastes, battery, single-crystal, thin-film and other materials.

Net sales

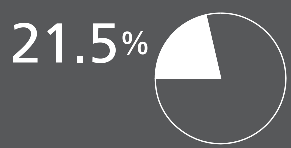


Operating income



Sales composition

(For the year ended March 2010)



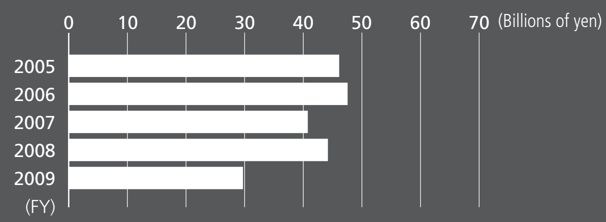
Main products

Semiconductor materials
(lead frames, tape materials (CCPF, COF), bonding wire)
Electronic component materials (alloy preform)
Thick-film materials (pastes, powder materials)
Thin-film materials (ITO, sputtering target materials)
Battery materials
Single-crystal materials
Printed wiring boards
Magnetic materials

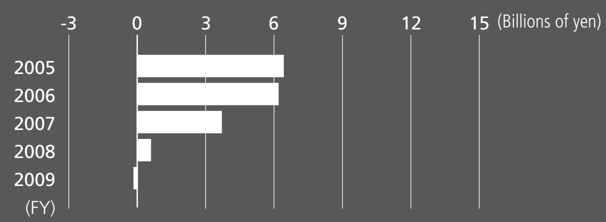
Other Businesses

This division includes plant engineering services as well as different products that leverage the various technologies developed in non-ferrous metal refining operations, including catalysts, construction materials and lubricants. In the catalysts business, SMM Group affiliate N.E. Chemcat Corporation produces catalysts to purify vehicle exhaust gases as well as precious metal catalysts for chemical engineering use, while Nippon Ketjen Co., Ltd. makes catalysts used in oil refining.

Net sales

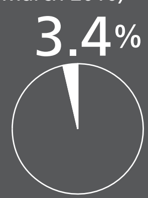


Operating income



Sales composition

(For the year ended March 2010)



Main products

Petroleum refining and auto exhaust gas-use catalysts
ALC products (Siporex)
Environmental protection equipment

Mineral Resources

Fiscal 2009 review

Divisional net sales increased by ¥797 million compared with the previous year to ¥74,420 million, while operating income surged by ¥12,925 million to ¥30,581 million. Profits were higher across all mining operations. At Hishikari (Kagoshima Prefecture, Japan), profits were bolstered by higher gold prices and sales volumes of 7.5t were on a par with fiscal 2008. Increased sales volumes due to the acquisition of an additional production interest and higher gold prices helped drive profits at Pogo (Alaska, USA). At SMM's overseas copper mining operations, cost-cutting initiatives and other measures helped to offset the impact of lower copper prices, resulting in increased earnings.

Mining operations generally proceeded smoothly across the division. Output of gold and silver ores from the Hishikari mine amounted to 133,542t, a gain of 2,824t in year-on-year terms. Production of copper concentrates and electrolytic copper at the principal overseas copper mining operations in which SMM is a management participant through an operating subsidiary – namely Morenci (USA), Candelaria (Chile) and Cerro Verde (Peru) – rose steadily in general terms. At Pogo, gold production reached the initial 12tpa target for the first time as the mine increased output successfully as far as design capacity. In July 2009, SMM acquired the stake in Pogo owned by a subsidiary of Teck Resources Ltd. of Canada. This transaction marked the first time that SMM had assumed sole operatorship of any overseas mine.

Exploration activities

SMM prospected for copper, gold and nickel in numerous overseas locations across the Asia-Pacific region in fiscal 2009. In the Solomon Islands, where SMM is conducting exploration activities for nickel deposits, the Japan Oil, Gas and Metals National Corporation (JOG-MEC) became an equity development partner in the project. This agreement will help ensure smoother progress with this project going forward.

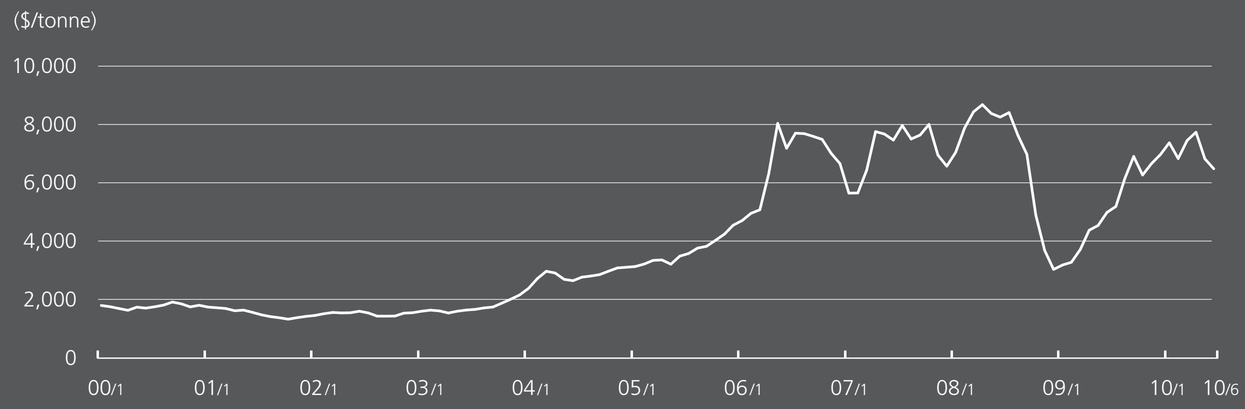
Financial highlights, by segment

(Millions of yen)	FY2009	FY2008	FY2007
Net sales	74,420	73,623	91,360
Operating income	30,581	17,656	38,127
Operating margin (%)	41.09	23.98	41.73
Depreciation expense	7,225	6,432	5,537
Capital expenditures	2,110	7,890	9,427

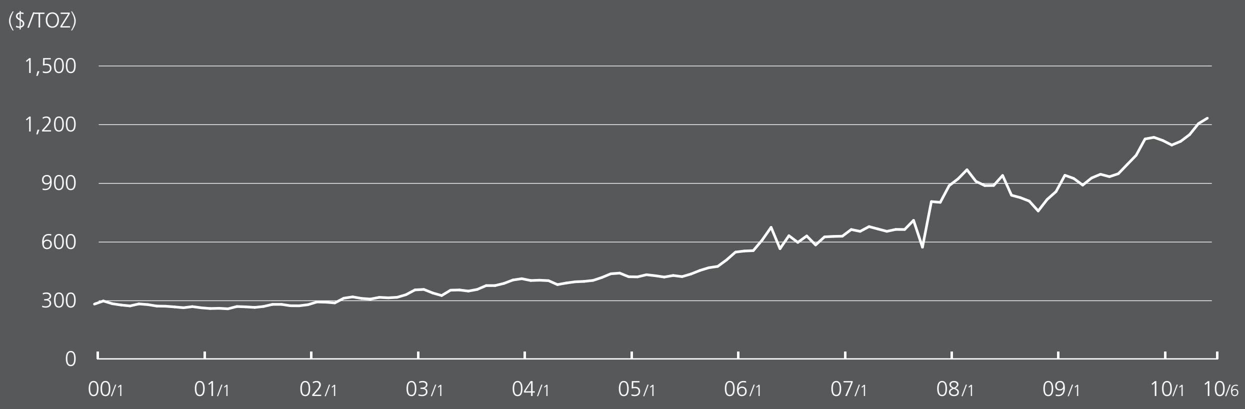
Exploration costs (Billions of yen)

FY2010 (Budget)	FY2009 (Actual)	FY2008 (Actual)	FY2007 (Actual)
3.9	2.0	3.9	2.4

Copper price (LME)



Gold price (London Fixing)



Overseas principal affiliates

Name	Voting Shares (%)	Operations
Sumitomo Metal Mining America Inc.	100	Prospecting; Management of mining subsidiaries in U.S.A.
Sumitomo Metal Mining Arizona Inc.	80	Mining and related operations
Sumitomo Metal Mining Canada Ltd.	100	Prospecting; Consulting
Sumitomo Metal Mining Oceania Pty. Ltd.	100	Resource surveys, mine development and related operations in Oceania
Sumitomo Metal Mining Pogo LLC	100	Investment in Pogo Mine project
SMM Solomon LIMITED	70	Prospecting in the Solomons Islands
Sumitomo Metal Mining Peru S.A.	100	Prospecting in South America
Sumitomo Metal Mining Chile LTDA	100	Prospecting in South America

Domestic principal affiliates

Name	Voting Shares (%)	Operations
Sumiko Consultants Co., Ltd.	100	Geological survey of resources and Test boring
Sumiko Solomon Exploration Co.,Ltd.	70	Prospecting in the Solomons Islands

Smelting & Refining

Fiscal 2009 review

Divisional net sales declined by ¥39,363 million compared with the previous year to ¥573,052 million, but operating income rebounded sharply, increasing by ¥32,058 million to ¥34,491 million.

Domestic demand for copper used in the manufacture of electric wires and rolled copper products staged a gradual recovery toward the end of the year. However, overall sales volumes for the year were lower than in fiscal 2008, reflecting the lingering impact of the sluggish sales environment that had first manifested in the second half of fiscal 2008. Export sales volumes for copper were higher in year-on-year terms, supported by demand from Asia. The nickel sector saw a sluggish recovery in demand for nickel used in specialty steels and alloys for energy- and transport equipment-related applications, but demand for nickel used in the production of stainless steel and electronic materials began to exhibit signs of recovery in the first half of the year. Favorable sales of nickel for these types of applications resulted in positive growth in nickel sales compared with fiscal 2008. Meanwhile, sales of gold fell in year-on-year terms as a result of lower sales volumes.

Copper production totaled 395,788t, an increase of 27,121t in year-on-year terms. Gold production dropped by 2,329kg to 36,818kg. Production of nickel (including ferronickel) increased by 2,459t to 54,617t.

The second ore-processing plant at Philippines-based Coral Bay Nickel Corporation came on-stream in fiscal 2008. This facility uses High Pressure Acid Leach (HPAL) technology to facilitate the efficient processing of low-grade nickel oxide ores. Elsewhere in the Philippines, construction work began on the Taganito project on the island of Mindanao. This facility is scheduled to enter commercial production in 2013.

Capital investment plans

Major items of capital expenditure planned for fiscal 2010 include investments totaling ¥0.9 billion at SMM's nickel refinery. Investments are geared toward achieving an annual electrolytic nickel production capacity to 65kt in 2012.

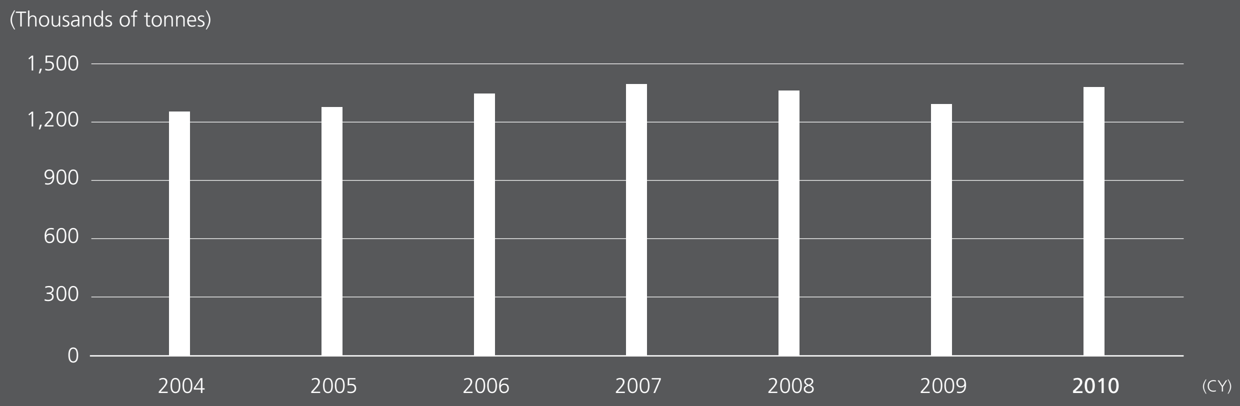
Financial highlights, by segment

(Millions of yen)	FY2009	FY2008	FY2007
Net sales	573,052	612,415	910,574
Operating income	34,491	2,433	108,842
Operating margin (%)	6.02	0.40	11.95
Depreciation expense	14,722	13,475	10,071
Capital expenditures	18,427	24,778	42,089

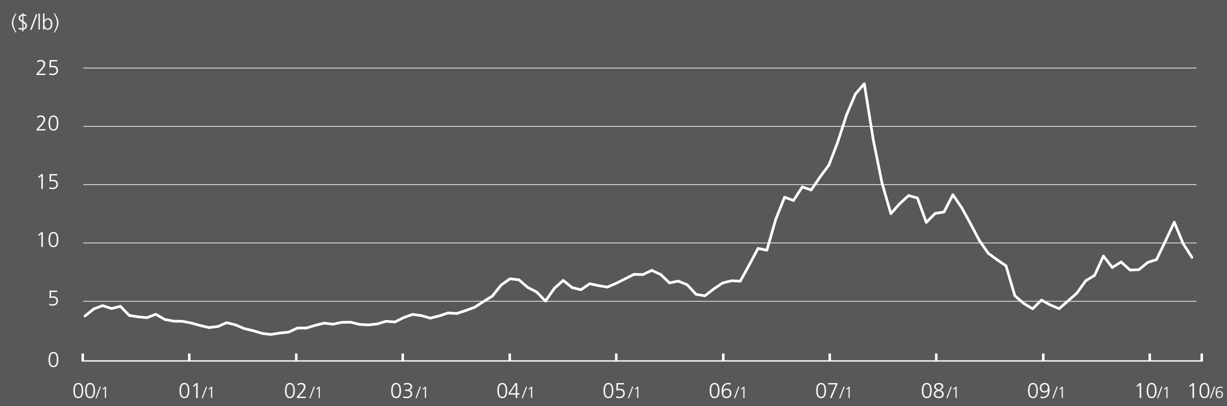
Capital expenditures

(Billions of yen)	FY2010 (Plan)	FY2009 (Actual)	FY2008 (Actual)	FY2007 (Actual)
Mineral Resources	3.9	2.1	7.9	9.4
Metals	57.6	17.6	24.8	42.1
Overseas Developmental Investments	4.0	30.0	8.8	5.2
Total	65.5	47.7	41.5	56.7

Global nickel production volume (forecast)



Nickel price (LME)



Overseas principal affiliates

Name	Voting Shares (%)	Operations
P.T. International Nickel Indonesia	20	Nickel ore mining; Nickel smelting
FIGESBAL	26	Nickel ore mining; Harbor transportation
Jinlong Copper Co., Ltd.	27	Manufacture and sale of electrolytic copper and sulfuric acid
Coral Bay Nickel Corporation	54	Intermediate products manufacture of nickel and cobalt

Domestic principal affiliates

Name	Voting Shares (%)	Operations
Hyuga Smelting Co., Ltd.	60	Ferro-nickel smelting
Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.	50	Manufacture and sale of copper and brass products and processed copper and brass products
Sumiko Logistics Co., Ltd.	100	Maritime trading; Harbor transportation and services; Land transportation
MS Zinc Co., Ltd.	50	Manufacture and sale of zinc and related operations
Acids Co., Ltd.	50	Manufacture and distribution of sulfuric acid and related products
Taihei Metal Industry Co., Ltd.	97	Manufacture of heat-, corrosion- and friction-resistant steel castings and precision castings

Materials

Fiscal 2009 review

Divisional net sales fell by ¥3,605 million compared with the previous year to ¥184,321 million. Earnings at the operating level rebounded from the loss that was recorded in fiscal 2008. Operating income of ¥2,875 million represented a year-on-year increase of ¥13,025 million.

On an individual product basis, orders for lead frames recovered to similar levels as those seen in the first half of fiscal 2008. Higher demand from production regions in China, Taiwan and Southeast Asia was driven by Chinese policy measures to boost purchases of household appliances. Orders for chip-on-film (COF) substrates (electronic packaging materials used to make LCD panel integrated circuits) and related tape bonding materials such as copper-clad polyimide film tended to recover ahead of the cycle, but fierce competition translated into stricter delivery, quality and pricing requirements. Orders for fine wire recovered from around the middle of the year, but price competition was more intense. In thick-film pastes, which include nickel pastes for MLCC (multi-layer ceramic capacitor) applications, orders generally recovered to pre-crisis levels as well. Sales volumes for battery materials were also higher, driven by a trend toward environmental impact reduction in automotive and consumer-related battery applications. Underpinned by each of the aforementioned factors, results in this division improved steadily due largely to the recovery in demand as well as a strict adherence to measures aimed at minimizing the cost of operations.

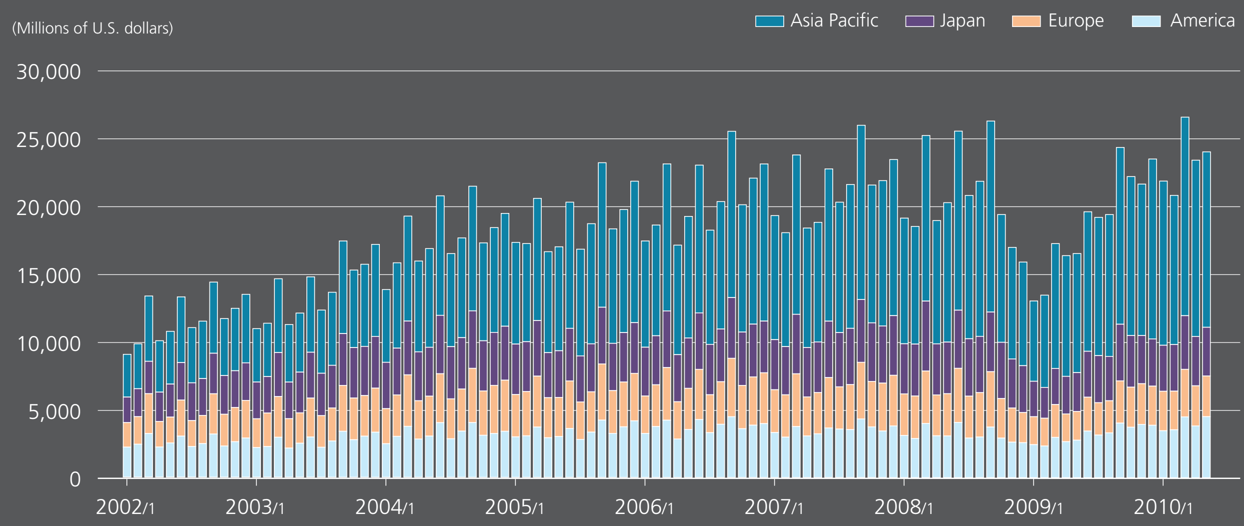
Financial highlights, by segment

(Millions of yen)	FY2009	FY2008	FY2007
Net sales	184,321	187,926	255,002
Operating income	2,875	(10,150)	8,215
Operating margin (%)	1.56	(5.40)	3.22
Depreciation expense	9,785	11,064	11,709
Capital expenditures	4,206	12,534	11,862

Capital expenditures

(Billions of yen)	FY2010 (Plan)	FY2009 (Actual)	FY2008 (Actual)	FY2007 (Actual)
	7.9	4.2	12.6	11.8

Semiconductor monthly shipment value



Source: WSTS (World semiconductor trade statistics)

Overseas principal affiliates

Name	Voting Shares (%)	Operations
Malaysian Electronics Materials SDN. BHD	100	Manufacture and sale of bonding wire and thick-film paste
Taiwan Sumiko Materials Co., Ltd.	100	Manufacture and distribution of bonding wire
Sumitomo Metal Mining Electronic Materials (Shanghai) Co., Ltd.	100	Manufacture and distribution of bonding wire
Shanghai Sumiko Electronic Paste Co., Ltd.	69	Manufacture and distribution of thick-film paste
Dongguan Sumiko Electronic Paste Co., Ltd.	85	Manufacture and distribution of rare earth iron garnet (RIG)
Sumitomo Metal Mining Asia Pacific Pte. Ltd.	100	Regional headquarters (RHQ) for overseas lead frame businesses
Sumiko Leadframe Chengdu Co., Ltd.	70	Manufacture and sale of lead frames
Sumiko Precision Chengdu Co., Ltd.	70	Manufacture and sale of lead frames
M-SMM Electronics SDN. BHD.	100	Manufacture and sale of lead frames
Sumiko Electronics Taiwan Co., Ltd.	70	Lead frame and tape materials production
Sumiko Leadframe (Thailand) Co., Ltd.	100	Manufacture and sale of lead frames
Sumiko Electronics Suzhou Co., Ltd.	100	Manufacture and sale of lead frames
SMM KOREA Co., Ltd.	100	Marketing support for semiconductor materials and related operations

Domestic principal affiliates

Name	Voting Shares (%)	Operations
Sumiko Kunitomi Denshi Co., Ltd.	100	Production of crystal materials and magnet materials
Ohkuchi Electronics Co., Ltd.	100	Semiconductor packaging materials production; Recovery of precious materials; Manufacture of functional inks
Shinko Co., Ltd.	94	Design, manufacture and distribution of printed circuit boards
SMM Precision Co., Ltd.	100	Production of optical communications components
GRANOPT Ltd.	50	Manufacture and distribution of rare earth iron garnet (RIG)
Niihama Electronics Co., Ltd.	100	Lead frame production; Copper-clad polyimide film production
Nittosha Co., Ltd.	100	Metal product plating and surface treatment
Sumiko Tec Co., Ltd.	100	Manufacture of electronic device terminals, connectors and sales

Other Businesses

Fiscal 2009 review

Divisional net sales decreased by ¥14,602 million compared with the previous year to ¥29,604 million. The division booked an operating loss of ¥129 million in fiscal 2009, representing a year-on-year fall of ¥697 million.

Challenging market conditions impacted sales of ALC (autoclaved lightweight concrete) products, with depressed construction demand leading to fierce sales competition. Lower levels of private-sector capital investment negatively affected sales revenues from plant engineering operations.

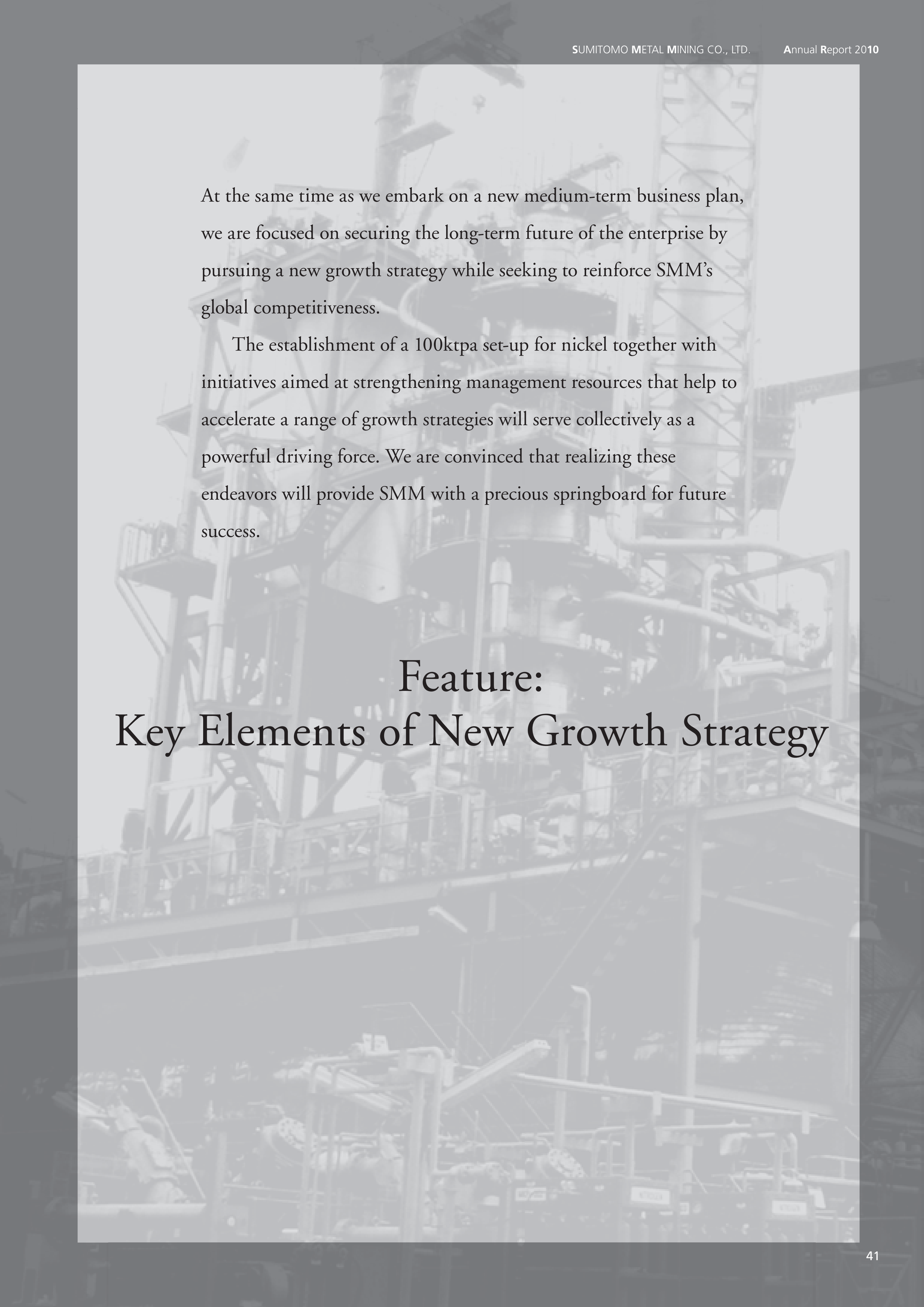
Operational overview of SMM Group affiliates

SMM Group affiliate N.E. Chemcat Corporation is one of Japan's largest manufacturers of precious metal catalysts and coating chemicals. Principal activities encompass the development and manufacture of catalysts used to purify hazardous substances contained in automobile exhaust gases and chemical catalysts used in such fine chemical fields as petrochemicals and pharmaceuticals. N.E. Chemcat is also developing new businesses in fuel-reforming catalysts for in situ hydrogen generation and in electro catalysts for fuel cell applications. Based on its accumulated wealth of expertise in catalyst technology, the company is pushing ahead with the development of new catalysts that will contribute to future commercialization of fuel cell technology.

Another SMM Group affiliate, Nippon Ketjen Co., Ltd., manufactures catalysts used in oil refining. The firm develops, produces and sells hydroprocessing catalysts; offers services for off-site catalyst regeneration and presulfuration of regenerated catalysts; provides other technical services; and conducts related process licensing. Nippon Ketjen aims to help corporate clients do more to protect the global environment by developing businesses that deliver more technically advanced and economic solutions in oil refining.

Financial highlights, by segment

(Millions of yen)	FY2009	FY2008	FY2007
Net sales	29,604	44,206	40,708
Operating income	(129)	568	3,662



At the same time as we embark on a new medium-term business plan, we are focused on securing the long-term future of the enterprise by pursuing a new growth strategy while seeking to reinforce SMM's global competitiveness.

The establishment of a 100ktpa set-up for nickel together with initiatives aimed at strengthening management resources that help to accelerate a range of growth strategies will serve collectively as a powerful driving force. We are convinced that realizing these endeavors will provide SMM with a precious springboard for future success.

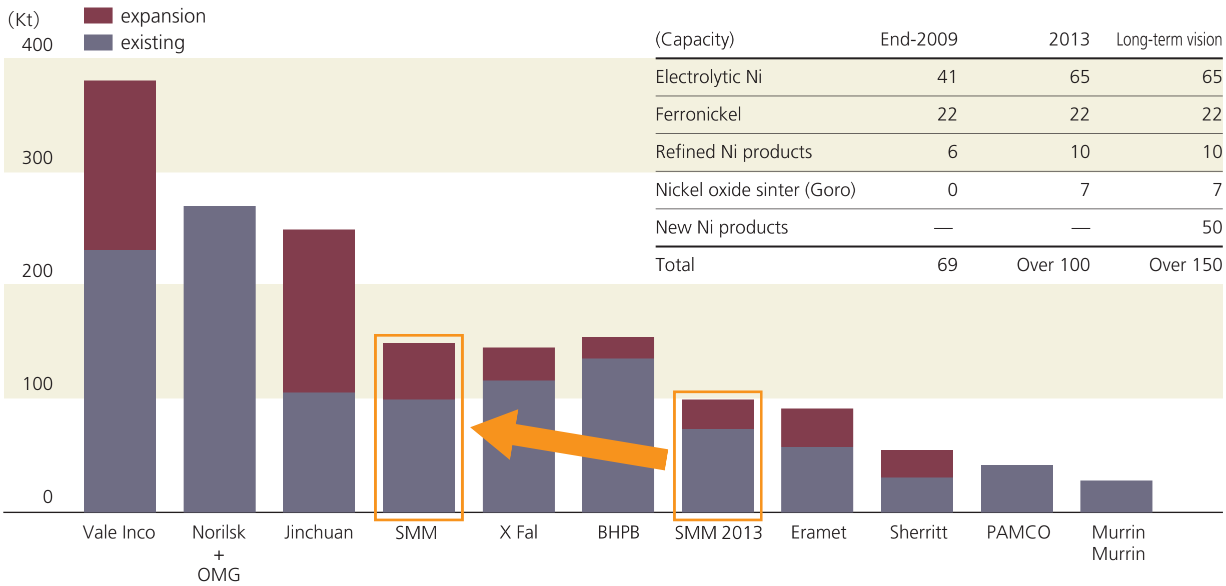
Feature:
Key Elements of New Growth Strategy

Development of 100ktpa Nickel Set-up

Development of 100ktpa Nickel Set-up

SMM issued a press release in July 2001 declaring the company's intention to maintain and build its position as a leading global nickel producer through the establishment of new technology for processing low-grade nickel oxide ores extracted from laterite deposits. This section reviews the progress made over the past nine years.

Join Top 5 non-ferrous majors



(Capacity)	End-2009	2013	Long-term vision
Electrolytic Ni	41	65	65
Ferronickel	22	22	22
Refined Ni products	6	10	10
Nickel oxide sinter (Goro)	0	7	7
New Ni products	—	—	50
Total	69	Over 100	Over 150

Nickel mining in the Philippines

SMM's Coral Bay Nickel plant is located in the southern part of the island of Palawan, which is around 800km from the capital Manila. Rio Tuba Nickel Mining Corporation, a subsidiary of Nickel Asia Corp. (NAC), started mining nickel ore on Palawan in 1977.

The local geology features near-surface laterite ores overlaying more valuable garnierite, which is a high-grade nickel ore that yields nickel used primarily in ferronickel. However, to extract the garnierite, it is first necessary to remove the low-grade laterite deposits near the surface. These "waste" nickel ores had been accumulating in storage, since they were extremely difficult to process on a commercial basis.

In 2000, SMM was targeting possible new sources of nickel ore, but most of the significant garnierite deposits had already been mined. If new refining technology could be developed, this would open up the possibility of refining the extensive deposits of laterite ores. After studying numerous potential mine sites to see which might be commercially viable, SMM decided to pursue the Coral Bay Nickel project in the Philippines.

HPAL technology

High Pressure Acid Leach (HPAL) is the technology we use to process nickel oxide ores mined from laterite deposits. As the name suggests, it involves dissolving the ore in sulfuric acid under high pressure to leach out the nickel. Originally developed in Cuba around 1960, HPAL technology was applied to a number of projects in Australia during the 1990s. However, HPAL remained highly problematic when applied commercially to large-scale production, and no project successfully managed to reach its design processing capacity.

SMM first began refining nickel in 1939. In the 1980s, we converted our nickel refining facilities in Japan to the hydrometallurgical MCLE (Matte Chlorine Leach Electrowinning) process. As a world leader in using hydro-metallurgical methods to extract metals from dissolved ore solutions, we were confident that we could make full use of this accumulated technical expertise through the HPAL method and decided to employ it at our Coral Bay project.

Success at Coral Bay

The initial design output of the first processing facility at Coral Bay was 10ktpa of nickel. We quickly ramped up to this target capacity after the plant entered commercial operation in April 2005. In 2006, we commenced construction of a second processing line of similar scale. Currently the Coral Bay facility has an annual nickel output of 24kt.

In 2009, building on our involvement in Coral Bay as a project partner, we decided to purchase a 25% equity stake in NAC, which is now the largest nickel producer in the Philippines. The Rio Tuba and Taganito mining operations are both part of NAC's project portfolio. The considerable mining experience gained by NAC and its subsidiaries as well as the benefits to accrue through robust relationships with quality project partners have made a substantial contribution to the success of our nickel refining operations in the Philippines.

Development of Taganito

Operating conditions in the nickel business have changed substantially since we initiated the Coral Bay project in 2001. Reflecting changes in the structural demand for the metal, nickel prices have risen sharply from the $3/lb level that prevailed a decade ago – the average nickel price was US$7.7/lb in fiscal 2009.

In 2009, SMM gave approval for the Taganito project. At a capital cost of US$1.3 billion, this is the largest single investment in the company's history. Based on the Philippine island of Mindanao, the Taganito project will involve the construction of a new HPAL processing plant producing 30kt of nickel annually from 2013. The wealth of experience gained at Coral Bay is being more than adequately applied to the Taganito project. In this manner, SMM is building a platform for the production of 100kt of nickel and is taking steps toward the next project driven by its growth strategy.

Strengthening Management Resources




Critical to the success of the various components of SMM's growth strategy as outlined in the new medium-term business plan are the people who will execute it. The development and utilization of human resources (HR) are both key aspects of the plan.

Several training and personnel development facilities are being completed in 2010, which marks SMM's 60th anniversary year. This section introduces these facilities and related HR development programs.

A trio of HR development facilities

■ Oji-kan/Hoshigoe-kan

Officially opened from 2009 through to 2010, the Oji-kan and Hoshigoe-kan are new parts of SMM's main HR development center within the Besshi district of the city of Niihama, Ehime Prefecture. The Oji-kan has been designed for hazard awareness and other safety training. The Hoshigoe-kan provides lecture, seminar and related spaces for a range of training purposes.

Besshi is a where the Sumitomo Business Spirit has breathed life into the community. The area has had mining and related operations ever since the first shaft of the Besshi copper mine was dug 320 years ago. Today, the Group conducts a wide variety of operations beginning with its copper smelter (Toyo), nickel refinery and a factory that makes advanced materials (Isoura) staffed by more than 1,000 employees. The aforementioned two training facilities cater to the needs of employees who have just joined the company to veterans with many years of experience, and provide venues for all employees to apply themselves and to improve by learning from one another.

■ SMM Strategy Planning Center

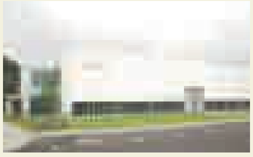
Located in Shizuoka Prefecture, the new SMM Strategy Planning Center is due to open in October 2010. It is designed as a facility to help train and develop the next generation of senior managers to support the creation of business strategies for the SMM Group. The benefits of the training provided at this new facility will manifest in coming years as clear strategic management thinking and professional execution.

■ Personnel development training

In addition to new training facilities, SMM is also investing in training programs aimed at executive and middle management. These programs are designed to teach those employees expected to lead the SMM in the future in the art of strategic thought. Positioned as a method for proposing to management future strategies and initiatives for each business, these programs are available for participation by select employees.

HR development programs target employees at different managerial levels, as well as offering functionally specific skills development courses for employees working in certain areas such as sales.

Besides developing tomorrow's leaders, SMM also offers training courses that provide workers with the knowledge and skills necessary for daily operations. A vital area for this kind of training is the range of regulations and operating procedures used at SMM's factories, since any serious breach could result in a major incident with social implications. For this reason, we put a lot of effort into training all employees in the operation of internal environmental and risk management systems. These training courses emphasize the importance of risk-related procedures and controls.



HR development center (Oji-kan facility)

SMM's new Oji-kan HR development facility commenced training courses in October 2009. SMM faces the challenge of fewer employees having many years of experience of frontline operations. While most processes are subject to mechanical controls, people still need to manage plant operations and oversee maintenance. With this in mind, the Oji-kan training facility was established to provide a framework for practical learning with a particular emphasis on instilling a culture of safety while passing on prerequisite production-related engineering skills.

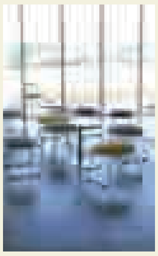
The facility is composed of two separate zones that provide training related to hazard awareness and production engineering skills development.

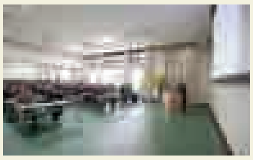
The "hazard training zone" is equipped to particularly demonstrate some of the potential dangers associated with factory operations. Internal analysis of the criticality incident that occurred at an SMM Group facility over ten years ago pointed to the need for providing workers with realistic illustrations of potential hazards.

For example, one installation demonstrates the impacts that could occur from a five-meter fall to enhance sensory awareness of the dangers involved in working at heights. This installation also helps to visually confirm the level of damage inflicted on machinery by a tool accidentally dropped from a considerable height. In another section dealing with hazards related to heavy machinery, trainees can gain experience of the dangers posed by incorrect handling of a forklift truck. The realistic nature of the installations helps to reinforce awareness of the safety hazards involved, thereby contributing to the cultivation of a stronger internal safety culture.

The "engineering skills development zone" features a mock production set-up to show the changes in the plant's internal operations that result from using the external controls. In utilizing this zone, training in numerical adjustment based on an image of internal workings can be undertaken at the time of actual plant facility operation.

Many SMM Group employees work in the facilities located in the Besshi area. As a result, the risk of accidents is correspondingly greater. While people do not expect accidents to happen, cultivating a factory culture to prevent accidents from occurring is a time-consuming and ongoing challenge. This new training facility will help mitigate workplace safety-related risks to ensure that every employee returns home safe each day.





Construction and Operation of Management Systems (Corporate Governance)

To gain the trust and satisfy the expectations of shareholders and other stakeholders, SMM is committed to building and maintaining an optimized framework for business management based on high levels of transparency and efficiency.

Basic policy stance

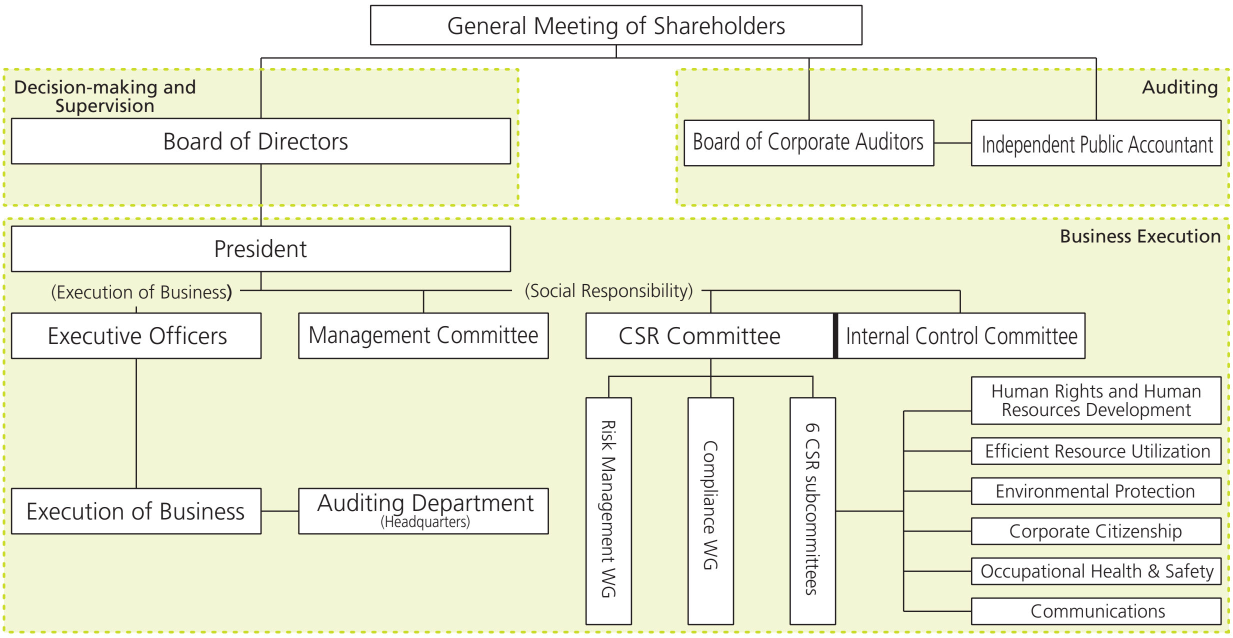
— SMM views corporate governance as a disciplinary framework both for maximizing the enterprise value of the SMM Group and for ensuring sound management practices. As such, it is an important management issue.

— SMM has instituted the SMM Group Corporate Philosophy based on the Sumitomo Business Spirit, and has also formulated the SMM Group Code of Conduct as a set of behavioral standards to guide executives and employees in realizing SMM's business philosophy.

— SMM is committed to striving to achieve the goals contained in the business philosophy; to conducting efficient and sound business activities; to making a valuable social contribution; and to fulfilling responsibilities to stakeholders.

— SMM has adopted executive officer and corporate auditor systems to ensure that the execution, monitoring and oversight of business management each function effectively within governance systems.

Corporate governance framework



1) Operational execution

SMM introduced an executive officer system in June 2001. Under the system, significant operational authority is delegated to executive officers to establish a clear delineation of authority and responsibilities with respect to execution functions, while directors focus mainly on decision-making and supervision.

•Reporting to the president, the executive officers assume responsibility for business execution, both in terms of divisional operating activities and the fulfillment of social responsibilities (CSR activities and internal controls).

•Chaired by the president, the Management Committee deliberates the following important business matters:

— Matters requiring Board approval that also need prior deliberation

— Matters deemed to require discussion but not items for the Board agenda

Through such deliberations, the Management Committee facilitates rational business discussion and decision-making while helping to promote efficient management based on appropriate internal controls.

2) Directors

Operation of the Board of Directors

SMM's articles of incorporation set the maximum number of directors to ten as a way of promoting lively debate at Board meetings. Directors serve for terms of one year. The Board of Directors convenes regularly once a month and in extraordinary session as required to ensure flexible decision-making. Board minutes are circulated to all executive officers to share information.

In the year ended March 2010, the Board of Directors convened 24 times (12 regular meetings and 12 extraordinary sessions). The outside director attended 23 of these meetings (12 regular and 11 extraordinary) to ask the proper questions and state opinions, based on his specialist knowledge and experience as a lawyer and tax attorney.

Relationships with outside directors

Name (Profession)	Tsutomu Ushijima (Lawyer)
Relationship with SMM	Mr. Ushijima has signed a limited liability agreement with SMM, and serves as an outside auditor of other companies as well.
Reason for appointment	Based on his specialist knowledge and wealth of experience as a lawyer, he was appointed an outside director to provide advice to SMM on business matters, particularly from a compliance perspective.

3) Corporate auditors

Operation of the Board of Corporate Auditors

SMM's articles of incorporation set the maximum number of corporate auditors to five. The in-house corporate auditors work in a full-time capacity and state opinions at meetings of the Board and other senior executive meetings from an independent standpoint, based on audit results. The outside auditors also attend these meetings, basing opinions on expertise in specialized fields. The Board of Corporate Auditors meets each month on the same day as regular Board meetings, but at an earlier time. Extraordinary sessions can also be convened as necessary.

Auditors Katsumi Maeda and Takayuki Kurata attended all 24 meetings of the Board of Directors (12 regular and 12 extraordinary) held in the year ended March 2010, in addition to all 17 meetings of the Board of Corporate Auditors. Both of these outside auditors performed audit-related functions, such as asking proper questions and stating opinions at meetings, based on their substantial experience in their respective specialist fields and knowledge of corporate business.

Both the full-time auditors and the outside auditors visit SMM Group operating sites and factories as required to conduct site audits. The full-time auditors compile audit reports relating to any audits of operating sites, subsidiaries or affiliates; these reports are also submitted to the outside auditors. In addition, the full-time auditors are required to report to the Board of Corporate Auditors what happened at any meetings not attended by the outside auditors.

Relationships with outside auditors

Name (profession)	Katsumi Maeda (CPA) Takayuki Kurata (previously with Japan Bank for International Cooperation, etc.)
Relationship with SMM	Both outside auditors have signed a limited liability agreement with SMM and neither has any relationship with SMM Group companies.
Reason for appointment	Mr. Maeda was appointed due to his many years of experience with corporate audits at a professional auditing firm and his wealth of accounting knowledge. Mr. Kurata was appointed due to his vast experience of financial institutions and his knowledge of company management.

4) Remuneration and incentive systems for directors and auditors

Paid to directors	¥344 million
Paid to outside director	¥13 million
Paid to auditors	¥80 million
Paid to outside auditors	¥21 million
Remuneration system	The system of retirement and severance benefits for directors and auditors was abolished with effect from the end of the 80th Ordinary General Meeting of Shareholders held on June 29, 2005. Remuneration for directors (with the exception of outside directors) is based on corporate financial performance and varies from year to year.

5) Social responsibility (CSR activities and internal controls)

CSR activities

Chaired by the president, the CSR Committee comprises the heads of SMM's various operating and central divisions. SMM re-launched its program of CSR activities in a systematized format at the start of October 2008.

- For about 400 years, SMM has been involved in the extraction of resources to produce metal ores for further refining. SMM recognizes that such business activities damage the planet, and that this requires striking a balance between minimizing such damage and using these finite resources for the greater good of society. In this context, SMM views CSR as a way of earning the trust of society by promoting sustainable, eco-friendly operations and undertaking sound corporate activities. Based on this thinking, SMM published a newly formulated "CSR Vision for 2020" in October 2008 that had been deliberated in-house at management level for 18 months. The program of CSR activities was re-launched in a systematized format. The CSR Committee is one of the bodies with input into SMM's business strategy. CSR subcommittees focus on each of the six key CSR areas as defined in the 2020 vision. Annual targets have been set to help in realizing this vision.
- Established following the JCO criticality accident in 1999 to promote better risk management, based on a corporate revitalization plan that SMM created in April 2000, the Risk Management Committee oversees development of an original program of activities designed to prevent major incidents as well as minimize the damage caused by any accidents that do occur. This working group has generated significant results over the past ten years.
- The Compliance Committee ensures SMM's compliance-related systems are functioning well. This second working group engages in education and training activities in an effort to ensure that all employees from top management to rank-and-file employees are fully aware of such key items as the SMM Group Code of Conduct and the importance of compliance. It also works to promote compliance across the SMM Group by investigating the causes of compliance breaches so that strict measures can be implemented to prevent any recurrence.

Please refer to SMM's CSR Report 2010 (scheduled for publication in October 2010) for further details on CSR activities. It has been compiled in accordance with the 2006 edition of the GRI Sustainability Reporting Guidelines (G3).

6) Institution and purpose of takeover defenses

The Board of Directors approved the adoption of takeover defenses at a meeting held on February 19, 2007. These measures received the necessary approval of at least two-thirds of shareholders at the 82nd Ordinary General Meeting of Shareholders held in June 2007. The takeover defenses were set to remain in effect for an initial period until the Ordinary General Meeting of Shareholders held in June 2010, and were subsequently re-approved at the 85th Ordinary General Meeting of Shareholders held on June 25, 2010 in a partially amended form.

In the interests of both the company and its shareholders, these takeover defenses aim to prevent any moves that would be detrimental to the creation of enterprise value.

7) Other governance-related matters

a. Quorum for director appointments

Resolutions to appoint directors require approval by majority shareholder vote at an Ordinary General Meeting of Shareholders where the voting rights of at least one third of all shareholders are represented.

b. Acquisition of treasury stock

The articles of incorporation permit acquisitions of treasury stock by means of open-market purchases by resolution of the Board of Directors, in line with the provisions of Article 165 Section 2 of the Company Law.

(No treasury stock purchases were made in the year ended March 2010).

c. Interim and final dividends

The articles of incorporation permit the distribution of an interim dividend each year to those shareholders registered on the record date of September 30 by resolution of the Board of Directors, in line with the provisions of Article 454 Section 5 of the Company Law. Payment of a final dividend based on the distribution of retained earnings requires the approval of shareholders, in line with the provisions of the Company Law. The record date for the final dividend is March 31.

Directors and Corporate Auditors

Representative Directors:	Nobumasa Kemori (President)
	Masashi Koike
Directors:	Ichiro Abe
	Kouzou Baba
	Yoshiaki Nakazato
	Takeshi Kubota
	Takashi Itou
	Tsutomu Ushijima*
(Standing) Senior Corporate Auditor:	Naoki Tajiri
(Standing) Corporate Auditor:	Toshikazu Yakushiji
Corporate Auditors:	Katsumi Maeda**
	Takayuki Kurata**

* Outside Director under the Companies Act
** Outside Corporate Auditor under the Companies Act

Corporate History

1590 Soga Riemon established copper smelting and coppersmithing in Kyoto. He developed a smelting technique called "Nanban-buki" to separate silver from copper and then worked on mine development.

1691 Operation of the Besshi Copper Mine started.

1905 A refinery was established on Shisaka Island.

1927 The management of the Sumitomo Joint-stock Company and the Besshi Mining Company was divided in order to establish Sumitomo Besshi Mining Co., Ltd.

1937 Sumitomo Besshi Mining Co., Ltd. and Sumitomo Coal Mining Co., Ltd. merged to establish Sumitomo Mining Co., Ltd.

1939 A plant for neutralization was completed in the refinery on Shisaka Island. This led to the complete solution of 50 years worth of smoke pollution at the end of the same year. (It was in September, 1893 that the Niihama smoke problem occurred.)
Production of electrolytic nickel started.

1946 The company name was changed to Seika Kogyo (Mining) Co., Ltd.

1950 The Metal Division of Seika Kogyo Co., Ltd. was divided to establish Besshi Mining Co., Ltd.

1952 The company name was changed to Sumitomo Metal Mining Co., Ltd.

1956 The company established Hyuga Smelting Co., Ltd. and started production of ferronickel.

1960 The company established Tokyo Electronic Metal Co., Ltd. It then started to manufacture germanium dioxide, and expanded its business to electronic materials.

1965 Central Research Laboratories (currently Ichikawa Research Laboratories) was completed.

1966 The company absorbed Tokyo Electronic Metal Co., Ltd., and set up the Electronic Metal Division (currently Advanced Materials Div.). The Harima Smelter of Sumiko I.S.P. Co., Ltd. was completed and production of zinc and lead started.

1967 The Ome Plant of the Electronic Metal Division was completed.

1970 The company established Nippon Ketjen Co., Ltd. and expanded its business to the field of desulphurization catalyst.

1971 The Toyo Smelter was completed.

1973 The Besshi Copper Mine was closed.
The Kounomai Mine was closed.

1977 Sumitomo Metal Mining Singapore Pte. Ltd. (currently Sumitomo Metal Mining Asia Pacific Pte. Ltd.) was established. Production of lead frames started in Singapore.
Niihama Research Laboratories was established.

1979 The Sazare Mine was closed.

1981 High-grade gold ore veins were discovered in the Hishikari Mine in Kagoshima Pref. by the Metal Mining Agency of Japan.

1983 The Hishikari Mine was opened.

1985 The ore veins of the Hishikari Mine were reached and removal of ores started.

1986 The company invested in the Morenci Copper Mine (Arizona, USA), owned by Phelps Dodge Corporation (currently Freeport McMoRan Copper & Gold Inc.).

1988 The company took equity participation in P.T. International Nickel Indonesia in Indonesia.

1989 M-SMM Electronics SDN. BHD. (M-SMME) was established. Production of lead frames started in Malaysia.

1990 The company integrated three copper and brass companies to establish Sumitomo Metal Mining Brass & Copper Co., Ltd.
The company took equity participation in Ballande (currently Figesbal in New Caledonia).

1991 Malaysian Electronics Materials SDN. BHD. (MEM) was established. Production of bonding wires started in Malaysia.

1992 The company participated in the Candelaria Copper Mine development project by Phelps Dodge Corporation.

1993 The Niihama Nickel Refinery completely changed its metal refining process to the MCLE (Matte Chlorine Leach Electrowinning) method.
The company participated in the Northparkes Copper and Gold Mine development project by North Broken Hill Peco Ltd. (currently Rio Tint plc.).

1994 Sumiko Electronics Taiwan Co., Ltd. (SET) was established. Production of lead frames started in Taiwan.

1995 The company took equity participation in Jinlong Copper Co., Ltd. in China.
Shanghai Sumiko Electronic Paste Co., Ltd. (SEP) was established. Production of paste started in China.

1996 Sumiko Leadframe (Thailand) Co., Ltd. (SLT) was established. Production of lead frames started in Thailand.

1997 The accumulated amount of gold yielded in the Hishikari Mine (83 tons) became the largest in Japan.

1998 The company took equity participation in the Batu Hijau Copper and Gold Mine development project in Indonesia.
The company acquired shares in Teck Corporation (currently Teck Resources Limited, Canada).
It was confirmed that the amount of gold in the Liese Deposit in Stoneboy, Alaska was 162 tons.
Sumiko Leadframe Chengdu Co., Ltd. (SLC) was established. A lead frame business in China was also started.

1999 A critical accident occurred in the Tokai Division of JCO Co., Ltd.

2001 The project for developing low-grade nickel oxide ore from the Riotuba Mine in the Philippines started.

2002 A business alliance was formed with Mitsui Mining & Smelting Co., Ltd., concerning zinc refining business, to establish a joint venture, MS Zinc Co., Ltd.

2003 Concerning sulphuric business, a business alliance was formed with Dowa Holdings Co., Ltd. to establish a joint venture, Acids Co., Ltd.
Sumiko Electronics Suzhou Co., Ltd. (SES) was established. This company is our second lead frame production base in China.

2004 A basic agreement was made to take equity participation in the Cerro Verde Copper Mine development project in Peru.
A basic agreement was made to take equity participation in the project for developing Goro Nickel Mine in New Caledonia.

2005 Commercial production by the Coral Bay Nickel project in the Philippines started.
We took equity participation in the Ojos del Salade Copper Mine project in Chile.

2006 Production at the Pogo Gold Mine (Alaska, USA) started.

2009 The company and Sumitomo Corporation acquired all rights from Teck Resources Limited's Pogo gold mine.
The company took equity participation in Nickel Asia Corporation (the Philippines).
The company decided to implement the Taganito Project (the Philippines).

2010 Concerning the consolidation of the copper and copper alloy fabricated businesses of Mitsui Mining & Smelting Co., Ltd. and Sumitomo Metal Mining Co., Ltd.

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Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31	2010	2009	2008	2007
Results for the year:				
Net sales	**¥725,827**	¥793,797	¥1,132,372	¥966,764
Gross profit	**105,956**	56,887	198,147	203,180
Operating income	**66,265**	10,534	155,394	162,632
Other income (expenses)	**16,511**	12,408	61,110	42,985
Income (loss) before income taxes and minority interest	**82,776**	22,942	216,504	205,617
Net income (loss)	**53,952**	21,974	137,808	126,054
Equity in earnings of affiliated companies	**26,090**	31,536	73,956	46,708
Capital expenditures	**26,414**	47,723	65,145	51,567
Depreciation	**34,746**	34,268	30,505	25,693
Net interest expenses	**(654)**	(271)	(2,209)	(2,606)
Net cash flows from operating activities	**44,153**	128,000	157,383	95,985
Net cash flows from investing activities	**(75,443)**	(28,386)	(126,413)	(77,429)
Net cash flows from financing activities	**(19,322)**	(74,086)	55,727	(10,073)
Free cash flows	**(31,290)**	99,614	30,970	18,556
Financial position at Year-end:				
Total assets	**981,458**	880,001	1,091,716	929,208
Net assets	**629,684**	547,251	640,345	528,921
Shareholders' equity*1	**—**	—	—	—
Long-term debt due after one year	**132,311**	141,716	169,394	93,800
Interest-bearing debt	**200,939**	218,534	258,054	189,910
Working capital	**229,259**	206,123	266,250	103,791
Amounts per share (Yen):				
Net income (loss)				
— Basic	**96.26**	38.87	238.13	220.49
— Diluted	**88.75**	36.18	231.50	213.67
Shareholders' equity	**1,043.50**	913.92	1,017.96	859.82
Cash dividends	**20.0**	13.0	30.0	27.0
Key ratios:				
ROA (%)	**5.80**	2.23	13.64	14.81
ROE (%)*1	**9.89**	4.02	25.39	28.99
Equity ratio (%)*1	**59.8**	57.3	54.0	53.4
Interest-bearing debt to total asset ratio (%)	**20.5**	24.8	23.6	20.4
Debt-to-equity ratio (times)*1	**0.34**	0.43	0.44	0.38
Current ratio (times)	**2.19**	2.17	2.04	1.39

*1 Shareholders' equity are defined as following equation.
Shareholders' equity = Total shareholders' equity + Total valuation and translation adjustment

Millions of yen (Except per share amounts and key ratios)

	2006	2005	2004	2003	2002	2001	2000
	¥625,579	¥484,585	¥402,131	¥355,242	¥330,194	¥375,352	¥360,299
	120,137	82,878	53,714	51,764	38,152	63,372	45,061
	82,756	47,893	22,778	16,593	1,147	26,930	8,990
	10,218	6,024	8,416	(24,098)	(13,735)	(11,359)	(4,342)
	92,974	53,917	31,194	(7,505)	(12,588)	15,571	4,648
	62,800	37,017	19,882	(1,172)	(6,611)	15,103	4,740
	21,915	13,513	7,112	3,400	1,535	4,078	2,406
	50,568	36,488	46,540	18,927	25,379	28,078	20,490
	22,951	20,578	17,824	18,283	17,822	16,774	16,611
	(1,281)	(893)	(1,098)	(1,459)	(1,775)	(2,129)	(2,492)
	70,772	40,150	32,324	26,105	33,370	23,339	(800)
	(102,384)	(31,725)	(17,448)	(21,246)	(16,246)	(4,248)	4,143
	28,723	6,097	(9,293)	(14,163)	(14,267)	(26,089)	(9,086)
	(31,612)	8,425	14,876	4,859	17,124	19,091	3,343
	772,562	573,925	517,930	470,774	518,756	530,080	544,121
	394,899	—	—	—	—	—	—
	—	283,897	253,071	223,341	236,313	237,470	235,231
	114,405	109,777	86,437	76,470	73,972	83,839	107,266
	190,891	160,533	148,351	154,799	167,077	176,998	197,624
	72,228	86,382	52,795	35,945	23,371	33,259	38,910
	109.96	64.77	34.76	(2.05)	(11.56)	26.41	8.29
	108.87	—	—	—	—	—	—
	654.15	497.57	443.29	391.14	413.28	415.25	411.34
	14.0	8.0	6.0	5.0	4.0	6.0	5.0
	9.33	6.78	4.02	—	—	2.81	0.87
	19.10	13.79	8.35	—	—	6.39	2.05
	48.4	49.5	48.9	47.4	45.6	44.8	43.2
	24.7	28.0	28.6	32.9	32.2	33.4	36.3
	0.51	0.57	0.59	0.69	0.71	0.75	0.84
	1.33	1.61	1.38	1.26	1.14	1.20	1.23

Management's Discussion & Analysis of Financial Position and Business Results

Medium- to long-term business strategy and financial policies

The short-term performance of SMM's three core businesses of "smelting & refining," "metal refining" and "materials" is strongly affected by fluctuations in non-ferrous metals prices and by the conditions in markets for electronic materials. At the same time, development of metal resources is an area where it takes a long time before investments start to generate returns.

Due to the operating characteristics of the business, SMM believes that it is important to maintain healthy corporate finances to ensure business strategy can be implemented properly. In the medium-term business plan formulated in fiscal 2006 (covering the three-year period from April 2007 to March 2010), SMM set a performance target of maintaining a consolidated equity ratio in excess of 50%. In the new medium-term business plan formulated in fiscal 2009 (for the period from April 2010 to March 2013), SMM plans to pursue a growth strategy for the medium-to-long term by leveraging its robust financial base to invest aggressively in these core businesses. SMM also intends to ensure that it remains in strong financial health, based on financial policies of maintaining a consolidated equity ratio of at least 50% alongside low gearing as measured by the debt-to-equity (D/E) ratio.

The SMM Group comprised the parent company (Sumitomo Metal Mining Co., Ltd.), 63 subsidiaries and 18 affiliated companies as of March 31, 2010. The SMM Group's operations are organized into four business divisions: Mineral Resources, Metals, Electronics and Advanced Materials, and Others. The figures in this Annual Report refer to the results of the parent company, 54 consolidated subsidiaries and 13 equity-method affiliates (both domestic and overseas). This section provides an overview of SMM's financial position and business results for fiscal 2009.

Financial Position

Assets

As of the fiscal 2009 year-end (March 31, 2010), total assets amounted to ¥981,458 million, a rise of ¥101,457 million compared with a year earlier.

Current assets increased by ¥40,285 million. This was mainly the result of increases in inventories and notes and accounts receivable associated with a significant recovery in non-ferrous metals prices. Total fixed assets increased by ¥61,172 million compared with the previous year-end. This reflected higher market values for equities held as part of the Group's portfolio of investment securities due to a general rise in share prices. The increase in assets was also due to the acquisition of an additional interest in the Pogo gold mine.

Liabilities

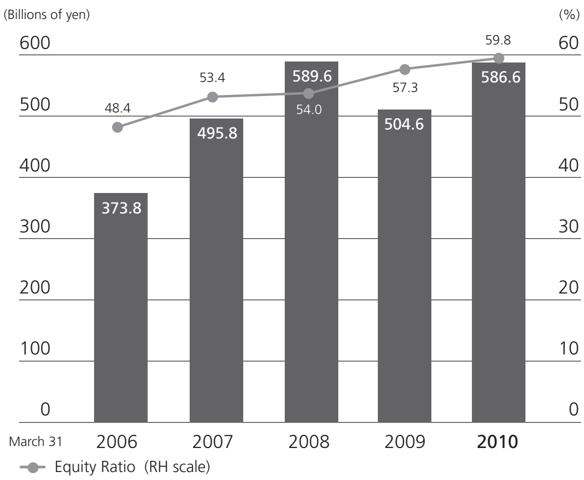
Total liabilities amounted to ¥351,774 million as of the fiscal 2009 year-end, an increase of ¥19,024 million compared with a year earlier.

Current liabilities increased by ¥17,149 million. Although long-term debt due within one year declined following the redemption of convertible bonds, there was an increase in trade notes and accounts payable associated with higher non-ferrous metals prices. Other factors included a rise in accrued income taxes associated with higher corporation, resident's and enterprise taxes. Total long-term liabilities increased by ¥1,875 million, reflecting an increase in deferred tax liabilities. This offset the effect of long-term debt repayments.

Net Assets

As of the fiscal 2009 year-end, net assets amounted to ¥629,684 million, an increase of ¥82,433 million compared with a year earlier. This mainly reflected net income of ¥53,952 million for fiscal 2009, as well as higher valuation and translation adjustments due to an increase in net unrealized holding gains on securities associated with the recovery in share prices. Treasury stock was also issued in line with the exercise of stock subscription rights, reducing the value of treasury stock holdings.

Shareholders' Equity and Equity Ratio

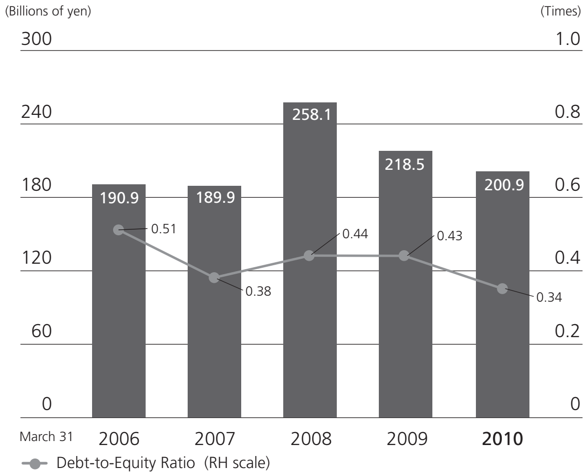


Financial Indicators

The equity ratio rose to 59.8% at March 31, 2010, from 57.3% at the previous fiscal year-end, while the D/E ratio declined from 0.43 to 0.34 times.

Under the new medium-term business plan, management expects to make substantial capital investments in the Taganito project and other resource developments. SMM is also considering aggressive investments in overseas mines. Given the healthy financial position of the Group, management does not believe that financing these business investments will present any major problem.

Debt-to-Equity Ratio and Long-Term Debt



Operating Performance

Industry Trends

Demand recovered gradually in the non-ferrous metals industry, due mainly to an economic rebound in China. In the second half of fiscal 2009 non-ferrous metals prices recovered to levels close to those prevailing prior to the crash in fiscal 2008. In foreign exchange markets, the yen appreciated against many currencies due to the uncertainty surrounding economic prospects in Europe and the United States.

In the electronics sector, demand from Taiwan and Southeast Asia recovered due to the positive effect of the large-scale economic stimulus measures put in place by the Chinese government.

Net Sales

The lingering effects of the lower non-ferrous metals prices that prevailed in fiscal 2008 depressed sales revenues generated by the Mineral Resources Division for copper and by the Metals Division for nickel. Consolidated net sales totaled ¥725,827 million in fiscal 2009, a decline of ¥67,970 million in year-on-year terms.

Operating Income

Consolidated operating income increased by ¥55,731 million in year-on-year terms to ¥66,265 million. This was the result of higher earnings contributions from the overseas operations of the Mineral Resources Division and Metals Division (specifically the Pogo gold mine and Coral Bay Nickel Corporation); the positive impact of the turnaround and cost reductions implemented by the Electronics and Advanced Materials Division; and of a significant increase in inventory values associated with the recovery in non-ferrous metals prices.

Pre-tax and Net Income

Income before income taxes and minority interests increased by ¥59,834 million in year-on-year terms to ¥82,776 million.

Net income for fiscal 2009 was ¥53,952 million, an increase of ¥31,978 million compared with the fiscal 2008 result.

Capital Expenditures

Total capital expenditures in fiscal 2009 were ¥26,414 million, mainly relating to investments aimed at maintain or increasing production activity and to boost productivity. By business segment, capital expenditures were ¥2,110 million by the Mineral Resources Division, ¥18,427 million by the Metals Division, and ¥4,206 million by the Electronics and Advanced Materials Division.

Research and Development (R&D) Expenses

Total R&D expenses in fiscal 2009 amounted to ¥4,746 million. By segment, R&D expenses were ¥167 million at the Mineral Resources Division, ¥2,499 million at the Metals Division, and ¥2,070 million at the Electronics and Advanced Materials Division.

R&D investments in the mineral resources segment focused on ore-dressing processes to improve non-ferrous metal ore grades; development of various types of leaching technologies for metal refining; and the development of technologies to process wastewater emissions from mines. In the metals segment, the major R&D themes included the development of non-ferrous metal refining, electrolytic technologies and new metal-refining processes, as well as the development of technologies for actively separating, refining and purifying trace amounts of other metals contained in non-ferrous metal ores. In the electronics and advanced materials segment, the major R&D themes included the development of technologies, processes and equipment for electronics materials, especially in the field of semiconductor packaging.

Cash Flows

The year-end balance of cash and cash equivalents amounted to ¥100,452 million at March 31, 2010, a decrease of ¥49,835 million compared with the previous year-end. This reflected significant increases in notes and accounts receivable and inventories associated with a recovery in non-ferrous metals prices, which more than offset the effect of substantial year-on-year growth in income before income taxes and minority interests to ¥82,776 million.

Net cash provided by operating activities totaled ¥44,153 million, a decrease of ¥83,847 million compared with the previous year. This mainly reflected the significant increases in notes and accounts receivable and inventories, which more than offset net cash inflows due to substantially higher income before income taxes and minority interests and a refund of corporation taxes. Income received from dividends was also lower than in fiscal 2008.

Net cash used in investing activities in fiscal 2009 equaled ¥75,443 million, which marked a year-on-year increase in cash outflow of ¥47,057 million. Compared with cash inflows attributable to the withdrawal of negotiable certificates of deposit in fiscal 2008, this result reflected such factors as the continued investment in overseas resource development projects, an increase in fixed assets due to the acquisition of an additional interest in the Pogo gold mine and the increase in investment securities. SMM's withdrawal of negotiable certificates of deposit had generated a relative increase in cash flow in fiscal 2008.

Net cash used in financing activities in fiscal 2009 equaled ¥19,322 million, representing a year-on-year decrease in cash outflow of ¥54,764 million. This was mainly due to a significant reduction in funding requirements due to the conversion of convertible bonds. In fiscal 2008, share buybacks and corporate bond redemptions had absorbed cash.

Risk Information

The following section provides an overview of the risk factors that could exert a significant effect on the business performance and financial position of the SMM Group. All forward-looking statements in the text refer to management decisions based on the best information available at the end of fiscal 2009.

(1) Fluctuations in non-ferrous metals prices and exchange rates

1. Sustained downturn in non-ferrous metals prices

The prices of copper, nickel, gold and other non-ferrous metals are essentially determined by the London Metal Exchange (LME) and other international markets (hereinafter referred to as "LME and other market prices"). LME and other market prices are influenced by a number of factors, including international supply and demand, political and economic circumstances, speculative trading and competition from alternative materials. A sharp and sustained downturn in non-ferrous metals prices could have a significant negative impact on the Group's business performance and financial position.

2. Appreciation of the yen

Not only imported raw materials including copper concentrates and nickel matte, but also the domestic prices of nonferrous metals are determined under U.S. dollar-denominated LME and other market standards. Accordingly, the refining margins earned by SMM from its refining business are effectively denominated in U.S. dollars. In addition, returns on investments in overseas mining developments, income earned from investments in the semiconductor as well as advanced materials businesses and revenues from exports of products in the each of the aforementioned businesses are also denominated in foreign currencies. A substantial appreciation of the yen against these currencies over a sustained period could exert a significant negative impact on the Group's business performance and financial position.

To mitigate these external risks, the SMM Group continues to make progress in implementing a variety of measures aimed at boosting competitiveness, both in materials procurement and manufacturing.

(2) Deterioration in terms of non-ferrous metal ore purchasing contracts and supply disruptions

Currently the SMM Group procures the majority of copper ores, nickel matte and other raw materials for non-ferrous metal refining operations based on long-term ore-purchasing contracts that are not backed by investment.

Each year, the raw materials purchasing terms and conditions of long-term ore-purchasing contracts are subject to negotiation. In each case, there are instances in which required volumes cannot be purchased at an appropriate price due to a variety of market factors. Furthermore, as product prices are generally determined by such factors as supply and demand, and particularly factors relating specifically to nonferrous metals, there are instances where the transfer of any deterioration in the purchasing terms and conditions of raw materials to product prices is difficult.

Supplies of ore can also be delayed or suspended due to unpredictable disruptive events beyond the control of the company such as extreme weather conditions, large-scale earthquakes, supplier operational accidents and industrial disputes. Such factors could impose various constraints on Group production volumes, which as a result could exert a negative impact on the Group's business performance and financial position.

To mitigate such risks, the Group continues to seek to invest in high-grade overseas mines to secure reliable (in-house) supplies of ore.

(3) Uncertainty inherent in mining investments

As described above, the raw materials procurement policy of the SMM Group is to develop in-house mining resources to boost the proprietary ore ratio. Amounts of extractable ore and extraction costs can only be estimated based on the results of exploratory surveys. With respect to mining development, the development costs of a mining project can rise as the result of a variety of situations such as compliance with environmental or regulatory actions. Any additional investment or increase in the burden of extraction costs arising from the inherent uncertainty associated with mining developments could have a negative impact on the Group's business performance and financial position.

To mitigate such risks, the SMM Group employs a selective investment policy and undertakes strict assessments of the potential profitability of individual mining developments based on extensive experience in mining extraction and mine valuation accumulated over many years.

(4) Environmental protection and regulatory compliance risks

SMM Group businesses, notably the mining and non-ferrous metal smelting and refining operations, are subject to a broad range of laws and regulations in areas such as occupational safety and health, environmental protection, pollution prevention, industrial waste disposal and management of potentially toxic substances. In accordance with these statutory and regulatory requirements, operators may be charged with compensation for loss or damages, irrespective of the existence of negligence or otherwise, or demands for the maintenance and management of abandoned mines. Moreover, operators may incur the burden of additional expenses due to requirements imposed under new environmental standards and regulations. At the same time, both the mining and nonferrous metals refining industries incur the risks and associated responsibilities for environmental pollution as well as the disposal of mining and industrial waste. Ongoing regulatory compliance costs are substantial and subject to unexpected increases as the result of the sudden emergence of previously unknown risks. The costs of ensuring regulatory compliance could therefore exert a negative impact on the Group's business performance and financial position.

To mitigate such risks, the Group seeks to ensure that operations are in full compliance with environmental protection and other laws and regulations through the operation of environmental and risk management systems based on strict standards. The Group also endeavors to manage operations so that related compliance costs are kept within reasonable limits.

(5) Risks associated with market shifts, new product development and intellectual property rights

In those markets related to the Company's materials operations, increasingly longer periods are required for the development of new products due largely to rapid changes in applied technologies, customer requirements and product life. This is even as product development programs in these areas require the investment of increasingly large amounts of time and resources. Expected returns on investment from related new product development programs may not materialize due to obsolescence caused by technological progress, delays caused by responding to customer requests or the launch of competitor products, among other factors. Customer demand for products may also decline in the future. All these various factors could have a negative impact on the Group's business performance and financial position.

In addition, sales volumes of the Company's mainstay materials operations products are dependent upon customer production levels of such items as mobile phones, personal computers and electrical household appliances. Accordingly, performance is subject to a variety of factors including cyclical demand for the products manufactured by customers, advances in technological innovation and general economic trends.

As a result of such factors, the development of new products and sales of existing products in the Company's materials operations may not progress in accordance with plans. This in turn could exert a negative impact on the Group's business performance and financial position.

The SMM Group recognizes the importance and value of acquiring intellectual property rights and managing such rights properly in accordance with related laws and regulations. Although the Group strives to observe such laws, it remains exposed to risks such as failure to acquire certain rights or damage done to the results of the Group's R&D activities due to illegal actions by third parties.

To mitigate such risks, the Group strives to minimize related problems by structuring R&D activities to realize commercial opportunities as quickly as possible. The Group has also created dedicated in-house teams to manage issues related to intellectual property rights to ensure that such rights are acquired and protected properly.

(6) Overseas investments

The Company strives to develop its business overseas both in terms of the location of manufacturing bases as well as the sale of its products. In the conduct of its business overseas however, SMM is subject to a wide range of political and economic risks that vary by country. These include but are not limited to political instability, changes in statutory and regulatory requirements with respect to the environment, labor, taxes, currency management and controls as well as trade, limited protection under the law or inadequate enforceability in connection with intellectual and other property rights, fluctuations in foreign currency exchange rates and the confiscation or nationalization of assets. The emergence of various developments could prevent the Group from earning a suitable return on overseas investments. Such risks include the development of mineral resource projects by organizations funded by national or regional governments against the backdrop of high non-ferrous metals prices, or the levying of higher taxes on such operations. Increased environmental demands from various quarters constitute a further risk.

To mitigate such risks, the SMM Group makes overseas investment decisions based on careful consideration of all relevant country risks.

(7) Disaster-related risks

The SMM Group locates manufacturing operations based on considerations such as customer relationships, raw material procurement, the links to other Group operations and effective use of management resources. Unexpected large-scale natural disasters such as earthquakes or typhoons that affect the regions where such facilities are located could result in major financial losses arising from factors such as on-site damage and loss of production.

To mitigate such risks, the Group insures such facilities where this is possible at reasonable cost and has made plans containing suitable countermeasures to minimize any secondary effects due to such disasters.

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

ASSETS

As of March 31, 2010 and 2009	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current assets:			
Cash and cash equivalents	¥100,452	¥ 150,287	$ 1,079,549
Time deposits	34	190	365
Receivables:			
Notes and accounts receivable:			
Trade	97,701	47,401	1,049,984
Unconsolidated subsidiaries and affiliated companies	3,302	2,069	35,486
Allowance for doubtful accounts	(262)	(247)	(2,816)
Inventories (Note 6)	149,575	106,248	1,607,469
Deferred tax assets (Note 9)	2,889	8,052	31,048
Other current assets	68,430	67,836	735,412
Total current assets	422,121	381,836	4,536,497
Investments and long-term receivables:			
Investment securities (Notes 4 and 8):			
Unconsolidated subsidiaries and affiliated companies	197,917	171,707	2,126,996
Other	71,034	48,713	763,396
Allowance for loss on investments	(64)	(16)	(688)
Other long-term receivables	16,203	10,843	174,133
Allowance for doubtful accounts	(245)	(251)	(2,633)
Total investments and other assets	284,845	230,996	3,061,204
Property, plant and equipment (Notes 7 and 8):			
Land	28,383	28,170	305,030
Buildings and structures	165,971	156,319	1,783,675
Machinery and equipment	389,630	353,452	4,187,319
Construction in progress	15,060	36,317	161,848
	599,044	574,258	6,437,872
Accumulated depreciation	(341,040)	(314,092)	(3,665,126)
Net property, plant and equipment	258,004	260,166	2,772,746
Deferred tax assets (Note 9)	1,380	2,282	14,831
Other assets	15,108	4,721	162,363
Total assets	¥981,458	¥ 880,001	$10,547,641

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

As of March 31, 2010 and 2009	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:			
Bank loans (Note 8)	¥ 63,104	¥ 58,001	$ 678,173
Long-term debt due within one year (Note 8)	5,524	18,817	59,366
Notes and accounts payable:			
Trade	38,322	29,918	411,843
Unconsolidated subsidiaries and affiliated companies	6,541	3,435	70,296
Other	15,940	14,658	171,306
Accrued income taxes (Note 9)	13,919	977	149,586
Accrued expenses	3,790	5,212	40,731
Advances received	2,244	1,168	24,116
Accrued restructuring charges	106	62	1,139
Accrued bonus to directors and corporate auditors	65	30	699
Accrued environmental measures	506	—	5,438
Deferred tax liabilities (Note 9)	119	22	1,279
Other current liabilities	42,682	43,413	458,699
Total current liabilities	192,862	175,713	2,072,670
Long-term liabilities:			
Long-term debt (Note 8)	132,311	141,716	1,421,934
Deferred tax liabilities (Note 9)	7,334	923	78,818
Accrued retirement benefits (Note 10)	8,050	8,438	86,513
Accrued environmental measures	164	643	1,762
Accrued restructuring charges	1,781	357	19,140
Accrued indemnification loss on damages caused by a consolidated subsidiary	2	2	21
Other accruals	3,202	2,261	34,412
Other long-term liabilities	6,068	2,697	65,213
Total long-term liabilities	158,912	157,037	1,707,813
Commitments and contingent liabilities (Note 14)			
Net assets:			
Shareholders' equity (Note 13):			
Common stock			
Authorized — 1,000,000,000 shares			
Issued — 581,628,031 shares	93,242	93,242	1,002,063
Capital surplus	86,062	86,091	924,901
Retained earnings (Note 12)	454,896	405,946	4,888,726
Treasury stock, at cost	(21,633)	(32,678)	(232,488)
Total shareholders' equity	612,567	552,601	6,583,203
Valuation and translation adjustments:			
Net unrealized holding gains (losses) on securities	16,043	(752)	172,414
Deferred gains (losses) on hedges	(2,439)	(2,432)	(26,212)
Foreign currency translation adjustments	(39,595)	(44,821)	(425,524)
Total valuation and translation adjustments:	(25,991)	(48,005)	(279,322)
Minority interests	43,108	42,655	463,278
Total net assets	629,684	547,251	6,767,159
Total liabilities and net assets	¥ 981,458	¥ 880,001	$10,547,641

Consolidated Statements of Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2010, 2009 and 2008	Millions of yen 2010	2009	2008	Thousands of U.S. dollars (Note 1) 2010
Net sales (Note 15)	¥ 725,827	¥ 793,797	¥ 1,132,372	$ 7,800,398
Costs and expenses (Note 15):				
Cost of sales	619,871	736,910	934,225	6,661,698
Selling, general and administrative expenses (Note 11)	39,691	46,353	42,753	426,556
	659,562	783,263	976,978	7,088,254
Operating income (Note 15)	66,265	10,534	155,394	712,144
Other income (expenses):				
Interest and dividend income	2,334	4,052	4,088	25,083
Interest expense	(2,988)	(4,323)	(6,297)	(32,112)
Write-down of investment securities	—	(4,607)	(458)	—
Gain (Loss) on sale and disposal of property, plant and equipment	(557)	(624)	23	(5,986)
Loss on impairment of fixed assets (Note 7)	(2,087)	(3,514)	(941)	(22,429)
Loss from valuation of gold loans	(1,384)	(68)	(2,351)	(14,874)
Exchange loss	(2,004)	(9,489)	(2,142)	(21,537)
Provision for restructuring charges	(2,303)	(697)	(274)	(24,750)
Maintenance cost for ceased projects	(476)	(701)	(666)	(5,116)
Loss from valuation of derivative instruments	—	—	(2,449)	—
Equity in earnings of affiliated companies	26,090	31,536	73,956	280,387
Derivative instruments loss	(1,286)	—	—	(13,821)
Amortization of consolidation difference	992	—	—	10,661
Other, net	180	843	(1,379)	1,936
	16,511	12,408	61,110	177,442
Income before income taxes and minority interests	82,776	22,942	216,504	889,586
Income taxes (Note 9):				
Current	17,040	4,052	57,938	183,127
Deferred	6,127	(8,818)	3,812	65,846
	23,167	(4,766)	61,750	248,973
	59,609	27,708	154,754	640,613
Minority interests in net income of consolidated subsidiaries	(5,657)	(5,734)	(16,946)	(60,795)
Net income	¥ 53,952	¥ 21,974	¥ 137,808	$ 579,818

For the years ended March 31, 2010, 2009 and 2008	Yen 2010	2009	2008	U.S. dollars (Note 1) 2010
Amounts per share of common stock:				
Net income (Note 19)				
—Basic	¥ 96.26	¥ 38.87	¥ 238.13	$ 1.03
—Diluted	88.75	36.18	231.50	0.95
Cash dividends applicable to the year	20.00	13.00	30.00	0.21

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2010, 2009 and 2008	Shareholders' Equity					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(thousands)	Millions of yen				
Balance at March 31, 2007	578,791	¥91,821	¥84,668	¥283,568	¥(1,777)	¥458,280
Net income				137,808		137,808
Conversion of convertible bonds		1,421	1,419			2,840
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Acquisition of treasury stock					(770)	(770)
Sale of treasury stock			17		18	35
Deferred gains or losses on hedges						
Minority interests						
Cash dividends paid				(17,917)		(17,917)
Balance at March 31, 2008	581,628	¥93,242	¥86,104	¥403,459	¥(2,529)	¥580,276
Net income				21,974		21,974
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Acquisition of treasury stock					(30,238)	(30,238)
Sale of treasury stock			(13)		89	76
Deferred gains or losses on hedges						
Decrease resulting from unification of an accounting policy of overseas subsidiaries				(3,459)		(3,459)
Minority interests						
Cash dividends paid				(16,028)		(16,028)
Balance at March 31, 2009	581,628	¥93,242	¥86,091	¥405,946	¥(32,678)	¥552,601
Net income				53,952		53,952
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Decrease resulting from decrease in the number of consolidated subsidiaries				(18)		(18)
Acquisition of treasury stock					(175)	(175)
Sale of treasury stock			(29)	(1,049)	11,220	10,142
Deferred gains or losses on hedges						
Minority interests						
Cash dividends paid				(3,935)		(3,935)
Balance at March 31, 2010	**581,628**	**¥93,242**	**¥86,062**	**¥454,896**	**¥(21,633)**	**¥612,567**

For the year ended March 31, 2010	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	Thousands of U.S. dollars (Note 1)				
Balance at March 31, 2009	$1,002,063	$925,212	$4,362,665	$(351,188)	$5,938,752
Net income			579,817		579,817
Foreign currency translation adjustments					
Adjustments for unrealized gains on securities					
Decrease resulting from decrease in the number of consolidated subsidiaries			(193)		(193)
Acquisition of treasury stock				(1,881)	(2,074)
Sale of treasury stock		(312)	(11,274)	120,580	120,268
Deferred gains or losses on hedges					
Minority interests					
Cash dividends paid			(172,251)		(172,251)
Balance at March 31, 2010	**$1,002,063**	**$924,900**	**$4,758,764**	**$(232,489)**	**$6,453,238**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets (continued)

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2010, 2009 and 2008	Valuation and translation adjustments: Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
	Millions of yen					
Balance at March 31, 2007	¥ 34,558	¥ 1,170	¥ 1,836	¥ 37,564	¥33,077	¥528,921
Net income						137,808
Conversion of convertible bonds						2,840
Foreign currency translation adjustments			(5,289)	(5,289)		(5,289)
Adjustments for unrealized gains on securities	(22,531)			(22,531)		(22,531)
Acquisition of treasury stock						(770)
Sale of treasury stock						35
Deferred gains or losses on hedges		(380)		(380)		(380)
Minority interests					17,628	17,628
Cash dividends paid						(17,917)
Balance at March 31, 2008	¥ 12,027	¥ 790	¥ (3,453)	¥ 9,364	¥50,705	¥640,345
Net income						21,974
Foreign currency translation adjustments			(41,368)	(41,368)		(41,368)
Adjustments for unrealized gains on securities	(12,779)			(12,779)		(12,779)
Acquisition of treasury stock						(30,238)
Sale of treasury stock						76
Deferred gains or losses on hedges		(3,222)		(3,222)		(3,222)
Decrease resulting from unification of an accounting policy of overseas subsidiaries						(3,459)
Minority interests					(8,050)	(8,050)
Cash dividends paid						(16,028)
Balance at March 31, 2009	¥ (752)	¥(2,432)	¥(44,821)	¥(48,005)	¥42,655	¥547,251
Net income						53,952
Foreign currency translation adjustments			5,226	5,226		5,226
Adjustments for unrealized gains on securities	16,765			16,795		16,795
Decrease resulting from decrease in the number of consolidated subsidiaries						(18)
Acquisition of treasury stock						(175)
Sale of treasury stock						10,142
Deferred gains or losses on hedges		(7)		(7)		(7)
Minority interests					453	453
Cash dividends paid						(3,935)
Balance at March 31, 2010	¥ 16,043	**¥(2,439)**	**¥(39,595)**	**¥(25,991)**	**¥43,108**	**¥629,684**

For the year ended March 31, 2010	Valuation and translation adjustments: Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
	Thousands of U.S. dollars (Note 1)					
Balance at March 31, 2009	$ (8,082)	$(26,136)	$(481,687)	$(515,905)	$458,409	$5,881,257
Net income						579,817
Foreign currency translation adjustments			56,163	56,163		56,163
Adjustments for unrealized gains on securities	180,495			180,494		180,494
Decrease resulting from decrease in the number of consolidated subsidiaries						(193)
Acquisition of treasury stock						(2,074)
Sale of treasury stock						120,268
Deferred gains or losses on hedges		(75)		(75)		(75)
Minority interests					4,868	4,868
Cash dividends paid						(172,251)
Balance at March 31, 2010	**$172,413**	**$(26,211)**	**$(425,524)**	**$(279,323)**	**$463,277**	**$6,637,192**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen			Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2010, 2009 and 2008	2010	2009	2008	2010
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 82,776	¥ 22,942	¥ 216,504	$ 889,586
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	34,746	34,268	30,505	373,412
Loss on impairment of fixed assets	2,087	3,514	941	22,429
Loss (Gain) on sale and disposal of property, plant and equipment	557	624	(23)	5,986
Write-down of investment securities	—	4,607	458	—
Increase in allowance for loss on investments	48	—	—	516
Loss (Gain) from valuation of derivative instruments	1,286	(1,568)	2,449	13,821
Interest and dividend income	(2,334)	(4,052)	(4,088)	(25,083)
Interest expense	2,988	4,323	6,297	32,112
Equity in earnings of affiliated companies	(26,090)	(31,536)	(73,956)	(280,387)
Restructuring charges	519	304	69	5,578
Decrease (Increase) in trade receivables	(54,706)	73,930	(20,026)	(587,920)
Decrease (Increase) in inventories	(43,113)	60,698	(1,148)	(463,332)
Increase (Decrease) in trade payables	6,899	(31,622)	13,971	74,143
Others	9,176	(10,159)	2,995	98,615
Sub total	14,839	126,273	174,948	159,476
Interest and dividend received	21,569	42,988	72,231	231,800
Interest paid	(3,038)	(4,515)	(6,330)	(32,649)
Payments for maintenance costs for ceased project	(476)	(701)	(666)	(5,116)
Payments for recovery costs	(67)	(21)	(41)	(720)
Payments (Refund of) for income taxes	11,326	(36,024)	(82,759)	121,720
Net cash provided by operating activities	44,153	128,000	157,383	474,511
Cash flows from investing activities:				
Payments for acquisition of property, plant and equipment	(40,416)	(46,898)	(64,883)	(434,347)
Payments for acquisition of Intangible assets	(12,071)	(4,415)	(564)	(129,726)
Proceeds from sale of property, plant and equipment	1,182	2,238	1,852	12,703
Payments for purchases of negotiable certificates of deposits	—	(25,000)	(43,000)	—
Proceeds from sales of negotiable certificates of deposits	—	68,000	—	—
Payments for purchases of investment securities	(5,886)	(640)	(3,216)	(63,256)
Payments for purchase of securities of subsidiaries and affiliated companies	(18,285)	(19,936)	(13,804)	(196,507)
Proceeds from sales of securities of subsidiaries and affiliated companies	308	—	—	3,310
Payments for loans lended	(5,476)	(5,834)	(7,955)	(58,850)
Collection of loans repaid	5,064	4,032	4,992	54,422
Other	137	67	165	1,472
Net cash used in investing activities	(75,443)	(28,386)	(126,413)	(810,779)
Cash flows from financing activities:				
Proceeds from long-term debt	3,916	2,021	98,888	42,085
Repayments of long-term debt	(16,836)	(15,504)	(18,990)	(180,935)
Net increase (decrease) in bank loans	4,100	(2,125)	3,180	44,062
Payments for redemption of bonds	(105)	(10,000)	(10,000)	(1,128)
Contribution from minority in consolidated subsidiaries	120	262	6,502	1,290
Increase in treasury stocks	(163)	(30,162)	(735)	(1,752)
Cash dividends paid	(3,935)	(16,028)	(17,917)	(42,289)
Cash dividends paid to minority in consolidated subsidiaries	(6,419)	(2,550)	(5,201)	(68,984)
Net cash provided by (used in) financing activities	(19,322)	(74,086)	55,727	(207,651)
Effect of changes in exchange rate on cash and cash equivalents	746	(7,716)	1,445	8,017
Net increase (decrease) in cash and cash equivalents	(49,866)	17,812	88,142	(535,902)
Cash and cash equivalents at beginning of fiscal year	150,287	132,475	44,333	1,615,121
Increase in cash due to newly consolidated subsidiaries	31	—	—	333
Cash and cash equivalents at end of fiscal year	¥ 100,452	¥ 150,287	¥ 132,475	$ 1,079,549

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRSs").

The accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. However, as described in Note 2, necessary adjustments such as the influence of applying Practical Issues Task Force (PITF) No.18 are made upon consolidation. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of Sumitomo Metal Mining Co., Ltd. ("the Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.05 to US$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

Consolidation — The consolidated financial statements include the accounts of the Company and its significant subsidiaries (54 subsidiaries in 2010, 50 in 2009 and 50 in 2008). All significant inter-company balances and transactions have been eliminated. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method (13 affiliated companies in 2010, 12 in 2009 and 12 in 2008). Investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost because of their immaterial effect on the consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The goodwill (consolidation difference between the investment cost and the underlying equity in its net assets at the date of acquisition) is amortized within five years on a straight-line basis. With respect to subsidiaries in the United States, goodwill is amortized within twenty years on a straight-line basis in accordance with PITF No. 18. In addition, negative goodwill applicable to subsidiaries in the United States is amortized in a lump sum in accordance with the Statement of Financial Accounting Standards ("SFAS") "Business Combinations."

(Change for unification of accounting policies applied to overseas subsidiaries for consolidated financial statements)
Effective from the fiscal year ended March 31, 2009, the Company adopted "Practical solution on unification of accounting policies applied to overseas subsidiaries for consolidated financial statements" PITF No.18, issued by the Accounting Standard Board of Japan (ASBJ) on May 17, 2006. PITF No.18 prescribes that: (i) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of consolidated financial statements; (ii) financial statements prepared by overseas subsidiaries in accordance with either International Financial Reporting Standards (IFRSs) or the generally accepted accounting principles in the U.S. (U.S.-GAAP) tentatively may be used for the consolidation process; (iii) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gain and loss of defined benefit plans recognized outside profits and loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to minority interest

As a result of this change, operating income decreased by ¥86 million and income before income taxes and minority interests decreased by ¥689 million for the fiscal year ended March 31, 2009.

Cash and cash equivalents and cash flow statements — Cash on hand, readily available bank deposits, negotiable certificates of deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents. Negotiable certificates of deposits with maturities exceeding three months are presented as negotiable certificates of deposits.

Allowance for doubtful accounts — The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary accounts, plus an estimate of uncollectible amount determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

Investment securities — Securities are classified into two categories based on the intent of holding: available-for-sale securities; and securities issued by unconsolidated subsidiaries and affiliated companies.

Available-for-sale securities with available fair values (marketable securities) are stated at the fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, presented as a separate component of net assets. Other available-for-sale securities with no available fair values (non-marketable securities) are stated at moving-average method. Securities issued by unconsolidated subsidiaries and affiliated companies are carried at cost. The cost of securities sold is determined by the moving-average method.

Derivatives and hedge accounting — Derivative instruments are stated at fair value. Changes in the fair values are recognized as gains and losses unless derivative transactions are used for hedging purposes.

If derivative transactions are used as hedges and meet certain hedging criteria, the Company and its consolidated domestic subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative transactions until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
  (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company evaluates hedge effectiveness monthly by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

Foreign currency translation — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the fiscal year-end rates except for account components of net assets, which are translated at historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

Inventories —
(1) Merchandise, finished products, semi-finished products, work in process and raw materials –Merchandise, finished products, semi-finished products, work in process and raw materials prior to April 1, 2008, are stated at cost determined by the first-in first-out (FIFO) method. Effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted a new accounting standard for the measurement of inventories, which are stated at the lower of cost or net selling value of inventories regarded as the decreased profitability of assets, whose write-downs are included in cost of sales.

(2) Supplies — Prior to April 1, 2008, supplies are stated at cost based on the moving-average method. Effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted a new accounting standard for the measurement of inventories, which are stated at the lower of cost or net selling value of inventories regarded as the decreased profitability of assets, whose write-downs are included in cost of sales.

(Change in the accounting policy for the measurement of inventories)
Previously, inventories held for sale in the ordinary course of business have been stated at cost primarily determined by the first-in, first-out (FIFO) method. Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 released on July 5, 2006) and stated inventory values at the lower of cost, which is primarily determined by the FIFO method or net selling value, which is defined as selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of net selling value, if appropriate. As a result of this change, operating income decreases by ¥7,477 million for the fiscal year ended March 31, 2009.

The effect on segment information are described in the relevant notes.

Property, plant and equipment — Property, plant and equipment are stated at cost.
Depreciation of property, plant and equipment is computed by the straight-line method, based on the estimated useful lives of respective assets. The depreciation period generally ranges from 3 years to 50 years for buildings and structures and 5 years to 17 years for machinery and equipment.

The Company and consolidated domestic subsidiaries have adopted an accounting standard for the impairment of fixed assets. This standard requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable.

In addition, the Company and consolidated domestic subsidiaries are required to recognize an impairment loss in their consolidated statements of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. This standard states that impairment losses should be measured as the excess of the book value over the higher of (i) the fair market value of the asset, net of disposition costs; and (ii) the present value of future cash flows arising from the ongoing utilization of the asset and its disposition after use. This standard covers land, factories, buildings, and other forms of property, plant and equipment as well as intangible assets. Fixed assets are to be grouped at the lowest levels for which there are identifiable cash flows which are independent from the cash flows of other groups of assets.

(Change in accounting policy)
In accordance with the revised Japanese Corporate Tax Law and its regulation, the Company and its domestic subsidiaries have changed the depreciation method from the fiscal year ended March 31, 2008 for tangible fixed assets acquired on or after April 1, 2007.

The effect of adopting the new depreciation method on income before income taxes and minority interests is not material.

(Additional Information)
In accordance with the revised Japanese Corporate Tax Law and its regulation, the Company and its domestic subsidiaries have adopted a new depreciation method for tangible fixed assets acquired on or before March 31, 2007 from the fiscal year ended March 31, 2008. Under the new method, the residual book value of those assets which had been fully depreciated to the allowable limit prescribed under the previous corporate tax code is depreciated in equal amounts over a five-year period.

As a result, depreciation increased by ¥1,024 million and operating income and income before income taxes and minority interests decreased by ¥942 million, respectively, for the fiscal year ended March 31, 2008.

The effects on segment information are described in the relevant notes.

(Additional Information)
In accordance with the revised Japanese Corporate Tax Law and its regulation, the Company and its domestic subsidiaries have adopted a new useful life for tangible fixed assets from the fiscal year ended March 31, 2009.

The effect of adopting this new useful life on both operating income and income before income taxes and minority interests was ¥2,959 million for the fiscal year ended March 31, 2009.

Accrued retirement benefits — Under the terms of the Company's retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of retirement benefits is, in general, determined by reference to their current basic rate of pay, the length of service and the cause thereof.

The Company and certain consolidated domestic subsidiaries also have a non-contributory funded pension plan, which covers substantially all employees.

The Company may make payments for additional retirement benefits for employees which payments have not been included in the actuarial calculation of the projected benefit obligation.

The Company and its consolidated domestic subsidiaries provided accrued retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of ten years commencing with the following period. Prior service costs are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of ten years.

Accrued retirement benefits in the consolidated balance sheets also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors.

(Change in accounting policy)
Application of the Partial Amendments to Accounting Standard for Retirement Benefits (Part 3).
Effective from the fiscal year ended March 2010, the Company and consolidated domestic subsidiaries has adopted Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19 issued on July 31, 2008).

There was no effect on income before income taxes and minority interests as a result of adopting the new standard.

Accrued restructuring charges — Accrued restructuring charges are provided by the Company and its consolidated subsidiaries to cover the costs of business reconstruction.

Accrued bonuses to directors and corporate auditors — Provisions for directors' bonuses are provided for by the Company and its consolidated domestic subsidiaries and to be accounted for as an expense in the accounting period in which such bonuses were incurred.

Accrued environmental measures — The provision for environmental measures is estimated and recorded to provide for future potential costs, such as costs related to the disposal of polychlorinated biphenyl (PCB).

Accrued indemnification loss on damages caused by a consolidated subsidiary — Accrued indemnification loss on damages caused by a consolidated subsidiary is provided to cover the indemnification loss of the accident incurred by the subsidiary.

Research and development — Research and development costs are charged to income as incurred.

Bond issue expense — Bond issue expense is charged to income as incurred.

Accounting for certain lease transactions — Finance leases, except for certain immaterial leases, are capitalized and depreciated over their estimated useful lives or lease term, as applicable. Finance leases commencing prior to April 1, 2008, which do not transfer ownership of the leased property to lessees are accounted for in the same manner as operating leases.

(Change in accounting policy)
The Company and its domestic subsidiaries adopted ASBJ Statement No.13 "Accounting Standard for Lease Transaction" and ASBJ Guideline No.16 "Guidance on Accounting Standard for Lease Transaction," originally issued by the Business Accounting Deliberation Counsel on June 17, 1993 and by the Japanese Institute of Certified Public Accountants on January 18, 1994, respectively, and both revised by the ASBJ on March 30, 2007.

In the consolidated fiscal year ended March 31, 2009, finance leases are recognized on the balance sheet. Depreciation or amortization expense is recognized on a straight-line basis over the lease period.

There was no effect on income before income taxes and minority interests as a result of adopting the new standard.

Income taxes — Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of assets and liabilities, and measured using the statutory tax rates which will be in effect when the differences are expected to be realized.

Sales — Sales of merchandise and finished products are recognized when the products are shipped to customers.

Accounting standard for recognizing revenues and costs of construction contracts
(Change in accounting policy)
Previously, revenues and costs of construction work had been recognized under the percentage-of-completion method for contract amounts of ¥5,000 million or more with construction periods of more than two years. For other construction work, the completed-contract method was applied. Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, released on December 27, 2007) and the "Guidance on Accounting Standard for

Construction Contracts" (ASBJ Guidance No. 18, released on December 27, 2007). Accordingly, with respect to construction contracts under which construction work commenced during the fiscal year ended March 31, 2010, when the outcome of individual contract can be estimated reliably, the percentage-of-completion method (the percentage of completion at the end of the fiscal year is measured based on the percentage of the cost incurred to the estimated total cost) has been applied for that portion in progress through to the end of the fiscal year ended March 31, 2010. For other construction work, the completed-contract method has been applied. As a result of this change, net sales increased by ¥678 million ($7,286 thousand) operating income and income before income taxes and minority interests increased by ¥154 million ($1,655 thousand), respectively, for the fiscal year ended March 31, 2010.

Amount per share of common stock — Basic net income per share is computed based on the weighted-average number of shares of common stock issued during each fiscal year.

Diluted net income per share assumes that outstanding convertible bonds were converted into common stock at the beginning of the period at the current conversion price.

Cash dividends per share represent the actual amount applicable to the respective fiscal year.

Reclassifications — Certain reclassifications have been made in the 2009 and 2008 financial statements to conform to the presentation of 2010.

3. Notes to financial instruments

The fiscal year under review ended March 31, 2010
(April 1, 2009 to March 31, 2010)

1. Status of financial instruments
   (1) Policies on the handling of financial instruments
   The Sumitomo Metal Mining Group procures the funds necessary for its capital expenditure, investment and loan plans mainly through bank loans and the issuance of bonds. Short-term operating funds are funded through bank loans as required. In the event of a need for new funds, the Group, in principle, looks to the issuance of short-term bonds (commercial paper). This is supplemented by bank loans and the use of liquidation schemes applicable to notes and accounts receivable. The Group takes great care to monitor the status of its funding needs and financial position. This is to ensure that the Group does not overly rely on specific procurement methods and financial instruments. Accordingly, steps are taken to ensure a balanced funding portfolio from both the short and long term as well as direct and indirect financing perspectives. Temporary surplus funds are utilized only for highly safe financial assets for which there is a low probability of a loss of principal. Derivative transactions are only used to avoid the risks attributable to fluctuations in the prices of non-ferrous metals as well as foreign currency exchange and interest rates. The Group does not engage in derivative translations for speculative purposes.

   (2) Details of and risks associated with financial instruments
   Notes and accounts receivable, which are trade receivables, are exposed to the credit risk of customers. In addition, foreign currency-denominated trade receivables, which are generated by global business operations, are also exposed to fluctuations in foreign currency exchange rates. Turning to the metals business, trade receivables are also exposed to the risk of movements in the prices of non-ferrous metals. Investment securities, which largely represent shares of companies with whom the Group trades or has formed an equity alliance, are exposed to the risk of changes in their market prices.

   Notes and accounts payable, which are trade obligations, generally have maturity dates of one year or less. In similar fashion to trade receivables, trade obligations in the metals business are subject to the risk of movements in the prices of non-ferrous metals. A certain portion of trade obligations are related to the import of raw and other materials and as such are denominated in foreign currencies. On this basis, they too are open to the risk of fluctuations in the foreign currency exchange rates. Within loans and bonds payable, bank loans payable primarily represent funding applicable to operating transactions while long-term debt (with a maximum maturity up to March 21, 2024) and bonds mainly concern funding relating to capital expenditures. A certain portion of loans and bonds payable is provided on a floating rate of interest basis. Accordingly, this portion is exposed to the risk of fluctuation in interest rates.

   Derivative transactions employed in an effort to offset the aforementioned risks include forward foreign currency exchange rate contracts; forward and option transaction agreement; and interest rate swap transaction agreements, which seek to provide hedges for the risks of fluctuations in the foreign currency exchange rates of trade receivables and trade obligations; the prices of non-ferrous metals applicable to non-ferrous metal trade receivables and trade obligations; and interest rates applicable to loans and bonds payable, respectively. For hedge instruments and hedge targets, hedging policy, the method of assessing the effectiveness of hedges and other details in connection with hedge accounting, refer to the "Derivative and hedge accounting" described in the note 2 Summary of significant accounting policies.

(3) Risk management systems relating to financial instruments

(i) Management of credit risk (risk relating to non-performance of a contract obligation by a counterparty, etc.)

With respect to trade receivables, each operating department and division within the Sumitomo Metal Mining Group is guided by its own set of management rules and regulations. Sales and marketing departments and divisions regularly monitor the status of customers, managing due dates and balances on an individual customer basis. In this manner, every effort is made to ensure early detection and the mitigation of concerns regarding collection due to deterioration in financial standing or other factors.

With respect to the use of derivative transactions, steps are taken to engage in transactions with highly rated financial institutions only. These steps are taken with the aim of mitigating counterparty risk.

The maximum amount of the credit risk as of March 31, 2010 is shown in the value of financial assets on the balance sheet which are subject to credit risk.

(ii) Management of market risks (risks associated with fluctuations in the price of non-ferrous metals, foreign currency exchange as well as interest rates, etc.)

The Sumitomo Metal Mining Group ("the Group") employs commodity forward transaction and commodity option transaction agreements, which seek to provide hedges for the risks of fluctuations in the prices of imported raw materials with respect to non-ferrous metals as well as the sales prices of commodity metals and copper concentrate on international commodities markets. At the same time, the Group utilizes forward foreign currency exchange rate contracts in an effort to offset the risks of movements in foreign currency exchange rates in connection with trade receivables and obligations denominated in foreign currencies, and interest rate swap transaction agreements aimed at converting floating rates of interest applicable to loans and bonds payable to fixed rates of interest.

With respect to investment securities, the Group regularly monitors fair values as well as the financial status of issuers (counterparties), and reviews it holdings on a continuous basis taking into consideration its relationships with counterparties.

As for derivative transactions, in accordance with derivative transaction management rules and regulations that outline the purpose and objectives of derivative transactions while providing authority and setting limits and scope, individual departments and divisions are responsible for formulating operating rules with respect to the implementation of derivative transactions, executing and booking transactions and reconciling balances with counterparties on a regular basis. Consolidated subsidiaries also adhere to the Company's derivative transaction management rules and regulations while working to build the aforementioned management structure under which derivative transactions are managed.

(iii) Management of liquidity risks associated with the procurement of funds (the risk of being unable to make payments on due dates)

The Sumitomo Metal Mining Group manages liquidity risk by preparing and updating a cash management plan six months in advance based on reports from each department and division. Certain domestic consolidated subsidiaries have adopted a cash management system and are efficiently maintaining appropriate levels of liquidity and cash on hand.

(4) Supplementary explanation for Fair values, etc. of financial instruments

Fair values of financial instruments are determined by market prices. If no market price is available, the fair value is based on the value that is calculated in a reasonable manner. The determination of such values contains variable factors and as such the adoption of wide ranging and differing assumptions may cause values to change. In addition, with respect to contract and other amounts applicable to derivative transactions outlined as follows in "2. Fair values, etc. of financial instruments" such amounts themselves do not indicate the size of market risks associated with derivative transactions.

2. Fair values, etc. of financial instruments

Amounts on the consolidated balance sheet, fair values and the differences between the two as of March 31, 2010 are shown as follows. Certain financial instruments were excluded from the following table as the fair values were not available (Refer to the note 2 below).

	Millions of yen		
	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	¥ 100,452	¥ 100,452	¥ —
Time Deposit	34	34	—
Notes and accounts receivable (trade & Unconsolidated)	101,003	101,003	—
Investment securities (Unconsolidated & others)	260,136	260,136	—
Total Assets	¥ 461,625	¥ 461,625	—
Notes and accounts payable (trade & Unconsolidated)	¥ 44,863	¥ 44,863	¥ —
Bank loans	68,628	68,628	—
Long-term debt due after one year	132,311	132,504	193
Total Liabilities	245,802	245,995	193
Derivative transactions	¥ (2,040)*	¥ (2,087)*	¥ (47)

	Thousands of U.S. dollars		
	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	$1,079,549	$1,079,549	$ —
Time Deposit	365	365	—
Notes and accounts receivable (trade & Unconsolidated)	1,085,470	1,085,470	—
Investment securities (Unconsolidated & others)	2,795,658	2,795,658	—
Total Assets	$4,961,042	$4,961,042	—
Notes and accounts payable (trade & Unconsolidated)	$ 482,139	$ 482,139	$ —
Bank loans	737,539	737,539	—
Long-term debt due after one year	1,421,934	1,424,009	2,075
Total Liabilities	2,641,612	2,643,687	2,075
Derivative transactions	$ (21,924)*	$ (22,429)*	$ (505)

*: Net receivables and obligations arising from derivative transactions are shown as a net amount and items for which aggregated results lead to net obligations are shown in asterisk.

(Note 1)

Fair values of financial instruments, and matters pertaining to securities and derivative transactions

Assets

1. Cash and cash equivalents

   The book values approximate to the fair values due to their high liquidity.

2. Notes and accounts receivable

   The book values approximate to the fair values due to short-term maturities of these instruments.

3. Marketable securities

   Marketable securities are limited to negotiable certification of deposit. The book values approximate to the fair values due to their high liquidity.

4. Investment securities

   The fair values of investment securities are based on the market prices of securities exchanges on which shares are listed.

   For details regarding marketable securities on an individual holding purpose basis refer to the note 4. Securities.

Liabilities

1. Notes and accounts payable, 2. Bank loans

   The book values approximate to the fair values due to short-term settlement of these instruments.

3. Bonds

   The fair values are based on market prices.

4. Long-term debt

   The discounted cash flow method was used to estimate the fair values, based on marginal borrowing rates as discount rate.

Derivative transactions

Refer to the note 5. Derivative transactions.

(Note 2)

The financial instruments excluded from the above table were as follows:

	Millions of yen	Thousands of U.S. dollars
	Book values of Consolidated Balance Sheets	Book values of Consolidated Balance Sheets
Non-listed equity securities	¥8,815	$94,734

These instruments were not included in "Investment securities" (refer to above table) as the fair values were not available.

(Note 3)

The aggregate maturities subsequent to March 31, 2010 for financial assets were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Due within one year	Due after one year and within 5 year	Due after 5 year and within 10 year	Due over 10 year	Due within one year	Due after one year and within 5 year	Due after 5 year and within 10 year	Due over 10 year
Cash and cash equivalents	¥100,486	¥—	¥—	¥—	$1,079,914	$—	$—	$—
Notes and accounts receivable	101,003	—	—	—	1,085,470	—	—	—
Total	¥201,489	¥—	¥—	¥—	$2,165,384	$—	$—	$—

(Note 4)

The amount scheduled to be repaid after the consolidated account settlement date of bonds, long-term debt, lease obligations and other interest-bearing liabilities

Refer to the note 8 Bank loans and long-term debt.

(Additional information)

Effective from the fiscal year ended March 31, 2010, the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008) have been adopted.

4. Securities

(1) The following tables summarize acquisition costs and book values (available fair values) as of March 31, 2010 and 2009:

Available-for-sale securities

Securities with book values (available fair values) exceeding acquisition costs

	Millions of yen					
	2010			2009		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥24,334	¥49,097	¥24,763	¥20,598	¥28,448	¥7,850

	Thousands of U.S. dollars		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	$261,515	$527,641	$266,126

Securities with book values (available fair values) not exceeding acquisition costs

	Millions of yen					
	2010			2009		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥23,599	¥18,961	¥(4,638)	¥26,047	¥17,102	¥(8,945)

	Thousands of U.S. dollars		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	$253,616	$203,772	$(49,844)

(2) The following tables summarize book values of the securities with no available fair values as of March 31, 2010 and 2009:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Unlisted equity securities	¥8,815	¥3,822	$94,734

(3) As of March 31, 2010 and 2009, there were no available-for-sale securities with maturities.

(4) Total sales of available-for-sale securities sold during the fiscal year ended March 31, 2010 amounted to ¥27 million (US$290 thousand) and the related losses amounted to ¥2 million (US$21 thousand). No gains on sales of available-for-sale securities were recognized for the period.

Total sales of available-for-sale securities sold during the fiscal year ended March 31, 2009 amounted to ¥42 million. No gains and losses on sales of available-for-sale securities were recognized for the period.

Total sales of available-for-sale securities sold during the fiscal year ended March 31, 2008 amounted to ¥106 million and the related gains and losses amounted to ¥83 million and ¥2 million, respectively.

5. Derivative transactions

Status of derivative transactions — The Company and its consolidated subsidiaries utilize derivative transactions in order to hedge various risks, such as fluctuations in the price of metals, exchange rates and interest rates, in the normal course of business. Derivative instruments include futures contracts for hedging against fluctuations in the international price of metals, forward foreign exchange contracts and currency swaps for hedging against fluctuations in exchange rates and interest swaps for hedging against fluctuations in the interest rates of floating-rate bonds and term loans payable.

Derivative transactions of the Company and its consolidated subsidiaries are subject to market and credit risks. Market risk is the potential loss the Company and its consolidated subsidiaries may incur as a result of changes in market values. The Company's and its consolidated subsidiaries' exposure to market risk are determined by a number of factors, including fluctuations in market prices, exchange rates and interest rates. Credit risk is the potential loss the Company and its consolidated subsidiaries could incur if counterparties default on their obligations. Derivative transactions are entered into solely with highly rated financial institutions, their subsidiaries or London Metal Exchange (LME) brokers guaranteed by banks, so that the Company and its consolidated subsidiaries might reduce the risk of default on an obligation.

Each department of the Company and its consolidated subsidiaries involving derivative transactions have their own rules for derivative transactions which stipulate the purposes and scope of using derivatives, standards for choosing transaction counterparties and procedures with respect to reporting and administration.

Derivative transactions are subject to approval by the General Manager of the department in charge after consulting with related departments. Based on these rules, the person in charge sets up a position. Then, the results are reported to directors monthly.

Derivative positions are confirmed semi-annually with the transaction counterparties. Also, the internal audit department of the Company regularly examines derivative transactions.

The Company and its consolidated subsidiaries are not exposed to market risks arising from commodity derivative transactions, because the risk of a fluctuation in market prices that is caused by the time lag between the purchase and sale of materials and products is hedged by corresponding future contracts. The Company and its consolidated subsidiaries also utilize currency derivative transactions to hedge against the market risk of exchange rate or interest rate fluctuation. Taking receivables and payables denominated in foreign currencies into account, the Company and its consolidated subsidiaries are not exposed to market risk.

The following tables summarize the market value information as of March 31, 2010 and 2009 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen							
	2010				2009			
	Contracted amount				Contracted amount			
	Total	Over one year	Market value	Recognized gains (losses)	Total	Over one year	Market value	Recognized gains (losses)
Currency:								
Forward contracts:								
Buy position—U.S. dollars	¥10,517	¥—	¥276	¥276	¥5,082	¥—	¥5,106	¥ 24
Buy position—A.U. dollars	—	—	—	—	—	—	—	—
	¥10,517	¥—	¥276	¥276	¥5,082	¥—	¥ —	¥ 24
Commodity:								
Forward contracts:								
Sell position—Metal	¥ 717	¥—	¥149	¥149	¥ 81	¥—	¥ 81	¥ —
Buy position—Metal	176	—	—	—	458	—	584	126
	¥ 893	¥—	¥149	¥149	¥ 539	¥—	¥ —	¥126

	Thousands of U.S. dollars			
	2010			
	Contracted amount			
	Total	Over one year	Market value	Recognized gains (losses)
Currency:				
Forward contracts:				
Buy position—U.S. dollars	$113,025	$—	$2,966	$2,966
Buy position—A.U. dollars	—	—	—	—
	$113,025	$—	$2,966	$2,966
Commodity:				
Forward contracts:				
Sell position—Metal	$ 7,706	$—	$1,601	$1,601
Buy position—Metal	1,891	—	—	—
	$ 9,597	$—	$1,601	$1,601

Derivative transactions for which hedge accounting has been applied for the fiscal year ended March 31, 2010 consisted of the following:

			Millions of yen		
			Contracted amount and other	Contracted amount over one year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency:	Forward contracts:				
	Buy position	Accounts receivable			
	U.S. dollars		326	—	11
	Total		¥ 326	¥ —	¥ 11
Interest:	Interest rate swap contracts:	Long-term loans			
	Paid fixed • received floating		100,000	100,000	(1,592)
	Total		¥100,000	¥100,000	¥(1,592)
Commodity:	Forward contracts:				
	Sell position				
	Metal	Accounts receivable	¥ 8,539	¥ —	¥ (513)
	Buy position				
	Metal	Account payable	14,156	205	1,896
	Option contracts**:				
	Sell position				
	Call				
	Metal	Accounts receivable	161,081	161,081	(2,267)
	Total		¥183,776	¥161,286	¥ (884)
Interest*:	Interest rate swap contracts:				
	Paid fixed • received floating	Long-term loans	3,300	3,300	(47)
	Total		¥ 3,300	¥ 3,300	¥ (47)

* The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are long term loans.

** All commodity option contracts are based on zero cost option contracts. There is no transfer of option fees.

			Thousands of U.S. dollars		
			Contracted amount and other	Contracted amount over one year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency:	Forward contracts:				
	Buy position	Accounts receivable			
	U.S. dollars		3,503	—	118
	Total		$ 3,503	—	$ 118
Interest:	Interest rate swap contracts:	Long-term loans			
	Paid fixed • received floating		1,074,691	1,074,691	(17,109)
	Total		$1,074,691	$1,074,691	$(17,109)
Commodity:	Forward contracts:				
	Sell position				
	Metal	Accounts receivable	$ 91,768	$ —	$ (5,513)
	Buy position				
	Metal	Account payable	152,133	2,203	20,376
	Option contracts**:				
	Sell position				
	Call				
	Metal	Accounts receivable	1,731,123	1,731,123	(24,363)
	Total		$1,975,024	$1,733,326	$ (9,500)
Interest*:	Interest rate swap contracts:				
	Paid fixed • received floating	Long-term loans	35,465	35,465	(505)
	Total		$ 35,465	$ 35,465	$ (505)

* The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are long term loans.

** All commodity option contracts are based on zero cost option contracts. There is no transfer of option fees.

6. Inventories

Inventories as of March 31, 2010 and 2009 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise	¥ 815	¥ 1,472	$ 8,759
Finished products	35,236	26,977	378,678
Semi-finished products and work in process	76,357	50,303	820,602
Raw materials and supplies	37,167	27,496	399,430
	¥149,575	¥106,248	$1,607,469

7. Loss on impairment of fixed assets

Loss on impairment of fixed assets for the fiscal year ended March 31, 2010 consists of the following:

2010

			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	Loss	
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for the recovery and recycling of non-ferrous metals	Building and structures, machinery and equipment, and other assets	¥1,918	$20,613
Niihama City, Ehime Prefecture, Japan	Facilities for milling	Machinery and equipment	75	806
Saijo City, Ehime Prefecture, Japan	Manufacturing facilities for chemical products	Machinery and equipment	25	269
Usa City, Oita Prefecture, Japan	Facilities for IC package plating	Building and structures and machinery and equipment	24	258
Kamiina District, Nagano Prefecture, Japan	Manufacturing facilities for printed circuit boards	Building and structures	21	226
Matsudo City, Chiba Prefecture, Japan	Facilities for soil contamination survey and asbestos analysis	Building and structures and machinery and equipment	13	140
Kaohsiung, Taiwan	Manufacturing facilities for certain chip on film (COF)	Machinery and equipment	11	118
Total			¥2,087	$22,430

The Company categorized operating assets by such business units as plants and manufacturing processes based on the division of managerial accounting.

A breakdown of major use is as follows.

(1) The book values of manufacturing facilities for the recovery and recycling of non-ferrous metals were reduced to their recoverable amounts because of the Company's decision to withdraw from these operations. This decision was based on the forecast of the shrikage in the domestic petroleum market leading to a decrease in the waste and raw material catalysts produced by the petroleum refining process; as well as the existing levels of excess processing capacity in Japan.

(2) The book values of existing facilities for milling were reduced to their recoverable amounts because of expectations that these facilities would cease to operate following the installation of new facilities.

(3) The book value of manufacturing facilities for chemical products were reduced to their recoverable amounts because of expectations that these facilities would cease to operate following the termination of production of certain products during the fiscal year ended March 31, 2010.

(4) The book value of facilities for IC package plating were reduced to their recoverable amounts because of the Company's decision to withdraw from these operations. This decision was based on the ongoing shift of production by domestic semiconductor assembly manufacturers to overseas locations and the changeover to semiconductors packages that no longer require solder plating.

(5) The book value of manufacturing facilities for printed circuit boards were reduced to their recoverable amounts because of expectations that these facilities would cease to operate following withdrawal from the chip scale package (CSP) business.

(6) The book value of facilities for soil contamination survey and asbestos analysis were reduced to their recoverable amounts because of expectations that these facilities would cease to operate following the decision to withdraw from these operations. This decision was based on the sharp increase in competition in line with the growing number of survey institutions and generalization of know-how.

(7) The book value of manufacturing facilities for certain chip on film (COF) were reduced to their recoverable amounts because of expectations that these facilities would cease to operate due to their aging.

The net sales prices (fair value less cost to sell) of assets are used as their recoverable amounts for the measurement of impairment losses.

Loss on impairment of fixed assets for the fiscal year ended March 31, 2009 consisted of the following:

2009 Millions of yen

Location	Major use	Asset category	Loss
Kamiina District, Nagano Prefecture, Japan	Manufacturing facilities for printed circuit boards	Machinery and equipment and other assets	¥1,183
Usa City, Oita Prefecture, Japan	Facilities for IC package plating	Land, building and structures, machinery and equipment, and other assets	640
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for copper-clad polyimide film	Building and structures and machinery and equipment	550
Isa City, Kagoshima Prefecture, Japan	Manufacturing facilities for lead frames	Machinery and equipment	476
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for battery materials	Machinery and equipment and other assets	275
Iwanai District, Hokkaido, Japan	Manufacturing facilities for single-crystal materials	Building and structures and machinery and equipment	247
Yokohama City, Kanagawa Prefecture, Japan	Manufacturing facilities for electronic terminals and connectors	Machinery and equipment	141
Miscellaneous	Miscellaneous	Machinery and equipment	2
Total			¥3,514

The Company categorized operating assets by such business units as plants and manufacturing processes based on the division of managerial accounting.

A breakdown of major use is as follows.

(1) The book value of manufacturing facilities for printed circuit boards in Nagano Prefecture was reduced to the recoverable amount because the products were not profitable.

(2) The book value of facilities for IC package plating in Oita Prefecture was reduced to the recoverable amount due to a decline in sales volume.

(3) The book value of manufacturing facilities for copper-clad polyimide film in Ehime Prefecture scheduled for diversion to another use was reduced to the recoverable amount because the Company has found an alternative method more effective and efficient and because the Company has decided not to divert them.

(4) The book value of manufacturing facilities for lead frames in Kagoshima Prefecture was reduced to the recoverable amount based on the sales volume for domestic customers because the Company has decided to focus on the domestic market.

(5) The book value of manufacturing facilities for battery materials in Ehime Prefecture was reduced to the recoverable amount because they were no longer expected to be in use.

(6) The book value of manufacturing facilities for single-crystal materials was reduced to the recoverable amount due to a decline in demand, the strong yen and an unfavorable mix of products.

(7) The book value of manufacturing facilities for electronic terminals and connectors in Kanagawa Prefecture was reduced to the recoverable amount because the products were not profitable due to a decline in the market price.

The Company used the value in use or net selling prices for calculating the recoverable amount. The discounted rate used for calculating the value in use was 11%.

Loss on impairment of fixed assets for the year ended March 31, 2008 consisted of the following:

2008 Millions of yen

Location	Major use	Asset category	Loss
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for copper-clad polyimide film	Buildings and Structures	¥218
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for copper-clad polyimide film	Machinery and equipment	489
Ichihara City, Chiba Prefecture, Japan	Manufacturing facilities for decontamination for soil	Buildings and Structures	22
Ichihara City, Chiba Prefecture, Japan	Manufacturing facilities for decontamination for soil	Machinery and equipment	181
Okuchi City, Kagoshima Prefecture, Japan	Manufacturing facilities for packaging materials	Machinery and equipment	29
Nasu District, Tochigi Prefecture, Japan	Idle Land	Land	2
Total			¥941

The Company categorized operating assets by such business units as plants and manufacturing processes based on the division of managerial accounting.

The breakdown of major use is as follows.

(1) The book value of existing manufacturing facilities for copper-clad polyimide film in Ehime Prefecture was reduced to the recoverable amount because the facilities were completely idle due to the installation of the latest manufacturing facilities which were suitable for the current market size.
(2) The book value of facilities for decontamination of soil in Chiba Prefecture was reduced to the recoverable amount due to withdrawal from its business.
(3) The book value of manufacturing facilities for packaging materials in Kagoshima Prefecture was reduced to the recoverable amount because its products were not profitable and the Company has decided not to continue its operation.

As for the idle land which was acquired for future factory sites, the book value of the assets was reduced to the recoverable amount due to a decline in the market price. Net sales prices of the assets are used as their recoverable amounts for the measurement of the impairment loss. Market price information was obtained on the basis of values provided by real estate appraisers and other specialists.

8. Bank loans and long-term debt

Bank loans are generally represented by short-term notes (most of which are unsecured) and bank overdrafts, and bore interest at annual rates of 0.74% to 4.86% and 0.89% to 5.31% as of March 31, 2010 and 2009, respectively.

On January 31, 2008, the Company passed a resolution to issue stock acquisition rights by way of third-party allotment and to execute a loan agreement for the purpose of procuring funds through a loan with stock acquisition rights. By executing this loan agreement, the Company procures ¥100 billion from February 15, 2008 to February 13, 2015. The exercise price of the stock acquisition rights will be revised in accordance with market prices. The stock acquisition rights have a structure that prevents dilution of the share price to a price lower than ¥1,749 (US$19) as of March 31, 2010.

Long-term debt as of March 31, 2010 and 2009 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Long-term loans from:			
Banks, insurance companies and other financial institutions, maturing through 2015 at interest rates of 0.82% to 2.81%:			
Secured	¥ —	¥ —	$ —
Unsecured	110,114	116,107	1,183,385
Government owned banks and government agencies, maturing through 2025 at interest rates of 0.60% to 3.70%:			
Secured	3,370	8,106	36,217
Unsecured	14,351	16,085	154,229
1.42% domestic bonds due in 2012	10,000	10,000	107,469
Zero coupon convertible bonds due in 2010	—	10,235	—
	137,835	160,533	1,481,300
Amount due within one year	(5,524)	(18,817)	(59,366)
	¥132,311	¥141,716	$1,421,934

The zero coupon convertible bonds were redeemed during the year ended March 31, 2010.

The aggregate annual maturities of long-term debt as of March 31, 2010 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 5,524	$ 59,366
2012	20,539	220,731
2013	2,588	27,813
2014	2,463	26,470
2015	102,299	1,099,398
Thereafter	4,422	47,522

Assets pledged as collateral for bank loans and long-term debt as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investment securities	¥ —	¥ 5,034	$ —
Property, plant and equipment, at net book value	53,979	57,199	580,107
	¥53,979	¥62,233	$580,107

9. Income taxes

Income taxes in the accompanying consolidated statements of income comprise corporation taxes, inhabitants' taxes and enterprise taxes. Consolidated overseas subsidiaries are subject to income taxes of the countries in which they are domiciled.

The following table summarizes the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for financial statement purposes for the fiscal years ended March 31, 2010, 2009 and 2008:

	2010	2009	2008
Statutory tax rate	40.7%	40.7%	40.7%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(9.8)	(43.1)	(9.1)
Effect of eliminating intercompany dividends received	17.4	46.4	12.1
Difference in tax rates among the Company and its consolidated subsidiaries	(6.7)	(6.6)	(4.3)
Permanently nondeductible expenses	0.2	4.2	0.4
Permanently nontaxable dividends received	(11.4)	(25.8)	(5.6)
Tax credit	(1.1)	(14.1)	(3.9)
Effect of Mining Tax	(2.9)	(4.2)	(1.8)
Effect of consolidated taxation	2.1	—	—
Increase (decrease) in valuation allowance	(0.6)	7.3	1.2
Undistributed earnings of foreign subsidiaries	—	(24.6)	—
Others	0.1	(1.0)	(1.2)
Effective tax rate	28.0%	(20.8)%	28.5%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Retirement benefits	¥ 5,504	¥ 5,656	$ 59,151
Net operating loss carry forwards	5,058	8,246	54,358
Loss on impairment of fixed assets	1,732	2,253	18,614
Loss from valuation of gold loans	1,269	1,184	13,638
Allowance for bonus payable	1,152	1,582	12,380
Contribution gains on securities to employee retirement benefits trust	870	795	9,350
Deferred losses on hedges	656	1,683	7,050
Unrealized profits	563	572	6,051
Loss from devaluation of inventories	398	988	4,277
Exploration expenses (overseas subsidiaries)	516	—	5,545
Loss from write-down of investment securities	—	2,198	—
Others	5,587	4,854	60,043
Gross deferred tax assets	23,305	30,011	250,457
Less valuation allowance	(11,529)	(11,384)	(123,901)
Deferred tax assets-less valuation allowance	11,776	18,627	126,556
Deferred tax liabilities:			
Depreciation	(4,343)	(2,019)	(46,674)
Deferred gains on properties for tax purpose	(2,878)	(3,093)	(30,930)
Net unrealized holding gain on available-for-sale securities	(2,348)	—	(25,234)
Accumulated earnings of overseas subsidiaries	(2,014)	(550)	(21,644)
Reserve for explorations	(1,836)	(1,856)	(19,731)
Gain on securities contributed to employee retirement benefits trust	(594)	(594)	(6,384)
Enterprise taxes to be refunded	—	(768)	—
Others	(947)	(358)	(10,177)
Deferred tax liabilities	(14,960)	(9,238)	(160,774)
Net deferred tax assets (liabilities)	¥ (3,184)	¥ 9,389	$ (34,218)

10. Retirement benefits and pension costs

Accrued retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥(53,111)	¥(51,899)	$(570,779)
Fair value of pension assets	40,845	33,435	438,958
Excess of projected benefit obligation over pension assets	¥(12,266)	¥(18,464)	$(131,821)
Unrecognized actuarial differences	6,910	13,442	74,261
Unrecognized prior services costs	(941)	(1,173)	(10,113)
Net retirement benefits	¥ (6,297)	¥ (6,195)	$ (67,673)
Prepaid pension costs	(1,555)	(2,048)	(16,711)
Accrued retirement benefits	¥ (7,852)	¥ (8,243)	$ (84,384)

The Company contributed securities to the employee retirement benefit trust, which are included in pension assets.

Retirement benefits in the consolidated balance sheets as of March 31, 2010 and 2009 also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors of ¥198 million (US$2,128 thousand) and ¥195 million, respectively.

Included in the consolidated statements of income for the years ended March 31, 2010, 2009 and 2008 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service cost-benefits earned during the year	¥1,984	¥3,165	¥2,323	$21,322
Interest cost on projected benefit obligation	923	907	856	9,919
Expected return on plan assets	(664)	(824)	(574)	(7,136)
Amortization of actuarial differences	1,573	402	(836)	16,905
Amortization of prior services costs	(319)	(296)	(271)	(3,428)
Severance and retirement benefit expenses	¥3,497	¥3,354	¥1,498	$37,582

The discount rates used by the Company are primarily 2.0% for the fiscal years ended March 31, 2010, 2009 and 2008.

The rates of expected return on plan assets used by the Company are primarily 3.5%, respectively for the years ended March 31, 2010, 2009 and 2008.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in the income statement using the straight-line method over ten years commencing with the following period. Prior service costs are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of ten years.

11. Research and development expense

Research and development expense included in selling, general and administrative expenses for the fiscal years ended March 31, 2010, 2009 and 2008 are ¥4,746 million (US$51,005 thousand), ¥5,896 million and ¥6,111 million, respectively.

12. Special reserves

For the purpose of obtaining tax benefits, the Company and some consolidated subsidiaries have set up special reserves mainly for losses on overseas investments and explorations in accordance with the Special Taxation Measures Law of Japan.

Such reserves, which are included in retained earnings, are ¥218,808 million (US$2,351,510 thousand) and ¥218,458 million as of March 31, 2010 and 2009, respectively.

13. Net assets

Net assets comprise three subsections, which are shareholders' equity, accumulated gain (losses) from valuation and translation adjustments, and minority interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of dividend or excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit, or could capitalize by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in-capital and all of the legal earning reserve may be transferred to other capital surplus and retained earnings, respectively, however which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

14. Commitments and contingent liabilities

Contingent liabilities as of March 31, 2010 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable sold to factoring companies with recourse	¥ 512	$ 5,502
As guarantor for loans of:		
Unconsolidated subsidiaries and affiliated companies	1,900	20,419
Other	60	645
	¥2,472	$26,566

Besides the above, as to providing electric power to Pogo gold mine, there are ¥1,301 million (US$13,982 thousand) to guarantee construction costs of electric facilities.

15. Segment information

Business segment information

The primary business segments of the Company and its consolidated subsidiaries include mineral resources, metals, electronics and advanced materials and others. Also refer to the section of "Review of Operations" for the details of each business.

Business segment information for the fiscal years ended March 31, 2010, 2009 and 2008 are as follows:

2010 — Millions of yen

	Mineral resources	Metals	Electronics & advanced materials	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥ 47,327	¥486,362	¥170,170	¥21,968	¥ —	¥725,827
Inter segment	27,093	86,690	14,151	7,636	(135,570)	—
Total	74,420	573,052	184,321	29,604	(135,570)	725,827
Costs and expenses	43,839	538,561	181,446	29,733	(134,017)	659,562
Operating income (loss)	¥ 30,581	¥ 34,491	¥ 2,875	¥ (129)	¥ (1,553)	¥ 66,265
Identifiable assets	¥168,655	¥526,936	¥119,288	¥74,715	¥ 91,864	¥981,458
Depreciation	7,225	14,722	9,785	2,665	349	34,746
Loss on impairment of fixed assets	—	100	56	1,931	—	2,087
Capital expenditures	2,110	18,427	4,206	1,092	579	26,414

2009 — Millions of yen

	Mineral resources	Metals	Electronics & advanced materials	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥ 52,844	¥534,587	¥175,945	¥30,421	¥ —	¥793,797
Inter segment	20,779	77,828	11,981	13,785	(124,373)	—
Total	73,623	612,415	187,926	44,206	(124,373)	793,797
Costs and expenses	55,967	609,982	198,076	43,638	(124,400)	783,263
Operating income (loss)	¥ 17,656	¥ 2,433	¥ (10,150)	¥ 568	¥ 27	¥ 10,534
Identifiable assets	¥159,203	¥416,338	¥106,147	¥63,615	¥ 134,698	¥880,001
Depreciation	6,432	13,475	11,064	2,608	689	34,268
Loss on impairment of fixed assets	—	—	3,512	2	—	3,514
Capital expenditures	7,890	24,778	12,534	2,213	308	47,723

2008 — Millions of yen

	Mineral resources	Metals	Electronics & advanced materials	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥ 67,825	¥797,914	¥237,703	¥28,930	¥ —	¥1,132,372
Inter segment	23,535	112,660	17,299	11,778	(165,272)	—
Total	91,360	910,574	255,002	40,708	(165,272)	1,132,372
Costs and expenses	53,233	801,732	246,787	37,046	(161,820)	976,978
Operating income (loss)	¥ 38,127	¥108,842	¥ 8,215	¥ 3,662	¥ (3,452)	¥ 155,394
Identifiable assets	¥176,234	¥521,362	¥154,075	¥62,133	¥ 177,912	¥1,091,716
Depreciation	5,537	10,071	11,709	2,132	1,056	30,505
Loss on impairment of fixed assets	—	—	736	205	—	941
Capital expenditures	9,427	42,089	11,862	1,779	(12)	65,145

2010	Thousands of U.S. dollars					
	Mineral resources	Metals	Electronics & advanced materials	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	$ 508,619	$5,226,889	$1,828,802	$236,088	$ —	$ 7,800,398
Inter segment	291,166	931,649	152,080	82,063	(1,456,958)	—
Total	799,785	6,158,538	1,980,882	318,151	(1,456,958)	7,800,398
Costs and expenses	471,134	5,787,867	1,949,984	319,538	(1,440,269)	7,088,254
Operating income (loss)	$ 328,651	$ 370,671	$ 30,898	$ (1,387)	$ (16,689)	$ 712,144
Identifiable assets	$1,812,520	$5,662,934	$1,281,977	$802,955	$ 987,254	$10,547,640
Depreciation	77,646	158,216	105,159	28,641	3,751	373,413
Loss on impairment of fixed assets	—	1,075	602	20,752	—	22,429
Capital expenditures	22,676	198,033	45,202	11,736	6,222	283,869

(The effect of change in accounting policy on construction contracts)
Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, released on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, released on December 27, 2007). As a result of adopting the new standard, net sales for the Mineral resources and Others business segments increased by ¥539 million ($5,793 thousand) and ¥139 million ($1,494 thousand), respectively. Operating income for the Mineral resources and Others business segments increased by ¥131 million ($1,408 thousand) and ¥23 million ($247 thousand) in the Others, respectively for the fiscal year ended March 31, 2010.

(The effect of change in depreciation method)
In accordance with the revised Japanese Corporate Tax Law, for tangible fixed assets acquired on or before March 31, 2007, the Company and its consolidated domestic subsidiaries have started to depreciate the remaining balance of assets over a five year period using the straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the Tax Law before revision. As a result of the change of depreciation method, depreciation increases by ¥42 million in Mineral resources, ¥669 million in Metals, ¥287 million in Electronics & advanced materials and ¥26 million in Others. And operating income decreases by ¥39 million in Mineral resources, ¥591 million in Metal, ¥286 million in Electronics & advanced materials and ¥26 million in Others for the fiscal year ended March 31, 2008.

(The effect of change in accounting method for measurement of inventories)
For product inventories, the Company principally used the first-in, first-out (FIFO) method. Beginning this consolidated fiscal year, the Company adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, announced on July 5, 2006)" and calculated inventory values using the first-in, first-out method (For figures shown on the balance sheet, values are written down to their book values based on their decreased profitability). As a result of the change of the accounting method, operating income decreased by ¥3,203 million in Metals, ¥2,895 million in Electronics & advanced materials and ¥1,379 million in Others for the fiscal year ended March 31, 2009.

(The effect of change in accounting policy on non-ownership transfer finance lease agreement)
Non-ownership transfer finance lease agreements which were based on the accounting method for ordinary lease transactions are now based on the accounting method for sales transactions beginning this fiscal year as per "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]). There is no impact from this change on operating income for the fiscal year ended March 31, 2009.

(The effect of change in the depreciation period for property, plant and equipment)
In accordance with the revised Japanese Corporate Tax Law, the Company and its domestic consolidated subsidiaries changed the depreciation period for property, plant and equipment beginning this fiscal year. As a result of the change, operating income decreased by ¥47 million in Mineral resources, ¥1,629 million in Metals, ¥916 million in Electronics & advanced materials and ¥367 million in Others for the fiscal year ended March 31, 2009.

(The effect of change in unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
Accounting methods applicable to overseas subsidiaries and used for the consolidated financial statement. Beginning this fiscal year, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, May 17, 2006). As a result of the change, operating income decreased by ¥115 million in Mineral resources and increased by ¥29 million in Electronics & advanced materials for the fiscal year ended March 31, 2009.

Geographic segment information

Geographic segment information for the fiscal years ended March 31, 2010, 2009 and 2008 are summarized as follows:

2010 — Millions of yen

	Domestic	North America	Southeast Asia	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥613,778	¥40,713	¥40,378	¥ 30,958	¥ —	¥725,827
Inter segment	41,417	4,146	22,169	5,089	(72,821)	—
Total	655,195	44,859	62,547	36,047	(72,821)	725,827
Costs and expenses	611,359	29,759	56,183	33,554	(71,293)	659,562
Operating income (loss)	¥ 43,836	¥15,100	¥ 6,364	¥ 2,493	¥ (1,528)	¥ 66,265
Identifiable assets	¥652,336	¥99,183	¥79,146	¥166,630	¥(15,837)	¥981,458

2009 — Millions of yen

	Domestic	North America	Southeast Asia	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥678,737	¥47,293	¥38,552	¥ 29,215	¥ —	¥793,797
Inter segment	40,764	—	15,964	3,565	(60,293)	—
Total	719,501	47,293	54,516	32,780	(60,293)	793,797
Costs and expenses	719,437	39,726	52,985	36,676	(65,561)	783,263
Operating income (loss)	¥ 64	¥ 7,567	¥ 1,531	¥ (3,896)	¥ 5,268	¥ 10,534
Identifiable assets	¥546,360	¥77,261	¥68,383	¥152,967	¥ 35,030	¥880,001

2008 — Millions of yen

	Domestic	North America	Southeast Asia	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥ 986,469	¥57,649	¥53,405	¥ 34,849	¥ —	¥1,132,372
Inter segment	53,986	123	34,462	6,447	(95,018)	—
Total	1,040,455	57,772	87,867	41,296	(95,018)	1,132,372
Costs and expenses	929,789	35,687	66,909	37,874	(93,281)	976,978
Operating income (loss)	¥ 110,666	¥22,085	¥20,958	¥ 3,422	¥ (1,737)	¥ 155,394
Identifiable assets	¥ 647,305	¥95,265	¥81,667	¥169,290	¥ 98,189	¥1,091,716

2010

	Thousands of U.S. dollars					
	Domestic	North America	Southeast Asia	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	$6,596,217	$ 437,539	$433,939	$ 332,703	$ —	$ 7,800,398
Inter segment	445,105	44,557	238,248	54,691	(782,601)	—
Total	7,041,322	482,096	672,187	387,394	(782,601)	7,800,398
Costs and expenses	6,570,220	319,817	603,794	360,602	(766,179)	7,088,254
Operating income (loss)	$ 471,102	$ 162,279	$ 68,393	$ 26,792	$ (16,422)	$ 712,144
Identifiable assets	$7,010,596	$1,065,911	$850,575	$1,790,758	$(170,199)	$10,547,641

(The effect of change in accounting policy on construction contracts)
Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have applied "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, released on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, released on December 27, 2007). As a result of adopting the new standard, net sales and operating income for Japan increase by ¥678 million ($7,286 thousand) and ¥154 million ($1,655 thousand), respectively for the fiscal year ended March 31, 2010.

(The effect of change in accounting method for Measurement of Inventories)
For product inventories, the Company used the first-in, first-out method principally. Beginning this consolidated fiscal year, the Company adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, announced on July 5, 2006)" and calculated inventory values using the first-in, first-out method (For figures shown on balance sheet, the book value write-down method based on decreased profitability). As a result of the change of the accounting method, operating income decreases by ¥7,477 million in Japan for the fiscal year ended March 31, 2009.

(The effect of change in accounting policy on non-ownership transfer finance lease agreement)
Non-ownership transfer finance lease agreements which were based on the accounting method for ordinary lease transactions are now based on the accounting method for sales transactions beginning this fiscal year as per "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]). There is no impact from this change on operating income for the fiscal year ended March 31, 2009.

(The effect of change in the depreciation period for property, plant and equipment)
In accordance with the revised Japanese Corporate Tax Law, the Company and its domestic consolidated subsidiaries changed the depreciation period for property, plant and equipment beginning this fiscal year. As a result of the change, operating income decreased by ¥2,959 million in Japan for the fiscal year ended March 31, 2009.

(The effect of change in unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
Accounting methods applicable to overseas subsidiaries and used for the consolidated financial statement. Beginning this fiscal year, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, May 17, 2006). As a result of the change, operating income decreased by ¥115 million in North America and increased by ¥29 million in Southeast Asia for the fiscal year ended March 31, 2009.

(The effect of change in depreciation method)
In accordance with the revised Japanese Corporate Tax Law, for tangible fixed assets acquired on or before March 31, 2007, the Company and its consolidated domestic subsidiaries have started to depreciate the remaining balance of assets over a five year period using the straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the Tax Law before revision. As a result of the change of depreciation method, operating income decreases by ¥942 million in Japan for the fiscal year ended March 31, 2008.

Information for overseas sales

2010 — Millions of yen

	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	**¥46,869**	**¥76,878**	**¥197,541**	**¥6,814**	**¥328,102**
Consolidated net sales	**—**	**—**	**—**	**—**	**¥725,827**
Share of overseas net sales	**6.5%**	**10.6%**	**27.2%**	**0.9%**	**45.2%**

2009 — Millions of yen

	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	¥48,249	¥56,417	¥159,585	¥17,903	¥282,154
Consolidated net sales	—	—	—	—	¥793,797
Share of overseas net sales	6.1%	7.1%	20.1%	2.2%	35.5%

2008 — Millions of yen

	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	¥58,265	¥85,721	¥242,835	¥7,908	¥ 394,729
Consolidated net sales	—	—	—	—	¥1,132,372
Share of overseas net sales	5.1%	7.6%	21.4%	0.7%	34.9%

2010 — Thousands of U.S. dollars

	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	**$503,697**	**$826,201**	**$2,122,955**	**$73,229**	**$3,526,083**
Consolidated net sales	**—**	**—**	**—**	**—**	**$7,800,398**
Share of overseas net sales	**6.5%**	**10.6%**	**27.2%**	**0.9%**	**45.2%**

16. Information for certain leases

Lease assets

Lease assets related to non-ownership transfer finance leases. Leases can depreciate assets over the lease period using the straight-line method with no residual value. For finance lease transactions other than those involving a transfer of title that began prior to the application of the new accounting standards, the previous operating lease method will continue to be applied.

As a lessee

A summary of assumed amounts inclusive of interest of acquisition cost, accumulated depreciation and net book value of finance leases accounted for in the same manner as operating leases as of March 31, 2010 and 2009 are as follows:

Millions of yen

	2010			2009		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**¥97**	**¥75**	**¥22**	¥140	¥95	¥45

	Thousands of U.S. dollars		
	2010		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	$1,042	$806	$236

Future lease payment, inclusive of interest as of March 31, 2010 and 2009 under such leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥13	¥22	$140
Due after one year	9	22	97
Total	¥22	¥44	$237

Total lease expenses and assumed depreciation charges for the fiscal years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Total lease expenses	¥22	¥38	¥83	$236
Assumed depreciation charge	22	38	83	236

As a lessor

As of March 31, 2010 and 2009, there was no lease asset related to non-ownership transfer the Company leased as a lessor.

Total revenue and depreciation charges for the fiscal years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Total revenues	¥—	¥—	¥15	$—
Depreciation charge	—	—	7	—

17. Business Combination

(Matters relating to business combination)

The previous fiscal year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

Sumitomo Metal Mining Package Materials Co., Ltd. was merged with the Company

(1) OUTLINE OF THE TRANSACTIONS

(a) Name and business of the acquirer

Company name: Sumitomo Metal Mining Co., Ltd.

Description of business: Exploration and development of mines; smelting/refining and sales of copper, gold, nickel and other non-ferrous metals; manufacturing and distribution of high-quality semiconductor materials and high-value-added advance materials.

(b) Name and business of the acquiree

Company name: Sumitomo Metal Mining Package Materials Co., Ltd.

Description of business: Manufacturing and distribution of semiconductor package materials such as lead frames and tape materials.

(c) Outline and details of the purpose of the transaction

In an effort to further strengthen and expand its business operations in electronics and advanced materials, the Company reorganized its activities in each of these areas on October 1, 2008. Under this reorganization the Electronics Division and the Advanced Materials Division were reorganized into the Semiconductor Materials Division and a newly constituted Advanced Materials Division. Historically, the manufacture and sale of lead frames and COF tape materials within the semiconductor materials business had been conducted by Sumitomo Metal Mining Package Materials Co., Ltd. and its subsidiary companies. The decision to merge the operations of Sumitomo Metal Mining Package Materials Co., Ltd. was made taking into consideration efforts to maximize collaboration and synergies with other semiconductor material operations throughout the Group, promote closer-knit information exchange among top management and ensure timely and agile business management.

(d) Effective date of business combination
November 1, 2008

(e) The name of the company after business combination
Sumitomo Metal Mining Co., Ltd.

(f) The legal structure of the business combination
The two companies were merged by way of a short form merger as prescribed under Article 796, Paragraph 3 of the Company Act with Sumitomo Metal Mining Co., Ltd. as the surviving company. Following the merger, Sumitomo Metal Mining Package Materials Co., Ltd. was dissolved ceasing to exist.

(2) OUTLINE OF THE ACCOUNTING PROCEDURE IMPLEMENTED
The Company adopted the accounting procedures for a commonly-controlled business combination based on the accounting standards, "Accounting Standards for Business Combination" issued by Business Accounting Council on October 31, 2003, "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (Guidance No.10 issued by the Accounting Standards Board of Japan on November 15, 2007).

The fiscal year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

Acquisition of Teck Pogo Inc. by the purchase method

(1) OUTLINE OF THE TRANSACTIONS

(a) Name and business of the acquiree
Company name: Teck Pogo Inc.
Description of business: Participation in the management and operation of the Pogo Gold Mine, located in the state of Alaska in the U.S., based on the company's 34% equity interest.

(b) Outline and details of the purpose of the transaction
The principal reason for business combination Sumitomo Metal Mining Co., Ltd. continues to pursue its objective of becoming a major player in the global non-ferrous metals market. Currently, SMM Pogo LLC, a consolidated subsidiary of the Company's wholly owned subsidiary Sumitomo Metal Mining America Inc., holds a 51% in the mine. Using SMM Pogo LLC as its vehicle, the Company acquired Teck Pogo Inc., which holds a 34% interest in the subject mine. In completing this acquisition, the Company gained a majority share in the Pogo Gold Mine enabling it to manage and operate the mine in its own right. This acquisition also serves to further advance the Company's overseas resource development business.

(c) Effective date of business combination
July 7, 2009

(d) The legal structure of the business combination and the name of the company after business combination
The legal structure of the business combination: Acquisition of shares whose consideration was cash was executed based on the share purchase agreement
The name of the company after business combination: After reorganization of the structure of Teck Pogo Inc. to Teck Pogo LLC, the name of the company was changed to Sumitomo Metal Mining Pogo LLC

(e) Share of voting rights acquired
100%

(2) THE PERIOD OF THE OPERATING RESULT OF THE ACQUIREE INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS
The account settlement date of the company involved in the relevant acquisition is December 31. The operating results for the period from July 7, 2009 to December 31, 2009 have been brought to account.

(3) ACQUISITION COST
¥20,203 million

(4) GOODWILL
(a) The amount of negative goodwill
¥985 million

(b) Principal reason for the incidence of negative goodwill
After confirming the acquisition cost applicable to the Teck Pogo shares with its parent company Teck Resources Ltd. the market price of gold increased. This gave rise to an unrealized gain on the transaction.

(c) The amortization method and amortization period
The amortization of negative goodwill is subject to the provisions outlined under the US accounting standard for business combinations. Negative goodwill has been amortized as a lump sum in the accounting period in which it occurred.

(5) BREAKDOWN OF MAJOR ASSETS AND LIABILITIES RECEIVED AND THEIR AMOUNTS ON THE DATE OF BUSINESS COMBINATION

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,920	$ 20,634
Long-term assets	21,514	231,211
Current liabilities	(798)	(8,576)
Long-term liabilities	(1,448)	(15,561)
Negative goodwill	(985)	(10,586)
Acquisition cost of the company involved in the relevant acquisition	¥20,203	$217,120

(6) ESTIMATED IMPACT ON THE CURRENT FISCAL YEAR'S CONSOLIDATED FINANCIAL STATEMENTS IF THE BUSINESS COMBINATION HAD OCCURRED AT THE BEGINNING OF THE FISCAL YEAR (UNAUDITED)

	Millions of yen	Thousands of U.S. dollars
Net sales	¥5,448	$58,549
Operating income	1,787	19,205
Ordinary income	1,357	14,584
Income before income taxes and minority interests	1,357	14,584
Net income	¥ 811	$ 8,716
Net income per share (yen and dollars respectively)	¥ 1.45	$ 0.016

Note: The pro forma information disclosed in the above table expressed the difference between the estimated sales and earnings assuming that the business combination had been completed at the beginning of the current fiscal year and the actual sales and earnings presented in the consolidated statements of income of the acquirer.

Establishment of Sumiko Kunitomi Denshi Co., Ltd.

(1) OUTLINE OF THE TRANSACTIONS

(a) The name of the subject business and the content of its business
Type of business: A business whose principal function is the manufacture of crystalline and magnetic materials
Description of business activities: Primarily the manufacture of crystalline and magnetic materials at the Company's former Kunitomi District Division

(b) Outline and details of the purpose of the transaction
In an effort to further strengthen and expand its business operations in electronics and advanced materials, the Company reorganized its activities in each of these areas on October 1, 2008. Under this restructuring the Electronics Division and the Advanced Materials Division were reorganized into the Semiconductor Materials Division and a newly constituted Advanced Materials Division. Historically, the former Kunitomi District Division served as a manufacturing base for crystalline materials including tantalic acid lithium and niobic acid lithium crystals as well as such magnetic materials as samarium iron-nitrogen. These businesses, however, continue to feel the effects of sharp and dramatic market adjustments peculiar to electronics-related industries as well as unforeseen substantial declines in prices. Buffeted by a harsh operating environment, the crystalline and magnetic materials businesses which had been operated at the former Kunitomi District Division were transferred as a short form corporate split to the Sumitomo Kunitomi Denshi Co., Ltd, which was newly established, on April 1, 2009.

(c) Effective date of business combination
April 1 2009

(d) The name of the company after business combination
Sumiko Kunitomi Denshi Co., Ltd. (a consolidated subsidiary of the Company)

(e) The legal structure of the business combination
The business combination was accomplished utilizing an incorporation-type corporate split method (short form merger) with the Company as the corporate split company and Sumiko Kunitomi Denshi Co., Ltd., a company engaged in the manufacture of crystalline and magnetic materials, as the newly established company.

(2) OUTLINE OF THE ACCOUNTING PROCEDURE IMPLEMENTED
The Company adopted the accounting procedure for a commonly controlled business combination based on the "Accounting Standards for Business Combinations" issued by the Business Accounting Council on October 31, 2003 and the "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (Guidance

No. 10 issued by the Accounting Standards Board of Japan, revised on November 15, 2007).

Absorption merger between Sumitomo Metal Mining Pogo LLC and SMM Pogo LLC

(1) OUTLINE OF THE TRANSACTIONS

(a) Name and business of the acquirer

Company name: Sumitomo Metal Mining Pogo LLC

Description of business: Holder of an equity interest in the Pogo Gold Mine located in the state of Alaska in the United States while at the same time serving as mine manager and operator.

(b) Name of the company of the acquiree

Name of the combining company: SMM Pogo LLC

Description of business activities: Holder of an equity interest in the Pogo Gold Mine located in the state of Alaska in the United States.

(c) Outline and details of the purpose of the transaction

With the aim of managing and operating the Pogo Gold Mine in its own right, the Company utilizing SMM Pogo LLC, a consolidated subsidiary which held a 51% interest in the mine, acquired all of the issued and outstanding shares of Teck Pogo Inc., a company which held a 34% interest in the mine (following the acquisition of shares, the name of Teck Pogo Inc. was changed to Sumitomo Metal Mining Pogo LLC). In order to unify management of such subsidiaries with interests in the Pogo Gold Mine as Sumitomo Metal Mining Pogo LLC and SMM Pogo LLC, they undertook an absorption-type merger.

(d) Date of the merger

July 8, 2009

(e) The name of the company after business combination

Sumitomo Metal Mining Pogo LLC

(f) The legal structure and method of the business combination

The business combination was accomplished utilizing an absorption-type merger method with Sumitomo Metal Mining Pogo LLC as the surviving company and SMM Pogo LLC as the liquidated company.

(2) OUTLINE OF THE ACCOUNTING PROCEDURE IMPLEMENTED

Accounting procedures implemented for the merger were in accordance with accounting standards and practices generally accepted in the United States. These accounting procedures had no impact on the consolidated financial statements.

18. Condensed financial information of a major affiliated company

ASBJ Statement No.11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No.13, "Guidance on Accounting Standard for Related Party Disclosures" issued by the Accounting Standards Boards of Japan on October 17, 2006, require certain additional related party disclosures effective for the fiscal years beginning on or after April 1, 2008. Pursuant to the new accounting standards, condensed financial information of Sociedad Minera Cerro Verde S.A.A. disclosed for the year ended December 31, 2008 is as follows.

	Millions of yen
Total current assets	¥ 77,752
Total long-term assets	102,832
Total current liabilities	54,566
Total long-term liabilities	5,465
Total net assets	120,553
Net sales	189,980
Net income before tax	115,027
Net income	74,343

Pursuant to the relevant accounting standards, condensed financial information of Sociedad Minera Cerro Verde S.A.A., which is disclosed for the year ended December 31, 2009 is as follows.

	Millions of yen
Total current assets	¥ 71,081
Total long-term assets	105,120
Total current liabilities	24,841
Total long-term liabilities	18,175
Total net assets	133,185
Net sales	164,608
Net income before tax	105,099
Net income	66,361

19. Earnings per share

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the fiscal years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Basic net income per share calculation				
Numerator:				
Net income	¥ 53,952	¥ 21,974	¥137,808	$579,817
Net income available to common shareholders	53,952	21,974	137,808	579,817
Denominator (thousands of shares) :				
Weighted average number of shares	560,485	565,338	578,707	—
Basic EPS (yen and U.S. dollars)	¥ 96.26	¥ 38.87	¥ 238.13	$ 1.03
Diluted net income per share calculation				
Numerator:				
Net income	¥ 53,952	¥ 21,974	¥137,808	$579,817
Interest in respect of convertible borrowings	864	864	109	9,286
Adjusted net income	54,816	22,838	137,917	589,103
Denominator (thousands of shares):				
Weighted average number of shares	560,485	565,338	578,707	—
Assumed conversion of convertible bonds	57,176	65,842	17,053	—
Adjusted weighted average number of shares	566,201	631,180	595,760	—
Diluted EPS (yen and U.S. dollars)	¥ 88.75	¥ 36.18	¥ 231.50	$ 0.95

20. Subsequent event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010, was approved at a shareholders' meeting held on June 25, 2010:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥13.00 per share	¥7,308	$78,538

Independent Auditor's Report

To the Board of Directors of Sumitomo Metal Mining Co., Ltd.

We have audited the accompanying consolidated balance sheets of Sumitomo Metal Mining Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2010, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Metal Mining Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the followings:

As discussed in Note 2 to the consolidated financial statements, effective April 1 2008, Sumitomo Metal Mining Co., Ltd. and consolidated domestic subsidiaries adopted the new accounting standard for measurement of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 25, 2010

Glossary

Mineral resources and metals

1) Metal trading

London Metal Exchange (LME)

The LME specializes in trading of non-ferrous metals such as copper, nickel, aluminum, lead and zinc. The LME trading prices for metals are used as the international pricing benchmarks for sales of refined metal and purchases of refining ores.

TC/RC

Treatment Charge (TC) and Refining Charge (RC) are commonly used in the terms of purchase for copper concentrate or nickel ore for refining. They are amounts designed to cover refining costs. For example, copper concentrate contracts may define a purchase price based on the LME price at a certain date, minus the TC or RC being used at the time.

London fixing

Gold is not traded on the LME. Its price is determined for each transaction between market participants. The financial institutions in the London Bullion Market Association (LBMA) agree a standard price for gold based on these transactions and publish it on the morning and afternoon of each trading day. This "London fixing" price is the benchmark for trading in gold.

Pound (lb)

Part of the imperial system of measures, the pound is the standard unit of weight used in measuring and pricing base metals such as copper and nickel, and in TC/RC calculations. One pound is equal to 453.59 grams; an imperial ton equals 2,204.62lb.

Troy ounce (toz)

The troy ounce is the standard unit of weight for precious metals such as gold and silver. It equals approximately 31.1 grams. It is named after Troyes, a city in the Champagne region of central France that was the site of a major market in Europe in medieval times. Originally used as a unit of exchange for valuing goods in terms of gold or silver weights, the troy ounce is still used today in gold trading.

2) Metal refining

Smelting and refining

Refining processes extract valuable metals from ores or other raw materials. They fall into two basic types: pyrometallurgical (dry) and hydrometallurgical (wet). At SMM's Toyo facilities in Ehime Prefecture, the copper concentrate pre-processing undertaken at Saijo uses pyrometallurgical processes and the nickel refining at the Niihama site uses hydrometallurgical processes entirely. The term 'smelting' is used for the extraction of metal from ores using melting and heating (pyrometallurgy). The term 'refining' refers to any process that increases the grade or purity of a metal.

Pyrometallurgical refining

The precursor ore is melted at high temperature in a furnace, and refining techniques are applied to separate the metal in a molten state.

Hydrometallurgical refining

The ore and impurities are dissolved in a solution, and chemical reactions are used to separate out the metal.

3) Metal ores

Sulfide ores

These ores contain copper, nickel or other metals chemically bonded to sulfur. Since the application of heat breaks these bonds, releasing the sulfur, such ores are generally refined using pyrometallurgical techniques.

Oxide ores

These ores contain metals in oxidized forms. Unlike sulfide ores, oxides need much more energy to achieve melting. For this reason, the hydrometallurgical approach is generally used to refine these ores.

Copper concentrates

Used as raw materials in copper smelting, copper concentrates have a copper content of about 30% by weight. The remainder consists mostly of sulfur and iron. Copper concentrates are made mostly from sulfide ores. Ores extracted from overseas mines have a typical grade of about 1%. The ores are then "dressed" at the mine to increase the purity and produce concentrate. Most of the copper ores imported by SMM for smelting in Japan are concentrates.

Nickel oxide ores

Whilst the higher-grade sulfide ores are used predominantly in nickel refining, nickel oxide ores are more prevalent than nickel sulfides. The sulfide-oxide ratio in current nickel reserves is believed to be about 3:7. High refining costs and technical issues have limited use of oxide ores in nickel refining to date, but SMM has succeeded in refining nickel from low-grade oxide ores based on HPAL technology.

Mixed sulfide (MS) ores

CBNC produces a mixed nickel-cobalt sulfide intermediate containing about 60% nickel by weight. This is used as a raw material in electrolytic nickel production.

Matte

A matte is another term for metal sulfides. For raw material, electrolytic nickel production at SMM also uses a nickel matte (of about 75–80% purity) sourced from PT Inco.

Proprietary ore ratio

This ratio is the proportion by volume of ore procured from overseas mining interests relative to the overall volume of smelting ores used as raw materials. Typically, off-take rights are proportional to the equity interest in a mine. In the case of Cerro Verde, SMM has secured 50% off-take rights for the first ten years of production from 2006, based on a 21% equity interest.

4) Nickel production process

Coral Bay Nickel Corporation (CBNC)

Based in the Philippines, this SMM subsidiary produces mixed nickel-cobalt sulfides using HPAL technology and exports the raw materials to the SMM Group's nickel refining facilities in Niihama, Ehime Prefecture.

High Pressure Acid Leach (HPAL)

HPAL technology enables the recovery of nickel from nickel oxide ores that traditionally were difficult to process. SMM was the first company in the world to apply it successfully on a commercial scale. The oxide ores are subjected to high temperature and pressure and reacted under stable conditions with sulfuric acid to produce a nickel-rich refining intermediate.

Matte Chlorine Leach Electrowinning (MCLE)

MCLE is the technology used in the manufacturing process at SMM's nickel refinery. The matte and mixed sulfide ores are dissolved in chlorine at high pressure to produce high-grade nickel using electrolysis. MCLE is competitive in cost terms, but poses significant operational challenges.

5) Main applications for metals

Copper

Copper is fabricated into wires, pipes and other forms. Besides power cables, copper is used widely in consumer applications such as wiring in vehicles or houses, and in air conditioning systems.

Electrolytic nickel

This form of nickel, which has a purity of at least 99.99%, is used in specialty steels, electronics materials and electroplating, among other applications. SMM is the only producer of electrolytic nickel in Japan.

Ferronickel

Ferronickel is an alloy containing nickel (about 20%) and iron. Its main use is in the manufacture of stainless steel, which is about 10% nickel by weight. Based in Hyuga, Miyazaki Prefecture, SMM Group firm Hyuga Smelting produces ferronickel.

Gold

Gold is in demand worldwide for investment and decorative purposes. Gold is widely used in industry within the electronics sector because of its high malleability and ductility. Part of SMM's gold production goes to SMM Group companies engaged in fabricating and selling bonding wire.

Electronics and advanced materials

Copper-clad polyimide film (CCPF)

CCPF is a polyimide film that is coated using a copper base. It is used as a material for making COF substrates. SMM commands a top share of the CCPF supplied for use in large liquid crystal displays.

Chip-on-film (COF) substrates

COF substrates are electronic packaging materials used to make integrated circuits for LCD drivers. They connect these circuits to the LCD panel.

Lead frames (L/F)

Lead frames are electronic packaging materials used to form connections in semiconductor chips and printed circuit boards. They contain thin strips of a metal alloy containing mostly nickel or copper.

Bonding wire

Composed of gold wire that is just a few micrometers thick, bonding wire is used to make electrical connections between lead frames and the electrodes on semiconductor chips.

Secondary batteries

Secondary batteries are ones that can be recharged and used again. SMM supplies battery materials that are used in the anodes of nickel metal hydride batteries and lithium-ion rechargeable batteries, which supply power for hybrid vehicles or notebook computers, among other consumer applications.

Corporate Data and Investor Information

Corporate Data

Founded:	1590
Incorporated:	1950
Paid-In Capital:	¥93.2 billion *As of March 31, 2010
Number of Employees:	2,183 *As of March 31, 2010
Head Office:	11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan

(Contact Information)

Public Relations & Investor Relations Department:
11-3, Shimbashi 5-chome, Minato-ku,
Tokyo 105-8716, Japan

Phone:	81-3-3436-7705
Facsimile:	81-3-3434-2215
Homepage:	http://www.smm.co.jp/E/

Investor Information (As of March 31, 2010)

Closing Date:
The Company's books are closed on March 31 each year.

Regular General Meeting:
The regular general meeting of shareholders is held in June each year.

Common Stock:

Number of authorized shares:	1,000,000,000 shares
Number of issued and outstanding shares:	581,628,031 shares
Number of shareholders:	62,853
Listing of Shares:	Tokyo, Osaka
Stock Transaction Unit:	1,000 shares

Registrar of Shareholders:
The Sumitomo Trust and Banking Company, Limited
(Head office) 5-33, Kitahama 4-chome, Chuo-ku, Osaka
Stock Transfer Agency Department: 3-1, Yaesu 2-chome, Chuo-ku, Tokyo

Method of Public Notice:
Electronic notification (However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.) The Company's website: http://www.smm.co.jp/E/

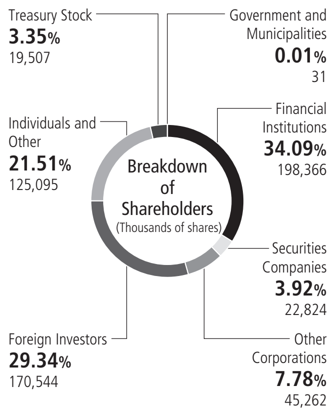
Independent Public Accountant:
KPMG AZSA & Co.
1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

As of June 25, 2010

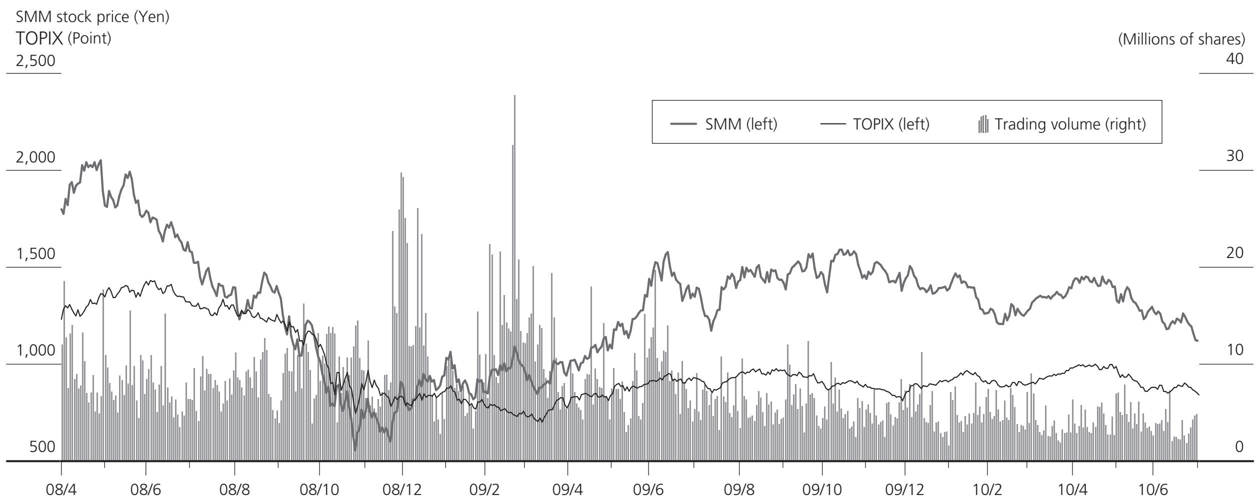
Major Shareholders (As of March 31, 2010)

	Number of shares held (thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust accounts)	43,964	7.8
The Master Trust Bank of Japan, Ltd. (Trust accounts)	35,588	6.3
THE CHASE MANHATTAN BANK, N. A. LONDON SECS LENDING OMNIBUS ACCOUNT	10,393	1.8
Sumitomo Metal Industries, Ltd.	8,715	1.6
Sumitomo Mitsui Banking Corporation	7,650	1.4
Sumitomo Life Insurance Company	7,474	1.3
Sumitomo Corporation	7,000	1.2
NT RE GOVT OF SPORE INVT CORP P.LTD	6,912	1.2
SSBT OD05 OMNIBUS ACCOUNT CHINA TREATY CLIENTS	6,715	1.2
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	5,920	1.1

Note: Shareholding ratio is calculated excluding treasury stock.



Stock Price and Trading Volume



Note: TOPIX began on 4 January 1968 with a base level of 100.

SUMITOMO METAL MINING CO., LTD.

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http://www.smm.co.jp

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Printed in Japan