SUMITOMO METAL MINING CO., LTD.

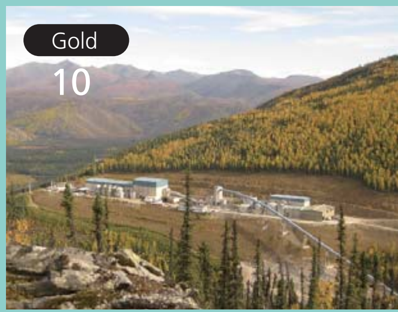
Annual Report

2012

For the year ended March 31, 2012

Sierra Gorda Project

Coral Bay Nickel Corporation



Pogo Gold Mine

Notes:

1. For explanations of specialized industry terms, please see the Glossary on pages 80 to 81.
2. Note Regarding Forward-Looking Statements: The forward-looking statements in this annual report, including business results forecasts, are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this report. Actual business results may differ substantially due to a number of factors. Unless specifically stated otherwise, information in this annual report is as of July 1, 2012.

Copper ore

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)

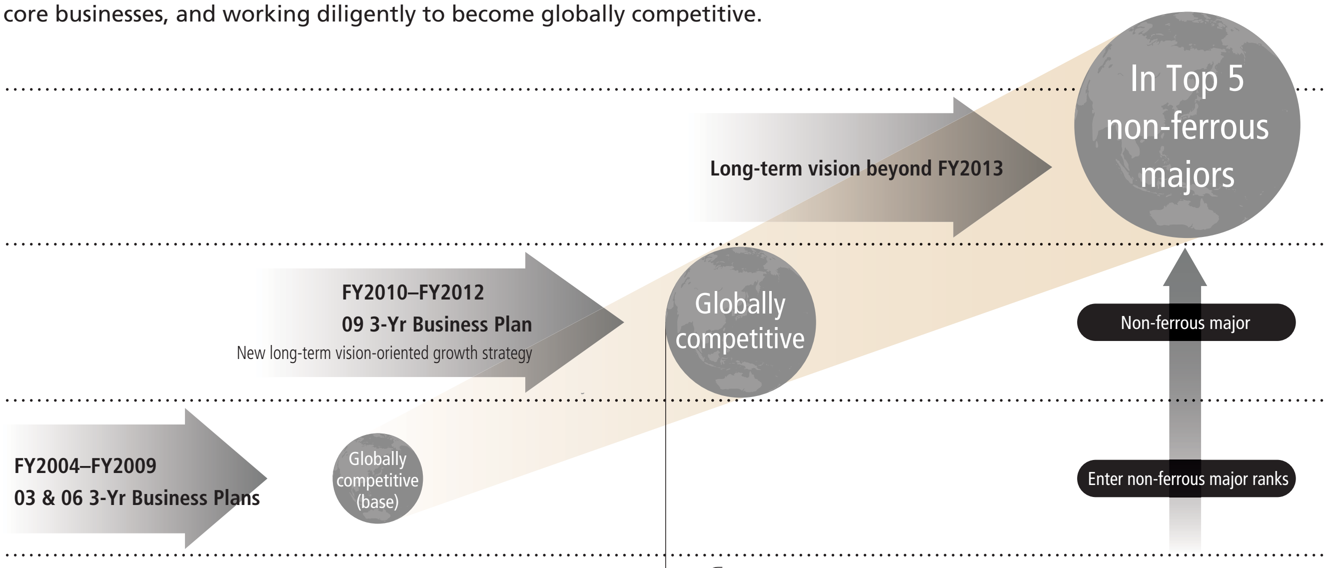
SMM Group Corporate Philosophy

- Sumitomo Metal Mining Co., Ltd. (SMM), in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable coexistence 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.

Long-Term Vision

To Become a Non-Ferrous Major

Sumitomo Metal Mining (SMM) Group is endeavoring to become a top-5 player in the global non-ferrous majors through the practice of the Sumitomo Business Spirit, which boasts a history spanning four centuries, and through efforts to realize its corporate philosophy. Under its current mid term business plan, which covers the three-year period from fiscal 2010 to fiscal 2012 (09 3-Yr Business Plan), the Group is realigning its business structure, concentrating its management resources on core businesses, and working diligently to become globally competitive.



Strategic Points

Mineral Resources

Cu/Au: Expand mine interests
Ni: Promote the Solomons project

Smelting & Refining

Cu: More cost competitive
Ni: Commence operations at Taganito; Expand electrolytic nickel production capacity to 65,000 tonnes

Materials

Expand materials business in the environment and energy fields
Adopt "select and concentration" initiatives involving the clarification of businesses

Nickel ore

Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Fiscal Year (See note)	2011	2010	2009	2008	2007	2006	2005
Results for the year (Millions of yen)							
Net sales	**847,897**	864,077	725,827	793,797	1,132,372	966,764	625,579
Operating income	**88,498**	96,038	66,265	10,534	155,394	162,632	82,756
Recurring profit	**108,750**	123,701	87,791	32,572	217,866	205,285	99,716
Income before taxes and minority interests	**87,883**	123,394	82,776	22,942	216,504	205,617	92,974
Net income	**65,219**	83,962	53,952	21,974	137,808	126,054	62,800

Financial position at year-end (Millions of yen)	2011	2010	2009	2008	2007	2006	2005
Total assets	**1,145,994**	1,052,353	981,458	880,001	1,091,716	929,208	772,562
Net assets	**725,565**	684,103	629,684	547,251	640,345	528,921	394,899
Long-term debt due after one year	**157,119**	135,128	132,311	141,716	169,394	93,800	114,405
Interest-bearing debt	**265,951**	210,969	200,939	218,534	258,054	189,910	190,891

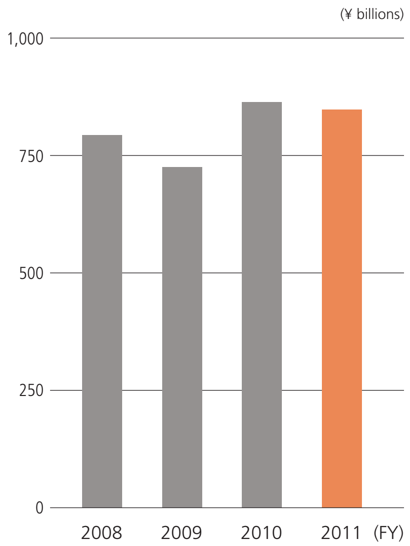
Amounts per share (Yen)	2011	2010	2009	2008	2007	2006	2005
Net income	**116.05**	149.38	96.26	38.87	238.13	220.49	109.96
Shareholders' equity	**1,173.1**	1,121.2	1,043.5	913.9	1,018.0	859.8	654.2
Cash dividends	**28.0**	32.0	20.0	13.0	30.0	27.0	14.0

Key ratios (%)	2011	2010	2009	2008	2007	2006	2005
ROA	**5.93**	8.26	5.80	2.23	13.64	14.81	9.33
ROE*	**10.12**	13.80	9.89	4.02	25.39	28.99	19.10
Equity ratio (%)*	**57.5**	59.9	59.8	57.3	54.0	53.4	48.4
Interest-bearing debt to total assets ratio	**23.4**	20.0	20.5	24.8	23.6	20.4	24.7
Debt-to-equity ratio (times) *	**0.40**	0.33	0.34	0.43	0.44	0.38	0.51

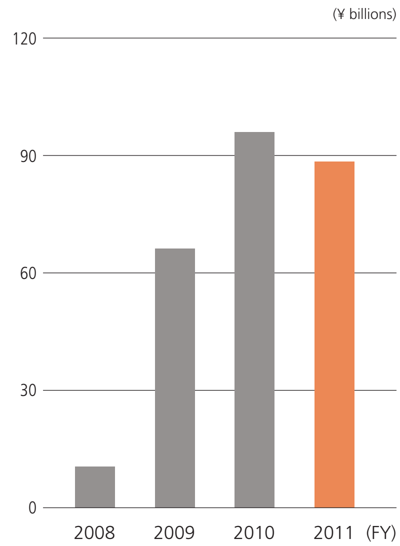
* Shareholders' equity is defined as follows.
  Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income

Note: The fiscal year concludes on March 31, so Fiscal 2011 (FY2011) is the year ended March 31, 2012.

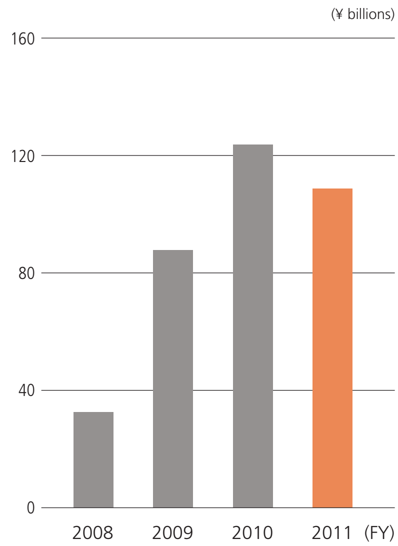
Net sales



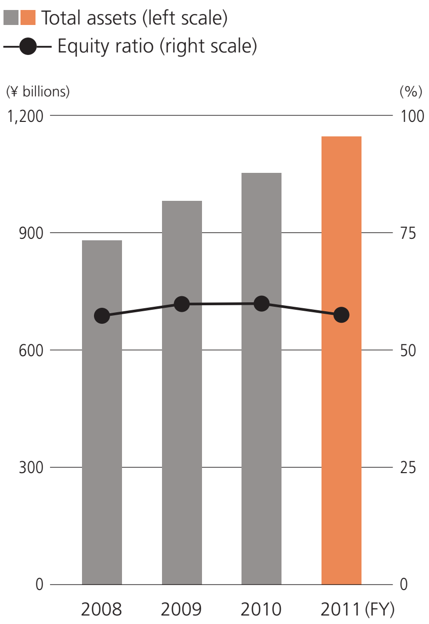
Operating income



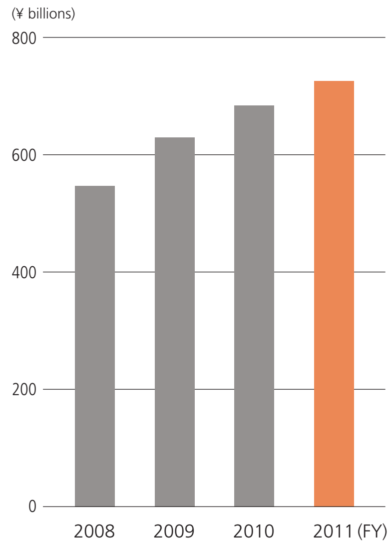
Recurring profit



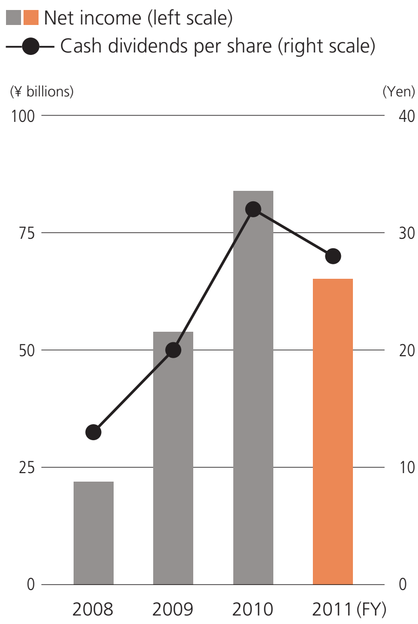
Total assets/Equity ratio



Net assets



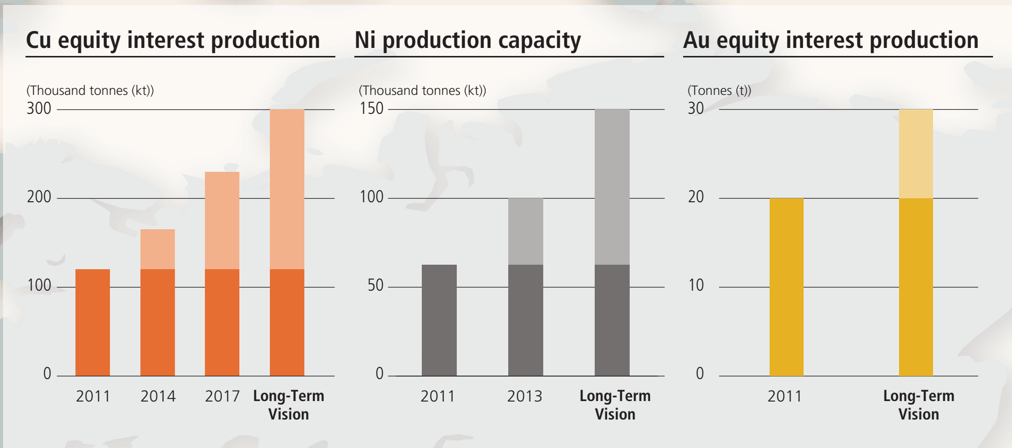
Net income/Cash dividends per share



SMM Growth Strategies

Under 09 3-Yr Business Plan, SMM's long-term vision calls for increasing the Company's total production interest in copper to 300 ktpa* and in gold to 30 tpa as well as expanding nickel operations to achieve a 150 ktpa production set-up. A number of projects have already been launched in an effort to achieve these targets. SMM is committed to further enhancing its enterprise value by ensuring steady progress toward each of the aforementioned goals.

*Kilo tonnes per annum (300 ktpa=300,000 tonnes per year)



Ni

Coral Bay Nickel Corporation (the Philippines)

Ni

Taganito Project (the Philippines)

Au

Hishikari Mine (Kagoshima Prefecture)

Ferronickel

Hyuga Smelting Co., Ltd. (Miyazaki Prefecture)

Pogo (United States)

Morenci (United States)

Toyo Smelter & Refinery/Toyo Facilities
(Ehime Prefecture)

Niihama Nickel Refinery
(Ehime Prefecture)

Cerro Verde (Peru)

Sierra Gorda Project (Chile)

The Sierra Gorda Project is located in the Republic of Chile where a large portion of the world's copper is produced. New mines are generally situated at high altitudes with little or no surrounding infrastructure. This project, on the other hand, is at the relatively low altitude of 1,700 meters and in close proximity to highways, railways and the convenience of all necessary infrastructure. Considerable potential exists to contain development costs to comparatively low levels.

Acquiring New Mine Interests: On the Verge of a Long-Term Vision of 300,000 Tonnes per Year

Sierra Gorda Project (production scheduled to commence in 2014)

Copper reserves for the Project are approximately five million tonnes with an average annual production of around 220,000 tonnes of refined copper equivalent. In addition to its interest of 31.5%, SMM also has acquired off-take rights to 50% of produced copper concentrate.

Please refer to page 23 for details.

Cu

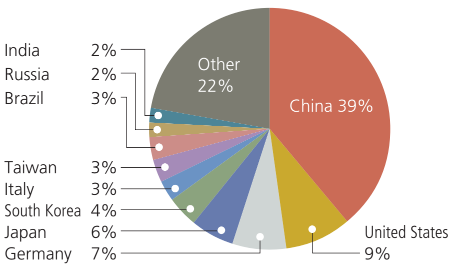
Further Expanding Mine Rights Amid Increasingly Intense Competition to Secure Resources

Approximately 19.5 million tonnes of copper was consumed globally in 2011, exceeded only by iron and aluminum among metals. Copper offers outstanding electricity and heat conductivity, high malleability, and corrosion resistance. As such, copper is widely used in electric cables, air conditioning heat-exchange units and wiring for a variety of electrical products.

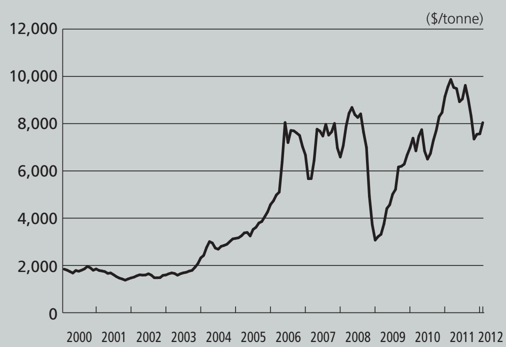
In descending order, the countries that consume the largest amounts of copper metals are China, the United States, Germany and Japan. Consumption in Asia including China has grown substantially since around 2000. As a result, global demand has increased approximately 30% over the past decade. Under these circumstances, the London Metal Exchange (LME) price of copper has appreciated sharply from US$1,600 per tonne (average in 2001) to US$8,800 per tonne (average in 2011).

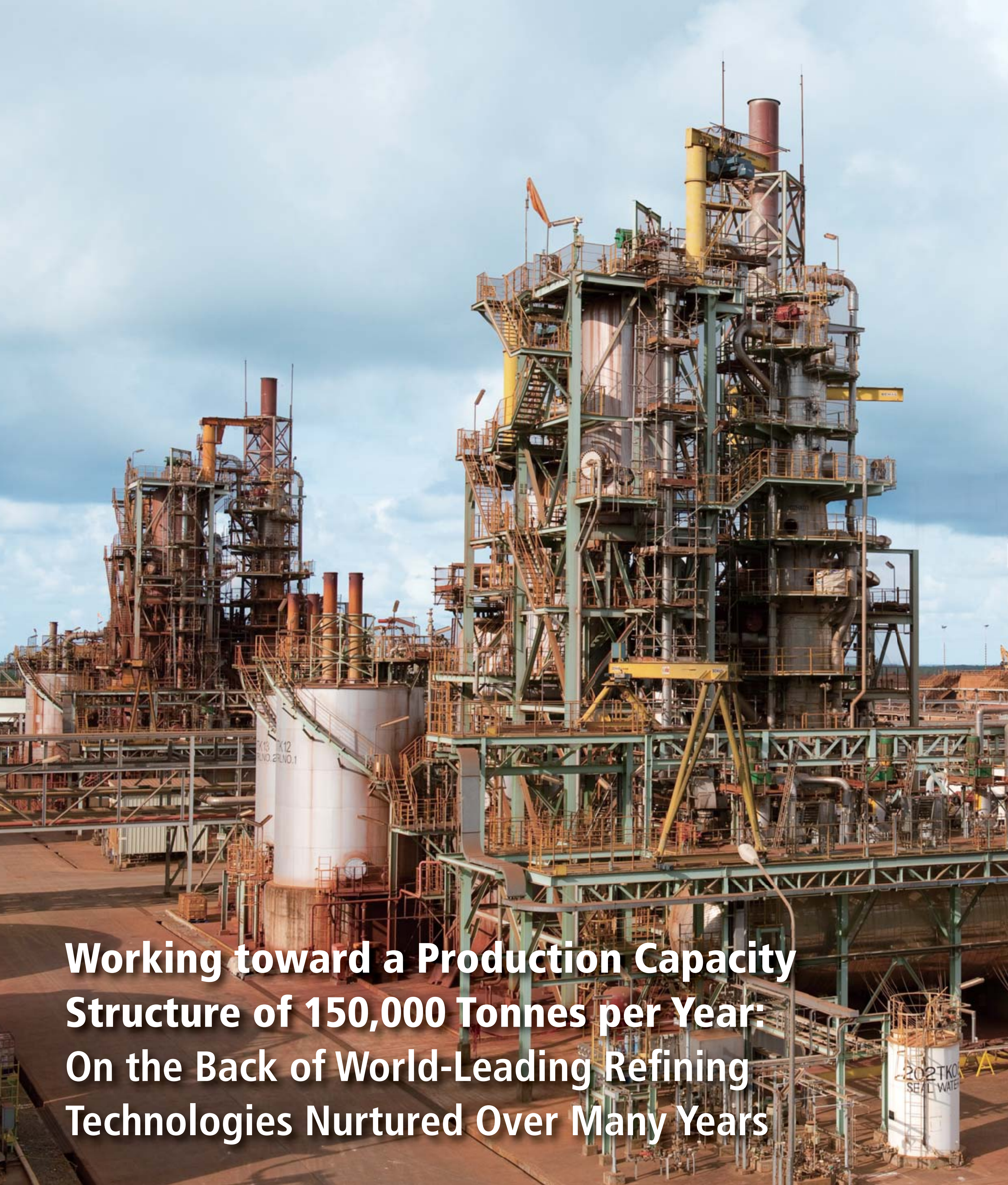
During this period, and in tune with the market's expansion, SMM has worked diligently to secure mine interests, bolster its copper smelting capacity and increase productivity. Looking ahead, every effort will be made to further obtain resource rights and to boost productivity.

Copper Metal Consumption by Country (2010)



Copper Price (LME)



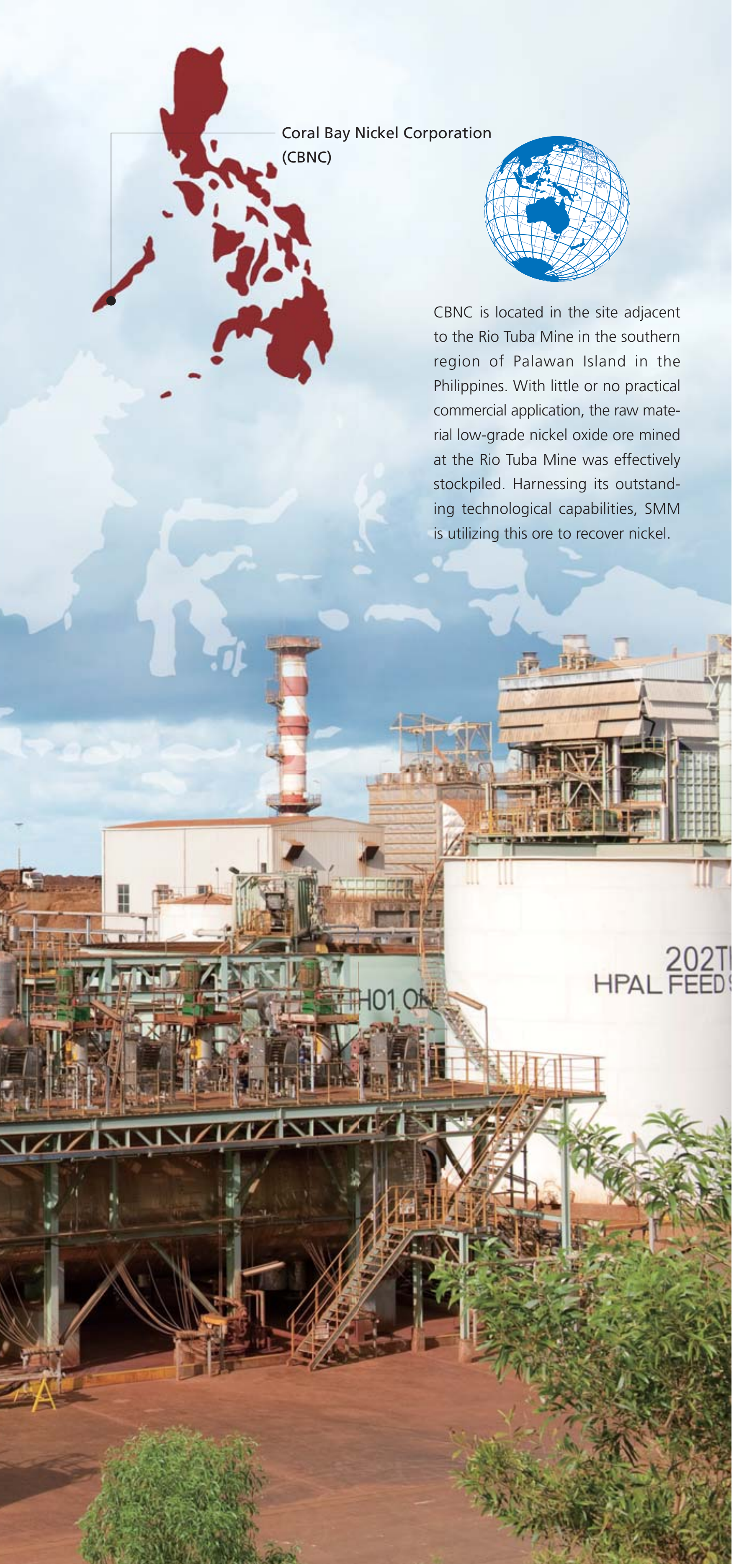


Working toward a Production Capacity Structure of 150,000 Tonnes per Year:
On the Back of World-Leading Refining Technologies Nurtured Over Many Years

Coral Bay Nickel Corporation

Coral Bay Nickel Corporation (CBNC) engages in the production of nickel-cobalt mixed sulfide (MS), a nickel intermediate. MS with a 60% nickel grade is transported to the Niihama Nickel Refinery in Japan where it is refined into electrolytic nickel. The current production capacity is 24,000 tpa of refined nickel equivalent.

Please refer to page 28 for details.



CBNC is located in the site adjacent to the Rio Tuba Mine in the southern region of Palawan Island in the Philippines. With little or no practical commercial application, the raw material low-grade nickel oxide ore mined at the Rio Tuba Mine was effectively stockpiled. Harnessing its outstanding technological capabilities, SMM is utilizing this ore to recover nickel.

Ni

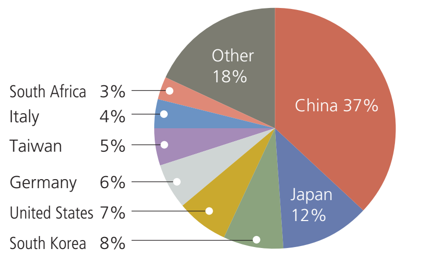
Utilizing Its World-Class Technological Capabilities to Expand Production

Worldwide consumption of nickel was estimated at 1.6 million tonnes in 2011. Offering outstanding corrosion resistance, the principal applications of nickel are stainless steel (60%), specialty steel (10%), and other alloys and plating.

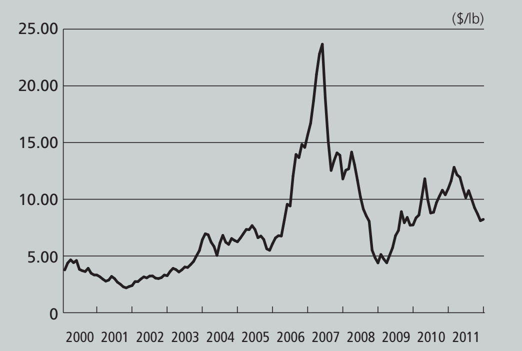
In descending order, the largest users of nickel by country are China, Japan, South Korea and the United States. Demand over the past decade has climbed approximately 40% on the back of growing application in newly emerging countries and especially in China.

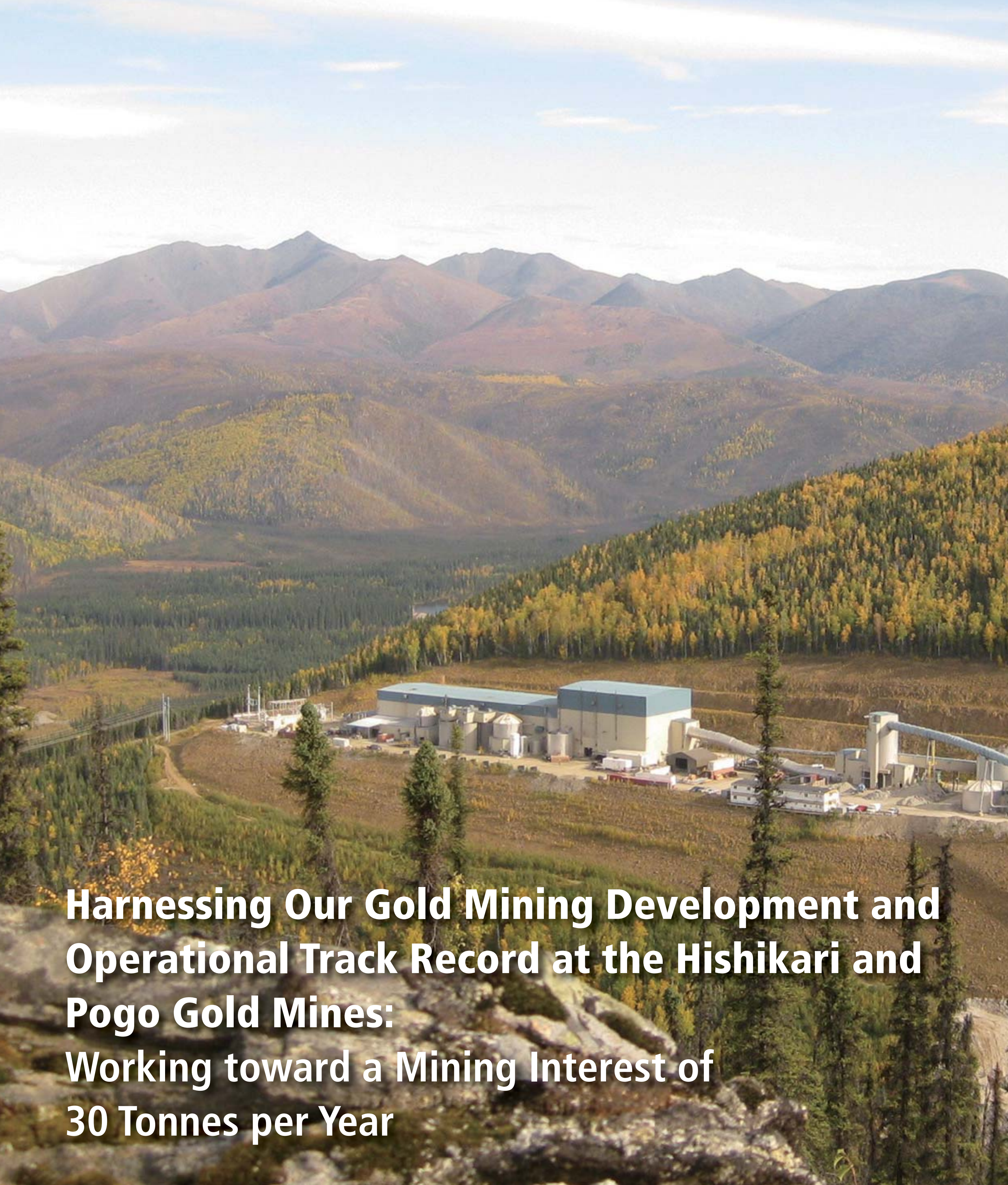
Through CBNC, SMM was the first company in the world to effectively use High Pressure Acid Leach (HPAL) technology on a large-scale commercial basis. Harnessing the Company's outstanding technological capabilities, SMM will endeavor to further increase nickel production.

Nickel Metal Consumption by Country (2010)



Nickel Price (LME)





Harnessing Our Gold Mining Development and Operational Track Record at the Hishikari and Pogo Gold Mines:

Working toward a Mining Interest of 30 Tonnes per Year

Pogo Gold Mine

In July 2009, SMM and Sumitomo Corporation acquired the interest held by Teck Resources Ltd. in the Pogo Gold Mine. As a result, the Company's share in the mine rose to 85%. Current annual production is set at approximately 11 tonnes with resources of 155 tonnes as of December 31, 2011.

Please refer to page 24 for details.

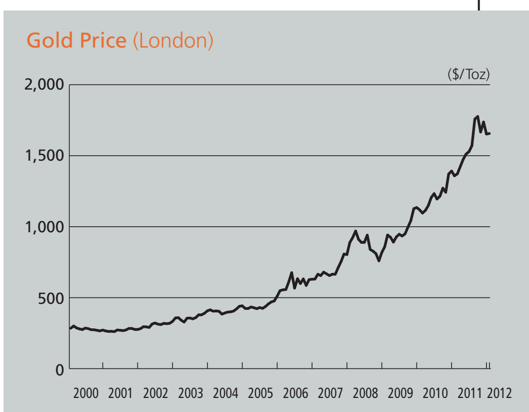
Au

Operating Gold Mines in Japan and Overseas

Annual global production of gold is estimated at 4,600 tonnes. Of this total, 2,800 tonnes is mined and the remainder recycled (2011). Around 40% is used to manufacture jewelry, 40% for investment purposes and the remainder is used as an electronics material due mainly to its outstanding conductivity and corrosion resistance properties.

The price of gold has witnessed significant appreciation since 2005. This increase has largely been attributable to the tendency of newly emerging countries to maintain substantial holdings, growing demand for use in jewelry and the continued upswing in market interest for gold as an investment instrument.

SMM maintains the long-term vision of increasing its annual equity interest of production from 20 tonnes to 30 tonnes. To achieve this vision, the Company will continue to engage in exploration and other activities.



Message to Our Stakeholders

Nobumasa Kemori
President and Representative Director

Business Environment

In fiscal 2011, ended March 31, 2012, I felt that the following three factors would cause considerable difficulties: the sovereign debt crisis in Europe, concerns surrounding inflation in newly emerging countries, and economic trends in the United States. Entering the second half of fiscal 2011, as each of these three factors continued to deteriorate, funds deserted the commodities markets, triggering a downturn in metal markets.

These factors, on the other hand, did not overly affect demand and supply. In recent years, China has had significant impact on the demand side. China alone is purported to account for around 70% of the total increase in demand for copper and nickel. In this context, economic trends in China hold considerable sway on the overall balance of global demand and supply.

The Company recognizes the considerable impact of fluctuations in metal prices on its performance. From both the financial as well as demand-and-supply perspectives, future market conditions will undoubtedly shift in line with trends in financial conditions in Europe and the status of China’s economy, respectively. Currently, I am of the opinion that there remains little room for complacency in either area.

Results in 2011

In fiscal 2011, we recorded recurring profit of ¥108.8 billion. While this result fell short of the estimate for fiscal 2012 of ¥110.0 billion identified under the 09 three-year business plan, we are essentially on track in terms of profitability.

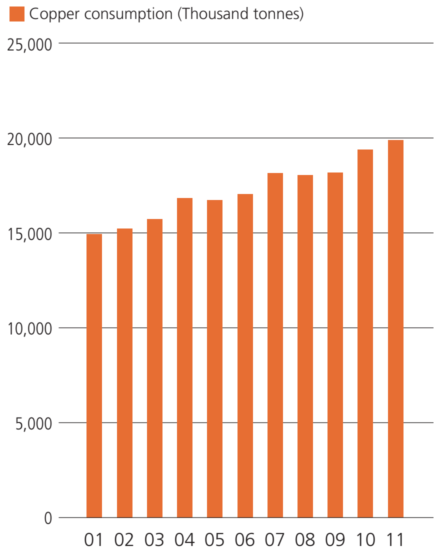
Having said this, however, consolidated recurring profit for the fiscal year under review was close to ¥15.0 billion lower than the amount recorded for the previous fiscal year. This downturn in earnings was largely attributable to the strong yen and increased running costs at overseas mines, which effectively offset the rise in metal prices; the growing incidence of loss in the materials business; and burgeoning deficits in the Goro Project.

Recognizing that our performance is at the mercy of metal market conditions and trends in foreign currency exchange rates, our results do not always match the progress achieved in implementing growth strategies. The prices of metals, for example, may fall at the time a project is completed. Despite this and other scenarios, steadfastly promoting our strategies and securing quantitative growth are the means by which we enhance our enterprise value.

Progress under the 09 Three-Year Business Plan and Fiscal 2012 Business Strategies

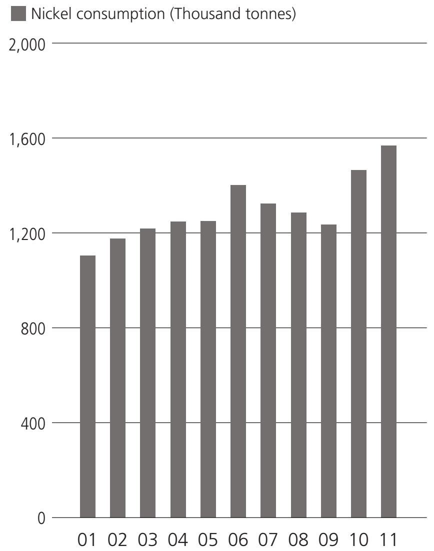
Currently, SMM continues to advance its 09 three-year business plan announced in February 2010. During the previous 06 three-year business plan, the Company was successful in securing quantitative growth by putting a second CBNC processing line into operation and acquiring additional interests in the Pogo Gold Mine. During the three-year period of the current plan, however, we have seen little in the way of new project activity that is appreciably contributing to earnings. Our efforts are expected to bear fruit during the period of the next plan. As we work toward promoting the 12 three-year business plan, it is imperative that we push forward in a sure-footed manner each project currently in hand. In this regard, SMM is confident that it has taken positive steps forward in fiscal 2011.

Global Copper Consumption



(Source: ICSG)

Global Nickel Consumption



(Source: INSG)

Mineral Resources

In the Mineral Resources business, we successfully joined the Sierra Gorda copper-molybdenum mining project in May 2011. SMM's interest in the mine is 31.5%. Together with Sumitomo Corporation, the Japanese partners hold interests totaling 45%. This enables us to meaningfully participate in the mine's management and operations and provides invaluable experience for when we eventually engage in future overseas large-scale copper mining operations in our own right.

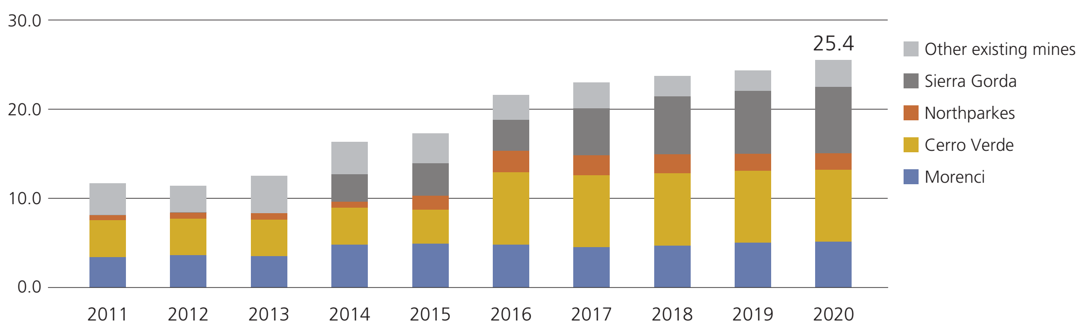
In endeavoring to expand earnings from stand-alone mining businesses, SMM has adopted three methods in boosting its overseas mine rights: 1) conduct independent exploration, 2) participate in mine development projects, and 3) increase output at existing mines. The Sierra Gorda Project utilizes the second method, entailing participation in a mine development project. Operations are scheduled to commence in 2014. On the completion of expansion work in 2017, SMM has the off take right to about 70,000 tonnes of copper per year. Turning to the Company's efforts to increase output at existing mines, SMM is working together with managing partners at each mine to put forward appropriate proposals. In determining the Company's interest in projected output increases between 2014 and 2016, SMM anticipates an upswing of 60,000 tonnes in annual production volume. Taking this into account, SMM has laid the foundation to lift its equity interests in copper output from the current level of 120,000 tonnes per year to 250,000 tonnes, a significant step toward the Company's long-term vision of 300,000 tonnes annually (300 ktpa).

In striving to secure the remaining 50,000 tonnes per annum (ktpa), we will place particular weight on independent exploration and development. From a grass roots perspective, development in the Company's own right is expected to take between 10 and 15 years. Moving forward, we are continuing to participate in ongoing feasibility studies with the aim of quickly entering the development phase.

Smelting & Refining

In the Smelting & Refining business, SMM is making the most of its HPAL technology, an area of particular strength, to pursue projects that help increase the Company's output of nickel. Currently, SMM is constructing facilities at the Taganito Project that are projected to increase output of refined nickel by

Share of Annual Copper Production (ktpa)



30 ktpa. At the same time, the Company is close to completing work on construction aimed at boosting electrolytic nickel production at Niihama nickel refinery. As a result, we are well on track to establishing the 100 ktpa nickel production structure outlined in our FY2010-12 three-year business plan.

In October 2011, the Taganito Project came under the attack of armed rebels. Various measures were immediately taken to bolster onsite security. Despite a slight delay in construction, operations are scheduled to commence in 2013 according to original plans. As a company that engages in business development activities with the aim of becoming a non-ferrous major, reality dictates that we continuously confront political and security risks. This recent incident was an opportunity for SMM to again review its various overseas project development activities and to put in place all necessary countermeasures to address those risks specific to its business.

Turning to copper smelting and refining activities, and amid the ongoing competitive advantage of the world's resource majors, the terms and conditions including treatment charges and refining charges (TC/RC) for the purchase of copper concentrate are said to have slightly improved. Despite this favorable environment, smelting and refining companies continue to confront considerable difficulties and for the most part remain unable to generate earnings. Notwithstanding these circumstances, copper smelting was the original business of the Sumitomo Group and has supported SMM's growth for over four centuries. In addition to the pride we take in the continuous contribution to society through the stable supply of high-quality metals, we are confident in our technological capabilities encompassing methods to remove impurities during the smelting and refining process and to protect the environment. Moving forward, SMM will continue to fortify its standing as a going concern by making the most of these technological capabilities and strengthening its cost competitiveness. In working toward this goal, the Company completely re-bricked the flash furnace at its Toyo Smelter & Refinery facilities in 2011. As a result, SMM has taken positive steps toward stabilizing furnace operations and facilitating high-capacity performance. Taking full advantage of these attributes, we will strive to further improve costs.

The rise of resource nationalism is becoming another major concern. Indonesia, for example, will enforce new mining laws from 2014 that mandate the production of higher value-added metal mineral resources. In the event that SMM is unable to import ore mined in Indonesia, its ferronickel smelting activities will be severely impacted. Looking ahead, SMM is considering every possible step to secure the necessary raw materials for its ferronickel operations.

Materials

In fiscal 2011, results in the materials business declined, mainly owing to intense price competition in the electronics industry and the slump in demand. Under these circumstances, SMM took steps to withdraw from businesses that lacked clear growth strategies in accordance with the shift toward structural reform outlined in the 09 three-year business plan.

More specifically, the Company decided to exit the bonding wire business for which it could not foresee a growth strategy. This decision took into consideration structural changes as the market shifts from gold to copper wires, as well as the drop in profitability due largely to intense price competition. In addition, we decided to forego the resumption of leadframe production in Thailand. This decision largely reflected the considerable length of time required to reconstruct production facilities following recent flood damage. Furthermore, SMM terminated production of chip-on-film (COF) substrates using existing subtractive processes with a view to focusing solely on production via the semi-additive process.

Meanwhile, we will ramp up the selective allocation of management resources to the environment and energy fields, which are expected to experience growth. In the Company's battery materials operations, where further development is forecast particularly in the hybrid vehicle field, SMM is boosting sales of anode materials to existing customers by harnessing its strengths in nickel raw material integrated production. Moreover, we will substantially expand our precursor production capacity (an anode material intermediate) and increase sales through commercial distribution to new customers.

Another area where demand is expected to grow is that of sapphire substrates for use in white LEDs. SMM is leveraging its integrated production capabilities in crystal growth and fabrication to expand its share of the market for large substrates.

Future Priority Measures

Promoting Human Resource Development

SMM believes that personnel are themselves management resources, and is aggressively implementing human resource development measures in accordance with this belief. In addition to conventional on the job training (OJT) as well as group education, the Company is augmenting its selective training programs. Currently, we are also implementing training that focuses on the resolution of issues from a variety of perspectives including, management, R&D and safety for middle management and rank and file employees. Taking into consideration the degree to which individual OJT and training can hone the skills of each employee, SMM is looking to expand its efforts in the area of selective education and training.

Research and Development Policy

In order for SMM to become a non-ferrous major, I have long believed that we must elevate our research and development capabilities. As a part of ongoing efforts to build the necessary and appropriate foundation, the Company has decided to establish a smelting & refining development center. The new center is scheduled to open in 2013 and will focus on several key areas including mineral processing, enhancing yields and developing the necessary processes required to produce 150,000 tonnes of nickel each year.

Of these fields, SMM is particularly strong in nickel production processes. However, if refineries exist in 10 locations, it is said that 10 different production processes will accrue reflecting discrepancies in such factors as the type of ore applied and market environments. For example, SMM is manufacturing

plate-like electrolytic nickel using chlorine at its Niihama Nickel Refinery. Other methods include the collection of powder using ammonia. Each method has its merits and demerits. In this context, undertaking research into new processes and accumulating increased technological expertise will play an extremely important role when considering any increase in smelting and refining capacity.

From a production facility perspective, SMM will call on technicians from its engineering activities to participate in efforts to reduce component costs when working to improve production facilities with the overarching goal of strengthening cost competitiveness.

Meanwhile, engineers involved in materials business segment activities have for the most part been assigned to manufacturing lines and related areas where they have played a significant role in improving onsite production. While many small enhancements have been made, this system has yet to generate any major breakthrough. Accordingly, we have revised our policies in this area and decided to gather a large number of engineers at the development center. This initiative will enable engineers from several areas to interact. We hold high expectations that this new method will trigger major results in both new product development and the improvement of the production process.

Stance toward CSR Activities

SMM has engaged in smelting activities for four centuries. Its mining operations encompass a non-ferrous metals business that spans over three centuries. In this regard, our profits are derived from the Earth itself and we must seriously consider the impact of our resource development activities on the Earth and its ecosystems.

At the same time, the valuable resources mined through these development activities are refined to produce materials that form the very basis of life and industry for people throughout this country. In this sense, SMM's activities deliver considerable benefits to society while supporting economic growth and development.

Against the backdrop of these conflicting considerations, SMM strives to contribute to the resolution of wide-ranging issues that confront society through every facet of its business activities in accordance with the Sumitomo Business Spirit that emphasizes sustainable co-existence with society and the global environment.

For example, at the time of the Great East Japan Earthquake, when other copper, zinc and ferronickel smelters in our industry were forced to suspend production due to facility damage, we did our best to

bolster the supply of such materials, as we have production bases in western Japan. In addition, in curtailing the use of crude oil and electricity, successful efforts are being made to both reduce the Company's costs while containing the atmospheric concentration of CO_2. Moreover, these endeavors will contribute to the preservation of fossil fuels for the next generation.

SMM believes that uncovering the significance of its mainstay activities from a comprehensive perspective and bolstering its operations will help the Company contribute to society.

Financial Policies and Message to Shareholders

SMM identified the quantitative target of lifting its equity ratio to 50% or more under its 09 three-year business plan. As of March 31, 2012, the Company's equity ratio stood at 57.5%. In the event of a credit squeeze, some companies may be unable to take a desired course due to a lack of working capital. These conditions can provide the opportunity to secure mine rights. Based on this understanding, SMM places the utmost importance on maintaining a sound financial position to better prepare for the aforementioned conditions.

SMM strongly believes that increasing its enterprise value is the most effective manner in which to return profits to investors and shareholders. Based on the Sumitomo Business Spirit that the Company has continued to pass from one generation to the next over a period of four centuries, SMM will steadfastly promote its growth strategies going forward and work to maintain the trust and meet the expectations of its shareholders and investors.

August 2012

Nobumasa Kemori

President and Representative Director

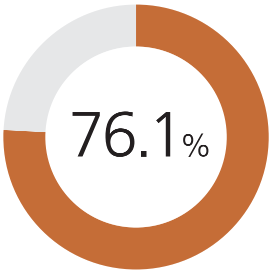
Review of Operations

Mineral Resources Segment

SMM's mineral resources business began during the 17th century with the launch of operations at the Besshi Copper Mine in 1691. The expertise gained over a lengthy period was put to good use with the opening of the Hishikari Mine in 1983. Currently, the Company is actively engaged in the development, production and sale of non-ferrous metal resources. Moreover, SMM conducts independent exploration while evaluating development projects from all over the world.

Gold ore (Hishikari Mine)

Segmental Income



Main Products: Gold and silver ores, Copper concentrates, Copper, Gold

Fiscal 2011 Review

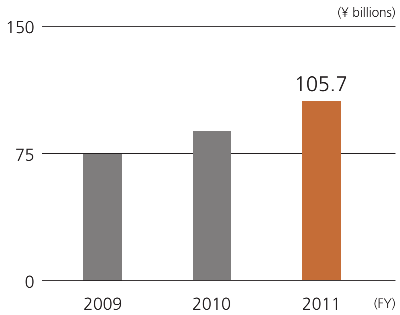
In fiscal 2011, total ore production at the Hishikari Mine contracted 4,000 tonnes to 132,000 tonnes while the total volume of gold in the ore sold was 7.5 tonnes, the same as in the previous fiscal year. Ore grade degradation and an increase in spring water due to heavy rain resulted in a year-on-year 1.9 tonne decline in gold produced at the Pogo Gold Mine to 10.1 tonnes. Production of copper concentrates and electrolytic copper at the principal overseas copper mining operations in which SMM is a management participant—namely Morenci (United States), Candelaria (Chile) and Cerro Verde (Peru)—remained firm.

Exploration Activities

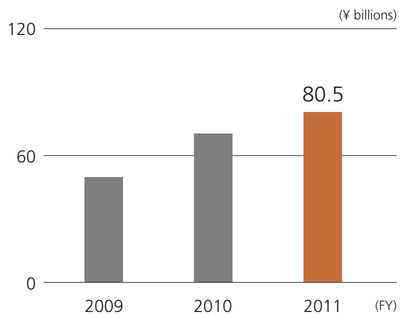
Continuing to target the expansion of its overseas mineral production interests, SMM stepped up its exploration activities in a large number of projects around the world in fiscal 2011. In expanding the scope of its exploration activities, exploration costs increased from ¥4.0 billion to ¥6.0 billion year on year. At the Stone Boy exploration project in Alaska, the United States, the Company confirmed the presence of a gold mineralization zone. Moving forward, SMM is continuing to promote boring surveys to accurately ascertain the volume of minable reserves.

In fiscal 2012, exploration expenses are projected to again increase to ¥7.0 billion with the aim of promoting ongoing global exploration.

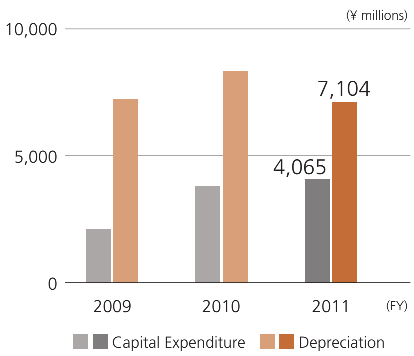
Net Sales



Segmental Income



Capital Expenditure/Depreciation



Three Methods for Increasing Interests

SMM's principal metal targets are copper, nickel and gold. Promoting efforts to increase its interests in each of these metal resources is positioned as SMM's most important growth strategy priority. To carry out this strategy, SMM will continue to pursue each of the following three methods: 1) conduct independent exploration, 2) participate in mine development projects and 3) increase output at existing mines.

1 Conduct independent exploration

Quite literally, SMM engages in ore deposit discovery, development and mining operation in its own right. With the majority share, this method offers the potential for substantial profit compared with the two other alternatives. However, a considerable amount of time, between five to 10 years, may be required for exploration before undeveloped ore is discovered. Moreover, even if a body of undeveloped ore is identified, long additional lead times are required for development and operating preparation.

In fiscal 2011, the Company engaged in exploration activities centered on North America, South America and Oceania. Total exploration expenses for the fiscal year under review were ¥6.0 billion.

2 Participate in mine development projects

Under this method, SMM takes equity stakes in joint-development projects where other companies have already discovered ore deposits and have progressed to the development plan stage. Bypassing the exploration phase shortens the period until the start of operations relative to projects where the Company opts for independent exploration.

However, taking into consideration the increased number of companies looking to join projects, competition to secure rights has intensified driving up entry costs. Making the most of its technological competitive advantage, SMM will work to join projects on favorable terms and conditions.

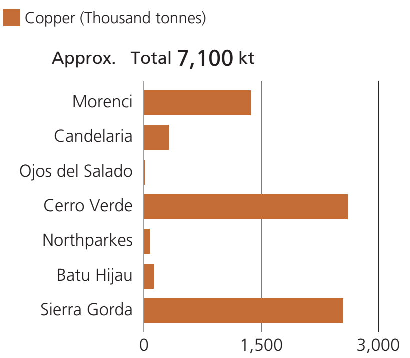
3 Increase output at existing mines

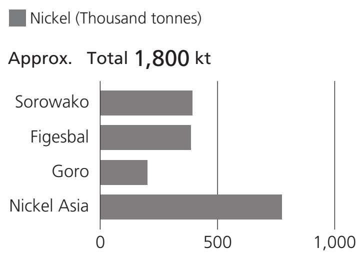
Under this method, SMM is looking to increase output at mines that are already in operation. Projects of this nature are centered on the company that is leading the mine operation.

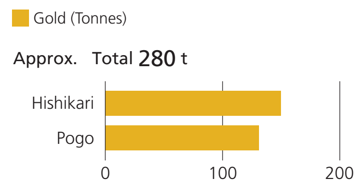
Currently, progress is being made on expansion plans at the Cerro Verde Mine, the Morenci Copper Mine and the Northparkes Mine.

SMM's Metal Interests by Mine

As of December 31, 2011

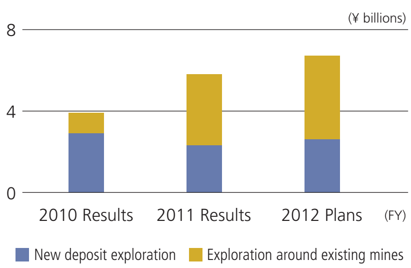


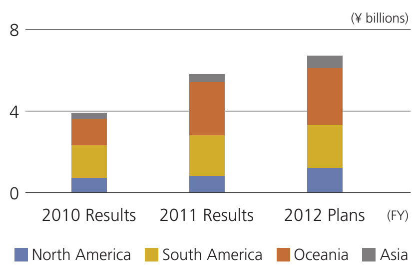


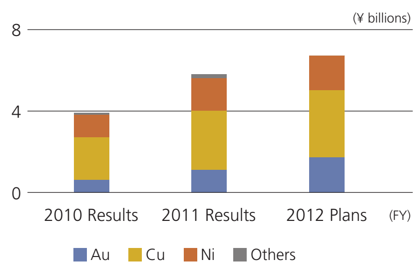


– Based on SMM equity interests
– SMM share of reserves = Reserves x SMM equity interest in mine (%)

Exploration Costs





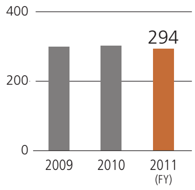


Copper Mines

Cerro Verde Mine

Location	Arequipa, Peru
Start of Production	2006
Products	Copper concentrates and electrolytic copper
Equity Interests	SMM: 16.8% Freeport-McMoRan Copper & Gold Inc.: 53.6% Compania de Minas Buenaventura S.A.A.: 18.25% Sumitomo Corporation: 4.2%

Production Volume
(Thousand tonnes)



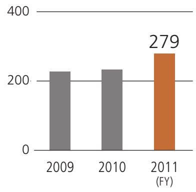
The Cerro Verde Mine is a copper mine located in Peru and owned by Freeport-McMoRan Copper & Gold Inc. (Head Office: Arizona, United States). SMM acquired an equity interest in March 2005 with production from sulfide ore deposits commencing in 2006.

Currently, a plan for increasing the copper production from 300,000 tonnes per year to 500,000 tonnes per year (data presented on a refined copper equivalent basis) is under discussion. Expansion work broke ground in 2013 with completion scheduled in 2016.

Morenci Copper Mine

Location	Arizona, United States
Equity Participation	1986
Products	Copper concentrates and electrolytic copper
Equity Interests	SMM: 12% Freeport-McMoRan Copper & Gold Inc.: 85% Sumitomo Corporation: 3%

Production Volume
(Thousand tonnes)



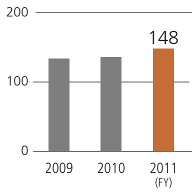
The Morenci Mine is a copper mine located in Arizona, in the United States and is owned by Freeport-McMoRan Copper & Gold Inc. SMM first joined this project through the formation of a joint-business structure with Phelps Dodge Corporation (subsequently acquired by Freeport-McMoRan Copper & Gold Inc.) in 1986.

Currently, plans are in place to increase the copper production from 280,000 tonnes per year to 380,000 tonnes per year (data presented on a refined copper equivalent basis). Expansion work commenced in 2012 and is scheduled for completion in 2014.

Candelaria Mine

Location	Atacama, Chile
Start of Production	1995
Products	Copper concentrates
Equity Interests	SMM: 16% Freeport-McMoRan Copper & Gold Inc.: 80% Sumitomo Corporation: 4%

Production Volume
(Thousand tonnes)

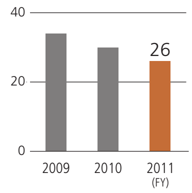


The Candelaria Mine is operated by Freeport-McMoRan Copper & Gold Inc. using open pit and underground mining techniques. SMM acquired an interest in 1992.

Ojos del Salado Copper Mine

Location	Coquimbo, Chile
Equity Participation	2005
Products	Copper concentrates
Equity Interests	SMM: 16% Freeport-McMoRan Copper & Gold Inc.: 80% Sumitomo Corporation: 4%

Production Volume
(Thousand tonnes)

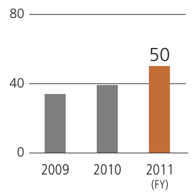


The Ojos del Salado Copper mine is an underground mine located approximately four kilometers northeast of the Candelaria Mine.

Northparkes Mine

Location	New South Wales, Australia
Start of Production	1994
Products	Copper concentrates
Equity Interests	SMM: 13.3% Rio Tinto: 80% Sumitomo Corporation: 6.7%

Production Volume
(Thousand tonnes)

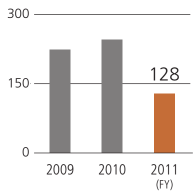


Plans to expand annual production from the current level of approximately 40,000 tonnes to 150,000 tonnes are underway at the Northparkes Mine.

Batu Hijau Mine

Location	Sumbawa, Indonesia
Start of Production	1999
Products	Copper concentrates
Equity Interests	SMM: 3.5% Newmont Mining Corporation: 31.5% Sumitomo Corporation: 18.2% Others: 46.8%

Production Volume
(Thousand tonnes)



The Batu Hijau Mine is a large-scale open pit and underground mining endeavor located approximately 1,500 kilometers east of Jakarta in the Sumbawa West Nusa Tenggara Province of Indonesia. Plans are in place to produce gold as a copper by-product.

Sierra Gorda Project

Location	Region 2 of the Republic of Chile
Start of Production	2014 (Planned)
Minable Ore	Approximately 1.3 billion tonnes (sulfide ore only)
Mining and Milling Methods	Open pit mining and conventional flotation methods
Metal Volume Content	Copper: 5 million tonnes; molybdenum: 300,000 tonnes; gold: 80 tonnes
Average Annual Production	Copper: 220,000 tonnes; molybdenum: 11,000 tonnes; gold: 2 tonnes
Mine Life	20 years
Equity Interests	SMM: 31.5% KGHM International Ltd.: 55% Sumitomo Corporation: 13.5%

The Sierra Gorda Project is a copper mine development project in the Republic of Chile owned by Quadra FNX Mining Ltd. (Head Office: Vancouver, Canada). SMM signed an investment agreement with Quadra FNX Mining Ltd. and decided to participate in the project in May 2011. In September 2011, the joint-venture company Sierra Gorda S.C.M. was launched. SMM has dispatched engineers to the project with progress being made on surface pre-stripping work and mine facility construction.

SMM has an off-take right in copper concentrates of 50%. Plans are in place for copper concentrates to be supplied to Toyo Smelter & Refinery, a company that engages in copper smelting and refining activities. This will further facilitate the stable procurement of raw materials for the smelting and refining business. On completion of the project, Japanese partners will maintain an annual copper volume off-take right of 110,000 tonnes. Equivalent to approximately 9% of the total amount of copper concentrates imported into Japan, this project and SMM's participation will play an important and meaningful role in meeting Japan's copper resource requirements.

KGHM Polska Miedz S.A. acquired Quadra FNX Mining Ltd. in 2012 changing the company's name to KGHM International Ltd. SMM will continue to foster close-knit ties with KGHM Polska Miedz S.A. and KGHM International Ltd. and positively promote the project.

Ichiro Abe

General Manager
Sierra Gorda Project of Div.

SMM owns a 31.5% interest in the project and this allows the Company to play a proactive role. Although there is also a technical issue of selecting the beneficiation process best suited for the nature of this mineral ore, we will positively promote the project in tandem with our partner KGHM International Ltd., fostering close-knit ties between two companies.

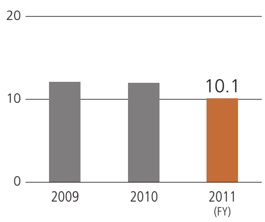
Gold Mines

Pogo Gold Mine

SMM has continued to play a leading role in the exploration and development of the Pogo Gold Mine. Exploration activities were launched in 1991 with ore deposits discovered in the Liese Zone in 1995. Thereafter, steps were taken to confirm the volume of ore reserves, secure all necessary licenses including environmental permits and approvals, and commence construction. Taking a total of 11 years since discovery, the first gold was produced in February 2006. More recently, SMM acquired from Teck Resources Ltd., a company that was involved in the project's development, its interest in the Pogo Gold Mine in July 2009. In the ensuing period, the Company has continued to manage the mine in its capacity as operator.

Location	Alaska, United States
Start of Production	2006
Mining and Milling Methods	Underground mining, gravity concentration and conventional flotation methods
Amount of Gold Reserves	155 tonnes
Average Annual Production	Approximately 11 tonnes
Products	Dore (Gold 94%, Silver 6%)
Equity Interests	SMM: 85% Sumitomo Corporation: 15%

Production Volume



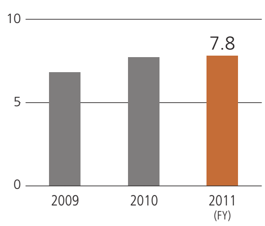
Hishikari Mine

The Hishikari Mine is currently the only commercial scale gold mine in Japan. Surveys by the Metal Mining Agency of Japan (currently Japan Oil, Gas and Metals National Corporation (JOGMEC)) first confirmed a mineral vein in 1981. Ore development activities were then launched in 1985. Where most of the major gold mines throughout the world produce an average of around five grams of gold for each tonne of ore mined, the Hishikari Gold Mine produces in excess of 40 grams. In this regard, it is one of the world's leading high-grade gold mines.

In fiscal 2011, the volume of gold sold was 7.5 tonnes, unchanged from the previous fiscal year. Looking ahead, SMM will continue to engage in stable production while undertaking exploration activities in surrounding areas in an effort to secure ore reserves.

Location	Kagoshima Prefecture, Japan
Start of Production	1985
Mining and Milling Methods	Underground mining, automatic and manual selection methods
Amount of Gold Reserves	150 tonnes
Average Annual Production	Approximately 7.5 tonnes
Products	Gold ore
Equity Interests	SMM: 100%

Production Volume



Exploration Projects

Stone Boy Project

The Stone Boy Exploration Project began in 1991 leading to the discovery of the Pogo Gold Mine. Between 2008 and 2010, boring surveys were conducted in the Naosi section of the Monte Christo area. Thanks to these surveys, the existence was confirmed of promising mineralization zones for gold, silver and antimony within 27 of the 29 pits. Moving forward, more extensive surveys will be conducted to obtain a more accurate volume of minable reserves. At the same time, mineralization zones outside of the Naosi section will also be investigated.

Location	Alaska, United States	Background	1991: Four companies including SMM commenced joint exploration 1995: Following the acquisition of all rights by SMM and Sumitomo Corporation, a gold deposit was discovered in the Liese Zone
Target Minerals	Gold, silver, antimony		
Equity Interests	SMM: 95%, Sumitomo Corporation: 5%		

Solomons Project

The Solomons Project encompasses exploration activities in one mining zone of approximately 200 km^2 on Choiseul Island and three mining zones of approximately 150 km^2 on Santa Isabel Island. Between 1950 and the 1960s, a company called Inco Ltd. was energetically undertaking nickel exploration activities. Expectations were high that there were considerable reserves of nickel resources, including low-grade ore that technologies of the day were unable to adequately handle.

Today, and in addition to ongoing exploration activities, steps are being taken to apply for appropriate mining licenses and approvals. Looking ahead, SMM will pursue the project with an eye to early development.

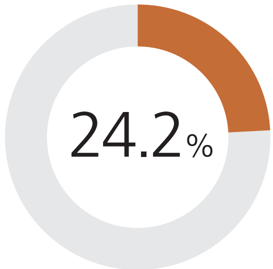
Location	The Solomon Island	Background	2005: Acquired exploration rights for the Choiseul Island and commenced exploration 2007: Commenced exploration at Santa Isabel Island
Target Minerals	Nickel		
Equity Interests	SMM: 70%, JOGMEC: 30%		

Smelting & Refining Segment

SMM smelts and refines raw materials procured from a variety of sources including overseas mining companies and the Hishikari Mine into such metals as copper, nickel, and gold, which are then sold. The Company possesses world-class refining technologies and has forged a solid position within its industry. We were quick, for example, to successfully recover and commercialize nickel from low-grade ore, which had challenged conventional technologies.

Electrolytic nickel

Segmental Income



Main Products: Copper, Gold, Silver, Nickel, Ferronickel, Zinc, Chemical products

Fiscal 2011 Review

The volume of copper sales declined compared with the previous fiscal year. During the fiscal year under review, steps were taken to completely re-brick the flash furnace at Toyo Smelter & Refinery over approximately two months. The volume of electrolytic copper production in fiscal 2011 was 333,000 tonnes, a year-on-year decrease of 71,000 tonnes.

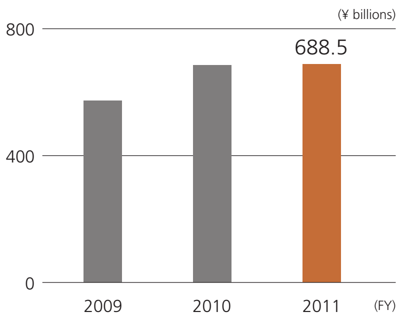
Demand for nickel was slightly down over the second half of the fiscal year. For the full fiscal year, however, sales volumes were essentially unchanged from the previous period. The volume of electrolytic nickel production was 41,000 tonnes, on par with the previous fiscal year. The volume of ferronickel production was 20,000 tonnes, up 2,000 tonnes year on year.

CBNC (the Palawan Island, the Philippines), which processes low-grade nickel oxide ore using the HPAL method, was successful in increasing production compared with the previous fiscal year on the back of steady operations. In 2009, SMM commenced construction at the Taganito Project (Mindanao, the Philippines). This is the Company's second HPAL undertaking. With steady ongoing progress on plant construction work, commercial production at the Taganito Project is expected to begin on schedule in 2013.

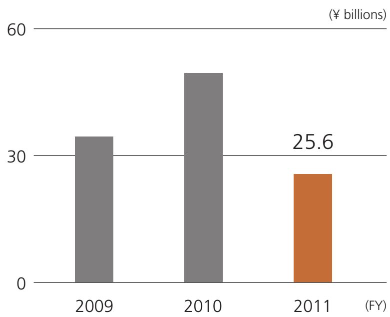
Capital Expenditure Plans

In fiscal 2012, capital expenditure is budgeted at ¥47.6 billion, a year-on-year decrease of ¥11.9 billion. Principal areas of investment include the Taganito Project as well as construction of an electrolytic nickel 65,000 tonne production facility at the Niihama Nickel Refinery and a Nickel Sulfate production facility at the Harima Smelter.

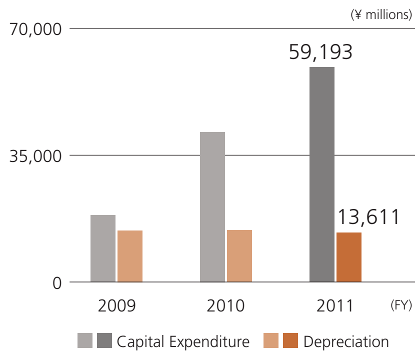
Net Sales



Segmental Income



Capital Expenditure/Depreciation



Refineries in Japan

Location	Saijyo City, Ehime Prefecture
Products	Electrolytic copper, precious metals, sulfuric acid
Annual Production Capacity	Copper: 450,000 tonnes

Toyo Smelter & Refinery

Toyo Smelter & Refinery is a large-scale seaside copper smelter that boasts the world's leading technologies for smelting, production control and environmental preservation. SMM has established stable raw material procurement channels through a variety of measures focusing mainly on the mines in which it has an interest. In addition, the fluxing material essential to copper smelting is procured from the gold ore produced at the Company's Hishikari Mine. Moreover, sulfuric acid by-products are also used at CBNC.

Location	Niihama City, Ehime Prefecture
Raw Materials	Nickel matter (nickel grade approximately 75%), mixed sulfide (nickel grade approximately 60%)
Products	Electrolytic nickel, electrolytic cobalt, nickel
Annual Production Capacity	Electrolytic nickel: 41,000 tonnes Electrolytic cobalt: 2,000 tonnes

Niihama Nickel Refinery

Niihama Nickel Refinery is the only plant in Japan to produce electrolytic nickel and electrolytic cobalt. Nickel raw materials are procured from the P.T. Vale Indonesia operations in the form of nickel matte (nickel grade of approximately 75%) and the total volume of mixed sulfide (nickel grade approximately 60%) produced by CBNC. These raw materials are processed using Niihama Nickel Refinery's Matte Chlorine Leach Electro-winning (MCLE) process. Together with the Taganito Project, which is scheduled to come online in 2013, steps are being taken to boost production capacity from the current level of 41,000 tonnes to 65,000 tonnes.

Location	Hyuga City, Miyazaki Prefecture
Raw Materials	Nickel ore (nickel grade of around approximately 2%)
Products	Ferronickel
Annual Production Capacity	Ferronickel: 22,000 tonnes

Hyuga Smelting Co., Ltd.

Hyuga Smelting Co., Ltd. engages in the production of ferronickel. In addition to procuring raw materials from New Caledonia, the materials necessary for production are sourced from such areas as Indonesia and the Philippines.

Ferronickel is an alloy made from iron and nickel with a grade of around 20% and is used as a raw material for nickel-based stainless steel (nickel grade of approximately 10%).

Location	Harima-cho, Kako-gun, Hyogo Prefecture
Raw Materials	Crude zinc oxide (recycled materials)
Products	Distilled zinc
Annual Production Capacity	50,000 tonnes (Fiscal 2012 plan)

Harima Smelter

The Harima Smelter introduced the Imperial Smelting Process (ISP) to Japan and commenced production as a zinc and lead smelter in 1966. Since 2012, the Harima Smelter has focused mainly on the use of recycled raw materials including crude zinc oxide produced at Shisaka Smelting Co., Ltd. The distilled zinc that is subsequently produced is shipped mainly for use in hot-dip galvanized products.

Construction of a new Nickel Sulfate production facilities is currently underway. Completion is scheduled in 2014.

Location	Imabari City, Ehime Prefecture
Raw Materials	Steelmaking dust
Products	Crude zinc oxide, iron pellets
Annual Production Capacity	Crude zinc oxide processing capacity: 120,000 tonnes

Shisaka Smelting Co., Ltd.

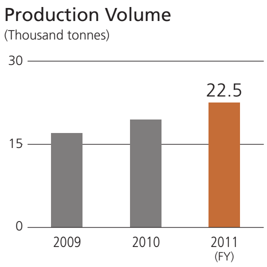
Scrap iron, used in the manufacture of iron, contains large quantities of zinc. This zinc is found in the steelmaking dust that is generated during the iron manufacturing process. Shisaka Smelting collects this steelmaking dust and recovers the crude zinc oxide through recycling.

The crude zinc oxide produced is transported to the Harima Smelter and used as a raw material in the production of distilled zinc.

Overseas Refineries

Coral Bay Nickel Corporation

Location	Palawan Island, the Philippine
Start of Production	2005
Raw Materials	Low-grade nickel oxide ore (nickel grade approximately 1%)
Products	Nickel/cobalt mixed sulfide
Annual Production Capacity	Nickel: 24,000 tonnes Cobalt: 1,500 tonnes
Equity Interests	SMM: 54% Mitsui & Co.: 18% Sojitz Corporation: 18% Rio Tuba Nickel Mining Corporation: 10%



CBNC engages in the manufacture of nickel/cobalt mixed sulfide from low-grade nickel oxide ore mined at Palawan Island in the Philippines. At the time the project was under consideration, the technologies required to process low-grade nickel oxide ore were not yet available. As a result, low-grade oxide ore was allowed to accumulate in the areas surrounding the Rio Tuba Nickel Mine. With the construction of an HPAL plant in close proximity to the Rio Tuba Nickel Mine, SMM forged a path for the application of unused ore. This initiative has played an important role in enhancing the effective use of resources while facilitating low-cost operations.

The total amount of mixed sulfide produced is processed as a raw material for electrolytic nickel and electrolytic cobalt at the Company's Niihama Nickel Refinery. In addition, the sulfuric acid used in the production process is mainly procured from the Toyo Smelter & Refinery.

P.T. Vale Indonesia Tbk

Location	Indonesia
Equity Participation	1988
Products	Nickel matte
Equity Interests	SMM: 20.1% Vale S.A.: 60.8%

P.T. Vale Indonesia is engaged in the processing of nickel matte from nickel ore mined at Sulawesi Island in Indonesia.

Figesbal

Location	New Caledonia
Equity Participation	1990
Products	Nickel ore
Equity Interests	SMM: 25.5% Ballande: 61.0%

SMM purchases nickel ore for Hyuga Smelting Co., Ltd from Figesbal's large-scale nickel mine in New Caledonia.

Vale New Caledonia S.A.S.

Location	New Caledonia
Equity Participation	2005
Products	Nickel oxide sinter
Equity Interests	SMM: 11% Vale S.A.: 69% Mitsui & Co.: 10%

Known as the Goro Project, SMM took up an equity interest in 2005. The nickel oxide sinter produced by this project is used as a stainless raw material.

Jinlong Copper Co., Ltd.

Location	Anhui, China
Equity Participation	1995
Products	Copper, sulfuric acid, precious metals
Annual Production Capacity	Copper: 400,000 tonnes
Equity Interests	SMM: 27.07% Tongling Non-Ferrous Metals (China): 61.4% Sumitomo Corporation: 7.86%

SMM took up an equity interest in 1995. The technologies of the Company's Toyo Smelter & Refinery were introduced to the copper smelter. This initiative has significantly increased production volumes compared with levels recorded when operations were first commenced.

Taganito Project

Location	Mindanao Island, the Philippines
Start of Production	2013 (Planned)
Raw Materials	Low-grade nickel oxide ore (nickel grade approximately 1%)
Products	Nickel/cobalt mixed sulfide
Annual Production Capacity	Nickel: 30,000 tonnes Cobalt: 2,600 tonnes
Equity Interests	SMM: 62.5% Nickel Asia Corporation: 22.5% Mitsui & Co.: 15%

SMM is promoting the Taganito Project at Mindanao Island in the Philippines. Scheduled for completion in 2013, plans are in place for the annual production of 30,000 tonnes of mixed sulfide on a refined nickel equivalent basis.

The Company has introduced HPAL technology to the Taganito Project. This technology was initially launched on a successful commercial basis by CBNC. In working toward project commencement, ore mined at the Taganito Mine was processed at the Coral Bay Plant on a trial basis. These trials confirmed that the Company's HPAL technology could be successfully used to process the ore. In addition, in constructing a new plant specific to the Project, steps were taken to incorporate processing improvements.

Together with the commencement of operations in 2013, SMM intends to boost production its Niihama Nickel Refinery in Japan, which is slated to process the mixed sulfide raw material produced by the Taganito Project. Through these means, a structure that is capable of producing 100,000 tonnes of nickel each year will be established within the Group.

In bringing the Project to completion, SMM will secure a leading position within the global nickel smelting and refining industry.

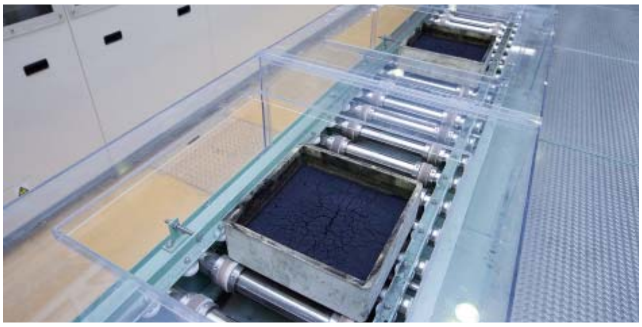
Naoyuki Tsuchida

General Manager of Taganito Project Div.
Managing Executive Officer

The creation of the world's most advanced HPAL plant will incorporate further technological innovation reflecting CBNC's achievements. With the smooth launch of operations, SMM is aiming to offer the new direction of HPAL technologies to the world. As we proceed with the project, moreover, we want the local people of Taganito to see that SMM is a company that develops in tandem with their community.

Materials Segment

A wide range of metals are used in the manufacture of electronic equipment. Copper, for example, is a critical raw material in electric circuitry, while nickel is used in battery materials and capacitors. SMM has been engaged in the materials business since 1960. Making the most of its accumulated technologies, the Company continues to process and supply metals as advanced products.



Battery materials (Isoura Plant)

Fiscal 2011 Review

Orders for leadframes remained weak due mainly to soft demand for use in personal computers on the back of a downturn in the economy. Chip-on-film (COF) substrates (electronic packaging materials used to make LCD panel integrated circuits) as well as the tape materials including copper-clad polyimide film experienced a prolonged slump in sales owing largely to delays in a recovery in demand. Taking into consideration the sudden market shift from gold to copper wires, and little prospect for future business growth, the decision was made to withdraw from the bonding wire business during fiscal 2012. In thick-film pastes, which include nickel pastes for multi-layer ceramic capacitor (MLCC) applications, sales conditions deteriorated.

On a brighter note, sales of battery materials increased compared with the previous fiscal year. This was primarily attributable to the recovery in the sales environment for hybrid vehicles.

Capital Expenditure Plans

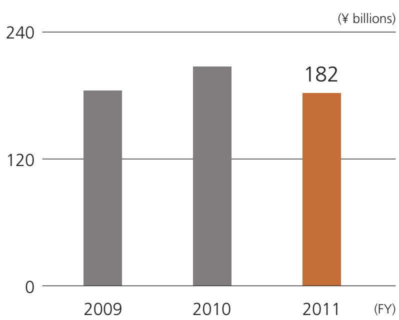
Major capital expenditure planned for fiscal 2012 included investments to boost production of nickel hydroxide, a battery material precursor. This expenditure is projected to total ¥9.8 billion, a year-on-year increase of ¥3.2 billion.

Main Products: Semiconductor materials, Thick-film materials, Target materials, Battery materials, Single-crystal products, Magnetic materials

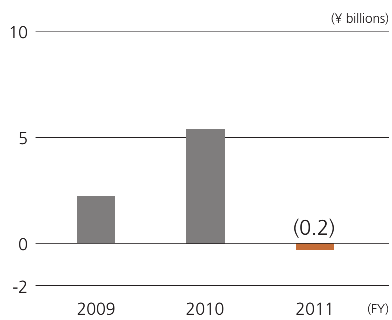
Major Bases

	Voting Shares (%)
Ome District Div.	—
Isoura Plant	—
Sagami Plant	—
Group Companies	
Sumiko Kunitomi Denshi Co., Ltd.	100
SMM Precision Co., Ltd.	100
Shinko Co., Ltd.	94
Sumiko Tec Co., Ltd.	100
Nittosha Co., Ltd.	100
Niihama Electronics Co., Ltd.	100
Ohkuchi Electronics Co., Ltd.	100
Korea	
SMM KOREA Co., Ltd.	100
China	
Shanghai Sumiko Electronic Paste Co., Ltd.	69
Sumiko Electronics Suzhou Co., Ltd.	100
Sumiko Leadframe Chengdu Co., Ltd.	70
Sumiko Precision Chengdu Co., Ltd.	70
Dongguan Sumiko Electronic Paste Co., Ltd.	85
Taiwan	
Sumiko Electronics Taiwan Co., Ltd.	70
Malaysia	
M-SMM Electronics SDN. BHD.	100
Singapore	
Sumitomo Metal Mining Asia Pacific Pte. Ltd.	100

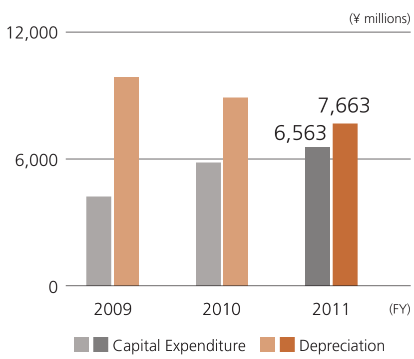
Net Sales



Segmental Income



Capital Expenditure/Depreciation



Other Businesses

Nickel Hydroxide and Lithium Nickellite

Nickel hydroxide is used as an anode material in nickel metal hydride batteries. SMM products boast a substantial share of the hybrid vehicle market. At the same time, nickel is recovered from used batteries and recycled for reuse as battery materials.

Lithium nickel oxide (lithium nickellite), which enables the manufacture of batteries that boast outstanding charging efficiency, is applied as a lithium secondary battery cathode material for use in the compact batteries that power such devices as personal computers.

Looking ahead, in-vehicle batteries are expected to shift from nickel metal hydride batteries to lithium-ion batteries over the medium to long term. Against this backdrop, SMM is placing considerable weight on the development of next-generation ternary and other nickel battery materials.

Sapphire Substrates

Sapphire substrates are employed as substrates that promote white and blue gallium nitride growth. Distinguished by their high energy-efficiency, white LEDs are expected to experience strong market growth for use in general lighting. Under these circumstances, SMM introduced facilities for the volume production of 6-inch diameter crystals at its affiliated company Ohkuchi Electronics Co., Ltd. in 2012.

Moving forward, the Company will work to increase its share within a market that is projected to expand by leveraging the strengths of its comprehensive manufacturing capabilities from incubation through to processing and its large-diameter crystals.

Main Products: Chemical, Oil refining, Automotive-use catalysts

Operational Overview of Major SMM Group Companies (Equity-Method Affiliates)

(Two Catalyst Manufacturing Equity-Method Affiliates)
N.E. Chemcat Corporation is one of Japan's largest manufacturers of precious metal catalysts. This company is a joint-venture between SMM and BASF SE of Germany—one of the world's leading chemical companies. Principal activities of this affiliate encompass the development and manufacture of catalysts used to purify hazardous substances contained in automobile exhaust gases and chemical catalysts used for petrochemicals, pharmaceuticals, aromatic chemicals and for other purposes. Going forward, this company will continue to utilize its wealth of expertise in catalyst technology to push ahead with the development of new catalysts, such as high polymer chemistry/catalytic agents.

Nippon Ketjen Co., Ltd., develops and manufactures hydrodesulfurization catalyst used for petroleum oil refining. This company is a joint-venture between SMM and Albemarle Corporation of the United States, a leading company that is constructive in the high polymer chemistry, catalyst, and related fields and is engaged in the development and manufacture of oil refining catalysts and speciality chemical processing products. Nippon Ketjen provides petroleum hydroprocessing catalysts; offers services for off-site catalyst regeneration; provides other technical services; and conducts related process licensing. Nippon Ketjen aims to help protect the global environment by developing businesses that deliver more technically advanced and economic solutions in oil refining industries.

Results at each of the two catalyst manufacturers remain steady. Looking ahead, SMM will continue to work together with BASF SE and Albemarle Corporation to develop growth strategies for each company.

Changes in the Classification of Reported Segments

Effective July 1, 2012, SMM reorganized its business divisions. The Company launched a new Materials Division through the integration of the Energy, Catalysts & Construction Materials Division that formed the major component of the Other Businesses Segment until fiscal 2012 with the Semiconductor Materials Division and the Advanced Materials Division.

As a result, the primary component of this new segment which is comprised of the aforementioned divisions including the catalyst business shall be reported as the Materials segment from the first quarter of fiscal 2012.

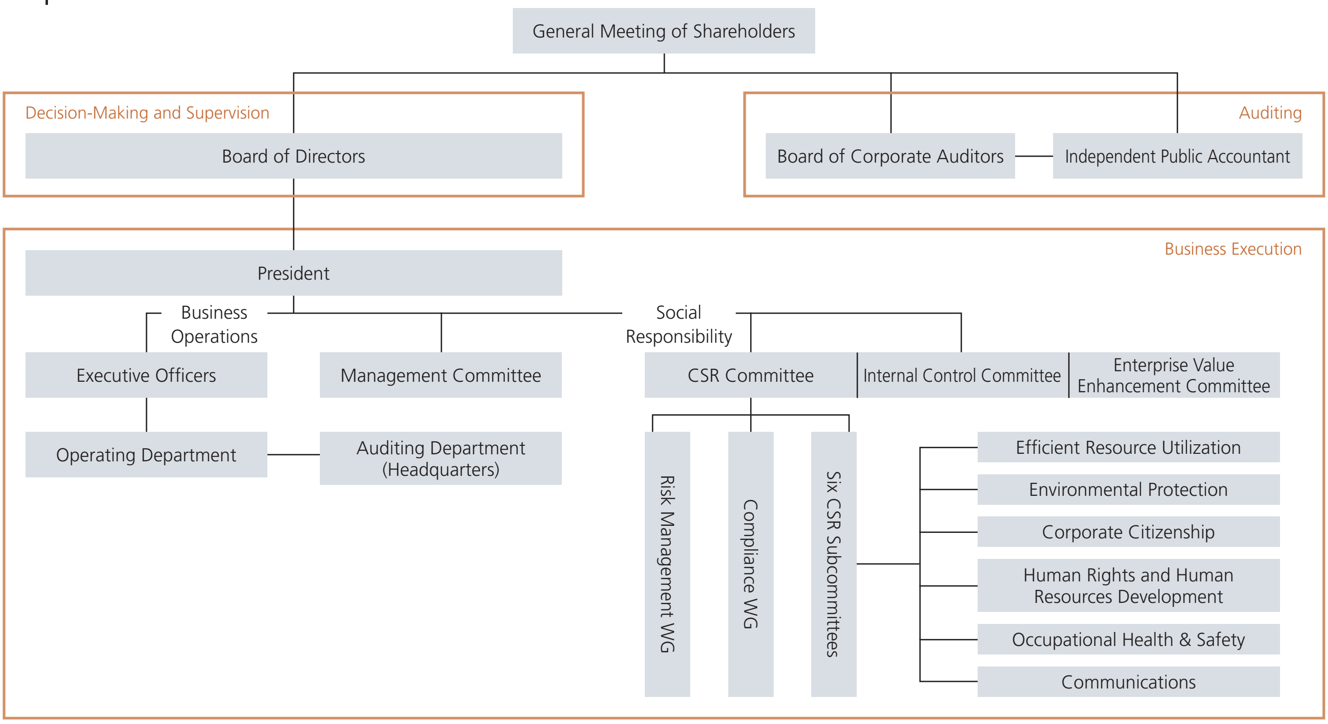
Corporate Governance

SMM is committed to building and developing an outstanding corporate governance structure and systems that balance the requirements of maximizing enterprise value and securing a sound financial position as a part of efforts to garner the trust and fulfill the expectations of all stakeholders including shareholders.

Basic Policy Stance, Structure and Systems

- The SMM Group 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.
- 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 a Board of Directors and has also adopted executive officer and corporate auditor systems to ensure that the decision-making, oversight and execution of business management each function effectively within governance systems.

Corporate Governance Framework



Management Decision-Making and Business Execution Structures and Systems

Since introducing an executive officer system in 2001, SMM has delegated substantial authority to executive officers. This in turn has clarified the authority and responsibilities of directors and executive officers, allowing the Board of Directors to channel its energies toward fulfilling timely decision-making and oversight functions.

Directors and the Board of Directors

SMM's Articles of Incorporation provide for a Board of Directors of up to 10 members. This number is considered appropriate to ensure agility together with lively discussion during Board of Directors' meetings.

The Board of Directors meets on a regular basis once a month, with extraordinary meetings held as and when required, to ensure that decisions are made expeditiously. Any resolutions taken by, and any matters reported to the Board of Directors are in turn reported at meetings of executive officers to ensure that information is properly shared among officers.

Management Committee

SMM has established the Management Committee as a forum to engage in preliminary deliberations with respect to matters that require a decision by management. The Management Committee accordingly deliberates on matters requiring careful consideration from a wider point of view prior to their submission for resolution by the Board of Directors or sanction by the president. In this regard, the Management Committee plays an important role in ensuring rational decision-making, increasing the efficiency of the decision-making process and promoting appropriate internal control.

Executive Officer System

Executive officers are appointed by the Board of Directors. As previously mentioned, substantial authority has been delegated to executive officers whose authority and responsibilities have been clearly defined to reinforce their executive function. Executive officers are entrusted with important positions (such as heading an operational division, a department or an office at the Company's headquarters) and expected to perform their duties with the specific authority assigned to each position. In addition, executive officers report on the status of business execution once a month at executive officer meetings.

Auditing System

Corporate Auditors and the Board of Corporate Auditors

SMM is a company with a Board of Corporate Auditors. Corporate auditors remain independent of the Board of Directors and audit the status of management decision-making, business execution and accounting. SMM's Articles of Incorporation provide for up to five corporate auditors. The Board of Corporate Auditors meets on a regular basis once a month, with extraordinary meetings held as and when required in conjunction with meetings of the Board of Directors.

Corporate auditors attend meetings of the Board of Directors, Management Committee and all other meetings considered of importance. Audits are conducted on the basis of reports received from directors, consideration of financial reports and materials, and onsite visits to business offices, plants as well as subsidiaries. Corporate auditors belonging to the Company present their opinions at important meetings including meetings of the Board of Directors based on the audits they have conducted as full-time corporate auditors independently from the Company while outside corporate auditors present their opinions based on their respective experiences and expertise in specialist fields. Full-time corporate auditors shall report the details of onsite audits that have been conducted solely by full-time corporate auditors as well as meetings that were not attended by outside corporate auditors at meetings of the Board of Corporate Auditors.

Collaboration between the Internal Auditing Department, Independent Public Accountant and Corporate Auditors

The Auditing Department undertakes internal audits on a regular basis on the status of business execution across the SMM Group. At the same time, the Auditing Department provides an explanation of its audit plans to corporate auditors while passing on all relevant information. Conversely, corporate auditors provide details of audit plans determined during meetings of the Board of Corporate Auditors to the Auditing Department, accompany officers of the Auditing Department when conducting internal audits as required, and attend meetings when reports on the results of internal audits are delivered to executive officers and the heads of operational divisions.

KPMG AZSA & Co. is currently the Company's independent public accountant and conducts accounting as well as internal control audits in its capacity as an independent public accounting firm. Corporate auditors provide details of audit plans to the independent public accountant. Corporate auditors in turn receive explanations regarding audit plans and reports on audit results from the independent public accountant. In this manner, close collaboration is maintained between the independent public accountant and corporate auditors.

Remuneration System for Directors and Corporate Auditors

Limits on the total amounts of remuneration paid to directors and corporate auditors are ratified at shareholders meetings. In addition, the total amount of bonuses to be paid to directors (with the exception of outside directors), if applicable, is also ratified at shareholders meetings.

While the amount of remuneration paid to each director is determined by the representative director under the authority of the Board of Directors, the basic remuneration (excluding bonus payments) takes into consideration predetermined criteria based on the Company's performance as well as other factors including an evaluation of the performance of each division and the status of business execution together with the performance of each individual based on specific office assessment criteria. Bonuses (with the exception of outside directors) are determined based on the same remuneration criteria together with an assessment of each individual's performance. Taking into consideration the independent status of outside director and the focus placed on outside directors' oversight function, an assessment of individual performance is not reflected in the payment of remuneration to outside director. Accordingly, the payment of remuneration to outside director is limited to basic remuneration and does not include any bonus payment.

While the payment of remuneration to individual corporate auditors is determined through deliberations between corporate auditors, taking into consideration the independent status of corporate auditors in the execution of their duties and the focus placed on the audit function, an assessment of individual performance is not reflected in the payment of remuneration to corporate auditors. Accordingly, the payment of remuneration to corporate auditors is limited to basic remuneration and does not include any bonus payment.

SMM does not provide for such long-term incentive remuneration as stock options. Moreover, the Company abolished its system of retirement and severance benefits for directors and corporate auditors in 2005.

The total amounts of remuneration by officer classification and type as well as the number of officers to whom remuneration was paid (including officers who retired during the period) for the fiscal year under review are presented as follows.

Officers Classification	Number of Officers	Total Amount of Remuneration (¥ Millions)	Total Amount of Remuneration by Type	
			Basic Remuneration (¥ Millions)	Bonus
Directors (with the exception of outside director)	7	339	288	51
Corporate Auditors (with the exception of outside corporate auditors)	2	53	53	—
Outside Director and Outside Corporate Auditors	4	36	36	—

Note: In addition to the aforementioned, an employee salary portion totaling ¥28 million is paid to employees who hold the concurrent position of director.

Information Disclosure and IR Activities

In order to ensure the integrity and transparency of management and to garner the trust of stakeholders, SMM recognizes the importance of accountability and information disclosure. As a result, the Company aggressively engages in investor relations (IR) activities as a part of efforts to provide all stakeholders, particularly shareholders and investors, with a deeper understanding of the Group. In specific terms, SMM posts information on its homepage and issues shareholder and annual reports. Furthermore, the president provides explanations of the Group's business strategies and other important details to analysts and institutional investors several times each year.

Complementing these activities, and in order to continuously upgrade and expand the Company's IR activities, management and the IR Department conduct individual meetings with analysts and institutional investors in Japan and overseas as well as plant inspection tours. Looking ahead, the Company will endeavor to upgrade and expand its IR activities for the benefit of individual investors.

Takeover Defense Measures

SMM introduced takeover defense measures in 2007. Revisions to and renewal of these measures were ratified at the Company's 85th Ordinary General Meeting of Shareholders held in June 2010. In the ensuing period, the Company has maintained these measures with the effective period of three years to expire at the conclusion of the Company's 88th Ordinary General Meeting of Shareholders to be held in June 2013. These takeover defense measures aim to protect any detrimental impact on the Company's enterprise value in the event of an inappropriate large-scale purchase by a third-party of its shares. An independent committee comprised of outside directors (independent officers) shall consider the details of any such proposal and make the appropriate notification with respect to the application or otherwise of takeover defense measures. In this manner, every effort is being made to preserve and improve the profits of shareholders.

Outside Director and Outside Corporate Auditors

Outside Director	Tsutomu Ushijima
Relationship with SMM	He has signed a contract for Limitation of Liability with SMM and has no relationship with SMM Group companies.
Reason for Appointment	Based on his specialist knowledge and wealth of experience as a lawyer and a licensed tax accountant, he was appointed an outside director to provide advice to SMM on business matters, particularly from a compliance perspective.
Independence	He is designated as an independent director (an individual with no conflict of interest with general shareholders) based on the regulations of the Tokyo Stock Exchange and the Osaka Securities Exchange.
Attendance at Meetings	In the year ended March 31, 2012, the Board of Directors convened 22 times (12 regular meetings and 10 extraordinary sessions). He attended all 22 of these meetings.

Outside Corporate Auditor	Hikoyuki Miwa
Relationship with SMM	He has signed a contract for Limitation of Liability with SMM and has no relationship with SMM Group companies.
Reason for Appointment	Based on his auditing experience accumulated over many years at audit firms as well as his extensive knowledge in corporate management, he was appointed an outside corporate auditor.
Independence	He is designated as an independent auditor (an individual with no conflict of interest with general shareholders) based on the regulations of the Tokyo Stock Exchange and the Osaka Securities Exchange.
Attendance at Meetings	He was appointed as a corporate auditor in June 2011. In the period following his appointment, and for the year ended March 31, 2012, the Board of Directors convened 18 times (9 regular meetings and 9 extraordinary sessions). He attended all 18 of these meetings. In the period following his appointment, and for the year ended March 31, 2012, the Board of Corporate Auditors convened 11 times. He attended all 11 of these meetings.

Outside Corporate Auditor	Shigeru Nozaki
Relationship with SMM	He has signed a contract for Limitation of Liability with SMM and has no relationship with SMM Group companies.
Reason for Appointment	Based on his wealth of financial institution experience he was appointed an outside corporate auditor to provide his knowledge on business matters, particularly from an international perspective.
Independence	He is designated as an independent auditor (an individual with no conflict of interest with general shareholders) based on the regulations of the Tokyo Stock Exchange and the Osaka Securities Exchange.
Attendance at Meetings	He was newly appointed at the Ordinary General Meeting of Shareholders held in June 2012.

Corporate Social Responsibility

The Sumitomo Group has been developing its business for around 4 centuries through continuous adherence to the Sumitomo Business Spirit. Acknowledging the importance of the values and ethics our forerunners built into the Sumitomo Business Spirit, we will make every effort to strengthen SMM Group business and consolidate society's trust in us.

CSR Objectives

Sustainable Co-Existence with Society and the Global Environment

SMM Philosophy

The SMM Group upholds the Sumitomo Business Spirit in its Corporate Philosophy and Management Vision. The very activities we pursue to substantiate the visions expressed in those lines constitute SMM's CSR activity and their implementation will take us closer toward our goal of "sustainable co-existence with society and the global environment."

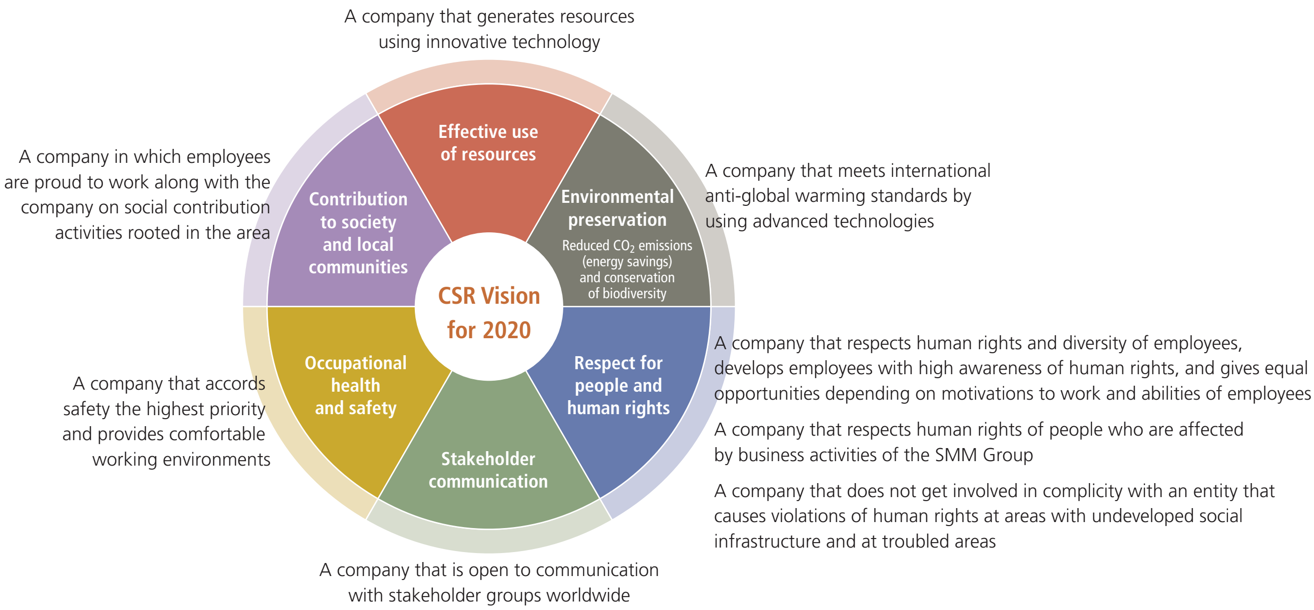
CSR Policy

1 SMM shall work to combat global warming by promoting recycling and effective resource utilization while also targeting technological innovation and continuous improvements in energy efficiency.
2 SMM shall promote sustainable co-existence with society by respecting the needs of local communities in which we operate around the world.
3 To continue sound business activities, SMM shall respect human rights and shall try to be a company in which diverse human resources take active parts.
4 According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents.
5 SMM shall strengthen communications with all stakeholders to build healthy, trust-based relationships.

Six Key CSR Areas and CSR Vision for 2020

In 2008, SMM determined six key areas of CSR activity for the Group and a CSR Vision for 2020 based on the impact of those areas on the Group and the extent of related social needs.

We will actively pursue initiatives in those areas in line with the CSR Policy, toward our goal of "sustainable co-existence with society and the global environment."



Directors and Corporate Auditors

As of June 25, 2012

Hajime Sato	Naoyuki Tsuchida	Takeshi Kubota	Yukio Kawaguchi	Mikinobu Ogata	Tsutomu Ushijima
Director	Director	Director	Director	Director	Outside Director

Nobumasa Kemori
President,
Representative Director

Yoshiaki Nakazato
Representative Director

Standing Senior Corporate Auditor
Naoki Tajiri

Standing Corporate Auditor
Kazuo Nakashige

Outside Corporate Auditor
Shigeru Nozaki

Outside Corporate Auditor
Hikoyuki Miwa

Financial Section

Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31	2012	2011	2010	2009
Results for the year:				
Net sales	**847,897**	864,077	725,827	793,797
Gross profit	**132,342**	138,810	105,956	56,887
Operating income	**88,498**	96,038	66,265	10,534
Other income (expenses)	**(615)**	27,356	16,511	12,408
Income (loss) before income taxes and minority interest	**87,883**	123,394	82,776	22,942
Net income (loss)	**65,219**	83,962	53,952	21,974
Equity in earnings of affiliated companies	**23,217**	34,832	26,090	31,536
Capital expenditures	**73,143**	53,105	26,414	47,723
Depreciation	**31,113**	34,625	34,746	34,268
Net interest expenses	**663**	257	(654)	(271)
Net cash flows from operating activities	**144,901**	102,458	44,153	128,000
Net cash flows from investing activities	**(135,834)**	(75,735)	(75,443)	(28,386)
Net cash flows from financing activities	**50,314**	7,379	(19,322)	(74,086)
Free cash flows	**9,067**	26,723	(31,290)	99,614
Financial position at Year-end:				
Total assets	**1,145,994**	1,052,353	981,458	880,001
Net assets	**725,565**	684,103	629,684	547,251
Shareholders' equity *	—	—	—	—
Long-term debt due after one year	**157,119**	135,128	132,311	141,716
Interest-bearing debt	**265,951**	210,969	200,939	218,534
Working capital	**312,542**	267,072	229,259	206,123
Amounts per share (Yen):				
Net income (loss)				
—Basic	**116.05**	149.38	96.26	38.87
—Diluted	**106.74**	136.98	88.75	36.18
Shareholders' equity	**1,173.13**	1,121.19	1,043.50	913.92
Cash dividends	**28.0**	32.0	20.0	13.0
Key ratios:				
ROA (%)	**5.93**	8.26	5.80	2.23
ROE (%) *	**10.12**	13.80	9.89	4.02
Equity ratio (%) *	**57.5**	59.9	59.8	57.3
Interest-bearing debt to total asset ratio (%)	**23.2**	20.0	20.5	24.8
Debt-to-equity ratio (times) *	**0.40**	0.33	0.34	0.43
Current ratio (times)	**2.67**	2.30	2.19	2.17

* Shareholders' equity is defined as:
Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income

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

2008	2007	2006	2005	2004	2003	2002
1,132,372	966,764	625,579	484,585	402,131	355,242	330,194
198,147	203,180	120,137	82,878	53,714	51,764	38,152
155,394	162,632	82,756	47,893	22,778	16,593	1,147
61,110	42,985	10,218	6,024	8,416	(24,098)	(13,735)
216,504	205,617	92,974	53,917	31,194	(7,505)	(12,588)
137,808	126,054	62,800	37,017	19,882	(1,172)	(6,611)
73,956	46,708	21,915	13,513	7,112	3,400	1,535
65,145	51,567	50,568	36,488	46,540	18,927	25,379
30,505	25,693	22,951	20,578	17,824	18,283	17,822
(2,209)	(2,606)	(1,281)	(893)	(1,098)	(1,459)	(1,775)
157,383	95,985	70,772	40,150	32,324	26,105	33,370
(126,413)	(77,429)	(102,384)	(31,725)	(17,448)	(21,246)	(16,246)
55,727	(10,073)	28,723	6,097	(9,293)	(14,163)	(14,267)
30,970	18,556	(31,612)	8,425	14,876	4,859	17,124
1,091,716	929,208	772,562	573,925	517,930	470,774	518,756
640,345	528,921	394,899	—	—	—	—
—	—	—	283,897	253,071	223,341	236,313
169,394	93,800	114,405	109,777	86,437	76,470	73,972
258,054	189,910	190,891	160,533	148,351	154,799	167,077
266,250	103,791	72,228	86,382	52,795	35,945	23,371
238.13	220.49	109.96	64.77	34.76	(2.05)	(11.56)
231.50	213.67	108.87	—	—	—	—
1,017.96	859.82	654.15	497.57	443.29	391.14	413.28
30.0	27.0	14.0	8.0	6.0	5.0	4.0
13.64	14.81	9.33	6.78	4.02	—	—
25.39	28.99	19.10	13.79	8.35	—	—
54.0	53.4	48.4	49.5	48.9	47.4	45.6
23.6	20.4	24.7	28.0	28.6	32.9	32.2
0.44	0.38	0.51	0.57	0.59	0.69	0.71
2.04	1.39	1.33	1.61	1.38	1.26	1.14

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

Medium- to Long-Term Business Strategy and Financial Policies

The short-term performance of SMM's three core businesses—mineral resources, smelting & refining, and materials—is significantly affected by fluctuations in non-ferrous metals prices, the status of demand for electronic and other related materials, and movements in foreign currency exchange rates. At the same time, the development of non-ferrous metal resources is an area in which it takes a long time before investments start to generate returns. Taking into consideration these unique business attributes, SMM recognizes the vital importance of adopting business strategies that focus on the medium to long term, engaging in investment activities at the most opportune time, and securing sustainable growth.

In terms of its finances, SMM consistently maintains a sound financial position to ensure that the Company is well positioned to undertake medium- to long-term investments and address any and all risks. In specific terms, SMM has maintained a consolidated equity ratio in excess of 50% since fiscal 2006. Under the Company's medium-term business plan, which covers the three-year period from fiscal 2010 to fiscal 2012, SMM plans to selectively channel its management resources into priority fields, acquire and expand its interests in overseas mines, and aggressively invest in the construction of cutting-edge smelting and refinery bases. Moving forward, SMM will continue to emphasize a strong financial position, based on the financial policies of maintaining a consolidated equity ratio of at least 50% and a low level of gearing as measured by the debt-to-equity (D/E) ratio.

Scope of Consolidation

For fiscal 2011, the year ended March 31, 2012, the SMM Group comprised the parent company (Sumitomo Metal Mining Co., Ltd.), 61 subsidiaries (up one subsidiary compared with the previous fiscal year), and 16 equity-method affiliates (up two equity-method affiliates year on year) both in Japan and overseas.

Operating Results

Overview of Operations and Consolidated Operating Results

In the non-ferrous metals industry, non-ferrous metal prices overall remained at high levels owing to the strong influx of funds into the non-ferrous metal market throughout the fiscal year under review. In exchange markets, the yen continued to appreciate in comparison with many currencies due to the uncertainty surrounding economic prospects centering on Europe. This significant appreciation in the value of the yen leveled off by the end of the fiscal year. In the electronics related industry, a major field of activity for the materials segment, price competition continuously intensified due mainly to the commoditization of products while demand remained stagnant.

Under these circumstances, the SMM Group continued to carry out the 09 3-Yr Business Plan. Guided by this Plan, the Group is "Promoting a New Growth Strategy based on its Long-Term Vision" as the underlying platform for bolstering the competitiveness of its three core Mineral Resources, Smelting & Refining, and Materials businesses while at the same time channeling business resources into growth sectors via a change in its business structure.

Net Sales

In fiscal 2011, consolidated net sales decreased ¥16,180 million, or 1.9%, compared with the previous fiscal to ¥847,897 million. Despite steady growth in the Mineral Resources segment, this decrease was largely attributable to the drop in sales of electrolytic copper in the Smelting & Refining segment owing mainly to the suspension of activities to accommodate a complete overhaul of the Toyo Smelter & Refinery's furnace and the overall sales decline in the Materials segment.

Operating Income

Consolidated operating income decreased ¥7,540 million, or 7.9%, year on year to ¥88,498 million mainly due to the decline in nickel prices and lower sales in the Materials segment.

Other Income / Income before Income Taxes and Minority Interests

Turning to other income (expenses), net income expenses experienced a positive turnaround. In contrast, equity in earnings of affiliated companies declined. In the fiscal year under review, SMM also incurred extraordinary losses following the impairment of fixed assets in both the Smelting & Refining segment and Materials segment, and a write-down of investment securities reflecting deterioration in the prices of shares held. As a result, income before income taxes and minority interests contracted ¥35,511 million, or 28.8%, compared with the previous fiscal year to ¥87,883 million.

Net Income

After accounting for income taxes and minority interests, net income declined ¥18,743 million, or 22.3%, compared with the previous fiscal year to ¥65,219 million in fiscal 2011. As a result, basic net income per share fell from ¥149.38 in fiscal 2010 to ¥116.05 in the fiscal year under review.

Operating Results by Business Segment

For details regarding results and the status of business progress by business segment, please refer to the "Review of Operations" section on pages 19 to 31.

Capital Expenditures

Total capital expenditures in fiscal 2011 were ¥73,143 million, an increase of ¥20,038 million, or 37.7%, compared with the previous fiscal year. By segment, capital expenditures were ¥4,065 million in the Mineral Resources segment; ¥59,193 million in the Smelting & Refining segment, principally for the Taganito Project; and ¥6,563 million in the Materials segment.

Research and Development (R&D) Expenses

Total R&D expenses in fiscal 2011 amounted to ¥5,103 million, a decrease of ¥168 million, or 3.2% compared with the previous fiscal year.

In the Mineral Resources segment, and with respect to non-ferrous metal ores, R&D investment was focused on ore-dressing processes to improve ore grades and yields as well as the development of ore deposit assessment, exploration, and other technologies that are capable of increasing the efficiency of ore mining techniques.

In the Smelting & Refining segment, the major R&D themes included the development of refining technologies that will foster the ability to handle a wide range of raw materials and ore grades and improved cost competitiveness, as well as the development of new metal-refining processes. In addition, the segment moved ahead with the development of recycling processes with respect to rare and other metals including nickel from used hybrid-vehicle secondary batteries.

In the Materials segment, R&D initiatives were mainly directed toward functional and wiring materials related to secondary batteries, solar cells, fuel cells, and energy-saving products, which are currently drawing attention in the field of energy and the environment. Particularly with regard to secondary batteries, steps are being taken to enhance such functions as cost, capacity and safety. At the same time, energies are being actively channeled toward R&D to promote application in next-generation hybrid vehicles and batteries for PC use.

Financial Position

Assets

As of the fiscal 2011 year-end, total assets amounted to ¥1,145,994 million, up ¥93,641 million from ¥1,052,353 million as of March 31, 2011.

Of this total, current assets climbed ¥26,937 million year on year to ¥499,495 million. Despite a drop in the balance of inventories, this increase largely reflected the upswing in marketable securities included in negotiable deposits. Total fixed assets were up ¥66,704 million from the end of fiscal 2010 to ¥646,499 million, mainly comprising investment securities reflecting the investment in such mines as Sierra Gorda, and as a result of higher property, plant and equipment due to capital expenditures in the Taganito Project.

Liabilities

Total liabilities amounted to ¥420,429 million as of the end of fiscal 2011, an increase of ¥52,179 million compared with the balance of ¥368,250 million a year earlier. Of this total, current liabilities declined ¥18,533 million year on year due to such factors as the decrease in bank loans as well as the redemption of long-term debt due within one year. Long-term liabilities, on the other hand, climbed ¥70,712 million compared with the previous fiscal year-end to ¥233,476 million. This largely reflected the issue of bonds for investment in overseas mines and the increase in long-term debt for investment in the Taganito Project.

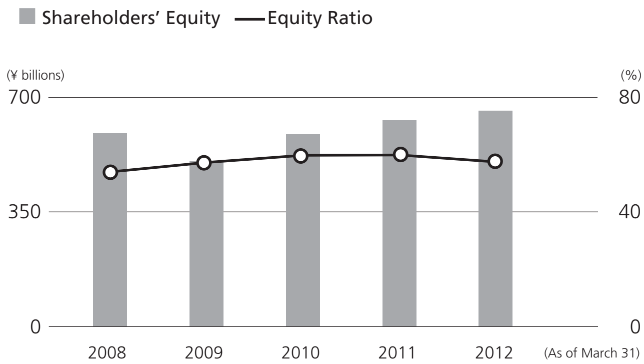
Net Assets

Net assets as of March 31, 2012 stood at ¥725,565 million, up ¥41,462 million from the balance of ¥684,103 million as of the end of the previous fiscal year. While net income for the period was ¥65,219 million, negative foreign currency translation adjustments were substantial as a result of appreciation in the value of the yen. In line with the increase in net assets, shareholders' equity per share improved from ¥1,121.19 as of the end of the previous fiscal year to ¥1,173.13 as of March 31, 2012.

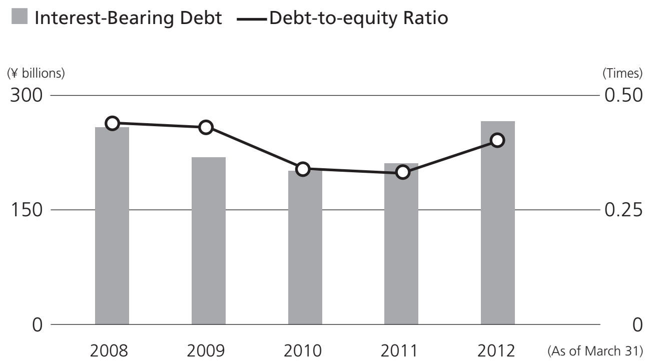
Major Financial Indicators

Accounting for each of the aforementioned factors, the D/E ratio slightly improved year on year from 0.33 times to 0.40 times. While the equity ratio experienced a minor deterioration from 59.9% as of the end of the previous fiscal year to 57.5% as of March 31, 2012, this level remains generally sound.

Shareholders' Equity and Equity Ratio



Debt-to-Equity Ratio and Interest-Bearing Debt



Cash Flows

Net cash provided by operating activities came to ¥144,901 million, up from ¥102,458 million in the previous fiscal year. This was largely attributable to the reversal of inventories accumulated in preparation for the complete overhaul of facilities at Toyo Smelter & Refinery. Net cash used in investing activities was ¥135,834 million compared with ¥75,735 million in fiscal 2010. This mainly reflected investments in the overseas resources development business including the Sierra Gorda Mine and capital expenditures undertaken for the Taganito and other projects.

Net cash provided by financing activities amounted to ¥50,314 million, up from ¥7,379 million in the previous fiscal year. While cash dividends paid increased year on year, this upswing was primarily the result of bonds issued to fund the aforementioned investing activities. Taking into account each of the previously mentioned activities and after deducting the effect of exchange rate change, cash and cash equivalents as of March 31, 2012 stood at ¥185,798 million, an increase of ¥57,397 million compared with the end of the previous fiscal year.

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 2011.

(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 nonferrous 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 non-ferrous 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 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—particularly factors relating specifically to non-ferrous 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 develop overseas mines and 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 such areas 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 non-ferrous 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 terminals, personal computers (PCs) 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 such risks 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 such factors as onsite 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	Millions of yen		Thousands of U.S. dollars (Note 1)
As of March 31, 2012 and 2011	2012	2011	2012
Current assets:			
Cash and cash equivalents	¥ 185,708	¥ 128,311	$ 2,261,147
Time deposits	37	213	451
Notes and accounts receivable:			
Trade	96,591	100,195	1,176,075
Unconsolidated subsidiaries and affiliated companies	2,908	4,129	35,407
Allowance for doubtful accounts	(242)	(242)	(2,947)
Inventories (Note 6)	151,068	170,246	1,839,377
Deferred tax assets (Note 9)	2,165	2,658	26,361
Other current assets	61,260	67,048	745,890
Total current assets	499,495	472,558	6,081,761
Investments and long-term receivables:			
Investment securities (Note 4):			
Unconsolidated subsidiaries and affiliated companies	255,763	201,740	3,114,124
Other	76,813	86,682	935,261
Allowance for loss on investments	(6)	(6)	(73)
Other long-term receivables	11,901	11,704	144,904
Allowance for doubtful accounts	(224)	(222)	(2,727)
Total investments and long-term receivables	344,247	299,898	4,191,489
Property, plant and equipment (Notes 7 and 8):			
Land	28,070	28,129	341,775
Buildings and structures	171,285	168,634	2,085,535
Machinery and equipment	361,025	374,554	4,395,775
Construction in progress	90,159	44,942	1,097,760
	650,539	616,259	7,920,845
Accumulated depreciation	(360,082)	(351,170)	(4,384,293)
Net property, plant and equipment	290,457	265,089	3,536,552
Deferred tax assets (Note 9)	1,384	2,528	16,851
Other assets	10,411	12,280	126,762
Total assets	¥1,145,994	¥1,052,353	$13,953,415

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

LIABILITIES AND NET ASSETS As of March 31, 2012 and 2011	Millions of yen 2012	 2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:			
Bank loans (Note 8)	¥ 56,253	¥ 55,428	$ 684,926
Long-term debt due within one year (Note 8)	2,579	20,413	31,401
Notes and accounts payable:			
Trade	35,908	33,660	437,209
Unconsolidated subsidiaries and affiliated companies	7,608	8,933	92,634
Other	17,167	16,024	209,022
Accrued income taxes (Note 9)	4,132	15,520	50,310
Accrued expenses	3,784	4,224	46,073
Advances received	1,007	930	12,261
Accrued restructuring charges	1,764	189	21,478
Accrued environmental measures	109	106	1,327
Deferred tax liabilities (Note 9)	—	765	—
Other current liabilities	56,642	49,294	689,665
Total current liabilities	186,953	205,486	2,276,306
Long-term liabilities :			
Long-term debt (Note 8)	207,119	135,128	2,521,843
Deferred tax liabilities (Note 9)	6,376	4,200	77,633
Accrued retirement benefits (Note 10)	7,027	7,216	85,559
Accrued environmental measures	39	26	475
Accrued restructuring charges	21	1,032	256
Other accruals	214	204	2,606
Asset retirement obligations (Note 17)	4,317	4,268	52,563
Other long-term liabilities	8,363	10,690	101,826
Total long-term liabilities	233,476	162,764	2,842,761
Contingent liabilities (Note 14)			
Net assets (Note 13):			
Shareholders' equity:			
Common stock			
Authorized—1,000,000,000 shares			
Issued—581,628,031 shares	93,242	93,242	1,135,298
Capital surplus	86,063	86,063	1,047,887
Retained earnings (Note 12)	572,102	524,978	6,965,811
Treasury stock, at cost	(21,845)	(21,788)	(265,981)
Total shareholders' equity	729,562	682,495	8,883,015
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	10,986	17,738	133,764
Deferred gains (losses) on hedges	(4,854)	(4,636)	(59,102)
Foreign currency translation adjustments	(76,448)	(65,481)	(930,817)
Total accumulated other comprehensive income:	(70,316)	(52,379)	(856,155)
Minority interests	66,319	53,987	807,488
Total net assets	725,565	684,103	8,834,348
Total liabilities and net assets	¥1,145,994	¥1,052,353	$13,953,415

Consolidated Statements of Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2012, 2011 and 2010	Millions of yen 2012	2011	2010	Thousands of U.S. dollars (Note 1) 2012
Net sales (Note 16)	¥847,897	¥864,077	¥725,827	$10,323,840
Costs and expenses:				
Cost of sales	715,555	725,267	619,871	8,712,468
Selling, general and administrative expenses (Note 11)	43,844	42,772	39,691	533,836
	759,399	768,039	659,562	9,246,304
Operating income	88,498	96,038	66,265	1,077,536
Other income (expenses):				
Interest and dividend income	4,073	2,741	2,334	49,592
Interest expense	(3,410)	(2,484)	(2,988)	(41,520)
Write-down of investment securities	(6,167)	(1,500)	—	(75,088)
Gain (loss) on sale and disposal of property, plant and equipment	(264)	(378)	(557)	(3,214)
Loss on impairment of fixed assets (Note 7)	(11,102)	(63)	(2,087)	(135,176)
Loss from valuation of gold loans	(548)	(1,049)	(1,384)	(6,672)
Exchange gain (loss)	(934)	(4,863)	(2,004)	(11,372)
Provision for restructuring charges	(1,743)	(61)	(2,303)	(21,222)
Maintenance cost for ceased projects	(573)	(519)	(476)	(6,977)
Casualty loss	(1,608)	(456)	(67)	(19,579)
Equity in earnings of affiliated companies	23,217	34,832	26,090	282,686
Gain (loss) from valuation of derivative instruments	(1,588)	(862)	(1,286)	(19,335)
Amortization of goodwill	—	2	992	—
Other, net	32	2,016	247	388
	(615)	27,356	16,511	(7,489)
Income before income taxes and minority interests	87,883	123,394	82,776	1,070,047
Income taxes (Note 9):				
Current	15,091	29,671	17,040	183,745
Deferred	4,379	987	6,127	53,318
	19,470	30,658	23,167	237,063
Income before minority interests	68,413	92,736	59,609	832,984
Minority interests in net income of consolidated subsidiaries	(3,194)	(8,774)	(5,657)	(38,890)
Net income	¥ 65,219	¥ 83,962	¥ 53,952	$ 794,094

	Yen 2012	2011	2010	U.S. dollars (Note 1) 2012
Amounts per share of common stock:				
Net income (Note 21)				
—Basic	¥116.05	¥149.38	¥96.26	$1.41
—Diluted	106.74	136.98	88.75	1.30
Cash dividends applicable to the year	28.00	32.00	20.00	0.34

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

Consolidated Statements of Comprehensive Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2012, 2011 and 2010	Millions of yen 2012	2011	2010	Thousands of U.S. dollars (Note 1) 2012
Income before minority interests	¥68,413	¥92,736	¥59,609	$832,984
Other comprehensive income				
Net unrealized holding gains (losses) on securities	(6,740)	1,676	16,836	(82,065)
Deferred gains (losses) on hedges	(250)	(2,244)	12	(3,044)
Foreign currency translation adjustments	(4,634)	(10,884)	4,376	(56,423)
Share of other comprehensive income of affliated companies accounted for using equity method	(9,595)	(20,418)	1,880	(116,827)
Total other comprehensive Income	(21,219)	(31,870)	23,104	(258,359)
Comprehensive Income (Note 15)	47,194	60,866	82,713	574,626
Comprehensive income attribute to:				
Owners of the parent	47,282	57,574	75,966	575,697
Minority interests	(88)	3,292	6,747	(1,071)

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

						Shareholders' Equity
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the years ended March 31, 2012, 2011 and 2010	Thousands					Millions of yen
Balance at April 1, 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 change in consolidation of subsidiaries				(18)		(18)
Acquisition of treasury stock					(175)	(175)
Sale of treasury stock			(29)	(1,049)	11,220	10,142
Deferred gains (losses) on hedges						
Minority interest						
Cash dividends paid				(3,935)		(3,935)
Balance at April 1, 2010	581,628	¥93,242	¥86,062	¥454,896	¥(21,633)	¥612,567
Net income				83,962		83,962
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Increase resulting from change in consolidation of subsidiaries				67		67
Acquisition of treasury stock					(160)	(160)
Sale of treasury stock			1		5	6
Deferred gains (losses) on hedges						
Increase resulting from unification of accounting policy of affiliated companies				106		106
Minority interest						
Cash dividends paid				(14,053)		(14,053)
Balance at April 1, 2011	581,628	¥93,242	¥86,063	¥524,978	¥(21,788)	¥682,495
Net income				65,219		65,219
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Acquisition of treasury stock					(66)	(66)
Sale of treasury stock			0		9	9
Deferred gains (losses) on hedges						
Increase resulting from change in accounting policy of affiliated companies				2,137		2,137
Minority interest						
Cash dividends paid				(20,232)		(20,232)
Balance at March 31, 2012	**581,628**	**¥93,242**	**¥86,063**	**¥572,102**	**¥(21,845)**	**¥729,562**

					Shareholders' Equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the years ended March 31, 2012, 2011 and 2010					Thousands of U.S. dollars (Note 1)
Balance at April 1, 2011	$1,135,298	$1,047,887	$6,392,037	$(265,287)	$8,309,935
Net income			794,094		794,095
Foreign currency translation adjustments					
Adjustments for unrealized gains on securities					
Acquisition of treasury stock				(804)	(804)
Sale of treasury stock				110	110
Deferred gains (losses) on hedges					
Increase resulting from change in accounting policy of affiliated companies			26,021		26,020
Minority interest					
Cash dividends paid			(246,341)		(246,341)
Balance at March 31, 2012	**$1,135,298**	**$1,047,887**	**$6,965,811**	**$(265,981)**	**$8,883,015**

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

	Accumulated other comprehensive income					
	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
For the years ended March 31, 2012, 2011 and 2010						Millions of yen
Balance at April 1, 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	16,795			16,795		16,795
Decrease resulting from change in consolidation of subsidiaries						(18)
Acquisition of treasury stock						(175)
Sale of treasury stock						10,142
Deferred gains (losses) on hedges		(7)		(7)		(7)
Minority interest					453	453
Cash dividends paid						(3,935)
Balance at April 1, 2010	¥16,043	¥(2,439)	¥(39,595)	¥(25,991)	¥43,108	¥629,684
Net income						83,962
Foreign currency translation adjustments			(25,886)	(25,886)		(25,886)
Adjustments for unrealized gains on securities	1,695			1,695		1,695
Increase resulting from change in consolidation of subsidiaries						67
Acquisition of treasury stock						(160)
Sale of treasury stock						6
Deferred gains (losses) on hedges		(2,197)		(2,197)		(2,197)
Increase resulting from unification of accounting policy of affiliated companies						106
Minority interest					10,879	10,879
Cash dividends paid						(14,053)
Balance at April 1, 2011	¥17,738	¥(4,636)	¥(65,481)	¥(52,379)	¥53,987	¥684,103
Net income						65,219
Foreign currency translation adjustments			(10,967)	(10,967)		(10,967)
Adjustments for unrealized gains on securities	(6,752)			(6,752)		(6,752)
Acquisition of treasury stock						(66)
Sale of treasury stock						9
Deferred gains (losses) on hedges		(218)		(218)		(218)
Increase resulting from change in accounting policy of affiliated companies					534	2,671
Minority interest					11,798	11,798
Cash dividends paid						(20,232)
Balance at March 31, 2012	**¥10,986**	**¥(4,854)**	**¥(76,448)**	**¥(70,316)**	**¥66,319**	**¥725,565**

	Accumulated other comprehensive income					
	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
For the years ended March 31, 2012, 2011 and 2010						Thousands of U.S. dollars (Note 1)
Balance at April 1, 2011	$215,975	$(56,447)	$(797,285)	$(637,757)	$657,336	$8,329,514
Net income						794,095
Foreign currency translation adjustments			(133,532)	(133,532)		(133,532)
Adjustments for unrealized gains on securities	(82,211)			(82,211)		(82,211)
Acquisition of treasury stock						(804)
Sale of treasury stock						110
Deferred gains (losses) on hedges		(2,655)		(2,655)		(2,655)
Increase resulting from change in accounting policy of affiliated companies					6,502	32,522
Minority interest					143,650	143,650
Cash dividends paid						(246,341)
Balance at March 31, 2012	**$133,764**	**$(59,102)**	**$(930,817)**	**$(856,155)**	**$807,488**	**$8,834,348**

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

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2012, 2011 and 2010	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	**2012**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 87,883**	¥123,394	¥ 82,776	**$1,070,047**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	**31,113**	34,625	34,746	**378,826**
Loss on impairment of fixed assets	**11,102**	63	2,087	**135,176**
Loss (Gain) on sale and disposal of property, plant and equipment	**264**	378	557	**3,214**
Write-down of investment securities	**6,167**	1,500	—	**75,088**
Loss (Gain) from valuation of derivative instruments	**1,588**	862	1,286	**19,335**
Interest and dividend income	**(4,073)**	(2,741)	(2,334)	**(49,592)**
Interest expense	**3,410**	2,484	2,988	**41,520**
Equity in earnings of affiliated companies	**(23,217)**	(34,832)	(26,090)	**(282,686)**
Restructuring charges	**480**	151	519	**5,844**
Casualty loss	**1,608**	456	67	**19,579**
Decrease (Increase) in trade receivables	**4,523**	(8,967)	(54,706)	**55,071**
Decrease (Increase) in inventories	**18,566**	(25,892)	(43,113)	**226,056**
Increase (Decrease) in trade payables	**7,791**	2,336	6,899	**94,862**
Others	**4,792**	2,580	9,157	**58,348**
Sub total	**151,997**	96,397	14,839	**1,850,688**
Interest and dividend received	**23,252**	36,724	21,569	**283,112**
Interest paid	**(3,390)**	(2,538)	(3,038)	**(41,276)**
Payments for maintenance costs for ceased projects	**(573)**	(519)	(476)	**(6,977)**
Payments for recovery costs	**(488)**	(66)	(67)	**(5,942)**
Payments for/Refund of income taxes	**(25,897)**	(27,540)	11,326	**(315,317)**
Net cash provided by operating activities	**144,901**	102,458	44,153	**1,764,288**
Cash flows from investing activities:				
Payments for acquisition of property, plant and equipment	**(74,915)**	(53,966)	(40,416)	**(912,151)**
Payments for acquisition of intangible assets	**(498)**	(614)	(12,071)	**(6,064)**
Proceeds from sale of property, plant and equipment	**1,125**	550	1,182	**13,698**
Payments for purchases of investment securities	**(3,009)**	(11,480)	(5,886)	**(36,637)**
Payments for purchase of securities of subsidiaries and affiliated companies	**(58,902)**	(9,361)	(18,285)	**(717,180)**
Proceeds from sales of securities of subsidiaries and affiliated companies	**—**	—	308	**—**
Payments for loans lended	**(725)**	(2,887)	(5,476)	**(8,827)**
Collection of loans repaid	**292**	2,206	5,064	**3,555**
Other	**798**	(183)	137	**9,716**
Net cash used in investing activities	**(135,834)**	(75,735)	(75,443)	**(1,653,890)**
Cash flows from financing activities:				
Proceeds from long-term debt	**26,620**	23,140	3,916	**324,120**
Repayments of long-term debt	**(10,305)**	(5,422)	(16,836)	**(125,472)**
Net increase (decrease) in bank loans	**2,668**	(3,773)	4,100	**32,485**
Payments for redemption of bonds	**(10,000)**	—	(105)	**(121,758)**
Proceeds from issuance of bonds	**49,736**	—	—	**605,577**
Contribution from minority in consolidated subsidiaries	**17,687**	14,196	120	**215,354**
Increase in treasury stocks	**(59)**	(154)	(163)	**(718)**
Cash dividends paid	**(20,232)**	(14,053)	(3,935)	**(246,341)**
Cash dividends paid to minority in consolidated subsidiaries	**(5,801)**	(6,555)	(6,419)	**(70,632)**
Net cash provided by (used in) financing activities	**50,314**	7,379	(19,322)	**612,615**
Effect of changes in exchange rate on cash and cash equivalents	**(1,984)**	(3,183)	746	**(24,157)**
Net increase (decrease) in cash and cash equivalents	**57,397**	30,919	(49,866)	**698,856**
Cash and cash equivalents at beginning of year	**128,311**	100,452	150,287	**1,562,291**
Increase in cash due to newly consolidated subsidiaries	**—**	(3,060)	31	**—**
Cash and cash equivalents at end of year	**¥185,708**	¥128,311	¥100,452	**$2,261,147**

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, 2012, which was ¥82.13 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 (61 subsidiaries in 2012, 60 in 2011 and 54 in 2010). All significant inter-company balances and transactions have been eliminated. Investments in affiliated companies of which the Company has the ability to exercise significant influence over financial and operating policies, are accounted for by the equity method (16 affiliated companies in 2012, 14 in 2011 and 13 in 2010). Investments in the remaining unconsolidated subsidiaries and affiliated companies 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.

Goodwill (consolidation difference between the investment cost and the underlying equity in its net assets at the date of acquisition) is amortized over five years on a straight-line basis. With respect to subsidiaries in the United States, goodwill is amortized over twenty years on a straight-line basis in accordance with PITF No.18.

(Change for unification of accounting policies applied to affiliated companies accounted for using the equity method)
Effective for the year ended March 31 2011, the Company adopted the "Accounting Standard for Equity Method of Accounting for Investment" (ASBJ Statement No.16 issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No.24 of March 10, 2008) and made necessary adjustment in consolidation process.

As a result of this change, income before income taxes and minority interests decreased by ¥161 million for the year ended March 31, 2011.

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.

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, as a separate component of net assets. The cost of securities sold is determined by the moving-average method. 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.

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.

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 — Inventories are mainly stated at the lower of cost determined by the first-in first-out (FIFO) method or net selling value of inventories regarded as the decreased profitability of assets, whose write-downs are included in cost of sales.

(Change in accounting policy)
Effective for the year ended March 31, 2011, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on September 26, 2008), and the method of accounting for the inventories of certain consolidated subsidiaries was changed from the last-in, first-out method (LIFO) to the first-in, first-out method (FIFO).

As a result of this change, operating income and income before taxes and minority interests increased by ¥444 million for the year ended March 31, 2011.

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 2 years to 60 years for buildings and structures and 2 years to 20 years for machinery and equipment.

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 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 lumpsum benefit plan covering directors and corporate auditors.

(Change in accounting policy)
Effective for the year ended March 2010, the Company and consolidated domestic subsidiaries 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 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).

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.

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 for the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have adopted 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 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 year is measured based on the percentage of the cost incurred to the estimated total cost) has been adopted for that portion in progress through to the end of the year ended March 31, 2010.
For other construction work, the completed-contract method has been adopted. As a result of this change, net sales increased by ¥678 million operating income and income before income taxes and minority interests increased by ¥154 million, respectively, for the year ended March 31, 2010.

Asset retirement obligations —
(Change in accounting policy)
Effective for the year ended March 31, 2011, the Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008).

As a result of adopting these standards, operating income decreased by ¥20 million, and income before income taxes and minority interests decreased by ¥344 million for the year ended March 31, 2011.

(Additional information)

Previously, asset retirement obligations for overseas mines, etc., were presented in "other accruals" under "long-term liabilities." However, accompanying the adoption from the year ended March 31, 2011 of "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008), they were reclassified to "asset retirement obligations."

Business combinations and others —

(Change in accounting policies)

Effective from the year ended March 31, 2011, the Company has adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 of December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of December 26, 2008), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 of December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).

Comprehensive income —

(Additional information)

Effective March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, revised on June 20, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the year ended March 31, 2011.

In addition, the Company has presented the consolidated statement of comprehensive income for the year ended March 31, 2010 as well as that for the year ended March 31, 2011.

Accounting Standards for Accounting Changes and Error Corrections —

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the year beginning on April 1, 2011.

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 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 year.

Reclassifications — Certain reclassifications have been made in the 2011 and 2010 financial statements to conform to the presentation of 2012.

3. Notes to financial instruments

1. Status of financial instruments

(1) Policies on the handling of financial instruments

The Sumitomo Metal Mining Group ("the 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, 2025) 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 hedging instruments and hedged items, 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 nonperformance 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 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 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 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 sheets, fair values and the differences between the two as of March 31, 2012 and 2011 are shown as follows. Certain financial instruments were excluded from the following table as the fair values were not available (Refer to the table shown in *2 below).

			Millions of yen
2012	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	¥185,708	¥185,708	¥ —
Time deposits	37	37	—
Notes and accounts receivable (trade & unconsolidated)	99,499	99,499	—
Investment securities	127,786	343,474	215,688
Total Assets	¥413,030	¥628,718	¥215,688
Notes and accounts payable (trade & unconsolidated)	43,516	43,516	—
Bank loans	58,832	58,832	—
Long-term debt due after one year	207,119	207,579	460
Total Liabilities	309,467	309,927	460
Derivative transactions	¥ (8,780)*	¥ (10,045)*	¥ (1,265)

			Millions of yen
2011	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	¥128,311	¥128,311	¥ —
Time deposits	213	213	—
Notes and accounts receivable (trade & unconsolidated)	104,324	104,324	—
Investment securities	119,785	366,757	246,972
Total Assets	¥352,633	¥599,605	¥246,972
Notes and accounts payable (trade & unconsolidated)	42,593	42,593	—
Bank loans	65,841	65,841	—
Long-term debt due after one year	145,128	145,257	129
Total Liabilities	253,562	253,691	129
Derivative transactions	¥ (7,462)*	¥ (7,778)*	¥ (316)

2012	Book values of Consolidated Balance Sheets	Fair Values	Difference
	Thousands of U.S. dollars		
Cash and cash equivalents	$2,261,147	$2,261,147	$ —
Time deposits	451	451	—
Notes and accounts receivable (trade & unconsolidated)	1,211,482	1,211,482	—
Investment securities	1,555,899	4,182,077	2,626,178
Total Assets	$5,028,979	$7,655,157	$2,626,178
Notes and accounts payable (trade & unconsolidated)	529,843	529,843	—
Bank loans	716,328	716,328	—
Long-term debt due after one year	2,521,843	2,527,444	5,601
Total Liabilities	3,768,014	3,773,615	5,601
Derivative transactions	$ (106,904)*	$ (122,306)*	$ (15,402)

* 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.

*1

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

Assets

1. Cash and cash equivalents, 2. Time deposits

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

3. Notes and accounts receivable

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

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 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.

*2

The financial instruments excluded from the above table as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Book values of Consolidated Balance Sheets	Book values of Consolidated Balance Sheets	Book values of Consolidated Balance Sheets
Unlisted equity securities	¥198,161	¥162,532	$2,412,772

These instruments are not included in “Investment securities” (refer to above table) as the fair values are not available.

*3

The aggregate maturities subsequent to March 31, 2012 and 2011 for financial assets are as follows:

2012	Millions of yen Due within one year	Due after one year and within 5 year	Due after 5 year and within 10 year	Due over 10 year	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
Cash and cash equivalents	¥185,708	¥—	¥—	¥—	$2,261,147	$—	$—	$—
Time deposits	37	—	—	—	451	—	—	—
Notes and accounts receivable	99,499	—	—	—	1,211,482	—	—	—
Total	¥285,244	¥—	¥—	¥—	$3,473,080	$—	$—	$—

2011	Millions of yen 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	¥128,311	¥—	¥—	¥—
Time deposits	213	—	—	—
Notes and accounts receivable	104,324	—	—	—
Total	¥232,848	¥—	¥—	¥—

*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.

4. Securities

(1) The following tables summarize acquisition costs and book values (available fair values) as of March 31, 2012 and 2011:

Available-for-sale securities

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

	Millions of yen					
	2012			2011		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥29,855	¥49,780	¥19,925	¥27,330	¥56,163	¥28,833

	Thousands of U.S. dollars		
	2012		
	Acquisition cost	Book value	Difference
Equity securities	$363,509	$606,112	$242,603

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

	Millions of yen					
	2012			2011		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥23,657	¥18,064	¥(5,593)	¥29,937	¥21,544	¥(8,393)

	Thousands of U.S. dollars		
	2012		
	Acquisition cost	Book value	Difference
Equity securities	$288,043	$219,944	$(68,099)

(2) The following table summarizes book values of the securities with no available fair values as of March 31, 2012 and 2011:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Unlisted equity securities	**¥8,786**	¥8,786	**$106,977**

(3) As of March 31, 2012 and 2011, there were no available-for-sale securities with maturities.

(4) Total sales of available-for-sale securities sold during the year ended March 31, 2012 amounted to ¥628 million (US$7,646 thousand) and the related gains amounted to ¥240 million (US$2,922 thousand). No losses on sales of available-for-sale securities were recognized for the period.

Total sales of available-for-sale securities sold during the year ended March 31, 2011 amounted to ¥215 million and the related losses amounted to ¥96 million and the related gains amounted to ¥96 million.

Total sales of available-for-sale securities sold during the year ended March 31, 2010 amounted to ¥27 million and the related losses amounted to ¥2 million. No gains on sales of available-for-sale securities were recognized for the period.

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, 2012 and 2011 of derivative transactions for which hedge accounting has not been applied:

Millions of yen

	2012				2011			
	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:								
Sell position—U.S. dollars	¥10,613	¥—	¥(637)	¥(637)	¥ —	¥—	¥ —	¥ —
Buy position—U.S. dollars	8,232	—	(22)	(22)	11,760	—	202	202
	¥18,845	¥—	¥(659)	¥(659)	¥11,760	¥—	¥202	¥202
Commodity:								
Forward contracts:								
Sell position—Metal	¥ 1,409	¥—	¥ 89	¥ 89	¥ 3,199	¥—	¥383	¥383
Buy position—Metal	8,468	—	—	—	8,976	—	—	—
Option contracts:								
Buy position								
Put option—Metal	514		(144)	(144)	590		(395)	(395)
	¥10,391	¥—	¥ (55)	¥ (55)	¥12,765	¥—	¥ (12)	¥ (12)

Thousands of U.S. dollars

	2012			
	Contracted amount			
	Total	Over one year	Market value	Recognized gains (losses)
Currency:				
Forward contracts:				
Sell position—U.S. dollars	$129,222	$ —	$(7,756)	$(7,756)
Buy position—U.S. dollars	100,231	—	(268)	(268)
	$229,453	$ —	$(8,024)	$(8,024)
Commodity:				
Forward contracts:				
Sell position—Metal	$ 17,156	$ —	$ 1,084	$ 1,084
Buy position—Metal	103,105	—	—	—
Option contracts:				
Buy position				
Put option—Metal	6,258		(1,754)	(1,754)
	$126,519	$ —	$ (670)	$ (670)

Derivative transactions for which hedge accounting has been applied for the year, ended March 31, 2012 and 2011 consist of the following:

2012			Millions of yen		
			Contracted amount and other	Contracted amount and over one year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency	Forward contracts:				
	Buy position	Foreign currency forecast transactions			
	EUR		¥ 137	¥ —	¥ 5
	Total		¥ 137	¥ —	¥ 5
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	¥100,000	¥ —	¥ (748)
	Total		¥100,000	¥ —	¥ (748)
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	¥ 8,986	¥ —	¥ (75)
	Buy position—Metal	Accounts payable	19,832	435	420
	Option contracts*:				
	Sell position				
	Call option—Metal	Accounts receivable	105,673	88,550	(7,668)
	Total		¥134,491	¥88,985	¥(7,323)
Interest	Interest rate swap contracts**:				
	Paid fixed/received floating	Long-term loans	¥ 22,446	¥22,446	¥(1,265)
	Total		¥ 22,446	¥22,446	¥(1,265)

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

** The 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.

2011			Millions of yen		
			Contracted amount and other	Contracted amount and over one year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency	Forward contracts:				
	Buy position	Foreign currency forecast transactions			
	Australian dollars		¥ 35	¥ —	¥ 6
	EUR		284	—	14
	U.S.dollars		51	—	0
	Canadian dollars		73	—	3
	Total		¥ 443	¥ —	¥ 23
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	¥100,000	¥100,000	¥(1,270)
	Total		¥100,000	¥100,000	¥(1,270)
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	¥ 18,006	¥ —	¥ 291
	Buy position—Metal	Accounts payable	9,958	827	1,141
	Option contracts*:				
	Sell position				
	Call option—Metal	Accounts receivable	147,796	131,436	(7,837)
	Total		¥175,760	¥132,263	¥(6,405)
Interest	Interest rate swap contracts**:				
	Paid fixed/received floating	Long-term loans	¥ 26,025	¥ 22,725	¥ (316)
	Total		¥ 26,025	¥ 22,725	¥ (316)

2012			Thousands of U.S. dollars Contracted amount and other	Contracted amount and over one year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency	Forward contracts:				
	Buy position	Foreign currency forecast transactions			
	EUR		$ 1,668	$ —	$ 61
	Total		$ 1,668	$ —	$ 61
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	$1,217,582	$ —	$ (9,108)
	Total		$1,217,582	$ —	$ (9,108)
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	$ 109,412	$ —	$ (913)
	Buy position—Metal	Accounts payable	241,471	5,296	5,113
	Option contracts*:				
	Sell position				
	Call option—Metal	Accounts receivable	1,286,655	1,078,169	(93,364)
	Total		$1,637,538	$1,083,465	$(89,164)
Interest	Interest rate swap contracts**:				
	Paid fixed/received floating	Long-term loans	$ 273,298	$ 273,298	$(15,402)
	Total		$ 273,298	$ 273,298	$(15,402)

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

** The 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.

6. Inventories

Inventories as of March 31, 2012 and 2011 consist of the following:

	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
Merchandise	¥ 1,845	¥ 2,098	$ 22,464
Finished products	37,879	48,892	461,208
Semi-finished products and work in process	76,200	79,807	927,798
Raw materials and supplies	35,144	39,449	427,907
	¥151,068	¥170,246	$1,839,377

7. Loss on impairment of fixed assets

Loss on impairment of fixed assets for the year ended March 31, 2012 consists of the following:

2012			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	Loss	Loss
Kako-gun, Hyogo Prefecture, Japan	Manufacturing facilities for prime western grade zinc	Building and structures and machinery and other assets	¥ 5,477	$ 66,687
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for powder materials	Building and structures and machinery and other assets	442	5,382
Kaohsiung City, Taiwan	Manufacturing facilities for certain chip on film (COF)	Building and machinery and equipment	2,439	29,697
Ayutthaya Province, Thailand	Manufacturing facilities for lead frames	Building and equipment	562	6,843
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for certain copper-clad polyimide film substrates	Machinery and equipment	50	609
Isa City, Kagoshima Prefecture, Japan	Manufacturing facilities for bonding wire	Building and machinery and other assets	203	2,471
Shanghai, China	Manufacturing facilities for bonding wire	Building and machinery and other assets	426	5,187
Kaohsiung City, Taiwan	Manufacturing facilities for bonding wire	Building and machinery and equipment	372	4,529
Selangor, Malaysia	Manufacturing facilities for bonding wire	Building and machinery and equipment	97	1,181
Naka-gun, Ibaraki Prefecture, Japan	Electron beam irradiation facilities	Building and structures and machinery and other assets	1,034	12,590
Total			¥11,102	$135,176

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 prime western grade zinc were reduced to their recoverable amounts due to the deterioration of business environment.

(2) The book values of manufacturing facilities for powder materials were reduced to their recoverable amounts due to a decline in sales volume of nickel powder.

(3) The book value of manufacturing facilities for certain chip on film (COF) were reduced to their recoverable amounts due to withdrawal from the business in production of subtractive COF.

(4) The book value of manufacturing facilities for lead frames were reduced to their recoverable amounts due to withdrawal from the business in production of lead frame in Thailand.

(5) The book value of manufacturing facilities for certain copper-clad polyimide film substrates were reduced to their recoverable amounts due to expectations that these facilities would cease to operate due to their aging.

(6) The book value of manufacturing facilities for bonding wire were reduced to their recoverable amounts due to withdrawal from the business in production of bonding wire.

(7) The book value of electron beam irradiation facilities were reduced to their recoverable amounts due to a significant decline in orders from main customers.

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 year ended March 31, 2011 consists of the following:

2011			Millions of yen
Location	Major use	Asset category	Loss
Isa City, Kagoshima Prefecture, Japan	Idle land	Land	¥63
Total			¥63

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.

The book values of several idle land lots in the Hishikari Mine for which market prices have considerably declined along with the drop in land prices were reduced to their recoverable amounts because of the considerable decline in their market prices along with the drop in land prices.

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 year ended March 31, 2010 consists of the following:

2010			Millions of yen
Location	Major use	Asset category	Loss
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for the recovery and recycling of valuable metals	Building and structures and machinery and other assets	¥1,918
Niihama City, Ehime Prefecture, Japan	Facilities for milling	Machinery and equipment	75
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for chemical products	Machinery and equipment	25
Usa City, Oita Prefecture, Japan	Facilities for IC package plating	Building and structures and machinery and equipment	24
Kamiina District, Nagano Prefecture, Japan	Manufacturing facilities for printed circuit boards	Building and structures	21
Matsudo City, Chiba Prefecture, Japan	Facilities for soil contamination survey and asbestos analysis	Building and structures and machinery and equipment	13
Kaohsiung, Taiwan	Manufacturing facilities for certain chip on film (COF)	Machinery and equipment	11
Total			¥2,087

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 due to the Company's decision to withdraw from these operations. This decision was based on the forecast of the shrinkage 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 due to 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 due to expectations that these facilities would cease to operate following the termination of production of certain products during the year ended March 31, 2010.

(4) The book value of facilities for IC package plating were reduced to their recoverable amounts due to 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 due to 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 due to 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 due to 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.

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 0.40% to 6.10% and 0.64% to 5.60% as of March 31, 2012 and 2011 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$21) as of March 31, 2012.

Long-term debt as of March 31, 2012 and 2011 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Long-term loans from:			
Banks, insurance companies and other financial institutions, maturing through 2022 at interest rates of 0.76% to 3.50%:			
Secured	¥ —	¥ —	$ —
Unsecured	133,023	131,145	1,619,664
Government owned banks and government agencies, maturing through 2025 at interest rates of 0.40% to 2.50%:			
Secured	3,000	3,110	36,527
Unsecured	23,675	11,286	288,262
1.42% domestic bonds due in 2012	—	10,000	—
0.48% domestic bonds due in 2016	10,000	—	121,758
0.77% domestic bonds due in 2018	30,000	—	365,275
1.26% domestic bonds due in 2021	10,000	—	121,758
	209,698	155,541	2,553,244
Amount due within one year	(2,579)	(20,413)	(31,401)
	¥207,119	¥135,128	$2,521,843

The aggregate annual maturities of long-term debt as of March 31, 2012 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 2,579	$ 31,401
2014	5,340	65,019
2015	110,562	1,346,183
2016	9,584	116,693
2017	27,081	329,733
Thereafter	54,552	664,215

Assets pledged as collateral for bank loans and long-term debt as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Property, plant and equipment, at net book value	¥97,124	¥43,713	$1,182,564
	¥97,124	¥43,713	$1,182,564

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 years ended March 31, 2012, 2011 and 2010:

	2012	2011	2010
Statutory tax rate	40.7%	40.7%	40.7%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(8.8)	(8.1)	(9.8)
Effect of eliminating intercompany dividends received	24.0	16.2	17.4
Difference in tax rates among the Company and its consolidated subsidiaries	(1.0)	(5.0)	(6.7)
Permanently nontaxable dividends received	(26.1)	(15.0)	(11.4)
Tax credit	(0.8)	(0.9)	(1.1)
Effect of Mining Tax	(2.0)	(1.5)	(2.9)
Undistributed earnings of foreign subsidiaries	(1.2)	1.4	—
Effect of consolidated taxation	0.7	0.3	2.1
Difference in local tax system	(3.1)	(2.9)	(0.3)
Others	(0.2)	(0.3)	(0.0)
Effective tax rate	22.2%	24.9%	28.0%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Net operating loss carry forwards	¥ 6,417	¥ 5,455	$ 78,132
Retirement benefits	5,021	5,404	61,135
Deferred losses on hedges	3,650	3,221	44,441
Loss on impairment of fixed assets	3,361	2,034	40,923
Unrealized profits	1,560	829	18,994
Allowance for bonus payable	1,352	1,278	16,462
Overseas exploration cost	978	754	11,908
Contribution gains on securities to employee retirement benefits trust	955	967	11,628
Depreciation	915	406	11,141
Accrued business taxes	412	1,069	5,016
Others	3,689	5,798	44,916
Gross deferred tax assets	28,310	27,215	344,696
Less valuation allowance	(11,447)	(10,483)	(139,376)
Deferred tax assets-less valuation allowance	16,863	16,732	205,320
Deferred tax liabilities:			
Depreciation	(4,723)	(4,900)	(57,506)
Reserve for losses on overseas investment	(4,216)	(36)	(51,333)
Accumulated earnings of overseas subsidiaries	(2,905)	(4,403)	(35,371)
Net unrealized holding gain on available-for-sale securities	(2,525)	(1,114)	(30,744)
Deferred gains on properties for tax purpose	(2,163)	(2,709)	(26,336)
Reserve for explorations	(1,446)	(1,741)	(17,606)
Gain on securities contributed to employee retirement benefits trust	(520)	(594)	(6,331)
Others	(1,192)	(1,014)	(14,514)
Deferred tax liabilities	(19,690)	(16,511)	(239,741)
Net deferred tax assets (liabilities)	¥ (2,827)	¥ 221	$ (34,421)

(Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates)

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 38.0% for years beginning on or after April 1, 2012 and 35.6% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.0% and 35.6%, respectively, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax liabilities decreased by ¥485 million (US$5,905 thousand) as of March 31, 2012 and deferred income tax expense recognized for the year ended March 31, 2012 decreased by ¥192 million (US$2,338 thousand). And deferred losses on hedges decreased by ¥25 million (US$304 thousand) and net unrealized holding gains (losses) on securities increased by ¥318 million (US$3,872 thousand) as of March 31, 2012.

10. Retirement benefits and pension costs

Accrued retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥(53,241)	¥(52,441)	$(648,253)
Fair value of pension assets	41,861	41,056	509,692
Excess of projected benefit obligation over pension assets	¥(11,380)	¥(11,385)	$(138,561)
Unrecognized actuarial differences	5,359	5,986	65,250
Unrecognized prior services costs	(303)	(621)	(3,689)
Net retirement benefits	¥ (6,324)	¥ (6,020)	$ (77,000)
Prepaid pension costs	(649)	(1,138)	(7,902)
Accrued retirement benefits	¥ (6,973)	¥ (7,158)	$ (84,902)

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

Accrued retirement benefits in the consolidated balance sheets as of March 31, 2012 and 2011 also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors of ¥54 million (US$657 thousand) and ¥58 million, respectively.

Included in the consolidated statements of income for the years ended March 31, 2012, 2011 and 2010 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Service cost-benefits earned during the year	¥2,234	¥2,237	¥1,984	$27,201
Interest cost on projected benefit obligation	941	949	923	11,458
Expected return on plan assets	(862)	(800)	(664)	(10,496)
Amortization of actuarial differences	761	1,018	1,573	9,266
Amortization of prior services costs	(318)	(318)	(319)	(3,872)
Severance and retirement benefit expense	¥2,756	¥3,086	¥3,497	$33,557

The discount rates used by the Company are primarily 2.0% for the years ended March 31, 2012, 2011 and 2010. The rates of expected return on plan assets used by the Company are primarily 3.5%, respectively for the years ended March 31, 2012, 2011 and 2010.

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 years ended March 31, 2012, 2011 and 2010 are ¥5,103 million (US$62,133 thousand), ¥5,271 million and ¥4,746 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 ¥280,232 million (US$3,412,054 thousand) and ¥262,762 million as of March 31, 2012 and 2011, respectively.

13. Net assets

Net assets comprise three subsections, which are shareholders' equity, accumulated other comprehensive income, 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 Law, 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. Contingent liabilities

Contingent liabilities as of March 31, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable sold to factoring companies with recourse	¥ 416	**$ 5,065**
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	13,299	**161,926**
	¥13,715	**$166,991**

Besides the above, as to providing electric power to Pogo Gold Mine, there are ¥820 million (US$9,984 thousand) to guarantee construction costs of electric facilities.

15. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Net unrealized holding gains (losses) on securities		
Increase (Decrease) during the year	¥(12,039)	$(146,585)
Reclassification adjustments	5,927	72,166
Sub-total, before tax	(6,112)	(74,419)
Tax effect	(628)	(7,646)
Sub-total, net of tax	¥ (6,740)	$ (82,065)
Deferred gains (losses) on hedges		
Increase (Decrease) during the year	(2,967)	(36,126)
Reclassification adjustments	2,599	31,645
Cost adjustments of assets	(9)	(109)
Sub-total, before tax	(377)	(4,590)
Tax effect	127	1,546
Sub-total, net of tax	¥ (250)	$ (3,044)
Foreign currency translation adjustments		
Increase (Decrease) during the year	(4,937)	(60,112)
Reclassification adjustments	303	3,689
Sub-total, before tax	(4,634)	(56,423)
Tax effect	—	—
Sub-total, net of tax	¥ (4,634)	$ (56,423)
Share of other comprehensive income of affiliated companies accounted for using equity method		
Increase (Decrease) during the year	(9,595)	(116,827)
Sub-total	¥ (9,595)	$(116,827)
Total other comprehensive income	¥(21,219)	$(258,359)

16. Segment information

(1) General information about reported segments

(a) Basis of decision about reported segments The reported segments of the Group refer to business units, for which separate financial information is available and that are subject to periodic reviews by the Board of Directors as the supreme, managerial decision-making body to determine the allocation of management resources and assess their respective operating results.

The Company currently has five business divisions— Mineral Resources Div., Non-Ferrous Metals Div., Semiconductor Materials Div., Advanced Materials Div. and Energy Catalysts & Construction Materials Div.—in the pursuit of effective business operations by products and services. Each of these business divisions plans its own comprehensive strategies to be carried out in Japan and overseas for its own product and service lines and engages in diverse business activities within the Company and through the consolidated subsidiaries and equity method affiliated companies.

The five aforementioned business divisions and the Taganito Project—the purpose of which is to construct a second High Pressure Acid Leach (HPAL) plant in the Taganito area of Mindanao Island in the Philippines—are classified as “business segments” of the Group.

The Group integrated these six business segments into three reported segments: “Mineral Resources” “Smelting & Refining”, “Materials” and “Others.” In determining these reported segments, the metal businesses and the Taganito Project were integrated into Smelting & Refining, whereas the semiconductor materials and advanced materials businesses were integrated into Materials, in accordance with the integration criteria and quantitative standards set forth in the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17 issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No.20 issued on March 21, 2008).

As described above, the Group consists of three segments identified by products and services based on the business divisions.

(b) Types of products and services of each reported segment In the Mineral Resources segment, the Group mainly engages in the exploration, development and production of nonferrous metal resources in Japan and overseas, as well as sales of ores and other products.

In the Smelting & Refining segment, the Group mainly engages in smelting and sales of copper, nickel, ferro-nickel, zinc and lead, as well as smelting and sales of precious metals such as gold, silver and platinum.

In the Materials segment, the Group mainly engages in manufacturing, processing and sales of semiconductor materials such as lead frames, tape materials (copper-clad polyimide film, chip-on-film (COF) substrates (electronic packaging materials used to make LCD panel integrated circuits) and bonding wires, as well as of advanced materials such as pastes, powder materials (e.g., nickel powder), battery materials (e.g., nickel hydroxide) and crystalline materials.

(2) Basis of measurement about reported segment income (loss), segment assets and other material items

The accounting methods for each reported segment are almost the same as those set forth in the "Basis of presenting the consolidated financial statements," excluding the allocation of "cost of capital" to each segment.

Cost of capital refers to an interest rate burden to be borne by each business segment of the parent company, which does not financially assume interest expenses, in proportion to its holding assets in calculating segment income for internal administration purposes. The cost of capital is obtained by multiplying total assets held by each segment of the parent company by an "internal interest rate." An amount that corresponds to the weighted average of the parent company's cost of capital and cost of liability is used as the internal interest rate. The same amount as a total of the cost of capital allocated to each segment is reported as a negative value in "Adjustments." The cost of capital is offset in the total for all segments Companywide. The cost of capital therefore has no effect on the consolidated financial statements.

Inter-segment net sales are calculated based on arm's length transaction prices.

(3) Information about reported segment income (loss), segment assets and other material items

Segment information as of and for the years ended March 31, 2012 and 2011 are as follows.

Millions of yen

2012	Mineral resources	Smelting & Refining	Materials	Total of reported segment	Others*	Adjustment**	Consolidated
Net sales:							
Outside customers	¥ 63,208	¥601,459	¥160,754	¥825,421	¥22,476	¥ —	¥ 847,897
Inter segment	42,535	87,121	21,289	150,945	10,709	(161,654)	—
Total	105,743	688,580	182,043	976,366	33,185	(161,654)	847,897
Segment income (loss)	¥ 80,540	¥ 25,644	¥ (294)	¥105,890	¥ 3,393	¥ (533)	¥ 108,750
Segment assets	¥248,351	¥564,171	¥109,583	¥922,105	¥52,550	¥171,339	¥1,145,994
Depreciation	7,104	13,611	7,663	28,378	1,110	1,625	31,113
Amortization of goodwill	89	—	4	93	—	—	93
Interest income	367	129	17	513	6	508	1,027
Interest expense	47	466	313	826	59	2,525	3,410
Equity in earnings of affiliated companies	28,311	(9,377)	93	19,027	2,770	1,420	23,217
Investment in equity-method affiliated companies	152,104	143,136	469	295,709	21,494	(61,516)	255,687
Capital expenditures	4,065	59,193	6,563	69,821	1,394	1,928	73,143

2011	Mineral resources	Smelting & Refining	Materials	Total of reported segment	Others*	Adjustment**	Consolidated
							Millions of yen
Net sales:							
Outside customers	¥ 61,474	¥590,646	¥188,630	¥840,750	¥23,327	¥ —	¥ 864,077
Inter segment	26,514	94,399	18,528	139,441	7,101	(146,542)	—
Total	87,988	685,045	207,158	980,191	30,428	(146,542)	864,077
Segment income (loss)	¥ 70,410	¥ 49,518	¥ 5,386	¥125,314	¥ 2,336	¥ (3,949)	¥ 123,701
Segment assets	¥176,250	¥583,193	¥113,879	¥873,322	¥53,485	¥125,546	¥1,052,353
Depreciation	8,337	14,296	8,897	31,530	1,483	1,612	34,625
Amortization of goodwill	99	—	11	110	—	—	110
Interest income	115	52	16	183	7	548	738
Interest expense	79	216	332	627	67	1,790	2,484
Equity in earnings of affiliated companies	29,849	4,180	104	34,133	2,372	(1,673)	34,832
Investment in equity-method affiliated companies	72,816	158,175	414	231,405	24,802	(54,554)	201,653
Capital expenditures	3,816	41,373	5,829	51,018	624	1,463	53,105

2012	Mineral resources	Smelting & Refining	Materials	Total of reported segment	Others*	Adjustment**	Consolidated
							Thousands of U.S. dollars
Net sales:							
Outside customers	$ 769,609	$7,323,256	$1,957,312	$10,050,177	$273,663	$ —	$10,323,840
Inter segment	517,898	1,060,770	259,211	1,837,879	130,391	(1,968,270)	—
Total	1,287,507	8,384,026	2,216,523	11,888,056	404,054	(1,968,270)	10,323,840
Segment income (loss)	$ 980,640	$ 312,237	$ (3,580)	$ 1,289,297	$ 41,313	$ (6,490)	$ 1,324,120
Segment assets	$3,023,877	$6,869,244	$1,334,263	$11,227,384	$639,839	$2,086,192	$13,953,415
Depreciation	86,497	165,725	93,303	345,525	13,515	19,786	378,826
Amortization of goodwill	1,084	—	48	1,132	—	—	1,132
Interest income	4,469	1,571	207	6,247	73	6,185	12,505
Interest expense	572	5,674	3,811	10,057	718	30,745	41,520
Equity in earnings of affiliated companies	344,710	(114,173)	1,132	231,669	33,727	17,290	282,686
Investment in equity-method affiliated companies	1,851,991	1,742,798	5,710	3,600,499	261,707	(749,007)	3,113,199
Capital expenditures	49,495	720,723	79,910	850,128	16,973	23,475	890,576

* The "Others" segment refers to businesses other than those included in the reported segments and other profitseeking business directly operated by Head Office divisions/ departments. Other businesses include manufacturing and sales of automotive exhaust processing catalysts, chemical catalysts, petroleum refinery and desulfurization catalysts, and autoclaved lightweight concrete (ALC) products, as well as technical engineering and real estate businesses.

** "Adjustments" are as follows:

1. Adjustments for segment income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Head Office expenses not allocated to each reported segment*[a]	¥(10,261)	¥(10,281)	$(124,936)
Cost of capital to be borne by each reported segment	15,224	15,084	185,365
Eliminations of inter-segmental transactikons among the reported segments	(2,716)	(3,816)	(33,070)
Non-operating income/expenses not allocated to each reported segment*[b]	(3,287)	(5,422)	(40,022)
Other adjustments	507	486	6,173
Total	¥ (533)	¥ (3,949)	$ (6,490)

*[a] Head Office expenses not allocated to each reported segment mainly consist of general administrative expenses and R&D expenses (hereinafter "Head Office expenses"), which are not attributable to the reported segments.

*[b] Non-operating income/expenses not allocated to each reported segment mainly consist of foreign exchange gains/losses and interest expenses, which are not attributable to the reported segments.

2. Adjustments for segment assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Corporate assets not allocated to each reported segment*	¥266,726	¥205,301	$3,247,607
Offset and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments	(95,387)	(79,755)	(1,161,415)
Total	¥171,339	¥125,546	$2,086,192

* Corporate assets not allocated to each reported segment mainly refer to the assets under the control of the Administration Dept. at the Head Office, which are not allocated to the reported segments.

3. Adjustments on depreciation refer to depreciation at the Head Office divisions/departments, which are not allocated to the reported business segments.

4. Adjustments on interest income consist of interest income at the Head Office divisions/departments, which is not allocated to the reported segments, and eliminations of transactions among the reported segments.

5. Adjustments on interest expenses consist of interest expenses at the Head Office divisions/departments, which are not allocated to the reported segments, and eliminations of transactions among the reported segments.

6. Adjustments on equity in earnings (losses) of affiliated companies refer to the deduction of unrealized income relating to the inter-segmental transactions among the reported segments.

7. Adjustments on investment in equity method affiliated companies represent the amount corresponding to "Foreign currency translation adjustments."

8. Adjustments on increase in property, plant and equipment and intangible assets refer to increases thereof at the Head Office divisions/departments, which are not allocated to the reported segments.

Related information

(1) Information about geographic areas

(a) Sales

2012 — Millions of yen

Japan	China	Taiwan	East Asia	Southeast Asia	North America	Others	Total
¥514,539	**¥88,316**	**¥85,310**	**¥14,552**	**¥74,850**	**¥60,549**	**¥9,781**	**¥847,897**

2011 — Millions of yen

Japan	China	Taiwan	East Asia	Southeast Asia	North America	Others	Total
¥502,614	¥95,375	¥91,496	¥13,295	¥90,911	¥60,374	¥10,012	¥864,077

2012 — Thousands of U.S. dollars

Japan	China	Taiwan	East Asia	Southeast Asia	North America	Others	Total
$6,264,934	**$1,075,320**	**$1,038,719**	**$177,183**	**$911,360**	**$737,234**	**$119,090**	**$10,323,840**

*1

Net sales are segmented by country or region according to customers' location data.

*2

Regions are segmented based on their geographical proximity, and only those countries for which the net sales amount accounts for more than 10% of the net sales stated in the Consolidated Statements of Income are separately listed.

*3

Major countries or regions that belong to the segments are as follows:

1. East Asia: South Korea and Hong Kong
2. Southeast Asia: Thailand, Indonesia, Malaysia, etc.
3. North America: United States, Canada and Mexico
4. Others: Australia, India, Bangladesh, etc.

(b) Property, plant and equipment

2012 — Millions of yen

Japan	East Asia	Philippines	Southeast Asia	North America	Others	Total
¥132,076	**¥8,074**	**¥120,975**	**¥1,022**	**¥22,852**	**¥5,458**	**¥290,457**

2011 — Millions of yen

Japan	East Asia	Philippines	Southeast Asia	North America	Others	Total
¥158,849	¥11,286	¥61,252	¥1,824	¥26,486	¥5,392	¥265,089

2012 — Thousands of U.S. dollars

Japan	East Asia	Philippines	Southeast Asia	North America	Others	Total
$1,608,133	**$98,308**	**$1,472,970**	**$12,444**	**$278,242**	**$66,455**	**$3,536,552**

*1

Regions are segmented based on their geographical proximity, and only those countries for which the property, plant and equipment amount accounts for more than 10% of the property, plant and equipment stated in the Consolidated Balance Sheets are separately listed.

*2

Major countries or regions that belong to the segments are as follows:

1. East Asia: China and Taiwan
2. Southeast Asia: Thailand, Malaysia and Singapore
3. North America: United States
4. Others: Australia, Solomon Islands, Peru, Chile, Brazil

(2) Information about major customers

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	**2012**	
Customer's designation or name	Sales	Sales	Sales	Related reported segments
Sumitomo Corporation	**¥138,685**	¥113,063	**$1,688,603**	Smelting & Refining, Materials
MITSUI&CO.,LTD.	**¥ 79,333**	¥ 80,619	**$ 965,944**	Smelting & Refining

(3) Information about impairment loss of fixed assets by reported segment

2012	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Millions of yen
Loss on impairment of fixed assets	¥—	5,477	4,591	1,034	—	¥11,102

2011	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Millions of yen
Loss on impairment of fixed assets	¥63	—	—	—	—	¥63

2012	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Thousands of U.S. dollars
Loss on impairment of fixed assets	$—	66,687	55,899	12,590	—	$135,176

(4) Information about unamortized balance of goodwill by reported segment

2012	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Millions of yen
Balance at end of year	¥519	—	1	—	—	¥520

2011	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Millions of yen
Balance at end of year	¥635	—	5	—	—	¥640

2012	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Thousands of U.S. dollars
Balance at end of year	$6,319	—	12	—	—	$6,331

Effective for the year ended March 31, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008).

17. Asset retirement obligations

(1) Asset retirement obligations that are recorded in the consolidated balance sheets

With regard to mines and quarries in operation in Japan, the Company is required by the Mining Safety Act, the Law on Special Measures for Mine Damages Caused by the Metal Mining Industry, etc., the Quarrying Act and leasing agreements to undertake mine pollution prevention activities for post-use specified facilities and to restore such facilities to their original condition. Based on these requirements, the Company records as asset retirement obligations a rational estimate of the expenses required for mine pollution prevention activities and any removal expenses.

For the domestic facilities of the Group in Japan, the Company makes rational estimates of the costs of demolishing and conducting surveys in accordance with requirements regarding special removal methods and obligations to conduct environmental surveys under asbestos damage prevention regulations of asbestos-related regulations and occupational health and safety regulations of dioxin-related regulations, and posts these amounts as asset retirement obligations.

Sumitomo Metal Mining Pogo LLC, Sumitomo Metal Mining Arizona Inc., Sumitomo Metal Mining Oceania Pty. Ltd. and Coral Bay Nickel Corporation are subject to the U.S. GAAP or International Financial Reporting Standards, as well as the mining laws and regulations of the United States, Australia and the Republic of the Philippines, respectively. Based on its business plans, the Company determines asset retirement obligations by making rational estimates of its obligations under such regulations of restoring operating mines and smelters to their original condition and the expenses of fulfilling these obligations. Furthermore, during the year ended March 31, 2011, the Company revised its estimates in accordance with changes in the discount rates and the mine life. Asset retirement obligations are calculated based on determining the estimated period until expenditure, the remaining useful life of facilities and the mine life (7 to 31) and discounted by the rates of 1.656% to 11.0%.

The asset retirement obligations as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at the beginning of the year*	¥4,268	¥3,484	$51,966
Newly recorded obligations	2	701	24
Adjustment due to passage of time	205	148	2,496
Decrease due to fulfillment of obligations	(1)	(17)	(12)
Increase due to change in estimates	20	214	244
Foreign exchange adjustment	(177)	(262)	(2,155)
Year-end balance	¥4,317	¥4,268	$52,563

* The balance of the asset retirement obligation at beginning of the year ended March 31, 2011 was determined based upon the guidance set forth in "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008).

(2) Asset retirement obligations other than those recorded in the balance sheets

The Group is required under leasing agreements to restore certain facilities on borrowed buildings and sites to their original condition at the time of removal. In cases where the period of use for lease assets is unclear or for which no relocation plans are in existence, asset retirement obligations cannot be rationally estimated. Furthermore, certain sites at our facilities employ hazardous substances specified under the Water Pollution Control Act, and at the time of removing its facilities the Company is required to conduct soil remediation surveys in accordance with the Soil Contamination Countermeasures Law. However, as the responsibility for fulfilling this obligation is estimated to be deferred, the timing for performing such surveys is unclear. Therefore, asset retirement obligations cannot be rationally estimated. Consequently, no corresponding asset retirement obligations are included in these obligations.

18. Information for certain leases

(1) Finance 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 has been 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, 2012 and 2011 are as follows:

						Millions of yen
			2012			2011
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	¥53	¥49	¥4	¥91	¥79	¥12

			Thousands of U.S. dollars
			2012
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	$645	$596	$49

Future lease payment, inclusive of interest as of March 31, 2012 and 2011 under such leases are as follows:

		Millions of yen	Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥3	¥ 8	$37
Due after one year	1	4	12
Total	¥4	¥12	$49

Total lease expenses and assumed depreciation charges for the years ended March 31, 2012, 2011 and 2010 are as follows:

			Millions of yen	Thousands of U.S. dollars
	2012	2011	2010	2012
Total lease expenses	¥8	¥14	¥22	$97
Assumed depreciation charge	8	14	22	97

As a lessor

As of March 31, 2012 and 2011, there was no lease asset related to non-ownership transfer the Company leased as a lessor.

(2) Operating leases

Future minimum lease payments as of March 31, 2012 and 2011 are as follows:

		Millions of yen	Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥ 139	¥ 138	$ 1,692
Due after one year	896	1,035	10,910
Total	¥1,035	¥1,173	$12,602

19. Business Combination

The year ended March 31, 2011

Establishment of Shisaka Smelting Co., Ltd

(1) Outline of the transactions by the transaction under common control

(a) The name of the subject business and the content of its business
Type of business: Manufacture of crude zinc oxide
Description of business activities: Primarily manufacture of crude zinc oxide at the Company's Shisaka Plant

(b) Outline and details of the purpose of the transaction
The Company previously performed operations in the manufacture of crude zinc oxide at its Shisaka Plant by recovering zinc from steelmaking dust produced by electric furnace manufacturers. However, sluggish growth in the volume of steelmaking dust collected was resulting in reduced production ratios and a severe operating environment for Shisaka Plant. In order to address this situation, the Company established a new company dedicated to the manufacture of crude zinc oxide in the form of a spin-off. This company was established to strengthen production systems by separating the maintenance and management of assets relating to past operations at Shisaka Plant from the manufacture of crude zinc oxide.

Another goal of this establishment was fortifying raw material procurement capabilities through direct collaboration for the collection of steelmaking dust with the consignee, MS Zinc Co., Ltd., an equity-method affiliate of the Company.

(c) Effective date of establishment
October 1, 2010

(d) The name of the company after business combination
Shisaka Smelting 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 Shisaka Smelting Co., Ltd., a company engaged in the manufacture of crude zinc oxide, as the newly established company.

(2) Outline of the accounting procedure implemented

The Company implemented the accounting procedures for a business combination under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, of December 26, 2008) and "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (Revised guidance No.10, issued on the ASBJ on December 26, 2008).

Formation of a jointly controlled company

(1) Outline of the transactions

(a) The name of the subject business and the content of its business
Type of business: Copper and copper alloy fabricated business of consolidated subsidiary Sumitomo Metal Mining Brass & Copper Co., Ltd.
Description of business activities: Primarily manufacture and sales of brass strips, sheets, and rolled products

(b) Outline and details of the purpose of the transaction
Previously, the Company's copper and copper alloy fabricated business achieved its high profitability through constructing an integrated supply system handled by consolidated subsidiary Sumitomo Metal Mining Brass & Copper Co., Ltd., while placing a particular focus on the utilization of rolling, plating, and other treatment technologies. Meanwhile, Mitsui Mining & Smelting Co., Ltd. had established a leading position in brass production in Japan through the integrated supply system of its Rolled Copper & Zinc Division, which covered all aspects for production from raw materials to fabrication.

However, demand for copper and copper alloy fabricated products has rapidly declined since around 2000, and competition within the industry has been intensifying every year. To prosper in this environment, Mitsui and Sumitomo have decided to integrate their copper and copper alloy businesses to establish a system to develop synergies through more effective utilization of production facilities, improved operational and managerial efficiency, and the supplementation and augmentation of each companies' manufacturing technologies.

This integration will enable the companies to create a stable supply system for high-quality rolled copper and copper alloy products that responds quickly to demand, establish overwhelming supremacy in the brass business in the Japanese market, and aggressively develop operations in other Asian markets to further increase the scale of operations.

(c) Effective date of business combination
July 1, 2010

(d) The name of the company after business combination
Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.

(e) The legal structure of the business combination
The business combination was accomplished utilizing an absorption-type split with Mitsui Mining & Smelting Co., Ltd.

as the splitting company and Sumitomo Metal Mining Brass & Copper Co., Ltd. (consolidated subsidiary of the company) as the succeeding company.

(f) Reason for definition as a jointly controlled company
In regard to Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.'s definition as a jointly controlled company, the Company and Mitsui Mining & Smelting Co., Ltd. have concluded a shareholders' agreement defining the company as a jointly controlled company. Further, consideration for the business combination was paid entirely in the form of stock with voting rights. Moreover, there is nothing that suggests a different type of control. Therefore, the company after the business combination is defined as a jointly controlled company.

(2) Outline of the accounting procedure implemented
The Company implemented the accounting procedures for the formation of a jointly controlled company based on the accounting standards "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued by the ASBJ on December 26, 2008) and "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (Guidance No.10, revised by the ASBJ on December 26, 2008).

Further, Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd. is an equity-method affiliate of the Company with the Company and Mitsui Mining & Smelting Co., Ltd. each possessing 50% of its voting rights.

20. Related party transaction

(1) Related party transaction

Related party transaction for the years ended March 31, 2012 is as follows.

Name of related party	Location	Capital investment	Segment	Voting interest	Description of the business relationship	Transaction detail	Amounts
		Thousands of U.S. dollars					Millions of yen
Sierra Gorda S.C.M.	Santiago, Chile	$800,142	Mineral resources	Indirectly 45.0%	Pledge as security for the loan from the financial institution	Pledge of shares as security*	¥11,498

* The Company pledges its owned shares in Sierra Gorda S.C.M. as security for the loan from the financial institution to finance developments of the Sierra Gorda copper project.
The Amounts of security is the balance as of March 31, 2012.

(2) Condensed financial information of a major affiliated company

Pursuant to the relevant accounting standards, condensed financial information of Sociedad Minera Cerro Verde S.A.A., Compania Contractual Minera Candelaria,Vale New Caledonia S.A.S which is disclosed for the year ended December 31, 2011 and 2010 are as follows:

Sociedad Minera Cerro Verde S.A.A.

2011	Millions of yen
Total current assets	¥153,107
Total long-term assets	95,396
Total current liabilities	26,115
Total long-term liabilities	14,229
Total net assets	208,159
Net sales	201,100
Net income before tax	124,657
Net income	86,056

2010	Millions of yen
Total current assets	¥ 93,590
Total long-term assets	92,697
Total current liabilities	39,832
Total long-term liabilities	20,056
Total net assets	126,399
Net sales	207,997
Net income before tax	146,335
Net income	92,578

2011	Thousands of U.S. dollars
Total current assets	$1,864,203
Total long-term assets	1,161,524
Total current liabilities	317,972
Total long-term liabilities	173,250
Total net assets	2,534,505
Net sales	2,448,557
Net income before tax	1,517,801
Net income	1,047,802

Compania Contractual Minera Candelaria

2011	Millions of yen
Total current assets	¥ 52,043
Total long-term assets	78,687
Total current liabilities	18,974
Total long-term liabilities	9,955
Total net assets	101,801
Net sales	122,489
Net income before tax	66,404
Net income	49,713

2011	Thousands of U.S. dollars
Total current assets	$ 633,666
Total long-term assets	958,079
Total current liabilities	231,024
Total long-term liabilities	121,210
Total net assets	1,239,511
Net sales	1,491,404
Net income before tax	808,523
Net income	605,296

Vale New Caledonia S.A.S.

2011	Millions of yen
Total current assets	¥ 21,860
Total long-term assets	281,318
Total current liabilities	42,958
Total long-term liabilities	137,565
Total net assets	122,655
Net sales	8,358
Net income (loss) before tax	(76,582)
Net income (loss)	(76,582)

2011	Thousands of U.S. dollars
Total current assets	$ 266,163
Total long-term assets	3,425,277
Total current liabilities	523,049
Total long-term liabilities	1,674,967
Total net assets	1,493,424
Net sales	101,765
Net income (loss) before tax	(932,449)
Net income (loss)	(932,449)

21. Earnings per share

Reconciliation of the difference between basic and diluted net income per share (“EPS”) for the years ended March 31, 2012, 2011 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	**2012**
Basic net income per share calculation				
Numerator :				
Net income	**¥ 65,219**	¥ 83,962	¥ 53,952	**$794,095**
Denominator (thousands of shares) :				
Weighted average number of shares	**561,981**	562,067	560,485	—
Basic EPS (yen and U.S. dollars)	**¥ 116.05**	¥ 149.38	¥ 96.26	**$ 1.41**
Diluted net income per share calculation				
Numerator :				
Net income	**¥ 65,219**	¥ 83,962	¥ 53,952	**$794,095**
Adjusted net income	**66,086**	84,826	54,816	**804,651**
Denominator (thousands of shares) :				
Weighted average number of shares	**561,981**	562,067	560,485	—
Assumed conversion of convertible bonds	**57,176**	57,176	57,176	—
Adjusted weighted average number of shares	**619,157**	619,243	617,661	—
Diluted EPS (yen and U.S. dollars)	**¥ 106.74**	¥ 136.98	¥ 88.75	**$ 1.30**

22. 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, 2012, was approved at a shareholders’ meeting held on June 25, 2012:

	Millions of yen	Thousands of U.S. dollars
Year-end dividends of ¥12.00 per share	**¥6,743**	**$82,102**

Independent Auditors' Report

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Sumitomo Metal Mining Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income ,statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Metal Mining Co., Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for each of the three years in the period ended March 31, 2012 in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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 LLC

June 25, 2012
Tokyo, Japan

Glossary

Mineral resources segment and Smelting & refining segment

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 on 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.

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 preprocessing 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.

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 P.T. Vale Indonesia.

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.

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 low grade 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.

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.

Materials segment

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.

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.

Leadframes (L/F)
Leadframes 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.

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.

Consolidated Subsidiaries and Equity-Method Affiliates

As of March 31, 2012

Mineral Resources	Percentage of Voting Shares (%)	Location	Principal Operations
Consolidated companies			
Sumiko Resources Exploration & Development Co., Ltd	100	Tokyo	Geological survey of resources, Test boring
Sumitomo Metal Mining America	100	USA	Exploration; Management of mining subsidiaries in North America
Sumitomo Metal Mining Arizona	80	USA	Mining and related operations
SMMA Candelaria Inc.	100	USA	Investment in the local company in Chile operating the Candelaria Mine
Sumitomo Metal Mining Canada Ltd.	100	Canada	Exploration, Consulting
Sumitomo Metal Mining Oceania	100	Australia	Resource surveys, mine development and related operations in Oceania
Sumitomo Metal Mining Pogo LLC	100	USA	Investment in the Pogo Mine
SMM Resources	100	Canada	Mineral resources business
SMM Cerro Verde Netherlands B.V.	80	Netherlands	Investments in local Peruvian companies engaged in Cerro Verde Mine operations
SMM Exploration Corporation	100	USA	Mineral resources business
SMM Solomon Limited	70	Solomon Islands	Exploration in the Solomon Islands
Sumitomo Metal Mining Peru S.A.	100	Peru	Exploration in South America
Sumitomo Metal Mining Chile LTDA	100	Chile	Exploration in South America
Sumiko Solomon Exploration Co., Ltd.	70	Tokyo	Exploration in the Solomon Islands
SUMAC MINES LTD.	100	Canada	Exploration
Stone Boy Inc.	80	USA	Exploration
SMM Sierra Gorda Inversiones Ltda.	70	Chile	Investment in the Sierra Gorda Project
Sumitomo Metal Mining do Brasil LTDA.	100	Brazil	Exploration
Equity-method affiliates			
Sociedad Minera Cerro Verde S.A.A.	21	Peru	Cerro Verde Mine
Compania Contractual Minera Candelaria	20	Chile	Candelaria Mine
Compania Contractual Minera Ojos Del Salado	20	Chile	Ojos del Salado Mine
Sierra Gorda SCM	45	Chile	Sierra Gorda Mine
Cordillera Exploration Co., Inc.	25	Philippines	Exploration in the Philippines

Smelting & Refining	Percentage of Voting Shares (%)	Location	Principal Operations
Consolidated companies			
Hyuga Smelting Co., Ltd.	60	Miyazaki Prefecture	Ferronickel smelting
Shisaka Smelting Co., Ltd.	100	Ehime Prefecture	Manufacture of crude zinc oxide
Sumiko Logistics Co., Ltd.	100	Ehime Prefecture	Maritime trading, Harbor transportation and services, Land transportation
SUMIC Nickel Netherlands b.v.	52	Netherlands	Investment in nickel and cobalt development businesses, Sale of nickel and cobalt
Coral Bay Nickel Corporation	54	Philippines	Manufacture of nickel and cobalt intermediates
Taganito HPAL Nickel Corporation	62.5	Philippines	Taganito Project
Sumitomo Metal Mining Philippine Holdings Corporation	100	Philippines	Regional headquarters for the nickel business
Sumiko Business Consulting (Shanghai) Co., Ltd.	100	China	Business consulting
Taihei Metal Industry Co., Ltd.	97	Kanagawa Prefecture	Manufacture of heat-, corrosion- and friction-resistant steel castings and precision castings

Equity-method affiliates			
Jinlong Copper Co., Ltd.	27	China	Manufacture and sale of electrolytic copper and sulfuric acid
Acids Co., Ltd.	50	Tokyo	Manufacture and sale of sulfuric acid and related products
P.T. Vale Indonesia Tbk	20	Indonesia	Nickel ore mining, Nickel smelting
Nickel Asia Corporation	25	Philippines	Nickel ore mining
FIGESBAL	26	New Caledonia	Nickel ore mining, Harbor transportation
Vale New-Caledonia S.A.S.	21	France	Goro Mine
MS Zinc Co., Ltd.	50	Tokyo	Manufacture and sale of zinc and related operations
Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.	50	Saitama Prefecture	Manufacture and sale of copper and brass products and processed copper and brass products

Materials	Percentage of Voting Shares (%)	Location	Principal Operations
Consolidated companies			
Okuchi Electronics Co., Ltd.	100	Kagoshima Prefecture	Leadframe etching and plating, Manufacture of bonding wire and functional inks, Recovery and recycling of non-ferrous metals
Niihama Electronics Co., Ltd.	100	Ehime Prefecture	Manufacture of semiconductor leadframes and flexible circuit materials
Shinko Co., Ltd.	94	Nagano Prefecture	Design, manufacture and sale of printed circuit boards
Sumitomo Metal Mining Asia Pacific Pte. Ltd.	100	Singapore	Regional headquarters for international leadframe operations
M-SMM Electronics SDN.BHD	100	Malaysia	Manufacture and sale of leadframes
Sumiko Electronics Taiwan Co., Ltd.	70	Taiwan	Manufacture and sale of leadframes and tape materials
Sumiko Leadframe Chengdu Co., Ltd.	85	China	Manufacture and sale of leadframes
Sumiko Precision Chengdu Co., Ltd.	70	China	Manufacture of leadframes
Sumiko Electronics Suzhou Co., Ltd.	100	China	Manufacture and sale of semiconductor package materials
Sumiko Tec Co., Ltd.	100	Kanagawa Prefecture	Terminals and connectors for electronic and electric equipment; Related components, electric wire, power cords and pressure bonding machines and their maintenance; Manufacture and sale of formed products for optical equipment
Nittosha Co., Ltd.	100	Kanagawa Prefecture	Plating of metal products, surface treatment processing and distribution; Electromagnetic shielding processing to electronics resin products through a dry plating method
Sumiko Kunitomi Denshi Co., Ltd.	100	Hokkaido	Manufacture of crystal products and magnetic materials
Dongguan Sumiko Electronic Paste Co., Ltd.	69	China	Manufacture and sale of thick-film paste
Dongguan Sumiko Electronic Paste Co., Ltd.	85	China	Manufacture and sale of thick-film paste
SMM KOREA Co., Ltd.	100	South Korea	Sales support for advanced materials and business operations
SMM Precision Co., Ltd.	100	Akita Prefecture	Manufacture and sale of optical communications components
Equity-method affiliates			
Granopt Ltd.	50	Akita Prefecture	Manufacture and sale of rare earth iron garnet (RIG)

Others	Percentage of Voting Shares (%)	Location	Principal Operations
Consolidated companies			
● Sumico Lubricant Co., Ltd.	100	Tokyo	Manufacture and sale of various lubricants
● Sumico Lubricant Trading (Shanghai) Co., Ltd.	100	China	Sale of various lubricants
● Sumitomo Metal Mining Siporex Co., Ltd.	100	Tokyo	Manufacture and sale of ALC (Autoclaved Lightweight aerated Concrete) and other construction materials
● JCO Co., Ltd.	100	Tokyo	Management of facilities using uranium and related wastes
● Igeta Heim Co., Ltd.	100	Tokyo	Construction of steel frame and reinforced concrete apartments and condominiums
Sumiko Techno-Research Co., Ltd.	100	Ehime Prefecture	Environmental measurement verification operations such as water quality, air, soil, noise and vibration; Data collection, adjustment and product evolution as well as technological development
Sumiko Technical Service Co., Ltd.	100	Ehime Prefecture	Commission-based work in area of nonferrous smelting, Personnel agency business
Sumitomo Metal Mining Engineering Co., Ltd.	100	Ehime Prefecture	Survey, design, manufacturing, repair and maintenance of various types of machinery, equipment and plants in wide ranging fields including non-ferrous metal smelting, chemicals, and the environment
Sumiko Plantech Co., Ltd.	100	Ehime Prefecture	Manufacture of machinery & equipment and repair work for nonferrous metal smelting and chemical plants; Installation of machinery & equipment and piping work; Steel structure work
● Japan Irradiation Service Co., Ltd.	100	Tokyo	Irradiation sterilization service for pharmaceutical products, medical instruments and pharmaceutical containers; Modification of various industrial materials
SMM Holland B.V.	100	Netherlands	Investment in nickel and cobalt development businesses
Equity-method affiliates			
● N. E. Chemcat Corporation	50	Tokyo	Manufacture of precious metal catalysts and surface treatment chemicals; Recovery and refining of precious metals
● Nippon Ketjen Co., Ltd.	50	Tokyo	Manufacture and sale of desulfurization catalysts for petroleum processing

Note: Companies identified with a ● symbol have been reclassified as part of the materials segment for reporting purposes effective from the first quarter of fiscal 2012.

Corporate Data and Investor Information

As of March 31, 2012

Corporate Data

Founded	1590
Incorporated	1950
Paid-In Capital	¥93.2 billion
Number of Employees	8,658 (Consolidated)
Head Office	11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan

Investor Information

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:	57,023
Listing of Shares	Tokyo, Osaka
Stock Transaction Unit	1,000 shares

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
Website URL: http://www.smm.co.jp/E/

Registrar of Shareholders

The Sumitomo Trust and Banking Company, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Stock Transfer Agency Department: 4-1, Marunouchi 1-chome, Chiyoda-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.)

Independent Public Accountant

KPMG AZSA LLC
1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

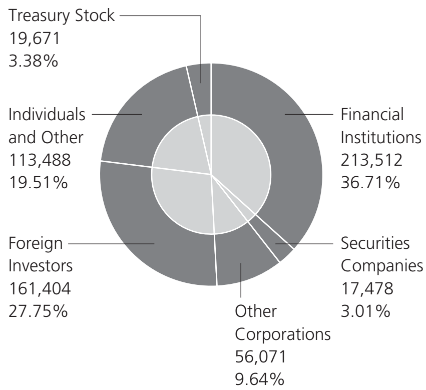
Major Shareholders

	Number of shares held (thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust accounts)	47,233	8.4
The Master Trust Bank of Japan, Ltd. (Trust accounts)	36,267	6.5
SSBT OD05 OMNIBUS ACCOUNT—TREATY CLIENTS	13,404	2.4
Japan Trustee Services Bank, Ltd. (Trust accounts 9)	10,380	1.8
Sumitomo Metal Industries, Ltd.	8,715	1.6
NT RE GOVT OF SPORE INVT CORP P.LTD	8,394	1.5
Sumitomo Mitsui Banking Corporation	7,650	1.4
Sumitomo Life Insurance Company	7,474	1.3
Sumitomo Corporation	7,000	1.2
The National Mutual Insurance Federation of Agricultural Cooperatives	6,115	1.1

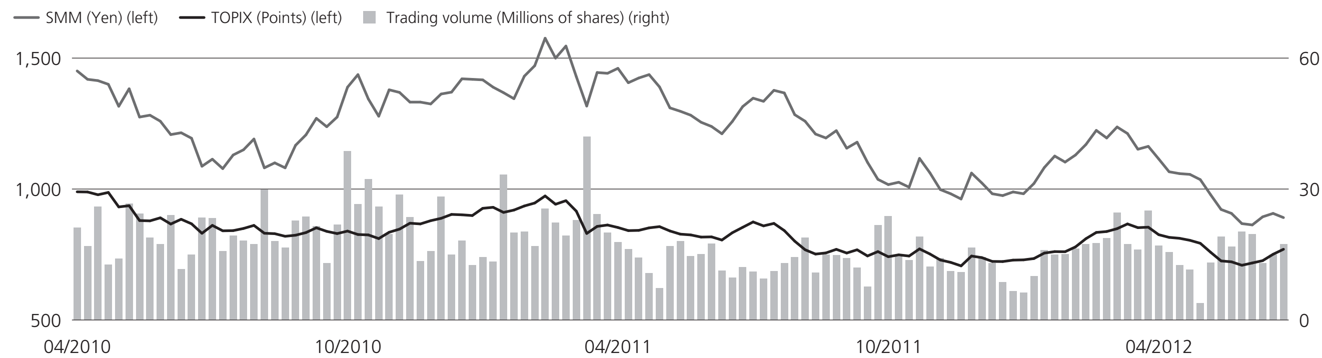
Note: Shareholding ratio is calculated excluding treasury stock.

Breakdown of Shareholders

(Thousands of shares)



Stock Price and Trading Volume



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

SUMITOMO METAL MINING CO., LTD.

11-3, Shimbashi 5-chome, Minato-ku,
Tokyo 105-8716, Japan

http://www.smm.co.jp/E/

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