Press Release

September 8, 2009

SMM Carries Out Gold Hedge Operations
-- Strategy Aimed At Stabilization of Mine Earnings --

Each year Sumitomo Metal Mining Co., Ltd. (SMM) produces approximately 7.5 tons of gold at its Hishikari Mine in Japan's Kagoshima Prefecture and 11 tons at the Pogo Mine in Alaska. In light of the historically high range at which gold is trading today, the company sees this as a prime opportunity to secure a stable selling price over the long term through hedge trading. It has therefore carried out the hedge operations described below.

1. Hishikari Mine

Of the total gold scheduled to be produced at the mine between September 2009 and June 2012, a minimax* type hedge operation has been carried out against 900 kg per quarter (3.6 tons/yr, 48% of annual total), with the minimum price set at $700/troy oz and the maximum at $1,700.

** Using the example cited here, under a minimax hedge operation the effective selling price of the quoted amount of gold is set between $700 and $1,700/troy oz at no cost, with SMM purchasing the right (put option) to sell a given amount of gold to a trader at, for example, $700/troy oz and selling the right (call option) of the trader to purchase a given amount of gold from SMM at, for example, $1,700/troy oz.*

2. Pogo Mine

Of the total gold scheduled to be produced at the mine between September 2009 and December 2014, hedge operations were carried out against one-half of SMM's 85% interest. Two minimax hedge contracts were arranged: a) one against roughly 28% of the total hedged amount, with the minimum price set at $750/troy oz and the maximum at $1,850; and b) the other against the remaining approximately 72%, with the minimum price set at $750 troy/oz and the maximum at $1,700.

Under the former operation, the selling price against 48% of the Hishikari Mine's scheduled annual gold production is secured at $700/troy oz if the spot price slips below $700, and gold is traded at the spot price when the spot price is within a range from $700 to $1,700/troy oz. If the spot price rises above $1,700, the selling price holds at $1,700, enabling earnings from the gold produced at the mine to be secured within a given range. Under the latter pair of operations, the same arrangement is set in place apropos the gold produced at the Pogo Mine, within slightly different price parameters.

Under the newly implemented operations, SMM runs the risk that, for example, for 48% of the gold output of its Hishikari mine, the company would be unable to benefit fully if the spot price of gold were to soar above $1,700/troy oz; but at the same time, if the spot price were to fall below $700, the company would still secure a price of $700/troy oz against 48% of the mine's output. These hedge operations are thus expected to contribute to the achievement of stable earnings going forward.

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