

October 20, 2004

Sumitomo Metal Mining Co., Ltd.

Mitsui & Co., Ltd.

**Participation in the project of the development of nickel mine  
and building a processing plant in New Caledonia**

Sumitomo Metal Mining Co., Ltd. (Sumitomo) and Mitsui & Co., Ltd. (Mitsui) (Sumitomo and Mitsui, collectively referred to as the “Japanese Consortium”) jointly announced today that they have reached an agreement in principle with Inco Limited (Canada) to participate jointly in the Goro Nickel Development Project (Goro Nickel Project), which is being promoted by Inco Limited in New Caledonia, and that they have concluded a Memorandum of Understanding (MOU) in order to negotiate definitive agreements with Inco concerning the terms and conditions of their acquisition and certain other arrangements covering their participation in the project.

The Goro Nickel Project is a large-scale project that will use a hydrometallurgical process technology (“HPAL Project”) which has received a great deal of industry attention. Recently, following the completion of the reviewing study, which indicates a total project capital cost of approximately US\$1.87 billion, taking into account certain assumptions for escalation in costs and currency transaction gains and an outline of the plant, Sumitomo and Mitsui have been negotiating with Inco Limited regarding their participation in the Goro Nickel Project and have reached an agreement in principle on participation by acquiring the equity of Goro Nickel S.A., the project company for the Goro Nickel Project, from Inco Limited. The detailed terms and conditions of the equity participation have yet to be decided, but the equity position of the Japanese Consortium will be 21% (Sumitomo: 11%, Mitsui: 10%).

Sumitomo and Mitsui understand that The Goro Nickel Project has a very extensive nickel resource base and its operations are currently expected to continue a very long period of time. The Goro Nickel Project is expected to start production in the late summer of 2007 and have a life of mine capacity of 60,000 metric tonnes of nickel as nickel oxide and between 4,300 and 5,100 metric tonnes of cobalt as cobalt carbonate per year.

The Japanese Consortium will have the right to off-take nickel and cobalt in proportion to its equity ratio. The consortium will aim to respond to the growing stainless steel market in Asia led by China which is a major demand segment of nickel and to the battery market which is a major growing market for cobalt.

Inco Limited and Sumitomo have developed a long term good relationship through joint

investment in nickel projects, i.e. PT International Nickel Indonesia Tbk (Indonesia). Sumitomo has been negotiating with Inco regarding participation in the Goro Nickel Project for several years, since Sumitomo believes that the Goro Nickel Project is a promising project due to the size of its mineral resource base and expected competitiveness of its operating costs.

Sumitomo disclosed in its mid-term business plan that it regards resource and metal business as its core business. In order to achieve its goal of being a major player in non-ferrous business within ten years, Sumitomo is making a consistent effort to acquire valuable nickel business resources, such as the Coral Bay Nickel Project (Philippines), which produces nickel-cobalt mixed sulfide at its refinery. Sumitomo believes that the foundation of Sumitomo's nickel business will be strengthened by its participation in the Goro Nickel Project.

Investment in mineral resources business is one of the core strategies in Mitsui's medium term business plan ending March 2006. Mitsui believes that participation in the Goro Nickel Project will contribute to the diversification of its portfolio in mineral resources business and the reinforcement of the basis for future earnings.

Growth of world nickel demand is expected to remain stable due to the growth of nickel demand in Asia, mainly led by the IT industry and China, and there is an urgent need to cope with such growth. Both Sumitomo and Mitsui believe that participation in the Goro Nickel Project will strengthen the foundation of the nickel supply framework, not only to the domestic market, but also to foreign countries, centered around South East Asia.

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