

January 31, 2008

To whom it may concern:

Company name: Sumitomo Metal Mining Co., Ltd.
(Code: 5713 First Sections of the Tokyo Stock
Exchange and the Osaka Securities Exchange)
Representative name: Nobumasa Kemori, Representative Director and
President
Inquiries to: Hiromasa Oba, Public Relations & IR Dept.
(Tel: 03-3436-7705)

Notice concerning Issuance of Stock Acquisition Rights by way of Third-Party Allotment in
connection with the Loan with Stock Acquisition Rights (with conditions on exercise price
adjustments)

Sumitomo Metal Mining Co., Ltd. (the “Company”) hereby announces that it has passed a resolution as follows at the meeting of its board of directors held on January 31, 2008 to issue stock acquisition rights (the “Stock Acquisition Rights”, and the holder of the Stock Acquisition Rights are referred to as the “Stock Acquisition Rights Holder”) by way of third-party allotment and to execute a loan agreement (the “Loan Agreement,” and the principal receivables pertaining to the Loan Agreement are referred to as the “Loan Principal Receivables”) for the purpose of procuring funds (the “Fund Procurement”) through a loan with stock acquisition rights (the “Loan with Stock Acquisition Rights”).

1. Purpose of the Fund Procurement

(1) Background and Purpose of the Fund Procurement

As set out in its “2006 Mid-Term Business Plan” (the “Mid-Term Business Plan”), the Company is endeavoring to expand its business and aiming to “enter the ranks of the major non-ferrous metal players” in its Mineral Resources and Non-Ferrous Metals Business and to secure “leading global market shares for our products” in its Electronics and Advanced Materials Business. The strategy in the Mineral Resources and Non-Ferrous Metals Business is focused on expanding and strengthening nickel operations and the Company has set a target to establish a nickel production capability in fiscal year 2013 of 100,000 tons per year. Specifically, in addition to increasing electrolytic nickel production from 30,000 tons to 65,000 tons, the Company is proceeding with an increase in production capacity at the Goro Nickel Project, which is scheduled to commence operations in December 2008, and at the Coral Bay Nickel in fiscal year 2009, and a feasibility study of the Taganito Project, whose commencement of operations is targeted for fiscal year 2012. The Company is also focused on mining metals such as copper and nickel with the aim of securing additional mineral resources in mines it has developed itself. Meanwhile, in the

Electronics and Advanced Materials Business, the Company is working to achieve the top market share for its existing products and to develop and commercialize new products in order to achieve stable mid to long-term growth.

In the course of implementing projects to expand its operations as described above, an investment of 140 billion yen in three years up to the end of fiscal year 2009 is planned in the Mid-Term Business Plan, but it has become necessary to procure funds because a shift to long-term fixed capital has become advantageous in terms of financial risk management in light of factors such as additional investments in the Goro Nickel Project and other investments that are not included in the Mid-Term Business Plan, a significant reduction in the Company's long-term funds in the new growth stage, and future interest rate movements.

Under these conditions and after giving repeated consideration to methods of procuring the funds required by the Company from a long-term perspective to enter the ranks of the major metal players, the Company decided on January 31, 2008 to implement the Loan with Stock Acquisition Rights in light of factors such as the option to choose monetary claims as the property to be contributed upon exercise of stock acquisition rights in line with the recently enforced Corporate Code. Further, the Company has adopted a these schemes for the Fund Procurement (see the "Outline of the Loan with Stock Acquisition Rights" below for details) as a result considering the scheme based on discussions with the Sumitomo Mitsui Banking Corporation, which will be the fund provider, and through arrangements by Daiwa Securities SMBC Co. Ltd., which arranged this transaction.

The Company plans on using the funds procured through the Loan with Stock Acquisition Rights for the repayment of existing loans and redemption of bonds, and as operating capital in addition to the capital investments and investments and loans not included in the Mid-Term Business Plan such as the additional investments in the Goro Nickel Project which was announced on November 16, 2007.

Further, (a) long-term stable fund procurement with generally favorable terms will be possible because by using the same product design as typical convertible bonds with stock acquisition rights, including restricting the property to be contributed upon exercise of the Stock Acquisition Rights to the Loan Principal Receivables, and (b) flexible recapitalization that responds to future changes in the business environment will be possible because the exercise of the Stock Acquisition Rights is conditioned on the satisfaction of certain conditions, such as if the Company gives notification that it is possible to exercise the Stock Acquisition Rights, and the Company can request under certain conditions that the Stock Acquisition Rights Holder exercise the Stock Acquisition Rights. Further, in addition to the above conditions concerning the exercise of the Stock Acquisition Rights, the minimum exercise price of the Stock Acquisition Rights will be set at 100% (1,749 yen) of the share closing price on the day immediately preceding the day of the resolution to issue the Stock Acquisition Rights, which is a design that takes dilution of outstanding shares into account.

It is necessary to establish a system that allows for flexible capitalization in order to

prepare for factors such as expansion of operations with the aims of the Company “entering the ranks of the major non-ferrous metals players” by developing its own mines and enhancing and strengthening its copper, nickel and other operations and “securing leading global market shares for our products” by developing and commercializing new products in its Electronics and Advanced Materials Business, earnings variations due to fluctuations in metal prices and increased country risks. Further, even after the Mid-Term Business Plan is complete, it is expected large investments and other outlays will be necessary as the above projects proceed. With a reorganization among the main global non-ferrous metal players, we believe it will be possible through the Fund Procurement for the Company to develop its operations within the new balance of power, to further strengthen its operating base without passing up any promising investment opportunities in overseas mines or elsewhere, and to increase its shareholder value while focusing balance with the maintenance of sound financial standing.

(2) Merchantability of the Loan with Stock Acquisition Rights

<Outline of the Loan with Stock Acquisition Rights>

The Company will issue the Stock Acquisition Rights to Sumitomo Mitsui Banking Corporation (Trust Account) (including any party that assumes the status of a subscribing company under the Stock Acquisition Rights Allotment Agreement (the “Stock Acquisition Rights Allotment Agreement”), scheduled to be executed between the Company and the Subscriber on or after the effective date of the securities registration statement, in accordance with that agreement, the “Subscriber”) and will enter into the Loan Agreement with the Subscriber. The Subscriber is the trustee under the Fund Trust Agreement (the “Trust Agreement”) executed with SMM CL Corporation Yugen Sekinin Chukan Hojin (the “SPC”), and the borrowed funds drawn down under the Loan Agreement (the “ABL Agreement”) between Sumitomo Mitsui Banking Corporation as the lender (the “ABL Lender”) and the SPC are scheduled to be entrusted from the SPC, as the settler, to the Subscriber and loaned to the Company. Further, it is expected that in line with this the beneficiary interests under the Trust Agreement that are initially held by the SPC will be provided to the ABL Lender as security. This type of scheme is adopted because such as loan receivables is favorable to Sumitomo Mitsui Banking Corporation for holding, and if the Exercise Restriction Provisions (set out below) of the Stock Acquisition Rights is lifted (including the cases the where the Exercise Commitment Provisions (set out below) have been applied), the Trust Agreement will be terminated upon a deed-in-lieu-performance of such beneficiary interests to the ABL Lender, and the Loan with Stock Acquisition Rights is scheduled to be delivered to the ABL Lender. Based on the following characteristics, the Loan with Stock Acquisition Rights has a unified design where the Stock Acquisition Rights and the Loan Agreement are inseparable like convertible bonds with stock acquisition rights, and it will be possible to obtain immediately available funds from the beginning by procuring funds over the long term at generally favorable terms. Further, we believe that the Company will be able to control the exercise of the Stock Acquisition Rights and the amount and timing of such exercise by the Exercise Restriction Provisions, and that the Loan with Stock Acquisition Rights will respond to future changes in the business environment through the Exercise Commitment Provisions set out in the Stock

Acquisition Rights as well as that the Loan with Stock Acquisition Rights will allow the enhancement of capital adequacy.

- The property to be contributed upon exercise of the Stock Acquisition Rights is the Loan Principal Receivables. The Company will therefore be able to enhance capital adequacy at its option under certain conditions together with the Exercise Restriction Provisions and the Exercise Commitment Provisions since its liabilities under the Loan Agreement will be converted into an equivalent amount of capital at the time of the exercise of the Stock Acquisition Rights.
- The Company can repay all or part of the Loan Principal Receivables at any time at its option. In this case, the Company will, in case of partially repayment, acquire the Stock Acquisition Rights pertaining to the Loan Principal Receivables to be repaid without any consideration pursuant to the Stock Acquisition Rights Allotment Agreement, and the exercise of the Stock Acquisition Rights will be prohibited and the Stock Acquisition Rights will automatically extinguish in case of repayment in full, thus the Loan Principal Receivables and the Stock Acquisition Rights cannot exist independently.
- If the Loan Agreement is not drawn down, it will not be possible to exercise the Stock Acquisition Rights and the Stock Acquisition Rights will be extinguished immediately.
- An approval by resolution of the board of directors of the Company is required for any transfer of the Stock Acquisition Rights and it has been agreed in the Loan Agreement that the Loan Principal Receivables must be transferred together with the Stock Acquisition Rights. Consequently, it is contractually ensured that the Stock Acquisition Rights will accompany the Loan Principal Receivables and the Stock Acquisition Rights and the Loan Principal Receivables will not be held by different parties.

<Revision of the Exercise Price and Effect of Dilution Control >

The exercise price of the Stock Acquisition Rights will be revised as follows. By setting the minimum exercise price as follows, the Stock Acquisition Rights have a structure that prevents dilution of the share price to a price lower than 100% (1,749 yen) of the share closing price on the day immediately preceding the day of the resolution to issue the Stock Acquisition Rights.

- The exercise price of the Stock Acquisition Rights will be revised to (i) 100% of the average of the volume weighted average price (the “VWAP Average”) for 20 consecutive trading days up to and including the day immediately preceding the effective day of the exercise with respect to the period from the day following the allotment date until August 14, 2009, (ii) 98% of the VWAP Average for 20 consecutive trading days up to and including the day immediately preceding the effective day of the exercise with respect to the period on or after August 15, 2009 (excluding cases where item (iii) below applies), and (iii) if the Exercise Commitment Provisions have been applied, 95% of the VWAP Average for 3 consecutive trading days up to and including the day immediately preceding the

effective day of the exercise on or after February 15, 2013 (provided, however, that if the application of the Exercise Commitment Provisions is extended, the corresponding day after such extended period).

- While the exercise price will be set from time to time as described above according to the future share price of the Company, the minimum exercise price is set at 100% (1,749 yen) of the share closing price on the day immediately preceding the day of the resolution to issue the Stock Acquisition Rights and will not be revised to a price lower than that (provided, however, the minimum exercise price might be adjusted that in some cases).

<Exercise Restriction Provisions>

The following is an outline of the provisions relating to the conditions for the exercise of the Stock Acquisition Rights (the “Exercise Restriction Provisions”). The Company is able to enhance capital adequacy pursuant to a schedule that suits the Company and the market environment because, in principle, the Exercise Restriction Provisions and the Exercise Commitment Provisions enable the Company to control the exercise of the rights of the Stock Acquisition Rights Holder.

The Stock Acquisition Rights can only be exercised during the following periods set out in items (a) through (f), depending on the type of exercise as set out below in items (a) through (f).

- (a) If there is a public announcement for a merger, corporate split, share exchange, or share transfer that results in the delisting of the common stock of the Company (in this item (a), the “Merger”)
The period starting from such public announcement and until either the effective date of the Merger or a public announcement that the Merger will not take place
- (b) If there is a public notice for the commencement of a tender offer for the Company (meaning a public notice as provided in Article 27-3(1) of the Financial Instruments and Exchange Law)
The period starting from such public notice until the tender offer pertaining to such public notice is complete or there is a public announcement that such tender offer has been suspended
- (c) If the common stock of the Company is allocated to the delisting post or is designated as the delisting stock in a financial instruments exchange market (meaning a financial instruments exchange market as provided in Article 2(17) of the Financial Instruments and Exchange Law)
The period starting from such allocation or designation until such allocation or designation is removed
- (d) If, pursuant to the Stock Acquisition Rights Allotment Agreement, the Company’s written notification to allow the Subscriber to exercise its Stock Acquisition Rights,

which has been sent upon request of such Subscribers, is received or is deemed to have been received by such Subscriber, or the Company's written notification to allow the Subscriber to exercise its Stock Acquisition Rights, which has been sent at the discretion of the Company, is received or is deemed to have been received by all of the Subscribers

On and after the date on which such notification is received or is deemed to have been received by the Subscriber (or, if any period is set out in such notice, the extent of that period)

- (e) If the Exercise Request Notification (meaning a written document prepared by the Company in accordance with the provisions of the Stock Acquisition Rights Allotment Agreement) is received or is deemed to have been received by all of the Subscribers in accordance with the Stock Acquisition Rights Allotment Agreement

On or after February 15, 2013 (provided, however, that if the deadline for sending the Exercise Request Notification is extended in accordance with the Stock Acquisition Rights Allotment Agreement, the corresponding day of February 15, 2013 after such period extended from February 15, 2013)

- (f) If the Company has violated the financial covenant provision set out in Article 6(3) of the Loan Agreement or the Company has lost the benefit of the term pursuant to Article 10 of the Loan Agreement, and if any Subscriber's written notification pursuant to the Stock Acquisition Rights Allotment Agreement to make it possible to exercise the Stock Acquisition Rights is received or is deemed to have been received by the Company

On and after the date on which such notification is received or is deemed to have been received by the Company

The Stock Acquisition Rights Allotment Agreement provides that, in the case of item (d) or (e) above, the Company may specify such as the number of Stock Acquisition Rights that is entitled to exercise.

<Exercise Commitment Provisions>

The following is a summary of the provision that sets out the exercise obligations of the Stock Acquisition Rights (the "Exercise Commitment Provisions") set out in the Stock Acquisition Rights Allotment Agreement.

Provided that the following conditions are met, the Company may, by giving notice in the form of the Exercise Request Notification, make a request to the Subscriber to exercise a specified number of the Stock Acquisition Rights during a period from February 15, 2013 until the final day of the exercise period (about two years), and the Subscriber will be obliged to exercise that number of Stock Acquisition Rights.

- (a) The Company does not issue any MSCBs or other securities other than the Stock Acquisition Rights at the time when it dispatches the Exercise Request Notification

- (b) The Company is not aware of such as a material fact which is not announced at the time when it dispatches the Exercise Request Notification
- (c) The VWAP Average for 3 consecutive trading days during a period from January 17, 2013 to February 14, 2013 exceeds the minimum price value at least one time

<Outline of the Loan Agreement>

It is expected the Loan Agreement will be executed and drawn down in accordance with the following summary.

Borrower	Sumitomo Metal Mining Co., Ltd.
Lender	Sumitomo Mitsui Banking Corporation (Trust Account)
Amount	100,000 million yen
Execution Date	February 8, 2008
Drawdown Date	February 15, 2008
Maturity Date	February 15, 2015 Provided, however, that the all or part of the Loan Principal Receivables may be repaid at the date which the Company will specify.
Interest Rate	(see below) The interest payment date will be, the 15 th day of February and August up to and including February of 2013 (August 15, 2008 will be the first interest payment date), and the 15 th day of every month in and after March of 2013.
Exercise of the Stock Acquisition Rights	If the Stock Acquisition Rights are exercised and the Loan Principal Receivables are contributed, the Loan Principal Receivables pertaining to such exercised Stock Acquisition Rights will be considered due and payable and will have been granted to the borrower.
Security Interests	No security or guarantee
Purpose of the Funding	See Section 2(2) below

Note:

The Loan will have a variable interest rate that is the market interest rate (TIBOR) plus a prescribed spread, but the Company plans to execute an Interest Swap Agreement during a period from the execution day of the Loan Agreement and until the drawdown thereof with Sumitomo Mitsui Banking Corporation on the condition that the Loan is drawn down. Under this Interest Swap Agreement the above variable interest rate for a period up to the day corresponding to five years after the drawdown date of the Loan will be exchanged for a fixed interest rate, and the Company will in fact pay a fixed interest rate. The exchange rate in the Interest Swap Agreement will be clearly determined in accordance with the prevailing market rate at the time of the execution of the Interest Swap Agreement. Further, if it is assumed that the variable interest rate of the Loan will be exchanged for a fixed interest rate in accordance with the prevailing market rate on the day immediately

preceding the day of the resolution to issue the Stock Acquisition Rights under an interest swap agreement with the same terms and conditions as those of the above Interest Swap Agreement executed with Sumitomo Mitsui Banking Corporation, such fixed interest rate will be a rate of 1.45 % per year.

(3) Reason for Selecting the Scheme

After considering various fund raising methods, the Company determined that in carrying out fund procurement, the scheme pertaining to the Fund Procurement (the “Scheme”) is the optimum option for the Company for the following reasons.

- (a) The Scheme meets the needs of the Company of the current requirement to procure funds and to enhance flexible capital in the future.
- (b) By drawing down the Loan Agreement it will be possible to obtain a significant amount of immediately available funds.
- (c) By attaching the Stock Acquisition Rights to the Loan Agreement, it will be possible to procure long-term funds with generally favorable terms.
- (d) By conducting a negotiated transaction with an experienced business partner in terms of the Company’s characteristics such as its financial policy, credit standing, business model and operating environment, the Company is able to efficiently consider schemes that suit the above needs of the Company and negotiate the terms and conditions.
- (e) Because the property to be contributed upon exercise of the Stock Acquisition Rights is the Loan Principal Receivables and the liabilities pertaining to the Loan Principal Receivables will be extinguished and converted into capital upon exercise of the Stock Acquisition Rights, it will be possible to appropriately strengthen the Company’s financial base as necessary.
- (f) Because under the Exercise Restriction Provisions notification from the Company is, in principle, required to make it possible to exercise the Stock Acquisition Rights, it is basically possible to control the timing of when the exercise of the Stock Acquisition Rights begins and, consequently, it is possible to realize a capital structure that serves the interests of the Company.
- (g) Because under the Exercise Commitment Provisions the Company can make a request under certain conditions to the Subscriber to exercise a required number of the Stock Acquisition Rights, it will be possible to have flexible and more definitive capitalization in the future as the Company intends.
- (h) By setting the minimum exercise price at 100% of the share closing price on the day immediately preceding the day of the resolution to issue the Stock Acquisition Rights and setting the exercise price on or before August 14, 2009 at 100% of the market price of common stock of the Company at the time of exercise, dilution of the Company’s shares will be reasonably controlled.
- (i) By revising the exercise price if the share price increases in the future, dilution of the Company’s shares will be reasonably controlled.
- (j) If the Company repays part of the Loan Principal Receivables, it will acquire the Stock Acquisition Rights pertaining to the Loan Principal Receivables to be repaid without any consideration pursuant to the Stock Acquisition Rights Allotment Agreement, and if

the Company repays all of the Loan Principal Receivables, the exercise of the Stock Acquisition Rights will be prohibited and the Stock Acquisition Rights will automatically extinguish.

2. Amount and Purpose of Use of Funds Procured

(1) Amount of Funds Procured (estimated proceeds after deduction of costs)

97,950 million yen

The above estimated proceeds after deduction of costs has been calculated by deducting expenses from the value of the property to be contributed upon exercise of the Stock Acquisition Rights.

(2) Specific Purpose of Use of Funds Procured

There are no funds that will be newly paid since the Loan Principal Receivables are contributed in-kind upon exercise of the Stock Acquisition Rights. The Company will, upon issuance of the Stock Acquisition Rights, borrow from the Subscriber a total of 100,000 million yen pursuant to the execution of the Loan Agreement, which will be inseparable from the Stock Acquisition Rights, and the above amount of 97,950 million yen as the estimated proceeds after deduction of costs is the total of such borrowed amount minus the estimated amount of the issuance expenses.

It is expected such 100,000 million yen in borrowed funds will be used for capital investments not included in the Mid-Term Business Plan such as additional investments in the Goro Nickel Project, capital investments, investments and loans, repayment of loans or redemption of bonds that will become due and payable during or before March 2010, and otherwise as operating capital.

(3) Scheduled Expenditure Period of Funds Procured

Scheduled from February 2008 until March 2010

(4) Views on Reasonableness of Purpose of Use of Funds Procured

Some of the 100,000 million yen to be borrowed under the Loan Agreement is scheduled to be used for capital investment and investments and loans mainly for the purpose of expanding and strengthening the nickel operation, which is believed will contribute to the expansion of the Company's operating base. The procured funds are also scheduled to be used for the repayment of existing loans, for the redemption of bonds, as operating funds, and for other uses, and by utilizing the Scheme it will be possible to have a flexible capital policy that allows capitalization according future environmental changes, and it is believed that this will also contribute to an improvement in shareholders value.

3. Results Over Last 3 Years and Status of Equity Finance

(1) Results Over Last 3 Years (consolidated)

Accounting period	FY ended 2005	March	FY ended 2006	March	FY ended 2007	March
Sales (million yen)		484,585		625,579		966,764
Operating income (million yen)		47,893		82,756		162,632
Ordinary income (million yen)		54,486		99,716		205,285
Current net income (million yen)		37,017		62,800		126,054
Current net income per share (yen)		64.77		109.96		220.49
Dividend per share (yen)		8.0		14.0		27.0
Net assets per share (yen)		497.57		654.15		859.82

(2) Number of Shares Currently Outstanding and Status of Residual Securities

Type of Share	Number of Shares	Percentage to Number of Outstanding Shares
Total number of outstanding shares	581,628,031 shares	100%
Number of residual securities at current conversion price / exercise price	10,224,782 shares	1.76%
Total number of residual securities at minimum conversion price / exercise price	—	—
Total number of residual securities at maximum conversion price / exercise price	—	—

Notes:

1. The total number of outstanding shares and the total number of residual securities are shown as of January 30, 2008
2. This was due to an issuance in Yen-denominated Convertible Bond-type Bonds with Stock Acquisition Rights due 2009. There are no provisions for revising the conversion price.

(3) Number of Outstanding Shares and Status of Residual Securities as at the End of this Equity Financing

Type of Share	Number of Shares	Percentage to Number of Outstanding Shares
Number of outstanding shares	581,628,031 shares	100%
Total number of residual securities at initial conversion price	57,843,830 shares	9.95%
Total number of residual securities at minimum conversion price / exercise price	67,400,311 shares	11.59%

Total number of residual securities at maximum conversion price / exercise price	No maximum exercise price	-
--	---------------------------	---

Note:

1. The total number of outstanding shares and the total number of residual securities are shown as of January 30, 2008.
2. The total number of residual securities is shown by the number which the number of residual securities due to an issuance in Yen-denominated Convertible Bond-type Bonds with Stock Acquisition Rights due 2009 plus the number of residual securities due to this equity finance.

(4) Status of Recent Share Price

(a) Status over last 3 years

	FY ended March 2006	FY ended March 2007	FY ended March 2008
Open	799 yen	1,640 yen	2,285 yen
High	1,758 yen	2,445 yen	3,280 yen
Low	662 yen	1,159 yen	1,472 yen
Close	1,642 yen	2,275 yen	1,749 yen

Note: Figures for “FY ended March 2008” column are shown as at January 30, 2008

(b) Status over last 6 months

	August	September	October	November	December	January
Open	2,870 yen	2,330 yen	2,780 yen	2,620 yen	2,305 yen	1,912 yen
High	2,940 yen	2,840 yen	2,940 yen	2,625 yen	2,345 yen	1,948 yen
Low	1,932 yen	2,170 yen	2,470 yen	1,992 yen	1,825 yen	1,472 yen
Close	2,300 yen	2,790 yen	2,540 yen	2,280 yen	1,910 yen	1,749 yen

Note: January figures are shown as at January 30, 2008

(c) Share price on day immediately preceding day of resolution to issue Stock Acquisition Rights

	January 30, 2008
Open	1,753 yen
High	1,798 yen
Low	1,735 yen
Close	1,749 yen

(5) Status of this Equity Finance

- Issuance the Series 1 Stock Acquisition Rights by way of Third-Party Allotment

Issue Date	February 15, 2008
Amount of Funds Procured	97,950,000,000 yen (estimated proceeds after deduction of costs)
Number of Outstanding Shares at the time of Solicitation	581,628,031 shares
Number of Residual Securities resulting from the Solicitation	Number of residual shares at the initial conversion price (2,100 yen): 47,619,048 shares; no maximum exercise price Number of residual shares at the minimum conversion price (1,749 yen): 57,175,529 shares; no maximum exercise price

Subscriber	Sumitomo Mitsui Banking Corporation (Trust Account)
------------	---

Note: The total number of outstanding shares is shown as of January 30, 2008.

(6) Status of Equity Finance over Last 3 Years

- Issuance of Yen-denominated Convertible Bond-type Bonds with Stock Acquisition Rights due 2009

Issue Date	June 21, 2004
Amount of Funds Procured	20,000,000,000 yen (estimated proceeds after deduction of costs)
Number of Outstanding Shares at the time of Solicitation	571,872,794 shares
Number of Residual Securities resulting from the Solicitation	Number of residual shares at the initial conversion price (1,001 yen): 19,980,019 shares
Current Conversion Status (exercise status)	Number of converted shares (shares that have been exercised): 9,755,237 shares (as of January 30, 2008) (balance 10,235,000,000 yen, conversion price (exercise price) 1,001 yen)
Initial Purpose	Funds for the redemption of bonds and to reduce consolidated interest-bearing debt by promoting the introduction of a cash management system.
Expenditure Period	From July 2004 until June 2005
Current Allocation Status	The entire amount has been appropriated for the initially planned purpose of use of the funds.

4. Major Shareholders and Shareholding Ratios

Before Allotment (as of September 30, 2007)	
The Master Trust Bank of Japan, Ltd. (Trust Account)	8.75%
Japan Trustee Service Bank, Ltd. (Trust Account)	8.60%
Trust & Custody Services Bank, Ltd. (Trust Account B)	1.92%
Sumitomo Metal Industries, Ltd.	1.50%
Sumitomo Mitsui Banking Corporation	1.32%
Sumitomo Life Insurance Company	1.29%
BNP Paribas Securities (Japan) Ltd.	1.24%
Japan Trustee Service Bank, Ltd. (Trust Account 4)	1.24%

Sumitomo Corporation	1.20%
Japan Trustee Service Bank, Ltd. (Securities Investment Trust Account)	1.07%

- * Because there is no commitment of long-term holdings with respect to this issuance, the “Major Shareholders and Shareholding Ratios after Allotment”, which reflects the number of residual shares pertaining to the allotment of the Stock Acquisition Rights, is not shown; provided, however, that if Sumitomo Mitsui Banking Corporation, which is the ABL Lender, receives delivery of the beneficiary interests under the Trust Agreement due to a deed-in-lieu-performance or enforcement of a security interest and the Trust Agreement is terminated, it will become a Stock Acquisition Rights Holder, in which case its shareholding ratio reflected in the residual shares pertaining to all of the Stock Acquisition Rights will be a maximum of 11.15%.

5. Future Prospects

This procurement of funds will not affect the forecasts for our results for the current fiscal term. For our business results, please see our Q3 Overview of Accounts and Results for the period ending March 2008, which was released today.

6. Reasonableness of Terms and Conditions of Issue

(1) Basis for determining terms and conditions of issuance are reasonable

In the Scheme, under the Exercise Restriction Provisions, the Stock Acquisition Rights Holder will not be able to exercise the Stock Acquisition Rights unless certain conditions are satisfied, such as where the Company gives notice to the effect that it is possible to exercise the rights. Also, in accordance with the Exercise Commitment Provisions, from February 15, 2013, the Company will be entitled to request, under certain conditions, the Stock Acquisition Rights Holder to exercise their Stock Acquisition Rights. The stand-out characteristics of the Scheme, therefore, are that it is possible to generally control whether the Stock Acquisition Rights will be exercised and, if so, the amount and timing of that exercise by comprehensively considering factors such as future demand for funds, the Company’s financial condition, the share market environment, and the levels of the Company’s share prices, and it will enable flexible capitalization in the future. Further, by attaching the Stock Acquisition Rights to the Loan Agreement, we believe the Scheme will enable long-term fund procurement on generally more favorable terms than an ordinary loan.

With respect to the issue price of the Stock Acquisition Rights, we decided not to require payment of any money in exchange for the Stock Acquisition Rights (a) given that the Loan Agreement and the Stock Acquisition Rights are so closely intertwined as the property to be contributed upon exercise of the Stock Acquisition Rights is restricted to the Loan Principal Receivables; if the Senior Loan Agreement is not drawn down then the Stock Acquisition Rights cannot be exercised and will be immediately extinguished; it is agreed that the Stock Acquisition Rights and the Loan Principal Receivables will

not be transferred separately; and if the Loan Principal Receivables are extinguished upon, for example, the repayment of the loan, the exercise of the Stock Acquisition Rights will be restricted and the Stock Acquisition Rights will be extinguished and (b) as comprehensively taking into account both the fair value of the Stock Acquisition Rights and the economic value that the Company will be able to acquire as a result of attaching the Stock Acquisition Rights to the Loan Agreement.

We calculated the fair value of the Stock Acquisition Rights based on a theoretical value arrived at using—in addition to the various terms and conditions of the issuance of the Stock Acquisition Rights—the lattice model (the binomial tree method), which is a model generally used for calculating such values, and by assuming values for the current interest rate, the current market price of the Company's common stock, and the volatility and dividend yield of the shares.

- (2) Basis for determining that the number of shares to be issued and the scale of dilution of the shares are reasonable

We determined that the total value of the shares to be issued upon exercise of the Stock Acquisition Rights is not of such a scale that will have an excessive effect on the market and that the scale of dilution is reasonable given that (a) the average daily trading value of the Company's shares over the last year was 35,370 million yen as compared with the 100,000 million yen which is the value of the property to be contributed upon exercise of the Stock Acquisition Rights, (b) that the ratio of residual securities, which includes the Stock Acquisition Rights, to the total number of currently outstanding shares as at January 30, 2008 is forecast to be 11.59% or less, and that the minimum exercise price of the Stock Acquisition Rights will be set at 100% (1,749 yen) of the share closing price on the day immediately preceding the day of the resolution to issue the Stock Acquisition Rights.

The above ratio of the number of residual securities is the value derived from dividing the number of shares to be issued if all of the Stock Acquisition Rights are exercised at the minimum exercise price (1,749 yen) by the total number of outstanding shares as at January 30, 2008.

7. Reasons for Selecting the Subscriber

- (1) Reasons for Selecting the Provider of the Fund Procurement and the Subscriber of the Stock Acquisition Rights

Sumitomo Mitsui Banking Corporation, which is the fund provider for the Fund Procurement, is one of the major financial institutions in Japan that has been doing business with the Company for many years, and it is familiar with the Company's characteristics such as its financial policy, credit standing, business model, and operating environment. Further, as a result of consultations with Daiwa Securities SMBC Co. Ltd., which arranged this transaction, and Sumitomo Mitsui Banking Corporation, which is

the provider of the funds, the Company selected a scheme in the Fund Procurement described above that utilizes the Corporate Code and where the Loan Agreement and the Stock Acquisition Rights are unified, so the Company has adopted the Scheme and made Sumitomo Mitsui Banking Corporation (Trust Account) the Subscriber of the Stock Acquisition Rights and the counter party to the Loan Agreement. Further, as stated above, it is expected that the beneficiary interests under the Trust Agreement will be held by the SPC and will be provided to Sumitomo Mitsui Banking Corporation as a security over the loan to the SPC.

The following is an outline of Sumitomo Mitsui Banking Corporation.

(1)	Trade Name	Sumitomo Mitsui Banking Corporation		
(2)	Business Details	Banking business		
(3)	Date of Incorporation	June 6, 1996		
(4)	Principal Office	1-1-2 Yurakucho, Chiyoda-ku, Tokyo		
(5)	Position and Name of Representative	Masayuki Oku, President		
(6)	Capital Stock	664,986,000,000 yen		
(7)	Outstanding Shares	56,425,850 shares		
(8)	Net Assets (consolidated)	5,410,538,000,000 yen (as of the end of September 2007)		
(9)	Total Assets (consolidated)	103,722,670,000,000 yen (as of the end of September 2007)		
(10)	Calculation Date	March 31		
(11)	Number of Employees	17,945 (as of the end of September 2007)		
(12)	Major Shareholders and Shareholding Ratios	Sumitomo Mitsui Financial Group: 100%		
(13)	Relationships with Listed Companies	Capital Relationship	Number of the Company shares held by Sumitomo Mitsui Banking Corporation: 7,650,491 shares (as of the end of September 2007) Number of Sumitomo Mitsui Banking Corporation shares held by the Company: none (see note)	
		Business Relationship	Deposits, lending, foreign currency exchange, etc.	
		Personnel Relationship	Not applicable	
		Applicable Status with Related Parties	Not applicable	
(14)	Business Results over the past 3 years (consolidated)			
	Accounting Period	Ended March 2005	Ended March 2006	Ended March 2007
	Operating income (million yen)	2,691,357	2,750,274	2,925,665
	Ordinary income (million yen)	(99,752)	862,062	716,697
	Current net earnings (million yen)	(278,995)	563,584	401,795
	Current net earnings per share (yen)	(5,300.46)	9,864.54	7,072.09
	Dividends per share (common stock, yen)	683	5,714	763
	Net assets per share (yen)	23,977.62	41,444.83	67,823.69

Note: The Company holds 8,317 shares of common stock of Sumitomo Mitsui Financial Group, which is the parent company of Sumitomo Mitsui Banking Corporation (as of September 30, 2007).

(2) Holding Policy and Exercise Restriction Measures of the Counterparty to the Loan Agreement with Stock Acquisition Rights

The Stock Acquisition Rights Holder may not transfer the Stock Acquisition Rights without the approval of the board of directors of the Company (provided, however, that the transfer of the Stock Acquisition Rights will be approved as soon as a request is received by the board of directors of the Company if the principal and interest receivables under the Loan Agreement are delivered to a beneficiary as a delivery of trust assets under the Trust Agreement). The shares of the Company that are delivered upon exercise of the Stock Acquisition Rights may be sold in a timely and appropriate manner at the discretion of the holder of those shares.

The Company has agreed with the Subscriber under the Stock Acquisition Rights Allotment Agreement, and takes any other necessary measures, that if the number of shares of common stock of the Company that are to be acquired through the exercise of the Stock Acquisition Rights in a calendar month in which the day on which the exercise of such Stock Acquisition Rights is desired exceeds 10% of the number of listed shares of the Company at the time of the allotment of the Stock Acquisition Rights, it will not be possible to exercise the Stock Acquisition Rights that pertain to the shares that exceed 10% of the listed shares pursuant to Article 435(2) of the Securities Listing Regulations and Paragraphs (1) through (5) of Article 436 of the Securities Listing Regulations Enforcement Regulations established by the Tokyo Stock Exchange, and Article 5(1) of the Regulations concerning the Extent of Corporate Behavior and Sections 1(1) through (6) of the Handling of the Regulations concerning the Extent of Corporate Behavior established by the Osaka Securities Exchange.

(3) Agreement on Share Loans

There is no plan to execute an agreement or similar instrument between any director or major shareholder of the Company and Sumitomo Mitsui Banking Corporation (Trust Account), which is the Subscriber, concerning the lending of the Company shares in connection with the Fund Procurement.

Further, the Company has agreed with the Subscriber that, in the Stock Acquisition Rights Allotment Agreement, the Subscriber will not borrow any of the same class of shares as the shares to be acquired as a result of the exercise of the Stock Acquisition Rights as a trustee under the Trust Agreement executed with the SPC for the purpose of short selling other than, for example, selling such shares within the scope of the number of such shares.

-End-

(Attachment)

Sumitomo Metal Mining Co., Ltd.
Terms and Conditions of the Issue of the Series 1 Stock Acquisition Rights

1. Name of the Stock Acquisition Rights

Sumitomo Metal Mining Co., Ltd. Series 1 Stock Acquisition Rights (the “Stock Acquisition Rights”)

2. Subscription Price of the Stock Acquisition Rights

There is no requirement for monies to be paid in exchange for the Stock Acquisition Rights

3. Application Period

February 15, 2008

4. Stock Acquisition Rights Allotment Date

February 15, 2008

5. Class and Number of Shares underlying the Stock Acquisition Rights

The class of shares underlying the Stock Acquisition Rights is common stock of the Company, and the number of shares of common stock of the Company to be newly issued upon exercise of one Stock Acquisition Right or the number of shares of common stock of the Company held by the Company to be disposed instead of such issuance (such issuance and disposition of shares of common stock of the Company is referred to as “Delivery”) is the maximum integer calculated by dividing 5,000,000 yen (the “Contributed Amount”) by the Exercise Price (defined in Section 8(2)) effective at that time (provided, however, that any fraction of less than one share will be rounded off and no adjustment by cash will be made). If a holder of the Stock Acquisition Rights (the “Stock Acquisition Rights Holder”) exercises multiple Stock Acquisition Rights simultaneously, the number of shares of common stock of the Company subject to be Delivery by the Company will be the maximum integer calculated by multiplying the number of the Stock Acquisition Rights exercised by such Stock Acquisition Rights Holder by the Contribution Amount, and dividing the product thereof by the Exercise Price described above (provided, however, that any fraction of less than one share will be rounded off and no adjustment by cash will be made).

6. Total Number of the Stock Acquisition Rights 20,000 units

7. Stock Acquisition Rights Certificates

No certificates representing the Stock Acquisition Rights will be issued.

8. Description and Value of Property to be Contributed upon Exercise of the Stock Acquisition Rights

- (1) The property to be contributed upon the exercise of the Stock Acquisition Rights is the loan principle receivables (the “Loan Principle Receivables”) under the Loan Agreement Certificate (the “Loan Agreement”) dated February 8, 2008 executed by and between Sumitomo Mitsui Banking Corporation (Trust Account) and the Company, and the value thereof is 5,000,000 yen for each of the Stock Acquisition Rights. The Loan Principle Receivables to be contributed upon the exercise of the Stock Acquisition Rights will, at the same time as such contribution, be deemed to become due and payable and will be extinguished due to commingling.
- (2) When the Company Delivers shares of common stock upon the exercise of the Stock Acquisition Rights, the value per share of common stock of the Company (the “Exercise Price”) of the Loan Principle Receivables to be contributed upon exercise of the Stock Acquisition Rights will initially be 2,100 yen. The Exercise Price will be revised in accordance with Sections 9 and 10.

9. Revision of the Exercise Price

- (1) (i) On and after the day following the Allotment Date of the Stock Acquisition Rights, the Exercise Price will be revised to an amount that is equivalent to a value calculated by multiplying the average of the volume weighted average price (the volume weighted average price of whole day as of the close of afternoon trading (in case of a half-day, morning trading); the “Base Price”) of shares of common stock of the Company announced by the Tokyo Stock Exchange, Inc. on each trading day during the Market Value Calculation Period (defined in Item (2) below) with respect to the effective date of each exercise of the Stock Acquisition Rights (the “Revision Date”) set out in Section 15(2) with the ratio set out in Item (3) below (any fraction of a yen will be rounded off to the nearest whole yen). If any Base Price Adjustment Event set out in Item (4) occurs during the Market Value Calculation Period, the Base Price of each trading day during the Market Value Calculation Period will be adjusted to a price that the Company deems appropriate in a similar way to Section 10.
 - (ii) If the Exercise Price falls below 1,749 yen (the “Minimum Exercise Price”; to be adjusted in accordance with Section 10) as a result of calculating the Exercise Price under Sub-Item (i) above, the Exercise Price will be the Minimum Exercise Price.
- (2) The “Market Value Calculation Period” set out in Item (1) above means the period described in either (i) or (ii) below.
 - (i) If the Exercise Request Notification (meaning the Exercise Request Notification as set out in Article 10.1 of the Sumitomo Metal Mining Series 1 Stock Acquisition Rights Allotment Agreement Certificate (the “Stock Acquisition Rights Allotment Agreement”) dated February 8, 2008 executed by and between Sumitomo Mitsui Banking Corporation (Trust Account) and the Company, hereinafter the same) is delivered or is deemed to have been delivered to, in accordance with the Stock Acquisition Rights Allotment Agreement, the

Subscribing Company set out in the Stock Acquisition Rights Allotment Agreement (including any party that assumes the rights and obligations of the Subscribing Company under the Stock Acquisition Rights Allotment Agreement subject thereto; “Subscribing Company”), and if the Revision Date is on or after February 15, 2013 (provided, however, that if the deadline for sending the Exercise Request Notification is extended in accordance with Article 10.3 of the Stock Acquisition Rights Allotment Agreement, the corresponding day of February 15, 2013 after such extended period):

Three consecutive trading days up to and including the day immediately preceding the Revision Date, provided, however, that any day on which the weighted average purchase price of shares of common stock of the Company is not available on Tokyo Stock Exchange, Inc. is excluded, and if the day immediately preceding the Revision Date is not a trading day, then three consecutive trading days up to and including the immediately preceding trading day of such preceding day on which the volume weighted average price is available.

(ii) In any situation other than that set out in (i) above:

Twenty consecutive trading days up to and including the day immediately preceding the Revision Date; provided, however, that any day on which the weighted average purchase price of shares of common stock of the Company is not available on the Tokyo Stock Exchange, Inc. is excluded, and if the day immediately preceding the Revision Date is not a trading day, twenty consecutive trading days up to and including the immediately preceding trading day of such preceding day on which the volume weighted average price is available.

(3) “Ratio” mentioned in Item (1) above means the applicable ratio described in either of the following items.

(i) When the Revision Date is on or after the day following the Allotment Date of the Stock Acquisition Rights until August 14, 2009 (inclusive):

100%

(ii) When the Revision Date is on or after August 15, 2009 (excluding cases where (iii) below applies):

98%

(iii) When the Exercise Request Notification is delivered or is deemed to have been delivered to, in accordance with the Stock Acquisition Rights Allotment Agreement, Subscribing Company, and when the Revision Date is on or after February 15, 2013 (provided, however, that if the deadline for submitting the Exercise Request Notification is extended in accordance with Article 10.3 of the Stock Acquisition Rights Allotment Agreement, the corresponding day of February 15, 2013 after such extended period):

95%

- (4) “Base Price Adjustment Event” mentioned in Item (1) above means any of the following events.
- (i) If shares of common stock of the Company are Delivered at a Subscription Price that falls below the market value set out in Section 10(3)(ii) (provided, however, that this does not apply if shares of common stock of the Company are Delivered by the acquisition, conversion or exercise of any securities that provide for Delivery of shares of common stock of the Company, or stock acquisition rights (including those attached to bonds with stock acquisition rights) or any other securities or rights that allow a request for Delivery of shares of common stock of the Company) and either:
 - (A) when the payment date or the day immediately preceding the last day of the payment period falls within the Market Value Calculation Period (excluding cases where the Company grants rights to its shareholders to be allotted shares of common stock of the Company in the offering), or
 - (B) when the Company grants rights to its shareholders to be allotted shares of common stock of the Company in the offering and the Company determines the record date to determine shareholders to be granted such rights, and also the ex-rights date (the “Ex-Rights Date”) determined by the Tokyo Stock Exchange, Inc. with respect to the record date falls within the Market Value Calculation Period.
 - (ii) If there is any share split or gratis allotment of shares of common stock of the Company (“Share Split”) and the Company determines the record date to determine shareholders to acquire shares through such Share Split, and also the Ex-Rights Date with respect to such record date falls within the Market Value Calculation Period.
 - (iii) If any securities or rights that provide for Delivery of shares of common stock of the Company at a price that falls below the market value set out in Section 10(3)(ii) or stock acquisition rights (including those attached to bonds with stock acquisition rights) or other securities or rights that provide for Delivery of shares of common stock of the Company at a price that falls below the market value set out in Section 10(3)(ii) are Delivered (including any gratis allotment) and:
 - (A) when the payment date or the day immediately preceding the last day of the payment period falls within the Market Value Calculation Period (excluding cases where the Company grants rights to its shareholders to be allotted such securities or rights in the offering); or
 - (B) when the Company grants rights to its shareholders to be allotted such securities or rights in the offering and determines the record date to determine shareholders to be granted such rights, and the also Ex-Rights Date falls within the Market Value Calculation Period.
 - (iv) It is necessary to adjust the Base Price due to a share consolidation, merger, corporate split, share transfer, or share exchange.

- (v) It is necessary to adjust the Base Price due to an event which causes any change or potential change to the number of the outstanding shares of common stock of the Company other than events described in Sub-Items (i) through (iv) above.

10. Adjustment of the Minimum Exercise Price

- (1) After the Allotment Date of the Stock Acquisition Rights, the Company will adjust the Minimum Exercise Price using the following formula (the “Minimum Exercise Price Adjustment Formula”) if any event set out in Item (2) below occurs and the number of the outstanding shares of common stock of the Company changes or is likely to change.

$$\frac{\text{Minimum Exercise Price after adjustment} \times (\text{Number of Outstanding Shares} + \text{Number of Shares to be Delivered})}{\text{Market Value}} = \text{Minimum Exercise Price before adjustment} \times \text{Number of Outstanding Shares} + \text{Number of Shares to be Delivered}$$

- (2) The cases in which the Minimum Exercise Price is to be adjusted by the Minimum Exercise Price Adjustment Formula and the applicable period of the Minimum Exercise Price after adjustment will be as follows.

- (i) When Delivering shares of common stock of the Company at a Subscription Price that falls below the market value set out in Item (3)(ii) below (provided, however, that this does not apply if the Company delivers shares of common stock of the Company by the acquisition, conversion or exercise of any securities that provide for Delivery of shares of common stock of the Company, or any stock acquisition rights (including those attached to bonds with stock acquisition rights) or any other securities or rights that allow a request for Delivery of shares of common stock of the Company).

The Minimum Exercise Price after adjustment will become applicable on and after the day following the payment date or the last day of the payment period, or if the Company grants to its shareholders rights to be allotted shares of common stock of the Company in the offering, the day following the record date to determine shareholders to be granted such rights (if a record date is not determined, the payment date).

- (ii) If there is a Share Split of shares of common stock of the Company

The Minimum Exercise Price after adjustment will become applicable on and after the day following the record date to determine shareholders to acquire shares as a result of such Share Split (if a record date is not determined, the effective date).

- (iii) If any securities or rights that provide for Delivery of shares of common stock of the Company at a price that falls below the market value set out in Item (3)(ii) below or stock acquisition rights (including those attached to bonds with stock acquisition rights) or other securities or rights that allow a request for Delivery of common stock of the Company at a price that falls below the market value set out in Item (3)(ii) below is Delivered (including any gratis allotment):

Minimum Exercise Price after adjustment will be calculated by applying *mutatis mutandis* the Minimum Exercise Price Adjustment Formula as deeming that the shares of common stock of the Company were Delivered upon acquisition, conversion or exercise of all the securities or rights to be delivered under the initial conditions, and the Minimum Exercise Price after adjustment will become applicable (a) on and after the day following the payment date or the last day of the payment period (in case of gratis allotment, the effective date) regarding the securities or rights, or (b) if the Company grants rights to its shareholders to be allotted such securities or rights in the offering, on and after the day following the record date to determine shareholders to be granted such rights (if the record date is not determined, the effective date).

- (3) (i) When calculating in accordance with the Minimum Exercise Price Adjustment Formula, any fraction of a yen will be rounded off to the nearest whole yen.
- (ii) The market value to be used in the Minimum Exercise Price Adjustment Formula is the average closing price of shares of common stock of the Company in regular trading on the Tokyo Stock Exchange, Inc. for a period of 30 trading days (excluding days on which there is no closing price) commencing 45 trading days prior to the day on which the Minimum Exercise Price after adjustment becomes applicable.

When calculating the average price in this case, any fraction of a yen will be rounded off to the nearest whole yen.

- (iii) The Minimum Exercise Price before adjustment used in the Minimum Exercise Price Adjustment Formula will be the Minimum Exercise Price effective as of the day immediately preceding the day on which the Minimum Exercise Price after adjustment becomes applicable, and the number of outstanding shares used in the Minimum Exercise Price Adjustment Formula will be (a) the number of outstanding shares of common stock of the Company as of either the record date to determine the shareholders to be granted the right to be allotted shares in the offering (or the effective date if the record date is not determined) in case the Company grants its shareholders rights to be allotted shares of common stock of the Company in the offering or, in any other case, one month prior to the date on which the Minimum Exercise Price after adjustment becomes applicable less (b) the number of shares of common stock of the Company held by the Company as of the date thereof. If the shares of common stock of the Company are subject to a share split, the number of shares to be Delivered which is used in the Minimum Exercise Price Adjustment Formula does not include the number of shares of common stock of the Company to be allotted to the shares of common stock of the Company held by the Company as of the record date.

- (iv) If the difference between the Minimum Exercise Price after adjustment, which is calculated by the Minimum Exercise Price Adjustment Formula, and the Minimum Exercise Price before adjustment is less than one yen, the Minimum Exercise Price will not be adjusted. However, if any event requiring adjustment of the Minimum Exercise Price subsequently occurs and the Company adjusts the Minimum Exercise Price, the Company will use the Minimum Exercise Price before adjustment less such difference in the Minimum Exercise Price Adjustment Formula instead of the Minimum Exercise Price before adjustment.
- (4) In addition to the events set out in Item (2) above, the Company shall adjust the Minimum Exercise Price as required in the event of any of the following:
- (i) if an adjustment of the Minimum Exercise Price is required due to a share consolidation, merger, corporate split, share transfer, or share exchange
 - (ii) if, other than (i) above, an adjustment of the Minimum Exercise Price is required due to an event which causes any change or potential change to the number of outstanding shares of common stock of the Company
 - (iii) if two or more events requiring an adjustment of the Minimum Exercise Price coincide and it is necessary to consider the effect of one of these events with respect to the market value to be used in calculating the Minimum Exercise Price after adjustment based on the other event
- (5) When revising the Exercise Price or adjusting the Minimum Exercise Price under Section 9 or any of the above items, the Company shall give each Stock Acquisition Rights Holder advance written notice of such revision or adjustment and the reason therefor, the Exercise Price before revision or the Minimum Exercise Price before adjustment, the Exercise Price after revision or the Minimum Exercise Price after adjustment, the applicable day thereof, and any other required matter. If it is impossible for the Company to give such notice by the day before the applicable day, it shall give notice promptly on or after the applicable day.

11. Exercise Period of the Stock Acquisition Rights

The Stock Acquisition Rights may be exercised during following period (the "Exercise Period"): from February 15, 2008 until the close of banking hours on February 13, 2015 (the "Expiration Date"). If the Expiration Date of the Exercise Period is not a bank business day, the Expiration Date will be the immediately preceding bank business day. Notwithstanding the above, if it is necessary to suspend the exercise of Stock Acquisition Rights in order to conduct the Reorganization set out in Section 17 (only if the Assumed Stock Acquisition Rights set out in Section 17 are delivered subject to the provisions of Section 17), the Stock Acquisition Rights may not be exercised during a period designated by the Company that is no more than 30 days and commences prior to a day that is within 14 days from the effective date of the Reorganization. In this case, the Company shall notify of the exercise suspension period and any other required matter no later than one month before the commencement of such suspension period.

12. Conditions of Exercise of the Stock Acquisition Rights

- (1) Each Stock Acquisition Right may not be partially exercised.
- (2) If all of the Loan Principle Receivables are extinguished due to repayment of the loan or any other reason, the Stock Acquisition Rights may not be exercised on and after the date of the extinguishment of all of the Loan Principal Receivables.
- (3) If the Loan is not drawn down on the drawdown date set out in the Loan Agreement pursuant to the Loan Agreement, the Stock Acquisition Rights may not be exercised.
- (4) If any of Sub-Items (i) through (vi) below apply, the Stock Acquisition Rights may be exercised only during the period set out in the corresponding item.
 - (i) If there is a public announcement for a merger, corporate split, share exchange, or share transfer that results in the delisting of the common stock of the Company (in this Sub-Item (i), "Merger")

The period starting from such public announcement and until either the effective date of the Merger or a public announcement that the Merger will not take place

- (ii) If there is a public notice for the commencement of a tender offer for the Company (meaning a public notice as provided in Article 27-3(1) of the Financial Instruments and Exchange Law)

The period starting from such public notice until the tender offer pertaining to such public notice is complete or there is a public announcement that such tender offer has been suspended

- (iii) If the common stock of the Company is allocated to the delisting post or is designated as a delisting stock in a financial instruments exchange market (meaning a financial instruments exchange market as provided in Article 2(17) of the Financial Instruments and Exchange Law)

The period starting from such allocation or designation until such allocation or designation is removed

- (iv) If, pursuant to the Stock Acquisition Rights Allotment Agreement, the Company's written notification to allow the Subscribing Company to exercise its Stock Acquisition Rights, which has been sent upon request of such Subscribing Company, is received or is deemed to have been received by such Subscribing Company upon request of such Subscribing Company, or the Company's written notification to allow the Subscribing Company to exercise its Stock Acquisition Rights, which has been sent at the discretion of the Company, is received or is deemed to have been received by all of the Subscribing Companies

On and after the date on which such notification is received or is deemed to have been received by the Subscribing Company (or, if any period is set out in such notice, within that period)

- (v) If the Exercise Request Notification is received or is deemed to have been received by all of the Subscribing Companies in accordance with the Stock Acquisition Rights Allotment Agreement

On or after February 15, 2013 (provided, however, that if the deadline for sending the Exercise Request Notification is extended in accordance with the Stock Acquisition Rights Allotment Agreement, the corresponding day of February 15, 2013 after such extended period)

- (vi) If the Company has violated the financial covenant provision set out in Article 6(3) of the Loan Agreement or the Company has lost the benefit of the term pursuant to Article 10 of the Loan Agreement, and if any Subscribing Company's written notification pursuant to the Stock Acquisition Rights Allotment Agreement to make it possible to exercise the Stock Acquisition Rights is received or is deemed to have been received by the Company

On and after the date on which such notification is received or is deemed to have been received by the Company

- (5) The Company shall immediately notify each Stock Acquisition Rights Holder of the period set out in Sub-Item (iv) above if Sub-Item (iv) applies, and that Sub-Item (v) or (vi) applies if it does apply.

13. Matters regarding Capital and Capital Reserves that will be Increased in case where Shares will be Issued as a Result of the Exercise of the Stock Acquisition Rights

- (1) The amount of capital that will be increased in case where shares will be issued as a result of the exercise of the Stock Acquisition Rights equals half of the Maximum Capital Increase Amount that is calculated in accordance with Article 40(1) of the Corporation Calculation Regulations (with any fraction of a yen being rounded up to the nearest whole yen).
- (2) The amount of capital reserves that will be increased in case where shares will be issued as a result of the exercise of the Stock Acquisition Rights equals the Maximum Capital Increase Amount set out in Item (1) above less the amount of capital to be increased under Item (1) above.

14. Restrictions on Acquisition of the Stock Acquisition Rights by Transfer

Any acquisition of the Stock Acquisition Rights by transfer requires the approval of the Company by a resolution of board of directors of the Company.

15. Method of Exercising the Stock Acquisition Rights

- (1) If a Stock Acquisition Rights Holder wishes to exercise the Stock Acquisition Rights, it shall submit to the Location for Submitting Exercise Requests set out in Section 20 during the Exercise Period set out in Section 11 a written exercise request in a form designated by the Company that includes matters such as the terms and the number of the Stock Acquisition Rights subject to such exercise and the date of the exercise of the Stock Acquisition Rights after affixing its signature and seal to such written exercise request.

- (2) An exercise of the Stock Acquisition Rights will become effective when all of the necessary documents for the exercise are received at the Location for Submitting Exercise Requests set out in Section 20.

16. Method of Delivering Share Certificates

The Company shall, promptly after the exercise of the Stock Acquisition Rights becomes effective, issue or deliver share certificates to the Stock Acquisition Rights Holder that exercised such Stock Acquisition Rights; provided, however, that in accordance with the provisions of the Articles of Incorporation of the Company, the Company will not issue any share certificates representing less than one unit.

17. If the Company conducts a merger (only if the Company is resolved due to such merger), absorption-type corporate split (only if the obligations pertaining to the Loan Principle Receivables are assumed in the absorption-type corporate split), incorporation-type corporate split (only if the obligations pertaining to the Loan Principle Receivables are assumed in the incorporation-type corporate split), share exchange (only if the Company becomes a wholly-owned subsidiary of another company), or share transfer (only if the Company becomes a wholly-owned subsidiary of another company) (collectively, the “Reorganization”), the Stock Acquisition Rights Holders of the remaining Stock Acquisition Rights immediately preceding the effective date of the Reorganization, shall, in each case, be delivered stock acquisition rights (the “Assumed Stock Acquisition Rights”) of a company (the “Assigning Company”) set out in Items (a) through (e) of Article 236(1)(viii) of the Corporate Code with terms and conditions set out in Items (1) through (7) of this Section 17, in exchange for the Stock Acquisition Rights held by such Stock Acquisition Rights Holder. In this case, when the Reorganization becomes effective, the Stock Acquisition Rights will be extinguished and the Stock Acquisition Rights Holder will become a right holder of the Assumed Stock Acquisition Rights, and the provisions pertaining to the Stock Acquisition Rights under these Terms and Conditions will apply to the Assumed Stock Acquisition Rights *mutatis mutandis*; provided, however, that in case of a absorption-type corporate split or incorporation-type corporate split, this only applies if the plan for the absorption-type corporate split or incorporation-type corporate split provides for delivery of the Assumed Stock Acquisition Rights of the Assigning Company in exchange for the Stock Acquisition Rights to the Stock Acquisition Rights Holders of the remaining Stock Acquisition Rights as of immediately preceding the effective date thereof, subject to the following conditions.

- (1) Number of Assumed Stock Acquisition Rights of the Assigning Company to be delivered

A number equivalent to that of the Stock Acquisition Rights held by the Stock Acquisition Rights Holders of the remaining Stock Acquisition Rights as of immediately preceding the effective date of the Reorganization will be delivered to each Stock Acquisition Rights Holder.

- (2) Class of shares of the Assigning Company underlying the Assumed Stock Acquisition Rights

Shares of common stock of the Assigning Company

- (3) Number of shares of the Assigning Company underlying the Assumed Stock Acquisition Rights

To be determined in accordance with Section 5 taking into account matters such as the terms and conditions of the Reorganization.

- (4) Description and value of property to be contributed upon exercise of the Assumed Stock Acquisition Rights

Property to be contributed upon the exercise of the Assumed Stock Acquisition Rights is the Loan Principle Receivables, and will be determined in accordance with Section 8. The Exercise Price and Minimum Exercise Price of the Assumed Stock Acquisition Rights will be determined in accordance with the Exercise Price and Minimum Exercise Price of the Stock Acquisition Rights effective as of immediately preceding the effective date of the Reorganization, and will be revised or adjusted in accordance with Section 9 or Section 10.

- (5) Period during which the Assumed Stock Acquisition Rights may be exercised

The exercise period will be from the effective date of the Reorganization to the expiration date of the Exercise Period set out in Section 11.

- (6) Conditions of exercise of the Assumed Stock Acquisition Rights

Section 12 will apply *mutatis mutandis*.

- (7) Matters regarding capital and capital reserves that will be increased in case where shares will be issued as a result of the exercise of Assumed Stock Acquisition Rights

Section 13 will apply *mutatis mutandis*.

18. Method of Offering the Stock Acquisition Rights

All of the Stock Acquisition Rights will be allotted to Sumitomo Mitsui Banking Corporation (Trust Account) by way of third-party allotment.

19. Reason for the Calculation of the Subscription Price of the Stock Acquisition Rights and the Value of Property to be Contributed upon the Exercise of the Stock Acquisition Rights

The Company decided that there is no requirement for monies to be paid in exchange for the Stock Acquisition Rights, (a) considering that the Loan Agreement and the Stock Acquisition Rights are closely related as these Terms and Conditions, the Stock Acquisition Rights Allotment Agreement, and the Loan Agreement provide, for example,

that (i) the property to be contributed upon the exercise of the Stock Acquisition Rights is limited to the Loan Principle Receivables, (ii) if the Loan Agreement is not drawn down, the Stock Acquisition Rights may not be exercised and will be extinguished subject to Section 12(3), (iii) it is agreed that the Stock Acquisition Rights and the Loan Principle Receivables may not be transferred separately, and (iv) if the Loan Principle Receivables are extinguished due to repayment of the loan or a similar event, the Stock Acquisition Rights will also be extinguished; (b) generally taking into account the fair value of the Stock Acquisition Rights calculated by a lattice model (binomial tree method), which is a popular pricing model, and the financial value that the Company may obtain upon attaching the Stock Acquisition Rights to the Loan Agreement, specifically, (i) long-term financing will be available under more favorable conditions than those of a normal loan as a result of attaching the Stock Acquisition Rights to the Loan Agreement and (ii) the Stock Acquisition Rights Allotment Agreement provides that the Company may request the Stock Acquisition Rights Holders to exercise the Stock Acquisition Rights under certain conditions on or after February 15, 2013.

The value of property to be contributed upon the exercise of the Stock Acquisition Rights is as set out in Section 8, and the Minimum Exercise Price is equivalent to 100% of the closing price of the common stock of the Company in regular trading on the Tokyo Stock Exchange, Inc. on January 30, 2008 (1,749 yen).

20. Location to Submit Exercise Requests

Management Service Center, Sumitomo Metal Mining Co., Ltd.

21. Method of Notifying the Stock Acquisition Rights Holders

Unless otherwise provided by law or ordinance, the Company shall make any notice to a Stock Acquisition Rights Holder as prescribed in the Articles of Incorporation of the Company by an electronic public notice and prompt notification to each Stock Acquisition Rights Holder of such electronic public notice. If it is impossible to make a public notice by an electronic public notice due to an unavoidable event, the Company shall publish such notice in a newspaper prescribed in the Articles of Incorporation of the Company and promptly notify each Stock Acquisition Rights Holders of such publication. Instead of the abovementioned method, unless otherwise provided by law or ordinance, the Company may give the direct notice (including a notice delivered in person, or sent by registered mail, courier, facsimile, or email) to the Stock Acquisition Rights Holders. Any direct notice sent by facsimile or email will be deemed to be made to the Stock Acquisition Rights Holder upon confirmation of the transmission, and any direct notice delivered by another method will be deemed to be made when the Stock Acquisition Rights Holder actually receives it.

22. Measures to be Taken upon Abolition of Provisions Relating to the Number of Shares per Unit

If, after the Allotment Date of the Stock Acquisition Rights, it becomes necessary to read certain provisions of these Terms and Conditions differently or take any other measures as a result of the abolishment of provisions relating to the number of shares per unit or a similar event, the Company shall take such necessary measures.

23. Measures to be Taken upon Amendment to the Corporate Code or any other Law or Ordinance, or Regulation

If, after the Allotment Date of the Stock Acquisition Rights, any provisions relating to the issuance of share certificates or stock acquisition rights in the Corporate Code or any other law or ordinance, or regulation of Japan are amended, the Company may take necessary measures with respect to handling related matters subject to such provisions of the amended Corporate Code or other law or ordinance, or regulation of Japan and the purpose of these Terms and Conditions in a manner considered appropriate by the Company.

24. Other Matters

- (1) Each of the above Sections is conditioned on an effective application under the Financial Instruments and Exchange Law.
- (2) In addition to the above matters, the Company will leave decisions necessary to issue the Stock Acquisition Rights to the discretion of the representative director and president of the Company.

--- End ---