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Formulation of the 2015 3-Year Business Plan

- Aiming to be a World Leader in the Non-Ferrous Metals Industry and an Excellent Company of Japan -

Sumitomo Metal Mining Co., Ltd. (SMM, Headquarters: Minato-ku, Tokyo; President Yoshiaki Nakazato) has formulated its 2015 3-Year Business Plan (FY2013-FY2015, hereafter, the 15 3-Yr Plan), which outlines its long-term vision and strategies for the period from FY2016 to FY2018.

1. Reflections upon the 2012 3-Year Business Plan

In its 2012 3-Year Business Plan (hereafter, the 12 3-Yr Plan), SMM set forth its long-term vision of becoming a world leader in the non-ferrous metals industry and an excellent company of Japan, and proceeded with its growth strategy for achieving this.

In terms of mineral resources business, the Sierra Gorda Copper Mine development project saw commercial production commence, while efforts were made to increase production at the Morenci Copper Mine and a project to expand the Cerro Verde Copper Mine was undertaken.

In smelting and refining business, the Taganito project (annual production: 30,000 tonnes) and production increase work for electrolytic nickel (annual production: 65,000 tonnes) were completed, leading to the establishment of an annual production capacity for nickel of 100,000 tonnes.

In materials business, SMM proactively invested in growth areas such as battery materials and crystal materials to change its business structure while making efforts to strengthen relationships with customers.

In terms of the business environment for the 12 3-Yr Plan, while the market price of non-ferrous metals exhibited a mild tendency to decrease in the first half, but due to a strong dollar and weak yen, SMM's business results progressed favorably. However, 2015 saw a notable slowdown in the Chinese economy which brought weakened demand for oil, iron ore, non-ferrous metals, and other commodities, which led to a large drop in the price of mineral resources. Furthermore, the conditions for mineral resource development projects deteriorated due to factors including increasing altitude and remoteness of project locations, decreasing ore grade, strengthened environmental regulations and increased resource nationalism. This has led to notably lengthened development periods and higher development costs, and an environment that is not favorable for implementing new projects.

2. Basic policy and core business growth strategy in the 15 3-Yr Plan

SMM aims to maximize its corporate value by leveraging the original and advanced technological capabilities it has developed over many years in order to provide non-ferrous metals as well as electronics/advanced materials of a quality that guarantees customer satisfaction. While the demand for non-ferrous metals that form the basis of SMM's business is currently not increasing, it is expected recover and prices return to an appropriate level in the medium- to long-term.

In the 15 3-Yr Plan, SMM shall adapt to changes in the business environment while continuing to pursue its long-term vision of becoming "a world leader in the non-ferrous metals industry and an excellent company of Japan," and proceed to implement its growth strategy for each of the core businesses of mineral resources, smelting and refining, and materials.

Long-term vision: World Leader in the Non-Ferrous Metals Industry and an Excellent Company of Japan

Long-term vision	World Leader in Non-Ferrous Metals	Excellent Company of Japan
Target (FY2021)	Nickel: 150,000 tonnes Copper interests: 300,000 tonnes Gold interests: 30 tonnes Recurring profit from new materials: ¥5 bn	Consolidated net sales: ¥1 tn Net income: ¥100 bn

In order to ensure stable growth in a deteriorating business environment, the 15 3-Yr Plan includes not only a growth strategy based on the acquisition of mineral resource interests, but also taking maximum advantage of SMM's knowledge to identify new growth projects through activities that include broadening the base of the mineral resources, smelting and refining, and materials business areas, and developing inter-departmental cross-segment operations. Management resources will be concentrated in projects with a high return on investment, and SMM shall also further enhance its handling of corporate governance and globalization to strengthen the foundation of its business.

In order to achieve this long-term vision, SMM today concluded a contract with Freeport-McMoRan Inc., concerning the additional acquisition of interest (13%) in the Morenci Copper Mine. (Please see the press release released today concerning this acquisition of additional interest in the Morenci Copper Mine.)

<Overview of core businesses>

1) Mineral Resources

In its long-term vision, SMM is aiming for annual production output from its copper interests of 300,000 tonnes, and annual production output from its gold interests of 30 tonnes. Stable operation at the Sierra Gorda Copper Mine with an annual production of 110,000 tonnes shall be achieved, and cost reduction will be thoroughly implemented. SMM shall also steadily proceed with the extension of operation at the Cerro Verde Copper Mine

Furthermore, one of the targets of the long-term vision is annual production of 300,000 tonnes from copper interests, and with the purchase of additional

interest in the Morenci Copper Mine, this target is now within sight.

At the Hishikari and Pogo gold mines, SMM will continuously focus on exploring surrounding areas in an effort to extend the life of these mines. With regards to participation in exploration and development projects, SMM shall mainly participate in such projects for gold.

2) Smelting and Refining

For nickel, efforts will be made to reduce costs in the annual production system of 100,000 tonnes established during the 12 3-Yr Plan. Furthermore, in order to achieve the target in the SMM long-term vision of annual production of 150,000 tonnes, as well as increasing HPAL facilities by 20% at Taganito and enhancing production of nickel sulfate at the Harima Refinery, the commercialization of third HPAL shall also be investigated. Efforts shall also be made to commercialize valuable metals recovered from HPAL and increase competitiveness. For copper, as well as further increasing the productivity of the Toyo Smelter & Refinery, measures including increased processing of secondary raw materials shall be implemented and efforts made to improve cost competitiveness.

3) Materials

In its materials business, SMM shall rigorously concentrate on high growth products, and proactively drive forward the growth strategy.

In the field of battery materials for hybrid automobiles and electric cars, as well as launching a new plant in Naraha town in Futaba-gun, Fukushima prefecture as planned, further production increases will be investigated.

Production capacity for lithium tantalate and lithium niobate substrates, which are materials for the SAW filters used in smartphones, competitive superiority shall be secured through a combination of high quality and low cost.

Furthermore, by strengthening relationships with customers and utilizing a newly implemented management system for the creation and commercialization of new products, the development of new products shall be accelerated.

For details of the 15 3-Yr Plan, please see the presentation materials.

<http://www.smm.co.jp/E/ir/management/plan/>

Reference

SMM's profit structure is affected by price fluctuations in non-ferrous metals.

In the 15 3-Yr Plan, profit has been calculated, with strategy effects incorporated, based on the assumptions below regarding FY 2018 non-ferrous metal prices and exchange rates. The results for FY 2018 indicate a consolidated recurring profit of ¥160 billion and a net income of ¥120 billion.

Conditions / Profit and Loss Calculations

		15 3-Year Plan 2018 Projection	2015 Forecast	Increase/Decrease
Net Sales (¥100 million)		10,600	8,550	2,050
Segment Profit	Mineral Resources	660	-460	1,120
	Smelting and Refining	800	280	520
	Materials	200	50	150
	Other	40	90	-50
Recurring Profit (¥100 million)		1,700	-40	1,740
Equity Method Profit (¥100 million)		270	-750	1,020
Net Income (¥100 million)		1,200	50	1,150
ROA (%)		6.2	0.3	5.9
ROE (%)		9.9	0.5	9.4
Forecast dividend per share (¥)		NA	31.0	NA
Copper (\$/T)		6,000	5,173	827
Nickel (\$/lb)		7.00	4.74	2.26
Gold (\$/Toz)		1,150	1,124	26
Forex (¥/\$)		120.0	121.3	-1.3

Capital Investment Plan

SMM plans to make capital investments valued at ¥180 billion in total. With a focus on materials with remarkable growth, the development of new products and investment in new facilities shall be pro-actively undertaken.

For smelting and refining, investment shall mainly focus on maintenance and renewal at Coral Bay and tailings dams for HPAL at Taganito.

Investments in the acquisition of overseas interests, which are an important part of SMM's strategy, are not included in this figure of ¥180 billion. Investments related to the acquisition of overseas interests will be added as project costs.

	Amount (¥100 million)	Notes
Mineral Resources	360	Excludes overseas interests
Smelting and Refining	660	Coral Bay/Taganito HPAL tailings dam, etc.
Materials	610	Battery materials, crystal materials, etc.
Other	170	
Total	1,800	

Addition of the ¥120 billion cost of the acquisition of additional interest in the Morenci Copper Mine gives a total investment of ¥300 billion.