Annual Report 2009 | For The Year Ended March 31, 2009

SUMITOMO METAL MINING CO., LTD.

The Sumitomo Business Spirit

Article 1
Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2
Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

"Business principles" forming the Rules Governing the House of Sumitomo (version formulated in 1928)

SMM Group Corporate Philosophy

- Sumitomo Metal Mining Co., Ltd. (SMM), in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.
- SMM shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

Unless specifically stated otherwise, information in this annual report is as of August 1, 2009.

Forward-looking Statements: Statements made in this annual report with respect to plans, strategies and future performance that are not historical facts are forward-looking statements. SMM cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Review of Key Performance Indicators

Note: Please refer to p. 62–63 "Financial Section (Eleven-Year Financial Summary)" for details of SMM's financial performance in previous years.

Net sales

-29.9%

793.8 billion yen

Net sales in the year ended March 2009 (FY2008) fell 29.9% compared with the previous year to ¥793.8 billion. This largely reflected a substantial impact due to the major deterioration in business conditions during the second half of the year.

Operating income

-93.2%

10.5 billion yen

Operating income fell 93.2% in year-on-year terms to ¥10.5 billion. This was the result of lower sales volumes at both the Mineral Resources and Metals divisions, accompanied by lower refining margins and inventory write-downs, as well as a steep fall in sales volumes at the Electronics and Advanced Materials division, among other factors.

Recurring profit

-85.0%

32.6 billion yen

Recurring profit was significantly worse than the figure of ¥217.9 billion that was posted in FY2007. First-half recurring profit was in line with projections at ¥79.4 billion, but a recurring loss of ¥46.8 billion was recorded in the second half. This loss reflected the impact of steep falls in metals prices coupled with the appreciation of the yen, together with a range of exceptional factors such as inventory write-downs.

Net income

6.0 billion yen (cost reductions in second half)

22.0 billion yen

Reflecting the sharp deterioration in recurring profit, net income was much lower in FY2008 than the figure of ¥137.8 billion posted in the previous year. However, with a series of emergency measures cutting expenditures by about ¥6 billion, SMM was still able to achieve positive net income despite the slump in operating conditions.

Equity ratio

+3.3 points (year on year)

57.3%

The equity ratio rose from 54.0% to 57.3%, an improvement of 3.3 percentage points compared with the previous year-end, although shareholders' equity declined due to share buybacks and other factors. SMM continued to maintain a healthy balance sheet, keeping this ratio above 50% in line with the goals outlined in the FY2007–9 Plan.

Debt-to-equity (D/E) ratio

about 0.8 (average figure for listed Japanese firms)

0.43

The D/E ratio improved further in FY2008, declining to 0.43 times. This was mainly due to a ¥39.6 billion reduction in interest-bearing debt to ¥218.5 billion that more than offset the decline in shareholders' equity. SMM's D/E ratio is significantly better than the average figure for listed Japanese firms, reflecting the company's maintenance of strong finances.

Key Message

As for so many other companies worldwide, the fiscal year ended March 2009 was an extremely tough year for Sumitomo Metal Mining (SMM). On top of a slump in demand, we saw market prices plunge, putting a lot of pressure on our bottom line. Prospects at the time of publication remain uncertain.

However, we have not lost sight of the long-term strategic growth objectives that we set out in the FY2004–6 Medium-term Business Plan, which we began implementing in April 2004. We have continued to make progress in executing this growth strategy. We remain focused on achieving this goal because we are confident that its realization will ensure the long-term prosperity of SMM.

"Annual Report 2009" introduces our strategic growth objectives, how we plan to achieve them, and the unique strengths possessed by SMM that will help us do that. We hope that this report will help you gain a better understanding of SMM's growth potential.

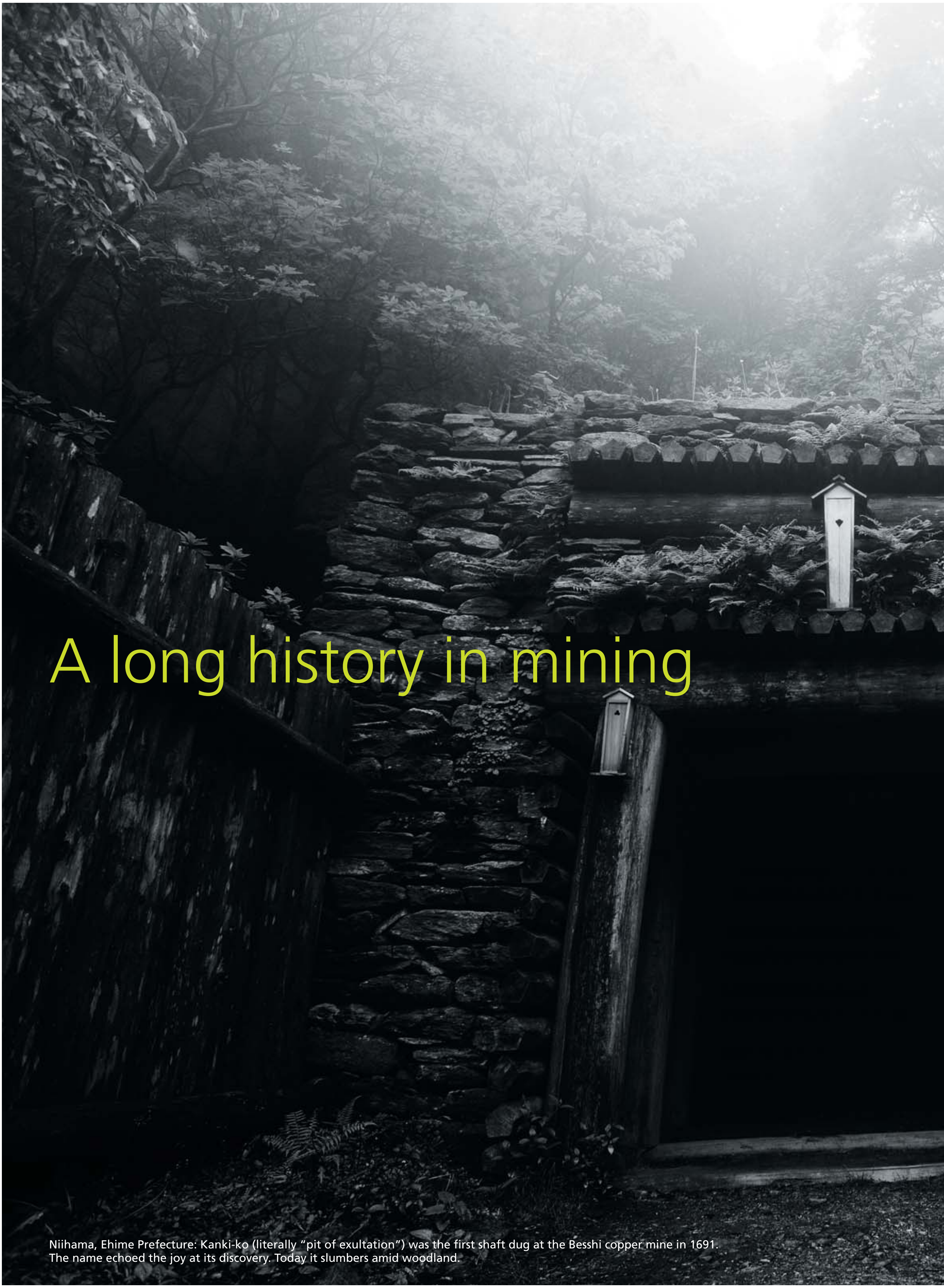
SMM boasts a long history of over four centuries in mining and metal smelting. We will overcome the challenges posed by a volatile operating environment and continue to make sure and steady progress toward achieving the goals that we have set.

Contents

Foundations of Growth

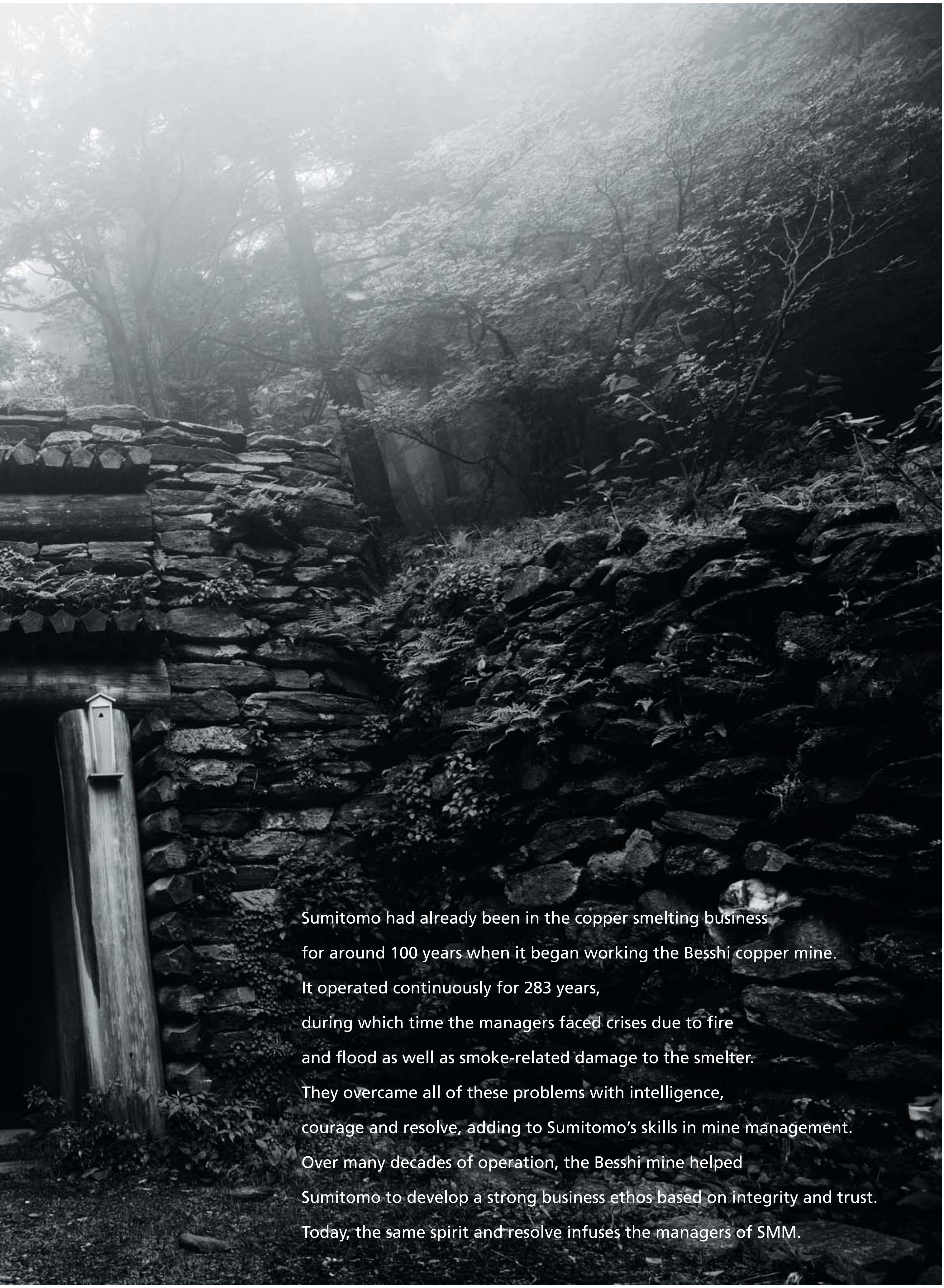
Business resources: the strengths underpinning our growth strategy

The business resources underpinning SMM's strategy are the key factors that will enable us to attain our strategic growth objectives and the source of our highly competitive market position. Handed down over more than 400 years of Sumitomo corporate history, the Sumitomo Business Spirit forms an intangible but robust foundation. The other key factors are our human resources and our technology, which support excellence in our exploration, production and R&D activities. Going forward, we will continue to hone our competitive advantage by investing in these resources as we target further growth.



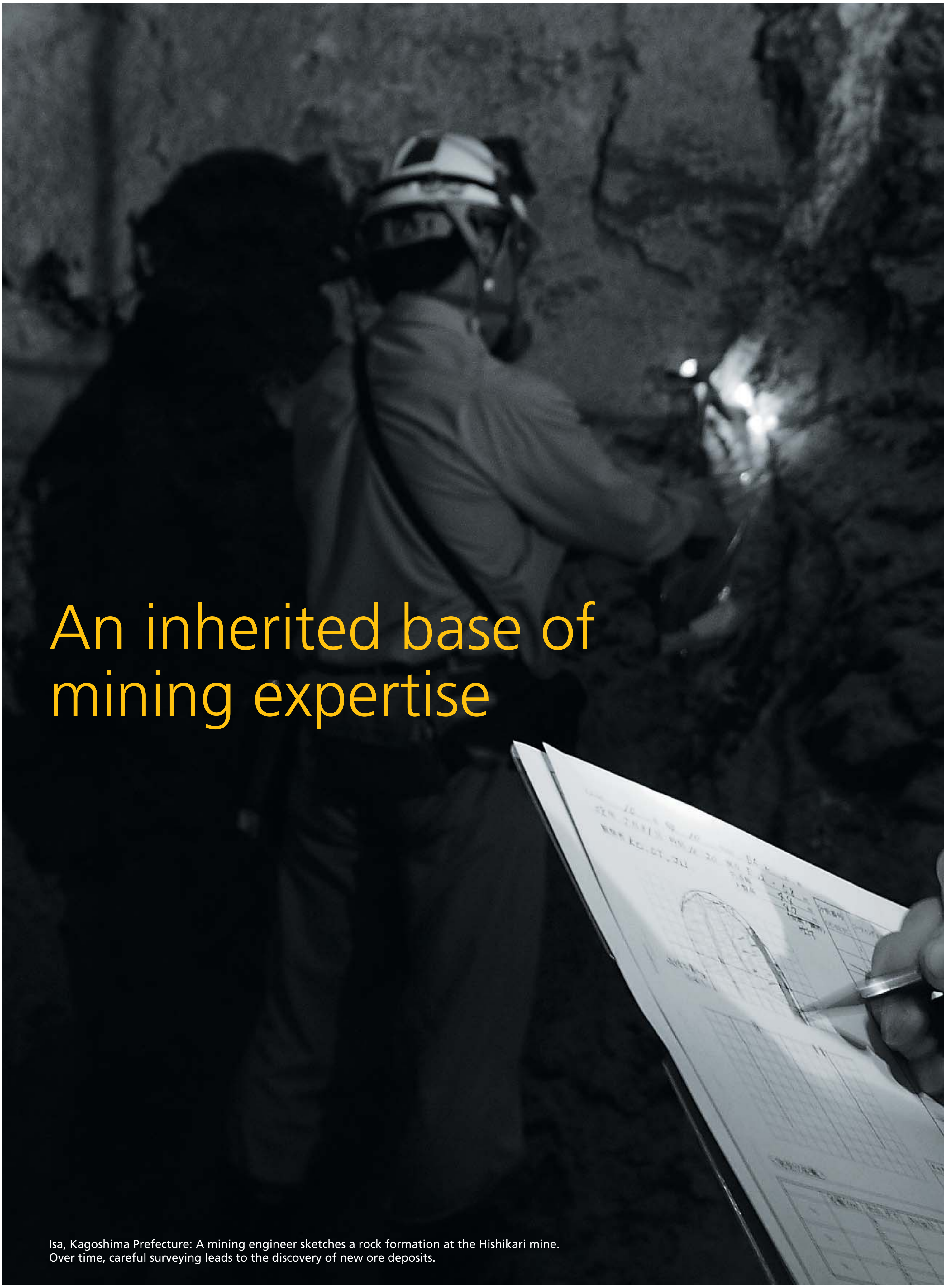
A long history in mining

Niihama, Ehime Prefecture: Kanki-ko (literally “pit of exultation”) was the first shaft dug at the Besshi copper mine in 1691.
The name echoed the joy at its discovery. Today it slumbers amid woodland.



Sumitomo had already been in the copper smelting business
for around 100 years when it began working the Besshi copper mine.
It operated continuously for 283 years,
during which time the managers faced crises due to fire
and flood as well as smoke-related damage to the smelter.
They overcame all of these problems with intelligence,
courage and resolve, adding to Sumitomo's skills in mine management.
Over many decades of operation, the Besshi mine helped
Sumitomo to develop a strong business ethos based on integrity and trust.
Today, the same spirit and resolve infuses the managers of SMM.

An inherited base of mining expertise



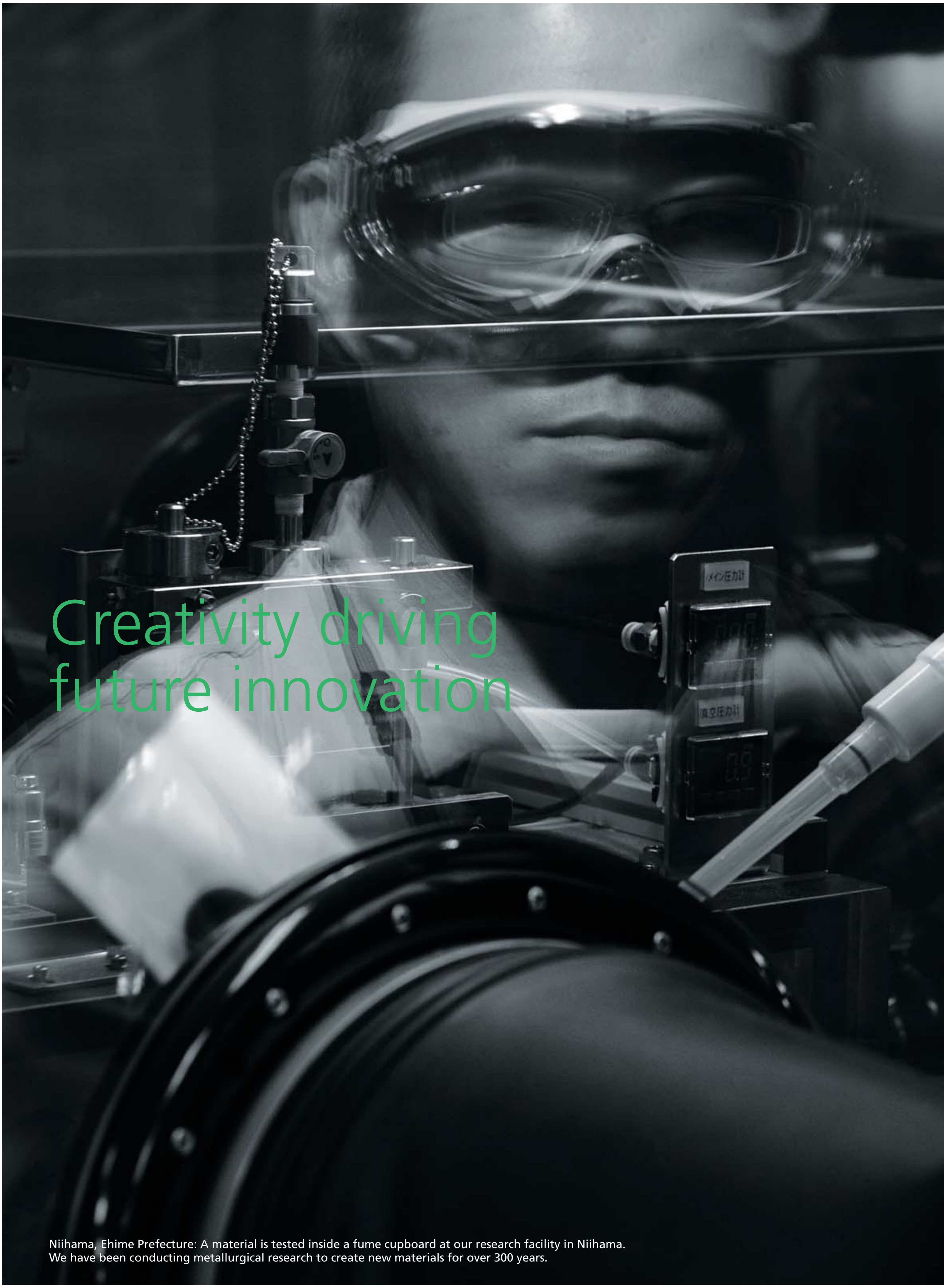
Isa, Kagoshima Prefecture: A mining engineer sketches a rock formation at the Hishikari mine.
Over time, careful surveying leads to the discovery of new ore deposits.

The job of mining engineers is classified into different aspects, from discovery, analysis and evaluation of new deposits based on geological surveys to ore extraction and the application of grade-enhancing techniques.
At the Hishikari Gold Mine, our mining engineers spend three years learning basic techniques, along with associated expertise in safety management, process management, operational supervision and budgeting.
Next they transfer to a mine outside Japan to gain more technical and operational expertise.
The training process takes around 10 years to produce a full-fledged mining engineer.
The results of this training are evident in the success that we have achieved in overseas exploration projects and mining operations.

Passion-driven global competitiveness

Saijo, Ehime Prefecture: At the Toyo smelter, molten copper is poured into casting molds to make anode copper for electrorefining.
At this stage the purity is about 99%.

Based on in-house technology, we have developed the proprietary Sumitomo method burner for use in the flash furnaces at the Toyo Smelter & Refinery, where we apply pyrometallurgical processes to smelt copper.
This technology realizes world-class performance in terms of the amount of ore concentrate that can be melted within a certain time. We work round the clock to continue improving this technology.
The passion we have inherited from Sumitomo's long tradition in manufacturing helps us make products of world-class quality and remain highly competitive in the marketplace.



Creativity driving future innovation

Niihama, Ehime Prefecture: A material is tested inside a fume cupboard at our research facility in Niihama.
We have been conducting metallurgical research to create new materials for over 300 years.

SMM subsidiary Coral Bay Nickel Corporation (CBNC) pioneered commercial nickel recovery from low-grade ore based on HPAL (High Pressure Acid Leach) technology.

Our nickel refining operations in Niihama use an advanced technique called MCLE (Matte Chlorine Leach Electrowinning).

These technical strengths are the result of our constant focus on R&D.

We remain committed to developing effective new metallurgical techniques to improve our copper smelting and other refining processes further.

We are also applying expertise with metals in our ongoing R&D into electronic and other advanced materials.

Our nickel-related technologies are enabling us to develop battery materials and materials with environmental applications.

The human resources and technology that create the foundation for our future growth have been cultivated over a 400-year Sumitomo corporate history. At SMM, we are not just the direct heirs of that tradition. We also recognize that we have an important mission to build on the foundations we have inherited to create a stronger business with sustained growth potential.

Reflecting this heritage, we follow a training-oriented management approach. We are striving to cultivate a corps of dedicated and highly skilled engineers: the mining engineers who will support the future of our resources operations; the production engineers who will build and maintain a world-class production set-up; and the new product development engineers focused on making new, ground-breaking technical discoveries. We have also set up and continue to upgrade company-wide HR development programs aimed at cultivating the next generation of leaders. Our training programs are tailored to the varying needs of recent recruits, middle managers and executive management.

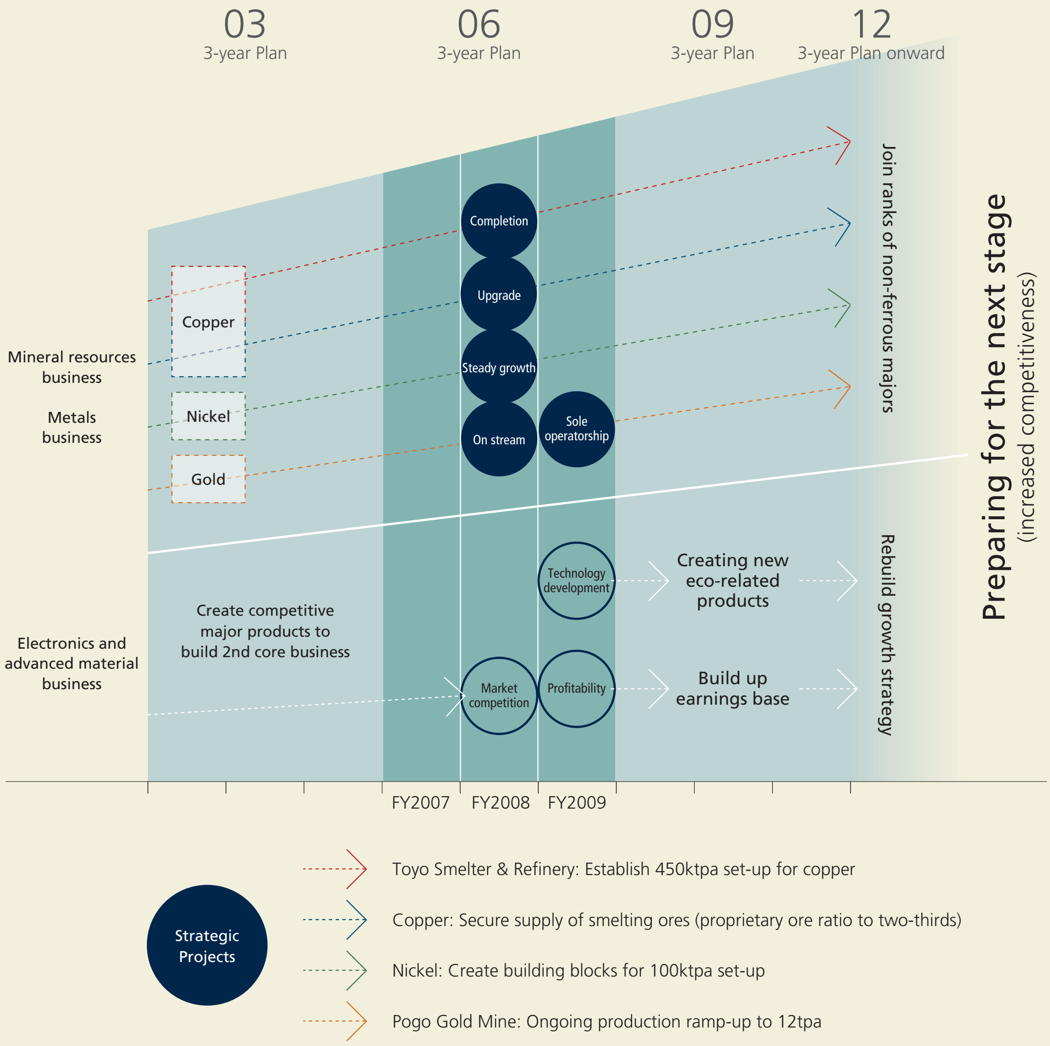
Through such activities, we are working to create an even stronger foundation to facilitate the steady execution of our growth strategy for SMM. Our fervent aim remains to excel on the world stage.

Growth Strategy

Getting to where we want to be: initiatives targeting long-term corporate growth

In 2003, we defined the long-term strategic growth objective for SMM as that of "becoming a major non-ferrous metals player in the next decade." This goal is not merely about pursuing increased scale. Besides undertaking our own mining exploration and development activities to secure stable supplies of resources, we aim to demonstrate to the world the present value of SMM by developing our operations based on original world-class refining technology. Alongside the metal and mineral resource businesses that can fulfill this role, we also aim to establish the electronic and advanced materials business as a second core source of earnings. Our overall aim is to make the business more stable and profitable, while developing a new growth model for non-ferrous metals operations that is based on our technical prowess.

Overview of FY2007–9 Plan and long-term business strategy



Strategic growth direction under current conditions

Having set the strategic growth objectives for SMM, we have pursued this growth strategy by formulating and executing three medium-term business plans covering the successive three-year periods of FY2004–6, FY2007–9 and FY2010–12.

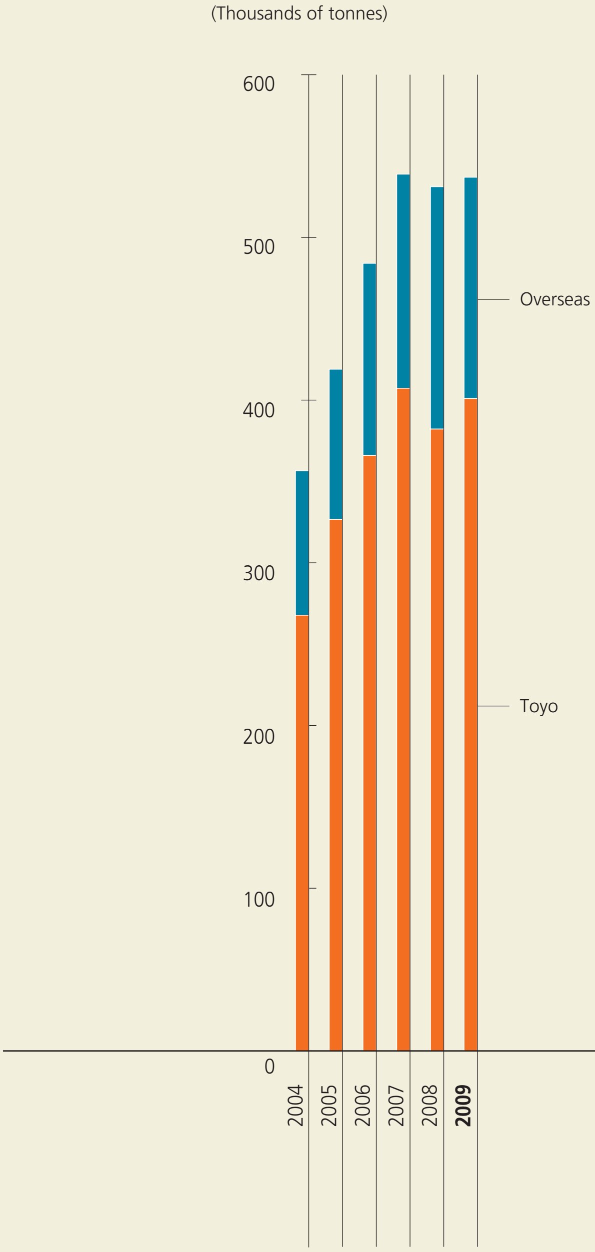
Our operating environment was hugely volatile in FY2008 due to the impact of the sudden global economic downturn. Looking ahead, conditions within the non-ferrous metals and electronics industries, our key markets, remain difficult to predict.

During fiscal 2009, the final year of the FY2007–9 Plan, our main focus under the current conditions is to maintain and expand earnings across our core businesses in mineral resources and metals and in electronic and advanced materials. This will involve continuing to operate our businesses based on strict cost minimization. Specifically, we are trying to lower production costs; boost operating efficiency; concentrate capital and exploration expenditures on key strategic projects; and adopt a selectively focused stance toward unprofitable operations and products.

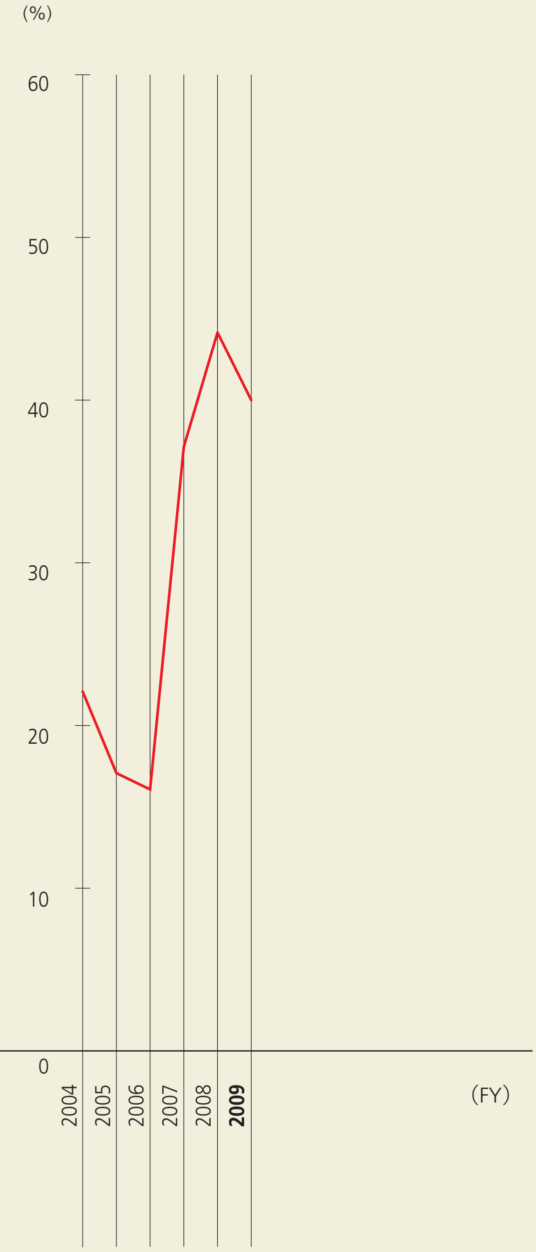
At the same time, we will be formulating the FY2010–12 Plan. This will involve re-evaluating the competitiveness of all our businesses and products, notably the electronics and advanced materials business, so that we can better pursue SMM's growth strategy in a new environment characterized by slower economic growth.

In our mineral resources and metals business, we remain on target to achieve the various goals for each of the strategic projects whose realization stands to elevate SMM to the ranks of the non-ferrous majors. Going forward, we will continue to focus on developing a differentiated "mineral resources + refining" business model for our sector operations. This means aggressive exploration and development of high-quality overseas mining assets to secure stable supplies of materials while at the same time increasing our proprietary ore ratio. In addition, we will continue to seek to augment our refining capacity by leveraging in-house technical expertise.

Total electrolytic Cu output



Proprietary ore ratio for Toyo



Mineral Resources and Metals: Copper

In our copper business, we have established a world-class production facility at the Toyo Smelter & Refinery in Ehime Prefecture, with a smelting capacity of 450ktpa for electrolytic copper. We originally expected the facility to operate in FY2008 at roughly the same level as the previous year, taking into account lower grades of copper concentrate and a scheduled maintenance shutdown. In the event, total production volumes came in lower than the FY2007 figure due to a slide in demand caused by the economic downturn, which resulted in lower-than-expected output during the second half of the year. Going forward, in the expectation that demand will remain somewhat depressed, we will focus on minimizing operating expenses to bolster our cost competitiveness.

Our strategy is to secure increased supplies of copper ores in line with higher smelting capacity. As part of this strategy, we invested in an equity stake in a sulfide ore development project at the Cerro Verde mine in Peru. The start of operations at this project in November 2006 has helped raise our proprietary ore ratio for copper to over 40% and contributed to greater supply stability for smelting ores. We own off-take rights to half of the copper concentrates that are produced at Cerro Verde (equivalent to 90ktpa of copper) for an initial 10-year period. While continuing an aggressive exploration program to develop new copper mines, we are also considering further acquisition of production interests in order to boost the proprietary ore ratio to two-thirds in the future. Current conditions provide a potentially opportune time to acquire overseas mining interests due to the decline in commodity prices, which has lowered carrying values for mine assets, coupled with a stronger yen.

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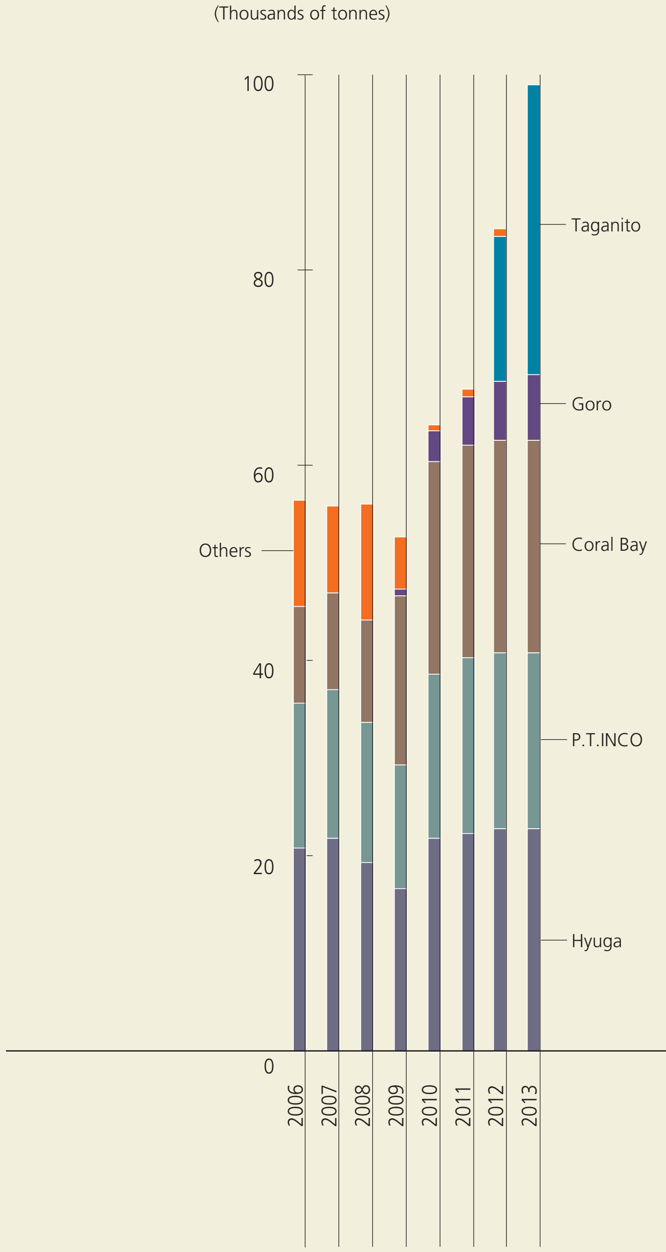
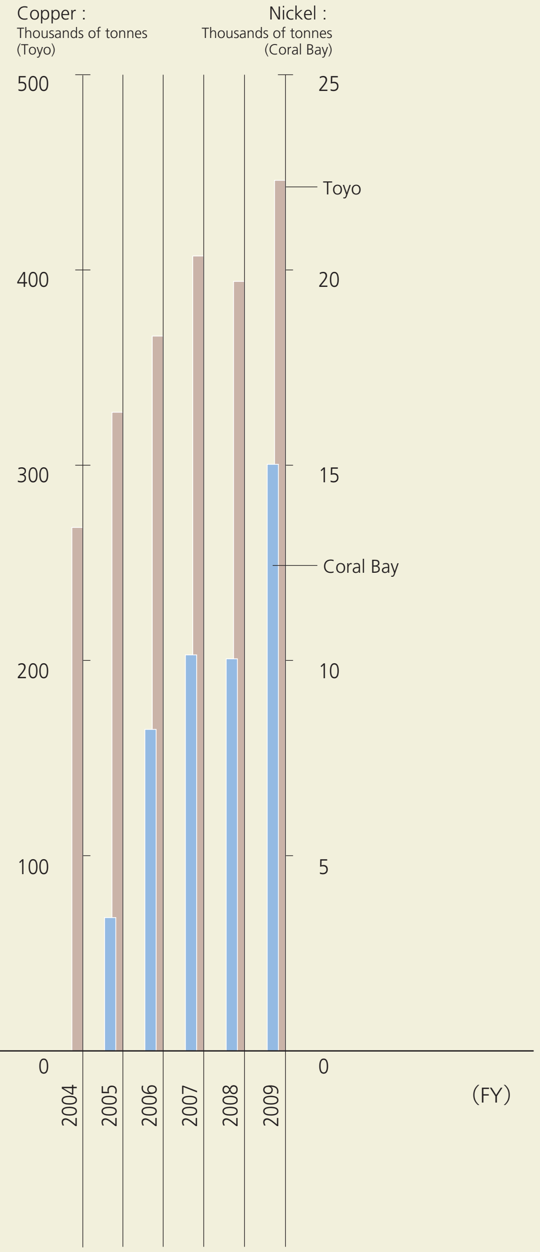
Develop 100ktpa capacity for Ni

Mineral resources and metals strategy: Progress overview





Mineral Resources and Metals: Nickel

Establishing a 100ktpa production set-up for nickel by FY2013 is the aim of our nickel operations. It is a core strategic theme and key focus for growth.

At Philippines-based Coral Bay Nickel Corporation (CBNC), where we already have a first plant operating, construction of a second plant was completed and production commenced in April 2009. This has enabled us to secure 22ktpa of raw materials. CBNC is the first enterprise in the world to apply HPAL (High Pressure Acid Leach) technology successfully on a commercial scale. Following on from CBNC, we are also considering the use of HPAL at the large-scale Taganito Project. A feasibility study has been commissioned to optimize the initial capital investment and set a date for plant construction.

Alongside these efforts to secure more raw materials, we also plan to upgrade our domestic production capacity for electrolytic nickel. Using in-house MCLE (Matte Chlorine Leach Electrowinning) technology, which combines high rates of recovery with superior energy efficiency, we plan to expand our electrolytic nickel output to 65ktpa by 2013.

In New Caledonia, we are also jointly developing the Goro Nickel Project in partnership with VALE Inco. This mine is one of the largest sources of nickel raw materials in the world.

Through these various initiatives, we aim to increase aggregate production capacity for nickel (including ferronickel) to 100ktpa.

Another key exploration project to secure nickel resources to increase output beyond the 100ktpa mark is currently progressing in the Solomon Islands. An exploratory drilling campaign is ongoing ahead of a feasibility study.

Mineral Resources and Metals: Gold

In our gold operations, we are working to expand gold production from our main mines in Hishikari (located in Kagoshima Prefecture, Japan) and Pogo (located in Alaska, USA). During 2008, the Pogo mine generally hit production targets following an operational ramp-up to full capacity of 12tpa. In July 2009, we increased our equity stake to acquire a 85% interest in the mine (please refer to p. 39 for more details).

Hishikari is one of the few mines in the world to produce high-grade gold ore. It is the only commercial metal mining operation in Japan following the closure of numerous mines over the years. We use Hishikari as a "mining school." It contributes to the growth of SMM over the longer term by helping us to train our mining engineers.

Electronics and Advanced Materials

In the electronics and advanced materials business, there is an increasing move toward industry consolidation amid the current global economic crisis. Our core focus is on restoring profitability while at the same time looking to reinforce earnings power by redeveloping our business strategy in the sector.

We implemented a structural reorganization of the business in October 2008 that has enabled more effective development of the SMM Group's internal supply chain. Going forward, we aim to maximize earnings while seeking to reduce costs based on an optimized structure for the overall business. At the same time, we are also working to accelerate development of new products. We are also rationalizing our overseas production bases to better supply markets in China and Taiwan, which are expected to grow in the future. Such moves will provide SMM with a stronger business platform in the sector.

In tape bonding materials, we are working to optimize our production set-up for copper-clad polyimide film (CCPF) in line with the size of the market. We aim to reinforce our position as the de facto global standard while promoting lower costs, higher productivity and enhanced quality. In thick-film pastes, we are continuing to target increased sales of nickel pastes for use in making multi-layer ceramic capacitors. We are also looking to reinforce our position by expanding sales of products for environment-related applications, since these areas have firm growth expectations. In battery materials, we supply anode materials for secondary batteries that are used in various automotive and consumer-related applications. In thin-film materials, we supply sputtering targets that are used to produce transparent conductive films for use in the manufacture of photovoltaic panels. Overall, our aim remains to expand these operations to create another core pillar of earnings.

Message to Stakeholders

Continued pursuit of growth strategy while making certain we achieve performance targets

The Sumitomo copper business dates back to the 16th century. The business has survived and prospered over the decades by virtue of the successful efforts of numerous highly skilled Sumitomo managers to overcome many difficulties. Now in his third year as president of the company, Mr. Nobumasa Kemori is carrying on the Sumitomo tradition of iron will and strong leadership. He has committed SMM first and foremost to achieving the designated performance targets. His mission is to lead the entire company in a united effort to continue moving forward while overcoming any obstacles in the way.

Remaining profitable throughout FY2008 and FY2009

While we posted record profits in the year ended March 2008 (FY2007), the market prices of the main metals that we produce had already entered a downward trend during that year. I predicted that fiscal 2008 would be a much tougher year for performance as the operating environment deteriorated. We recorded profits in line with forecast during the first half of the year, but the impact in the second half of the global economic downturn on our business was especially severe. Market prices and demand both fell sharply, creating exceptionally harsh operating conditions.

Against this backdrop, I realized that maintaining financial strength would be critical if we were to continue making progress executing our growth strategy. Convinced that we must achieve a positive net income figure, we instituted a program of emergency measures in the second half of FY2008. We curtailed operating expenditures and postponed all non-essential investment.

As a result, we were able to remain profitable at all levels in fiscal 2008. We also put together a strict budget to ensure that we would remain profitable in FY2009 as well, despite the fact that most institutional investors and analysts were expecting that we would probably slip into loss. I attribute our success on both these scores to our emergency cost-cutting program implemented in the final six months of the year. We will extend these initiatives into FY2009 and focus intensely on achieving our performance forecasts.

Caution warranted on outlook for operating conditions

Opinion is divided among the macroeconomic experts regarding the prospects for recovery, but, in general terms, I believe that economic revival is likely to take slightly longer than many commentators predict. As the leading emerging economy, we can reasonably expect China to remain the primary engine of global growth. However, it is now even more dependent on trade than Japan. Hence, my belief is that an economic recovery in the United States and other major consuming nations is still one of the keys to an overall improvement in business conditions.

The effects of the general economic stimulus measures implemented in China have now begun to manifest. In terms of the implications for our business, the signs of recovery have already bolstered the price of copper. Exports to China are helping to offset an ongoing decline in Japanese demand for this metal, and we are certainly benefiting from this trend. However, as I argued above, we cannot expect economic growth in China to support the entire recovery. I think that caution is warranted on the outlook for general operating conditions: the critical thing is that the global economy keeps a good balance. We should certainly not entertain bullish expectations of significant increases in prices or demand in non-ferrous metals markets during 2009 and 2010. I believe that it is prudent to expect harsh conditions to continue for at least these two years.

Rebuilding our growth strategy within a narrower, short-term focus

To date, we have pursued a growth strategy within the electronics and advanced materials sector – one of our core businesses – of targeting leading global market shares in individual product categories. In FY2008, this resulted in substantial losses because the combination of a global slump in demand with a sudden excess of manufacturing capacity had a more negative impact on our performance in those market segments where SMM has a leading share. Heeding this lesson, we are downgrading the importance attached to the goal of commanding top global market shares. In other words, given that these products can suffer immediately when the market enters a downturn, from the point of view of maintaining and improving profit margins we need to differentiate between those products within our portfolio where it would be better to try to retain market dominance and those where this is not the case. Going forward, we plan to rebuild our business model in the electronics and advanced materials sector based on this revised policy.

Investment in human capital key to achieving targets

In our other core mineral resources and metals business, the growth strategy of targeting entry into the ranks of the non-ferrous majors remains unchanged. I believe that investment in human resources will hold the key to attaining our future objectives in this sector.

At Coral Bay, the establishment of a second production line has raised output to 22ktpa, from the initial first-phase design capacity of 10ktpa. This project illustrates my strong conviction that it is the steady efforts of the employees of the SMM Group that will create success for the company. Every milestone we hit enables us to look ahead to reaching the next one. The important thing is to invest in the proper training of our loyal and dedicated employees so that we can seize opportunities to grow the business and build on the experience of that success. We cannot afford to give up quickly if our collective efforts do not meet with initial success, since there will always be setbacks. Instead, we must believe in our ability to succeed and keep on working to realize projects in line with our plans, irrespective of conditions. Striving for ultimate success in this way is a common theme of mine when I talk internally of the necessity of achieving targets. My attitude is that we must not accept failure to attain the goals that we have set. At the same time, it is also critical to invest in human resources so that we can upgrade our ability to reach these objectives.

Investments for future growth continuing in FY2009

We formulated an austerity budget for FY2009, but we did not cut spending on R&D. However, I have given strict orders to the R&D division that we need to boost our overall return from R&D by 50%, based on a 20% increase in the speed of development and a 20% gain in research productivity. Our aim is to improve communications between R&D and frontline operations to accelerate our existing processes. We are also prepared to terminate research projects that are surplus to requirements.

In the mineral resources and metals sector, we are now looking to fulfill one of our long-cherished desires of acquiring copper mining production interests. In fact, our aim is to acquire majority interests in copper mining projects so that SMM is an operator rather than just a passive investor (traditionally, we have taken production interests averaging about 15%). Although we have trimmed the exploration budget for fiscal 2009, we remain committed to maintaining our basic exploration and development program. Even in its reduced form, the exploration budget is still significantly bigger than it was just a few years ago.

Firmly focused on accomplishing our goals

The slogan for the FY2010–12 Plan that begins in April 2010 will be "entering the ranks of the non-ferrous majors." We have now made substantial progress toward completing the various projects identified in the FY2004–6 Plan that will contribute to SMM becoming a major player in non-ferrous metals. As well as Cerro Verde, we have completed the production capacity upgrades at the Toyo facility and we now have both production lines operational at Coral Bay. We have resolved the issues that had been affecting production at Pogo, with output having risen in 2009 to date toward full capacity of 12tpa. We are thus virtually on track to complete all of the projects targeted in the FY2007–9 Plan prior to the commencement of the next medium-term business plan. The one outstanding major theme that we must realize to make SMM a major player in non-ferrous metals is the establishment of a 100ktpa set-up for nickel.

An important related issue for us is that our copper smelting margins remain under pressure due to ongoing deterioration in the terms for purchasing ore. This business is not as massively profitable for us as it was in the past. We are looking to address this issue by focusing on developing new techniques for ore dressing as well as original hydrometallurgical technologies for copper smelting. Our aim is to build a business model that enables us to boost our earnings from both mining and refining operations.

In closing, I want to emphasize to shareholders that we remain committed to executing our growth strategy for SMM. We have implemented the measures that are required to deal with the current challenging economic circumstances. We do what we say we will do. We will achieve the goals that we have set, and we will continue doing our collective utmost to increase the value of this company in a sure and steady fashion. My mission is to build an enterprise that is worthy of the trust of all stakeholders, including our shareholders. That is the measure of my passion for Sumitomo Metal Mining.

August 2009

Nobumasa Kemori
President and Representative Director

Review of Operations

Early production cost reductions and operating efficiency gains in response to sharp deterioration in market conditions

Consolidated net sales declined around 30% in year-on-year terms in fiscal 2008 due to a drop in revenues caused by lower sales volumes and prices for copper and nickel. Squeezed refining margins, inventory write-downs caused by a combination of sharply lower prices and yen appreciation, together with declines in sales volumes across all operating divisions, resulted in a 93% fall in operating income. SMM reacted swiftly, implementing a set of emergency cost-reduction measures during the second half of the year. Further efforts will be directed toward maintaining earnings in fiscal 2009.

Review of Operations

Operations

Year-on-year performance comparison

2007 (For the year ended March 31, 2008) → 2008 (For the year ended March 31, 2009)

Mineral Resources

Tasked with the dual mission of boosting the earnings of the mineral resource business and securing raw materials for the refining business, this segment is engaged in the exploration for and development, production, and sales of non-ferrous metal resources. It is also engaged in geological consulting utilizing mineral resource development techniques.

	2007	2008
Net sales	91.4 billion yen	73.6 billion yen
Operating income	38.1 billion yen	17.7 billion yen

Metals

This segment refines non-ferrous raw materials procured from overseas mining companies and the mineral resources segment into metals such as gold, copper, nickel and zinc, which it then sells. Having achieved the world's first commercially viable method of recovering nickel from low-grade ore, which had been considered difficult with conventional technology, we possess world-class refining technology and are the industry leader.

	2007	2008
Net sales	910.6 billion yen	612.4 billion yen
Operating income	108.8 billion yen	2.4 billion yen

Electronics and Advanced Materials

In the semiconductor materials business, we apply the materials and fabrication technologies that we have developed as a full-spectrum non-ferrous metals producer to supply high-quality materials that are critical to the manufacture of semiconductors and electronic equipment. In the advanced materials business, we apply metals-related technologies to create a range of high-value-added materials with specific functions. These include thick-film pastes, battery materials, single-crystal materials, thin-film materials and rare metals.

	2007	2008
Net sales	255.0 billion yen	187.9 billion yen
Operating income	8.2 billion yen	-10.2 billion yen

Others

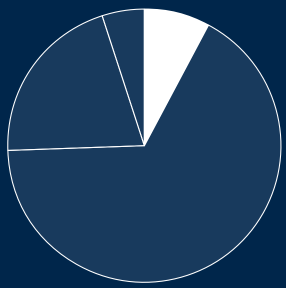
This division includes plant engineering services as well as different products that leverage the various technologies developed in non-ferrous metal refining operations, including catalysts, construction materials and lubricants. In the catalysts business, SMM Group affiliate N.E. Chemcat Corporation produces catalysts to purify vehicle exhaust gases or for use in the chemical industry, while Nippon Ketjen Co., Ltd. makes catalysts used in oil refining. Subsidiary Nippon Catalyst Cycle Co., Ltd. recovers molybdenum, vanadium and other precious metals from spent oil-refining catalysts; the company has created a recycling system for such catalysts in partnership with Nippon Ketjen.

	2007	2008
Net sales	40.7 billion yen	44.2 billion yen
Operating income	3.7 billion yen	0.6 billion yen

Note: Operating income and net sales figures include inter-segment transactions.

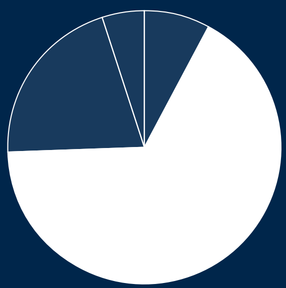
Sales composition

Main products



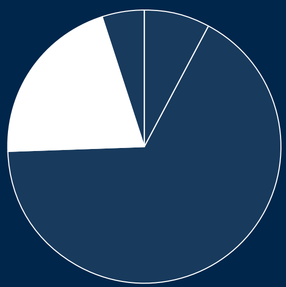
8.0 %

- Gold and silver ores
- Copper concentrates
- Copper
- Gold
- Geological research



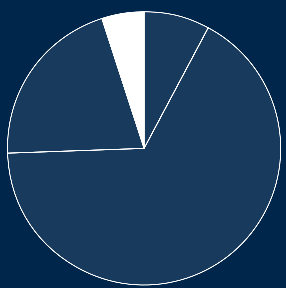
66.7 %

- Gold
- Silver
- Copper
- Nickel
- Ferro-nickel
- Zinc
- Chemical products
- Copper and brass



20.5 %

- Semiconductor materials (lead frames, tape materials (CCPF, COF), bonding wire)
- Electronic component materials (alloy preform)
- Thick-film materials (pastes, powder materials)
- Thin-film materials(ITO, sputtering target materials)
- Single-crystal materials
- Printed wiring boards
- Battery materials
- Magnetic materials



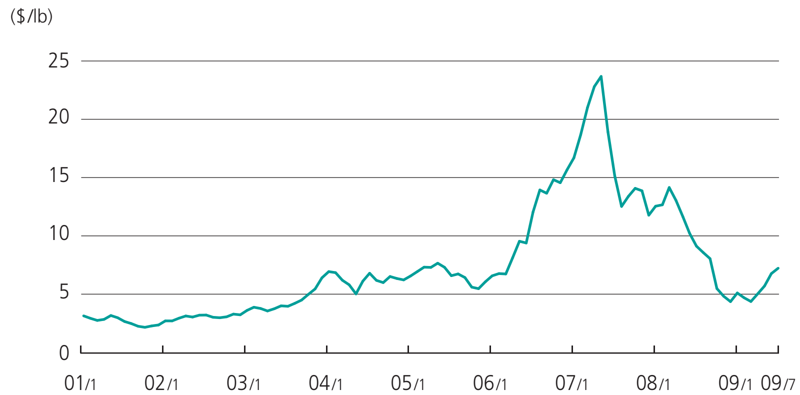
4.8 %

- Auto exhaust and petroleum refining catalysts
- ALC products (Siporex)
- Environmental protection equipment

Mineral Resources

Copper price (LME)

Nickel price (LME)



Gold price (London Fixing)

Fiscal 2008 review

Reflecting lower copper prices, divisional net sales fell by ¥17,737 million (19.4%) compared with the previous year to ¥73,623 million, while operating income decreased by ¥20,471 million (53.7%) to ¥17,656 million.

Mining operations generally proceeded well. Production of gold and silver ores at the Hishikari mine was in line with plan. At the Pogo mine in Alaska, USA, output of gold ore continued to increase steadily despite the effect of prolonged rains. At the Morenci mine in Arizona, USA, output was virtually on a par with plan, but the average grade of copper ore slipped.

Output of gold and silver ores from the Hishikari mine amounted to 130,718t (containing 7,831kg of gold), a fall of 3,000t (or 55kg of gold) in year-on-year terms. Although gold prices remained relatively high, prices for silver dropped sharply during the year. Combined with higher input prices for materials, this lowered divisional sales and profits. In addition, equity in earnings of affiliated companies was significantly lower than in fiscal 2007 due to declines in profit at overseas mines in which SMM has an equity interest (this cut the recurring profit earned by the division).

Exploration activities

With the aim of becoming a major player in non-ferrous metals, SMM is in the process of shifting from purchasing most refining ores from external sources to a "mineral resources + refining" business model by actively acquiring more sources for refining ores.

SMM is conducting exploration activities in more than 20 locations, and is also actively seeking to acquire new permits. Exploration is mainly focused on the Asia-Pacific region in light of the need to ship ores to Japan for processing. Copper prospecting is underway at sites across South America, Australia and other regions. In the nickel business, an exploration project is ongoing in the Solomon Islands in a bid to discover potential future sources of ore to support growth beyond the Taganito project. Elsewhere, SMM is prospecting for gold in Alaska, USA and in Canada.

SMM's policy is to supplement in-house resource development activities with joint exploration projects if suitable high-quality project opportunities arise.

Financial highlights, by segment

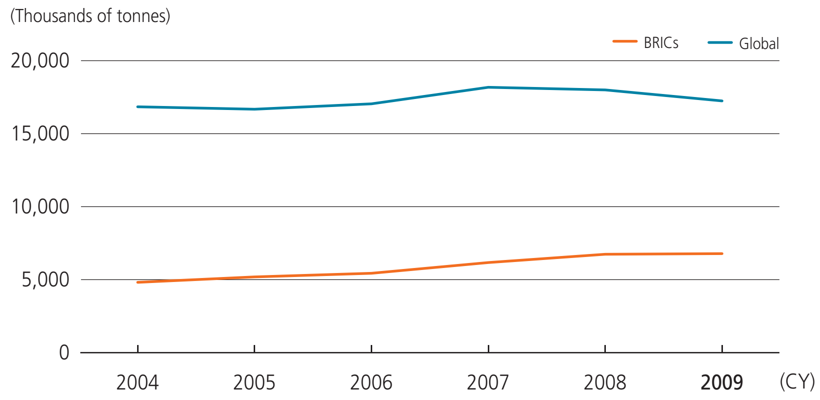
(Millions of yen)	FY2008	FY2007	FY2006
Net sales	73,623	91,360	82,248
Operating income	17,656	38,127	33,532
Operating margin (%)	23.98	41.73	40.77
Depreciation expense	6,432	5,537	4,539
Capital expenditures	7,890	9,427	9,288

Exploration costs (Billions of yen)

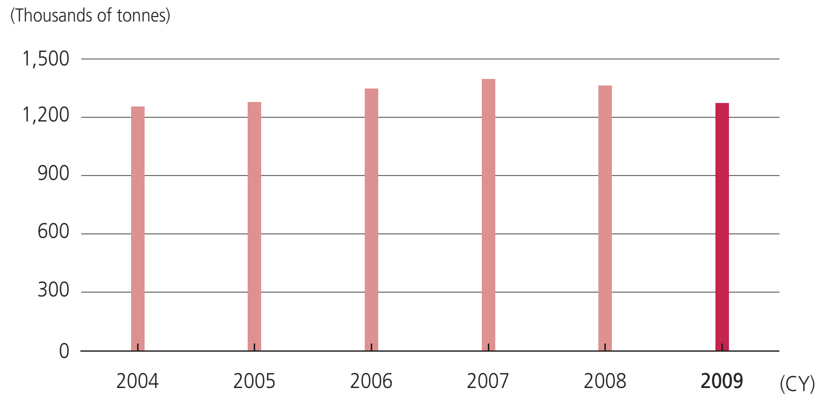
FY2009 (Budget)	FY2008 (Actual)	FY2007 (Actual)	FY2006 (Actual)
2.1	5.4	2.4	1.9

Metals

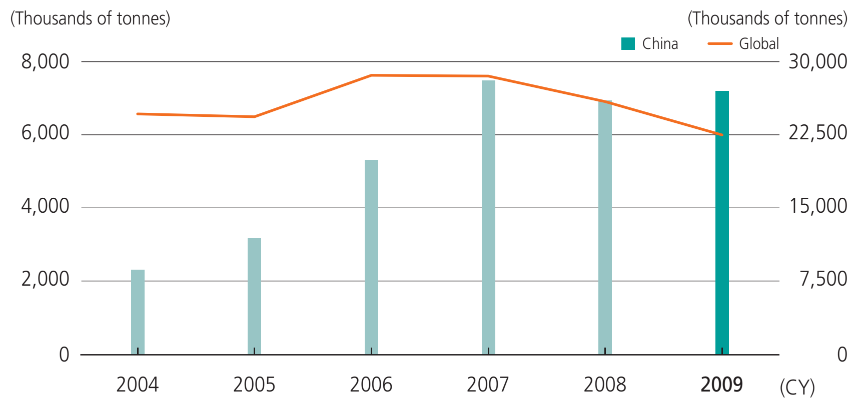
Global and BRICs demand for copper (forecast)



Global nickel production volume (forecast)



Global and China's stainless steel production volume (forecast)



Fiscal 2008 review

Reflecting lower sales volumes and prices for non-ferrous metals, net sales recorded by the division declined by ¥298,159 million (32.7%) compared with the previous year to ¥612,415 million. Operating income fell by ¥106,409 million (97.8%) to ¥2,433 million. This was due to the impact of lower prices for copper and nickel and related inventory write-downs, as well as the effect of reduced sales volumes.

Domestic demand for copper used in the manufacture of electric wires and rolled copper products decelerated sharply during fiscal 2008. Sales of nickel declined due to the impact of a drop in stainless steel-related demand, with demand for nickel used in specialty steels and alloys for energy-related applications falling as well. The slump within the electronics sector also resulted in lower demand for nickel used in electronic materials. After posting an all-time high of $8,985/t in July 2008, the price of copper fell sharply after the onset of the global financial crisis. The average price during fiscal 2008 was $5,864/t, compared with $7,584/t in the previous year. The price of nickel also declined during the year, with the average price in fiscal 2008 dropping to $7.48/lb, from $15.47/lb in the previous year.

SMM responded to the sharp deterioration in business conditions by trying to reduce operating costs where possible and reviewing capital spending plans in an attempt to bolster earnings.

Copper production totaled 368,667t, a fall of 38,624t in year-on-year terms, while gold production dropped by 6,540kg to 39,147kg. Production of nickel (including ferronickel) was on a par with the previous year at 52,158t.

Capital investment plans

As part of the move to a "resources + refining" business model in the mineral resources and metals sector, SMM plans to make cost-effective investments in FY2009 with the primary aim of expanding nickel operations. Large capital spending projects include further construction work on the second plant at the Coral Bay Nickel Project, expected to cost ¥2.0 billion. Capital spending is also planned for regular maintenance and repairs to other facilities.

Financial highlights, by segment

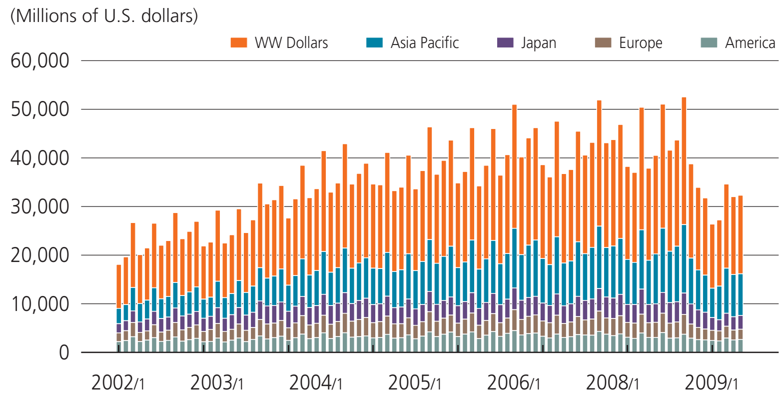
(Millions of yen)	FY2008	FY2007	FY2006
Net sales	612,415	910,574	758,836
Operating income	2,433	108,842	109,564
Operating margin (%)	0.40	11.95	14.44
Depreciation expense	13,475	10,071	8,433
Capital expenditures	24,778	42,089	18,833

Capital expenditures

(Billions of yen)	FY2009 (Plan)	FY2008 (Actual)	FY2007 (Actual)	FY2006 (Actual)
Mineral Resources	1.7	7.9	9.4	9.3
Metals	11.4	24.8	42.1	18.8
Overseas Developmental Investments	3.4	8.8	5.2	10.9
Total	16.5	41.5	56.7	39.0

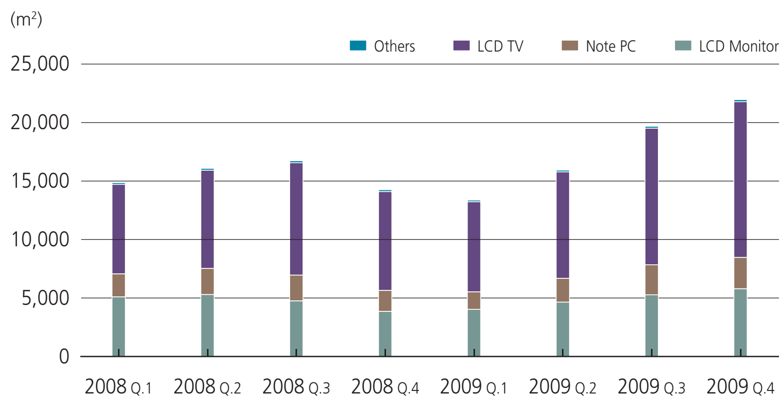
Electronics and Advanced Materials

Semiconductor monthly shipment value



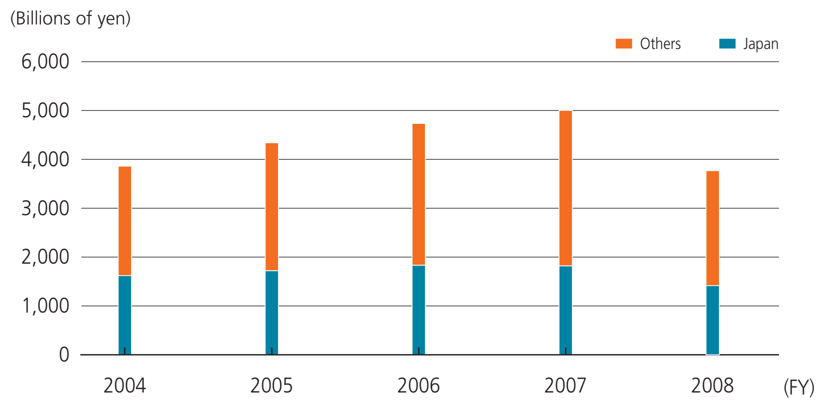
Source: WSTS (World semiconductor trade statistics)

Large-area TFT-LCD panel demand (forecast)



Source: Display bank (March 2009)

Global electronics parts shipment value



Source: Japan Electronics and Information Technology Industries Association

Fiscal 2008 review

Divisional net sales declined by ¥67,076 million (26.3%) compared with the previous year to ¥187,926 million. The division recorded an operating loss of ¥10,150 million, which was equivalent to a year-on-year earnings deterioration of ¥18,365 million.

Growth within the electronic equipment market during the first half of the year was supported mainly by steady sales of low-end and low-priced products to emerging markets. These markets cooled rapidly after the onset of the global financial crisis, however. Reflecting significant contractions in the respective markets for mobile phones, flat-screen televisions and personal computers, which are the leading sources of demand for electronic components, SMM saw sales volumes decline for many products, notably copper-clad polyimide film (CCPF), bonding wire, nickel paste used in multi-layer ceramic capacitors, and battery materials for consumer-related applications.

SMM introduced strict cost-reduction measures within this division, including temporary shutdowns of some production lines.

Capital investment plans

In the battery materials sector, capital investments of ¥2.0 billion are planned in fiscal 2009 to develop SMM's operations relating to lithium nickel oxide, a material used in secondary lithium-ion batteries. The market for such products is expected to grow going forward. Other planned capital investments in this segment total ¥1.8 billion. Total capital spending by this division is projected to be ¥3.8 billion in FY2009, a year-on-year reduction of ¥8.8 billion. In light of general economic circumstances, SMM plans to keep capital spending in this sector to a minimum.

Financial highlights, by segment

(Millions of yen)	FY2008	FY2007	FY2006
Net sales	187,926	255,002	223,580
Operating income	(10,150)	8,215	13,584
Operating margin (%)	(5.40)	3.22	6.08
Depreciation expense	11,064	11,709	10,073
Capital expenditures	12,534	11,862	22,563

Capital expenditures

(Billions of yen)	FY2009 (Plan)	FY2008 (Actual)	FY2007 (Actual)	FY2006 (Actual)
Electronics and Advanced Materials	3.8	12.6	11.8	22.6

Others

Fiscal 2008 review

Divisional net sales increased by ¥3,498 million (8.6%) compared with the previous year to ¥44,206 million. Operating income declined by ¥3,094 million (84.5%) to ¥568 million. This mainly reflected the knock-on effects of lower non-ferrous metals prices, which squeezed the earnings from precious metal recovery operations.

The growth in sales at this division was also due in part to the transfer during fiscal 2008 of the SMM Group subsidiary Sumiko Lubricant Co., Ltd. from the Electronics and Advanced Materials Division.

Operational overview of SMM Group affiliates

In the catalyst business, SMM Group affiliate N.E. Chemcat Corporation is one of Japan's largest manufacturers of precious metal catalysts and coating chemicals. The firm's main businesses are in supplying chemical catalysts for a wide range of applications, including oil refining, petrochemicals, medicine, scents and foods, and in the development and manufacture of automotive catalysts for purifying vehicle exhaust gases. N.E. Chemcat is also developing new businesses in fuel-reforming catalysts for in situ hydrogen generation and in electro catalysts for fuel cell applications. Based on its accumulated wealth of expertise in catalyst technology, the company is pushing ahead with the development of new catalysts that will contribute to future commercialization of fuel cell technology.

Another SMM Group affiliate, Nippon Ketjen Co., Ltd., manufactures catalysts used in oil refining. The firm develops, produces and sells hydroprocessing catalysts; offers services for off-site catalyst regeneration and presulfuration of regenerated catalysts; provides other technical services; and conducts related process licensing operations. Nippon Ketjen aims to help corporate clients do more to protect the global environment by developing businesses that deliver more technically advanced and economic solutions in oil refining.

Financial highlights, by segment

(Millions of yen)	FY2008	FY2007	FY2006
Net sales	44,206	40,708	29,954
Operating income	568	3,662	4,037

Note: The housing and construction materials business was included in this segment from FY2007.

Principal affiliates

Name	Voting Shares (%)	Operations
Nippon Catalyst Cycle Co., Ltd.	100	Valuable-metals recovery business
Nippon Ketjen Co., Ltd.	50	Manufacture and sale of desulfurization catalyst for petroleum processing
N. E. Chemcat Corporation	42	Manufacture of precious metal catalyst and surface treatment chemicals; Recovery and refining of precious metals
Sumitomo Metal Mining Siporex Co., Ltd.	100	Manufacture and distribution of ALC (Autoclaved Lightweight aerated Concrete) and other construction materials
Sumiko Lubricant Co., Ltd.	100	Manufacture and distribution of various fabricants

Feature 1. The Realization of Initial Ambition

Sole operator of overseas mine

July 7, 2009

On this date, SMM finally realized a long-held ambition of serving as the sole operator of an overseas mine – in the vast territory of Alaska.

From seam discovery to mine development

SMM first discovered the gold seams that would later become the Pogo mine in the vast territory of Alaska in December 1995. The site's latitude beyond 65°N made it a particularly cold and forbidding place. The path toward mine development was not an easy one. The challenge was to develop the mine as fast as possible amid harsh natural conditions while complying with strict US environmental regulations. After an internal evaluation, SMM decided to sell a 40% interest in the project to Teck Resources, which had experience of zinc mining operations in Alaska. Teck was invited to be the project operator as part of a joint development deal based on an earn-in agreement.

Even with Teck's participation, the project faced numerous difficulties before any operations could start. Transporting all the heavy machinery to the mine site at Pogo, which was not serviced by any road, involved using frozen rivers as roads in the winter months. In recent years, however, the effect of global warming has been to significantly reduce ice formation in Alaska. Often, this resulted in Insufficiently thick ice for transportation purposes, forcing teams to spray the road surface with water to maintain ice coverage while waiting for the next cold front to arrive. Fortunately, daytime temperatures plunged below minus 40°F many times in the winter of 2004 and spring arrived late in 2005. This allowed teams to transport a greater quantity of equipment and materials to the mine site than originally expected.

Alaska is also a natural treasure. Although developing a mine creates value for society in other ways, mine development in such a location demands the strictest possible environmental safeguards. One by one, the project had to acquire environmental permits for 83 separate items, covering issues such as protecting water quality and biodiversity. Additional environmental measures were taken as well after consultation with the local community and NGOs. Operations at the mine could only begin once all of these safeguards were in place and approved. In February 2006, after considerable efforts by the Teck project team that included several members assigned from SMM, the Pogo mine produced its first precious metal output. This was in the form of ingots of doré, an amalgam containing 94% gold and 6% silver.

View of surface operations at Pogo mine

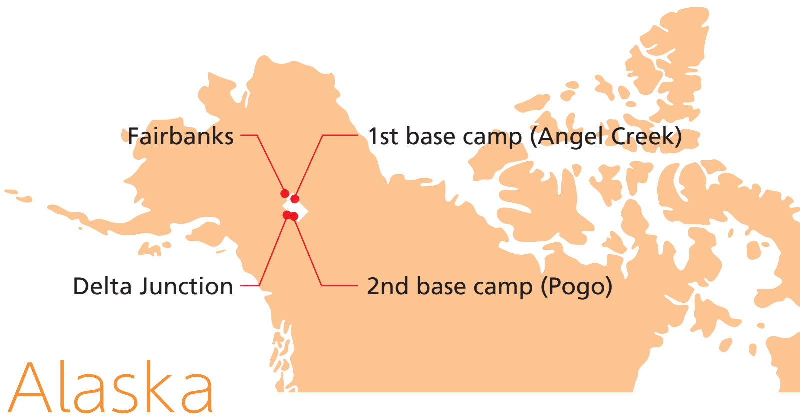
We discovered gold deposits in a part of Alaska's vast untouched wilderness

Winter road construction

Water must be sprayed to thicken the ice if temperatures rise

Heavy machinery transport via winter road

Cold temperatures were needed to ensure sufficiently thick ice to enable transportation of the heaviest equipment



Move to sole operator status

Blast charge operations at Hishikari mine

SMM mining engineers trained at Hishikari work at mines around the world, including development of Pogo

First doré output (gold/silver amalgam)

For economic reasons, the Pogo mine produces doré that is 94% gold and 6% silver; a Canada-based refining company converts these ingots into gold of 99.99% purity

At that time, operation of the Pogo mine was the responsibility of Teck. With a 51% interest in the mine, SMM had about five full-time managers assigned to the project from Japan. Their role was to participate in the management of the mine, since this provided an excellent opportunity to gain real experience of mining development and operations in Alaska.

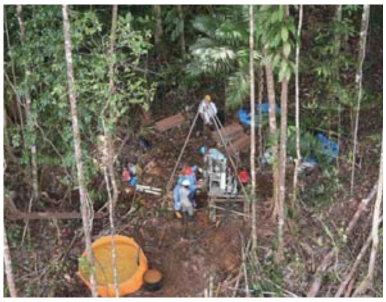
In April 2009, three years after the start of operations, Teck communicated to SMM that it wanted to sell its 40% interest in Pogo, based on a new financial policy to dispose of gold mining assets. SMM immediately began an internal feasibility study to check that there were no management issues at the Teck subsidiary in Alaska; that the multimillion dollar cost of buying Teck's interest in Pogo would be justified by the projected additional revenue flows; and that there were reasonable expectations of discovering further veins of ore. On the basis of this analysis, SMM decided to acquire all of Teck's shares in the Pogo gold mine operating company.

As a result, SMM gained an 85% interest in the Pogo mine (the remaining 15% is owned by Sumitomo Corporation). The decision also meant that SMM would finally achieve a long-held ambition of becoming the sole operator of a mine outside Japan.

Development of second and third overseas mines

Open-pit copper mining at Cerro Verde (Peru)

Against the face of the 1km-diameter pit, even the giant loaders look as small as grains of rice; SMM's next ambition is to operate mines on this huge scale



Solomon Islands exploration

Exploration is ongoing in the Solomon Islands; SMM will decide whether or not to undertake a feasibility study once geological survey work is complete

Since the decision was taken to assume sole operatorship of Pogo, SMM has increased the number of Japanese staff working at the site from five to ten.

SMM currently owns interests in six overseas copper mines, three overseas nickel mines, and the gold mines at Hishikari and Pogo. Of these 11 mines, however, SMM is only the operator at the two gold mines. SMM is also the sole operator at a third overseas site at Coral Bay in the Philippines, which is a nickel refining project.

Japan was home to many gold mines when Western explorers first discovered it several centuries ago – and was famous for it. Yet, since the 1980s, the only large-scale gold mining operation in the country has been the Hishikari mine owned by SMM. Japan has always been an industrial nation that uses its technical strengths to export products around the world – today, it dominates in areas such as automobiles, electrical machinery, electronics and the environment. SMM's core metals of nickel, copper and gold are essential to all these industries. SMM's aim remains to secure resources for its home country of Japan by becoming a major player in non-ferrous metals; by acquiring production interests in copper, nickel and gold mines; and by expanding the three mining and refining operations where it is the sole operator.

The Stone Boy Project

Whilst the Pogo mine produced its first gold in February 2006, the exploration activities in the region started in 1991. Based on an initial study by geological consulting firm Watts, Griffis and McOuat (WGM), SMM joined Noranda, Conroy Petroleum and Stone Boy (a WGM subsidiary) in a joint exploration consortium to prospect for gold, lead and zinc within a 16,000km^2 area to which Stone Boy owned the exploration rights.

After the initial zinc prospecting did not yield any satisfactory results, Noranda and Conroy Petroleum left the consortium in 1993. More promising results were obtained when the remaining two partners started prospecting for gold. In 1995, WGM offered to sell its interest in the venture to SMM (as a specialist exploration firm, WGM was not interested in mine development). Deciding that the region held promise, SMM acquired the rights to the entire Stone Boy area in August 1995. Exploration activities continued, leading to the discovery of the Liese Zone ore deposit within the Pogo area. In December 1995, SMM announced that it had made a potentially valuable gold discovery in Alaska.

Within the Pogo area, the Liese veins are just one part of a larger geological formation with mineral potential known as the Pogo Trend. In addition, there are several sites outside the Pogo area but within the Stone Boy property that show indications of gold deposits. SMM plans to continue prospecting for gold within this region.

Pogo mine gold reserves

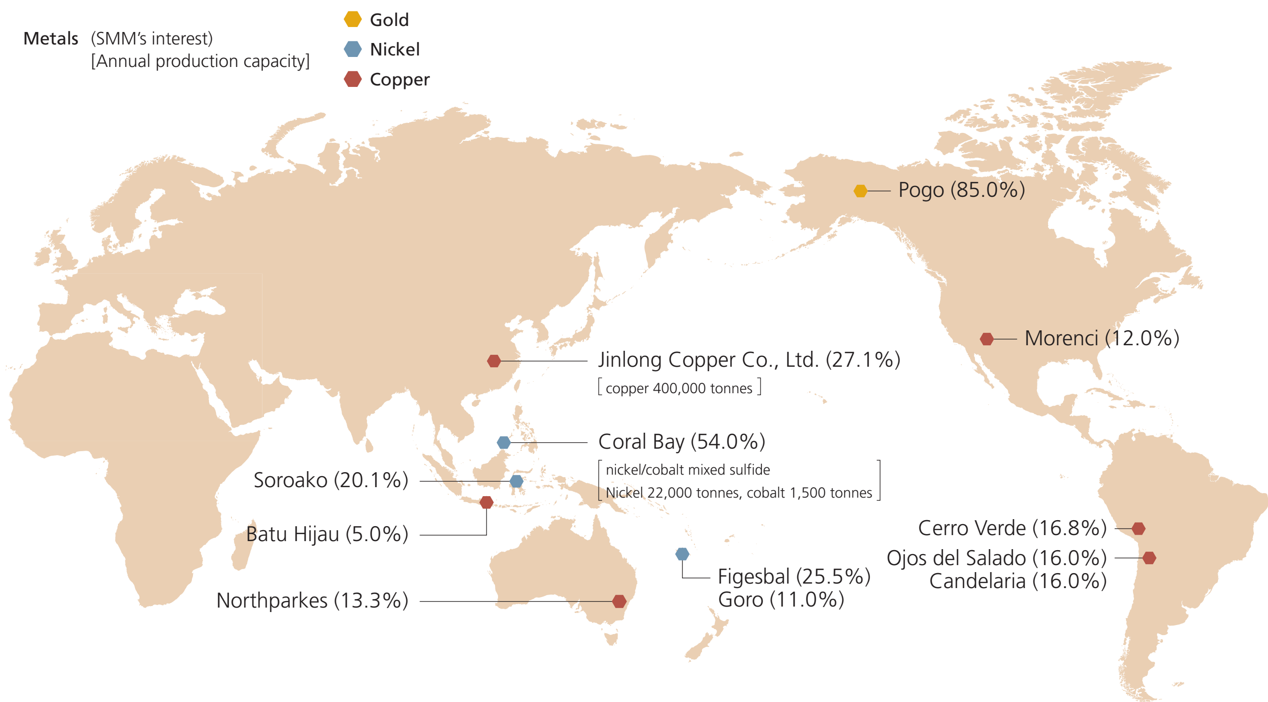
Reserve estimation date	Amount of reserves
December 31, 2008	108.8 ton

With annual output at the Pogo mine having increased from 11t to 12t, current reserves are expected to last another 9–10 years.

SMM's overseas mining operations have graduated to the next level.

Now we stand ready to become a major non-ferrous metals player.

SMM's Mines and Refineries -Overseas-



Principal affiliates

	Name	Voting Shares (%)	Operations
Mineral Resources	Sumitomo Metal Mining America Inc.	100	Prospecting; Management of mining subsidiaries in U.S.A.
	Sumitomo Metal Mining Arizona Inc.	80	Mining and related operations
	SMMA Candelaria Inc.	80	Subsidiary engaged in investment in local corporation located in Chile operating Candelaria Mine
	Sumitomo Metal Mining Canada Ltd.	100	Prospecting; Consulting
	Sumitomo Metal Mining Oceania Pty. Ltd.	100	Resource surveys, mine development and related operations in Oceania
	Sumitomo Metal Mining Pogo LLC	100	Investment in Pogo Mine project
	SMM Cerro Verde Netherlands B.V.	80	Investments in local Peruvian companies engaged in the Cerro Verde Mine operation
	SMM Solomon LIMITED	100	Prospecting in the Solomons Islands
	Sumitomo Metal Mining Peru S.A.	100	Prospecting in South America
	Sumitomo Metal Mining Chile LTDA	100	Prospecting in South America
Metals	P.T. International Nickel Indonesia	20	Nickel ore mining; Nickel smelting
	FIGESBAL	26	Nickel ore mining; Harbor transportation
	Jinlong Copper Co., Ltd.	27	Manufacture and sale of electrolytic copper and sulfuric acid
	Coral Bay Nickel Corporation	54	Intermediate products manufacture of nickel and cobalt
	Sumic Nickel Netherlands b.v.	52	Investments in nickel and cobalt development businesses; Distribution of nickel and cobalt


Pogo Gold Mine (USA)


Cerro Verde Copper Mine (Peru)


Morenci Copper Mine (USA)

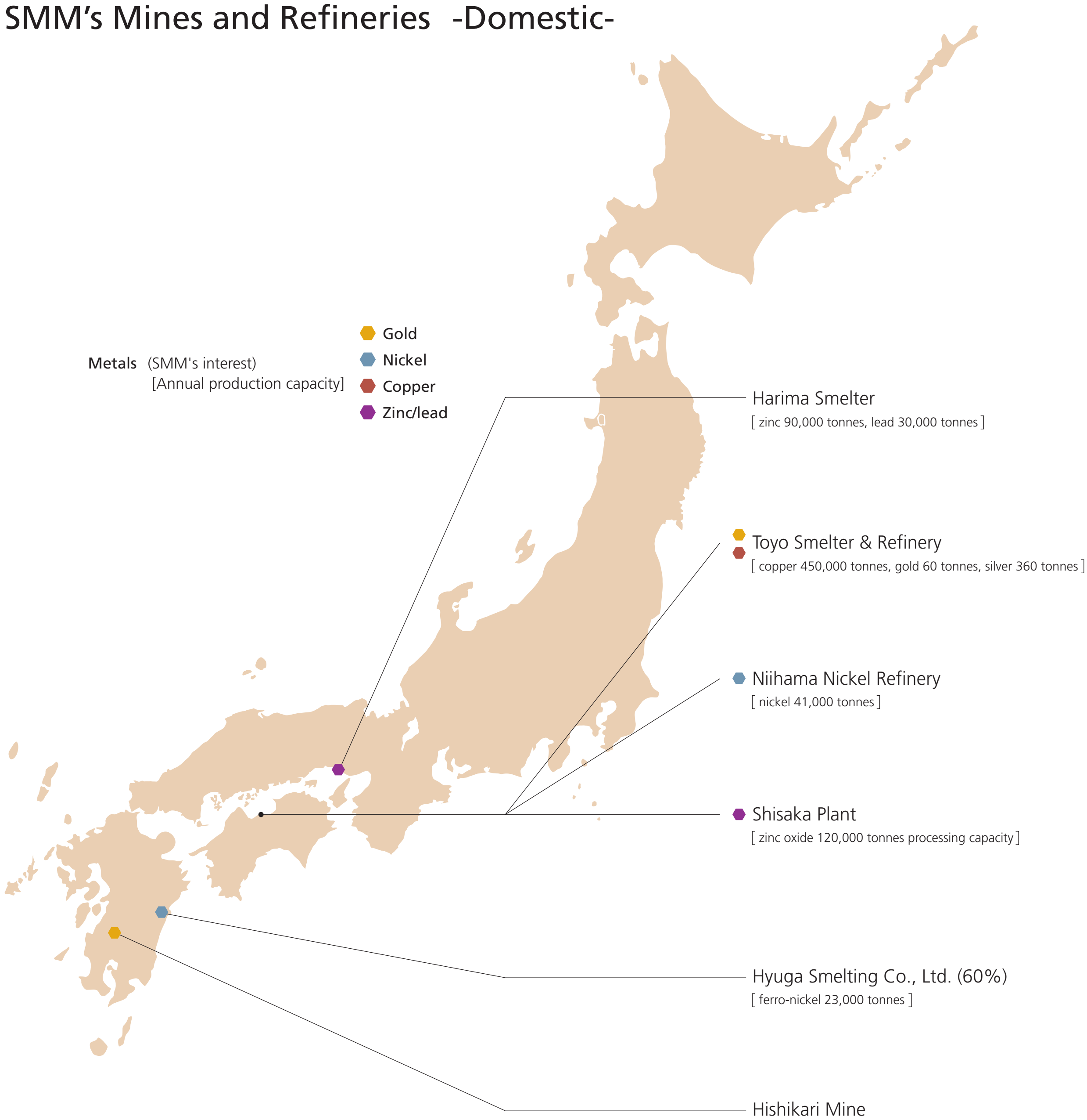

Candelaria Copper Mine (Chile)


Coral Bay (Philippines)


Jinlong Copper Co., Ltd. (China)

Business Network

SMM's Mines and Refineries -Domestic-



Principal affiliates

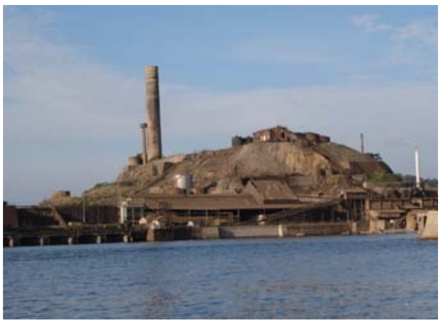
	Name	Voting Shares (%)	Operations
Mineral Resources	Sumiko Consultants Co., Ltd.	100	Geological survey of resources and civil engineering; Test boring
Metals	Hyuga Smelting Co., Ltd.	60	Ferro-nickel smelting
	Sumitomo Metal Mining Brass & Copper Co., Ltd.	100	Manufacture and sale of copper and brass products and processed copper and brass products
	Sumiko Logistics Co., Ltd.	100	Maritime trading; Harbor transportation and services; Land transportation
	MS Zinc Co., Ltd.	50	Manufacture and sale of zinc and related operations
	Acids Co., Ltd.	50	Manufacture and distribution of sulfuric acid and related products
	Taihei Metal Industry Co., Ltd.	97	Manufacture of heat-, corrosion- and friction-resistant steel castings and precision castings


Hishikari Mine (Kagoshima)


Toyo Smelter & Refinery (Ehime)

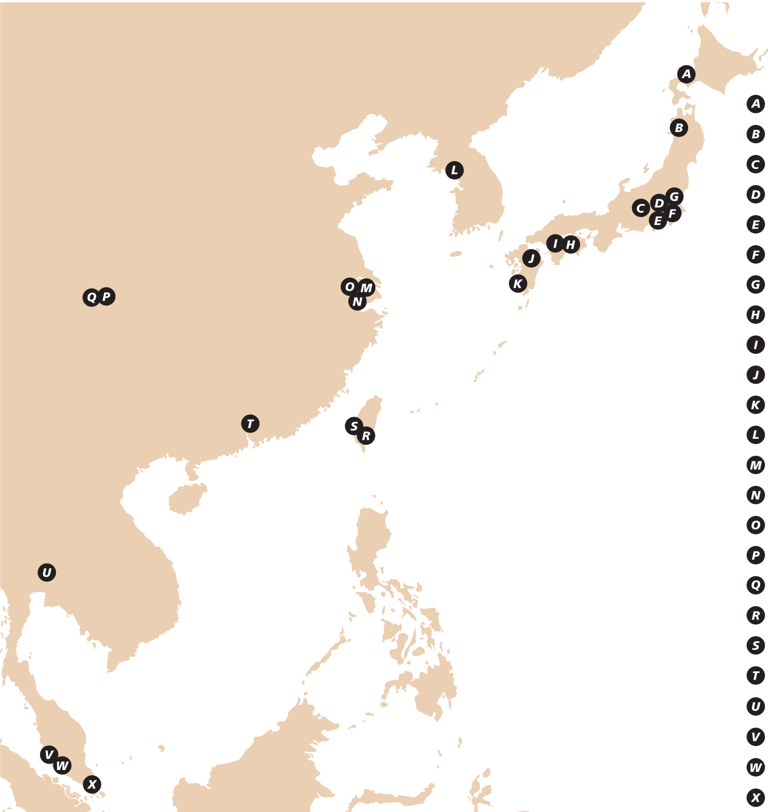

Niihama Nickel Refinery (Ehime)


Hyuga Smelting Co., Ltd. (Miyazaki)


Shisaka Plant (Ehime)


Harima Smelter (Hyogo)

SMM's Production Facilities for Electronics and Advanced Materials



	Semiconductor materials	Advanced materials	
A		■	Sumiko Kunitomi Denshi Co., Ltd.
B		■	SMM Precision Co., Ltd.
C	■		Shinko Co., Ltd.
D		■	Sagami Plant
E	■		Nittosha Co., Ltd.
F	■		Sumiko Tec Co., Ltd.
G		■	Ome District Division
H	■	■	Isoura Plant
I	■		Niihama Electronics Co., Ltd.
J	■		Ajimu Electronics Co., Ltd.
K	■	■	Ohkuchi Electronics Co., Ltd.
L	■		SMM KOREA Co., Ltd.
M		■	Shanghai Sumiko Electronic Paste Co., Ltd.
N	■		Sumitomo Metal Mining Electronics Materials (Shanghai) Co., Ltd.
O	■		Sumiko Electronics Suzhou Co., Ltd.
P	■		Sumiko Leadframe Chengdu Co., Ltd.
Q	■		Sumiko Precision Chengdu Co., Ltd.
R	■		Sumiko Electronics Taiwan Co., Ltd.
S	■		Taiwan Sumiko Materials Co., Ltd.
T		■	Dongguan Sumiko Electronic Paste Co., Ltd.
U	■		Sumiko Leadframe (Thailand) Co., Ltd.
V	■		M-SMM Electronics SDN. BHD.
W	■	■	Malaysian Electronics Materials SDN. BHD.
X	■		Sumitomo Metal Mining Asia Pacific Pte. Ltd.

Principal affiliates

	Name	Voting Shares (%)	Operations
Domestic	Sumiko Kunitomi Denshi Co., Ltd.	100	Production of crystal materials and magnet materials
	Ohkuchi Electronics Co., Ltd.	100	Semiconductor packaging materials production; Recovery of precious materials; Manufacture of functional inks
	Ajimu Electronics Co., Ltd.	100	IC package plating
	Shinko Co., Ltd.	94	Design, manufacture and distribution of printed circuit boards
	SMM Precision Co., Ltd.	100	Production of optical communications components
	GRANOPT Ltd.	50	Manufacture and distribution of rare earth iron garnet (RIG)
	Niihama Electronics Co., Ltd.	100	Lead frame production; Copper-clad polyimide film production
	Nittosha Co., Ltd.	100	Metal product plating, surface treatment and sales
	Sumiko Tec Co., Ltd.	100	Manufacture of electronic device terminals, connectors and sales
Overseas	Malaysian Electronics Materials SDN. BHD	100	Manufacture and sale of bonding wire and thick-film paste
	Taiwan Sumiko Materials Co., Ltd.	100	Manufacture and distribution of bonding wire
	Sumitomo Metal Mining Electronic Materials (Shanghai) Co., Ltd.	100	Manufacture and distribution of bonding wire
	Shanghai Sumiko Electronic Paste Co., Ltd.	69	Manufacture and distribution of thick-film paste
	Dongguan Sumiko Electronic Paste Co., Ltd.	85	Manufacture and distribution of thick-film paste
	Sumitomo Metal Mining Asia Pacific Pte. Ltd.	100	Regional headquarters (RHQ) for overseas lead frame businesses
	Sumiko Leadframe Chengdu Co., Ltd.	70	Manufacture and sale of lead frames
	Sumiko Precision Chengdu Co., Ltd.	70	Manufacture and sale of lead frames
	M-SMM Electronics SDN. BHD.	100	Manufacture and sale of lead frames
	Sumiko Electronics Taiwan Co., Ltd.	70	Lead frame and tape materials production
	Sumiko Leadframe (Thailand) Co., Ltd.	100	Manufacture and sale of lead frames
	Sumiko Electronics Suzhou Co., Ltd.	100	Manufacture and sale of lead frames
	SMM KOREA Co., Ltd.	100	Marketing support for semiconductor materials and related operations

Feature 2. Targeting Sustained Growth

Pursuing a steady, forward-looking strategy to grow with the expanding non-ferrous metals industry

Global demand for non-ferrous metals is forecast to continue rising into the future. To realize sustained growth, companies within the sector need to gain sufficient capacity to develop operations on a global scale. This is why SMM is focusing on moving toward a "mineral resources + refining" business model. At the same time, establishing the framework and organization to support a strong management platform is also essential. SMM seeks to grow corporate value by pursuing a management style that combines business strategy with corporate social responsibility (CSR).

Interview with the Chairman

The ability to develop business on a global scale is essential

Koichi Fukushima
Chairman and Representative Director

Interview with the Chairman

Q.1

What must you do now to ensure SMM's business will be growing in, say, 20 years from now?

Global economic conditions may be tough at the moment, but we are bound to see a recovery at some point. In terms of the global demand for non-ferrous metals, our view is that the BRICs and other emerging economies are certain to be driving growth in demand ten or twenty years from now.

The crucial point that I believe we must recognize is that the competition for resources will become more intense in the future. Within that environment, the conditions for any Japanese company that continued to base its business on purchasing ores for refining would probably become much more difficult.

Given this situation, I believe that the essential thing for SMM is to gain greater ownership of resources so that we can continue supply users with high-quality non-ferrous metals. By adopting this role, we can also make a valuable social contribution as a company. For these reasons, we need to be reinforcing our business platform now and continue doing so, looking not merely five or ten years ahead but even further into the future.

In our electronics and advanced materials business, I think the important thing is how we collectively tackle global environmental issues. Non-ferrous metal resources and products will certainly play an effective role in helping to solve such issues, from reducing carbon dioxide emissions to saving energy and building a low-carbon society. We must develop this business based on that assumption. Although we are in a situation where the electronics and advanced materials operations must undergo fundamental restructuring, at the same time we need to recognize that this is one business domain where we can contribute to society as a commercial enterprise. We are forecasting a continuation of the current harsh earnings environment for the electronics and advanced materials business. The key challenge is one of overcoming the current difficulties so that we can remain in this business and profitable.

What is your approach to the future development of SMM's refining business?

Q.2

How we approach our refining operations going forward is a key point relating to our business strategy.

SMM inherited the copper mine at Besshi, one of the original jewels in the Sumitomo crown that we began operating in the 17th century. When that mine closed in 1973, metal refining became our main business. These operations have chiefly relied on buying ores from overseas to produce high-grade metal – that is, we have followed a procured-ore refining business model. However, business conditions have evolved in such a way in recent years that it has become difficult to support the growth of the overall business based on smelting and refining operations alone. While our production costs are some of the lowest in the world, the overall competitiveness of these operations is gradually being eroded by the relatively high cost of processing the various refining by-products in Japan.

On the periphery of our refining operations, we have the mineral resources business and the electronics and advanced materials business. Our main challenge going forward is to get each of these businesses firmly established and to increase earnings. In the mineral resources business, in particular, we need to acquire the capabilities to develop these operations on a global scale. To date, while we have taken stakes in a large number of resources around the world, we have typically owned minority interests and have not acted as the sole operator. For the past ten years, I have been saying that SMM's goal was to acquire a majority stake in a mine and assume its sole operatorship. That finally happened earlier in 2009, when we acquired a 100% stake in the Pogo gold mine. So we have now realized our ambition of becoming the sole operator of an overseas mine.

Interview with the Chairman

Q.3

How do you plan to build up SMM's business platform to create the sort of company you are talking about?

I see human resources development as a vital part of it. To manage mining operations and grow profits, we need to develop and retain talented engineers who can work at the international level. My belief is that you cannot substitute actual hands-on experience. You need to get sweaty inside a real mine to get a feel for how it operates and understand this part of the production process. Fortunately, SMM owns a gold mine at Hishikari that is ideal as this kind of training ground. Outside Japan, we now have the other gold mine at Pogo. Our plan is to train people at Hishikari and then continue their mining education at Pogo. We can then put these trained engineers into the new mines that we develop in the future. On-site training is an important part of HR development, and that is one of the reasons why we wanted to take on the operatorship of Pogo. In that sense I am delighted that, after so many years, we have finally been able to take the next important step on the path of SMM's development.

Another conviction of mine is that, first and foremost, managers must continue to learn. For this reason, in the past year we have organized training camps and optional classes for executive officers. In addition, we are in the process of reviewing and upgrading our training systems across the entire company. We have also established an HR development and training center in Niihama (near the original Besshi site) to provide a facility for training courses. Although we are facing extremely harsh business conditions at the moment, we are not cutting the training and education budget. As in the past, our aim going forward is to put a lot of effort into training our people as best we can.

Q.4

Do you see any other important management-related points?

Recently I have gained a fresh appreciation for the value of the Sumitomo Business Spirit, which is based on the concept that enterprise is essentially a beneficiary of nature and society. In this sense, mining is a business in which we benefit from nature through the extraction of underground resources. In turn, this means that we must recognize the necessity of our business always striking a harmonious balance with the environment. The Sumitomo Business Spirit tells us we must pursue resource development in an environmentally sustainable manner because our prosperity fundamentally depends on it.

If we do not have sufficient appreciation of this point and develop our mining business accordingly, the world will not look on us kindly and our business will ultimately fail to prosper. It is thus in our interest to develop mining operations in a way that stays in harmony with the local environment, and to develop the necessary technologies to make this possible. We must also be committed to ensuring that the local economy and area truly benefits from our operations. These are the principles expressed in the Sumitomo Business Spirit that we have inherited from hundreds of years ago.

At SMM, we are firmly committed to full and ongoing programs of measures in areas such as CSR, compliance and safety management. The Sumitomo Business Spirit also lies at the heart of these activities. No matter how strict are the rules and systems that you create, the essential thing is training people to respect the rules and apply the systems. So I believe that it is important for the management of our business that we focus on these areas of training to ensure that our employees have the awareness and skills to implement the various systems and activities that we have established.

August 2009

K. Fukushima

Koichi Fukushima
Chairman and Representative Director

Construction and Operation of Management Systems (Corporate Governance)

To gain the trust and satisfy the expectations of shareholders and other stakeholders, SMM is committed to building and maintaining an optimized framework for business management based on high levels of transparency and efficiency.

Basic policy stance

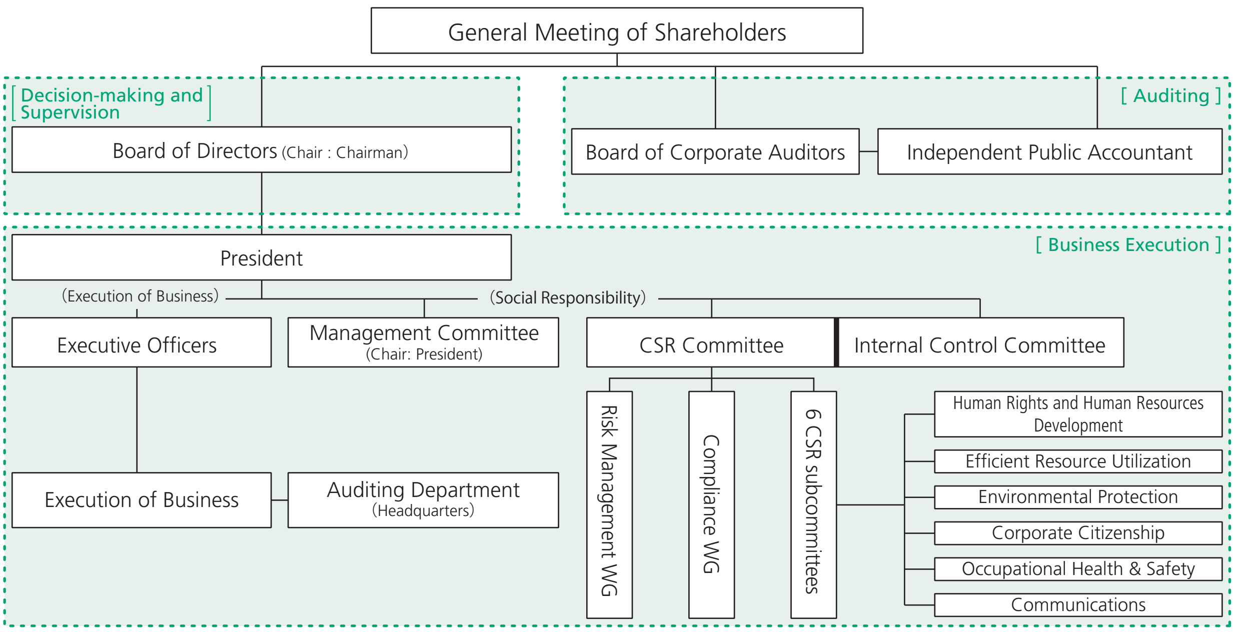
-- SMM views corporate governance as a disciplinary framework both for maximizing the enterprise value of the SMM Group and for ensuring sound management practices. As such, it is an important management issue.

-- SMM has instituted the SMM Group Corporate Philosophy based on the Sumitomo Business Spirit, and has also formulated the SMM Group Code of Conduct as a set of behavioral standards to guide executives and employees in realizing SMM's business philosophy.

-- SMM is committed to striving to achieve the goals contained in the business philosophy; to conducting efficient and sound business activities; to making a valuable social contribution; and to fulfilling responsibilities to stakeholders.

-- SMM has adopted executive officer and corporate auditor systems to ensure that the execution, monitoring and oversight of business management each function effectively within governance systems.

Corporate governance framework



1) Characteristics

Governance institutions and related personnel

Institution	Chaired by	Members	Composition
Board of Directors	Chairman	8	Outside director (1), chairman, president, directors with executive responsibility for corporate divisions (3), directors with executive responsibility for operating divisions (2)
Board of Corporate Auditors	Standing Senior Corporate Auditor	4	Including 2 outside auditors
Management Committee	President	8	President; president-designated senior managing executive officer (not head of an operating division); executive officers with departmental responsibility for technology, business planning, general and legal affairs, public relations and IR, accounting and human resources; executive officer from proposed division (N.B. The chairman, outside director and corporate auditors can also attend)
CSR Committee	President	17	President, executive officer responsible for CSR, heads of operating divisions, technology division, engineering division and head office departments (N.B. Corporate auditors can also attend)
Executive officers		19	President; managers with senior responsibility for operational execution, head office departments, technology division, engineering division and operating divisions; managers of key operating sites

In organizational terms, SMM's corporate governance framework has three separate core elements: the Board of Directors, which has a decision-making and supervisory role; business execution, which is managed by the executive officers; and audit functions, which involve the Board of Corporate Auditors and the independent auditors.

2) Business execution

SMM introduced an executive officer system in June 2001. Under the system, significant operational authority is delegated to executive officers to establish a clear delineation of authority and responsibilities with respect to execution functions, while directors focus mainly on decision-making and supervision.

-- *Reporting to the president, the executive officers assume responsibility for business execution, both in terms of divisional operating activities and the fulfillment of social responsibilities (CSR activities and internal controls).*

-- *Chaired by the president, the Management Committee deliberates the following important business matters:*
- *Matters requiring Board approval that also need prior deliberation*
- *Matters deemed to require discussion but not items for the Board agenda*

Through such deliberations, the Management Committee facilitates rational business discussion and decision-making while helping to promote efficient management based on appropriate internal controls.

3) Directors

— Operation of the Board of Directors

SMM's articles of incorporation set the maximum number of directors to ten as a way of promoting lively debate at Board meetings. Directors serve for terms of one year. The Board of Directors convenes regularly once a month and in extraordinary session as required to ensure flexible decision-making. Board minutes are circulated to all executive officers to share information.

In the year ended March 2009, the Board of Directors convened 19 times (12 regular meetings and 7 extraordinary sessions). The outside director attended 17 of these meetings (12 regular/5 extraordinary) to ask the proper questions and state opinions, based on his specialist knowledge and experience as a lawyer and tax attorney.

— Relationships with outside directors

Name	Tsutomu Ushijima
Profession	Lawyer
Relationship with SMM	Mr. Ushijima has signed a limited liability agreement with SMM, and serves as an outside auditor of other companies as well.
Reason for appointment	Based on his specialist knowledge and wealth of experience as a lawyer, he was appointed an outside director to provide advice to SMM on business matters, particularly from a compliance perspective.

4) Corporate auditors

— Operation of the Board of Corporate Auditors

SMM's articles of incorporation set the maximum number of corporate auditors to five. The in-house corporate auditors work in a full-time capacity and state opinions at meetings of the Board and other senior executive meetings from an independent standpoint, based on audit results. The outside auditors also attend these meetings, basing opinions on expertise in specialized fields. The Board of Corporate Auditors meets each month on the same day as regular Board meetings, but at an earlier time. Extraordinary sessions can also be convened as necessary.

Auditor Katsumi Maeda attended all meetings of the Board of Directors held in the year ended March 2009, in addition to all 16 meetings of the Board of Corporate Auditors. After being appointed in June 2008, auditor Takayuki Kurata attended all subsequent meetings of the Board of Directors and Board of Corporate Auditors that were held in the year ended March 2009. Both of the outside auditors performed audit-related functions, such as asking proper questions and stating opinions at meetings, based on substantial experience in their respective specialist fields and knowledge of corporate business.

Both the full-time auditors and the outside auditors visit SMM Group operating sites and factories as required to conduct site audits. The full-time auditors compile audit reports relating to any audits of operating sites, subsidiaries or affiliates; these reports are also submitted to the outside auditors. In addition, the full-time auditors are required to report to the Board of Corporate Auditors what happened at any meetings not attended by the outside auditors.

— Relationships with outside auditors

Name (profession) of outside auditor	Katsumi Maeda (CPA) Takayuki Kurata (Japan Bank for International Cooperation, etc.)
Relationship with SMM	Both outside auditors have signed a limited liability agreement with SMM and neither has any relationship with SMM Group companies.
Reason for appointment	Mr. Maeda was appointed due to his many years of experience with corporate audits at a professional auditing firm and his wealth of accounting knowledge. Mr. Kurata was appointed due to his vast experience of financial institutions and his knowledge of company management.

5) Remuneration and incentive systems for directors and auditors

Paid to directors	¥372 million
Paid to outside director	¥14 million
Paid to auditors	¥88 million
Paid to outside auditors	¥23 million
Remuneration system	The system of retirement and severance benefits for directors and auditors was abolished with effect from the end of the 80th Ordinary General Meeting of Shareholders held on June 29, 2005. Remuneration for directors (with the exception of outside directors) is based on corporate financial performance and varies from year to year.

6) Social responsibility (CSR activities and internal controls)

CSR activities

Chaired by the president, the CSR Committee comprises the heads of SMM's various operating and central divisions. SMM re-launched its program of CSR activities in a systematized format at the start of October 2008.

-- *For about 400 years, SMM has been involved in the extraction of resources to produce metal ores for further refining. SMM recognizes that such business activities damage the planet, and that this requires striking a balance between minimizing such damage and using these finite resources for the greater good of society. In this context, SMM views CSR as a way of earning the trust of society by promoting sustainable, eco-friendly operations and undertaking sound corporate activities. Based on this thinking, SMM published a newly formulated "CSR Vision for 2020" in October 2008 that had been deliberated in-house at management level for 18 months. The program of CSR activities was re-launched in a systematized format. The CSR Committee is one of the bodies with input into SMM's business strategy. CSR subcommittees focus on each of the six key CSR areas as defined in the 2020 vision. Annual targets have been set to help in realizing this vision.*

-- *Established following the JCO criticality accident in 1999 to promote better risk management, based on a corporate revitalization plan that SMM created in April 2000, the Risk Management Working Group oversees development of an original program of activities designed to prevent major incidents as well as minimize the damage caused by any accidents that do occur. This working group has generated significant results over the past ten years.*

-- *The Compliance Working Group focuses on ensuring that the company's compliance-related systems are functioning well. This working group oversees the distribution by managers of educational and training materials to all SMM Group employees on the SMM Group Code of Conduct and the importance of compliance, among other topics. It also works to promote compliance across the SMM Group by investigating the causes of compliance breaches so that strict measures can be implemented to prevent any recurrence.*

Please refer to SMM's CSR Report 2009 (scheduled for publication in October 2009) for further details on CSR activities. It has been compiled in accordance with the 2006 edition of the GRI Sustainability Reporting Guidelines (G3).

Internal controls

Chaired by the president, the Internal Controls Committee has overseen the institution of a system of internal controls based on the Financial Instruments and Exchange Law that was enacted in June 2006. Reviewing the first year of the application of these controls (April 2008-March 2009), SMM submitted the prescribed progress and audit reports on the internal controls system to the relevant authorities in June 2009.

The directors, executive officers and employees each have clearly delineated roles and responsibilities in developing the SMM Group's internal controls in a system that involves the participation of all employees. The system has been designed to undergo regular review to facilitate constant improvement.

7) Institution and purpose of takeover defenses

The Board of Directors approved the adoption of takeover defenses at a meeting held on February 19, 2007. These measures received the necessary approval of at least two-thirds of shareholders at the 82nd Ordinary General Meeting of Shareholders held in June 2007. These takeover defenses are set to remain in effect until the Ordinary General Meeting of Shareholders due to be convened in June 2010.

In the interests of both the company and its shareholders, these takeover defenses aim to prevent any moves that would be detrimental to the creation of enterprise value.

8) Other governance-related matters

a. Quorum for director appointments
Resolutions to appoint directors require approval by majority shareholder vote at a General Meeting of Shareholders where the voting rights of at least one third of all shareholders are represented.

b. Acquisition of treasury stock
The articles of incorporation permit acquisitions of treasury stock by means of open-market purchases by resolution of the Board of Directors, in line with the provisions of Article 165 Section 2 of the Company Law.

c. Interim and final dividends
The articles of incorporation permit the distribution of an interim dividend each year to those shareholders registered on the record date of September 30 by resolution of the Board of Directors, in line with the provisions of Article 454 Section 5 of the Company Law. Payment of a final dividend based on the distribution of retained earnings requires the approval of shareholders, in line with the provisions of the Company Law. The record date for the final dividend is March 31.

Purchases of treasury stock in FY2008

August 11, 2008 - August 22, 2008	Stock acquired Total cost	14,599,000 shares ¥19,999,975,000
November 21, 2008 - December 2, 2008	Stock acquired Total cost	12,386,000 shares ¥9,999,348,000

Construction and Operation of Operating Systems (Risk Management)

Risk management: establishment of HR development facility

SMM started operating a new risk management system developed in-house in 2001. The system involves inputting into a centralized database the individual risks relevant to operating sites across all SMM Group divisions. These data are used to formulate and implement annual risk management plans. The president assumes senior management responsibility for the operation of the risk management system. In line with relevant ISO standards, the system also incorporates an internal audit framework. The effectiveness of the system is tested based on multiple audits and the implementation of PDCA cycles.

SMM and affiliated companies also employ environmental management and quality control systems based on ISO standards. Based on the characteristics of each business, these are designed to harmonize with other aspects of the business management to maximize effectiveness. At the level of individual risks, the systems focus on occupational health and safety management in particular due to the nature of the business. Located near Niihama, Ehime Prefecture, SMM's new HR Development center, which opened in October 2009, provides two training courses on hazard awareness drills and facility engineering.

The hazard awareness drills give the employees of SMM Group companies and partner firms an opportunity to undergo quasi-hazardous experiences as a way of increasing sensitivity to possible workplace dangers. The aim of this is to prevent safety-related incidents from occurring in the first place.

Based on the slogan "Creating more skilled operators," the course on facility engineering is designed to help production sites achieve higher safety levels autonomously by enabling workers to gain a broader knowledge of machinery and equipment used on-site.

Accidents were a common occurrence in mining operations many years ago, but today the incidence of problems has fallen drastically. Nonetheless, human error cannot be eliminated completely. These training courses aim to make workers more aware of the dangers that lurk if operating procedures are not followed correctly. SMM plans to continue using such initiatives to try to lower accident rates further.

Safety (Training aims to build hazard awareness relating to:)	
Heights	Hot objects
Operations using a crane or hoist	Cutting tools
Tight spaces or other entrapment hazards	Heavy objects/sharp objects underfoot
Electricity	Heavy equipment (forklifts)
Chemicals	Other workplace hazards
Hygiene	
Workplace environment	Basic hygiene (protective gear)
First aid	

Directors and Corporate Auditors

From left : Naoki Tajiri (*Director*), Koichi Fukushima (*Representative Director*), Masashi Koike (*Representative Director*), Nobumasa Kemori (*Representative Director*), Ichiro Abe (*Director*), Kouzou Baba (*Director*), Yoshiaki Nakazato (*Director*), Tsutomu Ushijima (*Director*)

Representative Directors:	Koichi Fukushima (Chairman) Nobumasa Kemori (President) Masashi Koike
Directors:	Ichiro Abe Naoki Tajiri Kouzou Baba Yoshiaki Nakazato Tsutomu Ushijima*
Standing Senior Corporate Auditor:	Motoki Kitamura
Standing Corporate Auditor:	Toshikazu Yakushiji
Corporate Auditors:	Katsumi Maeda** Takayuki Kurata**

* Outside Director under the Companies Act
** Outside Corporate Auditor under the Companies Act

Financial Section

Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31	2009	2008	2007	2006
Results for the year:				
Net sales	**¥793,797**	¥1,132,372	¥966,764	¥625,579
Gross profit	**56,887**	198,147	203,180	120,137
Operating income	**10,534**	155,394	162,632	82,756
Other income (expenses)	**12,408**	61,110	42,985	10,218
Income (loss) before income taxes and minority interest	**22,942**	216,504	205,617	92,974
Net income (loss)	**21,974**	137,808	126,054	62,800
Equity in earnings of affiliated companies	**31,536**	73,956	46,708	21,915
Capital expenditures	**47,723**	65,145	51,567	50,568
Depreciation	**34,268**	30,505	25,693	22,951
Net interest expenses	**(271)**	(2,209)	(2,606)	(1,281)
Net cash flows from operating activities	**128,000**	157,383	95,985	70,772
Net cash flows from investing activities	**(28,386)**	(126,413)	(77,429)	(102,384)
Net cash flows from financing activities	**(74,086)**	55,727	(10,073)	28,723
Free cash flows	**99,614**	30,970	18,556	(31,612)
Financial position at Year-end:				
Total assets	**880,001**	1,091,716	929,208	772,562
Net assets	**547,251**	640,345	528,921	394,899
Shareholders' equity*1	**—**	—	—	—
Long-term debt due after one year	**141,716**	169,394	93,800	114,405
Interest-bearing debt	**218,534**	258,054	189,910	190,891
Working capital	**206,123**	266,250	103,791	72,228
Amounts per share (Yen):				
Net income (loss)				
— Basic	**38.87**	238.13	220.49	109.96
— Diluted	**36.18**	231.50	213.67	108.87
Shareholders' equity	**913.92**	1,017.96	859.82	654.15
Cash dividends	**13.0**	30.0	27.0	14.0
Key ratios:				
ROA (%)	**2.23**	13.64	14.81	9.33
ROE (%)*1	**4.02**	25.39	28.99	19.10
Equity ratio (%)*1	**57.3**	54.0	53.4	48.4
Interest-bearing debt to total asset ratio (%)	**24.8**	23.6	20.4	24.7
Debt-to-equity ratio (times)*1	**0.43**	0.44	0.38	0.51
Current ratio (times)	**2.17**	2.04	1.39	1.33

*1 Shareholders' equity are defined as following equation.
Shareholders' equity = Total shareholders' equity + Total valuation and translation adjustment

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

2005	2004	2003	2002	2001	2000	1999
¥484,585	¥402,131	¥355,242	¥330,194	¥375,352	¥360,299	¥350,288
82,878	53,714	51,764	38,152	63,372	45,061	41,190
47,893	22,778	16,593	1,147	26,930	8,990	858
6,024	8,416	(24,098)	(13,735)	(11,359)	(4,342)	(12,932)
53,917	31,194	(7,505)	(12,588)	15,571	4,648	(12,074)
37,017	19,882	(1,172)	(6,611)	15,103	4,740	(12,495)
13,513	7,112	3,400	1,535	4,078	2,406	326
36,488	46,540	18,927	25,379	28,078	20,490	32,499
20,578	17,824	18,283	17,822	16,774	16,611	23,095
(893)	(1,098)	(1,459)	(1,775)	(2,129)	(2,492)	(1,907)
40,150	32,324	26,105	33,370	23,339	(800)	22,912
(31,725)	(17,448)	(21,246)	(16,246)	(4,248)	4,143	(23,287)
6,097	(9,293)	(14,163)	(14,267)	(26,089)	(9,086)	4,047
8,425	14,876	4,859	17,124	19,091	3,343	(375)
573,925	517,930	470,774	518,756	530,080	544,121	544,519
—	—	—	—	—	—	—
283,897	253,071	223,341	236,313	237,470	235,231	226,795
109,777	86,437	76,470	73,972	83,839	107,266	124,535
160,533	148,351	154,799	167,077	176,998	197,624	207,821
86,382	52,795	35,945	23,371	33,259	38,910	50,518
64.77	34.76	(2.05)	(11.56)	26.41	8.29	(21.85)
—	—	—	—	—	—	—
497.57	443.29	391.14	413.28	415.25	411.34	396.59
8.0	6.0	5.0	4.0	6.0	5.0	3.0
6.78	4.02	—	—	2.81	0.87	—
13.79	8.35	—	—	6.39	2.05	—
49.5	48.9	47.4	45.6	44.8	43.2	41.7
28.0	28.6	32.9	32.2	33.4	36.3	38.2
0.57	0.59	0.69	0.71	0.75	0.84	0.92
1.61	1.38	1.26	1.14	1.20	1.23	1.31

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

One of the core themes of the FY2007–9 Medium-term Business Plan that SMM unveiled in fiscal 2006 was the maintenance of sound finances. As an indicator of this, management set a target of achieving an equity ratio of at least 50%. This ratio stood at 57.3% at the end of fiscal 2008, a significant improvement from the figure of 48.4% recorded two years earlier.

SMM is executing a medium-to-long-term growth strategy, but could not avoid the severe impact on short-term results caused by the changes in non-ferrous metals prices and conditions in markets for metals and electronic materials that occurred in the second half of fiscal 2008. In addition, the development of metal resources is an area where lengthy periods of time are required before the related investments start generating returns.

In this type of operating environment, management believes that maintaining current levels of financial strength is critical to ensuring SMM can undertake large-scale investments with optimal timing. By maintaining sound finances and pushing forward with the execution of the medium-to-long-term growth strategy, SMM aims to generate further growth in enterprise value.

This section provides an overview of SMM's financial position and business results for fiscal 2008.

Overview of Consolidated Operations

The SMM Group comprised the parent company (Sumitomo Metal Mining Co., Ltd.), 60 subsidiaries and 17 affiliated companies as of March 31, 2009. The SMM Group's operations are organized into four business divisions: Mineral Resources, Metals, Electronics and Advanced Materials, and Others.

The figures in this Annual Report refer to the results of the parent company, 50 consolidated subsidiaries and 12 equity-method affiliates (both domestic and overseas).

Financial Position and Liquidity

Assets

As of the fiscal 2008 year-end (March 31, 2009), total assets amounted to ¥880,001 million, a decrease of ¥211,715 million, or 19.4%, compared with a year earlier.

Current assets fell by ¥140,863 million. This was mainly the result of lower inventories and notes and accounts receivable associated with significant falls in non-ferrous metals prices.

Total fixed assets declined by ¥70,852 million compared with the previous year-end. This reflected lower market values for equities held in the Group's portfolio of investment securities due to share price falls. The carrying values of Group shareholdings in affiliated companies also declined as the result of translation adjustments.

Liabilities

Total liabilities amounted to ¥332,750 million as of the fiscal 2008 year-end, a decrease of ¥118,621 million, or 26.3%, compared with a year earlier.

Current liabilities decreased by ¥80,736 million. This was due to a fall in trade notes and accounts payable associated with lower non-ferrous metals prices, among other factors; a reduction in accrued income taxes; and a decline in short-term borrowings due to the repayment of external loans by consolidated subsidiaries. Reflecting declines in corporate bonds and long-term debt, total long-term liabilities decreased by ¥37,885 million.

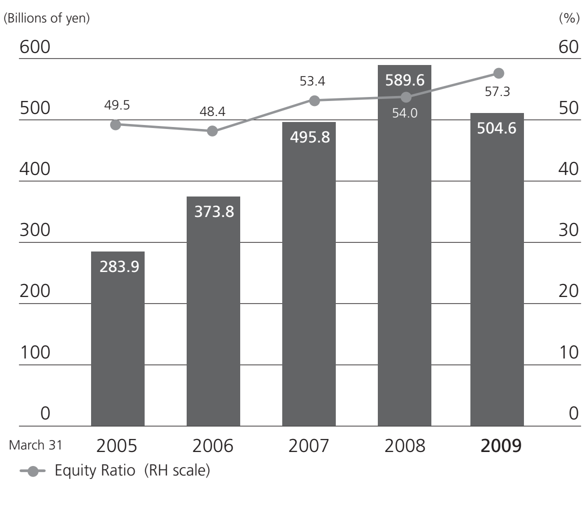
Net Assets

As of the fiscal 2008 year-end, net assets amounted to ¥547,251 million, a decline of ¥93,094 million, or 14.5%, compared with a year earlier. This was the result of share buybacks and lower valuation and translation adjustments, which mainly reflected foreign currency translation adjustments.

Equity Ratio

The equity ratio rose to 57.3% at March 31, 2009, from 54.0% at the previous fiscal year-end. The acquisition of an additional interest in the Pogo gold mine in July 2009 was financed from retained earnings, rather than by raising fresh capital. Going forward, management remains committed to maintaining an equity ratio

Shareholders' Equity and Equity Ratio

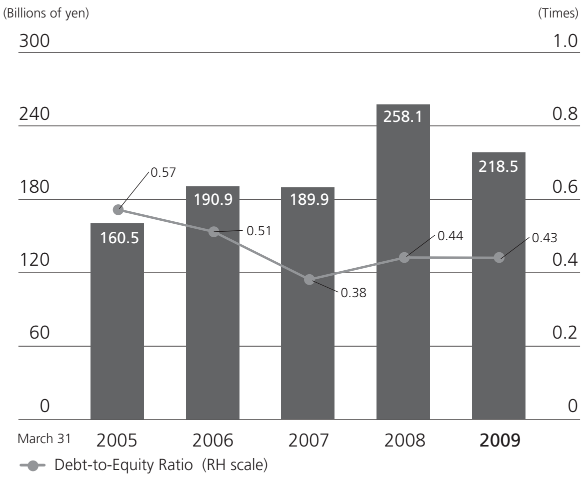


of at least 50%, in line with the medium-term business plan goals. This will facilitate internal financing of any acquisitions of equity interests in the Taganito project or in overseas copper mines.

Debt-to-equity (D/E) Ratio

The D/E ratio declined from 0.44 to 0.43 times. A substantial reduction in interest-bearing debt offset the decline in net assets, resulting in an overall slight improvement in the D/E ratio. Management believes that the healthy state of the SMM Group's finances should preclude any problems in raising funds at a later date if required.

Debt-to-Equity Ratio and Long-Term Debt



Operating Performance

Net Sales

Demand dropped off within the non-ferrous metals industry due to a general industrial slump associated with deterioration in the real economy. The lower demand was exacerbated by steep falls in prices, in part reflecting outflows of speculative investment capital from commodity markets in the wake of the global financial crisis. In foreign exchange markets, the yen gained popularity as a safe haven currency amid a global credit crunch. The yen appreciated rapidly against most currencies before starting to weaken again as the result of the fragile state of the Japanese economy.

In the electronics sector, demand for electronic equipment continued to grow during the first half of the year due to favorable economic conditions. In the second half, however, the emerging impact of the global financial crisis from October 2008 onward combined with a rapid and substantial correction in production levels to result in an unprecedented cooling of demand.

Mainly reflecting lower sales volumes and prices for both copper and nickel, which severely affected the sales revenue generated by the Metals Division, consolidated net sales totaled ¥793,797 million in fiscal 2008, a decline of ¥338,575 million, or 29.9%, compared with the previous year.

Cost of Sales and SG&A Expenses

Reflecting lower raw material costs associated with the substantial falls in non-ferrous metals prices, together with a reduction in production volumes across all operating divisions, the cost of sales declined by ¥197,315 million, or 21.1%, in year-on-year terms to ¥736,910 million.

Selling, general and administrative (SG&A) expenses increased by ¥3,600 million, or 8.4%, to ¥46,353 million.

Operating Income

Consolidated operating income declined by ¥144,860 million, or 93.2%, in year-on-year terms to ¥10,534 million. This was the result of reduced sales volumes for non-ferrous metal products; slimmer refining margins due to a combination of lower sales prices and a stronger yen; inventory writedowns caused by rapid falls in prices; and sharply lower sales volumes recorded by the Electronics and Advanced Materials Division.

Capital Expenditures and Depreciation

Total capital expenditures during fiscal 2008 amounted to ¥47,723 million, a decrease of ¥17,422 million, or 26.7%, compared with the previous year. Of this figure, the mineral resources and metals business segments accounted for ¥32,668 million (68.5% of the total) and the electronics and advanced materials segment accounted for ¥12,534 million (26.3% of the total).

The major capital spending programs within the metals and mineral resources segment in fiscal 2008 were the construction of a second production facility at the Coral Bay nickel project in the Philippines and the expansion of electrolytic nickel production capacity to 41ktpa. In the electronics and advanced materials segment, major items of capital expenditure in fiscal 2008 included investments to expand production capacity for tape bonding materials (such as chip-on-film substrates).

Depreciation increased by ¥3,763 million, or 11.0%, in year-on-year terms to ¥34,268 million.

Research and Development (R&D) Expenses

Total R&D expenses in fiscal 2008 amounted to ¥5,896 million. An overview of the spending breakdown by business segment is provided below.

R&D expenses in the mineral resources segment totaled ¥143 million. Major projects focused on ore-dressing processes to improve non-ferrous metal ore grades; the development of different types of leaching technologies for metal refining; and development of processing technologies for water discharged from mines.

R&D expenses in the metals segment totaled ¥2,935 million. Major project themes included the development of non-ferrous metal refining, electrolytic technologies and new metal-refining processes; development of technologies for actively separating, refining and purifying trace amounts of other metals contained in ores; development of original in-house hydrometallurgical techniques for copper smelting; development of alloys and related casting technologies; development of surface-treatment technologies; and the development of manufacturing technologies for rolled copper foil products.

R&D expenses in the electronics and advanced materials segment totaled ¥2,756 million. Major project themes included development of more intricate, advanced and high-value-added performance materials, and the development of technologies and processes for electronics materials, especially in the area of semiconductor packaging.

Cash Flows

Net cash provided by operating activities totaled ¥128,000 million, a decrease of ¥29,383 million compared with the previous year. This primarily reflected a substantial fall in income before income taxes and minority interests.

Net cash used in investing activities in fiscal 2008 equaled ¥28,386 million, which marked a year-on-year decrease in cash outflow of ¥98,027 million. This result reflected the withdrawal of negotiable certificates of deposit, along with a reduction in large-scale capital investments.

Net cash used in financing activities amounted to ¥74,086 million. This was mainly due to corporate bond redemptions, repayments of long-term debt and share buybacks.

The year-end balance of cash and cash equivalents amounted to ¥150,287 million at March 31, 2009, an increase of ¥17,812 million compared with the previous year-end.

Risk Information

The following section provides an overview of the risk factors that could exert a significant effect on the business performance and financial position of the SMM Group. All forward-looking statements in the text refer to management decisions based on the best information available at the end of fiscal 2008.

(1) Fluctuations in non-ferrous metals prices and exchange rates

1. Sustained downturn in non-ferrous metals prices

Prices of copper, nickel, gold and other non-ferrous metals are influenced by a number of factors, including international supply and demand, political and economic circumstances, speculative trading and competition from alternative materials. A sharp and sustained downturn in non-ferrous metals prices could have a significant negative impact on the Group's business performance and financial position.

2. Appreciation of the yen

The refining margins earned by SMM are effectively denominated in U.S. dollars. Returns on investments in overseas mining developments, income earned from investments in the electronics materials business and revenues from exports of products in the electronics materials and other segments are also denominated in foreign currencies. A substantial appreciation of the yen against these currencies over a sustained period could exert a significant negative impact on the Group's business performance and financial position.

To mitigate these external risks, the SMM Group continues to make progress in implementing a variety of measures aimed at boosting competitiveness, both in materials procurement and manufacturing.

(2) Deterioration in terms of non-ferrous metal ore purchasing contracts and supply disruptions

Currently the SMM Group procures the majority of copper ores, nickel matte and other raw materials for non-ferrous metal refining operations based on long-term ore-purchasing contracts with third-party producers. This exposes the Group to the risk that shifts in supply and demand or various other factors affecting markets could prevent the purchase of required volumes of ore at reasonable prices. Supplies of ore are also subject to unpredictable disruptive events such as natural disasters and operational stoppages due to accidents or industrial disputes. Such factors could impose various constraints on Group production volumes, which as a result could exert a negative impact on the Group's business performance and financial position.

To mitigate such risks, the Group continues to seek to invest in high-grade overseas mines to secure reliable (in-house) supplies of ore.

(3) Uncertainty inherent in mining investments

As described above, the raw materials procurement policy of the SMM Group is to develop in-house mining resources to boost the proprietary ore ratio. Amounts of extractable ore and extraction costs can only be estimated based on the results of exploratory surveys prior to mine development. In addition, the development costs of a mining project can rise as the result of a variety of situations such as compliance with environmental or regulatory actions. Any additional investment or increase in the burden of extraction costs arising from the inherent uncertainty associated with mining developments could have a negative impact on the Group's business performance and financial position.

To mitigate such risks, the SMM Group employs a selective investment policy and undertakes strict assessments of the potential profitability of individual mining developments based on extensive experience in mining extraction and mine valuation accumulated over many years.

(4) Environmental protection and regulatory compliance risks

SMM Group businesses, notably the mining and non-ferrous metal smelting and refining operations, are subject to a broad range of laws and regulations in areas such as occupational safety and health, environmental protection, pollution prevention, industrial waste disposal and management of potentially toxic substances. Ongoing regulatory compliance costs are substantial and subject to unexpected increases as the result of the sudden emergence of previously unknown risks. The costs of ensuring regulatory compliance could therefore exert a negative impact on the Group's business performance and financial position.

To mitigate such risks, the Group seeks to ensure that operations are in full compliance with environmental protection and other laws and regulations through the operation of environmental and risk management systems based on strict standards. The Group also endeavors to manage operations so that related compliance costs are kept within reasonable limits.

(5) Risks associated with market shifts, new product development and intellectual property rights

Demand changes rapidly in markets targeted by the SMM Group's electronics and advanced materials operations, even as product development programs in these areas require the investment of increasingly large amounts of time and resources. Expected returns on investment from related new product development programs may not materialize due to obsolescence caused by technological progress, delays caused by responding to customer requests or the launch of competitor products, among other factors. Customer demand for products may also decline in the future. All these various factors could have a negative impact on the Group's business performance and financial position.

The SMM Group recognizes the importance and value of acquiring intellectual property rights and managing such rights properly in accordance with related laws and regulations. Although the Group strives to observe such laws, it remains exposed to risks such as failure to acquire certain rights or damage done to the results of the Group's R&D activities due to illegal actions by third parties.

To mitigate such risks, the Group strives to minimize related problems by structuring R&D activities to realize commercial opportunities as quickly as possible. The Group has also created dedicated in-house teams to manage issues related to intellectual property rights to ensure that such rights are acquired and protected properly.

(6) Overseas investments

Overseas operations are subject to political and economic risks that vary by country. The emergence of various developments could prevent the Group from earning a suitable return on overseas investments. Such risks include the development of mineral resource projects by organizations funded by national or regional governments against the backdrop of high non-ferrous metals prices, or the levying of higher taxes on such operations. Increased environmental demands from various quarters constitute a further risk.

To mitigate such risks, the SMM Group makes overseas investment decisions based on careful consideration of all relevant country risks.

(7) Disaster-related risks

The SMM Group locates manufacturing operations based on considerations such as customer relationships, raw material procurement, the links to other Group operations and effective use of management resources. Unexpected large-scale natural disasters such as earthquakes or typhoons that affect the regions where such facilities are located could result in major financial losses arising from factors such as on-site damage and loss of production.

To mitigate such risks, the Group insures such facilities where this is possible at reasonable cost and has made plans containing suitable countermeasures to minimize any secondary effects due to such disasters.

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
As of March 31, 2009 and 2008	2009	2008	2009
Current assets:			
Cash and cash equivalents	¥ 150,287	¥ 132,475	$ 1,529,950
Time deposits	190	295	1,934
Negotiable certification of deposits	—	43,000	—
Receivables:			
Notes and accounts receivable:			
Trade	47,401	113,023	482,551
Non-consolidated subsidiaries and affiliated companies	2,069	5,886	21,063
Loans and others:			
Non-consolidated subsidiaries and affiliated companies	3,258	3,150	33,167
Other	28,277	16,698	287,865
Allowance for doubtful accounts	(247)	(329)	(2,515)
Inventories (Note 5)	106,248	169,556	1,081,625
Deferred tax assets (Note 8)	8,052	3,112	81,971
Other current assets	36,301	35,833	369,552
Total current assets	381,836	522,699	3,887,163
Investments and long-term receivables:			
Investment securities (Notes 3 and 7):			
Non-consolidated subsidiaries and affiliated companies	171,707	199,504	1,748,010
Other	48,713	73,816	495,908
Allowance for loss on investments	(16)	(16)	(163)
Loans:			
Non-consolidated subsidiaries and affiliated companies	2,516	2,340	25,613
Other	1,658	1,300	16,879
Other long-term receivables	6,669	5,374	67,891
Allowance for doubtful accounts	(251)	(273)	(2,555)
Total investments and other assets	230,996	282,045	2,351,583
Property, plant and equipment (Notes 6 and 7):			
Land	28,170	29,194	286,776
Buildings and structures	156,319	157,488	1,591,357
Machinery and equipment	353,452	357,764	3,598,208
Construction in progress	36,317	33,463	369,714
	574,258	577,909	5,846,055
Accumulated depreciation	(314,092)	(299,760)	(3,197,516)
Net property, plant and equipment	260,166	278,149	2,648,539
Deferred tax assets (Note 8)	2,282	1,880	23,231
Other assets	4,721	6,943	48,061
Total assets	¥ 880,001	¥ 1,091,716	$ 8,958,577

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

LIABILITIES AND NET ASSETS

As of March 31, 2009 and 2008	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:			
Bank loans (Note 7)	¥ 58,001	¥ 67,806	$ 590,461
Long-term debt due within one year (Note 7)	18,817	20,855	191,561
Notes and accounts payable:			
Trade	29,918	53,133	304,571
Non-consolidated subsidiaries and affiliated companies	3,435	14,611	34,969
Other	14,658	16,763	149,221
Accrued income taxes (Note 8)	977	18,795	9,946
Accrued expenses	5,212	5,932	53,059
Advances received	1,168	1,104	11,890
Accrued restructuring charges	62	360	631
Accrued bonus to directors and corporate auditors	30	100	305
Deferred tax liabilities (Note 8)	22	2,580	224
Other current liabilities	43,413	54,410	441,953
Total current liabilities	175,713	256,449	1,788,791
Long-term liabilities:			
Long-term debt (Note 7)	141,716	169,394	1,442,696
Deferred tax liabilities (Note 8)	923	11,672	9,396
Accrued retirement benefits (Note 9)	8,438	8,157	85,900
Accrued environmental measures	643	643	6,546
Accrued restructuring charges	357	27	3,634
Accrued indemnification loss on damages caused by a consolidated subsidiary	2	225	0
Other accruals	2,261	2,568	23,017
Other long-term liabilities	2,697	2,236	27,477
Total long-term liabilities	157,037	194,922	1,598,666
Commitments and contingent liabilities (Note 13)			
Net assets:			
Shareholders' equity (Note 12):			
Common stock			
Authorized — 1,000,000,000 shares			
Issued — 581,628,031 shares	93,242	93,242	949,221
Capital surplus	86,091	86,104	876,423
Retained earnings (Note 11)	405,946	403,459	4,132,607
Treasury stock, at cost	(32,678)	(2,529)	(332,668)
Total shareholders' equity	552,601	580,276	5,625,583
Valuation and translation adjustments:			
Net unrealized holding gains (losses) on securities	(752)	12,027	(7,655)
Deferred gains (losses) on hedges	(2,432)	790	(24,758)
Foreign currency translation adjustments	(44,821)	(3,453)	(456,286)
Total valuation and translation adjustments:	(48,005)	9,364	(488,699)
Minority interests	42,655	50,705	434,236
Total net assets	547,251	640,345	5,571,120
Total liabilities and net assets	¥ 880,001	¥1,091,716	$ 8,958,577

Consolidated Statements of Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2009, 2008 and 2007	Millions of yen 2009	2008	2007	Thousands of U.S. dollars (Note 1) 2009
Net sales (Note 14)	¥ 793,797	¥ 1,132,372	¥ 966,764	$ 8,081,004
Costs and expenses (Note 14):				
Cost of sales	736,910	934,225	763,584	7,501,883
Selling, general and administrative expenses (Note 10)	46,353	42,753	40,548	471,882
	783,263	976,978	804,132	7,973,765
Operating income (Note 14)	10,534	155,394	162,632	107,238
Other income (expenses):				
Interest and dividend income	4,052	4,088	2,829	41,250
Interest expense	(4,323)	(6,297)	(5,435)	(44,009)
Gain on sale of investment securities	—	81	76	—
Write-down of investment securities	(4,607)	(458)	(6)	(46,900)
Gain (Loss) on sale and disposal of property, plant and equipment	(624)	23	(1,026)	(6,352)
Loss on impairment of fixed assets (Note 6)	(3,514)	(941)	—	(35,773)
Reversal of doubtful accounts	22	54	355	224
Loss from valuation of gold loans	—	(2,351)	(1,803)	—
Exchange gain (loss)	(9,489)	(2,142)	1,207	(96,600)
Provision for restructuring charges	(697)	(274)	—	(7,096)
Maintenance cost for ceased projects	(701)	(666)	(605)	(7,136)
Casualty loss	(21)	(41)	(103)	(214)
Gain (Loss) from valuation of derivative instruments	—	(2,449)	380	—
Equity in earnings of affiliated companies	31,536	73,956	46,708	321,042
Loss from renunciation of receivable	—	(36)	—	—
Other, net	774	(1,437)	408	7,880
	12,408	61,110	42,985	126,316
Income before income taxes and minority interests	22,942	216,504	205,617	233,554
Income taxes (Note 8):				
Current	4,052	57,938	68,149	41,250
Deferred	(8,818)	3,812	1,203	(89,769)
	(4,766)	61,750	69,352	(48,519)
	27,708	154,754	136,265	282,073
Minority interests in net income of consolidated subsidiaries	(5,734)	(16,946)	(10,211)	(58,373)
Net income	¥ 21,974	¥ 137,808	¥ 126,054	$ 223,700

For the years ended March 31, 2009, 2008 and 2007	Yen 2009	2008	2007	U.S. dollars (Note 1) 2009
Amounts per share of common stock:				
Net income (Note 16)				
—Basic	¥ 38.87	¥ 238.13	¥ 220.49	$ 0.40
—Diluted	36.18	231.50	213.67	0.37
Cash dividends applicable to the year	13.00	30.00	27.00	0.13

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

Consolidated Statements of Changes in Net Assets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2009, 2008 and 2007	Number of shares issued	Shareholders' Equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(thousands)	Millions of yen				
Balance at March 31, 2006	572,972	¥88,906	¥81,750	¥171,946	¥(1,127)	¥341,475
Net income				126,054		126,054
Conversion of convertible bonds		2,915	2,910			5,825
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Decrease due to change in consolidation of subsidiaries				(75)		(75)
Acquisition of treasury stock					(657)	(657)
Sale of treasury stock			8		7	15
Deferred gains or losses on hedges						
Executive bonuses				(73)		(73)
Minority interests						
Cash dividends paid				(14,284)		(14,284)
Balance at March 31, 2007	578,791	¥91,821	¥84,668	¥283,568	¥(1,777)	¥458,280
Net income				137,808		137,808
Conversion of convertible bonds		1,421	1,419			2,840
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Acquisition of treasury stock					(770)	(770)
Sale of treasury stock			17		18	35
Deferred gains or losses on hedges						
Minority interests						
Cash dividends paid				(17,917)		(17,917)
Balance at March 31, 2008	581,628	¥93,242	¥86,104	¥403,459	¥(2,529)	¥580,276
Net income				**21,974**		**21,974**
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Acquisition of treasury stock					**(30,238)**	**(30,238)**
Sale of treasury stock			**(13)**		**89**	**76**
Deferred gains or losses on hedges						
Decrease in resulting from unification of an accounting policy of overseas subsidiaries				**(3,459)**		**(3,459)**
Minority interests						
Cash dividends paid				**(16,028)**		**(16,028)**
Balance at March 31, 2009	**581,628**	**¥93,242**	**¥86,091**	**¥405,946**	**¥(32,678)**	**¥552,601**

For the year ended March 31, 2009	Shareholders' Equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	Thousands of U.S. dollars (Note 1)				
Balance at March 31, 2008	$949,221	$876,555	$4,107,289	$(25,746)	$5,907,319
Net income			**223,699**		**223,699**
Foreign currency translation adjustments					
Adjustments for unrealized gains on securities					
Acquisition of treasury stock				**(307,829)**	**(307,829)**
Sale of treasury stock		**(132)**		**906**	**774**
Deferred gains or losses on hedges					
Decrease in resulting from unification of an accounting policy of overseas subsidiaries			**(35,213)**		**(35,213)**
Minority interests					
Cash dividends paid			**(163,168)**		**(163,168)**
Balance at March 31, 2009	**$949,221**	**$876,423**	**$4,132,607**	**$(332,669)**	**$5,625,582**

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

Consolidated Statements of Changes in Net Assets (continued)

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

	Valuation and translation adjustments					
For the years ended March 31, 2009, 2008 and 2007	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
	Millions of yen					
Balance at March 31, 2006	¥ 34,897		¥ (2,620)	¥ 32,277	¥21,147	¥394,899
Net income						126,054
Conversion of convertible bonds						5,825
Foreign currency translation adjustments			4,456	4,456		4,456
Adjustments for unrealized gains on securities	(339)			(339)		(339)
Decrease due to change in consolidation of subsidiaries						(75)
Acquisition of treasury stock						(657)
Sale of treasury stock						15
Deferred gains or losses on hedges		1,170		1,170		1,170
Executive bonuses						(73)
Minority interests					11,930	11,930
Cash dividends paid						(14,284)
Balance at March 31, 2007	¥ 34,558	¥ 1,170	¥ 1,836	¥ 37,564	¥33,077	¥528,921
Net income						137,808
Conversion of convertible bonds						2,840
Foreign currency translation adjustments			(5,289)	(5,289)		(5,289)
Adjustments for unrealized gains on securities	(22,531)			(22,531)		(22,531)
Acquisition of treasury stock						(770)
Sale of treasury stock						35
Deferred gains or losses on hedges		(380)		(380)		(380)
Minority interests					17,628	17,628
Cash dividends paid						(17,917)
Balance at March 31, 2008	¥ 12,027	¥ 790	¥ (3,453)	¥ 9,364	¥50,705	¥640,345
Net income						**21,974**
Foreign currency translation adjustments			**(41,368)**	**(41,368)**		**(41,368)**
Adjustments for unrealized gains on securities	**(12,779)**			**(12,779)**		**(12,779)**
Acquisition of treasury stock						**(30,238)**
Sale of treasury stock						**76**
Deferred gains or losses on hedges		**(3,222)**		**(3,222)**		**(3,222)**
Decrease in resulting from unification of an accounting policy of overseas subsidiaries						**(3,459)**
Minority interests					**(8,050)**	**(8,050)**
Cash dividends paid						**(16,028)**
Balance at March 31, 2009	**¥ (752)**	**¥(2,432)**	**¥(44,821)**	**¥(48,005)**	**¥42,655**	**¥547,251**

	Valuation and translation adjustments					
For the year ended March 31, 2009	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
	Thousands of U.S. dollars (Note 1)					
Balance at March 31, 2008	$ 122,437	$ 8,042	$ (35,152)	$ 95,327	$516,187	$6,518,833
Net income						**223,699**
Foreign currency translation adjustments			**(421,134)**	**(421,134)**		**(421,134)**
Adjustments for unrealized gains on securities	**(229,369)**			**(130,093)**		**(130,093)**
Acquisition of treasury stock						**(307,829)**
Sale of treasury stock						**774**
Deferred gains or losses on hedges		**(32,801)**		**(32,801)**		**(32,801)**
Decrease in resulting from unification of an accounting policy of overseas subsidiaries						**(35,213)**
Minority interests					**(81,951)**	**(81,951)**
Cash dividends paid						**(163,168)**
Balance at March 31, 2009	**$(106,932)**	**$(24,759)**	**$(456,286)**	**$(488,701)**	**$434,236**	**$5,571,117**

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

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2009, 2008 and 2007	Millions of yen 2009	2008	2007	Thousands of U.S. dollars (Note 1) 2009
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 22,942	¥ 216,504	¥ 205,617	$ 233,554
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	34,268	30,505	25,693	348,855
Loss on impairment of fixed assets	3,514	941	—	35,773
Reversal of loss on impairment of fixed assets	—	—	(939)	—
Loss (Gain) on sale and disposal of property, plant and equipment	624	(23)	1,026	6,352
Gain on sale of investment securities	—	(81)	(76)	—
Write-down of investment securities	4,607	458	6	46,900
Increase in allowance for loss on investments	—	—	16	—
Gain on sales of securities of subsidiaries and affiliated companies	—	—	(400)	—
Loss (Gain) from valuation of derivative instruments	(1,568)	2,449	(380)	(15,963)
Reversal of doubtful accounts	(104)	(83)	(154)	(1,059)
Increase (Decrease) in retirement benefits	148	(2,267)	(350)	1,507
Gain on liquidation of subsidiaries	—	—	(1,030)	—
Interest and dividend income	(4,052)	(4,088)	(2,829)	(41,250)
Interest expense	4,323	6,297	5,435	44,009
Equity in earnings of affiliated companies	(31,536)	(73,956)	(46,708)	(321,042)
Restructuring charges	304	69	—	3,095
Casualty loss	21	41	103	214
Maintenance cost for ceased projects	701	666	605	7,136
Decrease (Increase) in trade receivables	73,930	(20,026)	(24,454)	752,621
Decrease (Increase) in inventories	60,698	(1,148)	(40,413)	617,917
Increase (Decrease) in trade payables	(31,622)	13,971	3,017	(321,918)
Others	(10,925)	4,719	4,020	(111,219)
Sub total	126,273	174,948	127,805	1,285,482
Interest and dividend received	42,988	72,231	23,904	437,626
Interest paid	(4,515)	(6,330)	(5,087)	(45,964)
Payments for maintenance costs for ceased project	(701)	(666)	(605)	(7,136)
Payments for recovery costs	(21)	(41)	(103)	(214)
Payments for income taxes	(36,024)	(82,759)	(49,929)	(366,731)
Net cash provided by operating activities	128,000	157,383	95,985	1,303,063
Cash flows from investing activities:				
Payments for acquisition of property, plant and equipment	(46,898)	(64,883)	(48,314)	(477,431)
Proceeds from sale of property, plant and equipment	2,238	1,852	4,033	22,783
Payments for purchases of negotiable certificates of deposits	(25,000)	(43,000)	—	(254,505)
Proceeds from sales of negotiable certificates of deposits	68,000	—	—	692,253
Payments for purchases of investment securities	(640)	(3,216)	(14,118)	(6,515)
Payments for purchase of securities of subsidiaries and affiliated companies	(19,936)	(13,804)	(21,564)	(202,952)
Proceeds from sale of investment securities	42	106	263	428
Proceeds from sales of securities of subsidiaries and affiliated companies	—	—	1,195	—
Payments for loans lended	(5,834)	(7,955)	(2,500)	(59,391)
Collection of loans repaid	4,032	4,992	2,015	41,047
Other	(4,390)	(505)	1,561	(44,691)
Net cash used in investing activities	(28,386)	(126,413)	(77,429)	(288,974)
Cash flows from financing activities:				
Proceeds from long-term debt	2,021	98,888	5,671	20,574
Repayments of long-term debt	(15,504)	(18,990)	(20,759)	(157,834)
Net increase (decrease) in bank loans	(2,125)	3,180	18,880	(21,633)
Payments for redemption of bonds	(10,000)	(10,000)	(10,000)	(101,802)
Proceeds from issuance of bonds	—	—	9,944	—
Contribution from minority in consolidated subsidiaries	262	6,502	5,731	2,667
Increase in treasury stocks	(30,162)	(735)	(642)	(307,055)
Cash dividends paid	(16,028)	(17,917)	(14,284)	(163,168)
Cash dividends paid to minority in consolidated subsidiaries	(2,550)	(5,201)	(4,614)	(25,959)
Net cash provided by (used in) financing activities	(74,086)	55,727	(10,073)	(754,210)
Effect of changes in exchange rate on cash and cash equivalents	(7,716)	1,445	1,602	(78,550)
Net increase in cash and cash equivalents	17,812	88,142	10,085	181,329
Cash and cash equivalents at beginning of fiscal year	132,475	44,333	34,250	1,348,621
Increase in cash due to newly consolidated subsidiaries	—	—	9	—
Other decrease in cash and cash equivalents due to exclusion from consolidation	—	—	(11)	—
Cash and cash equivalents at end of fiscal year	¥ 150,287	¥ 132,475	¥ 44,333	$ 1,529,947

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

Notes to Consolidated Financial Statements

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRSs").

The accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. However, as described in Note 2, necessary adjustments such as the influence of applying Practical Issues Task Force (PITF) No.18 are made upon consolidation. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of Sumitomo Metal Mining Co., Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

Consolidation — The consolidated financial statements include the accounts of the Company and its significant subsidiaries (50 subsidiaries in 2009, 50 in 2008 and 48 in 2007). All significant inter-company balances and transactions have been eliminated. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method (12 affiliated companies in 2009, 12 in 2008 and 13 in 2007). Investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost because of their immaterial effect on the consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The goodwill (consolidation difference between the investment cost and the underlying equity in its net assets at the date of acquisition) is amortized within five-years on a straight-line basis. Regarding subsidiaries in the United States of America, under the influence of applying PITF No.18, the goodwill is amortized within twenty years on a straight-line basis.

(Change for unification of accounting policies applied to overseas subsidiaries for consolidated financial statements)

The Company adopted "Practical solution on unification of accounting policies applied to overseas subsidiaries for consolidated financial statements" PITF No.18, issued by the Accounting Standard Board of Japan (ASBJ) on May 17, 2006). PITF No.18 prescribes: (i) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (ii) financial statements prepared by overseas subsidiaries in accordance with either International Financial Reporting Standards (IFRSs) or the generally accepted accounting principles in the U.S. (U.S.-GAAP) tentatively may be used for the consolidation process, (iii) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gain and loss of defined benefit plans recognized outside profits and loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to minority interest

As a result of this change, the operating income decreased by ¥86 million ($875 thousand) and income before income taxes and minority interests decreased by ¥689 million ($7,014 thousand).

Cash and cash equivalents and cash flow statements — Cash on hand, readily-available bank deposits, negotiable certificates of deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents. Negotiable certificates of deposits with maturities of exceeding three months are presented as negotiable certificates of deposits.

Allowance for doubtful accounts — The allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amount determined by reference to specific doubtful receivables from customers who are experiencing financial difficulties.

Investment securities — Securities are classified into two categories based on the intent of holding; available-for-sale securities and securities issued by non-consolidated subsidiaries and affiliated companies.

Available-for-sale securities with available fair values (marketable securities) are stated at the fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, presented as separate component of net assets. Other available-for-sale securities with no available fair values (non-marketable securities) are stated at moving-average method. Securities issued by non-consolidated subsidiaries and affiliated companies are carried at cost. The cost of securities sold is determined by the moving-average method.

Derivatives and hedge accounting — Derivative instruments are stated at fair value. Changes in the fair values are recognized as gains and losses unless derivative transactions are used for hedging purposes.

If derivative transactions are used as hedges and meet certain hedging criteria, the Company and its domestic consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative transactions until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
    (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
    (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company evaluates hedge effectiveness monthly by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

Foreign currency translation — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for account components of net assets, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

Inventories —

(1) Merchandise, finished products, semi-finished products, work in process and raw materials – Prior to April 1, 2008, merchandise, finished products, semi-finished products, work in process and raw materials are stated at cost determined by the first-in first-out (FIFO) method. Effective April 1,2008, the Company and consolidated domestic subsidiaries adopted a new accounting standard for measurement of inventories and they are stated at the lower of cost or net selling value of inventories regarded as the decreased profitability of assets, whose write-downs are included in cost of sales.

(2) Supplies — Prior to April 1, 2008, supplies are stated at cost based on the moving average method. Effective April 1,2008, the Company and consolidated domestic subsidiaries adopted a new accounting standard for measurement of inventories and they are stated at the lower of cost or net selling value of inventories regarded as the decreased profitability of assets, whose write-downs are included in cost of sales.

(Change for the accounting policy for measurement of inventories)
The Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No.9 issued on July 5,2006) effective April 1, 2008. The new standard requires that in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of net selling value, if appropriate. The standard also requires that inventories held for trading purpose be measured at market price. As a result of the adoption of this accounting standard, in the consolidated fiscal year of 2009, the operating income and income before income taxes and minority interests decreased by ¥7,477 million ($76,117 thousand) respectively.

Property, plant and equipment — Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the straight-line method, based on the estimated useful lives of respective assets. The depreciation period generally ranges from 3 years to 50 years for buildings and structures and 5 years to 17 years for machinery and equipment.

The Company and consolidated domestic subsidiaries have adopted an accounting standard for impairment of fixed assets. This standard requires that tangible and intangible fixed assets be carried at costs less depreciation, and be reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable.

In addition, the Company and consolidated domestic subsidiaries are required to recognize an impairment loss in their consolidated statements of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. This standard states that impairment losses should be measured as the excess of the book value over the higher of (i) the fair market value of the asset, net of disposition costs, and (ii) the present value of future cash flows arising from the ongoing utilization of the asset and its disposition after use. This standard covers land, factories, buildings, and other forms of property, plant and equipment as well as intangible assets. Fixed assets are to be grouped at the lowest levels for which there are identifiable cash flows which are independent from the cash flows of other groups of assets.

(Change for the accounting policy)
In accordance with the revised Japanese Corporate Tax Law and its regulation, the Company and its domestic subsidiaries have changed the depreciation method from the consolidated fiscal year of 2008 for tangible fixed assets acquired on or after April 1, 2007.

The effect of adoption of the new depreciation method on income before income taxes and minority interests is not material.

(Additional Information)
In accordance with the revised Japanese Corporate Tax Law and its regulation, the Company and its domestic subsidiaries have adopted a new depreciation method for tangible fixed assets acquired on or before March 31, 2007 from the consolidated fiscal year of 2008. By the new method, the residual book value of those assets which had been fully depreciated to the limit prescribed in the previous corporate tax code is depreciated in equal amount over five-year period.

As a result, depreciation increase by ¥1,024 million and operating income and income before income taxes and minority interests decreased by ¥942 million, respectively.

The effects on Segment information are described in the relevant notes.

(Additional Information)
In accordance with the revised Japanese Corporate Tax Law and its regulation, the Company and its domestic subsidiaries have adopted a new useful life for tangible fixed assets from the consolidated fiscal year of 2009.

The effect of adoption of the new useful life on the operating income and income before income taxes and minority interests was ¥2,959 million ($30,123 thousand) respectively.

Accrued restructuring charges — Accrued restructuring charges are provided by the Company and its consolidated subsidiaries to cover the costs of business reconstruction.

Accrued bonuses to directors and corporate auditors — Provision for directors' bonuses are provided by the Company and its consolidated domestic subsidiaries to be accounted for as an expense of accounting period in which such bonuses were incurred.

(Adopting the new accounting standard for bonuses to directors and corporate auditors)
The Company and its consolidated domestic subsidiaries adopted from April 1, 2006, the new accounting standard for directors' bonus (the Financial Accounting Standard for Directors' Bonus issued by the Accounting Standards Board of Japan on November 29, 2005).

As the result of adopting the accounting policy, in the year ending March 31, 2007, both operating income and income before taxes and minority interests decreased by ¥115 million.

Accrued retirement benefits — Under the terms of the Company's retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of retirement benefits is, in general, determined by reference to their current basic rate of pay, the length of service, and the cause thereof.

The Company and certain consolidated domestic subsidiaries also have a non-contributory funded pension plan, which covers substantially all employees.

The Company may make payments for additional retirement benefits for employees which payments have not been included in the actuarial calculation of the projected benefit obligation.

The Company and its consolidated domestic subsidiaries provided accrued retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of ten years commencing with the following period. Prior service costs are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of ten years.

Accrued retirement benefits in the consolidated balance sheets also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors.

Accrued environmental measures — The provision for environmental measures is estimated and recorded to provide for future potential costs, such as costs related to disposal of polychlorinated biphenyl (PCB).

Accrued indemnification loss on damages caused by a consolidated subsidiary — Accrued indemnification loss on damages caused by a consolidated subsidiary is provided to cover the indemnification loss of the accident incurred by the subsidiary.

Accounting standard for presentation of net assets in the balance sheet — Effective from the year ended March 31,2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presenting of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No.8 issued by the Accounting Standards Board of Japan on December 9, 2005).

Under the New Accounting Standards, the balance sheet comprises the assets, liabilities and net assets sections. Previously, the balance sheet comprises the assets, liabilities, minority interests and shareholders' equity sections. The net assets section includes deferred gain and loss on hedges and minority interests, which were not included in the previous shareholders' equity section.

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥494,674 million would have been presented.

Accounting standard for statement of changes in net assets — Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, "the Additional New Accounting Standards").

Research and development — Research and development costs are charged to income as incurred.

Bond issue expense — Bond issue expense is charged to income as incurred.

Accounting for certain lease transactions — Finance leases, except for certain immaterial leases, are capitalized and depreciated over the estimated useful lives or lease term, as applicable. Finance leases commencing prior to April 1, 2008, which do not transfer ownership of the leased property to lessees are accounted for in the same manner as operating leases.

(Change for the accounting policy)
The Company and its domestic subsidiaries adopted the ASBJ Statement No.13, Accounting Standard for Lease Transaction, and ASBJ Guideline No.16, Guidance on Accounting Standard for Lease Transaction, originally issued by the Business Accounting Deliberation Counsel on June 17, 1993 and by the Japanese Institute of Certified Public Accountants on January 18, 1994, respec-

tively, and both revised by the ASBJ on March 30, 2007.

In the consolidated fiscal year of 2009, finance lease are recognized on balance sheet. Depreciation or amortization expense is recognized on a straight-line basis over the lease period.

The effect of adopting the new standards on the income before income taxes and minority interests was none.

Income taxes — Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of assets and liabilities, and measured using the statutory tax rates which will be in effect when the differences are expected to be realized.

Sales — Sales of merchandise and finished products are recognized when the products are shipped to customers.

Amount per share of common stock — Basic net income per share is computed based on the weighted-average number of shares of common stock in issue during each fiscal year.

Diluted net income per share assumes that outstanding convertible bonds were converted into common stock at the beginning of the period at the current conversion price.

Cash dividends per share represent the actual amount applicable to the respective fiscal year.

Reclassifications — Certain reclassifications have been made in the 2008 and 2007 financial statements to conform to the presentation of 2009.

3. Securities

(1) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2009 and 2008:

Securities with book values exceeding acquisition costs

Millions of yen

	2009			2008		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥20,598	¥28,448	¥7,850	¥36,069	¥58,439	¥22,370

Thousands of U.S. dollars

	2009		
	Acquisition cost	Book value	Difference
Equity securities	$209,692	$289,606	$79,914

Securities with book values not exceeding acquisition costs

Millions of yen

	2009			2008		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥26,047	¥17,102	¥(8,945)	¥13,007	¥10,165	¥(2,842)

Thousands of U.S. dollars

	2009		
	Acquisition cost	Book value	Difference
Equity securities	$265,163	$174,102	$(91,061)

(2) The following tables summarize book values of the securities with no available fair values as of March 31, 2009 and 2008:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Unlisted equity securities	**¥3,822**	¥4,229	**$38,909**

(3) As of March 31, 2009 and 2008, there was no available-for-sale security with maturities.

(4) Total sales of available-for-sale securities sold amounted to ¥44 million ($448 thousand), ¥106 million and ¥263 million, and the related gains amounted to ¥42 million ($428 thousand), ¥83 million and ¥76 million in the years ended March 31, 2009, 2008 and 2007, respectively. No losses were recognized in the years ended March 31, 2009 and 2007 but losses amounted to ¥2 million were recognized in the years ended March 31, 2008.

4. Derivative transactions

Status of derivative transactions — The Company and its consolidated subsidiaries utilize derivative transactions in order to hedge various risks, such as fluctuation of metal prices, exchange rates and interest rates, in the normal course of business; such as futures contracts for hedging fluctuation of international price of metals, forward foreign exchange contracts and currency swaps for hedging fluctuation of exchange rates, and interest swaps for hedging fluctuation of interests of floating-rate bonds and term loans payable.

Derivative transactions of the Company and its consolidated subsidiaries cause market risk and credit risk. Market risk is the potential loss the Company and its consolidated subsidiaries may incur as a result of changes in the market value. The Company's and its consolidated subsidiaries' exposure to market risk are determined by a number of factors, including fluctuation of market prices, exchange rates and interest rates. Credit risk is the potential loss the Company and its consolidated subsidiaries could incur if the counterparties made default on their obligation. The derivative transactions are solely made with highly rated financial institutions, their subsidiaries or LME (London Metal Exchange) brokers guaranteed by banks, so that the Company and its consolidated subsidiaries might reduce the risk of default on an obligation.

Each department of the Company and its consolidated subsidiaries involving derivative transactions have their own rules for derivative transactions which stipulate purposes and scope of using derivatives, standards for choosing transaction counterparties, and procedures of reporting and administration.

The derivative transactions are subject to approval by the General Manager of the department in charge after consulting with related departments. Based on these rules, the person in charge sets up the position. Then, the results are reported to the Directors monthly.

The derivative positions are confirmed semi-annually with the transaction counterparties. Also, the internal audit department of the Company regularly examines derivative transactions.

The Company and its consolidated subsidiaries are not exposed to market risk arising from commodity derivative transactions, because the risk of fluctuation of market prices, that is caused by time lag between purchase and sale of materials and products, is hedged by the corresponding future contracts. The Company and its consolidated subsidiaries also utilize currency derivative transactions to hedge market risk of exchange rates or interest rates. Taking receivables and payables denominated in foreign currencies into account, the Company and its consolidated subsidiaries are not exposed to market risk.

The following tables summarize market value information as of March 31, 2009 and 2008 of derivative transactions for which hedge accounting has not been applied:

Millions of yen

	2009				2008			
	Contracted amount				Contracted amount			
	Total	Over one year	Market value	Recognized gains (losses)	Total	Over one year	Market value	Recognized gains (losses)
Currency:								
Forward contracts:								
Buy position—U.S. dollars	¥5,082	¥—	¥5,106	¥ 24	¥11,307	¥—	¥11,192	¥(115)
Buy position—A.U. dollars	—	—	—	—	65	—	80	15
	¥5,082	¥—	¥ —	¥ 24	¥11,372	¥—	¥ —	¥(100)
Commodity:								
Forward contracts:								
Sell position—Metal	¥ 81	¥—	¥ 81	¥ —	¥14,416	¥—	¥13,787	¥ 629
Buy position—Metal	458	—	584	126	5,071	—	5,071	—
	¥ 539	¥—	¥ —	¥126	¥19,487	¥—	¥ —	¥ 629

Thousands of U.S. dollars

	2009			
	Contracted amount			
	Total	Over one year	Market value	Recognized gains (losses)
Currency:				
Forward contracts:				
Buy position—U.S. dollars	$51,736	$—	$51,980	$ 244
Buy position—A.U. dollars	—	—	—	—
	$51,736	$—	$ —	$ 244
Commodity:				
Forward contracts:				
Sell position—Metal	$ 825	$—	$ 825	$ —
Buy position—Metal	4,663	—	5,945	1,283
	$ 5,488	$—	$ —	$1,283

5. Inventories

Inventories at March 31, 2009 and 2008 consists of the following:

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Merchandise	¥ 1,472	¥ 1,378	$ 14,985
Finished products	26,977	34,709	274,631
Semi-finished products and work in process	50,303	87,320	512,094
Raw materials and supplies	27,496	46,149	279,914
	¥106,248	¥169,556	$1,081,624

6. Loss on impairment of fixed assets

Loss on impairment of fixed assets for the year ended March 31, 2009 consisted of the following:

			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	Loss	
Kamiina District, Nagano Prefecture, Japan	Manufacturing facilities for printed circuit boards	Machinery and equipment and other assets	¥1,183	$12,043
Usa City, Oita Prefecture, Japan	Facilities for IC package plating	Land, building and structures, machinery and equipment, and other assets	640	6,515
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for copper-clad polyimide film	Building and structures and machinery and equipment	550	5,599
Isa City, Kagoshima Prefecture, Japan	Manufacturing facilities for lead frames	Machinery and equipment	476	4,846
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for battery materials	Machinery and equipment and other assets	275	2,800
Iwanai District, Hokkaido, Japan	Manufacturing facilities for single-crystal materials	Building and structures and machinery and equipment	247	2,515
Yokohama City, Kanagawa Prefecture, Japan	Manufacturing facilities for electronic terminals and connectors	Machinery and equipment	141	1,435
Miscellaneous	Miscellaneous	Machinery and equipment	2	20
Total			¥3,514	$35,773

The Company categorized operating assets by business unit such as a plant and manufacturing process, based on the division of managerial accounting.

The breakdown of major use is as follows.

(1) The book value of manufacturing facilities for printed circuit boards in Nagano Prefecture was reduced to the recoverable amount because the products were not profitable.

(2) The book value of facilities for IC package plating in Oita Prefecture was reduced to the recoverable amount due to a decline in the sales volume.

(3) The book value of manufacturing facilities for copper-clad polyimide film in Ehime Prefecture scheduled for diversion to another use was reduced to the recoverable amount because the Company has found an alternative method more effective and efficient and because the Company has decided not to divert them.

(4) The book value of manufacturing facilities for lead frames in Kagoshima Prefecture was reduced to the recoverable amount based on the sales volume for domestic customers because the Company has decided to focus on the domestic market.

(5) The book value of manufacturing facilities for battery materials in Ehime Prefecture was reduced to the recoverable amount because they were expected to be in use no more.

(6) The book value of manufacturing facilities for single-crystal materials was reduced to the recoverable amount due to a decline in demand, a strong yen, and unfavorable mix of products.

(7) The book value of manufacturing facilities for electronic terminals and connectors in Kanagawa Prefecture was reduced to the recoverable amount because the products were not profitable due to a decline in the market price.

The Company used the value in use or net selling prices for calculating the recoverable amount. The discounted rate used for calculating the value in use was 11%.

Loss on impairment of fixed assets for the year ended March 31, 2008 consisted of the following:

			Millions of yen
Location	Major use	Asset category	Loss
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for copper-clad polyimide film	Buildings and Structures	¥218
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for copper-clad polyimide film	Machinery and equipment	489
Ichihara City, Chiba Prefecture, Japan	Manufacturing facilities for decontamination for soil	Buildings and Structures	22
Ichihara City, Chiba Prefecture, Japan	Manufacturing facilities for decontamination for soil	Machinery and equipment	181
Okuchi City, Kagoshima Prefecture, Japan	Manufacturing facilities for packaging materials	Machinery and equipment	29
Nasu District, Tochigi Prefecture, Japan	Idle Land	Land	2
Total			¥941

Loss on impairment of fixed assets is not recorded for the year ended March 31, 2007.

The Company categorized operating assets by business unit such as a plant and manufacturing process, based on the division of managerial accounting.

The breakdown of major use is as follows.

(1) The book value of existing manufacturing facilities for copper-clad polyimide film in Ehime Prefecture was reduced to the recoverable amount because the facilities were completely idle due to the installation of the latest manufacturing facilities which were suitable for the current market size.

(2) The book value of facilities for decontamination of soil in Chiba Prefecture was reduced to the recoverable amount due to withdrawal from its business.

(3) The book value of manufacturing facilities for packaging materials in Kagoshima Prefecture was reduced to the recoverable amount because its products were not profitable and the Company has decided not to continue its operation.

As for the idle land which was acquired for future factory sites, the book value of the assets was reduced to the recoverable amount due to a decline in the market price. Net sales prices of the assets are used as their recoverable amounts for the measurement of the impairment loss. The market price information was obtained on the basis of values provided by real estate appraisers and other specialists.

7. Bank loans and long-term debt

Bank loans are generally represented by short-term notes (most of which are unsecured) and bank overdrafts, and bore interest at annual rates of 0.89% to 5.31% and 1.04% to 5.87% at March 31, 2009 and 2008, respectively.

The Zero-coupon convertible bonds due in 2009 are currently convertible at ¥1,001 ($10.19) per share until June 15, 2009. As of March 31, 2008, 10,225 thousand additional shares of common stock in aggregate could be issued upon full conversion at the current conversion price.

On January 31, 2008, the Company has passed a resolution to issue stock acquisition rights by way of third-party allotment and to execute a loan agreement for the purpose of procuring funds through a loan with stock acquisition rights. By executing this loan agreement, the Company procures ¥100 billion ($1,018 million) from February 15, 2008 to February 13, 2015. The exercise price of the stock acquisition rights will be revised in accordance with market price. The stock acquisition rights have a structure that prevents dilution of the share price to a price lower than ¥1,749 ($18) as of March 31, 2009.

Long-term debt at March 31, 2009 and 2008 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Long-term loans from:			
Banks, insurance companies and other financial institutions, maturing through 2015 at interest rates of 0.82% to 7.36%:			
Secured	¥ —	¥ 10	$ —
Unsecured	116,107	122,999	1,181,991
Government owned banks and government agencies, maturing through 2020 at interest rates of 0.95% to 4.65%:			
Secured	8,106	10,619	82,521
Unsecured	16,085	26,386	163,748
0.51% domestic bonds due in 2009*	—	10,000	—
1.42% domestic bonds due in 2012	10,000	10,000	101,802
Zero coupon convertible bonds due in 2010	10,235	10,235	104,194
	160,533	190,249	1,634,256
Amount due within one year	(18,817)	(20,855)	(191,561)
	¥141,716	¥169,394	$1,442,695

*: The 0.51% domestic bonds was redeemed during the year ended March 31, 2009.

The aggregate annual maturities of long-term debt at March 31, 2009 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 18,817	$ 191,561
2011	8,013	81,574
2012	22,972	233,859
2013	4,508	45,892
2014	3,006	30,602
Thereafter	103,217	1,050,769

Assets pledged as collateral for bank loans and long-term debt at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Investment securities			
Subsidiaries	¥ —	¥ 131	$ —
Other	5,034	10,186	51,247
Property, plant and equipment, at net book value	57,199	58,704	582,297
	¥62,233	¥69,021	$633,544

8. Income taxes

Income taxes in the accompanying consolidated statements of income comprise corporation taxes, inhabitants taxes and enterprise taxes. Consolidated overseas subsidiaries are subject to income taxes of the countries in which they domicile.

The following table summarizes the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for financial statement purposes for the years ended March 31, 2009, 2008 and 2007:

	2009	2008	2007
Statutory tax rate	40.7%	40.7%	40.7%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(43.1)	(9.1)	(5.6)
Effect of elimination of intercompany dividends received	46.4	12.1	8.4
Difference in tax rates among the Company and its consolidated subsidiaries	(6.6)	(4.3)	(2.3)
Permanently nondeductible expenses	4.2	0.4	0.1
Permanently nontaxable dividends received	(25.8)	(5.6)	(5.0)
Tax credit	(14.1)	(3.9)	(1.1)
Undistributed earnings of foreign subsidiaries	(24.6)	(4.3)	(0.3)
Increase (decrease) in valuation allowance	7.3	1.2	0.7
Others	(5.2)	1.3	(1.9)
Effective tax rate	(20.8)%	28.5%	33.7%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Retirement benefits	¥ 5,656	¥ 5,511	$ 57,579
Net operating loss carry forwards	8,246	4,885	83,946
Loss from write-down of investment securities	2,198	324	22,376
Allowance for bonus payable	1,582	1,707	16,105
Loss from valuation of gold loans	1,184	1,602	12,053
Loss on impairment or fixed assets	2,253	863	22,936
Unrealized profits	572	736	5,823
Deferred losses on hedges	1,683	229	17,133
Loss from devaluation of inventories	988	615	10,058
Contribution gains on securities to employee retirement benefits trust	795	674	8,093
Others	4,854	7,608	49,415
Gross deferred tax assets	30,011	24,754	305,518
Less valuation allowance	(11,384)	(7,787)	(115,892)
Deferred tax assets-less valuation allowance	18,627	16,967	189,626
Deferred tax liabilities:			
Net unrealized holding gain on available-for-sale securities	—	(7,532)	—
Depreciation	(2,019)	(2,509)	(20,554)
Deferred gains on properties for tax purpose	(3,093)	(3,364)	(31,487)
Reserve for losses on overseas investment	—	(2,837)	—
Accumulated earnings of overseas subsidiaries	(550)	(7,253)	(5,599)
Reserve for explorations	(1,856)	(924)	(18,894)
Gain on securities contributed to employee retirement benefits trust	(594)	(594)	(6,047)
Enterprise taxes to be refunded	(768)	—	(7,818)
Others	(358)	(1,214)	(3,645)
Deferred tax liabilities	(9,238)	(26,227)	(94,044)
Net deferred tax assets (liabilities)	¥ 9,389	¥ (9,260)	$ 95,582

9. Retirement benefits and pension costs

Accrued retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥(51,899)	¥(51,546)	$(528,342)
Fair value of pension assets	33,435	44,476	340,375
Excess of projected benefit obligation over pension assets	¥(18,464)	¥ (7,070)	$(187,967)
Unrecognized actuarial differences	13,442	2,509	136,842
Unrecognized prior services costs	(1,173)	(1,491)	(11,941)
Net retirement benefits	¥ (6,195)	¥ (6,052)	$ (63,066)
Prepaid pension costs	(2,048)	(1,890)	(20,849)
Accrued retirement benefits	¥ (8,243)	¥ (7,942)	$ (83,915)

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

Retirement benefits in the consolidated balance sheets as of March 31, 2009 and 2008 also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors of ¥195 million ($1,985 thousand) and ¥184 million, respectively.

Included in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Service cost-benefits earned during the year	¥3,165	¥2,323	¥ 2,003	$32,220
Interest cost on projected benefit obligation	907	856	884	9,233
Expected return on plan assets	(824)	(574)	(1,161)	(8,388)
Amortization of actuarial differences	402	(836)	(557)	4,092
Amortization of prior services costs	(296)	(271)	(214)	(3,013)
Severance and retirement benefit expenses	¥3,354	¥1,498	¥ 955	$34,144

The discount rates used by the Company are primarily 2.0% for the year ended March 31, 2009, 2008 and 2007.

The rates of expected return on plan assets used by the Company are primarily 3.5%, respectively for the years ended March 31, 2009, 2008 and 2007.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in income statement using the straight-line method in ten years commencing with the following period. Prior service costs are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of ten years.

10. Research and development expense

Research and development expense included in selling, general and administrative expenses for the years ended March 31, 2009, 2008 and 2007 are ¥5,896 million ($60,022 thousand), ¥6,111 million and ¥5,392 million, respectively.

11. Special reserves

For the purpose of obtaining tax benefits, the Company and some consolidated subsidiaries have set up special reserves mainly for losses on overseas investments and explorations in accordance with the Special Taxation Measures Law of Japan.

Such reserves, which are included in retained earnings, are ¥218,458 million ($2,223,994 thousand) and ¥91,978 million at March 31, 2009 and 2008, respectively.

12. Net assets

As described in Note 2, net assets comprises three subsections, which are shareholders' equity, accumulated gain (losses) from valuation and translation adjustments, and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of dividend or excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earning reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

13. Commitments and contingent liabilities

Contingent liabilities at March 31, 2009 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable sold to factoring companies with recourse	¥4,097	$41,708
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	4,515	45,964
Other	192	1,955
	¥8,804	$89,627

Besides the above, as to providing electric power to Pogo gold mine, there are ¥942 million ($9,590 thousand) to guarantee construction costs of electric facilities.

14. Segment information

Business segment information

The primary business segments of the Company and its consolidated subsidiaries include mineral resources, metals, electronics and advanced materials and others. Also refer to the section of "Review of Operations" for the details of each business.

Business segment information for the years ended March 31, 2009, 2008 and 2007 are as follows:

2009

Millions of yen

	Mineral resources	Metals	Electronics & advanced materials	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥ 52,844	¥534,587	¥175,945	¥30,421	¥ —	¥793,797
Inter segment	20,779	77,828	11,981	13,785	(124,373)	—
Total	73,623	612,415	187,926	44,206	(124,373)	793,797
Costs and expenses	55,967	609,982	198,076	43,638	(124,400)	783,263
Operating income (loss)	¥ 17,656	¥ 2,433	¥ (10,150)	¥ 568	¥ 27	¥ 10,534
Identifiable assets	¥159,203	¥416,338	¥106,147	¥63,615	¥ 134,698	¥880,001
Depreciation	6,432	13,475	11,064	2,608	689	34,268
Loss on impairment of fixed assets	—	—	3,512	2	—	3,514
Capital expenditures	7,890	24,778	12,534	2,213	308	47,723

2008

Millions of yen

	Mineral resources	Metals	Electronics & advanced materials	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥ 67,825	¥797,914	¥237,703	¥28,930	¥ —	¥1,132,372
Inter segment	23,535	112,660	17,299	11,778	(165,272)	—
Total	91,360	910,574	255,002	40,708	(165,272)	1,132,372
Costs and expenses	53,233	801,732	246,787	37,046	(161,820)	976,978
Operating income (loss)	¥ 38,127	¥108,842	¥ 8,215	¥ 3,662	¥ (3,452)	¥ 155,394
Identifiable assets	¥176,234	¥521,362	¥154,075	¥62,133	¥ 177,912	¥1,091,716
Depreciation	5,537	10,071	11,709	2,132	1,056	30,505
Loss on impairment of fixed assets	—	—	736	205	—	941
Capital expenditures	9,427	42,089	11,862	1,779	(12)	65,145

2007

Millions of yen

	Mineral resources	Metals	Electronics & advanced materials	Construction materials	Others	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥ 55,482	¥671,471	¥209,515	¥17,029	¥13,267	¥ —	¥966,764
Inter segment	26,766	87,365	14,065	632	16,687	(145,515)	—
Total	82,248	758,836	223,580	17,661	29,954	(145,515)	966,764
Costs and expenses	48,716	649,272	209,996	15,508	25,917	(145,277)	804,132
Operating income (loss)	¥ 33,532	¥109,564	¥ 13,584	¥ 2,153	¥ 4,037	¥ (238)	¥162,632
Identifiable assets	¥142,652	¥456,056	¥151,451	¥14,370	¥50,086	¥ 114,593	¥929,208
Depreciation	4,539	8,433	10,073	659	1,373	616	25,693
Reversal of loss on impairment of fixed assets	(939)	—	—	—	—	—	(939)
Capital expenditures	9,288	18,833	22,563	240	1,314	(671)	51,567

2009

Thousands of U.S. dollars

	Mineral resources	Metals	Electronics & advanced materials	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	$ 537,962	$5,442,198	$1,791,153	$309,692	$ —	$8,081,005
Inter segment	211,534	792,303	121,969	140,334	(1,266,141)	—
Total	749,496	6,234,501	1,913,122	450,026	(1,266,141)	8,081,004
Costs and expenses	569,755	6,209,732	2,016,451	444,243	(1,266,416)	7,973,765
Operating income (loss)	$ 179,741	$ 24,768	$ (103,329)	$ 5,783	$ 275	$ 107,238
Identifiable assets	$1,620,717	$4,238,400	$1,080,597	$647,613	$ 1,371,251	$8,958,578
Depreciation	65,479	137,178	112,634	26,550	7,014	348,855
Loss on impairment of fixed assets	—	—	35,753	20	—	35,773
Capital expenditures	80,322	252,245	127,598	22,529	3,135	485,829

(The effects of changes in segregation on segment information)

The Company has embarked the Mid-Term Business Plan by expanding and strengthening its core business. Clarifying this idea, the business segment of "Construction materials" is included in the business segment of "Others" since the year ended March 31, 2008. In the year ended March 31, 2008, compared with the previous segregation, ¥14,748 million in sales, ¥690 million in operating income, ¥13,206 million in identifiable assets, ¥676 million in depreciation, ¥2 million in loss on impairment of fixed assets and ¥380 million in capital expenditure are included in the business segment of "Others" as a result of business of former "Construction materials".

(The effects of changes in depreciation method)

In accordance with the revised Japanese Corporate Tax Law, for tangible fixed assets acquired on or before March 31,2007, the Company and its domestic consolidated subsidiaries have started to depreciate the remaining balance of assets over a five year period using straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the Corporate Tax Law before revision. As a result of the change of depreciation method, in the year ended March 31, 2008, depreciation increases by ¥42 million in Mineral resources, ¥669 million in Metals, ¥287 million in Electronics & advanced materials and ¥26 million in Others. And operating income decreases by ¥39 million in Mineral resources, ¥591 million in Metals, ¥286 million in Electronics & advanced materials and ¥26 million in Others.

(The effects of changes of accounting method for measurement of inventories)
For product inventories, the Company used the first-in, first-out (FIFO) method principally. Beginning this consolidated fiscal year, the Company adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, announced on July 5, 2006)" and calculated inventory values using the first-in, first-out method (For figures shown on balance sheet, the book value write-down method based on decreased profitability). As a result of the change of the accounting method, operating income decreases by ¥3,203 million in Metals, ¥2,895 million in Electronics & advanced materials and ¥1,379 million in Others.

(The effects of changes of accounting policy for Non-ownership transfer finance lease agreement)
Non-ownership transfer finance lease agreements which were based on the accounting method for ordinary lease transactions are now based on the accounting method for sales transactions beginning this fiscal year as per "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]). There is no impact from this change on operating income.

(The effects of changes of the depreciation period for property, plant and equipment)
In accordance with the revised Japanese Corporate Tax Law, the Company and its domestic consolidated subsidiaries changed the depreciation period for property, plant and equipment beginning this fiscal year. As a result of the change, operating income decreased by ¥47 million in Mineral resources, ¥1,629 million in Metals, ¥916 million in Electronics & advanced materials and ¥367 million in Others.

(The effects of changes of unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
Accounting methods applicable to overseas subsidiaries and used for the consolidated financial statement. Beginning this fiscal year, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, May 17, 2006). As a result of the change, operating income decreases by ¥115 million in Mineral resources, increases by ¥29 million in Electronics & advanced materials.

Geographic segment information

Geographic segment information for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

2009 — Millions of yen

	Domestic	North America	Southeast Asia	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥678,737	¥47,293	¥38,552	¥ 29,215	¥ —	¥793,797
Inter segment	40,764	—	15,964	3,565	(60,293)	—
Total	719,501	47,293	54,516	32,780	(60,293)	793,797
Costs and expenses	719,437	39,726	52,985	36,676	(65,561)	783,263
Operating income (loss)	¥ 64	¥ 7,567	¥ 1,531	¥ (3,896)	¥ 5,268	¥ 10,534
Identifiable assets	¥546,360	¥77,261	¥68,383	¥152,967	¥ 35,030	¥880,001

2008

	Millions of yen					
	Domestic	North America	Southeast Asia	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥ 986,469	¥57,649	¥53,405	¥ 34,849	¥ —	¥1,132,372
Inter segment	53,986	123	34,462	6,447	(95,018)	—
Total	1,040,455	57,772	87,867	41,296	(95,018)	1,132,372
Costs and expenses	929,789	35,687	66,909	37,874	(93,281)	976,978
Operating income (loss)	¥ 110,666	¥22,085	¥20,958	¥ 3,422	¥ (1,737)	¥ 155,394
Identifiable assets	¥ 647,305	¥95,265	¥81,667	¥169,290	¥ 98,189	¥1,091,716

2007

	Millions of yen					
	Domestic	North America	Southeast Asia	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	¥846,581	¥46,682	¥47,349	¥ 26,152	¥ —	¥966,764
Inter segment	42,159	—	20,618	12,319	(75,096)	—
Total	888,740	46,682	67,967	38,471	(75,096)	966,764
Costs and expenses	758,171	29,133	55,052	33,672	(71,896)	804,132
Operating income (loss)	¥130,569	¥17,549	¥12,915	¥ 4,799	¥ (3,200)	¥162,632
Identifiable assets	¥608,940	¥75,629	¥66,275	¥119,053	¥ 59,311	¥929,208

2009

	Thousaands of U.S. dollars					
	Domestic	North America	Southeast Asia	Others	Eliminations or corporate	Consolidated
Net sales:						
Outside customers	**$6,909,671**	**$481,452**	**$392,467**	**$ 297,414**	**$ —**	**$8,081,004**
Inter segment	**414,985**	**—**	**162,517**	**36,292**	**(613,794)**	**—**
Total	**7,324,656**	**481,452**	**554,984**	**333,706**	**(613,794)**	**8,081,004**
Costs and expenses	**7,324,005**	**404,418**	**539,397**	**373,369**	**(667,423)**	**7,973,766**
Operating income (loss)	**$ 651**	**$ 77,034**	**$ 15,587**	**$ (39,663)**	**$ 53,629**	**$ 107,238**
Identifiable assets	**$5,562,048**	**$786,532**	**$696,152**	**$1,557,233**	**$ 356,612**	**$8,958,577**

(The effects of changes in depreciation method)

In accordance with the revised Japanese Corporate Tax Law, for tangible fixed assets acquired on or before March 31,2007, the Company and its domestic consolidated subsidiaries have started to depreciate the remaining balance of assets over a five year period using straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the Corporate Tax Law before revision. As a result of the change of depreciation method, in the year ended March 31, 2008, operating income decreases by ¥942 million in Japan.

(The effects of changes of accounting method for Measurement of Inventories)

For product inventories, the Company used the first-in, first-out method principally. Beginning this consolidated fiscal year, the Company adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, announced on July 5, 2006)" and calculated inventory values using the first-in, first-out method (For figures shown on balance sheet, the book value write-down method based on decreased profitability) . As a result of the change of the accounting method, operating income decreases by ¥7,477 million in Japan.

(The effects of changes of accounting policy for Non-ownership transfer finance lease agreement)
Non-ownership transfer finance lease agreements which were based on the accounting method for ordinary lease transactions are now based on the accounting method for sales transactions beginning this fiscal year as per "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]). There is no impact from this change on operating income.

(The effects of changes of the depreciation period for property, plant and equipment)
In accordance with the revised Japanese Corporate Tax Law, the Company and its domestic consolidated subsidiaries changed the depreciation period for property, plant and equipment beginning this fiscal year. As a result of the change, operating income decreases by ¥2,959 million in Japan.

(The effects of changes of unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
Accounting methods applicable to overseas subsidiaries and used for the consolidated financial statement. Beginning this fiscal year, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, May 17, 2006). As a result of the change, operating income decreases by ¥115 million in North America, increases by ¥29 million in Southeast Asia.

Information for overseas sales

2009 — Millions of yen

	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	**¥48,249**	**¥56,417**	**¥159,585**	**¥17,903**	**¥ 282,154**
Consolidated net sales	—	—	—	—	**¥ 793,797**
Share of overseas net sales	**6.1%**	**7.1%**	**20.1%**	**2.2%**	**35.5%**

2008 — Millions of yen

	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	¥58,265	¥85,721	¥242,835	¥7,908	¥ 394,729
Consolidated net sales	—	—	—	—	¥1,132,372
Share of overseas net sales	5.1%	7.6%	21.4%	0.7%	34.9%

2007 — Millions of yen

	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	¥46,792	¥74,731	¥184,556	¥11,795	¥317,874
Consolidated net sales	—	—	—	—	¥966,764
Share of overseas net sales	4.8%	7.7%	19.1%	1.2%	32.9%

2009 — Thousands of U.S. dollars

	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	**$491,184**	**$574,336**	**$1,624,606**	**$182,256**	**$2,872,381**
Consolidated net sales	—	—	—	—	**$8,081,004**
Share of overseas net sales	**6.1%**	**7.1%**	**20.1%**	**2.2%**	**35.5%**

15. Information for certain leases

Lease assets

Lease assets related to non-ownership transfer finance leases. Leases can depreciate assets over the lease period using the straight-line method with no residual value. For finance lease transactions other than those involving a transfer of title that began prior to the application of the new accounting standards, the previous operating lease method will continue to be applied.

As a lessee

A summary of assumed amounts inclusive of interest of acquisition cost, accumulated depreciation and net book value of finance leases accounted for in the same manner as operating leases at March 31, 2009 and 2008 are as follows:

	Millions of yen					
	2009			2008		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**¥140**	**¥95**	**¥45**	¥225	¥143	¥82

	Thousands of U.S. dollars		
	2009		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**$1,425**	**$967**	**$458**

Future lease payment, inclusive of interest at March 31, 2009 and 2008 under such leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	**¥22**	¥ 38	**$224**
Due after one year	**22**	44	**225**
Total	**¥44**	¥ 82	**$449**

Total lease expenses and assumed depreciation charges for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Total lease expenses	**¥38**	¥83	¥160	**$387**
Assumed depreciation charge	**38**	83	160	**387**

As a lessor

At March 31, 2009 and 2008, there was no lease asset related to non-ownership transfer the Company leased as a lessor.

Total revenue and depreciation charges for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Total revenues	**¥—**	¥15	¥20	**$—**
Depreciation charge	**—**	7	19	**—**

16. Business Combination

Sumitomo Metal Mining Package Materials Co., Ltd. was merged with the Company.

The summary of this merger is as follows:

1. Names of the Companies in the relevant business combination and contents of its business

Company name	Description of business
Sumitomo Metal Mining Co., Ltd. (The "Company")	Exploration and developing the mine; smelting/refining and sales of copper, gold , nickel and other non-ferrous metals; manufacturing and distribution of the high-quality semiconductor materials and high-value-added advance materials.
Sumitomo Metal Mining Package Materials Co., Ltd	Manufacturing and distribution of semiconductor package materials such as lead frames and tape materials.

2. Legal structure of the business combination
   This is the short form merger that is prescribed Company Act 796-3 with the Company as a surviving company and Sumitomo Metal Mining Package Materials Co., Ltd. as a company that ceases to exist.

3. Name of company after business combination
   Sumitomo Metal Mining Co., Ltd.

4. The purpose of this merger
   In a quest to further strengthen and expand its core business operations in electronics & advanced materials, the Company reorganize those area of operation into two new divisions: the Semiconductor Materials Division and Advanced Materials Division through merging Sumitomo Metal Mining Package Materials Co., Ltd which manufacturing and distribution of semiconductor package materials such as lead frames and chip-on-film (COF) tape. In addition to targeting maximum synergy effects through comprehensive optimization within these two core business areas, the organizational revampment, by enabling even faster development of new products, is expected to further build up the company's strength in sophisticated material technologies as foundation for sustained corporate growth.

5. Summary of accounting procedure
   The Company adopted the accounting procedures for a commonly-controlled business combination based on the accounting standards, "Accounting Standards for Business Combination" issued by Business Accounting Council on October 31, 2003, "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (Guidance No.10 issued by the Accounting Standards Board of Japan on December 27, 2005).

17. Condensed financial information of a major affiliated company

ASBJ Statement No.11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No.13, "Guidance on Accounting Standard for Related Party Disclosures" issued by the Accounting Standards Boards of Japan on October 17, 2006, require certain additional related party disclosures effective for years beginning on or after April 1, 2008. Pursuant to the new accounting standards, condensed financial information of Cerro Verde Mine is disclosed for the year ended December 31, 2008 is as follow.

Total current assets	77,752 millions of yen
Total long-term assets	102,832 millions of yen
Total current liabilities	54,566 millions of yen
Total long-term liabilities	5,465 millions of yen
Total shareholders' equity	54,566 millions of yen
Net sales	189,980 millions of yen
Net income before tax	115,027 millions of yen
Net income	74,343 millions of yen

18. Earnings per share

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Basic net income per share calculation				
Numerator:				
Net income	**¥ 21,974**	¥137,808	¥126,054	**$223,699**
Net income available to common shareholders	**21,974**	137,808	126,054	**223,699**
Denominator (thousands of shares) :				
Weighted average number of shares	**565,338**	578,707	571,708	—
Basic EPS (yen and U.S. dollars)	**¥ 38.87**	¥ 238.13	¥ 220.49	**$ 0.40**
Diluted net income per share calculation				
Numerator:				
Net income	**¥ 21,974**	¥137,808	¥126,054	**$223,699**
Interest in respect of convertible borrowings	**864**	109	—	**8,796**
Adjusted net income	**22,838**	137,917	126,054	**232,495**
Denominator (thousands of shares):				
Weighted average number of shares	**565,338**	578,707	571,708	—
Assumed conversion of convertible borrowings	**65,842**	17,053	18,249	—
Adjusted weighted average number of shares	**631,180**	595,760	589,957	—
Diluted EPS (yen and U.S. dollars)	**¥ 36.18**	¥ 231.50	¥ 213.67	**$ 0.37**

19. Subsequent Events

Basic Agreement Reached on Acquisition of Teck's Pogo Gold Mine Interest

On April 30, 2009, the Company has reached a basic agreement (memorandum of understanding) with Teck Resources Ltd. on acquisition of latter's total interest in the Pogo Gold Mine in Alaska.

Summary of the acquisition of the Pogo Gold Mine

1. Seller
   Teck Resources Ltd.

2. Reason of Acquisition
   The Pogo Gold Mine will be the first mine overseas for which the Company will serve as operator. The Company looks for this experience to become an important step toward securing other overseas mining operations in the future.

3. Percentage of shares to be acquired
   The Company has reached a basic agreement with Teck Resources Ltd. on acquisition of the latter's total interest (40%) in Pogo Gold Mine in Alaska. Following the acquisition, the Company and other Japanese partner will share full ownership of the mine. The Company will take charge of mine management and operations.

4. Acquisition price
   US$245million plus working capital

5. Timing of Acquisition
   The end of June (expected)

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Sumitomo Metal Mining Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2009, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Metal Mining Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009 in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the followings:

(1) As discussed in Note 2 to the consolidated financial statements, effective April 1 2008, Sumitomo Metal Mining Co., Ltd. and consolidated domestic subsidiaries adopted the new accounting standard for measurement of inventories.

(2) As discussed in Note 19 to the consolidated financial statements, on April 30,2009, Sumitomo Metal Mining Co., Ltd. reached a basic agreement with Teck Resources Ltd. on acquisition of latter's total interest in the Pogo Gold Mine in Alaska.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 25, 2009

Glossary

Mineral resources and metals

1) Metal trading

London Metal Exchange (LME)

The LME specializes in trading of non-ferrous metals such as copper, nickel, aluminum, lead and zinc. The LME trading prices for metals are used as the international pricing benchmarks for sales of refined metal and purchases of refining ores.

TC/RC

Treatment Charge (TC) and Refining Charge (RC) are commonly used in the terms of purchase for copper concentrate or nickel ore for refining. They are amounts designed to cover refining costs. For example, copper concentrate contracts may define a purchase price based on the LME price at a certain date, minus the TC or RC being used at the time.

London fixing

Gold is not traded on the LME. Its price is determined for each transaction between market participants. The financial institutions in the London Bullion Market Association (LBMA) agree a standard price for gold based on these transactions and publish it on the morning and afternoon of each trading day. This "London fixing" price is the benchmark for trading in gold.

Pound (lb)

Part of the imperial system of measures, the pound is the standard unit of weight used in measuring and pricing base metals such as copper and nickel, and in TC/RC calculations. One pound is equal to 453.59 grams; an imperial ton equals 2,204.62lb.

Troy ounce (toz)

The troy ounce is the standard unit of weight for precious metals such as gold and silver. It equals approximately 31.1 grams. It is named after Troyes, a city in the Champagne region of central France that was the site of a major market in Europe in medieval times. Originally used as a unit of exchange for valuing goods in terms of gold or silver weights, the troy ounce is still used today in gold trading.

2) Metal refining

Smelting and refining

Refining processes extract valuable metals from ores or other raw materials. They fall into two basic types: hydrometallurgical (wet) and pyrometallurgical (dry). At SMM's Toyo facilities in Ehime Prefecture, the copper concentrate pre-processing undertaken at Saijo uses pyrometallurgical processes and the nickel refining at the Niihama site uses hydrometallurgical processes entirely. The term 'smelting' is used for the extraction of metal from ores using melting and heating (pyrometallurgy). The term 'refining' refers to any process that increases the grade or purity of a metal.

Pyrometallurgical refining

The precursor ore is melted at high temperature in a furnace, and refining techniques are applied to separate the metal in a molten state. Although large amounts of ore can be processed at one time, the equipment needs periodic maintenance for heat proofing.

Hydrometallurgical refining

The ore and impurities are dissolved in a solution, and chemical reactions are used to separate out the metal. This approach allows continuous and stable refining, but incurs additional costs due to the refining chemicals consumed.

3) Metal ores

Sulfide ores

These ores contain copper, nickel or other metals chemically bonded to sulfur. Since the application of heat breaks these bonds, releasing the sulfur, such ores are generally refined using pyrometallurgical techniques.

Oxide ores

These ores contain metals in oxidized forms. Unlike sulfide ores, oxides need much more energy to achieve melting. For this reason, the hydrometallurgical approach is generally used to refine these ores.

Copper concentrates

Used as raw materials in copper smelting, copper concentrates have a copper content of about 30% by weight. The remainder consists mostly of sulfur and iron. Copper concentrates are made mostly from sulfide ores. Ores extracted from overseas mines have a typical grade of about 1%. The ores are then "dressed" at the mine to increase the purity and produce concentrate. Most of the copper ores imported by SMM for smelting in Japan are concentrates.

Nickel oxide ores

Whilst the higher-grade sulfide ores are used predominantly in nickel refining, nickel oxide ores are more prevalent than nickel sulfides. The sulfide-oxide ratio in current nickel reserves is believed to be about 3:7. High refining costs and technical issues have limited use of oxide ores in nickel refining to date, but SMM has succeeded in refining nickel from low-grade oxide ores based on HPAL technology.

Mixed sulfide (MS) ores

CBNC produces a mixed nickel-cobalt sulfide intermediate containing about 55–56% nickel by weight. This is used as a raw material in electrolytic nickel production.

Matte

A matte is another term for metal sulfides. For raw material, electrolytic nickel production at SMM also uses a nickel matte (of about 77–78% purity) sourced from PT Inco.

Proprietary ore ratio

This ratio is the proportion by volume of ore procured from overseas mining interests relative to the overall volume of smelting ores used as raw materials. Typically, off-take rights are proportional to the equity interest in a mine. In the case of Cerro Verde, SMM has secured 50% off-take rights for the first ten years of production from 2006, based on a 21% equity interest.

4) Nickel production process

Coral Bay Nickel Corporation (CBNC)

Based in the Philippines, this SMM subsidiary produces mixed nickel-cobalt sulfides using HPAL technology and exports the raw materials to the SMM Group's nickel refining facilities in Niihama, Ehime Prefecture.

High Pressure Acid Leaching (HPAL)

HPAL technology enables the recovery of nickel from nickel oxide ores that traditionally were difficult to process. SMM was the first company in the world to apply it successfully on a commercial scale. The oxide ores are subjected to high temperature and pressure and reacted under stable conditions with sulfuric acid to produce a nickel-rich refining intermediate.

Matte Chlorine Leach Electrowinning (MCLE)

MCLE is the technology used in the manufacturing process at SMM's nickel refinery. The matte and mixed sulfide ores are dissolved in chlorine at high pressure to produce high-grade nickel using electrolysis. MCLE is competitive in cost terms, but poses significant operational challenges. Other than SMM, only two companies are producing nickel based on this kind of technology.

5) Main applications for metals

Copper

Copper is fabricated into wires, pipes and other forms. Besides power cables, copper is used widely in consumer applications such as wiring in vehicles or houses, and in air conditioning systems.

Electrolytic nickel

This form of nickel, which has a purity of at least 99.99%, is used in specialty steels, electronics materials and electroplating, among other applications. SMM is the only producer of electrolytic nickel in Japan.

Ferronickel

Ferronickel is an alloy containing nickel (about 20%) and iron. Its main use is in the manufacture of stainless steel, which is about 10% nickel by weight. Based in Hyuga, Miyazaki Prefecture, SMM Group firm Hyuga Smelting produces ferronickel.

Gold

Gold is in demand worldwide for investment and decorative purposes. Gold is widely used in Japanese industry within the electronics sector because of its high malleability and ductility. Part of SMM's gold production goes to SMM Group companies engaged in fabricating and selling bonding wire.

Semiconductor and advanced materials

Copper-clad polyimide film (CCPF)

CCPF is a polyimide film that is coated using a copper base. It is used as a material for making COF substrates. SMM commands a global market share of over 70% of the CCPF supplied for use in large liquid crystal displays.

Chip-on-film (COF) substrates

COF substrates are electronic packaging materials used to make integrated circuits for LCD drivers. They connect these circuits to the LCD panel.

Lead frames (L/F)

Lead frames are electronic packaging materials used to form connections in semiconductor chips and printed circuit boards. They contain thin strips of a metal alloy containing mostly nickel or copper.

Bonding wire

Composed of gold wire that is just a few micrometers thick, bonding wire is used to make electrical connections between lead frames and the electrodes on semiconductor chips.

Secondary batteries

Secondary batteries are ones that can be recharged and used again. SMM supplies battery materials that are used in the anodes of nickel metal hydride batteries and lithium-ion rechargeable batteries, which supply power for hybrid vehicles or notebook computers, among other consumer applications.

Corporate Data and Investor Information

Corporate Data

Founded: 1590

Incorporated: 1950

Paid-In Capital: ¥93.2 billion *As of March 31, 2009

Number of Employees: 2,154 *As of March 31, 2009

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

(Contact Information)

Public Relations & Investor Relations Department:

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

Phone: 81-3-3436-7705

Facsimile: 81-3-3434-2215

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

Investor Information (As of March 31, 2009)

Closing Date:

The Company's books are closed on March 31 each year.

Regular General Meeting:

The regular general meeting of shareholders is held in June each year.

Common Stock:

Number of authorized shares: 1,000,000,000 shares
Number of issued and outstanding shares: 581,628,031 shares
Number of shareholders: 66,088

Listing of Shares: Tokyo, Osaka

Stock Transaction Unit: 1,000 shares

Registrar of Shareholders:

The Sumitomo Trust and Banking Company, Limited
(Head office) 5-33, Kitahama 4-chome, Chuo-ku, Osaka
Stock Transfer Agency Department: 3-1, Yaesu 2-chome, Chuo-ku, Tokyo

Method of Public Notice:

Electronic notification (However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.) The Company's website: http://www.smm.co.jp/E/

Independent Public Accountant:

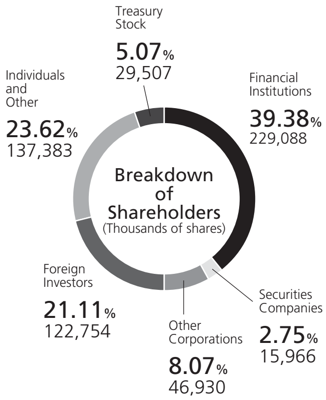
KPMG AZSA & Co.
1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

As of June 25, 2009

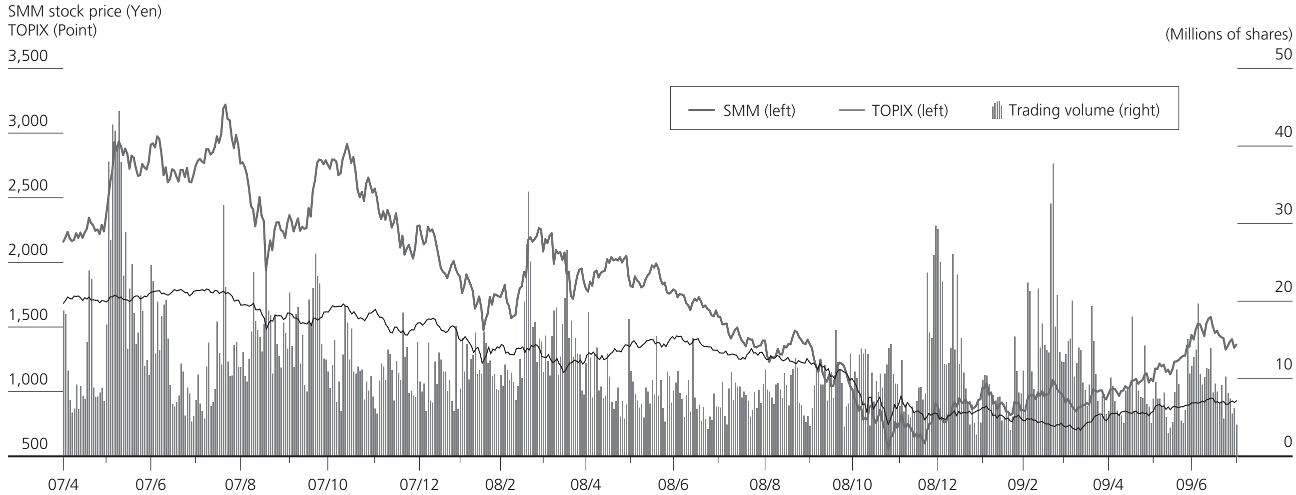
Major Shareholders (As of March 31, 2009)

	Number of shares held (thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust accounts)	51,589	9.3
The Master Trust Bank of Japan, Ltd. (Trust accounts)	44,172	8.0
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	31,626	5.7
Sumitomo Metal Industries, Ltd.	8,715	1.6
Japan Trustee Services Bank, Ltd. (Trust Account 4)	8,203	1.5
Sumitomo Mitsui Banking Corporation	7,650	1.4
Sumitomo Life Insurance Company	7,474	1.4
Sumitomo Corporation	7,000	1.3
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	5,785	1.0
SSBT OD05 OMNIBUS ACCOUNT CHINA TREATY CLIENTS	5,570	1.0

Note: Shareholding ratio is calculated excluding treasury stock.



Stock Price and Trading Volume



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

SUMITOMO METAL MINING CO., LTD.

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

http://www.smm.co.jp

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