Annual report 2011

For the year ended March 31, 2011

SUMITOMO METAL MINING CO., LTD.

Contents

– For explanations of specialized industry terms, please see the Glossary on pages 90 to 91.

– Note Regarding Forward-Looking Statements: The forward-looking statements in this annual report, including business results forecasts, are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this report. Actual business results may differ substantially due to a number of factors. Unless specifically stated otherwise, information in this annual report is as of July 1, 2011.

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 Sprit, shall, through the performance of sound corporate activities and the promotion of sustainable coexistence 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.

Consolidated Financial Highlights

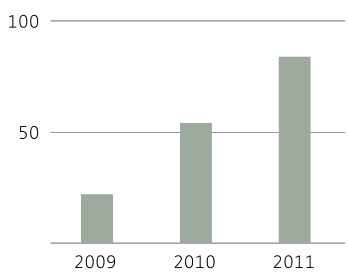
SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31	2011	2010	2009
Results for the year (Millions of yen):			
Net sales	¥864,077	¥725,827	¥793,797
Operating income	96,038	66,265	10,534
Recurring profit	123,701	87,791	32,572
Net income	83,962	53,952	21,974
Equity in earnings of affiliated companies	34,832	26,090	31,536
Capital expenditures	53,105	26,414	47,723
Financial position at year-end (Millions of yen):			
Total assets	1,052,353	981,458	880,001
Net assets	684,103	629,684	547,251
Long-term debt due after one year	135,128	132,311	141,716
Interest-bearing debt	210,969	200,939	218,534
Amounts per share (Yen):			
Net income	149.38	96.26	38.87
Shareholders' equity	1,121.19	1,043.50	913.92
Cash dividends	32	20	13
Key ratios:			
ROA (%)	8.26	5.80	2.23
ROE (%)*	13.80	9.89	4.02
Equity ratio (%)*	59.9	59.8	57.3
Interest-bearing debt to total assets ratio (%)	20.0	20.5	24.8
Debt-to-equity ratio (times) *	0.33	0.34	0.43

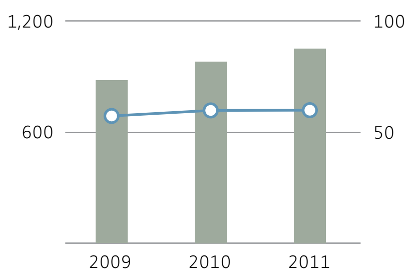
* Shareholders' equity are defined as following equation.
Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive inocme

Recurring Profit
¥ billions

Net Income
¥ billions



Total Assets / Equity Ratio
Total assets (¥ billions) (left scale)
Equity ratio (%) (right scale)



Our story

Origin

Copper smelting and mining operations were the starting point of Sumitomo Metal Mining. From generation to generation, we have carefully passed down the technologies and know-how that we have cultivated. Our resource and refining operations—such as our copper, nickel, and gold operations—have supported our growth, as well as the growth of the Japanese economy.

Tounaru Area, Besshi Copper Mine

Shift

Over our extensive history, we have responded to a vast number of changes in our operating environment by updating our operating structure. Today's operating environment is marked by expanding global demand for non-ferrous metals and the resulting trend toward an oligopoly in mineral resources. Accordingly, under our current three-year business plan, we have shifted from our previous structure of two core businesses to a new structure of three core businesses and are implementing strategies to further increase our enterprise value.

Cerro Verde Copper Mine in Peru : Mineral Resources Segment (left)
Coral Bay Nickel Corporation in the Philippines : Smelting & Refining Segment (above right)
Battery materials operations at Isoura Plant : Materials Segment (below right)

Growth

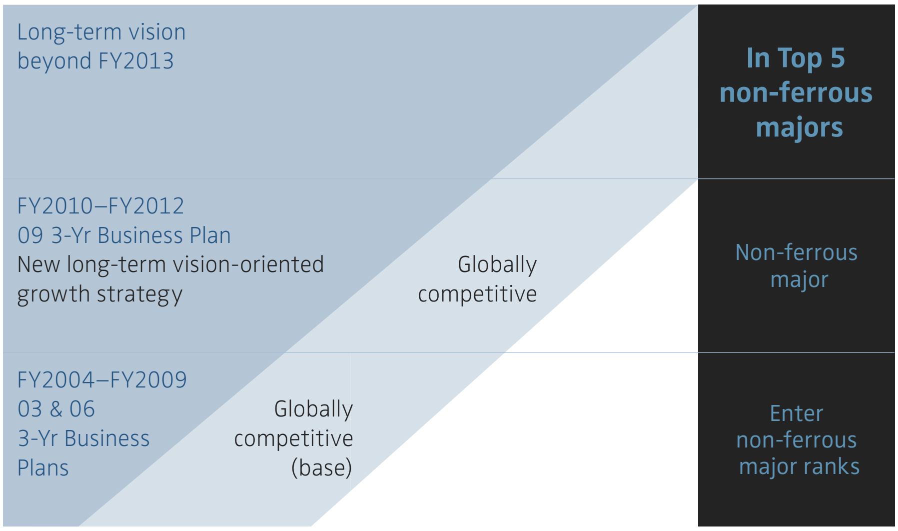
Looking beyond the period covered by our current three-year business plan, our goal is to enter the ranks of the non-ferrous majors. Leveraging the technical capabilities that we have cultivated in the mineral resources business and smelting & refining operations, as well as the capital that we have accumulated, our long-term vision calls for increasing our total production interest in copper to 300 ktpa and in gold to 30 tpa, as well as expanding our nickel operations to achieve a 150 ktpa production set-up.

Sierra Gorda Project in Chile

Aiming to be a World-Class Player

Throughout our history, we have grown by implementing a broad array of initiatives in response to the changes that have occurred around the world. These include nickel refining, the electronic and advanced materials business, operation of the Hishikari Mine, nickel refining in the Philippines, and the sole operatorship of overseas mines.

The rapid growth of emerging countries has fostered further changes in our global operating environment. Through the steady implementation of the strategies that were outlined in the FY2010–12 three-year business plan, SMM is targeting new growth. Going forward, we will continue to focus on further gains in enterprise value by making full use of our many strengths.



Mineral Resources Segment

This segment is tasked with the mission of securing earnings in the mineral resource business and securing raw materials for the refining business. In Japan and overseas, the segment is engaged in the exploration for and the development, production, and sales of non-ferrous metal resources.

Smelting & Refining Segment

This segment smelts and refines raw materials procured from the mineral resources segment and overseas mining companies into metals such as copper, nickel, gold and zinc. We possess world-class refining technologies, such as highly competitive copper smelting and refining technologies and process technologies for recovering nickel from low-grade ore, and are the industry leader.

Materials Segment

In the semiconductor materials business, we supply high-quality materials that are essential for semiconductors and electronic equipment. In the advanced materials business, we create a range of high-value-added materials, including thick-film materials, battery materials, crystal materials, thin-film materials, and other materials

Message
to our stakeholders

President and Representative Director
Nobumasa Kemori

Message to our stakeholders

Business Environment

In fiscal 2010, ended March 31, 2011, one notable aspect of our markets was the high level of non-ferrous metals prices. These high prices, which resulted from both demand- and supply-related factors, are expected to continue over the long term. On the demand side, forecasts call for higher consumption of non-ferrous metals due to continued economic growth in emerging countries, including China and ASEAN member countries. On the supply side, existing mines are yielding lower grade ores, and many of the potential mines that are under consideration for development present challenging mining conditions, such as a lack of infrastructure and high-altitude locations. Accordingly, we expect the supply of non-ferrous metals to remain tight, and do not anticipate any significant change in the demand–supply balance, even over the medium to long term.

Despite these trends, however, my frank opinion is that conditions in the markets for non-ferrous metals were remarkably strong in fiscal 2010. In the first half of the fiscal year, China and other emerging countries led the global economy, while business conditions in the United States, the largest market for the emerging countries, remained sluggish. In this setting, I had concerns about a double-dip recovery. In the end, as a result of the quantitative easing implemented by the United States following the global financial crisis, substantial quantities of funds entered the commodities markets, and non-ferrous metals prices increased. Looking at the situation from a different angle, the fact that non-ferrous metals prices have risen due to an excess of money also means that there is cause for concern that those prices could plummet if the outlook for the global economy worsens due to the materialization of any of a number of risks. For example, these risks include the sovereign crises in Europe as well as an economic slowdown caused by monetary tightening in China. Steep price drops would lead directly to a substantial decline in results for the Company, and accordingly we are concerned about the high non-ferrous metals prices.

In addition to conditions in non-ferrous metals markets, other areas of concern in the external environment include the ongoing concentration of power in the hands of a few resource majors and the resource policies of the Chinese government. When prices stabilize, the resource majors could further increase their price negotiating power versus the smelters and refineries by stepping up the concentration of power through mergers and acquisitions (M&As). In addition, Chinese companies will leverage their substantial financial resources and the backing of the Chinese government to aggressively extend their reach and procure resources that cannot be obtained domestically. In contrast, SMM cannot directly compete with these companies financially. As a result, I believe it is fair to say that China is our biggest concern in terms of progress in resource procurement.

We expect the supply of non-ferrous metals to remain tight, and do not anticipate any significant change in the demand–supply balance, even over the medium to long term.

Also, as prosperous minerals dwindle in the years ahead, the conditions for participating in projects could become increasingly harsh due to the policies of the resource-rich countries. For SMM, determining the best way to handle this situation is one of the most important issues that we face.

Results in Fiscal 2010

In fiscal 2010, we recorded recurring profit of ¥123.7 billion and net income of ¥84.0 billion. These results not only exceed the targets for the first year of the three-year business plan, they also surpass the targets for the final year of the plan, fiscal 2012, for which the plan calls for recurring profit of ¥110.0 billion and net income of ¥70.0 billion.

Nonetheless, it is a fact that these results were due in large part to the rise in prices of non-ferrous metals. Copper, nickel, and gold prices surged, and the increase above the forecasted level contributed about ¥56.0 billion to our results. Excluding that factor, we would have needed another ¥40 billion to reach the fiscal 2012 recurring profit target.

The factors behind this outcome include issues that are beyond SMM's control, such as the running costs of overseas mines, which are influenced by the policies of partner companies, and the influence of foreign exchange rate fluctuations. However, despite the fact that we did not reach the fiscal 2012 targets, we have substantial room for steady improvement toward those targets in areas that are under our control. These areas include the level of profits in materials operations, the start of operations at the Goro Project, and costs in smelting & refining operations. In other words, we have the potential to further increase our profits. We have already formulated countermeasures for Philippines-based Coral Bay Nickel Corporation, where production had to be reduced because of a drought, and are also working to resolve other issues. In these ways, we are taking steps to secure profits.

In fiscal 2010, the first year of the three-year business plan, the plan got off to a strong start, and we achieved the plan's first-year targets.

Progress in the Three-Year Business Plan by Segment

Mineral Resources

In the mineral resources segment, our basic policy is to focus our efforts on increasing the supply of our own raw materials for our smelting & refining operations while expanding our earnings from the mining business.

In this context, our participation in the Sierra Gorda copper-molybdenum mining project represents strong progress in the acquisition of copper rights. This project is scheduled to start production in 2014. Over 20 years of mine life, average annual production is expected to be 220,000 tons of refined copper equivalent, of which we have rights to 31.5%. We also anticipate increased production at the Cerro Verde Copper Mine and the Morenci Copper Mine. Accordingly, we believe that it is increasingly likely that we will achieve the goal incorporated in our long-term vision of a copper proprietary ore ratio of two-thirds. In addition, we have 50% off-take rights in the copper from the Sierra Gorda Project, which is a significant step in terms of our ability to supply raw materials to the Toyo Smelter & Refinery.

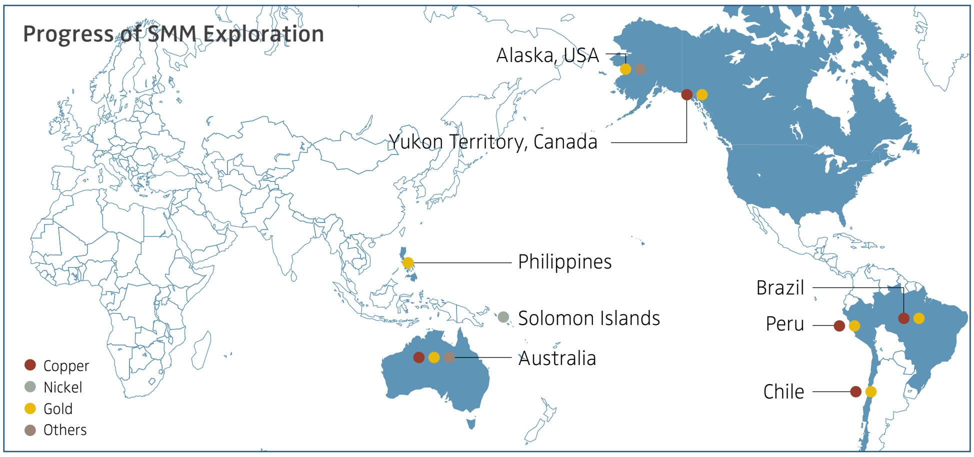
Accordingly, in June 2011 we established the Sierra Gorda Project Division. In this way, we will participate as essentially equal partners with the operator, Quadra FNX Mining Ltd., and do our utmost to ensure the project starts production as planned in 2014. Also, we will work to achieve yields that exceed our initial plans by focusing on R&D and working to further enhance our mineral processing technologies.

In comparison with the operations of the resource majors, the scale of our operations is small, so it is clear that we cannot directly compete in terms of fund-raising capacity or number of projects in operation. However, we are proud of the fact that we can compete by leveraging our technical strengths to ensure that individual projects are successful. In fact, we can do more than just compete. We can win. The key to success in mineral resources operations and in the implementation of our growth strategies lies in our technical strengths.

On the other hand, a key issue at this point is our relative lack of experience in overseas projects. For example, there is a need to consider issues that are not frequently encountered in Japan even in corporate social responsibility (CSR) contexts, such as determining how to best maintain harmonious relationships with local residents who have different cultural values and customs and preventing child labor. In this environment, we need to actively foster enhanced understanding among local governments and populations regarding the environmental initiatives that we have implemented, such as our achievements in restoring the Besshi Copper Mine, which had been damaged by development, to a green mountain. To that end, we must enhance the capabilities of employees dispatched overseas, including their communication skills. At the same time, it is important to select optimal local partners.

We will focus on exploration, discovery, and development. I believe that if we can do that, we can become a truly global company for the first time in our history.

To aggressively acquire this experience, we will place a special focus on conducting exploration activities on our own and increasing the number of projects in which we take the lead role. In fiscal 2011, we will increase exploration expenses to ¥7.0 billion, from ¥4.0 billion in the year under review. We have already had success in entering new development projects and in increasing production from existing mines, but the fact that we cannot take the initiative is an ongoing challenge. Also, if non-ferrous metals prices remain high, competition surrounding project participation will intensify, which will likely have an adverse effect on profitability. Accordingly, we will focus on exploration, discovery, and development. I believe that if we can do that, we can become a truly global company for the first time in our history.



Smelting & Refining

In smelting & refining, our basic policy will be to expand and reinforce our nickel refining business to bolster our top-ranked position, and we are making steady progress with those endeavors. The Taganito Project, which will produce intermediates, is proceeding according to plan, with the start of operations scheduled for 2013. At the same time, progress is being made with work to expand the new Niihama Nickel Refinery, which produces end products. In fiscal 2011, we are planning investment of ¥43.1 billion in the Taganito Project and ¥2.8 billion in the Niihama Nickel Refinery. We are making steady progress toward the establishment of a system that produces 100,000 tons a year.

In addition, copper smelting and refining was the original business of the Sumitomo Group and has supported SMM's growth up until the present day. Moving forward, we will continue working to secure profits in copper smelting, which will remain a key part of our activities in Japan. One key point in fiscal 2011 will be the initiatives at the Toyo Smelter & Refinery. Specifically, the operation of the furnace will be halted for its first overhaul since it was placed into operation 40 years ago. At the same time, we will introduce new smelting technology with the objective of enhancing operational stability and efficiency. The supply of copper is highly important for domestic industry, and it is essential that the furnace repair is completed according to plan.

We are proud of our number one position in the technologies that are used to turn ore into metal as effectively as possible yet without placing a burden on the environment.

For the near future, we believe that it will be difficult to secure profits from copper smelting operations. However, I have no intention of implementing a withdrawal from copper refining operations and generating profits from mineral resources operations alone. We have smelted and refined copper for more than 400 years, and our entry into mineral resources operations followed our start in copper smelting and refining. Our copper smelting and refining operations today incorporate centuries of innovation and effort, including measures to prevent pollution. That is why we are proud of our number one position in the technologies that are used to turn ore into metal as effectively as possible yet without placing a burden on the environment. I believe that it is by continuing to include smelting in

Outline of Current Medium-Term Business Plan

The non-ferrous metal majors			
↑	Mineral Resources	Smelting & Refining	Materials
Long-Term Vision	Cu: Interests 180 ktpa → 300 ktpa Ni: Solomons operational Au: Interests 20 tpa → 30 tpa	Cu: Application of R&D Ni: 150 ktpa set-up	– Earnings boosted via radical reforms
Key Point	Cu/Au: Secure mine interests Ni: Solomons project B-FS	Cu: More cost competitive Ni: Progress at Taganito	– Expand into E&E – Exit loss-making ops

our operational portfolio that we can make the largest possible contribution around the world. In the future, if smelters and refineries in Japan and China can secure the majority of their ores in-house, the resource majors will have no choice but to raise processing fees. In this way, profits will not be skewed toward resource companies, and an appropriate allocation of profits will be possible for the industry as a whole.

Materials

Finally, in the materials segment, semiconductor and advanced materials operations have been designated as our core businesses. In these fields, we are implementing growth strategies for battery materials and sapphire substrates in the energy and environmental (E&E) fields. For semiconductor materials and thick-film materials, meanwhile, our basic policy is to strengthen our operational foundation. Our target for the segment's operating income over the period covered by the current three-year business plan is ¥7.0 billion in fiscal 2010, ¥10.0 billion in fiscal 2011, and ¥15.0 billion in fiscal 2012. Because the plan calls for a substantial jump up in fiscal 2012, it is essential that we meet our objectives for fiscal 2011. Accordingly, we need to fundamentally rebuild our growth strategies for both semiconductor and advanced materials.

We are implementing growth strategies for battery materials and sapphire substrates. For semiconductor materials and thick-film materials, our basic policy is to strengthen our operational foundation.

In semiconductor materials, at this point we do not have plans to launch new products, so for products with limited growth potential we need to pursue tie-ups with other companies or, in some cases, consider withdrawal. Pressing issues include simultaneously raising quality and cost-competitiveness and bolstering the foundation for raising profitability.

In advanced materials, we need to push our battery materials operations beyond the point at which our sales are significantly influenced by the condition of major customers, as was the case in fiscal 2010. Moreover, our sales could plummet if our customers implement a model change and decide not to use our products in the new models. Accordingly, at the Battery Research Laboratories, we will continually implement R&D focused three to four years into the future, in alignment with the model change cycle. In sapphire substrates, we will strive to commence mass production in fiscal 2011 and to start generating profits in fiscal 2012. Under the subsequent business plan, we will focus efforts on our materials operations and take steps to nurture them.

Initiatives Targeting Sustained Growth

To properly prepare and oversee large-scale projects, in fiscal 2010 we established the Enterprise Value Committee. Each business group works to achieve its quantitative objectives, and we do our utmost to complete the projects in which we are participating. However, if we focus only on these shorter-term issues, then we can end up neglecting preparations for longer-term initiatives. As a countermeasure, the Committee implements Companywide oversight of long-term, large-scale projects to ensure that the projects in each segment are receiving the ongoing attention that they need. Specifically, projects are divided into four stages—sowing, transplanting, nurturing, and harvesting—and progress is confirmed every six months at meetings of the Committee. We expect this framework to make a major contribution to the achievement of higher profits under each successive three-year business plan as well as to increased enterprise value.

Also, we believe that personnel are themselves management resources, and are aggressively implementing human resources development activities in accordance with that belief. Moving forward, we will work to further increase the utilization of female employees. The Company's workforce, at this point, is composed primarily of men, due in part to the nature of the work. In the future, as we step up overseas business development, we will expand employment of people from other countries, and will promote diversity by increasing the percentage of female employees. In these ways, we will build a foundation as a global company. As one facet of those initiatives, from fiscal 2011 we will increase the number of women that we hire. We will also take steps to expand the range of jobs that are filled by women, such as jobs at production sites.

Shareholder Return Policy and Message to Shareholders

The Company believes that increasing enterprise value is the best method of providing a return of profits to shareholders. To increase enterprise value, we need to make steady progress in projects and to implement long-term strategies in each area of business. These endeavors require large-scale capital investment, such as in mine development and refinery construction. Furthermore, given the current state of the global economy, we cannot neglect preparations for risks that could put pressure on our equity, such as a sudden drop in non-ferrous metals prices or a rapid rise in interest rates. Consequently, we need to accumulate internal reserves in order to reinforce our financial position so that we do not miss immediate opportunities due to a shortage of funds. This is essential for raising our enterprise value. Accordingly, over the course of the 09 Three-Year Business Plan, our policy will be to maintain our dividend payout ratio at 20% or more while increasing profits.

SMM is a straightforward company that emphasizes "trust" over all else. We have never been a flamboyant company; rather, we have steadily worked to achieve the goals that we have announced. Moving forward, I pledge that we will do our utmost to raise enterprise value so that we can maintain the trust and meet the expectations of all of our shareholders and investors.

SMM is a straightforward company that emphasizes "trust" over all else. We have never been a flamboyant company; rather, we have steadily worked to achieve the goals that we have announced.

August 2011

Nobumasa Kemori
President and Representative Director

New growth

Business Environment in the Non-Ferrous Metals Industry

Cerro Verde Copper Mine

It has been about two years since the 2009 economic crisis that was triggered by the global financial crisis. Non-ferrous metals prices, which plunged in 2009, have returned to high levels. Today, the Company's business environment presents promising growth opportunities, but it also holds significant threats. These threats include the growing concentration of power in the hands of the resource majors and the expanding presence of China in the competition to secure resources.

Rising Prices for Non-Ferrous Metals

The rise of non-ferrous metals prices in recent years has been mainly due to an increase in demand fueled by economic growth in China and other emerging countries. Going forward, emerging countries are expected to record ongoing population growth and industrial development. Consequently, these countries are likely to continue to play a central role in driving demand for non-ferrous metals, even over the medium to long term.

On the supply side, the grade of remaining resources is declining while mining conditions are simultaneously worsening. As a result, it is becoming increasingly difficult to increase the supply of non-ferrous metals. In particular, new copper mine development projects are constrained by challenging conditions, such as extremely high altitudes and locations with little to no infrastructure. Furthermore, we also expect the influx of speculative funds to help sustain non-ferrous metals prices at high levels.

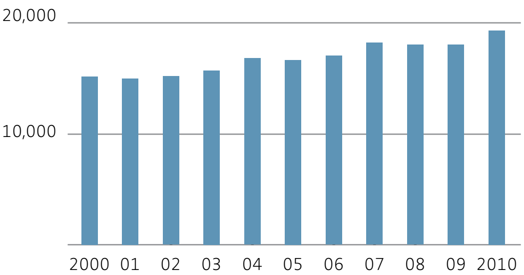
Intensifying Competition to Secure Resources

The resource majors have registered substantial profits as a result of the increases in metals prices. In the period of economic globalization that has followed the end of the Cold War, the resource majors have leveraged their operational scale. In the 1990s, they commenced a series of large-scale M&A transactions. Consequently, the resource industry has moved toward an oligopoly, and the mine developers have enjoyed growing power in their negotiations with the refiners.

Moreover, China, which continues to generate strong economic growth, is also a factor in the intensifying competition. China's domestic resources are not sufficient to meet the growth in its domestic demand. As a result, China has now become a net importer of copper and nickel. In recent years, China's national policy has focused on securing overseas resources, and China is using its abundant financial resources to expand its resource interests in regions around the world. In addition, resource-rich countries are stepping up efforts to "enclose" their resources. This rise in resource nationalism is

Global Copper Consumption

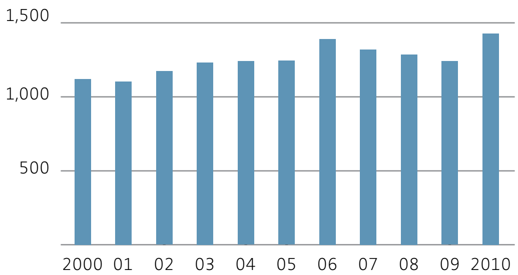
Thousand tonnes



Source: ICSG

Global Nickel Consumption

Thousand tonnes



Source: INSG

becoming another major adverse influence on efforts to secure non-ferrous metal resources.

In this way, the growing demand for non-ferrous metals has supported growth in the resource business, but the purchasing conditions for metal resources have worsened dramatically, and it has become difficult to secure profits with a pure custom smelting business model.

Market Trends by Metal

Copper

The distinctive features of copper include high conductivity of electricity and heat and superior workability. Consumption of copper, which is principally used in electric cables and in rolled copper products, increases during periods of infrastructure development. Consequently, global demand for copper is currently rising due to the economic growth in emerging countries. The growth in consumption is especially striking in China, which now accounts for nearly 40% of global copper consumption. We expect continued economic growth in emerging countries and increasing demand for copper over the medium to long term.

On the other hand, the supply of copper has not expanded as much as the demand. At major mines around the world, the minable reserves are declining, and the grade of the ore is decreasing. This trend is one factor behind the sluggish growth in supply. Global copper ore reserves are generally thought to be sufficient, but many large-scale new mine development projects present difficult conditions, such as mines at high altitudes. Because these projects entail tasks that require substantial amounts of time and money, such as securing electric power, water, and personnel, many of these projects are currently stalled.

Against this background, the price of copper has reached record high levels in 2011, and it is expected to remain high in the future.

Nickel

Nickel is used in stainless steel and other specialty steels and alloys. It is also used as a raw material for secondary batteries. Because of its superior corrosion resistance, nickel is also used in oil and gas exploration equipment in harsh environments. In the future, rising energy demand is expected to further increase nickel consumption. In addition, in China, which accounts for one-third of global nickel consumption, growth in demand for stainless steel for use in construction has become a factor in higher demand for nickel.

On the supply side, a number of new development projects have been planned in recent years. However, most of these projects have been delayed, and the actual increase in supply has not matched expectations.

Nickel prices have not returned to the peak that was set in 2007, but prices have nonetheless followed an increasing trend after the global financial crisis. Future price trends will be heavily affected by the state of progress in new development projects. The scale of the nickel market is relatively small, and consequently it has high volatility due to demand–supply trends and the influx of speculative funds.

Gold

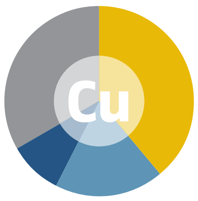
In addition to decorative and industrial applications, gold is often purchased for investment purposes. In recent years, demand has increased as China and India have expanded their holdings. In addition, gold is known as a "stateless currency," with a universal value that extends across time periods and geographical regions. Accordingly, purchases of gold tend to increase in environments marked by concern about shaky government finances and spreading economic crises. In recent years, gold has accounted for a growing percentage of foreign reserves, particularly in emerging countries.

On the supply side, production volume in China is increasing, but production volume in South Africa, which was once the world's largest gold producer, is declining. In addition, new mine development has become more challenging. Consequently, global production volume is not increasing.

At this point, the price of gold has reached a record high level. This rise is attributable to a number of factors, such as a loss of confidence in the U.S. dollar, an increase in the supply of funds due to economic stimulus measures in industrially developed countries, inflation countermeasures implemented against a background of rising crude oil prices and other trends, and the spread of financial products. These factors have led to structural problems, and moving forward the price of gold is expected to remain at a high level.

Share of Ore Production in 2009

● 1st to 5th ● 6th to 10th ● 11th to 15th ● Others



Source: JOGMEC

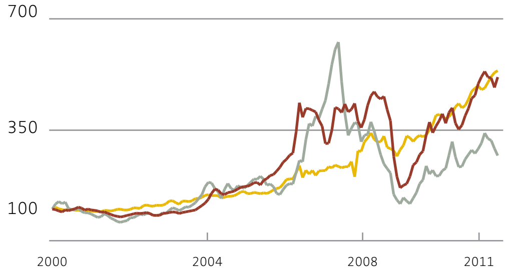
* Companies grouped by size

Source: JOGMEC

Commodity Price Indices

Daily spot price index (1 January 2000=100)

Cu (LME) Ni (LME) Au (London Fixing)



Priority Strategy 1 Overseas Resources Strategy

Sierra Gorda Project

In May 2011, SMM decided to participate in the Sierra Gorda Copper Mine development project in Chile. We acquired copper resource rights—about 70 ktpa of refined copper equivalent—and the right to off take 50% of produced copper concentrate. With the price of copper increasing and competition with resource majors and others to secure rights intensifying, how was SMM able to participate in this promising new large-scale development project on favorable terms? The answer lies in the technologies and know-how that SMM has cultivated over many years of operations.

Technologies and Know-How Cultivated Over More than 300 Years

SMM has participated in the resource development business for more than 300 years, and over that period we have cultivated a range of advanced technologies. The exploration, mining, and mineral processing technologies that we have accumulated, and the mine operation know-how that we have acquired, have enabled us to achieve stable operation of the Hishikari Mine in Kagoshima Prefecture and the Pogo Gold Mine in Alaska.

To ensure that we reliably pass on these technologies and know-how, and to further improve them, we have established a system for the training of mining engineers. We have positioned the Hishikari Mine, which is the only operational gold mine in Japan, as a "mining school" for our engineers. After joining the Company, mining engineers first spend about three years at this mine, where they study basic technologies and safety management for mine operations. Subsequently, they are assigned to overseas mines, such as the Pogo Gold Mine, where they spend about three years to learn additional technologies and know-how. They then spend about four to five years in Japan, where they study to acquire further knowledge necessary for mine management. In this way, they start with the basics of mine operations; acquire the capability to plan, evaluate, and manage projects through practical experience; and develop the ability to operate overseas mines. This is SMM's basic model for mining engineer training.

Through this system, we continue to pass down the technical skills that we have built up over our long history. In fact, the technologies that we have acquired were the key reasons why we were selected to partner with Quadra FNX Mining, which is the operator of the Sierra Gorda Project.

Sierra Gorda Project

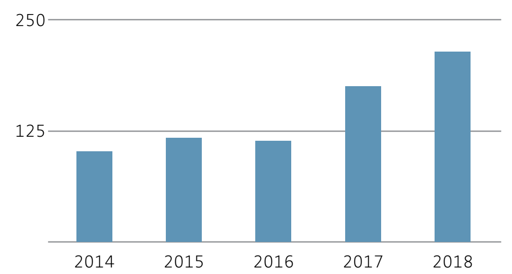
Quadra FNX Mining, of Canada, is taking the lead in advancing the Sierra Gorda Project. Quadra FNX has a 55% interest in the project, SMM 31.5%, and Sumitomo Corporation 13.5%. With construction commencing in 2011, the start of production is scheduled for 2014. Minable reserves are approximately 1.3 billion tonnes, and copper reserves are approximately 5,000 kilo tonnes. Over the expected mine life of 20 years, average annual production is expected to be 220,000 tonnes of refined copper equivalent, of which SMM has the right to off take about 70,000 tonnes.

The elevation of Sierra Gorda, at 1,700 meters, is relatively low for Chile's mining sites. The site is adjacent to a highway and a railroad and close to a port. This solid infrastructure is a key feature of the Sierra Gorda Project. As there are large mines in operation nearby, development can proceed with comparatively low risk.

In addition, SMM has acquired the right to off take 50% of produced copper concentrate, so the project will play a significant role in our ability to supply large quantities of raw materials to the Toyo Smelter & Refinery, in Ehime Prefecture. From the viewpoint of Quadra FNX Mining, SMM can offer stable uptake of copper concentrate, and it is possible to put together a large-scale project finance package for the initial development investment of about 2.9 billion dollars. These were some of the advantages that SMM could offer.

For SMM, this project offers more than expansion of our interests. It also has advantages in terms of profitability, and we have high expectations for Sierra Gorda from the perspective of profits as well. Accordingly, we have dispatched personnel, principally mining engineers, and are doing our utmost to ensure the smooth implementation of the project.

Copper Production Plan
Thousand tonnes



SMM's Share of Annual Production (refined copper equivalent)

70,000 t

SMM's Annual Copper Concentrate Off-take Rights (refined copper equivalent)

110,000 t

Methods of Increasing Interests

With copper, nickel, and gold as the principal targets, SMM will utilize the following three methods to expand its interests.

1. Conducting independent exploration
2. Participating in mine development projects
3. Increasing output at existing mines

We will carefully consider the various advantages and disadvantages of each of these methods and in each case select the method that will enable us to generate substantial revenues from a medium-to-long-term viewpoint.

1. Conducting independent exploration

A considerable amount of exploration time is needed to discover undeveloped ore body. Moreover, even if undeveloped ore body is discovered, long lead times will be required until operations are started. Nonetheless, if we are able to discover ore body on our own, we can acquire majority rights and conduct development and operation ourselves. Consequently, independent exploration enables us to target profits and the accumulation of know-how that would not be available with other methods.

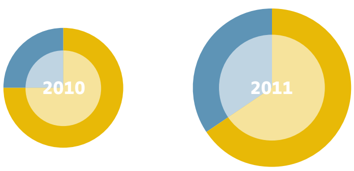
Accordingly, we will place a special focus on independent exploration from a medium-to-long-term viewpoint. To support these initiatives, we will increase exploration expenses from ¥4.0 billion in fiscal 2010 to ¥7.0 billion in fiscal 2011, and will move ahead with exploration activities, centered on North America, South America, and Oceania.

Exploration Costs

2010		2011
¥4bn	→	¥7bn

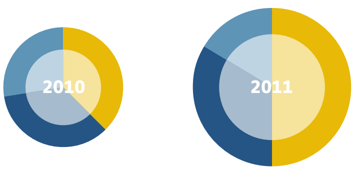
By Stage

● New deposit exploration ● Exploration around existing mines



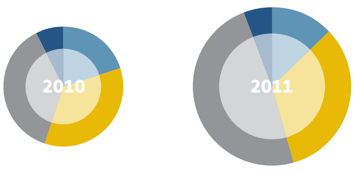
By Metal

● Cu ● Ni ● Au



By Area

● North America ● South America ● Asia ● Oceania



Stone Boy Project

We are advancing the Stone Boy exploration project in Alaska in cooperation with Sumitomo Corporation. In June 2011, we confirmed the presence of a gold, silver, and antimony mineralization zone in the Naosi prospect of the Monte Cristo area. Previously, this project discovered the Pogo Mine, which has produced gold since 2006. In the future, we will continue exploration in the Naosi prospect and move ahead with efforts to find ore body in other prospects as well.

Background

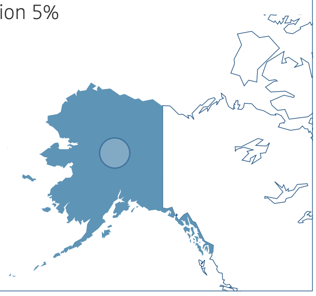
1991: Four companies, including SMM, started joint exploration
1995: Following the acquisition of all rights by SMM and Sumitomo Corporation, a gold deposit was discovered in the Liese Zone

Ratio of interests

SMM 95% / Sumitomo Corporation 5%

Target minerals

Gold, silver, antimony



Border Project

Under this project, we are conducting exploration activities in Australia in cooperation with Minotaur Exploration, a local exploration company. Copper and gold are the main target minerals of the Border Project, which is located in a region on the border between South Australia and New South Wales. In 2010, exploration was commenced in the Mutooroo region, which is located within the project area. In March 2011, magnetite ore body was confirmed through drill testing. Moving forward, we will need to examine and consider the potential of further exploration.

Background

2005: JOGMEC and Minotaur commenced joint exploration
2007: SMM acquired JOGMEC's rights through a tender competition

Ratio of interests

SMM 59.1% / Minotaur 40.9%

Target minerals

Copper, zinc, magnetite ore

Stone Boy Project

2. Participating in mine development projects

With this method, we take equity stakes in and jointly develop projects that an overseas company has discovered and taken to the development plan stage. As a consequence, the period until the start of operations is shorter than in projects where we start from the exploration stage. We entered the Sierra Gorda Project at the stage when Quadra FNX Mining had formulated the development plan.

However, due to current strong conditions in the resource business, there has been an increase in the number of competing companies looking to join projects, and competition to secure rights has intensified. SMM has advanced technical capabilities that are indispensable in mine development, and we will leverage these strengths to support our efforts to join projects on favorable terms.

3. Increasing output at existing mines

With this method, we take steps to increase output at mines that are already in operation. Because operations have already commenced and the presence of ore body has been confirmed, we are able to increase output with some degree of certainty. The project is centered on the company that is leading the mine operation, but SMM provides technical cooperation and works in cooperation with the lead company to increase output. In this way, we work to increase our share of production. In mines in which we have interests in North America and Peru, we are currently formulating plans to increase output.

Morenci / Cerro Verde

At the Morenci Copper Mine, which is in operation in the U.S. state of Arizona, plans call for increasing annual copper production by 100 kilo tons of refined copper equivalent through increases in mining output and concentration capacity over the next two to three years.

At the Cerro Verde Copper Mine, which is in Peru, plans call for tripling the current volume of the concentration process from 120 kilo tons per day to 360 kilo tons per day.

Ratio of interests

Morenci

SMM 12% / Freeport-McMoRan Copper & Gold Inc. 85% / Sumitomo Corporation 3%

Cerro Verde

SMM 16.8% / Freeport-McMoRan Copper & Gold Inc. 53.6% / Sumitomo Corporation 4.2% / Others 25.4%

Priority Strategy 2
Nickel Growth Strategy

Coral Bay Nickel Corporation

SMM has an undisputed strength in nickel operations. That is our success in being the first company in the world to effectively use High Pressure Acid Leach (HPAL) technology on a commercial basis. With this technology, it is possible to recover nickel from low-grade ore. Consequently, even in an environment marked by declines in nickel resources, the Company will be able to steadily secure raw materials at low cost and expand its nickel operations.

Background to Commercialization of HPAL Technology

SMM commenced nickel refining in 1939. Subsequently, in the 1980s we introduced the Matte Chlorine Leach Electrowinning (MCLE) method at our nickel refinery in Ehime Prefecture. This method has cost advantages but requires advanced operational technologies. Through the successful use of MCLE, SMM took the global lead in hydrometallurgical nickel refining technology.

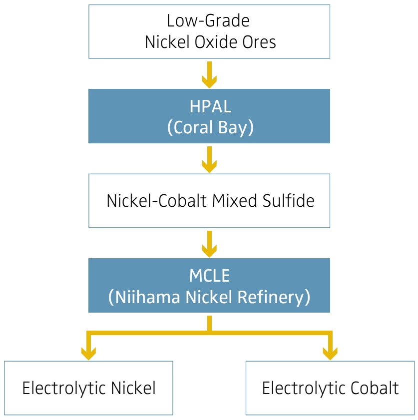
On the other hand, securing nickel resources has long been a major issue for SMM. In this context, we focused on the low-grade nickel oxide ores held by Rio Tuba Nickel Mining, of the Philippines. Nickel ore is classified as nickel sulfide ore and nickel oxide ore, with nickel oxide ore said to account for about 70% of global reserves. In addition, oxide ores include limonite which is found close to the surface. Limonite is low-grade nickel ore and was not previously suitable for processing. However, this low-grade oxide ore accounts for about 70% of all oxide ore. Accordingly, the development of technology that can process this ore was a global priority.

Recovering nickel from this low-grade oxide ore requires the use of HPAL, a hydrometallurgical refining technology. The use of HPAL in large-scale production requires advanced technologies in facilities engineering and operations, but these technologies were not established until around 2000. However, SMM had high-level hydrometal lurgical technologies, including our track record in the successful use of MCLE technology. Consequently, we took on the challenge of large-scale nickel production using HPAL, commencing the Coral Bay Project using ore from the Rio Tuba Mine.

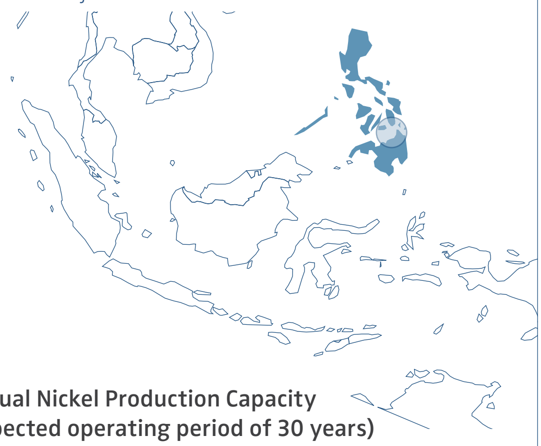
Use of HPAL Technology at Coral Bay

In April 2005, SMM began commercial production of nickel intermediates at Coral Bay, and in 2007 we achieved the initial design output for the first processing facility at Coral Bay—10 ktpa (nickel metal equivalent, same below). Subsequently, we put a second processing line into operation, and currently the Coral Bay Nickel Corporation (CBNC) has an output of 24 ktpa. Contributions to this success were made not only by the

Production of Electrolytic Nickel from Low-Grade Nickel Oxide Ores



Taganito Project



Annual Nickel Production Capacity
(expected operating period of 30 years)

30,000 t

Establishing a

100 ktpa Production Set-Up

refining technologies that we have accumulated over many years but also by our detailed analysis and research of previous HPAL projects that had been undertaken by other companies. In addition, another important factor in our success was the fact that we were able to choose the ideal partner, Nickel Asia Corporation, which is one of the largest nickel mining companies in the Philippines.

Due to the success of the Coral Bay Project, we became the first nickel producer in the world to successfully mass produce nickel from low-grade nickel oxide ore. This ability has become a strong growth driver in a market characterized by continued high prices for nickel.

Building a 100 kpta Nickel Production Set-Up in Conjunction with the Start-Up of the Taganito Project

To make full use of this HPAL technology, in 2009 we commenced the Taganito Project. We built a large-scale HPAL-process plant in the Taganito district of Mindanao, an island in the Philippines. We decided to invest $1.3 billion in this project, which will produce 30 ktpa of nickel intermediates. The project is making steady progress. Civil engineering work has already been completed and plant construction has begun. Plans call for operation to start in 2013.

To accommodate with this project, in 2011 we began construction to expand the electrolytic nickel production capacity at our domestic nickel refinery from the current 41 ktpa to 65 ktpa. Total investment in this endeavor is expected to be ¥14.0 billion over the three years to 2013. As a result of this capacity increase, our 100 ktpa nickel production set-up will be completed in 2013.

Nickel Refinery

Guided by Our Long-Term Vision

Solomons Project

Based on the growth strategies in our current three-year business plan, we will steadily implement strategies targeting the realization of our long-term vision. SMM has a solid foundation that is unique—technologies and know-how cultivated over many years of operation in mining and in smelting & refining. By making full use of these strengths, we will steadily advance our strategies to strive to enter the ranks of the non-ferrous majors and become a truly global company.

Copper

In copper, in addition to our participation in the Sierra Gorda Project, plans call for extension of the Cerro Verde Copper Mine and increased output at the Morenci Copper Mine from 2014. As a result, we will be close to achieving total production interest of 300 ktpa of copper equivalent, which would give us a two-thirds proprietary ore ratio. For now, we will focus our efforts on the Sierra Gorda Project and move forward with preparations for the start of operations in 2014. At the same time, targeting the acquisition of further rights, we will continue to aggressively implement mining activities.

Nickel

Our long-term vision for nickel calls for advancing the Solomons Project to build a 150 ktpa production set-up. Going forward, we will advance exploration initiatives, with the support of Japan Oil, Gas and Metals National Corporation (JOGMEC). Our short-term objective is to commence a feasibility study in 2011. Moving forward, we will establish a 150 ktpa capacity, leverage our advantage in HPAL, and work to establish a position as one of the world's top nickel producers.

Gold

Our long-term vision for gold targets a production interest of 30 tpa. The reasons for working to expand gold interests include the benefits of having a portfolio that is balanced among metals. While maintaining the production volume of the Hishikari Mine and the Pogo Mine, we will target the realization of our long-term vision by advancing independent exploration in such areas as Alaska and the Philippines.

Our Long-Term Vision Targets

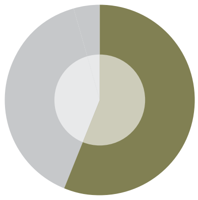
Cu: **300 ktpa interest**

Ni: **150 ktpa set-up**

Au: **30 tpa interest**

Year in review

Review of Operations: Mineral Resources Segment



Segmental Income

56.2%

Main Products

Gold and silver ores, Copper concentrates, Copper, Gold

Fiscal 2010 Review

In fiscal 2010, higher gold prices drove up profit of directly controlled domestic operations at the Hishikari Mine (Kagoshima Prefecture) and the Pogo Gold Mine (United States); the acquisition of additional production interests in the Pogo Gold Mine increased its sales volumes; and higher copper prices boosted profit at SMM's overseas copper mining operations. As a result, income was up at all of these mining operations.

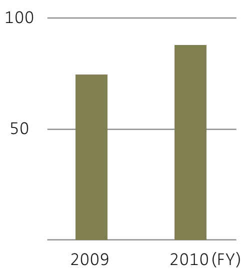
In regard to mining operation, outputs at the Hishikari Mine remained strong. Total ore production in fiscal 2010 increased 2,000t, to 136,000t, and the total volume of gold ore sold over the fiscal year was 7.5t, the same as in the previous fiscal year. At the Pogo Gold Mine, while we were forced to temporarily suspend operations due to a forest fire, we worked to increase output after resuming operations and were able to produce 12t of gold ore over the year, in line with our production plans. Also, production of copper concentrates and electrolytic copper at the principal overseas copper mining operations in which SMM is a management participant through an operating subsidiary—namely Morenci (United States), Candelaria (Chile), and Cerro Verde (Peru)—remained strong.

Exploration Activities

In fiscal 2010, continuing to target the expansion of its overseas mineral production interests, SMM conducted exploration activities around the world in search of copper, gold, and nickel. In fiscal 2011, we intend to aggressively expand the scope of our exploration activities, targeting several new sites in regions across the world. To this end, we will increase exploration costs from ¥4.0 billion in fiscal 2010 to ¥7.0 billion in fiscal 2011. In the Solomon Islands, SMM is conducting exploration activities for nickel deposits with the aim of establishing development plans for the mining area acquired by SMM. Additionally, SMM is actively conducting exploration activities for gold mines in Alaska, the United States.

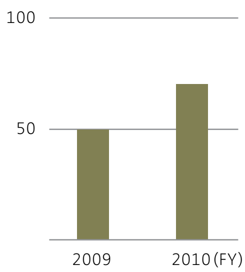
Net Sales

¥ billions



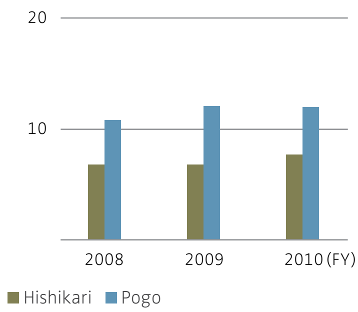
Segmental Income

¥ billions



Gold Production Volume

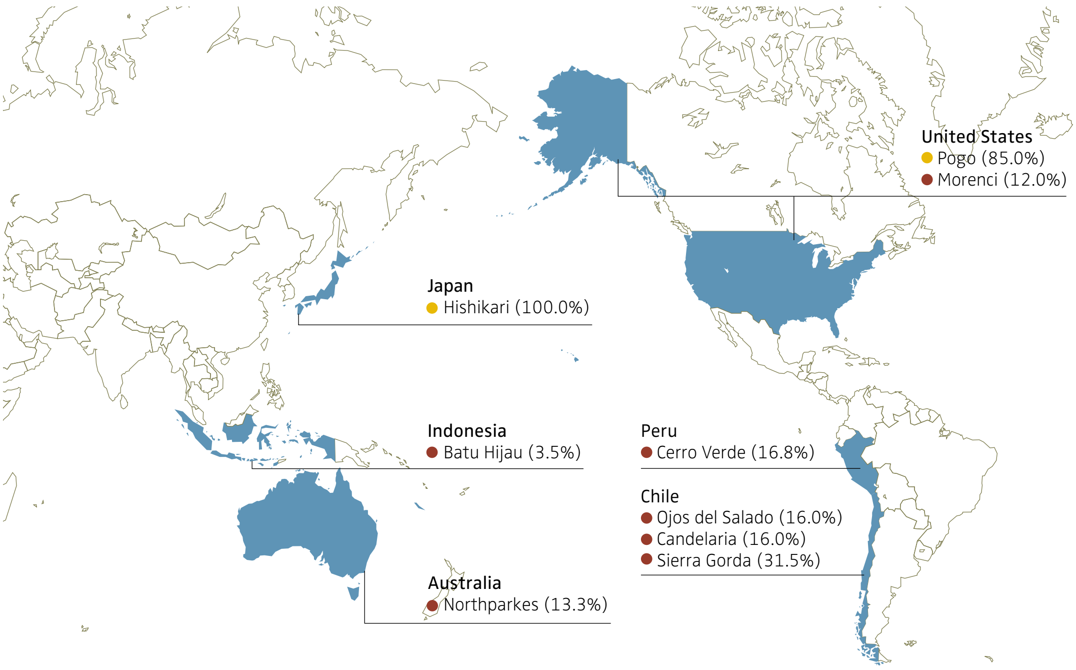
Tonnes



Hishikari Mine

SMM's Mines and Metal Shares

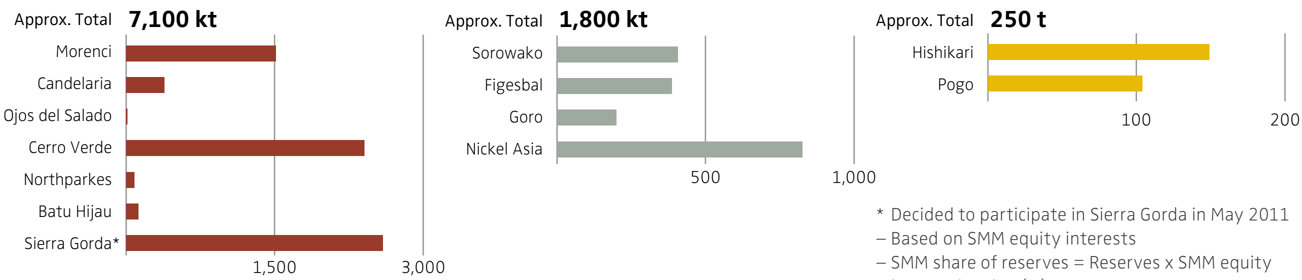
● Copper ● Gold



SMM's Metal Shares by Mine

As of December 31, 2010

■ Copper (Thousand tonnes) ■ Nickel (Thousand tonnes) ■ Gold (Tonnes)



* Decided to participate in Sierra Gorda in May 2011

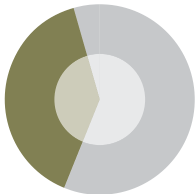
– Based on SMM equity interests

– SMM share of reserves = Reserves x SMM equity interest in mine (%)

Review of Operations: Smelting & Refining Segment

Main Products

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



Segmental Income

39.5%

Fiscal 2010 Review

In fiscal 2010, sales of copper for the electric wires and rolled copper products industry were strong, a result of the recovery in demand, but we were forced to increase our focus on the profitability of operations in response to the worsening of purchasing conditions for raw materials. Also, in fiscal 2010 the percent of total net sales of copper accounted for by exports decreased, and the percent accounted for by domestic sales increased subsequently. Meanwhile, the demand for nickel used in specialty steels and alloys for energy plant-related applications progressively recovered. Demand for nickel used in the production of stainless steel remained strong. Accordingly, sales of nickel showed a year-on-year increase.

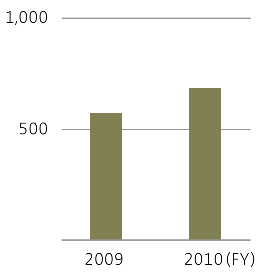
In this segment, production volumes of copper were up 8,000t year on year, to 404,000t, production volumes of gold increased 2.4t, to 39.3t, and production volumes of nickel (including ferro nickel) rose 5,000t, to 60,000t.

At Coral Bay Nickel Corporation, an affiliate located on the island of Palawan in the Philippines which uses HPAL technology to facilitate the efficient processing of low-grade nickel oxide ores, production volumes fell below the planned levels due to the effects of the water shortages experienced during the summer months. However, this company was able to achieve a year-on-year increase in production due to the employment of a two-production line system. Also, the construction of plants at the Taganito Project on the island of Mindanao in the Philippines, which began in fiscal 2009, is progressing smoothly. This project will serve as SMM's second project using HPAL technology and is scheduled to begin production in fiscal 2013.

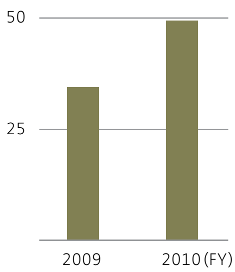
Capital Investment Plans

Major items of capital investments planned for fiscal 2011 include investments in the Taganito Project, the development of systems to achieve an annual electrolytic nickel production capacity of 65kt, and the overhaul of the furnace at Toyo Smelter & Refinery. These investments are forecasted to total ¥57.3 billion, ¥16.3 billion higher than investments in the previous fiscal year.

Net Sales
¥ billions



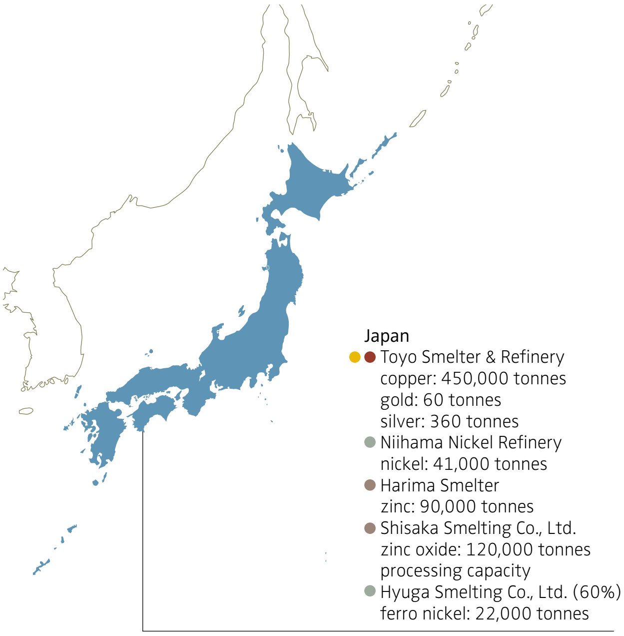
Segmental Income
¥ billions

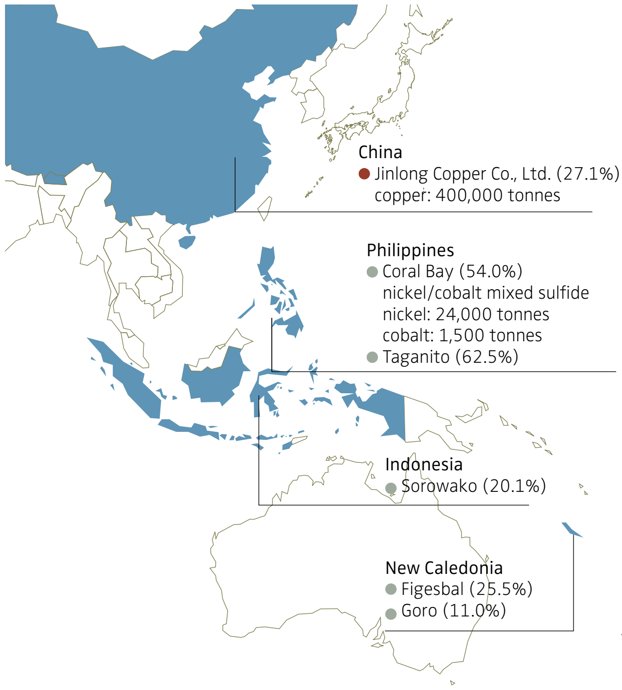


Nickel Refinery

SMM's Refineries and Annual Production Capacity (SMM's Interest)

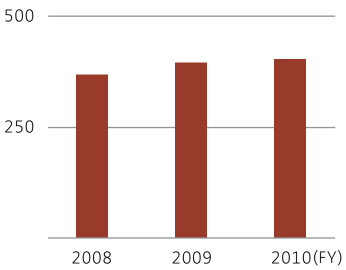
● Copper ● Nickel ● Gold ● Other



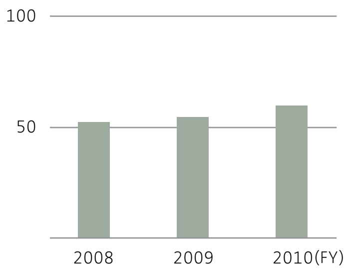


Production Volume

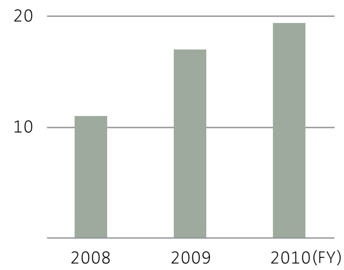
Electrolytic Copper
(Toyo Smelter & Refinery)
Thousands tonnes



Electrolytic Nickel & Ferro Nickel
Thousands tonnes



Nickel-Cobalt Mixed Sulfide*
Thousands tonnes

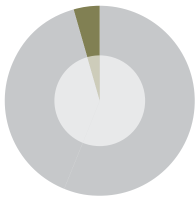


* Refined nickel equivalent

Review of Operations: Materials Segment

Main Products

Semiconductor materials, Thick-film materials, Thin-film materials, Battery materials, Single-crystal materials, Magnetic materials



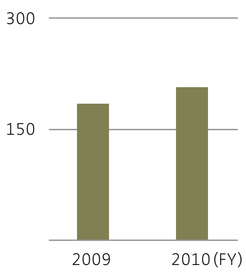
Segmental Income

4.3%

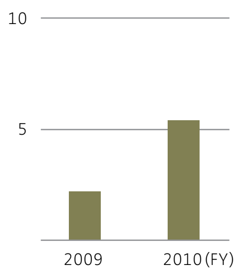
Fiscal 2010 Review

In fiscal 2010, orders of lead frames recovered following strong demand from emerging countries. However, orders tapered off during the second half of the fiscal year due to customers' inventory adjustments. Orders for copper-clad polyimide films and chip-on-film (COF) substrates (electronic packaging materials used to make liquid-crystal display (LCD) panel integrated circuits) were sluggish during the second half of fiscal 2010. In thick-film pastes, which include nickel pastes for multi-layer ceramic capacitor (MLCC) applications, a recovery in demand began slowly midway through the fiscal year. Sales of battery materials were stagnant following the end of the "eco point" system, government grants for the purchase of environment-friendly vehicles, and other government measures meant to encourage the purchasing of products with low environmental impact. Accordingly, income in the materials segment was up on a year-on-year basis due to the recovery in demand seen in the first half of fiscal 2010 coupled with the effects of measures aimed at reducing the cost of operations. However, sluggish demand during the second half of the fiscal year and the rising raw materials prices resulted in a decline in the profitability of the segment.

Net Sales
¥ billions



Segmental Income
¥ billions



Capital Investment Plans

Major items of capital investments planned for fiscal 2011 include investments in boosting production of materials for energy and environmental (E&E) applications as well as raising the production of COF substrates at a subsidiary in Taiwan. These investments are forecasted to total ¥11.5 billion, ¥5.7 billion higher than investments in the previous fiscal year.

Japan	Voting Shares (%)
Ome District Division	—
Isoura Plant	—
Sagami Plant	—
Sumiko Kunitomi Denshi Co., Ltd.	100
SMM Precision Co., Ltd.	100
Shinko Co., Ltd.	94
Sumiko Tec Co., Ltd.	100
Nittosha Co., Ltd.	100
Niihama Electronics Co., Ltd.	100
Ohkuchi Electronics Co., Ltd.	100
Korea	
SMM KOREA Co., Ltd.	100
China	
Sumitomo Metal Mining Electronics Materials (Shanghai) Co., Ltd.	100
Shanghai Sumiko Electronic Paste Co., Ltd.	69
Sumiko Electronics Suzhou Co., Ltd.	100
Sumiko Leadframe Chengdu Co., Ltd.	70
Sumiko Precision Chengdu Co., Ltd.	70
Dongguan Sumiko Electronic Paste Co., Ltd.	85
Taiwan	
Sumiko Electronics Taiwan Co., Ltd.	70
Taiwan Sumiko Materials Co., Ltd.	100
Thailand	
Sumiko Leadframe (Thailand) Co., Ltd.	100
Malaysia	
M-SMM Electronics SDN. BHD.	100
Malaysian Electronics Materials SDN. BHD.	100
Singapore	
Sumitomo Metal Mining Asia Pacific Pte. Ltd.	100

Review of Operations: Other Businesses

Main Products

Chemical, Oil refining, and Automotive-use catalysts

Fiscal 2010 Review

In fiscal 2010, net sales of other businesses increased ¥0.8 billion year on year, to ¥30.4 billion, and segment income rose ¥0.8 billion, to ¥2.5 billion. (Net sales does not include sales of equity-method affiliates.)

Operational Overview of Major SMM Group Affiliates (Two Catalyst Manufacturing Equity-Method Affiliates)

N.E. Chemcat Corporation is one of Japan's largest manufacturers of precious metal catalysts. This company is a joint-venture between SMM and BASF SE of Germany—one of the world's leading chemical companies. Principal activities of this affiliate encompass the development and manufacture of catalysts used to purify hazardous substances contained in automobile exhaust gases and chemical catalysts used for petrochemicals and for other purposes. Going forward, this company will continue to utilize its wealth of expertise in catalyst technology to push ahead with the development of new catalysts.

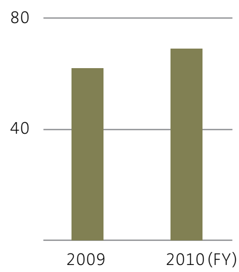
Nippon Ketjen Co., Ltd., manufactures catalysts used for oil refining in Japan. This company is a joint-venture between SMM and Albemarle Corporation, of the United States, a leading company in the development and manufacturing of oil refining catalysts and sophisticated chemical processing products. Nippon Ketjen provides hydroprocessing catalysts; offers services for off-site catalyst regeneration; provides other technical services; and conducts related process licensing. Nippon Ketjen aims to help protect the global environment by developing businesses that deliver more technically advanced and economic solutions in oil refining.

The two catalyst manufacturers generate profits as shown in the chart below. SMM works together with BASF SE and Albemarle Corporation to develop growth strategies for each company.

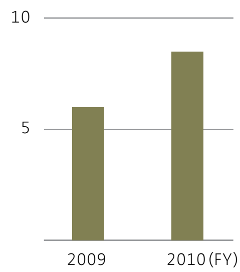
Two Catalyst Manufacturing Affiliates

Japan	Voting Shares (%)
N.E. Chemcat Corporation	50
Nippon Ketjen Co., Ltd.,	50

Net Sales
¥ billions



Recurring Profit
¥ billions



Working to Realize a Sustainable Society

The Sumitomo Group has been developing its business for around 400 years through continuous adherence to the Sumitomo Business Spirit. Acknowledging the importance of the values and ethics our forerunners built into the Sumitomo Business Spirit, we will make every effort to strengthen SMM Group business and consolidate society's trust in us.

CSR Objectives

Sustainable Co-Existence with Society and the Global Environment

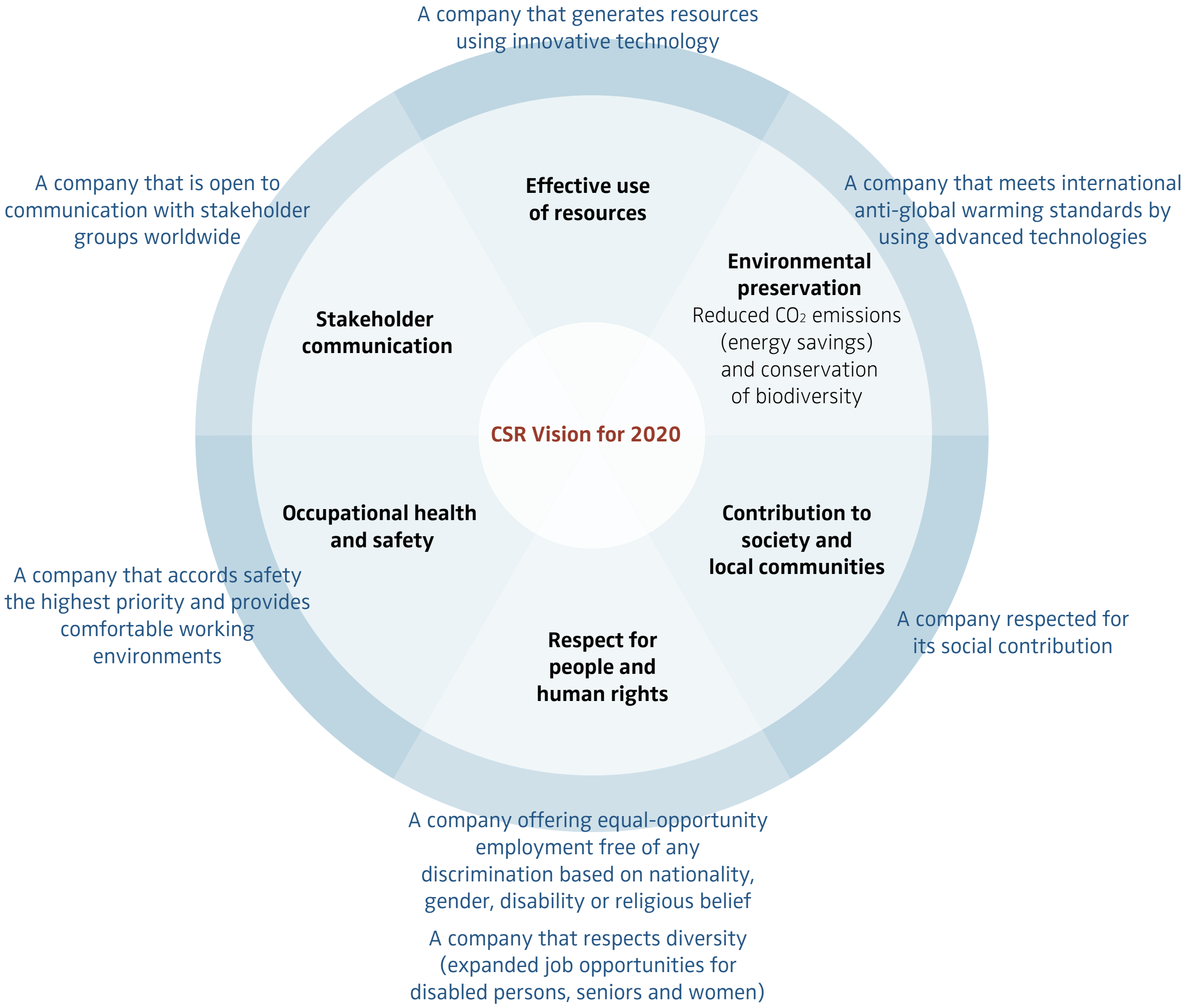
SMM Philosophy

The SMM Group upholds the Sumitomo Business Spirit in its Corporate Philosophy and Management Vision. The very activities we pursue to substantiate the visions expressed in those lines constitute SMM's CSR activity and their implementation will take us closer toward our goal of "sustainable co-existence with society and the global environment."

The Sumitomo Business Spirit	➔	Corporate Philosophy Management Vision	➔	CSR Policy

CSR Policy

1 SMM shall work to combat global warming by promoting recycling and effective resource utilization while also targeting technological innovation and continuous improvements in energy efficiency.
2 SMM shall promote sustainable co-existence with society by respecting the needs of local communities in which we operate around the world.
3 SMM shall respect human rights and safeguard diversity in the workplace.
4 According safety the highest priority, SMM shall provide safe, comfortable working environments and seek to eliminate occupational accidents.
5 SMM shall strengthen communications with all stakeholders to build healthy, trust-based relationships.



Six Key CSR Areas and CSR Vision for 2020

In 2008, SMM determined six key areas of CSR activity for the Group and a CSR Vision for 2020 based on the impact of those areas on the Group and the extent of related social needs.

We will actively pursue initiatives in those areas in line with the CSR Policy, toward our goal of "sustainable co-existence with society and the global environment."

Risk Management

The Corporate Reform Plan was formulated by SMM in April 2000 based on reflections from a criticality accident at a nuclear fuel processing facility belonging to an SMM Group company, JCO Co., Ltd. (JCO) in 1999. The plan acknowledged the importance of risk management improvements for strengthening the Company's condition. In 2001, regulations pertaining to risk management systems were formulated and a Groupwide risk management system was established.

Currently, the Risk Management Working Group of the CSR Committee handles issues related to risk management for the Group as a whole. Risk management systems have been introduced for each business unit at business divisions throughout the Group, including overseas companies. At least once a year, or when the need arises, divisions identify and assess the various types of unlawful behavior and other risks and take action to control those risks, registering or reviewing them as required and implementing countermeasures.

Compliance

The SMM Group views compliance as the fulfillment of social and moral duties as a member of society through sound corporate activities. The Compliance Working Group of the CSR Committee plays a central role in compliance improvements and takes steps to strengthen and advance the following main measures.

(1) Draft revisions to the SMM Group Code of Conduct
(2) Establish and revise compliance-related regulations
(3) Implement compliance education
(4) Convene the Compliance Working Group

In situations where there are problems or doubts that are not resolved by referral to the SMM Group Code of Conduct, we work to ensure that information can be provided directly to consultation channels. The source of the information is always kept secret and if, for any reason, the informant is unfairly treated, the person responsible will be accordingly punished.

CSR Activity Topics

Human Resources Development Initiatives

As implied in the expression, "A business depends on its people," human resources development is indispensable for the growth of a corporation. The SMM Group is aggressively implementing initiatives targeting the development of human resources who can contribute in global markets while meeting the expectations of society. As one facet of those activities, in 2009 and 2010 we opened three human resources development facilities. The first two are the HR Development Center's Oji-kan and Hoshigoe-kan facilities. To strengthen manufacturing capabilities, the Oji-kan facility is used for hazard simulation and equipment skills training, while the Hoshigoe-kan facility is a general training facility that conducts a wide range of training activities.

The third facility is an SMM Strategy Planning Center that was opened in October 2010. This facility is a base for the development of the human resources that will formulate and implement the Group's future strategies. In particular, it is utilized for studying and formulating management strategies in the training of directors and senior staff.

Safety Initiatives

In September 1999, a criticality accident occurred at a nuclear fuel processing facility belonging to JCO, in Tokai Village, Ibaraki Prefecture. A subsequent Groupwide review of compliance and safety matters was conducted, and the Group has strengthened its safety-related activities. As a result, the annual number of occupational accidents, which was 64 in 2000, was reduced to 19 in 2010.

At the HR Development Center's Oji-kan facility, which was introduced above, a variety of accident simulations can be experienced. These include a fall from a high place, entanglement in rotation systems of a belt conveyor or other machinery, or a collision caused by a moving suspended load. Through training at this facility, employees gain knowledge about situations where accidents tend to occur and the consequences, improving their sensitivity to danger. In this way, we expect this training to reduce accidents. Acknowledging that safety and production are the two fundamentals of business activities, the entire Group will work together to eliminate occupational accidents by 2020.

Resource Recycling Initiatives

The Group's CSR Policy states that SMM shall promote recycling and effective resource utilization shall generate resources through the use of original technology. The Group supplies battery manufacturers with cathode materials for the nickel metal hydride batteries used in hybrid vehicles. Moreover, in addition to supplying materials, we are also active in recycling the nickel contained in nickel metal hydride batteries. With demand for batteries expected to increase, progress in the reuse of nickel could also reduce the environmental impact of nickel ore extraction. In the future, we will strive to contribute to environmental preservation by applying our advanced technologies in the field of recycling.

Using Technology to Process Low-Grade Ores

The SMM Group's HPAL technology makes it possible to accomplish the technically challenging task of recovering nickel from low-grade nickel oxide ores. With HPAL, the oxide ores are subjected to high temperature and pressure and reacted under stable conditions with sulfuric acid. This enables the stable production of a mixed nickel-cobalt sulfide intermediate used as a raw material in electrolytic nickel production.

Demand for nickel is steadily increasing. Through the use of HPAL technology at the Coral Bay Nickel Project, the Group has succeeded in effectively using low-grade oxide ores as a raw material. These low-grade oxide ores had previously not been processed. In addition, the Group also plans to use HPAL technology in the Taganito Project, which is currently under construction. Moving forward, the Group will strive to use the technologies that is has cultivated over many years to foster further technological innovation, so that limited resources can be used effectively without waste.

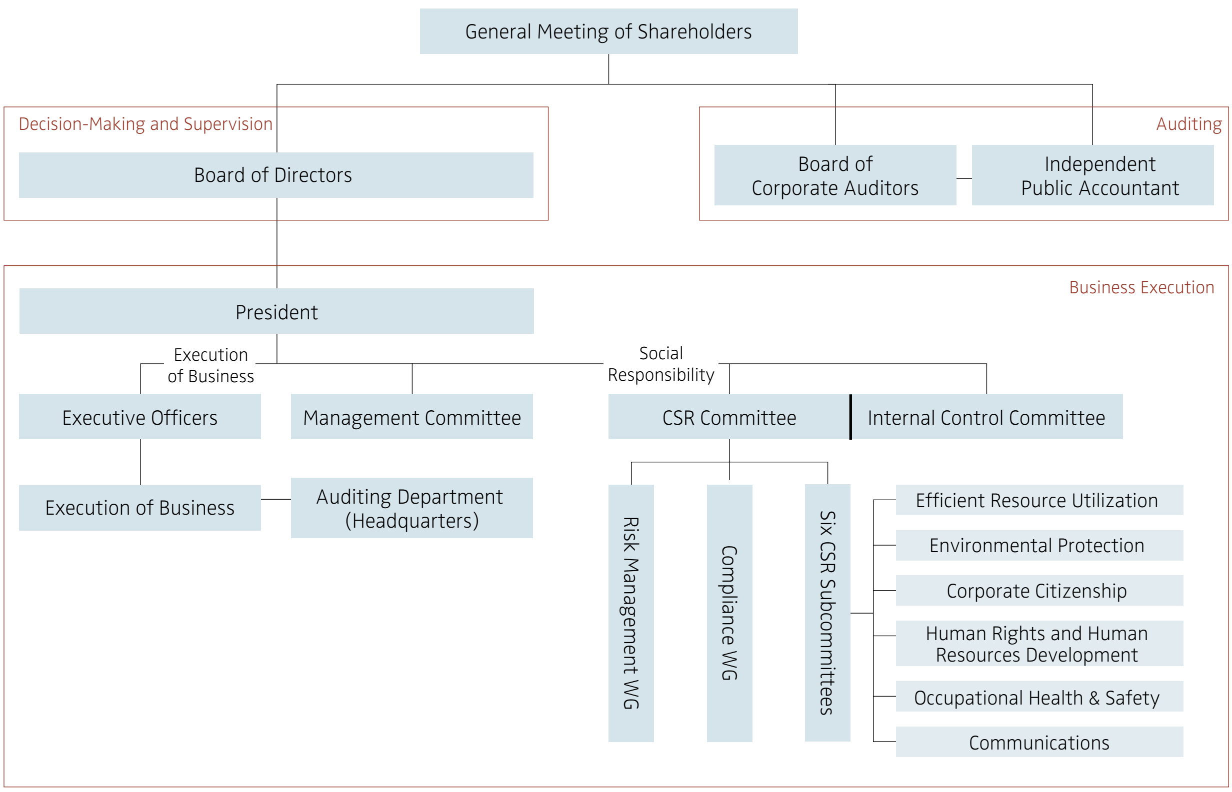
Corporate Governance

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



Operational Execution

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).
- The Management Committee deliberates on 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.

Directors and Corporate Auditors

Operation of the Board of Directors

SMM's articles of incorporation set the maximum number of directors to ten. This number is considered to be appropriate because it secures flexibility of the Board of Directors and promotes lively debate at Board meetings. Directors serve for terms of one year. The Board of Directors convenes regularly once a month and in extraordinary sessions as required to ensure flexible decision-making. Board minutes are circulated to all executive officers to share information.

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 of Directors 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

Outside Director and Outside Corporate Auditors

Outside Director	Tsutomu Ushijima (Lawyer and Licensed Tax Accountant)
Relationship with SMM	He has signed a limited liability agreement with SMM and has no relationship with SMM Group companies.
Reason for Appointment	Based on his specialist knowledge and wealth of experience as a lawyer and a licensed tax accountant, he was appointed an outside director to provide advice to SMM on business matters, particularly from a compliance perspective. In addition, he is unlikely to have a conflict of interest with general shareholders, and he has been designated as an independent director.
Attendance at Meetings	In the year ended March 31, 2011, the Board of Directors convened 23 times (12 regular meetings and 11 extraordinary sessions). He attended 22 of these meetings (12 regular and 10 extraordinary).

Outside Corporate Auditor	Takayuki Kurata (previously with Japan Bank for International Cooperation, etc.)
Relationship with SMM	He has signed a limited liability agreement with SMM and has no relationship with SMM Group companies.
Reason for Appointment	He was appointed due to his vast experience of financial institutions and his knowledge of company management. In addition, he is unlikely to have a conflict of interest with general shareholders, and he has been designated as an independent corporate auditor.
Attendance at Meetings	In the year ended March 31, 2011, the Board of Directors convened 23 times (12 regular meetings and 11 extraordinary sessions). He attended 22 of these meetings (12 regular and 10 extraordinary). In addition, he attended all 17 meetings of the Board of Corporate Auditors.

Outside Corporate Auditor	Hikoyuki Miwa (Certified Public Accountant)
Relationship with SMM	He has signed a limited liability agreement with SMM and has no relationship with SMM Group companies.
Reason for Appointment	He was appointed due to his wealth of auditing experience accumulated over many years at audit firms as well as extensive knowledge in accounting. In addition, he is unlikely to have a conflict of interest with general shareholders, and he has been designated as an independent corporate auditor.
Attendance at Meetings	He was newly appointed at the Ordinary General Meeting of Shareholders held in June 2011.

meetings, but at an earlier time. Extraordinary sessions can also be convened as necessary.

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

Remuneration System for Directors and Corporate Auditors

Paid to directors (outside directors)	¥358 million (¥13 million)
Paid to corporate auditors (outside corporate auditors)	¥84 million (¥22 million)
Remuneration system	The system of retirement and severance benefits for directors and corporate 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.

Takeover Defense Measures

With the approval of the Ordinary General Meeting of Shareholders held in 2007, the Company introduced takeover defense measures. At the Ordinary General Meeting of Shareholders held in 2010, this approval was renewed, with certain exceptions. The effective period will expire at the conclusion of the Ordinary General Meeting of Shareholders to be held in June 2013. 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.

Other Governance-Related Matters

a. Quorum for director appointments

Resolutions to appoint directors require approval by majority shareholder vote at an Ordinary 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. (No treasury stock purchases were made in the year ended March 31, 2011).

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.

Directors and Corporate Auditors

As of June 27, 2011

Kouzou Baba Director	Yoshiaki Nakazato Director	Takeshi Kubota Director	Takashi Itou Director	Tsutomu Ushijima Outside Director

Nobumasa Kemori President, Representative Director	Ichiro Abe Executive Vice President, Representative Director	Masashi Koike Representative Director

Standing Senior Corporate Auditor
Naoki Tajiri
Standing Corporate Auditor
Toshikazu Yakushiji

Outside Corporate Auditors
Takayuki Kurata
Hikoyuki Miwa

Financial Section

Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31	2011	2010	2009	2008
Results for the year:				
Net sales	¥ 864,077	¥725,827	¥793,797	¥1,132,372
Gross profit	138,810	105,956	56,887	198,147
Operating income	96,038	66,265	10,534	155,394
Other income (expenses)	27,356	16,511	12,408	61,110
Income (loss) before income taxes and minority interests	123,394	82,776	22,942	216,504
Net income (loss)	83,962	53,952	21,974	137,808
Equity in earnings of affiliated companies	34,832	26,090	31,536	73,956
Capital expenditures	53,105	26,414	47,723	65,145
Depreciation	34,625	34,746	34,268	30,505
Net interest expenses	257	(654)	(271)	(2,209)
Net cash flows from operating activities	102,458	44,153	128,000	157,383
Net cash flows from investing activities	(75,735)	(75,443)	(28,386)	(126,413)
Net cash flows from financing activities	7,379	(19,322)	(74,086)	55,727
Free cash flows	26,723	(31,290)	99,614	30,970
Financial position at year-end:				
Total assets	1,052,353	981,458	880,001	1,091,716
Net assets	684,103	629,684	547,251	640,345
Shareholders' equity*	—	—	—	—
Long-term debt due after one year	135,128	132,311	141,716	169,394
Interest-bearing debt	210,969	200,939	218,534	258,054
Working capital	267,072	229,259	206,123	266,250
Amounts per share (yen):				
Net income (loss)				
—Basic	149.38	96.26	38.87	238.13
—Diluted	136.98	88.75	36.18	231.50
Shareholders' equity	1,121.19	1,043.50	913.92	1,017.96
Cash dividends	32.0	20.0	13.0	30.0
Key ratios:				
ROA (%)	8.26	5.80	2.23	13.64
ROE (%)*	13.80	9.89	4.02	25.39
Equity ratio (%)*	59.9	59.8	57.3	54.0
Interest-bearing debt to total assets ratio (%)	20.0	20.5	24.8	23.6
Debt-to-equity ratio (times)*	0.33	0.34	0.43	0.44
Current ratio (times)	2.30	2.19	2.17	2.04

* Shareholders' equity are defined as following equation.
Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income

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

2007	2006	2005	2004	2003	2002	2001
¥966,764	¥625,579	¥484,585	¥402,131	¥355,242	¥330,194	¥375,352
203,180	120,137	82,878	53,714	51,764	38,152	63,372
162,632	82,756	47,893	22,778	16,593	1,147	26,930
42,985	10,218	6,024	8,416	(24,098)	(13,735)	(11,359)
205,617	92,974	53,917	31,194	(7,505)	(12,588)	15,571
126,054	62,800	37,017	19,882	(1,172)	(6,611)	15,103
46,708	21,915	13,513	7,112	3,400	1,535	4,078
51,567	50,568	36,488	46,540	18,927	25,379	28,078
25,693	22,951	20,578	17,824	18,283	17,822	16,774
(2,606)	(1,281)	(893)	(1,098)	(1,459)	(1,775)	(2,129)
95,985	70,772	40,150	32,324	26,105	33,370	23,339
(77,429)	(102,384)	(31,725)	(17,448)	(21,246)	(16,246)	(4,248)
(10,073)	28,723	6,097	(9,293)	(14,163)	(14,267)	(26,089)
18,556	(31,612)	8,425	14,876	4,859	17,124	19,091
929,208	772,562	573,925	517,930	470,774	518,756	530,080
528,921	394,899	—	—	—	—	—
—	—	283,897	253,071	223,341	236,313	237,470
93,800	114,405	109,777	86,437	76,470	73,972	83,839
189,910	190,891	160,533	148,351	154,799	167,077	176,998
103,791	72,228	86,382	52,795	35,945	23,371	33,259
220.49	109.96	64.77	34.76	(2.05)	(11.56)	26.41
213.67	108.87	—	—	—	—	—
859.82	654.15	497.57	443.29	391.14	413.28	415.25
27.0	14.0	8.0	6.0	5.0	4.0	6.0
14.81	9.33	6.78	4.02	—	—	2.81
28.99	19.10	13.79	8.35	—	—	6.39
53.4	48.4	49.5	48.9	47.4	45.6	44.8
20.4	24.7	28.0	28.6	32.9	32.2	33.4
0.38	0.51	0.57	0.59	0.69	0.71	0.75
1.39	1.33	1.61	1.38	1.26	1.14	1.20

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

Medium- to Long-Term Business Strategy and Financial Policies

The short-term performance of SMM's three core businesses—mineral resources, smelting & refining, and materials—is significantly affected by fluctuations in non-ferrous metals prices, the conditions in markets for electronic materials and foreign exchange rate fluctuations. At the same time, the development of metal resources is an area in which it takes a long time before investments start to generate returns.

Due to the operating characteristics of its businesses, SMM believes that it is important to maintain healthy corporate finances to ensure that its business strategies can be implemented properly. Accordingly, SMM has maintained a consolidated equity ratio in excess of 50% since fiscal 2006. SMM's medium-term business plan, which was formulated in fiscal 2009, covers the period from April 2010 to March 2013. Under this plan, SMM plans to pursue a growth strategy for the medium to long term. To that end, the Company will leverage its solid financial base to focus its management resources on its core businesses and to conduct aggressive investment, such as acquiring rights in overseas mines and advancing the Taganito Project. SMM also intends to ensure that it maintains a strong financial position, based on financial policies of maintaining a consolidated equity ratio of at least 50% and a low level of gearing as measured by the debt-to-equity (D/E) ratio.

As of March 31, 2011, the SMM Group comprised the parent company (Sumitomo Metal Mining Co., Ltd.), 63 subsidiaries, and 19 affiliated companies. The SMM Group's operations are organized into the Mineral Resources segment, the Smelting & Refining segment, the Materials segment, and Others. The figures in this annual report refer to the results of the parent company, 60 consolidated subsidiaries, and 14 equity-method affiliates (both domestic and overseas). This section provides an overview of SMM's financial position and business results for fiscal 2010.

Business Results

Industry Environment

In the non-ferrous metals industry, domestic demand recovered gradually, due primarily to an economic rebound in Japan and overseas. Near the end of the fiscal year under review, non-ferrous metals prices increased and surpassed the levels prevailing prior to the Lehman Shock in 2008, due in part to the influx of funds in the commodities market. In foreign exchange markets, the yen appreciated against many currencies due to the uncertainty surrounding economic prospects in Europe and the United States. In the electronics sector, demand recovered, due primarily to economic growth in emerging nations. However, in the second half of the fiscal year the pace of the recovery in demand slowed due to inventory adjustments.

Net Sales

Consolidated net sales in fiscal 2010 increased ¥138,250 million from fiscal 2009, to ¥864,077 million, mainly due to the rise in non-ferrous metals prices, which offset the appreciation of the yen.

Operating Income

Non-ferrous metals prices rose, and electronics-sector demand recovered in the first half of the fiscal year. As a result, consolidated operating income increased ¥29,773 million from fiscal 2009, to ¥96,038 million.

Other Income

A write-down of investment securities was recorded, but loss on impairment of fixed assets declined. In addition, we recorded higher equity in earnings of affiliated companies, including Candelaria Mine, Cerro Verde Copper Mine, and P.T. International Nickel Indonesia. As a result, other income in fiscal 2010 was up ¥10,845 million from fiscal 2009, to ¥27,356 million.

Income before Income Taxes and Minority Interests / Net Income

Consequently, income before income taxes and minority interests increased ¥40,618 million from fiscal 2009, to ¥123,394 million.

Net income rose ¥30,010 million from fiscal 2009, to ¥83,962 million.

Capital Expenditures

Total capital expenditures in fiscal 2010 were ¥53,105 million. By segment, capital expenditures were ¥3,816 million in the Mineral Resources segment; ¥41,373 million in the Smelting & Refining segment, principally for the Taganito Project; and ¥5,829 million in the Materials segment.

Research and Development (R&D) Expenses

Total R&D expenses in fiscal 2010 amounted to ¥5,271 million. By segment, R&D expenses were ¥111 million in the Mineral Resources segment, ¥312 million in the Smelting & Refining segment, ¥1,689 million in the Materials segment, and ¥116 million in Others.

In the Mineral Resources segment, R&D investment was focused on ore-dressing processes to improve ore grades, development of various types of leaching technologies, and development of technologies to process wastewater emissions from mines. In the Smelting & Refining segment, the major R&D themes included the development of refining technologies that will foster the ability to handle a wide range of raw materials and ore grades and improved cost-competitiveness, as well as the development of new metal-refining processes. In addition, the segment moved ahead with the development of a recycling process to recover nickel from used hybrid-vehicle secondary batteries. In the Materials segment, R&D initiatives were focused on functional materials related to secondary batteries, solar cells, and energy-saving products, which are currently drawing attention in the field of energy and the environment.

Cash Flows

Factors that decreased cash and cash equivalents included an increase in inventories—stemming from an increase in stock in preparation for furnace repair work as well as the rise in non-ferrous metals prices—and payments for acquisition of property, plant and equipment. However, income before income taxes and minority interests was ¥123,394 million, substantially higher than in fiscal 2009. Consequently, the balance of cash and cash equivalents at the end of fiscal 2010 was ¥128,311 million, an increase of ¥27,859 million from the end of fiscal 2009.

Financial Position

Assets

As of the fiscal 2010 year-end, total assets amounted to ¥1,052,353 million, a rise of ¥70,895 million from a year earlier.

In current assets, cash and deposits increased ¥50,437 million, primarily due to improvement in net cash provided by operating activities and to a rise in inventories resulting from an increase in stock in preparation for furnace repair work and from higher non-ferrous metals prices. Total fixed assets were up ¥20,458 million from the end of fiscal 2009, as a result of the purchase of investment securities and the implementation of aggressive investment in such projects as the Taganito Project.

Liabilities

Total liabilities amounted to ¥368,250 million as of the end of fiscal 2010, an increase of ¥16,476 million compared with a year earlier.

Current liabilities increased by ¥12,624 million due to such factors as the transfer of bonds, which became due within one year, from long-term liabilities. In long-term liabilities, bonds became due within one year, but long-term debt was increased to accommodate capital investment. As a result, total long-term liabilities increased ¥3,852 million from a year earlier.

Net Assets

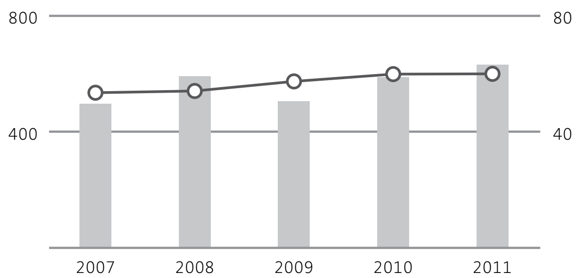
In net assets, net income was ¥83,962 million, and in accumulated other comprehensive income, foreign currency translation adjustments declined due to the appreciation of the yen. Consequently, as of the end of fiscal 2010 total net assets amounted to ¥684,103 million, an increase of ¥54,419 million from fiscal 2009.

Financial Indicators

The equity ratio rose to 59.9% at March 31, 2011, from 59.8% at the previous fiscal year-end, while the D/E ratio declined from 0.34 times to 0.33 times.

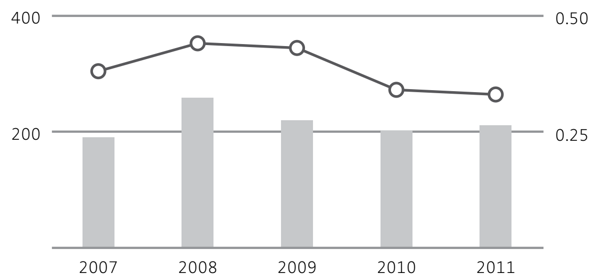
Shareholders' Equity and Equity Ratio

■ Shareholders' Equity (¥ billions) — Equity Ratio (%)
As of March 31



Debt-to-Equity Ratio and Interest-Bearing Debt

■ Interest-Bearing Debt (¥ billions) — Debt-to-Equity Ratio (Times)
As of March 31



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 2010.

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

1. Sustained downturn in non-ferrous metals prices

The prices of copper, nickel, gold and other non-ferrous metals are essentially determined by the London Metal Exchange (LME) and other international markets (hereinafter referred to as "LME and other market prices"). LME and other market prices 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

Not only imported raw materials including copper concentrates and nickel matte, but also the domestic prices of non-ferrous metals are determined under U.S. dollar-denominated LME and other market standards. Accordingly, the refining margins earned by SMM from its refining business are effectively denominated in U.S. dollars. In addition, returns on investments in overseas mining developments, income earned from investments in the semiconductor as well as advanced materials businesses and revenues from exports of products in each of the aforementioned businesses 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 that are not backed by investment.

Each year, the raw materials purchasing terms and conditions of long-term ore-purchasing contracts are subject to negotiation. In each case, there are instances in which required volumes cannot be purchased at an appropriate price due to a variety of market factors. Furthermore, as product prices are generally determined by such factors as supply and demand—particularly factors relating specifically to non-ferrous metals—there are instances where the transfer of any deterioration in the purchasing terms and conditions of raw materials to product prices is difficult.

Supplies of ore can also be delayed or suspended due to unpredictable disruptive events beyond the control of the Company, such as extreme weather conditions, large-scale earthquakes, supplier operational accidents and 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 develop overseas mines and 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. With respect to mining development, 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 such areas as occupational safety and health, environmental protection, pollution prevention, industrial waste disposal and management of potentially toxic substances.

In accordance with these statutory and regulatory requirements, operators may be charged with compensation for loss or damages, irrespective of the existence of negligence or otherwise, or demands for the maintenance and management of abandoned mines. Moreover, operators may incur the burden of additional expenses due to requirements imposed under new environmental standards and regulations. At the same time, both the mining and non-ferrous metals refining industries incur the risks and associated responsibilities for environmental pollution as well as the disposal of mining and industrial waste. 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

In those markets related to the Company's materials operations, increasingly longer periods are required for the development of new products due largely to rapid changes in applied technologies, customer requirements and product life. This is 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.

In addition, sales volumes of the Company's mainstay materials operations products are dependent upon customer production levels of such items as mobile terminals, personal computers (PCs) and electrical household appliances. Accordingly, performance is subject to a variety of factors including cyclical demand for the products manufactured by customers, advances in technological innovation and general economic trends.

As a result of such factors, the development of new products and sales of existing products in the Company's materials operations may not progress in accordance with plans. This in turn could exert 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 such risks 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

The Company strives to develop its business overseas both in terms of the location of manufacturing bases as well as the sale of its products. In the conduct of its business overseas, however, SMM is subject to a wide range of political and economic risks that vary by country. These include but are not limited to political instability; changes in statutory and regulatory requirements with respect to the environment, labor, taxes, currency management and controls as well as trade; limited protection under the law or inadequate enforceability in connection with intellectual and other property rights; fluctuations in foreign currency exchange rates; and the confiscation or nationalization of assets. 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 such factors 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 As of March 31, 2011 and 2010	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current assets:			
Cash and cash equivalents	¥ 128,311	¥ 100,452	$ 1,543,127
Time deposits	213	34	2,562
Notes and accounts receivable:			
Trade	100,195	97,701	1,204,991
Unconsolidated subsidiaries and affiliated companies	4,129	3,302	49,657
Allowance for doubtful accounts	(242)	(262)	(2,910)
Inventories (Note 6)	170,246	149,575	2,047,456
Deferred tax assets (Note 9)	2,658	2,889	31,966
Other current assets	67,048	68,430	806,350
Total current assets	472,558	422,121	5,683,199
Investments and long-term receivables:			
Investment securities (Notes 4 and 8):			
Unconsolidated subsidiaries and affiliated companies	201,740	197,917	2,426,218
Other	86,682	71,034	1,042,477
Allowance for loss on investments	(6)	(64)	(72)
Other long-term receivables	11,704	16,203	140,758
Allowance for doubtful accounts	(222)	(245)	(2,670)
Total investments and other assets	299,898	284,845	3,606,711
Property, plant and equipment (Notes 7 and 8):			
Land	28,129	28,383	338,292
Buildings and structures	168,634	165,971	2,028,070
Machinery and equipment	374,554	389,630	4,504,558
Construction in progress	44,942	15,060	540,493
	616,259	599,044	7,411,413
Accumulated depreciation	(351,170)	(341,040)	(4,223,331)
Net property, plant and equipment	265,089	258,004	3,188,082
Deferred tax assets (Note 9)	2,528	1,380	30,403
Other assets	12,280	15,108	147,684
Total assets	¥1,052,353	¥ 981,458	$12,656,079

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

LIABILITIES AND NET ASSETS As of March 31, 2011 and 2010	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Bank loans (Note 8)	¥ 55,428	¥ 63,104	$ 666,603
Long-term debt due within one year (Note 8)	20,413	5,524	245,496
Notes and accounts payable:			
Trade	33,660	38,322	404,811
Unconsolidated subsidiaries and affiliated companies	8,933	6,541	107,432
Other	16,024	15,940	192,712
Accrued income taxes (Note 9)	15,520	13,919	186,651
Accrued expenses	4,224	3,790	50,800
Advances received	930	2,244	11,185
Accrued restructuring charges	189	106	2,273
Accrued environmental measures	106	506	1,275
Deferred tax liabilities (Note 9)	765	119	9,200
Other current liabilities	49,294	42,747	592,831
Total current liabilities	205,486	192,862	2,471,269
Long-term liabilities:			
Long-term debt (Note 8)	135,128	132,311	1,625,111
Deferred tax liabilities (Note 9)	4,200	7,334	50,511
Accrued retirement benefits (Note 10)	7,216	8,050	86,783
Accrued environmental measures	26	164	313
Accrued restructuring charges	1,032	1,781	12,411
Other accruals	204	193	2,453
Asset retirement obligations	4,268	3,009	51,329
Other long-term liabilities	10,690	6,070	128,563
Total long-term liabilities	162,764	158,912	1,957,474
Contingent liabilities (Note 14)			
Net assets:			
Shareholders' equity (Note 13):			
Common stock			
Authorized—1,000,000,000 shares			
Issued—581,628,031 shares	93,242	93,242	1,121,371
Capital surplus	86,063	86,062	1,035,033
Retained earnings (Note 12)	524,978	454,896	6,313,626
Treasury stock, at cost	(21,788)	(21,633)	(262,032)
Total shareholders' equity	682,495	612,567	8,207,998
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	17,738	16,043	213,326
Deferred gains (losses) on hedges	(4,636)	(2,439)	(55,755)
Foreign currency translation adjustments	(65,481)	(39,595)	(787,505)
Total accumulated other comprehensive income	(52,379)	(25,991)	(629,934)
Minority interests	53,987	43,108	649,272
Total net assets	684,103	629,684	8,227,336
Total liabilities and net assets	¥1,052,353	¥981,458	$12,656,079

Consolidated Statements of Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

			Millions of yen	Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2011, 2010 and 2009	2011	2010	2009	2011
Net sales (Note 15)	¥864,077	¥725,827	¥793,797	$10,391,786
Costs and expenses:				
Cost of sales	725,267	619,871	736,910	8,722,393
Selling, general and administrative expenses (Note 11)	42,772	39,691	46,353	514,396
	768,039	659,562	783,263	9,236,789
Operating income	96,038	66,265	10,534	1,154,997
Other income (expenses):				
Interest and dividend income	2,741	2,334	4,052	32,965
Interest expense	(2,484)	(2,988)	(4,323)	(29,874)
Write-down of investment securities	(1,500)	—	(4,607)	(18,040)
Loss on sale and disposal of property, plant and equipment	(378)	(557)	(624)	(4,546)
Loss on impairment of fixed assets (Note 7)	(63)	(2,087)	(3,514)	(758)
Loss from valuation of gold loans	(1,049)	(1,384)	(68)	(12,616)
Exchange loss	(4,863)	(2,004)	(9,489)	(58,485)
Provision for restructuring charges	(61)	(2,303)	(697)	(734)
Maintenance cost for ceased projects	(519)	(476)	(701)	(6,242)
Equity in earnings of affiliated companies	34,832	26,090	31,536	418,906
Loss (Gain) from valuation of derivative instruments	(862)	(1,286)	1,568	(10,367)
Amortization of goodwill	2	992	—	24
Other, net	1,560	180	843	18,763
	27,356	16,511	12,408	328,996
Income before taxes and minority interests	123,394	82,776	22,942	1,483,993
Income taxes (Note 9):				
Current	29,671	17,040	4,052	356,837
Deferred	987	6,127	(8,818)	11,870
	30,658	23,167	(4,766)	368,707
Income before minority interests	92,736	59,609	27,708	1,115,286
Minority interests in net income of consolidated subsidiaries	(8,774)	(5,657)	(5,734)	(105,520)
Net income	¥ 83,962	¥ 53,952	¥ 21,974	$ 1,009,766

			Yen	U.S. dollars (Note 1)
	2011	2010	2009	2011
Amounts per share of common stock:				
Net income (Note 20)				
—Basic	¥149.38	¥96.26	¥38.87	$1.80
—Diluted	136.98	88.75	36.18	1.65
Cash dividends applicable to the year	32.00	20.00	13.00	0.38

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

Consolidated Statements of Comprehensive Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

			Millions of yen	Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2011 and 2010	2011	2010	2009	2011
Income before minority interests	¥ 92,736	¥59,609	¥—	$1,115,286
Other comprehensive income				
Net unrealized holding gains (losses) on securities	1,676	16,836	—	20,156
Deferred gains (losses) on hedges	(2,244)	12	—	(26,987)
Foreign currency translation adjustments	(10,884)	4,376	—	(130,896)
Share of other comprehensive income of affiliated companies accounted for using equity method	(20,418)	1,880	—	(245,556)
Total other comprehensive income	(31,870)	23,104	—	(383,283)
Comprehensive income	60,866	82,713	—	732,002
Comprehensive income attribute to:				
Owners of the parent	57,574	75,966	—	692,411
Minority interests	3,292	6,747	—	39,591

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

						Shareholders' Equity
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the years ended March 31, 2011, 2010 and 2009	Thousands					Millions of yen
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 (losses) on hedges						
Decrease resulting from unification of accounting policy of overseas subsidiaries				(3,459)		(3,459)
Minority interest						
Cash dividends paid				(16,028)		(16,028)
Balance at March 31, 2009	581,628	¥93,242	¥86,091	¥405,946	¥(32,678)	¥552,601
Net income				53,952		53,952
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Decrease resulting from change in consolidation of subsidiaries				(18)		(18)
Acquisition of treasury stock					(175)	(175)
Sale of treasury stock			(29)	(1,049)	11,220	10,142
Deferred gains (losses) on hedges						
Minority interest						
Cash dividends paid				(3,935)		(3,935)
Balance at March 31, 2010	581,628	¥93,242	¥86,062	¥454,896	¥(21,633)	¥612,567
Net income				83,962		83,962
Foreign currency translation adjustments						
Adjustments for unrealized gains on securities						
Increase resulting from change in consolidation of subsidiaries				67		67
Acquisition of treasury stock					(160)	(160)
Sale of treasury stock			1		5	6
Deferred gains (losses) on hedges						
Increase resulting from unification of accounting policy of affiliated companies				106		106
Minority interest						
Cash dividends paid				(14,053)		(14,053)
Balance at March 31, 2011	**581,628**	**¥93,242**	**¥86,063**	**¥524,978**	**¥(21,788)**	**¥682,495**

					Shareholders' Equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the year ended March 31, 2011					Thousands of U.S. dollars (Note 1)
Balance at March 31, 2010	$1,121,371	$1,035,021	$5,470,788	$(260,168)	$7,367,012
Net income			1,009,765		1,009,765
Foreign currency translation adjustments					0
Adjustments for unrealized gains on securities					0
Increase resulting from change in consolidation of subsidiaries			806		806
Acquisition of treasury stock				(1,924)	(1,924)
Sale of treasury stock		12		60	72
Deferred gains (losses) on hedges					0
Increase resulting from unification of accounting policy of affiliated companies			1,275		1,275
Minority interest					0
Cash dividends paid			(169,008)		(169,008)
Balance at March 31, 2011	**$1,121,371**	**$1,035,033**	**$6,313,626**	**$(262,032)**	**$8,207,998**

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

	Accumulated other comprehensive income					
For the years ended March 31, 2011, 2010 and 2009	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
						Millions of yen
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 (losses) on hedges		(3,222)		(3,222)		(3,222)
Decrease resulting from unification of accounting policy of overseas subsidiaries						(3,459)
Minority interest					(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
Net income						53,952
Foreign currency translation adjustments			5,226	5,226		5,226
Adjustments for unrealized gains on securities	16,795			16,795		16,795
Decrease resulting from change in consolidation of subsidiaries						(18)
Acquisition of treasury stock						(175)
Sale of treasury stock						10,142
Deferred gains (losses) on hedges		(7)		(7)		(7)
Minority interest					453	453
Cash dividends paid						(3,935)
Balance at March 31, 2010	¥ 16,043	¥(2,439)	¥(39,595)	¥(25,991)	¥43,108	¥629,684
Net income						83,962
Foreign currency translation adjustments			(25,886)	(25,886)		(25,886)
Adjustments for unrealized gains on securities	1,695			1,695		1,695
Increase resulting from change in consolidation of subsidiaries						67
Acquisition of treasury stock						(160)
Sale of treasury stock						6
Deferred gains (losses) on hedges		(2,197)		(2,197)		(2,197)
Increase resulting from unification of accounting policy of affiliated companies						106
Minority interest					10,879	10,879
Cash dividends paid						(14,053)
Balance at March 31, 2011	**¥ 17,738**	**¥(4,636)**	**¥(65,481)**	**¥(52,379)**	**¥53,987**	**¥684,103**

	Accumulated other comprehensive income					
For the year ended March 31, 2011	Net unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
						Thousands of U.S. dollars (Note 1)
Balance at March 31, 2010	$192,940	$(29,333)	$(476,188)	$(312,581)	$518,437	$7,572,868
Net income						1,009,765
Foreign currency translation adjustments			(311,317)	(311,317)		(311,317)
Adjustments for unrealized gains on securities	20,385			20,385		20,385
Increase resulting from change in consolidation of subsidiaries						806
Acquisition of treasury stock						(1,924)
Sale of treasury stock						72
Deferred gains (losses) on hedges		(26,422)		(26,422)		(26,422)
Increase resulting from unification of accounting policy of affiliated companies						1,275
Minority interest					130,836	130,836
Cash dividends paid						(169,008)
Balance at March 31, 2011	**$213,325**	**$(55,755)**	**$(787,505)**	**$(629,935)**	**$649,273**	**$8,227,336**

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, 2011, 2010 and 2009	2011	2010	2009 (Millions of yen)	2011 (Thousands of U.S. dollars (Note 1))
Cash flows from operating activities:				
Income before income taxes and minority interests	¥123,394	¥ 82,776	¥ 22,942	$1,483,993
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	34,625	34,746	34,268	416,416
Loss on impairment of fixed assets	63	2,087	3,514	758
Loss on sale and disposal of property, plant and equipment	378	557	624	4,546
Write-down of investment securities	1,500	—	4,607	18,040
Loss (Gain) from valuation of derivative instruments	862	1,286	(1,568)	10,367
Interest and dividend income	(2,741)	(2,334)	(4,052)	(32,965)
Interest expense	2,484	2,988	4,323	29,874
Equity in earnings of affiliated companies	(34,832)	(26,090)	(31,536)	(418,906)
Restructuring charges	151	519	304	1,816
Casualty loss	456	67	21	5,484
Decrease (Increase) in trade receivables	(8,967)	(54,706)	73,930	(107,841)
Decrease (Increase) in inventories	(25,892)	(43,113)	60,698	(311,389)
Increase (Decrease) in trade payables	2,336	6,899	(31,622)	28,094
Others	2,580	9,157	(10,224)	31,027
Sub total	96,397	14,839	126,273	1,159,314
Interest and dividend received	36,724	21,569	42,988	441,660
Interest paid	(2,538)	(3,038)	(4,515)	(30,523)
Payments for maintenance costs for ceased project	(519)	(476)	(701)	(6,242)
Payments for recovery costs	(66)	(67)	(21)	(794)
Payments for (Refund of) income taxes	(27,540)	11,326	(36,024)	(331,209)
Net cash provided by operating activities	102,458	44,153	128,000	1,232,206
Cash flows from investing activities:				
Payments for acquisition of property, plant and equipment	(53,966)	(40,416)	(46,898)	(649,020)
Payments for acquisition of intangible assets	(614)	(12,071)	(4,415)	(7,384)
Proceeds from sale of property, plant and equipment	550	1,182	2,238	6,615
Payments for purchases of negotiable certificates of deposits	—	—	(25,000)	—
Proceeds from sales of negotiable certificates of deposits	—	—	68,000	—
Payments for purchases of investment securities	(11,480)	(5,886)	(640)	(138,064)
Payments for purchase of securities of subsidiaries and affiliated companies	(9,361)	(18,285)	(19,936)	(112,580)
Proceeds from sales of securities of subsidiaries and affiliated companies	—	308	—	—
Payments for loans lended	(2,887)	(5,476)	(5,834)	(34,720)
Collection of loans repaid	2,206	5,064	4,032	26,530
Other	(183)	137	25	(2,201)
Net cash used in investing activities	(75,735)	(75,443)	(28,386)	(910,824)
Cash flows from financing activities:				
Proceeds from long-term debt	23,140	3,916	2,021	278,292
Repayments of long-term debt	(5,422)	(16,836)	(15,504)	(65,207)
Net increase (decrease) in bank loans	(3,773)	4,100	(2,125)	(45,376)
Payments for redemption of bonds	—	(105)	(10,000)	—
Contribution from minority in consolidated subsidiaries	14,196	120	262	170,728
Increase in treasury stocks	(154)	(163)	(30,162)	(1,852)
Cash dividends paid	(14,053)	(3,935)	(16,028)	(169,008)
Cash dividends paid to minority in consolidated subsidiaries	(6,555)	(6,419)	(2,550)	(78,833)
Net cash provided by (used in) financing activities	7,379	(19,322)	(74,086)	88,744
Effect of changes in exchange rate on cash and cash equivalents	(3,183)	746	(7,716)	(38,280)
Net increase (decrease) in cash and cash equivalents	30,919	(49,866)	17,812	371,846
Cash and cash equivalents at beginning of fiscal year	100,452	150,287	132,475	1,208,082
Increase in cash due to newly consolidated subsidiaries	(3,060)	31	—	(36,801)
Cash and cash equivalents at end of fiscal year	¥128,311	¥100,452	¥150,287	$1,543,127

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 the 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, 2011, which was ¥83.15 to US$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 (60 subsidiaries in 2011, 54 in 2010 and 50 in 2009). All significant inter-company balances and transactions have been eliminated. Investments in affiliated companies of which the Company has the ability to exercise significant influence over financial and operating policies, are accounted for by the equity method (14 affiliated companies in 2011, 13 in 2010 and 12 in 2009). Investments in the remaining unconsolidated subsidiaries and affiliated companies 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.

Goodwill (consolidation difference between the investment cost and the underlying equity in its net assets at the date of acquisition) is amortized over five years on a straight-line basis. With respect to subsidiaries in the United States, goodwill is amortized over twenty years on a straight-line basis in accordance with PITF No.18.

(Change for unification of accounting policies applied to overseas subsidiaries for consolidated financial statements)
Effective from the fiscal year ended March 31, 2009, 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 that: (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 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, operating income decreased by ¥86 million and income before income taxes and minority interests decreased by ¥689 million for the fiscal year ended March 31, 2009.

(Change for unification of accounting policies applied to affiliated companies accounted for using the equity method)
Effective from the fiscal year ended March 31 2011, the Company adopted the ''Accounting Standard for Equity Method of Accounting for Investment'' (ASBJ Statement No.16 issued on March 10, 2008) and the ''Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method'' (ASBJ PITF No.24 of March 10, 2008) and made necessary adjustment in consolidation process.

As a result of this change, income before income taxes and minority interests decreased by ¥161 million($1,936 thousand) for the fiscal year ended March 31, 2011.

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 not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts—The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary accounts, plus an estimate of uncollectible amount determined by reference to specific doubtful accounts 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 unconsolidated 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 a separate component of net assets. The cost of securities sold is determined by the moving-average method. Other available-for-sale securities with no available fair values (non-marketable securities) are stated at moving-average method. Securities issued by unconsolidated subsidiaries and affiliated companies are carried at cost.

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 consolidated domestic 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 hedges 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 fiscal year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the fiscal year-end rates except for account components of net assets, which are translated at 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–Merchandise, finished products, semi-finished products, work in process and raw materials are stated at the lower of cost determined by the first-in first-out (FIFO) method or net selling value of inventories regarded as the decreased profitability of assets, whose write-downs are included in cost of sales.

(2) Supplies—Supplies are stated at the lower of cost based on the moving-average method or net selling value of inventories regarded as the decreased profitability of assets, whose write-downs are included in cost of sales.

(Change in the accounting policy for the measurement of inventories)
Previously, inventories held for sale in the ordinary course of business have been stated at cost primarily determined by the first-in, first-out (FIFO) method. Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9 released on July 5, 2006) and stated inventory values at the lower of cost, which is primarily determined by the FIFO method 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. As a result of this change, operating income decreased by ¥7,477 million for the fiscal year ended March 31, 2009.

The effect on segment information are described in the relevant notes.

(Change in accounting policy)
Effective from the fiscal year ended March 31, 2011, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9 issued on September 26, 2008), and the method of accounting for the inventories of certain consolidated subsidiaries was changed from the last-in, first-out method(LIFO) to the first-in, first-out method (FIFO).

As a result of this change, operating income and income before taxes and minority interests increased by ¥444 million ($5,340 thousand) for the fiscal year ended March 31, 2011.

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 the impairment of fixed assets. This standard requires that tangible and intangible fixed assets be carried at cost 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.

(Additional information)
In accordance with the revised Japanese Corporate Tax Law and its regulation, the Company and its domestic subsidiaries adopted a new useful life for tangible fixed assets from the fiscal year ended March 31, 2009.

The effect of adopting this new useful life on both operating income and income before income taxes and minority interests was ¥2,959 million for the fiscal year ended March 31, 2009.

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 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 lumpsum benefit plan covering directors and corporate auditors.

(Change in accounting policy)
Effective from the fiscal year ended March 2010, the Company and consolidated domestic subsidiaries adopted Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No.19 issued on July 31, 2008).

There was no effect on income before income taxes and minority interests as a result of adopting the new standard.

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

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

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 their 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 in accounting policy)
The Company and its domestic subsidiaries adopted 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, respectively, and both revised by the ASBJ on March 30, 2007.

In the consolidated fiscal year ended March 31, 2009, finance leases are recognized on the balance sheet. Depreciation or amortization expense is recognized on a straight-line basis over the lease period.

There was no effect on income before income taxes and minority interests as a result of adopting the new standard.

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.

Accounting standard for recognizing revenues and costs of construction contracts
(Change in accounting policy)
Previously, revenues and costs of construction work had been recognized under the percentage-of-completion method for contract amounts of ¥5,000 million or more with construction periods of more than two years. For other construction work, the completed-contract method was applied. Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, released on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, released on December 27, 2007). Accordingly, with respect to construction contracts under which construction work commenced during the fiscal year ended March 31, 2010, when the outcome of individual contract can be estimated reliably, the percentage-of-completion method (the percentage of completion at the end of the fiscal year is measured based on the percentage of the cost incurred to the estimated total cost) has been applied for that portion in progress through to the end of the fiscal year ended March 31, 2010. For other construction work, the completed-contract method has been applied. As a result of this change, net sales increased by ¥678 million ($7,286 thousand) operating income and income before income taxes and minority interests increased by ¥154 million ($1,655 thousand), respectively, for the fiscal year ended March 31, 2010.

Asset retirement obligations —
(Change in accounting policy)
Effective from the year ended March 31, 2011, the Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008).

As a result of adopting these standards, operating income decreased by ¥20 million, and income before income taxes and minority interests decreased by ¥344 million ($4,137 thousand) for the fiscal year ended March 31, 2011.

(Additional information)
Previously, asset retirement obligations for overseas mines, etc., were presented in "other accruals" under "long-term liabilities." However, accompanying the adoption from the year ended March 31, 2011 of "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008), they were reclassified to "asset retirement obligations."

Business combinations and others—
(Change in accounting policies)
Effective from the year ended March 31, 2011, the Company has adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21 of December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 of December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 of December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 of December 26, 2008), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16 of December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 of December 26, 2008).

Comprehensive income —
(Additional information)
Effective March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, revised on June 20, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

In addition, the Company has presented the consolidated statement of comprehensive income for the fiscal year ended March 31, 2010 as well as that for the fiscal year ended March 31, 2011.

Amount per share of common stock—Basic net income per share is computed based on the weighted-average number of shares of common stock issued 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 2010 and 2009 financial statements to conform to the presentation of 2011.

3. Notes to financial instruments

1. Status of financial instruments
   (1) Policies on the handling of financial instruments
   The Sumitomo Metal Mining Group ("the Group") procures the funds necessary for its capital expenditure, investment and loan plans mainly through bank loans and the issuance of bonds. Short-term operating funds are funded through bank loans as required. In the event of a need for new funds, the Group, in principle, looks to the issuance of short-term bonds (commercial paper). This is supplemented by bank loans and the use of liquidation schemes applicable to notes and accounts receivable. The Group takes great care to monitor the status of its funding needs and financial position. This is to ensure that the Group does not overly rely on specific procurement methods and financial instruments. Accordingly, steps are taken to ensure a balanced funding portfolio from both the short and long term as well as direct and indirect financing perspectives. Temporary surplus funds are utilized only for highly safe financial assets for which there is a low probability of a loss of principal. Derivative transactions are only used to avoid the risks attributable to fluctuations in the prices of non-ferrous metals as well as foreign currency exchange and interest rates. The Group does not engage in derivative translations for speculative purposes.

(2) Details of and risks associated with financial instruments

Notes and accounts receivable, which are trade receivables, are exposed to the credit risk of customers. In addition, foreign currency-denominated trade receivables, which are generated by global business operations, are also exposed to fluctuations in foreign currency exchange rates. Turning to the metals business, trade receivables are also exposed to the risk of movements in the prices of non-ferrous metals. Investment securities, which largely represent shares of companies with whom the Group trades or has formed an equity alliance, are exposed to the risk of changes in their market prices.

Notes and accounts payable, which are trade obligations, generally have maturity dates of one year or less. In similar fashion to trade receivables, trade obligations in the metals business are subject to the risk of movements in the prices of non-ferrous metals. A certain portion of trade obligations are related to the import of raw and other materials and as such are denominated in foreign currencies. On this basis, they too are open to the risk of fluctuations in the foreign currency exchange rates. Within loans and bonds payable, bank loans payable primarily represent funding applicable to operating transactions while long-term debt (with a maximum maturity up to March 21, 2025) and bonds mainly concern funding relating to capital expenditures. A certain portion of loans and bonds payable is provided on a floating rate of interest basis. Accordingly, this portion is exposed to the risk of fluctuation in interest rates.

Derivative transactions employed in an effort to offset the aforementioned risks include forward foreign currency exchange rate contracts; forward and option transaction agreement; and interest rate swap transaction agreements, which seek to provide hedges for the risks of fluctuations in the foreign currency exchange rates of trade receivables and trade obligations; the prices of non-ferrous metals applicable to non-ferrous metal trade receivables and trade obligations; and interest rates applicable to loans and bonds payable, respectively. For hedging instruments and hedged items, hedging policy, the method of assessing the effectiveness of hedges and other details in connection with hedge accounting, refer to the ''Derivative and hedge accounting'' described in the note 2 Summary of significant accounting policies.

(3) Risk management systems relating to financial instruments

(i) Management of credit risk (risk relating to non-performance of a contract obligation by a counterparty, etc.)

With respect to trade receivables, each operating department and division within the Sumitomo Metal Mining Group is guided by its own set of management rules and regulations. Sales and marketing departments and divisions regularly monitor the status of customers, managing due dates and balances on an individual customer basis. In this manner, every effort is made to ensure early detection and the mitigation of concerns regarding collection due to deterioration in financial standing or other factors. With respect to the use of derivative transactions, steps are taken to engage in transactions with highly rated financial institutions only. These steps are taken with the aim of mitigating counterparty risk.

The maximum amount of the credit risk is shown in the value of financial assets on the balance sheet which are subject to credit risk.

(ii) Management of market risks (risks associated with fluctuations in the price of non-ferrous metals, foreign currency exchange as well as interest rates, etc.)

The Group employs commodity forward transaction and commodity option transaction agreements, which seek to provide hedges for the risks of fluctuations in the prices of imported raw materials with respect to non-ferrous metals as well as the sales prices of commodity metals and copper concentrate on international commodities markets. At the same time, the Group utilizes forward foreign currency exchange rate contracts in an effort to offset the risks of movements in foreign currency exchange rates in connection with trade receivables and obligations denominated in foreign currencies, and interest rate swap transaction agreements aimed at converting floating rates of interest applicable to loans and bonds payable to fixed rates of interest.

With respect to investment securities, the Group regularly monitors fair values as well as the financial status of issuers (counterparties), and reviews it holdings on a continuous basis taking into consideration its relationships with counterparties.

As for derivative transactions, in accordance with derivative transaction management rules and regulations that outline the purpose and objectives of derivative transactions while providing authority and setting limits and scope, individual departments and divisions are responsible for formulating operating rules with respect to the implementation of derivative transactions, executing and booking transactions and reconciling balances with counterparties on a regular basis. Consolidated subsidiaries also adhere to the Company's derivative transaction management rules and regulations while working to build the aforementioned management structure under which derivative transactions are managed.

(iii) Management of liquidity risks associated with the procurement of funds (the risk of being unable to make payments on due dates)

The Sumitomo Metal Mining Group manages liquidity risk by preparing and updating a cash management plan six months in advance based on reports from each department and division. Certain domestic consolidated subsidiaries have adopted a cash management system and are efficiently maintaining appropriate levels of liquidity and cash on hand.

(4) Supplementary explanation for Fair values, etc. of financial instruments

Fair values of financial instruments are determined by market prices. If no market price is available, the fair value is based on the value that is calculated in a reasonable manner. The determination of such values contains variable factors and as such the adoption of wide ranging and differing assumptions may cause values to change. In addition, with respect to contract and other amounts applicable to derivative transactions outlined as follows in ''2. Fair values, etc. of financial instruments'' such amounts themselves do not indicate the size of market risks associated with derivative transactions.

2. Fair values, etc. of financial instruments

Amounts on the consolidated balance sheet, fair values and the differences between the two as of March 31, 2011 and 2010 are shown as follows. Certain financial instruments were excluded from the following table as the fair values were not available (Refer to the note 2 below).

Millions of yen

2011	Book values of consolidated balance sheets	Fair values	Difference
Cash and cash equivalents	¥128,311	¥128,311	¥ —
Time deposit	213	213	—
Notes and accounts receivable (trade & unconsolidated)	104,324	104,324	—
Investment securities	119,785	366,757	246,972
Total assets	¥352,633	¥599,605	¥246,972
Notes and accounts payable (trade & unconsolidated)	¥ 42,593	¥ 42,593	¥ —
Bank loans	65,841	65,841	—
Long-term debt due after one year	145,128	145,257	129
Total liabilities	253,562	253,691	129
Derivative transactions	¥ (7,462)*	¥ (7,778)*	¥ (316)

Millions of yen

2010	Book values of consolidated balance sheets	Fair values	Difference
Cash and cash equivalents	¥100,452	¥100,452	¥ —
Time deposit	34	34	—
Notes and accounts receivable (trade & unconsolidated)	101,003	101,003	—
Investment securities	260,136	260,136	—
Total assets	¥461,625	¥461,625	¥ —
Notes and accounts payable (trade & unconsolidated)	¥ 44,863	¥ 44,863	¥ —
Bank loans	68,628	68,628	—
Long-term debt due after one year	132,311	132,504	193
Total liabilities	245,802	245,995	193
Derivative transactions	¥ (2,040)*	¥ (2,087)*	¥ (47)

2011	Book values of consolidated balance sheets	Fair values	Difference
	Thousands of U.S. dollars		
Cash and cash equivalents	$1,543,127	$1,543,127	$ —
Time deposit	2,562	2,562	—
Notes and accounts receivable (trade & unconsolidated)	1,254,648	1,254,648	—
Investment securities	1,440,589	4,410,788	2,970,199
Total assets	$4,240,926	$7,211,125	$2,970,199
Notes and accounts payable (trade & unconsolidated)	$ 512,243	$ 512,243	$ —
Bank loans	791,834	791,834	—
Long-term debt due after one year	1,745,376	1,746,927	1,551
Total liabilities	3,049,453	3,051,004	1,551
Derivative transactions	$ (89,741)*	$ (93,542)*	$ (3,801)

* Net receivables and obligations arising from derivative transactions are shown as a net amount and items for which aggregated results lead to net obligations are shown in asterisk.

*1

Fair values of financial instruments, and matters pertaining to securities and derivative transactions

Assets

1. Cash and cash equivalents
   The book values approximate to the fair values due to their high liquidity.
2. Notes and accounts receivable
   The book values approximate to the fair values due to short-term maturities of these instruments.
3. Marketable securities
   Marketable securities are limited to negotiable certification of deposit. The book values approximate to the fair values due to their high liquidity.
4. Investment securities
   The fair values of investment securities are based on the market prices of securities exchanges on which shares are listed.
   For details regarding marketable securities on an individual holding purpose basis refer to the Note 4. Securities.

Liabilities

1. Notes and accounts payable, 2. Bank loans
   The book values approximate to the fair values due to short-term settlement of these instruments.
3. Bonds
   The fair values are based on market prices.
4. Long-term debt
   The discounted cash flow method was used to estimate the fair values, based on marginal borrowing rates as discount rate.

Derivative transactions

Refer to the Note 5. Derivative transactions.

*2

The financial instruments excluded from the above table as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2011	2010	2011
	Book values of consolidated balance sheets	Book values of consolidated balance sheets	Book values of consolidated balance sheets
Non marketable securities	¥162,532	¥8,815	$1,954,684

These instruments were not included in "Investment securities" (refer to above table) as the fair values were not available.

*3
The aggregate maturities subsequent to March 31, 2011 and 2010 for financial assets were as follows:

	Millions of yen				Thousands of U.S. dollars			
2011	Due within one year	Due after one year and within 5 year	Due after 5 year and within 10 year	Due over 10 year	Due within one year	Due after one year and within 5 year	Due after 5 year and within 10 year	Due over 10 year
Cash and cash equivalents	¥128,524	¥—	¥—	¥—	$1,545,689	$—	$—	$—
Notes and accounts receivable	104,324	—	—	—	1,254,648	—	—	—
Total	¥232,848	¥—	¥—	¥—	$2,800,337	$—	$—	$—

	Millions of yen			
2010	Due within one year	Due after one year and within 5 year	Due after 5 year and within 10 year	Due over 10 year
Cash and cash equivalents	¥100,486	¥—	¥—	¥—
Notes and accounts receivable	101,003	—	—	—
Total	¥201,489	¥—	¥—	¥—

*4
The amount scheduled to be repaid after the consolidated account settlement date of bonds, long-term debt, lease obligations and other interest-bearing liabilities

Refer to the note 8 Bank loans and long-term debt.

(Additional information)
Effective from the fiscal year ended March 31, 2010, the ''Accounting Standard for Financial Instruments'' (ASBJ Statement No.10 revised on March 10, 2008) and the ''Guidance on Disclosures about Fair Value of Financial Instruments'' (ASBJ Guidance No.19 revised on March 10, 2008) have been adopted.

4. Securities
(1) The following tables summarize acquisition costs and book values (available fair values) as of March 31, 2011 and 2010:

Available-for-sale securities

Securities with book values (available fair values) exceeding acquisition costs

	Millions of yen					
	2011			2010		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥27,330	¥56,163	¥28,833	¥24,334	¥49,097	¥24,763

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Book value	Difference
Equity securities	$328,683	$675,442	$346,759

Securities with book values (available fair values) not exceeding acquisition costs

	Millions of yen					
	2011			2010		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥29,937	¥21,544	¥(8,393)	¥23,599	¥18,961	¥(4,638)

	Thousands of U.S. dollars		
			2011
	Acquisition cost	Book value	Difference
Equity securities	$360,036	$259,098	$(100,938)

(2) The following table summarizes book values of the securities with no available fair values as of March 31, 2011 and 2010:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted equity securities	¥8,786	¥8,815	$105,664

(3) As of March 31, 2011 and 2010, there were no available-for-sale securities with maturities.

(4) Total sales of available-for-sale securities sold during the fiscal year ended March 31, 2011 amounted to ¥215 million (US$2,586 thousand) and the related losses amounted to ¥96 million (US$1,155 thousand) and the related gains amounted to ¥96 million (US$1,155 thousand).

Total sales of available-for-sale securities sold during the fiscal year ended March 31, 2010 amounted to ¥27 million (US$290 thousand) and the related losses amounted to ¥2 million (US$21 thousand). No gains on sales of available-for-sale securities were recognized for the period.

Total sales of available-for-sale securities sold during the fiscal year ended March 31, 2009 amounted to ¥42 million. No gains and losses on sales of available-for-sale securities were recognized for the period.

5. Derivative transactions

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

Derivative transactions of the Company and its consolidated subsidiaries are subject to market and credit risks. Market risk is the potential loss the Company and its consolidated subsidiaries may incur as a result of changes in market values. The Company's and its consolidated subsidiaries' exposure to market risk are determined by a number of factors, including fluctuations in market prices, exchange rates and interest rates. Credit risk is the potential loss the Company and its consolidated subsidiaries could incur if counterparties default on their obligations. Derivative transactions are entered into solely with highly rated financial institutions, their subsidiaries or London Metal Exchange (LME) 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 the purposes and scope of using derivatives, standards for choosing transaction counterparties and procedures with respect to reporting and administration.

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 a position. Then, the results are reported to directors monthly.

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 risks arising from commodity derivative transactions, because the risk of a fluctuation in market prices that is caused by the time lag between the purchase and sale of materials and products is hedged by corresponding future contracts. The Company and its consolidated subsidiaries also utilize currency derivative transactions to hedge against the market risk of exchange rate or interest rate fluctuation. 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 the market value information as of March 31, 2011 and 2010 of derivative transactions for which hedge accounting has not been applied:

Millions of yen

	2011				2010			
	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	¥11,760	¥—	¥ 202	¥ 202	¥10,517	¥ —	¥276	¥276
Buy position—A.U. dollars	—	—	—	—	—	—	—	—
	¥11,760	¥—	¥ 202	¥ 202	¥10,517	¥ —	¥276	¥276
Commodity:								
Forward contracts:								
Sell position—Metal	¥ 3,199	¥—	¥ 383	¥ 383	¥ 717	¥ —	¥149	¥149
Buy position—Metal	8,976	—	—	—	176	—	—	—
Option contracts:								
Put option—Metal	¥ 590	¥—	¥(395)	¥(395)	¥ —	¥ —	¥ —	¥ —
	¥12,765	¥—	¥ (12)	¥ (12)	¥ 893	¥ —	¥149	¥149

Thousands of U.S. dollars

	2011			
	Contracted amount			
	Total	Over one year	Market value	Recognized gains (losses)
Currency:				
Forward contracts:				
Buy position—U.S. dollars	$141,431	$—	$ 2,429	$ 2,429
Buy position—A.U. dollars	—	—	—	—
	$141,431	$—	$ 2,429	$ 2,429
Commodity:				
Forward contracts:				
Sell position—Metal	$ 38,473	$—	$ 4,606	$ 4,606
Buy position—Metal	107,949	—	—	—
Option contracts:				
Put option—Metal	$ 7,096	$—	$(4,750)	$(4,750)
	$153,518	$—	$ (144)	$ (144)

Derivative transactions for which hedge accounting has been applied for the fiscal year, ended March 31, 2011 and 2010 consisted of the following:

			Millions of yen		
2011			Contracted amount and other	Contracted amount over one year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency	Forward contracts:				
	Buy position	Foreign currency expected transaction			
	Australian dollars		35	—	6
	EUR		284	—	14
	U.S. dollars		51	—	—
	Canadian dollars		73	—	3
	Total		¥ 443	¥ —	¥ 23
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	100,000	100,000	(1,270)
	Total		¥100,000	¥100,000	¥(1,270)
Commodity	Forward contracts:				
	Sell position				
	Metal	Accounts receivable	¥ 18,006	¥ —	¥ 291
	Buy position				
	Metal	Account payable	9,958	827	1,141
	Option contracts**:				
	Sell position				
	Call				
	Metal	Accounts receivable	147,796	131,436	(7,837)
	Total		¥175,760	¥132,263	¥(6,405)
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	26,025	22,725	(316)
	Total		¥ 26,025	¥ 22,725	¥ (316)

*The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are long term loans.

**All commodity option contracts are based on zero cost option contracts. There is no transfer of option fees.

2010			Contracted amount and other	Contracted amount over one year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency	Forward contracts:				
	Buy position	Foreign currency expected transaction			
	EUR		326	—	11
	Total		¥ 326	¥ —	¥ 11
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	100,000	100,000	(1,592)
	Total		¥100,000	¥100,000	¥(1,592)
Commodity	Forward contracts:				
	Sell position				
	Metal	Accounts receivable	¥ 8,539	¥ —	¥ (513)
	Buy position				
	Metal	Account payable	14,156	205	1,896
	Option contracts**:				
	Sell position				
	Call				
	Metal	Accounts receivable	161,081	161,081	(2,267)
	Total		¥183,776	¥161,286	¥ (884)
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	3,300	3,300	(47)
	Total		¥ 3,300	¥ 3,300	¥ (47)

Millions of yen

*The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are long term loans.
**All commodity option contracts are based on zero cost option contracts. There is no transfer of option fees.

2011					Thousands of U.S. dollars
			Contracted amount and other	Contracted amount over one year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency	Forward contracts:				
	Buy position	Foreign currency expected transaction			
	Australian dollars		421	—	72
	EUR		3,416	—	168
	U.S.dollars		613	—	—
	Canadian dollars		878	—	36
	Total		$ 5,328	$ —	$ 276
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	1,202,646	1,202,646	(15,274)
	Total		$1,202,646	$1,202,646	$(15,274)
Commodity	Forward contracts:				
	Sell position				
	Metal	Accounts receivable	$ 216,548	$ —	$ 3,500
	Buy position				
	Metal	Account payable	119,759	9,946	13,722
	Option contracts**:				
	Sell position				
	Call				
	Metal	Accounts receivable	1,777,462	1,580,710	(94,251)
	Total		$2,113,769	$1,590,656	$(77,029)
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	312,989	273,301	(3,800)
	Total		$ 312,989	$ 273,301	$ (3,800)

*The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are long term loans.

**All commodity option contracts are based on zero cost option contracts. There is no transfer of option fees.

6. Inventories

Inventories as of March 31, 2011 and 2010 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise	¥ 2,098	¥ 815	$ 25,232
Finished products	48,892	35,236	587,998
Semi-finished products and work in process	79,807	76,357	959,796
Raw materials and supplies	39,449	37,167	474,432
	¥170,246	¥149,575	$2,047,458

7. Loss on impairment of fixed assets

Loss on impairment of fixed assets for the fiscal year ended March 31, 2011 consists of the following:

2011			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	Loss	Loss
Isa City, Kagoshima Prefecture, Japan	Idle land	Land	¥63	$758
Total			¥63	$758

The Company categorized operating assets by such business units as plants and manufacturing processes based on the division of managerial accounting.

A breakdown of major use is as follows.

The book values of several idle land lots in the Hishikari Mine for which market prices have considerably declined along with the drop in land prices were reduced to their recoverable amounts because of the considerable decline in their market prices along with the drop in land prices.

The net sales prices (fair value less cost to sell) of assets are used as their recoverable amounts for the measurement of impairment losses.

Loss on impairment of fixed assets for the fiscal year ended March 31, 2010 consisted of the following:

2010 Millions of yen

Location	Major use	Asset category	Loss
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for the recovery and recycling of valuable metals	Building and structures and machinery and other assets	¥1,918
Niihama City, Ehime Prefecture, Japan	Facilities for milling	Machinery and equipment	75
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for chemical products	Machinery and equipment	25
Usa City, Oita Prefecture, Japan	Facilities for IC package plating	Building and structures and machinery and equipment	24
Kamiina District, Nagano Prefecture, Japan	Manufacturing facilities for printed circuit boards	Building and structures	21
Matsudo City, Chiba Prefecture, Japan	Facilities for soil contamination survey and asbestos analysis	Building and structures and machinery and equipment	13
Kaohsiung, Taiwan	Manufacturing facilities for certain chip on film (COF)	Machinery and equipment	11
Total			¥2,087

The Company categorized operating assets by such business units as plants and manufacturing processes based on the division of managerial accounting.

A breakdown of major use is as follows.

(1) The book values of manufacturing facilities for the recovery and recycling of non-ferrous metals were reduced to their recoverable amounts because of the Company's decision to withdraw from these operations. This decision was based on the forecast of the shrinkage in the domestic petroleum market leading to a decrease in the waste and raw material catalysts produced by the petroleum refining process; as well as the existing levels of excess processing capacity in Japan.

(2) The book values of existing facilities for milling were reduced to their recoverable amounts because of expectations that these facilities would cease to operate following the installation of new facilities.

(3) The book value of manufacturing facilities for chemical products were reduced to their recoverable amounts because of expectations that these facilities would cease to operate following the termination of production of certain products during the fiscal year ended March 31, 2010.

(4) The book value of facilities for IC package plating were reduced to their recoverable amounts because of the Company's decision to withdraw from these operations. This decision was based on the ongoing shift of production by domestic semiconductor assembly manufacturers to overseas locations and the changeover to semiconductors packages that no longer require solder plating.

(5) The book value of manufacturing facilities for printed circuit boards were reduced to their recoverable amounts because of expectations that these facilities would cease to operate following withdrawal from the chip scale package (CSP) business.

(6) The book value of facilities for soil contamination survey and asbestos analysis were reduced to their recoverable amounts because of expectations that these facilities would cease to operate following the decision to withdraw from these operations. This decision was based on the sharp increase in competition in line with the growing number of survey institutions and generalization of know-how.

(7) The book value of manufacturing facilities for certain chip on film (COF) were reduced to their recoverable amounts because of expectations that these facilities would cease to operate due to their aging.

The net sales prices (fair value less cost to sell) of assets are used as their recoverable amounts for the measurement of impairment losses.

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

2009			Millions of yen
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
Usa City, Oita Prefecture, Japan	Facilities for IC package plating	Land, building and structures, machinery and equipment, and other assets	640
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for copper-clad polyimide film	Building and structures and machinery and equipment	550
Isa City, Kagoshima Prefecture, Japan	Manufacturing facilities for lead frames	Machinery and equipment	476
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for battery materials	Machinery and equipment and other assets	275
Iwanai District, Hokkaido, Japan	Manufacturing facilities for single-crystal materials	Building and structures and machinery and equipment	247
Yokohama City, Kanagawa Prefecture, Japan	Manufacturing facilities for electronic terminals and connectors	Machinery and equipment	141
Miscellaneous	Miscellaneous	Machinery and equipment	2
Total			¥3,514

The Company categorized operating assets by such business units as plants and manufacturing processes based on the division of managerial accounting.

A 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 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 no longer expected to be in use.

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

8. 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 0.64% to 5.60% and 0.74% to 4.86% as of March 31, 2011 and 2010 respectively.

On January 31, 2008, the Company 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 from February 15, 2008 to February 13, 2015. The exercise price of the stock acquisition rights will be revised in accordance with market prices. The stock acquisition rights have a structure that prevents dilution of the share price to a price lower than ¥1,749 (US$21) as of March 31, 2011.

Long-term debt as of March 31, 2011 and 2010 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Long-term loans from:			
Banks, insurance companies and other financial institutions, maturing through 2020 at interest rates of 0.82% to 1.86%:			
Secured	¥ —	¥ —	$ —
Unsecured	131,145	110,114	1,577,210
Government owned banks and government agencies, maturing through 2025 at interest rates of 0.60% to 3.70%:			
Secured	3,110	3,370	37,402
Unsecured	11,286	14,351	135,731
1.42% domestic bonds due in 2012	10,000	10,000	120,265
	155,541	137,835	1,870,608
Amount due within one year	(20,413)	(5,524)	(245,496)
	¥135,128	¥132,311	$1,625,112

The aggregate annual maturities of long-term debt as of March 31, 2011 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 20,413	$ 245,496
2013	2,542	30,571
2014	5,390	64,823
2015	108,066	1,299,651
2016	7,087	85,232
Thereafter	12,043	144,835

Assets pledged as collateral for bank loans and long-term debt as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Property, plant and equipment, at net book value	¥43,713	¥53,979	$525,713
	¥43,713	¥53,979	$525,713

9. 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 are domiciled.

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 fiscal years ended March 31, 2011, 2010 and 2009:

	2011	2010	2009
Statutory tax rate	40.7%	40.7%	40.7%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(8.1)	(9.8)	(43.1)
Effect of eliminating intercompany dividends received	16.2	17.4	46.4
Difference in tax rates among the Company and its consolidated subsidiaries	(5.0)	(6.7)	(6.6)
Permanently nondeductible expenses	0.1	0.2	4.2
Permanently nontaxable dividends received	(15.0)	(11.4)	(25.8)
Tax credit	(0.9)	(1.1)	(14.1)
Effect of Mining Tax	(1.5)	(2.9)	(4.2)
Effect of consolidated taxation	0.3	2.1	—
Increase (decrease) in valuation allowance	(0.4)	(0.6)	7.3
Undistributed earnings of foreign subsidiaries	1.4	—	(24.6)
Others	(2.9)	0.1	(1.0)
Effective tax rate	24.9%	28.0%	(20.8)%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Net operating loss carry forwards	¥ 5,455	¥ 5,058	$ 65,604
Retirement benefits	5,404	5,504	64,991
Deferred losses on hedges	3,221	656	38,737
Loss on impairment of fixed assets	2,034	1,732	24,462
Allowance for bonus payable	1,278	1,152	15,370
Loss from valuation of gold loans	1,005	1,269	12,087
Contribution gains on securities to employee retirement benefits trust	967	870	11,630
Unrealized profits	829	563	9,970
Overseas exploration cost	754	516	9,068
Loss from devaluation of inventories	337	398	4,053
Others	3,617	5,587	43,500
Gross deferred tax assets	24,901	23,305	299,471
Less valuation allowance	(10,483)	(11,529)	(126,074)
Deferred tax assets-less valuation allowance	14,418	11,776	173,397
Deferred tax liabilities:			
Accumulated earnings of overseas subsidiaries	(4,403)	(2,014)	(52,952)
Deferred gains on properties for tax purpose	(2,709)	(2,878)	(32,580)
Depreciation	(2,586)	(4,343)	(31,100)
Reserve for explorations	(1,741)	(1,836)	(20,938)
Net unrealized holding gain on available-for-sale securities	(1,114)	(2,348)	(13,397)
Gain on securities contributed to employee retirement benefits trust	(594)	(594)	(7,144)
Others	(1,050)	(947)	(12,628)
Deferred tax liabilities	(14,197)	(14,960)	(170,739)
Net deferred tax assets (liabilities)	¥ 221	¥ (3,184)	$ 2,658

10. Retirement benefits and pension costs

Accrued retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥(52,441)	¥(53,111)	$(630,679)
Fair value of pension assets	41,056	40,845	493,758
Excess of projected benefit obligation over pension assets	¥(11,385)	¥(12,266)	$(136,921)
Unrecognized actuarial differences	5,986	6,910	71,990
Unrecognized prior services costs	(621)	(941)	(7,468)
Net retirement benefits	¥ (6,020)	¥ (6,297)	$ (72,399)
Prepaid pension costs	(1,138)	(1,555)	(13,686)
Accrued retirement benefits	¥ (7,158)	¥ (7,852)	$ (86,085)

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

Retirement benefits in the consolidated balance sheets as of March 31, 2011 and 2010 also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors of ¥58 million (US$698 thousand) and ¥198million, respectively.

Included in the consolidated statements of income for the years ended March 31, 2011, 2010 and 2009 are severance and retirement benefit expenses comprised of the following:

			Millions of yen	Thousands of U.S. dollars
	2011	2010	2009	2011
Service cost-benefits earned during the year	¥2,237	¥1,984	¥3,165	$26,903
Interest cost on projected benefit obligation	949	923	907	11,413
Expected return on plan assets	(800)	(664)	(824)	(9,621)
Amortization of actuarial differences	1,018	1,573	402	12,243
Amortization of prior services costs	(318)	(319)	(296)	(3,824)
Severance and retirement benefit expense	¥3,086	¥3,497	¥3,354	$37,114

The discount rates used by the Company are primarily 2.0% for the fiscal years ended March 31, 2011, 2010 and 2009.

The rates of expected return on plan assets used by the Company are primarily 3.5%, respectively for the years ended March 31, 2011, 2010 and 2009.

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 the income statement using the straight-line method over 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.

11. Research and development expense

Research and development expense included in selling, general and administrative expenses for the fiscal years ended March 31, 2011, 2010 and 2009 are ¥5,271 million (US$63,391 thousand), ¥4,746 million and ¥5,896 million, respectively.

12. 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 ¥262,762 million (US$3,160,096 thousand) and ¥218,808 million as of March 31, 2011 and 2010, respectively.

13. Net assets

Net assets comprise three subsections, which are shareholders' equity, accumulated other comprehensive income, and minority interests.

Under 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 Japanese Corporate Law (''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 Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit, or could capitalize by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in-capital and all of the legal earning reserve may be transferred to other capital surplus and retained earnings, respectively, however which are potentially available for dividends.

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

14. Contingent liabilities

Contingent liabilities as of March 31, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable sold to factoring companies with recourse	¥ 404	$ 4,859
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	4,000	48,106
Other	1,500	18,040
	¥5,904	$71,005

Besides the above, as to providing electric power to Pogo Gold Mine, there are ¥997 million (US$11,990 thousand) to guarantee construction costs of electric facilities.

15. Segment information

(1) General information about reported segments

(a) Basis of decision about reported segments

The reported segments of the Group refer to business units, for which separate financial information is available and that are subject to periodic reviews by the Board of Directors as the supreme, managerial decision-making body to determine the allocation of management resources and assess their respective operating results.

The Company currently has five business divisions—Mineral Resources Div., Non-Ferrous Metals Div., Semiconductor Materials Div., Advanced Materials Div. and Energy Catalysts & Construction Materials Div.—in the pursuit of effective business operations by products and services. Each of these business divisions plans its own comprehensive strategies to be carried out in Japan and overseas for its own product and service lines and engages in diverse business activities within the Company and through the consolidated subsidiaries and equity method affiliated companies.

The five aforementioned business divisions and the Taganito Project—the purpose of which is to construct a second High Pressure Acid Leach (HPAL) plant in the Taganito area of Mindanao Island in the Philippines—are classified as ''business segments'' of the Group.

The Group integrated these six business segments into three reported segments: ''Mineral Resources'' ''Smelting & Refining'', ''Materials'' and ''Others.'' In determining these reported segments, the metal businesses and the Taganito Project were integrated into Smelting & Refining, whereas the semiconductor materials and advanced materials businesses were integrated into Materials, in accordance with the integration criteria and quantitative standards set forth in the ''Accounting Standard for Disclosures about Segments of an Enterprise and Related Information'' (ASBJ Statement No.17 issued on March 27, 2009) and ''Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information'' (ASBJ Guidance No.20 issued on March 21, 2008).

As described above, the Group consists of three segments identified by products and services based on the business divisions.

(b) Types of products and services of each reported segment

In the Mineral Resources segment, the Group mainly engages in the exploration, development and production of non-ferrous metal resources in Japan and overseas, as well as sales of ores and other products.

In the Smelting & Refining segment, the Group mainly engages in smelting and sales of copper, nickel, ferro-nickel, zinc and lead, as well as smelting and sales of precious metals such as gold, silver and platinum.

In the Materials segment, the Group mainly engages in manufacturing, processing and sales of semiconductor materials such as lead frames, tape materials (copper-clad polyimide film, chip-on-film (COF) substrates (electronic packaging materials used to make LCD panel integrated circuits) and bonding wires, as well as of advanced materials such as pastes, powder materials (e.g., nickel powder), battery materials (e.g., nickel hydroxide) and crystalline materials.

(2) Basis of measurement about reported segment income(loss),segment assets and other material items

The accounting methods for each reported segment are almost the same as those set forth in the ''Basis of presenting the consolidated financial statements,'' excluding the allocation of ''cost of capital'' to each segment.

Cost of capital refers to an interest rate burden to be borne by each business segment of the parent company, which does not financially assume interest expenses, in proportion to its holding assets in calculating segment income for internal administration purposes. The cost of capital is obtained by multiplying total assets held by each segment of the parent company by an ''internal interest rate.'' An amount that corresponds to the weighted average of the parent company's cost of capital and cost of liability is used as the internal interest rate. The same amount as a total of the cost of capital allocated to each segment is reported as a negative value in "Adjustments." The cost of capital is offset in the total for all segments Companywide. The cost of capital therefore has no effect on the consolidated financial statements.

Inter-segment net sales are calculated based on arm's length transaction prices.

(3) Information about reported segment income (loss), segment assets and other material items
Segment information as of and for the fiscal years ended March 31, 2011 and 2010 are as follows.

Millions of yen

2011	Mineral resources	Smelting & Refining	Materials	Total of reported segment	Others*	Adjustment**	Consolidated
Net sales:							
Outside customers	¥ 61,474	¥590,646	¥188,630	¥840,750	¥23,327	¥ —	¥ 864,077
Inter segment	26,514	94,399	18,528	139,441	7,101	(146,542)	—
Total	87,988	685,045	207,158	980,191	30,428	(146,542)	864,077
Segment income (loss)	¥ 70,410	¥ 49,518	¥ 5,386	¥125,314	¥ 2,336	¥ (3,949)	¥ 123,701
Segment assets	¥176,250	¥583,193	¥113,879	¥873,322	¥53,485	¥ 125,546	¥1,052,353
Depreciation	8,337	14,296	8,897	31,530	1,483	1,612	34,625
Amortization of goodwill	99	—	11	110	—	—	110
Interest income	115	52	16	183	7	548	738
Interest expense	79	216	332	627	67	1,790	2,484
Equity in earnings of affiliated companies	29,849	4,180	104	34,133	2,372	(1,673)	34,832
Investment in equity-method affiliated companies	72,816	158,175	414	231,405	24,802	(54,554)	201,653
Capital expenditures	3,816	41,373	5,829	51,018	624	1,463	53,105

Millions of yen

2010	Mineral resources	Smelting & Refining	Materials	Total of reported segment	Others*	Adjustment**	Consolidated
Net sales:							
Outside customers	¥ 47,492	¥485,494	¥170,142	¥703,128	¥23,506	¥ (807)	¥725,827
Inter segment	27,093	86,690	14,342	128,125	8,304	(136,429)	—
Total	74,585	572,184	184,484	831,253	31,810	(137,236)	725,827
Segment income (loss)	¥ 49,759	¥ 34,514	¥ 2,213	¥ 86,486	¥ 1,597	¥ (292)	¥ 87,791
Segment assets	¥168,612	¥509,171	¥120,202	¥797,985	¥56,449	¥ 127,024	¥981,458
Depreciation	7,225	14,207	9,867	31,299	2,038	1,409	34,746
Amortization of goodwill	104	—	12	116	—	—	116
Interest income	209	89	15	313	10	494	817
Interest expense	412	401	431	1,244	91	1,653	2,988
Equity in earnings of affiliated companies	21,316	3,689	66	25,071	1,742	(723)	26,090
Investment in equity-method affiliated companies	64,997	141,085	335	206,417	24,904	(34,421)	196,900
Capital expenditures	2,110	17,589	4,224	23,923	780	1,711	26,414

2011	Mineral resources	Smelting & Refining	Materials	Total of reported segment	Others*	Adjustment**	Consolidated
	Thousands of U.S. dollars						
Net sales:							
Outside customers	$ 739,314	$7,103,379	$2,268,551	$10,111,244	$280,542	$ —	$10,391,786
Inter segment	318,870	1,135,286	222,826	1,676,982	85,400	(1,762,382)	—
Total	1,058,184	8,238,665	2,491,377	11,788,226	365,942	(1,762,382)	10,391,786
Segment income (loss)	$ 846,783	$ 595,526	$ 64,775	$ 1,507,084	$ 28,093	$ (47,492)	$ 1,487,685
Segment assets	$2,119,663	$7,013,746	$1,369,561	$10,502,970	$643,235	$ 1,509,874	$12,656,079
Depreciation	100,265	171,930	106,999	379,194	17,835	19,387	416,416
Amortization of goodwill	1,191	—	132	1,323	—	—	1,323
Interest income	1,383	625	192	2,200	84	6,591	8,875
Interest expense	950	2,598	3,993	7,541	806	21,527	29,874
Equity in earnings of affiliated companies	358,978	50,271	1,251	410,500	28,526	(20,120)	418,906
Investment in equity-method affiliated companies	875,719	1,902,285	4,978	2,782,982	298,280	(656,091)	2,425,171
Capital expenditures	45,893	497,571	70,102	613,566	7,504	17,595	638,665

* The "Others" segment refers to businesses other than those included in the reported segments and other profit-seeking business directly operated by Head Office divisions/departments. Other businesses include manufacturing and sales of automotive exhaust processing catalysts, chemical catalysts, petroleum refinery and desulfurization catalysts, and autoclaved lightweight concrete (ALC) products, as well as technical engineering and real estate businesses.

** "Adjustments" are as follows:

1. Adjustments for segment income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Head Office expenses not allocated to each reported segment*a	¥(10,281)	¥ (8,944)	$(123,644)
Cost of capital to be borne by each reported segment	15,084	13,159	181,407
Eliminations of inter-segmental transactions among the reported segments	(3,816)	(1,737)	(45,893)
Non-operating income/expenses not allocated to each reported segment*b	(5,422)	(2,493)	(65,207)
Difference in scope of consolidation*c	—	(700)	—
Other adjustments	486	423	5,845
Total	¥ (3,949)	¥ (292)	$ (47,492)

*a Head Office expenses not allocated to each reported segment mainly consist of general administrative expenses and R&D expenses (hereinafter "Head Office expenses"), which are not attributable to the reported segments.

*b Non-operating income/expenses not allocated to each reported segment mainly consist of foreign exchange gains/losses and interest expenses, which are not attributable to the reported segments.

*c The difference in scope of consolidation reflects the different scope of consolidated subsidiaries for the previous fiscal year between the administrative and financial accountings. For the current fiscal year ended March 31, 2011, there is no effect of different scope of consolidation because the scope of consolidated subsidiaries agreed with each other between the administrative and financial accountings.

2. Adjustments for segment assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Corporate assets not allocated to each reported segment*	¥205,301	¥183,311	$2,469,044
Offsets and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments	(79,755)	(56,269)	(959,170)
Difference in scope of consolidation	—	(18)	—
Total	¥125,546	¥127,024	$1,509,874

* Corporate assets not allocated to each reported segment mainly refer to the assets under the control of the Administration Dept. at the Head Office, which are not allocated to the reported segments.

3. Adjustments on depreciation refer to depreciation at the Head Office divisions/departments, which are not allocated to the reported business segments.
   For the fiscal year ended March 31, 2010, the effect of different scope of consolidation of ¥220 million is included.

4. Adjustments on interest income consist of interest income at the Head Office divisions/departments, which is not allocated to the reported segments, and eliminations of transactions among the reported segments.

5. Adjustments on interest expenses consist of interest expenses at the Head Office divisions/departments, which are not allocated to the reported segments, and eliminations of transactions among the reported segments. For the fiscal year ended March 31, 2010, the effect of different scope of consolidation of ¥32 million is included.

6. Adjustments on equity in earnings (losses) of affiliated companies refer to the deduction of unrealized income relating to the inter-segmental transactions among the reported segments.

7. Adjustments on investment in equity method affiliated companies represent the amount corresponding to ''Foreign currency translation adjustments.''

8. Adjustments on increase in property, plant and equipment and intangible assets refer to increases thereof at the Head Office divisions/departments, which are not allocated to the reported segments. For the fiscal year ended March 31, 2010, the negative effect of different scope of consolidation of ¥145 million is included.

Related information

(1) Information about geographic areas

(a) Sales

2011

Millions of yen

Japan	China	Taiwan	East Asia	Southeast Asia	North America	Others	Total
¥502,614	¥95,375	¥91,496	¥13,295	¥90,911	¥60,374	¥10,012	¥864,077

Thousands of U.S. dollars

Japan	China	Taiwan	East Asia	Southeast Asia	North America	Others	Total
$6,044,666	$1,147,023	$1,100,373	$159,892	$1,093,337	$726,085	$120,410	$10,391,786

*1
Net sales are segmented by country or region according to customers' location data.

*2
Regions are segmented based on their geographical proximity, and only those countries for which the net sales amount accounts for more than 10% of the net sales stated in the Consolidated Statements of Income are separately listed.

*3
Major countries or regions that belong to the segments are as follows:
1. East Asia: South Korea and Hong Kong
2. Southeast Asia: Thailand, Indonesia, Malaysia, etc.
3. North America: United States, Canada and Mexico
4. Others: Bangladesh, Australia, United Kingdom, etc.

(b) Property, plant and equipment

2011 — Millions of yen

Japan	East Asia	Philippines	Southeast Asia	North America	Others	Total
¥158,849	¥11,286	¥61,252	¥1,824	¥26,486	¥5,392	¥265,089

Thousands of U.S. dollars

Japan	East Asia	Philippines	Southeast Asia	North America	Others	Total
$1,910,391	$135,731	$736,645	$21,936	$318,533	$64,846	$3,188,082

*1

Regions are segmented based on their geographical proximity, and only those countries for which the property, plant and equipment amount accounts for more than 10% of the property, plant and equipment stated in the Consolidated Balance Sheets are separately listed.

*2

Major countries or regions that belong to the segments are as follows:

1. East Asia: China and Taiwan
2. Southeast Asia: Thailand, Malaysia and Singapore
3. North America: United States
4. Others: Australia, Solomon Islands, Peru and Chile

(2) Information about major customers

2011	Millions of yen	Thousands of U.S. dollars	
Customer's designation or name	Sales	Sales	Related reported segments
Sumitomo Corporation	¥113,063	$1,359,747	Smelting & Refining, Materials
MITSUI & CO., LTD.	¥ 80,619	$ 969,561	Smelting & Refining

Information about impairment loss of fixed assets by reported segment

Millions of yen

2011	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	¥63	¥—	¥—	¥—	¥—	¥63

Thousands of U.S. dollars

	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	$758	$—	$—	$—	$—	$758

Information about unamortized balance of goodwill by reported segment

Millions of yen

2011	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of fiscal year	¥635	¥—	¥5	¥—	¥—	¥640

Thousands of U.S. dollars

	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of fiscal year	$7,637	$—	$60	$—	$—	$7,697

Effective from the fiscal year ended March 31, 2011, the Company adopted ''Accounting Standard for Disclosures about Segments of an Enterprise and Related Information''(ASBJ Statement No.17 issued on March 27, 2009) and ''Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information''(ASBJ Guidance No.20 issued on March 21, 2008).

16. Asset retirement obligations

(1) Asset retirement obligations that are recorded in the balance sheets

With regard to mines and quarries in operation in Japan, the Company is required by the Mining Safety Act, the Law on Special Measures for Mine Damages Caused by the Metal Mining Industry, etc., the Quarrying Act and leasing agreements to undertake mine pollution prevention activities for post-use specified facilities and to restore such facilities to their original condition. Based on these requirements, the Company records as asset retirement obligations a rational estimate of the expenses required for mine pollution prevention activities and any removal expenses.

For the domestic facilities of the Group in Japan, the Company makes rational estimates of the costs of demolishing and conducting surveys in accordance with requirements regarding special removal methods and obligations to conduct environmental surveys under asbestos damage prevention regulations of asbestos-related regulations and occupational health and safety regulations of dioxin-related regulations, and posts these amounts as asset retirement obligations.

Asset retirement obligations are calculated based on the estimated period until expenditure, the remaining useful life of facilities and the mine life (3 to 32) and discounted by the rates of 1.656% to 2.285%.

Sumitomo Metal Mining Pogo LLC, Sumitomo Metal Mining Arizona Inc., Sumitomo Metal Mining Oceania Pty. Ltd. and Coral Bay Nickel Corporation are subject to the U.S. GAAP or International Financial Reporting Standards, as well as the mining laws and regulations of the United States, Australia and the Republic of the Philippines, respectively. Based on its business plans, the Company determines asset retirement obligations by making rational estimates of its obligations under such regulations of restoring operating mines and smelters to their original condition and the expenses of fulfilling these obligations. Furthermore, during the fiscal year ended March 31, 2011, the Company revised its estimates in accordance with changes in the discount rates and the mine life. Asset retirement obligations are calculated based on determining the estimated period until expenditure, the remaining useful life of facilities and the mine life (8 to 18) and discounted by the rates of 2.1% to 11.0%.

The asset retirement obligations as of March 31, 2011 are as follows:

2011	Millions of yen
Balance at the beginning of the fiscal year*	¥3,484
Newly recorded obligations	701
Adjustment due to passage of time	148
Decrease due to fulfillment of obligations	(17)
Increase due to change in estimates	214
Foreign exchange adjustment	(262)
Year-end balance	¥4,268

2011	Thousands of U.S. dollars
Balance at the beginning of the fiscal year*	$41,900
Newly recorded obligations	8,431
Adjustment due to passage of time	1,780
Decrease due to fulfillment of obligations	(204)
Increase due to change in estimates	2,574
Foreign exchange adjustment	(3,151)
Year-end balance	$51,329

* The balance of the asset retirement obligation at beginning of the fiscal year was determined based upon the guidance set forth in "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008).

(2) Asset retirement obligations other than those recorded in the balance sheets

The Group is required under leasing agreements to restore certain facilities on borrowed buildings and sites to their original condition at the time of removal. In cases where the period of use for lease assets is unclear or for which no relocation plans are in existence, asset retirement obligations cannot be rationally estimated. Furthermore, certain sites at our facilities employ hazardous substances specified under the Water Pollution Control Act, and at the time of removing its facilities the Company is required to conduct soil remediation surveys in accordance with the Soil Contamination Countermeasures Law. However, as the responsibility for fulfilling this obligation is estimated to be deferred, the timing for performing such surveys is unclear. Therefore, asset retirement obligations cannot be rationally estimated. Consequently, no corresponding asset retirement obligations are included in these obligations.

17. Information for certain leases

(1) Finance 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 as of March 31, 2011 and 2010 are as follows:

						Millions of yen
			2011			2010
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**¥91**	**¥79**	**¥12**	¥97	¥75	¥22

			Thousands of U.S. dollars
			2011
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**$1,094**	**$950**	**$144**

Future lease payment, inclusive of interest as of March 31, 2011 and 2010 under such leases are as follows:

		Millions of yen	Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥ 8**	¥13	**$ 96**
Due after one year	**4**	9	**48**
Total	**¥12**	¥22	**$144**

Total lease expenses and assumed depreciation charges for the fiscal years ended March 31, 2011, 2010 and 2009 are as follows:

			Millions of yen	Thousands of U.S. dollars
	2011	2010	2009	**2011**
Total lease expenses	**¥14**	¥22	¥38	**$168**
Assumed depreciation charge	**14**	22	38	**168**

As a lessor

As of March 31, 2011 and 2010, there was no lease asset related to non-ownership transfer the Company leased as a lessor.

(2) Operating leases

Future minimum lease payments as of March 31, 2011 and 2010 are as follows:.

		Millions of yen	Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥ 138**	¥ 139	**$ 1,660**
Due after one year	**1,035**	1,173	**12,447**
Total	**¥1,173**	¥1,312	**$14,107**

18. Business combination

The fiscal year ended March 31, 2010

Acquisition of Teck Pogo Inc. by the purchase method

(1) OUTLINE OF THE TRANSACTIONS

(a) Name and business of the acquiree

Company name: Teck Pogo Inc.

Description of business: Participation in the management and operation of the Pogo Gold Mine, located in the state of Alaska in the U.S., based on the company's 34% equity interest.

(b) Outline and details of the purpose of the transaction

The principal reason for business combination

Sumitomo Metal Mining Co., Ltd. continues to pursue its objective of becoming a major player in the global non-ferrous metals market. Currently, SMM Pogo LLC, a consolidated subsidiary of the Company's wholly owned subsidiary Sumitomo Metal Mining America Inc., holds a 51% in the mine. Using SMM Pogo LLC as its vehicle, the Company acquired Teck Pogo Inc., which holds a 34% interest in the subject mine. In completing this acquisition, the Company gained a majority share in the Pogo Gold Mine enabling it to manage and operate the mine in its own right. This acquisition also serves to further advance the Company's overseas resource development business.

(c) Effective date of business combination

July 7, 2009

(d) The legal structure of the business combination and the name of the company after business combination

The legal structure of the business combination:

Acquisition of shares whose consideration was cash was executed based on the share purchase agreement

The name of the company after business combination:

After reorganization of the structure of Teck Pogo Inc. to Teck Pogo LLC, the name of the company was changed to Sumitomo Metal Mining Pogo LLC

(e) Share of voting rights acquired

100%

(2) THE PERIOD OF THE OPERATING RESULT OF THE ACQUIREE INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

The account settlement date of the company involved in the relevant acquisition is December 31. The operating results for the period from July 7, 2009 to December 31, 2009 have been brought to account.

(3) ACQUISITION COST

¥20,203 million

(4) GOODWILL

(a) The amount of negative goodwill

¥985 million

(b) Principal reason for the incidence of negative goodwill

After confirming the acquisition cost applicable to the Teck Pogo shares with its parent company Teck Resources Ltd. the market price of gold increased. This gave rise to an unrealized gain on the transaction.

(c) The amortization method and amortization period

The amortization of negative goodwill is subject to the provisions outlined under the US accounting standard for business combinations. Negative goodwill has been amortized as a lump sum in the accounting period in which it occurred.

(5) BREAKDOWN OF MAJOR ASSETS AND LIABILITIES RECEIVED AND THEIR AMOUNTS ON THE DATE OF BUSINESS COMBINATION

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,920	$ 20,634
Long-term assets	21,514	231,211
Current liabilities	(798)	(8,576)
Long-term liabilities	(1,448)	(15,561)
Negative goodwill	(985)	(10,586)
Acquisition cost of the company involved in the relevant acquisition	¥20,203	$217,120

(6) ESTIMATED IMPACT ON THE CURRENT FISCAL YEAR'S CONSOLIDATED FINANCIAL STATEMENTS IF THE BUSINESS COMBINATION HAD OCCURRED AT THE BEGINNING OF THE FISCAL YEAR (UNAUDITED)

	Millions of yen	Thousands of U.S. dollars
Net sales	¥5,448	$58,549
Operating income	1,787	19,205
Ordinary income	1,357	14,584
Income before income taxes and minority interests	1,357	14,584
Net income	¥ 811	$ 8,716
Net income per share (yen and dollars respectively)	¥ 1.45	$ 0.016

* The pro forma information disclosed in the above table expressed the difference between the estimated sales and earnings assuming that the business combination had been completed at the beginning of the current fiscal year and the actual sales and earnings presented in the consolidated statements of income of the acquirer.

Establishment of Sumiko Kunitomi Denshi Co., Ltd.

(1) OUTLINE OF THE TRANSACTIONS BY THE TRANSACTION UNDER COMMON CONTROL

(a) The name of the subject business and the content of its business

Type of business: A business whose principal function is the manufacture of crystalline and magnetic materials

Description of business activities: Primarily the manufacture of crystalline and magnetic materials at the Company's former Kunitomi District Division

(b) Outline and details of the purpose of the transaction

In an effort to further strengthen and expand its business operations in electronics and advanced materials, the Company reorganized its activities in each of these areas on October 1, 2008. Under this restructuring the Electronics Division and the Advanced Materials Division were reorganized into the Semiconductor Materials Division and a newly constituted Advanced Materials Division. Historically, the former Kunitomi District Division served as a manufacturing base for crystalline materials including tantalic acid lithium and niobic acid lithium crystals as well as such magnetic materials as samarium iron-nitrogen. These businesses, however, continue to feel the effects of sharp and dramatic market adjustments peculiar to electronics-related industries as well as unforeseen substantial declines in prices. Buffeted by a harsh operating environment, the crystalline and magnetic materials businesses which had been operated at the former Kunitomi District Division were transferred as a short form corporate split to the Sumitomo Kunitomi Denshi Co., Ltd., which was newly established, on April 1, 2009.

(c) Effective date of business combination

April 1 2009

(d) The name of the company after business combination

Sumiko Kunitomi Denshi Co., Ltd. (a consolidated subsidiary of the Company)

(e) The legal structure of the business combination

The business combination was accomplished utilizing an incorporation-type corporate split method (short form merger) with the Company as the corporate split company and Sumiko Kunitomi Denshi Co., Ltd., a company engaged in the manufacture of crystalline and magnetic materials, as the newly established company.

(2) OUTLINE OF THE ACCOUNTING PROCEDURE IMPLEMENTED

The Company implemented the accounting procedure for a business combination under common control based on the "Accounting Standards for Business Combinations" issued by the Business Accounting Council on October 31, 2003 and the "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (Guidance No.10 issued by the Accounting Standards Board of Japan, revised on November 15, 2007).

Absorption merger between Sumitomo Metal Mining Pogo LLC and SMM Pogo LLC

(1) OUTLINE OF THE TRANSACTIONS

(a) Name and business of the acquirer

Company name: Sumitomo Metal Mining Pogo LLC

Description of business: Holder of an equity interest in the Pogo Gold Mine located in the state of Alaska in the United States while at the same time serving as mine manager and operator.

(b) Name of the company of the acquiree

Name of the combining company: SMM Pogo LLC

Description of business activities: Holder of an equity interest in the Pogo Gold Mine located in the state of Alaska in the United States.

(c) Outline and details of the purpose of the transaction

With the aim of managing and operating the Pogo Gold Mine in its own right, the Company utilizing SMM Pogo LLC, a consolidated subsidiary which held a 51% interest in the mine, acquired all of the issued and outstanding shares of Teck Pogo Inc., a company which held a 34% interest in the mine (following the acquisition of shares, the name of Teck Pogo Inc. was changed to Sumitomo Metal Mining Pogo LLC). In order to unify management of such subsidiaries with interests in the Pogo Gold Mine as Sumitomo Metal Mining Pogo LLC and SMM Pogo LLC, they undertook an absorption-type merger.

(d) Date of the merger

July 8, 2009

(e) The name of the company after business combination

Sumitomo Metal Mining Pogo LLC

(f) The legal structure and method of the business combination
The business combination was accomplished utilizing an absorption-type merger method with Sumitomo Metal Mining Pogo LLC as the surviving company and SMM Pogo LLC as the liquidated company.

(2) OUTLINE OF THE ACCOUNTING PROCEDURE IMPLEMENTED
Accounting procedures implemented for the merger were in accordance with accounting standards and practices generally accepted in the United States. These accounting procedures had no impact on the consolidated financial statements.

The fiscal year ended March 31, 2011
Establishment of Shisaka Smelting Co., Ltd
(1) OUTLINE OF THE TRANSACTIONS BY THE TRANSACTION UNDER COMMON CONTROL
(a) The name of the subject business and the content of its business
Type of business: Manufacture of crude zinc oxide
Description of business activities: Primarily manufacture of crude zinc oxide at the Company's Shisaka Plant

(b) Outline and details of the purpose of the transaction
The Company previously performed operations in the manufacture of crude zinc oxide at its Shisaka Plant by recovering zinc from steelmaking dust produced by electric furnace manufacturers. However, sluggish growth in the volume of steelmaking dust collected was resulting in reduced production ratios and a severe operating environment for Shisaka Plant. In order to address this situation, the Company established a new company dedicated to the manufacture of crude zinc oxide in the form of a spin-off. This company was established to strengthen production systems by separating the maintenance and management of assets relating to past operations at Shisaka Plant from the manufacture of crude zinc oxide.

Another goal of this establishment was fortifying raw material procurement capabilities through direct collaboration for the collection of steelmaking dust with the consignee, MS Zinc Co., Ltd., an equity-method affiliate of the Company.

(c) Effective date of establishment
October 1, 2010

(d) The name of the company after business combination
Shisaka Smelting Co., Ltd. (a consolidated subsidiary of the Company)

(e) The legal structure of the business combination
The business combination was accomplished utilizing an incorporation-type corporate split method (short form merger) with the Company as the corporate split company and Shisaka Smelting Co., Ltd., a company engaged in the manufacture of crude zinc oxide, as the newly established company.

(2) OUTLINE OF THE ACCOUNTING PROCEDURE IMPLEMENTED
The Company implemented the accounting procedures for a business combination under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, of December 26, 2008) and "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (Revised guidance No.10, issued on the ASBJ on December 26, 2008).

Formation of a jointly controlled company
(1) OUTLINE OF THE TRANSACTIONS
(a) The name of the subject business and the content of its business
Type of business: Copper and copper alloy fabricated business of consolidated subsidiary Sumitomo Metal Mining Brass & Copper Co., Ltd.
Description of business activities: Primarily manufacture and sales of brass strips, sheets, and rolled products

(b) Outline and details of the purpose of the transaction
Previously, the Company's copper and copper alloy fabricated business achieved its high profitability through constructing an integrated supply system handled by consolidated subsidiary Sumitomo Metal Mining Brass & Copper Co., Ltd., while placing a particular focus on the utilization of rolling, plating, and other treatment technologies. Meanwhile, Mitsui Mining & Smelting Co., Ltd. had established a leading position in brass production in Japan through the integrated supply system of its Rolled Copper & Zinc Division, which covered all aspects for production from raw materials to fabrication.

However, demand for copper and copper alloy fabricated products has rapidly declined since around 2000, and competition within the industry has been intensifying every year. To prosper in this environment, Mitsui and Sumitomo have decided to integrate their copper and copper alloy businesses to establish a system to develop synergies through more effective utilization of production facilities, improved operational and managerial efficiency, and the supplementation and augmentation of each companies' manufacturing technologies.

This integration will enable the companies to create a stable supply system for high-quality rolled copper and copper alloy products that responds quickly to demand, establish overwhelming supremacy in the brass business in the Japanese market, and aggressively develop operations in other Asian markets to further increase the scale of operations.

(c) Effective date of business combination
July 1, 2010

(d) The name of the company after business combination
Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.

(e) The legal structure of the business combination
The business combination was accomplished utilizing an absorption-type split with Mitsui Mining & Smelting Co., Ltd. as the splitting company and Sumitomo Metal Mining Brass & Copper Co., Ltd. (consolidated subsidiary of the company) as the succeeding company.

(f) Reason for definition as a jointly controlled company
In regard to Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.'s definition as a jointly controlled company, the Company and Mitsui Mining & Smelting Co., Ltd. have concluded a shareholders' agreement defining the company as a jointly controlled company. Further, consideration for the business combination was paid entirely in the form of stock with voting rights. Moreover, there is nothing that suggests a different type of control. Therefore, the company after the business combination is defined as a jointly controlled company.

(2) Outline of the accounting procedure implemented
The Company implemented the accounting procedures for the formation of a jointly controlled company based on the accounting standards ''Accounting Standard for Business Combinations'' (ASBJ Statement No.21, issued by the ASBJ on December 26, 2008) and ''Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures'' (Guidance No.10, revised by the ASBJ on December 26, 2008).

Further, Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd. is an equity-method affiliate of the Company with the Company and Mitsui Mining & Smelting Co., Ltd. each possessing 50% of its voting rights.

19. Condensed financial information of a major affiliated company

Pursuant to the relevant accounting standards, condensed financial information of Sociedad Minera Cerro Verde S.A.A., which is disclosed for the year ended December 31, 2010 and 2009 is as follows.

2010	Millions of yen
Total current assets	¥ 93,590
Total long-term assets	92,697
Total current liabilities	39,832
Total long-term liabilities	20,056
Total net assets	126,399
Net sales	207,997
Net income before tax	146,335
Net income	92,578

2009	Millions of yen
Total current assets	¥ 71,081
Total long-term assets	105,120
Total current liabilities	24,841
Total long-term liabilities	18,175
Total net assets	133,185
Net sales	164,608
Net income before tax	105,099
Net income	66,361

2010	Thousands of U.S. dollars
Total current assets	$1,125,556
Total long-term assets	1,114,817
Total current liabilities	479,038
Total long-term liabilities	241,203
Total net assets	1,520,132
Net sales	2,501,467
Net income before tax	1,759,892
Net income	1,113,385

20. Earnings per share

Reconciliation of the difference between basic and diluted net income per share (“EPS”) for the fiscal years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Basic net income per share calculation				
Numerator:				
Net income	¥ 83,962	¥ 53,952	¥ 21,974	$1,009,765
Denominator (thousands of shares):				
Weighted average number of shares	562,067	560,485	565,338	—
Basic EPS (yen and U.S. dollars)	¥ 149.38	¥ 96.26	¥ 38.87	$ 1.80
Diluted net income per share calculation				
Numerator:				
Net income	¥ 83,962	¥ 53,952	¥ 21,974	$1,009,765
Adjusted net income	84,826	54,816	22,838	1,020,156
Denominator (thousands of shares):				
Weighted average number of shares	562,067	560,485	565,338	—
Assumed conversion of convertible bonds	57,176	57,176	65,842	—
Adjusted weighted average number of shares	619,243	617,661	631,180	—
Diluted EPS (yen and U.S. dollars)	¥ 136.98	¥ 88.75	¥ 36.18	$ 1.65

21. Subsequent event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was approved at a shareholders’ meeting held on June 27, 2011:

	Millions of yen	Thousands of U.S. dollars
Year-end dividends of ¥20.00 per share	¥11,240	$135,177

Independent Auditors' Report

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, 2011 and 2010, and the related consolidated statements of comprehensive income for the years then ended, and the related consolidated statements of income, and statements of changes in net assets and cash flows for the three years in the period ended March 31, 2011, all 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 financial position of Sumitomo Metal Mining Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations for comprehensive income for the years then ended and the results of their operations for income and their cash flows for each of the three years in the period ended March 31,2011 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 27, 2011

Glossary

Mineral resources segment and Smelting & refining segment

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 on 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.

Metal refining

Smelting and refining

Refining processes extract valuable metals from ores or other raw materials. They fall into two basic types: pyrometallurgical (dry) and hydrometallurgical (wet). 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.

Hydrometallurgical refining

The ore and impurities are dissolved in a solution, and chemical reactions are used to separate out the metal.

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 60% 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 75–80% 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.

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 Leach (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.

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 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.

Materials segment

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 top share of the CCPF supplied for use in large liquid crystal displays (LCDs).

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

As of March 31, 2011

Corporate Data

Founded	1590
Incorporated	1950
Paid-In Capital	¥93.2 billion
Number of Employees	2,130
Head Office	11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan

Investor Information

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: 57,204

Listing of Shares	Tokyo, Osaka
Stock Transaction Unit	1,000 shares

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
Website URL: http://www.smm.co.jp/E/

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

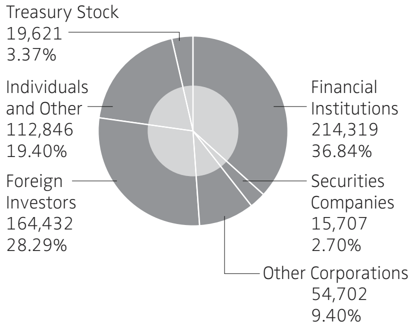
Method of Public Notice
Electronic notification (However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.)

Independent Public Accountant
KPMG AZSA LLC
1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

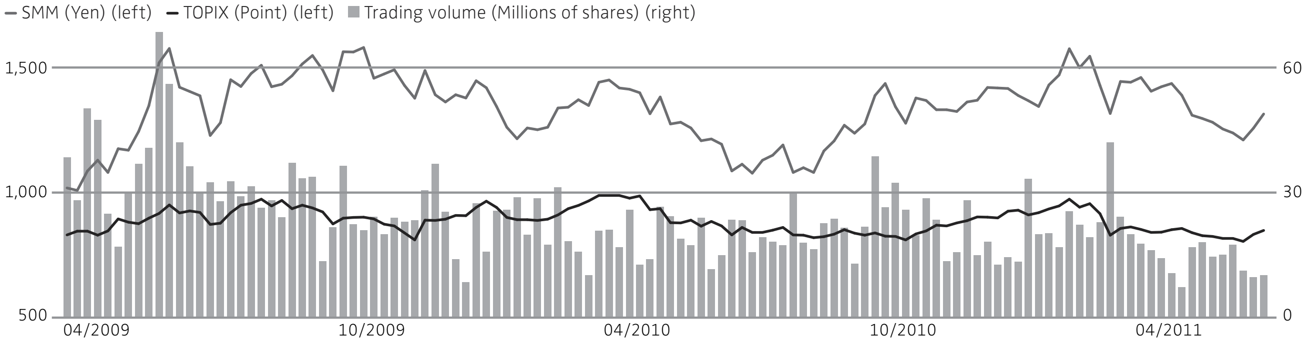
Major Shareholders	Number of shares held (thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust accounts)	49,125	8.7
The Master Trust Bank of Japan, Ltd. (Trust accounts)	40,955	7.3
SSBT OD05 OMNIBUS ACCOUNT—TREATY CLIENTS	11,320	2.0
Sumitomo Metal Industries, Ltd.	8,715	1.6
NT RE GOVT OF SPORE INVT CORP P.LTD	8,052	1.4
THE CHASE MANHATTAN BANK, N. A. LONDON SECS LENDING OMNIBUS ACCOUNT	7,795	1.4
Sumitomo Mitsui Banking Corporation	7,650	1.4
Sumitomo Life Insurance Company	7,474	1.3
Sumitomo Corporation	7,000	1.2
Japan Trustee Services Bank, Ltd. (Trust accounts 9)	6,756	1.2

Note: Shareholding ratio is calculated excluding treasury stock.

Breakdown of Shareholders
(Thousands of shares)



Stock Price and Trading Volume
— SMM (Yen) (left) — TOPIX (Point) (left) ■ Trading volume (Millions of shares) (right)



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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