

Fiscal Year 2006 Financial Report Briefing Materials

May 11, 2007

Sumitomo Metal Mining Co., Ltd.

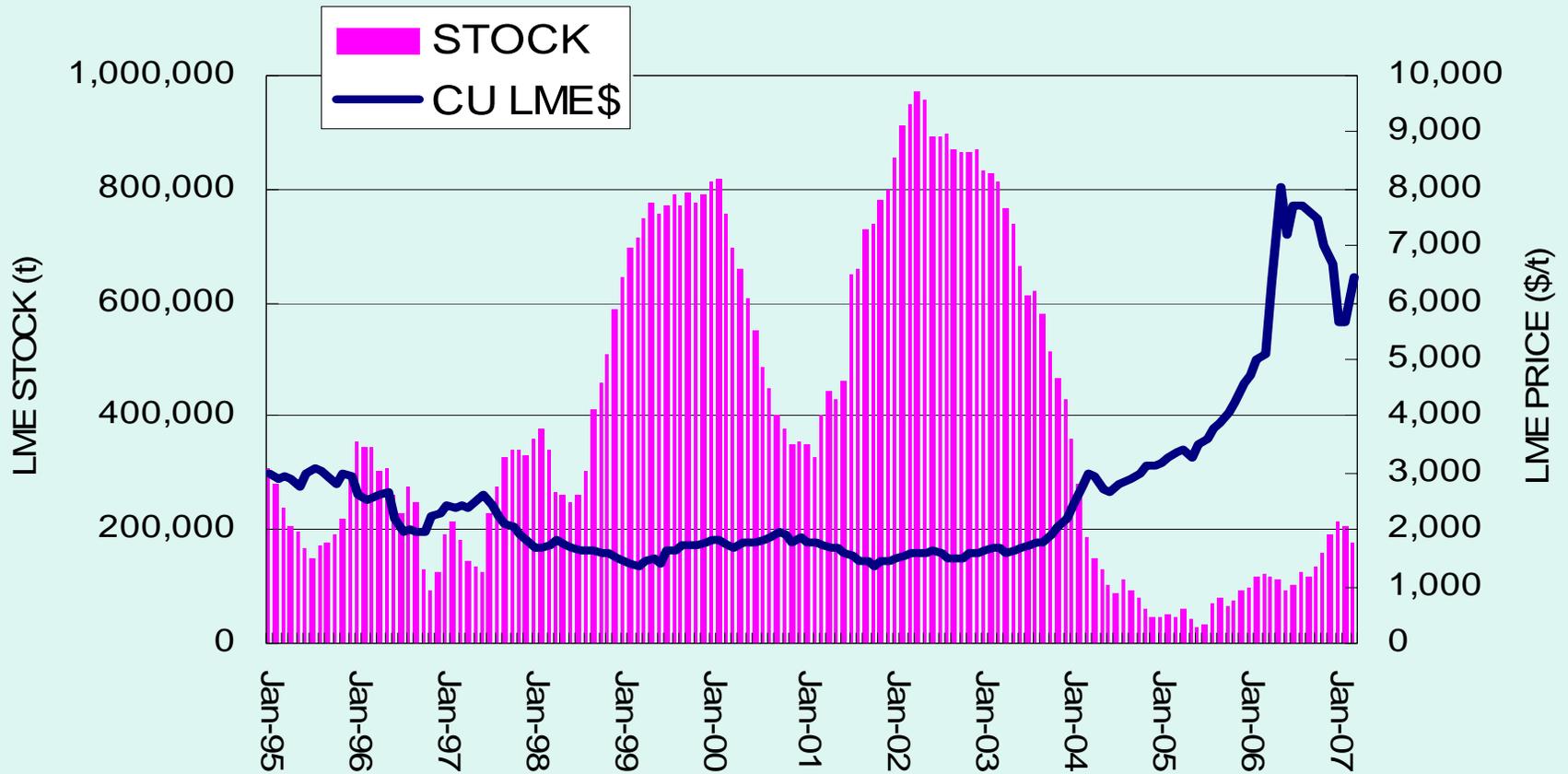
**Yoshiaki Nakazato
Director**

Contents

Page no.	Item
3	. Prices and Exchange Rates
9	. Operating Results
13	. FY2006 vs FY2005
20	. Progress on 03 3-Yr Plan Core Strategies
36	. FY2007 Forecasts vs FY2006

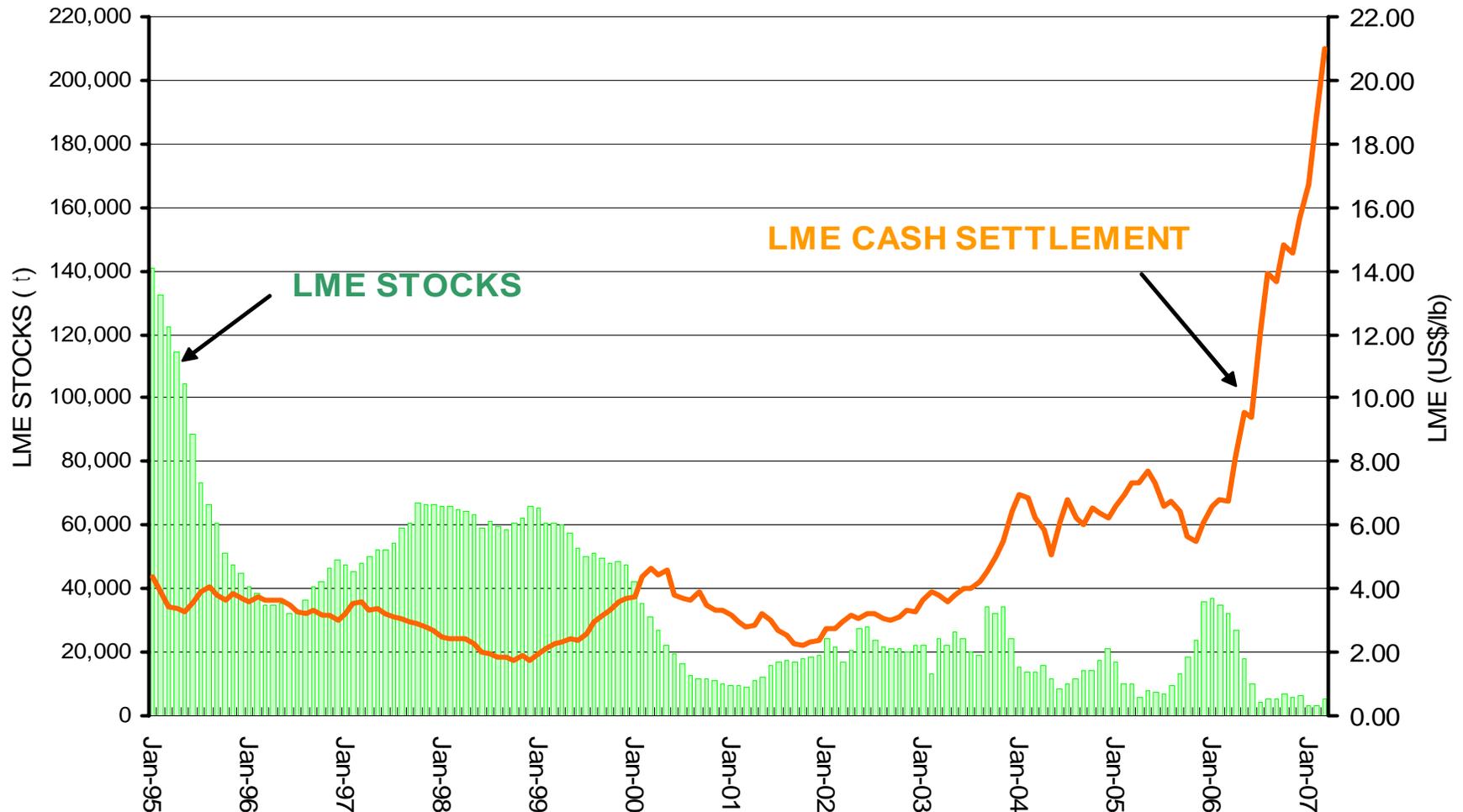
. Prices and Exchange Rates

- 1. Copper LME Prices and Stocks



	FY2004	FY2005	FY06 1H	FY06 2H	FY2006	FY2007 projection
\$/t	3,000	4,097	7,440	6,501	6,970	6,000
¢ /lb	136.1	185.8	337.5	294.9	316.2	272.2

- 2. Nickel LME Prices and Stocks



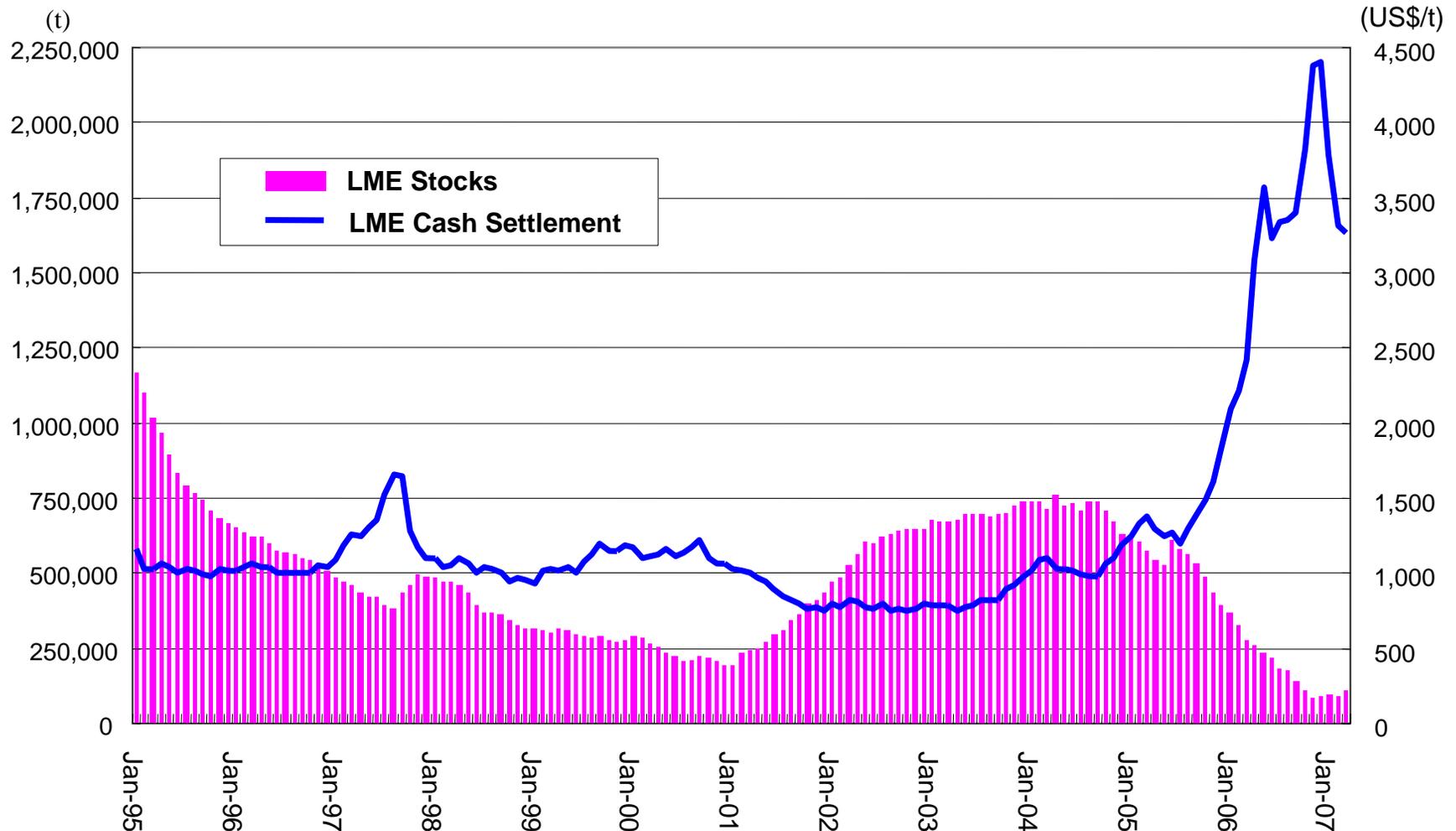
	FY2004	FY2005	FY06 1H	FY06 2H	FY2006	FY2007 projection
\$/lb	6.34	6.63	11.13	16.91	14.02	16.00

- 3. Gold Prices

	FY2004	FY2005	FY06 1H	FY06 2H	FY2006	FY2007 projection
\$/Toz	414.0	476.6	624.8	632.4	628.6	620

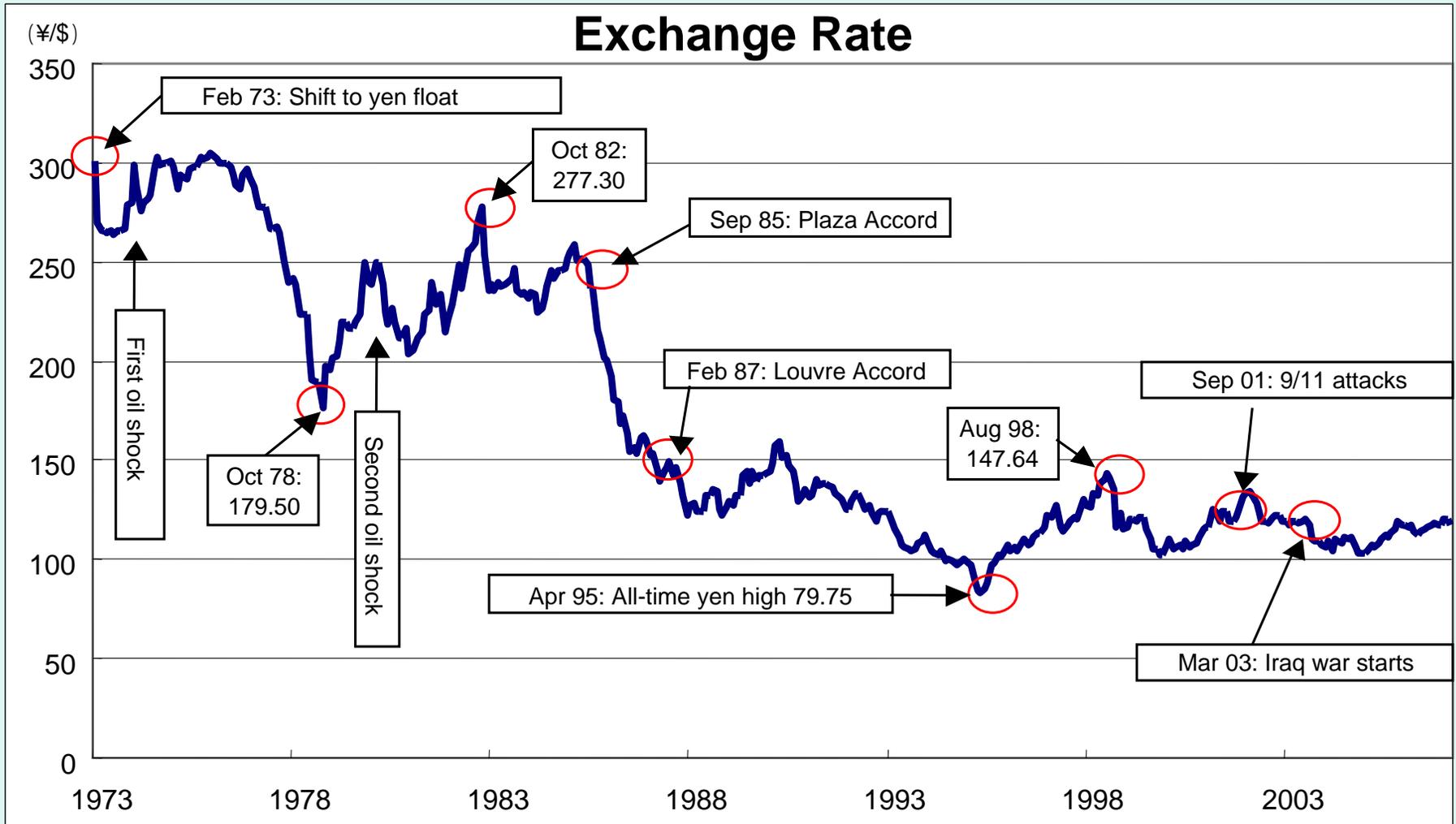


- 4. Zinc LME Prices and Stocks



	FY2004	FY2005	FY06 1H	FY06 2H	FY2006	FY2007 projection
\$/t	1,110	1,614	3,328	3,830	3,579	3,200

- 5. Forex Movements (¥/\$)



	FY2004	FY2005	FY06 1H	FY06 2H	FY2006	FY2007 projection
¥/\$	107.54	113.32	115.38	118.67	117.03	110.00

. Operating Results

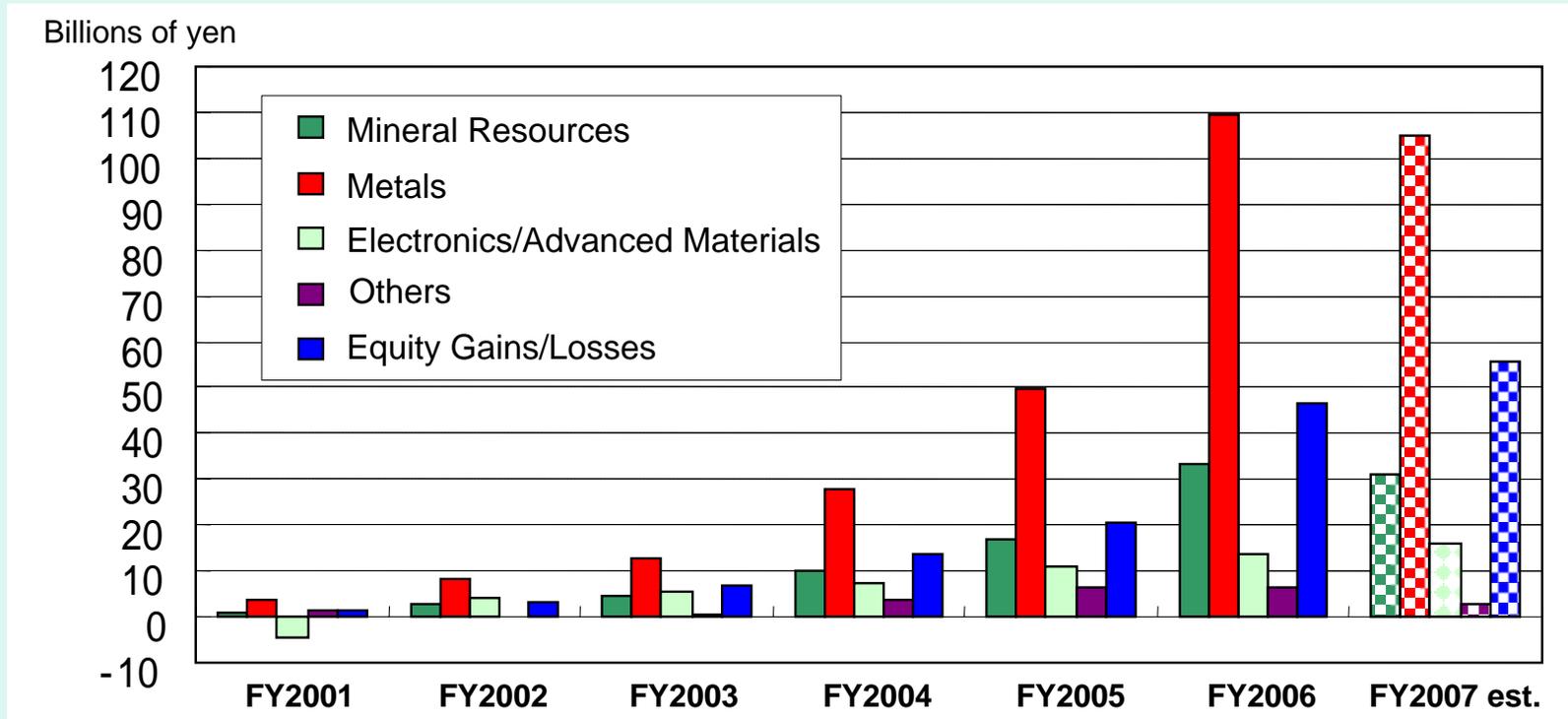
- 1. Consolidated Results

(Billions of yen)

	FY2004	FY2005	FY2006	FY2006 Mid-Plan	FY2009 Mid-Plan
Sales	484.6	625.6	966.8	480.0	680.0
Operating Income	47.9	82.8	162.6	33.0	76.0
Recurring Profit	54.5	99.7	205.3	35.0	100.0
Net Income	37.0	62.8	126.1	25.0	64.0
Net Income / Share (Yen)	64.77	109.96	220.49	NA	NA
Dividends / Share (Yen)	8.00	14.00	27.00	NA	NA
¥/\$	107.5	113.3	117.0	110.0	110.0
Copper (¢/lb)	136.1	185.8	316.2	90.7	181.4
Nickel (\$/lb)	6.34	6.63	14.02	3.50	7.00
Gold (\$/Toz)	414.0	476.6	628.6	320.0	550.0
Zinc (\$/t)	1,110	1,614	3,579	950	2,250

- 2. Operating Results

(Operating income by segment, equity in earnings of affiliated companies)



	FY2003	FY2004	FY2005	FY2006	FY2007 est.
¥/\$	113	108	113	117	110
Cu(¢/lb)	92.8	136.1	185.8	316.2	272.2
Ni(\$/lb)	5.10	6.34	6.63	14.02	16.00
Au(\$/toz)	377.6	414.0	476.6	628.6	620.0
Zn(\$/t)	899	1,110	1,614	3,579	3,200
TC/RC(90¢/lb)	58/5.8	43/4.3	85/8.5	95/9.5	60/6.0

- 3. FY06 Results vs 03 3-Yr Plan

Recurring profit target achieved

FY06 recurring profit (RP): ¥205.3 billion

Adjustments:

Metal prices -166.9

Forex -7.0

Material costs +12.1

Other -6.5

03 3-Yr Plan RP target (FY06)

vs **¥35.0 billion**

Adjusted FY06 RP **37.0**

. FY2006 vs FY2005

- 1. Recurring Profit (FY06 vs FY05)

Recurring Profit **+¥105.6 billion** (205.3 99.7)

1. Market factors **+¥82.0 billion**

- 1) **Impact of inventory valuation** **-¥2 billion**
Effect of higher metal prices (FIFO basis)
- 2) **Higher non-ferrous metal prices** **+¥86.0billion**
Cu +48.7, Ni +33.2, Au +4.0
- 3) **Exchange rate movements** **+¥5 billion**
+¥3.7/\$ (weaker yen)
- 4) **Others** **-¥7 billion yen**
Raw materials/changes in terms -3, derivatives -4

2. Effect of mineral resource/metals projects **+¥20.7 billion**

Higher profits from increased electrolytic copper production, Coral Bay, rights acquisitions (Cerro Verde/Ojos)

- 1. Recurring Profit (FY06 vs FY05)

3. Profit growth outside mineral resource/metals sectors +¥8.2 billion

1) Operating income +3.6

[1] Electronic/advanced materials (copper-clad polyimide film, battery materials, packaging materials) +2.4

[2] Housing/construction materials (Siporex) ± 0

[3] Other operations (NCC, etc.) +1.2

2) Equity-method affiliate earnings (excluding overseas mines) +4.6

Note: Overseas mines included in “1. Market factors;” total equity-method earnings = +¥24.8bn

4. Others –¥5.3 billion

- 2. FY06 v s FY05 (Operating Income by Segment)

(Billions of yen)

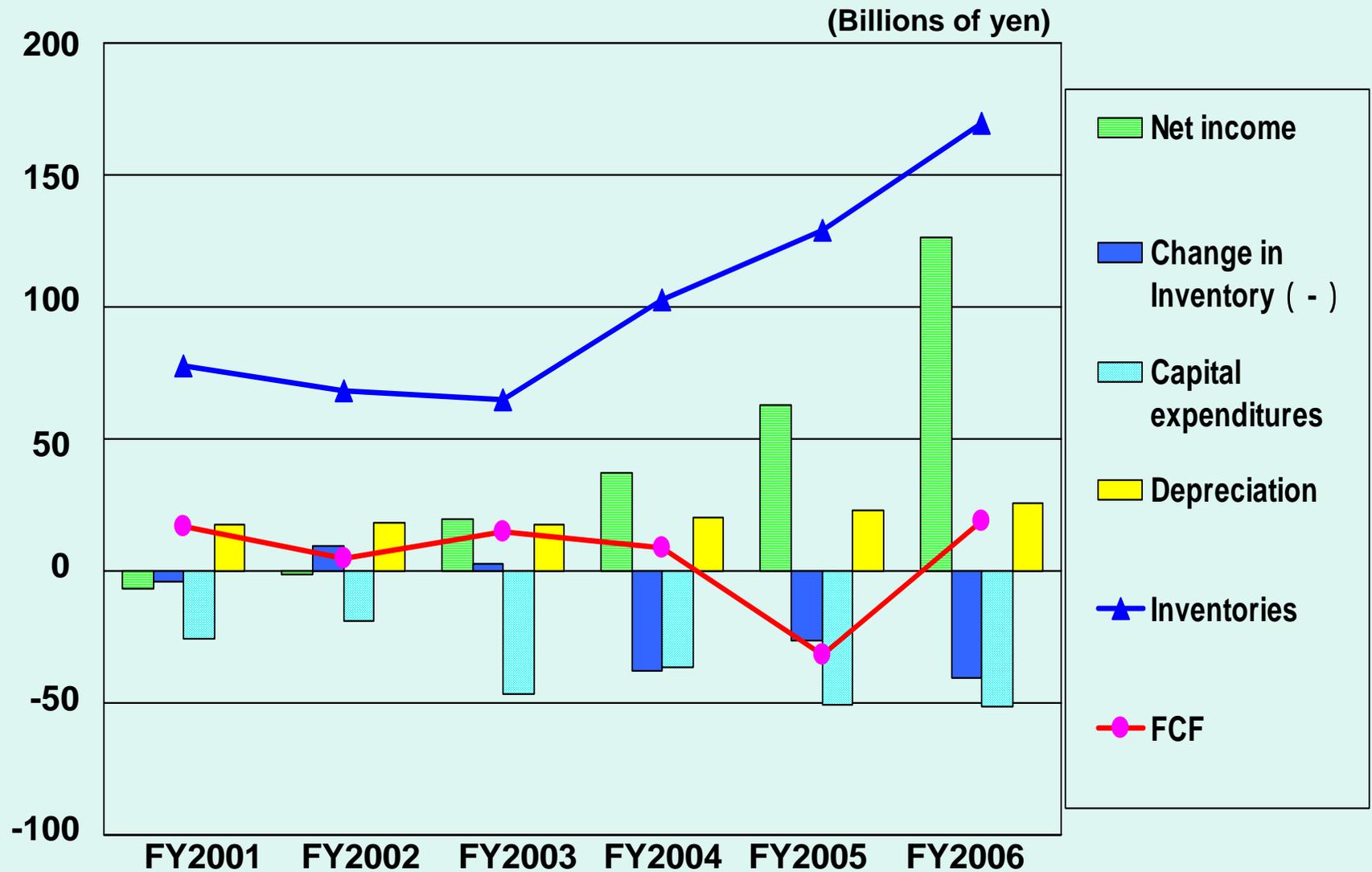
<p>Mineral resources +16.4</p>	<p>SMM parent gross profit (higher gold price, etc.) +4.3 Overseas copper mining operations, notably SMM Arizona +14.7 Pogo Gold Project –1.9 (production lost due to burn-out damage to power supply)</p>
<p>Metals +59.9</p>	<p>SMM gross profit +54.9 Cu operations +7.8: prices/terms +16.6, volume +2.7, inventory valuation –11.8, etc. Ni operations +40.5: prices/terms +22.4, inventory valuation +10.6, by-products +4.8, etc. Other operations +6.6: higher zinc prices +6.3</p>
<p>Electronics/ Advanced Metals +2.4</p>	<p>Higher sales across board, especially copper-clad polyimide film; profits squeezed by higher raw material costs due to inflated metal prices</p>
<p>Construction Materials ± 0</p>	<p>Strong growth in sales of Siporex (ALC); profits on par with FY05 due to impact of higher costs of raw materials and energy</p>
<p>Others –0.2</p>	<p>Profits reduced due to lower prices for molybdenum and vanadium metals recovered from used catalysts</p>

- 3. Financial Position

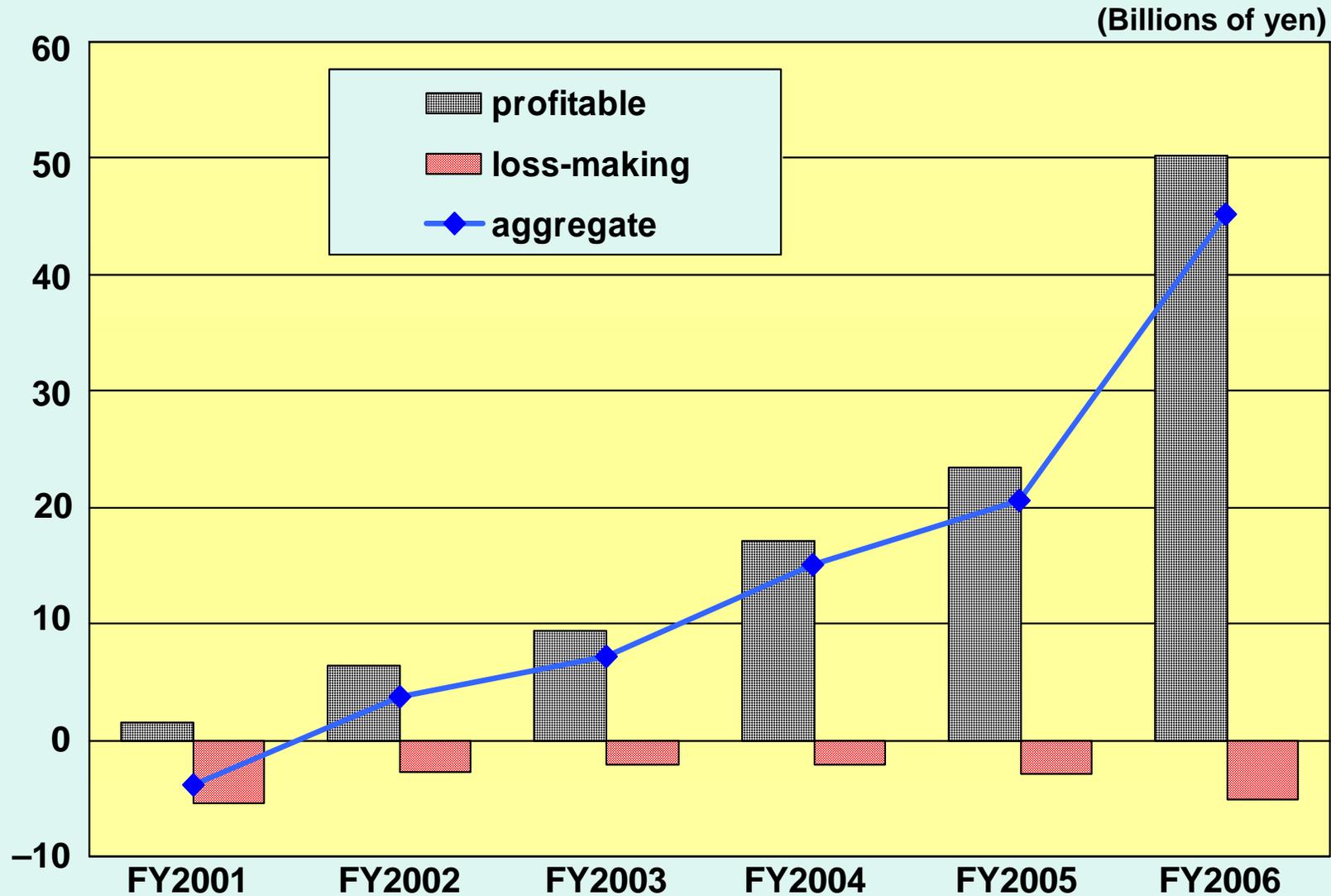
(Billions of yen)

	FY2004	FY2005	FY2006	FY06 Mid-Plan
Total assets	573.9	772.6	929.2	585.0
Interest-bearing debt	160.5	190.9	189.9	165.0
Interest-bearing debt ratio (%)	28.0	24.7	20.4	30.0
Equity ratio (%)	49.5	48.4	53.4	40.0
D/E ratio(times)	0.57	0.51	0.38	N A
Inventories	102.8	128.9	169.3	N A

- 4. Cash Flow



- 5. Performance of Subsidiaries/Affiliates



Subsidiary/affiliate restructuring (Feb. 2000 to Mar. 2007):

94 companies – 40 liquidated/sold off – 3 merged + 22 established = 73 companies

. Progress on 03 3-Yr Plan Core Strategies

Mineral resources/metals:

**Targeting “non-ferrous metals major”
status within 10 years**

Electronic and advanced materials:

**Targeting leading global market share
by product**

- 1. Mineral Resources & Metals Strategy: Copper

Higher competitiveness from smelting capacity expansion + securing resources

1. Toyo facility (Ehime Prefecture): 300 450ktpa (world-leading capacity)
2. Secure copper resources: proprietary ore ratio* from 40% to ~67%
3. Jinglong smelter (China SMM 27%): 150 210ktpa
4. Pogo Gold Project: on track relative to plan

*Total procured volume from mines in which SMM has ownership stake

Toyo Smelter & Refinery (Copper ; Ehime Prefecture)



03 3-Yr Plan target: Capacity up to 410ktpa during FY06 ahead of 450ktpa as final aim



Result

FY05: Capacity increased to 365ktpa during regular furnace maintenance (5/15 ~ 6/19)

FY06: Capacity increased to 410ktpa during regular furnace maintenance (November)

FY07: Operating capacity to be raised to 450ktpa level during second half

(Total investment 29 billion yen)

Cerro Verde Copper Mine (Peru)

March 2005: Sumitomo Corp. agreement with Phelps Dodge secured a 21% equity stake (of which SMM owns 16.8%)



Nov. 2006: new primary sulfide deposit comes on stream

**Total investment: US\$850m
(\$265m from Japanese side)**

Production: 180ktpa (Cu-equivalents)

**Offtake rights: 50% of copper concentrates
for first 10 yrs**

Aiming to boost proprietary ore ratio to 2/3 (as per standard definition) by virtue of ore gained through this agreement.

Jinlong Copper Co., Ltd. (Anhui, PRC)

1995: SMM acquired equity stake (27%);
new smelter constructed

Electrolytic copper production

1997	2002	2005	2006	2007	2008
100	150	210	250	300	400Kt/Y

Above plan (210ktpa); aim to expand into China's largest smelter (400ktpa)

Pogo Gold Project (Alaska, USA): SMM stake 51%

Est. gold reserves: 152t; production: approx. 12tpa; investment: US\$378m

Feb. 2006: gold production start-up

Oct. 2006: temporary halt (burn-out damage to power supply)

Apr. 2007: additional works completed; mine at 80%+ of full capacity

Exploration in vicinity ongoing

- 2. Mineral Resources & Metals Strategy: Nickel

- 1. Coral Bay Project (Philippines): plan targets achieved on time**
- 2. Projects to secure fresh nickel resources ongoing**

Coral Bay Nickel Project (Philippines): SMM stake 54%

Nickel recovery from large low-grade oxide deposit provides successful demonstration of world-class HPAL technology



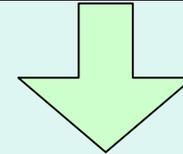
Total investment: US\$180m

Production capacity: 10ktpa

Apr. 2005: commercial production start-up

Nov. 2005: production rate hits plan target

Rate achieved in 2006: 8ktpa



Second phase plant under construction

Total investment: US\$285m

Production capacity: 10ktpa

Production start-up: Apr. 2009

Goro Nickel Project (New Caledonia)

April 2005: agreement signed with Inco (pre-merger)

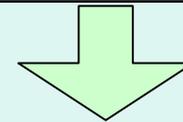
Japanese stake: 21% (SMM 11% + Mitsui & Co. 10%)

Initial plan

Total investment: US\$1,878m

Production capacity: ~60ktpa (Ni)

Slated production start-up: Oct-Dec 2007



Apr. 26/07: CVRD injects capex

Total investment: US\$3,212m

Production capacity: ~60ktpa (Ni)

Slated operation start-up: end-2008



HPAL II project: Taganito (Mindanao, Philippines)

March 2007: feasibility study contract signed with Taganito Mining

2nd SMM project using HPAL technology to refine nickel oxide ore

Total investment: US\$1,000m+

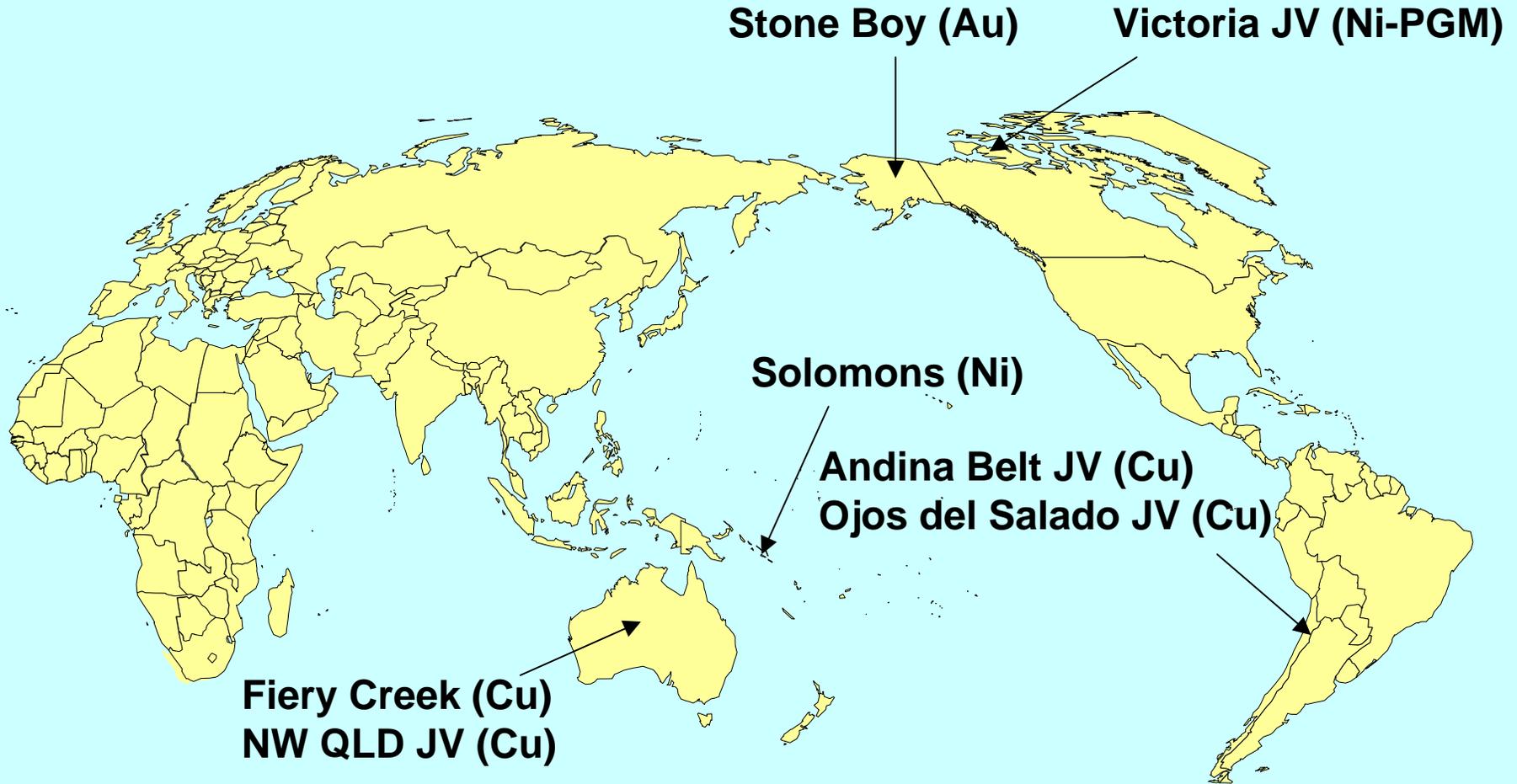
Production capacity: 30ktpa (Ni), 2.5ktpa (Co)

Production phase: ~30yrs from 2012

Ore usage: commercial production of electrolytic nickel and cobalt at SMM refinery (Ehime)

- 3. Mineral Resources & Metals Strategy

Current main exploration projects



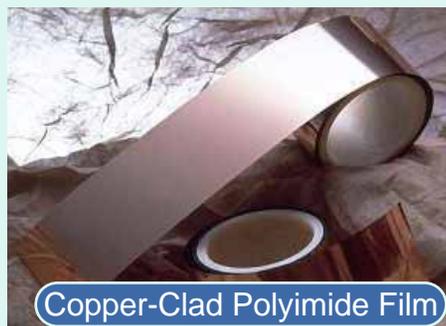
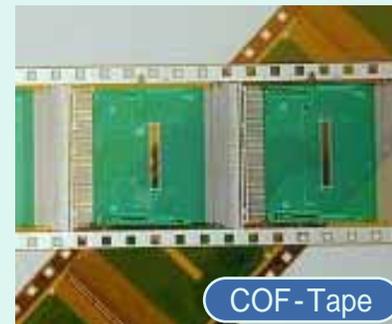
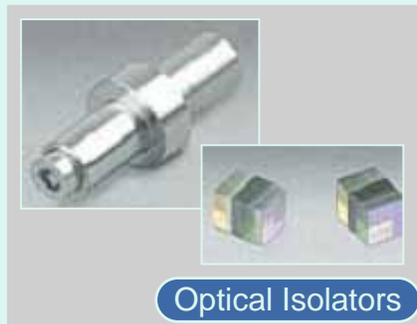
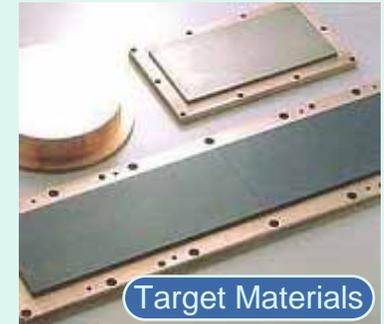
Solomon Islands Project



**Next HPAL project after Coral Bay and
Taganito; feasibility study targeted for
FY09**



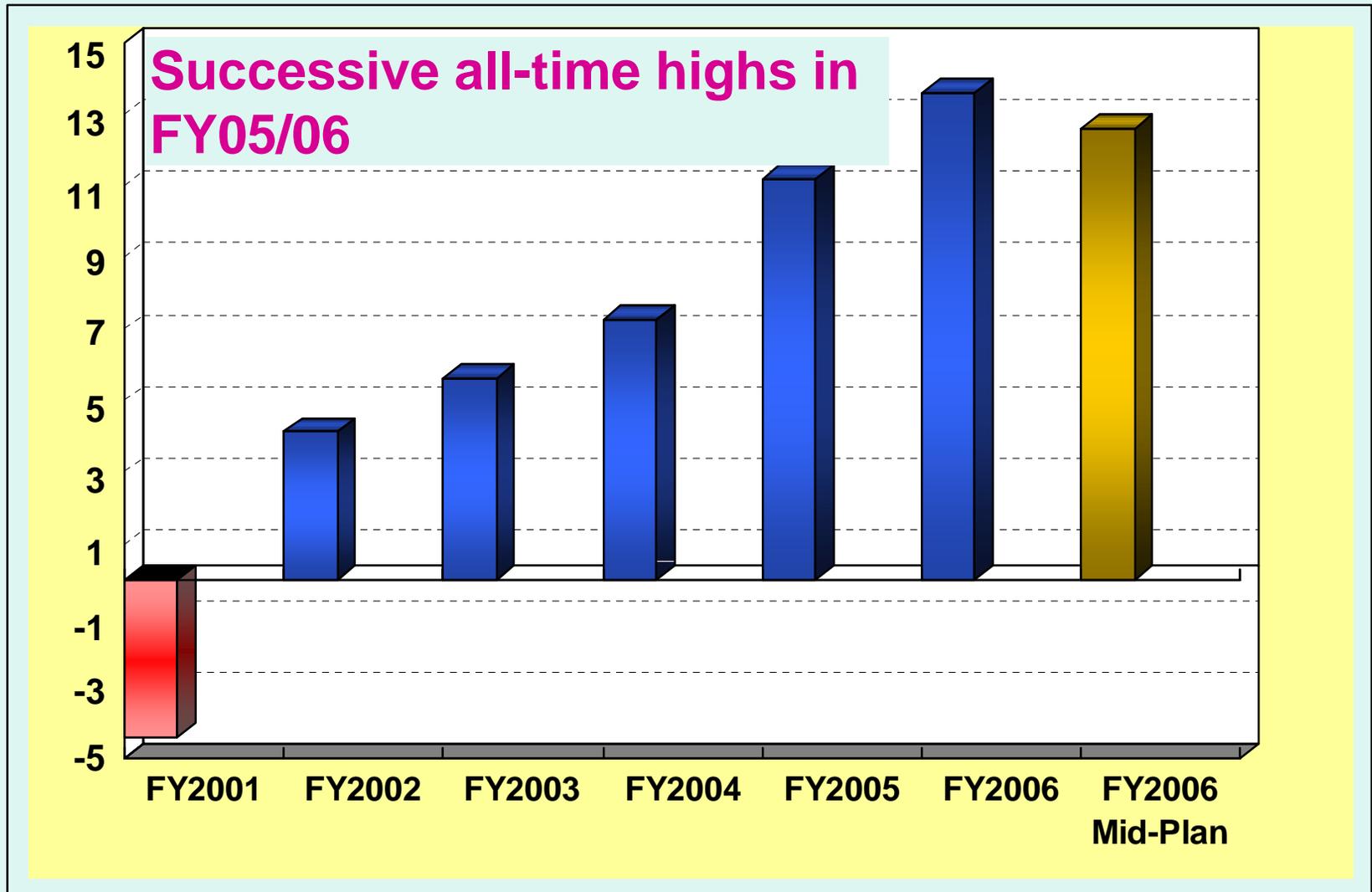
- 4. Electronic & Advanced Materials Strategy [1]



- 4. Electronic & Advanced Materials Strategy [2]

Segment operating income

(Billions of yen)



- 4. Electronic & Advanced Materials Strategy [3]

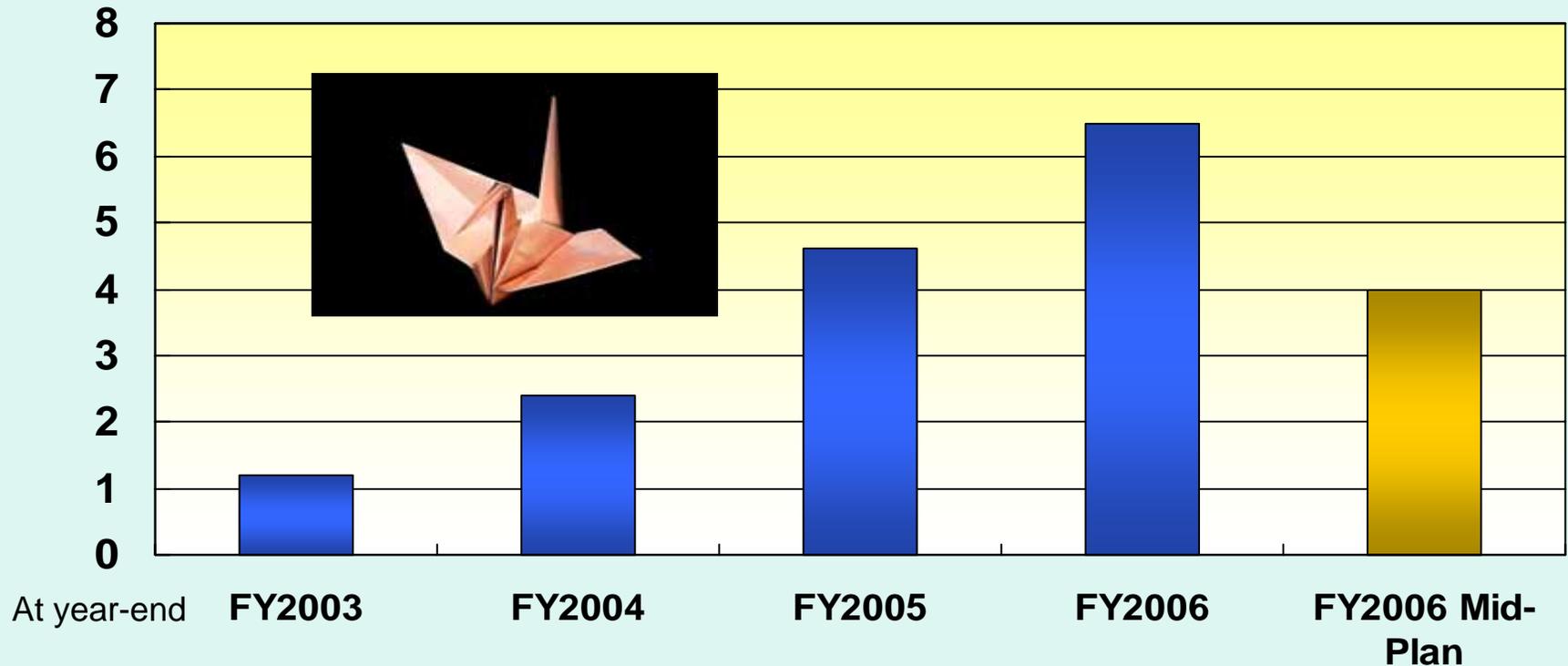
Copper-clad polyimide film (CCPF)

Larger LCD panels x higher resolution = **rapid CCPF uptake in COF**

SMM product now the de facto standard

<CCPF production capacity>

(millions of m²/Y)

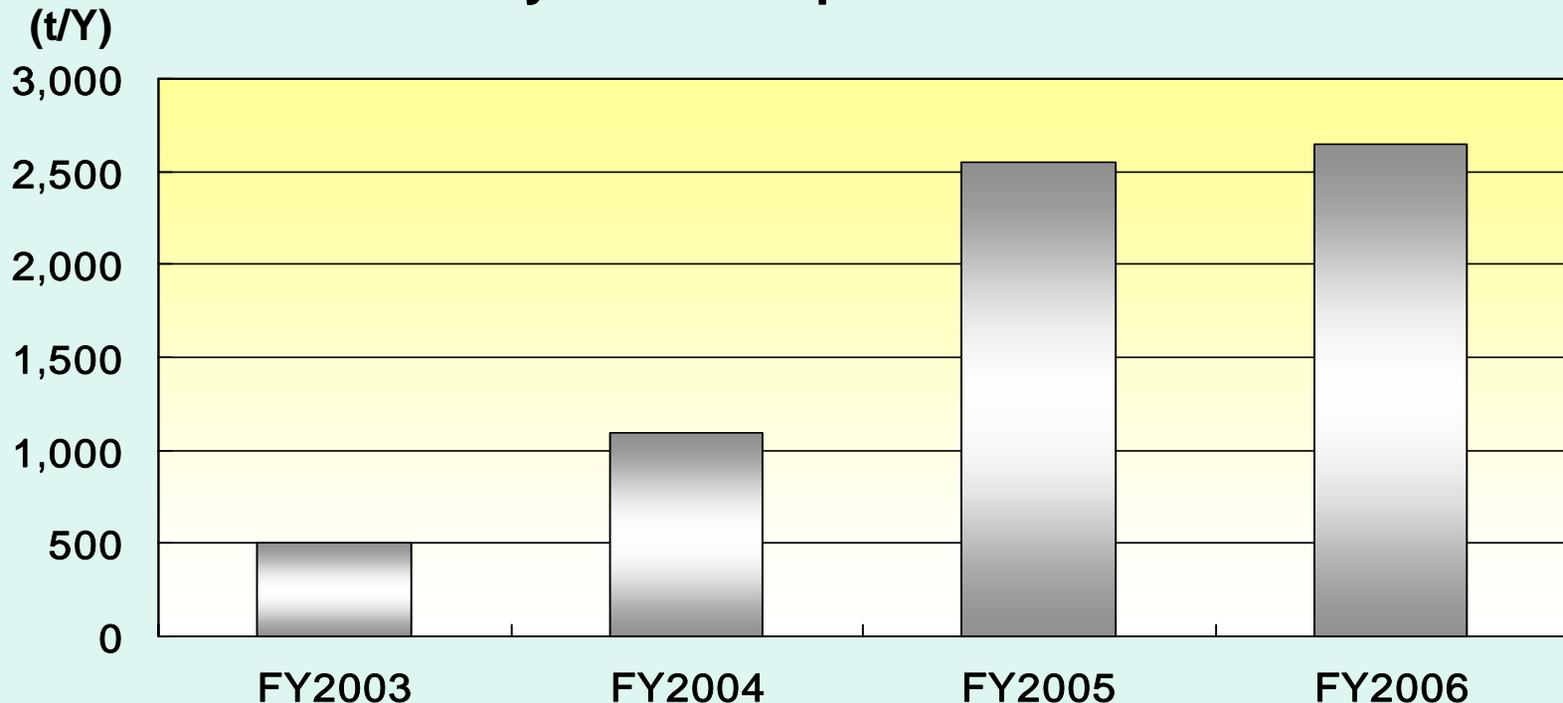


- 4. Electronic & Advanced Materials Strategy [4]

Battery materials

Top share in nickel hydroxide (hybrid cars); production started of next-generation Li-type anode materials for auto/consumer applications

<Battery materials production volume>



- 4. Electronic & Advanced Materials Strategy [5]

Bonding wire (for the Chinese market)

Goal: plant construction by FY04

Result: Jan. 2004 production start-up in China

Lead frames

Global mkt. share (value): FY06 target = 14%;
FY06 result = 14%

Global mkt. share (volume): FY06 target = 25%;
FY06 result = 25%

(Results based on internal estimates)

- . FY2007 Forecasts
vs FY2006**

- 1. FY2007 Consolidated Forecasts

(Billions of yen)

	FY2004	FY2005	FY2006	FY2007 est.	FY2007 – FY2006
Sales	484.6	625.6	966.8	960.0	–6.8
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Recurring Profit	54.5	99.7	205.3	200.0	–5.3
Net Income	37.0	62.8	126.1	128.0	1.9
Net Income / Share (Yen)	64.77	109.96	220.49	221.96	1.47
Dividends / Share (Yen)	8.00	14.00	27.00	30.00	3.00
¥/\$	107.5	113.3	117.0	110.0	–7.0
Copper (¢/lb)	136.1	185.8	316.2	272.2	–44.0
Nickel (\$/lb)	6.34	6.63	14.02	16.00	1.98
Gold (\$/Toz)	414.0	476.6	628.6	620.0	–8.6
Zinc (\$/t)	1,110	1,614	3,579	3,200	–379

- 2. Recurring Profit (FY07 est. Vs FY06)

Recurring Profit –¥5.3 billion (200.0 205.3)

1. Market factors –¥18.0 billion

1) Impact of inventory valuation –¥17.0 billion

Effects of drop in metals prices (FIFO basis)

2) Price differences for non-ferrous metals +¥17.0 billion

Cu –14.9, Ni + 32.3, Au –0.2

3) Exchange rate movements –¥9.0 billion –¥7/\$ (stronger yen)

4) Changes in raw material supply terms –¥9.0 billion

Mainly poorer terms on copper concentrate (T/C, R/C, other terms/conditions)

2. Effect of mineral resource/metals projects +¥22.0 billion

Higher profits from increased electrolytic copper production, Coral Bay, Cerro Verde and Pogo

3. Others –¥9.3 billion (profits at NCC cut by lower Mo/V prices)

Note: Equity-method earnings effect of +¥9.2bn included in 1-3 above (55.9 46.7)

Effect of revised depreciation accounting standard: –¥1.0bn

- 3. FY07 vs FY06 (Operating Income by Segment)

(Billions of yen)

<p>Mineral resources -2.5</p>	<p>Lower parent gross profit at SMM (lower gold price, forex, exploration costs): -1.7 Increased production at overseas mines projected to offset lower Cu price</p>
<p>Metals -4.6</p>	<p>Lower parent gross profit at SMM: -10.3 Cu operations -19.9: prices/terms -18.2, inventory valuation -7.6, volume +6.5, etc. Ni operations +13.9: prices/terms +24.0, volume +4.0, inventory valuation -6.8, forex -5.1, etc. Other operations -4.3: lower zinc prices -1.2, etc. Other factors (projects, increased SG&A) +5.7</p>
<p>Electronics/ Advanced Metals + 2.5</p>	<p>Demand firm; higher profits from copper-clad polyimide film, etc.</p>
<p>Others -3.6</p>	<p>Lower prices for molybdenum and vanadium metals recovered from used catalysts; completion of construction of nuclear fuel reprocessing facility</p>

Note: Housing & Construction Materials included in “Others” segment

- 4. Prices and Forex

(Billions of yen)

Metal	Fluctuation	FY2006	FY2007
Cu	± 100 \$/t	1.1 / 1.6	1.1 / 1.8
Ni	± 1 \$/lb	6.0 / 8.0	6.0 / 8.0
Au	± 30 \$/toz	1.1 / 1.1	1.4 / 1.4
¥/\$	± 1 ¥/\$	5.5 / 5.5	10 / 10

Operating profit / Recurring profit

Note

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