*(This translation has been prepared and is provided for reference purposes only and in the event of any conflict between this translation and the relevant original Japanese document, the relevant original Japanese document shall prevail.)*

June 29, 2006

To Whom It May Concern:


| | |
|---|---|
| Corporate Name: | Sumitomo Coal Mining Co., Ltd. |
| Name of Representative: | Ikuro Kameda<br>President and CEO |
| Code No.: | 1503<br>First Section of the Tokyo Stock Exchange and Osaka Securities Exchange |
| Contact: | Shinichi Taniguchi<br>Director and Head of Corporate Administration Department<br>(Tel. 03-5733-9901) |


**Notice Concerning Issuance of Stock Acquisition Rights and Execution of Memorandum of Understanding on the Purchase of Preferred Stock**

Sumitomo Coal Mining Co., Ltd. (the “Company”) announced that its ordinary general meeting of shareholders held today approved the issuance of stock acquisition rights through a third party allotment and authorized the Board of Directors to determine the terms and conditions of the offering of the stock acquisition rights in order to reorganize its capital structure (as detailed below), pursuant to Articles 236, 238 and 239 of the Company Law of Japan. In addition, the meeting of the Board of Directors held today resolved the issuance of the stock acquisition rights described in VII. below (the “Stock Acquisition Rights” except in VII.) and the terms and conditions of the offering of the Stock Acquisition Rights. The Company also announced that as of today the Company has entered into the “Memorandum of Understanding on the Purchase of Preferred Stock” with respect to the Series I Class 3 Preferred Stock with Sumitomo Mitsui Banking Corporation, the holder of such preferred stock.

## Description

I. Purpose of Issuance of the Stock Acquisition Rights

In September 2002 the Company received financial support from Sumitomo Mitsui Banking Corporation (its primary lender) and other financial institutions having business relationships with the Company, and pushed hard for staff reductions and the restructuring of its affiliate companies. As a result, the Company etablished a stable revenue base and substantially improved its financial condition. Therefore, following the past "asset restructuring", the Company believes that the acquisition and cancellation of the preferred stock at the earliest feasible time will curb the future dilution of stock described in II. below and enhance shareholder value, and has determined to adopt the fiscal measures which would enable the Company to acquire and cancel the preferred stock.

II. Present Capital Structure of the Company

The number of issued and outstanding shares of common stock of the Company is approximately 174 million shares as of the end of March 2006. However, if all of the issued and outstanding shares of the Series I Class 2 Preferred Stock and the Series I Class 3 Preferred Stock are converted into shares of common stock at the conversion price effective as of June 29, 2006 (JPY60 per share), the number of shares of common stock will increase by nearly 250 million shares (approximately 42 million shares issued upon the conversion of Series I Class 2 Preferred Stock and approximately 208 million shares issued upon the conversion of Series I Class 3 Preferred Stock) and the total number of issued and outstanding shares of common stock will be approximately 424 million shares, which is more than 2.4 times the current number (please refer to the bar graph (i) in Exhibit A below). The Company believes that in order to avoid the substantial share dilution caused by the increase in the number of issued and outstanding shares of common stock, the Company should acquire and cancel the Series I Class 3 Preferred Stock after obtaining the funds for cancellation. However, the period during which the conversion of such preferred stock can be requested is scheduled to start in September 2007, so it is urgently necessary for the Company to take some appropriate measures. Thus, the Company determined that it is appropriate to take certain fiscal measures to enhance its capital so that the Company will acquire and cancel the preferred stock at an early stage. The Company asked for the authorization of the issuance of the Stock Acquisition Rights at its ordinary general meeting of shareholders and such agenda was approved thereat today, and also the meeting of the Board of Directors held today resolved the issuance of the Stock Acquisition Rights and determined the terms and conditions of offering of the Stock Acquisition Rights. In addition, as of today the Company has entered into the "Memorandum of Understanding on Purchase of Preferred Stock" with respect to the Series I Class 3 Preferred Stock described in IV. below.

## III. Outline of Financing Scheme

The Company will issue the Stock Acquisition Rights to Goldman Sachs (Japan) Ltd. ("Goldman Sachs"), and procure funding through the exercise of the Stock Acquisition Rights. In the case of exercising all of the Stock Acquisition Rights, the Company will be able to raise approximately JPY15 billion in total.

## IV. Memorandum of Understanding on the Purchase of Preferred Stock

At the meeting of the Board of Directors held today, the Company approved the execution of the Memorandum of Understanding on the Purchase of Preferred Stock with Sumitomo Mitsui Banking Corporation, the holder of such preferred stock, and entered into such Memorandum of Understanding as of today. The preferred stock to be purchased thereunder is the Series I Class 3 Preferred Stock. The Company will purchase up to 35,714,000 shares (which is the total number of issued and outstanding shares of the Series I Class 3 Preferred Stock), and the exact number will be agreed upon based on the amount of exercise of the Stock Acquisition Rights. The purchase price is JPY420 per share and the purchase of the preferred stock may be completed by no later than the business day immediately preceding the date of the ordinary general meeting of shareholders to be held in June 2007.

## V. Dilution Concerning Possible Future Stock and Minimizing the Effects of such Dilution

If all of the Series I Class 3 Preferred Stock are converted into shares of common stock at the current conversion price effective as of June 29, 2006 (i.e. JPY60), the value of common stock will be diluted after the issuance of approximately 208 million shares of common stock (approximately 119.6% of the number of issued and outstanding shares of common stock). Conversely, if the Stock Acquisition Rights are exercised, the value of common stock will still be diluted after the issuance of approximately 66 million shares of common stock (approximately 37.8% of the number of issued and outstanding shares of common stock), but the degree of dilution will be curved. Accordingly, if all of the Series I Class 3 Preferred Stock are acquired and cancelled by the funding raised by the exercise of the Stock Acquisition Rights, the Company will be able to reduce the number of possible future stock by approximately 143 million shares and will be able to expect to lower the degree of the dilution of common stock by approximately 33.6% (approximately 81.8% of the number of issued and outstanding shares of common stock) (Please refer to bar graph (ii) in Exhibit A. The number of shares to be issued upon the exercise of the Stock Acquisition Rights is the number based on the assumption that all of the Stock Acquisition Rights are exercised at the initial exercise price. For the initial exercise price, please refer to VII. below. The exercise price of the Stock Acquisition Rights is subject to modification.).

VI. Borrowing of Common Stock of the Company concerning the Stock Acquisition Rights

With respect to the Stock Acquisition Rights, Goldman Sachs, the scheduled allottee of the Stock Acquisition Rights, will not borrow any shares of common stock of the Company for the purpose of short-term sales other than selling shares of the common stock to the extent of the amount which will be obtained by Goldman Sachs upon the exercise of the Stock Acquisition Rights.

VII. Terms and Conditions of Stock Acquisition Rights

A. The 1st Series of Stock Acquisition Rights

1. Name of the Stock Acquisition Rights:
   The 1st Series of Stock Acquisition Rights of Sumitomo Coal Mining Co., Ltd. (hereinafter “the Stock Acquisition Rights” in A.)

2. Aggregate amount of the issue of the Stock Acquisition Rights (aggregate amount of the amount to be paid):
   JPY54,000,000

3. Allotment date:
   July 7, 2006

4. Payment date:
   July 7, 2006

5. Class and number of shares to be acquired upon the exercise of the Stock Acquisition Rights:

   The class of shares to be acquired upon the exercise of the Stock Acquisition Rights is that of shares of common stock of the Company, and the number of shares of common stock of the Company to be newly issued or to be disposed of in lieu of such issuance from the shares of common stock of the Company held by the Company as treasury stocks (hereinafter the issue or disposition of the shares of common stock of the Company shall be referred to as the “delivery”) upon the exercise of each Stock Acquisition Right shall be determined by dividing JPY10,000,000 by the Exercise Price (as defined below), and any fractions of shares less than one (1) share shall be rounded down (hereinafter the “Number of Shares Allocated” in A.). The aggregate number of shares to be acquired upon the exercise of the Stock Acquisition Rights shall be determined by multiplying the Number of Shares Allocated by the aggregate number of the Stock Acquisition Rights.

6. Aggregate number of the Stock Acquisition Rights:

   300

7. Amount to be paid for each Stock Acquisition Right:

   JPY180,000 per Stock Acquisition Right

8. Method of calculation of the amount of the assets to be contributed upon the exercise of the Stock Acquisition Rights:

   (1) The amount of the assets to be contributed upon the exercise of each Stock Acquisition Right shall be determined by multiplying the Exercise Price (as defined below) by the Number of Shares Allocated.

   (2) The amount to be paid per share (hereinafter “the Exercise Price” in A.) in the case where the Company delivers shares of common stock of the Company upon the exercise of the Stock Acquisition Rights shall initially be JPY207.

9. Adjustment of the Exercise Price:

   After the allotment date of the Stock Acquisition Rights, on or after July 28, 2006, the Exercise Price shall be adjusted to the amount (calculated to the second decimal place, and rounding down the second decimal place, hereinafter “the

Exercise Price after adjustment" in A.) equal to ninety per cent (90%) of the average of the closing prices (calculated to the second decimal place, and rounding down the second decimal place, hereinafter "the Amount as of the Adjustment Date" in A.) of shares of common stock of the Company in the regular trading thereof on the Tokyo Stock Exchange (hereinafter "the Closing Price" in A.) for five (5) consecutive trading days (excluding days on which there is no Closing Price, and if the Adjustment Date (as defined below) is not a trading day, five (5) consecutive trading days up to and including the day immediately preceding the Adjustment Date, hereinafter "the Period of Calculating the Current Market Price" in A.) on or after the next trading date of the fourth ($4^{th}$) Friday of each month (hereinafter "the Adjustment Date" in A.) up to and including the Adjustment Date. Provided, however, that if the Exercise Price after adjustment is reduced to less than JPY90 (hereinafter "the Floor Exercise Price" in A., provided, however, that this price is subject to the adjustment of Condition 10 hereof) as a result of such calculation, the Exercise Price after adjustment shall be the Floor Exercise Price, and if the Exercise Price after adjustment is more than JPY360 (hereinafter "the Ceiling Exercise Price" in A., provided, however, that it is subject to the adjustment of Condition 10 hereof), the Exercise Price after adjustment shall be the Ceiling Exercise Price. Also, if the event of adjustment for the Exercise Price occurs provided for in Condition 10 hereof, during the Period of Calculating the Current Market Price, the Exercise Price after adjustment shall be adjusted to the price which the Company considers appropriate according to these terms and conditions.

When the adjustment above is made upon the exercise of any of the Stock Acquisition Rights, the Company shall notify such holders of Stock Acquisition Rights, of the Exercise Price after adjustment upon such exercise.

10. Adjustment of the Exercise Price:

The Company shall adjust the Exercise Price in accordance with the following formula when making an offering to any person who subscribes the shares of common stock of the Company issued by the Company or the shares of common stock of the Company held by it to be disposed of by the Company on condition that the amount to be paid for the offering stock is below the current market price, after the allotment date of the Stock Acquisition Rights.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of outstanding shares} + \dfrac{\text{Number of shares issued or disposed of} \times \text{Amount to be paid per share}}{\text{Current market price per share}}}{\text{Number of outstanding shares} + \text{Number of shares issued or disposed of}}$$

The Exercise Price shall also be subject to an appropriate adjustment in the case of a stock split (including a free share allotment of the shares of common stock of the Company) or consolidation of shares of common stock of the Company, or an issue of the securities to be acquired or the securities which may be caused to be acquired in exchange for the delivery of shares of common stock of the Company, or the securities to be acquired or the securities which may be caused to be acquired in exchange for the delivery of the stock acquisition rights to acquire shares of common stock of the Company, or the stock acquisition rights to acquire shares of common stock of the Company upon exchange (including stock acquisition rights incorporated in bonds with stock acquisition rights) at a price below the current market price of the shares of common stock of the Company.

11. Period during which the Stock Acquisition Rights may be exercised:
    Starting as of July 10, 2006, and up to and including July 9, 2008.

12. Conditions for the exercise of the Stock Acquisition Rights:
    No Stock Acquisition Right may be exercised in part.

13. Acquisition clause of the Stock Acquisition Rights:
    When acquisition of the Stock Acquisition Rights is approved by the resolution of the Board of Directors of the Company, after the allotment date of the Stock Acquisition Rights, the Company shall announce publicly or notify thereof, pursuant to the provision of Article 273 of the Company Law. On the date of acquisition provided for at the meeting of the Board of Directors of the Company, the Company may acquire in whole or in part the Stock Acquisition Rights outstanding at a price of JPY50,000 per Stock Acquisition Right. In the case of the acquisition in part, drawing or another rational method shall be used upon the resolution of the Board of Directors of the Company.

14. Restrictions on transfers of the Stock Acquisition Rights:

The Stock Acquisition Rights are non-transferable, unless such transfer is approved by the Board of Directors of the Company.

15. Matters concerning stated capital and capital reserve to be increased in the case of the issuance of the shares upon the exercise of the Stock Acquisition Rights:
    (1) The amount of the stated capital to be increased in the case of the issuance of the shares upon the exercise of the Stock Acquisition Rights shall be one half (1/2) of the maximum increased amount of the stated capital, etc., calculated pursuant to Paragraph 1, Article 40 of the Ordinance Concerning Accounts under the Company Law. Any fractions less than one (1) yen resulting from such calculation shall be rounded up to the nearest one (1) yen.

    (2) The amount of the capital reserve to be increased in the case of the issuance of the shares upon the exercise of the Stock Acquisition Rights shall be determined by deducting the amount of the stated capital to be increased provided for in the preceding paragraph from such maximum increased amount of the stated capital, etc.

16. Method of requesting the exercise of the Stock Acquisition Rights:
    (1) In the case of requesting the exercise of the Stock Acquisition Rights, the holder of the Stock Acquisition Rights shall complete the necessary matters on the application form for requesting the exercise of the Stock Acquisition Rights in the form designated by the Company, and shall submit such application form to the place where applications for the exercise of the Stock Acquisition Rights are made as provided for in Condition 20 hereof, after writing his or her name and affixing his or her seal thereon, during the period the Stock Acquisition Rights may be exercised.

    (2) In the case of requesting the exercise of the Stock Acquisition Rights, the entire amount of the amount to be paid upon the exercise of the Stock Acquisition Rights shall be deposited in cash to an account designated by the Company of the place where applications for the exercise of the Stock Acquisition Rights are made as provided for in Condition 21 hereof, in addition to the application form for requesting the exercise of the Stock Acquisition Rights provided for in the preceding paragraph.

(3) The request for exercise of the Stock Acquisition Rights shall become effective on the date on which all the documents required to request such exercise arrive at the place where applications for the exercise of the Stock Acquisition Rights are made as provided for in Condition 20 hereof, and the entire amount of the amount to be paid is credited to the account provided for in the preceding paragraph.

17. Method of delivery of share certificates:
The Company shall deliver the share certificates after the request for the exercise of the Stock Acquisition Rights becomes effective.

18. Issue of certificates for the Stock Acquisition Rights:
The Company shall not issue the certificates for Stock Acquisition Rights for the Stock Acquisition Rights.

19. Rationale for the calculation of the amount to be paid for the Stock Acquisition Rights and the amount of the assets to be contributed upon the exercise of the Stock Acquisition Rights:
In consideration of the Exercise Price of the Stock Acquisition Rights and the other contents of the Stock Acquisition Rights, based on some conditions such as the immediately preceding stock price as of May 25, 2006, referring to the result of the calculation of the theoretical value of the Stock Acquisition Rights by the Monte Carlo Simulations and Binomial Lattice models, JPY180,000 shall be the amount to be paid per Stock Acquisition Right; provided, however, that since the number of shares of common stock of the Company to be acquired upon the exercise of the Stock Acquisition Rights is large considering the aggregate number of the stock outstanding of shares of common stock of the Company, the exact calculation of the theoretical value of the Stock Acquisition Rights, which completely reflects matters such as the effect of the dilution of stock due to the large amount of the issuance and the change in the supply and demand relationship of shares of common stock of the Company, is difficult. Therefore, the approval by the special resolution of the ordinary general meeting of shareholders held today has been obtained to determine whether the issue of the Stock Acquisition Rights would be advantageous to the allottee thereof. The amount of the assets

to be contributed upon the exercise of the Stock Acquisition Rights shall be as provided for in (1) of Condition 8 hereof, and the Exercise Price shall initially be the amount as provided for in (2) of Condition 8 hereof.

20. Place where applications for exercise of the Stock Acquisition Rights are made:
    Corporate Administration Department of Sumitomo Coal Mining Co., Ltd.

21. Place where the amounts to be paid for the Stock Acquisition Rights and the payments concerning the exercise of the Stock Acquisition Rights are handled:
    Sumitomo Mitsui Banking Corporation Tokyo Main Office.

22. Method of offering of the Stock Acquisition Rights:
    All Stock Acquisition Rights shall be allocated to Goldman Sachs by way of allotment to a third party.

23. Others:

In the case where substitution of the provisions in these terms and conditions and other measures are required such as due to the amendments of the Company Law and other laws, the necessary measures shall be taken by the Company.

<u>B. The 2nd Series of Stock Acquisition Rights</u>

1. Name of the Stock Acquisition Rights:
   The 2nd Series of Stock Acquisition Rights of Sumitomo Coal Mining Co., Ltd. (hereinafter “the Stock Acquisition Rights” in B.)

2. Aggregate amount of the issue of the Stock Acquisition Rights (aggregate amount of the amount to be paid):
   JPY48,000,000

3. Allotment date:
   July 7, 2006

4. Payment date:
   July 7, 2006

5. Class and number of shares to be acquired upon the exercise of the Stock Acquisition Rights:

   The class of shares to be acquired upon the exercise of the Stock Acquisition Rights is that of shares of common stock of the Company, and the number of shares of common stock of the Company to be delivered shall be determined by dividing JPY10,000,000 by the Exercise Price (as defined below), and fractions of a share less than one share shall be rounded down (hereinafter "Number of Shares Allocated" in B.). The aggregate number of shares to be acquired upon the exercise of the Stock Acquisition Rights shall be determined by multiplying the Number of Shares Allocated by the aggregate number of the Stock Acquisition Rights.

6. Aggregate number of the Stock Acquisition Rights:

   1,200

7. Amount to be paid for each Stock Acquisition Right:

   JPY40,000 per Stock Acquisition Right

8. Method of calculation of the amount of the assets to be contributed upon the exercise of the Stock Acquisition Rights:

   (1) The amount of the assets to be contributed upon the exercise of each Stock Acquisition Right shall be determined by multiplying the Exercise Price (as defined below) by the Number of Shares Allocated.

   (2) The amount to be paid per share (hereinafter "the Exercise Price" in B.) in the case where the Company delivers shares of common stock of the Company upon the exercise of the Stock Acquisition Rights shall initially be JPY234.

9. Adjustment of the Exercise Price:

   After the allotment date of the Stock Acquisition Rights, on or after July 28, 2006 and August 25, 2006, the Exercise Price shall be adjusted to the amount (calculated to the second decimal place, and rounding down the second decimal place, hereinafter "the Exercise Price after adjustment" in B. respectively) equal to one hundred and ten per cent (110%) (in the case where the Adjustment Date (as defined below) is July 28, 2006) or ninety per cent (90%) (in the case where the fourth Friday of each month on or after August 25, 2006 is the Adjustment Date) of the average of the closing prices (calculated to the second decimal place, and rounding down the second decimal place, hereinafter "the Amount as of the Adjustment Date" in B. respectively) of shares of common stock of the Company in the regular trading thereof on the Tokyo Stock Exchange for five (5) consecutive trading days (excluding days on which there is no Closing Price, and if the Adjustment Date is not a trading day, five (5) consecutive trading days up to and including the day immediately preceding the Adjustment Date, hereinafter "the Period of Calculating the Current Market Price" in B. respectively) on or after the next trading date of the fourth ($4^{th}$) Friday of each month (hereinafter "the Adjustment Date" in B. respectively) up to and including the Adjustment Date . Provided, however, that if the Exercise Price after adjustment is reduced to less than JPY90, (hereinafter "the Floor Exercise Price" in B., provided, however, that this price is subject to the adjustment of Condition 10 hereof.) as a result of such calculation, the Exercise Price after adjustment shall be the Floor Exercise Price, and if the Exercise Price after adjustment is more than JPY360, (hereinafter "the Ceiling Exercise Price" in B., provided, however, that it is subject to the adjustment of Condition 10 hereof.), the Exercise Price after adjustment shall be the Ceiling Exercise Price. Also, if the event of adjustment for the Exercise Price occurs provided for in Condition 10 hereof, during the Period of Calculating the Current Market Price, the Exercise Price after adjustment shall be adjusted to the price which the Company considers appropriate according to these terms and conditions.

When the adjustment above is made upon the exercise of any of the Stock Acquisition Rights, the Company shall notify such holders of Stock Acquisition Rights, of the Exercise Price after adjustment upon such exercise.

10. Adjustment of the Exercise Price:

The Company shall adjust the Exercise Price in accordance with the following formula when making an offering to the person who subscribes the shares of common stock of the Company issued by the Company or the shares of common stock of the Company held by it to be disposed of by the Company on condition that the amount to be paid for the offering stock is below the current market price, after the allotment date of the Stock Acquisition Rights.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of outstanding shares} + \dfrac{\text{Number of shares issued or disposed of} \times \text{Amount to be paid per share}}{\text{Current market price per share}}}{\text{Number of outstanding shares} + \text{Number of shares issued or disposed of}}$$

The Exercise Price shall also be subject to an appropriate adjustment in the case of a stock split (including a free share allotment of the shares of common stock of the Company) or consolidation of shares of common stock of the Company, or an issue of the securities to be acquired or the securities which may be caused to be acquired in exchange for the delivery of shares of common stock of the Company, or the securities to be acquired or the securities which may be caused to be acquired in exchange for the delivery of the stock acquisition rights to acquire shares of common stock of the Company, or the stock acquisition rights to acquire shares of common stock of the Company upon exchange (including stock acquisition rights incorporated in bonds with stock acquisition rights) at a price below the current market price of the shares of common stock of the Company.

11. Period during which the Stock Acquisition Rights may be exercised:
Starting as of July 10, 2006, and up to and including July 9, 2008.

12. Conditions for the exercise of the Stock Acquisition Rights:
No Stock Acquisition Right may be exercised in part.

13. Acquisition clause of the Stock Acquisition Rights:
When acquisition of the Stock Acquisition Rights is approved by the resolution of the Board of Directors of the Company, after the allotment date of the Stock Acquisition Rights, the Company shall announce publicly or notify thereof, pursuant to the provision of Article 273 of the Company Law. On the date of acquisition provided for at the meeting of the Board of Directors of the Company, the Company may acquire in whole or in part the Stock Acquisition Rights outstanding at a price of JPY10,000 per Stock Acquisition Right. In the case of the acquisition in part, drawing or another rational method shall be used upon the resolution of the Board of Directors of the Company.

14. Restrictions on transfers of the Stock Acquisition Rights:

The Stock Acquisition Rights are non-transferable, unless such transfer is approved by the Board of Directors of the Company.

15. Matters concerning stated capital and capital reserve to be increased in the case of the issuance of the shares upon the exercise of the Stock Acquisition Rights:

(1) The amount of the stated capital to be increased in the case of the issuance of the shares upon the exercise of the Stock Acquisition Rights shall be one half (1/2) of the maximum increased amount of the stated capital, etc., calculated pursuant to Paragraph 1, Article 40 of the Ordinance Concerning Accounts under the Company Law. Any fractions less than one (1) yen resulting from such calculation shall be rounded up to the nearest one (1) yen.

(2) The amount of the capital reserve to be increased in the case of the issuance of the shares upon the exercise of the Stock Acquisition Rights shall be determined by deducting the amount of the stated capital to be increased provided for in the preceding paragraph from such maximum increased amount of the stated capital, etc.

16. Method of requesting the exercise of the Stock Acquisition Rights:

(1) In the case of requesting the exercise of the Stock Acquisition Rights, the holder of the Stock Acquisition Rights shall complete the necessary matters on the application form for requesting the exercise of the Stock Acquisition Rights in the form designated by the Company, and shall submit such application form to the place where applications for the exercise of the Stock Acquisition Rights are made as provided for in Condition 20 hereof, after writing his or her name and affixing his or her seal thereon, during the period the Stock Acquisition Rights may be exercised.

(2) In the case of requesting the exercise of the Stock Acquisition Rights, the entire amount of the amount to be paid upon the exercise of the Stock Acquisition Rights shall be deposited in cash to an account designated by the Company of the place where applications for the exercise of the Stock Acquisition Rights are made as provided for in Condition 21 hereof, in addition to the application form for requesting the exercise of the Stock Acquisition Rights provided for in the preceding paragraph.

(3) The request for exercise of the Stock Acquisition Rights shall become effective on the date on which all the documents required to request such exercise arrive at the place where applications for the exercise of the Stock Acquisition Rights are made as provided for in Condition 20 hereof, and the entire amount of the amount to be paid is credited to the account provided for in the preceding paragraph.

17. Method of delivery of share certificates:
The Company shall deliver the share certificates after the request for the exercise of the Stock Acquisition Rights becomes effective.

18. Issue of certificates for the Stock Acquisition Rights:
The Company shall not issue the certificates for Stock Acquisition Rights for the Stock Acquisition Rights.

19. Rationale for calculation of the amount to be paid for the Stock Acquisition Rights and the amount of the assets to be contributed upon the exercise of the Stock Acquisition Rights:
In consideration of the Exercise Price of the Stock Acquisition Rights and the other contents of the Stock Acquisition Rights, based on some conditions such as the immediately preceding stock price as of May 25, 2006, referring to the result of the calculation of the theoretical value of the Stock Acquisition Rights by the Monte Carlo Simulations and Binomial Lattice models, JPY40,000 shall be the amount to be paid per Stock Acquisition Right, provided, however, that since the number of shares of common stock of the Company to be acquired upon the exercise of the Stock Acquisition Rights is large considering the aggregate number of the stock outstanding of shares of common stock of the Company, the exact calculation of the theoretical value of the Stock Acquisition Rights, which completely reflects matters such as the effect of the dilution of stock due to the large amount of the issuance and the change in the supply and demand relationship of shares of common stock of the Company, is difficult. Therefore, the approval by the special resolution of the ordinary general meeting of shareholders held today has been obtained to determine whether the issue of the Stock Acquisition Rights would be advantageous to the allottee thereof. The amount of the assets

to be contributed upon the exercise of the Stock Acquisition Rights shall be as provided for in (1) of Condition 8 hereof, and the Exercise Price shall initially be the amount as provided for in (2) of Condition 8 hereof.

20. Place where applications for exercise of the Stock Acquisition Rights are made:
Corporate Administration Department of Sumitomo Coal Mining Co., Ltd.

21. Place where the amounts to be paid for the Stock Acquisition Rights and the payments concerning the exercise of the Stock Acquisition Rights are handled:
Sumitomo Mitsui Banking Corporation Tokyo Main Office.

22. Method of offering of the Stock Acquisition Rights:
All Stock Acquisition Rights shall be allocated to Goldman Sachs by way of allotment to a third party.

23. Others:
In the case where substitution of the provisions in these terms and conditions and other measures are required such as due to the amendments of the Company Law and other laws, the necessary measures shall be taken by the Company.

[For Reference]

1. Use of Proceeds, etc.

(i) Use of proceeds

Proceeds raised by issuance and exercise of the Stock Acquisition Rights will be deposited in a bank and/or invested by other means for the future acquisition and cancellation of the preferred stock.

(ii) Effect on earnings

No modification will be made to the earnings outlook of the Company in connection with issuance of the Stock Acquisition Rights.

2. Profit Distribution to Shareholders, etc.

(i) Basic policy on dividends

The Company regards the return of its profit to its shareholders as the important management policy. The Company's basic policy on profit distribution is to decide to pay dividends by fully considering the operating performance for the relevant period and long term profit planning.

(ii) Views on determination of dividends

It is regrettable that the Company has decided not to pay dividends since the Company currently gives priority to restructuring its capital structure. The Company will make its best efforts to resume paying dividends as soon as possible.

3. Outline of Scheduled Allottee

<table>
<tr><td colspan="2">Name of scheduled allottee</td><td>Goldman Sachs (Japan) Ltd.</td></tr>
<tr><td colspan="2">Number of stock acquisition rights to be allotted</td><td>1,500 in total</td></tr>
<tr><td colspan="2">Total amount to be paid</td><td>¥102,000,000</td></tr>
<tr><td rowspan="5">Information on scheduled allottee</td><td>Address</td><td>Roppongi Hills Mori Tower, 10-1,<br>Roppongi 6-chome, Minato-ku, Tokyo</td></tr>
<tr><td>Name of representatives</td><td>President Masanori Mochida<br>President Thomas K Montag</td></tr>
<tr><td>Capital</td><td>¥ 70 billion</td></tr>
<tr><td>Business</td><td>Securities business</td></tr>
<tr><td>Major shareholder and shareholding</td><td>The Goldman Sachs Group, Inc. 100%</td></tr>
</table>

<table>
<tr><td></td><td colspan="2">ratio</td><td></td></tr>
<tr><td rowspan="4">Relationships with the Company</td><td rowspan="2">Capital relationship</td><td>Number of shares of the scheduled allottee held by the Company</td><td>Not applicable</td></tr>
<tr><td>Number of shares of common stock of the Company held by the scheduled allottee</td><td>Not applicable</td></tr>
<tr><td colspan="2">Business relationships</td><td>Not applicable</td></tr>
<tr><td colspan="2">Personnel relationships</td><td>Not applicable</td></tr>
</table>

(note) The amounts shown in “capital” and “capital relationship” are based on the information as of May 31, 2006 (Wednesday).

## 4. Changes in Share Price, etc. during the Past Three Fiscal Years and the Most Recent Fiscal Year

| | FY ended March 2004 | FY ended March 2005 | FY ended March 2006 | FY ended March 2007 |
|---|---|---|---|---|
| Opening price | 38 | 111 | 159 | 245 |
| Highest price | 118 | 210 | 320 | 253 |
| Lowest price | 37 | 95 | 121 | 135 |
| Closing price | 111 | 159 | 246 | 183 |

(note) 1. Highest prices and lowest prices are the share price recorded on the First Section of Tokyo Stock Exchange.

2. Share prices shown in the FY ended March 2007 are based on the information as of June 28, 2006.

[Exhibit A: Current Capital Structure of the Company, Dilution occurring from Potential Future Stock Issuance and Minimizing such Dilution]