

# To our shareholders



On September 22, 2011, Sumitomo Metals and Nippon Steel reached an agreement on how we will proceed with our merger: we agreed on the name of the merged company, the merger ratio and other important issues. Sumitomo Metals and Nippon Steel have studied the merger since this February. The merger is subject to your approval at the shareholders' meeting and authorization by the government agencies. Sumitomo Metals and Nippon Steel aim to become "the Best Steelmaker with World-Leading Capabilities" through the merger. The merger will create a company that raises its value and contributes to its shareholders and all other stakeholders. I sincerely ask for your support.

Hiroshi Tomono  
President  
Sumitomo Metal Industries, Ltd.



Hiroshi Tomono, President of Sumitomo Metals (Right) and  
Shoji Muneoka, President of Nippon Steel (Left)

## Outline of a Master Integration Agreement (signed on September 22, 2011)

<b>Company name</b>	Nippon Steel & Sumitomo Metal Corporation
<b>Location of head office</b>	Chiyoda-ku, Tokyo, Japan
<b>Date of merger (Date of business integration)</b>	October 1, 2012 (planned)
<b>Form of integration</b>	Business integration through merger, with Nippon Steel as the surviving company
<b>Merger ratio</b>	Nippon Steel: 1.0, Sumitomo Metals: 0.735 0.735 shares of common stock of Nippon Steel will be allocated for each share of common stock of Sumitomo Metals and provided as shares in the new integrated company.
<b>Listed stock exchanges</b>	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

From next page, the new integrated company's vision, the rationale behind the merger ratio, the schedule, the treatment of our shares you own, and other details are explained.

## The new integrated company aims to become “the Best Steelmaker with World-Leading Capabilities”

The new integrated company will develop the technologies to realize theoretical possibilities of iron into steel products and contribute to building the affluent global society.

### Targeted global production volume of 60-70 million tons



#### 1 Globalizing steel business

- 1 ▶ Reorganize and expand manufacturing, processing, and sales bases of both companies in emerging countries
- 2 ▶ Enhance and newly build overseas integrated steel manufacturing and sales operations
- 3 ▶ Raise overall responsiveness to customers' needs by combining each other's strong products

#### 2 Utilizing the world's leading technologies

- 1 ▶ Integrate research organizations and enhance R&D
- 2 ▶ Enhance capabilities to meet customers' needs
- 3 ▶ Develop new manufacturing technologies including innovative production processes
- 4 ▶ Lead the world with environmental technologies to save energy and reduce CO<sub>2</sub> emissions
- 5 ▶ Develop technologies to use low-grade materials

### 3 Improving cost competitiveness



Sumitomo Metals  
Kashima Steel Works, No.3 BF

Nippon Steel  
Kimitsu Works, No.4 BF

### 4 Reinforcing non-steel business segments

### 5 Maximizing corporate value and improve evaluations from shareholders and capital markets

### 6 Aggregating resources

## Merger ratio

- ✓ The merger ratio is Nippon Steel: 1.0, Sumitomo Metals: 0.735.  
0.735 shares of common stock of Nippon Steel will be allocated for each share of common stock of Sumitomo Metals and provided as shares in the new integrated company.
- ✓ Sumitomo Metals has reached agreement with Nippon Steel and decided on the above merger ratio after concluding it is appropriate, as a result of careful discussions and negotiations regarding the merger ratio between the two companies. Sumitomo Metals and Nippon Steel have comprehensively considered factors such as the financial and asset status of both companies as well as their future business and earnings estimates, while referring to the results of financial analysis regarding the merger ratio by financial advisors\*.

\*Financial advisors:

Sumitomo Metals: SMBC Nikko Securities Inc., Goldman Sachs Japan Co., Ltd., Deutsche Securities Inc., and Daiwa Securities Capital Markets Co., Ltd.

Nippon Steel: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Merrill Lynch Japan Securities Co., Ltd., Mizuho Securities Co., Ltd., and JPMorgan Securities Japan Co., Ltd.

## Schedule

We will proceed with the merger based on the schedule below, with the aim of inaugurating the new integrated company in October 2012. We earnestly request the support of our shareholders.

April 2012 (planned)	Execution of merger agreement
June 2012 (planned)	Submission of the merger agreement at our shareholders' meeting
October 1, 2012 (planned)	Inauguration of new integrated company

## Concerning the handling of your shares

When the new integrated company is inaugurated (scheduled on October 1, 2012), 0.735 shares of Nippon Steel will be allocated for each share of Sumitomo Metals and provided as shares in the new integrated company.

For example, if you hold 10,000 shares of Sumitomo Metals:

Sumitomo Metals shares 10,000 shares	×	Merger ratio 0.735	=	New integrated company's shares 7,350 shares
--	---	-----------------------	---	--

Here is an explanation regarding the handling of shares from the inauguration of the new integrated company (scheduled on October 1, 2012).

- ▶ **Q** Are there any necessary procedures to receive shares in the new integrated company?
- ▶ **A** It is not necessary for shareholders to adopt any special procedures. The shares that your securities company (broker) has custody of on your behalf will convert to shares in the new integrated company on the merger date (scheduled on October 1, 2012). However, if you have shares that are not managed in the account of a broker (e.g., you hold the share certificates yourself), please carry out the procedures to transfer them to the account of a securities broker. If you have any queries regarding this, please contact the Sumitomo Trust and Banking Co., Ltd., as shown below.
- ▶ **Q** What is the minimum share trading unit for shares in the new integrated company?
- ▶ **A** The minimum share trading unit for shares in the new integrated company is 1,000 shares. In principle, share trading will be carried out in units of 1,000 shares, and shareholders that own 1,000 shares or more will have the right to vote at general shareholders' meetings.
- ▶ **Q** If I am allocated less than 1,000 shares (shares that are less than the minimum unit), what should I do?
- ▶ **A** Please use the new integrated company's "system for trading shares of less than one unit" or "system for increased purchases of shares of less than one unit". If you have any queries, please contact the Sumitomo Trust and Banking Co., Ltd., as shown below.
  - ✓ The system for trading shares of less than one unit is a system for selling less than 1,000 shares to the new integrated company.
  - ✓ The system for increased purchases of shares of less than one unit is a system for buying shares from the new integrated company to create a total of 1,000 shares.Please note that shares of less than one trading unit may not be traded via a stock exchange.
- ▶ **Q** What will happen to fractional shares that are less than one share?
- ▶ **A** In accordance with the provisions of relevant laws and ordinances, amounts corresponding to fractional shares that are less than one share will be paid by the new integrated company. Details will be provided by the new integrated company.

With regard to queries concerning the handling of your Sumitomo Metals shares, please contact your securities broker or the Sumitomo Trust and Banking Securities, Transfer Agent Department of the Administrator of the Shareholder Registry of the Company (Tel: 0120-176-417\* ; Operating hours: 9 a.m. to 5 p.m., excluding Saturdays, Sundays and public holidays).

\*Toll-free number for domestic phone calls only. Inquiries from overseas: +81-42-351-2225

Please direct any inquiries concerning this booklet to the following:  
Public Relations & Investor Relations Department, Sumitomo Metal Industries, Ltd.  
Tel: +81-3-4416-6115 e-mail: pr@sumitomometals.co.jp