

The following information was originally prepared and published by Sumitomo Metal Industries, Ltd. (the “Company”) in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English summary translation is being provided for your convenience. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.

The current status of corporate governance of Sumitomo Metal Industries, Ltd. (“Sumitomo Metals”) is as follows.

I. Fundamental Policy of Corporate Governance and Basic Information including Capital Structure and Corporate Attributes

1. Fundamental Policy

Sumitomo Metals, as a member of the Sumitomo Group, is engaged in its business activities with its first task given to maintain Sumitomo’s traditions properly and follow the Sumitomo Spirit which advocates “to place prime importance on sound management,” “not to pursue immoral business,” and “to benefit the nation and society.”

The Sumitomo Metals’ Corporate Philosophy says “We will preserve the Sumitomo Spirit and transmit it to the future, treasure people and technologies, and contribute to society through manufacturing.” Under this philosophy, the Company strives to establish structures that enable to make proper decision-making, execution of business, and its supervision, and thereby enhance legal compliance, effectiveness, and transparency of management, which lead to further enrichment of corporate governance, with an aim to increase corporate value in a sustained way.

2. Capital Structure

Foreign stockholding ratio	Over 10% and less than 20%
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<Principal shareholders>

Name	Number of shares owned	Ownership ratio (%)
Sumitomo Corporation	458,326,000	9.54
Nippon Steel Corporation	451,761,720	9.40
Japan Trustee Services Bank, Ltd. (account in trust)	169,793,000	3.53
Kobe Steel, Ltd.	112,565,000	2.34
The Master Trust Bank of Japan, Ltd. (account in trust)	111,275,000	2.32
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation retirement benefit trust account re-entrusted by The Sumitomo Trust and Banking Co., Ltd.)(*1)	90,315,000	1.88
Nippon Life Insurance Company	88,919,735	1.85
SSBT OD05 Omnibus Account Treaty Clients	67,711,000	1.41
Japan Trustee Services Bank, Ltd., The Sumitomo Trust and Banking Corporation retirement benefit trust	55,000,000	1.14
NT RE GOVT OF SPORE INVT CORP P.LTD	54,651,000	1.14

Controlling shareholder (excluding parent company)	-----
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Parent company	None
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Supplementary information

3. Corporate Attributes

Listed stock exchanges and market segments	Tokyo, Osaka, Nagoya, Sapporo, Fukuoka
Fiscal year end	March
Industry sector	Steel
Consolidated number of employees as of latest fiscal year end	Over 1,000
Consolidated net sales as of latest fiscal year	Over 1 trillion yen
Number of consolidated subsidiaries as of latest fiscal year end	Over 50 and less than 100

4. Guideline Concerning Measures to Protect Minority Shareholders in Transaction with Controlling Shareholders

5. Other Particular Matters which May Materially Affect Corporate Governance

Sumitomo Pipe & Tube Corporation is a listed subsidiary of Sumitomo Metals. This subsidiary does not compete with Sumitomo Metals and maintains independence with its business judgment based on economical justifications, with regard to its transaction with Sumitomo Metals.

II. Status of Business Management Organization and Other Corporate Governance Systems Relating to Managerial Decision-Making, Business Execution, and Management Supervision

1. Matters Relating to Organizational Structure and Organizational Management and Other

Form of organization	Company with corporate auditors
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<Matters related to directors>

Number of directors provided for in the Articles of Incorporation	20
Term of office of directors provided for in the Articles of Incorporation	1 year
Chairman of Board of Directors	Chairman of the Company (excluding where serving concurrently as President)
Number of directors	10
Appointment of outside directors	Not appointed

<Matters related to corporate auditors>

Board of Auditors in place	Yes
Number of corporate auditors provided for in the Articles of Incorporation	5
Number of corporate auditors	5

Status of cooperation between corporate auditors, accounting auditors, and the Internal Auditing Department

Corporate auditors receive explanation from accounting auditors (Deloitte Touche Tohmatsu LLC-Japan) on their audit plans, audit contracts with Sumitomo Metals (including the amount of audit remuneration), audit implementation status, quarterly review results, and fiscal year-end audit results (including internal control audit related to financial reporting.) They then exchange opinions.

In addition, corporate auditors explain their audit plans, implementation status, and results of audits to accounting auditors and exchange opinions.

Corporate auditors meet with accounting auditors at least once every quarter, including the above occasions, to receive explanation and reporting on a structure to ensure proper execution of duties by accounting auditors, their specific auditing methods, adoption of new accounting standards and auditing standards.

Corporate auditors verify implementation status of audit by accounting auditors occasionally by observing their procedures, etc.

Sumitomo Metals has established sections for internal audit (the Internal Auditing Department and other,) which sets an internal audit plan and audits business execution of the Company and its major group companies.

The Internal Auditing Department notifies corporate auditors of its internal audit plan and its implementation, receive their opinions and requests, and report its status of implementation and audit results to corporate auditors and the Board of Auditors.

Appointment of outside corporate auditors	Yes
a) Number of independent directors out of outside corporate auditors	3
b) Number of outside corporate auditors	3

Relationship with the Company (1)

Name	Attribute	Relationship with the Company ^{*1}								
		a	b	c	d	e	f	g	h	i
Keiichi Murakami	Attorney									
Toshiro Mutoh	Originally from another company				✓	✓				
Hirotake Abe	Certified public accountant				✓					

*1 Selection criteria regarding relationship with the Company

- a From parent company
- b From other affiliated company
- c Major shareholder of the Company
- d Concurrently serves as other companies' outside director or outside auditor
- e Concurrently serves as other companies' executive director or operating officer, etc.
- f Spouse, relative within the third degree of kinship, or similar person of an executive director or operating officer of the Company or its specified affiliate
- g Receives compensation or proprietary benefit, as director, from the parent company of the Company or subsidiary of the parent company
- h Limited liability agreement concluded between this individual and the Company
- i Other

Relationship with the Company (2)

Name	Independent director	Supplementary information regarding applicable items	Reason for appointment as an outside director (including reason for designation as an independent director, if applicable)
Keiichi Murakami	✓	----	<p>The Company has appointed Mr. Murakami as an outside auditor, as it judged that he has served fully as its outside auditor based on his experiences and broad perspective concerning corporate legal affairs as attorney, and is appropriately performing his assignment as auditor.</p> <p>The Company designates Mr. Murakami as an independent director because he has no interests with the Company or any of its major business partners, and is regarded to have no conflict of interests with general shareholders. His designation, upon his approval, was determined by a representative director and was reported at the Board of Directors. He does not apply to any item stated on the “Guidelines Concerning Listed Company Compliance, etc., III Examination Pertaining to Ensuring Effectiveness, 5. (3) -2.”</p>
Toshiro Mutoh	✓	<p>Outside Director of Mitsui& Co., Ltd.</p> <p>Chairman of Daiwa Institute of Research Ltd.</p>	<p>The Company has appointed Mr. Mutoh as an outside auditor, as it judged that he has served fully as its outside auditor based on his experiences and broad perspective concerning finance and economy in general, and is appropriately performing his assignment as auditor.</p> <p>The Company designates Mr. Mutoh as an independent director based on the same reasons and procedure as its outside auditor, Mr. Keiichi Murakami.</p>
Hirotake Abe	✓	Outside Auditor of ITC Networks Corporation	<p>The Company has appointed Mr. Abe as an outside auditor, as it judged that he will serve fully as its outside auditor based on his experiences and broad perspective concerning corporate accounting as certified public accountant.</p> <p>The Company designates Mr. Abe as an independent director based on the same reasons and procedure as its outside auditor, Mr. Keiichi Murakami.</p>

<Matters related to independent directors>

Number of independent directors	3
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Other matters related to independent directors
-----**<Matters related to incentives>**

Provision of incentives to directors	No
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Supplementary information relating to the relevant item

The amount of remuneration provided to directors is determined based on provision of the Article 361-1(1) of the Companies Act of Japan. Sumitomo Metals has not introduced stock option, or other incentive plans.

Grantees of stock options	-
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Supplementary information relating to the relevant item
-----**<Matters related to remuneration for directors>**

Disclosure status of individual compensation for directors	Partially disclosed
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Supplementary information relating to the relevant item

The total amount of remuneration for directors, corporate auditors, and outside auditors are respectively disclosed in the Securities Report and the Business Report. In addition, the total amount of consolidated remuneration for those who received consolidated remuneration of ¥100 million or more are disclosed in the Securities Report.

The total amount of remuneration payments for directors in fiscal 2010 was ¥655 million, while the upper limit of remuneration that was resolved at the general meeting of shareholders was ¥80 million per month for directors.

Existence of policies determining the amount of remuneration or method of calculating remuneration for directors	Yes
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Policies determining the amount of remuneration or method of calculating remuneration for directors

Regarding remuneration provided to directors, the general meeting of shareholders approves the lump sum monetary amount appropriate for directors to perform their functions needed to raise corporate value. The amount for each individual is determined by discussion at the Board of Directors, with due consideration given to business results and other factors, depending on whether representative director or not, type of assignment and position, within the total amount determined by the resolution of the general meeting of shareholders.

<Support system for outside directors (outside auditors)>

Support system for outside auditors

Regarding issues on the agenda for the Board of Directors, materials, in principle, are distributed to outside auditors in advance, and advance briefings are offered to them by standing corporate auditors who have obtained information by attending internal meetings, or by directors who are in charge of the issue and are able to report and explain about background and outline of the issue on the agenda. If needed, the Board of Auditors checks details on the issues.

Standing corporate auditors or directors in the relevant department report or explain to outside auditors matters such as those discussed or reported in major internal meetings and those important matters related to execution of duties by directors, such as status of activities at the Compliance Committee.

In addition, implementation status and results of internal audit conducted by the Internal Audit Department are reported at the Board of Auditors.

The Auditors Office has been set up to provide assistance to outside auditors and other corporate auditors.

2. Matters Regarding Functions of Business Execution, Audit/Supervision, Nomination, and Decision on Remuneration, etc. (Overview of Current Corporate Governance Structure)

(1) Decision-making, business execution, and audit/supervision structures

Sumitomo Metals, as a corporate body based on the laws and the Articles of Incorporation, has set up the general meeting of shareholders, directors, the Board of Directors, corporate auditors, the Board of Auditors, and accounting auditors. The following structures have been in places, to ensure their effective functioning.

- (A) The adoption of the Executive Officer System separates the function of directors (decision-making and supervision) and the function of executive officers (business execution.) This has raised effectiveness of supervising function and efficiency of executing function. Sumitomo Metals has 10 directors and 29 executive officers including some who concurrently serve as directors.
- (B) Important management issues of the Sumitomo Metals Group (Sumitomo Metals and its consolidated subsidiaries) are first reviewed by the Management Council (held twice a month, in principle) and then are decided at the Board of Directors (held once a month, in principle.)
- (C) Regarding directors' decision-making and executive officers' execution, corporate auditors, the Auditors Office, the Internal Audit Department (Audit Department and others), and accounting auditors (Deloitte Touche Tohmatsu LLC-Japan) monitor and audit legal compliance and effectiveness of those matters. The Auditors Office's size of staff, function, and personnel affairs are subject to consents of the Board of Auditors.

Deloitte Touche Tohmatsu LLC-Japan has executed Sumitomo Metals' accounting audit in fiscal 2010. Names of certified public accountants who executed auditing, their consecutive years of service, and a structure of assisting staff are as follows.

Names of certified public accountants who executed duties

Designated Unlimited Liability Partners and Engagement Partners: Hiroshi Yoshida (serving for two consecutive years), Yukitaka Maruchi (for seven years), Tsuguo Ito (for six years), Eiichi Izumo (for one year)

Structure of assisting staff involved in accounting audit:

11 certified public accountants and 9 other staffs

- (D) Sumitomo Metals adopted the Internal Company System and is organized with companies for each business domain, the Head Office, and the Corporate Research & Development Laboratory. Each company has an administrative and operational structure that covers from manufacturing through sales and each company president is responsible for the consolidated business performance of his business unit. Each internal company endeavors to strengthen its ability to respond to customer needs in ways that are suitable for the characteristics of its business, and to establish a flexible management style.
- (E) In order to promote group management, major group companies are required to consult with and report to Sumitomo Metals on important decision making. Aiming to enhance corporate governance across the group, Sumitomo Metals also receives regular reports from group companies regarding the status of their business execution and financial condition. In addition, the Company's Internal Auditing Department conducts regular audits of group companies.
- (F) Sumitomo Metals has set up the Group Company Management Council to evaluate the business performance of major group companies and consider remuneration and other matters concerning the presidents of group companies.
- (2) Nomination of director and executive officer candidates by committees
- (A) The Personnel Committee (chaired by the President) deliberates nomination of candidates for director and executive officer, and other personnel matters. It then reports to the Board of Directors for decision.
- (B) The Board of Auditors considers the candidates for corporate auditor who have been put forward by the Board of Directors and decides whether to approve them.
- (3) Policies determining the amount of remuneration or method of calculating remuneration for auditors
Regarding remuneration provided to auditors, the general meeting of shareholders approves the lump sum monetary amount appropriate for auditors to perform their functions required by laws and regulations. The amount for each individual is determined by discussion at the Board of Auditors, with due consideration given to business results and other factors, depending on being full-time or

not, within the total amount determined by the resolution of the general meeting of shareholders.

3. Reasons for Adopting Current Corporate Governance Structure

Sumitomo Metals strives to ensure effectiveness in supervising function and efficiency in business execution, by separating those functions through the adoption of the executive officer system, and by establishing a system to make decisions on important managerial issues at the Board of Directors after being discussed at the Management Council, as well as a system to make decisions on nomination of director candidates and other personnel matters by the Board of Directors, after being discussed at the Personnel Committee. In the rapidly-changing business environment, our directors' term of offices are limited to 1 year and they are elected at the general meeting of shareholders every year, in order to ensure transparency with regard to responsibility during any given business year. No outside director is in office at present.

In the meantime, directors' execution of duties is monitored by 5 corporate auditors including 3 outside auditors. The Board of Auditors is held at least twice a month to check the process and decisions made by directors. Corporate auditors also strive to improve an auditing system required by the Companies Act of Japan by checking and verifying the status of establishing a system to ensure appropriateness for operations of Sumitomo Metals, through regular interviews to representative directors and a director in charge of finance and other.

The above initiatives lead Sumitomo Metals to believe that its corporate governance is effective.

III. Implementation of Measures Related to Shareholders and Other Stakeholders

1. Progress in Invigorating General Meeting of Shareholders and Facilitating the Exercise of Voting Rights

	Supplementary Explanation
Early notification of the general meeting of shareholders	The notification of the June 2011 general meeting of shareholders was sent on Wednesday, May 25.
Setting the date of the general meeting of shareholders to avoid peak meeting dates of many other companies	The June 2011 general meeting of shareholders was held on Friday, June 17.
Allowing the exercise of the voting right through electromagnetic means	Voting via internet has been allowed since the June 2004 general meeting of shareholders and voting via mobile phones since the June 2005 general meeting of shareholders.
Utilization of electronic voting platform and other methods of improving the environment for institutional investors' voting	The electronic voting platform operated by ICJ Ltd. has been available since the June 2008 general meeting of shareholders.
Providing an English summary of the convocation notice of the ordinary general meeting of shareholders.	The English version of the convocation notice and its attachment materials are available.
Other	The convocation notice and its attachment materials (including the English version for both) are posted on the Company's website.

2. IR-Related Activities

	Supplementary Explanation	Presentation by representative
Periodic briefings for financial analysts and institutional investors	Sumitomo Metals holds briefings after announcement of its financial results and other important announcements such as medium-term business plans.	Yes
Periodic briefings for overseas investors	Sumitomo Metals' officials regularly visit overseas institutional investors to provide briefings on financial results and business strategies.	Yes
Posting of IR materials on the Company's website	Sumitomo Metals is disclosing press releases, financial results, annual reports, securities reports, corporate strategy and information, IR briefings, and information concerning IR calendar, credit rating, and various information for shareholders.	-
Designated division (personnel) in charge of IR activities	Division in charge: Public Relations & IR Department	-

3. Status of Efforts to Respect the Standpoint of Stakeholders

	Supplementary Explanation
Reference made in company internal regulations to respect the standpoint of stakeholders	<p>Sumitomo Metals' Corporate Philosophy states: "We will preserve the Sumitomo Spirit and transmit it to the future, treasure people and technologies, and contribute to society through manufacturing."</p> <p>It is on the basis of this philosophy that the Sumitomo Metals Code of Conduct has been established. It stipulates that the company is to comply with laws and standards of corporate ethics, respect all stakeholders, and fulfill corporate social responsibility.</p>
Implementation of environment protection and CSR activities	<p>The Sumitomo Metals Group recognizes the importance of environmental preservation and aims to fulfill its corporate social responsibility (CSR) and to contribute to preserving the global environment by helping to form a material-recycling society. The Environment Committee (chaired by the executive vice president in charge of technology) works to promote acquisition of ISO14001 certifications, implementation of environmental audits and environmental education, hosting of environmental events, and introduction of environmental accounting, as the major ways we work to preserve and improve the environment.</p> <p>In addition, the CSR Committee (chaired by the president) has been established to enhance management practices that integrate the Company's business strategies with CSR. The Company is carrying on social action programs and other activities to become a company trusted by all stakeholders, while CSR initiatives are discussed in an integrated manner to be further enhanced.</p> <p>The Company publishes its annual report, which covers its activities from business areas (growth strategies, financial conditions,) to CSR including environmental preservation and social contribution.</p>

IV. Internal Control Systems Framework

1. Basic Policy on Internal Control Systems and Status of the Development of the System

The Sumitomo Metals Group understands Internal Control Systems for securing the propriety of the business is indispensable in order to enhance its sustainable corporate value, and is working to improve its Internal Control Systems to ensure the properness of its operations.

The Company, as a corporate body based on laws, regulations and its Articles of Incorporation, has in place its general meeting of shareholders, directors, Board of Directors, corporate auditors, Board of Corporate Auditors and accounting auditors, and has established the following systems to ensure that these bodies can perform their duties in an efficient manner. (Please refer to the chart of “Internal Structure Related to Timely Disclosure of Corporate Information”, attached at the end of this document.)

- (1) Systems to ensure that the Board of Directors’ decision-making and supervision complies with laws, regulations and the Company’s Articles of Incorporation, and to ensure that these are efficiently carried out.
 - (i) The Company has established the following systems to ensure that its Board of Directors’ functions of decision-making and supervision can be performed in an efficient manner.
 - (A) Introduce an “executive officer system” and raise the effectiveness of supervisory functions and the efficiency of officers’ duties by separating decision-making and supervisory functions from management functions.
 - (B) Establish standards for Board of Director discussions, and stipulate what matters are to be decided upon at meetings of the Board of Directors and what matters need to be reported to the Board of Directors.
 - (C) Have matters of importance to management discussed at the Management Council, and then make decisions at a meeting of the Board of Directors.
 - (D) Have the Personnel Committee discuss the nomination of Director candidates and other personnel matters and report these to the Board of Directors for decision-making.

The Company has established Sumitomo Metals’ Corporate Code and requires that the Directors not only strictly comply with laws, regulations and business ethics but also actively practice corporate social responsibility (CSR.) In addition, the Company has established the CSR Committee to enable the centralized handling of CSR matters, and is encouraging management that integrates the Company’s business strategy with social responsibility.

- (ii) The Company preserves and manages the information concerning Directors’ execution of their duties in accordance with the Company’s regulations.

(2) Regulations and systems concerning crisis management

- (i) The Crisis Management Committee has been established to enable the Company to make a unified response in a time of emergency following a major disaster, accident or violation of law. Systems will be put in place that will enable a swift and appropriate response to a crisis.
- (ii) The Company has set up the following systems to prevent or manage risks in ordinary times.
 - (A) Establish systems to manage losses, to swiftly respond to changes in the business environment and put in place regulations concerning significant assets and manage those assets.
 - (B) Establish a Risk Management Committee, conduct assessment to uncover and examine risks and set basic policies governing risk management. In accordance with these basic policies, determine the departments that will be responsible for managing specific risks, set down regulations, put systems in place, and conduct efficient risk management. We set up an Environment Committee to manage environmental risks, an Information Security Committee to manage information security risks, and have assigned the executive vice president in charge of quality to enhance quality management system.
 - (C) Establish systems to ensure the reliability of financial reports and hold Internal Control Evaluation Committee to assess the effectiveness of these systems.

(3) Systems to ensure that the business operating forces carry out their duties in compliance with laws, regulations and the Company's Articles of Incorporation

The Compliance Committee has been set up to prevent violations of law, and the following compliance programs have been put in place.

- (A) Publish a Compliance Manual which lists the practices that must be followed in the course of duties.
- (B) Set up a curriculum for training personnel in all aspects of compliance. If necessary, the management of each office produces manuals and hold training meetings.
- (C) Set up a Compliance Consultation Office in order to provide consultations to employees.
- (D) The Internal Auditing Department will monitor and supervise performance of the duties of executive officers and employees to ensure that compliance systems like the ones listed above are effectively maintained.

(4) Systems to ensure that the Sumitomo Metals Group carries out its duties properly

The following “Group Company Management Systems” have been set up for the management of subsidiaries (excluding listed subsidiaries).

- (A) The Group Company Management Council evaluates the level of achievement of management targets at principal subsidiaries and discusses the remuneration of the president of each subsidiary.
- (B) Important decisions taken at each subsidiary are required to be discussed with and reported to the Company, following a defined standard procedure.
- (C) Each subsidiary is required to set up a compliance program based on the Company’s program, adapted to the business and scale of operations of the subsidiary.
- (D) The Company receives periodic reports from each subsidiary company concerning the management of their operations and their financial circumstances. The Internal Auditing Department will regularly inspect each subsidiary.

2. Basic Policy for Exclusion of Anti-social Forces and Status of the Development of the System

(1) Basic Policy for Exclusion of Anti-social Forces

Sumitomo Metals’ Code of Conduct specifies that the Sumitomo Metals Group permits no relationship of any kind with anti-social forces and organizations, and takes firm action against all improper demands.

(2) Status of the Development of the System for Exclusion of Anti-social Forces

- (i) The Company established posts in charge of preventing undue claims in its major offices.
- (ii) The Company has been strengthening its liaison with specialist organizations by joining liaison committees organized by specialists such as the police in order to receive guidance on measures to be taken against anti-social forces.
- (iii) The company collects up-to-date information on anti-social forces by liaising with experts and the police, and utilizes such information to call the Company’s employees’ attention to anti-social forces.
- (iv) The Company produces and distributes manuals in which measures against anti-social forces and points of concern are stated to internal personnel concerned.

V. Other

1. Existence of Anti-takeover Defense Plan

Existence of Anti-takeover Defense Plan	Yes
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Supplementary information relating to the relevant item

[SUMMARY] Sumitomo Metals Announces the Continuation of Policy Toward Large-scale Purchases of Sumitomo Metals Shares (Anti-takeover Defense Plan)

On March 31 of 2009, Sumitomo Metals announced that its Board of Directors decided to continue a policy, as a so-called "anti-takeover defense plan to be introduced in advance", toward (i) a purchase of Sumitomo Metals' shares and other securities by a group of shareholders with the intent to hold 20% or more of the total voting rights of Sumitomo Metals, or (ii) a purchase of Sumitomo Metals' shares and other securities resulting in a group of shareholders holding 20% or more of the total voting rights of Sumitomo Metals (the purchases set out in (i) or (ii) above do not include the purchases to which Sumitomo Metals' Board of Directors has given consent in advance). A purchase of Sumitomo Metals' shares and other securities set out in (i) or (ii) above shall be hereinafter referred to as a "Large-scale Purchase". A person or a company that intends to conduct a Large-scale Purchase shall be hereinafter referred to as a "Large-scale Purchaser".

This policy is (i) to make a necessary revision regarding the amendment of laws, etc., to a part of the policy approved by the shareholders upon the ordinary general meeting of shareholders held on June, 2006 (hereinafter referred to as the "Original Policy") and (ii) to continue the Original Policy with substantially the same content (such policy after revision shall be hereinafter referred to as the "Policy").

The above policy was approved at Sumitomo Metals' general meeting of shareholders held on June 19, 2009.

(1) Basic Philosophy

Sumitomo Metals' Board of Directors believes that the company's shareholders should make the final decisions as to whether or not a Large-scale Purchase is acceptable. The Board of Directors also believes that shareholders (i) should be provided with sufficient and appropriate information, from both of the Board of Directors and the Large-scale Purchaser, including information on the (a) conditions of the Large-scale Purchase, (b) management policies and business plans that the Large-scale Purchaser intends to adopt for Sumitomo Metals and its group companies, (c) influence of the Large-scale Purchase affecting Sumitomo Metals and its group companies and their stakeholders, and (d) any proposals alternative to the Large-scale Purchase, and (ii) should be given an opportunity and time to carefully consider the provided information. Based on such belief, Board of Directors has established rules concerning Large-scale Purchases of Sumitomo Metals shares (hereinafter the "Large-scale Purchase Rules") and will require any Large-scale Purchaser to comply with the rules.

Based upon the thought that countermeasures should be enforced under objective conditions, the Board of Directors may take such countermeasures only in the cases where the Large-scale

Purchaser does not comply with the Large-scale Purchase Rules.

(2) Large-scale Purchase Rules

(A) Submission of Intention Letter

When a Large-scale Purchaser intends to commence a Large-scale Purchase, such Large-scale Purchaser is required to submit to Sumitomo Metals a letter of intention to comply with the Large-scale Purchase Rules (hereinafter the "Intention Letter").

(B) Provision of Information

The Large-scale Purchaser is required to provide Sumitomo Metals' Board of Directors with sufficient information (hereinafter the "Large-scale Purchase Information") so that the company's shareholders may make decisions and the Board of Directors may form its opinion regarding such Large-scale Purchase.

Sumitomo Metals will, within five (5) business days after receipt of the Intention Letter, deliver to the Large-scale Purchaser a list of the Large-scale Purchase Information to be provided by the Large-scale Purchaser. The Large-scale Purchase Information includes the following:

- a) an outline of the Large-scale Purchaser and its group;
- b) the purposes and conditions of the Large-scale Purchase;
- c) the basis for determination of the purchase price and funds for purchase;
- d) management policies which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase for Sumitomo Metals' and its group companies' businesses;
- e) policies to be implemented after the completion of the Large-scale Purchase on interested parties of Sumitomo Metals and its group companies; and
- f) view on the legality of the Large-scale Purchase in terms of the Antimonopoly Act of Japan and overseas competition laws (in case where the Large-scale Purchaser conducts business of the same kind as Sumitomo Metals' or its group companies' business).

The Board of Directors will disclose all or part of the Large-scale Purchase Information submitted to the Board of Directors at the time it deems appropriate, if such disclosure is considered necessary for shareholders to make decisions.

(C) Assessment Period

After the provision of the Large-scale Purchase Information is completed, the Board of Directors should be allowed a period below during which it will assess and examine the Large-scale Purchase and seek any alternative plans (hereinafter "the Assessment Period"):

- sixty-business-day period (in case of the purchase of all Sumitomo Metals shares by a tender offer with cash-only (yen) consideration); or
- ninety-business-day period (in case of any other Large-scale Purchase).

The Board of Directors will thoroughly examine and assess the provided Large-scale Purchase Information with advice from outside experts including lawyers, accountants and financial advisors during the Assessment Period, and form and disclose its opinion. The Board of Directors may negotiate with the Large-scale Purchaser in order to improve the terms of the proposed Large-scale Purchase or it may offer the alternative plan to shareholders, if necessary.

(3) Countermeasures against Non-compliance with the Large-scale Purchase Rules

If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules such as the case where a Large-scale Purchaser commences the Large-scale Purchase without providing Large-scale Purchase Information, Sumitomo Metals' Board of Directors may take countermeasures against the Large-scale Purchaser to protect the interests of all of its shareholders as a whole. Countermeasures include the issuance of stock acquisition rights or any other measures that the Board of Directors is permitted to take under the Corporate Code of Japan or other laws and the company's articles of incorporation. If a Large-scale Purchaser complies with the Large-scale Purchase Rules, the Board of Directors does not intend to prevent the Large-scale Purchase at its own discretion.

(4) Influence on Shareholders and Investors, etc.

The purpose of the Large-scale Purchase Rules is (i) to provide an opportunity for Sumitomo Metals shareholders to receive information necessary to determine whether or not the Large-scale Purchase is acceptable, (ii) to secure the period of time necessary for the provision of such information and (iii) to consider any alternative plans. Accordingly, the Board of Directors believes that the establishment of the Large-scale Purchase Rules is for the benefit of Sumitomo Metals shareholders and investors.

If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, Sumitomo Metals' Board of Directors may take countermeasures to protect the interests of all its shareholders as a whole. However, the Board of Directors is not assuming that such countermeasure taken will cause any specific damage or loss to Sumitomo Metals shareholders (excluding a Large-scale Purchaser who does not comply with the Large-scale Purchase Rules). Provided, however, that if Sumitomo Metals once decides to take the countermeasure of issuing stock acquisition rights through the method of gratuitous allotment to shareholders and thereafter Sumitomo Metals cancels such countermeasure, then damage may be incurred by Sumitomo Metals' shareholders and investors who have sold Sumitomo Metals shares with assumption that such countermeasure shall be made, due to fluctuations in the value of shares.

(5) Effective Date and Effective Term of the Policy

The Policy took effect as of today and will remain effective until the first meeting of the Board of Directors to be held after the ordinary general meeting of shareholders in 2012 (three-year sunset). The Board of Directors plans to propose the outline of the Policy at the ordinary general meeting of shareholders to be held in June this year (hereinafter the "SH meeting") as an agenda for affirmative votes. In case not more than a half of Sumitomo Metals shareholders present or represented at the SH meeting vote for the affirmative, then the Policy will be abolished immediately.

2. Other Matters relating to the Corporate Governance Framework

<Overview of Timely Disclosure of Corporate Information>

1. Basic Policy on Timely Disclosure of Corporate Information

Sumitomo Metals has adopted the Sumitomo Metals' Code of Conduct, based on the Sumitomo Spirit and Sumitomo Metals' Corporate Philosophy, and is requiring all employees including executive officers to fulfill corporate social responsibility proactively. The Code of Conduct, which is posted on the Company's intranet, stipulates the requirement to "keep the public informed and disclose proper and accurate corporate information," which is the Sumitomo Metals Group's basic policy on timely disclosure.

In addition to timely disclosure of corporate information, the Company's directors including representative directors are engaged in communicating actively with shareholders and investors at opportunities such as general meetings of shareholders, plant tours for shareholders, and regular briefings for Japanese and overseas financial analysts and institutional investors.

Sumitomo Metals ensures sound management of timely disclosure structure with its corporate governance system: any case of violation or concerns over violation to timely disclosure is promptly reported to the Compliance Committee.

2. Structure to Execute Timely Disclosure Operations

(1) Organizational structure

Sumitomo Metals' Public Relations and IR Department, which is mainly in charge of operations related to information for timely disclosure and others, collects important information for the whole Group and discloses it in a timely and appropriate way. As Sumitomo Metals is introducing the Internal Company System, its Public Relations and IR Department collects information from the Company and group companies either directly or through a designated department of the head office or an administrative department of the internal company.

The Public Relations and IR Department plans and implements the system and measures against possible risks related to timely disclosure. It monitors the status of handling by each department and reports to the Risk Management Committee.

(2) Procedures

a) Collection and review of decisions and events

A department that is engaged in an important matter to the Sumitomo Metals Group's management will report and check on whether the matter applies to the timely disclosure standards with the Public Relations and IR Department, doing so either directly or through a respective department of the head office or an administrative department of the internal company. When the matter is determined as requiring disclosure, it is brought to the attention of the Board of Directors. In case of

important events, the relevant department reports to the Public Relations and IR Department when they have taken place.

The Public Relations and IR Department checks and discusses with the department in charge of the relevant matter and the related departments whether the information reported or the information gathered independently apply to decisions or important events, which need be disclosed timely, according to the Financial Instruments and Exchange Act and the timely disclosure rules of stock exchanges and financial instruments exchanges. In case it does, the Public Relations and IR Department prepares documentation to be disclosed.

On the agenda of the Board of Directors, mention is made as to whether the matter applies to information for timely disclosure or not. The Public Relations and IR Department learns immediately after a Board meeting if the matter has been approved

b) Collection and review of financial information

The Sumitomo Metals Group's financial results, earnings forecasts, revision of dividend payment plans, and others ("financial information") are collected by the Treasury Department. Documentation is prepared pursuant to the Financial Instruments and Exchange Act and the timely disclosure rules of stock exchanges and financial instruments exchanges and then approved by the Board of Directors.

c) Timely disclosure procedures and announcement method

The executive officer in charge of the Public Relations and IR Department determines timely disclosure of corporate information approved by the Board of Directors without delay. It includes decisions made, financial information, and events that have occurred and been reported. The Public Relations and IR Department publicizes the information through the Timely Information Disclosure System (TDnet) offered by the Tokyo Stock Exchange. The documentation is also promptly provided to the media through the exchange's press club, and the same documents are uploaded without delay to the Company's website, in order to disclose information widely.

d) Treatment of information other than information required to be disclosed timely

Sumitomo Metals proactively discloses information that is not required to be disclosed in a timely manner but may affect investment decisions, and follows the same procedures as when making a timely disclosure, as described in the above c).

(3) Publicity and training of the system

Sumitomo Metals strives to make the timely disclosure system known to its employees and group companies.

The Public Relations and IR Department in charge of disclosure tries to participate in outside seminars

related to public relations, timely disclosure, or insider trading regulations.

Internally, the purpose and procedures of the timely disclosure system are included in the mandatory training course for new employees of each administrative group. The outline of the system is also available on the Company's intranet.

For Sumitomo Metals group companies, the Public Relations and IR Department hosts the Group PR Conference once a year and explains the purpose and procedures of the system to persons in charge of public relations of each company.

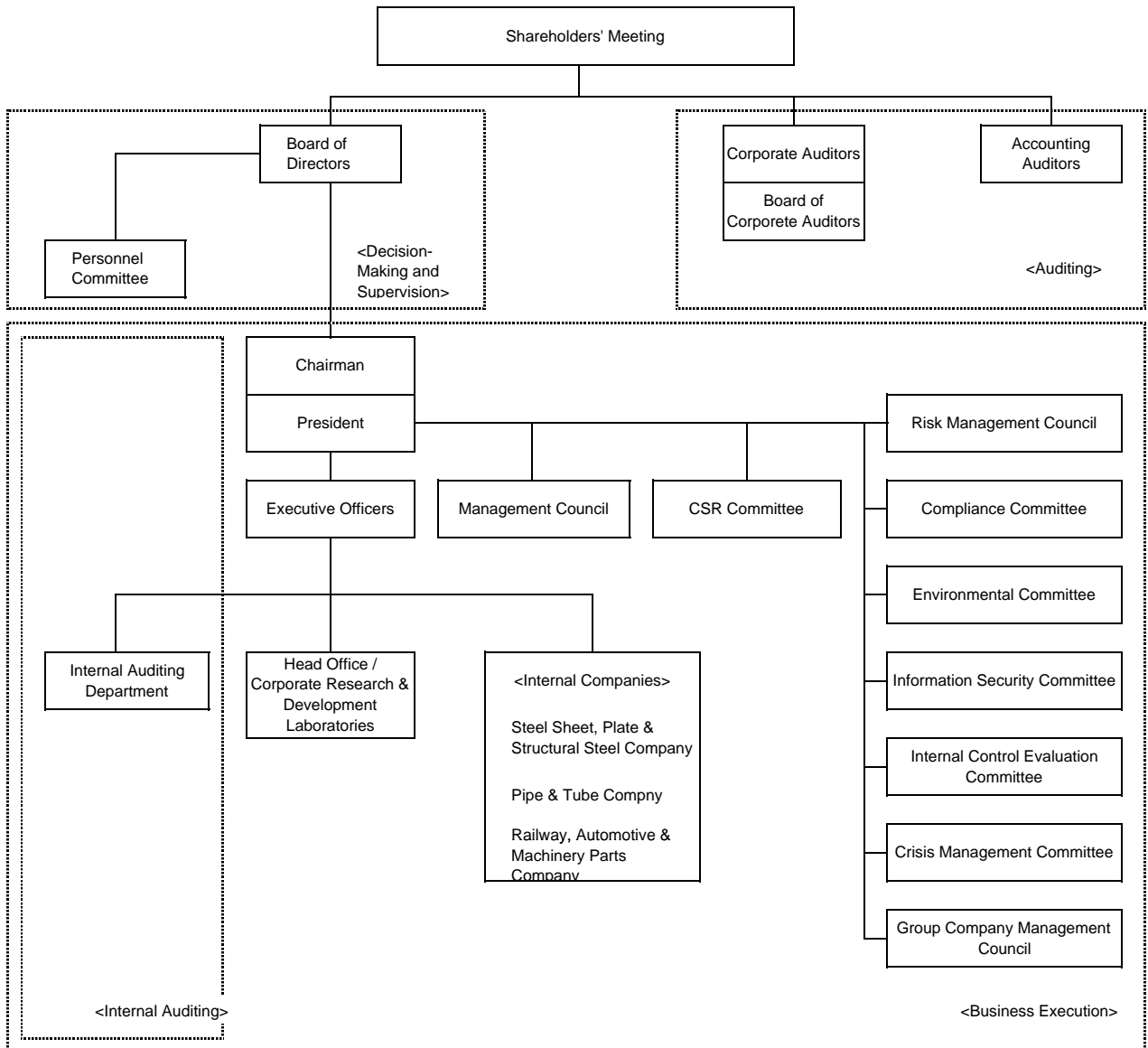
(4) Internal procedures concerned

Sumitomo Metals has adopted Insider Trading Regulation Rules, in compliance with the insider trading regulation based on the Financial Instruments Exchange Law. A person responsible for information management of each department is required to notify the Public Relations and IR Department when releasing insider information.

(5) Monitoring of internal structure

At Sumitomo Metals, the status of internal system concerning disclosure of corporate information is monitored and audited by corporate auditors and the Internal Auditing Department. At Sumitomo Metals' group companies, their status is checked by their corporate auditors and is regularly audited by the Company's Internal Audit Department.

<Corporate Governance Structure>



<Internal Structure of Timely Disclosure of Corporate Information>

