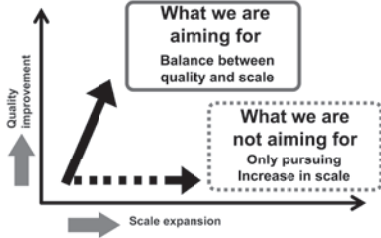


## 4 Business Plan

### (1) Management Policy and Direction

Sumitomo Metals is aiming at sustained growth that balances quality and scale.



Our Goal: to enhance the special qualities that define Sumitomo Metals

Add strength  
To strength

Emphasize balance  
between quality  
and scale

*What Sumitomo Metals is*

Accelerating  
distinctiveness

### (2) Great East Japan Earthquake: Damage and Recovery (more details: page 95)

The major earthquake and tsunami of March 11, 2011 caused suspension of operations on all production lines of Sumitomo Metals' Kashima Steelworks. In addition to our efforts, the support and cooperation from our business partners enabled us to restore normal operation by April 30.

#### •Examples of facility damages and their recovery status



Damage to the wharf caused by a wrecked ship



One of Wakayama Steelworks' cranes was moved to Kashima

#### •Group-wide recovery efforts



Opening of the tuyeres of a blast furnace



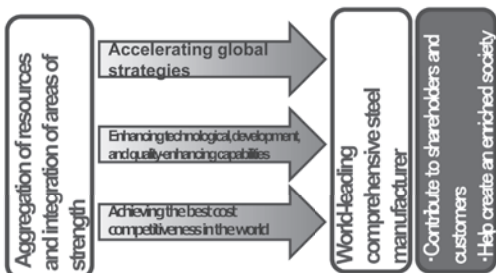
Hot strip mill restarted operation (April 12)

### (3) Commencement of Consideration of Business Integration with Nippon Steel Corporation (Details of the joint statement: page 28)

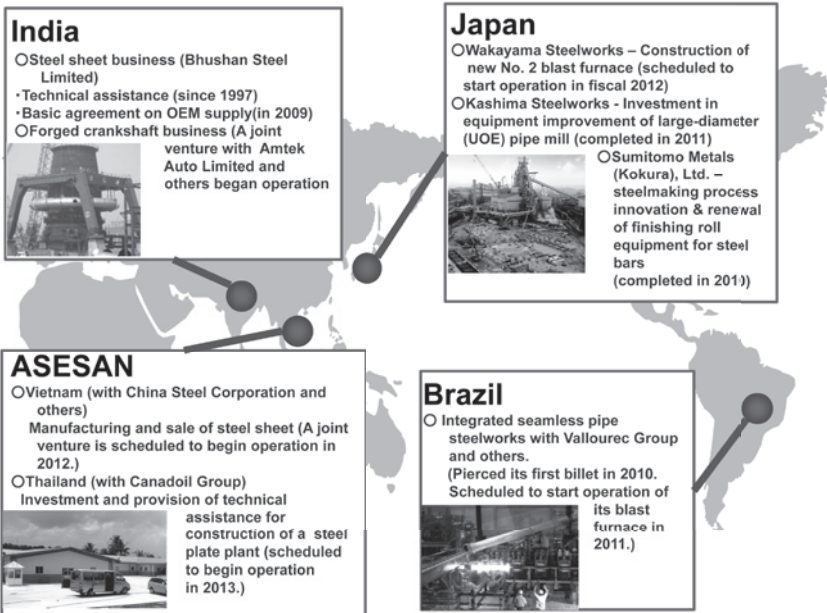
Sumitomo Metals plans to integrate with Nippon Steel and aims to become a world-leading steel manufacturer.



Mr. Tomono, President of Sumitomo Metals (right) and Mr. Muneoka, President of Nippon Steel (left)

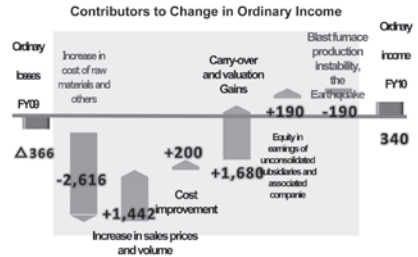
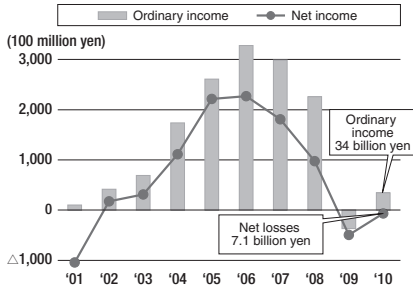


### (4) Reinforcing Domestic Operations and Expanding Overseas Business



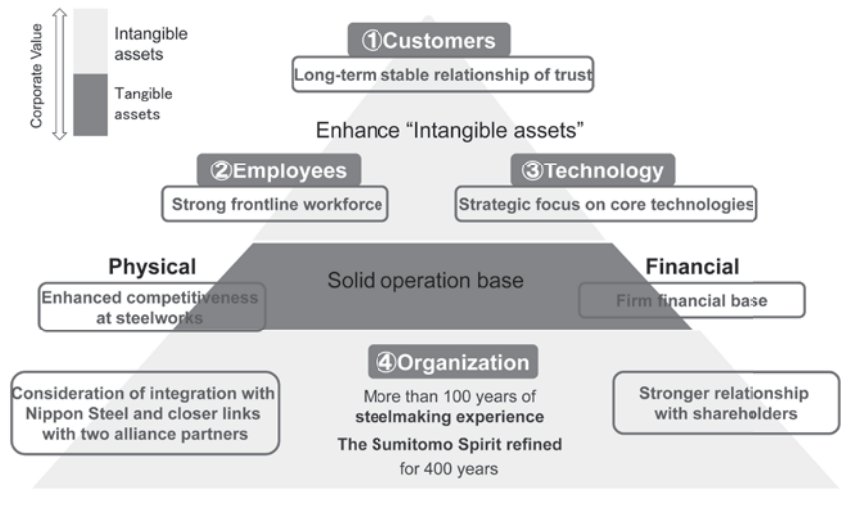
## (5) Business Results of FY2010

We returned to generating ordinary profit, due to sales price improvement, sales volume growth, and cost improvement, but posted ¥7.1 billion net loss because of extraordinary loss that was related to damages caused by the Great East Japan Earthquake.



## (6) Strategies to Create Corporate Value

We aim for sustained growth by enhancing intangible assets that include customers assets, technology assets, human assets and organizational assets, in order to increase corporate value.



## ① Customers Assets

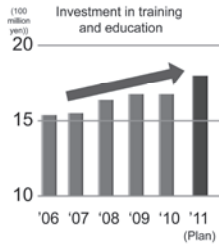
Customers' high evaluation and customer trust are Sumitomo Metals' most valuable assets.



Awards and commendations from customers

## ② Human Assets

We emphasize training and education of our workforce, and passing on of our accumulated manufacturing skills and know-how to others.

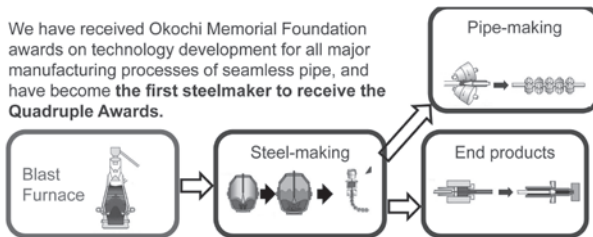


Handing down skills at a worksite

## ③ Technology Assets

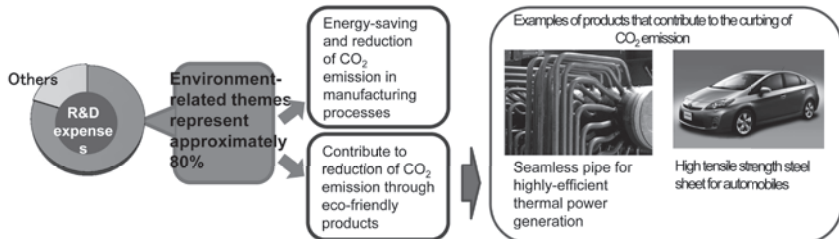
Wakayama Steelworks' No.4 Blast Furnace achieved non-stop operation for 27 years and 4 months (stopped operation in 2009) and was awarded the 57th Okochi Memorial Foundation Production Prize

We have received Okochi Memorial Foundation awards on technology development for all major manufacturing processes of seamless pipe, and have become the first steelmaker to receive the **Quadruple Awards**.



Award ceremony  
Mr. Tomono, President of Sumitomo Metals (left)

We emphasize environmental preservation in our R&D and contribution to the curbing of CO<sub>2</sub> emission through our manufacturing processes as well as our products.



## **(7) Announcement of Commencement of Consideration of Business Integration with Nippon Steel Corporation**

February 3, 2011  
Nippon Steel Corporation  
Sumitomo Metal Industries, Ltd.

### **Commencement of Consideration of Business Integration of Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.**

Today, Nippon Steel Corporation (President: Shoji Muneoka) and Sumitomo Metal Industries, Ltd. (President: Hiroshi Tomono) (collectively, the “Companies”) jointly announced that they have agreed to commence consideration of the integration of their entire businesses (the “Business Integration”), targeted for October 1, 2012. The Companies will, with the spirit of their relationship being based on equality, proceed to consider the Business Integration.

#### **I. Objectives and Background of the Business Integration**

##### **1. Objectives**

The Companies would, through the Business Integration, accelerate their global strategies and realize a level of competitiveness which is globally outstanding in all aspects, including technology, quality, and cost, by combining their respective resources that each has built up, and generate synergies through consolidation of the superiority area in their respective businesses. By implementing these measures, the Companies, in the midst of drastic changes to the overall business environment, aim to become a truly world-leading comprehensive steel manufacturer. In addition, through the Business Integration, the Companies aim to better respond to the needs of customers both in Japan and overseas and desire to contribute to further development of the Japanese and global economy and improvement of global society.

##### **2. Background**

The Companies have implemented various measures to strengthen each company’s competitiveness since their alliance commenced in 2002, such as the mutual supply of semi-finished steel products and business consolidation of their respective subsidiaries. These measures have produced excellent results. Nevertheless, confronted with the changes in the business environment surrounding the steel industry such as those mentioned below, the Companies have come to share the understanding that it is crucial to further strengthen their mutual relationship:

- (i) Expansion of steel demand all over the world, especially in emerging countries;
- (ii) Further increase in the need for higher quality and technology arising out of the augmentation of new business areas of steel application, such as those in energy and environment-related sectors;
- (iii) Commissioning of newly constructed steel mills in various countries and intensified competition in the steel supply markets globally; and

(iv) Globalization of steel consuming industries and rapid and drastic changes in the markets for procuring raw materials for steel.

Under these circumstances, the Companies have decided that the best option for all stakeholders of both Companies, including their shareholders and employees, is for a global top-tier steel manufacturer to be created through the Business Integration, by which more competitive products and services would be provided to meet the changing needs of customers both in and outside of Japan, and the continuous expansion of the Companies' corporate value could be sought. The Companies have thus reached today's agreement.

## **II. Goals of the Integrated Company**

The new company created by the Business Integration (the "Integrated Company") would endeavor to realize the following goals, aiming at becoming a world-leading comprehensive steel manufacturer.

### **1. Promoting and Accelerating the Global Strategies**

The Integrated Company would establish a system for supplying a variety of products to customers in the world as a comprehensive steel supplier by complementing the business of each Company through the assembly of the Companies' and their group companies' respective technologies, manufacturing bases, products that they are strong at, and their sales networks, and by maximizing the synergies of such assembly. Combining the Companies' domestic and overseas manufacturing sites and collaborating with their respective business partners having manufacturing bases in various countries would enable the Integrated Company to maintain a global system of production, marketing and sales, and R&D activities, which would cover not only Japan, the United States, and European nations, but also China, ASEAN member states, India, Central and South American countries, Middle and Near East countries, and African countries where economic growth is expected. Furthermore, the Integrated Company would seek and implement measures to reinforce and further expand its global manufacturing and supply system at a faster pace.

### **2. Maintaining the World's Most Advanced Technology**

Through the integration of the Companies' technology and R&D activities, the Integrated Company would maximize the potential of steel as a material and ensure that its technologies in the relevant area are always the most advanced. In addition, the Integrated Company would boost its competitiveness so that it can respond to the changing and upgrading needs of customers by combining the advanced technologies of the Companies, including product development capabilities, and capabilities for responding to customers' need for quality, and by creating synergies. The Integrated Company would further enhance its capabilities to offer comprehensive proposals to customers, combining proposals relating to both steel and non-steel businesses.

The Integrated Company would also promote further improvement of its technological infrastructure by modernizing its facilities and enhancing the level of technology, and would devote itself to dealing with issues related to raw materials, the global environment, etc., by utilizing the Companies' technologies to the maximum extent.

### 3. Securing Cost Competitiveness in Global Competition

The Integrated Company would pursue greater efficiency and reinforcement of its manufacturing bases by integrating the Companies' respective technologies and advantages in their manufacturing capabilities, implementing measures to strengthen its organization, including innovation of manufacturing processes, and concentrating and re-organizing resources.

The Integrated Company would endeavor to realize the advantages of the Business Integration at an early stage and to reinforce its business infrastructure by creating synergies and promoting measures to strengthen its competitiveness in operations, technologies, facilities, cost, raw materials, procurement, and production site management (with regard to operations, safety, environment, maintenance, etc.), and would seek to secure cost competitiveness not only for itself but for its group as a whole, to withstand the global competition.

Taking advantage of the advanced technologies, financing capacities, and other strengths of the Companies, the Integrated Company would enhance its capabilities in both procurement and technologies for the effective use of raw materials, and would further reinforce its cost competitiveness.

### 4. Reinforcing Business Infrastructure of Non-Steel Segments

With respect to non-steel business segments, such as engineering, urban development, chemicals, new materials and system solutions, the Integrated Company would seek to produce synergies and strengthen its competitiveness, by enhancing its business infrastructure and further improving its comprehensive capabilities to offer business solutions to customers, and assembling proposals relating to both steel and other business segments.

### 5. Maximizing Corporate Value and Improving Evaluation from Shareholders and Capital Markets

By implementing the foregoing measures, the Integrated Company would seek to maximize its corporate value and would use its utmost efforts to obtain a high evaluation from shareholders and capital markets by further improving its profitability, promoting the strategic utilization of funds and assets, and building up a stronger financial base.

### 6. Aggregation of Resources

The Integrated Company would pursue and work diligently towards the earliest accomplishment of the above goals by strongly promoting unification of all employees of the Companies, all group companies, and all partner contracting companies and aggregating the resources of the Companies, while also taking into due consideration closer cooperation with local communities.

## **III. Outline of Integration Plan; Working Group for Consideration of the Business Integration**

The Companies will proceed with the plan for the Business Integration pursuant to the following. Such plan will be subject to approval by the Companies' respective shareholders and the relevant authorities.

#### 1. Form and Schedule of Integration

##### (1) Form of Integration

The Companies will aim to form a business holding company by way of a merger.

##### (2) Schedule (Prospective)

February 3, 2011 : Execution of the Memorandum Regarding Consideration of the Business Integration

October 1, 2012 : Effective date of the merger (date of the Business Integration)

The Companies plan to execute a merger agreement targeted for April 2012 at the latest and hold shareholders' meetings to approve the merger agreement as soon as possible but no later than at their annual ordinary shareholders' meetings held in June 2012.

#### 2. Basic Matters (such as company name, headquarters, representative director(s), officers, etc.)

These are to be determined after consultation between the Companies.

#### 3. Integration Ratio

The integration ratio (i.e., the ratio of the share allotment upon the merger) is to be determined upon consultation between the Companies based on an assessment by external institutions.

#### 4. Working Group for Promoting Integration

An "Integration Study Committee" co-chaired by the Presidents of both Companies will be organized and it will commence consideration of the Business Integration.

Undetermined items will be disclosed immediately once determined.

## **(8) Major alliances and cooperative operations with other steelmakers**

### ① Japan

<Nippon Steel Corporation, Kobe Steel, Ltd.>

Feb. 2002 Agreed with Nippon Steel for collaboration to enhance competitiveness of each company

Jul. 2002 Integrated welding material businesses of Nippon Steel and Sumitomo Metals

Nov. 2002 Signed an agreement concerning hot rolled steel sheet supply, further strengthening of collaboration, and mutual investments with Nippon Steel  
Signed an agreement concerning cooperation in hot rolled steel sheet, tie-up arrangements and mutual investments with Kobe Steel

Oct. 2003 Integrated stainless steel businesses of Nippon Steel and Sumitomo Metals

Jan. 2005 Tied-up with Nippon Steel for automotive steel pipe business in China

- Mar. 2005 Began studies on additional mutual investments and on deepening the cooperation among Nippon Steel, Kobe Steel, and Sumitomo Metals
- Apr. 2005 Nippon Steel and Kobe Steel began supplying hot-rolled steel coils, and Kobe Steel began supplying hot-rolled titanium sheet to Sumitomo Metals
- Jun. 2005 Nippon Steel and Kobe Steel made equity investment in East Asia United Steel Corporation  
Began joint utilization of iron and steelmaking facilities at the Wakayama Steel Works
- Dec. 2005 Completed additional mutual investments with Nippon Steel and Kobe Steel, through expanded and enhanced mutual cooperation
- Mar. 2006 Signed a Memorandum of Understanding on enhancement of trilateral cooperation  
Agreed with Nippon Steel on mutual licensing of technologies in the field of ironmaking
- Apr. 2006 Integrated cast rolls businesses with Nippon Steel
- Dec. 2006 Integrated structural steel sheet businesses and road and civil engineering materials businesses with Nippon Steel Group
- Dec. 2007 Agreed on additional mutual investments with Nippon Steel and Kobe Steel, through expanded and enhanced mutual cooperation
- Apr. 2008 Began consigning production of stainless steel boiler tube by Kobe Special Tube Co., Ltd.
- Jul. 2009 Integrated arc-welded stainless steel pipe and tube business with that of Nippon Steel Group
- Feb. 2011 Announced the commencement of the consideration of business integration with Nippon Steel Corporation

## ② Overseas

### <Vallourec Group>

- 1976 Signed a license agreement on VAM®, for premium joints to connect seamless pipes (In 1985, an R&D agreement was made)  
Set up joint ventures for processing of and services for premium joints in the U.S. in 1984 and in Indonesia, Singapore, Vietnam and China in subsequent years
- Jul. 2007 Established a joint venture company with Vallourec to manufacture seamless pipe in Brazil
- Feb. 2009 Agreed on mutual equity investments (Completed acquisition of equities in the first half of fiscal 2009)

### <China Steel Group>

- Apr. 2002 Agreed on stable supply of slab
- May 2003 Signed the Joint Venture Agreement for upstream operation at Wakayama Steel Works

- Jul. 2003 Established East Asia United Steel Corporation
- Nov. 2003 Established Sumikin Iron & Steel Corporation (Completed the joint venture framework for upstream operations)
- Since spring of 2005 Expanded supply of slab to 1.8 million tons per year
- May 2007 The cumulative shipment of slab reached 5 million tons
- Aug. 2007 China Steel Group made capital participation in Thai Sumilox Co., Ltd.
- Aug. 2008 Concluded agreement to establish steel sheet joint venture in Vietnam

<Bhushan Steel>

- Oct. 1997 Agreed on providing technical assistance to Bhushan Steel & Strips Limited.
- Feb. 2003 Agreed on strategic alliance with Bhushan Steel & Strips Limited
- Dec. 2007 Agreed on participating in Bhushan Steel's Orissa Project
- Nov. 2009 Signed a technical assistance contract for Orissa Steel Works
- Dec. 2009 Agreed on OEM supply of steel sheet at Orissa Steel Works
- Jan. 2010 Sumitomo Metals' technical counselor initially stationed at Orissa Steel Works

<Corus Group>

- Jan. 2002 Agreed on technical collaboration with Corus Group plc.

<ThyssenKrupp Group>

- Sep. 2004 ThyssenKrupp Steel AG (TKS), the steel segment of the ThyssenKrupp Group, agreed with Daiichi Chuo Kisen Kaisha on cooperation for transportation activities.
- Oct. 2004 Agreed with ThyssenKrupp Automotive on its equity investment in Huizhou Sumikin Forging Co., Ltd.

## (9) Recent major news releases

2011. 5.20		Corrosion-Resistant Steel with Tin Added is Newly Developed
2011. 5.13		Sumitomo Metals Introduces Summertime Working Hours
2011. 5.10	○	Sumitomo Metals Declares Dividend
2011. 5. 2		Kashima Steelworks' Blast Furnaces Restore Normal Operation Status
2011. 4.28	○	Sumitomo Metals Plans to Recover the Damage of Great East Japan Earthquake
2011. 4.14	○	Sumitomo Metals Announces Estimated Loss Caused by East Japan Earthquake
2011. 3.31		Sumitomo Metals Group to Donate to Tohoku Earthquake Relief Efforts
2011. 3. 4		Sumitomo Metals Receives 57th Okochi Memorial Foundation Production Prize for "Development of Technologies that Extend Campaign Life of Blast Furnaces"
2011. 2.25		Sumitomo Metals Plans to Revise Domestic Pricing of Seamless Pipes

2011. 2.21		Sumitomo Metals Achieves Cumulative Total Shipment of Steel Plates of 5 Million Tons to Hyundai Heavy, and Launches RORO Ship Designed for Transporting Steel Plates to Hyundai Heavy
2011. 2.17		Sumitomo Metals and Sumitomo Corporation receive an order for steering bogies for new type of railcars of Ginza Line from Tokyo Metro Co., Ltd. (Joint Press Release with Sumitomo Corporation)
2011. 2. 3	○	Commencement of Consideration of Business Integration of Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. (Joint Press Release with Nippon Steel Corporation)
2011. 1. 4		New Year Message from President Hiroshi Tomono
2010.12.17		High-end Seamless Pipe Steelworks in Brazil Produces its First Steel Pipe
2010.11.26		Sumikin Kokura Makes Fuji Shaft Become Its Subsidiary and Merge with Sumikin Steel Processing - Nationwide development of manufacturing facilities for steel wire for cold heading - (Joint Press Release with Sumitomo Metals (Kokura), Ltd.)
2010.11.26		Sumitomo Metals Makes Equity Investment in SSWL, India's Largest Manufacturer of Automotive Steel Wheels (Joint Press Release with Ring Techs Co., Ltd.)
2010.11. 5		Sumitomo Metals Receives Two Gold Awards from Panasonic for its ECO-VC Initiative
2010.10.27		Sumitomo Metals Invests and Takes Part in Canadoil Group's New Steel Plate Mill in Thailand
2010.10.22		Sumitomo Metals Group Completes Investments in Innovative Steelmaking Process (Joint Press Release with Sumitomo Metals (Kokura), Ltd.)
2010.10.20		Sumitomo Metals Develops VAM®21, the World's Highest-performance Threaded Connection
2010.10.20		Sumitomo Metals Realizes High Efficiency Production of Low Phosphor Steel with Low Environmental Load - Development of New Molten Pig Iron Dephosphorization Technology with Powder Top Blowing -
2010.10.20		Sumitomo Metals Develops High-Precision Drop Weight Impact Test Machine - For Collision Safety Enhancement -
2010.10. 1		Sumitomo Metals Conducts Disaster Training
2010. 9.29	○	Sumitomo Metals Establishes a Seamless Pipe Sales Subsidiary in Brazil
2010. 9.28		Sumitomo Metals Receives Double Awards from the Japan Institute of Metals (Joint Press Release with Sumitomo Metal (Naoetsu), Ltd.)

○ Timely disclosures to Stock Exchanges