

June 4, 2007

To our shareholders

11-3, Shimbashi 5-chome, Minato-ku, Tokyo

## Sumitomo Metal Mining Co., Ltd.

Koichi Fukushima, Representative Director and President

### Convocation Notice of the 82<sup>nd</sup> Ordinary General Shareholders' Meeting

Sumitomo Metal Mining Co., Ltd. hereby gives notice of the 82<sup>nd</sup> Ordinary General Shareholders' Meeting as outlined below and requests your attendance.

If you are unable to attend, you may exercise your voting rights in writing, and we ask that you examine the Shareholders' Meeting Reference Documents as follows and submit your approval or rejection for the proposals for resolution using the enclosed voting form and ensure that this arrives at the Company by 5:40pm on Wednesday, June 27, 2007.

1. Time and date: 10am, June 28, 2007 (Thursday)
2. Location: 2-6, Shimbashi 1-chome, Minato-ku, Tokyo  
La Rose, 5F, Dai-ichi Hotel, Tokyo

The location is different to that used last year. Please refer to the map at the end of this notice to find the venue.

#### 3. Objectives

Matters to be Reported Reporting of the business report, consolidated financial statements and non consolidated financial statements for the 82<sup>nd</sup> business year (April 1, 2006 – March 31, 2007) and the results of audits of the consolidated financial statements and non consolidated financial statements by the accounting auditor and the Board of Corporate Auditors.

Matters to be resolved

Proposal No.1: Disposition of surplus

Proposal No.2: Payment of bonuses to directors

Proposal No.3: Partial amendments to the Articles of Incorporation

Proposal No.4: Election of eight (8) directors

Proposal No.5: Election of one (1) corporate auditor

Proposal No.6: Election of one (1) substitute corporate auditor

Proposal No.7: Countermeasures to large-scale acquisitions of shares of the Company (Takeover Defense Measures)

(Matters to be reported are shown in the document titled "Report for the 82<sup>nd</sup> Business Year" enclosed herewith.)

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\* If attending on the day, please submit the enclosed voting form to reception.

\* If any amendments to the shareholders' meeting reference documents, the business report, the consolidated financial statements or non-consolidated financial statements are made, notification of the details shall be provided on the Company's website (<http://www.smm.co.jp>).

## Shareholders' Meeting Reference Documents

### Proposals and Reference Matters

Proposal No.1: Disposition of surplus

The Company proposes that the disposal of surplus be made in the following manner.

#### 1. Matters regarding year-end dividend

The Company proposes to distribute the year-end dividend for the business year under review as described below considering the performance of the Company as well as responding to the continued support given to it by its shareholders.

##### (1) The kind of the dividend property

Cash

##### (2) The matters regarding the allotment of the dividend property to shareholders and the total amount thereof

16 yen per share of common stock of the Company

Total amount: 9,226,941,168 yen

As a result, the total dividend for the business year under review including an interim dividend will amount to 27 yen per share.

##### (3) The day on which the distribution of dividend of surplus will take effect

June 29, 2007

#### 2. Matters regarding disposition of other surplus

##### (1) The item of surplus showing a decrease, and the amount thereof

Profit surplus carried forward: 76,000,000,000 yen

##### (2) The item of surplus showing an increase, and the amount thereof

General Reserve: 76,000,000,000 yen

Proposal No.2: Payment of bonuses to directors

The Company proposes the payment of a total of 115 million yen to the eight (8) directors who were in office as of the end of the business year under review as the directors' bonuses. The directors' bonuses of the Company are calculated by considering the performance of the Company and reflecting the performance of each director.

Proposal No.3: Partial amendments to the Articles of Incorporation

#### 1. Reason for the amendments

(1) To improve publicity of public notice and rationalize expenses of public notice, the amendment of Article 4 of the Articles of Incorporation is proposed to change the method of public notice to electronic public notices utilizing the Internet.

(2) To further strengthen corporate governance, the amendment of Article 23 of the Articles of Incorporation

is proposed to reduce the term of office of directors from two (2) years to one (1) year.

2. Details of the amendments

The proposed amendments are as follows:

(Changes are underlined)

Current Articles of Incorporation	Proposed Amendment
<p>(Method of public notice)</p> <p>Article 4 Public notices of the Company <u>shall be made by issuing them in the Nihon Keizai Shimbun published in Tokyo Metropolis.</u></p>	<p>(Method of public notice)</p> <p>Article 4 Public notices of the Company <u>shall be electronic public notice. However, if public notice cannot be made using electronic public notice for unavoidable reasons, listings shall be made in the Nihon Keizai Shimbun.</u></p>
<p>(Term of Office)</p> <p>Article 23 The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders relating to the last business year ending within <u>two (2) years</u> after their election to office; <u>provided, however, that the term of office of the Directors elected to fill vacancies created a Director who resigned before the end of his/her term of office or as a result of an increase in their number shall be the same as the term of office of the other Directors.</u></p>	<p>(Term of Office)</p> <p>Article 23 The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders relating to the last business year ending within <u>one (1) year</u> after their election to office.</p>

Proposal No.4: Election of eight (8) Directors

All Directors (8 Directors) will have finished their term of office at the conclusion of the Ordinary Shareholders' Meeting. Therefore, the Company proposes the election of eight (8) directors.

The candidates for the directors are as follows.

Candidate No.	Name D.O.B.	Career Summaries, positions, areas of responsibility, and representation of other companies and other organizations	Shareholding of the Company
1	Koichi Fukushima October 18, 1941	<p>April 1964 Joined the Company</p> <p>June 1993 Director</p> <p>June 1997 Managing Director</p> <p>June 1999 Senior Managing Director</p> <p>April 2000 Representative Director President</p> <p>As of June 1, 2007 Representative Director President</p>	38,000 shares

Candidate No.	Name D.O.B.	Career Summaries, positions, areas of responsibility, and representation of other companies and other organizations	Shareholding of the Company
1	Koichi Fukushima October 18, 1941	April 1964 Joined the Company June 1993 Director June 1997 Managing Director June 1999 Senior Managing Director April 2000 Representative Director President As of June 1, 2007 Representative Director President	38,000 shares
2	Nobumasa Kemori April 12, 1951	September 1980 Joined the Company July 1998 General Manager of Besshi-Niihama District Div. Nickel Refinery July 2002 General Manager of Nickel Dept. June 2004 Executive Officer Senior Deputy General Manager of Non-Ferrous Metals Div. June 2006 Director Managing Executive Officer General Manager of Non-Ferrous Metals Div. As of June 1, 2007 Director Managing Executive Officer General Manager of Non-Ferrous Metals Div.	5,000 shares
3	Takuro Mochihara March 16, 1945	July 1969 Joined Mitsubishi Corporation June 2000 Joined the Company May 2001 General Manager of Riotuba Project Dept. June 2001 Executive Officer Senior Deputy General Manager of Non-Ferrous Metals Div. June 2004 Managing Executive Officer June 2006 Director Senior Managing Executive Officer As of June 1, 2007 Director Senior Managing Executive Officer Representative status of other corporations, etc. Sumic Nickel Netherlands B.V. Managing Director	16,000 shares

Candidate No.	Name D.O.B.	Background, positions responsibilities within the Company, and representative status of other corporations, etc.	Shareholding of the Company
4	Susumu Makino May 13, 1949	<p>April 1973 Joined the Company</p> <p>June 2000 General Manager of Administration Dept. of Non-Ferrous Metals Div.</p> <p>June 2002 Executive Officer Senior Deputy General Manager of Non-Ferrous Metals Div.</p> <p>June 2004 Director Managing Executive Officer General Manager of Non-Ferrous Metals Div.</p> <p>June 2006 General Manager of Advanced Materials Div.</p> <p>As of June 1, 2007 Director Managing Executive Officer General Manager of Advanced Materials Div.</p>	12,000 shares
5	Masashi Koike August 7, 1948	<p>April 1972 Joined the Company</p> <p>April 2000 General Manager of Personnel Dept.</p> <p>June 2002 Executive Officer</p> <p>October 2002 General Manager of General Affairs Dept.</p> <p>June 2003 Director</p> <p>June 2005 Managing Executive Officer</p> <p>As of June 1, 2007 Director Managing Executive Officer</p>	14,000 shares
6	Ichiro Abe January 18, 1948	<p>April 1970 Joined the Company</p> <p>December 2001 General Manager of Administration Dept. of Mineral Resources Div.</p> <p>June 2003 Executive Officer Senior Deputy General Manager of Mineral Resources Div.</p> <p>October 2003 General Manager of Engineering Dept. of Mineral Resources Div.</p> <p>February 2004 General Manager of Mineral Resources Div.</p> <p>June 2005 Managing Executive Officer</p> <p>As of June 1, 2007 Managing Executive Officer General Manager of Mineral Resources Div. (Representative status of other corporations, etc.) President of SMM America Inc. Director of SMM Cerro Verde Netherlands B.V. President of Omrd Frieda Co.,Ltd.</p>	9,000 shares

Candidate No.	Name D.O.B.	Background, positions responsibilities within the Company, and representative status of other corporations, etc.	Shareholding of the Company
7	Yoshiaki Nakazato May 13, 1953	April 1976 Joined the Company December 1997 General Manager of Administration Dept. of Electronics Div. June 2004 General Manager of Cooperate Planning Dept. June 2005 Executive Officer June 2006 Director As of June 1, 2007 Director Executive Officer General Manager of Cooperate Planning Dept.	10,000 shares
8	Tsutomu Ushijima July 16, 1950	April 1976 Registered as a lawyer April 1982 Established Ushijima Law and Tax Accountant Firm June 1982 Registered as a certified public tax accountant January 1994 Established Ushijima Teramae Law Firm (currently Ushijima, Teramae & Wada Law Firm) June 2003 Corporate Auditor of the Company As of June 1, 2007 Lawyer Certified Public Tax Accountant Corporate Auditor of the Company	0 shares

- (Notes) 1. The Company guarantees the debts of Sumic Nickel Netherlands B.V. and SMM Cerro Verde Netherlands B.V.
2. Mr. Tsutomu Ushijima is a candidate for the outside director who satisfies the requirements of an outside director set out in Article 2.3 (7) of the Enforcement Regulations of the Corporation Law of Japan.
3. Mr. Tsutomu Ushijima has special knowledge and a wealth of experience as a lawyer. He has been presented as a candidate for corporate auditor because he is expected to strengthen corporate governance by providing suggestions on overall company management particularly from the perspective of compliance based on this knowledge and experience.
- He has not participated in management of the Company in any form other than as an outside corporate auditor, but we decided he can appropriately serve as an outside director for the above reasons.
4. Mr. Tsutomu Ushijima is currently a corporate auditor of the Company and will have served as corporate auditor for 4 years at the conclusion of the Ordinary General Shareholders' Meeting..

Proposal No.5: Election of one (1) corporate auditor

A corporate auditor Tsutomu Ushijima will have finished his term of office at the conclusion of the Ordinary General Shareholders' Meeting. Therefore, the Company proposes the election of one (1) corporate auditor.

The Company has obtained the consent from the Board of Corporate Auditors.

The candidate for corporate auditor is as follows.

Name D.O.B.	Brief history, position, area of responsibility, and representation of other companies and organizations	Shareholding of the Company
Katsumi Maeda September 10, 1940	November 1963 Joined Taro Iguchi Certified Public Accountant's Office March 1969 Registered as a certified public accountant July 1989 Appointed Partner of ASAHI SHINWA & Co. (current KPMG AZSA & Co.) June 1991 Appointed Administrative Officer of ASAHI SHINWA & Co. (current KPMG AZSA & Co.) May 1995 Appointed Board Member of ASAHI & Co. (current KPMG AZSA & Co.) June 2006 Left KPMG AZSA & Co. upon reaching mandatory retirement age	0 shares

(Notes) 1. Mr. Katsumi Maeda is a candidate for the outside corporate auditor who satisfies the requirements of an outside corporate auditor set out in Article 2.3 (8). of the Enforcement Regulations of the Corporation Law of Japan.

2. Katsumi Maeda has many years of experience of auditing in an audit firm and a wealth of knowledge regarding finance and accounting, and he has been made a candidate for outside corporate auditor because he is expected to perform in the role of corporate auditor from the perspective of an accounting expert.

He has not participated in company management, but we decided he can appropriately serve as an outside corporate auditor because he has been involved in the management of an audit firm as a director and for the reasons stated above.

Proposal No. 6: Election of one (1) substitute corporate auditor

In case the number of corporate auditors falls below the number specified by laws and ordinances or the Articles of Incorporation, the Company proposes the election of one (1) corporate auditor as a substitute for Mr. Hajime Ohta, who is an outside corporate auditor, and Mr. Katsumi Maeda if he is elected as an outside corporate auditor through the approval of Proposal No.4.

The Company has obtained the consent from the Board of Corporate Auditors.

The candidate for the substitute corporate auditor is as follows.

Name D.O.B.	Brief history, position, area of responsibility, and representation of other companies and other organizations	Shareholding of the Company
Zensaku Kozuka December 16, 1929	April 1952 Research Engineer at Nisso Steel Co.,Ltd. December 1954 Worked at Murata Fiber Machinery Ltd April 1959 Teaching Fellow at the Engineering Faculty of Kyoto University July 1959 Lecturer at the Engineering Faculty of Kyoto University April 1962 Associate Professor of the Engineering Faculty of Kyoto University April 1968 Professor of the Engineering Faculty of Osaka University April 1993 Technical Advisor to the Company Professor Emeritus of Osaka University Professor of Fukui University of Technology As of June 1, 2007 Technical Advisor to the Company Professor Emeritus of Osaka University	0 shares

(Notes)1. Mr. Zensaku Kozuka is a candidate for the outside corporate auditor who satisfies the requirements of an outside corporate auditor set out in Article 2.3 (8). of the Enforcement Regulations of the Corporation Law of Japan.

2. Zensaku Kozuka has concluded a technical advisor agreement with the Company.

3. Zensaku Kozuka has a broad understanding of the Company's business and technology due to his expert knowledge at a researcher of metallurgical engineering and experience as a technical advisor. He was appointed as a candidate for substitute outside corporate auditor because he is expected to perform his role as corporate auditor by utilizing this experience and knowledge.

He has not participated in company management, but we decided he can appropriately serve as an outside corporate auditor for the reasons stated above.

Proposal No. 7 : Countermeasures to large-scale acquisitions of shares of the Company (Takeover Defense Measures)

The Company announced that at a meeting of the Board of Directors held on February 19, 2007, the Company resolved to introduce a plan for countermeasures to large-scale acquisitions of shares of the Company (hereinafter together referred to as the "Plan") as described in 2. Plan details below for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders. The original effective period of the Plan is until the close of the Ordinary General Shareholders' Meeting, and if the shareholders approve the Plan at the Ordinary General Shareholders' Meeting, the effective period of the Plan shall be extended until the close of the ordinary general shareholders' meeting concerning the last business year that ends within three years. Therefore, the Company proposes the extension of the effective period of the Plan.

1. Reason for the proposal

Recently, there have been instances of a large number of shares being acquired without obtaining the approval of the management of the target company. In particular, the competition for resources has increased globally on the background of surges in oil and non-ferrous metal prices and the rise of resource nationalism, and the so-called M&A has been activated in the non-ferrous metal industry.

The Company does not generally oppose the acquisition of a large number of company stock if it contributes to corporate value and the common interests of shareholders. The Company also believes a decision regarding any proposed acquisition that would involve a transfer of corporate control of a public company must ultimately be based upon the intent of all the shareholders.

Nonetheless, there are some large-scale share acquisitions that do not serve the Company's value or the common interests of its shareholders:

those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders;

those with the potential to substantially coerce shareholders into selling their shares;

those that do not provide sufficient time or information for the target company's shareholders and board of directors to consider the terms and conditions and the like of the acquisition or allow for the target company's board of directors to make an alternative proposal;

and those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer, or similar reasons.

In order to provide our customers with a prompt and steady supply of products which are safe, of high quality, and high-value added upon their request, and to ensure and enhance corporate value and the

common interest of its shareholders, it is essential that we ensure and maintain (i) original and advanced refining technology and know-how, (ii) capacity for global mine development and resource interests, (iii) a “Mineral Resources + Refining” business model, (iv) an operation model of conducting both downstream Electronic Materials and Advanced Materials business and upstream mineral resources and refining business, (v) operations based on the corporate culture based on Sumitomo’s business spirit and relationships with shareholders and stakeholders such as employees, business partners, and local communities. Unless these matters are secured and improved over the medium and long term by the person offering to acquire a large number of company stock, the corporate value and the common interests of shareholders will be impaired.

Also, when an offer to acquire a large number of company stock is received, it will be necessary to consider the effects of a proposed large-scale acquisition on the corporate value and the common interests of its shareholders by appropriately understanding, in addition to the above issues, various other factors such as the tangible and intangible management resources of the Company, the potential effect of future-directed policies, and other matters constituting corporate value.

Such circumstances indicate that a framework is needed when an offer is made to acquire a large number of company stock to be able to deter such offers when they harm corporate value and the common interests of shareholders by making it possible (1) for shareholders to decide whether to accept this offer, (2) to secure the information and time needed so the board of directors can propose a counter offer to shareholders, and (3) to negotiate in the interest of shareholders.

## 2. Plan details

### 2.1 Plan outline

The outline of the Plan is as follows;

#### (i) Establishment of procedures for triggering the Plan

In the event of any proposal that involves acquisition of the Company’s shares or a similar action or proposals excluding those deemed friendly by the meeting of the Company’s board of directors (hereinafter referred to as the “Acquisition”) was made, the Plan sets out procedures for presenting information such as alternative schemes and counterproposals of the management of the Company to the shareholders, and for conducting negotiations with the person effecting the Acquisition (hereinafter referred to as the Acquirer). Furthermore, the Plan allows for requests to the Acquirer to provide information relating to the Acquisition in advance, and for securing sufficient time to collect information with respect to the Acquisition and to give it full consideration (for details see below at 2.2, ‘Procedures for triggering the Plan’).

#### (ii) Use of a gratis allotment of Stock Acquisition Rights

If an Acquirer effects an Acquisition without following the procedures set out in the Plan or otherwise acts in a way that is deemed to have a threat to harm the Company’s corporate value or the common interests of its shareholders (for details of these requirements, see below at 2.3, ‘Requirements for the gratis allotment of Stock Acquisition Rights’), the Company will allot stock acquisition rights having an exercise condition that does not allow the Acquirers to exercise and an acquisition provision to the effect that the Company may

acquire the stock acquisition rights from persons other than the Acquirers in exchange for shares in the Company (the main details of such stock acquisition rights are set out below at 2.4, 'Outline of the gratis allotment of Stock Acquisition Rights'; "Stock Acquisition Rights") by means of a gratis allotment of stock acquisition rights (prescribed by Article 277 onwards of the Corporation Law of Japan) to all shareholders at that time.

(iii) Use of the Independent Committee to eliminate arbitrary decisions by directors

In order to eliminate directors' arbitrary decisions relating to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the acquisition of the Stock Acquisition Rights, the Plan is designed to require decisions of an independent committee, which is comprised of outside members who are highly independent from the Company's management in accordance with the Rules of the Independent Committee (see note 1 for a summary), and ensure transparency by timely disclosures to the shareholder.

The Independent Committee will be composed of one outside director and two outside corporate auditors of the Company after an outside director and outside corporate auditors are elected at the Ordinary General Shareholders' Meeting. The names and career summaries of the members are mentioned in Attachment.

(iv) Exercise of the Stock Acquisition Rights and the Company's acquisition of Stock Acquisition Rights

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and either the shareholders other than the Acquirer exercises the Stock Acquisition Rights or the shareholders other than the Acquirer receives shares of the Company in exchange for the Company acquiring the Stock Acquisition Rights, then it would be possible for the ratio of Company shareholder voting rights held by the Acquirer to be diluted up to approximately maximum 50% (note 2).

## 2.2 Procedures for triggering the Plan

(i) Targeted acquisitions

The Plan will apply to cases where there is an Acquisition that falls under (a) or (b) below:

(a) An Acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*) (note 3) of a holder (*hoyuusha*) (note 4) amounting to 20% or more of the share certificates, etc. (*kabuken tou*) (note 5) issued by the Company; or

(b) A tender offer (*koukai kaitsuke*) (note 6) that would result in the owning ratio of share certificates, etc. (*kabuken tou shoyuu wariai*) (note 7) of share certificates, etc. (*kabuken tou*) (note 8) relating to the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*) (note 9) totaling at least 20% with respect to the share certificates, etc. issued by the Company.

(ii) Request to the Acquirer for the provision of information

Excluding Acquisitions determined by the Company's board of directors to be friendly Acquisitions, the Company will require any Acquirer conducting a Acquisition described above at 2.2(i) to submit to the

Company in a form prescribed by the Company, before effecting the Acquisition, information as described in each of the list below (hereinafter referred to as the Essential Information) and a written undertaking that the Acquirer will upon the Acquisition comply with the procedures established by the Plan (hereinafter referred to as the "Acquisition Statement").

If we receive an Acquisition Statement, the Company's board of directors will promptly provide it to the Independent Committee. In case the Independent Committee evaluated that the content of the Acquisition Statement is inadequate as the Essential Information, it may fix a deadline for response and request, either directly or indirectly, that the Acquirer additionally provide the Essential Information. In such case, the Acquirer should additionally provide the Essential Information within the relevant time limit.

- (a) Details (including the specific name, capital composition, financial condition, and experience of the similar type of transactions to the relevant Acquisition and the results thereof) of the Acquirer and its group (including joint holders (note 10), persons having a special relationship and, in the case of funds, each partner and other constituent members).
- (b) The purpose, method and terms of the Acquisition (including amount and type of consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be effected).
- (c) The basis for the calculation of the price of the Acquisitions (including the underlying facts of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Acquisition, and the details of such synergies to be shared with other shareholders).
- (d) Financial support for the Acquisition (including the name, financing methods and the terms of any related transactions of the funds providers (including all indirect funds providers)).
- (e) Post-Acquisition management policy, business plan, capital and dividend policies for the Company and the SMM Group.
- (f) Post-Acquisition policies dealing with stakeholders in the Company such as the employees, business partners, and local communities.
- (g) Specific measures to avoid conflict of interests with other shareholders of the Company.
- (h) Any other information that the Independent Committee or other bodies reasonably considers necessary.

If the Independent Committee recognizes that an Acquirer has initiated an Acquisition without complying with the procedures set by the Plan, as a general rule, it will recommend the Company's board of directors to implement a gratis allotment of Stock Acquisition Rights in accordance with 2.2(iv)(a) below, except in particular circumstances where it should continue with its requests for the submission of an Acquisition Statement and the Essential Information, and its discussion and negotiation with the Acquirer.

- (iii) Consideration of Acquisition terms, negotiation with the Acquirer, and consideration of an alternative proposal

- (a) Request to the Company's board of directors for the provision of information

If the Acquirer submits an Acquisition Statement and the Essential Information, the Independent Committee may set a reply period (up to sixty (60) days as a general rule) and request that the Company's board of directors present an opinion (including reservations; hereinafter the same) on the Acquirer's terms and supporting materials, an alternative proposal (if any), and any other information that the Independent Committee considers suitably necessary, in order to compare the details of the Acquisition Statement and the Essential Information to the business plan of the Company's board of directors and the company valuation conducted by the Company's board of directors for the purpose of ensuring and enhancing the Company's corporate value and the common interests of its shareholders.

(b) Independent Committee consideration

Upon taking receipt of the information from the Acquirer and the Company's board of directors (if the Independent Committee requested the Company's board of directors to provide information as set out above), the Independent Committee should conduct its consideration of the Acquirer's Acquisition terms, information collection on the business plans and other information of the Acquirer and the Company's board of directors and comparison thereof, and consideration of any alternative proposal presented by the Company's board of directors, and the like until the expiration of a period of sixty (60) days as a general rule from such receipt (provided, however, that in the case described below at 2.2(iv)(c) or the like, the Independent Committee may extend this period (hereinafter the "Independent Committee Consideration Period")).

In order to ensure that the Independent Committee's decision ensures and enhances the Company's corporate value and the common interests of its shareholders, the Independent Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

When the Independent Committee makes a demand, directly or indirectly (for example to provide materials or information, or for talks or negotiations to ensue), the Acquirer must comply with the request promptly.

(c) Disclosure of information

Respecting the rule of timely disclosure regulation, at a time the Independent Committee considers appropriate, the Company will disclose the fact that an Acquirer has emerged, the fact that it has received an Acquisition Statement from the Acquirer, that the Company's board of directors has offered alternative proposals to the Independent Committee and any matters considered appropriate by the Independent Committee out of the Essential Information or other information.

(iv) Independent Committee procedures for recommendation, etc.

If an Acquirer emerges, the Independent Committee will make recommendation to the Company's board of

directors or take other actions in accordance with the following procedures. If the Independent Committee makes any of the resolutions for recommendation to the Company's board of directors or otherwise as listed in 2.2(iv)(a) through 2.2(iv)(c) below, or otherwise believes it to be appropriate, the Independent Committee shall disclose an outline of the recommendation or the like and any other matters that the Independent Committee considers appropriate (in the case of extending the Independent Committee Consideration Period, including the period of and reason for such extension ), promptly after the resolution.

(a) The Independent Committee recommends the triggering of the Plan

If the Acquirer fails to comply with the procedures set forth in the Plan, or if otherwise as a result of the consideration of the terms of the Acquirer's Acquisition, the Independent Committee determines that the Acquisition by the Acquirer meets any of the requirements set out below at 2.3, 'Requirements for the gratis allotment of Stock Acquisition Rights' and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration Period has commenced or ended.

However, even after the Independent Committee has already made one recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events below apply, it may make a new recommendation by the day prior to the Exercise Period Commencement Date (defined below at (vi) of 2.4, 'Outline of the gratis allotment of Stock Acquisition Rights') that (until the gratis allotment has taken effect) the Company should suspend the gratis allotment of Stock Acquisition Rights or that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

- The Acquirer withdraws the Acquisition or otherwise ceases to exist after the recommendation.
- There is a change in the facts or circumstances upon which the recommendation decision was made, and the Acquisition by the Acquirer does not meet any of the requirements set out below in 2.3, 'Requirements for the gratis allotment of Stock Acquisition Rights', or it is not reasonable to implement the gratis allotment or allow for shareholders to exercise the Stock Acquisition Rights even if the Acquisition by the Acquirer does meet one of the requirements under 2.3 below.

(b) The Independent Committee recommends the non-triggering of the Plan

If as a result of its consideration of the terms of the Acquirer's Acquisition and discussion, negotiation or the like with the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer does not meet any of the requirements set out below at 2.3, 'Requirements for the gratis allotment of Stock Acquisition Rights', or that the implementation of the gratis allotment of Stock Acquisition Rights is not reasonable even if the Acquisition by the Acquirer does meet one of the requirements set out in 2.3 below, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration

Period has ended.

However, even after the Independent Committee has already made one recommendation for the non-implementation of the gratis allotment of Stock Acquisition Rights, if there is a change in the facts, circumstances or otherwise upon which a recommendation decision was made and the Acquirer's Acquisition has come to satisfy the requirements set out in the first paragraph of (a) above, the Independent Committee may make a new decision including a recommendation on the implementation of the gratis allotment of Stock Acquisition Rights, and recommend its decision to the Company's board of directors.

(c) The Independent Committee defers triggering the Plan

If the Independent Committee does not reach a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights by the expiry of the initial Independent Committee Consideration Period, the Independent Committee will, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, negotiation with the Acquirer and the consideration of an alternative proposal, pass a resolution to extend the Independent Committee Consideration Period (and any extension of the new period after a period has been extended will follow the same procedure).

If the Independent Committee Consideration Period is extended as a result of the resolution described above, the Independent Committee will continue with its information collection, consideration process and like activities, and use best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

(v) Resolutions of the board of directors

The Company's board of directors, in exercising their role under the Corporation Law, will promptly pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights taking into consideration any recommendation of the Independent Committee described above to the maximum extent. The Acquirer must not effect an Acquisition until the Company's board of directors passes a resolution for the non-triggering of the Plan (including Independent Committee Consideration Period). Promptly after passing such a resolution, the Company's board of directors will disclose an outline of its resolution, and any other matters that the board of directors considers appropriate.

### 2.3. Requirements for the gratis allotment of Stock Acquisition Rights

The Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's board of directors as described above at (v) of 2.2, 'Procedures for triggering the Plan', if it is considered that an acquisition of an Acquirer falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights. However, if an Acquirer falls under any of the requirement below and the gratis allotment of Stock Acquisition Rights is implemented, the recommendation

of the Independent Committee in accordance with (iv) of section 2.2 above, 'Procedures for triggering the Plan' must be obtained.

- (i) The Acquirer does not comply with procedures described in the Plan.
- (ii) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions including any of the actions below:
  - (a) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily acquired by the Company at an inflated price.
  - (b) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the SMM Group's material assets.
  - (c) Diversion of the SMM Group's assets to secure or repay debts of the Acquirer or its group company.
  - (d) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the SMM Group's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (iii) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms for the second stage or do not set clear terms that are unfavorable for the second stage).
- (iv) Acquisitions that do not provide the Company's board of directors with the period of time reasonably necessary to submit an alternative proposal to the Acquisition.
- (v) Acquisitions in which the Essential Information or any other information considered reasonably necessary to assess the Acquisition terms is not provided to Company's shareholders, or the provision of such information (if any) is inadequate.
- (vi) Acquisitions whose terms (including the amount and type of consideration for the Acquisition, the Acquisition timing, the legality of the Acquisition method, the probability of the Acquisition being effected, post-Acquisition management policies and business plans, and post-Acquisition policies dealing with the Company's stakeholder such as shareholders, employees, business partners and local communities) are inadequate or inappropriate in light of the Company's intrinsic value.
- (vii) Acquisitions that materially threaten the corporate value of the Company and, in turn, the common interests of shareholders by destroying the Company's relationship with shareholders, employees, business partners, and local communities, or any other sources of the Company's corporate value,

which are indispensable to the generation of the Company's corporate value.

#### 2.4. Outline of the gratis allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights under the Plan is described below.

(i) Number of Stock Acquisition Rights

The number of the Stock Acquisition Rights granted will be up to the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined by the Company's board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights ("Gratis Allotment Resolution").

(ii) Shareholders eligible for allotment

The Company will allot the Stock Acquisition Rights to those shareholders, other than the Company, who are entered or recorded in the Company's final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share of the Company held as a general rule.

(iii) Effective date of gratis allotment of Stock Acquisition Rights

The Company's board of directors will separately determine the effective date of the gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

(iv) Number of shares to be acquired upon exercise of the Stock Acquisition Rights

The number of shares to be acquired upon exercise of the Stock Acquisition Rights shall be, as a general rule, the product of the number separately determined by the Company's board of directors in the Gratis Allotment Resolution within the range of 0.5 and 1 share and the number of the Stock Acquisition Rights. The number of shares (note 11) to be acquired upon exercise of each Stock Acquisition Right (the "Applicable Number of Shares") shall be, as a general rule (note 12), the number separately determined by the Company's board of directors in the Gratis Allotment Resolution within the range of 0.5 and 1 share (note 13). If there are fractions in the shares to be delivered to a holder of the Stock Acquisition Rights upon exercise of the Stock Acquisition Rights, the Company shall handle the fractions in accordance with applicable laws and ordinances.

(v) The amount of properties to be contributed upon exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined by the Company's board of directors in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share of the Company.

(vi) Exercise period of the Stock Acquisition Rights

The commencement date will be a date determined by the Company's board of directors in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the "Exercise Period Commencement Date"), and the period will be a period from one month to three months long as determined by the Company's board of directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provisions of paragraph (ix)(b) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

(vii) Conditions for the exercise of the Stock Acquisition Rights

As a general rule, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below shall collectively be referred to as "Non-Qualified Parties"):

- (I) Specified Large Holders (note 14);
- (II) Joint Holders of Specified Large Holders;
- (III) Specified Large Acquirers (note 15);
- (IV) Persons having a Special Relationship with Specified Large Acquirers;
- (V) Any transferee of or successor to the Stock Acquisition Rights of any person falling under (I) through (IV) without the approval of the Company's board of directors; or
- (VI) Any Affiliated Party (note 16) of any person falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that certain nonresidents such as those who may use any exemption provision under applicable laws and ordinances in such foreign country will be able to exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares of the Company as set out in (ix) below.).

(viii) Restriction on assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.

(ix) Acquisition of the Stock Acquisition Rights by the Company

- (a) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration.
- (b) On a day separately determined by the Company's board of directors, the Company may

acquire all of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company's board of directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares, etc. of the Company (note 17) in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right as a general rule.

Further, if, on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any person holding Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a day separately determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that person that have not been exercised by or on the business day immediately prior to such date determined by the Company's board of directors (if any) and, in exchange, deliver shares, etc. of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

## 2.5. Effective period, abolition and amendment of the Plan

The effective period of the Plan shall be until the close of the ordinary general shareholders' meeting concerning the last business year that ends within three years.

However, if, even before the expiration of the Effective Period, the Company's board of directors passes a resolution to abolish the Plan, the Plan shall be abolished at that time.

Further, in cases where any laws, regulations, stock exchange rules or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, and cases where such revision or amendment does not detriment the Company's shareholders, the Company's board of directors may revise or amend the Plan even during the Effective Period of the Plan subject to approval by the Independent Committee.

If the Plan is abolished, amended or the like, the Company will promptly disclose facts including the fact that such abolition, amendment or the like has taken place, and (in the event of an amendment or the like) the details of the amendment or the like and any other matters.

(note 1) The outline of the rules of the Independent Committee is as follows;

- There shall be no less than three (3) members of the Independent Committee, and the Board of Directors shall elect the members from (i) outside directors of the Company, (ii) outside corporate auditors of the Company, or (iii) experts, who are independent from the management that conducts the execution of the business of the Company. Such experts must be experienced corporate managers, parties with knowledge of the investment banking industry,

parties with knowledge of the Company's business field, lawyers, certified public accountants, researchers whose research focuses on the Corporation Law of Japan or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Board of Directors that contains a provision obligating such experts to the Company to exercise the duty of care of a good manager or a similar provision.

- Unless otherwise determined by a resolution of the Board of Directors, the term of office of members of the Independent Committee shall be until the conclusion of the ordinary general shareholders' meeting concerning the last business year that ends within three years from the conclusion of the Ordinary General Shareholders' Meeting. Moreover, the term of office of any member of the Independent Committee who is an outside director or outside corporate auditor shall end simultaneously in the event that they cease to be a director or corporate auditor (except in the case of their re-appointment).
- The Independent Committee shall make decisions on the matters concerning the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, the cancellation of the gratis allotment of Stock Acquisition Rights, or the gratis acquisition of Stock Acquisition Rights, and any other matters that are for determination by the Board of Directors in respect to which the Board of Directors will have consulted the Independent Committee.
- A meeting of the Independent Committee shall be convened by any member of the Independent Committee and resolutions of a meeting of the Independent Committee shall, as a general rule, pass with at least two-thirds of the votes cast when majority of the members of the Independent Committee are in attendance.

(note 2) This dilution rate assumes that the number of shares to be acquired upon exercise of each Stock Acquisition Right is one (1) share which is the maximum. In case the number of shares to be acquired upon exercise of each Stock Acquisition Right is less than one (1) share, the dilution rate may be less accordingly.

(note 3) Defined in Article 27-23(1) of the Securities and Exchange Law of Japan. Unless otherwise provided for in this proposal, this definition is applied throughout this proposal.

(note 4) Including persons described as a holder under Article 27-23(3) of the Securities and Exchange Law of Japan (including persons considered to fall under this provision by the Company's board of directors). The same is applied throughout this proposal.

(note 5) Defined in Article 27-23(4) of the Securities and Exchange Law of Japan. This definition is applied throughout this proposal.

(note 6) Defined in Article 27-2(1) of the Securities and Exchange Law of Japan. This definition is applied in 2.2(i)(b).

(note 7) Defined in Article 27-2(6) of the Securities and Exchange Law of Japan. This definition is applied throughout this proposal.

(note 8) Defined in Article 27-2(8) of the Securities and Exchange Law of Japan. This definition is applied throughout this proposal.

(note 9) Defined in Article 27-2(7) of the Securities and Exchange Law of Japan (including persons considered to fall under this provision by the Company's board of directors); provided, however, that persons provided for in Article 3(2) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Law of Japan. The same is applied throughout this proposal.

(note 10) "Joint holders" are as defined in Article 27-23(5) of the Securities and Exchange Law of Japan, including persons regarded as a joint holder under Article 27-23(6) of the Securities and Exchange Law of Japan (including persons that the Company's board of directors recognizes as falling under the above). The same is applied throughout this proposal.

(note 11) Even if the Company becomes an issuer of multiple classes of shares (Article 2(13) of the Corporation Law) in the future, the class of (i) the shares of the Company to be delivered upon the exercise of Stock Acquisition Rights and (ii) the shares to be delivered in exchange for the acquisition of Stock Acquisition Rights shall be the same as the shares being issued by the Company at the time of the Ordinary General Meeting of Shareholders (i.e., common shares).

(note 12) In the case of stock split and other similar actions by the Company, appropriate adjustment will be made from time to time.

(note 13) Since the total number of shares authorized to be issued is 1,000,000,000 shares at the time of introduction of the Plan and the number of issued shares is 578,790,870 shares (as of March 31, 2007), the number of shares authorized to be issued by the Company may be required to be increased by amending the Articles of Incorporation of the Company by the day immediately prior to the commencement date of the exercise period of Stock Acquisition Rights.

(note 14) "Specified Large Holder" means, in principle, a party who is a holder of share certificates, etc., issued by the Company and whose holding ratio of share certificates, etc., in respect of such share certificates, etc., is at least 20% (including any party who is deemed to fall under the above by the Company's board of directors). Provided, however, that a party that the Company's board of directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or certain other party that the board of directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same is applied throughout this proposal.

(note 15) "Specified Large Purchaser" means, in principle, a person who makes a public announcement of purchase, etc., (as defined in Article 27-2(1) of the Securities and Exchange Act; the same is

applied throughout this note 15) of share certificates, etc., (as defined in Article 27-2(1) of the Securities and Exchange Act; the same is applied throughout this note 15) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc., in respect of such share certificates, etc., owned by such person after such purchase, etc., (including similar ownership as prescribed in Article 7(1) of the Order of the Enforcement of the Securities and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc., of a person having a special relationship (including any party who is deemed to fall under the above by the Company's board of directors). Provided, however, that a party that the Company's board of directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or certain other party that the Company's board of directors determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. This is applied throughout this proposal.

(note 16) An "Affiliated Party" of a given party means a person who substantially Controls, is Controlled by, or is under common Control with such given party (including any party who is deemed to fall under the above by the Company's board of directors), or a party deemed by the Company's board of directors to act in concert with such given party. "Control" means to "control the determination of the financial and business policies" (as defined in Article 3(3) of the Enforcement Regulations of the Corporation Act) of other corporations or entities.

(note 17) If the Applicable Number of Shares is less than one share, the Company plans to properly handle such fractions in accordance with applicable laws and ordinances. In this case, the number of the shares, etc. of the Company to be delivered for each Stock Acquisition Right may be different from the Applicable Number of Shares.

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**Career Summary of Members of the Independent Committee**

Members of the Independent Committee will be the following three candidates:

**Tsutomu Ushijima**

Career Summary:

Jul. 1950	Born
Apr. 1976	Registered as a lawyer
Apr. 1982	Established Ushijima Law and Tax Accountant Firm
Jun. 1982	Registered as a certified public tax accountant
Jan. 1994	Established Ushijima Teramae Law Firm (current Ushijima, Teramae & Wada Law Firm)
Jun. 2003	Appointed Corporate Auditor of the Company

As of February 19, 2007

Lawyer

Certified Public Tax Accountant

Corporate Auditor of the Company

Mr. Tsutomu Ushijima is a candidate for the outside director who satisfies the requirements of an outside director set out in Article 2.3 (7) of the Enforcement Regulations of the Corporation Law of Japan as proposed in Proposal No.4 and is scheduled to be appointed as an outside director after he is elected as such by the Ordinary General Shareholders' Meeting. He is currently an outside corporate auditor of the Company, as set out in Article 2 (16) of the Corporation Law of Japan.

He does not have any special interests in or business relationships with the Company

**Hajime Ohta**

## Career Summary:

Jan.	1940	Born
Apr.	1965	Joined Keidanren (Japan Federation of Economic Organizations) (current Nippon Keidanren (Japan Business Federation))
Jun.	1997	Appointed Executive Counselor of Keidanren
May.	2001	Retired from Executive Counselor of Keidanren
Jun.	2001	Appointed Corporate Auditor of the Company
Apr.	2002	Appointed guest professor of Doshisha University
Apr.	2007	Appointed special-appointed professor of Chiba Keizai University

As of February 19, 2007

Corporate Auditor of the Company

Special-appointed professor of Chiba Keizai University

Mr. Hajime Ohta is an outside corporate auditor of the Company, as set out in Article 2 (16) of the Corporation Law of Japan.

He does not have any special interests in or business relationships with the Company

**Katsumi Maeda**

## Career Summary:

Sep. 1940	Born
Mar. 1969	Registered as a certified public accountant
Jul. 1989	Appointed Partner of ASAHI SHINWA & Co. (current KPMG AZSA & Co.)
Jun. 1991	Appointed Administrative Officer of ASAHI SHINWA & Co. (current KPMG AZSA & Co.)
May. 1995	Appointed Board Member of ASAHI & Co. (current KPMG AZSA & Co.)
Jun. 2006	Retired from KPMG AZSA & Co. for age-limit

As of February 19, 2007

Certified Public Accountant

Mr. Katsumi Maeda is a candidate for the outside corporate auditor who satisfies the requirements set out in Article 2.3 (8) of the Enforcement Regulations of the Corporation Law of Japan as proposed in Proposal No.5 and is scheduled to be appointed as an outside corporate auditor after he is elected as such at the Ordinary General Shareholders' Meeting.

He does not have any special interests or business relationships with in the Company. He has never been involved in auditing of the Company in the past including the period where he was in KPMG AZSA & Co.

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(Reference Material)

**Q&A regarding Introduction of Countermeasures to Large-scale Acquisitions of Shares of the Company (Takeover Defense Measures)**

- \* This Q&A is attached for the purpose of giving an easy-to-understand explanation about “Countermeasures to Large-scale Acquisition of Shares of the Company”, not as reference material for a general shareholders meeting. For accurate and detailed information, please refer to page [ ] onwards of this Notice of General Shareholders Meeting and the Company’s press release “Introduction of Countermeasures to Large-scale Acquisitions of Shares of the Company (Takeover Defense Measures)” dated February 19, 2007.

[Q.1] What is the purpose of introducing Takeover Defense Measures?

[A.1] The purpose of introducing the “Countermeasures to Large-scale Acquisitions of Shares of the Company (Takeover Defense Measures)” (the “Plan”) is to set out the procedures that should be taken when a large-scale acquisition of the Company’s shares is conducted, and to ensure the information and time necessary and sufficient for the shareholders to appropriately decide whether to accept this offer or not and for the board of directors to propose an alternative proposal to its shareholders, and to ensure opportunities to negotiate with the Acquirer.

Introducing the Plan, the Company is willing to prevent sources of corporate value of the Company: (i) original and advanced refining technology and know-how, (ii) a capacity for global mine development and resource interests, (iii) a “Mineral Resources + Refining” business model, (iv) an operation model of conducting both a downstream Electronic Materials and Advanced Materials business and an upstream mineral resources and refining business, (v) operations based on the corporate culture based on Sumitomo’s business spirit and relationships with shareholders and stakeholders such as employees, business partners, and local communities from being impaired, and to ensure and maintain the Company’s corporate value and common interests of its shareholders.

[Q.2] What is the outline of the Plan?

[A.2] The Plan is an “advance-warning type” takeover defense measure to give prior warning of the possibility of triggering countermeasures under emergency situations. The details of the Plan are as follows:

- (i) The Company requires the Acquirer intending to conduct an Acquisition of share certificates, etc. amounting to 20% or more of the share certificates, etc. issued by the Company to submit to the Company information necessary to consider the details of such Acquisition in advance.

- (ii) The Independent Committee may require the Company's board of directors to present material such as an opinion on the terms and conditions of the Acquisition and its supporting materials, and an alternative proposal (if any).
- (iii) Upon receiving the information from the Acquirer and the Company's board of directors, the Independent Committee will consider the terms and conditions of the Acquisition and consider any alternative proposal presented by the Company's board of directors with obtaining any advice from outside experts as necessary.
- (iv) If the Acquirer does not comply with procedures described in the Plan or an Acquisition is deemed to materially harm the Company's corporate value or the common interests of its shareholders, the Company's board of directors will determine whether to implement gratis allotment of Stock Acquisition Rights after being sure to obtain the Independent Committee's judgment.
- (v) As countermeasures under the Plan, upon allotment of Stock Acquisition Rights, the Company plans to set out conditions for the exercise of the Stock Acquisition Rights that the Acquirer and its Affiliated Parties may not exercise the rights and the provision that the Company may acquire the Stock Acquisition Rights that are held by parties other than the Acquirer and its Affiliated Parties in exchange for shares. of the Company.

[Q.3] As mentioned, the Plan is highly reasonable, but specifically, in what sense is the Plan considered highly reasonable?

[A.3] The Plan fully satisfies the three principles set out in the Guidelines for Takeover Defense Measures for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice ((i) the principle of ensuring and enhancing the corporate value of the company and the common interests of its shareholders, (ii) the principle of prior disclosure and the intent of the shareholders, and (iii) the principle of necessity and reasonableness), and the characteristics described in the table below support its reasonability.

Characteristics	The Plan
Purpose of introduction	<ul style="list-style-type: none"> <li>● Ensuring and enhancing the corporate value of the Company and, in turn, the common interest of its shareholders.</li> </ul>
Confirmation of shareholders' intent	<ul style="list-style-type: none"> <li>● Reflecting shareholders' intent by confirming shareholders' intent for the Plan at the Ordinary General Shareholders' Meeting. Further, renewal of the Plan requires a resolution at a general shareholders' meeting.</li> </ul>
Independent Committee	<ul style="list-style-type: none"> <li>● Comprised of only independent outside members; specifically, one outside director and two outside corporate auditors are scheduled to be appointed after the Ordinary General Shareholders' Meeting.</li> <li>● Triggering of the Plan must follow the recommendations made by</li> </ul>

	<p>the Independent Committee which consider certain specified requirements before making recommendations.</p> <ul style="list-style-type: none"> <li>● May obtain opinions from third party experts at the expense of the Company.</li> </ul>
Trigger level (Trigger provision)	<ul style="list-style-type: none"> <li>● Holding 20% or more of voting rights or a TOB for the purpose of holding 20% or more of voting rights.</li> </ul>
Effective period (Sunset clause)	<ul style="list-style-type: none"> <li>● Effective period is three years taking into account medium to long term efforts toward enhancing corporate value based on the Company's mid-term management plan.</li> </ul>
Term of directors	<ul style="list-style-type: none"> <li>● Intention to shorten to one (1) year at the Ordinary General Shareholders' Meeting</li> </ul>
Abolition	<ul style="list-style-type: none"> <li>● Can be abolished at any time by resolution of a meeting of board of directors (neither dead hand, in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped, nor slow hand, in which triggering takes more time to stop).</li> </ul>
Disclosure of information such as purpose, trigger provision and procedures	<ul style="list-style-type: none"> <li>● Disclose sufficient information through press releases or the general shareholders meeting, etc.</li> </ul>

[Q.4] How does the introduction of the Plan affect the shareholders?

[A.4] At the time of its introduction or renewal, the Plan will have no direct or material impact on the rights and interests of the shareholders. This is because at either time, no actual gratis allotment of Stock Acquisition Rights will be implemented.

If an Acquirer emerges and the gratis allotment of Stock Acquisition Rights is implemented, shareholders other than the Acquirer and its Affiliated Parties (the "Ordinary Shareholders") may exercise Stock Acquisition Rights allotted at no cost. The exercise price of Stock Acquisition Rights shall be an amount separately determined by the Company's board of directors in the resolution relating to the gratis allotment of Stock Acquisition Rights within the range of a minimum of one (1) yen and a maximum of any amount equivalent to one-half (1/2) of the fair market value of one share of the Company. The Ordinary Shareholders shall be required to contribute such amount upon exercising of Stock Acquisition Rights.

However, when the Company acquires the Stock Acquisition Rights and, in exchange, delivers shares in the Company, the Ordinary Shareholders will come to receive shares in the Company without paying the exercise price, and no economic dilution of the

aggregate shares in the Company they hold will result as a general rule (rather only dilution of the value per share of shares in the Company they hold will result). If there is any fraction of a share in the number of the shares to be delivered upon exercise of or acquisition by the Company of the Stock Acquisition Rights, the Company may take cash-out measures for such fractional portions in accordance with applicable laws and ordinances. The dilution of shares of the Company held by shareholders may result, but as a general rule no economic dilution will result.

[Q.5] When the gratis allotment of Stock Acquisition Rights is implemented, what procedures should the shareholders take?

[A.5]

(i) Entry of name transfer

If the Company's board of directors resolves to implement a gratis allotment of Stock Acquisition Rights, the Company will first make public notice of the Allotment Date for the gratis allotment of Stock Acquisition Rights. As the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders who are entered or recorded in the Company's last register of shareholders and register of beneficial shareholders as of the Allotment Date, it will be necessary for the shareholders to promptly arrange for the procedures for entry of name transfer. No procedures for entry of name transfer are required for those share certificates deposited with the Japan Securities Depository Center, Inc. All the shareholders who are entered or recorded in the Company's last register of shareholders or register of beneficial shareholders as of the Allotment Date will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of Stock Acquisition Rights.

(ii) Exercise of Stock Acquisition Rights

When exercising the Stock Acquisition Rights allotted by gratis allotment of Stock Acquisition Rights, the shareholders are required to submit, as a general rule, an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company and containing representations and warranties regarding matters such as the fact that they do not fall under the Acquirer, and other covenants) and other documents necessary for the exercise of the Stock Acquisition Rights, and pay the amount determined in the resolution relating to the gratis allotment of Stock Acquisition Rights by the Company's board of directors within the exercise period.

(iii) Acquisition of Stock Acquisition Rights by the Company

If the Company's board of directors determines to acquire the Stock Acquisition Rights and, in exchange, delivers shares in the Company, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures, on the date separately determined by the Company's board of directors. In this case, the shareholders concerned may be separately requested to submit, in a form prescribed by the Company, representations and warranties regarding matters such as the fact that they do not fall under the Acquirer and other covenants.

[Q.6] Under the conditions for exercise of the Stock Acquisition Rights allocated by gratis allotment of Stock Acquisition Rights, foreign residents who are required under applicable foreign laws and ordinances to perform certain procedures to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights. Will foreign residents suffer any disadvantage through the Plan?

[A.6] First, if no procedures such as registration obligations for securities are required upon the acquisition or exercise of the Stock Acquisition Rights pursuant to the applicable laws and ordinances in the country in which foreign-resident shareholders are located, then those foreign residents may also exercise the Stock Acquisition Rights.

Also, even if there are certain procedures such as registration obligations of securities required upon the acquisition or exercise of Stock Acquisition Rights pursuant to the applicable laws and ordinances in the country in which foreign-resident shareholders are located, in the case where it is determined that an exemption provision may be used with respect to those foreign-resident shareholders, then as a general rule those foreign residents may exercise the Stock Acquisition Rights.

In addition, Stock Acquisition Rights held by the foreign residents may be acquired by the Company upon triggering the acquisition provision premised on compliance with applicable laws and ordinances. Therefore, the shares in the Company may be delivered to the foreign residents when the Company has acquired Stock Acquisition Rights in exchange for the shares in the Company.

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