

## For Reference

June 3, 2010

To our shareholders

Sumitomo Metal Mining Co., Ltd.

### **Renewal of Countermeasures to Large-Scale Acquisitions of Sumitomo Metal Mining Co., Ltd. Shares (Takeover Defense Measures)**

The Board of Directors resolved at a meeting held on February 19, 2007 to introduce the plan for countermeasures to large-scale acquisitions of Sumitomo Metal Mining Co., Ltd. shares (takeover defense measures) and obtained the shareholders' approval at the ordinary general meeting of shareholders held on June 28, 2007. The effective period of the current takeover defense measures will expire at the conclusion of the ordinary general meeting of shareholders scheduled to be held on June 25, 2010. The Company determined to partially revise the current takeover defense measures and introduce renewed takeover defense measures subject to approval by the shareholders.

This document has been prepared to briefly explain the renewed takeover defense measures scheduled to be introduced. For further details, please refer to proposal No. 5 in the enclosed Convocation Notice of the 85th Ordinary General Meeting of Shareholders (p.12 onwards).

We sincerely request that you exercise your voting rights with an understanding of the details of the proposal.

#### 1. Reason for Renewal of Takeover Defense Measures

The Company intends to further expand and strengthen its growth strategy by promoting its new long-term vision-oriented growth strategy based on a realigned business structure as its basic strategy under the 2009 3-Year Business Plan. Although the Company will continue to strive to promote the growth strategy regarding the core business and to further enhance the corporate value, it cannot be denied that there may be cases of inappropriate acquisitions of the Company that would harm its corporate value or the common interests of its shareholders, the source of which is its business model, developmental and technical capabilities and resource interests.

The Company determined to renew the takeover defense measures in order to protect the corporate value of the Company and the common interests of its shareholders from inappropriate acquisitions, fully taking into account judicial precedents, legal discussions and trends currently in practice.

## 2. Outline of Takeover Defense Measures

The takeover defense measures set out procedures to (i) request acquirers to provide information in the case that the acquirer intends to make an acquisition of a certain amount of shares in the Company, (ii) ensure time for the Company and its shareholders to collect and consider information, and (iii) enable the Company to present shareholders with alternative proposals on the proposed acquisition or to negotiate with the acquirer. Specifically the takeover defense measures set out as follows:

- (1) The Company requests acquirers to provide information necessary for the Company to consider the terms of the acquisition in advance in the case where the acquirer intends to make an acquisition of 20% or more of the shares in the Company.
- (2) The Board of Directors collects information and considers the company value, and presents its opinion regarding the terms of the acquisition, materials supporting that opinion, alternative proposals and other information to the Independent Committee (see (3) below).
- (3) The Company establishes the Independent Committee, which is composed of members who are independent from the management of the Company, in order to eliminate arbitrary decisions by the Board of Directors. The Independent Committee receives information from the acquirer and the Board of Directors, and obtains advice from outside experts as necessary, to consider the terms of the proposed acquisition, compare the management plans and business plans presented by the acquirer and the Board of Directors, and consider any alternative plan presented by the Board of Directors. Then the Independent Committee makes a recommendation to the Board of Directors for the implementation or non-implementation of the takeover defense measures. The following persons are scheduled to be the initial members of the Independent Committee upon the renewal:
  - Outside director: Tsutomu Ushijima (Lawyer, Certified Public Tax Accountant)
  - Outside corporate auditor: Katsumi Maeda (Certified Public Accountant, part-time member at the self-regulatory head office of the Japanese Institute of Certified Public Accountants)
  - Outside corporate auditor: Takayuki Kurata (former manager of Japan Bank for International Cooperation)
- (4) In the event that an acquirer does not follow the procedures set out in the

takeover defense measures, or it is clear an acquisition may harm the corporate value of the Company or the common interests of its shareholders, and if it is reasonable to implement the takeover defense measures, the Company will allot stock acquisition rights by means of a gratis allotment to all shareholders, except the Company, at that time. Stock acquisition rights entitle the holder to receive shares in the Company; however, the acquirer may not, as a general rule, exercise the stock acquisition rights.

- (5) When determining the implementation or non-implementation of the gratis allotment of the stock acquisition rights, the Board of Directors will respect to the maximum extent any recommendation by the Independent Committee. The Board of Directors may also convene a general meeting of shareholders to confirm the shareholders' intent regarding the triggering of the countermeasures.
- (6) If all shareholders other than the acquirer receive shares in the Company as a result of those shareholders exercising or the Company acquiring the allotted stock acquisition rights, the ratio of voting rights in the Company held by the acquirer may be diluted by up to a maximum of 50%.

### 3. Major Revisions in accordance with Renewal

Major revisions to the current takeover defense measures in accordance with the renewal are as follows:

- (1) Establishment of procedures to confirm shareholders' intent  
It has been clearly provided that the Company may convene a general meeting of shareholders to confirm the shareholders' intent before implementing the gratis allotment of the stock acquisition rights in accordance with the takeover defense measures.
- (2) Establishment of limit to information provision period for acquirer  
The period in which the acquirer provides information to and as requested by the Board of Directors and the Independent Committee has been limited to 60 days.
- (3) Reduction of Board of Directors consideration period and Independent Committee consideration period  
The total of (i) the period in which the Board of Directors is to collect information, frame its opinion and prepare alternative proposals and (ii) the period in which the Independent Committee is to consider the terms of an acquisition has been limited to a total of 90 days. This consideration period may be extended by up to 30 days.

Note:

This document does not constitute a part of the Shareholders' Meeting Reference Documents, but is reference material prepared only to briefly explain the takeover defense measures to be renewed subject to the shareholders' approval of proposal No. 5 in the enclosed Convocation Notice of the 85th Ordinary General Meeting of Shareholders.

For accurate and further details, please refer to p.12 onwards in the Convocation Notice of the 85th Ordinary General Meeting of Shareholders.