

Metal Products Business Unit

Main Fields

- Steel Sheet-Related
- Tubular Products
- Non-Ferrous Products & Metals Field

Organization

- Planning & Coordination Dept., Metal Products Business Unit
- Steel Sheet & Construction Steel Products Division
- Metal Products for Automotive & Railway Industry Division
- Light Metals & Specialty Steel Sheet Division
- Tubular Products Division



“What We Aim to Be”

We aim to build a unique business portfolio based on medium-to-long-term growth strategies and become an organization that combines impressive earning power and stability.

Makoto Horie

General Manager
Metal Products Business Unit

Steel sheet-related

- Leading market shares in such niche segments as rails, wheels, and axles for trains
- Expertise, solutions capabilities, and strong customer network in relation to steel sheets for automobiles

Tubular products

- One of the world's largest handlers of oil country tubular goods, strategic partnerships with energy majors, and service provision capabilities and development capabilities realized through global network

Non-ferrous products & metals

- Sharing of global growth strategies with major partners

Strengths

Steel sheet-related

- Upgrading of existing business models based on information and expertise accumulated through steel sheet-related trading
- Creation of new business models reflecting customers' viewpoints

Tubular products

- Catering to localization of demand in oil-producing countries and utilizing ICT for marketing activities

Non-ferrous products & metals

- Securing stable supplies of bauxite and alumina, which are the raw materials of aluminum ingots

Challenges

Steel sheet-related

- Advancement of modal shifts in developed countries and development of railway infrastructure in emerging countries
- Steady growth of automotive production globally

Tubular products

- Participation in oilfield equipment, materials, and services businesses, which are closely related to oil country tubular goods businesses; expansion of share of oil country tubular goods market; and business foundations that exploit network of Edgen Group Inc.

Non-ferrous products & metals

- Introduction of lighter vehicles in response to stricter fuel-efficiency regulations

Opportunities

Steel sheet-related

- Oversupply of steel sheets produced in China and volatility in steel sheet market
- Obsolescence of existing products due to automotive industry's global environmental measures or dramatic change in business conditions due to emergence of alternative materials

Tubular products

- Change in purchasing format of oil and gas development industry, structural change in industry due to realignment of related industries, and spread of new alternatives to tubular products

Non-ferrous products & metals

- Intensification of competition due to aluminum products made in China

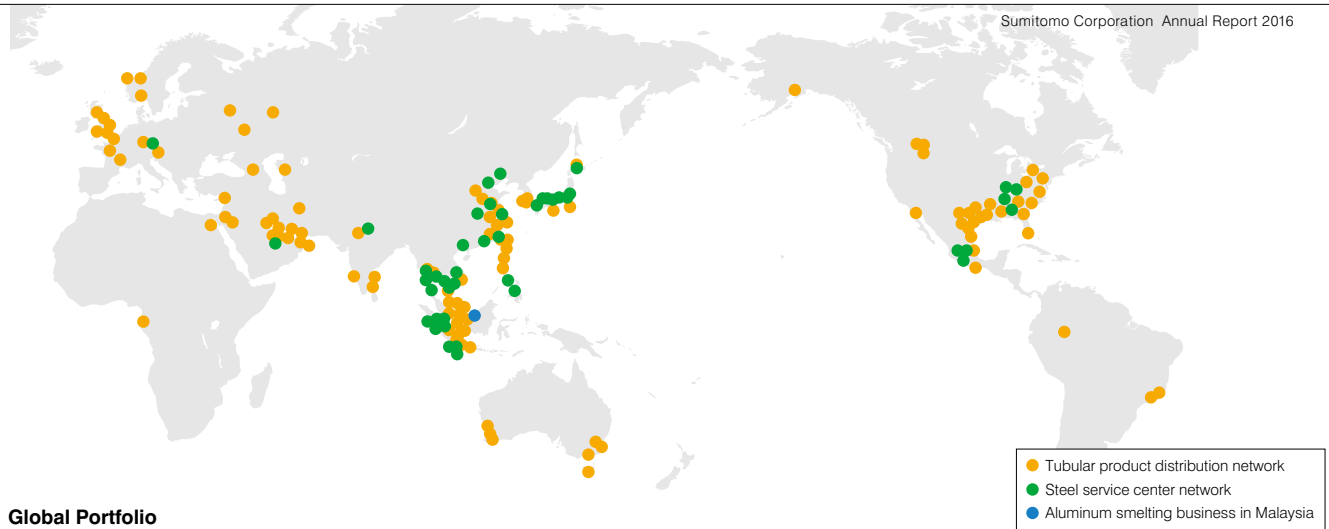
Risks

Performance Highlights

(Billions of yen)	FY2014	FY2015	FY2016 Forecast
Gross profit	103.5	77.3	74.0
Operating profit	37.4	11.6	—
Share of profit of investments accounted for using the equity method	9.1	4.7	—
Profit for the year (attributable to owners of the parent)	32.5	12.0	12.0
Basic profit	33.7	13.5	—
Total assets	877.6	674.2	—

Fiscal 2015 Results

In fiscal 2015, the year ended March 31, 2016, profit for the year decreased ¥20.5 billion year on year, to ¥12.0 billion, because lower earnings from tubular products businesses in North America and the aluminum smelting business in Malaysia—reflecting falling crude oil prices and non-ferrous metal prices—counteracted generally steady performances by overseas steel service center businesses amid firm transactions with Japanese automotive manufacturers in China.



Strategies for Becoming What We Aim to Be

Earnings Pillars

- **Tubular products businesses**
Expand value chain based on oil country tubular goods businesses
- **Metal products for transportation**
Establish strong position in railway field (rails, wheels, axles, and maintenance)
Aim to be a leading supplier in automobile-related field with lineup covering steel products through to parts
Pursue synergies among existing steel service centers

Future Pillars

- **Aluminum smelting and flat rolling products businesses**
Expand value chain of aluminum smelting business (upstream) and rolling business (midstream)
- **Specialty steel**
Cater to increasing local procurement in automotive parts industry
- **Electrical steel sheet**

Fiscal 2015 Initiatives

Oil country tubular goods businesses continued to strengthen their customer bases by upgrading supply chain management. Further, we advanced lateral activities spanning organizations with a view to finding business opportunities in the oilfield equipment, materials, and services field. In response to rising demand for high-quality grain-oriented electrical steel sheets, which are used in transformers, we participated in a company in Turkey that processes electrical steel sheets. In the aluminum smelting business in Malaysia, we completed construction required for the third-phase expansion ahead of schedule and took measures aimed at achieving full production early.

BBBO2017 Growth Strategies

In the metal products for the automotive & railway industry business, we aim to establish an unrivaled position in the railway field (rails, wheels, axles, and maintenance). As for the automobile-related field, we will step up initiatives aimed at becoming a leading supplier with a lineup that covers steel products through to parts. Our tubular products businesses will use oil country tubular goods businesses as a base upon which to develop businesses in the oilfield equipment, materials, and services field. In addition, we will expand the value chain of the aluminum smelting business (upstream) and rolling business (midstream).

Initiatives Aimed at Addressing Social Issues

Supporting the Manufacturing of Rechargeable Batteries That Underpin the Spread of Electric Cars

Facing increasingly serious air pollution problems as its economy develops, China is promoting the introduction of environment-friendly electric cars. Meanwhile, rechargeable batteries—a key component of electric cars—are in increasingly short supply.

Sumisho Metalex Corporation, a Group company, is contributing to the safe, efficient manufacturing of rechargeable batteries. Through tie-ups with multiple equipment manufacturers, the company is supporting the establishment of an optimal production line by performing the tasks required to construct a rechargeable battery production line that uses equipment made in Japan, such as purchasing individual facilities and pieces of equipment and linking and coordinating facilities.



An electric bus that incorporates rechargeable batteries

Metal Products Business Unit

Summary of Main Fields

Steel Sheet-Related Field



The steel sheet processor Dongguan Summit Metal Products Co., Ltd.

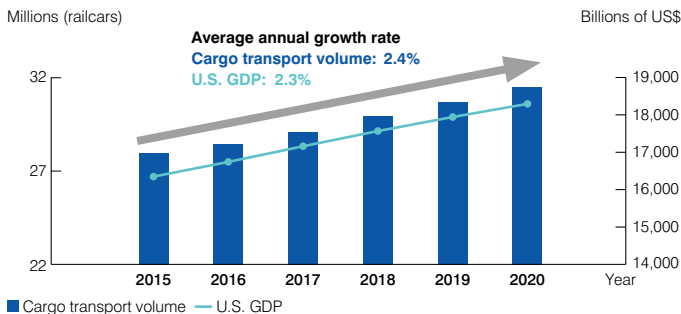
Opportunities and Risks

Steel sheets have various applications. For example, demand for steel sheets for railway-related products (rails, wheels, and axles) is likely to grow steadily as emerging countries develop railway infrastructure and developed countries advance modal shifts. At the same time, heightening safety consciousness is boosting demand for maintenance and highly reliable parts. On the other hand, trade issues in countries worldwide resulting from the steel oversupply that China has caused have become a risk.

Growth Strategies

We will pursue new synergies among a range of different steel sheet trading, using as a base our 32 overseas steel service center businesses operating in 13 countries, mainly emerging countries. In the railway field, we will focus particular efforts on supplying highly reliable parts and expanding operations in the maintenance field. As for the automobile-related field, we will concentrate on strengthening centralized purchasing capabilities through the processing bases that we have deployed to serve automotive production bases around the world.

Forecast of U.S. Rail Cargo Transport Volume



Near-term U.S. rail cargo transport volume is projected to stagnate as coal transport volume flags. Over the medium-to-long term, however, it is projected to trend solidly on gradual population growth and increasing U.S. GDP. Also, the market for railway materials and equipment is likely to see continued firm growth.

Sources
Cargo transport volume: Rail Car Outlook
GDP growth rate: IMF

Tubular Products Field



A tubular product storage yard in Norway

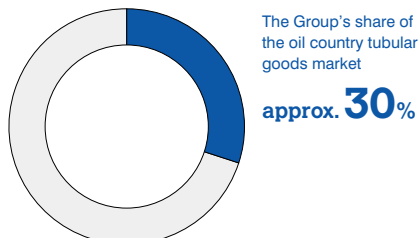
Opportunities and Risks

Demand for energy is likely to remain steady, and demand for tubular products used in oil and gas development projects is expected to recover and return to a growth track in the medium-to-long term. The current slump in oil prices could present opportunities to enter into new businesses through business acquisitions. However, there is a risk of the slump in oil prices triggering changes in business models in the oil and gas industry or realignments that change the structure of the industry itself.

Growth Strategies

Along with our unique technical services and logistics services, we will provide high-quality tubular products that are manufactured by highly reliable suppliers. In these efforts, our target customers will be those with operations in the main oil-producing countries and regions, including the North Sea, the Middle East, CIS, Asia and Oceania, and North America. In this way, we will contribute to the economic, stable production of oil and gas. Further, we will develop businesses engaged in the provision of oil well related equipment and services and expand business foundations.

The Group's U.S. Market Share



Through Group companies that are major oil country tubular goods distribution businesses, the Sumitomo Corporation Group has established a strong presence in the United States, which has the world's largest market for oil country tubular goods. We account for approximately 30% of this market. Our 2013 acquisition of Edgen Group has expanded our value chain further and is enabling us to meet the needs of a wider range of customers and contribute to the development of the energy-related field.

Non-Ferrous Products & Metals Field

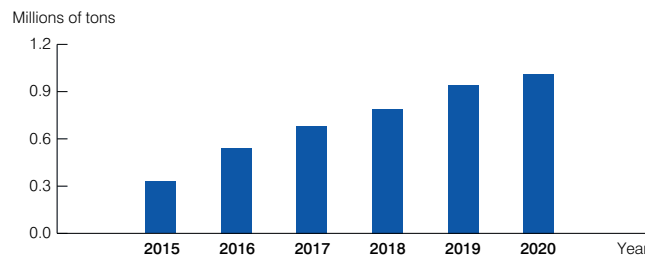


Our aluminum smelting joint venture with Press Metal in Malaysia

Opportunities and Risks

The needs of aluminum products in automotive manufacturing is likely to increase given the continuing pressure to introduce lighter vehicles in response to stricter fuel-efficiency regulations in regions worldwide. Consequently, the automotive industry's use of aluminum sheets is expected to rise significantly, primarily in the United States and Europe. On the other hand, aluminum products produced in China could intensify competition. Other risks include being unable to secure stable supplies of bauxite or alumina, the raw materials of aluminum ingots.

Forecast of North American Demand for Aluminum Automotive Body Sheets



As stricter fuel-efficiency regulations spur the introduction of lighter vehicles, demand for automotive aluminum body sheets is expected to increase. In the United States, the country with the highest demand, aluminum sheet demand is projected to rise rapidly from 2015's 300,000 tons to more than 1 million tons by around 2020. We will cater to this growing demand by entering the business field of surface treatment for automotive aluminum body sheets.

Project Overview

Providing Steel Sheets to the Automotive Market, Which Promises Medium-to-Long-Term Growth

Through to 2020, Mexico's automotive unit production is expected to grow roughly 8% on average as automotive demand remains favorable domestically and in the country's main export destination, the United States. Additional processing supply capacity is required due to strong demand for steel used in the manufacture of steel sheets and parts for automobiles. To cater to this burgeoning demand, the Sumitomo Corporation Group's wholly owned steel service center in Mexico, Servilamina Summit Mexicana S.A. de C.V. (SSM), has begun building its third plant. Starting up production at the new plant will improve our ability to cater to customers' diverse needs and heighten profitability because the plant will enhance our processing supply capacity as well as our ability to provide high-value-added products and warehousing services.



A rendered image of the No. 3 SSM plant upon completion

Value-Creating Business Model

