

October 28, 2009

Sumitomo Metal Industries, Ltd.
Chuo Denki Kogyo Co. Ltd.

**Notice Concerning Agreement of Absorption-Type Company Split
Sumitomo Metals' Lithium-Ion Battery Anode Material Business
to Be Succeeded by Chuo Denki Kogyo through Company Split**

Sumitomo Metal Industries, Ltd. (hereinafter "Sumitomo Metals") and its equity-method affiliated company Chuo Denki Kogyo Co. Ltd. (hereinafter "CDK"), at their respective meetings of their Board of Directors held today, determined that CDK will succeed Sumitomo Metals' business of anode material for lithium-ion batteries (hereinafter "the split business") with effect from December 1, 2009. This business succession will be based on the absorption-type company split method (hereinafter the "Company Split") and the two companies have entered into an agreement thereon, details of which are summarized below.

1. Summary and objectives of the Company Split

(1) Summary

Sumitomo Metals manufactures and sells graphite as anode material for lithium-ion secondary batteries (hereafter "the graphite business"), and its wholly-owned subsidiary Sumikin Molycorp manufactures and sells alloy material as anode material for lithium-ion batteries.

CDK manufactures and sells manganese sulfate for cathode material for lithium-ion batteries and hydrogen storing alloy for anode material for nickel-hydrogen batteries.

The Sumitomo Metals Group aims to grow the secondary battery material business by adopting the Company Split. The business concerned, which has been diversified within the group, will be integrated into a new structure that places CDK as its core company. The capital relationship between Sumitomo Metals and CDK will be reinforced by CDK issuing new shares to Sumitomo Metals at the equivalent value of the Company Split, including transaction value of all shares of Sumikin Molycorp, a wholly-owned subsidiary of Sumitomo Metals which is also engaged in the business of alloy as material for magnets, in addition to the business of anode material for lithium-ion batteries.

(2) Objectives

At present, lithium-ion batteries are commonly used as secondary batteries for mobile phones and personal computers, whereas nickel-hydrogen batteries are most commonly used in hybrid cars and other green cars. For automobiles, however, growth in the application of high-capacity lithium-ion batteries is expected. In anode materials for lithium-ion batteries, graphite is mainly used at present but the application of alloy is expected to grow due to its high capacity and long-term usability.

The Sumitomo Metals Group aims to strengthen the graphite business for lithium-ion batteries and the hydrogen storing alloy business for nickel-hydrogen batteries. In addition, the Group will endeavor to expand its next generation alloy material business for lithium-ion batteries in the future. In research and development, Sumitomo Metals' Corporate Research & Development Laboratories will fully support and develop leading-edge technologies. The corporate split is expected to generate business synergies, expand business, and improve profitability for the Sumitomo Metals Group.

CDK will expand its scope of business to anode material for lithium-ion batteries, in addition to its existing businesses of hydrogen storing alloy for nickel-hydrogen batteries and manganese sulfate for cathode material used in lithium-ion batteries. The company plans to establish an optimal structure to meet customers' diverse demands.

Sumikin Molycorp, which will become a subsidiary of CDK through the Company Split* also intends to expand its alloy material business for magnets. In particular, Sumikin Molycorp's alloy for magnet material uses rare earth as a major material, and this is similar to the hydrogen storing alloy for nickel-hydrogen batteries that is manufactured by CDK. Thus, the two companies have a great deal in common regarding manufacturing technologies. Significant synergies are also expected in this business.
 (* CDK's "Notice regarding share purchase (creation of a subsidiary) of Sumikin Molycorp Inc." disclosed on the same day is available, but only in Japanese.)

2. Outline of the Company Split

(1) Schedule of the Company Split

Both companies' Board of Directors meetings approving the company split	October 28, 2009
Execution of the company split agreement	October 28, 2009
Planned company split date (Effective date)	December 1, 2009 (Plan)

The company split will be conducted as a simplified absorption-type for Sumitomo Metals, the splitting company, in accordance with Article 784, Paragraph 3, of the Corporation Law, and for CDK, the succeeding company, in accordance with Article 796, Paragraph 3, of the Corporation Law. Consequently, neither company will convene a general meeting of shareholders to obtain shareholders' approval of the Company Split.

(2) Method of the Company Split

An absorption-type split in which Sumitomo Metals shall be the splitting company and CDK shall be the succeeding company.

(3) Details of Allotment for the Company Split

CDK shall issue and allot 4,000,000 new common shares to Sumitomo Metals as consideration for the splitting business.

After the effective date of the Company Split, Sumitomo Metals will hold 12,084,000 common shares of CDK, including 8,084,000 shares that it already holds, thereby accounting for 38.24% of the total outstanding shares of CDK, and make it an equity-method affiliated company.

In case any significant change occurs in the terms and conditions as the basis of calculations described in item 3 (2), the number of shares to be allotted may be subject to change based on discussion between the two companies.

(4) Treatment of Share Options and Bonds with Share Options of the Splitting Company

Sumitomo Metals has not issued any share options or bonds with share options.

(5) Increase or Decrease in Capital Due to the Company Split

There will be no change in the capital of Sumitomo Metals or CDK due to the Company Split.

(6) Rights and Obligations to be Succeeded by the Succeeding Company

CDK shall succeed to the assets, rights and obligations (including shares of Sumikin Molycorp) that are involved in the business to be taken over from Sumitomo Metals that will be determined as necessary for CDK in executing the businesses concerned.

(7) Presumption of fulfillment of obligations

Sumitomo Metals and CDK have determined that all the respective obligations, for which the maturity date will arise on and after the effective date of the Company Split, are expected to be fulfilled.

3. Basis of calculations for allotment of shares in the company split

(1) Basis of calculations

To ensure the fairness and adequacy of the number of shares to be allotted in the Company Split, Sumitomo Metals selected Daiwa Securities SMBC Co. Ltd. as its third-party assessor to request the calculation of the number to be allotted. CDK selected ABeam M&A Consulting Ltd. (hereinafter “ABeam M&A Consulting”), as its third-party assessor.

Daiwa Securities SMBC adopted for Sumitomo Metals the discounted cash flow method (hereinafter the “DCF method”) in valuations of the business value of the splitting business as well as for CDK in valuations of its business value. Daiwa Securities SMBC subsequently submitted its calculation results on the number of shares to be allotted for the business to Sumitomo Metals. The calculation results are shown below.

Calculation method	Range of valuations in the number of shares to be allotted (shares)
DCF method	2,603,000-4,814,000

ABeam M&A Consulting adopted for Sumitomo Metals the DCF method in valuations of the potential business value of the splitting business and for CDK the average market share price method and the DCF method in valuations of its business value. In the average market share price method, the calculation of stock value was conducted by adopting the closing price on October 26, 2009 and average stock price for one month from September 28 to October 26, 2009 and for three months from July 27 to October 26, 2009. ABeam M&A Consulting subsequently considered both results comprehensively and submitted its calculation results on the number of shares to be allotted for the business to CDK. The calculation results are shown below.

Range of valuations in the number of shares to be allotted (shares)	3,540,000-4,640,000
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The calculation results submitted by both Daiwa Securities SMBC and ABeam M&A Consulting are not intended to express an opinion on fairness (the so-called “Fairness Opinion”) regarding the number of shares to be allotted in the Company Split.

(2) Background of the calculations

Sumitomo Metals and CDK requested and received the calculation results on the number of shares to be allotted from their respective third-party assessors; Daiwa Securities SMBC for the former and ABeam M&A Consulting for the latter. After having received the calculation results above, the two companies carefully considered the results above and further continued discussions and negotiations with each other while comprehensively taking into account factors such as the financial conditions and the performance projections of the respective companies as well as the trend in the stock price of CDK. As a consequence, the Board of Directors of each company determined that the number of shares to be allotted, which is described in Item 2. (3) above, is reasonable and appropriate

and therefore attributable to the benefit of shareholders of each company. Subsequently, the two companies entered into the Agreement regarding the Company Split.

The number of shares to be allotted that was finally resolved as described above may be subject to change through negotiations between the two companies in case any significant change occurs in the terms of the conditions that form the premises of the agreed allotment.

(3) Relationship with the third-party assessor

Neither Daiwa Securities SMBC nor ABeam M&A Consulting is a Related Party to either Sumitomo Metals or CDK.

(4) Measures to guarantee fairness

Sumitomo Metals and CDK have asked independent third parties, Daiwa Securities SMBC in the case of the former and ABeam M&A Consulting in the case of the latter, to calculate the number of allotted shares in order to guarantee fairness for the Company Split.

(5) Measures to Prevent a Conflict of Interest

Sumitomo Metals and CDK are not in a parent-subsidary relationship and no director serves both companies. As there shall be no conflict of interest, no particular measure has been taken in this regard.

4. Summary Information about the Companies Concerned (As of March 31, 2009)

	Splitting company	Succeeding company
(1) Company name	Sumitomo Metal Industries, Ltd.	Chuo Denki Kogyo Co. Ltd.
(2) Head office location	4-5-33 Kitahama, Chuo-ku, Osaka	272 Taguchi, Myoko, Niigata
(3) Representative	Hiroshi Tomono, President	Ryo Someya, President
(4) Business activities	Steel, engineering, electronics and other businesses	Ferroalloy, functional materials, and civil engineering and construction-related businesses
(5) Capital	262,072 million yen	3,630 million yen
(6) Date of Incorporation	July 1, 1949	February 20, 1934
(7) Number of outstanding shares	4,805,974,238 shares	27,600,000 shares
(8) Fiscal year-end	March 31	March 31
(9) Employees	24,245 (Consolidated)	349 (Consolidated)
(10) Main business partners	Sumitomo Corporation Sumikin Bussan Corp.	Sumitomo Metal Industries, Ltd. Sumitomo Corporation
(11) Main banks	Sumitomo Mitsui Banking Corporation The Sumitomo Trust & Banking Co., Ltd.	Sumitomo Mitsui Banking Corporation The Sumitomo Trust & Banking Co., Ltd.
(12) Major shareholders and shareholding ratios	Sumitomo Corporation: 9.54% Nippon Steel Corporation: 9.40% Japan Trustee Services Bank, Ltd. (account in trust): 4.32%	Sumitomo Metal Industries, Ltd.: 29.29% Sumitomo Corporation: 10.79% Mitsui Sumitomo Insurance Co. Ltd.: 4.34%
(13) Relationships		

	among the Companies Concerned						
	Capital	Sumitomo Metals holds 29.29% of the issued and outstanding shares of CDK.					
	Personnel	One of two outside directors of CDK has been accepted from Sumitomo Metals.					
	Business	Sumitomo Metals procures manganese ferroalloy as a steelmaking material from CDK.					
	Related party status	CDK is an equity-method company of Sumitomo Metals and is thus considered a related party.					
(14)	Consolidated Financial Results for the past three years						
		Sumitomo Metals			CDK		
	Fiscal year	FY March 2007	FY March 2008	FY March 2009	FY March 2007	FY March 2008	FY March 2009
	Net assets	924,798	949,303	904,371	11,488	16,318	22,703
	Total assets	2,301,556	2,418,310	2,452,535	25,962	34,121	40,413
	Net assets per share (yen)	189.81	194.43	184.92	416.50	591.67	823.38
	Net sales	1,602,720	1,744,572	1,844,422	26,966	41,611	53,737
	Operating profit	303,774	274,396	226,052	2,012	9,157	13,285
	Ordinary profit	327,676	298,218	225,736	2,022	9,132	13,247
	Net income	226,725	180,547	97,327	1,082	5,373	7,807
	Net income per share (yen)	47.89	39.43	20.98	39.23	194.83	283.10
	Dividend per share (yen)	8.0	10.0	10.0	8.0	25.0	40.0

(Millions of yen; excluding specified items)

5. Outline of the splitting or succeeding business division

(1) Business activities of the splitting or succeeding business division

The splitting business based on the Company Split is Sumitomo Metals' business entailing the manufacture and sale of anode material for lithium-ion batteries (including control and administrative operation of Sumikin Molycorp, which is engaged in the manufacture and sale of anode material for lithium-ion batteries.)

(2) Business results of the splitting or succeeding division (year ended March 2009)

	Splitting business	Sumitomo Metals (unconsolidated)
Sales	896	1,246,074

(Millions of yen)

(Note) Sales of the splitting business do not include Sumikin Molycorp's sales of 6,955 million yen.

(3) Amount of items of assets and liabilities to be split or succeeded (as of March 31, 2009)

Assets

Item	Book value
Current assets	161
Fixed assets	502
(Equity of Sumikin Molycorp)	375
Total	663

(Millions of yen)

6. Status after the Company Split

	Splitting company
(1) Company name	Sumitomo Metal Industries, Ltd.
(2) Head office location	4-5-33 Kitahama, Chuo-ku, Osaka
(3) Representative	Hiroshi Tomono, President
(4) Business activities	Steel and other businesses
(5) Capital	262,072 million yen
(6) Fiscal year-end	March 31
(7) Net assets	Not determined as of this moment
(8) Total assets	Not determined as of this moment

	Succeeding company
(1) Company name	Chuo Denki Kogyo Co. Ltd.
(2) Head office location	272 Taguchi, Myoko, Niigata
(3) Representative	Ryo Someya, President
(4) Business activities	Ferroalloy, functional materials, and civil engineering and construction-related businesses
(5) Capital	3,630 million yen
(6) Fiscal year-end	March 31
(7) Net assets	Not determined as of this moment
(8) Total assets	Not determined as of this moment

7. Outline of Accounting Treatment

Sumitomo Metals	Based on the "accounting method regarding a corporate split," the accounting method in the case where the consideration given is only equity of the company that receives the split business shall be applied.
CDK	Based on the "accounting method regarding business combination," the purchase accounting method shall be applied. The amount of goodwill has not been determined at this point.

8. Performance Outlook

The Corporate Split is expected to have little impact on Sumitomo Metals' consolidated business results.

The impact on CDK's consolidated business results shall be disclosed when it becomes evident.