Nippon Steel, Sumitomo Metal Combine to Become No. 2

TOKYO (AP) -- Japan's largest steelmaker, Nippon Steel Corp., has joined with Sumitomo Metal Corp. to form the world's second-biggest steel maker.

The newly formed entity, Nippon Steel & Sumitomo Metal Corp., said Monday it aims to expand its global operations, especially in China, India and other emerging countries, where demand is expected to grow, while consolidating operations in the shrinking Japanese market.

NSSMC has an annual steel production capacity of about 50 million metric tons, a distant second behind Luxembourg-based ArcelorMittal SA.

The two companies formed an alliance in 2002, and say they aim to streamline operations to improve their competitiveness amid a shake-up of the global steel industry that has boosted rivals such as China's Baoshan Iron & Steel Corp.

The company says it aims to boost its annual output to as much as 70 million metric tons within the next five to 10 years.

Nippon Steel reported a net 87.5 billion yen ($1.1 billion) loss in the April-July quarter, which it mostly attributed to losses on investments in securities due to weakness in stock prices.

The company had a stock market value of about $23 billion at the time it announced it was taking over Sumitomo Metal, which was worth $12.5 billion.

It is the first takeover in Japan's steel industry since NKK and Kawasaki Steel joined forces in 2002 to create Japan's No. 2 steel maker, JFE Holdings Inc.

Nippon Steel & Sumitomo Metal's shares fell 1.25 percent to close at 158 yen ($2.02) on Monday in Tokyo.

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