

Accelerating distinctiveness

Steel Tube Works



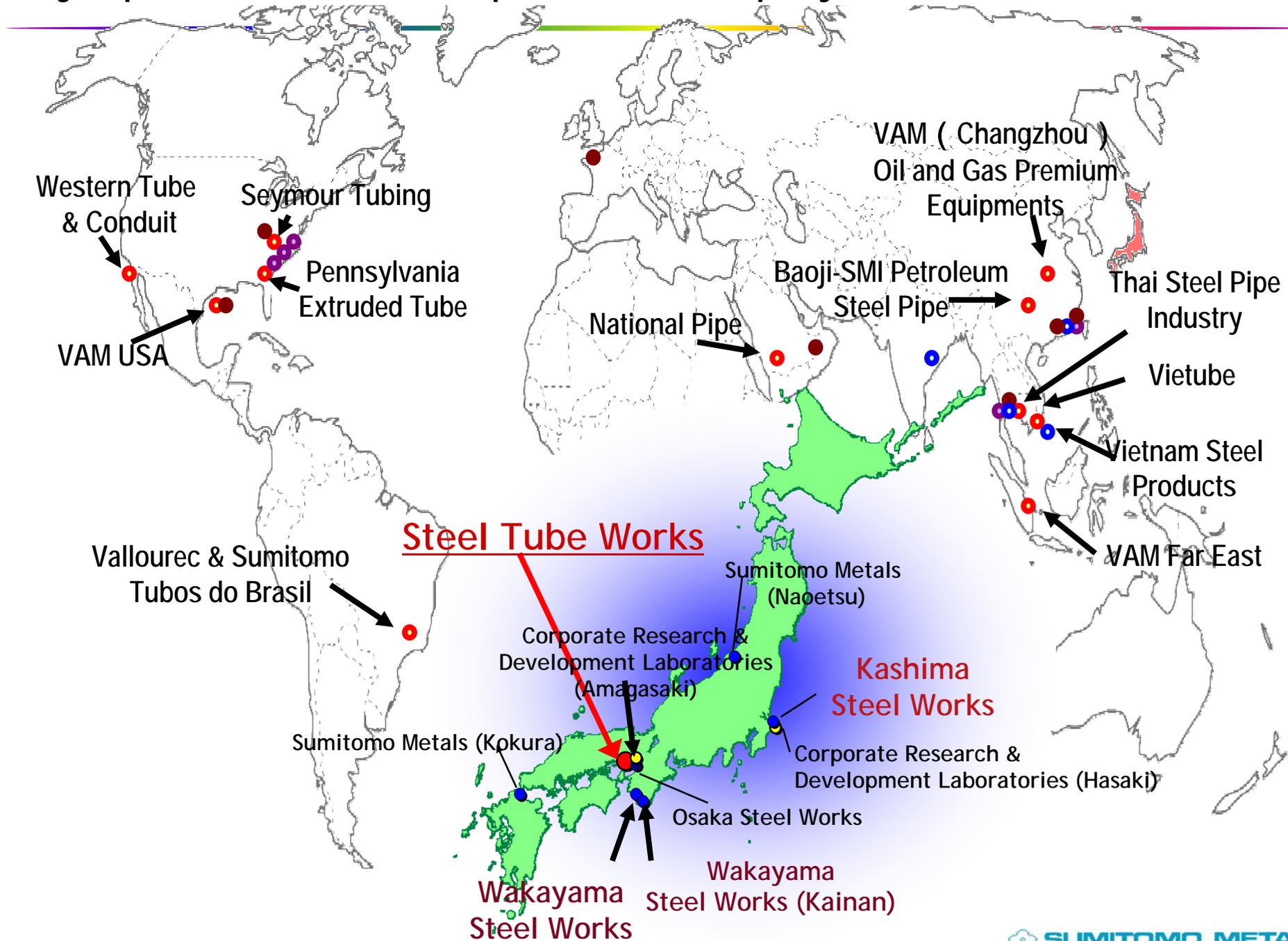
Forward-looking Statement

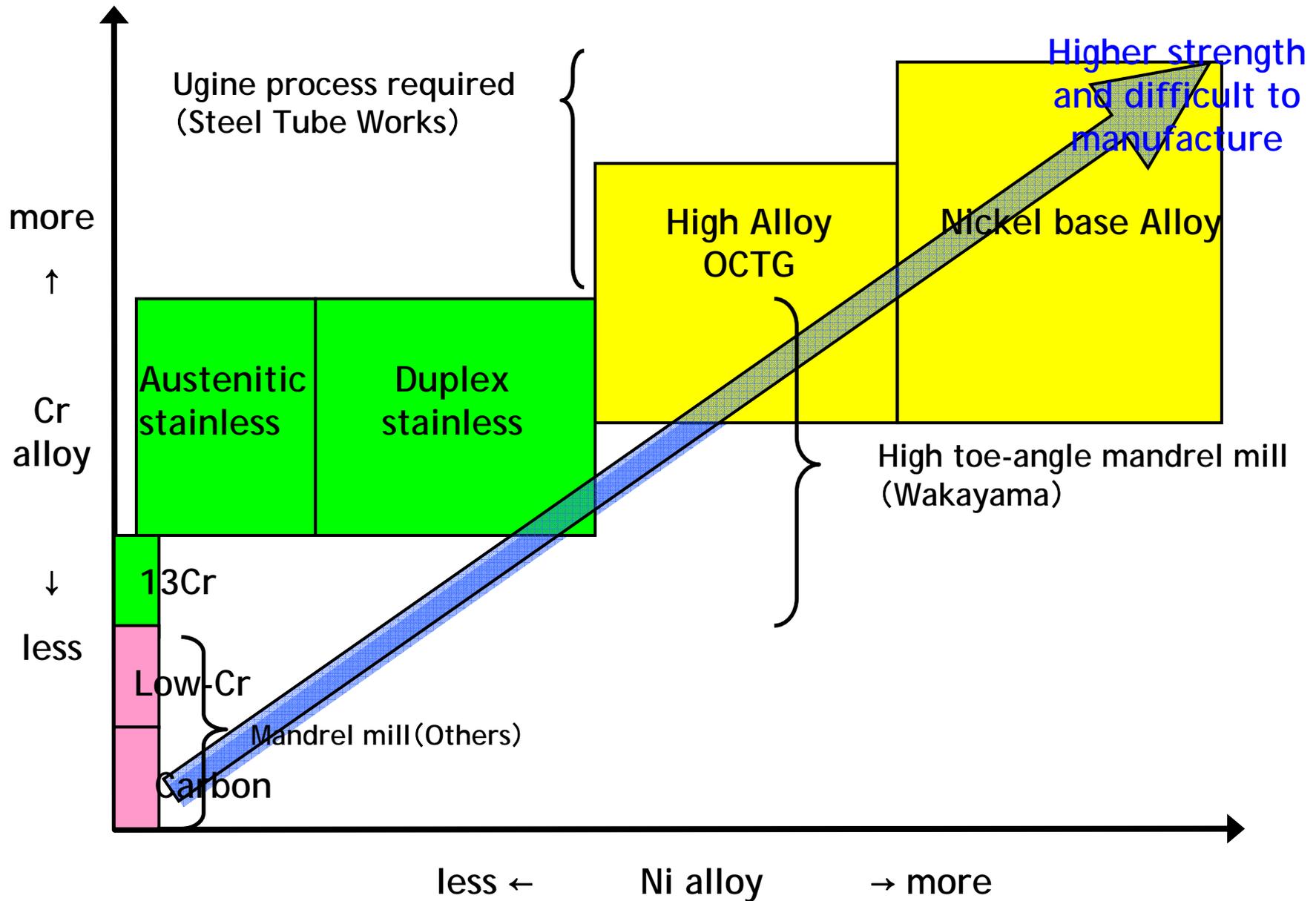
This presentation contains certain forward-looking statements. The Company has tried, whenever possible, to identify these forward-looking statements using words such as “anticipated,” “believes,” “estimates,” “forecasts,” “expects,” “plans,” “intends,” “targets,” and similar expressions. Similarly, statements herein that describe the Company’s business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the Company’s actual results, performance or achievements to differ from those expressed in, or implied by, such statements. These risks and uncertainties may include, but are not limited to: the Company’s ability to successfully implement its strategies to restructure the steel business and reinforce its financial structure; the effects of and changes in Japanese and worldwide general economic conditions and in the steel industry in particular, including the severity of any economic slowdown, technological and other changes affecting the manufacture of and demand for the Sumitomo Metals Group’s products, changes in Japan’s and other countries’ laws and regulations, including with regard to taxation, and other risks and uncertainties set forth in subsequent press releases and in the Sumitomo Metals Group’s public filings. These statements reflect the Company’s current beliefs and are based upon information currently available to it. Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time. The Company disclaims any intent or obligation to update these forward-looking statements.

All output figures in this presentation are metric tons.

1. Overview of Steel Tube Works

Major production sites of Pipe & Tube Company





Three sites: each has its own role & characteristics

Steel Tube Works : Top of the line of Sumitomo's distinctive pipes
 Shifting the product mix to enhance earnings power in each site.

Steel Tube Works
Global No.1 site of stainless seamless pipes & tubes

- Capacity approx. 70,000 tons
- Main Products: Stainless boiler Tube
 Steam generator tubing for nuclear plants
 High-alloy OCTG

Product categories transferred from STW to Wakayama.

Wakayama Steel Works
Mass production bases of high-end seamless pipes

- Capacity approx. 1,200,000 tons
- Main Products OCTG, Line pipe
 Mechanical parts

13Cr, Mechanical & others

Vallourec & Sumitomo Tubos do Brasil
Good access to growth markets

- Capacity approx. 300,000 tons
- Main Products OCTG, Line pipe

Product categories transferred from Wakayama to Brazil.

Hi-end carbon steel

- Established in 1919
- Products
Seamless Pipe & Tube
(Carbon, alloy, stainless, Ni base alloy)
- Size range
DN 6~952.5 mm
- Production Volume
Approx. 70,000 tons/year
(Including semi-finished products)
- Sales
Approx. 100 billion yen
(Including semi-finished products)
- Number of Employees
Approx. 750



- Site area
519,000m²
- Property and Equipment
35.5 billion yen

"Amagasaki" is synonymous with high quality pipes.

1897 "Sumitomo Copper Plant" established

1919 <Present: Steel Tube Works> Amagasaki factory established as Japan's first integrated seamless steel tubes and pipes mill

1921 Began producing hot seamless pipes and tubes

1926 Began producing tubing for oil and gas wells

1951 Began producing boiler tubes for thermal power plants

1956 Produced Japan's first stainless tubular products for nuclear power plant

1983 Produced the world's first high-alloy OCTG

1989 The world's first application of USC boiler tubes

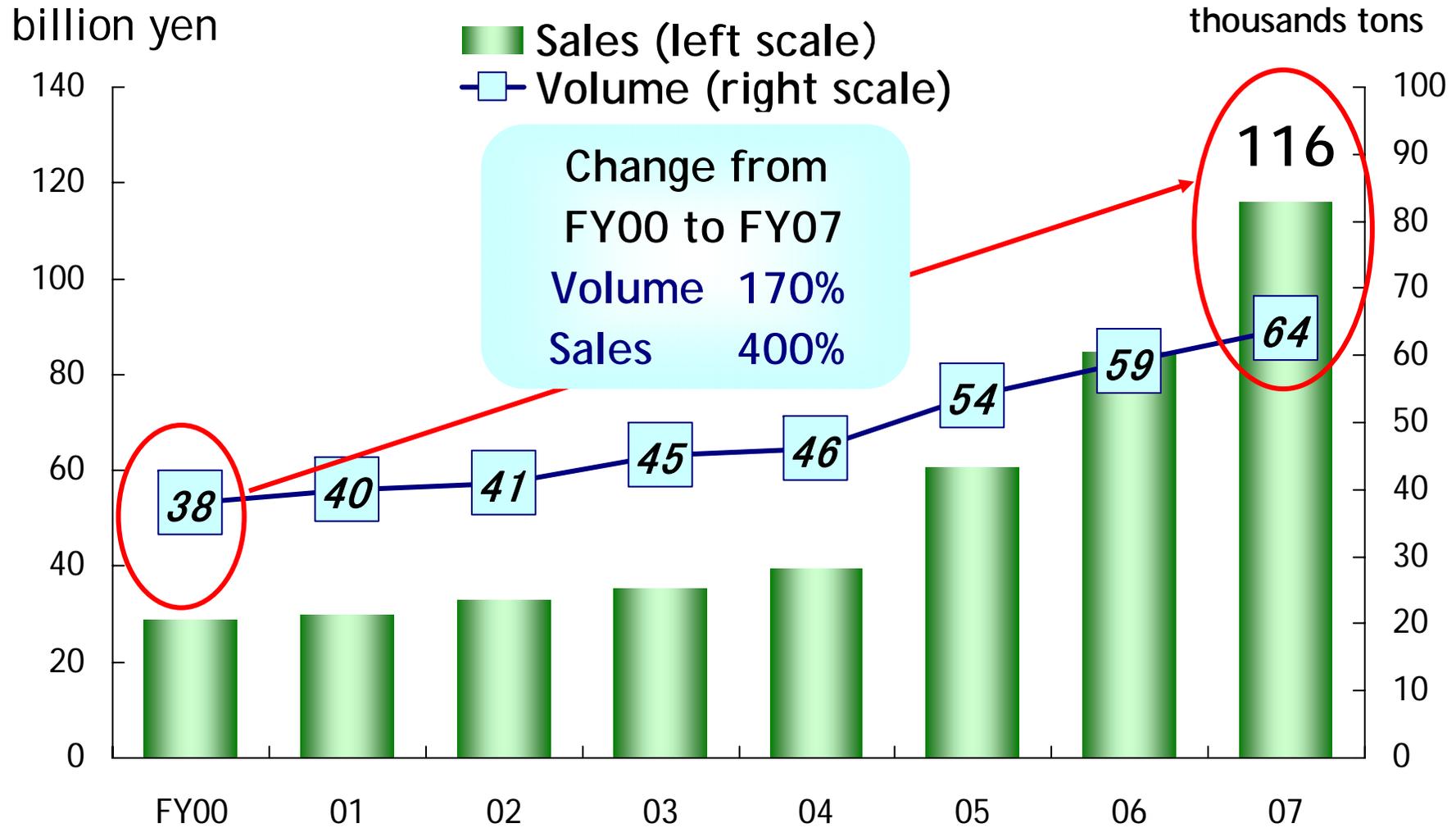
1994 Began exporting steam generator tubes for nuclear power plant

2006 Increased production capacity of high-alloy OCTG

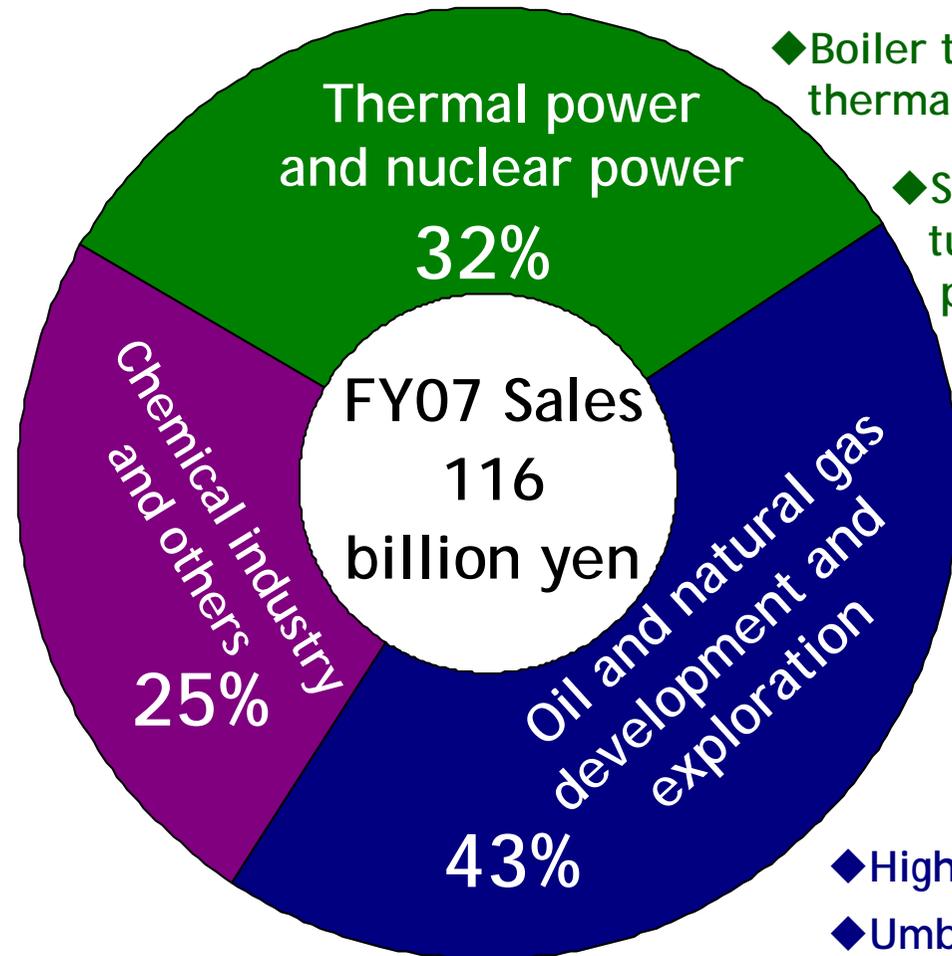
2007 Increased production capacity of super high-end boiler tubes

2008 Increasing production capacity for steam generator tubes for nuclear power plant

Strong growth associated with global energy demand expansion.



Steel Tube Works contributes to global environmental preservation by providing cutting-edge seamless tubes and pipes.



◆ Boiler tubes for coal-fired thermal power plants

◆ Steam generator tubes for nuclear power plant

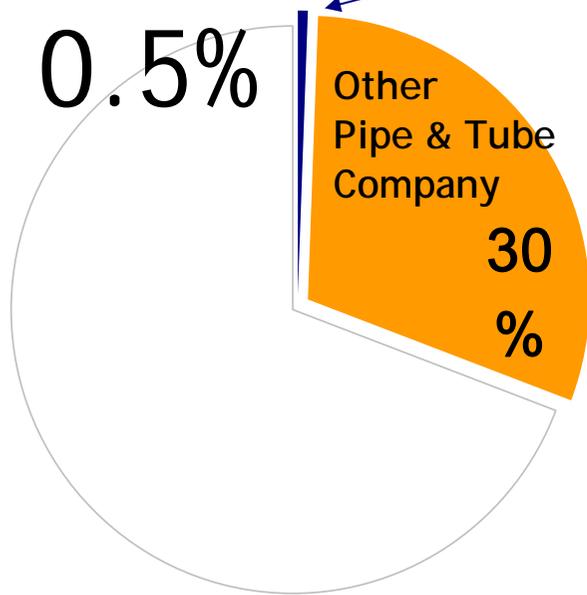
- ◆ Stainless tubes for ethylene plants
- ◆ Stainless tubes for urea plants
- ◆ Stainless tubes for GTL plants (GTL: gas to liquids)

- ◆ High alloy OCTG
- ◆ Umbilical tubes for subsea completion oil & gas development.

“0.5% volume” yields “11% earnings”

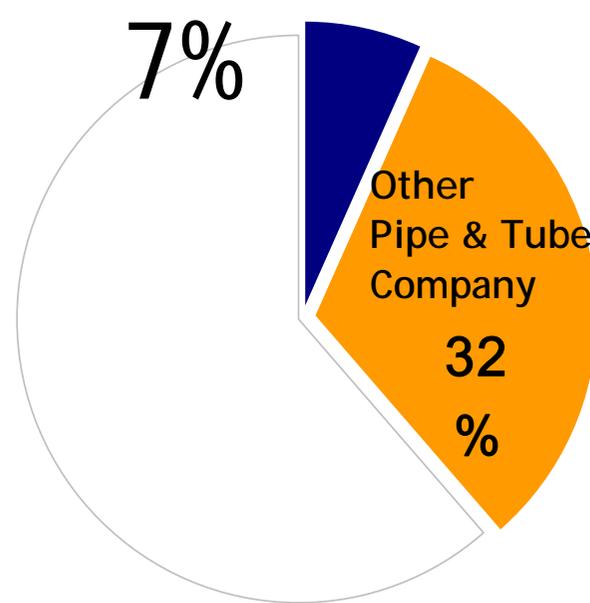
Steel Tube Works

Results of FY07



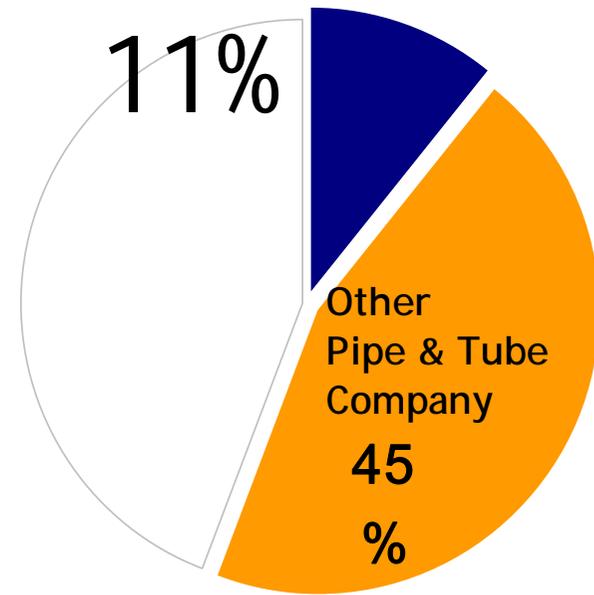
Volume

Consolidated
12 million tons



Sales

Consolidated
1,744 billion yen



Operating Profit

Consolidated
274 billion yen

Accelerating distinctiveness

2.Environmentally friendly steel works

21th Century Forest Project hosted by Hyogo Prefecture:
Amagasaki is a major part of Hanshin Industrial Region.



Mayor's vist



Greenbelts



Participated to an Environmental Festival



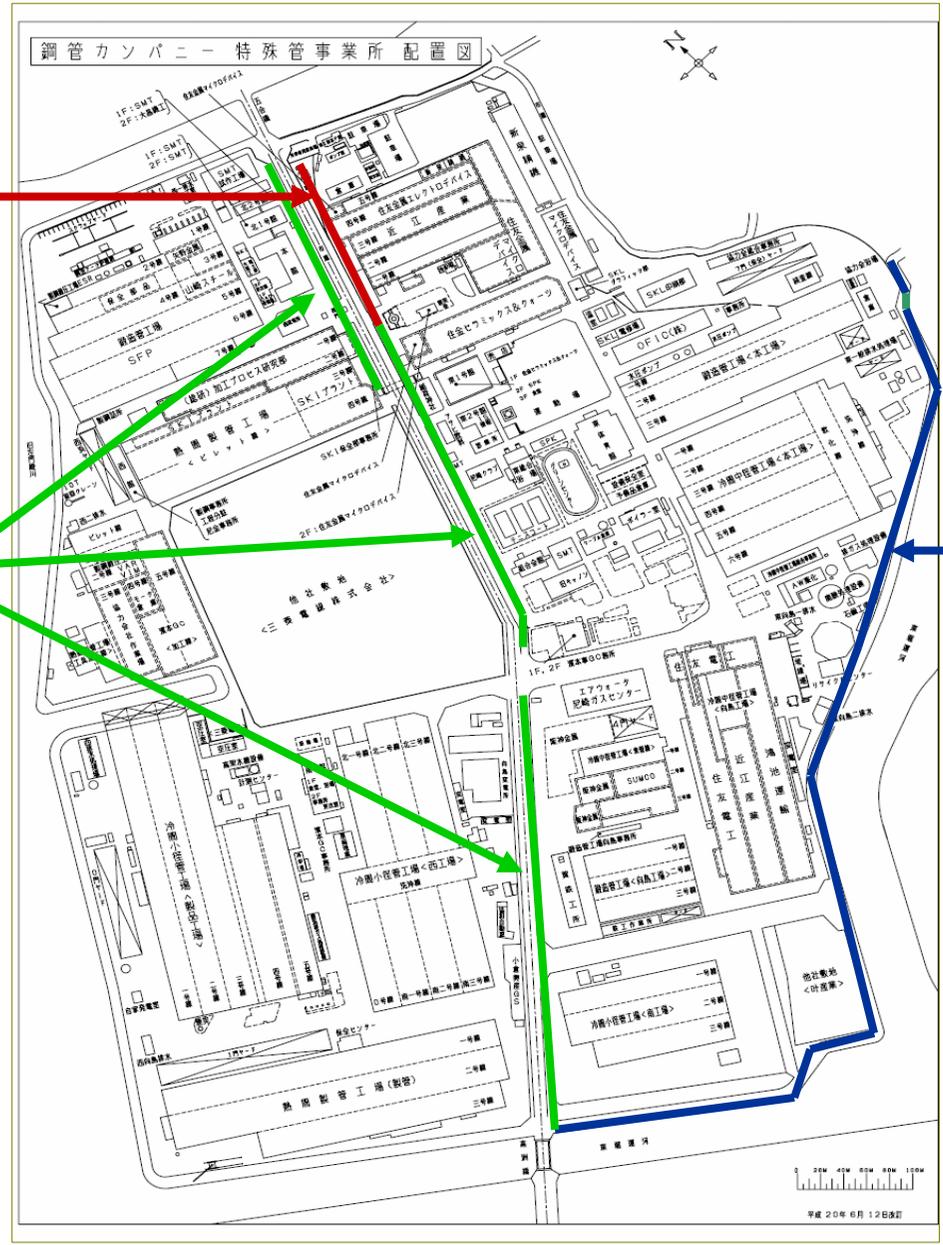
Tree-planting ceremony

“21th Century Forest Project” “Canal Revival Project”

Completed
greenbelt
March 2008

Planned
greenbelt

Canal
Revival
Project



3. Main Products

Main products of Steel Tube Works

Power plant

- Stainless boiler tubes for coal-fired power plants

- Boiler Tube for High Pressure and High Temperature Service
- For *ultra super critical boilers, Sumitomo Metals' proprietary products " SUPER304H " and " HR3C " are the global standard.

*SUPER304H (18Cr-9Ni-3Cu)
HR3C (25Cr-20Ni-Nb-N)

- *Ultra Super Critical (USC)

Steam parameters for turbine inlets in power plants are a temperature of at least 565 degrees Celsius and pressure of at least 24.5 MPa. Generating efficiency (at generator terminal) increases the higher the temperature and pressure, but this also increases the severity of the operating environment. The quality of boiler tubes is thus critical under such rigorous operating conditions.

- Steam generator tubes for PWR nuclear power plant

- Tubes used in pressurized-water reactor (PWR) nuclear power plants. The tubes are used for heat exchange which is a process of generating steam when hot water heated by heat generated by the nuclear reactor is conducted from the first cooling water zone to the second cooling water zone.
- High-quality and reliability are collateralized by SMI's original process "High pressure drawing bench (patented)".

Oil & Gas

- High alloy OCTG

- High-alloy OCTG become necessary where severe well conditions with high concentrations of H₂S, CO₂ and Cl⁻ brines are encountered.

STW has the dominant market share in super high-end stainless tubes.

	FY08 global demand (thousands tons)	global share	competitors
Seamless stainless tubes & pipes	400	16%	Sandvik (Sweden) Tubacex (Spain)

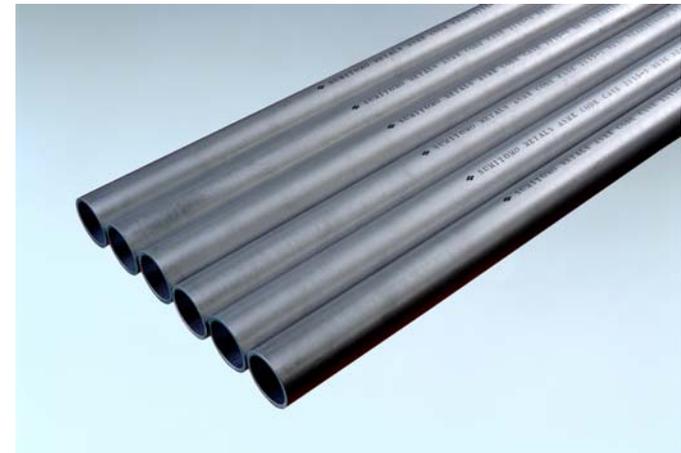
Power plant	Boiler tubes for USC coal-fired power plant	30	80%	DMV (Germany)
	Steam generator tubes for PWR nuclear power plant	1.8	33%	Sandvik Valinox (France)
Oil & Gas	High alloy OCTG	20	90%	<ul style="list-style-type: none"> · Sandvik (Material) → Tenaris (Joint) · DMV (Material) → Vallourec (Joints)

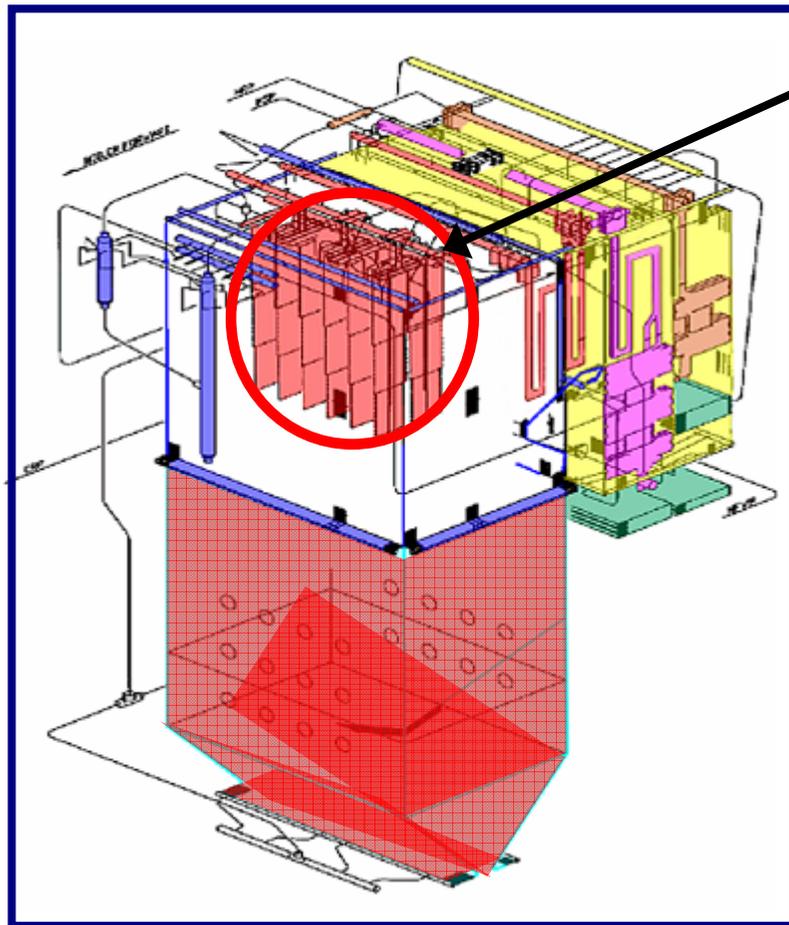
Building on our strength

Business strategy

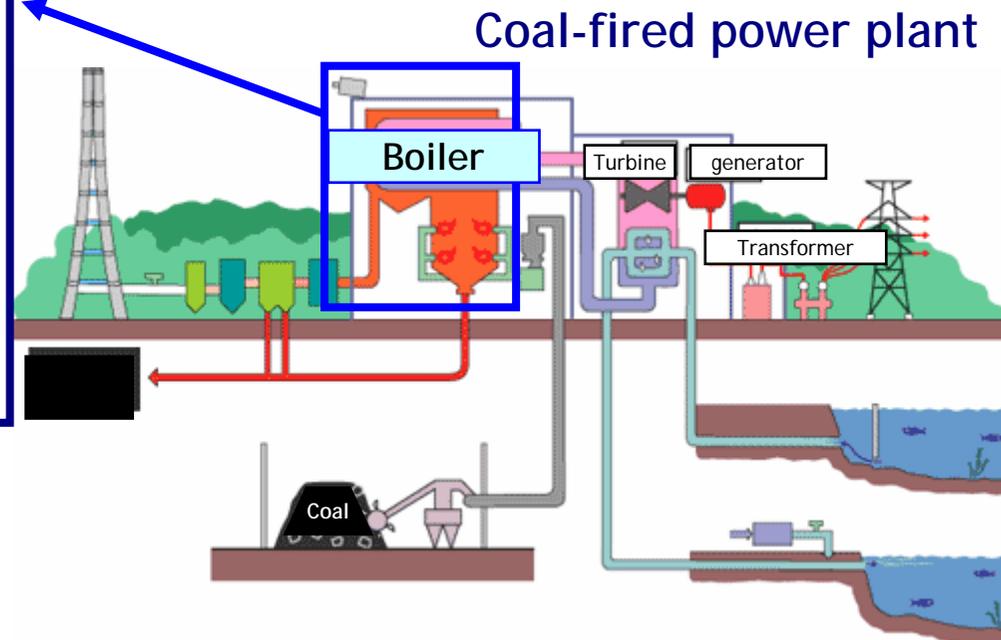
Power plant

4. Boiler tubes for USC coal - fired power plant





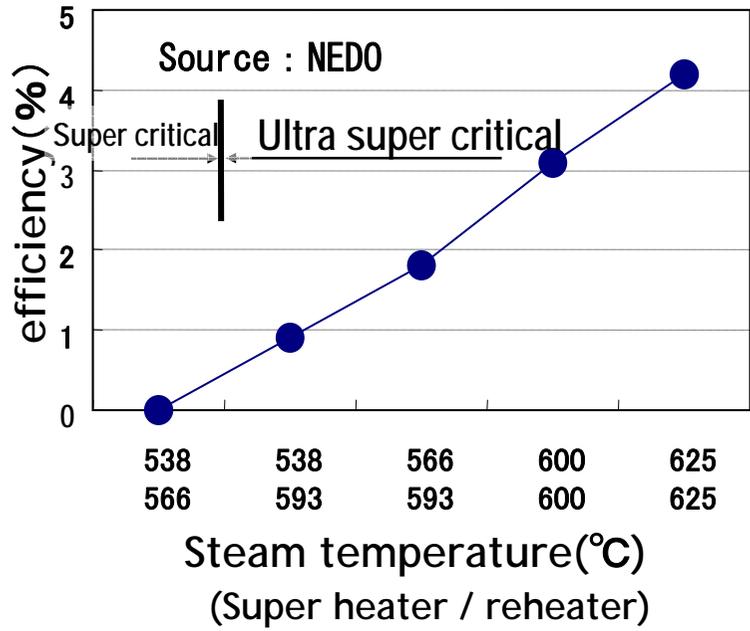
Super heaters and reheaters, with the highest temperature within the plant ($600\text{ }^{\circ}\text{C}$), are made of **stainless tubes** with high strength and high anti-corrosion performance.



Source :Chubu Electric Power website

Efficiency was improved through USC technology

30 plants / year are expected to be built using Sumitomo's proprietary products



■ Reduction of CO2 emission per plant : efficiency improvement of 4% (39% → 43%)
 = 440,000 tons CO2 / plant · year

■ Sumitomo's contribution to reduce CO2 emission globally
 = 440,000 tons × *191 plants
 = 83 million tons CO2 / year

*191 = 80 <USC under operation>
 + 111 <SMI's backlog>

<Reference> Japan's total CO2 emission
 1,300 million tons / year

*Award winning technology SUPER304H and HR3C are the global standard including Europe and China.



Contribute to the first USC boiler in China

Demand growth in India is expected

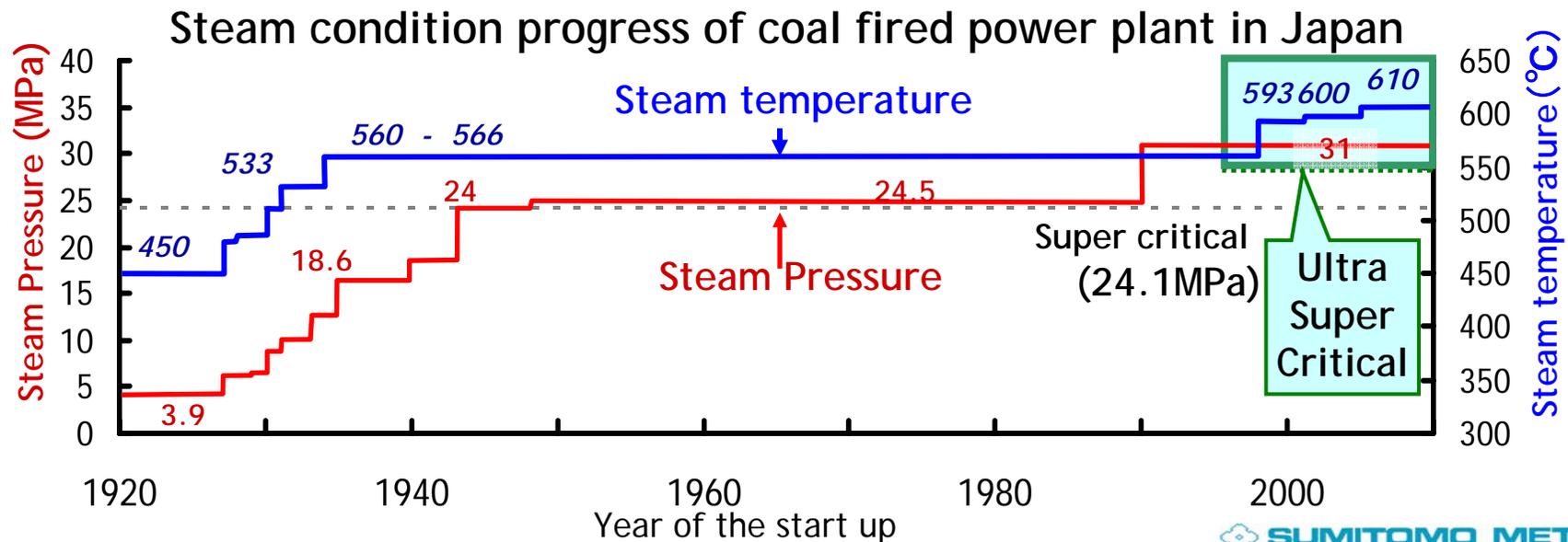
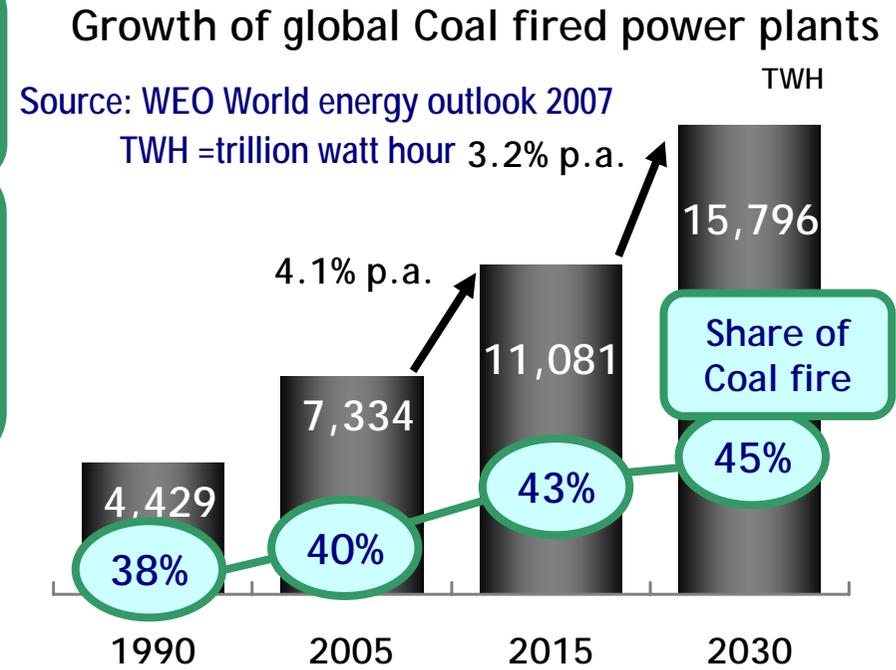
*SUPER 304H; Technical Development Award from the Japan Institute of Metals in September 2007

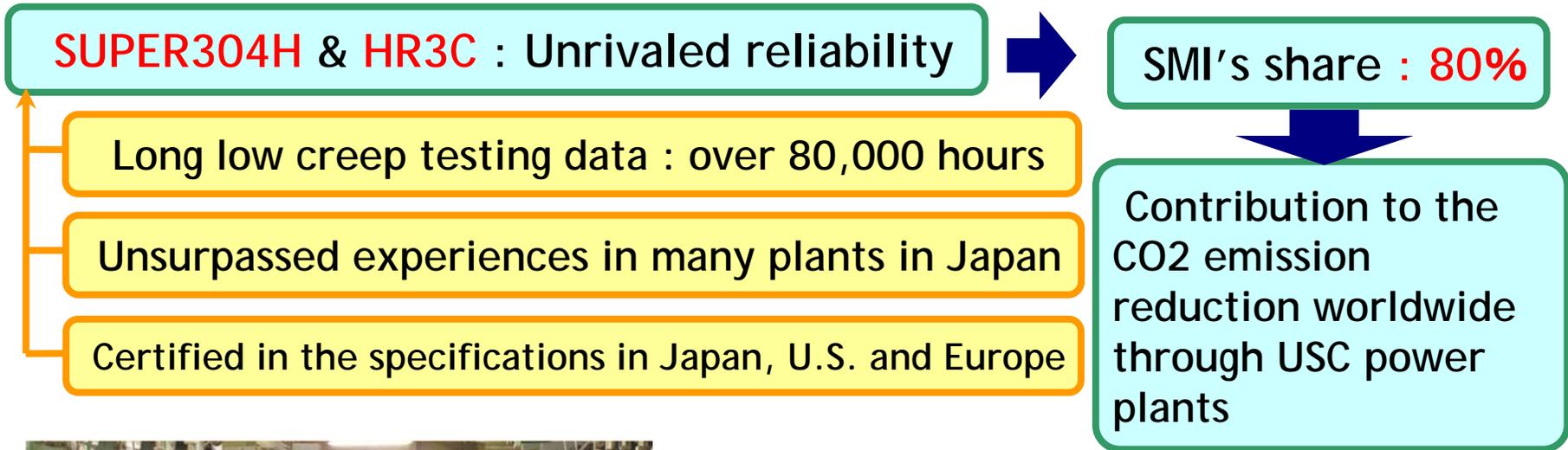
Boiler tube for USC (Ultra Super Critical) coal fired plant USC Boiler 21

Global demand for power continues to grow. **Coal fired plants will remain major supply source.**

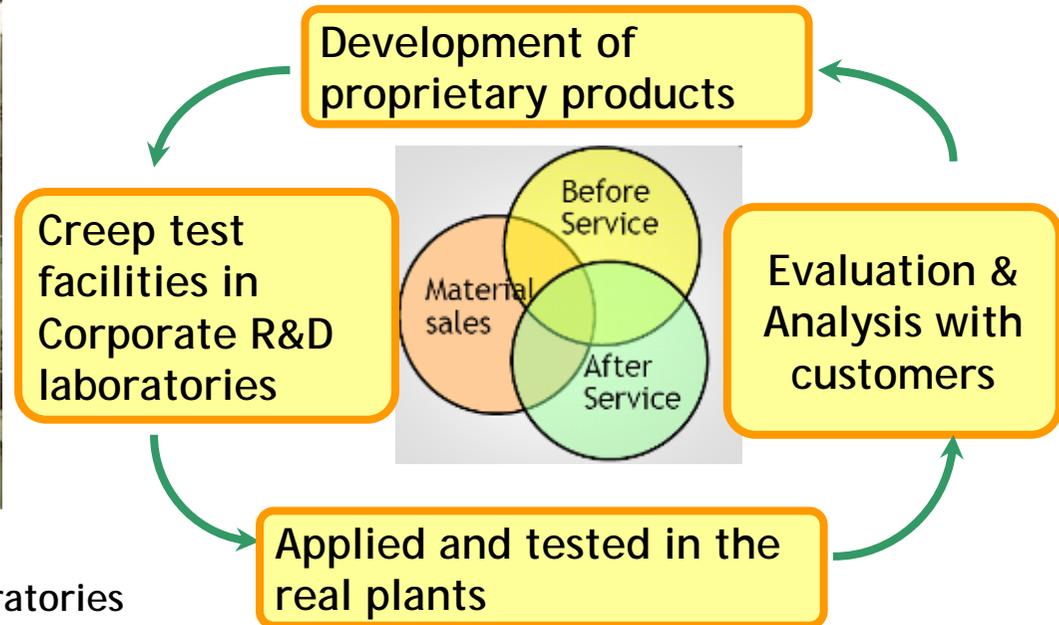
High efficiency is required for reducing CO2 emission. **1% higher efficiency** translates into reduction of **110,000 tons CO2 emission** per plant.

Japan leads the world in USC boilers, thus our specification is **global standard.**

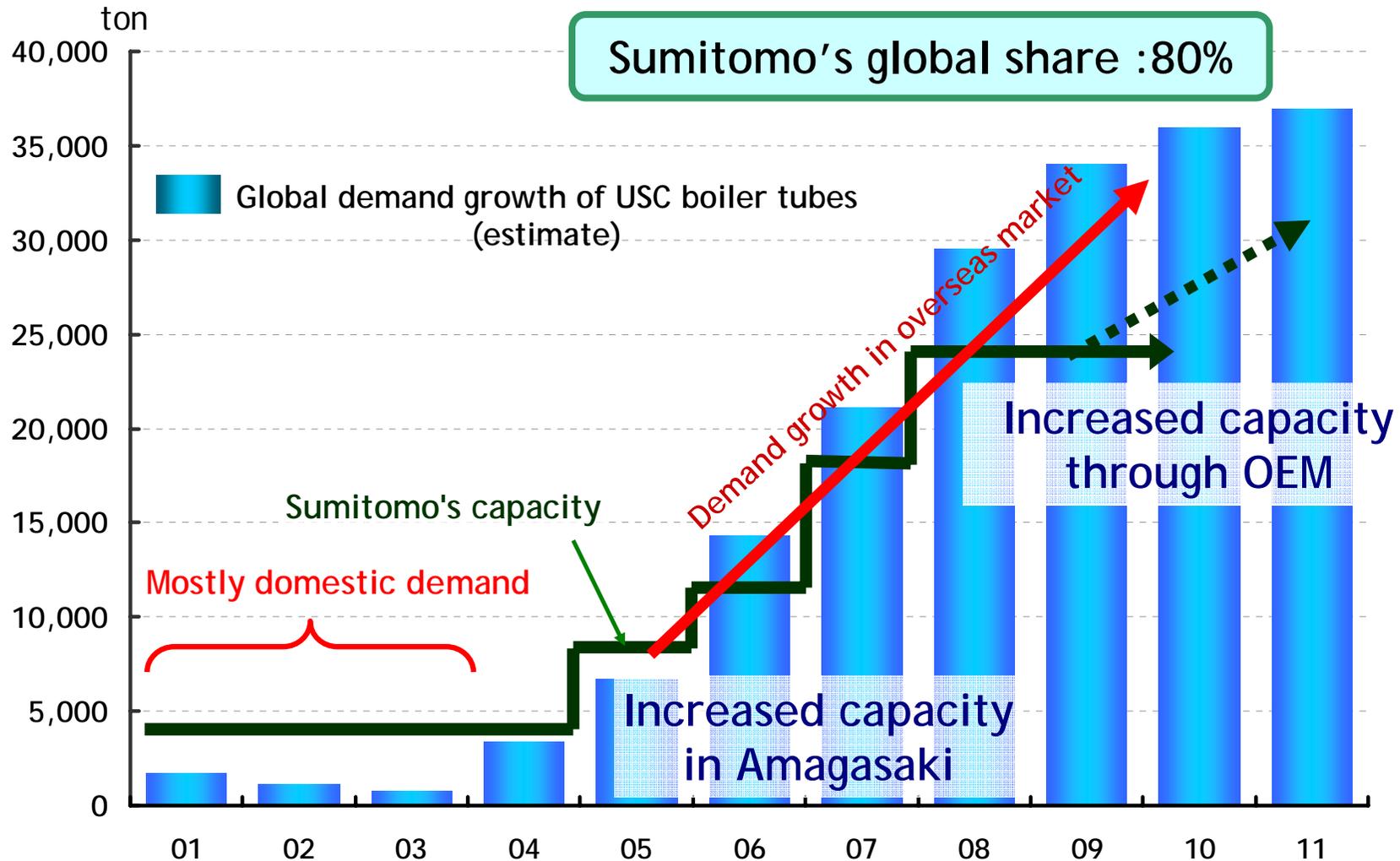




Creep test facilities in Corporate R&D laboratories



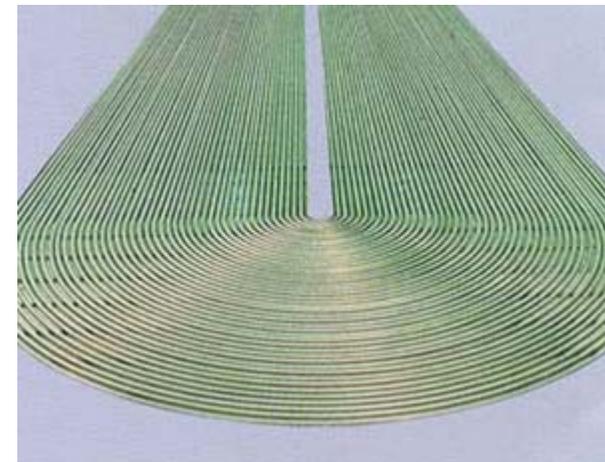
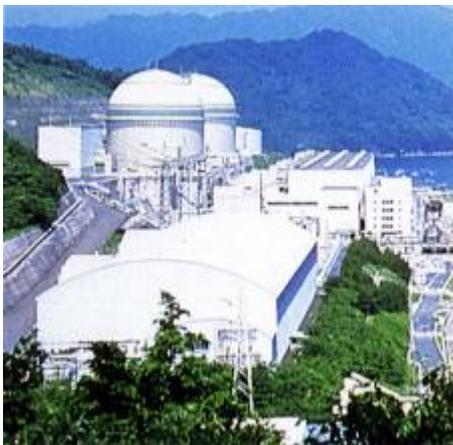
Increase the capacity in line with growing global demand



Business strategy

Power plant

5. Steam generator tubes for nuclear power plant (PWR type)

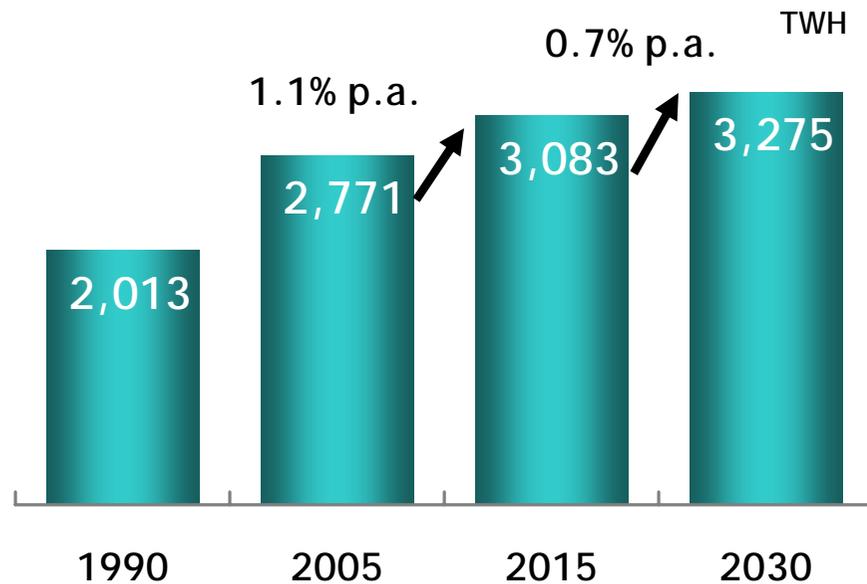


Steam Generator tubes for nuclear power plant (PWR type) SG tubes 25

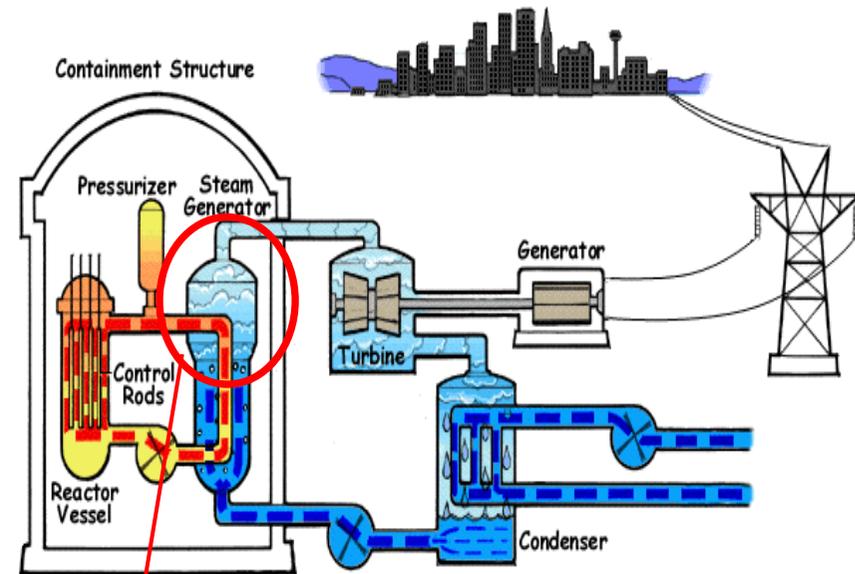
Nuclear power generation is coming back
< virtually zero CO2 emissions >

PWR share: 75%
of nuclear power plants

Global nuclear power generation



source: WEO World energy outlook 2007



<http://upload.wikimedia.org/wikipedia/commons/a/a0/PressurizedWaterReactor.gif>

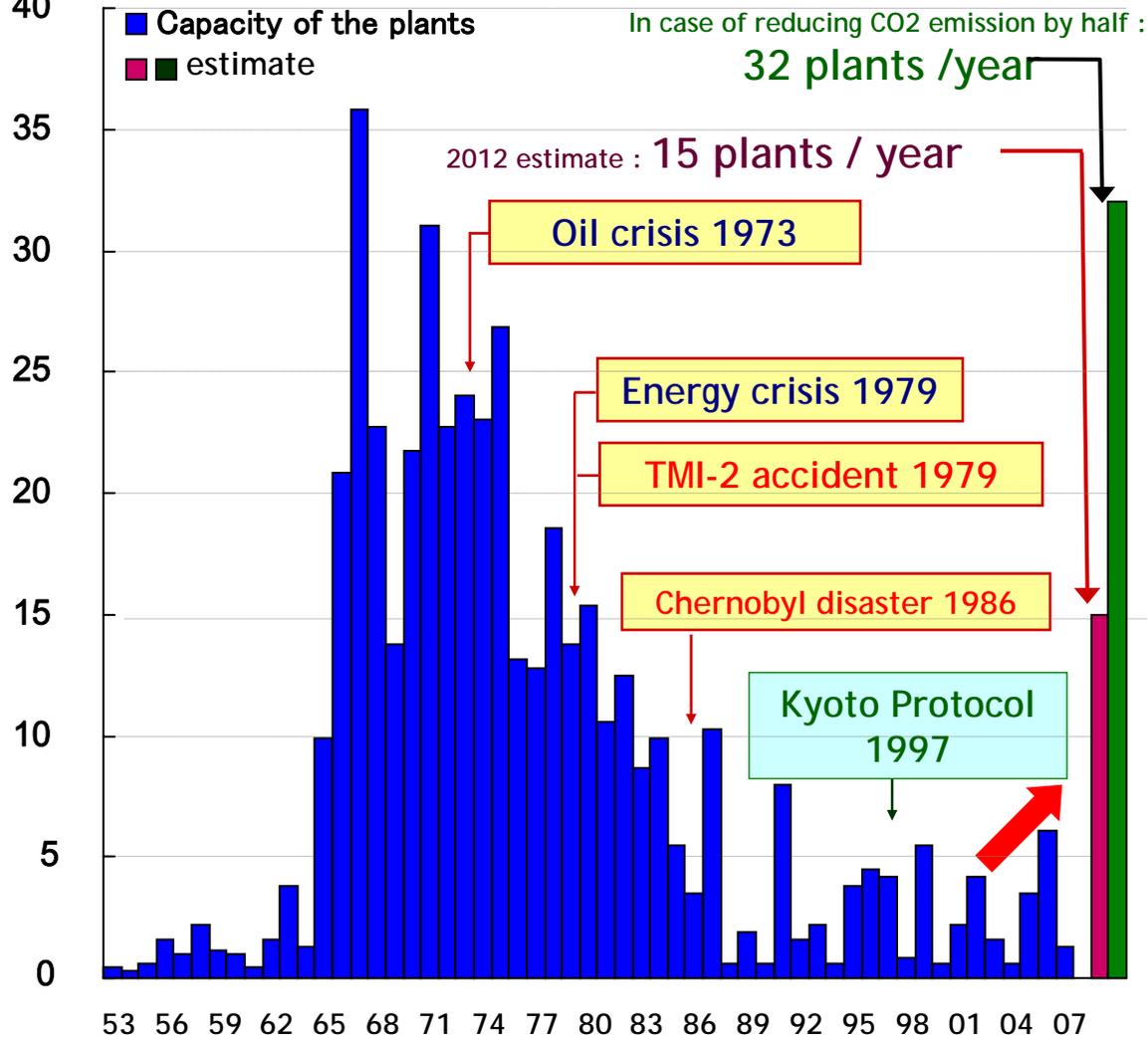
PWR type nuclear power plants need SG (steam generator) tubes

PWR plants generate electricity in a process whereby highly pressurized boiling water produced in the reactor is sent to the steam generator, where it converts water flowing through another system into steam which is then used to drive the turbine.

Construction trend of nuclear power plants

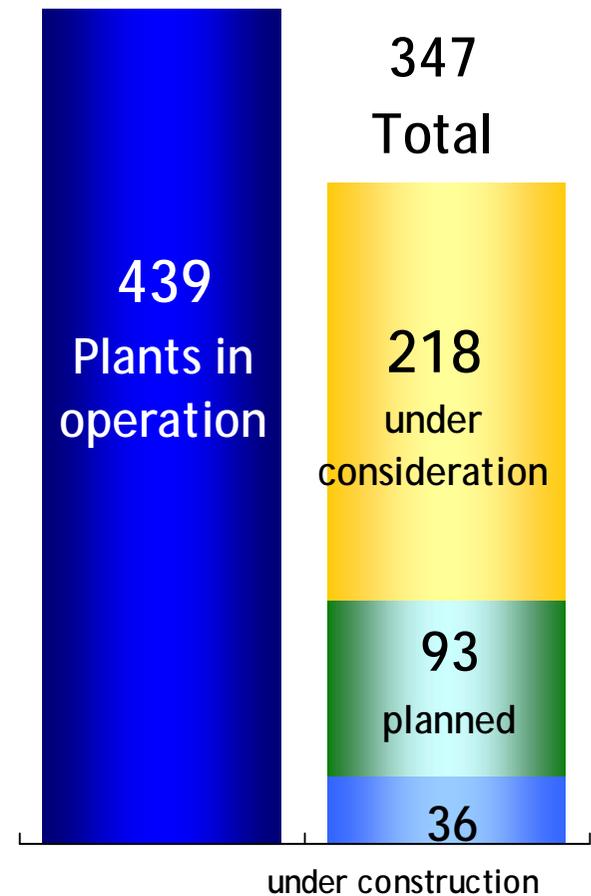
Million KW

Construction trend of nuclear power plants

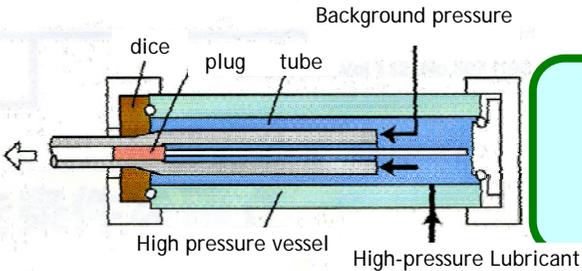
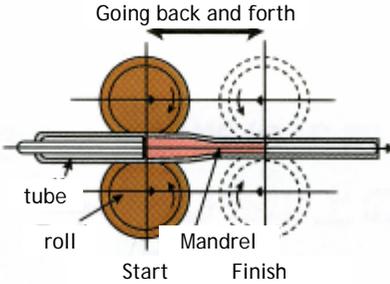
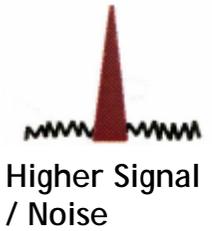
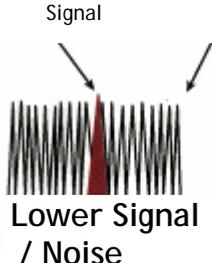


Source: Japan Atomic Industrial Forum, Inc.

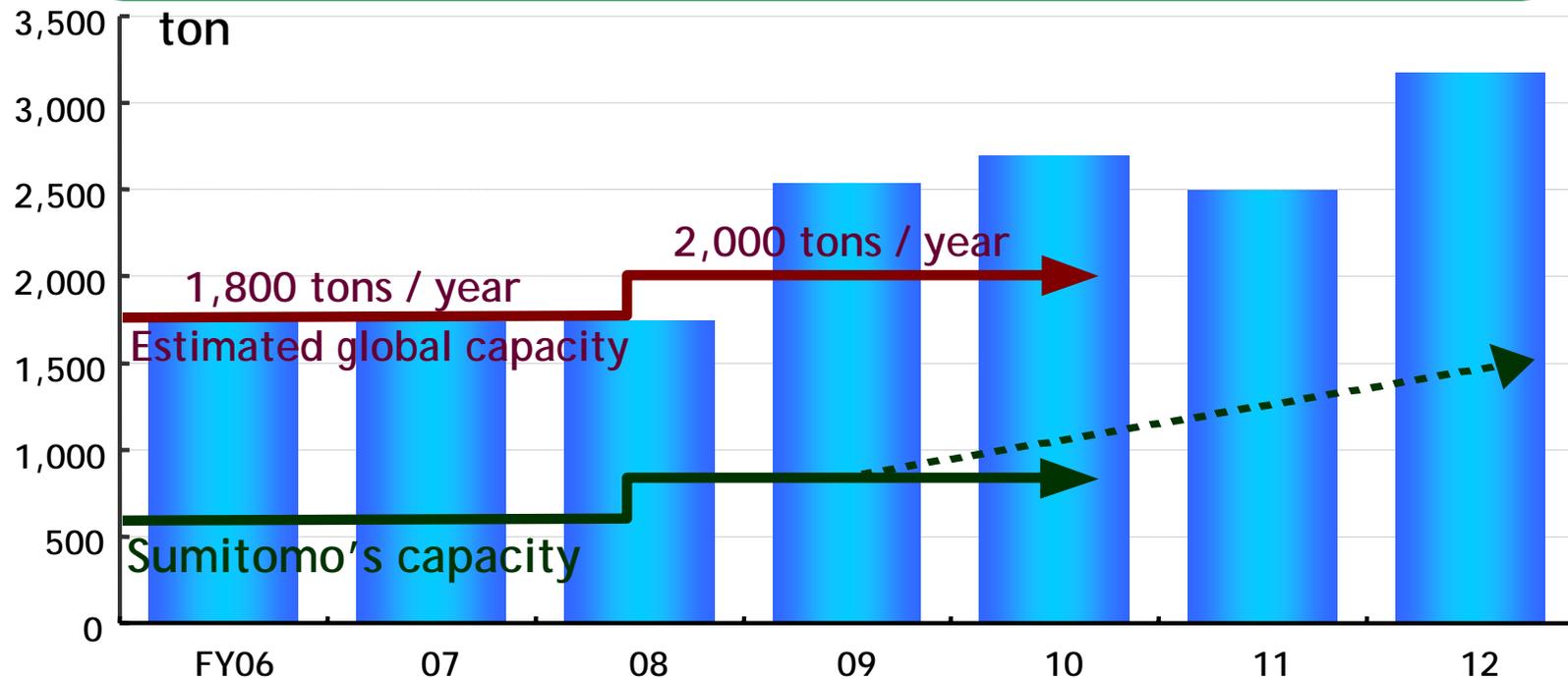
Most of the plants in operation and planned are PWR type which needs SG tubes



- **High pressure drawing bench (Sumitomo's patented technology)** makes tubes with precise size and shape thereby contributing to low-noise testing results for the nondestructive examination (eddy current technologies).
- Much less likely to overlook cracks because of the low noise.
Highly regarded by power plant operators.

	High pressure cold drawing (Sumitomo)	Cold rolling (Competitors)
Method of manufacturing	 <p>Precise size & shape</p>	 <p>Going back and forth</p>
Signal / Noise	 <p>Higher Signal / Noise</p> <p>Lower base noise: Less likely to overlook cracks</p>	 <p>Signal Noise</p> <p>Lower Signal / Noise</p> <p>Higher base noise: Difficult to find cracks</p>

30% increase of SG tube capacity in 2008.
 Considering capacity increase to expand our share,
 watching PWR construction trend.



Sumitomo's contribution to reduce CO2 emission in Japan

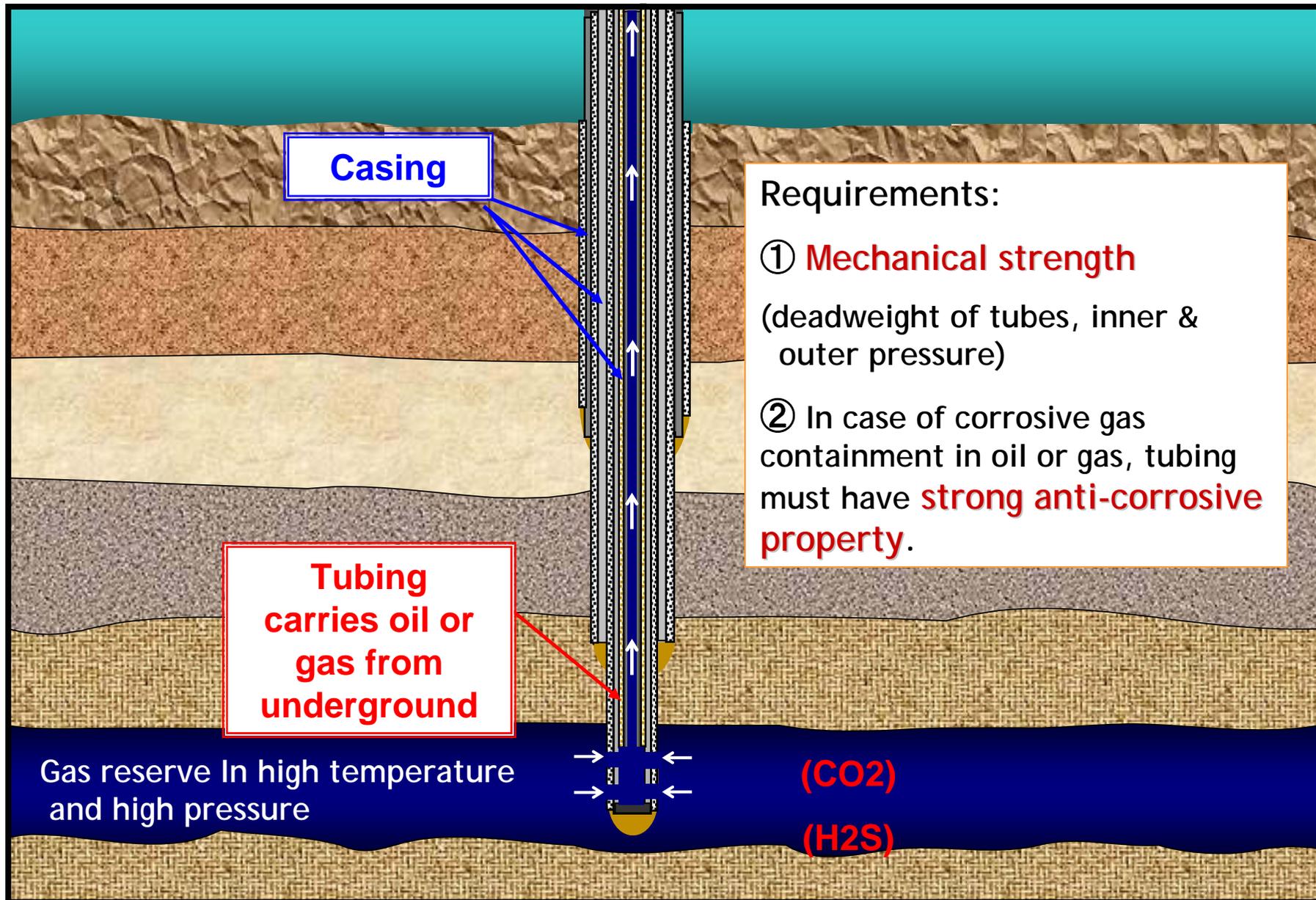
- PWR nuclear power plants under operation in Japan ... 23 plants (19.36million KW)
- Reduction of CO2 emission : approx. 0.8 tons CO2 / MW
 - reduction of CO2 : 6.78 million tons CO2 / year
 - < assuming 50% operation ratio >

Business strategy

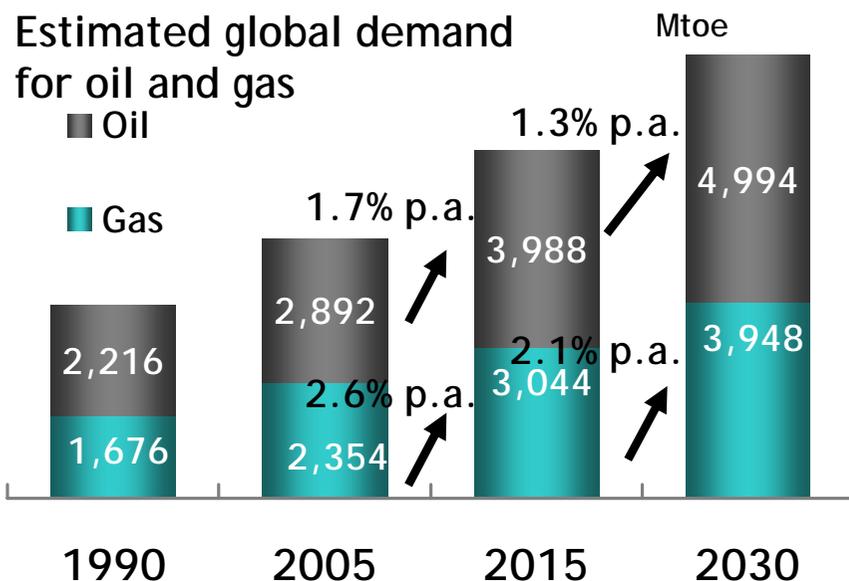
Oil & Gas

5. High alloy OCTG (oil country tubular goods)





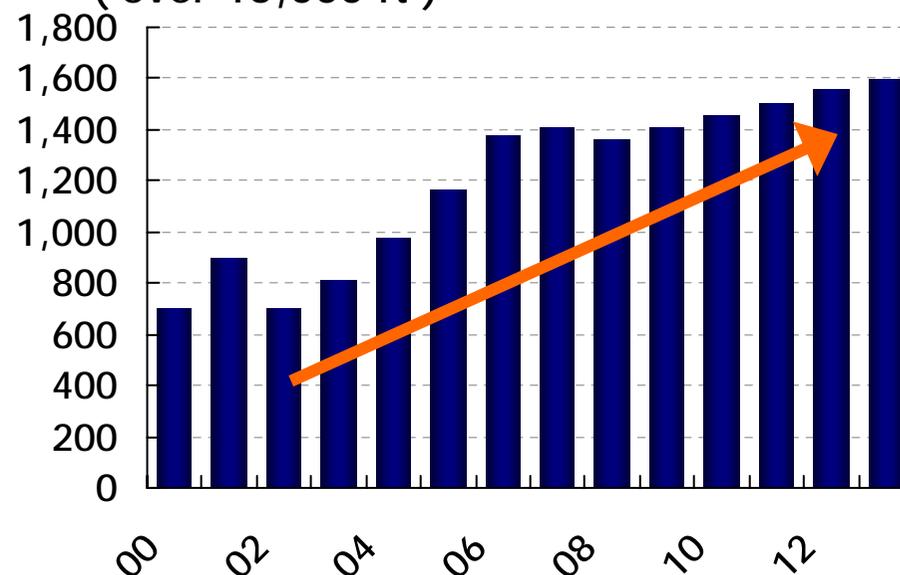
Demand for natural gas grows rapidly because of environmental concerns.



source: WEO World energy outlook 2007
 Mtoe = million tons of oil equivalent

Oil and gas wells will become deeper in the foreseeable future.

Numbers of deep wells worldwide (over 15,000 ft)



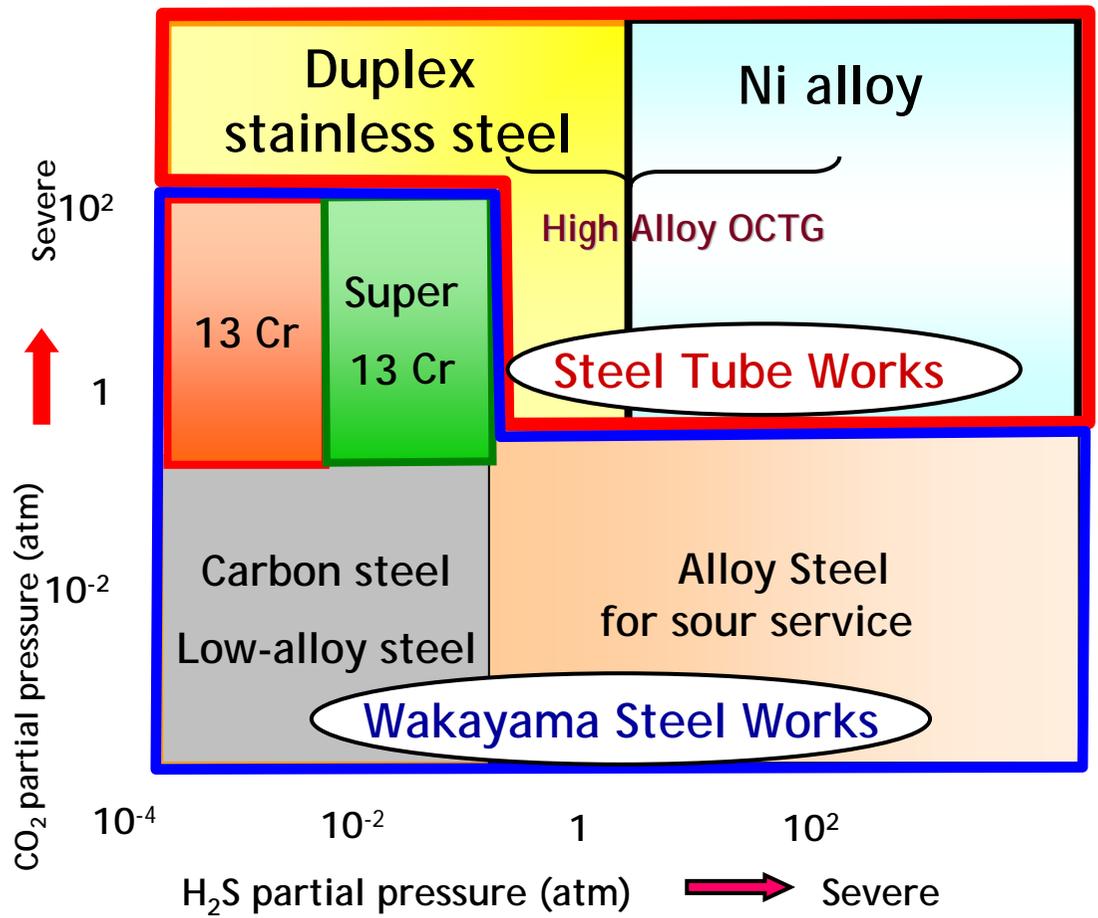
source: Spears and Associates

The demand for **High alloy OCTG** will grow more rapidly.
 Deep gas wells are generally more corrosive.
Maintenance-free property of **High alloy OCTG** is highly regarded.

Strengths of Sumitomo's High Alloy OCTG

Only Sumitomo can supply all of these products.
Amagasaki and Wakayama covers everything.

Well conditions and
Application of SMI's Material



The customers can select optimal product suitable for each well.



90% global share in High Alloy OCTG

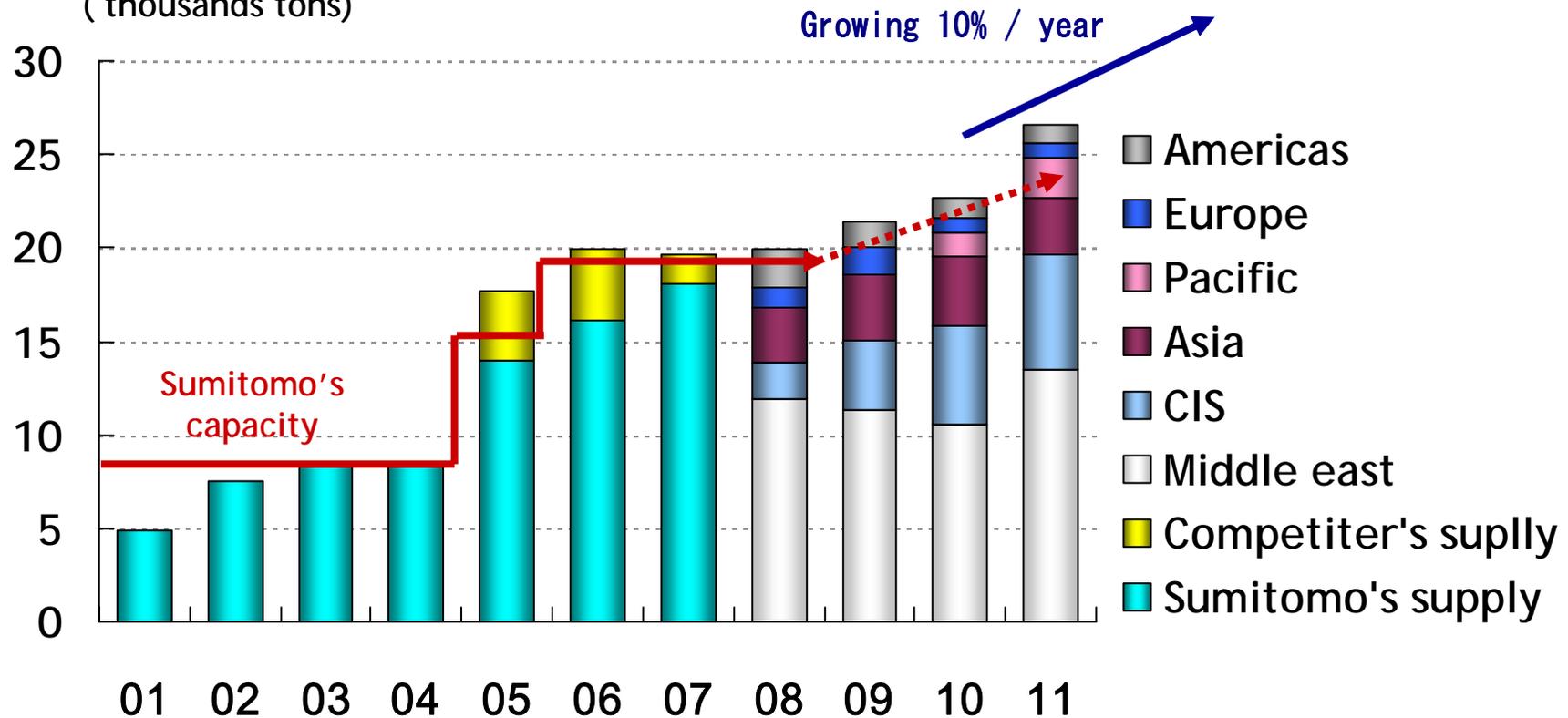


Relationship with customers.
Products selection assisting system available.

Growing demand for High alloy OCTG and Sumitomo's capacity

Current capacity 19,000 tons / year.
Considering increase of capacity.

Demands / Product Volume
(thousands tons)



6. Other products of Steel Tube Works



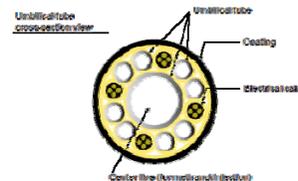
Pipes and tubes for oil refining and petrochemical plants

Sumitomo can supply from carbon steel to stainless steel and to Ni based alloy.

→ Widest lineup of products can cope with widest range of operational environments.

- Examples :
- Internal finned tubes for steam cracking furnaces in ethylene producing plants.
 - Duplex stainless steel tubes and pipes for urea production plants.
 - Anti-metal-dusting alloy pipes for GTL (gas to liquid) plants.

Umbilical tubes



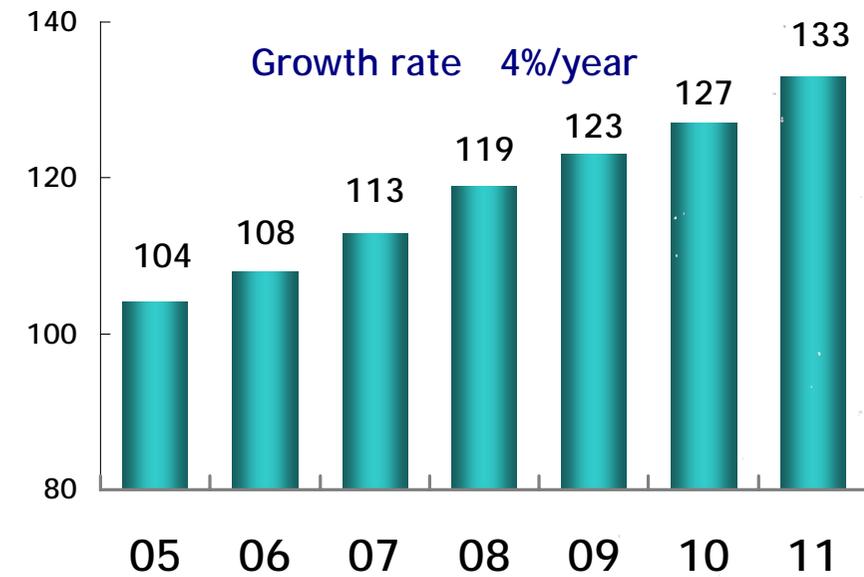
Umbilical tubes are used in subsea completion oil & gas development. They connect oil platforms with subsea wells often located several tens of kilometers distant. The system minimizes the number of new platforms that must be built and greatly reduces costs. This allows new development of many oil and gas fields which were once considered too expensive. Increasing application of this technology leads to increasing demand for this product.

- Umbilical tubes
 - >>>> Super duplex stainless “DP3W (25Cr - 7Ni - 3Mo-2W)”

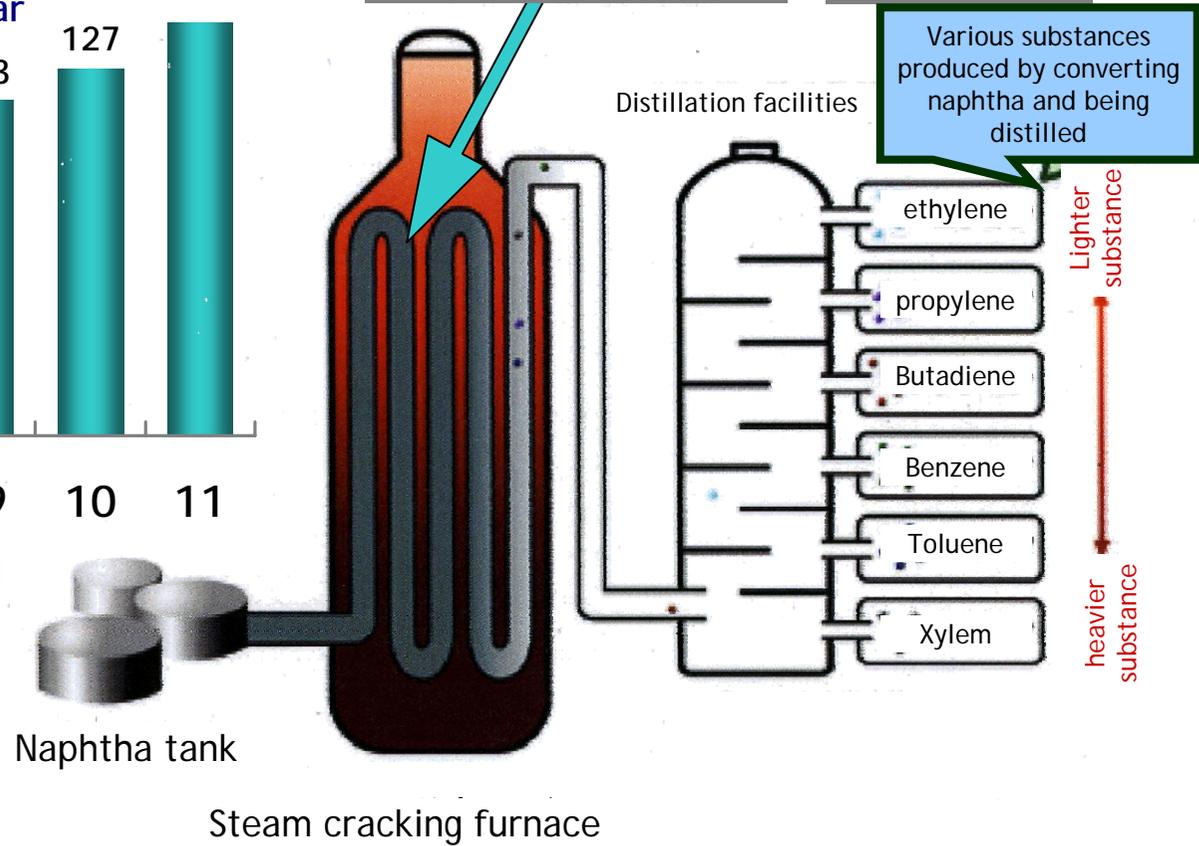
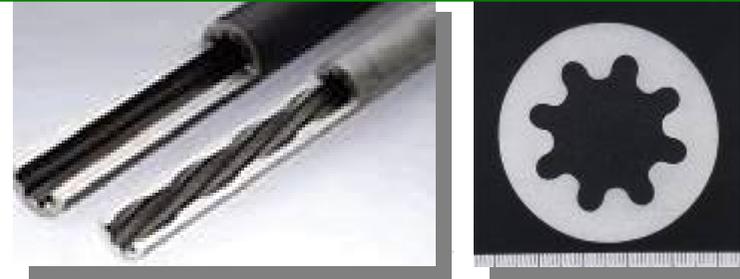
Internal finned tubes fir ethylene plant

Internal finned tubes with wider inner surface area are used in steam cracking furnace of ethylene plant to improve yield.

Global demand for ethylene derivatives (million tons)



Source : Annual survey of petrochemical in Japan



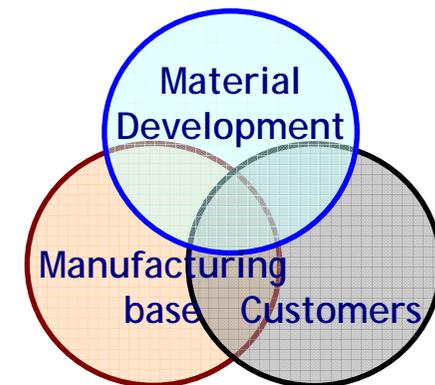
7. Strategy of Steel Tube Works

▶ USC boiler tubes

- Develop new material for **next generation USC (650-700°C)** plant and integrated **coal gasification combined cycles**.
- Our new material is expected to be applied for 2013 prototypes for **new generation USC project in Europe**.
- **Sumitomo conducts material development**, prototype building and evaluation for Japan's project.

▶ SG tubes

- **Upgraded manufacturing facilities** for the third generation reactor (latest type : large scale reactor for the economy of scale **US AP1000** etc.) and **increased capacity**.
- Participated to the project to development **next generation light water moderated reactors** (aiming longer life). Develop material for future plants that combine safety and efficiency (material for reducing exposure to radioactivity).
- Participated to the project to develop SG tubes for **fast breeder reactors** (dream reactors).

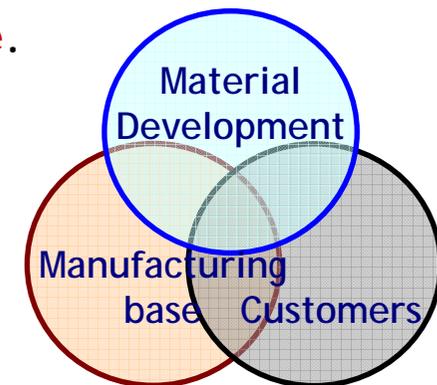


▶ High Alloy OCTG

- Strengthen **relationships with customers**.
- Material selection assisting system for various well environments.
- Expand lineup of products by continuing development of new materials.
- Material development for such as **oil sand and oil shale**.

▶ Steel tubes for oil refineries and petrochemical plants

- Highly anti-corrosive material to match **longer life of the plants**.
- Contribute to the green energy plants (**GTL, DME** etc.).
- Develop new material for **carbon capture and storage**.



Strengths of Sumitomo's special tube business Strategy 40

Advanced technology, unrivaled experiences and trust relationship with customers = **Sumitomo is the only one.**

R&D

- ◆ Experienced material researchers
- ◆ Test data that take many years
- ◆ R & D laboratories nearby: speedy development

From development to manufacturing

Global standard

Quality
Reliability

Trust relationship with customers

Manufacturing technology

- ◆ Technology to prevent defects
- ◆ Product quality assurance technology
- ◆ Material to products, cooperation among three sites

Unrivaled experiences

- ◆ Joint R & D with customers
- ◆ Test in real plants
- ◆ Thorough after-service

Demand

- ◆ Demand for greener and more efficient energy will grow due to environmental concern and economic reasons.

Our Position

- ◆ Unrivalled test data accumulation and experiences and trust relationship with customers contribute to our dominant share.

We deliver.

- ◆ We develop, manufacture and supply new super high-end products that suits customer needs.

Continue to be the undisputed leader by

- expanding the capacity to match the growth of the market and
- development of new material that suits customers' needs, aiming to increasing and maintaining our market share.

Deliver sustained growth in corporate value by emphasizing quality



SUMITOMO METALS

Become a company
trusted by all stakeholders