



SUMITOMO METALS

ANNUAL REPORT 2011

Year ended March 31, 2011



Make steel

**Our commitment to quality is
the source of our strength.**





Make our future

**Our expansion overseas is
the source of our growth.**

The Sumitomo Spirit and the Sumitomo Metals' Corporate Philosophy

Management and CSR are inseparable in our view

The objectives of our CSR are :

- contributing to our customers by enhancing technologies and providing superior products and services;
- contributing to our employees by offering jobs and workplaces where they can work safely with a passion for their work;
- contributing to our shareholders and business partners by achieving sustained profitable growth; and
- contributing to our communities by preserving the environment and complying with regulations.

This report combines the conventional "annual report" on the company's growth strategy as well as financial conditions, and the "social and environmental report" on the company's CSR activities. We believe that CSR activities are a prerequisite for a company to be trusted by all stakeholders and to realize a sustained growth. This belief is based on both the time-honored legacy of the Sumitomo Spirit and the Sumitomo Metals' Corporate Philosophy.

The Sumitomo Spirit

Sumitomo shall place prime importance on integrity and sound management in the conduct of its business.

Business Principles from the "Rules Governing the Sumitomo Family," 1891

"You should exercise prudence in business and in all aspect of your life."

This was a message written by Masatomo Sumitomo (1585-1652), the founding father of the Sumitomo Family, in "Monjuin Shiigaki" where he preached about behaviors and knowledge for merchants. The message, incorporated into the "Rules Governing the Sumitomo Family," has been long respected as the business principle of the Family, and is even today the very basis of the activities of Sumitomo Metals.

Sumitomo Metals' Corporate Philosophy

We will preserve the Sumitomo Spirit and transmit it to the future, treasure people and technologies, and contribute to society through manufacturing.



Contents

01	Make steel, Make our future
03	The Sumitomo Spirit and the Sumitomo Metals' Corporate Philosophy
05	Overcome the Earthquake Disaster and Return to a Sustained Growth that Balances Quality and Scale
06	Financial Indicators & Non-Financial Indicators
07	Message from the President
15	Message from the Management in Charge of Finance
17	11-Year Financial Performance
19	Feature: Sumitomo Metals Takes a Long-Term Perspective
21	26-Year Major Financial Indicators
22	Allocation of Value and Cash, by Stakeholder and Business
23	Review of Operations
25	Pipe & Tube
27	Steel Sheet, Plate & Structural Steel
29	Railway, Automotive & Machinery Parts
31	Other Steel (Specialty Steel, Stainless Steel and Titanium)
33	Business Environment Data
35	How We Create Value
37	Organizational Assets
47	Customer Assets
49	Human Assets
53	Technology Assets
56	Environmental Initiatives
63	Together with Communities and Society
65	Financial Section
86	Investor Information

Note: Forward-Looking Statements

The business forecasts and forward-looking statements in this annual report are based on information available at the time of publication, and contain potential risks and uncertainties. Consequently, actual results may differ from forecasts stated in the report due to a range of factors.

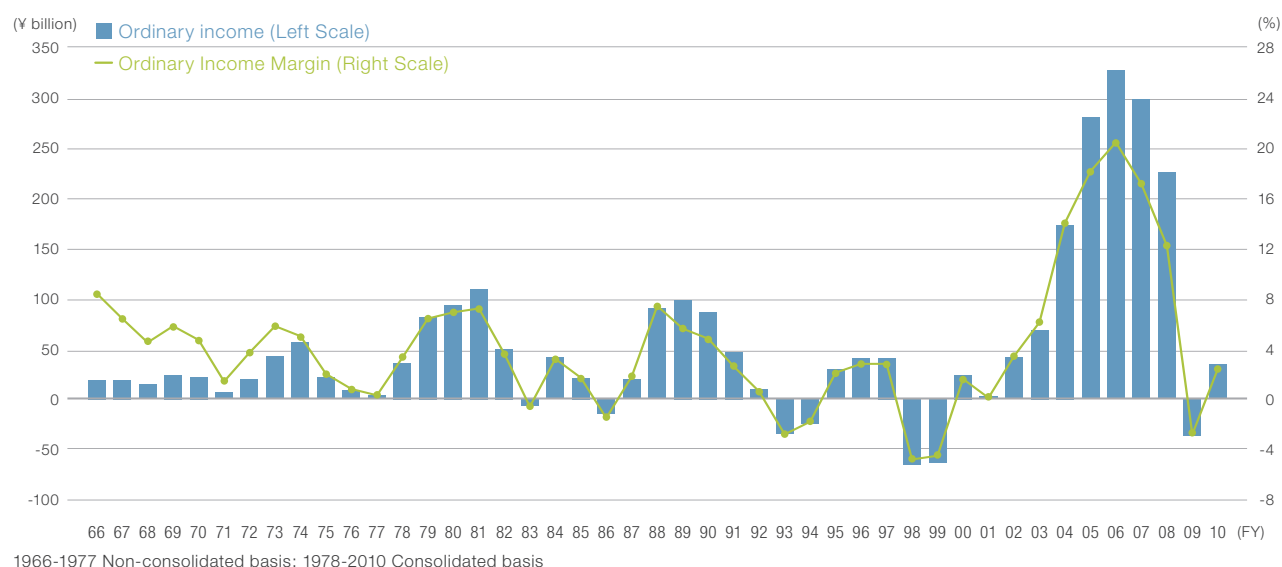
Overcome the Earthquake Disaster and Return to a Sustained Growth that Balances Quality and Scale

Facing various changes in business environment in its history of over 100 years, the Sumitomo Metals Group has overcome each of those crises and has expanded its operations. On March 11, 2011, the Great East Japan Earthquake damaged Kashima Steel Works, resulting in financial losses for the Group. We will overcome this crisis by

bringing together the Sumitomo Spirit of around 400 years, our outstanding technologies, our relationship of trust with customers, and passion and pride of our employees to their work. We will make the earliest possible recovery from losses caused by the earthquake and return to a sustained growth path.

Economic Environment and Company Performance	Business Policies and Measures
End of World War II to 1980s	
Rapid economic growth in Japan Swing in ordinary income margin within a range of -1 to 8%	Growth in line with economy of Japan Promote diversification after oil shocks of 1970s
1990s	
"The lost decade" after the bubble burst in Japan Stagnant profit	Continual investments that were needed for sustained growth Return to core business through the strategy of "strengthen our strengths"
From 2000	
Worldwide demand growth Fiscal 2004-2008: Ordinary income margin of more than 10% Fiscal 2009: Demand declined sharply and posted losses Fiscal 2010: Returned to generate ordinary income. Kashima Steel Works damaged by the Great East Japan Earthquake	Asset reduction and other structural reform measures Balanced growth in quality and scale based on strategy of "accelerating distinctiveness" 2010: Steelworks that produce seamless pipe in Brazil manufactured its first pipe 2011: Started consideration of merger with Nippon Steel Corporation ("Nippon Steel".) Implement the plan to recover the losses caused by the Earthquake

Ordinary Income

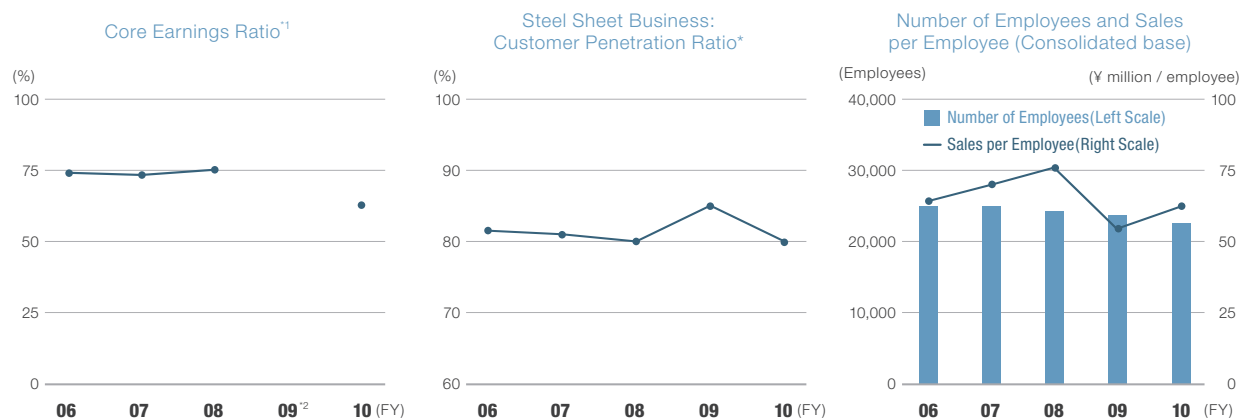


Financial Indicators (Please refer to "11-Year Financial Performance" on page 17-18 for detailed numbers and numerical formulas.)



Non-Financial Indicators (Intangible Assets)

Sumitomo Metals' management focuses not only on tangible assets that appear on financial statements (financial and physical assets), but also on intangible assets that do not appear on the balance sheet, which include customers, human, technology, and organizational assets. Below are some representative data that we monitor on a regular basis.



^{*1} Core earnings: Profit generated by business that supply distinctive products resilient to downturns in demand thanks to competitive technology or unique business model (Sumitomo Metals' calculation). Core earnings ratio: Ratio of core earnings to consolidated operating income.

^{*2} Core earnings ratio for FY09 has not been calculated because we posted operating losses in FY09

^{*} Customer penetration ratio: The percentage of sales tonnage of products where we are the number one or number two supplier to customers.

Message from the President

I am Hiroshi Tomono, President of Sumitomo Metals.

**My job is to raise the corporate value of Sumitomo Metals.
I have been pursuing the strategy of reinforcing our intangible
assets, strengthening our strengths, and accelerating
distinctiveness in order to grow in a sustained way that
balances quality and scale.**





We began studying the merger with Nippon Steel, scheduled in October 2012, in order to raise our value more quickly. Both companies share the common belief of contributing to society through steelmaking. Our goal is to become the most competitive steelmaker in terms of technology, quality, and costs by consolidating the resources of both companies.

Becoming the most competitive steelmaker through the merger with Nippon Steel

Growth that balances quality and scale through the merger

October 1, 2012 is our target date for the merger. Through the merger, we will globalize faster and become the most competitive steelmaker worldwide in terms of technology and costs. We believe the merger is the best way to raise our value quickly by strengthening our strengths and accelerating distinctiveness. Our motto is “Make steel, make our future.”

With Nippon Steel, we share the common belief of contributing to society through steelmaking. We also share the realization that we will be a globally competitive steelmaker by combining the strengths of both companies. The merger will make us a steelmaker of around 48 million metric tons per year in volume*. But our focus is not only volume,

but on quality such as technologies and a relationship of trust with our customers.

*Crude steel production for fiscal 2010: 12.9 million metric tons for Sumitomo Metals (including Sumitomo Metals (Kokura), Ltd. and Sumikin Iron & Steel Corporation); 34.9 million metric tons for Nippon Steel (consolidated basis)

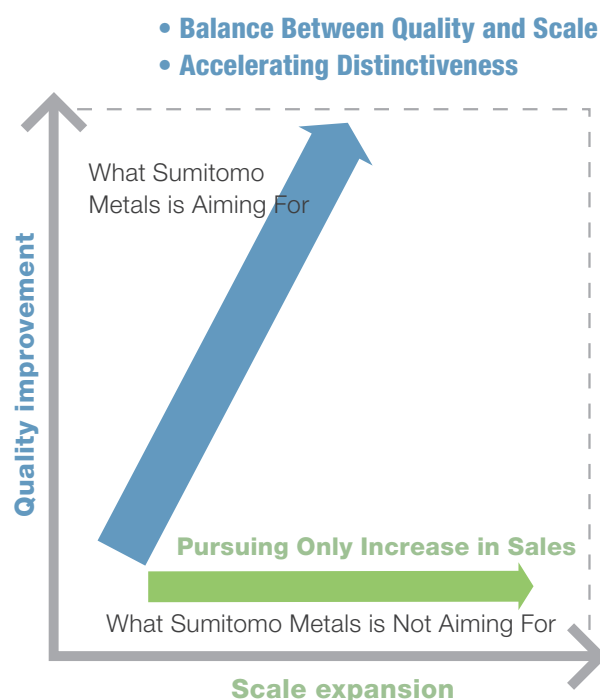
Quick realization of merger synergies

Nippon Steel has been our long-standing partner since 2002, cooperating in such events as the consolidation of group companies and capital participation. In addition, it is Sumitomo Metals' second largest shareholder, with a 9.7 percent stake. We chose to merge into a single new company rather than establishing a holding company in order to realize merger synergies more quickly. We are studying toward a merger with the spirit of the equals under the motto of “Best for the new company.”

Sumitomo Metals' Corporate Philosophy

We will
preserve the Sumitomo Spirit and
transmit it to the future,
treasure people and technologies, and
contribute to society through manufacturing.

Targeted Direction of Growth



Accelerate Globalization

Through the merger, we plan to accelerate the establishment of overseas operations by combining the strong products of each company and consolidating resources such as people, technologies, and sales networks.

Strengthen technologies to become a global leader

The merger will mean having more resources to invest in R&D. There is still a huge frontier of potential for iron to perform better as a physical element. We are confident that we can develop innovative new products to contribute to society and the environment. We also aim to become a leader in the area of utilizing lower grade raw materials by combining both companies' technologies.

Reducing costs to win global competition

The new company will reduce its costs to win global competition by consolidating technologies and other resources.

Sumitomo Metals' Strength: Major products for which it has 50% or more market share (Company estimates)

Share	Domestic	Global
100%	<ul style="list-style-type: none"> • Railway wheels and axles • Full-active suspension system for railway vehicles • Forged steel break disks for railway vehicles • SG tubes^{*1} for PWR nuclear power generation • Seamless pipe for automobile airbag inflators 	
90%		<ul style="list-style-type: none"> • High-alloy Oil Country Tubular Goods (OCTG)
80%	<ul style="list-style-type: none"> • Lightweight welded H-beams • Excellent white painted steel sheets^{*2} • Railway couplers • Forged crankshafts for trucks and buses • Steel sheet for hot-press use 	<ul style="list-style-type: none"> • Stainless boiler tubes for USC^{*3} coal-fired thermal power plants
70%	<ul style="list-style-type: none"> • Materials for automotive crankshafts 	<ul style="list-style-type: none"> • Titanium-made cathode drum for producing electrolytic copper foil
60%	<ul style="list-style-type: none"> • Black Zn-Ni coated steel sheets • Railway train gear units 	
50%	<ul style="list-style-type: none"> • Bogie trucks for railways 	<ul style="list-style-type: none"> • Steel plates for penstocks^{*4} of 590MPa strength and over • High-carbon steel sheets for CVT^{*5} belt elements • Pure titanium sheet for passenger airliners

^{*1} Steam generator tubes ^{*2} Reflecting steel sheet for lightning equipment ^{*3} Ultra Super Critical conditions when temperature and pressure are higher than conventional levels in a boiler for thermal power generation ^{*4} Penstock for hydroelectric power stations ^{*5} Continuously Variable Transmission

Sumitomo Metals commits to its basic strategy

Accelerating distinctiveness

Sumitomo Metals accelerates its distinctiveness to achieve growth that balances quality and scale. We build a strong relationship of trust with customers by solving their problems through the provision of quality products they need at competitive prices. Good examples include seamless pipes used in severe environments for oil and gas drilling, high tensile steel sheets and its application technologies for lighter weight vehicles, and railway wheels and axels that dominate the domestic market. We always strive at “being named by our customers.”

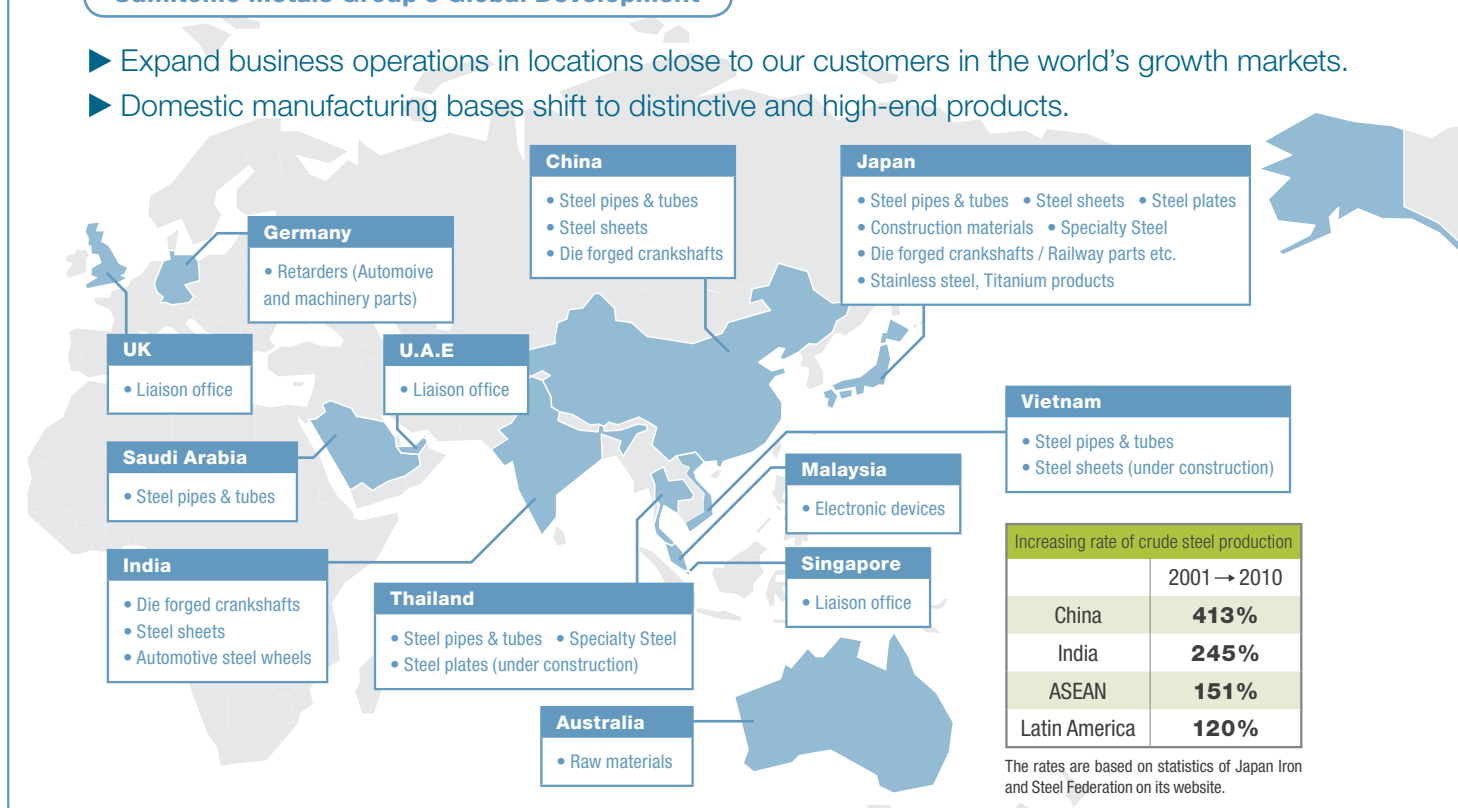
Capturing overseas growth markets

Our overseas expansion includes the steelworks that produces seamless pipe in Brazil, steel sheet businesses in Vietnam and India, and a steel plate project in Thailand.

Our strategy is to manufacture in growth markets. Our manufacturing bases in Japan, which will become the mother factory in terms of people, technologies, and customer relations, will focus on higher-end products, with the aim of boosting our corporate value.

Sumitomo Metals Group's Global Development

- ▶ Expand business operations in locations close to our customers in the world's growth markets.
- ▶ Domestic manufacturing bases shift to distinctive and high-end products.

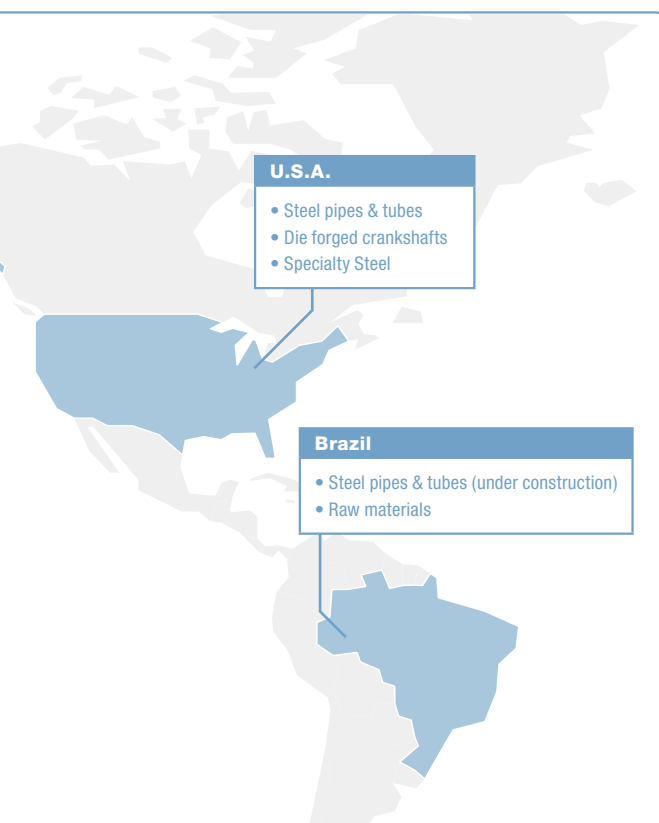


Solving environmental problems through technology

Sumitomo Metals, as one of the Sumitomo companies, has a tradition of solving environmental problems through technology. Our Corporate Research & Development Laboratories invests around 80% of their R&D expenditure in environmental themes. Our efforts to curb CO₂ emission are twofold: reducing emissions during our own manufacturing processes and developing products that contribute to the reduction of carbon emissions by our customers. Those products include seamless pipes that enable development of lower carbon emitting natural gas,

high-tensile steel sheets for lightweight vehicles, and electromagnetic steel sheets for motors in hybrid vehicles. We estimate that the contribution to the reduction of carbon emission through those products is around nine times greater than the amount of carbon emission in our manufacturing processes.

Procurement of raw materials is getting tougher as the market becomes oligopolized and tight. We are tackling this problem by developing new technologies to utilize lower-grade raw materials.



Sumitomo Metals' Products are Contributing to CO₂ Emission Reduction

The effect of reducing CO₂ emissions through these products has been evaluated at around nine times greater than the CO₂ emissions of our manufacturing processes.*

SG tubes for PWR nuclear power generation



Stainless boiler tubes for USC coal-fired thermal power plants



Electromagnetic steel sheet for hybrid vehicle motors



*Company estimates

Sustained growth through a merger with Nippon Steel

Steel business requires long-term perspective

I believe that long sustained growth is the essence of good management. Steel facilities have a long service life and new steel technologies take a long time to realize. Thus, in the steel business, long term means a very long time of 20, 50 or even 100 years. When we think about that length of time, we have realized that a merger with Nippon Steel is the best choice to sustain growth.

Overcoming setbacks of the earthquake

The huge earthquake on March 11 damaged facilities and equipment at Kashima Steel Works. We took quick actions to ensure a recovery; in a week, we restarted the welded lightweight H-shape mill that can contribute to rebuilding quake-stricken communities; in two weeks, we resumed operation of our power generator (IPP) that has the capacity to supply power to every household in Ibaraki Prefecture, which is home to about 3 million people. We restarted all the factories in Kashima Steel Works in just 45 days after the quake. We had been well prepared for the disaster, we received help from customers and other stakeholders, and most of all, our colleagues' determination to contribute to society through steelmaking was crucial. The experience of the quake has turned out to be an asset as well as know-how to enhance our disaster-prevention system for sustained growth.

The cash outflow related to the earthquake is around 100 billion yen including losses caused by the disaster and investments to replace damaged facilities. We plan to replenish at least half of that outflow within fiscal 2011 ending March 2012, by reducing costs, slashing expenses, and delaying capital expenditures.

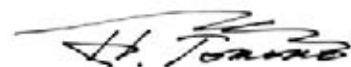
We realized that repairing Kashima is the job one, while we had to avoid deterioration of our balance sheet; therefore we lowered our term-end dividend to 1 yen per share to make the fiscal 2010 annual dividend 3.5 yen per share. Our forecast for the interim dividend for fiscal 2011 is 1 yen per share and the term-end dividend has yet to be decided. We intend to return to stable dividend payments after recovering from the aftermath of the earthquake as quickly as possible.

Heritage of intangible assets

Sumitomo Metals has overcome many challenges. The Sumitomo Spirit we inherited for 400 years, the relationship of trust with our customers and suppliers, superior technologies, and the commitment and pride of our people are examples of our valued intangible assets that have been nurtured during our history. The determination of our colleagues to improve and evolve is most important. We will bring those assets into a new company to be created through the merger with Nippon Steel.

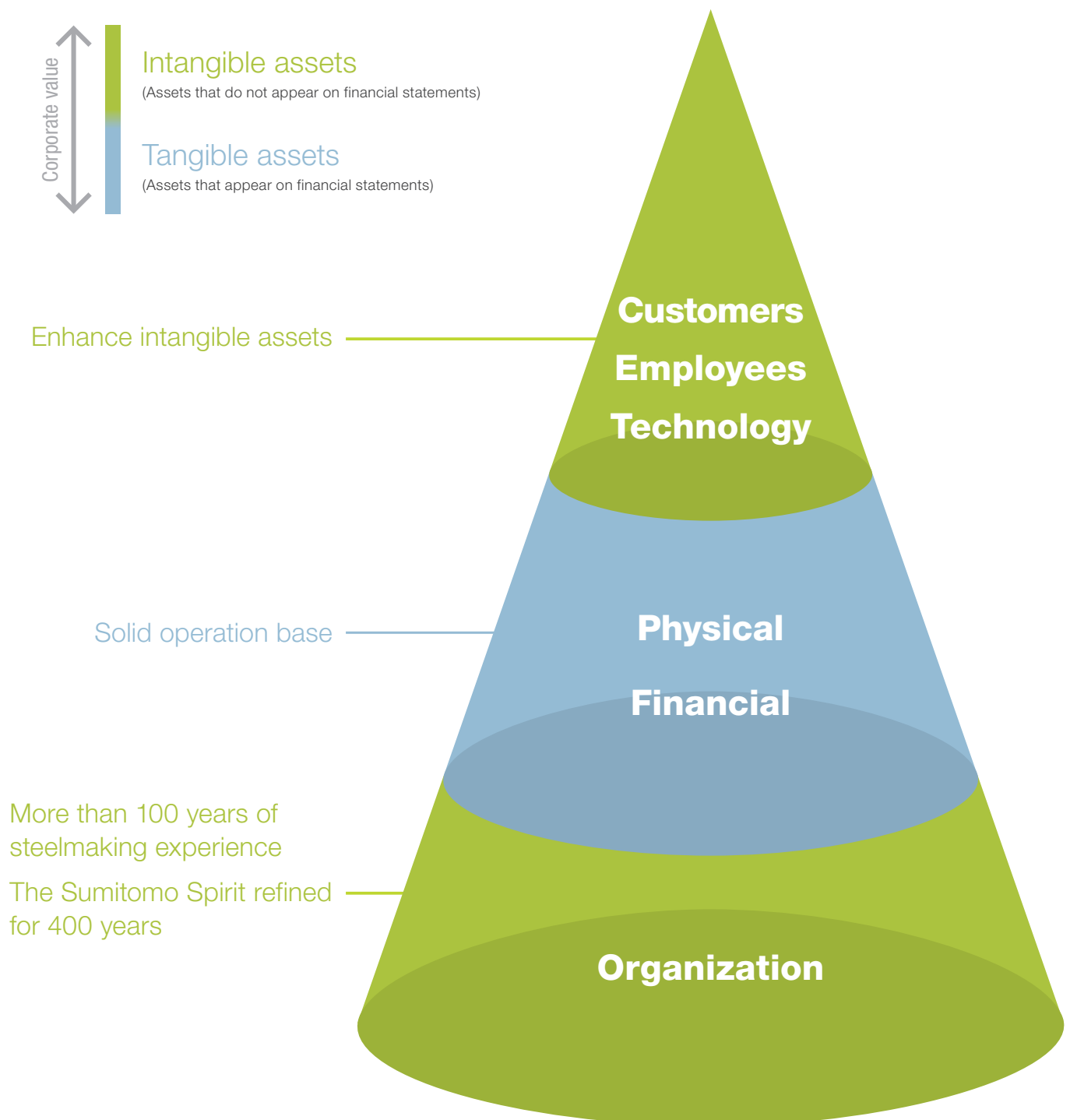
We plan to sign a merger agreement by April 2012 subject to permission from the Fair Trade Commission of Japan. We aim to merge with Nippon Steel after obtaining your approval at the shareholders' meeting. This is the beginning to create the most competitive steelmaker in the world. I ask for your support.

President





Assets that Raise Sumitomo Metals Group's Corporate Value



Message from the Management in Charge of Finance



Sumitomo Metals will
raise shareholders'
value through the merger
with Nippon Steel

Michiharu Takii
Senior Managing Executive Officer

My mission is to increase shareholders' value

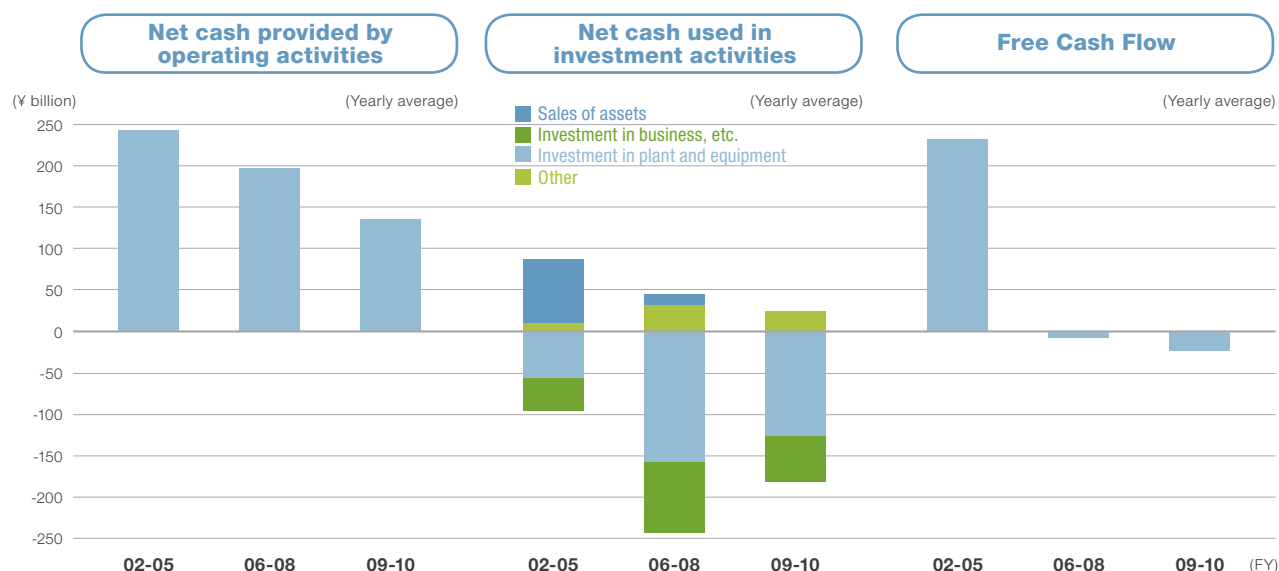
I am in charge of treasury, corporate planning and investor relations. My mission is to increase shareholders' value of Sumitomo Metals. Shareholders' value is an indicator which shows the contribution of the company to all stakeholders.

We aim for growth through integration with Nippon Steel

The merger with Nippon Steel will result in creating shareholders' value. We will integrate management resources such as human resources, financial resources, technologies, and manufacturing facilities, and accelerate our global business expansion. The strengths of both companies shall be fully utilized, technological competitiveness further enhanced, and overall costs reduced. We are determined to improve free cash flow, enhance our financial competitiveness, and achieve sustained growth.

We endeavor to recover from the Earthquake and improve cash flow

In fiscal 2010, Sumitomo Metals recovered from the global economic recession in fiscal 2009 and, despite temporary factors such as the losses at an affiliated company and a temporary production



instability at a blast furnace, returned to generate operating income of 56.3 billion yen and ordinary income of 34.0 billion yen. But our Kashima Steel Works was damaged by the Great East Japan Earthquake of March 11, which forced us to record extraordinary losses of 62.0 billion yen for restoring the damaged facilities and post a net loss of 7.1 billion yen.

Our free cash flow for fiscal 2010 amounted to 58.3 billion yen (an improvement of 164.2 billion yen compared to the previous fiscal year,) after deducting investment cash flow from operating cash flow of 202.3 billion yen (an increase of 135.3 billion yen.) Despite significant improvement in cash flow from the previous fiscal year, the debt balance at the end of the period amounted to 1,173.3 billion yen (an increase of 35.0 billion yen) mainly because we increased the cash on hand. The debt-to-equity (D/E) ratio at the end of the period was 1.53.

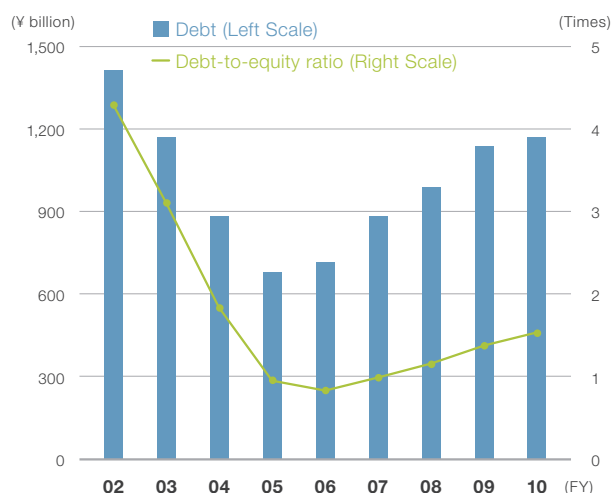
The cash demand to restore Kashima Steel Works damaged by the Earthquake, including capital expenditures, is estimated to be approximately 100 billion yen. We make every effort to cut spending in all possible aspects, including revision of investment plans, reduction of costs and expenses. We aim to generate at least half the cash demand in fiscal 2011. We will make efforts to obtain our customers'

understanding to reflect a rise in raw material prices to sales prices of our products. We have been unable to forecast our financial performance for fiscal 2011 at this point because the overall trends of the Japanese domestic economy are unclear, including the effects of the Earthquake on our customers. As regards to cash flow, investment cash flow is expected to be higher than previously estimated due to the Earthquake-related capital expenditure for restoration. Excluding this temporary factor, the investment cash flow remains on a decreasing trend. We aim to control D/E ratio at a level below 1.0 over the medium and long term.

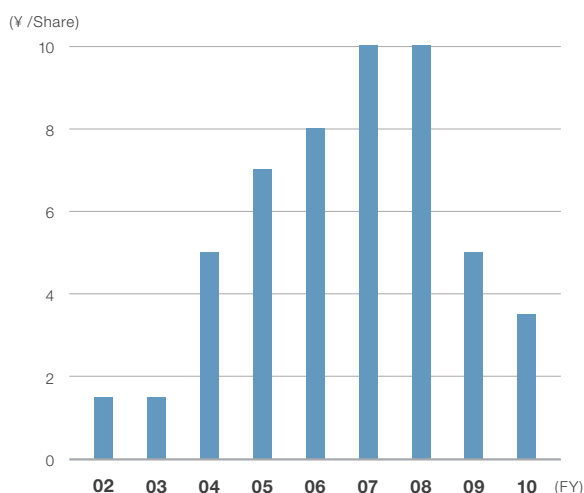
We made a dividend of 3.5 yen per share for fiscal 2010 (2.5 yen for interim and 1.0 yen for the term-end) as we have placed a priority on the recovery of our facilities that were damaged in the Great East Japan Earthquake and minimizing financial damage. The interim dividend forecasts for fiscal 2011 is 1.0 yen per share and the term-end dividend forecasts is yet to be decided at this time. We will try to recover the financial damage caused by the Earthquake at the earliest possible, aiming for a stable dividend.

Sumitomo Metals aims to enhance shareholders' value through the merger with Nippon Steel. I would like to ask you for your continued support.

Debt and Debt-to-Equity Ratio



Dividend per Share



11-Year Financial Performance

	FY2000 March 31, 2001	FY2001 March 31, 2002	FY2002 March 31, 2003
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Operating Results:

Net sales	1,497,641	1,349,528	1,224,633
Operating income	90,598	40,096	69,828
Ordinary income ^{*1}	23,626	748	41,309
Income before income taxes and minority interests	20,777	-105,167	33,278
Net income	5,836	-104,720	17,076

Capital expenditures on property, plant and equipment (Construction base) ^{*2}	77,000	74,600	50,906
Depreciation of property, plant and equipment ^{*2}	132,200	121,100	91,762
Research and development expenses	20,980	18,646	13,555

Financial Position:

Total assets	2,733,114	2,433,431	2,122,370
Shareholders' equity: Total net assets – Minority interests	368,116	274,432	328,754
Total net assets	415,593	325,917	347,632
Debt ^{*3}	1,780,694	1,648,779	1,415,303

Cash Flows

Operating cash flow	158,721	18,478	161,127
Investing cash flow	9,982	39,633	58,329
Financing cash flow	-142,602	-89,466	-164,935
Free cash flow	168,704	58,111	219,457
Cash and cash equivalent at end of period	101,092	70,390	121,712

Amounts per Share of Common Stock

Net income (EPS)	1.61	-28.83	4.36
Yearly dividend (yen / share)	0	0	1.5

Financial Index

Operating income margin (ROS): Operating income / Net sales	6.0	3.0	5.7
Return on assets (ROA): Ordinary income before interest payment / Total assets (yearly average)	2.2	1.1	2.9
Return on equity (ROE): Net income / Shareholders' equity (yearly average)	1.6	-32.6	5.7
Equity ratio: Shareholders' equity / Total assets	13.5	11.3	15.5

Debt-to-equity ratio: Debt / Shareholders' equity	4.84	6.01	4.31
Price earnings ratio (PER): Share price / Net income per share	44.1	-	12.4

Market capitalization at end of period	257.8	174.3	258.1
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Number of shares issued as of end of period (including treasury shares)	3,632.2	3,632.2	4,782.2
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Share price at end of period	71	48	54
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^{*1} Ordinary income is an important management indicator at Sumitomo Metals and a common item on financial statements in Japan; calculated by adding to or subtracting from operating income items such as interest and dividend income, equity in earnings of unconsolidated subsidiaries and associated companies, interest expenses and exchange gain or losses.



FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011

Unit: Millions of yen

1,120,855	1,236,920	1,552,765	1,602,720	1,744,572	1,844,422	1,285,845	1,402,454
93,041	182,878	305,804	303,774	274,396	226,052	-928	56,301
68,715	173,245	280,733	327,676	298,218	225,736	-36,634	34,049
39,901	169,577	306,183	341,725	281,298	194,459	-39,758	-27,991
30,792	110,864	221,252	226,725	180,547	97,327	-49,772	-7,144
67,190	60,374	82,679	135,868	178,887	159,118	136,643	109,934
78,371	79,238	75,255	72,291	102,565	109,854	120,853	126,267
13,590	14,732	16,427	18,769	20,102	22,120	22,845	22,782

Unit: Millions of yen

2,001,727	1,923,142	2,113,391	2,301,556	2,418,310	2,452,535	2,403,670	2,440,761
376,036	483,237	720,866	880,807	901,946	857,697	829,219	766,777
399,428	517,311	762,172	924,798	949,303	904,371	879,209	818,080
1,171,216	885,918	679,778	717,984	883,888	990,010	1,138,353	1,173,382

Unit: Millions of yen

220,820	277,389	311,943	171,833	230,043	190,582	67,002	202,340
-27,418	-12,013	-63,892	-108,934	-274,316	-214,977	-172,933	-144,009
-240,841	-297,336	-258,367	-83,456	48,751	52,623	87,843	-1,325
193,402	265,376	248,050	62,899	-44,273	-24,395	-105,931	58,331
74,025	42,416	32,596	13,020	16,669	42,979	26,233	82,512

Unit: Yen

6.42	23.05	46.03	47.89	39.43	20.98	-10.74	-1.54
1.5	5.0	7.0	8.0	10.0	10.0	5.0	3.5

Unit: %

8.3	14.8	19.7	19.0	15.7	12.3	-0.1	4.0
4.4	9.7	14.5	15.4	13.2	9.9	-0.9	2.0
8.7	25.8	36.7	28.3	20.3	11.1	-5.9	-0.9
18.8	25.1	34.1	38.3	37.3	35.0	34.5	31.4

Unit: Times

3.11	1.83	0.94	0.82	0.98	1.15	1.37	1.53
21.6	8.4	11.0	12.7	9.6	9.4	-	-

Unit: Billions of yen

667.7	927.0	2,425.2	2,826.2	1,753.6	913.7	1,312.0	862.2
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Unit: Millions of shares

4,805.9	4,805.9	4,805.9	4,805.9	4,805.9	4,805.9	4,805.9	4,805.9
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Unit: Yen

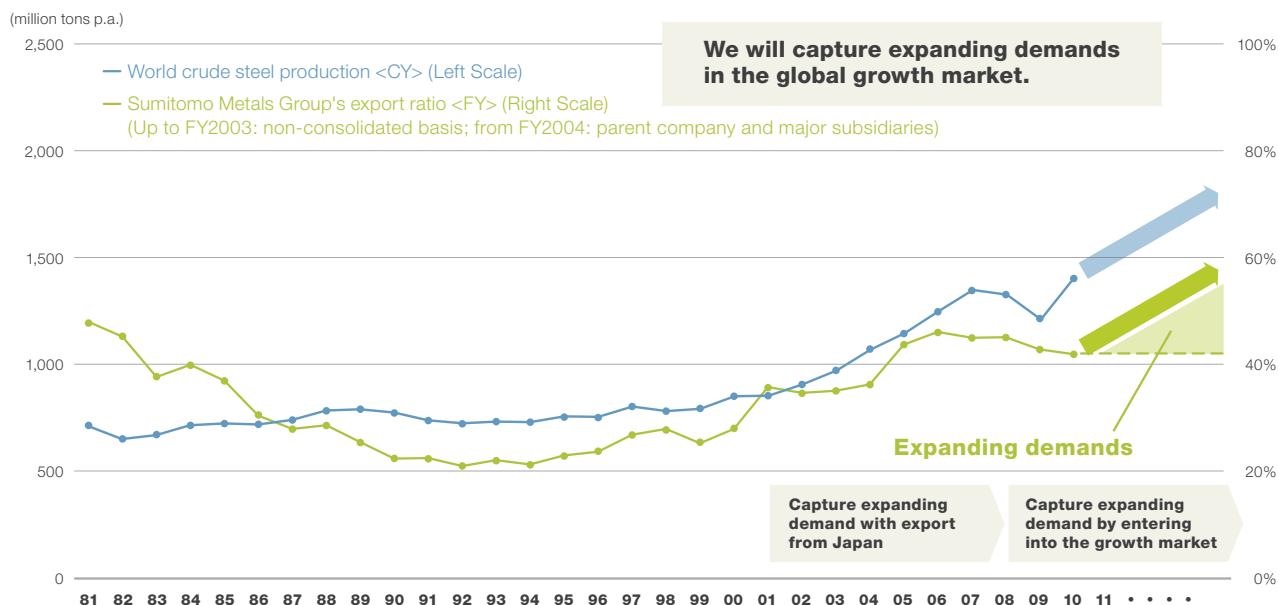
139	193	505	609	378	197	283	186
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*2 Capital expenditure and depreciation amounts for FY2000 through FY2001 are calculated based on unit of 100 million yen.

*3 Debt=(Loans payable) + (Bonds) + (Commercial papers)

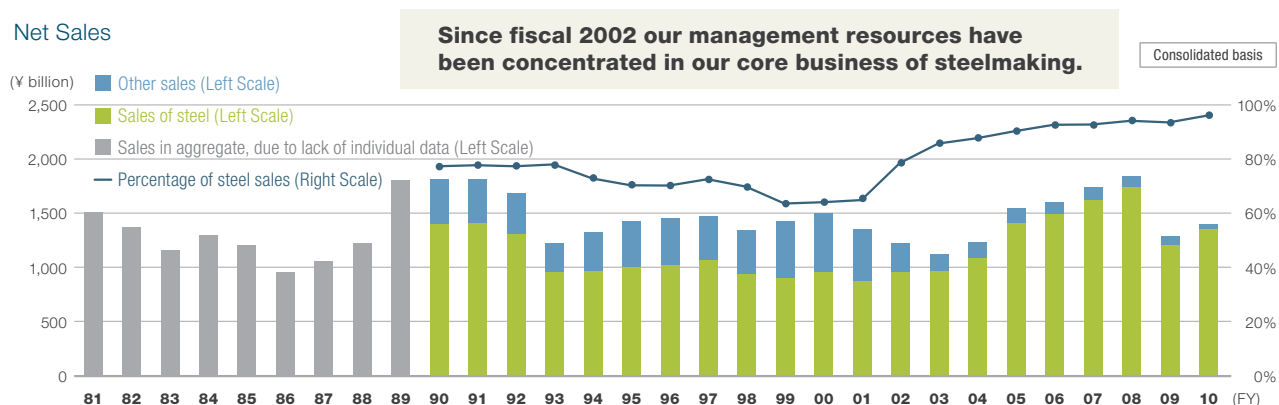
Feature: Sumitomo Metals Takes a Long-Term Perspective

We will expand overseas and capture more of the global growth market

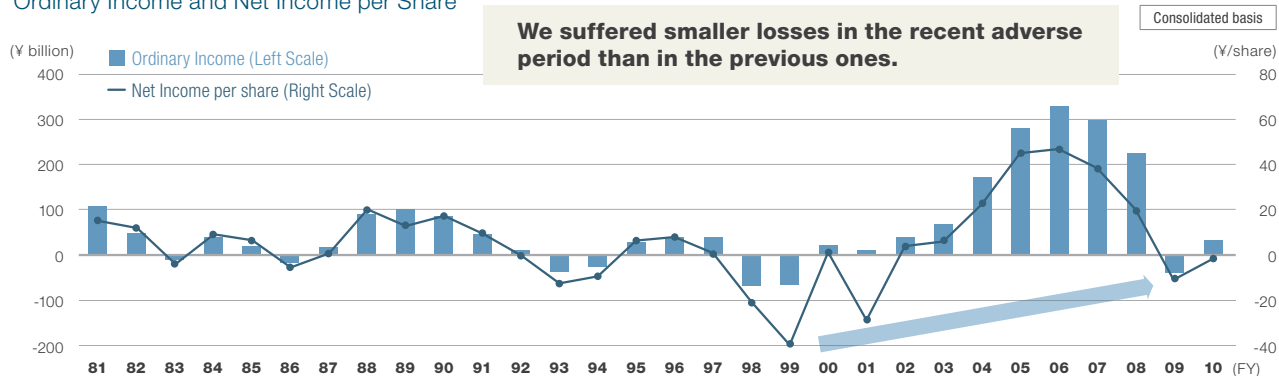


30-year trend of Sumitomo Metals

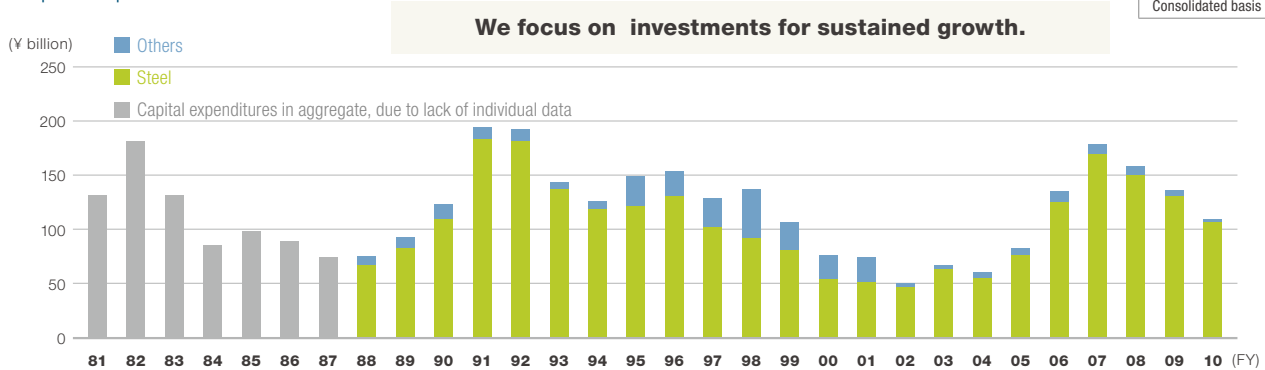
Net Sales



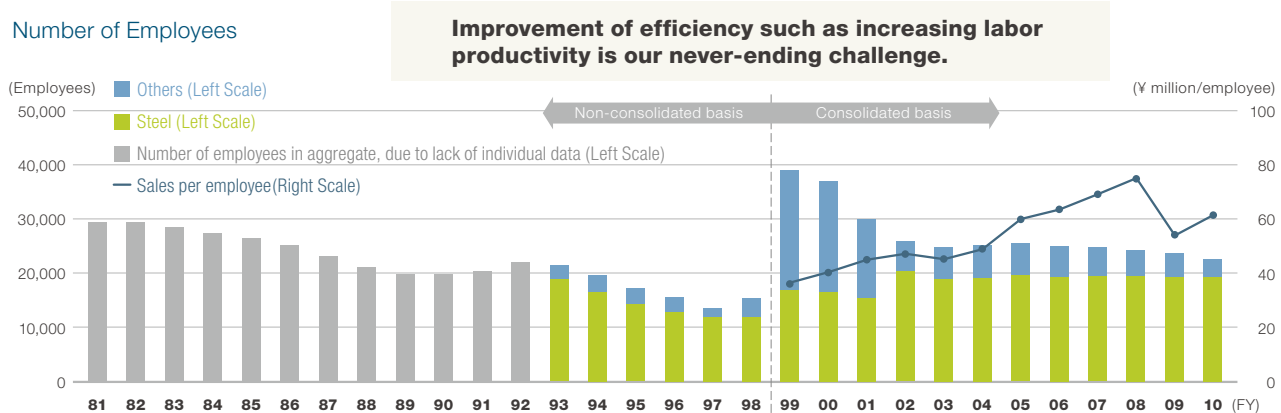
Ordinary Income and Net Income per Share



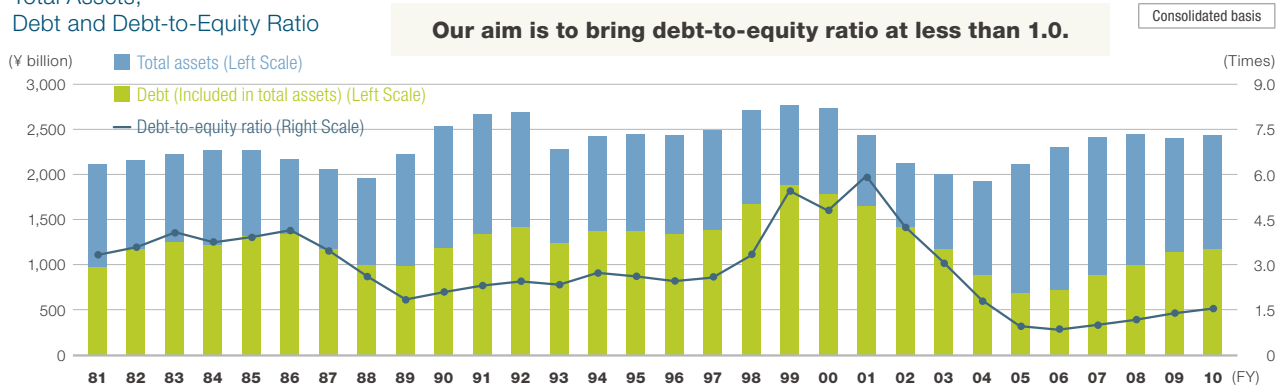
Capital Expenditures



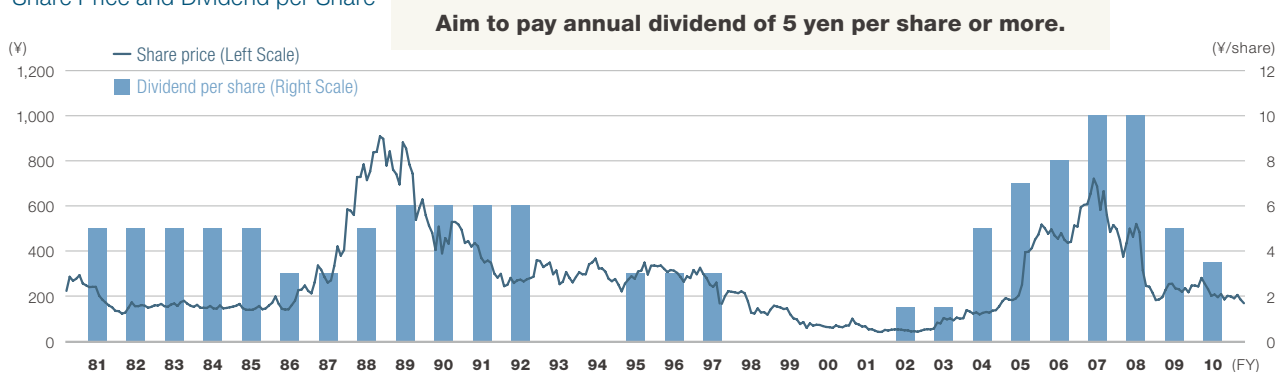
Number of Employees



Total Assets; Debt and Debt-to-Equity Ratio



Share Price and Dividend per Share



26-Year Major Financial Indicators

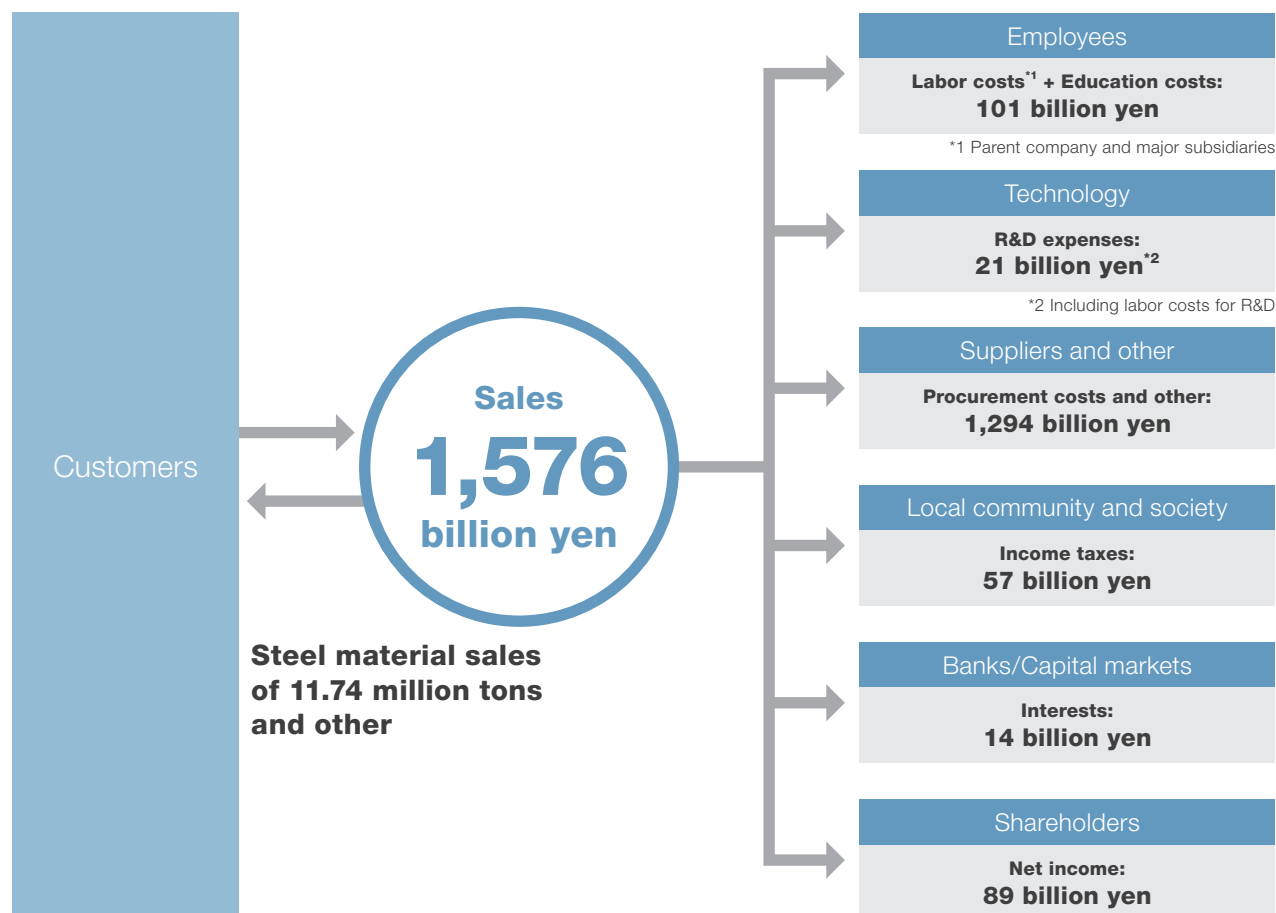
Year	Net sales (¥billion)	Operating income (¥billion)	Ordinary income (¥billion)	Net income (¥billion)	Total assets (¥billion)	Debt (¥billion)	Equity ratio (%)	EPS (¥)
1985	1,206	74	20	18	2,277	1,314	14.6%	6.98
1986	957	-1	-14	-13	2,168	1,334	14.7%	-5.21
1987	1,061	74	19	2	2,060	1,174	16.3%	1.09
1988	1,223	167	90	58	1,959	999	19.4%	20.84
1989	1,805	180	101	39	2,221	977	23.8%	13.37
1990	1,815	170	86	54	2,534	1,183	22.3%	17.92
1991	1,818	133	46	30	2,673	1,335	21.6%	9.96
1992	1,687	75	9	0	2,698	1,412	21.3%	0.22
1993	1,222	22	-34	-38	2,285	1,239	23.1%	-12.34
1994	1,329	55	-24	-28	2,422	1,371	20.6%	-9.20
1995	1,431	104	29	21	2,451	1,369	21.3%	6.85
1996	1,457	102	40	26	2,436	1,333	22.2%	8.43
1997	1,469	98	40	4	2,493	1,385	21.5%	1.28
1998	1,347	12	-64	-69	2,720	1,673	18.5%	-20.59
1999	1,424	9	-63	-145	2,774	1,882	12.3%	-39.95
2000	1,497	90	23	5	2,733	1,780	13.5%	1.61
2001	1,349	40	0	-104	2,433	1,648	11.3%	-28.83
2002	1,224	69	41	17	2,122	1,415	15.5%	4.36
2003	1,120	93	68	30	2,001	1,171	18.8%	6.42
2004	1,236	182	173	110	1,923	885	25.1%	23.05
2005	1,552	305	280	221	2,113	679	34.1%	46.03
2006	1,602	303	327	226	2,301	717	38.3%	47.89
2007	1,744	274	298	180	2,418	883	37.3%	39.43
2008	1,844	226	225	97	2,452	990	35.0%	20.98
2009	1,285	-0	-36	-49	2,403	1,138	34.5%	-10.74
2010	1,402	56	34	-7	2,440	1,173	31.4%	-1.54

Allocation of Value and Cash, by Stakeholder and Business

Allocation of Value, by Stakeholder

Yearly Average (fiscal 2006 to 2010)

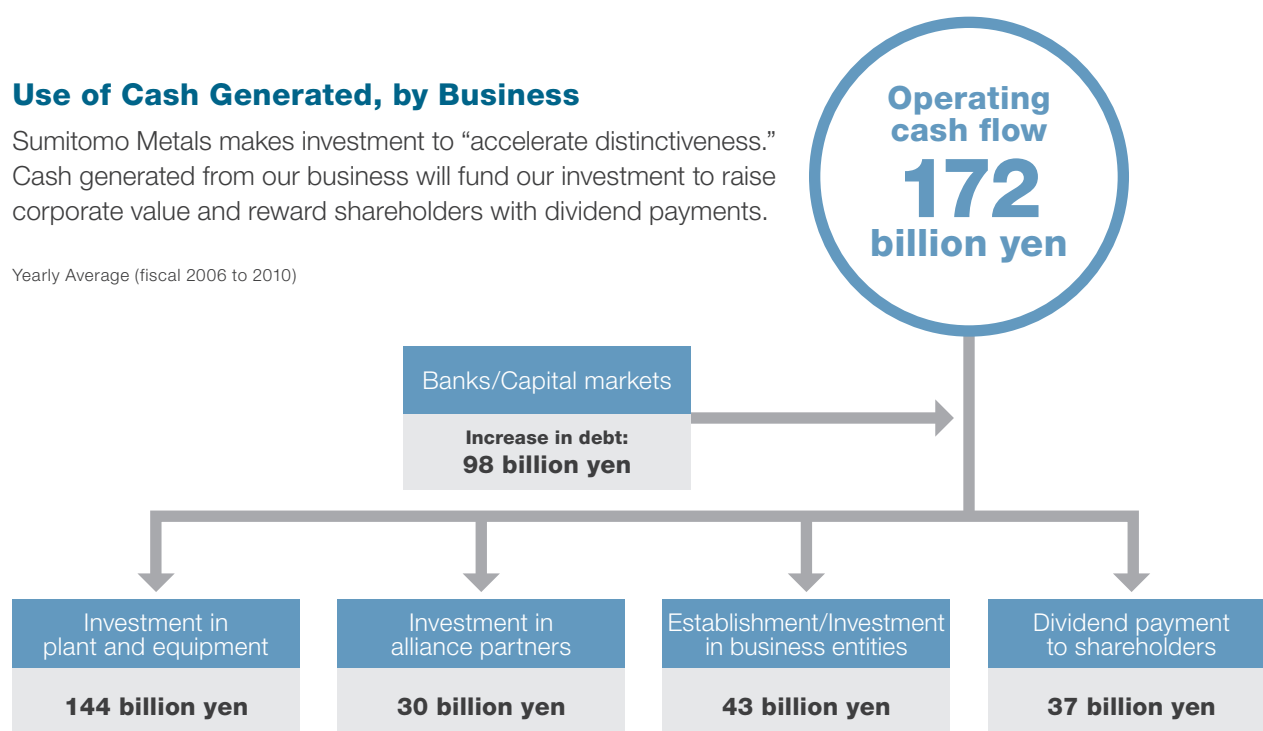
Our objective is to become a trusted company that contributes to our stakeholders.



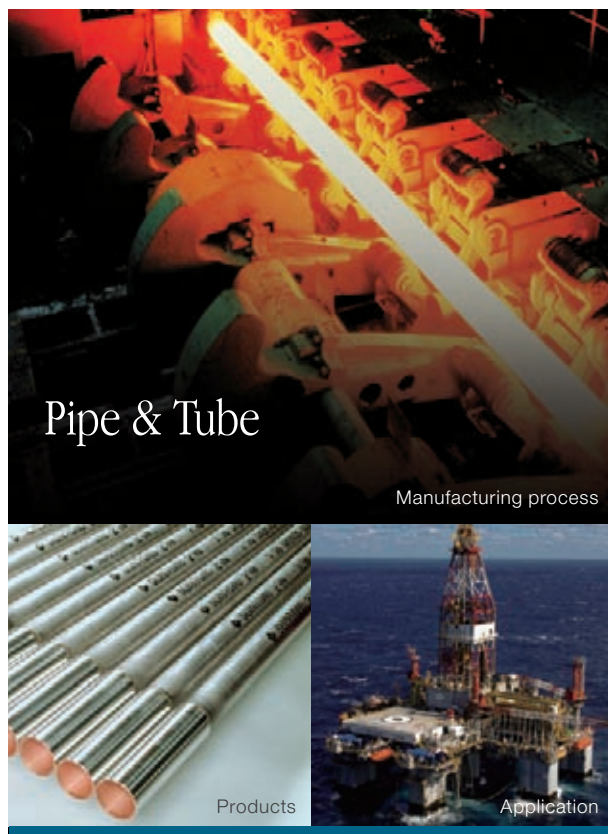
Use of Cash Generated, by Business

Sumitomo Metals makes investment to “accelerate distinctiveness.” Cash generated from our business will fund our investment to raise corporate value and reward shareholders with dividend payments.

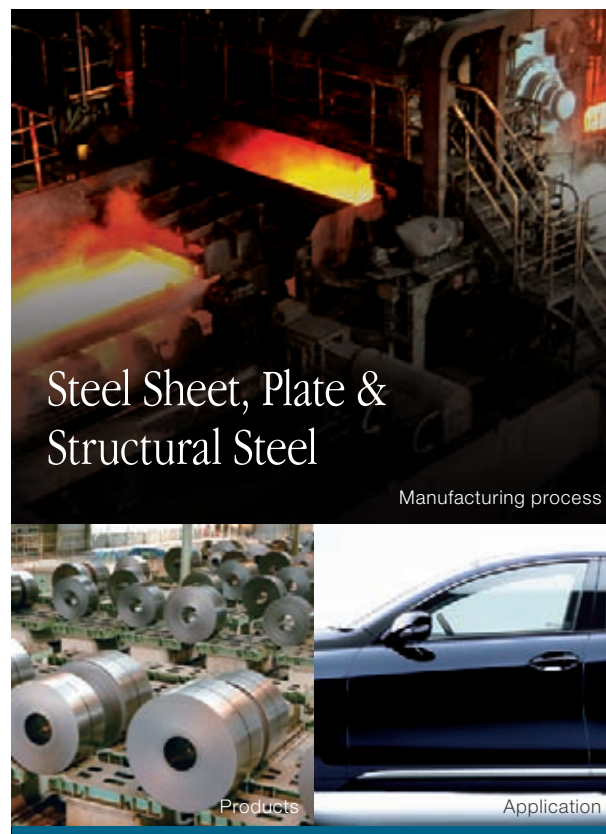
Yearly Average (fiscal 2006 to 2010)



Review of Operations

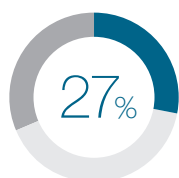


Core products are seamless pipes used for energy development projects such as exploration of oil and gas. They are manufactured at Wakayama Steel Works and Steel Tube Works at Amagasaki City. We are world class in development capability, product quality, and diverse product offering. This status makes us to be an unparalleled presence in the global market for high-end seamless pipes used in harsh development environments. We will establish a global supply system when our steelworks in Brazil that produces seamless pipe starts operation in 2011.

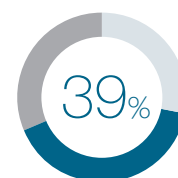


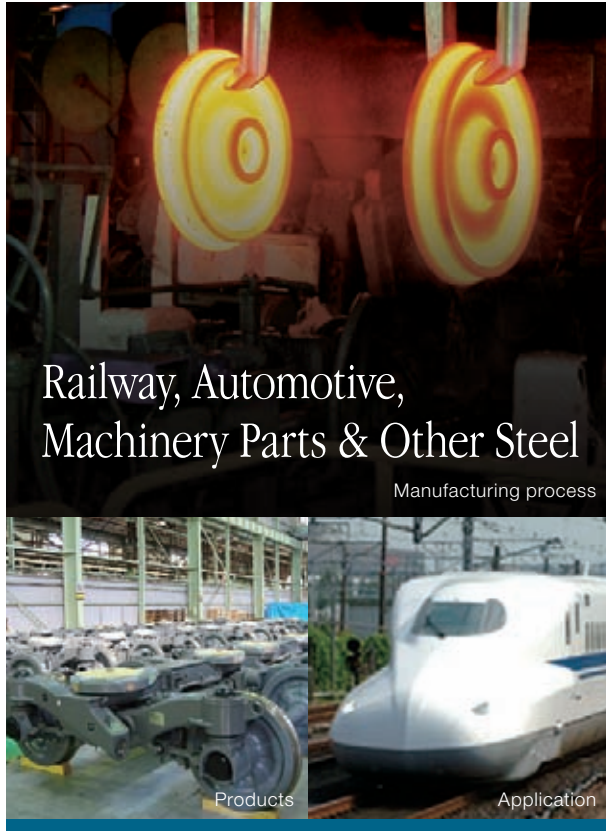
Core products are steel sheets for automotive and home appliances, steel plates for the energy and shipbuilding industries, and steel beams and sheet piles for construction. We value a relationship of trust with our customers, who are engaged in automotive, energy businesses and other areas, and we respond to a variety of needs with our high-grade products and aim to contribute to society. We are promoting expansion in overseas markets such as Vietnam, Thailand, and India to capture increasing demand.

Share of Total Sales



Share of Total Sales





Railway, Automotive, Machinery Parts & Other Steel

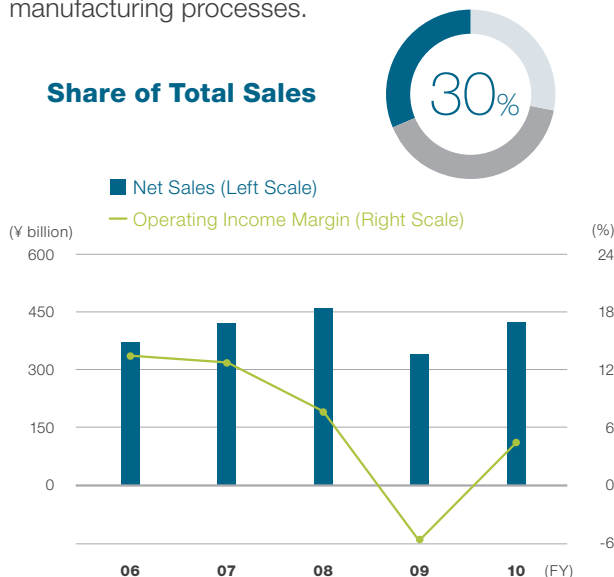
Manufacturing process

Products

Application

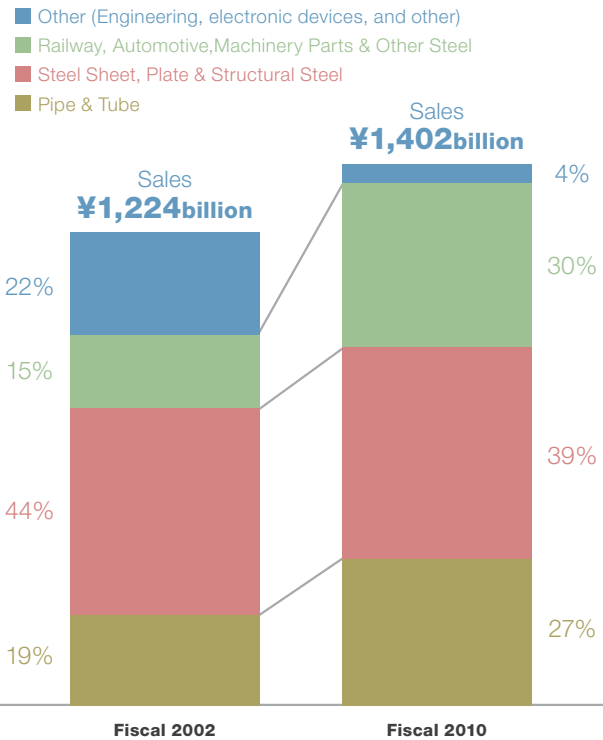
Sumitomo Metals demonstrates strengths with its distinctive products such as wheels and axles for rolling stock, in which we are globally expanding business with a 100% market share in Japan, and automotive forged crankshafts, in which our global share is approximately 8%. Sumitomo Metals (Kokura), Ltd. focuses on specialty steel bars and wire rods in the automotive market, and Sumitomo Metals (Naoetsu), Ltd. on high-functional materials such as stainless precision rolled strips and titanium. Contracted slab sales to our alliance partners contribute to the stable operating rate of upstream manufacturing processes.

Share of Total Sales



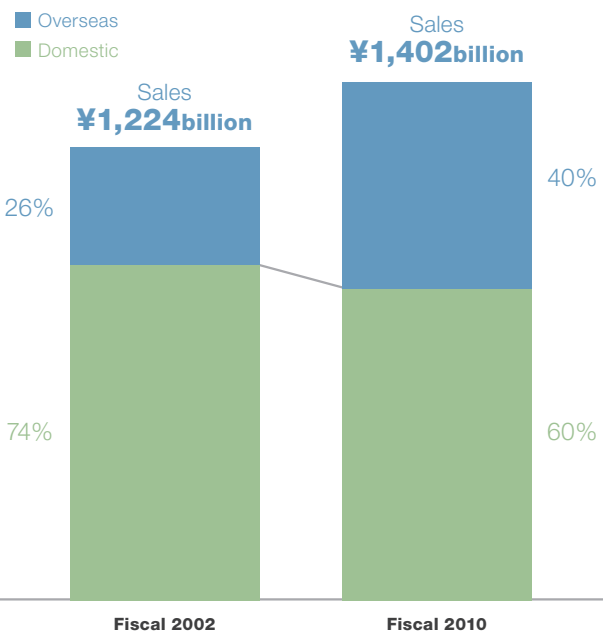
Sales Composition by Business Segment

Exports of pipe and overseas production of railway, automotive, and machinery parts have increased.



Sales Composition by Region

The overseas sales ratio increased by 14 percentage points mainly due to growth in Asia.



Pipe & Tube

OCTG used for oil and natural gas development are our major products. Our leading technology and services puts us in a dominant global position in this field. In Brazil, our steelworks that produces seamless pipe will start operation this year. We will capture more of the global growth market and raise corporate value.

Strengths

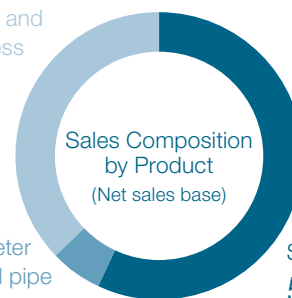
Sumitomo Metals has the world's leading technologies and product line-up in higher-end seamless pipe used in severe drilling environments. Our strength also lies in manufacturing and development capabilities of premium-joints to connect such pipes, which are crucially important for safe oil and gas well operation. We have provided high-grade products and solutions to our customers, which has resulted in a strong relationship of trust.

Business results

In fiscal 2010, our operating income has slightly decreased year-on-year, mainly due to strong yen, despite a recovery trend in sales volume and sales prices. In fiscal 2011, we expect sales volume to recover mainly for oil majors. We are focusing on cost improvement and sales with an emphasis on pricing to offset the negative impact of strong yen and improve our income.

Electric-resistance
welded pipe and
other business
37%

Large-diameter
welded steel pipe
6%



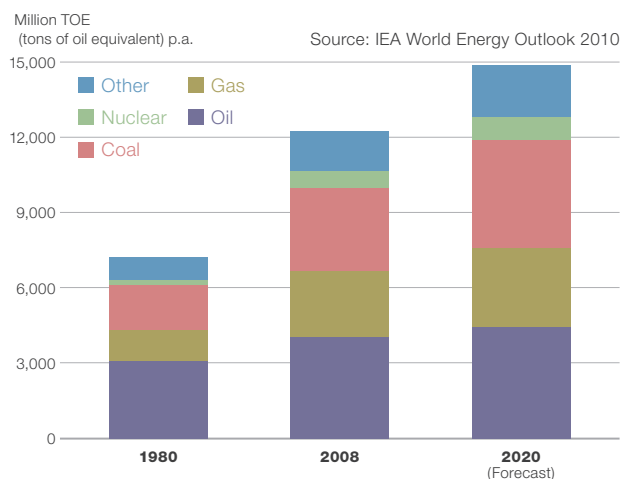
Seamless pipe
57%

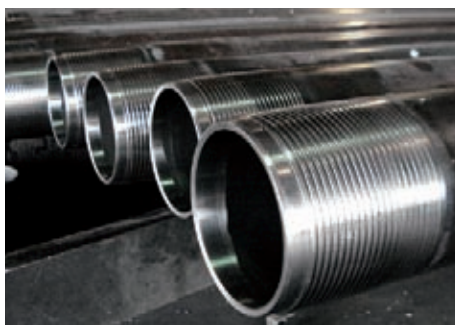
Market Environment

Energy demand is increasing worldwide and needs for high-end pipe & tube are growing

- Demand for energy, particularly natural gas with low emission of CO₂, is expected to increase in the medium to long term, in line with economic growth in emerging countries.
- Energy development projects are becoming severer, with more vigorous product requirements to withstand depth, high pressure, and corrosive environments. Given this trend, customers are demanding higher performance and reliability of pipes.

Worldwide Energy Demand





Sumitomo Metals Group's Strategies

Obtain more customers by utilizing our brand power and enhancing services

- "Sumitomo's pipe and tube" is regarded as a top brand because of the overwhelming evaluation extended by our customers to our capability in the development of high-end products that satisfy increasingly sophisticated needs and our product reliability.
- Our supply chain network enables us to deliver products from our bases in Japan and Brazil on a timely basis. We will enhance our service system related to our pipe and tube technology.
- We are making efforts to further improve our development capability and product quality reliability so that we can acquire more customers on long-term contracts.

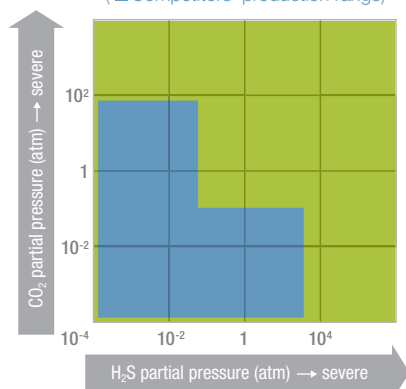
Enhance our global manufacturing and sales systems

- Our steelworks that produces seamless pipe in Brazil manufactured its first pipe in December 2010. In 2011, the upstream processes including a blast furnace and a steelmaking plant will be completed and full-fledged operation as a steelworks will start. Addition of this new base will help us provide high-grade products to our worldwide customers (oil majors, state-run oil companies, and independent oil companies) who ask for increased volume of "Sumitomo's pipe and tube."
- Our bases in Japan will focus on a development and supply of the most advanced high-end products.

Oil & Gas Development Environment and Sumitomo Metals' Line-up of Materials

Our production range

(■ Competitors' production range)



Our line-up

High Ni alloy

Duplex stainless steel

Alloy steel for sour service

Super 13Cr

13Cr

Carbon steel
Low alloy steel

Global Supply Framework of Seamless Pipe



Piercing the first billet in Brazil



Steel Sheet, Plate & Structural Steel

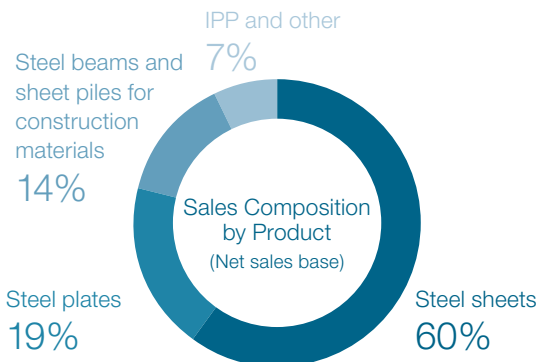
Our core products are high-grade steel sheets for automobile body parts, steel plates for energy-related applications as well as the shipbuilding industry, and large shaped steel beams and sheet piles used as construction materials.

Strengths

Going beyond the framework of a mere material supplier, we work to provide solutions to customers' problems and build strong relationships of trust with them. We focus on high-end products, of which demand is expected to grow, particularly in emerging countries. Aiming to raise corporate value, we have expanded operations into growth markets: Vietnam and India for steel sheet business and Thailand for steel plate business.

Business results

In fiscal 2010, we improved our operating margin compared to the previous year. In Japan, automobile-related sales were strong in the first half, thanks to the impact of government measures such as the "eco-car" subsidiary program, and exports were favorable. In fiscal 2011, we are making efforts to improve sales prices by asking for our customers' understanding in reflecting raw material prices increase, in order to achieve growth in sales and earnings.



Market Environment

Global demand for steel sheet, plate & structural steel is expected to expand, while customers are demanding higher quality

Steel sheet

World automotive demand for steel sheets for automobile body parts is expected to continue growing, particularly in emerging markets. With the growing popularity of lighter and stronger automobiles, our customers are requiring more advanced quality and performance in vehicle structures and parts.

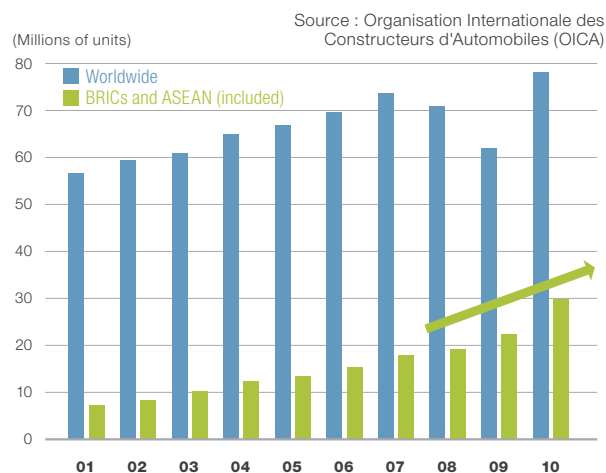
Steel plate

Demand for high-performance steel plate is expected to grow in the case of energy development uses, areas of which are shifting into those of severe environments such as the deep sea and cold climates.

Structural steel

Infrastructure related demand for steel is likely to grow in emerging countries. In Japan, the market is demanding environmentally-friendly products with high disaster-prevention performance and reliability features.

World Automobile Production





Sumitomo Metals Group's Strategies

Embrace overseas growth opportunities

Steel sheet

In Vietnam, Sumitomo Metals and China Steel Corporation (CSC) of Taiwan are constructing steel sheet manufacturing facilities with an annual capacity of 1.6 million tons. In India, we are providing technical assistance to Bhushan Steel's steelworks, and have agreed with Bhushan to receive the steel sheet manufactured there as OEM product to be sold under the Sumitomo Metals brand.

Steel plate

With the aim of responding to energy-related demand for steel plate, Sumitomo Metals has invested in the Canadoil Group and provide technical assistance to its steel plate mill, which is currently under construction in Thailand. With this investment, Sumitomo Metals will add 300,000 tons in an annual steel plate manufacturing capacity.

Structural steel

We promote exports of structural steel to overseas growth markets and satisfy steel demand for establishing infrastructure in Southeast Asia and other emerging markets.

Entering Growth Markets



Focus on gaining trust and high evaluation from our customers

Steel sheet

We propose technological solutions such as the 3-dimensional hot bending process (for lighter vehicles) and expanded adoption of hot pressing (for enhanced collision safety) to customers.

Steel plate

We will expand our line-up of high-end products (i.e., fatigue-resistant steel and steel for offshore structures in extremely cold climates) and establish a mass production system for them (i.e., new heat treatment furnaces.)

Structural steel

We are continuing to develop high-grade structural steel, such as eco-friendly rotary penetration steel pipe pile and ultra-strength steel for earthquake-resistant structures.

Sumitomo Metals' Steel Business Model

Conventional Business Model

Sumitomo Metals' Targeted Steel Business Model

Before service

Provide application technology

Material sales

Material sales

After service

Before service

After service

Provide solutions

Railway, Automotive & Machinery Parts

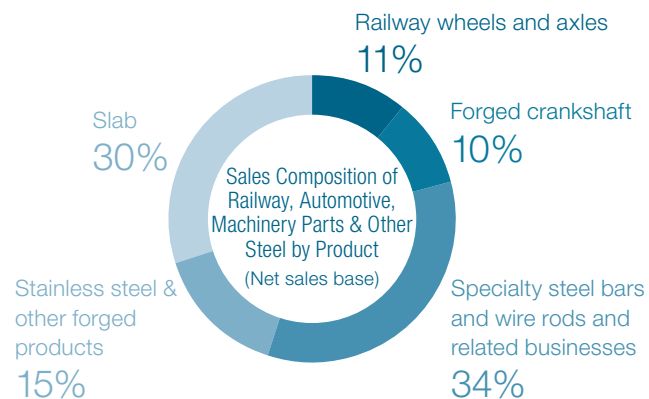
Main products are railway wheels and axles, and forged crankshafts for automobiles. We aim to expand sales of railway parts in the global market. For forged crankshaft, we are globally expanding: Japan, the United States, China, and India. Raising corporate value is our goal.

Strengths

In railway parts, we hold a top share in many products, including wheels and axles, where we hold a 100% share in Japan. We are expanding our capacity to supply growing global market. In forged crankshafts, we aim to raise our global share to over 10% by providing high-grade products and using our global supply system.

Business results

Our operating margin improved from the previous year in fiscal 2010. Demand was firm in Japan for railway parts and mainly in emerging markets for forged crankshafts. In fiscal 2011, we will strive to improve sales and earnings by expanding sales of our distinctive products.



Market Environment

Railway is a growing industry

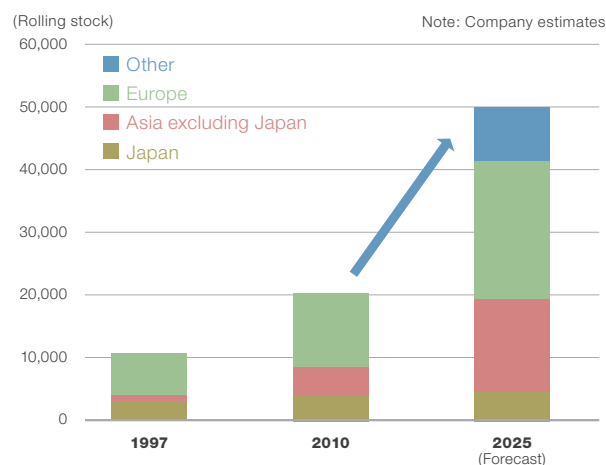
○ Railway parts

- The global market for high-speed passenger railways, as an eco-friendly means of transportation, is expected to grow rapidly.
- Requirements for safety and advanced functions (low vibration, low noise) are becoming higher as railway operating speed increases.

○ Forged crankshafts

- Demand for crankshafts is expected to increase steadily, thanks to growth in automobile production in emerging nations such as China and India.
- The move into smaller and higher-performance engines is encouraging a shift from cast steel crankshafts to forged crankshafts.

High-speed Railway is Growing Industry





Sumitomo Metals Group's Strategies

Accelerate distinctiveness

○ Railway parts

- We will increase global share in high-speed railway wheels and axles, the area where we are competitive with high quality, advanced function and reliability.
- We will leverage our technological strength and accelerate distinctiveness in high value-added area such as heavy-load abrasion-resistant wheels used in mining railways.

○ Forged crankshafts

- Sumitomo Metals has led the industry by introducing new technologies for lighter crankshafts and special-shaped crankshafts for V-type engines. We are endeavoring to continue development of lighter, high-precision crankshafts.

Enhance global manufacturing and sales networks

○ Railway parts

- We are striving to expand business worldwide for high-speed railways by utilizing highly competitive technology we have nurtured in Japan. We will participate in new high-speed railway projects worldwide, as a member of the Japan consortium, together with railway companies and other parts companies.
- We consider building manufacturing bases overseas.

○ Forged crankshafts

- With the start of our factory in India in April 2010, we have four-bases supply and sales structure, which comprises Japan, the United States, China, and India. The ratio of overseas production will exceed 50% in fiscal 2011. With the 9.3 million unit supply capacity of our four bases, we aim to soon raise our global share to over 10%.

We Supply Customers with Added Value Based on High Competency

Our strength

- 1 Designing and manufacturing know-how of railway wheel for high-speed operation
- 2 High quality realized by integrated manufacturing starting from blast furnace
- 3 Technological prowess

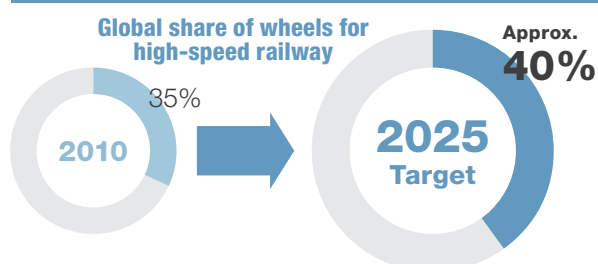
Meet our customers' demand

- 1 High-speed railway wheels
 - Safety operation (Stable quality)
 - Comfortable ride (High functionality)
- 2 Wear resistant wheel for heavy axle loads
 - Longer life (Ultra-clean)

We Promote Sales Expansion of Wheels for High-speed Railway

Example of sales expansion in global market

- We deliver wheels, axles, disk brakes, and gear units for high-speed railways in Taiwan and China.
- We have a long term contract of supplying wheels for highspeed railway in Germany.



Note: Share calculation is company estimate

Other Steel

Specialty Steel

Sumitomo Metals (Kokura), Ltd.

Our high-grade specialty bars and wire rods are made in our integrated steelworks equipped with a blast furnace and used in automobiles and machineries.

Strengths

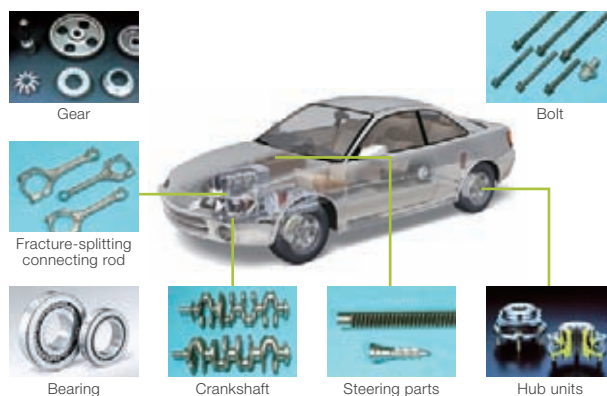
We are a leader in manufacturing capabilities for highly functional steel and ultra-clean steel. New steelmaking plant has realized highly efficient, high-quality manufacturing with a low environmental burden. We emphasize technology and quality to raise our corporate value.

Market Environment

Customers demand higher quality

Our materials are used for security parts of automobiles. Therefore, customers' demand for quality get tougher to reduce weight and improve safety.

Supplying Safety-critical Parts for Automobiles



Sumitomo Metals Group's Strategies

We will expand overseas with a base in Japan

- We have strengthened our factory in Japan: investment in new steelmaking plant and new finishing roll equipment for steel bars.
- We aim to grow by expanding business in large automotive markets such as the United States and Asia.

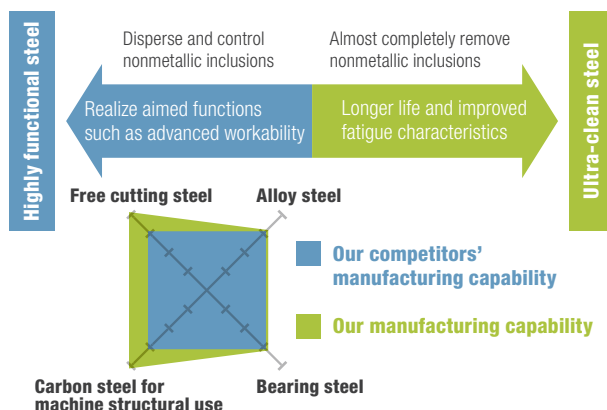


Steel Processing (Thailand) CO., Ltd.

We will accelerate distinctiveness by creating new technologies and new products

- We are competitive particularly in highly functional steel (i.e., advanced workability) and ultra-clean steel (i.e., longer life and improved fatigue characteristics.)
- We will accelerate distinctiveness by aggressively developing new technologies and new products.

We Rank Top as a Manufacturer of Highly Functional Steel and Ultra-clean Steel



Stainless Steel and Titanium

Sumitomo Metals (Naoetsu), Ltd.

We manufacture highly functional materials.

Strengths

Our stainless steel materials are used in automobiles and for environmental/energy-related areas. We have strengths in highly functional materials such as heat-resistance, corrosion-resistance or workability. We will expand our titanium business in aerospace, power generation, and automobiles by emphasizing our high quality.

Market Environment

Customers are demanding advanced quality and the market for highly-functional materials is growing

- We expect demand growth and advanced quality requirements for stainless steel used as engine gasket, exhaust manifold, and materials for electric car batteries.
- Demand for titanium is also expected to expand for aerospace, power generation, and heat exchangers.

Our titanium products are used in the latest passenger airliners.



AIRBUS A380

©AIRBUS

Sumitomo Metals Group's Strategies

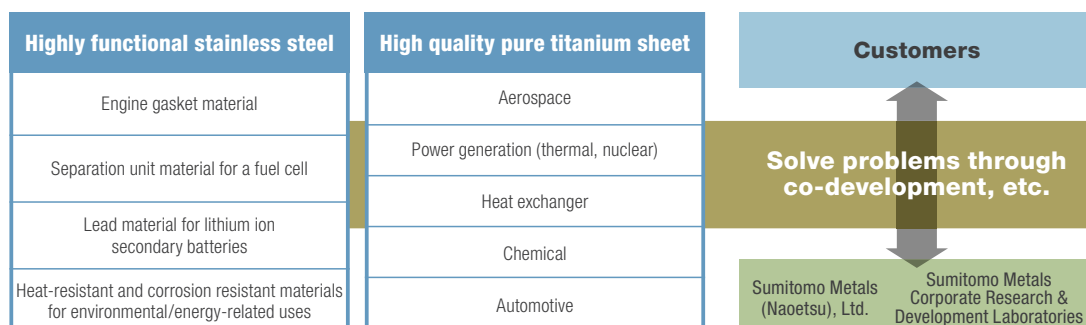
We will continuously develop highly functional materials

- We focus on highly functional material, primarily for automobiles and environmental/energy-related uses.
- Our focus is on high quality titanium products demanded in growth markets such as aerospace, power generation, and heat exchangers.

We will accelerate distinctiveness by emphasizing joint development with customers

We will develop products that respond to customers' requests, accelerate distinctiveness, and raise our corporate value.

Our strategy is to "add strength to strength" by developing highly functional steel

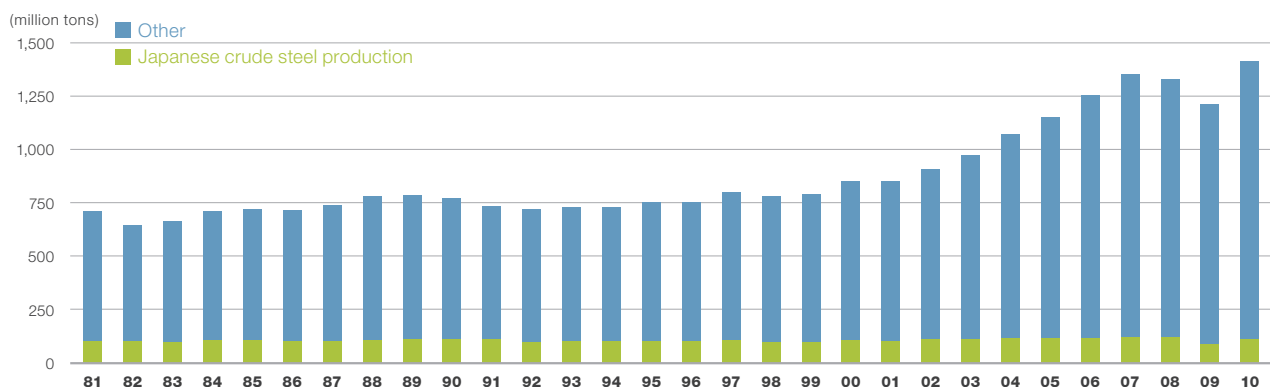


Raise corporate value

Business Environment Data

Steel is a growth industry

World Crude Steel Production

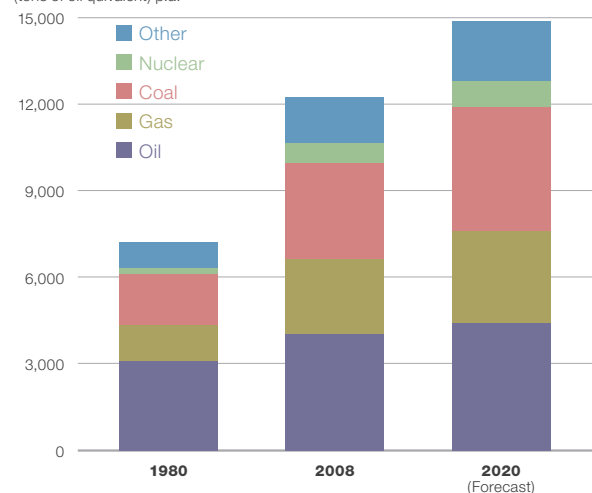


Source: World Steel Association

Sumitomo Metals Group sees a growth in demand in its major business markets

Worldwide Energy Demand

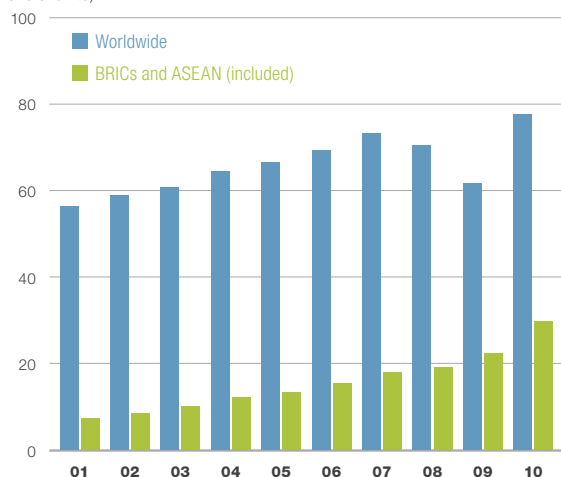
Million TOE
(tons of oil equivalent) p.a.



Source: IEA World Energy Outlook 2010

World Automobile Production

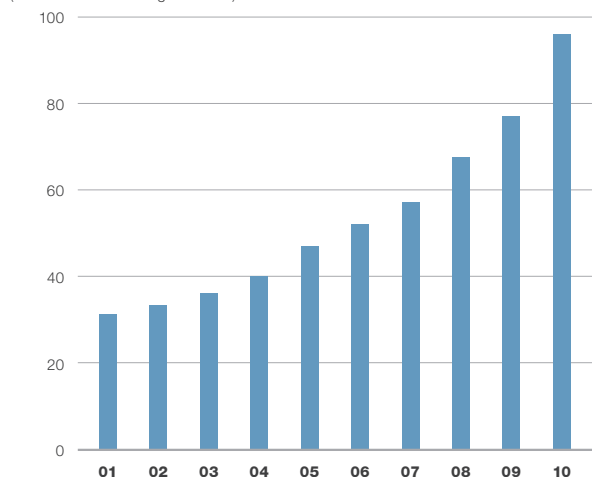
(Millions of units)



Source : Organisation Internationale des Constructeurs d'Automobiles (OICA)

World Shipbuilding Completions

(Millions of universal gross tons)

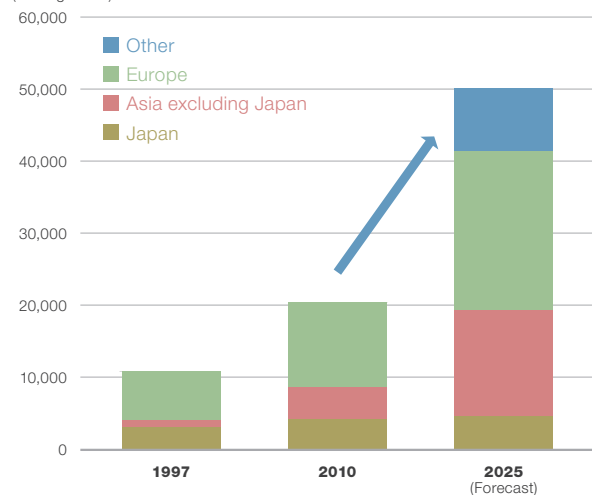


Source: Shipbuilders' Association of Japan

High-speed Railway is Growing Industry

(Rolling stock)

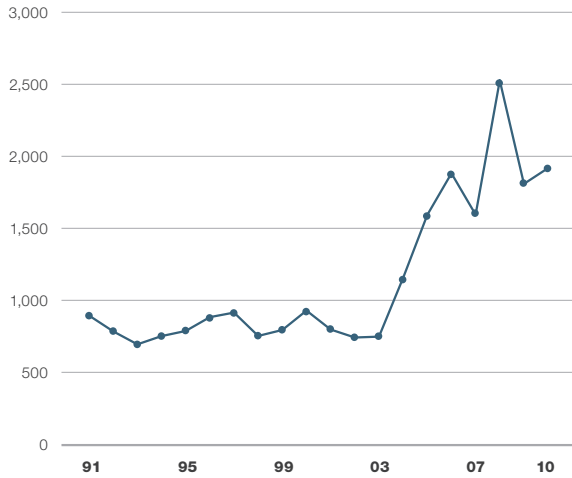
Note: Company estimates



Market Price Trends

OCTG in U.S.A. (Casing, Heat treated)

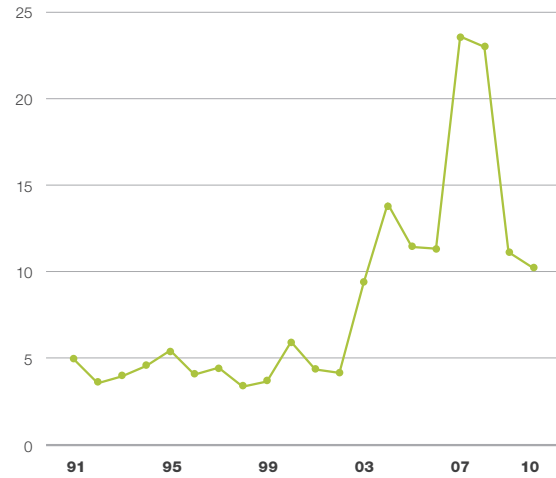
(US\$ / short ton)



Source: Preston Pipe & Tube Report

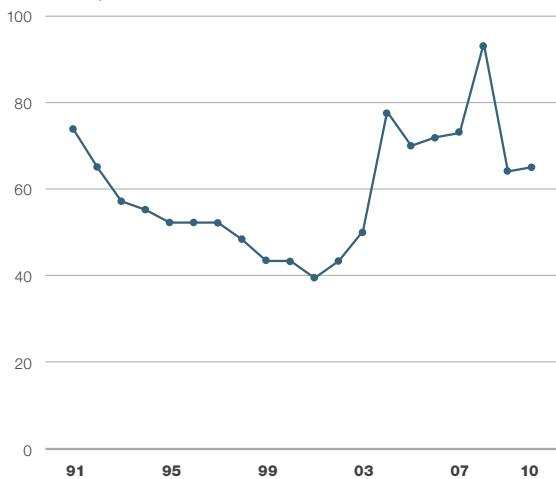
Freight Rates (Cape-size, Pacific)

(US\$ / ton)



Hot Strip Steel Sheets in Japan

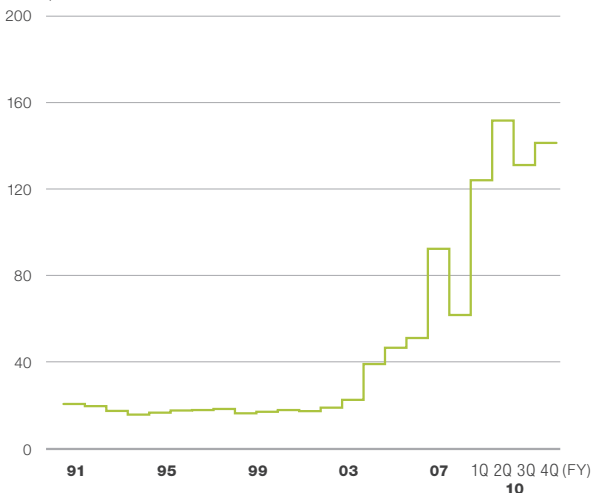
(¥ thousand / ton)



Source: Japan Metal Daily

Iron Ore (Fine ore, Fe 64%: Contracted price*)

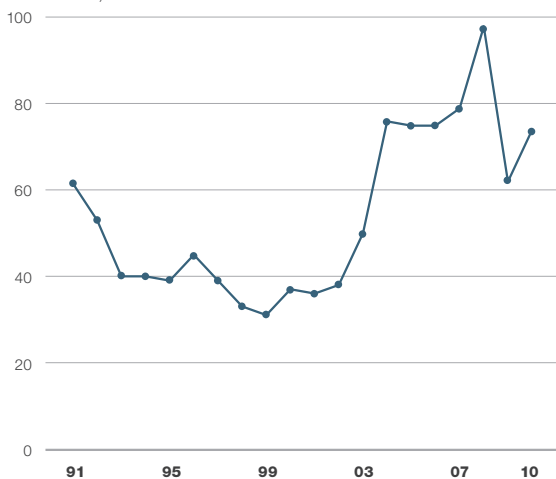
(US\$ / ton)



*Yearly contract until the end of fiscal 2009, quarterly contract after fiscal 2010

H-beams in Japan

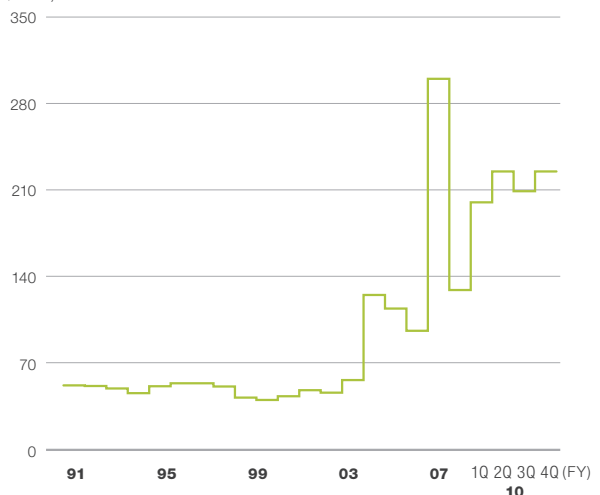
(¥ thousand / ton)



Source: Japan Metal Daily

Coal (Hard coking coal: Contracted price)

(US\$ / ton)



*Yearly contract until the end of fiscal 2009, quarterly contract after fiscal 2010

How We Create Value



Creating value, contributing to stakeholders

We take corporate social responsibility (CSR) seriously and intend to increase corporate value in order to win the trust of all of our stakeholders. To achieve this goal, we believe sustained growth that balances quality and scale is essential. “Intangible Assets” such as technology, people, and organization are critical elements to be trusted by all of our stakeholders including customers, and to raise quality of Sumitomo Metals.

“Intangible Assets” drives value creation

“Intangible Assets” do not appear on financial statements. However, they are by no means less important than ordinary assets such as inventories and facilities. We try to measure and improve them as we do with ordinary assets. It is how we achieve growth that balances quality and scale.



Corporate value

Intangible assets

(Assets that do not appear on financial statements)

Tangible assets

(Assets that appear on financial statements)

Enhance intangible assets

Customers

P47

Employees

P49

Technology

P53

Solid operation base

Physical

Financial

More than 100 years of
steelmaking experience

The Sumitomo Spirit refined
for 400 years

Organization P37

Organizational Assets

Assets that support quality

Examples of organizational assets include corporate culture, corporate philosophy and, in short, how we do business. They raise the quality of Sumitomo Metals. The Sumitomo Metals Group has inherited the Sumitomo Spirit for about 400 years; it has made a history of steelmaking of over 100 years. Those are the foundations on which we have built a company that is truly trusted by its stakeholders and is growing in a sustained way.

The foundation of organizational assets:

The Sumitomo Spirit and Sumitomo Metals' Corporate Philosophy

Around 400 years ago, Masatomo Sumitomo, the founding father of the Sumitomo Family, wrote "You should exercise prudence in business and in all aspects of your life." in his letter titled "Monjuin Shiigaki." His spirit was inherited to his followers who eventually expanded it into business principles

stipulated in the "Rules Governing the Sumitomo Family" in 1891. The Sumitomo Spirit includes what we today call compliance, governance, risk management, and Corporate Social Responsibility (CSR.) It still remains as a yardstick to measure the performance at Sumitomo Metals .

Sumitomo Metals' Corporate Philosophy

We will preserve the Sumitomo Spirit and transmit it to the future, treasure people and technologies, and contribute to society through manufacturing.

You should exercise prudence in business and in all aspect of your life.

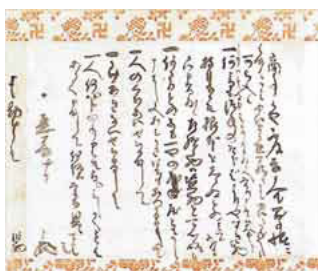
"Monjuin Shiigaki" by Masatomo Sumitomo, the founding father of the Sumitomo Family

A man of noble character esteems wealth, and is scrupulous in seeking the way to acquire it.

Personal motto of Teigo Iba, appointed Second Director-General of Sumitomo

Sumitomo's business interest must always be in harmony with public interest, and shall adapt to good times and bad times. Under no circumstances, however, shall it pursue immoral business.

Business Principles from the "Rules Governing the Sumitomo Family," 1891



"Monjuin Shiigaki"

Sumitomo Metals' Code of Conduct

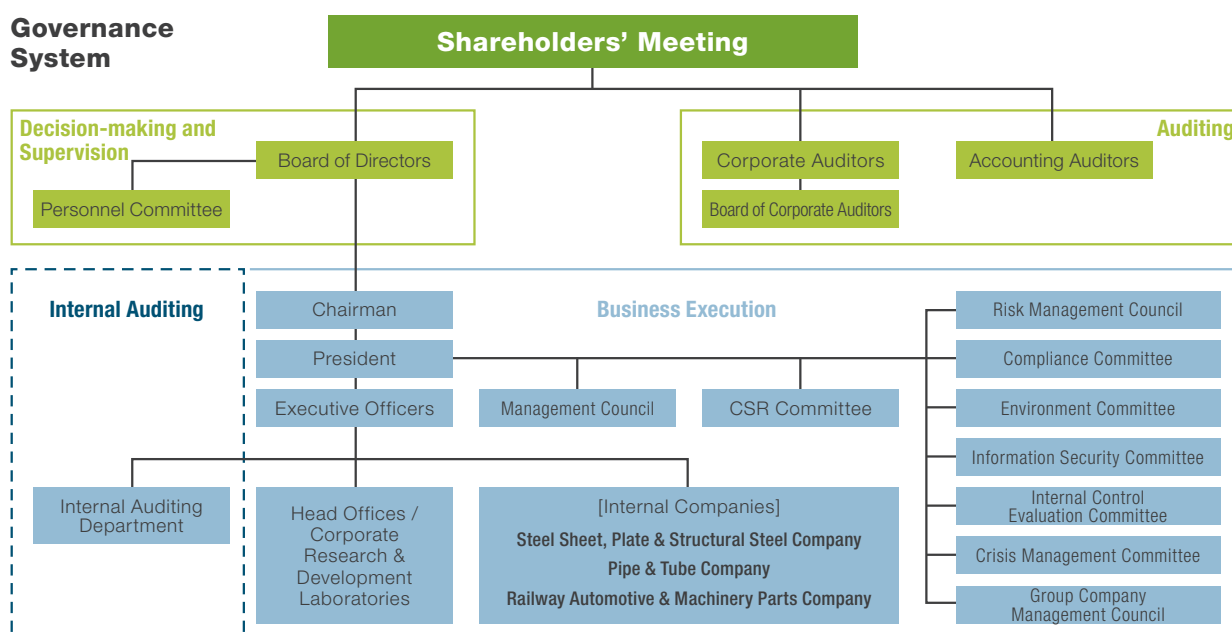
1. Respect the Sumitomo Spirit, comply with laws and regulations, and maintain high ethical standards.
2. Develop and provide high-quality and safe products and services that benefit society, and earn the satisfaction and trust of our customers.
3. Promote fair and free competition and proper business practices, prohibit improper expenditures, and ensure a healthy and proper relationship with government administrations.
4. Keep the public informed, disclose proper and accurate corporate information, and safeguard all confidential and proprietary information.
5. Create a healthy and safe work environment, and appreciate the diversity of our employees.
6. Contribute to global environmental preservation and to local communities.
7. Permit no relationships of any kind with anti-social forces and organizations, and take firm action against all improper demands.
8. Comply with laws and regulations of each country and region, and fully respect all international norms, cultures, and customs in conducting our business operations.
9. Comply with this Code of Conduct and establish a company system to enforce it. In the event of a violation of this Code, identify the cause promptly and take the appropriate action to prevent its recurrence, and be held accountable.

Management structure

Structure and management: With an aim to increase corporate value, it is important to improve the “quality” of management and gain the trust of all stakeholders. We strive to build an appropriate corporate governance structure and manage it appropriately.

01 Corporate governance

We have established a system to ensure that our decision-making, execution of business, and oversight are all properly performed.



01-1 General meeting of shareholders

The general meeting of our shareholders forms the basis of our corporate governance. It is a valuable opportunity to provide shareholders with information that matches their interests and for us to hear their views on management. All directors are elected at the annual meeting as the term of office of our directors is set at one year. We hold our annual meeting on a day that does not coincide with the peak for Japanese annual meetings and have brought forward the meeting date in the past 6 years.

Period	Date	The number of shareholders present
83th	June 27, 2006	887
84th	June 26, 2007	1,234
85th	June 19, 2008	1,193
86th	June 19, 2009	1,346
87th	June 18, 2010	1,245
88th	June 17, 2011	1,439

01-2 Board of Directors

Important decisions related to the management of our corporate group are discussed at the Board of Directors meetings. Important managerial issues are first reviewed by a meeting of the Management Council, which is attended by all directors and standing corporate auditors, in addition to executive officers who are related to the issues at hand. This procedure is intended to deepen awareness and understanding of the persons involved. We have 10 directors and 29 executive officers, some of whom are concurrently directors.

01-3 Auditors, internal audits, and accounting audits

Sumitomo Metals has adopted an auditor system based on the Companies Act of Japan. Auditors supervise and audit the decision-making of our Board of Directors as well as execution by our officers. A majority of our auditors, 3 out of 5, are outside auditors. Their term is 4 years. The Internal Auditing Department supports auditors' work and the size of its staff, function, and personal affairs are decided by the Board of Auditors.

Auditing of our accounts and financial statements is conducted by Deloitte Touche Tohmatsu LLC-Japan. In coordination with this certified public accountant and our auditors, our Internal Auditing Department supervises and audits executions by the executive officers.

01-4 Appointment of candidates for directors, executive officers, and auditors

Candidates for directors and executive officers are screened by the Personnel Committee, and are appointed by the Board of Directors.

Candidates for auditors are nominated by the Board of Directors, and are reviewed by the Board of Auditors. Important criteria for our external auditors are to have broad experience and insight from their respective field of expertise and to have no vested interests in Sumitomo Metals or its major business partners.

After we established the corporate governance structure, we set the term of office for directors at one year in order to ensure transparency with regard to responsibility during any given business year. No external director is in office at present.

01-5 Remuneration paid to directors and auditors

Regarding remuneration provided to directors and auditors, the general meeting of shareholders approves the lump sum monetary amount appropriate for each board to perform its functions needed to raise corporate value. The amount for each individual is determined by discussion at the Board of Directors for directors, and the Board of Auditors for auditors, with due consideration given to business results and other factors within the total amount determined by the resolution of the general meeting of shareholders.

Fiscal year	Ordinary income (¥ billion)	ROE (%)	Dividend (¥ /share)	Payment to Directors (¥ million)	Payment to Auditors (¥ million)
2005	280	36.7	7.0	447	90
2006	327	28.3	8.0	836	161
2007	298	20.3	10.0	733	147
2008	225	11.1	10.0	779	141
2009	-36	-5.9	5.0	738	133
2010	34	-0.9	3.5	655	122

01-6 Management of group companies

Regarding management of group companies (excluding listed companies), we ask them to consult with us concerning their important decision-making matters and report on their operations and execution on a regular basis.

01-7 Dialogues with the investment community, including shareholders

Investor relations (IR) activities are important for Sumitomo Metals. We conduct a wide range of IR activities, so that shareholders and other investors can understand actual conditions, policies, practices, and "intangible assets" of the company. We supply corporate information needed for investment decision-making in a timely and accurate manner.

We invite our shareholders to our factory tours in the spring and fall.^{*1} In spring of 2011, a total of around 600 shareholders visited 4 of our steelworks.

Institutional investors		Individual investors	
Results briefing	Quarterly	Business briefing	2009 2 times
Plant tour	At all times		2010 4 times
One-on-one meetings	Many		

Individual shareholders		
Plant tour ^{*1} (5 locations)	2009 1,930 participants	2010 2,030 participants
Invitation to the J-league football games of Kashima Antlers ^{*2}	2009 Season 5,200 invitees	2010 Season 5,700 invitees

^{*1} Shareholders who own more than 10,000 shares are eligible.

^{*2} Shareholders who own more than 5,000 shares are eligible.



Organizational Assets

01-8 Board of Directors

**Hiroshi Shimozuma**Representative Director
(Chairman)**Hiroshi Tomono**Representative Director
(President)**Fumio Hombe**Representative Director
(Executive Vice President)

Responsible for Corporate Planning, Information Systems, Internal Auditing, Treasury, Public Relations & Investor Relations, General Affairs, Legal, Steel Sales & Production Administration and Project Development Departments, Domestic Offices, Sales of all Internal Companies

**Yasuyuki Tozaki**Director
(Executive Vice President)

Responsible for Environment, Technology & Quality Administration, Plant Technology & Purchasing, Blast Furnace Project, Intellectual Property and Automotive Technology Planning & Development Departments, Technical Consulting & Machinery Development Project Team, Corporate Research & Development Laboratories, Titanium Division, Safety Technology, Technology and Quality of all internal Companies

**Syuichiro Kozuka**Director
(Executive Vice President)General Manager of Osaka Head Office, President of Pipe & Tube Company
Responsible for Personnel & Industrial Relations and Safety & Health Departments**Michiharu Takii**Director
(Senior Managing Executive Officer)

Responsible for Corporate Planning, Information Systems and Internal Auditing, Treasury, Public Relations & Investor Relations Departments

**Shinichi Miki**Director
(Senior Managing Executive Officer)President of Steel Sheet, Plate & Structural Steel Company
Responsible for Bhutan Steel Technical Collaboration Department**Yoshitaka Hotta**Director
(Senior Managing Executive Officer)

Responsible for General Affairs, Legal, Personnel & Industrial Relations and Safety & Health Departments

**Kiyotaka Nogi**Director
(Senior Managing Executive Officer)

President of Railway Automotive & Machinery Parts Company

**Shinya Okuda**Director
(Senior Managing Executive Officer)

General Manager of Nagoya Sales Office

01-9 Auditors



Kitaro Yoshida
Standing Corporate Auditor



Hirohiko Minato
Standing Corporate Auditor



Keiichi Murakami
Outside Corporate Auditor
Attorney, Visiting Professor of
Doshisha University Law School



Toshiro Mutoh
Outside Corporate Auditor
Chairman of Daiwa Institute of
Research, Ltd.,
Director of Mitsui & Co., Ltd.



Hirotake Abe
Outside Corporate Auditor
Certified Public Accountant,
Outside Corporate Auditor of ITC
Network Corporation,
Visiting Professor of Chuo Graduate
School of International Accounting

We, Corporate Auditors, have the role of ensuring, through auditing, the corporate governance structure which allows the company to achieve sustained growth. As a corporate body trusted by shareholders, the Board of Auditors verifies whether directors execute their duties in accordance with laws, regulations, and the Articles of Incorporation and whether decisions made by the Directors are considered reasonable as business judgments. In particular, our focus has been on whether the internal control systems that the Company has developed, such as the compliance and risk management systems, are appropriately

established and are being used effectively at the Company and its group companies.

We always cooperate with the Internal Auditing Department and the Department responsible for Corporate Governance. We also work together with the Outside Auditors who have experience and insight in their respective field, in order to realize enhanced appropriate auditing. Moreover, we communicate in a timely manner with our Accounting Auditors and verify the credibility of their audits.

Kitaro Yoshida
Chair of the Board of Auditors

01-10 Accounting Auditors



Hiroshi Yoshida
Certified Public Accountant
Deloitte Touche Tohmatsu LLC-Japan



Yukitaka Maruchi
Certified Public Accountant
Deloitte Touche Tohmatsu LLC-Japan



Tsuguo Ito
Certified Public Accountant
Deloitte Touche Tohmatsu LLC-Japan



Eiichi Izumo
Certified Public Accountant
Deloitte Touche Tohmatsu LLC-Japan

Based on our mission and duty as Certified Public Accountant (CPA) and our management philosophy that states, “Ensure fairness within our economic society and take the lead in contributing to its development,” Deloitte Touche Tohmatsu LLC-Japan is reaffirming its social mission and responsibility and putting the greatest priority on quality in all its operations.

We endeavor to constantly listen to the views of the public and to ensure independence, probably one of the most important principles a CPA should observe. We also endeavor to ensure integrity, an approach that all professionals should naturally have. By observing these principles, we will continue to strive to carry out accurate audits that satisfy the expectations of all stakeholders and work to meet the needs of society.

Organizational Assets

02 CSR Management

We believe management and CSR are inseparable. The Sumitomo Metals Group strives to improve CSR and improve the quality of its business and management by incorporating the CSR committee into its corporate governance structure. To us, CSR means achieving sustained growth in corporate

value by cultivating “intangible assets” such as organizational assets, customer assets, human assets, and technology assets. It also means growing in harmony with environment and society. We establish a structure that allows us to implement CSR activities that are unique to Sumitomo Metals.

03 Risk management

Continual business operation is a prerequisite for the sustained growth of a company. Sumitomo Metals identifies potential risks and takes preventive measures against possible impacts from such risks. For example, we have been well prepared and trained for emergency events such as an earthquake or other disasters. When the Great East Japan Earthquake hit Northeastern Japan on March 11, 2011, all work places began to check the safety of employees immediately as trained, crisis control centers were established at all of our steelworks by

early evening, and the first emergency aid supplies arrived at the quake-damaged Kashima Steel Works by early next morning, followed by more supplies and the arrival of support staff from other facilities and the group companies. By March 26, two blast furnaces and the thermal power station which supplies electricity to Tokyo Electric Power Company had restarted their operations. The quick recovery of our operations with no human casualties has proven the effectiveness of our routine drills and preparation.

Risk management structure

Risk Management Conference and Crisis Management Committee

The Risk Management Conference identifies, evaluates, and establishes preventive measures against risks. Knowing measures in advance enables us to minimize risk impact. In the case of an emergency, a Crisis Management Committee is set up, and then makes quick, appropriate decisions and takes actions. Training is conducted to prepare for this.

Primary risk items	Primary countermeasures and other responses
Compliance violations	Observe the Anti-Monopoly Law, insider trading restrictions, labor related laws, Public Offices Election Act, Political Fund Control Law, and other laws and regulations, and carry out quality management, security trade control management, and correct subcontractor management.
Natural disaster, war, or civil disturbance	Conduct disaster-prevention management, safety and health management, and stable procurement of raw materials and supplies.
Environment	Observe environmental regulations.
Accident	Conduct equipment diagnosis and create information backup systems.
Litigation	Intellectual property management.

Example

Promoting BCP*

We have prepared guidelines for action and have become well prepared against earthquakes or other disasters through realistic drills. When the Great East Japan Earthquake hit, we promptly established a crisis control headquarters and proceeded with information gathering, drawing up a recovery plan, and other steps. We have adopted the facility risk management method to prevent serious equipment trouble and have prepared to continue business with minimal damage in the case of new infectious diseases.



First-aid life saving drill

*Business Continuity Plan : Planning and preparation aimed at ensuring the continued business operation in the event of a disaster.

04 Compliance

Compliance is a precondition for the very existence of business. It is also a significant part of the Sumitomo Spirit which we have inherited, as expressed as “Sumitomo shall respect statutes and

honor the Family rules” in the Rules Governing the Sumitomo Family. Sumitomo Metals strives to enhance and carry on its compliance system based on the Spirit.

Compliance system



Specific measures on compliance

We have the “Compliance Manual”, in which the basic rules of compliance are described, and the “Compliance Counseling Service” has been established. All employees carry a compliance card with them, while directors and officers submit compliance pledges, with an aim to be conscious about it. Moreover, the company holds various kinds of training sessions regarding compliance.

Sumitomo Metals Compliance Card

Action Declaration

We declare that we shall take actions with pride and consciousness as employees of Sumitomo Metals and act in compliance with laws, internal regulations and other rules.

Self-Check Points

Do I take actions

- ☒ in compliance with laws, internal regulations and other rules?
- ☒ that satisfy the Sumitomo Spirit?
- ☒ that I can talk to my family and friends with confidence?
- ☒ that I can explain to my customers and business partners?
- ☒ that I can be proud of, even when reported in media?

05 Quality management

Quality is a must for manufacturing on the one hand and an eternal objective on the other. We have stipulated the Basic Quality Policy and the Quality

Management Action Policy and are engaged in thorough quality management.

Quality management and promotion system

The executive vice president in charge of quality has been assigned to enhance quality management system. We have established a Quality Planning Department, which is independent of the Quality Assurance Department, at each steelworks, to strengthen the checking system. In addition, a Chief Quality Officer (CQO) has been assigned at each group company to improve quality as the Sumitomo Metals Group.

Basic Quality Policy

Provide high-quality products and services that meet the needs of our customers.

Quality Management Action Policy

1. Understand that quality is one of the most important issues for our business, and work to maintain and improve the quality management system.
2. Employees in production, sales, engineering, research, and all other areas shall continuously carry out quality improvement activities in line with our basic policy.

Organizational Assets

06 Environmental management

It is important to live together in the community or society, or on the Earth, with due consideration for the environment. The Sumitomo Metals Group has a structure to improve or solve environmental problems as a group.

Environmental Management System

Group-wide organization

Sumitomo Metals and the group companies have established an organization for environmental protection, based on the “Action Guidelines for the Global Environment” (<http://www.sumitomometals.co.jp/e/csr/program/policy.html>.) It includes Sumitomo Metals’ Environmental Committee, the Group Environmental Committee, and the Group Environment Supervisor Council. We also have a system to respond in an environmentally friendly and legal way with the consideration for the environment in the event of emergency, through the “Crisis Management Committee” and the “Compliance Committee”.

Environmental Management System(EMS)

Constructing a system for environmental preservation activities

Sumitomo Metals has acquired ISO 14001 certifications at all works. The ISO 14001 standard requires improvements in the level of environmental management through the “plan-do-check-action” (PDCA) cycle. We are also working toward the acquisition of certification for EMS at our group companies.

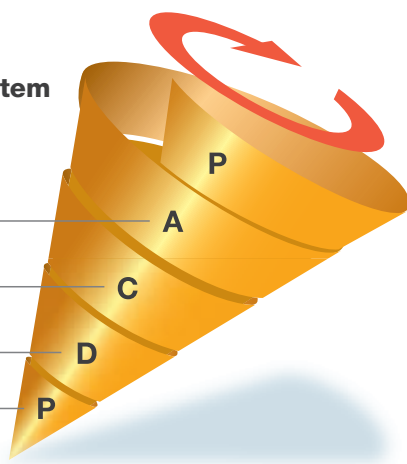
Environmental Management System

[Action]
Apply results to the following plan.

[Check]
Inspect, audit, and review.

[Do]
Carry out the action plan.

[PLAN]
Draw up the action plan.



Basic Environmental Management Policy

We conserve environment globally and contribute to creating recycle-oriented society from a long-term perspective.

Environmental Audit

Internal and external audits for raising the level of our personnel and technologies

In addition to internal audits, each business site is periodically audited by an external auditing agency for certification of the ISO 14001. The Environment Department of the head office and members at other business sites inspect each other. Moreover, Sumitomo Metals audits group companies to continuously raise the levels of both the personnel and technologies involved in environmental preservation activities.

Environmental Education

Raising environmental awareness among all employees

Appropriate environmental education is provided for employees at every level, from new hires to senior executives. In 1983, we became the first steelmaker to conduct company-wide environmental study and training, which we still conduct regularly today. Sumitomo Metals also provides training programs and lectures specifically designed for each business site, works, and our group companies.

Green Purchasing

Reducing environmental burden throughout the product life cycle

When purchasing raw materials and parts, we take into account reducing environmental burden throughout the product life cycle such as longer service life and recyclability. We also use low-emission vehicles and utilize lumber from forest trimming as cushioning materials for product transport. We conform to the green purchasing programs of our customers. Furthermore, we have established a system to check contents of chemical substances in advance to avoid the inadvertent use of hazardous substances.

Processing supply chain environmental impact information based on international standards

Amid the tightening of regulations governing chemical substances on a global basis, we are endeavoring to reduce the use of regulated substances and are also actively respond to inquiries regarding chemical substances contained in our products.

Disclosure of Environmental Information

Keeping the public informed on environment

<“Environmental Public Relations Center” at Wakayama Steel Works>

In April 1996, Wakayama Steel Works opened the Environmental Public Relations Center outside the steelworks. This center provides real-time environmental information, such as information on air quality, noise, and vibration inside and in the vicinity of the works, to local residents. The center is also used to learn about the environment and is visited by more than 1,000 people every year.

Environmental Accounting

For environmental preservation and energy conservation

We compile environment-related capital investment and maintenance costs and use them as a benchmark to evaluate our efforts in environmental preservation and energy conservation. In fiscal 2010, environment-related investment and maintenance costs amounted to 19.5 billion yen and 57.3 billion yen respectively, while related R&D expenditures were 15.1 billion yen.

07 Information Securities

Information securities management system

The “Information Security Committee” maintains and improves the management systems of our entire Group in order to protect company information assets from various potential threats, including the risk of inadvertent leakage.

Protection of personal information

Sumitomo Metals has created the "Guidelines for Handling of Personal Information" and the "Personal Information Protection Manual" for promotion of proper handling of personal information.

Prevention of information leakage

Company information is divided into three categories according to the degree of damage that might incur if leaked, and information control methods have been established for each category. We also take measures such as education and equipment to prevent information leakage.

Organizational Assets

08 Protection of intellectual property

Intellectual property management system

Sumitomo Metals recognizes that its business strategies and intellectual property strategies are inseparable. The head of each internal company serves as the top administrator of intellectual property, and a Patent Portfolio Manager (PPM) is assigned under that person. With this system, each internal company is able to function as a team to execute the intellectual property strategy. The Intellectual Property Department provides support and coordination for each business area.

Efforts for the protection of intellectual property

We acquire and utilize rights related to the proprietary technologies and eliminate imitation products that violate our rights. At the same time we respect the intellectual property rights of other companies, and conduct the necessary investigations to avoid violating them. We also carry out intellectual property training and in-house workshops each year to improve understanding and awareness of our employees.

Sumitomo Metals' Crisis Management Capabilities Exercised in the Great East Japan Earthquake

Kashima Steel Works was damaged by the Great East Japan Earthquake of March 11, 2011 but no one was hurt, and it resumed operation in a short period, thanks to our constant disaster training drills. The Sumitomo Metals Group is now reviewing and evaluating the measures taken, in order to improve its crisis management program, in preparation for disasters in the future.

Measures taken

1 An earthquake measuring around 6 on the Japanese seven-level seismic scale and a tsunami occurred on March 11, 2011 but resulted in no human casualties in the Sumitomo Metals Group.

2 In approximately 90 minutes after the major earthquake, over 2,000 people at Kashima Steel Works were evacuated to higher ground and the crisis control center was established.



3 In the morning of the day after the earthquake, we began to draw up a recovery plan.



4 We returned to normal operation during May 2011.

Date	Since the earthquake	
March 15	4 days after	Shipment of lightweight welded H-beams resumed.
March 20	9 days after	The blast furnace was restarted.
March 25	2 weeks after	Sumitomo Metals Kashima Thermal Power Station (Independent Power Producer) resumed supply of electric power to Tokyo Electric Power Company.
Late May	2.5 months after	Kashima Steel Works returned to normal operations.



One of Wakayama's cranes was moved to Kashima.

A crane was damaged by a tsunami-wrecked ship.



Customer Assets

We endeavor to enhance relationships of trust with our customers

We seek to be No. 1 in customers' evaluations.

We make our best efforts to be recognized by customers for our competitiveness and value, to help customers solve problems, and to build strong relationships of trust.

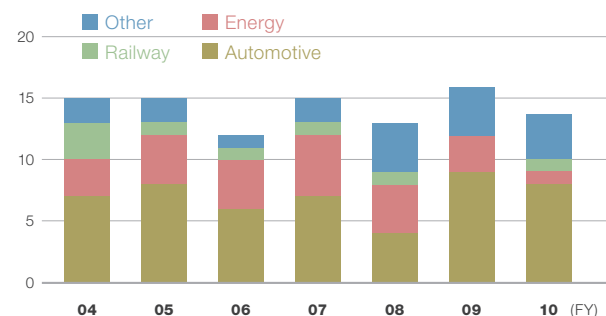
01 We seek to be No. 1 in customers' evaluations.

The Sumitomo Metals Group assigns great importance to customers who find our technology, quality products, and services indispensable to their businesses. We make our best efforts to help our customers solve problems and to build strong relationships of trust, and thus achieve sustained growth.

Our group is making various efforts to increase such customers, depending on the characteristics of a business. For example, in steel sheets, specialty pipes & tubes, specialty steel, and stainless steel businesses, we have defined the ratio of sales of which our products and services are evaluated to be indispensable to the customers' businesses, as our "Customer Penetration Ratio," and we focus on improving this ratio. We also are involved in joint research or technological exchange meetings with customers. In the OCTG business, we focus on

increasing long-term contracts. Our high quality products and excellent performance of delivery have been highly evaluated from our customers, and as a result we have received various awards.

Number of Technology and Quality Awards, and Commendations from Customers



Awards and commendations obtained from customers in fiscal 2010 and after.

(As of end of April, 2011)

Customer	Industry	Award	Reason for award
Mitsubishi Heavy Industries, Ltd.	Construction machinery	Special Award	Special award: Recognition of on-time delivery, quality, and costs
Daihatsu Motor Co., Ltd.	Automotive	Quality Excellence Award	Company-wide programs for reducing the defect rate, improving the operating rate, and reducing inventory
Toyota Industries Corporation, Toyota L&F Company	Automotive	Certificate of Commendation	Maintaining a high quality level
Toyota Motor Corporation	Construction materials	Consecutive Quality Control Award for Toyota Housing Corporation	Achievement of "zero missing items, defects, market claims, or late deliveries" quality target for five consecutive years
Toyota Motor Kyushu, Inc.	Automotive	Lexus Quality Award	Maintaining a high quality level (three consecutive years)
TTX Company (USA)	Railways	Excellent Supplier	Overall recognition of quality, including defects, on-time deliveries, and customer service
Panasonic Corporation	Electric	ECO-VC Gold Award	Adoption of heat release steel sheet as heat sink material for ultra-thin TVs
Panasonic Corporation	Construction	ECO-VC Gold Award	Weight reduction in beam materials for housing
Mitsubishi Heavy Industries, Ltd. Kobe Shipyard & Machinery Works	Energy	Quality Assurance Activity, Excellent Manufacturer Award	High standard of quality (Zero mistakes in steel inspection certificate in fiscal 2009)
Toyota Motor Corporation	Automotive	Letter of Appreciation	Quality target achievement and quality improvement activities (3 consecutive years)
Toyota Motor Corporation	Automotive	Excellent Quality Management Award	The first specialty steelmaker to be awarded, due to 3 consecutive years of Letter of Appreciation for Quality and 5 consecutive years of zero quality claims
Toyota Motor Corporation	Automotive	Superior Quality Award for Specialty Steel	Due to 2 consecutive years of Quality Award, and zero quality claims and quality default goal achievement in fiscal 2010
Mazda Motor Corporation	Automotive	Superior VE/VA Proposal Award	Cost improvement by VA proposal (total cost improvement by better product mix and technologies to relaxed quality standard)
Toyota Motor North America Inc.	Automotive	Excellent Quality Award	High standard of quality

02 We get close to customers and help solve their problems

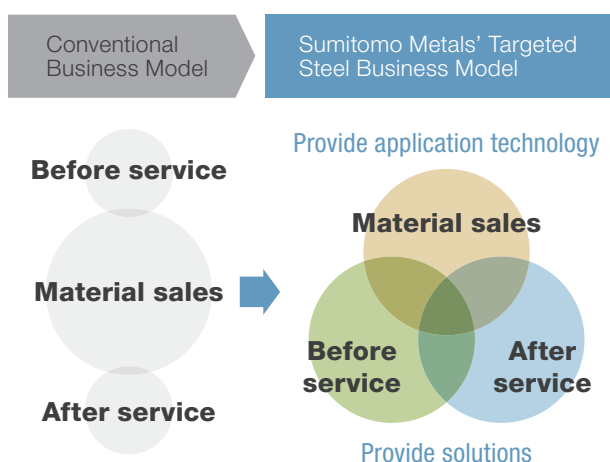
Automobile-related business

Our business is not simply to deliver products required by our customers. We help customers solve problems in all of their manufacturing processes, from development of materials and structures at the design stage of an automobile by a customer (“Before Service,”) through subsequent production, processing and inventory warehousing of necessary materials, to their assembly of final products (“After Service.”) This is our way to win the world’s top class evaluation of our customers.



Roving Quality Squad

Contributing to customers’ problem-solving with “Before Service” and “After Service”



Before Service

Sumitomo Metals dispatches its own engineers to assignments at the design departments of automobile companies (called “guest engineers.”) Sumitomo Metals was the first company to provide this kind of “pre-production service” which includes use of our organizational support scheme. We also enhance our distinctiveness by developing materials with a focus on application technology that takes into consideration how the specific steel materials are to be used by the customer.

After Service

“Roving Quality Squads” of our engineers visit customers’ manufacturing sites on a regular basis. Veterans in manufacturing at our steel mills bring back the voices of the customers to their own worksites, for further improvement.

Energy-related business

In the energy-related business, we seek to build a virtuous cycle of trust: to offer high quality products and services to customers ➡ gain trust of

customers ➡ become the first to be consulted for solving their problems ➡ develop new products ➡ set global standards ➡ gain greater trust of customers.

03 “SMICAT” (Sumitomo Metal Industries’ Customer Service in Application Technology)

We solve customers’ problems by deploying our group’s integrated technological capabilities. SMICAT is available to provide solutions for customers’ problems. This is a system that fully utilizes the Sumitomo Metals Group’s integrated technological capabilities that combine knowledge

and experiences of Sumitomo Metals and its group companies, including those for non-steel areas. Element technologies accumulated within the Group have been compiled in a database, for use in solving customers’ problems.

Human Assets

The power of people is a source of corporate value

The Sumitomo Metals Group believes that human resources are the driving force behind the creation of corporate value.

Our facilities were damaged by the Great East Japan Earthquake but our human assets, such as our employees' passion, pride, and safety awareness, have been strengthened by overcoming the crisis.

01 Diverse people work together

The Sumitomo Metals Group has more than 30 overseas bases, where approximately 4,000 employees of diverse background are working. Local employees take on important responsibilities and we have many locally oriented executives at those companies. At the same time, one out of 20 employees in our general management career positions are working at the group's overseas companies together with local employees, while bearing Sumitomo Metals' manufacturing spirit in mind.



International Crankshaft Inc. (the United States): Mr. Condon, CEO, and employees

02 Constantly hire and nurture employees

Taking a long-term perspective, Sumitomo Metals hires personnel every year and invests in their training and education on a constant basis. For example, a new "Fundamental Technology Training" program was introduced in 2010. In this program, young engineers at our steelworks are sent to study at the Corporate Research & Development Laboratories to upgrade their skills and know-how.



Welding training at the "Fundamental Technology Training"

03 Handing down Sumitomo Metals' manufacturing traditions to the next generation

Our veteran employees aged in their 50's and 60's, representing about 40% of our manufacturing workforce, are entering their retirement age. They are transmitting their accumulated skills and know-how to the next generation of young workers. The method of transferring skills and know-how has been evolved by systemizing teaching methods. For example, work procedures are visualized, while comprehension tests are conducted.



Transferring skills and know-how to young workers

04 Creating an employee-friendly environment

In order for our employees to bring out the best of their capacity, a good work environment and a good work-life environment for our employees and their families are equally important. We offer various welfare benefit programs that accommodate the needs of employees in each life stage. These include dormitories, company housing, and the “Life Plan Support Lump-sum Payment.” In 2010 we made an arrangement with childcare centers near our Tokyo Headquarters to support employees with young children.



In accordance with Japan's Act for Measures to Support the Development of the Next Generation, Sumitomo Metals has been certified as a General Business Operator Conforming to Standards in recognition of its activities to support employees' efforts to balance work and child-raising.

05 Safety and health of workforce are of utmost importance

The safety and health of our workforce are of utmost importance for corporate growth. Based on Sumitomo Metals' Basic Health and Safety Policy, we promote our employees' awareness regarding safety and health and aim to eliminate all industrial accidents. As an example, our “Hands-on safety training” enables employees to have the experience of risk operation through simulation. This program has been recognized as highly effective and the number of trained personnel, including those from other companies, has reached 180,000 since the program began in 1998. This training method has also been adopted overseas and in different industries. Thanks to its contribution to safety activities in industrial



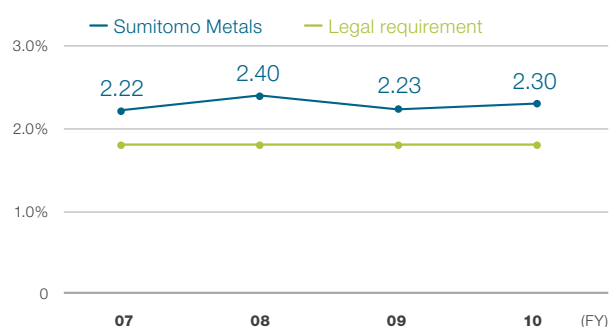
Virtual experience training for high-location risk: Drop a doll weighing 60kg from a high place and virtually feel the impact it felt when falling.

communities, Sumitomo Metals was awarded the special prize in the Japan Steel and Iron Federation Iron and Steel Safety Awards for 2011.

06 Respect human rights and hire the disadvantaged

Sumitomo Metals respects basic human rights, gives due attention to the rights of workers, and eliminates the use of forced and child labor. This is the prerequisite of our corporate activities. Our group has promoted human rights awareness-raising activities since 1979 when we set up a dedicated committee. As we have assigned high priority to employing disadvantaged people, their ratio to all our employees exceeds the legal requirement. We also give careful consideration to the traditions and cultures of each country, as our operations become global.

Changes in the ratio of disabled persons employed





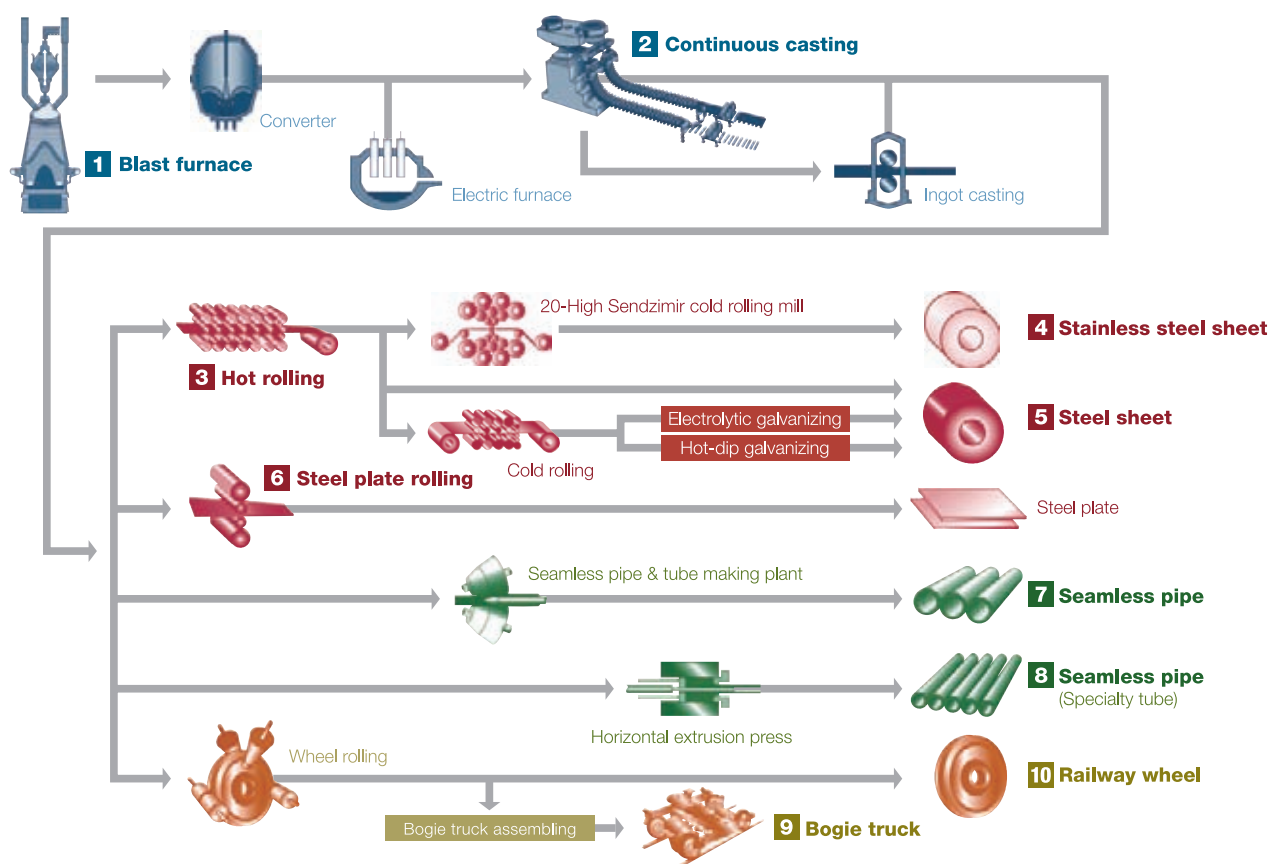


Technology Assets

Driving the Acceleration of Distinctiveness

At the Sumitomo Metals Group, we are accelerating research and development in our dedicated areas of strength and strengthening technologies that differentiate us from our competitors, in order to raise corporate value. Our integrated operation of R&D, production, marketing and sales will help earn the trust of our customers.

Sumitomo Metals' technological development has received high acclaim in many areas.



Major awards in recent years

Highest-ranked award

1 Blast furnace

Longest campaign life of No.4 Blast Furnace of the Wakayama Steel Works

2010 **Okochi Memorial Foundation Production Prize**

2009 **Monodzukuri Nippon Grand Award / Excellence Prize**

2007 **Nikkei Monozukuri Grand Prize**

2 Continuous casting

Development of new continuous casting technologies for very thick plate (PCCS)

2009 **The Japan Institute of Metals / Technical Development Award**

Innovation in manufacturing method of high-quality steel plates using nano-size particles

2007 **Monodzukuri Nippon Grand Award / Prime Minister's Prize**

Development of mold flux for high-speed continuous casting

2007 **National Commendation for Invention / Invention Prize**

3 Hot rolling

Development of an innovative production method allowing the production of flat hot-rolled high-tensile steel sheets

2009 **Monodzukuri Nippon Grand Award / Excellence Prize**

4 Stainless steel sheet

Development of high fatigue strength stainless steel for cylinder head gasket

2010 **Science and Technology Commendation from Minister of Education, Culture, Sports, Science and Technology, in the Development Category for Science and Technology** <Joint development with Honda R&D Americas, INC.>

2008 **The Japan Institute of Metals / Technical Development Award** <Joint development with Honda R&D Co., Ltd.>

Development of stainless steel foils for bipolar plates of polymer electrolyte fuel cells

2009 **The Japan Institute of Metals / Technical Development Awards**

Development of heat resistant stainless steel sheet "NAR-AH-7" for advanced high-temperature heat exchangers

2010 **Development of heat resistant stainless steel sheet "NAR-AH-7" for advanced high-temperature heat exchangers**

5 Steel sheet

Development of non-oriented electromagnetic steel sheet for high-efficiency motors / Development of resource-saving, high-strength electromagnetic steel "SXRC"

2010 **The Japan Institute of Metals / Technical Development Award**

2008 **Science and Technology Commendation from Minister of Education, Culture, Sports, Science and Technology, in the Development Category for Science and Technology**

2007 **Ichimura Industrial Prize / Contribution Prize**

Chromium-free surface-treated steel sheet "NEO Coat T2" for case materials for the small motor

2008 **CHO' MONODZUKURI Innovative Parts and Components Award / Encouragement Award** <Joint development with Asahi Chemical Co., Ltd.>

Development of crash-box that improves fuel and crash safety

2009 **Science and Technology Commendation from Minister of Education, Culture, Sports, Science and Technology, in the Development Category for Science and Technology** <Joint development with Toyoda Iron Works Co., Ltd.>

Development of small specimen testing technique and its application to strength evaluation of spot weld of steel sheets for automotive body

2007 **The Japan Society of Mechanical Engineers / JSME Young Engineers Award**

6 Steel plate rolling

Development and commercial application of new functional steel material with an extended fatigue-life

2010 **Science and Technology Commendation from Minister of Education, Culture, Sports, Science and Technology, in the Development Category for Science and Technology**

2009 **Ichimura Industrial Prize / Contribution Prize**

7 Seamless pipe



Invention for super-high strength low-alloy steel oil country tubular goods

2008 **National Commendation for Invention / Imperial Invention Prize**

8 Seamless pipe (Specialty tube)

Development of a high-strength austenitic steel tube, SUPER304H, for USC boilers

2007 **The Japan Institute of Metals / Technical Development Award**



Development of advanced stainless boiler tube for Ultra-Supercritical (USC) coal-fired thermal power plants

2008 **Okochi Memorial Foundation Grand Production Prize**

Invention of strengthened low-alloy steel for economical boilers

2009 **National Commendation for Invention / Invention Prize** <Joint development with Mitsubishi Heavy Industries, Ltd.>

9 Bogie truck

Fatigue design approach for railway bogie frames

2008 **The Society of Materials Science, Japan / JSMS Award for Technical Developments**

10 Railway wheel

Development of fatigue evaluation method for railway wheel under multiaxial stress state

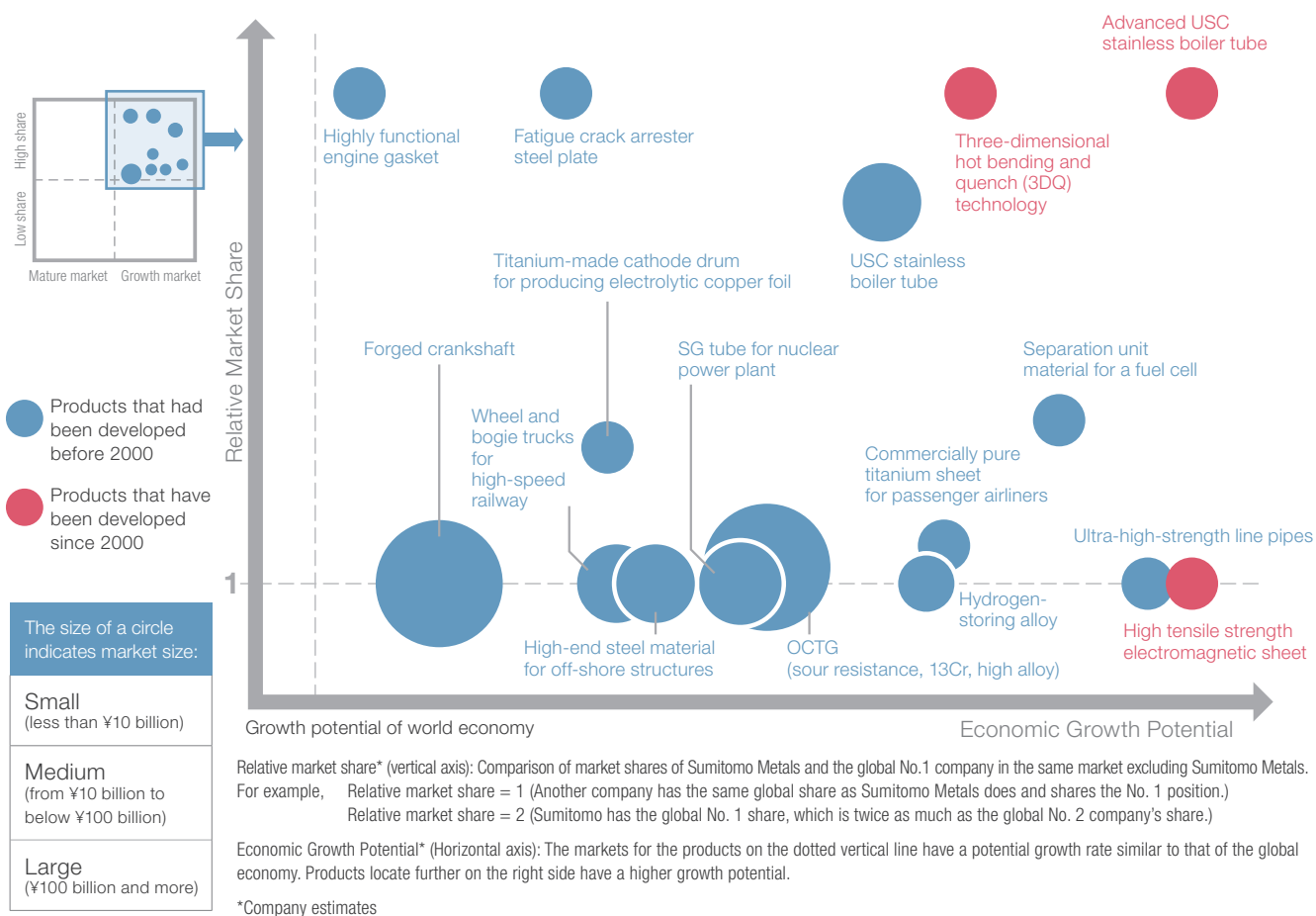
2009 **The Japan Society of Mechanical Engineers / JSME Young Engineers Award**

Distinctive Technologies Support Sumitomo Metals Group

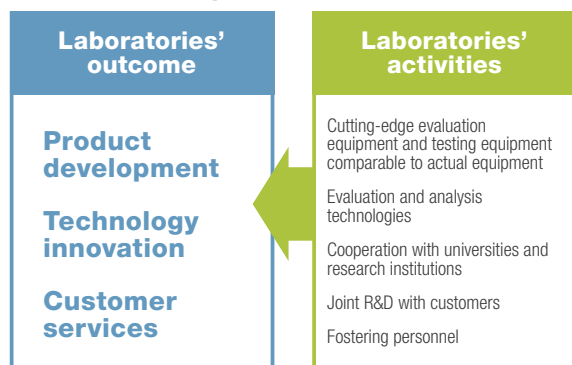
The Sumitomo Metals Group has developed new distinctive products and technologies in growth areas. Most of our current highly-profitable products have been identified as focused areas and developed since the 1990's. Our Corporate Research & Development

Laboratories are now doing research on next generation core products. We will continue to allocate development resources to our areas of strength and make sure to "add strength to strength," with the aim of raising corporate value.

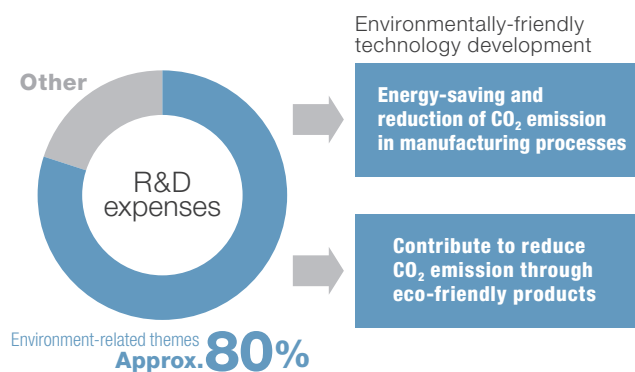
Bringing Up Next-Generation Core Products for Future Growth



Corporate Research & Development Laboratories



Research and Development Toward Solving Environmental Problems





Environmental Initiatives

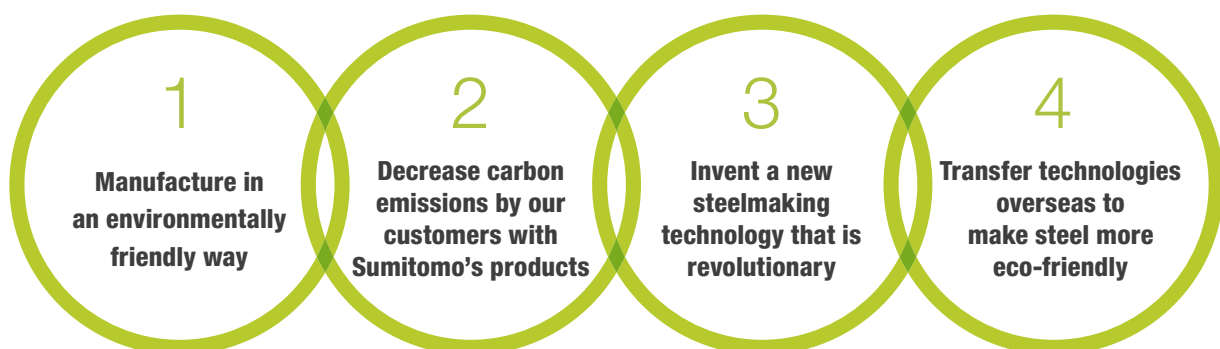
Sumitomo Metals solves environmental problems through technology

The Sumitomo Metals Group conserves the environment through technology. Having solved smoke problems of Besshi Copper Mine some 70 years ago has become Sumitomo's heritage.

We have developed new technology to reduce CO₂ emission during our manufacturing processes and new products that help curb emissions by our customers. Our researchers are trying to invent totally revolutionary steelmaking methods that dramatically decrease carbon emissions. We also transfer environmental technologies overseas to help the global steel industry become more eco-friendly.

Sumitomo Metals'

Four Actions for Better Environment





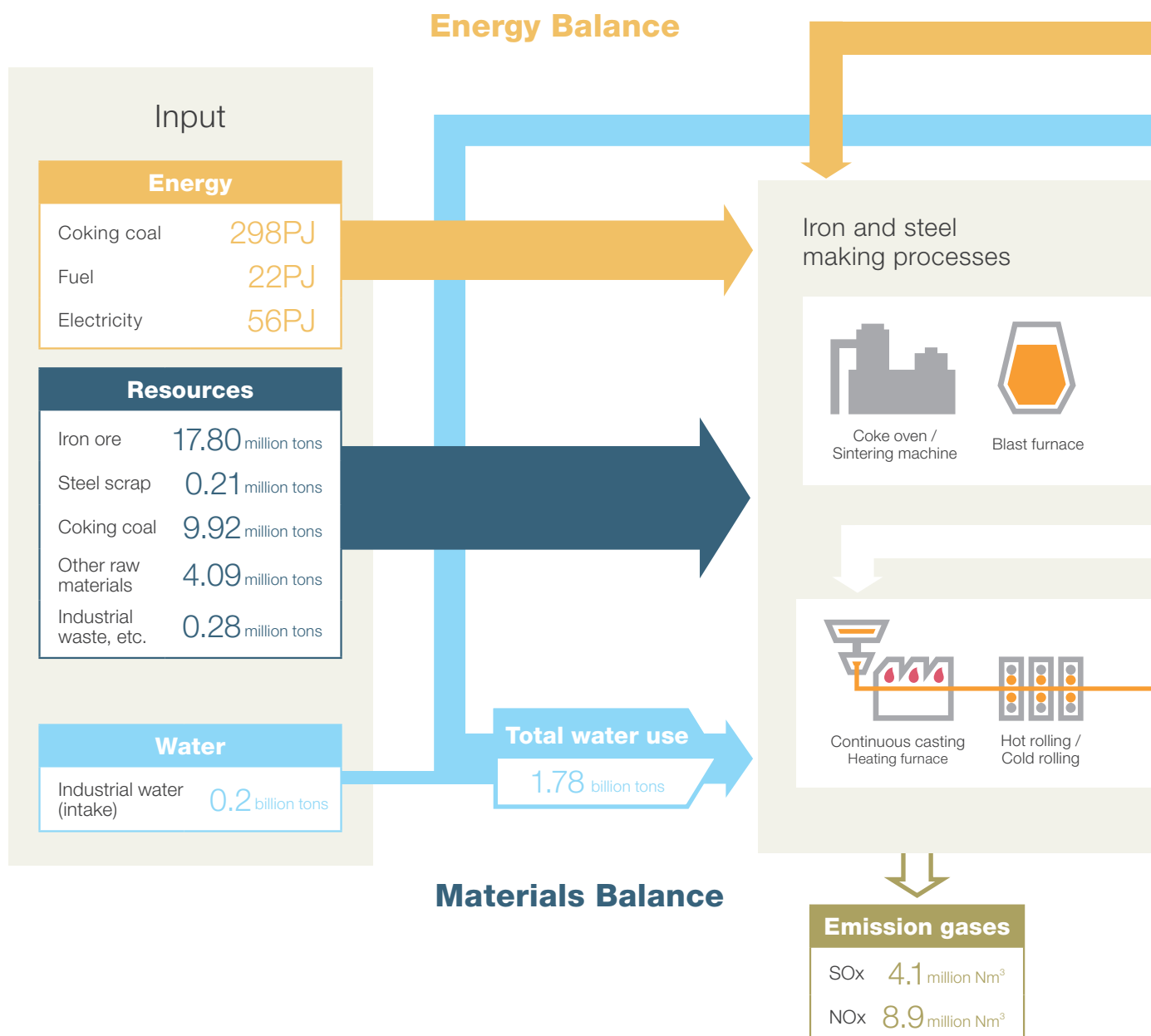
Reducing the environmental burden in our manufacturing processes

Energy Balance and Materials Balance

Continuing efforts to eliminate waste in the use of resources and energy in all processes

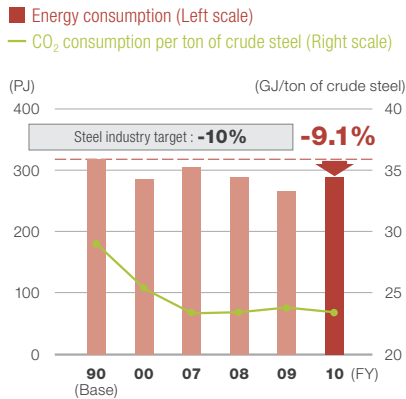
In our steelworks and workplaces, we have enacted thorough energy-saving measures in all processes with the aim of reducing CO₂ emissions. Examples of these efforts include improving equipment efficiency, raising the efficiency of combustion, and reducing the

electricity consumption. The water used for cooling and cleaning is recycled within the works. We also recycle by-products that are generated during manufacturing processes, and are making effective use of resources and energy, with our long-accumulated knowledge and technologies.



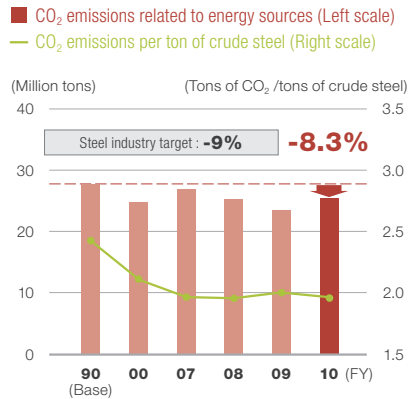
Energy consumption

Results relative to the targets of the steel industry's Voluntary Action Plan



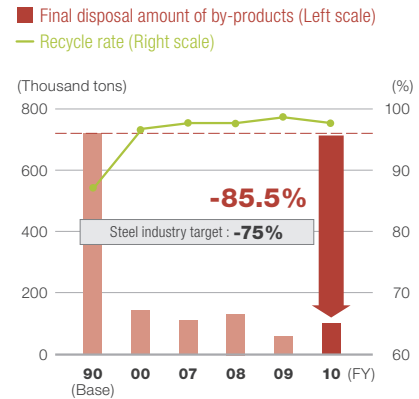
CO₂ emissions related to energy sources

Results relative to the targets of the steel industry's Voluntary Action Plan



Final disposal amount of by-products and recycle rate

Results relative to the targets of the steel industry's Voluntary Action Plan



Energy

By-product gas recovery **89PJ** Waste heat recovery steam **21PJ** Electricity recovery **16PJ**



Converter



Annealing furnace

Re-circulating water

1.58 billion tons

Wastewater/evaporation

0.2 billion tons

Water recirculating rate

89%

Final disposal

0.105 million tons

By-product recycling rate

98%

Products sold

Energy

By-product gases **44PJ**
Electricity **20PJ**
Others **22PJ**

Products

Steel (crude steel) **12.90** million tons

By-products

Slag products **5.58** million tons
(including products reused within the company)





Our Products that Contribute to Environment

We reduce environmental burden of our customers through our products.

Our products typically help our customers become more efficient, their products lighter, or their facility life longer. That translates into saving of resources or energies, and reduction of carbon emissions at

our customers. The carbon emission reduction of our products is estimated to be 220 million metric tons per year.

Energy related products

Stainless boiler tube for ultra supercritical coal fired thermal power generator



Stainless steel boiler tubes

Higher temperature and pressure is the key for coal fired power station to be efficient. We developed stainless steel that withstands the high temperature and high pressure situation called "ultra supercritical (USC)" and corrosion from sulfide contained in coal. A station with our USC tube emits 5% less carbon than the previously most efficient one.

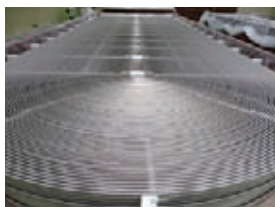
Super 13 Chromium Pipe



Super 13 Cr steel pipe for seabed pipeline

Line-pipes to carry natural gas must withstand corrosion. "Super 13 Cr Steel", which we invented, has excellent corrosion resistance. Its application started at North Sea in 1996 and now we have more than 500 km of pipelines under our belt.

Steam Generator (SG) Tube for PWR Nuclear Reactor



SG tubes for pressurized water reactor nuclear power plants

Nuclear power is almost carbon free electricity. We are one of the only three SG tube manufacturers worldwide. The surface of our SG tube is much smoother than the competitors, making defects detection easier, thereby making reactor safer.

Eco-Friendly Premium Joint "CLEANWELL® DRY"



CLEANWELL® DRY structure

Seamless pipe for oil exploration must be greased when connected by joints. The grease contains heavy metal and can be an environmental problem. We jointly developed with Vallourec & Mannesmann Tubes a surface treatment technology to eliminate such grease. We call it "CLEANWELL®."

Transportation Related Products

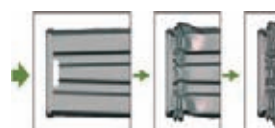
Electromagnetic steel sheet for efficient motors



Example of high-efficiency motor using electromagnetic steel sheet

Our electromagnetic steel sheet to be used as a core of efficient motor for hybrid and electric vehicles has superior magnetic property for efficiency and mechanical strength to withstand centrifugal force of high speed at the same time, thereby making motors efficient and powerful.

Efficient crash box



Efficient crash box

Crash box is a device to absorb crash energy of car accident. We developed a crash box that absorb more than 2 times of crash energy and has 30% less weight with Toyoda Iron Works Co., Ltd. It contributes to safety and gas mileage.

High-strength steel for forged connecting rods



Connecting rod and cracking surface

We jointly developed with Honda Motor Co. a revolutionary new material for the connecting rods that transmit the reciprocating motion of engine pistons to the crankshaft. This material allows the two parts to be created on a single line by forging a single part and then splitting it. This helps to reduce CO₂ emission in manufacturing process by 22% and also reduce its weight by 13%.

Fuel Injection Nozzles for Cleaner Diesel Engines



Common Rail Fuel Injection Tube

Diesel engines are more efficient and cleaner than petrol engines because of its higher compression ratio. We developed with Usui Kokusai Kogyo KK the first fuel injection nozzles that withstand the pressure of more than 200MPa.

Dual-wall Exhaust Manifold Pipe for Cleaner Exhaust



Dual-wall Exhaust Manifold Pipe

Sumitomo Metals (Naoetsu), Ltd., together with Toyota Motor Corporation and Sango Co., Ltd, developed a stainless steel that made very thin dual-wall exhaust pipe possible. It contributes to cleaner exhaust gas of engines.

Pure titanium sheet for aircraft, titanium alloy rods for aircraft engines



Airbus A380 ©AIRBUS

Titanium is being increasingly used in aircraft as means of reducing weight to lower CO₂ emission and reduce noise. Sumitomo Metals produces high-quality titanium alloy rods used in aircraft engine blade components and other parts, and Sumitomo Metals (Naoetsu) produces high-quality pure titanium sheet used in pylons that connect the wings and engines.

"FCA-W Steel Plate", high tensile-strength plate with improved fatigue strength of welded joints



Natural gas carrier ship

Sumitomo Metals has achieved weight reductions of steel structure such as ships, through the development of the innovative high-tensile-strength steel plate FCA-W, which not only controls the propagation of fatigue cracks, but also prevents fatigue cracks from occurring at welded joints in the first place.

High-speed railway wheels, axles, and bogies



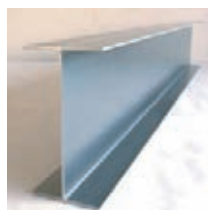
Railway wheels and axles

High-speed railway lines are being planned all over the world, as a modal shift aimed at cutting CO₂ emissions taking place in the transport sector. Sumitomo Metals' wheels and axles have 100% share in Japanese market, and around 35% share in the global market. We also have developed and commercialized new active suspension technology that reduces car body vibration and improves riding comfort in high-speed railway cars.

Household Related Products

SMart BEAM™ (lightweight welded H-beam)

SMart BEAM™



Sumitomo Metals' SMart BEAM™, produced by welded hot-rolled coils, is 20-30% lighter than a conventional rolled H-beam. It is mainly used in pre-fabricated houses, but also be used as beams in wooden houses and highly evaluated for reducing the amount of wood used, improving warpage of the floor and durability.

Heat release steel sheet for ultra thin TV displays



Heat release component for ultra thin TV displays

Our heat release steel sheet replaced aluminum for a heat sink of Panasonic Corporation's ultra thin TVs. Its heat release performance is near to theoretical limit and thus enables Panasonic Corporation to reduce carbon emission and to make the display thinner.





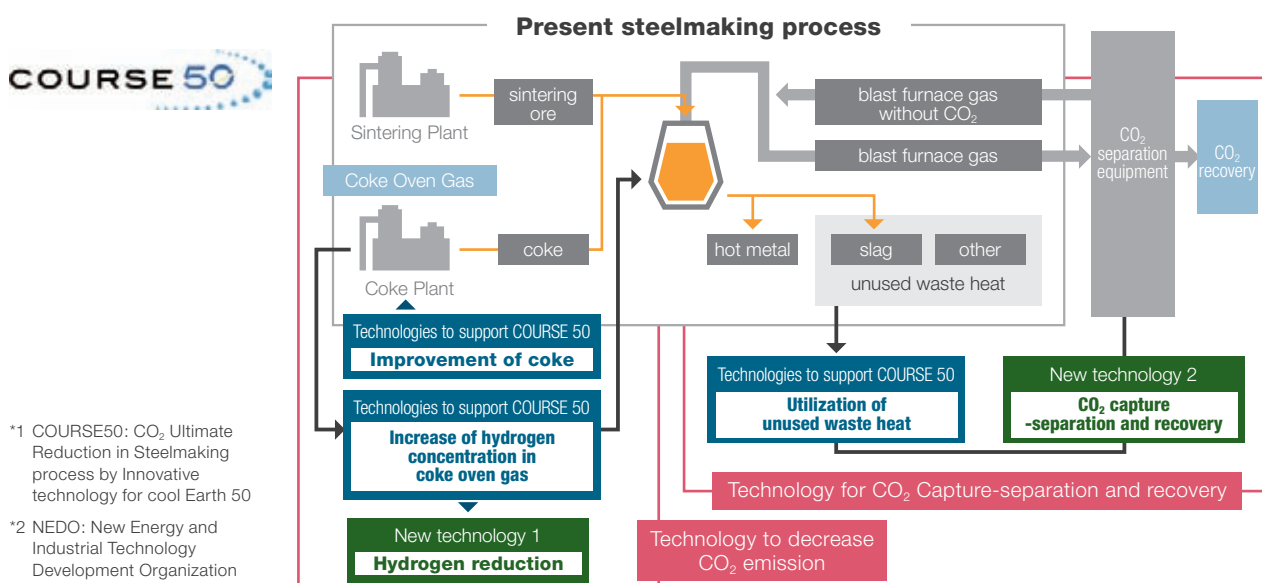
Developing revolutionary manufacturing technologies

We develop technologies that help improve the environmental burden substantially

Environmentally Harmonized Steelmaking Process Technology Development (COURSE50)^{*1}

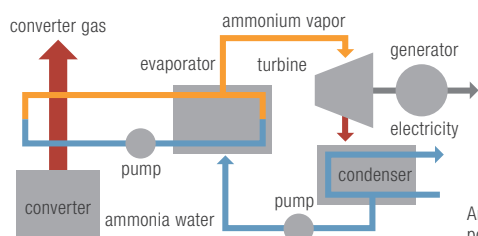
We are working to develop revolutionary steelmaking processes aimed at large-scale CO₂ reductions. The Japanese steel industry is already the lowest energy consumer in the global steel industry. This means that we have realized steelmaking processes that emit the least amount of CO₂. Any further improvements in efficiency would require the development of a revolutionary new steelmaking process. Under

contracts from NEDO^{*2}, various steel companies are working to develop eco-conscious steelmaking process technologies. Sumitomo Metals is developing technologies that can be applied in COURSE50, such as the use of 3D simulation analysis technologies to analyze reactions inside a blast furnace when hydrogen reduction occurs, and the Kalina Cycle power generator, which we commercialized first in the world.



Kalina Cycle power generators that produce no CO₂

The Kalina Cycle power generating system is a revolutionary new technology that uses a water-ammonia mixture medium to recover low-temperature (100°C or less) waste heat for use as electric power. This waste heat had previously been difficult to recover. We are working to develop a high-efficiency heat exchanger, integrated thermal recovery system, and other components to overcome the challenge of lowering equipment cost.



An example of Kalina Cycle power generation system



World's First Kalina Cycle Power Generator (Kashima)



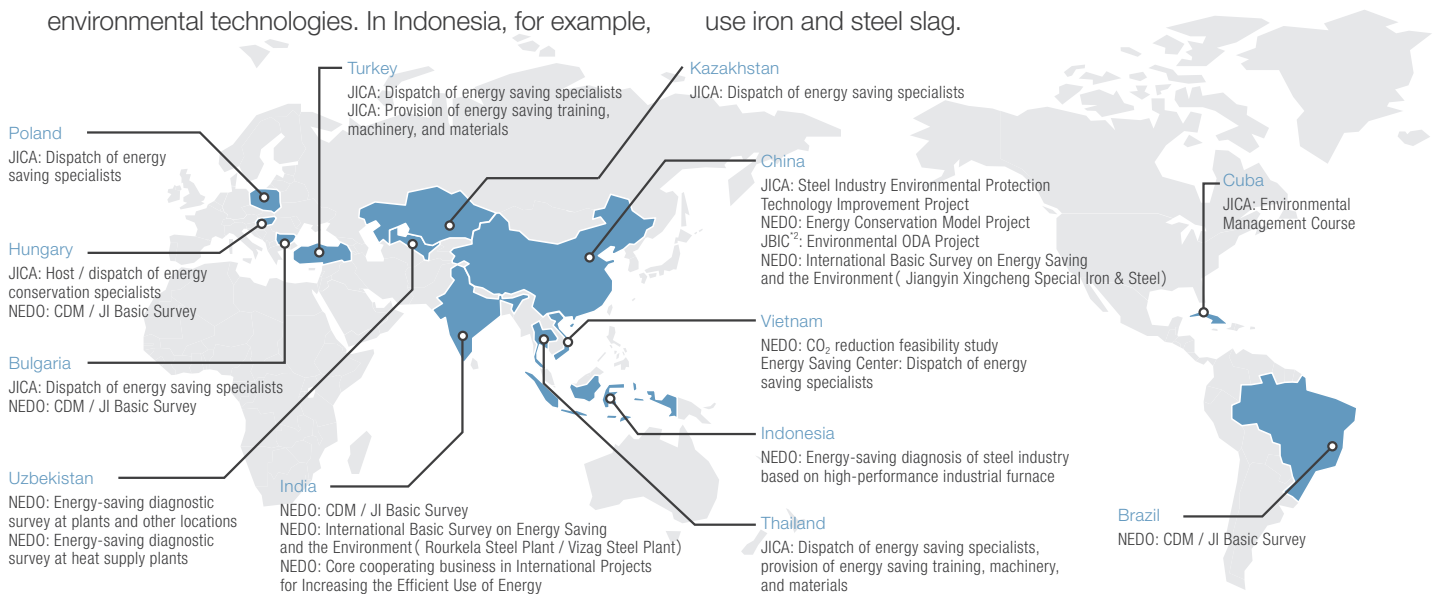
Contributing to the global environment through overseas deployment of our technologies

We make use of the Group's environmental technologies worldwide

Sumitomo Metals Group's technologies are resolving environmental issues around the world

We are participating in a wide range of environmental projects worldwide and helping to prevent global warming through the use of our superior environmental technologies. In Indonesia, for example,

we are involved in the JICA^{*1} project to turn peatland and other poor land for agriculture into rich farmland, with our Group's soil improvement technologies that use iron and steel slag.



^{*1} JICA: Japan International Cooperation Agency ^{*2} JBIC: Japan Bank for International Cooperation

Steel companies around the world cooperate in addressing environmental issues

Japan-China steel industry exchange meetings regarding advanced technologies related to environmental preservation and energy saving

Experts from Japan and China have met every year since 2005 to discuss a wide range of environmental issues, including the reduction of greenhouse gases and the treatment of waste gases and waste water.

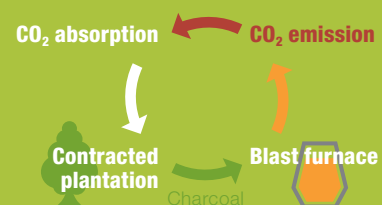
Major steel companies cooperate in drawing up measures to prevent climate change (World Steel Association)

The World Steel Association, which comprises more than 130 major steel companies, is carrying out activities aimed at reducing CO₂ emissions on a global scale. It calculates the specific CO₂ emissions from steel production based on the global common industry standard, and promotes an improvement in these figures.



Now constructing the steelworks that produces seamless pipe, with close to zero net emission of CO₂

It is planning to switch the reducing agents in the blast furnace from coke to charcoal made from eucalyptus trees that will be grown and harvested at plantations. The CO₂ that the eucalyptus trees absorb when growing is projected to be nearly equivalent to the volume of CO₂ emitted from the blast furnace operation, resulting in close to zero net emission of CO₂.



Together with Communities and Society

Sumitomo Metals inherits the Sumitomo Spirit and contributes to its communities and society

Sumitomo's silvicultural history has been handed down for more than a century

01 Sumitomo's silvicultural activity brought back greenery

At the end of the 19th century, the mountains in Besshi in Shikoku Island were damaged by Sumitomo's copper refinery operation. At the beginning of the 20th century, Sumitomo initiated a

large-scale long-term planting of trees to restore the greenery of the mountains. In some years, as many as 2.5 million trees were planted. The once-damaged mountain slopes are now covered with trees.



Before afforestation (1881)
©Sumitomo History Museum



At present
©Sumitomo Forestry Co.

02 Sumitomo Metals Group inherits Sumitomo's DNA

A typical example of Sumitomo Metals Group's silvicultural activities is an annual tree-planting event called Kamoshika Forest Tree-Planting Festival, which has been held at the Sumimetal Mining Hachinohe limestone quarry ("Hachinohe Canyon") since 2005 under the motto of "Plant two trees for every one cut down." Since the project began, the tree-planted area has expanded to 40,500m². We aim to restore an environment conservation forest area that will be close to indigenous conditions in 20-30 years.

The Sumitomo Metals Group also participates in other various planting activities. Wakayama Steel Works, for example, participates in environmental improvement of forest by using converter slag to improve soil. Amagasaki Steel Tube Works has participated in the 21st Century Forest Project of Amagasaki City and Hyogo Prefecture and began promoting greater setbacks of building walls to create more space for greenery. Hyogo Prefecture has designated our activities as the "promotional model of greening roadsides."



Kamoshika Forest Tree-Planting Festival



Steel Tube Works: Before setbacks



After setbacks

The core of the 400 years old Sumitomo Spirit is to engage in business that contributes to society by being in harmony with local communities where production and business are conducted. The Sumitomo Metals Group has inherited this DNA and contributes to local communities, with due respect to environmental preservation and through activities such as sports events, plant tours, and volunteer activities.

Sumitomo Metals Group contributes to local communities as their member

Our steelworks and offices are engaged in various community activities

01 Contributing to local communities via sports

The Sumitomo Metals Group contributes to local communities via sports. Sumitomo Metals' Kashima baseball team is one of the strongest teams that has been selected 13 times to participate Japan's Inter-City Baseball Invitation Tournament. The team organizes baseball classes and other activities for children in the community.



A baseball class held by Kashima baseball team

Sumitomo Metals' steelworks and offices are also engaged in various volunteer activities such as sports events in their local communities.

The Kashima Antlers, one of top professional J-League teams, originated as Sumitomo Metals' own in-house soccer team, helps vitalize Kashima City and surrounding communities.



Kashima Antlers FC

14,000 households participating in the Environmental Household Account Records

The Sumitomo Metals Group encourages all employees to participate in the Environmental Household Account Records project. More than 14,000 households are participating, and practicing lifestyles that are gentle on both the global environment and the family budget. Based on the amounts of electricity, gas, gasoline, and other resources used by a household, the amount of CO₂ emissions is calculated and recorded in the Environmental Household Account Records. Beginning from April 2010, the results are posted on the corporate website, which displays the total for the Group as a whole. This gives the participants a sense of accomplishment.



<https://www.eco-kakeibo-smi.jp/>

02 Plant tours as an opportunity to exchange with people in communities

We consider it important that residents in the communities where we operate understand our business. The Sumitomo Metals Group invites many local residents from primary and middle school students to adults for tours of our steelworks and plants each year. During fiscal 2010 about 43,000 persons participated in such tours.



Plant tour

Financial Section

66	Analysis of Financial Condition and Results of Operations
71	Consolidated Balance Sheet
72	Consolidated Statement of Operations
73	Consolidated Statement of Change in Net Assets
75	Notes to the Consolidated Financial Statements
81	(Reference) Consolidated Statement of Cash Flows (Unaudited)
82	(Reference) Summary of Segment Information
83	(TRANSLATION) Independent Auditors' Report for the Consolidated Financial Statements (certified copy)
84	(TRANSLATION) Audit Report of the Board of Corporate Auditors (certified copy)

Editor's notes:

1. The financial information set out herein is an English translation of the audited Consolidated Balance Sheet, Consolidated Statement of Operations, Consolidated Statement of Changes in Net Assets and the Financial Notes, which were prepared in accordance with the provisions set forth in the Companies Act of Japan and related regulations and in conformity with the accounting principles and practices generally accepted in Japan. In addition to the above financial information, we included in this report the Consolidated Statement of Cash Flows prepared in accordance with the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements for readers' convenience, although this statement is not required as a part of the basic financial statements under the Companies Act of Japan. Please note that the Consolidated Statement of Cash Flows reported herein is not subject to an audit conducted by the independent auditors of the Company (reported in the "Independent Auditors' Report for the Consolidated Financial Statements"; a translated version of the certified copy is attached).
2. The financial statements, excluding the Consolidated Statement of Cash Flows, have been audited in accordance with auditing standards generally accepted in Japan, by Deloitte Touche Tohmatsu LLC, independent auditors of the Company, as stated in their report (which expresses an unqualified opinion.) Deloitte Touche Tohmatsu LLC has given and has not withdrawn their written agreement to being named as independent auditors and to the inclusion of their report for the fiscal year ended March 31, 2011.

Analysis of Financial Condition and Results of Operations

01 Business Environment

In 2010 (from January 2010 to December 2010), world crude steel production amounted to 1,414 million tons (up 17% year-on-year), while Japan's crude steel production was 109.6 million tons (up 25% year-on-year).

(Metric tons in million)

Crude steel production	2008	2009	2010	Source
World (Calendar year)	1,329	1,211	1,414	World Steel Association
Japan				
(Calendar year)	118.7	87.5	109.6	Japan Iron and Steel Federation
(Fiscal year)	105.5	96.4	110.8	
Sumitomo Metals* (Fiscal year)	12.9	11.7	12.9	

*Including Sumitomo Metals (Kokura), Ltd. and Sumikin Iron & Steel Corporation

Steel demand dropped significantly due to the global economic recession in 2009 but recovered mainly in emerging markets in 2010, leading to an increase in world crude steel production.

In fiscal 2010 (from April 2010 to March 2011,) Sumitomo Metals' crude steel production amounted to 12.9 million tons (up 11% year-on-year.) Our business environment, mainly in the automotive and other manufacturing sectors, was robust in the first half, and our core operation of seamless pipe recovered steadily throughout the year. We had no choice but to change the method for setting prices of iron ore and almost all of coking coal, from conventional one-year procurement contracts to quarterly contracts. Prices of raw materials surged due to demand growth in China and other factors. In the fourth quarter, we were forced to cut production, as our facilities and equipment at Kashima Steel Works had been damaged by the

Great East Japan Earthquake of March 11, 2011.

Sumitomo Metals is considering merger with Nippon Steel on the target date of October 1, 2012. Through this merger, we aim to speedily implement global strategies and become one of the world's top-class steelmakers based on comprehensive strengths that include technology, quality, and costs.

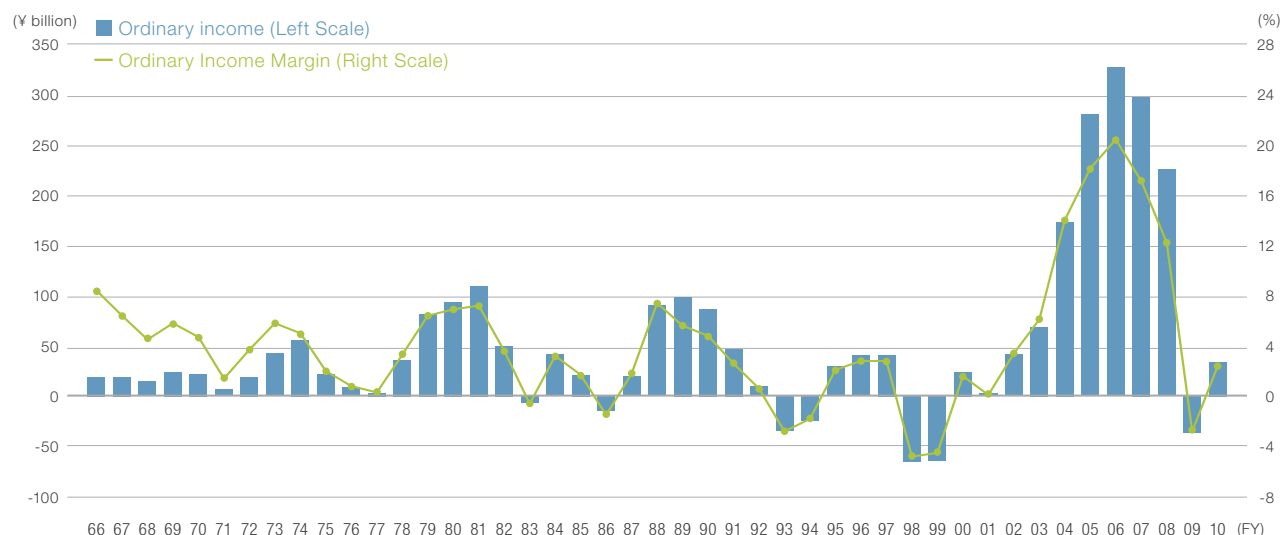
02 Operating Results

Japan's steel industry, including Sumitomo Metals, suffered from depressed earnings for about a decade after the bubble burst, in the early 1990's. The Sumitomo Metals Group carried out structural reform of its steel business and withdrew from non-core businesses under its medium-term business plan from fiscal 2002 to 2005. We also paid down excess debt and improved financial stability.

Since 2003, mainly thanks to a worldwide phase of rapid growth in steel demand, Sumitomo Metals' profitability has improved greatly. In addition to our structural reforms, our efforts aimed at continuous technology development and our strategic investments even during the period of low profitability in the 1990's have borne fruit.

Under the medium-term business plan from fiscal 2006 to 2008, we delivered measures to "add strength to strength" and "accelerate distinctiveness" with the aim of achieving sustained growth that balances quality and scale. As we allocated our resources to our competent areas, our financial indicators such as the equity ratio and the debt-to-equity ratio have improved substantially. In fiscal 2009, however, our business results significantly deteriorated due to a decrease in sales volume for steel products caused by the worldwide economic recession.

Ordinary Income



1966-1977 Non-consolidated basis; 1978-2010 Consolidated basis

In fiscal 2010, sales volume for steel products recovered and net sales amounted to ¥1,402 billion (up 9% year-on-year.) We also succeeded in turning around to operating income and ordinary income from losses in the previous year, thanks to a turnaround in sales volume and cost reduction, in addition to carry-over materials. Our efforts in negotiating with our customers to reflect an increase in cost caused by surging raw material prices in sales prices also contributed to profit improvement. Despite such a business improvement, the Great East Japan Earthquake damaged Kashima Steel Works, which forced us to record an extraordinary losses of ¥62 billion and a net losses of ¥7 billion. After the earthquake, the Group promptly launched a disaster management task force and made group-wide efforts to restore operations. Our constant efforts in risk management and disaster training drills have paid off well.

	(¥ billion)		
	FY 2008	FY 2009	FY 2010
Net Sales	1,844	1,285	1,402
Operating income/(losses)	226	(0)	56
Ordinary income/(losses)	225	(36)	34
Net income/(losses)	97	(49)	(7)

Results for Fiscal 2010, Compared to Fiscal 2009

02-1 Net Sales

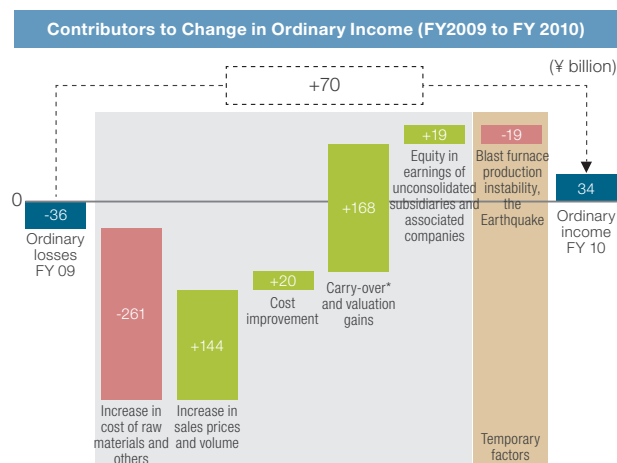
	(¥ billion)		
	FY 2008	FY 2009	FY 2010
Net Sales	1,844	1,285	1,402
Steel	1,740	1,205	1,351
Other	103	79	50

Net sales amounted to ¥1,402 billion (up 9% year-on-year.) The steel business increased sales from the previous year, thanks to sales volume growth, in line with demand recovery, and higher sales prices. The other business recorded a decrease in sales, as Sumitomo Metal Micro Devices, Inc. (HDK Micro Devices, Inc. at present) changed its status from a subsidiary to an equity-method affiliate.

02-2 Operating Income and Ordinary Income

In fiscal 2010, we recorded operating income of ¥56 billion (¥57 billion improvement from the previous year) and ordinary income of ¥34 billion (¥70 billion improvement from the previous year.)

	FY 2008	FY 2009	FY 2010
Operating income/(losses) (¥ billion)	226	(0)	56
Operating income margin (%)	12.3%	-0.1%	4.0%
Ordinary income/(losses) (¥ billion)	225	(36)	34
Ordinary income margin (%)	12.2%	-2.8%	2.4%



*Raw material carry-over: Prices of raw materials such as iron ore and coking coal procured in fiscal 2010 based on quarterly contracts, were higher than those procured in fiscal 2009 based on annual contracts. However, we profited from using the remainder of low-priced raw materials procured under fiscal 2009 contracts, a carry-over portion.

(¥ billion)			
Major Financial Indicators Regarding Non-Operating Income / losses			
	FY 2008	FY 2009	FY 2010
Interest expense (a)	14	15	15
Interest income (b)	1	0	1
Net interest expense (a-b)	13	15	13
Dividend income	7	3	4
Equity in earnings/(losses) of unconsolidated subsidiaries and associated companies	22	(22)	(3)

02-3 Extraordinary Income/Losses and Net Income

(¥ billion)			
Other Income (Expenses) and Net Income			
	FY 2008	FY 2009	FY 2010
Ordinary income/(losses)	225	(36)	34
Extraordinary income	-	-	-
Extraordinary losses	31	3	62
Income taxes	94	9	(23)
Minority interests in income	2	0	3
Net income/(losses)	97	(49)	(7)

Extraordinary losses of ¥62 billion in fiscal 2010 are attributable to the losses caused by damages to Kashima Steel Works after the Great East Japan Earthquake. They include the cost to restore damaged facilities, impairment losses of fixed assets, increased cost caused by production disruption, and reduced capacity utilization at Kashima Steel Works in March 2011.

(¥)			
	FY 2008	FY 2009	FY 2010
EPS	20.98	-10.74	-1.54

03 Financial Position

03-1 Assets, Liabilities, and Equity

	(¥ billion)		
	FY 2008	FY 2009	FY 2010
Total assets	2,452	2,403	2,440
Current assets	737	606	647
Noncurrent assets	1,715	1,797	1,792
Total liabilities	1,548	1,524	1,622
Debt balance	990	1,138	1,173
Shareholders' equity	857	829	766
	(%)		
Equity ratio	35.0	34.5	31.4

Note: Please refer to "11-Year Financial Performance" on page 17-18 for detailed numbers and numerical formulas.

As of March 31, 2011 total assets stood at ¥2,440 billion (an increase of ¥37 billion year-on-year), mainly because we increased cash reserves. Total liabilities were ¥1,622 billion (an increase of ¥98 billion.) In addition to an increase in the debt balance (sum of loans payable, bonds, and commercial paper,) we increased provision for loss on disaster due to the Great East Japan Earthquake.

Shareholders' equity decreased to ¥766 billion (a decrease of ¥62 billion year-on-year), partly due to a decline in the market value of investment securities holdings. The equity ratio declined to 31.4%.

Major Financial Indicators Regarding Financial Position			
	(¥ billion)		
	FY 2008	FY 2009	FY 2010
Short-term loans payable (a)	237	286	279
Long-term loans payable (b)	568	631	572
Bonds, commercial papers (c)	184	219	320
Total debt balance (a+b+c)	990	1,138	1,173
Shareholders' equity	857	829	766
Total assets	2,452	2,403	2,440
	(%)		
Equity ratio	35.0	34.5	31.4
ROA	9.9	-0.9	2.0
ROE	11.1	-5.9	-0.9
	(Times)		
Debt-equity ratio	1.15	1.37	1.53

Note: Please refer to "11-year Financial Performance" on page 17-18 for detailed numbers and numerical formulas.

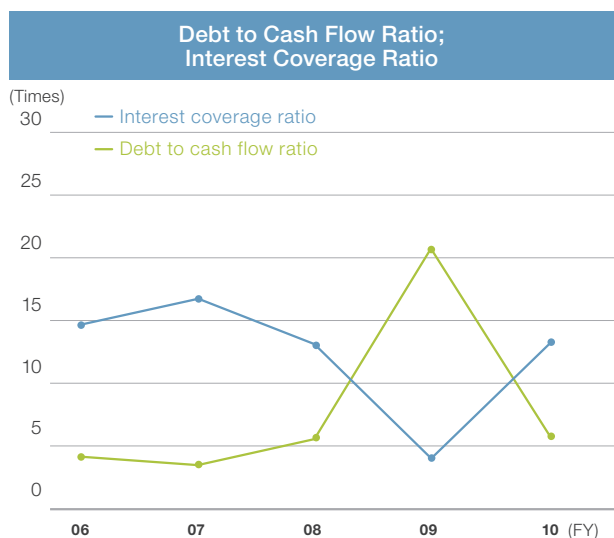
04 Sources of Funds and Maintenance of Liquidity

04-1 Fund Procurement Policy

The Sumitomo Metals Group's funding activities emphasize a balance between stability and low costs. In addition to the commitment lines of credit with banks to maintain liquidity, the Group improves the efficiency of funds, including efficiency at consolidated subsidiaries, by operating a shared cash management system. Sumitomo Metals' long-term debt was rated AA- with a stable outlook, and its short-term debt was rated J-1+ by Japan Credit Rating Agency, Ltd. (as of the end of May 2011).

04-2 Cash Flow

	(¥ billion)		
	FY 2008	FY 2009	FY 2010
Net cash provided by operating activities	190	67	202
Net cash used in investment activities	-214	-172	-144
Free cash flow	-24	-105	58



Interest coverage ratio=Operating cash flow / Interest expenses

Debt to cash flow ratio=Debt balance / Operating cash flow after interest payment

Free cash flow was positive for the first time in 4 years since 2006, as a result of an improvement of operating cash flow and our efforts to restrict cash out.

05 Capital Expenditures

	(¥ billion)		
	FY 2008	FY 2009	FY 2010
Capital expenditures on property, plant, and equipment*	159	136	109
Steel	150	131	107
Other	9	5	2
Depreciation of property, plant, and equipment	109	120	126

*Construction base

During fiscal 2010 capital expenditures on property, plant and equipment (construction base) was ¥109 billion (a decrease of ¥26 billion year-on-year). For the iron & steel making process, we made an investment in construction of the new No. 2 blast furnace at Wakayama Steel Works. With regard to the pipe & tube business, we invested in adding capacity for ultra high-strength large-diameter pipe at Kashima Steel Works. In the specialty steel business, major investments included steelmaking process innovation at Sumitomo Metals (Kokura), Ltd. A new research building and a new laboratory are also under construction at our Corporate Research & Development Laboratories (Amagasaki.)

Major investments and overseas projects				
Area	Target	Details	Investment Amount (¥ billion)	Timeline
Iron & Steel making Process	An annual capacity of 5 million tons at Wakayama Steel Works	2nd step (Construction of a new No.2 blast furnace, reinforcement of steel making facilities, etc.)	115.0	Scheduled to begin operation in second half of FY 2012
	Establish a manufacturing hub for seamless pipe in Brazil	Establishment of a joint venture with Vallourec Group and Sumitomo Corporation for integrated seamless pipe manufacturing	4.7 billion Reals ^{*1}	First tube manufactured in Dec., 2010. Blast furnace scheduled to begin operation in mid-2011.
Pipe & Tube	Expand production capacity of ultra-high-strength line pipes	Equipment improvement at the plate mill and large-diameter (UOE) pipe mill at Kashima Steel Works	10.0	Began operation in Jan., 2011
	Expand production capacity of steam generator tubes for nuclear power plants	Capacity expansion of cold working, finishing and inspection facilities	14.0	Scheduled to begin operation in Apr., 2013
Steel Sheet	Strengthen relationship with a partner in the steel sheet sector in India	Participation in an integrated steelworks project of Bhushan Steel Limited in India (technical assistance and OEM)	-	-
	Establish manufacturing and sales hub of steel sheet in Vietnam	Establishment of a joint venture for production and sales of cold-rolled steel sheet, electromagnetic steel sheet and hot-dip galvanized steel sheet with CSC and other partners	115.0 ^{*2}	Scheduled to begin operation in 2012
	Take part in steel plate mill project in Thailand	Taking part in the Canadoil Group's steel plate mill business in Thailand by investing in the Group, and providing technical assistance to the mill	4.2	Scheduled to begin operation in 2013
	Raise presence in India's automotive market.	Invest in Steel Strips Wheels Limited, the manufacturer of automotive steel wheels	0.8	Completed in Dec., 2010
Railway, Automotive & Machinery Parts	Establish manufacturing and sales hub of forged crankshaft in India	Establishment of a joint venture with Amtek Limited and Sumitomo Corporation for manufacturing forged crankshafts	1.0 ^{*2}	Began operation in April, 2010
Specialty Steel	Innovate steelmaking processes at Sumitomo Metals (Kokura), Ltd.	Introduction of new refining furnace and continuous caster	27.0	Began operation in Dec., 2009
		Introduction of a new phosphorous removal furnace		Began operation in Oct., 2010
R & D	Promotion of technical development through the strengthening of the functions of our research facilities.	Construction of a new research building and laboratory wing at the Corporate Research & Development Laboratories	10.0	Scheduled to enter service in Sep., 2011

*1 Total capital of the joint venture. *2 Total investment amount with joint venture partners.

06 Research and Development Activities

Sumitomo Metals Group is aiming for maximizing its corporate value through sustained growth that balances scale and quality. Based on this fundamental strategy, our R&D activities focus on satisfying customers' needs and protecting the environment. Seeking the number one position in customer evaluation, our technology development, manufacturing, and sales departments work in an integrated manner to tailor our R&D activities to customer needs. We are channeling research and technological resources on our strategic area of energy and automotive related products and others, aiming to develop eco-friendly products and manufacturing processes and "add strength to strength." Furthermore, we enrich our technology assets by strengthening elemental technologies and utilizing external research resources to "accelerate distinctiveness." In fiscal 2010, research and development expenses totaled ¥22.7 billion.

07 Profit Distribution to Shareholders (Dividend Policy)

Profits generated from operations are first used to fund investments that raise our corporate value. Our investment criteria are to accelerate distinctiveness and to provide a return that exceeds the cost of capital, in order to help increase corporate value.

Returns generated from such investments are to be distributed to shareholders and other stakeholders. Regarding dividend payments for fiscal 2010, we have decided to pay a year-end dividend per share of 1 yen, making an annual dividend of 3.5 yen, when combined with the previously-paid interim dividend of 2.5 yen, as our first priority is the restoration of facilities that were damaged by the Great East Japan Earthquake and the minimization of financial setbacks.

Regarding financial leverage, our medium- and long-term targeted debt-to-equity ratio is below 1.0.

Capital Policy			
Use of cash	a) Invest to enhance corporate value b) Return to shareholders		
Investment standard	a) Balanced growth in quality and scale b) Accelerating distinctiveness c) Return exceeding cost of capital		
Return to shareholders	Maintain stable dividend		
Financial leverage	Medium- and long-term targeted debt-to-equity ratio of less than 1.0		
(¥)			
	FY 2008	FY 2009	FY 2010
Per-share dividend	10.0	5.0	3.5

08 Outlook for Fiscal 2011 (ending March 31, 2012)

In fiscal 2011, demand for steel materials is expected to continue to increase in overseas markets but the overall trends of the Japanese domestic economy is uncertain, mainly due to the impact of the Great East Japan Earthquake. Consolidated earnings forecasts have yet to be determined at this time but will be disclosed promptly as soon as they are determined.

The Sumitomo Metals Group's most pressing issue is to recover from the damage to its facilities caused by the Earthquake. Cash demand for restoration of the damaged facilities at Kashima Steel Works, including losses caused by the disaster and investments to replace damaged facilities, is estimated to be approximately ¥100 billion. We plan to replenish at least half of that outflow within fiscal 2011, by cutting spending in all other areas, including the revision of investment plans and a reduction in costs and expenses. We will also continue to ask our customers for their understanding in reflecting an expected rise in raw material costs in our sales prices, in order to improve our profitability.

09 Risk Factors Relating to the Sumitomo Metals Group and its Business

The Sumitomo Metals Group's business domains face macro risk factors, such as economic conditions and currency fluctuations, as well as particular risks associated with the business concerned. Listed below are some of the items that could have a material bearing on the decisions of investors. However, risks are not limited to these items. The group recognizes these risks and makes every effort to prevent their occurrence and take timely and appropriate action as necessary or required.

- Changes in supply and demand for steel
- Changes in raw material prices
- Fluctuation in foreign exchange rates
- Changes in fund procurement conditions
- Changes in the value of investment securities
- Retirement benefit liabilities
- Changes in laws and regulations
- Changes in environmental laws and regulations
- Changes in management of business partners
- Defects in products and services
- Accidents
- Disputes and litigation
- Breach of compliance
- Deterioration in competitiveness
- Changes in political and economical systems and regulations
- Natural disasters and conflicts

Consolidated Balance Sheet

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries
March 31, 2011

Assets		Millions of yen	Liabilities		Millions of yen
Current assets:			Current liabilities		
Cash and deposits	¥83,264		Notes and accounts payable-trade	¥221,195	
Notes and accounts receivable-trade	109,571		Short-term loans payable	279,818	
Merchandise and finished goods	144,655		Commercial papers	105,000	
Work in process	23,476		Current portion of bonds	35,000	
Raw materials and supplies	230,533		Deferred tax liabilities	11	
Deferred tax assets	29,622		Provision for bonuses	16,814	
Other	27,467		Provision for loss on disaster	49,307	
Allowance for doubtful accounts	(660)		Other	93,452	
Total current assets	647,930		Total current liabilities	800,600	
Noncurrent assets:			Noncurrent liabilities:		
Property, plant and equipment:			Bonds	180,664	
Buildings and structures, net	262,229		Long-term loans payable	572,899	
Machinery, equipment and vehicles, net	413,400		Deferred tax liabilities	4,557	
Land	350,518		Deferred tax liabilities for land revaluation	6,919	
Construction in progress	79,819		Provision for retirement benefits	20,318	
Other, net	11,743		Provision for special repairs	197	
Total property, plant and equipment	1,117,712		Other	36,524	
Intangible assets:			Total noncurrent liabilities	822,080	
Goodwill	1,314		Total liabilities	1,622,681	
Other	4,894		Net assets		
Total intangible assets	6,208		Shareholders' equity:		
Investments and other assets:			Capital stock	262,072	
Investment securities	485,511		Capital surplus	61,829	
Deferred tax assets	49,889		Retained earnings	565,931	
Other	133,718		Treasury stock	(91,161)	
Allowance for doubtful accounts	(209)		Total shareholders' equity	798,671	
Total investments and other assets	668,910		Accumulated other comprehensive income		
Total noncurrent assets	1,792,830		Valuation difference on		
Total assets		¥2,440,761	available-for-sale securities	(18,877)	
			Deferred gains or losses on hedges	(594)	
			Revaluation reserve for land	11,203	
			Foreign currency translation adjustment	(23,627)	
			Total accumulated other comprehensive income	(31,894)	
			Minority interests		51,303
			Total net assets	818,080	
			Total liabilities and net assets	¥2,440,761	

Note: Figures in parentheses are negative values.



Consolidated Statement of Operations

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2011

Millions of yen

Net sales		¥1,402,454
Cost of sales		1,222,407
Gross profit		180,047

Selling, general and administrative expenses

Shipment expenses	37,482	
Employees' salaries and allowances	34,252	
Research and development expenses	20,910	
Other	31,100	123,745
Operating income		56,301

Non-operating income

Interest income	1,459	
Dividends income	4,627	
Other	11,519	17,606

Non-operating expenses

Interest expenses	15,135	
Equity in losses of affiliates	3,493	
Loss on sales and retirement of noncurrent assets	8,663	
Other	12,566	39,858
Ordinary income		34,049

Extraordinary losses

Loss on disaster	62,041	62,041
Loss before income taxes and minority interests		27,991

Income taxes-current	13,722	
Income taxes-deferred	(37,694)	(23,972)
Loss before minority interests		4,019
Minority interests in income		3,125
Net loss		¥7,144

Consolidated Statement of Changes in Net Assets

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries
Year ended March 31, 2011

Shareholders' equity

Millions of yen

Capital stock

Balance at the end of previous period	¥262,072
Changes of items during the period	
Total changes of items during the period	-
Balance at the end of current period	262,072

Capital surplus

Balance at the end of previous period	61,829
Changes of items during the period	
Total changes of items during the period	-
Balance at the end of current period	61,829

Retained earnings

Balance at the end of previous period	596,254
Changes of items during the period	
Dividends from surplus	(23,178)
Net loss	(7,144)
Reversal of revaluation reserve for land	0
Total changes of items during the period	(30,323)
Balance at the end of current period	565,931

Treasury stock

Balance at the end of previous period	(91,106)
Changes of items during the period	
Purchase of treasury stock	(55)
Change in equity in affiliates accounted for by equity method-treasury stock	(0)
Total changes of items during the period	(55)
Balance at the end of current period	(91,161)

Total shareholders' equity

Balance at the end of previous period	829,050
Changes of items during the period	
Dividends from surplus	(23,178)
Net loss	(7,144)
Purchase of treasury stock	(55)
Change in equity in affiliates accounted for by equity method-treasury stock	(0)
Reversal of revaluation reserve for land	0
Total changes of items during the period	(30,378)
Balance at the end of current period	798,671

Note: Figures in parentheses are negative values.

**Accumulated other comprehensive income**

Millions of yen

Valuation difference on available-for-sale securities

Balance at the end of previous period	2,324
Changes of items during the period	
Net changes of items other than shareholders' equity	(21,201)
Total changes of items during the period	(21,201)
Balance at the end of current period	(18,877)

Deferred gains or losses on hedges

Balance at the end of previous period	(979)
Changes of items during the period	
Net changes of items other than shareholders' equity	385
Total changes of items during the period	385
Balance at the end of current period	(594)

Revaluation reserve for land

Balance at the end of previous period	11,834
Changes of items during the period	
Net changes of items other than shareholders' equity	(630)
Total changes of items during the period	(630)
Balance at the end of current period	11,203

Foreign currency translation adjustment

Balance at the end of previous period	(13,009)
Changes of items during the period	
Net changes of items other than shareholders' equity	(10,617)
Total changes of items during the period	(10,617)
Balance at the end of current period	(23,627)

Total accumulated other comprehensive income

Balance at the end of previous period	169
Changes of items during the period	
Net changes of items other than shareholders' equity	(32,064)
Total changes of items during the period	(32,064)
Balance at the end of current period	(31,894)

Minority interests

Balance at the end of previous period	49,989
Changes of items during the period	
Net changes of items other than shareholders' equity	1,313
Total changes of items during the period	1,313
Balance at the end of current period	51,303

Total net assets

Balance at the end of previous period	879,209
Changes of items during the period	
Dividends from surplus	(23,178)
Net loss	(7,144)
Purchase of treasury stock	(55)
Change in equity in affiliates accounted for by equity method-treasury stock	(0)
Reversal of revaluation reserve for land	0
Net changes of items other than shareholders' equity	(30,750)
Total changes of items during the period	(61,129)
Balance at the end of current period	¥818,080

Note: Figures in parentheses are negative values.

Notes to the Consolidated Financial Statements

01 Summary of Significant Accounting Policies

01-1 Scope of consolidation

a. Number of consolidated subsidiaries: 68

Names of principal companies:

Sumitomo Metals (Kokura), Ltd.
East Asia United Steel Corporation
Sumikin Iron & Steel Corporation
Sumitomo Metals (Naoetsu), Ltd.
Sumitomo Pipe & Tube Co., Ltd.
Sumitomo Metal (SMI) Electronics Devices Inc.
Sumikin Steel & Shapes, Inc.
Sumitomo Metal Logistics Service Co., Ltd.
Sumikin & Nippon Steel Stainless Steel Pipe Co., Ltd.
Western Tube & Conduit Corp.
Seymour Tubing, Inc.
International Crankshaft Inc.
Sumitomo Metal do Brasil Ltda.
Huizhou Sumikin Forging Co., Ltd.

Sumitomo Metal do Brasil Ltda., established in the consolidated accounting period, has been added to the list of consolidated subsidiaries. Four companies that are no longer subsidiaries, as well as one company that became an affiliated company during the accounting period and is now accounted for using the equity method is applied, have been removed from the list of consolidated subsidiaries.

b. Names of principal non-consolidated subsidiaries

Aritakaiun Co., Ltd. and others
(Reason for exclusion from the scope of consolidation)

These companies are excluded from the scope of consolidation of Sumitomo Metal Industries, Ltd. (the "Company") and consolidated subsidiaries (collectively the "Group") because they are small-scale enterprises whose total assets, net sales, net income (corresponding to interests) and retained earnings (corresponding to interests) have no material impact on the Company's consolidated financial statements.

01-2 Application of the equity method

a. Number of non-consolidated subsidiaries accounted for using the equity method: -

In the consolidated accounting period, one company that is no longer a subsidiary has been removed from the list of subsidiaries accounted for using the equity method.

b. Number of affiliated companies accounted for using the equity method: 37

Names of principal companies:

SUMCO Corporation
Kashima Kyodo Electric Power Co.
Kyoei Steel, Ltd.
Daiichi Chuo Kisen Kaisha
Sumikin Bussan Corporation
Nippon Steel & Sumikin Coated Sheet Corporation
Sumitomo Precision Products Co., Ltd.
OSAKA Titanium technologies Co., Ltd.
Nippon Steel & Sumikin Metal Products Co., Ltd.
Nippon Steel & Sumikin Stainless Steel Corporation
Chuo Denki Kogyo Co., Ltd.
Nippon Steel & Sumikin Welding Co., Ltd.
VAM USA LLC
Vallourec & Sumitomo Tubos do Brasil Ltda.

In the consolidated accounting period, in addition to one company that was a consolidated subsidiary in the previous period, one other company was added to the list of applying the equity method in view of its importance. Moreover, one company that is no longer an affiliated company has been removed from the list of subsidiaries accounted for using the equity method.

The equity method was applied to SUMCO Corporation based on its consolidated financial statements.

c. Investments in non-consolidated subsidiaries and other affiliated companies not accounted for using the equity method (Katakura Steel Tube Co., Ltd. and others) were excluded from the scope of application of the equity method because of their lack of overall materiality and the insignificant impact they would have on the Company's consolidated financial statements, due to their net income (corresponding to holding) and retained earnings (corresponding to holding).

01-3 The accounting period of consolidated subsidiaries

The following subsidiaries have fiscal year ending dates that are different from the consolidated balance sheet date.

Company name	Fiscal year ending
Kashima Antlers Football Club Co., Ltd.	January 31
Sumikin Recycling Co., Ltd.	January 31
A total of 22 overseas subsidiaries, including Western Tube & Conduit Corp.	December 31

The figures as of the fiscal year ending dates of the subsidiaries listed above are used in the consolidated financial statements. Significant transactions that occur between these subsidiaries' fiscal year ending dates and the consolidated balance sheet date are accounted for by necessary adjustments to the consolidated financial statements.

01-4 Accounting policies

a. Valuation standards and methods of significant assets

(a) Securities

Marketable available-for-sale securities:

Valued based on their market price on the consolidated balance sheet date. (The valuation excess is accounted using the total net asset value input method, and the cost of sales is mainly determined by the moving average method.)

Non-marketable available-for-sale securities:

Stated at cost, mainly determined by the moving average method

(b) Inventories

Inventories held for sale in the ordinary course of business

Inventories are stated mainly at cost, determined by the average method. (The valuation of inventories that appears in the balance sheet is calculated from a reduction in book value based on a decline in profitability.)

(c) Derivatives

Measured at fair value

b. Method of depreciation of significant depreciable assets

(a) Property, plant and equipment

(Excluding lease assets)

Depreciation of the buildings of the Company and the domestic consolidated subsidiaries is calculated mainly by the straight-line method. The depreciation of other assets is calculated by the declining-balance method.

Depreciation of assets of the overseas subsidiaries is calculated mainly by the straight-line method. The useful lives are principally 31 years for buildings and structure and 14 years for machinery, equipment and vehicles.

(b) Intangible assets (Excluding Lease assets)

Amortization of intangible assets is calculated by the straight-line method.

(c) Lease assets

Lease assets subject to finance lease that deem to transfer ownership of the leased property to the lessee

A method of depreciation that is equivalent to the method applied to assets owned by the Company shall be used.

Lease assets subject to finance lease that do not deem to transfer ownership of the leased property to the lessee

The period of the lease is the useful life of the asset. A straight-line method of depreciation is applied and the residual value of the asset is taken to be zero.

In financial lease transactions of the Company and its domestic consolidated subsidiaries concluded before April 1, 2008 where the ownership of the leased property has not been deemed to be transferred, the accounting methods are based on those used for ordinary leasing transactions.

c. Significant deferred assets

Stock issuance costs and bond issuance costs are recorded at total cost when expended.

d. Significant allowances**(a) Allowance for doubtful accounts**

The allowance for doubtful accounts is the estimated unrecoverable amount calculated based on a) for receivables in general, the rate of occurrence of non-recovery, and b) for other specific receivables, the estimated possibility of recovery considered on a case-by-case basis.

(b) Provision for bonuses

The provision for bonuses is to provide for the payment of bonuses to employees and is based on the latest experience of payment and other sources.

(c) Provision for loss on disaster

The provision for loss on disaster is stated at the amount considered to be appropriate based on the estimation of expenses for the restoration of plants and equipment damaged by the Great East Japan Earthquake and other losses.

(d) Provision for retirement benefits

The amount of the provision for retirement benefits is determined based on the projected benefit obligations and plan assets of the pension fund at the end of the fiscal year. Prior service cost is amortized using the straight-line method over a specific number of years (mainly 12 years) that is less than the average number of remaining years of service of employees when the liabilities are incurred.

Actuarial differences are amortized from the year following the year in which such actuarial differences arise, mainly using the straight-line method over a specific number of years (generally 11 years) that is less than the average number of remaining years of service of employees as of the time such differences actually arise.

(e) Provision for special repairs

The liability for rebuilding furnaces is provided for estimated future costs based on past experience.

e. Accounting standards for reporting significant income and expense

(Accounting standards for net sales of completed construction contracts and cost of completed construction work)

For construction work in progress up until the consolidated balance sheet date, for which the accuracy of the outcomes can be determined:

Percentage-of-completion method
(Progress to date is assumed to be the proportion of the project's costs incurred to date divided by total estimated costs.)

Other construction work:

Completed contract method

f. Foreign currency transactions and financial statements

All short-term and long-term monetary receivables and payables determined in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange-gains and losses from translation are recognized in the consolidated statement of operations. The balance sheet assets and liabilities of the consolidated foreign subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date, while revenue and expenses are translated at the average exchange rate during the period. Differences arising from such translation are included as "Foreign currency translation adjustment" and "Minority interests" in the "Net assets" section of the consolidated balance sheet.

g. Hedging activities**(a) Hedge accounting methods**

Deferred hedge accounting is used. In addition, a portion of interest rate swaps are treated in an exceptional method, and an assigning method for currency swaps has been applied.

(b) Means of hedging and subjects of hedging

Derivatives such as interest rate swaps, currency swaps, exchange contracts, currency options, etc., are used to hedge against the following risks: risks associated with market interest rate and cash flow fluctuations in relation to loans payable and bonds, risks associated with changes in foreign exchange rates in relation to foreign currency transactions.

(c) Policy of hedging

Derivatives are used within the scope of the outstanding balance of the debts and receivables being hedged against. The Group does not hold derivatives for short-term trading or highly leveraged speculative purposes.

(d) Methods used to assess the effectiveness of hedging

During the period from the beginning of hedging until the point at which the hedging is considered to be effective, hedge effectiveness is confirmed by comparing the total change in the market price that is being hedged with the total change in the market price that is being used as the means of hedging.

h. Goodwill account

Goodwill account is amortized, using the straight-line method, mainly over 5 years.

i. Consumption taxes

Consumption taxes are recorded as a liability and an asset, and are excluded from the relevant revenue, costs and expenses.

01-5 Material changes to basis for preparation of consolidated financial statements**A. Application of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”**

From the current consolidated period, both Accounting Standards Board of Japan (the “ASBJ”) Statement No.16, “Accounting Standard for Equity Method of Accounting for Investments” (announced on March 10, 2008), and PITF No.24, “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (March 10, 2008), have been applied. These changes had no impact on the Company’s consolidated financial statements in the current consolidated financial period.

B. Application of the Accounting Standard for Asset Retirement Obligations

From the current consolidated period, both ASBJ Statement No.18, “Accounting Standard for Asset Retirement Obligations” (March 31, 2008), and ASBJ Guidance No.21, “Guidance on Accounting Standard for Asset Retirement Obligations” (March 31, 2008), have been applied. These changes had no material impact on the Company’s consolidated financial statements in the current consolidated financial period.

C. Application of Accounting Standard for Business Combinations and related standards

From the current consolidated period, ASBJ Statement No.21, “Accounting Standard for Business Combinations” (December 26, 2008), ASBJ Statement No.22, “Accounting Standard for Consolidated Financial Statements” (announced on December 26, 2008), ASBJ Statement No.23, “Partial Amendments to the Accounting Standard for Research and Development Costs” (December 26, 2008), ASBJ Statement No.7, “Accounting Standard for Business Divestitures” (December 26, 2008), ASBJ Statement No.16, “Accounting Standard for Equity Method of Accounting for Investments” (announced on December 26, 2008), and ASBJ Guidance No.10, “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (December 26, 2008) have been applied.

Notes to the Consolidated Financial Statements

02 Notes to the Consolidated Balance Sheet

02-1 Assets pledged as collateral for debt

a. Assets pledged as collateral

Property, plant and equipment	¥15,572	million
Total	¥15,572	million

B. Secured debts

Notes and accounts payable-trade	¥1,446	million
Short-term loans payable	340	
Long-term loans payable	672	
Total	¥2,459	million

02-2 Accumulated depreciation for property, plant and equipment

¥2,463,843 million

02-3 Contingent liabilities

a. Guarantees

Bank loans which the Group guarantees are as follows:

Vallourec & Sumitomo Tubos do Brasil Ltda.	¥6,271	million
4 other companies	484	
Total	¥6,755	million

“Guarantees” include guarantees and items of a similar nature.

b. Maximum amount of obligations to repurchase transferred receivables under certain conditions

¥7,058 million

03 Notes to the Consolidated Statement of Operations

Loss on disaster

Loss on disaster, which is the result of the Great East Japan Earthquake, is comprised of 49,048 million yen for restoration expenses, 8,173 million yen for cost of products manufactured under extraordinary capacity utilization, and 4,818 million yen for loss on damaged assets, etc. Provision for loss on disaster amounting to 49,307 million yen is included in Loss on disaster in the Consolidated Statement of Operations.

04 Notes to the Consolidated Statement of Changes in Net Assets

04-1 Type and number of stock issued at the end of the fiscal year

Common stock	4,805,974,238 shares
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04-2 Dividends

a. Cash dividends paid in the fiscal year

Resolved at	Type of stock	Total dividend (million yen)	Dividend per share (yen)	Record date	Effective date of issue of dividends
Board of Directors held on May 11, 2010	Common stock	11,589	2.5	March 31, 2010	May 27, 2010
Board of Directors held on October 28, 2010	Common stock	11,589	2.5	September 30, 2010	December 1, 2010

b. Dividends of which record date is within the fiscal year, but the effective date of issue of the dividends belongs to next fiscal year.

Resolved at	Type of stock	Source of dividend funding	Total dividend (million yen)	Dividend per share	Record date	Effective date of issue of dividends
Board of Directors held on May 10, 2011	Common stock	Retained earnings	4,635	1.0	March 31, 2011	May 26, 2011

05 Financial instruments

05-1 The status of financial instruments

The Group's use of financial instruments is limited to short-term deposits, etc. Funding is procured from financial institutions in the form of borrowings, etc. A portion of notes and accounts receivable-trade as well as notes and accounts payable-trade are denominated in foreign (non-yen) currency as they relate to product exports and purchases of raw materials, etc.; therefore, exchange rate fluctuations may have an impact on the Company's business results and financial position. Changes in the value of equity shares that the Company holds as investment securities may influence the Company's business results and financial position. The Company procures funding in the form of loans, etc., from financial institutions, and any change in the ease with which funding can be procured will have an impact on the Company's business results and financial position. The Company utilizes derivatives solely to offset the risks listed above.

05-2 The fair value of financial instruments

The differences between the fair values of financial instruments and their book values in the Consolidated Balance Sheet as of March 31, 2011, are listed in the table below.

	Book value	Fair value	Difference
(1) Cash and deposits	83,264	83,264	-
(2) Notes and accounts receivable-trade	109,571	109,571	-
(3) Short-term investments and investment securities	374,058	462,976	88,917
Total assets	566,893	655,811	88,917
(1) Notes and accounts payable-trade	221,195	221,195	-
(2) Short-term loans payable (*1)	147,608	147,608	-
(3) Commercial papers	105,000	105,000	-
(4) Bonds (*2)	215,664	219,124	3,460
(5) Long-term loans payable (*1)	705,110	719,874	14,764
Total liabilities	1,394,577	1,412,802	18,225
Derivatives (*3)	(1,095)	(1,095)	-

(*1) Current portion of long-term loans payable is included in "(5) Long-term loans payable" and not "(2) Short-term loans payable".

(*2) Includes current portion of bonds.

(*3) Net amount of credit and liability arising from derivatives is shown. The figures are indicated in parenthesis if the aggregate amount is a net liability.

(Note 1) Methods used to calculate the fair value of financial instruments

Assets:

(1) Cash and deposits

The fair values of deposits are almost identical to their book values as they are settled in the short term, so their book values are reported.

(2) Notes and accounts receivable-trade

The fair values of these are almost identical to their book values as they are settled in the short term, so their book values are reported.

(3) Short-term investments and investment securities

The fair values of short-term investments are almost identical to their book values as they are settled in the short term, so their book values are reported. The fair values of investment securities are the values listed on the stock exchanges.

Liabilities:

(1) Notes and accounts payable-trade, (2) Short-term loans payable, and (3) Commercial papers

The fair values of these are almost identical to their book values as they are settled in the short term, so their book values are reported.

(4) Bonds

The fair values of bonds are determined by the current market values.

(5) Long-term loans payable

The fair values of long-term loans payable are calculated by taking the total of the principal and interest and discounting it by the interest rate that would be expected if the same long-term loan were to be taken out at the balance sheet date. The present value of long-term loans payable that are subject of hedging by interest rate swaps or currency swaps is calculated from the total value of the principal and interest which integrates the value of the applicable interest rate swaps or currency swaps.

Derivatives

Since derivatives from interest rate swaps or currency swaps are treated as part of long-term hedged loans payable, the fair value of these derivatives is included in the fair value of the long-term loans payable.

- Unlisted securities, etc. (111,477 million yen in the Consolidated Balance Sheet) are not included in "Assets (3) Short-term investments and investment securities" as it is significantly difficult to determine their fair values due to the fact that they have no market prices and it is difficult to estimate future cash flows.

06 Per share information

1. Net assets per share	165.41 yen
2. Net loss per share	1.54 yen

(Note) The monetary figures in these Consolidated Financial Statements have been rounded down to the nearest unit and other figures have been rounded off to the nearest unit.

(Reference)

Consolidated Statement of Cash Flows (Unaudited*)

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries Year ended March 31, 2011

Operating activities:

Millions of yen

Losses before income taxes and minority interests	(27,991)
Depreciation and amortization	127,137
Increase in allowance for doubtful accounts	675
Increase in provision for loss on disaster	49,307
Increase in provision for retirement benefits	360
Decrease in provision for special repairs	(10)
Interest income and dividend income	(6,087)
Interest expenses	15,135
Equity in losses of affiliates	3,493
Decrease in notes and accounts receivable-trade	37,367
Increase in inventories	(14,601)
Increase in notes and accounts payable-trade	18,223
Other, net	7,862
Subtotal	210,871
Income taxes paid	(8,531)
Net cash provided by operating activities	202,340

Investing activities:

Interest and dividends income received	19,707
Purchase of investment securities	(11,879)
Payments for investments in capital	(35,337)
Purchase of property, plant and equipment and intangible assets	(115,546)
Other, net	(953)
Net cash used in investment activities	(144,009)

Financing activities:

Interest expenses paid	(15,425)
Net decrease in short-term loans payable	(7,910)
Increase in commercial papers	81,000
Proceeds from long-term loans payable	73,557
Repayments of long-term loans payable	(129,836)
Proceeds from issuance of bonds	30,000
Redemption of bonds	(10,000)
Repayments of finance lease obligations	-
Cash dividends paid	(23,180)
Other, net	470
Net cash used in financing activities	(1,325)

Effect of exchange rate change on cash and cash equivalents	(1,056)
Net increase in cash and cash equivalents	55,949
Cash and cash equivalents at beginning of period	26,233
Increase in cash and cash equivalents resulting from merger of subsidiaries	329
Cash and cash equivalents at end of period	82,512

* "Unaudited" indicates the above Statement of Cash Flows is not subject to audit under the Companies Act of Japan. The above Statement of Cash Flows prepared in accordance with the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements, however, has been audited by the independent auditors of the Company as a part of the financial statements based on the regulation for their preparation in Japan.

**(Reference)****Summary of Segment information**

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries Year ended March 31, 2011

Billions of yen

	Steel	Other	Total	Adjustment	Consolidated Statement of Operations
Sales to customers	1,351.6	50.8	1,402.4	-	1,402.4
Inter-segment sales	1.1	18.9	20.1	(20.1)	-
Total sales	1,352.7	69.8	1,422.5	(20.1)	1,402.4
Segment profit	50.2	6.2	56.5	(0.2)	56.3

Note: "Segment profit" is operating profit.

(Note) All figures in these references above are rounded down to the nearest unit. Figures in parentheses are negative values.

(TRANSLATION)

Independent Auditors' Report for the Consolidated Financial Statements (certified copy)

INDEPENDENT AUDITORS' REPORT

May 7, 2011

To the Board of Directors of Sumitomo Metal Industries, Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Hiroshi Yoshida

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Yukitaka Maruchi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Tsuguo Ito

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Eiichi Izumo

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2011 of Sumitomo Metal Industries, Ltd. (the "Company") and consolidated subsidiaries, and the related consolidated statements of operations and changes in net assets, and the related notes for the fiscal year from April 1, 2010 to March 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and consolidated subsidiaries as of March 31, 2011, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)**Audit Report of the Board of Corporate Auditors (certified copy)****AUDIT REPORT**

May 10, 2011

In respect of the execution of duties by the Directors during the 88th business year commenced on April 1, 2010 and ended on March 31, 2011, we, the Board of Corporate Auditors, based on the audit reports prepared by each Corporate Auditor and following the deliberation among us, have prepared this audit report and hereby report as follows:

1. Auditing methods employed by Corporate Auditors and the Board of Corporate Auditors and details of such methods**(1) Corporate Auditors**

Each Corporate Auditor, following the Auditing Rules and the auditing policy and plan determined by the Board of Corporate Auditors, has attended the Board of Directors' meetings and other important meetings, confirmed the details of reports and discussions, received reports from the Directors and employees on the execution of their duties including those relating to subsidiaries, received explanations, reviewed important documents, and investigated the status of the operations and financial status at the head office and other principal plants. Each Corporate Auditor has also received reports on the business of principal subsidiaries from the directors, Corporate Auditors and other personnel of the subsidiaries.

Each Corporate Auditor has reviewed the resolutions of the Board of Directors concerning the development of systems necessary to ensure the properness of operations described in the business report (Article 362, Paragraph 4, Item 6 of the Companies Act), as well as the status of the systems developed based on the resolutions. Each Corporate Auditor has reviewed the basic policy on control over the Company and the measures to be taken (Article 118, Item 3 of the Enforcement Regulation of the Companies Act) with regard to it in the business report, verifying the deliberations of the Board of Directors and other meetings, receiving explanations from Directors and employees and expressing their opinions, where necessary.

Each Corporate Auditor has reviewed the business reports and their supplementary schedules of the reporting business year by means of the receipt of reports from Directors and employees and the examination of related documents to determine whether these accurately indicate the state of the Company, in accordance with the Law and the Company's Articles of Incorporation.

In regard to the non-consolidated financial statements, their supplementary schedules and the consolidated financial statements of the reporting business year, each Corporate Auditor has examined the related documents, received explanations from the Directors and employees in charge where necessary, and has verified the deliberations of the Board of Directors. Each Corporate Auditor has received from the Independent Auditor (Deloitte Touche Tohmatsu LLC) an explanation of the auditing policy in the reporting business year, the auditing working plan and audit methods, the results of the audit, a report and explanation of the state of preparation and operation of the system to ensure that duties are performed properly (each item of Article 131 of the Accounting Regulations), and has examined whether the Independent Auditor has maintained its independence and has conducted appropriate audits.

(2) The Board of Corporate Auditors

The Board of Corporate Auditors has received reports from each Corporate Auditor regarding performance of their audits and results thereof; as well as reports from the Directors, employees and the Independent Auditor regarding execution of their duties, and has discussed and verified the details of these reports and requested explanations where necessary.

2. Results of the audit

(1) Business reports and the execution of the duties of the Directors

- 1) We have found that the business report and its supplementary schedules fairly represent the Company's conditions in accordance with the laws and regulations and the Company's Articles of Incorporation.
- 2) We have found no significant facts relating to wrongful act or violation of laws and regulations or the Company's Articles of Incorporation, with respect to the execution of duties by the Directors.
- 3) We confirm that the resolutions of the Board of Directors concerning the development of systems necessary to ensure the properness of operations are appropriate and that the Directors are preparing and operating these necessary systems in accordance with the resolutions.
- 4) We have found the basic policy on control over the Company and the measures to be taken with regard to it are appropriate as rules concerning the large-scale purchase of Company shares, and will not unfairly harm the rights of shareholders.

(2) The Independent Auditor's audit of the Non-consolidated Financial Statements, their supplementary schedules, and the Consolidated Financial Statements

- 1) We have found no matters to raise concerning the system (explained to us by the Independent Auditor) to ensure that duties are performed properly.
- 2) We have found that the methods and results of the audit conducted by the Independent Auditor are appropriate and sufficient.

The Board of Corporate Auditors

Sumitomo Metal Industries, Ltd.

Kitaro Yoshida, Standing Corporate Auditor (full-time)

Hirohiko Minato, Standing Corporate Auditor (full-time)

Keiichi Murakami, Corporate Auditor

Toshiro Mutoh, Corporate Auditor


Hirotake Abe, Corporate Auditor

(Note) Keiichi Murakami, Toshiro Mutoh and Hirotake Abe are Outside Corporate Auditors as provided for in Article 2, Item 16 of the Companies Act.



Investor Information (As of March 31, 2011)

Stock Information

Stock Code:	5405
Shares Authorized:	10 billion shares
Shares Issued:	4,805,974,238 shares (including 170,122,545 treasury shares)
Trading Unit:	1,000 shares
Administrator of Register of Shareholders:	Stock Transfer Agency Department, The Sumitomo Trust and Banking Co., Ltd. 4-5-33 Kitahama, Chuo-ku, Osaka 540-8639, Japan
(Mailing Address):	Stock Transfer Agency Department, The Sumitomo Trust and Banking Co., Ltd. 1-10 Nikko-cho, Fuchu-shi, Tokyo 183-8701, Japan
(Phone Inquiries):	 0120-176-417* *Toll-free number for domestic phone calls only Inquiries from overseas: +81-42-351-2225
American Depositary Receipts:	The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, U.S.A. Toll-free number (U.S.A.): 888-269-2377 Inquiries from outside U.S.A.: +1-866-680-6825
Stock Listings:	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Principal Shareholders (As of March 31, 2011)

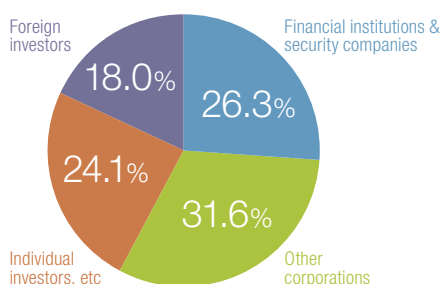
Shareholders	Investment in Sumitomo Metals Shares owned (thousands)	Shareholding ratio (%)
Sumitomo Corporation	458,326	9.89
Nippon Steel Corporation	451,761	9.74
Japan Trustee Services Bank, Ltd. (account in trust)	169,793	3.66
Kobe Steel, Ltd.	112,565	2.43
The Master Trust Bank of Japan, Ltd. (account in trust)	111,275	2.40
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation retirement benefit trust account re-entrusted by The Sumitomo Trust and Banking Co., Ltd.)(*1)	90,315	1.95
Nippon Life Insurance Company	88,919	1.92
SSBT OD05 Omnibus Account Treaty Clients	67,711	1.46
Japan Trustee Services Bank, Ltd., The Sumitomo Trust and Banking Corporation retirement benefit trust (*2)	55,000	1.19
NT RE GOVT OF SPORE INVT CORP P.LTD	54,651	1.18
Total	1,660,318	35.81

Notes: 1. Ownership as a % of total issued shares is calculated with treasury stock being subtracted from the total number of issued shares.

2. (*1) The 90,315 thousand shares registered in the name of "Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation retirement benefit trust account re-entrusted by The Sumitomo Trust and Banking Co., Ltd.)" are owned beneficially by Sumitomo Mitsui Banking Corporation and held as a retirement benefit trust by Japan Trustee Services Bank, Ltd. Sumitomo Mitsui Banking Corporation holds the right to direct the voting of these shares. In addition to the listings above, Sumitomo Mitsui Banking Corporation holds 28,090 thousand shares (0.61% of total issued shares.)

3. (*2) The 55,000 thousand shares registered in the name of "Japan Trustee Services Bank, Ltd., The Sumitomo Trust and Banking Corporation retirement benefit trust" are owned beneficially by The Sumitomo Trust and Banking Co., Ltd. and held as a retirement benefit trust by Japan Trustee Services Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. holds the right to direct the voting of these shares. In addition to the listings above, The Sumitomo Trust and Banking Co., Ltd. holds 20,000 thousand shares (0.43% of total issued shares.)

Share Ownership by Category (As of March 31, 2011)



*Excluding treasury stock

Sumitomo Metals' Share Price on the Tokyo Stock Exchange



Corporate Data

Company Name: Sumitomo Metal Industries, Ltd.

Incorporated: July 1949

Employees: 7,104

Fiscal year: April 1 – March 31

Paid-in Capital: ¥262,072,369,221

Annual General Meeting of Shareholders: June

Shareholder Record Date for the Year: March 31
for the Interim Period: September 30

For Further Information

Public Relations & Investor Relations Department
Sumitomo Metal Industries, Ltd.
1-8-11 Harumi, Chuo-ku, Tokyo 104-6111, Japan

Tel: +81-3-4416-6111

E-mail : ir@sumitomometals.co.jp

Website: <http://www.sumitomometals.co.jp/e/>



Osaka Head Office



Tokyo Head Office

Sumitomo Metal Industries, Ltd. ("Sumitomo Metals") and Nippon Steel Corporation ("Nippon Steel"), or one of them, may file a registration statement on Form F-4 ("Form F-4") with the U.S. Securities and Exchange Commission (the "SEC") in connection with the possible business combination (or integration) between the two companies, if it is consummated. The Form F-4 (if filed) will contain a prospectus and other documents. If a Form F-4 is filed and declared effective, the prospectus contained in the Form F-4 will be mailed to U.S. shareholders of Sumitomo Metals and Nippon Steel, or one of them, prior to the shareholders' meeting(s) at which such business combination (or integration) will be voted upon. The Form F-4 and prospectus (if the Form F-4 is filed) will contain important information about the two companies, such business combination (or integration) and related matters. U.S. shareholders to whom the prospectus is distributed are urged to read the Form F-4, the prospectus and other documents that may be filed with the SEC in connection with such business combination (or integration) carefully before they make any decision at the respective shareholders' meeting with respect to such business combination (or integration). Any documents filed with the SEC in connection with such business combination (or integration) will be made available when filed, free of charge, on the SEC's web site at www.sec.gov. In addition, upon request, the documents can be distributed for free of charge. To make a request, please refer to the following contact information.

Sumitomo Metals

Sumitomo Metal Industries, Ltd.
Triton Square Office Tower Y 8-11, Harumi 1-chome Chuo-ku, Tokyo 104-6111, Japan
Toshifumi Matsui, Manager, Public Relations Group
Tel: 81-3-4416-6115 E-mail: matsui-ts@sumitomometals.co.jp

Nippon Steel

Nippon Steel Corporation
Marunouchi Park Building 6-1, Marunouchi 2-chome Chiyoda-ku, Tokyo 100-8071, Japan
Nozomu Takahashi, General Manager, Public Relations Center, General Administration Div.
Tel: 81-3-6867-2130 E-mail: takahashi.nozomu@nsc.co.jp

Note Regarding Forward-looking Statements

This document includes "forward-looking statements" that reflect the plans and expectations of Sumitomo Metal Industries, Ltd. and Nippon Steel Corporation in relation to, and the benefits resulting from, their possible business combination (or integration) described above. To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the two companies in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of one or both of the two companies (or the post-transaction group) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. The two companies undertake no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by the two companies (or the post-transaction group) in their subsequent domestic filings in Japan and filings with the U.S. Securities and Exchange Commission.

The risks, uncertainties and other factors referred to above include, but are not limited to:

- (1) economic and business conditions in and outside Japan;
- (2) changes in steel supply, raw material costs and exchange rates;
- (3) changes in interest rates on loans, bonds and other indebtedness of the two companies, as well as changes in financial markets;
- (4) changes in the value of assets (including pension assets), such as marketable securities;
- (5) changes in laws and regulations (including environmental regulations) relating to the two companies' business activities;
- (6) rise in tariffs, imposition of import controls and other developments in the two companies' main overseas markets;
- (7) interruptions in or restrictions on business activities due to natural disasters, accidents and other causes;
- (8) the two companies' being unable to reach a mutually satisfactory agreement on the detailed terms of the possible business combination (or integration) or otherwise unable to complete it; and
- (9) difficulties in realizing the synergies and benefits of the post-transaction group.



SUMITOMO METAL INDUSTRIES, LTD.

<http://www.sumitomometals.co.jp/e/>