

Interim Business Report of the 87th Fiscal Year First Half of FY 2009

(from April 1, 2009 to September 30, 2009)



This document is a translated excerpt of the Interim Business Report that was issued on November 27, 2009, originally in Japanese. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version. Financial information was prepared in accordance with generally accepted accounting principles in Japan.

Note: Forward-Looking Statements

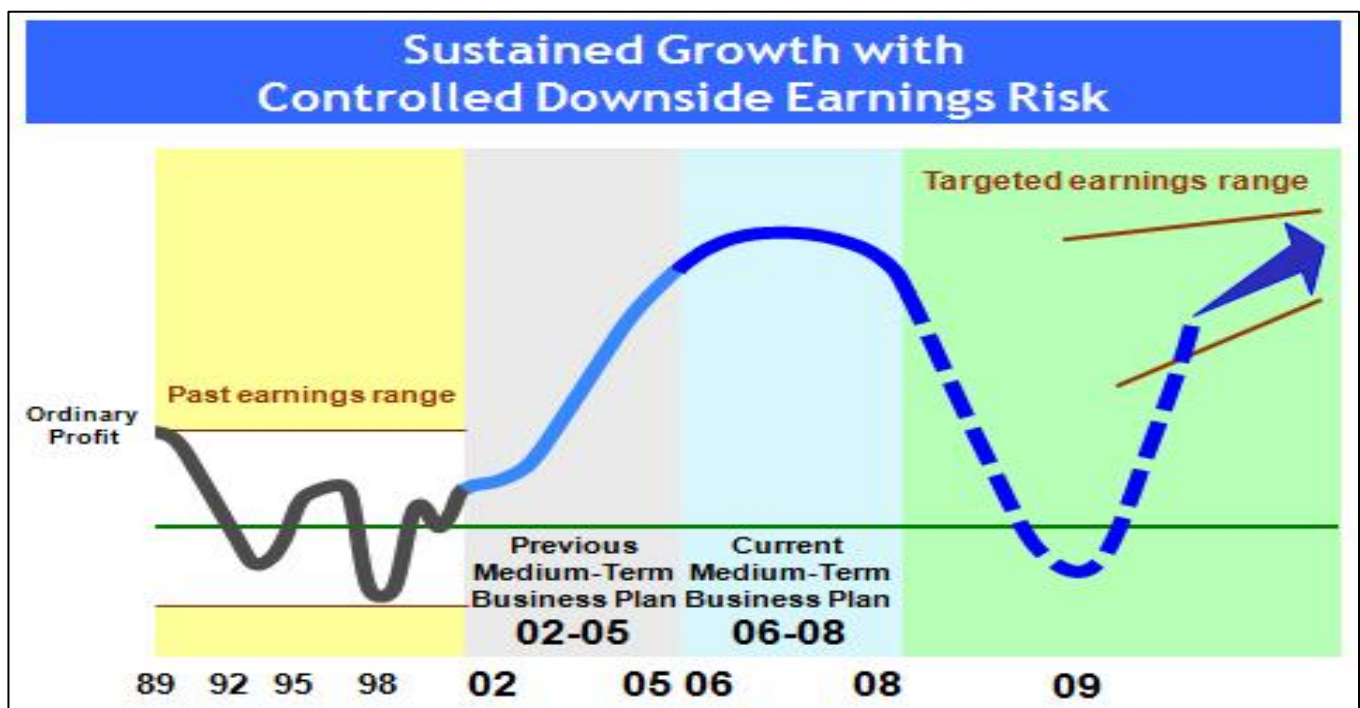
The business forecasts and forward-looking statements in this interim report are based on information available at the time of publication, and contain potential risks and uncertainties. Consequently, actual results may differ from forecasts stated in the report due to a range of factors.

Message from the President



In the first half of the fiscal year 2009 (hereinafter FY 2009), Sumitomo Metals recorded ordinary loss of 47.6 billion yen due to the negative impact of deterioration in the economic environment triggered by the global financial crisis that occurred in fall 2008. We are making every effort to improve our performance in the second half of FY 2009, and are expecting to be profitable in the fourth quarter FY 2009. For the full period of FY 2009, we are projecting an ordinary loss of 45.0 billion yen.

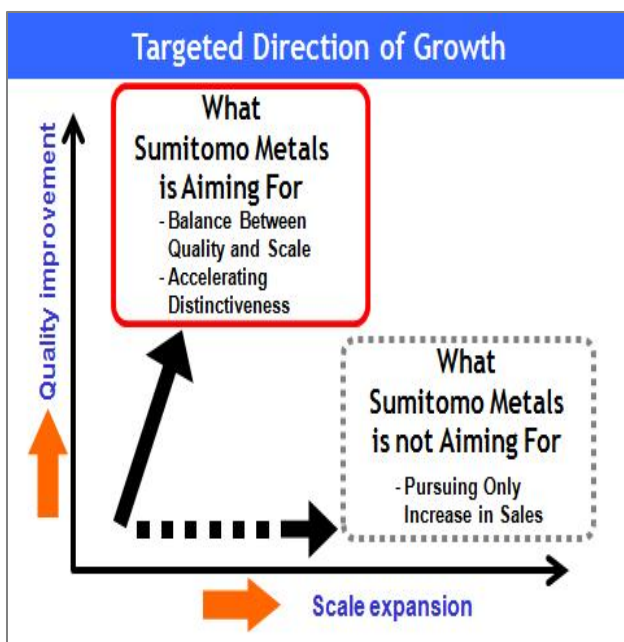
Although an ordinary loss is forecasted for FY 2009, if we exclude such temporary factors as inventory valuation losses caused by lower prices of raw materials, we expect to maintain profitability in FY 2009. With regard to dividend payment, our basic policy is to pay a stable dividend. Based on this policy, we have decided to pay an interim dividend of 2.5 yen per share. We plan to pay to our shareholders an annual dividend of 5 yen per share, including the interim dividend.



We believe that worldwide steel demand will grow in volume and advance in quality mainly in emerging economies such as China, India, and Brazil over the medium- to long-term. At the same time, conservation of the global environment is becoming an increasingly critical issue. With the aim of achieving sustained growth, Sumitomo Metals has adopted “energy” and “environment” as key words for development and is focusing on products that will ensure distinctiveness and be more resilient to commodity market volatility..

I am managing the Company by putting the greatest priority on enabling Sumitomo Metals to grow continuously for the next 10 and 20 years, and even further into the future. Through these managerial strategies, we aim to win and retain the trust of all stakeholders, including shareholders, customers, business partners, local communities, and employees. We believe that it is truly important to build a closer relationship with all of our stakeholders through close dialogue. We welcome opportunities to hear your views and comments.

Hiroshi Tomono
 Representative Director and President



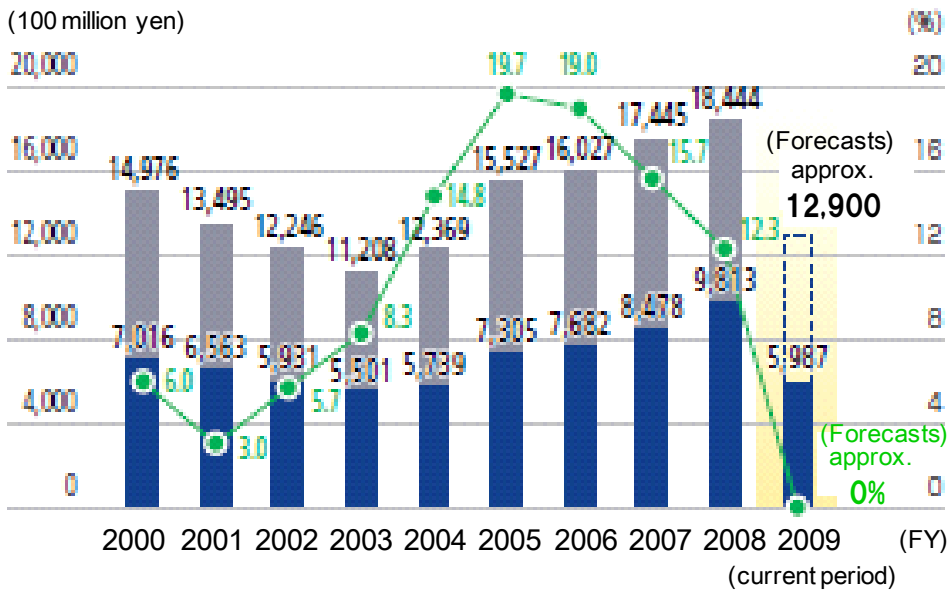
Consolidated Financial Highlights

The Sumitomo Metals recorded net sales of 598.7 billion yen and an ordinary loss of 47.6 billion yen for the first half of the current fiscal year.

For the full year, we forecast net sales of 1,290.0 billion yen and an ordinary loss of 45.0 billion yen.

Net Sales; ROS

(100 million yen)



ROS (Right scale)

Total year

First half

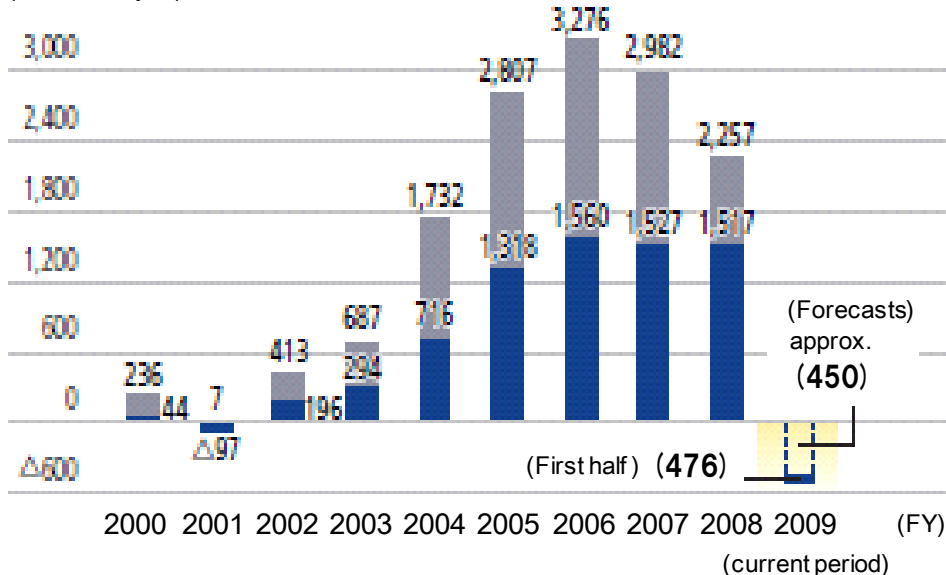
Net Sales (Left scale)

ROS = Operating Profit / Sales

A broken line indicates the forecast for the current fiscal year

Ordinary income

(100 million yen)



Total year

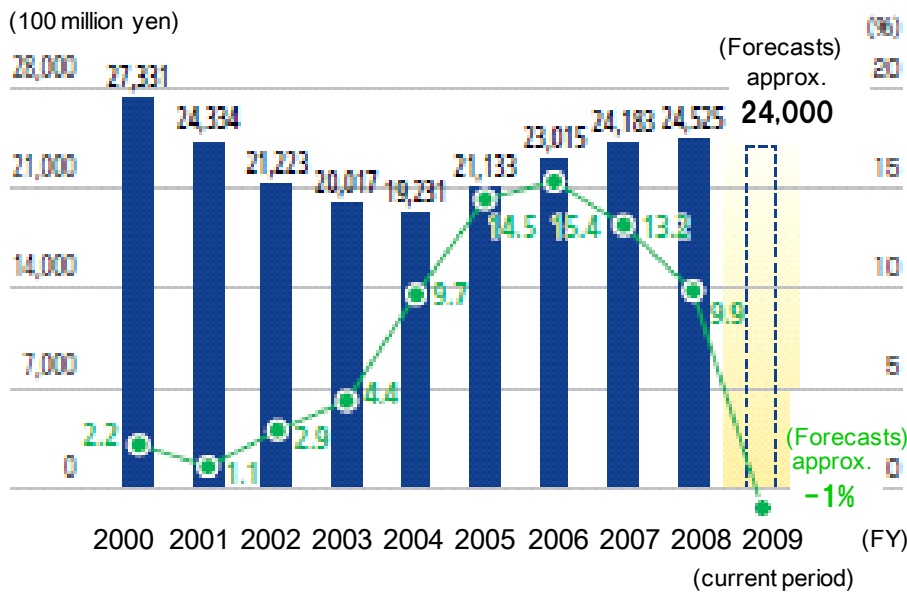
First half

Ordinary income

A broken line indicates the forecast for the current fiscal year

The Sumitomo Metals Group, in response to the challenging economic environment, will strive to improve costs, curb expenditures, and strengthen its financial competitiveness.

Total assets; ROA



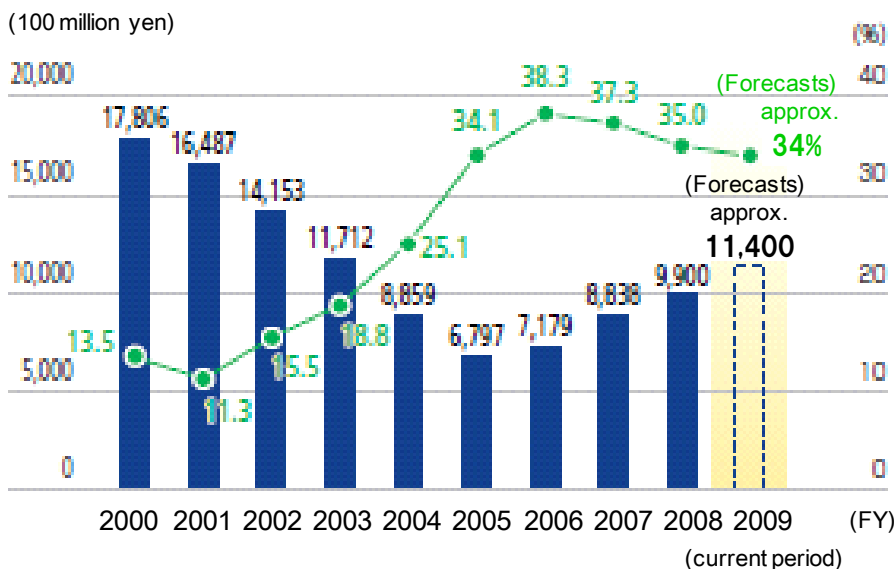
ROA (Right scale)

Total assets (Left scale)

ROA = Ordinary profit before interest payment / Total assets (yearly average)

A broken line indicates the forecast for the current fiscal year

Debt; Equity ratio



Equity ratio (Right scale)

Total assets (Left scale)

Equity ratio = Shareholders' equity / Total assets

A broken line indicates the forecast for the current fiscal year

Summary of Consolidated Interim Financial Statements (Unaudited)

(1) Consolidated Interim Balance Sheet, as of September 30, 2009

Items	100 millions of yen (Rounded down)
(Assets)	
Current assets:	6,394
Noncurrent assets:	17,725
Property, plant and equipment	11,375
Intangible assets	65
Investments and other assets:	6,284
Total assets	24,120
(Liabilities)	
Current liabilities:	5,971
Noncurrent liabilities:	9,408
Total liabilities	15,380
(Net assets)	
Shareholders' equity:	8,437
Capital stock	2,620
Capital surplus	618
Retained earnings	6,109
Treasury stock	(910)
Valuation and translation adjustments:	(188)
Minority interests:	491
Total net assets	8,740
Liabilities and net assets	24,120

(2) Consolidated Interim Statement of Income (For the six months ended September 30, 2009)

Items	100 millions of yen (Rounded down)
Net sales	5,987
Cost of sales	5,655
Gross profit	332
Selling, general and administrative expenses	612
Operating income	(280)
Non-operating income	89
Non-operating expenses	285
Ordinary income	(476)
Extraordinary loss	31
loss before income taxes and minority interests	(507)
Income taxes-current	11
Income taxes-deferred	(46)
Minority interests in loss	(5)
Net loss	(466)

(3) Consolidated Interim Statement of Cash Flows (For the six months ended September 30, 2008)

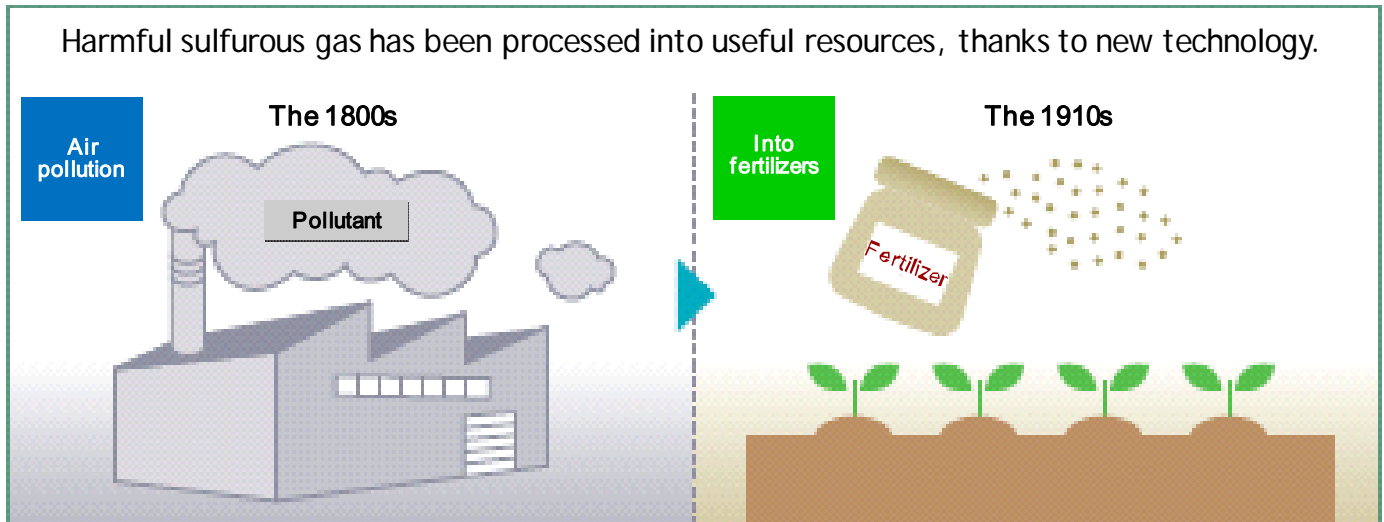
Items	100 millions of yen (Rounded down)
Net cash used in operating activities:	(509)
Net cash used in investing activities:	(959)
Net cash provided by financial activities:	1,235
Effect of exchange rate change on cash and cash equivalents	14
Net increase (decrease) in cash and cash equivalents	(219)

Sumitomo Metals Group's activities to protect the global environment

1

It is Sumitomo's tradition to protect the environment by employing our technological prowess.

Sumitomo solved the environmental problem at its copper refinery in Besshi on Shikoku Island by using its technological prowess. Sumitomo developed technologies that enabled it to process harmful sulfurous gas to make fertilizer..



2

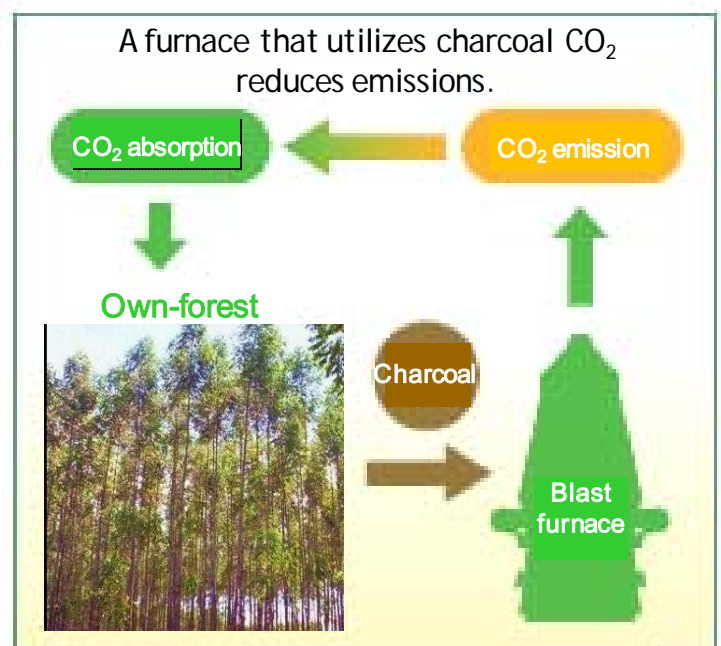
Sumitomo Metals inherits Sumitomo's DNA

-Technology development is the royal road to overcome environmental problems.-

I . We aim to reduce CO₂ emissions in manufacturing processes.

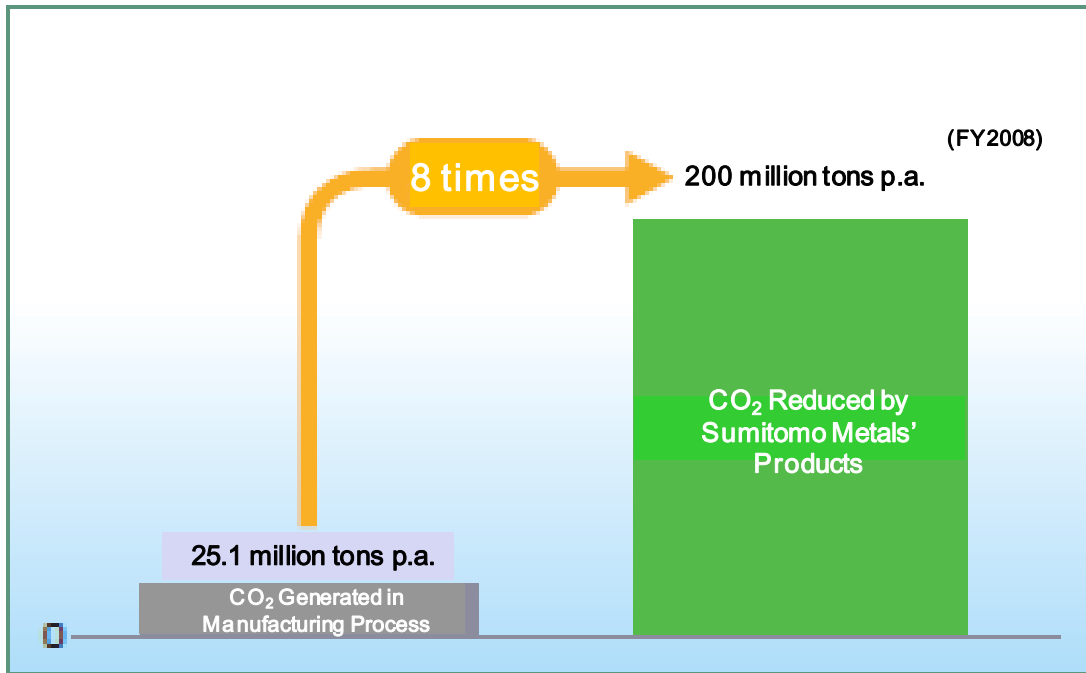
Our CO₂ emissions per ton of crude steel in fiscal 2008 were 20% lower than in fiscal 1990. The present per-ton amount is at the world's lowest level.

The seamless pipe production joint venture in Brazil, which is under construction, is planning to use charcoal as reducing agents in the blast furnace. 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. This is expected to result in close to zero net emission of CO₂.



II. We reduce CO2 emissions by making our products more eco-friendly

1. Sumitomo Metals' products are estimated to reduce our customers' CO2 emissions by 8 times more than the CO2 emissions in our manufacturing processes.



2. Products and technologies that contribute to lower CO2 emissions

Support natural gas development

Super high strength low-alloy steel OCTGs



Support highly efficient thermal power plants

Stainless boiler tubes for ultra super critical boilers



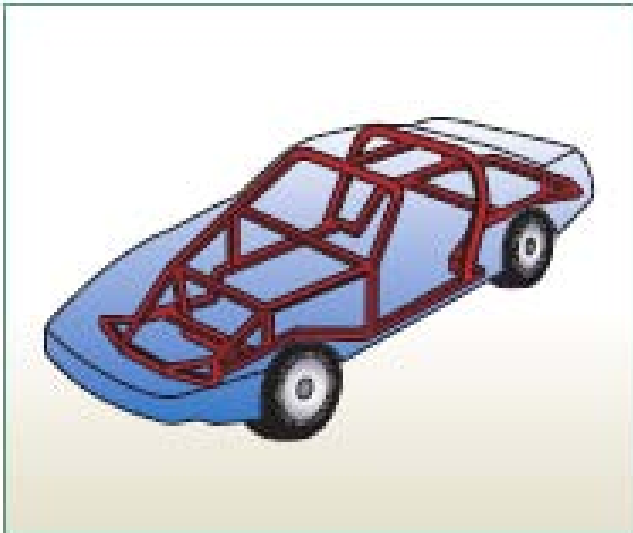
Support nuclear power plants

Steam generator ("SG") tubes



Support space-frame body structure which achieves weight reduction and safety improvement

Ultra high-tensile strength technology:
Three dimensional hot bending and quench (“3DQ”)



Space-frame body structure

Support development of eco-friendly cars

Ultra high-hydrogen-storing alloy used for nickel-hydrogen batteries of hybrid vehicles

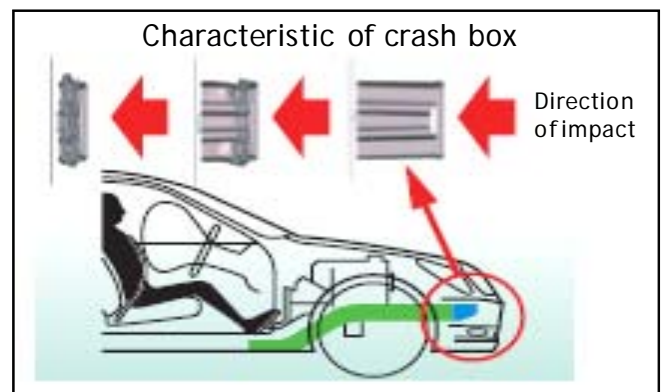


Hybrid vehicle (above) and nickel-hydrogen battery (below) (Toyota Motor Corporation)

III. We are highly evaluated outside the company

Awarded a Science and Technology Commendation from the Minister of Education, Culture, Sports, Science and Technology for “Development of Crash-box that Improves Fuel Efficiency and Crash Safety”

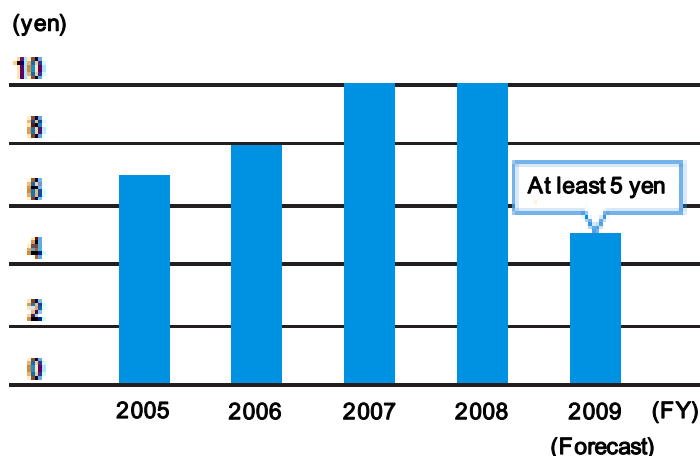
A crash-box, the body structure of a vehicle, becomes deformed at the time of a frontal or rear-impact crash, and absorbs the energy of the impact before deforming the interior of the vehicle. Sumitomo Metals and Toyota Iron Works Co., Ltd. jointly developed a design scheme for a new crash-box that can absorb more than twice the impact energy of a conventional crash-box, while reducing its weight by about 30%. The developed crash-box has been adopted in Toyota Motor Corporation’s “Vitz” and Mazda Motor Corporation’s “Atenza”.



Together with our Shareholders: Meeting your expectations through stable dividend payments

1 Return Profit to Shareholders

Our basic policy is to deliver stable dividend payments.



2 Invite Shareholders to Factory Visits

We invite our shareholders to visit our factories, so that they can better understand our business operation. We conduct factory visits twice a year at the Kashima Steel Works, the Wakayama Steel Works, the Steel Tube Works (Amagasaki-City), the Osaka Steel Works, and Sumitomo Metals (Kokura), Ltd.



(Shareholders who own more than 10,000 shares are eligible.)

3 Invite Shareholders to Kashima Antlers' Games

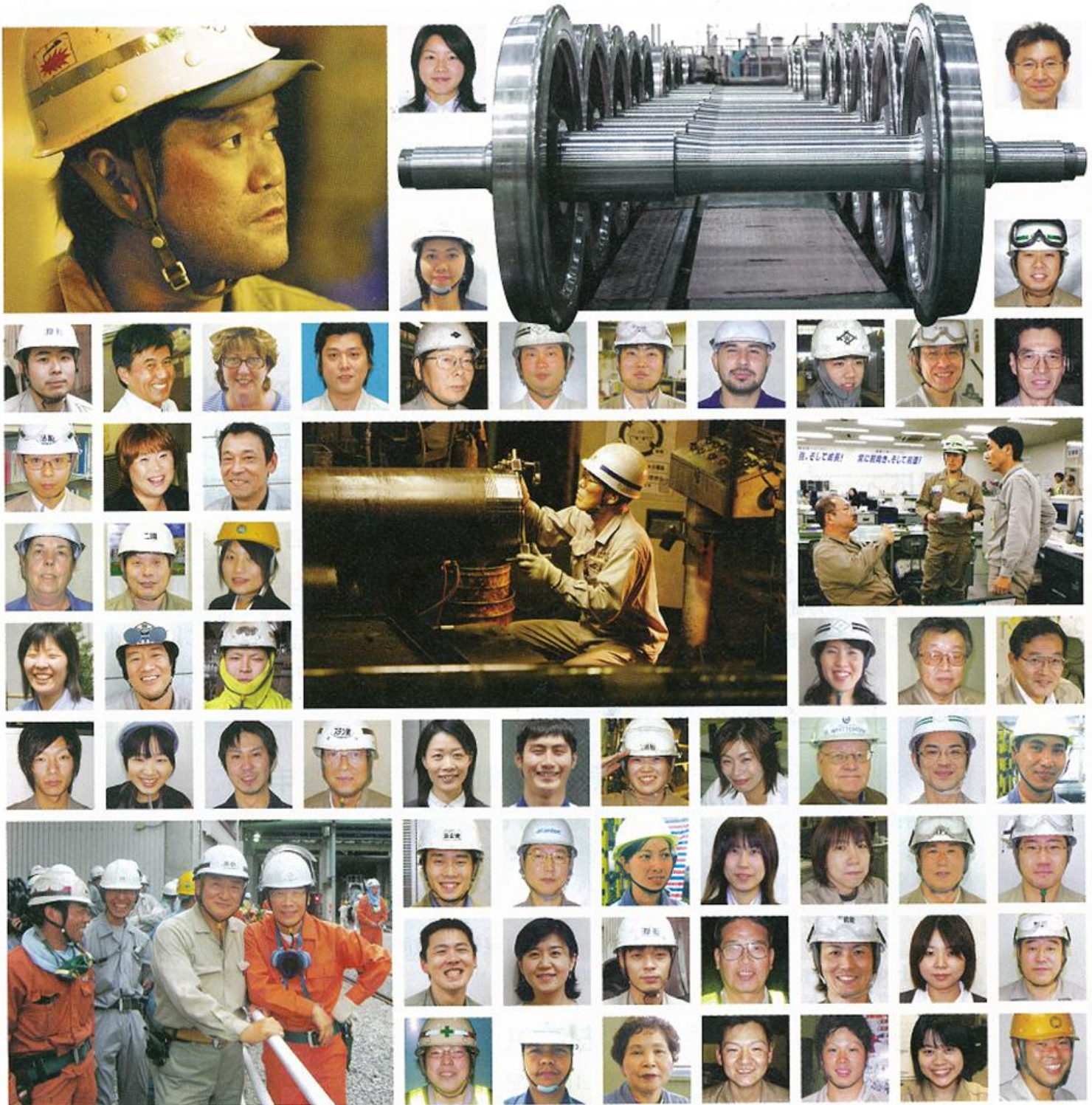
We invite our shareholders to official games of the Kashima Antlers, one of the top teams in the professional J league, at home in Kashima City as well as at away games nationwide.



(Shareholders who own more than 5,000 shares are eligible.)

4 Business Briefing for Individual Investors

We started business briefings for individual investors so that they can understand our business strategies. We conducted the briefings at Nishinomiya-City and Wakayama-City in September 2009. We plan to conduct briefings at other locations in the future.



For Further Information

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