



Interim Business Report of the 88th Period

First Half of FY 2010

(from April 1, 2010
to September 30, 2010)



SUMITOMO METALS

Message from the President

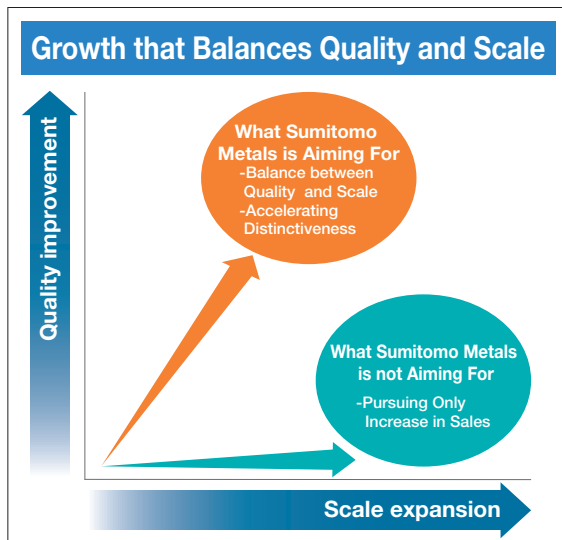


In the first half of the fiscal year 2010 ending March 31, 2011 (hereinafter FY2010), Sumitomo Metals posted ordinary income of 28.9 billion yen. We showed an improvement in profitability compared to the fiscal year ended March 31, 2010 (hereinafter FY2009), when we posted an ordinary loss. This improvement resulted from increased sales volume and our efforts to improve profitability through measures that included reducing costs and raising product prices.

For the full period of FY2010, we intend to put earnings onto a recovery trend and project ordinary income of 70 billion yen. The business environment is uncertain amidst the rapid appreciation of the yen and falling steel prices in Asian markets. However, we will endeavor to improve our profitability by taking such measures as making steel prices reflect raw material prices on a quarterly basis.

Paying stable dividends is our fundamental policy of returning profits to shareholders. We have decided to pay an interim dividend of 2.5 yen per share. We plan to pay an annual dividend of 5 yen per share, including the interim dividend.

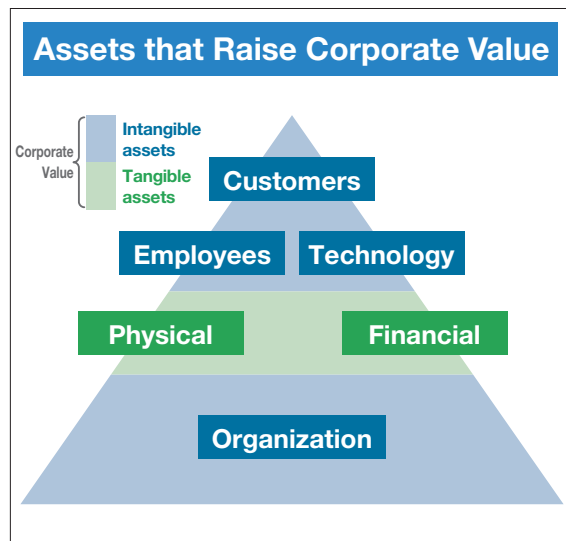
Sumitomo Metals aims for sustained growth that balances quality and scale, by “adding strength to strength” and “accelerating distinctiveness.”



Based on this strategy, the Sumitomo Metals Group will grow by strengthening its areas of distinctiveness, such as in the energy sector, high-speed railways, and high-end steel sheets. The seamless pipe manufacturing base in Brazil will soon start operation, and we are now developing business in India, Vietnam, and Thailand. We will continue to grow by developing business in overseas growth markets based on the high competency of our manufacturing bases in Japan.

We firmly believe that “intangible assets” that do not appear on the balance sheet are critical to the achievement of sustained growth. An example of these “intangible assets” is technological capability that is indispensable to satisfying customers’ needs. Sumitomo Metals is endeavoring to bolster its “intangible assets” in order to raise its corporate value and contribute to all stakeholders, including shareholders, customers, employees, business partners, and local communities.

We welcome your views and comments.

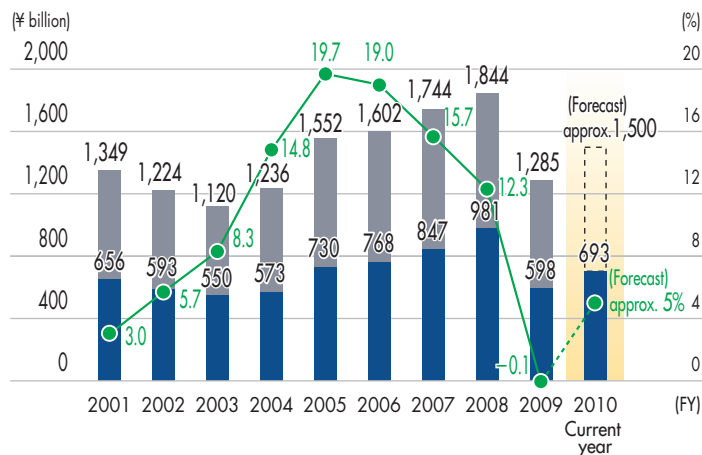


Hiroshi Tomono
Representative Director
and President

Consolidated Financial Highlights and Targeted Direction of Growth

Sumitomo Metals posted net sales of 693.7 billion yen and ordinary income of 28.9 billion yen for the first half of the current fiscal year. For the full year, we forecast net sales of 1,500.0 billion yen and ordinary income of 70.0 billion yen.

Net Sales; ROS



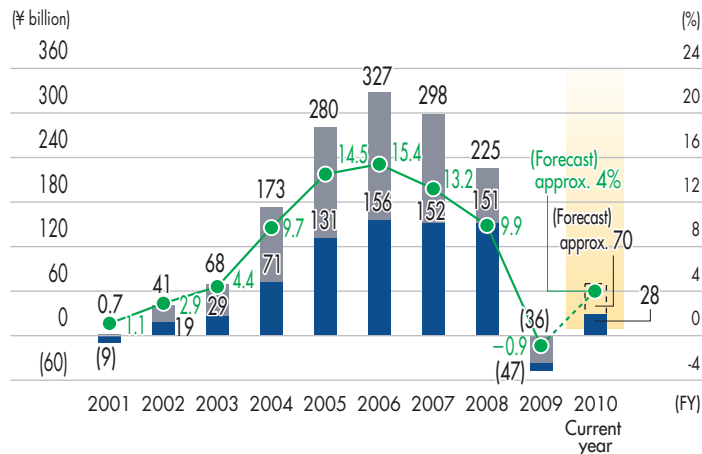
ROS
(Total year, Right scale)

Total year
First half

Net Sales (Left scale)
ROS = Operating income / Sales

A broken line indicates the forecast for the current fiscal year

Ordinary income; ROA



ROA
(Total year, Right scale)

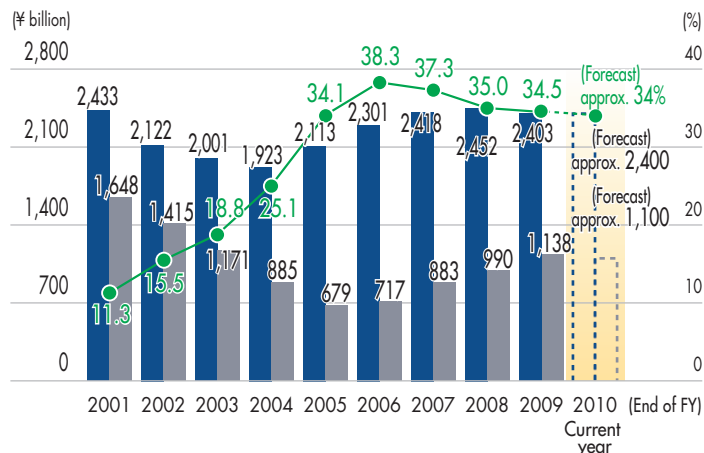
Total year
First half

Ordinary income (Left scale)
ROA = Ordinary income before interest payment / Total assets (yearly average)

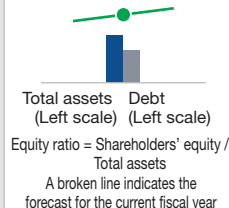
A broken line indicates the forecast for the current fiscal year

The Sumitomo Metals Group will put earnings onto a recovery trend by “adding strength to strength” and “accelerating distinctiveness,” and aim for sustained growth.

Total assets; Debt: Equity ratio



Equity ratio (Right scale)



<Consolidated Balance Sheet> (As of end of September 2010)

(¥ billion)

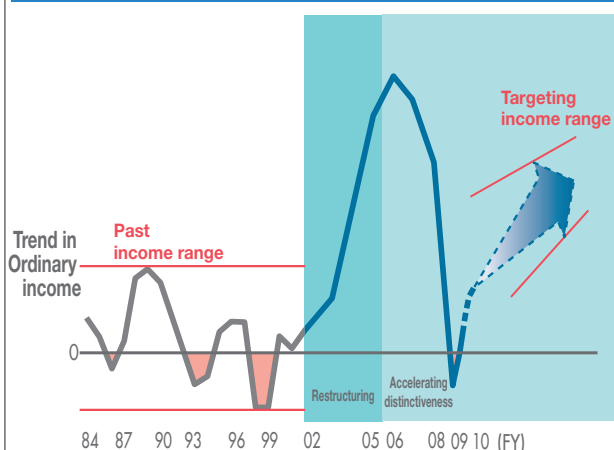
(Assets)	(Liabilities & net assets)
Current assets 622.6	Current liabilities 661.5
Property, plant and equipment & intangible assets 1,134.9	Noncurrent liabilities 867.9
Investments and other assets 640.2	Net assets 868.2

<Consolidated Statement of Income> (First half of Fiscal 2010)

(¥ billion)

Net sales	693.7
Operating income	34.7
Ordinary income	28.9
Net income	34.8

Aiming for a Sustained Growth



Raise our corporate value by strengthening domestic bases and entering overseas growth markets

Sumitomo Metals “accelerates distinctiveness” by strengthening its manufacturing bases in Japan and focusing on high-end products. The foundation of our technological competency always resides in Japan. By leveraging this competency, we develop business in overseas growth markets and aim for sustained growth.



Competency in Japan's Manufacturing Bases is the Foundation of Our Growth Strategy

1 New No. 2 blast furnace at Wakayama Steel Works is under construction

It is scheduled to replace the No.5 blast furnace in the latter half of fiscal 2012. We are aiming for efficient and stable operation.



New No.2 blast furnace, undergoing foundation works (front), and No.1 blast furnace, which began operation in 2009 (rear)

2 Kokura Steel Works has completed investments in innovative steelmaking process

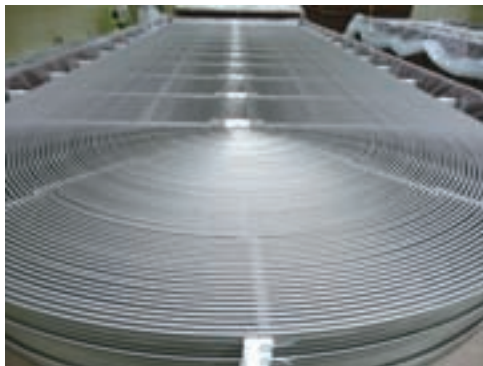
Investment was completed in October 2010. We introduced new refining facilities to remove carbon and phosphorus, and a new continuous casting facility, which will help us enhance competency in quality and cost, and thus accelerate distinctiveness.



New No.4 continuous casting machine

3 We will increase production capacity for steam generator tubes (SG tubes)

The SG tube is the core component of nuclear power plants. There has been a worldwide surge in the construction of nuclear power plants that do not emit carbon dioxide. Increased production of the SG tube is scheduled to start in April 2013.



Steam generator tube

4 Corporate Research & Development Laboratories will renew their facilities

The new facilities are now under construction. The purpose of the renewal is to enhance our technological capabilities with the aim of better responding to our customers' needs. The renewal is scheduled for completion in May 2012.



Rendering of the new research building

Entering Overseas Growth Markets

We are developing business in overseas growth markets such as Brazil, Vietnam, India, and Thailand

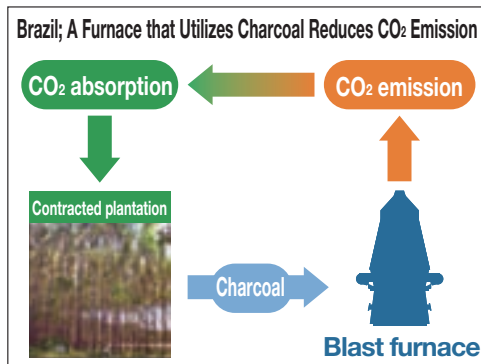
1 Brazil: An integrated steelworks that produces seamless pipe

An integrated steelworks that produces high-end seamless pipe is now under construction. We will be establishing a global supply system, together with our existing manufacturing bases in Japan.

The steelworks plans to switch reducing agents for iron production from coke to charcoal, which will result in close to zero net emissions of CO₂ as illustrated in the chart below.

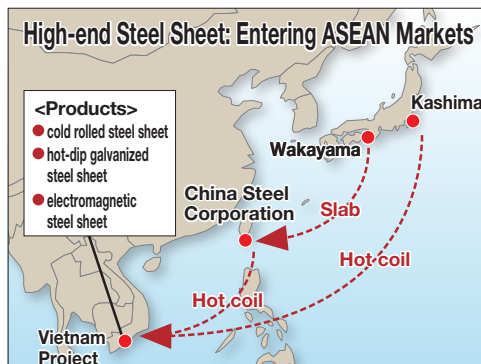


Integrated seamless pipe manufacturing plant under construction in Brazil



2 Vietnam: Steel sheet

A steel sheet mill with capacity of 1.6 million tons is now under construction. We will establish a production base for steel sheet used in automobiles and electric products in the growing ASEAN market by 2012.



3 India:

(1) Integrated steelworks

We are planning to sell steel sheets produced at Bhushan Steel Limited's steelworks in Orissa, with our technical assistance, to local customers under the Sumitomo Metals brand as OEM products. We are also looking to acquire a stake in Bhushan's new steelworks project in West Bengal.



Bhushan Steel's integrated steelworks in Orissa

(2) Forged crankshafts

In April 2010, we started to manufacture forged crankshafts in India. We now have a global supply system, in coordination with operations in Japan, the U.S., and China.



4 Thailand: Steel plate

In Thailand, we are taking part in the new steel plate mill business of the Canadoil Group, one of the world's largest suppliers of piping solutions. The new plate mill is scheduled to begin operation in 2013. This added capacity will enable a plate mill at the Kashima Steel Works to shift its production to more high-end products.

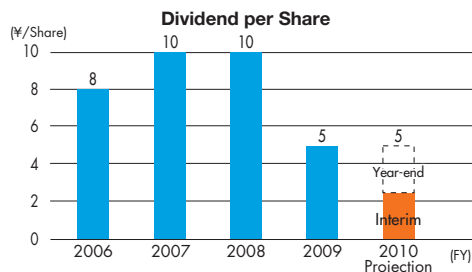


Steel Plate Mill at Kashima Steel Works

Together with our Shareholders

1 Returning profit to shareholders

Paying stable dividends is Sumitomo Metals' fundamental policy. We plan to pay an annual dividend of 5 yen per share, including the interim dividend, to reward our shareholders.



2 Providing our shareholders hands-on knowledge on Sumitomo Metals Group

(1) Inviting shareholders to our factories

We invite our shareholders to visit five of our factories twice a year: the Kashima Steel Works, the Wakayama Steel Works, the Steel Tube Works (Amagasaki-City), the Osaka Steel Works, and Sumitomo Metals (Kokura), Ltd.



Manufacturing process for railway wheels at the Osaka Steel Works. (Shareholders with more than 10,000 shares are eligible.)

(2) Inviting shareholders to Kashima Antlers' games

We invite our shareholders to official games of the Kashima Antlers, a professional football team, at home in Kashima-City as well as at away games nationwide.



Opportunities to watch exciting football games. (Shareholders with more than 5,000 shares are eligible.)

(3) Renewed our corporate website

We present our business activities, aims, and other information on our renewed website.

(4) Newly Published Annual Report (Society and Environment Volume)

We present our CSR activities including global environment protection and social contribution.

(5) Business briefings for individual investors

Since 2009, we have been conducting business briefings for individual investors so that they can better understand our business strategies. This fiscal year, we plan to conduct five briefings in total, in Osaka, Kyoto, Nagoya, and the Tohoku region.

Stock Information

Stock Code:	5405
Shares Authorized:	10 billion shares
Shares Issued:	4,805,974,238 shares (As of September 30, 2010)
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

This document is a translated excerpt of the Interim Business Report that was issued on November 30, 2010, 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 business 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 variety of factors.



For Further Information

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