February 3, 2006
Sumitomo Metal Industries, Ltd.

## Financial Situation and Business Results for the Third Quarter of Fiscal Year 2006 (ending March 31, 2006) by the nine months total (Consolidated)

1. Notes on Preparation of Quarterly Financial Information
(i) Adoption of simplified procedure in accounting methods : Yes (Details) Simplified procedure is used in part, such as an omission of physical inventory, etc.
(ii) Change in accounting procedure as from the current consolidated fiscal year. : No
(iii) Change in scope of consolidation and association : Yes
(Details) Consolidation (new) 1 (excluded) $4 \quad$ Association (new) $0 \quad$ (excluded) 1
Number of consolidated subsidiaries 74
Number of associated unconsolidated subsidiaries 3
Number of associated group companies 27
2. Financial Situation and Business Results for the Third Quarter of Fiscal Year 2006 (April 1, 2005 - December 31, 2005)
(1) Progress of Business Performance (Consolidated)

|  | Sales | Operating <br> profit | Recurring <br> profit | Net income for <br> the current <br> quarter |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | :--- |
|  | (million yen) | $\%$ | (million yen) | $\%$ | (million yen) | $\%$ |
| (million yen) | $\%$ |  |  |  |  |  |
| Third Quarter of Fiscal Year 2006 | $1,131,242$ | - | 227,553 | - | 209,587 | - |
| 173,685 | - |  |  |  |  |  |
| Third Quarter of Fiscal Year 2005 | - | - | - | - | - | - |
| (Reference) Fiscal Year 2005 | $1,236,920$ |  | 182,878 | - | - |  |


|  | Net income per share <br> for the current <br> quarter | Net income per share <br> after dilution for the <br> current quarter |
| :---: | ---: | ---: |
| Third Quarter of Fiscal Year 2006 | Yen \& Sen | Yen \& Sen |
| Third Quarter of Fiscal Year 2005 | 36.16 | - |
| (Reference) Fiscal Year 2005 | - | - |

(Note) As the information on quarterly business performance for the corresponding nine months of the previous fiscal year was not disclosed, figures for and percentage change from the corresponding term are not stated here.
[Qualitative Information etc. on Progress of Business Performance]
Regarding the business environment for the steel industry during the current third quarter (April 1, 2005-December 31, 2005), demand for middle and high-end steel remains steady and, for general-use steel, measures are being taken to improve the demand-supply gaps. Sales for the current third quarter reached $1,131.2$ billion yen, resulting in operating profit of 227.5 billion yen, recurring profit of 209.5 billion yen and quarterly net income of 173.6 billion yen.
(2) Change in Financial Situation (Consolidated)

|  | Total assets | Shareholders' <br> equity | Equity ratio | Shareholders' <br> equity per <br> share |
| ---: | ---: | ---: | ---: | ---: |
| Third Quarter of Fiscal Year 2006 | (million yen) <br> Third Quarter of Fiscal Year 2005 | $2,134,675$ | (million yen) | 664,200 |$\quad$| Yen \& Sen |
| ---: |
| (Reference) Fiscal Year 2005 |

(Note) As the information on quarterly financial situation for the corresponding quarter of the previous fiscal year was not disclosed, figures for the corresponding quarter are not stated here.
[Qualitative Information etc. on Change in Financial Situation (Consolidated)]
Compared to the end of the fiscal year 2005 (April 1, 2004 - March 31, 2005), total assets as at the end of the current third quarter showed an increase of 211.5 billion yen to $2,134.6$ billion yen. Shareholders' equity increased by 180.9 billion yen for a quarter-end total of 664.2 billion yen, and equity ratio moved up to $31.1 \%$, an increase of $6 \%$. Consolidated interest-bearing debt was reduced by 125 billion yen to 760.8 billion yen.
[Reference]
The target of consolidated business results for the fiscal year 2006 (April 1, 2005 - March 31, 2006) will be announced at the beginning of March and thus it has not been reviewed yet.

1. Consolidated Statement of Income for the Third Quarter (Summary)

| Item | (Unit: Million Yen) |  |
| :---: | :---: | :---: |
|  | The Third Quarter (April 1, 2005 December 31, 2005) | <Reference> <br> Previous FY (FY2005) |
| (Recurring profit and loss) |  |  |
|  |  |  |
| Revenues: |  |  |
| Sales | 1,131,242 | 1,236,920 |
| Cost and expenses: |  |  |
| Cost of sales | $\triangle 801,476$ | $\triangle 924,258$ |
| Selling, general and administrative expenses | $\triangle 102,212$ | $\triangle 129,783$ |
| Operating profit | 227,553 | 182,878 |
| Non-operating income and expenses: |  |  |
| Non-operating income: | 18,735 | 26,340 |
| Non-operating expenses: | $\triangle 36,701$ | $\triangle 35,973$ |
| Recurring profit | 209,587 | 173,245 |
| (Non-recurring profit and loss) |  |  |
| Non-recurring profit: | 47,871 | 31,417 |
| Non-recurring loss: | $\triangle 15,742$ | $\triangle 35,085$ |
| Net income before taxes and minority interests. | 241,717 | 169,577 |
| Income taxes, etc. | $\triangle 66,148$ | $\triangle 56,881$ |
| Minority interests | $\triangle 1,883$ | $\triangle 1,831$ |
| Net income | 173,685 | 110,864 |

2. Consolidate Balance Sheet for the Third Quarter (Summary)
(Unit: Million Yen)

| Item | The Third Quarter <br> (At the end of <br> December 2005) | <Reference> Previous FY (At the end of March 2005) | Change |
| :---: | :---: | :---: | :---: |
| (Assets) <br> Current assets | 716,268 | 604,604 | 111,663 |
| Cash and deposits | 23,327 | 42,547 | $\triangle 19,220$ |
| Trade notes and accounts receivable | 232,903 | 190,087 | 42,815 |
| Inventories | 376,634 | 305,930 | 70,704 |
| Other | 83,403 | 66,038 | 17,364 |
| Fixed assets: | 1,418,361 | 1,318,489 | 99,871 |
| Property, plant and equipment | 1,003,861 | 1,006,958 | $\triangle 3,096$ |
| Intangibles | 5,825 | 6,563 | $\triangle 737$ |
| Investments and other assets | 408,673 | 304,967 | 103,706 |
| Deferred assets: | 45 | 48 | $\triangle 2$ |
| Total assets | 2,134,675 | 1,923,142 | 211,533 |
| (Liabilities) |  |  |  |
| Current liabilities: | 937,412 | 867,868 | 69,544 |
| Trade notes and accounts payable | 360,952 | 295,384 | 65,567 |
| Short-term loans | 341,346 | 420,482 | $\triangle 79,136$ |
| Current portion of bonds | 31,400 | 34,000 | $\triangle 2,600$ |
| Other | 203,713 | 118,000 | 85,712 |
| Long-term liabilities | 492,806 | 537,963 | $\triangle 45,156$ |
| Bonds | 96,600 | 116,950 | $\triangle 20,350$ |
| Long-term loans | 291,495 | 314,486 | $\triangle 22,990$ |
| Other | 104,711 | 106,527 | $\triangle 1,816$ |
| Total liabilities | 1,430,219 | 1,405,831 | 24,387 |
| (Minority interests) |  |  |  |
| Minority interests | 40,256 | 34,073 | 6,182 |
| (Shareholders' equity) |  |  |  |
| Capital | 262,072 | 262,072 | - |
| Capital surplus | 61,897 | 61,897 | - |
| Retained earnings | 252,864 | 115,851 | 137,012 |
| Land revaluation surplus | 16,174 | 16,298 | $\triangle 124$ |
| Unrealized gain on available-for-sale securities | 71,769 | 31,165 | 40,604 |
| Foreign currency translation adjustments | $\triangle 119$ | $\triangle 3,798$ | 3,678 |
| Treasury stock, at cost | $\triangle 457$ | $\triangle 248$ | $\triangle 208$ |
| Total shareholders' equity | 664,200 | 483,237 | 180,962 |
| Total liabilities, minority interests and shareholders' equity | 2,134,675 | 1,923,142 | 211,533 |

## 3. Summary of Segment Information

(Segment Information by Business Type)
Current Third Quarter (April 1, 2005-December 31, 2005)

| Items | Steel | Engineering | Electronics | Other | Total | Corporate or <br> Eliminations | Consolidated |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| Sales \& Operating Profit |  |  |  |  |  |  |  |
| Sales |  |  |  |  |  |  |  |
| (1) Sales to external customers | $1,026,872$ | 23,953 | 47,274 | 33,141 | $1,131,242$ | - | $1,131,242$ |
| (2) Inter-segment sales | 2,775 | - | - | 12,430 | 15,206 | $(15,206)$ | - |
| $\quad$ Total Sales | $1,029,648$ | 23,953 | 47,274 | 45,571 | $1,146,448$ | $(15,206)$ | $1,131,242$ |
| Operating expenses | 804,433 | 26,572 | 45,073 | 42,367 | 918,447 | $(14,759)$ | 903,688 |
| Operating profit |  |  |  |  |  |  |  |
|  | 225,215 | $\triangle 2,619$ | 2,200 | 3,204 | 228,000 | $\triangle 446$ | 227,553 |

(Reference) Previous Fiscal Year (FY2005)
(Unit: Million yen)

| Items | Steel | Engineering | Electronics | Other | Total | Corporate or <br> Eliminations | Consolidated |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| Sales \& Operating Profit |  |  |  |  |  |  |  |
| Sales |  |  |  |  |  |  |  |
| (1) Sales to external customers | $1,085,767$ | 57,189 | 49,083 | 44,881 | $1,236,920$ | - | $1,236,920$ |
| (2) Inter-segment sales | 5,356 | 3 | - | 16,378 | 21,738 | $(21,738)$ | - |
| $\quad$ Total Sales | $1,091,123$ | 57,193 | 49,083 | 61,259 | $1,258,659$ | $(21,738)$ | $1,236,920$ |
| Operating expenses | 907,374 | 62,068 | 47,845 | 57,720 | $1,075,009$ | $(20,967)$ | $1,054,042$ |
| Operating profit |  |  |  |  |  |  |  |
|  | 183,749 | $\triangle 4,875$ | 1,237 | 3,538 | 183,650 | $\triangle 771$ | 182,878 |

(Note)

1. Principal Products by Major Business Area

| Major business area | Principal Products |  |
| :---: | :---: | :---: |
| Steel | Steel sheets and plates | Steel plates for structural uses, steel plates for low-temperature service, steel plates for line pipe, high-tensile-strength steel plates and sheets, hot strip, cold strip, electro-magnetic steel sheets, hot-dip galvanized steel sheets, electrolytic galvanized steel sheets, pre-painted steel sheets, pre-coated steel sheets, stainless steel precision rolled strips, etc. |
|  | Construction materials | H -shapes, fixed outer dimension H -shapes, lightweight welded beams, sheet piles, steel pipe piles, etc. |
|  | Steel tubes and pipes | Seamless steel tubes and pipes, electric resistance welded tubes and pipes, large-diameter arc-welded pipes, hot ERW, specially shaped tubes, various coated tubes and pipes, stainless steel tubes and pipes, etc. |
|  | Steel bars and wire rods | Special quality bars, cold heading quality wire rods, spring quality bars, machining steel, bearing steel, steel cord quality bars, stainless bars and wire rods, etc. |
|  | Railway, automotive, and machinery parts | Wheels, axles, bogie trucks, gear units for electric cars, couplers, etc. |
|  | Steel castings and forgings | Die forged crankshafts, materials for molds, aluminum wheels, flange for transmission tower, crane wheels, rolls, etc. |
|  | Semi-finished iron products | Steel billets, pig iron for steel making, etc. |
|  | Others | Titanium products, steel making technology, land and sea transport of steel materials, maintenance of machinery and facilities, pipelines*, thermal plant and pipeline engineering*, etc. |
| Engineering | Steel bridge, steel structure for civil engineering, general buildings, systems construction, steel structure for architectural use, environment engineering, etc. |  |
| Electronics | IC packages, electronic modules, etc. |  |
| Others | Lease and sale of real estate, research and testing specializing in materials analysis and evaluation, etc. |  |

## 2. Change in Business Category

The energy engineering business (pipelines*, thermal plant and pipeline engineering*) that belonged to the Engineering Business category was shifted to the Steel Business category on October 1, 2005. As a result, sales, operating expenses and operating profits of the energy engineering business, which used to be included in the results of the Engineering Business until the first half of the current fiscal year, are included in the Steel Business from the current third quarter.
(Reference)
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1. Nationwide crude steel production volume

| FY2006 ending March 31, 2006 |  |  | Third Quarter of FY2006 |
| :---: | :---: | :---: | :---: |
| First Quarter | Second Quarter | First Half |  |
| 29 million tons | 28 million tons | 57 million tons | 28 million tons |

2. Sumitomo Metals' crude steel production volume (including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron \& Steel Corporation)

| FY2006 ending March 31, 2006 |  | Third Quarter of FY2006 |  |
| :---: | :---: | :---: | :---: |
| First Quarter | Second Quarter | First Half |  |
| 3.31 million tons | 3.39 million tons | 6.7 million tons | 3.3 million tons |

3. Exchange rate

| FY2006 ending March 31,2006 |  |  | Third Quarter of FY2006 |
| :---: | ---: | :---: | :---: |
| First Quarter | Second Quarter | First Half |  |
| 108 yen $/ \$$ | 111 yen $/ \$$ | 109 yen $/ \$$ | 117 yen $/ \$$ |

4. Interest-bearing debt (Consolidated)

|  |  | (Unit: Billion Yen) |
| :---: | :---: | :---: |
| The end of <br> March 2005 | The end of <br> September 2005 | The end of <br> December 2005 |
| 885.9 | 796.1 | 760.8 |

