Financial Situation and Business Results for the First Quarter of Fiscal Year 2006 (ending March 31, 2007) (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.

: No : Yes

(ii) Change in accounting procedure as from the current consolidated fiscal year.

(iii) Change in scope of consolidation and association

(Details) Consolidation (new) 1 (excluded) 2 Association (new) 2 (excluded) 1

Number of consolidated subsidiaries 7

Number of associated unconsolidated subsidiaries 2

Number of associated group companies 29

2. Financial Situation and Business Results for the First Quarter of Fiscal Year 2006 (April 1, 2006 – June 30, 2006)

(1) Progress of Business Performance (Consolidated)

| | Sales | | Operating profit | | Recurring profit | | Net income for the quarter | |
|--|----------------------|-----|--------------------|-----------|--------------------|-----|-------------------------------|-----|
| | (million yen) | % | (million yen) | % | (million yen) | % | (million yen) | % |
| First Quarter of Fiscal Year 2006 First Quarter of Fiscal Year 2005 | $373,072 \\ 344,555$ | 8.3 | $62,501 \\ 65,485$ | -4.6 _ | $69,222 \\ 63,024$ | 9.8 | $41,571 \\ 38,424$ | 8.2 |
| (Reference) Fiscal Year 2005 | 1,552,765 | | 305,804 | | 280,733 | | 221,252 | |

| | Net income per share for the quarter | Net income per share after dilution for the quarter |
|-----------------------------------|---|---|
| | Yen & Sen | Yen & Sen |
| First Quarter of Fiscal Year 2006 | 8.66 | _ |
| First Quarter of Fiscal Year 2005 | 8.00 | _ |
| (Reference) Fiscal Year 2005 | 46.03 | 46.02 |

(Notes) The percentage figures for sales, operating profit, and other items in the table above are percentage changes from the corresponding quarter of the previous year.

[Qualitative information, etc. on Progress of Business Performance (Consolidated)]

Regarding the business environment for the steel industry during the current first quarter, the Sumitomo Metals Group ("the Group") maintained a high level of production due to continued strong demand, particularly from the automotive sector and the energy sector. Consequently, sales for the current first quarter were 373.0 billion yen, resulting in an operating profit of 62.5 billion yen, recurring profit of 69.2 billion yen, and quarterly net income of 41.5 billion yen.

(2) Change in Financial Situation (Consolidated)

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-----------------------------------|---------------|---------------|--------------|-------------------------|
| | (million yen) | (million yen) | % | Yen & Sen |
| First Quarter of Fiscal Year 2006 | 2,073,042 | 769,432 | 35.1 | 151.65 |
| First Quarter of Fiscal Year 2005 | 1,949,716 | 498,725 | 25.6 | 103.84 |
| (Reference) Fiscal Year 2005 | 2,113,391 | 720,866 | 34.1 | 150.07 |

(Notes) As for the first quarter of the fiscal year 2005 and the fiscal year 2005, figures of conventional "shareholders' equity" and "shareholders' equity per share" are showed in the "net assets" section and the "net assets per share" section respectively above.

[Qualitative information, etc. on Change in Financial Situation (Consolidated)]

Compared to the end of the fiscal year 2005 (ended March 2006), total assets as at the end of the current first quarter showed a decrease of 40.3 billion yen, to 2,073.0 billion yen. Net assets were 769.4 billion yen, and the equity ratio rose to 35.1%, an increase of 1.0%. Consolidated debt increased by 44.7 billion yen, to 724.5 billion yen, due to the concentration of payments including corporate taxes and dividends.

3. Consolidated Performance Targets for the Fiscal Year 2006 (April 1, 2006 – March 31, 2007)

| | Sales | Operating Profit | Net income |
|------------|---------------|---------------------|---------------|
| | (million yen) | (million yen) | (million yen) |
| First Half | 765,000 | 130,000 | 77,000 |
| Full Year | 1,560,000 | 270,000 | 161,000 |

(Reference information) Target for net income per share (full year): 33.53 year

[Qualitative information, etc, on Performance Targets]

Regarding the business results of the Group, despite certain negative factors including increased costs due to the surge in raw material prices, as a result of improved product mix and revised sales prices of steel products, recurring profit is expected to increase by 5 billion yen for the first half of the FY 2006, and by 10 billion yen for the FY 2006 (full year), compared to the previous target.

Forward-Looking Statements

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

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

(Unit: Million Yen)

| Item | Current First Quarter (April 1, 2006 - June 30, 2006) | Previous First Quarter (April 1, 2005 - June 30, 2005) | Change | <reference> Previous Fiscal year (FY 2005)</reference> |
|--|--|---|----------|--|
| (Recurring profit and loss) | | | | |
| Operating income and expenses: | | | | |
| Revenues: | | | | |
| Sales | 373,072 | 344,555 | +28,516 | 1,552,765 |
| Cost and expenses: | | | | |
| Cost of sales | (275,034) | (245,637) | - 29,397 | (1,106,953) |
| Selling, general and administrative | | | | |
| expenses | (35,535) | (33,432) | -2,103 | (140,007) |
| Operating profit | 62,501 | 65,485 | -2,984 | 305,804 |
| Non-operating income and expenses: | | | | |
| Non-operating income: | 13,760 | | +5,060 | 27,491 |
| Non-operating expenses: | (7,039) | * | +4,121 | (52,561) |
| Recurring profit | 69,222 | 63,024 | +6,198 | 280,733 |
| (Non-recurring profit and loss) | | | | |
| Non-recurring profit: | _ | _ | _ | 47,871 |
| Non-recurring loss: | (3,564) | _ | -3,564 | (22,422) |
| Net income before taxes and minority interests | 65,658 | 63,024 | +2,634 | 306,183 |
| Income taxes, etc. | (23,886) | (23,932) | +46 | (82,356) |
| Minority interests | (200) | (666) | +465 | (2,573) |
| Net income | 41,571 | 38,424 | +3,146 | 221,252 |

(Unit: Million Yen)

| | Current First Quarter (At the end of June 2006) | Previous First Quarter (At the end of June 2005) | <reference> Previous FY (At the end of March 2006)</reference> |
|-------------------------------------|---|--|--|
| (Assets) | | | |
| Current assets: | 644,689 | 619,355 | 675,217 |
| Cash and deposits | 29,118 | 41,474 | 32,669 |
| Trade notes and accounts receivable | 180,952 | 165,688 | 211,772 |
| Inventories | 369,371 | 334,041 | 364,501 |
| Other | 65,247 | 78,151 | 66,273 |
| Fixed assets: | 1,428,308 | 1,330,313 | 1,438,128 |
| Property, plant and equipment | 1,012,873 | 1,013,193 | 1,009,499 |
| Intangibles | 5,947 | 6,298 | 6,212 |
| Investments and other assets | 409,487 | 310,821 | 422,416 |
| Deferred assets: | 44 | 47 | 45 |
| Total assets | 2,073,042 | 1,949,716 | 2,113,391 |
| (Liabilities) | | | |
| Current liabilities: | 811,434 | 897,189 | 862,954 |
| Trade notes and accounts payable | 347,607 | 312,762 | 348,385 |
| Short-term borrowings | 286,191 | 430,534 | 290,645 |
| Commercial paper | 24,000 | _ | _ |
| Current portion of bonds | 25,450 | 12,100 | 11,450 |
| Other | 128,185 | 141,792 | 212,473 |
| Long-term liabilities | 492,175 | 515,063 | 488,264 |
| Bonds | 91,200 | 115,950 | 96,200 |
| Long-term borrowings | 297,671 | 294,635 | 281,483 |
| Other | 103,304 | 104,477 | 110,581 |
| Total liabilities | 1,303,609 | 1,412,253 | 1,351,219 |
| (Net assets) | | | |
| Shareholders' equity: | 643,711 | _ | _ |
| Capital | 262,072 | | _ |
| Capital surplus | 61,897 | _ | _ |
| Retained earnings | 320,348 | _ | _ |
| Treasury stock, at cost | (606) | _ | _ |

| Valuation and translation adjustments: | 84,535 | _ | _ |
|--|-----------|-----------|-----------|
| Unrealized gain on available-for- sale securities | 73,249 | | _ |
| Deferred gains or losses on hedges | (677) | _ | _ |
| Land revaluation surplus | 16,061 | _ | _ |
| Foreign currency translation adjustments | (4,098) | _ | _ |
| Minority interests | 41,186 | _ | _ |
| (Total Net assets) | 769,432 | _ | _ |
| Total liabilities and net assets | 2,073,042 | | |
| (Minority interests) | | | |
| Minority interests | _ | 38,738 | 41,305 |
| (Shareholders' equity) | | | |
| Capital | _ | 262,072 | 262,072 |
| Capital surplus | _ | 61,897 | 61,897 |
| Retained earnings | _ | 129,837 | 300,587 |
| Land revaluation surplus | _ | 16,547 | 16,061 |
| Unrealized gain on available-for-sale securities | _ | 31,632 | 84,385 |
| Foreign currency translation adjustments | _ | (2,993) | (3,591) |
| Treasury stock, at cost | _ | (267) | (545) |
| Total shareholders' equity | _ | 498,725 | 720,866 |
| Total liabilities, minority interests and shareholders' equity | _ | 1,949,716 | 2,113,391 |

3. Summary of Segment Information

(Segment Information by Business Type)

1Current First Quarter (April 1, 2006 – June 30, 2006)

(Unit: Million yen)

| Items | Steel | Engineering | Electronics | Other | Total | Corporate or Eliminations | Consolidated |
|---------------------------------|---------|-------------|-------------|--------|---------|---------------------------|--------------|
| Sales & Operating Profit | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to external customers | 346,304 | 2,042 | 13,480 | 11,244 | 373,072 | _ | 373,072 |
| (2) Inter-segment sales | 117 | _ | _ | 4,333 | 4,451 | (4,451) | _ |
| Total Sales | 346,421 | 2,042 | 13,480 | 15,578 | 377,523 | (4,451) | 373,072 |
| Operating expenses | 285,043 | 2,339 | 13,168 | 14,510 | 315,062 | (4,491) | 310,570 |
| Operating profit | 61,377 | (296) | 312 | 1,067 | 62,460 | 40 | 62,501 |

②Previous First Quarter (April 1, 2005 – June 30, 2005)

(Unit: Million yen)

| Items | Steel | Engineering | Electronics | Other | Total | Corporate or Eliminations | Consolidated |
|---------------------------------|---------|-------------|-------------|--------|---------|---------------------------|--------------|
| Sales & Operating Profit | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to external customers | 313,010 | 7,144 | 14,186 | 10,214 | 344,555 | _ | 344,555 |
| (2) Inter-segment sales | 1,144 | _ | _ | 3,791 | 4,936 | (4,936) | _ |
| Total Sales | 314,155 | 7,144 | 14,186 | 14,005 | 349,491 | (4,936) | 344,555 |
| Operating expenses | 248,306 | 8,649 | 13,465 | 13,440 | 283,862 | (4,792) | 279,069 |
| Operating profit | 65,848 | (1,505) | 720 | 565 | 65,628 | (143) | 65,485 |

③ Previous Fiscal Year (FY2005)

(Unit: Million yen)

| Items | Steel | Engineering | Electronics | Other | Total | Corporate or Eliminations | Consolidated |
|---------------------------------|-----------|-------------|-------------|--------|-----------|---------------------------|--------------|
| Sales & Operating Profit | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to external customers | 1,405,468 | 39,024 | 60,842 | 47,429 | 1,552,765 | _ | 1,552,765 |
| (2) Inter-segment sales | 3,523 | _ | _ | 16,305 | 19,829 | (19,829) | _ |
| Total Sales | 1,408,991 | 39,024 | 60,842 | 63,735 | 1,572,594 | (19,829) | 1,552,765 |
| Operating expenses | 1,104,688 | 43,989 | 58,494 | 59,069 | 1,266,242 | (19,281) | 1,246,961 |
| Operating profit | 304,303 | (4,965) | 2,347 | 4,666 | 306,352 | (548) | 305,804 |

(Note)

1. Principal Products by Major Business Area

| 1. I I IIII GIPAI I | roducts 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 | Die forged crankshafts, materials for molds, aluminum wheels, flange for | | | |
|-------------|---------------------------------------|--|--|--|--|
| | and forgings | transmission tower, crane wheels, rolls, etc. | | | |
| | Semi-finished | Steel billets, pig iron for steel making, etc. | | | |
| | iron products | | | | |
| | 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 | The civil engine | eering and steel bridge products, systems buildings, etc. | | | |
| Electronics | IC packages, electronic modules, etc. | | | | |
| Others | Lease and sale | Lease and sale of real estate, research and testing specializing in materials analysis and | | | |
| | evaluation, etc. | | | | |

2. Changes to business segments

On October 1, 2005, the company integrated its energy-engineering business (pipelines, energy plants) and the same business of Sumitomo Metal Plantec Co., Ltd. to form Sumitomo Metal Pipeline and Piping, Ltd. and the energy-engineering business was transferred from the Engineering segment to Pipe & Tube Company.

As a result, the sales, operating expenses and operating profit pertaining to the energy-engineering business, which were recorded in the accounts of the Engineering segment until the end of the first half of the previous fiscal year, have been recorded in the Steel business segment since the second half of the previous fiscal year. The change will be applied to the previous first quarter and the previous fiscal year, and reflected in the Steel business segment's accounts, as shown below.

Previous First Quarter (April 1, 2005 - June 30, 2005) (After changes to business segments)

(Unit: Million yen)

| Items | Steel | Engineering | Electronics | Other | Total | Corporate or Eliminations | Consolidated |
|---------------------------------|---------|-------------|-------------|--------|---------|---------------------------|--------------|
| Sales & Operating Profit | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to external customers | 316,326 | 3,828 | 14,186 | 10,214 | 344,555 | _ | 344,555 |
| (2) Inter-segment sales | 741 | | _ | 3,791 | 4,532 | (4,532) | _ |
| Total Sales | 317,067 | 3,828 | 14,186 | 14,005 | 349,087 | (4,532) | 344,555 |
| Operating expenses | 251,370 | 5,182 | 13,465 | 13,440 | 283,459 | (4,389) | 279,069 |
| Operating profit | 65,697 | (1,354) | 720 | 565 | 65,628 | (143) | 65,485 |

Previous Fiscal Year (FY2005) (After changes to business segments)

(Unit: Million yen)

| Items | Steel | Engineering | Electronics | Other | Total | Corporate or Eliminations | Consolidated |
|---------------------------------|-----------|-------------|-------------|--------|-----------|---------------------------|--------------|
| Sales & Operating Profit | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to external customers | 1,413,166 | 31,326 | 60,842 | 47,429 | 1,552,765 | _ | 1,552,765 |
| (2) Inter-segment sales | 2,782 | _ | _ | 16,305 | 19,088 | (19,088) | _ |
| Total Sales | 1,415,949 | 31,326 | 60,842 | 63,735 | 1,571,853 | (19,088) | 1,552,765 |
| Operating expenses | 1,112,070 | 35,867 | 58,494 | 59,069 | 1,265,501 | (18,540) | 1,246,961 |
| Operating profit | 303,879 | (4,540) | 2,347 | 4,666 | 306,352 | (548) | 305,804 |

1. Nationwide crude steel production volume

| The first half of the FY2006 ending March 31, 2007 | | | | |
|--|---------------------------|--|--|--|
| Result for first quarter | Forecast for first half | | | |
| 29 million tons | 57 million tons (approx.) | | | |

2. Sumitomo Metals' crude steel production volume (*1)

| The first half of the FY2006 | | The FY2006 | |
|------------------------------|----------------------------|-----------------------------|--|
| Result for first quarter | Target for first half | Target for full year | |
| 3.29 million tons | 6.7 million tons (approx.) | 13.4 million tons (approx.) | |

3. Export ratio (*2) (by monetary value)

| The first half of | The FY2006 | |
|--------------------------|-----------------------|----------------------|
| Result for first quarter | Target for first half | Target for full year |
| 46% | 44% (approx.) | 43% (approx.) |

4. Exchange rate

| - | | | |
|---|--------------------------|-------------------------|------------------------|
| | The first half | The FY2006 | |
| | Result for first quarter | Forecast for first half | Forecast for full year |
| | 114yen/\$ | 112yen/\$ (approx.) | 111yen/\$ (approx.) |

5. Effect on profits of yen appreciation by one yen (Consolidated)

| The FY2006 | |
|------------------------------------|--|
| 1.5 billion yen per year (approx.) | |

6. Average price of steel products (*3) (thousand yen/ton)

Result for the first quarter of the FY2006: 95.5 thousand yen/ton

Target for the first half of the FY2006: 96 thousand yen/ton (approx.)

Target for the FY2006: 97 thousand yen/ton (approx.)

7. FY2006 target for consolidated figures

(billion yen)

| | | | | (billion yell) |
|------------------|------------------------------|--------------------------|-------------------------|-------------------------------|
| | The first half of the FY2006 | | The FY2006 | The FY2006 |
| | Result for first quarter | Target for first half | Target for full vear | Previous target for full year |
| Sales | 373 | 765(approx.) | 1,560(approx.) | 1,550(approx.) |
| Operating profit | 62.5 | 130(approx.) | 275(approx.) | 270(approx.) |
| Recurring profit | 69.2 | 130(approx.) | 270(approx.) | 260(approx.) |
| Net income | 41.5 | 77(approx.) | 161(approx.) | 155(approx.) |

8. FY2006 target for non-consolidated figures

(billion yen)

| | The first half of Result for first quarter | of the FY2006 Target for first half | The FY2006 Target for full year |
|------------------|--|---|---------------------------------------|
| Sales | 238.9 | 490(approx.) | 990(approx.) |
| Operating profit | 55.7 | 110(approx.) | 225(approx.) |
| Recurring profit | 65.4 | 110(approx.) | 210(approx.) |
| Net income | 42.2 | 63(approx.) | 123(approx.) |

| The FY2006 |
|--------------------------|
| Previous target for full |
| year |
| 980(approx.) |
| 220(approx.) |
| 205(approx.) |
| 120(approx.) |

9. Target of sales and operating profits/losses by segment (Consolidated)

(billion yen)

| | The first half of the FY2006 | | The FY2006 | | |
|-------------|------------------------------|------------------------------|-----------------|------------------------------|--|
| | Sales | Operating profits and losses | Sales | Operating profits and losses | |
| Steel | 705 (approx.) | 128.5 (approx.) | 1,435 (approx.) | 269.5 (approx.) | |
| Engineering | 5 (approx.) | (1) (approx.) | 10 (approx.) | (2) (approx.) | |
| Electronics | 30 (approx.) | 1 (approx.) | 65 (approx.) | 4 (approx.) | |
| Other | 25 (approx.) | 1.5 (approx.) | 50 (approx.) | 3.5 (approx.) | |

<Sales by steel business companies (Consolidated) >

(billion ven)

| | | | (MIIIOII J CII) |
|-----------------------------------|------------------|------------------|----------------------|
| | The FY2006 | | The FY2006 |
| | Result for first | Target for first | |
| | quarter | half | Target for full year |
| Steel Sheet, Plate, Titanium & | | | |
| Structural Steel | 138.8 | 285 (approx.) | 565 (approx.) |
| Pipe & Tube | 137.5 | 275 (approx.) | 575 (approx.) |
| Railway, Automotive & | | | |
| Machinery Parts | 24.2 | 50 (approx.) | 100 (approx.) |
| Sumitomo Metals (Kokura), Ltd. | 32.9 | 69 (approx.) | 142 (approx.) |

10. Debt (billion yen)

| | The end of | The end of | Target for the end of | Target for the end of |
|------------------|------------|------------|-----------------------|-----------------------|
| | March 2006 | | September 2006 | March 2007 |
| Consolidated | 679.7 | 724.5 | 675 (approx.) | 670 (approx.) |
| Non-consolidated | 535.7 | 580 | 575 (approx.) | 590 (approx.) |

11. Analysis of factors affecting profits and losses (Consolidated)

Result for the first quarter of the FY2005→Result for the first quarter of the FY2006

Exchange rate (TTM)

Result for the first quarter of the FY2005:108 yen/\$ \rightarrow Result for the first quarter of the FY2006:114 yen/\$

| Reasons for improvement of profits a | and losses | Reasons for deterioration of profits and losses | |
|--------------------------------------|-------------|---|---------------|
| (b | illion yen) | | (billion yen) |
| (Cost improvement) | +3.5 | (Raw material prices, etc.) | -6 |
| (Product mix and sales prices, etc.) | +16.2 | (Profit or loss from valuation) | -8 |
| (Exchange rate fluctuation) | +4 | (Increase of fixed costs) | -3.5 |
| Total | +23.7 | Total | -17.5 |

Recurring profits

Result for the first quarter of the FY2005: 63 billion yen \rightarrow

Result for the first quarter of the FY2006: 69.2 billion yen (improvement of 6.2 billion yen)

(*1-3) including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation)