Financial Situation and Business Results for the Third Quarter of Fiscal Year 2006 (ending March 31, 2007) by the Nine Months Total (Consolidated)

1. Notes on Preparation of Quarterly Financial Information					
(i) Adoption of simplified procedure in accounting methods					
(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) 3 (excluded) 4 Association (new) 4 (excluded) 1					
Number of consolidated subsidiaries 71					
Number of associated unconsolidated subsidiaries 2					
Number of associated group companies 31					

2. Financial Situation and Business Results for the Third Quarter of Fiscal Year 2006 (April 1, 2006 – December 31, 2006)

	Sales		Operating profit		Recurring profit		Net income for the current quarter	
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%
Third Quarter of Fiscal Year 2006	1,168,879 3.	.3	213,192	-6.3	238,747	13.9	155,957	-10.3
Third Quarter of Fiscal Year 2005	1,131,242 -		227,553	_	209,587	_	173,685	_
(Reference) Fiscal Year 2005	1,552,765		305,804		280,733		221,252	

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	Net income per share for the current quarter	Net income per share after dilution for the current quarter
	Yen & Sen	Yen & Sen
Third Quarter of Fiscal Year 2006	32.72	32.71
Third Quarter of Fiscal Year 2005	36.16	—
(Reference) Fiscal Year 2005	46.03	46.02

(Note) 1. 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.

- 2. As information on business performance for the nine months ended December 31, 2004 is not made available, no year-on-year percentage change for the nine months ended December 31, 2005 is stated.
- [Qualitative Information etc. on Progress of Business Performance (Consolidated)]
 - During the nine months ended December 31, 2006 (the "reporting period"), demand for high-grade steel in the energy, automotive and other sectors remained strong. In light of this business environment, the Sumitomo Metals Group has made efforts to boost production of this class of steel, while maintaining a cautious stance with regard to commodity-grade steel, in some cases reducing production levels. As a result of these measures, sales for the reporting period were 1,168.8 billion yen, operating profit was 213.1 billion yen, recurring profit was 238.7 billion yen and net income was 155.9 billion yen.

(2) Change in Financial Situation (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	(million yen)	(million yen)	%	Yen & Sen
Third Quarter of Fiscal Year 2006	2,218,426	824,357	35.2	168.36
Third Quarter of Fiscal Year 2005	2,134,675	664,200	31.1	138.31
(Reference) Fiscal Year 2005	2,113,391	720,866	34.1	150.07

(Note) As for the third quarter of the fiscal year 2005 and the full 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)]

As at December 31, 2006, total assets increased by 105 billion yen from March 31, 2006, to 2,218.4 billion yen. During the same period, net assets increased by 103.4 billion yen to 824.3 billion yen and equity ratio increased by 1.1% to 35.2%. Consolidated debt increased by 61.9 billion yen to 741.6 billion yen, due to expenditures including repurchase of the Sumitomo Metals' shares and active capital investments.

3. Consolidated Performance Targets for the Fiscal Year 2006 (April 1, 2	2006 - March 31, 2007

	Sales	Recurring Profit	Net income	
	(million yen)	(million yen)	(million yen)	
Full Year	1,560,000	300,000	200,000	

(Reference information) Target for net income per share (full year) : 43.10 year

[Qualitative information, etc, on Performance Targets]

For the full fiscal year ending March 31, 2007, we anticipate that net income may exceed our previous target by 10 billion yen, due to a non-recurring profit resulting from an issuance of additional shares and increase in shareholders' equity by SUMCO CORPORATION.

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 Third Quarter (Summary)

(Unit: Million Yen)

Item	Current Third Quarter (April 1, 2006 - December 31, 2006)	Previous Third Quarter (April 1, 2005 - December 31, 2005)	Change	<reference> Previous Fiscal year (FY 2005)</reference>
Sales	1,168,879	1,131,242	+37,637	1,552,765
Cost of sales	(848,853)	(801,476)	-47,377	(1,106,953)
Gross profit	320,025	329,766	-9,740	445,811
Selling, general and administrative expenses	(106,833)	(102,212)	-4,621	(140,007)
Operating profit	213,192	227,553	-14,361	305,804
Non-operating income	50,049	18,735	+31,313	27,491
Non-operating expenses	(24,493)	(36,701)	+12,207	(52,561)
Recurring profit	238,747	209,587	+29,159	280,733
Non-recurring profit	11,081	47,871	-36,790	47,871
Non-recurring loss	(12,085)	(15,742)	+3,656	(22,422)
Net income before taxes and minority interests	237,743	241,717	-3,974	306,183
Income taxes, etc.	(80,003)	(66,148)	-13,854	(82,356)
Minority interests	(1,782)	(1,883)	+100	(2,573)
Net income	155,957	173,685	-17,728	221,252

2. Consolidate Balance Sheet for the Third Quarter (Summary)

(Unit: Million Yen)								
Item	Current Third Quarter (At the end of December 2006)	Previous Third Quarter (At the end of December 2005)	<reference> Previous FY (At the end of March 2006)</reference>					
(Assets)								
Current assets:	683,433	716,268	675,217					
Cash and deposits	18,438	23,327	32,669					
Trade notes and accounts receivable	212,335	232,903	211,772					
Inventories	386,652	376,634	364,501					
Other	66,007	83,403	66,273					
Fixed assets:	1,534,993	1,418,361	1,438,128					
Property, plant and equipment	1,021,141	1,003,861	1,009,499					
Intangibles	5,292	5,825	6,212					
Investments and other assets	508,559	408,673	422,416					
Deferred assets:		45	45					
Total assets	2,218,426	2,134,675	2,113,391					
(Liabilities)								
Current liabilities:	860,309	937,412	862,954					
Trade notes and accounts payable	397,369	360,952	348,385					
Short-term borrowings	275,054	341,346	290,645					
Commercial paper	19,000	_	_					
Current portion of bonds	15,000	31,400	11,450					
Other	153,886	203,713	212,473					
Long-term liabilities	533,759	492,806	488,264					
Bonds	101,158	96,600	96,200					
Long-term borrowings	331,472	291,495	281,483					
Other	101,127	104,711	110,581					
Total liabilities	1,394,069	1,430,219	1,351,219					
(Net assets)								
Shareholders' equity:	670,620	_	_					
Capital	262,072	_	_					
Capital surplus	61,897	_	_					
Retained earnings	417,871	_	_					
Treasury stock, at cost	(71,220)	-	_					

Valuation and translation adjustments:	110,705	_	_
Unrealized gain on available-for-sale securities	101,442	—	—
Deferred gains or losses on hedges	(1,008)	_	—
Land revaluation surplus	11,939	_	-
Foreign currency translation adjustments	(1,667)	_	_
Minority interests	43,031	_	—
(Total Net assets)	824,357	_	_
Total liabilities and net assets	2,218,426	_	—
(Minority interests)			
Minority interests	_	40,256	41,305
(Shareholders' equity)			
Capital	—	262,072	262,072
Capital surplus	—	61,897	61,897
Retained earnings	_	252,864	300,587
Land revaluation surplus	_	16,174	16,061
Unrealized gain on available-for-sale securities	_	71,769	84,385
Foreign currency translation adjustments	—	(119)	(3,591)
Treasury stock, at cost	_	(457)	(545)
Total shareholders' equity	—	664,200	720,866
Total liabilities, minority interests and shareholders'equity	_	2,134,675	2,113,391

3. Summary of Segment Information

(Segment Information by Business Type)

①Current Third Quarter (April 1, 2006 –December 31, 2006)

①Current Third Quarter (April 1, 2006 –December 31, 2006)					(Unit: Mi	llion yen)	
Items	Steel	Engineering	Electronics	Other	Total	Corporate or Eliminations	Consolidated
Sales & Operating Profit							
Sales							
(1) Sales to external customers	1,085,556	7,286	44,797	31,239	1,168,879	—	1,168,879
(2) Inter-segment sales	563	—	—	13,680	14,243	(14,243)	—
Total Sales	1,086,119	7,286	44,797	44,920	1,183,123	(14,243)	1,168,879
Operating expenses	877,335	8,473	42,844	41,062	969,716	(14,029)	955,687
Operating profit	208,784	(1,187)	1,952	3,857	213,406	(214)	213,192

⁽²⁾Previous Third Quarter (April 1, 2005 –December 31,2005)

Items	Steel	Engineering	Electronics	Other	Total	Corporate or 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)	—
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	(2,619)	2,200	3,204	228,000	(446)	227,553

(Unit: Million yen)

(3) Previous Fiscal Year (FY2005)

③ Previous Fiscal Year (FY2005)	(Unit: M	illion 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

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	The civil engine	ering and steel bridge products, systems buildings, etc.
Electronics		ctronic modules, etc.
Others	Lease and sale o evaluation, etc.	f real estate, research and testing specializing in materials analysis and

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 Third Quarter (April 1, 2005 – December 31, 2005) (After changes to business segments)

					(Ur	nit: Million ye	n)
Items	Steel	Engineering	Electronics	Other	Total	Corporate or Eliminations	Consolidated
Sales & Operating Profit							
Sales							
(1) Sales to external customers	1,034,571	16,254	47,274	33,141	1,131,242	—	1,131,242
(2) Inter-segment sales	2,035	—	—	12,430	14,465	(14,465)	_
Total Sales	1,036,606	16,254	47,274	45,571	1,145,707	(14,465)	1,131,242
Operating expenses	811,815	18,449	45,073	42,367	917,706	(14,018)	903,688
Operating profit	224,790	(2,194)	2,200	3,204	228,000	(446)	227,553

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

	× ·	8	8	,	(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

<Reference: The Third Quarter of Fiscal Year 2006 (ending March 31, 2007) by the Nine Months Total>

January 31, 2007 Sumitomo Metal Industries, Ltd.

1. Nationwide crude steel production volume

The FY2006 ending March 31, 2007			FY2006 Result for third quarter		FY2006 Target for full year		
Result for first Result for first quarter half							
29 million tons	58 million tons		88 million tons		117 million tons (approx.)		

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

The FY2006 end	ing March 31, 2007	FY2006	FY2006
Result for first	Result for first	Result for third	Target for full year
quarter	half	quarter	
3.29 million	6.67 million tons	10.01 million tons	13.34 million tons
tons			(approx.)

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

The FY2006 end	The FY2006 ending March 31, 2007		FY2006	FY2006
Result for first	Result for first		Result for third	Target for full year
quarter	half		quarter	
46%	46%		46%	46% (approx.)

4. Exchange rate

The FY2006 ending March 31, 2007						
Result for first	Result for first		Re			
quarter	half					
114yen/\$	115yen/\$					

FY2006	FY2006
Result for third quarter	Target for full year
116yen/\$	116yen/\$ (approx.)

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

Forecast for FY2006

1.5 billion yen per year (approx.)

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

The FY2006 end	ing March 31, 2007	FY2006	FY2006
Result for first	Result for first	Result for third	Target for full year
quarter	half	quarter	
95.5	96.7	97.9	99 (approx.)

7. FY2006 target for consolidated figures

	FY2006	F	Y2006	FY2006
	Result for first half	Result for third quarter	Target for full year	Previous target for full year
Sales	768.2	1168.8	1,560(approx.)	1,560(approx.)
Operating				
profit	135.1	213.1	280(approx.)	280(approx.)
Recurring				
profit	156	238.7	300(approx.)	300(approx.)
Net income	99.7	155.9	200(approx.)	190(approx.)

8. FY2006 target for non-consolidated figures

	FY2006	F	Y2006	FY2006
	Result for first half	Result for third quarter	Target for full year	Previous target for full year
Sales	495.1	751.7	1,000(approx.)	1,000(approx.)
Operating				
profit	116.1	172.6	225(approx.)	225(approx.)
Recurring				
profit	127.3	182.6	225(approx.)	225(approx.)
Net income	77.3	106.4	130(approx.)	130(approx.)

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

(billion yen)

	FY2006					
	Result for third quarter		Target for full year			
	Sales	Operating profits	Sales	Operating profits		
		and losses		and losses		
Steel	1085.5	208.7	1,450 (approx.)	274.5 (approx.)		
Engineering	7.2	(1.1)	10 (approx.)	(2) (approx.)		
Electronics	44.7	1.9	60 (approx.)	4 (approx.)		
Other	31.2	3.6	40 (approx.)	3.5 (approx.)		

<Sales by steel business companies (Consolidated) > (billion yen)

	FY2006		
	Result for third	Target for full year	
	quarter		
Steel Sheet, Plate,			
Titanium & Structural Steel	429.6	565 (approx.)	
Pipe & Tube	435.8	590 (approx.)	
Railway, Automotive &			
Machinery Parts	74.4	100 (approx.)	
Sumitomo Metals (Kokura),			
Ltd.	105.5	142 (approx.)	

10. Debt

(billion yen)

	The end of	The end of	The end of	Target for the end of
	March 2006	September 2006	December 2006	March 2007
Consolidated	679.7	667.7	741.6	720 (approx.)
Non-consolidated	535.7	574.2	644.4	640 (approx.)

(billion yen)

(billion yen)

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

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

Exchange rate (TTM)

Result for the third quarter of the FY2005:112 yen/ \Rightarrow Result for the third quarter of the FY2006:116 yen/\$

yen) +7	(Raw material prices, etc.)	(billion yen)
	(Raw material prices etc.)	
	(Raw material prices, etc.)	-38
+22	(Increase of fixed costs)	-10.5
	(Profit or loss from valuation)	-15
+9		
+54.5		
+92.5	Total	-63.5
5: 209.5 ł	oillion yen→	
5: 238.7 ł	billion yen (improvement of 29.1 billio	on yen)
		•
5	+54.5 +92.5	+9 +54.5

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