Sumitomo Metal Industries, Ltd.

Financial Results for the First Half of Fiscal Year 2007 (ending March 31, 2008)

This document is an excerpts translation of original Japanese document. Financial information was prepared in accordance with generally accepted accounting principles in Japan.

Company name : Sumitomo Metal Industries, Ltd.

Listed on : Tokyo, Osaka, Nagoya, Sapporo and Fukuoka Stock

Exchange

Code number : 5405

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1. Highlights of Consolidated Financial Results for the First Half of FY2007 (year ending March 31, 2008)

(1) Consolidated Statements of Income

% change from previous first half

	Sales		Operating profit		Recurring profit		Net income for the first half	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Half of FY2007	847,807	10.4	141,730	4.9	152,768	-2.1	96,907	-2.9
First Half of FY2006	768,222	5.2	135,128	-6.7	156,007	18.3	99,784	8.4
FY 2006	1,602,720	_	303,774	_	327,676	_	226,725	_

	Net income per share for the first half	Net income per share after dilution for the first half
	Yen	Yen
First Half of FY2007	21.15	21.14
First Half of FY2006	20.78	20.77
FY 2006	47.89	47.87

(Note) Equity in earnings of unconsolidated subsidiaries and associated companies:

The first half of FY2007 21,362 million yen; the first half of FY2006 24,570 million yen

FY2006 41,803 million yen

(2)Consolidated Balance Sheets

	Total assets	Total net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First Half of FY2007	2,405,676	929,154	36.7	194.13
First Half of FY2006	2,120,363	829,505	37.1	163.98
FY 2006	2,301,556	924,798	38.3	189.81

(Note) Shareholders' equity:

The first half of FY2007 881,972 million yen; the first half of FY2006 787,336 million yen

FY2006 880,807 million yen

(3)Consolidated Statements of Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of preriod
	Million yen	Million yen	Million yen	Million yen
First Half of FY2007	91,594	(50,697)	(40,616)	13,558
First Half of FY2006	74,689	(43,621)	(38,496)	25,512
FY 2006	171,833	(108,934)	(83,456)	13,020

2. Dividends

	Dividend per share						
	Interim	Interim Year-end Total					
FY2006	Yen 3.50	Yen 4.50	Yen 8.00				
FY2007 (result)	5.00						
FY2007 (target)		5.00	10.00				

3. Target of Consolidated Financial Results for FY2007 (year ending March31, 2008)

% change from previous year

							70 Change II	om prev	rious year
	Net sales		Operating profit		Recurring profit		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2007 (year ending March 31, 2008)	1,730,000	7.9	285,000	-6.2	305,000	-6.9	190,000	-16.2	41.82

4. Other

- (1) Changes in material subsidiaries within the term (Changes in specific subsidiaries affecting the scope of consolidation): None
- (2) Changes in the method, procedure and presentation, etc. of accounting for the preparation of consolidated financial statements for the interim period (Items to be noted as changes in the basis for presenting consolidated financial statements for the interim period)
- ① Changes following the revision of accounting standards, etc.: Yes
- ② Changes other than ①: None

(Remarks) Please refer to page 16 regarding "Items to be noted as changes in the basis for presenting consolidated financial statements for the interim period".

- (3) Number of issued shares (common stock)
- ① Number of shares of common stock issued at the end (including treasury shares)

First Half of FY2007: 4,805,974,238 shares First Half of FY2006: 4,805,974,238 shares FY2006: 4,805,974,238 shares

2 Number of treasury shares at the end of the term

First Half of FY2007: 262,864,446 shares

First Half of FY2006: 4,596,342 shares FY 2006: 165,450,538 shares

* The explanation for appropriate use of the target, and other important notice

The target for FY2007 listed above is the revised version of that announced on July 31, 2007.

The forecasts included in this document reflect the Company's current beliefs and are based upon information currently available to it. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the Company's actual results, performance or achievements to differ from those expressed in, or implied by, such forecasts. Be advised that developments subsequent to this document are likely to cause these forecasts to become outdated with the passage of time.

Please refer to the section "1. Business performance (1) Analysis of business performance" on page 4-7 regarding the premise for the target of FY2007 and the instructions for your use of the target.

1. Business performance

(1) Analysis of business performance

a. Business performance in the first half of the current period

[Business environment in the first half of the current period]

In the first half of the current period, steady demand for steel products continued due to the stable global economy. The supply and demand environment for high-grade steel products—an area where the Sumitomo Metals Group has expertise—also remained steady. Prices of raw materials and other related expenses in steel making, especially prices of non-ferrous metals and sea freight fees, continued to rise from the previous period.

[Management policy]

The Sumitomo Metals Group has implemented initiatives designed to accelerate distinctiveness. Based on its Medium-Term Business Plan (FY2006 to FY2008), we have expanded productive capacity through the relining of the No. 3 blast furnace at the Kashima Steel Works, and have improved our facilities to manufacture high-grade steel products such as steel sheet for automotive applications and seamless pipe. As part of our growth strategy that emphasizes quality, we set up a joint venture seamless pipe manufacturing company in Brazil, which aims to start production in mid-2010.

Meanwhile, we have taken steps to reduce costs, and, with the understanding of our customers, we have made efforts to improve our prices amid rising raw material expenses.

[Business results in the first half of the current period]

On a consolidated basis, net sales in the first half of the current period were 847.8 billion yen (a 79.5 billion yen increase over the first half of the previous period), operating profit was 141.7 billion yen (a 6.6 billion yen increase over the first half of the previous period), recurring profit was 152.7 billion yen (a 3.2 billion yen decrease over the first half of the previous period), and interim net income was 96.9 billion yen (a 2.8 billion yen decrease over the first half of the previous period).

On a non-consolidated basis, net sales in the first half of the current period were 550 billion yen (a 54.9 billion yen increase over the first half of the previous period), operating profit was 105.9 billion yen (a 10.1 billion yen decrease over the first half of the previous period), recurring profit was 115.3 billion yen (a 12 billion yen decrease over the first half of the previous period), and interim net income was 72.5 billion yen (a 4.7 billion yen decrease over the first half of the previous period).

(Performance in each segment)

<Steel business>

Pipe & Tube Company

Against a backdrop of expanding energy demand due to the economic growth in the BRICs nations (Brazil, Russia, India and China) and other Asian countries, there has been steady demand for high-grade seamless pipe, large-diameter welded steel pipe and other products that are used in the development of oil and natural gas resources.

We are investing to reinforce areas that are already strong. In July 2007, we established a joint-venture seamless pipe manufacturing company in Brazil with Vallourec, a French manufacturer of high-quality seamless pipe. When this project comes on-stream in 2010, our annual global production of seamless pipe will reach 1.6 million tons (a 300,000-ton increase), and we aim to further enhance our profit.

We have constructed new facilities to increase the capacity of the Steel Tube Works (Amagasaki, Hyogo Prefecture) to manufacture stainless steel boiler tubes. Operations at the facilities

commenced in October 2007. We have made these investments in response to growing demand mainly in China and Europe for boiler tubes to be used in highly efficient coal-fired ultra super critical (USC) boilers.

Consolidated total sales for the Pipe & Tube Company were 334.3 billion yen.

Steel Sheet, Plate, Titanium & Structural Steel Company

In May 2007, the relining and enlargement of the No. 3 blast furnace at the Kashima Steel Works was completed, creating a well-balanced production system across all processes, from upstream to downstream, to produce 8 million tons of crude steel annually. These improvements allow the steelworks to mass-produce high-quality steel at a world-class level of cost competitiveness.

In response to the growth in demand for higher-quality steel sheet for automotive applications, in September 2007, we began the operation of a new continuous pickling line directly linked to cold rolling mill. Together with the new No. 3 hot-dip galvanizing line that came on-stream in December 2006, the new facilities have enabled us to efficiently mass-produce high-quality steel sheet for automobiles.

We are moving ahead with the plan to complete a new heating furnace in November 2007 that will increase our plate mill production from 1.9 million tons per year to 2.0 million tons and enable us to increase the quality of high-grade products for energy-related fields.

In addition, a 500,000-kilowatt IPP (Independent Power Producer) began operating at the Kashima Steel Works in June 2007, which is expected to contribute in further stabilizing our profits.

Consolidated total sales for the Steel Sheet, Plate, Titanium & Structural Steel Company were 299.0 billion yen.

Railway, Automotive & Machinery Parts Company

In the railway parts business, the company is putting efforts into research and development with the objectives of faster and quieter rolling stock, and lighter and more reliable components. As a result, the company delivered in connection with the latest model of Japan's Shinkansen (bullet train), N700 series that began operations in July 2007, gear units and gear couplings that largely reduced noise and vibration compared to our previous models.

In the forged crankshaft business, the company is moving ahead with its "Global 10" business strategy that aims to supply more than 10% of the global market through its three strategically placed manufacturing centers: the Osaka Steel Works in Japan, International Crankshaft Inc. in the United States, and Huizhou Sumikin Forging Co., Ltd. in China. As part of this global strategy, in August 2007, Sumitomo Metals and Sumitomo Corporation reached an agreement with Norton Manufacturing Company, Inc. in the United States, a crankshaft machining manufacturer, to acquire the company.

Consolidated total sales for the Railway, Automotive & Machinery Parts Company were 50.9 billion yen.

Sumitomo Metals (Kokura), Ltd.

Demand from automotive manufactures for high-grade specialty steel bars and rods continues to be steady.

In February 2007, construction in connection with the company's investments in steelmaking process innovations commenced, which are scheduled to be completed in March 2010. These projects seek to achieve considerable cost reductions and the highest level of product quality in the world.

Including figures from Group companies such as Sumitomo Metals (Naoetsu), Ltd., consolidated total sales for the Sumitomo Metals Group's steel business were 789.4 billion yen, and

consolidated operating profit was 140.2 billion yen.

<Engineering business>

A harsh business climate continues due to factors such as a decline in public-sector investment. Under such circumstances, the company is reorganizing its operations by selecting areas in which to focus its businesses.

In October 2007, the company consolidated all the system buildings businesses within the Sumitomo Metals Group to form a new company, Sumikin System Buildings Corp., to enhance its system buildings operations. Through this reorganization, the company aims to improve competitiveness and expand its businesses.

Consolidated total sales for the engineering business were 7.1 billion yen, and consolidated operating loss was 0.2 billion yen.

<Electronics business>

Consolidated total sales for the electronics business were 30.3 billion yen, and consolidated operating loss was 0 billion yen.

<Other businesses>

Consolidated total sales for businesses other than those listed above were 20.8 billion yen, and consolidated operating profit was 2.0 billion yen.

b. Targets for FY2007

Although there are concerns over rising crude oil prices and the negative effects of the sub-prime loan crisis on the U.S. economy, management believes demand for steel, particularly for high-grade steel products destined for the energy and automotive manufacturing sectors will continue to be stable in the second half of the current fiscal year. Prices of raw materials used in the steel making process, such as non-ferrous metals, as well as shipping costs and other expenses are rising, but the Sumitomo Metals Group is continuing its efforts to reduce costs and improve steel prices.

On a consolidated basis, the Sumitomo Metals Group is aiming to achieve sales for FY2007 of 1,730 billion yen, operating profit 285 billion yen, recurring profit 305 billion yen, and net income 190 billion yen. On a non-consolidated basis, the Company is aiming to achieve sales of 1,130 billion yen, operating profit 210 billion yen, recurring profit 215 billion yen, and net income 130 billion yen.

The statements made above set forth the Company's business outlook and future prospects based on the Company's current beliefs and are based upon information currently available. The statements are subject to known and unknown risks and uncertainties. Please note that subsequent developments are likely to cause different results from the future business prospects described herein.

Medium-Term Business Plan (FY2006 to FY2008) progress

(Billion yen)

	Medium-Term Business Plan formulated FY2005	FY2007 Target (approximate
	FY2008 Plan (approximate figures)	figures)
Net sales	1,620	1,730
Operating profit	300	285
Recurring profit	290	305
Net income	180	190
Total assets	2,380	2,450
Debt	680	815
Shareholders' equity	1,070	950
ROA	13%	13%
Equity ratio	45%	39%
1:D.O.4. /D	2:	

^{*}ROA = (Recurring profit + interest expense) / total assets X 100

(2) Analysis of financial situation

Consolidated total assets in the first half of FY2007 were 2,405.6 billion yen, an increase of 104.1 billion yen compared to the end of the previous period primarily due to an increase in inventory reflecting higher raw material prices and our investment in facilities to accelerating distinctiveness.

Net cash provided by operating activities in the first half of FY2007 was 91.5 billion yen, after deducting expenses such as income taxes from earnings mainly consisting of the interim income before income taxes and minority interests.

Net cash used in investing activities was 50.6 billion yen, mainly due to capital expenditure toward accelerating distinctiveness.

Net cash used in financing activities was 40.6 billion yen due to the repayment of long-term borrowings, redemption of bonds and distribution of dividends, partially offset by an increase in borrowings to fund the repurchase of our shares.

As a result, at the end of the first half of FY2007, cash and cash equivalents was 13.5 billion yen (a 0.5 billion yen increase compared to the end of FY2006) and debt was 778.4 billion yen (a 60.4 billion yen increase compared to the end of FY2006).

	End of	End of	End of	End of the
	FY2004	FY2005	FY2006	first half of
				FY2007
Equity ratio	25.1%	34.1%	38.3%	36.7%
Equity ratio on a				
market value basis	48.2%	114.8%	127.2%	133.9%
Cash flow debt ratio	3.3	2.2	4.4	-
Interest coverage				
ratio	15.0	24.8	14.9	12.8

Equity ratio: Net assets / total assets

Equity ratio on a market value basis: Market capitalization / total assets

Cash flow debt ratio: Debt / (operating cash flow - interest payments)

(Cash flow debt ratio at the end of the first half of FY2007 is not mentioned above.)

Interest coverage ratio: Operating cash flow / interest payments

- *All items are calculated based on financial figures obtained on consolidated basis.
- * "Debt" means net debt, i.e. the total of outstanding borrowing, corporate debentures plus commercial papers minus cash and time deposits.
- * "Operating cash flow" means the net cash provided by operating activities stated in the consolidated statement of cash flows. "Interest payments" means the amount of interest paid stated in the consolidated statement of cash flows.

(3) Basic policy regarding distribution of profits; dividends for the FY2007

As our basic policy, Sumitomo Metals aims to return profits to our shareholders by making dividend payments each year. The determination as to whether to pay dividends is based on a comprehensive review of various factors including our results of operations, capital investment requirements to grow our business, and the stability of our financial condition.

The Board of Directors has resolved that the interim dividend will be 5 yen per share based on the expected high recurring profit for FY2007, which will be the third consecutive period to report a high recurring profit, as well as the increase in the stability of our financial portfolio despite our investment toward accelerating distinctiveness. Moreover, the Board anticipates that the year-end dividend will be 5 yen, bringing the total dividend payment for this fiscal year to 10 yen, which will be a 2-yen increase from the previous period.

2. Management policy

(1) Basic policy for corporate management

The Sumitomo Metals Group has more than 100 years of manufacturing experience. Moreover, the Group is proud to adhere to the Sumitomo business philosophy, refined over 400 years and epitomized by the words: "Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business. Under no circumstances shall it pursue easy gains or act imprudently" "Sumitomo's business is for the profit of the community."

Guided by this business philosophy, the Sumitomo Metals Group is striving to contribute to society through its steelmaking activities. Complying with social norms and business ethics, we are working to fulfill our corporate responsibility and ultimately win even greater trust from all stakeholders.

(2) Medium to long-term business strategy

The Sumitomo Metals Group is aiming to deliver long-term steady growth by emphasizing both quality and scale.

*Accelerating Distinctiveness and Building a Robust Operating Base

The steel market is polarizing into two categories: high-grade products and commodity-grade products. We expect competition to become more intense in the commodity-grade market. The Sumitomo Metals Group has competitive advantages in seamless pipe, railway, automotive and machinery parts, steel sheet for automotive applications and specialty steel. This product lineup means our operating structure is more resilient to fluctuations in demand. We plan to reinforce these already competitive areas by channeling resources into them.

In line with this policy, during the course of the new Medium-Term Business Plan we intend to invest 480 billion yen to reinforce our operating base during course of the Medium-Term Business Plan.

* Enhancing Intangible Assets

Our intangible assets—namely customer, employee, technology and other assets—are essential for sustained growth that places importance on quality.

We are continuing to build up our customer assets by offering services that aim to strengthen the relationship of trust between ourselves and our customers. In addition to supplying them with our products, we work with our customers in the development of their products and sending our technicians to visit their facilities. We will continue our efforts to win the leading reputation among our customers.

In employee assets, in preparation for the imminent mass mandatory retirement of baby boomers, we will use more diverse recruitment sources to consistently attract the highly skilled people we need. Together with upgraded personnel training programs and the re-employment of retirees, this will ensure we can maintain our strong frontline workforce. We are also well aware that safety in the workplace is of utmost importance, and are making efforts in this area.

In technology assets, we will continue to channel resources into selected technologies and shift research personnel to these key areas. Additionally, we intend to introduce innovative R&D facilities, enhance cooperation with universities and other external research bodies and take other steps, backed up by an increase in R&D expenses of 20% compared with the previous plan.

It is our goal to carry out these strategies and grow to become the company that our customers and other stakeholders will all look towards and say to themselves, "Sumitomo Metals is the only one for the job."

3. Consolidated financial statements for the interim period

(1) Consolidated statements of income for the interim period

Current Interim Period Previous Interim Period Change Previous Period							
Items	(First Half of FY2007)		(First Half of FY2006)		Change		(2006)
Net sales	\1 1150 11all	847,807	\1 1150 11d.	768,222	79,585	(1. 1	1,602,720
Cost of sales		(636,373)		(561,355)	-75,018		(1,156,622)
Gross profit		211,433		206,866	4,567		446,098
Selling, general and		(69,703)		(71,738)	2,034		(142,324)
administrative		(00,100)		(11,100)	2,001		(112,021)
expenses							
Operating profit		141,730		135,128	6,601		303,774
Non-operating income:							
Interest income	868		718			1,593	
Dividend income	3,083		3,345			6,682	
Equity in earnings of	21,362		24,570			41,803	
unconsolidated							
subsidiaries and							
associated companies							
Other	5,608	30,923	6,579	35,213	-4,289	13,161	63,241
Non-operating							
expenses:							
Interest expense	(6,674)		(5,419)			(11,468)	
Other	(13,210)	(19,885)	(8,914)	(14,333)	-5,551	(27,871)	(39,339)
Recurring profit		152,768		156,007	-3,239		327,676
Non-recurring income:							
Gain on sales of	6,903		-			4,508	
investment							
securities							
Gain on business	-		-			9,070	
restructuring							
Gain on changes of	-	6,903	-	-	6,903	16,263	29,842
equity interests in							
subsidiaries and							
associated							
companies							
Non-recurring loss:							
Impairment loss of	(6,438)		(3,564)			(5,221)	
fixed assets						, .	
Loss on business	-		(1,106)			(2,756)	
restructuring						, .	
Loss on disposal	-		-			(1,921)	
and sales of							
property, plant,							

equipment and							
other assets							
Loss on valuation of	-	(6,438)	-	(4,670)	-1,767	(5,894)	(15,793)
real estate for sale							
Income before income		153,234		151,337	1,896		341,725
taxes and minority							
interests							
Corporate taxes,	(39,434)		(49,491)			(106,790)	
residential taxes and							
business taxes							
Adjustments for	(14,733)	(54,168)	(1,154)	(50,646)	-3,522	(5,490)	(112,280)
corporate taxes, etc.							
Minority interests		(2,159)		(906)	-1,252		(2,719)
Net income		96,907		99,784	-2,877		226,725

(2) Consolidate balance sheet for the interim period

		(Unit: M				
Items	Current Interim Period (At the end of September	Previous Interim Period (At the end of September	Previous Period			
Tiems	2007)	(At the end of September 2006)	(At the end of March 2007)			
(Assets)						
Current assets	719,430	665,548	672,555			
Cash and deposits	13,771	25,576	13,084			
Trade notes and	204,280	204,291	213,432			
accounts receivable						
Marketable securities	-	0	-			
Inventories	444,625	375,249	385,604			
Others	57,237	60,905	60,779			
Allowance for doubtful	(485)	(474)	(344)			
accounts						
Fixed assets:	1,686,246	1,454,815	1,629,000			
Property, plant and	1,078,806	1,016,724	1,046,278			
equipment						
Building and	246,516	233,505	233,820			
structures						
Machinery and	407,325	330,198	339,342			
equipment						
Land	349,427	349,432	347,902			
Construction in	65,226	93,957	115,443			
progress						
Others	10,310	9,629	9,778			
Intangibles	4,378	5,654	5,055			
Investments and other	603,061	432,436	577,666			
assets:						
Investment securities	558,148	395,689	538,102			
Others	45,806	37,564	40,277			
Allowance for doubtful	(893)	(816)	(713)			
accounts						
Total assets	2,405,676	2,120,363	2,301,556			
(Liabilities)						
Current liabilities:	862,372	805,289	807,856			
Trade notes and	358,663	368,358	340,457			
accounts payable						
Short-term borrowings	240,371	239,937	244,913			
Commercial paper	31,000	15,000	-			
Current portion of	21,500	15,000	15,000			
bonds						
Others	210,867	166,993	207,484			

Long-term liabilities	614,149	485,569	568,902
Bonds	114,660	91,157	121,159
Long-term borrowings	370,901	306,637	336,910
Liability for employees'	26,085	31,564	27,528
retirement benefits			
Liability for rebuilding	532	4,247	4,259
furnaces			
Others	101,969	51,962	79,043
Total liabilities	1,476,521	1,290,858	1,376,758
(Net assets)			
Shareholders' equity:	751,009	701,557	743,068
Capital	262,072	262,072	262,072
Capital surplus	61,897	61,897	61,897
Retained earnings	569,067	378,505	490,523
Treasury stock, at	(142,027)	(917)	(71,424)
cost			
Valuation and	130,963	85,778	137,738
translation			
adjustments:			
Net unrealized gain on	117,319	78,440	122,825
available-for-sale			
securities			
Deferred gains or	758	(1,987)	(541)
losses on			
hedges			
Land revaluation	13,847	11,938	16,804
surplus			
Foreign currency	(961)	(2,613)	(1,349)
translation adjustment			
Minority interests	47,181	42,168	43,990
Total net assets	929,154	829,505	924,798
Total liabilities and	2,405,676	2,120,363	2,301,556
net assets			

(3) Consolidated statement of cash flows

г		(Unit: Million Yen)				
	Current Interim	Previous Interim				
	Period (First Half of	Period (First Half of	Change	Previous Period (FY2006)		
	FY2007)	FY2006)		(112000)		
Operating activities:						
Income before income taxes	153,224	151,337	1,896	341,725		
and minority interests	,	·				
Adjustments for:						
Depreciation and	48,873	35,165	13,708	73,380		
amortization						
Interest and dividend	(3,952)	(4,063)	110	(8,276)		
income						
Interest expense	6,674	5,419	1,255	11,468		
Equity in earnings of	(21,362)	(24,570)	3,207	(41,803)		
unconsolidated	, , ,	,,,,,,,	-,	, , , , , , , , , , , , , , , , , , , ,		
subsidiaries						
and associated companies						
Decrease(increase)in	12,485	5,946	6,538	(6,348)		
receivables	,	,	,			
Increase in inventories	(55,952)	(23,787)	-32,165	(37,246)		
Increase (decrease) in	23,325	20,833	2,492	(8,212)		
payables	,	,	,			
Other, net	(8,030)	3,067	-11,097	(13,759)		
Income taxes paid	(63,700)	(94,659)	30,958	(139,093)		
			•			
Net cash provided by operating	91,594	74,689	16,905	171,833		
activities						
Investing activities:						
Interest and dividends	8,835	8,927	-92	16,981		
received		·				
Acquisition of property, plant	(67,326)	(58,865)	-8,461	(127,107)		
and equipment and other		·				
assets						
Other, net	7,793	6,315	1,477	1,191		
Net cash used in investing	(50,697)	(43,621)	-7,075	(108,934)		
activities		ŕ		ŕ		
Financing activities:						
Interest paid	(7,133)	(5,487)	-1,646	(11,504)		
Increase (decrease) in	51,246	(7,925)	59,171	42,889		
borrowings and debt	•		,	,		
Dividends paid	(20,883)	(21,611)	727	(38,416)		
Others, net	(63,846)	(3,472)	-60,373	(76,424)		
Net cash used in financing	(40,616)	(38,496)	-2,120	(83,456)		
activities			•			
				1		

Foreign currency translation	256	275	-19	684
adjustments on cash and cash				
equivalents				
Net decrease in cash and cash	537	(7,152)	7,690	(19,872)
equivalents				
Cash and cash equivalents at	13,020	32,596	-19,575	32,596
beginning of period				
Cash and cash equivalents	-	69	-69	297
increase by change of				
consolidated subsidiaries				
Cash and cash equivalents at	13,558	25,512	-11,954	13,020
end of period				

(Remark)

Reconciliation of cash and cash equivalents at the end of term stated in the consolidated balance sheet and consolidated statement of cash flows.

•	End of September 2007>	<end 2006="" of="" september=""></end>	<end 2007="" march="" of=""></end>
Cash and deposits	13,771 million yen	25,576 million yen	13,084 million yen
Time deposits with original maturiti	es		
of more than three months purchase	(213)	(63)	(63)
Cash and cash equivalents	13.588	25.512	13.020

- (4) Material items in preparing consolidated financial statements for the interim period
- 1. Items regarding the scope of consolidation
- (a) Number of consolidated subsidiaries 73 companies

Names of major consolidated subsidiaries are as follows:

Sumitomo Metals (Kokura), Ltd., East Asia United Steel Corporation, Sumikin Iron & Steel Corporation, Sumitomo Metals (Naoetsu), Ltd., Sumitomo Pipe & Tube Co., Ltd., Sumikin Steel & Shapes, Inc., Sumitomo Metal Logistics Service Co., Ltd., Sumitomo Metal (SMI) Electronics Devices, Inc., Western Tube & Conduit Corp., Seymour Tubing, Inc., International Crankshaft Inc., Huizhou Sumikin Forging Co., Ltd., Guangzhou You-Ri Automotive Parts Co., Ltd.

One company that began its operations from the first half of the current fiscal year, and two companies including Sumimetal Mining Co., Ltd., which had been equity method affiliates until the previous fiscal year, were newly accounted for as consolidated subsidiaries.

- 2. Items regarding application of equity method
- (a) Number of non-consolidated subsidiaries to which the equity method is applicable- 1 company

Company name: Kanto Special Steel Works, Ltd.

(b) Number of related subsidiaries to which the equity method is applicable 29 companies

Main companies:

SUMCO CORPORATION, Kashima Kyodo Electric Power Company, Kyoei Steel Ltd., Daiichi Chuo Kisen Kaisha, Sumikin Bussan Corporation, Nippon Steel & Sumikin Coated Sheet Corporation, Sumitomo Precision Products Co., Ltd., OSAKA Titanium technologies Co., Ltd., Nippon Steel & Sumikin Metal Products Co., Ltd., Nippon Steel & Sumikin Stainless Steel Corporation, Chuo Denki Kogyo Co., Ltd., Nippon Steel & Sumikin Welding Co., Ltd.

Two companies including Sumimetal Mining Co., Ltd., which became consolidated subsidiaries in the first half of the current fiscal year, were excluded from the application of equity method. With respect to SUMCO CORPORATION, equity method is applied following the company's interim consolidated financial statements.

Apart from matters mentioned herein, there is no disclosure since there has been no material change since the recent interim securities report which was submitted on December 19, 2006.

- (5) Items to be noted as changes in the basis for presenting consolidated financial statements for the interim period
- 1. Changes in the method of accounting

Starting the current fiscal year, we have changed the method of depreciation with respect to property, plant and equipment in accordance with the Corporation Tax Law amendments in 2007. As a result, compared to figures under the previous method, depreciation cost increased by 6,723 million yen and operating profit decreased 6,718 million yen, recurring profit and income before income taxes and minority interests each decreased by 6,723 million yen in the first half of the current fiscal year.

(6) Segment Information

Current Interim Period (The First Half of FY2007)

(Unit: Million Yen)

	Steel	Engineering	Electronics	Other	Total	Corporate or Eliminations	Consolidated
Sales to customers	789,482	7,144	30,340	20,839	847,807	-	847,807
Intersegment sales	447	-	-	10,109	10,556	(10,556)	-
Total sales	789,930	7,144	30,340	30,948	858,364	(10,556)	847,807
Cost of sales and operating expenses	649,707	7,406	30,400	28,906	716,420	(10,343)	706,077
Operating profit (loss)	140,222	(261)	(59)	2,041	141,943	(212)	141,730

Previous Interim Period (The First Half of FY2006)

(Unit: Million Yen)

	Steel	Engineering	Electronics	Other	Total	Corporate or Eliminations	Consolidated
Sales to customers	711,021	4,966	29,328	22,905	768,222		768,222
Intersegment sales	252	-	-	8,587	8,840	(8,840)	
Total sales	711,274	4,966	29,328	31,493	777,063	(8,840)	768,222
Cost of sales and operating expenses	578,970	5,783	28,099	28,928	641,781	(8,686)	633,094
Operating profit (loss)	132,303	(816)	1,229	2,565	135,282	(153)	135,128

Previous Fiscal Year (FY 2006)

	Steel	Engineering	Electronics	Other	Total	Corporate or Eliminations	Consolidated
Sales to customers	1,488,861	10,784	59,389	43,685	1,602,720	í	1,602,720
Intersegment sales	1,347	-	-	19,191	20,538	(20,538)	-
Total sales	1,490,208	10,784	59,389	62,876	1,623,259	(20,538)	1,602,720
Cost of sales and operating expenses	1,192,413	12,455	56,922	57,329	1,319,121	(20,175)	1,298,946
Operating profit (loss)	297,795	(1,670)	2,466	5,547	304,137	(363)	303,774

(Remarks) Principal products for respective segments

		oducts for respective segments
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, pure nickel sheet etc.
	Construction	H-shapes, fixed outer dimension H-shapes, lightweight welded
	materials	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,	Wheels, axles, bogie trucks, gear units for electric cars,
	automotive,	Couplers, etc.
	and machinery parts	
	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, wholesale power supply, land and sea transport of steel materials, maintenance of machinery and facilities, pipelines, energy plant, sales of limestone, etc.
E	Ingineering	Steel bridge, steel structure for civil engineering, system buildings, etc.
]	Electronics	IC packages, electronic modules, etc.
	Other	Lease and sale of real estate, research and testing specializing in materials analysis and evaluation, etc.

Reference

Consolidated statements of income in comparison with the second half of FY2006

Items	First Half	of FY2007	Second Hal	f of FY2006	Change
Net sales Cost of sales Gross profit		848,807 (636,373) 211,433		864,497 (595,266) 239,231	13,309
Selling, general and administrative expenses Operating profit		(69,703) 141,730		(70,585) 168,645	-26,915
Interest income and dividend income Interest expense Equity in earnings of unconsolidated subsidiaries and associated companies Other non operating	3,952 (6,674) 21,362 (7,602)	11,038	4,212 (6,048) 17,233 (12,374)	3,022	8,015
expenses Recurring profit		152,768		171,668	-18,900

Supplementary Information on Financial Results for First Half of Fiscal Year 2007

1. Japan crude steel production

million tons

	1 st	$2^{ m nd}$	$1^{ m st}$ half	3 rd	4 th	2 nd half	Total
	quarter	quarter	1 st Hall	quarter	quarter	2 11411	10001
FY2005	29	28	57	28	28	56	113
FY2006	29	29	58	30	30	60	118
FY2007 (Forecast)	30	30	60	-	-	58(approx.)	118(approx.)

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

million tons

	1 st	2 nd	$1^{ m st}$ half	3rd	$4^{ m th}$	$2^{ m nd}$ half	Total
	quarter	quarter		quarter	quarter		
FY2005	3.31	3.39	6.70	3.30	3.31	6.61	13.31
FY2006	3.29	3.38	6.67	3.34	3.37	6.71	13.38
FY2007(Target)	3.21	3.40	6.61	-	-	6.90(approx.)	13.50(approx.)

3. Export ratio (*2) (value basis)

%

	1 st	2^{nd}	1-+1 10	3rd	4 th	011 16	Total	
	quarter	quarter	$1^{ m st}$ half	quarter	quarter	2 nd half	Iotai	
FY2005	-	-	43	-	-	44	44	
FY2006	46	46	46	46	47	47	46	
FY2007 (Target)	46	46	46	-	-	44(approx.)	45 (approx.)	

4. Foreign exchange rate

yen/US\$

							•
	1 st	2 nd	1st half	3^{rd}	$4^{ m th}$	2 nd half	Total
	quarter	quarter	1 st fiam	quarter	quarter	Z ^{na} Hall	10001
FY2005	108	111	109	117	117	117	113
FY2006	114	116	115	118	120	119	117
FY2007 (Forecast)	121	118	119	-	-	115(approx.)	117(approx.)

5. Consolidated exposure to foreign exchange fluctuations

	FY 2006	FY2007 forecast
Excess amount of dollar	Approx. 1.7 billion US\$	Approx. 1.7 billion US\$
dominated transactions	Per year	per year

6. Average price of steel products (*3)

thousand yen/ton

			_			_	
	1^{st}	2 nd	$1^{ m st}$ half	3^{rd}	$4^{ m th}$	2 nd half	Total
	quarter	quarter	1 II II III	quarter	quarter	Z ^{aa} IIali	
FY2005	-	-	88.5	-	-	98.9	93.7
FY2006	95.5	97.9	96.7	100.1	106.2	103.2	100.0
FY2007 (Target)	102.3	108.8	105.6	-	-	105(approx.)	105(approx.)

7. Consolidated segment information

billion yen

	Result for first	half of FY2007	Target for FY2007	
	Sales	Operating profits	Sales	Operating profits
		and losses		and losses
Steel	789.4	140.2	1607.0(approx.)	279.0(approx.)
Engineering	7.1	(0.2)	15.0(approx.)	0(approx.)
Electronics	30.3	(0)	63.0(approx.)	1.0(approx.)
Other	20.8	1.8	45.0(approx.)	5.0(approx.)

< Sales by internal companies >

billion yen

		· ·
	FY2007 Result for first half	FY2007 Target for full year
Steel Sheet, Plate, Titanium & Structural Steel Company	299.0	620.0(approx.)
Pipe & Tube Company	334.3	670.0(approx.)
Railway, Automotive & Machinery Parts Company	50.9	105.0(approx.)
Sumitomo Metals (Kokura), Ltd.	74.0	153.0(approx.)

8. Debt as of the end of the month

billion yen

	March 2007	September	Target
		2007	March 2008
Consolidated	717.9	778.4	815.0(approx.)
Non-consolidated	639.3	704.5	740.0(approx.)

9. Capital expenditure & depreciation (Property, plant & equipment)

billion yen

	FY	2006	FY 2007 target		
Consolidated Non-consolidate		Non-consolidated	Consolidated	Non-consolidated	
CAPEX	135.8	84.7	199.0(approx.)	104.0(approx.)	
Depreciation	72.2	41.0	107.0(approx.)	69.0(approx.)	

10. Numbers of employees

as of the end of the month

		ao (or the chart of the month
	March 2007	September 2007	March 2008(target)
Consolidated	24,982	25,376	25,100
Non consolidated	6,852	7,031	7,000

11. Analysis of consolidated recurring profit billion yen

<u> </u>	Dillion you		
	The first half of FY2006	The first half of FY2007	Change
Consolidated recurring profit	156.0	152.7	-3.2

Increasing profit		Decreasing profit		
Cost improvement	7.5	Raw materials, etc.	(53.5)	
Profit from valuation	19.0	Depreciation in accordance with the Corporation Tax Law amendments	(7.0)	
Equity in earnings of unconsolidated subsidiaries	6.0	Fixed costs	(7.5)	
Exchange rate fluctuation	3.5	Negative effects by the switch of blast furnace	(5.0)	
Sales prices, etc.	43.0	Transient profit of SUMCO in the first half of FY2006	(9.0)	
Total	79.0	Total	(82.0)	
Total: 3.2 billion yen				

(END)