Sumitomo Metals FY 2008 the First Quarter Performance (ending March 31, 2009)

July 31, 2008

Forward-looking Statement

This presentation contains certain forward-looking statements. The Company has tried, whenever possible, to identify these forward-looking statements using words such as "anticipated," "believes," "estimates," "forecasts," "expects," "plans," "intends," "targets," and similar expressions. Similarly, statements herein that describe the Company'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 Company's actual results, performance or achievements to differ from those expressed in, or implied by, such statements. These risks and uncertainties may include, but are not limited to: the Company'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 Sumitomo Metals Group's products, changes in Japan's 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 Sumitomo Metals Group's public filings. These statements reflect the Company's current beliefs and are based upon information currently available to it. Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time. The Company disclaims any intent or obligation to update these forward-looking statements.

All output figures in this presentation are metric tons.



FY2008/1Q Results

FY2008 Forecast

Supplement

Consolidated Results Highlights for FY08/1Q

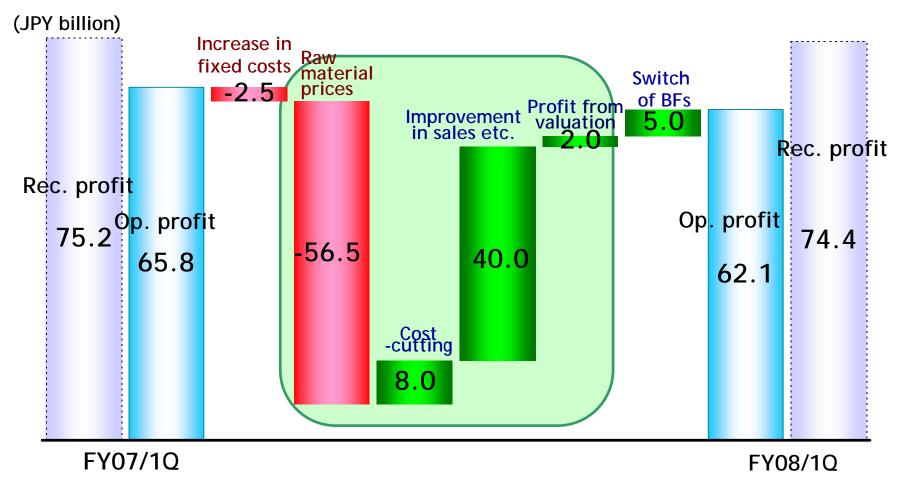
*Including Sumitomo and Sumikin Iron & S	Metals (Kokura), Sumitomo Metals (Naoetsu) F teel Corporation	Y08/1Q	YoY	$Q \circ Q$
Production & Price	Crude steel (million tons)	3.50	8.9 %	0.4 %
	Steel Production sales volume (million tons)	3.12	3.2 %	-5.9 %
	Ave. price of steel product (000JPY/ton)	110.1	7.8	5.8
	F	Y08/1Q	YoY	$Q \circ Q$
PL (JPY billion)	Sales	452.2	11.3 %	0.5 %
(SI I Billion)	Op. profit	62.1	-5.6 %	-1.0 %
	Rec. profit	74.4	-1.1 %	16.3 %
	Net income	43.4	-3.0 %	19.9 %

- Demand remained strong and stable, especially from the energy and automobile sectors.
- Op. profit: 62.1 JPY billion
 Cost push of raw materials was a little bigger than improvement such as sales and cost cutting.

IDV hillion		F\	Y07	FY08	Chan	Change to	
JPY billion	1 Q	2Q	3Q	4Q	10	YoY	QoQ
Sales	406.3	441.4	446.9	449.8	452.2	45.8	2.4
Op. profit	65.8	75.8	69.9	62.7	62.1	- 3.7	- 0.5
Rec. profit	75.2	77.4	81.4	64.0	74.4	- 0.8	10.4
Non-rec. profit (loss)	0.4	-	(6.4)	(10.9)	-	- 0.4	10.9
Corporate taxes and minority interests	(30.9)	(25.4)	(27.6)	(16.8)	(30.9)	- 0	- 14.1
Net Income	44.8	52.0	47.3	36.2	43.4	- 1.3	7.2
EPS (JPY)	9.70	11.46	10.43	7.87	9.38	- 0.32	- 1.51
FOREX rate (JPY/USD)	121	118	114	105	105	- 16	-

Change in Consolidated Operating Profit (FY07/1Q -> FY08/1Q)

 Cost push of raw materials was a little bigger than improvement such as sales and cost cutting.

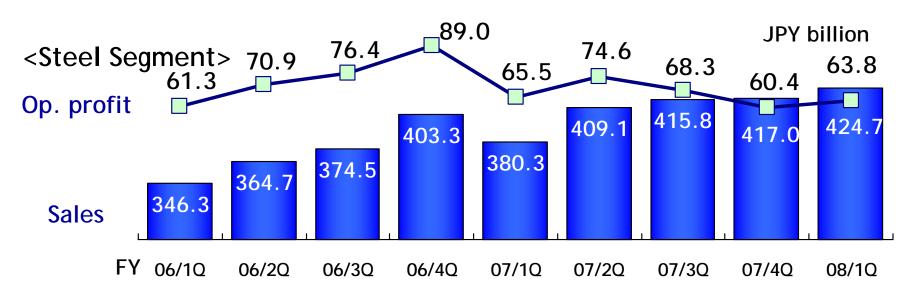


•Earnings from equity-method affiliates : <FY07/1Q> 12.0 JPY billion -> <FY08/1Q> 10.1 JPY billion



Consolidated Sales and Operating Profit by Business Segment

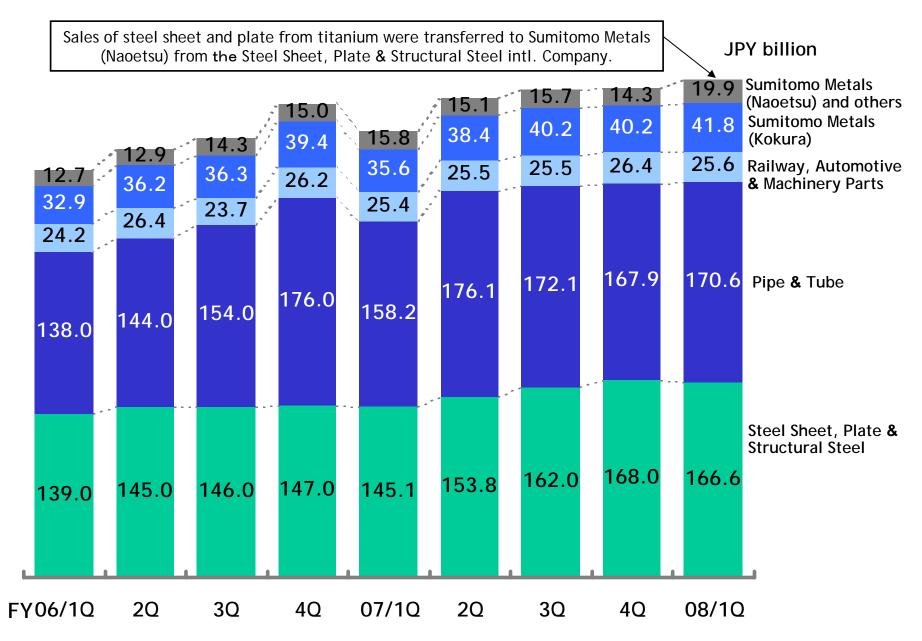
JPY billion	06/10	06/2Q	06/3Q	06/4Q	07/10	07/2Q	07/3Q	07/4Q	08/1Q
Steel	346.3	364.7	374.5	4,03.3	380.3	4,09.1	415.8	417.0	424.7
Engineering	2.0	2.9	2.3	3.4	3.1	3.9	3.2	5.0	2.1
Electronics	13.4	15.8	15.4	14.5	14.2	16.0	16.9	14.3	15.9
Other	11.2	11.6	8.3	12.4	8.6	12.2	10.9	13.3	9.3
Sales	373.0	395.1	400.6	433.8	406.3	441.4	446.9	449.8	452.2
Steel	61.3	70.9	76.4	89.0	65.5	74.6	68.3	60.4	63.8
Engineering	(0.2)	(0.5)	(0.3)	(0.4)	(0.1)	(0.0)	0	0.3	(0.1)
Electronics	0.3	0.9	0.7	0.5	(0.1)	0.1	0	(0.2)	0.1
Other	1.1	1.3	1.2	1.5	0.6	1.1	1.5	2.0	(1.6)
Operating profit	62.5	72.6	78.0	90.5	65.8	75.8	69.9	62.7	62.1



Consolidated Balance Sheets

IDV hillion	0	7		08	0/	QoQ	
JPY billion	3E	6E	3E	6E	%	202	
[Assets]							
Current assets	672.5	712.9	677.7	738.7	9.0	60.9	
Fixed assets	1,629.0	1,683.0	1,740.5	1,791.1	2.9	50.6	
Total assets	2,301.5	2,396.0	2,418.3	2,529.9	4.6	111.5	
(Liabilities and Shar	reholders' E	quity]					
Current liabilities	807.8	893.9	781.9	777.8	- 0.5	- 4.0	
Long-term liabilities	568.9	5,79.8	687.1	760.8	10.7	73.7	
Net assets	924.7	922.2	949.3	991.2	4.4	41.9	
Debt	717.9	798.1	883.8	924.4	4.6	40.5	

Consolidated Steel Sales by Internal Company



FY2008/1Q Results

FY2008 Forecast

Supplement

*Change: Change from the forecast as of Apr. 28)

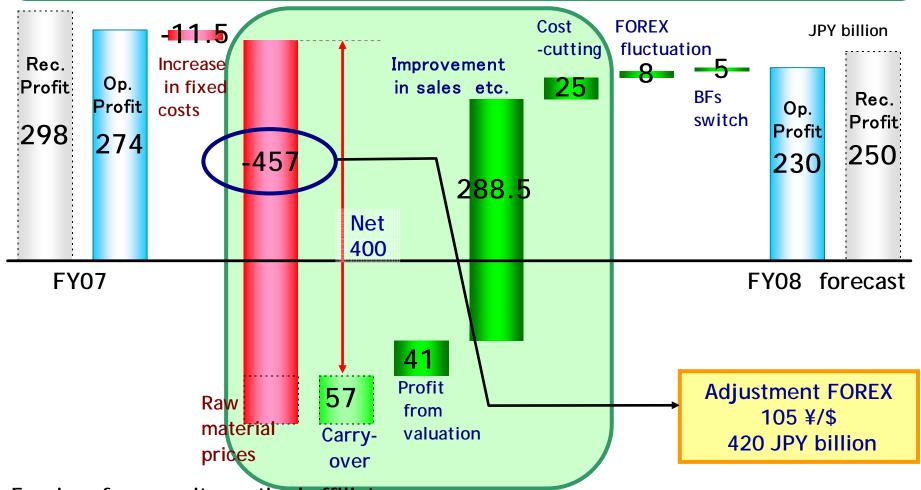
- Sales
 Op. profit
 Rec. profit
 Net income
 2,060 JPY billion
 230 JPY billion
 (Change* 60 JPY billion)
 (Change* 30 JPY billion)
 (Change* 40 JPY billion)
 (Change* 20 JPY billion)

JPY billion	FY07	10	Apr. 28	1H forecast Approx.	(Apr. 28)	FY08 forecast	% Approx.	YoY Approx.
Sales	1,744.5	452.2	[950]	970	[2,000]	2,060	18.1	315.4
Op. profit	274.3	62.1	[90]	100	[200]	230	-16.2	-44.3
Rec. profit	298.2	74.4	[95]	115	[210]	250	-16.2	-48.2
Non-rec. profit (loss)	(16.9)	-	[-]	-	[-]	-	-	16.9
Net Income	180.5	43.4	[60]	75	[140]	160	-11.4	-20.5
EPS (JPY)	39.43	9.38	[12.93]	16.17	[30.18]	34.49	-	-4.94
FOREX rate (JPY/USD)	114	105	[100]	105	[100]	105	-	-9

^{*}Apr. 28: Forecast as of April 28

Change in Consolidated Operating Profit (FY07 -> FY08 forecast)

- Time-lag to pass on the raw materials cost push is a big profit reduction factor.
- Improvement in sales and cost-cutting will increase op. profit by 30 JPY billion from the forecast as of Apr. 28.

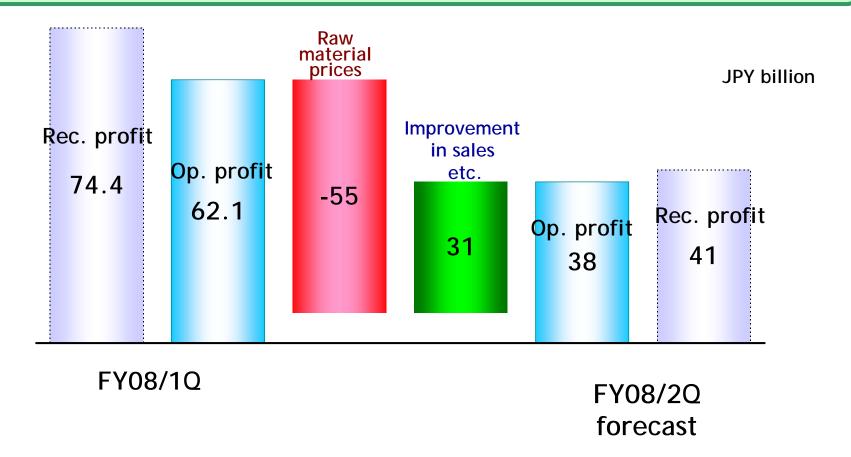


Earnings from equity-method affiliates :

<FY07> 41.9 JPY billion → <FY08> 40 JPY billion

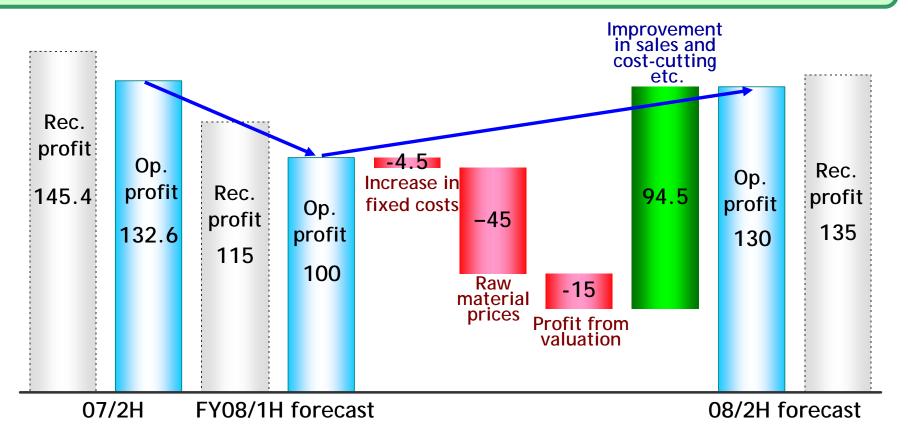
Depreciation: <FY07>102.5 JPY billion → <FY08> 116 JPY billion > sumitomo METALS

• The influence of surge in prices of raw materials (absence of carry-over) will reduce profit in 2Q despite improvement in sales and others.



Earnings from equity-method affiliates:
 <FY08/1Q> 10.1 JPY billion → <FY08/2Q> 10 JPY billion

 Over 2H, the profit will be close to the FY07/2H profit due to improvement in sales of seamless pipes & slabs and cost-cutting.



Forecast for Production & Prices

*Including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation

							FY08	V-V
		1H	FY07	10	1H Approx.	2H Approx.	forecast Approx.	YoY Approx.
FOREX rate (JPY/USD)		119	114	105	105	105	105	-9
Crude steel p (million tons)		6.61	13.62	3.50	7.00	7.00	14.00	0.4
Steel products sales volume (million tons)		6.08	12.49	3.12	6.34	6.41	12.75	0.26
Seamless pipe sales volume (million tons)		0.55	1.11	0.26	0.56	0.61	1.17	0.06
Ave. price of	Domestic	97.2	97.9	105.6	112	121	117	19
	Export	116.5	116.2	115.9	120	139	130	14
(000JPY/ton)	Total	105.6	105.7	110.1	116	129	122	17

FY07 Excess receipts of USD = approx. USD 1.6 billion/year

FY07 Excess payments of USD = approx. USD 0.9 billion/year

Key Indicators of Consolidated Performance

	FY04	FY05	FY06	FY07	FY08 forecast	Medium-term Business Plan (Apr. 05) FY 08 Plan
ROA *	9.7%	14.5%	15.4%	13.2%	approx. 10%	approx. 13%
ROE	25.8%	36.7%	28.3%	20.3%	approx. 16.5 %	
Equity ratio	25.1%	34.1%	38.3%	37.3%	approx. 38%	approx. 45%
D/E ratio	1.83	0.94	0.82	0.98	approx. 0.94	approx. 0.6
Debt (JPY billion)	885.9	679.7	717.9	883.8	approx. 980	approx. 680
Total asset (JPY billion)	1,923.1	2,113.3	2,301.5	2,418.3	арргох. 2,740	арргох. 2,380
Non-consolidated dividends / share (JPY)	5.0	7.0	8.0	10.0	10.0	
<interim dividends=""></interim>	(-)	(2.5)	(3.5)	(5.0)	(5.0)	

^{*} Return (Recurring profit before interest expense) on assets



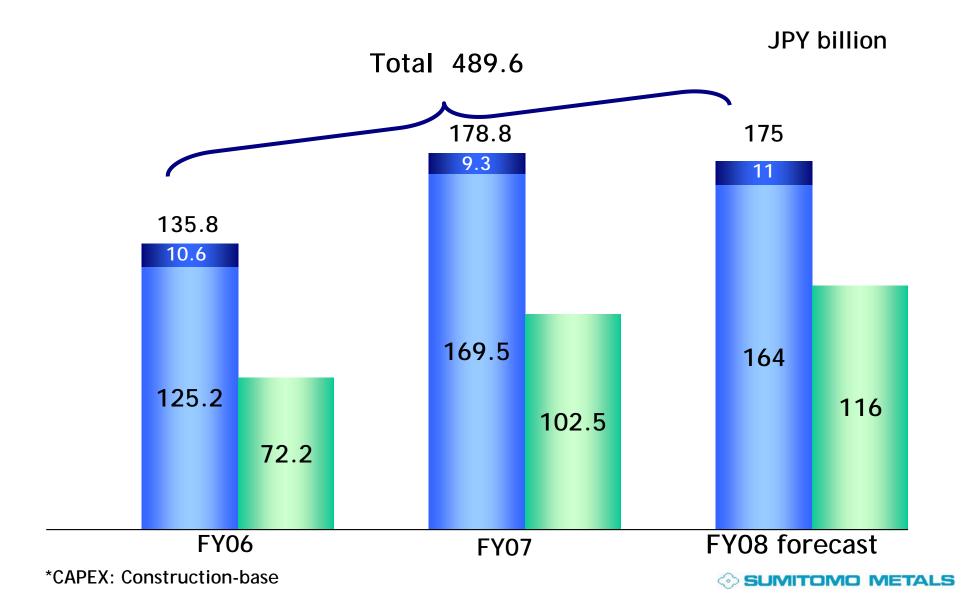
- Sumitomo Metals intends to maximize corporate value by delivering sustained growth that balances quality and scale.
- Cash generated from operations will be used for investments that raise corporate value.
- Criteria for investments include whether they may accelerate distinctiveness of our group, and whether their returns could exceed the cost of capital, and thereby help raise our value.
- We will return profits to shareholders through stable payment of dividends.
- Our guideline for financial leverage is a D/E ratio of below one.

< FY2008>

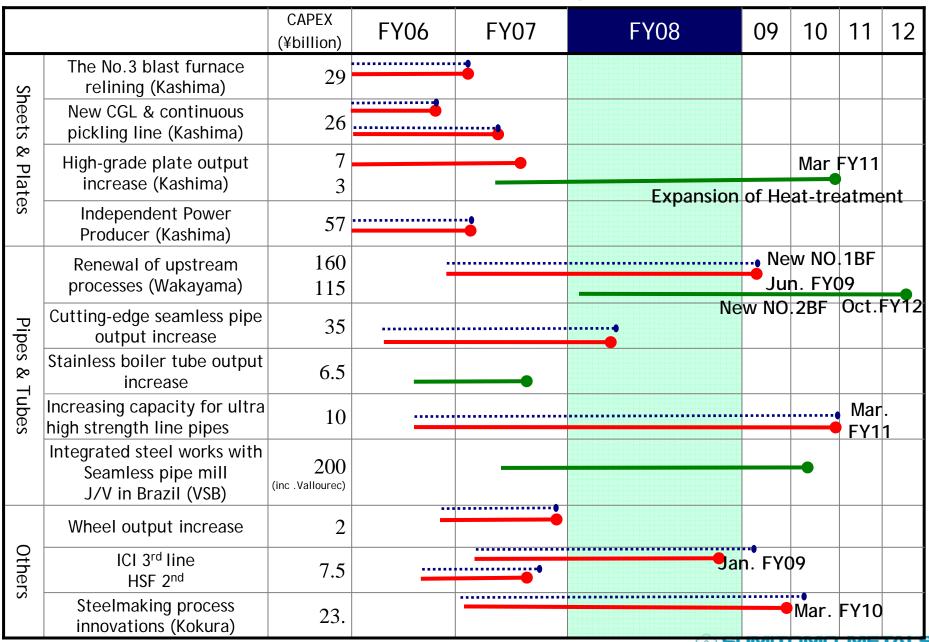
We intend to pay an annual dividend of 10.0 JPY per share.

Forecast for Consolidated CAPEX and Depreciation

■ CAPEX in Steel business ■ CAPEX in Non-Steel business ■ Depreciation



CAPEX Plan Update



FY2008/1Q Results

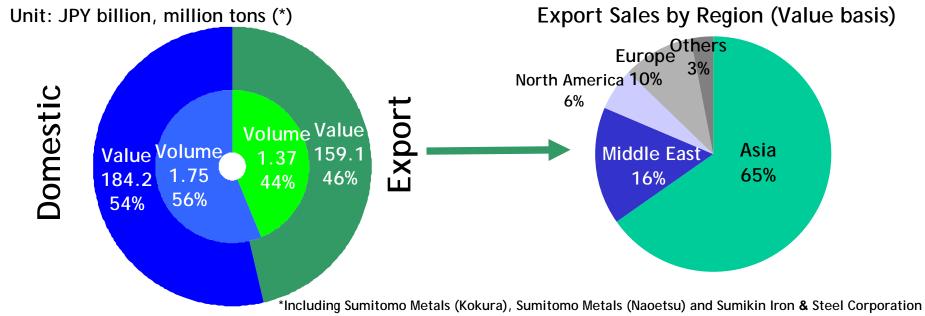
FY2008 Forecast

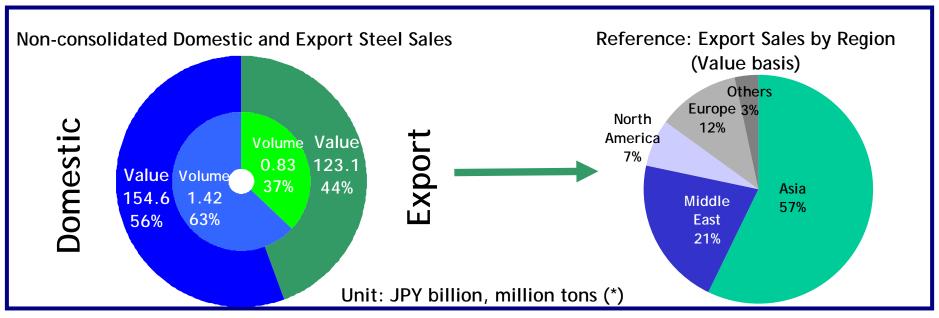
Supplement

JPY billion	FY07	10	(Apr. 28	1H forecast Approx.	Apr. 28	FY08 forecast Approx.	%	YoY Approx.
Sales	1,141.4	297.9	[610]	625	[1,290]	1,340	17.4	198.6
Op. profit	204.5	45.2	[65]	70	[130]	145	-29.1	- 59.5
Rec. profit	214.9	66.7	[75]	90	[135]	160	-25.5	- 54.9
Non-rec. profit (loss)	(12.2)	-	[-]	-	[-]	-	-	12.2
Income taxes- deferred	(73.3)	(20.6)	[(25)]	(30)	[(45)]	(60)	-	13.3
Net Income	129.3	46.0	[50]	60	[90]	100	-22.7	- 29.3

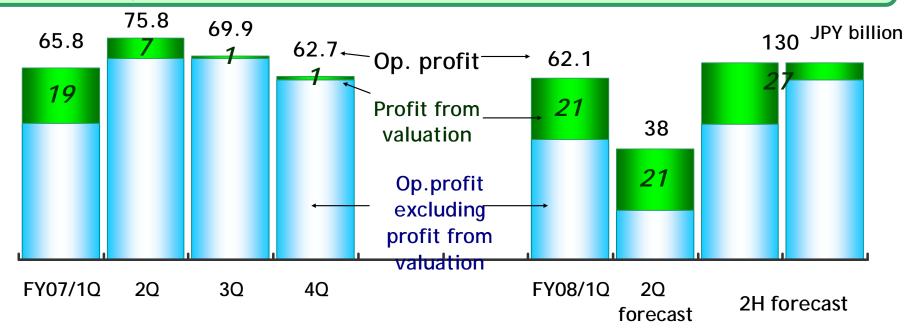
*Apr. 28: Forecast as of April 28

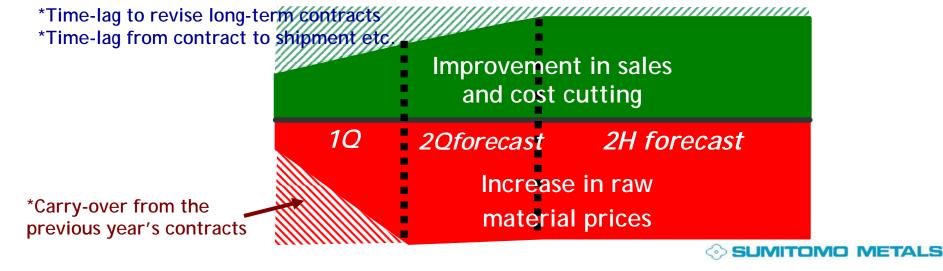
Domestic and Export Steel Sales for FY08/1Q

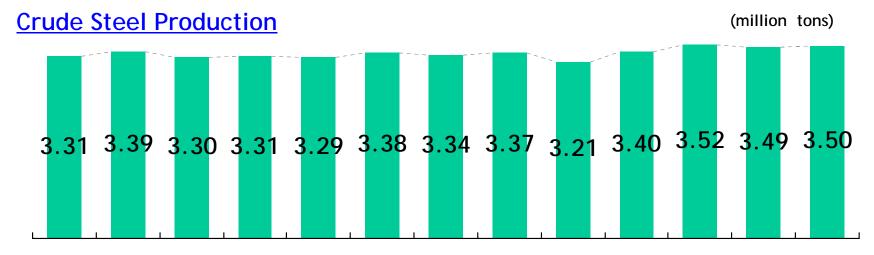




• At the end of FY08, we will achieve almost the same level of op. profit excluding profit from valuation as in FY07.

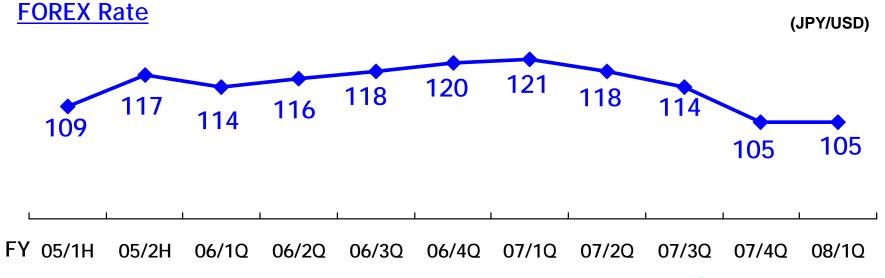






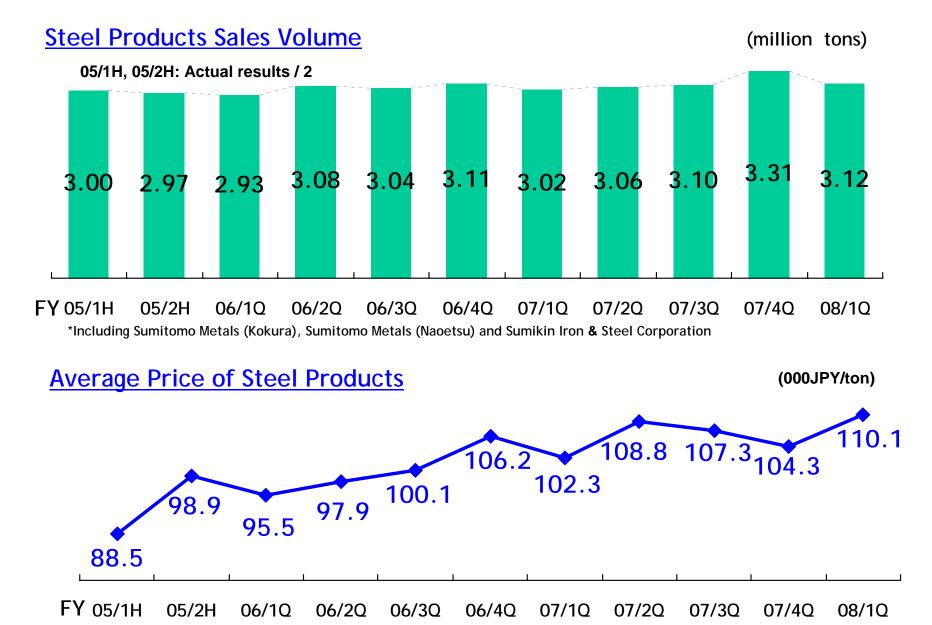
FY 05/1Q 05/2Q 05/3Q 05/4Q 06/1Q 06/2Q 06/3Q 06/4Q 07/1Q 07/2Q 07/3Q 07/4Q 08/1Q

*Including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation



Seamless Pipe Sales (million tons) 1.16 1.17 1.13 1.11 1.05 1.01 0.91 0.91 0.87 0.80 0.80 4Q <mark>0.28</mark> 0.61 2H 0.62 0.29 30 0.28 0.30 20 0.29 0.30 0.28 1Q 0.26 0.26 98 99 00 01 02 03 04 05 07 80 **FY97** 06 <u>Seamless Pipe Super High-end Sales</u> (thousand tons) **13CR** Alloy steel for sour service Super high-alloy for OCTG 14.3 13.4 12.9 1.6 10.6 10.5 1.6 9.7 1.3 8.9 3.9 0.4 8.0 4.3 8.0 5.7 0.9 3.5 4.7 5.6 3.2 4.7 8.8 7.3 6.3 6.1 5.7 5.4 3.3 **FY02** 03 04 05 06 07 08/1H 08/2H

Reference (3)



*Including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation

Deliver sustained growth in corporate value by emphasizing quality



Become a company trusted by all stakeholders