Sumitomo Metal Industries, Ltd. Consolidated Financial Results for the Second Quarter of FY2010 (ending March 31, 2011)

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English summary translation is being provided for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.

The following financial information was prepared in accordance with generally accepted accounting principles in Japan.

Company name	: Sumitomo Metal Industries, Ltd.
Listed on	: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchange
Code number	:5405
URL	: http://www.sumitomometals.co.jp/e/
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Supplemental information	: Prepared

(Figures less than a million yen are truncated.) 1. Consolidated Financial Results for the First Half of FY 2010

(April 1, 2010 - September 30, 2010) (1) Consolidated Statements of Income

(1) Consolidated Stat	(%: change	fron	n the previous	year)				
	Not sa	Nat aslas		ŗ	Ordinary		Net	
	Net sales		income/(loss	es)	income/(loss	ses)	income/(loss	es)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half of FY 2010	693,783	15.9	34,778	-	28,967	-	34,889	-
First half of FY 2009	598,739	-39.0	(28,061)	-	(47,614)	-	(46,676)	-

	Net income/(losses) per share	Net income/(losses) per share after dilution
	Yen	Yen
First half of FY 2010	7.53	-
First half of FY 2009	(10.07)	-

(2)Consolidated Balance Sheets

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
End of second quarter of FY 2010	2,397,816	868,230	34.1	176.44
End of FY 2009	2,403,670	879,209	34.5	178.87

(Note) Shareholders' Equity: End of second quarter of FY 2010 - 817,908 Million yen End of FY 2009 - 829,219 Million yen

2. Dividends

		Dividends per share						
	End of	End of	Year-end	Yearly total				
(Record Date)	first quarter	second quarter	third quarter	lear enu	learly total			
	Yen	Yen	Yen	Yen	Yen			
FY 2009	-	2.50	-	2.50	5.00			
FY 2010	-	2,50						
FY 2010(Target)			-	2.50	5.00			

(Note) Changes in dividends target for FY 2010 during the second quarter under review: None

3. Forecasts for Consolidated Financial Performance for FY 2010 (April 1, 2010 - March 31, 2011)

(%: change from previous year)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen %	Million yen %	Million yen %	Million yen %	Yen
Yearly tota	l 1,500,000 16.'	7 80,000 -	70,000 -	60,000 -	12.94

(Note) Changes in forecasts for consolidated financial performance for FY 2010 during the second quarter under review: Yes

4. Others

- (1) Changes in material subsidiaries during the current period (Changes in specific subsidiaries affecting the scope of consolidation.): None
- (2) Adoption of accounting method which is simplified or is peculiar to quarterly consolidated financial statements: Yes
- (3) Changes in the principle/procedure of accounting method and presentation, etc. related to the preparation of consolidated financial statements for the quarter (Items to be noted as changes related to the matter which is material to be a basis of preparing consolidated financial statements for the quarter)
 - (i) Changes due to the revision of accounting standards, etc.: Yes None
 - (ii) Changes other than (i):
- (4) Number of issued shares (common stock)
- (a) Number of shares of common stock issued and outstanding (including treasury shares) Last day of Second Quarter, FY 2010: 4,805,974,238 shares Last day of FY 2009: 4,805,974,238 shares
- (b) Number of treasury shares Last day of Second Quarter, FY 2010: 170,248,723 shares Last day of FY 2009: 170,152,892 shares
- (c) The average number of shares of common stock issued and outstanding during the period Second guarter of FY 2010: 4,635,764,933 shares Second quarter of FY 2009: 4,636,335,187 shares

(Note) This document, including the APPENDIX, is not a subject of audit procedure under the Financial Instruments and Exchange Law of Japan. The consolidated financial statements for the second quarter of FY 2010 are currently under review according to the Financial Instruments and Exchange Law of Japan.

The forecasts or targets included in this document, including the APPENDIX, reflect the company's current beliefs and are based upon information currently available to it. Forward-looking statements appear in a number of places in this document and include statements regarding our current intent, belief, targets, forecasts or expectations or the current intent, belief, targets, forecasts or expectations of our management. In many, but not all cases, we used words such as "aim," "anticipate," "believe," "estimate," "expect," "hope," "intend," "may," "plan," "predict," "probability," "risk," "should," "will," and similar expressions, as they relate to us or our management, to identify forward-looking statements. Forward-looking statements are not guarantees of future performance. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those which are anticipated, aimed at, believed, estimated, expected, intended or planned. We identify in our *shihannki hokokusho* and financial summaries, including "1. Qualitative Information and Financial Statements during the Quarter" on page 2 of the APPENDIX, important factors that could cause these differences. Sumitomo Metal Industries, Ltd. is under no obligation, and disclaims any obligation, to update its forward-looking statements whether as a result of new information, future events or otherwise, or to advise any changes in the assumptions and factors on which they are based.

(Reference)

Consolidated Financial Results for the Second Quarter of FY 2010 (July 1, 2010 - September 30, 2010)

(Figures less than a million yen are truncated.)

(1) Collisoffuateu D	1) Consolidated Statements of medine (5 months)				(70° Chang		i the previous	ycar)
	Not a	Not volo		ing	Ordinar	У	Net	
	Net sales		incom	ie	income/(lo	sses)	income/(loss	ses)
	Million	%	Million	%	Million	%	Million	%
Second quarter of FY 2010	352,182	14.2	20,493	222.4	19,477	-	30,411	-
Second quarter of FY 2009	308,288	-41.7	6,357	-90.7	(5,961)	-	(14,316)	-

	Net income/(losses) for the quarter per share	Net income/(losses) for the quarter per share after dilution
Second quarter of FY 2010	Yen 6.56	Yen -
Second quarter of FY 2009	(3.09)	-

(1) Consolidated Statements of Income (3 months) (%: change from the previous year)

APPENDIX

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* Detailed statements are not translated in English. Please refer to our original Japanese document for detail.

(Note) We are scheduled to conduct a conference call for analysts and fund managers on Thursday, October 28, 2010. We will upload the document and a summary of Q&A on our website (http://www.sumitomometals.co.jp/e/ir/) after the conference.

1. Qualitative Information regarding Financial Performances during the Quarter

(1) Qualitative Information on Financial Results

Demand for steel was generally firm during the second quarter of the fiscal year under review, chiefly from the automotive and other manufacturing sectors. On the other hand, the difficult business conditions continued with such factors as consistently high prices of raw materials and a rapid appreciation of the value of the yen.

Under these circumstances, the Sumitomo Metals Group continued its efforts to improve profitability through further cost reductions and other measures, and worked to reflect the changes in raw material prices in the steel prices.

The financial results in the second quarter of the consolidated fiscal year under review improved in comparison with those of the second quarter of the previous fiscal year. This is due to the increase in sales volume and efforts to improve profitability such as reducing costs and raising product prices.

Our Group's financial performance was as follows: net sales of 352.1 billion yen (a 43.8 billion yen year-on-year increase), operating income of 20.4 billion yen (a 14.1 billion yen year-on-year increase), and an ordinary income of 19.4 billion yen (a 25.4 billion yen year-on-year increase). This resulted in a quarterly net income of 30.4 billion yen (a 44.7 billion yen year-on-year increase).

(Note) Please refer to the "Consolidated Financial Results for the First Quarter of FY2010 (ending March 31, 2011)" disclosed on July 29, 2010, with regard to qualitative information on consolidated business result for the first quarter of FY2010.

(2) Qualitative Information on Financial Forecasts

The business environment for the entire consolidated fiscal year is unclear because there is concern that the rapid appreciation of the yen will have an impact on the profitability of exports and domestic demand trends. We endeavor to improve our profitability by working to reduce costs as well as making efforts to raise the steel prices, responding to the raw material prices that fluctuate quarterly. We are, however, facing difficulties in making progress in the price improvement of export products, due to slump in Asian markets. Under this circumstance, our forecasts for the full year are as follows: net sales of 1,500 billion yen, operating income of 80 billion yen, an ordinary income of 70 billion yen, and a net income of 60 billion yen.

We disclosed these revised forecasts and other in the "Notice Regarding Financial Results for the First Half of FY 2010 and Revised Financial Forecasts for the Entire Year of FY 2010" announced today.

- 2. Other Information (Note: Detailed statements are not translated in English. Please refer to our original Japanese document for detail.)
- (1) Changes in material subsidiaries during the current period (Changes in specific subsidiaries affecting the scope of consolidation): None
- (2) Adoption of accounting method which is simplified or is peculiar to quarterly consolidated financial statements: Yes
- (3) Changes in the principle/procedure of accounting method and presentation, etc. related to the preparation of consolidated financial statements for the quarter: Yes

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

		(Million yen)
	At the end of	Summarized Balance
Items	Second Quarter	Sheet at the end of
Items	Under Review	Previous FY
	(As of September 30, 2010)	(As of March 31, 2010)
(Assets)		
Current assets:		
Cash and deposits	19,864	19,710
Notes and accounts receivable-trade	140,778	151,507
Merchandise and finished goods	164,308	$147,\!581$
Work in process	28,504	24,940
Raw materials and supplies	217,460	213,607
Other	51,847	49,237
Allowance for doubtful accounts	(163)	(153)
Total current assets	622,600	606,431
Noncurrent assets:		
Property, plant and equipment:		
Buildings, net	262,600	267,460
Machinery, equipment and vehicles, net	421,687	439,740
Land	350,044	340,324
Other, net	94,008	94,319
Total property, plant and equipment	1,128,341	1,141,845
Intangible assets	6,623	6,470
Investment and other assets:		
Investment securities	493,500	$533,\!458$
Other	146,956	116,451
Allowance for doubtful accounts	(204)	(986)
Total investments and other assets	640,251	648,923
Total noncurrent assets	1,775,215	1,797,239
Total assets	2,397,816	2,403,670

		(Million yen)
	At the end of	Summarized Balance
Items	Second Quarter	Sheet at the end of
Ticinis	Under Review	Previous FY
	(As of September 30, 2010)	(As of March 31, 2010)
(Liabilities)		
Current liabilities:		
Notes and accounts payable-trade	235,243	204,969
Short-term loans payable	264,579	286,893
Other	161,773	147,492
Total current liabilities	661,595	639,355
Noncurrent liabilities:		
Bonds payable	190,661	$185,\!658$
Long-term loans payable	608,832	631,802
Provision for retirement benefits	20,124	19,948
Provision for special repairs	217	208
Other	48,155	47,487
Total noncurrent liabilities	867,990	885,105
Total liabilities	1,529,585	1,524,461
(Net Assets)		
Chanchaldons' aguitu:		
Shareholders' equity: Capital stock	262,072	262,072
Capital surplus	202,072 61,829	61,829
Retained earnings	619,554	596,254
Treasury stock	(91,128)	(91,106)
Total shareholders' equity	852,328	829,050
Valuation and translation adjustments:		020,000
Valuation difference on available-for sale		
securities	(22,609)	2,324
Deferred gains or losses on hedges	(1,093)	(979)
Revaluation reserve for land	11,204	11,834
Foreign currency translation adjustment	(21,921)	(13,009)
Total valuation and translation adjustment	(34,419)	169
Minority interests	50,322	49,989
Total net assets	868,230	879,209
Total liabilities and net assets	2,397,816	2,403,670

(1) Consolidated Balance Sheets (Continued)

(2) Consolidated Statements of Income

		(Million yen)
	First Half of the	First Half
Items	Previous FY	Under Review
Items	(April 1, 2009-	(April 1, 2010-
	September 30, 2009)	September 30, 2010
Net Sales	598,739	693,783
Cost of sales	565,523	597,017
Gross profit (losses)	33,215	96,765
Selling, general and administrative		
expenses:		
Shipment expenses	13,921	18,539
Employees' salaries and allowances	19,934	17,849
Other	27,422	25,597
Total selling, general and administrative	C1 977	C1 00C
expenses	61,277	61,986
Operating income (losses)	(28,061)	34,778
Non-operating income:		
Dividends income	2,157	-
Equity in earnings of affiliates	-	5,597
Other	6,819	8,051
Total non-operating income	8,976	13,648
Non-operating expenses:		
Interest expenses	7,818	7,748
Equity in losses of affiliates	11,701	-
Loss on sales and retirement of noncurrent		2 010
assets	-	3,918
Other	9,008	7,793
Total non-operating expenses	28,529	19,459
Ordinary income (losses)	(47,614)	28,967
Extraordinary loss:		
Loss on change in equity	1,592	-
Restructuring loss	1,532	-
Total extraordinary loss	3,124	-
Income (losses) before income taxes	(50,739)	28,967
Income taxes-current	1,172	8,435
Income taxes-deferred	(4,681)	(15,742)
Total income taxes	(3,509)	(7,307)
Net income before minority interest in		
income (losses) adjustment	-	36,275
Minority interests in income (losses)	(553)	1,385
Net income (losses)	(46,676)	34,889

- (3) Notes on Going Concern Assumption: Not applicable.
- (4) Notes on Any Significant Change in Shareholders' Equity: Not applicable.

4. Supplemental Information

					(Billion yell)		
	Forecasts for FY2010						
	1 st	half of FY 20	10	Forecasts for	Yearly total		
	1st quarter	2nd quarter	Actual	$2^{ m nd}$ half (approx.)	(approx.)		
Steel	324.6	339.8	664.5	780	1,445		
Other	16.9	12.2	29.2	25	55		
Net Sales	341.6	352.1	693.7	805	1,500		
Steel	12.6	18.4	31.0	42	73		
Other	1.6	2.1	3.8	3	7		
Adjustment	(0.0)	(0.1)	(0.1)	-	(0.0)		
Operating income	14.2	20.4	34.7	45	80		
Ordinary income	9.4	19.4	28.9	41	70		
Net income	4.4	30.4	34.8	25	60		

(1) Financial Performances (Consolidated Basis)

(2) Crude Steel Production (Including Sumitomo Metals (Kokura), Ltd. and Sumikin Iron & Steel Corporation)

(Million tons)

(Billion von)

	1 st	2nd		3rd	4th		
	quarter	quarter	1st half	quarter	quarter	2nd half	Yearly total
FY2008	3.50	3.54	7.04	3.36	2.48	5.84	12.87
FY2009	2.28	2.79	5.07	3.26	3.32	6.58	11.65
FY2010	0.05	9.49	C 70		-	7.15	13.90
(Forecasts)	3.35	3.43	6.78			(approx.)	(approx.)

(3) Export Ratio (Including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation): Value Basis

(%)

	1st	2nd		3rd	4th		
	quarter	quarter	1st half	quarter	quarter	2nd half	Yearly total
FY2008	44	44	44	46	48	47	45
FY2009	48	42	45	41	41	41	43
FY2010	43	39	41	_	-	44	42
(Forecasts)	40	59	41			(approx.)	(approx.)

(4) Foreign Exchange Rate

					-		
	1st	2nd		3rd	4th		
	quarter	quarter	1st half	quarter	quarter	2nd half	Yearly total
FY2008	105	108	106	96	94	95	101
FY2009	97	94	95	90	91	90	93
FY2010	0.9	00	20	-	_	85	87
(Forecasts)	92	86	89	-	-	(approx.)	(approx.)

(Yen/US\$)

(5) Exposure to Foreign Exchange Fluctuations (Consolidated Basis)

FY2009	Forecasts for FY2010
Excess receipt of approximately	Excess payment of approximately
0.7 billion US\$ per year	0.4 billion US\$ per year

(6) Average Price of Steel Products (Including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation)

(Thousand yen/ton)

						1	
	1 st	2nd		3rd	4th		
	quarter	quarter	1st half	quarter	quarter	2nd half	Yearly total
FY2008	110.1	126.9	118.6	130.3	132.7	131.3	124.3
FY2009	109.4	86.8	96.8	79.0	84.3	81.7	88.0
FY2010	977		01.0	-	_	95	93
(Forecasts)	87.7	95.6	91.6	-	-	(approx.)	(approx.)

(7) Outstanding Debt (Consolidated Basis)

			(Billion yen)
As of	As of	As of	As of March 31, 2011
March 31,2010	June 30, 2010	September 30, 2010	(Forecasts)
1,138.3	1,128.0	1,117.0	approx. 1,100.0

(8) Analysis on Contributors to Change in Ordinary Income (Consolidated Basis)

-Foreign exchange (TTM) assumption:

89 Yen/US\$ (1st half of FY 2010) \leftarrow 95 Yen/US\$ (1st half of FY 2009)

			(Billion yen)
	1st half of FY2010	1st half of FY 2009	Increase/(Decrease)
Ordinary income/(losses)	28.9	(47.6)	76.5

(Billion yen)

Positive impact		Negative impact			
Carry-over of raw materials costs*	65.0	Raw materials price increase	(124.0)		
Gain from valuation	48.0	Increase of fixed costs	(2.0)		
Increase in sales volume	43.0				
Increase of equity in earnings of unconsolidated subsidiaries	17.2				
Cost improvement	10.0				
Inventory devaluation	8.0				
Sales price/mix and other	11.3				
Total	202.5	Total	(126.0)		
Difference: 76.5					

* Impact of carry-over: 1st half of 2010 - positive 28.0 billion yen 1st half of 2009 - negative 37.0 billion yen