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

The following information was originally prepared and published by Sumitomo Metal Industries, Ltd. (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

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Supplemental information : Prepared

(Figures less than a million yen are truncated.)

1. Consolidated Financial Results for the First Three Quarters of FY 2010 (April 1, 2010 – December 31, 2010)

(1) Consolidated Statements of Income(Cumulative basis) (%: change from the previous year)

					0		1 0	
	Net sales		Operating	ŗ	Ordinary		Net	
	net sa	income/(loss	es)	income/(losses)		income/(losses)		
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three Quarters of FY 2010	1,045,776	13.1	39,776	-	26,888	-	34,929	-
First three Quarters of FY 2009	924,790	-37.6	(31,179)	-	(58,658)	-	(57,475)	-

	Net income/(losses) per share	Net income/(losses) per share after dilution
	Yen	Yen
First three Quarters of FY 2010	7.53	-
First three Quarters of FY 2009	(12.40)	-

(2)Consolidated Balance Sheets

(2) Consolitated Balance	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
End of the Third Quarter of FY 2010	2,412,606	863,746	33.7	175.41
End of FY 2009	2,403,670	879,209	34.5	178.87

(Note) Shareholders' Equity: End of the Third Quarter of FY 2010 - 813,115 million yen End of FY 2009 - 829,219 million yen

2. Dividends

	Dividends per share							
	End of End of End of		End of	Year-end	Yearly			
(Record Date)	First Quarter	Second Quarter	Third Quarter	iear-end	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 current 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 total	1,440,000	12.0	55,000	-	30,000	-	25,000	-	5.39

(Note) Changes in forecasts for consolidated financial performance for FY 2010 during the current 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
 - (ii) Changes other than (i):

None

- (4) Number of issued shares (common stock)
 - (a) Number of shares of common stock issued and outstanding (including treasury shares) Last day of the third quarter of 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 the third quarter of FY 2010: 170,364,523 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 First three quarters of FY 2010: 4,635,733,656 shares First three quarters of FY 2009: 4,636,191,713 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 third 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.-(2)Qualitative Information on Financial Forecasts" 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 Third Quarter of FY 2010 (October 1, 2010 - December 31, 2010)

(Figures less than a million yen are truncated.)

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

* /		(, t change heart the provisors year,						
	Net sales		Operating income/(losses)		Ordinary income/(losses)		Net income/(losses)	
	Million	%	Million	%	Million	%	Million	%
Third Quarter of FY 2010	351,993	8.0	4,997	-	(2,078)	-	39	-
Third Quarter of FY 2009	326,051	-34.9	(3,117)	-	(11,044)	-	(10,798)	-

	Net income/(losses) for	Net income/(losses) for
	the quarter per share	the quarter per share after dilution
	Yen	Yen
Third Quarter of FY 2010	0.01	0.00
Third Quarter of FY 2009	(2.33)	_

APPENDIX

<Contents>

1.	Qua	alitative Information regarding Consolidated Financial Performances during the Quarter	2
	(1)	Qualitative Information on Consolidated Financial Results	2
	(2)	Qualitative Information on Consolidated Financial Forecasts	2
2.	Oth	ner Information*	3
3.		asolidated Financial Statements	3
	(1)	Consolidated Balance Sheets.	3
	(2)	Consolidated Statements of Income.	5
	(3)	Notes on Going Concern Assumption	5
	(4)	Notes on Any Significant Change in Shareholders' Equity	5
4.	Sup	pplemental Information	6
	(1)	Financial Performances (Consolidated Basis)	6
	(2)	Crude Steel Production (Including Sumitomo Metals (Kokura), Ltd. and	
		Sumikin Iron & Steel Corporation)	6
	(3)	Export Ratio (Including Sumitomo Metals (Kokura), Ltd.,	
		Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation): Value Basis	6
	(4)	Foreign Exchange Rate	6
	(5)	Exposure to Foreign Exchange Fluctuations (Consolidated Basis)	7
	(6)	Average Price of Steel Products (Including Sumitomo Metals (Kokura), Ltd.,	
		Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation)	7
	(7)	Outstanding Debt (Consolidated Basis)	7
	(8)	Analysis on Contributors to Change in Ordinary Income (Consolidated Basis)	7

(Note) We are scheduled to conduct a conference call for analysts and fund managers on Friday, February 4, 2011. We will upload the document and a summary of Q&A on our website (http://www.sumitomometals.co.jp/e/ir/) after the conference.

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

1. Qualitative Information regarding Consolidated Financial Performances during the Quarter

(1) Qualitative Information on Consolidated Financial Results

During the third quarter of the fiscal year under review, the Sumitomo Metals Group (the "Group") faced a difficult business environment, compared with the same quarter of the previous fiscal year, due to a surge in raw material prices and others.

Under such environment, the Group continued to make efforts to improve profitability through further cost reduction and other measures. The financial results in the third quarter under review, however, ended up with a slight improvement compared with the same period of a year ago, due to deteriorated profitability caused by temporary production instability at one of the blast furnaces and a delayed recovery in the sales environment.

The Group's financial results in the third quarter under review were as follows: net sales of 351.9 billion yen (an increase of 25.9 billion yen from the third quarter of the previous fiscal year), operating income of 4.9 billion yen (an increase of 8.1 billion yen), ordinary loss of 2.0 billion yen (an improvement of 8.9 billion yen in loss), and net income of 0.0 billion yen (an increase of 10.8 billion yen).

In February 2011, Sumitomo Metal Industries, Ltd. and Nippon Steel Corporation have agreed to commence consideration of the integration of the two companies' entire businesses, targeted for October 1, 2012. The two companies would, through the business integration, aim to become a truly word-leading comprehensive steel manufacturer with globally outstanding competitiveness, by merging their strengths and generating synergies.

(Note) Please refer to the "Consolidated Financial Results for the First Quarter of FY 2010 (ending March 31, 2011)" disclosed on July 29, 2010 and the "Consolidated Financial Results for the Second Quarter of FY2010 (ending March 31, 2011)" disclosed on October 28, 2010, with regard to qualitative information on consolidated business results for the first quarter and the second quarter of FY2010.

(2) Qualitative Information on Consolidated Financial Forecasts

The business environment for the entire fiscal year has turned out to be more difficult than at the time of the revised forecast announcement on October 28, 2010, due to deteriorated profitability caused by temporary factors such as the implementation of restructuring measures at the Group's equity-method affiliated company and a production instability at one of the blast furnaces, and a delayed recovery in the sales environment. Even though we will continue to make efforts on cost reduction and profitability improvement, we have revised our financial forecasts for the entire consolidated fiscal year as follows, given the severe business environment: net sales of 1,440.0 billion yen, operating income of 55.0 billion yen, ordinary income of 30.0 billion yen, and net income of 25.0 billion yen.

These revised forecasts are disclosed today in the "Notice Regarding Revised Forecasts for FY2010".

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)

		(Willion yen)	
	At the end of	Summarized Balance	
Items	Third Quarter	Sheet at the end of	
1001115	Under Review	Previous FY	
	(As of December 31, 2010)	(As of March 31, 2010)	
(Assets)			
Current assets:			
Cash and deposits	20,654	19,710	
Notes and accounts receivable-trade	124,531	151,507	
Merchandise and finished goods	162,980	147,581	
Work in process	29,080	24,940	
Raw materials and supplies	229,336	213,607	
Other	52,511	49,237	
Allowance for doubtful accounts	(168)	(153)	
Total current assets	618,926	606,431	
Noncurrent assets:			
Property, plant and equipment:			
Buildings, net	261,225	267,460	
Machinery, equipment and vehicles, net	414,548	439,740	
Land	348,798	340,324	
Other, net	97,131	94,319	
Total property, plant and equipment	1,121,703	1,141,845	
Intangible assets	6,369	6,470	
Investment and other assets:			
Investment securities	500,993	533,458	
Other	164,824	116,451	
Allowance for doubtful accounts	(211)	(986)	
Total investments and other assets	665,607	648,923	
Total noncurrent assets	1,793,680	1,797,239	
Total assets	2,412,606	2,403,670	

(1) Consolidated Balance Sheets (Continued)

(Million yen)

		(Willion yell)
	At the end of	Summarized Balance
Items	Third Quarter	Sheet at the end of
1001115	Under Review	Previous FY
	(As of December 31, 2010)	(As of March 31, 2010)
(Liabilities)		
Current liabilities:		
Notes and accounts payable-trade	260,488	204,969
Short-term loans payable	272,007	286,893
Other	167,089	147,492
Total current liabilities	699,585	639,355
Noncurrent liabilities:		
Bonds payable	190,662	185,658
Long-term loans payable	590,442	631,802
Provision for retirement benefits	20,216	19,948
Provision for special repairs	207	208
Other	47,745	47,487
Total noncurrent liabilities	849,274	885,105
Total liabilities	1,548,860	1,524,461
(Net Assets)		
Shareholders' equity:		
Capital stock	262,072	262,072
Capital surplus	61,829	61,829
Retained earnings	608,005	596,254
Treasury stock	(91,151)	(91,106)
Total shareholders' equity	840,755	829,050
Valuation and translation adjustments:		
Valuation difference on available-for sale	(15 451)	0.204
securities	(15,451)	2,324
Deferred gains or losses on hedges	(970)	(979)
Revaluation reserve for land	11,203	11,834
Foreign currency translation adjustment	(22,421)	(13,009)
Total valuation and translation adjustment	(27,640)	169
Minority interests	50,630	49,989
Total net assets	863,746	879,209
Total liabilities and net assets	2,412,606	2,403,670

(2) Consolidated Statements of Income

(Million yen)

	T1: . M1 . O	
	First Three Quarters	First Three Quarters
Items	of the Previous FY	Under Review
1001110	(April 1, 2009-	(April 1, 2010-
	December 31, 2009)	December 31, 2010
Net Sales	924,790	1,045,776
Cost of sales	863,861	912,610
Gross profit (losses)	60,929	133,165
Selling, general and administrative		
expenses:		
Shipment expenses	22,583	27,983
Employees' salaries and allowances	29,324	26,453
Other	40,201	38,952
Total selling, general and administrative	00 100	00.000
expenses	92,109	93,389
Operating income (losses)	(31,179)	39,776
Non-operating income:		
Dividends income	2,928	4,019
Equity in earnings of affiliates	´ -	3,374
Other	10,207	8,202
Total non-operating income	13,136	15,596
Non-operating expenses:		
Interest expenses	11,916	11,284
Equity in losses of affiliates	16,058	, -
Loss on sales and retirement of noncurrent	10,000	
assets	-	6,884
Other	12,640	10,315
Total non-operating expenses	40,615	28,484
Ordinary income (losses)	(58,658)	26,888
Extraordinary loss:		
Loss on change in equity	1,592	_
Restructuring loss	1,532	_
Total extraordinary loss	3,124	-
Income (losses) before income taxes	(61,783)	26,888
Income taxes-current	2,981	10,101
Income taxes current Income taxes deferred	(7,218)	(20,341)
Total income taxes	(4,236)	(10,239)
Net income before minority interest in	(4,230)	(10,209)
income adjustment	-	37,127
-	(71)	ე 100
Minority interests in income (losses)		2,198
Net income (losses)	(57,475)	34,929

⁽³⁾ Notes on Going Concern Assumption: Not applicable.

⁽⁴⁾ Notes on Any Significant Change in Shareholders' Equity: Not applicable.

4. Supplemental Information

(1) Financial Performances (Consolidated Basis)

(Billion yen)

	Forecasts for FY2010									
		1st half			2nd half					
	1st Quarter	2nd Quarter	Actual	3rd Quarter	4th Quarter (approx.)	Forecasts (approx.)	Yearly total (approx.)			
Steel	324.6	339.8	664.5	341.5	383.0	725.0	1,390.0			
Other	16.9	12.2	29.2	10.4	10.0	20.0	50.0			
Net Sales	341.6	352.1	693.7	351.9	393.0	745.0	1,440.0			
Steel	12.6	18.4	31.0	3.4	13.5	17.0	48.0			
Other	1.6	2.1	3.8	1.5	1.5	3.0	7.0			
Adjustment	(0.0)	(0.1)	(0.1)	(0.0)	-	-	-			
Operating income	14.2	20.4	34.7	4.9	15.0	20.0	55.0			
Ordinary income	9.4	19.4	28.9	(2.0)	3.0	1.0	30.0			
Net income	4.4	30.4	34.8	0.0	(10.0)	(10.0)	25.0			

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

(Million tons)

							1
	1st	2nd		3rd	4th		Yearly
	quarter	quarter	1st half	quarter	quarter	2nd half	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	2.25	9.49	<i>c</i> 79	2.00	3.70	6.70	13.50
Forecasts	3.35	3.43	6.78	3.00	(approx.)	(approx.)	(approx.)

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

(%)

	1st	2nd		3rd	$4\mathrm{th}$		Yearly
	quarter	quarter	1st half	quarter	quarter	2nd half	total
FY2008	44	44	44	46	48	47	45
FY2009	48	42	45	41	41	41	43
FY2010	43	39	41	42	43	43	42
Forecasts	43	39	41	42	(approx.)	(approx.)	(approx.)

(4) Foreign Exchange Rate

(Yen/US\$)

							1
	1st	2nd		3rd	4th		Yearly
	180	211u		oru	4011		· ·
	quarter	quarter	1st half	quarter	quarter	2nd half	total
FY2008	105	108	106	96	94	95	101
FY2009	97	94	95	90	91	90	93
FY2010	92	86	89	83	85	84	86
Forecasts	92	00	09	00	(approx.)	(approx.)	(approx.)

(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	0.2 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				
	1st	2nd		3rd	$4\mathrm{th}$		Yearly
	Quarter	Quarter	1st half	Quarter	Quarter	2nd half	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	97.7	07.0	01.6	02.0	98	97	94
Forecasts	87.7	95.6	91.6	95.9	(approx.)	(approx.)	(approx.)

(7) Outstanding Debt (Consolidated Basis)

(Billion yen)

As of	As of	As of	As of March 31, 2011
March 31,2010	September 30, 2010	December 31, 2010	(Forecasts)
1,138.3	1,117.0	1,111.1	approx. 1,110.0

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

-Foreign exchange (TTM) assumption:

87 Yen/US\$ (First three quarters of FY 2010) ← 94 Yen/US\$ (First three quarters of FY 2009)

(Billion yen)

	First three Quarters of FY2010	First three Quarters of FY 2009	Increase/(Decrease)
Ordinary income/(losses)	26.8	(58.6)	85.5

(Billion yen)

Positive impact		Negative impact			
Valuation	93.0	Raw materials price increase	(176.0)		
Carry-over of raw materials costs*	61.0	Temporary production instability of a blast furnace	(15.0)		
Increase in sales volume	44.0	Inventory devaluation	(7.0)		
Increase of equity in earnings of unconsolidated subsidiaries	19.4				
Cost improvement	14.5				
Sales price/mix and other	51.6				
Total	283.5	Total	(198.0)		
Difference: 85.5					

^{*} Impact of carry-over: 3rd quarter of FY2010 - positive 19.0 billion yen 3rd quarter of FY2009 - negative 42.0 billion yen