

Sumitomo Metal Industries, Ltd.
Consolidated Financial Results for FY2011 (year ended March 31, 2012)

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, Sapporo and Fukuoka Stock Exchange
Code number : 5405
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Scheduled date of
Annual General Shareholders Meeting : June 26, 2012

(Figures less than a million yen are truncated.)

1. Highlights of Consolidated Financial Results for FY2011 (April 1, 2011 - March 31, 2012)

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

	Net Sales		Operating income/(losses)		Ordinary income/(losses)		Net income/(losses)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2011	1,473,367	5.1	76,801	36.4	60,803	78.6	(53,799)	-
FY 2010	1,402,454	9.1	56,301	-	34,049	-	(7,144)	-

Comprehensive income (Million yen): FY2011 (47,032); FY2010 (37,033)

	Net income / (losses) per share	Diluted net income per share	ROE (Net income/ Shareholders' equity)	ROA (Ordinary income / Total assets)	ROS Operating income/Net Sales
	Yen	Yen	%	%	%
FY 2011	(11.61)	-	-7.3	2.5	5.2
FY 2010	(1.54)	-	-0.9	1.4	4.0

Equity in earnings/(losses) of non-consolidated affiliates (Million yen): FY2011 (6,420); FY2010 (3,493)

(2) Consolidated Balance Sheets

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2011	2,386,158	761,484	29.7	153.02
FY 2010	2,440,761	818,080	31.4	165.41

Shareholders' Equity (Million yen): FY2011 709,315; FY2010 766,777

(3) Consolidated Statements of Cash Flows

	Net Cash provided by operating activities	Net Cash used in investing activities	Net Cash provided (used) by financing activities	Cash and cash equivalent at end of year
	Million yen	Million yen	Million yen	Million yen
FY 2011	88,065	(120,110)	(32,714)	17,558
FY 2010	202,340	(144,009)	(1,325)	82,512

2. Dividends

	Dividend per share					Dividend amount (full-year)	Dividend payout ratio (consolidated)	Dividend per net assets (consolidated)
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2010	-	2.50	-	1.00	3.50	16,224	-	2.0
FY 2011	-	1.00	-	1.00	2.00	9,270	-	1.3
FY2012(forecasts)	-	-	-	-	-		-	

With regard to the year-end and yearly-total dividend forecasts for FY2012 (year ending March 31, 2013), the amount is yet to be decided at this time.

3. Projected Consolidated Financial Performance for FY2012 (year ending March 31, 2013)

We have no forecasts for the performance for FY2012 currently available. We have not yet begun negotiations over the prices of our main raw materials, and we are currently involved with discussion with our major product users to revise steel prices; therefore, at this point in time it is not possible to make meaningful calculations or forecasts of our business performance in the first half of FY2012. When we announce our financial statements for the first quarter, we will provide an explanation of the conditions related to business performance in the first half of the fiscal year.

* Notes

(1) Changes in material subsidiaries during FY2011 (Changes in specific subsidiaries affecting the scope of consolidation): Yes

Deleted from scope of consolidation: one company (Sumitomo Metals (Kokura), Ltd.)

(2) Changes in the principle/procedure of accounting method and presentation, changes in estimation related to financial statements, and re-statement of revisions.

- | | |
|---|------|
| (i) Changes in the principle/procedure of accounting method and presentation due to the revision of accounting standards, etc.: | None |
| (ii) Changes other than (i): | None |
| (iii) Changes in estimation related to financial statements | None |
| (iv) Re-statement of revisions | None |

(3) Number of issued shares (common stock)

(a) Number of shares of common stock issued and outstanding (including treasury shares)

Last day of FY 2011: 4,805,974,238 shares

Last day of FY 2010: 4,805,974,238 shares

(b) Number of treasury shares

Last day of FY 2011: 170,566,535 shares

Last day of FY 2010: 170,413,839 shares

(c) The average number of shares of common stock issued and outstanding during the period

FY 2011: 4,635,473,314 shares

FY 2010: 4,635,692,671 shares

<Financial Performances on Non-Consolidated Basis>

1. Highlights of Non-Consolidated Financial Results for FY2011 (year ended March 31, 2012)

(April 1, 2011 - March 31, 2012)

(1) Non-Consolidated Statements of Income

(%: change from previous year)

	Net Sales		Operating income/(losses)		Ordinary income/(losses)		Net income/(losses)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2011	975,689	7.5	64,613	86.3	69,904	97.3	(20,472)	-
FY 2010	907,749	9.3	34,684	77.6	35,421	91.6	15,954	-

	Net income /(losses) per share	Diluted net income per share
	Yen	Yen
FY 2011	(4.42)	-
FY 2010	3.44	-

(2) Non-Consolidated Balance Sheets

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2011	2,166,478	608,471	28.1	131.26
FY 2010	2,131,438	612,522	28.7	132.13

Shareholders' Equity (Million yen): FY2011 608,471; FY2010 612,522

(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 FY2011 are currently under review according to the Financial Instruments and Exchange Law of Japan.

(Note) We are scheduled to conduct a conference call in Japanese for analysts and fund managers on Friday, April 27, 2012. We will upload the document and a summary of Q&A on our website in English (<http://www.sumitomometals.co.jp/e/ir/>) after the conference.

The forecasts or targets included in this document 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 *yuka shoken hokokusho* and financial summaries, including "(1) Analysis of business performance" in "1. Business performance" on page 2 to 6 of this document, important factors that could cause these differences. Sumitomo Metals 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 of any changes in the assumptions and factors on which they are based.

APPENDIX

<Contents>

1. Business Performance.....	2
(1) Analysis of Business Performance.....	2
(2) Analysis of Financial Situation.....	6
(3) Basic Policy Regarding Distribution of Profits; Dividend Payouts in the Current and Following Period.....	7
2. Management Policy.....	8
(1) The Company's Basic Management Policy.....	8
(2) Medium- and Long-term Company Business Strategy.....	8
(3) Issues That the Company Must Deal With.....	8
3. Consolidated Financial Statements.....	11
(1) Consolidated Balance Sheets.....	11
(2) Consolidated Statements of Income and Statements of Comprehensive Income.....	13
Consolidated Statements of income.....	13
Consolidated Statements of Comprehensive income.....	14
(3) Statements of Change in Net Assets.....	15
(4) Consolidated Statements of Cash Flows.....	17
(5) Notes on Going Concern Assumption.....	19
(6) Changes in Items Regarding Items in Preparing Consolidated Financial Statements...	19
(7) Footnotes Regarding Consolidated Financial Statements.....	20
(Segment Information).....	20
(Per Share Information).....	21
(Significant Subsequent Events).....	21
4. Supplemental Information.....	22
(1) Financial Performances (consolidated Basis).....	22
(2) Crude Steel Production (Including Sumitomo Metals (Kokura), Ltd. and Sumikin Iron & Steel Corporation).....	22
(3) Export Ratio (Including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation): Value Basis	22
(4) Foreign Exchange Rate.....	22
(5) Exposure to Foreign Exchange Fluctuations (consolidated basis).....	22
(6) Average Price of Steel Products (Including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation).....	23
(7) Capital Expenditure and Depreciation (consolidated basis; tangible assets).....	23
(8) Debt (consolidated basis).....	23
(9) Analysis on Contributors to Change in Ordinary Income (Consolidated Basis).....	23
(10) Analysis on Contributors to Change in Ordinary Income (Consolidated Basis).....	23

1. Business Performance

(1) Analysis of Business Performance

(a) Business performance during FY2011 (“current period”)

【Current period business environment】

Domestic demand for steel, mainly for automobile, in the current period under review fell significantly as a result of the Great East Japan Earthquake in March 2011; however, demand recovered from the latter stages of the first half of the fiscal year onwards. Overseas market was in a harsh business environment because of the ongoing weakness in the sheet steel market and flooding in Thailand, resulting in a decline in export volume. Under these circumstances, the Company’s group (“the SMI Group”) worked towards the recovery of facilities and resumption of production at the Kashima Steel Works that had been damaged by the Earthquake, and made efforts to improve profitability through cost reductions and other means. In the current period, as a result the formulation of a recovery plan and cost control in various areas to offset cash requirements to fund the recovery from the earthquake, the Group was able to generate around 60 billion yen for total cash requirements of approximately 100 billion yen.

【Current period business results】

In the current period, the Group worked to improve profitability. Although faced with negative factors, such as rising raw material prices and the decline in sales due to the Great East Japan Earthquake, there were positive factors, including improved profitability of seamless pipe as the result of strong demand as well as our cost reduction efforts. Our Group’s business performance was as follows: net sales of 1473.3 billion yen, operating profit of 76.8 billion yen, an ordinary profit of 60.8 billion yen, representing an improvement over the previous period. Nevertheless, we recorded a net loss of 53.7 billion yen, due to factors that included losses on the revaluation of investment securities.

Business Performance on a Consolidated Basis

(Billion yen)

	FY2010	FY2011	Increase/(Decrease)	
			Amount	Percentage
Net sales	1,402.4	1,473.3	70.9	5.1%
Operating income	56.3	76.8	20.5	36.4%
Ordinary income	34.0	60.8	26.7	78.6%
Net income/(losses)	(7.1)	(53.7)	(46.6)	-

(Yen per US Dollar)

Foreign Exchange Rate	86	79	-	-
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【Performance by segment】

(Billion yen)

	Net sales	Increase/ Decrease* ¹	Operating Income/(losses)	Increase/ Decrease*
Steel Segment	1,433.2	6.0%	72.9	45.1%
Other	40.1	-21.1%	3.9	-37.7%
Adjustment	-	-	(0)	-
Total	1,473.3	5.1%	76.8	36.4%

*Percentage compared with the previous period.

【Business measures in the current period】

The SMI Group worked to improve profitability based on our basic management policy of maximizing corporate value through sustainable growth, and continued to carry out policies to “accelerate our distinctiveness” and “strengthen our strengths,” in addition to efforts to reduce costs and control spending.

In the upstream processes that produce crude steel, construction continued on the new No. 2 blast furnace at the Wakayama Steel Works that is scheduled to begin operation in the second half of FY2012 (to March 31, 2013). Together with the new No. 1 blast furnace that entered service in July 2009, the Wakayama Steel Works will be able to produce 5 million tons of crude steel per year.

In the area of pipe & tube, a partnership with the Vallourec Group of France and others is engaged in a joint venture to operate an integrated steel works to produce seamless pipe in Brazil. The steel works made the first shipment of product in December 2011. The blast furnace and other upstream processing facilities will begin operation in FY2012 and are expected to enable the plant to become fully integrated. The Brazil operation will respond to rapidly expanding global demand from the energy development sector with its competitive products.

In the steel sheet sector, the SMI Group has established a joint-venture company in Vietnam with China Steel Corporation (CSC) of Taiwan and other partners for the manufacture and sale of cold-rolled coil, electromagnetic steel sheet and hot-dipped galvanized steel sheet. Plant construction is underway, with operations scheduled to begin in FY2012.

In India, the SMI Group is providing technical assistance to local steel maker Bhusan Steel Limited concerning the construction and operation of Bhusan's plant in the state of Orissa. The Group had started OEM shipment whereby some of the sheet steel manufactured at the Orissa plant will be sold under the SMI brand in March 2012.

In the railway, automotive & machinery sector, the SMI Group acquired Standard Steel, Inc., the leading manufacturer of forged railway wheels and axles in the United States, in August 2011. We plan to transfer our personnel, equipment and our proprietary technology to the company and aim to become a competitive railway wheel manufacturer with particular strength in the high-grade, high-speed segment in global market including North America and Europe.

In India, the SMI Group decided to expand the existing production line of its joint venture SMI-Amtek Crankshaft Pvt. Ltd. which manufactures and sells forged crankshafts. Plans call for the building of a second forging press line that is scheduled to enter service in November 2012. SMI Group now has four bases worldwide, in Japan, the United States, China and India, to produce and sell forged crankshafts.

SMI merged with Sumitomo Metals (Kokura) Ltd., the SMI Group's manufacturer of specialty steel bars and wire rods, and Sumitomo Metals (Naoetsu) Ltd. , the SMI Group's company in charge of stainless steel and titanium products, on January 1, 2012. The business of Sumitomo Metals (Kokura) has been transferred to the Bar and Wire Rod Company. The business of Sumitomo Metals (Naoetsu) has been included in the Stainless Steel and Titanium Division. The merger will create a more integrated organization and improve operating efficiency.

In the area of research and development, a new research building and new laboratory were completed in October 2011 at SMI's Corporate Research & Development Laboratories in Amagasaki City. Researchers who had been dispersed among old buildings are relocated to this new research building. The five-story building has 2,300-square meter space per floor, with some floors being pillar-free "open space" areas, to create an environment where researchers can interact more freely, to increase the speed of technical development and product development.

Businesses in other segments are selecting and integrating their operations, in line with SMI's intention to build an effective business structure for the Group.

SUMCO Corporation ("SUMCO"), an SMI affiliated company for which the equity method is applied, manufactures and sells silicon wafer and other components that are used in semiconductors. Due to the worsening business environment and other factors, SUMCO formulated its Business Reorganization Plan that aims to improve profitability through withdrawing from some businesses, closing down some of the facilities, changing personnel policies, and other means. In addition to this Plan, the company plans to request subscription to its issue of preferred shares by means of a third-party allotment. SMI will subscribe to 15 billion yen's worth of these preferred shares. SMI judged that the improvement in SUMCO's profitability and financing condition to be achieved through the execution of the Business Reorganization Plan would be indispensable in the recovery and improvement in SUMCO's corporate value. SMI schedules to pay for the shares in May 2012.

A summary of the major investments and overseas business policies in the current consolidated period under review is presented below.

The following table summarizes the main investments and overseas operations in the current period.

Area	Target	Details	Investment Amount (Billion yen)	Timeline
Iron & Steel making Process	An annual capacity of 5 million tons at Wakayama Steelworks	2 nd step (Construction of a new No.2 blast furnace, reinforcement of steel making facilities, etc.)	115.0	Scheduled to begin operation in second half of FY 2012
Pipe & Tube	Establish a manufacturing hub for seamless pipe in Brazil	Establishment of a joint venture with Vallourec Group and Sumitomo Corporation for integrated seamless pipe manufacturing	5,376 million Reals *1	Blast furnace scheduled to begin operation in FY2012.
	Expand production capacity of steam generator tubes for nuclear power plants	Capacity expansion of cold working, finishing and inspection facilities	14.0	Scheduled to begin operation in Apr., 2013
Steel Sheet	Establish manufacturing and sales hub of steel sheet in Vietnam	Establishment of a joint venture for production and sales of cold-rolled steel sheet, electromagnetic steel sheet and hot-dip galvanized steel sheet with CSC and other partners	115.0 *2	Scheduled to begin operation in FY2012
	Strengthen relationship with a partner in the steel sheet sector in India	Participation in an integrated steel works project of Bhushan Steel Limited in India (technical assistance and OEM supply)	-	Started OEM supply in Mar., 2012
Railway, Automotive & Machinery Parts	Establish manufacturing and sales base of forged crankshaft in the US	Acquisition of the Standard Steel, Inc., leading manufacturer of forged railway wheels and axles in the United States	32.5 *3	Completed acquisition in Aug., 2011
	Expand production capacity of forged crankshaft in India	Building a second forging press line at SMI-Amtek Crankshaft Pvt. Ltd.	1.0 billion Rupees	Scheduled to start operation in Nov., 2012
R & D	Promotion of technical development through the strengthening of the functions of our research facilities	Construct a new research building and new laboratory at the Corporate Research & Development Laboratories	10.0	Completed on Oct.,2011
Other	Subscription to preferred shares of SUMCO	-	15.0	Scheduled to make payment in May, 2012

*1 Total capital of the joint-venture.

*2 Total investment amount by joint-venture partners.

*3 Acquisition cost of Standard Steel, Inc.

*4 Capital expenditure of the joint-venture company.

(b) Outlook for the following period

SMI's current outlook on the business environment of the following fiscal year is as follows.

- Global demand for steel will gradually increase.
- Growth in steel demand in the energy sector, a specialty of our Company, will continue.
- Our outlook for supply and demand of ordinary steel products will be influenced by the slow-down in the Chinese economy, and is unclear.
- High raw material prices will continue.

Based on our recognition of such a business environment, SMI will continue efforts in cost improvement from the previous year, which includes the Earthquake Recovery Plan, and will also work towards improving sales prices, with the understanding of our customers. We have not yet begun negotiations over the prices of our main raw materials, and we are currently involved with discussion with our major product users to revise steel prices; therefore, at this point in time it is not possible to make meaningful calculations or forecasts of our business performance in the first half of FY2012. This means that we have no forecasts currently available. When we announce our financial statements for the first quarter, we will provide an explanation of the conditions related to business performance in the first half of the fiscal year.

On October 1, 2012, the Company and Nippon Steel Corporation ("Nippon Steel") are scheduled to integrate their entire businesses. Both companies will work together to realize the synergies promptly. We will create "the Best Steelmaker with World-Leading Capabilities," that can contribute to all stakeholders.

(2) Analysis of Financial Situation

(i) Assets, Liabilities and Net Assets (consolidated)

As of the end of the current period under review, SMI Group's total assets were 2,386.1 billion yen, a year-on-year decrease of 54.6 billion yen due to such reasons as decrease of investment securities. Outstanding debt at the end of the current period, although influenced by expenses caused by the Great East Japan Earthquake was 1,172.1 billion yen, a year-on-year decrease of 1.2 billion yen, as a result of a reduction in the levels of cash on hand.

Total net assets were 761.4 billion yen, a year-on-year decrease of 56.5 billion yen. As a result, our debt-to-equity ratio (D/E ratio)* became 1.65, however, we will aim to control this ratio at a level below 1.0 over the medium and long term.

* D/E ratio = Debt / Shareholders' equity

(ii) Cash Flows

Net cash provided by operating activities in the current period was 88.0 billion yen, a year-on-year decrease of 114.2 billion yen. This was due to several factors, including cash out caused by recovery from the Earthquake which resulted in decline in the provision of a disaster loss reserve.

Net cash used in investment activities was 120.1 billion yen, a year-on-year decrease of cash provided (increase of cash used) of 23.8 billion yen. This decline was due to a decrease in investments in capital.

Net cash used in financial activities was 32.7 billion yen, a year-on-year decrease of cash provided (increase of cash used) of 31.7 billion yen. This decline was due to such factors as repayment of debts.

As a result, total cash and cash equivalents on March 31, 2012 were 17.5 billion yen, a year-on-year decrease of 64.9 billion yen.)

	FY2008	FY2009	FY2010	FY2011
Equity ratio	35.0%	34.5%	31.4%	29.7%
Equity ratio on a market value basis	38.6%	56.6%	36.6%	33.6%
Cash flows / Debt ratio	5.4	21.7	5.8	15.5
Interest coverage ratio	13.3	4.3	13.1	6.5

Equity ratio: Shareholders' equity / Total assets

Equity ratio on a market value basis: Total market value of shares / Total assets

Cash flows / debt ratio: Debt / (Operating cash flows - Interest payments)

Interest coverage ratio: Operating cash flows / Interest payments

* All figures are calculated on a consolidated basis.

* "Debt" means net debt, i.e., the total of outstanding borrowing, corporate bonds and commercial paper minus cash and deposits.

* "Operating cash flows" is "net cash provided by operating activities" of the consolidated statements of cash flows. "Interest payments" is "interest paid" in the consolidated statements of cash flows.

(3) Basic Policy Regarding Distribution of Profits; Dividend Payouts in the Current and Following Period

The Sumitomo Metals Group intends to maximize its corporate value through sustainable growth with the optimum balance between quality and scale.

Cash generated by our business will first be used in investments aimed to increase corporate value. We will pass on returns of those investments to our shareholders and all stakeholders.

Despite extraordinary losses resulting in a net loss for the period under review, we expect to make a year-end dividend of 1 yen per share, bringing the total cash dividend for the full fiscal year, including the earlier interim dividend payment, to 2 yen per share.

We are unable to forecast the interim dividend payment for the following fiscal year due to the following reasons: 1) we officially concluded the agreement with Nippon Steel to integrate in October 2012 and 2) the difficulty in foreseeing business results in the first half of the next fiscal year.

The dividends policy of the integrated company with Nippon Steel (the “Integrated Company”) is as follows.

-The Integrated Company’s basic dividends policy is to pay dividends from distributable funds at the end of the first half (interim) and second half (year-end) of the fiscal year in consideration of the consolidated operating results and such factors as capital requirements for investment and other activities aimed at raising corporate value and performance prospects while also considering the financial structure of the Integrated Company on a consolidated and non-consolidated bases.

-The Integrated Company’s consolidated payout ratio target will be approximately 20% for use as an indicator for the distribution of profits based on due consideration of consolidated operating results.

2. Management policy

(1) The Company’s Basic Management Policy

The SMI Group’s basic policy is to maximize corporate value through sustained growth with an emphasis on both quality and scale. Based on this policy, the SMI Group is carrying out strategies that “accelerate our distinctiveness” and “strengthen our strengths” to create an earnings structure resilient to downside risk. To promote these business strategies, we believe it is essential that we continue to enhance our intangible assets that do not appear on our financial statements. Examples of these intangible assets are our relationship of trust built through businesses with our customers, our highly competent technologies, and the pride and commitment of our employees to their work.

(2) Medium- and Long-term Company Business Strategy

The Company will establish NIPPON STEEL & SUMITOMO METAL CORPORATION on October 1 this year, through the merger with Nippon Steel Corporation (“Nippon Steel”), and aim to be “the Best Steelmaker with World-Leading Capabilities”.

(3) Issues That the Company Must Deal With

a. A complete recovery from the earthquake and an improvement in risk response capability

Demand for capital needed to restore the Kashima Steel Works from the damage caused by the earthquake came to around 100 billion yen, of which approximately 60 billion has been generated in the current period under review. By reviewing investment decisions, reducing costs and expenses, and continuing efforts to control expenditure in all areas, we are seeking to raise all the funding required quickly.

We have learned from our experiences of this earthquake, and have worked to ensure a higher level of risk responsiveness at our other steel works and plants while we are aiming for a full recovery of the remaining damaged facilities.

b. Continuous improvement of corporate value

Through policies to “accelerate our distinctiveness” and “strengthen our strengths,” we are raising earnings and continuously improving our corporate value. Through training our personnel, improving our technologies, and building relationships of trust with our customers, we will win the battle of global business competition. Through a continuous improvement in corporate value as a result of our steel-making efforts, we will aim to contribute to society as a whole.

c. Business Integration with Nippon Steel

Sumitomo Metals Industries, Ltd. and Nippon Steel (collectively, the “Companies”) executed a Master Integration Agreement in September 2011. Subsequently, the Companies continued to have discussions on various occasions including the Integration Preparation Committee meetings, which are co-chaired by the presidents of both companies. The Companies hereby announce that they have reached a final agreement to integrate their businesses on October 1 of this year using a two-step legal procedure, consisting of a share exchange followed by an absorption-type merger on the same day and that the Companies have executed a share exchange agreement and a merger agreement after approval at a meeting of the board of directors of each company held today. Please refer to the today’s announcement “Execution of Final Agreement regarding Business Integration between Nippon Steel Corporation and Sumitomo Metal Industries, Ltd.” for the content of the agreements.

The share exchange and the absorption-type merger (collectively, the “Business Integration”) mentioned above are expected to be conducted after the share exchange agreement and the merger agreement are approved at the annual shareholders’ meeting to be held by each company, scheduled on June 26 of this year

With respect to the method of the Business Integration, as of September 22 of last year when the Master Integration Agreement was executed, it was contemplated that the Companies would effect an absorption-type merger without a share exchange process (“One-Step Merger”). However, by taking into account the views of advisors regarding Australian tax and legal matters, the Companies agreed to change the method of the Business Integration to the two-step procedure as described above, which is lawful and valid under Japanese laws and regulations, in order to ensure that the roll-over relief under Australian tax law applies to some of the assets to be integrated.

This change in the method aims to implement the Business Integration without lowering the corporate value of Nippon Steel and Sumitomo Metals, and the Companies believe that this arrangement will serve the interests of all of the shareholders of the Companies. The company resulting from the Business Integration via the two-step procedure will not be different from that resulting from the originally-intended One-Step Merger.

Due to the change in the method, the Companies will submit additional application for merger review with some of the relevant authorities outside Japan, as necessary.

Through the Business Integration, the Companies will make a thorough effort to seek the “combination of their respective advanced management resources that each has built up and the consolidation of the superior areas of their respective businesses”. In addition, the Companies will accelerate the implementation of business structure reform by such means as “pursuing greater efficiency in domestic production bases and expanding overseas businesses”. Through realization of these objectives at an early stage, the Companies aim to be “the Best Steelmaker with World-Leading Capabilities,” a company with higher standards in all areas including scale, cost, technology and customer service.

Through realization of the potential of steel as a fundamental industrial material by utilizing worldleading technology and manufacturing know-how, the Integrated Company will support the development of customers in and outside Japan, as well as contribute to further growth of the Japanese and global economies and the improvement of global society.

Presently, the Companies are further examining various measures for achieving the synergies resulting from the integration, the business plan of the Integrated Company and other matters related to the Integrated Company. Hereafter, the Companies will endeavor to further expedite various preparations toward the integration and to achieve the management policies of the Integrated Company, such as establishing a global network to supply a wide range of products (with global production capacity of 60 to 70 million metric tons), utilizing advanced technologies, improving cost competitiveness, and reinforcing non-steel business segments, at an early stage by aggregating their resources.

4. Consolidated financial statements

(1) Consolidated Balance Sheets

(Million yen)

Items	At the end of FY2010 (As of March 31, 2011)	At the end of FY2011 (As of March 31, 2012)
(Assets)		
Current assets:		
Cash and deposits	83,264	17,637
Notes and accounts receivable-trade	109,571	139,656
Merchandise and finished goods	144,655	175,345
Work in process	23,476	26,824
Raw materials and supplies	230,533	244,723
Deferred tax assets	29,622	25,066
Other	27,467	29,429
Allowance for doubtful accounts	(660)	(616)
Total current assets	647,930	658,067
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	779,421	792,540
Accumulated depreciation	(517,191)	(533,807)
Buildings and structures, net	262,229	258,733
Machinery, equipment and vehicles:	2,290,645	2,338,447
Accumulated depreciation	(1,877,244)	(1,947,893)
Machinery, equipment and vehicles, net	413,400	390,554
Land	350,518	346,501
Construction in progress	79,819	98,804
Other	81,151	83,536
Accumulated depreciation	(69,407)	(72,672)
Other, net	11,743	10,863
Total property, plant and equipment	1,117,712	1,105,457
Intangible assets		
Goodwill	1,314	13,449
Other	4,894	6,659
Total intangible assets	6,208	20,108
Investment and other assets:		
Investment securities	485,511	411,651
Deferred tax assets	49,889	44,696
Other	133,718	146,451
Allowance for doubtful accounts	(209)	(275)
Total investments and other assets	668,910	602,524
Total noncurrent assets	1,792,830	1,728,090
Total assets	2,440,761	2,386,158

(1) Consolidated Balance Sheets (Continued)

(Million yen)

Items	At the end of FY2010 (As of March 31, 2011)	At the end of FY2011 (As of March 31, 2012)
(Liabilities)		
Current liabilities:		
Notes and accounts payable-trade	221,195	251,443
Short-term loans payable	279,818	224,685
Commercial papers	105,000	46,000
Current portion of bonds	35,000	35,000
Deferred tax liabilities	11	7
Provision for loss on disaster	49,307	10,687
Other	110,266	123,212
Total current liabilities	800,600	691,035
Noncurrent liabilities:		
Bonds payable	180,664	206,266
Long-term loans payable	572,899	660,169
Deferred tax liabilities	4,557	7,091
Deferred tax assets regarding revaluation	6,919	5,353
Provision for retirement benefits	20,318	18,918
Provision for special repairs	197	220
Other	36,524	35,617
Total noncurrent liabilities	822,080	933,637
Total liabilities	1,622,681	1,624,673
(Net Assets)		
Shareholders' equity:		
Capital stock	262,072	262,072
Capital surplus	61,829	61,829
Retained earnings	565,931	504,065
Treasury stock	(91,161)	(91,186)
Total shareholders' equity	798,671	736,781
Other comprehensive income (accumulative):		
Valuation difference on available-for sale securities	(18,877)	6,122
Deferred gains or losses on hedges	(594)	(188)
Revaluation reserve for land	11,203	11,021
Foreign currency translation adjustment	(23,627)	(44,422)
Total other comprehensive income (accumulative)	(31,894)	(27,465)
Minority interests	51,303	52,169
Total net assets	818,080	761,484
Total liabilities and net assets	2,440,761	2,386,158

**(2) Consolidated Statements of Income and Statements of Comprehensive Income
(Consolidated Statements of Income)**

(Million yen)

Items	FY 2010 (April 1, 2010- March 31, 2011)	FY 2011 (April 1, 2011- March 31, 2012)
Net Sales	1,402,454	1,473,367
Cost of sales	1,222,407	1,274,599
Gross profit	180,047	198,767
Selling, general and administrative expenses:		
Shipment expenses	37,482	36,998
Employees' salaries and allowances	34,252	34,293
Research and development expenses	20,910	20,541
Other	31,100	30,131
Total selling, general and administrative expenses	123,745	121,966
Operating income/(losses)	56,301	76,801
Non-operating income:		
Interest income	1,459	1,030
Dividends income	4,627	6,568
Insurance income	-	5,602
Other	11,519	10,521
Total non-operating income	17,606	23,723
Non-operating expenses:		
Interest expenses	15,135	13,265
Equity in losses of affiliates	3,493	6,420
Loss on sales and retirement of noncurrent assets	8,663	4,929
Other	12,566	15,106
Total non-operating expenses	39,858	39,721
Ordinary income/losses	34,049	60,803
Extraordinary losses:		
Impairment loss	-	5,516
Loss on disaster	62,041	16,722
Loss on sales of investment securities	-	1,990
Loss on valuation of investment securities	-	80,816
Restructuring loss	-	3,366
Loss related to carbon emission credits	-	3,642
Total extraordinary losses	62,041	112,055
Income/(losses) before income taxes and minority interests	(27,991)	(51,251)
Income taxes:		
Income taxes-current	13,722	9,489
Income taxes-deferred	(37,694)	(8,653)
Total income taxes	(23,972)	835
Income/(losses) before minority interests	(4,019)	(52,087)
Minority interests in income	3,125	1,712
Net income/(losses)	(7,144)	(53,799)

(Consolidated Statements of Comprehensive Income)

(Million yen)

Items	FY 2010 (April 1, 2010- March 31, 2011)	FY 2011 (April 1, 2011- March 31, 2012)
Income/(losses) before minority interests	(4,019)	(52,087)
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,730)	25,328
Deferred gains/(losses) on hedges	454	339
Revaluation reserve for land	(643)	890
Foreign currency translation adjustment	(4,670)	(5,046)
Share of other comprehensive income of associates accounted for using equity method	(7,425)	(16,457)
Total other comprehensive income	(33,014)	5,055
Comprehensive income	(37,033)	(47,032)
(Detail)		
Comprehensive income attributable to owners of the parent	(39,208)	(48,166)
Comprehensive income attributable to minority interests	2,175	1,134

(3) Consolidated Statements of Changes in Net Assets

	FY 2010 (April 1, 2010- March 31, 2011)	FY 2011 (April 1, 2011- March 31, 2012)
Shareholders' equity:		
Capital stock		
Balance at the end of previous period	262,072	262,072
Changes of items during the current period		
Total changes of items during the current period	-	-
Balance at the end of current period	262,072	262,072
Capital Surplus		
Balance at the end of previous period	61,829	61,829
Changes of items during the current period		
Total changes of items during the current period	-	-
Balance at the end of current period	61,829	61,829
Retained earnings		
Balance at the end of previous period	596,254	565,931
Changes of items during the current period		
Dividends from surplus	(23,178)	(9,271)
Net loss	(7,144)	(53,799)
Reversal of revaluation reserve for land	0	1,204
Total change of items during the current period	(30,323)	(61,866)
Balance at the end of current period	565,931	504,065
Treasury stock		
Balance at the end of previous period	(91,106)	(91,161)
Changes of items during the current period		
Purchase of treasury stock	(55)	(24)
Change in equity in affiliates accounted for by equity method-treasury stock	(0)	0
Total change of items during the current period	(55)	(24)
Balance at the end of current period	(91,161)	(91,186)
Total shareholders' equity		
Balance at the end of previous period	829,050	798,671
Changes of items during the current period		
Dividends from surplus	(23,178)	(9,271)
Net loss	(7,144)	(53,799)
Purchase of treasury stock	(55)	(24)
Change in equity in affiliates accounted for by equity method-treasury stock	(0)	0
Reversal of revaluation reserve for land	0	1,204
Total change of items during the current period	(30,378)	(61,890)
Balance at the end of current period	798,671	736,781

	FY 2010 (April 1, 2010- March 31, 2011)	FY 2011 (April 1, 2011- March 31, 2012)
Other comprehensive income (accumulative)		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	2,324	(18,877)
Changes of items during the current period		
Net changes of items other than shareholders' equity	(21,201)	24,999
Total changes of items during the current period	(21,201)	24,999
Balance at the end of current period	(18,877)	6,122
Deferred gains or losses on hedges		
Balance at the end of previous period	(979)	(594)
Changes of items during the current period		
Net changes of items other than shareholders' equity	385	405
Total changes of items during the current period	385	405
Balance at the end of current period	(594)	(188)
Revaluation reserve for land		
Balance at the end of previous period	11,834	11,203
Changes of items during the current period		
Net changes of items other than shareholders' equity	(630)	(181)
Total change of items during the current period	(630)	(181)
Balance at the end of current period	11,203	11,021
Foreign currency translation adjustment		
Balance at the end of previous period	(13,009)	(23,627)
Changes of items during the current period		
Net changes of items other than shareholders' equity	(10,617)	(20,795)
Total change of items during the current period	(10,617)	(20,795)
Balance at the end of current period	(23,627)	(44,422)
Total other comprehensive income (accumulative)		
Balance at the end of previous period	169	(31,894)
Changes of items during the current period		
Net changes of items other than shareholders' equity	(32,064)	4,429
Total change of items during the current period	(32,064)	4,429
Balance at the end of current period	(31,894)	(27,465)
Minority interests		
Balance at the end of previous period	49,989	51,303
Changes of items during the current period		
Net changes of items other than shareholders' equity	1,313	865
Total change of items during the current period	1,313	865
Balance at the end of current period	51,303	52,169
Total net assets		
Balance at the end of previous period	879,209	818,080
Changes of items during the current period		
Dividends from surplus	(23,178)	(9,271)
Net loss	(7,144)	(53,799)
Purchase of treasury stock	(55)	(24)
Change in equity in affiliates accounted for by equity method-treasury stock	(0)	0
Reversal of revaluation reserve for land	0	1,204
Net changes of items other than shareholders' equity	(30,750)	5,295
Total change of items during the current period	(61,129)	(56,595)
Balance at the end of current period	818,080	761,484

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY 2010 (April 1, 2010- March 31, 2011)	FY 2011 (April 1, 2011- March 31, 2012)
Operating activities:		
Income/(losses) before income taxes and minority interests	(27,991)	(51,251)
Depreciation and amortization	127,137	124,020
Increase (decrease) in allowance for doubtful accounts	675	20
Increase (decrease) in provision for loss on disaster	49,307	(38,620)
Increase (decrease) in provision for retirement benefits	360	(1,443)
Increase (decrease) in provision for special repairs	(10)	22
Interest income and dividend income	(6,087)	(7,598)
Interest expenses	15,135	13,265
Equity in (earnings) losses of affiliates	3,493	6,420
Impairment loss	-	5,516
Loss (gain) on sales of investment securities	-	1,990
Loss (gain) on valuation of investment securities	-	80,816
Loss on business restructuring	-	3,366
Loss related to carbon emission credits	-	3,642
Decrease (increase) in notes and accounts receivable-trade	37,367	(28,473)
Decrease (increase) in inventories	(14,601)	(46,613)
Increase (decrease) in notes and accounts payable-trade	18,223	29,724
Other	7,862	6,251
Subtotal	210,871	101,055
Income taxes paid	(8,531)	(12,989)
Net cash provided by (used in) operating activities	202,340	88,065
Investing activities:		
Interest and dividends income received	19,707	23,097
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(13,026)
Purchase of investment securities	(11,879)	(5,738)
Proceeds from sales of investment securities	1,630	17,856
Payments for investments in capital	(35,337)	(14,874)
Purchase of property, plant and equipment and intangible assets	(115,546)	(109,019)
Payments of loans receivable	(2,191)	(19,518)
Other	(392)	1,114
Net cash provided by (used in) investment activities	(144,009)	(120,110)

(4) Consolidated Statements of Cash Flows (Continued)

(Million yen)

	FY 2010 (April 1, 2010 - March 31, 2011)	FY 2011 (April 1, 2011 - March 31, 2012)
Financing activities:		
Interest expenses paid	(15,425)	(13,607)
Net increase (decrease) in short-term loans payable	(7,910)	(28,317)
Increase (decrease) in commercial papers	81,000	(59,000)
Proceeds from long-term loans payable	73,557	204,430
Repayments of long-term loans payable	(129,836)	(143,468)
Proceeds from issuance of bonds	30,000	50,000
Redemption of bonds	(10,000)	(35,000)
Cash dividends paid	(23,180)	(9,271)
Other	470	1,520
Net cash provided by (used in) financing activities	(1,325)	(32,714)
Effect of exchange rate change on cash and cash equivalents	(1,056)	(547)
Net increase (decrease) in cash and cash equivalents	55,949	(65,306)
Cash and cash equivalents at beginning of period	26,233	82,512
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	352
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	329	-
Cash and cash equivalents at end of period	82,512	17,558

(5) Notes on Going Concern Assumption:

Not applicable.

(6) Changes in Material Items in Preparing Consolidated Financial Statements

1. Changes in items regarding the scope of consolidation

(a) Changes in the scope of consolidation:

Standard Steel which was acquired during the current fiscal year, two subsidiaries established during the current fiscal year and three other subsidiaries that are regarded as important, have been added to the list of the consolidated subsidiaries. Meanwhile, Sumitomo Metals (Kokura) Ltd. and Sumitomo Metals (Naoetsu) Ltd., both of which merged with the Company, are no longer subsidiaries.

(b) Number of consolidated subsidiaries after the changes:

72 companies

2. Items regarding application of equity method

(a) Changes in affiliates to which the equity method are applicable

From the current fiscal year, a company, from a viewpoint of materiality, has been re-classified as companies to which equity method is applied.

(b) Number of non-consolidated subsidiaries and affiliates to which the equity method is applied:

Non-consolidated subsidiaries: -

Affiliates: 38 companies

(7) Footnotes Regarding Consolidated Financial Statements**(Segment Information)****(i) Segment information by business sector****Previous fiscal year (April 1, 2010 - March 31, 2011)****(Million yen)**

	Steel	Other *1	Total	Adjustment *2	Consolidated *3
Sales to customers	1,351,620	50,834	1,402,454	-	1,402,454
Inter-segment sales	1,149	18,991	20,140	(20,140)	-
Total sales	1,352,769	69,825	1,422,595	(20,140)	1,402,454
Operating income/(losses)	50,248	6,286	56,534	(233)	56,301
Assets	1,946,590	231,710	2,178,300	262,460	2,440,761
Other items					
Depreciation	123,947	3,188	127,135	2	127,137
Investments in equity method affiliates	244,448	67,303	311,752	-	311,752
Increased amount of tangible and intangible assets	107,675	2,951	110,627	-	110,627

(Note) *1 Segment "Other" includes businesses of electronic modules, lease and sale of real estate and other.

*2 Adjustment amounts are as follows:

a) Adjustment amount of negative 233 million yen for operating income is inter-segment elimination.

b) Adjustment amount of positive 262,460 million yen is 324,384 million yen of company assets which are not allocated to business segment and negative 61,924 million yen of inter-segment elimination. Company assets mainly consist of "investment securities", "deferred tax assets" and "cash and deposits".

c) Adjustment amount of 2 million yen for depreciation is related to the assets of the entire Company.

*3 Income by segment is adjusted against operating income of consolidated income statements.

Current fiscal year (April 1, 2011 - March 31, 2012)**(Million yen)**

	Steel	Other *1	Total	Adjustment *2	Consolidated *3
Sales to customers	1,433,256	40,111	1,473,367	-	1,473,367
Inter-segment sales	1,142	19,471	20,614	(20,614)	-
Total sales	1,434,399	59,582	1,493,982	(20,614)	1,473,367
Operating income/(losses)	72,913	3,915	76,829	(27)	76,801
Assets	2,009,265	201,406	2,210,672	175,485	2,386,158
Other items					
Depreciation	120,813	3,204	124,018	2	124,020
Investments in equity method affiliates	241,992	45,719	287,712	-	287,712
Increased amount of tangible and intangible assets	113,778	2,637	116,416	-	116,416

(Note) *1 Segment "Other" includes businesses of electronic modules, lease and sale of real estate and other.

*2 Adjustment amounts are as follows:

a) Adjustment amount of negative 27 million yen for operating income is inter-segment elimination.

b) Adjustment amount of positive 175,485 million yen is 234,650 million yen of company assets which are not allocated to business segment and negative 59,164 million yen of inter-segment elimination. Company assets mainly consist of "investment securities", "deferred tax assets" and "cash and deposits".

c) Adjustment amount of 2 million yen for depreciation is related to the assets of the entire Company.

*3 Income by segment is adjusted against operating income of consolidated income statements.

(Per Share Information)

FY 2010 (April 1, 2010 - March 31, 2011)		FY 2011 (April 1, 2011 - March 31, 2012)	
Net assets per share	165.41	Net assets per share	153.02
Net loss per share	1.54	Net loss per share	11.61

(Notes) 1. Diluted earnings per share is not calculated because the company posted net loss per share for the previous fiscal year and the company does not have potential shares issuable for the current fiscal year.

2. The basis of the calculation of net loss per share is as follows:

	FY 2010 (April 1, 2010 – March 31, 2011)	FY 2011 (April 1, 2011 – March 31, 2012)
Net loss (million yen)	7,144	53,799
Amount not allocated to common stock	-	-
Net loss attributable to common stock (million yen)	7,144	53,799
The average number of shares of common stock issued and outstanding during the period	4,635,692,671	4,635,473,314

3. The basis of the calculation of net assets per share is as follows:

	FY 2010 (April 1, 2010 – March 31, 2011)	FY 2011 (April 1, 2011 – March 31, 2012)
Total net assets (million yen)	818,080	761,484
Minority interest to be subtracted from total net assets (million yen)	51,303	52,169
(of such amount, the amount allocated to minority shareholders)	(51,303)	(52,169)
Net assets attributable to common stock (million yen)	766,777	709,315
Number of shares of common stock as of the end of period, used to calculate the net assets per share	4,635,560,399	4,635,407,703

(Significant Subsequent Events)

Sumitomo Metals Industries, Ltd. and Nippon Steel have reached a final agreement to integrate their businesses on October 1 of this year using a two-step legal procedure, consisting of a share exchange followed by an absorption-type merger on the same day and that the Companies have executed a share exchange agreement and a merger agreement after approval at a meeting of the board of directors of each company held on April 27, 2012. Please refer to “(3) Issues That the Company Must Deal With” of this document for detail.

4. Supplemental Information

(1) Financial Performances (consolidated basis)

(Billion yen)

	FY2011							Total
	1 st quarter	2 nd quarter	1 st half	3 rd quarter	4 th quarter	2 nd half		
	Steel	297.2	373.8	671.1	374.8	387.3	762.1	
Other	9.6	11.4	21.1	8.8	10.1	18.9	40.1	
Net Sales	306.8	385.3	692.2	383.6	397.4	781.1	1,473.3	
Steel	16.4	22.7	39.1	15.7	17.9	33.7	72.9	
Other	0.4	1.6	2.1	0.6	1.1	1.7	3.9	
Adjustment	-0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0	
Operating income/(losses)	16.8	24.4	41.2	16.4	19.0	35.5	76.8	
Ordinary income/(losses)	19.0	22.3	41.3	15.1	4.2	19.4	60.8	
Net income/(losses)	3.2	(35.6)	(32.3)	(5.2)	(16.1)	(21.4)	(53.7)	

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

(Million tons)

	1 st half		2 nd half			Total	
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	2 nd half		
FY 2009	2.28	2.79	5.07	3.26	3.32	6.58	11.65
FY 2010	3.35	3.43	6.78	3.00	3.13	6.12	12.90
FY 2011	2.77	3.34	6.11	3.25	2.36	6.61	12.72

(3) Export Ratio (including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd., and Sumikin Iron & Steel Corporation, and based on the sales price)

(Value basis %)

	1 st half		2 nd half			Total	
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	2 nd half		
FY 2009	48	42	45	41	41	41	43
FY 2010	43	39	41	42	42	42	42
FY 2011	46	40	42	38	41	40	41

(4) Foreign Exchange Rate

(Yen/US\$)

	1 st half		2 nd half			Total	
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	2 nd half		
FY 2009	97	94	95	90	91	90	93
FY 2010	92	86	89	83	82	82	86
FY 2011	82	78	80	77	79	78	79

(5) Exposure to Foreign Exchange Fluctuations (consolidated basis)

FY 2010	FY 2011
Payment and receipt of US\$ is balanced	Excess payment of Approx. 0.6 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)

	FY 2011			FY 2010			Total
	1 st quarter	2 nd quarter	1 st half	3 rd quarter	4 th quarter	2 nd half	
FY 2009	109.4	86.8	96.8	79.0	84.3	81.7	88.0
FY 2010	87.7	95.6	91.6	95.9	97.9	96.9	94.2
FY 2011	104.5	107.3	106.0	103.1	99.8	101.4	103.5

(7) Capital Expenditure and Depreciation (consolidated basis; tangible assets)

(Billion yen)

	FY 2011
Capital Expenditure	115.7
Depreciation	122.9

(8) Debt (consolidated Basis)

(Billion yen)

As of March 31, 2011	As of March 31, 2012
1,173.3	1,172.1

(9) Number of Employees (consolidated basis)

(Employees)

As of March 31, 2011	As of March 31, 2012
22,597	23,007

(10) Analysis on Consolidated Ordinary Income (consolidated basis)

FY 2011 ← FY 2010

(Foreign exchange (TTM) assumption:

79 Yen/US\$ (FY 2011) ← 86 Yen/US\$ (FY 2010)

(Billion yen)

	FY 2011	FY 2010	Increase/(Decrease)
Consolidated ordinary income/(losses)	60.8	34.0	26.7

Positive impact		Negative impact	
Cost improvement	42.0	Raw materials price increase	(131.0)
Recovery of blast furnace operation	17.0	Carry-over of raw material costs*	(22.0)
Fixed cost	8.0	Sales volume	(11.0)
Sales price /mix and other	128.6	Decrease of equity in earnings of unconsolidated subsidiaries	(2.9)
		Loss on disaster	(2.0)
Total	195.6	Total	(168.9)

Difference: 26.7

* Impact of carry-over: FY2011 – positive 3.0 billion yen
FY2010 – positive 25.0 billion yen