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

October 30, 2008



Forward-looking Statement

This presentation contains certain forward-looking statements. The Company has tried, whenever possible, to identify these forward-looking statements using words such as "anticipated," "believes," "estimates," "forecasts," "expects," "plans," "intends," "targets," and similar expressions. Similarly, statements herein that describe the Company's business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the Company's actual results, performance or achievements to differ from those expressed in, or implied by, such statements. These risks and uncertainties may include, but are not limited to: the Company's ability to successfully implement its strategies to restructure the steel business and reinforce its financial structure; the effects of and changes in Japanese and worldwide general economic conditions and in the steel industry in particular, including the severity of any economic slowdown, technological and other changes affecting the manufacture of and demand for the Sumitomo Metals Group's products, changes in Japan's and other countries' laws and regulations, including with regard to taxation, and other risks and uncertainties set forth in subsequent press releases and in the Sumitomo Metals Group's public filings. These statements reflect the Company's current beliefs and are based upon information currently available to it. Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time. The Company disclaims any intent or obligation to update these forward-looking statements.

All output figures in this presentation are metric tons.



FY2008/2Q Results

FY2008 Forecast

Supplement

Consolidated Results Highlights for FY08/1H

	mo Metals (Kokura), Sumitomo Meta & Steel Corporation [Forecas	ils (Naoetsu) st as of Jul. 31]	FY08/1H	(Change from FY07/1H)	< Change from FY07/2H>
Production & Price	Crude steel production (million tons)	[7]	7.04	(6.5%)	<0.4%>
	Steel sales volume (million tons)	[6.34]	6.33	(4.2%)	<-1.2%>
	Ave. price of steel product (000JPY/ton)	[116]	118.6	(13.0)	<12.8>
DI		cast as of Jul. 31]	FY08/1H	(Change from FY07/1H)	< Change from FY07/2H>
PL (JPY billion)			FY08/1H 981.3	`	3
	[Fored	cast as of Jul. 31]		FY07/1H)	FY07/2H>
	Sales	[970]	981.3	FY07/1H) (15.7%)	FY07/2H> <9.4%>

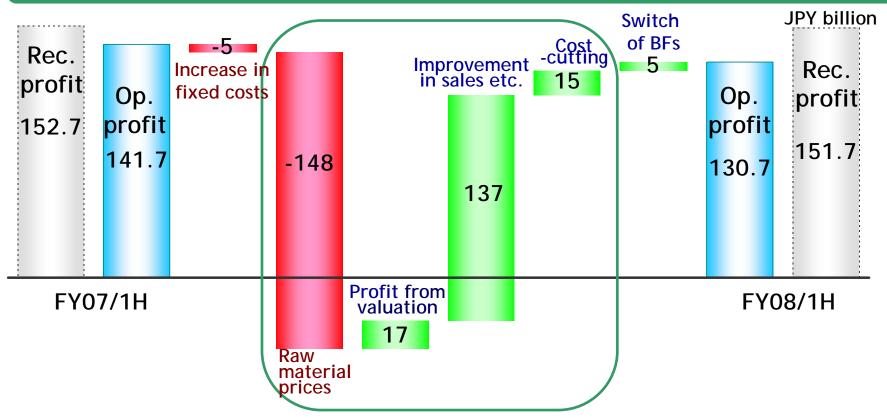
- Demand for high-end products in areas such as the energy, automotive and other sectors remained strong and stable.
- Op. profit: 130.7 JPY billion
 Despite raw materials cost push, improvement in sales and cost cutting ensured almost the same level of op. profit as in FY07/2H.

Overview of Consolidated Results for FY08/1H

IDV hillion	FY07				FY08	Change from			n
JPY billion	1H	2H	10	2Q	1H	%	FY07/1H	%	FY07/2H
Sales	847.8	896.7	452.2	529.0	981.3	<i>15.7</i>	133.4	9.4	84.5
Op. profit	141.7	132.6	62.1	68.6	130.7	-7.8	-10.9	-1.5	-1.9
Rec. profit	152.7	15.4	74.4	77.2	151.7	-0.7	-1.0	4.3	6.2
Non-rec. profit (loss)	0.4	(17.3)	-	-	-		-0.4		17.3
Corporate taxes and minority interests	(56.3)	(44.4)	(30.9)	(28.6)	(59.6)	5.8	-3.2	34.2	-15.1
Net Income	96.9	83.6	43.4	48.5	92.0	-5.0	-4.8	10.1	8.4
EPS (JPY)	21.15	18.28	9.38	10.48	19.85		-1.29		1.57
FOREX rate (JPY/USD)	119	109	105	108	106		-13		-3

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

Improvement in sales and cost cutting offset raw materials cost push.



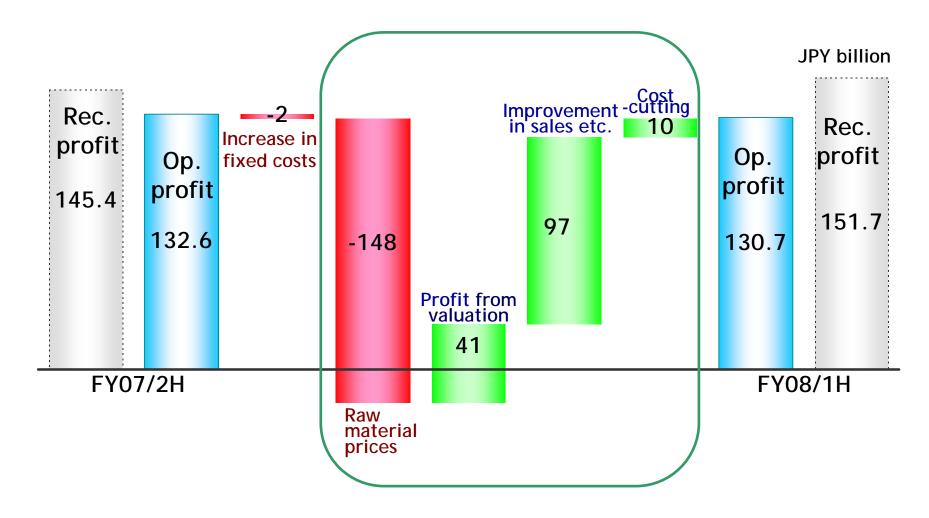
*Earnings from equity-method affiliates:

<FY07/1H> 21.3 JPY billion -> <FY08/1H>24.2 JPY billion

*FY08/1H Op. profit:

<Forecast as of Jul. 31> 100 JPY billion -> <Actual> 130.7 JPY billion
Change:
30.7 JPY billion
Improvement in sales etc. 17.7 JPY billion
Profit from valuation 1 JPY billion

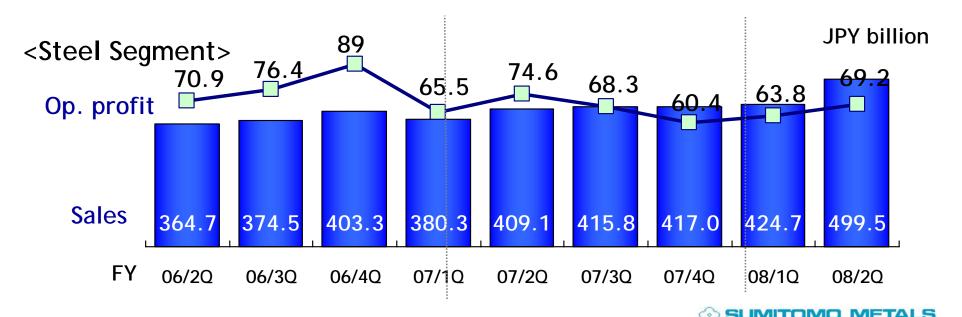
Change in Consolidated Operating Profit (FY07/2H -> FY08/1H)



^{*}Earnings from equity-method affiliates : <FY07/2H> 20.5 JPY billion -> <FY08/1H>24.2 JPY billion

Consolidated Sales and Operating Profit by Business Segment⁸

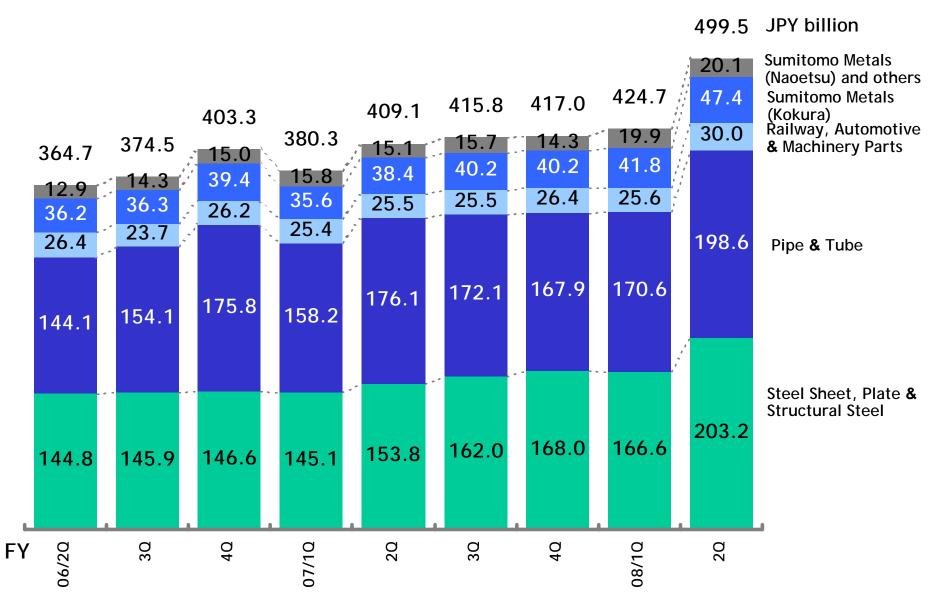
	JPY billion	06/2Q	06/3Q	06/4Q	07/1Q	07/2Q	07/3Q	07/4Q	08/1Q	08/2Q
	Steel	364.7	374.5	403.3	380.3	4,09.1	415.8	417.0	424.7	499.5
	Engineering	2.9	2.3	3.4	3.1	3.9	3.2	5.0	2.1	3.0
	Electronics	15.8	15.4	14.5	14.2	16.0	16.9	14.3	15.9	13.6
	Others	11.6	8.3	12.4	8.6	12.2	10.9	13.3	9.3	12.8
	Sales	395.1	400.6	433.8	406.3	441.4	446.9	449.8	452.2	529.0
	Steel	70.9	76.4	89.0	65.5	74.6	68.3	60.4	63.8	69.2
	Engineering	(0.5)	(0.3)	(0.4)	(0.1)	(0.0)	o	0.3	(0.1)	(0.3)
	Electronics	0.9	0.7	0.5	(0.1)	0.1	0	(0.2)	0.1	(0.3)
	Others	1.3	1.2	1.5	0.6	1.1	1.5	2.0	(1.6)	0.0
Op	perating profit	72.6	78.0	90.5	65.8	75.8	69.9	62.7	62.1	68.6



Consolidated Balance Sheets

IDV hillion	0	7		80		0/	Change
JPY billion	3E	9E	3E 6E		9E	%	from 08/3E
[Assets]							
Current assets	672.5	719.4	677.7	738.7	816.4	20.5	138.7
Fixed assets	1,629.0	1,686.2	1,740.5	1,791.1	1,745.7	0.3	5.1
Total assets	2,301.5	2,405.6	2,418.3	2,529.9	2,562.2	6.0	143.9
(Liabilities and Shar	reholders' E	Equity]					
Current liabilities	807.8	862.3	781.9	777.8	835.0	6.8	53.1
Long-term liabilities	568.9	614.1	687.1	760.8	743.5	8.2	56.4
Net assets	924.7	929.1	949.3	991.2	983.5	3.6	34.2
Debt	717.9	778.4	883.8	924.4	910.6	3.0	26.8

Consolidated Steel Sales by Internal Company



FY2008/2Q Results

FY2008 Forecast

Supplement

*In FY08/2H, the sales volume of steel products is expected to decrease by 0.13 million tons.

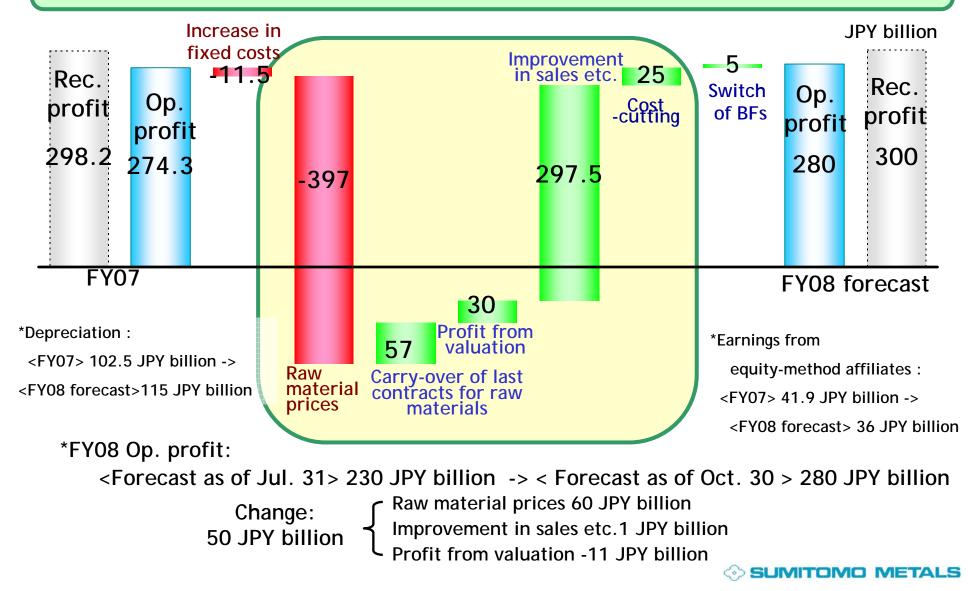
*Op. profit will be close to the profit in FY07 due to improvement in sales, cost cutting and decline in the costs of the shipping freight and non-ferrous metals.

JPY billion	FY07	[Jul. 31]	1H	[Jul.31]	2H Forecast Approx.	[Jul.31]	FY08 forecast Approx.	%	YoY
Sales	1,744.5	[970]	981.3	[1090]	1,050	[2060]	2,030	16.4	285.4
Op. profit	274.3	[100]	130.7	[130]	149	[230]	280	2.0	5.6
Rec. profit	298.2	[115]	151.7	[135]	149	[250]	300	0.6	1.7
Non-rec. profit (loss)	(16.9)	[-]	-	[-]	-	[-]	-	-	16.9
Net Income	180.5	[75]	92.0	[85]	93	[160]	185	2.5	4.4
EPS (JPY)	39.43	[16.17]	19.85	[18.32]	20.05	[34.49]	39.88	-	0.45
FOREX rate (JPY/USD)	114	[105]	106	[105]	100	[105]	103	-	-11

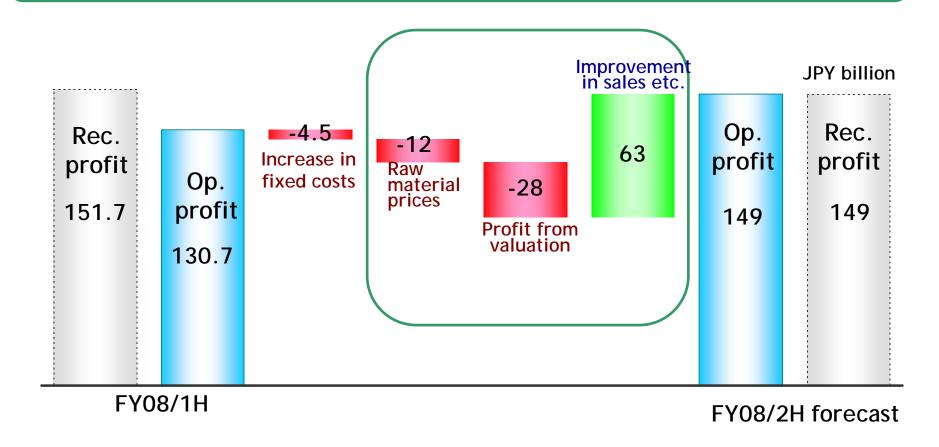
^{*}Jul. 31: Forecast as of July 31

Change in Consolidated Operating Profit (FY07 -> FY08 forecast) 13

Op. profit will be close to the profit in FY07 due to decline in the costs of the shipping freight and non-ferrous metals despite a weak demand from construction sector.



Improvement of sales will be bigger than the absence of carry-over of last year contracts for raw materials and decrease in profit from valuation.



^{*}Earnings from equity-method affiliates:

<FY08/1H> 24.2 JPY billion -> <FY08/2H forecast> 11.8 JPY billion

Forecast for Production & Prices

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

		FY07	Jul.31	1H	Jul. 31	2H precast Approx.	[Jul.31]	FY08 forecast	YoY
FOREX rate	(JPY/USD)	114	[105]	106	[105]	100	[105]	103	-11
Crude steel production (million tor	ns)	13.62	[7]	7.04	[7]	6.95	[14]	14	0.38
Steel sales v (million ton		12.49	[6.34]	6.33	[6.41]	6.28	[12.75]	12.62	0.13
Seamless pi volume (mil	pe sales lion tons)	1.11	[0.56]	0.56	[0.61]	0.62	[1.17]	1.18	0.07
Ave. price	Domestic	97.9	[112]	113.7	[121]	121	[117]	117	19
of steel product	Export	116.2	[120]	124.8	[139]	136	[130]	131	15
	Total	105.7	[116]	118.6	[129]	128	[122]	123	17

^{*}Jul. 31: Forecast as of July 31

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

FY08 forecast
Receipts of USD = Payments of USD

[FY08 forecast as of Jul. 31] Excess payments of USD = approx. 0.9 billion/year

Key Indicators of Consolidated Performance

	FY04	FY05	FY06	FY07	FY08 forecast Approx.	Medium-term Business Plan (Apr. 05) FY 08 Plan Approx.
ROA *	9.7%	14.5%	15.4%	13.2%	12%	13%
ROE	25.8%	36.7%	28.3%	20.3%	19%	
Equity ratio	25.1%	34.1%	38.3%	37.3%	37%	45%
D/E ratio	1.83	0.94	0.82	0.98	0.98	0.6
Debt (JPY billion)	885.9	679.7	717.9	883.8	985	680
Total asset (JPY billion)	1,923.1	2,113.3	2,301.5	2,418.3	2,700	2,380
Non-consolidated dividends / share (JPY)	5.0	7.0	8.0	10.0	10.0	
<interim dividends=""></interim>	<->	<2.5>	<3.5>	<5.0>	<5.0>	

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

Consolidated Sales & Op. Profit by Internal Company

JPY billion	FY07	Jul. 31	1H	Jul.31	2H Forecast Approx.	Jul.31	FY08 forecast Approx.	YoY
Steel Sheet and Plate	629.1	[370]	369.8	[410]	405	[780]	775	145.9
Pipe & Tube	674.5	[355]	369.3	[415]	401	[770]	770	95.5
Railway & Automotive	103.0	[56]	55.6	[64]	59	[120]	115	12.0
Kokura	154.5	[94]	89.2	[96]	96	[190]	185	30.5
Naoetsu and Others	61.1	[40]	40.1	[40]	35	[80]	75	13.9
Steel Business Total	1,622.3	[915]	924.2	[1,025]	996	[1940]	19,20	2,977
Engineering Business	15.3	[4]	5.1	[6]	5	[10]	10	-5.3
Electronics Business	61.6	[31]	29.5	[34]	25	[65]	55	-66
Others	45.1	[20]	22.2	[25]	23	[45]	45	-0.1
Total Sales	1,744.5	[970]	981.3	[1090]	1,049	[2,060]	2,030	285.5
Op. Profit by Inter	nal Comp	any (App	rox.)					
Steel Sheet and Plate	72.0	[35]	49.0	[40]	61	[75]	110	38
Pipe & Tube	153.0	[50]	62.0	[65]	68	[115]	130	-23
Kokura	11.0	[4]	5.0	[4]	5	[8]	10	-1
*Jul. 31: Forecast as	of July 31					< ⋄ 5	UMITOMO	METALS

Capital Policy

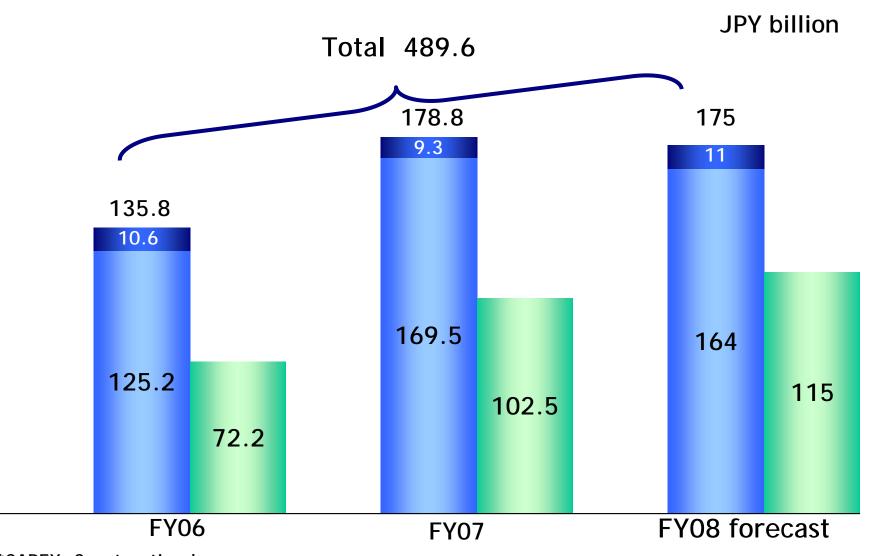
- Sumitomo Metals intends to maximize corporate value by delivering sustained growth that balances quality and scale.
- Cash generated from operations will be used for investments that raise corporate value.
- Criteria for investments include whether they may accelerate distinctiveness of our group,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

< FY2008>

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

Forecast for Consolidated CAPEX and Depreciation

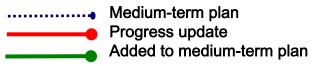
■ CAPEX in Steel business
■ CAPEX in Non-Steel business
■ Depreciation

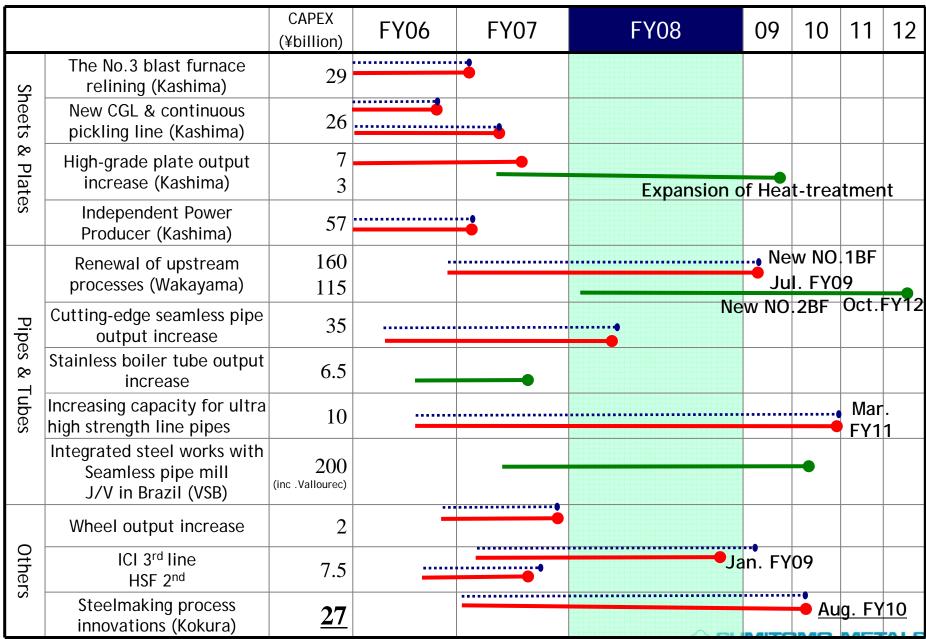


*CAPEX: Construction-base

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CAPEX Plan Update





FY2008/2Q Results

FY2008 Forecast

Supplement

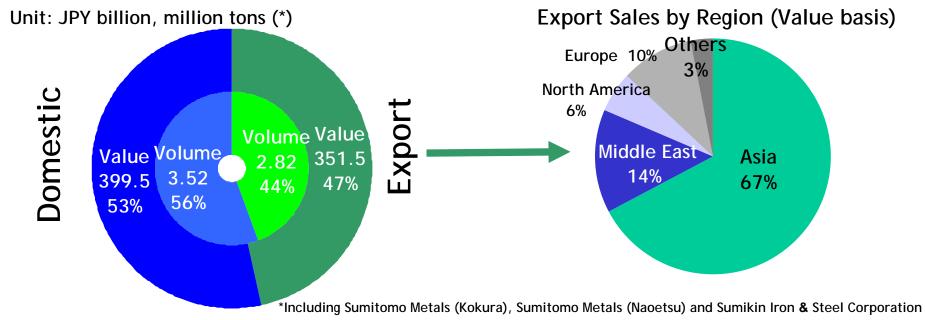
Overview of Non-consolidated Business Forecast for FY08

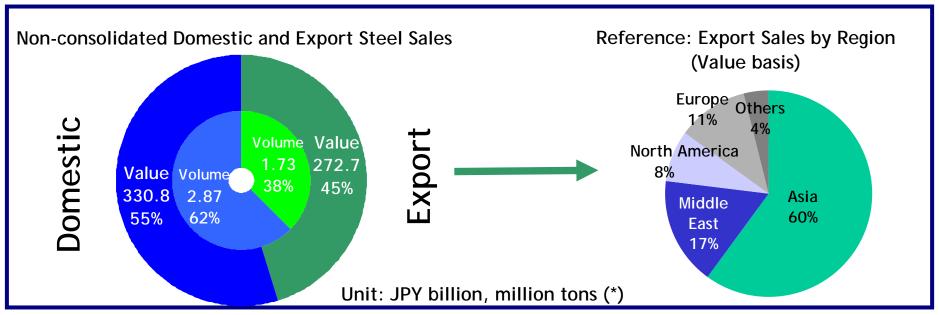
JPY billion	FY07	[Jul.31]	1H	[Jul.31]	2H Forecast Approx.	[Jul.31]	FY08 Forecast Approx.	%	YoY Approx.
Sales	1141.4	[625]	648.2	[715]	700.0	[1,340]	1,350	18.3	228.6
Op. profit	204.5	[70]	94.0	[75]	106.0	[145]	200	-2.2	-4.5
Rec. profit	214.9	[90]	113.4	[70]	101.5	[160]	215	0.0	0.1
Non-rec. profit (loss)	(12.2)	[-]	*2.5	[-]	-	[-]	2.5	-	14.7
Income taxes- deferred	(73.3)	[(30)]	(39.7)	[(30)]	(42.5)	[(60)]	(82.5)	12.4	-9.2
Net Income	129.3	[60]	76.2	[40]	59.0	[100]	135	4.4	5.7

^{*}Jul. 31: Forecast as of July 31

^{*}FY08/1H Non-rec. profit: Gain on sales of a subsidiary's stock

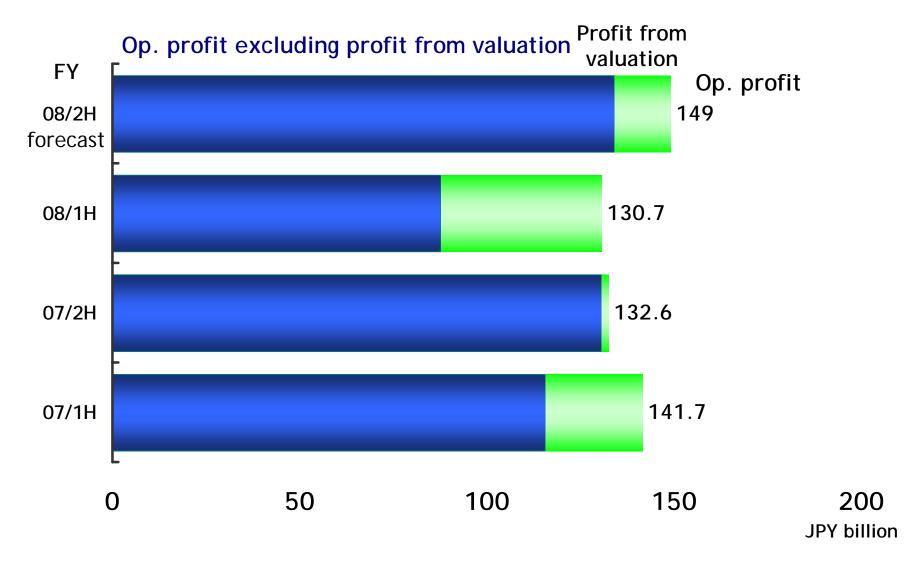
Domestic and Export Steel Sales for FY08/1H



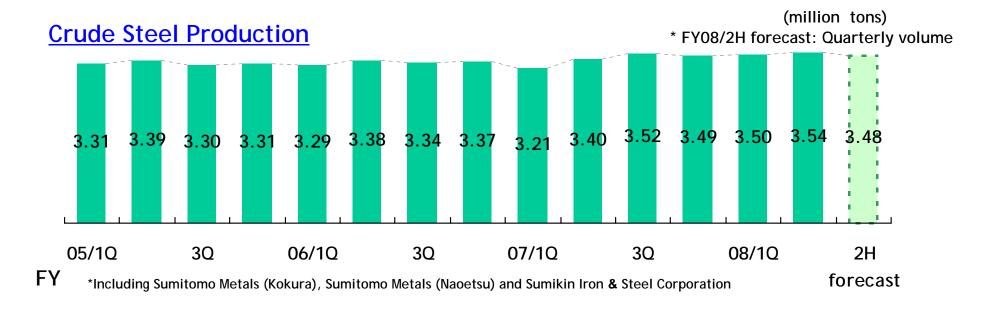


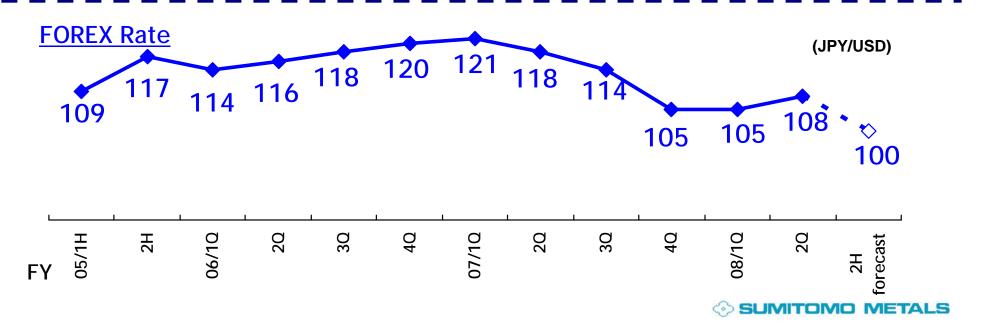
Change in Consolidated Operating Profit & Profit from Valuation

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

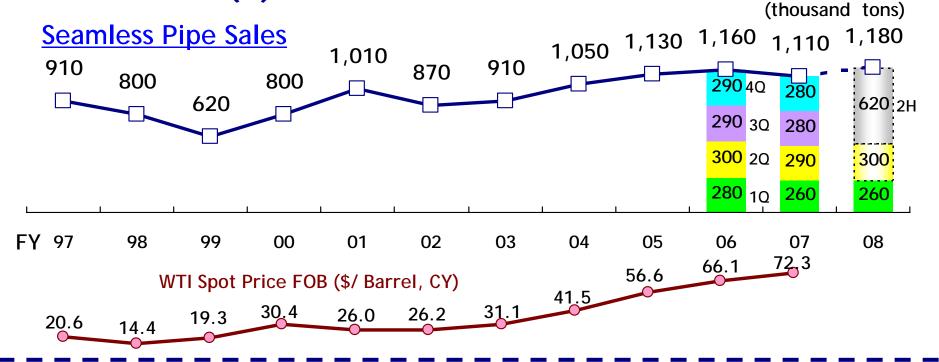


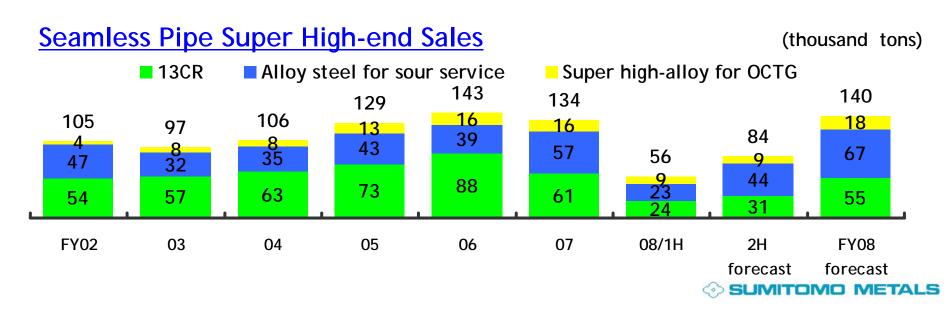
Reference (1)





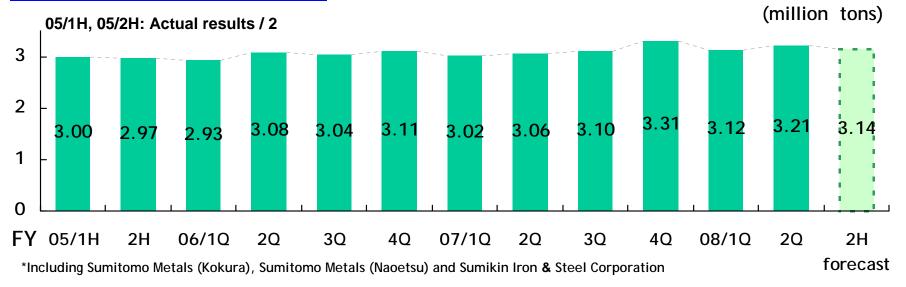
Reference (2)

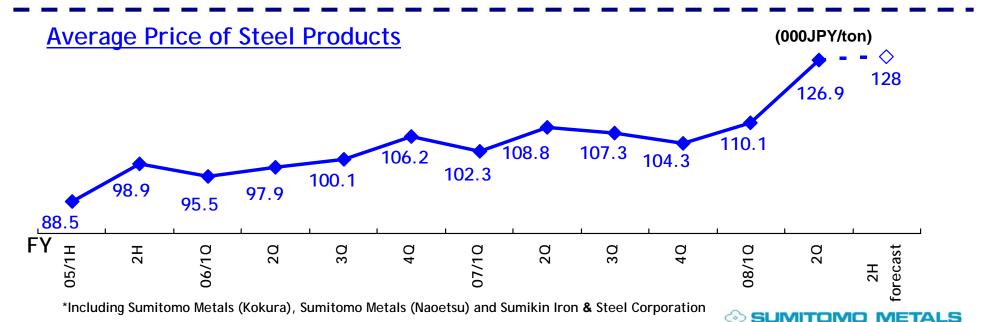




Reference (3)

Steel Products Sales Volume





Deliver sustained growth in corporate value by emphasizing quality



Become a company trusted by all stakeholders