

Sumitomo Metals  
FY 2009 the First Quarter  
Performance  
(ending March 31, 2010)

July 30, 2009

## 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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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 tonnes.

All output figures of “crude steel”, “steel sales volume” and “average price of steel product” are including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation.

# FY2009/1Q Results

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# Consolidated Results Highlights for FY09/1Q

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	FY08/1Q	FY08/4Q	FY09/1Q	YoY	QoQ
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- Overall steel demand has bottomed out while production cutbacks and destocking continue.

Crude steel production (million tonnes)	3.50	2.48	2.28	-34.9%	-8.1%
Steel sales volume (million tonnes)	3.12	2.08	1.98	-36.5%	-4.8%

- Sales volume of seamless pipe decreased due to weak demand in domestic automotive sector and OCTG spot market.

Seamless pipe sales volume (million tonnes)	0.26	0.28	0.20	-20.9%	-27.2%
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- Steel product prices, mainly commodities for export, declined.

Ave. price of steel product (000JPY/tonne)	110.1	132.7	109.4	-0.6%	-17.6%
Sales (JPY billion)	452.2	361.8	290.4	-35.8%	-19.7%

- We posted a loss primarily due to inventory valuation and carry-over cost of raw materials.

Operating income (JPY billion)	62.1	16.2	(34.5)	-96.6	- 50.8
Ordinary income (JPY billion)	74.4	2.8	(41.6)	-116.1	-44.5
Net income (JPY billion)	43.4	(22.1)	(32.3)	-75.8	-10.2

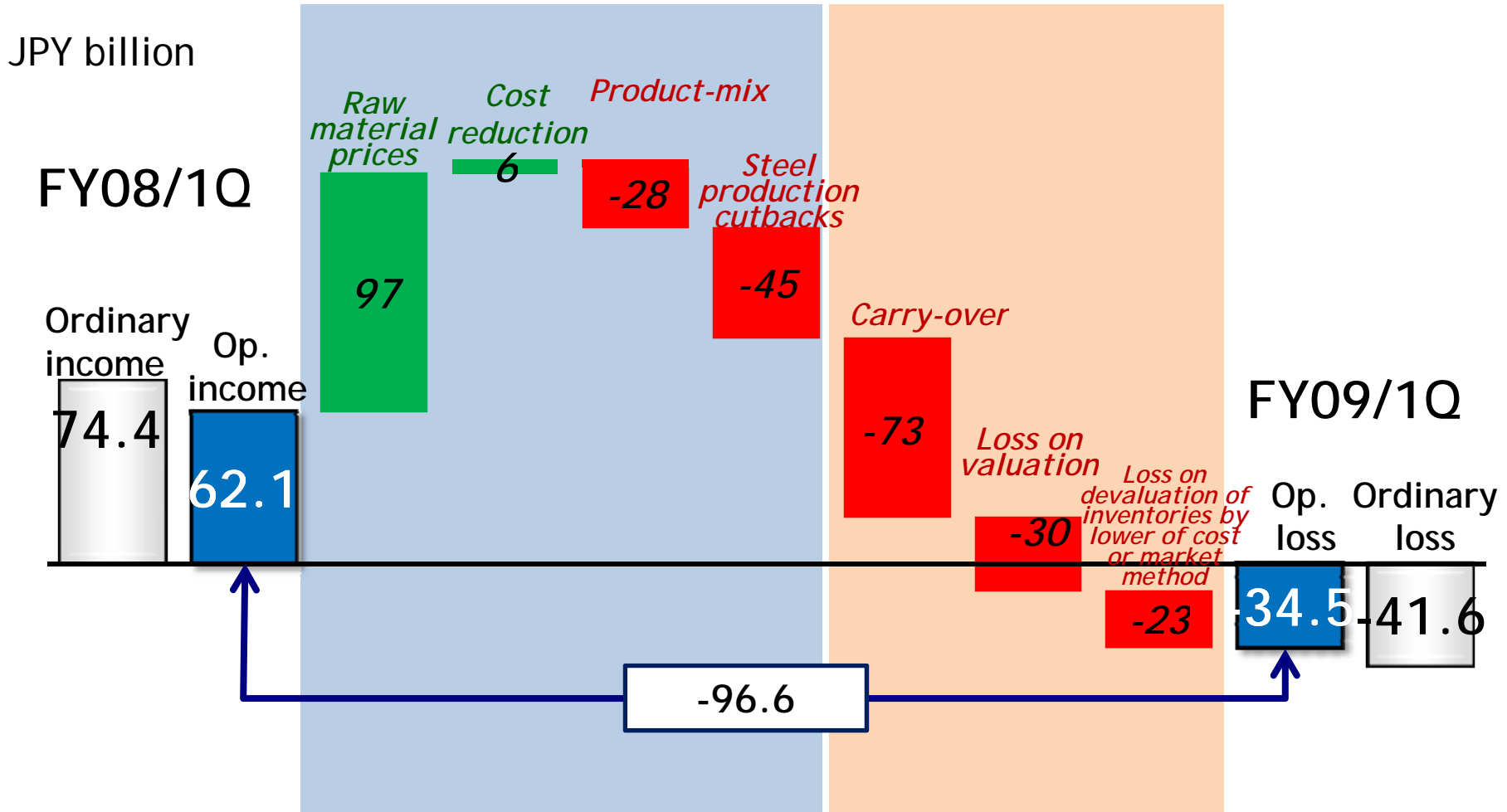
# Overview of Consolidated Results for FY08

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JPY billion	FY08				FY09/ 1Q	Change	
	1Q	2Q	3Q	4Q		YoY	QoQ
Sales	452.2	529.0	501.2	361.8	290.4	-161.7	-71.4
Op. income(loss)	62.1	68.6	79.0	16.2	(34.5)	-96.6	-50.8
Ordinary income(loss)	74.4	77.2	71.1	2.8	(41.6)	-116.1	-44.5
Extraordinary income (loss)	-	-	(15.8)	(15.4)	-	-	15.4
Income taxes and minority interest	(30.9)	(28.6)	(27.8)	(9.6)	9.2	40.2	18.9
Net income	43.4	48.5	27.3	(22.1)	(32.3)	-758	-10.2
EPS (JPY)	9.38	10.48	5.90	(4.77)	(6.98)	-16.36	-2.21
FOREX rate (JPY/USD)	105	108	96	94	97	-8	+3

# Change in Consolidated Operating Income (FY08/1Q→FY09/1Q) <sup>6</sup>

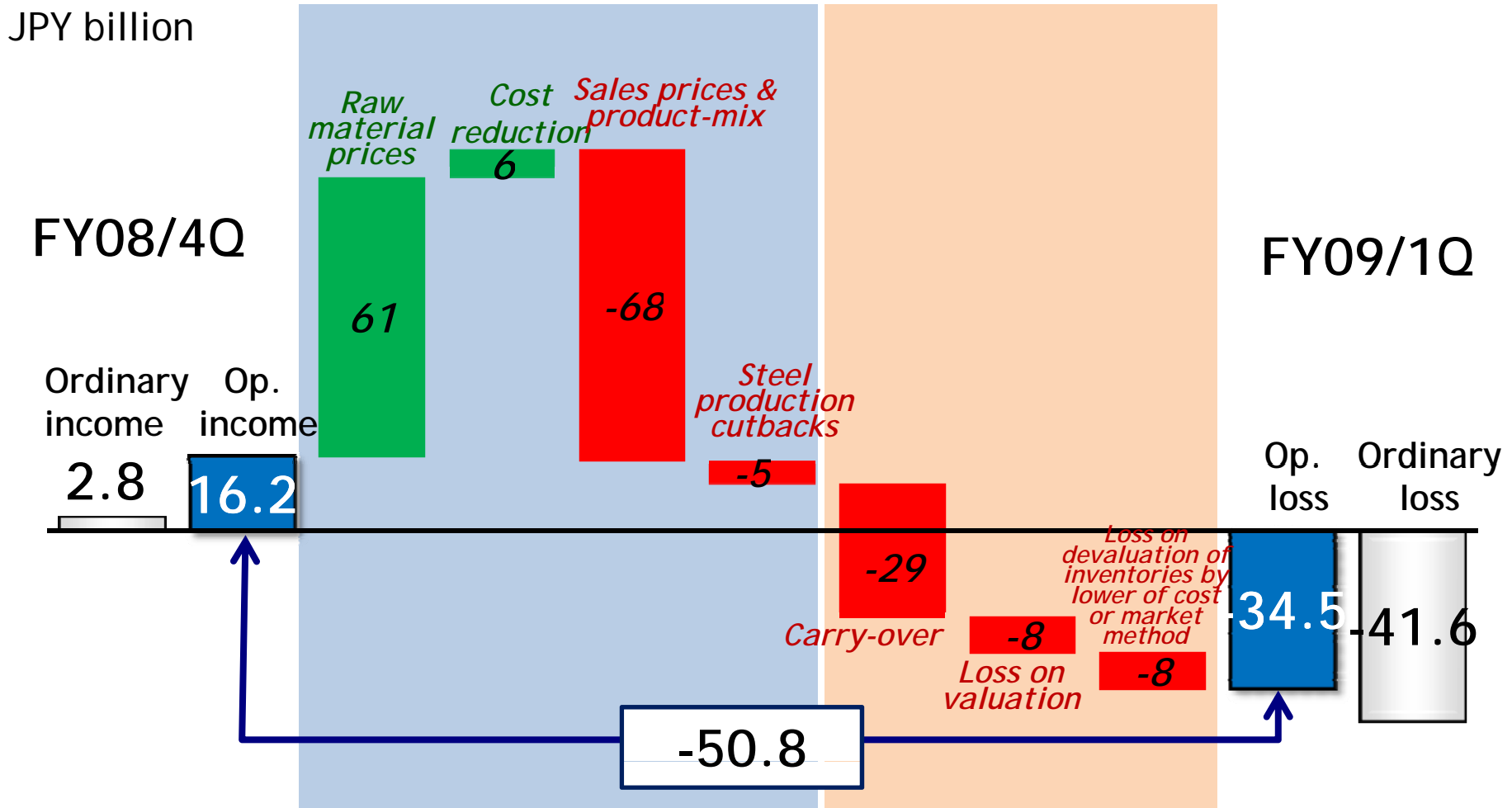
We posted an operating loss primarily due to temporary factors such as carry-over cost of raw materials and loss related to inventory valuation, in addition to production cutbacks .



\* Earnings from equity-method affiliates: <FY08/1Q> 10.1 JPY billion → <FY09/1Q>-5.4JPY billion

# Change in Consolidated Operating Income (FY08/4Q→FY09/1Q) <sup>7</sup>

We posted an operating loss due to temporary factors such as carry-over cost of raw materials and loss related to inventory valuation, in addition to export prices decline and deterioration of product-mix.



\* Earnings from equity-method affiliates: <FY08/4Q> -6.4 JPY billion → <FY09/1Q> -5.4 JPY billion

# Consolidated Balance Sheets

JPY billion	08			09		%	QoQ
	6E	9E	12E	3E	6E		
<b>[Assets]</b>							
Current assets	738.7	816.4	831.2	737.3	692.1	-6.1	-45.2
Fixed assets	1,791.1	1,745.7	1,719.4	1,715.1	1,752.1	2.2	36.9
<b>Total assets</b>	<b>2,529.9</b>	<b>2,562.2</b>	<b>2,550.6</b>	<b>2,452.5</b>	<b>2,444.2</b>	<b>-0.3</b>	<b>-8.2</b>
<b>[Liabilities and Shareholders' Equity]</b>							
Current liabilities	777.8	835.0	842.7	743.9	694.5	-6.6	-49.4
Long-term liabilities	760.8	743.5	758.4	804.1	858.4	6.7	54.2
Net assets	991.2	983.5	949.5	904.3	891.2	-1.5	-13.1
<b>Debt</b>	<b>924.4</b>	<b>910.6</b>	<b>960.8</b>	<b>990.0</b>	<b>1,127.8</b>	<b>13.9</b>	<b>137.8</b>

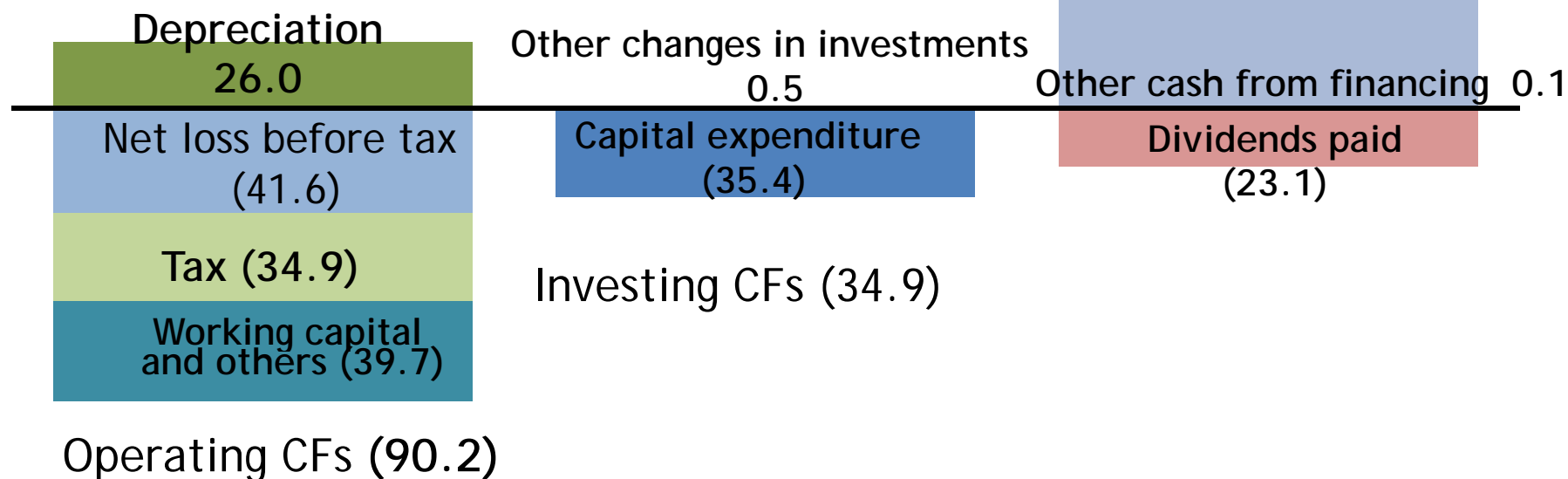


# Consolidated Cash Flows

	09/3E	09/6E	QoQ
Debt	990.0	1,127.8	137.8
Cash and equivalents	42.9	38.1	-4.8
Net debt	947.0	1,089.6	142.6

JPY billion

Financing CFs 119.5

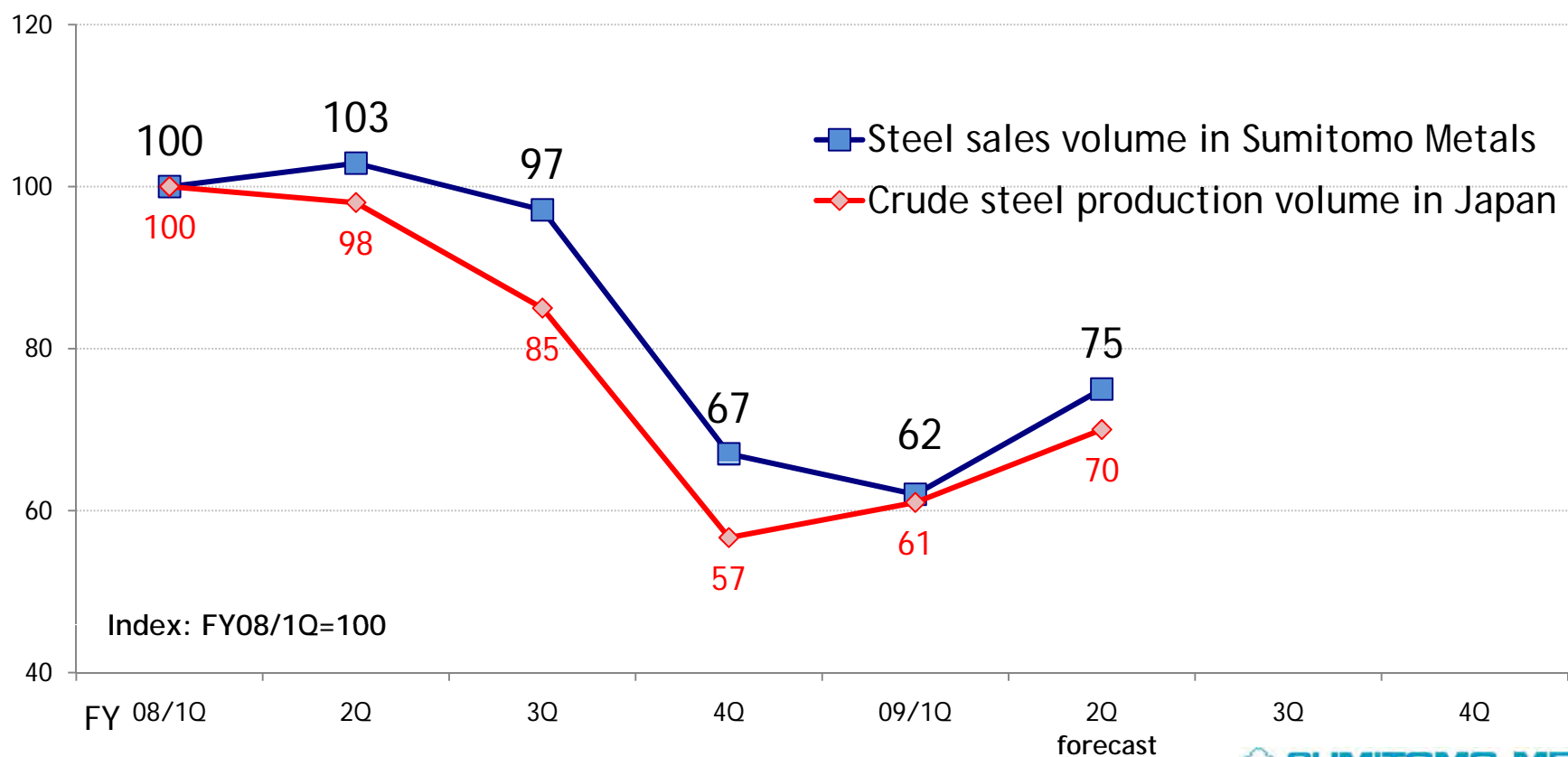


# FY09 Forecast

# FY09 Business Plan

## Flexible production in line with the demand

- The trend is still uncertain for FY09/2H, although steel demand hit the bottom in FY09/1Q. We continue flexible production in line with the demand.
- The new No. 1 blast furnace at Wakayama started operation on July 17, 2009, as planned. Its production will reach its cruising pace in August of 2009.



# Overview of Consolidated Business Forecast for FY09

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- We lowered our forecast for FY09/1H primarily due to the delayed recovery of pipe & tube market.
- We reflected the revision of FY09/1H to the FY09 forecast.
- We continue flexible production cutbacks and accelerate cost reduction & improvement of cash flows.

JPY billion	FY08	1H forecast		FY09 forecast		%	YoY
		[*Apr. 28]	Approx.	[*Apr. 28]	Approx.		
Sales	1,844.4	[620]	590	[1,370]	1,340	-27	-504
Op. income (loss)	226.0	[(10)]	(40)	[30]	0	-	-226
Ordinary income(loss)	225.7	[(30)]	(70)	[0]	(40)	-	-266
Extraordinary income (loss)	(31.2)	[-]	-	[-]	-	-	31
Net income (loss)	97.3	[(35)]	(60)	[(20)]	(45)	-	-142
EPS (JPY)	20.98	[(7.55)]	(12.94)	[(4.31)]	(9.71)	-	-30.69
FOREX rate (JPY/USD)	101	[100]	96	[100]	93	-	-8
Debt (JPY billion)	990	-	1,150	[1,140]	1,140	15	150
D/E ratio	1.15	-	1.43	[1.43]	1.42	-	0.27

\* Apr. 28: Forecast for FY09 as of Apr. 28, 2009

# Production & Prices

	FY07			FY08			FY09 1H forecast Approx.	HoH	
		1H	2H		1Q	2Q forecast Approx.			
FOREX rate (JPY/USD)	114	106	95	101	97	95	96	-10	
Crude steel production (million tonnes)	13.62	7.04	5.84	12.87	2.28	2.76	5.04	-2.00	
Steel sales volume (million tonnes)	12.49	6.33	5.11	11.44	1.98	2.43	4.41	-1.92	
Seamless pipe sales volume (million tonnes)	1.11	0.56	0.59	1.15	0.20	0.16	0.36	-0.20	
Ave. price of steel product (000JPY/tonne)	Domestic	97.9	113.7	126.6	119.2	110.5	95	102	-11.7
	Export	116.2	124.8	136.3	130.2	108.5	81	94	-30.8
	Total	105.7	118.6	131.3	124.3	109.4	88	98	-20.6

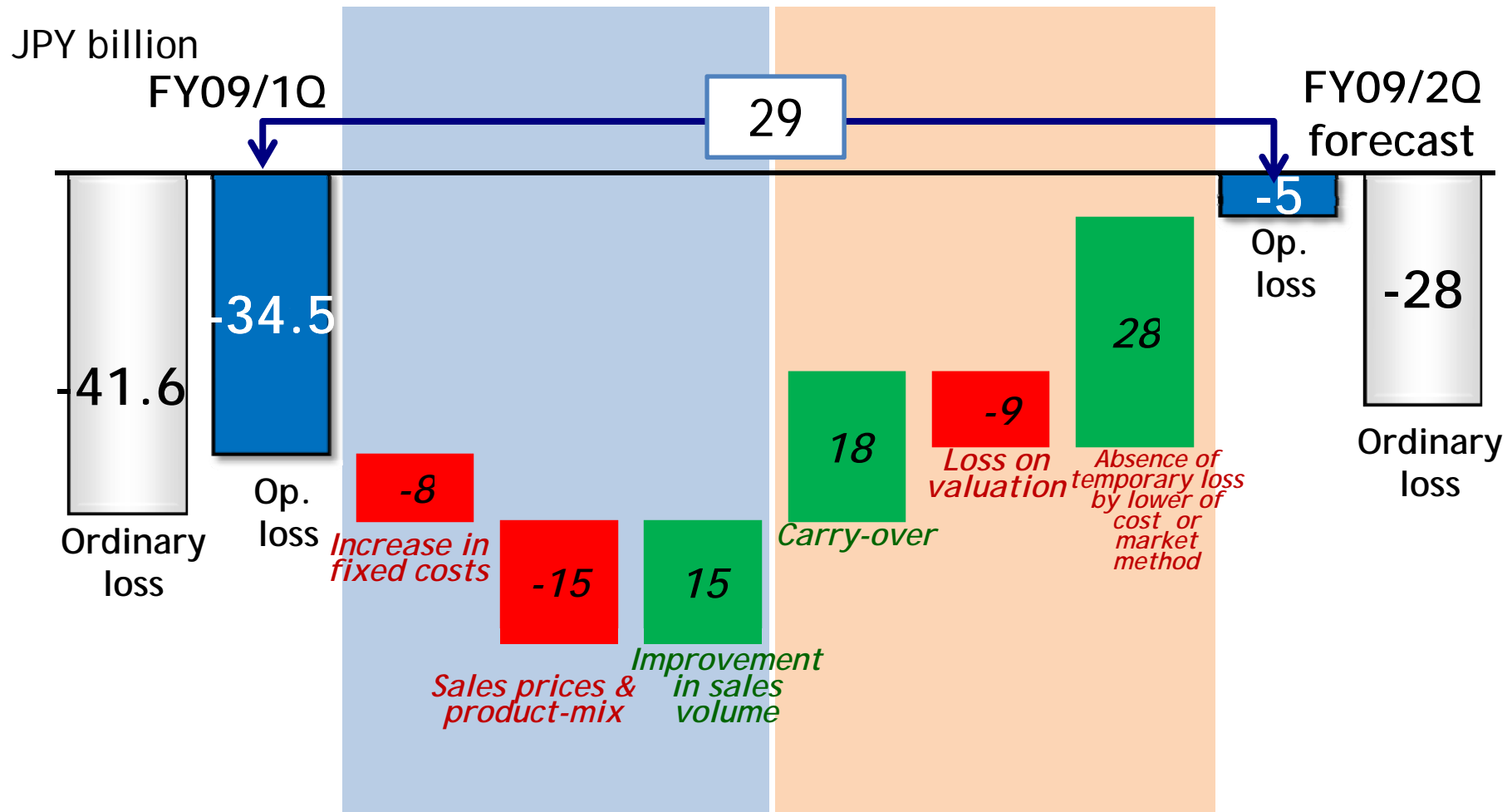
FY08 Excess payments of USD  
= approx. 0.2 billion/year



FY09/1H Excess receipts of USD  
= approx. 0.2 billion/half year

# Change in Consolidated Operating Income (FY09/1Q→FY09/2Q)<sup>14</sup>

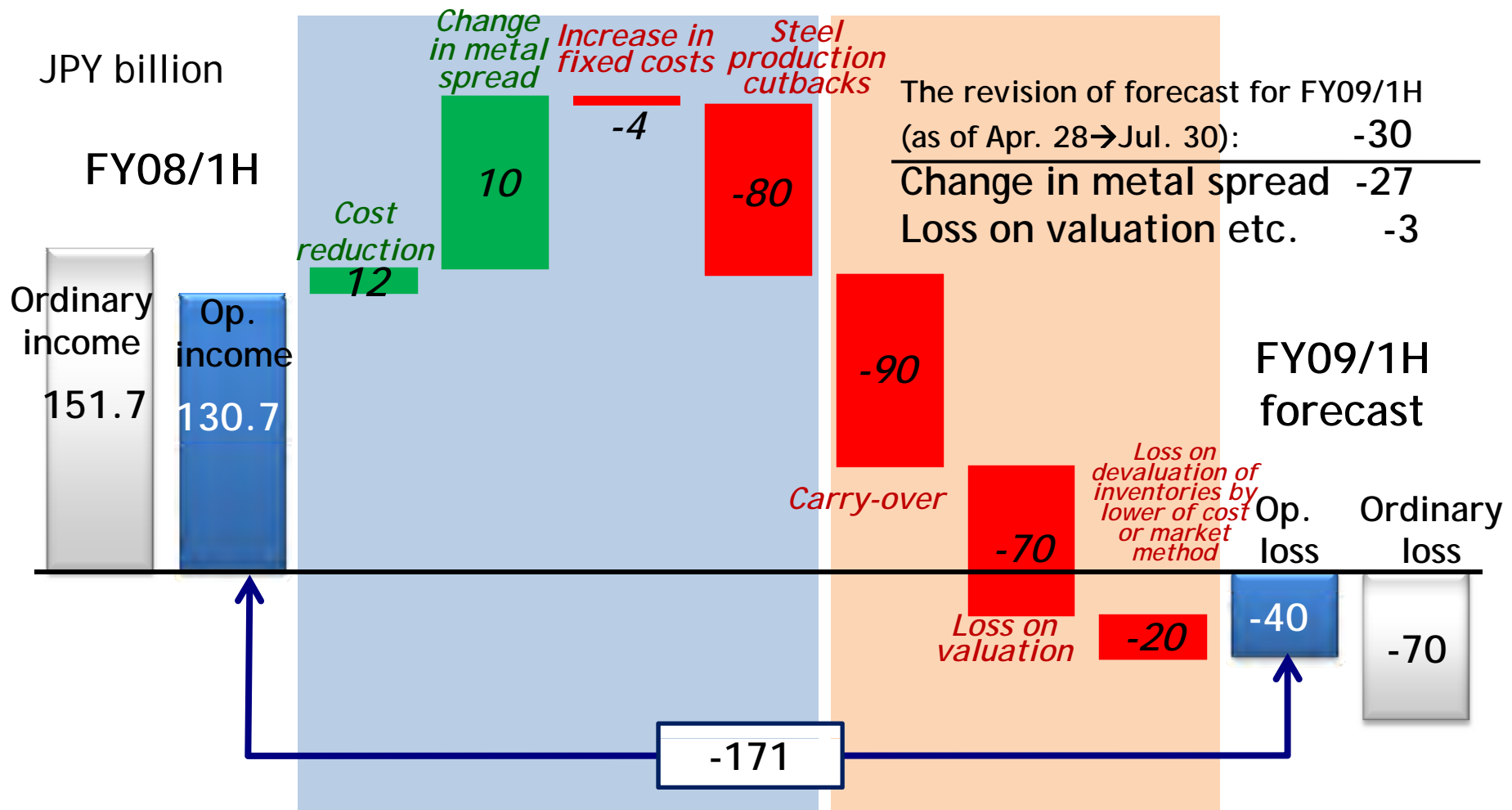
We expect Op. loss to improve by 29 JPY billion as a result of sales improvement and absence of temporary loss factors of FY09/1Q.



\* Earnings from equity-method affiliates: <FY09/1Q>-5.4JPY billion → <FY09/2Q>-8JPY billion

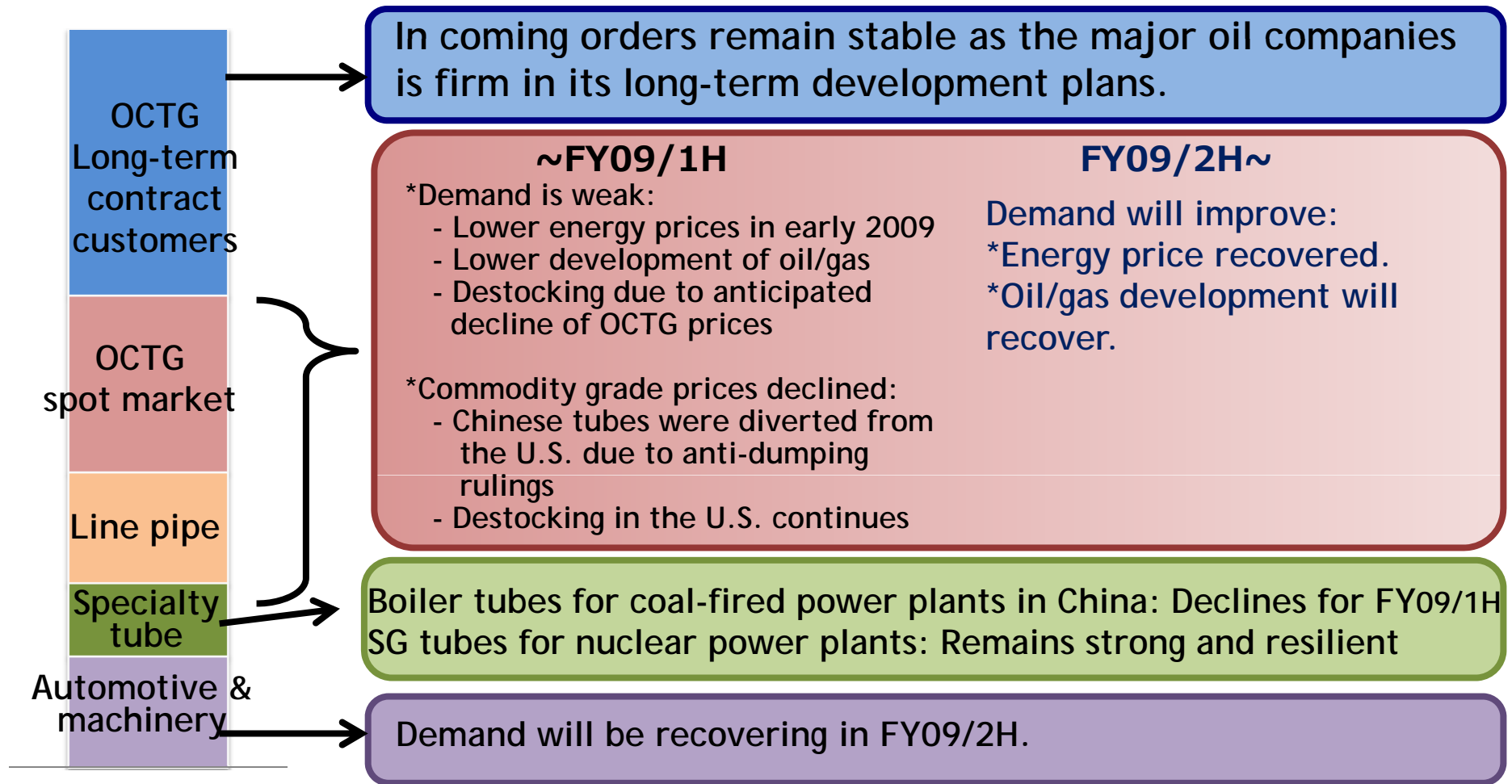
# Change in Consolidated Operating Income (FY08/1H→FY09/1H)

We expect Op. loss of 40 JPY billion in FY09/1H due to temporary factors such as loss on inventory valuation and carry-over of higher cost raw materials, in addition to production cutbacks and the delayed recovery of pipe & tube market.



\* Earnings from equity-method affiliates: <FY08/1H>24.2JPY billion → <FY09/1H>-14JPY billion

# Trends in Demand/Supply of Seamless Pipe



●Our strategy is:  
- to continue flexible production in line with the demand.  
- to strengthen development of new high-end products and marketing of our distinctive products to prepare for the start-up of integrated steel works with seamless pipe mill in Brazil in 2010.



# Consolidated Sales & Op. Income by Internal Company

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JPY billion	FY07			FY08	FY09	
		1H	2H		1Q	1H forecast Approx.
Steel Sheet, Plate and Structural Steel	629.1	369.8	330.3	700.1	98.9	220
Pipe & Tube	674.5	369.3	347.5	716.9	122.8	225
Railway & Automotive	103.0	55.6	49.7	105.4	19.8	42
Kokura	154.5	89.2	58.7	148.0	20.7	43
Naoetsu and Others	61.1	40.1	30.0	70.1	11.0	20
Total Steel segment	1,622.3	924.2	816.5	1,740.7	273.3	550

## Op. Income (loss) by Internal Company (Approx.)

Steel Sheet, Plate and Structural Steel	72	49	46	95	(33)	(25)
Pipe & Tube	153	62	45	107	(3)	(10)
Kokura	11	5	(3)	2	0	(10)

# Capital and Dividend Policy

## 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.

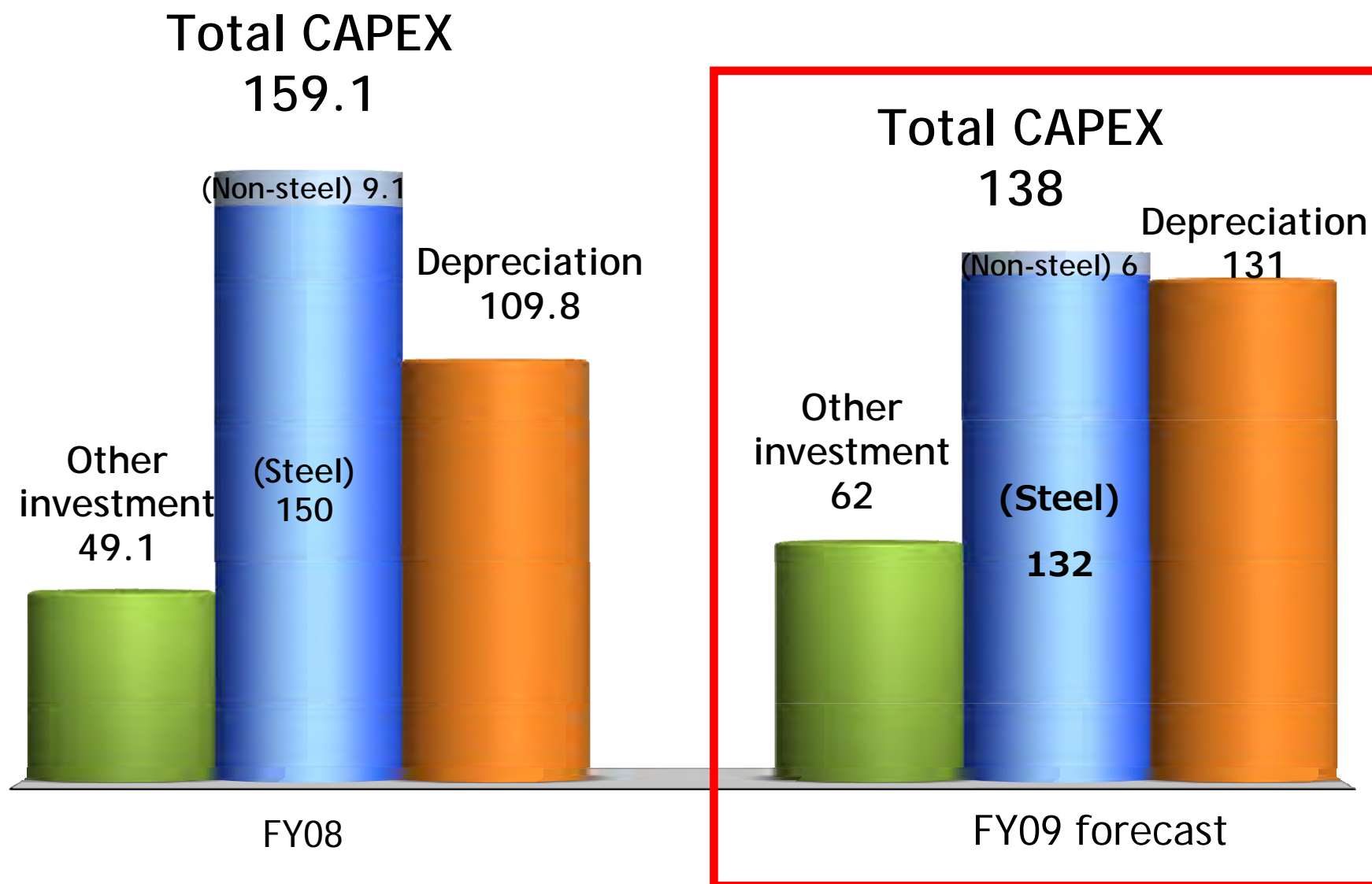
## Financial target

- Our medium-term target for financial leverage is a D/E ratio of below one.

## Dividend forecast in FY09

- We intend to pay an annual dividend of 5.0~ JPY/share at the minimum.  
(Interim 2.5 JPY/share, Year-end 2.5~ JPY/share)

## Forecast for Consolidated CAPEX, Depreciation and Other Investment



\*CAPEX: Construction-base

\*Other investment: Cash paid-base

# CAPEX Plan and Overseas Business Investment Update

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Schedule for starting operation		JPY billion	FY08	FY09	FY10	FY11	FY12	FY13
<b>CAPEX</b>								
Pipes & Tubes	Renewal of upstream processes (Wakayama) New No.1 BF + environmental protection New No.2 BF + reinforcement of CC	160 115		→ Jul. 09				→ 2H 12
	Cutting-edge seamless pipe output increase	35	→ Jul. 08					
	Increasing capacity for ultra high strength line pipes	10				→ Mar. 11		
Others	Steelmaking process innovations (Kokura)	27				→ Aug. 10		
<b>Other investment (J/V: Joint Venture total amount)</b>								
Sheets & Plates	Steel sheet J/V in Vietnam (CSSV)	115						→ Early in 12
	Integrated steel works project of Bhushan Steel in India	Technical assistance						→
Pipes & Tubes	Integrated steel works with Seamless pipe mill J/V in Brazil (VSB)	200				→ Mid-year 10		
	Strengthening of cooperative relationship with Vallourec Strengthening of the premium joint business	12 8		● Purchase of stock ● Feb. 09				→
Railway & Auto.	Forged crankshaft business J/V in India	540 million rupees		● Jul. 09				
Others	Acquirement of stake in Brazilian iron ore mining business (NAMISA)	19.1		● Dec. 08				

# Supplement

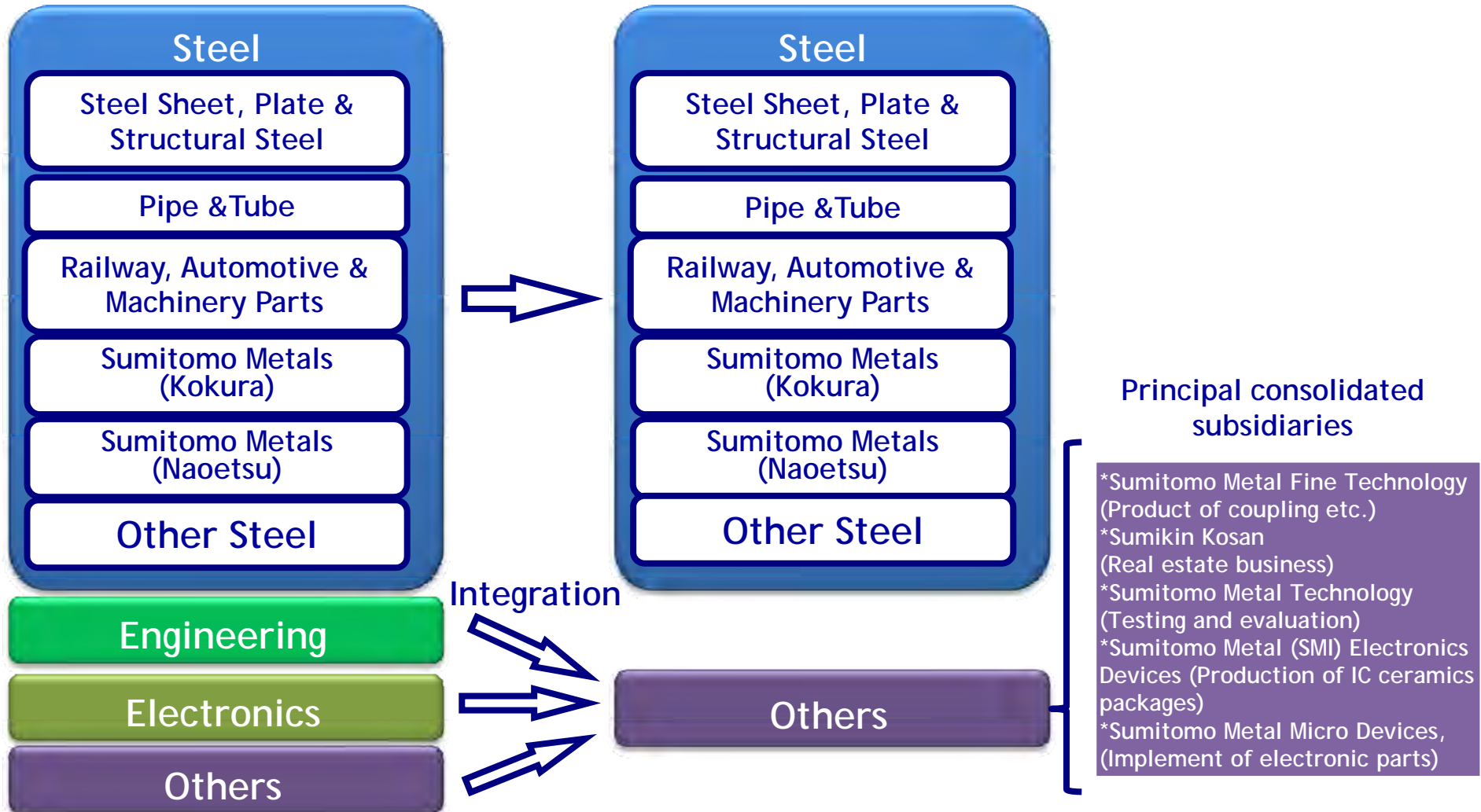
Supplement

# <Reference> Business segments of Sumitomo Metals

- We reorganized our business segments due to dissolution of the Engineering Company, one of internal companies, on July 1, 2009 in line with Sumitomo Metals Group's intention to focus its resources on its core competencies.

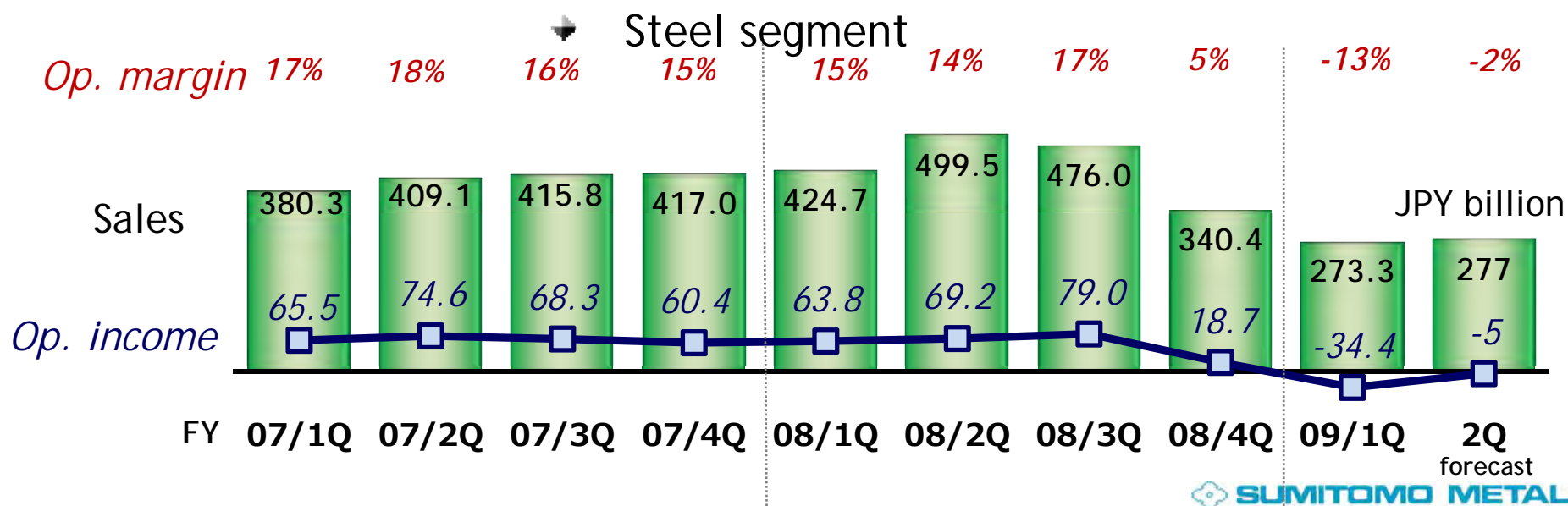
Before July 1, 2009

After July 1, 2009

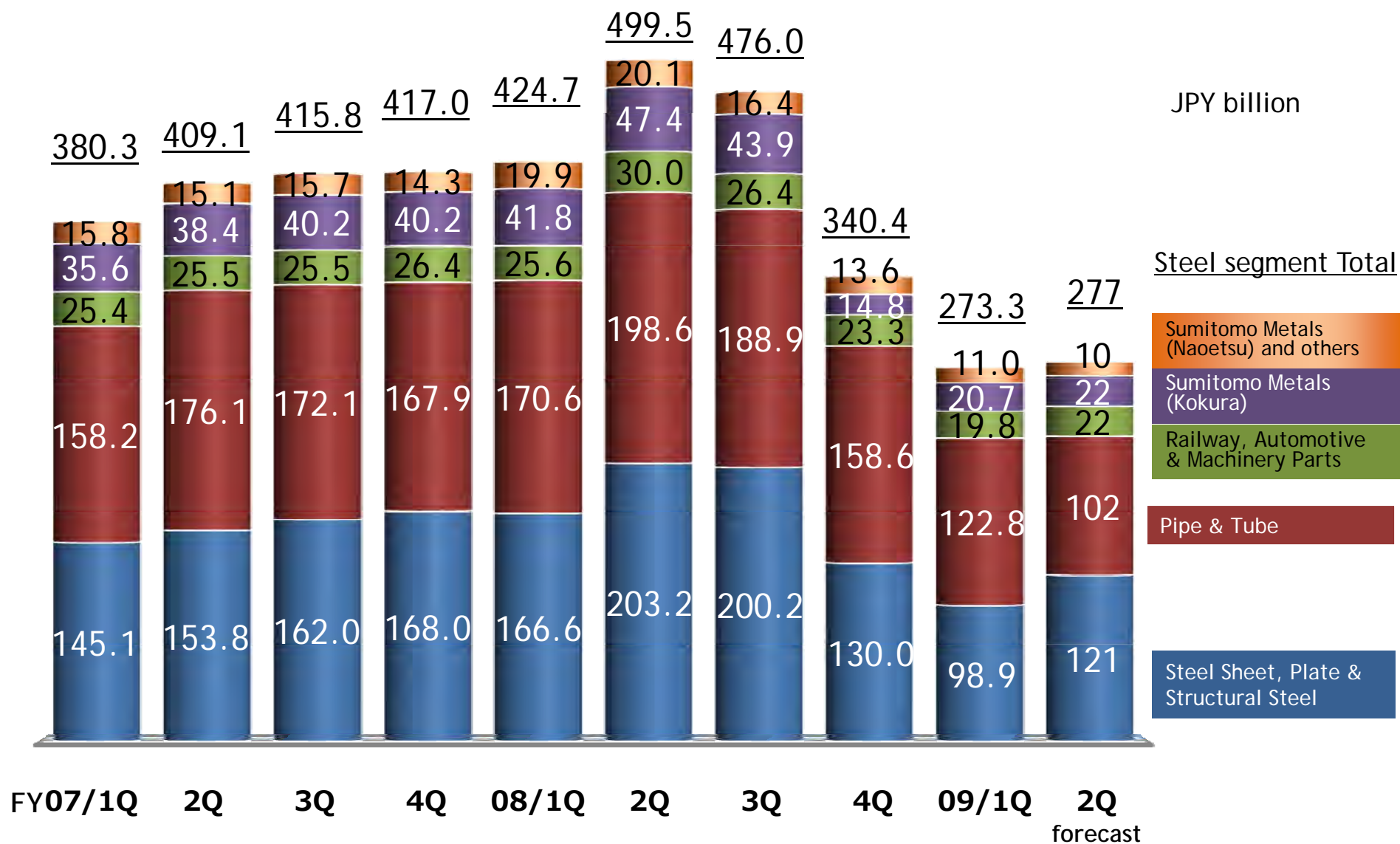


# Consolidated Sales and Operating Income by Business Segment 23

JPY billion	07/1Q	2Q	3Q	4Q	08/1Q	2Q	3Q	4Q	09/1Q	2Q forecast
Steel	380.3	409.1	415.8	417.0	424.7	499.5	476.0	340.4	273.3	277
Engineering	3.1	3.9	3.2	5.0	2.1	3.0	2.3	4.1	} 17.1	} 23
Electronics	14.2	16.0	16.9	14.3	15.9	13.6	9.5	6.2		
Others	8.6	12.2	10.9	13.3	9.3	12.8	13.2	11.0		
<b>Sales</b>	<b>406.3</b>	<b>441.4</b>	<b>446.9</b>	<b>449.8</b>	<b>452.2</b>	<b>529.0</b>	<b>501.2</b>	<b>361.8</b>	<b>290.4</b>	<b>300</b>
Steel	65.5	74.6	68.3	60.4	63.8	69.2	79.0	18.7	(34.4)	(5)
Engineering	(0.1)	(0.0)	0.0	0.3	(0.1)	(0.3)	0.0	0.2	} (0.1)	} 0
Electronics	(0.1)	0.1	0.0	(0.2)	0.1	(0.3)	(0.9)	(3.4)		
Others	0.6	1.1	1.5	2.0	(1.6)	0.0	0.9	0.7		
<b>Op. income</b>	<b>65.8</b>	<b>75.8</b>	<b>69.9</b>	<b>62.7</b>	<b>62.1</b>	<b>68.6</b>	<b>79.0</b>	<b>16.2</b>	<b>(34.5)</b>	<b>(5)</b>



# Consolidated Steel Sales by Internal Company





# Temporary Factors

JPY billion			FY08	FY09			QoQ	HoH
	1H	2H		1Q	2Q forecast	1H forecast Approx.		
Carry-over	50	0	50	(29)	(11)	(40)	18	-90
Gain (loss) on inventory valuation	61	(5)	56	(53)	(10)	(63)	43	-124
Allocation of cost variance	(18)	6	(12)	44	(8)	36	-52	54
Total gain (loss) on inventory valuation	43	1	44	(9)	(18)	(27)	-9	-70
Devaluation of inventories by lower of cost or market method	(2)	(20)	(22)	(25)	3	(22)	28	-20
Total (Approx.)	91	(19)	72	(63)	(26)	(89)	37	-180

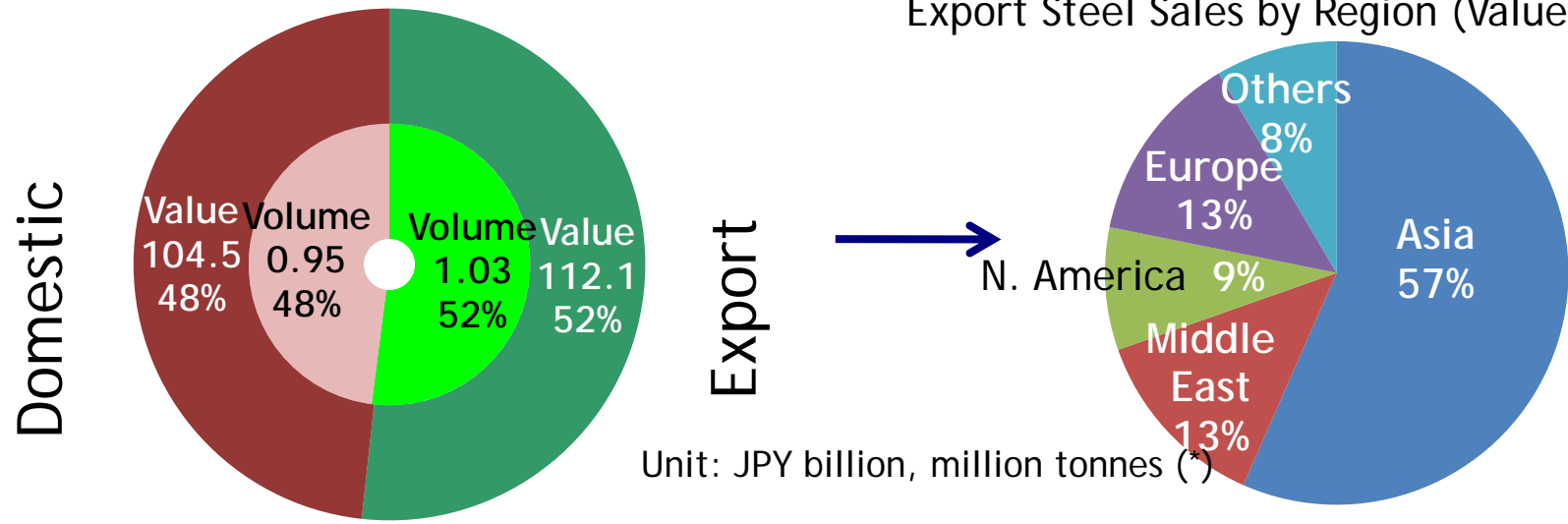
# Overview of Non-consolidated Business Forecast for FY09

JPY billion	FY08	FY09		FY09 forecast Approx.	% YoY	YoY		
		1Q	[*Apr. 28] 1H forecast Approx.					
Sales	<b>1,246.0</b>	<b>196.7</b>	[420]	<b>390</b>	[920]	<b>890</b>	-29	-356
Op. income (loss)	<b>187.6</b>	<b>(20.8)</b>	[20]	<b>(10)</b>	[65]	<b>35</b>	-81	-153
Ordinary income(loss)	<b>191.1</b>	<b>(17.3)</b>	[20]	<b>(10)</b>	[60]	<b>30</b>	-84	-161
Extraordinary income (loss)	<b>(36.2)</b>	-	[-]	-	[-]	-		36
Income taxes and minority interest	<b>(64.1)</b>	<b>9.2</b>	[(5)]	<b>5</b>	[(20)]	<b>(10)</b>	-84	54
Net income (loss)	<b>90.7</b>	<b>(8.0)</b>	[15]	<b>(5)</b>	[40]	<b>20</b>	-78	-71

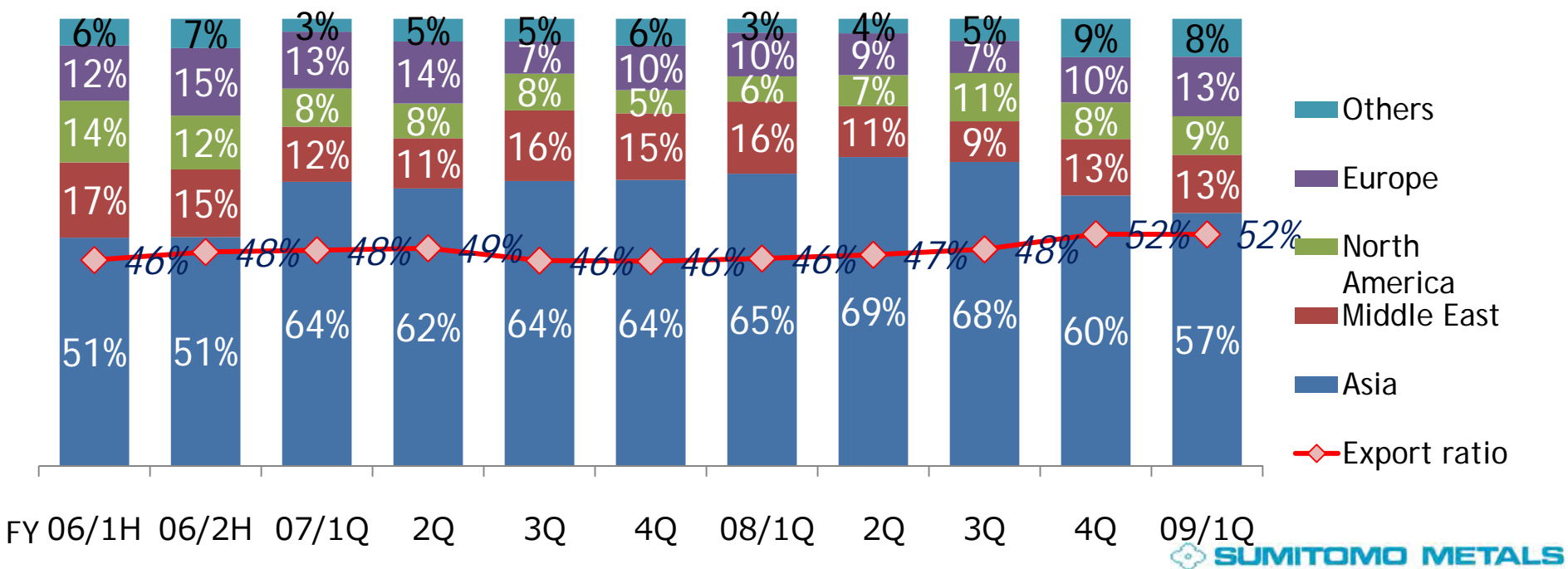
\* Apr. 28: Forecast for FY09 as of Apr. 28, 2009

# Domestic and Export Steel Sales for FY09/1Q

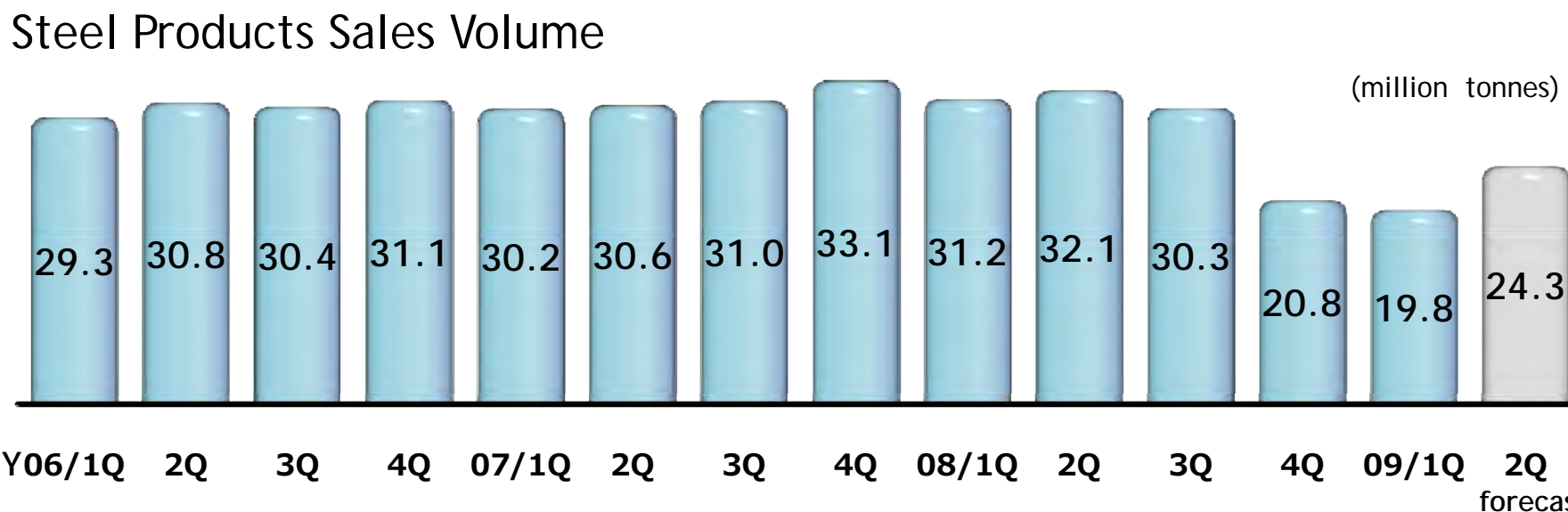
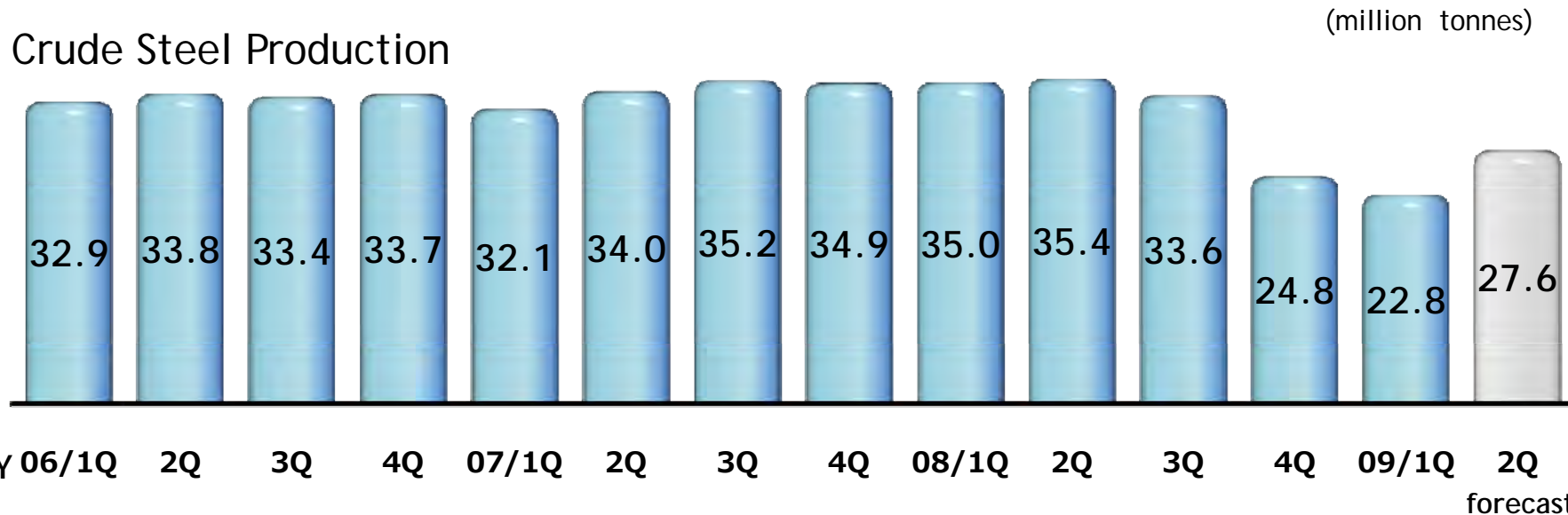
Export Steel Sales by Region (Value basis)



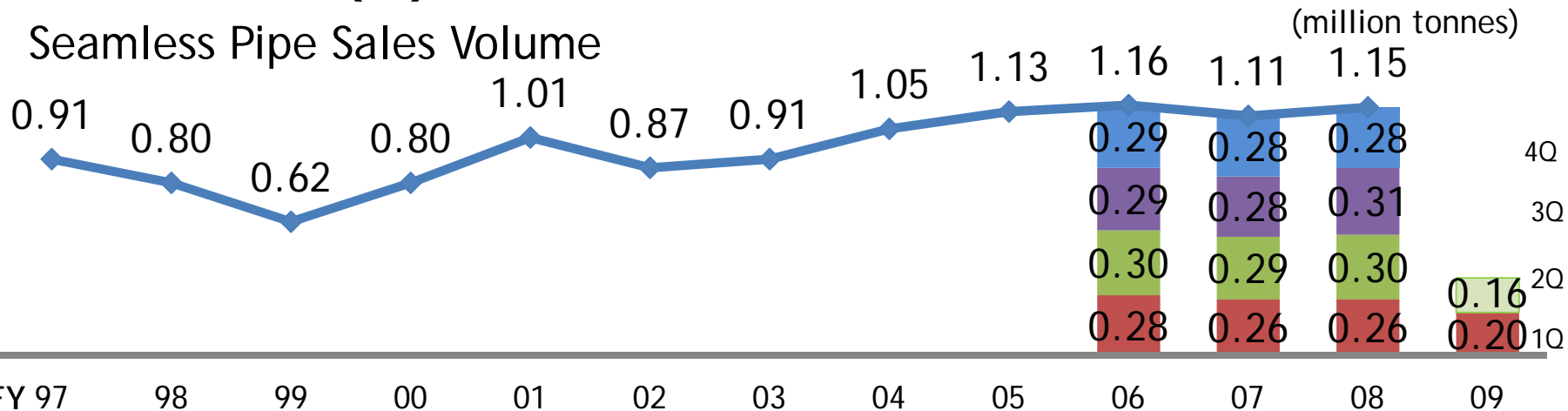
Export Steel Sales by Region (Value basis)



# Reference (1)



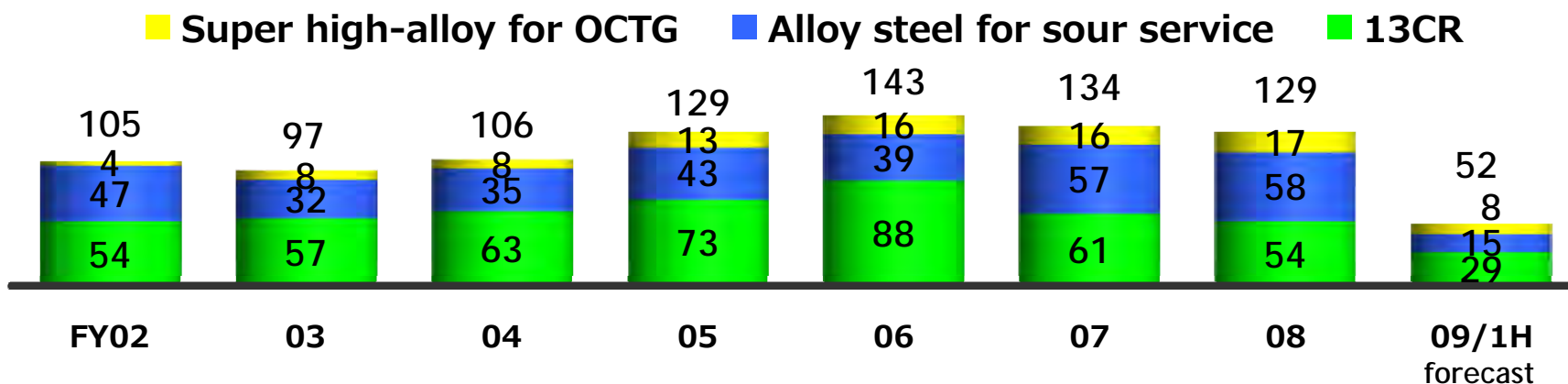
# Reference (2)



### WTI Spot Price FOB (\$/ Barrel, CY)



### Seamless Pipe Super High-end Sales Volume (thousand tonnes)

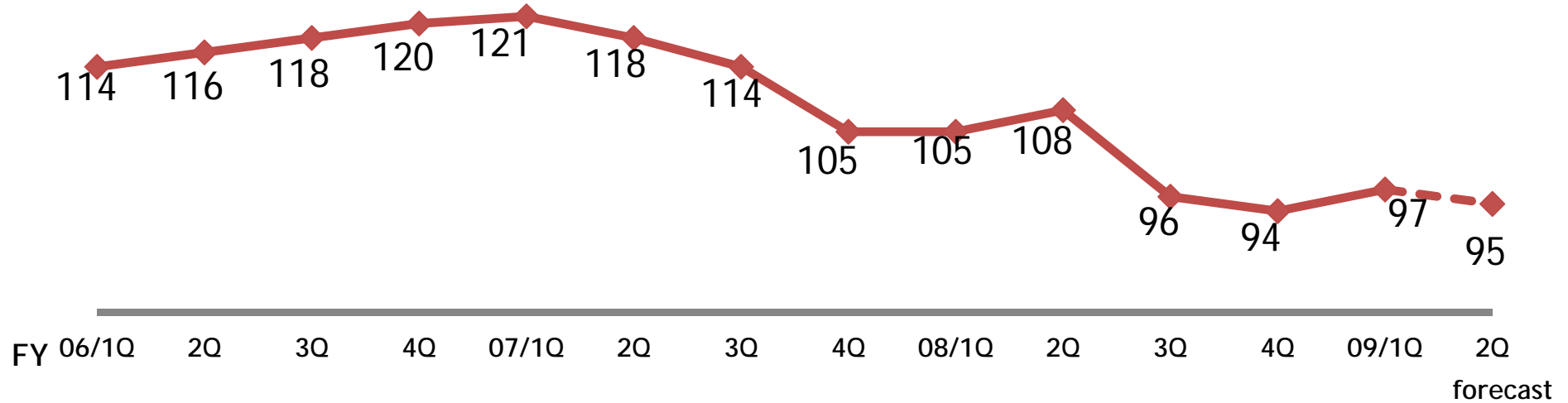


# Reference (3)

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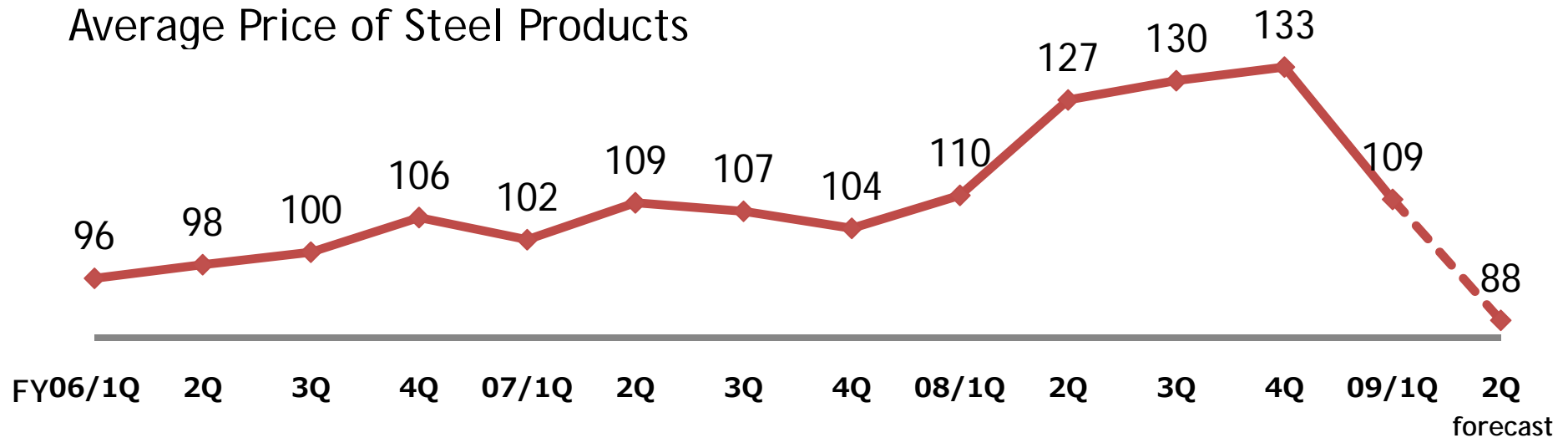
FOREX Rate

(JPY/USD)



Average Price of Steel Products

(000JPY/tonne)

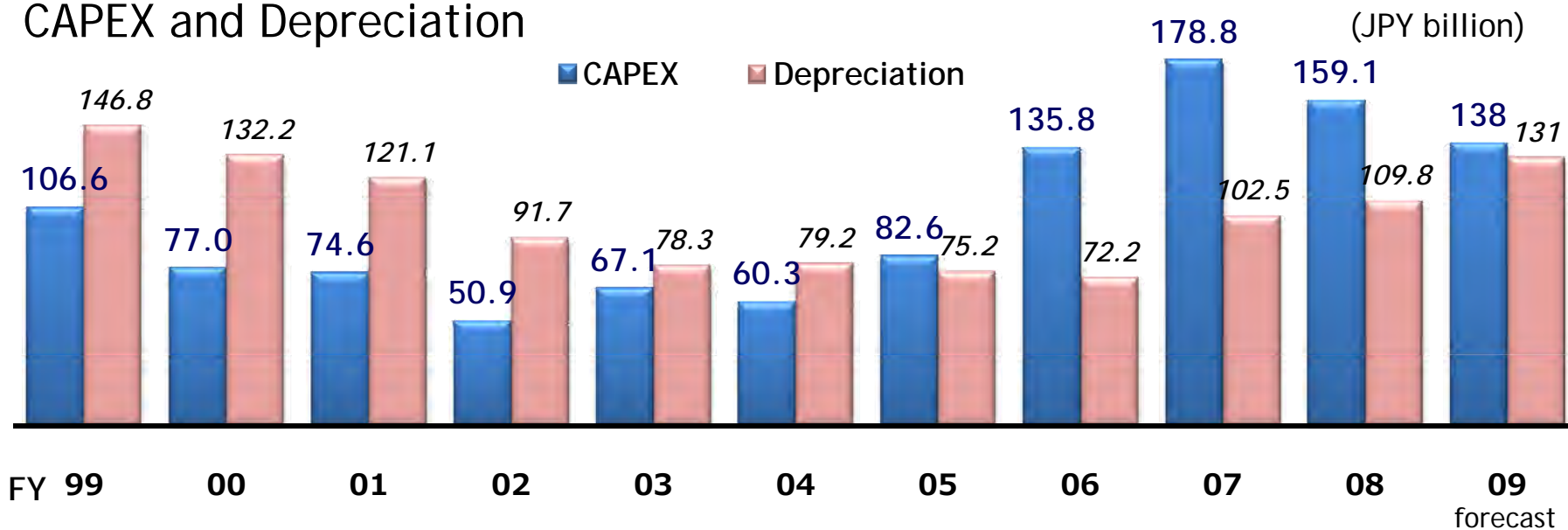


# Reference (4)

## CAPEX and Depreciation

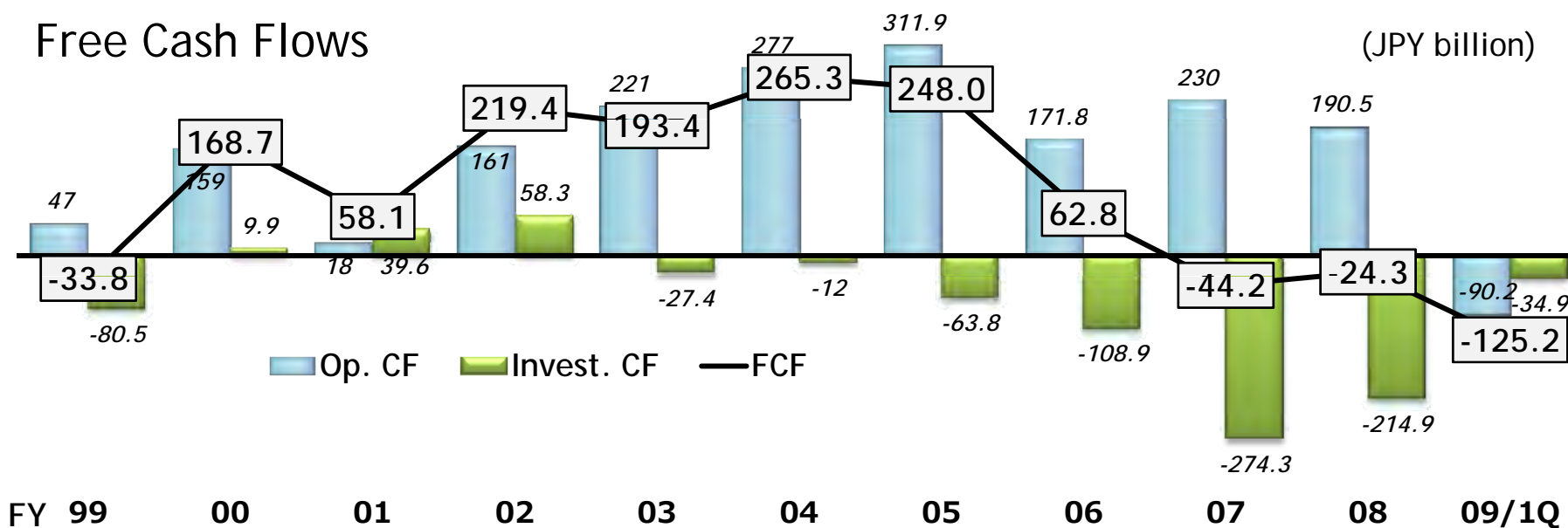
\*CAPEX: Construction-base

\*Other investment: Cash paid-base



## Free Cash Flows

(JPY billion)



Deliver sustained growth in  
corporate value by emphasizing quality



Become a company  
trusted by all stakeholders