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

Octoper 56, 5006 Centratice (ending March 31, 2010)



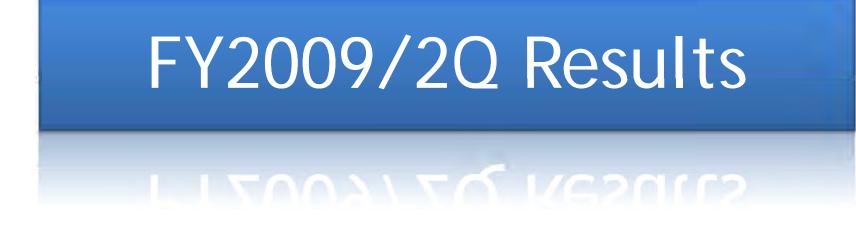
Forward-looking Statement

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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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

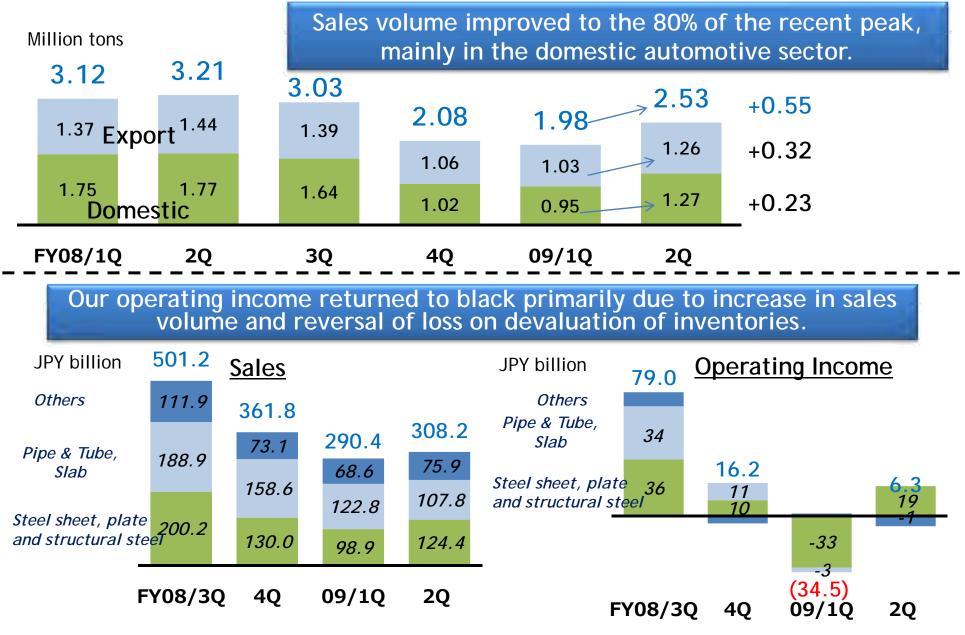
All output figures of "crude steel", "steel sales volume" and "average price of steel product" are including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation.







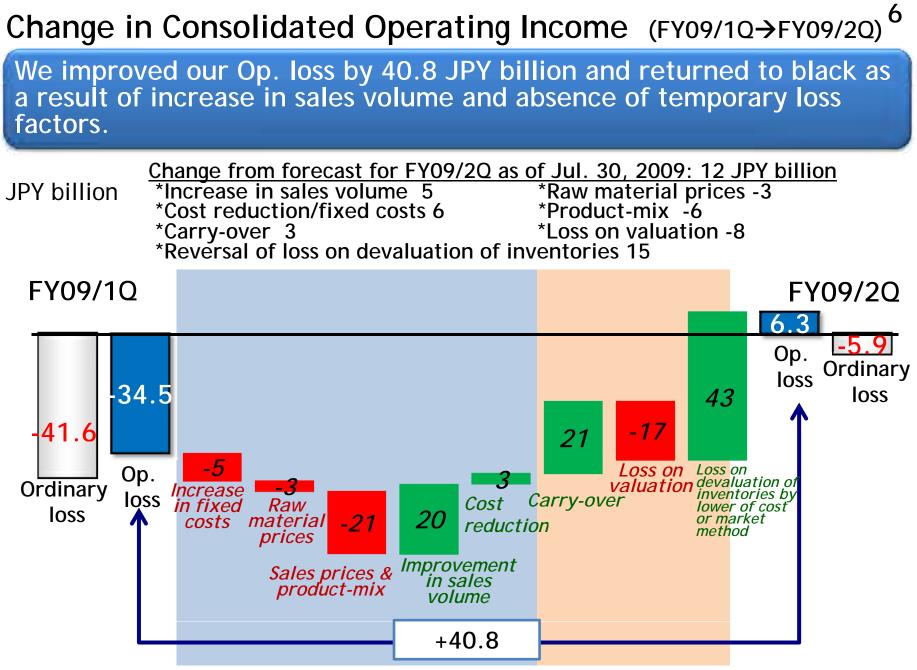
Consolidated Results Highlights for FY09/2Q



Overview of Consolidated Results for FY09/1H

	F١	/08				FY09	Chai	nge
JPY billion	1H	2H	1Q	2Q	(*Jul. 30)	1H	vs. FY08/1H	vs. FY08/2H
Sales	981.3	863.1	290.4	308.2	[590]	598.7	-382.5	-264.3
Op. income(loss)	130.7	95.3	(34.5)	6.3	[(40)]	(28.0)	-158.8	-123.3
Ordinary income(loss)	151.7	74.0	(41.6)	(5.9)	[(70)]	(47.6)	-199.3	-121.6
Extraordinary income (loss)	-	(31.2)	-	(3.1)	[-]	(3.1)	-3.1	28.1
Income taxes and minority interest	(59.6)	(37.5)	9.2	(5.2)	[10]	4.0	63.6	41.5
Net income	92.0	5.2	(32.3)	(14.3)	[(60)]	(46.6)	-138.7	-51.9
EPS (JPY)	19.85	1.13	-6.98	-3.09	[-12.94]	-10.07	-29.92	-11.20
FOREX rate (JPY/USD)	106	95	97	94	[96]	95	-11	-

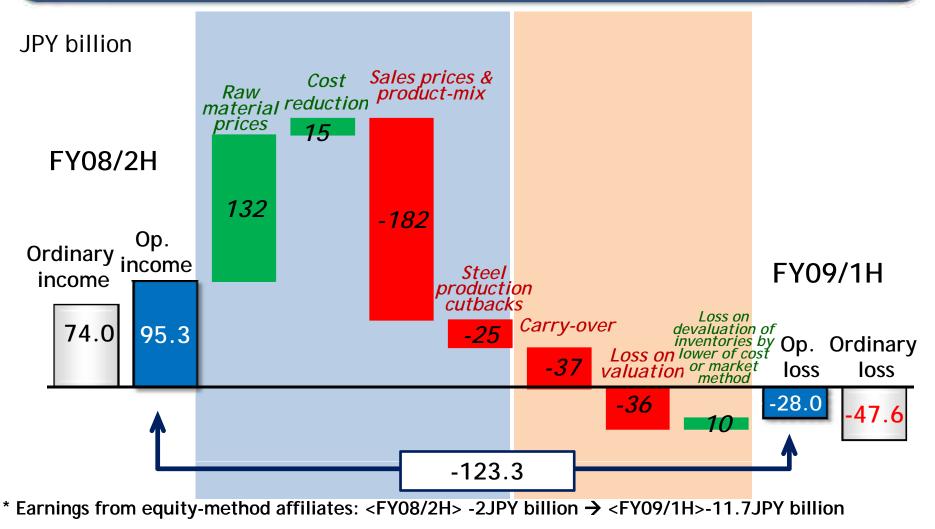
* Jul. 30: Forecast for FY09/1H as of Jul. 30, 2009



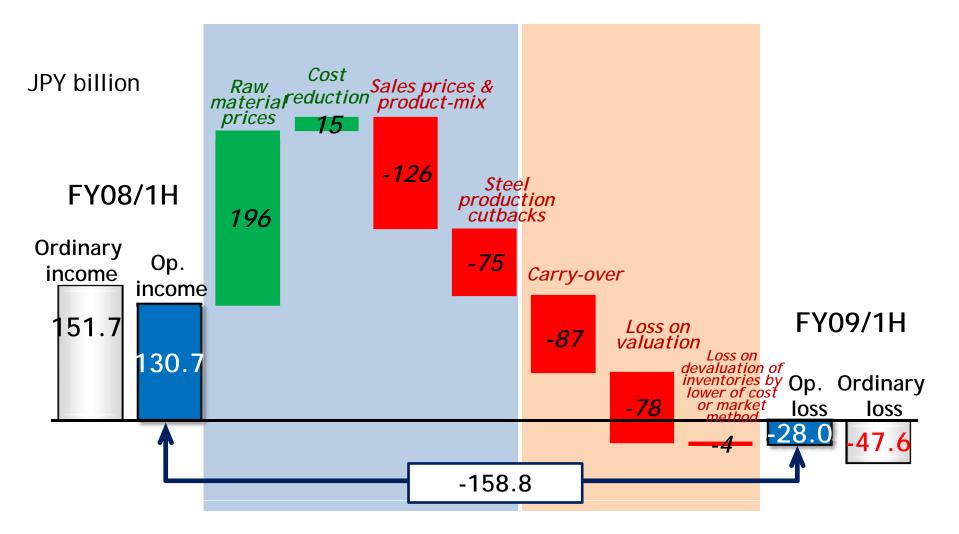
* Earnings from equity-method affiliates: <FY09/1Q> -5.4JPY billion -> <FY09/2Q>-6.2JPY billion

Change in Consolidated Operating Income (FY08/2H→FY09/1H) 7

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 due to decrease in sales volume of seamless pipe.



Change in Consolidated Operating Income (FY08/1H→FY09/1H)⁸



* Earnings from equity-method affiliates: <FY08/1H> 24.2JPY billion -> <FY09/1H>-11.7JPY billion

Consolidated Balance Sheets

	0	8		09		•	Change
JPY billion	on 9E 12E 3E		6E	9E	%	vs. 09/3E	
[Assets]						_	
Current assets	816.4	831.2	737.3	692.1	639.4	-13.3	-97.8
Fixed assets	1,745.7	1,719.4	1,715.1	1,752.1	1,772.5	3.3	57.4
Total assets	2,562.2	2,550.6	2,452.5	2,444.2	2,412.0	-1.6	-40.4
[Liabilities and Sha	reholders'	Equity]					
Current liabilities	835.0	842.7	743.9	694.5	597.1	-19.7	-146.7
Long-term liabilities	743.5	758.4	804.1	858.4	940.8	17.0	136.6
Net assets	983.5	949.5	904.3	891.2	874.0	-3.4	-30.3
							1
Debt	910.6	960.8	990.0	1,127.8	1,148.7	16.0	158.7

Consolidated Cash Flows

				511	
	09/3E	Change QoQ	09/6E	Change QoQ	09/9E
Debt	990.0	137.8	1,127.8	20.8	1,148.7
Cash and equivalents	42.9	-4.8	38.1	-17.0	21.0
Net debt	947.0	142.6	1,089.6	37.9	1,127.6
		Financing CFs 119.5			
Depreciation 26.0	Other changes in investments 0.5 Capital expenditure (35.4) Investing CFs (34.9)	Increase in debt 137.8 Other cash from financing 4.9 Dividend paid (23.1)	Operating CFs 39.3 Working capital and others 18.0 Depreciation 30.6 Net loss before tax (9.0) Tax (0.2)	FY09/20 Capital expenditure (34.0) Other changes in investments (27.0) Investing CFs (61.0)	Financing CFs 3.9 Increase in debt 20.8 Lease and others (16.9)

FY09 Forecast

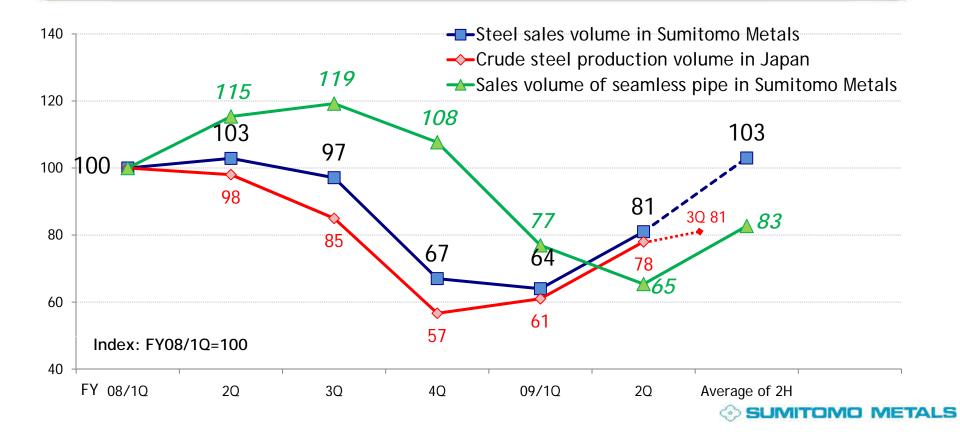
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FY09 Business Plan

Flexible production in line with the demand

Sales volume in FY09/2H, mainly steel sheet for automobile sector and slabs for alliance companies, is expected to recover to almost normal level.
Sales volume of seamless pipe is expected to pick up gradually after hitting the bottom in FY09/2Q with a lag to an upturn in other steel products such as steel sheet .



Overview of Consolidated Business Forecast for FY09 13

We lowered our forecast for sales volume of seamless pipe in FY09/2H.
 Forecast for FY09

Op. income(loss): in line as a result of offsetting seamless pipe sales decrease by sales increase of steel sheet & slabs and cost reduction Ordinary income(loss): revised down by 5 JPY billion due to deterioration of earnings from equity-method affiliates

					FY09	%	YoY
JPY billion	FY08	1H	2H forecast	(*Jul. 30	forecast	%0	TOT
Sales	1,844.4	598.7	691	[(1,340]	1,290	-30	-554
Op. income (loss)	226.0	(28.0)	28	[0]	0	-	-226
Ordinary income(loss)	225.7	(47.6)	2.6	[(40)]	(45)	-	-271
Extraordinary income (loss)	(31.2)	(3.1)	-	[-]	(3.1)	-	28
Net income (loss)	97.3	(46.6)	(3.3)	[(45)]	(50)	-	-147
EPS (JPY)	20.98	-10.07	-0.72	[-9.71]	-10.79	-	-31.77
FOREX rate (JPY/USD)	101	95	90	[93]	93	-	-8
Debt (JPY billion)	990	1,148.7	1,140	[1,140]	1,140	15	150
D/E ratio	1.15	1.39	1.41	[1.42]	1.41	-	0.26

* Jul.30: Forecast for FY09 as of Jul. 30, 2009

Production & Prices

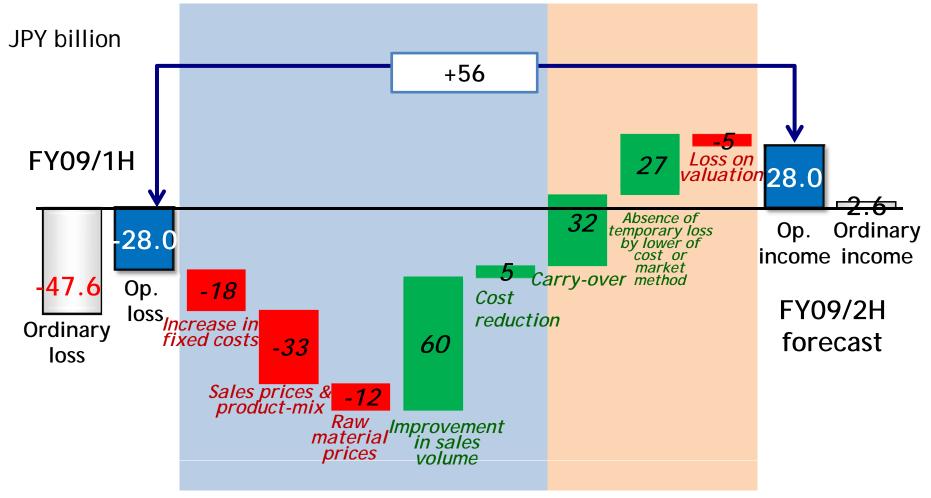
			THE STREET					2H	FY09	YoY
		1H	2H		10	20	1H	forecast Approx.	forecast Approx.	
FOREX rat	e (JPY/USD)	106	95	101	97	94	95	90	93	-8
Crude stee production		7.04	5.84	12.87	2.28	2.79	5.07	6.63	11.70	-1.17
Steel sales	s volume million tons)	6.33	5.11	11.44	1.98	2.53	4.51	6.44	10.95	-0.49
Seamless p volume	oipe sales million tons)	0.56	0.59	1.15	0.20	0.17	0.37	0.43	0.80	-0.35
Ave.	Domestic	113.7	126.6	119.2	110.5	93.4	100.7	89	94	-25
price of steel	Export	124.8	136.3	130.2	108.5	80.2	93.0	72	81	-49
product (000JPY/tons)	Total	118.6	131.3	124.3	109.4	86.8	96.8	81	88	-36

FY08 Excess payments of USD = approx. 0.2 billion/year FY09 Excess receipts of USD = approx. 0.7 billion

*Excess receipts were already hedged by forward contracts for FY09.

Change in Consolidated Operating Income (FY09/1H→FY09/2H)15

We expect Op. loss to improve by 56 JPY billion and return to black as a result of sales improvement and absence of temporary loss factors.

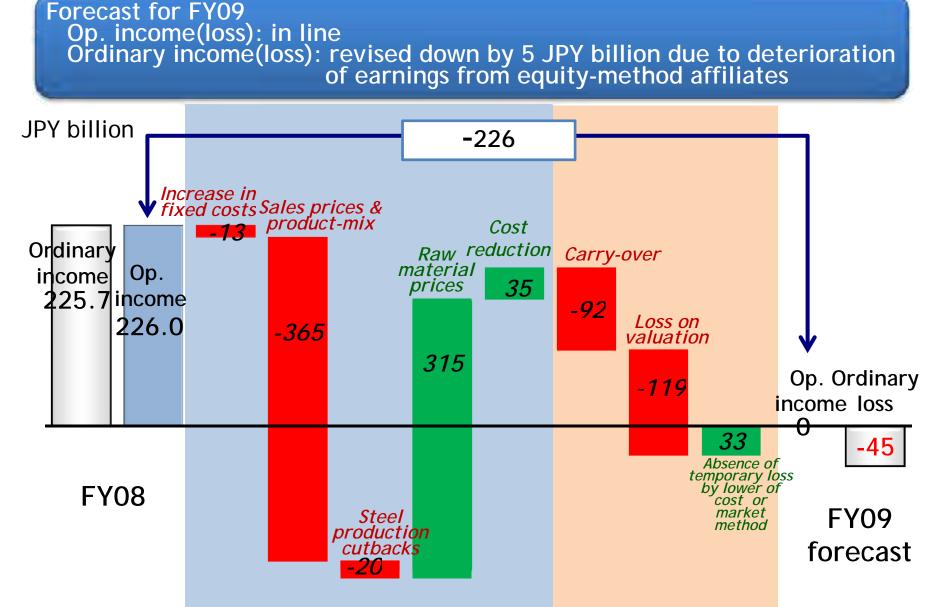


•Earnings from equity-method affiliates: <FY09/1H> -11.7JPY billion

→ <FY09/2H forecast>-11JPY billion



Change in Consolidated Operating Income (FY08→FY09)



•Earnings from equity-method affiliates: <FY08> 22.1billion -> <FY09 forecast> -23JPY billion

Trends in Demand/Supply of Seamless Pipe

Forecast of sales volume for FY09: approx. 0.8 million tons
 Sales volume: will go up gradually after bottoming in FY09/2Q.
 Sales price: will improve after bottoming in FY09/2H. The lag of recovery in price compared to volume is due to the lead time of order/shipment.

Products	Market trend	Our sales volume
OCTG: Long-term contract customers	-Stable due to resilient development	Almost same level YoY
OCTG: Spot market	 -Customers' trend to hold off from purchasing is over -Watching for an upturn of natural gas prices in the U.S. 	Gradual upward trend after bottoming in FY09/2Q
Line pipe	 -Destocking in spot market is in progress -Development projects are showing sign of upturn 	Picking up for projects mainly in Middle East
Specialty tube: Stainless boiler tube for coal-fired power plants	-Delay of recovery in projects of coal-fired power plants in China and Europe	Still challenging due to delay of customers' destocking
Specialty tube: SG tube for nuclear power plants	-Demand remains strong and resilient	Full operation to be continued
Mechanical tube for automotive & machinery	-Destocking completed	Gradual upward trend after bottoming in FY09/2Q

Consolidated Sales & Op. Income by Internal Company ¹⁸

JPY billion	FY08	1Q	2Q	(*Jul. 30	1H	2H forecast	FY09 forecast Approx.	YoY
Steel sheet, plate and structural steel	700.1	98.9	124.4	[220]	223.3	271	495	-205
Pipe & tube	716.9	122.8	107.8	[225]	230.7	249	480	-237
Railway & automotive	105.4	19.8	21.1	[42]	40.9	49	90	-15
Kokura	148.0	20.7	20.7	[43]	41.4	53	95	-53
Naoetsu and others	70.1	11.0	10.1	[20]	21.2	28	50	-20
Total steel segment	1,740.7	273.3	284.3	[550]	557.7	650	1,210	-530
Others	103.6	17.1	23.8	[40]	40.9	40	80	-24
Total sales	1,844.4	290.4	308.2	[590]	598.7	690	1,290	-554
Op. Income (loss) by	Internal Co	ompany (A	pprox.)					
Steel sheet, plate and structural steel	95	(33)	19	[(25)]	(14)	14	0	-95
Pipe & tube	107	(3)	(1)	[(10)]	(4)	(1)	(5)	-112
Kokura	2	0	(13)	[(10)]	(13)	6	(7)	-9
Total steel segment	230.8	(34.4)	4.8	[(40)]	(29.5)	25	(5)	-236
Others	(4.7)	(0.1)	1.4	[0]	1.5	3	5	10
Total op. income	226.0	(34.5)	6.3	[(40)]	(28.0)	28	0	-226

* Jul. 30: Forecast for FY09/1H as of Jul. 30, 2009

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

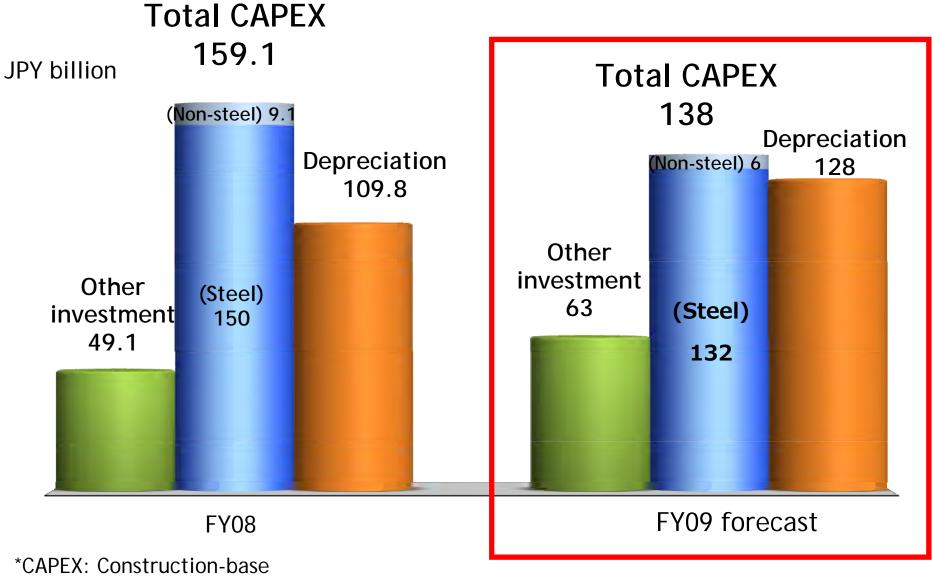
Our medium-term target for financial leverage is a D/E ratio of below one.

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



*Other investment: Cash paid-base



CAPEX Plan and Overseas Business Investment Update 21

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

Supplement

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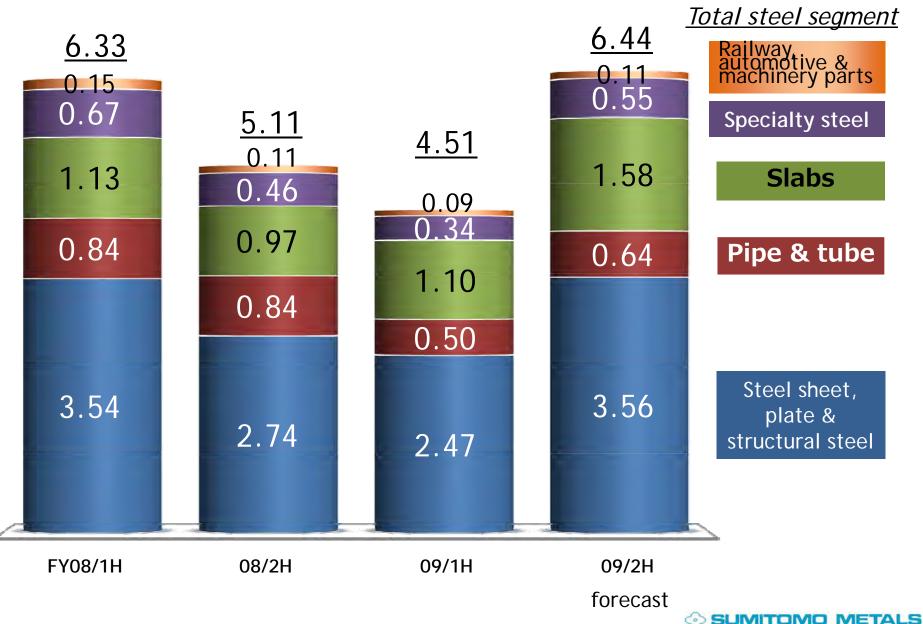


Consolidated Sales and Operating Income by Business Segment²³

JPY billion	FY07/2Q	3Q	4Q	08/1Q	2Q	3Q	4Q	09/1Q	2Q	2H forecast
Steel	409.1	415.8	417.0	424.7	499.5	476.0	340.4	273.3	284.3	650
Engineering	3.9	3.2	5.0	2.1	3.0	2.3	4.1			
Electronics	16.0	16.9	14.3	15.9	13.6	9.5	6.2			
Others	12.2	10.9	13.3	9.3	12.8	13.2	11.0	17.1	23.8	40
Sales	441.4	446.9	449.8	452.2	529.0	501.2	361.8	290.4	308.2	690
Steel	74.6	68.3	60.4	63.8	69.2	79.0	18.7	(34.4)	4.8	25
Engineering	(0.0)	0.0	0.3	(0.1)	(0.3)	0.0	0.2			
Electronics	0.1	0.0	(0.2)	0.1	(0.3)	(0.9)	(3.4)			
Others	1.1	1.5	2.0	(1.6)	0.0	0.9	0.7	(0.1)	1.4	3
Op. income (loss)	75.8	69.9	62.7	62.1	68.6	79.0	16.2	(34.5)	6.3	28
Op. marg	<i>in</i> 18%	16%	14%	Steel s 15%	egmen 14%		5%	-13%	2%	4%
Sales	409.1	415.8	417.0	424.7	499.5	476.0			JP	Y billion
Op. income	e 74.6	68.3	60.4	63.8	69.2	79.0	340.4 18.7	273.3 (34.4)	284.3	325 12.5
	FY07/2Q	07/3Q	07/4Q	08/1Q	08/2Q	08/3Q	08/4Q	09/1Q	2Q 2H	forecast/2
								📀 sur	AITOMO	METALS

Sales Volume by product

million tons



Temporary Factors

1H	2H	FY08	10	20	1H	2H forecast Approx.	FY09 forecast	YoY
50	0	50	(29)	(8)	(37)	(5)	(42)	-92
61	(5)	56	(53)	(15)	(68)	(16)	(84)	-140
(18)	6	(12)	44	(11)	33	(24)	9	21
43	1	44	(9)	(26)	(35)	(40)	(75)	-119
	3		20	45	20	27	20	20
(3)	(20)	(20)	(45)	(27)	(27)	(7)	(7)	13
(3)	(17)	(20)	(25)	18	(7)	20	13	33
90	(16)	74	(63)	(16)	(79)			-178
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Overview of Non-consolidated Business Forecast for FY09

JPY billion	FY08	*Jul. 30	1H	2H forecast	(*Jul. 30	FY09 forecast	%	YoY
Sales	1,246.0	[390]	396.0	423.9	[890]	820	-34	-426
Op. income (loss)	187.6	[(10)]	4.1	15.8	[35]	20	-89	-168
Ordinary income(loss)	191.1	[(10)]	5.2	4.7	[30]	10	-95	-181
Extraordinary income (loss)	(36.2)	[-]	(3.1)	-	[-]	(3.1)		33
Income taxes and minority interest	(64.1)	[5]	(1.0)	(0.7)	[(10)]	(1.8)		62
Net income (loss)	90.7	[(5)]	0.9	4.0	[20]	5	-94	-86

* Jul.30: Forecast as of Jul. 30, 2009





Extraordinary Income/Loss

						FY09
JPY billion		1Q	2Q	1H	2H forecast	forecast
	Loss on change in equity	-	(1.5)	(1.5)	-	(1.5)
	Restructuring loss	-	(1.5)	(1.5)	-	(1.5)
Extraordinary (loss)		-	(3.1)	(3.1)	-	(3.1)

1. Loss on change in equity:

Loss on transfer of an affiliate's stocks due to the integration of the arc-welded stainless steel pipe and tube businesses

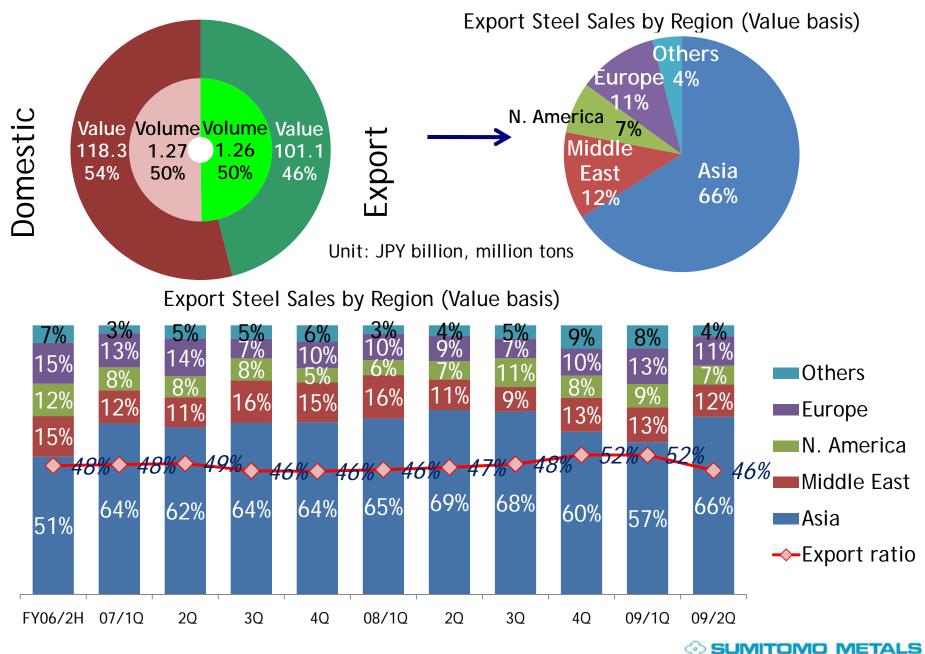
2. Restructuring loss:

Loss due to the restructuring of Sumitomo Metal Micro Devices, Inc.

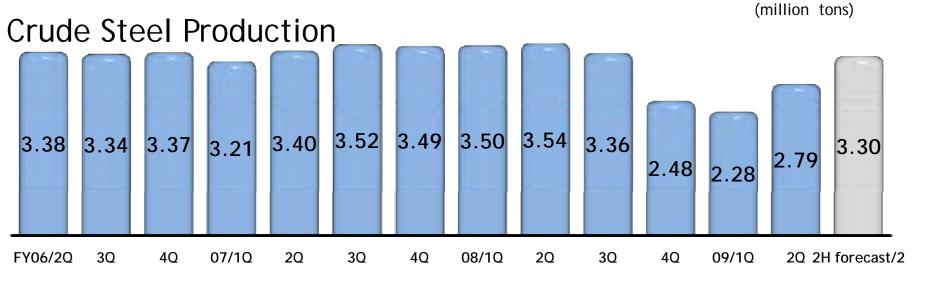


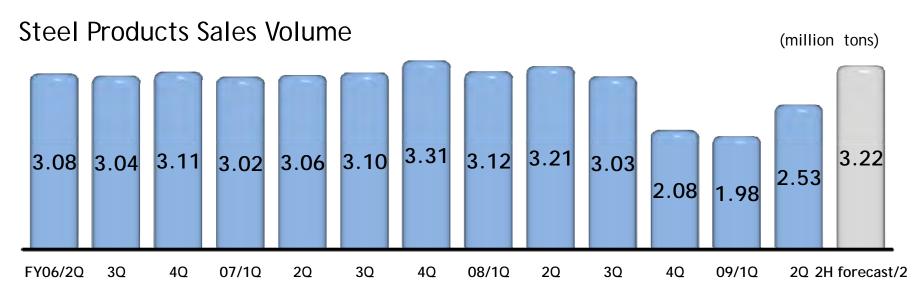


Domestic and Export Steel Sales for FY09/2Q

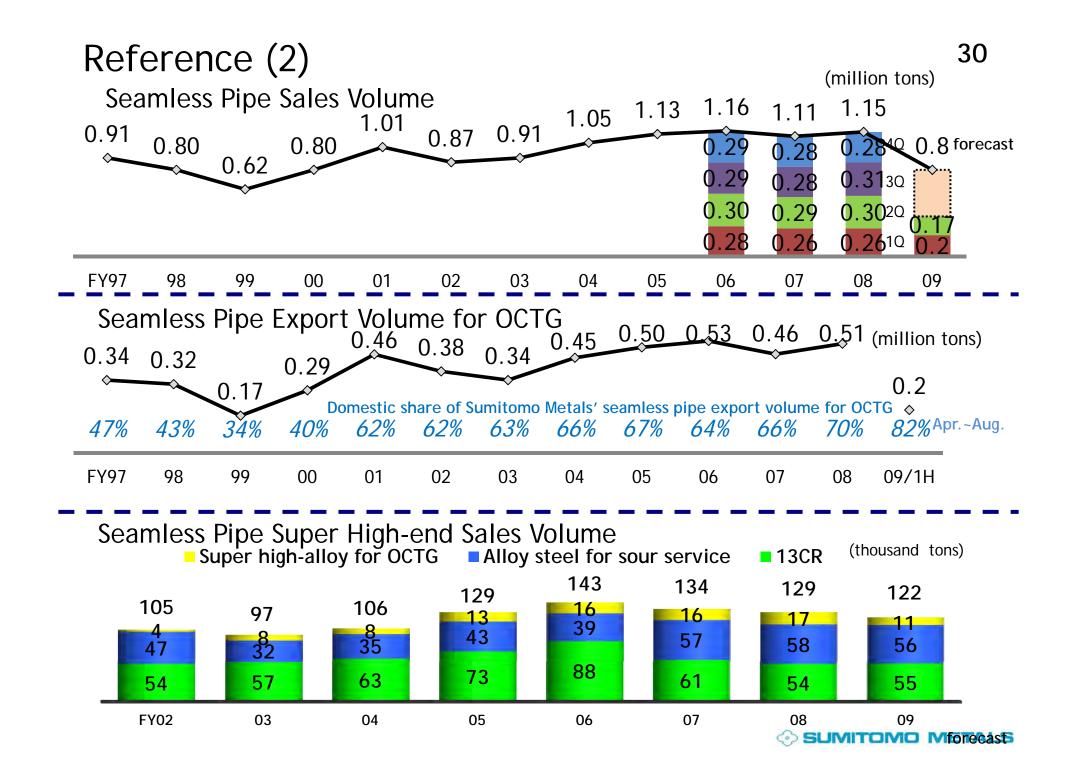


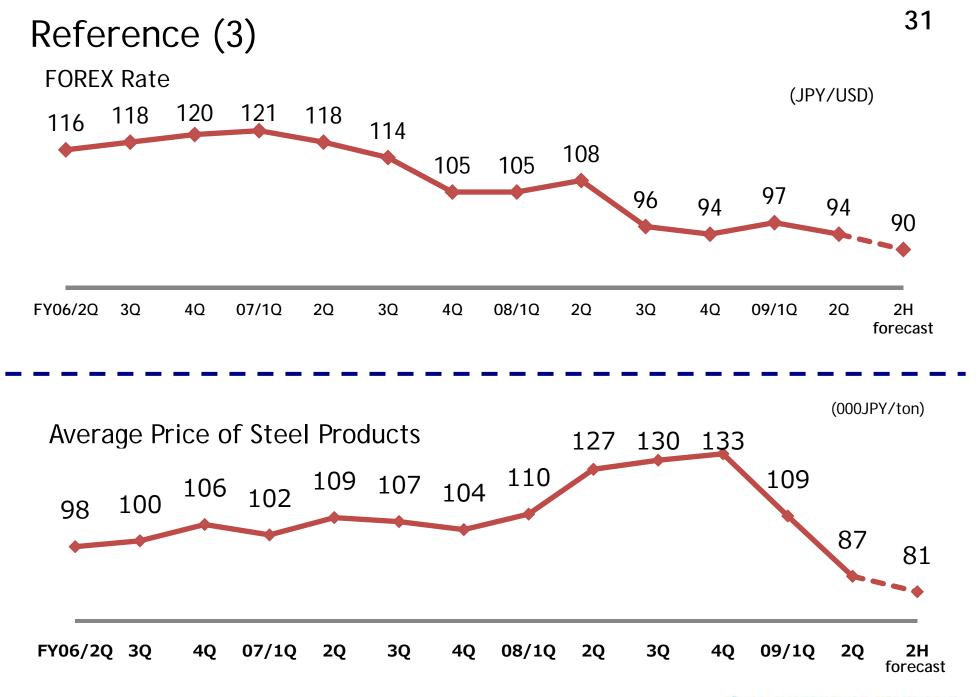
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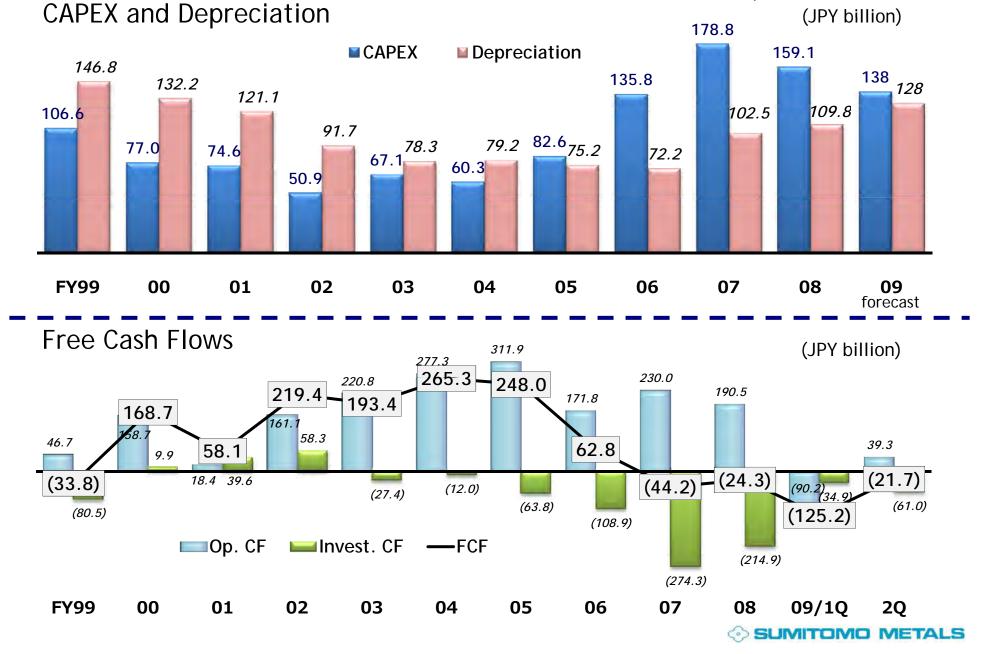




Reference (4)

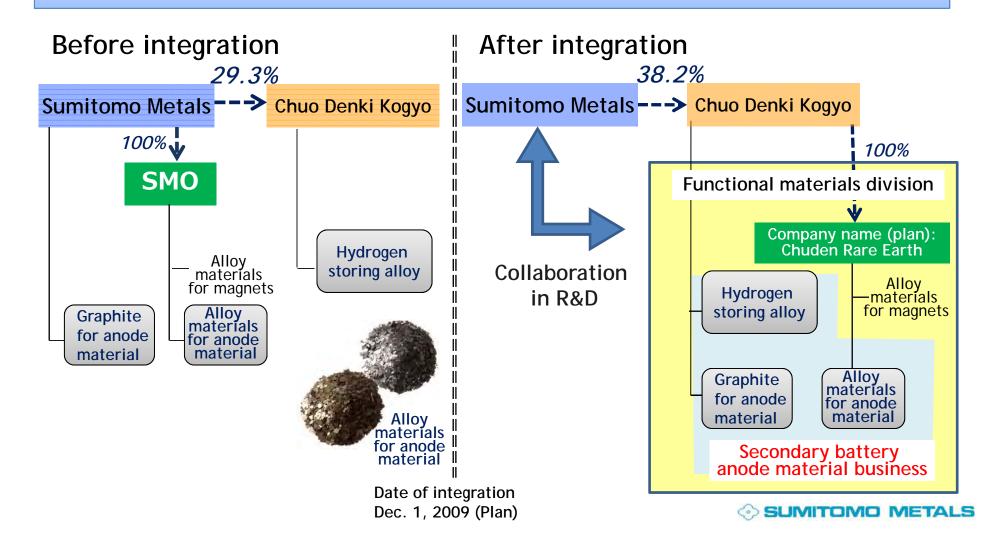
*CAPEX: Construction-base

*Other investment: Cash paid-base



<Reference> Sumitomo Metals Group Strategically Integrates Its Secondary Battery Material Business

Chuo Denki Kogyo will consolidate and integrate the secondary battery material businesses of the Sumitomo Metals Group, by succeeding Sumitomo Metals' graphite business and making Sumikin Molycorp, Inc.(SMO) a wholly-owned subsidiary.



<Reference>

Secondary Battery Anode Material Businesses of Sumitomo Metals Group

Anode Material Businesses			
Chuo Denki Kogyo Market-leading position in hydrogen storing alloy Functional materials business		position pring alloy tional materials	[Product] Nickel-hydrogen battery material (Hydrogen storing alloy) [Customer] Manufacturers of batteries for HVs (Global market share: 50%) [Others] Manufacture and sale of manganese
		Hydrogen storing alloy	sulfate (Cathode material for lithium ion batteries)
Sumikin Molycorp, Inc. Market-leading position in alloy for magnets Alloy materials			[Product] Alloy materials for anode material of lithium-ion secondary batteries [Customer] Manufacturers of secondary batteries
for anode material Sumitomo Metals		for anode material	[Product] Materials (Graphite) of lithium-ion
Sumitor		Graphite for anode material	secondary batteries [Customer] Manufacturers of secondary batteries



Deliver sustained growth in corporate value by emphasizing quality



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