

Sumitomo Metals  
FY 2010 the First Quarter  
Performance  
(ending March 31, 2011)

(ending March 31, 2011)

PERFORMANCE

July 29, 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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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.

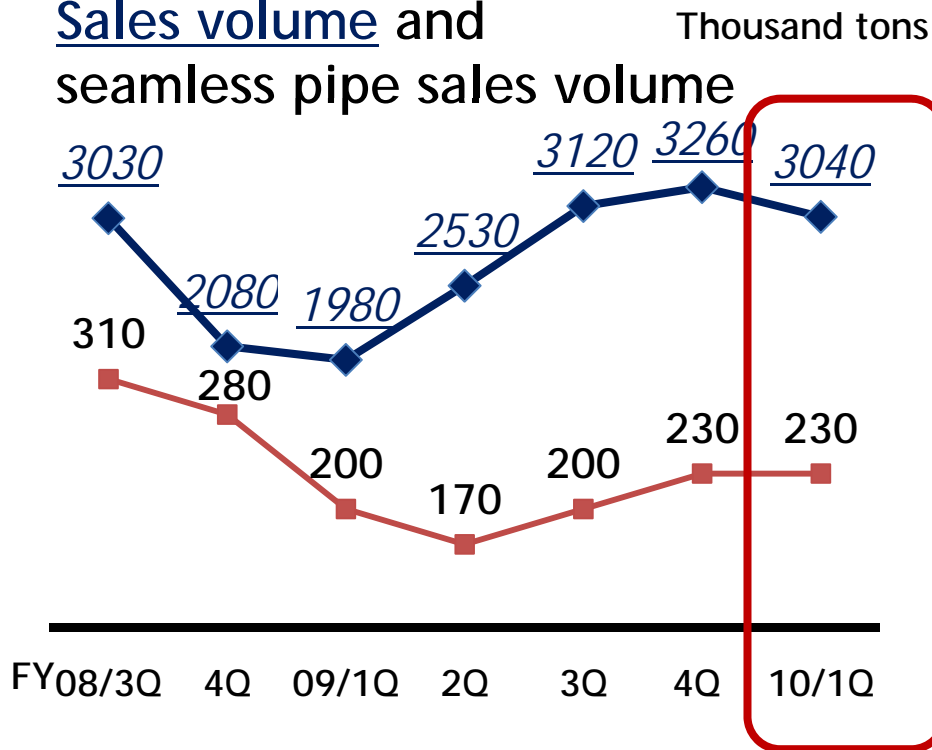
All output figures of “crude steel”, “steel sales volume” and “average price of steel product” are including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation.

EBITDA= Operating income + Depreciation of property, plant and equipment

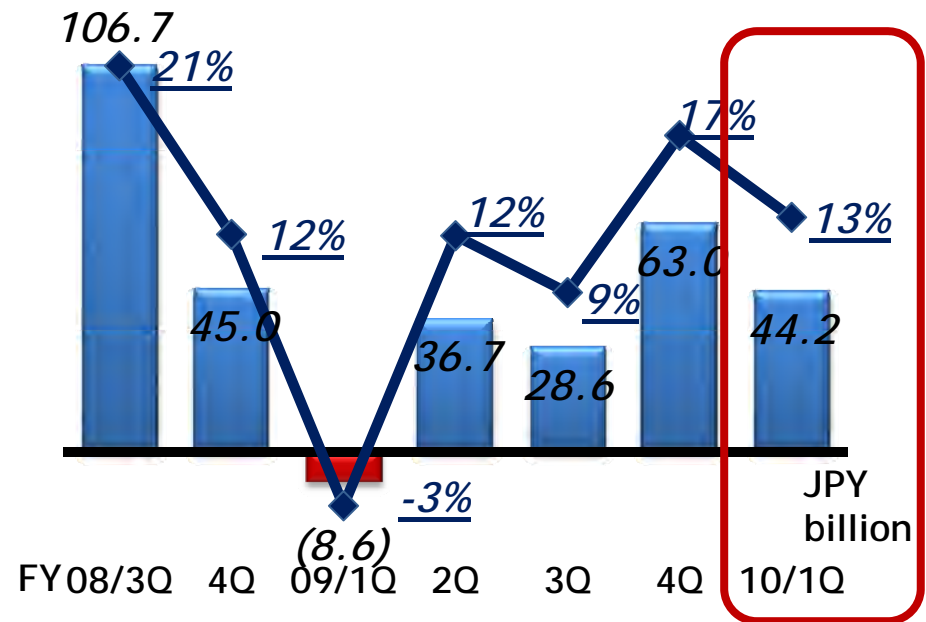
# FY10/1Q Consolidated Results Highlights

JPY billion		<YoY>	- Demand for steel products remained stable.
● Sales	341.6	<51.1>	- Demand for seamless pipes is picking up gradually.
● Operating income	14.2	<48.8>	- Profit increased compared to FY09/1Q as a result of improvement in temporary factors.
● Ordinary income	9.4	<51.1>	It decreased compared to FY09/4Q mainly due to a time lag in passing on soaring raw materials cost onto our products prices.
● Net income	4.4	<36.8>	
● EBITDA	44.2	<52.8>	

Sales volume and seamless pipe sales volume

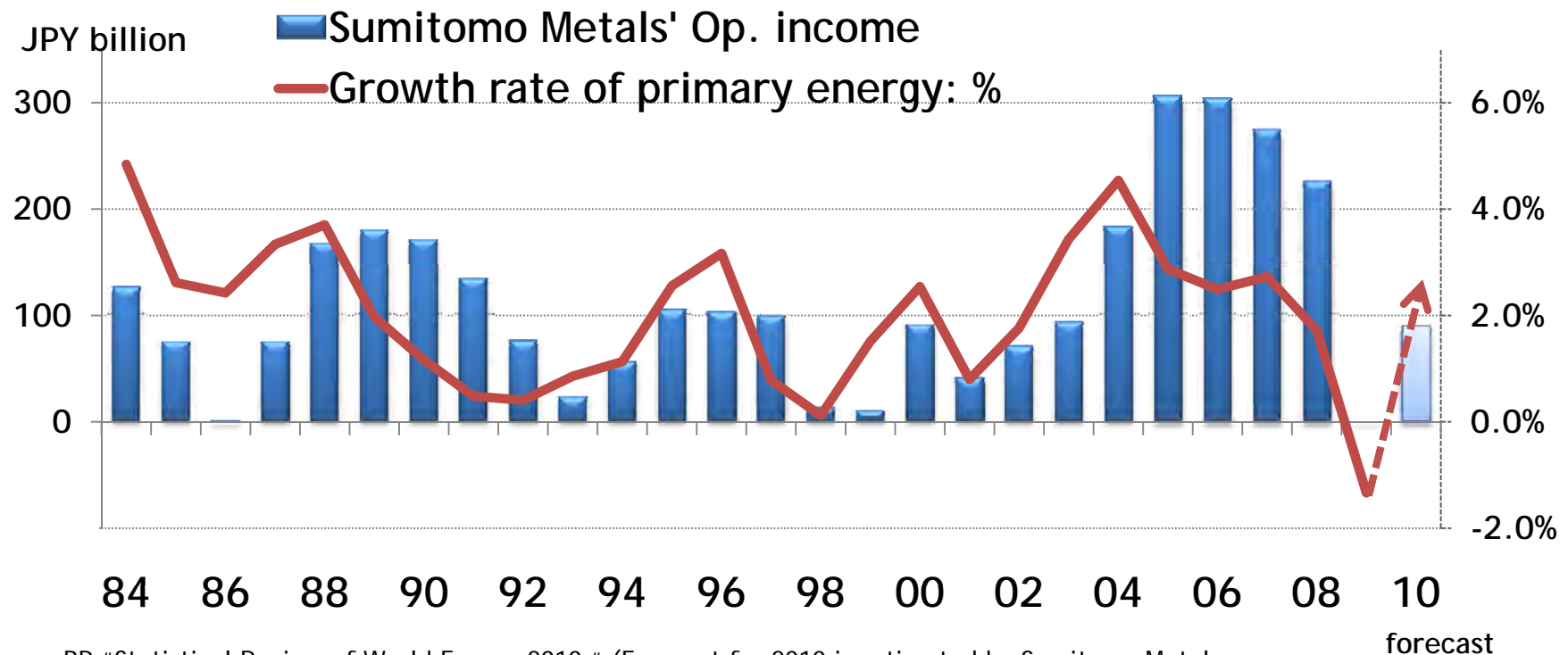


EBITDA and EBITDA margin



# FY10 Forecast & Our Strategy

- We expect the demand for high-end products from energy & autos sectors continues to improve gradually, while demand/supply for commodity grade products and negotiation of raw materials prices after FY10/2H are still uncertain.
- We intend to achieve our target in FY10: Op. income 90 JPY billion with the measures such as shortened time lag in passing on soaring raw materials cost onto products prices and cost reduction.
- We revised up forecast of net income for FY10 by 60 JPY billion due to taking into account on deferred tax assets.



Source: BP "Statistical Review of World Energy 2010 " (Forecast for 2010 is estimated by Sumitomo Metals)

# FY2010/1Q Results

115010\10 K620112

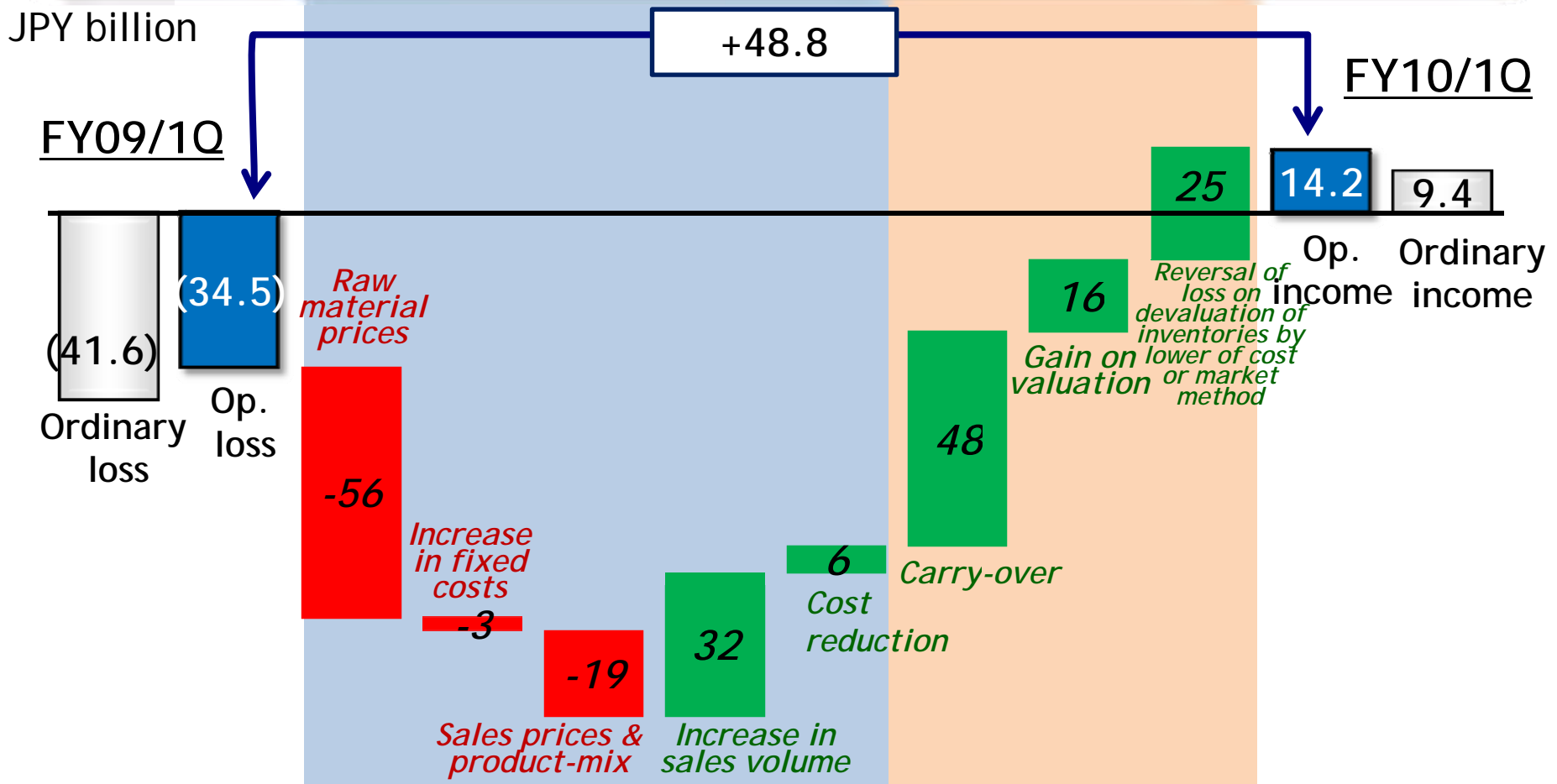
# Overview of Consolidated Results for FY10/1Q

6

JPY billion	FY09				FY10/ 1Q	Change	
	1Q	2Q	3Q	4Q		YoY	QoQ
Sales	290.4	308.2	326.0	361.0	341.6	51.1	-19.4
Op. income(loss)	(34.5)	6.3	(3.1)	30.2	14.2	48.8	-15.9
Ordinary income(loss)	(41.6)	(5.9)	(11.0)	22.0	9.4	51.1	-12.5
Extraordinary income (loss)	-	(3.1)	-	-	-	-	-
Income taxes and minority interest	9.2	(5.2)	0.2	(14.3)	(5.0)	-14.3	9.3
Net income	(32.3)	(14.3)	(10.7)	7.7	4.4	36.8	-3.2
EPS (JPY)	-6.98	-3.09	-2.33	1.66	0.97	7.95	-0.69
EBITDA	(8.6)	36.7	28.6	63.0	44.2	52.8	-18.8
FOREX rate (JPY/USD)	97	94	90	91	92	-5	1

# Change in Consolidated Operating Income (FY09/1Q → FY10/1Q)

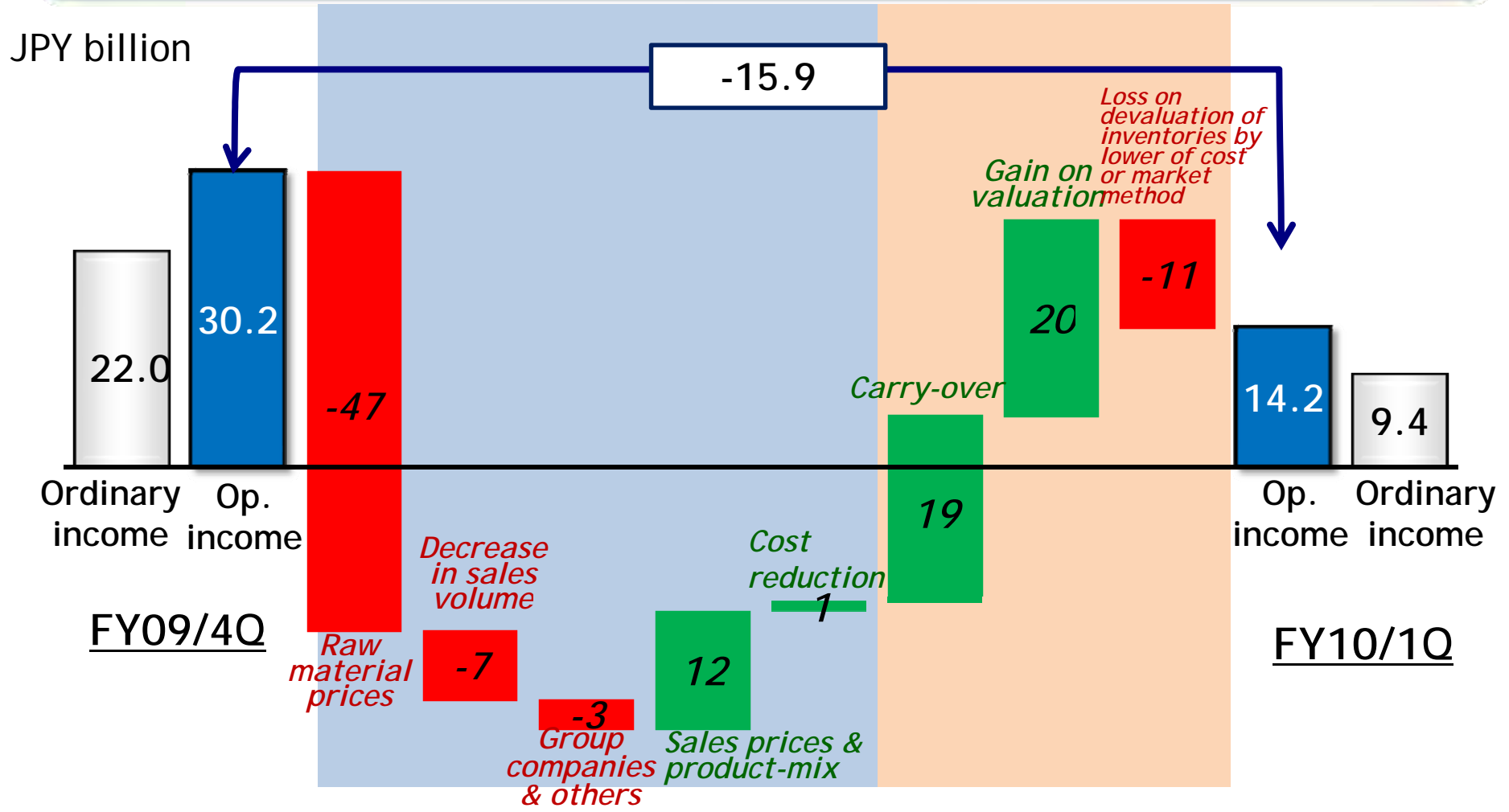
Op. income improved sharply due to positive impact by temporary factors such as carry-over and gain on inventory valuation in addition to recovery of sales volume despite deterioration factors such as a time lag in passing on soaring raw materials cost onto products prices.



•Earnings from equity-method affiliates: <FY09/1Q> -5.4JPY billion → <FY10/1Q>1.2JPY billion

# Change in Consolidated Operating Income (FY09/4Q → FY10/1Q)

Op. income decreased due to a drop of sales volume by seasonal factor in addition to a time lag in passing on soaring raw materials cost onto products prices.



•Earnings from equity-method affiliates: <FY09/4Q> -6.4JPY billion → <FY10/1Q>1.2JPY billion



# Consolidated Balance Sheets

9

- Debt decreased because of an improvement of operating CFs.
- D/E ratio slightly deteriorated due to decrease in valuation difference on available-for-sale securities.

JPY billion	09			10		%	Change vs. 10/3E
	6E	9E	12E	3E	6E		

## [Assets]

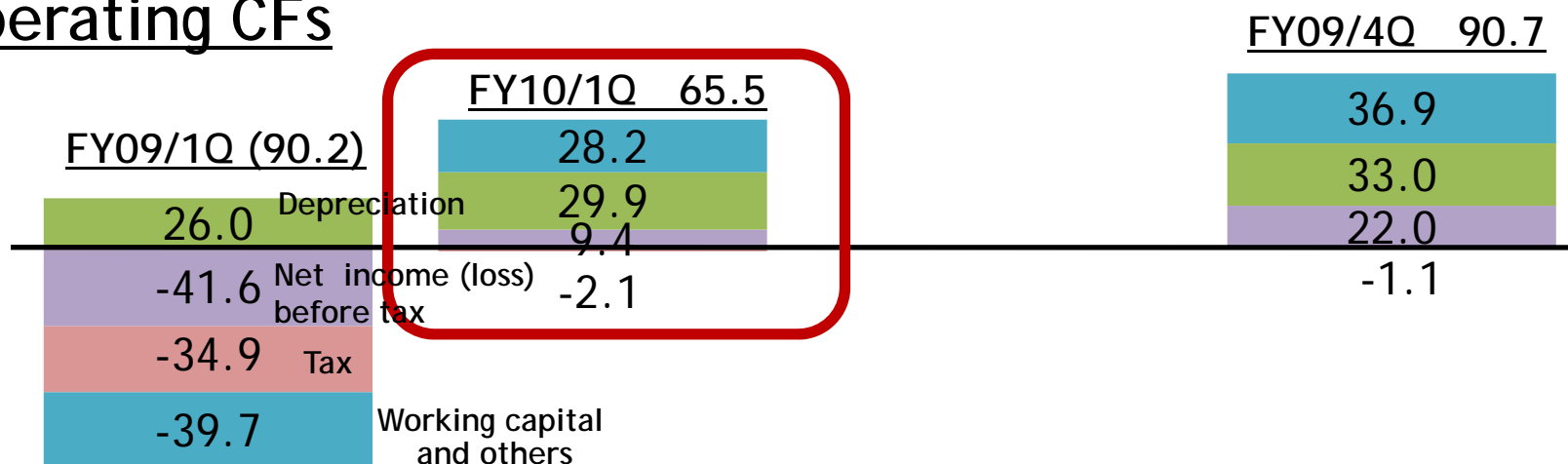
Current assets	692.1	639.4	652.9	606.4	607.9	0.3	1.5
Fixed assets	1,752.1	1,772.5	1,795.4	1,797.2	1,775.4	-1.2	-21.7
Total assets	2,444.2	2,412.0	2,448.3	2,403.6	2,383.4	-0.8	-20.2

## [Liabilities and Shareholders' Equity]

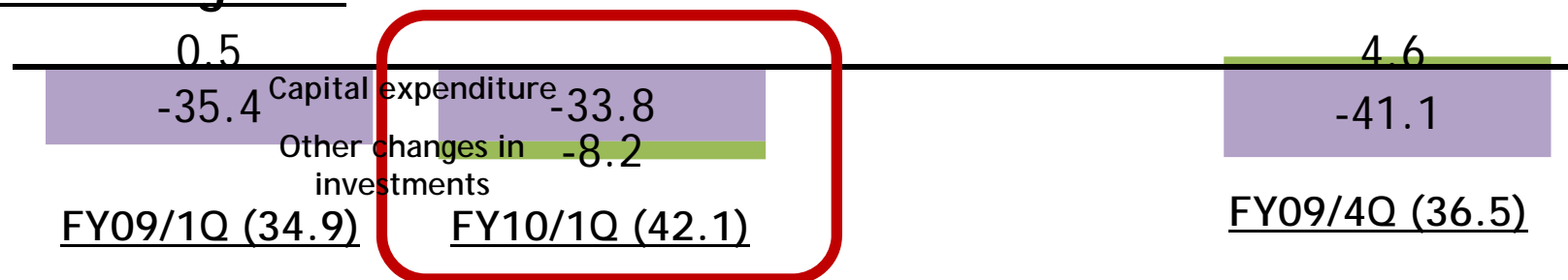
Current liabilities	694.5	597.1	678.4	639.3	666.1	4.2	26.7
Long-term liabilities	858.4	940.8	911.9	885.1	871.6	-1.5	-13.4
Net assets	891.2	874.0	857.9	879.2	845.6	-3.8	-33.5
Debt	1,127.8	1,148.7	1,177.4	1,138.3	1,128.0	-0.9	-10.3
D/E ratio	1.39	1.39	1.46	1.37	1.42		0.05

# Consolidated Cash Flows JPY billion

## Operating CFs



## Investing CFs



JPY billion	09/6E	09/9E	09/12E	10/3E	10/6E
Debt	1,127.8	1,148.7	1,177.4	1,138.3	1,128.0
Cash and equivalents	38.1	21.0	22.6	26.2	23.6
Net debt	1,089.6	1,127.6	1,154.7	1,112.1	1,104.3

# FY2010 Forecast

# Overview of Consolidated Business Forecast for FY10

12

- We expect profit to recover gradually over FY10/2H as a result of shortened time lag in passing on soaring raw materials cost onto products prices and improvement of seamless pipe prices.
- We intend to achieve our target in FY10: Op. income 90 JPY billion due to improvement of sales and cost reduction, while negotiation of raw materials prices after 2H and demand/supply for commodity grade products are still uncertain.

JPY billion	FY09		FY10				FY10 forecast Approx.	HoH	YoY
	1H		1Q	2Q forecast Approx.	1H forecast Approx.	(*Apr.28)			
Sales	598.7	1,285.8	341.6	378	720	[N.A.]	N.A.	121.2	N.A.
Op. income (loss)	(28.0)	(0.9)	14.2	16	30	[90]	90	58.0	90.9
Ordinary income(loss)	(47.6)	(36.6)	9.4	16	25	[80]	80	72.6	116.6
Extraordinary income (loss)	(3.1)	(3.1)	-	-	-	[-]	-	3.1	3.1
Net income (loss)	(46.6)	(49.7)	4.4	20	25	[50]	60	71.6	109.7
EPS (JPY)	-10.07	-10.74	0.97	4.31	5.39	[10.79]	12.94	15.46	23.68
EBITDA	28.2	119.9	44.2	48	92	[220]	220	63.7	100.0
Debt	1,148.7	1,138.3	1,128.0	1,120	1,120	[1,100]	1,100	-28.7	-38.3
D/E ratio	1.39	1.37	1.42	1.37	1.37	[1.29]	1.32	-0.02	-0.05

\* Apr. 28: Forecast as of Apr. 28, 2010

# Production & Prices

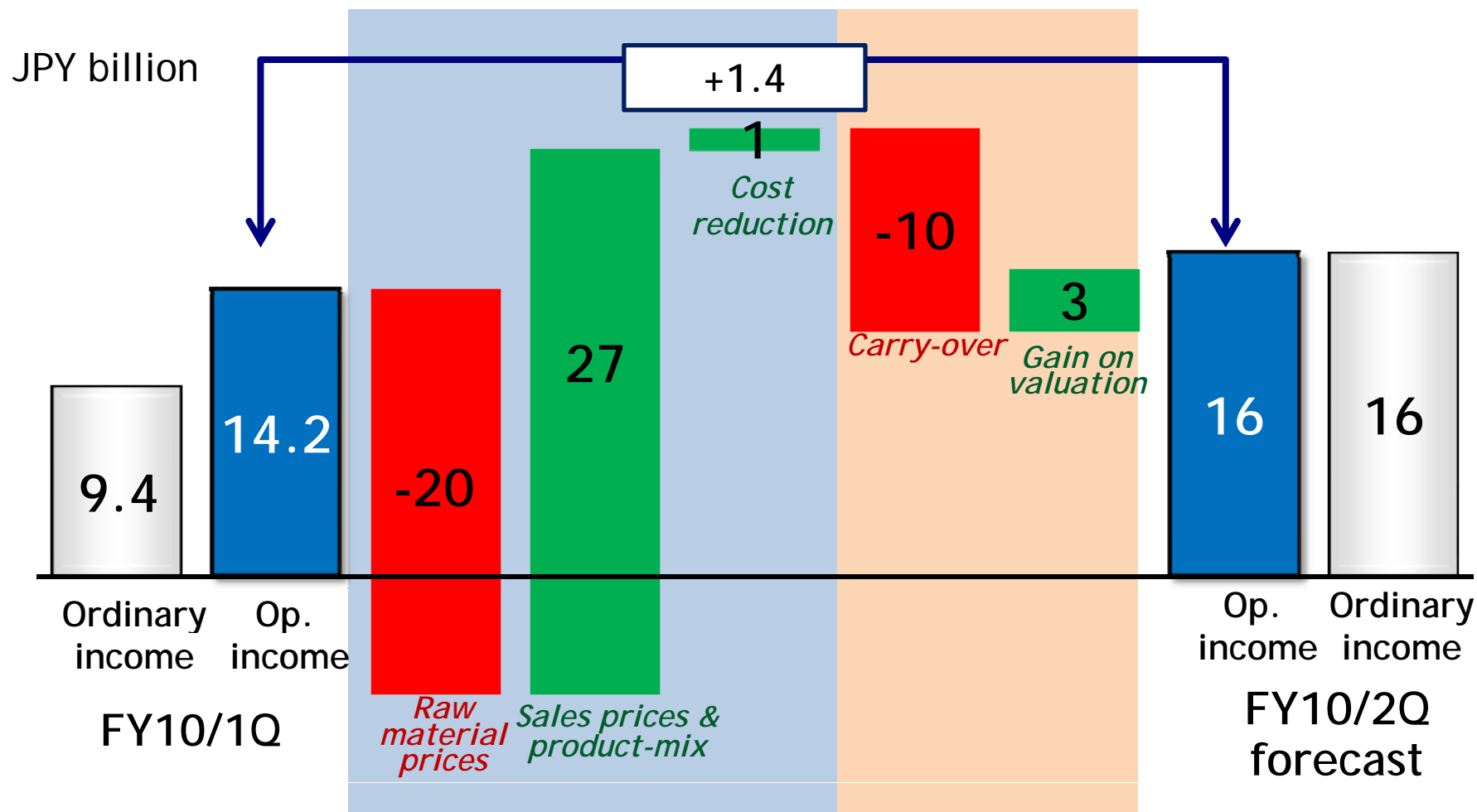
- The demand for our core high-end products from manufacturing sectors such as autos is on the stable upward trend, while demand/supply for commodity grade products is still uncertain.
- Demand for the steel products from energy sector will continue improving gradually.

								FY10 forecast Approx.	YoY													
	1H	2H	FY09	1Q	2Q forecast Approx.	1H forecast Approx.	2H forecast Approx.															
FOREX rate (JPY/USD)	95	90	93	92	90	91	90	[90]	91	-2												
Crude steel production (million tons)	5.07	6.58	11.65	3.35	3.35	6.70	7.20	[13.7]	13.9	2.25												
Steel sales volume (million tons)	4.51	6.38	10.89	3.04	3.04	6.08	6.64	[12.57]	12.72	1.83												
Seamless pipe sales volume (million tons)	0.37	0.42	0.79	0.23	0.24	0.47	0.48	[0.90]	0.95	0.16												
Ave. price of steel product (000JPY/ton)	Domestic	100.7	88.4	93.3	92.7	103	98	<table border="1"> <thead> <tr> <th>USD billion</th> <th>FY09</th> <th>FY10/1H forecast</th> </tr> </thead> <tbody> <tr> <td>Receipts</td> <td>4.6</td> <td>2.6</td> </tr> <tr> <td>Payments</td> <td>-3.9</td> <td>-2.8</td> </tr> <tr> <td>Balance</td> <td>0.7</td> <td>-0.2</td> </tr> </tbody> </table>			USD billion	FY09	FY10/1H forecast	Receipts	4.6	2.6	Payments	-3.9	-2.8	Balance	0.7	-0.2
	USD billion	FY09	FY10/1H forecast																			
	Receipts	4.6	2.6																			
Payments	-3.9	-2.8																				
Balance	0.7	-0.2																				
Export	93.0	74.5	82.4	82.3	89	86																
Total	96.8	81.7	88.0	87.7	96	92																

\* Apr. 28: Forecast as of Apr. 28, 2010

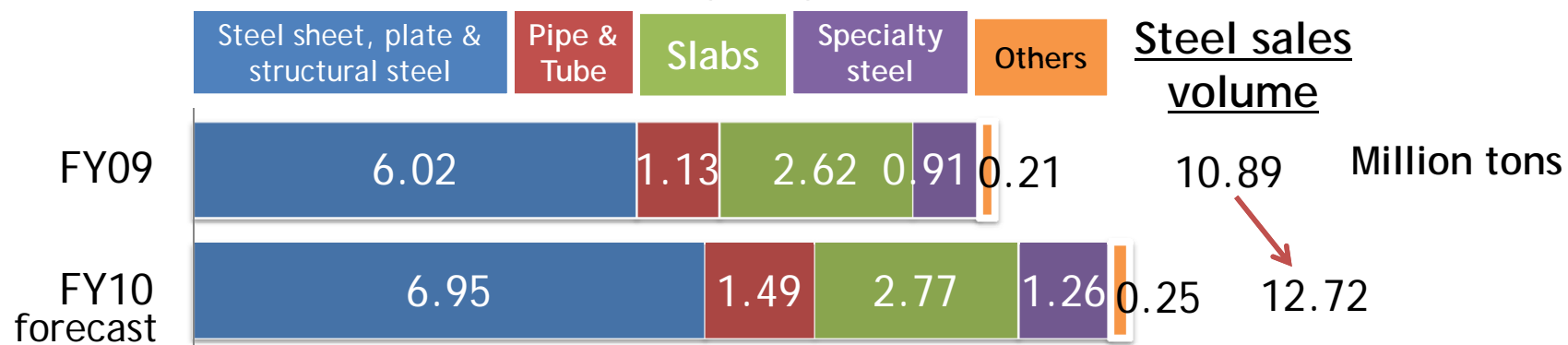
# Change in Consolidated Operating Income (FY10/1Q → FY10/2Q)

We expect Op. income to improve slightly as a result of offsetting soaring raw materials cost by improvement of products prices.



- Earnings from equity-method affiliates: <FY010/1Q> 1.2 JPY billion  
→<FY10/2Q forecast>0.7JPY billion

# Trends in Demand/Supply by Steel Product



Steel sheet, plate & structural steel

- \*Steel sheet -Sales volume continues to be strong due to the stable demand from autos.
- \*Steel plate -Shipbuilders: slowdown  
-Construction machinery: recovering  
-Energy sector projects: picking up
- \*Structural steel - Domestic demand is still sluggish.

Pipe & Tube

- \*Seamless pipe: - Forecast of sales volume for FY10: 0.95 million tons  
- Mechanical tube for autos & construction machinery: remains strong.  
- Energy sector: improving gradually.
- \*Large-diameter welded steel pipe: Sales volume is recovering as a result of winning big projects orders.

Slabs

- \*Slabs: In line with forecast of sales volume for FY10 (Domestic: 1 million tons, Export: 1.8 million tons)

Specialty steel

- \*Autos & machinery: Strong demand both for domestic & export.

Railway automotive & machinery parts

- \*Railway parts: Demand remains strong.
- \*Crankshaft: Sales volume both for domestic & export is picking up.
- \*Titanium mill products: Sales volume is rebounding with progress of destocking.

# Outlook of Seamless Pipe Sales Volume

Forecast of seamless pipe sales volume for FY10: Approx. 0.95 M tons

OCTG  
Long-term  
contract  
customers

- Orders are increasing with demand recovery.

OCTG  
spot market

- Market is trending up as a result of an increase in rig counts, while Chinese tubes are still diverted into non-US markets.

Line pipe

- Sales volume is picking up.

Specialty  
tube

- SG tubes for nuclear power plants remain strong.  
- USC boiler tubes for coal-fired power plants will recover in FY11.

Automotive &  
construction  
machinery

- Sales volume is steadily recovering with a recovery of demand.

Rig count	08 Avg.	09 Avg.	Recent peak		Recent bottom		The latest	
US	1,879	1,089	<100>	(Sep./08) 2,031	<43>	(Jun./09) 876	<78>	(Jul.23/10) 1,585
Deep well (>=15,000ft)	283	249	<100>	(May/10) 381	<55>	(Jun./09) 211	<94>	(Jun./10) 357
International (except N. America, Russia and China)	1,079	997	<100>	(Sep./08) 1,108	<85>	(Aug./09) 947	<99>	(Jun./10) 1,099

Source: Baker Hughes, Smith international



# Consolidated Sales & Op. Income by Internal Company

JPY billion				FY10			QoQ	HoH
			FY09			1H forecast Approx.		
	1Q	1H		1Q	2Q forecast Approx.			
Steel sheet, plate and structural steel	98.9	223.3	498.5	135.6	149	285	36.6	61.6
Pipe & tube	122.8	230.7	472.9	122.0	133	255	-0.7	24.2
Railway & automotive	19.8	40.9	86.6	23.4	27	50	3.6	9.0
Kokura	20.7	41.4	101.6	30.4	40	70	9.7	28.5
Naoetsu and others	11.0	21.2	46.0	13.0	16	30	2.0	8.7
Total steel segment	273.3	557.7	1,205.8	324.6	365	690	51.3	132.2
Others	17.1	40.9	79.9	16.9	13	30	-0.1	-10.9
Total sales	290.4	598.7	1,285.8	341.6	378	720	51.1	121.2

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

Steel sheet, plate and structural steel	(33)	(14)	(4)	6	6	12	39	26	
Pipe & tube	Pipe & tube	8	13	16	0	3	3	-8	-10
	Slabs	(11)	(17)	(20)	2	(2)	0	13	17
Kokura	0	(13)	(7)	0	3	3	0	16	
Total steel segment	(34.4)	(29.5)	(7.6)	12.6	14	26	47.0	55.5	
Others	(0.1)	1.5	6.6	1.6	2	4	1.7	2.6	
Total Op. income	(34.5)	(28.0)	(0.9)	14.2	16	30	48.8	58.0	

# 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

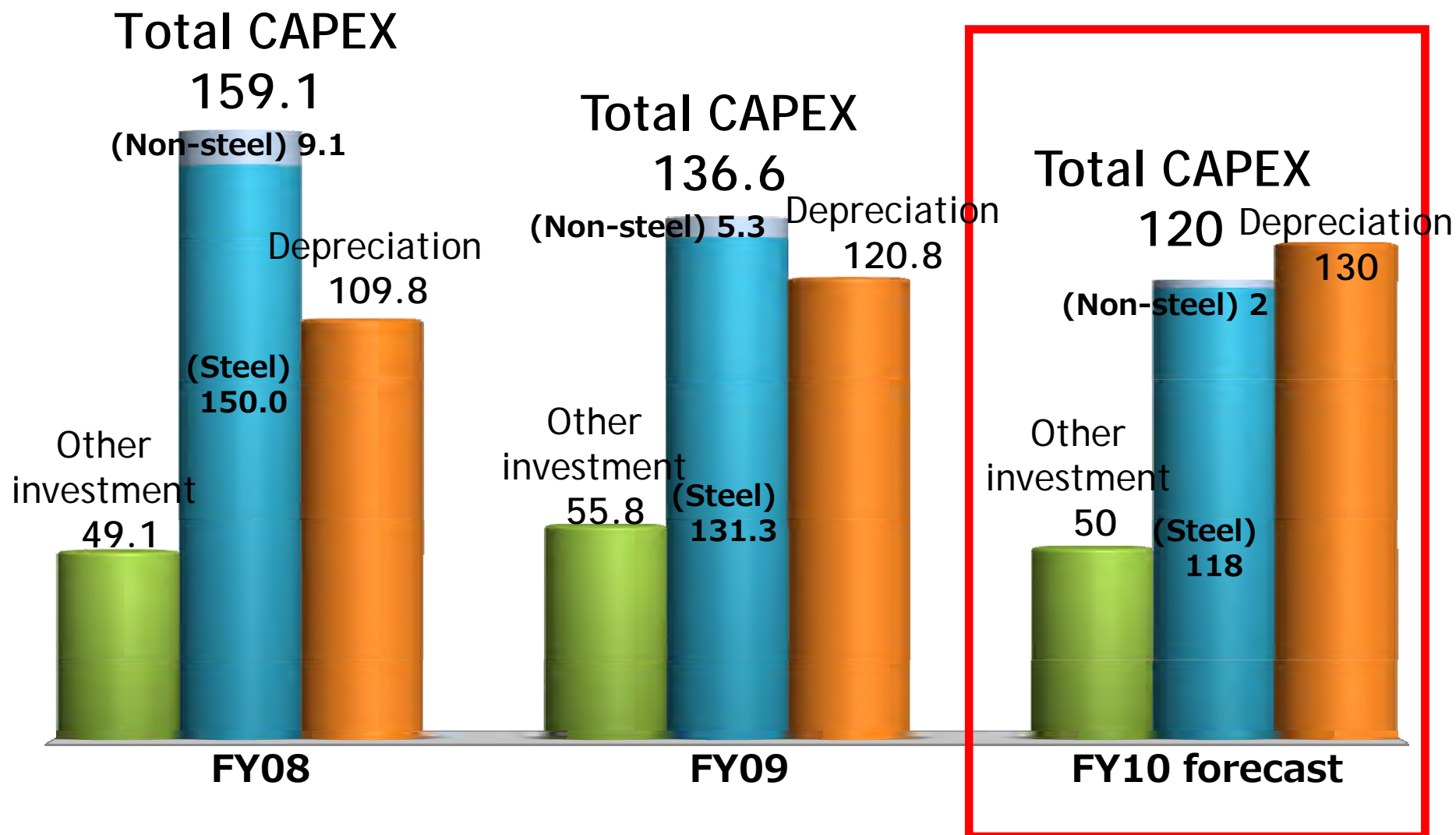
- Our medium-term target for financial leverage is a D/E ratio of below one.

## Dividend forecast in FY10

- 5.0 JPY/share (Interim 2.5 JPY/share, Year-end 2.5 JPY/share)

## Forecast for Consolidated CAPEX, Depreciation and Other Investment

JPY billion



\*CAPEX: Construction-base

\*Other investment: Cash paid-base

# Plan and Overseas Business Investment Update

20

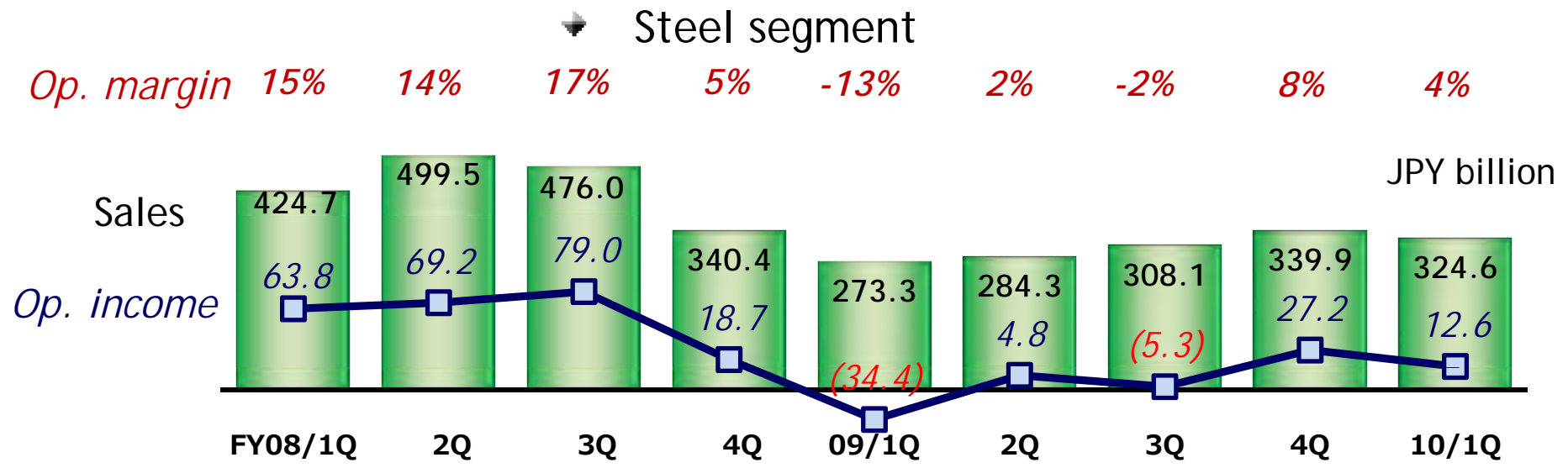
Schedule for starting operation		JPY billion	FY09	FY10	FY11	FY12	FY13	FY14
<b>CAPEX</b>								
Pipe & Tube	Renewal of upstream processes (Wakayama) -New No.1 BF + environmental protection -New No.2 BF + reinforcement of CC	160 115	→ Jul. 09					
	Increasing capacity for ultra high strength line pipes	10					→ 2H 12	
	Increasing capacity for SG tubes for nuclear power plants	14						→ Apr. 13
Others	Steelmaking process innovations (Kokura)	27						→ Oct. 10
	Renewal of Corporate Research & Development Labortory (Amagasaki)	10						→ May. 12
<b>Other investment (J/V: Joint Venture total amount)</b>								
Sheet & Plate	Steel sheet J/V in Vietnam (CSVV)	115						→ 12
	Bhushan Steel in India Orissa PJ West Bengal PJ	-Technical assistance -Feasibility study						→
Pipe & Tube	Integrated steel works with Seamless pipe mill J/V in Brazil (VSB)	200						→ Autumn in 10
	Strengthening cooperative relationship with Vallourec Strengthening premium joint business	11.3 8	● Purchase of stock ● Feb. 02					→
Railway & Auto.	Forged crankshaft business J/V in India (SMAC)	1						● Apr. 10

# Supplement

Supplement

# Consolidated Sales and Operating Income by Business Segment <sup>22</sup>

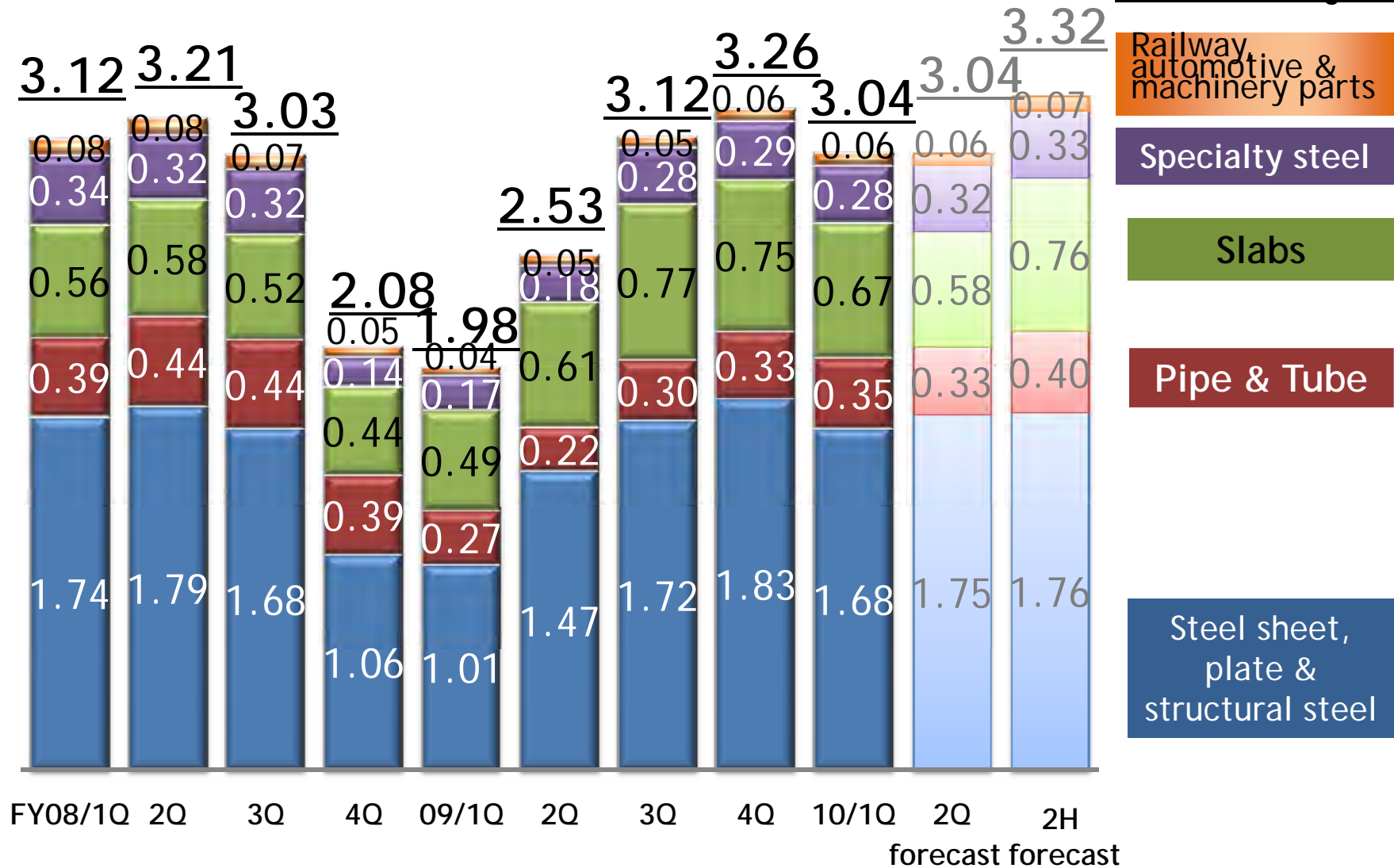
JPY billion	08/1Q	2Q	3Q	4Q	09/1Q	2Q	3Q	4Q	10/1Q
Steel	424.7	499.5	476.0	340.4	273.3	284.3	308.1	339.9	324.6
Engineering	2.1	3.0	2.3	4.1					
Electronics	15.9	13.6	9.5	6.2					
Others	9.3	12.8	13.2	11.0	17.1	23.8	17.8	21.1	16.9
<b>Sales</b>	<b>452.2</b>	<b>529.0</b>	<b>501.2</b>	<b>361.8</b>	<b>290.4</b>	<b>308.2</b>	<b>326.0</b>	<b>361.0</b>	<b>341.6</b>
Steel	63.8	69.2	79.0	18.7	(34.4)	4.8	(5.3)	27.2	12.6
Engineering	(0.1)	(0.3)	0.0	0.2					
Electronics	0.1	(0.3)	(0.9)	(3.4)					
Others	(1.6)	0.0	0.9	0.7	(0.1)	1.4	2.2	2.9	1.6
<b>Op. income (loss)</b>	<b>62.1</b>	<b>68.6</b>	<b>79.0</b>	<b>16.2</b>	<b>(34.5)</b>	<b>6.3</b>	<b>(3.1)</b>	<b>30.2</b>	<b>14.2</b>



# Sales Volume by Product

million tons/Q

Total steel segment



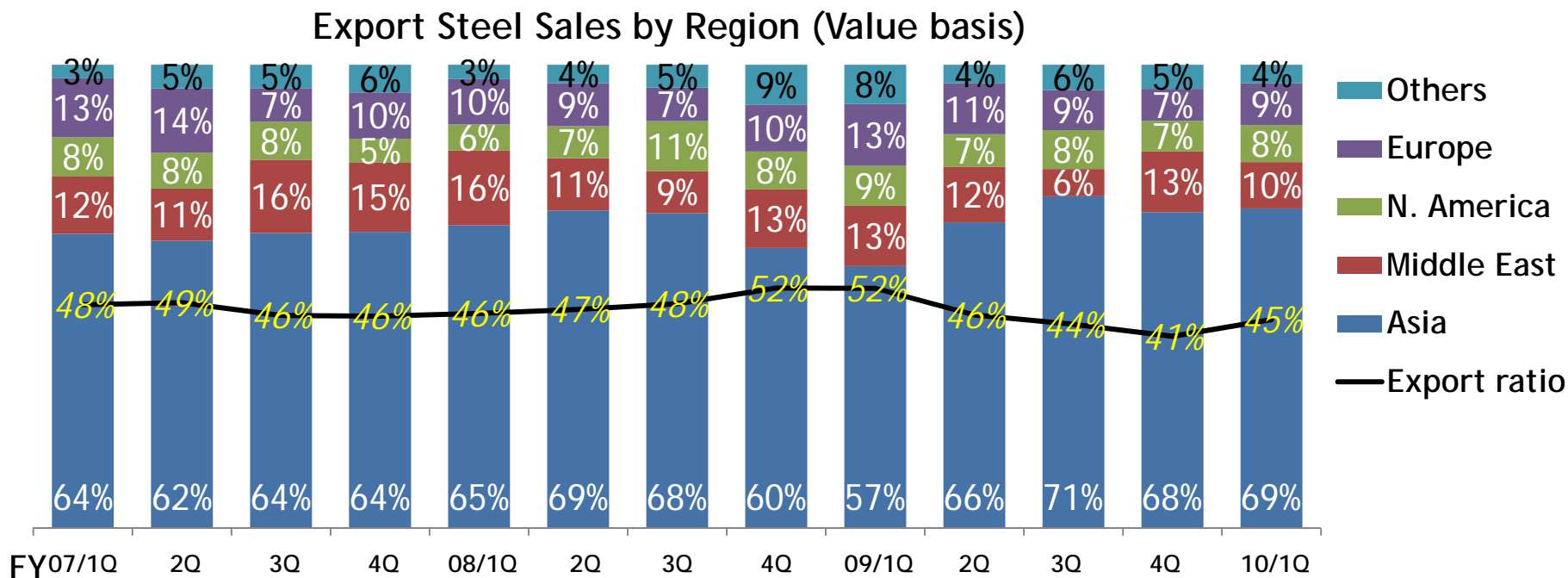
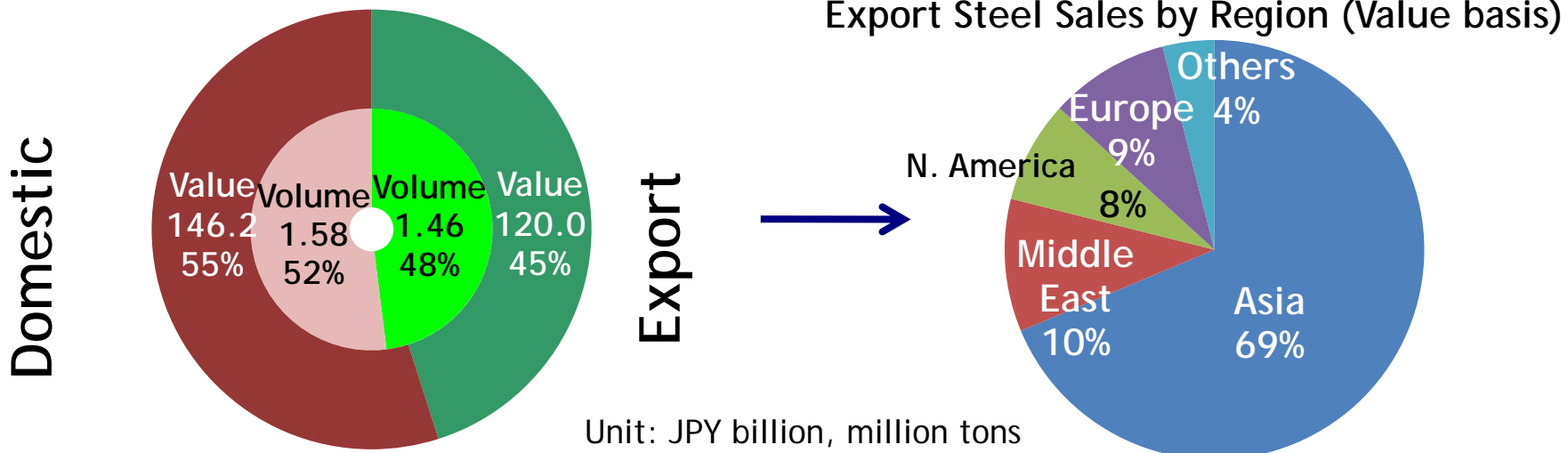
# Temporary Factors

Cf) slide7 slide8 slide14

JPY billion											
	1Q	2Q	3Q	4Q	FY09	1Q	2Q forecast	FY10 forecast	09/1Q vs 10/1Q	09/4Q vs 10/1Q	10/1Q vs 10/2Q
Carry-over	(29)	(8)	(5)	0	(42)	19	9	28	48	19	-10
Gain (loss) on inventory valuation	(53)	(15)	(16)	(4)	(88)	16	6	22	69	20	-10
Allocation of cost variance	44	(11)	(16)	(9)	8	(9)	4	(5)	-53	0	13
<b>Total gain (loss) on inventory valuation</b>	<b>(9)</b>	<b>(26)</b>	<b>(32)</b>	<b>(13)</b>	<b>(80)</b>	<b>7</b>	<b>10</b>	<b>17</b>	<b>16</b>	<b>20</b>	<b>3</b>
Reversal	20	45	27	16	20	5	5	5			
Devaluation	(45)	(27)	(16)	(5)	(5)	(5)	(5)	(5)			
Net devaluation of inventories by lower of cost or market method	(25)	18	11	11	15	0	0	0	25	-11	-
<b>Total (Approx.)</b>	<b>(63)</b>	<b>(16)</b>	<b>(26)</b>	<b>(2)</b>	<b>(107)</b>	<b>26</b>	<b>19</b>	<b>45</b>	<b>89</b>	<b>28</b>	<b>-7</b>



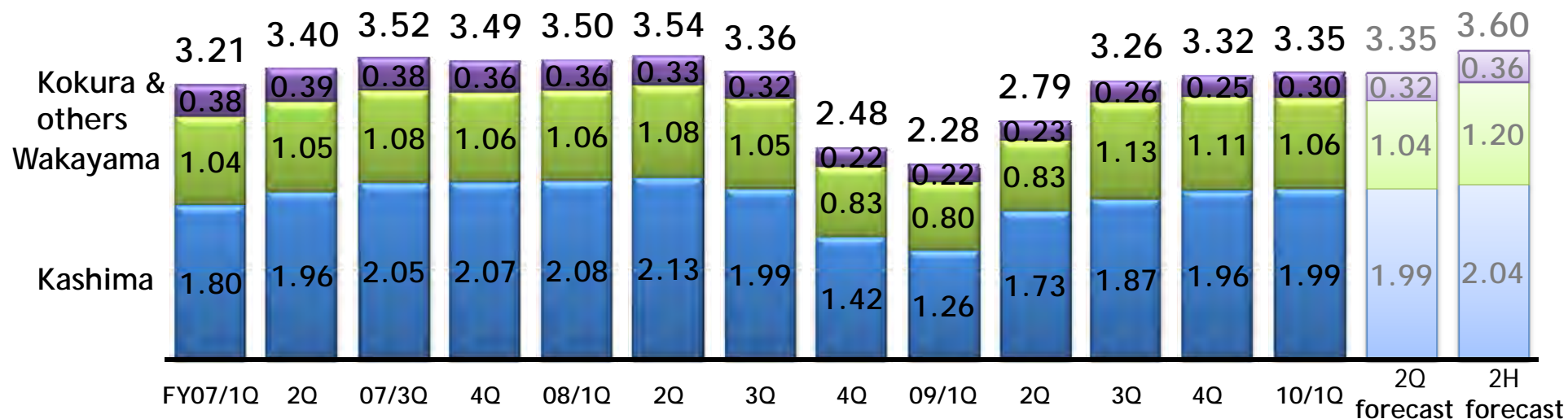
# Domestic and Export Steel Sales for FY10/1Q



# Reference (1)

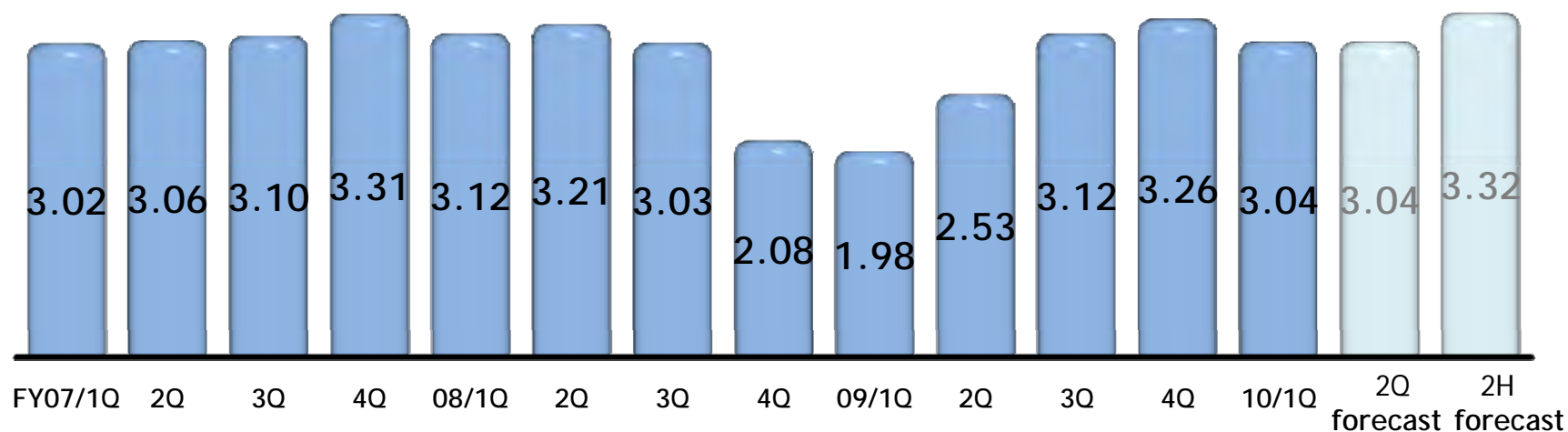
## Crude Steel Production

(million tons/Q)



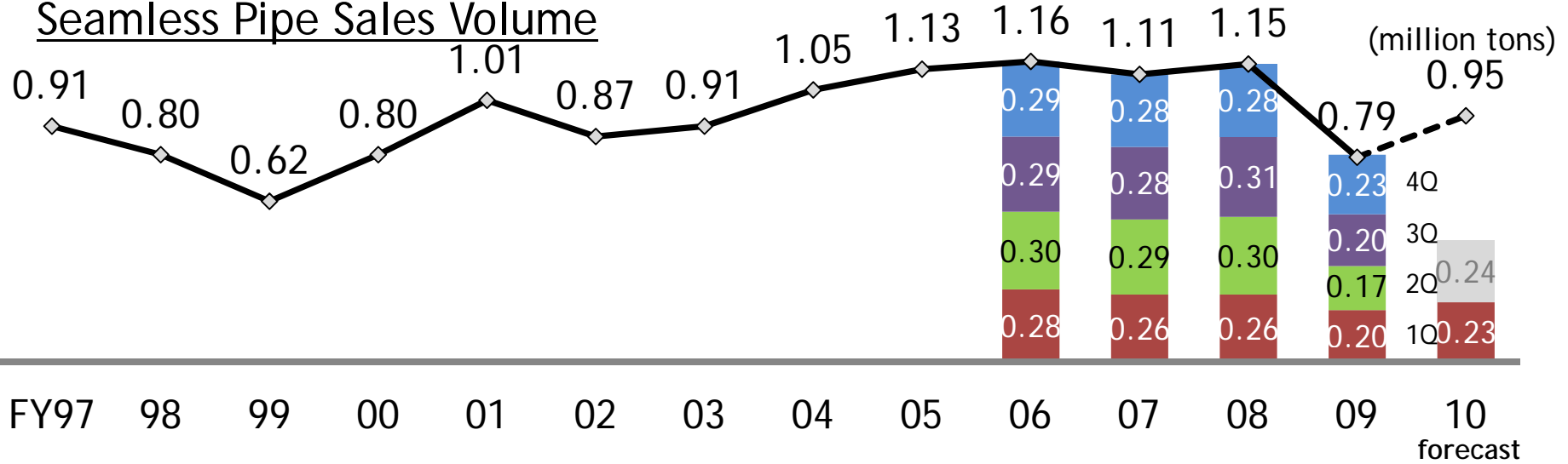
## Steel Products Sales Volume

(million tons/Q)

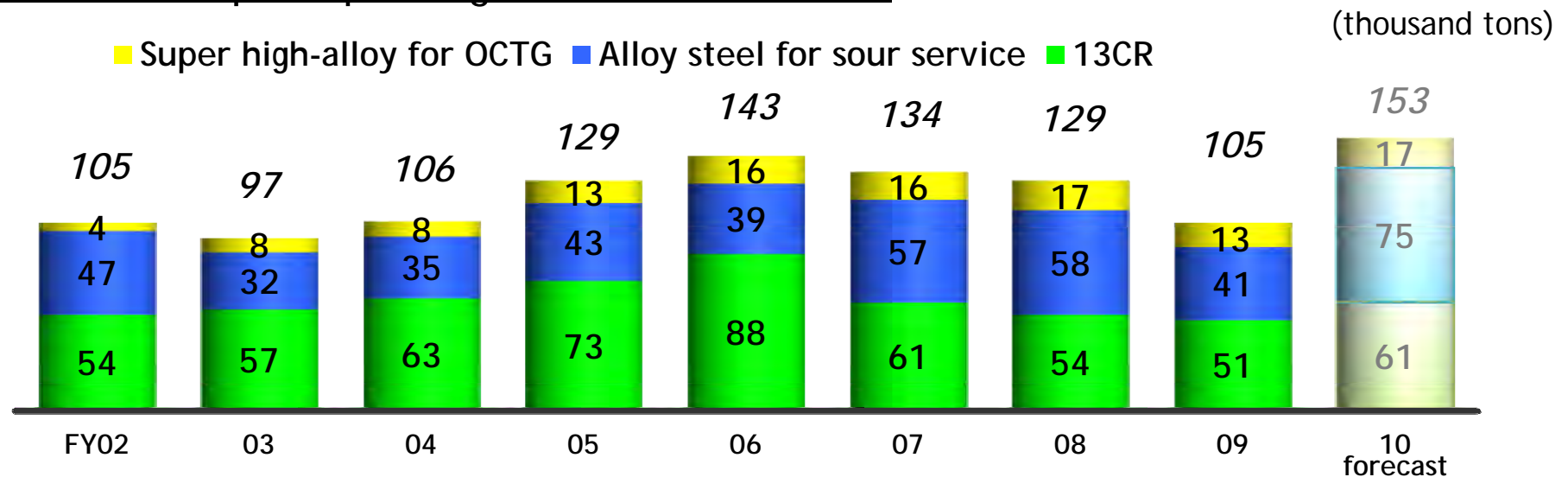


# Reference (2)

## Seamless Pipe Sales Volume



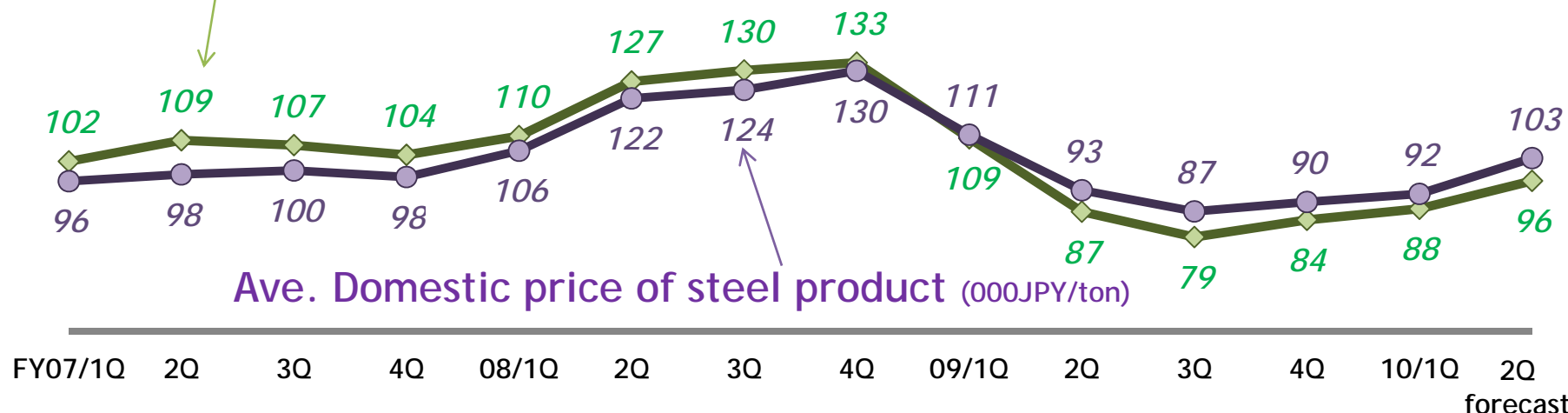
## Seamless Pipe Super High-end Sales Volume



# Reference (3)

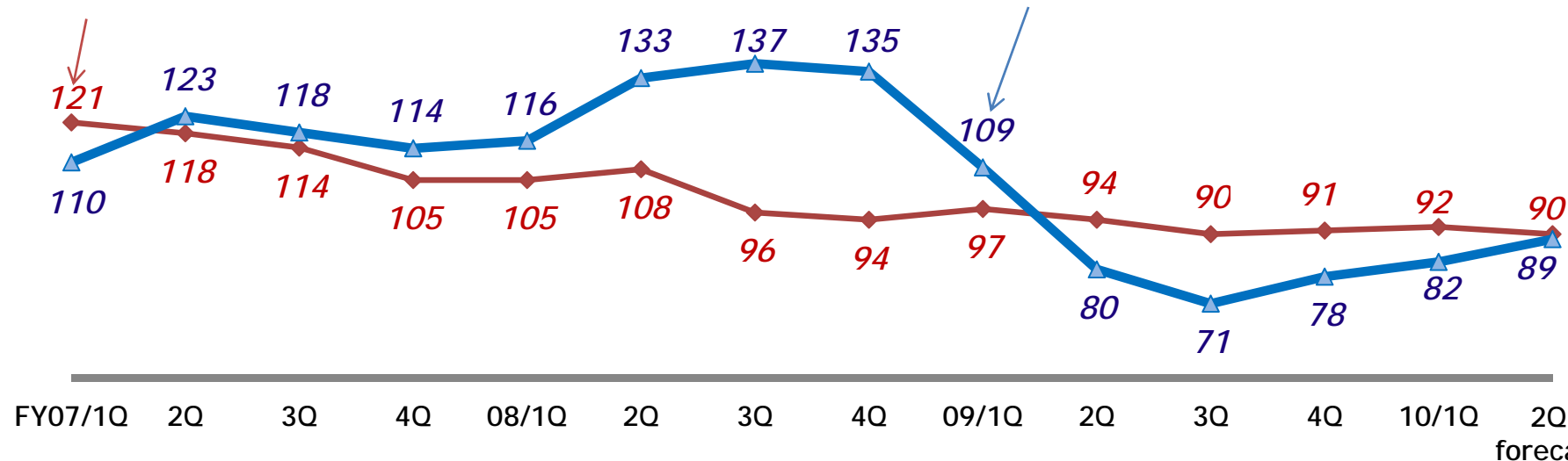
## Average Price of Steel Products & FOREX Rate

Ave. price of steel product (000JPY/ton)



FOREX rate (JPY/USD)

Ave. Export price of steel product (000JPY/ton)

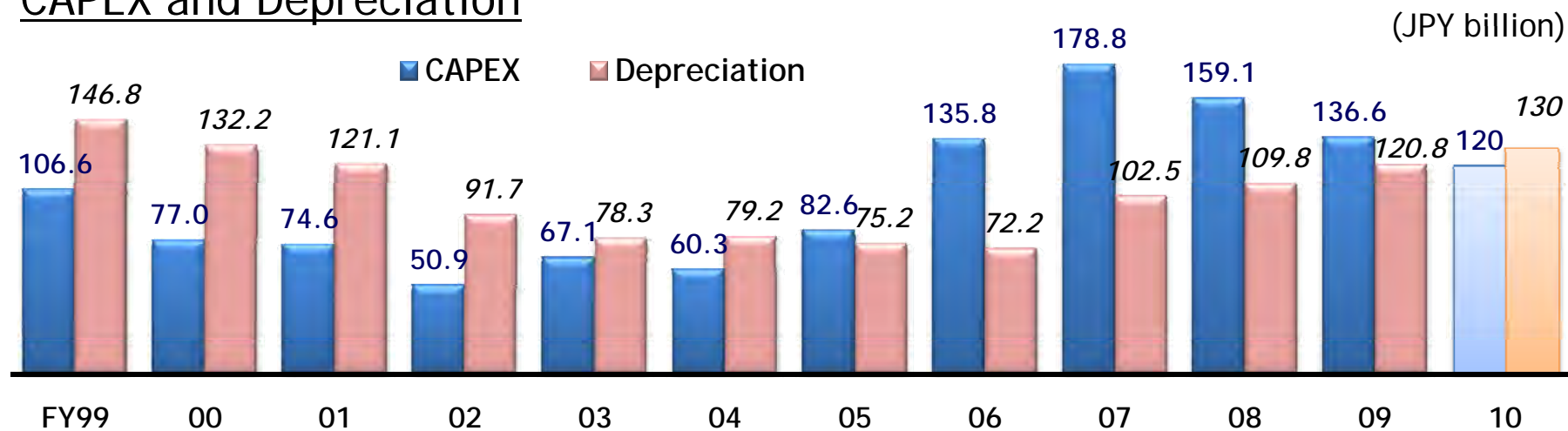


# Reference (4)

## CAPEX and Depreciation

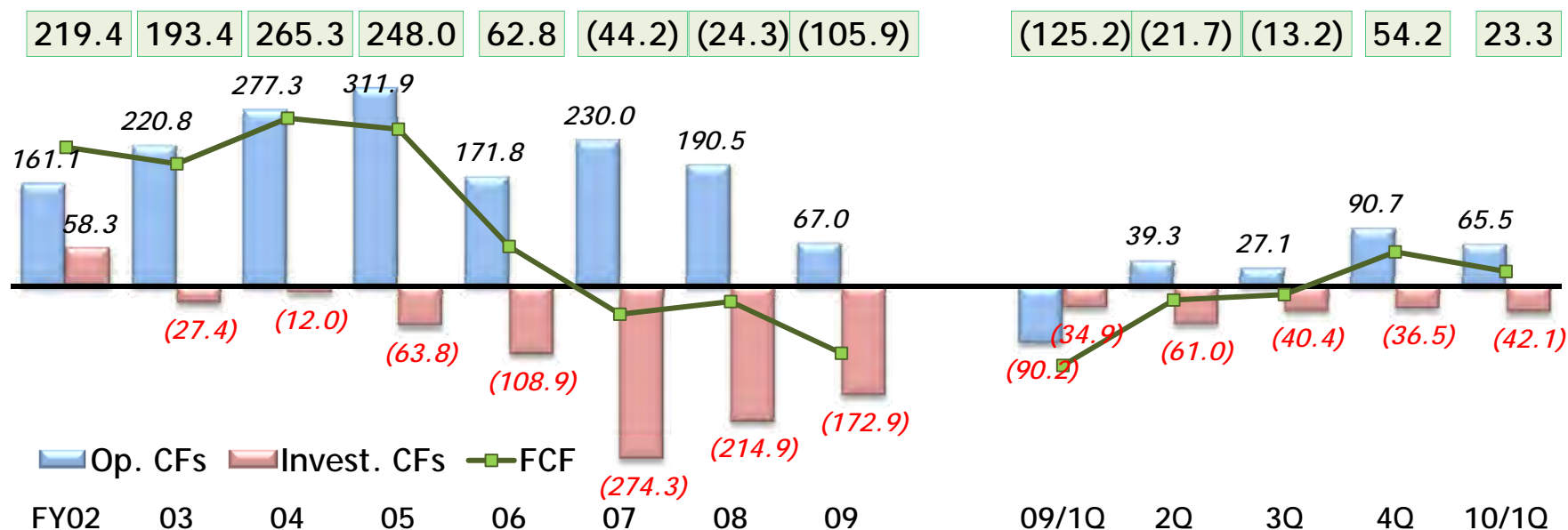
\*CAPEX: Construction-base

\*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