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Sumitomo Metals FY 2012 the First Quarter Performance (ending March 31, 2013)

July 30, 2012

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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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

This presentation includes "forward-looking statements" that reflect the plans and expectations of Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. in relation to, and the benefits resulting from, their possible business combination (or integration).

To the extent that statements in this presentation do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the two companies in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of one or both of the two companies (or the post-transaction group) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. The two companies undertake no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by the two companies (or the post-transaction group) in their subsequent domestic filings in Japan and filings with the U.S. Securities and Exchange Commission.

The risks, uncertainties and other factors referred to above include, but are not limited to:

- (1)economic and business conditions in and outside Japan;
- (2)changes in steel supply, raw material costs and exchange rates;
- (3) changes in interest rates on loans, bonds and other indebtedness of the two companies, as well as changes in financial markets;
- (4)changes in the value of assets (including pension assets), such as marketable securities;
- (5) changes in laws and regulations (including environmental regulations) relating to the two companies' business activities;
- (6) rise in tariffs, imposition of import controls and other developments in the two companies' main overseas markets;
- (7)interruptions in or restrictions on business activities due to natural disasters, accidents and other causes;
- (8) the two companies' being unable to reach a mutually satisfactory agreement on the detailed terms of the possible business combination (or integration) or otherwise unable to complete it; and
- (9) difficulties in realizing the synergies and benefits of the post-transaction group.

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.

Sumitomo Metals (Kokura) and Sumitomo Metals (Naoetsu) were merged into Sumitomo Metals on January 1, 2012. Therefore, regarding all output figures prior to the merger in this presentation, Sumitomo Metals (Kokura) comes under the Bar and Wire Rod Internal Company, and Sumitomo Metals (Naoetsu) and others come under Stainless Steel & Titanium Division and others.

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



Overview of Consolidated Results for FY12/Q1 & Forecast for FY12/H1

- Sales volume: The Q2 sales volume is expected to recover from Q1 when we decreased it mainly in steel sheet.
- Profit: We posted an Op. loss in Q1 due to output cuts and negative temporary factors such as loss on valuation by declined raw material prices and loss on devaluation of inventories by lower of cost or market method. In Q2, we expect Op. income to improve to 24 JPY billion as a result of recovery of sales volume and decreased negative temporary factors.
- Interim dividend forecast: 0 JPY/share

			FY12/H1	r _{H1} FY11		Change Change	
	Q1	Q2 forecast	forecast	H1	H2	vs. FY11/H1	vs. FY11/H2
Steel sales volume(m. tons)	2.78	3.15	5.93	5.12	6.12	0.81	-0.20
Sales	341.9	378	720	692.2	781.1	27.7	-61.1
Op. income(loss)	(11.2)	24	13	41.2	35.5	-28.2	-22.5
Ordinary income(loss)	(11.0)	21	10	41.3	19.4	-31.3	-9.4
Extraordinary income (loss)	(15.5)	-	(15.5)	(94.0)	(17.9)	78.5	2.4
Net income(loss)	(20.0)	12	(8)	(32.3)	(21.4)	24.3	13.4
Dividend (JPY/share)			-	1.0	1.0	-1.0	-1.0

Progress Report: Business Integration with Nippon Steel 4

Preparation for the business integration is on track.

- The integration was approved at the shareholders' meeting by 91 to 9 on June 26, 2012.



- Jun. 26, 2012: Nippon Steel Pipeline and Sumitomo Metal Pipeline & Piping agreed to merge on October 1, 2013.

* Visit our pre-integration website for information on the new integrated company's top message, strategy, corporate profile and the latest news.

http://www.nssmc.com/en/



FY2012/Q1 Results & FY2012/H1 Forecast

We posted an Op. loss in Q1 due to output cuts and negative temporary factors such as loss on valuation by declined raw material prices and loss on devaluation of inventories by lower of cost or market method.
 In Q2, we expect Op. income to improve to 24 JPY billion as a result of recovery of sales volume and decreased negative temporary factors.
 Extraordinary loss in Q1 includes loss on valuation of investment securities.

JPY billion	Q1	Q2 forecast	FY12/H1 forecast
Sales	341.9	378	720
Op. income(loss)	(11.2)	24	13
Ordinary income(loss)	(11.0)	21	10
Extraordinary income (loss)	(15.5)	0	(15.5)
Income taxes and minority interest	6.5	(9)	(2.5)
Net income	(20.0)	12	(8)
EPS (JPY)	-4.31	2.59	-1.73
EBITDA	14.6	53	68
Dividend (JPY/share)			-

	FY	11		Change	Change
Q1	H1	Q4	H2	vs. FY11/H1	vs. FY11/H2
306.8	692.2	397.4	781.1	27.7	-61.1
16.8	41.2	19.0	35.5	-28.2	-22.5
19.0	41.3	4.2	19.4	-31.3	-9.4
(14.3)	(94.0)	(9.1)	(17.9)	78.5	2.4
(1.4)	20.3	(11.2)	(22.8)	-22.8	20.3
3.2	(32.3)	(16.1)	(21.4)	24.3	13.4
0.70	-6.99	-3.48	-4.62	5.26	2.89
45.6	100.0	51.6	99.6	-32.0	-31.6
	1.0		1.0	-1.0	-1.0

Production & Prices

- We expect sales volume to recover in FY12/Q2.
- Forecast of seamless pipe sales volume for FY12/H1: 520,000 tons

		Q1	Q2 forecast	FY12/H1 forecast
FOREX rate	(JPY/USD)	80	80	80
Crude produ (million		3.07	3.48	6.55
Steel sales volume (million tons)		2.78	3.15	5.93
Seamless pipe sales volume (million tons)		0.24	0.28	0.52
Ave. price	Domestic	97.9	96	97
of steel products	Export	91.1	95	93
(000JPY/ton)	Average	94.7	95	95
Balance	Receipts			3.3
(USD billion)	Payments			-3.3
Simon,	Total			0

FY11					
Q1	H1	Q4	H2		
82	80	79	78		
2.77	6.11	3.36	6.61		
2.24	5.12	3.14	6.12		
0.23	0.47	0.26	0.52		
113.2	113.4	105.2	106.7		
96.6	98.1	93.6	94.9		
104.5	106.0	99.8	101.4		
	2.9		3.5		
	-3.2		-3.8		
	-0.3		-0.3		

Change vs.	Change vs.
FY11/H1	FY11/H2
0	2
0.30	-0.06
0.81	-0.20
0.05	0
-16	-10
-5	-2
-11	-6
0.4	- 0.2
-0.1	0.5
0.3	0.3

Extraordinary Loss

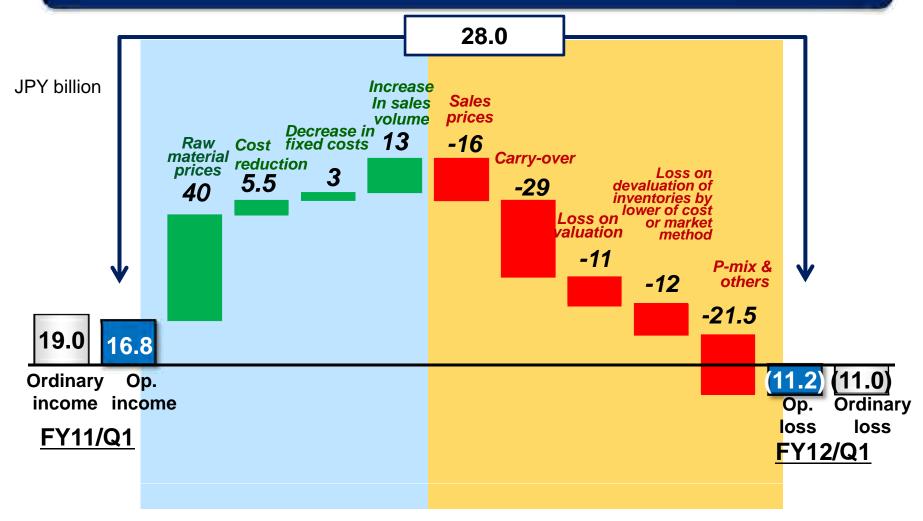
We posted loss on valuation of investment securities in Q1 due to the decline in stock prices.

JPY billion	Q1	Q2 forecast	FY12/H1 forecast
Impairment loss of fixed assets	-	-	-
Loss on disaster	-	-	-
Loss on sales of investment securities	-	-	-
Loss on valuation of investment securities	(15.5)	_	(15.5)
Loss on business restructuring	-	-	_
Loss on emission rights	-	-	_
Extraordinary loss	(15.5)	-	(15.5)

FY11				
Q1	H1	Q4	H2	
-	-	(5.5)	(5.5)	
(12.3)	(12.3)	(4.4)	(4.4)	
(1.9)	(1.9)	-	-	
-	(79.7)	7.8	(1.0)	
-	-	(3.3)	(3.3)	
-	-	(3.6)	(3.6)	
(14.3)	(94.0)	(9.1)	(17.9)	

Change vs. FY11/H2	Change vs. FY11/H1
5.5	_
4.4	12.3
-	1.9
14.4	64.2
3.3	_
3.6	-
2.4	78.5

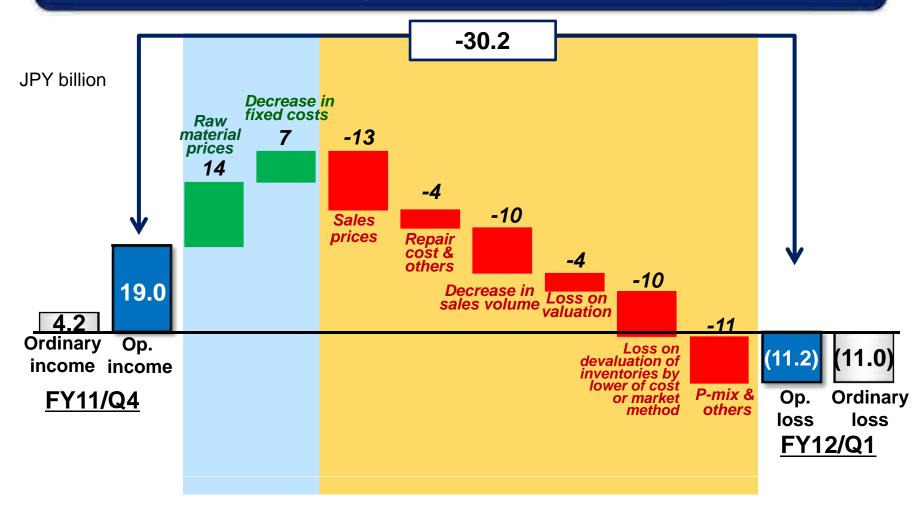
Op. income decreased by 28 JPY billion due to an impact from negative temporary factors such as carry-over and loss on devaluation of inventories by lower of cost or market method.



[•]Earnings from equity-method affiliates: <FY11/Q1> 4.7 JPY billion → <FY12/Q1> 3.5 JPY billion

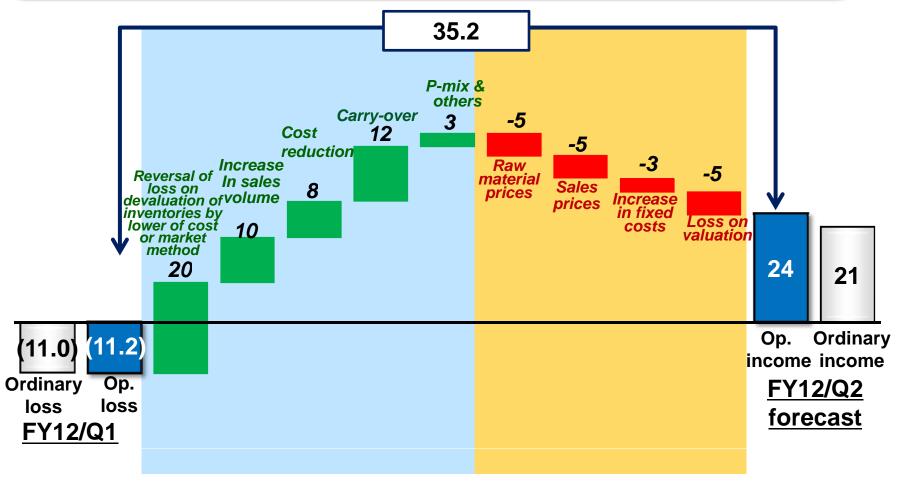
Change in Consolidated Operating Income (FY11/Q4→FY12/Q1)

Op. income decreased by 30.2 JPY billion due to reduced sales volume and negative temporary factors such as loss on valuation and devaluation of inventories by lower of cost or market method.



^{*}Earnings from equity-method affiliates: <FY11/Q4> -17.4JPY billion → <FY12/Q1> 3.5JPY billion

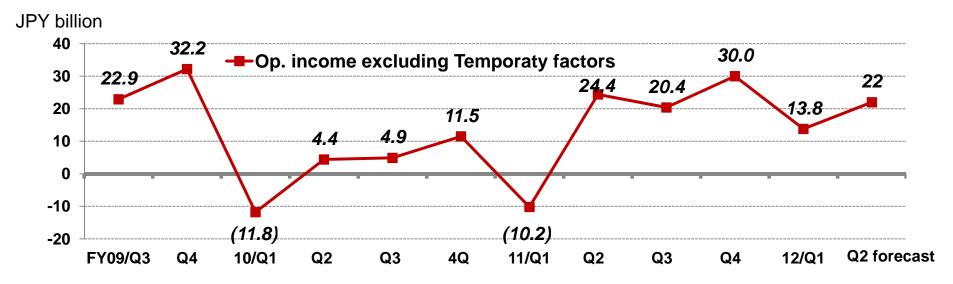
We expect Op. income to increase by 35.2 JPY billion as a result of recovery of sales volume and reduced negative impact from temporary factors such as carry-over and loss on devaluation of inventories by lower of cost or market method.



^{*}Earnings from equity-method affiliates: <FY12/Q1> 3.5 JPY billion → <FY12/Q2 forecast> 0.5JPY billion

Temporary Factors

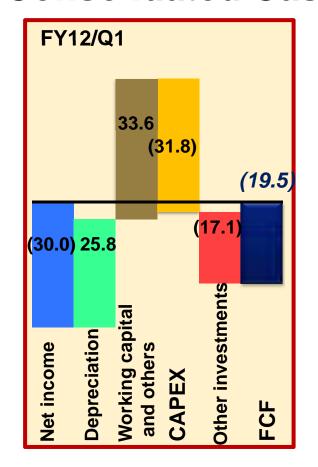
		FY11			FY12	
JPY billion	Q1	Q2	Q3	Q4	Q1	Q2 forecast
Op. income (loss): A	16.8	24.4	16.4	19.0	(11.2)	24
Carry-over	18	0	(4)	(11)	(11)	1
Gain (loss) on inventory valuation	7	2	0	0	(4)	(9)
Net devaluation of inventories by lower of cost or market method	2	(2)	0	0	(10)	10
Total temporary factors: B	27	0	(4)	(11)	(25)	2
А-В	(10.2)	24.4	20.4	30.0	13.8	22

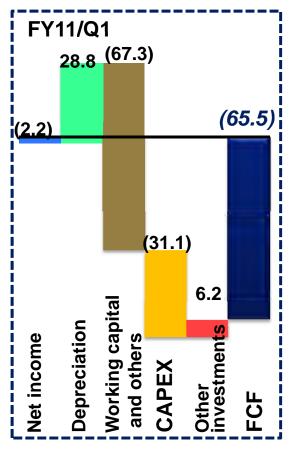


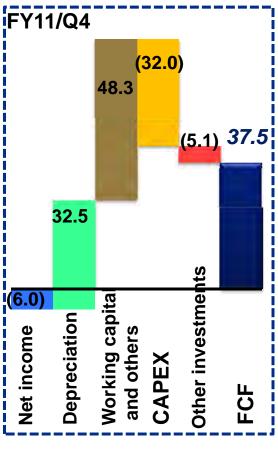
Consolidated Balance Sheets

JPY billion		11 12		12		0/	Change
JP I DIIIIOII	6E	9E	12E	3E	6E	%	vs.12/3E
[Assets]				_			
Current assets	632.8	693.5	707.5	658.0	636.3	-3.3	-21.7
Fixed assets	1,791.5	1,765.1	1,738.7	1,728.0	1,751.7	1.4	23.6
		2 1-2 2					
Total assets	2,424.4	2,458.6	2,446.2	2,386.1	2,388.0	0.1	1.8
[Liabilities and Sha	areholders	' Equity]					
Current liabilities	793.1	830.4	783.0	691.0	750.9	8.7	59.9
Long-term liabilities	813.6	826.1	899.3	933.6	896.8	-3.9	-36.7
Net assets	817.6	802.1	763.8	761.4	740.2	-2.8	-21.2
Debt	1,197.4	1,207.2	1,204.2	1,172.1	1,200.6	2.4	28.5
D/E ratio	1.56	1.61	1.69	1.65	1.75	-	0.10

Consolidated Cash Flows







JPY billion	FY12/Q1
Operating CF's	29.4
Investing CF's	(49.0)
FCF	(19.5)

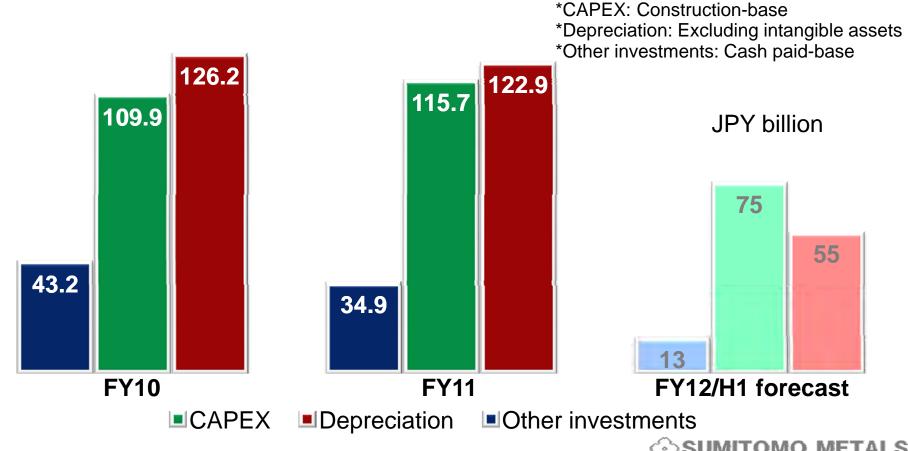
Y1	1/Q1
	(40.6)
	(24.8)
	(65.5)

FY11/Q4				
	74.8			
(3	7.2)			
	37.5			

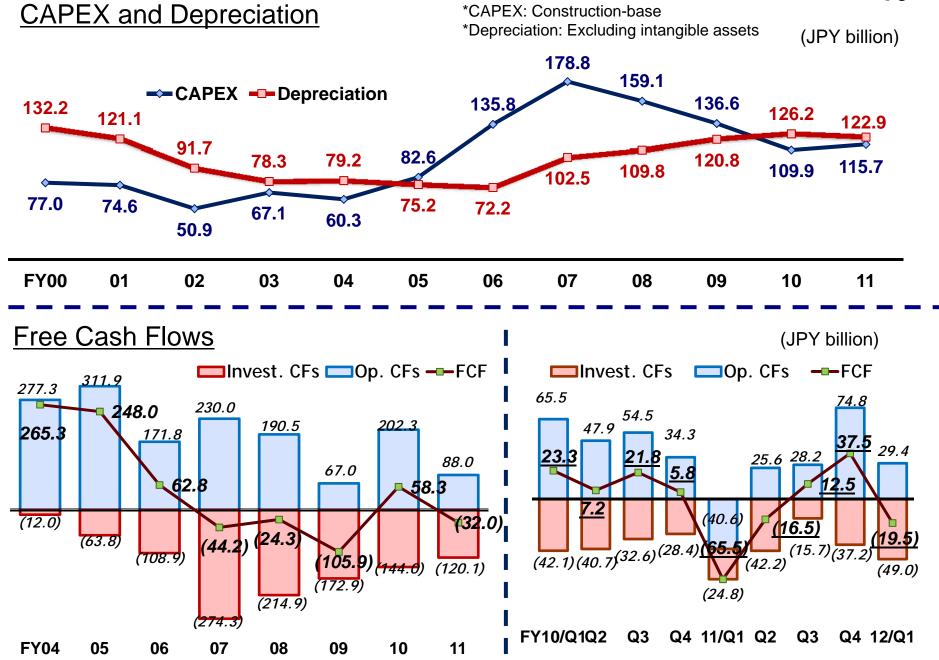
Net income: Income before income taxes and minority interests + income taxes paid Depreciation: Excluding intangible assets

Forecast for Consolidated CAPEX, Depreciation and Other Investments

We expect CAPEX for FY12/H1 to increase primarily due to renewal of Wakayama steelworks' upstream processes (planned to complete in FY12/H2) and investment in Kashima steelworks' facilities, mainly gas holders and unloaders damaged by the quake in the last year.



SUMITOMO METALS



CAPEX Plan and Overseas Business Investment Update

Note: The business integration with Nippon Steel is scheduled for Oct. 1, 2012. Sumitomo Metals, therefore, wishes to caution that the "CAPEX Plan and Overseas Business Investment" may differ materially from our forecast after the merger.

Schedule for starting operation			Invest. amount JPY billion		FY12	FY13	FY14	
CAPEX		•						
Pipe &	Renewal of upstream processes (Wakayan -New No.2 BF + reinforcement of CC	115		→	2 nd Half/12	2		
Tube	Increasing capacity for SG tubes for nuclear power plants	14			Apr. 13			
Others	Renewal of Corporate Research & Development Laboratory (Amagasaki)			→ Oct	. 11			
Other investments								
Sheet &	Steel sheet J/V in Vietnam (CSVC)	J/V total	115 investment an	nount)		FY12		
Plate	Collaboration with Bhushan Steel in India	nical assistance <i>I</i> I	•	Mar. 12		·····>		
Pipe & Tube	Integrated steel works with Seamless pipe mill J/V in Brazil (VSB)	5.4billion BRL (VSB's capital)			→			
Railway & Auto.	Forged crankshaft business J/V in India (SMAC) - Installation of second forging press line	· //		of SMAC)	Nov	. 12		
	Acquisition of Standard Steel in the U.S.	,	325 millon \$	● Jun. 1				

Dividend Policy

Dividend forecast for FY12

- Interim dividend: 0 JPY/ share

Dividend Policy of Nippon Steel and Sumitomo Metal Corporation

- > Consolidated dividend payout ratio target: approx. 20%.
- > Factors to be considered to return the profit to shareholders include:
 - capital requirements for investments to raise corporate value,
 - our performance forecast,
 - consolidated and non-consolidated balance sheets.

Business Trends

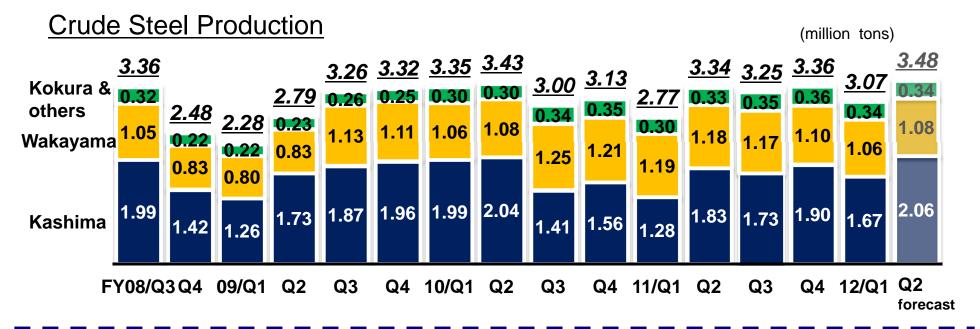
Consolidated Sales & Op. Income by Internal Company 20

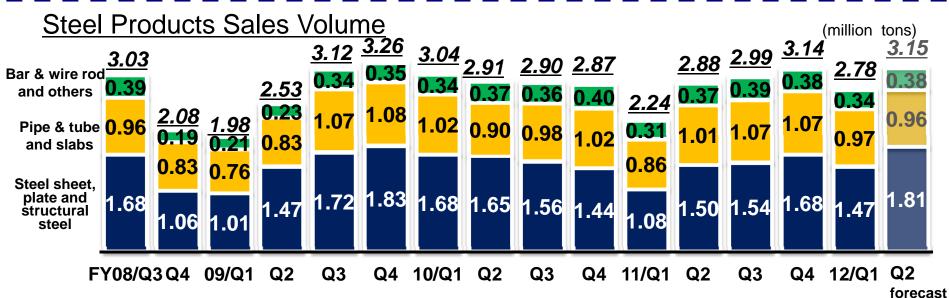
JPY billion		FY12			FY1	FY11	Change	Change
		Q1	Q2 forecast	/H1 forecast	/H1	/H2	vs. FY11/H1	vs. FY11/H2
S	teel sheet, plate and structural steel	123.7	151	275	253	.7 297.0	21.2	-22.0
	Pipe & tube Railway & automotive		137	270	263	294.6	6.1	-24.6
R			33	65	52	63.8	12.7	1.1
	Bar and wire rod *		36	70	73	79.3	-3.4	-9.3
St	Stainless & titanium and others *		9	20	27	7.8 27.3	-7.8	-7.3
Т	Total steel segment		367	700	671	.1 762.1	28.8	-62.1
	Others		11	20	21	.1 18.9	-1.1	1.0
	Total sales		378	720	692	781.1	27.7	-61.1
Op. Inc	come (loss) by Inter	nal Compa	any (Appro	x.)				
Ste	el sheet, plate and structural steel	(20)	12	(8)	11	.0 3.0	-19.0	-11.0
Pipe 8	Pipe & tube	6	7	13	15	19.5	-2.5	-6.5
tube	Slabs	(5)	(2)	(7)	(0.	5) (9.5)	-6.5	2.5
Ва	Bar and wire rod *		2.5	3	2	6.0	1.0	-3.0
—	Total stand seement		00 F	4.4			00.4	20.7
10	Total steel segment		22.5		39		-28.1	-22.7
	Others		1.5	2	2	1.7	-0.1	0.3
То	Total Op. income		24.2	13	41	.2 35.5	-28.2	-22.5

^{*}Sumitomo Metals (Kokura) and Sumitomo Metals (Naoetsu) were merged into Sumitomo Metals on January 1, 2012.

Regarding all output figures prior to the merger, Sumitomo Metals (Kokura) comes under the Bar and Wire Rod company, and Sumitomo Metals (Naoetsu) and others come under Stainless Steel & Titanium and others.

Crude Steel Production & Sales Volume



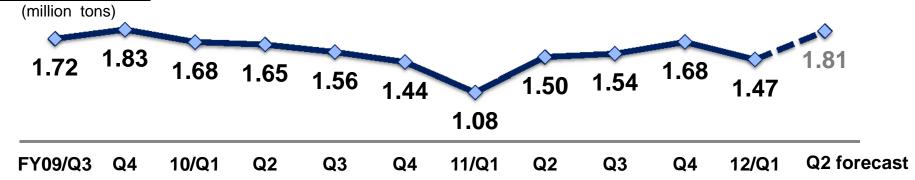


Trends in Demand/Supply by Steel Product

Steel sheet, plate & structural steel

- * Demand is dwindling except demand from Autos in Japan.
- * Although we cut output due to facility maintenance at Kashima steelworks and structural steel mill's trouble in Q1, we expect it to recover to the ordinary production level.

Sales volume

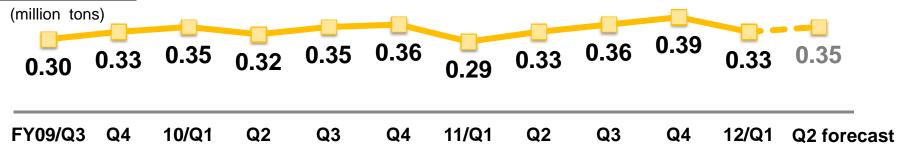


Pipe & Tube

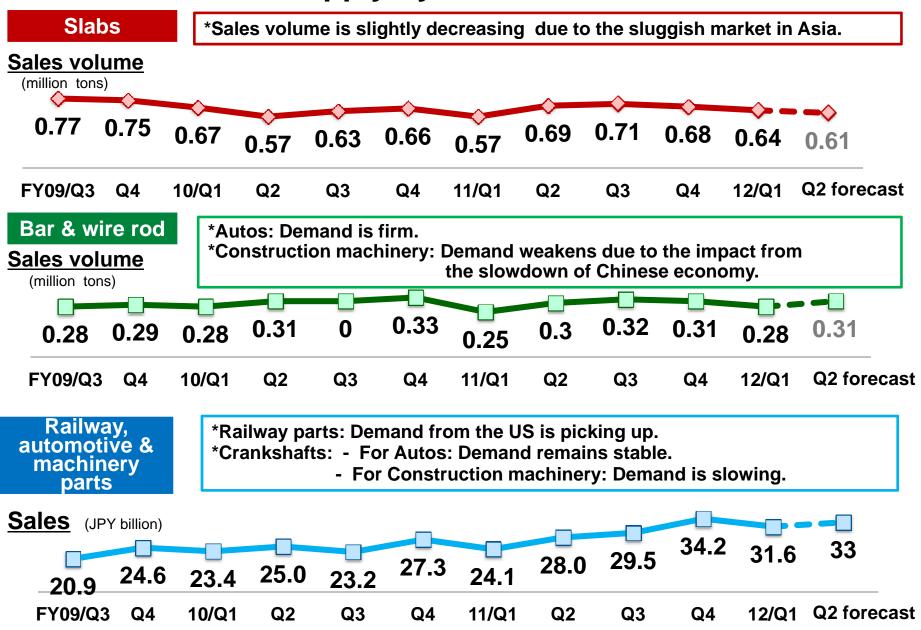
*Seamless pipe: Demand remains stable.

*Large-diameter welded pipe: We expect sales volume to decrease due to a cyclical drop in demand.

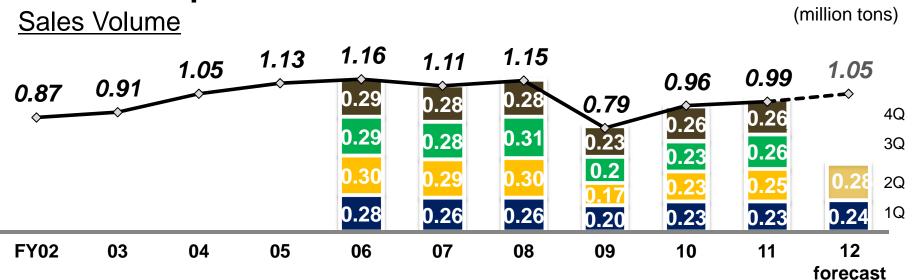
Sales volume



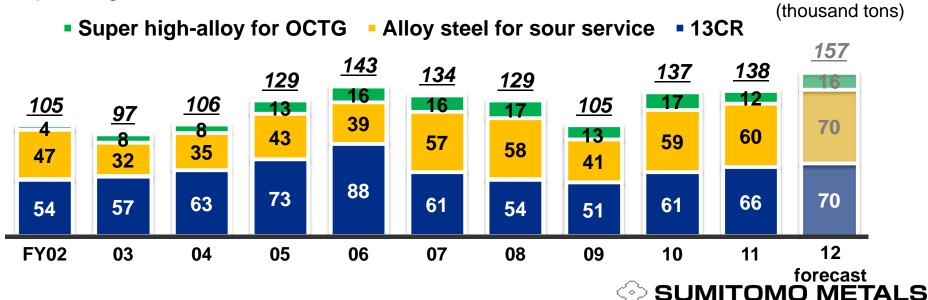
Trends in Demand/Supply by Steel Product



Seamless Pipe Sales Volume



Super High-end Sales Volume



Outlook of Seamless Pipe Demand/Supply

OCTG / line pipe

- **→** Long-term contract customers: We expect the demand to be stable through FY12.
- → Spot market: US market: Shale oil's drilling activity continues to be brisk. Demand, mainly for high-end products, is resilient.
 - Non-US market: High level of rig count bolsters demand.
- → Line pipe: We expect FY12 sales volume for projects and distributors to be above FY11's.

Specialty tube

- **→** We expect FY12 sales volume to be the same level as FY11.
- **→** Boiler tubes for gas-fired combined cycle power generator: Demand is robust.
- → USC boiler tubes for coal-fired power plants: Demand is picking up.

Autos & construction machinery

- **→** Construction machinery:
 - Japanese market and mine developer: Demand remains firm.
 Export: Demand is slowing.

VSB

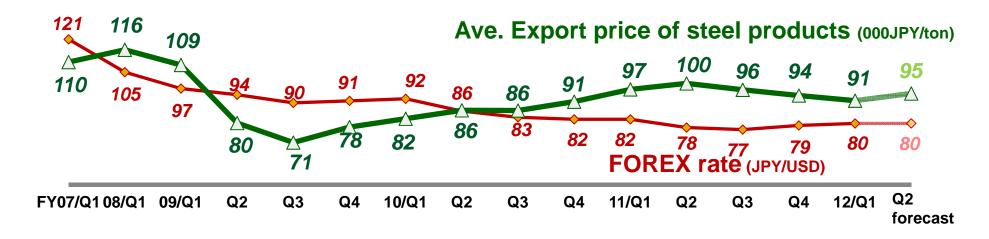
- → Sales volume forecast for FY12: 50,000 -100,000 tons
- → We continue to ramp up and obtain approvals from the customers.

Rig count	06 Avg.	07 Avg.	08 Avg.	09 Avg.	10 Avg.	11 Avg.	The latest
The US	1,649	1,768	1,879	1,089	1,546	1,875	(July, 27, 2012) 1,924
Deep well (>=15,000ft)	225	222	283	249	249	395	(June, 2012) 322
International (except N. America, Russia and China)	925	1,005	1,079	997	1,094	1,167	(June, 2012) 1,285

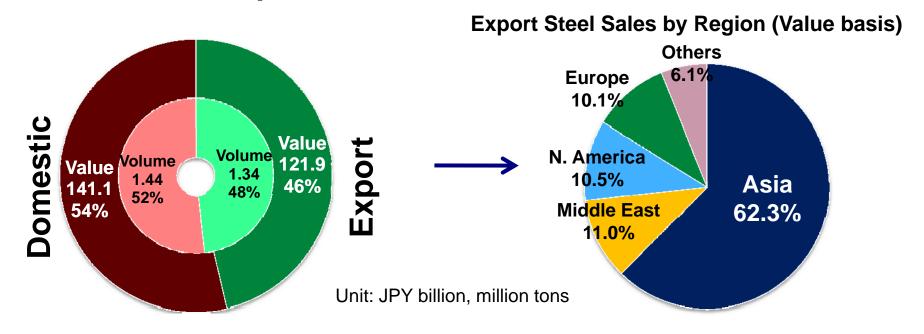
Source: Baker Hughes, Smith international

Average Price of Steel Products

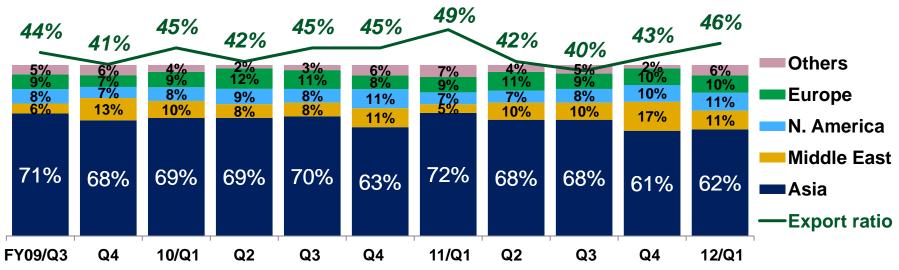




Domestic and Export Steel Sales for FY12/Q1



Export Steel Sales by Region (Value basis)



October 1, 2012 NIPPON STEEL & SUMITOMO METAL CORPORATION Aim to be the Best Steelmaker

