Attendees from Sumitomo Metals:

Yoshinari Ishizuka, Director and Senior Managing Executive Officer
Seiji Kato, General Manager, Treasury Department
Nobuaki Masuda, General Manager, Public Relations and Investor Relations Department
Masato Hoshi, Manager, Investor Relations Group

(Performance by internal company)

Q1) Will you explain the difference between the first half results and the forecasts announced at the 1Q IR briefing that was held about three months ago, for each internal company?

A1) The Steel Sheet, Plate & Structural Steel Company improved its operating loss mainly due to an increase in sales volume and a reversal of loss on devaluation by the lower of cost or market method. The Pipe & Tube Company also improved its operating loss, thanks to additional cost reduction and an increase in sales volume for seamless pipe. As for Sumitomo Metals (Kokura), operating loss was bigger than the forecast due to adopting the lower of cost or market method.

Q2) Please comment on full-year forecasts for each internal company.

A2) We anticipate an improvement in the Steel Sheet, Plate & Structural Steel Company, thanks to a demand-led increase in sales volume, while a deterioration is expected in the Pipe & Tube Company, due to a downward revision to sales forecasts for the second half.

Q3) Will you elaborate on the deteriorating factors for the Pipe & Tube Company?

A3) The pipe & tube business (excluding slabs) recorded operating income of about 8 billion yen and 5 billion yen in 1Q and 2Q, respectively, but is expected to generate only about 1 billion yen of income in the second half. This is mainly because shipments of high-alloy OCTG (Oil Country Tubular Goods), one of the strong earnings contributors among super-high-end products, are expected to decrease in the second half due to delays in opening letters of credit.

(Sales volume recovery)

Q4) Sales volume for steel sheets, plate & structural steel in the second half of FY09 is expected to exceed that of the first half of FY08. Are you increasing your market share in these products?
A4) Sales volume for steel sheets is expected to increase, in line with a recovery in demand from the automobile industry, which represents about 60% of our steel sheets sales. Aside from a difference caused from sales product mix, we assume that the business situation is essentially similar at our peers.

Q5) Are you expecting that slab sales in Japan in the second half will be as high as indicated by long-term contracts?
A5) Yes, we are not expecting any change.

Q6) You said that sales volume for steel products will be 103 in the second half of FY09, compared to 100 in 1Q FY08. What kind of recovery are you expecting in terms of production volume?
A6) In the first half of FY09, production cut in the downstream operation resulted to an increase in work-in-process inventories. In the second half, we plan to reduce such inventories to a normal level, thus production increase in the upstream operation will not be as much as an increase in sales volume.

The blast furnace production ratio dropped to 1.54 in the first half of FY09 because of a decrease in production volume caused by the blowing-out of the No. 4 blast furnace and the subsequent blowing-in of the new No. 1 blast furnace at the Wakayama Steel Works. In the second half, however, the overall projected ratio is expected to rise to a little more than 1.8, with Kashima and Wakayama Steel Works standing at around 1.9.

Q7) How do you see demand/supply conditions for major products in 4Q?
A7) We believe that demand for steel sheets for the automotive sector will continue to be firm, and the same holds true for specialty steels for automobiles. In contrast, demand for structural steel is likely to remain weak.

Q8) Are you incorporating any extraordinary factors in selling prices in 4Q?
A8) No, we are not expecting anything special, relative to 3Q.

(Pipe & Tube business)
Q9) Please talk about supply/demand conditions and the market outlook for seamless pipes.
A9) Our pricing forecast has not changed since 1Q result announcement, and our sales volume forecast stands at 800 thousand metric tons for FY09.
By product, we previously explained about the delayed purchase of OCTG by customers in the Middle East and other areas. This situation has begun to be settled and we now believe that demand has hit bottom for OCTG.

Global energy demand is still at a low level while U.S. natural gas prices remain depressed. The level of U.S. OCTG inventory, a global benchmark, is still quite high. Thus, we are expecting a gradual recovery in our sales volume.

Regarding line pipes, destocking in the spot market has progressed and talks about projects have picked up momentum.

With regard to boiler tubes, projects for coal-fired power plants continue to be delayed.

SG tubes for nuclear power plants continue to be manufactured at full capacity. The inventory adjustment for mechanical tubes for the automotive & machinery sectors in Japan has been completed, and a pick-up in production is expected going forward.

Q10) Are you expecting sales volume for seamless pipe to rise to 0.9-1.0 million metric tons in FY10?
A10) We expect demand for seamless pipe to continue to recover but it is still too early to mention specific numbers. With regard to boiler tubes, it may take more time for a recovery to materialize than in the case of other products.

Q11) When do you think selling prices for pipes and tubes will hit bottom?
A11) Pipes and tubes tend to have a longer lead time from order receipt to shipment than other steel products such as steel sheets. The spot orders we received back in March to May of this year when the spot market was most depressed, will materialize shipment in the second half. This suggests that selling prices are likely to bottom in 3Q of FY09.

Q12) The market for large-diameter pipe is recovering. What is the situation regarding this product for Sumitomo Metals?
A12) Our sales of large-diameter pipe were depressed at 80 thousand metric tons in the first half of FY09 but are expected to roughly double in the second half.