SUMITOMO METALS

Sumitomo Metals FY2009 Third Quarter IR Briefing on February 3, 2010

Summary of Q&A

Representatives from Sumitomo Metals:

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(Operating performance)

Q1) Are you performing in line with your forecast for this year, in terms of sales and earnings?

A1) In general, we are progressing as planned. In the second half of the current fiscal year, sales for the automotive sector have been favorable, while sales of structural steel in Japan have deteriorated. Temporary factors such as inventory valuation have affected quarterly results but our full-year forecasts remain unchanged from the previous announcement.

Q2) Why were temporary items poorer, rising from a loss 16 billion yen in the 2Q to a loss of 26 billion yen in the 3Q?

A2) This was affected by allocation of cost variance on inventory valuation. The overall amount of such temporary factors will decrease gradually going forward.

Q3) When calculating the impact of temporary factors for each internal company, how do you think of an approach to allocate it company by company in accordance with a ratio of crude steel production?

A3) In general, that approach will be appropriate.

Q4) Looking at the page on change in operating income from FY2008 to FY2009, sales prices were listed as a deterioration factor, by 3 billion yen, from the previous guidance. Why?

A4) The main reason is deterioration in market prices of products such as construction materials for distributors.

Q5) Your increase in sales volume appears to be slower than of other blast furnace companies.

A5) Sales of slab steel to alliance partners represent about 20% of our sales. This enables our sales volume to be more stable than our competitors. This steadiness means sales are unlikely to drop as much compared to our competitors. This also suggests that our increase tends to be less than at our peers.

(Pipe & Tube business)

Q6) You have slightly revised sales volume forecasts for seamless pipe.

A6) Yes. We were able to provide more accurate forecasts, as the year-end is approaching. The base trend of moderate recovery has not been changed.

Q7) Why did you lower the sales volume forecasts of super high-end OCTG (Oil Country Tubular Goods) products?

A7) Some orders we had anticipated for OCTG with sour-gas resistance feature did not come through.

Q8) Will you discuss the market condition of seamless pipe by product?

A8) Regarding OCTG, thanks to a pick-up in demand, order volume is recovering but negotiation for revision of prices for long-term contract has not started yet.

With regard to line pipes, we are on the way to recovery with a progress in destocking in spot market.

Demand for boiler tubes used in coal-powered power generation plants remains weak. In contrast, our production of steam generator tubes for nuclear power plants continues to be at full capacity.

We are seeing an increase in sales volume for mechanical steel tubes for domestic automobiles and construction machinery, thanks to progress in inventory adjustment.

Q9) When will you see a bottom in prices of seamless pipe?

A9) We believe that prices will hit bottom in the current, second half of FY2009.

Q10) Please comment on how Chinese seamless pipes are affecting the overall demand-and-supply conditions at present and in the future.

A10) We don't expect to be directly affected by Chinese products because our seamless pipes are high-end products and do not compete with those lower-grade pipes made in China. Nevertheless, Chinese products have become something of a destabilizing factor in the global seamless pipe market. Thus, there is some indirect impact on Sumitomo Metals.

Q11) Will you talk about breakdown of operating income of the Pipe & Tube Company?

A11) The pipe & tube business (excluding slabs) recorded an operating loss of 3 billion yen in 3Q and is expected to generate operating income of 5 billion yen in 4Q and 15 billion yen for the

full year. The slab business had an operating loss of 3 billion yen in 3Q and is expected to be breakeven in 4Q. For the whole year, an operating loss of 20 billion yen is forecasted.

Q12) Please elaborate on the profit trend of seamless pipe.

A12) From 2Q to 3Q, earnings have weakened mainly due to deterioration in selling prices. From 3Q into 4Q, favorable factors will be an improved product mix associated with growth in sales volume of high-end products and an increase in overall sales volume.

Q13) The seamless pipe production in Brazil will start in the next fiscal year. Will it have a negative impact on earnings in the start-up year?

A13) The impact on earnings in FY2010 should be immaterial. With regard to start-up costs at the steel works, some costs have already incurred in training employees and other activities. Thus, administrative costs will not surge all of a sudden.

Q14) What type of customers do you have in mind in Brazil?

A14) At present, our principal customers are major oil companies and others with long-term contracts, given the limits to our production capacity. In view of the increase in capacity after completion of the new mill in Brazil, we are now strengthening marketing efforts by making presentations on our technology to national and independent oil companies. When sales volume to such new customers increases, the ratio of sales based on long-term contracts should drop.

(Others)

Q15) In FY2010, Japan's sales volume for steel plate is expected to decrease due to an increase in production by Korea, a major country that takes exports from Japan. In contrast, it is said that the demand-and-supply conditions for large-diameter welded pipe, which uses steel plate, is rapidly improving. Are you expecting that your steel plate mill continues to operate at full capacity?

A15) You should not worry too much about the impact of increased capacity in Korea, as we have strong relationships with importers of our steel plate.

At the same time, as you pointed out, we are projecting a quite substantial increase in demand for large-diameter pipe for the next fiscal year. This is evidenced in our recent announcement on a contract with Nord Stream AG to supply large diameter welded pipes for their pipeline project.

In this environment, we are currently promoting construction to expand production capacity for ultra high strength line pipes with a start-up at the end of FY2010.

We are currently reviewing how to allocate production between steel plate and large diameter pipe. Whatever the outcome, we believe we will be able to maintain full capacity production of our steel plate mill.

Q16) What is the direction for CAPEX, other investment and depreciation in FY2010?

A16) CAPEX is unlikely to exceed the estimated amount of 138 billion yen of FY2009. Other investment is expected to decrease year-on-year, as the new mill in Brazil will start operation in mid-2010. Depreciation is expected to increase slightly. Based on these factors, we believe that our debt balance will be lower at the end of FY2010.