Representatives from Sumitomo Metals:

Shin Nishiura, Managing Executive Officer
Seiji Kato, General Manager, Treasury Department
Nobuaki Masuda, General Manager, Public Relations and Investor Relations Department
Masato Hoshi, Manager, Head of Investor Relations Group

(FY2012 first quarter earnings results)
Q1) The analysis of change in operating income for the first quarter of FY12 compared to the fourth quarter of FY11 shows the negative impact of 11.0 billion yen from “product mix and others.” Will you break down details?
A1) There are three major factors. First is a decrease in income caused by the temporary stopping of operations at our Kashima Thermal Power Station (IPP: Independent Power Producer) for maintenance. After the earthquake and tsunami of March 2011, this IPP had operated at full capacity but did maintenance ahead of the electricity demand peak during the summer season. The plant has already returned to normal operation. Second, an increase in start-up cost at VSB in Brazil. Third, an impact of a 20,000 ton drop in seamless pipe sales volume.

Q2) I suppose you have not ended the pricing negotiation with some of your domestic customers. How did you incorporate this factor in the first quarter results?
A2) We have incorporated the probable outcome of ongoing negotiations, where we can make reasonable projections.

Q3) It appears that inventories have increased in the first quarter.
A3) Yes, we have increased inventories at this quarter’s end, as we are anticipating an increase in sales volume in the second quarter.

(FY2012 first half earnings forecasts)
Q4) You mentioned that the Steel Sheet, Plate and Structural Steel Company will recover from a drop in production caused by repair in the first quarter and increase in sales in the second quarter. Which specific products are expected to recover in sales volume?
A4) The major factor for sales recovery is steel sheets exports for autos, which we set back by a shipment adjustment in the first quarter.

Q5) What is the reason behind your forecasts of shrinking operating loss in the slab business in the second quarter compared to the previous quarter? Will you also explain why operating income of the bars and wire rod business, which has a high sales ratio to autos, is projected to increase in the second quarter in spite of the declining pricing trend for automobile-related products?

A5) Both businesses suffered from raw material carry-over in the first quarter but will no longer be affected by this negative factor in the second quarter. That is the primary reason.

Q6) Does pricing negotiation with domestic long-term contract customers differ by products such as steel sheet, steel plate, specialty steel and construction materials?

A6) We cannot disclose details about negotiation with specific customers. However, generally speaking, we will not rely merely on the latest pricing trend of raw materials, and consider the past track record of product prices to the customer and its relation with raw material price fluctuations.

With regard to commodity products, margin is deteriorating as the demand-supply balance of steel materials has been soft lately.

Q7) Please elaborate why you are expecting a rise in the average price of steel product exports in the second quarter from the first quarter.

A7) We are anticipating that improvement in product mix will bolster the average price. And the improvement is expected as a result of an increase in sales volume of seamless pipe, by 40,000 tons, and of steel sheet exports for autos.

Q8) Are you discounting any expenses that are related to the integration with Nippon Steel Corporation in the first half?

A8) We are not incurring any significant expenses, except some hundreds of million yen in start-up costs to integrate both companies’ information systems.

Q9) What is Sumitomo Metals’ earnings outlook for the second half of FY12, without considering the integration factor? What about the new integrated company’s earnings outlook for the same period?

A9) We will make efforts to maintain at least the profit level of this second quarter’s operating income excluding temporary factors, although the outlook of Sumitomo Metals alone
would become less relevant. Regarding the new integrated company, we are preparing so that synergy impacts could be materialized earlier than planned.

(Seamless pipe)

Q10) Why is the operating income of the pipe & tube business expected to decrease in the first half of FY12 from the second half of FY11?
A10) The major reason is an increase in VSB’s start-up costs.

Q11) Does your forecast of 1.05 million tons in seamless pipe’s annual sales volume include those produced by VSB?
A11) Yes. VSB’s production volume is included in total sales volume, and costs are incurred as they are generated.

Q12) Although North America’s OCTG (Oil Country Tubular Goods) spot market has been soft in the past several months, you expect sales of super high-end products will remain solid. Why is there a difference?
A12) At the current foreign exchange rates, we recognize that we cannot compete by manufacturing low-value-added commodity products in Japan. We are thus promoting a shift to high-margin, high-value-added products, in which the demand-supply balance continues to be solid.

Q13) Seamless pipe has about a 6-month time lag from orders received to shipment. Does it mean that a drop in raw material prices in the first quarter will be reflected in the sales price in the second half?
A13) As you pointed out, a drop in raw material prices will affect sales prices with some time lag. However, margin is little affected as fluctuation of sales prices is linked to the fluctuation of raw material prices in a general way.

Q14) Do you think there is more room to improve profitability of seamless pipe?
A14) In order to further improve profitability, assuming the current exchange rates, it is utmost important to promote a further shift into high-end products in the product mix. That is why we have been consistently developing new products such as “Super 17 Cr” OCTG, with the explicit aim of improving product mix.