

# Medium-Term Business Plan 2006 ~ 2008 Progress

Accelerating Distinctiveness - Railway, Automotive & Machinery Parts



# 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,” “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.

*2006*

*2008*

*2015*

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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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

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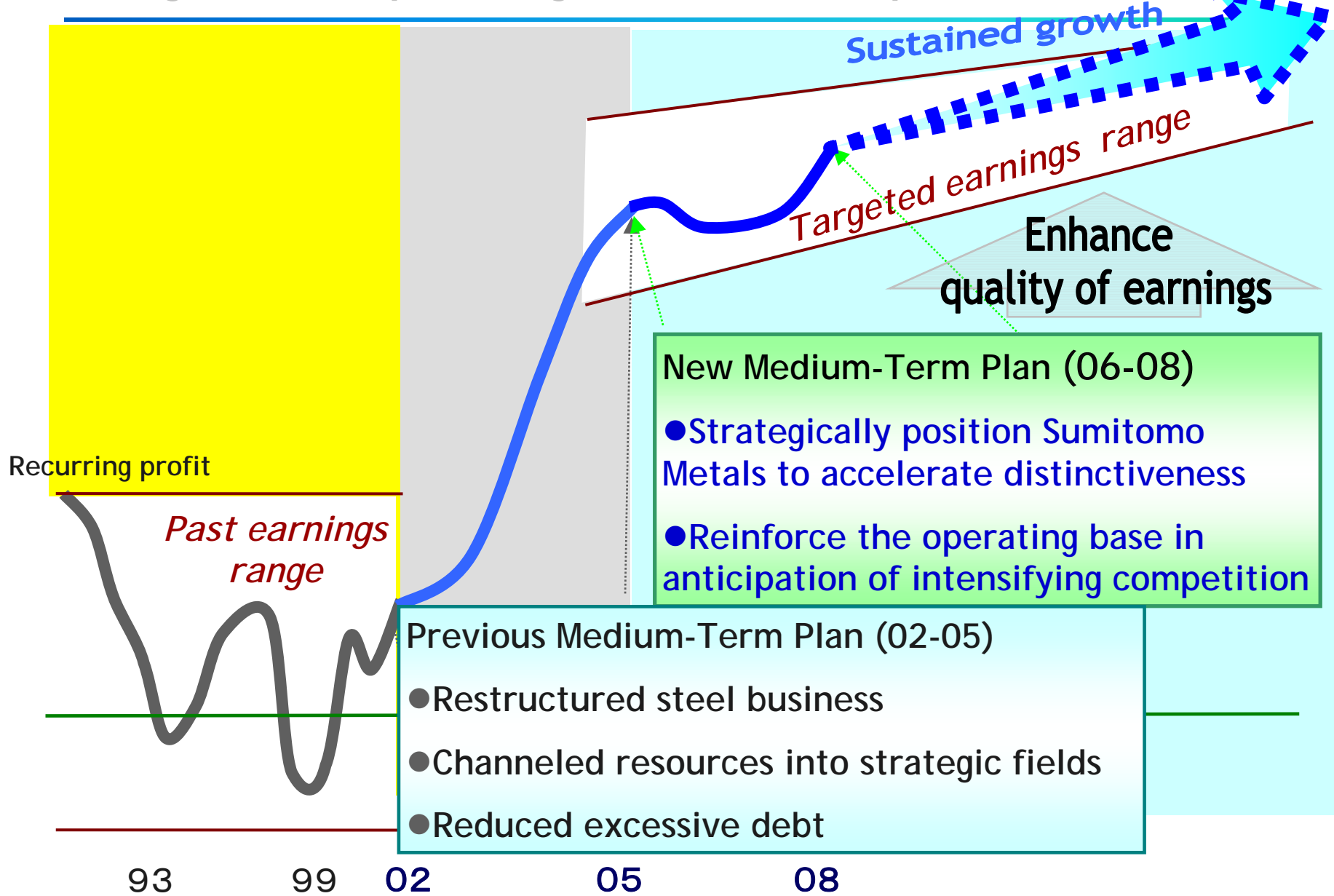
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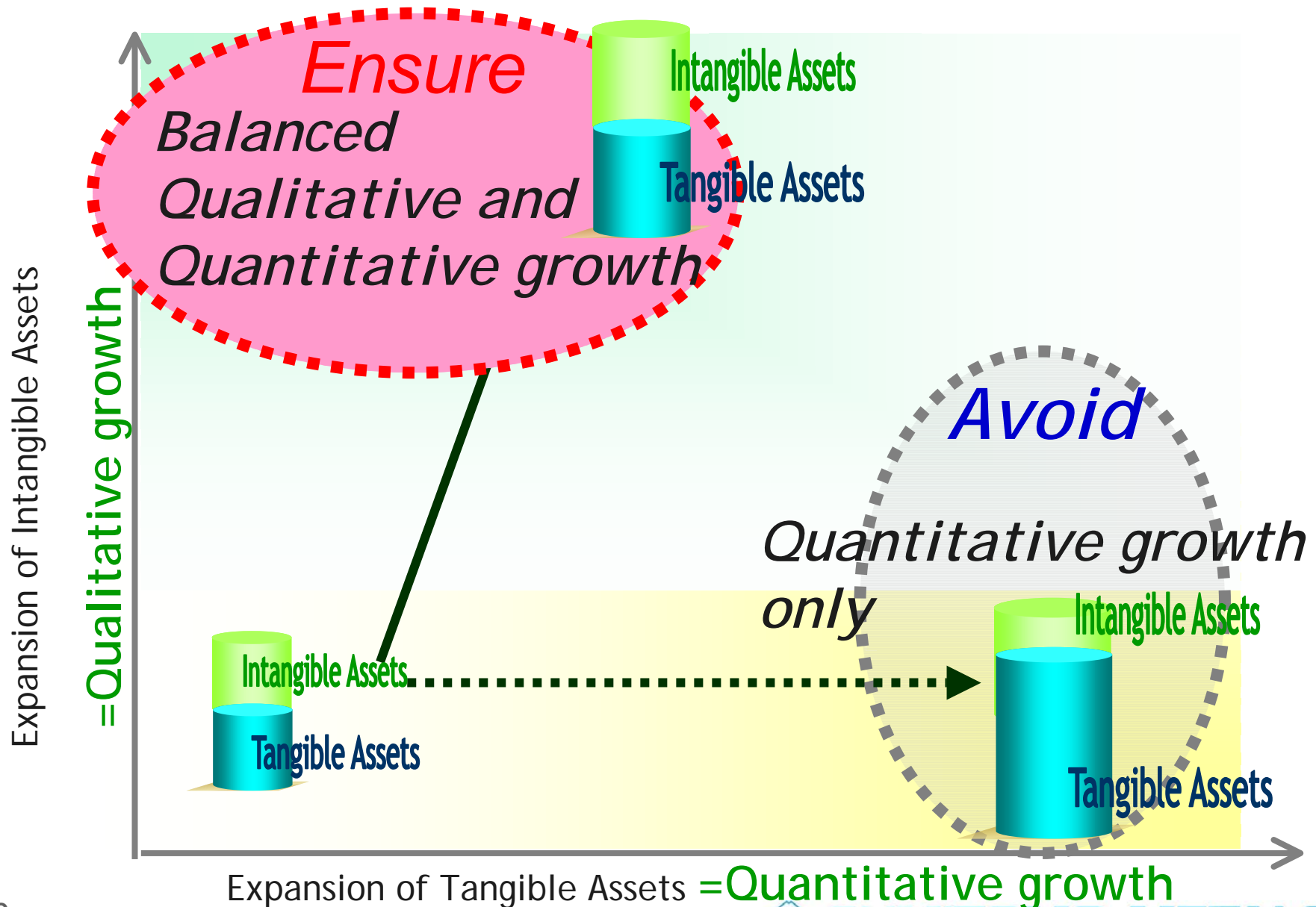
# I .Medium-Term Business Plan 2006 ~ 2008 Progress



# Building a Solid Operating Base to Underpin Future Growth



# Direction of Growth



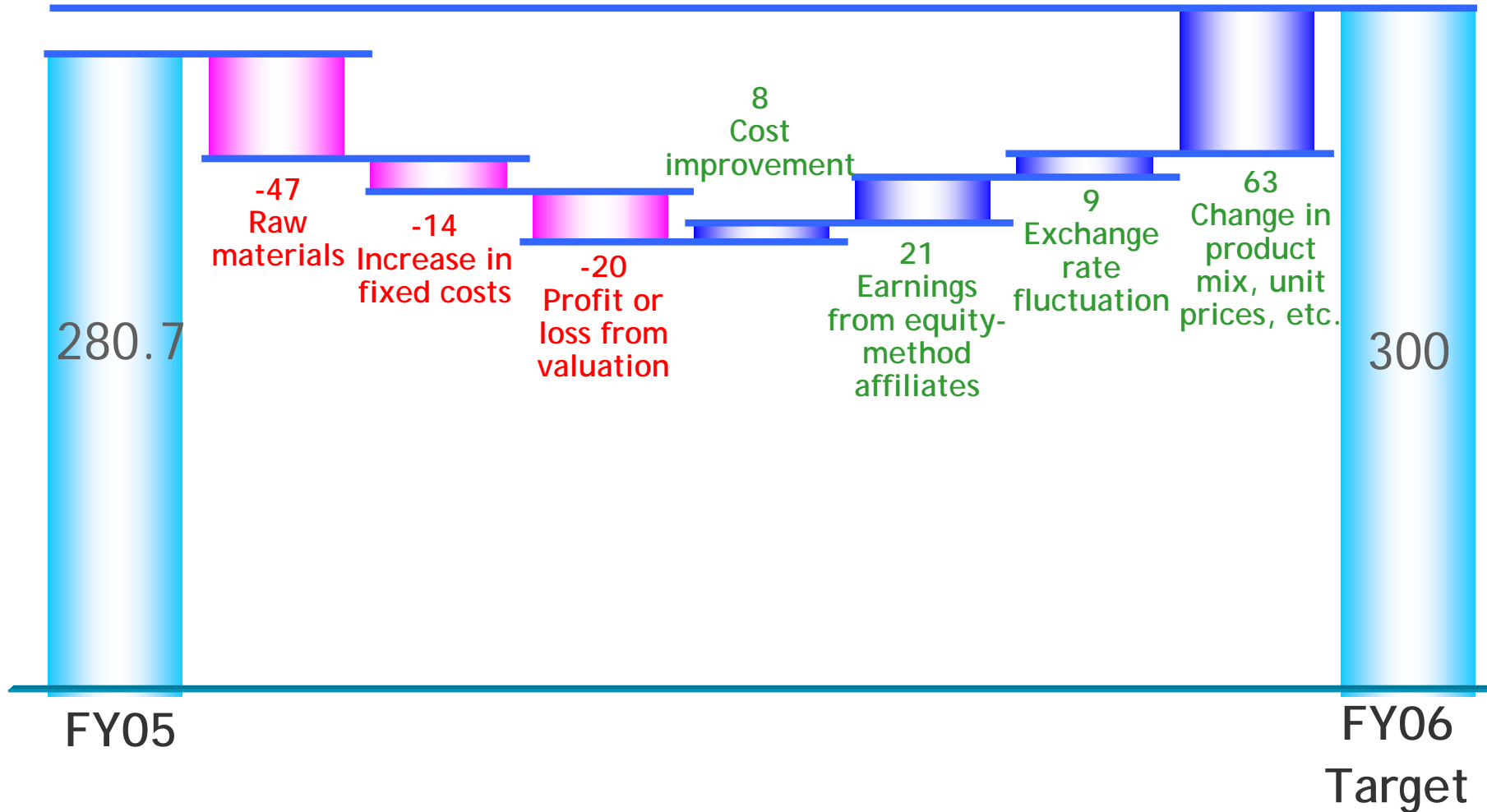
## Consolidated Financial Targets in Medium-Term Business Plan

JPY billion	FY 05	FY 06 Targets (approximate)	FY 08 Plan (approximate)
Net Sales	1,552.7	1,560	1,620
Operating profit	305.8	280	300
Recurring profit	280.7	300	290
Net income	221.2	190	180
Total assets	2,113.3	2,180	2,380
Debt	679.7	720	680
Shareholders' equity	720.8	790	1,070
ROA	14.5%	14%	13%
Equity ratio	34.1%	36%	45%
D/E ratio	0.94	0.91	0.6

# Change in Consolidated Recurring Profit (FY05 - FY06 Target)

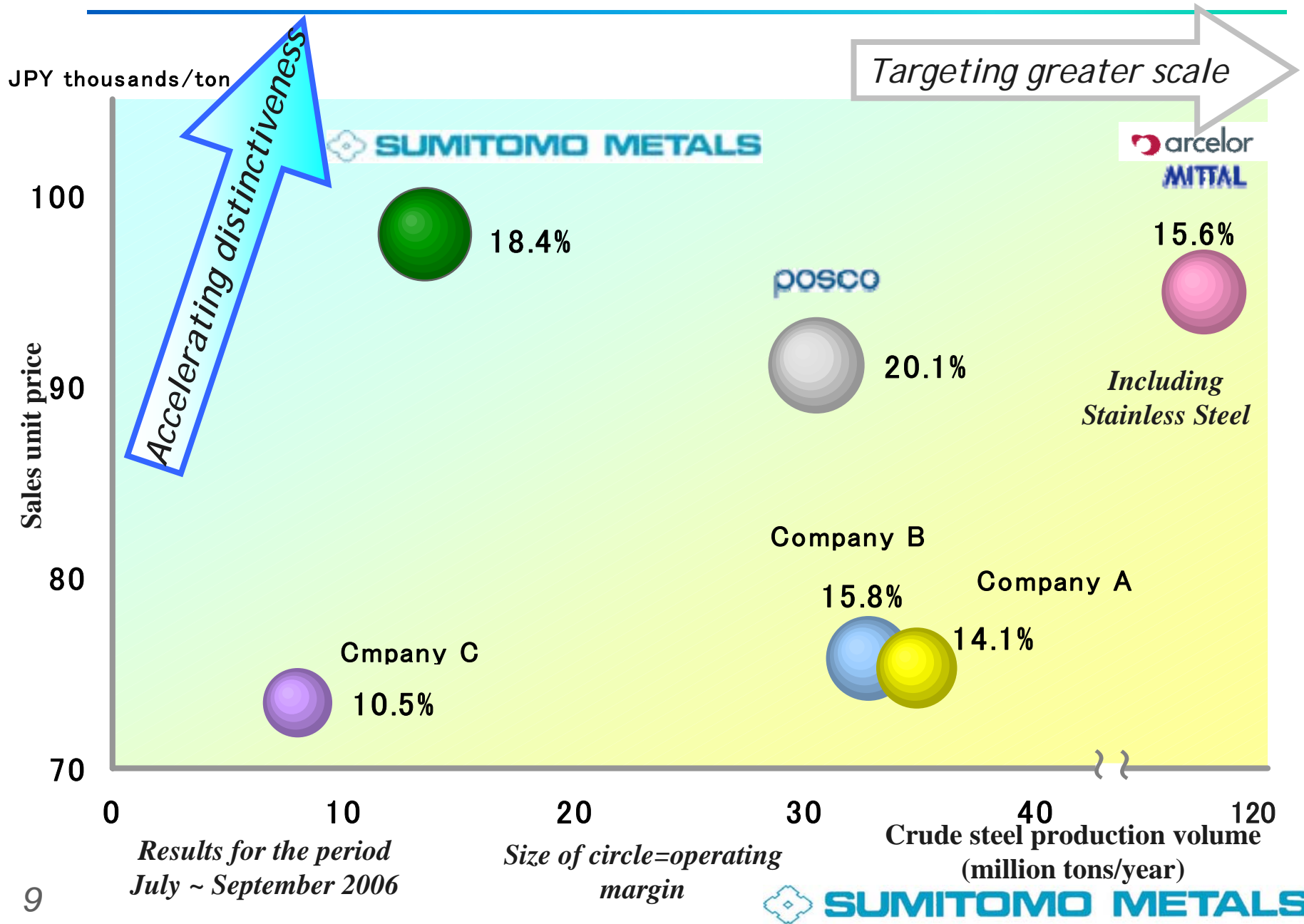
JPY billion

Net improvement of  
20 JPY billion





# Direction of Growth



# Repurchase of Shares

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## 1. Reason for Repurchase of Shares

Sumitomo Metals repurchased its shares in order to facilitate flexible capital management in response to the changing business environment.

## 2. Details of Repurchase

(1) Class of shares repurchased: Common stock of Sumitomo Metals

(2) Aggregate number of shares repurchased:

160 million shares

(3.33% of the total number of shares issued)

(3) Aggregate repurchase price: 70 billion yen

(4) Period of repurchase: November 2006

# *Accelerating Distinctiveness*

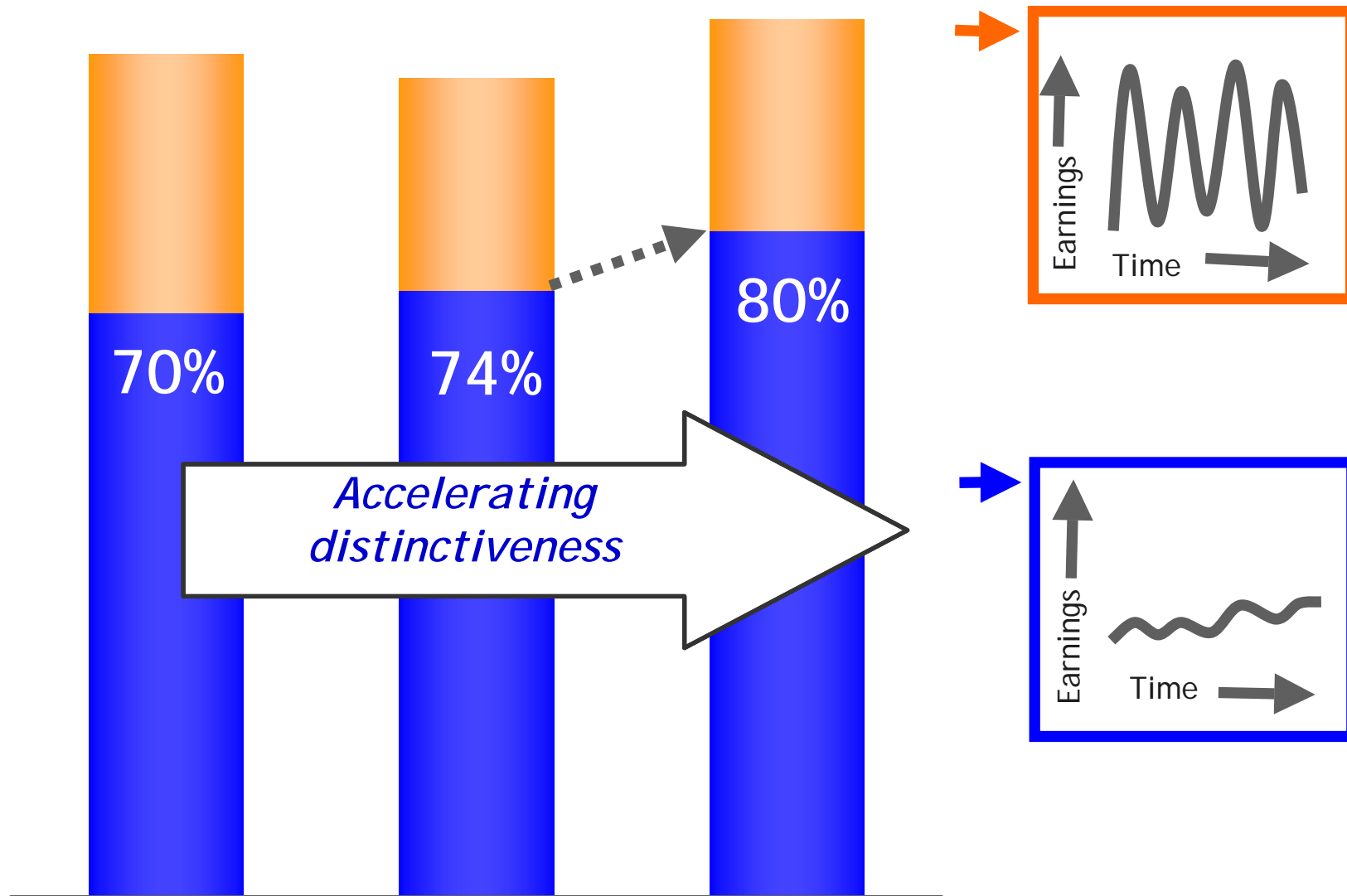
*2006*

*2008*

*2015*



# Changes in Sumitomo Metals' Core Earnings

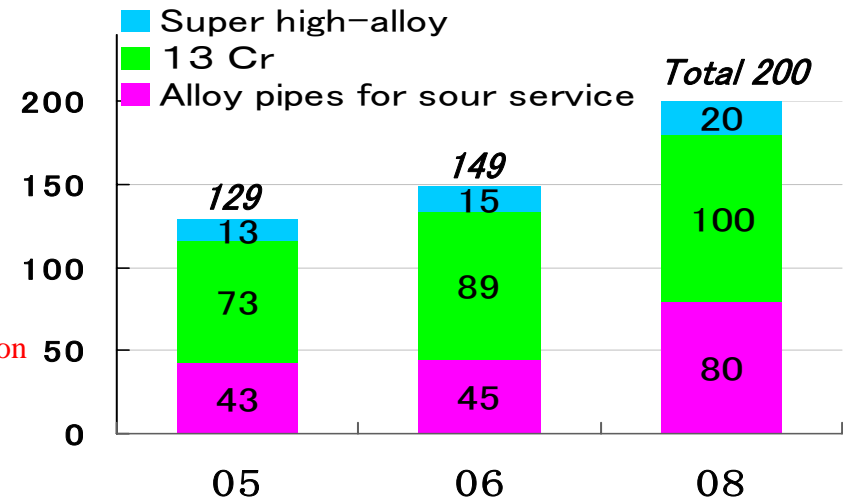
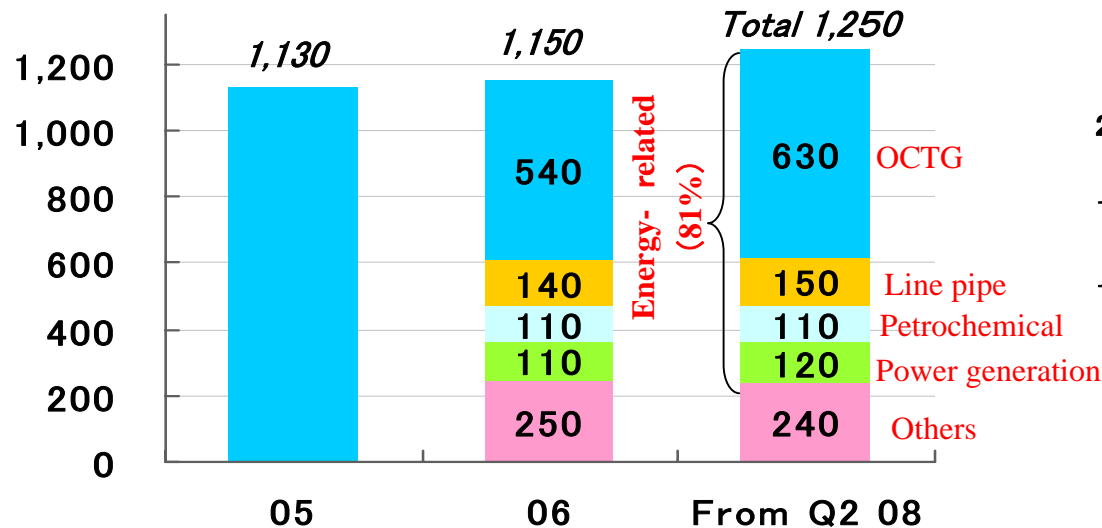


Ratio = core operating earnings / consolidated operating profit

# Seamless Pipes

Sales volume: thousand tons/year

Cutting-edge products sales volume: thousand tons/year



## Accelerating distinctiveness

Focus on high-grade products and reinforce SCM with major oil companies

Respond to increased customer demand for high-grade OCTG

	Total invest.	Projected period	Scale	
Increased capacity for seamless pipe	35 JPY billion	To 1st half FY08	+100 thou. tons/year (mainly cutting-edge products)	➤ Focus more on cutting-edge products
Increased capacity for stainless boiler tube (*)	6.5 JPY billion	To 2nd half FY07	+6 thou. tons/year (from 12 to 18 thou. tons/year)	➤ For coal-fired power plants

(\*) Figures not included in the Medium-Term Business Plan capital investment

Accelerating distinctiveness

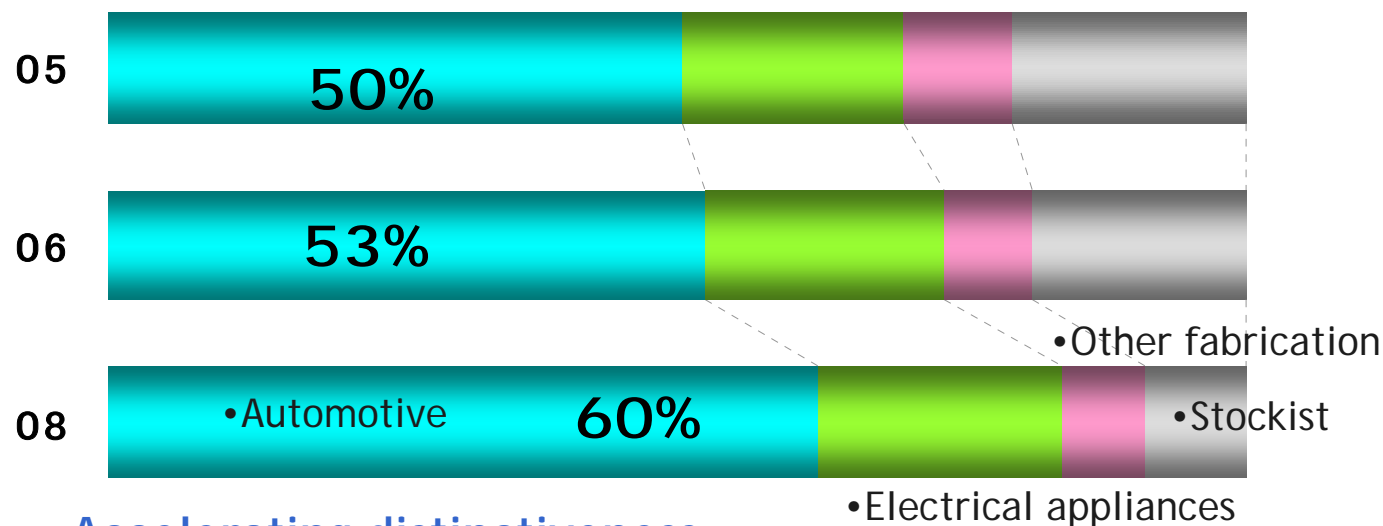
Focus on “high-strength” “ high-tensile” “long-life”  
 Create dedicated sales team for energy sector

	Total invest.	Projected period	Scale	
Increase high-grade plate output	7 JPY billion	Q3 FY 07	+100 thou. tons/year	➤Focus on energy sector
Mass production of ultra-high-strength, large-diameter welded steel pipe (over X100)(*)	10 JPY billion	FY 10		➤Greater distinctiveness in energy sector

(\*) Figures not included in the Medium-Term Business Plan capital investment.

# Steel Sheet

Breakdown of Sumitomo Metals' steel sheet orders by sector



Accelerating distinctiveness



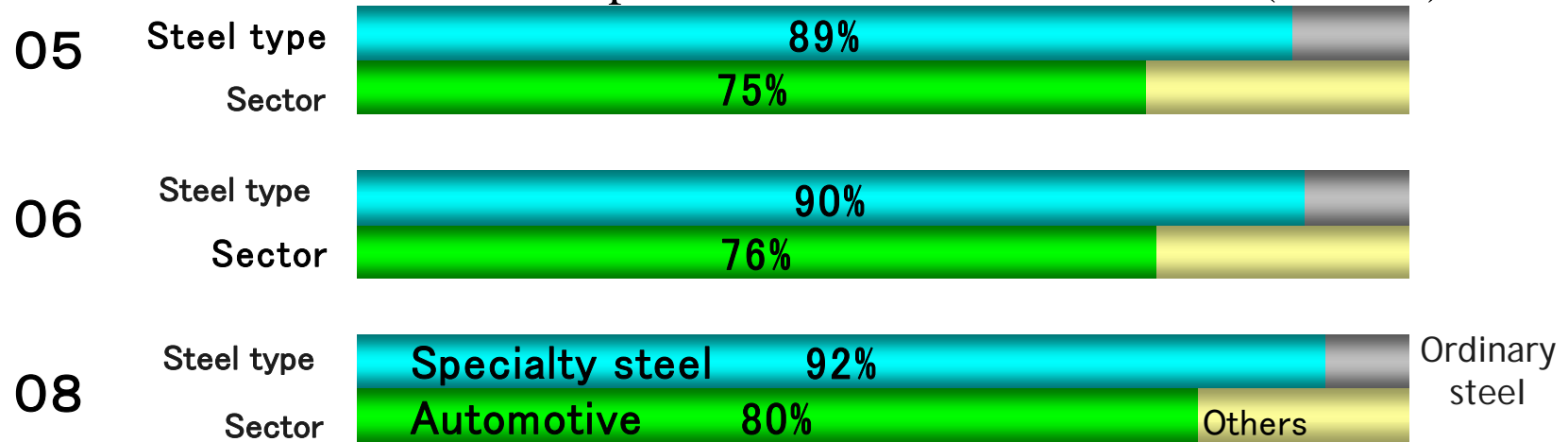
Strengthen Sumitomo Metals' coil center network with a view to boosting customer satisfaction; create a lineup comprising more high-end products  
Invest to build stronger customer base

	Total invest.	Projected period	Scale	
New CGL	17 JPY billion	Q3 FY06	+300 thou. tons/year	➤ Strengthen production of sheet steel for automotive sector
Continuous pickling line	9 JPY billion	Q2 FY07	+1.5 mil. tons/year	



# Specialty Steel

Breakdown of production at Sumitomo Metals (Kokura)



## Accelerating distinctiveness

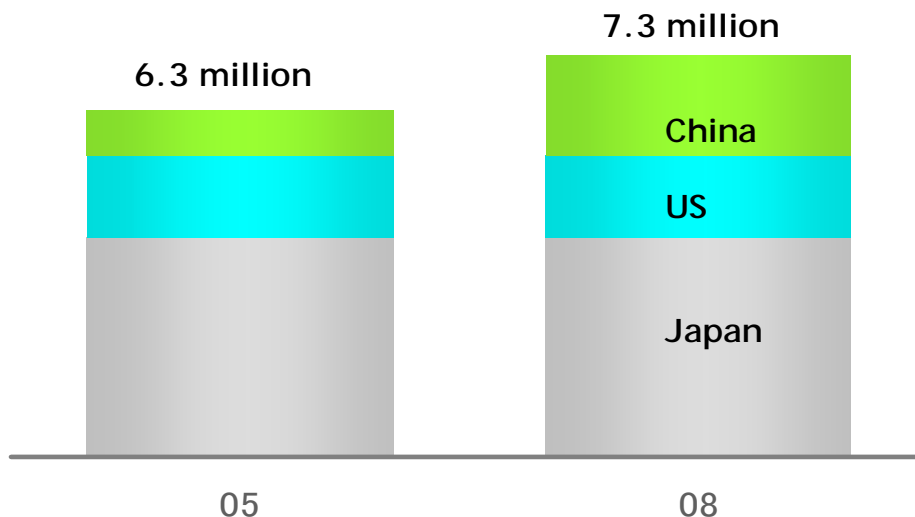
Focus on functionally enhanced steel and super clean steel

Respond to moves into global markets by Japanese manufacturers

	Total invest.	Projected period	Scale
Steel making process innovations	20 JPY billion	To FY10	➤ Boost quality of specialty steel and cost competitiveness

# Crankshafts

Sumitomo Metals Group's crankshaft production framework (pieces/year)



Accelerating distinctiveness

Expand overseas operations to respond to rising local production by automakers

	Total invest.	Projected period	Scale	
China: Huizhou Sumikin 2nd forging press line	8 JPY billion	To FY07	+1 mil. pieces/year	➤ Expand overseas operations
U.S.: ICI 3rd forging press line		To FY08	+1.25 mil. pieces/year	➤ Increase productivity
ASEAN				➤ Examine supply network

## Major Steps to Enhance the Competitiveness of Sumitomo Metals' Steel Works

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### Kashima Steel Works

Goals: Output of 8 million tons/year, full capacity utilization, globally competitive on cost and quality

No. 3 Blast Furnace relining	29 JPY billion	1st half FY07	+0.5 million tons/year	➤ Achieve output of 8 million tons/year
IPP (Independent Power Producer)	57 JPY billion	Q1 FY07		➤ Underpin stable earnings

### Wakayama Steel Works

Goals: Leading brand in seamless pipes, full capacity utilization through long-term contracts for steel slab

Renewal of upstream processes	160 JPY billion	To FY10	+0.5 million tons/year	➤ Achieve output of 4.5 million tons/year
Environmental protection				➤ Relocate coke ovens

# The "No. 1 Manufacturer" in Customer Satisfaction

Recent awards from our customers

Date of award	Customer	Award name	
Jan. 2006	Honda Motor Corporation	Special Award Appreciation to Excellent Suppliers (Quality Award) Special Award Appreciation to Excellent Suppliers (Technology & Development Award)	Sumitomo Metals Sumitomo Metals (Kokura)
Feb. 2006	Toyota Motor Corporation	Award for Quality Performance Award for Technology & Development	Sumitomo Metals: Five consecutive years Sumitomo Metals: Three consecutive years
Mar. 2006	Toyota Motor Manufacturing North America, Inc.	Excellent Delivery Performance Award Quality Performance Award	ICI: Four consecutive years ICI: Two consecutive years
Mar. 2006	Honda of America Manufacturing, Inc.	Quality Award	ICI
June 2006	Statoil	Certificate of Appreciation	Sumitomo Metals

# FY06 Target of Consolidated Steel Sales by Internal Company

