

## Sumitomo Metal Industries, Ltd.

### Financial Results for FY2009 (year ended March 31, 2010)

The following information was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English summary translation is being provided for your convenience only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version.

The following financial information was prepared in accordance with generally accepted accounting principles in Japan.

Company name : Sumitomo Metal Industries, Ltd.  
 Listed on : Tokyo, Osaka, Nagoya, Sapporo and Fukuoka Stock Exchange  
 Code number : 5405  
 URL : <http://www.sumitomometals.co.jp/>  
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(Figures less than a million yen are truncated.)

#### 1. Highlights of Consolidated Financial Results for FY2009 (year ended March 31, 2010)

##### (1) Consolidated Statements of Income (%: change from previous year)

	Net Sales		Operating income/(loss)		Ordinary income/(loss)		Net income/(loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2009	1,285,845	-30.3	(928)	-	(36,634)	-	(49,772)	-
FY 2008	1,844,422	5.7	226,052	-17.6	225,736	-24.3	97,327	-46.1

	Net income / (loss) per share	Diluted net income per share	ROE (Net income / Shareholders' equity)	ROA (Ordinary income / Total assets)	ROS Operating income / Net Sales
	Yen	Yen	%	%	%
FY 2009	(10.74)	-	-5.9	-1.5	-0.1
FY 2008	20.98	-	11.1	9.3	12.3

(Note) Equity in earnings/(loss) of non-consolidated affiliates (Million yen): FY2009 (22,524); FY2008 22,179

##### (2) Consolidated Balance Sheets

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2009	2,403,670	879,209	34.5	178.87
FY 2008	2,452,535	904,371	35.0	184.92

(Note) Shareholders' Equity (Million yen): FY2009 829,219; FY2008 857,697

##### (3) Consolidated Statements of Cash Flows

	Net Cash provided by operating activities	Net Cash used in investing activities	Net Cash provided by financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY 2009	67,002	(172,933)	87,843	26,233
FY 2008	190,582	(214,977)	52,623	42,979

## 2. Dividends

	Dividend per share					Dividend amount (full-year)	Dividend payout ratio (consolidated)	Dividend per net assets (consolidated)
	End of 1 <sup>st</sup> quarter	End of 2 <sup>nd</sup> quarter	End of 3 <sup>rd</sup> quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2008	-	5.00	-	5.00	10.00	46,382	47.7	5.3
FY 2009	-	2.50	-	2.50	5.00	23,179	-	2.7
FY2010(target)	-	2.50	-	2.50	5.00		46.3	

## 3. Projected Consolidated Financial Performance for FY2010 (year ending March 31, 2011)

(%: change from previous year)

	Net Sales		Operating income		Ordinary income		Net income		Net income
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1 <sup>st</sup> Half ending Sept. 30, 2010	-	-	-	-	-	-	-	-	-
Yearly total	-	-	90,000	-	80,000	-	50,000	-	10.79

With regard to forecasts of yearly net sales and business performance for the first half for FY2010, we are unable to make an appropriate forecasting. Please refer to “(1) Analysis of business performance” in “1. Business performance” on page 4 to 7 of this document for the reason.

## 4. Other

(1) Changes in material subsidiaries during the current period (Changes in specific subsidiaries affecting the scope of consolidation): None

(2) Changes in the principle/procedure of accounting method and presentation, etc. related to the preparation of consolidated financial statements (Items to be noted as changes related to the matter which is material to be a basis of preparing consolidated financial statements)

(i) Changes following the revision of accounting standards, etc.: Yes

(ii) Changes other than (i): None

(3) Number of issued shares (common stock)

a) Number of shares of common stock issued and outstanding (including treasury shares)

Last day of FY 2009: 4,805,974,238 shares

Last day of FY 2008: 4,805,974,238 shares

b) Number of treasury shares

Last day of FY 2009: 170,152,892 shares

Last day of FY 2008: 167,882,514 shares

## (Reference) Financial Performances on Non-Consolidated Basis

(Note) Information with regsrds to “Financial Performances on Non-Consolidated Basis” is not translated in English. Please refer to our original Japanese document.

The forecasts or targets included in this document reflect the company's current beliefs and are based upon information currently available to it. Forward-looking statements appear in a number of places in this document and include statements regarding our current intent, belief, targets, forecasts or expectations or the current intent, belief, targets, forecasts or expectations of our management. In many, but not all cases, we used words such as "aim," "anticipate," "believe," "estimate," "expect," "hope," "intend," "may," "plan," "predict," "probability," "risk," "should," "will," and similar expressions, as they relate to us or our management, to identify forward-looking statements. Forward-looking statements are not guarantees of future performance. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those which are anticipated, aimed at, believed, estimated, expected, intended or planned. We identify in our *yuka shoken hokokusho* and financial summaries, including "(1) Analysis of business performance" in "1. Business performance" on page 4 to 7 of this document, important factors that could cause these differences. Sumitomo Metals Industries, Ltd. is under no obligation, and disclaims any obligation, to update its forward-looking statements whether as a result of new information, future events or otherwise, or to advise of any changes in the assumptions and factors on which they are based.

## 1. Business performance

### (1) Analysis of business performance

#### (a) Business performance during the current period

##### 【Current period business environment】

Sumitomo Metals Group's business environment was generally difficult in FY2009. Demand for steel, which were weak during the first half of the period under review, showed a recovery during the second half of the period but remained at a low level as the period total. Demand for steel products in the energy sector where the Sumitomo Metals Group is focusing its efforts remained particularly low.

##### 【Current period business results】

Business results in the period under review deteriorated from the previous period as a result of several factors. In addition to the decline in sales volume and sales price due to the deteriorating economic environment, our financial performances were suffered by temporary negative factors such as the use of raw materials purchased through contracts in the previous fiscal year and the valuation loss of inventories caused by decline in raw material prices. As a result, our Group's business performance on a consolidated basis in the current period was net sales of 1,285.8 billion yen, an operating loss of 0.9 billion yen, an ordinary loss of 36.6 billion yen, and a net loss of 49.7 billion yen.

#### Business Performance on a Consolidated Basis

(Billion yen)

	FY2008	FY2009	Increase/(Decrease)	
			Amount	Percentage
Net sales	1,844.4	1,285.8	(558.5)	-30.3%
Operating income/(loss)	226.0	(0.9)	(226.9)	-
Ordinary income/(loss)	225.7	(36.6)	(262.3)	-
Net income/(loss)	97.3	(49.7)	(147.0)	-

(Yen per US Dollar)

Foreign Exchange Rate	101	93	-	-
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##### 【Performance by segment】

(Billion yen)

	Net sales	Increase/ (Decrease)*1	Operating Income/(loss)	*1 Increase/ (Decrease)
Steel Segment*2	1,205.8	(30.7%)	(7.6)	-
Pipe & Tube	472.9	(34.0%)		
Steel Sheet & Plate	498.5	(28.8%)		
Railway & Automotive	86.6	(17.8%)		
Kokura	101.6	(31.3%)		
Naoetsu	23.4	(43.2%)		
Other Steel	22.6	(21.5%)		
Other*3	79.9	(22.8%)	6.7	-
Corporate or eliminations	-	-	(0.0)	-
Total	1,285.8	(30.3%)	(0.9)	-

\*1 Percentage compared with the previous period.

\*2 Pipe & Tube: Pipe & Tube Company

Steel Sheet & Plate: Steel Sheet, Plate & Structural Steel Company

Railway & Automotive: Railway, Automotive & Machinery Parts Company

Kokura: Sumitomo Metals (Kokura), Ltd.

Naoetsu: Sumitomo Metals (Naoetsu), Ltd.

\*3 From FY 2009 (ended March 31, 2010), Engineering and Electronics have been included in "Other."

**【Business measures in the current period】**

Although the Sumitomo Metals Group had no choice but to scale back production in the face of low demand in the first half of the period under review, we prepared for the next cycle of demand growth by taking advantage of reduced work load to give technical training to employees, conduct extensive facility maintenance and carry out on-site manufacturing trials for products development. Throughout the period we made every effort to reduce costs and control expenses. We are steadily implementing investment plans and business measures needed to “accelerate our distinctiveness” and “strengthen our strengths” to achieve our medium- and long-term policies of maximizing our corporate value through sustainable growth.

In our upstream crude steel manufacturing processes, the new No. 1 blast furnace at the Wakayama Steel Works began operation in July 2009.

With regard to our pipe & tube business, we are making a progress with a joint-venture project with Vallourec Group to construct an integrated steel plant to produce seamless pipe in Brazil. The plant is expected to be operational in 2010. We have made mutual equity investments with Vallourec to deepen our cooperative relationship.

The Sumitomo Metals Group and the Nippon Steel Corporation Group merged their arc-welded stainless steel pipe and tube businesses in July 2009 to maximize the strengths of both Groups and formed a new company: Sumikin & Nippon Steel Stainless Steel Pipe Co., Ltd.

In February 2010, the Pipe & Tube Company decided to make investments to increase production capacity of steam generator tube at the Steel Tube Works at Amagasaki that are in greater demand for use in nuclear power plants. The new facilities are scheduled to begin operation in April 2013. The Kashima Steel Works is proceeding with the investment to increase production capacity of ultra-high-strength, large-diameter welded steel pipe. The new facilities are scheduled to begin operation in March 2011.

With regard to our steel sheet business, we collaborate with our business partners to expand its business in emerging foreign markets that are expected to grow in the medium- and long-term. The project with the China Steel Corporation (CSC) of Taiwan and other partners to establish a joint venture in Vietnam to manufacture and sell cold-rolled coil, hot-dipped galvanized steel sheet, electromagnetic steel sheet and others received official approval from the Vietnamese government in May 2009. The plant is expected to commence operations in 2012.

In India, we reached a basic agreement with a local company, Bhushan Steel Limited in December 2009, for Bhushan to supply some of the sheet steel manufactured at its Orissa plant as OEM product to be sold under the SMI brand. The Company is providing technical support for the construction and operation of the Orissa plant.

With regard to the railway, automotive & machinery parts business, we started a joint venture to manufacture and sell forged crankshafts with a local company, Amtek Limited and other partners in April 2010 with an expectation that automobile demand in India will increase.

Sumitomo Metals (Kokura), Ltd., our manufacturer of specialty steel bars and wire rods, installed the world’s most advanced bar finishing mill at its factory. As part of its project to renew and innovate its steel-making process, the company’s new refining furnace and continuous casting mill began

operation. The project will be completed when the construction of new phosphorous removal furnace, scheduled to begin operation in October 2010, is completed.

These new facilities will ensure both high quality and high production efficiency in the specialty steel bar and wire rod sectors, and will enable the company to better meet the more sophisticated needs of its customers.

Businesses in other sectors are reorganizing their businesses in line with Sumitomo Metals Group's intention to focus its resources on its core competencies.

We, together with Chuo Denki Kogyo Co., Ltd. (an affiliated company for which the equity method is applied) are aiming to develop their business in the field of rechargeable batteries for automobiles and others, where demand for products is expected to increase greatly. Both companies have combined their operations in this sector in Chuo Denki Kogyo Co., Ltd.

We have transferred 60% ownership of Sumikin Bridge Co., Ltd. to Yokogawa Bridge Holdings Corporation, and started the joint venture in October 2009. It is scheduled to merge our consolidated subsidiary Sumitomo Metal Micro Devices, Inc. with a new company that will be 80% owned by Hokuriku Electric Industry Co. and 20% owned by us.

Table 1 summarizes the main investments and overseas operations in the current period.

(Billion yen)

Area	Target	Details	Investment Amount	Timeline
Iron & Steel-making Process	An annual capacity of 5 million tons at Wakayama Steel Works	1 <sup>st</sup> step <Construction of a new No.1 blast furnace, etc. included in the project>	160.0 <118.0>	Began operation in July, 2009
		2 <sup>nd</sup> step (Construction of a new No.2 blast furnace, reinforcement of steel making facilities, etc.)	115.0	Scheduled to begin operation in second half of FY 2012
Pipe & Tube	Establish a manufacturing hub for seamless pipe in Brazil	Establishment of a joint venture with Vallourec Group for integrated seamless pipe manufacturing	*200.0	Scheduled to be operational in 2010
	Deepen cooperative relationship with Vallourec	Purchasing Vallourec's stock for the mutual equity investments	11.3	Completed in the first half of FY2009
	Expand production capacity of ultra-high-strength line pipes	Equipment improvement at the plate mill and large-diameter (UOE) pipe mill	10.0	Scheduled to begin operation in Mar., 2011
	Expand production capacity of steam generator tubes for nuclear power plants	Capacity expansion of cold working, finishing and inspection facilities.	14.0	Scheduled to begin operation in Apr., 2013
Steel Sheet	Strengthen relationship with a partner in the steel sheet sector in India	Participation in an integrated steel works project of Bhushan Steel Limited in India	(Technical Assistance)	-----
			(OEM Supply)	Reached basic agreement in Dec., 2009
	Establish manufacturing and sales hub of steel sheet in Vietnam	Establishment of a joint venture for production and sales of cold-rolled steel sheet, electromagnetic steel sheet and hot-dip galvanized steel sheet with China Steel	*115.0	Scheduled to begin operation in 2012
Railway, Automotive & Machinery Parts	Establish manufacturing and sales hub of forged crankshaft in India	Establishment of a joint venture with Amtek Limited.	1.0	Began operation in April, 2010
Specialty Steel	Enhance competitiveness of steel bars at Sumitomo Metals (Kokura), Ltd.	Renewal of finishing roll equipment for steel bars	2.0	Began operation in Aug., 2009
	Achieve steel-making process innovation at Sumitomo Metals (Kokura), Ltd.	Introduction of new refining furnace and continuous casting mill.	27.0	Began operation in Dec., 2009
		Introduction of a new phosphorous removal furnace		Scheduled to begin operation in Oct., 2010

\*Total investment amount with joint venture partners.

## **(b) Outlook for the following period (consolidated)**

It is very difficult to predict the business environment in the next fiscal year. Although we predict that demand for steel will recover, future trends in raw material prices and the influence they will have on the sales prices of steel products are difficult to foresee. The market prices of raw materials such as iron ore and coal are rising, spurred on by demand; meanwhile, structural changes in the raw materials market is forcing us to change the pricing system that procurements of main raw materials will have to be arranged via quarterly contracts rather than annual contracts. As a result, we expect, at this point in time, that our raw material costs will significantly increase in FY2010.

Given these circumstances, we will strive to further reduce costs to improve our financial condition, and make efforts to quickly reflect changes in raw material prices in the sales prices of our products. Our financial target in consolidated basis for FY2010 is 90 billion yen in operating income, 80 billion yen in ordinary income and 50 billion yen in net income. With regard to forecasts of yearly net sales and business performance for the first half for FY2010, we are unable to make an appropriate forecasting. We will disclose such forecasts when we are able to make the forecasts. We will notify with the situation of forecasting on the occasion of financial report for 1<sup>st</sup> quarter of FY2010.

## **(2) Analysis of financial situation**

### **(i) Assets, liabilities and net assets (consolidated)**

Total assets, as of the end of the current period, were 2,403.6 billion yen with a decrease of 48.8 billion yen compared with the end of the previous period, mainly due to decrease in valuation loss of inventories. Liabilities totaled 1,524.4 billion yen with a decrease of 23.7 billion yen, due to reasons such as decrease in notes and accounts payable, while debt increased by 148.3 billion yen to 1,138.3 billion yen.

Net assets at the end of the current period were 879.2 billion yen, a decrease of 25.1 billion yen from the end of the previous period.

### **(ii) Cash Flows (consolidated)**

Net cash provided by operating activities was 67.0 billion yen in the current period, which was 123.5 billion less than the previous period. Reason for this decrease is because the net income in the current period was negative due to temporary negative factors such as the use of raw materials purchased through contracts in the previous fiscal year and the valuation loss of inventories caused by decline in raw material prices, in addition to a decrease in sales volume as well as prices.

Net cash used in investing activities was 172.9 billion yen in the current period, which was 42.0 billion yen less than the previous period. The reason for this decrease is because we decreased investments in the current period from the previous period.

Net cash provided by financial activities in the current period totaled 87.8 billion yen, which was a 35.2 billion yen increase from the previous period, mainly due to an increase in debt.

As a result, the amount of cash and cash equivalents at the end of the current period decreased by 16.7 billion yen to 26.2 billion yen.

	FY2006	FY2007	FY2008	FY2009
Equity ratio	38.3%	37.3%	35.0%	34.5%
Equity ratio on a market value basis	127.2%	75.1%	38.6%	56.6%
Cash flows / debt ratio	4.4	4.0	5.4	21.7
Interest coverage ratio	14.9	16.7	13.3	4.3

Equity ratio: Shareholders' equity / Total assets

Equity ratio on a market value basis: Total market value of shares / Total assets

Cash flows / debt ratio: Debt / (Operating cash flows - Interest payments)

Interest coverage ratio: Operating cash flows / Interest payments

\* All figures are calculated on a consolidated basis.

\* "Debt" means net debt, i.e., the total of outstanding borrowing, corporate bonds and commercial paper minus cash and deposits.

\* "Operating cash flows" is "net cash provided by operating activities" of the consolidated statements of cash flows. "Interest payments" is "interest paid" in the consolidated statements of cash flows.

### **(3) Basic policy regarding distribution of profits; dividend payouts in the current and following period**

The Sumitomo Metals Group intends to maximize its corporate value through sustainable growth with the optimum balance between quality and scale.

Cash generated by our business will first be used in investments aimed to increase corporate value.

Our investment strategy calls for investments that are designed to help accelerate distinctiveness and bring cash returns in excess of the cost of capital to contribute to increase our corporate value. We will pass on appropriate returns to our shareholders and all stakeholders.

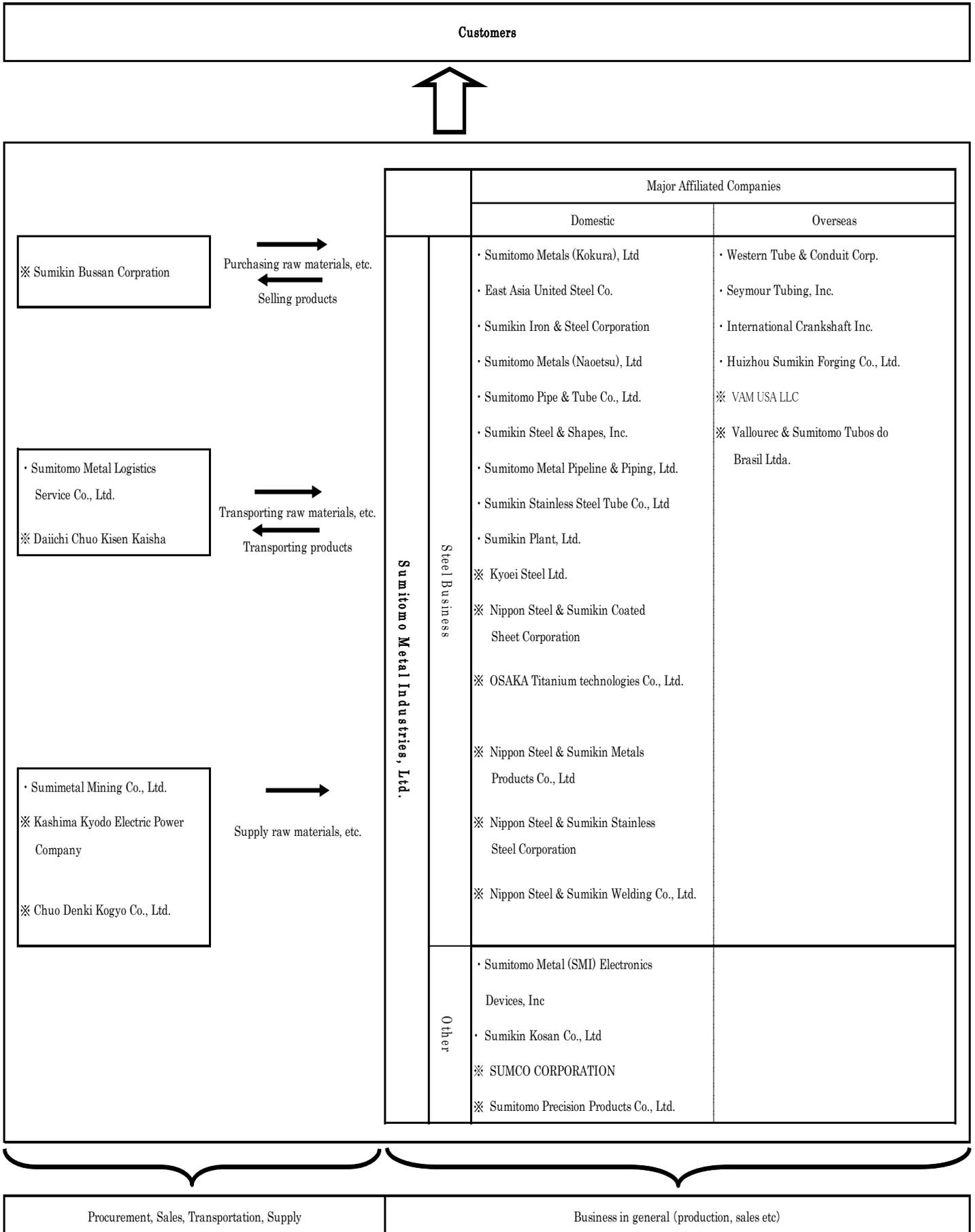
Our basic dividend policy is to pay a stable dividend. Our medium- and long-term targeted D/E ratio is below 1.0.

In the current period, we faced a decrease in sales volume as well as prices due to deterioration in economy; however, we were profitable excluding temporary negative factors such as the use of raw materials purchased through contracts in the previous fiscal year and the valuation loss of inventories caused by decline in raw material prices. Under these circumstances, we expect to make a year-end dividend of 2.5 yen per share, bringing the total cash dividend for the full fiscal year, including the interim dividend payment already made earlier in the current fiscal year, to 5 yen per share.

While the forecast of our business environment is still not clear, under our policy to continue stable dividend payment, we will make effort to maintain dividend of 5 yen per share for the following fiscal year.

Note: D/E ratio = Debt / Shareholders' equity

## 2. Current status of Sumitomo Metals Group



(Remark) Company marked ・ : Consolidated subsidiaries

Company marked ※: Related affiliate to which the equity method is applicable

### **3. Management policy**

#### **(1) The Company's basic management policy**

The Sumitomo Metals Group's basic policy is to maximize corporate value through steady growth with an emphasis on both quality and scale. Based on this policy, the Sumitomo Metals Group, adhering to the Sumitomo business philosophy, history and business experience refined over 400 years and epitomized by the words "Placing prime importance on integrity and sound management", as well as inheriting over a century of Sumitomo Metals' manufacturing history, is making efforts to appropriately manage and operate in an uncertain business environment. Based on this approach, the Sumitomo Metals Group will seek to become a company trusted by its shareholders and all stakeholders alike.

#### **(2) Medium- and Long-term company business strategy**

Under our medium- and long-term policies of maximizing corporate value through sustainable growth, the Sumitomo Metals Group is carrying out strategies that "accelerate our distinctiveness" and "strengthen our strengths" to create an earnings structure resilient to downside risk. To promote these business strategies, we believe it is essential that we continue to enhance our intangible assets that do not appear on our financial statements. Examples of these intangible assets are our relationship of trust built through businesses with our customers, our own technology that we believe to be very different from our competitors', and the pride and commitment of our employees to their work.

#### **(3) Issues that our company must deal with**

The business environment for FY2010 remains unclear. The market prices of raw materials such as iron ore and coal are rising, spurred on by demand; meanwhile, structural changes in the raw materials market is forcing us to change the pricing system that procurements of main raw materials will have to be arranged via quarterly contracts rather than annual contracts. As a result, we expect, at this point in time, that our raw material costs will significantly increase in FY2010.

Under these circumstances, while seeking the understanding of our customers, we make efforts to reflect changes in raw material prices in the sales prices of our products. At the same time, we will reduce costs and control expenditure to improve our financial condition and make necessary investments in line with our medium- and long-term policies to achieve growth with the optimum balance between quality and scale.

The globalization of the steel industry is an important issue against a background of growing demand for steel products, mainly in the emerging countries. We are proceeding with several overseas joint ventures to deal with this issue, namely, a plant to produce seamless pipe in Brazil, a steel sheet business in Vietnam, and a steel sheet and crankshaft production facilities in India. We are always studying for measures to demonstrate the strengths of the Sumitomo Metals Group in overseas markets. For example, we are studying a feasibility of our future involvement with Bhusan Steel of India as a joint-venture partner in a project to build an integrated blast furnace and steelworks in West Bengal.

Corporate responses to issues concerning the global environment are becoming increasingly important. Sumitomo Metals Group is working to both reduce CO<sub>2</sub> emissions during product manufacture and to produce products that will in turn help in the reduction of emissions of this greenhouse gas. One example of reduction of CO<sub>2</sub> emissions during product manufacture can be seen at our Brazilian blast furnace integrated seamless steel pipe plant, where the blast furnace will be charcoal-fired. The charcoal produced from eucalyptus trees grown on our own plantation will be used to reduce the iron ore to iron in the furnace, and the CO<sub>2</sub> released in the process will be then reabsorbed by the growing eucalyptus trees so that the net CO<sub>2</sub> emissions are effectively zero.

Example of reduction of CO<sub>2</sub> emissions through our products are our seamless stainless steel pipes that are used for highly efficient thermal power generation and for the development of clean-burning natural gas fields, and our high-quality sheet steel and other products that enable lighter, and

therefore more fuel efficient, automobiles. Going forward, the Sumitomo Metals Group will continue to enhance our corporate value and contribute to society through management practices that give careful consideration to the global environment.

#### 4. Consolidated financial statements

##### (1) Consolidated Balance Sheets

(Million yen)

Items	At the end of FY 2008 (As of March 31, 2009)	At the end of FY2009 (As of March 31, 2010)
(Assets)		
Current assets:		
Cash and deposits	41,056	19,710
Notes and accounts receivable-trade	135,804	151,507
Merchandise and finished goods	208,713	147,581
Work in process	37,278	24,940
Raw materials and supplies	264,257	213,607
Deferred tax assets	18,762	12,331
Other	32,576	36,905
Allowance for doubtful accounts	(1,087)	(153)
<b>Total current assets</b>	<b>737,362</b>	<b>606,431</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	732,565	769,596
Accumulated depreciation	(485,500)	(502,135)
Buildings, net	247,065	267,460
Machinery, equipment and vehicles:	2,142,288	2,261,553
Accumulated depreciation	(1,762,482)	(1,821,813)
Machinery, equipment and vehicles, net	379,805	439,740
Land	341,477	340,324
Construction in progress	153,098	80,985
Other	76,963	80,409
Accumulated depreciation	(65,203)	(67,075)
Other, net	11,759	13,334
<b>Total property, plant and equipment</b>	<b>1,133,207</b>	<b>1,141,845</b>
Intangible assets		
Goodwill	381	1,609
Other	4,845	4,860
<b>Total intangible assets</b>	<b>5,226</b>	<b>6,470</b>
Investment and other assets:		
Investment securities	483,001	533,458
Deferred tax assets	42,519	15,917
Other	51,475	100,533
Allowance for doubtful accounts	(258)	(986)
<b>Total investments and other assets</b>	<b>576,738</b>	<b>648,923</b>
<b>Total noncurrent assets</b>	<b>1,715,172</b>	<b>1,797,239</b>
<b>Total assets</b>	<b>2,452,535</b>	<b>2,403,670</b>

**(1) Consolidated Balance Sheets (Continued)**

(Million yen)

Items	At the end of FY 2008 (As of March 31, 2009)	At the end of FY2009 (As of March 31, 2010)
(Liabilities)		
Current liabilities:		
Notes and accounts payable-trade	313,706	204,969
Short-term loans payable	237,323	286,893
Commercial papers	-	24,000
Current portion of bonds	24,000	10,000
Income taxes payable	36,841	-
Deferred tax liabilities	275	428
Other	131,821	113,063
Total current liabilities	743,969	639,355
Noncurrent liabilities:		
Bonds payable	160,652	185,658
Long-term loans payable	568,035	631,802
Lease obligations	26,516	-
Deferred tax liabilities	4,505	4,364
Deferred tax assets regarding revaluation	6,919	6,919
Provision for retirement benefits	22,510	19,948
Provision for special repairs	225	208
Other	14,829	36,203
Total noncurrent liabilities	804,194	885,105
Total liabilities	1,548,163	1,524,461
(Net Assets)		
Shareholders' equity:		
Capital stock	262,072	262,072
Capital surplus	61,829	61,829
Retained earnings	680,807	596,254
Treasury stock	(90,528)	(91,106)
Total shareholders' equity	914,180	829,050
Valuation and translation adjustments:		
Valuation difference on available-for sale securities	(41,542)	2,324
Deferred gains or losses on hedges	(690)	(979)
Revaluation reserve for land	11,833	11,834
Foreign currency translation adjustment	(26,083)	(13,009)
Total valuation and translation adjustment	(56,483)	169
Minority interests	46,674	49,989
Total net assets	904,371	879,209
Total liabilities and net assets	2,452,535	2,403,670

**(2) Consolidated Statements of Income**

(Million yen)

Items	FY 2008 (April 1, 2008 - March 31, 2009)	FY 2009 (April 1, 2009- March 31, 2010)
Net Sales	1,844,422	1,285,845
Cost of sales	1,481,158	1,163,191
Gross profit	363,264	122,654
Selling, general and administrative expenses:		
Shipment expenses	41,622	33,108
Employees' salaries and allowances	39,773	37,376
Research and development expenses	20,342	20,821
Other	35,473	32,276
Total selling, general and administrative expenses	137,211	123,583
Operating income/(loss)	226,052	(928)
Non-operating income:		
Interest income	1,355	764
Dividends income	7,783	3,380
Equity in earnings of affiliates	22,179	-
Other	15,662	17,241
Total non-operating income	46,981	21,386
Non-operating expenses:		
Interest expenses	14,577	15,730
Equity in losses of affiliates	-	22,524
Loss on sales and retirement of noncurrent assets	8,363	7,023
Foreign exchange losses	5,797	-
Other	18,558	11,813
Total non-operating expenses	47,297	57,091
Ordinary income/loss	225,736	(36,634)
Extraordinary loss:		
Loss on change in equity	-	1,592
Restructuring loss	-	1,532
Impairment loss	11,144	-
Loss on valuation of investment securities	16,776	-
Environmental expenses	3,355	-
Total extraordinary loss	31,276	3,124
Income/(loss) before income taxes and minority interests	194,459	(39,758)
Income taxes:		
Income taxes-current	82,038	5,050
Income taxes-deferred	12,838	4,205
Total income taxes	94,877	9,255
Minority interests in income	2,254	757
Net income/(loss)	97,327	(49,772)

**(3) Statements of changes in net assets**

(Note) The table “Statements of changes in net assets” is not translated in English. Please refer to our original Japanese document.

**(4) Consolidated Statement of Cash Flows**

(Million yen)

	FY 2008 (April 1, 2008 - March 31, 2009)	FY 2009 (April 1, 2009- March 31, 2010)
Operating activities:		
Income/(loss) before income taxes and minority interests	194,459	(39,758)
Depreciation and amortization	110,896	121,640
Increase (decrease) in allowance for doubtful accounts	845	(189)
Increase (decrease) in provision for retirement benefits	(2,477)	(2,466)
Increase (decrease) in provision for special repairs	1	(17)
Interest income and dividend income	(9,138)	(4,145)
Interest expenses	14,577	15,730
Equity in (earnings) losses of affiliates	(22,179)	22,524
Loss (gain) on change in equity	-	1,592
Loss on business restructuring	-	1,532
Impairment loss	11,144	-
Loss (gain) on valuation of investment securities	16,776	-
Environmental expenses	3,355	-
Decrease (increase) in notes and accounts receivable-trade	35,192	(25,781)
Decrease (increase) in inventories	(77,950)	123,614
Increase (decrease) in notes and accounts payable-trade	(14,780)	(107,993)
Other	26,120	(440)
Subtotal	286,843	105,840
Income taxes paid	(96,260)	(38,838)
Net cash provided by (used in) operating activities	190,582	67,002
Investing activities:		
Interest and dividends income received	23,836	12,190
Purchase of investment securities	(48,864)	(24,738)
Payments for investments in capital	(15,793)	(39,406)
Purchase of property, plant and equipment and intangible assets	(177,685)	(137,331)
Payments of loans receivable	(3,461)	-
Collection of loans receivable	8,801	-
Other	(1,809)	16,351
Net cash provided by (used in) investment activities	(214,977)	(172,933)

**(4) Consolidated Statement of Cash Flows (Continued)**

(Million yen)

	FY 2008 (April 1, 2008 - March 31, 2009)	FY 2009 (April 1, 2009 - March 31, 2010)
Financing activities:		
Interest expenses paid	(14,352)	(15,530)
Net increase (decrease) in short-term loans payable	(3,707)	(9,308)
Increase (decrease) in commercial papers	(19,000)	24,000
Proceeds from long-term loans payable	159,660	196,725
Repayments of long-term loans payable	(49,855)	(74,677)
Proceeds from issuance of bonds	49,988	35,000
Redemption of bonds	(31,500)	(24,000)
Proceeds from sales and lease back arrangement	18,298	-
Repayments of finance lease obligations	(9,234)	(10,232)
Purchase of treasury stock	(318)	-
Cash dividends paid	(46,389)	(34,782)
Other	(966)	649
Net cash provided by (used in) financing activities	52,623	87,843
Effect of exchange rate change on cash and cash equivalents	(2,210)	1,448
Net increase (decrease) in cash and cash equivalents	26,018	(16,639)
Cash and cash equivalents at beginning of period	16,669	42,979
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	284	(147)
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	7	39
Cash and cash equivalents at end of period	42,979	26,233

**(5) Notes on going concern assumption:**

Not applicable.

**(6) Material items in preparing consolidated financial statements**

**1. Items regarding the scope of consolidation**

**(a) Number of consolidated subsidiaries: 72 companies**

Names of major consolidated subsidiaries are as follows:

Sumitomo Metals (Kokura), Ltd., East Asia United Steel Corporation, Sumikin Iron & Steel Corporation, Sumitomo Metals (Naoetsu), Ltd., Sumitomo Pipe & Tube Co., Ltd., Sumikin Steel & Shapes, Inc., Sumitomo Metal Logistics Service Co., Ltd., Sumikin & Nippon Steel Stainless Steel Pipe Co., Ltd., Sumitomo Metal (SMI) Electronics Devices, Inc., Western Tube & Conduit Corporation, Seymour Tubing, Inc., International Crankshaft Inc., Huizhou Sumikin Forging Co., Ltd.

1 company that began operation in the current consolidated fiscal year, and 1 company which newly became a subsidiary, are newly listed as consolidated subsidiaries. Meanwhile, 1 company that is no longer a subsidiary, 1 company that changed its status to be an affiliate to which equity method is applied, and 1 company that merged with another subsidiary, are excluded from the list of the consolidated subsidiaries.

**2. Items regarding application of equity method**

**(a) Number of non-consolidated subsidiaries to which the equity method is applicable:**

1 company

Company name: Kanto Special Steel Works, Ltd.

**(b) Number of related affiliates to which the equity method is applicable: 36 companies**

Names of major related affiliates are as follows:

SUMCO Corporation, Kashima Kyodo Electric Power Company, Kyoei Steel Ltd., Daiichi Chuo Kisen Kaisha, Sumikin Bussan Corporation, Nippon Steel & Sumikin Coated Sheet Corporation, Sumitomo Precision Products Co., Ltd., Osaka Titanium Technologies Co, Ltd., Nippon Steel & Sumikin Metal Products Co., Ltd., Nippon Steel & Sumikin Stainless Steel Corporation, Chuo Denki Kogyo Co., Ltd., Nippon Steel & Sumikin Welding Co., Ltd., VAM USA LLC, Vallourec & Sumitomo Tubos do Brasil Ltda.

From the current fiscal year, a company which was classified as a consolidated subsidiary in the previous fiscal year has been re-classified as a company to which equity method is applied.

With respect to SUMCO Corporation, equity method is applied based on the company's consolidated financial statements.

**3. Matters regarding accounting methods adopted in the consolidated financial statements**

(Note) This provision is not translated in English. Please refer to our original Japanese document.

**(7) Items to be noted as changes in the basis for presenting consolidated financial statements**

(Note) This provision is not translated in English. Please refer to our original Japanese document.

**(8) Footnotes regarding consolidated financial statements****1. Segment Information****(i) Segment information by business sector**

(a) FY2008 (year ended March 31, 2009)

(Million yen)

	Steel	Engineering	Electronics	Other	Total	Corporate or eliminations	Consolidated
Sales to customers	1,740,794	11,679	45,350	46,597	1,844,422	-	1,844,422
Intersegment sales	2,500	16	-	20,042	22,559	(22,559)	-
Total sales	1,743,294	11,695	45,350	66,640	1,866,981	(22,559)	1,844,422
Cost of sales and operating expenses	1,512,452	11,925	49,973	66,558	1,640,909	(22,539)	1,618,370
Operating income/(loss)	230,841	(229)	(4,622)	82	226,071	(19)	226,052
Assets	1,944,609	6,730	117,734	419,824	2,488,899	(36,364)	2,452,535
Depreciation	103,883	8	3,726	3,278	110,896	-	110,896
Impairment loss on fixed assets	1,196	-	9,947	-	11,144	-	11,144
Capital expenditures	153,930	25	1,760	4,556	160,273	-	160,273

(b) FY 2009 (year ended March 31, 2010)

(Million yen)

	Steel	Other	Total	Corporate or eliminations	Consolidated
Sales to customers	1,205,861	79,984	1,285,845	-	1,285,845
Intersegment sales	2,006	18,592	20,598	(20,598)	-
Total sales	1,207,868	98,576	1,306,444	(20,598)	1,285,845
Cost of sales and operating expenses	1,215,487	91,854	1,307,342	(20,567)	1,286,774
Operating income/(loss)	(7,618)	6,721	(897)	(31)	(928)
Assets	1,939,342	609,521	2,548,864	(145,194)	2,403,670
Depreciation	118,062	3,578	121,640	-	121,640
Capital expenditures	135,447	2,420	137,868	-	137,868

(Remarks) Major products for respective segments

Segment	Major products etc.	
Steel	Steel sheets and plates	Steel plates for structural uses, steel plates and sheets for low-temperature service, steel plates and sheets for line pipe, high-tensile-strength steel plates and sheets, hot strip, cold strip, electromagnetic steel sheets, hot-dip galvanized steel sheets, electrolytic galvanized steel sheets, pre-painted steel sheets, pre-coated steel sheets, stainless steel precision rolled strips, pure nickel sheet etc.
	Construction materials	H-shapes, fixed outer dimension H-shapes, lightweight welded beams, sheet piles, steel pipe piles etc.
	Steel tubes and pipes	Seamless steel tubes and pipes, electric resistance welded tubes and pipes, large-diameter arc-welded pipes, hot ERW, specially shaped tubes, various coated tubes and pipes, stainless steel tubes and pipes etc.
	Steel bars and wire rods	Mechanical structural quality wire rods, cold heading quality wire rods, spring quality bar, machining steel, bearing steel, stainless bar and wire rods etc.
	Railway, automotive, and machinery parts	Wheels, axles, bogie trucks, gear units for electric cars, couplers etc.
	Steel castings and forgings	Die forged crankshafts, materials for mold, aluminum wheels, flange for transmission tower, crane wheels, rolls etc.
	Semi-finished iron products	Steel billets and slabs, pig iron for steel making etc.
	Other steel	Titanium products, steel making technology, electric power, land and sea transport of steel materials, maintenance of machinery and facilities, pipelines, energy plant, sales of lime stone etc.
Other	Electronic modules, lease and sale of real estate, etc.	

**(ii) Segment information by location**

For FY 2008 (April 1, 2008 - March 31, 2009) and FY 2009 (April 1, 2009 - March 31, 2010) on a cumulative basis, the segment information by location is not stated as sales revenue of domestic entities accounted for more than 90% of our total sales revenue.

**(iii) Overseas sales**

FY 2008 (April 1, 2008 - March 31, 2009)

	Asia	Other	Total
1 Overseas Sales (Million yen)	574,734	200,185	774,919
2 Consolidated Sales (Million yen)			1,844,422
3 Percentages of Overseas Sales in Consolidated Sales (%)	31.2	10.8	42.0

FY 2009 (April 1, 2009 - March 31, 2010)

	Asia	Other	Total
1 Overseas Sales (Million yen)	373,330	138,525	511,856
2 Consolidated Sales (Million yen)			1,285,845
3 Percentages of Overseas Sales in Consolidated Sales (%)	29.0	10.8	39.8

(Note) Method of classifying countries or areas, and major countries or areas classified to each region.

1. Method for classifying countries or areas:

Countries or areas are classified based on geographical proximity.

2. Major countries or areas classified to each region:

Asia---China, South Korea, Southeast Asia, the Middle and Near East etc.

## 2. Information on business performance per share

(Note) This provision is not translated in English. Please refer to our original Japanese document.

## 5. Non-consolidated Financial Statement

This provision is not translated in English. Please refer to our original Japanese document.

## 6. Others

(1) Change of officers: These changes were announced on February 23 and on April 27<sup>th</sup> of this year.

(a) A Candidate to become a new Director

Yoshitaka Hotta

(b) A candidate to become a new Corporate Auditor

Hirohiko Minato

(c) A candidate to become a new Corporate Auditor

Hirotake Abe

(d) Retired Director

Yoshinari Ishizuka (Retired on March 31, 2010, appointed to be Advisor of SUMCO Corporation on April 1, 2010)

(e) A Standing Corporate Auditor to retire

Shigeru Sakurai

(f) A Corporate Auditor to retire

Eiji Asada

## (2) Others

### (a) Financial Performance (Consolidated)

(Billion yen)

	FY2009							Total
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	1 <sup>st</sup> half	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	2 <sup>nd</sup> half		
	Steel	273.3	284.3	557.7	308.1	339.9	648.1	
Other	17.1	23.8	40.9	17.8	21.1	38.9	79.9	
Net Sales	290.4	308.2	598.7	326.0	361.0	687.1	1,285.8	
Steel	(34.4)	4.8	(29.5)	(5.3)	27.2	21.9	(7.6)	
Other	(0.5)	1.5	1.3	2.2	3.1	5.3	6.7	
Corporate or eliminations	0.4	(0.0)	0.1	(0.0)	(0.1)	(0.1)	(0.0)	
Operating income/(loss)	(34.5)	6.3	(28.0)	(3.1)	30.2	27.1	(0.9)	
Ordinary income/(loss)	(41.6)	(5.9)	(47.6)	(11.0)	22.0	10.9	(36.6)	
Net income/(loss)	(32.3)	(14.3)	(46.6)	(10.7)	7.7	(3.0)	(49.7)	

### (b) Sumitomo Metals' crude steel production (including Sumitomo Metals (Kokura), Ltd., and Sumikin Iron & Steel Corporation)

(Million tons)

	1 <sup>st</sup> half			2 <sup>nd</sup> half			Total
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter			
FY 2008	3.50	3.54	7.04	3.36	2.48	5.84	12.87
FY 2009	2.28	2.79	5.07	3.26	3.32	6.58	11.65
FY 2010 Forecast	-	-	approx.6.80	-	-	Approx.6.90	Approx.13.70

(c) Export ratio (including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation)

(Value basis %)

	1st half		1st half	2nd half		Total
	1st quarter	2nd quarter		3rd quarter	4th quarter	
FY 2008	44	44	44	46	48	47
FY 2009	48	42	45	41	41	41

(d) Foreign exchange rate

(Yen/US\$)

	1st half		1st half	2nd half		Total
	1st quarter	2nd quarter		3rd quarter	4th quarter	
FY 2008	105	108	106	96	94	95
FY 2009	97	94	95	90	91	90
FY 2010 Forecast	-	-	approx.90	-	-	approx.90

(e) Consolidated exposure to foreign exchange fluctuations

FY 2008	FY 2009
Excess payment of approx. 0.2 billion US\$ per year	Excess receipt of approx. 0.7 billion US\$ per year*

(f) Average price of steel products (including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation)

(Thousand yen/ton)

	1st half		1st half	2nd half		Total
	1st quarter	2nd quarter		3rd quarter	4th quarter	
FY 2008	110.1	126.9	118.6	130.3	132.7	131.3
FY 2009	109.4	86.8	96.8	79.0	84.3	81.7

(g) Debt (Consolidated)

(Billion yen)

As of March 31, 2009	As of March 31, 2010	Forecast As of March 31, 2011
990.0	1,138.3	approx. 1,100.0

(h) Capital Expenditure and Depreciation (Consolidated; Tangible assets)

(Billion yen)

	FY 2009	Forecast FY 2010
Capital Expenditure	136.6	approx. 120.0
Depreciation	120.8	approx. 130.0

(i) Number of Employees (Consolidated)

(Employees)

As of March 31, 2009	As of March 31, 2010
24,245	23,674

(j) Analysis on consolidated ordinary income

FY 2009 ← FY 2008

(Foreign exchange (TTM) assumption:

93 Yen/US\$ (FY 2009) ← 101 Yen/US\$ (FY 2008)

(Billion yen)

	FY 2009	FY 2008	Increase/(Decrease)
Consolidated ordinary income/(loss)	(36.6)	225.7	(262.3)
Positive impact		Negative impact	
Raw materials price decrease*1	224.0	Losses from valuation	(124.0)
Cost improvement	35.0	Decrease of equity in earnings, and increase of equity in losses, of unconsolidated subsidiaries	(44.7)
Inventory valuation	35.0	Negative impact of production cut	(20.0)
		Increase of fixed costs	(9.0)
		Sales mix and others	(358.6)
Total	294.0	Total	(556.3)
Difference: (262.3)			

\*1 Positive impact of "Raw materials price decrease" includes negative impact of 92.0 billion yen due to carry-over of raw materials costs.