

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.

**Sumitomo Metal Industries, Ltd.**  
**Consolidated Financial Results**  
**for the First Half of FY2011 (ending March 31, 2012)**

Company name : Sumitomo Metal Industries, Ltd.  
Listed on : Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchange  
Code number : 5405  
URL : <http://www.sumitomometals.co.jp/e/>  
Contact : Toshifumi Matsui, Manager, Public Relations Group  
Phone +81-3-4416-6115

(Figures less than a million yen are truncated.)

1. Highlights of Consolidated Financial Results for the First half of FY2011

(April 1, 2011 - September 30, 2011)

(1) Consolidated Statement of Operations (%: change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half of FY2011	692,215	-0.2	41,268	18.7	41,370	42.8	(32,387)	-
First half of FY2010	693,783	15.9	34,778	-	28,967	-	34,889	-

(Note) Comprehensive Income/(Losses): First half of FY2011 (11,112) Million yen ( - %)  
First half of Y2010 1,330 Million yen ( - %)

	Net income/(losses) per share	Net income per share after dilution
	Yen	Yen
First half of FY2011	(6.99)	-
First half of FY2010	7.53	-

(2) Consolidated Balance Sheets

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First half of FY2011	2,458,686	802,132	30.5
FY2010	2,440,761	818,080	31.4

(Note) Shareholders' Equity: First half of FY2011 750,125 Million yen  
FY2010 766,777 Million yen

## 2. Dividends

(Record Date)	Dividends per share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-end	Total
FY2010	Yen -	Yen 2.50	Yen -	Yen 1.00	Yen 3.50
FY2011	-	1.00			
FY2011(Forecasts)			-	2.50	3.50

(Note) Changes from the most recent dividends forecasts for FY2011 announced previously: None

## 3. Forecasts for Consolidated Financial Performance for FY2011 (April 1, 2011 - March 31, 2012) (%: change from previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	1,520,000	8.4	90,000	59.9	100,000	193.7	0	-	0.00

(Note) Changes from the most recent forecasts for consolidated financial performance for FY2011 announced previously: Yes

## 4. Others

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

(2) Adoption of accounting method which is peculiar to quarterly consolidated financial statements: None

(3) Changes in the principle/procedure of accounting method and presentation, changes in estimation related to financial statements, and re-statement of revisions.

(i) Changes in the principle/procedure of accounting method and presentation due to the revision of accounting standards, etc.: None

(ii) Changes other than (i): None

(iii) Changes in estimation related to financial statements: None

(iv) Re-statement of revisions: None

(4) Number of issued shares (common stock)

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

Last day of second quarter, FY2011: 4,805,974,238 shares

Last day of FY2010: 4,805,974,238 shares

(b) Number of treasury shares

Last day of second quarter, FY2011: 170,500,484 shares

Last day of FY2010: 170,413,839 shares

(c) The average number of shares of common stock issued and outstanding during the period

First half of FY2011: 4,635,507,661 shares

First half of FY2010: 4,635,764,933 shares

(Note) We are scheduled to conduct a conference call for analysts and fund managers on Monday, October 31, 2011. We will upload the document and a summary of Q&A on our website (<http://www.sumitomometals.co.jp/e/ir/>) after the conference.

(Note) This document, including the APPENDIX, is not a subject of audit procedure under the Financial Instruments and Exchange Law of Japan. The consolidated quarterly financial statements are currently under review according to the Financial Instruments and Exchange Law of Japan.

The forecasts or targets included in this document, including the APPENDIX, 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 *shihannki hokokusho* and financial summaries, including "1. Qualitative Information on Consolidated Financial Results" on page 2 of the APPENDIX, important factors that could cause these differences. Sumitomo Metal 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 any changes in the assumptions and factors on which they are based.

## APPENDIX

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## **1. Qualitative Information on Consolidated Financial Results**

### **(1) Qualitative Information on Business Results for the First Half of the Fiscal Year 2011**

During the first half of the fiscal year 2011, we experienced a recovery in demand for steel products in the second quarter, chiefly those destined for the automotive sector, following the decline that occurred in the first quarter due to the effects of the Great East Japan Earthquake in March 2011. Prices in overseas markets continued to be in the weak trend particularly in the steel sheet market.

Under these circumstances, the SMI Group made efforts to improve its profitability by reflecting raw material cost movements in our steel prices and reducing costs. We are endeavouring to replenish, within the current fiscal year, over half the approximately 100 billion yen of cash demand for the recovery of Kashima Steel Works that was damaged by the Great East Japan Earthquake through retrenchment in various areas.

During the first half of the fiscal year 2011, with an improvement in demand for seamless pipe in addition to the efforts to improve our profitability, our Group achieved sales of 692.2 billion yen (a year-on-year decrease of 1.5 billion yen), operating income of 41.2 billion yen (a year-on-year increase of 6.4 billion yen), and ordinary income of 41.3 billion yen (a year-on-year increase of 12.4 billion yen). We, however, posted net loss of 32.3 billion yen (a year-on-year decrease of 67.2 billion yen of income) because we recorded extraordinary losses due to valuation loss on investment securities, damage to the Kashima Steel Works caused by the Great East Japan Earthquake, and other factors.

In September 2011 we concluded the Master Integration Agreement with Nippon Steel Corporation and making preparations towards the merger on October 1, 2012. The name of the integrated company will be “Nippon Steel & Sumitomo Metal Corporation.” Based on a common philosophy of “contributing to society through steelmaking,” we will unite our strengths and will aim to become the “the Best Steelmaker with World-Leading Capabilities.”

### **(2) Qualitative Information on Financial Forecasts for the Entire Fiscal Year 2011**

The business environment for the remainder of the fiscal year 2011 contains uncertainties such as the risk of a global recession stemming from the European financial crisis, the movements in raw material prices, and the negative impact on our customers due to prolonged appreciation of the yen. Under these circumstances, Sumitomo Metals Group will make efforts to improve our profitability by continuing to reduce costs, improve steel prices as well as proceed with the recovery plan to generate cash needed to recover the damage caused by the earthquake. Our forecasts for the entire fiscal year 2011 are as follows: sales of 1,520 billion yen, operating income of 90 billion yen, ordinary income of 100 billion yen. We forecast the net income to be zero yen assuming that we post 79.7 billion yen of valuation loss on investment securities, the same amount we posted at the end of the first half, at the end of the fiscal year 2011.

These forecasts were separately disclosed in the “Notice Regarding Financial Results for the First Half of FY2011 and Revised Financial Forecasts for the Entire FY2011” today.

**2. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

(Million yen)		
Items	At the end of previous FY (As of March 31, 2011)	At the end of second quarter under review (As of September 30, 2011)
(Assets)		
Current assets:		
Cash and deposits	83,264	19,348
Notes and accounts receivable-trade	109,571	150,847
Merchandise and finished goods	144,655	187,632
Work in process	23,476	28,809
Raw materials and supplies	230,533	239,369
Other	57,089	68,221
Allowance for doubtful accounts	(660)	(657)
<b>Total current assets</b>	<b>647,930</b>	<b>693,572</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings, net	262,229	258,306
Machinery, equipment and vehicles, net	413,400	397,257
Land	350,518	350,691
Other, net	91,563	101,322
<b>Total property, plant and equipment</b>	<b>1,117,712</b>	<b>1,107,578</b>
Intangible assets	6,208	5,978
Investment and other assets:		
Investment securities	485,511	433,297
Other	183,608	218,447
Allowance for doubtful accounts	(209)	(186)
<b>Total investments and other assets</b>	<b>668,910</b>	<b>651,558</b>
<b>Total noncurrent assets</b>	<b>1,792,830</b>	<b>1,765,114</b>
<b>Total assets</b>	<b>2,440,761</b>	<b>2,458,686</b>

(1) Consolidated Balance Sheets (Continued)

	(Million yen)	
Items	At the end of previous FY (As of March 31, 2011)	At the end of second quarter under review (As of September 30, 2011)
(Liabilities)		
Current liabilities:		
Notes and accounts payable-trade	221,195	263,149
Short-term loans payable	279,818	290,239
Provision for loss on disaster	49,307	21,584
Other	250,278	255,436
<b>Total current liabilities</b>	<b>800,600</b>	<b>830,410</b>
Noncurrent liabilities:		
Bonds payable	180,664	185,667
Long-term loans payable	572,899	579,341
Provision for retirement benefits	20,318	20,934
Provision for special repairs	197	209
Other	48,000	39,991
<b>Total noncurrent liabilities</b>	<b>822,080</b>	<b>826,143</b>
<b>Total liabilities</b>	<b>1,622,681</b>	<b>1,656,554</b>
(Net Assets)		
Shareholders' equity:		
Capital stock	262,072	262,072
Capital surplus	61,829	61,829
Retained earnings	565,931	528,908
Treasury stock	(91,161)	(91,176)
<b>Total shareholders' equity</b>	<b>798,671</b>	<b>761,634</b>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(18,877)	(3,964)
Deferred gains or losses on hedges	(594)	(672)
Revaluation reserve for land	11,203	11,212
Foreign currency translation adjustment	(23,627)	(18,083)
<b>Total accumulated other comprehensive income</b>	<b>(31,894)</b>	<b>(11,508)</b>
<b>Minority interests</b>	<b>51,303</b>	<b>52,007</b>
<b>Total net assets</b>	<b>818,080</b>	<b>802,132</b>
<b>Total liabilities and net assets</b>	<b>2,440,761</b>	<b>2,458,686</b>

(2) Consolidated Statement of Operations and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Operations)

(Million yen)

Items	First half of the previous FY (April 1, 2010- September 30, 2010	First half of the current FY (April 1, 2011- September 30, 2011
Net Sales	693,783	692,215
Cost of sales	597,017	592,143
Gross profit	96,765	100,072
Selling, general and administrative expenses:		
Shipment expenses	18,539	16,759
Employees' salaries and allowances	17,849	17,563
Other	25,597	24,481
Total Selling, general and administrative expenses	61,986	58,803
Operating income	34,778	41,268
Non-operating income:		
Dividends income	2,600	4,513
Equity in earnings of affiliates	5,597	8,060
Other	5,450	6,122
Total non-operating income	13,648	18,696
Non-operating expenses:		
Interest expenses	7,748	6,685
Other	11,711	11,909
Total non-operating expenses	19,459	18,594
Ordinary income	28,967	41,370
Extraordinary losses:		
Loss on disaster	-	12,320
Loss on sales of investment securities	-	1,990
Loss on valuation of investment securities	-	79,761
Total extraordinary losses	-	94,073
Income/(losses) before income taxes	28,967	(52,702)
Income taxes-current	8,435	5,204
Income taxes-deferred	(15,742)	(26,546)
Total income taxes	(7,307)	(21,342)
Net income/(losses) before minority interest in income adjustment	36,275	(31,360)
Minority interests in income	1,385	1,026
Net income/(losses)	34,889	(32,387)



**(Consolidated Quarterly Statements of Comprehensive Income)**

(Million yen)

Items	First half of the previous FY (April 1, 2010- September 30, 2010	First half of the current FY (April 1, 2011- September 30, 2011
Net income/(losses) before minority interests	36,275	(31,360)
Other comprehensive income:		
Valuation difference on available-for-sale securities	(24,490)	15,652
Deferred gains on hedges	227	116
Revaluation reserve for land	(643)	-
Foreign currency translation adjustment	(3,660)	91
Share of other comprehensive income of associates accounted for using equity method	(6,378)	4,387
Total other comprehensive income	(34,944)	20,248
Comprehensive income	1,330	(11,112)
(Detail)		
Comprehensive income attributable to owners of the parent	299	(12,001)
Comprehensive income attributable to minority interests	1,030	888

**(3) Notes on Going Concern Assumption:**

Not applicable.

**(4) Notes on Any Significant Change in Shareholders' Equity:**

Not applicable.

### 3. Supplemental Information

#### (1) Financial Performances (Consolidated Basis)

(Billion yen)

	Forecasts for FY2011				
	1st quarter	2nd quarter	1st half	(approx.) 2nd half	(approx.) Total
Steel	297.2	373.8	671.1	810.0	1,480.0
Other	9.6	11.4	21.1	20.0	40.0
Net Sales	306.8	385.3	692.2	830.0	1,520.0
Steel	16.4	22.7	39.1	49.0	87.0
Other	0.4	1.6	2.1	1.0	3.0
Adjustment	(0.0)	0	(0.0)	-	-
Operating income	16.8	24.4	41.2	50.0	90.0
Ordinary income	19.0	22.3	41.3	60.0	100.0
Net income/(losses)	3.2	(35.6)	(32.3)	32.0	0.0

#### (2) Crude Steel Production (Including Sumitomo Metals (Kokura), Ltd. and Sumikin Iron & Steel Corporation)

(Million tons)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	Total
	FY2009	2.28	2.79	5.07	3.26	3.32	6.58
FY2010	3.35	3.43	6.78	3.00	3.13	6.12	12.90
FY2011	2.77	3.34	6.11	(approx.) 3.40	(approx.) 3.50	(approx.) 6.90	(approx.) 13.00

#### (3) Export Ratio (Including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation): Value Basis

(%)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	Total
	FY2009	48	42	45	41	41	41
FY2010	43	39	41	42	42	42	42
FY2011	46	40	42	-	-	(approx.) 39	(approx.) 40

#### (4) Foreign Exchange Rate

(Yen/US\$)

	1st quarter	2nd quarter	1st half	3rd quarter	4th quarter	2nd half	Total
	FY2009	97	94	95	90	91	90
FY2010	92	86	89	83	82	82	86
FY2011	82	78	80	-	-	(approx.) 80	(approx.) 80

#### (5) Exposure to Foreign Exchange Fluctuations (Consolidated Basis)

FY2010	Forecast for FY2011
Receipt and payment of US\$ is balanced.	Excess payment of approximately 0.6 billion US\$ per year.

(6) Average Price of Steel Products (Including Sumitomo Metals (Kokura), Ltd.,  
Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation)

(Thousand yen/ton)

			1st half			2nd half	Total
	1st quarter	2nd quarter		3rd quarter	4th quarter		
FY2009	109.4	86.8	96.8	79.0	84.3	81.7	88.0
FY2010	87.7	95.6	91.6	95.9	97.9	96.9	94.2
FY2011	104.5	107.3	106.0	-	-	(approx.) 103	(approx.) 105

(7) Outstanding Debt (Consolidated Basis)

(Billion yen)

As of March 31, 2011	As of June 30, 2011	As of September 30, 2011	As of March 31, 2012 (Forecast)
1,173.3	1,197.4	1,207.2	approx. 1,210.0

(8) Analysis on Contributors to Change in Ordinary Income (Consolidated Basis)

-Foreign exchange (TTM) assumption:

80 Yen/US\$ (First half of FY2011) ← 89 Yen/US\$ (First half of FY2010)

(Billion yen)

	First half of FY2011	First half of FY2010	Increase/(Decrease)
Consolidated ordinary income/(losses)	41.3	28.9	12.4

(Billion yen)

Positive impact		Negative impact	
Cost improvement	18.0	Prices of raw materials and other materials	(84.0)
Decrease of fixed costs	6.5	Carry-over of raw materials costs*	(10.0)
Increase of equity in earnings of unconsolidated subsidiaries	2.4	Effect of the earthquake	(4.0)
Sales price/mix and others	90.5	Valuation loss	(4.0)
		Sales volume	(2.0)
		Inventory devaluation	(1.0)
Total	117.4	Total	(105.0)
Difference: 12.4			

\* Impact of carry-over: First half of 2011 - positive 18.0 billion yen  
First half of 2010 - positive 28.0 billion yen