

# The Third Quarter of FY2006 Results (ending March 31, 2007)

January 31, 2007

## 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. 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 the Sumitomo Metals 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 the Sumitomo Metals 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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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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# I. The Third Quarter of FY2006 Results

## Overview of Consolidated Results for FY06/3Q

### Profit and Loss Statement

- Rising raw materials costs for nickel, zinc and other materials were offset by higher sales prices and improvements in the product mix, elevating operating profit from ¥72.6bn in 2Q to ¥78.0bn in 3Q.
- The disappearance of temporary factors at SUMCO, which added ¥9.0bn to profits in 2Q, caused earnings from equity-method affiliates to decline.

### Balance Sheet

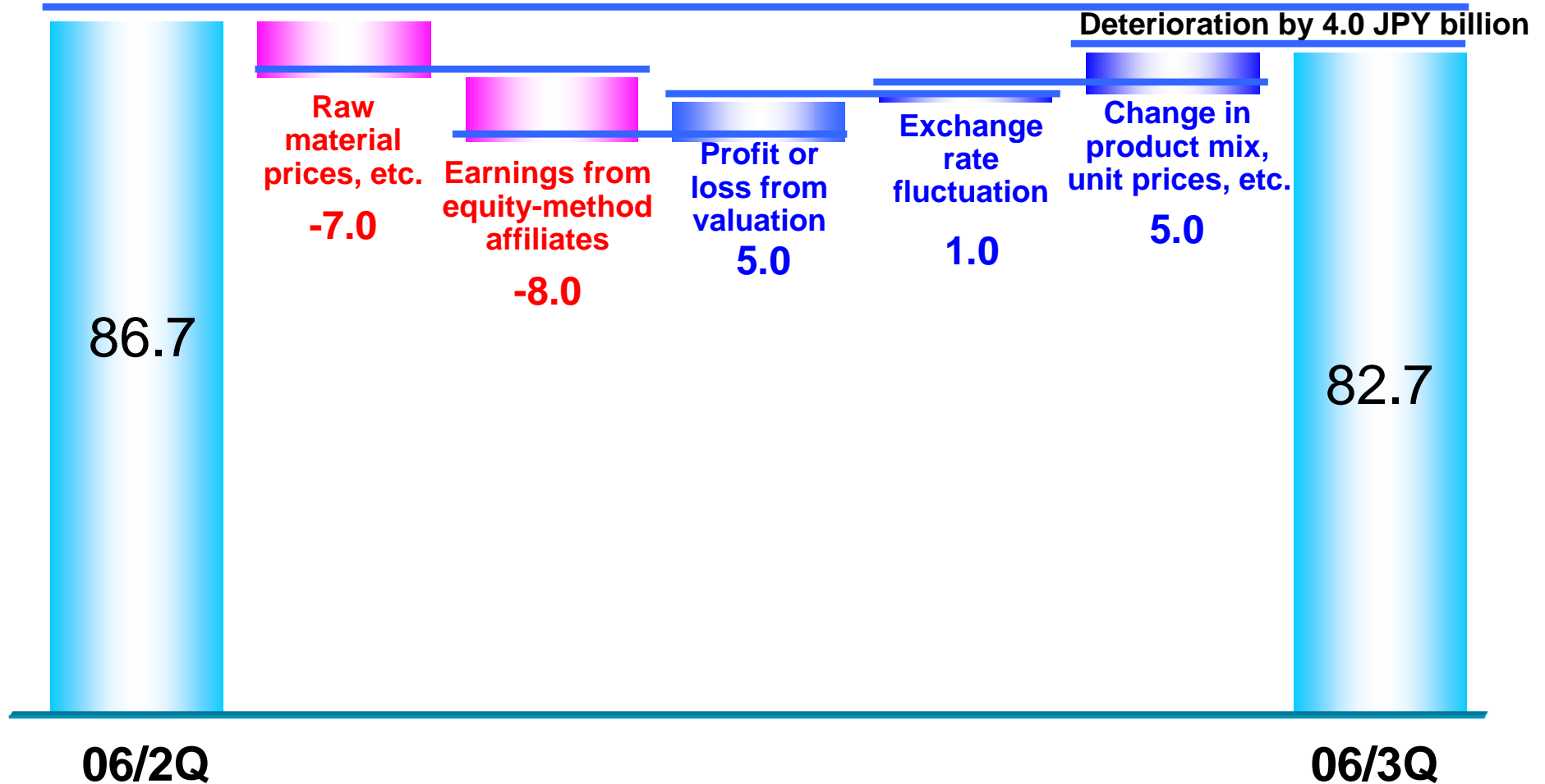
- The debt increased from ¥667.7bn at the end of Sep '06 to ¥741.6bn at the end of Dec '06, due to capital investments aimed at accelerating distinctiveness of Sumitomo Metals, and a ¥70.0bn share repurchase.

## Overview of Consolidated Results for FY06/3Q

	FY06			Change FY06/2Q - FY06/3Q	YTD Total (Apr-Dec)
	1Q	2Q	3Q		
	JPY billion	JPY billion	JPY billion	JPY billion	JPY billion
<b>Sales</b>	<b>373.0</b>	<b>395.1</b>	<b>400.6</b>	<b>5.5</b>	<b>1,168.8</b>
<b>Operating profit</b>	<b>62.5</b>	<b>72.6</b>	<b>78.0</b>	<b>5.4</b>	<b>213.1</b>
<b>Recurring profit</b>	<b>69.2</b>	<b>86.7</b>	<b>82.7</b>	<b>-4.0</b>	<b>238.7</b>
<b>Non-recurring profit (loss)</b>	<b>(3.5)</b>	<b>(1.1)</b>	<b>3.6</b>	<b>4.7</b>	<b>(1.0)</b>
<b>Corporate taxes and minority interests</b>	<b>(24.0)</b>	<b>(27.4)</b>	<b>(30.2)</b>	<b>-2.7</b>	<b>(81.7)</b>
<b>Net income</b>	<b>41.5</b>	<b>58.2</b>	<b>56.1</b>	<b>-2.0</b>	<b>155.9</b>
<b>Net income per share (JPY)</b>	<b>8.66</b>	<b>12.12</b>	<b>11.97</b>	<b>-0.16</b>	<b>32.72</b>
<b>Exchange rate (JPY/USD)</b>	<b>114</b>	<b>116</b>	<b>118</b>	<b>+2</b>	

# Change in Consolidated Recurring Profit (FY06/2Q - FY06/3Q)

JPY billion



# Consolidated Balance Sheet Conditions in FY06/3Q

	2006			
	End Mar	End Jun	End Sep	End Dec
[Assets]	JPY billion	JPY billion	JPY billion	JPY billion
<b>Current assets</b>	<b>675.2</b>	<b>644.6</b>	<b>665.5</b>	<b>683.4</b>
<b>Property, plant and equipment</b>	<b>1,009.4</b>	<b>1,012.8</b>	<b>1,016.7</b>	<b>1,021.1</b>
<b>Intangibles</b>	<b>6.2</b>	<b>5.9</b>	<b>5.6</b>	<b>5.2</b>
<b>Investments and other assets</b>	<b>422.4</b>	<b>409.5</b>	<b>432.4</b>	<b>508.5</b>
<b>Total assets</b>	<b>2,113.3</b>	<b>2,073.0</b>	<b>2,120.3</b>	<b>2,218.4</b>
<b>[Liabilities and Shareholders Equity]</b>				
<b>Current liabilities</b>	<b>862.9</b>	<b>811.4</b>	<b>805.2</b>	<b>860.3</b>
<b>Long-term liabilities</b>	<b>488.2</b>	<b>492.1</b>	<b>485.5</b>	<b>533.7</b>
<b>Net assets (*)</b>	<b>762.1</b>	<b>769.4</b>	<b>829.5</b>	<b>824.3</b>
<b>Debt</b>	<b>679.7</b>	<b>724.5</b>	<b>667.7</b>	<b>741.6</b>

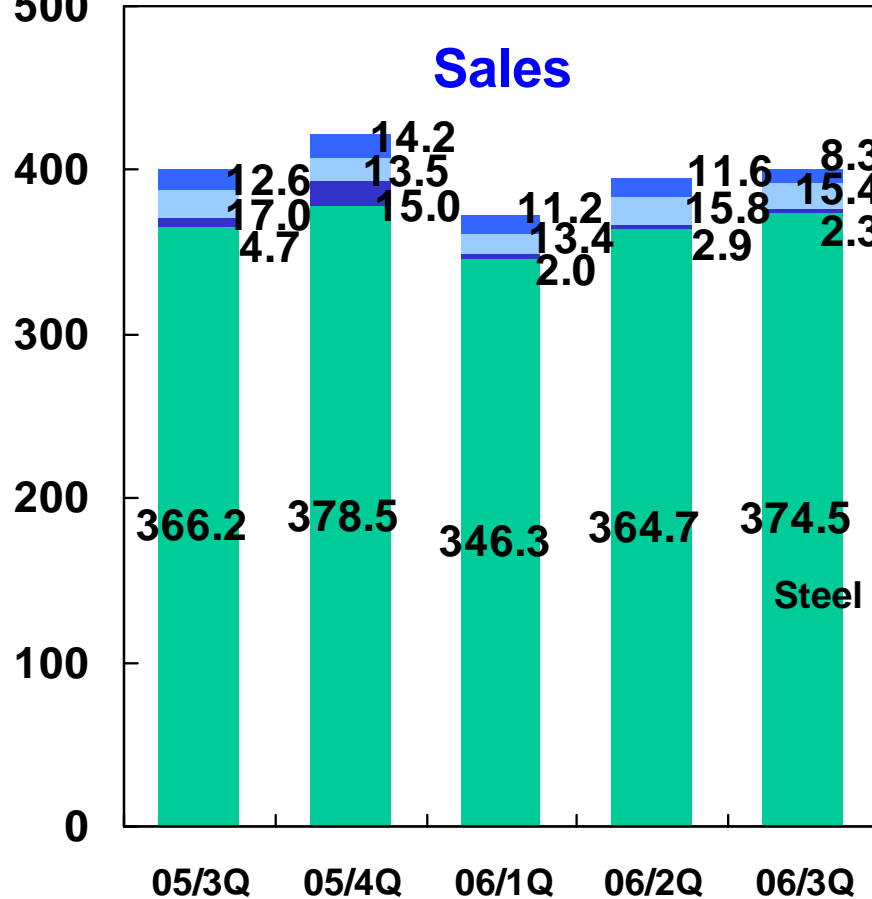
Includes a  
¥70.0bn impact  
from the  
repurchase of  
shares

\* The figure as of Mar 2006 reflects shareholders' equity + minority interests

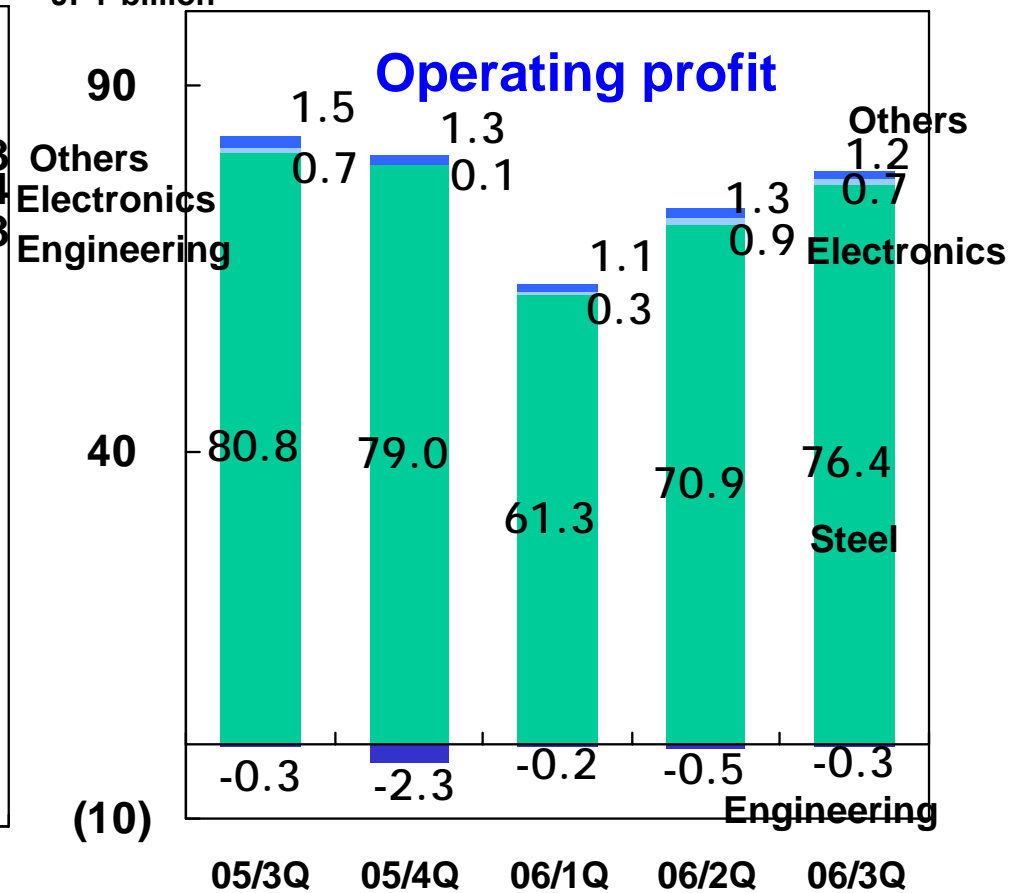


# Consolidated Sales and Operating Profit by Business Segment

JPY billion  
500

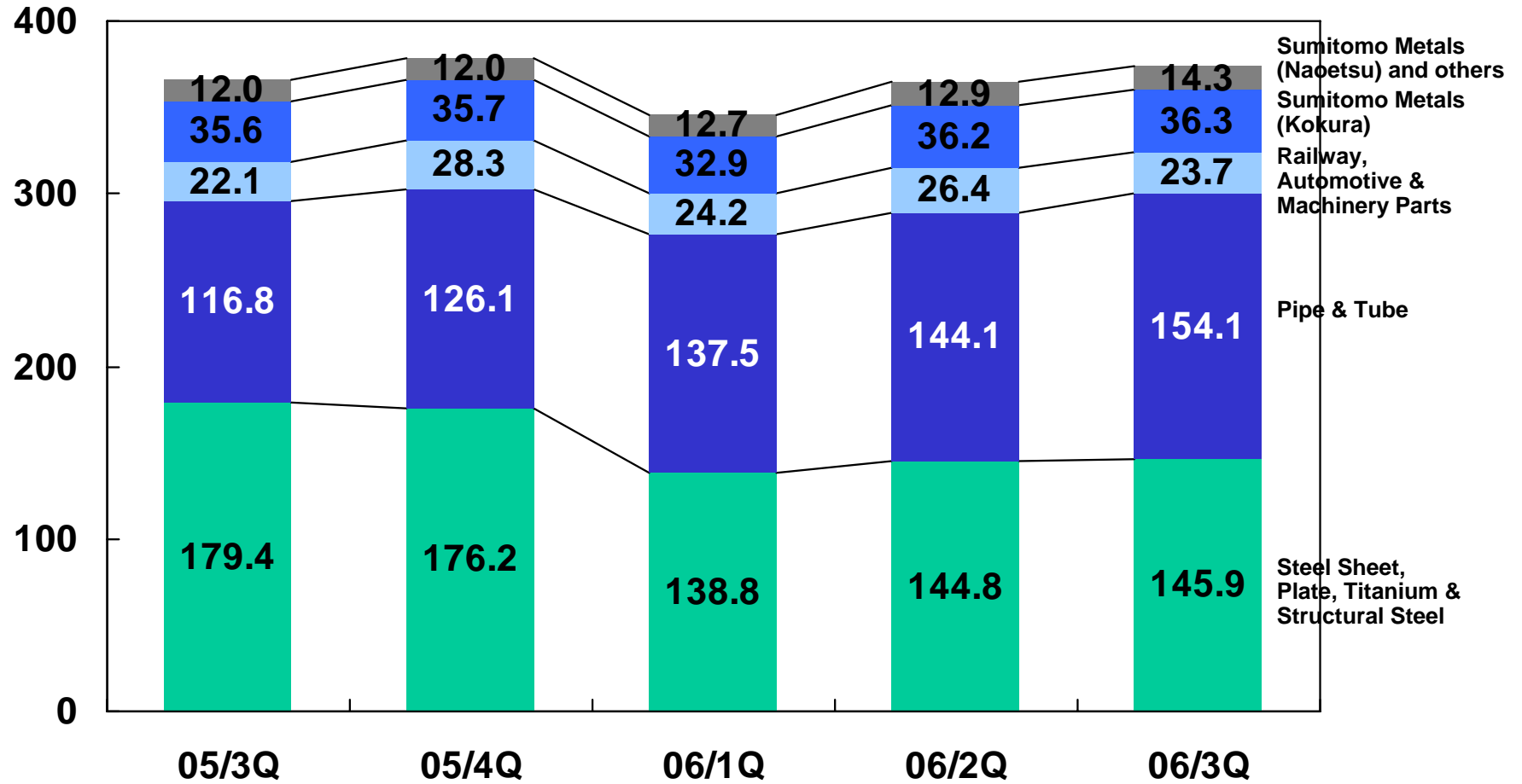


JPY billion

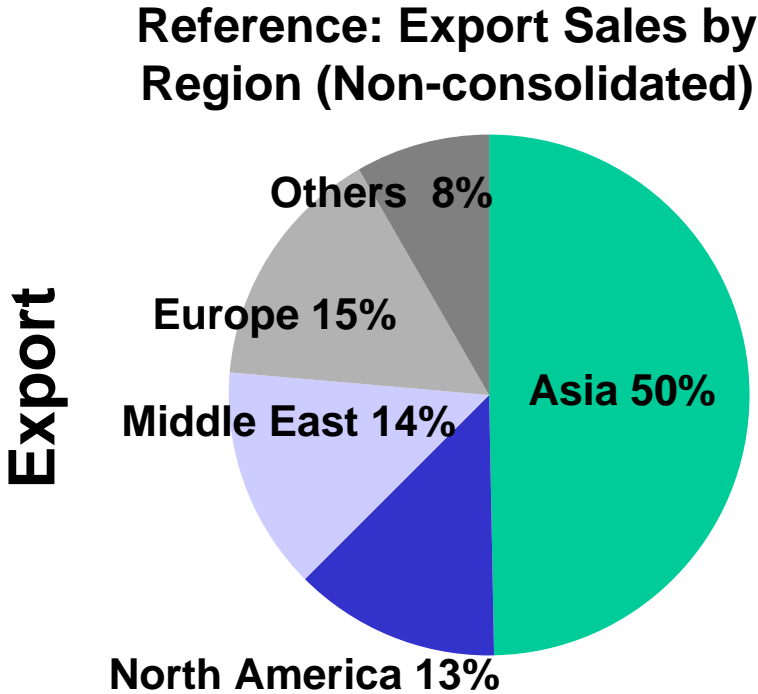
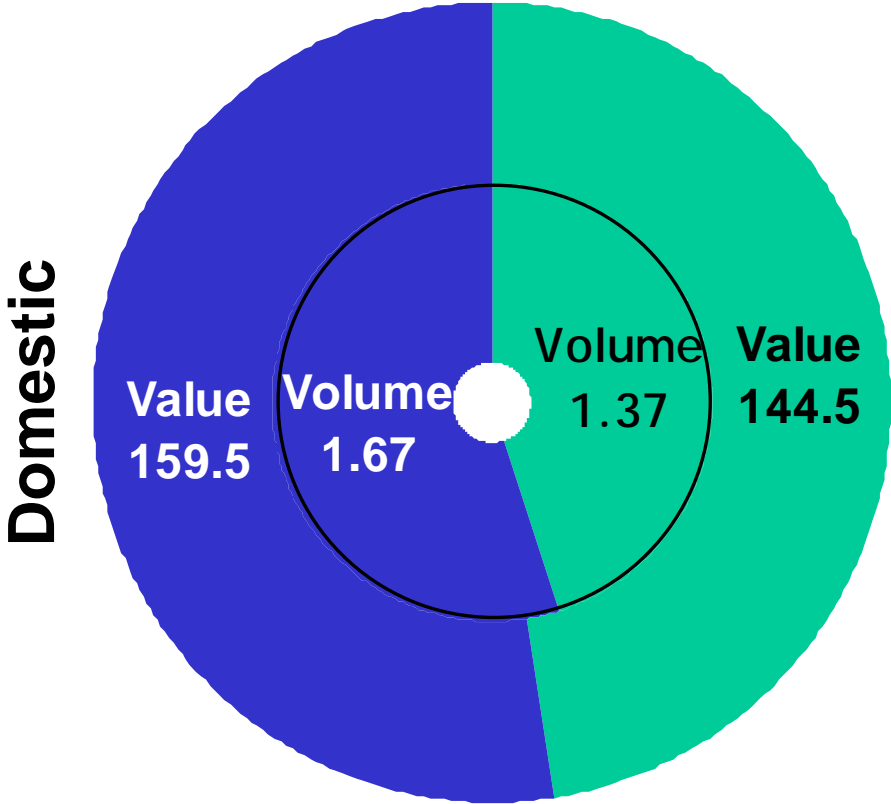


# Consolidated Steel Sales by Internal Company

JPY billion



# Domestic and Export Steel Sales for FY06/3Q



Unit: JPY billion, million tons (\*)

\*Including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation

## II. FY2006 Targets

# Overview of Consolidated Business Targets for FY06

	FY05	FY06 Tatgets			Change FY05-FY06
		1H	2H Tatgets	Total	
[ ] Targets as of Oct. 31	JPY billion	JPY billion	JPY billion approx.	JPY billion approx.	JPY billion approx.
<b>Sales</b>	<b>1552.7</b>	<b>768.2</b>	<b>790</b> <b>[790]</b>	<b>1560</b> <b>[1,560]</b>	<b>7.3</b>
<b>Operating profit</b>	<b>305.8</b>	<b>135.1</b>	<b>145</b> <b>[145]</b>	<b>280</b> <b>[280]</b>	<b>-25.8</b>
<b>Recurring profit</b>	<b>280.7</b>	<b>156.0</b>	<b>144</b> <b>[144]</b>	<b>300</b> <b>[300]</b>	<b>19.3</b>
<b>Non-recurring profit [loss]</b>	<b>25.4</b>	<b>(4.6)</b>	<b>15</b> <b>[5]</b>	<b>10</b> <b>[0]</b>	<b>-15.4</b>
<b>Corporate taxes and minority interests</b>	<b>(84.9)</b>	<b>(51.5)</b>	<b>(59)</b> <b>[(59)]</b>	<b>(110)</b> <b>[(110)]</b>	<b>-25.1</b>
<b>Net income</b>	<b>221.2</b>	<b>99.7</b>	<b>100</b> <b>[90]</b>	<b>200</b> <b>[190]</b>	<b>-21.2</b>

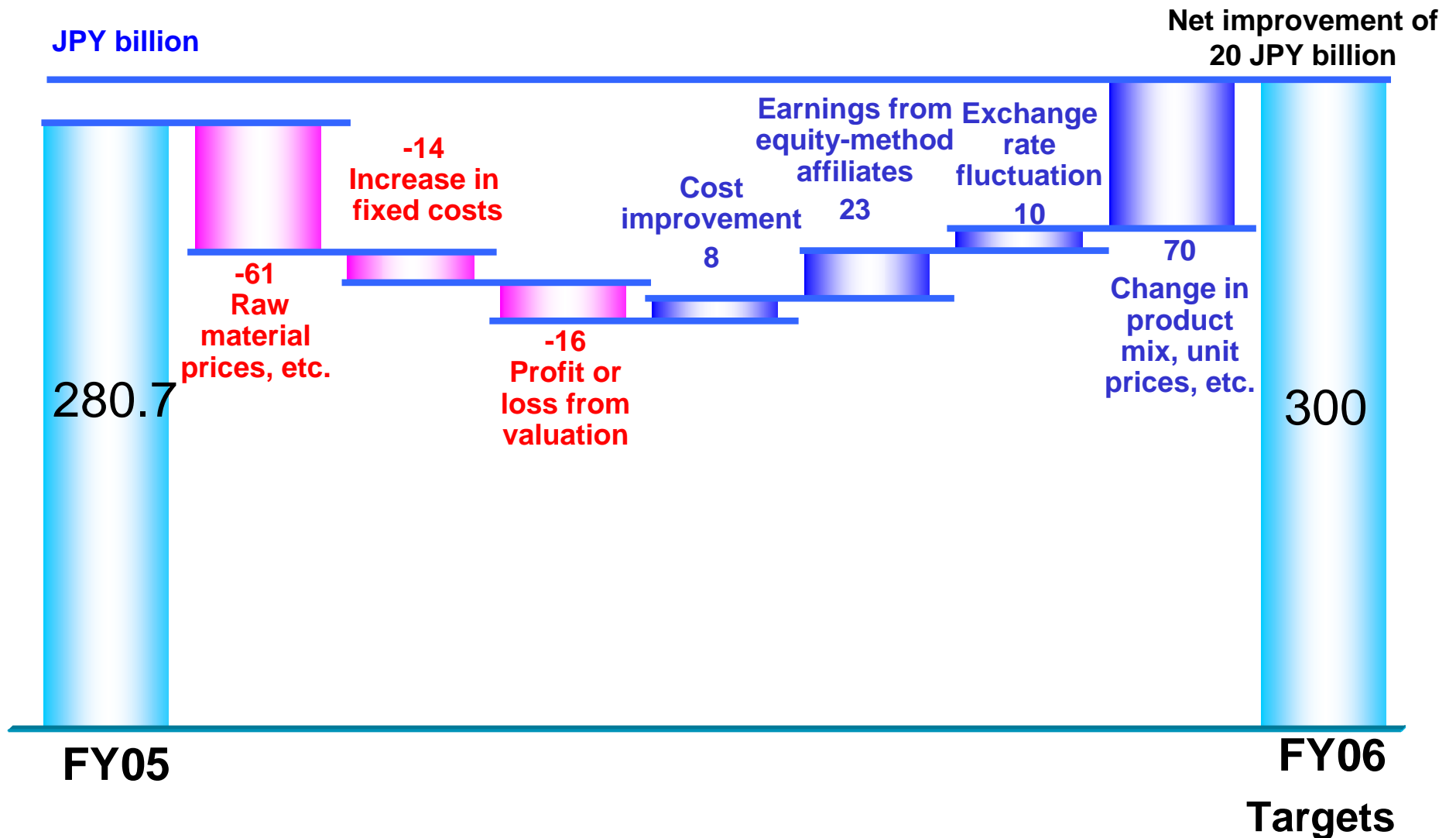
# FY06 Production & Shipment

	FY 05	FY 06 Targets					Total	Change FY05-FY06
		1H			2H Targets			
		1Q	2Q	Total	3Q	Total		
Exchange rate (JPY/USD)	113	114	116	115	118	116	116	3
Japan total crude steel production (million tons)	113	29	29	58	30	59	117	4
Crude steel production of Sumitomo Metals (million tons) (*)	13.31	3.29	3.38	6.67	3.34	6.67	13.34	0.03
Steel products sales volume of Sumitomo Metals (million tons) (*)	11.95	2.93	3.08	6.01	3.04	6.14	12.15	0.20
Average price of Steel products of Sumitomo Metals (1,000JPY/ton) (*)								
Domestic	92.6	95.3	95.4	95.3	95.7	96	96	3
Export	95.0	95.8	101.1	98.4	105.5	103	101	6
Total	93.7	95.5	97.9	96.7	100.1	100	99	5

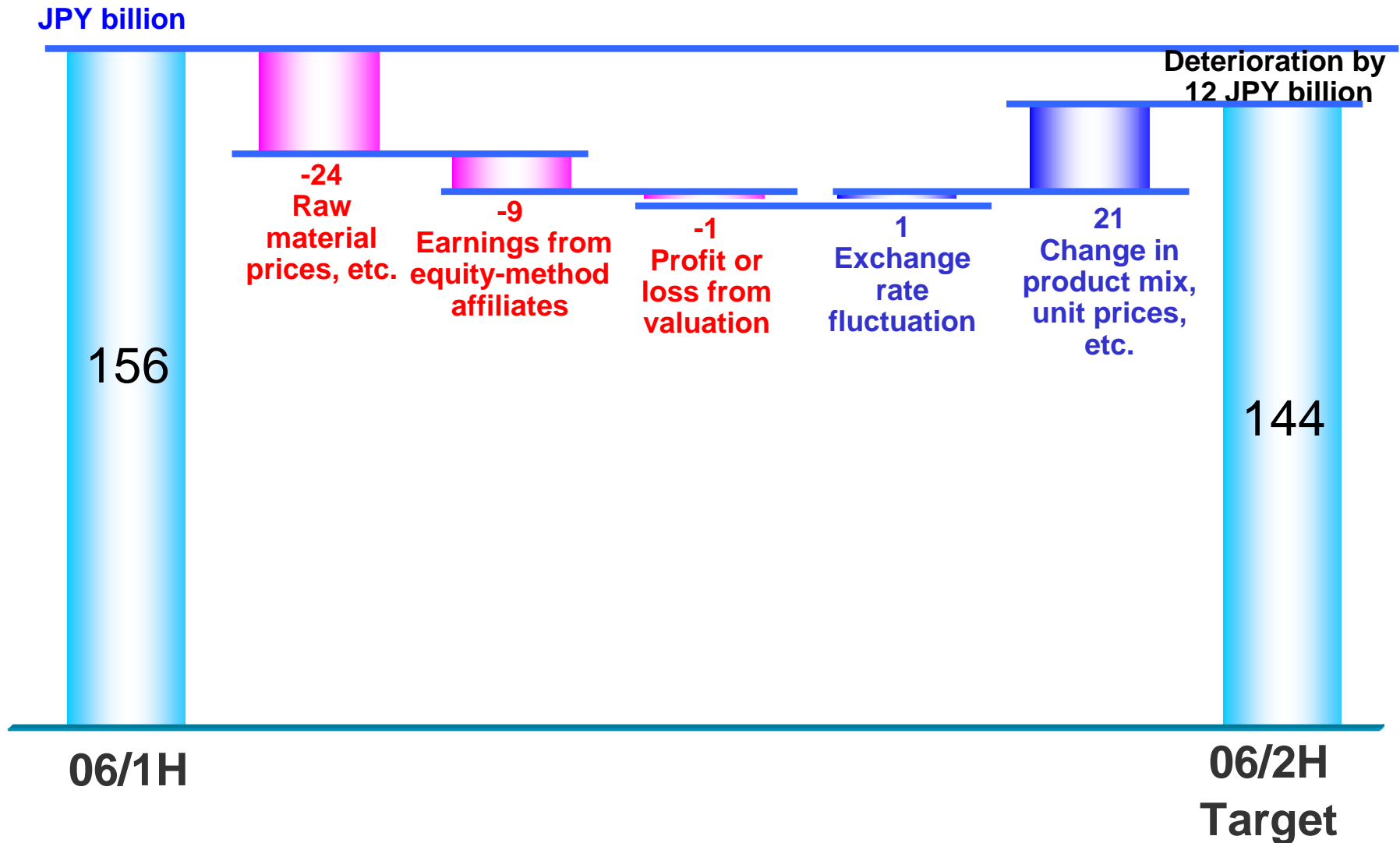
\* Include Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation

Excess Receipts of USD  
approx. 1.5 USD billion/year

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

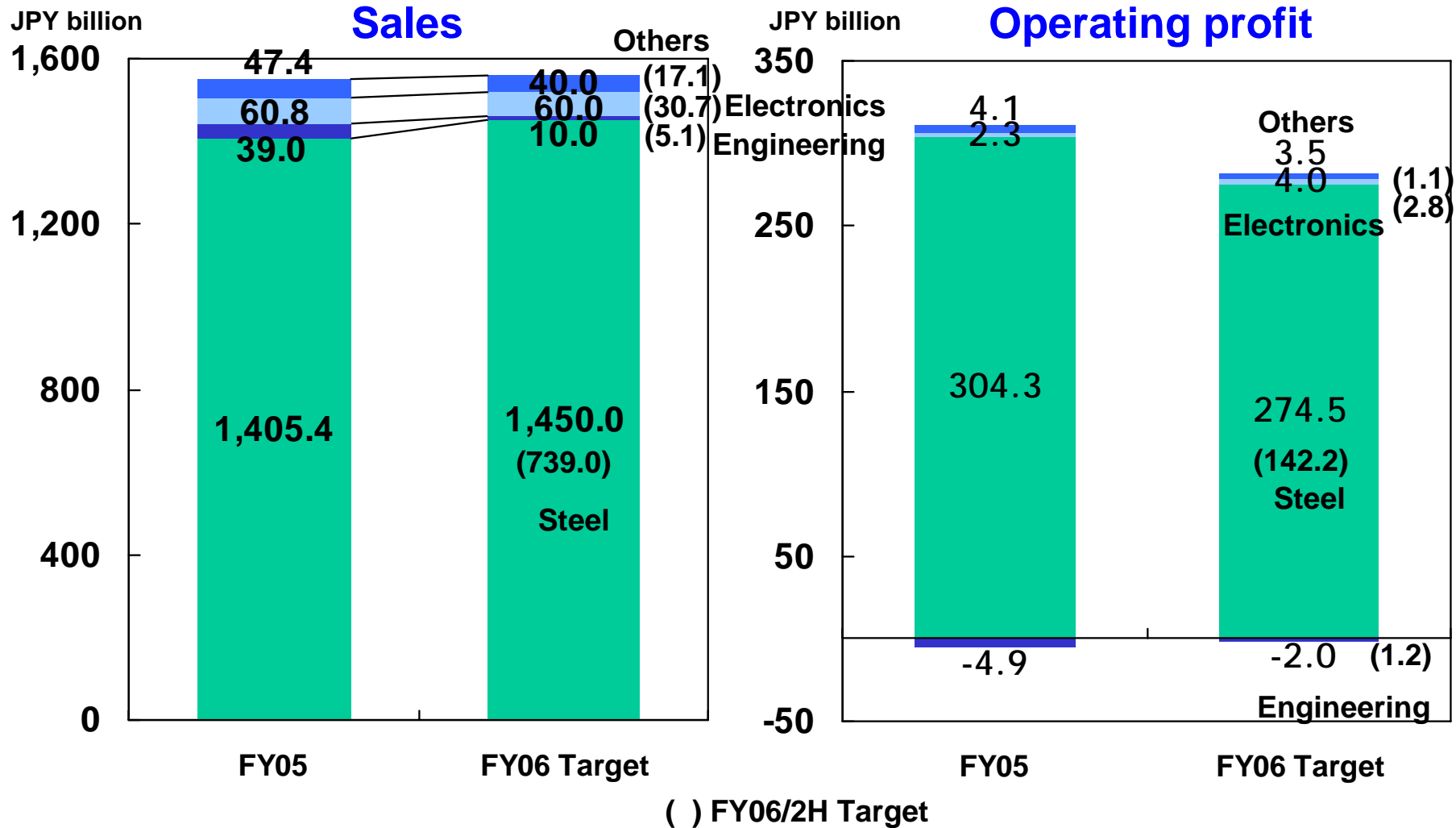


# Change in Consolidated Recurring Profit (FY06/1H –FY06/2H Target)

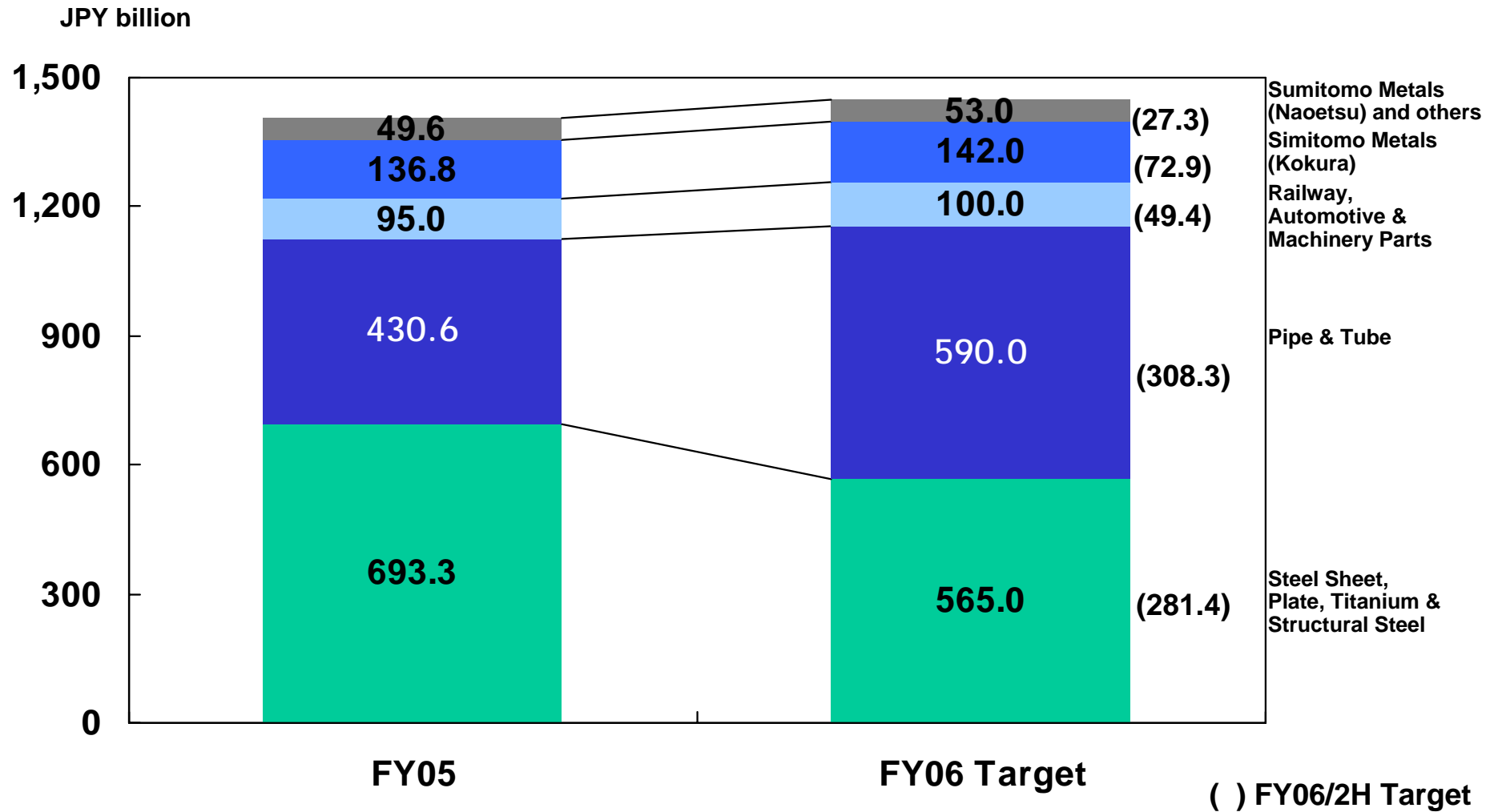




# Consolidated Sales and Operating Profit Targets for FY06 by Business Segment



# Consolidated Steel Sales for FY06 by Internal Company

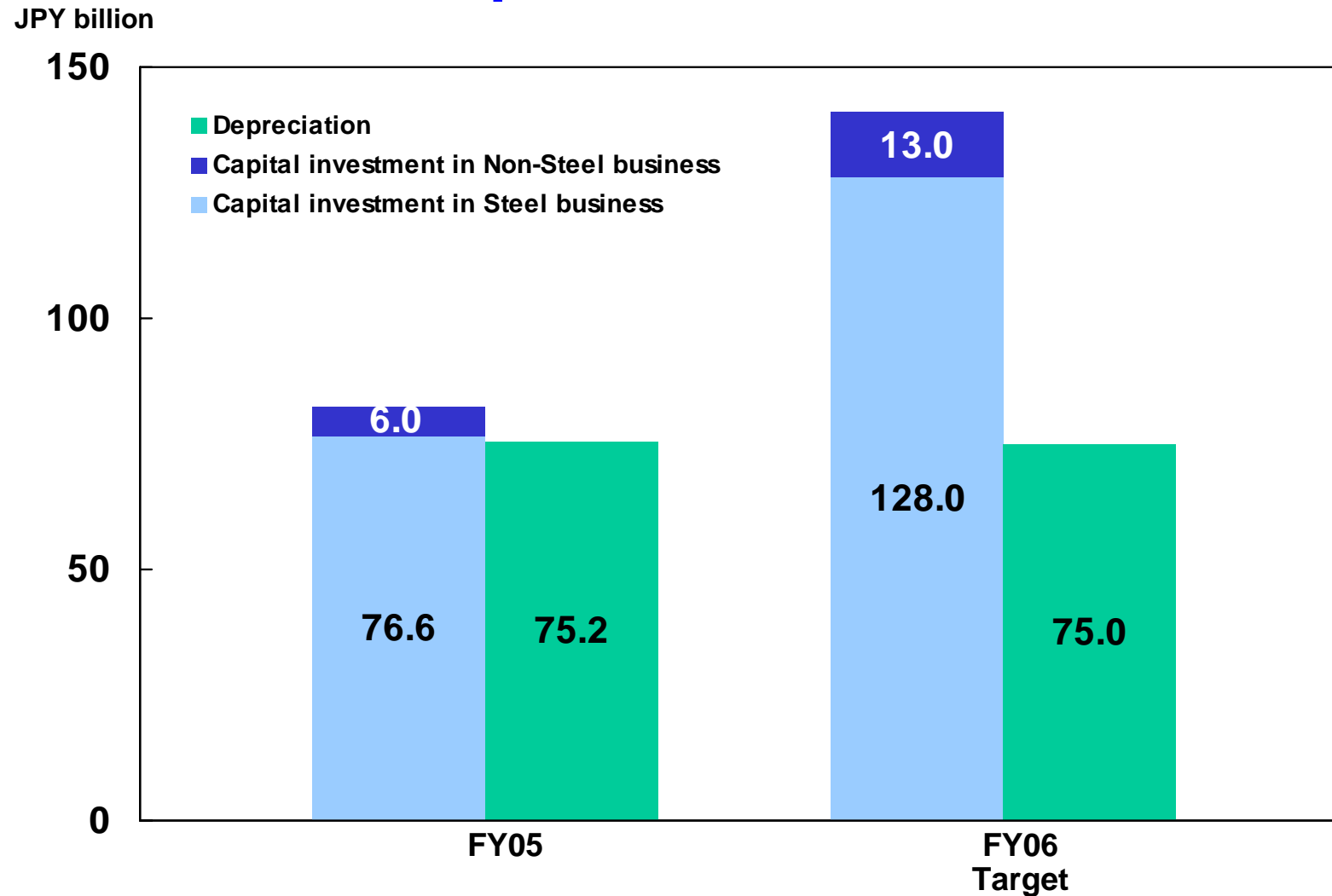


(Supplement)

## Overview of Non-consolidated Business Targets for FY06

	FY 06 Targets					
	1H			2H Targets		Total
	1Q	2Q	Total	3Q	Total	
	JPY billion	JPY billion	JPY billion	JPY billion	JPY billion approx.	JPY billion approx.
<b>Sales</b>	<b>238.9</b>	<b>256.2</b>	<b>495.1</b>	<b>256.6</b>	<b>500</b>	<b>1000</b>
<b>Operating profit</b>	<b>55.7</b>	<b>60.4</b>	<b>116.1</b>	<b>56.5</b>	<b>109</b>	<b>225</b>
<b>Recurring profit</b>	<b>65.4</b>	<b>61.9</b>	<b>127.3</b>	<b>55.3</b>	<b>98</b>	<b>225</b>
<b>Non-recurring profit [loss]</b>	<b>(4.4)</b>	<b>(2.8)</b>	<b>(7.2)</b>	<b>(4.1)</b>	<b>(6)</b>	<b>(13)</b>
<b>Corporate taxes etc. (including tax adjustments)</b>	<b>(18.7)</b>	<b>(24.0)</b>	<b>(42.8)</b>	<b>(22.0)</b>	<b>(39)</b>	<b>(82)</b>
<b>Net income</b>	<b>42.2</b>	<b>35.0</b>	<b>77.3</b>	<b>29.1</b>	<b>53</b>	<b>130</b>
<b>Exchange rate (JPY/USD)</b>	<b>114</b>	<b>116</b>	<b>115</b>	<b>118</b>	<b>116</b>	<b>116</b>

# Consolidated Capital Investment and Depreciation for FY06



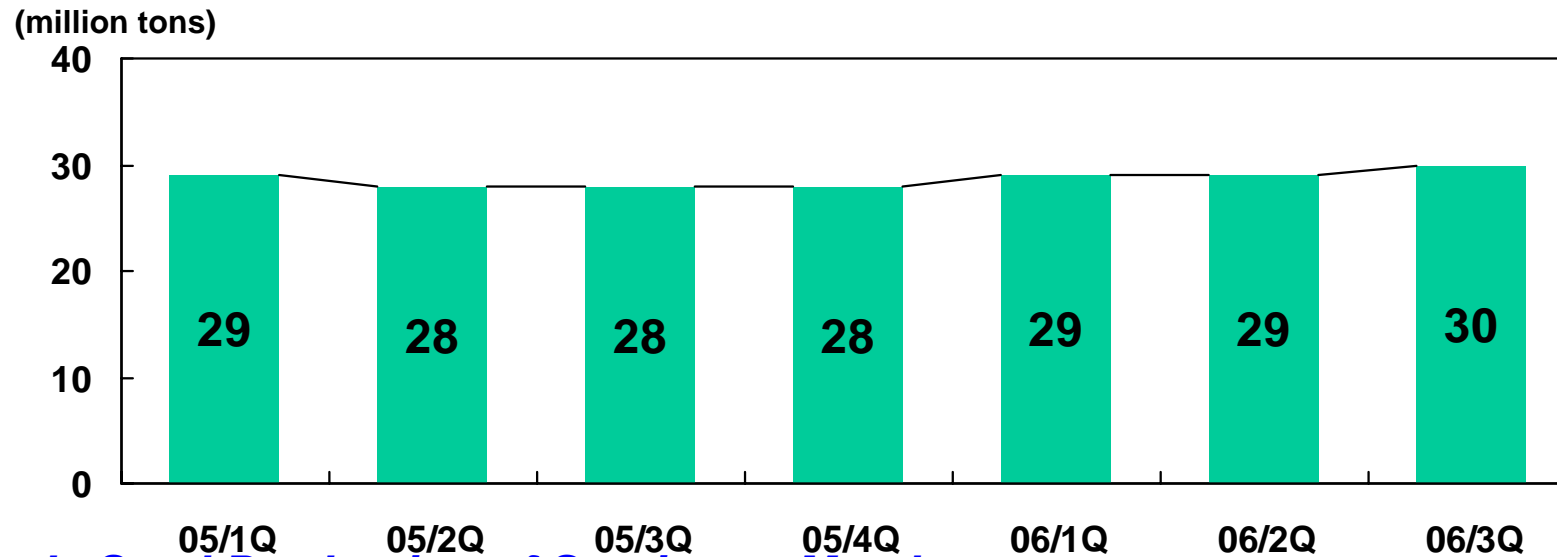
## Key Indicators of Consolidated Performance

	FY04	FY05	FY06		FY08 Targets Medium-Term Business Plan
			1H	Targets	
ROA *	9.7%	14.5%	15.2%	14.5%	13%
ROE	25.8%	36.7%	26.5%	25.9%	
Equity ratio	25.1%	34.1%	37.1%	38%	45%
D/E ratio	1.8	0.94	0.85	0.87	0.6
Debt (JPY billion)	885.9	679.7	667.7	720	680
Total assets (JPY billion)	1923.1	2113.3	2120.3	2,190	2,380
Non-consolidated dividends per share (JPY)	5.0	7.0		7.0	
(Interim dividends)	(-)	(2.5)	(3.5)		

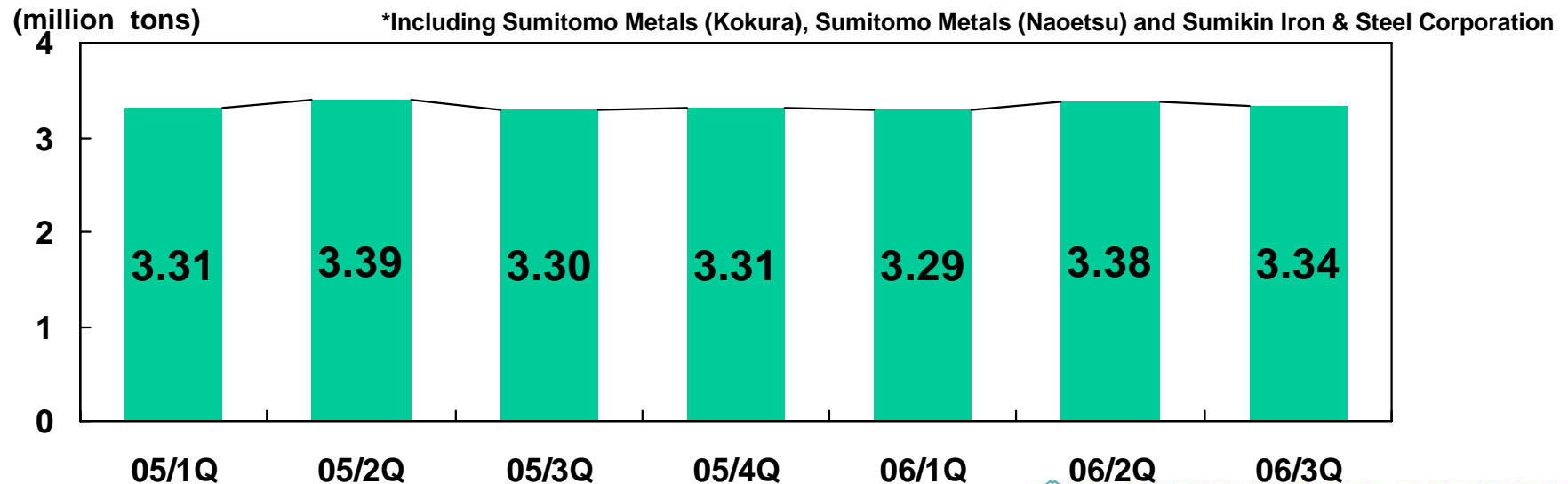
\* Return (Recurring profit before interest expense) on assets

# Reference (1)

## Japan Total Crude Steel Production

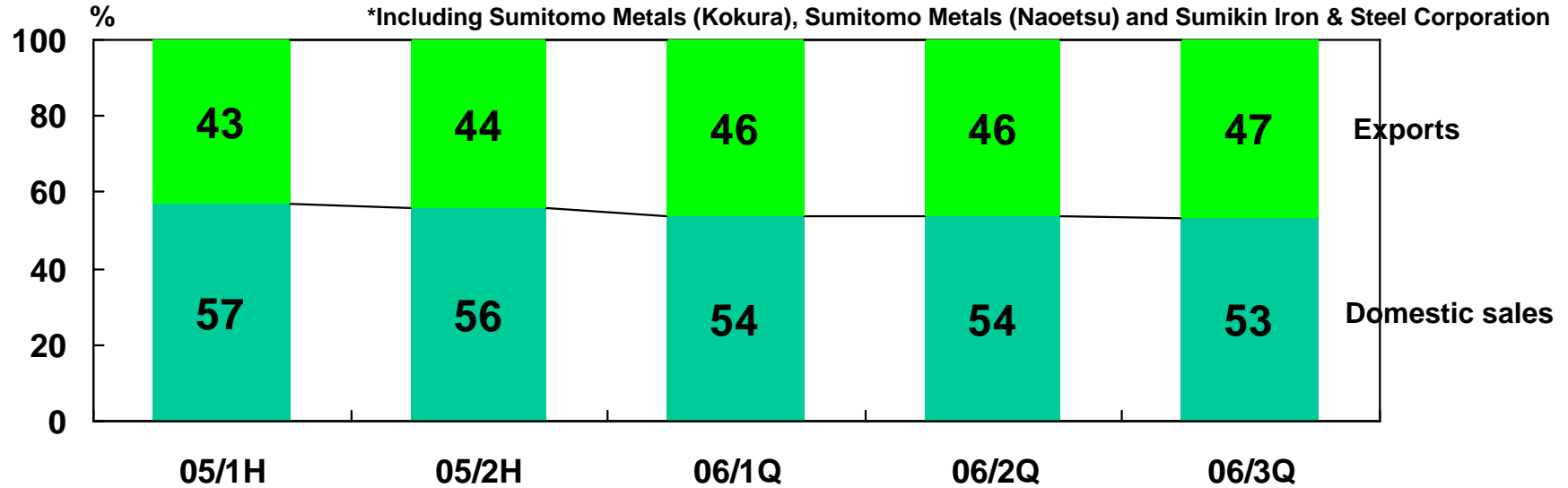


## Crude Steel Production of Sumitomo Metals

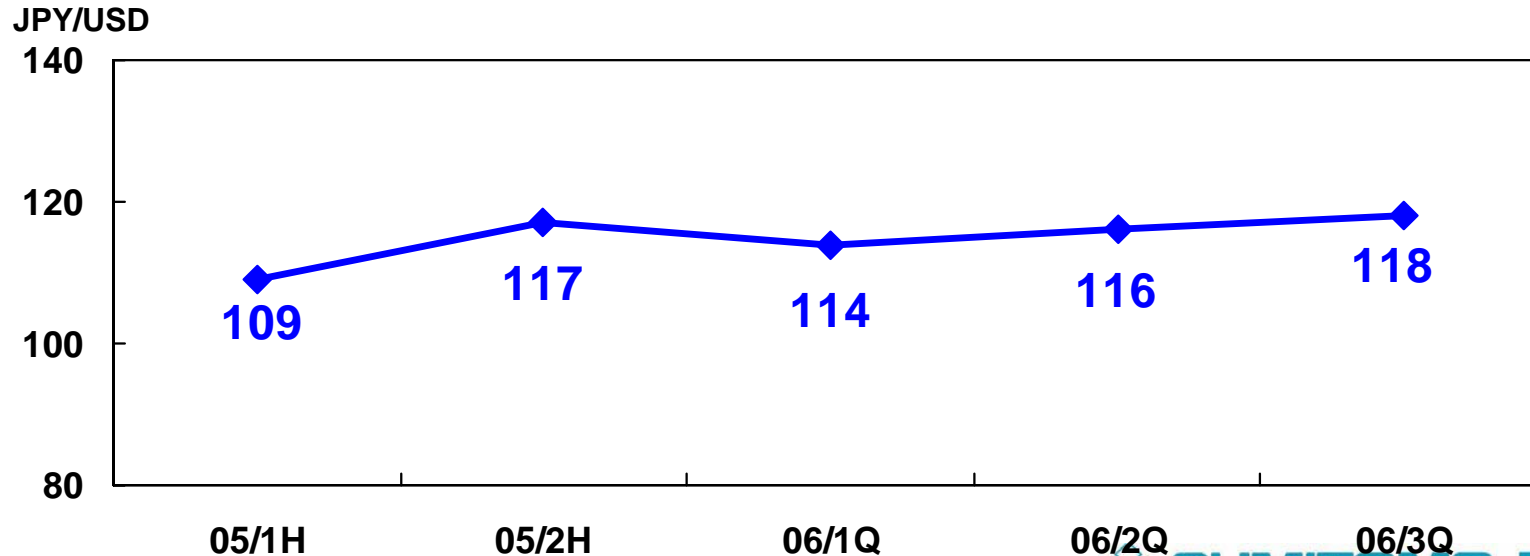


# Reference (2)

## Composition of Domestic and Export Steel Products Sales (value basis)



## Foreign Exchange Rate



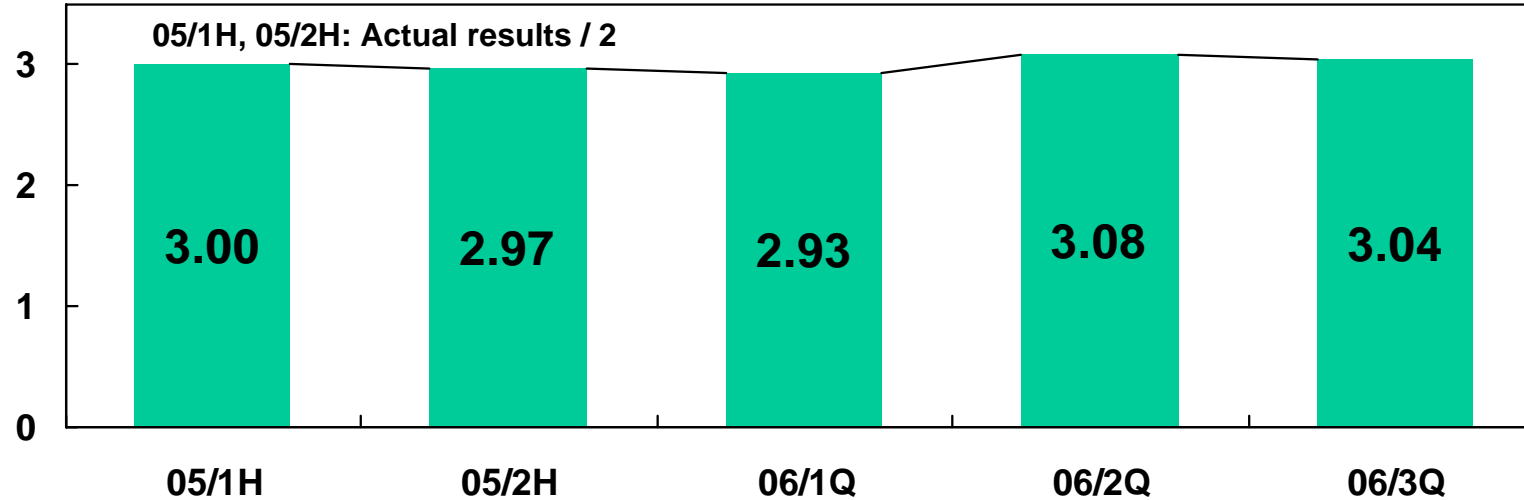


# Reference (3)

## Steel Products Sales Volume of Sumitomo Metals

(million tons)

\*Including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation



## Average Price of Steel Products of Sumitomo Metals

(1000 JPY/ton)

\*Including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation

