

Sumitomo Metals
FY 2007 First Half Performance
(ending March 31, 2008)

October 30, 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,” “forecasts,” “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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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.

All output figures in this presentation are metric tons.

FY2007/1H Results

FY2007 Forecast

Supplement

Consolidated Results Highlights for FY07/1H

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Sales: 847.8JPY billion (FY06/1H -> FY07/1H 10.4%)
Operating profit: 141.7JPY billion (FY06/1H -> FY07/1H 4.8%)
Recurring profit: 152.7JPY billion (FY06/1H -> FY07/1H -2.1%)

- Steel demand remained strong & stable
- Cost increase: nonferrous metal, ship freight, revision of tax code, increased fixed cost for more CAPEX and R&D and cost of switching to new BF
Improvement: price increase, cost reduction and profit from valuation
Operating profit: 6.6 JPY billion improvement (FY06/1H -> FY07/1H)
Recurring profit: slight setback due to absence of last year's one-time factor in equity method subsidiary

Strategy: Accelerate distinctiveness & grow

- Automotive only steel sheet manufacturing facilities on stream (pickling + galvanizing)
Constructions on schedule (Investment of boiler tube facilities etc.)

**Raised dividends forecast to 10 JPY/share for FY07
(including interim dividends of 5 JPY/share)**

- Strong recurring profit expected for the 3rd consecutive year
- Increased financial stability while investing for accelerating distinctiveness

Overview of Consolidated Results for FY07/1H

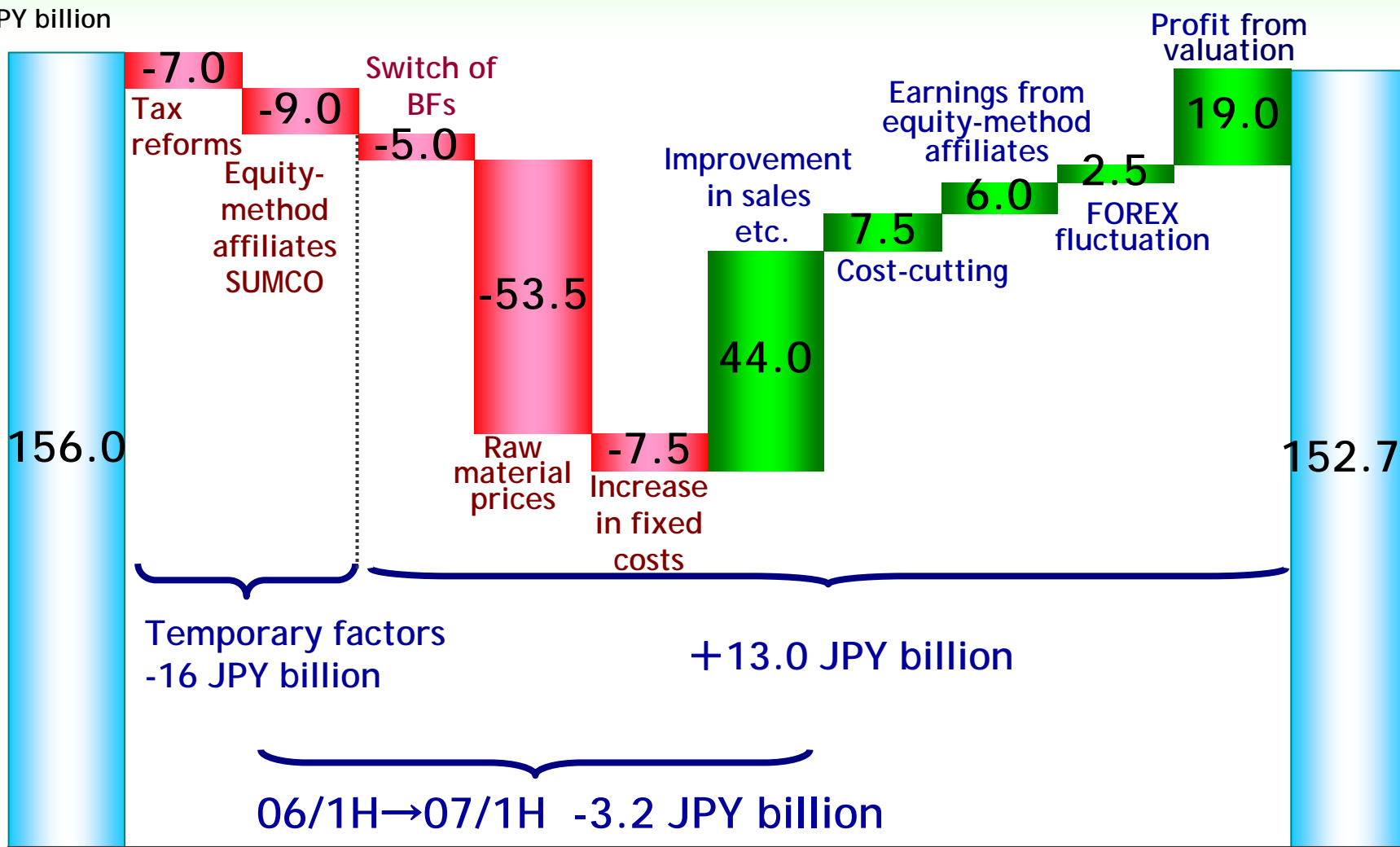
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JPY billion	FY06				FY07	Change to		Change to	
	1H	2H	1Q	2Q	1H	%	07/1H 06/1H	%	07/1H 06/2H
Sales	768.2	834.4	406.3	441.4	847.8	110	79.5	102	13.3
Op. profit	135.1	168.6	65.8	75.8	141.7	105	6.6	84	-26.9
Rec. profit	156.0	171.6	75.2	77.4	152.7	98	-3.2	89	-18.9
Non-rec. profit (loss)	(4.6)	18.7	0.4	-	0.4		5.1		-18.2
Corporate taxes and minority interests	(51.5)	(63.4)	(30.9)	(25.4)	(56.3)	109	-4.7	89	7.1
Net Income	99.7	126.9	44.8	52.0	96.9	97	-2.8	83	-30.0
EPS (JPY)	20.78	27.20	9.70	11.46	21.15	102	0.37	78	-6.05
FOREX rate (JPY/USD)	115	119	121	120	119		-4		-

Change in Consolidated Recurring Profit (FY 06/1H -> FY07/1H) 6

Rec. Profit : FY06/1H -> FY07/1H -3.2 JPY billion
 -> +13.0 JPY billion (+9%) improvement after exclusion of temporary factors

JPY billion

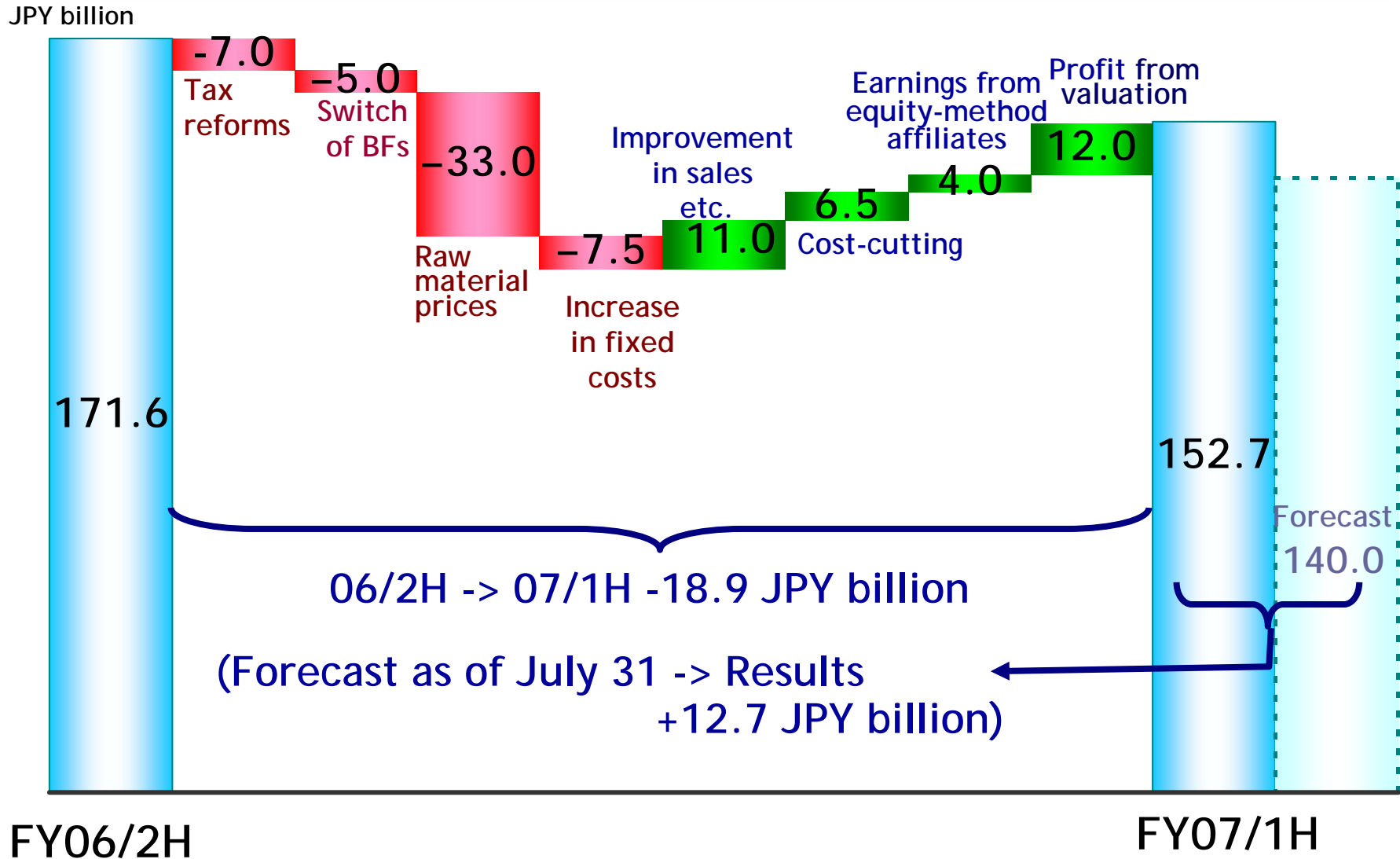


FY06/1H

FY07/1H

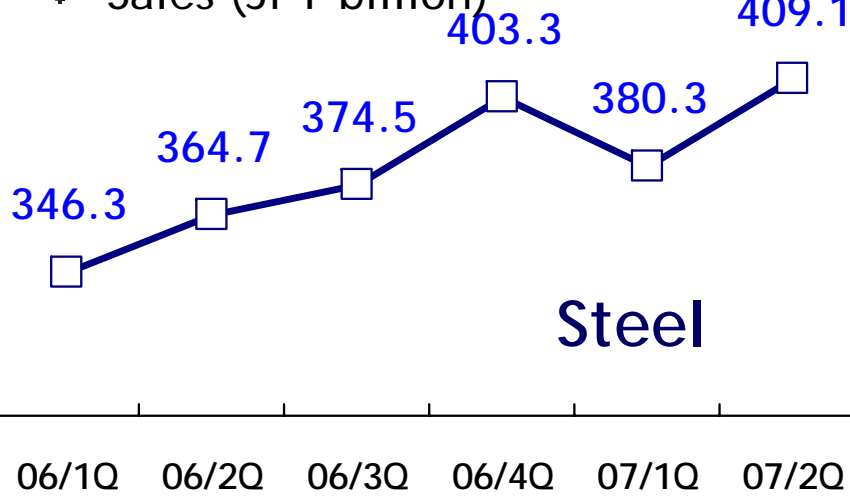
Change in Consolidated Recurring Profit (FY 06/2H→FY07/1H)

Rec. Profit: FY06/2H -> FY07/1H -18.9 JPY billion
 -> +12.7 JPY billion improvement over the forecast as of July 31

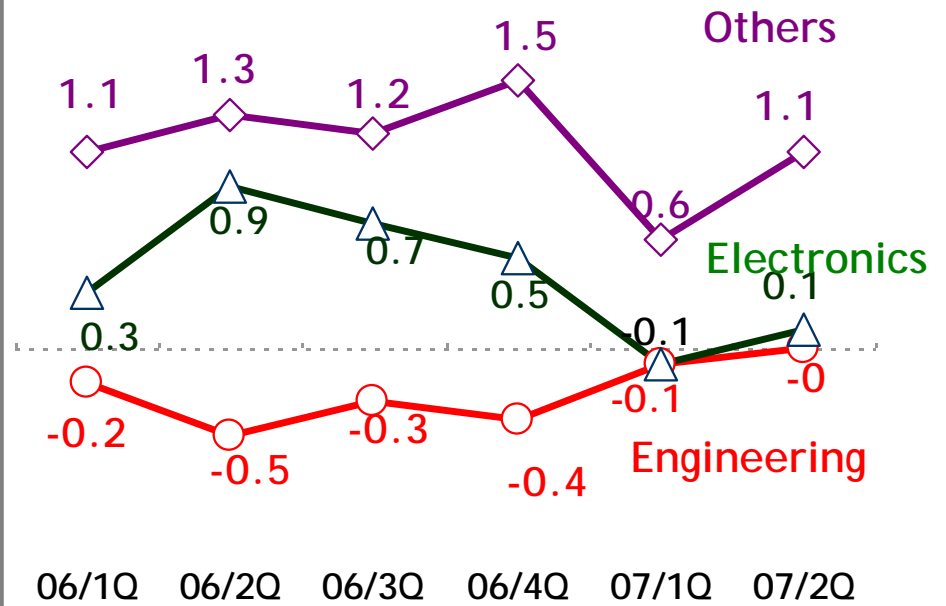
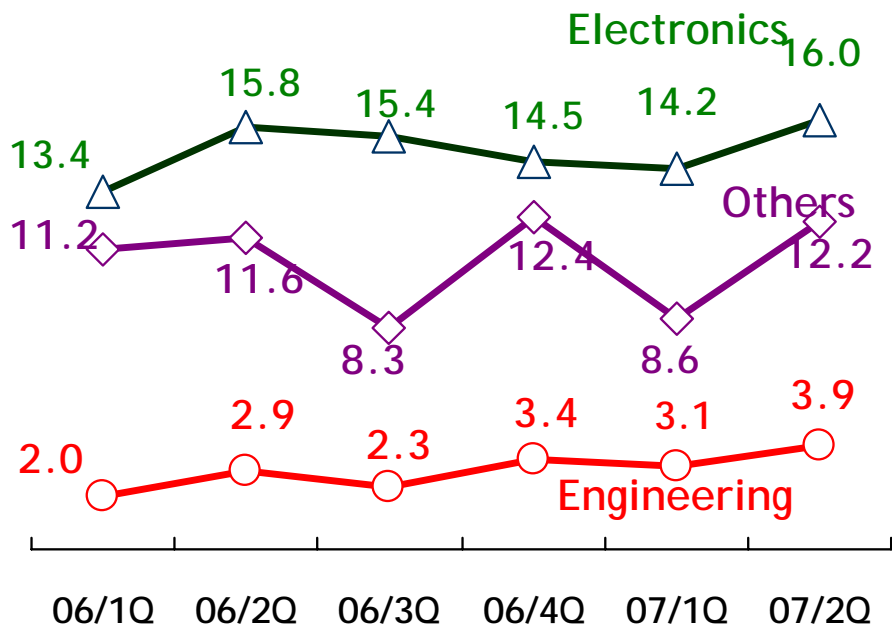
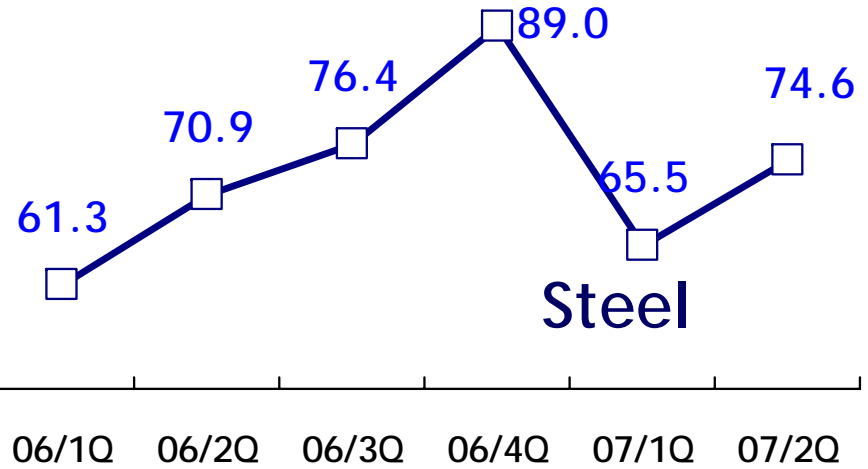


Consolidated Sales and Operating Profit by Business Segment

Sales (JPY billion)



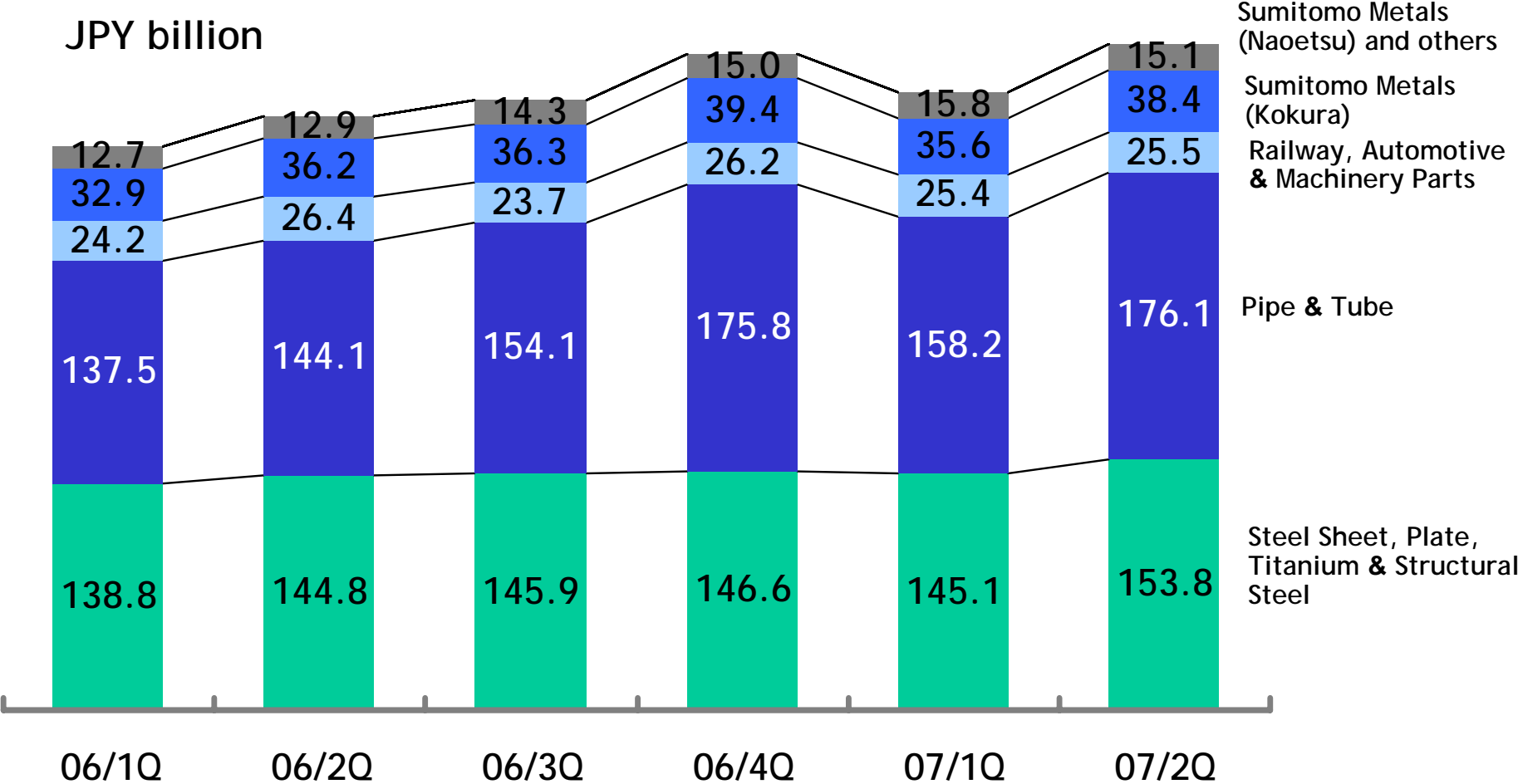
Op. Profit (JPY billion)



Consolidated Balance Sheets

JPY billion	06		07		
	End Sep.	End Dec.	End Mar.	End Jun.	End Sep.
【Assets】					
Current assets	665.5	683.4	672.5	712.9	719.4
Property, plant and equipment	1,016.7	1,021.1	1,046.2	1,065.7	1,078.8
Intangibles	5.6	5.2	5.0	4.7	4.3
Investments and other assets	432.4	508.5	577.6	612.5	603.0
Total assets	2,120.3	2,218.4	2,301.5	2,396.0	2,405.6
【Liabilities and Shareholders Equity】					
Current liabilities	805.2	860.3	807.8	893.9	862.3
Long-term liabilities	485.5	533.7	568.9	579.8	614.1
Net assets	829.5	824.3	924.7	922.2	929.1
Debt	667.7	741.6	717.9	798.1	778.4

Consolidated Steel Sales by Internal Company



FY2007/1H Results

FY2007 Forecast

Supplement

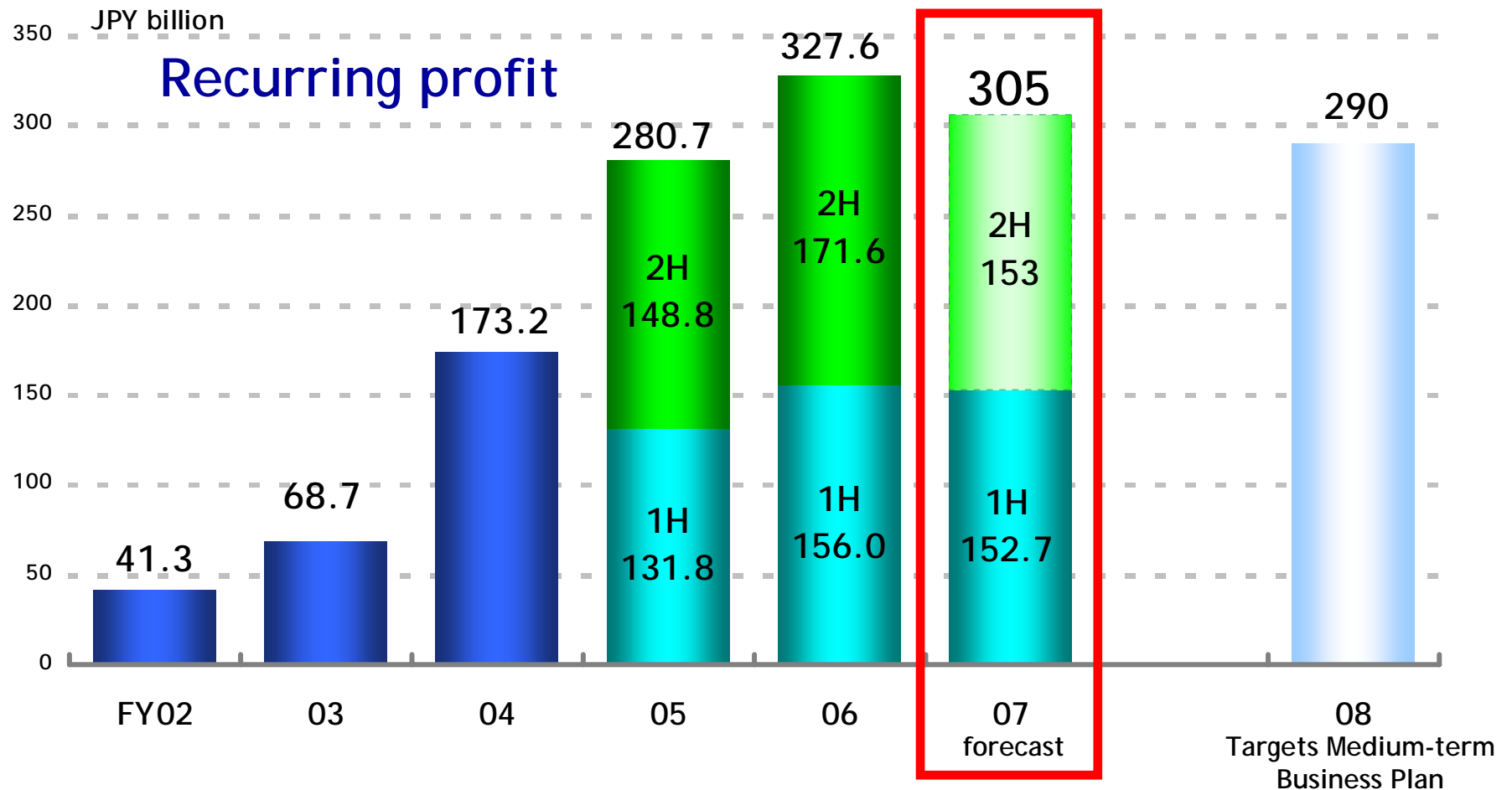
Consolidated Business Forecast for FY07

Sales:1,730JPY billion (Change from the forecast on July 31:+20JPY billion)

Rec. profit:305JPY billion (Change from the forecast on July 31:+5JPY billion)

Dividend policy:10JPY/share (Change from the forecast on July 31:+2JPY/Share)

Interim Dividend:5JPY/Share (Change from the forecast on July 31:+1JPY/Share)



Overview of Consolidated Business Forecast for FY07

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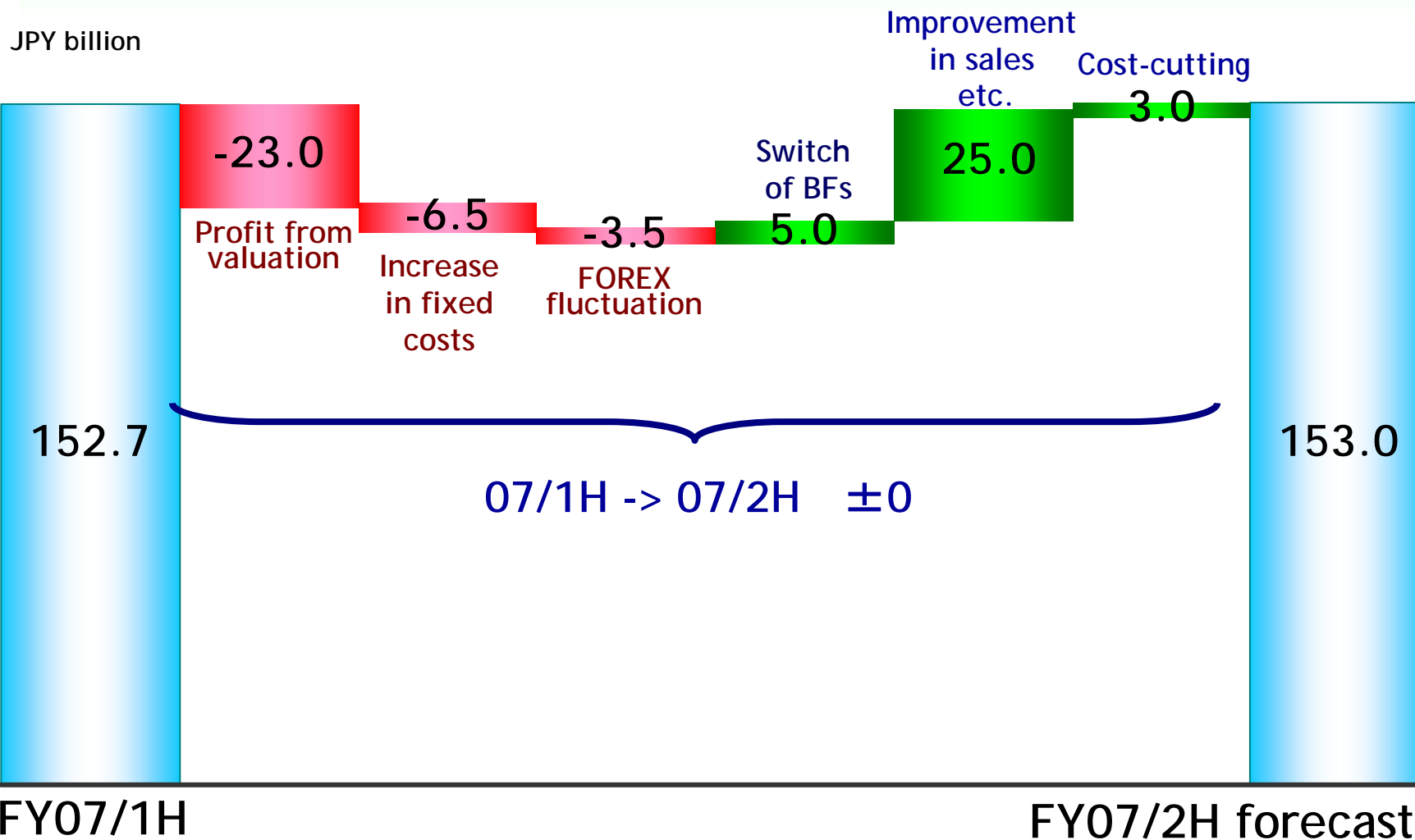
JPY billion	FY06	FY07						FYoFY Change Oct. 30	
		1H		2H		Total			[Chang of forecast: Oct.30-Jul.31]
		[Jul. 31]	Results	[Jul. 31]	Oct. 30	[Jul. 31]	Oct. 30		
Sales	1,602.7	[830.0]	847.8	[880.0]	880.0	[1,710.0]	1,730.0	[20.0]	127.2
Op. profit	303.7	[130.0]	141.7	[150.0]	143.0	[280.0]	285.0	[5.0]	- 18.7
Rec. profit	327.6	[140.0]	152.7	[160.0]	153.0	[300.0]	305.0	[5.0]	- 22.6
Non-rec. profit (loss)	14.0	[0.4]	0.4	[-]	(9.5)	[0.4]	(9.0)	[- 9.4]	- 23.0
Corporate taxes and minority interests	(114.9)	[(55.0)]	(56.3)	[(55.0)]	(50.0)	[(110.0)]	(106.0)	[4.0]	8.9
Net Income	226.7	[85.0]	96.9	[105.0]	93.5	[190.0]	190.0	[-]	-36.7
EPS (JPY)	47.89	[18.54]	21.15	[22.91]	20.58	[41.45]	41.82	[0.37]	- 6.07

Jul. 31: Forecast as of July 31

Oct. 30: Forecast as of October 30

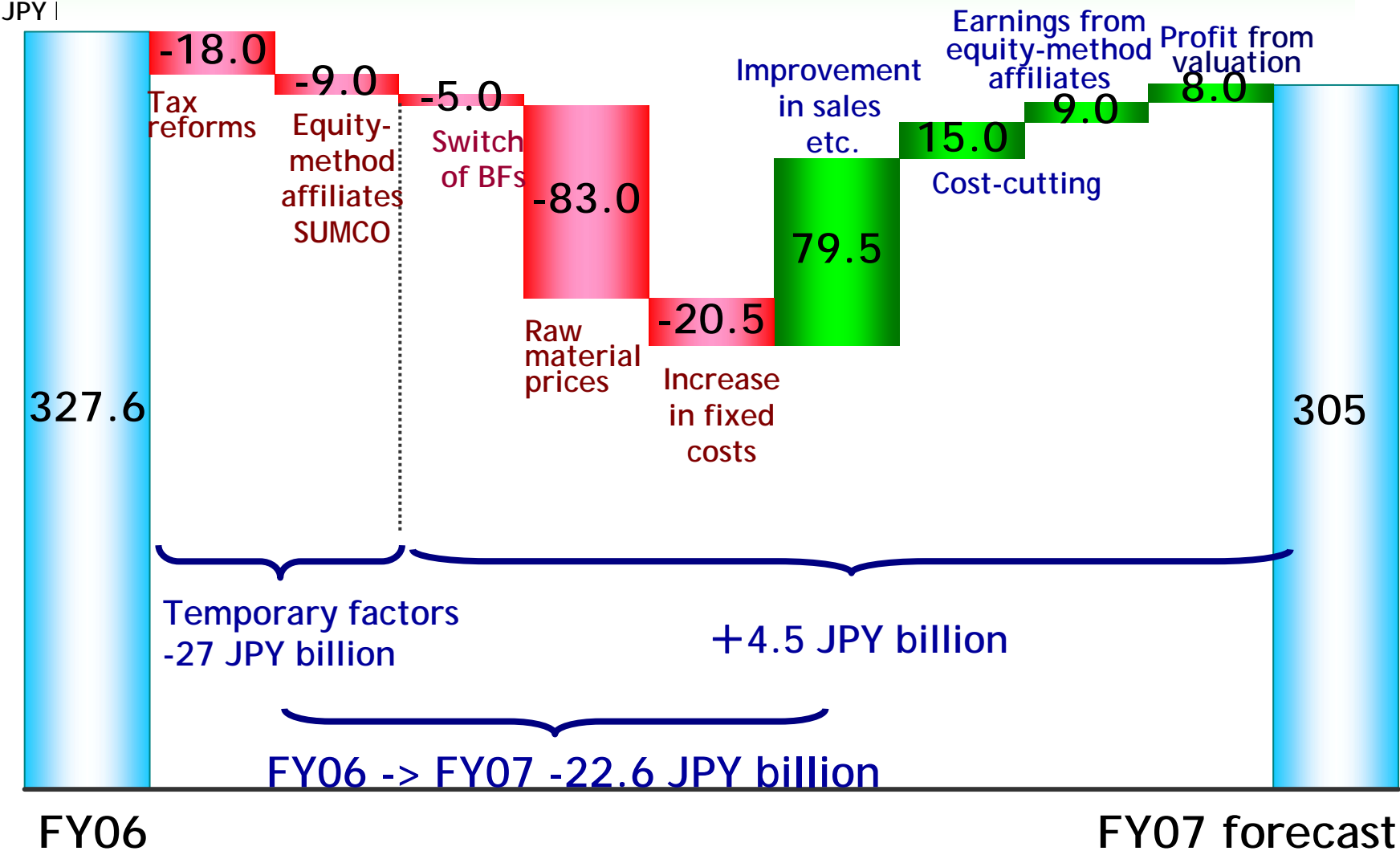
Change in Consolidated Recurring Profit (FY07/1H -> FY 07/2H forecast)

Improvement in sales will cover other factors



Change in Consolidated Recurring Profit (FY06 results -> FY07 forecast)

Rec. Profit: FYoFY -22.6 JPY billion
-> 4.5 JPY billion (+1.4%) after exclusion of temporary factors



Forecast for Production & Prices

	FY06			FY07				Total		
	1H	2H	Total	1H		2H		[Jul. 31]	Oct. 30	
				[Jul. 31] Results		[Jul. 31]	Oct. 30			
FOREX rate (JPY/USD)	115	119	117	[118]	119	[115]	115	[116]	117	
Japan total crude steel production (million tons)	58	60	118	[60]	60	[58]	58	[118]	118	
Crude steel production of SMI* (million tons)	6.67	6.71	13.38	[6.60]	6.61	[6.80]	6.90	[13.40]	13.50	
Steel products sales volume of SMI* (million tons)	6.01	6.14	12.15	[6.06]	6.08	[6.30]	6.38	[12.36]	12.45	
Ave. price of steel product of SMI* (000JPY/ton)	Domestic	95.3	96.1	95.7	[99]	97.2	[100]	98	[100]	97
	Export	98.4	112.2	105.3	[112]	116.2	[113]	113	[113]	115
	Total	96.7	103.2	100.0	[104]	105.6	[106]	105	[105]	105

Jul. 31: Forecast as of July 31

Oct. 30: Forecast as of October 30

Excess Receipts of USD approx. USD 1.7 billion/year

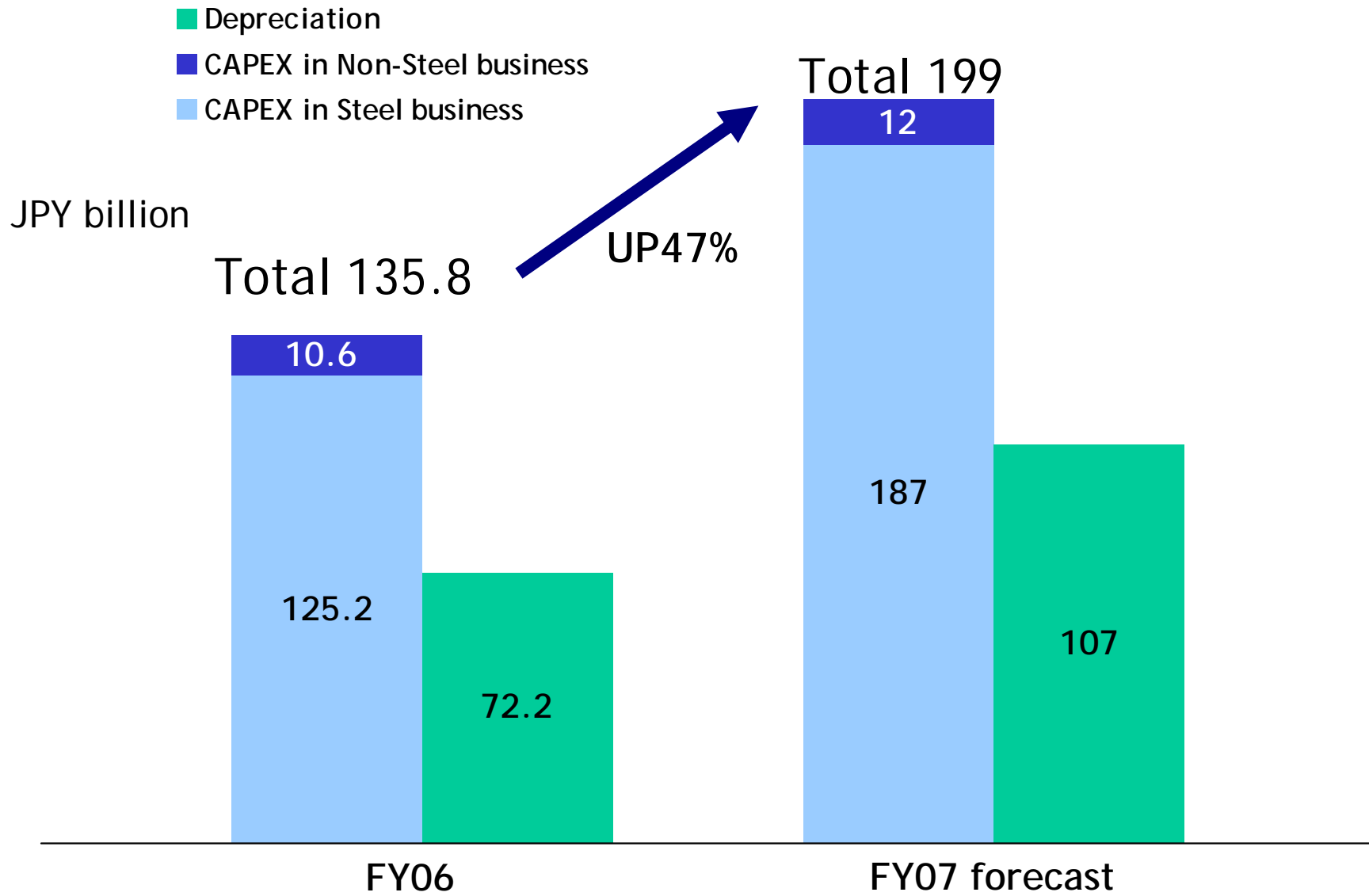
*Including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation

Key Indicators of Consolidated Performance

	FY04	FY05	FY06	FY07 Forecast		Medium-term Business Plan (Apr. 05)	
				<i>[as of Jul. 31]</i>	as of Oct. 30	FY 05 Plan	FY 08 Plan
ROA *	9.7%	14.5%	15.4%	<i>[13%]</i>	13%	13.8%	13%
ROE	25.8%	36.7%	28.3%	<i>[20%]</i>	21%		
Equity ratio	25.1%	34.1%	38.3%	<i>[39%]</i>	39%	32.8%	45%
D/E ratio	1.83	0.94	0.82	<i>[0.83]</i>	0.86	0.99	0.6
Debt (JPY billion)	885.9	679.7	717.9	<i>[815.0]</i>	815.0	690.0	680.0
Total asset (JPY billion)	1,923.1	2,113.3	2,301.5	<i>[2500.0]</i>	2,450.0	2,120.0	2,380.0
Non-consolidated dividends / share (JPY)	5.0	7.0	8.0	<i>[8.0]</i>	10.0		
<Interim dividends>	< - >	<2.5>	<3.5>	<i>[<4.0>]</i>	<5.0>		

* Return (Recurring profit before interest expense) on assets

Forecast for Consolidated CAPEX and Depreciation



*CAPEX: Construction-base

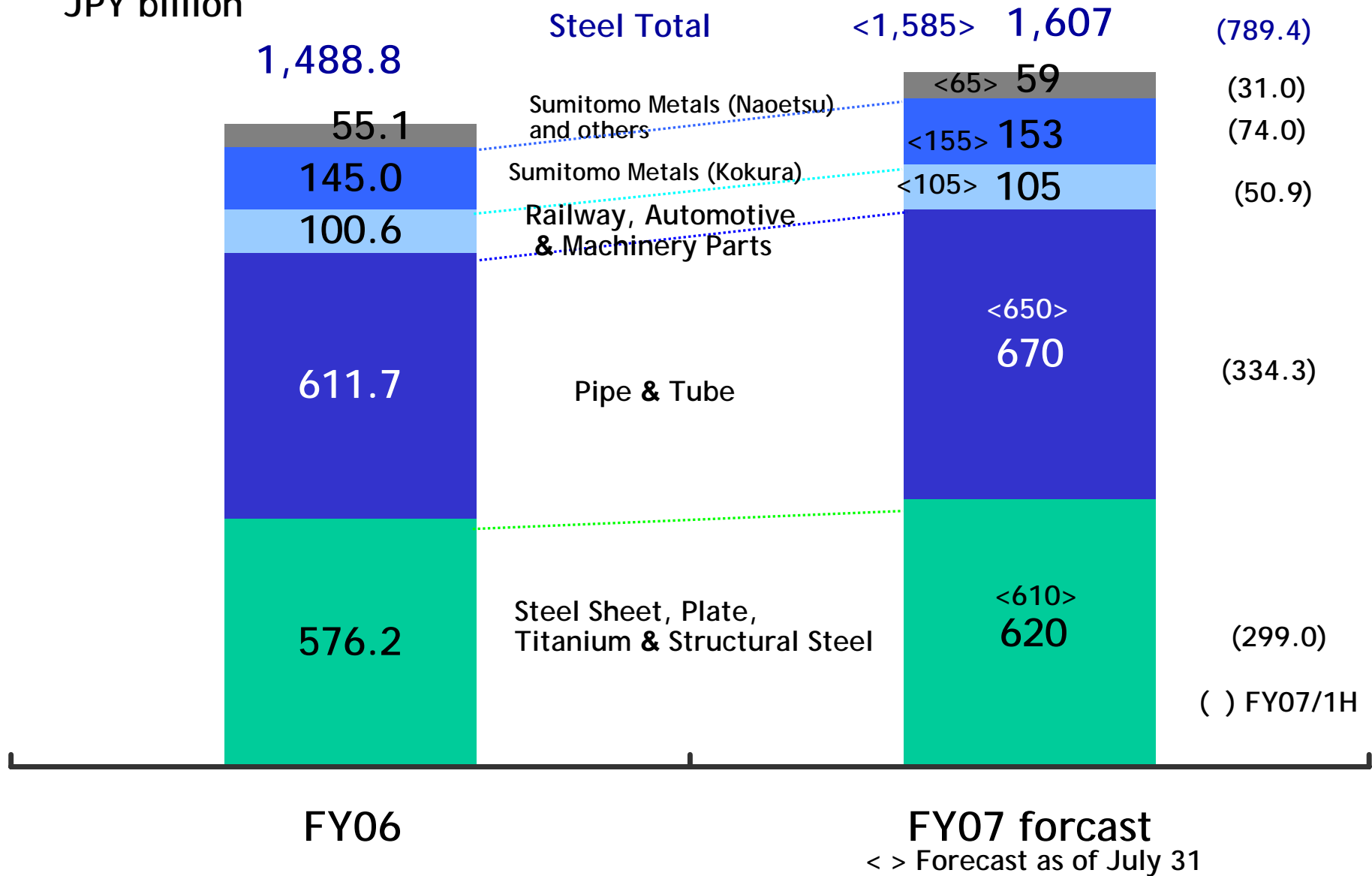
CAPEX Plan Update

- ⋯ Medium-term plan
- Progress update
- Added to medium-term plan

		CAPEX (¥billion)	FY06	FY07	FY08	09	10	11	12
Sheets & Plates	The No.3 blast furnace renovation (Kashima)	29	—●	—● May					
	New CGL & continuous pickling line (Kashima)	26	—●	—● Sep.					
	High-grade plate output increase (Kashima)	7	—●	—● Nov.					
		3			—●	Expansion of Heat-treatment			
	Independent Power Producer (Kashima)	57	—●	—● Jun.					
Pipes & Tubes	Renewal of upstream processes (Wakayama)	160	—●	—●	—●	—●	—●	—●	—●
		90			—●	New NO.1BF			
	Cutting-edge seamless pipe output increase	35	—●	—●	—●	Stab CC (add a new machine)			
	Stainless boiler tube output increase	6.5		—●	Oct.				
Railway & Others	Seamless pipe J/V in Brazil (VSB) <small>(inc. Vallourec)</small>	200		—●	—●	—●	—●	—●	—●
	Wheel output increase	2	—●	—●	—● Mar.				
	ICI 3 rd line HSF 2 nd	8	—●	—●	—●	—●	—●	—●	—●
	Steelmaking process innovations (Kokura)	23	—●	—●	—●	—●	—●	—●	—●

Consolidated Steel Sales by Internal Company

JPY billion



() FY07/1H

FY2007/1H Results

FY2007 Forecast

Supplement

Overview of Non-consolidated Business Forecast for FY07

JPY billion	FY06	FY07							FYoFY Change Oct. 30
		1H [Jul. 31] Results	2H [Jul. 31] Oct. 30	Total		[Chang of forecast: Oct.30-Jul.31]			
Sales	1,031.4	[545.0]	550.0	[565.0]	580.0	[1,110.0]	1,130.0	[20.0]	98.5
Op. profit	238.5	[100.0]	105.9	[105.0]	104.0	[205.0]	210.0	[5.0]	-28.5
Rec. profit	240.6	[110.0]	115.3	[100.0]	100.0	[210.0]	215.0	[5.0]	-25.6
Non-rec. profit (loss)	(12.3)	[0.4]	0.4	[-]	(5.5)	[0.4]	(5.0)	[- 5.4]	7.3
Corporate taxes and minority interests	(89.0)	[(40.0)]	(43.2)	[(40.0)]	(37.0)	[(80.0)]	(80.0)	[-]	9.0
Net Income	139.2	[70.0]	72.5	[60.0]	57.5	[130.0]	130.0	[-]	-9.2

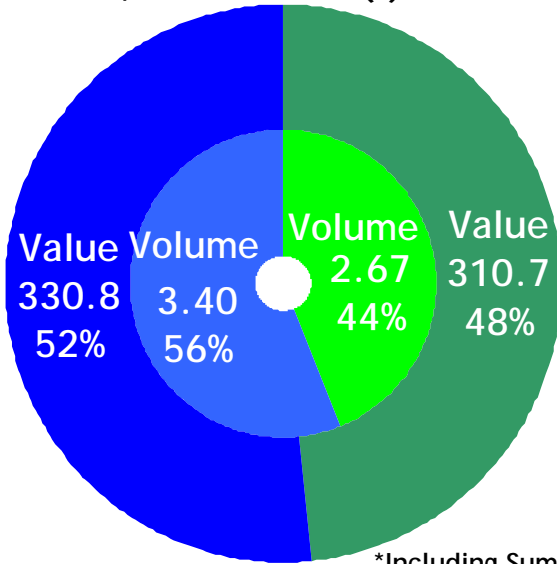
*Jul. 31: Forecast as of July 31

*Oct. 30: Forecast as of October 30

Domestic and Export Steel Sales for FY07/1H

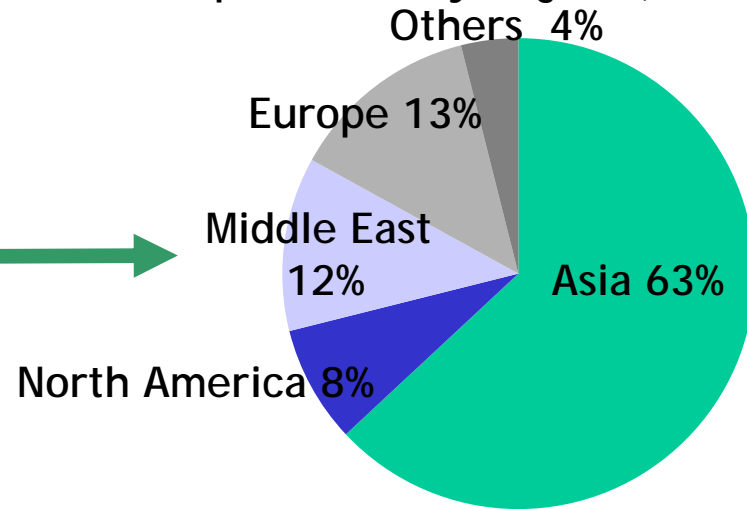
Unit: JPY billion, million tons (*)

Domestic



Export

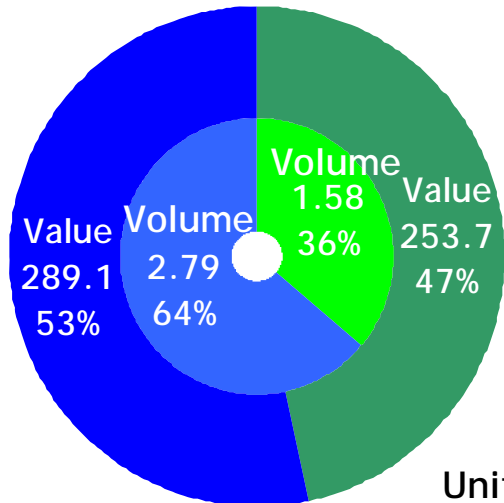
Export Sales by Region (Value basis)



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

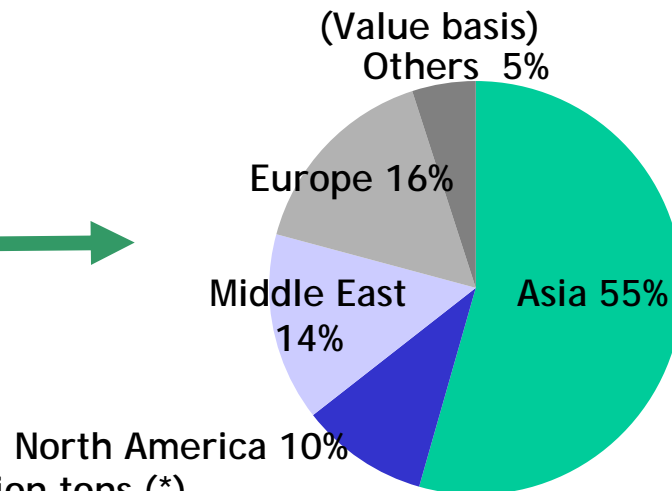
Non-consolidated Domestic and Export Steel Sales

Domestic



Export

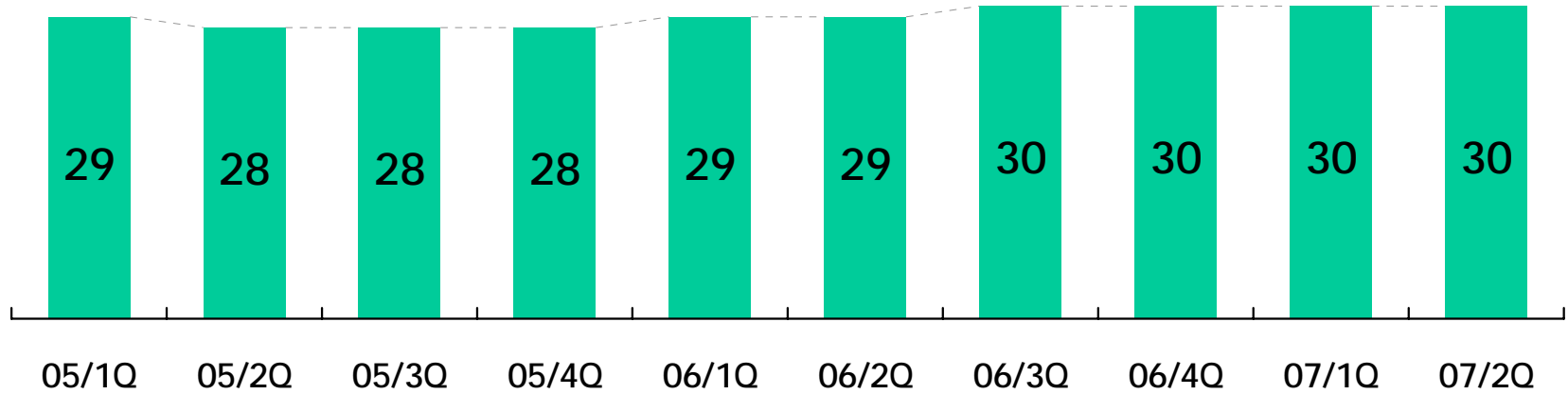
Reference: Export Sales by Region (Value basis)



Unit: JPY billion, million tons (*)

Japan Total Crude Steel Production

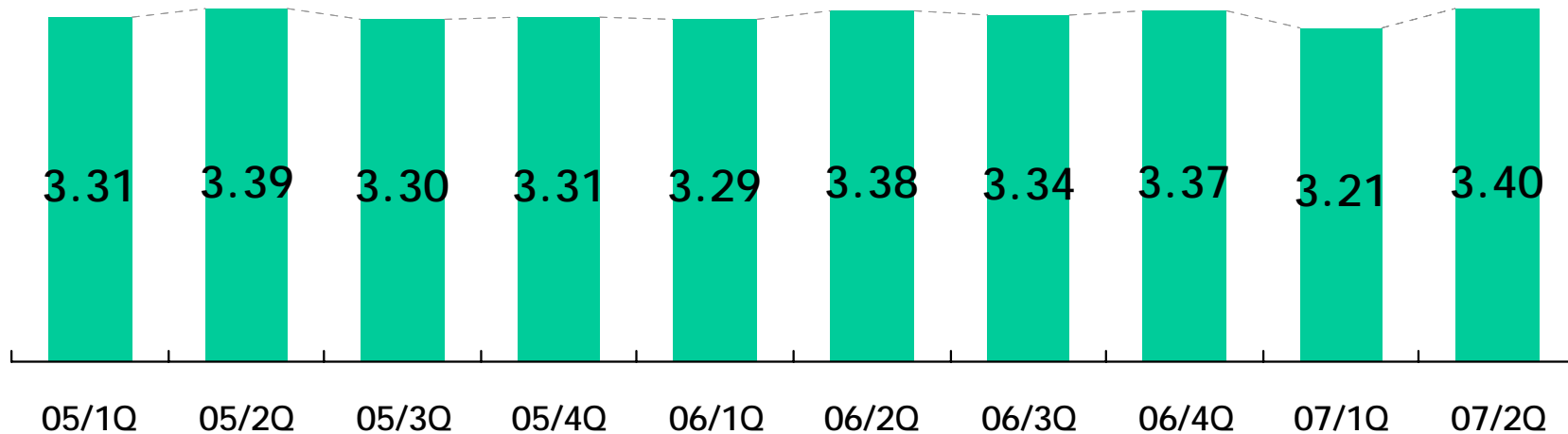
(million tons)



Crude Steel Production of SMI

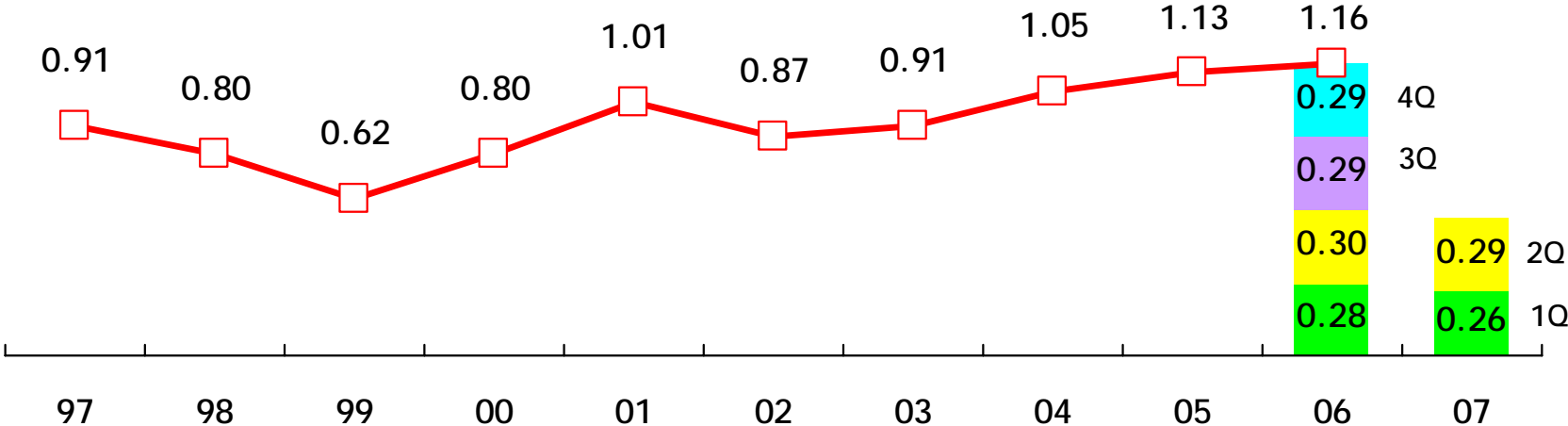
*Including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation

(million tons)



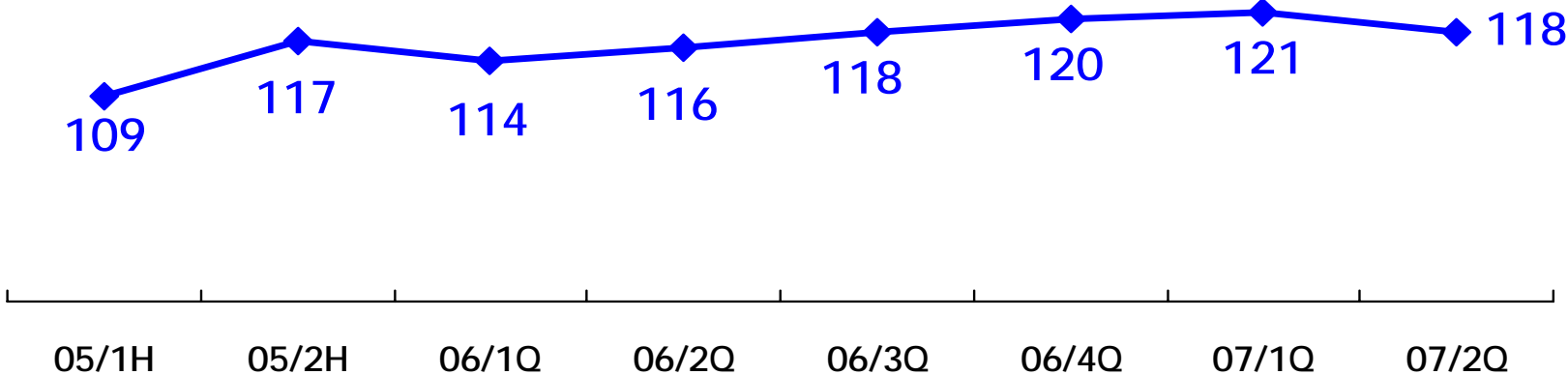
Reference (2)

Seamless Pipe sales (million tons)



FOREX Rate

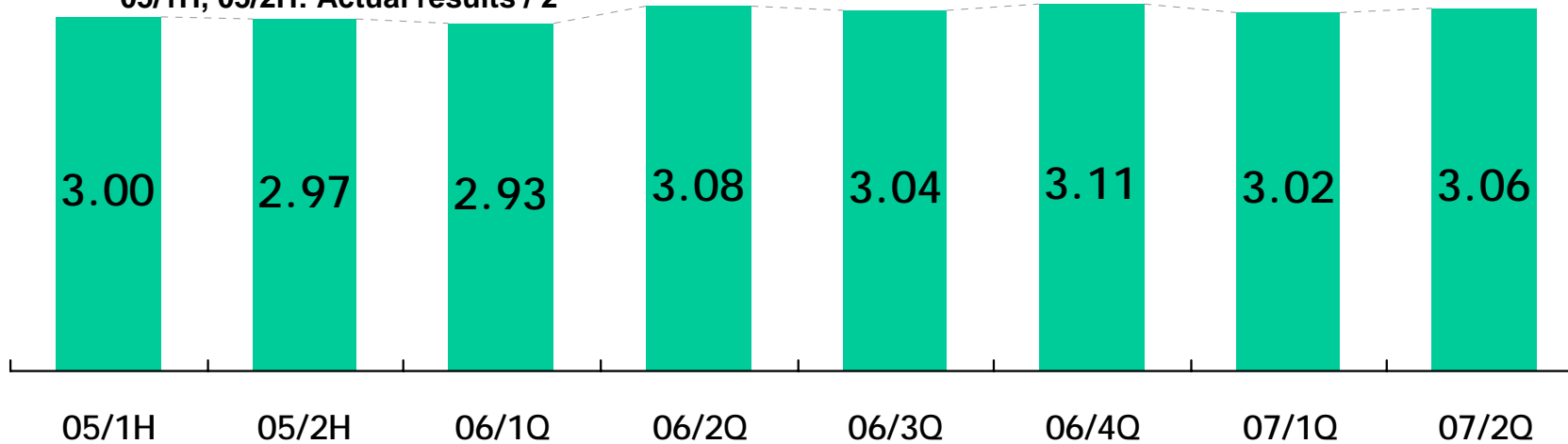
JPY/USD



Steel Products Sales Volume of SMI

(million tons)

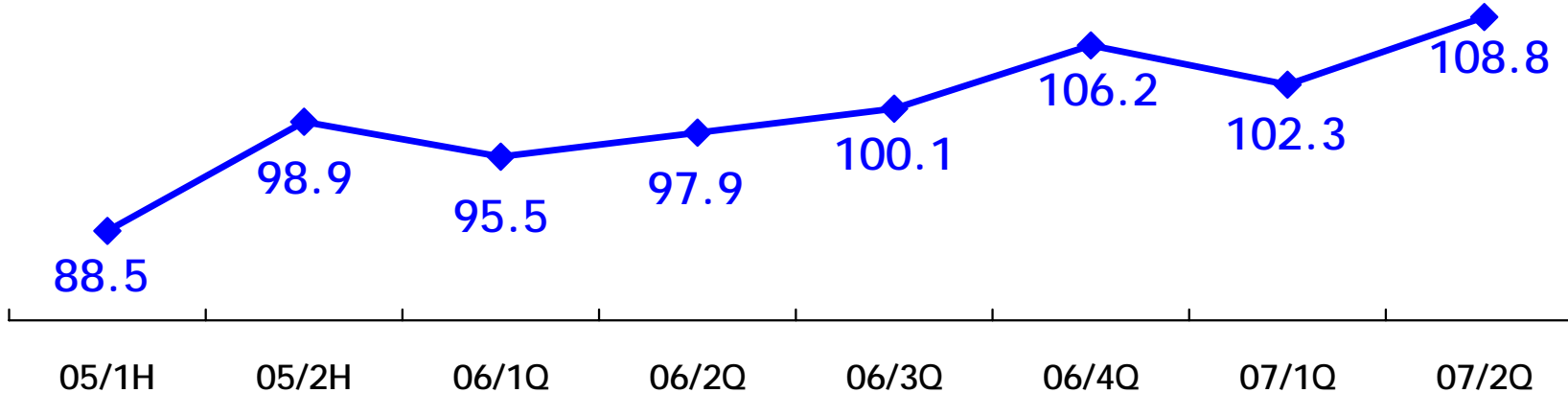
05/1H, 05/2H: Actual results / 2



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

Average Price of Steel Products of SMI

(000JPY/ton)



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

Wakayama Steelworks to establish Crude Steel Capacity of 5 million tons

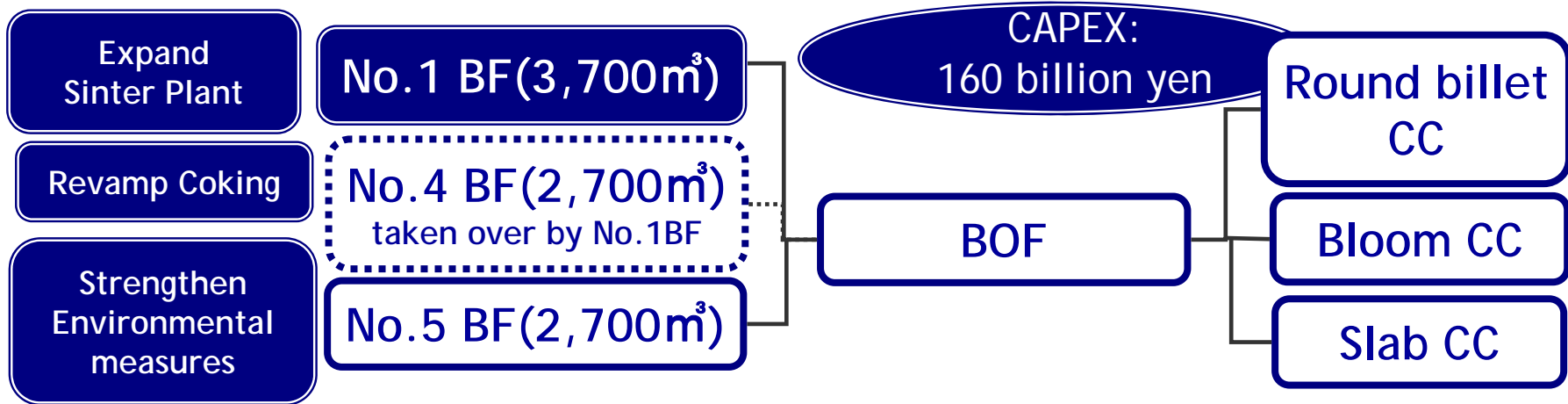
Expand and Enhance Ongoing Cooperation With Nippon Steel & Kobe Steel



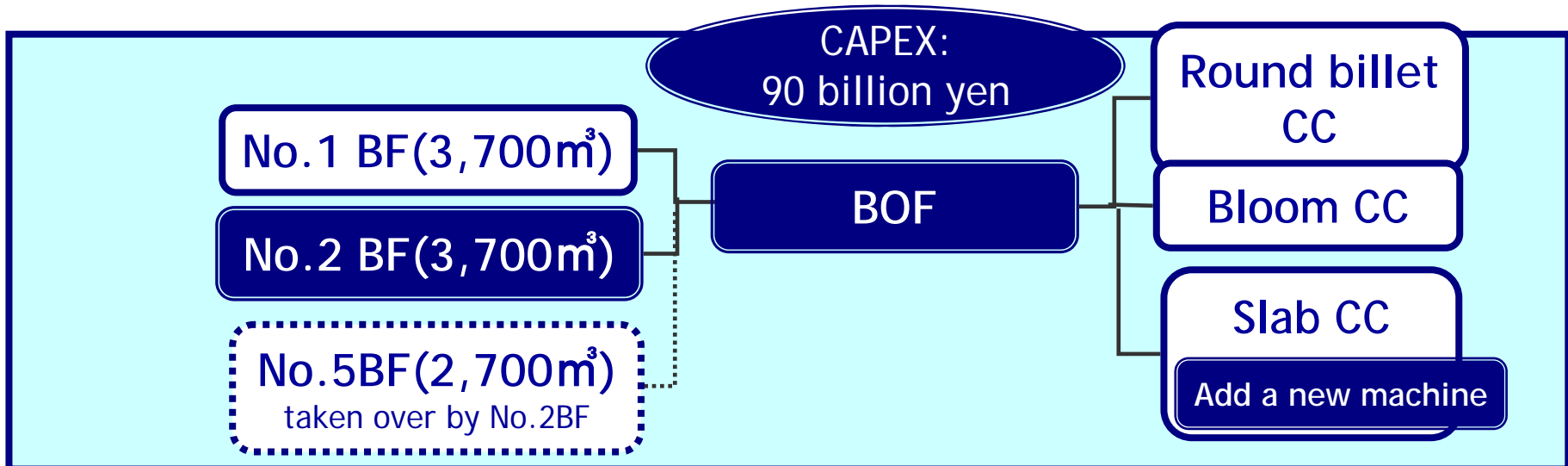
Building a new second blast furnace at Wakayama Steelworks

Plan of Replacing Upstream Facilities at Wakayama Steelworks

【1st Step】 Crude Capacity 3.8→4.3million metric tons/year after completion of No.1 BF



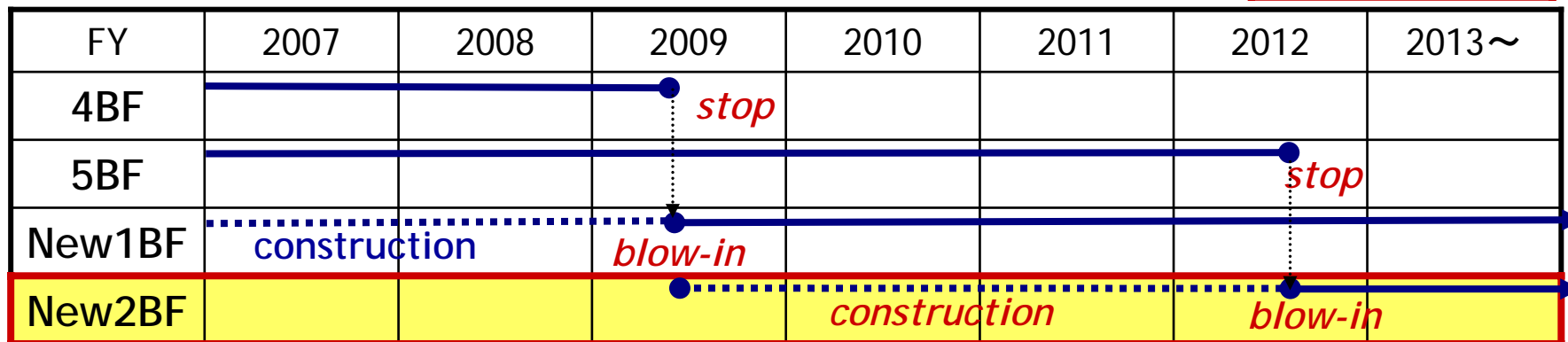
【2nd Step】 Crude Capacity 4.3→5.0million metric tons/year after completion of No.2 BF



(Crude capacity figures do not include approximately 0.2 million tons of stainless steel.)

Identical specifications to No.1 Blast Furnace now under construction

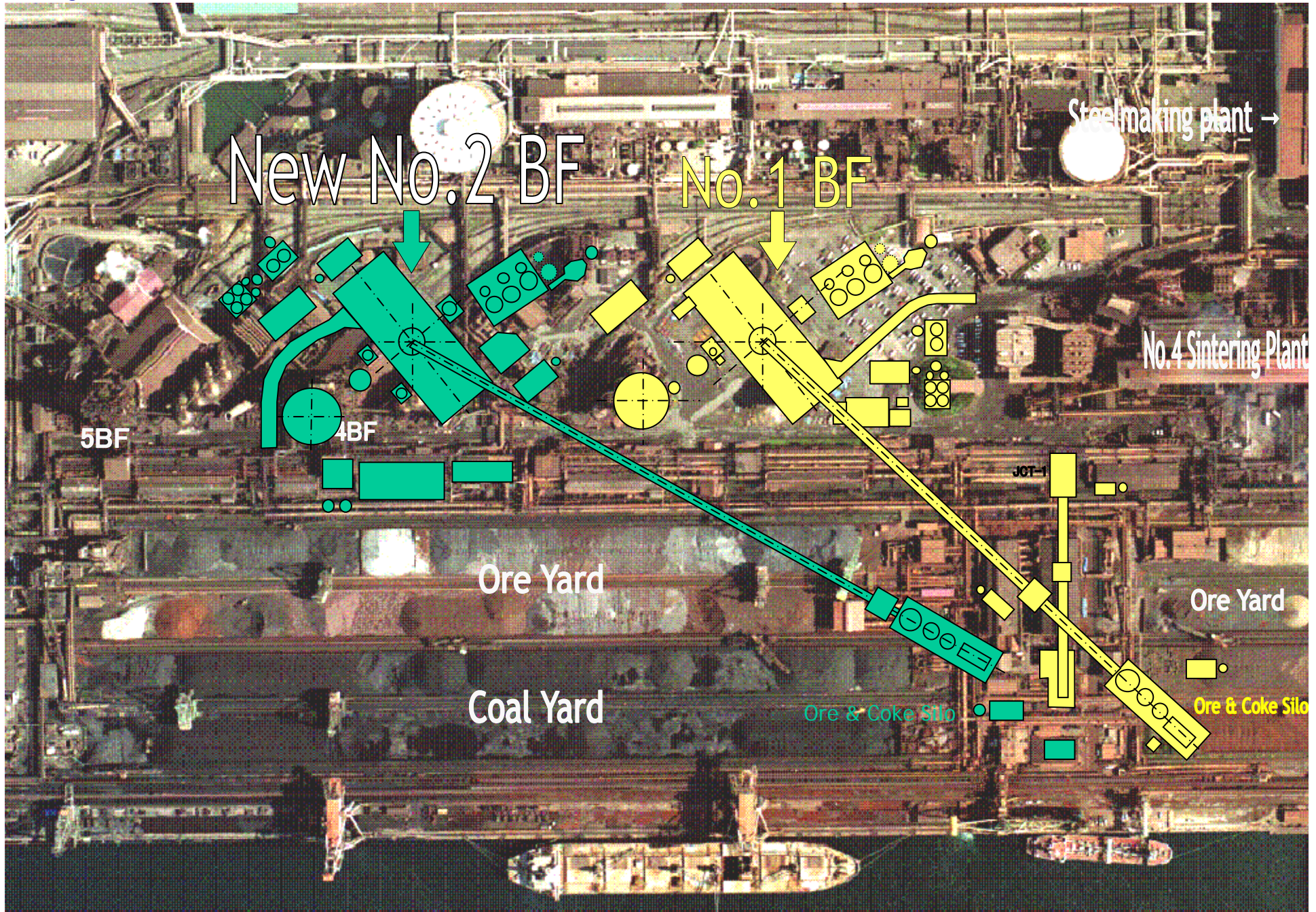
	No.4 BF	No.5 BF	New No.1 BF	New No.2 BF
Startup (Latest relining)	3/1967 (2/1982)	2/1969 (2/1988)	Scheduled 6/2009	Scheduled FY2012
Inner volume	2,700m ³	2,700m ³	3,700m ³	3,700m ³
Production Capacity *	5,500tons/day	5,500tons/day	7,500tons/day	7,500tons/day
Top charging system	Bell top	Bell top	Bell-less top	Bell-less top
Capacity - PCI **	120kg/pig-ton	140kg/pig-ton	150kg/pig-ton	150kg/pig-ton
Tap holes	2	2	4	4



* All figures are in metric tons.

** Powder coal injection

Layout of New No.2 Blast Furnace



Feature of new No.2 Blast Furnace

1. Identical specifications to No.1 Blast Furnace

- During construction:
Saving of designing cost
- During operation:
Stable operation by sharing operating know-how
Cost reduction by sharing spare parts

2. Bigger inner volume means increased crude steel capacity

- Inner volume: No.4BF 2,700m³ → New No.2BF 3,700m³

3. Aiming to 25 years furnace life

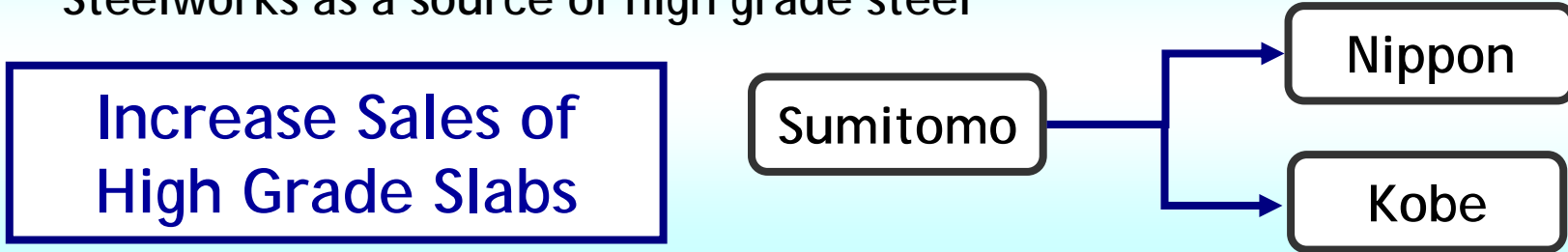
- Furnace maintenance technology proved in No.4BF
(25 years: longest record worldwide)
(The technology was awarded “Monozukuri” Award by Nikkei newspaper.)
- Furnace design based on cutting-edge simulation technology

Considering Measures to Further Expand and Enhance
Ongoing Cooperation With Nippon Steel & Kobe Steel

Expand & Enhance the Cooperation

■ Sumitomo Metals / Nippon Steel / Kobe Steel

- Study on ways to expand Joint use of steelmaking facilities at Wakayama Steelworks as a source of high grade steel

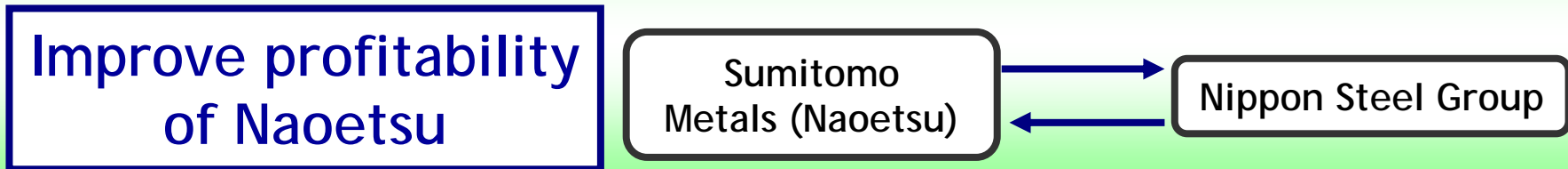


■ Sumitomo Metals / Nippon Steel

- Study on ways to secure capacity for high grade sheet products

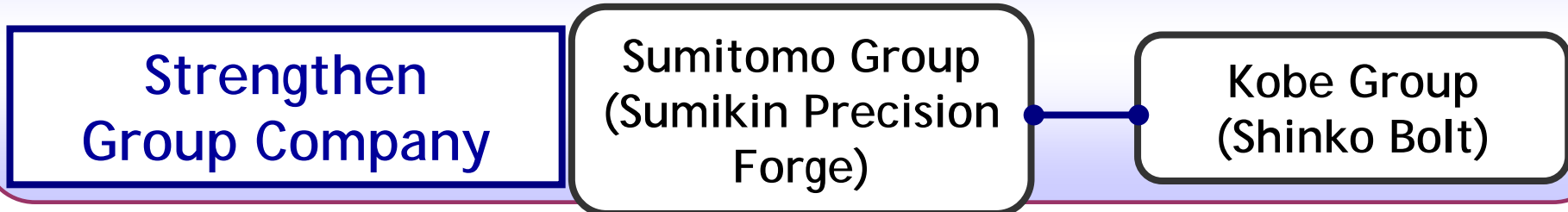


- Study on effective use of facilities at Sumitomo Metals (Noetsu)



■ Sumitomo Metals / Kobe Steel

- Study on an alliance between high-strength steel bolt businesses



- Study on consigning production of stainless steel boiler tubes to Kobe Special Tube



- Study on Expansion of Consigning Production of Titanium to Kobe Steel



■ The three companies start studies on additional cross-purchases of shares for the purpose of ensuring the smooth and steady examination and implementation of the collaborative measures.

Deliver sustained growth
in corporate value
by emphasizing quality



SUMITOMO METALS

Become a company
trusted by all stakeholders