

Sumitomo Metals  
FY 2007 Performance  
(ended March 31, 2008)

April 28, 2008

## 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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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 Results**

**FY2008 Forecast**

**Supplement**

# Consolidated Results Highlights for FY07

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## PL

Sales:	1,744.5 JPY billion	(YoY 8.9%)
Operating profit:	274.3 JPY billion	(YoY -9.7%)
Recurring profit:	298.2 JPY billion	(YoY -9.0%)
Net income:	180.5 JPY billion	(YoY -20.4%)

- Demand remained strong & stable, especially from the Energy and Automobile sector.
- Cost increase: ship freight, alloy etc..
- Improvement in sales and cost-cutting covered that cost increase.

## BS,CF

Shareholders' equity:	901.9 JPY billion	(YoY 2.3%)
Operation CF:	230.0 JPY billion	(YoY 33.9%)
Debt:	883.8 JPY billion	(YoY 25.2%)
Dividend:	10 JPY/share	(YoY 2 JPY/share)

- CAPEX exceeded depreciation.  
Used to accelerate distinctiveness continuously.
- ROA:13.2%    ROE: 20.3%    Equity ratio:37.3%    D/E ratio: 0.98

# Overview of Consolidated Results for FY07

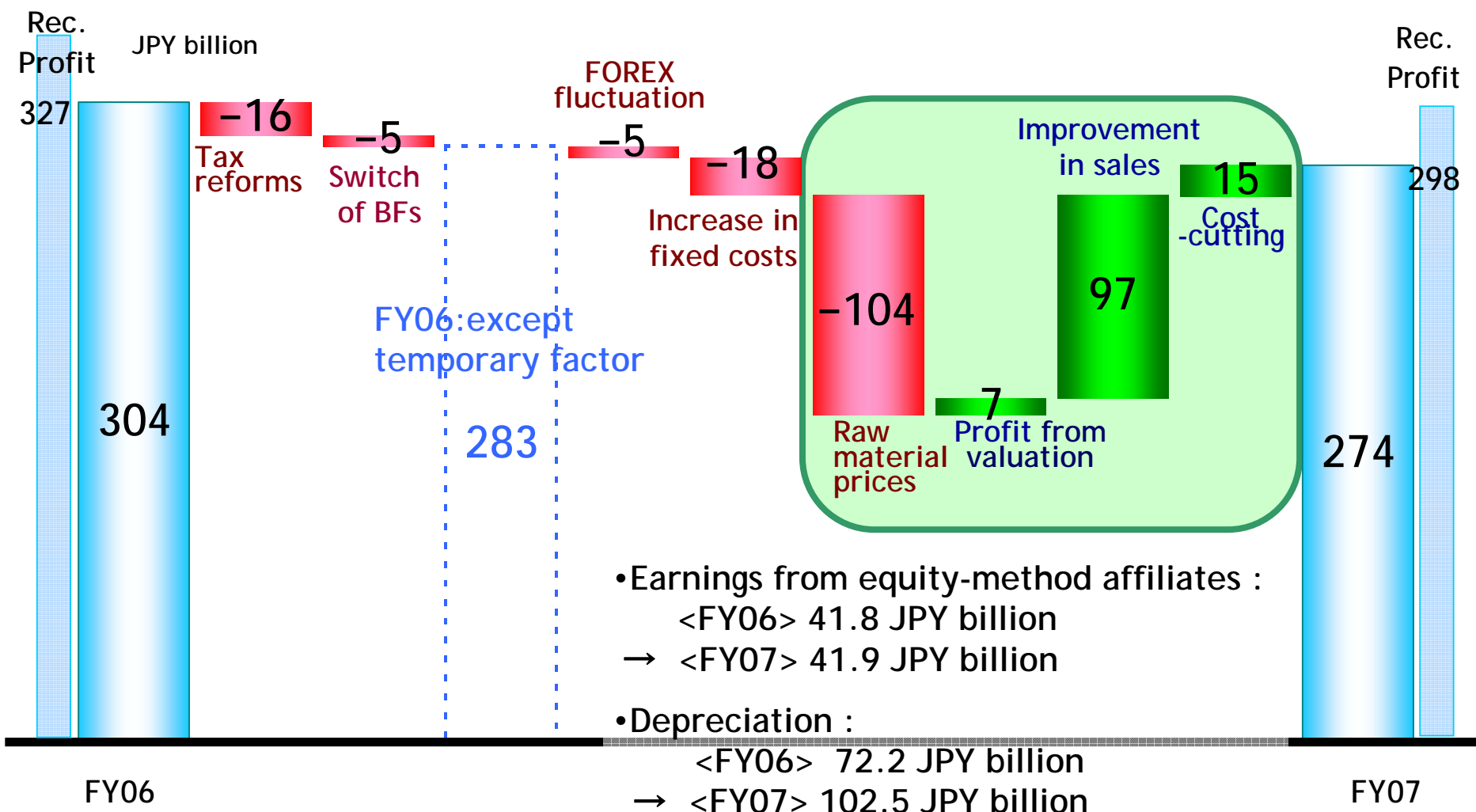
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JPY billion	FY06					FY07	Change to	
		1Q	2Q	3Q	4Q		06→07	3Q→4Q
Sales	1,602.7	406.3	441.4	446.9	449.8	1,744.5	141.8	2.8
Op. profit	303.7	65.8	75.8	69.9	62.7	274.3	-29.3	-7.2
Rec. profit	327.6	75.2	77.4	81.4	64.0	298.2	-29.4	-17.4
Non-rec. profit (loss)	14.0	0.4	-	(6.4)	(10.9)	(16.9)	-30.9	-4.4
Corporate taxes and minority interests	(114.9)	(30.9)	(25.4)	(27.6)	(16.8)	(100.7)	14.2	10.8
Net Income	226.7	44.8	52.0	47.3	36.2	180.5	-46.1	-11.1
EPS (JPY)	47.89	9.70	11.46	10.43	7.87	39.43	-8.46	-2.56
FOREX rate (JPY/USD)	117	121	118	114	105	114	3	9

# Change in Consolidated Operating Profit (FY06 -> FY07)

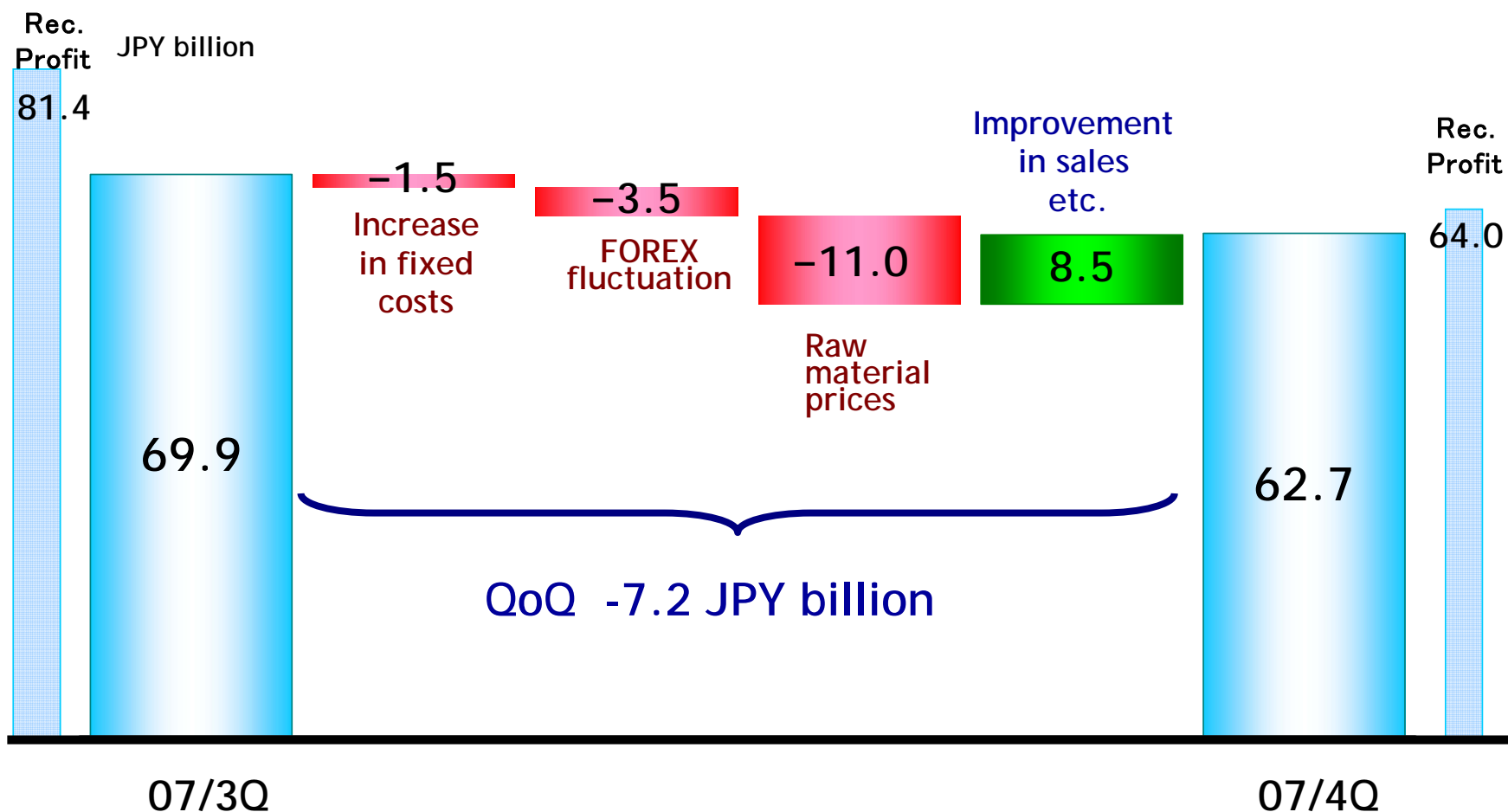
We offset increase in material prices by sales prices increase and cost-cutting

Temporary factor : tax reforms, switch of BFs etc.

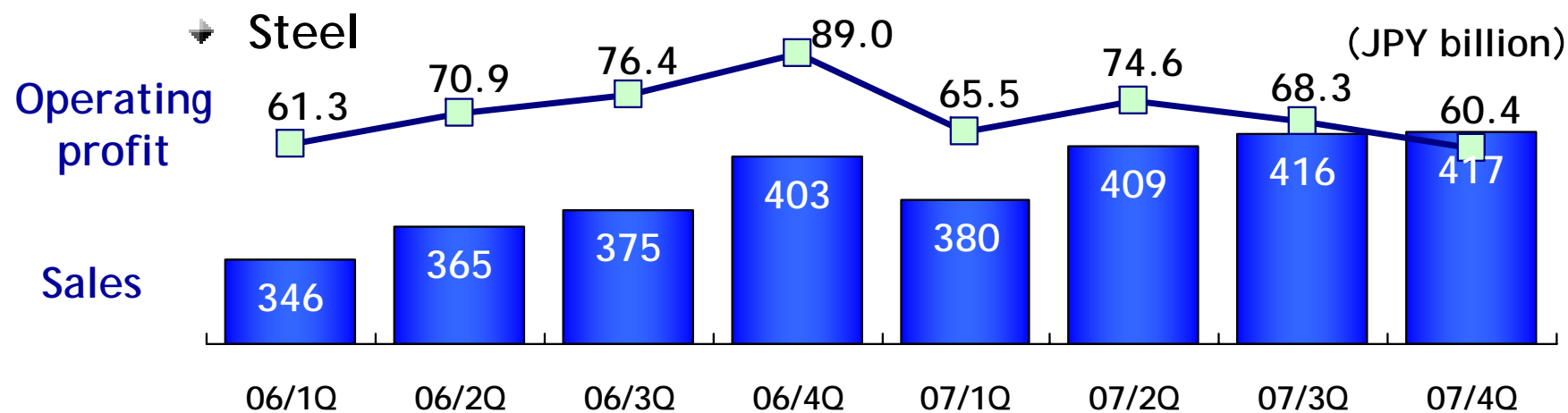


## Change in Consolidated Operating Profit (07/3Q -> 07/4Q)

A strong yen and soaring raw material prices hurt 4Q profit.



## Consolidated Sales and Operating Profit by Business Segment



JPY billion	06/1Q	06/2Q	06/3Q	06/4Q	07/1Q	07/2Q	07/3Q	07/4Q
Steel	346.3	364.7	374.5	403.3	380.3	409.1	415.8	417.0
Engineering	2.0	2.9	2.3	3.4	3.1	3.9	3.2	5.0
Electronics	13.4	15.8	15.4	14.5	14.2	16.0	16.9	14.3
Other	11.2	11.6	8.3	12.4	8.6	12.2	10.9	13.3
Sales	373.0	395.1	400.6	433.8	406.3	441.4	446.9	449.8
Steel	61.3	70.9	76.4	89.0	65.5	74.6	68.3	60.4
Engineering	(0.2)	(0.5)	(0.3)	(0.4)	(0.1)	(0.0)	0.0	0.3
Electronics	0.3	0.9	0.7	0.5	(0.1)	0.1	0.0	(0.2)
Other	1.1	1.3	1.2	1.5	0.6	1.1	1.5	2.0
Operation profit (loss)	62.5	72.6	78.0	90.5	65.8	75.8	69.9	62.7

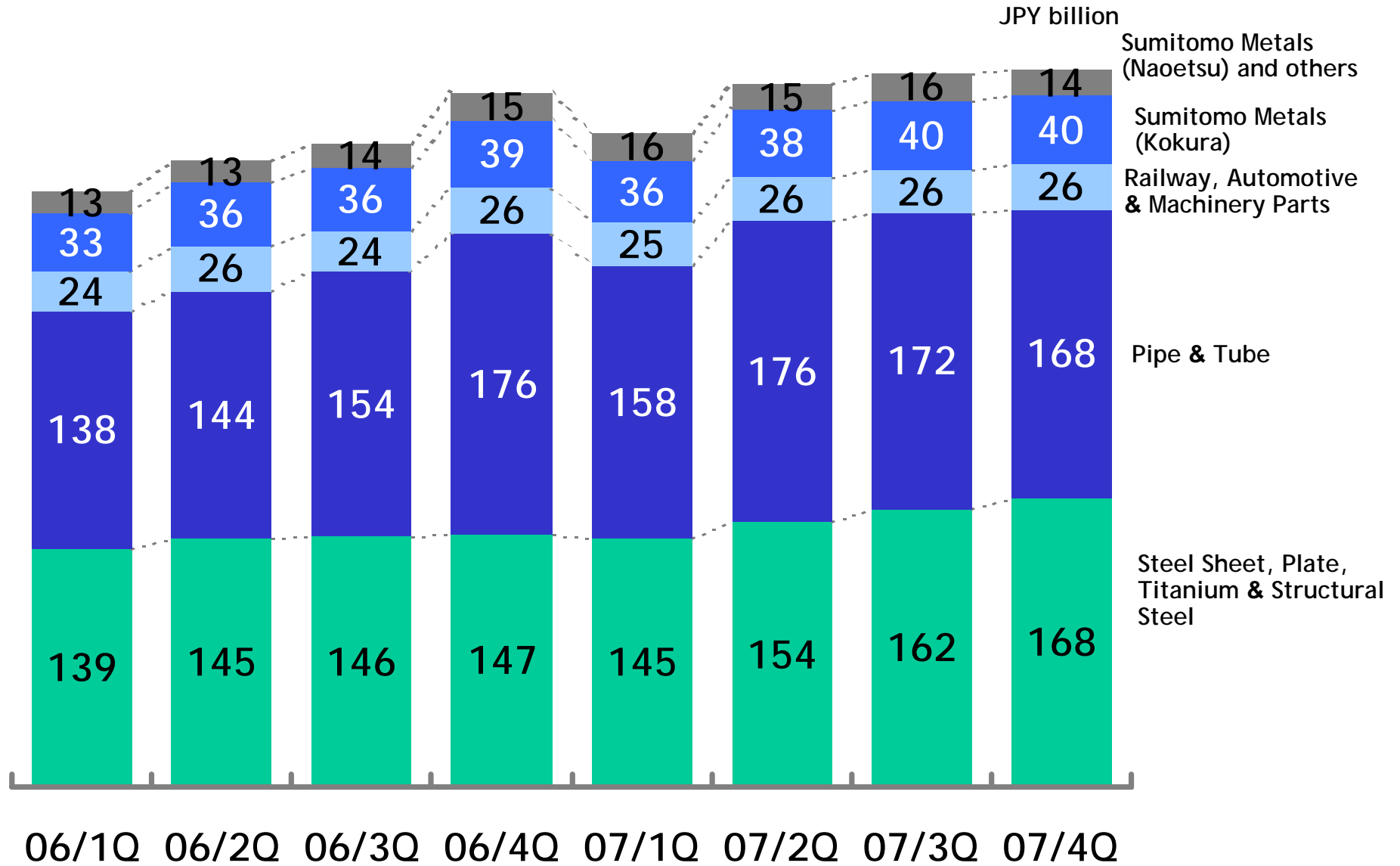


# Consolidated Balance Sheets

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JPY billion	FY07			FY08	Change to	
	End Mar.	End Sep.	End Dec.	End Mar.	%	YoY
<b>【Assets】</b>						
Current assets	672.5	719.4	758.5	677.7	0.8	5.2
Fixed assets	1,629.0	1,686.2	1,675.8	1,740.5	6.8	111.5
<b>Total assets</b>	<b>2,301.5</b>	<b>2,405.6</b>	<b>2,434.4</b>	<b>2,418.3</b>	<b>5.1</b>	<b>116.7</b>
<b>【Liabilities and Shareholders' Equity】</b>						
Current liabilities	807.8	862.3	890.0	781.9	-3.2	-25.9
Long-term liabilities	568.9	614.1	624.3	687.1	20.8	118.2
Net assets	924.7	929.1	920.0	949.3	2.6	24.5
Debt	717.9	778.4	854.4	883.8	23.1	165.9

# Consolidated Steel Sales by Internal Company



FY2007 Results

FY2008 Forecast

Supplement

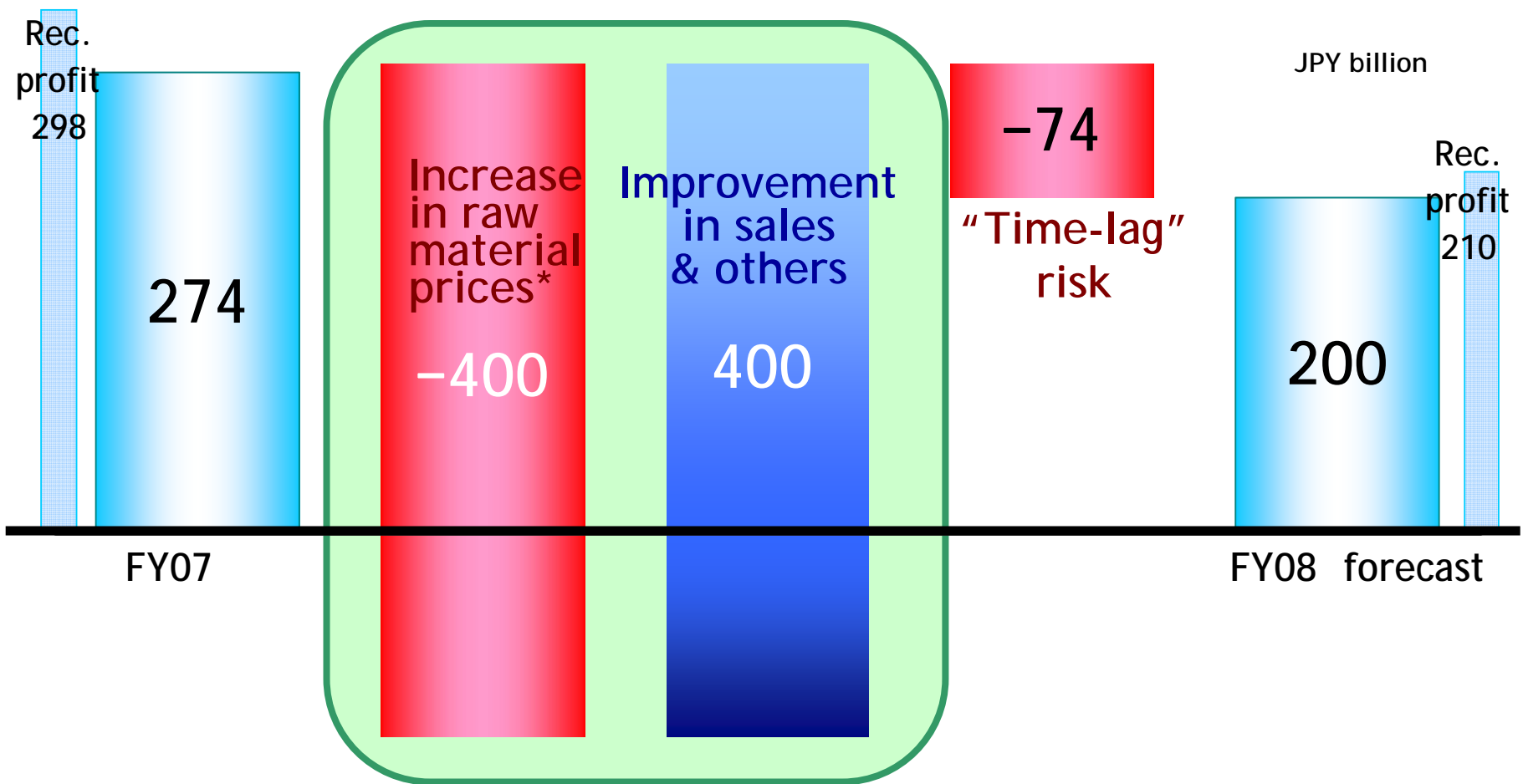
# Overview of Consolidated Business Forecast for FY08

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- Operating profit: YoY -27.1%
  - \* a record cost burden of approx. 400 JPY billion due to unprecedented price surge of raw materials
  - \* The time-lag risk between the negative impact of raw materials and the positive benefits in sales
- Our aggressive measures for improvement in sales and cost-cutting

JPY billion	FY07	FY08		FY08 forecast	Change to	
		1H	2H		%	YoY
Sales	1,744.5	950	1,050	2,000	14.6	255.4
Op. profit	274.3	90	110	200	-27.1	-74.3
Rec. profit	298.2	95	115	210	-29.6	- 88.2
Non-rec. profit (loss)	(16.9)	-	-	-	-	16.9
Net Income	180.5	60	80	140	-22.5	-40.5
EPS (JPY)	39.43	12.93	17.25	30.18		-9.25

# Change in Consolidated Operating Profit (FY07 -> FY08 forecast)



- Earnings from equity-method affiliates :  
 <FY07> 41.9 JPY billion → <FY08> 31.9 JPY billion
- Depreciation :  
 <FY07>102.5 JPY billion → <FY08> 117 JPY billion

# Forecast for Production & Prices

			FY07			FY08 forecast	YoY
	1H	2H		1H	2H		
FOREX rate (JPY/USD)	119	109	114	100	100	approx. 100	approx. 14
Japan total crude steel production (million tons)	60	62	122	60	61	approx. 121	approx. -1
Crude steel production of SMI * (million tons)	6.61	7.01	13.62	7.0	7.0	approx. 14.0	approx. 0.4
Steel products sales volume of SMI * (million tons)	6.08	6.41	12.49	6.3	6.4	approx. 12.7	approx. 0.2
Ave. price of steel product of SMI* (000JPY/ton)	Domestic	97.2	98.5	97.9			
	Export	116.5	115.9	116.2			
	Total	105.6	105.8	105.7			

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

FY07 Excess receipts of USD = approx. USD 1.6 billion/year

FY08 Excess payments of USD

# Key Indicators of Consolidated Performance

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	FY04	FY05	FY06	FY07	FY08 forecast	Medium-term Business Plan (Apr. 05) FY 08 Plan
ROA *	9.7%	14.5%	15.4%	13.2%	approx. 9%	approx. 13%
ROE	25.8%	36.7%	28.3%	20.3%	approx. 15%	
Equity ratio	25.1%	34.1%	38.3%	37.3%	approx. 37%	approx. 45%
D/E ratio	1.83	0.94	0.82	0.98	approx. 0.99	approx. 0.6
Debt (JPY billion)	885.9	679.7	717.9	883.8	approx. 995	approx. 680.0
Total asset (JPY billion)	1,923.1	2,113.3	2,301.5	2,418.3	approx. 2,700	approx. 2,380.0
Non-consolidated dividends / share (JPY)	5.0	7.0	8.0	10.0	10.0	
<Interim dividends>	( - )	(2.5)	(3.5)	(5.0)	(5.0)	

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

- Sumitomo Metals intends to maximize corporate value by delivering sustained growth that balances quality and scale.
- Cash generated from operations will be used for investments that raise corporate value.
- Criteria for investments include whether they may accelerate distinctiveness of our group, and whether their returns could exceed the cost of capital, and thereby help raise our value.
- We will return profits to shareholders through stable payment of dividends.
- Our guideline for financial leverage is a D/E ratio of less than one.

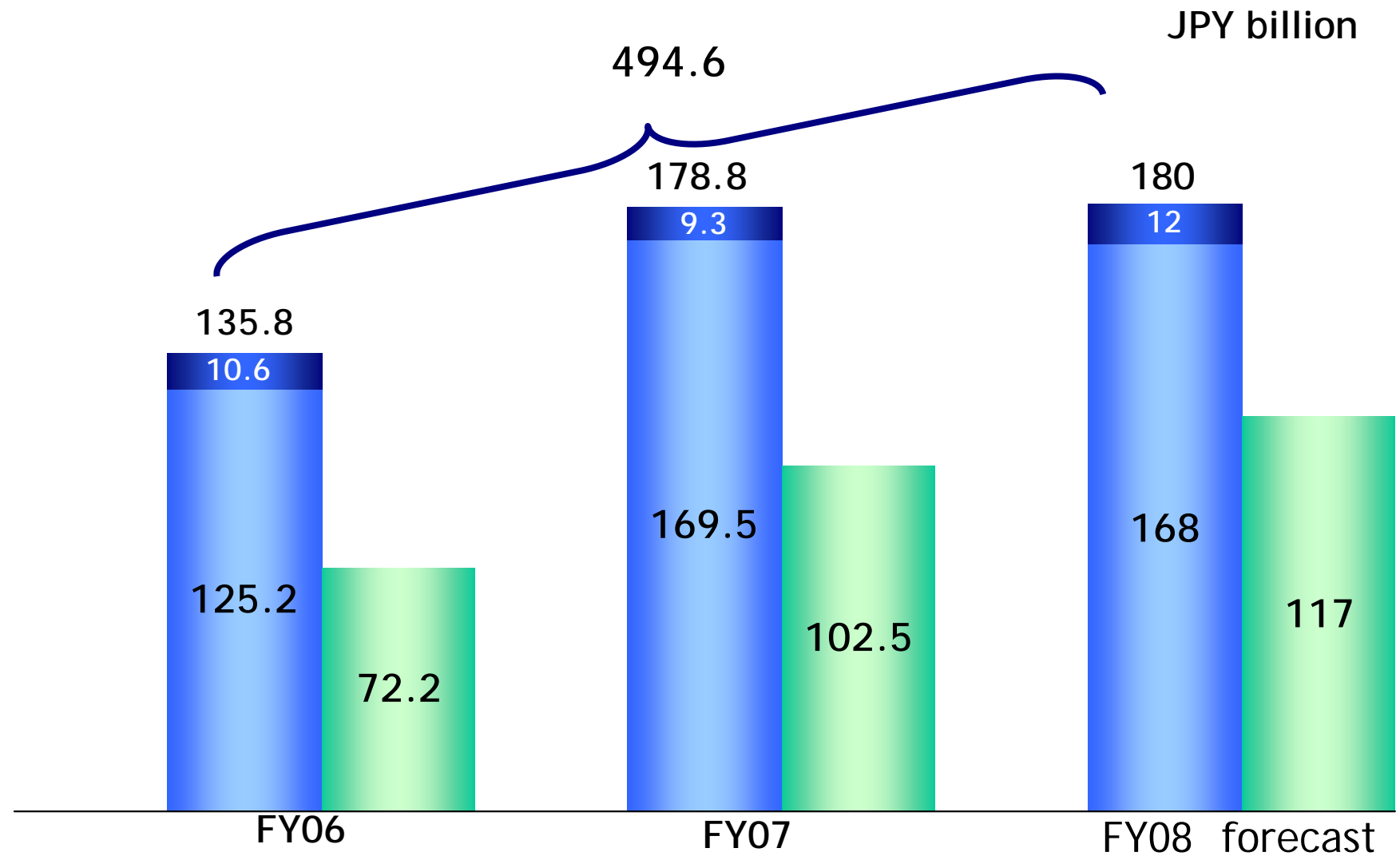
< FY2008 >

We intend to pay an annual dividend of ¥10.0 per share.



# Forecast for Consolidated CAPEX and Depreciation 17

■ CAPEX in Steel business  
 ■ CAPEX in Non-Steel business  
 ■ 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 relining (Kashima)	29	<span style="color: blue;">.....●</span> <span style="color: red;">——●</span>	<span style="color: red;">——●</span>					
	New CGL & continuous pickling line (Kashima)	26	<span style="color: blue;">.....●</span> <span style="color: red;">——●</span>	<span style="color: red;">——●</span>					
	High-grade plate output increase (Kashima)	7 3	<span style="color: red;">——●</span>	<span style="color: green;">——●</span>	Expansion of Heat-treatment				
	Independent Power Producer (Kashima)	57	<span style="color: blue;">.....●</span> <span style="color: red;">——●</span>	<span style="color: red;">——●</span>					
Pipes & Tubes	Renewal of upstream processes (Wakayama)	160 90	<span style="color: red;">——●</span>	<span style="color: blue;">.....●</span>					
	Cutting-edge seamless pipe output increase	35	<span style="color: blue;">.....●</span> <span style="color: red;">——●</span>	<span style="color: red;">——●</span>	Jul.				
	Stainless boiler tube output increase	6.5	<span style="color: green;">——●</span>	<span style="color: green;">——●</span>					
	Increasing capacity for ultra high strength line pipes	10	<span style="color: blue;">.....●</span> <span style="color: red;">——●</span>	<span style="color: red;">——●</span>					Mar.11
	Integrated steel works with Seamless pipe mill J/V in Brazil (VSB) <small>(inc .Vallourec)</small>	200	<span style="color: green;">——●</span>	<span style="color: green;">——●</span>					
Others	Wheel output increase	2	<span style="color: red;">——●</span>	<span style="color: red;">——●</span>					
	ICI 3 <sup>rd</sup> line HSF 2 <sup>nd</sup>	7.5	<span style="color: blue;">.....●</span> <span style="color: red;">——●</span>	<span style="color: red;">——●</span>					Jan.09
	Steelmaking process innovations (Kokura)	23	<span style="color: blue;">.....●</span> <span style="color: red;">——●</span>	<span style="color: red;">——●</span>					Mar.10

FY2007 Results

FY2008 Forecast

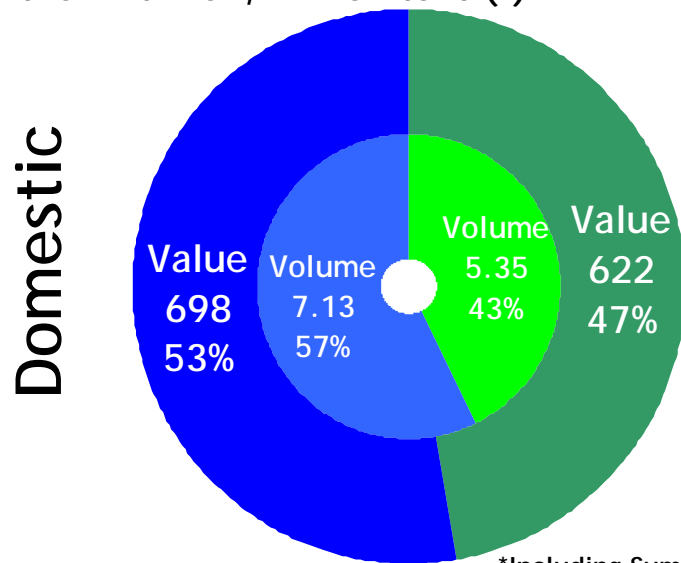
Supplement

## Overview of Non-consolidated Business Forecast for FY08

JPY billion	FY06	FY07	FY08		FY08 forecast	YoY	
			1H	2H		06→07	07→08
Sales	1,031.4	1,141.4	approx.610	approx.680	approx.1,290	110.0	approx. 148.5
Op. profit	238.5	204.5	approx.65	approx.65	approx.130	-34.0	approx. -74.5
Rec. profit	240.6	214.9	approx.75	approx.60	approx.135	-25.6	approx. -79.9
Non-rec. profit (loss)	(12.3)	(12.2)	-		-	0.1	approx. 12.2
Income taxes- deferred	(89.0)	(73.3)	approx.(25)	approx.(20)	approx.(45)	15.6	approx. 28.3
Net Income	139.2	129.3	approx.50	approx.40	approx.90	-9.8	approx. -39.3

# Domestic and Export Steel Sales for FY07

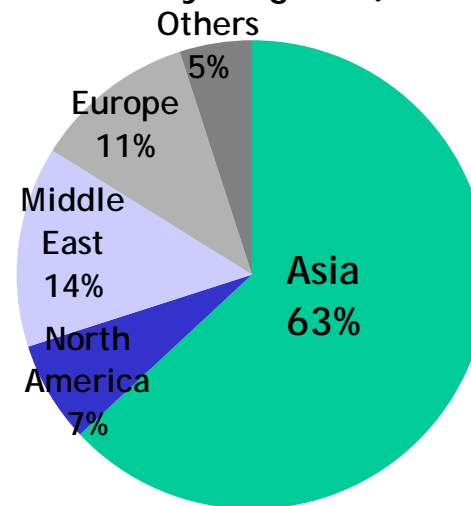
Unit: JPY billion, million tons (\*)



Export

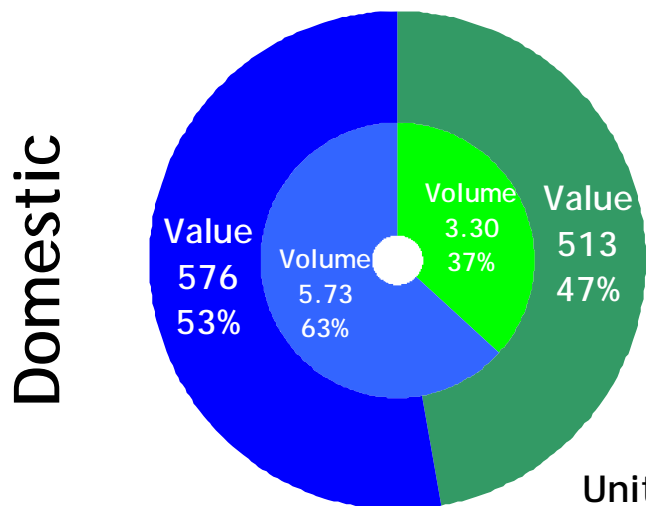


Export Sales by Region (Value basis)



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

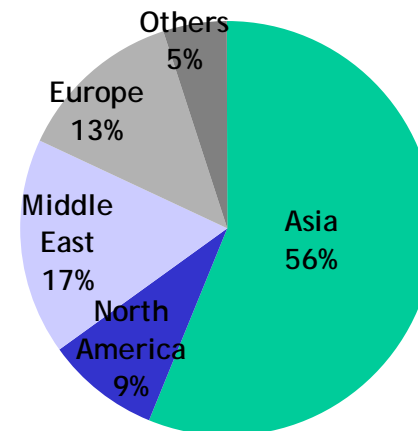
Non-consolidated Domestic and Export Steel Sales



Export

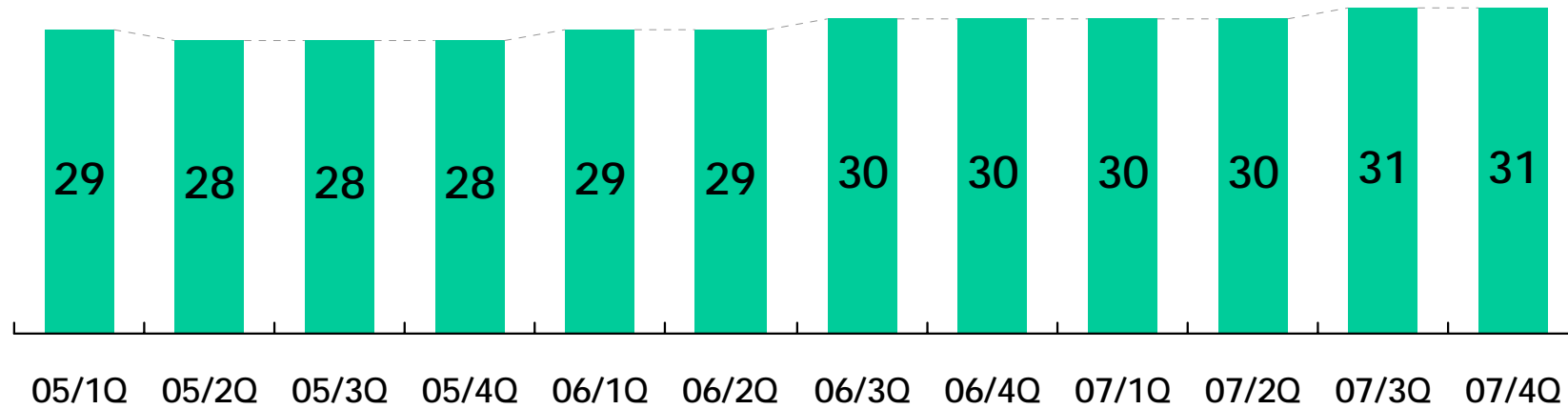


Reference: Export Sales by Region (Value basis)



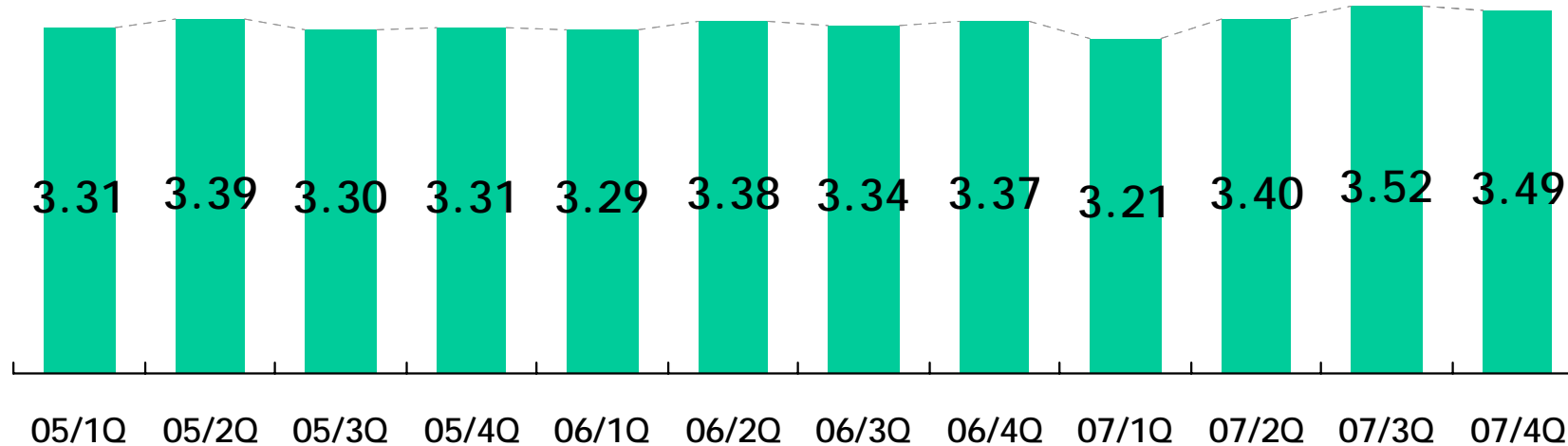
Unit: JPY billion, million tons (\*)

## Japan Total Crude Steel Production (million tons)



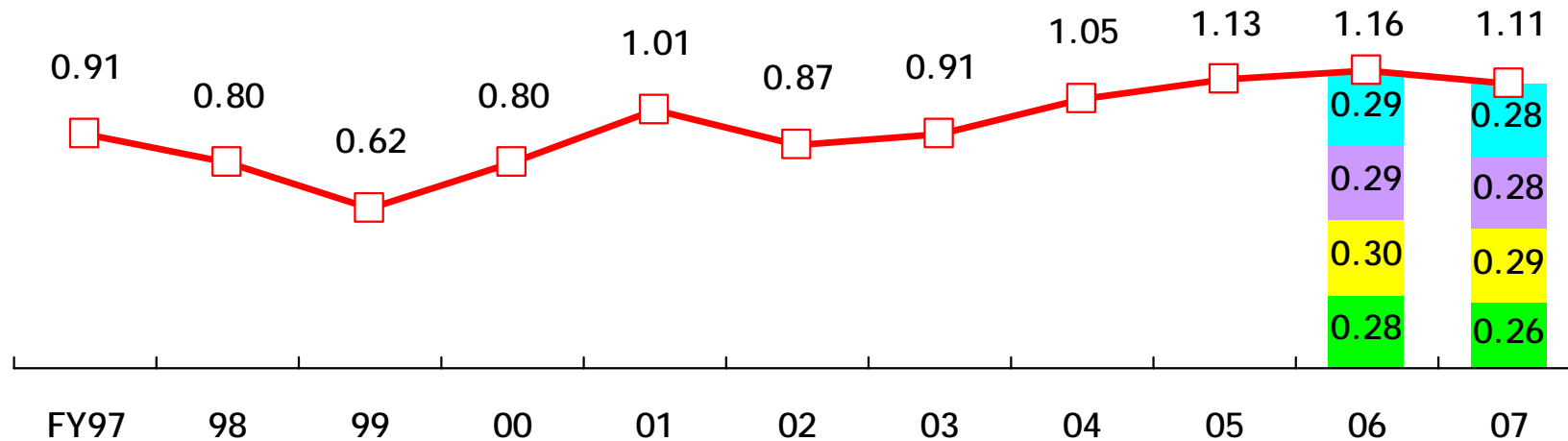
## Crude Steel Production of SMI (million tons)

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

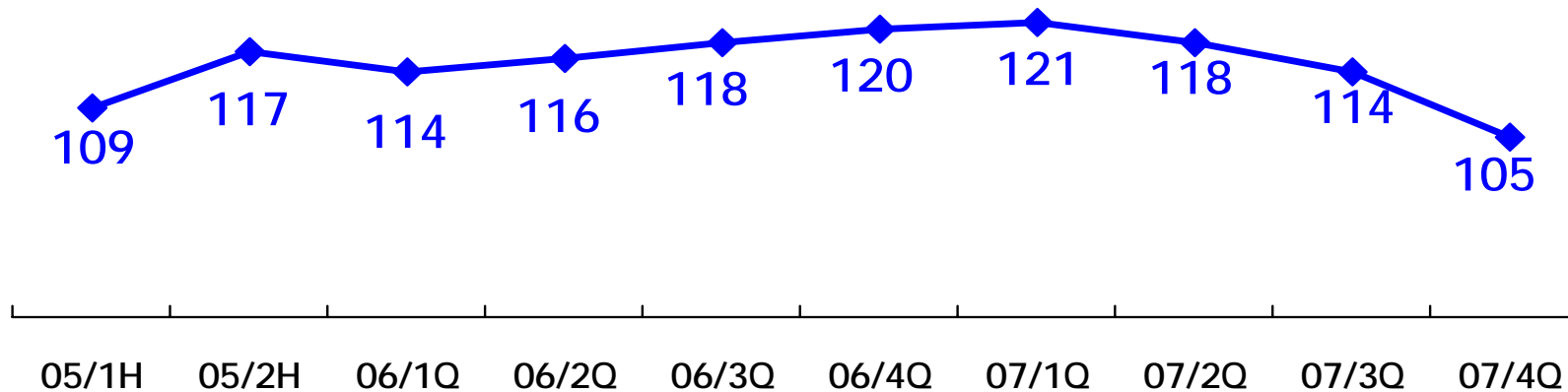


# Reference (2)

Seamless Pipe Sales (million tons)

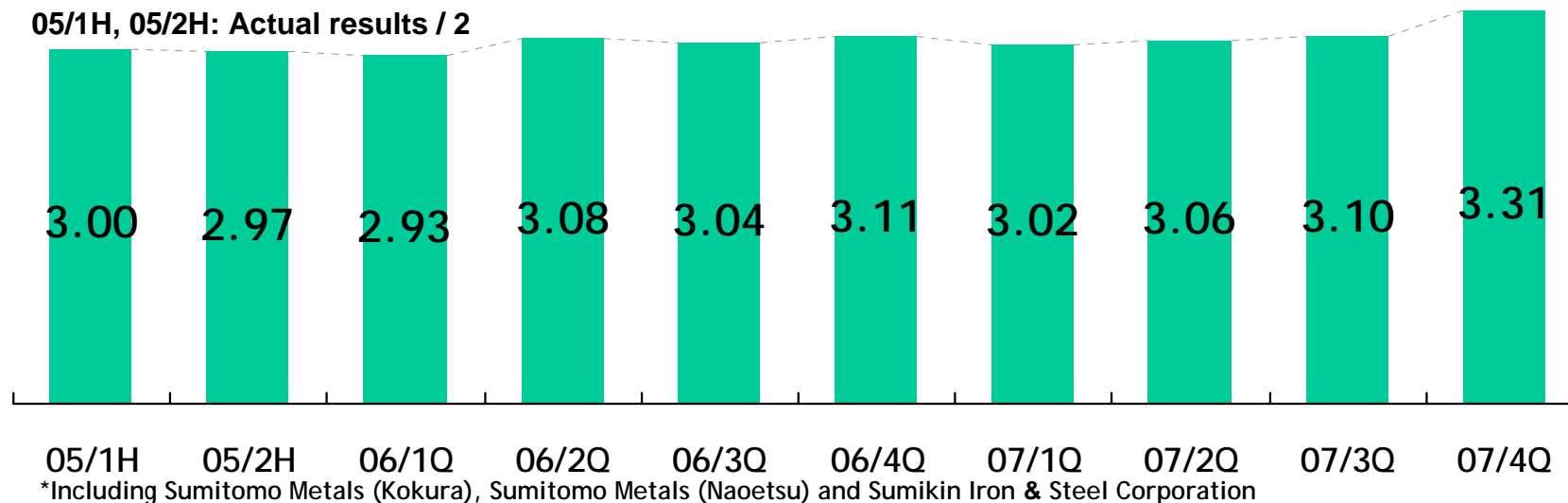


FOREX Rate JPY/USD

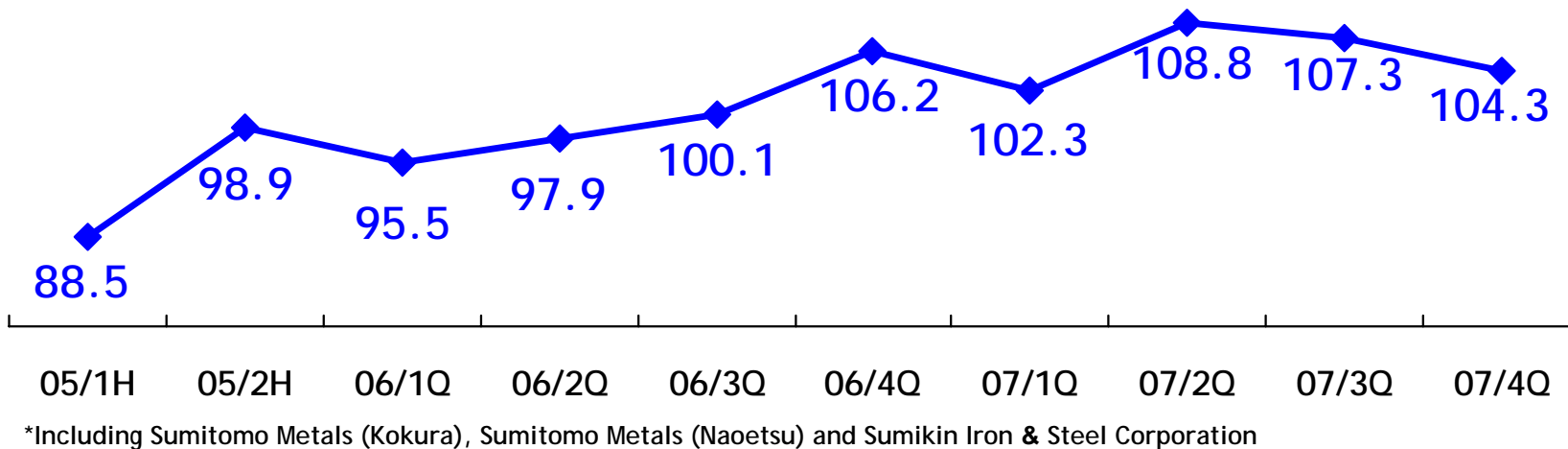


# Reference (3)

## Steel Products Sales Volume of SMI (million tons)



## Average Price of Steel Products of SMI (000JPY/ton)





Deliver sustained growth  
in corporate value  
by emphasizing quality



**SUMITOMO METALS**

Become a company  
trusted by all stakeholders