

Sumitomo Metals
FY 2010 the Second Quarter
Performance
(ending March 31, 2011)

October 28, 2010

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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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

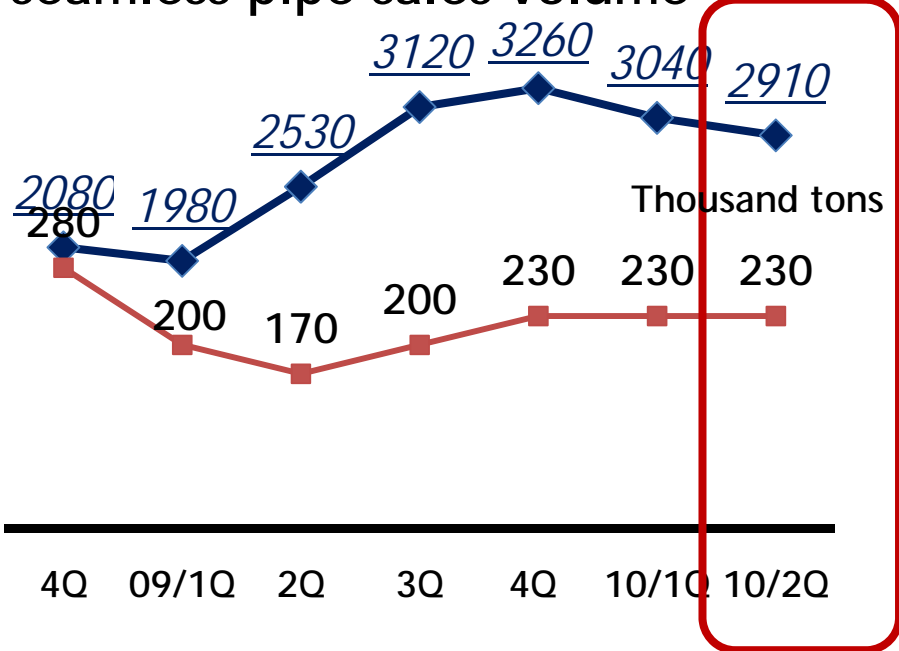
All output figures of “crude steel”, “steel sales volume” and “average price of steel product” are including Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu) and Sumikin Iron & Steel Corporation.

EBITDA= Operating income + Depreciation of property, plant and equipment

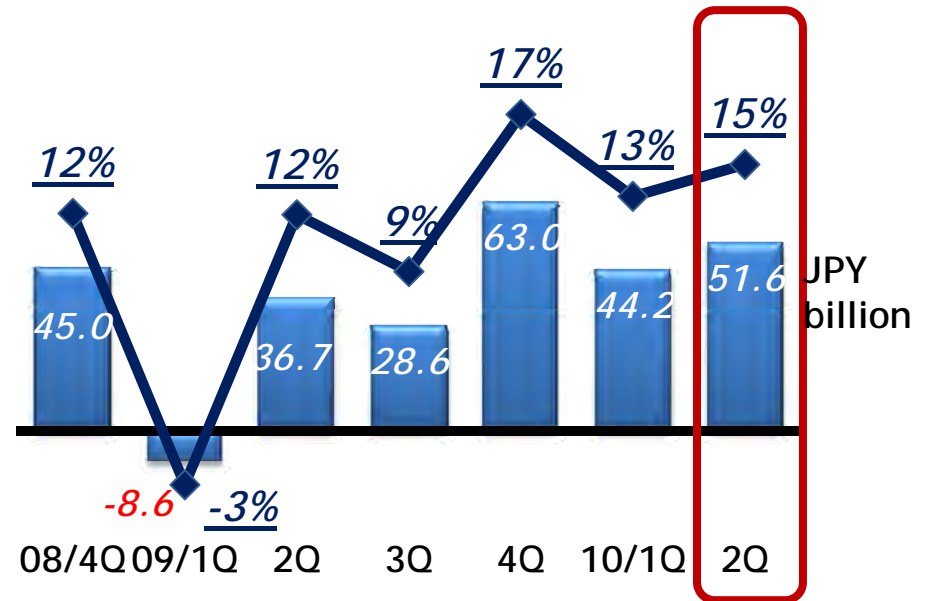
FY10/2Q Consolidated Results Highlights

	1H	<YoY>	- Demand from manufacturing sector in 1H was stable.
● Sales	693.7	<95.0>	- Demand from energy sector is picking up gradually.
● Operating income	34.7	<62.8>	- Profit in 1H exceeded 1H guidance with cost reduction, while sales decreased from the guidance due to a stronger yen and production cutbacks of commodity products.
● Ordinary income	28.9	<76.5>	
● Net income	34.8	<81.5>	
● EBITDA	95.8	<67.6>	

Sales volume and seamless pipe sales volume

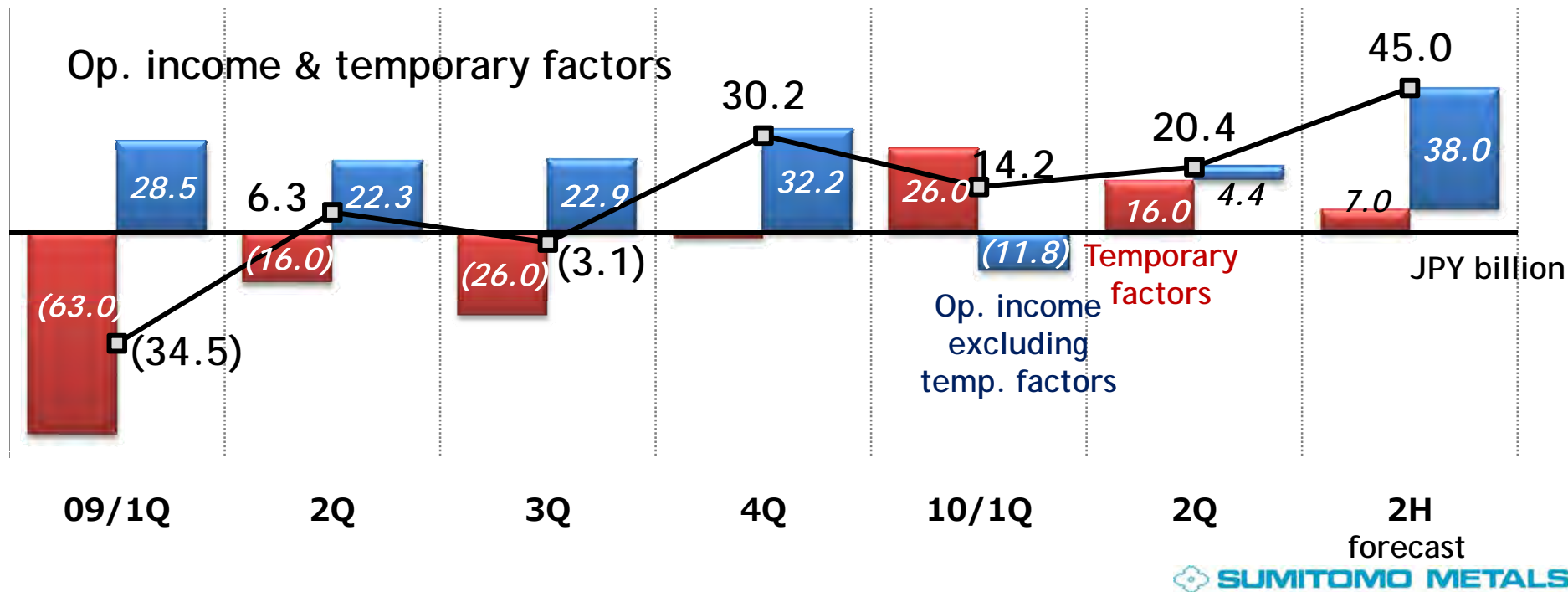


EBITDA and EBITDA margin



FY10 Forecast & Our Strategy

- Market prices are slow to recover.
- The demand from manufacturing sectors is firm.
- We will cut back our production of structural steel and sheets to be exported.
- We expect our earning potential to recover steadily due to product prices hike and cost reduction.
- Positive temporary factors such as carry over of raw material contracts and gain on inventory valuation will decrease in 2H.
- Seamless pipe sales volume forecast of 0.95 million tons for FY10 remains the same.
- For FY10, we revised our op. income forecast of 90 JPY billion down to 80 JPY billion.



FY2010/2Q Results

Overview of Consolidated Results for FY10/1H

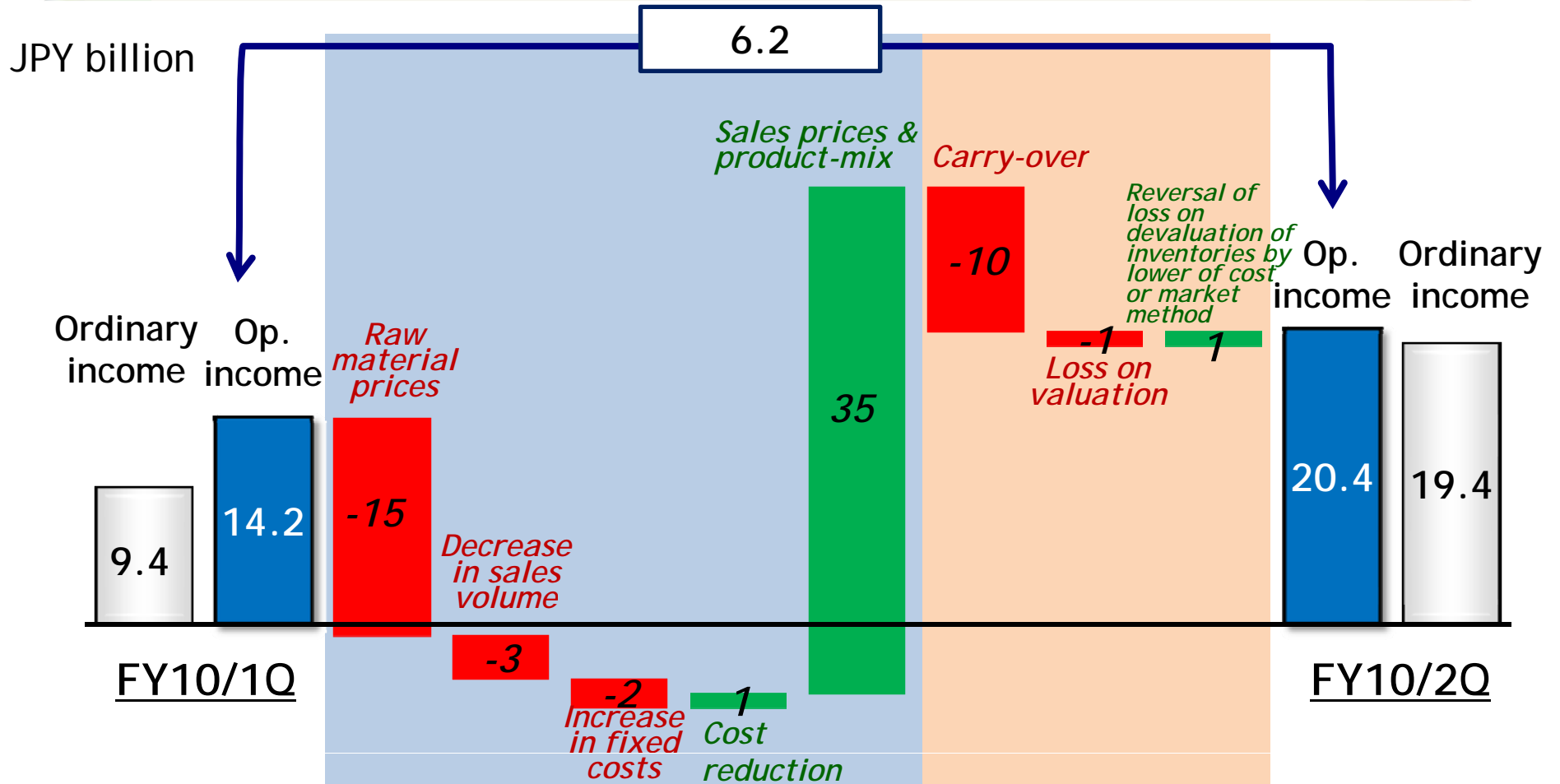
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JPY billion	FY09		FY10		[* Jul.29]	1H	Change	
	1H	2H	1Q	2Q			vs. FY09/1H	vs. FY09/2H
Sales	598.7	687.1	341.6	352.1	[720]	693.7	95.0	6.6
Op. income(loss)	(28.0)	27.1	14.2	20.4	[30]	34.7	62.8	7.6
Ordinary income(loss)	(47.6)	10.9	9.4	19.4	[25]	28.9	76.5	17.9
Extraordinary income (loss)	(3.1)	-	-	-	[-]	-	3.1	-
Income taxes and minority interest	4.0	(14.0)	(5.0)	10.9	[-]	5.9	1.8	19.9
Net income (loss)	(46.6)	(3.0)	4.4	30.4	[25]	34.8	81.5	37.9
EPS (JPY)	-10.07	-0.67	0.97	6.56	[5.39]	7.53	17.59	8.19
EBITDA	28.2	91.7	44.2	51.6	[92]	95.8	67.6	4.1
FOREX rate (JPY/USD)	95	90	92	86	[91]	89	-6	1

* Jul. 29: Forecast as of Jul. 29, 2010

Change in Consolidated Operating Income (FY10/1Q → FY10/2Q)

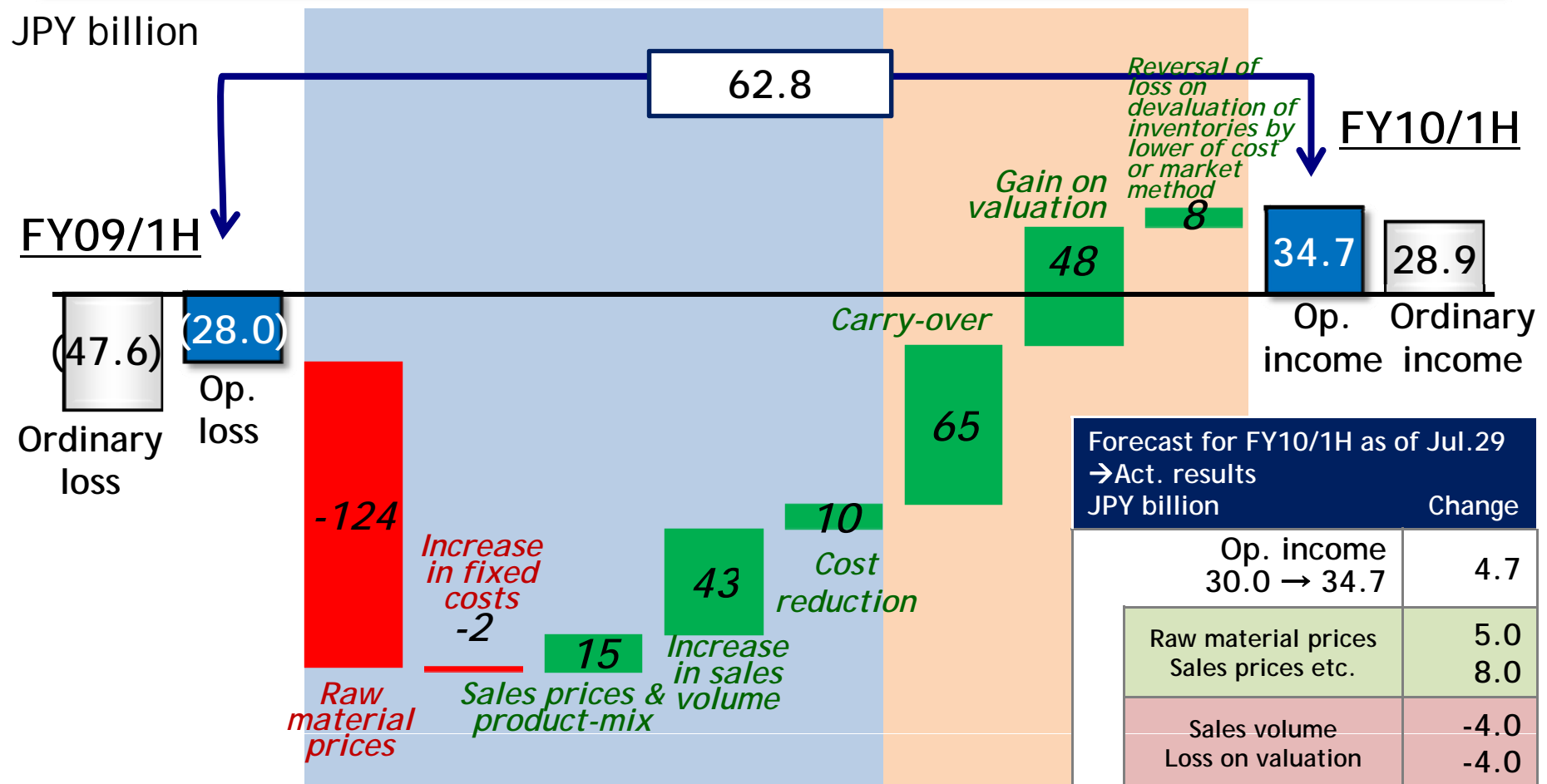
Op. income improved as products prices were raised despite soaring raw material costs and the decrease in sales volume of steel sheet for export and structural steel.



•Earnings from equity-method affiliates: <FY10/1Q> 1.2billion → <FY10/2Q>4.3JPY billion

Change in Consolidated Operating Income (FY09/1H → FY10/1H)⁸

-We are still in the process of passing on raw material prices hike.
 -Op. income significantly improved as a result of cost reduction, increased sales volume and temporary factors such as carry-over and gain on inventory valuation.



•Earnings from equity-method affiliates: <FY09/1H> -11.7JPY billion → <FY10/1H> 5.5JPY billion

Consolidated Balance Sheets

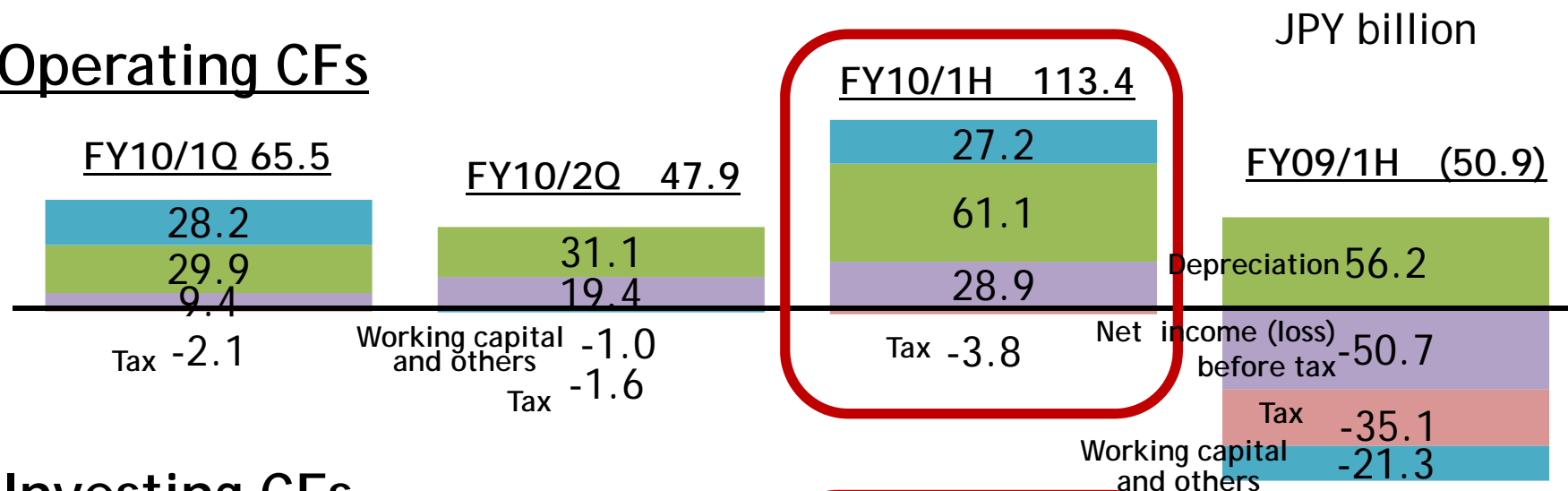
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- Debt decreased because of the improved operating CFs.
- D/E ratio remained the same as 3E/2010.
- The decrease of the debt was offset by the decrease in valuation difference on available-for-sale securities.

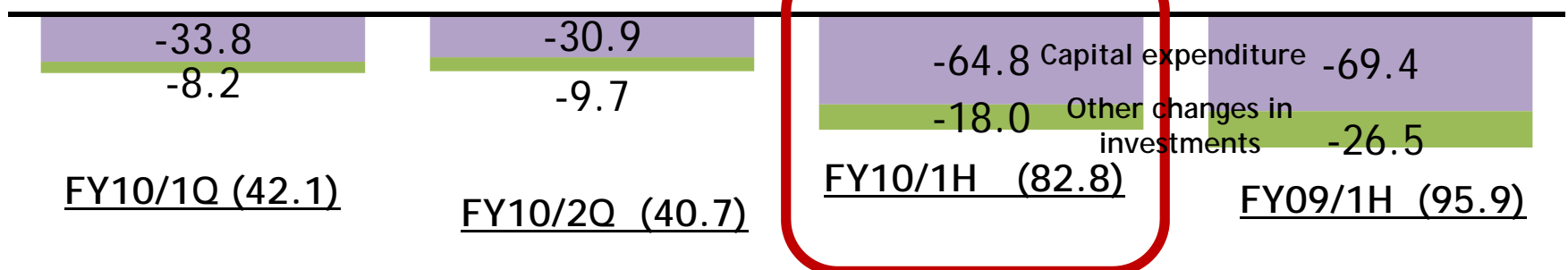
JPY billion	09		10			%	Change vs. 10/3E
	9E	12E	3E	6E	9E		
[Assets]							
Current assets	639.4	652.9	606.4	607.9	622.6	2.7	16.1
Fixed assets	1,772.5	1,795.4	1,797.2	1,775.4	1,775.2	-1.2	-22.0
Total assets	2,412.0	2,448.3	2,403.6	2,383.4	2,397.8	-0.2	-5.8
[Liabilities and Shareholders' Equity]							
Current liabilities	597.1	678.4	639.3	666.1	661.5	3.5	22.2
Long-term liabilities	940.8	911.9	885.1	871.6	867.9	-1.9	-17.1
Net assets	874.0	857.9	879.2	845.6	868.2	-1.2	-10.9
Debt	1,148.7	1,177.4	1,138.3	1,128.0	1,117.0	-1.9	-21.2
D/E ratio	1.39	1.46	1.37	1.42	1.37		-

Consolidated Cash Flows

Operating CFs



Investing CFs



JPY billion	09/9E	09/12E	10/3E	10/6E	10/9E
Debt	1,148.7	1,177.4	1,138.3	1,128.0	1,117.0
Cash and equivalents	21.0	22.6	26.2	23.6	18.9
Net debt	1,127.6	1,154.7	1,112.1	1,104.3	1,098.1

FY2010 Forecast

Overview of Consolidated Business Forecast for FY10

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- Revision of op. income: 90 JPY billion to 80 JPY billion
- Revision of ordinary income: 80 JPY billion to 70 JPY billion
- The reason: Affected by the declining market prices of commodity grade product

JPY billion	FY09			1H	2H forecast	[Jul.29]	FY10 forecast	YoY	Change vs. Jul.29
		1Q	2Q						
Sales	1,285.8	341.6	352.1	693.7	806	[N.A.]	1,500	214.1	N.A.
Op. income (loss)	(0.9)	14.2	20.4	34.7	45	[90]	80	80.9	-10
Ordinary income(loss)	(36.6)	9.4	19.4	28.9	41	[80]	70	106.6	-10
Extraordinary income (loss)	(3.1)	-	-	-	-	[-]	-	3.1	-
Net income (loss)	(49.7)	4.4	30.4	34.8	25	[60]	60	109.7	-
EPS (JPY)	-10.74	0.97	6.56	6.56	5.39	[12.94]	12.94	23.68	-
EBITDA	119.9	44.2	51.6	95.8	114	[220]	210	90.1	-10
Debt	1,138.3	1,128.0	1,117.0	1,117.0	1,100	[1,100]	1,100	-38.3	-
D/E ratio	1.37	1.42	1.37	1.37	1.33	[1.32]	1.33	-0.04	0.01

* Jul. 29: Forecast as of Jul. 29, 2010

Production & Prices

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Sales volume will increase, mainly in steel plate and large-diameter welded steel pipe where production affected by the renovation investment in 1H.

			FY09					FY10 forecast	YoY		
	1H	2H		1Q	2Q	1H	2H forecast				
FOREX rate (JPY/USD)	95	90	93	92	86	89	85	[91]	87	-6	
Crude steel production (million tons)	5.07	6.58	11.65	3.35	3.43	6.78	7.15	[13.90]	13.90	2.25	
Steel sales volume (million tons)	4.51	6.38	10.89	3.04	2.91	5.95	6.69	[12.72]	12.64	1.75	
Seamless pipe sales volume (million tons)	0.37	0.42	0.79	0.23	0.23	0.46	0.49	[0.95]	0.95	0.16	
Ave. price of steel product (000JPY/ton)	Domestic	100.7	88.4	93.3	92.7	103.6	98.1	102	[N.A.]	100	7
	Export	93.0	74.5	82.4	82.3	86.4	84.3	88	[N.A.]	86	4
	Total	96.8	81.7	88.0	87.7	95.6	91.6	95	[N.A.]	93	5

* Jul. 29:

Forecast as of Jul. 29, 2010

USD billion	FY09	1H	2H forecast	FY10 forecast
Receipts	4.6	2.5	3.1	5.6
Payments	-3.9	-2.6	-3.4	-6.0
Balance	0.7	-0.1	-0.3	-0.4

Change in Consolidated Operating Income (FY10/1H → FY10/2H)

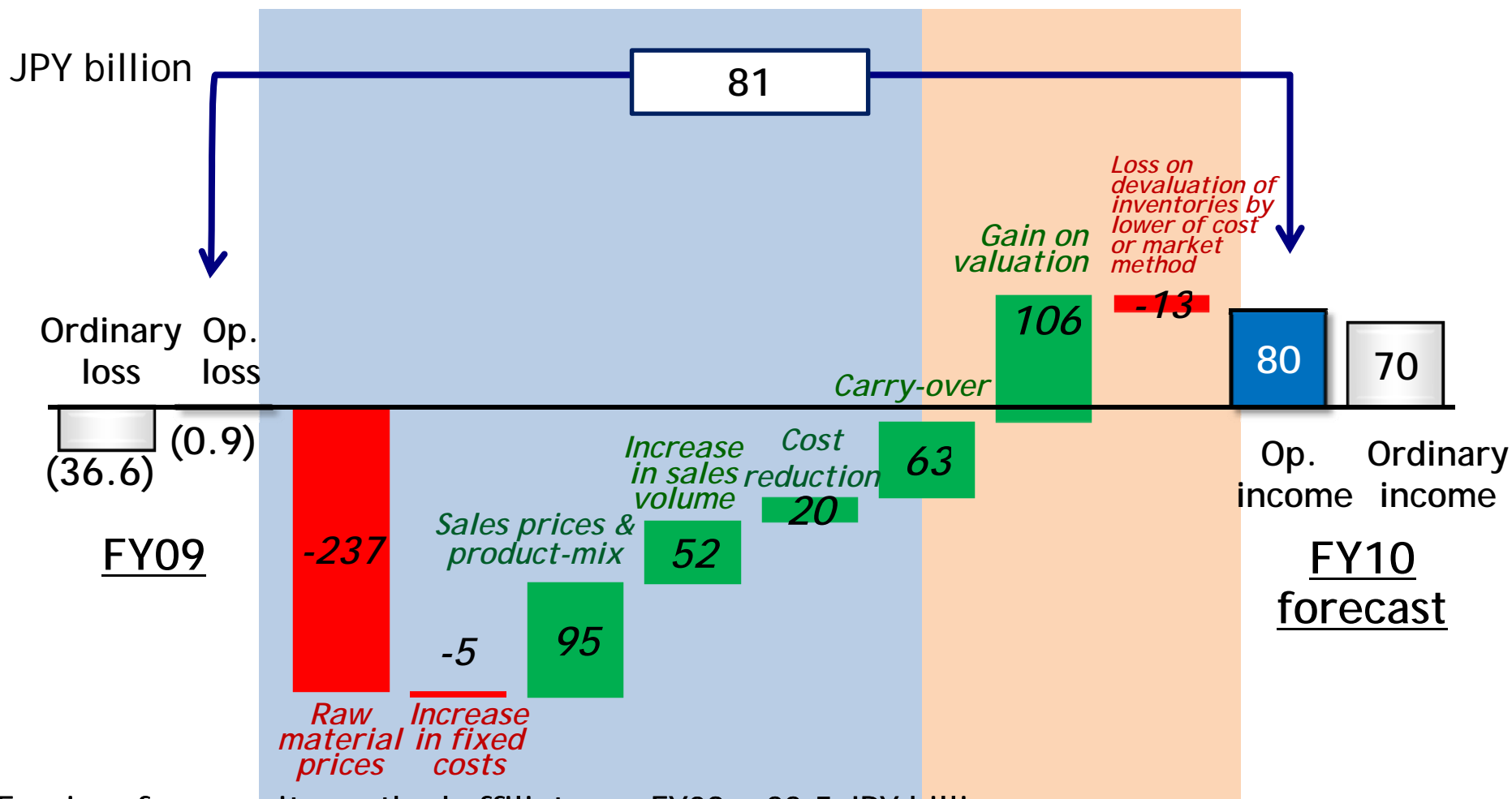
Op. income for 2H will slightly improve because sales volume will increase and cost reduction will continue. We expect deterioration of commodity market such as exported steel sheet and structural steel.



•Earnings from equity-method affiliates: <FY10/1H> 5.5 JPY billion
 →<FY10/2H forecast>9JPY billion

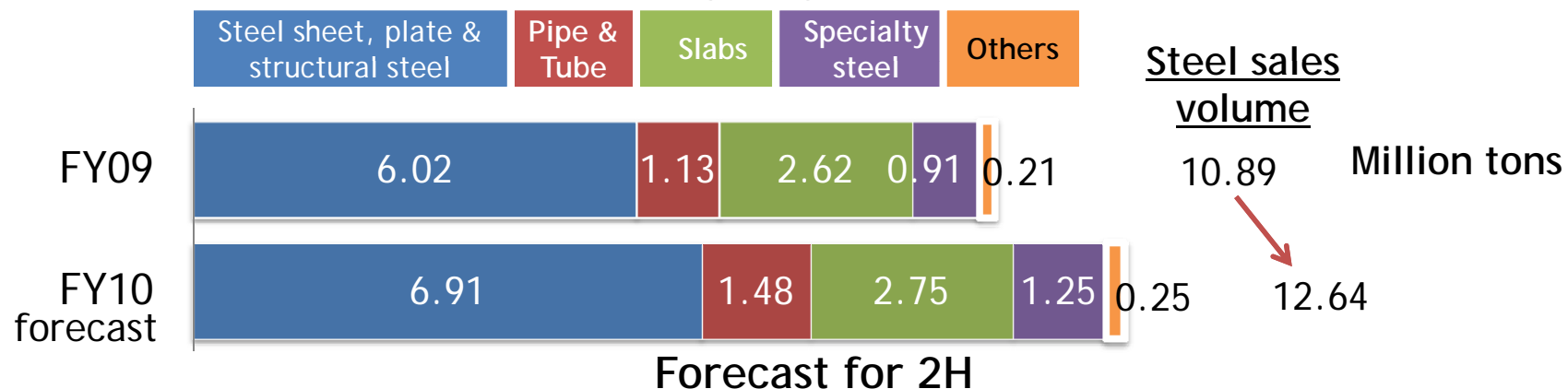
Change in Consolidated Operating Income (FY09→FY10)

Soaring raw materials cost will be offset by improvement of sales prices & product mix, increased sales volume and cost reduction.



•Earnings from equity-method affiliates: <FY09> -22.5 JPY billion
 →<FY10 forecast>14.5JPY billion

Trends in Demand/Supply by Steel Product



Steel sheet, plate & structural steel

- *Steel sheet -Demands from both domestic & export manufacturing sectors, mainly from autos remain firm.
- *Steel plate -High level operation continues due to recovery of demand both from construction machinery and energy sectors.
- *Structural steel - Domestic demand is still sluggish.

Pipe & Tube

- *Seamless pipe: - We continue to focus on raising prices.
- *Large-diameter welded steel pipe: - Sales volume is recovering as a result of winning big projects orders.
- We intend to expand sales of high-end products.

Slabs

- *A stronger yen dents profit for exports.

Specialty steel

- *Autos & machinery: Demand both for domestic & export is still strong.

Railway automotive & machinery parts

- *Railway parts: Demand remains stable.
- *Crankshaft: Sales volume both for domestic & export is picking up.
- *Titanium mill products: Sales volume - is rebounding with progress of destocking.

Outlook of Seamless Pipe Sales Volume

Forecast of seamless pipe sales volume for FY10: Approx. 0.95 mln. tons

OCTG
Long-term
contract
customers

- Orders are increasing due to the demand recovery.

OCTG
spot market

- Market is trending up as a result of an increase in rig counts.
- Demand/supply for low-end products is still depressed due to over-capacity of Chinese manufacturers.

Line pipe

- Sales volume both for spot market and projects is picking up.

Specialty tube

- SG tubes for nuclear power plants remain strong.
- USC boiler tubes for coal-fired power plants will recover in FY11.

Automotive &
construction
machinery

- Sales volume is steadily recovering due to the demand recovery.

Rig count	08 Avg.	09 Avg.	Recent peak		Recent bottom		The latest	
US	1,879	1,089	<100>	(Sep./08) 2,031	<43>	(Jun./09) 876	<82>	(Oct.22/10) 1,669
Deep well (>=15,000ft)	283	249	<100>	(May/10) 381	<55>	(Jun./09) 211	<94>	(Jun./10) 357
International (except N. America, Russia and China)	1,079	997	<100>	(Sep./08) 1,108	<85>	(Aug./09) 947	<99>	(Sep./10) 1,120

Source: Baker Hughes, Smith international

Consolidated Sales & Op. Income by Internal Company

JPY billion	FY09	FY09		1H	2H forecast	FY10 forecast	YoY
		1Q	2Q				
Steel sheet, plate and structural steel	498.5	135.6	143.7	279.3	325	605	106.5
Pipe & tube	472.9	122.0	121.4	243.5	295	540	67.1
Railway & automotive	86.6	23.4	25.0	48.5	50	100	13.4
Kokura	101.6	30.4	36.7	67.1	80	145	43.4
Naoetsu and others	46.0	13.0	12.9	26.0	30	55	9.0
Total steel segment	1,205.8	324.6	339.8	664.5	780	1,445	239.2
Others	79.9	16.9	12.2	29.2	25	55	-24.9
Total sales	1,285.8	341.6	352.1	693.7	805	1,500	214.2

Op. Income (loss) by Internal Company (Approx.)

Steel sheet, plate and structural steel	(4)	6	11	17	22	39	43	
Pipe & tube	Pipe & tube	16	0	4	4	9	13	-3
	Slabs	(20)	2	(3)	(1)	(3)	(4)	16
Kokura	(7)	0	2	2	5	7	14	

Total steel segment	(7.6)	12.6	18.4	31.0	42	73	80.6
Others	6.6	1.6	2.1	3.8	3	7	0.4
Total Op. income	(0.9)	14.2	20.4	34.7	45	80	80.9

Capital and Dividend Policy

Capital policy

- 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.

Financial target

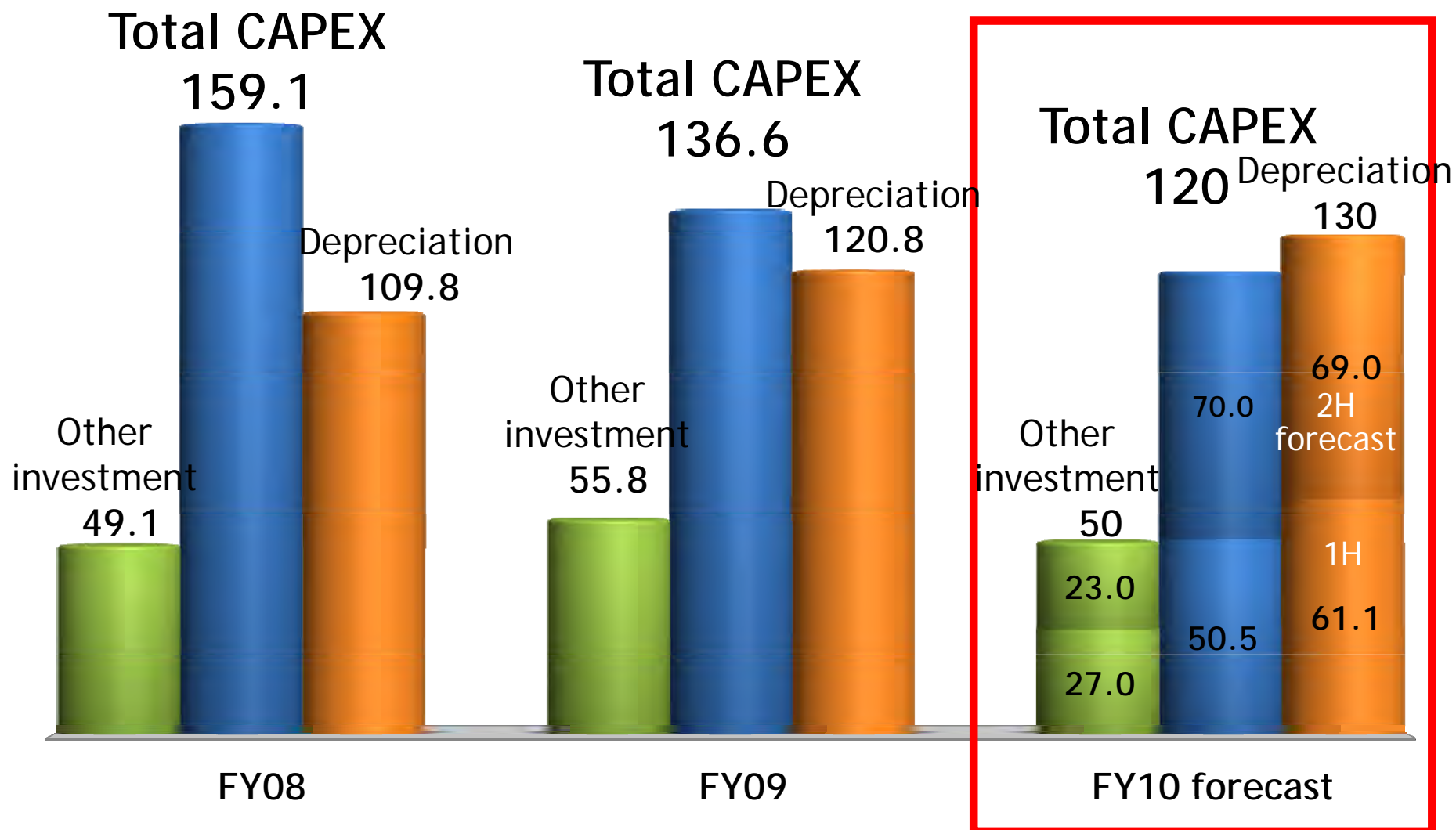
- Our medium-term target for financial leverage is a D/E ratio of below one.

Dividend forecast in FY10

- 5.0 JPY/share (Interim 2.5 JPY/share, Year-end 2.5 JPY/share)

Forecast for Consolidated CAPEX, Depreciation and Other Investment

JPY billion



*CAPEX: Construction-base

*Other investment: Cash paid-base

Plan and Overseas Business Investment Update

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Schedule for starting operation		Invest. amount JPY billion	FY09	FY10	FY11	FY12	FY13	FY14
CAPEX								
Pipe & Tube	Renewal of upstream processes (Wakayama) -New No.1 BF + environmental protection -New No.2 BF + reinforcement of CC	160 115	→ Jul. 09					
	Increasing capacity for ultra high strength line pipes	10					→ 2H 12	
	Increasing capacity for SG tubes for nuclear power plants	14					→ Apr. 13	
Others	Steelmaking process innovations (Kokura)	27					→ Oct. 10	
	Renewal of Corporate Research & Development Laboratory (Amagasaki)	10					→ May. 12	
Other investment (J/V: Joint Venture total investment amount, []: Sumitomo Metals' investment amount)								
Sheet & Plate	Steel sheet J/V in Vietnam (CSVC)	115					→ 12	
	Bhushan Steel in India Orissa PJ West Bengal PJ	-Technical assistance -Feasibility study						→
Pipe & Tube	Canadoil Group's steel plate mill In Thailand	[50mIn.\$]					→ 13	
	Integrated steel works with Seamless pipe mill J/V in Brazil (VSB)	200					→ FY10 3Q	
Railway & Auto.	Forged crankshaft business J/V in India (SMAC)	1					● Apr. 10	

Sumitomo Metals Invests and Takes Part in Canadoil Group's New Steel Plate Mill in Thailand

- Sumitomo Metals obtains steel plate capacity of 300,000 tons p.a. with US\$ 50 million investment.
- New capacity enables Kashima to focus on high-end products.



The new mill in Thailand



- (1) Location: Rayong Province, Kingdom of Thailand
(Approximately 100 km southeast of Bangkok)
- (2) Capacity: Up to 1.2 million metric tons p.a.
- (3) Construction cost: Approximately US\$600 million
- (4) Schedule: 2013



Summary of investment

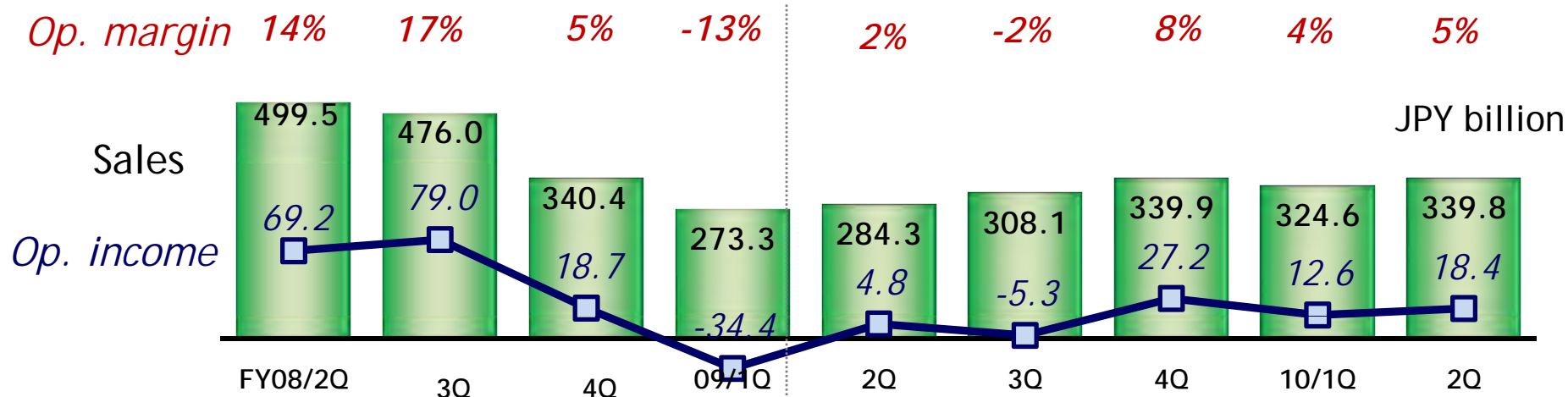
- (1) Investment Amount: US\$ 50 million
Sumitomo Metals invested into the Canadoil group's holding company.
- (2) Taking part in a project to construction the new steel plate mill including technical assistance
- (3) Obtained capacity: 300,000 tons / year

Supplement

Consolidated Sales and Operating Income by Business Segment

JPY billion	FY08/2Q	3Q	4Q	09/1Q	2Q	3Q	4Q	10/1Q	2Q
Steel	499.5	476.0	340.4	273.3	284.3	308.1	339.9	324.6	339.8
Engineering	3.0	2.3	4.1						
Electronics	13.6	9.5	6.2						
Others	12.8	13.2	11.0	17.1	23.8	17.8	21.1	16.9	12.2
Sales	529.0	501.2	361.8	290.4	308.2	326.0	361.0	341.6	352.1
Steel	69.2	79.0	18.7	(34.4)	4.8	(5.3)	27.2	12.6	18.4
Engineering	(0.3)	0.0	0.2						
Electronics	(0.3)	(0.9)	(3.4)						
Others	0.0	0.9	0.7	(0.1)	1.4	2.2	2.9	1.6	2.0
Op. income (loss)	68.6	79.0	16.2	(34.5)	6.3	(3.1)	30.2	14.2	20.4

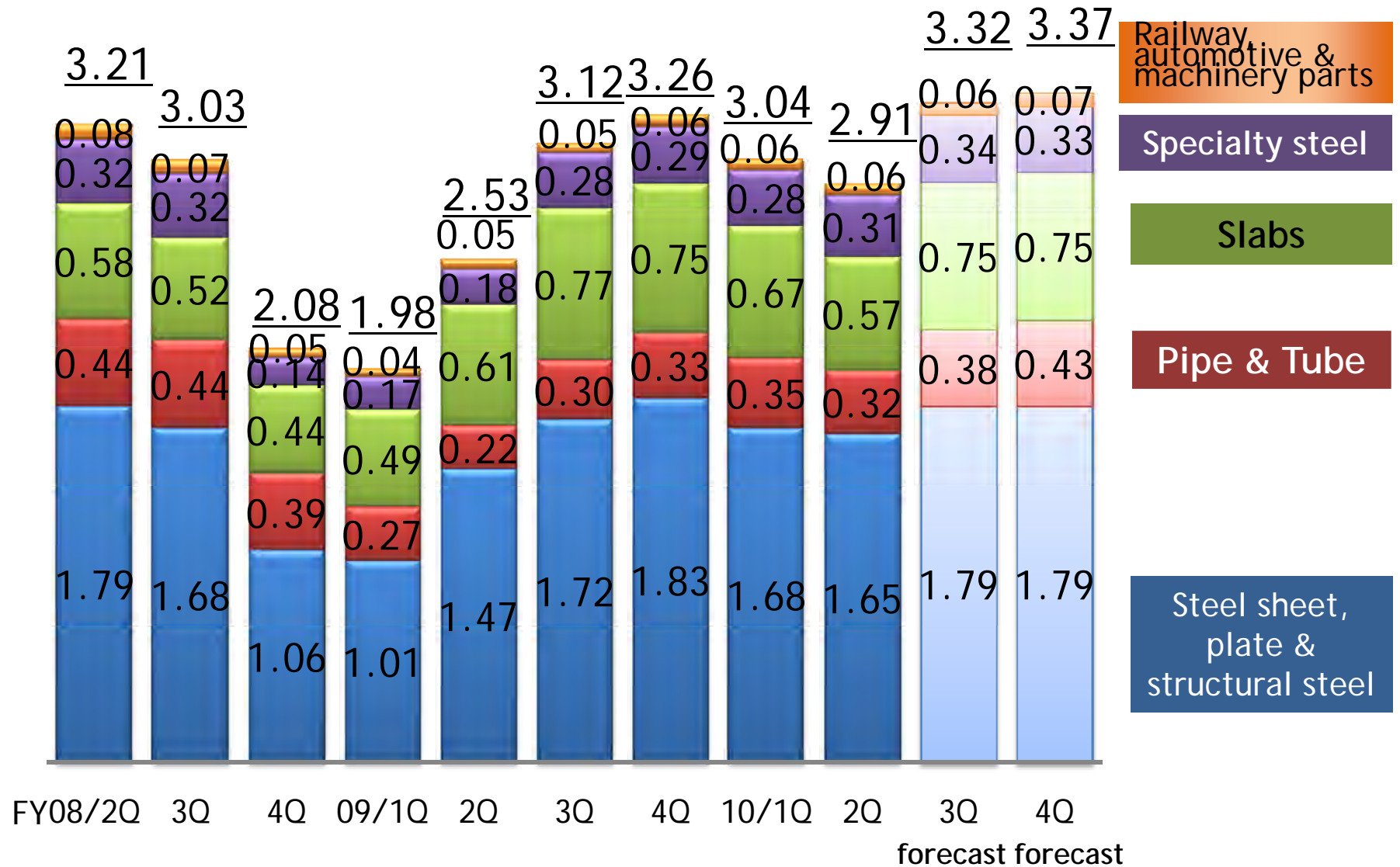
Steel segment



Sales Volume by Product

million tons/Q

Total steel segment

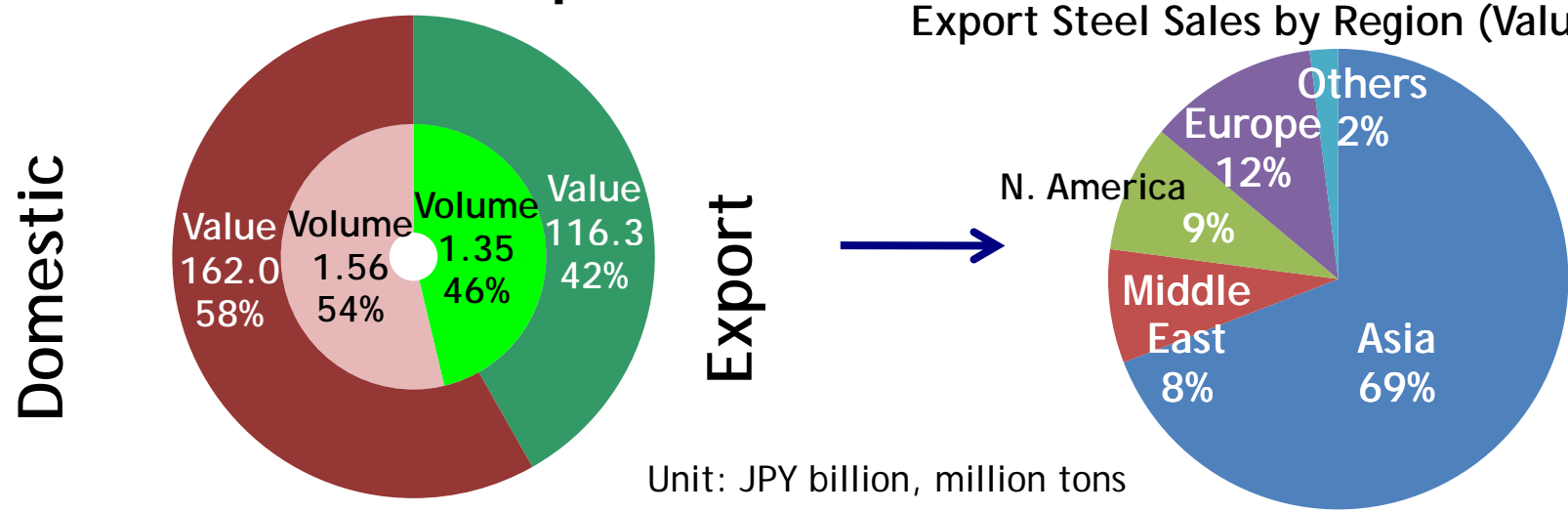


Temporary Factors

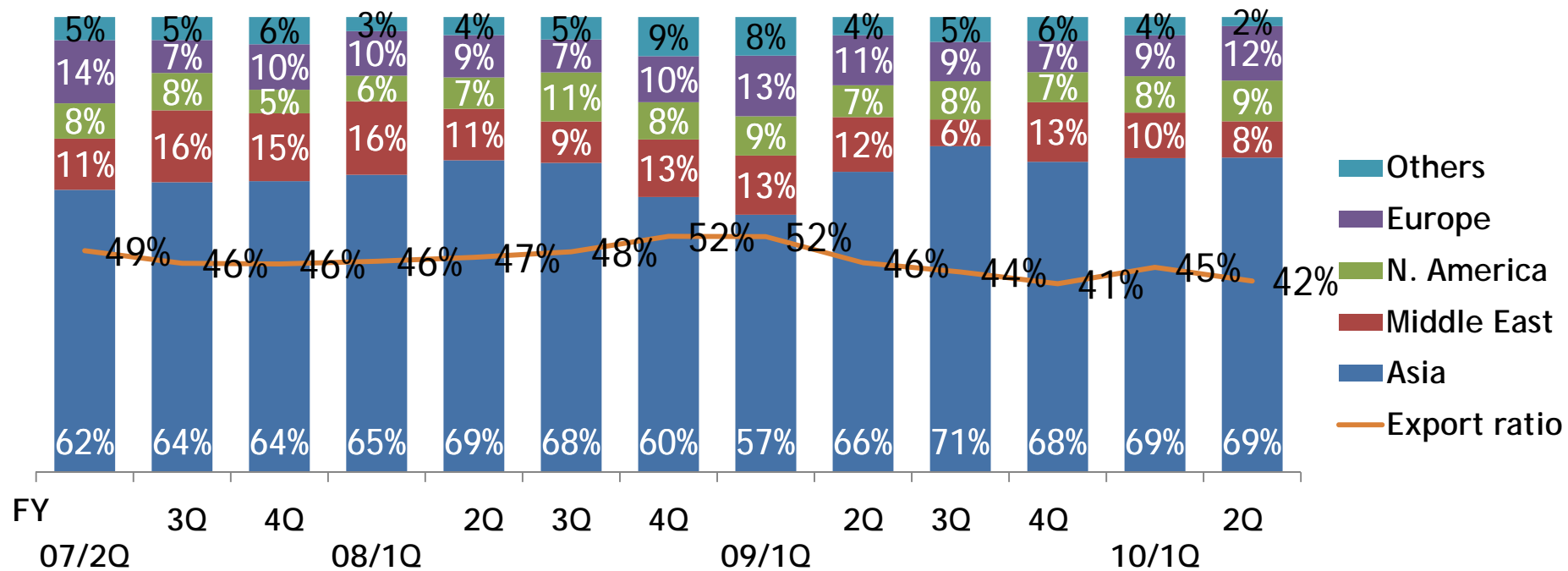
JPY billion	FY09					FY10 forecast				YoY	
	1Q	2Q	3Q	4Q		1Q	2Q	1H	2H forecast		
Carry-over	(29)	(8)	(5)	0	(42)	19	9	28	(7)	21	63
Gain (loss) on inventory valuation	(53)	(15)	(16)	(4)	(88)	16	4	20	7	27	0
Allocation of cost variance	44	(11)	(16)	(9)	8	(9)	2	(7)	6	(1)	0
Total gain (loss) on inventory valuation	(9)	(26)	(32)	(13)	(80)	7	6	13	13	26	106
Reversal	20	45	27	16	20	5	5	5	4	5	0
Devaluation	(45)	(27)	(16)	(5)	(5)	(5)	(4)	(4)	(3)	(3)	0
Net devaluation of inventories by lower of cost or market method	(25)	18	11	11	15	0	1	1	1	2	-13
Total (Approx.)	(63)	(16)	(26)	(2)	(107)	26	16	42	7	49	156

Domestic and Export Steel Sales for FY10/2Q

Export Steel Sales by Region (Value basis)

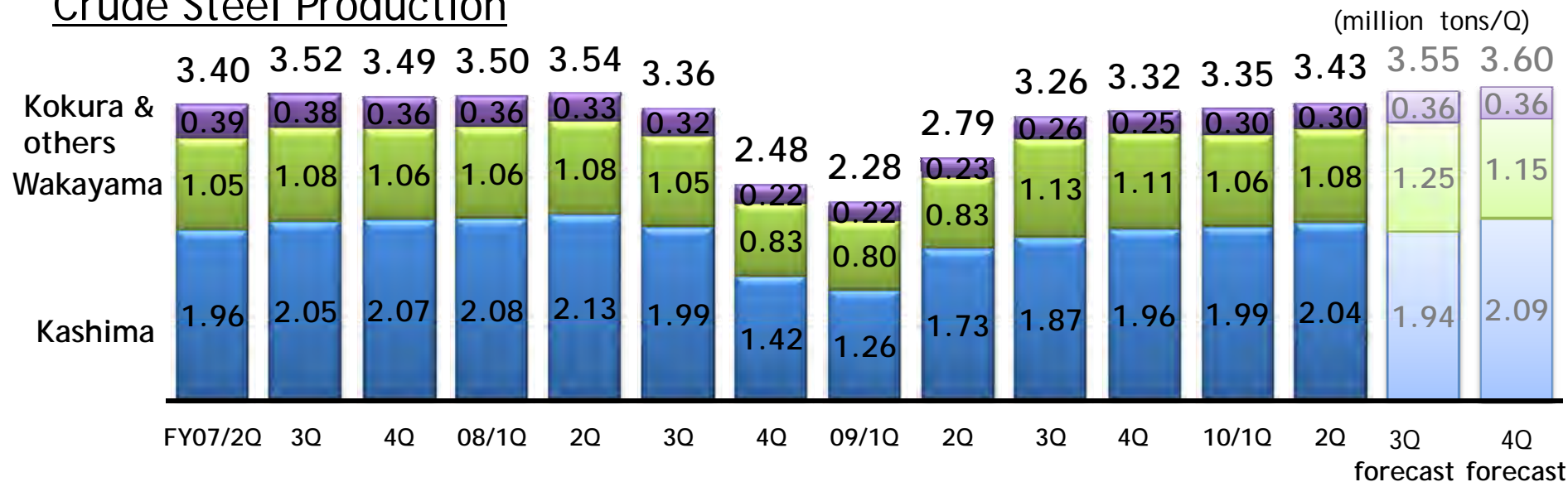


Export Steel Sales by Region (Value basis)

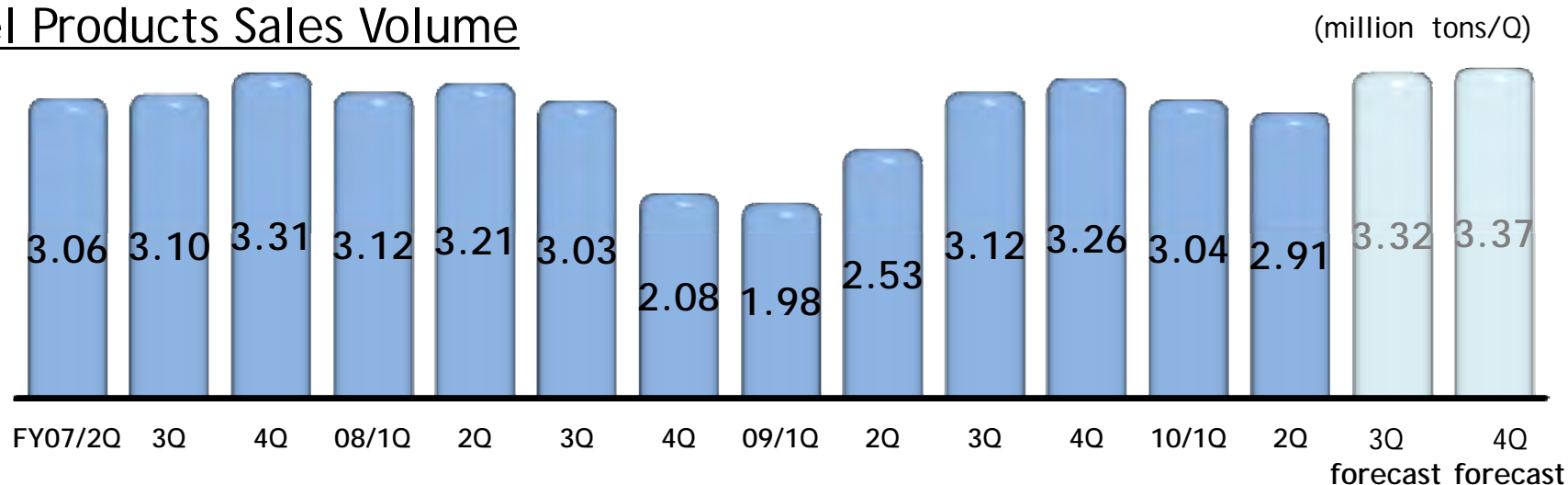


Reference (1)

Crude Steel Production

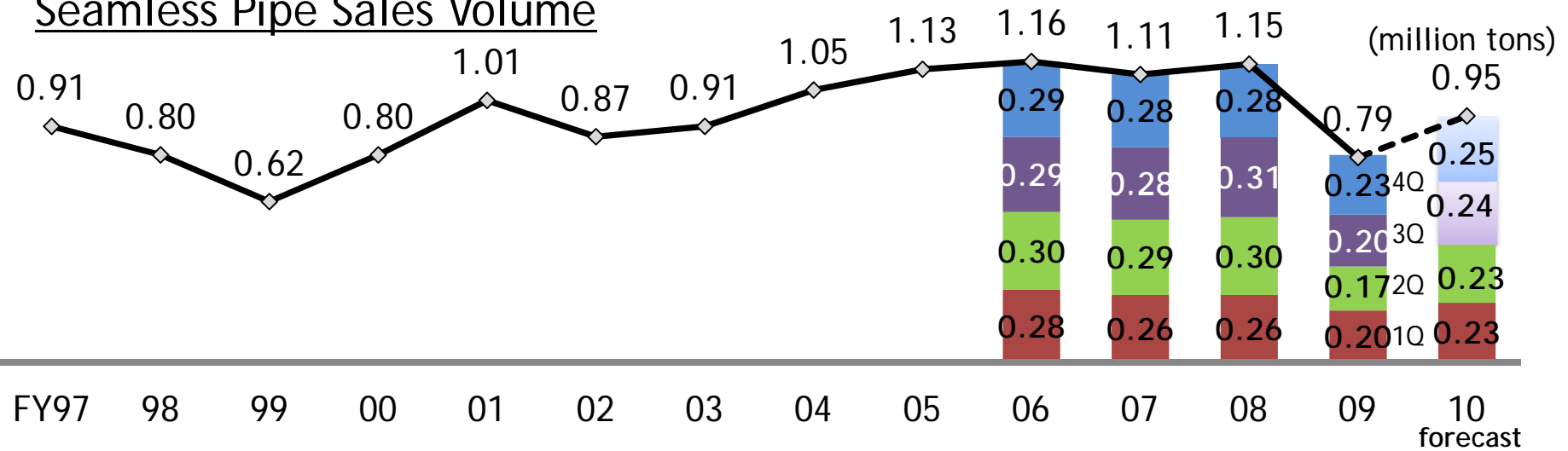


Steel Products Sales Volume

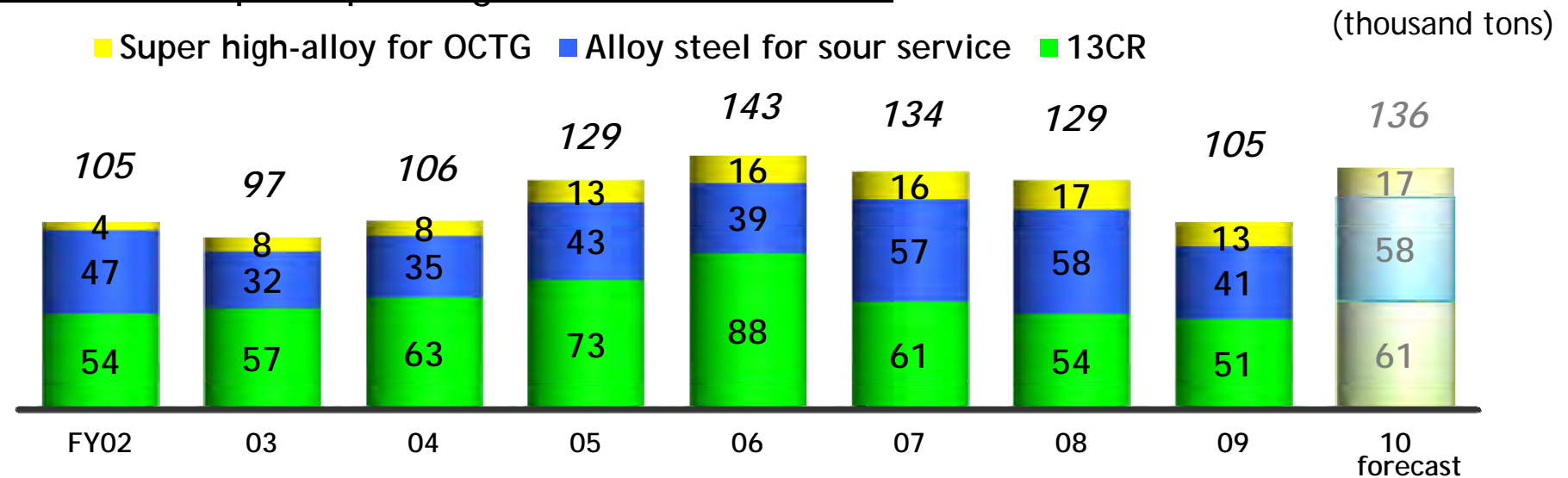


Reference (2)

Seamless Pipe Sales Volume

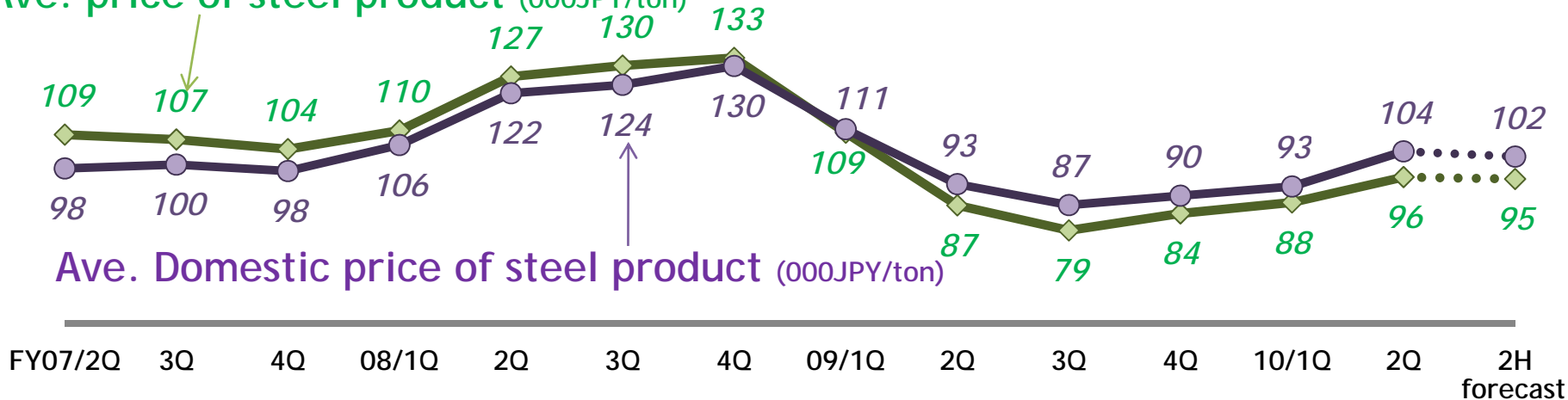


Seamless Pipe Super High-end Sales Volume

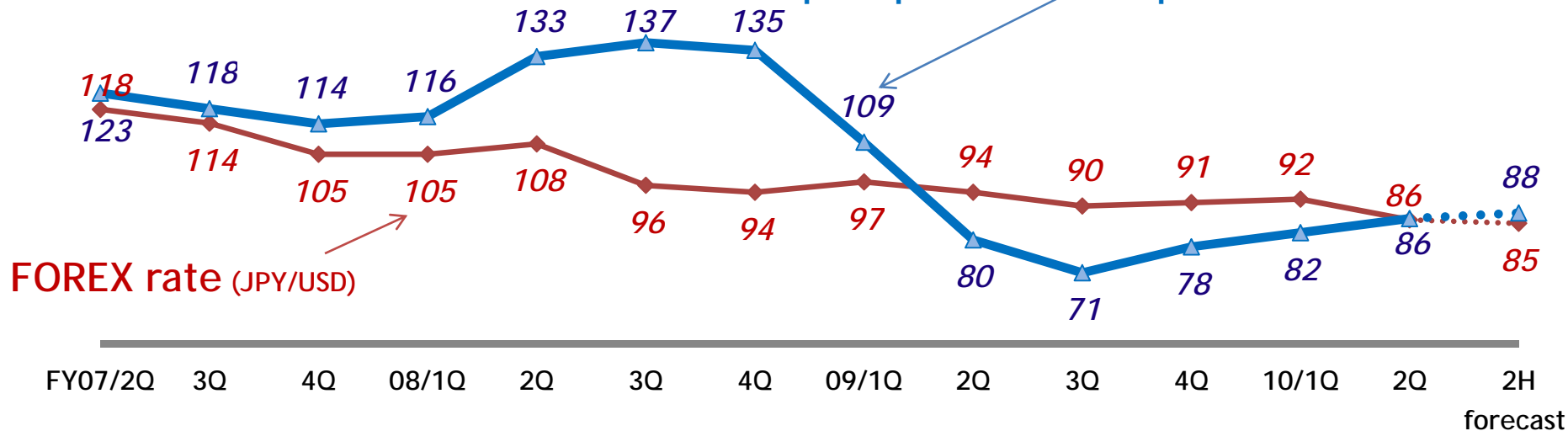


Reference (3)

Ave. price of steel product (000JPY/ton)

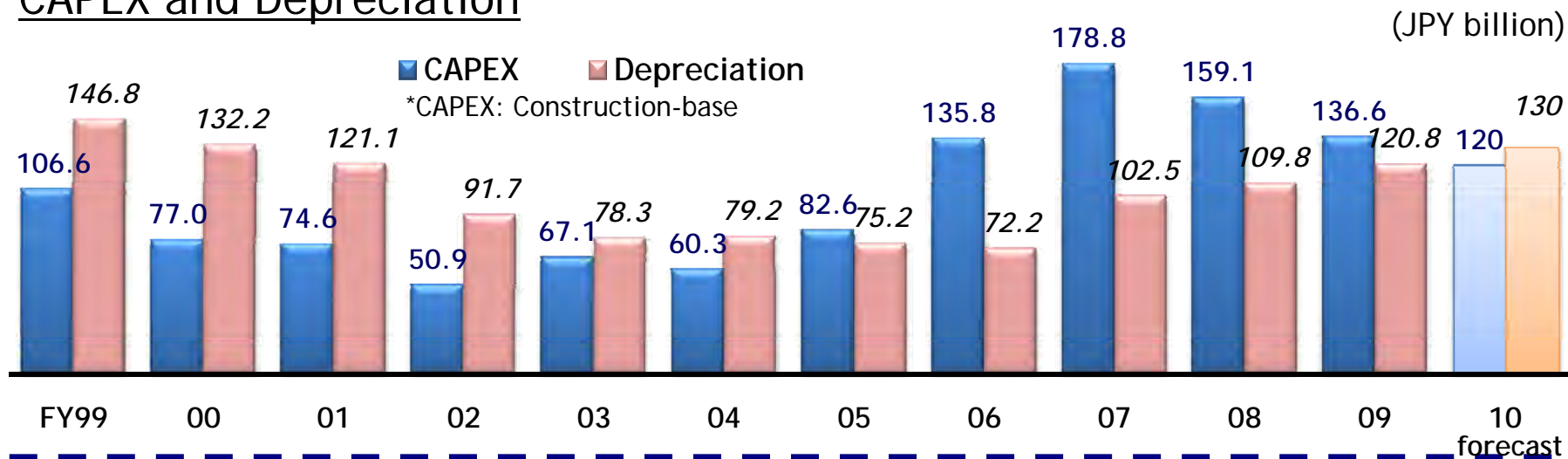


Ave. Export price of steel product (000JPY/ton)

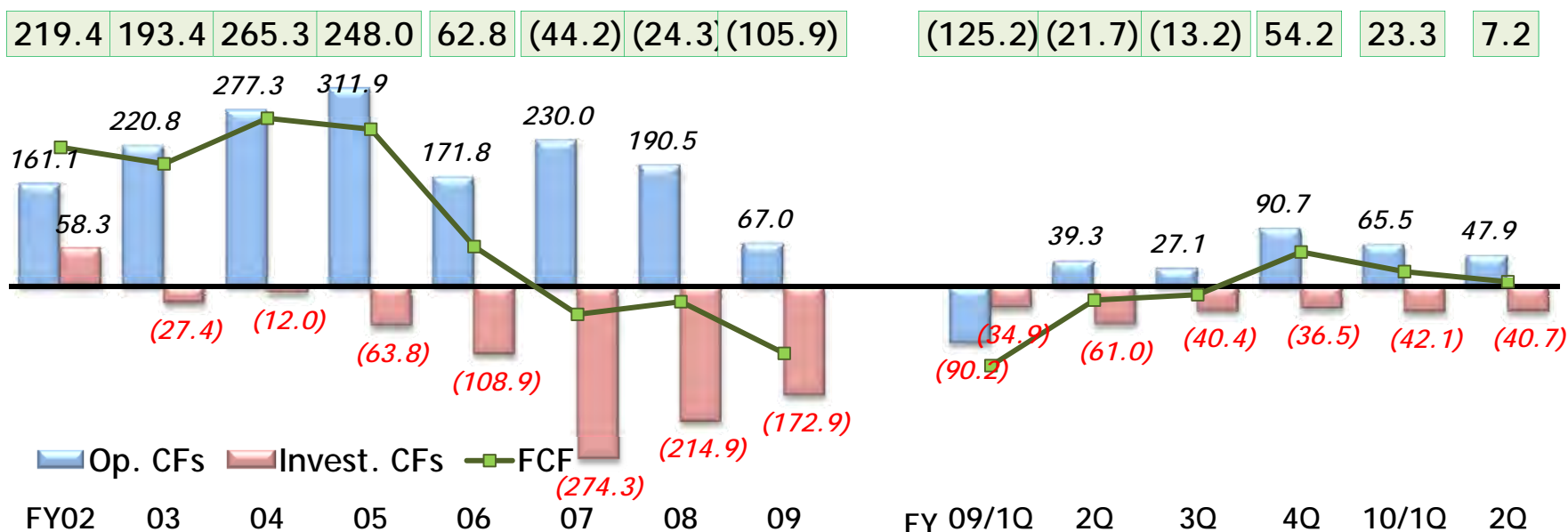


Reference (4)

CAPEX and Depreciation



Free Cash Flows



Deliver sustained growth in
corporate value by emphasizing quality



Become a company
trusted by all stakeholders