

## Sumitomo Metals FY2011 Third Quarter IR Briefing on February 2, 2012

### Summary of Q&A

Representatives from Sumitomo Metals:

Michiharu Takii, Director and Senior Managing Executive Officer

Seiji Kato, General Manager, Treasury Department

Nobuaki Masuda, General Manager, Public Relations and Investor Relations Department

Masato Hoshi, Manager, Head of Investor Relations Group

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#### (Operating results and forecasts)

**Q1) How do you treat impact from the price decline for long-term contracts in Japan? Other steel companies appear to be incorporating the impact of changes made in the third quarter in accounts for the fourth quarter.**

**A1) We record the actual impact of changes made in a given quarter in our accounts for that quarter, including the impact on the contracts in which pricing negotiation remained unsettled. Similarly, the expected impact in the fourth quarter has been incorporated in the fourth quarter forecast.**

**Q2) I could estimate from your fourth quarter operating profit forecast that the actual operating profit excluding one-off factors such as carryover would be around 20 JPY billion. In the present environment wherein other steel companies are expecting to be at breakeven or generate an operating loss in real terms after adjusting for differences in timing of price reductions, what are the reasons Sumitomo Metals could generate relatively higher profit?**

**A2) With the aim of becoming resilient against downside risks, Sumitomo Metals has been taking measures to accelerate distinctiveness, such as by increasing products for the energy and automobile industries, and have lowered the ratio of commodity-grade products in our sales mix. We also believe that the seamless pipe and railway parts businesses are contributing to our profits. Productivity improvement efforts in our manufacturing bases are also an important factor.**

**In the fourth quarter, we estimate that our real ordinary income excluding one-off factors will be around 25 JPY billion.**

#### (VSB's outlook)

**Q3) What are your sales volume forecasts for VSB in FY2011 and FY2012?**

**A3) We forecast about 30,000 metric tons for FY2011. For FY2012, we are assuming about 50% capacity utilization on an annualized basis.**

**(Seamless pipe)**

**Q4) What is the sales price trend for seamless pipe? How well are you receiving orders?**

**A4) Sales prices have been stable at high levels. Our order backlog is as normal, at around 6 months.**

**(SUMCO)**

**Q5) What is your policy on SUMCO's request for subscription of their preferred shares?**

**A5) We believe that SUMCO will be able to execute its "Business Reorganization Plan" and the execution will lead to increase our corporate value. We are therefore considering the subscription of the preferred shares upon checking of details up to early March when the terms and conditions of the preferred shares are determined.**

**Q6) What will be the positioning of SUMCO for the merged company of Sumitomo Metals and Nippon Steel?**

**A6) Regarding future of SUMCO, as an affiliate, we keep in mind that SUMCO's business is not the core steel business and thus is not where we concentrate our management resources in the future. We share this view with Nippon Steel.**