

**Sumitomo Metal Industries, Ltd.**  
**Financial Situation and Business Results**  
**for the First Quarter of FY 2008 (ending March 31, 2009)**

The following information was originally prepared and published by the Company in Japanese. This English excerpts translation is being provided for your convenience only. To the extent there is any discrepancy between English translation and the original Japanese version, please refer to the Japanese version.

Financial information was prepared in accordance with generally accepted accounting principles in Japan.

Company name : Sumitomo Metal Industries, Ltd.  
Listed on : Tokyo, Osaka, Nagoya, Sapporo and Fukuoka Stock Exchange  
Code number : 5405  
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(Omitting the figures below million yen)

1. Highlights of Consolidated Financial Results for the First Quarter (April 1st - June 30th) of FY 2008

(1) Consolidated Statements of Income (%: change from the previous year)

|                          | Net Sales   |     | Operating profit |     | Recurring profit |     | Net income for the quarter |     |
|--------------------------|-------------|-----|------------------|-----|------------------|-----|----------------------------|-----|
|                          | Million yen | %   | Million yen      | %   | Million yen      | %   | Million yen                | %   |
| First Quarter of FY 2008 | 452,240     | —   | 62,117           | —   | 74,465           | —   | 43,493                     | —   |
| First Quarter of FY 2007 | 406,349     | 8.9 | 65,836           | 5.3 | 75,284           | 8.8 | 44,839                     | 7.9 |

  

|                          | Net income for the quarter per share |  | Net income for the quarter per share after dilution |  |
|--------------------------|--------------------------------------|--|-----------------------------------------------------|--|
|                          | Yen                                  |  | Yen                                                 |  |
| First Quarter of FY 2008 | 9.38                                 |  | —                                                   |  |
| First Quarter of FY 2007 | 9.70                                 |  | —                                                   |  |

(2) Consolidated Balance Sheets

|                          | Total assets | Net assets  | Equity ratio | Net assets per share |
|--------------------------|--------------|-------------|--------------|----------------------|
|                          | Million yen  | Million yen | %            | Yen                  |
| First Quarter of FY 2008 | 2,529,906    | 991,256     | 37.3         | 203.41               |
| First Quarter of FY 2007 | 2,418,310    | 949,303     | 37.3         | 194.43               |

(Note) Shareholders' Equity: First Quarter of FY 2008 - 943,568 Million yen  
First Quarter of FY 2007 - 901,946 Million yen

## 2. Dividends

| (Record Date)   | Dividends per share     |                          |                         |          |       |
|-----------------|-------------------------|--------------------------|-------------------------|----------|-------|
|                 | End of<br>First Quarter | End of<br>Second Quarter | End of<br>Third Quarter | Year-end | Total |
|                 | Yen                     | Yen                      | Yen                     | Yen      | Yen   |
| FY 2007         | —                       | 5.00                     | —                       | 5.00     | 10.00 |
| FY 2008         | —                       | —                        | —                       | —        | —     |
| FY 2008(Target) | —                       | 5.00                     | —                       | 5.00     | 10.00 |

(Note) Change in Dividends target for FY 2008 during the first quarter under review: None

3. Target of Consolidated Financial Results for FY 2008 (April 1, 2008 - March 31, 2009)  
(%: change from previous year)

|                                                  | Net Sales   |      | Operating profit |        | Recurring profit |        | Net income  |        | Net income<br>per share |
|--------------------------------------------------|-------------|------|------------------|--------|------------------|--------|-------------|--------|-------------------------|
|                                                  | Million yen | %    | Million yen      | %      | Million yen      | %      | Million yen | %      | Yen                     |
| 1 <sup>st</sup> Half<br>ending Sept.<br>30, 2008 | 970,000     | —    | 100,000          | —      | 115,000          | —      | 75,000      | —      | 16.17                   |
| Yearly total                                     | 2,060,000   | 18.1 | 230,000          | (16.2) | 250,000          | (16.2) | 160,000     | (11.4) | 34.49                   |

(Note) Change in target of consolidated financial results for FY 2008 during the first quarter under review: Yes

## 4. Other

(1) Changes in material subsidiaries within the term. (Changes in specific subsidiaries affecting the scope of consolidation.): None

(2) Adoption of accounting method which is simplified or is peculiar to quarterly consolidated financial statements.: Yes

(Note) Please refer to “4. Others” in 【Qualitative Information and Financial Statements, etc.】 on page 5.

(3) Changes in principle/procedure of accounting method and presentation, etc. related to the preparation of quarterly consolidated financial statements. (Items noted to be noted as changes related to the matter which is material to be a basis of preparing quarterly consolidated financial statements.):

① Changes following the revision of accounting standards, etc.: Yes

② Changes other than ①: Yes

(Note) Please refer to “4. Others” in 【Qualitative Information and Financial Statements, etc.】 on page 5.

(4) Number of issued shares (common stock)

① Number of shares of common stock issued at the end of the period(including treasury shares)

First quarter of FY 2008: 4,805,974,238 shares

First quarter of FY 2007: 4,805,974,238 shares

② Number of treasury shares at the end of the period

First quarter of FY 2008: 167,275,824 shares

First quarter of FY 2007: 167,067,695 shares

③ The average number of shares of common stock issued during the period

First quarter of FY 2008: 4,638,807,175 shares

First quarter of FY 2007: 4,621,653,605 shares

1. The forecasts or targets included in this document reflect the company's current beliefs and are based upon information currently available to it. 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 forward-looking statements. Please be advised that developments subsequent to this document are likely to cause these forward-looking statements to become outdated with the passage of time. Sumitomo Metal Industries, Ltd. assumes no obligation to update its forward-looking statements or to advise of any changes in the assumptions and factors on which they are based. With regard to assumptions of target of financial results and matters to be attended in using the target figures, please refer to "3. Qualitative Information on Target of Consolidated Financial Results" in 【Qualitative Information and Financial Statements, etc.】 on page 5.
2. Starting from the current fiscal year, the quarterly consolidated financial statements are being prepared in accordance with ASBJ (the "Accounting Standards Board of Japan") Statement No. 12 "Accounting Standard for Quarterly Financial Reporting" (ASBJ Accounting Standard No. 12, effective March 14, 2007) and ASBJ Statement No. 14 "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Accounting Standard Implementation Guidance No. 14, effective May 15, 2007).

## 【Qualitative Information and Financial Statements etc.】

## 1. Qualitative Information on Consolidated Business Results

## (Overall review)

During the first quarter under review (April 1, 2008 to June 30, 2008), steel demand in general continued to be firm both in domestic and foreign markets. Demand for high-end steel products in areas such as the energy, automotive and other sectors, in which Sumitomo Metals Group focuses its efforts, also remained high and our production and sales continued at a high level.

Given the strong demand for steel, price of raw materials, such as iron ore and coal, surged at an unprecedented rate creating a huge cost to us. In order to cope with this situation, we have made every effort to reduce our costs as well as to improve our sale prices by seeking the kind understanding from our customers.

As a result, our Group's business performance on a consolidated basis for the first quarter under review was 452.2 billion yen in net sales, 62.1 billion yen in operating profit and 74.4 billion yen in recurring profit and 43.4 billion yen in net income.

## (Performance by segment)

The business performance by segment on a consolidated basis for the first quarter under review is described in the following table.

(Billion yen)

|                           | Net sales | Operating profit |
|---------------------------|-----------|------------------|
| * Steel business          | 424.7     | 63.8             |
| Pipe & Tube               | 170.6     |                  |
| Steel Sheet & Plate       | 166.6     |                  |
| Railway & Automotive      | 25.6      |                  |
| Kokura                    | 41.8      |                  |
| Naoetsu                   | 11.5      |                  |
| Other                     | 8.3       |                  |
| Engineering business      | 2.1       | (0.1)            |
| Electronics business      | 15.9      | 0.1              |
| Other                     | 9.3       | (1.6)            |
| Corporate or eliminations | —         | (0.0)            |
| Total                     | 452.2     | 62.1             |

\* Pipe & Tube: Pipe & Tube Company

Steel Sheet & Plate: Steel Sheet, Plate & Structural Steel Company

Railway & Automotive: Railway, Automotive & Machinery Parts Company

Kokura: Sumitomo Metals (Kokura), Ltd.

Naoetsu: Sumitomo Metals (Naoetsu), Ltd.

(Business performance during the first quarter under review by segment)

①Steel business

Our steel business has been working to achieve our basic policy of accelerating distinctiveness and increasing corporate value through sustainable growth with an optimum balance between quality and scale.

During the first quarter under review, at the end of June, we completed the investment at the Pipe & Tube Company's Wakayama Steel Works and Amagasaki Steel Tube Works to increase the production of high-end seamless pipes. These new facilities, when fully online, will boost our annual production capacity of seamless pipes, particularly super-high-end and other high-alloy OCTG (Oil Country Tubular Goods), by 100,000 tons per year.

②Engineering business, electronics business and other

These businesses have continued to select and focus on their core competencies to enhance corporate value.

2. Qualitative Information on Financial Condition

As of June 30, 2008, total assets were 2,529.9 billion yen, an increase of 111.5 billion yen compared to that of March 31, 2008. Net assets were 991.2 billion yen, an increase of 41.9 billion yen compared to that of March 31, 2008, and equity ratio was 37.3%. Consolidated debt was 924.4 billion, an increase of 40.5 billion yen compared to March 31, 2008, as we used the debt proceeds to fund payments such as corporate taxes and dividends and to make active investments in plant and equipment in our efforts to accelerate our distinctiveness.

3. Qualitative Information on Target of Consolidated Financial Results

Because we will continue to make every effort to reduce cost and improve our sale prices in order to cope with an unprecedented surge in the price of raw materials, we have revised our target for FY 2008 to net sales of 2,060 billion yen, operating profit of 230 billion yen, recurring profit of 250 billion yen and net income of 160 billion yen.

4. Others

(1) Changes in material subsidiaries during the fiscal quarter (Changes in specific subsidiaries affecting the scope of consolidation):

Not applicable.

(2) Adoption of accounting method which is simplified or is specific to the preparation of quarterly consolidated financial statements:

Simplified accounting method has been adopted as follows:

①Valuation of inventory.

With respect to inventory at the end of the fiscal quarter, we generally do not perform physical

inventory but apply a reasonable calculation method derived from the physical inventory performed at the end of the preceding fiscal year.

②Depreciation of fixed assets.

In the event the fixed rate depreciation method is adopted as the depreciation method, we calculate the pro rata amount of depreciation for the fiscal quarter derived from the depreciation amount for the fiscal year.

③Corporate and other income taxes, deferred tax assets and deferred tax liabilities.

- With respect to the recognition of tax returns of corporate and other income taxes, we apply a calculation method, which limits the adjustment items between taxes amount based on the financial statements and taxable amount, and the tax deduction items to material items,
- With respect to judgments on the realizability of deferred tax assets, we apply a calculation method, which relies on financial projections and tax planning used in the financial statements of the preceding fiscal year after confirming that there has been no significant change in both business environment and temporary differences following the end of the preceding fiscal year, or
- With respect to the realizability of deferred tax assets, we base our judgment on, among other things, items from the financial projections and tax planning used in the financial statements of the preceding fiscal year after reflecting any significant change in business environment and temporary differences if we recognize that there was such significant change as necessary following the end of the preceding fiscal year or other methods.

(3) Changes in principles, procedures, presentation etc. of accounting method related to the preparation of quarterly consolidated financial statements:

①Adoption of “Accounting Standard for Quarterly Financial Reporting” and “Implementation Guidance on Accounting Standard for Quarterly Financial Reporting“.

Starting from the current fiscal year, ASBJ Statement No. 12 “Accounting Standard for Quarterly Financial Reporting” (ASBJ Accounting Standard No. 12, effective March 14, 2007) and ASBJ Statement No. 14 “Guidance on Accounting Standard for Quarterly Financial Reporting“ (ASBJ Accounting Standard Implementation Guidance No. 14, May 15, 2007) have been implemented. The quarterly consolidated financial statements are prepared in accordance with “The Rules for Quarterly Financial Reporting”.

②Changes in evaluation standards and methods for material assets

Inventory Assets

As for inventory assets held for sale in the course of ordinary business, we had previously calculated asset value mainly based on the weighted average method. Starting from the first quarter under review, however, in accordance with the implementation of ASBJ Statement No. 9 “Accounting Standard for Inventory Evaluation” (ASBJ Accounting Standard No.9, effective July 5, 2006), the inventory value has been mainly calculated based on weighted average

method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

As a result, our operating profit, recurring profit and net income for the quarter each decreased by 2,529 million yen.

③ Changes in accounting methods for material lease transactions

With regard to finance leases with no transfer of ownership, the Company and its domestic subsidiaries had previously adopted the accounting method based on the method for ordinary lease transactions. However, starting from the first quarter under review, given that the ASBJ Statement No. 13 “Accounting Standard for Lease Transaction” (ASBJ Standard No. 13 (effective June 17, 2003 (No. 1 Committee on Corporate Accounting), amended March 30, 2007), ASBJ Statement No. 16 “Guidance on Accounting Standard for Lease Transaction” (ASBJ Accounting Standard Implementation Guidance No.16, effective March 30, 2007) have become applicable to quarterly consolidated financial statements for fiscal years starting after April 1, 2008, these accounting principles have been adopted starting from the first quarter under review and accounting principles for ordinary sales transactions have been applied. In addition, with respect to the depreciation method on leased assets in connection with financial leases with no transfer of ownership, the straight-line method over the lease period equal to durable year with no residual value has been adopted.

However, with regard to lease transactions with no transfer of ownership which were entered into before April 1, 2008, the Company and its domestic subsidiaries have continued to apply the method for ordinary lease transactions.

The impact on a quarterly consolidated financial statements from these changes is insignificant.

④ Adoption of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Starting from the first quarter under review, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” has been adopted. There is no impact by this change on operating profit, recurrent profit nor net income for the quarter before taxes and minority interests.

## 5. Consolidated financial statements

## (1) Consolidated Balance Sheets

(Million yen)

| Items                                                     | At the end of<br>First Quarter<br>Under Review<br>(As of June 30, 2008) | Summarized Balance Sheet<br>at the end of<br>Previous FY<br>(As of March 31, 2008) |
|-----------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| (Assets)                                                  |                                                                         |                                                                                    |
| Current Assets:                                           | 738,737                                                                 | 677,764                                                                            |
| Cash and deposits                                         | 22,176                                                                  | 16,732                                                                             |
| Trade notes and accounts<br>receivable                    | 183,476                                                                 | 175,144                                                                            |
| Finished products                                         | 79,456                                                                  | 77,687                                                                             |
| Semi-finished products                                    | 122,905                                                                 | 112,722                                                                            |
| Raw materials and supplies                                | 229,032                                                                 | 209,023                                                                            |
| Work in process                                           | 48,930                                                                  | 39,369                                                                             |
| Other                                                     | 52,990                                                                  | 47,287                                                                             |
| Allowance for bad debts                                   | (230)                                                                   | (202)                                                                              |
| Fixed assets:                                             | 1,791,169                                                               | 1,740,545                                                                          |
| Tangibles                                                 | 1,109,229                                                               | 1,106,183                                                                          |
| Machinery equipment and<br>transportation equipment (net) | 400,193                                                                 | 393,154                                                                            |
| Land                                                      | 344,296                                                                 | 345,579                                                                            |
| Others (net)                                              | 364,739                                                                 | 367,450                                                                            |
| Intangibles                                               | 4,805                                                                   | 4,760                                                                              |
| Investment and other assets                               | 677,134                                                                 | 629,601                                                                            |
| Investments in securities                                 | 618,365                                                                 | 580,156                                                                            |
| Others                                                    | 59,847                                                                  | 50,488                                                                             |
| Allowance for bad debts                                   | (1,079)                                                                 | (1,044)                                                                            |
| Total assets                                              | 2,529,906                                                               | 2,418,310                                                                          |
| (Liabilities)                                             |                                                                         |                                                                                    |
| Current liabilities:                                      | 777,818                                                                 | 781,903                                                                            |
| Trade notes and accounts<br>payable                       | 388,307                                                                 | 331,846                                                                            |
| Short-term borrowings                                     | 235,636                                                                 | 219,964                                                                            |
| Others                                                    | 153,873                                                                 | 230,092                                                                            |
| Fixed liabilities                                         | 760,832                                                                 | 687,103                                                                            |
| Bonds                                                     | 170,647                                                                 | 134,658                                                                            |
| Long-term borrowings                                      | 501,667                                                                 | 478,765                                                                            |
| Accrued pension cost                                      | 24,149                                                                  | 24,975                                                                             |
| Allowance for special repairs                             | 212                                                                     | 224                                                                                |
| Others                                                    | 64,154                                                                  | 48,479                                                                             |
| Total liabilities                                         | 1,538,650                                                               | 1,469,007                                                                          |



(Million yen)

| Item                                                     | At the end of<br>First Quarter<br>Under Review<br>(As of June 30, 2008) | Summarized Balance Sheet<br>at the end of<br>the Previous FY<br>(As of March 31, 2008) |
|----------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| (Net Assets)                                             |                                                                         |                                                                                        |
| Shareholders' equity:                                    | 883,956                                                                 | 863,754                                                                                |
| Capital stock                                            | 262,072                                                                 | 262,072                                                                                |
| Capital surplus                                          | 61,829                                                                  | 61,829                                                                                 |
| Retained earnings                                        | 650,364                                                                 | 630,063                                                                                |
| Treasury stock, at cost                                  | (90,310)                                                                | (90,210)                                                                               |
| Valuation and translation<br>adjustments:                | 59,612                                                                  | 38,191                                                                                 |
| Unrealized gain on<br>available-for-sale securities      | 56,904                                                                  | 35,403                                                                                 |
| Deferred losses on derivatives<br>under hedge accounting | (362)                                                                   | (1,162)                                                                                |
| Land revaluation surplus                                 | 11,627                                                                  | 11,561                                                                                 |
| Foreign currency translation<br>adjustments              | (8,556)                                                                 | (7,611)                                                                                |
| Minority interests                                       | 47,687                                                                  | 47,356                                                                                 |
| Total net assets                                         | 991,256                                                                 | 949,303                                                                                |
| Total liabilities and net assets                         | 2,529,906                                                               | 2,418,310                                                                              |

## (2) Consolidated Statements of Income

(Million yen)

| Items                                                                            | First Quarter Under Review<br>(Summarized)<br>(April 1, 2008 –<br>June 30, 2008) | <Reference><br>First Quarter of the<br>Previous FY (Summarized)<br>(April 1, 2007 –<br>June 30, 2007) |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Net Sales                                                                        | 452,240                                                                          | 406,349                                                                                               |
| Cost of sales                                                                    | (356,029)                                                                        | (305,659)                                                                                             |
| Gross profit                                                                     | 96,210                                                                           | 100,690                                                                                               |
| Selling, general and administrative<br>expenses                                  | (34,093)                                                                         | (34,853)                                                                                              |
| Operating profit                                                                 | 62,117                                                                           | 65,836                                                                                                |
| Non operating income                                                             | 21,040                                                                           | 19,029                                                                                                |
| Equity in earnings of<br>unconsolidated subsidiaries and<br>associated companies | 10,132                                                                           | 12,010                                                                                                |
| Other non operating income                                                       | 10,907                                                                           | 7,019                                                                                                 |
| Non operating expenses                                                           | (8,691)                                                                          | (9,581)                                                                                               |
| Interest expense                                                                 | (3,846)                                                                          | (3,426)                                                                                               |
| Other non operating expenses                                                     | (4,844)                                                                          | (6,154)                                                                                               |
| Recurring profit                                                                 | 74,465                                                                           | 75,284                                                                                                |
| Non-recurring income                                                             | —                                                                                | 6,903                                                                                                 |
| Non-recurring loss                                                               | —                                                                                | (6,438)                                                                                               |
| Income before income taxes and<br>minority interests                             | 74,465                                                                           | 75,750                                                                                                |
| Income taxes                                                                     | (29,655)                                                                         | (30,026)                                                                                              |
| Minority interests                                                               | (1,316)                                                                          | (884)                                                                                                 |
| Net income                                                                       | 43,493                                                                           | 44,839                                                                                                |

## (3) Consolidated Statement of Cash Flows

(Million yen)

|                                                                                           | First Quarter Under Review<br>(Summarized)<br>(April 1, 2008 –<br>June 30, 2008) | <Reference><br>First Quarter of the<br>Previous FY (Summarized)<br>(April 1, 2007 –<br>June 30, 2007) |
|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Operating activities:                                                                     |                                                                                  |                                                                                                       |
| Income before income taxes<br>and minority interests                                      | 74,465                                                                           | 75,750                                                                                                |
| Adjustments for:                                                                          |                                                                                  |                                                                                                       |
| Depreciation and amortization                                                             | 26,373                                                                           | 23,137                                                                                                |
| Equity in (earnings) losses of<br>unconsolidated subsidiaries<br>and associated companies | (10,132)                                                                         | (12,010)                                                                                              |
| (Increase) decrease in<br>receivables                                                     | (8,343)                                                                          | 11,561                                                                                                |
| (Increase) decrease in<br>inventories                                                     | (41,372)                                                                         | (44,532)                                                                                              |
| Increase (decrease) of payables                                                           | 56,592                                                                           | 41,505                                                                                                |
| Other, net                                                                                | (15,676)                                                                         | (2,396)                                                                                               |
| Income taxes paid                                                                         | (52,700)                                                                         | (60,661)                                                                                              |
| Net cash provided by operating<br>activities                                              | 29,205                                                                           | 32,354                                                                                                |
| Investing activities:                                                                     |                                                                                  |                                                                                                       |
| Acquisition of property, plant<br>and equipment and other assets                          | (39,618)                                                                         | (42,280)                                                                                              |
| Other, net                                                                                | 3,118                                                                            | 1,830                                                                                                 |
| Net cash used in investing<br>activities                                                  | (36,499)                                                                         | (40,450)                                                                                              |
| Financing activities:                                                                     |                                                                                  |                                                                                                       |
| Increase (decrease) in borrowing,<br>debt and commercial paper                            | 40,565                                                                           | 71,409                                                                                                |
| Dividends paid                                                                            | (23,195)                                                                         | (20,882)                                                                                              |
| Others, net                                                                               | (4,829)                                                                          | (44,940)                                                                                              |
| Net cash used in financial<br>activities                                                  | 12,541                                                                           | 5,587                                                                                                 |
| Foreign currency translation<br>adjustments on cash and cash<br>equivalents               | 174                                                                              | 676                                                                                                   |
| Net increase (decrease) in cash and<br>cash equivalents                                   | 5,421                                                                            | (1,831)                                                                                               |
| Cash and cash equivalents at<br>beginning of year                                         | 16,669                                                                           | 13,020                                                                                                |
| Cash and cash equivalents<br>increase by change of consolidated<br>subsidiaries           | 7                                                                                | 318                                                                                                   |
| Cash and cash equivalents at end<br>of period                                             | 22,098                                                                           | 11,507                                                                                                |

(4) Notes on going concern assumption:  
Not applicable.

(5) Segment Information

① Segment information by business sector

First Quarter under Review (April 1, 2008 – June 30, 2008)

(Million yen)

|                            | Steel   | Engineering | Electronics | Other   | Total   | Corporate or<br>eliminations | Consolidated |
|----------------------------|---------|-------------|-------------|---------|---------|------------------------------|--------------|
| Sales to<br>customers      | 424,747 | 2,159       | 15,948      | 9,384   | 452,240 | —                            | 452,240      |
| Intersegment<br>sales      | 200     | 16          | —           | 4,641   | 4,858   | (4,858)                      | —            |
| Total sales                | 424,948 | 2,176       | 15,948      | 14,026  | 457,098 | (4,858)                      | 452,240      |
| Operating<br>profit (loss) | 63,828  | (160)       | 103         | (1,628) | 62,142  | (25)                         | 62,117       |

<Reference> First Quarter of Previous FY (April 1, 2007 – June 30, 2007)

(Million yen)

|                            | Steel   | Engineering | Electronics | Other  | Total   | Corporate or<br>eliminations | Consolidated |
|----------------------------|---------|-------------|-------------|--------|---------|------------------------------|--------------|
| Sales to<br>customers      | 380,315 | 3,162       | 14,243      | 8,628  | 406,349 | —                            | 406,349      |
| Intersegment<br>sales      | 140     | —           | —           | 4,194  | 4,334   | (4,334)                      | —            |
| Total sales                | 380,456 | 3,162       | 14,243      | 12,822 | 410,684 | (4,334)                      | 406,349      |
| Operating<br>profit (loss) | 65,541  | (172)       | (174)       | 668    | 65,862  | (26)                         | 65,836       |

(Notes) Method for identifying business sectors and major products classified to each sector

1 Method for identifying business sectors

Each business sector is determined based on similarities in characteristics of products and market as well as operational structure of each internal company within our internal company system.

## 2 Major products for respective segments

| Segment     | Major products etc.                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Steel       | Steel sheets and plates                                                                                    | Steel plates for structural uses, steel plates for low-temperature service, steel plates for line pipe, high-tensile-strength steel plates and sheets, hot strip, cold strip, electro-magnetic steel sheets, hot-dip galvanized steel sheets, electrolytic galvanized steel sheets, pre-painted steel sheets, pre-coated steel sheets, stainless steel precision rolled strips, pure nickel sheet etc. |
|             | Construction materials                                                                                     | H-shapes, fixed outer dimension H-shapes, lightweight welded beams, sheet piles, steel pipe piles etc.                                                                                                                                                                                                                                                                                                 |
|             | Steel tubes and pipes                                                                                      | Seamless steel tubes and pipes, electric resistance welded tubes and pipes, large-diameter arc-welded pipes, hot ERW, specially shaped tubes, various coated tubes and pipes, stainless steel tubes and pipes etc.                                                                                                                                                                                     |
|             | Steel bars and wire rods                                                                                   | Mechanical structural quality wire rods, cold heading quality wire rods, spring quality bar, machining steel, bearing steel, steel cord quality wire rods, stainless bar and wire rods etc.                                                                                                                                                                                                            |
|             | Railway, automotive, and machinery parts                                                                   | Wheels, axles, bogie trucks, gear units for electric cars, couplers etc.                                                                                                                                                                                                                                                                                                                               |
|             | Steel castings and forgings                                                                                | Die forged crankshafts, materials for mold, aluminum wheels, flange for transmission tower, crane wheels, rolls etc.                                                                                                                                                                                                                                                                                   |
|             | Semi-finished iron products                                                                                | Steel billets and slabs, pig iron for steel making etc.                                                                                                                                                                                                                                                                                                                                                |
|             | Others                                                                                                     | Titanium products, steel making technology, electric power, land and sea transport of steel materials, maintenance of machinery and facilities, pipelines, energy plant etc.                                                                                                                                                                                                                           |
| Engineering | Steel bridge, materials for civil engineering etc.                                                         |                                                                                                                                                                                                                                                                                                                                                                                                        |
| Electronics | IC packages, electronic modules etc.                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                        |
| Other       | Lease and sale of real estate, research and testing specializing in materials analysis and evaluation etc. |                                                                                                                                                                                                                                                                                                                                                                                                        |

## ②Segment information by location

First Quarter under Review (April 1, 2008 - June 30, 2008)

Segment information by sector is not stated as sales revenue of domestic entities accounts for more than 90% of our total sales revenue.

## ③Overseas sales

First Quarter under Review (April 1, 2008 - June 30, 2008)

|                                                            | Asia    | Others | Total   |
|------------------------------------------------------------|---------|--------|---------|
| I Overseas Sales (Million yen)                             | 141,282 | 41,827 | 183,110 |
| II Consolidated Sales (Million yen)                        |         |        | 452,240 |
| III Percentage of Overseas Sales in Consolidated Sales (%) | 31.2    | 9.3    | 40.5    |

(Note) Method of classifying countries or areas, and major countries or areas classified to each region.

## 1 Method for classifying countries or areas

Countries or areas are classified based on geographical proximity.

## 2 Major countries or areas classified to each region

Asia---China, South Korea, Southeast Asia, the Middle and Near East etc.

## (6) Notes on any significant change in shareholders' equity.

Not applicable.

## Supplementary Information on Financial Results for First Quarter of FY 2008

1. Japan crude steel production

Million tons

|                       |                         |                         |                      |                         |                         |                      | Total        |
|-----------------------|-------------------------|-------------------------|----------------------|-------------------------|-------------------------|----------------------|--------------|
|                       | 1 <sup>st</sup> quarter | 2 <sup>nd</sup> quarter | 1 <sup>st</sup> half | 3 <sup>rd</sup> quarter | 4 <sup>th</sup> quarter | 2 <sup>nd</sup> half |              |
| FY2006                | 29                      | 29                      | 58                   | 30                      | 30                      | 60                   | 118          |
| FY 2007               | 30                      | 30                      | 60                   | 31                      | 31                      | 62                   | 122          |
| FY 2008<br>(Forecast) | 31                      | —                       | 60(approx.)          | —                       | —                       | 61(approx.)          | 121(approx.) |

2. Sumitomo Metals' crude steel production (including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation)

Million tons

|                     |                         |                         |                      |                         |                         |                      | Total          |
|---------------------|-------------------------|-------------------------|----------------------|-------------------------|-------------------------|----------------------|----------------|
|                     | 1 <sup>st</sup> quarter | 2 <sup>nd</sup> quarter | 1 <sup>st</sup> half | 3 <sup>rd</sup> quarter | 4 <sup>th</sup> quarter | 2 <sup>nd</sup> half |                |
| FY2006              | 3.29                    | 3.38                    | 6.67                 | 3.34                    | 3.37                    | 6.71                 | 13.38          |
| FY 2007             | 3.21                    | 3.40                    | 6.61                 | 3.52                    | 3.49                    | 7.01                 | 13.62          |
| FY 2008<br>(Target) | 3.50                    | —                       | 7.00(approx.)        | —                       | —                       | 7.00(approx.)        | 14.00(approx.) |

3. Export ratio (including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation)

Value basis %

|                     |                         |                         |                      |                         |                         |                      | Total       |
|---------------------|-------------------------|-------------------------|----------------------|-------------------------|-------------------------|----------------------|-------------|
|                     | 1 <sup>st</sup> quarter | 2 <sup>nd</sup> quarter | 1 <sup>st</sup> half | 3 <sup>rd</sup> quarter | 4 <sup>th</sup> quarter | 2 <sup>nd</sup> half |             |
| FY2006              | 46                      | 46                      | 46                   | 46                      | 47                      | 47                   | 46          |
| FY 2007             | 46                      | 46                      | 46                   | 44                      | 44                      | 44                   | 45          |
| FY 2008<br>(Target) | 44                      | —                       | 44(approx.)          | —                       | —                       | 44(approx.)          | 44(approx.) |

4. Foreign exchange rate

Yen/US\$

|                     |                         |                         |                      |                         |                         |                      | Total        |
|---------------------|-------------------------|-------------------------|----------------------|-------------------------|-------------------------|----------------------|--------------|
|                     | 1 <sup>st</sup> quarter | 2 <sup>nd</sup> quarter | 1 <sup>st</sup> half | 3 <sup>rd</sup> quarter | 4 <sup>th</sup> quarter | 2 <sup>nd</sup> half |              |
| FY2006              | 114                     | 116                     | 115                  | 118                     | 120                     | 119                  | 117          |
| FY 2007             | 121                     | 118                     | 119                  | 114                     | 105                     | 109                  | 114          |
| FY 2008<br>(Target) | 105                     | —                       | 105(approx.)         | —                       | —                       | 105(approx.)         | 105(approx.) |

5. Consolidated exposure to foreign exchange fluctuations

| FY 2007                                     | FY 2008 forecast                            |
|---------------------------------------------|---------------------------------------------|
| Excess receipt of 1.6 billion US\$ per year | Excess payment of 0.9 billion US\$ per year |

6. Average price of steel products (including Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation)

Thousand yen/ton

|                  |                         |                         |                      |                         |                         |                      | Total        |
|------------------|-------------------------|-------------------------|----------------------|-------------------------|-------------------------|----------------------|--------------|
|                  | 1 <sup>st</sup> quarter | 2 <sup>nd</sup> quarter | 1 <sup>st</sup> half | 3 <sup>rd</sup> quarter | 4 <sup>th</sup> quarter | 2 <sup>nd</sup> half |              |
| FY2006           | 95.5                    | 97.9                    | 96.7                 | 100.1                   | 106.2                   | 103.2                | 100.0        |
| FY 2007          | 102.3                   | 108.8                   | 105.6                | 107.3                   | 104.3                   | 105.8                | 105.7        |
| FY 2008 (Target) | 110.1                   | —                       | 116(approx.)         | —                       | —                       | 129(approx.)         | 122(approx.) |

7. FY 2008 target for non-consolidated figures

Billion yen

|                  | 1st half of FY 2008    |                     | FY 2008<br>Target for full year | FY 2008<br>Previous target<br>for full year |
|------------------|------------------------|---------------------|---------------------------------|---------------------------------------------|
|                  | Result for 1st quarter | Target for 1st half |                                 |                                             |
| Sales            | 297.9                  | 625.0(approx.)      | 1,340.0(approx.)                | 1,290.0(approx.)                            |
| Operating profit | 45.2                   | 70.0(approx.)       | 145.0(approx.)                  | 130.0(approx.)                              |
| Recurring profit | 66.7                   | 90.0(approx.)       | 160.0(approx.)                  | 135.0(approx.)                              |
| Net income       | 46.0                   | 60.0(approx.)       | 100.0(approx.)                  | 90.0(approx.)                               |

8. Consolidated segment information

Billion yen

|             | Target for 1st half of FY 2008 |                            | Target for FY 2008 |                            |
|-------------|--------------------------------|----------------------------|--------------------|----------------------------|
|             | Sales                          | Operating profits (losses) | Sales              | Operating profits (losses) |
| Steel       | 915.0(approx.)                 | 100.0(approx.)             | 1,940.0(approx.)   | 226.0(approx.)             |
| Engineering | 4.0(approx.)                   | (0.5)(approx.)             | 10.0(approx.)      | (1.0)(approx.)             |
| Electronics | 31.0(approx.)                  | 1.0(approx.)               | 65.0(approx.)      | 2.5(approx.)               |
| Other       | 20.0(approx.)                  | (0.5)(approx.)             | 45.0(approx.)      | 2.5(approx.)               |

<Sales by internal companies of steel segment>

Billion yen

|                                               | FY 2008                |                     | FY 2008<br>Target for full year |
|-----------------------------------------------|------------------------|---------------------|---------------------------------|
|                                               | Result for 1st quarter | Target for 1st half |                                 |
| Steel sheet, plate & structural steel company | 166.6                  | 370.0(approx.)      | 780.0(approx.)                  |
| Pipe and tube company                         | 170.6                  | 355.0(approx.)      | 770.0(approx.)                  |
| Railway, automotive & Machinery parts company | 25.6                   | 56.0(approx.)       | 120.0(approx.)                  |
| Sumitomo Metals(Kokura)                       | 41.8                   | 94.0(approx.)       | 190.0(approx.)                  |

9. Debt (as of the end of the month)

Billion yen

|                  | March 2008 | June 2008 | Target<br>September 2008 | Target<br>March 2009 |
|------------------|------------|-----------|--------------------------|----------------------|
| Consolidated     | 883.8      | 924.4     | 940.0(approx.)           | 980.0(approx.)       |
| Non consolidated | 800.4      | 839.2     | 860.0(approx.)           | 905.0(approx.)       |

10. Analysis of consolidated recurring profit

-Foreign exchange (TTM) assumption:

105 Yen/US\$ (first quarter of FY 2008) ← 121 Yen/US\$ (first quarter of FY 2007)

Billions yen

|                                  | First quarter of<br>FY 2008 | First quarter of<br>FY 2007 | Increase/(Decrease) |
|----------------------------------|-----------------------------|-----------------------------|---------------------|
| Consolidated recurring<br>profit | 74.4                        | 75.2                        | (0.8)               |

| Positive impact                 |      | Negative impact                                         |        |
|---------------------------------|------|---------------------------------------------------------|--------|
| Cost improvement                | 8.0  | Raw materials                                           | (56.5) |
| Profit from valuation           | 2.0  | Fixed costs                                             | (2.0)  |
| Replacement of blast<br>furnace | 5.0  | Equity in earnings of<br>unconsolidated<br>subsidiaries | (2.0)  |
| Sales mix, prices               | 44.7 |                                                         |        |
| Total                           | 59.7 | Total                                                   | (60.5) |
| Total: (0.8)                    |      |                                                         |        |

(Conclude)