

# To Our Shareholders



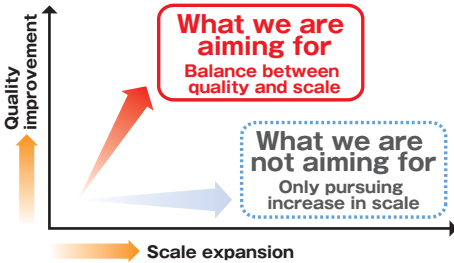
President  
Hiroshi Tomono

Thank you for participating in our Annual General Shareholders' Meeting for the 87th period today. This leaflet summarizes Sumitomo Metals Group's management policy and direction, as well as our financial performances. We welcome to hear your views and comments, as always.

June 2010

## 1. Management Policy and Direction

Sumitomo Metals is aiming at sustained growth that balances quality and scale.



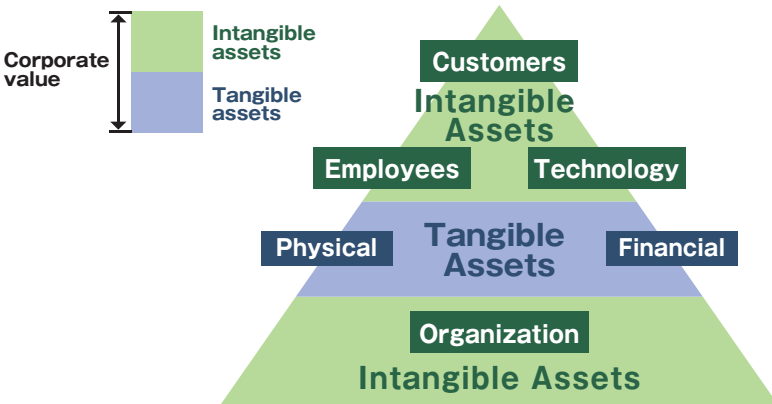
Our goal: to enhance the special qualities that define Sumitomo Metals

Add strength to strength      Emphasize balance between quality and scale

**What Sumitomo Metals is**

Accelerating distinctiveness

To that end, we find it critical to cultivate our "intangible assets"



## 2. Reinforcing Domestic Steel Works and Executing Overseas Projects

### India

- Steel sheet: Technical assistance & OEM
- Forged crankshaft project



India: Bhushan Steel's steel works

### Japan

- Wakayama Steel Works: New No.1 blast furnace
- Steel Tube Works: Production capacity expansion of steam generator tube
- Kashima Steel Works: Production capacity expansion of ultra-high strength line pipe
- Sumitomo Metals (Kokura): Steelmaking process innovation & renewal of finishing roll equipment for steel bars



Wakayama Steel Works  
New No.1 blast furnace

### Vietnam

- Steel sheet business



Pickling line  
Tandem cold rolling mill  
Annealing line  
Galvanizing line  
Electromagnetic steel sheet manufacturing line

Annual production of  
1.6 million MT

Vietnam's steel sheet project members

### Brazil

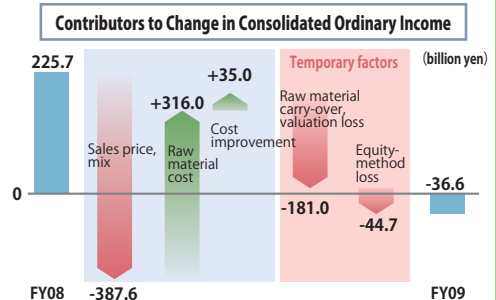
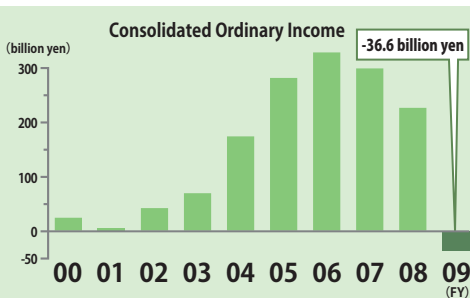
- Seamless pipe business



Construction site of integrated seamless pipe manufacturing works in Brazil

## 3. Business Results of FY2009

Despite some positive factors (i.e., a decline in raw material costs and cost improvements), negative factors (i.e., a decline in sales prices, deterioration in sales mix and temporary factors) resulted in posting a significant decline in ordinary income.

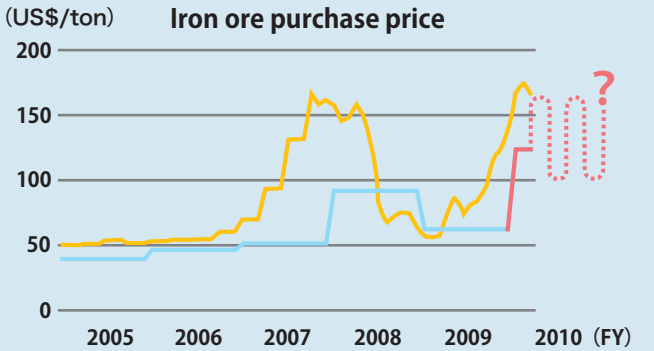


# 4. Challenges and Financial Forecasts for FY2010

## 4-(1) Challenges

Sumitomo Metals' major challenge for FY2010 is how to cope with expected changes in the raw material market.

Iron ore unit cost has begun to change on a quarterly basis since 1st quarter of FY2010.

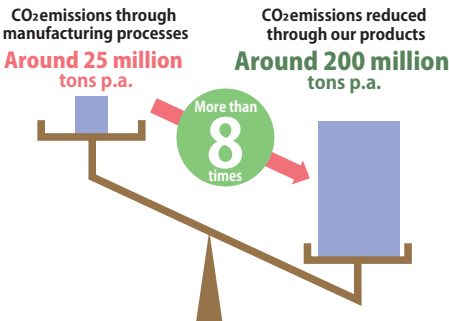


Sumitomo Metals' countermeasure

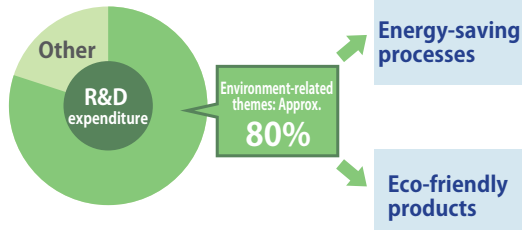
- ① Pass on cost hikes to product sales prices
- ② Consider acquiring a stake in an iron ore mining business

Sumitomo Metals contributes to protect global environment with technology.

The effect of reducing customers' CO<sub>2</sub> emissions through our products is more than 8 times larger than the CO<sub>2</sub> emissions through our manufacturing processes.

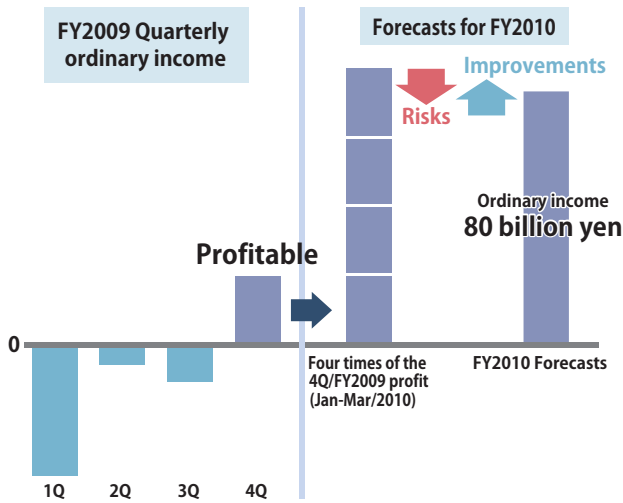


We allocate approximately 80% of R&D expenses for environment-related themes



## 4-(2) Financial Forecasts for FY2010

While we have various risk factors, we will make every effort to attain the profit level of 4th Quarter of FY2009.



## 4-(3) Dividends

Sumitomo Metals' basic policy is to pay stable dividends.

As for FY2010, while we expect to encounter various uncertain factors, we endeavor to maintain dividends of 5 yen per share.

## 5. We aim for a sustained growth.

