

6 Accounts Settlement and Capital Investment

(1) 11year financial performance

	FY2000 March 31, 2001	FY2001 March 31, 2002	FY2002 March 31, 2003	FY2003 March 31, 2004
Operating Results	Unit: Billions of yen			
Net sales	1,497.6	1,349.5	1,224.6	1,120.8
Operating income	90.5	40.0	69.8	93.0
Ordinary income *1	23.6	0.7	41.3	68.7
Income before income taxes and minority interests	20.7	-105.1	33.2	39.9
Net income	5.8	-104.7	17.0	30.7
Capital expenditures on property, plant and equipment	77.0	74.6	50.9	67.1
Depreciation of property, plant and equipment	132.2	121.1	91.7	78.3
Research and development expenses	20.9	18.6	13.5	13.5
Financial Position				
Total assets	2,733.1	2,433.4	2,122.3	2,001.7
Shareholders' equity Total equity - Minority interests	368.1	274.4	328.7	376.0
Total equity	415.5	325.9	347.6	399.4
Debt *2	1,780.6	1,648.7	1,415.3	1,171.2
Cash Flows				
Operating cash flow	158.7	18.4	161.1	220.8
Investing cash flow	9.9	39.6	58.3	-27.4
Financing cash flow	-142.6	-89.4	-164.9	-240.8
Free cash flow	168.7	58.1	219.4	193.4
Cash and cash equivalent at end of period	101.0	70.3	121.7	74.0
Amounts per Share of Common Stock	Unit: yen			
Net income	1.61	-28.83	4.36	6.42
Yearly dividend (yen / share)	0	0	1.5	1.5
Financial Index				
Operating income margin (ROS)	6.0%	3.0%	5.7%	8.3%
Return on assets (ROA)				
Ordinary income before interest payment / Total assets (yearly average)	2.2%	1.1%	2.9%	4.4%
Return on equity (ROE)				
Net income / Shareholders' equity (yearly average)	1.6%	-32.6%	5.7%	8.7%
Equity ratio				
Shareholders' equity / Total assets	13.5%	11.3%	15.5%	18.8%
	Unit: times			
Debt-to-equity ratio				
Debt / Shareholders' equity	4.84	6.01	4.31	3.11
Price earnings ratio (PER)				
Share price / Net income per share	44.1	—	12.4	21.6
	Unit: yen			
Share price at end of period	71	48	54	139

*1 Ordinary income is an important management indicator at Sumitomo Metals and a common item on financial statements in Japan; calculated by adding to or subtracting from operating income items such as interest and dividend income, equity in earnings of unconsolidated subsidiaries and associated companies, interest expenses and foreign exchange gain or losses.

*2 Debt = (Short-term borrowings) + (Long-term debt) - (Obligation to return collateral under security loan agreement) - (Lease obligation)

FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011
Unit: Billions of yen						
1,236.9	1,552.7	1,602.7	1,744.5	1,844.4	1,285.8	1,402.4
182.8	305.8	303.7	274.3	226.0	-0.9	56.3
173.2	280.7	327.6	298.2	225.7	-36.6	34.0
169.5	306.1	341.7	281.2	194.4	-39.7	-27.9
110.8	221.2	226.7	180.5	97.3	-49.7	-7.1
60.3	82.6	135.8	178.8	159.1	136.6	109.9
79.2	75.2	72.2	102.5	109.8	120.8	126.2
14.7	16.4	18.7	20.1	22.1	22.8	22.7
1,923.1	2,113.3	2,301.5	2,418.3	2,452.5	2,403.6	2,440.7
483.2	720.8	880.8	901.9	857.6	829.2	766.7
517.3	762.1	924.7	949.3	904.3	879.2	818.0
885.9	679.7	717.9	883.8	990.0	1,138.3	1,173.3
277.3	311.9	171.8	230.0	190.5	67.0	202.3
-12.0	-63.8	-108.9	-274.3	-214.9	-172.9	-144.0
-297.3	-258.3	-83.4	48.7	52.6	87.8	-1.3
265.3	248.0	62.8	-44.2	-24.3	-105.9	58.3
42.4	32.5	13.0	16.6	42.9	26.2	82.5
Unit: yen						
23.05	46.03	47.89	39.43	20.98	-10.74	-1.54
5.0	7.0	8.0	10.0	10.0	5.0	3.5
14.8%	19.7%	19.0%	15.7%	12.3%	-0.1%	4.0%
9.7%	14.5%	15.4%	13.2%	9.9%	-0.9%	2.0%
25.8%	36.7%	28.3%	20.3%	11.1%	-5.9%	-0.9%
25.1%	34.1%	38.3%	37.3%	35.0%	34.5%	31.4%
Unit: times						
1.83	0.94	0.82	0.98	1.15	1.37	1.53
8.4	11.0	12.7	9.6	9.4	—	—
Unit: yen						
193	505	609	378	197	283	186

(2) Consolidated Balance Sheets

(Million yen)

Items	At the end of FY2010 (As of March 31, 2011)	At the end of FY 2009 (As of March 31, 2010)
(Assets)		
Current assets:		
Cash and deposits	83,264	19,710
Notes and accounts receivable-trade	109,571	151,507
Merchandise and finished goods	144,655	147,581
Work in process	23,476	24,940
Raw materials and supplies	230,533	213,607
Deferred tax assets	29,622	12,331
Other	27,467	36,905
Allowance for doubtful accounts	(660)	(153)
Total current assets	647,930	606,431
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	779,421	769,596
Accumulated depreciation	(517,191)	(502,135)
Buildings and structures, net	262,229	267,460
Machinery, equipment and vehicles:	2,290,645	2,261,553
Accumulated depreciation	(1,877,244)	(1,821,813)
Machinery, equipment and vehicles, net	413,400	439,740
Land	350,518	340,324
Construction in progress	79,819	80,985
Other	81,151	80,409
Accumulated depreciation	(69,407)	(67,075)
Other, net	11,743	13,334
Total property, plant and equipment	1,117,712	1,141,845
Intangible assets		
Goodwill	1,314	1,609
Other	4,894	4,860
Total intangible assets	6,208	6,470
Investment and other assets:		
Investment securities	485,511	533,458
Deferred tax assets	49,889	15,917
Other	133,718	100,533
Allowance for doubtful accounts	(209)	(986)
Total investments and other assets	668,910	648,923
Total noncurrent assets	1,792,830	1,797,239
Total assets	2,440,761	2,403,670

(Million yen)

Items	At the end of FY2010 (As of March 31, 2011)	At the end of FY 2009 (As of March 31, 2010)
(Liabilities)		
Current liabilities:		
Notes and accounts payable-trade	221,195	204,969
Short-term loans payable	279,818	286,893
Commercial papers	105,000	24,000
Current portion of bonds	35,000	10,000
Deferred tax liabilities	11	428
Provision for bonuses	16,814	—
Provision for loss on disaster	49,307	—
Other	93,452	113,063
Total current liabilities	800,600	639,355
Noncurrent liabilities:		
Bonds payable	180,664	185,658
Long-term loans payable	572,899	631,802
Deferred tax liabilities	4,557	4,364
Deferred tax assets regarding revaluation	6,919	6,919
Provision for retirement benefits	20,318	19,948
Provision for special repairs	197	208
Other	36,524	36,203
Total noncurrent liabilities	822,080	885,105
Total liabilities	1,622,681	1,524,461
(Net Assets)		
Shareholders' equity:		
Capital stock	262,072	262,072
Capital surplus	61,829	61,829
Retained earnings	565,931	596,254
Treasury stock	(91,161)	(91,106)
Total shareholders' equity	798,671	829,050
Other comprehensive income (accumulative):		
Valuation difference on available-for sale securities	(18,877)	2,324
Deferred gains or losses on hedges	(594)	(979)
Revaluation reserve for land	11,203	11,834
Foreign currency translation adjustment	(23,627)	(13,009)
Total other comprehensive income (accumulative)	(31,894)	169
Minority interests	51,303	49,989
Total net assets	818,080	879,209
Total liabilities and net assets	2,440,761	2,403,670

(3) Consolidated Statements of Income

(Million yen)

Items	FY 2010 (April 1, 2010 - March 31, 2011)	FY 2009 (April 1, 2009 - March 31, 2010)
Net Sales	1,402,454	1,285,845
Cost of sales	1,222,407	1,163,191
Gross profit	180,047	122,654
Selling, general and administrative expenses:		
Shipment expenses	37,482	33,108
Employees' salaries and allowances	34,252	37,376
Research and development expenses	20,910	20,821
Other	31,100	32,276
Total selling, general and administrative expenses	123,745	123,583
Operating income/(losses)	56,301	(928)
Non-operating income:		
Interest income	1,459	764
Dividends income	4,627	3,380
Other	11,519	17,241
Total non-operating income	17,606	21,386
Non-operating expenses:		
Interest expenses	15,135	15,730
Equity in losses of affiliates	3,493	22,524
Loss on sales and retirement of noncurrent assets	8,663	7,023
Other	12,566	11,813
Total non-operating expenses	39,858	57,091
Ordinary income/losses	34,049	(36,634)
Extraordinary losses:		
Loss on disaster	62,041	—
Loss on change in equity	—	1,592
Restructuring loss	—	1,532
Total extraordinary losses	62,041	3,124
Income/(losses) before income taxes and minority interests	(27,991)	(39,758)
Income taxes:		
Income taxes-current	13,722	5,050
Income taxes-deferred	(37,694)	4,205
Total income taxes	(23,972)	9,255
Income/(losses) before minority interests	(4,019)	—
Minority interests in income	3,125	757
Net income/(losses)	(7,144)	(49,772)

(4) Consolidated Statement of Cash Flows

(Million yen)

Items	FY 2010 (April 1, 2010 - March 31, 2011)	FY 2009 (April 1, 2009 - March 31, 2010)
Operating activities:		
Income/(losses) before income taxes and minority interests	(27,991)	(39,758)
Depreciation and amortization	127,137	121,640
Increase (decrease) in allowance for doubtful accounts	675	(189)
Increase (decrease) in provision for loss on disaster	49,307	—
Increase (decrease) in provision for retirement benefits	360	(2,466)
Increase (decrease) in provision for special repairs	(10)	(17)
Interest income and dividend income	(6,087)	(4,145)
Interest expenses	15,135	15,730
Equity in (earnings) losses of affiliates	3,493	22,524
Loss (gain) on change in equity	—	1,592
Loss on business restructuring	—	1,532
Decrease (increase) in notes and accounts receivable-trade	37,367	(25,781)
Decrease (increase) in inventories	(14,601)	123,614
Increase (decrease) in notes and accounts payable-trade	18,223	(107,993)
Other	7,862	(440)
Subtotal	210,871	105,840
Income taxes paid	(8,531)	(38,838)
Net cash provided by (used in) operating activities	202,340	67,002
Investing activities:		
Interest and dividends income received	19,707	12,190
Purchase of investment securities	(11,879)	(24,738)
Payments for investments in capital	(35,337)	(39,406)
Purchase of property, plant and equipment and intangible assets	(115,546)	(137,331)
Other	(953)	16,351
Net cash provided by (used in) investment activities	(144,009)	(172,933)

(Million yen)

Items	FY 2010 (April 1, 2010 - March 31, 2011)	FY 2009 (April 1, 2009 - March 31, 2010)
Financing activities:		
Interest expenses paid	(15,425)	(15,530)
Net increase (decrease) in short-term loans payable	(7,910)	(9,308)
Increase (decrease) in commercial papers	81,000	24,000
Proceeds from long-term loans payable	73,557	196,725
Repayments of long-term loans payable	(129,836)	(74,677)
Proceeds from issuance of bonds	30,000	35,000
Redemption of bonds	(10,000)	(24,000)
Repayments of finance lease obligations	—	(10,232)
Cash dividends paid	(23,180)	(34,782)
Other	470	649
Net cash provided by (used in) financing activities	(1,325)	87,843
Effect of exchange rate change on cash and cash equivalents	(1,056)	1,448
Net increase (decrease) in cash and cash equivalents	55,949	(16,639)
Cash and cash equivalents at beginning of period	26,233	42,979
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(147)
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	329	39
Cash and cash equivalents at end of period	82,512	26,233

(5) Segement Information

① Segment information by business sector

(a) FY2009(April 1, 2009 - March 31, 2010)

(Million yen)

	Steel	Other *1	Total	Adjustment *2	Consolidated *3
Sales to customers	1,205,861	79,984	1,285,845	—	1,285,845
Inter-segment sales	2,006	18,592	20,598	-20,598	—
Total sales	1,207,868	98,576	1,306,444	-20,598	1,285,845
Operating income/(losses)	-7,618	6,721	-897	-31	-928
Assets	1,939,342	268,876	2,208,219	195,450	2,403,670
Other items					
Depreciation	118,062	3,576	121,638	2	121,640
Investments in equity method affiliates	215,970	85,726	301,696	—	301,696
Increased amount of tangible and intangible assets	135,447	2,420	137,868	—	137,868

(Note)

*1 Segment "Other" includes businesses of electronic modules, lease and sale of real estate and other.

*2 Adjustment amounts are as follows:

a) Adjustment amount of negative 31 million yen for operating income is inter-segment elimination.

b) Adjustment amount of positive 195,450 million yen is 247,980 million yen of company assets which are not allocated to business segment and negative 52,529 million yen of inter-segment elimination. Company assets mainly consist of "investment securities" , "deferred tax assets" and "cash and deposits" .

c) Adjustment amount of 2 million yen for depreciation is related to the assets of the entire Company.

*3 Income by segment is adjusted against operating income of consolidated income statements.

(b) FY2010(April 1, 2010 - March 31, 2011)

(Million yen)

	Steel	Other *1	Total	Adjustment *2	Consolidated *3
Sales to customers	1,351,620	50,834	1,402,454	—	1,402,454
Inter-segment sales	1,149	18,991	20,140	-20,140	—
Total sales	1,352,769	69,825	1,422,595	-20,140	1,402,454
Operating income/(losses)	50,248	6,286	56534	-233	56301
Assets	1,946,590	231,710	2,178,300	262,460	2,440,761
Other items					
Depreciation	123,947	3,188	127,135	2	127,137
Investments in equity method affiliates	244,448	67,303	311,752	—	311,752
Increased amount of tangible and intangible assets	107,675	2,951	110,627	-110,627	—

(Note)

*1 Segment "Other" includes businesses of electronic modules, lease and sale of real estate and other.

*2 Adjustment amounts are as follows:

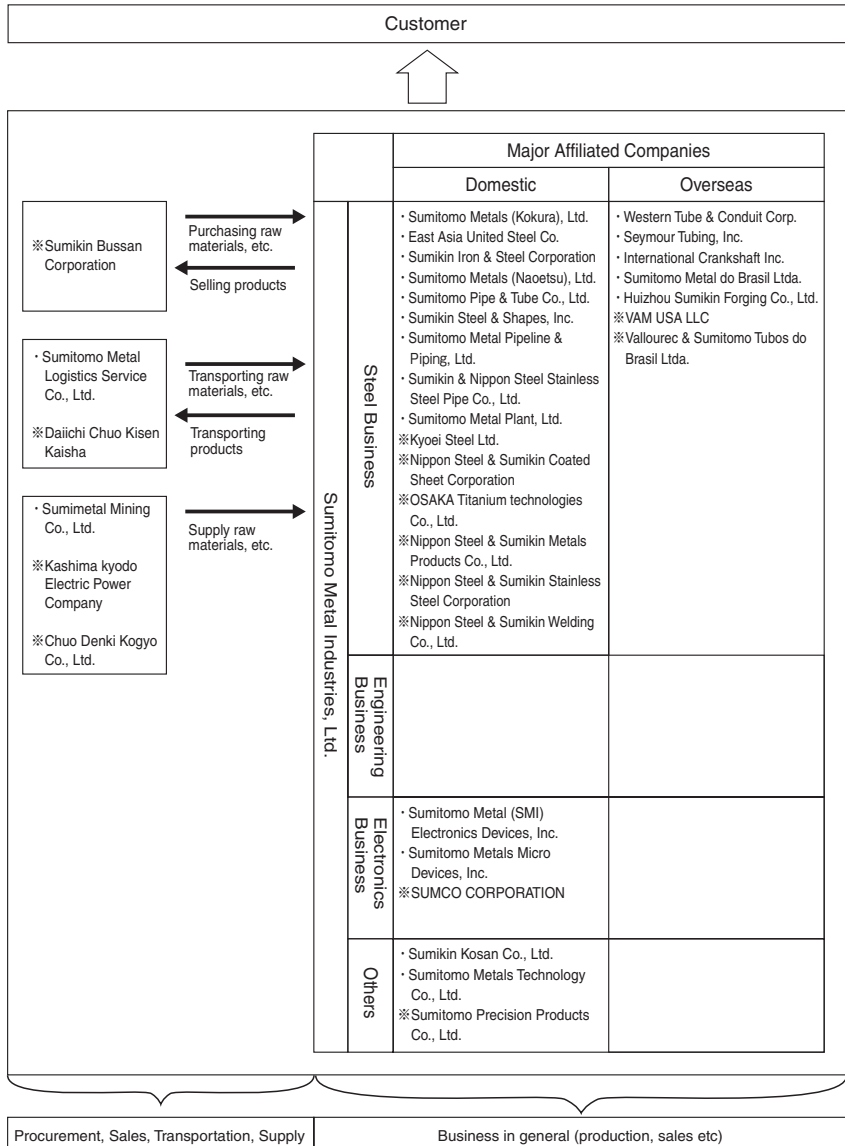
a) Adjustment amount of negative 233 million yen for operating income is inter-segment elimination.

b) Adjustment amount of positive 262,460 million yen is 324,384 million yen of company assets which are not allocated to business segment and negative 61,924 million yen of inter-segment elimination. Company assets mainly consist of "investment securities" , "deferred tax assets" and "cash and deposits" .

c) Adjustment amount of 2 million yen for depreciation is related to the assets of the entire Company.

*3 Income by segment is adjusted against operating income of consolidated income statements.

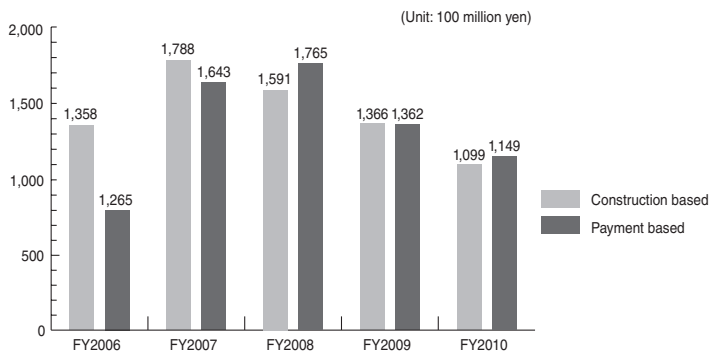
(6) Current status of Sumitomo Metals Group



(Remark) Company marked ・ :Consolidated subsidiaries
 Company marked ※ :Related affiliate to which the entity method is applicable

(7) Equipment investments

① Changes in equipment investment (consolidated)



② Major equipment investment completed

Completion year	Location	Projects	Work period	Total work expenditure
FY2006	(Kashima)	Construction of a new galvanizing line	Apr. 2005-Dec. 2006	17 billion yen
FY2007	(Kashima)	Renovation of No.3 blast furnace	May 2005-May 2007	29 billion yen
	(Kashima)	Construction of IPP power plant	Jan. 2004-Jun. 2007	57 billion yen
	(Kashima)	Construction of a new continuous pickling line	Apr. 2005-Sep. 2007	9 billion yen
	(Steel Tube)	Production capacity expansion for stainless steel boiler tube	Sep. 2006-Oct. 2007	6.5 billion yen
	(Kashima)	Production capacity expansion for high-grade steel plate	Sep. 2006-Nov. 2007	7 billion yen
FY2008	(Osaka Steel)	Production capacity expansion for railway wheels	Jan. 2007-Apr. 2008	2 billion yen
	(Wakayama Steel tube) (Kainan)	Construction of facilities for more cutting-edge seamless pipe	Jun. 2006-Jun. 2008	35 billion yen
	(Steel Tube)	Reinforcement of production equipment for steam generator tubes	May 2008-Oct. 2008	2.3 billion yen
FY2009	(Wakayama)	Replacing upstream facilities 1st phase (Construction of new No.1 blast furnace etc.)	Nov. 2006-Jul. 2009	160 billion yen
	(Osaka Steel)	Production capacity expansion for large size crankshafts	Nov. 2007-Jan. 2010	2 billion yen
	(Kokura)	Installation of bar finishing mill	Mar. 2009-Aug. 2009	2 billion yen
FY2010	(Kokura)	Innovation in steelmaking processes	Feb. 2007-Oct. 2010	27 billion yen
	(Kashima)	Production capacity expansion for ultra high strength line pipes	Sep. 2006-Jan. 2011	10 billion yen

③ Major capital expenditure projects in progress or planned

Location	Projects	Work period	Total work expenditure
(Wakayama)	Replacing upstream facilities 2nd step	Apr. 2008-Second half of FY 2012	115 billion yen
(Corporate Research & Development Laboratories)	Renewal of Corporate Research & Development Laboratories (Amagasaki)	Jun.2010-May.2012	10 billion yen
(Steel tube)	Increasing capacity for SG tubes for nuclear power plants	Jun. 2010-Apr.2012	14 billion yen