SUMITOMO METALS

Sumitomo Metals FY2011 Second Quarter IR Briefing on October 31, 2011

Summary of Q&A

Representatives from Sumitomo Metals:

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(FY2011 second quarter results)

Q1) Your sales volume for Q2 was below the guidance by 250,000 tons. Which products went down?

A1) More than usual typhoons in September was the reason. Primarily steel sheets in terms of product category.

Q2) Both ordinary income and operating income for Q2 surpassed the guidance, but ordinary income less so. Why?

A2) Profit from equity method affiliates was less than we expected.

(Full-year and second half earnings forecasts)

Q3) You did not change the guidance for FY2011. Were there any changes in the shares of internal companies?

A3) Steel sheets and slabs have been below our expectations because of the weak market conditions. Seamless pipes, on the other hand, look good.

Q4) What is your raw material prices assumptions for the H2?

A4) We assume that the current condition will sustain.

Q5) The raw material prices are currently declining. If that continues, I assume you will have negative one-off factors such as inventory valuation loss. Do you expect you can cover that by raising product prices?

A5) We certainly hope so, but we are not yet sure of that. We are under negotiation.

Q6) I assume that your guidance is based on your expectations that you can raise your product prices in line with the surge of the raw material prices. Why can you do that?

A6) Seamless pipe prices are doing good. That is the reason.

Q7) Tell me your expectations on 1) margins for long-term customers in Japan and 2) steel sheet export prices.

A7) We expect them to remain the same as they are now.

Q8) The operating income guidance of sheet, plate and structural steel company for H2 is 25 JPY billion, much better than 9 JPY billion in Q2. Why improve?

A8) Sales volume increase. Domestic sales to auto industry are strong while export is weak. Energy related steel plate demand is good, too.

Q9) How do floods in Thailand affect your guidance?

A9) Sales in Thailand is normally 40,000 tons of sheet and 10,000 tons of specialty steel per month. We assumed shipment for 3 months will disappear. The impact on results is not big if you think about FOREX.

Q10) Your H1 to H2 analysis shows the negative 12 JPY billion impact from sales mix. What is this? Operating profit guidance of pipe & tube company for H2 is less than H1 results. Why decline if you tell us pipe is good now?

A10) Sales mix negative is an increase of slab sales in H2. The earthquake decreased the H1 slab sales. There are two reasons for pipe profit decline: decrease in SG tubes sales in H2 and starting depreciation of the facilities at VSB, new steelworks in Brazil.

Q11) Your crude steel production forecast for Q4 is more than Q3. Why?

A11) We expect auto manufacturing in Q4 is more than Q3.

(Seamless pipe)

Q12) According to Vallourec, VSB is expected to run at 50% utilization in 2012 and 66% in 2013 respectively. I guess you lose money with 50% utilization. How profitable do you expect VSB to be in 50% or 66% utilization rate?

A12) 50% would mean the average of the whole year. The utilization should go up quarter by quarter. If 50% is the case, making money in 2012 would be difficult. For 2013, we do not yet know. It depends on the price and other factors.

Q13) What is your profit forecast for VSB in 2012?

A13) Not yet. We are examining it.

Q14) You told us that the utilization of Wakayama seamless plant is pretty high including super-high-end. Is there any room left for further improvement?

A14) The demand for super-high-end seamless pipe is pretty good. We are trying to eliminate our current bottleneck for increasing our capacity.

Q15) Tell us about the seamless pipe market conditions?

A15) The demand for OCTG, especially long-term contract orders from supermajors are firm. In terms of regions, Middle East and Oceania are robust. The pipe demand from Shale gas projects in the U.S. seem to be shifting to higher-end because severer wells are beginning to be developed by supermajors. Our proprietary super-high-end coal-fired boiler tube has begun to be adopted for exhaust heat recovery boiler tubes in natural gas fired power plants. That is another good news.