Progress Report
Medium-Term Business Plan 2006 ~ 2008

Accelerating Distinctiveness

May 28, 2007

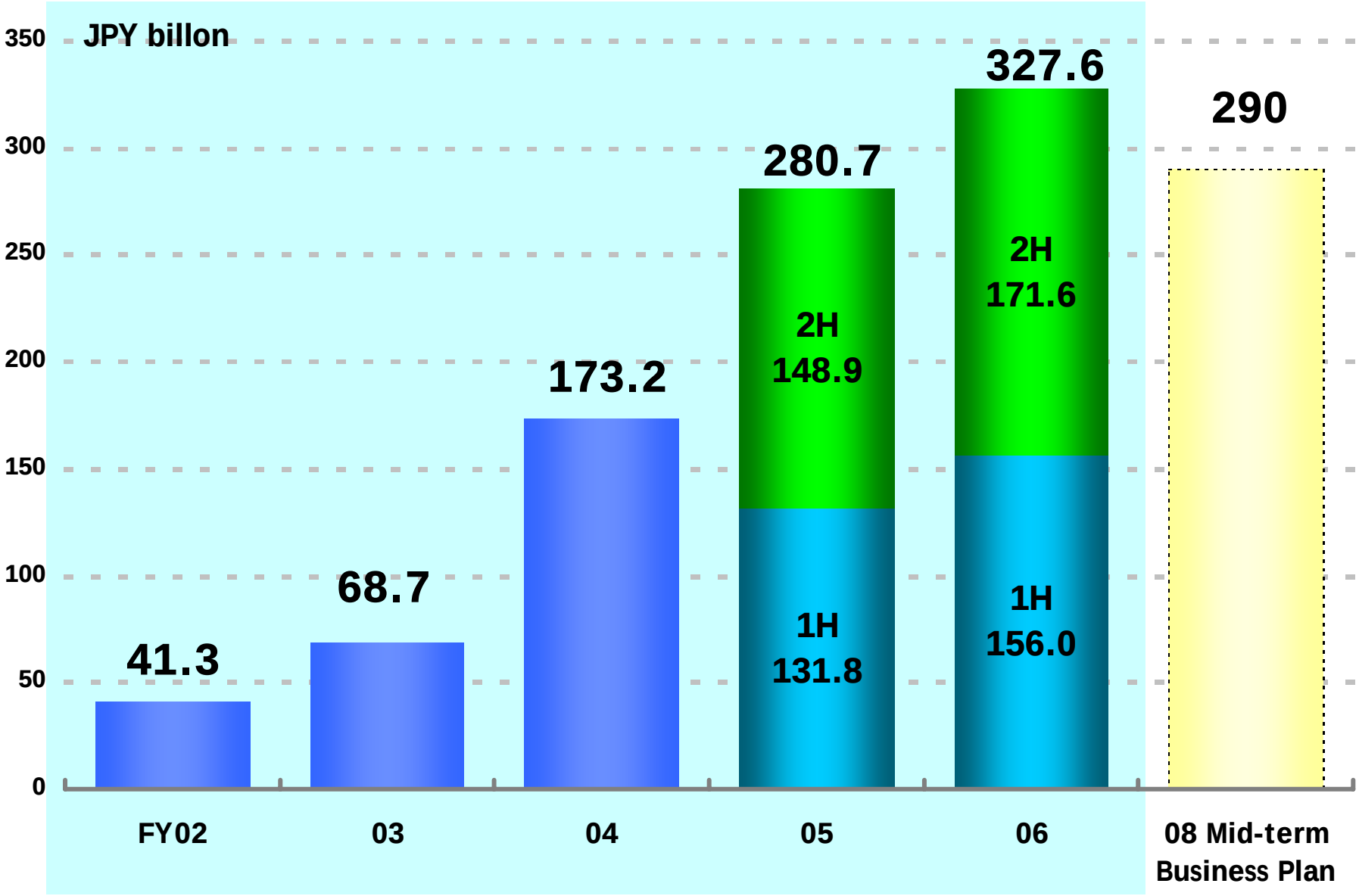
SUMITOMO METALS

Forward-looking Statements

This presentation contains certain forward-looking statements. The company has tried, whenever possible, to identify these forward-looking statements using words such as " anticipated," "believes," "estimates," "expects," "plans," "intends," "targets," and similar expressions. Similarly, statements herein that describe the company's business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. 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 statements. These risks and uncertainties may include, but are not limited to: the company's ability to successfully implement its strategies to restructure the steel business and reinforce its financial structure; the effects of and changes in Japanese and worldwide general economic conditions and in the steel industry in particular, including the severity of any economic slowdown, technological and other changes affecting the manufacture of and demand for Sumitomo Metal Industries Group's products, changes in Japan's and other countries' laws and regulations, including with regard to taxation, and other risks and uncertainties set forth in subsequent press releases and in Sumitomo Metal Industries Group's public filings. These statements reflect the company's current beliefs and are based upon information currently available to it. Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.

The company disclaims any intent or obligation to update these forward-looking statements.

Recurring Profit (FY02 → FY06)



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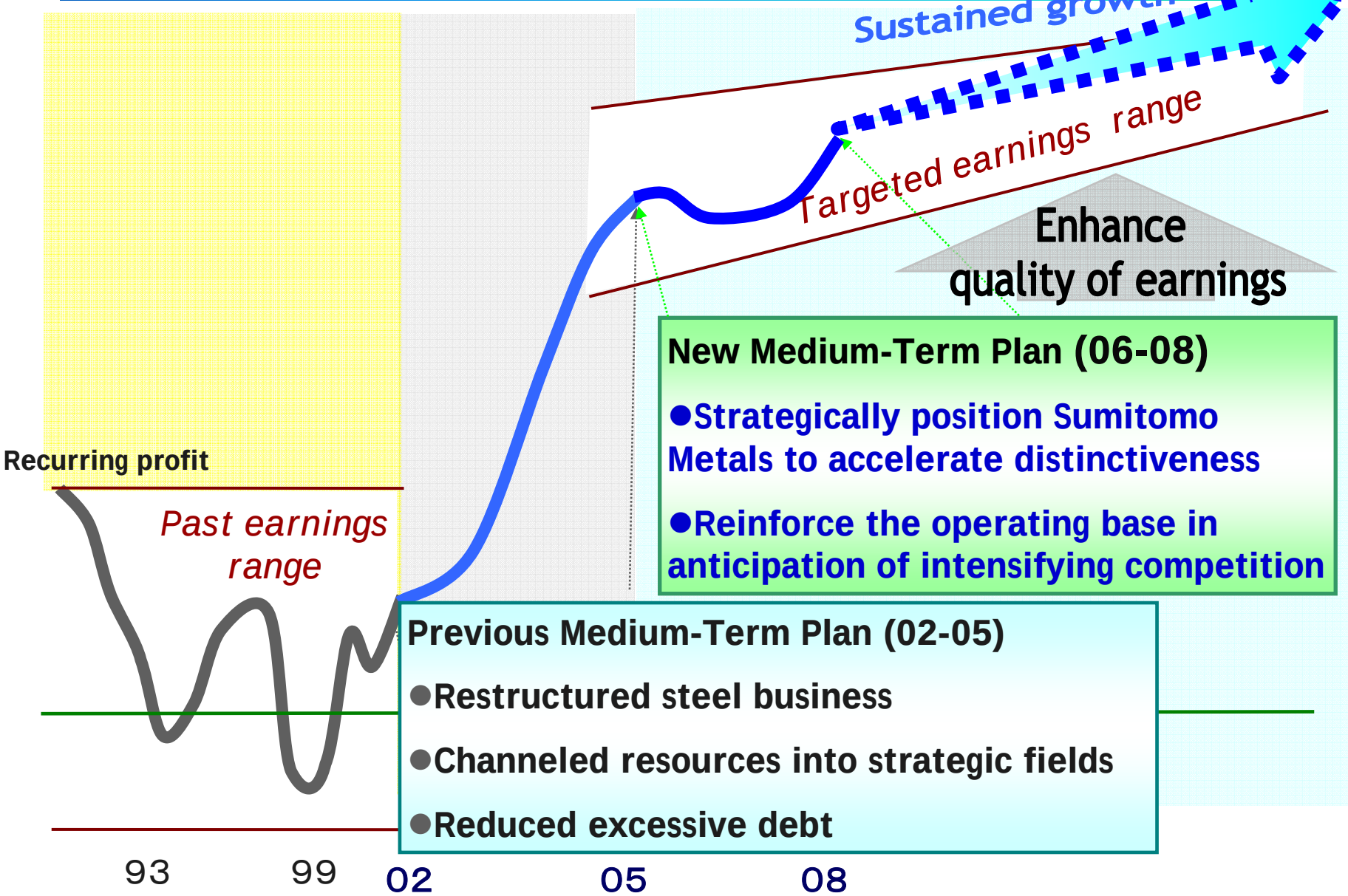
Overview of Consolidated Results for FY06

JPY billion	FY 05	FY 06	FY 08 Plan (approximate)
Net Sales	1,552.7	1,602.7	1,620
Operating profit	305.8	303.7	300
Recurring profit	280.7	327.6	290
Net income	221.2	226.7	180
Total assets	2,113.3	2.301.5	2,380
Debt	679.7	717.9	680
ROA(*)	14.5%	15.4%	13%
Equity ratio	34.1%	38.3%	45%
D/E ratio	0.94	0.82	0.6

(*)Return (Recurring profit before interest expense) on Asset

Building a Solid Operating Base to Underpin Future Growth



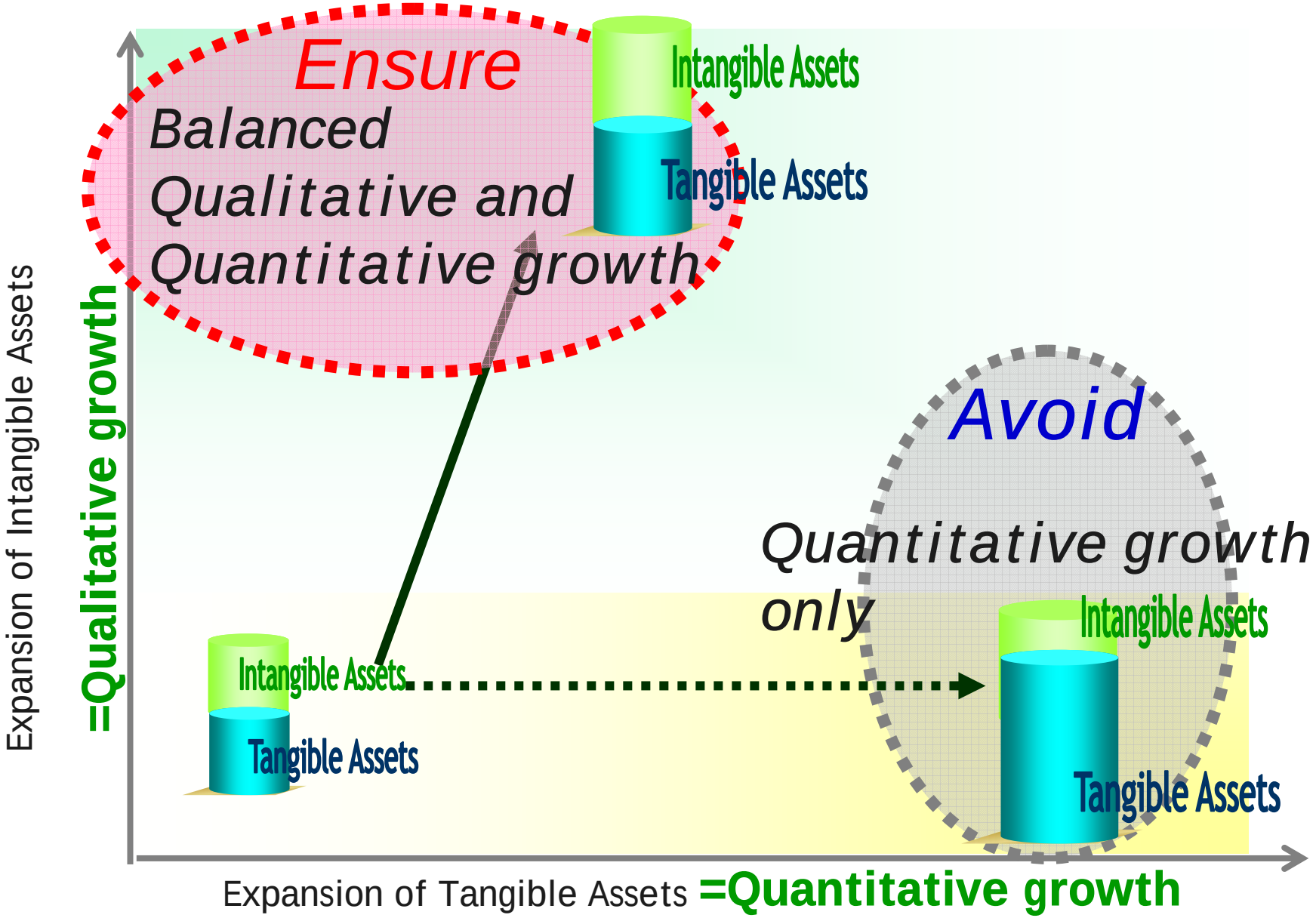
New Medium-Term Plan (06-08)

- **Strategically position Sumitomo Metals to accelerate distinctiveness**
- **Reinforce the operating base in anticipation of intensifying competition**

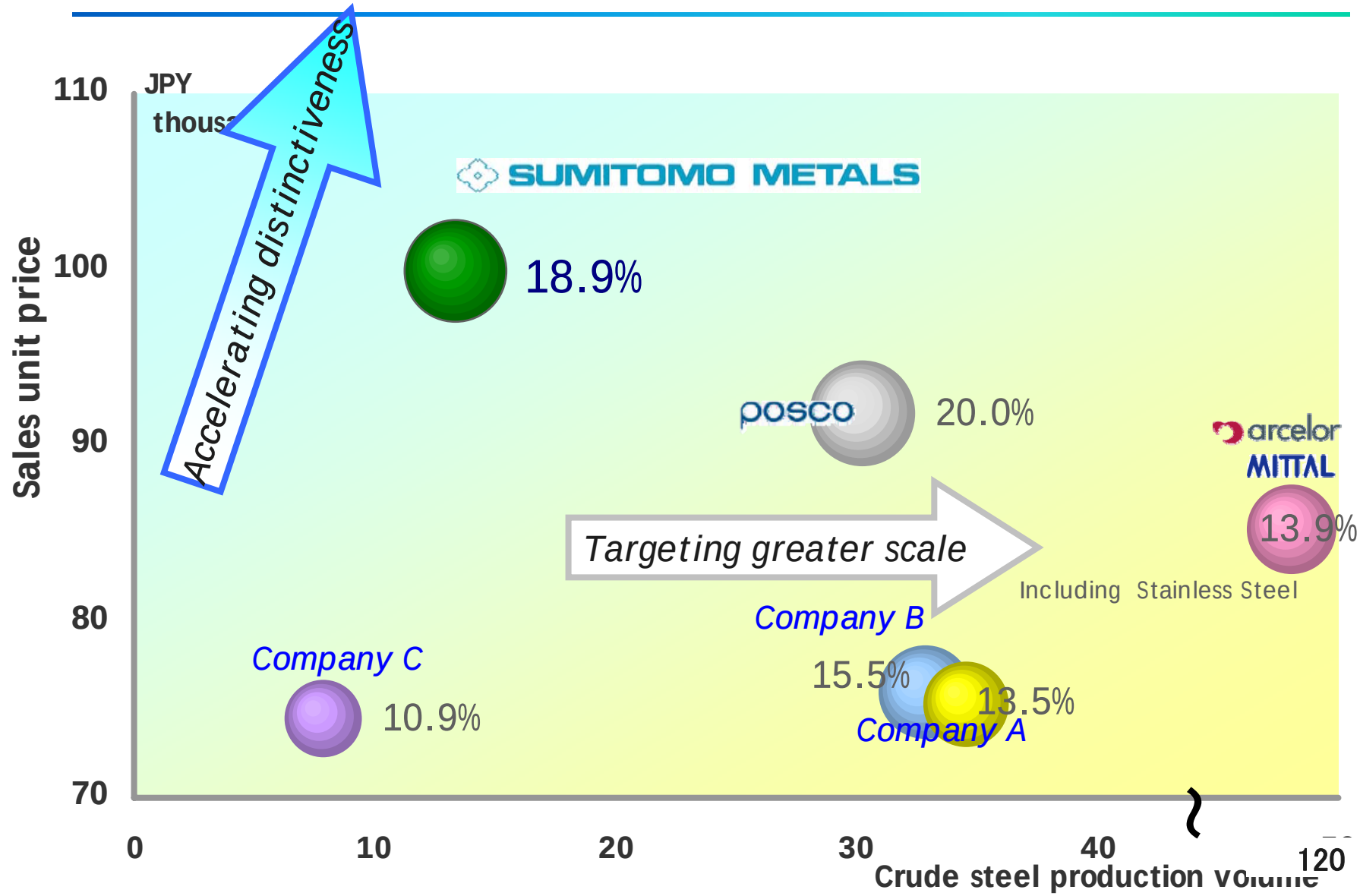
Previous Medium-Term Plan (02-05)

- **Restructured steel business**
- **Channeled resources into strategic fields**
- **Reduced excessive debt**

Direction of Growth



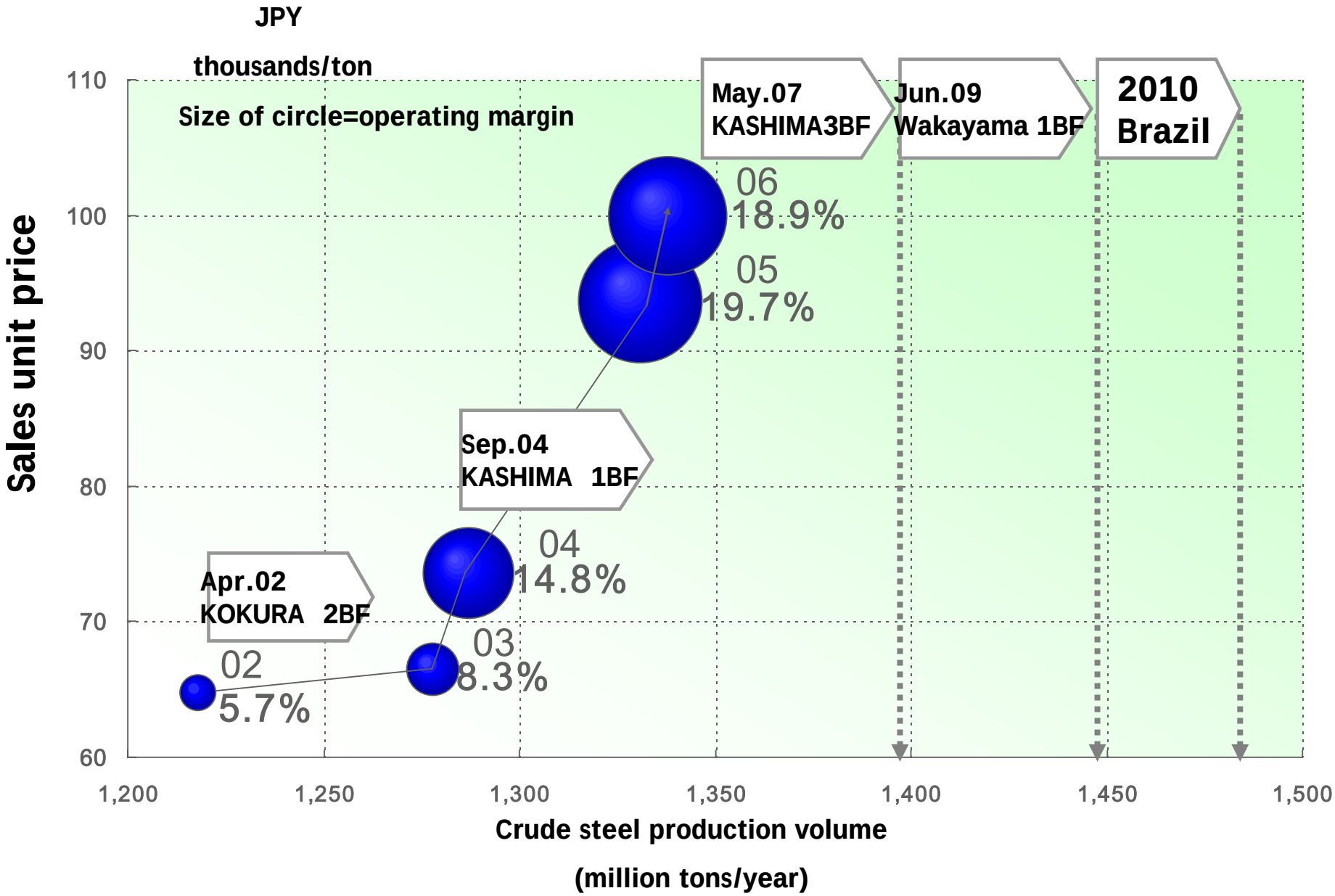
Direction of Growth



Results for the period Oct. ~ Dec. 2005

Size of circle=operating margin

Balanced Growth



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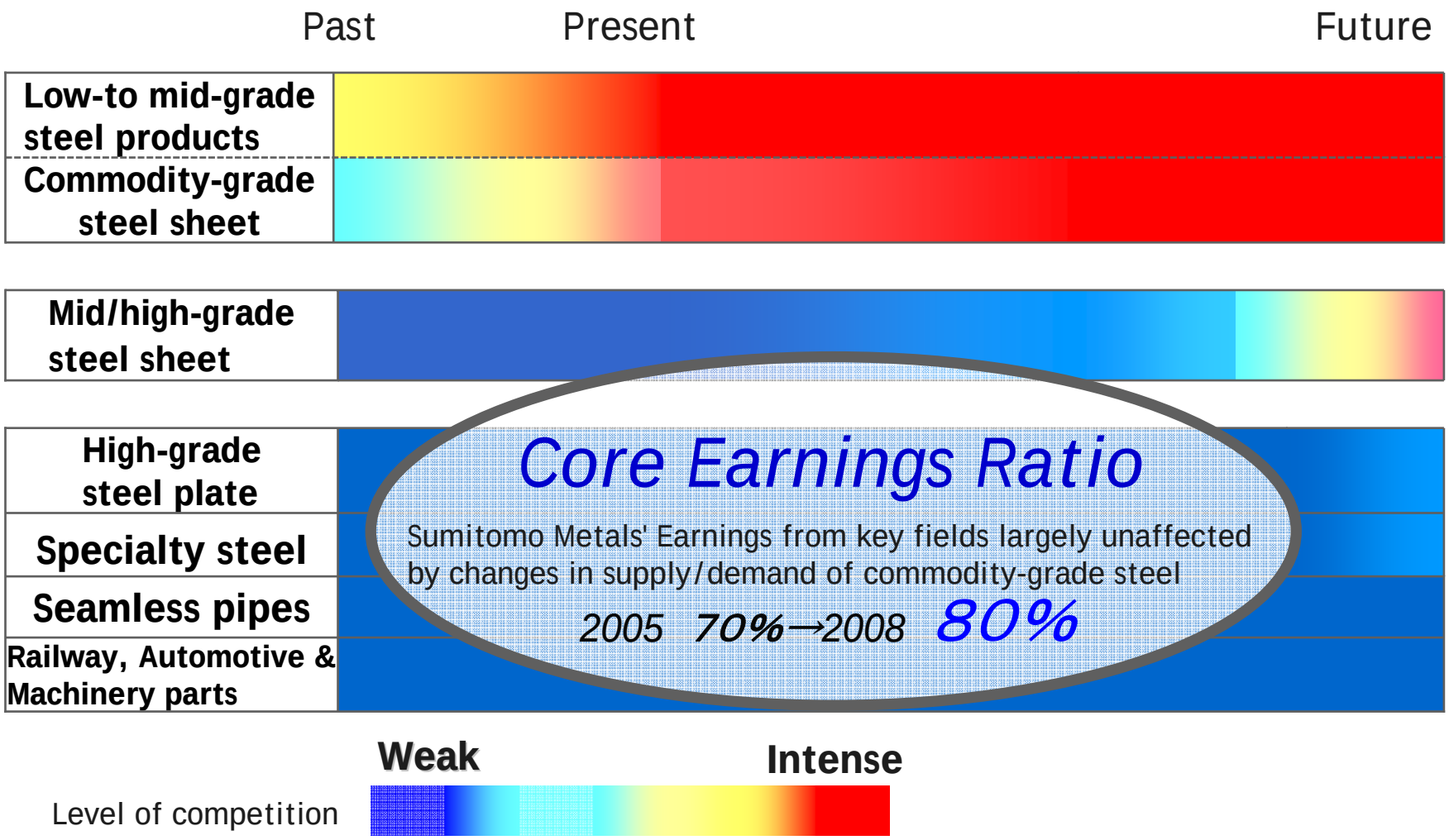
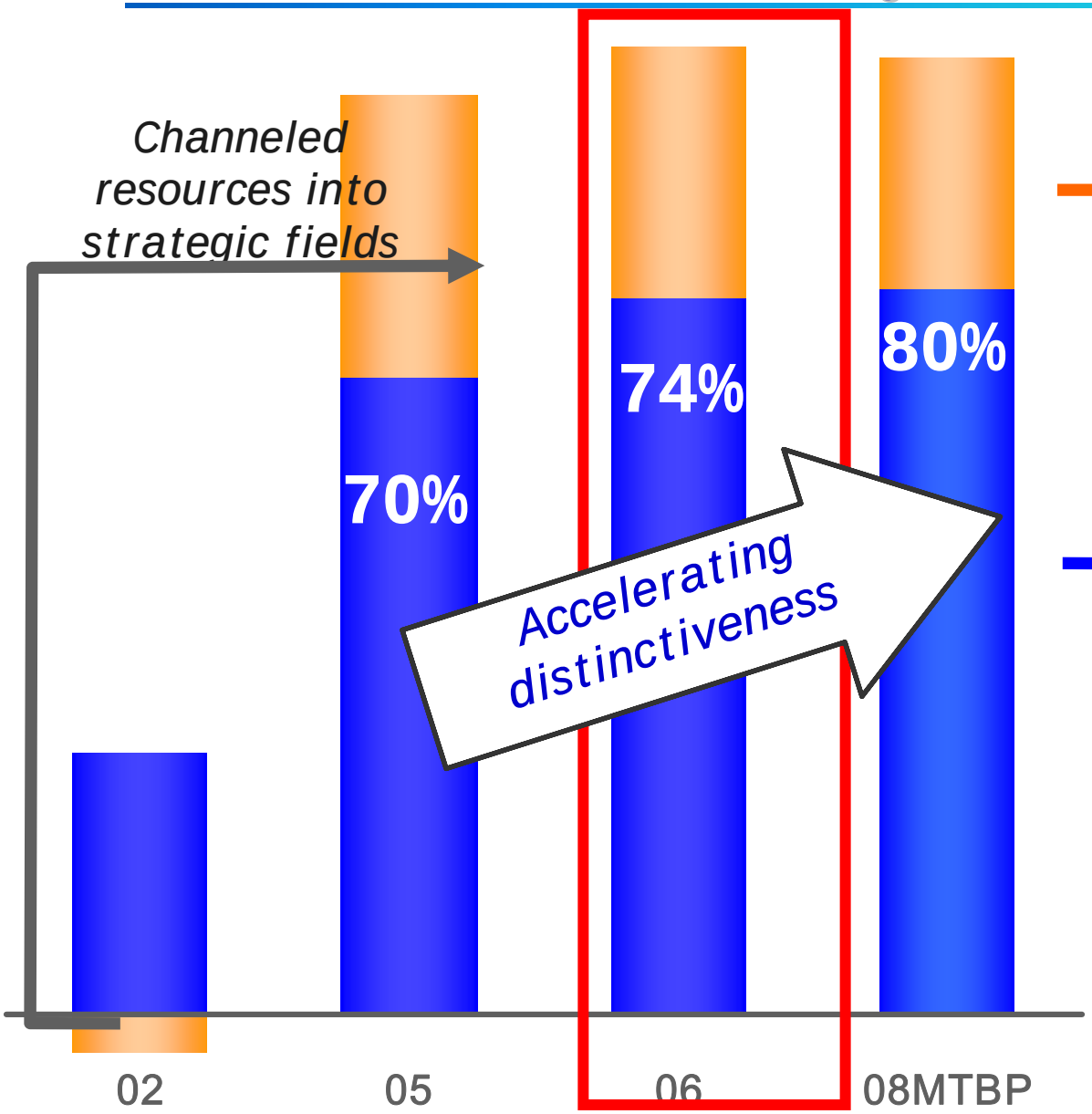
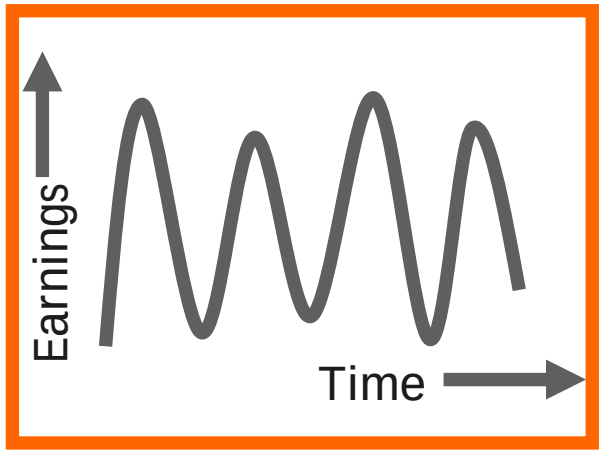
Structural Changes in the Market

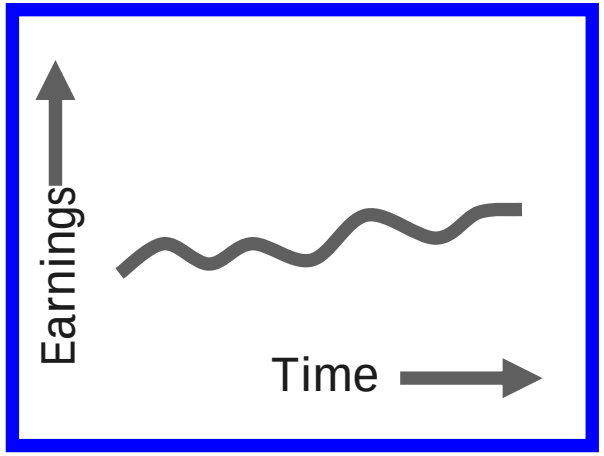
Steel supply/demand projections



Sumitomo Metals' Core Earnings



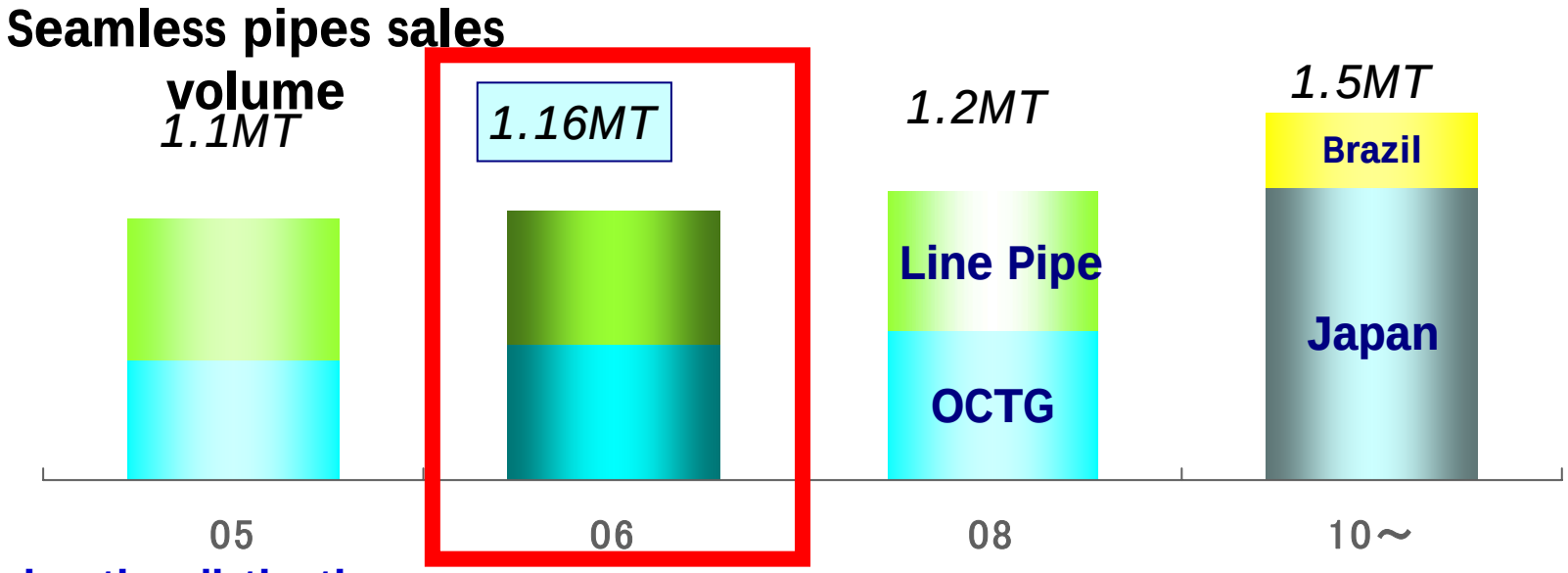




- Ratio= core operating earnings / consolidated operating profit

Energy Sector

Seamless Pipes



Accelerating distinctiveness

	Amount	Scheduled startup	Scale
Boost seamless pipe output	35 JPY billion	From first half of FY08	+100,000 tons/year
Boost stainless steel boiler tube output	6.5 JPY billion	From second half of FY07	+6,000 tons/year

Brazil New seamless pipe joint venture	(Total joint investment) ¥ Approx.200 bil	By mid 2010	+300,000 tons/year in sales

New Long-Term Contract with Statoil （May.07）

Super high-end & high-end OCTG 40,000 tons/Y × 5years（2008-2013）

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Energy Sector

Steel Plate/Large-diameter welded Pipe

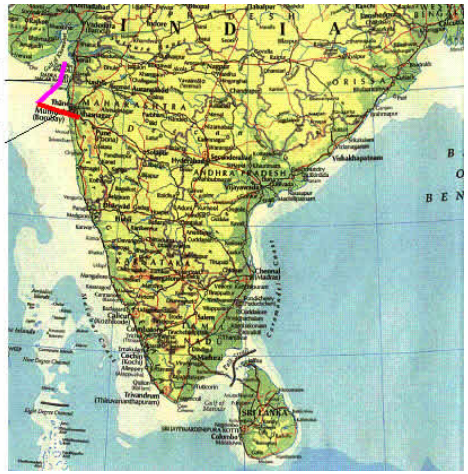
Accelerating distinctiveness

Focus on "high-strength" " high-tensile" "long-life"
Create dedicated sales team for energy sector

	Amount	Scheduled startup	Scale
Boost high-grade plate output	7 JPY billion	Q3 FY 07	+100,000 tons/year
Mass production of ultra-high-strength, large-diameter welded steel pipe (over x100)(*)	10 JPY billion	FY10	

(*) Figures not included in the Medium-Term Business Plan capital investment.

Sumitomo Metals Wins Major Contract for Indian Gas Pipeline Components (Mar.07)

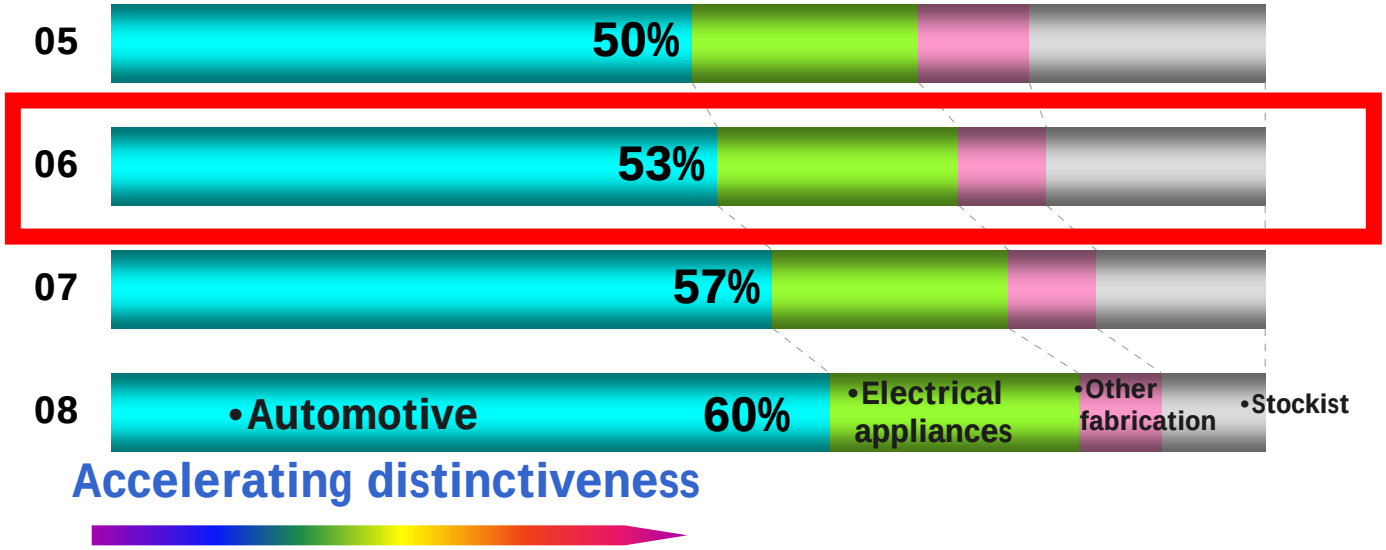


	Large-diameter welded pipe	Steel plate
Quantity	52,000 tons (Pipeline distance:150km)	7,800 tons

Automotive Sector

Steel Sheet

Breakdown of Sumitomo Metals' steel sheet orders by sector



Creating Network of Keiretsu Steel Service Centers (SSC) to Satisfy Customers

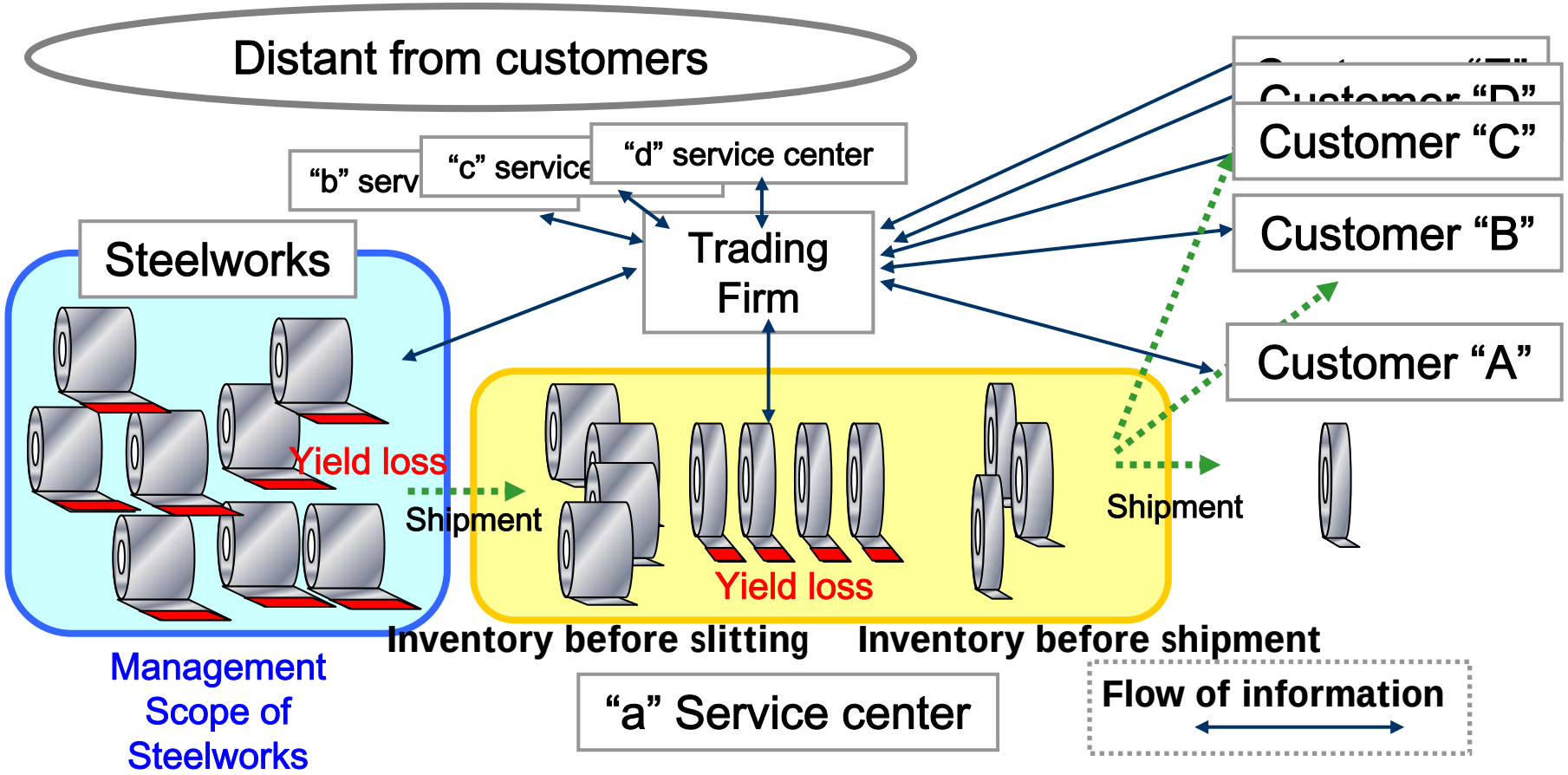
North Kanto SSC started operations in June 2006

First such center in Japan to be integrated with steelworks
(Inventory reduced 33% in six months)

Invest to build stronger customer base

	Amount	Scheduled startup	Scale
New CGL	17 JPY billion	Q3 FY 06	+300,000 tons/year
Continuous pickling line	9 JPY billion	Q2 FY07	+1,500,000 tons/year

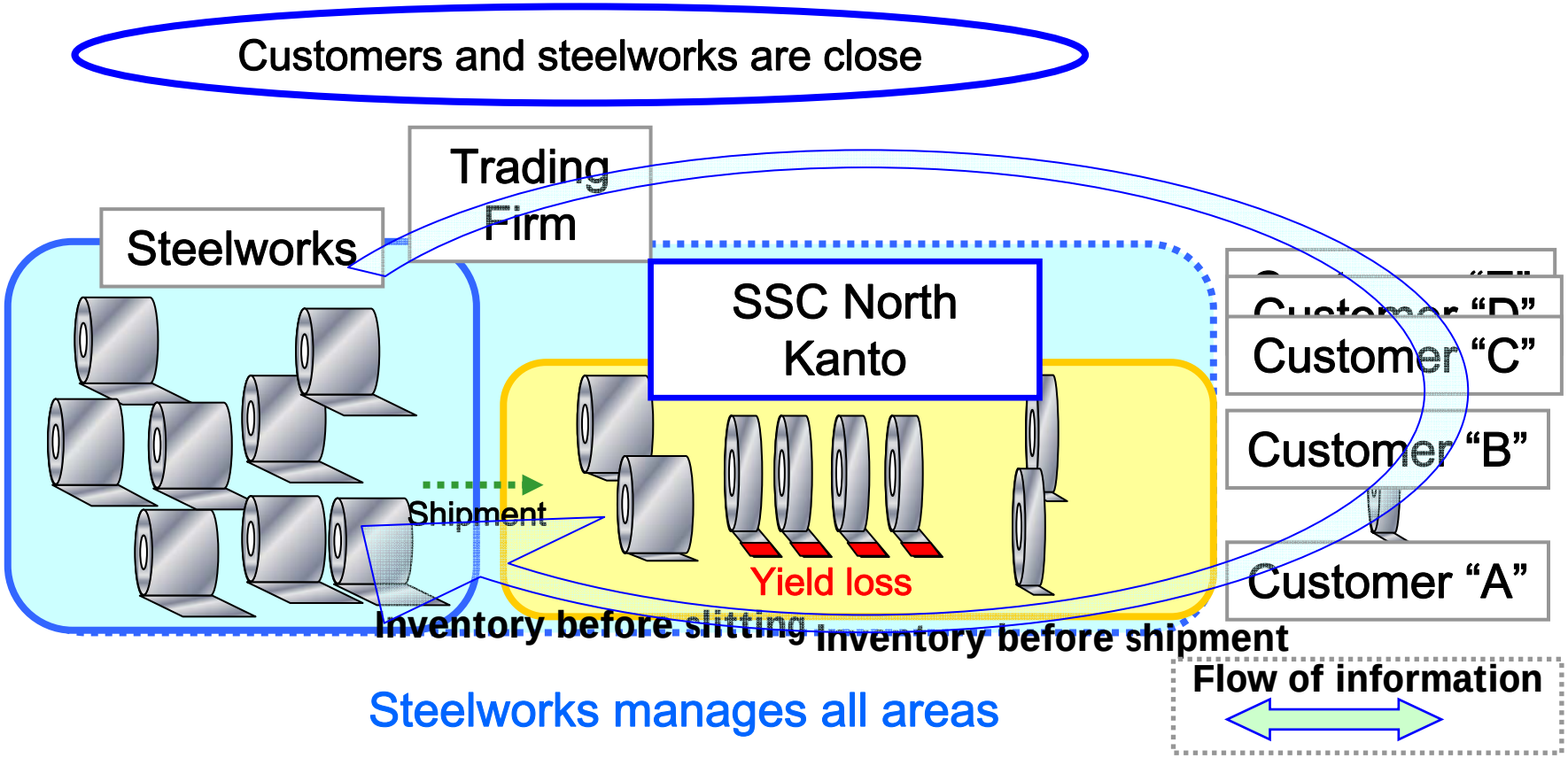
Steel Service Center: Prior to SSC North Kanto



✓Customer requirements not passed on to steelworks or take time to reach steelworks

✓Steelworks ships coils as "prime," thereby doubling yield loss and increasing inventory at service centers

SSC North Kanto: Part of the Steelworks



- **Positioned as a part of the steelworks (Managed by Sumitomo Metals)**
  → **Overall efficiency controlled as a whole in terms of inventory, yield and cost**

- **Customer requests received by everyone immediately** → **fast service**

Enhancing the Competitiveness of Steel Works

Kashima Steel Works

Goals: Output of 8 million tons/year, full capacity utilization, globally competitive on cost and quality

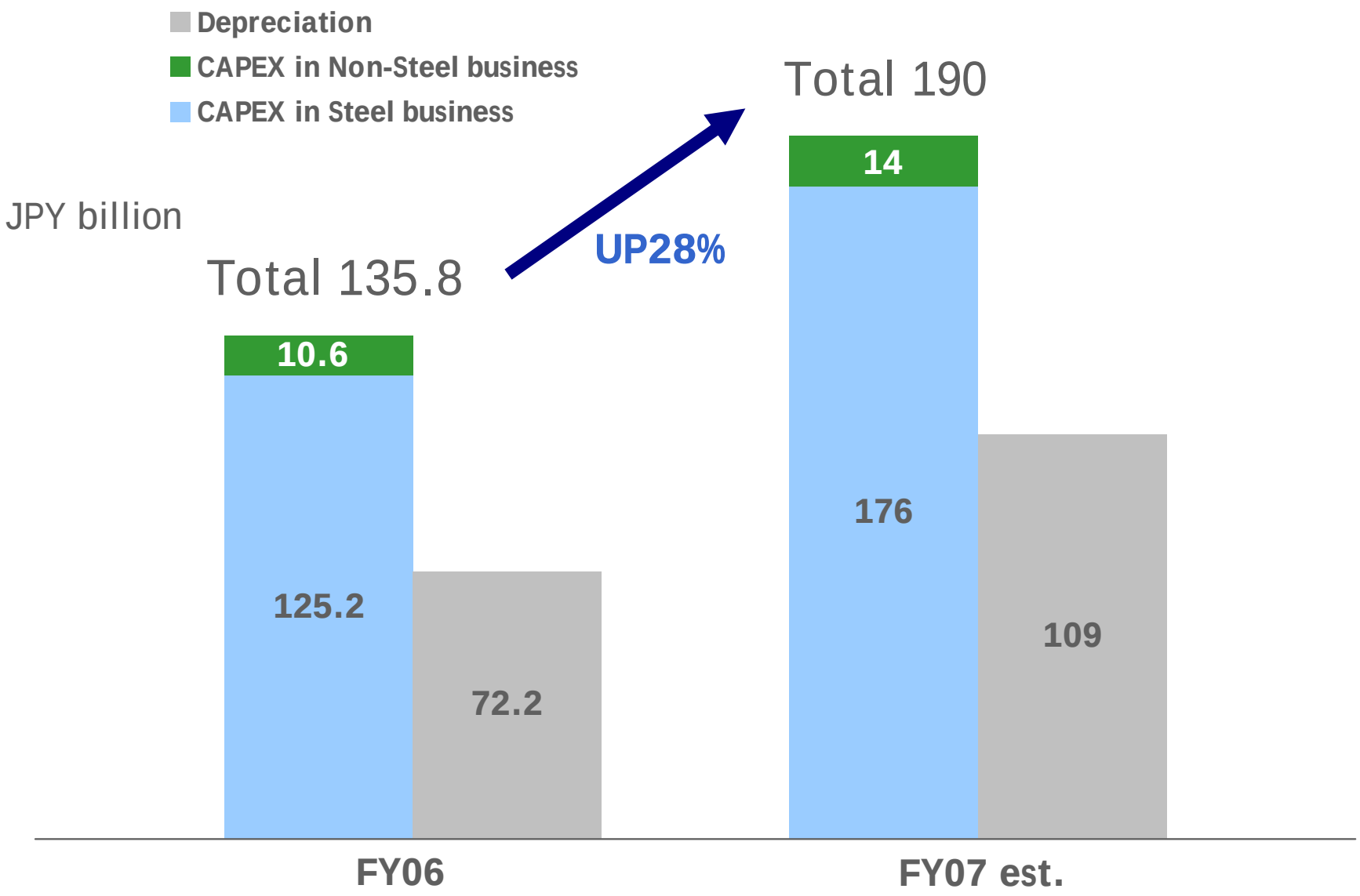
	Amount	Scheduled startup	Scale	
No. 3 Blast Furnace relining	29 JPY billion	1Q FY 07	+500,000 tons/year	Achieve output of 8 million tons/year
IPP (Independent Power Producer)	57 JPY billion	1Q FY07	500,000 KWH	Underpin stable earnings

Wakayama Steel Works

Goals: Leading brand in seamless pipes, full capacity utilization through long-term contracts for steel slab

	Amount	Scheduled startup	Scale	
Renewal of upstream processes	160 JPY billion	FY 10	+500,000 tons/year	Achieve output of 4.5 million tons/year
Environmental protection				Relocate coke ovens

Consolidated CAPEX and Depreciation for FY07



*CAPEX: Construction-base

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CAPEX Plan Update

Medium-term plan
Progress update
Added to medium-term plan

		CAPEX (¥billion)	FY06	FY07	FY08 ~
Sheets & Plates	The No.3 blast furnace renovation (Kashima)	29		May	
	New CGL & continuous pickling line (Kashima)	26			
				Aug	
	High-grade plate output increase (Kashima)	7		Sep	
Pipes & Tubes	Renewal of upstream processes (Wakayama)	160			New BF Jun.06 Mar.2010
	Cutting-edge seamless pipe output increase	35			Jun.08
	Stainless boiler tube output increase	6.5		Oct	
	Seamless pipe J/V in Brazil	200 (inc. Vallourec)			2010
Railway & Automobile Parts, Others	Wheel output increase	1.9		Mar	
	ICI 3rd line	8			Jan.09
	HSF 2nd			Nov	
	Steelmaking process innovations (Kokura)	23			Mar.10
	Independent Power Producer (Kashima)	57		Jun	

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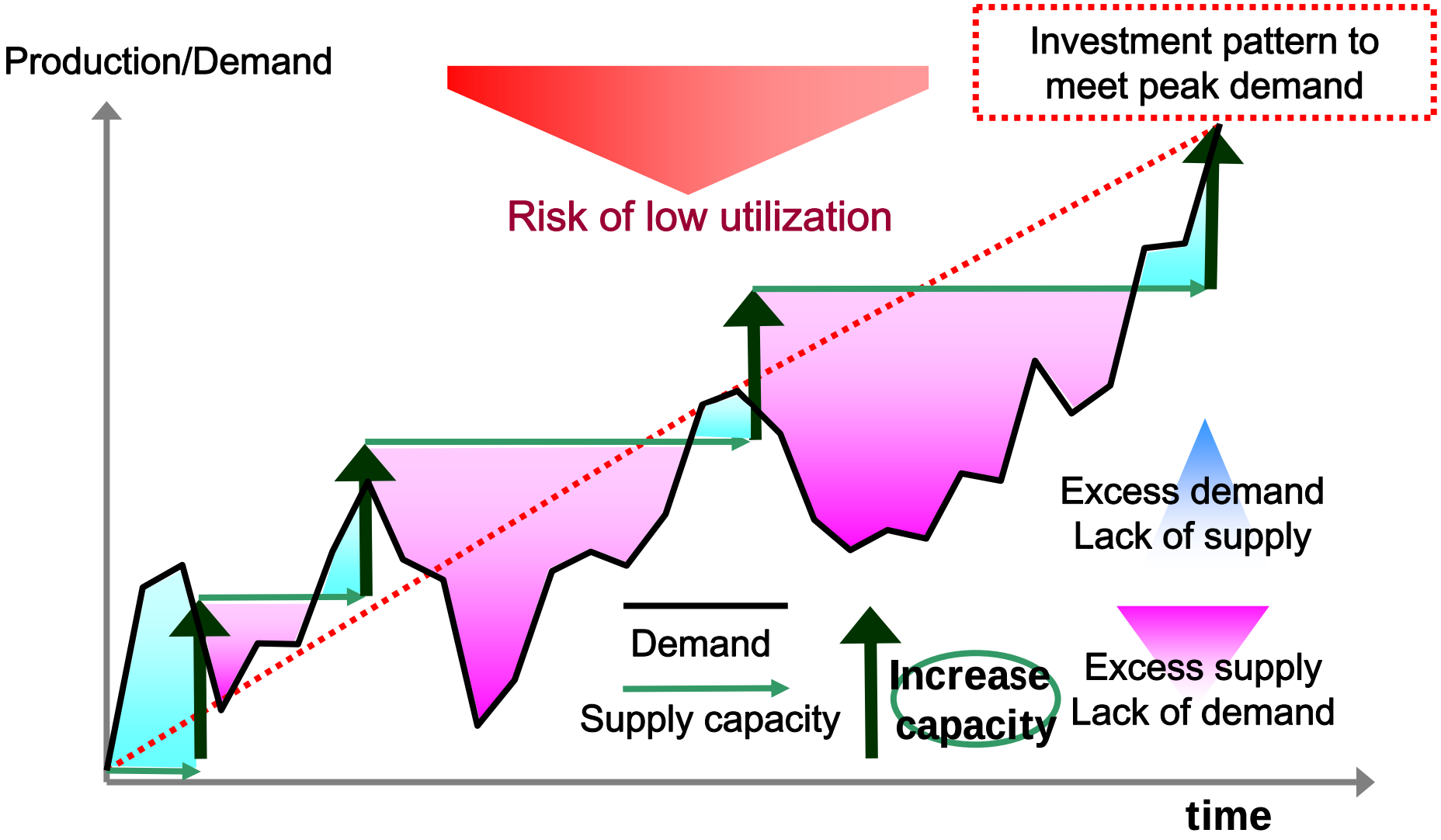
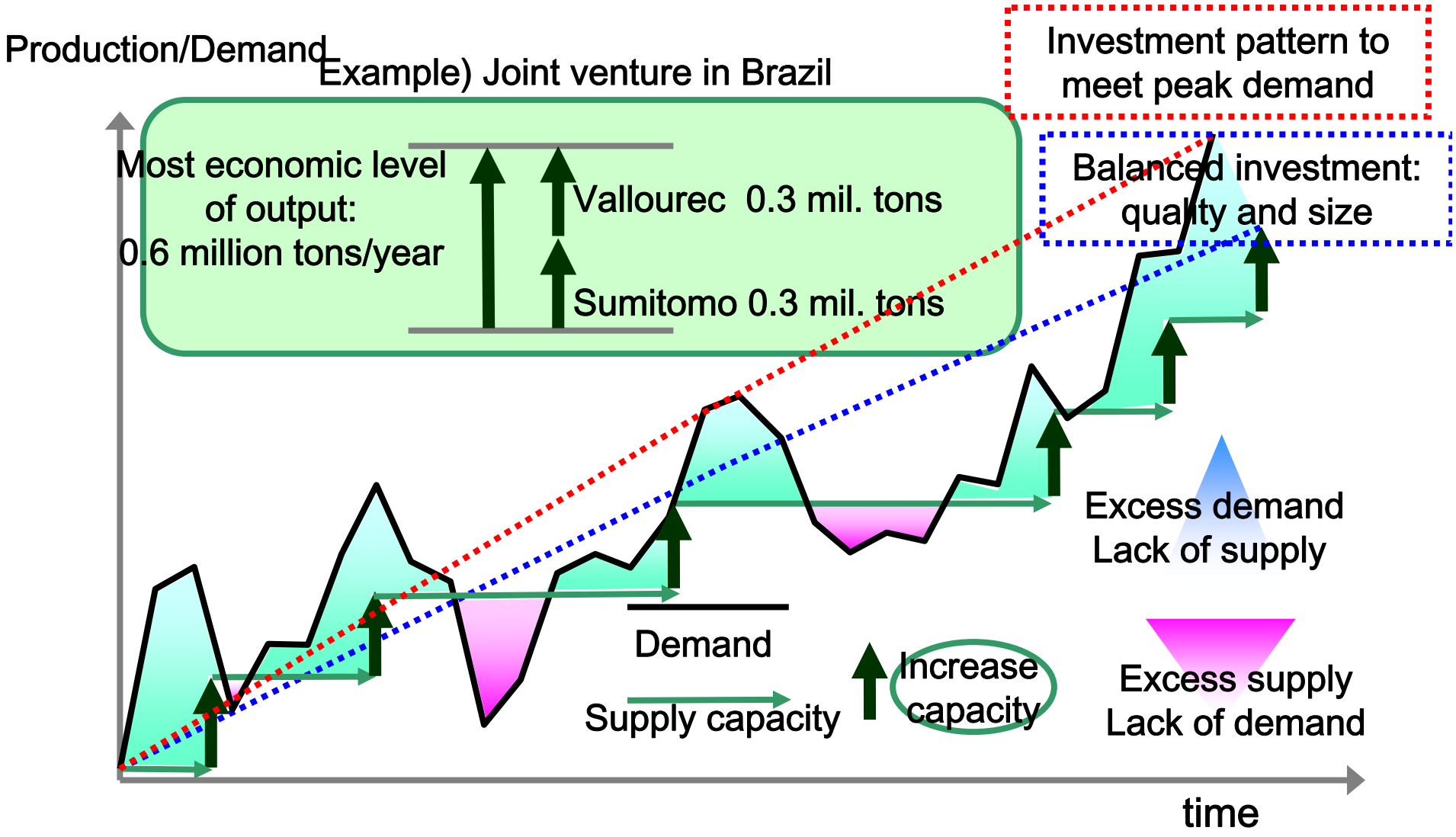
Pattern of CAPEX in Steel Industry

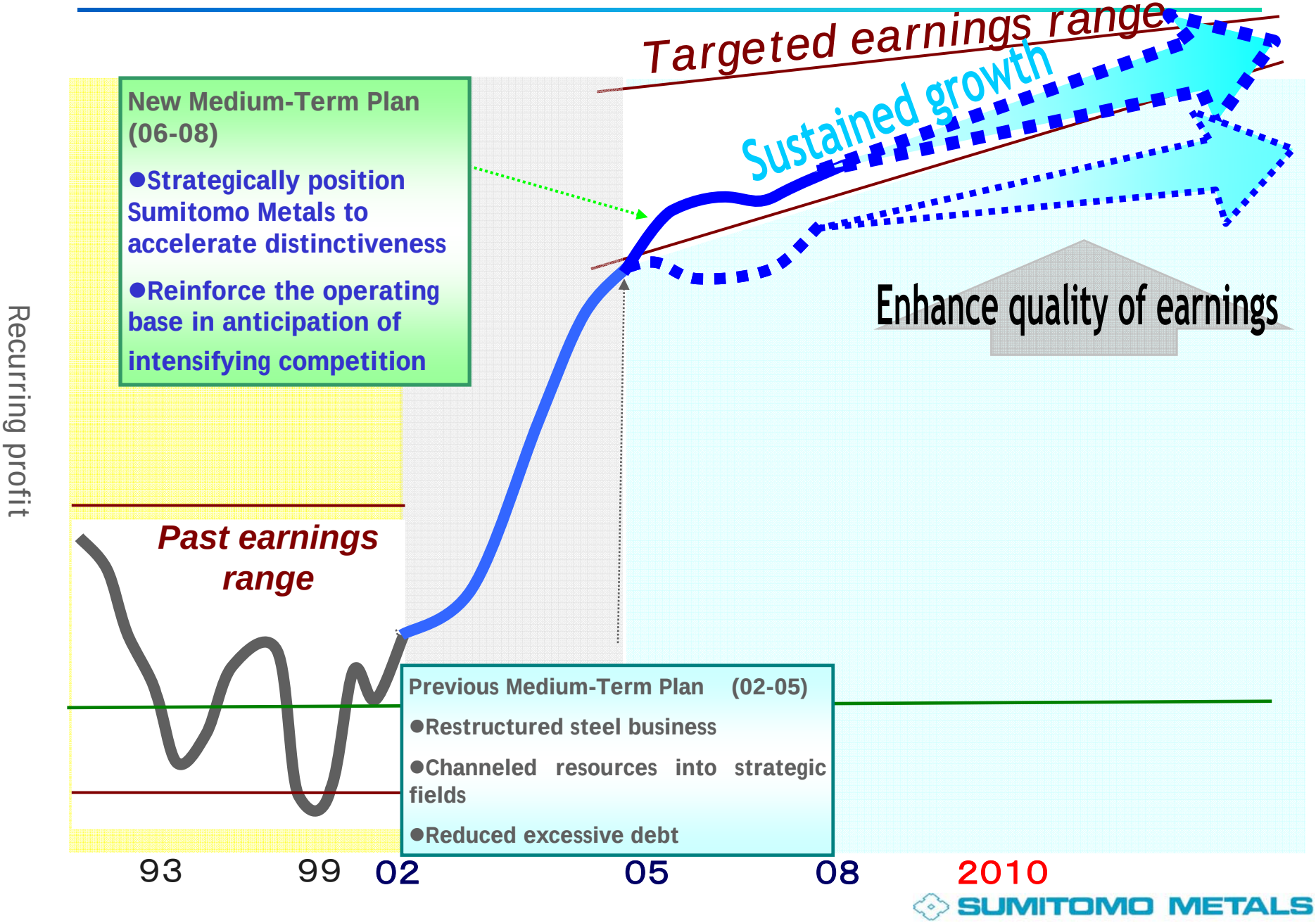


CAPEX to Boost Profitability



Constant Full Utilization of Capacity

Building a Solid Operating Base to Underpin Future Growth



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