

# Presentation for FY2004 (ending March 31, 2004)

May 13, 2004

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## Forward-looking Statement

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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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.

# I. FY2004 Results

## I Overview

< Consolidated >

(100 million yen)

	FY2003	FY2004	Change
Sales	12,246	11,208	△ 1,037
Operating profit	698	930	232
Recurring profit	413	687	274
Extraordinary profit and loss	△ 80	△ 288	△ 207
Corporate taxes and minority interests	△ 162	△ 91	70
Net income	170	307	137
Outstanding retained earnings	△ 114	119	234
Total assets	21,223	20,017	△ 1,206

< Non-consolidated >

(100 millions yen)

	FY2003	FY2004	Change
Sales	7,277	7,117	△ 159
Operating profit	486	736	249
Recurring profit	292	577	285
Extraordinary profit and loss	△ 72	△ 324	△ 251
Corporate taxes, etc.	△ 100	△ 16	84
Net income	119	237	117
Outstanding retained earnings	503	668	165
Total assets	15,818	15,178	△ 640

## 2. Sales and operating profit

< Consolidated >					(100 million yen)	
	FY2003		FY2004		Change	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Steel	9,603	667	9,620	934	17	267
Engineering	786	△ 5	688	△ 37	△ 97	△ 31
Electronics	762	△ 8	466	4	△ 296	13
Other	1,094	64	432	42	△ 661	△ 21
(Elimination method)		(△ 19)		(△ 14)		(5)
Total	12,246	698	11,208	930	△ 1,037	232

### Reasons for change ←

	Reasons
Steel	Increase in profit due to improvements in sales prices and costs
Engineering	Decrease in income and a larger deficit due to the restraint of public-sector investment
Electronics	Income decreased due to the business transfer of Sumitomo Metal System Solutions; however, the profit/loss situation improved.
Other	Decrease in income due to the transfer of Kokura Enterprise Co., Ltd and Sumikin Chemical

<Non-consolidated> (100 million yen)

		FY2003	FY2004	Change
		Sales	Sales	Sales
	Steel	6,508	6,456	△ 52
	Engineering	768	661	△ 107
	Electronics	-	-	-
		7,277	7,117	△ 159

	FY2003	FY2004	Change
Exchange rate	yen/US dollar 122	113	Up 9 yen
Sales volume	10,000 tons 1004	971	△ 33
Average price of steel products	1,000 yen/ton 64.8	66.5	1.7

Price fluctuation	4.1
Exchange rate fluctuation	△ 2.0
Change in product mix	△ 0.4
<hr/>	
Total	1.7



### 3. Change in consolidated recurring profit

FY'03 →FY'04		Increase by 27.4 billion yen	
Reasons for improvement of profit & loss		Reasons for deterioration of profit & loss	
(100 million yen)		(100 million yen)	
Cost improvement (Note)	150	Exchange rate fluctuation	△ 100
Change in sales environment, etc.	459	Raw material price	△ 170
		Loss from disaster in Kashima Steel Works	△ 50
		Equity in earnings and losses of unconsolidated subsidiaries and associated companies	△ 15
<b>Total</b>	<b>609</b>		<b>△ 335</b>

1st half of FY'04→2nd half of FY'04		Increase by 9.8 billion yen	
Reasons for improvement of profit & loss		Reasons for deterioration of profit & loss	
(100 million yen)		(100 million yen)	
Cost improvement (Note)	25	Exchange rate fluctuation	△ 55
Profit/loss on equity method	31	Raw material price	△ 100
Change in sales environment, etc.	247	Loss from disaster in Kashima Steel Works	△ 50
<b>Total</b>	<b>303</b>		<b>△ 205</b>

#### 4. Non-recurring profit and loss

< Consolidated >

(100 million yen)

	FY2003	FY2004
Gain on sales of investment securities	57	63
Extraordinary profit from expropriation	—	79
Reversal of special repair reserve	65	—
Gain resulting from reorganization	231	—
Other non-recurring profit	7	—
<b>Total non-recurring profit</b>	<b>362</b>	<b>143</b>
Provision for employees' retirement benefits	△ 69	△ 69
Loss on disposal of fixed assets	△ 90	△ 253
Loss resulting from reorganization	△ 123	△ 8
Loss resulting from reorganization of silicon wafer business	—	△ 80
Loss from disaster in Kashima Steel Works	—	△ 19
Loss on sales of investment securities	△ 59	—
Loss on devaluation of investment securities	△ 91	—
Other non-recurring loss	△ 8	—
<b>Total non-recurring loss</b>	<b>△ 442</b>	<b>△ 431</b>
<b>Total non-recurring profit and loss</b>	<b>△ 80</b>	<b>△ 288</b>

## 5. Cash flow

< Consolidated >

(100 million yen)

	FY2003	FY2004	Change
Cash flow from operations (excluding special retirement benefits)	1,847	2,208	361
Special retirement benefits	△ 235	-	235
Cash flow from investments	583	△ 274	△ 857
Cash flow from financing	△ 1,649	△ 2,408	△ 759
Cash and cash equivalents at the end of FY	1,217	740	△ 476

## 6. Consolidated shareholder's equity

(100 million yen)

	FY2003	FY2004	Change
Opening balance of additional paid-in capital	1,394	607	△ 786
Issuing new shares by share exchange	-	10	10
Gains on disposal of treasury stocks	-	0	0
Allocation of new shares to third parties to increase capital	229	-	△ 229
Decrease due to disposition of additional paid-in capital	△ 1,016	-	1,016
Closing balance of additional paid-in capital	607	618	11
Opening balance of retained earnings	△ 1,275	△ 114	1,161
Net income	170	307	137
Increase due to disposition of additional paid-in capital	1,016	-	△ 1,016
Dividend	-	△ 71	△ 71
Decrease due to exceptions to consolidation, etc.	△ 26	△ 1	24
Closing balance of retained earnings	△ 114	119	234

Supplementary figures

(1) Financial income and expenditure

< Consolidated > (100 million yen)

	FY2003	FY2004
Interest earned and dividend received	43	52
Interest payments	△ 241	△ 228
Financial income and expenditure	△ 198	△ 175

< Non-consolidated > (100 million yen)

	FY2003	FY2004
Interest earned and dividend received	56	55
Interest payments	△ 158	△ 143
Financial income and expenditure	△ 101	△ 88

(2) Investment and depreciation (Tangible fixed assets)

< Consolidated > (Acceptance base, 100 million yen)

		FY2003	FY2004
Investment A	Steel	464	636
	Non-steel	45	35
	Total	509	671
Depreciation B		917	783
B-A		408	111

< Non-consolidated > (Acceptance base, 100 million yen)

		FY2003	FY2004
Investment A		288	488
Depreciation B		589	487
B-A		301	△ 0

(3) Steel sales by internal company

< Consolidated >

(100 million yen)

Internal company	FY2003	FY2004	Change
Steel Sheet, Plate, Titanium & Structural	5,375	5,526	150
Pipe & Tube	2,336	2,295	△ 40
Railway, Automotive & Machinery Parts	664	674	10

< Non-consolidated >

(10,000 tons, 100 million yen)

Internal company	FY2003		FY2004	
	Volume	Value	Volume	Value
Steel Sheet, Plate, Titanium & Structural	842	4,329	803	4,291
Pipe & Tube	147	1,645	151	1,607
Railway, Automotive & Machinery Parts	16	533	18	557

Change	
Volume	Value
△ 39	△ 37
4	△ 38
2	23

(4) Steel business (Domestic/export sales)

< Non-consolidated >

(10,000 tons, 100 million yen)

	FY2004	
	Volume	Value
Domestic	563	3,956
Export	408	2,499
Total	971	6,456

< Non-consolidated >

Percentage of total exports per region

(%, value basis)

	FY2004
Asia	67
North America	7
Middle East	8
EU	3
Other	15

## II. FY2005 Targets

1-(1) Basis for FY2005 performance targets

		FY2004 results	FY2005 targets
Exchange rate	yen/US dollar	113	105
Japan total crude steel production	Million tons	111	Approx. 109
SMI Group crude steel production (*)	10,000 tons	1,278	Same level as for FY2004

(\*) includes Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu), and Sumikin Iron & Steel Corporation

Exchange balance	(100 million US dollars/year)	
(US dollar receipt excess)	Non-consolidated	11
	Group companies	0
	Consolidated	11

1-(2) Targets

< Consolidated >

(100 million yen)

	FY2004 results	FY2005 targets		Change from previous year
		1st half FY2005 targets		
Sales	11,208	5,300	11,300	92
Operating profit	930	350	950	20
Recurring profit	687	200	700	13
Extraordinary profit and loss	△ 288	△ 35	△ 100	188
Corporate taxes and minority interests	△ 91	△ 65	△ 250	△ 159
Net income	307	100	350	43

< Non-consolidated >

	FY2004 results	FY2005 targets		Change from previous year
		1st half FY2005 targets		
Sales	7,117	3,200	6,900	△ 217
Operating profit	736	250	650	△ 86
Recurring profit	577	150	450	△ 127
Extraordinary profit & loss	△ 324	△ 20	△ 60	264
Corporate taxes, etc.	△ 16	△ 50	△ 140	△ 124
Net income	237	80	250	13

1-(3) Sales and operating profit

<Consolidated>

(100 million yen)

	FY2004 results		1st half FY2005 targets		FY2005 targets		Change from previous year	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Steel	9,620	934	4,650	350	9,750	930	Approx. 130	Almost flat
Engineering	688	△ 37	200	△ 20	600	△ 10	△ 90	Approx. 30
Electronics	466	4	250	10	550	20	Approx. 80	Approx. 20
Other	432	28	200	10	400	10	Approx. △30	Approx. △20
Total	11,208	930	5,300	350	11,300	950	Approx. 90	Approx. 20

1-(4) Change in consolidated recurring profit

FY2004→FY2005

Increase by 1.3 billion yen (68.7 billion yen →70 billion yen)

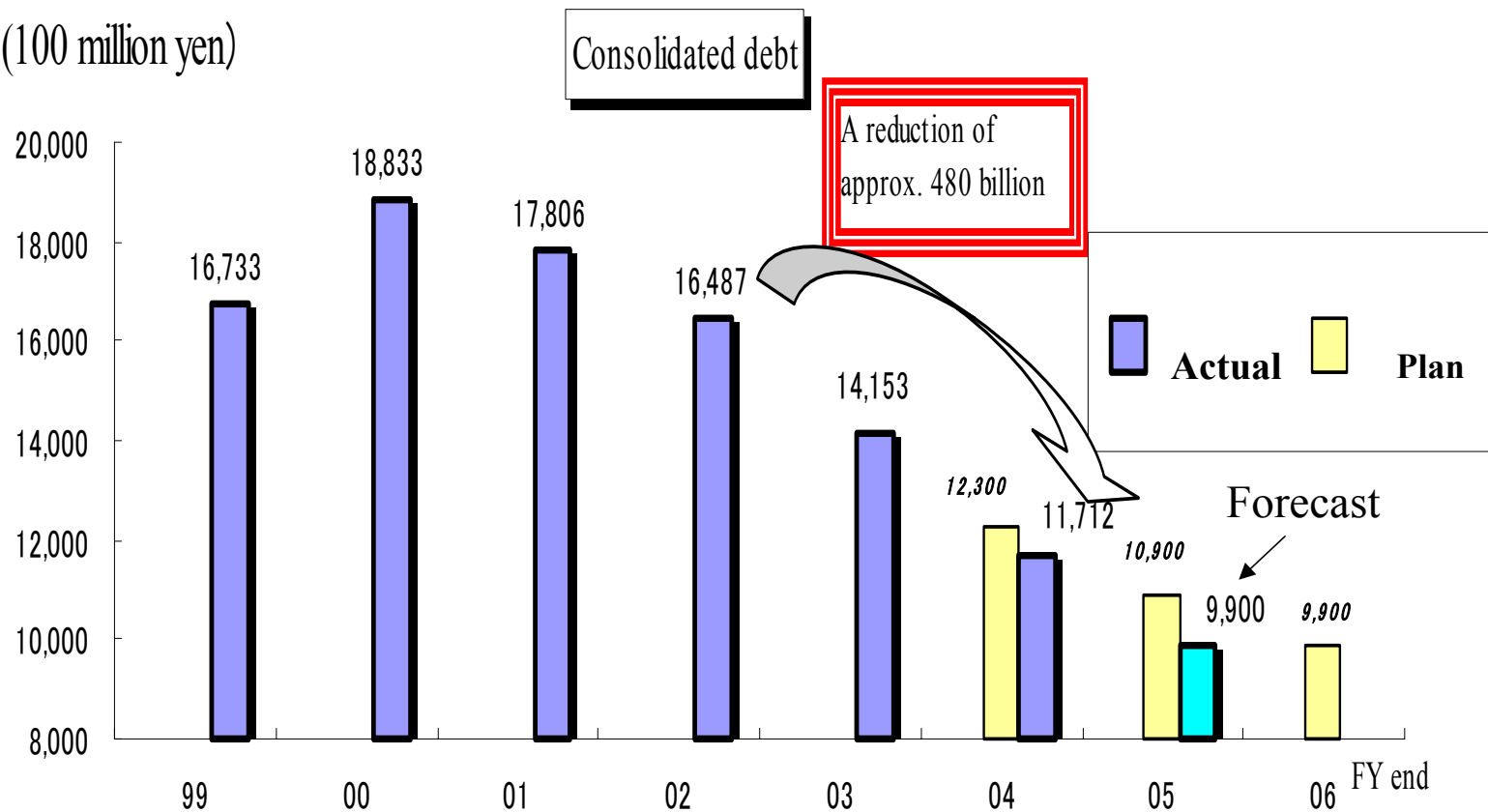
Reasons for expected improvement of profit and loss		Reasons for expected deterioration of profit and loss	
	(100 million yen)		(100 million yen)
Change in sales environment, etc.	Approx. 800	Exchange rate fluctuation	△ 90
		Raw material prices, etc.	Approx. △700
Total	Approx. 800	Total	Approx. △800

Second half of FY2004 → 1st half of FY2005 Decrease by 19.2 billion yen (39.2 billion yen→20 billion yen)

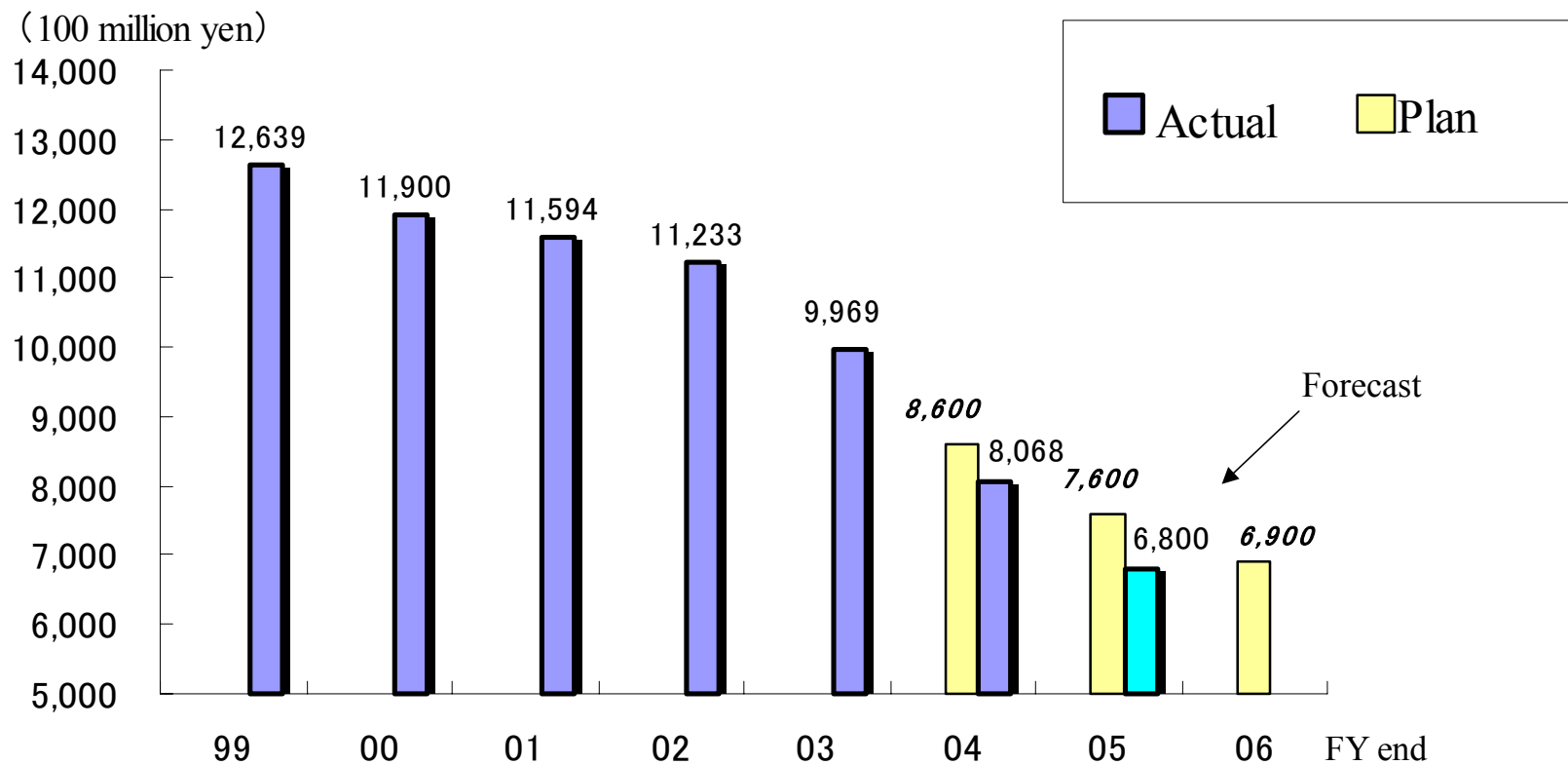
Reasons for expected improvement of profit and loss		Reasons for expected deterioration of profit and loss	
	(100 million yen)		(100 million yen)
Change in sales environment, etc.	Approx. 100	Exchange rate fluctuation	△ 15
		Raw material prices, etc.	△ little under 300
Total		Total	Approx. △300

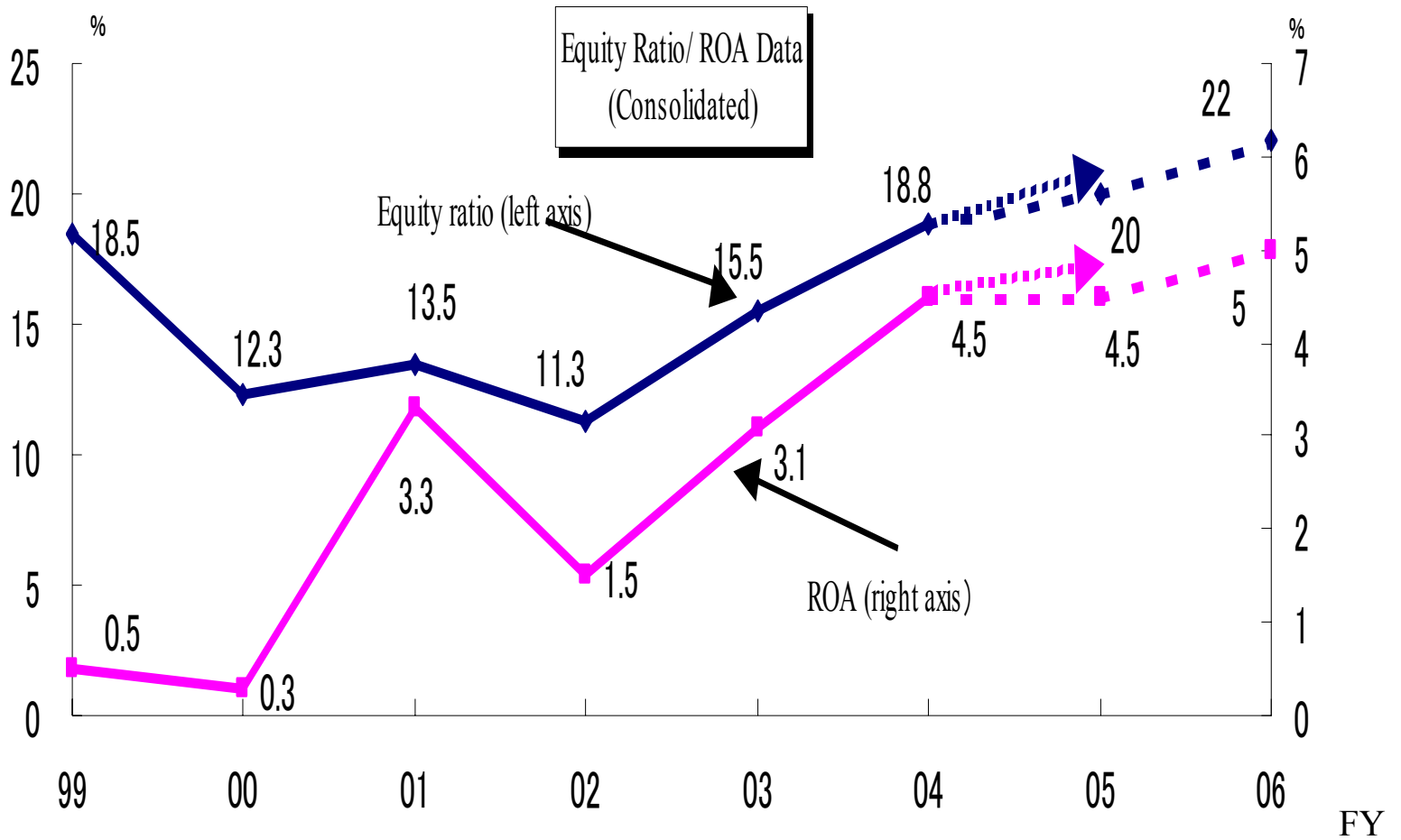
## 2. Progress of the Medium-Term Business Plan (FY2003--FY2006)

(100 million yen)



# Non-consolidated debt





## Achievement of financial goals

< Consolidated >

	FY2003	FY2004	FY2005 targets
Sales	12,246	11,208	11,300
Operating profit	698	930	950
<b>Return On Assets (ROA)</b>	<b><u>3.1%</u></b>	<b><u>4.5%</u></b>	<b><u>5%</u></b>
Recurring profit	413	687	700
Total assets	21,223	20,017	19,000
<b>Outstanding debt</b>	<b><u>14,153</u></b>	<b><u>11,712</u></b>	<b><u>9,900</u></b>
Shareholders' equity	3,287	3,760	4,038
<b>Equity ratio</b>	<b><u>15.5%</u></b>	<b><u>18.8%</u></b>	<b><u>21%</u></b>
D/E ratio	4.3 times	3.1 times	2.5 times

### Medium-term Business Plan

(100 million yen)

	FY2005	FY2006
		10,000
		940
		<b><u>5%</u></b>
		700
		18,500
	<b><u>10,900</u></b>	<b><u>9,900</u></b>
	3,750	4,150
	<b><u>20%</u></b>	<b><u>22%</u></b>
3 times or less		2.4 times

Japan total crude steel  
production: 95 million tons  
115 yen/dollar

< Non-consolidated >

Medium-term Business Plan

	FY2003	FY2004	FY2005 target
Sales	7,277	7,117	6,900
Operating profit	486	736	650
<b>Return On Assets (ROA)</b>	<b><u>3.0%</u></b>	<b><u>4.8%</u></b>	<u>4.5%</u>
Recurring profit	292	577	450
Total assets	15,818	15,178	14,000
<b>Outstanding debt</b>	<b><u>9,969</u></b>	<b><u>8,068</u></b>	<u>6,800</u>
Shareholders' equity	3,719	4,149	4,327
<b>Equity ratio</b>	<b><u>23.5%</u></b>	<b><u>27.3%</u></b>	<u>31%</u>
D/E ratio	2.7 times	1.9 times	1.6 times

(100 million yen)

FY2005	FY2006
	6,200
	700
	<b><u>5%</u></b>
	500
	13,800
<b><u>7,600</u></b>	<b><u>6,900</u></b>
4,100	4,320
<b><u>29%</u></b>	<b><u>32%</u></b>
2 times or less	1.6 times

# Achieve the best possible reputation with customers

## Recent awards from customers

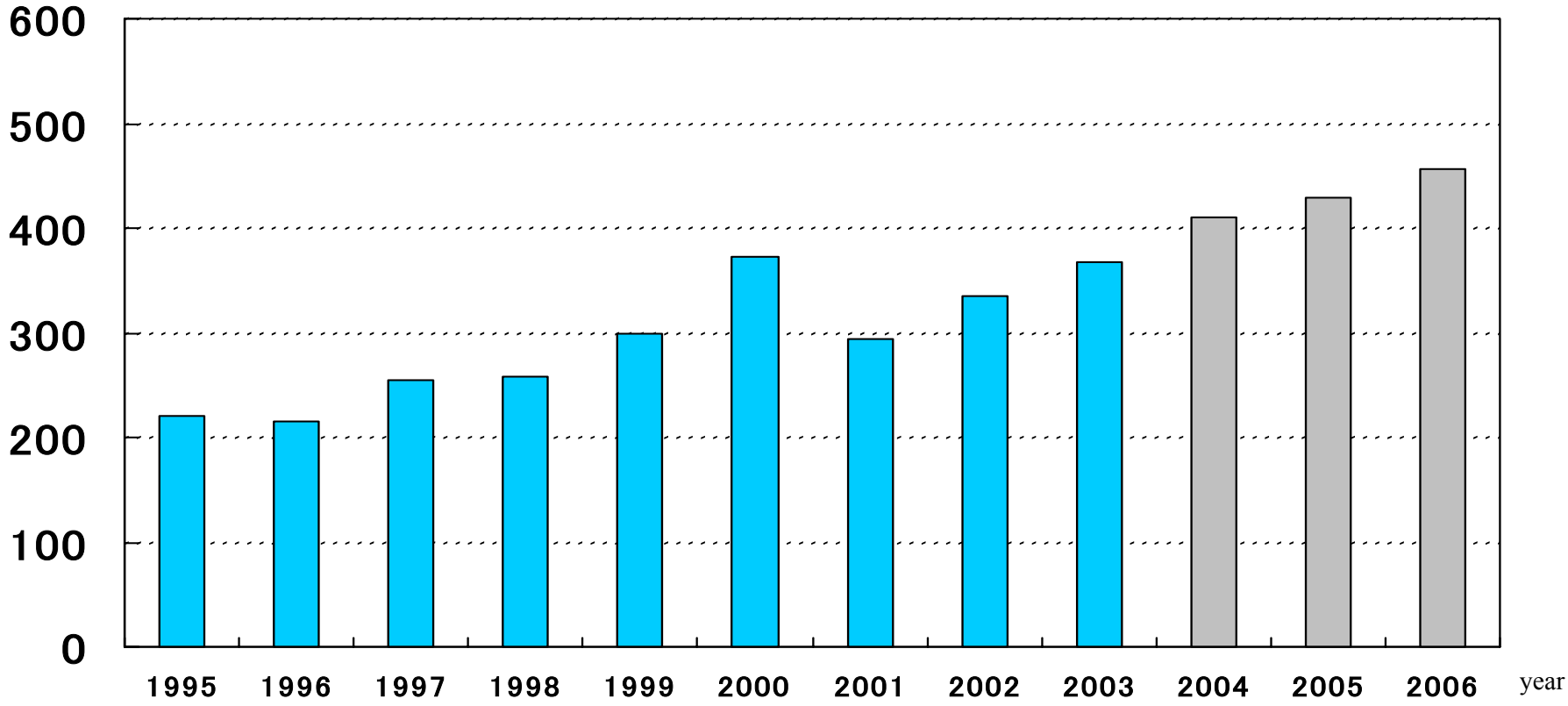
Date of awards	Customer	Award name	Awarded for	SMI division awarded
04/1	Suzuki Motor Corporation	Commendation (three consecutive years )	High product quality, VE/VA(value analysis/value engineering) suggestions	Steel Sheet
04/1	Mitsubishi Electric Corporation	VA Suggestion Excellence Award	VA suggestions	Steel Sheet
04/2	Yamaha Motor Co., Ltd.	Commendation (first as steel manufacturer)	Steady supply of steel sheet, VE/VA suggestions	Steel Sheet
04/2	Toyota Motor Corporation	Award for Quality Performance "Superior"	Zero defects in delivered goods for three consecutive years	Steel Sheet
		Award for Technology & Development	Development of center pillar components for the new Toyota Prius	
		Award for Mass Engineering		
04/3		Commendation	Contribution to the development of V6 engines for the newest model of the Crown passenger car	Railway Automotive & Machinery Parts
04/3	Aisin Takaoka Co., Ltd.	Award for Quality Performance "Superior"	High product quality	Steel Sheet
04/4	Fuji Heavy Industries Ltd.	“Best Quality” Award (two consecutive years)	Zero defects in delivered goods for two consecutive years	Steel Sheet

### 3. Current State of Silicon Wafer Business

<Sumitomo Mitsubishi Silicon Corporation (SUMCO) >

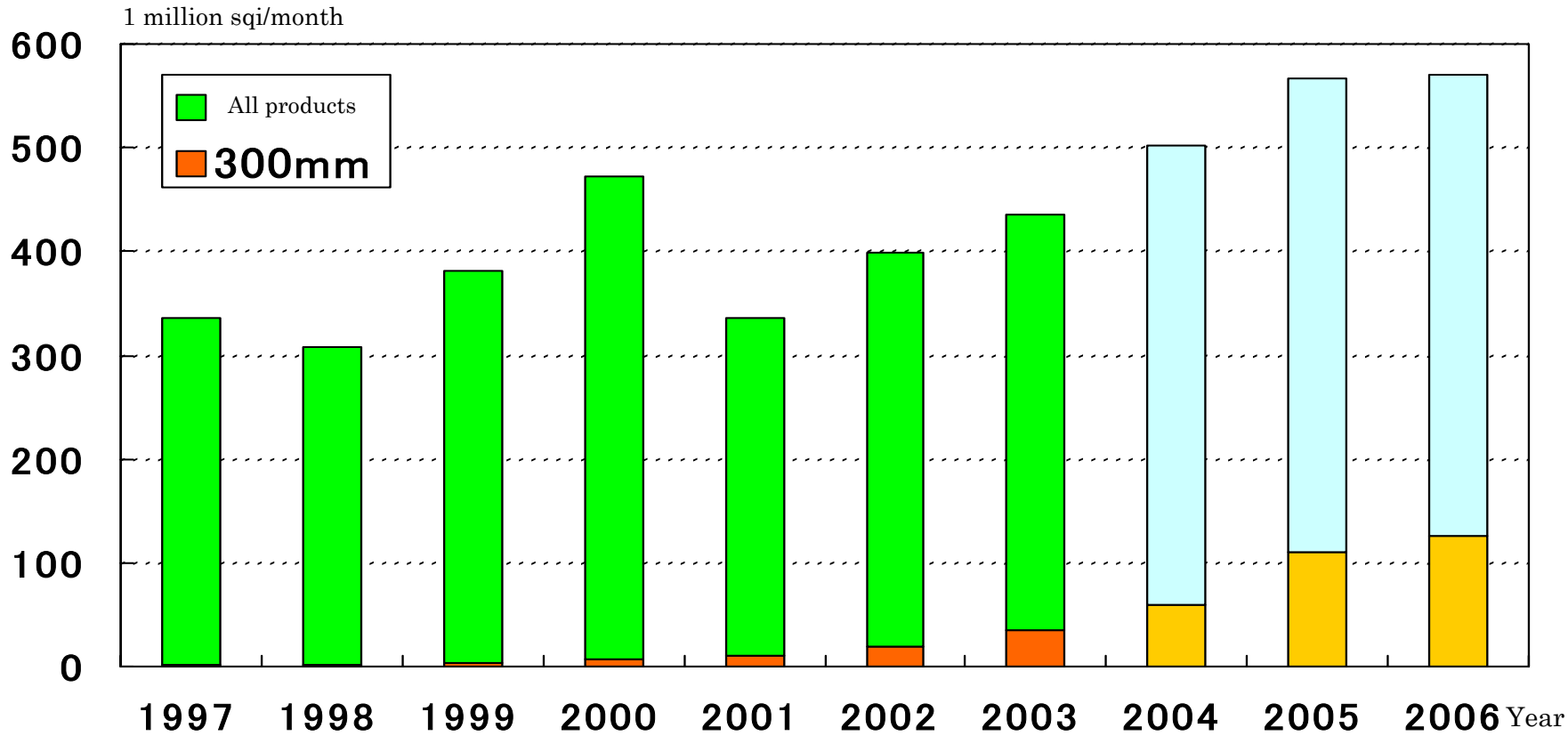
# Change in the volume of world semiconductor shipment

(1 billion pcs/year)



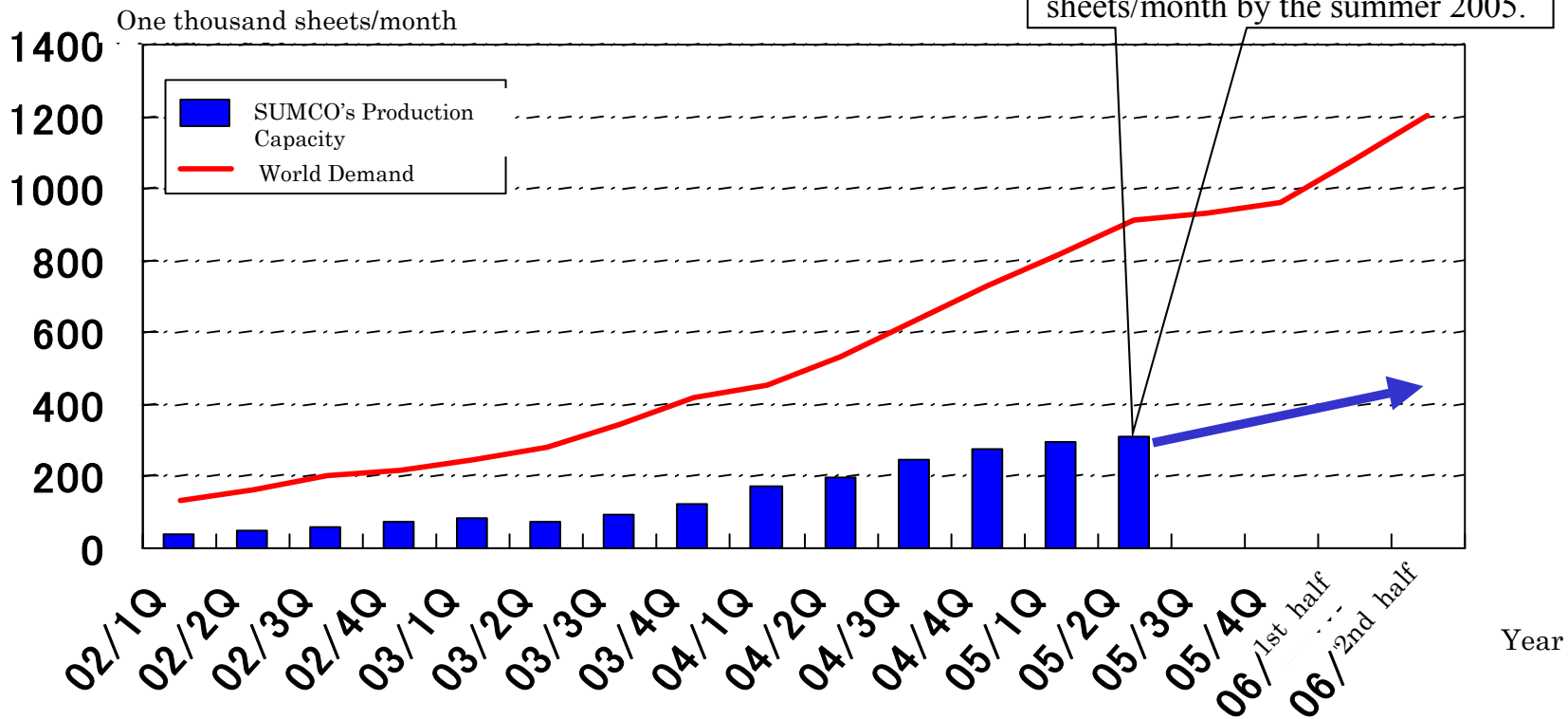
(Estimated by SUMCO based on WSTS)

# Forecast of Silicon Wafer Demand



(Source: Gartner Feb. 2004)

# Forecast of 300mm Silicon Wafer Demand and SUMCO's Production Capacity

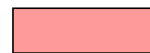


(Estimates by SUMCO)

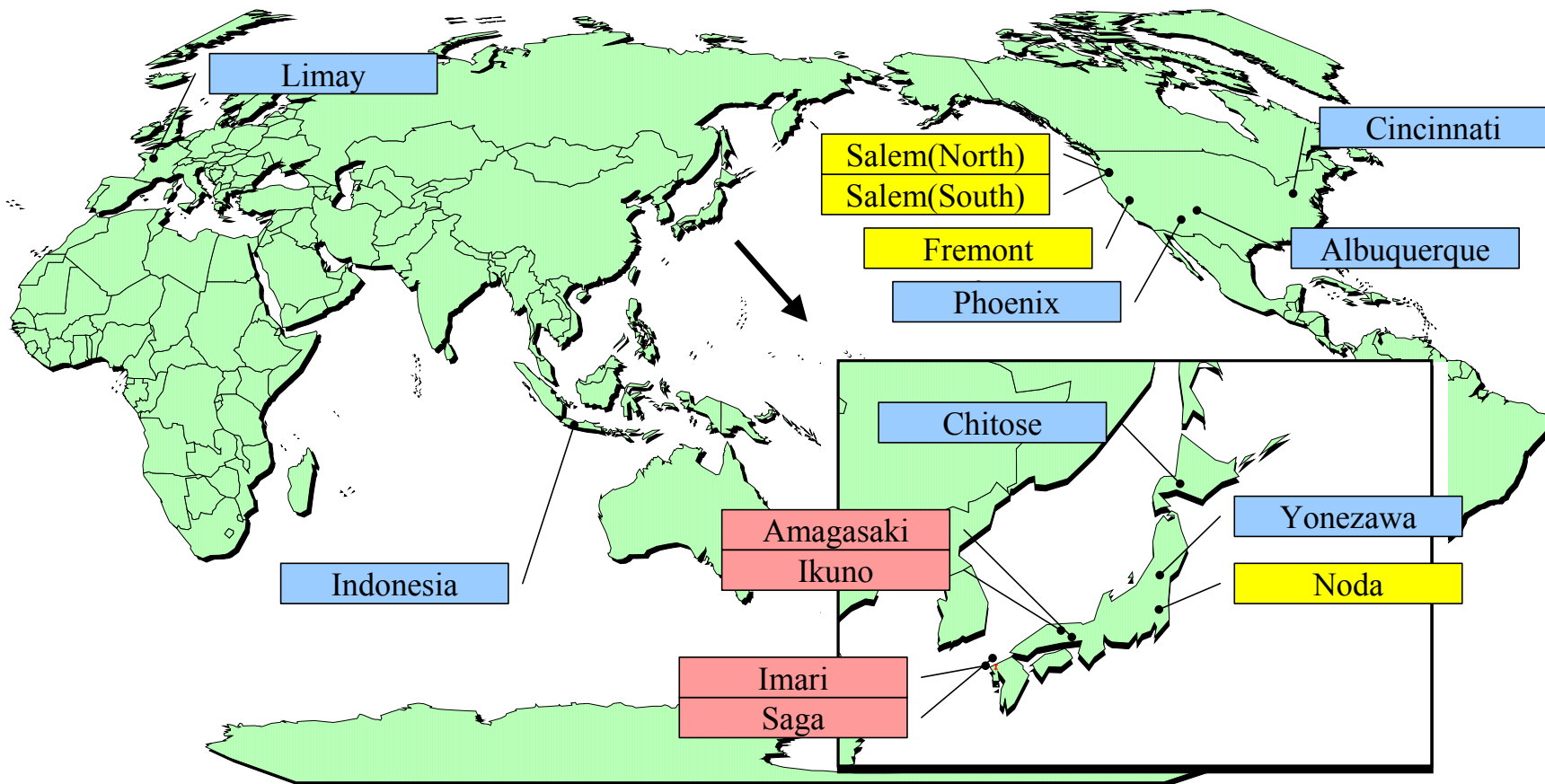
# SUMCO's Production System



Closed/Scheduled to be closed



Management integration of works



# SUMCO's Consolidated Performance Targets

(100 million yen)

	FY2004 results
Sales	1,664
Recurring profit	7
Net income	△ 365

FY2005 targets
Approx. 1,900
Approx. 130
Approx. 60