

Presentation for the First Half of Fiscal Year 2005 (ending March 31, 2005)

November 12, 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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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 . The First Half of FY 2005 Results

I Overview

< Consolidated >

(100 million yen)

	FY2004 Second Half	FY2005 First Half	Change
Sales	5,706	5,739	32
Operating profit	470	783	312
Recurring profit	392	716	323
Non-recurring profit and loss	△ 173	1	174
Corporate taxes and minority interests	△ 67	△ 266	△ 199
Net income	152	451	298

Outstanding retained earnings	119	499	379
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Total assets	20,017	19,389	△ 627
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< Non-consolidated >

(100 million yen)

	FY 2003 Second Half	FY 2004 First Half	Change
Sales	3,525	3,573	48
Operating profit	350	553	202
Recurring profit	292	472	180
Non-recurring profit and loss	△ 252	13	266
Corporate taxes and others	△ 9	△ 201	△ 191
Net income	30	284	254

Outstanding retained earnings	668	881	212
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Total assets	15,178	14,653	△ 525
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2. Sales and operating profit

< Consolidated >					(100 million yen)	
	FY 2004 Second Half		FY 2005 First Half		Change	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Steel	4,825	467	5,075	785	249	318
Engineering	432	△ 19	220	△ 22	△ 212	△ 3
Electronics	246	5	234	9	△ 12	3
Other	201	23	208	15	7	△ 7
(Elimination method)		(△6)		(△4)		(2)
Total	5,706	470	5,739	783	32	312

Reasons for change ←

	Reasons
Steel	Both income and profit increased due to cost and sales price improvements
Engineering	Income decreased due to restraints on the public sector investment in addition to seasonal factors
Electronics	Profit increased due to high demand in the semiconductor sector

<Non-consolidated> (100 million yen)

	FY2004	FY 2005	Change
	Second Half	First Half	
	Sales	Sales	Sales
Steel	3,110	3,358	248
Engineering	414	214	△ 199
Electronics	—	—	—
Total	3,525	3,573	48

	FY2004 Second Half	FY 2005 First Half	Change
Exchange rate	(yen/US dollar) 108	110	Down 2 yen
Sales volume	(10,000 tons) 472	465	△ 7
Average price of steel products	(1,000yen/ton) 65.9	72.2	6.3

3. Change in consolidated recurring profit

FY04 First Half→FY05 First Half Increase by 42.2 billion yen (29.4 billion yen → 71.6 billion yen)

Reasons for improvement of profit & loss		Reasons for deterioration of profit & loss	
(100 million yen)		(100 million yen)	
Cost improvement	75	Raw material price, etc.	△ 400
Profit and loss from equity method	85	Exchange rate fluctuation	△ 45
Changes in sales composition and pricing, etc.	707		
Total	867		△ 445

FY04 Second Half→FY05 First Half Increase by 32.4 billion yen (39.2 billion yen → 71.6 billion yen)

Reasons for improvement of profit & loss		Reasons for deterioration of profit & loss	
(100 million yen)		(100 million yen)	
Cost improvement	50	Raw material price, etc.	△ 300
Exchange rate fluctuation	10		
Profit and loss from equity method	54		
Changes in sales composition and pricing, etc.	510		
Total	624		△ 300

4. Non-recurring profit and loss

< Consolidated >

(100 million yen)

	FY 2004 Second Half	FY 2005 First Half
Gains on sales of investment securities	63	34
Gains resulting from expropriation	79	-
Total non-recurring profit	143	34
Provision for employees' retirement benefits	△ 32	△ 32
Loss on disposal of fixed assets	△ 184	-
Loss from reorganization of silicon wafer business	△ 80	-
Loss from disaster in the Kashima Steel Works	△ 19	-
Total non-recurring loss	△ 316	△ 32
Total non-recurring profit and loss	△ 173	1

5. Cash flow

< Consolidated >

(100 million yen)

	FY 2004 Second Half	FY 2005 First Half
Cash flow from operations	1,312	1,303
Cash flow from investments	△ 150	△ 151
Cash flow from financing	△ 1,487	△ 1,417
Cash and cash equivalents at the end of the first/second half of the fiscal year	740	475

6. Consolidated shareholder's equity

(100 million yen)

	FY 2004 Second Half	FY 2005 First Half	Change
Opening balance of additional paid-in capital	618	618	0
Gains on disposal of treasury stocks	0	0	△0
Closing balance of additional paid-in capital	618	618	0
Opening balance of retained earnings	△ 36	119	156
Net income	152	451	298
Dividend	-	△ 72	△ 72
Decrease due to exceptions to consolidation, etc.	3	△ 0	△ 3
Closing balance of retained earnings	119	499	379

Supplementary figures

(1) Financial income and expenditure (100 million yen)

< Consolidated >

	FY2004		FY2005
	First Half	Second Half	First Half
Interest earned and dividend received	28	24	25
Interest payments	△ 117	△ 110	△ 93
Financial income and expenditure	△ 88	△ 86	△ 68

(100 million yen)

< Non-consolidated >

	FY2004		FY2005
	First Half	Second Half	First Half
Interest earned and dividend received	34	21	50
Interest payments	△ 74	△ 68	△ 60
Financial income and expenditure	△ 40	△ 47	△ 9

(2) Investment and Depreciation (Tangible fixed assets)

< Consolidated >

(Acceptance base, 100 million yen)

		FY 2004	FY 2005		Total
			First Half	Second Half (planned)	
Investment A	Steel	636	262	300	560
	Non-steel	35	15	70	90
	Total	671	277	370	650
Depreciation B		783	377	430	810
B - A		111	99	60	160

< Non-consolidated >

(Acceptance base, 100 million yen)

		FY 2004	FY 2005		Total
			First Half	Second Half (planned)	
Investment A		488	181	180	360
Depreciation B		487	225	260	490
B - A		△0	44	80	130

(3) Steel sales by internal company

< Consolidated >

Internal company	FY 2004 Second Half	FY 2005 First Half	(100 million yen)	
			Change	
Steel Sheet, Plate, Titanium & Structural Steel	2,700	2,659	△	41
Pipe & Tube	1,208	1,304		96
Railway, Automotive & Machinery Parts	333	372		39

< Non-consolidated >

Internal company	FY 2004 Second Half		FY 2005 First Half		(10,000 tons, 100 million yen)	
	Volume	Value	Volume	Value	Change	
					Volume	Value
Steel Sheet, Plate, Titanium & Structural Steel	382	1,982	374	2,166	△ 8	184
Pipe & Tube	81	850	81	884	0	34
Railway, Automotive & Machinery Parts	9	278	10	307	1	29

(4) Steel Business -Domestic/export sales

<Non-consolidated>

(10,000 tons, 100 million yen)

	FY 2005 First Half	
	Volume	Value
Domestic	279	2,052
Export	187	1,306
Total	465	3,358

<Non-consolidated>

Percentage of total exports per region

(%, value basis)

	FY 2005 First Half
Asia	69
North America	8
Middle East	9
EU	4
Other	10

II. FY 2005 Targets

1-(1) Basis for FY 2005 performance targets

		FY2005		
		First half results	Second half expectation	Full-year expectation
Exchange rate	yen/US dollar	110	110	110
Japan total crude steel production	Million tons	56.4	Approx. 57	Approx. 113
Sumitomo Metals Group crude steel production (＊)	10,000 tons	638	Approx. 640	Approx. 1,278

(＊) 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 of FY2005 Business

< Consolidated >

(100 million yen)

			Full-year targets (Approximate)	Change (Approximate)
	First half results	Second half targets (Approximate)		
Sales	5,739	6,450	12,200	710
Operating profit	783	850	1,630	70
Recurring profit	716	780	1,500	60
Non-recurring profit & loss	1	△100	△100	△100
Corporate taxes and minority interests	△266	△280	△550	△10
Net income	451	400	850	△50

< Non-consolidated >

(100 million yen)

			Full-year targets (Approximate)	Change (Approximate)
	First half results	Second half targets (Approximate)		
Sales	3,573	4,000	7,600	430
Operating profit	553	600	1,150	50
Recurring profit	472	480	950	10
Non-recurring profit & loss	13	△70	△60	△80
Corporate taxes and others	△201	△140	△340	60
Net income	284	270	550	△10

1-(3) Sales and operating profit

< Consolidated >

	FY 2004 results		FY 2005 targets (Approximate)	
	Sales	Operating profit	Sales	Operating profit
Steel	9,620	934	10,650	1,625
Engineering	688	△ 37	600	△ 45
Electronics	466	4	550	20
Other	432	28	400	30
Total	11,208	930	12,200	1,630

(100 million yen)

Comparison with previous year (Approximate)	
Sales	Operating profit
1,030	690
△ 90	△ 10
80	20
△ 30	Remained unchanged
990	700

< Consolidated >

	FY2005 first half results		FY2005 second half targets (Approximate)	
	Sales	Operating profit	Sales	Operating profit
Steel	5,075	785	5,570	840
Engineering	220	△ 22	380	△20
Electronics	234	9	310	10
Other	208	11	190	20
Total	5,739	783	6,450	850

(100 million yen)

Comparison with previous year (Approximate)	
Sales	Operating profit
490	60
160	Remained unchanged
80	Remained unchanged
△20	10
710	70

1-(4) Change in consolidated recurring profit

FY04→FY05 Forecast Increase by 81.3 billion yen (68.7 billion yen→150 billion yen)

Reasons for expected improvement of profit and loss		Reasons for expected deterioration of profit and loss	
(100 million yen)		(100 million yen)	
Cost improvement	135	Exchange rate fluctuation	△ 30
Changes in sales composition and pricing, etc.	1,638	Raw material price, etc.	△ 900
		Loss from disaster	△ 30
Total	1,773	Total	△ 960

FY05 First Half→FY05 Second Half Forecast Increase by 6.4 billion yen (71.6 billion yen→78 billion yen)

Reasons for expected improvement of profit and loss		Reasons for expected deterioration of profit and loss	
(100 million yen)		(100 million yen)	
Cost improvement	10	Raw material price, etc.	△ 200
Changes in sales composition and pricing, etc.	284	Loss from disaster	△ 30
Total	294	Total	△ 230

2. Progress of the Medium-Term Business Plan

Steel Business/Restructuring and Improved Competitiveness

Change in the steel sheet production system

Concentration of steel sheets mass-production at Kashima Steel Works

- Operation of new No.1 blast furnace started at Kashima Steel Works (end of September 2004)
- Shutdown of hot rolling mill at Wakayama Steel Works and concentrate mass-production of steel sheets at Kashima Steel Works (end of March 2005)

Splitting the upstream process of Wakayama Steel Works

Sumikin Iron & Steel Corporation established (November 2003)

Supply of 1.8 million tons/year of steel slabs to CSC

from April 2005 onwards

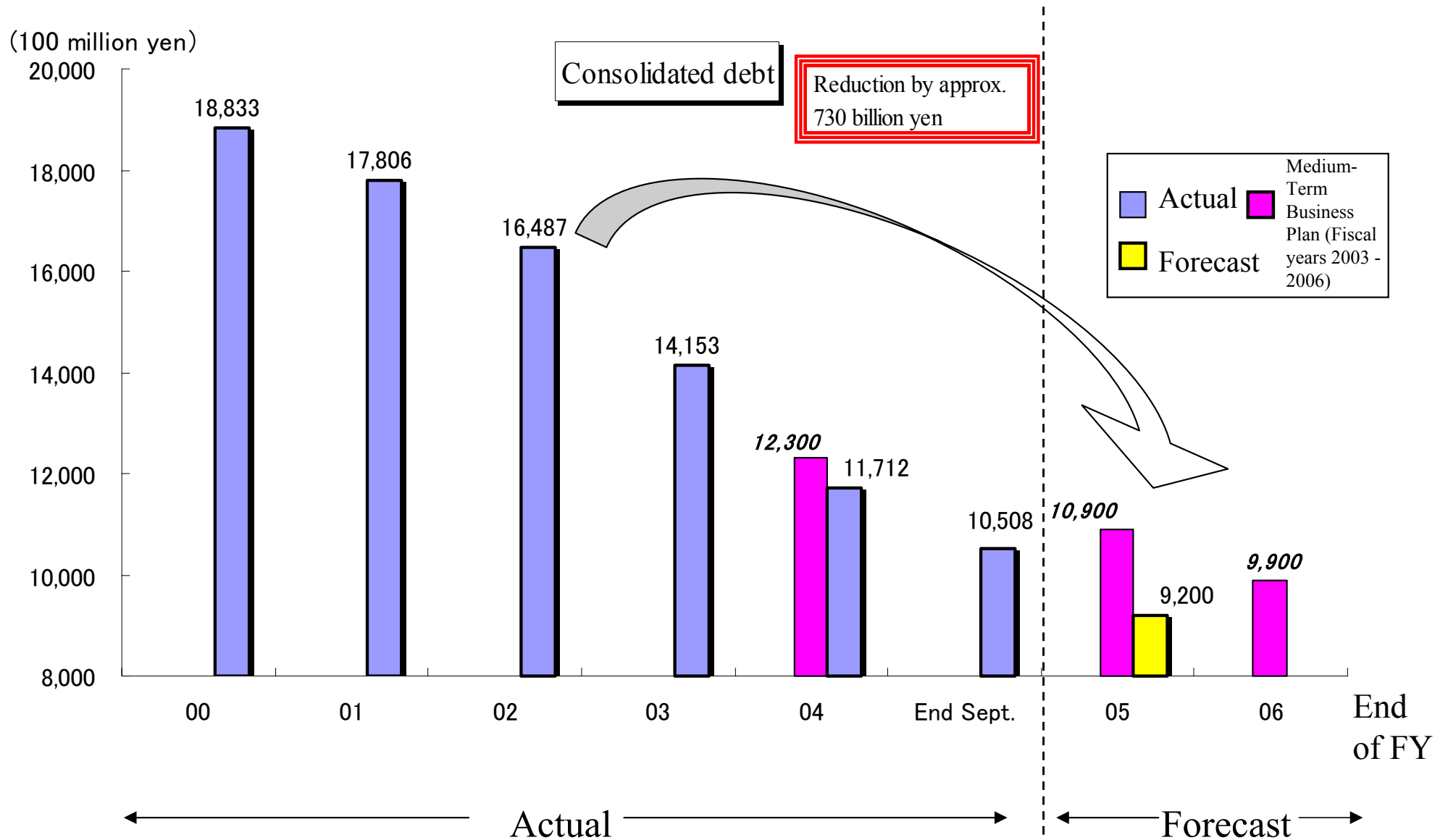
Integration of stainless steel businesses of Sumitomo Metals and Nippon Steel Corporation

Nippon Steel & Sumikin Stainless Corporation established (October 2003)

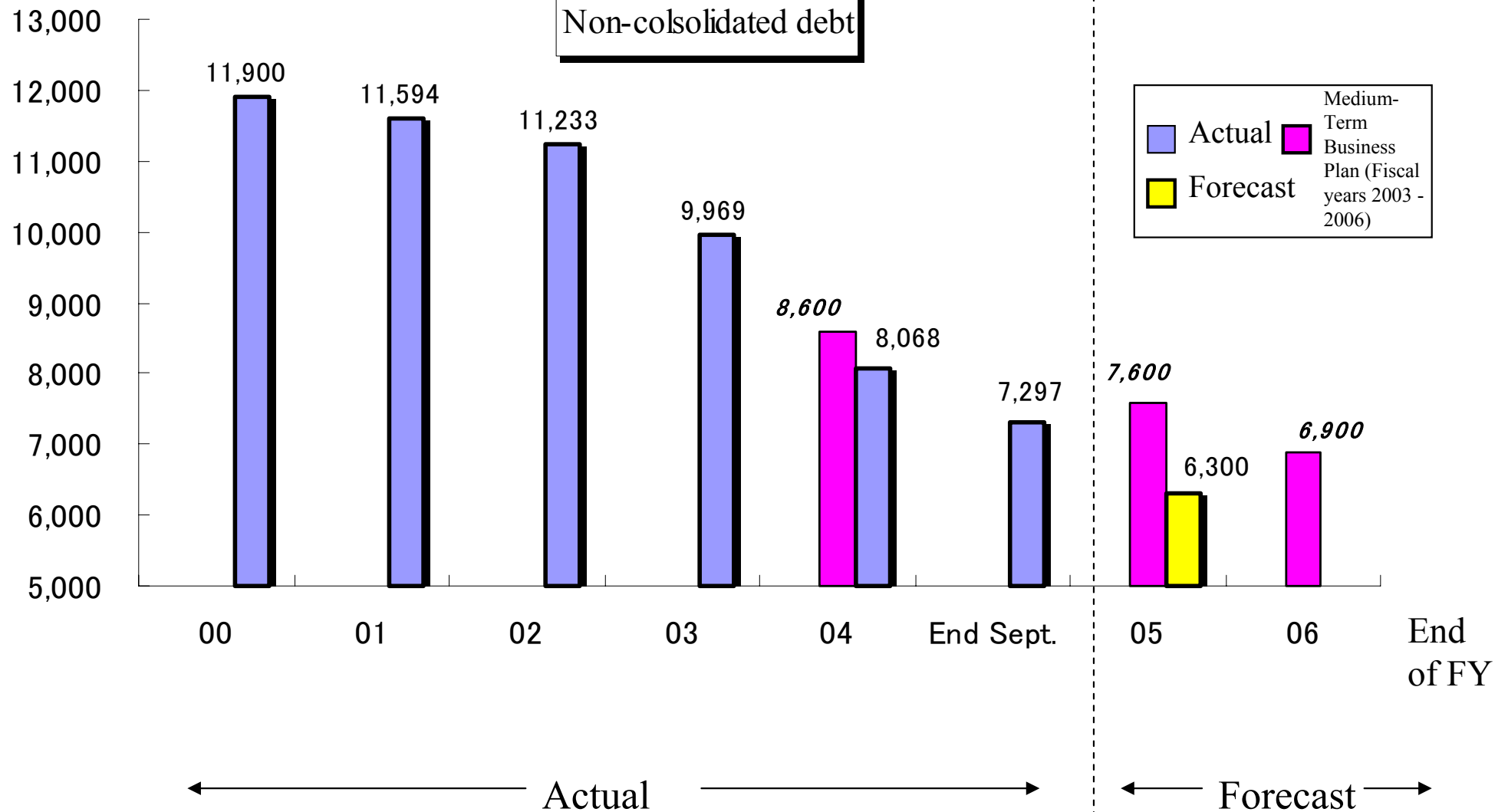
(Reference) Production volumes model of crude steel and hot rolled steel after the change in the production system

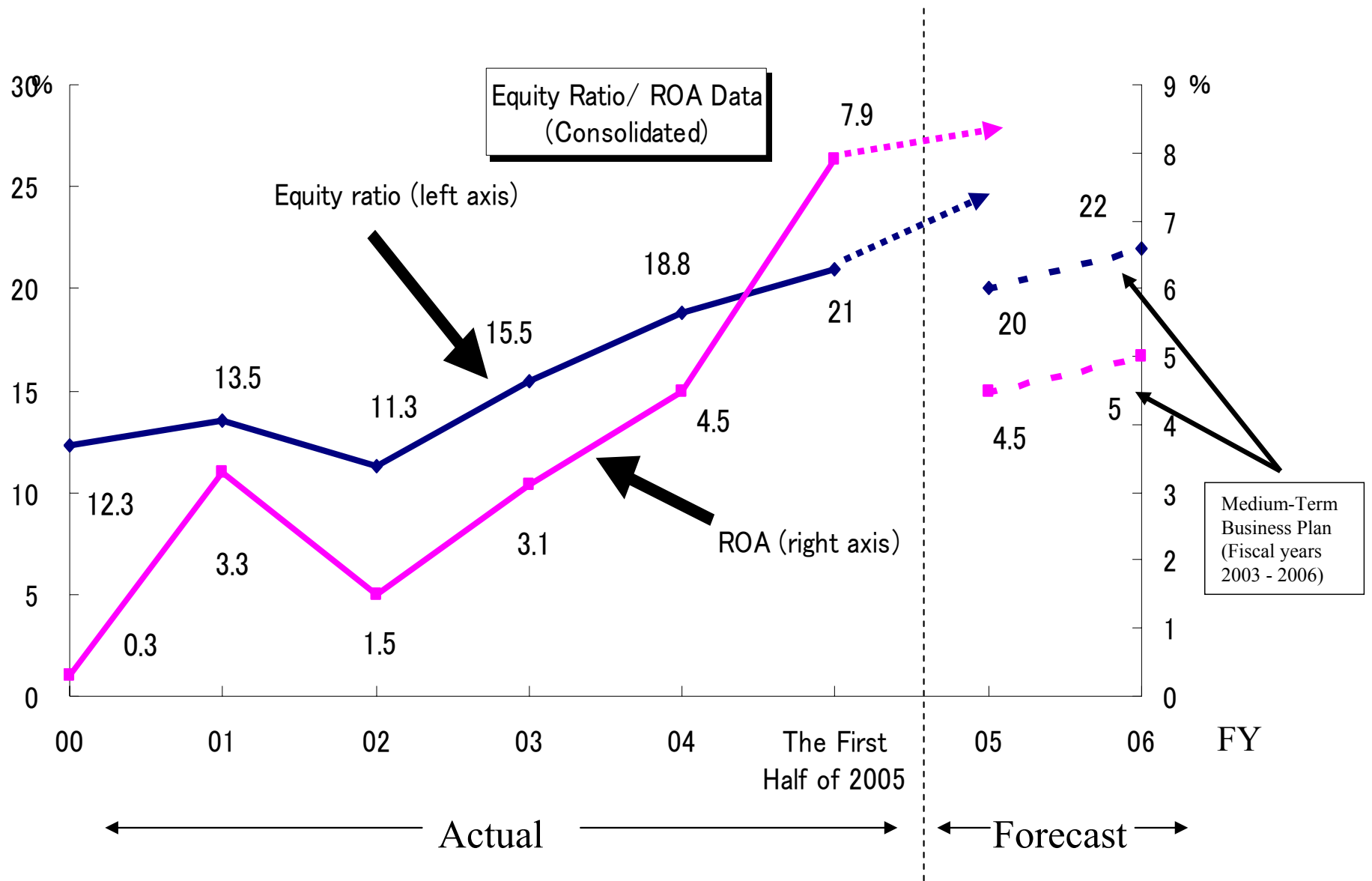
Sumitomo Metals crude steel production - 13.5 million tons							(million tons)
Crude steel	Kashima		Wakayama (including Sumikin Iron & Steel Corporation)			Kokura and others	Comissioned production by Nippon Steel and Kobe Steel
	8.0		4.0			1.5	
Hot rolled steel	Hot rolled steel	Steel plates and shapes	Seamless pipes	Slabs for CSC	Materials shared with other steelworks, etc.	Bars, etc.	Hot rolled steel
	5.5	2.5	1.1	1.8	1.1		

Improvement of Financial Position



(100 million yen)





Achievement of financial goals

< Consolidated >

	FY2003	FY2004	FY2005 targets	
			FY2005 First Half	
Sales	12,246	11,208	5,739	12,200
Operating profit	698	930	783	1,630
Return On Assets (ROA)	<u>3.1%</u>	<u>4.5%</u>	<u>7.9%</u>	<u>8.4%</u>
Recurring profit	413	687	716	1500
Total assets	21,223	20,017	19,389	19,000
Outstanding debt	<u>14,153</u>	<u>11,712</u>	<u>10,508</u>	<u>9,200</u>
Shareholders' equity	3,287	3,760	4,131	4,530
Equity ratio	<u>15.5%</u>	<u>18.8%</u>	<u>21%</u>	<u>24%</u>
D/E ratio	4.3 times	3.1 times	2.5 times	2 times

Mid-term Business Plan

(100 million yen)

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

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

< Non-consolidated >

	FY 2003	FY 2004	FY2005 targets	
			FY2005 First Half	FY2005 targets
Sales	7,277	7,117	3,573	7,600
Operating profit	486	736	553	1,150
Return On Assets (ROA)	<u>3.0%</u>	<u>4.8%</u>	<u>7.4%</u>	<u>7.7%</u>
Recurring profit	292	577	472	950
Total assets	15,818	15,178	14,653	14,600
Outstanding debt	<u>9,969</u>	<u>8,068</u>	<u>7,297</u>	<u>6,300</u>
Shareholders' equity	3,719	4,149	4,351	4,617
Equity ratio	<u>23.5%</u>	<u>27.3%</u>	<u>30%</u>	<u>32%</u>
D/E ratio	2.7 times	1.9 times	1.7 times	1.4 times

Mid-term Business Plan

(100 million yen)

FY 2005	FY 2006
	6,200
	700
	<u>5%</u>
	500
	13,800
<u>7,600</u>	<u>6,900</u>
4,100	4,320
<u>29%</u>	<u>32%</u>
2 times or less	1.6 times

(Reference) Rating Improvement

	Before review	After review	
JCR	BBB+	A	As of 10/4/2004
R&I	BBB-	BBB	As of 10/27/2004
Moody's	Ba1	Baa3 Positive	As of 11/2 /2004

Response to Demand for Steel Products in China

Sumitomo Metals has established its presence in business sectors where demand for steel products cannot be met domestically and also those directly linked with steel-consuming industries.

Joint venture of high-end special steel bars business
(Jiangyin, Jiangsu Province)

Establishment of a joint venture with CITIC Pacific, Ltd. is planned.

Baoji-SMI Petroleum Steel Pipe Co., Ltd.
(Baoji, Shaanxi Province)

Shanghai Datong Steel Structures Co., Ltd.
(Shanghai)

Lightweight welded H-shapes

Welded tubes and pipes for energy projects

Guangzhou You-ri Automotive Parts Co., Ltd.
(Guangzhou, Guangdong Province)

Huizhou Sumikin Forging Co., Ltd. (Huizhou, Guangdong Province)

Forged Crankshafts-
Annual output of 5.3 million tons per year at three production locations in the world

Steel pipes and tubes for automobiles-
6 production sites located in 5 countries in the world

Guangzhou Ring Techs Co., Ltd.
(Guangzhou, Guangdong Province)

Steel wheels for automobiles

Huizhou Sumikin Forging Co., Ltd.

Location : Huizhou city, Guangdong Province, China

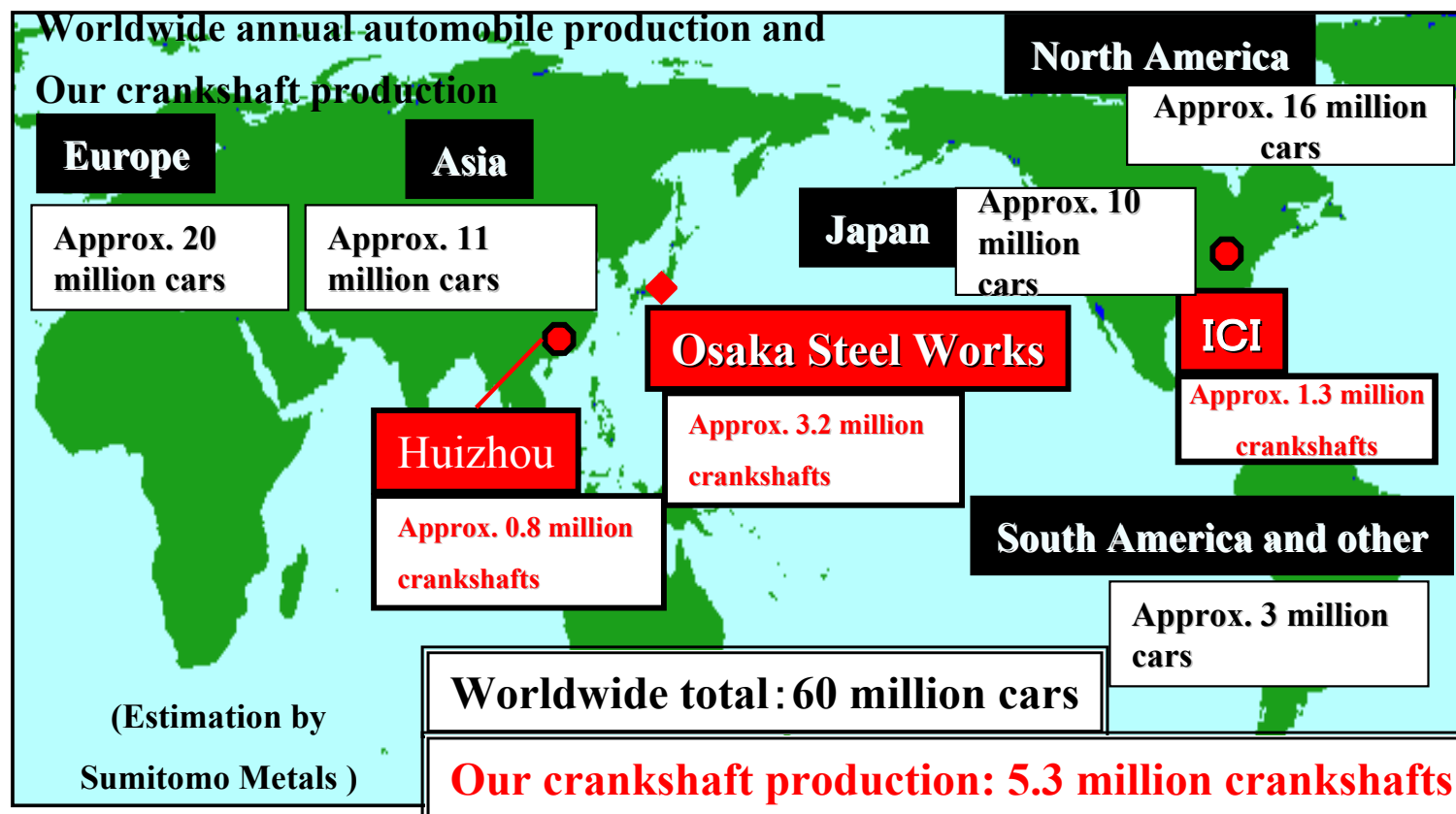
Investment Shares : Sumitomo Metals- 51%, Sumitomo Corporation-15%, Thyssen Krupp Automotive 34%

Total Investment : Approx. 2.0 billion yen

Production Start-up : November 2004

Products : Forged Crankshafts for automotive engines

Production Rate : Approx. 800,000 crankshafts a year



Guangzhou You-ri Automotive Parts Co., Ltd.

Location : Guangzhou city, Guangdong Province

Investment Shares : Sumitomo Pipe & Tube Co., Ltd.-51%, Sumitomo Corporation-34%,
Nippon Steel Corporation-15%

Total investment : Approx. 8 million dollars

Production Start-up : Beginning of 2005

Products : Electric resistance welded tubes for automobiles (Stainless steel and carbon steel)

Production capacity : 1,000~1,500 tons/month

Joint venture of high-end special steel bars business

Location : Jiangyin city, Jiangsu Province

Investment Shares : Sumitomo Metals (Kokura) Ltd.,-49%、 CITIC Pacific Ltd.51%

Total investment : Approx. 17.2 billion yen

Production Start-up : End of 2005

Products : High-end special steel bars

Production capacity : Approx. 1 million tons/year

Guangzhou Ring Techs Co., Ltd.

Location : Guangzhou city, Guangdong Province

Investment Shares : Ring Techs Co., Ltd.- 80%, Metal One Corporation-20%
(Ring Techs Co., Ltd. is a 100%-owned subsidiary of SMI)

Total investment : Approx. 1.6 billion yen

Production Start-up : Beginning of 2006

Products : Steel wheels for passenger cars

Production capacity : Approx. 2.5 million steel wheels/year