

Presentation for FY2005 (ended March 31, 2005)

May 11, 2005

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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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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 . FY2005 Results

1. Overview

< Consolidated >

(100 million yen)

	FY2004	FY2005	Change
Sales	11,208	12,369	1,160
Operating profit	930	1,828	898
Recurring profit	687	1,732	1,045
Extraordinary profit and loss	△ 288	△ 36	251
Corporate taxes and minority interests	△ 91	△ 587	△ 496
Net income	307	1,108	800
Outstanding retained earnings	119	1,158	1,038
Total assets	20,017	19,231	△ 785

< Non-consolidated >

(100 millions yen)

	FY2004	FY2005	Change
Sales	7,117	7,728	611
Operating profit	736	1,264	528
Recurring profit	577	1,107	529
Extraordinary profit and loss	△ 324	15	340
Corporate taxes, etc.	△ 16	△ 406	△ 390
Net income	237	716	479
Outstanding retained earnings	668	1,313	644
Total assets	15,178	14,578	△ 599

2. Sales and operating profit

< Consolidated >

	FY2004		FY2005		(100 million yen) Change	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Steel	9,620	934	10,857	1,837	1,237	903
Engineering	688	△ 37	571	△ 48	△ 116	△ 11
Electronics	466	4	490	12	24	7
Other	432	42	448	35	16	△ 7
(Elimination method)		(△14)		(△7)		(6)
Total	11,208	930	12,369	1,828	1,160	898

Reasons for change ←

	Reasons
Steel	Increase in income and profits due to improvements in sales prices, product mix and costs, in spite of the rise in raw material prices and the appreciation of the yen
Engineering	Decrease in income and deterioration of profit/loss situation due to the reduction in public-sector investment
Electronics	Increase in profits due to high demand for semi-conductors

< Non-consolidated > (100 million yen)

		FY2004	FY2005	Change
		Sales	Sales	Sales
	Steel	6,456	7,169	713
	Engineering	661	558	△ 102
	Electronics	—	—	—
	Total	7,117	7,728	611

	FY2004	FY2005	Change
Exchange rate	yen/US dollar 113	108	Up 5 yen
Sales volume	10,000 tons 971	933	△ 38
Average price of steel products	1,000 yen/ton 66.5	76.8	10.3
Price fluctuation, change in product mix		11.7	
Exchange rate fluctuation		△ 1.4	←
Total		10.3	

3. Change in consolidated recurring profit

FY'04 →FY'05		Increase by 104.5 billion yen (68.7 billion → 173.2 billion yen)	
Reasons for improvement of profit & loss		Reasons for deterioration of profit & loss	
(100 million yen)		(100 million yen)	
Cost improvement	140	Exchange rate fluctuation	△ 60
Change in product mix and prices, etc.	1,895	Raw material prices, etc.	△ 900
		Effects of typhoon damage	△ 30
Total	2,035		△ 990

1st half of FY'05 → 2nd half of FY'05		Increase by 30 billion yen (71.6 billion yen → 101.6 billion yen)	
Reasons for improvement of profit & loss		Reasons for deterioration of profit & loss	
(100 million yen)		(100 million yen)	
Cost improvement	15	Raw material prices, etc.	△ 200
Change in product mix and prices, etc.	515	Effects of typhoon damage	△ 30
Total	530		△ 230

4. Non-recurring profit and loss

< Consolidated >

(100 million yen)

	FY2004	FY2005
Gain on sales of property, plant, equipment and other assets	—	11
Gain on sales of investment securities	63	293
Gain on compensation for expropriation of land	79	—
Other non-recurring profit	—	8
Total non-recurring profit	143	314
Provision for employees' retirement benefits	△ 69	△ 65
Loss on sales and disposal of property, plant, equipment and other assets	—	△ 168
Loss resulting from business reorganization	△ 8	△ 68
Loss resulting from disaster damage	△ 19	△ 34
Loss on disposal of property, plant, equipment and other assets	△ 253	—
Equity in losses of unconsolidated subsidiaries and associated companies	△ 80	—
Other non-consolidated loss	—	△ 13
Total non-recurring loss	△ 431	△ 350
Total non-recurring profit and loss	△ 288	△ 36

5. Cash flow

< Consolidated >

(100 million yen)

	FY2004	FY2005	Change
Cash flow from operations	2,208	2,773	565
Cash flow from investments	△ 274	△ 120	154
Cash flow from financing	△ 2,408	△ 2,973	△ 564
Cash and cash equivalents at the end of FY	740	424	△ 316

6. Consolidated shareholder's equity

(100 million yen)

	FY2004	FY2005	Change
Opening balance of additional paid-in capital	607	618	11
Issuing new shares by share exchange	10	—	△ 10
Gain on disposal of treasury stocks	0	0	0
Closing balance of additional paid-in capital	618	618	0
Opening balance of retained earnings	△ 114	119	234
Net income	307	1,108	800
Gain through new consolidations, etc.	—	1	1
Dividend	△ 71	△ 72	0
Decrease due to exceptions to consolidation, etc.	△ 1	—	1
Closing balance of retained earnings	119	1,158	1,038

Supplementary figures

(1) Financial income and expenditure

< Consolidated > (100 million yen)

	FY2004	FY2005
Interest earned and dividend received	52	42
Interest payments	△ 228	△ 175
Financial income and expenditure	△ 175	△ 133

< Non-consolidated > (100 million yen)

	FY2004	FY2005
Interest earned and dividend received	55	69
Interest payments	△ 143	△ 112
Financial income and expenditure	△ 88	△ 42

(2) Investment and depreciation (Tangible fixed assets)

< Consolidated > (Acceptance base, 100 million yen)

		FY2004	FY2005
Investment A	Steel	636	556
	Non-steel	35	47
	Total	671	603
Depreciation B		783	792
B-A		111	189

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

		FY2004	FY2005
Investment A		488	366
Depreciation B		487	480
B-A		△ 1	114

(3) Steel sales by internal company

< Consolidated >

(100 million yen)

Internal company	FY2004	FY2005	Change
Steel Sheet, Plate, Titanium & Structural Steel	5,526	5,714	187
Pipe & Tube	2,295	2,813	517
Railway, Automotive & Machinery Parts	674	779	104

< Non-consolidated >

(10,000 tons, 100 million yen)

Internal company	FY2004		FY2005		Change	
	Volume	Value	Volume	Value	Volume	Value
Steel Sheet, Plate, Titanium & Structural Steel	803	4,291	744	4,563	△ 59	272
Pipe & Tube	151	1607	170	1,955	19	347
Railway, Automotive & Machinery Parts	18	557	20	650	2	93

(4) Steel business (Domestic/export sales)

< Non-consolidated >

(10,000 tons, 100 million yen)

	FY2005	
	Volume	Value
Domestic	561	4,340
Export	372	2,829
Total	933	7,169

< Non-consolidated >

Percentage of total exports per region

(%, value basis)

	FY2005
Asia	65
North America	9
Middle East	10
EU	12
Other	4

II. FY2006 Targets

1-(1) Basis for FY2006 performance targets

		FY2004 results	FY2005 targets
Exchange rate	yen/US dollar	108	100
Japan total crude steel production	Million tons	113	Approx. 114
Sumitomo Metals' Group crude steel production (*)	10,000 tons	1,287	Approx. 1,320

(*) 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	12
	Group companies	1
	Consolidated	13

1-(2) Targets

< Consolidated >

(100 million yen)

	FY2005 results	FY2006 targets		Change
		1st half FY'06 targets		
Sales	12,369	Approx. 6,900	Approx. 14,400	Approx. 2,030
Operating profit	1,828	Approx. 950	Approx. 2,100	Approx. 270
Recurring profit	1,732	Approx. 800	Approx. 1,900	Approx. 170
Non-recurring profit & loss	△ 36	Approx. △10	Approx. △90	Approx. △50
Corporate taxes and minority interests	△ 587	Approx. △340	Approx. △610	Approx. △20
Net income	1,108	Approx. 450	Approx. 1,200	Approx. 90

< Non-consolidated >

(100 million yen)

	FY2005 results	FY2006 targets		Change
		1st half FY'06 targets		
Sales	7,728	Approx. 4,200	Approx. 8,900	Approx. 1,170
Operating profit	1,264	Approx. 700	Approx. 1,500	Approx. 240
Recurring profit	1,107	Approx. 550	Approx. 1,300	Approx. 190
Non-recurring profit & loss	15	Approx. △5	Approx. △70	Approx. △90
Corporate taxes, etc.	△ 406	Approx. △245	Approx. △530	Approx. △120
Net income	716	Approx. 300	Approx. 700	Approx. △20

1-(3) Sales and operating profit

< Consolidated >

(100 million yen)

	FY2005 results		1st half FY'06 targets		FY2006 targets		Change from previous year	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Steel	10,857	1,837	6,200	950	12,800	2,050	Approx.1,940	Approx.210
Engineering	571	△ 48	200	△ 20	600	△ 15	Approx.30	Approx.30
Electronics	490	12	300	10	600	40	Approx.110	Approx.30
Other	448	27	200	10	400	25	Approx.△50	Flat
Total	12,369	1,828	6,900	950	14,400	2,100	Approx.2,030	Approx.270

1-(4) Change in consolidated recurring profit

FY'05→FY'06 Increase by 17 billion yen (173.2 billion yen →190 billion yen)

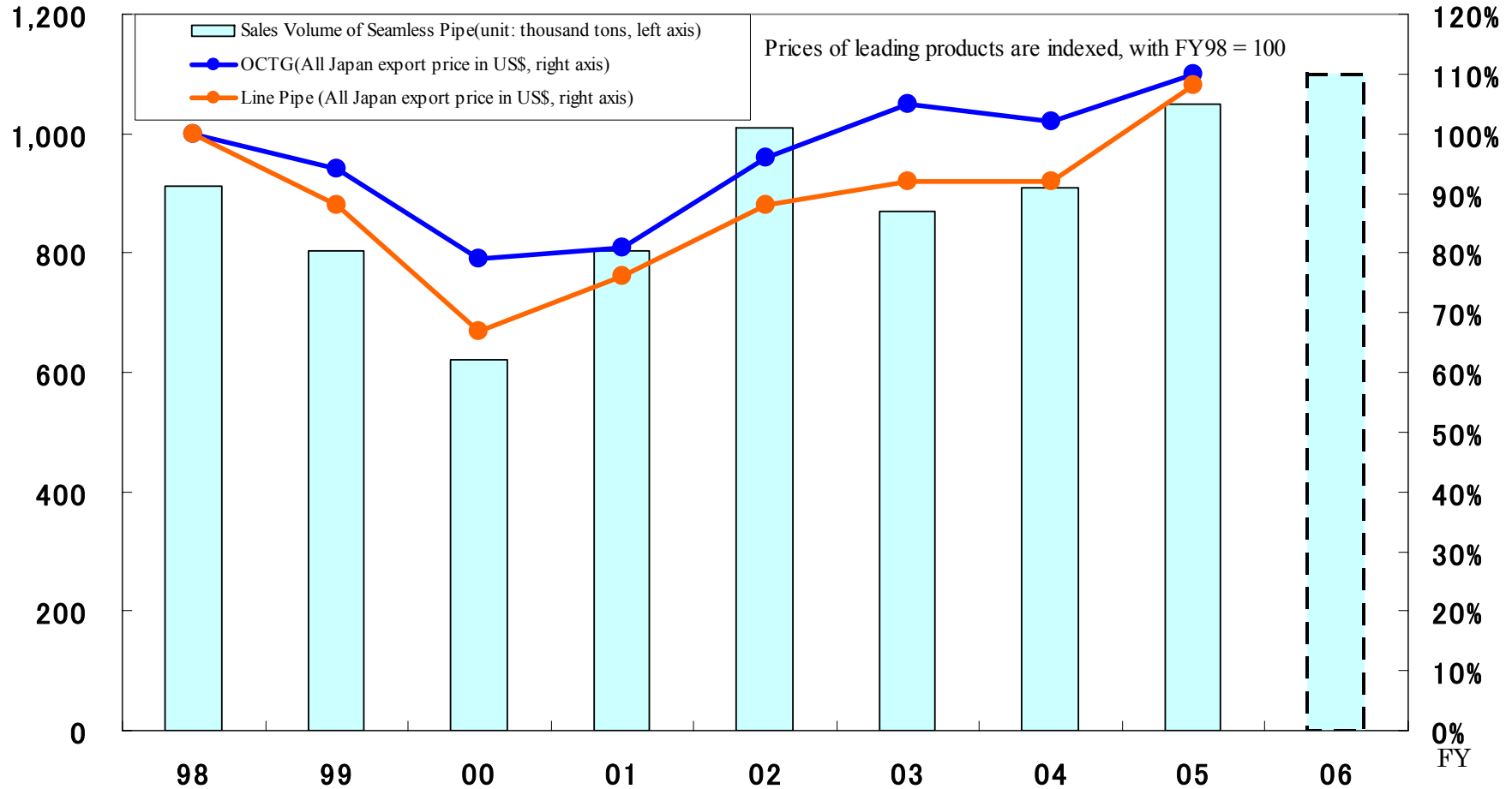
Reasons for expected improvement of profit and loss		Reasons for expected deterioration of profit and loss	
(100 million yen)		(100 million yen)	
Cost improvement	130	Exchange rate fluctuation	△ 110
Change in product mix and prices, etc.	1,500	Raw material prices, etc.	△ 1,350
Total	1,630	Total	△ 1,460

Second half of FY'05 → 1st half of FY'06 Decrease by approx. 20 billion yen (101.6 billion yen→80 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	50	Exchange rate fluctuation	△ 55
Change in product mix and prices, etc.	395	Raw material prices, etc.	△ 590
Total	445	Total	△ 645

Sales volume of Sumitomo Metals' seamless pipes and prices of leading products

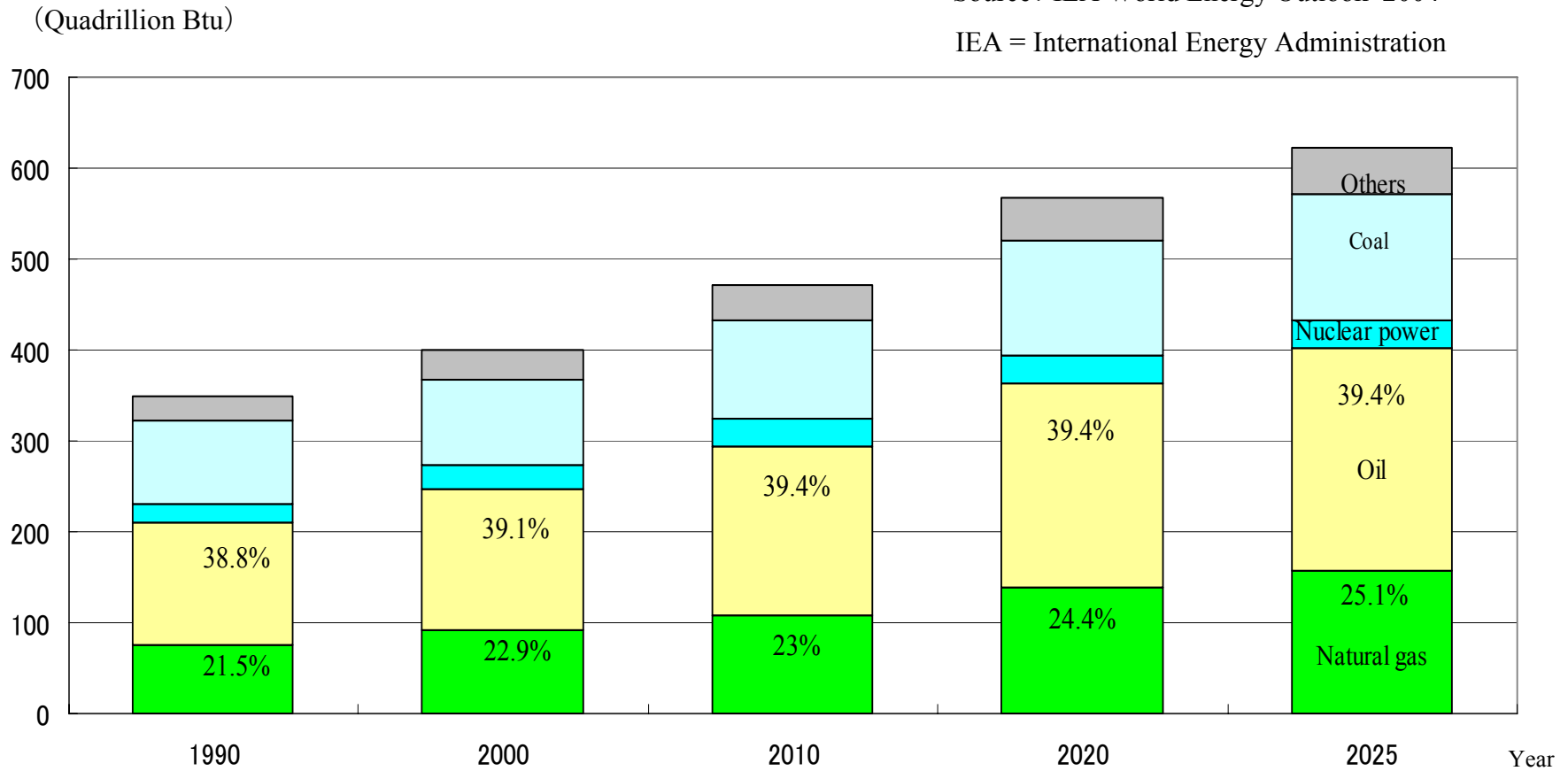
(Thousand tons)



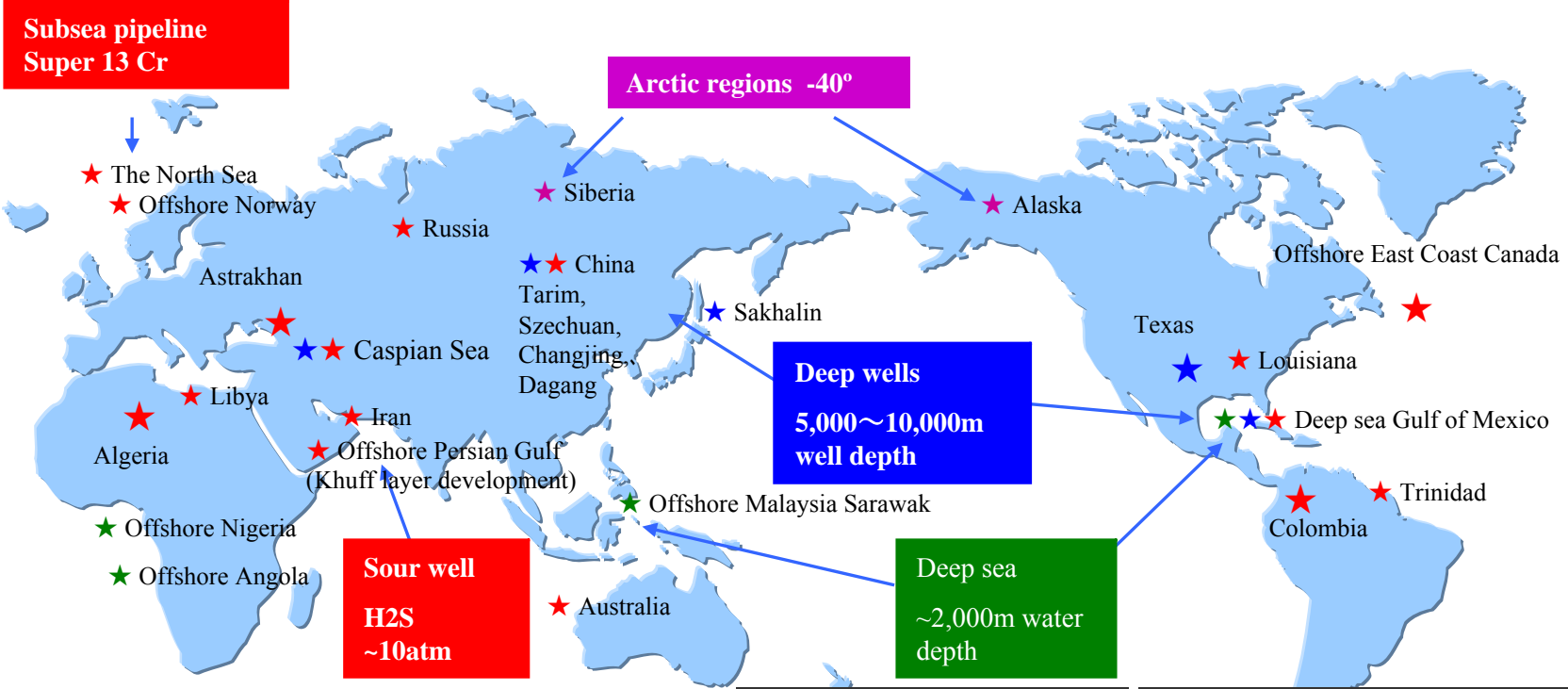
Outlook for Energy Demand

Source: IEA World Energy Outlook 2004

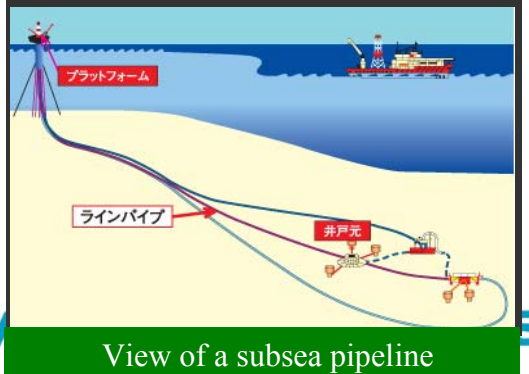
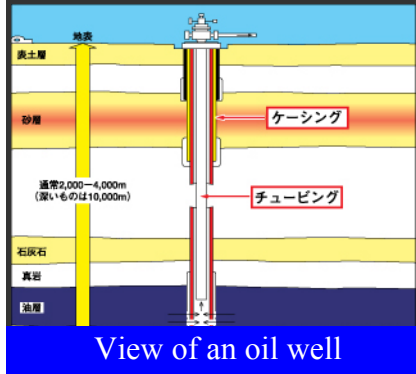
IEA = International Energy Administration



Large-scale oil and natural gas development projects

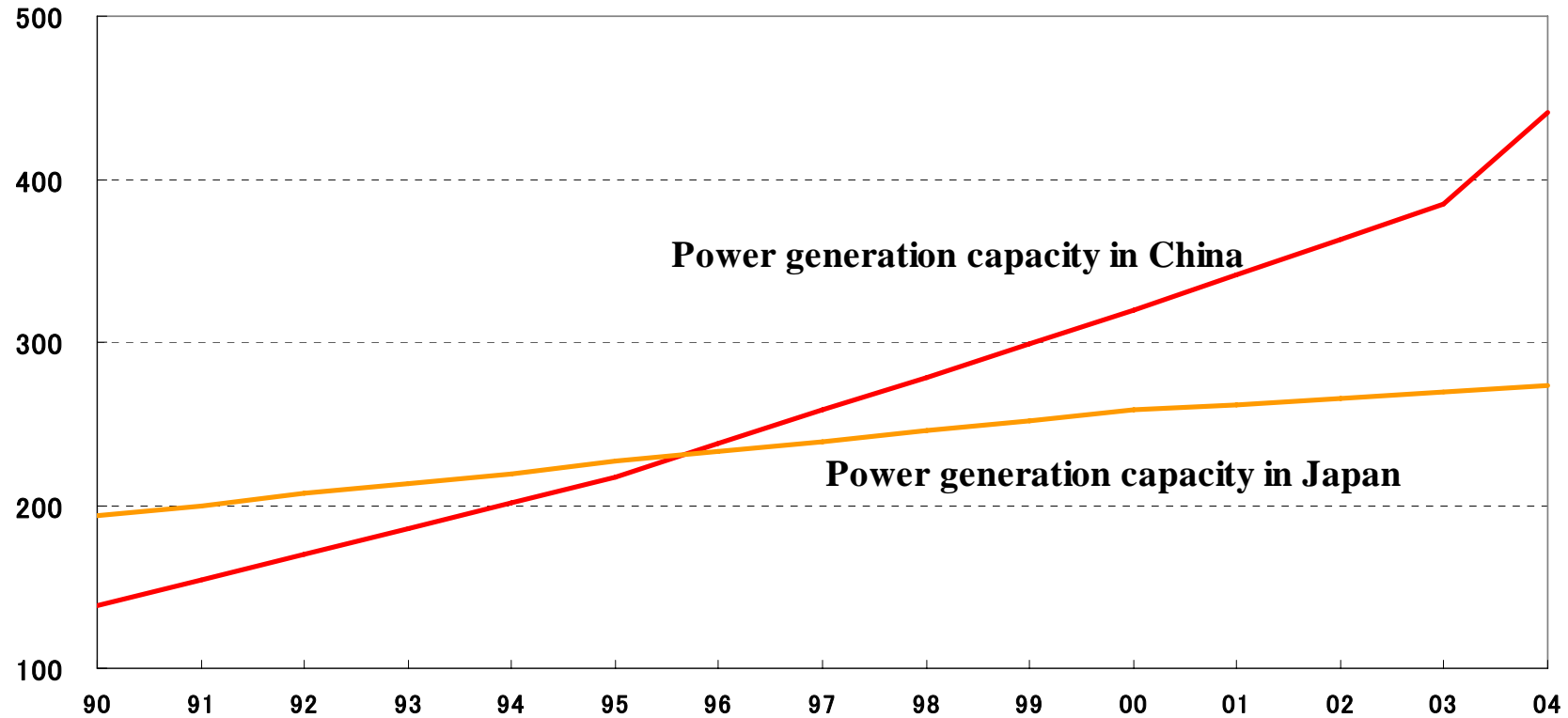


- ★ Deep sea
- ★ Deep well
- ★ Highly corrosive environment

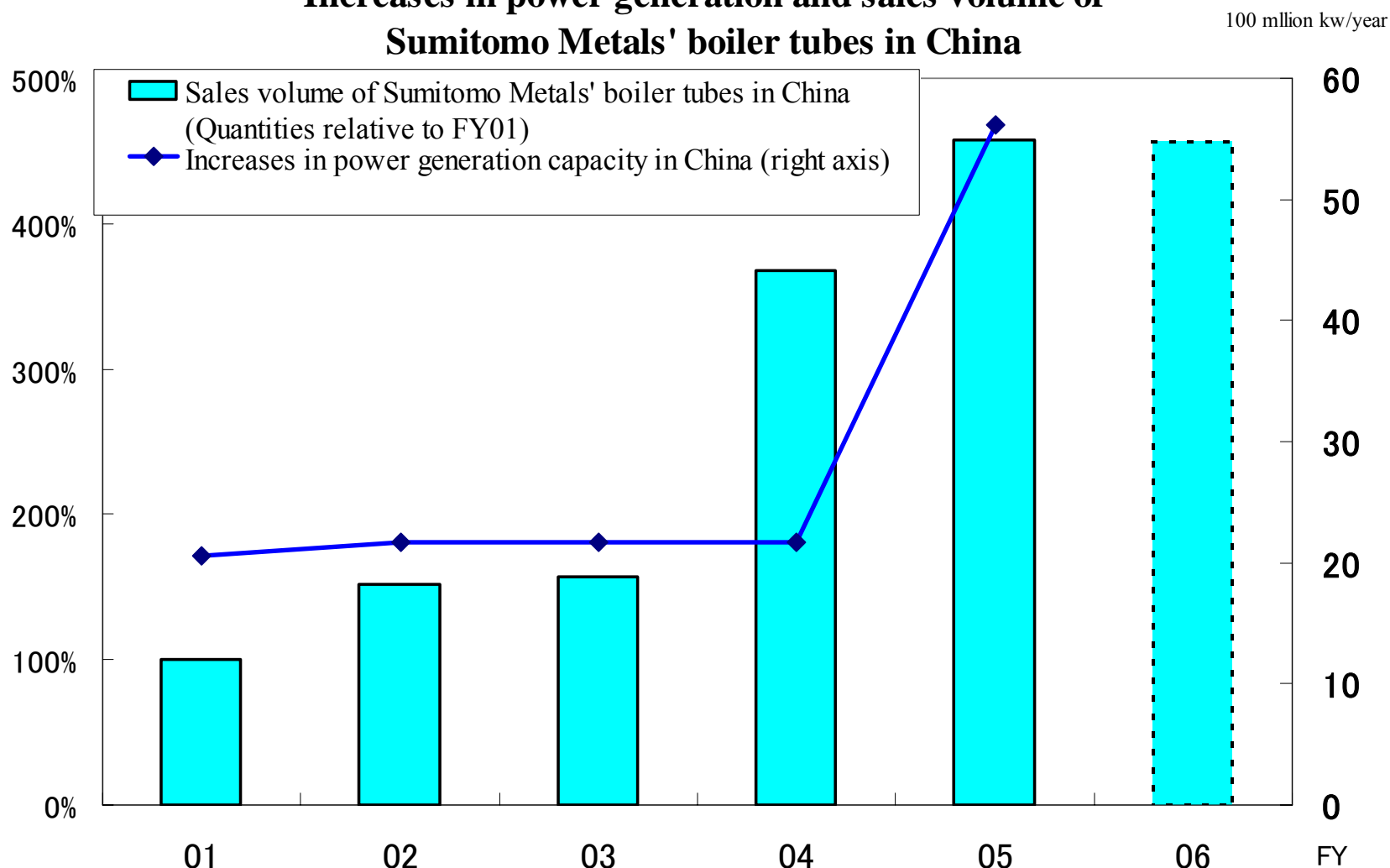


100 million kw

Power generation capacity in China



Increases in power generation and sales volume of Sumitomo Metals' boiler tubes in China



In order to meet the increasing demand for Sumitomo Metals' premium boiler tubes, the **bright annealing furnace** at Wakayama Steel Works (Kainan, Wakayama) was reinforced in January 2005.

Major plant and equipment investment

	Construction of power generation equipment as IPP (Independent Power Producer) at Kashima Steel Works	Renovation of No.3 blast furnace at Kashima Steel Works
Capacity	0.507 million kw	Same specification as the new No.1 blast furnace
Term	Until 2007	Until 2007
Total cost	57 billion yen	29 billion yen

	Installation of a new hot-dip galvanizing line and continuous pickling line at Kashima Steel Works	
Capacity	Hot-dip galvanizing line: 0.3 million tons/year Continuous pickling line: 15 million tons/year	
Term	Until Autumn of 2006	
Total cost	25 billion yen	

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

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)

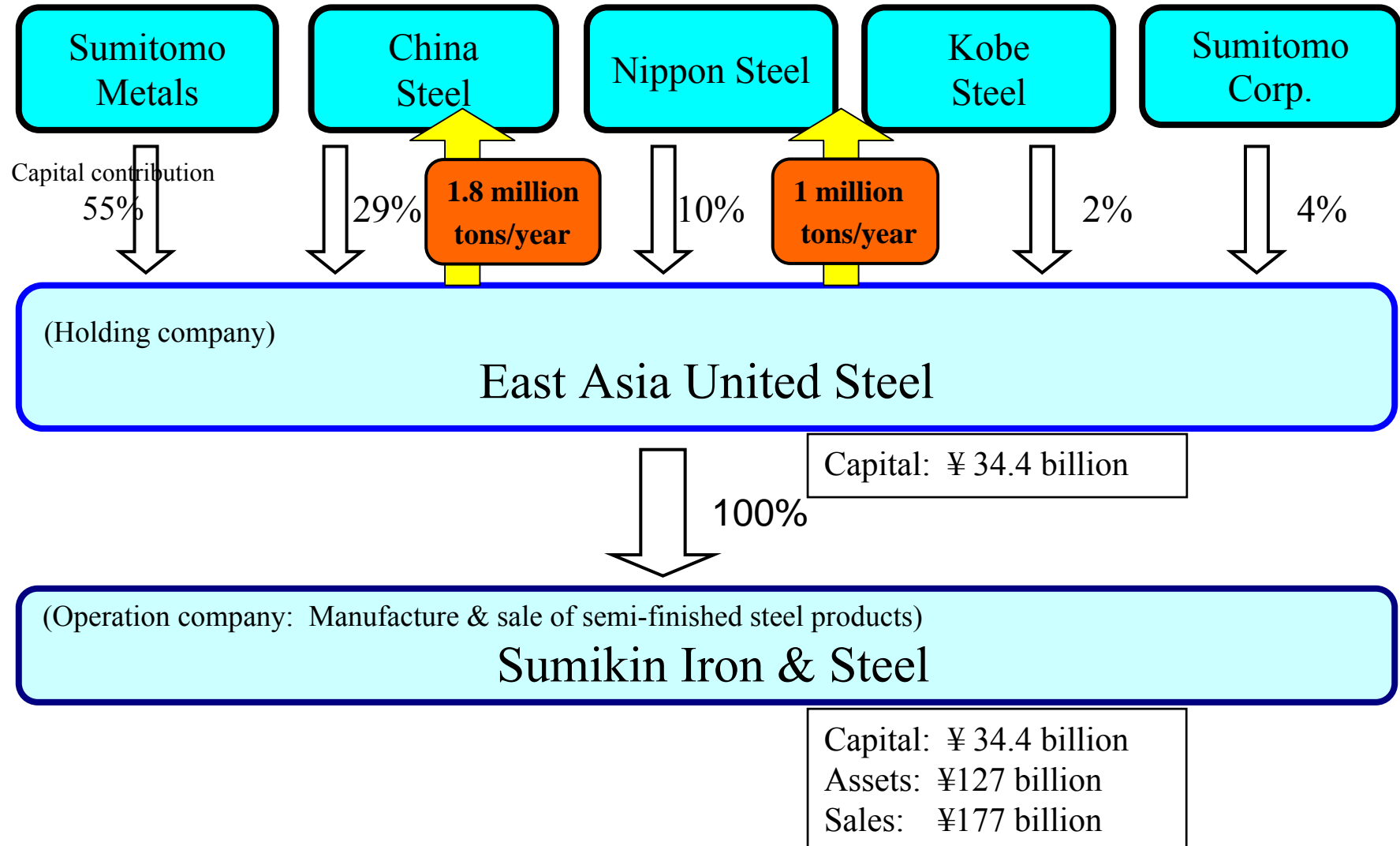
Supply of 1.8 million tons/year of steel slabs to CSC (April 2005)

Integration of stainless steel businesses of Sumitomo Metals and Nippon Steel Corporation (October 2003)

Splitting the upstream process of Wakayama Steel Works
(November 2003)

Enhancement of Cooperation with Nippon Steel & Kobe Steel
(March 2005)
Joint Use of upstream production facilities at Wakayama Steel Works

Joint Use of Iron- and Steelmaking Facilities at Wakayama



Enhancement of Cooperation with Nippon Steel & Kobe Steel

Studying the possibility of mutual cooperation

(1) R&D

Fundamental research and upstream production processes (ironmaking, steelmaking, etc.)

(2) Intellectual property

(3) Procurement

Stable procurement of raw materials, and machinery

(4) Electricity, control and systems

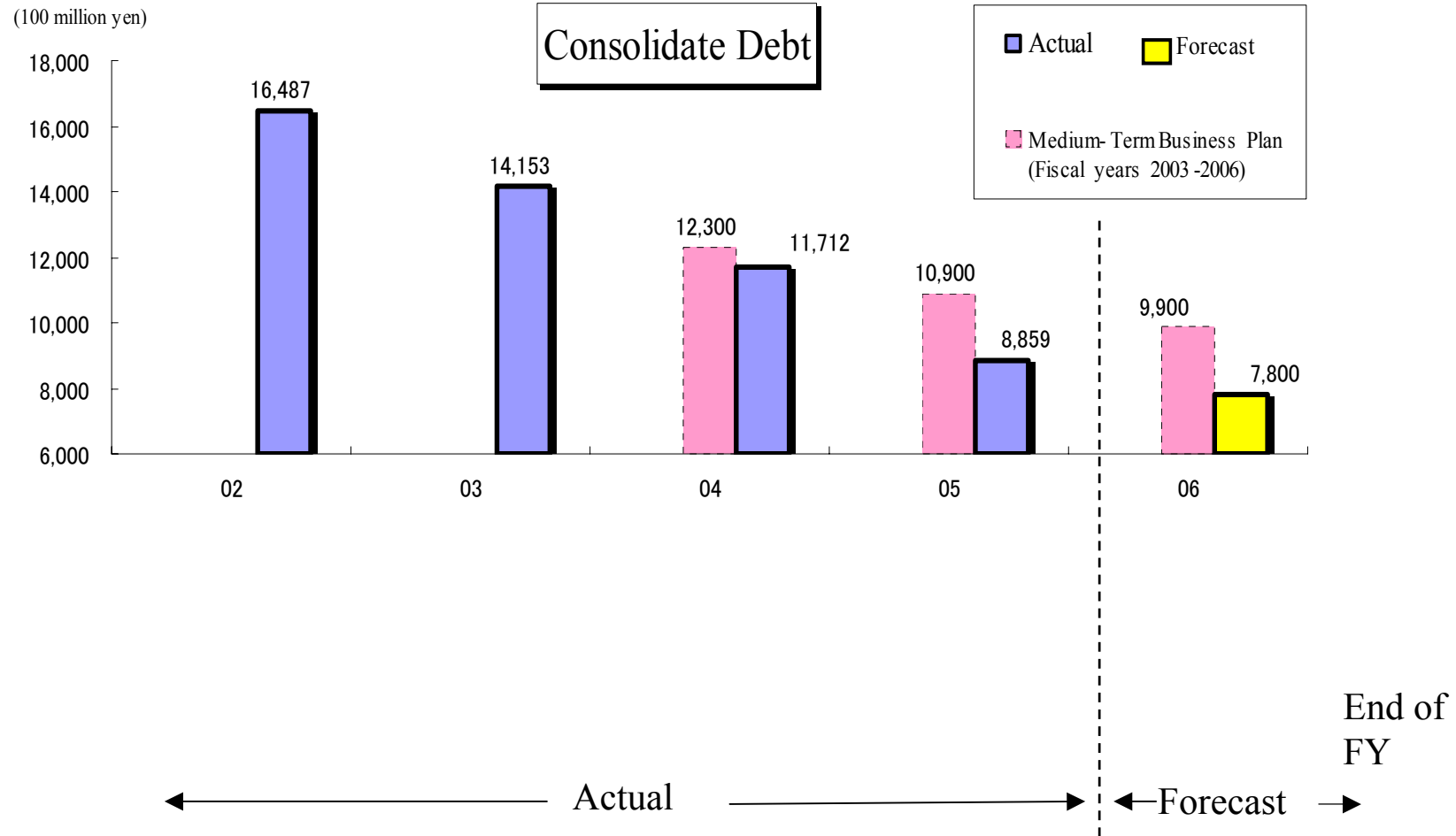
(5) Environment and recycling

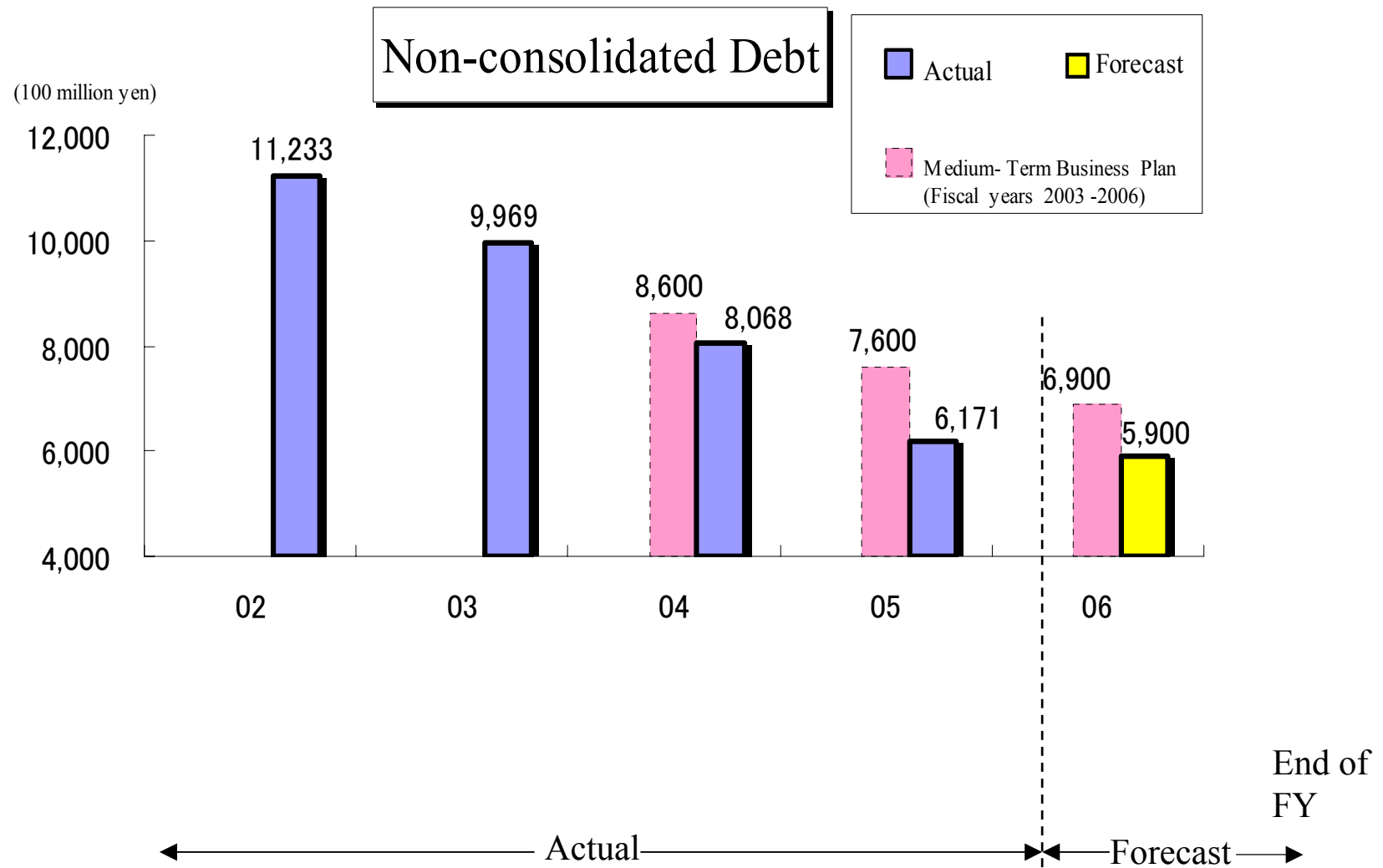
(6) Joint use of Sumitomo Metals' cold-rolling and other facilities

Tolling for Nippon Steel and Kobe Steel on Sumitomo Metals' pickling & cold rolling lines at Wakayama, in response to the current brisk demand for steel

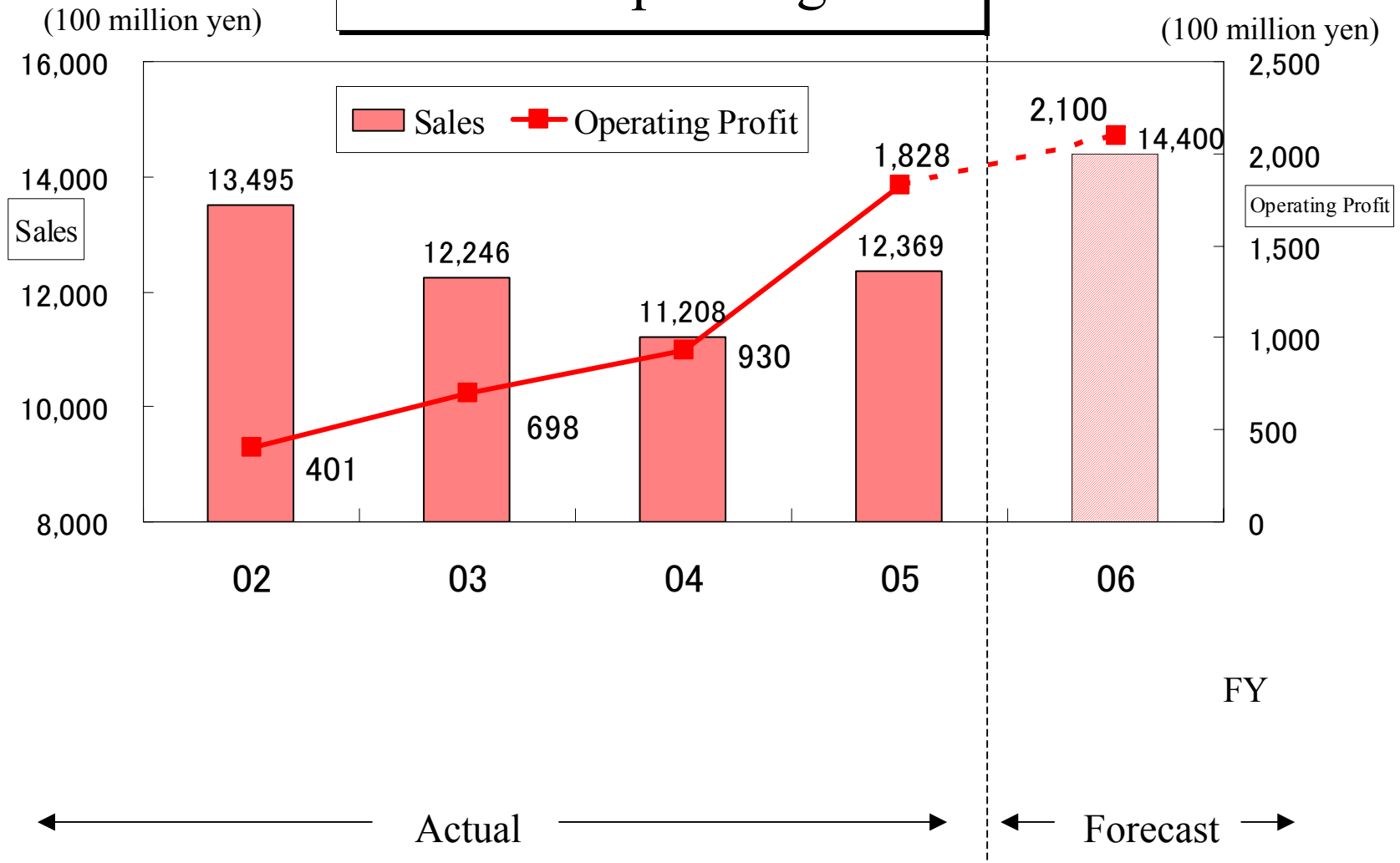
Further cross-purchase of each other's shares, in order to carry out these cooperative measures with greater smoothness and efficiency

Improvement of Financial Position

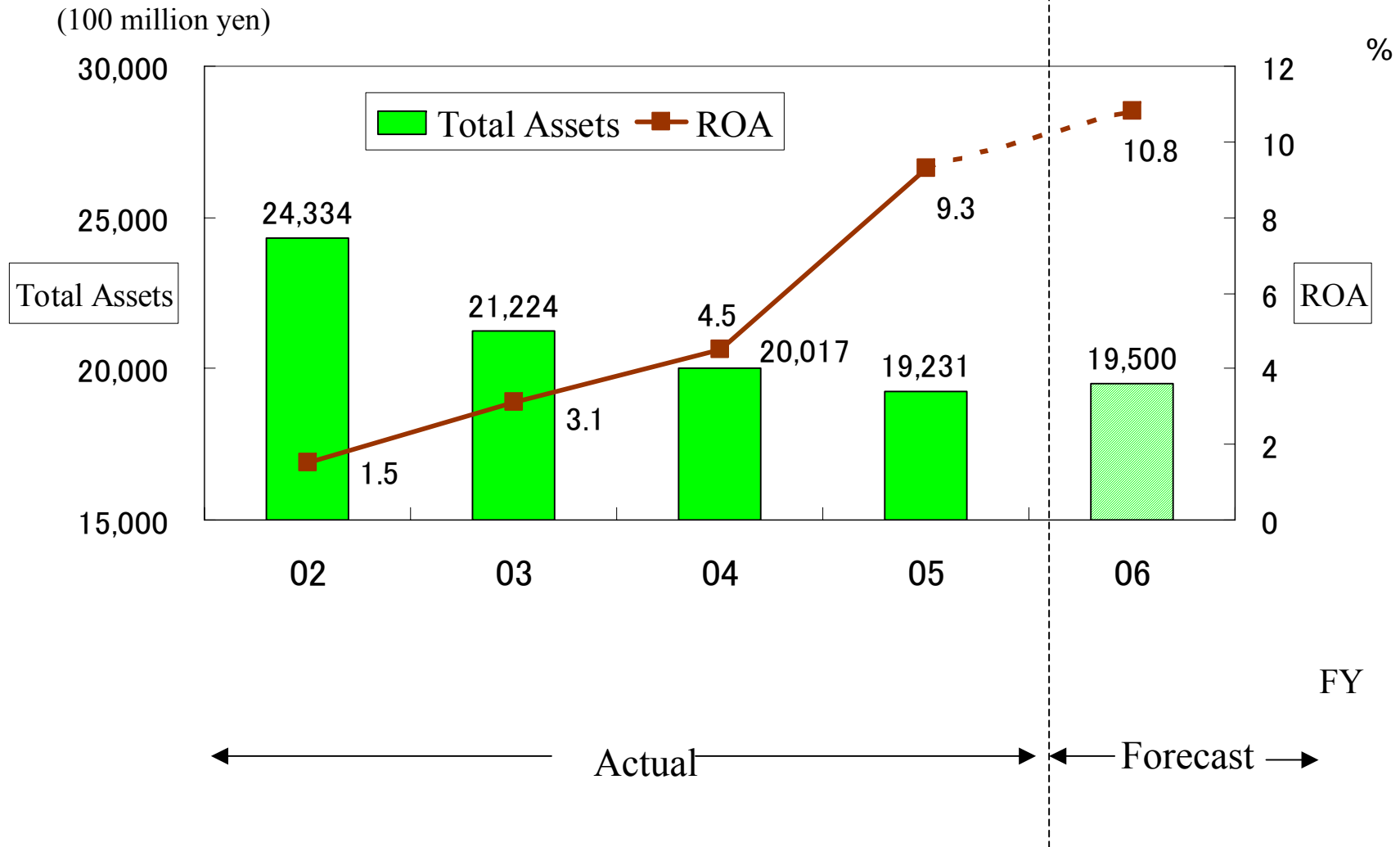




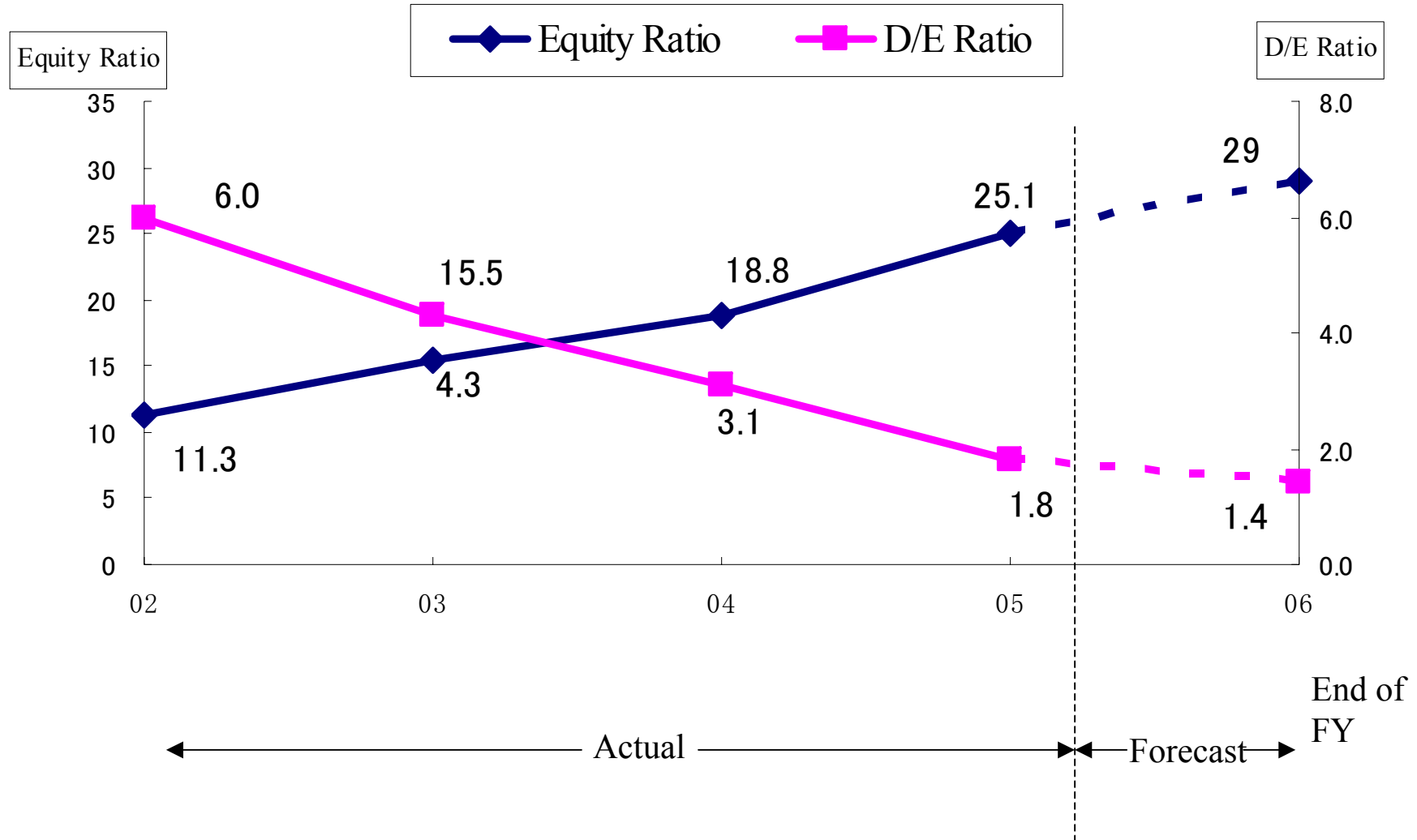
Sales and Operating Profit



Total Assets and ROA



Equity Ratio and D/E Ratio (Consolidated)



Achieve the best possible reputation with customers

Recent awards from customers

Date of awards	Customer	Award name	
August 2004	Daihatsu Motor Co.	“VE/VA Proposal Excellence Award”/ “Quality Improvement Award”	
March 2005	Toyota Motor Corporation	Award for Technology & Development	Latest model of crash box
March 2005	Toyota Motor Corporation	“Award for Quality Performance ‘excellent’ ”	Received four years in a row
April 2005	Mazda Motor Corporation	“VE/VA Proposal Excellence Award”	