

Presentation for FY2005 (ended March 31, 2006)

April 28, 2006

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 Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time.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

I . Overview

<Consolidated>

(100 JPY million)

	FY2004	FY2005	Change
Sales	12,369	15,527	+3,158
Operating profit	1,828	3,058	+1,229
Recurring profit	1,732	2,807	+1,074
Non-recurring profit and (loss)	(36)	254	+291
Corporate taxes and minority interests	(587)	(849)	-262
Net income	1,108	2,212	+1,103
Outstanding retained earnings	1,158	3,005	+1,847
Total assets	19,231	21,133	+1,902

<Non-consolidated>

(100 JPY million)

	FY2004	FY2005	Change
Sales	7,728	9,549	+1,820
Operating profit	1,264	2,223	+958
Recurring profit	1,107	1,945	+838
Non-recurring profit and (loss)	15	(67)	-83
Corporate taxes, etc.	(406)	(580)	-174
Net income	716	1,297	+580
Outstanding retained earnings	1,313	2,249	+935
Total assets	14,578	16,565	+1,986

2. Sales and Operating profit

<Consolidated>

(100 JPY million)

		FY2004		FY2005		Change	
		Sales	Operating Profit (Loss)	Sales	Operating Profit (Loss)	Sales	Operating Profit (Loss)
Steel		10,857	1,837	14,054	3,043	+3,197	+ 1,205
Engineering		571	(48)	390	(49)	-181	- 0
Electronics		490	12	608	23	+ 117	+ 11
Other		448	35	474	46	+ 25	+ 11
Eliminations			(7)		(5)		+ 2
Total		12,369	1,828	15,527	3,058	+ 3,158	+ 1,229

Reasons for change



	Reasons
Steel	In the midst of significant increases in raw material prices, both income and profit increased due to our efforts to improve steel prices and reduce costs.
Engineering	Income decreased due to both the reduction in the public sector investment and our withdrawal from less promising sectors.
Electronics	Income and profit increased due to high demand in the semiconductor sector.

<Total for Sumitomo Metals, Sumitomo Metals (Kokura), Sumitomo Metals (Naoetsu), and Sumikin Iron & Steel Corporation>

	FY2004	FY2005	Change
Exchange rate (JPY / USD)	108	113	Down 5 yen
Sales volume (10,000 tons)	1,160	1,195	-35
Average price of steel products (1,000 JPY / ton)	73.6	93.7	+20.1

Price fluctuation, change in product mix	+18.2
Exchange rate fluctuation	+ 1.9
Total	+ 20.1



<Non-consolidated>

(100 JPY million)

	FY2004 Sales	FY2005 Sales	Change Sales
Steel	7,169	9,164	+1,994
Engineering	558	384	-173
Total	7,728	9,549	+1,820

	FY2004	FY2005	Change
Exchange rate (JPY / USD)	108	113	Down 5 yen
Sales volume (10,000 tons)	933	898	-36
Average price of steel products (1,000 JPY / ton)	76.8	102.1	+25.3

Price fluctuation, change in product mix	+ 23.3
Exchange rate fluctuation	+ 2.0
Total	+ 25.3



3. Change in consolidated recurring profit

FY04 → FY05

Increase by 107.5 JPY billion (173.2 JPY billion → 280.7 JPY billion)

Reasons for improvement of profit and loss		Reasons for deterioration of profit and loss	
(100 JPY million)		(100 JPY million)	
Cost improvement	+180	Raw material prices, etc.	-1,320
Changes in product mix and prices, etc.	+ 2,200		
Exchange rate fluctuation	+ 15		
Total	+ 2,395		-1,320

FY05 First Half → FY05 Second Half Increase by 17 JPY billion (131.8 JPY billion → 148.8 JPY billion)

Reasons for improvement of profit and loss		Reasons for deterioration of profit and loss	
(100 JPY million)		(100 JPY million)	
Cost improvement	+ 35	Raw material prices, etc.	-20
Changes in product mix and prices, etc.	+ 235	Profit or loss from valuation	-130
Exchange rate fluctuation	+ 50		
Total	+ 320		-150

4. Non-recurring profit and loss

<Consolidated>

(100 JPY million)

	FY2004	FY2005
Gain on sales of property, plant, equipment and other assets	11	
Gain on sales of investment securities	293	478
Gain on compensation for expropriation of land	—	
Other	8	
Total non-recurring profit	314	478
Loss on disposal and sales of property, plant, equipment and other assets	(168)	(82)
Loss on asset impairment	—	(31)
Loss on business restructuring	(68)	(47)
Cost of PCB disposal	—	(21)
Loss on compensation for completed construction	—	(41)
Charge for transitional obligations for employees' retirement benefits	(65)	
Loss resulting from disaster damage	(34)	—
Other	(13)	—
Total non-recurring loss	(350)	(224)
Total non-recurring profit and loss	(36)	254

5. Cash flow

<Consolidated>

(100 JPY million)

	FY2004	FY2005	Change
Cash flow from operations	2,773	3,119	+345
Cash flow from investments	(120)	(638)	-518
Cash flow from financing	(2,973)	(2,583)	+389
Cash and cash equivalents at the end of FY	424	325	-98

6. Consolidated shareholder's equity

(100 JPY million)

	FY2004	FY2005	Change
Opening balance of additional paid-in capital	618	618	0
Gains on disposal of treasury stocks	0	—	-0
Closing balance of additional paid-in capital	618	618	—

Opening balance of retained earnings	119	1,158	+1,038
Net income	1,108	2,212	+1,103
Increase due to inclusion of certain subsidiaries into consolidation and certain associated companies, etc.	1	0	-1
Dividend	(72)	(360)	-288
Bonuses to directors and corporate auditors	—	(1)	-1
Decrease due to exclusion of certain subsidiaries from consolidation and certain associated companies, etc.	—	(3)	-3
Closing balance of retained earnings	1,158	3,005	+1,847

Supplementary figures

(1) Financial income and expenditure

<Consolidated> (100 JPY million)

	FY2004	FY2005
Interest earned and dividend received	42	40
Interest payments	(175)	(122)
Financial income and expenditure	(133)	(82)

<Non-consolidated> (100 JPY million)

	FY2004	FY2005
Interest earned and dividend received	69	73
Interest payments	(112)	(88)
Financial income and expenditure	(42)	(15)

(2) Investment and Depreciation (Tangible fixed assets)

<Consolidated>

(Acceptance base, 100 JPY million)

		FY2004	FY2005
Investment A	Steel	556	766
	Non-steel	47	60
	Total	603	826
Depreciation B		792	752
B-A		+189	-74

<Non-consolidated>

(Acceptance base, 100 JPY million)

		FY2004	FY2005
Investment A		366	519
Depreciation B		480	432
B-A		+114	-78

(3) Steel sales by internal company

<Consolidated>

(100 JPY million)

	FY2004	FY2005	Change
Steel Sheet, Plate, Titanium & Structural Steel	5,714	6,933	+1,219
Pipe & Tube	2,813	4,306	+1,492
Railway, Automotive & Machinery Parts	779	950	+170

<Non-consolidated>

(10,000 tons, 100 JPY million)

	FY2004		FY2005		Change	
	Volume	Value	Volume	Value	Volume	Value
Steel Sheet, Plate, Titanium & Structural Steel	744	4,563	702	5,257	-42	+694
Pipe & Tube	170	1,955	172	3,112	+3	+1,157
Railway, Automotive & Machinery Parts	20	650	23	793	+4	+142

(4) Steel Business (Domestic/export sales)

<Non-consolidated> (10,000 tons, 100 JPY million)

	FY2005	
	Volume	Value
Domestic	573	5,138
Export	325	4,026
Total	898	9,164

<Non-consolidated>

Percentage of total exports per region (% , value basis)

	FY2005
Asia	54
North America	12
Middle East	16
EU	12
Other	6

(Adjustment page)

II. FY2006 Targets

1.Basis for FY2006 performance targets

		FY2005 Results	FY2006 Targets
Exchange rate	JPY/USD	113	Approx.115
Japan total crude steel production	million tons	113	Approx.112
Sumitomo Metals Group crude steel production (*)	thousand tons	1,331	Approx.1,340

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

2.Targets of FY2006 Business

<Consolidated>

(100 JPY million)

	FY2005 results	FY2006 Targets		Change
		First half (Approximate)	Full year (Approximate)	
Sales	15,527	7,650	15,500	-30
Operating profit	3,058	1,300	2,700	-360
Recurring profit	2,807	1,250	2,600	-210
Non-recurring profit & (loss)	254	(40)	(50)	-300
Corporate taxes and minority interests	△849	(460)	(1,000)	-150
Net income	2,212	750	1,550	-660

<Non-consolidated>

(100 JPY million)

	FY2005 results	FY2006 Targets		Change
		First half (Approximate)	Full year (Approximate)	
Sales	9,549	4,800	9,800	+250
Operating profit	2,223	1,100	2,200	-20
Recurring profit	1,945	1,050	2,050	+110
Non-recurring profit & (loss)	(67)	(40)	(50)	+20
Corporate taxes, etc.	(580)	(410)	(800)	-220
Net income	1,297	600	1,200	-100

3. Sales and Operating profit

<Consolidated>

(100 JPY million)

		FY2005 Results		FY2006 Targets				Change from previous year (Approximate)	
		Sales	Operating Profit (Loss)	First half (Approximate)		Full year (Approximate)		Sales	Operating Profit (Loss)
				Sales	Operating Profit (Loss)	Sales	Operating Profit (Loss)		
	Steel	14,054	3,043	7,050	1,285	14,200	2,635	+70	-400
	Engineering	390	(49)	50	(10)	100	(20)	-210	+30
	Electronics	608	23	300	10	700	50	+90	+30
	Other	474	41	250	15	500	35	+30	-10
	Total	15,527	3,058	7,650	1,300	15,500	2,700	-30	-360

4. Change in consolidated recurring profit

FY05 → FY06

Decrease by approx. 20 JPY billion (280.7 JPY billion → 260 JPY billion)

Reasons for expected improvement of profit and loss		Reasons for expected deterioration of profit and loss	
(100 JPY million)		(100 JPY million)	
Cost improvement	Approx. +60	Fuel and material	Approx. -100
Changes in product mix and prices, etc.,	Approx. +210	Increase in fixed cost	Approx. - 140
Exchange rate fluctuation	Approx. +80	Profit or loss from valuation	Approx. - 310
Total	Approx. +350		Approx. - 550

FY05 Second Half → FY06 First Half

Decrease by approx. 24 JPY billion (148.8 JPY billion → 125 JPY billion)

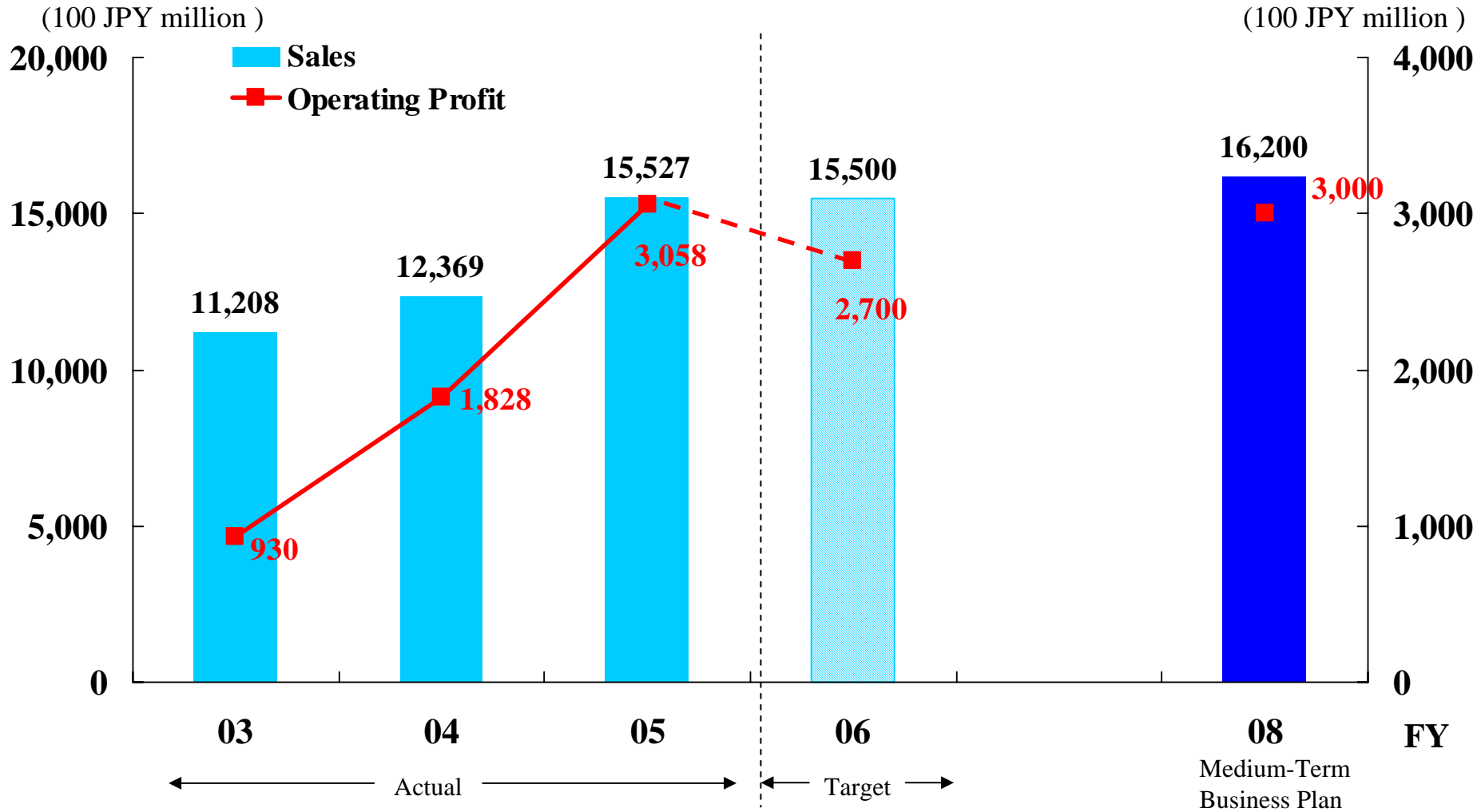
Reasons for expected improvement of profit and loss		Reasons for expected deterioration of profit and loss	
(100 JPY million)		(100 JPY million)	
Cost improvement	Approx. +10	Fuel and material	Approx. - 50
Exchange rate fluctuation	Approx. +20	Increase in fixed cost	Approx. - 70
		Profit or loss from valuation	Approx. - 80
		Consolidated subsidiaries and associated companies, etc.	Approx. - 70
Total	Approx. +30		Approx. - 270

Change of Financial Figures

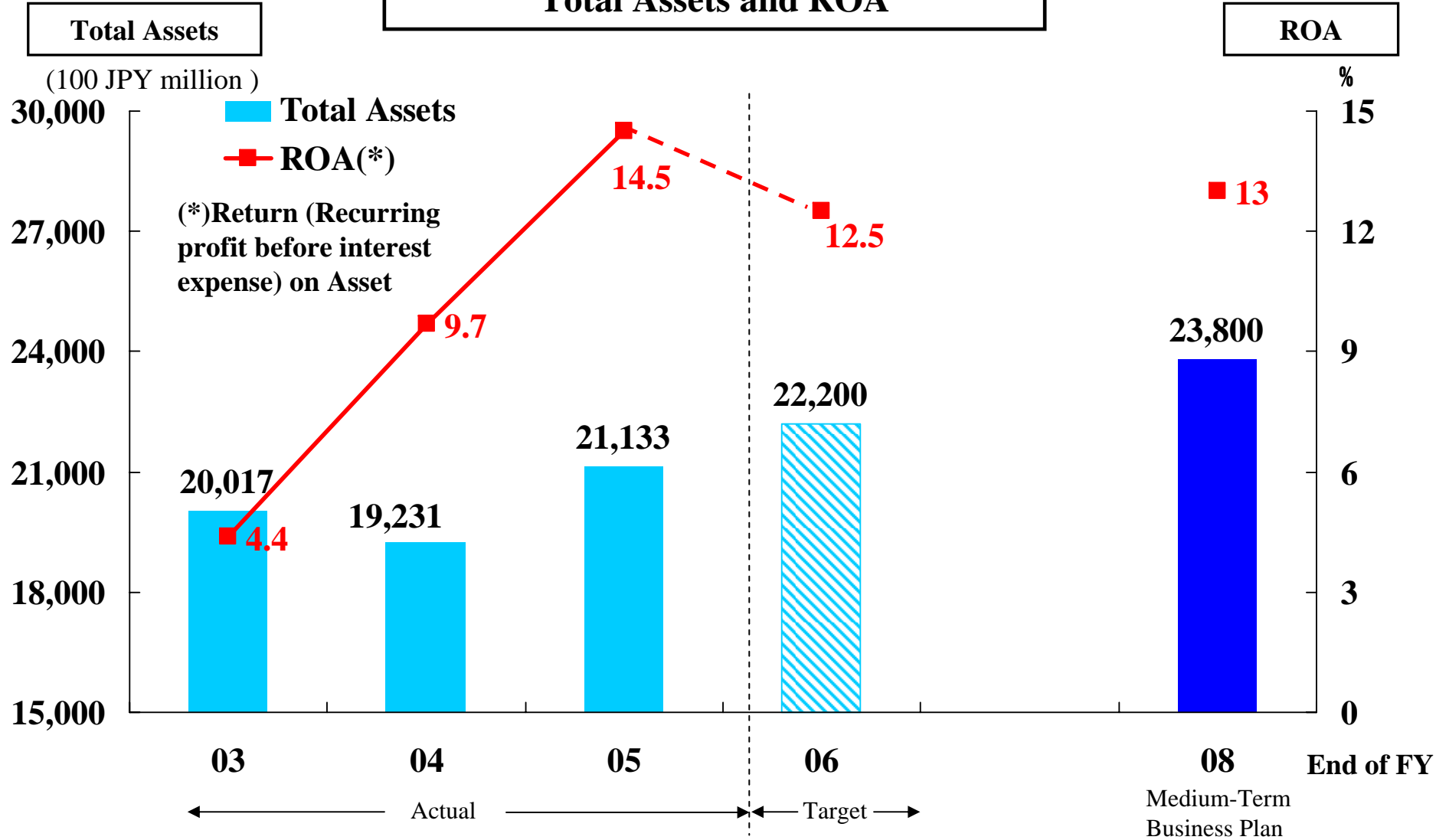
Consolidated Sales and Operating Profit

Sales

Operating Profit

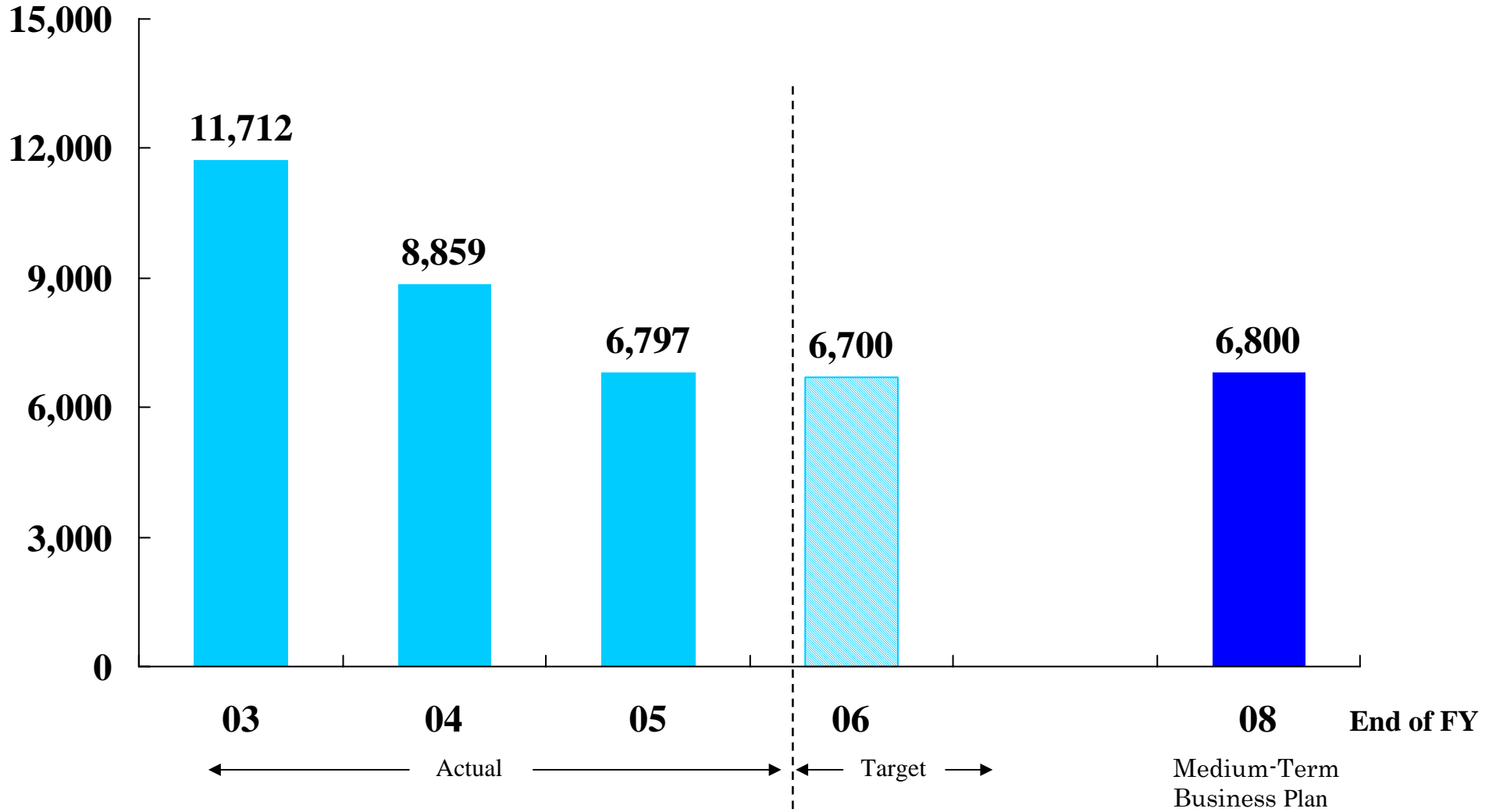


Total Assets and ROA



Consolidated debt

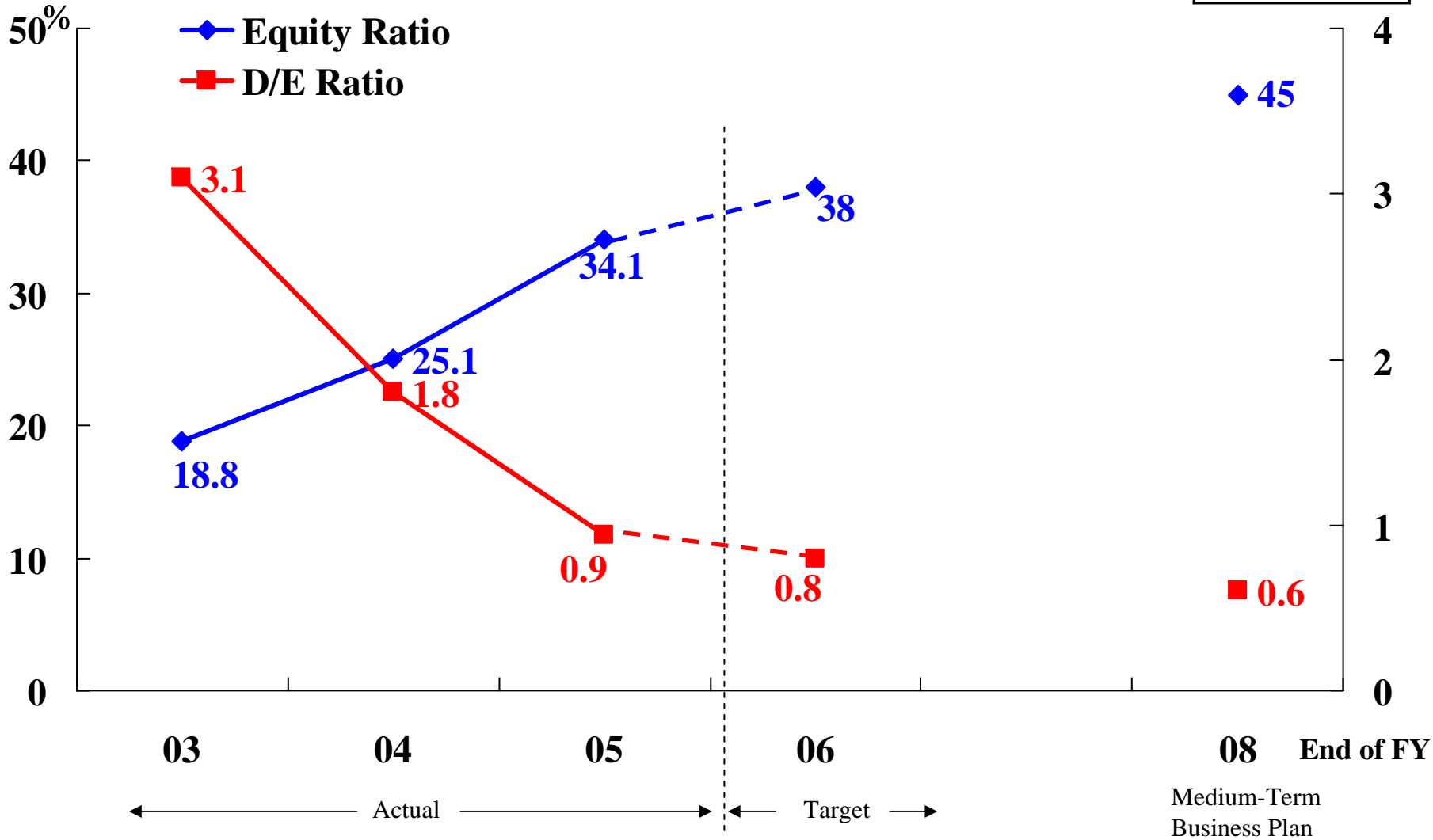
(100 JPY million)



Equity Ratio and D/E Ratio (Consolidated)

Equity Ratio

D/E Ratio



"No. 1 Manufacturer" in customer satisfaction

Recent awards by customers

Date of award	Customer	Award name	
Feb. 2006	Toyota Motor Corporation	Award for Quality Performance	Sumitomo Metals: Five consecutive years
		Award for Technology & Development	Sumitomo Metals: Three consecutive years
Jan. 2006	Honda Motor Corporation	Special Award Appreciation to Excellent Suppliers (Quality Award)	Sumitomo Metals
		Special Award Appreciation to Excellent Suppliers (Technology & Development Award)	Sumitomo Metals (Kokura)
Mar. 2006	Toyota Motor Manufacturing North America, Inc.	Excellent Delivery Performance Award	ICI: Four consecutive years
		Quality Award	ICI: Two consecutive years
Mar. 2006	Honda of America Manufacturing, Inc.	Quality Performance Award	ICI