Onward, Upward

Annual Report 2005 Year ended March 31, 2005

SUMITOMO METALS

Profile

Sumitomo Metal Industries, Ltd. is an integrated steelmaker whose annual production of crude steel for the fiscal year ended March 31, 2005 totaled 12.87 million tons.*

As core products, the Company supplies a wide variety of high-quality steel sheets, especially for automotive and electrical machinery applications. In the areas of pipes and tubes, including seamless pipes used for oil or natural gas drilling and large-diameter welded steel pipes for pipelines, the Company's technology ranks the best in the world. The Company is also a leading supplier of wheels, axles, bogie trucks and other components for trains in Japan, and has earned high acclaim in Japan and around the world for strong product development and production technology that together are responsible for products that meet our customers' needs.

In addition to promptly and successfully implementing measures contained in the Medium-Term Business Plan that is scheduled through the fiscal year ending March 31, 2006, the Company continued to enjoy a high sales volume and improved steel prices to generate record earnings in the fiscal year ended March 31, 2005. Today, the Company continues to build its business foundation to further forge ahead.

* Includes crude steel produced at Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and Sumikin Iron & Steel Corporation.

Cover: Kashima Steel Works No. 1 Blast Furnace

In September 2004, a new, large blast furnace was blown-in at Kashima Steel Works. This was the first blow-in of this scale in Japan in 25 years. The launch of the No. 1 Blast Furnace is at the heart of "Restructuring the Steel Business," a program vigorously promoted by Sumitomo Metals.

Contents

The business forecast and forward-looking statements in this annual report are forecasts the Company has made using available information at the present time, and contain potential risks and uncertainties. For this reason, please note that due to changes in various factors, actual results may differ from the forecasts stated here.

The financial settlement data listed in this annual report pertains to the fiscal year 2005 (from April 1, 2004 to March 31, 2005) and the previous fiscal years. Other information listed is the most recent information at the time this annual report was prepared.

"Sumitomo Metals" is a common name referring to Sumitomo Metal Industries, Ltd.

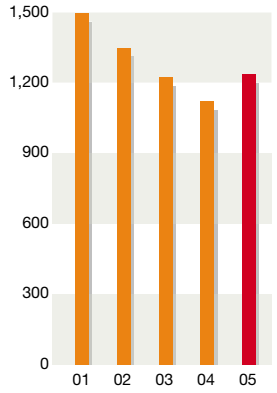
Consolidated Financial Highlights

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

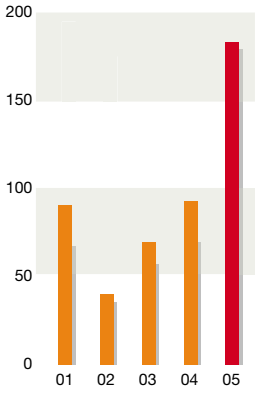
	2005	2004	2005/2004	2005
	Millions of yen		change(%)	Thousands of U.S. dollars
Operating Results (For the year):				
Net sales	**¥ 1,236,921**	¥ 1,120,856	10.4	**$ 11,518,026**
Operating profit	**182,879**	93,042	96.6	**1,702,940**
Income before income taxes and minority interests	**169,578**	39,902	325.0	**1,579,081**
Net income	**110,864**	30,792	260.0	**1,032,353**
Financial Position (At year-end):				
Total assets	**¥ 1,923,143**	¥ 2,001,728	-3.9	**$ 17,908,024**
Total shareholders' equity	**483,238**	376,037	28.5	**4,499,837**
	Yen			U.S. dollars
Per Share Data:				
Net income	**¥ 23.05**	¥ 6.42	259.0	**$ 0.21**
Cash dividends	**5.00**	1.50	233.3	**0.05**
Shareholders' equity	**100.61**	78.28	28.5	**0.94**
Index:				
Return on assets (ROA)	**9.3 %**	4.5 %		

Notes: The United States dollar amounts included herein represent translations using the approximate exchange rate at March 31, 2005, of ¥107.39= U.S.$1, solely for convenience.
Return on assets is calculated using the following formula: ROA = Operating profit/total assets ×100.

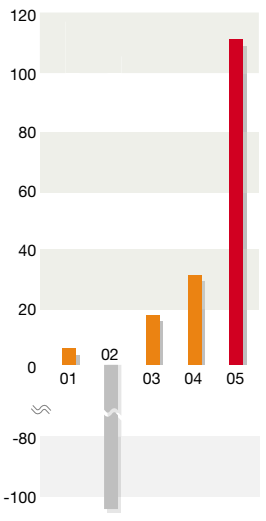
Net Sales
(¥ billion)



Operating Profit
(¥ billion)



Net Income (Loss)
(¥ billion)



(Years ended March 31)

Message from the President

As the new president of Sumitomo Metal Industries,
I would first like to thank you for taking
the time to read our annual report.
My name is Hiroshi Tomono,
and I assumed the position of president on June 29, 2005.
I believe my job is to continuously increase
Sumitomo Metals Group's corporate value
so that your relationship with us
results in your satisfaction.

We achieved record high profits in the fiscal year ended March 31, 2005 thanks to strong demand for steel, improvements in steel prices and cost cuts.

Overview of Fiscal Year Ended March 31, 2005

The Business Environment in Fiscal Year Ended March 31, 2005

Domestic demand for steel for manufacturing, private–sector investment and other uses remained solid in the fiscal year ended March 31, 2005 as we also enjoyed strong demand for exports. As a result, nationwide crude steel production volume was 112.88 million tons, the fourth highest in history.

Due to sharp increases in steel production in China and other regions, worldwide supplies of raw materials were tight and prices have continued to soar.

Business Results for Fiscal Year Ended March 31, 2005

In this business environment, we at Sumitomo Metals Group continued to work on providing our customers with stable supplies of steel by securing raw materials and improving its production and shipment responsiveness. With the understanding of our customers, we made a strong effort to raise steel prices – a move partly necessitated by increased expenses due to a rapid rise in the price of raw materials.

The Sumitomo Metals Group has been steadily and quickly implementing the measures contained in the Medium-Term Business Plan to build a business base geared toward new growth.

The mainstay of this plan is structural reform of our steel sheet business. To that end, in September 2004, we implemented the “blow-in” of the new No. 1 blast furnace at our Kashima Steel Works. The furnace has continued to operate smoothly as part of our new, well-balanced production system from upstream to downstream processes, making bottlenecks a thing of the past.

At our Wakayama Steel Works, we suspended the operation of our hot rolling mill in March to concentrate mass production of steel sheets at our Kashima Steel Works. Starting in April, we increased our annual slab supply to Taiwan’s China Steel Corporation Group to 1.8 million tons.

As a result, we established a structure that allows us to maintain high capacity utilization rates at both our Kashima and Wakayama Steel Works for a long term in order to generate stable profits.

Consolidated Business Performance in Fiscal Year Ended March 31, 2005

We achieved improvement in net sales and profits for the fiscal year ended March 31, 2005 due to high sales volumes and our active, continuous efforts to improve steel prices and reduce costs.

On a consolidated basis, our net sales were 1,236.9 billion yen (up 116.0 billion yen from a year earlier), operating profit was 182.8 billion yen (up 89.8 billion yen), recurring profit was 173.2 billion (up 104.5 billion yen), and net income was 110.8 billion yen (up 80.0 billion yen). These figures include record-high recurring profit and net income.

Return on Assets was 9.3%, exceeding our Medium-Term Business Plan target of 5% for the end of March 2006. We also made good progress in reducing our consolidated interest-bearing debt, trimming 285.2 billion yen off the March 31, 2004 balance of 1,171.2 billion yen to leave 885.9 billion yen as of March 31, 2005. As you can see, we were able to not only achieve but exceed our Medium-Term Business Plan goals – a year ahead of plan.

When former president Shimozuma assumed office five years ago, he said to his employees, “First, let's be an ordinary company, then, be an excellent company.” I feel that we have finally reached the threshold of being an “ordinary company.”

The Sumitomo Metals Group will remain firmly rooted in the Sumitomo Group's business philosophy as it aims to be an "excellent company" that is trusted and respected.

Toward Future Growth

Aiming to be an "Excellent Company"

One of Sumitomo Metals' important assets is the more than 100 years of history as a manufacturing business. At the foundation of the history of our group is the Sumitomo Group's business philosophy, which has been fostered for over 400 years.

> Above all things, steadiness and reliability are of the greatest importance for the prosperity and stability of the organization. Any action to make speculative profit is strictly forbidden; business is to be expanded or curtailed as necessary, taking into consideration changes in the times and the business perspective.

Based on these principles, the Sumitomo Metals Group aspires to be an "excellent company" that is trusted and respected.

Despite having reached the numerical targets set in our Medium-Term Business Plan the past year, I believe it is only when we sustain this kind of success as a "continuously growing company" that we can call ourselves an "ordinary company." In other words, becoming a "continuously growing company" is the first step on the way to becoming an "excellent company."

Toward Becoming an "Excellent Company"

1. Adding Strength to Strengths

Our basic philosophy for becoming a continuously growing company is "adding strength to strengths."

Sumitomo Metals is a steel pipe supplier that leads the world in technology. Our full lineup of products for energy-related usage such as for petroleum, natural gas and power generation includes steel plates that display a technological competitive edge in harsh-usage environments. Products aimed at the energy sector, where demand is certain to continue growing, are key resources for our future growth.

The world's rapidly growing demand for energy raises the need to appropriately address environmental concerns. At Sumitomo Metals, we are utilizing the capabilities of our entire group, including those of Sumitomo Metals (Kokura), Ltd. and Sumitomo Pipe & Tube Co., Ltd., to enhance our response to the need for creating lighter automobiles for fuel efficiency.

We also intend to strengthen our Railway, Automotive & Machinery Parts business, which produces an overwhelming market share of critical security components that demand high reliability and safety, such as railway wheels, axles and bogie trucks, as well as crankshafts for automobiles.

2. Investing in Future Growth

We already have laid the groundwork for becoming an "excellent company."

At our Kashima Steel Works, construction has begun on a hot-dip galvanizing line, a continuous pickling line and a power generation equipment as IPP (Independent Power Producer), and on renovating our No. 3 blast furnace.

Our Wakayama Steel Works has been reborn as the only one of its kind in the world that can operate at full capacity at all times, boasting a distinctive product lineup that includes slabs, cutting-edge, high-grade seamless pipes and high-grade, flat rolled products as represented by electro-magnetic steel sheets. Taking full advantage of existing infrastructure of what was once the site that boasted of having the highest production capacity in volume for crude steel in the world, we intend to revamp the upstream process by upgrading blast furnaces and taking measures to address environmental issues.

We will continue to enhance the strength of our balance sheet even as we commit to these investments in future growth.

"Quality of Earnings" is key to increasing earnings
even during slumps in steel demand.
Quality of Earnings is improved by forging strong relationships
with our customers to the point where we become
mutually indispensable business partners,
and building a revenue structure highly resistant to downside risks.

3. Further Strengthening Group Companies

We also need to further strengthen our group companies. While our group companies concentrate on our core business of steel production, we will actively invest more resources toward boosting the competitiveness and earning capacity of group companies.

Improving the Quality of Earnings

Steel is a fundamental material that is essential to the development of economies, and we expect its global demand to grow steadily in the medium term. We, however, do not intend to rely solely on growth in volume to expand earnings. We know from experience that steel demand will have its ups and downs. It is imperative that our group establishes a business structure that supports solid earnings even when demand is down.

The key to that business structure is "Quality of Earnings." Quality of Earnings is improved by establishing a revenue structure that is highly resistant to downside risks due to the strong relationship forged between a company and its customers. We intend to become our customers' mutually indispensable business partner by not only providing customers with a long-term, stable supply of products that generate earnings for ourselves, but also by ensuring that our customers continue to produce value by using our products.

Improving the Quality of Earnings is a principle embedded in the Sumitomo Group's business philosophy that has been handed down from generation to generation. "Steadiness and reliability are of the greatest importance; speculative profit should not be sought" means "increasing the certainty of securing future cash flows" when translated in terms of the discounted cash flow method. To achieve this, we at Sumitomo Metals Group always approach our work with the aim of earning a leading reputation among our customers. The relationship of trust between us and our customers who support the Sumitomo Metals Group's products will be the foundation upon which I intend to boldly implement new growth strategies.

July 1, 2005

Representative Director and President
Hiroshi Tomono

Further Enhancement of Sumitomo Metals' Cooperation with Nippon Steel Corporation and Kobe Steel, Ltd.

At Sumitomo Metals, we have been implementing various tie-up measures with Nippon Steel Corporation ("Nippon Steel") and Kobe Steel, Ltd. ("Kobe Steel"), such as mutual cooperation in physical distribution, purchase of raw materials, materials and machinery, management of neighboring steel works, and mutual supply of semi-finished and downstream products in emergencies.

In addition, Sumitomo Metals and Nippon Steel have undertaken joint operations in stainless steel and welding materials, and this cooperative effort has produced substantial benefits. Further, this April, Nippon Steel and Kobe Steel commenced their supply of hot coils (approximately 500,000 tons/year) on a full scale following the restructuring of steel sheet production at Wakayama Works of Sumitomo Metals.

In the future, the three companies intend to further expand and deepen cooperative measures in pursuit of greater individual benefits.

1 Joint Use of Sumitomo Metals' Iron- and Steelmaking Facilities

In June, with the objective of securing and improving supply capabilities to meet the vigorous demand for steel at home and overseas which has been boosted by the growth in China and other Asian economies, Nippon Steel and Kobe Steel made capital contributions amounting to 10% (3.4 billion yen) and 2% (0.7 billion yen) of all the capital, respectively, to East Asia United Steel Corporation, the holding company of Sumikin Iron & Steel Corporation, which is the upstream process company of our Wakayama Steel Works (Sumikin Iron & Steel Corporation).

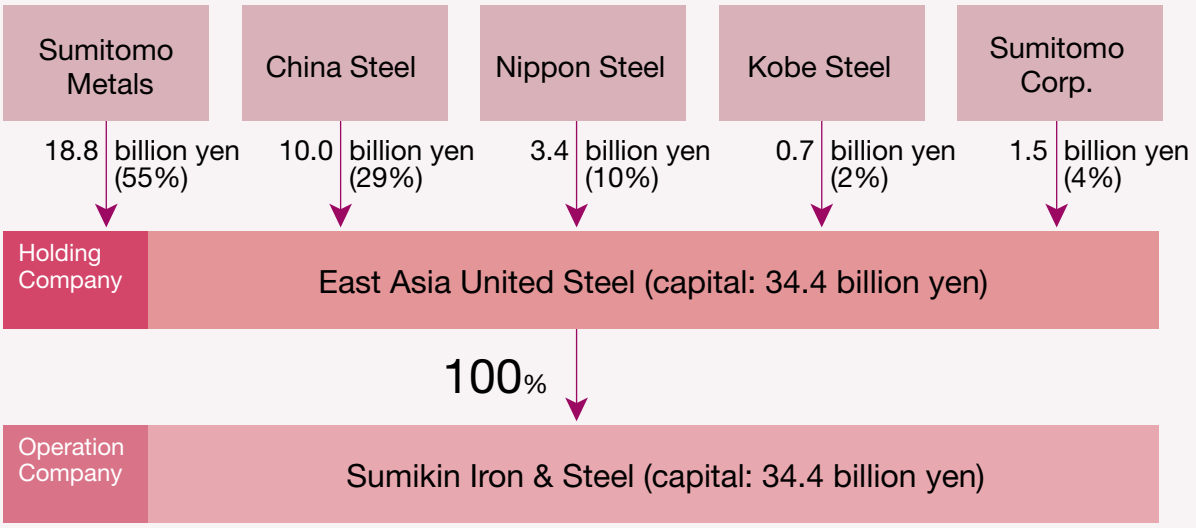
Accordingly, a shareholders' agreement was entered into among five parties: the existing three shareholders (Sumitomo Metals, China Steel Corporation, and Sumitomo Corporation) and Nippon Steel and Kobe Steel.

By the above arrangement for capital contributions to East Asia United Steel, Sumitomo Metals will be facilitating the use of slabs produced at Wakayama Works by the above five shareholders individually so that both domestic and international demand can be met with greater efficiency.

Sumitomo Metals, while making the maximum use of its existing infrastructure and facilities, will also aim at progressively restructuring its production system, including relining of its blast-furnace at Kashima Works and Wakayama Works, in order to eventually hold the capacity to supply slabs approximately 1 million tons a year to Nippon Steel and Kobe Steel.

Throughout the process of the system improvements mentioned above, we will secure stable and full-capacity operation of Sumitomo Metals' upstream process facilities.

Capital Formation of East Asia United Corporation



2 Enhancement of Cooperation in Scope and Depth

We will study and implement mutual cooperation in such areas as R&D, intellectual property, procurement, electricity, control and systems, and environment and recycling. (See Following Table)

3 Additional Cross-Purchase of Shares

While Sumitomo Metals, Nippon Steel and Kobe Steel already engage in cross-holding of each other's stakes, in order to carry out these cooperative measures with greater smoothness and efficiency, the three companies have decided to implement further cross-purchase of each other's shares.

In addition, the three companies will work together to study measures needed to respond effectively to changes taking place in the capital market.

As such, the three companies, each with their unique strengths, will contribute to the cooperation in a wide range of fields unprecedented in Japan's steel industry. We at Sumitomo Metals Group will promote this cooperation to operate the steel business more efficiently, enhance our business foundations and achieve sustainable growth.

Field	Details of Study and Implementation
R&D	Joint research programs and technical cooperation chiefly in fundamental research and upstream production processes (ironmaking, steelmaking, etc.) for mutual benefit
Intellectual Property	Mutually beneficial cross-licensing, effective utilization of the resources of the three companies, and an exchange of information about their respective methods for management of intellectual property
Procurement	Measures to achieve yet greater mutual cooperation in, among other things, the stable procurement of raw materials, materials and machinery
Electricity, control and systems	Joint research projects and sharing of spare equipment in the electrical and control areas, and mutual cooperation in the systems area including disaster and emergency response measures
Environment and recycling	Mutual cooperation in the fields of environment and recycling, aimed at promotion of measures against global warming and efficient recycling
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 current brisk demand for steel

Booming Energy-Related Businesses

Due to powerful economic growth in BRICs and other emerging economies, world demand for energy is rapidly increasing. At Sumitomo Metals, we have a history of providing the global energy industry with unsurpassed, highly value-added products such as seamless pipes and large-diameter welded steel pipes and plates, earned solid trust from our customers.

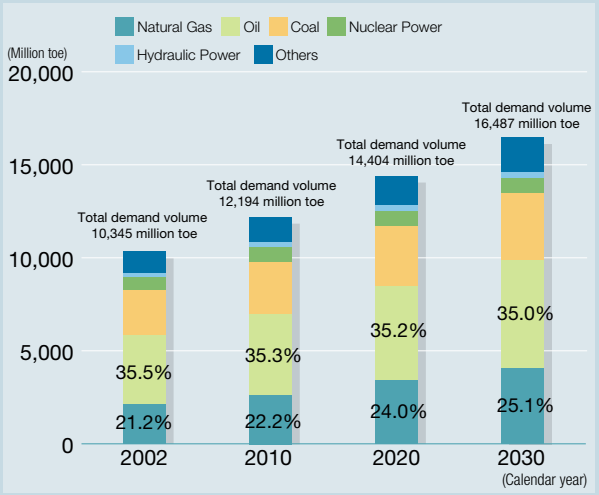
To focus on expanding energy demand and to appropriately meet our customers' needs, we will continue to work on R&D and on enhancing production technology.

1 Expansion of Global Energy Demand

The remarkable economic growth in countries including BRICs has led to a rapid expansion in global demand for energy. As the result of this, there has been a substantial investment in the development of oil and gas. In China, under the government's electric power enhancement plan, power plants are being constructed at a furious pace.

Outlook for Energy Demand

Source: IEA "World Energy Outlook 2004"
IEA = International Energy Agency



2 Seamless Pipes and Large-Diameter Welded Steel Pipes

Demand for Highly Value-Added Products

New projects for developing oil and natural gas are planned in extremely cold regions or in deep-sea. Pipes that will be exposed to such harsh conditions must have high strength as well as low temperature toughness and corrosion resistance.

The most pressing need in China is the construction of power generators that can operate in higher-temperature, higher-pressure environment to increase energy efficiency at power plants. As a result, demand for high-grade boiler tubes is expected to soar.

Large-scale Oil and Natural Gas Development Projects in the World

A Long History of Contributions to the Energy Industry and a Relationship with Major Oil Companies

As Japan's pioneer in the manufacture of seamless pipes, Sumitomo Metals has a long history of contributing to the energy industry. Our history and track record have earned the trust of customers that include major oil companies. Such trust has led to a series of joint R&D programs, starting with technology exchange and going on to sample product prototyping to evaluating performance in actual environments and concluding with the commercial production of the developed material.

Through product developments resulting from a variety of joint-research programs conducted with BP, Exxon Mobil and Statoil, we have achieved the world's leading reputation for quality and manufacturing technology.

Advantage supported by technology

A factor that substantiates our reputation is technology. This is exemplified in our highly value-added products, such as Super High Alloy, which can withstand ultra-harsh environments, and the VAM series of premium connections, which are suitable for use even in ultra-high-pressure environments.

Strength of an Integrated Production System from Upstream to Downstream Processes

Another strength of Sumitomo Metals lies in its manufacturing processes.

At our Wakayama Steel Works, the new seamless mill produces high-quality seamless pipes with great efficiency. The mill uses our high-toe-angle expansion piercing technology, which showcases Sumitomo Metals' original technologies, the world's largest mandrel mill, and the world's fastest heat-treatment by inline facility. The new steel-making plant is set up to apply desulfurization, dephosporization and degassing to all molten steel and utilizes the world fastest refining process to produce high-grade steel efficiently.

In addition to the above, the effective allocation of facilities at the steel works contributes to the efficient manufacture of Sumitomo Metals pipes. For example, the new seamless mill at our Wakayama Steel Works is the only mill in the world linked directly to round billet continuous caster in a straight line. Likewise, the large-diameter pipe plant at our Kashima Steel Works, which manufactures large-diameter welded steel pipes, is the only mill in the world directly connected to a steel-plate mill. This effective allocation of facilities, together with close coordination between plants results in reduced cost and lead time, decreasing inventory, efficient manufacturing and increased product quality, and at the same time plays an important roll in improving the integrated, comprehensive technological capabilities of upstream and downstream processes.

Booming Energy-Related Businesses

Focus on Long-Term Contracts with "Super Major" Oil Companies and Enhance R&D and Production Technology

Today, the steel pipe market for the energy industry is entering into a new phase. On the one hand, major oil companies, who are the buyers of seamless pipes and large-diameter welded steel pipes, are being consolidated into "super major" oil companies through a series of mergers and acquisitions. In this new environment, we at Sumitomo Metals are stressing the need to focus on our long-term relationships with the super-major oil companies and leading boiler manufacturers as we work on building a stable business structure supported by long-term contracts.

Throughout the years, we have established a position as the only comprehensive steel pipe supplier in the world capable of supplying pipes of all steel types and sizes related to drilling, refinement and transportation for the energy industry.

Today, all of our mills are operating at full capacity under tight market situations that are expected to continue for some time. To further strengthen our position as a leading pipe supplier, we will further enhance technological development of pipes that can withstand harsher environments, improve production technology in pursuit of more efficiency, and increase the ratio of highly value-added items among our products.

3 Steel Plates

Sumitomo Metals' steel plates also have an advantage in energy-industry usage, such as for large-diameter welded steel pipes, for offshore structures for drilling oil and natural gas, and for penstocks. This is largely owing to our relationship with "super-major" oil companies that we have cultivated by supplying seamless pipes and large-diameter welded steel pipes.

A number of offshore projects by major oil companies use our steel plates. For example, since 1994, we have been almost exclusively supplying our TMCP (thermo-mechanical control process) steel plates for Shell's offshore oil-drilling base under construction in the Gulf of Mexico.

Other energy-related uses of our steel plates include high-strength steel plates for penstocks. We deliver these to large-scale hydroelectric power plants around the world. In China, at the Three Georges Dam, the world's

largest hydroelectric power plant, our steel plates for penstocks are being used in 20 out of 26 power generators. Also at the Longtan Dam, the second largest power plant in China after the Three Georges Dam, our TMCP steel plates have been decided to adopt.

As global demand for energy expands, we continue to produce the plates that have a strength in energy use at full capacity. We produce steel plates including those for energy use about 1.9 million tons a year. We boast this production volume that ranks among the top in Japan for a single plate mill.

Efforts to Secure a Stable Supply of Raw Materials

Strong demand for steel in China and other regions in Asia has created a tight supply of raw materials, such as iron ore, coal and ferroalloy. Prices of raw materials, as well as international prices of ocean transportation, have surged. In this challenging environment, we are striving to secure a stable supply of raw materials by implementing long-term contracts with iron ore, coal and other resource companies, and by building an efficient system for the transportation of raw materials.

1 Global Strain on Raw Materials Supply and a Surge in Prices

As a result of increased global demand for steel, prices are surging for raw materials such as iron ore, coal, and ferroalloys including nickel, chrome and molybdenum, and ocean freight for raw materials.

Iron ore, coal and other resource companies are investing large sums of money into expanding their supply capabilities and into improving their port facilities to meet this rapid increase in demand. For the time being, however, supply is expected to remain tight. This has made securing a stable supply of raw materials a challenge for steel manufacturers. This strain on the supply of raw materials is also expected to keep prices high.

2 Our Strategy: Long-Term Contracts with Major Resource Companies and "Combined Transport"

Securing a Stable Supply of Resources through Limited-Risk, Long-Term Contracts

At Sumitomo Metals, we enter into long-term contracts with resource companies, procure ferroalloys and flux materials from our Group companies, and utilize "combined transport (joint vessel arrangement)" to secure a stable, long-term supply of raw materials.

In September 2004, we entered into long-term contracts with Rio Tinto Limited ("Rio Tinto") of Australia, one of the leading resource companies and with Companhia Vale do Rio Doce ("CVRD") of Brazil, the world's largest supplier of iron ore. For a 10-year period beginning with the fiscal year ending March 31, 2006, we will annually procure 10 million tons of iron ore from Rio Tinto and 2.7 million tons of iron ore from CVRD. In terms of ocean transportation, in September 2004, the Sumitomo Metals Group's Daiichi Chuo Kisen Kaisha entered into a combined transport (joint vessel arrangement) agreement with Thyssenkrupp Stahl AG (TKS) of Germany, the steel division of Thyssen Krupp Steel AG of Europe. This "combined transport" pact, in which coal is transported from Australia to TKS on outward voyages and iron ore is transported from Brazil to Japan on homeward voyages, significantly reduces the proportion of unused cargo space on ships and allows for the stable, efficient and competitive transportation of raw materials for the long term.

In addition, we have established a system wherein most of our ferroalloys and flux materials are supplied from our Group companies to ensure a stable procurement. We procure 100% of our manganese and nearly 90% of our molybdenum from Group companies; in terms of dollars, 65% of our ferroalloys and flux materials are purchased from Group companies.

Basic Concept of Combined Transport (Joint Vessel Arrangement)

At a Glance

Consolidated Segment*1

Steel Business

Steel Sheet, Plate, Titanium & Structural Steel Company

This is our core business with sales constituting about 45% of overall sales at Sumitomo Metals Group. Our steel sheets are mainly used in automobiles and electrical appliances, while our steel plates are mainly used in shipbuilding, offshore structures and construction machinery. In addition, this Company provides a wide range of products including structural steel products for use in the fields of civil engineering, construction and housing, as well as titanium products.

Pipe & Tube Company

True to its reputation as “Sumitomo Metals – the Provider of Pipes,” the product lineup includes a wide range of pipe and tube products fostered by tradition and cutting-edge technology. Our Pipe & Tube Company offers the world’s highest-quality seamless pipes, large-diameter welded steel pipes and other pipes and tubes essential for energy development and transportation.

Railway, Automotive & Machinery Parts Company

Our wheels and axles for railway use command a 100% market share in Japan. Our bogie trucks, couplers and gear units for electric cars also hold high market shares. As for forged crankshafts for automotive use, we established three production sites – in Japan, the United States and China – to meet demand generated by the globalization of auto manufacturers.

Sumitomo Metals (Kokura), Ltd., Sumitomo Metals (Naoetsu), Ltd. and others

Sumitomo Metals (Kokura), Ltd. is the only manufacturer in Japan specializing in specialty steel bars and wire rods that has an integrated manufacturing process that begins with the blast furnace. The Company offers clean, high-functioning products mainly for automobiles.

Sumitomo Metals (Naoetsu), Ltd. uses an integrated process to manufacture high-function special stainless products such as clad steel sheets and precision rolled strips, and provides them for sale for customers outside the Sumitomo Metals Group.

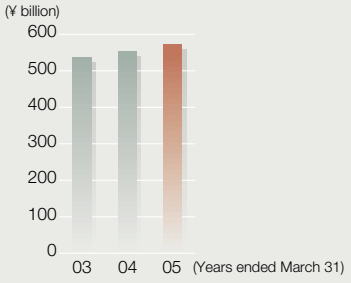
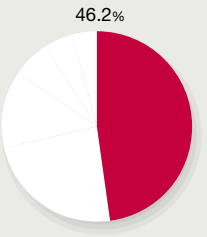
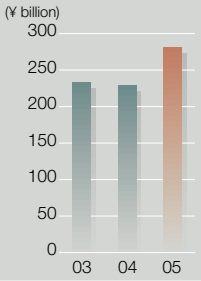
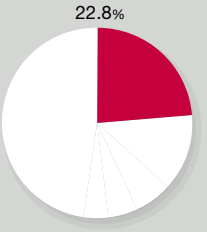
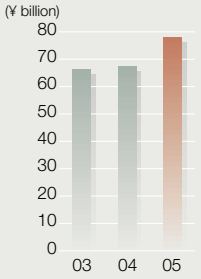
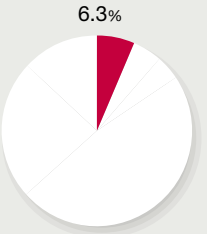
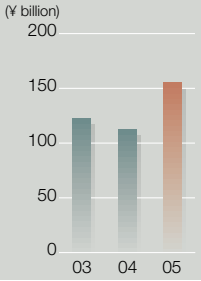
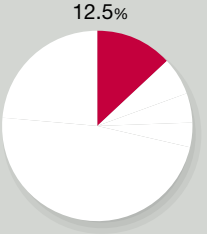
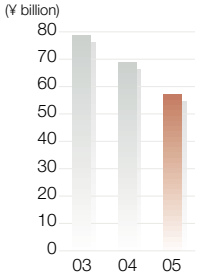
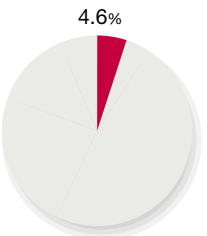
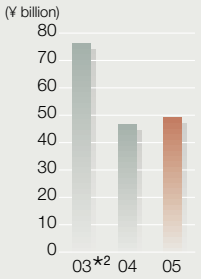
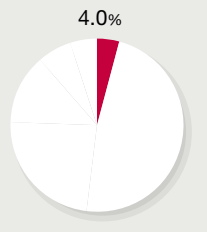
Engineering Business

Engineering Company

The Engineering Company utilizes technology and know-how gained in the steel business to expand on a business that is centered on construction and energy plants.

Electronics Business

Taking advantage of our materials technology fostered through years of work at Sumitomo Metals Group, we offer high-quality products that utilize materialistic properties, from electronic materials and parts to designed and assembled products.

Main Products	Consolidated Net Sales	Sales Composition
Hot strip, cold strip, electro-magnetic steel sheets, hot-dip galvanized steel sheets, electrolytic galvanized steel sheets, high-tensile-strength steel plates and sheets, pre-painted steel sheets, pre-coated steel sheets, steel plates for structural uses, steel plates for low-temperature service, steel plates for line pipe, H-shapes, fixed outer dimension H-shapes, lightweight welded beam, sheet piles, steel pipe piles, Slabs, pig iron for steel making, titanium products, etc.		
Seamless steel tubes and pipes, electric resistance welded tubes and pipes, large-diameter welded steel pipes, hot ERW, specially shaped tubes, various coated tubes and pipes, stainless steel tubes and pipes, etc.		
Wheels, axles, bogie trucks, gear units for electric cars, couplers, die forged crankshafts, materials for molds, aluminum wheels, flange for transmission tower, crane wheels, rolls, etc.		
Special quality bars, cold heading quality wire rods, spring quality bars, machining steel, bearing steel, steel cord quality bars, stainless bars and wire rods, stainless shaped steel, stainless steel precision rolled strips, clad steel sheets, etc.		
Steel bridge, steel structure for civil engineering, systems construction, pipelines, thermal plant and pipeline engineering, environment engineering, etc.		
IC packages, electronic modules, etc.		

*1 In addition to the above, Consolidated Segment includes "Other Businesses," which constitute about 3.6% of sales.
*2 For the fiscal year ended March 31, 2003, Electronics Business included Information Service Business.

Steel Sheet, Plate, Titanium & Structural Steel Company

Our Steel Sheet, Plate, Titanium & Structural Steel Company promoted our Medium-Term Business Plan with the basic goal of making full use of our streamlined assets at all times so that we can achieve a 10% Return on Assets under normal conditions and maintain a 5% ROA even when demand is low. We achieved a 13% ROA for the fiscal year ended March 31, 2005.

To achieve sustainable growth into the future, we also will work steadily on measures we specifically designed for that purpose.

Business Results and Key Developments

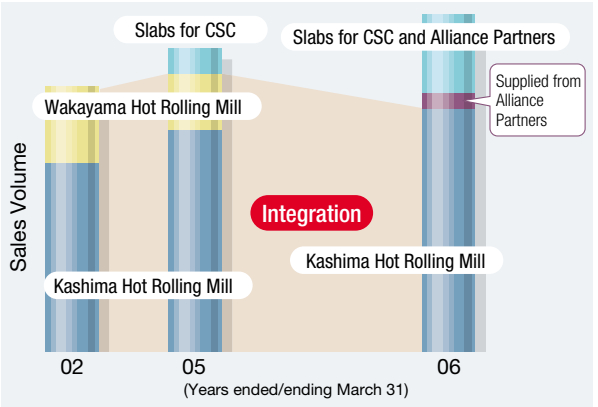
Structural Reform of Our Steel Sheet Business Completed

The three pillars that make up our structural reform plan for steel sheets were as follows:

- Bringing the new No. 1 blast furnace on line at Kashima Steel Works, and the steady initial operation of the furnace
- Shut down of the hot rolling mill at Wakayama Steel Works to concentrate mass-production of steel sheet at Kashima Steel Works
- Increase of the volume of slabs supplied by Wakayama Steel Works to Taiwan's China Steel Corporation (CSC) Group to 1.8 million tons per year.

The above moves were implemented on schedule, completing structural reform of our steel sheet business.

We now have a system in place to make full use of our streamlined assets at all times, a goal set forth in our Medium-Term Business Plan for our Steel Sheet, Plate, Titanium & Structural Steel Company. Because this system is based on the assumption that we will operate our mills at full capacity at all times, we will change the scale we use for measuring productivity from "earnings per ton" to "earnings per hour." We aim to maximize our profits that we generate by operating our equipment efficiently.



Equipment for Galvanized Steel Sheet for Automotive Use to be Enhanced

Demand for steel sheets for automotive use is expected to increase in East Asia. To meet this demand, we decided to solidify our Kashima Steel Works' top competitive position in the manufacture of steel sheets for

automotive use by establishing an enhanced steel-sheet manufacturing system that centers on reinforcing our equipment for galvanized steel sheets. This enhanced system will boost the Steel Sheet, Plate, Titanium & Structural Steel Company's galvanized steel-sheet production capacity by about 30,000 tons a month.

Increased Production at Our Steel Plate Mill Earned Japanese Record for Monthly Production, at 184,000 tons a Month

Energy-related demand for steel plates has not only made demand for quality more sophisticated but also led to the tight supply-demand situation. At our Company, we not only strive to meet demand for high-grade steel plates but also work on expanding our steel plate mill production to accommodate increased demand from customers. As a result, in August 2004, we broke Japan's record for monthly volume of rolling at a single mill by producing 184,000 tons.

Aiming to Be the "Number One" Manufacturer in Customer Satisfaction

Our steel sheet business won two awards from Toyota Motor Corporation: the Award for Quality Performance "Superior," and the Award for Technology & Development. We are the first steel manufacturer to win Toyota's quality performance award four years in a row. The Award for Technology & Development was given for the development of our High-Efficiency Crash Box installed in Toyota's global strategic vehicle, the new model of Vitz. (See page on Major Research and Development Results)

Our steel plate business was also recognized for our performance and the superior quality of the high-tensile-strength steel plates our Company provided for 20 of 26 power generators at the world's largest hydroelectric power plant, the Three Georges Dam in China. Along with Mitsui & Co., Ltd., the trading company that handled the business, we became the only overseas supplier to receive a "Letter of Appreciation."

Challenges for the Next Fiscal Year, and Future Measures

Thorough Investigation to Find and Eliminate Any Risk Factors that Threaten a Full-Capacity Operation System

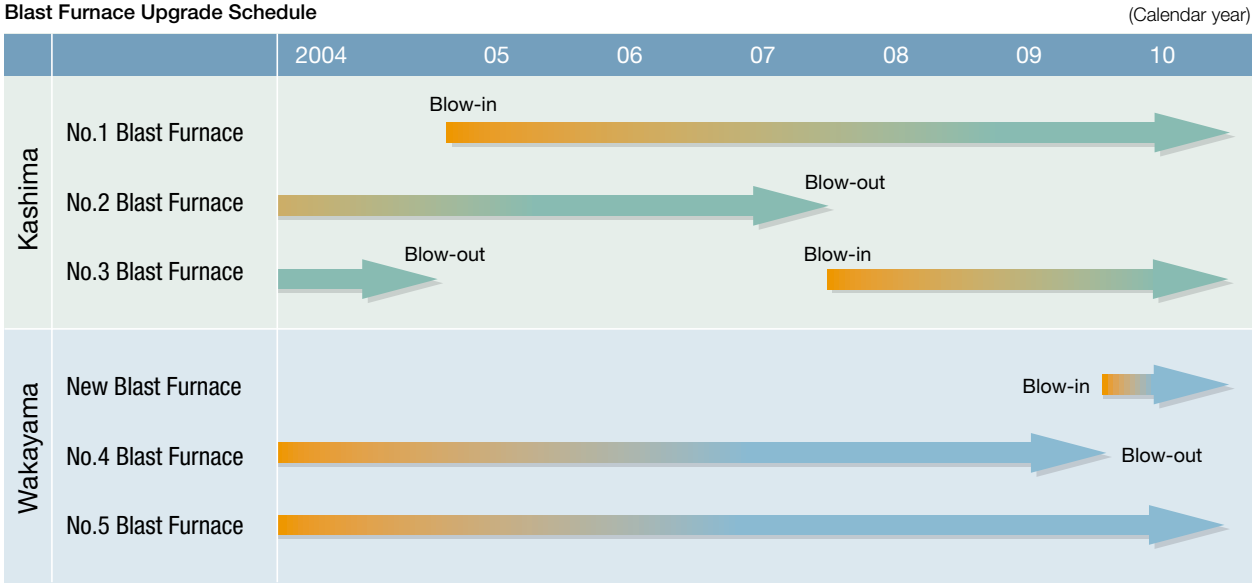
While our Company's full-capacity operation concept now has been realized, we recognize that the system relies on a highly stable operation of the hot rolling mill at our Kashima Steel Works that must be maintained.

As it is, this hot rolling mill already ranks among the best in Japan in terms of both productivity and operation stability. To maintain these distinctions and to further improve the system, we will conduct a thorough investigation to find any risk factors that may lead to long downtime at the mill, and proactively take measures to eliminate any risks.

Steadily Promote Measures for Continued Growth into the Future

At our Kashima and Wakayama Steel Works, we will promote systematic upgrades of the blast furnaces that serve as the very foundation of our steel business's competitive power. In addition to doing so, we actively will take more measures to address environmental concerns so that we can achieve sustainable growth.

Blast Furnace Upgrade Schedule



Pipe & Tube Company

The market for tubular products is in the midst of a powerful expansion owing to the increase of energy demand in BRICs and other emerging economies, and also due to China's vigorous investment in construction of new power plants. Today, pipes are being exposed to harsher environments. This trend further increases demand for high-grade products that our Pipe and Tube Company provides with pride. As the world's most comprehensive pipe and tube manufacturer, rated "Number One" by our customers, the Pipe & Tube Company intends to continue contributing to the world energy industry.

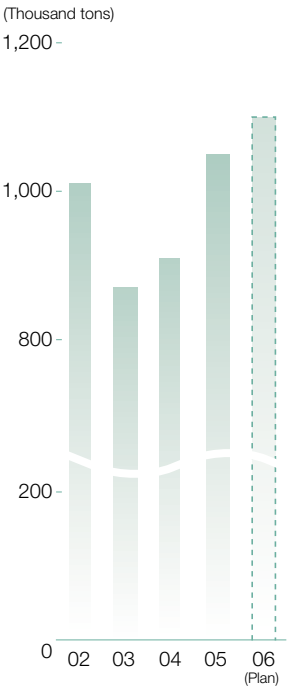
Business Results and Key Developments

Progress in Energy Development Brings Robust Demand for Steel Pipes

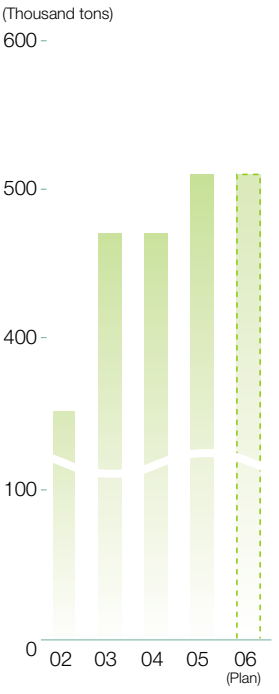
Demand for energy is increasing worldwide due to economic growth in China and other emerging economies. This has led to an increase in demand for steel pipes. Furthermore, because oil and natural gas developments now are extending to regions where the environment is more corrosive, demand for high-grade products – Pipe & Tube Company's specialty – has increased. Boilers for power generation are also operating at increasingly higher temperature and pressure, which has increased demand for high-quality boiler tubes for power generators.

Due to such robust demand, sales volume of seamless pipes for the fiscal year ended March 31, 2005 was the highest since 1990, at 1.05 million tons. Sales volume of large-diameter welded steel pipes hit a record 510,000 tons.

Sales Volume of Seamless Pipes



Sales Volume of Large-Diameter Welded Steel Pipes



(Years ended/ending March 31)

Establishing a Bright Annealing Furnace to Meet China's Increasing Demand for Alloy Steel Boiler Tubes

China's aggressive investment in power plants has rapidly increased demand for alloy steel boiler tubes. To meet this demand, we added a new bright annealing furnace with an annual production capacity of 8,000 tons at our Wakayama Steel Works (Kainan). This new furnace has been in operation since January 2005. In addition to alloy steel boiler tubes, the new furnace also produces high-grade mechanical steel pipes for automobile airbag.

Increase in China's Power Generating Ability and Volume of Our Boiler Tubes Sold to China

Guangzhou You-Ri Automotive Parts Co., Ltd., Which Manufactures and Sells Pipes for Automobiles, Commenced Commercial Production

A rapid increase in demand for pipes for automotive parts is anticipated in China, where Japanese auto makers are rushing to set up shop. To meet this demand, Guangzhou You-Ri Automotive Parts Co., Ltd., a company jointly established by Sumitomo Corporation, Nippon Steel Corporation and our consolidated subsidiary, Sumitomo Pipe & Tube Co., Ltd., commenced commercial production in January 2005.

Challenges for the Next Fiscal Year, and Future Measures

Surge in Raw-Material Costs

Prices for ferroalloys such as chrome, nickel, molybdenum and vanadium are surging as well as major raw materials such as iron ore and coal. As these increases are at a level beyond what can be absorbed through intensive effort to reduce production cost, we are asking our customers to understand that our price to reflect the increases in raw material cost.

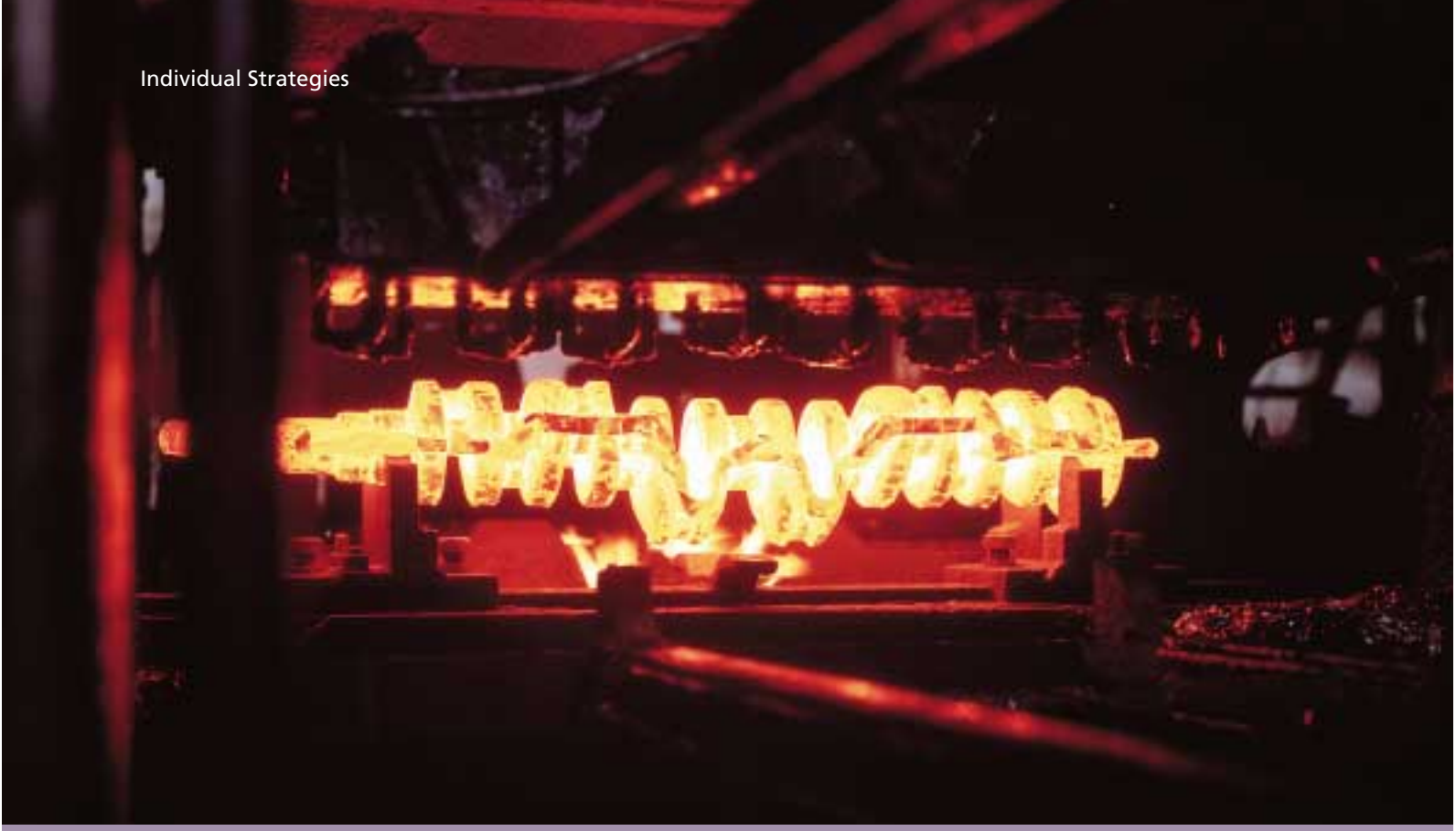
Meeting High Demand

We expect high demand for steel to continue into the next fiscal year. To meet this demand, we will fully utilize the comprehensive strength of our production facilities in the next fiscal year. In addition to increasing utilization rate, we will operate our existing facilities at their full capacity by consolidating sizes and production lots. Through such efforts, we aim to produce 1.1 million tons of seamless pipes – a volume that would approach our maximum production capacity – and the same volume of large-diameter welded steel pipes as this fiscal year, in which we enjoyed record production.

Increasing Production of Stainless Boiler Tubes

As new boilers are operating at higher temperature and

pressure, demand for stainless boiler tubes is increasing. These tubes are even higher in grade than alloy steel, whose production we increased in January 2005. The Pipe & Tube Company will meet those demands by adding a heat-treatment furnace and other finishing facilities at our Steel Tube Works in Amagasaki.



Railway, Automotive & Machinery Parts Company

Our railway and automotive parts are helping to accelerate the global expansion of our Railway, Automotive & Machinery Parts Company.

We aim to particularly focus on the increase in demand for crankshafts associated with Japanese automakers' overseas expansion as we improve production capacity to expand our business.

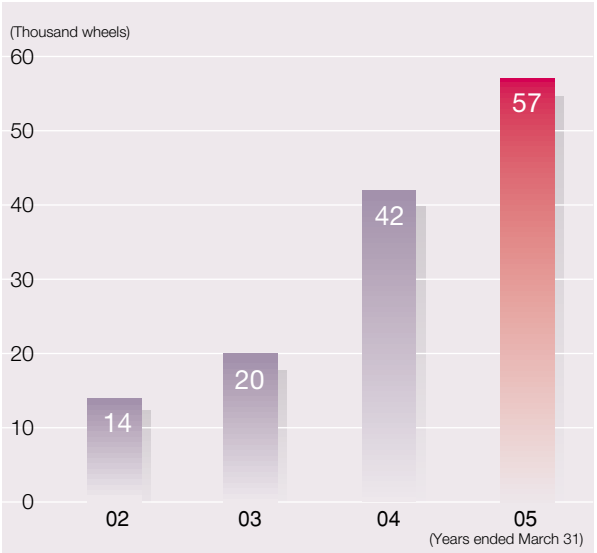
Business Results and Key Developments

Exports of Railway Parts Expand

In Taiwan, construction is under way for the Taiwan High Speed Rail System, which will link the roughly 345 kilometers between Taipei and Kaohsiung in about 90 minutes. Our Railway, Automotive & Machinery Parts Company supplied all of the project's wheels, axles, brake disks, gear units and couplers, as well as some of the bogie trucks.

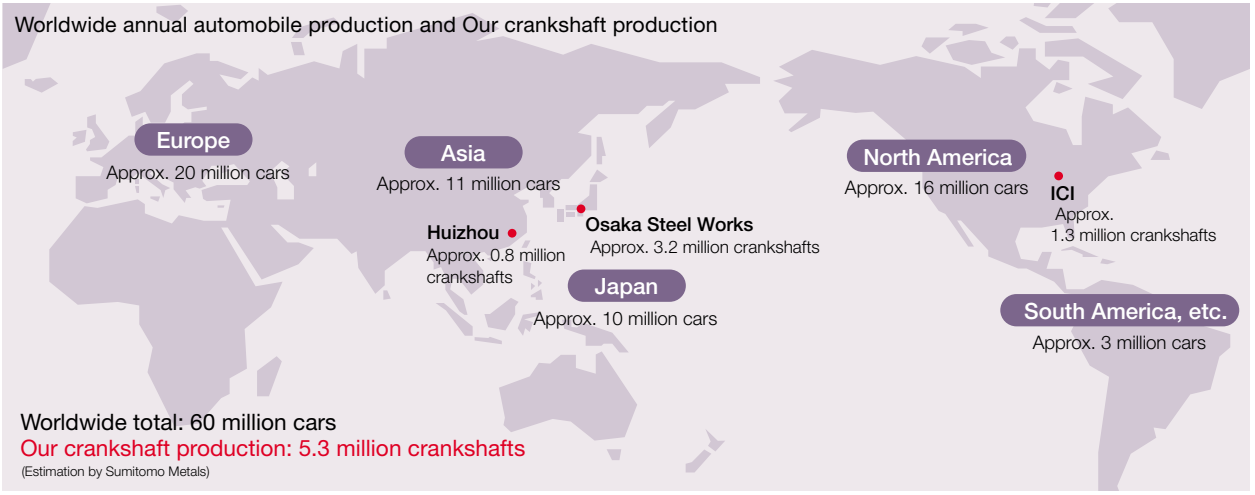
Meanwhile, in the United States, demand for strength and quality in freight-train wheels is driving a shift in the choice of wheels from cast to forged steel. To meet this demand, our Company is focusing on the export and sales expansion of high-quality, forged-steel wheels.

Trend of Wheel Exports to North America



Our Tri-Polar, Japan-U.S.-China Production System for Forged Crankshafts for Automotive Use has been Established

In China, where the automobile industry is growing rapidly, our automotive forged crankshaft manufacturing and sales company, Huizhou Sumikin Forging Co., Ltd. began operating in November 2004 and got off to a steady start. With the International Crankshaft Inc. (ICI) already in place in the United States, our production system now has been established in three countries: Japan, the United States and China.

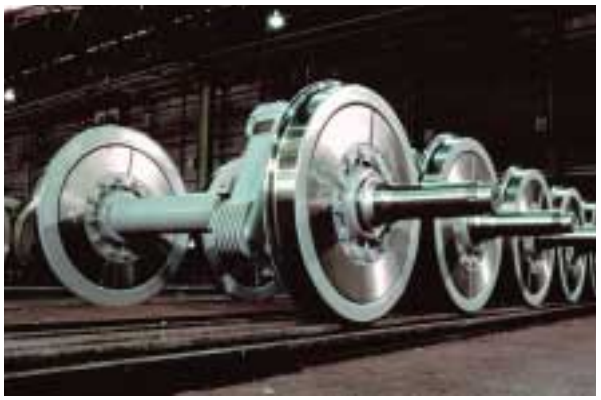


Challenges for the Next Fiscal Year, and Future Measures

Meeting the Challenges of Even Faster High-Speed Railways

JR (Japan Railways) companies today are working on further increasing the speed of the Shinkansen (high-speed rail system). Because demand calls for keeping noise and vibration at a minimum even when trains are traveling at a high speed, our Company is forging ahead with development of lightweight, high-precision parts to meet this demand.

China also will launch a project to increase its existing railways' maximum speed to about 200 kilometers an hour. Our Company, through a Japanese railway car manufacturer, will be supplying wheels, axles, drives and brake disks for that project.



Aim for a 10% Share of the Global Automotive Crankshaft Market

Owing to growth in the automobile industry, mainly in China, we expect global demand for crankshafts to continue to expand. In addition, due to increased awareness about the global environment, demand should continue for engines to be smaller and to provide higher output for fuel efficiency. These trends have accelerated the move from conventionally mainstream die-cast crankshafts to lighter and stronger forged crankshafts, even for use in compact passenger vehicles.

To meet such an increase in demand, our Company will reinforce its production capacity at each location and aim to gain a 10% share of the global automotive crankshaft market.

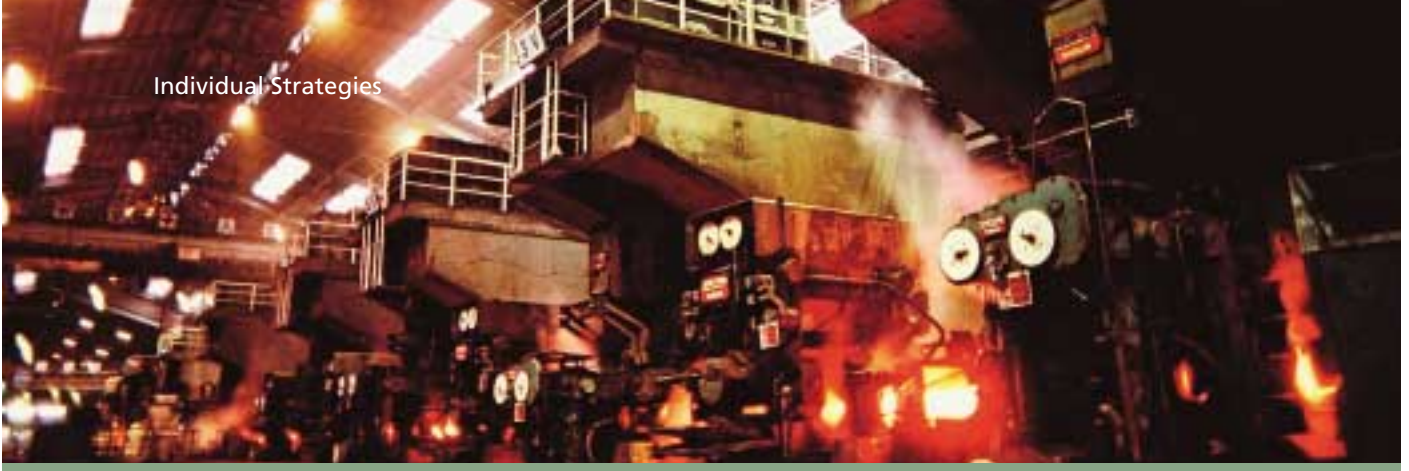
We will enhance our heating furnace at ICI in the United States from current production of 1.3 million units a year to 1.5 million units, and we continue to plan on adding a second production line at Huizhou Sumikin Forging Co., Ltd. in China.

Sales Began for "Tough Bright," Bright Aluminum Wheels for Trucks and Buses

Utilizing technologies and equipment employed in the design and manufacture of railway wheels, our Company developed integrated forged aluminum wheels for trucks and buses in 1980, becoming the first in Japan. Today, we are the country's top manufacturer of forged aluminum wheels for trucks and buses.

These forged aluminum wheels are also supplied for New Transportation System vehicles and other specialty cars, and have earned high acclaim in the market.

In response to customer demand, we recently developed "Tough Bright," a new wheel product that is more than 30% brighter than conventional wheels. Due to a high-speed, high-precision treatment using diamond chips that replaces the conventional polishing method, Tough Bright features shines of the highest level for trucks and buses in Japan. With the advantage of brightness in addition to the strength gained by forging, we aim to increase orders for these new wheels.



Sumitomo Metals (Kokura), Ltd.

Through this fiscal year, the business structure of Sumitomo Metals (Kokura), Ltd. (SMK) has greatly improved due to our success in absorbing nearly all of the large increases in the costs of raw materials through cost-cutting measures and steel price increases. Steady progress in innovation of our product mix also contributed to the stronger business structure. We intend to further enhance the earnings foundation by boosting sales of our high-grade specialty steel.

As a specialty steel manufacturer with a strong industry presence and a company that is trusted by our customers, we aim to establish the Kokura Brand as the strongest in the specialty steel industry.

Business Results

Progress in Improvement of Our Product Mix

In order to build a stable business foundation, we promoted sales of products in the fields of high-grade specialty steel bars for automobiles and construction machinery as well as wire rods for cold heading quality. As a result, we achieved steady progress in improvement of our product mix.

Challenges for the Next Fiscal Year, and Future Measures

Continued Efforts to Improve Steel Prices

In addition to the continued surge in prices of main raw materials such as iron ore and coal, prices of ferroalloys such as molybdenum and vanadium required for manufacturing high-grade specialty steel are also skyrocketing. At SMK, in addition to our continued efforts to reduce costs, we will keep working to improve and raise our steel prices while asking our customers to understand further price increases.

Further Improvement in Our Product Mix

We will continue our efforts to be innovative in our product mix into the next fiscal year. As part of these efforts, we will install an additional inspection line to expand the capacity to supply specialty steel bars. In addition, by allowing larger sizes to be rolled at the wire rod mill, we will transfer production of some of the bar-in-coil products from the bar mill to the wire rod mill.

We will also meet increased demand for wire rod for cold heading quality in China, ASEAN countries and the United States through consolidating our affiliates in Japan as well as improving and strengthening the production lines at our overseas subsidiaries in Thailand and the United States.

To address the demand created by the expanding global market, we will continue to work on realizing the joint venture related to the manufacture and sales of specialty steel bars in China. We entered into an agreement to set up the joint venture with CITIC Pacific Ltd. (Hong Kong) in March 2004.

Further Strengthening Technological Development and Quality

SMK has a cooperative relationship with the Corporate Research & Development Laboratories of Sumitomo Metals and our affiliates to promote product development and process development with the keywords: “lightweight,” “environment” and “reducing costs of customers.” To date, we have developed a variety of high-strength steel in the “lightweight” category; lead-free machining steel in the “environmental friendliness” category; and process-eliminating steel in the “reducing costs to customers” category.

In the next fiscal year, we will also focus on developing alloyed steel for car components in addition to our existing areas of strength: automobile engines and steering components.

In continuing to strengthen our quality to maintain a competitive advantage, we will forge ahead with companywide QCT (Quality Challenge Team) activities, which were adopted last year.

Investment to Enhance Manufacturing and Technological Strengths

We will enhance our manufacturing and technological strengths by renewal investments of dock unloaders for raw materials and blooming mill motors as well as by capital investments for cost reduction such as expansion of the PCI (pulverized coal injection) capacity.

Sumitomo Metals (Naoetsu), Ltd.

Aiming to be the "Number One" company in customer satisfaction, Sumitomo Metals (Naoetsu), Ltd. (SMN) will establish its corporate foundation and bulid on its identity as an integrated special stainless steel manufacturer on the cutting edge of technological development and quality competitiveness.

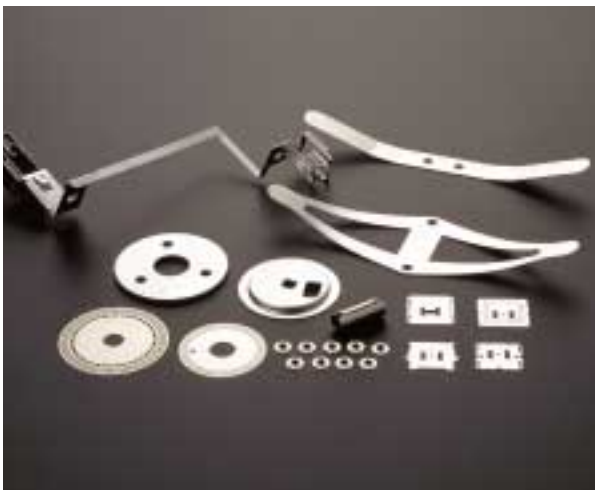
Business Results and Future Measures

Commercialization of Newly Developed Products and Improvement in our Product Mix

Currently, SMN is facing a difficult market situation due to a decline in demand in the field of civil engineering and construction associated with cutbacks in public works, as well as inventory adjustments taking place in the field of information technology.

To address this situation, we are working on commercializing our newly developed products such as thin clad materials and stainless steel for etching, all of which incorporate our original technologies.

In addition, we will utilize our strength as an integrated steelmaking-to-products manufacturer in an effort to increase the lineup of our highly value-added products, such as construction materials, pure nickel for batteries used in mobile devices, sputtering targets for IT devices and LCD TVs, high-function springs and titanium. We will strive to enhance our business foundation by making these improvements in the product mix.



Measures Against Recent Surge in the Price of Raw Materials

Despite a surge in the cost of raw materials such as nickel, chrome and molybdenum through the fiscal year ended March 31, 2005, we were able to improve earnings due not only to cost-cutting measures, but also to the efforts to obtain customer understanding regarding an increase in our sales prices.

Measures we will take to reduce the impact of changes in the prices of raw materials include the surcharge system. By employing this system, changes in the prices of raw materials will be reflected in our sales prices.

Streamlining the Manufacturing Process and Improvement in Quality

We intend to enhance the capability and cost competitiveness of our production division by streamlining the manufacturing processes. We will also focus on improvement in quality to make our products more competitive.

Engineering Company

Our Engineering Company is vigorously working to restructure its business foundation to improve its earning power.

Business Results and Future Measures

Reinforcing Our Business Foundation to Build a Profitable Structure

As public sector investment in the domestic market declines, our Engineering Company remains in a challenging business environment. To face this challenge and reinforce our business foundation, we will review our operations for economic viability and growth potential to narrow down our areas of business and concentrate more on the promising fields.

Reorganizing the Energy-Engineering Business

Our energy-engineering business has developed mainly in the energy and waterworks fields, adding expert technologies gained in the steel business in welding, anticorrosion, seismic engineering and control, as well as construction management technology, to Sumitomo Metals' quality steel-pipe materials. Competition in this area is getting more severe while steady demand for construction on pipeline and related equipment is anticipated due to deregulation in the energy industry and an increase in demand for natural gas.

To promptly deal with this changing business environment, we decided to reorganize and consolidate our energy-engineering business in October 2005 with our wholly owned subsidiary, Sumitomo Metal Plantec Co., Ltd., to achieve more efficient management and form a stronger business foundation. After the consolidation is completed, the company will be named Sumitomo Metal Pipeline and Piping, Ltd. We will manage the new company with a speedy response and we aim to improve our earning power soon.

Enhancing Sales of Systems Buildings

In the field of systems buildings, we anticipate a significant increase in orders. Because standardized parts are used in steel-framed buildings, systems buildings offer superiority to conventional building methods in terms of price, length of construction time and quality. These are used in factories, warehouses and shopping centers.

We offer three series of systems buildings: Tio series which is standardized and targeted for factories, warehouses and shopping centers; Ace series which is free-designed and targeted for factories, warehouses and shopping centers; and Lafit series which is standardized and targeted for offices, apartment buildings and schools. To promote sales, we have divided the whole country into 10 blocs to engage in locally based sales activities.

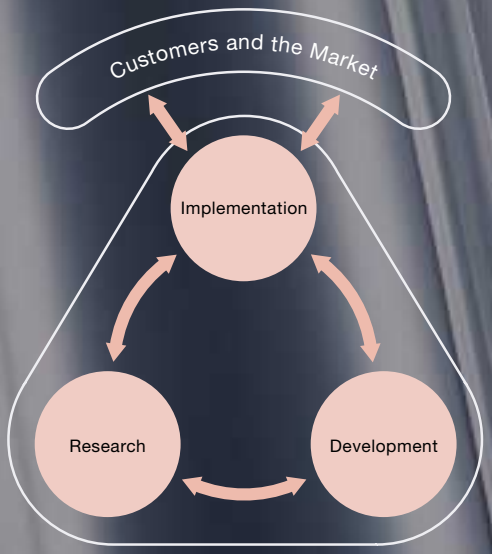
Development and Expanding Sales of Unique Steel-Structure Products

In the field of civil engineering and steel bridges, we will focus on development of unique steel-structure products that stress ease of use for our customers, and also will focus on expanding the sales of such products. Examples include the Sandwich-type Composite Segments for tunnel linings, which address the need for today's underground structures to be built deeper and with larger cross sections; the Directly Anchored Anchor Bolt, a new method of anchoring steel supports for bridge that helps reduce construction costs and has superior quake-proof functions; and Weather Act Treatment technology, which generates a protective rust layer on steel surfaces to eliminate the need for repainting. In April 2005, we received the New Technology Development Foundation's "Ichimura Industrial Prize" for our Weather Act Treatment technology.

Research & Development

Intellectual Capital Management

Sumitomo Metals was founded on the principle of "building the company on a foundation of technology." We strive to further enhance our research and technical development functions with a keen awareness that constant R&D is essential to our efforts to bring our already leading reputation among customers to a higher level. Our research and technical development are conducted in close coordination between the corporate R&D Laboratories and each company's steel works, manufacturing plants and sales departments through every phase of research, development and implementation. The consolidated research and technical development expenses for the fiscal year ended March 31, 2005 was 14.7 billion yen. For the next fiscal year, we plan to further enhance our R&D by increasing the spending by about 2 billion yen, to about 17 billion yen.

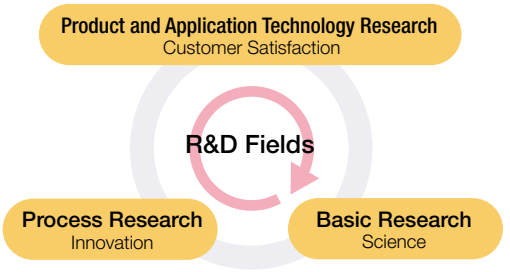


Corporate R&D Laboratories

Under the banner of "Create, Manufacture and Sell," or "manufacturing, sales and technology working as one," our Corporate R&D Laboratories always strive to expedite their operation to respond quickly to customers' needs. At Sumitomo Metals Group, we engage in the cutting edge, advanced and original research and technical development by the synergy between the three fields of "basic research," "product and application technology research" and "process research."

As research subjects, there are themes for development based on the business strategies of our companies, Sumitomo Metals (Kokura), Ltd. and Sumitomo Metals (Naoetsu), Ltd. There are also themes for research based on the medium or long-term subjects that we pursue for the future and on questions of basic science. We aim to balance technological needs and seeds as we run our laboratories.

We also have begun new research projects based on collaboration between industry, government and academia. We concluded agreements for promoting the collaboration with Osaka University's Graduate School of Engineering and with the Steel Research Center of National Institute for Materials Science, and are pursuing specific research projects.



Intellectual Capital Management

A key strength behind Sumitomo Metals' ability to exploit, accumulate and fully utilize its intellectual capital is "organizational innovation" made possible by strong collaboration across the entire corporation, between front-line sales, researchers, engineers, intellectual property staffs, expert workforces in our manufacturing plants, and others. For building-up and utilizing highly-integrated patent portfolios related to each of the core technology areas aligned to our steel businesses, the intellectual property staffs, as practitioners of intellectual property right laws, closely work with our devoted researchers and engineers inspired by direct experience while "walking around" our manufacturing plants and/or customers' facilities. In addition to building effective patent portfolios, and along with accumulating various types of unique expertise and trade secrets in areas such as manufacture, maintenance, process-control and quality-assurance, our organizational innovation is focused on its brand-building efforts to gain long-term customers trust. The Sumitomo trademark that we imprint on each of our products is imbued with Sumitomo Group's business philosophy that "Steadiness and reliability are of the greatest importance." For example, we received the Prize of the Minister of Economy Trade and Industry at the 2005 National Commendation for Invention for patents that underpin our technological dominance and business efficiency in the field of seamless pipes.

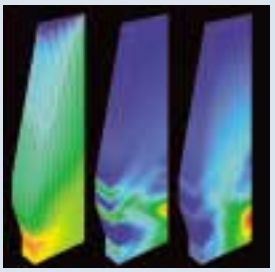
Major Research and Development Results

Process Research

Kashima Steel Works No. 1 Blast Furnace

In September 2004, a new No. 1 blast furnace was blowed-in at our Kashima Steel Works as the first large-scale blast furnace to be newly constructed in Japan in 25 years. In order to significantly lengthen the campaign life of the new blast furnace, we applied the latest simulation techniques in addition to existing furnace maintenance techniques. Especially for the furnace hearth, which comes into direct contact with molten iron, we used the latest corrosion-resistant bricks, and used heat analysis to design a shape that discourages corrosion so that we can expect the furnace to operate more than 25 years.

For the new blast furnace currently being planned for our Wakayama Steel Works, we intend to make use of even more sophisticated analysis technology in order to design a blast furnace that will both operate stably and last a long time.



Examples of blast furnace's structure simulation

New-Generation Process for Production of Medium-Size Seamless Pipes

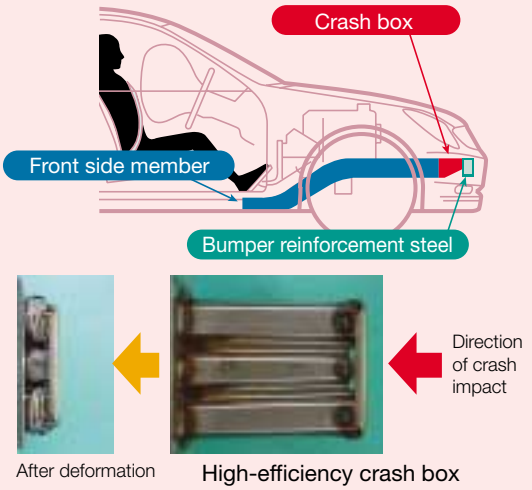
We developed a new production process for making seamless steel pipes in response to customers' increasingly sophisticated needs and as a way to secure a competitive edge in the global market. We improved surface quality and realized "simple and compact" production facilities by directly connecting between casting and pipe production processes, and by introducing our proprietary high-toe-angle expansion piercing technology. In addition, our ingenious heat treatment by inline facility directly connects between pipe production and heat treatment processes, allowing us to consolidate four conventionally separate plants into one. This allowed us to slash the amount of time required between order receipt and shipment to one third of our previous lead time, and boosted productivity fourfold. We received the Prize of the Minister of Economy Trade and Industry at the 2005 National Commendation for Invention for this technology.

Product and Application Technology Research

High-Efficiency Crash Boxes

Crash boxes are installed at the end of an automobile's front or rear side members (frames) in order to protect people in the vehicle in the event of a crash. The crash box folds like an accordion and is highly effective at absorbing impact energy from the collision.

Sumitomo Metals and Toyoda Iron Works Co., Ltd. jointly developed high-efficiency crash boxes that have grooves that, against convention, run parallel to the direction of the crash axis and demonstrate more than two times as much impact resistance as conventional products. The new grooves allow the crash box to be made from thinner steel material, contributing not only to increased safety but also reduced vehicle weight.



After deformation

High-efficiency crash box

SM-125S High-Strength Low Alloy Oil Country Tubular Goods (OCTG)

SM-125S OCTG is for use in the sour environments that contain corrosive H_2S gas. This product is the world's first pipe to achieve a strength of 125ksi, which is 14% stronger than the strongest conventional C110 OCTG and equivalent to 80kg/cm2-class high-strength steel. The balance of strength and corrosion resistance was achieved by controlling carbides within the steel and decreasing internal strain. This pipe makes it possible to produce natural gas from depths greater than 5,500 meters, which was difficult to do in the past. Research for field applications of this product was conducted jointly with major international oil companies, BP Exploration and Statoil ASA. The SM-125S OCTG is already being sold for use in the North Sea oilfields.

Fatigue Resistance Steel (FCA™-Fatigue Crack Arrester-Steel)

We led the world in developing and commercializing fatigue resistance steel (FCA steel), an innovative and high-performance steel plate that defies conventional wisdom. By implementing sophisticated control of TMCP (thermo-mechanical controlled process) that is widely used for making high-performance steel plates, and by using steel chemical composition that maximize the benefits of this process, we can achieve an optimal micro-structure of soft ferrite and hard bainite to effectively control fatigue damage. This steel has been approved for use in shipbuilding by major ship classification societies in four countries. A capesize bulker manufactured by Mitsui Engineering & Shipbuilding Co., Ltd., which is using our FCA steel, became the first ship in the world to receive a "special descriptive note" from the Japan's ship classification society Nippon Kaiji Kyokai, known as ClassNK, indicating that it is a vessel which, owing to the material used, incorporates fatigue damage control (fatigue crack propagation arrester) performance.

Basic Research

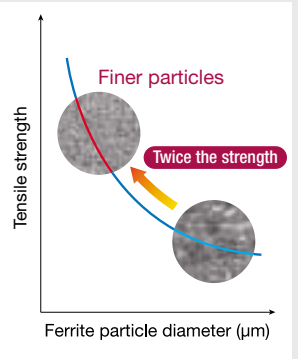
Noise and Vibration Evaluation Technology

In accordance with the speedup of high-speed railway cars (Shinkansen), we have developed and introduced a high-speed, load-applied rotation tester of gear units of railway cars. This tester, which is installed a semi-anechoic chamber, can simulate actual car traveling up to a speed of 500km/hour. In the past, the evaluation of the noise and vibration characteristics was only conducted in the field test by actual cars, but this tester can be used for the accurate evaluation at the same time of design and development of gear units. So we can timely and promptly develop them of high-performance.

High-speed, load-applied rotation tester (in semi-anechoic chamber)

Development of Technology for Producing Environmentally Friendly Ultrafine Steel

The best way to reinforce steel without adding alloy elements is to form smaller crystals. Ultrafine steel with particle diameters approaching 1 m has been in the spotlight for its contribution to reducing weight and increasing recyclability in products such as automotive components. We have been developing ultrafine steel through a project commissioned by the New Energy and Industrial Technology Development Organization (NEDO). We are currently using our unique large-scale, three-stand continuous mill for testing continuous hot-rolling to work on developing a new manufacturing technology. In the process, we succeeded in producing specimens of hot-rolled thin sheets of ultrafine-grained steel having a simple composition for the first time in the world.



Major Technology Awards

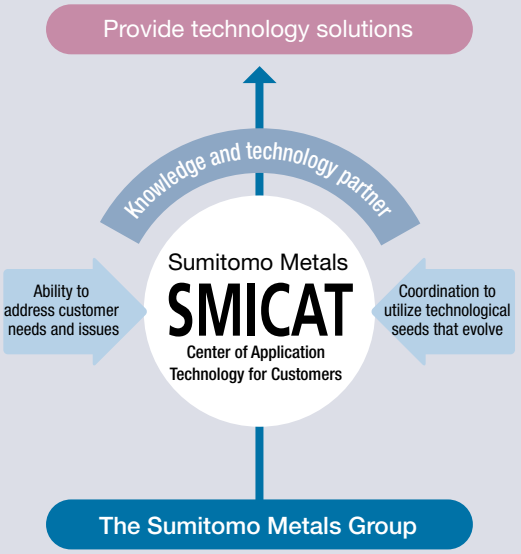
* Calendar year

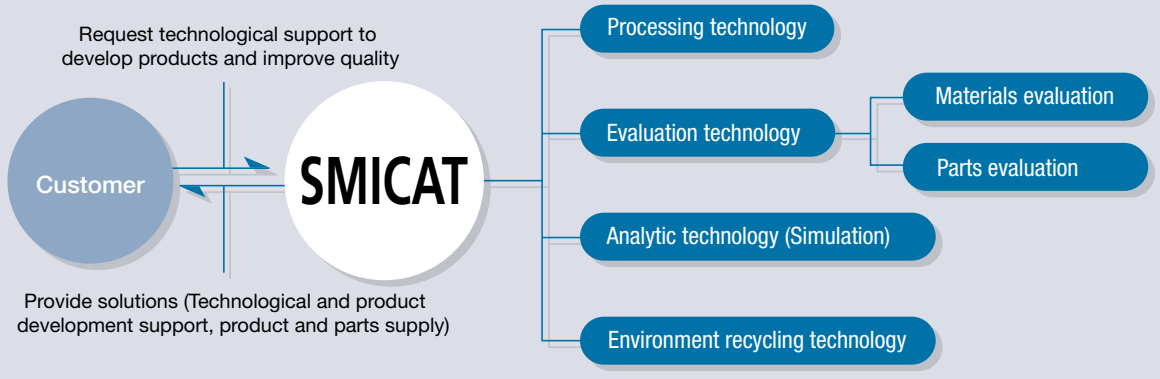
2002*	Ichimura Industrial Prize	Contribution Award	Development of high-performance 60kg steel plate, realizing an innovative welding procedure
2003	National Commendation for Invention	Invention Award	Processing technology to promote the generation of protective rust for weatherproof steel
2004	Okochi Memorial Prize	Production Prize	Development of new-generation technologies for the production of medium-size seamless pipes and tubes
2005	Ichimura Industrial Prize	Contribution Award	Development of processing technology to promote the generation of protective rust for weatherproof steel
2005	National Commendation for Invention	The Prize of the Minister of Economy Trade and Industry	New-generation technologies for the production of medium-size seamless pipes and tubes

Center of Application Technology for Customers (SMICAT)

Sumitomo Metals continues to research and develop technologies in its aim to earn a top reputation among customers. To provide solutions for our customers' needs by taking advantage of the integrated technological abilities of Sumitomo Metals and its group companies, the Center of Application Technology for Customers (SMICAT) was established as "the integrated application technology center with a close relation to customers" in 2001. SMICAT is steadily producing results.

It utilizes processing, evaluation, numerical analysis and environmental recycling technologies accumulated over the years at Sumitomo Metals Group to propose new materials, processing technologies and components that meet the customers' needs. For example, we work with our customers as we combine our 3D elastoplastic finite element analysis technology with unique processing technologies such as hydroforming or hot stamping to develop innovative components tailored to their needs. As a result, a number of unconventionally configured parts, including steel wheels, engine cradles and crash boxes, were adopted. It goes without saying that new steel sheets and pipes were developed at the same time to implement the new technologies. As you can see, SMICAT is contributing significantly to making the bodies of vehicles lighter, increasing safety and to reducing the number of parts and production costs of vehicles.





Sustainable Development

Contents

Governance

Corporate Governance

Sumitomo Metals has positioned corporate governance as fundamental for the achievement of a range of business targets. By constructing a management system that can carry out efficient and appropriate decision-making, execution of duties, and monitoring, we intend to improve the levels of management appropriateness, efficiency and transparency.

Management Decision-making, Execution of Decisions and Supervision

1. Important matters concerning the operations of Sumitomo Metals and the Sumitomo Metals Group are to be carefully discussed in "management meetings" (in principle, held twice a month). Final decisions concerning these matters are made at meetings of the Board of Directors (in principle, held once a month). The Board's decisions are implemented by the Executive Officers in each of their respective departments. The Company introduced an executive officer system in June 1999 to accelerate the decision-making process and increase administrative efficiency by separating the decision-making/supervisory functions from the executive functions. At present there are 10 Directors and 26 Executive Officers (including Executive Officers who are also Directors).
2. The Corporate Auditors, their staff and the Internal Auditing Department monitor and audit the legal compliance and the effectiveness of the decisions of Directors and the execution of duties by the Executive Officers. At present there are four (4) Corporate Auditors, including two (2) external Corporate Auditors, neither of whom has any financial relationship with the Company. At the meetings of the Board of Corporate Auditors (in principle, held once a month), the Corporate Auditors decide matters relating to the execution of their duties, including audit policies and schedules, and each corporate auditor carries out his or her duties in line with those decisions. The Internal Auditing Department prepares an internal audit plan, and audits business operations of the Company and major Group companies. Tohmatsu & Co., an auditing company, conducts financial audits. The Corporate Auditors, the Internal Auditing Department, and the financial auditor report and explain their respective audit plans, progress and results and exchange information and opinions.
3. In April 2002, Sumitomo Metals introduced an internal company system and reorganized its businesses into four companies (Steel Sheet, Plate, Titanium & Structural Steel Company; Pipe & Tube Company; Railway, Automotive & Machinery Parts Company; and Engineering Company) and the Head Office/Corporate Research & Development Laboratory. Under this internal company system, each business unit has an administrative and operational structure that covers steps from manufacturing through sales. Each company president is responsible for the consolidated business performance of his or her business unit, including affiliated Group companies. Each internal company will endeavor to strengthen its ability to respond to customer needs in ways that are suitable for the characteristics of its business, and to establish a more flexible management style.

Nomination of Director and Executive Officer Candidates by Committees

1. The Personnel Committee (chaired by the President) nominates candidates for the positions of Director and Executive Officer, reports to the Board of Directors and also deliberates and decides other matters concerning personnel.
2. The Board of Corporate Auditors considers the candidates for the position of Corporate Auditor who have been put forward by the Board of Directors and decides whether to approve them. The Board of Corporate Auditors discusses and decides the remuneration to be paid to each Corporate Auditor.
3. The Affiliated Company Management Council (chaired by the President) evaluates the business performance of the major Group companies and considers remuneration and other matters concerning the presidents of each company.

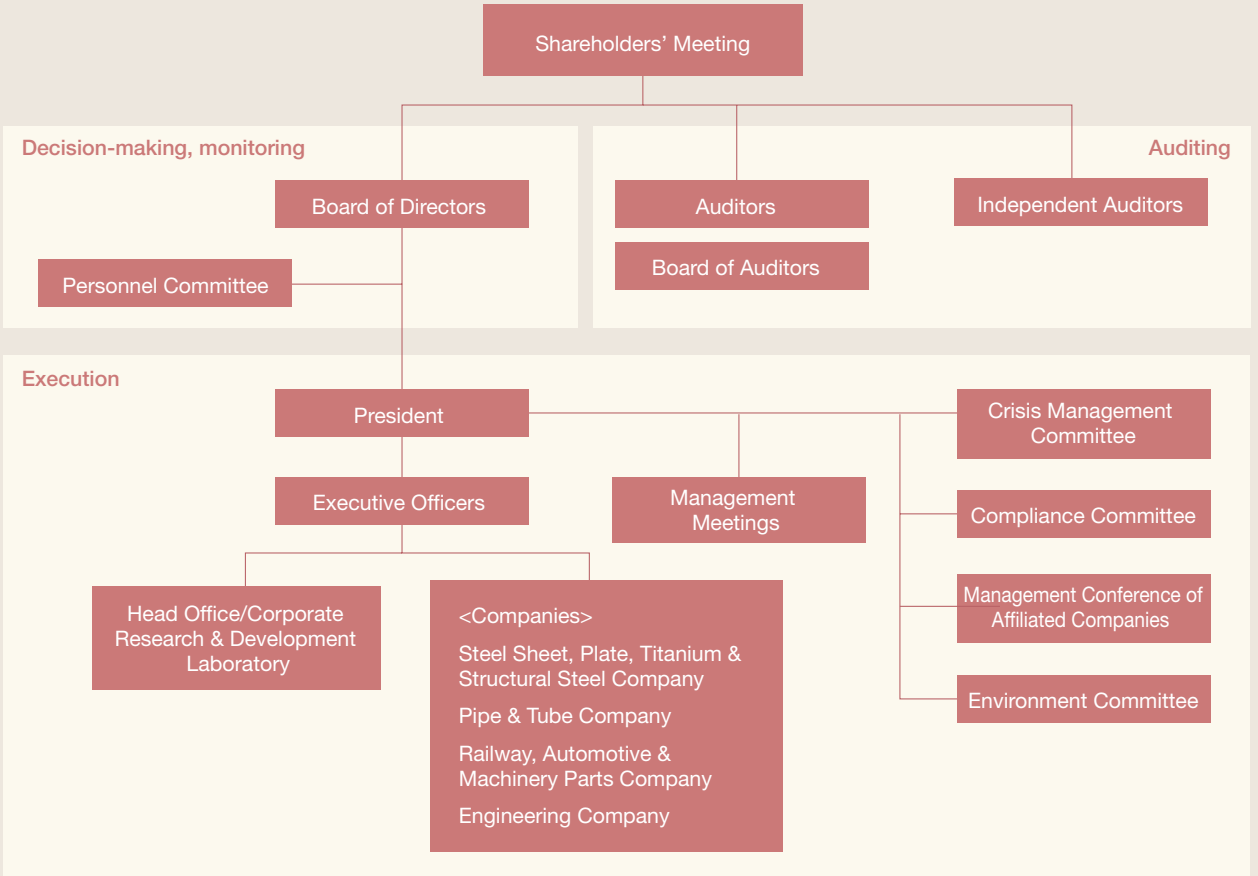
Information Disclosure

In accordance with applicable laws, ordinances and related regulations, Sumitomo Metals is working to increase the transparency of management by disclosing important information relating to the management of the Company and the Group companies on a timely and appropriate basis. The Company is actively involved in investor relations (IR) to deepen the level of shareholder and investor understanding of Sumitomo Metals and the Sumitomo Metals Group companies.

Compliance and Risk Management

Sumitomo Metals has developed a compliance program so that duties are executed with a focus on compliance. The Company also established a structure for responding quickly and appropriately if an event occurs that could have a significant impact on the company.

1. Sumitomo Metals recognizes that compliance is a fundamental component of corporate management. In January 1997, the Company enacted the Sumitomo Metals' Corporate Code of Conduct, clarified the basic rules that officers and employees should follow in the performance of their duties and had the Legal Department and other departments hold compliance training courses.
2. The Company established the Compliance Committee (chaired by the Vice President in charge of legal affairs) in October 2002 in order to a) strengthen the levels of compliance in both Sumitomo Metals and other Group companies, and b) prevent the occurrence of illegal conduct. In April 2003 the Company also set up the Compliance Consultation Office where employees of Sumitomo Metals and other Group companies can directly discuss matters relating to compliance. The Company also established an Environment Committee (chaired by the Vice President in charge of technology) in November 2004 to promote strengthened environmental efforts by Sumitomo Metals and other Group companies.
3. The Company established a Risk Management Committee (chaired by the President) in August 2000 to enable all of our companies to make a unified response in the event of a major disaster, accident, illegal act, etc., and to enhance the Company's ability to conduct rapid and appropriate risk management.
4. The Company has been under investigation by the Japan Fair Trade Commission since October 2004 and by the prosecutor's office since May 2005 over the possibility that its sales activities for steel bridges may have violated the Antimonopoly law. We acknowledge the significance of another probe by the Fair Trade Commission, following the investigation two years ago into our cold-rolled stainless sheets' sales activities. Accordingly, we are emphasizing the need for thorough compliance with the law.



Board of Directors (As of July 1, 2005)

Hiroshi Shimozuma
Representative Director
(Chairman)

Hiroshi Tomono
Representative Director
(President)

Tsutomu Ando
Representative Director
(Executive Vice President)

Fumio Hombe
Representative Director
(Executive Vice President)

Eiji Sakuta
Director
(Executive Vice President)

Yasuyuki Tozaki
Director
(Executive Vice President)

Yasutaka Toya
Director
(Senior Managing Executive Officer)

Shozo Nishizawa
Director
(Senior Managing Executive Officer)

Syuichiro Kozuka
Director
(Managing Executive Officer)

Yoshinari Ishizuka
Director
(Managing Executive Officer)

Executive Officers (As of July 1, 2005)

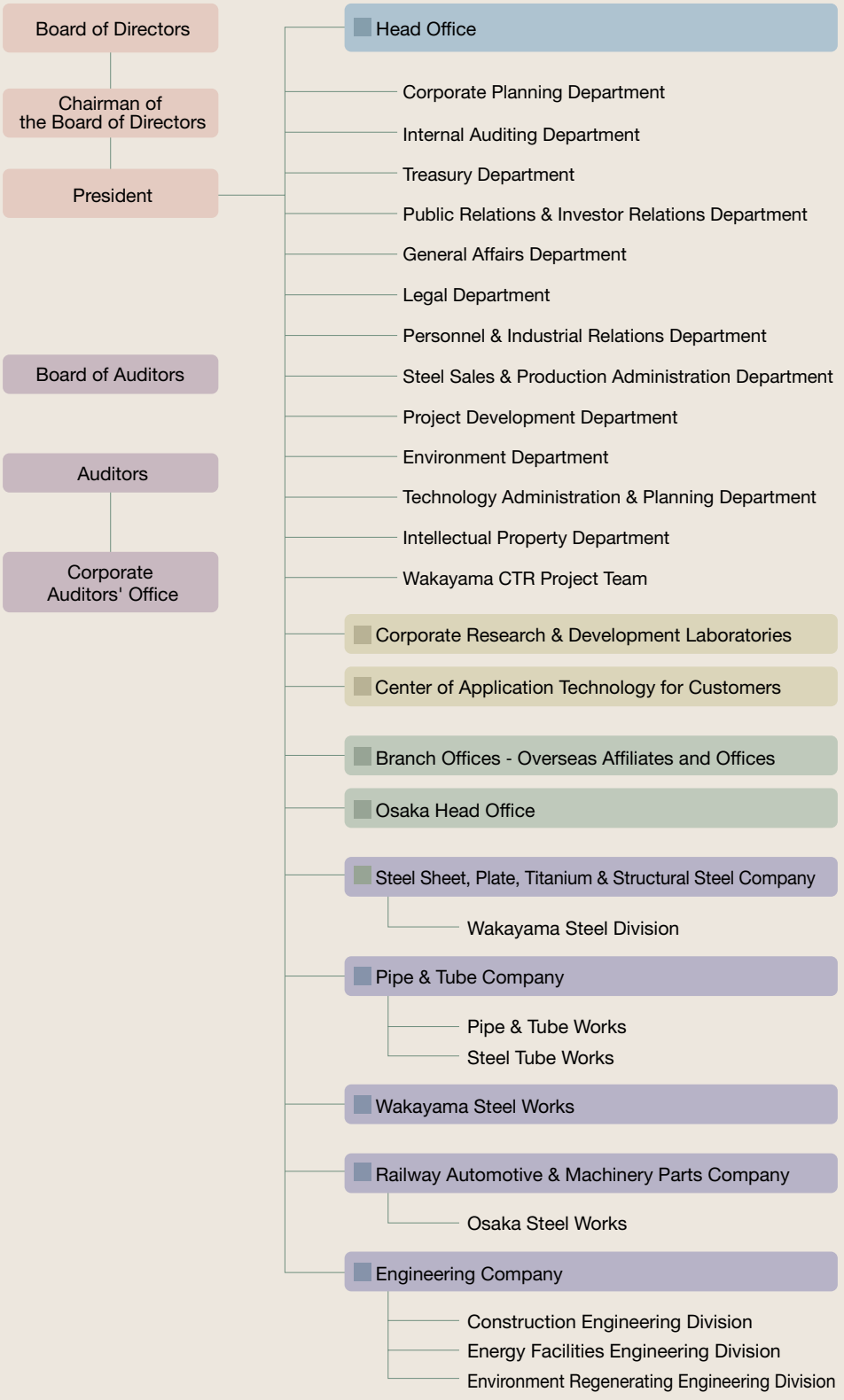
Chairman	Hiroshi Shimozuma
President	Hiroshi Tomono
Executive Vice Presidents	Tsutomu Ando Fumio Hombe Eiji Sakuta Yasuyuki Tozaki
Senior Managing Executive Officers	Yasutaka Toya Shozo Nishizawa Kaoru Goto Osamu Iimura Katsuhiko Yagi
Managing Executive Officers	Syuichiro Kozuka Yoshinari Ishizuka Ryo Someya Mitsuru Maruo Ichiro Miyasaka Hisao Gotou Shinichi Ogawa Hideo Okuda Takao Taka Kazuo Tanakamaru Kazuo Toyama Mitsunori Okada Michiharu Takii Shinichi Miki Saburo Eguchi

Auditors (As of July 1, 2005)

Standing Auditors	Kunihiko Suemitsu Shigeru Sakurai
Auditors	Shogo Takai Eiji Asada

Organization

(As of July 1, 2005)



Environmental Management

At Sumitomo Metals, we recognize the importance of addressing environmental issues on a global scale to create a sustainable society. It is from this standpoint that we develop products that help reduce environmental impact and conserve energy, promote energy conservation in our business operations, cut back on the generation of environmental impact and by-products, reduce final waste disposal by promoting recycling within our plants, and have made a move into the waste recycling business. All of our plants have received ISO 14001 certification, and we are actively working to strengthen our communications with local communities on environmental issues and to disclose relevant information. (For details, see our annual environmental report 2005.)

Our Basic Environmental Policies

Our basic environmental policies are to take a long-term and global view, seek to align our business activities with preservation of the environment and the development of an economic society, and contribute to the construction of a society in harmony with the environment and to preservation of the environment on a global scale.

- Improvements to internal environmental preservation functions
- Environmental awareness in business activities
- Promotion of energy conservation
- Promotion of resource conservation and recycling
- Promotion of technological development and international cooperation
- Personnel development

Environmental Management System

We have built our environmental management system based on the efforts at our plants to improve the environment. By the fiscal year ended March 1999, all of our plants were certified under ISO 14001. Periodic audits by external certifying authorities and internal audits of all the plants by our own qualified personnel are conducted every year as part of our efforts to improve the quality of our environmental management.

Steel Business Environmental Audit System

Audit	Auditor	Frequency	Target of Audit	Comments
External	Certifying authority	Renewal: Every 3 years	All plants at works	
		Periodic: Annually	Environmental units and plants at works	
Internal	Plant section in charge of environment	Annually	All plants at works	
	Head office's Environment Section and plant section in charge of environment	Annually	Environmental units at works	Mutual auditing with the participation of members from other plants

Environmental Accounting

We have always actively invested in environmental-conscious equipment and energy-saving equipment. For environmental accounting, we have exhaustively taken into account the sum of this investment and all the costs of environmental preservation related to business activities, and aggregated them as a maintenance cost.

Cost of Environmental Measures

Our cost of environmental measures for the fiscal year ended March 2005 consisted of environment-related investments of 7.1 billion yen and environmental-preservation-related maintenance costs of 32.5 billion yen. Of environment-related investments, about 45% were for global environmental measures, about 45% were for air and other environmental measures, and about 10% were for resource-recycling measures. The maintenance expense consisted of about 50% in resource-recycling measures and about 30% in environmental measures. Meanwhile, environmental-related R&D costs for developing environmental-conscious products that contribute to improving the environment, such as steel materials free of hazardous substances, were 2.4 billion yen, constituting about 18% of all R&D costs.

Environmental Accounting

(100 millions yen)

Item		Maintenance Cost Definitions	Actual results for the fiscal year ended March 31, 2005 Investment	Maintenance cost
Business area costs	Environmental measures costs	Costs related to measures against air pollution, water contamination, noise pollution, odor, soil contamination	33.6	98.0
	Global environmental measures costs	Electric power and other running and maintenance costs for waste-heat and waste-energy recovery equipment	31.7	5.4
	Resource-recycling measures costs	Operating and maintenance costs involved in treating recycled water, such as for electric power, chemicals, etc., processing costs involved in recycling by-products, and processing costs, including outsourcing, involved in reducing and disposing of industrial waste	6.1	167.0
Management activity costs		Costs for environmental training, ISO 14001 operation, and monitoring and measuring environmental impact, and labor cost of dedicated personnel for environmental preservation organizations	—	8.5
R&D costs		R&D costs (including personnel) for environmental-conscious steel products and reduction of environmental impact during production and distribution	—	24.2
Community activity costs		Costs for creating greenbelts on plant grounds, support for external environmental activities and disclosure of environmental information	—	11.0
Environmental damage costs		SOx levies stipulated by the Law Concerning Pollution-Related Health Damage Compensation and Other Measures	—	11.1
Total			71	325

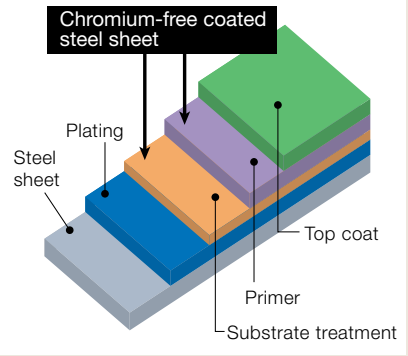
(The cost of environmental measures was categorized and tabulated based on the Ministry of the Environment's "2005 Environmental Accounting Guidelines.")

Development of Products Designed to Reduce Environmental Impact

Sumitomo Metals actively strives to develop products that contribute to the improvement of the environment for society, the Earth, and local communities. There are, for example, high-function products that enable processes to be streamlined, high-performance products that save energy at the time of use, products with long lives, and products designed to reduce environmental impact when they are disposed of. Three such products are described below.

Development of Steel Sheet Products with Chromium-Free Coating

In the past, to prevent rust, coating and chemical treatment containing hexavalent chromium was applied to steel sheet products used for products like household appliances and building materials. Sumitomo Metals has developed new coating steel sheets that offer the comparable or better anti-corrosion performance as conventional steel sheets but without any chromium. We have now completed R&D of products for a wide variety of applications, including lighting fixtures, air conditioners, and refrigerators, and we have been gradually replacing old products with new ones. We are also establishing a suitable accelerated corrosion test that can estimate a long anti-corrosion property under an actual environment.

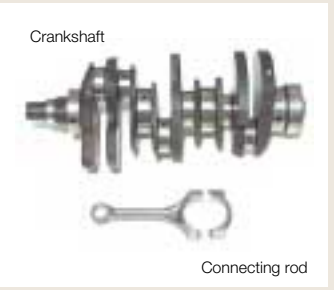


Steel sheet with chromium-free coating

Chromium-free treatment on coated steel sheet (NEO)

Lead-Free Machining Steel

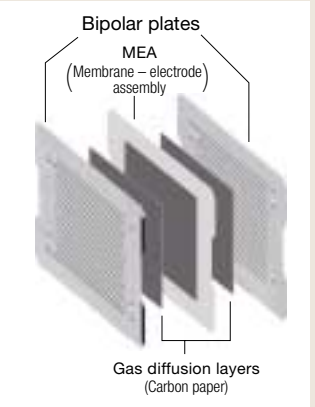
Highly machinable steel material is required for the manufacture of crankshafts and other high-strength automotive and motorcycle components that have an important impact on safety. Machining steel containing lead has been widely used for this purpose. In recent years, in response to customers' demand for greater harmony with the natural environment, Sumitomo Metals and Sumitomo Metals (Kokura), Ltd. have developed highly machinable, lead-free machining steel for use in automobiles and motorcycle components. We received a "Supplier Award for Development" from a major automaker in recognition of this contribution to automotive technology. This has helped to solidify our already strong position among automakers as a supplier of steel materials for use in vital engine components.



Crankshaft and connecting rod made from lead-free machining steel

Development of the New Stainless Steel Plate for Use in Fuel Cell Bipolar Plates

Polymer Electrolyte Fuel Cells (PEFCs) are expected to be an eco-friendly, high-efficient next-generation source of electric power. Sumitomo Metals has developed a groundbreaking stainless steel that performs extremely well as bipolar plates used in PEFCs. As a result of our joint research with Japan's New Energy and Industrial Technology Development Organization (NEDO), we succeeded in mass production of this material. The new material preserves the surface passive film (insulating film) that is inherent to stainless steel, thereby retaining the anti-corrosion property of stainless steels, while also exhibiting low electrical surface contact resistivity because of finely dispersed electrically conductive metal deposits that penetrate the passive film. The new material is suitable for volume production as it is highly amenable to press-forming and hole-piercing, and makes it possible to produce lighter, more compact, higher-performance PEFCs.



Corporate Citizenship

By reconciling our profit interests and the interests of society, we aim for a sustainable style of corporate management that balances environmental, economic, and social concerns. We conduct our business activities as a corporate citizen, seeking to contribute to the local community and community relations.

Activities that Contribute to the Community

We conduct plant tours for some 36,000 visitors (elementary and middle school children on social studies outings, for example) annually. Sumitomo Metals also engages in volunteer activities (clean-ups, sports instruction, etc.), supports local community-revitalization efforts (participation in athletic competitions and local festivals, etc.) and opens company facilities to local residents.

As a result, the Kashima Steel Works received a commendation from Ibaraki prefecture in May 2004 for the very noteworthy results of its environmental efforts.

Sumitomo Metals Mixed Chorus is among the best in Japan, having won the gold award at the JCA National Choral Competition for 18 straight years. It has contributed to Japan-China cultural exchange, including by participating, at the request of Osaka City, in Japan Harmony Shanghai, an event held in Shanghai to celebrate the 30th anniversary of the two cities' friendship city relationship. Also, the Kashima Antlers of the professional soccer J League grew out of Sumitomo Metals' own in-house soccer team and has played a vital role in revitalizing the local community since it started.

Facilities' Activities that Contribute to the Community (unless noted otherwise, figures are for the fiscal year ended March 31, 2005)

		Corporate Research and Development Laboratories	Kashima Steel Works	Wakayama Steel Works and Pipe & Tube Company (Kainan)
Plant Tour Visitors[*1]		1,159 (about 31% from universities and government institutions)	22,359 (about 65% from elementary schools)	6,518 (about 28% from elementary and middle schools) Kainan 577 (about 8% from elementary and middle schools)
Sports Events			• Sumikin Cup sports competitions About 1,610 participants (table tennis, baseball, volleyball, mini basketball) • Baseball and swimming classes (198 participants)	
Volunteer Activities	Activities	• Hasaki Triathlon venue organization • Hasaki coast clean-up	• Hirai-Oritsu beach clean-up • Clean-up of areas surrounding our Steel Works • Removal/disposal of illegally posted advertisements • Planting, maintenance of trees along Stadium Oodori • Planting, maintenance of cherry trees • Dispatching Suigo drumming and comic storytelling clubs	• Kinokawa riverbed clean-up • Wakayama-shi 10,000-man clean-up
	No. of volunteers		about 1,100	
Community Relations Activities[*2]		• Participation in Kirasse festival • Participation in Hasaki industrial festival • Participation in Hasaki Iki-iki children's festival	• Sponsorship of Kashima festival • Participation in "We love Ibaraki" citizen's festival (environmental fair exhibition)	• Participation in the Furusato Kainan festival • Participation in the Kinokawa lacquer ware festival
Facilities Made Available			• Sakura Park (part of the compound) • Ouka Park (part of the compound)	• Gymnasium • Field


Hirai, Kashima-shi (clean-up of the Oritsu beach)


Sumitomo Metals Mixed Chorus


Ibaraki Prefectural Kashima Soccer Stadium

Steel Tube Works (Amagasaki)	Osaka Steel Works (Konohana)	Sumitomo Metals (Kokura), Ltd.	Sumitomo Metals (Naoetsu), Ltd.
386	2,610 (about 7% from elementary and middle schools)	2,103 (about 81% from elementary schools)	718 (about 40% from elementary, junior high, and high schools)
	• Konohana Youth Baseball Tournament (Sumikin Cup) (7 teams, about 140 participants)		• Naoetsu Children's Baseball Tournament (Sumitomo Metals (Naoetsu) President's Cup) (17 teams, about 340 participants)
• Commuter road clean-up (monthly)	• Commuter road clean-up (weekly)	• Cleaning and friendliness activities (commuter road clean-up (twice a month), employee manners awareness activities) • Participation in Kita-Kyushu City's attempt to get into the Guiness Book of World Records for the largest garbage clean-up effort ever	• Naoetsu beach clean-up (annually) • Participation in harbor district greening
about 300	about 1,500	about 600	about 200
• Participation in local summer festivals • Provision of fields for American and flag football team practice (since April 2001)	• Participation in local events, such as Bon Festival dances, children's carrying of portable shrines • Participation in festivals for Konohana-area residents	• Participation in Kokura Gion Festival	• Participation in Joetsu Festival • Support for high-school student volunteers in Joetsu • Participation in and provision of awards for local elementary schools athletic competitions
• Field	• Field • Gymnasium • Table tennis facility • Employees' clubhouse	• Gymnasium • Field • Employees' clubhouse	• Gymnasium • Field

*1 Total number of plant visitors: about 36,000 *2 CR activities: community revitalization support activities

Safety and Health Management System

The first objective of safety and health management is the eradication of industrial accidents, i.e., to prevent company employees and all others who work in our plants from suffering injury and illness. In order to achieve this objective, it is necessary to observe prescribed procedures and to use machinery and raw materials safely and correctly. Safety and health management in the workplace is the most important element of workplace management for manufacturers that also leads to reliable manufacturing of higher-quality products.

Of utmost importance to safety and health management is training. Our Kashima Steel Works and Wakayama Steel Works have built hands-on safety training equipment so that trainees can experience for themselves the importance of safety in a realistic way. The training course has been organized as part of the educational program of our subsidiary Sumikin Management Co., Ltd., and made available for outside organizations as well. It has attracted nearly 40,000 trainees from around the country to date and received acclaim from its participants.

Sumitomo Metals Basic Policy for Safety and Health

1. Ensured safety and health of employees shall be the basis of development of the Company's business.
2. The Company shall continuously endeavor to ensure the safety and health of employees in the Sumitomo spirit of "respect for people", in accordance with the Company's policy "Sumitomo Metals treasures people and technologies," and in the way of thinking, "safety is the origin of the employees' welfare and the basis for any management" that has been the long-cherished guideline for the Company's safety and health management.
3. The Company shall continue to contribute to society through safety and health, taking pride in a history in which the Company has played an advanced role in Japan's safety and health measures.
4. Continuous improvement resulting in safety and health shall be a universal target.

Occupational Safety and Health Management System Registration

Taking pride in our contributions over many years to safety and health management in Japan, as in our development of KY (Kiken Yochi, i.e., risk forecast) activities, which are now the most basic safety and health management activities in the country, Sumitomo Metals has made continuous efforts towards the eradication of industrial accidents.

As one element of these efforts, we have made a statement our corporate Safety and Health Policy in accordance with the Guidelines on Occupational Safety and Health Management Systems (OSHMS) published by the Ministry of Health, Labour and Welfare (Public Notice No. 53), and built a framework for the systematic and continuous improvement in safety and health management.

OSHMS, for which a guideline is shown by IL0, is recognized as an effective safety and health management system by many countries worldwide, and its development has been promoted.

In order to gain an objective evaluation of our efforts in safety and health, we underwent OSHMS registration inspection by the Japan Industrial Safety and Health Association (JISHA). With Kashima Steel Works first to acquire registration and our other steel mills following suit, all of our steel-related plants received registration by May 2004.

In recognition of its outstanding safety and health activities, Sumitomo Metals received the JISHA Presidential Award for the first time in the steel industry in October 2004. The Company intends to continue to work toward improving safety and health management, without resting on our laurels from acquiring OSHMS registration and winning the JISHA Presidential Award.

JISHA-Qualified OSHMS Certification

Kashima Steel Works	May	2003
Wakayama Steel Works	June	2003
Sumitomo Metals (Naoetsu)	June	2003
Osaka Steel Works	December	2003
Steel Tube Works	December	2003
Sumitomo Metals (Kokura)	March	2004
Sumikin Iron & Steel Corporation	May	2004

Financial Section

Contents

Management's Discussion and Analysis

Business Performance

Business Environment in FY2005 (the fiscal year ended March 31, 2005)

During the reporting period, despite stagnating personal consumption, inventory adjustments in IT-related fields, and a rise in crude oil prices, the Japanese economy maintained a steady recovery, supported by exports and an increase in investments in plant and equipment due to a considerable improvement in corporate profits.

In the steel business, domestic steel demand remained firm due to sales to vehicle producers, shipbuilders and other manufacturers, and also to businesses involved with private-sector investment in plant and equipment. On the export side, steady growth in the global economy resulted in continuing high demand.

As a result, national crude steel production in the period totaled 112.88 million tons, the fourth-highest amount in Japanese history, of which our crude steel production reached the high level of 12.87 million tons.

In the meantime, price increases and global pressure on supplies of iron ore, coal and other raw materials for steel production are continuing, due to the rapid growth in steel production in other parts of Asia, centering on China.

Sumitomo Metals Management Policy

In light of the prevailing business environment, the Sumitomo Metals Group has made efforts to secure sources of raw materials and improve its production/shipment responsiveness to help ensure steady supplies of steel to customers. The Group has sought opportunities to raise its steel prices to help cover cost increases resulting from the sudden increase in raw material costs.

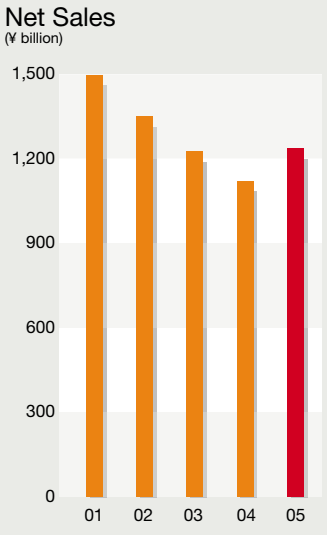
The Sumitomo Metals Group is continuing to implement various measures designed to "Restructure the steel business and enhance its competitiveness" and "Strengthen its financial position," based on the Medium-Term Business Plan (FY2003 to FY2006).

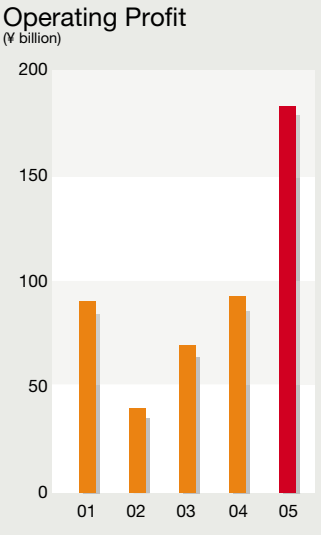
FY2005 Business results

Despite several negative factors, including the sharp increase in raw material costs, yen appreciation, and typhoon damage at Wakayama Steel Works, the Company achieved a considerable improvement in profitability as a result of buoyant sales and strenuous efforts to reduce costs and achieve higher steel prices.

On a consolidated basis, sales were 1,236.9 billion yen (a 116.0 billion yen increase over the previous period), operating profit was 182.8 billion yen (an 89.8 billion yen increase over the previous period), recurring profit was 173.2 billion yen (a 104.5 billion yen increase over the previous period), and net income was 110.8 billion yen (an 80.0 billion yen increase over the previous period). Recurring profit and net income both set new records in the history of our Group.

On a non-consolidated basis, sales were 772.8 billion yen (a 61.1 billion yen increase over the previous period), operating profit was 126.4 billion yen (a 52.8 billion yen increase over the previous period), recurring profit was 110.7 billion yen (a 52.9 billion yen increase over the previous period), and net income was 71.6 billion yen (a 47.9 billion yen increase over the previous period). Recurring profit and net income both set new Company records.





(Years ended March 31)

Performance in Each Segment

Steel

Steel Sheet, Plate, Titanium & Structural Steel Company

The Steel Sheet, Plate, Titanium & Structural Steel Company carried out measures to enable the structural reform of the steel sheet business-a pillar of the Medium-Term Business Plan (FY2003 to FY2006)-and continued efforts to secure supplies of raw materials, enhance production and shipment responsiveness, and improve the pricing of products.

The new No. 1 blast furnace at Kashima Steel Works came online in September 2004, creating a more balanced production system, from upstream to downstream processes. At Wakayama Steel Works, the hot rolling mill was taken offline in March 2005 and the production of steel sheet products concentrated at Kashima Steel Works. From April 2005, the supply of steel slab produced at Wakayama Steel Works to China Steel Group of Taiwan was increased to 1.8 million tons per year. The Company has now completed the formation of a system that we believe will enable operations at Kashima and Wakayama Steel Works to continue at high levels.

Demand for galvanized steel sheet for automotive and electric machinery applications is expected to increase. To meet customer needs, the company decided in November 2004 to install a new hot-drip galvanizing line and a continuous pickling line at Kashima Steel Works.

The Steel Sheet, Plate, Titanium & Structural Steel Company received two awards from Toyota Motor Corporation (the Award for Quality Performance "Superior," and the Award for Technology & Development) as a result of its efforts to be a company held in the highest regard by its customers. This is the fourth year in a row that the Steel Sheet, Plate, Titanium & Structural Steel Company has been received an award in the quality management category. Consolidated total sales for the Steel Sheet, Plate, Titanium & Structural Steel Company were 571.4 billion yen.

Pipe & Tube Company

The Pipe & Tube Company's manufacture of its mainstay seamless pipe is continuing at a high level due to increased development of oil and natural gas fields in response to rising energy demand around the world. In response to burgeoning demand for high-grade boiler tubes and other components for thermal power stations in China, where electricity demand is rapidly increasing, the Pipe & Tube Company installed a new continuous bright annealing furnace at the Cold Worked Tube Making Plant of Wakayama Steel Works in January 2005, and boosted heat-treatment capacity.

The large-diameter welded pipe business set a sales record in FY2005 as the number of pipeline projects increased globally, spurred on by greater development of natural gas resources, regarded as a "clean" energy source.

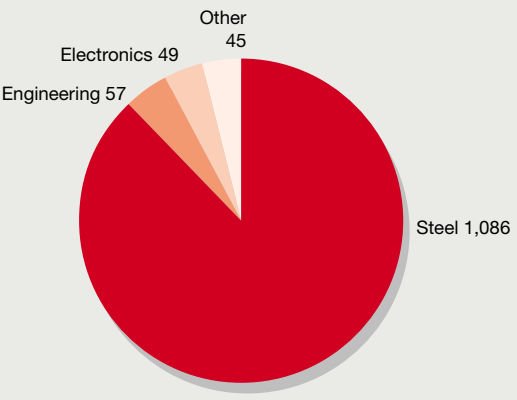
In China, the Guangzhou You-Ri Automotive Parts Co., Ltd., a producer and seller of steel tubing for automobiles, which was jointly established between Sumitomo Pipe & Tube Co., Ltd. and Sumitomo Corporation, and later received a capital contribution from Nippon Steel Corporation, began operations in January 2005.

Consolidated total sales for the Pipe & Tube Company were 281.3 billion yen.

(Fiscal year ended March 31, 2005)

Net Sales by Consolidated Segment

(¥ billion)



Railway, Automotive & Machinery Parts Company

In China, the Huizhou Sumikin Forging Co., Ltd., which manufactures and sells forged crankshafts, began operations in November 2004. Together with International Crankshaft Inc. of the United States, in response to automobile makers' global strategies, the Railway, Automotive & Machinery Parts Company now has production bases in three key regions (Japan, the United States, and China) and is aiming to supply 10% of the global crankshaft market.

In the railway products sector, exports of forged wheels to meet growing demand for railway freight cars in the United States enabled the Railway, Automotive & Machinery Parts Company to steadily increase its orders. Consolidated total sales for the Railway, Automotive & Machinery Parts Company were 77.9 billion yen.

Including figures from affiliated companies such as Sumitomo Metals (Kokura), Ltd., whose sales of high-quality special steel bars for automotive manufacturing improved, and Sumitomo Metals (Naoetsu), Ltd., consolidated total sales for our Group's steel business were 1,085.7 billion yen, and consolidated operating profit was 183.7 billion yen.

Engineering

Engineering Company

Amid on-going declines in public sector investment in the domestic market, the harsh business climate continues. Consolidated total sales for the Engineering Company were 57.1 billion yen, and consolidated operating losses were 4.8 billion yen.

Electronics

Consolidated total sales in the electronics sector were 49.0 billion yen, and consolidated operating profit was 1.2 billion yen.

Consolidated total sales for businesses other than those listed above were 44.8 billion yen, and consolidated operating profit was 3.5 billion yen.

Financial Situation

As a result of a considerable improvement in profitability and a further reduction in total assets, the Company realized 277.3 billion yen in cash from operations in the reporting period. The use of 12.0 billion yen for investment and 297.3 billion yen for the reduction of debt resulted in a balance of outstanding cash of 42.4 billion yen at the end of FY2005, 31.6 billion yen lower than at the end of FY2004.

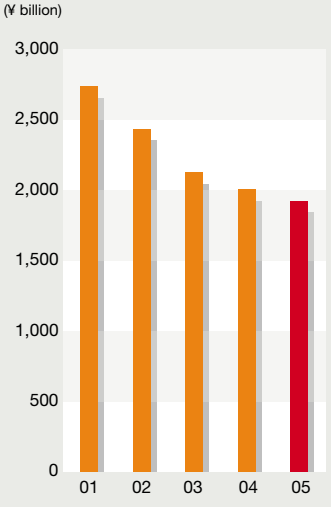
Reduction of debt is an important management issue for the Company. Debt reduction has proceeded as planned, exceeding the target set forth in the Medium-Term Business Plan (FY2003 to FY2006) a year ahead of schedule.

(Years ended March 31)

	2002	2003	2004	2005
Equity ratio	11.3%	15.5%	18.8%	25.1%
Equity ratio on a market value basis	7.2%	12.2%	33.4%	48.2%
Years to debt redemption	11.9	7.7	5.4	3.2
Interest coverage ratio	6.4	11.0	13.3	24.1

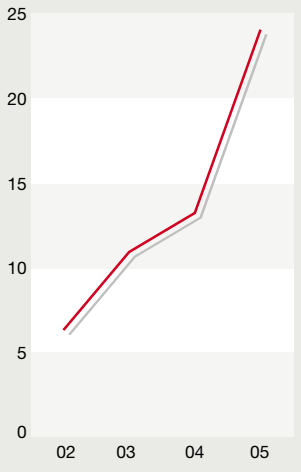
Equity ratio: Shareholders' equity/total assets
Equity ratio on a market value basis: Total market value of shares/Total assets
Years to debt redemption: Debt/(Operating cash flow - Interest payments)
Interest coverage ratio: Operating cash flow/Interest payments
* All figures are calculated on a consolidated basis.
* "Debt" means the net debt, i.e., the total of outstanding borrowing plus corporate debentures minus cash and net total of time deposits.
* "Interest payments" means the net interest payment burden (net total of interest payments and interest and dividends received).
* "Operating cash flow" means, in the case of FY2002 and FY2003, the operating cash flow minus the special retirement payments accompanying the transfer of employees loaned to other companies.

Total Assets



(Years ended March 31)

Interest Coverage Ratio



Consolidated debt, which stood at 1,171.2 billion yen at the end of FY 2004, has been reduced by 285.2 billion yen, to 885.9 billion yen by the end of FY 2005. Net debt, i.e., the total of debt minus cash and time deposits, came to 843.3 billion yen.

Operational Risks

Risk considerations in respect of operations and other matters concerning Sumitomo Metals and the Sumitomo Metals Group include increases in steel raw materials prices, change of product selling prices, foreign exchange rate movements, interest rate fluctuations, natural disasters and accidents, and effects of environmental laws and regulations, among others. Realization of any of these risks could greatly influence our investors' decision-making. Conscious of the potential for such events to occur, the Company is taking steps to prepare with a combination of preventive and reactive measures.

Future Prospects

Although there are concerns about inventory adjustments in the IT fields and the surge in crude oil prices, we expect the Japanese economic recovery to continue, accompanying the improvement in corporate profitability and steady growth in the global economy.

Despite stagnation in the civil engineering field accompanying cutbacks in public spending, we expect that demand for steel materials in the domestic market will in general remain stable due to sales to vehicle producers, shipbuilders and other manufacturers, and also to businesses involved with private-sector investment in plant and equipment. In the export sector as well, burgeoning demand is expected to continue, prompting forecasts of ongoing high levels of production in the steel industry.

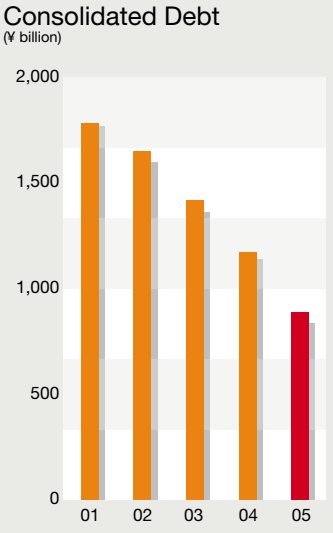
On the other hand, there have been unprecedented increases in raw material prices as supplies of raw materials for steel production become constricted globally. Sizeable cost increases are unavoidable.

Given these conditions, the Sumitomo Metals Group is working to secure steady supplies of raw materials and enhance its production and shipment responsiveness to maximize its ability to ensure a steady supply of steel to customers. With the understanding of our customers, the Company will continue efforts to improve the pricing of steel products, to help cover the large cost increases arising from the rapid rise in raw material prices.

As set forth in our Medium-Term Business Plan (FY2003 to FY2006), the Group is striving to "Restructure the steel business and enhance its competitiveness" and "Strengthen its financial position," and is continuing to promote various measures to achieve these goals while "Preparing the ground" for the next upswing.

The Company is working with Nippon Steel Corporation and Kobe Steel, Ltd. to share iron- and steel-making facilities and deepen the level of cooperation among the three companies.

Through the various measures that we are implementing, we aim to achieve sales of 1,440 billion yen; recurring profit of 190 billion yen, which will significantly surpass the FY2005 result; net income of 120 billion yen; and debt of 780 billion yen, on a consolidated basis.



Consolidated Five-Year Financial Summary

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2005	2004	2003	2002	2001	**2005**
Operating Results (For the year):						
Net sales	**¥1,236,921**	¥1,120,856	¥1,224,634	¥1,349,529	¥1,497,641	**$ 11,518,026**
Operating profit	**182,879**	93,042	69,828	40,096	90,598	**1,702,940**
Net income (loss)	**110,864**	30,792	17,076	(104,720)	5,836	**1,032,353**
Financial Position (At year-end):						
Total assets	**¥1,923,143**	¥2,001,728	¥2,122,371	¥2,433,432	¥2,733,115	**$ 17,908,024**
Total shareholders' equity	**483,238**	376,037	328,754	274,432	368,116	**4,499,837**

	Yen					U.S. dollars
Per Share Data:						
Net income (loss)	**¥ 23.05**	¥ 6.42	¥ 4.36	¥ (28.83)	¥ 1.61	**$ 0.21**
Cash dividends	**5.00**	1.50	1.50	-	-	**0.05**
Shareholders' equity	**100.61**	78.28	68.78	75.56	101.35	**0.94**

Index:					
Return on assets (ROA)	**9.3%**	4.5%	3.1%	1.5%	3.3%

Notes: The United States dollar amounts included herein represent translations using the approximate exchange rate at March 31, 2005, of ¥107.39 = U.S.$1, solely for convenience.
Return on assets is calculated using the following formula: ROA = Operating profit/total assets ×100.

Segment Information

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2005	2004	2003	2002	2001	**2005**
Sales to Customers (For the year):						
Steel	**¥ 1,085,767**	¥ 962,056	¥ 960,301	¥ 938,588	¥ 952,393	**$ 10,110,504**
Engineering	**57,190**	68,885	78,635	96,748	125,962	**532,541**
Electronics	**49,083**	46,643	76,282	169,615	252,825	**457,055**
Other	**44,881**	43,272	109,416	144,578	166,461	**417,926**
Operating Profit (For the year):						
Steel	**¥ 183,750**	¥ 93,437	¥ 66,712	¥ 50,462	¥ 71,344	**$ 1,711,047**
Engineering	**(4,875)**	(3,706)	(555)	148	3,314	**(45,397)**
Electronics	**1,238**	470	(845)	(15,629)	11,883	**11,525**
Other	**3,538**	4,254	6,446	6,109	2,954	**32,949**
Assets (At year-end):						
Steel	**¥ 1,450,150**	¥ 1,439,324	¥ 1,445,616	¥ 1,582,550	¥ 1,698,233	**$ 13,503,584**
Engineering	**46,970**	51,305	49,306	67,497	134,730	**437,378**
Electronics	**101,191**	90,718	111,485	180,532	268,674	**942,278**
Other	**373,060**	387,784	385,252	530,817	559,948	**3,473,878**

	Millions of yen					Thousands of U.S. dollars
Depreciation (For the year):						
Steel	**¥ 74,766**	¥ 72,163	¥ 81,329	¥ 87,014	¥ 96,470	**$ 696,210**
Engineering	**367**	432	560	659	2,232	**3,416**
Electronics	**2,854**	4,345	5,701	25,870	31,098	**26,577**
Other	**2,499**	2,648	5,400	9,759	10,134	**23,274**
Capital Expenditures (For the year):						
Steel	**¥ 55,756**	¥ 64,272	¥ 47,589	¥ 55,964	¥ 58,991	**$ 519,188**
Engineering	**63**	31	102	120	811	**586**
Electronics	**3,699**	2,079	1,554	14,009	15,314	**34,446**
Other	**1,477**	1,834	3,087	6,691	6,943	**13,752**

Notes: The United States dollar amounts included herein represent translations using the approximate exchange rate at March 31, 2005, of ¥107.39 = U.S.$1, solely for convenience.
The segment classification was changed during the year ended March 31, 2003.
The segment information for the year ended March 31, 2002, is also classfied in accordance with the new standard.
Effective April 1, 2003, a segment name of Electronics and information services was changed to Electronics.

CONSOLIDATED BALANCE SHEETS

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries
March 31, 2005 and 2004

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Current assets:			
Cash and time deposits (Notes 3 and 7)	**¥ 42,547**	¥ 74,196	**$ 396,194**
Marketable securities (Notes 3 and 4)	**1**	11	**7**
Notes and accounts receivable (Note 16) -			
Trade	**190,087**	193,596	**1,770,065**
Other	**42,663**	48,410	**397,266**
	232,750	242,006	**2,167,331**
Allowance for doubtful accounts	**(535)**	(232)	**(4,980)**
	232,215	241,774	**2,162,351**
Inventories (Note 5)	**305,930**	265,056	**2,848,782**
Deferred tax assets (Note 12)	**14,741**	16,814	**137,264**
Prepaid expenses and other	**9,170**	11,173	**85,389**
Total current assets	**604,604**	609,024	**5,629,987**
Property, plant and equipment (Note 7):			
Land (Note 6)	**349,185**	347,177	**3,251,564**
Buildings and structures	**684,834**	680,206	**6,377,070**
Machinery and equipment	**2,074,039**	2,083,310	**19,313,147**
Construction in progress	**36,998**	62,554	**344,521**
Total	**3,145,056**	3,173,247	**29,286,302**
Accumulated depreciation	**(2,138,097)**	(2,141,043)	**(19,909,653)**
Net property, plant and equipment	**1,006,959**	1,032,204	**9,376,649**
Investments and other assets:			
Investment securities (Notes 4 and 7)	**129,459**	131,847	**1,205,508**
Investments in unconsolidated subsidiaries and associated companies	**141,121**	134,606	**1,314,093**
Deferred tax assets (Note 12)	**8,616**	44,687	**80,232**
Other assets	**32,384**	49,360	**301,555**
Total investments and other assets	**311,580**	360,500	**2,901,388**
Total	**¥ 1,923,143**	¥ 2,001,728	**$ 17,908,024**

See Notes to Consolidated Financial Statements.

Liabilities and Shareholders' equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Current liabilities:			
Short-term bank loans (Note 7)	**¥ 256,178**	¥ 305,036	**$ 2,385,493**
Current portion of long-term debt (Note 7)	**204,160**	227,344	**1,901,106**
Notes and accounts payable (Notes 7 and 16) -			
Trade	**295,385**	221,458	**2,750,577**
Other	**38,773**	51,515	**361,051**
	334,158	272,973	**3,111,628**
Deferred tax liabilities (Note 12)	**119**	312	**1,109**
Other current liabilities (Note 16)	**73,253**	59,800	**682,124**
Total current liabilities	**867,868**	865,465	**8,081,460**
Long-term liabilities:			
Long-term debt (Note 7)	**469,053**	679,484	**4,367,751**
Liability for employees' retirement benefits (Note 8)	**34,600**	29,616	**322,191**
Liability for rebuilding furnaces	**4,238**	4,239	**39,460**
Deferred tax liabilities (Note 12)	**11,092**	6,257	**103,291**
Deferred tax liabilities on land revaluation (Note 6)	**9,818**	9,815	**91,422**
Other long-term liabilities	**9,162**	7,423	**85,321**
Total long-term liabilities	**537,963**	736,834	**5,009,436**
Minority interests	**34,074**	23,392	**317,291**
Commitments and Contingent Liabilities (Notes 14, 15, 16 and 17)			
Shareholders' equity (Notes 9 and 19):			
Common stock, authorized 7,000,000,000 shares in 2005 and 2004; issued, 4,805,974,238 shares in 2005 and 2004;	**262,072**	262,072	**2,440,380**
Capital surplus	**61,897**	61,884	**576,378**
Retained earnings	**115,852**	11,998	**1,078,792**
Land revaluation surplus (Note 6)	**16,299**	16,295	**151,771**
Unrealized gain on available-for-sale securities	**31,165**	28,037	**290,206**
Foreign currency translation adjustments	**(3,799)**	(4,103)	**(35,374)**
Total	**483,486**	376,183	**4,502,153**
Treasury stock, at cost			
2,968,381 shares in 2005 and 2,353,961 shares in 2004	**(248)**	(146)	**(2,316)**
Total shareholders' equity	**483,238**	376,037	**4,499,837**
Total	**¥ 1,923,143**	¥ 2,001,728	**$ 17,908,024**

CONSOLIDATED STATEMENTS OF INCOME

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Net sales (Notes 16 and 18)	**¥ 1,236,921**	¥ 1,120,856	**$ 11,518,026**
Cost of sales (Notes 13 and 16)	**924,259**	905,067	**8,606,561**
Gross profit	**312,662**	215,789	**2,911,465**
Selling, general and administrative expenses (Note 13)	**129,783**	122,747	**1,208,525**
Operating profit (Note 18)	**182,879**	93,042	**1,702,940**
Other income (expenses):			
Interest and dividend income	**4,217**	5,286	**39,266**
Interest expense	**(17,537)**	(22,810)	**(163,299)**
Equity in earnings (losses) of unconsolidated subsidiaries and associated companies	**14,105**	(8,079)	**131,341**
Foreign exchange gain	**2,238**	3,727	**20,836**
Gain on sales of investment securities	**29,373**	6,394	**273,514**
Gain on compensation for expropriation of land		7,966	
Loss on disposal and sales of property, plant, equipment and other assets (Note 10)	**(16,824)**	(25,393)	**(156,661)**
Loss resulting from disaster damage	**(3,489)**	(1,955)	**(32,491)**
Loss on business restructuring (Note 11)	**(6,840)**	(890)	**(63,688)**
Charge for transitional obligations for employees' retirement benefits (Note 8)	**(6,535)**	(6,908)	**(60,853)**
Other, net	**(12,009)**	(10,478)	**(111,824)**
Other expenses, net	**(13,301)**	(53,140)	**(123,859)**
Income before income taxes and minority interests	**169,578**	39,902	**1,579,081**
Income taxes (Note 12):			
Current	**(16,140)**	(6,594)	**(150,291)**
Deferred	**(40,742)**	(1,049)	**(379,378)**
Total income taxes	**(56,882)**	(7,643)	**(529,669)**
Minority interests	**(1,832)**	(1,467)	**(17,059)**
Net income	**¥ 110,864**	¥ 30,792	**$ 1,032,353**

	Yen		U.S. dollars (Note 1)
	2005	2004	**2005**
Per share of common stock (Note 2(q)):			
Basic net income, weighted average 4,803,340,108 shares in 2005 and 4,793,520,120 shares in 2004	**¥ 23.05**	¥ 6.42	**$ 0.21**
Cash dividends	**5.00**	1.50	**0.05**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2005 and 2004

	Thousands	Millions of yen						
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings (accumulated deficit)	Land revaluation surplus	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, April 1, 2003	4,779,453	¥ 262,072	¥ 60,735	¥ (11,475)	¥ 20,950	¥ (2,351)	¥ (1,001)	¥ (176)
Cash dividends, ¥1.50 per share				(7,171)				
Issuance of common stock	23,707		1,095					
Net income				30,792				
Decrease due to exclusion of certain subsidiaries from consolidation and certain associated companies				(148)				
Net decrease in land revaluation surplus due to business restructuring					(4,655)			
Net increase in unrealized gain on available-for-sale securities						30,388		
Net change in foreign currency translation adjustments							(3,102)	
Net decrease in treasury stock	460							30
Gain on disposal of treasury stock			54					
Balance, March 31, 2004	4,803,620	262,072	61,884	11,998	16,295	28,037	(4,103)	(146)
Cash dividends, ¥5.00 per share				(7,206)				
Net income				110,864				
Increase due to inclusion of certain subsidiaries into consolidation and certain associated companies				196				
Net increase in land revaluation surplus due to business restructuring					4			
Net increase in unrealized gain on available-for-sale securities						3,128		
Net change in foreign currency translation adjustments							304	
Net increase in treasury stock	(614)							(102)
Gain on disposal of treasury stock			13					
Balance, March 31, 2005	4,803,006	¥ 262,072	¥ 61,897	¥ 115,852	¥ 16,299	¥ 31,165	¥ (3,799)	¥ (248)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Land revaluation surplus	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, March 31, 2004	$2,440,380	$ 576,256	$ 111,726	$ 151,736	$ 261,077	$ (38,210)	$ (1,363)
Cash dividends, $0.05 per share			(67,104)				
Net income			1,032,353				
Increase due to inclusion of certain subsidiaries into consolidation and certain associated companies			1,817				
Net increase in land revaluation surplus due to business restructuring				35			
Net increase in unrealized gain on available-for-sale securities					29,129		
Net change in foreign currency translation adjustments						2,836	
Net increase in treasury stock							(953)
Gain on disposal of treasury stock		122					
Balance, March 31, 2005	$2,440,380	$ 576,378	$1,078,792	$ 151,771	$ 290,206	$ (35,374)	$ (2,316)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Operating activities:			
Income before income taxes and minority interests	**¥ 169,578**	¥ 39,902	**$ 1,579,081**
Adjustments for:			
Income taxes paid	**(8,190)**	(2,982)	**(76,269)**
Depreciation and amortization	**80,486**	79,588	**749,477**
Reversal of allowance for doubtful accounts, net	**(112)**	(11,005)	**(1,041)**
Provision for liability for employees' retirement benefits, net	**4,920**	5,662	**45,818**
Reversal of reserve for rebuilding furnaces, net	**(1)**	(4)	**(11)**
Interest and dividend income	**(4,217)**	(5,286)	**(39,266)**
Interest expense	**17,537**	22,810	**163,299**
Equity in earnings (losses) of unconsolidated subsidiaries and associated companies	**(14,105)**	8,079	**(131,341)**
Gain on sales of investment securities	**(29,373)**	(6,394)	**(273,514)**
Gain on compensation for expropriation of land		(7,966)	
Loss on disposal and sales of property, plant, equipment and other assets	**16,824**	25,393	**156,661**
Loss on business restructuring	**6,840**	890	**63,688**
Loss resulting from disaster damage	**3,489**	1,955	**32,491**
Changes in assets and liabilities-			
(Increase) decrease in receivables	**8,175**	(6,907)	**76,126**
(Increase) decrease in inventories	**(39,388)**	2,161	**(366,779)**
Increase in payables	**64,278**	64,377	**598,548**
Other, net	**649**	10,548	**6,046**
Net cash provided by operating activities	**277,390**	220,821	**2,583,014**
Investing activities:			
Acquisition of property, plant, equipment and other assets	**(85,231)**	(62,674)	**(793,661)**
Proceeds from sales of property, plant, equipment and other assets	**27,352**	23,359	**254,698**
Purchase of marketable and investment securities	**(2,992)**	(30,697)	**(27,858)**
Proceeds from sales of marketable and investment securities	**44,646**	41,342	**415,739**
Loans made	**(6,594)**	(21,252)	**(61,403)**
Collections of loans	**2,607**	22,863	**24,274**
Interest and dividends received	**7,019**	6,564	**65,356**
Other, net	**1,180**	(6,923)	**10,991**
Net cash used in investing activities	**(12,013)**	(27,418)	**(111,864)**
Financing activities:			
Decrease in short-term bank loans, net	**(46,836)**	(30,327)	**(436,134)**
Proceeds from long-term debt	**66,234**	107,413	**616,766**
Repayments of long-term debt	**(302,659)**	(289,330)	**(2,818,318)**
Receipt from minority shareholders	**6,914**	5,311	**64,383**
Interest paid	**(18,519)**	(23,131)	**(172,446)**
Dividends paid	**(7,206)**	(7,171)	**(67,104)**
Increase in obligation to return collateral under security loan agreement, net	**10,000**		**93,119**
Other, net	**(5,265)**	(3,606)	**(49,025)**
Net cash used in financing activities	**(297,337)**	(240,841)	**(2,768,759)**
Foreign currency translation adjustments on cash and cash equivalents	**47**	(249)	**436**
Net decrease in cash and cash equivalents	**(31,913)**	(47,687)	**(297,173)**
Cash and cash equivalents increase by elimination of consolidated subsidiaries	**303**	1	**2,830**
Cash and cash equivalents at beginning of year	**74,026**	121,712	**689,316**
Cash and cash equivalents at end of year (Note 3)	**¥ 42,416**	¥ 74,026	**$ 394,973**
Non-cash investing and financing activities:			
Decrease in assets and liabilities divided due to a split of stainless business:			
Assets (primarily inventory and property)		¥ 22,620	
Liabilities (primarily current portion of long-term debt and short-term bank loans)		¥ 15,750	

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Sumitomo Metal Industries, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

Note 1: Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Sumitomo Metal Industries, Ltd. ("SMI") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2004 financial statements to conform to the classifications used in 2005.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SMI is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.39 to $1, the approximate exchange rate at March 31, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Note 2: Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements as of March 31, 2005 include the accounts of SMI and its 77 significant (72 in 2004) subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which SMI, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in three (three in 2004) unconsolidated subsidiaries and 28 (28 in 2004) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost, except that appropriate write-downs are recorded for investments in unconsolidated subsidiaries and associated companies which have incurred substantial losses deemed to be of a permanent nature. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated.

(b) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(c) Inventories

Inventories are stated principally at cost, determined by the average method.

(d) Marketable and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment of SMI and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the usage of the assets over the estimated useful lives of the assets, while the straight-line method is applied to the buildings of SMI and its domestic subsidiaries, and all property, plant and equipment of consolidated overseas subsidiaries. The useful lives are principally 31 years for buildings and structures and 14 years for machinery and equipment.

(f) Stock and bond issue cost and bond discounts
Stock and bond issue costs are charged to income as incurred. Bond discounts are amortized over the terms of the related bonds.

(g) Employees' retirement benefits
SMI and its domestic subsidiaries account for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥59,149 million determined as of April 1, 2000, the date of initial adoption, by the contributions of securities discussed hereunder, is being amortized over five years and the annual amortization is included in charge for transitional obligations for employees' retirement benefits as other expenses in the statement of income. SMI and a domestic subsidiary contributed certain available-for-sale securities with a fair value of ¥31,947 million to employees' retirement benefit trusts for their companies' non-contributory pension plans during the first half of the fiscal year ended March 31, 2001. The securities held in these trusts are qualified as plan assets.

(h) Liability for rebuilding furnaces
Blast furnaces and hot blast stoves, including related machinery and equipment, require periodic repairs and replacement of substantial components. A liability for rebuilding furnaces is provided for the estimated future costs of such work based on past experience.

(i) Revenue recognition for long-term construction contracts
Sales and related costs of long-term construction contracts (for which the term is longer than one year and the contract amount is over ¥100 million) are accounted for by the percentage-of-completion method.

(j)Research and development costs
Research and development costs are charged to expenses as incurred.

(k) Leases
Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(l) Income taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(m) Appropriations of retained earnings
Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(n) Foreign currency transactions
All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance-sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.

(o) Foreign currency financial statements
The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for shareholders' equity, which is translated at the historical exchange rate.
Differences arising from such translation were shown as “Foreign currency translation adjustments” in a separate component of shareholders' equity.
Revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the current exchange rates as of the balance sheet date.

(p) Derivatives and hedging activities
The Group uses derivative financial instruments to manage its exposure to fluctuations in interest rates and foreign exchange rates. Foreign exchange forward contracts, interest rate swaps, currency swaps and others are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not hold derivatives for trading or speculation purposes.
Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: i) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of income and ii) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
The foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales

are measured at the fair value and the unrealized gains / losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains / losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(q) Per share information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share in 2005 and 2004 is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(r) New Accounting Pronouncements

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets."

These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 and SMI adopt these pronouncements as of April 1, 2005.

Note 3: Reconciliation to Cash and Cash Equivalents

The reconciliation of cash and time deposits in the balance sheets to cash and cash equivalents in the statements of cash flows at March 31, 2005 and 2004, were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Cash and time deposits per the balance sheets	**¥ 42,547**	¥ 74,196	**$ 396,194**
Time deposits with original maturities of more than 3 months	**(132)**	(171)	**(1,228)**
Money management funds in marketable securities	**1**	1	**7**
Cash and cash equivalents per the statements of cash flows	**¥ 42,416**	¥ 74,026	**$ 394,973**

Note 4: Marketable and Investment Securities

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2005 and 2004 were as follows:

	Millions of yen			
March 31, 2005	*Cost*	*Unrealized gains*	*Unrealized losses*	*Fair value*
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 54,246**	**¥ 48,521**	**¥ 160**	**¥ 102,607**

	Millions of yen			
March 31, 2004	*Cost*	*Unrealized gains*	*Unrealized losses*	*Fair value*
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 61,233	¥ 43,860	¥ 410	¥ 104,683
Debt securities	7	3		10

March 31, 2005	Thousands of U.S. dollars			
	Cost	*Unrealized gains*	*Unrealized losses*	*Fair value*
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 505,135**	**$ 451,818**	**$ 1,488**	**$ 955,465**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Carrying amount		
	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Available-for-sale:			
Equity securities	**¥ 26,517**	¥ 27,060	**$ 246,920**
Money management funds	**300**		**2,794**
Other	**36**	105	**335**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004, were ¥38,977 million ($362,945 thousand) and ¥26,294 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥26,071 million ($242,766 thousand) and ¥6,394 million, for the years ended March 31, 2005 and 2004, respectively.

Note 5: Inventories

Inventories at March 31, 2005 and 2004 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Finished products	**¥ 53,648**	¥ 47,609	**$ 499,565**
Others	**252,282**	217,447	**2,349,217**
Total	**¥ 305,930**	¥ 265,056	**$ 2,848,782**

Note 6: Land Revaluation

Under the "Law of Land Revaluation", certain consolidated subsidiaries elected a one-time revaluation of their own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of shareholders' equity. There was no effect on the statements of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. As at March 31, 2005 and 2004, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥6,589 million ($61,352 thousand) and ¥4,956 million, respectively.

Note 7: Short-term Bank Loans and Long-term Debt

Short-term bank loans bore interest principally at 0.9% and 1.2% at March 31, 2005 and 2004, respectively.

Long-term debt at March 31, 2005 and 2004, consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Loans, principally from banks and insurance companies, with interest principally at 1.9%, due through 2013	**¥ 478,791**	¥ 635,631	**$ 4,458,429**
0.50% to 3.07% yen bonds, due through 2019	**149,450**	228,050	**1,391,657**
Lease obligations, with interest principally at 2.1%, due through 2010	**43,472**	40,647	**404,803**
Floating rate yen bonds, due 2008	**1,500**	2,500	**13,968**
	673,213	906,828	**6,268,857**
Less current portion	**(204,160)**	(227,344)	**(1,901,106)**
Long-term debt, less current portion	**¥ 469,053**	¥ 679,484	**$ 4,367,751**

The annual maturities of long-term debt as of March 31, 2005, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 204,160	$ 1,901,106
2007	165,559	1,541,659
2008	134,613	1,253,497
2009	77,851	724,936
2010	52,702	490,755
2011 and thereafter	38,328	356,904
Total	¥ 673,213	$ 6,268,857

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥6,382 million ($59,430 thousand), long-term debt of ¥7,881 million ($73,385 thousand) and notes and accounts payable of ¥2,232 million ($20,783 thousand) at March 31, 2005, were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and time deposits	¥ 3	$ 29
Property, plant and equipment	33,537	312,285
Investment securities	1,562	14,546
Total	¥ 35,102	$ 326,860

Note 8: Employees' Retirement Benefits

Employees whose service with SMI and certain consolidated subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. In certain cases, the employee is entitled to greater payment.

The funds for the annuity payments are entrusted to an outside trustee.

The liability for employees' retirement benefits at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Projected benefit obligation	**¥ 207,404**	¥ 209,463	**$ 1,931,319**
Fair value of plan assets	**(136,538)**	(133,895)	**(1,271,420)**
Unrecognized transitional obligation		(6,535)	
Unrecognized actuarial loss	**(36,433)**	(43,238)	**(339,259)**
Unrecognized prior service cost	**(37)**	12	**(350)**
Net liability	**34,396**	25,807	**320,290**
Prepaid pension costs	**204**	3,809	**1,901**
Liability for employees' retirement benefits	**¥ 34,600**	¥ 29,616	**$ 322,191**

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service cost	**¥ 6,677**	¥ 7,070	**$ 62,175**
Interest cost	**4,907**	5,029	**45,698**
Expected return on plan assets	**(2,557)**	(2,358)	**(23,811)**
Amortization of transitional obligation	**6,535**	6,908	**60,853**
Recognized actuarial loss	**5,327**	8,433	**49,603**
Amortization of prior service cost	**(758)**	(3)	**(7,057)**
Net periodic benefit costs	**¥ 20,131**	¥ 25,079	**$ 187,461**

Assumptions used for the years ended March 31, 2005 and 2004 were mainly set forth as follows:

	2005	2004
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**2.5%**	2.5%
Amortization period of prior service cost	**1 year**	10 years
Recognition period of actuarial gain/loss	**11 years**	11 years
Amortization period of transitional obligation	**5 years**	5 years

Note 9: Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the shareholders meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥92,750 million ($ 863,678 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On September 1, 2003, SMI issued 23,707 thousand shares of common stock in exchange for the common stock of Kanto Special Steel Works, Ltd. Recorded amounts as additional paid-in capital was ¥1,095 million.

Note 10: Loss on Disposal and Sales of Property, Plants and Equipment and Other Assets

A loss of ¥16,824 million ($156,661 thousand) for the year ended March 31, 2005, mainly resulted from the disposal of shore protection at Wakayama Steel Works and the sales of land.

A loss of ¥25,393 million for the year ended March 31, 2004, mainly incurred in connection with the decision to close SMI's hot rolling mill and tandem cold rolling mill at Wakayama Steel Works by the end of fiscal year 2005. The Wakayama operations will be consolidated with Kashima Steel Works in order to gain production efficiencies. These amounts include loss on disposal of supplies related to the plant closure in ¥1,432 million for the year ended March 31, 2004.

Note 11: Loss on Business Restructuring

A loss of ¥6,840 million ($63,688 thousand) for the year ended March 31, 2005 mainly resulted from the closing of plants of consolidated subsidiaries and the closing of an electric furnace of Osaka Steel Works.

A loss of ¥890 million for the year ended March 31, 2004 mainly resulted from the sales of investments in subsidiaries and associated companies.

Note 12: Income Taxes

SMI and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% and 42.0% for the years ended March 31, 2005 and 2004, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets:			
Employees' retirement benefits	**¥ 23,122**	¥ 19,251	**$ 215,307**
Fixed assets, inventories and other assets	**22,998**	55,795	**214,155**
Tax loss carryforwards	**18,881**	32,308	**175,816**
Investments in consolidated subsidiaries and associated companies accounted for by the equity method	**7,164**	12,813	**66,717**
Other	**24,291**	24,237	**226,193**
Valuation allowance	**(48,744)**	(55,902)	**(453,897)**
Deferred tax assets	**¥ 47,712**	¥ 88,502	**$ 444,291**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**¥ (19,257)**	¥ (17,237)	**$ (179,316)**
Employees' retirement benefit trusts	**(7,199)**	(7,199)	**(67,038)**
Reserve of the Special Taxation Measures Law of Japan	**(6,159)**	(6,085)	**(57,351)**
Other	**(2,952)**	(3,049)	**(27,490)**
Deferred tax liabilities	**¥ (35,567)**	¥ (33,570)	**$ (331,195)**
Net deferred tax assets	**¥ 12,145**	¥ 54,932	**$ 113,096**

The reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2005 and 2004, were as follows:

	2005	2004
Normal effective statutory tax rate	**40.6%**	42.0%
Valuation allowance	**(4.2)**	(36.1)
Equity in (earnings) losses of unconsolidated subsidiaries and associated companies	**(3.4)**	8.5
Income not deductible for income tax purposes	**1.5**	3.5
Other, net	**(1.0)**	1.3
Actual effective tax rate	**33.5%**	19.2%

On October 28, 2003, the local income tax rate applied in Osaka prefecture was amended and the normal effective statutory tax rate was changed from 40.4% to 40.6%, effective for years beginning on or after April 1, 2004.

For the year ended March 31, 2004, the effect of this change was to increase deferred tax assets by ¥206 million, decrease income taxes-deferred by ¥301 million, decrease net unrealized gain on available-for-sale securities by ¥95 million, increase deferred tax liabilities on land revaluation by ¥45 million, and decrease land revaluation surplus by the same amounts in the consolidated financial statements.

Note 13: Research and Development Costs

Research and development costs charged to expenses were ¥14,732 million ($137,185 thousand) and ¥13,591 million for the years ended March 31, 2005 and 2004, respectively.

Note 14: Leases

a) Finance leases as lessee

Pro forma information of leased property, which principally consists of equipment, on an "as if capitalized" basis for the years ended March 31, 2005 and 2004, was as follows:

	Millions of yen					
	2005			2004		
	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total
Acquisition cost	**¥ 10,479**	**¥ 213**	**¥ 10,692**	¥ 10,319	¥ 302	¥ 10,621
Less accumulated depreciation	**4,970**	**110**	**5,080**	4,983	187	5,170
Net leased property	**¥ 5,509**	**¥ 103**	**¥ 5,612**	¥ 5,336	¥ 115	¥ 5,451
Depreciation expense			**¥ 1,886**			¥ 2,709

	Thousands of U.S. dollars		
	2005		
	Machinery and equipment	Other	Total
Acquisition cost	**$ 97,577**	**$ 1,980**	**$ 99,557**
Less accumulated depreciation	**46,277**	**1,026**	**47,303**
Net leased property	**$ 51,300**	**$ 954**	**$ 52,254**
Depreciation expense			**$ 17,563**

The total lease payment and obligation under finance leases for the years ended March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Total lease payment	**¥ 1,886**	¥ 2,709	**$ 17,563**
Obligation at March 31,			
Due within one year	**¥ 1,755**	¥ 1,701	**$ 16,343**
Due after one year	**3,857**	3,750	**35,911**
Total obligation	**¥ 5,612**	¥ 5,451	**$ 52,254**

The imputed interest expense portion is included in the above pro forma information. Depreciation expense which is not reflected in the accompanying consolidated statements of income is computed by the straight-line method.

b) Operating leases as lessee

The minimum rental commitments under noncancellable operating leases at March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Obligation at March 31,			
Due within one year	**¥ 1,063**	¥ 606	**$ 9,898**
Due after one year	**4,398**	2,122	**40,951**
Total obligation	**¥ 5,461**	¥ 2,728	**$ 50,849**

Note 15: Derivatives

SMI and its consolidated subsidiaries enter into derivative financial instruments including foreign exchange forward contracts, interest rate swaps, interest rate cap and currency swaps.

The purposes of using those derivatives are to minimize interest payments on financing activities and to hedge market risks associated with interest rate and foreign exchange rate fluctuations.

SMI and its consolidated subsidiaries do not hold derivatives for trading or speculation purposes. Derivatives are subject to market and credit risks. Since SMI and its consolidated subsidiaries restrict their application of derivatives within their monetary assets and liabilities, SMI and its consolidated subsidiaries do not anticipate any losses arising from market risks. SMI and its consolidated subsidiaries also do not anticipate any credit risks because the counterparties of their derivatives are limited to major financial institutions with high credibility.

Derivatives transactions are made in accordance with internal regulations which determine the authorization and credit limit amount.

SMI and its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2005 and 2004.

	Millions of yen					
	2005			2004		
	Contract or notional principal	Fair value	Net unrealized loss	Contract or notional principal	Fair value	Net unrealized gain (loss)
Foreign currency forward contracts:						
Selling US$	**¥ 12,202**	**¥ 12,468**	**¥ (266)**	¥ 11,933	¥ 11,845	¥ 88
Buying US$	**167**	**161**	**(6)**	355	343	(12)
Interest rate swaps:						
Floating-rate receipt, fixed-rate payment				400	(1)	(1)
Floating-rate receipt and payment				3,000	2	2
Interest rate cap contracts:						
Buying	**1,500**		**(32)**	1,600		

	Thousands of U.S. dollars		
	2005		
	Contract or notional principal	Fair value	Net unrealized loss
Foreign currency forward contracts:			
Selling US$	**$ 113,619**	**$ 116,100**	**$ (2,481)**
Buying US$	**1,556**	**1,499**	**(57)**
Interest rate cap contracts:			
Buying	**13,968**		**(296)**

The contract or notional principals of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure SMI and its consolidated subsidiaries' exposure to credit or market risk.

Derivatives which qualify for hedge accounting for the years ended March 31, 2005 and 2004, are excluded from the disclosure of fair value information.

Note 16: Related Party Transactions

SMI unified its silicon wafer and related business with Mitsubishi Materials Corporation on February 1, 2002 and Sumitomo Mitsubishi Silicon Corporation ("SUMCO") has succeeded both companies' silicon wafer businesses. SMI owns 50.0% of shares of SUMCO and a director of SUMCO concurrently serves both SMI and SUMCO.

The significant transactions required to be disclosed with SUMCO for the year ended March 31, 2004 were as follows:

	Millions of yen
Guarantees	¥ 69,376

Sumikin Bussan Corporation coordinates the sales of SMI's products and the purchasing of SMI's raw materials.

SMI owns 43.1% of the shares of Sumikin Bussan Corporation and two directors of Sumikin Bussan Corporation concurrently serve both SMI and Sumikin Bussan Corporation.

The significant transactions required to be disclosed with Sumikin Bussan Corporation for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Sale of steel and related products		¥ 116,877	
Purchase of raw material and steel products	**¥ 156,249**	76,808	**$ 1,454,968**
Purchase of machinery		23,246	
Trade accounts receivable		29,565	
Trade accounts payable	**67,945**	55,326	**632,692**
Other current liabilities		6,866	

Note 17: Contingent Liabilities

Contingent liabilities at March 31, 2005, were as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees and items of a similar nature:		
Unconsolidated subsidiaries and associated companies	¥ 12,450	$ 115,932
Other customers and suppliers	2,654	24,717
Obligation to repurchase transferred receivables under certain conditions	4,842	45,091
Redemption of debt with warrants transferred to a third party under a debt assumption agreement with a bank	58,500	544,743

Note 18: Segment Information

Information about industry segments and sales to foreign customers for the years ended March 31, 2005 and 2004, was as follows, (geographic segments information is not provided because more than 90% of sales are transacted in Japan):

(a) Industry segments

	Millions of yen					
	2005					
	Steel	Engineering	Electronics	Other	Corporate or eliminations	Consolidated
Sales to customers	¥ 1,085,767	¥ 57,190	¥ 49,083	¥ 44,881		¥ 1,236,921
Intersegment sales	5,357	4		16,378	¥ (21,739)	
Total sales	1,091,124	57,194	49,083	61,259	(21,739)	1,236,921
Cost of sales and operating expenses	907,374	62,069	47,845	57,721	(20,967)	1,054,042
Operating profit (loss)	¥ 183,750	¥ (4,875)	¥ 1,238	¥ 3,538	¥ (772)	¥ 182,879
Assets	¥ 1,450,150	¥ 46,970	¥ 101,191	¥ 373,060	¥ (48,228)	¥ 1,923,143
Depreciation	74,766	367	2,854	2,499		80,486
Capital expenditures	55,756	63	3,699	1,477		60,995

	Millions of yen					
	2004					
	Steel	Engineering	Electronics	Other	Corporate or eliminations	Consolidated
Sales to customers	¥ 962,056	¥ 68,885	¥ 46,643	¥ 43,272		¥ 1,120,856
Intersegment sales	4,200	116		14,509	¥(18,825)	
Total sales	966,256	69,001	46,643	57,781	(18,825)	1,120,856
Cost of sales and operating expenses	872,819	72,707	46,173	53,527	(17,412)	1,027,814
Operating profit (loss)	¥ 93,437	¥ (3,706)	¥ 470	¥ 4,254	¥ (1,413)	¥ 93,042
Assets	¥ 1,439,324	¥ 51,305	¥ 90,718	¥ 387,784	¥ 32,597	¥ 2,001,728
Depreciation	72,163	432	4,345	2,648		79,588
Capital expenditures	64,272	31	2,079	1,834		68,216

	Thousands of U.S. dollars					
	2005					
	Steel	*Engineering*	*Electronics*	*Other*	*Corporate or eliminations*	*Consolidated*
Sales to customers	$10,110,504	$ 532,541	$ 457,055	$ 417,926		$11,518,026
Intersegment sales	49,878	36		152,512	$ (202,426)	
Total sales	10,160,382	532,577	457,055	570,438	(202,426)	11,518,026
Cost of sales and operating expenses	8,449,335	577,974	445,530	537,489	(195,242)	9,815,086
Operating profit (loss)	$ 1,711,047	$ (45,397)	$ 11,525	$ 32,949	$ (7,184)	$ 1,702,940
Assets	$13,503,584	$ 437,378	$ 942,278	$ 3,473,878	$ (449,094)	$17,908,024
Depreciation	696,210	3,416	26,577	23,274		749,477
Capital expenditures	519,188	586	34,446	13,752		567,972

Note:

Steel	Steel sheets and plates	Steel plates for structural uses, steel plates for low-temperature service, steel plates for line pipe, high-tensile-strength steel plates and sheets, hot strip, cold strip, electro-magnetic steel sheets, hot-dip galvanized steel sheets, electrolytic galvanized steel sheets, pre-painted steel sheets, pre-coated steel sheets, stainless steel precision rolled strips, etc.
	Construction materials	H-shapes, fixed outer dimension H-shapes, lightweight welded beams, sheet piles, steel pipe piles, etc.
	Steel tubes and pipe	Seamless steel tubes and pipes, electric resistance welded tubes and pipes, large-diameter arc-welded pipes, hot ERW, specially shaped tubes, various coated tubes and pipes, stainless steel tubes and pipes, etc.
	Steel bars and wire rods	Special quality bars, cold heading quality wire rods, spring quality bars, machining steel, bearing steel, steel cord quality bars, stainless bars and wire rods, etc.
	Railway, automotive, and machinery parts	Wheels, axles, bogie trucks, gear units for electric cars, couplers, etc.
	Steel castings and forgings	Die forged crankshafts, materials for molds, aluminum wheels, flange for transmission tower, crane wheels, rolls, etc.
	Semi-finished iron products	Steel billets, pig iron for steel making, etc.
	Others	Titanium products, steel making technology, land and sea transport of steel materials, maintenance of machinery and facilities, etc.
Engineering		Steel bridge, steel structure for civil engineering, general buildings, systems construction, steel structure for architectural use, pipelines, thermal plant and pipeline engineering, environment engineering, etc.
Electronics		IC packages, electronic modules, etc.
Other		Lease and sale of real estate, research and testing specializing in materials analysis and evaluation, etc.

(b) Sales to foreign customers

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	2005
Asia	¥ 276,342	¥ 223,634	$ 2,573,255
Other	116,288	98,516	1,082,857
	¥ 392,630	¥ 322,150	$ 3,656,112

Note 19: Subsequent Event

·Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2005 was approved at SMI's shareholders meeting held on June 29, 2005:

	Millions of yen	*Thousands of U.S. dollars*
Year-end cash dividends, ¥5.00 ($0.05) per share	¥ 24,017	$ 223,639
Bonuses to directors and corporate auditors	135	1,257

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sumitomo Metal Industries, Ltd.:

We have audited the accompanying consolidated balance sheets of Sumitomo Metal Industries, Ltd. ("SMI") and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of SMI's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SMI and consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2005

Member of
Deloitte Touche Tohmatsu

Major Overseas Subsidiaries

(As of March 31, 2005)

Company name	Country	Capital	Capital ratio (%) (incl. indirect ownership)	Description of business
Sumitomo Metal Australia Pty, Ltd.	AUSTRALIA	15 million AUD	100	Investment in mining of raw materials
Thai sumilox Co., Ltd.	THAILAND	75 million Bahts	41	Service center specializing in electromagnetic steel plates
Shanghai Datong Steel Structures Co., Ltd.	CHINA	7 million USD	16	Production and sales of lightweight welded H-shaps
National Pipe Campany Ltd. (NPC)	SAUDIARABIA	200 million SRIs	33	Production and sales of large welded pipes
SMI Extruded Tube, Inc. *Partner of Pennsylvania Extruded Tube Company (PEXCO)	U.S.A. U.S.A.	15,000 USD 50 million USD	100(100) *[30(30)]	 Production of hot finished seamless stainless steel tubes
Seymour Tubing, Inc. (STI)	U.S.A.	10 million USD	80(80)	Production and sales of cold-drawn tubes and welded tubes for automobiles
Thai Steel Pipe Industry Co., Ltd. (TSP)	THAILAND	366 million Bahts	55	Production and sales of steel pipe for mechanical structures
SMI Oil Field Services, Inc. *Partner of VAM-PTS Company	U.S.A. U.S.A.	7 million USD 20 million USD	100(100) *[34(34)]	 Threading of oil well pipes
Vietnam Steel Products, Ltd.	VIETNAM	4 million USD	60	Production and sales of steel pipes for mechanical structures
Western Tube & Conduit Corp. (WTC)	U.S.A.	17 million USD	97(97)	Production and sales of steel conduit tubes and mechanical tubes
Baoji-SMI Petroleum Steel Pipe Co., Ltd.	CHINA	334 million Yuan	25	Production and sales of oil well pipes and of line pipes for petroleum, natural gas, etc.
International Crankshaft Inc. (ICI)	U.S.A.	22,000 USD	80(80)	Production and sales of small-size forged crankshafts
Huizhou Sumikin Forging Co., Ltd.	CHINA	14,980,000 USD	51(51)	Production and sales of small-size forged crankshagts
Indiana Precision Forge, L.L.C. (IPF)	U.S.A.	7 million USD	83(83)	Production and sales of cold-forged products, primarily for automobile parts
Steel Processing (Thailand) Co., Ltd.	THAILAND	329 million Bahts	81(81)	Production and sales of steel wires for cold heading and cold forging
SMCi Globetronics Technology Industries Sdn. Bhd. (SGTi)	MALAYSIA	54 million MR	100(100)	Production of IC ceramics and plastic packages
SMCi Globetronics Technology Sdn. Bhd. (SGT)	MALAYSIA	2 million MR	51(51)	Production of IC ceramics packages
SVA-Sumikin Micro Devices Co., Ltd.	CHINA	94 million Yuan	70(70)	Production and sales of printed circuit board assemblies (PCBAs)
Sumitomo Metal USA Corp.	U.S.A	222,000 USD	100	Coordination and administration of SMI's US

** indicates the business relationship with overseas subsidiaries.*
With regard to the capital of PEXCO and VAM-PTS, initial investment amounts from their partners are shown.
Figures in parentheses donate the percentage of indirect ownership included in the number. Less than 0.5% is ignored.

Major Domestic Affiliated Companies

(As of March 31, 2005)

○ Companies with a circle on their left are public limited companies

Section	Company name	Capital (million yen)	Capital ratio (%) (incl. indirect ownership)	Description of business
Steel Sheet, Plate, Titanium & Structural Steel Company				
	Kashima Kyodo Electric Power Company	22,000	50	Supply of electricity
○	Daiichi Chuo Kisen Kaisha	13,258	15	Marine transportation, shiipping agency
	Sumitomo Metal Steel Products, Inc.	7,496	98	Production and sales of a wide range of steel products primarily used in construction applications
	Sumikin Iron & Steel Corporation	15,151	62	Production and sales of slabs, billets and other steel products
○	Chuo Denki Kogyo Co., Ltd.	3,630	29	Production and sales of ferroalloys, electrolytic manganese metal
	Sumikin Weld Pipe Company, Ltd.	3,097	98	Production and sales of large welded pipes
	Sumikin Steel & Shapes, Inc.	3,000	100	Production and sales of H-shapes
	Wakayama Kyodo Power Company, Inc.	2,000	47	Supplying of electricity
	Sumimetal Mining Co., Ltd.	2,000	38	Mining and sales of limestone
	Sumikin Plant, Ltd.	600	100	Plant engineering, plant maintenance, and design and construction of computer system
	Ring Techs Co., Ltd.	500	100	Production and sales of wheels for automobiles
	Shearing Kozyo, Ltd.	477	50(1)	Cutting, processing, and field warehousing of finished steel
	Sumikin Koka Co., Ltd.	300	75	Disposal and sales of blast furnace slag
	Wako Steel Co., Ltd.	503	64	Sorting and processing of finished steel
	Ware House Industrial Co., Ltd.	72	51	Cutting and processing of finished steel
	Nippon Stainless Steel Kozai Co., Ltd.	320	54(5)	Processing of stainless steel products
Pipe & Tube Company				
○	Sumitomo Pipe & Tube Co., Ltd.	4,801	57	Production and sales of conduit tubes, welded pipes, and mechanical tubes and pipes
	Sumikin Stainless Steel Tube Co., Ltd.	916	81	Production and sales of stainless steel tubes
	Sumikin Kikoh Company, Ltd.	500	100	Steel pipe fittings, gas containers, and Sumicoat PV steel pipes
	Zirco Products Co., Ltd.	450	50	Coated tubes for nuclear power generation
	Drilltec Japan, Ltd.	10	50	Production and sales of protectors for oil country tubular goods (OCTG)
Railway, Automotive & Machinery Parts Company				
	Sumikin Kansai Industries, Ltd.	310	100	Design, improvement, assembly, and maintenance of machinery and facilities
	Kantoc Roll, Ltd.	160	100	Production and sales of rolls for casting or forging steel
Engineering Company				
	Sumitomo Metal Plantec Co., Ltd.	300	100	Contract for work including pipeline construction
Sumitomo Metals (Kokura)				
	Sumitomo Metals (Kokura), Ltd.	27,000	100	Production and sales of steel bars and wire rods
	Nippon Steel & Sumikin Welding Co., Ltd.	2,100	33(33)	Production, sales, and construction of, and consultation on, welding materials, equipment, and devices
	Sumikin Precision Forge, Inc.	480	100(100)	Production and sales of cold-forged products
	Umebachi Kogyo Co., Ltd.	360	67(67)	Steel wires for cold forging
	Sumikin Recotech Co., Ltd.	170	100(100)	Slag processing and engineering
	Daishin Steel Wire Co., Ltd.	120	51(51)	Drawing and heat treatment of wire rods
	Sumikura Co., Ltd.	50	100(100)	Sales of long products and drawing of wire rods (merged with Umebachi Kogyo Co., Ltd. in April, 2005)

Capital ratio represents ownership ratio against voting rights.
Figures in parentheses donate the percentage of indirect ownership included in the number. Less than 0.5% is ignored.

○ Companies with a circle on their left are public limited companies

Section	Company name	Capital (million yen)	Capital ratio (%) (incl. indirect ownership)	Description of business
Sumitomo Metals (Naoetsu)				
	Sumitomo Metals (Naoetsu), Ltd.	5,500	100	Production and sales of stainless precision rolling products, stainless shaped steel
Electronics Business				
	Sumitomo Mitsubishi Silicon Corporation	58,500	50	Production and sales of silicon wafers (changed the company name to SUMCO CORPORATION in August, 2005)
	Sumitomo Metal (SMI) Electronics Devices, Inc.	1,500	100	Production and sales of IC packages
	Sumikin Ceramics & Quartz Co., Ltd.	485	99	Production and sales of fine ceramics, machinable ceramics for semi-conductors and LCDs, thin-film transistor substrates for LCDs and other high-quality quartz products
	Sumitomo Metal Micro Devices, Inc.	450	100	Production and sales of electronic equipment parts, computers, and their accessories
	Sumikin Molycorp, Inc.	280	67	Production and sales of rare earth alloys
○	S・I・Tec Co., Ltd.	310	100	Production and sales of hybrid IC
Others				
○	Sumitomo Precision Products Co., Ltd.	10,309	41	Production and sales of aircraft components, heat exchangers, hydraulic controls, and environmental equipment
	Kyoei Steel Ltd.	10,273	35	Production and sales of bars, shapes, and flat bars for reinforced concrete and general structures
○	Sumikin Bussan Corporation	8,077	43	Trading
	East Asia United Steel Corporation	15,151	62	Production and sales of steel products (Holding company of Sumikin Iron & Steel Corporation)
○	Sumitomo Titanium Corporation	6,583	31	Production and sales of metallic titanium, titanium ingots, semiconductor-grade polycrystalline silicon, and silicon wafers for solar cells
	Nippon Steel & Sumikin Stainless Steel Corporation	5,000	20	Production and sales of stainless steel products
	Sumitomo Metal Logistics Service Co., Ltd.	1,515	92(20)	Marine and land transportation and warehousing
	Kashima Antlers Football Club Co., Ltd.	1,570	73(15)	Operation of a professional soccer team
	Narumi China Corporation	540	100	Production and sales of pottery
	Kashiwara Machine Manufacturing Co., Ltd.	500	100	Coupling, molding, industrial equipment
	Sumikin Kosan Co., Ltd.	404	90	Insurance, realty business of apartments and independent houses
	Sumitomo Metal Technology, Inc.	100	100	General research and testing center specializing in materials analysis and evaluation
	Sumikin Recycling Co., Ltd.	20	100	Recycling of general waste and industrial waste, and sales of recycled products
	Fuso Finance Co., Ltd.	10	100	Business financing loan, factoring, housing loan

Capital ratio represents ownership ratio against voting rights.
Figures in parentheses donate the percentage of indirect ownership included in the number. Less than 0.5% is ignored.

Corporate Data

(As of March 31, 2005)

Head Offices, Works and Laboratories

Head Offices

- **Osaka**
  5-33, Kitahama 4-chome,
  Chuo-ku, Osaka 541-0041, Japan
  Tel: 81-6-6220-5111
  Fax: 81-6-6223-0305

- **Tokyo**
  8-11, Harumi 1-chome,
  Chuo-ku, Tokyo 104-6111, Japan
  Tel: 81-3-4416-6111

Works

Kashima Steel Works
Ibaraki, Japan

Wakayama Steel Works
Wakayama, Japan

Steel Tube Works,
Hyogo, Japan

Osaka Steel Works,
Osaka, Japan

Sumitomo Metals (Kokura), Ltd.
Fukuoka, Japan

Sumitomo Metals (Naoetsu), Ltd.
Niigata, Japan

Laboratories

Corporate Research &
Development Laboratories
Hyogo, Japan
Ibaraki, Japan

Overseas Affiliates

Sumitomo Metal USA Corp.

- **Chicago**
  25 Northwest Point Blvd., Suite 675
  Elk Grove, Illinois 60007, U.S.A.
  Tel: 1-847-290-2600
  Fax: 1-847-290-2666

- **Houston**
  820 Gessner, Suite 1670,
  Houston, Texas 77024, U.S.A.
  Tel: 1-713-654-7111
  Fax: 1-713-654-1261

Overseas Offices

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  Tel: 66-2-263-2967/2968/2969
  Fax: 66-2-263-2970

- **ASEAN (Singapore)**
  5 Shenton Way #25-07,
  UIC Building, Singapore 068808
  Tel: 65-6-220-9193
  Fax: 65-6-224-0386

- **Shanghai**
  Room 605, Shanghai Maxdo Centre,
  No8 Xing Yi Rd.
  Hong Qiao Development Zone,
  Shanghai 200336, China
  Tel: 86-21-5208-1698
  Fax: 86-21-5208-1378

- **Guangzhou**
  Room 1412, CITIC Plaza, No.233
  Tianhe North Road, Guangzhou,
  China 510613
  Tel: 86-20-3877-0719
  Fax: 86-20-3891-2575

Investor Information

(As of March 31, 2005)

Company Name:	Sumitomo Metal Industries, Ltd.
Incorporated:	July 1949
Employees:	6,585
Fiscal Year:	April 1 – March 31
Stock Listings:	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
American Depository Receipts	
Depository:	The Bank of New York 101 Barclay Street, New York, NY 10286, U.S.A. Tel: 1-212-815-2042
Annual Shareholders' Meeting:	June
Shareholder Registration Date	
for the Year:	March 31
for the Interim Period:	September 30
Stocks:	1,000 per unit
Paid-in Capital:	¥262,072,369,221
Shares Authorized:	7,000,000,000 shares (changed to 10,000,000,000 shares on June 29, 2005)
Shares Issued:	4,805,974,238 shares
Transfer Agent and Registrar:	The Sumitomo Trust and Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan
For Further Information:	Public Relations & Investor Relations Department Sumitomo Metal Industries, Ltd. 8-11, Harumi 1-chome, Chuo-ku, Tokyo 104-6111, Japan Tel: 81-3-4416-6103 Fax: 81-3-4416-6798 URL: http://www.sumitomometals.co.jp

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