Presentation for the First Half of Fiscal Year 2006 (ending March 31, 2006)

November 14, 2005

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Forward-looking Statement

This presentation contains certain forward-looking statements. The company has tried, whenever possible, to identify these forward-looking statements using words such as "anticipated," "believes," "estimates," "expects," "plans," "intends," "targets," and similar expressions. Similarly, statements herein that describe the company's business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the company's actual results, performance or achievements to differ from those expressed in, or implied by, such statements. These risks and uncertainties may include, but are not limited to: the company's ability to successfully implement its strategies to restructure the steel business and reinforce its financial structure; the effects of and changes in Japanese and worldwide general economic conditions and in the steel industry in particular, including the severity of any economic slowdown, technological and other changes affecting the manufacture of and demand for Sumitomo Metal Industries Group's products, changes in Japan's and other countries' laws and regulations, including with regard to taxation, and other risks and uncertainties set forth in subsequent press releases and in Sumitomo Metal Industries Group's public filings. These statements reflect the company's current beliefs and are based upon information currently available to it. Be advised that developments subsequent to this presentation are likely to cause these statements to become outdated with the passage of time. The company disclaims any intent or obligation to update these forward-looking statements.



I. The First Half of FY 2006 Results



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1. Overview

<Consolidated>

(100 million yen)

	FY2005	FY2006
	Second Half	First Half
Sales	6,630	7,305
Operating profit	1,045	1,448
Recurring profit	1,016	1,318
Non-recurring profit and		
loss	△ 38	△ 13
Corporate taxes and		
minority interests	△ 320	△ 383
Net income	657	920

Change
675
402
302
24
△ 63
263

Outstanding retained			
earnings	1,158	1,832	674

Total assets	19,231	20,005	774

\odot SUMITOMO METALS

<Non-consolidated $>$			(100 million yen)
	FY 2005	FY 2006	
	Second Half	First Half	Change
Sales	4,155	4,500	344
Operating profit	711	1,042	331
Recurring profit	634	902	267
Non-recurring profit and loss	2	△ 241	△ 243
Corporate taxes, etc.	△ 204	riangle 230	△ 25
Net income	432	430	△ 1
Outstanding retained			
earnings	1,313	1,502	189
Total assets	14,578	15,259	680

\odot sumitomo metals

2. Sales and Operating profit

<consolidated></consolidated>			
	FY 2005 S	econd Half	
	Sales	Operating profit	
Steel	5,782	1,052	
Engineering	351	riangle 26	
Electronics	256	3	
Other	239	19	
(Elimination method)		(Δ3)	
Total	6,630	1,045	

FY 2006 First Half			
Sales	Operating profit		
6,606	1,443		
192	riangle 22		
302	14		
204	15		
	(Δ3)		
7,305	1,448		

(100 million yen)			
Cha	inge		
Sales	Operating profit		
824	391		
△ 159	3		
45 10			
\triangle 35 \triangle 4			
(Δ0)			
675	402		

Reasons for change				
	Reasons			
Steel	In the midst of significant increases in raw material prices and the poplarization in			
	steel supply and demand, both income and profit increased due to our efforts to			
	improve steel prices and reduce costs while maintaining our high-grade focused			
	product lines.			
Engineering	Income decreased due to the reduction in the public sector investment.			
Electronics	Income and profit increased due to high demand in the semiconductor sector.			

SUMITOMO METALS

 ${<}T$ otal for Sumitomo Metals, Sumitomo Metals (Kokura), Sumitomo Metals

	FY2005	FY2006	
	Second Half	First Half	Change
	(yen/US dollar)		
Exchange rate	105	109	Down 4 yen
	(10,000 tons)		
Sales volume	589	600	11
Average price of	(1,000yen/ton)		
steel products	77.4	88.5	11.1
Price fluctuation, change in product mix		9.6	
Exchange rate fluctuation		1.5	
Total			

(Naoetsu), and Sumikin Iron & Steel Corporation>

<no< th=""><th>on-consolidated</th><th>(100 1</th><th>nillion yen)</th></no<>	on-consolidated	(100 1	nillion yen)	
	FY2005 Second Half Sales		FY2006 First Half	Change
			Sales	Sales
	Steel	3,811	4,314	502
	Engineering	343	185	△ 157
	Electronics	_		_
	Total	4,155	4,500	344

	FY2005 Second Half	FY2006 First Half	Change
	(yen/US dollar)		
Exchange rate	105	109	Down 4 yen
	(10,000 tons)		
Sales volume	468	451	△ 17
Average price of	(1,000yen/ton)		
steel products	81.4	95.7	14.3
Price fluctuation, change in product mix		12.8	
Exchange rate fluctua	tion	1.5	

Total

 \odot SUMITOMO METALS

3. Change in consolidated recurring profit

FY05 First Half \rightarrow FY06 First HalfIncrease by 60.2 billion yen (71.6 billion yen \rightarrow 131.8 billion yen)					
Reasons for improvement of profit & loss		Reasons for deterioration of pr	ofit & loss		
	(100 million yen)		(100 million yen)		
Cost improvement	80	Raw material prices, etc.	△ 790		
Changes in product mix and	1,337	Exchange rate fluctuation	riangle 25		
prices, etc.					
Total	1,417		△ 815		

FY05 Second Half→FY06 First Half	Increase by 30.2	2 billion yen (101.6 billion yen –	→ 131.8 billion yen)
Reasons for improvement of profit & loss		Reasons for deterioration of pr	rofit & loss
	(100 million yen)		(100 million yen)
Cost improvement	65	Raw material prices, etc.	△ 590
Changes in product mix and	837	Exchange rate fluctuation	riangle 10
prices, etc.			
Total	902		riangle 600



4. Non-recurring profit and loss

<Consolidated>

(100 million yen)

	FY 2005	FY 2006
	Second Half	First Half
Gains on sales of investment securities	259	68
Gain on sales of property, plant and equipment and other assets	11	
Other	8	
Total non-recurring profit	279	68
Loss on asset impairment		△ 31
Loss on business restructuring	riangle 68	riangle 50
Charge for transitional obligations for employees' retirement benefits	△ 32	
Loss on disposal and sales of property, plant, equipment and other assets	△ 168	
Loss resulting from disaster damage	△ 34	
Other	△ 13	
Total non-recurring loss	△ 318	riangle 82
Total non-recurring profit and loss	riangle 38	△ 13



5. Cash flow

<Consolidated>

	FY 2005	FY 2006	
	Second Half	First Half	Change
Cash flow from operations	1,470	1,502	32
Cash flow from investments	31	riangle 502	riangle 534
Cash flow from financing	△ 1,555	△ 1,208	347
Cash and cash equivalents at the end of the			
first/second half of the fiscal year	424	219	riangle 205



6. Consolidated shareholder's equity

			(10	0 million yen)
	FY 2005	FY 2006		
	Second Half	First Half		Change
Opening balance of additional paid-in capital	618	618		0
Gains on disposal of treasury stocks	0	—		$\bigtriangleup 0$
Closing balance of additional paid-in capital	618	618		_
Opening balance of retained earnings	499	1,158		659
Net income	657	920		263
Dividend	—	riangle 240		riangle 240
Bonuses to directors and corporate auditors	—	riangle 1		riangle 1
Increase due to inclusion or decrease due to				
exclusion of certain subsidiaries into/from				
consolidation and certain associated companies, etc.	2	riangle 5		△ 7
Closing balance of retained earnings	1,158	1,832		674



Supplementary figures

(1) Financial income and expenditure

<consolidated></consolidated>	(100 million yen)			
	FY2005 FY2006			
	Second Half	First Half		
Interest earned and				
dividend received	16	25		
Interest payments	△ 81	riangle 64		
Financial income and				
expenditure	\triangle 65	riangle 39		

\leq Non-consolidated $>$	(100 million yen)		
	FY2005	FY2006	
	Second Half	First Half	
Interest earned and			
dividend received	18	40	
Interest payments	\triangle 52	riangle 44	
Financial income and			
expenditure	\triangle 33	riangle 4	



(2) Investment and Depreciation (Tangible fixed assets)

<consolidated></consolidated>		(Acceptance base, 100 million yen)			
		FY2005	FY20	FY2006	
				Second Half	
			First Half	(planned)	Total
Investment A	Steel	556	379	420	800
	Non-steel	47	32	50	80
	Total	603	411	470	880
Depreciation B		792	365	390	750
	B-A	189	riangle 46	△ 80	△ 130

<Non-consolidated>

(Acceptance base, 100 million yen)

	FY2005	FY2006		
			Second Half	
		First Half	(planned)	Total
Investment A	366	271	290	560
Depreciation B	480	212	230	440
B-A	114	△ 59	riangle 60	△ 120



(3) Steel sales by internal company

<Consolidated>

	FY2005	FY2006
Internal company	Second Half	First Half
Steel Sheet, Plate, Titanium		
& Structural Steel	3,054	3,375
Pipe & Tube	1,509	1,876
Railway, Automotive &		
Machinery Parts	406	445

(1	00 million yen)	
	Change	
	320	
	366	
	38	

<Non-consolidated>

(10,0<u>00 tons, 100 million yen)</u>

	FY 2	005	FY 2006	
Internal company	Second Half		First Half	
	Volume	Value	Volume	Value
Steel Sheet, Plate, Titanium				
& Structural Steel	370	2,396	354	2,580
Pipe &Tube	88	1,071	85	1,356
Railway, Automotive &				
Machinery Parts	10	343	11	376

	,
Cha	inge
Volume	Value
△ 15	183
riangle 3	285
1	33



(4) Steel Business (Domestic/export sales)

<Non-consolidated>

(10,000 tons, 100 million yen)				
	FY 2006 First Half			
	Volume Value			
Domestic	284	2,463		
Export	167	1,851		
Total	451	4,314		

<Non-consolidated>

Percentage of total exports per region

	(70, value bas
	FY 2006
	First Half
Asia	57
North America	12
Middle East	14
EU	12
Other	5

(%, value basis)



I. FY 2006 Targets



1. Targets

1-(1) Basis for FY2006 performance targets

		First half results	Second half targets	Full-year targets
Exchange rate	yen/US dollar	109	110	110
Japan total crude steel production	Million tons	56.8	55.8	Approx 113
Sumitomo Metals Group crude steel production(*)	10,000 tons	670	Approx. 660	Approx. 1,330

(*) includes Sumitomo Metals (Kokura), Sumitomo Metals

(Naoetsu), and Sumikin Iron & Steel Corporation

Exchange balance	e (100 million US dollars/ye				
(US dollar	Non-consolidated	12			
receipt excess)	Group companies	1			
	Consolidated	13			



1-(2) Targets of FY2006 Business

<Consolidated>

(100 million yen)

		Change		
	First half results	Second half targets (Approximate)	targets (Approximate)	(Approximate)
Sales	7,305	7,800	15,100	500
Operating profit	1,448	1,300	2,750	∆150
Recurring profit	1,318	1,200	2,500	∆120
Non-recurring profit & loss	△ 13	200	200	210
Corporate taxes and minority interests	△ 383	∆350	∆730	30
Net income	920	1,050	1,970	130

<Non-consolidated>

(100 million yen)

		Full-year				
	First half results	Second half targets (Approximate)	targets (Approximate)	Change (Approximate)		
Sales	4,500	4,750	9,250	250		
Operating profit	1,042	950	2,000	∆90		
Recurring profit	902	850	1,750	∆50		
Non-recurring profit & loss	△ 241	120	∆120	360		
Corporate taxes, etc.	△ 230	∆290	∆520	∆60		
Net income	430	680	1,110	250		

SUMITOMO METALS

< Consolidated >					
	FY2005 results		FY2006 targets (Approximate)		
		Operating		Operating	
	Sales	profit	Sales	profit	
Steel	10,857	1,837	13,750	2,735	
Engineering	571	riangle 48	350	$\Delta 50$	
Electronics	490	12	600	35	
Other	448	27	400	30	
Total	12,369	1,828	15,100	2,750	

(100 million yen) hange form previous year (Approximate) Operating Sales profit 900 2,890 Remained $\Delta 220$ unchanged 110 20 Remained $\Delta 50$ unchanged

920

2,730



<consolidated></consolidated>					_	(10	00 million yen)
	FY2006 first half results		lf results FY2006 second half targets (Approximate)				previous year ximate)
		Operating		Operating			Operating
	Sales	profit	Sales	profit		Sales	profit
Steel	6,606	1,443	7,140	1,290		530	Δ150
Engineering	192	riangle 22	160	$\Delta 30$		Δ30	$\Delta 10$
						Remained	
Electronics	302	14	300	20		unchanged	10
						Remained	
Other	204	12	200	20		unchanged	10
Total	7,305	1,448	7,800	1,300		500	Δ150

<Consolidated>



1-(4) Change in consolidated recurring profit

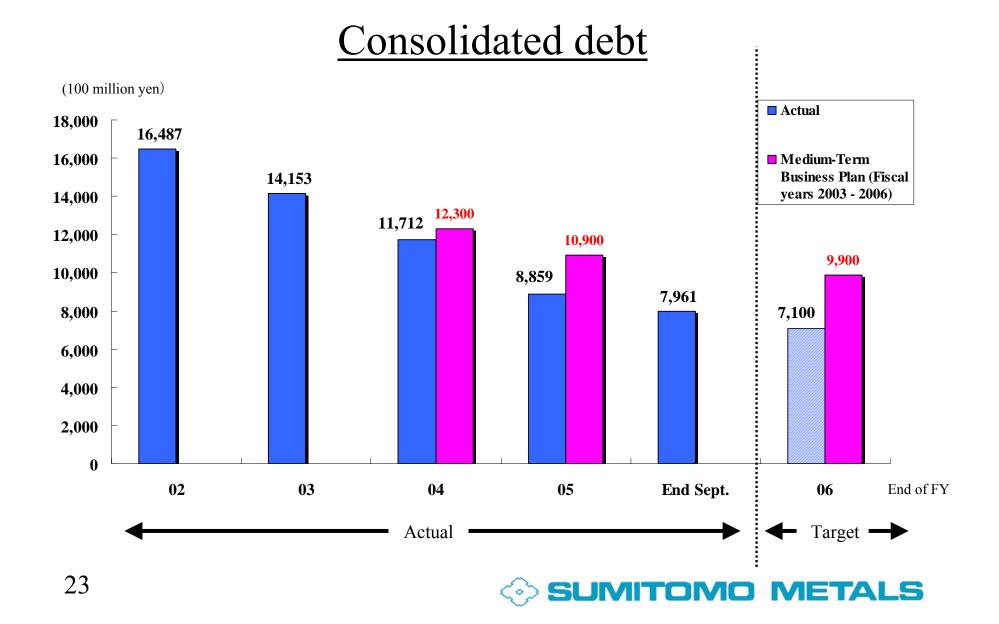
 FY05→FY06 Target	Increase	e by approx. 76.8 billion yen (173.2 billion yen→250 billion yen		
Reasons for expected improvement	t of profit and loss	Reasons for expected deterioration of profit and loss		
	(100 million yen)		(100 million yen)	
Cost improvement	160	Raw material prices, etc.	△ 1,350	
Changes in product mix and	1,958	Exchange rate fluctuation	0	
prices, etc.				
Total	2,118	Total	riangle 1,350	

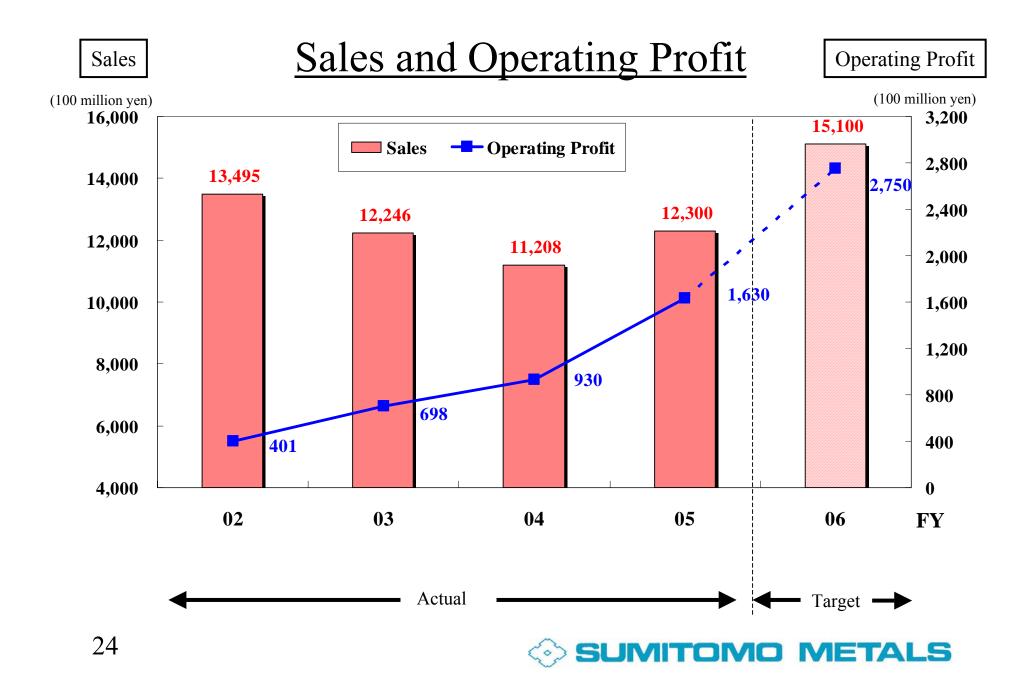
FY06 First Half→FY06 Second Half Target Decrease by approx. 11.8 billion yen (131.8 billion yen→120 billion yen)

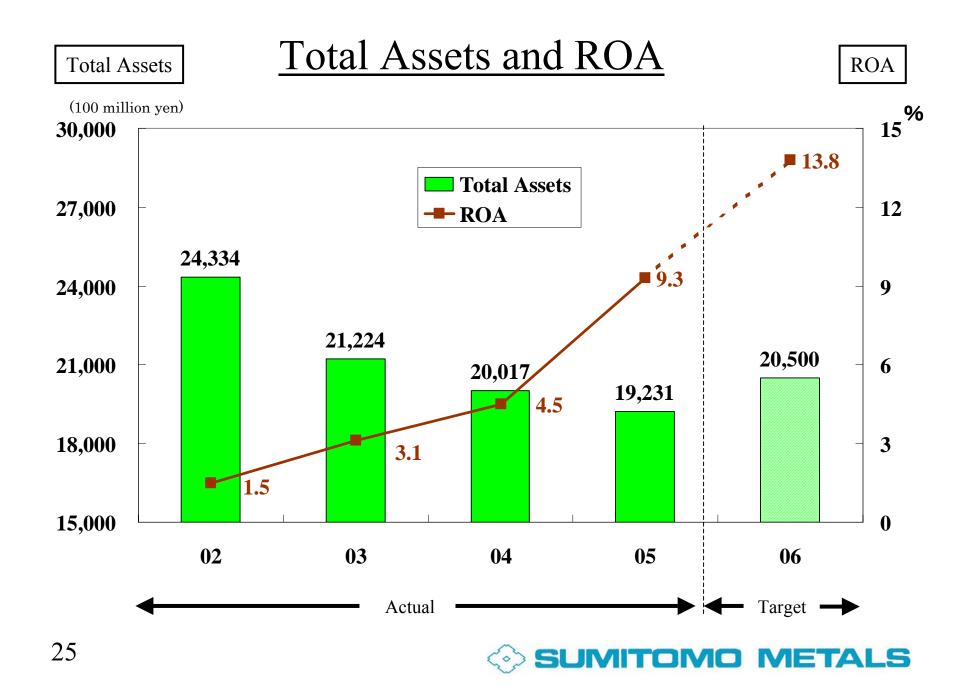
Reasons for expected improvement of profit and loss		Reasons for expected deterioration of profit and loss	
(100 million yen)			(100 million yen)
Cost improvement	15	Raw material prices, etc.	riangle 50
Changes in product mix and	117	Profit or loss from valuation	riangle 200
prices, etc.			
Total	132	Total	riangle 250



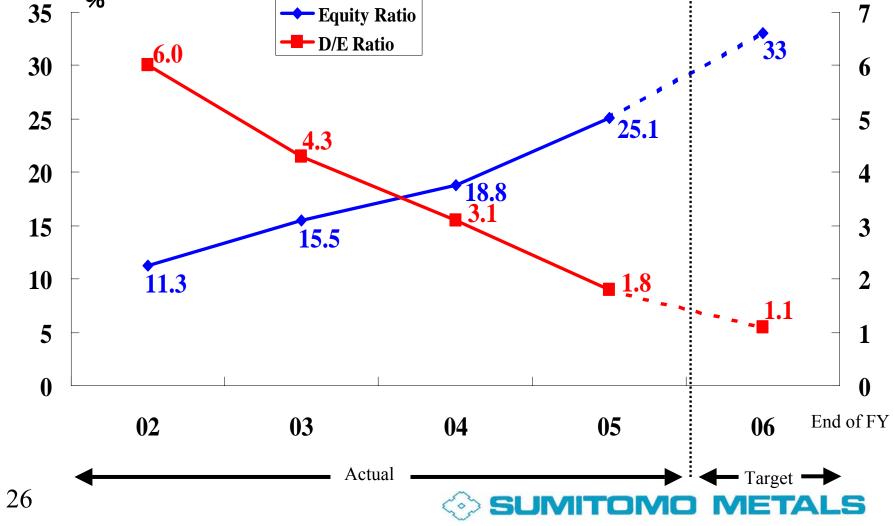
Improvement of Financial Position







Equity Ratio and D/E Ratio (Consolidated) Equity Ratio 35 % Equity Ratio 30 6 0 6.0 7 6



2. SUMCO Listing

Silicon wafer business (SUMCO) was listed on the Tokyo Stock Exchange on November 17, 2005

> Our shareholding ratio: $50\% \rightarrow 31.8\%$ (Sale of 12,210,000 shares, excl. 2,190,000 over-allotments shares.)

SUMCO will use 56.2 billion yen raised by issuing new shares for capital investment to increase the production capacity of 300mm wafers.

• To enhance our competitive advantage by concentrated investment in the Kyushu Imari Plant

 \cdot To be the best in the 300mm wafer business



Effect of SUMCO listing on our business results for Fiscal Year 2006

Profit from sale of our shares

(Consolidated) Approx. 37 billion yen(Non-consolidated) Approx. 19 billion yen

(Excl. 2,190,000 over-allotments shares)



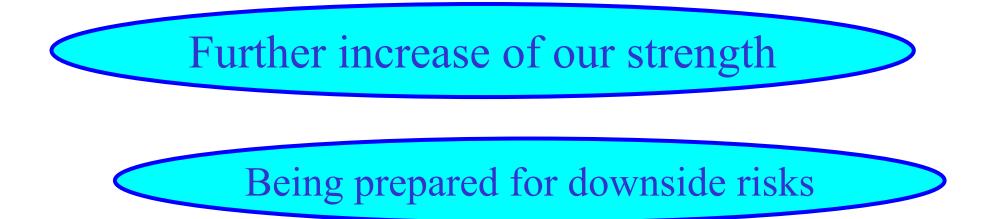
3. In the midst of the polarization in steel supply and demand

<u>Further increase of our strength</u> in energy and automobile sectors



Our Goals



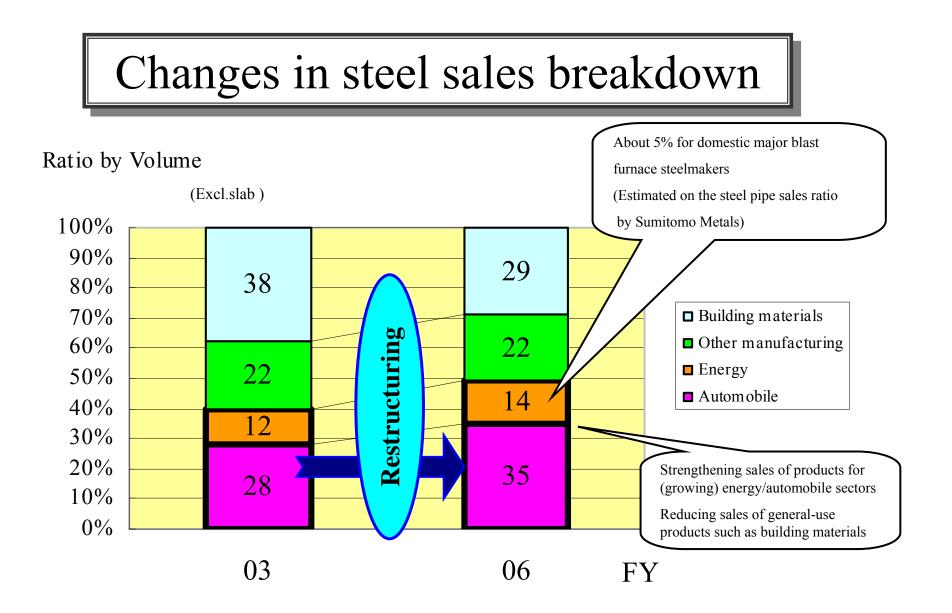




Structural Reforms Implemented by Sumitomo Metals

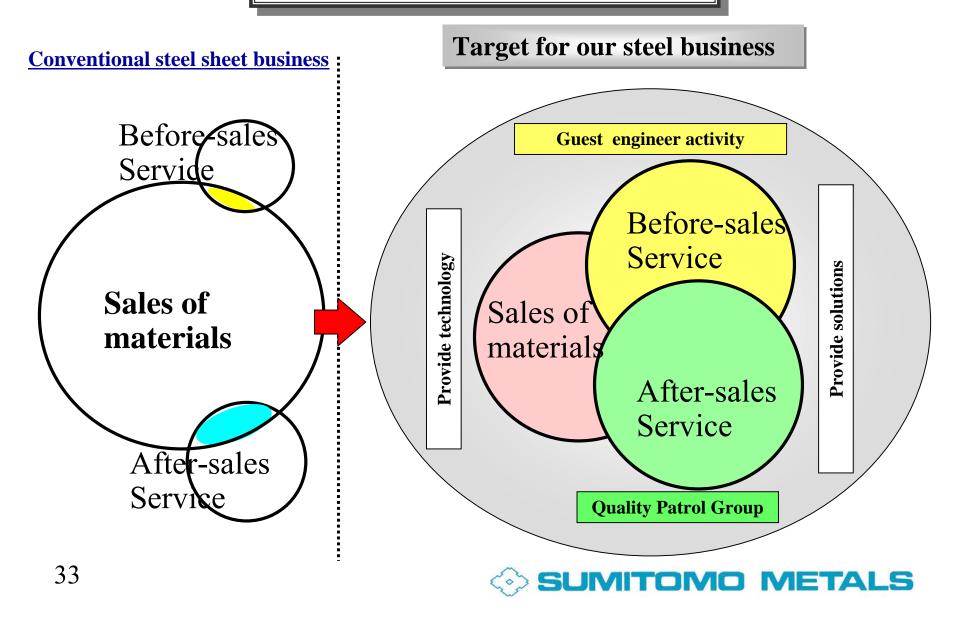
(Change in the steel sheet production system) Concentration of steel sheets mass-production at Kashima Steel Works · Operation of new No.1 blast furnace started at Kashima Steel Works (September 2004) · Shutdown of the hot rolling mill at Wakayama Steel Works to concentrate mass-production of steel sheets at Kashima Steel Works (March 2005) (Splitting the upstream process of Wakayama Steel Works) (November 2003) (Integration of stainless steel businesses of Sumitomo Metals and Nippon Steel Corporation) (October 2003) (Supply of 1.8 million tons/year of steel slabs to CSC) (April 2005) (Enhancement of Cooperation with Nippon Steel & Kobe Steel) (March 2005) Joint Use of upstream production facilities at Wakayama Steel Works

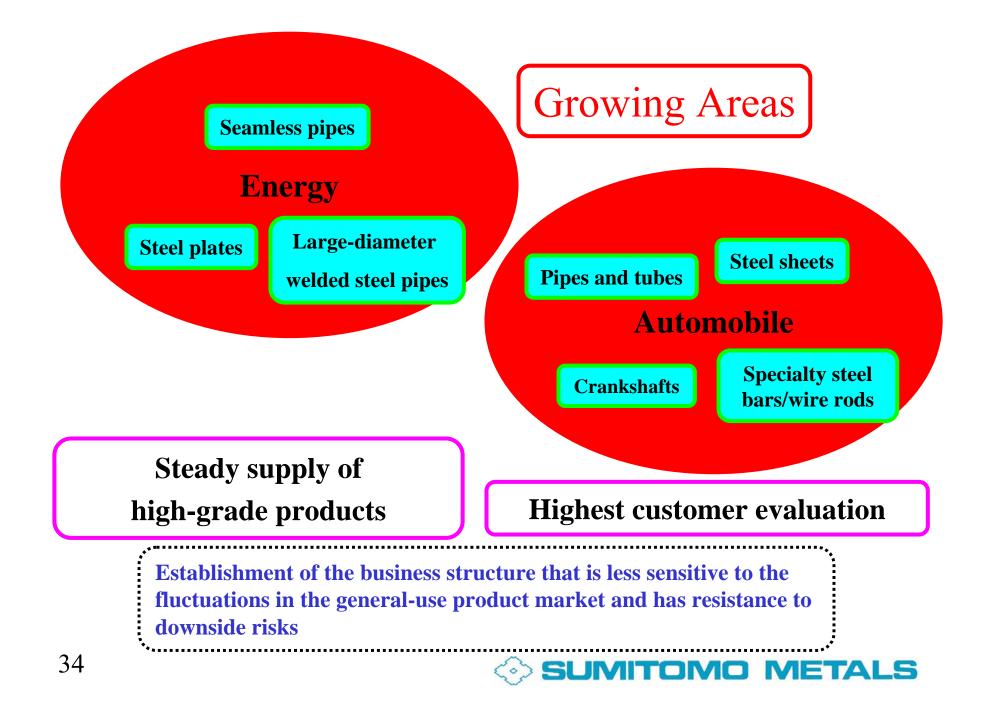




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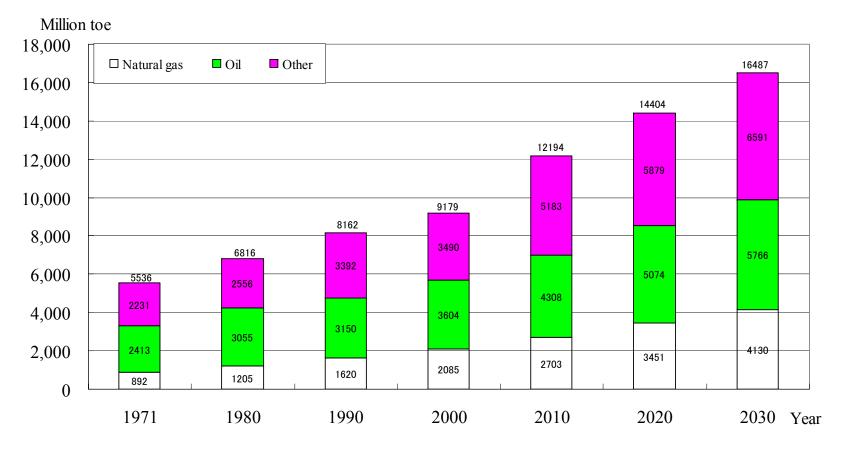
Target for Our Business





Outlook for Energy Demand

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

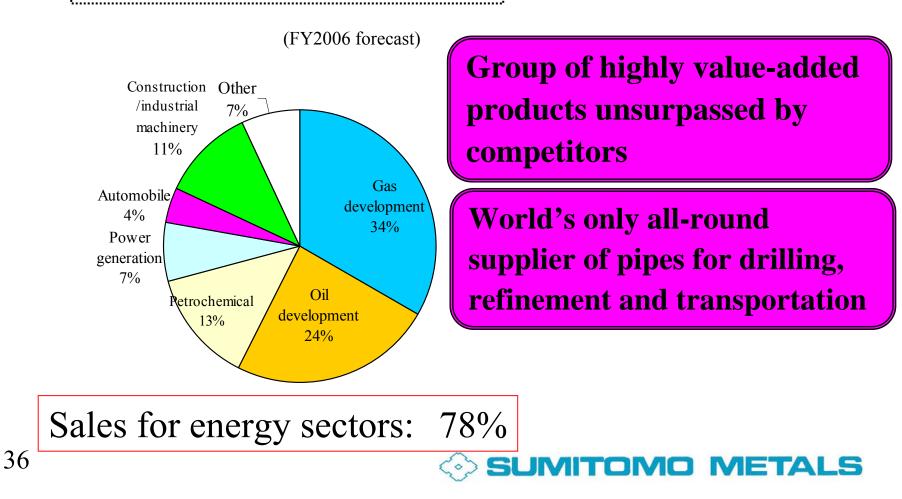


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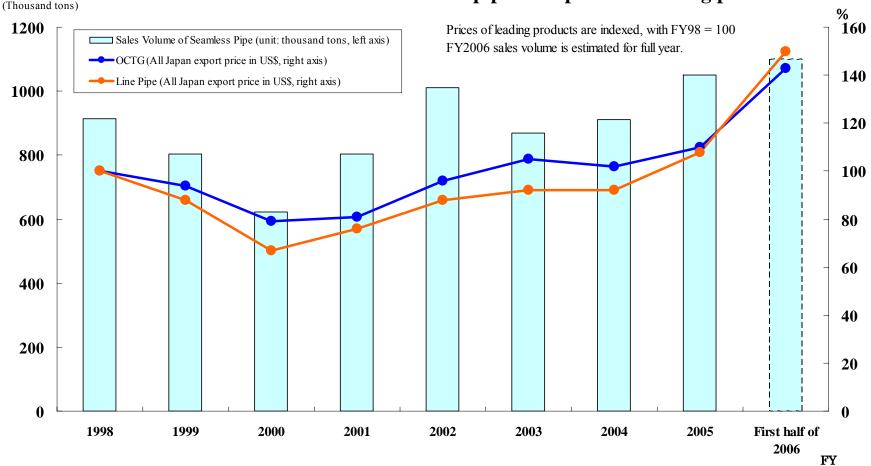
Energy Sector



Sales breakdown by sector (In weight)







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

 \odot SUMITOMO METALS

Strength of Sumitomo Metals' Seamless Pipes

Research and

Development

Joint research with customers

Joint product development with major oil companies including BP

Manufacturing

Technology

Upstream Process and Medium-Size Seamless Mill at Wakayama Steel Works

•All hot metal receives desulfurization, dephosphorization and degassing treatments

•The world fastest refining technology

•Original high toe angle piercer

World's top lineup of materials

OCTG capable of withstanding even the severest environment (full lineup in a variety of materials including super high alloy)



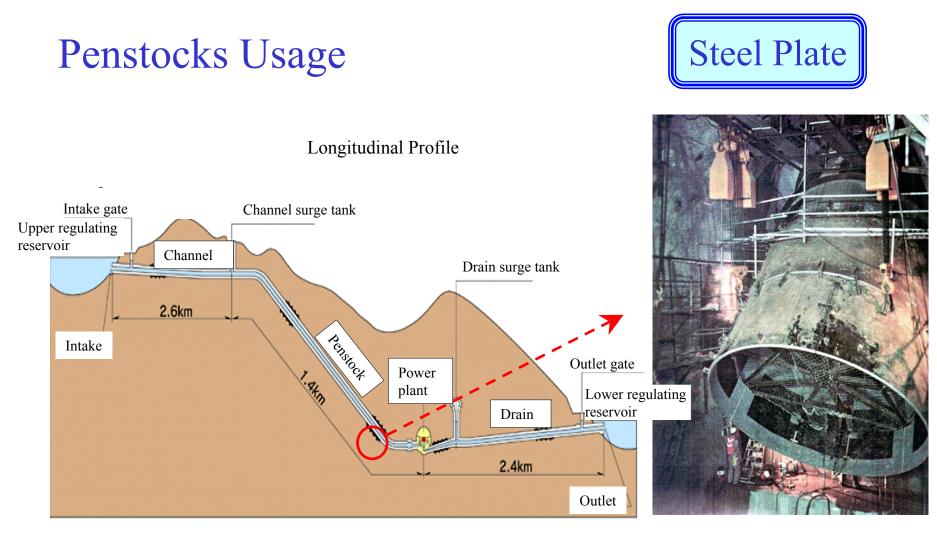
Supply of highly value-added products for energy sector, in addition to providing a stable supply of products for ship building sector where demand continues to be high

Kashima: Keeping high production level at one mill

Steel plates for penstocks

We are the world's most experienced supplier in the area of high-tensile- strength steel plates for penstocks for large hydroelectric power plants.



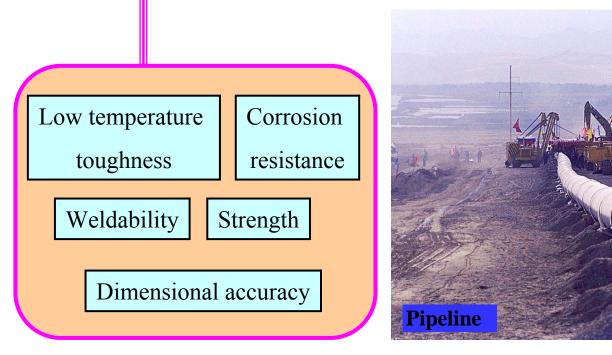


Penstocks under construction

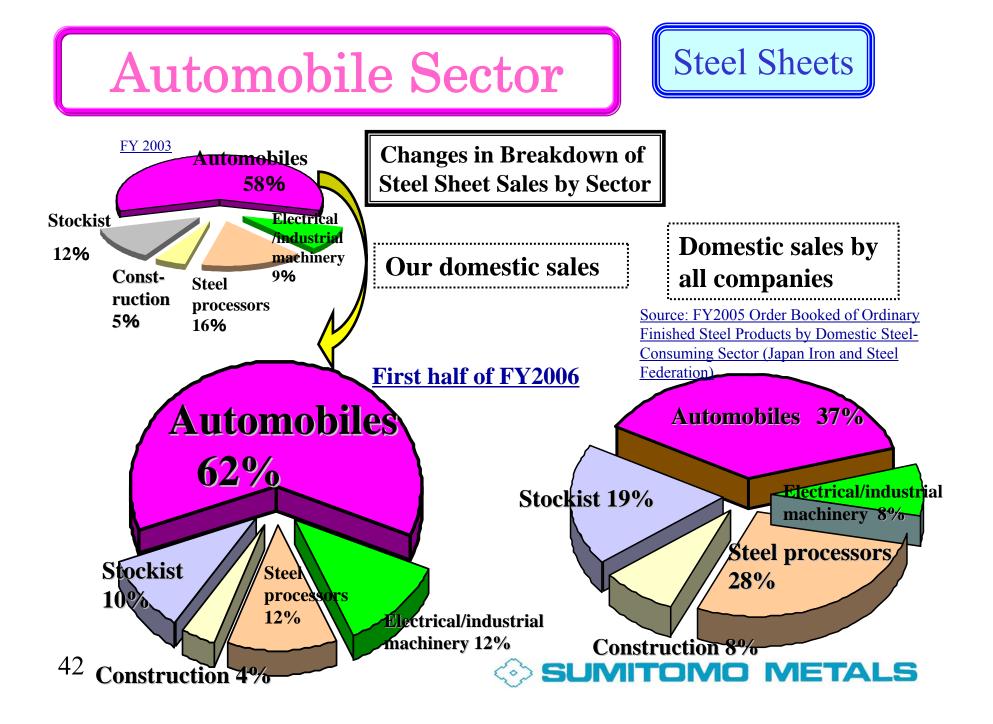


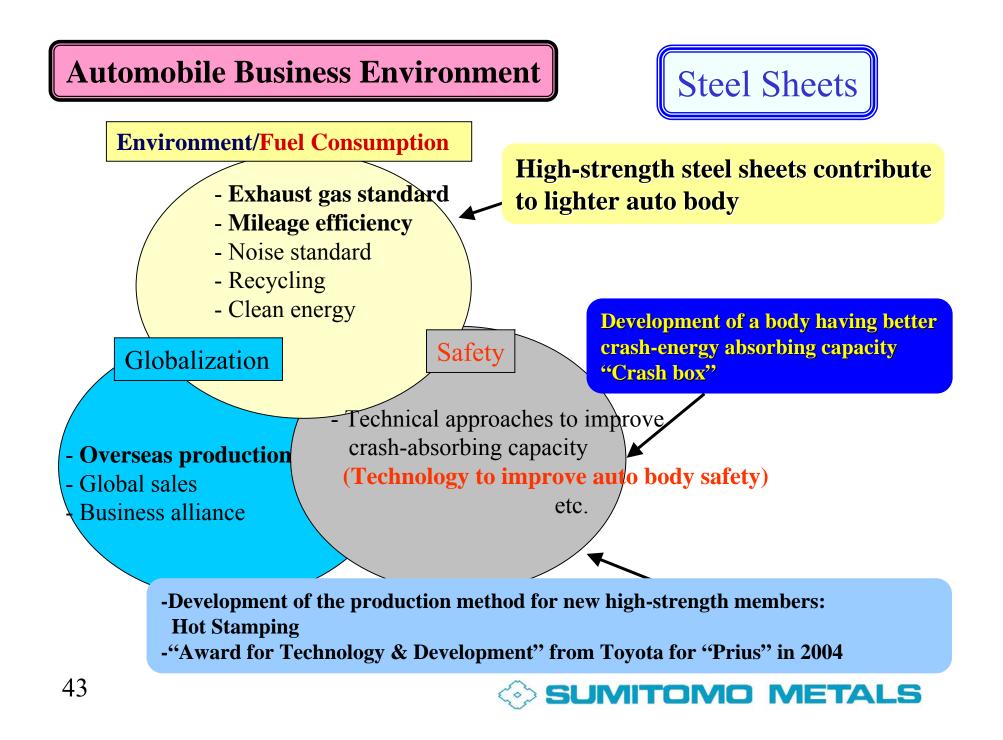
Large-diameter Welded Steel Pipes

Customers' high confidence in our products for natural gas transportation (high pressure of 100 – 150 atm.) that requires absolute safety









Providing World-leading application technology for steel sheet use

• Japan's first

Hot Stamping



 Fastest and largest in Japan
 Drop weight impact testing equipment



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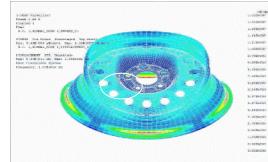
Unique Package Tailored Blank package proposal of

Material, Software and Equipment



• World's most advanced

Simulation technology



Steel Sheets

No.1 adoption

Hydroform



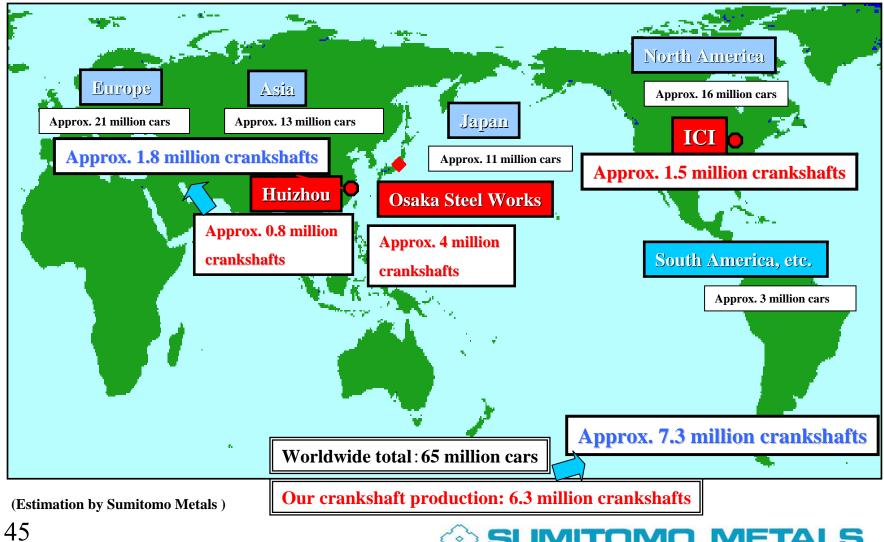
• World's first Friction analysis for galvaneeled steel sheet (Dr. STAMP)





Crankshafts

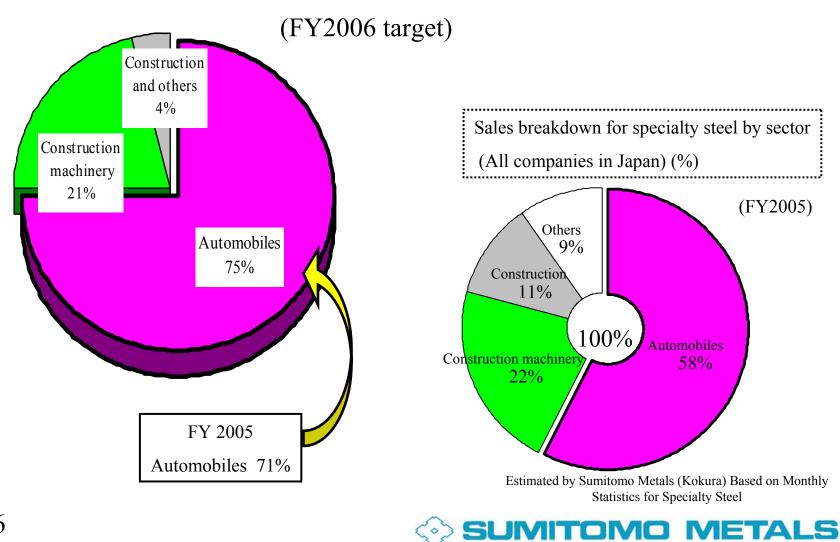
Worldwide annual automobile production and Our crankshaft production



SUMITOMO METALS

Specialty Steel Bars and Wire Rods

Sales Breakdown by Sector (Sumitomo Metals (Kokura), Ltd.)



Global operational presence in four regions

Specialty Steel Bars and Wire Rods

USA

Local purchase of materials

secondary and tertiary processing

Established a business base for

Indiana Precision Forge, L.L.C Licensing to Timken Co.

Europe

Local purchase of materials

Comprehensive technical tie-up with Corus Engineering Steels

China

Local purchase of materials Study of the establishment of a business base for secondary and tertiary processing Comprehensive technical tie-up with Jiangyin Xing Cheng Special Steel Works Co., Ltd. Agreed on the joint venture with CITIC Pacific Ltd.

SUMITOMO METALS

Southeast Asia

Established a business base for secondary and tertiary processing Export of specialty steel rolled products

Steel Processing (Thailand) Co., Ltd.

Major investments to supply products for energy and automobile sectors

		Investment		Product/Capacity	
		amount (billion yen)	Start of operation	Product	Capacity
	Kashima Steel Works				
Domestic	 Installation of a new hot-dip galanizing line Installation of a new continuous pickling line 	18 7	Autumn of 2006 Summer of 2006	Hot-dip galvanized sheets Pickled sheets	0.3 million tons/year 1.5 million tons/year
	Installation of a new bright annealing furnace at the cold drawing pipe & tube making plant, Wakayama Steel Works	0.3	Jan. 2005	High-grade boiler tubes High-grade mechanical pipes	8,000 tons/year
	Installation of an additional heat-treatment furnace and other finishing facilities at Steel Tube Works	0.5	Jan. 2006	Stainless boiler tubes	2,000 to 3,000 tons/year
	Sumitomo Metals (Kokura), Ltd.				
	• Installation of an additional inspection and maintenance line for specialty steel bars	1.5	Oct. 2005	Specialty steel bars	8,000 tons/month
	• Increase of rolling size at the wire rod mill	0.3	Oct. 2005	Bar-in-coils	4,000 tons/month
Overseas	Huizhou Sumikin Forging Co., Ltd. <sumitomo 15%,<br="" 51%,="" corporation:="" metals:="" sumitomo="">ThyssenKrupp Automotive: 34%></sumitomo>	3	2008	Crankshafts for automotive engines	l million crankshafts/year
	Guangzhou You-Ri Automotive Parts Co., Ltd. <sumitomo &="" 51%,="" co.,="" ltd.:="" pipe="" sumitomo<br="" tube="">Corporation: 34%, Nippon Steel Corporation: 15%></sumitomo>	0.9	Jan. 2005	Mechanical pipes for automobiles	1,000 ~ 1,500 tons/month
	Guangzhou Ring Techs Co., Ltd. <ring 20%="" 80%,="" co.,="" corporation:="" ltd.:="" metal="" one="" techs=""></ring>	1.6	Beginning of 2006	Steel wheels for automobiles	2.3 million steel wheels/year

