Developing New Stages for Our Core Businesses

Annual Report 2004 For The Year Ended March 31, 2004

SUMITOMO METAL MINING CO., LTD.

Philosophy & Management Vision

SMM Group Corporate Philosophy

1. Sumitomo Metal Mining Co., Ltd.("SMM"), in accordance with the Sumitomo's Business Spirit, shall, through the performance of sound corporate activities, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.
2. SMM shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

SMM Group Management Vision

Based on the principles of compliance, environmental protection and operational safety, the Sumitomo Metal Mining Group shall pursue maximum corporate value through the provision, via its global network, of high-quality materials such as non-ferrous metals and electronics materials.

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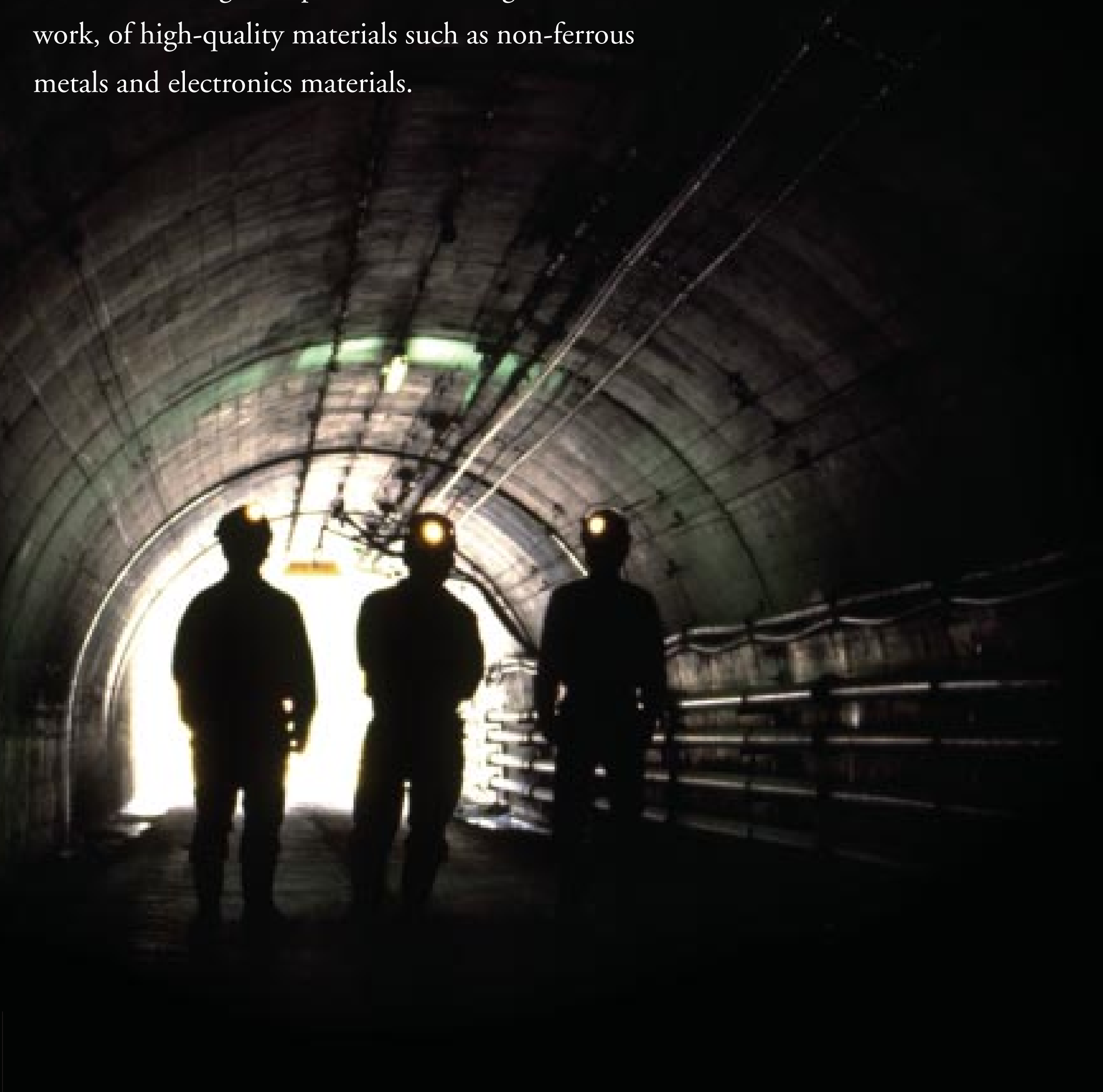
Unless specifically stated otherwise, information in this annual report is as of August 31, 2004.

Forward-looking Statements

Statements made in this annual report with respect to plans, strategies and future performance that are not historical facts are forward-looking statements. SMM cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.



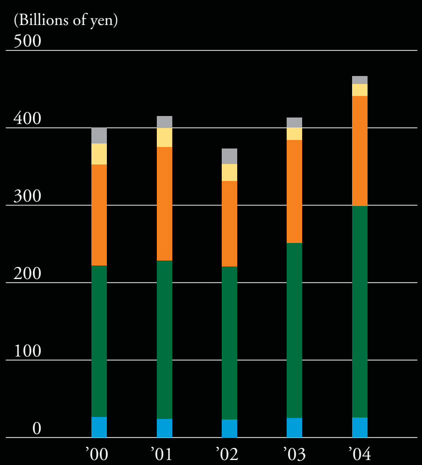
Consolidated Financial Highlights

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

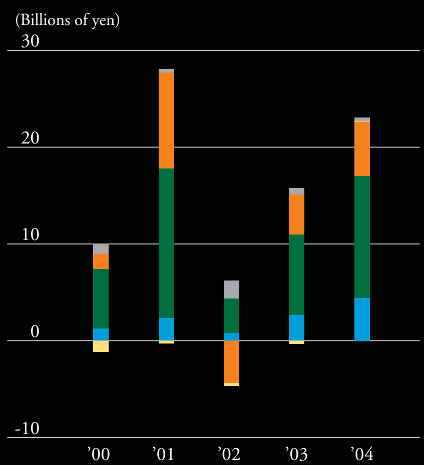
	Year-on-year change (%)	Millions of yen (unless otherwise specified)			Thousands of U.S. dollars (unless otherwise specified)
Years ended March 31	**2004/2003**	**2004**	2003	2002	**2004**
For the Year:					
Net sales	**13.2**	**¥402,131**	¥355,242	¥330,194	**$3,804,816**
Operating income	**37.3**	**22,778**	16,593	1,147	**215,517**
Recurring profit	**91.0**	**27,811**	14,559	(1,477)	**263,137**
Income (loss) before income taxes	**—**	**31,194**	(7,505)	(12,588)	**295,146**
Net income (loss)	**—**	**19,882**	(1,172)	(6,611)	**188,116**
Net cash flows from operating activities	**23.8**	**32,324**	26,105	33,370	**305,838**
Capital expenditures	**145.9**	**46,540**	18,927	25,379	**440,344**
Depreciation	**(2.5)**	**17,824**	18,283	17,822	**168,644**
At Year-End:					
Total assets	**10.0**	**517,930**	470,774	518,756	**4,900,464**
Shareholders' equity	**13.3**	**253,071**	223,341	236,313	**2,394,465**
Interest-bearing debt	**(4.2)**	**148,351**	154,799	167,077	**1,403,643**
Per Share (Yen, U.S. Dollars):					
Net income (loss)	**—**	**34.76**	(2.05)	(11.56)	**0.33**
Shareholders' equity	**13.3**	**443.29**	391.14	413.28	**4.19**
Cash dividends	**20.0**	**6.0**	5.0	4.0	**0.06**
Ratios:					
ROA (%)	**—**	**4.02**	—	—	
ROE (%)	**—**	**8.35**	—	—	
Equity ratio (%)	**—**	**48.9**	47.4	45.6	
Interest-bearing debt to total asset ratio (%)	**—**	**28.6**	32.9	32.2	
Interest coverage ratio (times)	**—**	**14.8**	9.9	9.1	

Notes: 1. Recurring profit = Operating income + Nonoperating income - Nonoperating expenses
2. The computation of net income (loss) per share is based on the weighted average number of shares of common stock issued during each fiscal year.
3. U.S. dollar figures are translated, for convenience only, at the rate of ¥105.69=U.S. $1, the effective rate of exchange prevailing on March 31, 2004.

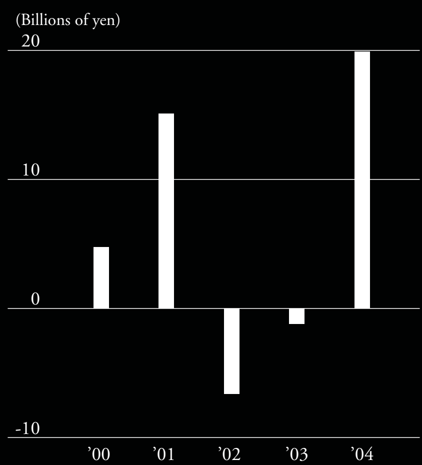
Net Sales



Operating Income (Loss)



Net Income (Loss)



Mineral resources ■ Metals ■ Electronics & advanced materials ■ Construction materials ■ Others

Note: Sum of segments is not consistent with the actual figure because net sales and operating income of each segment include inter-segment transactions.

To Our Shareholders

Koichi Fukushima, President

Consolidated Results for Fiscal Year 2003

In fiscal year 2003 (April 2003–March 2004), the recovery trend in the Japanese economy gradually strengthened, supported by a turnaround in the business environment that included recovery in the U.S. economy and higher stock prices. In the non-ferrous metal industry, the prices of non-ferrous metals such as copper and nickel soared into the second half of the fiscal year due to strong demand and a series of production difficulties at a major overseas producer. The foreign exchange rate saw the yen strengthen sharply from the end of first half into the second half. Electronics-related industries enjoyed an improvement in semiconductor demand amid expansion of the digital home electronics market.

In this environment, based on the Mid-term Management Plan that we implemented in fiscal years 2002 and 2003 (hereafter, the previous Mid-term Management Plan), we sought to further enhance the strength and flexibility of our corporate structure and boost profitability by reforming business structure and cost structure.

In fiscal year 2003, our consolidated net sales totaled ¥402.1 billion, up 13.2% from the previous fiscal year. Operating income increased 37.3% from the previous fiscal year to ¥22.8 billion, supported by profit growth in all segments, including a return to the black in the Construction Materials segment due to cost reduction efforts. As a result of this and an increase in equity in the earnings of our overseas mining companies and other affiliated companies, recurring profit* surged 91.0% from the previous fiscal year to ¥27.8 billion. Moreover, net income reached a historical high of ¥19.9 billion compared with a ¥1.2 billion net loss in the previous fiscal year, largely due to a decrease in write-downs of investment securities.

In fiscal year 2003, the final year of the previous Mid-term Management Plan, we targeted consolidated ROA of 3% or better while maintaining a consolidated equity ratio of at least 40%. Indeed, we achieved this target with consolidated ROA of 4.0% and a consolidated equity ratio of 48.9%.

Our basic dividend policy is to link our dividend to performance while maintaining a stable dividend by taking into account the development of future business, the reinforcement of corporate structure, and the payout ratio. In fiscal year 2003, we increased our annual dividend by ¥1 to ¥6 per share in response to the improvement in the external environment and increases in both sales and profits through achievement of our previous Mid-term Management Plan.

* Recurring profit = Operating income + Non-operating income - Non-operating expenses

Evaluation of the Previous Mid-term Management Plan

The previous Mid-term Management Plan aimed to build a strong and flexible corporate structure and earnings base by implementing a radical reform of business structure and cost structure. Not only did we boost asset efficiency, as demonstrated by the numerical target successes mentioned above, we achieved the following results that will contribute to the solidification of our earnings base going forward.

1) Business Structure Reform—Further Implementation of the Select and Focus Strategy

In our core businesses, we promoted further implementation of the select and focus strategy. In the Mineral Resources and Metals segments, we tackled large-scale projects for the medium to long term that are aimed at establishing a stable procurement of mineral resources and an expanded production capacity based on demand growth. In the Electronics Materials business, we sought to strengthen our business structure by sharpening our focus on the materials field and promoting organizational flattening. We also spun off our IC packaging materials business and reorganized overall production systems.

a) Coral Bay Project: Securing a Stable Procurement of Nickel Resources

In the area of nickel, the Coral Bay Project, in which we are investing a total of US$180 million, is progressing smoothly. Located at Rio Tuba in the southern part of Palawan Island, the Philippines, this nickel oxide ore processing plant was completed at the end of August 2004 and is scheduled to begin commercial production in December.

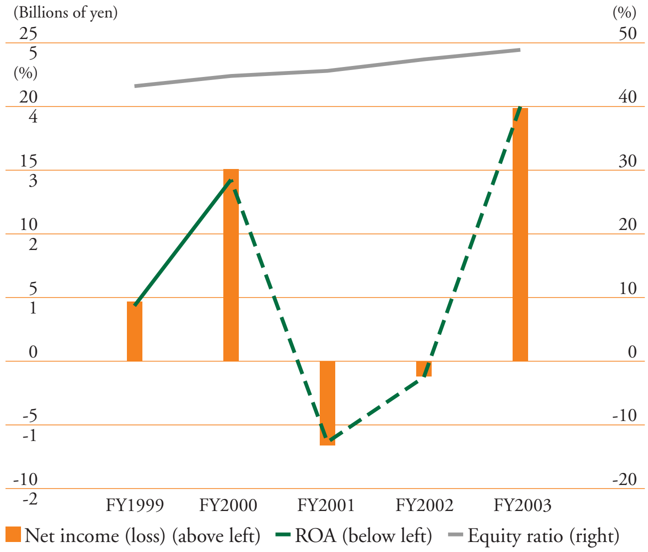
Conventionally, nickel sulfide ore and high-grade nickel oxide ore (garnierite) have been the principal raw materials for nickel. A special characteristic of the Coral Bay Project is that it uses as its raw material the low-grade nickel oxide ore laterite, formerly considered technologically difficult to process. Establishing laterite ore processing technology and achieving stable operations are important not only from the standpoint of securing a stable procurement of nickel resources. By enabling nickel production at a low cost, it is also of major significance for our efforts to take the initiative in the global nickel refining industry going forward.

b) Expanding Production Capacity to Strengthen Copper Cost-Competitiveness

In the area of copper, we are gradually expanding annual production capacity at the Toyo Smelter & Refinery, our domestic copper production site, to 450,000 tonnes. In fiscal year 2003, we increased it to 300,000 tonnes and plan to reach 410,000 tonnes by fiscal year 2006. When the 450,000-tonne system is achieved, the Toyo Smelter & Refinery's production capacity will be among the world's largest in the copper refining industry. To match the forthcoming pro-

Equity Ratio and ROA Targets Both Achieved

Fiscal Year 2003 Targets: ROA of 3% or better while maintaining an equity ratio of at least 40%



duction capacity increase, we have sought to participate in a new mine as a means of securing in-house mineral resources. Although we were unable to achieve this during the previous Mid-term Management Plan, we are making every effort to achieve this under the current Mid-term Management Plan.

c) Expanding Profit by Developing a New Gold Mine

In the area of gold, we have acquired all the necessary development permissions for our Pogo Gold Project in Alaska, the U.S., and have begun construction. Operations are scheduled to begin in March 2006. This project is of great significance for us in that it is the first overseas mine development project in which we have been the lead developer. Applying the mine management experience that we have acquired at our Hishikari Mine, we are focusing our efforts on a smooth start of operations.

d) Improving Profits at Affiliated Companies

We have made efforts to improve profits at affiliated companies, which included withdrawing from unprofitable businesses. As a result, the total operating loss at consolidated subsidiaries in the red shrank from ¥5.4 billion in fiscal year 2001 to ¥2.2 billion in fiscal year 2003. In addition, total operating income at those in the black increased from ¥2.2 billion fiscal year 2001 to ¥7.9 billion in fiscal year 2003. (For details, please see the graph on page 6.)

2) Cost Structure Reform—Implementation of Short-term Measures to Strengthen Profit

As short-term measures to strengthen profit, we reformed our cost structure by implementing a variety of projects to cut expenses and reform procurement system. As a result, we reduced procurement, personnel and other costs by ¥8.2 billion in total in fiscal year 2003 compared with fiscal year 2001.

In fiscal year 2004, moreover, we have introduced ERP (Enterprise Resource Planning) and the SSC (Shared Service Center) we had been promoting preparation as a means of improving support department efficiency. We aim to reduce administrative expenses by approximately 30% by fiscal year 2005 through standardization and improvement of office procedure efficiency and fostering information sharing with ERP as well as streamlining group companies' administrative operations with SSC.

Formulating the New Mid-term Management Plan

Based on the Corporate Reform Plan (fiscal years 2000-2001) and the previous Mid-term Management Plan, we made steady progress in establishing a stronger earnings base. We have now positioned the three-year Mid-term Management Plan that started from April 2004 (hereinafter, the new Mid-term Management Plan) as a new start toward achieving an optimal corporate structure. In order to clarify where that will take us, we have reviewed our corporate philosophy and formulated a new philosophy for the SMM Group that is based on the Sumitomo Business Spirit. We also formulated a new Management Vision based on this philosophy. (Please refer to "Corporate Philosophy" on the back of the front page.)

The basic strategy of our new Mid-term Management Plan is to expand and strengthen core businesses and develop new products. We aim for this to put ourselves among the world's "non-ferrous majors" in the Mineral Resources and Metals segments in ten years' time and give us "top global shares in each of the products" in our Electronics Materials and Advanced Materials segment.

1) Further Promotion of Shift to "Mineral Resource + Refining" Business Model in the Mineral Resource and Metals Segments

Global demand for copper and nickel is expected to expand further due to economic development in China and other Asian countries. In order to fully leverage this growth opportunity, expanding production capacity will not be enough. We must also secure our own supplies of mineral resources. To that end, we are already making steady progress toward completion of the Coral Bay Nickel Project and the Pogo Gold Project. In addition, we aim to acquire a stake in a new mine at the earliest possible date in order to boost our in-house copper ore ratio from the current 1:2 to 2:3.

2) Top Class Share and Profit Expansion in the Electronics Materials and Advanced Materials Segment

The electronics-related industries should see demand continue to expand over the medium to long term thanks to growth in the digital home appliance market.

We aim to give this business a strong presence by achieving a top global share for each of its main products while remaining focused on actively developing business in China markets. Specifically, these products include 1) bonding wire, where we will leverage the strengths of in-house gold procurement and processing technologies, 2) nickel paste, where we aim to further expand sales and enter new areas for multilayer ceramic capacitors, 3) lead frames, where we have achieved strong cost-competitiveness by restructuring our production system, and 4) copper-clad polyimide film, where demand is expected to expand to the highest ever level due to the extension of its use to LCD TVs. In our research and development, moreover, we are working to create at least five new products that will each reach ¥1.0-¥3.0 billion in annual sales by fiscal year 2006.

3) Financial Targets and Maintaining the Financial Position

By implementing the business strategy described above, we aim to achieve consolidated recurring profit of at least ¥35.0 billion, a 26% increase compared with fiscal year 2003, while maintaining a consolidated equity ratio of at least 40% by fiscal year 2006, the final year of the plan. Under the previous Mid-term Management Plan, we adopted ROA as an indicator that attached importance to asset efficiency. Under the new Mid-term Management Plan, however, we have narrowed the focus to strengthening profitability as the next step and have set an absolute recurring profit target. We are currently in a relatively favorable external environment that includes rising prices for nonferrous metals. That, however, is no reason to slacken our efforts. We will continue to steadily implement the measures laid out in our new Mid-term Management Plan.

At the same time, we will continue to maintain our solid financial position. The capital expenditure that we have scheduled, mainly for large-scale projects in the Mineral Resources and Metals segments, will basically be covered by depreciation and income before income taxes. We thereby plan to keep interest-bearing debt at its current level.

In Closing

Achieving the "maximization of corporate value" called for in our Management Vision is not limited to the business strategies described above. We are also aware of the importance of further strengthening our management base with making corporate activities both efficient and sound by strengthening corporate governance, solidly establishing a compliance system that incorporates the lessons learned from the JCO criticality accident, fostering a safety-conscious culture, and reinforcing the risk management system needed to achieve it. We hope to fulfill our responsibilities to our stakeholders and to contribute to society by working toward achieving these goals.

All of our management and employees are committed to working in close cooperation to maximize corporate value by steadily implementing the new Mid-term Management Plan based on sound business practices. We look forward to your continued support and understanding.

August 2004

K. Fukushima

Koichi Fukushima
President

Special Feature: Profit Growth Strategy through New Mid-term Management Plan

Evaluation of Previous Mid-term Management Plan (Fiscal Years 2002-2003)

Under the previous two-year mid-term management plan that started in fiscal year 2002, SMM undertook Business Structure Reform and Cost Structure Reform aimed at building a strong and sound corporate structure and improving profitability.

1. Progress with Financial Targets

Equity Ratio and ROA Targets Both Achieved

In fiscal year 2003, the final year of the plan, we targeted consolidated ROA of 3% or better while maintaining a consolidated equity ratio of at least 40%. As a result of Business Structure Reform based on a select and focus strategy and Cost Structure Reform, coupled with our asset streamlining efforts, we achieved consolidated ROA of 4.0% and consolidated equity ratio of 48.9%, laying the groundwork for strengthening profitability.

2. The Results of Business Structure Reform

1) Applying Select and Focus Strategy to Core Businesses

We promoted the select and focus strategy in Mineral Resources and Metals segments and the Electronics Materials and Advanced Materials segment, which are our core businesses.

In the Mineral Resources and Metals segments, we emphasized promotion of the large-scale projects outlined below in order to strengthen profitability in the medium to long term. In the Electronics Materials and Advanced Materials segment, we concentrated management resources in areas such as paste and copper-clad polyimide film that use the materials technology in which we are strong, in addition to restructuring businesses.

A) Coral Bay Project

This project is the construction of a low-grade nickel oxide ore processing plant in the Philippines for producing an intermediate product of nickel refining. The plan is proceeding smoothly. We completed construction in August 2004 and commercial production will begin in December.

B) Pogo Gold Project

This project is in Alaska, the U.S. In May 2004, we received all the permissions required to begin construction and are proceeding with operations scheduled to begin in March 2006. The main ore deposit is estimated at 152 tonnes of gold reserves and we are targeting annual production of 12 tonnes.

C) Expanding Annual Copper Production to 450,000 Tonnes

We are expanding production facilities at the Toyo Smelter & Refinery, our domestic copper production site, with the goal of gradually boosting annual capacity to 450,000 tonnes. We completed an increase from 270,000 to 300,000 tonnes in fiscal year 2003 and plan to reach 410,000 tonnes by fiscal year 2006.

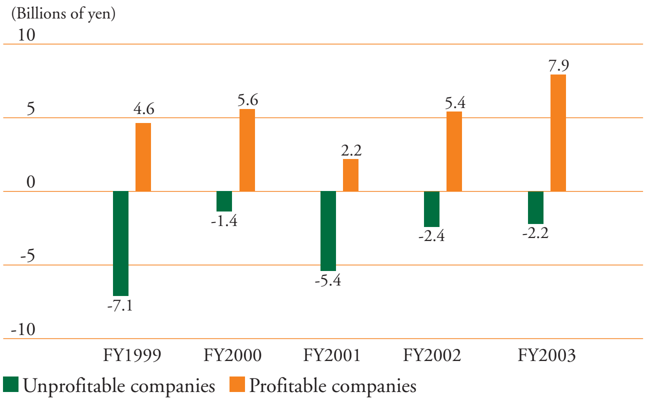
We also actively considered prospecting and investing in projects as means of developing new mines for the stable supply of raw material required by 450,000 tonnes annual copper production capacity. However, we were unable to make progress in this area under the 2002-2003 plan. We were also studying participation in a new nickel oxide ore project that Inco Ltd. (Canada) is promoting in New Caledonia. As Inco is currently reviewing the plan with the goal of cutting the amount of investment, however, we will decide whether or not to participate after the review has been completed.

2) Enhancing Efficiency through Alliances and by Withdrawing from Unprofitable Areas

We enhanced the efficiency of our zinc and sulfuric acid businesses by setting up joint ventures with Mitsui Mining & Smelting Co., Ltd. and Dowa Mining Co., Ltd., respectively. Also, we sold or withdrew from businesses with less prospect and those with limited synergy with our core businesses. By the end of fiscal year 2003, we had shut down or sold off 27 of the 94 affiliated companies we had as of April 2000.

As a result, the earnings of consolidated subsidiaries improved as follows.

Earnings of Consolidated Subsidiaries (Operating Income)



3. The Results of Cost Structure Reform

As a result of the measures shown below, we cut costs by ¥8.2 billion compared with fiscal year 2001 results, which falls slightly short of the fiscal year 2003 target.

Billions of yen

	FY2003 Targets (vs. FY2001)	FY2003 Results
Cost Reduction Project	1.0	1.2
Procurement Innovation Project	5.0	4.4
Personnel Reduction	2.4	2.6
Total Cost Reduction	8.4	8.2

In addition, having targeted improvement in supporting department efficiency by introducing ERP (Enterprise Resource Planning) and converting to SSC (Shared Service Center) in fiscal year 2003, these were launched one year behind schedule in April 2004. ERP will standardize and improve the efficiency of office procedures and foster information sharing while SSC will integrate the redundant office procedures of group companies' supporting departments. We expect these to reduce supporting department expenses by approximately 30% in fiscal year 2005 or later.

Essential Features of the New Mid-term Management Plan (Fiscal Years 2004-2006)

Acknowledging the groundwork for strengthening profitability laid by Corporate Reform Plan (fiscal years 2000-2001) and the previous Mid-term Management Plan, the new Mid-term Management Plan bases its strategy on expanding and strengthening core businesses and on developing new products. In ten years' time, we aim for this to put us among the "non-ferrous majors" in the Mineral Resources and Metals segments and give us "top global shares in each of the products" in our Electronics Materials and Advanced Materials segment.

1. Numerical Targets for Fiscal Year 2006

1) Consolidated Financial Targets

In fiscal year 2006, the final year of the new Mid-term Management Plan, we are aiming for recurring profit of at least ¥35.0 billion while maintaining the equity ratio at 40% or higher.

Billions of yen

	FY2003 Results	FY2006 Targets
Net sales	402.1	480.0
Recurring profit	27.8	35.0
Net income	19.9	25.0
Equity ratio (%)	48.9%	40% or above
Interest-bearing debt	148.4	165.0
Interest-bearing debt to total asset ratio (%)	29%	30% or below

Note: Recurring profit = Operating income + Nonoperating income - Nonoperating expenses

Our financial targets are based on the following assumptions. These are based on a thorough analysis of market trends over the past ten years.

	FY2006 Assumptions	FY2003 Results
Exchange rate (¥/$)	110	113.06
Copper price (¢/lb)	90.7	92.8
Nickel price ($/lb)	3.50	5.10
Gold price ($/toz)	320.0	377.6
Zinc price ($/ton)	950	899

Note: Exchange rate represents an average for the fiscal year.

2. Specific Measures for Achieving the Numerical Targets

1) Essentials of Our Business Strategy

*For details please refer to the Review of Operations.

Mineral Resources and Metals Segments:

With a view to ranking among the "non-ferrous majors" in ten years' time, we aim to transition from the "ore purchasing and refining" type of business model to the "mineral resources + refining" type by increasing the level of business resources that we commit to overseas natural resource development. With copper in particular, in order to boost the ratio produced from our own mines from the current 1/2 to 2/3 in the future, we plan to participate in at least one new mine development by fiscal year 2006.

Electronics Materials and Advanced Materials Segment:

We aim to turn this business into a major presence by securing top global shares for each of its products through the active development of China and other Asian markets. Specifically, the main products will be bonding wires, paste, lead frames, and copper-clad polyimide film.

Other Businesses:

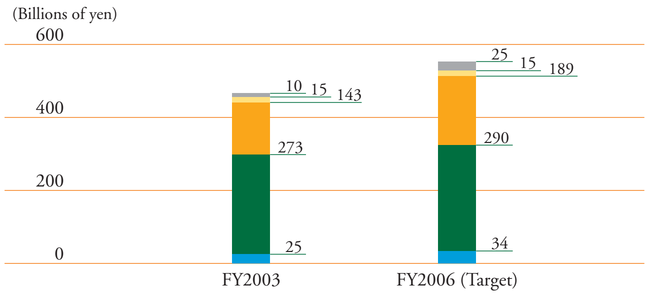
We aim to place the Construction Materials business on a profitable footing by implementing radical measures for improving efficiency with cost cutting effects of ¥1.9 billion in total. In addition, we plan to boost net sales in our Environmental business from ¥18.0 billion in fiscal year 2003 to ¥24.0 billion in fiscal year 2006 by actively promoting our environmental improvement business and recycling business.

2) Net Sales and Operating Income by Segment

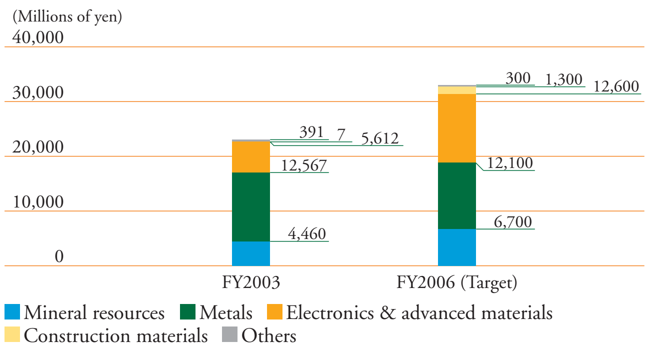
Comparing fiscal year 2003 results and fiscal year 2006 targets by segment, the largest planned sales growth is in Mineral Resources segment (34.4%) and the Electronics Materials and Advanced Materials segment (32.4%).

The largest increases in operating income are in Electronics Materials and Advanced Materials segment (225%) and the Mineral Resources segment (50%). We aim to maintain profitability in the Construction Materials segment by further improving efficiency. As a result, in fiscal year 2006 the Mineral Resources segment should account for about 20% of earnings and the Metals segment and Electronics Materials and Advanced Materials segment should account for 30%-40% respectively.

Net Sales by Segment



Operating Income by Segment



Note: Sum of segments is not consistent with the actual figure because net sales and operating income of each segment include inter-segment transactions.

3) Research & Development

We aim to develop at least five new products worth ¥1.0-¥3.0 billion each in annual sales by fiscal year 2006. Our R&D is focused on the following Electronics Materials and Advanced Materials themes from our four core technologies (separation/refining/crystallization technology, fine powder technology, surface treatment technology, organic resin technology). Investment in new product R&D over the three–year period will be approximately ¥7.0 billion.

- Power storage and generation materials (battery materials, etc.)
- High efficiency energy materials (crystal materials, etc.)
- Thin-film materials (various target materials, etc.)
- Nano materials (upgrading of functional ink, paste, etc.)
- Thin package materials (upgrading of copper-clad polyimide film, etc.)

4) Investment Plans

Our investment plan for the three-year period is ¥140.0 billion and is centered on the following major projects in the Mineral Resources and Metals segments.

- New copper mine development I (¥23.0 billion)
- New copper mine development II (¥11.0 billion)
- Expanding annual copper production to 450,000 tonnes (¥9.0 billion)
- Pogo gold project (¥13.5 billion)
- Coral Bay project (¥4.0 billion)
- New nickel oxide ore project II (¥11.0 billion)

(As of formulation of 2004-2006 plan)

The investment will be covered by depreciation (¥76.0 billion) and income before income taxes (¥66.0 billion) over three years with the difference funded through long-term loans, bonds, and commercial paper. By maintaining interest-bearing debt at the current level, the investment will be aggressive but within reasonable limits.

Our Approach to Corporate Governance and Compliance

Basic Philosophy of Corporate Governance

SMM positions corporate governance as one of the most important management issues for both maximizing corporate value and ensuring sound management. We believe that a statutory auditor system and executive officer system are the most appropriate approach to creating a governance system capable of applying the executive and auditing functions to a business in a way that fits our business characteristics. Based on these systems, we have put in place a governance system that enables our directors, statutory auditors, and executive officers to effectively exercise their functions.

Directors, Board of Directors

We currently have seven directors. We believe this size is appropriate to ensure the lively discussions and flexible decision-making in the Board of Directors.

Executive Officer System

We have reinforced the executive function through clarification of authority and responsibility and through a broad delegation of authority. There are 17 executive officers (seven of whom also serve as directors) who carry out their work by being assigned specific authority for important tasks such as divisional managers and headquarters office managers. Remuneration is linked to performance.

Statutory Auditors

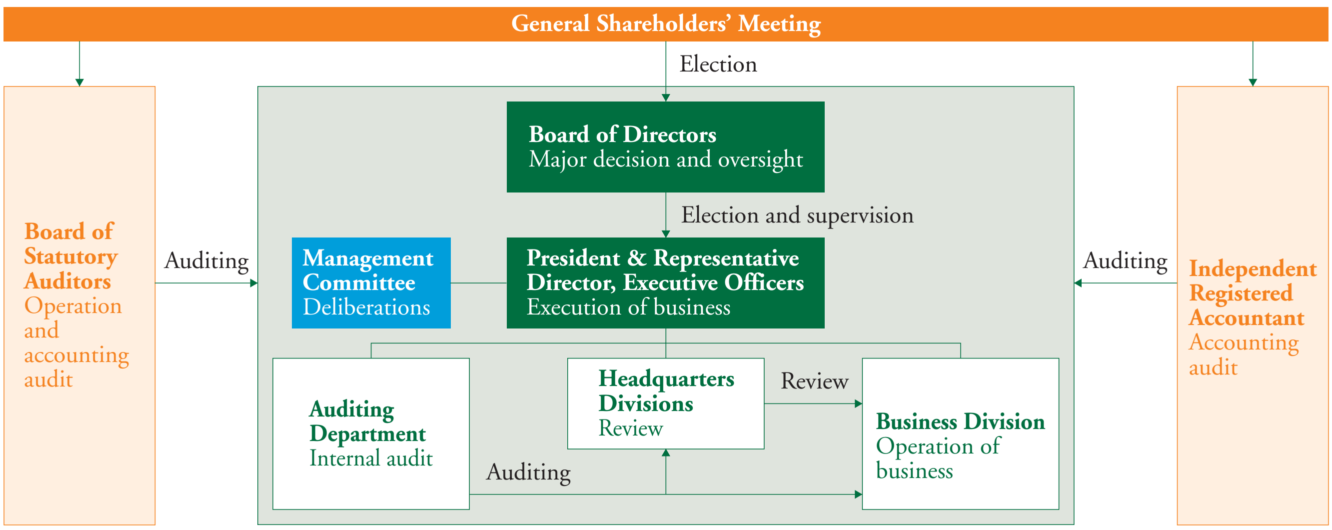
There are four statutory auditors, two of whom are from outside the Company. The two internal statutory auditors apply their work experience at SMM to their position as statutory auditor for the commercial code and present their views at important meetings such as the Board of Directors and Management Committee. One of the external auditors is a university professor and the other is an attorney. They apply the expertise of their special fields when they present their views to the Board of Directors. Neither of these auditors has previously worked for any of the SMM Group companies.

Compliance, Risk Management, and Our Involvement in the Environment and Society

Taking to heart the lessons of the criticality accident that occurred in September 1999 at JCO Co., Ltd., one of our subsidiaries, we designed a Corporate Reform Plan in April 2000 and have attached great importance to compliance in the conduct of our business.

In April 2004, we established a management philosophy for the SMM Group and the "SMM Group Code of Conduct" to help directors and employees implement it. The Code of Conduct comprises 17 articles whose subjects, centered on compliance, include safety, risk management, and consideration for the global environment, and we are actively promoting their implementation.

Organizational Chart of Corporate Governance



Review of Operations

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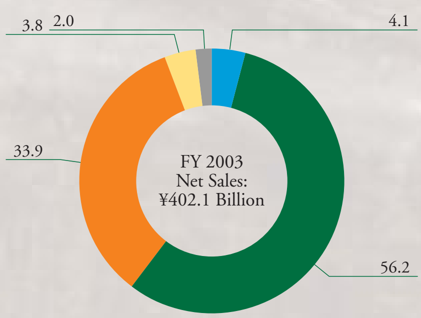
At a Glance

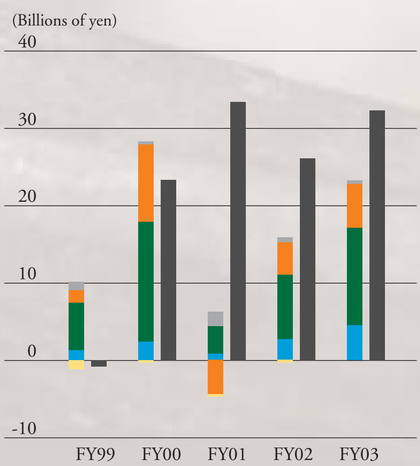
Business Profile

Segment	Operations	Main Products and Services
Mineral Resources	• Exploration, development, production, and sales of non-ferrous metal resources, domestically and overseas • Geological consulting utilizing mineral resource developing techniques	Gold and silver ores, copper concentrates
Metals	• Refining and sales of base metals such as copper, nickel, and precious metals	Copper, nickel, zinc, lead, precious metals such as gold, silver, platinum, etc.
Electronics Materials	• Manufacturing, processing and sales of IC packaging materials, electronics materials, crystal materials, etc. • Manufacturing and sales of optical communication materials and devices, connectors, switches, electrical contacts, TV frames, etc.	Lead frame, tape material, bonding wire, paste, crystal material (GaP: gallium phosphide, LN: lithium niobate, LT: lithium tantalate), printed wiring board (PWB), optical components (faraday rotator, optical isolator and high frequency device)
Advanced Materials	• Manufacturing, processing, and sales of metal powders (nickel, palladium), circuit board materials, battery materials, magnet materials, etc.	Nickel powder, copper-clad polyimide film, materials for rechargeable batteries (nickel hydroxide, lithium cobaltite), rare earth metal bonded magnets
Other Businesses	• Construction materials and housing business • Environmental business (environmental engineering, soil remediation, environmental analysis, irradiation)	Siporex (ALC: autoclaved lightweight concrete); design and installation of environmental protection equipment; design and execution of corrosion prevention construction; design and installation related to assessment and remediation of soil and groundwater contamination; all types of environmental analysis including water and soil quality, irradiation sterilization of medical equipment, etc.

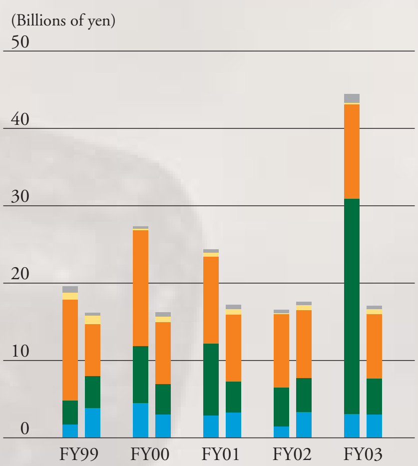
Net Sales by Segment



Operating Income and Net Cash Flows from Operating Activities



Capital Expenditures (left) and Depreciation (right)



■ Mineral resources ■ Metals ■ Electronics & advanced materials ■ Construction materials ■ Others ■ Net cash flows from operating activities

Note: Percentage of each segment is calculated with net sales to outside customers which does not include inter-segment transactions.

Note: Sum of segments is not consistent with the actual figure because operating income of each segment include inter-segment transactions.

Mineral Resources and Metals

Results for Fiscal Year 2003

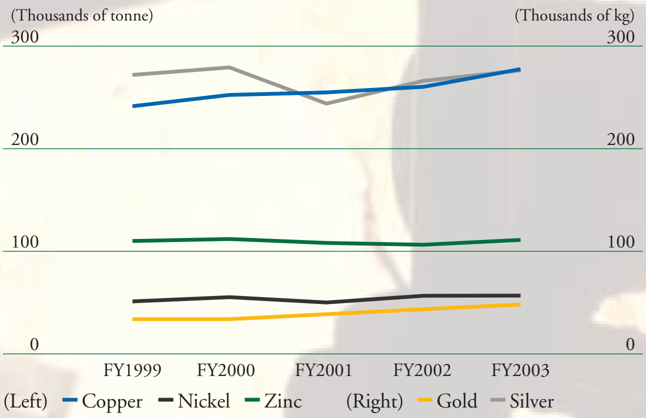
In fiscal year 2003, the Mineral Resources segment posted net sales of ¥25.3 billion, up 2.6% from the previous fiscal year, and operating income of ¥4.5 billion, up 66.3%. The Metals segment posted net sales of ¥273.4 billion, up 20.8%, and operating income of ¥12.6 billion, up 50.9%. This profit growth is attributable to improvement in domestic demand and higher copper and nickel prices, which offset lower product sales prices due to the strong yen and decreases in dollar-denominated processing revenue due to yen conversion.

Basic Business Strategy

The strengths of our Mineral Resources and Metals segments are 1) an earnings structure that is relatively immune to individual non-ferrous metal prices or supply and demand conditions due to the variety of products handled (nickel, copper, precious metals, zinc, etc.) and 2) possession of advanced refining technology and integration of all operations from mineral resource development to refining. On the other hand, in the case of copper and nickel, in particular, demand is expanding on the back of China's burgeoning economy, but the raw materials are becoming increasingly difficult to procure due to the oligopolization of their markets. This makes securing our own mineral resources an important issue in the future development of our business.

Under our New Mid-Term Management Plan, therefore, we are accelerating our transition to a "mineral resources + refining" type business model that fully leverages our strengths in the refining field by intensifying our efforts to secure new mineral resources under our own control. In addition, we aim to boost cost-competitiveness based on expanding and strengthening the scale of production with a view to ranking among the world's "non-ferrous majors" in ten years' time.

Annual Production Volume by Metal (Non-Consolidated)



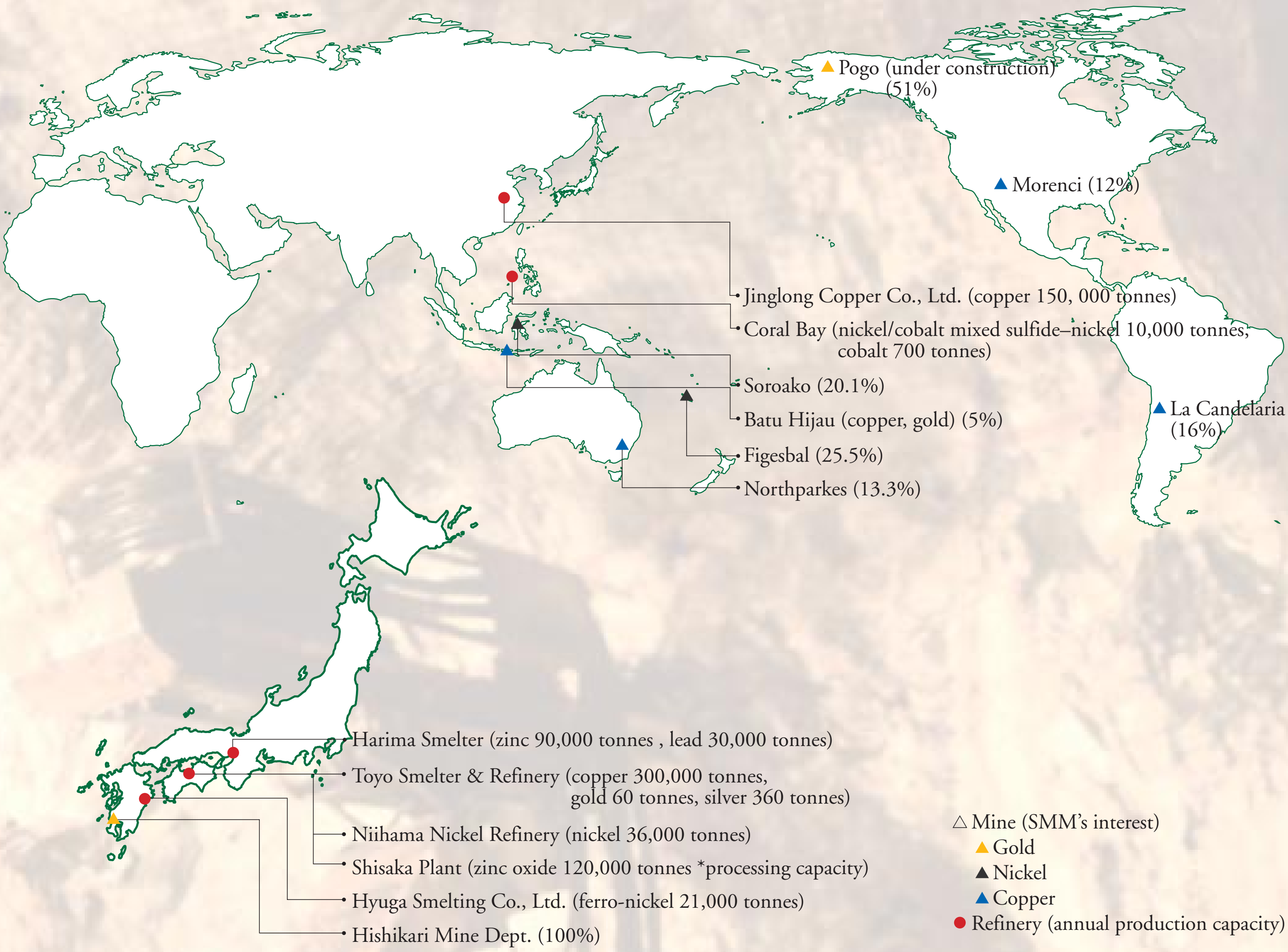
Notes: 1.Production volume includes outsourced production
2.Nickel includes ferro-nickel

Estimation of Sales Volume by Metal

	FY2003 Results	FY2006 Targets	Percent change (%)
Copper (tonne)	293,302	410,000	39.8%
Nickel (tonne)	58,909	63,000	6.9%
Gold (kg)	58,471	76,000	30.0%

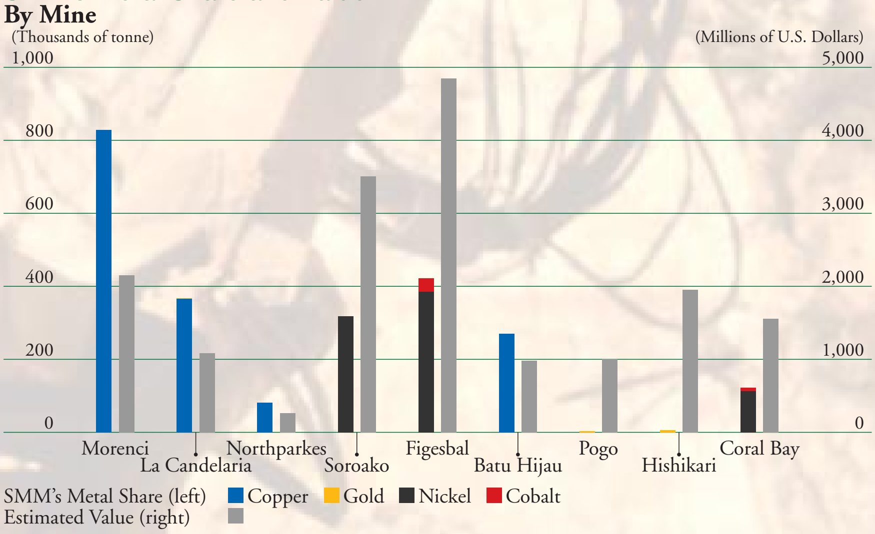
Note: Gold sales volume in FY2006 does not include Pogo.

SMM’s Mines and Refineries

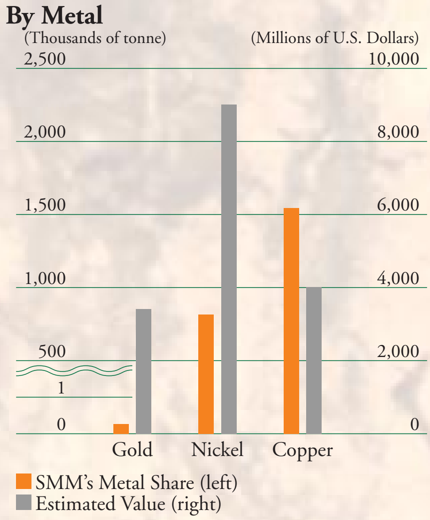


SMM’s Metal Share and Value

By Mine



By Metal



Notes: 1. Only the Company’s own mines are covered.
2. SMM’s metal share = Ore reserves (tonne) x Metal grade x SMM’s interest of mine (%)
3. Estimated value = SMM’s metal share (tonne) x Standard metal price
4. Standard metal price = Copper: 117.9¢/lb, Gold: 400$/toz, Nickel: 5.0$/lb, Cobalt: 16.5$/lb

Nickel

We expect demand for nickel, whose principal use is in stainless steel, to continue to expand over the medium to long term, as we estimate that global production of stainless steel will grow at an annual rate of approximately 5%, supported by the rapid expansion of demand in China. As nickel producers have little room to expand production, the nickel price rose to US$5.10/lb in fiscal year 2003, up 54% from the previous fiscal year.

SMM offers a variety of nickel products, including high-purity electrolytic nickel for electronics materials and ferronickel for stainless steel. Notably, we are the only domestic producer of electrolytic nickel, for which we use matte chlorine leach electrowinning (MCLE) process, a high-quality, high-productivity hydrometallurgical refining process.

Basic Strategy

In order to secure a stable procurement of raw materials, we have acquired equity in nickel mine operators such as P. T. Inco (Soroako, Indonesia) and FIGESBAL (New Caledonia). As demand growth in China and other factors are making raw materials increasingly scarce, however, we are promoting the following projects in order to establish a stable supply system by securing our own mineral resources.

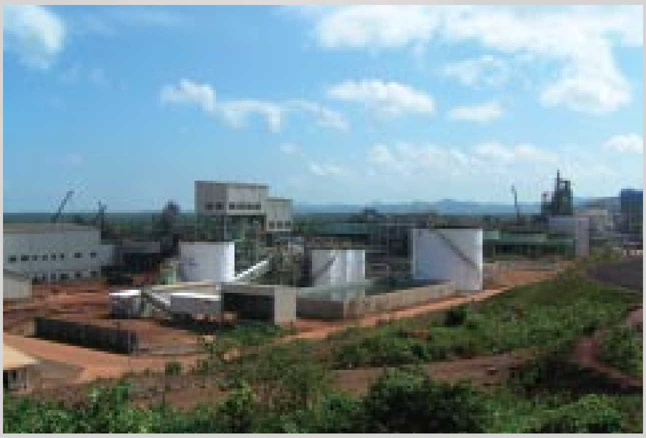
1) Coral Bay Project

The Coral Bay Project is the construction of a low-grade nickel oxide ore processing plant at Rio Tuba in the southern part of Palawan Island, the Philippines, to produce nickel/cobalt mixed sulfide, an intermediate product of the nickel refining process (nickel: 10,000 tonnes per year; cobalt: 700 tonnes per year). Total investment in this project, in which SMM is the lead developer holding 54% of shares, will be approximately US$180 million. Commercial production is expected to begin in December 2004. SMM will purchase all of the nickel intermediate produced by this project and refine it into the final electrolytic nickel product. We aim to take the initiative in the global nickel refining business by establishing low-grade nickel oxide ore refining technology including the HPAL (high pressure acid leach) method.

2) Establishment of the HPAL Method

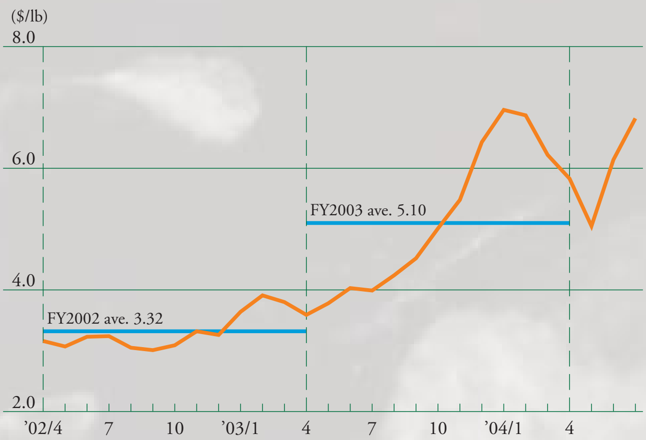
The global development of nickel resources formerly depended primarily on nickel sulfide ore and garnierite, a high-grade nickel oxide ore. Recently, however, the development and practical application of the HPAL method has made it possible to recover nickel from laterite, a low-grade nickel oxide ore. Laterite ore exists in large quantities in many areas, including the Philippines, Indonesia, Australia, Central America, South America, and Africa. Establishing laterite ore processing technology is of great significance from the standpoint of a securing a stable nickel supply for the future.

The Coral Bay Project is based on the practical application of the HPAL method. Once we have established this advanced technology, we are considering expanding production at the Coral Bay Project and starting a new oxide ore project at an early stage.



Coral Bay Project

Nickel Price (LME)



Copper

Due to factors ranging from expansion of the China market and recovery in domestic demand to production difficulties at a major overseas producer, in fiscal year 2003 the copper price rose 29% from the previous fiscal year to US$92.8/lb, hitting a six-year high.

In 2002, copper consumption in China topped the U.S.'s 2.37 million tonnes to become the highest in the world at 2.68 million tonnes. However, the production capacity of China's existing refineries cannot keep up with demand growth, so that the gap between supply and demand continues to widen. While the scale of China's copper market is expected to reach 5 million tonnes in 2010, we estimate that more than half of that will depend on imports.

Basic Strategy

The Toyo Smelter & Refinery, our domestic copper production site, has an in-house ore ratio of about one-half and purchases the remainder from outside. In addition to expanding our production system to meet demand growth, we are working to secure a stable supply of mineral resources.

1) Expanding the Production System

Aiming for annual production of 450,000 tonnes at the Toyo Smelter & Refinery, we plan to gradually increase the current annual capacity of 300,000 tonnes to 410,000 tonnes by April 2006. Establishing an annual production system of 450,000 tonnes will give the Toyo Smelter & Refinery top global class production capacity. In addition, aiming to establish an annual production system of 210,000 tonnes at Jinlong Copper Co., Ltd., our joint venture holding 20.95% of shares in Anhui Province, China, we plan to boost the current 150,000 tonnes to 190,000 by fiscal year 2006.

2) Acquiring Stakes in New Mines to Boost Ratio of In-house Ore

In the area of mineral resource development, going forward we aim to achieve an in-house ore ratio of two-thirds for our annual production system of 450,000 tonnes. To that end, we plan to acquire a stake in at least one new mine by fiscal year 2006 and to seek further opportunities of this type from fiscal 2007.

Our sales strategy is to leverage the Toyo Smelter & Refinery's geographical proximity to Asian markets to actively promote sales in China and the surrounding areas.

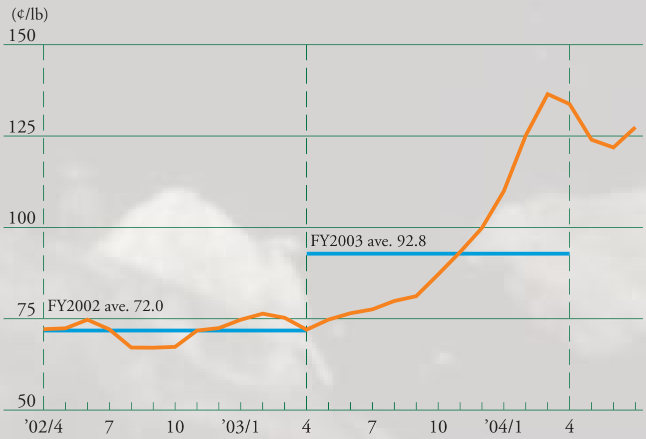
3) Reinforcing the Sulfuric Acid Business

The copper refining process yields large amounts of sulfuric acid as a by-product. This means that annual production of 450,000 tonnes of copper will generate 1.2 millions of tonnes of sulfuric acid. As the profitability of sulfuric acid sales affects the competitiveness of the copper business, the sulfuric acid business becomes an important issue when copper production is expanded.

SMM formed an alliance with Dowa Mining Co., Ltd. in the sulfuric acid business and in February 2003 set up the sulfuric acid manufacturing and sales company Acids Co., Ltd. as a joint venture. Through this alliance, we aim to cut costs by making production, distribution, and sales more efficient.

In addition, as the Coral Bay Project will use approximately 260,000 tonnes of sulfuric acid annually, we will be able to secure the sales of the amount within the SMM Group.

Copper Price (LME)



Toyo Smelter & Refinery

Precious Metals

In fiscal year 2003, the gold price rose 16% from the previous fiscal year to US$377.6/troy ounce, hitting a seven-year high. This is in part attributable to geopolitical factors related to concerns over the situation in the Middle East.

SMM handles gold and a broad range of other precious metals such as platinum, palladium, and rhodium that are used, for example, as catalysts and in electronic materials. We are working to reinforce profitability in both mineral resource development and refining through our gold mine project in Alaska, the U.S., and the introduction of a new refining process.

Basic Strategy

We aim to reinforce profitability by achieving stable operations at the Hishikari Mine, starting the operations at the Pogo Gold Project, and boosting the efficiency of recovery and refining through introduction of a new precious metal refining process.

1) Superiority of the Hishikari Mine

While the ore of the world's gold mines has an average grade of 5g of gold per tonne, that of the Hishikari Mine is extremely high at 45-50g. We are currently using the mining technology that we developed at this mine in the development of overseas mines. Having begun operations in 1985, the Hishikari Mine achieved total gold production of 100 tonnes in 1999 and currently maintains annual production of 7-8 tonnes. The mine's reserves are estimated at 150 tonnes (as of December 2003) and we plan to continue stable operations at their current level going forward.

2) Pogo Gold Project

This is a gold mine development project in Alaska, the U.S., in which SMM takes the initiative. We began exploration in 1991 and in 1997 formed a joint venture with the non-ferrous major Teck Cominco, which has long experience operating mines in Alaska, to continue exploration and study commercial feasibility. The Pogo Gold Mine has a promising deposit containing an estimated 152 tonnes of gold. Annual production of 12 tonnes is planned.

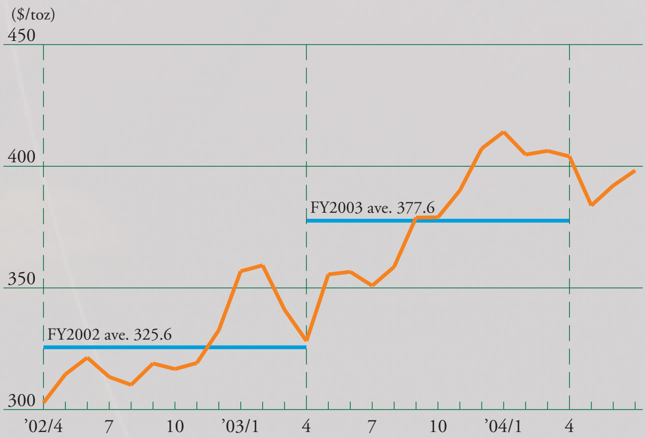
In May 2004, we acquired all the necessary development permissions and have begun construction. Total investment in this development is estimated at approximately US$280 million. Although initially scheduled for late 2005, the start of operations is now set for March 2006 as the start of construction was delayed due to the filing of objections by local environmental groups.

3) Introduction of New Precious Metal Refining Process

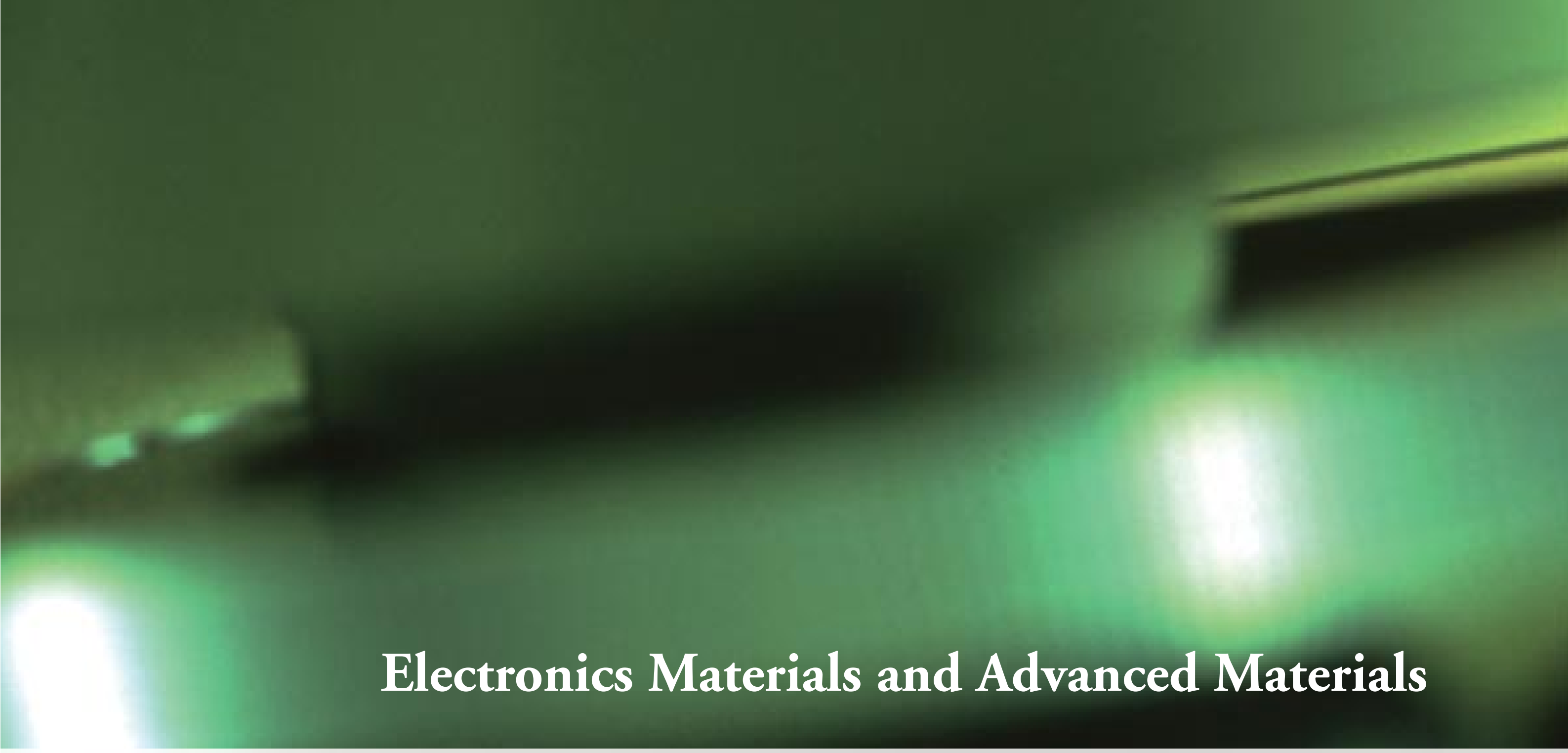
After being separated and recovered during the copper refining process, precious metals — gold, silver, and platinum-group metals — are refined. In order to boost precious metal refining capacity in conjunction with the copper production expansion at the Toyo Smelter & Refinery, by the end of fiscal year 2004 we plan to introduce a new precious metal refining process that we developed in-house.

By shortening the time required to recover gold from 1.5 months to seven days, this new process is expected to lower costs, including interest expense. In addition to gold, silver, platinum, palladium, and rhodium, other platinum-group metals such as iridium and ruthenium can be recovered, which was difficult with conventional processes. In addition to boosting annual refining capacity from 36 tonnes to 60 tonnes for gold and from 300 tonnes to 360 tonnes for silver, we expect the new process to have the effect of boosting profit by ¥700 million annually.

Gold Price (LOCO LONDON)



New Precious Metal Refining Process



Electronics Materials and Advanced Materials

Results for Fiscal Year 2003

In fiscal year 2003, Electronics Materials and Advanced Materials businesses benefited from the increase in sales volume as expansion of the digital home appliance market supported recovery in the semiconductor market. Net sales rose 7.3% from the previous fiscal year to ¥142.7 billion and operating income grew 36.3% to ¥5.6 billion.

Sales of the principal electronics material products were up overall, supported by increases in bonding wire exports to Taiwan and growth in electric paste and crystal materials sales. Sales of advanced material products also increased mainly because we reinforced copper-clad polyimide film production capacity to meet the rapid growth in demand.

Basic Business Strategy

Under our previous Mid-term Management Plan, we sharpened the focus of our core products, concentrating on the materials field where we can leverage our strengths, and improved our business structure by spinning off our IC packaging materials business.

Products in this segment are exposed to severe price competitions and short life cycles. In recognition of the difficulty of surviving without a constant commitment to large market shares, our new Mid-term Management Plan aims to achieve a top-class global share for each of our products and to approximately double fiscal year 2003 consolidated operating income to ¥12.6 billion by fiscal year 2006.

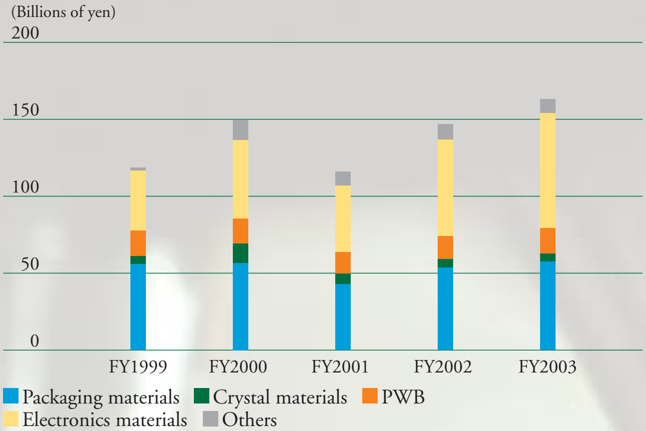
In the Electronics Materials business, we will aggressively develop our business in the markets of Southeast Asia and China, concentrating on core products such as bonding wire, electric paste, and lead frames.

In the Advanced Materials business, while maintaining copper-clad polyimide film as a mainstay, we will focus efforts on

Net Sales by Product

Electronics Materials

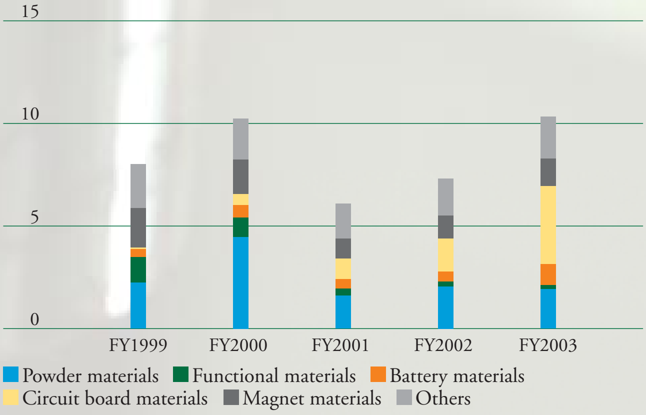
(Billions of yen)



Note: Net sales of electronics materials include in-house transactions.

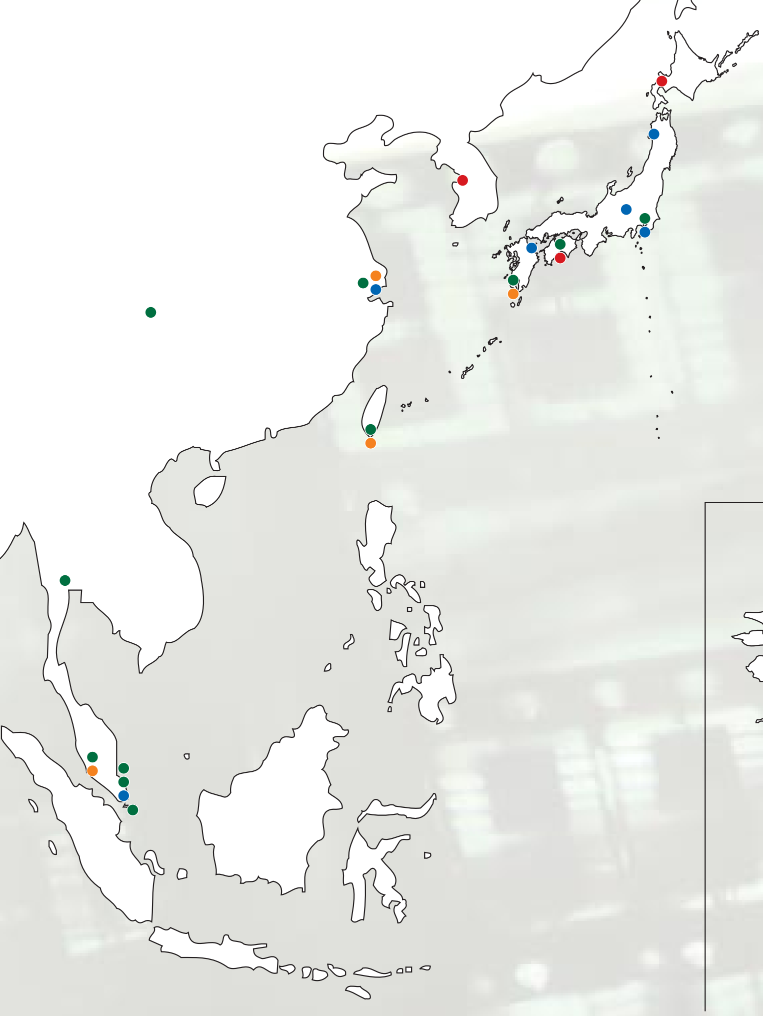
Advanced Materials

(Billions of yen)



Main Product by Product Line

Packaging Materials	Lead frame, tape materials etc.
Crystal Materials	GaP, faraday rotator, optical isolator etc.
PWB	Printed wiring board etc.
Electronics Materials	Bonding wire, nickel paste etc.
Powder Materials	Metal powder etc.
Circuit Board Materials	Copper-clad polyimide film etc.



SMM's Production Facilities of Electronics Materials and Advanced Materials

• Lead Frame

		Location	Other Products
Sumitomo Metal Mining Package Materials Co., Ltd.	Runs IC packaging materials business	Tokyo, Japan	Tape materials
Ohkuchi Electronics Co., Ltd.		Kagoshima, Japan	Tape materials, Bonding wire, Recovery and recycling of precious metals
Niihama Electronics Co., Ltd.		Ehime, Japan	
Sumitomo Metal Mining Asia Pacific Pte. Ltd.	Regional management of overseas lead frame business	Singapore	
M-SMM Electronics SDN. BHD.		Malaysia	
Sumiko Leadframe Singapore Pte. Ltd.		Singapore	
P.T.SUMIKO LEADFRAME BINTAN		Indonesia	
Sumiko Electronics Taiwan Co., Ltd.		Taiwan	
Sumiko Leadframe (Thailand) Co., Ltd.		Thailand	
Sumiko Leadframe Chengdu Co., Ltd.		Chengdu, Sichuan Province, China	
Sumiko Electronics Suzhou Co., Ltd.	Operation scheduled to start in the fall of 2004	Suzhou, Jiangsu Province, China	

• Bonding Wire

Ohkuchi Electronics Co., Ltd.		Kagoshima, Japan	Lead frame, Tape materials, Recovery and recycling of precious metals
Malaysian Electronics Materials SDN. BHD.		Malaysia	Paste
Taiwan Sumiko Materials Co., Ltd.		Taiwan	
Sumitomo Metal Mining Electronics Materials (Shanghai) Co., Ltd.	Operation scheduled to start in January 2005	Shanghai, China	

• Electronics Materials

Electronics Division	Paste, Crystal materials, etc.	Tokyo, Japan	
SMM Precision Co., Ltd.	Optical components	Akita, Japan	
Shinko Co., Ltd.	PWB	Nagano, Japan	
Ajimu Electronics Co., Ltd.	Solder plating of IC	Oita, Japan	
Shanghai Sumiko Electronic Paste Co., Ltd.	Paste	Shanghai, China	
SMM USA, Inc.	TV frame	the U.S.	
SMMEP Pte. Ltd.	TV frame	Singapore	

• Advanced Materials

Isoura Plant	Metal powder, Circuit board materials, Battery materials, etc.	Ehime, Japan	
Kunitomi District Division	Crystal materials, Magnet materials	Hokkaido, Japan	
SMM KOREA Co., Ltd.	Circuit board materials etc.	South Korea	

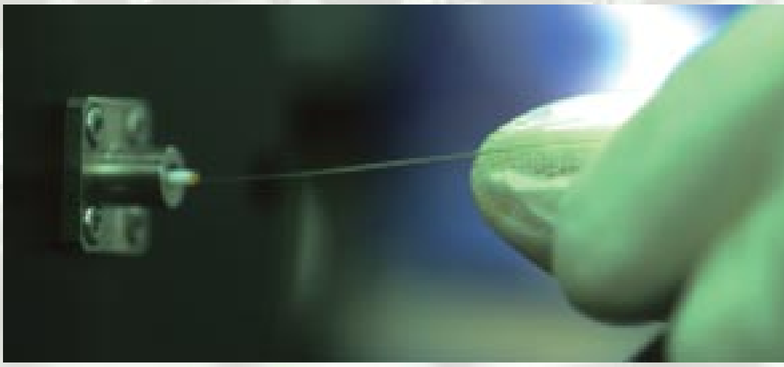
expanding sales of battery materials to reinforce our solid position in the Hybrid Electric Vehicle (HEV) market and of our light-blocking materials, which are attracting attention for their property of cutting infrared light.

While the Electronics Materials and Advanced Materials segment is forecast to benefit from expanding markets, sales price declines and rapid changes in market and technology trends are also possible. In setting the numerical targets in our new Mid-term Management Plan, therefore, we took into account these risk factors as well as previous product performances.

Bonding Wire

Bonding wire is used to connect the electrodes of semiconductor chips to lead frames. In high-density ICs, gold wire is generally used because of its superior workability and conductivity. While leveraging our advantage of being able to procure gold in-house, we offer products that combine the high strength and superior bonding characteristics required by increasingly multi-pin, narrow-pitch ICs.

While the bonding wire market is expected to maintain an annual growth rate of around 10%, prices are expected to fall amid the competition with other manufacturers. To reinforce



our cost-competitiveness, we plan to shift production from Japan to Malaysia and Taiwan and expand production capacity, mainly in Malaysia. To keep up with the expansion of the China market, moreover, we are building a production base in Shanghai, which we aim to bring on stream in January 2005.

By implementing these measures, we are aiming for a net sales increase of 40% and an increase in global share from 25% to 30%in fiscal year 2006 compared with fiscal year 2003.

Electric Paste

Electric paste is widely used in the chip components installed in electronic equipment such as mobile phones, personal computers, and home appliances.

The nickel paste that we originated for the internal electrodes of multilayer ceramic capacitors (MLCC) has been especially well received by the market and has secured a large share. By expanding sales of internal electrode paste and fully entering the market for external electrode paste, we aim to increase unit sales volume by 70% in fiscal year 2006 compared with fiscal year 2003. In addition, we plan to launch new high value-added products such as paste for plasma display panels (PDP), for which demand is expected to expand,

Bonding Wire

Electric Paste

and paste for white LEDs (light-emitting diodes).

By implementing these measures, we aim to increase net sales by 50% in fiscal year 2006 compared with fiscal year 2003.

Lead Frames

Lead frames are metal frames that form the external leads for semiconductor devices such as ICs and transistors. SMM has a top 14% share of the global market.

IC packaging materials, including lead frames and tape materials for film are handled by Sumitomo Metal Mining Package Materials Co., Ltd., which takes responsibility for operations at eight production sites in Japan and overseas under its integrated management to supply the semiconductor industries in Japan, South Korea, Taiwan, and China.

In China, in particular, the market is estimated to almost triple in a few years, as many semiconductor assembly-related businesses have, in rapid succession, moved into Shanghai and the surrounding Huadong region. To cope with this demand, we are building our second production site in China, in Suzhou, Jiangsu Province. It is scheduled to come on stream in the fall of 2004. In addition, we plan to expand sales by focusing on commodity lead frames and high value-added products such as lead-free products.

By implementing these measures, we aim to further solidify our top global shares in lead frames and increase net sales by 35% in fiscal year 2006 compared with fiscal year 2003.

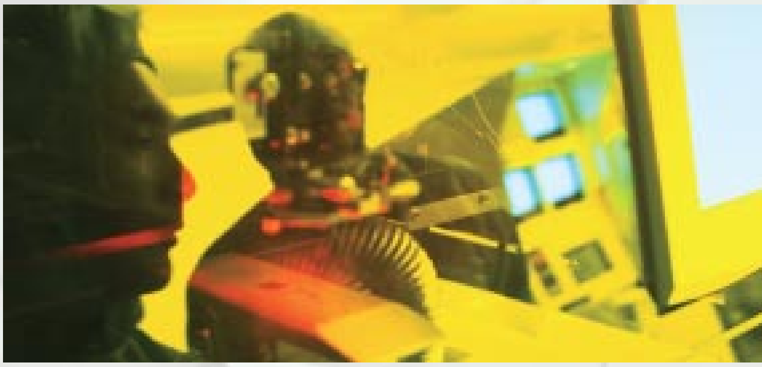
Copper-clad Polyimide Film

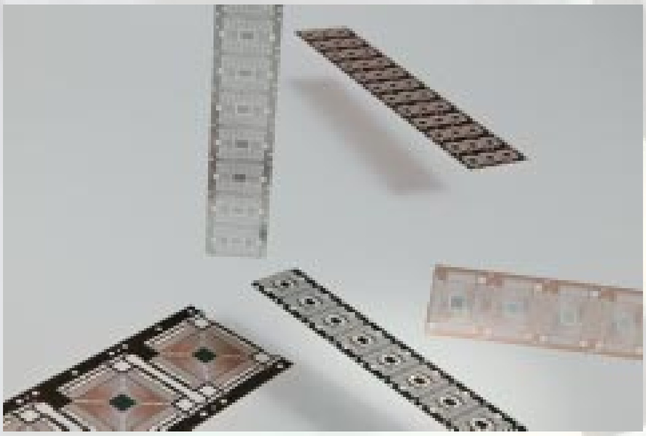
Copper-clad polyimide film is a flexible board material whose main usage is in the chip-on-film (COF) boards that package the ICs that drive LCDs. As their use expanded to LCD TVs in fiscal year 2003, we expect demand to continue to grow rapidly.

Our global share of copper-clad polyimide film in the COF field for large-scale LCDs exceeds 90%. Going forward we will enter the market for double-sided boards, whose usage in mobile phones is expected to expand, and aim to achieve a global share of at least 50%.

In fiscal year 2003, we doubled existing production capacity to 1.2 million m^2 in order to meet growth in orders received. By introducing high-efficiency facilities, we plan to further expand production capacity to 4.0 million m^2 by fiscal year 2006.

By implementing these measures, we aim to triple net sales by fiscal year 2006 compared with fiscal year 2003.





Lead Frames

Copper-clad Polyimide Film

Other Businesses

Construction Materials Business

Radical Restructuring

In fiscal year 1999, we spun off our construction materials business, whose main product is autoclaved lightweight concrete (ALC), as Sumitomo Metal Mining Siporex Co., Ltd. We also endeavored to improve its business structure by integrating its five production sites into two by the end of fiscal year 2002. Due to the impact of the prolonged construction slump, however, the Construction Materials segment posted a ¥400 million operating loss in fiscal year 2002. In response to such situation, in fiscal year 2003 Siporex radically restructured itself to make its business sustainable by targeting a total cost reduction of ¥1.9 billion, which consists mainly of personnel reductions and salary cuts. As a result, operating income of the Construction Materials segment returned to the black (¥7 million) in fiscal year 2003.

The full contribution from the effects of this radical restructuring is expected to come through from fiscal year 2004. Siporex will continue its efforts to improve profitability.

Environmental Business

Basic Strategy

While the environmental business is expected to enjoy market growth, competition is also likely to become increasingly harsh as many companies from various industries enter the market in rapid succession. Given this context, we are promoting the recycling business and the environmental improvement business including the remediation of soil and groundwater contamination, where we can leverage the technologies that we have developed in our mineral resources and metals businesses over a period of many years. We are targeting net sales of ¥24.0 billion from our environmental businesses overall in fiscal year 2006, up 30% compared with fiscal year 2003.

Recycling Business

As part of our metals business, we recover zinc from the electric arc furnace dust generated in steel production, copper and nickel from the effluent produced by the plating process, and precious metals from scrapped electronics materials.

Moreover, our group company Nippon Catalyst Cycle Co., Ltd. recovers valuable metals such as molybdenum and vanadium from the used desulfured catalyst generated when oil is refined. In fiscal year 2003, this company enhanced its annual processing capacity from 12,000 tonnes to 15,000 tonnes, achieving the equivalent of approximately 50% of the desulfured catalyst generated domestically.

Environmental Improvement Business

Group companies under the integrated control of our Energy & Environment Business Division and in collaboration with our research laboratories are developing our environmental improvement business. These group companies include Sumicon Certech Co., Ltd, which provides assessment and remediation services for soil and groundwater contamination; Sumiko Eco-engineering Co., Ltd., which provides environment-related engineering for fuel-gas treatment facilities and corrosion prevention for harbor facilities; Sumiko Techno-Research Co., Ltd, which focuses on environmental research and analysis; and Japan Irradiation Service Co., Ltd., which provides radiation processing for the sterilization of food packaging materials and medical devices and for use in the modification of industrial materials.

Leveraging our catalyst technology, we developed a technology for rendering nitrate-nitrogen and ammonium-nitrogen in plant effluents harmless and marketed it as “N-free.” As stricter effluent processing regulations have heightened the market needs, we are endeavoring to expand business by extending the application of this technology to other substances such as fluorine.

Financial Section

Contents

Management's Discussion and Analysis

Overview of Businesses

In addition to itself, the businesses of Sumitomo Metal Mining Co., Ltd. (SMM) include 66 subsidiaries and 14 affiliated companies. The three core segments of operations are:

1) Mineral Resources, which mines gold, silver, and copper;
2) Metals, which consists of the smelting business, centered on gold, copper, nickel, and zinc, and the metal process business, which manufactures copper elongation products; and
3) Electronics Materials and Advanced Materials, whose electronics materials business manufactures electronic components such as IC packaging materials, crystal materials, and printed circuit boards, and whose advanced materials business manufactures nickel, palladium, and other metal powders and battery and magnetic materials.

In addition to these three core businesses there are the Construction Materials segment, which manufactures Siporex (autoclaved lightweight concrete, or ALC) and builds residential housing, and the Others segment, which runs a nuclear power engineering business and an environmental business.

This Annual Report presents the consolidated results of the Company, 40 domestic and overseas consolidated subsidiaries, and six affiliates accounted for by the equity method.

Consolidated Statement of Income

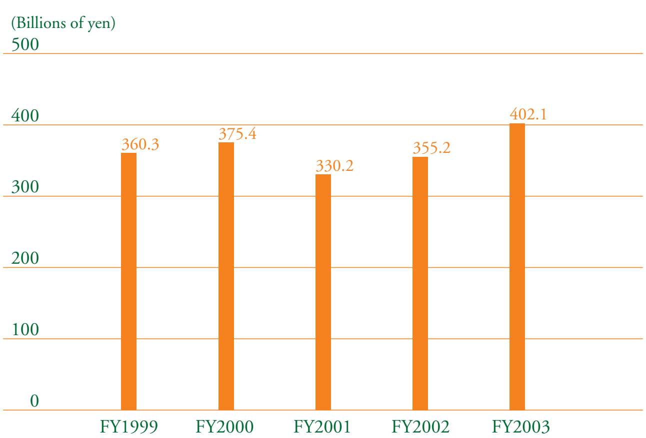
Net Sales

Net sales in fiscal year 2003 (from April 1, 2003 to March 31, 2004) increased ¥46,889 million (13.2%) from the previous fiscal year to ¥402,131 million (US$3,805 million). The Metals segment accounted for 68.0% of net sales.

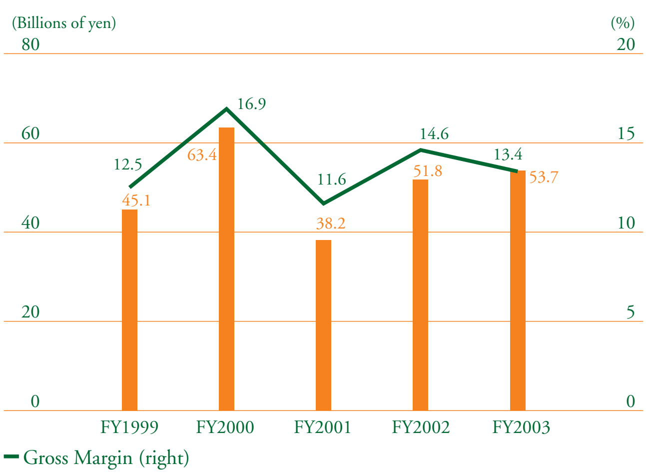
In fiscal year 2003, the non-ferrous metal industry was characterized by higher prices into the second half for non-ferrous metals such as copper and nickel thanks to strong demand and production difficulties at major overseas producers. Although the foreign exchange rate was stable in the first half, the yen rapidly strengthened from late in the first half into the second half. The electronics-related industry, meanwhile, enjoyed strength in the digital home appliance market and in semiconductor-related demand.

As a result, Mineral Resources segment sales increased ¥643 million to ¥25,315 million (US$ 240 million) from the previous fiscal year, due to higher overseas copper and gold prices despite the decrease due to the strong yen impact. Metals segment sales grew ¥47,044 million to ¥273,387 million (US$ 2,587 million) from the previous fiscal year, supported mainly by higher prices for and sales growth in nickel and copper. Electronics Materials and Advanced Materials sales rose ¥9,753 million to ¥142,676 million (US$ 1,350 million) from the previous fiscal year on the back of overall growth in sales of its main products.

Net Sales



Gross Profit



Cost and Expenses

Cost of sales in fiscal year 2003 increased ¥44,939 million (14.8%) from the previous fiscal year to ¥348,417 (US$3,297 million). The gross margin decreased from 14.6% to 13.4%.

Sales, general, and administrative (SG&A) expenses decreased ¥4,235 million from the previous fiscal year to ¥30,936 million (US$293 million). This is mainly attributable to a ¥3,458 million (34.0%) decrease in sales, transportation, and overhead expenses to ¥6,719 million.

Operating Income

Operating income grew ¥6,185 million (37.3%) from the previous fiscal year to ¥22,778 million (US$216 million), supported by profit growth in all core businesses and a return to profitability in the Construction Materials segment.

Mineral Resources segment profit grew, supported mainly by Sumitomo Metal Mining Arizona, Inc. and Hishikari Gold Mine. Metals segment profit rose thanks to higher overseas nickel prices. This was despite a decline in copper profit due to temporary higher raw material prices when overseas copper prices soared at the end of the fiscal year. Profit was also up in the Electronics Materials and Advanced Materials segment as stronger sales of its main products boosted revenue.

Other Income (Expenses)

Other income (expenses) in fiscal year 2003 was ¥8,416 million (US$80 million), compared with a ¥24,098 million loss in the previous fiscal year.

This is attributable to several factors. Positive factors include a sharp decrease in write-downs of investment securities from ¥17,247 million in the previous fiscal year to ¥998 million (US$9 million) in fiscal year 2003; an increase in gain on sale of investment securities from ¥108 million in the previous fiscal year to ¥4,848 million (US$46 million) in fiscal year 2003; an increase in equity in earnings of affiliated companies from ¥3,400 million in the previous fiscal year to ¥7,112 million (US$ 67 million) in fiscal year 2003; and a decrease in the restructuring charges from ¥3,613 million in the previous fiscal year to ¥790 million (US$7 million) in fiscal year 2003. Negative factors include zero gain in fiscal year 2003 on securities contributed to employee retirement benefits trust, compared with a ¥1,845 million gain in the previous fiscal year.

Tax-effect accounting has been in effect since fiscal year 1999 and a negative tax adjustment of ¥9,400 million (US$89 million) was posted.

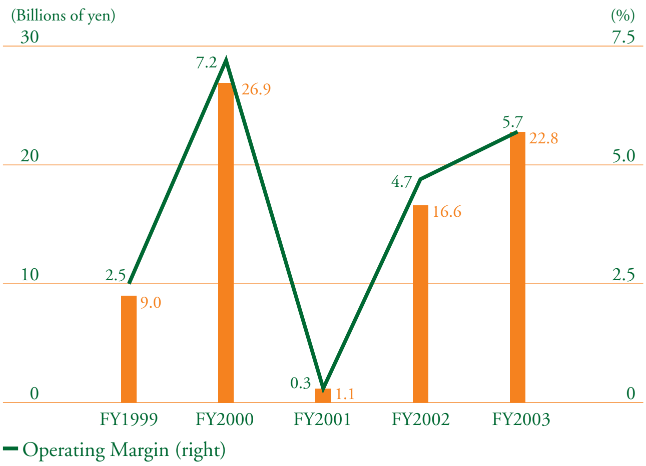
Net financial expenses improved ¥361 million, from ¥1,459 million (US$12 million) in the previous fiscal year to ¥1,098 million (US$10 million).

Net Income (Loss)

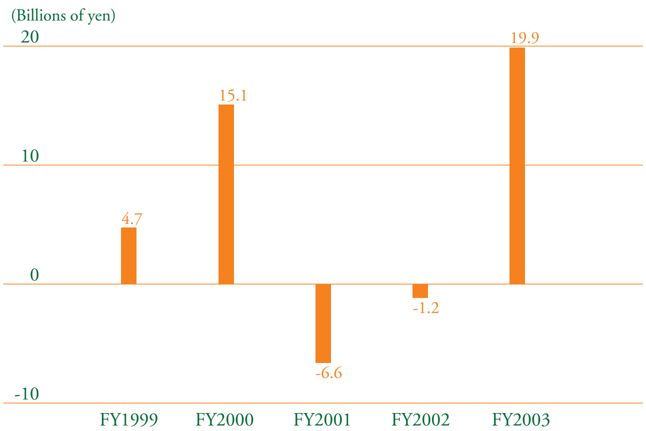
In fiscal year 2003, the SMM Group posted net income of ¥19,882 million (US$188 million), a sharp improvement from the ¥1,172 million net loss posted in the previous fiscal year.

Net income per share in fiscal year 2003 was ¥34.76 (US$0.33), compared with a net loss per share of ¥2.05 in the previous fiscal year.

Oparating Income



Net Income (Loss)



Impact of Exchange Rate Fluctuations

Non-ferrous metal profit is closely linked to foreign exchange rates, which affect all phases of operations, from procurement of ores to sales of finished products.

In general, a strong yen is a negative factor for SMM's earnings on a net basis. Although a strong yen has the advantage of making ore procurement prices lower for SMM, it also leads to lower finished product prices and a decrease of smelting margins, which are usually denominated in U.S. dollars.

Although the foreign exchange rate was stable in the first half, the yen rapidly strengthened from late in the first half into the second half. As a result, the exchange rate for fiscal year 2003 was US$1=¥105.69, compared with US$1=¥121.94 in the previous fiscal year.

A strengthening of the Japanese currency by one yen against the U.S. dollar therefore deteriorates non-consolidated gross profit and operating income by ¥300 million.

Results by Business Segment

The following sections are based on segment data. Net sales and operating income for each area include inter-segment transactions.

Mineral Resources

Net sales in this segment increased ¥643 million (2.6%) from the previous fiscal year to ¥25,315 million (US$240 million). This is attributable to increased sales at Sumitomo Metal Mining Arizona, Inc. due to higher overseas copper prices and at our Hishikari Mine due to higher overseas gold prices, despite the decrease resulting from the stronger yen.

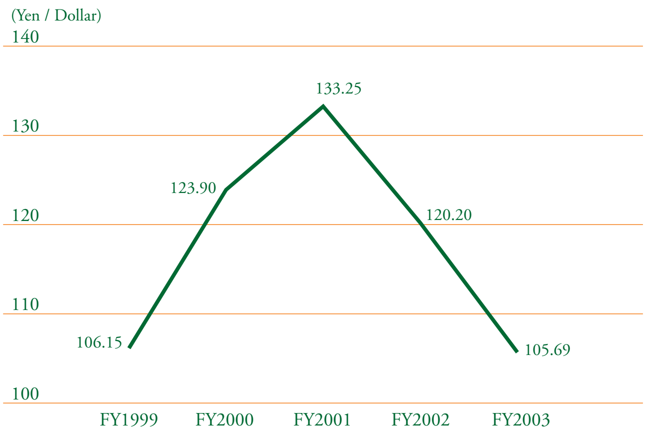
Operating income increased ¥1,778 million (66.3%) from the previous fiscal year to ¥4,460 million (US$42 million). This is attributable to the profit growth at Sumitomo Metal Mining Arizona, Inc. due to higher overseas copper prices and the foreign exchange translation impact and at our Hishikari Gold Mine due to higher gold prices.

Metals

Net sales in this segment increased ¥47,044 million (20.8%) from the previous fiscal year to ¥273,387 million (US$2,587 million). This is mainly attributable to higher overseas prices and increased sales volumes for copper, which benefited from a recovery in domestic demand from the wire industry and the copper elongation industry, and for nickel, which enjoyed vigorous demand for stainless and other special steels and strong demand for semiconductor-related electronics materials.

Operating income increased ¥4,241 million (50.9%) to ¥12,567 million (US$119 million). This is attributable to profit growth due in large part to higher overseas nickel prices, despite a decline in copper profit due to temporary higher raw material prices when overseas copper prices soared at the end of the fiscal year.

Yen-Dollar Exchange Rate (Year-End)



Electronics Materials and Advanced Materials

Net sales in this segment increased ¥9,753 million (7.3%) to ¥142,676 million (US$1,350 million). This is attributable to sales volume growth on the back of continued strength in the global semiconductor market. This strength was supported by growth in the digital home appliance market and in demand for automobile-mounted ICs as well as by the recovery in personal computer demand.

Overall sales of SMM's main electronics materials products expanded, supported by growth in exports of bonding wire to Taiwan and by electric paste and crystal materials. Sales of advanced materials also increased, particularly of copper-clad polyimide film, for which we expanded production capacity to meet with rapid growth in orders. Sales at subsidiaries also increased on strong sales volume supported by mobile phones, digital home appliances, and automobile-related demand.

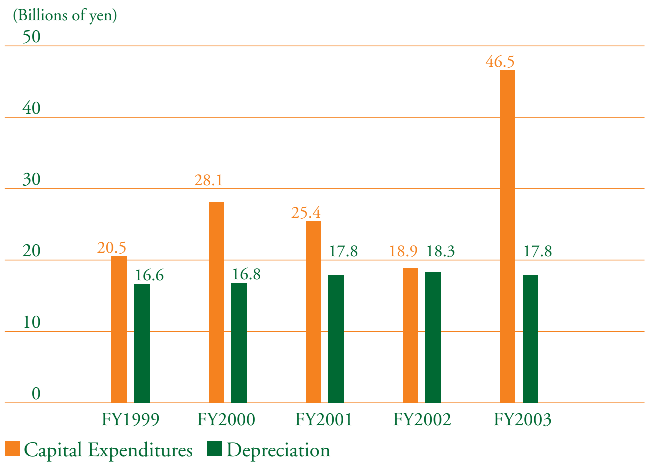
As a result of strong sales on the back of increased sales volumes, operating income increased ¥1,494 million (36.3%) from the previous fiscal year to ¥5,612 million (US$53 million).

Construction Materials

Net sales in this segment decreased ¥1,364 million (8.1%) from the previous year to ¥15,377 million (US$145 million). This is attributable to the sale of the construction materials company in fiscal year 2003, although ALC (autoclaved lightweight concrete) sales declines were stopped by promoting sales amid turnaround of demand.

Operating income in fiscal year 2003 was ¥7 million (US$66,000), returning to profit from the ¥352 million loss posted in the previous fiscal year. This is a result of efforts to reduce costs by radically restructuring the ALC business.

Capital Expenditures and Depreciation



Capital Expenditures and Depreciation

Capital expenditures in fiscal year 2003 totaled ¥46,540 million (US$440 million), up ¥27,613 million (145.9%) from the previous fiscal year. The Metals segment accounted for ¥27,878 million of this (60.0% of the total) and the Electronics Materials and Advanced Materials segment for ¥12,168 million (26.1% of the total). Major investment projects include the expansion, renovation, and rationalization of smelting and refining facilities and construction of a new low-grade nickel oxide ore processing facility in the Metals segment and expansion and renovation of copper-clad polyimide film production facilities in the Electronics Materials and Advanced Materials segment.

Depreciation decreased ¥459 million (2.5%) from the previous fiscal year to ¥17,824 million (US$169 million).

Research and Development Expenses

Research and development expenses in fiscal year 2003 increased ¥523 million (13.9%) from the previous fiscal year to ¥4,286 million (US$41 million). R&D by segment is as follows. The Mineral Resources segment is developing concentration processes for non-ferrous raw material ores and a variety of leaching technologies. The Metals segment is concentrating on developing non-ferrous smelting and electrolysis technologies. The Electronics Materials and Advanced Materials segment is developing new electronics materials technologies, focusing on new semiconductor packaging materials. The Construction Materials segment is developing new product processing technologies and new products such as long-lasting Siporex.

At year-end	2003		2002		2001	Millions of yen
Short-term interest-bearing debt due within one year	**¥ 61,914**	**(12.0)**	¥ 78,329	(16.6)	¥ 93,105	(17.9)
Long-term interest-bearing debt due after one year	**86,437**	**(16.7)**	76,470	(16.2)	73,972	(14.3)
Total shareholders' equity	**253,071**	**(48.9)**	223,341	(47.4)	236,313	(45.6)
Total assets	**¥517,930**	**(100.0)**	¥470,774	(100.0)	¥518,756	(100.0)

( ):Percentage to total assets

Financial Position and Liquidity

Financial Position

Total assets as of March 31, 2004 stood at ¥517,930 million (US$4,900 million), up ¥47,156 million (10.0%) from the end of the previous fiscal year. Current assets rose ¥17,752 (10.2%) to ¥190,978 million (US$1,807 million). The main factors behind this were a ¥5,723 million increase in cash and cash equivalents due to fund raising for investment in Coral Bay Nickel Corporation and a ¥6,685 million increase in notes and accounts receivable due to higher metal prices.

Net property, plant and equipment stood at ¥190,897 million (US$1,807 million), up ¥21,524 million (12.7%) from the end of the previous fiscal year, due to the investment in Coral Bay Nickel Corporation mentioned above.

Investments and long-term receivables stood at ¥129,740 million (US$1,228 million), up ¥7,140 million (5.8%) from the end of the previous fiscal year. This is mainly attributable to a ¥16,897 million increase in investment securities due to higher market prices, although deferred tax assets decreased ¥12,105 million.

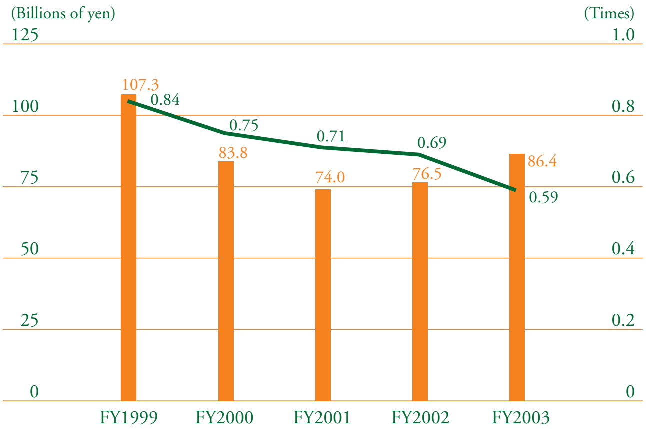
Meanwhile, current liabilities stood at ¥138,183 million (US$1,307 million), up ¥902 million (0.7%) from the end of the previous fiscal year. The current ratio increased from 126% in the previous fiscal year to 138%.

Long-term debts due after one year increased ¥9,967 million (13.0%) from the end of the previous fiscal year to ¥86,437 million (US$818 million), due to appropriations such as fund raising for the investment in Coral Bay Nickel Corporation mentioned above. As a result, total liabilities excluding minority interests stood at ¥256,265 million (US$2,425 million), up ¥14,829 million (6.1%).

Total shareholders' equity stood at ¥253,071 million (US$2,394 million), up ¥29,730 million (13.3%) from the end of the previous fiscal year. The increase in retained earnings due to the sharp turnaround in net income compared with the previous fiscal year and the increase in net unrealized holding gains on available-for-sale securities due to the higher market prices of investment securities were far larger than the decrease in foreign currency translation adjustment due to the strength of the yen mainly against the U.S. dollar.

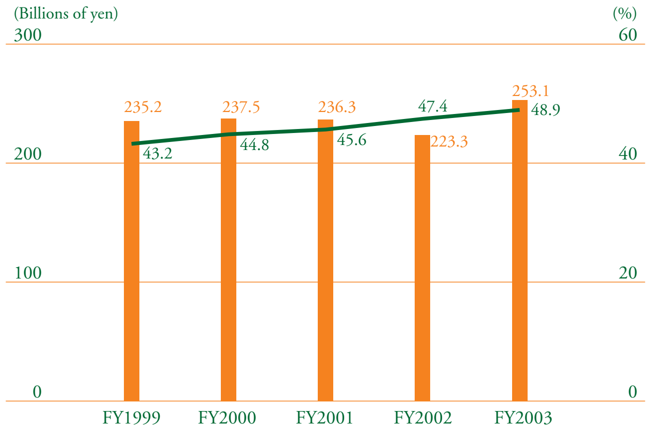
The equity ratio rose from 47.4% in the previous fiscal year to 48.9%.

Long-Term Debt Due After One Year



Debt to Equity Ratio (right)

Shareholders' Equity



Equity Ratio (right)

Consolidated Statement of Cash Flows

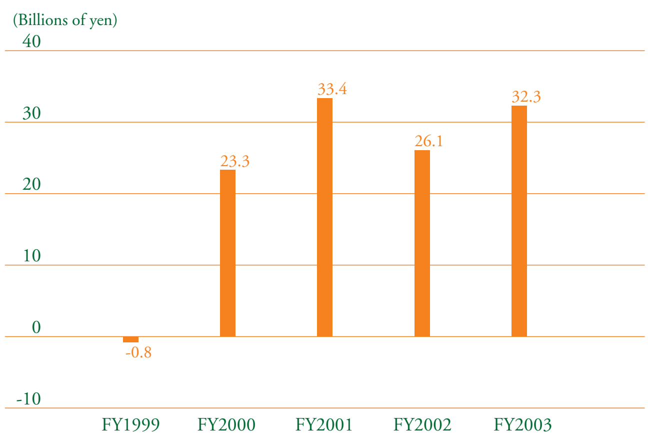
Net cash flows from operating activities in fiscal year 2003 improved ¥6,219 million from the previous fiscal year to ¥32,324 million (US$306 million), mainly due to the increase in consolidated operating income compared with the previous fiscal year.

Net cash flows from investing activities saw outflows decrease to ¥17,448 million (US$165 million) in fiscal year 2003 from ¥21,246 million in the previous fiscal year. This is mainly attributable to a ¥16,462 million increase from the previous fiscal year in proceeds from sale of investment securities, and a ¥4,551 million decrease in payments for purchase of subsidiaries securities, despite a ¥13,522 million increase from the previous fiscal year in payments for acquisition of property, plant and equipment.

Net cash flows from financing activities saw outflows decrease to ¥9,293 million (US$88 million) in fiscal year 2003 from ¥14,163 million in the previous fiscal year. This is mainly attributable to a ¥12,000 million decrease from the previous fiscal year in bond redemptions and an increase in long-term debts, despite an increase in payments such as short-term debt repayment and commercial paper redemption.

As a result of the above, including the effect of foreign exchange rate fluctuations and consolidated subsidiary changes, the year-end balance of cash and cash equivalents was ¥19,304 million (US$183 million), up ¥5,723 million from the beginning of the year.

Net Cash Flows from Operating Activities



Risk Information

The following types of information contained in this report concerning the Group's businesses and management may substantially affect the investor's judgment.

1) Changes in Financial Position and Business Performance

Non-Ferrous Metal Prices

The prices of non-ferrous metals such as copper, nickel, and gold are determined by the London Metal Exchange (LME) and other international markets (the prices determined by these markets are hereinafter referred to as LME and other market rates). The prices in these markets are affected by the global balance of supply and demand, diverse political and economic conditions, and speculative transactions, as well as by the availability and cost-competitiveness of substitute materials. Any significant and sustained decline in the prices of metals such as copper, nickel, and gold due to these factors may cause serious deterioration in the Group's financial position and business performance.

Foreign Exchange Rates

The prices of imported raw materials such as copper concentrate and nickel matte are determined according to the U.S. dollar-denominated LME and other market rates. This is also true of the sales prices of metals in Japan. For this reason, the Group's smelting margins are effectively denominated in U.S. dollars. The revenue generated by our investments in overseas mines and electronics materials businesses and by exports of electronics materials products is also denominated in foreign currencies. Any large and sustained impact of a strong yen on exchanges rates may therefore cause serious deterioration in the Group's financial position and business performance.

2) Non-Ferrous Metal Raw Materials: Purchase Contract Terms and Supply

The Group intends to increase the proportion of non-ferrous metal raw materials such as copper concentrate and nickel matte that it procures from producers in which it has an equity stake (referred to below as "in-house ore ratio"). Currently, however, we procure most of these raw materials through long-term ore-purchasing contracts with third parties.

Although these contracts' terms for purchasing raw materials are renegotiated annually, it is not always possible to purchase the required amounts at reasonable prices due to a variety of market factors. Moreover, as product prices are largely determined by factors directly related to the non-ferrous metals themselves such as supply and demand, it is generally difficult to shift deterioration in raw material purchasing terms to product prices.

In addition, raw material supply can be delayed or suspended due to uncontrollable factors such as bad weather, major earthquakes, operational accidents, and labor disputes. Any constraint on the Group's production due to these factors may impact its financial position and business performance.

3) Uncertainties of Mining Investment

Despite the Group's aforementioned policy of investing in mines in order to boost the in-house ore ratio, however, minable reserves and mining costs may prove to differ from prospecting-based estimates, impairing the expected return on investment. In mine development, a variety of factors including environmental administration procedures may delay the start of production and increase development costs. Additional investment or higher mining costs resulting from these uncertainties inherent in mining investment may impact the Group's financial position and business performance.

4) Environmental Protection Compliance

The environmental laws of Japan and other countries have a significant impact on how the Group, and the Mineral Resources and Metals segments in particular, conducts its business. These environmental laws can require a business to pay compensation whether or not it was at fault and to pay to maintain and manage mines after they have been closed down. In addition, mine development and mine operations are subject to a broad range of laws including those regulating worker safety, worker hygiene, environmental protection, prevention of pollution caused by mining, mine waste product processing, and toxic substance management. The mining business also bears the risks and liabilities associated with environmental pollution and mine waste products. The substantial costs and potential liabilities of running a mining business in compliance with these laws can push the necessary expenditure above provisioned amounts.

5) Market Volatility, New Product Development, and Intellectual Property Protection

The markets targeted by the Group's Electronics Materials and Advanced Materials segment are characterized by rapid changes in technologies used, customer requirements, and product life cycles on the one hand, and the need for large investments of funds and human resources due to the longer time required to develop new products on the other. In addition, when an existing product is outmoded by technological advances, when the new product fails to meet changing customer requirements, and when a competitor launches a similar product first, returns on the investment may fall short of plan. In the Electronics Materials and Advanced Materials segment in particular, therefore, problems with predicting and dealing with technological advances and changes, meeting customer requirements, and launching new products can cause serious deterioration in the Group's financial position and business performance.

The sales volumes of the Electronics Materials and Advanced Materials segment's main products depend on the levels at which our clients produce mobile phones, personal computers, home appliances, and other products and vary according to factors such as cyclical changes in demand for the clients' products, technological innovation, and general economic trends. Any future decline in demand for products due to these factors can impact the Group's financial position and business performance.

Recognizing the importance of acquiring and managing intellectual property rights, the Group takes all the legal measures required for claiming and protecting them. As it is not always possible to establish secure measures to protect intellectual property rights, however, disputes with third parties and unauthorized implementations by third parties can threaten our benefiting from the results of our research and development.

6) International Operations

The Group is developing its businesses internationally by locating production bases and seeking markets for its products overseas. These overseas activities are subject to political and economic risks in each country, including 1) political instability, 2) changes in laws and regulations governing the environment, labor, taxes, currency exchange, and trade, 3) limited legal protection of intellectual property rights or inadequate enforcement, 4) foreign exchange volatility, and 5) confiscation or nationalization of assets. Any of these could prevent the Group from achieving a return on its investment.

Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

Years ended March 31	2004	2003	2002	2001
For the Year:				
Net sales	¥402,131	¥355,242	¥330,194	¥375,352
Gross profit	53,714	51,764	38,152	63,372
Operating income	22,778	16,593	1,147	26,930
Other income (expenses)	8,416	(24,098)	(13,735)	(11,359)
Income (loss) before income taxes	31,194	(7,505)	(12,588)	15,571
Net income (loss)	19,882	(1,172)	(6,611)	15,103
Net cash flows from operating activities	32,324	26,105	33,370	23,339
Capital expenditures	46,540	18,927	25,379	28,078
Depreciation	17,824	18,283	17,822	16,774
At Year-End:				
Total assets	517,930	470,774	518,756	530,080
Shareholders' equity	253,071	223,341	236,313	237,470
Long-term debt due after one year	86,437	76,470	73,972	83,839
Interest-bearing debt	148,351	154,799	167,077	176,998
Working capital	52,795	35,945	23,371	33,259
Per Share (Yen):				
Net income (loss)	34.76	(2.05)	(11.56)	26.41
Shareholders' equity	443.29	391.14	413.28	415.25
Cash dividends	6.0	5.0	4.0	6.0
Ratios:				
ROA (%)	4.02	—	—	2.81
ROE (%)	8.35	—	—	6.39
Equity ratio (%)	48.9	47.4	45.6	44.8
Interest-bearing debt to total asset ratio (%)	28.6	32.9	32.2	33.4
Debt to equity ratio (times)	0.59	0.69	0.71	0.75
Current ratio (times)	1.38	1.26	1.14	1.20

Millions of yen (unless otherwise specified)

2000	1999	1998	1997	1996	1995	1994
¥360,299	¥350,288	¥431,950	¥525,076	¥511,887	¥464,843	¥446,712
45,061	41,190	62,641	57,836	55,904	40,262	28,914
8,990	858	24,622	21,665	19,947	5,169	(3,934)
(4,342)	(12,932)	(3,605)	(4,294)	(7,553)	(2,384)	3,543
4,648	(12,074)	16,876	14,617	12,394	2,785	(391)
4,740	(12,495)	10,157	12,884	10,683	1,292	1,902
(800)	22,912	43,056	43,135	6,100	721	17,780
20,490	32,499	27,968	24,730	25,722	—	—
16,611	23,095	21,638	20,702	19,889	20,917	20,522
544,121	544,519	566,088	586,948	624,419	591,446	594,982
235,231	226,795	243,436	238,056	225,296	205,940	210,902
107,266	124,535	82,356	117,021	171,596	197,884	228,255
197,624	207,821	201,515	224,736	285,871	277,289	281,073
38,910	50,518	26,529	62,726	104,854	101,110	131,644
8.29	(21.85)	17.77	22.65	19.18	2.32	3.49
411.34	396.59	425.68	417.20	398.35	370.17	379.32
5.0	3.0	6.0	6.0	6.0	5.0	5.0
0.87	—	1.76	2.13	1.76	0.22	0.31
2.05	—	4.22	5.56	4.95	0.62	0.97
43.2	41.7	43.0	40.6	36.1	34.8	35.4
36.3	38.2	35.6	38.3	45.8	46.9	47.2
0.84	0.92	0.83	0.94	1.27	1.35	1.33
1.23	1.31	1.13	1.31	1.53	1.63	2.02

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

ASSETS	Millions of yen		Thousands of U.S. dollars (Note1)
As of March 31, 2004 and 2003	**2004**	2003	**2004**
Current assets:			
Cash and cash equivalents	**¥ 19,304**	¥ 13,581	**$ 182,647**
Time deposits	**449**	448	**4,248**
Receivables:			
Notes and accounts receivable (Notes 6):			
Trade	**64,198**	57,513	**607,418**
Non-consolidated subsidiaries and affiliated companies	**2,013**	2,135	**19,046**
Loans and others:			
Non-consolidated subsidiaries and affiliated companies	**8,395**	5,770	**79,431**
Other	**9,021**	4,480	**85,353**
Allowance for doubtful accounts	**(1,219)**	(1,139)	**(11,534)**
Inventories (Note 5)	**65,004**	68,004	**615,044**
Deferred tax assets (Note 7)	**4,431**	7,035	**41,925**
Other current assets	**19,382**	15,399	**183,386**
Total current assets	**190,978**	173,226	**1,806,964**
Investments and long-term receivables:			
Investment securities (Notes 3 and 6):			
Non-consolidated subsidiaries and affiliated companies	**64,938**	66,035	**614,420**
Other	**61,371**	42,169	**580,670**
Allowance for loss on investments	**(555)**	(1,369)	**(5,251)**
Loans:			
Non-consolidated subsidiaries and affiliated companies	**203**	303	**1,921**
Other	**711**	825	**6,727**
Other long-term receivables	**2,904**	3,408	**27,476**
Allowance for doubtful accounts	**(474)**	(1,518)	**(4,485)**
	129,098	109,853	**1,221,478**
Property, plant and equipment (Note 6):			
Land	**30,780**	31,292	**291,229**
Buildings and structures	**124,390**	127,428	**1,176,933**
Machinery and equipment	**265,125**	259,809	**2,508,515**
Construction in progress	**22,066**	4,289	**208,780**
	442,361	422,818	**4,185,457**
Accumulated depreciation	**(251,464)**	(253,445)	**(2,379,260)**
Net property, plant and equipment	**190,897**	169,373	**1,806,197**
Deferred tax assets (Note 7)	**642**	12,747	**6,074**
Other assets	**6,315**	5,575	**59,751**
	¥ 517,930	¥ 470,774	**$ 4,900,464**

The accompanying notes are an integral part of those balance sheets.

LIABILITIES AND SHAREHOLDERS' EQUITY

As of March 31, 2004 and 2003	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note1) 2004
Current liabilities:			
Bank loans (Note 6)	**¥43,798**	¥55,548	**$ 414,401**
Long-term debt due within one year (Note 6)	**18,116**	19,781	**171,407**
Commercial paper	**—**	3,000	**—**
Notes and accounts payable:			
Trade	**34,630**	27,143	**327,656**
Non-consolidated subsidiaries and affiliated companies	**2,767**	1,333	**26,180**
Other	**12,339**	4,002	**116,747**
Accrued income taxes (Note 7)	**1,298**	1,163	**12,281**
Accrued expenses	**3,713**	4,759	**35,131**
Advances received	**1,888**	1,595	**17,864**
Accrued restructuring charges	**800**	—	**7,569**
Deferred tax liabilities (Note 7)	**54**	72	**511**
Other current liabilities	**18,780**	18,885	**177,690**
Total current liabilities	**138,183**	137,281	**1,307,437**
Long-term debt (Note 6)	**86,437**	76,470	**817,835**
Deferred tax liabilities (Note 7)	**8,545**	1,237	**80,850**
Accrued retirement benefits (Note 8)	**15,034**	14,605	**142,246**
Accrued restructuring charges	**220**	936	**2,082**
Accrued indemnification loss on damages caused by a consolidated subsidiary	**1,053**	1,068	**9,963**
Accrued liquidation loss of subsidiaries	**4,018**	2,793	**38,017**
Other accruals	**511**	449	**4,835**
Other long-term liabilities	**2,264**	6,597	**21,421**
Total long-term liabilities	**118,082**	104,155	**1,117,249**
Minority interest	**8,594**	5,997	**81,313**
Contingent liabilities (Note 12)			
Shareholders' equity (Note 11):			
Common stock			
Authorized - 1,000,000,000 shares			
Issued - 571,872,794 shares	**88,355**	88,355	**835,983**
Capital Surplus	**81,187**	81,184	**768,162**
Retained earnings (Note 10)	**81,210**	64,183	**768,379**
Net unrealized holding gain (loss) on available-for-sale securities	**16,111**	(2,217)	**152,436**
Foreign currency translation adjustment	**(13,267)**	(7,763)	**(125,528)**
Treasury stock, at cost	**(525)**	(401)	**(4,967)**
Total shareholders' equity	**253,071**	223,341	**2,394,465**
	¥517,930	¥470,774	**$4,900,464**

Consolidated Statements of Operations

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

	Millions of yen			Thousands of U.S. dollars (Note1)
Years ended March 31, 2004, 2003 and 2002	2004	2003	2002	2004
Net sales (Note 13)	¥402,131	¥355,242	¥330,194	$3,804,816
Costs and expenses (Note 13):				
Cost of sales	348,417	303,478	292,042	3,296,594
Selling, general and administrative (Note 9)	30,936	35,171	37,005	292,705
	379,353	338,649	329,047	3,589,299
Operating income (Note 13)	22,778	16,593	1,147	215,517
Other income (expenses):				
Interest and dividend income	1,023	1,074	1,700	9,679
Interest expense	(2,121)	(2,533)	(3,475)	(20,068)
Gain on sale of investment securities	4,848	108	958	45,870
Write-down of investment securities	(998)	(17,247)	(8,431)	(9,443)
Write-down of subsidiary securities	—	—	(335)	—
Gain (Loss) on sale and disposal of property, plant and equipment	1,746	(766)	3,370	16,520
Gain on securities contributed to employee retirement benefits trust	—	1,845	—	—
Loss on liquidation of subsidiaries	(1,131)	—	(1,341)	(10,701)
Reversal of allowance (provision) for doubtful account	710	(851)	(510)	6,718
Reversal of allowance (provision) for loss on investments	271	(301)	(424)	2,564
Exchange gain (loss)	(642)	(838)	319	(6,074)
Restructuring charges	(790)	(3,613)	(857)	(7,475)
Loss from realignment of operations	(720)	(225)	(3,434)	(6,812)
Maintenance cost for ceased projects	(745)	—	—	(7,049)
Loss from suspension of operating activity of a consolidated subsidiary	—	(990)	(1,144)	—
Loss from disposal of inventories	—	(398)	(777)	—
Write-off of obsolete inventories	—	(1,391)	—	—
Casualty loss	(108)	—	(442)	(1,022)
Loss on sales of securities of an affiliated company	(360)	(465)	—	(3,406)
Gain from valuation of derivative instruments	1,280	240	25	12,111
Amortization of consolidation difference	32	49	129	303
Equity in earnings of affiliated companies	7,112	3,400	1,535	67,291
Other, net	(991)	(1,196)	(601)	(9,377)
	8,416	(24,098)	(13,735)	79,629
Income (Loss) before income taxes and minority interests	31,194	(7,505)	(12,588)	295,146
Income taxes (Note 7):				
Current	1,330	329	437	12,584
Deferred	9,400	(6,755)	(5,968)	88,939
	10,730	(6,426)	(5,531)	101,523
	20,464	(1,079)	(7,057)	193,623
Minority interests in net income (loss) of consolidated subsidiaries	(582)	(93)	446	(5,507)
Net income (loss)	¥ 19,882	¥ (1,172)	¥ (6,611)	$ 188,116

	yen			U.S. dollars (Note1)
Amounts per share of common stock:				
Net income (loss)	¥ 34.76	¥ (2.05)	¥ (11.56)	$ 0.33
Cash dividends applicable to the year	6.00	5.00	4.00	0.06

The accompanying notes are an integral part of those statements.

Consolidated Statements of Shareholders' Equity

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

Years ended March 31, 2004, 2003 and 2002	Shares of common stock (thousands)	Common stock	Capital Surplus	Retained earnings	Net unrealized holding gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
							Millions of yen
Balance at March 31, 2001	571,873	¥88,355	¥81,184	¥77,937	¥ (48)	¥ (9,956)	¥ (2)
Decrease due to change in consolidation of subsidiaries				(39)			
Net loss				(6,611)			
Adjustments from translation of foreign currency financial statements						6,565	
Adoption of new accounting standard for financial instruments					2,392		
Treasury stock							(33)
Cash dividends paid (¥6.00 per share)				(3,431)			
Balance at March 31, 2002	571,873	88,355	81,184	67,856	2,344	(3,391)	(35)
Increase due to merger of non-consolidated subsidiaries				164			
Decrease due to change in consolidation of subsidiaries				(378)			
Net loss				(1,172)			
Adjustments from translation of foreign currency financial statements						(4,372)	
Adjustments for unrealized losses on securities					(4,561)		
Treasury stock							(366)
Cash dividends paid (¥4.00 per share)				(2,287)			
Balance at March 31, 2003	571,873	¥88,355	¥81,184	¥64,183	¥ (2,217)	¥(7,763)	¥(401)
Net income				19,882			
Adjustments from translation of foreign currency financial statements						(5,504)	
Adjustments for unrealized gains on securities					18,328		
Treasury stock							(124)
Gain on sale of treasury stock			3				
Cash dividends paid (¥5.00 per share)				(2,855)			
Balance at March 31, 2004	**571,873**	**¥88,355**	**¥81,187**	**¥81,210**	**¥16,111**	**¥(13,267)**	**¥(525)**

Years ended March 31, 2004, 2003 and 2002	Common stock	Capital Surplus	Retained earnings	Net unrealized holding gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
						Thousands of U.S. dollars (Note 1)
Balance at March 31, 2003	$835,983	$768,133	$607,276	$(20,976)	$ (73,451)	$(3,794)
Net income			188,116			
Adjustments from translation of foreign currency financial statements					(52,077)	
Adjustments for unrealized gains on securities				173,412		
Treasury stock						(1,173)
Gain on sale of treasury stock		29				
Cash dividends paid ($0.05per share)			(27,013)			
Balance at March 31, 2004	**$835,983**	**$768,162**	**$768,379**	**$152,436**	**$(125,528)**	**$(4,967)**

The accompanying notes are an integral part of those statements.

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

Years ended March 31, 2004, 2003 and 2002	Millions of yen 2004	2003	2002	Thousands of U.S. dollars (Note1) 2004
Cash flows from operating activities:				
Income (Loss) before income taxes and minority interests	¥ 31,194	¥ (7,505)	¥(12,588)	$ 295,146
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	17,824	18,283	17,822	168,644
Loss (Gain) on sale and disposal of property, plant and equipment	(1,746)	766	(3,370)	(16,520)
Gain on sale of investment securities	(4,848)	(108)	(958)	(45,870)
Write-down of investment securities	998	17,247	8,431	9,443
Write-down of subsidiary securities	—	301	1,403	—
Decrease in allowance for loss on investments	(814)	—	—	(7,702)
Loss on sales of securities of an affiliated company	360	465	—	3,406
Provision for (Reversal of) doubtful accounts	(886)	485	(1,338)	(8,383)
Increase (Decrease) in retirement benefits	368	(658)	1,180	3,482
Interest and dividend income	(1,023)	(1,074)	(1,700)	(9,679)
Interest expense	2,121	2,533	3,475	20,068
Equity in earnings of affiliated companies	(7,112)	(3,400)	(1,535)	(67,291)
Loss from realignment of operations	720	90	3,434	6,812
Restructuring charges	—	3,042	315	—
Gain on securities contributed to employee retirement benefits trust	—	(1,845)	—	—
Casualty loss	108	—	442	1,022
Loss from indemnification of damages caused by a consolidated subsidiary	7	233	247	66
Maintenance cost for ceased projects	745	—	—	7,049
Loss from suspension of operating activity of a consolidated subsidiary	—	990	1,144	—
Loss on liquidation of subsidiaries	1,225	1,069	2,280	11,591
Decrease (Increase) in trade receivables	(7,363)	4,269	17,018	(69,666)
Decrease (Increase) in inventories	2,632	9,387	(3,280)	24,903
Increase (Decrease) in trade payables	8,288	(3,769)	3,249	78,418
Others	(7,900)	(9,264)	1,877	(74,747)
Sub total	34,898	31,537	37,548	330,192
Interest and dividend received	2,206	2,338	3,001	20,873
Interest paid	(2,177)	(2,633)	(3,649)	(20,598)
Payments for additional retirement benefits by realignment of operations	(632)	(3,198)	(326)	(5,980)
Payments for maintenance costs for ceased project	(717)	—	—	(6,784)
Payments for suspension of operating activity in a consolidated subsidiary	—	(962)	(1,075)	—
Payments for restructuring charges	—	(201)	(315)	—
Payments for recovery costs	(108)	—	(442)	(1,022)
Payments for indemnification of damages caused by a consolidated subsidiary	(7)	(233)	(247)	(66)
Payments for income taxes	(1,139)	(460)	(905)	(10,777)
Other	—	(83)	(220)	—
Net cash provided by operating activities	32,324	26,105	33,370	305,838
Cash flows from investing activities:				
Proceeds from sale of marketable securities	—	—	53	—
Payments for acquisition of property, plant and equipment	(35,245)	(21,723)	(26,778)	(333,475)
Proceeds from sale of property, plant and equipment	4,848	5,715	5,080	45,870
Payments for purchases of investment securities	(2,046)	(60)	(456)	(19,359)
Payments for purchase of subsidiaries securities	—	(4,566)	(265)	—
Proceeds from sale of investment securities	18,438	1,976	4,198	174,454
Increase in loans receivable	(3,224)	(3,381)	(2,633)	(30,504)
Collection of loans receivable	1,392	648	4,894	13,171
Other	(1,611)	145	(339)	(15,244)
Net cash used in investing activities	(17,448)	(21,246)	(16,246)	(165,087)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	17,180	12,875	12,264	162,551
Repayments of long-term debt	(9,818)	(8,367)	(11,134)	(92,894)
Net decrease in bank loans	(10,529)	(7,393)	(1,807)	(99,622)
Net increase (decrease) in commercial paper	(3,000)	3,000	(2,500)	(28,385)
Payments for redemption of bonds	(10,000)	(22,000)	(18,000)	(94,616)
Proceeds from issuance of bonds	10,000	10,000	10,000	94,616
Increase in treasury stocks	(124)	(366)	(33)	(1,173)
Cash dividends paid	(2,855)	(2,287)	(3,434)	(27,013)
Other	(147)	375	377	(1,391)
Net cash used in financing activities	(9,293)	(14,163)	(14,267)	(87,927)
Effect of changes in exchange rate on cash and cash equivalents	(772)	(58)	686	(7,304)
Net increase (decrease) in cash and cash equivalents	4,811	(9,362)	3,543	45,520
Cash and cash equivalents at beginning of fiscal year	13,581	22,763	18,806	128,498
Increase in cash due to a newly consolidated subsidiary	1,299	55	414	12,291
Increase in cash and cash equivalents due to merger of non-consolidated subsidiaries	—	125	—	—
Other decrease in cash and cash equivalents	(387)	—	—	(3,662)
Cash and cash equivalents at end of fiscal year	¥ 19,304	¥ 13,581	¥ 22,763	$ 182,647

The accompanying notes are an integral part of those statements.

Notes to Consolidated Financial Statements

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements 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 ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2004, which was ¥105.69 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

Consolidation — The consolidated financial statements include the accounts of the Company and its significant subsidiaries (40 subsidiaries in 2004 and 39 in 2003 and 2002). All significant intercompany balances and transactions have been eliminated. Investments in significant affiliated companies (6 affiliated companies in 2004 and 2003 and 5 affiliated companies in 2002) are accounted for using the equity method. Investments in material non-consolidated subsidiaries and affiliates over which the Company has the ability to exercises significant influence over operating and financial policies of the investees, are accounted for by the equity method.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The consolidation difference between the cost of an investment and the underlying equity in its net assets at the date of acquisition is being amortized over five years with minor exceptions.

Accounting standard for impairment of fixed assets — In the year ended March 31, 2004, the Company did not adopt early the new accounting standard for impairment of fixed Assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The Company plans to adopt these standards effective April 1, 2004. The Company has begun its analysis of possible impairment of fixed assets. The Company cannot currently estimate the effect of adoption of the new standard, because the Company has not yet completed its analysis.

Cash and cash equivalents and cash flow statements — For the purpose of the consolidated statements of cash flows, the Company and its consolidated subsidiaries classify cash on hand, readily-available bank deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase as cash and cash equivalents.

Allowance for doubtful accounts — The Company and its consolidated domestic subsidiaries provide a general allowance for doubtful accounts. Calculation of this allowance is based on actual collection losses incurred in the past. Additionally, for accounts receivable considered at risk (bankruptcy, companies under rehabilitation plan, or other similar conditions), an allowance is booked based on an estimation of the uncollectible amount, on a case by case basis.

Investment securities — Securities are classified into two categories based on the intent of holding; available-for-sale securities and securities issued by non-consolidated subsidiaries and affiliated companies.

Available-for-sale securities with available fair values are stated at the fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Other available-for-sale securities with no available fair values are stated at moving-average method. Securities issued by non-consolidated subsidiaries and affiliated companies are stated at moving-average costs.

Derivatives and hedge accounting — Derivative instruments are stated at fair value. Changes in the fair values are recognized as gains and losses unless derivative transactions are used for hedging purposes.

If derivative transactions are used as hedges and meet certain hedging criteria, the Company and its domestic consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative transactions until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
   (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company evaluates hedge effectiveness monthly by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

Foreign currency translation — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for shareholders' equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

Inventories —

(1) Merchandise, finished products, semi-finished products, work in process and raw materials - Merchandise, finished products, semi-finished products, work in process and raw materials of precious metals and of electronics materials are stated at cost based on the first-in, first-out (FIFO) method. Others are stated at cost based on the last-in, first-out (LIFO) method.

(2) Supplies - Supplies are stated at the weighted-average cost.

Property, plant and equipment — Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the straight-line method, based on the estimated useful lives of the assets. The depreciation period generally ranges from 3 years to 50 years for buildings and structures and 5 years to 17 years for machinery and equipment.

Retirement benefits — Under the terms of the Company's retirement plan, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of retirement benefits is, in general, based on the length of service, base salary at the time of retirement or severance and the cause thereof.

The Company and certain consolidated domestic subsidiaries also have a non-contributory funded pension plan, which covers substantially all employees.

The Company may make payments for additional retirement benefits for employees which payments have not been included in the actuarial calculation of the projected benefit obligation.

The Company and its consolidated domestic subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2004, 2003 and 2002 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of ten years commencing with the following period.

Accrued retirement benefits in the consolidated balance sheets also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors.

Research and development — Research and development costs are charged to income as incurred.

Bond issue expense — Bond issue expense is charged to income as incurred.

Accounting for certain lease transactions — Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

Income taxes — The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

Sales — Sales of merchandise and finished products are recognized when the products are shipped to customers.

Bonuses to directors and corporate auditors — Bonuses to directors and corporate auditors, which are subject to shareholders' approval at the annual shareholders' meeting under the Commercial Code of Japan, are accounted for as an appropriation of retained earnings.

Earnings per share — Effective April 1, 2002, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No.2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No.4, "Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

The adoption of the new accounting standard had no impact on the consolidated financial statements.

Amounts per share of common stock — Net income per share is computed based on the weighted-average number of shares of common stock in issue during each fiscal year. Cash dividends per share represent the actual amount applicable to the respective fiscal year.

Reclassifications — Certain prior year amounts have been reclassified to conform to the 2004 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Securities

(1) The following tables summarize acquisition costs, book values and fair value of available-for-sale securities with available fair values as of March 31, 2004 and 2003.

Securities with book values exceeding acquisition costs

						Millions of yen
			2004			2003
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥25,534**	**¥52,588**	**¥27,054**	¥10,258	¥12,846	¥2,588
Others	**50**	**78**	**28**	—	—	—
Total	**¥25,584**	**¥52,666**	**¥27,082**	¥10,258	¥12,846	¥2,588

			Thousands of U.S. dollars
			2004
	Acquisition cost	Book value	Difference
Equity securities	**$241,593**	**$497,568**	**$255,975**
Bonds	**473**	**738**	**265**
Total	**$242,066**	**$498,306**	**$256,240**

Securities with book values not exceeding acquisition costs

	Millions of yen					
			2004			2003
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥1,263**	**¥1,168**	**¥(95)**	¥29,891	¥23,452	¥(6,439)
Others	**—**	**—**	**—**	50	50	—
Total	**¥1,263**	**¥1,168**	**¥(95)**	¥29,941	¥23,502	¥(6,439)

	Thousands of U.S. dollars		
			2004
	Acquisition cost	Book value	Difference
Equity securities	**$11,950**	**$11,051**	**$(899)**
Others	**—**	**—**	**—**
Total	**$11,950**	**$11,051**	**$(899)**

(2) The following tables summarize book values of the securities with no available fair values as of March 31, 2004 and 2003:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Unlisted equity securities	**¥6,620**	¥ 5,643	**$62,636**

(3) Available-for-sale securities with maturities as of March 31, 2004 and 2003 are as follows:

As of March 31,2004				Millions of yen
	Within one year	Over one year but within five years	Over five years but within ten years	Total
Mutual funds	**¥—**	**¥78**	**¥—**	**¥78**

As of March 31,2004				Thousands of U.S. dollars
	Within one year	Over one year but within five years	Over five years but within ten years	Total
Mutual funds	**$—**	**$738**	**$—**	**$738**

As of March 31, 2003				Millions of yen
	Within one year	Over one year but within five years	Over five years but within ten years	Total
Mutual funds	¥—	¥50	¥—	¥50

(4) Total sales of available-for-sale securities sold in the year ended March 31, 2004 amounted to ¥18,438 million ($174,454 thousand) and the related gains amounted to ¥4,848 million ($45,870 thousand). No losses were recognized in the year ended March 31, 2004.

Total sales of available-for-sale securities sold in the year ended March 31, 2003 amounted to ¥1,976 million and the related gains and losses amounted to ¥373 million and ¥265 million, respectively.

4. Derivative transactions

Status of derivative transactions — The Company and its consolidated subsidiaries utilize derivative transactions in order to hedge various risks, such as fluctuation of metal prices, exchange rates and interest rates, in the normal course of business; such as futures contracts for hedging fluctuation of international price of metals, forward foreign exchange contracts and currency swaps for hedging fluctuation of exchange rates, and interest swaps for hedging fluctuation of interests of floating-rate bonds and term loans payable.

Derivative transactions of the Company and its consolidated subsidiaries cause market risk and credit risk. Market risk is the potential loss the Company and its consolidated subsidiaries may incur as a result of changes in the market value. The Company's and its consolidated subsidiaries' exposure to market risk are determined by a number of factors, including fluctuation of market prices, exchange rates and interest rates. Credit risk is the potential loss the Company and its consolidated subsidiaries could incur if the counterparties made default on their obligation. The derivative transactions are solely made with highly rated financial institutions, their subsidiaries or LME brokers guaranteed by banks, so that the Company and its consolidated subsidiaries might reduce the risk of default on an obligation.

Each department of the Company and its consolidated subsidiaries involving derivative transactions have their own rules for derivative transactions which stipulate purposes and scope of using derivatives, standards for choosing transaction counterparties, and procedures of reporting and administration. The derivative transactions are subject to approval by the General Manager of the department in charge after consulting with related departments. Based on these rules, the person in charge sets up the position. Then, the results are reported to the Directors monthly.

The derivative positions are confirmed semi-annually with the transaction counterparties. Also, the internal audit department of the Company regularly examines derivative transactions.

The Company and its consolidated subsidiaries are not exposed to market risk arising from commodity derivative transactions, because the risk of fluctuation of market prices, that is caused by time lag between purchase and sale of materials and products, is hedged by the corresponding future contracts. The Company and its consolidated subsidiaries also utilize currency derivative transactions to hedge market risk of exchange rates or interest rates. Taking receivables and payables denominated in foreign currencies into account, the Company and its consolidated subsidiaries are not exposed to market risk.

The following tables summarize market value information as of March 31, 2004 and 2003 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen							
	2004				2003			
	Contracted amount				Contracted amount			
	Total	Over one year	Market value	Recognized gains (losses)	Total	Over one year	Market value	Recognized gains (losses)
Currency:								
Forward contracts:								
Sell position—U.S. dollars	¥ 70	¥—	¥ 68	¥ 2	¥ 36	¥—	¥ 37	¥ (1)
Buy position—U.S. dollars	4,110	—	4,003	(107)	2,988	—	3,010	22
	¥ 4,180	¥—	¥ —	¥ (105)	¥3,024	¥—	¥ —	¥ 21
Commodity:								
Forward contracts:								
Sell position—Metal	¥ —	¥—	¥ —	¥ —	¥5,377	¥—	¥5,154	¥223
Buy position—Metal	10,069	—	11,382	1,313	391	—	386	(5)
Call option contracts:								
Buy position—Metal	34	—	325	291	—	—	—	—
	¥10,103	¥—	¥ —	¥1,604	¥5,768	¥—	¥ —	¥218

	Thousands of U.S. dollars			
	2004			
	Contracted amount			
	Total	Over one year	Market value	Recognized gains (losses)
Currency:				
Forward contracts:				
Sell position—U.S. dollars	$ 662	$—	$ 643	$ 19
Buy position—U.S. dollars	38,887	—	37,875	(1,012)
	$39,549	$—	$ —	$ (993)
Commodity:				
Forward contracts:				
Sell position—Metal	$ —	$ —	$ —	$ —
Buy position—Metal	95,269	—	107,692	12,423
Call option contracts:				
Buy position—Metal	322	—	3,075	2,753
	$95,591	$—	$ —	$15,176

5. Inventories

Inventories at March 31, 2004 and 2003 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Merchandise	¥ 1,902	¥ 780	$ 17,996
Finished products	17,715	17,330	167,613
Semi-finished products and work in process	24,646	32,349	233,191
Raw materials and supplies	20,741	17,545	196,244
	¥65,004	¥68,004	$615,044

6. Bank loans and long-term debt

Bank loans are generally represented by short-term notes (most of which are unsecured) and bank overdrafts, and bore interest at annual rates of 0.53% to 6.27% and 0.54% to 5.81% at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Long-term loans from:			
Banks, insurance companies and other financial institutions, maturing through 2015 at interest rates of 0.69% to 7.79%:			
Secured	**¥ 83**	¥ 3,798	**$ 786**
Unsecured	**35,188**	27,654	**332,936**
Government owned banks and government agencies, maturing through 2017 at interest rates of 1.00% to 7.04%:			
Secured	**5,017**	8,659	**47,469**
Unsecured	**8,265**	140	**78,201**
2.2% domestic bonds due in 2004	**6,000**	6,000	**56,770**
2.225% domestic bonds due in 2004	**10,000**	10,000	**94,616**
2.0% domestic bonds due in 2005	**10,000**	10,000	**94,616**
1.6% domestic bonds due in 2003	**—**	10,000	**—**
0.88% domestic bonds due in 2006	**10,000**	10,000	**94,616**
1.08% domestic bonds due in 2007	**10,000**	10,000	**94,616**
0.51% domestic bonds due in 2008	**10,000**	—	**94,616**
	104,553	96,251	**989,242**
Amount due within one year	**(18,116)**	(19,781)	**(171,407)**
	¥ 86,437	¥ 76,470	**$ 817,835**

The 1.6% domestic bond was redeemed during the year ended March 31, 2004.

The aggregate annual maturities of long-term debt at March 31, 2004 is as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥18,116	$171,407
2006	14,120	133,598
2007	28,133	266,184
2008	22,370	211,657
2009	12,786	120,976
Thereafter	9,028	85,420

Assets pledged as collateral for bank loans and long-term debt at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Notes and accounts receivable			
Trade	**¥ —**	¥ 841	**$ —**
Investment securities			
Subsidiaries	**131**	131	**1,240**
Other	**12,906**	6,394	**122,112**
Property, plant and equipment, at net book value	**49,750**	38,641	**470,716**
	¥62,787	¥46,007	**$594,068**

7. Income taxes

Income taxes in the accompanying consolidated statements of operations comprise corporation tax, inhabitants taxes and enterprise tax. The aggregate statutory tax rate in Japan was approximately 42.05% for the years ended March 31, 2004, 2003 and 2002.

In terms of calculation of deferred tax assets and liabilities as of March 31, 2004, the Company and its consolidated domestic subsidiaries used the aggregate statutory tax rate of 40.69% since the income tax rates for enterprise taxes will be reduced as a result of revision of the Japanese local tax law effective from the year commencing on April 1, 2004.

Consolidated overseas subsidiaries are subject to income taxes of the countries in which they domicile.

The following table summarizes the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for financial statement purposes for the year ended March 31, 2004:

	2004
Statutory tax rate	42.1%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(9.6)
Effect of elimination of intercompany dividends received	2.6
Difference in tax rates among the Company and its consolidated subsidiaries	(1.0)
Permanently nondeductible expenses	0.6
Permanently nontaxable dividends received	(1.5)
Per capita inhabitant tax	0.4
Increase in valuation allowance	0.6
Others	0.2
Effective tax rate	34.4%

The Company has not disclosed the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for the years ended March 31, 2003 and 2002, because it has incurred a loss before income taxes and minority interests.

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Net operating loss carry forwards	¥ 9,029	¥19,595	$ 85,429
Retirement benefits	8,079	7,113	76,440
Net unrealized holding loss on available-for-sale securities	—	1,508	—
Allowance for bonus payable	1,144	1,312	10,824
Depreciation	190	1,169	1,798
Accrued liquidation loss of subsidiaries	1,635	1,147	15,470
Allowance for losses on investments	225	558	2,129
Accrued indemnification loss of damages caused by a consolidated subsidiary	416	422	3,936
Write-down of investment securities	558	—	5,280
Accrued restructuring charges	413	385	3,908
Others	2,705	2,204	25,593
Gross deferred tax assets	24,394	35,413	230,807
Less valuation allowance	(7,219)	(7,026)	(68,304)
Deferred tax assets-less valuation allowance	17,175	28,387	162,503
Deferred tax liabilities:			
Net unrealized holding gain on available-for-sale securities	(11,041)	—	(104,466)
Reserve for losses on overseas investment	(313)	(281)	(2,961)
Accrual for special depreciation of fixed assets	(253)	(155)	(2,394)
Deferred gains on properties for tax purpose	(4,114)	(3,514)	(38,925)
Reserve for explorations	(797)	(770)	(7,541)
Gain on securities contributed to employee retirement benefits trust	(751)	(751)	(7,106)
Depreciation	(1,601)	(2,582)	(15,148)
Allowance for doubtful accounts	—	(515)	—
Accumulated earnings of overseas subsidiaries	(1,573)	(970)	(14,883)
Others	(258)	(376)	(2,441)
Deferred tax liabilities	(20,701)	(9,914)	(195,865)
Net deferred tax assets	¥ (3,526)	¥18,473	$ (33,362)

(Change in effective tax rates to be used in calculating deferred taxes due to the revised local tax law)

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 42.05% for the year ended March 31, 2002. Effective for the year commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and consolidated domestic subsidiaries used the aggregate statutory income tax rates of 42.05% and 40.69% for current items and non-current items, respectively, at March 31, 2003.

As a result of the change in the aggregate statutory income tax rates, for the year ended March 31, 2003, deferred income tax assets decreased by ¥436 million, deferred tax liabilities decreased by ¥14 million, income-taxes-deferred increased by ¥369 million and net unrealized holding loss on available-for-sale securities increases by ¥53 million compared with what would have been recorded under the previous local tax law.

8. Retirement benefits and pension costs

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2004 and 2003 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Projected benefit obligation	**¥(46,855)**	¥(45,651)	**$(443,325)**
Fair value of pension assets	**29,684**	23,834	**280,859**
Excess of projected benefit obligation over pension assets	**¥(17,171)**	¥(21,817)	**$(162,466)**
Unrecognized actuarial differences	**2,521**	7,520	**23,853**
Net pension liability recognized in the consolidated balance sheet	**¥(14,650)**	¥(14,297)	**$(138,613)**
Prepaid pension expenses	**14**	1	**132**
Retirement benefits	**¥(14,664)**	¥(14,298)	**$(138,745)**

The Company contributed securities to employee retirement benefit trust, which are included in the pension assets.

Retirement benefits in the consolidated balance sheets as of March 31, 2004 and 2003 also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors (¥370 million ($3,501 thousand) , ¥307 million, respectively).

Included in the consolidated statements of operations for the years ended March 31, 2004, 2003 and 2002 are severance and retirement benefit expense comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Service cost–benefits earned during the year	**¥1,973**	¥2,337	¥2,573	**$18,668**
Interest cost on projected benefit obligation	**986**	969	1,055	**9,329**
Expected return on plan assets	**(466)**	(495)	(481)	**(4,409)**
Amortization of actuarial differences	**867**	588	270	**8,203**
	¥3,360	¥3,399	¥3,417	**$31,791**

The Amounts for additional retirement benefits the Company made for employees for the years ended March 31, 2004, 2003 and 2002 are ¥632 million ($5,980 thousands), ¥3,198 million and ¥326 million, respectively.

The discount rates used by the Company are primarily 2.5%, respectively for fiscal years 2004, 2003 and 2002. The rates of expected return on plan assets used by the Company are primarily 3.5%, respectively for fiscal years 2004, 2003 and 2002. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in income statement using the straight-line method in ten years.

9. Research and development expense

Research and development expense included in selling, general and administrative expenses for the years ended March 31, 2004, 2003 and 2002 are ¥4,286 million ($40,553 thousand), ¥3,763 million and ¥4,237 million, respectively.

10. Special reserves

For the purpose of obtaining tax benefits, the Company and some consolidated subsidiaries have set up special reserves mainly for losses on overseas investments and explorations in accordance with the Special Taxation Measures Law of Japan. Such reserves, which are included in retained earnings, are ¥6,202 million ($58,681 thousand) and ¥7,647 million at March 31, 2004 and 2003, respectively.

11. Shareholders' equity

The diluted net income per share for the years ended March 31, 2004, 2003 and 2002 are not calculated because there were no securities with dilutive effect.

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Commercial Code requires that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Company has reached 25% of common stock, and therefore the Company is not required to provide legal earnings reserve any more. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

12. Contingent liabilities

Contingent liabilities at March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes receivable discounted	¥ 510	$ 4,826
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	5,440	51,471
Other	3,731	35,301
	¥9,681	$91,598

13. Segment information

Business segment information

The primary business segments of the Company and its consolidated subsidiaries include mineral resources, metals, electronics and advanced materials, construction materials and others.

Business segment information for the years ended 31 March 2004, 2003 and 2002 are as follows:

2004 — Millions of yen

	Mineral resources	Metals	Electronics & advanced materials	Construction materials	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥16,437	¥226,148	¥136,272	¥15,370	¥ 7,904	¥ —	¥402,131
Inter segment	8,878	47,239	6,404	7	2,300	(64,828)	—
Total	25,315	273,387	142,676	15,377	10,204	(64,828)	402,131
Costs and expenses	20,855	260,820	137,064	15,370	9,813	(64,569)	379,353
Operating income (loss)	¥ 4,460	¥ 12,567	¥ 5,612	¥ 7	¥ 391	¥ (259)	¥ 22,778
Identifiable assets	¥52,326	¥219,816	¥116,395	¥14,125	¥39,869	¥ 75,399	¥517,930
Depreciation expense	2,947	4,676	8,273	656	472	800	17,824
Capital expenditures	3,001	27,878	12,168	233	1,153	2,107	46,540

2003 — Millions of yen

	Mineral resources	Metals	Electronics & advanced materials	Construction materials	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥15,566	¥186,442	¥127,788	¥16,456	¥ 8,990	¥ —	¥355,242
Inter segment	9,106	39,901	5,135	285	3,385	(57,812)	—
Total	24,672	226,343	132,923	16,741	12,375	(57,812)	355,242
Costs and expenses	21,990	218,017	128,805	17,093	11,740	(58,996)	338,649
Operating income (loss)	¥ 2,682	¥ 8,326	¥ 4,118	¥ (352)	¥ 635	¥ 1,184	¥ 16,593
Identifiable assets	¥50,981	¥183,202	¥111,101	¥16,542	¥35,790	¥73,158	¥470,774
Depreciation expense	3,238	4,419	8,792	622	456	756	18,283
Capital expenditures	1,414	5,005	9,506	133	427	2,442	18,927

2002 — Millions of yen

	Mineral resources	Metals	Electronics & advanced materials	Construction materials	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥15,351	¥171,150	¥107,331	¥19,997	¥16,365	¥ —	¥330,194
Inter segment	7,941	26,033	3,654	1,619	3,621	(42,868)	—
Total	23,292	197,183	110,985	21,616	19,986	(42,868)	330,194
Costs and expenses	22,454	193,650	115,373	21,882	18,160	(42,472)	329,047
Operating income (loss)	¥ 838	¥ 3,533	¥ (4,388)	¥ (266)	¥ 1,826	¥ (396)	¥ 1,147
Identifiable assets	¥54,710	¥178,033	¥119,151	¥19,593	¥38,771	¥108,498	¥518,756
Depreciation expense	3,217	3,978	8,675	713	549	690	17,822
Capital expenditures	2,794	9,336	11,236	515	418	1,080	25,379

2004							Thousands of U.S. dollars
	Mineral resources	Metals	Electronics & advanced materials	Construction materials	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	$155,521	$2,139,729	$1,289,356	$145,425	$ 74,785	$ —	$3,804,816
Inter segment	84,000	446,958	60,592	66	21,762	(613,378)	—
Total	239,521	2,586,687	1,349,948	145,491	96,547	(613,378)	3,804,816
Costs and expenses	197,322	2,467,783	1,296,849	145,425	92,847	(610,927)	3,589,299
Operating income (loss)	$ 42,199	$ 118,904	$ 53,099	$ 66	$ 3,700	$ (2,451)	$ 215,517
Identifiable assets	$495,089	$2,079,818	$1,101,287	$133,646	$377,226	$ 713,398	$4,900,464
Depreciation expense	27,883	44,243	78,276	6,207	4,466	7,569	168,644
Capital expenditures	28,394	263,771	115,129	2,205	10,909	19,936	440,344

Geographic segment information

Geographic segment information for the years ended March 31, 2004, 2003 and 2002 are summarized as follows:

2004						Millions of yen
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥348,074	¥14,842	¥29,121	¥10,094	¥ —	¥402,131
Inter segment	21,159	—	758	1,309	(23,226)	—
Total	369,233	14,842	29,879	11,403	(23,226)	402,131
Costs and expenses	347,562	14,164	29,274	11,324	(22,971)	379,353
Operating income (loss)	¥ 21,671	¥ 678	¥ 605	¥ 79	¥ (255)	¥ 22,778
Identifiable assets	¥388,929	¥33,748	¥38,928	¥13,776	¥ 42,549	¥517,930

2003						Millions of yen
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥307,302	¥15,042	¥23,686	¥9,212	¥ —	¥355,242
Inter segment	14,377	25	964	1,758	(17,124)	—
Total	321,679	15,067	24,650	10,970	(17,124)	355,242
Costs and expenses	305,161	15,559	24,243	10,576	(16,890)	338,649
Operating income (loss)	¥ 16,518	¥ (492)	¥ 407	¥ 394	¥ (234)	¥ 16,593
Identifiable assets	¥349,986	¥32,725	¥17,846	¥12,947	¥ 57,270	¥470,774

2002						Millions of yen
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥291,605	¥13,504	¥17,772	¥ 7,313	¥ —	¥330,194
Inter segment	9,225	10	524	1,421	(11,180)	—
Total	300,830	13,514	18,296	8,734	(11,180)	330,194
Costs and expenses	296,322	15,717	19,353	8,861	(11,206)	329,047
Operating income (loss)	¥ 4,508	¥ (2,203)	¥ (1,057)	¥ (127)	¥ 26	¥ 1,147
Identifiable assets	¥360,839	¥36,245	¥19,118	¥13,930	¥ 88,624	¥518,756

2004						Thousands of U.S. dollars
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	$3,293,348	$140,430	$275,532	$ 95,506	$ —	$3,804,816
Inter segment	200,199	—	7,172	12,385	(219,756)	—
Total	3,493,547	140,430	282,704	107,891	(219,756)	3,804,816
Costs and expenses	3,288,504	134,015	276,980	107,144	(217,344)	3,589,299
Operating income (loss)	$ 205,043	$ 6,415	$ 5,724	$ 747	$ (2,412)	$ 215,517
Identifiable assets	$3,679,903	$319,311	$368,323	$130,344	$ 402,583	$4,900,464

Information for overseas sales

2004					Millions of yen
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	¥18,896	¥28,916	¥75,452	¥3,111	¥126,375
Consolidated net sales	—	—	—	—	¥402,131
Share of overseas net sales	4.7%	7.2%	18.7%	0.8%	31.4%

2003					Millions of yen
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	¥18,075	¥25,385	¥61,743	¥2,386	¥107,589
Consolidated net sales	—	—	—	—	¥355,242
Share of overseas net sales	5.1%	7.1%	17.4%	0.7%	30.3%

2002					Millions of yen
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	¥17,158	¥17,993	¥52,590	¥3,770	¥ 91,511
Consolidated net sales	—	—	—	—	¥330,194
Share of overseas net sales	5.2%	5.5%	15.9%	1.1%	27.7%

2004					Thousands of U.S. dollars
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	$178,787	$273,593	$713,899	$29,435	$1,195,714
Consolidated net sales	—	—	—	—	$3,804,816
Share of overseas net sales	4.7%	7.2%	18.7%	0.8%	31.4%

14. Information for certain leases

As a lessee

A summary of assumed amounts inclusive of interest of acquisition cost, accumulated depreciation and net book value of finance leases accounted for in the same manner as operating leases at March 31, 2004 and 2003 are as follows:

						Millions of yen
			2004			2003
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	¥1,490	¥ 857	¥633	¥1,720	¥ 929	¥791
Others	367	309	58	308	239	69
Total	¥1,857	¥1,166	¥691	¥2,028	¥1,168	¥860

			Thousands of U.S. dollars
			2004
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	$14,098	$ 8,109	$5,989
Others	3,472	2,923	549
Total	$17,570	$11,032	$6,538

Future lease payment, inclusive of interest at March 31, 2004 and 2003 under such leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥296	¥353	$2,801
Due after one year	395	507	3,737
Total	¥691	¥860	$6,538

Total lease expenses and assumed depreciation charges for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Total lease expenses	¥330	¥466	¥555	$3,122
Assumed depreciation charge	330	466	555	3,122

As a lesser

A summary of acquisition cost , accumulated depreciation and net book value at March 31, 2004 and 2003 were as follows:

						Millions of yen
			2004			2003
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	¥382	¥201	¥181	¥422	¥186	¥236
Others	1	1	0	1	1	0
Total	¥383	¥202	¥181	¥423	¥187	¥236

			Thousands of U.S. dollars
			2004
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	$3,614	$1,892	$1,722
Others	10	10	0
Total	$3,624	$1,902	$1,722

Future lease receipt, inclusive of interest, at March 31, 2004 and 2003 under such lease were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥ 34	¥ 42	$ 322
Due after one year	157	204	1,485
Total	¥191	¥246	$1,807

Total revenue and depreciation charges for the years ended March 31, 2004, 2003, and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Total revenues	¥35	¥42	¥58	$331
Depreciation charge	30	35	36	284

15. Subsequent events

(1) The following appropriations of retained earnings at March 31, 2004 were approved at the annual general meeting of shareholders of the Company held on June 29, 2004.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥ 6.00 ($0.057) per share)	¥3,425	$32,410
Bonuses to directors	37	350

(2) The Company issued Convertible Bonds after March 31, 2004 as follows.

- Name of the Bonds:
  Sumitomo Metal Mining Co., Ltd. Zero Coupon Convertible Bonds due 2009 (the "Bonds")
- Date of payment and date of issuance:
  June 21, 2004 (maturity: June 22, 2009)
- Total amount of issue of the Bonds:
  ¥20,000 million ($189,233 thousand)
- Issue price of the Bonds:
  100% of the principal amount of the Bonds
- Coupon:
  Zero coupon
- Conversion price:
  ¥1,001 ($9)
- Exercise period:
  On and after June 28, 2004 up to and including June 15, 2009
- Security of the Bonds:
  Unsecured and unguaranteed
- Use of proceeds:
  Net proceeds of the Bonds will be applied towards the repayment of bonds and investments in Cash Management System.
- The Company offered the Bonds for public subscription.

Independent Auditor's Report

To the Board of Directors of Sumitomo Metal Mining Co., Ltd.

We have audited the accompanying consolidated balance sheets of Sumitomo Metal Mining Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2004, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 Sumitomo Metal Mining Co., Ltd. and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2004

SMM Group

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

Name	Voting Shares (%)	Phone	Operations
Branches, Divisions and Laboratories			
Head Office		81-3-3436-7701	
Osaka Branch		81-6-6223-7714	
Nagoya Branch		81-52-963-2360	
Besshi-Niihama District Division		81-897-37-4800	
Harima Smelter		81-794-37-8651	
Kunitomi District Division		81-135-72-1211	
Electronics Division		81-428-31-1181	
Hishikari Mine Department		81-995-26-3111	
Ichikawa Research Laboratories		81-47-372-7221	
Niihama Research Laboratories		81-897-37-7171	
Ome Research Laboratories		81-428-31-4140	
London Office		44-020-7246-3865	
Shanghai Office		86-21-6219-4077	
Domestic Major Subsidiaries and Affiliated Companies			
Mineral Resources			
Sumiko Consultants Co., Ltd.	100.0	81-3-3827-6134	Geological surveys etc.
Metals			
Hyuga Smelting Co., Ltd.	60.0	81-982-52-8101	Ferro-nickel refining
Sumitomo Metal Mining Brass & Copper Co., Ltd.	100.0	81-3-3847-8011	Brass & Copper production
Taihei Metal Industry Co., Ltd.	95.9	81-46-274-1606	Casting alloy production
MS Zinc co., Ltd.*	50.0	81-3-3591-3110	Zinc production etc.
Electronics and Advanced Materials			
Ohkuchi Electronics Co., Ltd.	100.0	81-995-22-7511	IC packaging materials production etc.
Shinko Co., Ltd.	92.0	81-265-79-0121	Printing wiring board production
Niihama Electronics Co., Ltd.	100.0	81-897-37-2411	Lead frame production
Ajimu Electronics Co., Ltd.	100.0	81-978-44-2345	Solder plating of IC
Sumitomo Metal Mining Package Materials Co., Ltd.	100.0	81-42-527-7246	IC packaging materials business
Sumiko Tec Co., Ltd.	100.0	81-45-921-2341	Electronic device terminal and connector production
Fuji Electronics Industries Co., Ltd.	99.7	81-54-257-2800	Electronic device precision components production
Sumico Lubricant Co., Ltd.	100.0	81-3-3344-6835	Lubricants production
Nittosha Co., Ltd.	90.0	81-466-48-6200	Metal product plating etc.
Construction Materials			
Sumitomo Metal Mining Siporex Co., Ltd.	100.0	81-3-3435-4660	Construction materials (ALC) production
Igeta Heim Co., Ltd.	100.0	81-3-5452-7591	Ferro-concrete, ALC housing (subcontractor)
Other Services			
Sumiko Eco-engineering Co., Ltd.	100.0	81-3-5685-1311	Environmental engineering etc.
Sumiko Technical Service Co., Ltd.	100.0	81-897-33-1050	Construction, refining etc. (subcontractor)
SMM Plant Engineering Co., Ltd.	100.0	81-897-37-4820	Refining facility engineering etc.
Sumiko Information Systems Co., Ltd.	100.0	81-3-3436-7788	IT system development
N. E. Chemcat Corporation*	45.6	81-3-3435-5490	Precious metal catalysts production etc.
Nippon Ketjen Co., Ltd.*	50.0	81-3-5442-5061	Oil refining catalysts production etc.
Overseas Major Subsidiaries and Affiliated Companies			
Sumitomo Metal Mining America Inc.	100.0	1-206-405-2800	Manages mining affiliates in U.S.
Sumitomo Metal Mining Arizona Inc.	80.0	1-206-405-2800	Jointly manages Morenci Mine, U.S.
SMMA Candelaria Inc.	80.0	1-206-405-2800	Jointly manages La Candelaria Mine, Chile
Sumitomo Metal Mining Canada Ltd.	100.0	1-604-685-3274	Prospecting, consulting
Sumitomo Metal Mining Oceania Pty. Ltd.	100.0	61-2-9266-0400	Jointly manages Northparkes Mine, Australia
SMM Pogo LLC	100.0	1-206-405-2800	Pogo Project, Alaska, U.S.
Coral Bay Nickel Corporation	54.0	63-2-750-1536	Nickel cobalt mixed sulfide production
Sumitomo Metal Mining Asia Pacific Pte. Ltd.	100.0	65-6293-4377	Manages overseas lead frame business
M-SMM Electronics SDN. BHD.	100.0	60-3-5519-8140	Lead frame production
Malaysian Electronics Materials SDN. BHD.	100.0	60-3-5519-8302	Bonding wire production
Sumiko Electronics Taiwan Co., Ltd.	70.0	886-7-365-3592	Lead frame production
Sumiko Leadframe (Thailand) Co., Ltd.	100.0	66-35-226303	Lead frame production
P.T.SUMIKO LEADFRAME BINTAN	100.0	62-770-696020	Lead frame production
Sumiko Leadframe Singapore Pte. Ltd.	100.0	65-6293-4377	Lead frame production
Sumiko Leadframe Chengdu Co., Ltd.	85.0	86-28-8515-5577	Lead frame production
SMM USA, Inc.	100.0	1-760-941-4500	TV frame production
SMMEP Pte. Ltd.	100.0	65-6863-1123	TV frame production
COMPAÑIA CONTRACTUAL MINERA CANDELARIA*	16.0	56-2-251-1200	Manages La Candelaria Mine, Chile
P.T. International Nickel Indonesia*	20.1	62-21-5249003	Nickel ore mining and refining
FIGESBAL*	25.5	687-27-2031	Nickel ore mining etc.

*Affiliated company

Corporate Data and Investor Information

As of March 31, 2004

Corporate Data

Founded 1590

Incorporated 1950

Paid-In Capital ¥88.3 billion

Number of Employees 2,172

Head Office
11-3, Shimbashi 5-chome, Minato-ku,
Tokyo 105-8716, Japan

Contact Information
IR Department:
11-3, Shimbashi 5-chome
Minato-ku, Tokyo 105-8716, Japan
Phone: 81-3-3436-7921
Facsimile: 81-3-3436-7879
Homepage: http://www.smm.co.jp/

Investor Information

Closing Date
The Company's books are closed on March 31 each year.

Regular General Meeting
The regular general meeting of shareholders is held in June each year.

Common Stock
Number of authorized shares:
1,000,000,000 shares
Number of issued and outstanding shares:
571,872,794 shares
Number of shareholders:
57,957

Listing of Shares
Tokyo, Osaka

Stock Transaction Units
1,000-share units

Stock Transfer Agent
The Sumitomo Trust and Banking Company, Limited
Head office:
5-33, Kitahama 4-chome, Chuo-ku, Osaka
Stock Transfer Agency Department:
4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Public Notices
The Company's public notices appear in the Nihon Keizai Shimbun published in Tokyo, Japan.

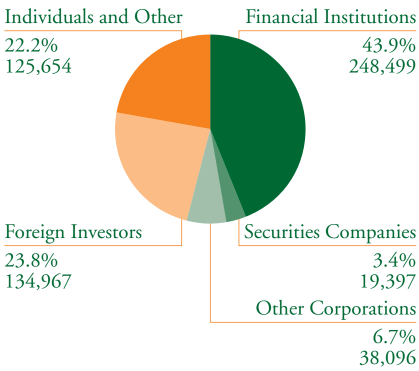
Independent Public Accountants
KPMG AZSA & Co.
1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

Major Shareholders

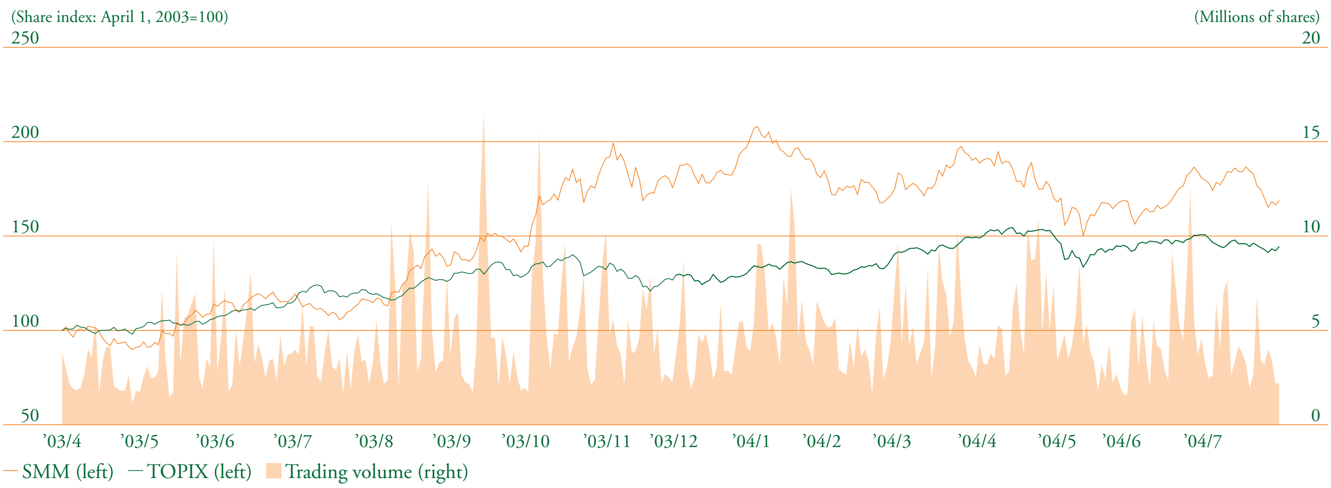
	Number of shares held (thousands)	Voting rights (%)
Japan Trustee Services Bank. Ltd. (Trust accounts)	79,866	14.1
The Master Trust Bank of Japan, Ltd. (Trust accounts)	39,483	7.0
Separately managed money trustee, Mitsui Asset Trust and Banking Company, Limited "1"	13,635	2.4
Sumitomo Mitsui Banking Corporation	12,749	2.3
Bank of New York for Goldman Sachs International (Equity)	10,611	1.9
Japan Trustee Services Bank. Ltd. / The Sumitomo Trust and Banking Co., Ltd. (Retirement benefit trust account)	9,800	1.7
The Chase Manhattan Bank NA London SL Omnibus Account	9,405	1.7
The Mitsubishi Trust and Banking Corporation (Trust accounts)	7,507	1.3
Sumitomo Life Insurance Company	7,108	1.3
State Street Bank and Trust Company	6,276	1.1

Breakdown of Shareholders

(Thousands of share)



Share Performance



Director
Susumu Makino

Representative Director
Chitsura Arakawa

Director
Nobuto Yamaguchi

Representative Director
Koichi Fukushima

Director
Yukio Ishikawa

Director
Hirosuke Chihara

Director
Masashi Koike

Directors and Statutory Auditors

Representative Directors
Koichi Fukushima
Chitsura Arakawa

Directors
Hirosuke Chihara
Nobuto Yamaguchi
Yukio Ishikawa
Susumu Makino
Masashi Koike

(Standing) Senior Auditor
Isao Shima

(Standing) Auditor
Motoki Kitamura

Auditors
Hajime Ohta
Tsutomu Ushijima

Executive Officers

President
Koichi Fukushima

Executive Vice President
Chitsura Arakawa

Senior Managing Executive Officers
Hirosuke Chihara
Nobuto Yamaguchi

Managing Executive Officers
Kouji Aiba
Takeshi Yamane
Yukio Ishikawa
Susumu Makino
Takuro Mochihara

Executive Officers
Masashi Koike
Ichiro Abe
Kotaro Tomino
Naoki Tajiri
Yoshiaki Hashinaka
Etsu Senda
Kouzou Baba
Nobumasa Kemori

(As of June 29, 2004)

SUMITOMO METAL MINING CO., LTD.