Aiming for a New Growth Model as a Non-Ferrous Company

Annual Report 2005
For The Year Ended March 31, 2005

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, 2005.

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.

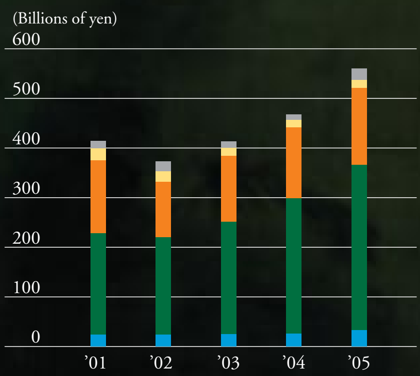
Consolidated Financial Highlights

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

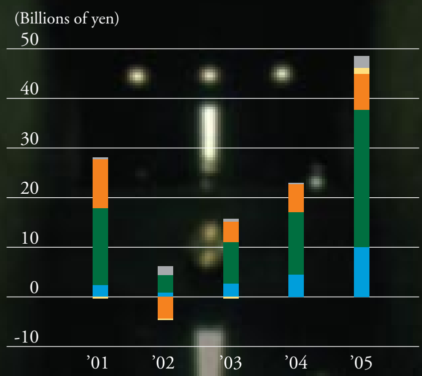
	Year-on-year change (%)	Millions of yen (unless otherwise specified)			Thousands of U.S. dollars (unless otherwise specified)
Years ended March 31	**2005/2004**	**2005**	2004	2003	**2005**
For the Year:					
Net sales	**20.5**	**¥484,585**	¥402,131	¥355,242	**$4,515,328**
Operating income	**110.3**	**47,893**	22,778	16,593	**446,264**
Recurring profit	**95.9**	**54,486**	27,811	14,559	**507,697**
Income (loss) before income taxes	**72.8**	**53,917**	31,194	(7,505)	**502,395**
Net income (loss)	**86.2**	**37,017**	19,882	(1,172)	**344,922**
Equity in earnings of affiliated companies	**90.0**	**13,513**	7,112	3,400	**125,913**
Capital expenditures	**(21.6)**	**36,488**	46,540	18,927	**339,993**
Depreciation	**15.5**	**20,578**	17,824	18,283	**191,744**
Net interest expense	**—**	**(893)**	(1,098)	(1,459)	**(8,321)**
Net cash flows from operating activities	**24.2**	**40,150**	32,324	26,105	**374,115**
Net cash flows from investing activities	**—**	**(31,725)**	(17,448)	(21,246)	**(295,611)**
Net cash flows from financing activities	**—**	**6,097**	(9,293)	(14,163)	**56,811**
Free cash flows	**(43.4)**	**8,425**	14,876	4,859	**78,504**
At Year-End:					
Total assets	**10.8**	**573,925**	517,930	470,774	**5,347,792**
Shareholders' equity	**12.2**	**283,897**	253,071	223,341	**2,645,332**
Interest-bearing debt	**8.2**	**160,533**	148,351	154,799	**1,495,835**
Per Share (Yen, U.S. Dollars):					
Net income (loss)	**86.3**	**64.77**	34.76	(2.05)	**0.60**
Shareholders' equity	**12.2**	**497.57**	443.29	391.14	**4.64**
Cash dividends	**33.3**	**8.0**	6.0	5.0	**0.07**
Ratios:					
ROA (%)	**—**	**6.78**	4.02	—	
ROE (%)	**—**	**13.80**	8.35	—	
Equity ratio (%)	**—**	**49.5**	48.9	47.4	
Interest-bearing debt to total asset ratio (%)	**—**	**28.0**	28.6	32.9	
Interest coverage ratio (times)	**—**	**20.8**	14.8	9.9	

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 ¥107.32=U.S. $1, the effective rate of exchange prevailing on March 31, 2005.

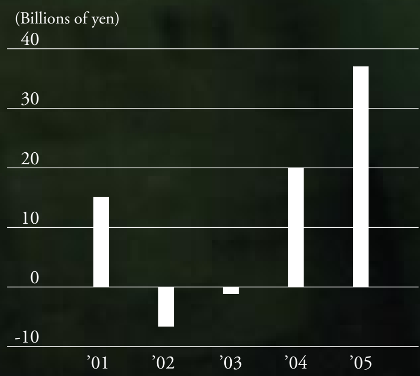
Net Sales



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

Consolidated Results for Fiscal Year 2004—Powerful Profit Growth Excluding Special Factors

Despite a correction in demand for semiconductors and electronic materials in the second half of the fiscal year, the business environment in fiscal year 2004 (April 2004–March 2005) was favorable overall, supported by recovery in the domestic economy and strength in the Chinese economy. Non-ferrous metal prices rose sharply amid favorable demand and global raw materials shortages, with the year's average copper price rising 46.7% from the previous fiscal year to 136.1 cents/lb and nickel price increasing 24.3% to $6.34/lb.

In this environment, our consolidated net sales increased 20.5% from the previous fiscal year to ¥484.6 billion, exceeding our initial target by 5.3%. Consolidated operating income increased 110.3% to ¥47.9 billion, consolidated recurring profit increased 95.9% to ¥54.5 billion, and consolidated net income increased 86.2% to ¥37.0 billion. These are all historical records and sharply exceeded our initial plan by 33.1%, 23.9%, and 37.0%, respectively.

In addition to historically high non-ferrous metal prices, however, these strong results are attributable to the special factor of a one-off profit that resulted from changing the inventory valuation method from "last-in, first out" to "first-in, first-out." I believe that SMM's "true achievement" after deducting these factors was basically in line with our initial plan. And I attribute this true achievement to the efforts we have made as a group thus far to reform our business structure. These include 1) almost a 30% increase in profit from fiscal year 2003 in the Electronics Materials and Advanced Materials segment due to sales expansion centered on its core products, 2) strong growth in profit to ¥1.2 billion in fiscal year 2004 in the Construction Materials segment, which was profitable for the first time in 11 years due to radical restructuring measures in fiscal year 2003, and 3) the almost complete absence of losses at consolidated subsidiaries in fiscal year 2004 due to our efforts to withdraw from unprofitable businesses and to improve the bottom line at all of our affiliated companies (all on an operating income basis).

Highlights of Fiscal Year 2004 Results

¥25.1 billion improvement in operating income
(from ¥22.8 billion to ¥47.9 billion)

• Market prices, sales, raw material terms, etc.	**+¥11.5**
1) Increase of metal prices, improvement of sales terms	+¥21.3
2) Yen appreciation, deterioration of raw material terms	-¥5.8
3) Increase of supplies prices	-¥4.0
• One-off profit owing to change in inventory asset valuation method	**+¥11.1**
• Profit increase in Electronics Materials and Advanced Materials segment	**+¥1.7**
• Profitability achieved in Construction Materials segment	**+¥1.2**

(Billions of yen)


Koichi Fukushima, President

Mid-term Management Plan—Establishing Earnings Base Independent of the External Environment and Attaching Importance to Achievement of the Long-term Vision

We began working on a new three-year Mid-term Management Plan in fiscal year 2004. Even though fiscal year 2004 results topped the profit target for the last fiscal year of this Plan (consolidated recurring profit of ¥35.0 billion), a large portion of this was a result of the external and extraordinary factors mentioned above, so that, in my view, we did not achieve the Plan. This is because the objectives of the Plan must be met by building a stable earnings base that always achieves minimum profit growth without depending on upturns in the external environment so that in ten years' time we can grow into strong global presence as one of the "non-ferrous majors."

(1) The Mineral Resources and Metals Segments Aim to Transition from "Ore Purchasing and Refining" to "Mineral Resources + Refining" Business Model

The Mid-term Management Plan's basic strategy for the Mineral Resources and Metals segments can be summarized in two points: 1) reinforcing the stability and profitability of the business by expanding the volume of mineral resources that we own by committing more business resources to the development of top-quality overseas mines and 2) enhancing our existence value by differentiating ourselves from the overseas mineral resource majors by leveraging our high level of refining technology.

• The Non-Ferrous Metals Industry's Current Conditions and Issues

In the non-ferrous metals industry at present, a major issue for refining companies is securing a stable supply of raw materials as the mining companies fail to increase production capacity to keep up with the huge product demand being created in China. This is a particularly serious problem for Japanese non-ferrous companies that run refining businesses by procuring a major part of their raw materials from outside. For SMM, deterioration in the terms for copper concentrate transactions undermined the profitability of the copper smelting business, forcing us to cut production by 10% in fiscal year 2003 from fiscal year 2002 and posing challenges to the business stability in future. At the same time, profitability must be increased further by cutting costs.

• Copper—Reinforcing Business Stability and Profitability through Equity Stake in Cerro Verde Copper Mine

In order to resolve this situation, in our copper business we are actively seeking participation in top-quality new mines with the goal of boosting our in-house ratio (the ratio of procurement from mines in which we have participating interest) from 40% to over 60%. These efforts are alongside the reinforcement of our Toyo Smelter & Refinery to an annual production capacity of 450,000 tonnes. As a result, in March 2005, we decided to acquire an equity stake in Peru's Cerro Verde Mine. From the fall of 2006, we will take 50% of the copper concentrate produced there, which is equivalent to 90,000 tonnes of copper per year. We have also decided to participate in the Phelps Dodge Mining Company's copper exploration and mining project in Chile.

These efforts will enable the Toyo Smelter & Refinery to fully leverage its one of the largest copper production capacities in Japan, which promises to sharply boost the profitability of our copper business.

• Nickel—Success of HPAL Enables Differentiation through Refining Technology

Our refining business possesses a high level of technology that surpasses that of the overseas non-ferrous majors. A representative example is our establishment of the HPAL (high-pressure acid leach) method which efficiently recovers nickel from low-content ore. In April 2005, we began commercial production at the Coral Bay Project on Palawan Island, the Philippines, successfully launching a plant based on this technology. This not only secures us a stable supply of nickel raw materials for the future but also enables us to take initiatives in the global nickel refining business based on our technological competence, which includes studies of securing new supplies of raw materials by leveraging this technology.

Meanwhile, in April 2005, we decided to take an equity stake in world's largest nickel development project in New Caledonia (Goro Project), which plans to begin production in the fall of 2007. We consider this a contribution to further reinforcing the base of our nickel business.

Outline of Mid-term Management Plan (FY2004-FY2006)

Basic Strategy: By expanding and strengthening core businesses and developing new products, SMM aims to be one of the world's "non-ferrous majors" in the Mineral Resources and Metals segments in ten years' time and acquire "top global shares in each of the products" in our Electronics Materials and Advanced Materials segment.

Numerical Targets for Fiscal Year 2006 (Billions of yen)

	FY2004 Results	FY2006 Targets
Net sales	484.6	480.0
Recurring profit	54.5	35.0
Net income	37.0	25.0
Equity ratio (%)	49.5%	40% or above
Interest-bearing debt	160.5	165.0
Interest-bearing debt to total asset ratio (%)	28.0%	30% or below

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

Assumptions

	FY2004 Results	FY2006 Targets
Exchange rate (¥/$)	107.54	110
Copper price (¢/lb)	136.1	90.7
Nickel price ($/lb)	6.34	3.50
Gold price ($/toz)	414.0	320.0
Zinc price ($/ton)	1,109.8	950

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

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

Under our Mid-term Management Plan, another earnings mainstay to which we attach importance is the Electronics Materials and Advanced Materials segment. We are working to achieve large shares mainly in products that leverage our high level of processing technology. Foremost among these efforts, which also include bonding wire, nickel paste, and lead frames, is our major reinforcement of copper-clad polyimide film, demand for which continues to grow due to expanded adoption of the chip-on-film (COF) method despite the correction in LCD-related demand.

We are also devoting resources to new product development, and plan to invest 70% of research and development expenses (¥13.0 billion) and research and development capital expenditure (¥7.0 billion) scheduled under the three years of the Mid-Term Management Plan in the Electronics Materials and Advanced Materials segment. One of our achievements in fiscal year 2004 was the development of a powder material that blocks heat by absorbing infrared rays. A European automobile manufacturer has decided to use it and we are working towards having mass production on stream by September 2005. We are planning to have a few more new products available from fiscal year 2005. When their contribution to profit is included, we believe that by fiscal year 2006, this business will have grown into an earnings mainstay on a par with our refining business.

Aiming for a New Growth Model as a Non-ferrous Company

Thus, striving to make our Mineral Resources and Metals segment a "non-ferrous major" is not merely a question of ranking in terms of scale. In addition to securing sufficient mineral resources to allow us to fully leverage our refining technology, it signifies an existence value through the development of an original "Mineral Resources + Refining" type of business that leverages a global top class refining technology to the maximum degree. In addition, by establishing the Electronics Materials and Advanced Materials segment as a second earnings mainstay alongside the Mineral Resources and Metal segments, we are boosting the stability and profitability of our business and pursuing a new technology-centric growth model as a non-ferrous company.

All of the projects that we are pursuing to that end are making favorable progress. They are large-scale projects that require large investment. However, we limit investment risk to the minimum when evaluating participation in each of these projects and attempt to ensure their realization by avoiding overly demanding financial strategies.

While acknowledging that the present is a period of investment based on the Mid-term Management Plan, we have increased our annual dividend, in line with earnings, by ¥2 from the previous fiscal year to ¥8 per share.

We look forward to your continued support and understanding.

August 2005

K. Fukushima

Koichi Fukushima
President

Director
Susumu Makino

Managing Executive Officer
Ichiro Abe

Special Feature 1:

Basic Strategy for Our Mineral Resources and Metals Segments

Our Position in the Non-ferrous Metals Industry

The strength of our Mineral Resources and Metals segments is the fact that we have a variety of products such as nickel, copper, precious metals and zinc, which makes our earnings structure relatively immune from changes in individual non-ferrous metal prices and supply and demand conditions. We have established a solid and distinctive position as the top non-ferrous metals company in the domestic market by 1) production of high-purity electrolytic nickel, demand for which is growing in electronics materials field, 2) ownership of one of the largest domestic copper refining facilities (Toyo Smelter & Refinery) and a copper refining business in China, which is driving demand (Jinlong Copper Co., Ltd.), and 3) ownership of one of the world's highest-grade gold mines (Hishikari) and development of an overseas gold mine with a majority share of 51% (Pogo Gold Project, Alaska, U.S.).

Strengths and Weaknesses of Our Mineral Resources and Metals Segments

However, compared with the bigger mining companies that are known as the world's mineral resource majors, our mineral resource holdings are not so large. With oligopolization by mineral resources majors under way, we must maintain our commitment to boosting profitability through the ownership of superior mines and to securing the necessary volumes of ores and raw materials for smelting and refining even in a tight market.

Most of the mineral resource majors concentrate on mineral resource development. One of our greatest strengths, which also differentiates us, is that we have an integrated structure from mineral resource development to the refining business that is backed by the highest level of technology.

For example, our high-pressure acid leach (HPAL) technology makes it possible to refine nickel from low-grade oxide ore (limonite ore) instead of nickel sulfide ore and the high-grade nickel oxide ore (garnierite ore) that are generally used for nickel smelting and refining. By using limonite ore, which exists in roughly twice the volume as nickel sulfide ore (130 million tonnes of nickel) but whose low profitability has prevented even the mineral resources majors from developing it, we have achieved a stable supply of nickel resources and made nickel refining highly cost-competitive.

Executing a Strategy that Fully Leverages the Strengths of both Mineral Resources and Refining

In order to fully leverage our strengths in smelting and refining, securing raw materials is of the highest priority. In other words, increasing our own mineral resources of superior quality will expand the merits of scale of the refining business and will enhance of our business stability. The projects that we have pursued with that goal in mind, most of which have been for overseas mineral resource development, have all produced excellent results in the fiscal year under review (please refer to the Review of Operations for details).

We will continue to work hard to realize all of our projects, aiming for a "mineral resources + refining" business model that fully leverages and complements the strengths in the mineral resources area and the refining area.

Director
Susumu Makino

Managing Executive Officer
Ichiro Abe

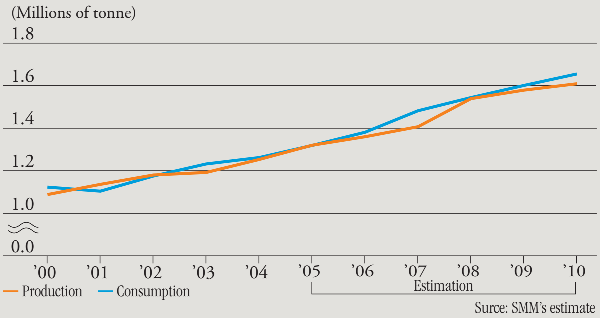
Non-ferrous Metal Industry Trends—China Driving Growth in Demand for Nickel and Copper

We expect demand for our key products nickel and copper, driven by China, to continue to expand over the medium to long term.

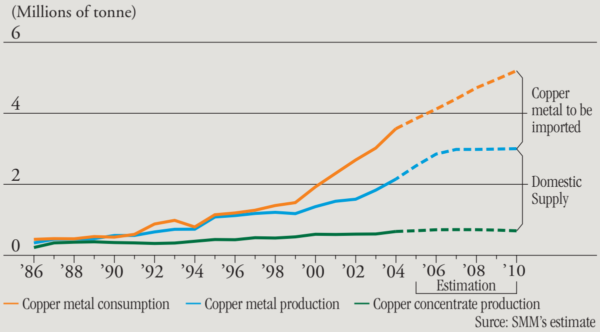
We estimate that the production volume of stainless steel, a principal use of nickel, will grow at an annual rate of 5%, and applications for nickel in the field of electronics materials are also expanding. Global consumption of nickel is currently estimated at more than 1.3 million tonnes annually. Meanwhile, as nickel producers have limited room to expand production, we expect the supply and demand balance to remain tight for the time being.

China, moreover, has become the world's largest consumer of copper, with annual consumption there topping 3 million tonnes in 2003. We expect consumption volume to continue to increase, reaching 5 million tonnes in 2010 as China builds infrastructure for the Beijing Olympics in 2008 and the Shanghai Expo in 2010. In terms of supply, meanwhile, we estimate that China will depend on imports for about half of its consumption by 2010 as its domestic production capacity will not be able to keep up with growth in demand.

Global Supply and Demand of Nickel



Rapid Expansion of Copper Demand in China



Director
Yukio Ishikawa

Director
Nobuto Yamaguchi

Special Feature 2:

Basic Strategy for Our Electronics Materials and Advanced Materials Segment

Characteristics of the Products in This Segment and Our Basic Strategy for Them

Because the products in this segment are characterized by a market with a short life cycle, the introduction of improved products and new products that incorporate technological innovation is essential for sustaining the growth of the business. This segment is centered on four principal areas in which we have superior processing technology and where we can make the most of our special strengths of in-house procurement of raw materials and overseas networks: 1) bonding wire, 2) packaging materials such as lead frames and tape materials, 3) electric paste, and 4) copper-clad polyimide film. In addition to increasing added value of these four products, we are focusing on securing a large market share and boosting competitiveness.

Specifically, in bonding wire and packaging materials, we have production bases in China and other parts of the growth market of Asia and are developing business that seeks to improve customer service and become more cost-competitive. In electric paste and copper-clad polyimide film, we are differentiating our products from those of other companies through technology and working to meet the volumes required by customers by reinforcing production capacity, mainly at our domestic factories. We aim to secure and maintain large market shares by implementing these measures.

Electronics Materials Segment—Reinforcing Business Development in China and Other Parts of Asia

In the Electronics Materials segment, in addition to aggressively promoting sales in South Korea, Taiwan, and China, where the semiconductor industry is concentrated, we are working to reinforcing our local production system.

In China, in particular, as semiconductor assembly manufacturers have moved into Shanghai and the surrounding Huadong area in rapid succession, the overall semiconductor market is expected to grow at an annual rate of 13% (Compound Annual Growth Rate 2004-2010; Survey by U.S.-based Gartner) and the market for lead frames at a strong annual rate of 25%. Taking this situation into account, in January 2005 we completed a bonding wire production base in Shanghai and in lead frames our second production base in China began operations in Suzhou, Jiansu Province, in December 2004. We expect these efforts to boost our monthly production volume of lead frames in China from 100 million units to 210 million units by the end of 2005. We also have an etching production factory scheduled to come on stream in April 2006. Our fiscal year 2008 target for monthly production of lead frames in China, combining press production and etching production, is 300 million units.

In November 2004, we began production in Taiwan of tape materials which are used as IC packaging materials for LCD drivers. Previously we had produced this product only in Japan. However, demand is expected to expand in Taiwan going forward, so based on our policy of producing near our customers we decided to set up a local supply system for the later processes. This will enable to us supply products to our customers in a more flexible manner than previously.

Advanced Materials Segment—Expanding Market Share in Copper-Clad Polyimide Film and Other New Areas

In the Advanced Materials segment, copper-clad polyimide film, which is used for the semiconductor chips that drive LCDs, is maintaining a high rate of growth as an earnings mainstay, as sales in fiscal year 2004 increased a strong 63% from the previous fiscal year. As their superior flexibility and strength make them suitable for flat-screen TVs, we expect demand to continue to grow at an annual rate of 25% amid the shift away from conventional type that uses copper leaf. While we are a top manufacturer in large-scale LCD area with a global share of 90%, in order to maintain and strengthen this position, we are reinforcing monthly production capacity from the current 2.4 million m^2 to 4.5 million m^2 by the end of fiscal year 2005 and will aggressively reinforce capacity in line with future growth in demand.

Demand for battery materials is also expected to grow as hybrid electric vehicles (HEV) become more popular. We are working to achieve a solid position in this market with nickel hydroxide as our principal product. It is used as a positive electrode material for rechargeable batteries and a material for high-capacity primary batteries.

New Product Development Efforts—Differentiation through Our Superior Technology

As personal computers and LCD TVs become smaller and thinner, the design rule of semiconductor circuits becomes increasingly fine. Our products leverage our superior fine processing technology and surface treatment technology and we believe there is still much room to give greater scope to these strengths.

Aware of the need to reinforce differentiation in growth areas through technology, we are devoting resources to developing new products in the Electronics Materials and Advanced Materials segment. With the goal of developing at least five new products with annual sales of worth ¥1.0 - 3.0 billion each by fiscal year 2006, we are focusing on the five areas of 1) battery materials, 2) crystal materials, 3) materials for forming thin films such as sputtering targets, 4) functional powder materials, and 5) thin package materials such as copper-clad polyimide film. We aim to bring these products to market promptly and securely through efficient R&D activities.

Creating a Second Earnings Mainstay by Establishing a Stable High-profit Structure

Based on these efforts, we aim to develop this segment into an earnings mainstay of the Company pursuing a new growth model as a non-ferrous company.

By securing and maintaining large market shares with products that are differentiated through superior technology and cost-competitiveness, we will continue to devote efforts to implementing a strategy of growth as a means of increasing the stability and profitability of our business base.

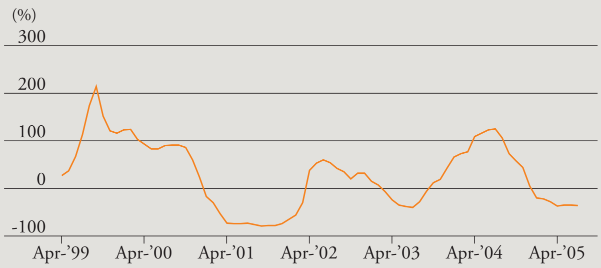
Director
Yukio Ishikawa

Director
Nobuto Yamaguchi

Market Trends of Our Products

Having entering a correction phase in the fall of 2004, we expect growth in semiconductor and LCD-related demand to continue over the medium to long term. Factors propelling this growth include 1) growth in popularity of digital home electronics in areas outside Japan and the U.S. such as Europe and Asia and 2) expansion to other applications such as automobiles, where more electronic devices are being used.

Global Semiconductor Production Equipment Orders (year-on-year)



Source: SEMI (Semiconductor Equipment and Materials International)

Special Feature 3:

Aggressive Capital Expenditure and the Financial Strategy behind It

Capital Expenditure and Basic Strategy

In order to achieve the goals of the Mid-term Management Plan and become a non-ferrous major in 10 years' time, we are planning capital expenditure of ¥140 billion over the three years from fiscal year 2004, focusing on large-scale projects in the Mineral Resources and Metals segment. Despite the enormous size of the investment, we basically plan to cover it with depreciation and pre-tax profit while maintaining the current level of interest-bearing debt.

Capital Expenditure and Overseas Mineral Resource Development-related Investment — Fiscal Year 2004 Results and Future Plans

In fiscal year 2004, our capital expenditure and overseas mineral resource development-related investment totaled ¥34.4 billion. This included the Coral Bay Project (¥4.5 billion) the Pogo Project (¥7.5 billion) and copper-clad polyimide film expansion (¥3.0 billion).

Total investment of ¥79.8 billion is budgeted for fiscal year 2005, in which many of the Mid-term Management Plan's important investment projects are concentrated. In addition to the 1) Cerro Verde Copper Mine (¥21.2 billion) and 2) Goro Project (¥11.6 billion) that we are planning as large-scale investments for overseas mineral resource development, these include investment to increase copper production to 450,000 tonnes (¥7.5 billion) and investment to reinforce copper-clad polyimide film (¥7.5 billion). We expect capital expenditure and overseas mineral resource development-related investment to total only about ¥30 billion in fiscal year 2006 as most of the large-scale investment projects should be completed in fiscal year 2005.

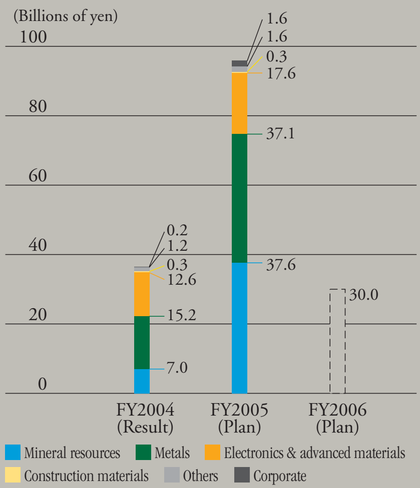
Based on the above, we believe that investment over the three years will total approximately ¥150 billion, compared with the initial target of ¥140 billion.

Current Financial Position and Future Fund Procurement Plans

In fiscal year 2004, we raised ¥18 billion through long-term borrowings and corporate bond issuance. However, short-term debt repayment limited the net increase in interest-bearing debt from the previous fiscal year to a moderate ¥12 billion, basically maintaining the status quo. Our financial position maintained its soundness as the debt to equity ratio improved from 0.59 in fiscal year 2003 to 0.57.

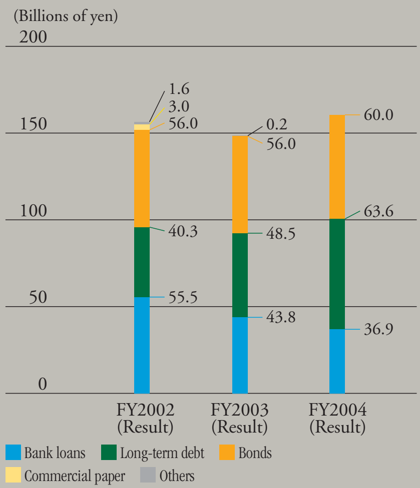
We plan to procure the funds required for the large amount of capital expenditure that we are planning for fiscal year 2005 through long-term borrowings.

Capital Expenditure and Overseas Mineral Resource Development-Related Investment



Note: The figures for capital expenditure and overseas mineral resource development-related investment all exclude the minority (outside the SMM Group) interests of Coral Bay Nickel Corporation, Sumic Nickel Netherlands b.v. (investment company for the Goro Project), and SMM Cerro Verde Netherlands b.v. (investment company for Cerro Verde).

Interest-Bearing Debt



Our Approach to Corporate Governance and Compliance

Basic Philosophy of Corporate Governance

SMM positions corporate governance as one of the most important issues for maximizing corporate value and ensuring sound management. We believe that a statutory audit system and executive officer system are the most appropriate approach to maximizing the executive and auditing functions in a business. 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 have seven directors. We believe this size is appropriate to ensure lively discussions and flexible decision-making by the Board of Directors.

Executive Officer System

SMM has 19 executive officers, including seven who 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, Board of Statutory Auditors

Our Board of Statutory Auditors consists of four statutory auditors, two of whom are from outside the Company. These internal and external auditors attend meetings of the Board of Directors and Management Committee and present their views; those of the former are on the full time basis as former employees while preserving independence while those of the latter are informed by knowledge of specialized fields in addition to heightening the objectivity of the auditing system.

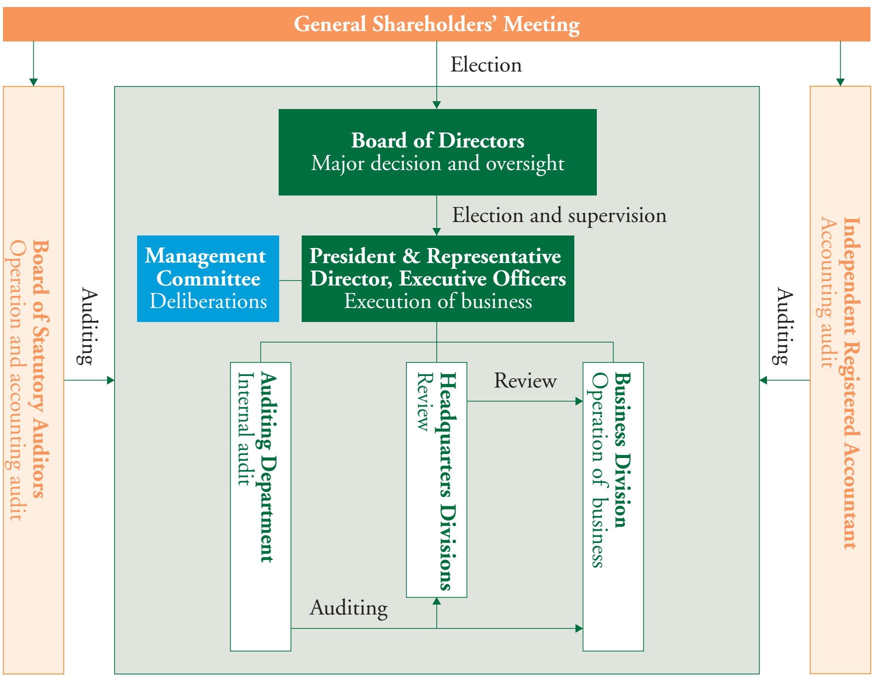
Compliance, Risk Management, and Our Involvement in the Environment and Society

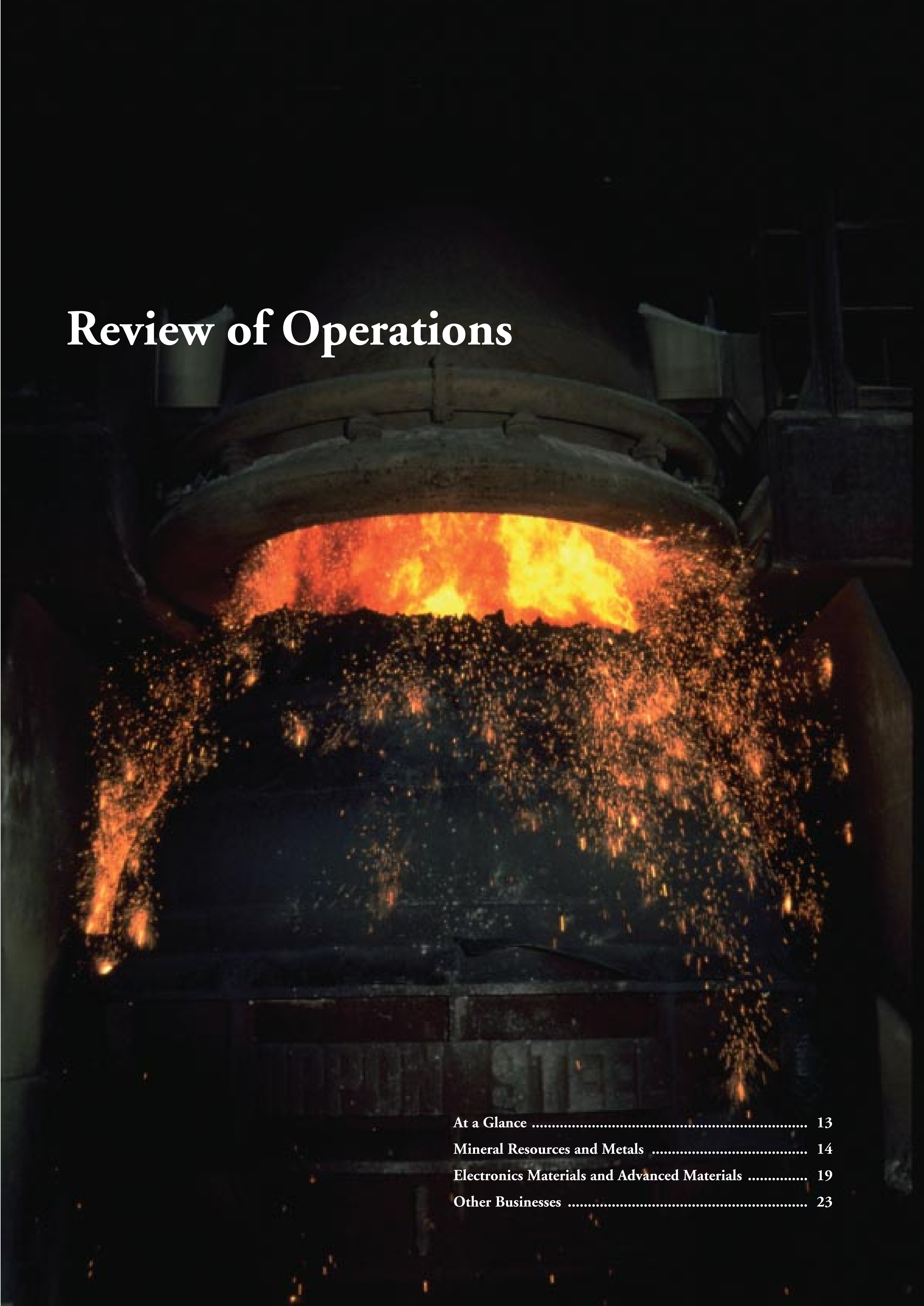
Taking to heart the lessons of the criticality accident that occurred in September 1999 at JCO Co., Ltd., one of our subsidiaries, we designed a Corporate Reform Plan in April 2000 and have attached great importance to compliance in the conduct of our business.

In April 2004, we established the "SMM Group Code of Conduct" that comprises 17 articles centered on compliance including safety, risk management, and consideration for the global environment, and we have been actively promoting their implementation since then.

Anticipating situations in which there may be doubts or problems in light of the Code of Conduct and action is not taken after consultation with a superior or discussion with a superior is awkward, we have set up an internal reporting system so that the pertinent information can be presented directly to the responsible liaison office inside the Company.

Organizational Chart of Corporate Governance





Review of Operations

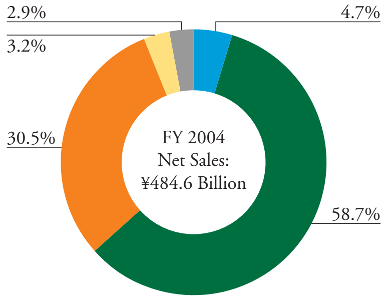
At a Glance

Business Profile

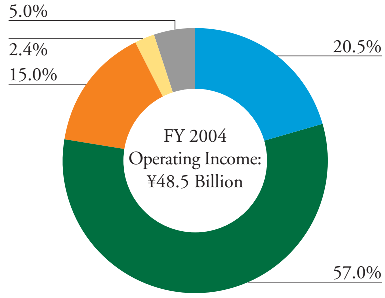
Segment	Operations	Main Products and Services
Mineral Resources	• In addition to the exploration, development, production, and sales of non-ferrous metal resources, this segment is engaged in geological consulting utilizing mineral resource development techniques.	• Gold and silver ores, copper concentrates
Metals	• This segment is engaged in the refining and sales of base metals such as copper and nickel and of precious metals such as gold and platinum.	• Copper, nickel, zinc, lead, precious metals such as gold, silver and platinum, sulfuric acid
Electronics Materials	• This segment does business in the electronics field by leveraging the high-precision processing technologies in addition to the material refining technologies that we have developed as comprehensive non-ferrous metal manufacturer.	• Electronics materials (bonding wire, alloy preform, thick paste film, target materials for forming thin film, etc.) • Crystal-related materials (gallium phosphide for light-emitting diodes, isolators for optical fiber, etc.) • Package materials (lead frames, tape materials, etc.) • Printed wiring boards (printed wiring boards, etc.)
Advanced Materials	• This segment develops highly advanced new materials by leveraging the smelting and refining technologies that we have developed over many years.	• Power materials (nickel powder, etc.) • Circuit board materials (copper-clad polyimide film, etc.) • Battery materials (nickel hydroxide, lithium cobaltite, etc.) • Functional ink materials (heat-blocking, antistatic inks, etc.)
Other Businesses	• This segment is engaged in the construction materials and housing business as well as the environmental business.	• 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 • Recycling of valuable metals

Profit Structure by Segment

Net Sales by Segment



Operating Income by Segment

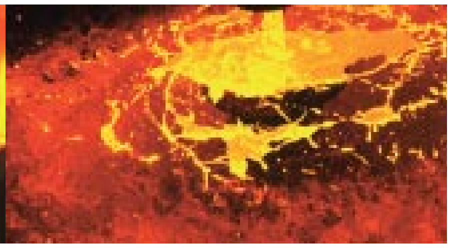


Mineral resources | Metals | Electronics & advanced materials | Construction materials | Others

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

Note: Percentage of each segment is calculated with operating income including inter-segment transactions.

Mineral Resources and Metals

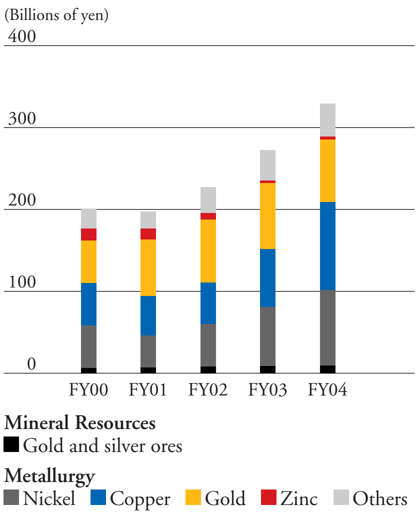


Results for Fiscal Year 2004

The Mineral Resources segment posted net sales of ¥33.1 billion, up 30.6% from the previous fiscal year, supported by strong growth in revenue, due to high copper prices, from overseas copper mines in which we own an interest such as the Morenci Copper Mine (U.S.). Operating income was ¥10.0 billion, up 123.6% from the previous fiscal year. This is attributable, despite an increase in expenses associated with the Pogo Gold Mine Development Project, to growth in revenue from overseas copper mines and growth in profit from the Hishikari Mine on the back of higher gold prices.

In the Metals segment, copper sales were strong thanks to growth in domestic demand in areas such as autos and construction. Nickel was also strong overall, supported by growth in demand for stainless steel and energy-related special steels and alloys, despite the movement of inventory correction in electronics materials in the second half. As a result, net sales were ¥333.2 billion, up 21.9% from the previous fiscal year, thanks to higher prices for copper and nickel and to increased sales volume. Operating income was ¥27.7 billion, up a strong 120.4% from the previous fiscal year. In addition to improvement in the smelting margins (the portion taken by the smelter, which is the metal price less the ore price) in conjunction with higher prices, this is attributable to a one-off increase in operating income associated with a change in the valuation method for inventory assets.

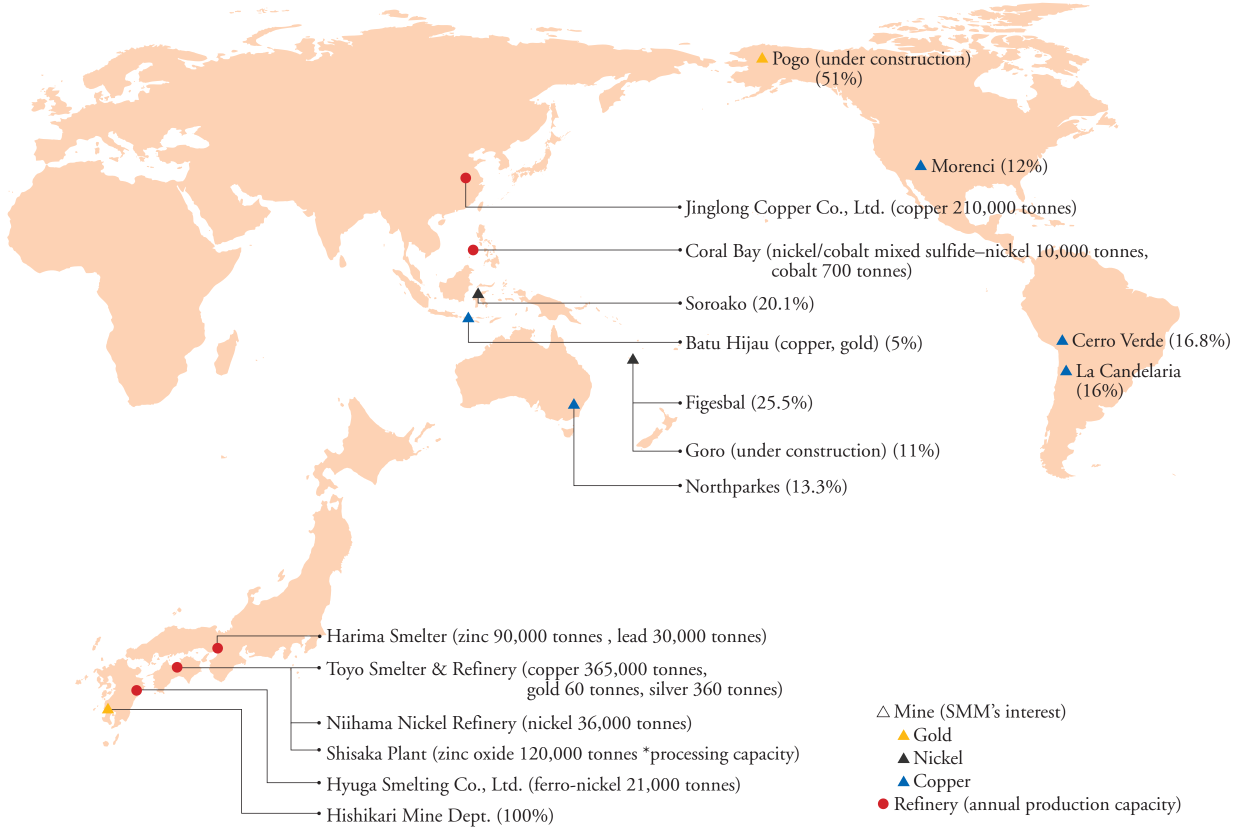
Net Sales by Metal (Non-Consolidated)



Sales Volume by Metal (Non-Consolidated)

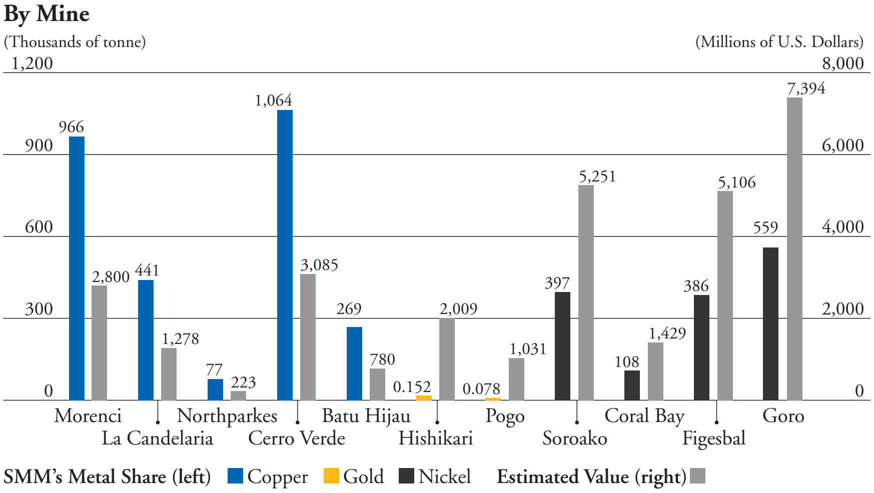
	FY2003 Results	FY2004 Results	Percent change	FY2006 Targets
Copper (tonne)	293,302	320,767	9.4%	410,000
Unit price: ¥1,000/tonne	242	335	38.4%	—
Nickel (tonne)	58,909	59,406	0.8%	63,000
Unit price: ¥1,000/tonne	1,219	1,547	26.9%	—
Gold (kg)	58,471	53,105	-9.2%	76,000
Unit price: ¥1/g	1,380	1,441	4.4%	—

SMM's Mines and Refineries

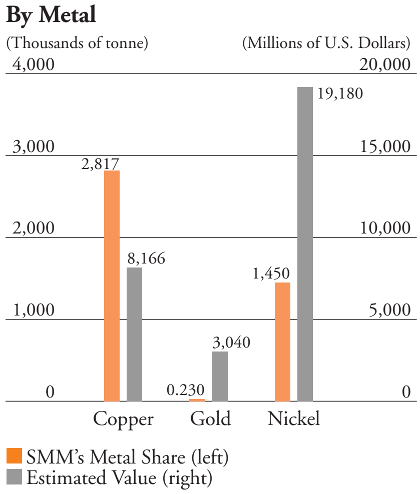


SMM's Metal Share and Value

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: 131.5¢/lb, Gold: 425$/toz, Nickel: 6.0$/lb

Coral Bay Project

Project Overview and Progress Report

Nickel

1) Coral Bay Project—Successful Implementation of HPAL, a Processing Technology for Low-grade Nickel Oxide Ore

The Coral Bay Project, which SMM developed employing the HPAL (high-pressure acid leach) technology for processing low-grade nickel oxide ore, successfully began commercial production in April 2005.

SMM takes all of the nickel/cobalt mixed sulfide that this project produces as an intermediate product and refines it into high-purity electrolytic nickel that is used in special steels and electronics materials. Nickel production targets for this project are 7,000 tonnes in 2005 and 10,000 tonnes in and after 2006. The production target for cobalt, which is used mainly as a material for rechargeable batteries, is 700 tonnes.

Acquiring the HPAL process technology promises SMM a stable nickel raw materials source, and it enables SMM to take the initiative in the global nickel refining business as well.

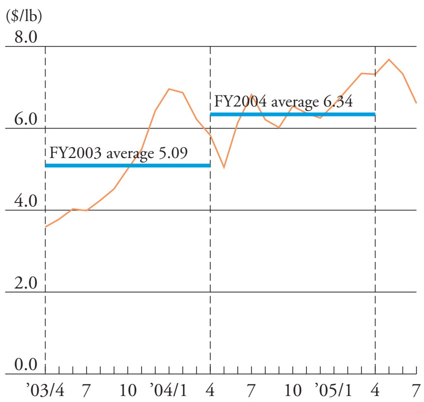
SMM will pursue application of the HPAL process technology in other projects going forward and study the possible expansion of the Coral Bay Project.

2) Goro Project—Participating in the World's Largest Nickel Project

In April 2005, SMM decided to take part in the Goro Nickel-Cobalt Project that is being developed in New Caledonia by Inco Ltd. of Canada, the world's second largest nickel producer. This project is expected to have the world's largest nickel ore reserves and be in operation for a significant length of time. By participating in this project, SMM acquires a long-term supply of nickel resources.

Once production begins in the autumn of 2007, SMM's annual share of production, based on its 11% equity position, will be 6,600 tonnes of nickel in the form of nickel oxide and 500 tonnes of cobalt in the form of cobalt carbonate. We plan to market the nickel mainly in China and the rest of Asia as a raw material for stainless steel and the cobalt in Japan as a raw material for rechargeable batteries.

Nickel Price (LME)



Copper

1) 450,000-Tonne Toyo Smelter & Refinery—Working towards Top Global Class Production Capacity

We are expanding the Toyo Smelter & Refinery, our domestic copper production site, to achieve annual production capacity of 450,000 tonnes. In June 2005, we completed construction that brought capacity to 365,000 tonnes and are aiming for 410,000 tonnes in fiscal year 2006. This expansion will give the Toyo Smelter & Refinery top global class production capacity. Located in Ehime Prefecture, it has the advantage of being close to the East Asian markets where demand is growing rapidly.

In March-April 2005, we also expanded production capacity of Jinlong Copper Co., Ltd., our joint venture in China (27.07% equity position), from 150,000 tonnes to 210,000 tonnes. The Jinlong Copper Co., Ltd., moreover, is the only copper refining business operated in China by a Japanese non-ferrous metal company. We plan to aggressively pursue sales in China and the rest of East Asia by making the most of these advantages.

Toyo Smelter & Refinery

2) Equity Stake in New Mine at Cerro Verde—Aiming for In-house Ratio over 60%

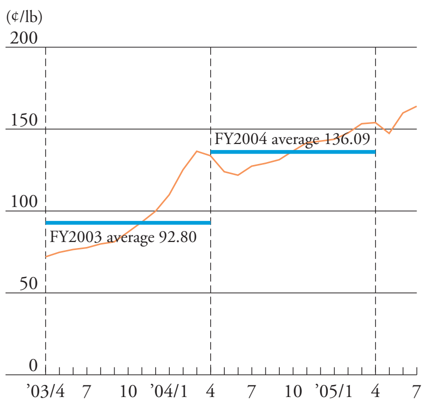
In addition to reinforcing copper refining capacity, we have been making efforts to acquire new mines in order to secure raw materials. In March 2005, these efforts resulted in an agreement to acquire an equity stake (16.8%) in the Cerro Verde copper mine in Peru. For ten years starting in fiscal year 2006, we will take 50% of the copper concentrate production (equivalent to 90,000 tonnes of copper).

Subsequently, our share of the copper concentrate will be at least in line with our equity position. We expect this to boost our copper business's in-house ore ratio (the ratio of procurement from mines in which we have participating interest) from the current 40% to 50%.

In June 2005, moreover, we decided to participate in a copper exploration and mining project in Chile that is being conducted by a subsidiary of Phelps Dodge Corporation. This gives us the right to purchase, in quantities that are in line with our equity stake at the minimum, the copper concentrate from the Ojos del Salado copper mine and any copper concentrate resulting from future development in the Punta del Cobre prospecting area.

We aim to reach our goal of an in-house ore ratio exceeding 60% through these efforts.

Copper Price (LME)



Cerro Verde copper mine

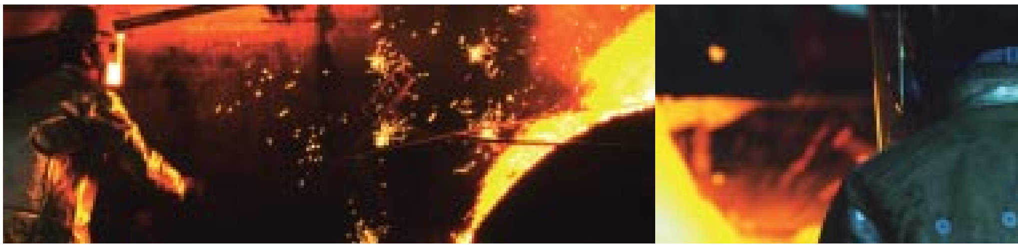
Precious Metals

1) Pogo Gold Project—Smooth Progress toward March 2006 Start of Operations

SMM owns a 51% interest and takes the initiative in the development of the Pogo Gold Project, which is located in Alaska, U.S. We began construction in May 2004 and are making smooth progress towards starting operations in March 2006. We plan to operate this mine, one of the highest quality in the world with an estimated 152 tonnes of gold deposits, for approximately ten years. We estimate annual gold production at 12 tonnes. In line with our equity position, we will take roughly half of that, or six tonnes per year.

2) Hishikari Mine—Achieving Stable Gold Production over the Long Term

Annual gold production from the Hishikari Mine, the largest in Japan and 100% owned by SMM, is 7.5 tonnes. Gold output from the mine has continued to be stable since the mining began 20 years ago. While the ore of the world's gold mines has an average grade of 5g per tonne, that of the Hishikari Mine is extremely high at 45-50g. The mine's gold reserves are estimated at 152 tonnes (as of December 2004).

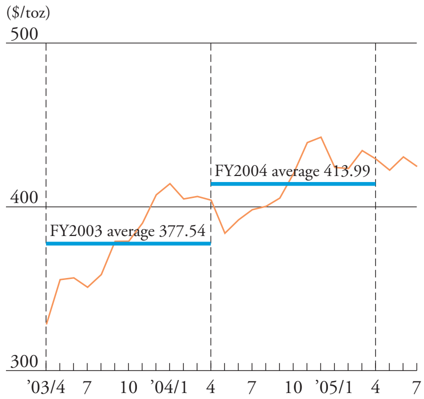


3) Precious Metal Refining—Boosting Precious Metal Recovery Rates with New Processes Developed In-house

Precious metals—gold, silver, and platinum group metals—are refined after separation and collection in the copper refining process. In February 2004 we introduced a new precious metal refining process that we developed in-house at the Toyo Smelter & Refinery in order to boost precious metal refining capacity in conjunction with the copper production expansion at the site.

By shortening the time required to recover gold from 45 days to seven days, this process should cut costs by making the interest burden lighter. In addition to gold, silver, platinum, palladium, and rhodium, it makes possible the recovery of other platinum-group metals such as iridium and ruthenium. Introduction of the process boosted annual refining capacity by 67% to 60 tonnes for gold and by 20% to 360 tonnes for silver.

Gold Price (LOCO LONDON)



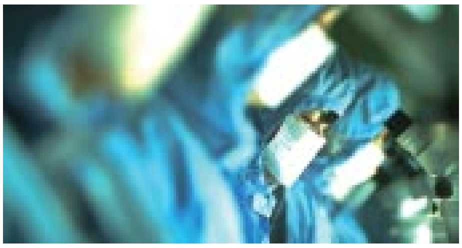
Pogo Gold Project

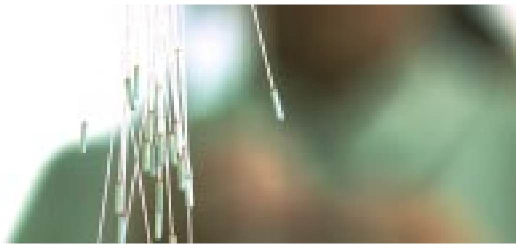
Electronics Materials and Advanced Materials

Results for Fiscal Year 2004

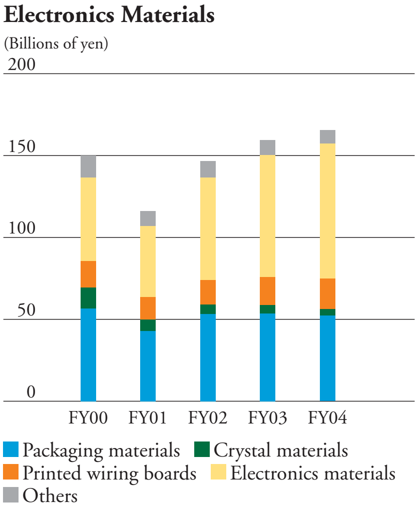
The business environment was strong in the first half of fiscal year 2004, supported by growth in digital home appliances such as digital cameras, flat-panel televisions, and DVD recorders as well as replacement demand for personal computers. In the second half, however, sales volumes declined as the semiconductor and electronic parts industries entered a phase of inventory adjustment.

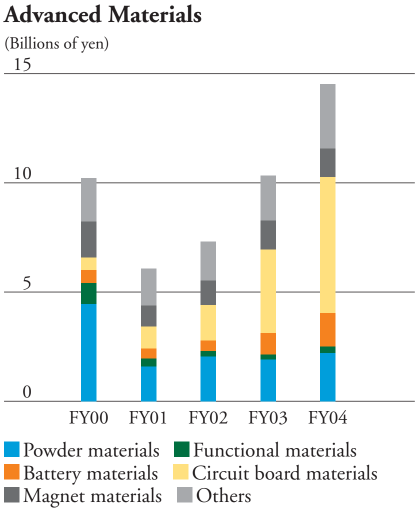
These businesses responded to the situation by confidently executing strategies for each product that were timed to a turnaround in the market environment. In the Electronics Materials business, this resulted in relatively strong sales of bonding wire, electric paste, target materials, and printed wiring boards. In the Advanced Materials business, as growth in demand for copper-clad polyimide film continued on the back of expanded use of the chip-on-film (COF) method for LCD panels, we expanded production capacity. As a result of the above and a surge in the price of the rare metal indium, net sales in these businesses increased 8.5% from the previous fiscal year to ¥154.9 billion. Operating income grew 29.5% from the previous fiscal year to ¥7.3 billion, as a result of our efforts to cut costs and reduce inventories in addition to the sales growth effect.





Net Sales by Product





Note: Net sales include in-house transactions.

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.		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.		Shanghai, China	

• Electronics Materials

Electronics Division	Paste, Crystal materials, etc.	Tokyo, Japan	
SMM Precision Co., Ltd.	Optical components	Akita, Japan	
Shinko Co., Ltd.	Printed wiring boards	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	

Main Product Strategies

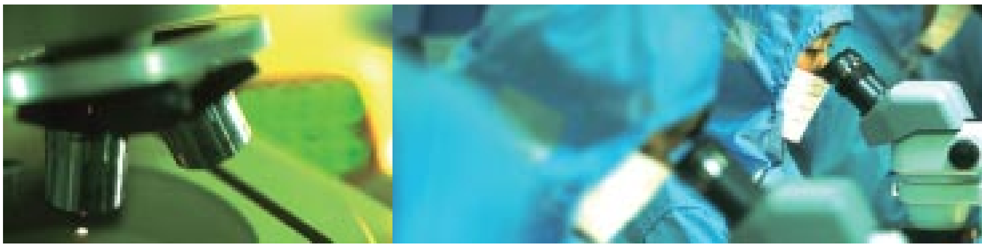
Bonding Wire

This 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 the advantage of being able to procure the gold metal raw material in-house, we offer products that combine the high strength and superior bonding characteristics required by increasingly multi-pin, narrow-pitch ICs.

While the market is expected to maintain an annual growth rate of around 8%, prices are likely to fall amid harsher competition. For this reason, we are reinforcing our cost-competitiveness by shifting our production base from Japan to other parts of Asia. In addition, in order to strengthen our response to the Chinese market, which continues to grow at a high rate, we completed a production base in Shanghai in January 2005 and have initiated production and sales there. We are also focusing on enhancing production capacity in Malaysia with a view to increasing the current total for the Company 1.3-fold by fiscal year 2006. This should boost our current 25% share of the global market to 30%.

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 top-class share globally. By expanding sales of this product and fully entering the market for external electrode paste, we aim to increase sales volume from the current monthly production of 40 tonnes to 50 tonnes by fiscal year 2006. In addition, we plan to launch new high value-added products such as paste for plasma display panels (PDP) and paste for white light-emitting diodes (LEDs).



Lead Frames

Lead frames are metal frames that form the external leads for semiconductor devices. SMM has a top 15% share of the global market. While lead frames are principally used in personal computers and mobile

Bonding Wire

Electric Paste

phones, demand is also expanding for automobiles, which are increasingly featuring electronic equipment.

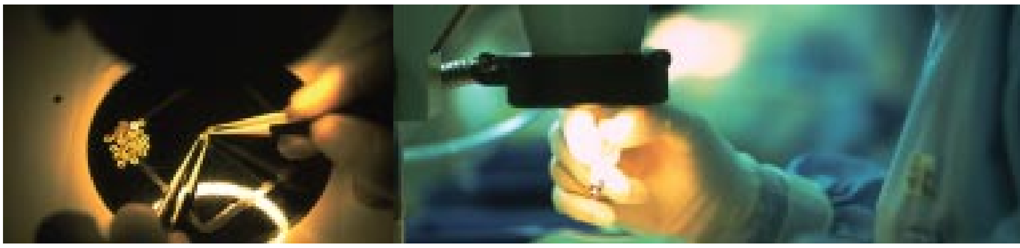
The production bases that we have developed in seven countries in Asia are, based on the policies of each customer's location, providing highly cost-competitive products for the semiconductor industries of Japan, Korea, Taiwan, and China. In particular, we are working to provide a local supply system that can handle the strong market in China, where semiconductor assembly manufacturers are setting up operations in rapid succession.

In December 2004, we completed our second production site in China, in Suzhou, Jiangsu Province, and began production of lead frames. In terms of production capacity, we aim to expand monthly production to 110 million units by the end of fiscal year 2005. In May 2005, moreover, we decided to build a new lead frame etching factory and have begun construction with a view to starting operations in April 2006. Etching products do not require initial investment in tools and, compared with press processing, are well suited to multi-product, low-volume production. As further latent demand is likely to be realized, therefore, sales volume can be expected to expand going forward. We are planning monthly production volume of 10 million units and aim to expand this to 60 million units by fiscal year 2008.

As a result of these efforts, SMM is the only lead frame manufacturer in China with a full complement of processes including plating for both press and etching products. In addition, we are also planning to expand sales of lead-free and other high value-added products with a view to further solidifying our current global top share position.

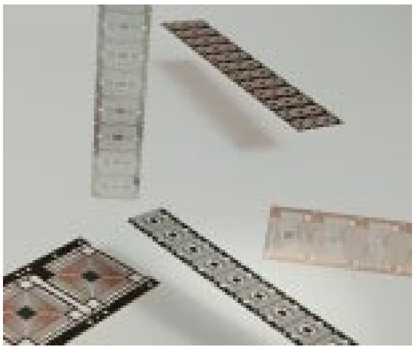
Copper-clad Polyimide Film

Copper-clad polyimide film is a board material whose main usage is in the chip-on-film (COF) boards that package the ICs that drive LCDs. Unlike the conventional type with copper strips, COF boards using this product are highly flexible and fit in tight spaces. For these reasons, in addition to their use in personal computers, they are increasingly being used in LCD TVs, which are becoming flatter and smaller. In particular, our global share for COF boards for large-scale LCDs exceeds 90%.



In order to be able to meet rapidly expanding demand, in fiscal year 2004 we enhanced our production capacity from 1.2 million m^2 to 2.4 million m^2. In fiscal year 2005, moreover, we are constructing a new factory in Niihama in order to reinforce annual production to 4.5 million m^2 by the end of the fiscal year. Going forward we will proactively reinforce production capacity in line with demand growth. We are also devoting energy to expanding our business by developing new products.

Copper-clad Polyimide Film



Lead Frames

Other Businesses

Construction Materials Business

Our construction materials business mainly manufactures and sells Siporex (autoclaved lightweight aerated concrete), a building material incorporating technology from Sweden. Blending the solid feel of concrete and the light weight of wood, Siporex is also known as "unsinkable concrete" and "non-flammable wood."

Following a number of years of operating losses due to the impact of the prolonged construction slump, the Construction Materials segment posted operating income of ¥7 million in fiscal year 2003 as a result of a radical restructuring aimed at producing a cost reduction effect. In fiscal year 2004, net sales grew 2.7% compared with the previous fiscal year to ¥15.8 billion and operating income surged to ¥1.2 billion. This was in part due to the full contribution from the cost reduction effect. It was also a result of our efforts to improve selling prices amid increasing nationwide shipments of Siporex after a bottoming in demand and sharply higher materials and energy costs.

Recycling Business and Environmental Improvement Business

While the environmental business is expected to enjoy market growth going forward, competition is also likely to become increasingly harsh as companies from various types of businesses enter the market. Our focus is on the recycling business, which recovers valuable metals such as zinc, copper, nickel, precious metals, and rare metals and is a field in which we can leverage the technologies that we have developed in our mineral resources and metals businesses, and on the environmental improvement business, which includes assessment and remediation of soil and groundwater contamination.

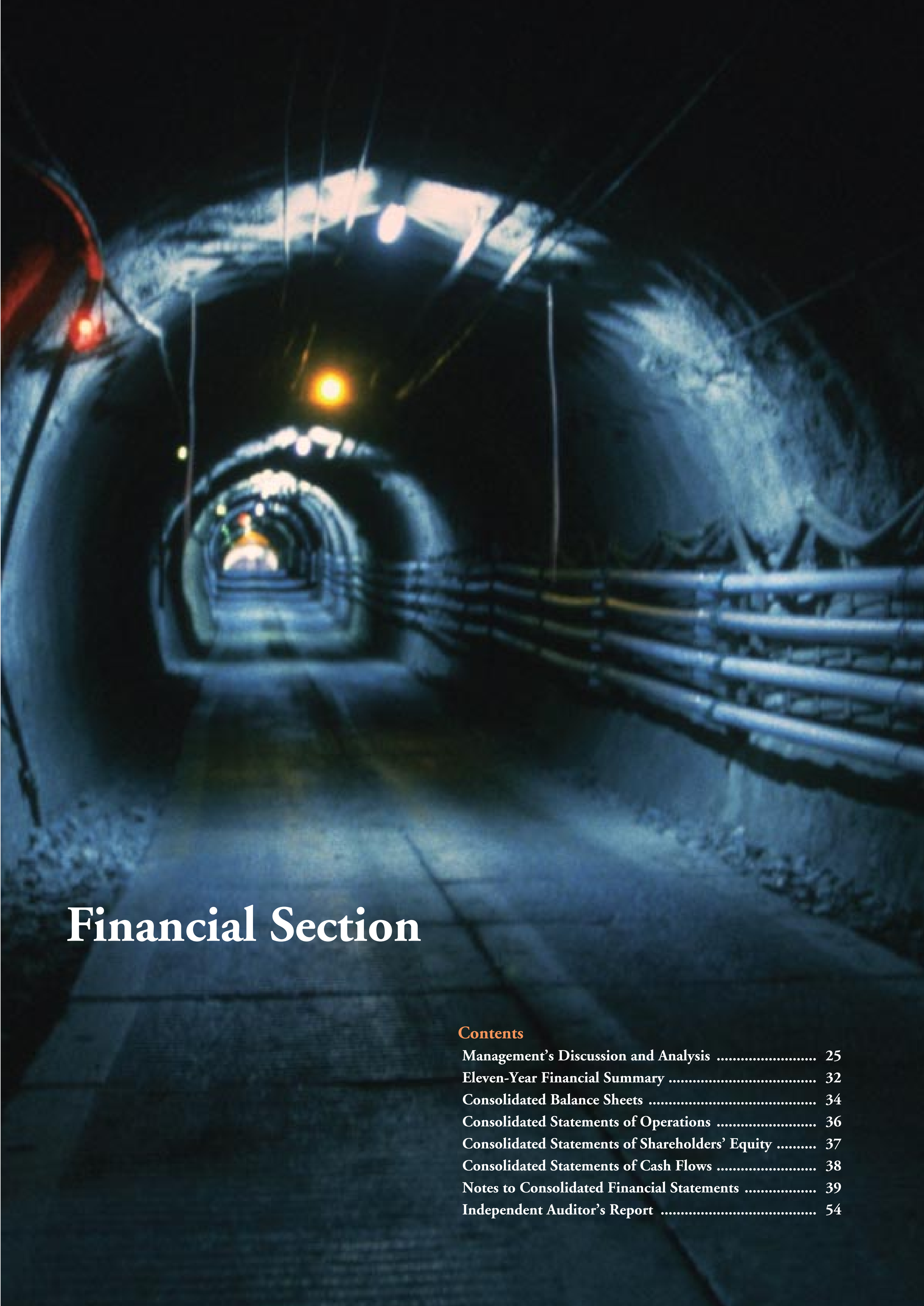
In fiscal year 2004, net sales of environmental business (six environmental improvement businesses in the list below and the Nippon Catalyst Cycle Co., Ltd.) increased 47% compared with the previous fiscal year to ¥20.9 billion and operating income grew a strong 105% to ¥2.2 billion. This was a result of strength in the valuable metal recovery business on the back of sharply higher prices for the molybdenum and other metals it recovered from used desulfurization catalysts. For fiscal year 2005, moreover, the environmental business is targeting net sales of upwards of ¥20 billion.

Summary of Recycling Businesses

Business	Activities
Sumitomo Metal Mining	• Recovers 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
Nippon Catalyst Cycle Co., Ltd.	• Recovers valuable metals such as molybdenum and vanadium from the used desulfurization catalyst produced when oil is refined *Processing capacity for about 50% of the desulfurization catalyst produced in Japan

Summary of Environmental Improvement Businesses

Business	Activities
Sumitomo Metal Mining (Energy & Environment Business Division)	• Integrated management of group companies and affiliations with our research centers • Development and sale of processing equipment such as N-Free, N-Free E and F-Free, which render the nitrate-nitrogen and ammonium-nitrogen in plant effluents harmless
Sumicon Certech Co., Ltd.	• Assessment and remediation of contaminated soil and groundwater
Sumiko Eco-engineering Co., Ltd.	• Environment-related engineering such as exhaust gas treatment; Corrosion control for harbor facilities
Sumiko Techno-Research Co., Ltd.	• Environmental assessment and analysis
Japan Irradiation Service Co., Ltd.	• Radiation processing for sterilization of food packaging materials and medical devices as well as for use in modification of industrial materials
Nippon Ketjen Co., Ltd	• Manufacture and sale of desulfurization catalysts for oil refining



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 64 subsidiaries and 11 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 copper-clad polyimide film, 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 the Others segment, which runs a nuclear power engineering business and an environmental business.

This Annual Report presents the consolidated results of the Company, 47 domestic and overseas consolidated subsidiaries, and eight affiliates accounted for by the equity method.

Consolidated Statement of Income

Net Sales

Net sales in fiscal year 2004 (from April 1, 2004 to March 31, 2005) increased ¥82,454 million (20.5%) from the previous fiscal year to ¥484,585 million (US$4,515 million). The Metals segment accounted for 68.8% of net sales.

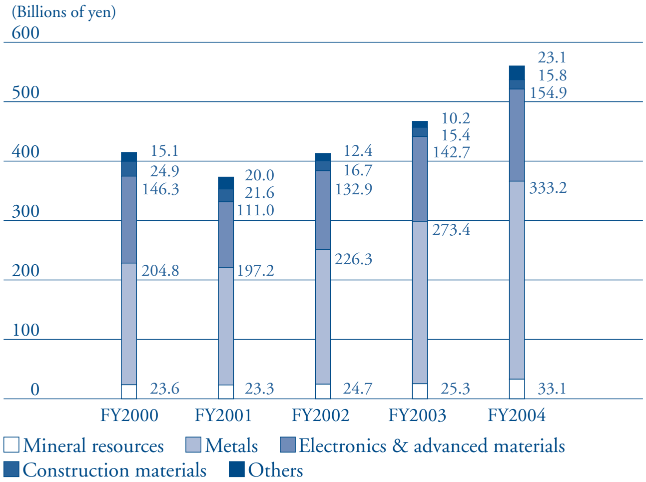
In fiscal year 2004, the non-ferrous metal industry was characterized by continued overall strength in demand thanks to moderate recovery in the Japanese economy and strong growth in the Chinese economy. The prices of non-ferrous metals such as copper and nickel rose sharply amid favorable demand and global raw material shortages. Although the foreign exchange rate was relatively stable in the first half, the yen strengthened in the second half. In the electronics-related industry, meanwhile, the semiconductor and electronic parts markets became brisk in the middle of the first half, supported by growth and recovery in demand for such products as digital home appliances, mobile phones, and personal computers. The second half, however, marked the beginning of an inventory adjustment phase.

As a result of the above, Mineral Resources segment sales increased ¥7,756 million from the previous year to ¥33,071 million (US$308 million) due to smooth operations at the Morenci Copper Mine and Hishikari Mine and to higher copper and gold prices despite the decrease due to the strong yen impact. Metals segment sales increased ¥59,791 million from the previous fiscal year to ¥333,178 million (US$3,105 million), supported mainly by high prices for and sales growth in nickel and copper. Electronics Materials and Advanced Materials sales rose ¥12,188 million from the previous year to ¥154,864 million (US$1,443 million). This was supported by a sharp rise in the price of the rare metal indium in addition to relative strength in the main products on which sales expansion efforts were focused. Net sales by business segment also include inter-segment sales.

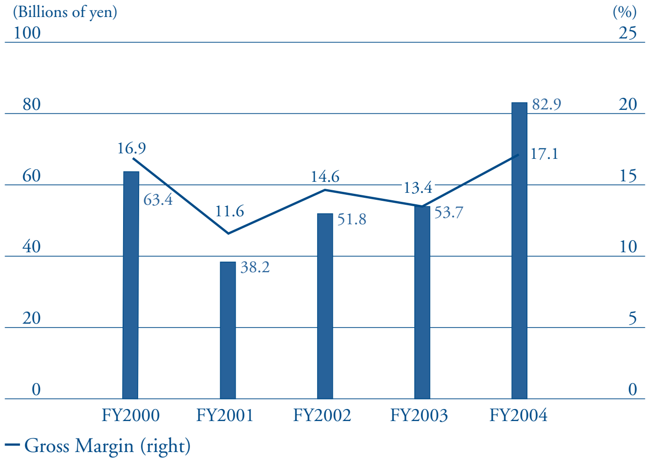
Costs and Expenses

Cost of sales in fiscal year 2004 increased ¥53,290 million (15.3%) from the previous fiscal year to ¥401,707 million (US$3,743 million), supported by the higher raw materials prices resulting from higher non-ferrous metals prices. The

Net Sales



Gross Profit and Gross Margin



gross margin rose sharply from 13.4% to 17.1% due to the turnaround in the refining margin.

Sales, general, and administrative (SG&A) expenses increased ¥4,049 million (13.1%) from the previous fiscal year to ¥34,985 million (US$ 326 million). This is mainly attributable to a ¥1,209 million (18.3%) increase in salaries and benefits and a ¥526 million increase (12.3%) in research and development increases.

Operating Income

Operating income grew ¥25,115 million (110.3%) from the previous year to ¥47,893 million (US$446 million) as profit increased in all business segments.

In the Mineral Resources segment, in addition to the profit growth that resulted mainly from higher revenue from overseas copper mines, Hishikari Mine profit increased due to higher gold prices. In the Metals segment, in addition to the turnaround in the refining margin due to higher overseas prices for copper and nickel, the high level of non-ferrous metal prices expanded the one-off increase in operating income resulting from a change in the valuation method for inventory assets from last-in, first-out to first-in, first-out. Profit grew in the Electronics Materials and Advanced Materials segment as stronger sales of its main products boosted revenue. Profit also became established in the Construction Materials segment due to the success of reconstruction measures.

Other Income (Expenses)

Other income (expenses) in fiscal year 2004 was ¥6,024 million (US$56 million) from ¥8,416 million in the previous fiscal year. This is attributable to several factors. Positive factors include a large ¥6,401 million (90.0%) increase in the equity earnings of affiliated companies from the previous fiscal year to ¥13,513 million (US126 million) and a decrease in write-downs of investment securities to zero from ¥998 million in the previous fiscal year. Negative factors include a large decrease in gains on the sale of investment securities to ¥71 million (US$662,000) from ¥4,848 million in the previous term and ¥3,636 valuation loss on derivatives in fiscal year 2004. In addition, a ¥1,263 million impairment loss was posted due the adoption of impairment loss accounting for fixed assets.

Net financial expenses (interest received + dividends received – interest paid) improved ¥205 million, from ¥1,098 million (US$10 million) in the previous fiscal year to ¥893 million (US$8 million).

Tax-effect accounting has been in effect since fiscal year 1999 and a negative tax adjustment of ¥5,276 million (US$49 million) was posted.

Net Income

In fiscal year 2004, the SMM Group posted net income of ¥37,017 million (US$345 million), a large increase from ¥17,135 million (86.2%) in the previous fiscal year.

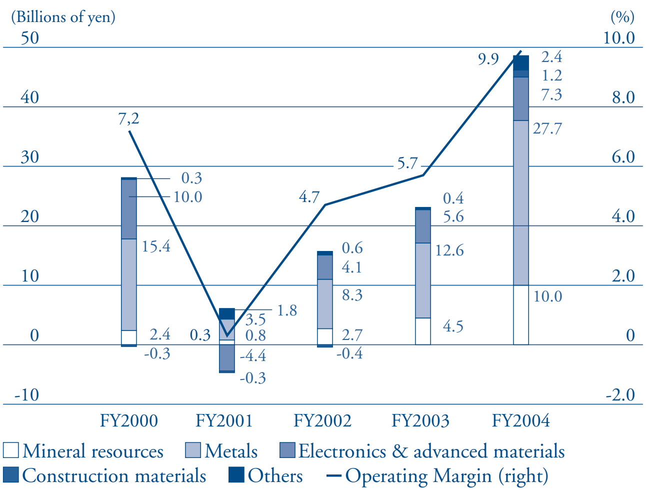
Net income per share in fiscal year 2004 was ¥64.77 (US$0.64), compared with ¥34.76 in the previous fiscal year.

Impact of Exchange Rate Fluctuations

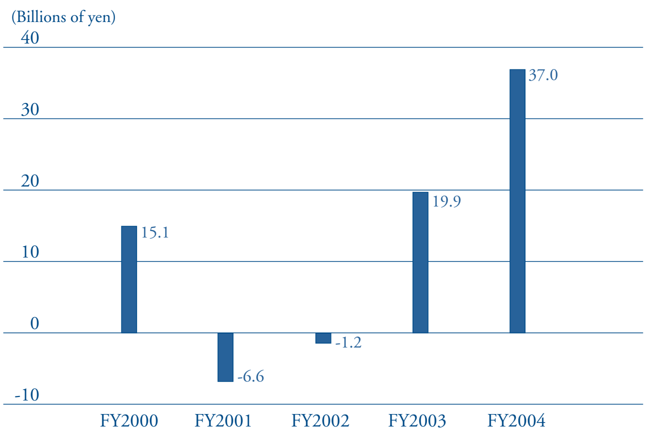
Non-ferrous metal profit is closely linked to foreign exchange rates, which affect all phases of operations, from procurement of ores to sales of finished products.

A strong yen is a negative factor for SMM's earnings. This is because although a strong yen makes procurement costs lower for SMM, it also leads to lower finished product prices, reducing smelting margins, which are generally denominated in U.S. dol-

Oparating Income and Operating Margin



Net Income (Loss)



lars. Although the foreign exchange rate was relatively stable in the first half, the yen strengthened in the second half. As a result, the exchange rate for fiscal year 2004 was US$1=¥107.54, compared with US$1=¥113.06 in the previous fiscal year.

An average strengthening over the full year of the Japanese currency by one yen against the U.S. dollar results in a ¥500 million deterioration in SMM's consolidated results.

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 ¥7,756 million (30.6%) from the previous fiscal year to ¥33,071 million (US$308 million). This is attributable to higher revenue at the Morenci Copper Mine due to higher overseas copper prices and at the Hishikari Mine due to higher overseas gold prices despite a decrease due to the stronger yen.

Operating income increased ¥5,511 million (123.6%) from the previous fiscal year to ¥9,971 million (US$93 million). This is attributable to the profit growth effect resulting from higher revenues at the Morenci Copper Mine and Hishikari Mine despite the posting of expenses in conjunction with progress at the Pogo Gold Mine Development Project.

Metals

Net sales in this segment increased ¥59,791 (21.9%) to ¥333,178 million (US$3,105 million). This is attributable to higher overseas prices and increased sales volume for both copper and nickel. Sales of copper were strong to both the domestic wire industry and copper elongation industry. Despite an adjustment phase in the second half in some electronics materials applications, nickel did well due to the overall strength in demand for stainless steel and for energy-related special steels and alloys.

Operating income increased ¥15,134 million (120.4%) from the previous fiscal year to ¥27,701 million (US$258 million). In addition to the increase due to higher overseas prices for copper and nickel, this is because the high level of non-ferrous metal prices expanded the one-off increase in operating income resulting from a change in the valuation method for inventory assets.

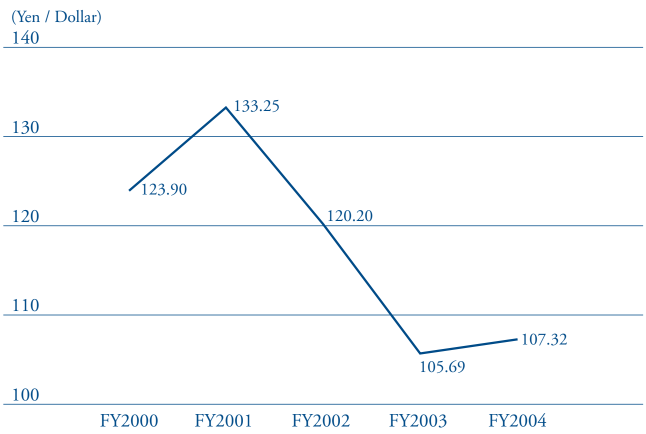
Electronics Materials and Advanced Materials

Net sales in this segment increased ¥12,188 million (8.5%) to ¥154,864 million (US$1,443 million). Sales were strong in first half, supported by replacement demand for personal computers in addition to growth in digital home appliances such as digital cameras, flat-panel TVs and DVD recorders. In the second half, however, sales volumes fell as inventories of these products entered an adjustment phase.

Despite such fluctuations in demand, this segment confidently executed strategies for each product that were timed to a turnaround in the market environment, resulting in relatively strong sales throughout the year of bonding wire, electric paste, target materials, thin film materials, and printed wiring boards. Demand for the advanced material copper-clad polyimide film continued to expand due to LCD market growth and the switchover by panel makers to the chip-on-film (COF) method and we responded by reinforcing production capacity. Revenue increased, moreover, due to sharply higher prices of the rare metal indium.

This growth in sales volume boosted revenue. As a result, operating income grew ¥1,653 million (29.5%) to ¥7,265 million (US$68 million).

Yen-Dollar Exchange Rate (Year-End)



Construction Materials

Net sales in this segment increased ¥408 million (2.7%) to ¥15,785 million (US$147 million). In addition to an increase in shipment volume in ALC (autoclaved lightweight concrete) compared with the previous fiscal year amid an apparent bottoming of real estate prices, mainly in urban areas, this is attributable to our efforts to improve sales prices against a background of surging raw materials and energy prices.

Operating income increased ¥1,173 million from the previous fiscal year to ¥1,180 million (US$11 million). This is attributable to appearance of the cost reduction effect resulting from the radical restructuring of the ALC business.

Capital Expenditures and Depreciation

Capital expenditure in fiscal year 2004 totaled ¥36,488 million (US$340 million), down ¥10,052 million (21.6%) from the previous fiscal year. The Metals segment accounted for ¥15,192 million of this (41.6% of the total) and the Electronics Materials and Advanced Materials segment for ¥12,578 million (34.5% of the total). Major investment projects include investment to develop overseas mineral resources (Pogo Gold Mine Development Project) in the Mineral Resources segment, investment to reinforce smelting and refining facilities (Toyo Smelter & Refinery) and construction of a new low-grade nickel oxide ore processing facility (Coral Bay Project) in the Metals segment, and expansion of copper-clad polyimide film production facilities in the Electronics Materials and Advanced Materials segment.

Depreciation increased ¥2,754 million (15.5%) from the previous fiscal year to ¥20,578 million (US$192 million).

Research and Development Expenses

Research and development expenses in fiscal year 2004 increased ¥526 million (12.3%) from the previous fiscal year to ¥4,812 million (US$45 million). Priority R&D projects by segment are as follows. The Mineral Resources segment is developing concentration processes for non-ferrous raw material ores and a variety of leaching techniques. The Metals segment is 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.

Financial Position and Liquidity

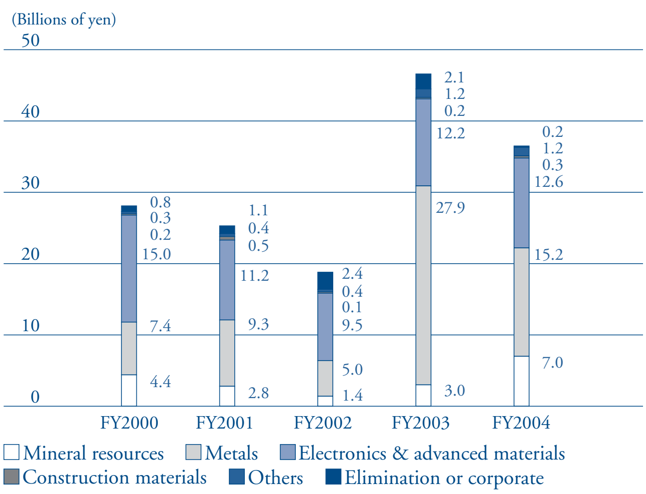
Financial Position

Total assets as of March 31, 2005, stood at ¥573,925 million (US$5,348 million), up ¥55,995 million from the end of the previous fiscal year. Current assets rose ¥35,868 million (18.8%) to ¥226,846 million (US$2,114 million). The main factors behind this was a ¥37,813 million (58.2%) increase in inventory assets from the previous fiscal year in conjunction with higher non-ferrous metal prices and change in valuation method.

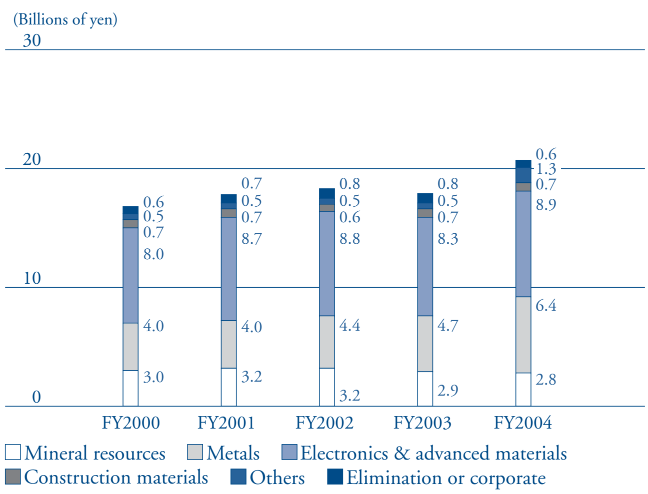
Net property, plant and equipment stood at ¥207,745 million (US$1,936 million), up ¥16,848 million (8.8%) from the end of the previous fiscal year, due mainly to large-scale project implementation.

Investments and long-term receivables stood at ¥133,610 million (US$1,245 million), up ¥4,512 million (3.5%). The main factor behind this was a ¥4,566 million increase in investment securities due to the consolidation of affiliated companies for the first time.

Capital Expenditures



Depreciation



Composition of Interest-Bearing Debt

Millions of yen

At year-end	2004		2003		2002	
Short-term interest-bearing debt due within one year	**¥ 50,756**	**(8.8)**	¥ 61,914	(12.0)	¥ 78,329	(16.6)
Long-term interest-bearing debt due after one year	**109,777**	**(19.1)**	86,437	(16.7)	76,470	(16.2)
Total shareholders' equity	**283,897**	**(49.5)**	253,071	(48.9)	223,341	(47.4)
Total assets	**¥573,925**	**(100.0)**	¥517,930	(100.0)	¥470,774	(100.0)

( ):Percentage to total assets

Meanwhile, current liabilities stood at ¥140,464 (US$1,309 million), up ¥2,281 million (1.7%) from the end of the previous fiscal year. The current ratio increased from 138% in the previous fiscal year to 161%.

In terms of long-term liabilities, long-term debts due after one year increased ¥23,340 million (27.0%) from the end of the previous fiscal year to ¥109,777 million (US$1,023 million), due to appropriations such as fund raising for large-scale project investments. As a result, total liabilities excluding minority interests stood at ¥281,099 million (US$2,619 million), up ¥24,834 million (9.7%).

Total shareholders' equity stood at ¥283,897 million (US$2,645 million), up ¥30,826 million (12.2%) from the end of the previous fiscal year. The increase in retained earnings (¥32,552 million) due to the sharp turnaround in net income compared with the previous fiscal year was far larger than the decrease in foreign currency translation adjustment (¥645 million) mainly against the U.S. dollar.

The equity ratio rose from 48.9% in the previous fiscal year to 49.5%.

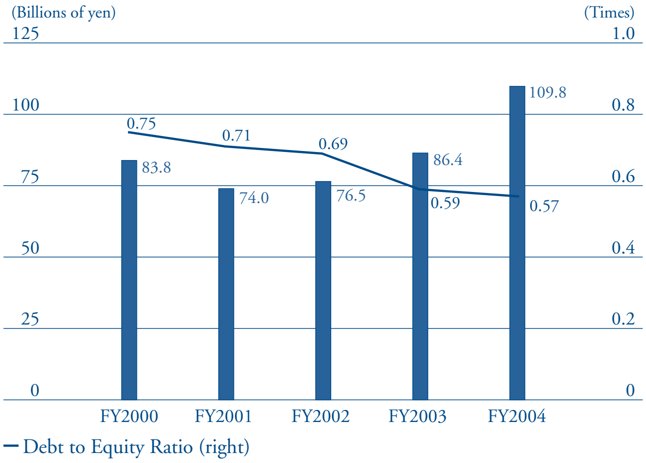
Consolidated Statement of Cash Flows

Net cash flows from operating activities in fiscal year 2004 improved ¥7,826 million from the previous fiscal year to ¥40,150 million (US$374 million), mainly due to in increase in consolidated operating income compared with the previous year and to a decrease in receivables despite an increase in inventory assets.

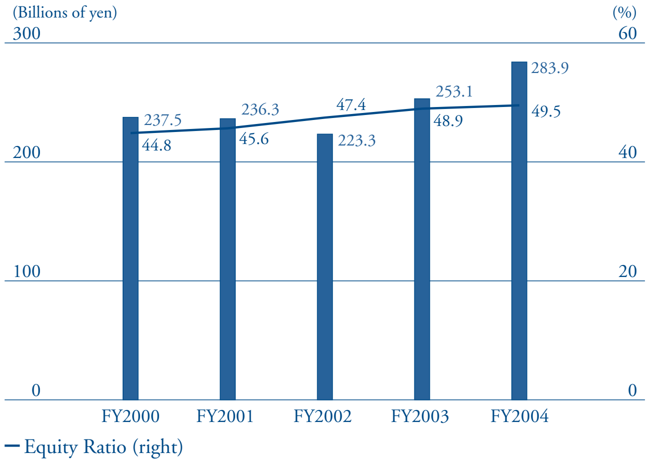
Net cash flows from investing activities saw outflows increase to ¥31,725 million (US$296 million) in fiscal year 2004 from ¥17,448 million in the previous fiscal year. This is mainly attributable to a ¥18,203 million decrease from the previous fiscal year in proceeds from the sale of investment securities and a ¥2,233 million decrease in proceeds from the sale of property, plant and equipment, despite a ¥3,074 million increase from the previous fiscal year in proceeds from the sale of subsidiaries' securities.

Net cash flow from financing activities saw an inflow of ¥6,097 million (US$57 million) in fiscal year 2004, compared with an outflow of ¥9,293 million in the previous fiscal year. This is attributable to revenue from bond issuance increased ¥10,000 million from the previous fiscal year, to a ¥6,559 million decrease in payments from the previous fiscal year due to

Long-Term Debt Due After One Year and Dept to Equity Ratio



Shareholders' Equity and Equity Ratio



the reining in of short-term debt and commercial paper repayment and redemption, and to a ¥7,232 million decrease from the previous fiscal year in payments for long-term debt repayment while a ¥6,000 million increase from the previous fiscal year in payments for bond redemptions.

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 ¥34,785 million (US$324 million), up ¥15,481 million from the beginning of the year.

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. Moreover, the forward-looking statements contained herein are based on the views of the Group as of the end of consolidated fiscal year 2004.

1) Fluctuations in Non-ferrous Metal Prices and Foreign Exchange Rates

1. Slump in 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 prices). LME and other market prices vary in response to impacts such as the international balance of supply and demand, political and economic conditions, speculative transactions, and the cost-competitiveness of substitute materials. Any significant and sustained decline in the LME and other market prices of copper, nickel, and gold due to such impacts may cause serious deterioration in the Group's financial position and business performance.

2. Foreign Exchange Rate (Strong Yen)

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.

In response, the Group is promoting various policies in order to overcome deterioration in the environment by reinforcing its competitiveness in raw materials procurement and manufacturing.

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

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 the majority 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.

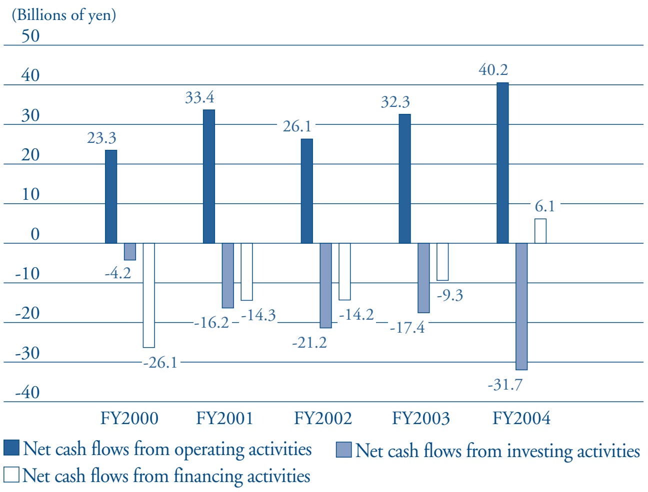
In addition, raw material supply can be delayed or suspended due to uncontrollable factors such as bad weather, major earthquakes, operational accidents, and labor disputes. Any constraint on the Group's production due to these factors may cause deterioration of its financial position and business performance.

In response, the Group is working to secure stable raw material sources by boosting its in-house ore ratio through, for example, investment high-quality overseas mines.

3) Uncertainties of Mining Investment

As mentioned above, the Group has a policy of investing in mines in order to boost the in-house ore ratio of its raw material procurement. However, minable reserves and mining costs

Net Cash Flows



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 cause deterioration in the Group's financial position and business performance.

In response, the Group makes carefully selected investments by cautiously determining profitability based on its long years of prospecting experience and mine assessment expertise.

4) Risks Associated with Environmental Protection and Compliance

The Group's businesses, in particular its mining business and non-ferrous metal refining business, 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. These 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. Moreover, new environmental regulations can cause additions to the expense burden. The mining business and non-ferrous metal refining business also bear the risks and liabilities associated with environmental pollution and mine waste products. Managing businesses in compliance with the relevant laws mentioned above may entail a substantial cost burden and the expenses required to deal with new risks brought about by unforeseen circumstances may exceed assumptions. These cost burdens may cause deterioration of the Group's financial position and business performance.

In response, in addition to taking all possible measures to ensure environmental protection and compliance by strictly applying its environmental management system and risk management system, the Group aims for a reasonable cost burden.

5) Risks Associated with Market Volatility, New Product Development, and Intellectual Property

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 a new product is outmoded by technological advances after it has been introduced to the market, when it fails to meet changing customer requirements, or when a competitor begins to take over the market with a similar product, returns on the investment may fall short of plan.

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.

When new product development and existing product sales in the Electronics Materials and Advanced Materials segment do not go according to plan due to these factors, the Group's financial position and business performance may be impacted.

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.

In response, the Group aims to mitigate any impact with a research and development system that produces results in a timely manner. In addition, we have set up a special office for the management of intellectual property rights and are making every effort to securely acquire and protect them.

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.

In response, the Group makes investment decisions based on ample investigation of country risk.

Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

Years ended March 31	**2005**	2004	2003	2002
For the Year:				
Net sales	**¥ 484,585**	¥ 402,131	¥ 355,242	¥ 330,194
Gross profit	**82,878**	53,714	51,764	38,152
Operating income	**47,893**	22,778	16,593	1,147
Other income (expenses)	**6,024**	8,416	(24,098)	(13,735)
Income (loss) before income taxes	**53,917**	31,194	(7,505)	(12,588)
Net income (loss)	**37,017**	19,882	(1,172)	(6,611)
Equity in earnings of affiliated companies	**13,513**	7,112	3,400	1,535
Capital expenditures	**36,488**	46,540	18,927	25,379
Depreciation	**20,578**	17,824	18,283	17,822
Net interest expense	**(893)**	(1,098)	(1,459)	(1,775)
Net cash flows from operating activities	**40,150**	32,324	26,105	33,370
Net cash flows from investing activities	**(31,725)**	(17,448)	(21,246)	(16,246)
Net cash flows from financing activities	**6,097**	(9,293)	(14,163)	(14,267)
Free cash flows	**8,425**	14,876	4,859	17,124
At Year-End:				
Total assets	**573,925**	517,930	470,774	518,756
Shareholders' equity	**283,897**	253,071	223,341	236,313
Long-term debt due after one year	**109,777**	86,437	76,470	73,972
Interest-bearing debt	**160,533**	148,351	154,799	167,077
Working capital	**86,382**	52,795	35,945	23,371
Per Share (Yen):				
Net income (loss)	**64.77**	34.76	(2.05)	(11.56)
Shareholders' equity	**497.57**	443.29	391.14	413.28
Cash dividends	**8.0**	6.0	5.0	4.0
Ratios:				
ROA (%)	**6.78**	4.02	—	—
ROE (%)	**13.8**	8.35	—	—
Equity ratio (%)	**49.5**	48.9	47.4	45.6
Interest-bearing debt to total asset ratio (%)	**28.0**	28.6	32.9	32.2
Debt to equity ratio (times)	**0.57**	0.59	0.69	0.71
Current ratio (times)	**1.61**	1.38	1.26	1.14

Millions of yen (unless otherwise specified)

2001	2000	1999	1998	1997	1996	1995
¥ 375,352	¥ 360,299	¥ 350,288	¥ 431,950	¥ 525,076	¥ 511,887	¥ 464,843
63,372	45,061	41,190	62,641	57,836	55,904	40,262
26,930	8,990	858	24,622	21,665	19,947	5,169
(11,359)	(4,342)	(12,932)	(3,605)	(4,294)	(7,553)	(2,384)
15,571	4,648	(12,074)	16,876	14,617	12,394	2,785
15,103	4,740	(12,495)	10,157	12,884	10,683	1,292
4,078	2,406	326	(2,599)	(2,789)	(5,022)	(2,214)
28,078	20,490	32,499	27,968	24,730	25,722	—
16,774	16,611	23,095	21,638	20,702	19,889	20,917
(2,129)	(2,492)	(1,907)	(2,447)	(3,145)	(4,877)	(5,076)
23,339	(800)	22,912	43,056	43,135	6,100	721
(4,248)	4,143	(23,287)	—	—	—	—
(26,089)	(9,086)	4,047	—	—	—	—
19,091	3,343	(375)	—	—	—	—
530,080	544,121	544,519	566,088	586,948	624,419	591,446
237,470	235,231	226,795	243,436	238,056	225,296	205,940
83,839	107,266	124,535	82,356	117,021	171,596	197,884
176,998	197,624	207,821	201,515	224,736	285,871	277,289
33,259	38,910	50,518	26,529	62,726	104,854	101,110
26.41	8.29	(21.85)	17.77	22.65	19.18	2.32
415.25	411.34	396.59	425.68	417.20	398.35	370.17
6.0	5.0	3.0	6.0	6.0	6.0	5.0
2.81	0.87	—	1.76	2.13	1.76	0.22
6.39	2.05	—	4.22	5.56	4.95	0.62
44.8	43.2	41.7	43.0	40.6	36.1	34.8
33.4	36.3	38.2	35.6	38.3	45.8	46.9
0.75	0.84	0.92	0.83	0.94	1.27	1.35
1.2	1.23	1.31	1.13	1.31	1.53	1.63

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

ASSETS	Millions of yen		Thousands of U.S. dollars (Note1)
As of March 31, 2005 and 2004	**2005**	2004	**2005**
Current assets:			
Cash and cash equivalents	**¥ 34,785**	¥ 19,304	**$ 324,124**
Time deposits	**305**	449	**2,842**
Receivables:			
Notes and accounts receivable (Notes 7):			
Trade	**57,294**	64,198	**533,861**
Non-consolidated subsidiaries and affiliated companies	**6,197**	2,013	**57,743**
Loans and others:			
Non-consolidated subsidiaries and affiliated companies	**4,468**	8,395	**41,633**
Other	**5,121**	9,021	**47,717**
Allowance for doubtful accounts	**(441)**	(1,219)	**(4,109)**
Inventories (Note 5)	**102,817**	65,004	**958,041**
Deferred tax assets (Note 8)	**2,299**	4,431	**21,422**
Other current assets	**14,001**	19,382	**130,460**
Total current assets	**226,846**	190,978	**2,113,734**
Investments and long-term receivables:			
Investment securities (Notes 3 and 7):			
Non-consolidated subsidiaries and affiliated companies	**69,262**	64,938	**645,378**
Other	**61,613**	61,371	**574,105**
Allowance for loss on investments	**—**	(555)	**—**
Loans:			
Non-consolidated subsidiaries and affiliated companies	**19**	203	**177**
Other	**771**	711	**7,184**
Other long-term receivables	**2,468**	2,904	**22,997**
Allowance for doubtful accounts	**(523)**	(474)	**(4,873)**
	133,610	129,098	**1,244,968**
Property, plant and equipment (Note 7):			
Land	**29,005**	30,780	**270,266**
Buildings and structures	**137,794**	124,390	**1,283,955**
Machinery and equipment	**289,209**	265,125	**2,694,829**
Construction in progress	**15,396**	22,066	**143,459**
	471,404	442,361	**4,392,509**
Accumulated depreciation	**(263,659)**	(251,464)	**(2,456,755)**
Net property, plant and equipment	**207,745**	190,897	**1,935,754**
Deferred tax assets (Note 8)	**388**	642	**3,615**
Other assets	**5,336**	6,315	**49,720**
	¥ 573,925	¥ 517,930	**$ 5,347,791**

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

LIABILITIES AND SHAREHOLDERS' EQUITY

As of March 31, 2005 and 2004	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note1) 2005
Current liabilities:			
Bank loans (Note 7)	**¥ 36,871**	¥ 43,798	**$ 343,561**
Long-term debt due within one year (Note 7)	**13,885**	18,116	**129,379**
Notes and accounts payable:			
Trade	**32,357**	34,630	**301,500**
Non-consolidated subsidiaries and affiliated companies	**6,128**	2,767	**57,100**
Other	**7,071**	12,339	**65,887**
Accrued income taxes (Note 8)	**9,729**	1,298	**90,654**
Accrued expenses	**4,360**	3,713	**40,626**
Advances received	**1,319**	1,888	**12,290**
Accrued restructuring charges	**100**	800	**932**
Deferred tax liabilities (Note 8)	**63**	54	**587**
Other current liabilities	**28,581**	18,780	**266,316**
Total current liabilities	**140,464**	138,183	**1,308,832**
Long-term debt (Note 7)	**109,777**	86,437	**1,022,894**
Deferred tax liabilities (Note 8)	**11,877**	8,545	**110,669**
Accrued retirement benefits (Note 9)	**12,753**	15,034	**118,832**
Accrued restructuring charges	**220**	220	**2,050**
Accrued indemnification loss on damages caused by a consolidated subsidiary	**1,026**	1,053	**9,560**
Accrued liquidation loss of subsidiaries	**1,469**	4,018	**13,688**
Other accruals	**1,454**	511	**13,548**
Other long-term liabilities	**2,059**	2,264	**19,186**
Total long-term liabilities	**140,635**	118,082	**1,310,427**
Minority interest	**8,929**	8,594	**83,200**
Contingent liabilities (Note 13)			
Shareholders' equity (Note 12):			
Common stock			
Authorized - 1,000,000,000 shares			
Issued - 571,872,794 shares	**88,355**	88,355	**823,286**
Capital Surplus	**81,191**	81,187	**756,532**
Retained earnings (Note 11)	**113,762**	81,210	**1,060,026**
Net unrealized holding gain (loss) on available-for-sale securities	**15,280**	16,111	**142,378**
Foreign currency translation adjustment	**(13,912)**	(13,267)	**(129,631)**
Treasury stock, at cost	**(779)**	(525)	**(7,259)**
Total shareholders' equity	**283,897**	253,071	**2,645,332**
	¥ 573,925	¥ 517,930	**$ 5,347,791**

Consolidated Statements of Operations

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

	Millions of yen			Thousands of U.S. dollars (Note1)
Years ended March 31, 2005, 2004 and 2003	**2005**	2004	2003	**2005**
Net sales (Note 14)	**¥ 484,585**	¥ 402,131	¥ 355,242	**$ 4,515,328**
Costs and expenses (Note 14):				
Cost of sales	**401,707**	348,417	303,478	**3,743,077**
Selling, general and administrative (Note 10)	**34,985**	30,936	35,171	**325,988**
	436,692	379,353	338,649	**4,069,065**
Operating income (Note 14)	**47,893**	22,778	16,593	**446,263**
Other income (expenses):				
Interest and dividend income	**957**	1,023	1,074	**8,917**
Interest expense	**(1,850)**	(2,121)	(2,533)	**(17,238)**
Gain on sale of investment securities	**71**	4,848	108	**662**
Write-down of investment securities	**—**	(998)	(17,247)	**—**
Gain(Loss) on sales of securities of subsidiaries and an affiliated company	**1,390**	(360)	(465)	**12,952**
Gain (Loss) on sale and disposal of property, plant and equipment	**(757)**	1,746	(766)	**(7,054)**
Loss on impairment of fixed assets	**(1,263)**			**(11,769)**
Gain on securities contributed to employee retirement benefits trust	**—**	—	1,845	**—**
Loss on liquidation of subsidiaries	**(78)**	(1,131)	—	**(727)**
Reversal of allowance (provision) for doubtful accounts	**(41)**	710	(851)	**(382)**
Reversal of allowance (provision) for loss on investments	**—**	271	(301)	**—**
Exchange gain (loss)	**(313)**	(642)	(838)	**(2,917)**
Restructuring charges	**(185)**	(790)	(3,613)	**(1,724)**
Loss from realignment of operations	**—**	(720)	(225)	**—**
Maintenance cost for ceased projects	**(743)**	(745)	—	**(6,923)**
Loss from suspension of operating activity of a consolidated subsidiary	**—**	—	(990)	**—**
Loss from disposal of inventories	**—**	—	(398)	**—**
Write-off of obsolete inventories	**(478)**	—	(1,391)	**(4,454)**
Casualty loss	**(622)**	(108)	—	**(5,796)**
Gain (loss) from valuation of derivative instruments	**(3,636)**	1,280	240	**(33,880)**
Amortization of consolidation difference	**27**	32	49	**252**
Equity in earnings of affiliated companies	**13,513**	7,112	3,400	**125,913**
Gain on change in interests in an affiliated company	**1,313**	—	—	**12,234**
Other, net	**(1,281)**	(991)	(1,196)	**(11,936)**
	6,024	8,416	(24,098)	**56,130**
Income (Loss) before income taxes and minority interests	**53,917**	31,194	(7,505)	**502,393**
Income taxes (Note 8):				
Current	**10,246**	1,330	329	**95,471**
Deferred	**5,276**	9,400	(6,755)	**49,161**
	15,522	10,730	(6,426)	**144,632**
	38,395	20,464	(1,079)	**357,761**
Minority interests in net income (loss) of consolidated subsidiaries	**(1,378)**	(582)	(93)	**(12,840)**
Net income (loss)	**¥ 37,017**	¥ 19,882	¥ (1,172)	**$ 344,921**

	yen			U.S. dollars (Note1)
Amounts per share of common stock:				
Net income (loss)	**¥ 64.77**	¥ 34.76	¥ (2.05)	**$ 0.60**
Cash dividends applicable to the year	**8.00**	6.00	5.00	**0.07**

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, 2005, 2004 and 2003	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, 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)
Net income				**37,017**			
Increase due to change in consolidation of subsidiaries				**1,049**			
Adjustments from translation of foreign currency financial statements						**(645)**	
Adjustments for unrealized gains on securities					**(831)**		
Treasury stock							**(254)**
Gain on sale of treasury stock			**4**				
Executive bonuses				**(37)**			
Decrease due to change in consolidation of subsidiaries				**(1,071)**			
Decrease due to change in consolidation of affiliated companies				**(981)**			
Cash dividends paid (¥6.00 per share)				**(3,425)**			
Balance at March 31, 2005	**571,873**	**¥88,355**	**¥81,191**	**¥113,762**	**¥15,280**	**¥(13,912)**	**¥(779)**

Years ended March 31, 2005, 2004 and 2003	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, 2004	$823,286	$756,495	$ 756,709	$150,121	$(123,621)	$(4,892)
Net income			344,922			
Increase due to change in consolidation of subsidiaries			9,775			
Adjustments from translation of foreign currency financial statements					(6,010)	
Adjustments for unrealized gains on securities				(7,743)		
Treasury stock						(2,367)
Gain on sale of treasury stock		37				
Executive bonuses			(345)			
Decrease due to change in consolidation of subsidiaries			(9,980)			
Decrease due to change in consolidation of affiliated companies			(9,141)			
Cash dividends paid ($0.06per share)			(31,914)			
Balance at March 31, 2005	**$823,286**	**$756,532**	**$1,060,026**	**$142,378**	**$(129,631)**	**$(7,259)**

The accompanying notes are an integral part of those statements.

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD. AND SUBSIDIARIES

	Millions of yen			Thousands of U.S. dollars (Note1)
Years ended March 31, 2005, 2004 and 2003	**2005**	2004	2003	**2005**
Cash flows from operating activities:				
Income (Loss) before income taxes and minority interests	**¥ 53,917**	¥ 31,194	¥ (7,505)	**$ 502,395**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	**20,578**	17,824	18,283	**191,744**
Loss on impairment of fixed assets	**1,263**	—	—	**11,769**
Loss (Gain) on sale and disposal of property, plant and equipment	**757**	(1,746)	766	**7,054**
Gain on sale of investment securities	**(71)**	(4,848)	(108)	**(662)**
Write-down of investment securities	**—**	998	17,247	**—**
Write-down of subsidiary securities	**—**	—	301	**—**
Decrease in allowance for loss on investments	**—**	(814)	—	**—**
Loss (Gain) on sales of securities of subsidiaries	**(1,591)**	360	465	**(14,825)**
Loss (Gain) from valuation of derivative instruments	**3,636**	(1,280)	(240)	**33,880**
Provision for (Reversal of) doubtful accounts	**(72)**	(886)	485	**(671)**
Increase (Decrease) in retirement benefits	**(2,458)**	368	(658)	**(22,903)**
Interest and dividend income	**(957)**	(1,023)	(1,074)	**(8,917)**
Interest expense	**1,850**	2,121	2,533	**17,238**
Equity in earnings of affiliated companies	**(13,513)**	(7,112)	(3,400)	**(125,913)**
Gain on change in interests in an affiliated company	**(1,313)**	—	—	**(12,234)**
Loss from realignment of operations	**(69)**	720	90	**(643)**
Restructuring charges	**70**	—	3,042	**652**
Gain on securities contributed to employee retirement benefits trust	**—**	—	(1,845)	**—**
Casualty loss	**622**	108	—	**5,796**
Loss from indemnification of damages caused by a consolidated subsidiary	**—**	7	233	**—**
Maintenance cost for ceased projects	**743**	745	—	**6,923**
Loss from suspension of operating activity of a consolidated subsidiary	**—**	—	990	**—**
Loss on liquidation of subsidiaries	**(608)**	1,225	1,069	**(5,665)**
Decrease (Increase) in trade receivables	**9,624**	(7,363)	4,269	**89,676**
Decrease (Increase) in inventories	**(37,061)**	2,632	9,387	**(345,332)**
Increase (Decrease) in trade payables	**2,886**	8,288	(3,769)	**26,892**
Others	**3,556**	(6,620)	(9,024)	**33,135**
Sub total	**41,789**	34,898	31,537	**389,389**
Interest and dividend received	**3,597**	2,206	2,338	**33,517**
Interest paid	**(1,923)**	(2,177)	(2,633)	**(17,918)**
Payments for additional retirement benefits by realignment of operations	**(95)**	(632)	(3,198)	**(885)**
Payments for maintenance costs for ceased project	**(743)**	(717)	—	**(6,923)**
Payments for suspension of operating activity in a consolidated subsidiary	**—**	—	(962)	**—**
Payments for restructuring charges	**—**	—	(201)	**—**
Payments for recovery costs	**(589)**	(108)	—	**(5,488)**
Payments for indemnification of damages caused by a consolidated subsidiary	**—**	(7)	(233)	**—**
Payments for income taxes	**(1,886)**	(1,139)	(460)	**(17,574)**
Other	**—**	—	(83)	**—**
Net cash provided by operating activities	**40,150**	32,324	26,105	**374,118**
Cash flows from investing activities:				
Payments for acquisition of property, plant and equipment	**(38,056)**	(35,245)	(21,723)	**(354,603)**
Proceeds from sale of property, plant and equipment	**2,615**	4,848	5,715	**24,366**
Payments for purchases of investment securities	**(416)**	(2,046)	(60)	**(3,876)**
Payments for purchase of subsidiaries securities	**—**	—	(4,566)	**—**
Proceeds from sale of investment securities	**235**	18,438	1,976	**2,190**
Proceeds from sales of subsidiaries and affiliated companies securities	**4,018**	944	702	**37,439**
Increase in loans receivable	**(1,575)**	(3,224)	(3,381)	**(14,676)**
Collection of loans receivable	**2,105**	1,392	648	**19,614**
Other	**(651)**	(2,555)	(557)	**(6,066)**
Net cash used in investing activities	**(31,725)**	(17,448)	(21,246)	**(295,612)**
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	**16,785**	17,180	12,875	**156,401**
Repayments of long-term debt	**(2,586)**	(9,818)	(8,367)	**(24,096)**
Net decrease in bank loans	**(6,970)**	(10,529)	(7,393)	**(64,946)**
Net increase (decrease) in commercial paper	**—**	(3,000)	3,000	**—**
Payments for redemption of bonds	**(16,000)**	(10,000)	(22,000)	**(149,087)**
Proceeds from issuance of bonds	**20,000**	10,000	10,000	**186,359**
Increase in treasury stocks	**(254)**	(124)	(366)	**(2,367)**
Cash dividends paid	**(3,425)**	(2,855)	(2,287)	**(31,914)**
Other	**(1,453)**	(147)	375	**(13,539)**
Net cash used in financing activities	**6,097**	(9,293)	(14,163)	**56,811**
Effect of changes in exchange rate on cash and cash equivalents	**55**	(772)	(58)	**512**
Net increase (decrease) in cash and cash equivalents	**14,577**	4,811	(9,362)	**135,829**
Cash and cash equivalents at beginning of fiscal year	**19,304**	13,581	22,763	**179,873**
Increase in cash due to newly consolidated subsidiaries	**904**	1,299	55	**8,422**
Increase in cash and cash equivalents due to merger of non-consolidated subsidiaries	**—**	—	125	**—**
Other decrease in cash and cash equivalents	**—**	(387)	—	**—**
Cash and cash equivalents at end of fiscal year	**¥ 34,785**	¥ 19,304	¥ 13,581	**$ 324,124**

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 translations 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, 2005, which was ¥107.32 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 (47 subsidiaries in 2005, 40 in 2004 and 39 in 2003). All significant intercompany balances and transactions have been eliminated. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method (8 affiliated companies in 2005 and 6 affiliated companies in 2004 and 2003). Investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost because of their immaterial effect on the consolidated financial statements.

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.

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

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

(Change for the accounting policy of inventory valuation)

The costs of the Company's inventories except for precious metals and electronics and advanced materials had been determined using the last-in, last-out (LIFO) methods until the year ended March 31, 2004, but they have been determined using the first-in, first-out (FIFO) methods for year starting April 1, 2004.

This change was made in order to present the Company's financial presentations more appropriately by reflecting the current trading price of those non-ferrous metals such as copper, nickel and zinc in the international market to the balance sheet amounts of these inventories, by which also enable the Company to recognize the periodic allocation of income and expenses properly by eliminating the price volatility of the metals.

As the result of the change of the accounting policy, inventories were increased by ¥11,113 million ($103,550 thousand) and the operating income, income before income taxes increased by the same amount above.

Also refer to the section of business segment information and geographic segment information for the impact of the change to the Company's segment information.

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.

(Adopting the new accounting standard for impairment of fixed assets)

The Company and consolidated domestic subsidiaries adopted early from April 1, 2004, 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).

As the result of adopting the accounting policy, income before income taxes was decreased by ¥1,263 million ($11,769 thousand).

Also refer to the section of business segment information for the impact of adopting the new accounting standard.

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, 2005 and 2004 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 2005 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, 2005 and 2004.

Securities with book values exceeding acquisition costs

						Millions of yen
			2005			2004
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥ 28,674**	**¥ 54,275**	**¥ 25,601**	¥ 25,534	¥ 52,588	¥ 27,054
Others	**50**	**80**	**30**	50	78	28
Total	**¥ 28,724**	**¥ 54,355**	**¥ 25,631**	¥ 25,584	¥ 52,666	¥ 27,082

			Thousands of U.S. dollars
			2005
	Acquisition cost	Book value	Difference
Equity securities	**$ 267,182**	**$ 505,731**	**$ 238,549**
Bonds	**466**	**745**	**279**
Total	**$ 267,648**	**$ 506,476**	**$ 238,828**

Securities with book values not exceeding acquisition costs

						Millions of yen
			2005			2004
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥ 1,996**	**¥ 1,961**	**¥ (35)**	¥ 1,263	¥ 1,168	¥ (95)
Others	**—**	**—**	**—**	—	—	—
Total	**¥ 1,996**	**¥ 1,961**	**¥ (35)**	¥ 1,263	¥ 1,168	¥ (95)

			Thousands of U.S. dollars
			2005
	Acquisition cost	Book value	Difference
Equity securities	**$ 18,599**	**$ 18,272**	**$ (327)**
Others	**—**	**—**	**—**
Total	**$ 18,599**	**$ 18,272**	**$ (327)**

(2) The following tables summarize book values of the securities with no available fair values as of March 31, 2005 and 2004:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Unlisted equity securities	**¥ 4,439**	¥ 6,620	**$ 41,362**
Others	**28**	—	**261**
Total	**¥ 4,467**	¥ 6,620	**$ 41,623**

(3) Available-for-sale securities with maturities as of March 31, 2005 and 2004 are as follows:

As of March 31, 2005				Millions of yen
	Within one year	Over one year but within five years	Over five years but within ten years	Total
Mutual funds	**¥ 28**	**¥ 80**	**¥ —**	**¥ 108**

As of March 31, 2005				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	**$ 261**	**$ 745**	**$ —**	**$ 1,006**

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

(4) Total sales of available-for-sale securities sold in the year ended March 31, 2005 amounted to ¥235 million ($2,190 thousand) and the related gains amounted to ¥71 million ($662 thousand). No losses were recognized in the year ended March 31, 2005.

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

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, 2005 and 2004 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen							
	2005				2004			
	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	**¥ 59**	**¥ —**	**¥ 60**	**¥ (1)**	¥ 70	¥ —	¥ 68	¥ 2
Buy position—U.S. dollars	**5,684**	**—**	**5,780**	**96**	4,110	—	4,003	(107)
	¥ 5,743	**¥ —**	**¥ —**	**¥ 95**	¥ 4,180	¥ —	¥ —	¥ (105)
Commodity:								
Forward contracts:								
Sell position—Metal	**¥ 14,408**	**¥ —**	**¥ 16,090**	**¥ (1,682)**	¥ —	¥ —	¥ —	¥ —
Buy position—Metal	**—**	**—**	**—**	**—**	10,069	—	11,382	1,313
Call option contracts:								
Sell position—Metal	**3,082**	**—**	**(490)**	**(490)**	—	—	—	—
Buy position—Metal	**—**	**—**	**—**	**—**	34	—	325	291
	¥ 17,490	**¥ —**	**¥ —**	**¥ (2,172)**	¥ 10,103	¥ —	¥ —	¥ 1,604

	Thousands of U.S. dollars			
	2005			
	Contracted amount			
	Total	Over one year	Market value	Recognized gains (losses)
Currency:				
Forward contracts:				
Sell position—U.S. dollars	**$ 550**	**$ —**	**$ 559**	**$ (9)**
Buy position—U.S. dollars	**52,963**	**—**	**53,858**	**895**
	$ 53,513	**$ —**	**$ —**	**$ 886**
Commodity:				
Forward contracts:				
Sell position—Metal	**$ 134,253**	**$ —**	**$ 149,925**	**$ (15,672)**
Buy position—Metal	**—**	**—**	**—**	**—**
Call option contracts:				
Sell position—Metal	**28,718**	**—**	**(4,566)**	**(4,566)**
Buy position—Metal	**—**	**—**	**—**	**—**
	$ 162,971	**$ —**	**$ —**	**$ (20,238)**

5. Inventories

Inventories at March 31, 2005 and 2004 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Merchandise	**¥ 2,021**	¥ 1,902	**$ 18,832**
Finished products	**22,274**	17,715	**207,548**
Semi-finished products and work in process	**40,982**	24,646	**381,867**
Raw materials and supplies	**37,540**	20,741	**349,795**
	¥ 102,817	¥ 65,004	**$ 958,042**

6. Loss on impairment of fixed assets

Loss on impairment of fixed assets for the year ended March 31, 2005 consisted of the following.

Location	Major use	Asset category	Loss
Kashima City, Ibaraki Prefecture, and other 8 places	Idle Land	Land	¥ 794 million
Nishinomiya City, Hyogo Prefecture	Rental apartment	Land	¥ 178 million
Nishinomiya City, Hyogo Prefecture	Rental apartment	Buildings and Structures	¥ 73 million
Ocean Side, California, USA and an other place	Idle facilities	Machinery and equipment	¥ 155 million
Ocean Side, California, USA and an other place	Idle facilities	Machinery and equipment	¥ 1 million
Minato-ku, Tokyo	Fine art	Machinery and equipment	¥ 62 million
Total			¥ 1,263 million

As the result of the early adoption of the new accounting standards, income before income taxes was decreased by ¥1,263 million ($11,769 thousand).

As for the idle land which was acquired for future factory sites, rental apartment and fine art, the book value of the assets was reduced to the recoverable amount due to a decline in the market price of each asset.

Net sales prices of these assets are used as their recoverable amounts for the measurement of the impairment loss. The market price information was obtained on the basis of values provided by real estate appraisers and other specialists.

As for the idle facilities, the book value of the assets was reduced to ¥1 as memorandum price since the TV frame facilities became so obsolete that no net cash inflows were expected from the disposal of those facilities.

7. 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 0.44% to 6.13% and 0.53% to 6.27% at March 31, 2005 and 2004, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Long-term loans from:			
Banks, insurance companies and other financial institutions, maturing through 2015 at interest rates of 0.69% to 5.25%:			
Secured	**¥ 154**	¥ 83	**$ 1,435**
Unsecured	**41,424**	35,188	**385,986**
Government owned banks and government agencies, maturing through 2019 at interest rates of 0.84% to 5.30%:			
Secured	**9,976**	5,017	**92,956**
Unsecured	**12,108**	8,265	**112,821**
2.2% domestic bonds due in 2004	**—**	6,000	**—**
2.225% domestic bonds due in 2004	**—**	10,000	**—**
2.0% domestic bonds due in 2005	**10,000**	10,000	**93,179**
0.88% domestic bonds due in 2006	**10,000**	10,000	**93,179**
1.08% domestic bonds due in 2007	**10,000**	10,000	**93,179**
0.51% domestic bonds due in 2008	**10,000**	10,000	**93,179**
Zero coupon convertible bonds due in 2009	**20,000**	—	**186,359**
	123,662	104,553	**1,152,273**
Amount due within one year	**(13,885)**	(18,116)	**(129,379)**
	¥ 109,777	¥ 86,437	**$ 1,022,894**

The 2.2% domestic bond was redeemed during the year ended March 31, 2004.
The 2.225% domestic bond was redeemed during the year ended March 31, 2004.

The aggregate annual maturities of long-term debt at March 31, 2005 is as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 13,885	$ 129,379
2007	25,342	236,135
2008	29,400	273,947
2009	23,610	219,996
2010	23,731	221,124
Thereafter	7,694	71,692

Assets pledged as collateral for bank loans and long-term debt at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Investment securities			
Subsidiaries	**¥ 131**	¥ 131	**$ 1,221**
Other	**12,102**	12,906	**112,766**
Property, plant and equipment, at net book value	**51,399**	49,750	**478,932**
	¥ 63,632	¥ 62,787	**$ 592,919**

8. Income taxes

Income taxes in the accompanying consolidated statements of operations comprise corporation tax, inhabitants taxes and enterprise tax. 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 were reduced as a result of revision of the Japanese local tax law effective from the year commencing on April 1, 2004. The aggregate statutory tax rates in Japan were approximately 40.69% for the year ended March 31, 2005 and 42.5% for the years ended March 31, 2004 and 2003.

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, 2005 and 2004:

	2005	2004
Statutory tax rate	**40.7%**	42.1%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**(7.0)**	(9.6)
Effect of elimination of intercompany dividends received	**6.7**	2.6
Difference in tax rates among the Company and its consolidated subsidiaries	**(0.5)**	(1.0)
Permanently nondeductible expenses	**0.3**	0.6
Permanently nontaxable dividends received	**(8.8)**	(1.5)
Per capita inhabitant tax	**0.2**	0.4
Increase in valuation allowance	**(1.0)**	0.6
Others	**(1.8)**	0.2
Effective tax rate	**28.8%**	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, 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, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets:			
Net operating loss carry forwards	**¥ 4,428**	¥ 9,029	**$ 41,260**
Retirement benefits	**7,624**	8,079	**71,040**
Allowance for bonus payable	**1,198**	1,144	**11,163**
Loss (Gain) from valuation of derivative instruments (Consolidated overseas subsidiaries)	**715**	—	**6,662**
Depreciation	**349**	190	**3,252**
Accrued liquidation loss of subsidiaries	**597**	1,635	**5,563**
Accrued enterprise taxes	**551**	—	**5,134**
Loss on impairment of fixed assets	**454**	—	**4,230**
Allowance for losses on investments	**—**	225	**—**
Accrued indemnification loss of damages caused by a consolidated subsidiary	**405**	416	**3,774**
Write-down of investment securities	**—**	558	**—**
Accrued restructuring charges	**—**	413	**—**
Others	**4,848**	2,705	**45,173**
Gross deferred tax assets	**21,169**	24,394	**197,251**
Less valuation allowance	**(7,053)**	(7,219)	**(65,719)**
Deferred tax assets-less valuation allowance	**14,116**	17,175	**131,532**
Deferred tax liabilities:			
Net unrealized holding gain on available-for-sale securities	**(10,496)**	(11,041)	**(97,801)**
Reserve for losses on overseas investment	**(1,284)**	(313)	**(11,964)**
Accrual for special depreciation of fixed assets	**(238)**	(253)	**(2,218)**
Deferred gains on properties for tax purpose	**(4,097)**	(4,114)	**(38,176)**
Reserve for explorations	**(740)**	(797)	**(6,895)**
Gain on securities contributed to employee retirement benefits trust	**(594)**	(751)	**(5,535)**
Depreciation	**(2,781)**	(1,601)	**(25,913)**
Accumulated earnings of overseas subsidiaries	**(2,695)**	(1,573)	**(25,112)**
Others	**(444)**	(258)	**(4,137)**
Deferred tax liabilities	**(23,369)**	(20,701)	**(217,751)**
Net deferred tax assets	**¥ (9,253)**	¥ (3,526)	**$ (86,219)**

9. 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, 2005 and 2004 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Projected benefit obligation	**¥ (45,666)**	¥ (46,855)	**$ (425,512)**
Fair value of pension assets	**34,356**	29,684	**320,127**
Excess of projected benefit obligation over pension assets	**¥ (11,310)**	¥ (17,171)	**$ (105,385)**
Unrecognized actuarial differences	**3,636**	2,521	**33,880**
Unrecognized prior services costs	**(4,583)**	—	**(42,704)**
Net pension liability recognized in the consolidated balance sheet	**¥ (12,257)**	¥ (14,650)	**$ (114,209)**
Prepaid pension expenses	**—**	14	**—**
Retirement benefits	**¥ (12,257)**	¥ (14,664)	**$ (114,209)**

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, 2005 and 2004 also include estimated liabilities for the unfunded lump-sum benefit plan covering directors and corporate auditors (¥496 million ($4,622 thousand) , ¥370 million, respectively).

The Company and certain domestic subsidiaries have transferred their pension plan from approved retirement annuity system to defined benefit plan as of April, 2004.

Included in the consolidated statements of operations for the years ended March 31, 2005, 2004 and 2003 are severance and retirement benefit expense comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Service cost–benefits earned during the year	**¥ 1,866**	¥ 1,973	¥ 2,337	**$ 17,387**
Interest cost on projected benefit obligation	**892**	986	969	**8,312**
Expected return on plan assets	**(530)**	(466)	(495)	**(4,939)**
Amortization of actuarial differences	**445**	867	588	**4,146**
Amortization of prior services costs	**(509)**	—	—	**(4,743)**
	¥ 2,164	¥ 3,360	¥ 3,399	**$ 20,163**

The Amounts for additional retirement benefits the Company made for employees for the years ended March 31, 2004 and 2004 were ¥632 million and ¥3,198 million respectively.

The discount rates used by the Company are primarily 2.0% for fiscal year 2005 and 2.5% for fiscal years 2004 and 2003. 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.

10. Research and development expense

Research and development expense included in selling, general and administrative expenses for the years ended March 31, 2005, 2004 and 2003 are ¥4,812 million ($44,838 thousand), ¥4,286 million and ¥3,763 million, respectively.

11. 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 ¥19,877 million ($185,212 thousand) and ¥6,202 million at March 31, 2005 and 2004, respectively.

12. Shareholders' equity

The diluted net income per share for the years ended March 31, 2005, 2004 and 2003 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.

13. Contingent liabilities

Contingent liabilities at March 31, 2005 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivables sold to factoring companies with recourse	¥ 5,331	$ 49,674
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	390	3,634
Other	4,916	45,807
	¥ 10,637	$ 99,115

14. 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 2005, 2004 and 2003 are as follows:

2005							Millions of yen
	Mineral resources	Metals	Electronics & advanced materials	Construction materials	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	**¥ 22,715**	**¥ 284,332**	**¥ 147,987**	**¥ 15,316**	**¥ 14,235**	**¥ —**	**¥ 484,585**
Inter segment	**10,356**	**48,846**	**6,877**	**469**	**8,884**	**(75,432)**	**—**
Total	**33,071**	**333,178**	**154,864**	**15,785**	**23,119**	**(75,432)**	**484,585**
Costs and expenses	**23,100**	**305,477**	**147,599**	**14,605**	**20,671**	**(74,760)**	**436,692**
Operating income (loss)	**¥ 9,971**	**¥ 27,701**	**¥ 7,265**	**¥ 1,180**	**¥ 2,448**	**¥ (672)**	**¥ 47,893**
Identifiable assets	**¥ 64,384**	**¥ 265,667**	**¥ 112,837**	**¥ 14,248**	**¥ 49,087**	**¥ 67,702**	**¥ 573,925**
Depreciation expense	**2,751**	**6,354**	**8,943**	**653**	**1,290**	**587**	**20,578**
Loss on impairment of fixed assets	**—**	**—**	**156**	**251**	**—**	**856**	**1,263**
Capital expenditures	**7,036**	**15,192**	**12,578**	**257**	**1,179**	**246**	**36,488**

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

2005							Thousands of U.S. dollars
	Mineral resources	Metals	Electronics & advanced materials	Construction materials	Others	Elimination or corporate	Consolidated
Net sales:							
Outside customers	$ 211,657	$ 2,649,385	$ 1,378,932	$ 142,713	$ 132,641	$ —	$ 4,515,328
Inter segment	96,496	455,143	64,079	4,370	82,780	(702,868)	—
Total	308,153	3,104,528	1,443,011	147,083	215,421	(702,868)	4,515,328
Costs and expenses	215,244	2,846,413	1,375,317	136,088	192,611	(696,608)	4,069,065
Operating income (loss)	$ 92,909	$ 258,115	$ 67,694	$ 10,995	$ 22,810	$ (6,260)	$ 446,263
Identifiable assets	$ 599,925	$ 2,475,466	$ 1,051,407	$ 132,762	$ 457,389	$ 630,842	$ 5,347,791
Depreciation expense	25,634	59,206	83,330	6,085	12,020	5,470	191,745
Loss on impairment of fixed assets	—	—	1,454	2,339	—	7,976	11,769
Capital expenditures	65,561	141,558	117,201	2,395	10,986	2,292	339,993

(The effects of changes in accounting policies on segment information)

Change for the accounting policy of inventory valuation

The costs of the Company's inventories except for precious metals and electronics and advanced materials had been determined using the last-in, last-out (LIFO) methods until the year ended March 31, 2004, but they have been determined using the first-in, first-out (FIFO) methods for year starting April 1, 2004. As the result of the change of the accounting policy, operating income increases by ¥14 million ($130 thousand) in Mineral resources, ¥10,605 million ($98,817 thousand) in Metallurgy, ¥494 million ($4,603 thousand) in Electronics & advanced materials.

Geographic segment information

Geographic segment information for the years ended March 31, 2005, 2004 and 2003 are summarized as follows:

2005						Millions of yen
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥ 419,109	¥ 20,560	¥ 34,097	¥ 10,819	¥ —	¥ 484,585
Inter segment	25,604	—	282	2,452	(28,338)	—
Total	444,713	20,560	34,379	13,271	(28,338)	484,585
Costs and expenses	403,820	15,145	33,733	12,317	(28,323)	436,692
Operating income (loss)	¥ 40,893	¥ 5,415	¥ 646	¥ 954	¥ (15)	¥ 47,893
Identifiable assets	¥ 433,342	¥ 48,872	¥ 39,468	¥ 24,637	¥ 27,606	¥ 573,925

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

2005						Thousands of U.S. dollars
	Domestic	North America	Southeast Asia	Others	Elimination or corporate	Consolidated
Net sales:						
Outside customers	**$ 3,905,227**	**$ 191,577**	**$ 317,713**	**$ 100,811**	**$ —**	**$ 4,515,328**
Inter segment	**238,576**	**—**	**2,628**	**22,848**	**(264,052)**	**—**
Total	**4,143,803**	**191,577**	**320,341**	**123,659**	**(264,052)**	**4,515,328**
Costs and expenses	**3,762,766**	**141,120**	**314,322**	**114,769**	**(263,912)**	**4,069,065**
Operating income (loss)	**$ 381,037**	**$ 50,457**	**$ 6,019**	**$ 8,890**	**$ (140)**	**$ 446,263**
Identifiable assets	**$ 4,037,849**	**$ 455,386**	**$ 367,760**	**$ 229,566**	**$ 257,230**	**$ 5,347,791**

(The effects of changes in accounting policies on segment information)

Change for the accounting policy of inventory valuation

The costs of inventories of the Company, except for supplies, of metallurgy segment and the other inventories except for electronics and advanced material segment had been determined using the last-in, last-out (LIFO) methods until the year ended March 31, 2004, but they have been determined using the first-in, first-out (FIFO) methods for year starting April 1, 2004. As the result of the change of the accounting policy, operating income in Domestic section increases by ¥11,113 million ($103,550 thousand).

Information for overseas sales

2005					Millions of yen
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	**¥ 25,296**	**¥ 35,441**	**¥ 97,674**	**¥ 3,550**	**¥ 161,961**
Consolidated net sales	**—**	**—**	**—**	**—**	**¥ 484,585**
Share of overseas net sales	**5.2%**	**7.3%**	**20.2%**	**0.7%**	**33.4%**

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%	18.8%	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%

2005					Thousands of U.S. dollars
	North America	Southeast Asia	East Asia	Others	Total
Overseas net sales	**$ 235,706**	**$ 330,237**	**$ 910,119**	**$ 33,079**	**$ 1,509,141**
Consolidated net sales	—	—	—	—	**$ 4,515,328**
Share of overseas net sales	**5.2%**	**7.3%**	**20.2%**	**0.7%**	**33.4%**

15. 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, 2005 and 2004 are as follows:

						Millions of yen
			2005			2004
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**¥ 1,565**	**¥ 1,074**	**¥ 491**	¥ 1,490	¥ 857	¥ 633
Others	**377**	**317**	**60**	367	309	58
Total	**¥ 1,942**	**¥ 1,391**	**¥ 551**	¥ 1,857	¥ 1,166	¥ 691

			Thousands of U.S. dollars
			2005
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**$ 14,583**	**$ 10,007**	**$ 4,576**
Others	**3,513**	**2,954**	**559**
Total	**$ 18,096**	**$ 12,961**	**$ 5,135**

Future lease payment, inclusive of interest at March 31, 2005 and 2004 under such leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 295**	¥ 296	**$ 2,749**
Due after one year	**256**	395	**2,385**
Total	**¥ 551**	¥ 691	**$ 5,134**

Total lease expenses and assumed depreciation charges for the years ended March 31, 2005, 2004 and 2003 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Total lease expenses	**¥ 342**	¥ 330	¥ 466	**$ 3,187**
Assumed depreciation charge	**342**	330	466	**3,187**

As a lesser

A summary of acquisition cost , accumulated depreciation and net book value at March 31, 2005 and 2004 were as follows:

	Millions of yen					
	2005			2004		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**¥ 377**	**¥ 225**	**¥ 152**	¥ 382	¥ 201	¥ 181
Others	**1**	**1**	**0**	1	1	0
Total	**¥ 378**	**¥ 226**	**¥ 152**	¥ 383	¥ 202	¥ 181

	Thousands of U.S. dollars		
	2005		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	**$ 3,513**	**$ 2,097**	**$ 1,416**
Others	**9**	**9**	**0**
Total	**$ 3,522**	**$ 2,106**	**$ 1,416**

Future lease receipt, inclusive of interest, at March 31, 2005 and 2004 under such lease were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 32**	¥ 34	**$ 298**
Due after one year	**107**	157	**997**
Total	**¥ 139**	¥ 191	**$ 1,295**

Total revenue and depreciation charges for the years ended March 31, 2005, 2004, and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Total revenues	**¥ 32**	¥ 35	¥ 42	**$ 298**
Depreciation charge	**30**	30	35	**280**

16. Subsequent events

(1) The following appropriations of retained earnings at March 31, 2005 were approved at the annual general meeting of shareholders of the Company held on June 29, 2005.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥8.00 ($0.07) per share)	**¥ 4,564**	**$ 42,527**
Bonuses to directors	**52**	**485**

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, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2005, 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the followings.

(1) As discussed in Note 2 to the consolidated financial statements, effective April 1, 2004, Sumitomo Metal Mining Co., Ltd. changed the accounting policy of inventory valuation. The costs of inventories except for precious metals and inventories in electronics and advanced material segment had been determined using the last-in, last-out (LIFO) methods until the year ended March 31, 2004, but they were determined using the first-in, first-out (FIFO) methods for year starting April 1, 2004.

(2) As discussed in Note 2 to the consolidated financial statements, effective April 1, 2004, Sumitomo Metal Mining Co., Ltd. and consolidated domestic subsidiaries adopted early the new accounting standards for impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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.

Tokyo, Japan
June 29, 2005

KPMG AZSA & Co.

SMM Group

As of March 31, 2005

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**	81-3-3827-6134	Geological surveys etc.
Metals			
Hyuga Smelting Co., Ltd.	**60**	81-982-52-8101	Ferro-nickel refining
Sumitomo Metal Mining Brass & Copper Co., Ltd.	**100**	81-3-3847-8011	Brass & Copper production
Taihei Metal Industry Co., Ltd.	**96**	81-46-274-1606	Casting alloy production
Acids Co.,Ltd.*	**50**	81-3-6402-7533	Sulfuric acid business
MS Zinc co., Ltd.*	**50**	81-3-3591-3110	Zinc business
Electronics and Advanced Materials			
Ohkuchi Electronics Co., Ltd.	**100**	81-995-22-7511	IC packaging materials production etc.
Shinko Co., Ltd.	**94**	81-265-79-0121	Printing wiring board production
Niihama Electronics Co., Ltd.	**100**	81-897-37-2411	Lead frame production
Ajimu Electronics Co., Ltd.	**100**	81-978-44-2345	Solder plating of IC
Sumitomo Metal Mining Package Materials Co., Ltd.	**100**	81-42-527-7246	IC packaging materials business
Sumiko Tec Co., Ltd.	**100**	81-45-921-2341	Electronic device terminal and connector production
Fuji Electronics Industries Co., Ltd.	**99**	81-54-257-2800	Electronic device precision components production
Sumico Lubricant Co., Ltd.	**100**	81-3-3344-6835	Lubricants production
Nittosha Co., Ltd.	**90**	81-466-48-6200	Metal product plating etc.
Construction Materials			
Sumitomo Metal Mining Siporex Co., Ltd.	**100**	81-3-3435-4660	Construction materials (ALC) production
Igeta Heim Co., Ltd.	**100**	81-3-5452-7591	Ferro-concrete, ALC housing (subcontractor)
Other Services			
Sumiko Eco-engineering Co., Ltd.	**100**	81-3-5685-1311	Environmental engineering etc.
Sumiko Technical Service Co., Ltd.	**100**	81-897-33-1050	Construction, refining etc. (subcontractor)
SMM Plant Engineering Co., Ltd.	**100**	81-897-37-4820	Refining facility engineering etc.
Sumiko Information Systems Co., Ltd.	**100**	81-3-3436-7788	IT system development
N. E. Chemcat Corporation*	**42**	81-3-3435-5490	Precious metal catalysts production etc.
Nippon Ketjen Co., Ltd.*	**50**	81-3-5442-5061	Oil refining catalysts production etc.
Overseas Major Subsidiaries and Affiliated Companies			
Sumitomo Metal Mining America Inc.	**100**	1-206-405-2800	Manages mining affiliates in U.S.
Sumitomo Metal Mining Arizona Inc.	**80**	1-206-405-2800	Jointly manages Morenci Mine, U.S.
SMMA Candelaria Inc.	**100**	1-206-405-2800	Jointly manages La Candelaria Mine, Chile
Sumitomo Metal Mining Canada Ltd.	**100**	1-604-685-3274	Prospecting, consulting
Sumitomo Metal Mining Oceania Pty. Ltd.	**100**	61-2-9266-0400	Jointly manages Northparkes Mine, Australia
SMM Pogo LLC	**100**	1-206-405-2800	Pogo Project, Alaska, U.S.
Coral Bay Nickel Corporation	**54**	63-2-750-1536	Nickel cobalt mixed sulfide production
Sumitomo Metal Mining Asia Pacific Pte. Ltd.	**100**	65-6293-4377	Manages overseas lead frame business
M-SMM Electronics SDN. BHD.	**100**	60-3-5519-8140	Lead frame production
Malaysian Electronics Materials SDN. BHD.	**100**	60-3-5519-8302	Bonding wire production
Sumiko Electronics Taiwan Co., Ltd.	**70**	886-7-365-3592	Lead frame production
Sumiko Leadframe (Thailand) Co., Ltd.	**100**	66-35-226303	Lead frame production
P.T.SUMIKO LEADFRAME BINTAN	**100**	62-770-696020	Lead frame production
Sumiko Leadframe Singapore Pte. Ltd.	**100**	65-6293-4377	Lead frame production
Sumiko Leadframe Chengdu Co., Ltd.	**85**	86-28-8515-5577	Lead frame production
SMM USA, Inc.	**100**	1-760-941-4500	TV frame production
SMMEP Pte. Ltd.	**100**	65-6863-1123	TV frame production
COMPAÑIA CONTRACTUAL MINERA CANDELARIA*	**20**	56-2-251-1200	Manages La Candelaria Mine, Chile
P.T. International Nickel Indonesia*	**20**	62-21-5249003	Nickel ore mining and refining
FIGESBAL*	**26**	687-27-2031	Nickel ore mining etc.
Jinlong Copper Co.,Ltd.*	**27**	86-562-3868006	Electrolytic copper and sulfuric acid production

*Affiliated company

Corporate Data and Investor Information

As of March 31, 2005

Corporate Data

Founded 1590

Incorporated 1950

Paid-In Capital ¥88.3 billion

Number of Employees 2,058

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:
55,416

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

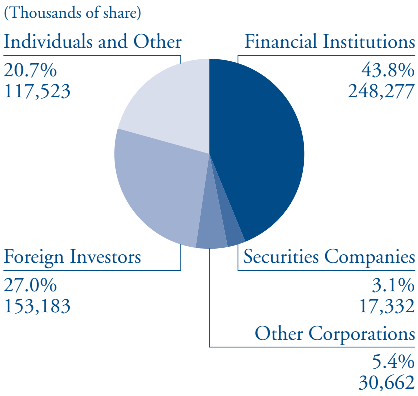
Public Notices
The Company's public notices appear in the Nihon Keizai Shimbun published in Tokyo, Japan.

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

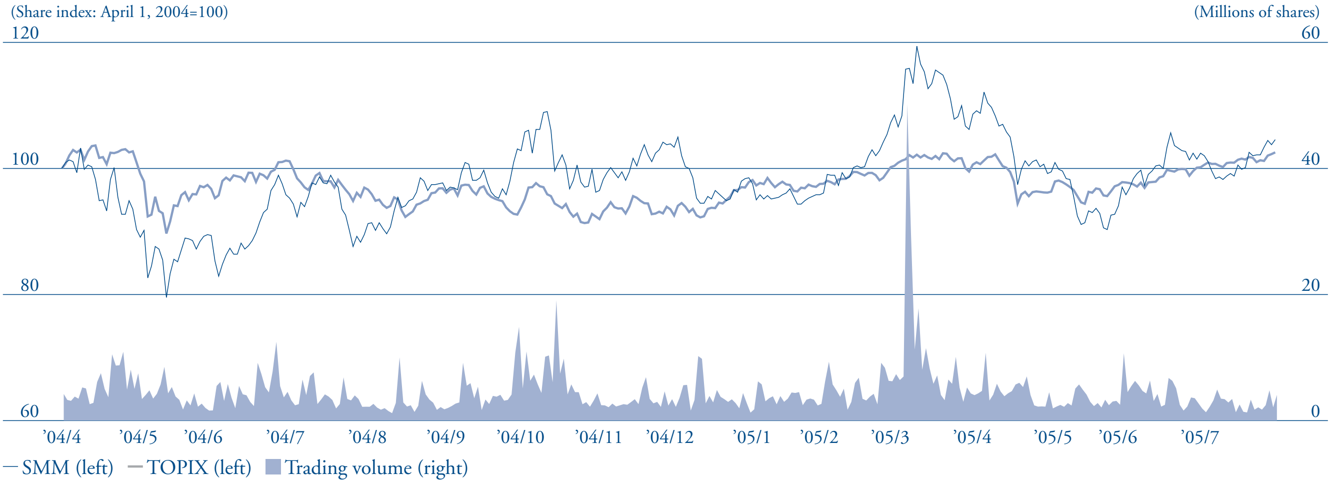
Major Shareholders

	Number of shares held (thousands)	Shareholding ratio (%)
Japan Trustee Services Bank. Ltd. (Trust accounts)	68,678	12.0
The Master Trust Bank of Japan, Ltd. (Trust accounts)	52,332	9.2
Separately managed money trustee, Mitsui Asset Trust and Banking Company, Limited “1”	9,354	1.6
Japan Securities Finance Co., Ltd.	8,656	1.5
The Chase Manhattan Bank NA London SL Omnibus Account	8,279	1.4
Sumitomo Mitsui Banking Corporation	7,650	1.3
The Mitsubishi Trust and Banking Corporation (Trust accounts)	7,504	1.3
Sumitomo Life Insurance Company	7,104	1.2
State Street Bank and Trust Company (505103)	6,267	1.1
BNP Paribas Securities (Japan) Limited	6,129	1.1

Breakdown of Shareholders



Share Performance



Corporate Officers

As of June 29, 2005

Director
Susumu Makino

Director
Nobuto Yamaguchi

Director
Yukio Ishikawa

Director
Masashi Koike

Representative Director
Chitsura Arakawa

Representative Director
Koichi Fukushima

Director
Hirosuke Chihara

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

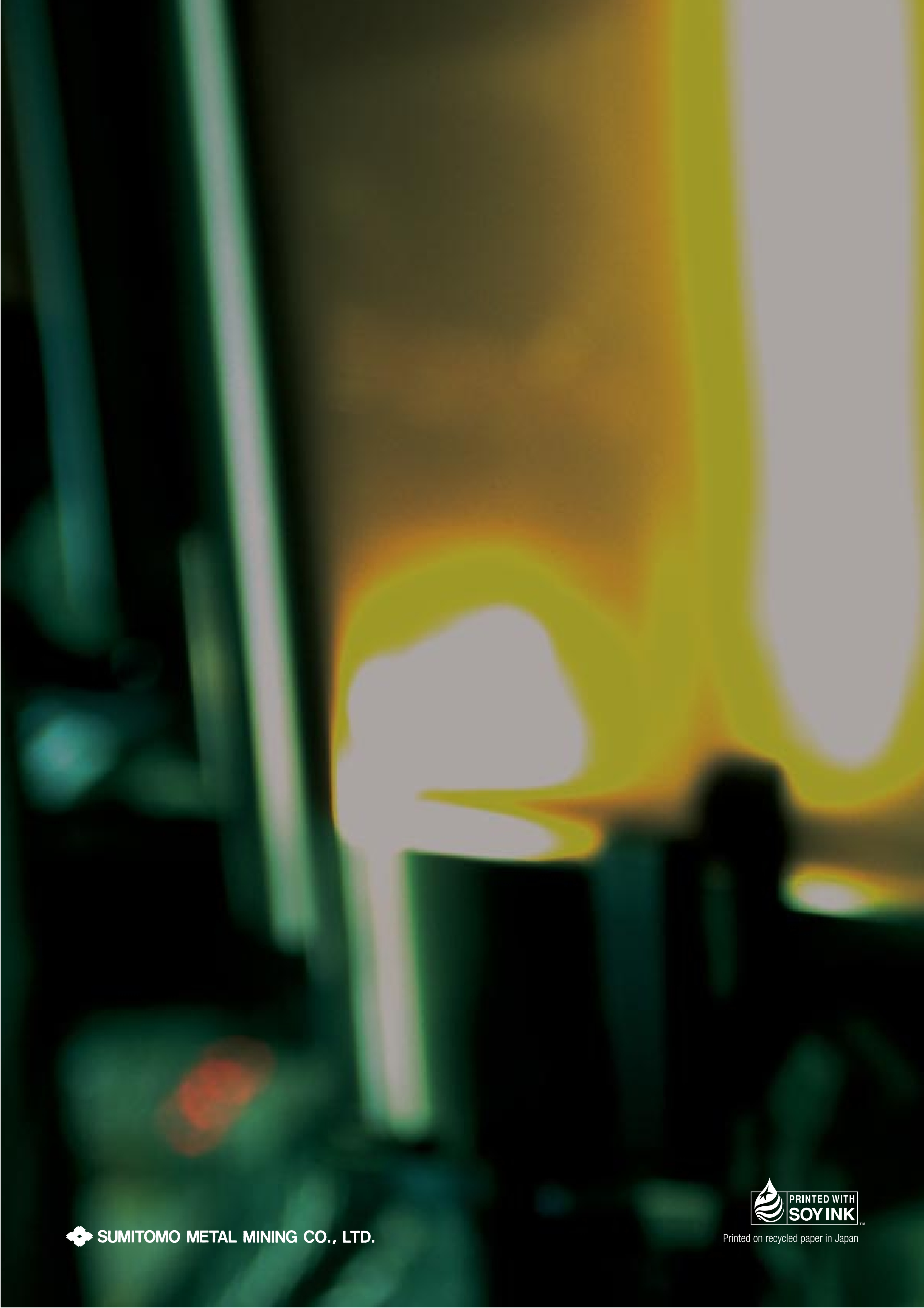
President
Koichi Fukushima

Executive Vice President
Chitsura Arakawa

Senior Managing Executive Officers
Hirosuke Chihara
Nobuto Yamaguchi
Yukio Ishikawa

Managing Executive Officers
Takeshi Yamane
Susumu Makino
Takuro Mochihara
Masashi Koike
Ichiro Abe

Executive Officers
Kotaro Tomino
Naoki Tajiri
Yoshiaki Hashinaka
Etsu Senda
Kouzou Baba
Nobumasa Kemori
Kawaguchi Yukio
Nakazato Yoshiaki
Yamasaki Toru



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