

**Consolidated Financial Results for the Third Quarter ended December 31, 2006**  
**Mitsubishi Materials Corporation**  
Tokyo, Japan

February 5, 2007

Stock code: 5711  
Shares listed: Tokyo and Osaka stock exchanges  
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Date of board of directors' meeting for approval of accounts: February 5, 2007

**1. Notes on preparation of quarterly financial information**

**(1) Use of simple accounting methods: Yes**

- Tax expenses calculated using projected annual tax rate.
- Depreciation calculated monthly, based on annual depreciation projection.

**(2) Changes in accounting policies since most recent consolidated fiscal year: Yes**

- Accounting Standards for Measurement of Inventories are applied. (See page 8.)
- Accounting policies for industrial waste treatment income in the cement segment business have changed. (See page 8.)
- Accounting policies for loss on disposal of fixed assets have changed. (See page 8.)

**(3) Changes in scope of consolidation and adoption of the equity method of accounting: Yes**

Number of consolidated companies; New: 5 Excluded: 10  
Number of companies to which the equity method of accounting is applied; New: - Excluded: 2

**2. Results of the nine months ended December 31, 2006 (From April 1, 2006 to December 31, 2006)**

**(1) Results of operations:**

(Millions of yen)

|                                 | Net sales  | Change | Operating profit | Change | Ordinary income | Change | Net income | Change |
|---------------------------------|------------|--------|------------------|--------|-----------------|--------|------------|--------|
|                                 |            | %      |                  | %      |                 | %      |            | %      |
| Nine months ended Dec. 31, 2006 | ¥1,094,396 | 33.9   | ¥57,494          | 14.3   | ¥87,945         | 39.3   | ¥70,128    | 20.9   |
| Nine months ended Dec. 31, 2005 | ¥817,356   | 13.6   | ¥50,279          | 33.6   | ¥63,126         | 61.5   | ¥58,000    | 289.5  |
| Year ended Mar. 31, 2006        | ¥1,143,699 |        | ¥68,981          |        | ¥80,759         |        | ¥58,802    |        |

|                                 | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
|                                 | Yen                  | Yen                          |
| Nine months ended Dec. 31, 2006 | ¥60.37               | ¥56.18                       |
| Nine months ended Dec. 31, 2005 | ¥51.28               | ¥46.44                       |
| Year ended Mar. 31, 2006        | ¥51.73               | ¥45.36                       |

Note: Percentage changes for net sales and other items relative to previous corresponding period.

**(2) Financial position:**

(Millions of yen)

|                                 | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------------------|--------------|------------|--------------|----------------------|
|                                 |              |            | %            | Yen                  |
| Nine months ended Dec. 31, 2006 | ¥1,796,541   | ¥470,800   | 22.3         | ¥320.94              |
| Nine months ended Dec. 31, 2005 | ¥1,564,121   | ¥289,951   | 18.5         | ¥255.19              |
| Year ended Mar. 31, 2006        | ¥1,609,445   | ¥303,560   | 18.9         | ¥265.15              |

Note: For the third quarter ended December 31, 2006 and for fiscal 2006 year-end results, shareholders' equity is in the net assets column, the shareholders' equity ratio is in the equity ratio column, and shareholders' equity per share is in the net assets per share column.

**(3) Cash flows:**

(Millions of yen)

|                                 | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|---------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Nine months ended Dec. 31, 2006 | ¥7,430                               | (¥47,485)                            | ¥57,134                              | ¥42,710                                    |
| Nine months ended Dec. 31, 2005 | ¥5,368                               | ¥15,931                              | (¥12,484)                            | ¥27,186                                    |
| Year ended Mar. 31, 2006        | ¥55,793                              | ¥899                                 | (¥51,241)                            | ¥24,994                                    |

**3. Forecast (From April 1, 2006 to March 31, 2007)**

(Millions of yen)

|                           | Net sales  | Ordinary income | Net income |
|---------------------------|------------|-----------------|------------|
| Year ending Mar. 31, 2007 | ¥1,400,000 | ¥96,000         | ¥66,000    |

(Reference) Anticipated net income per share for the year ending March 31, 2007: ¥52.88

\*The above projections are based on assumptions about the economic situation, market trends and other information as of the announcement date for these materials. Changes in various factors may cause results to differ from projections.

[Results for Nine Months Ended December 31, 2006]

During the nine months ended December 31, 2006, the Japanese economy showed a moderate but promising trend toward sustainable growth. Capital investment continued to increase supported by improved corporate earnings, despite persistent high raw materials and fuel costs and stagnant personal consumption.

The business environment for the Mitsubishi Materials Group was generally favorable as a result of high prices for copper and other core metals, and improved performance in the automotive, information and electronics sectors in which the Group's main customers operate. Such favorable factors offset high raw materials and fuel costs.

In such circumstances, the Group concentrated its resources on sales of automotive-related products and IT and digital-related products, which experienced buoyant demand, as well as cement, for which demand was brisk overseas.

As a result, consolidated net sales for the term increased ¥277.0 billion from the previous corresponding period to ¥1,094.3 billion. Consolidated operating profit rose ¥7.2 billion to ¥57.4 billion. Consolidated ordinary income climbed ¥24.8 billion to ¥87.9 billion. Consolidated net income gained ¥12.1 billion to ¥70.1 billion.

## **Review by Business Segment**

### **(Cement)**

Although demand was down for public projects, demand in the private sector remained brisk supported by expanded capital investment, high sustained sales prices and the continued expansion of demand overseas. As a result, volumes and sales rose from the previous corresponding period.

Volumes and sales of aggregate also increased, reflecting strong demand for mainline Portland cement.

Consequently, segment sales therefore advanced ¥20.7 billion to ¥142.0 billion. Operating profit was up ¥0.6 billion to ¥12.0 billion.

### **(Metals)**

Sales of copper exceeded those for the year earlier, reflecting a brisk semiconductor market that led to expansion and continued favorable sales of products for electronic materials and automotive products. Sales of gold increased due to high prices, although volumes of gold decreased owing to a lower concentration in ore and declining purchased volumes.

In processed copper products, sales exceeded those for the year earlier, reflecting steady demand for electronic materials and automotive copper castings as well as recovered demand for wire materials.

The impact of these increases in demand and high copper prices led operating profit to surge from the previous corresponding period.

As a result of these factors, segment sales rose ¥245.5 billion to ¥532.4 billion. Operating profit gained ¥10.3 billion to ¥25.3 billion.

### **(Advanced Materials & Tools)**

Despite steady exports to Europe and the United States, sales of cemented carbide products increased but earnings were down owing to a change in inventory evaluation-related accounting policies, although sales increased.

Sales and profits from functional parts declined resulting from the merger of our sintered parts-related operations with those of Plansee Holding AG of Austria on December 1, 2005, to create Plansee Mitsubishi Materials Global Sinter Holding S.A., an equity method affiliate.

In high-performance alloy products, demand continued to be high for aerospace and automotive products. However, high metal prices drove up production costs, which caused earnings to decrease even as sales rose.

Sales of diamond-cutting tools increased as demand remained solid for automotive-related products and IT and digital products, whereas earnings declined, reflecting the decreased sales prices of some products.

As a result of these factors, segment sales fell ¥12.4 billion to ¥112.6 billion. Operating profit declined ¥3.6 billion to ¥11.2 billion.

### **(Aluminum)**

Sales volume of aluminum cans increased. This reflected the benefits of a merger on October 1, 2005, of our aluminum can operations with those of Hokkai Can Co., Ltd., (currently Hokkan Holdings Ltd.) and from solid sales of the so-called third-category beer can. In contrast, sales of aluminum bottles were sluggish and high raw materials prices pushed up production costs. As a result, sales increased although earnings decreased.

Sales and earnings from rolled and treated aluminum increased. This was largely due to steady sales of sheet metal and extruded aluminum for automotive applications. Another contributing factor was revised product pricing to accommodate high raw materials costs.

Consequently, segment sales rose ¥18.5 billion to ¥125.2 billion. However, operating profit was down ¥0.9 billion to ¥2.8 billion.

Note: Third-category beer is an alcoholic beverage similar in taste to beer made from ingredients other than malt and wheat, making it subject to lower liquor taxes.

### **(Electronic Materials & Components)**

In functional materials, demand remained solid for silicon-related products such as 300mm silicon wafers and for semiconductor-related products. Gold bonding wire prices remained high because of high gold prices, which led to year-over-year increases in sales and profits.

In electronic devices, we removed Kamaya Electric Co., Ltd., from consolidation following the transfer of shares to Walsin Technology Corporation in Taiwan on April 28, 2006, and demand in Taiwan remained sluggish. However, we liquidated or withdrew from unprofitable product areas. As a consequence, sales decreased but earnings increased.

Sales and earnings of polycrystalline silicon rose on favorable demand for 300mm silicon wafers and solar battery applications. Revised product pricing also contributed to these gains.

Consequently, segment sales thus advanced ¥8.2 billion to ¥65.2 billion, and operating profit was up ¥3.9 billion to ¥7.1 billion.

**(Others)**

Sales and earnings in the energy business decreased. This is due to a review of the breakeven point for engineering projects and declined sales of nuclear fuels, although sales of coal and petroleum, which factored in high fuel prices, increased.

Sales rose although earnings fell in the precious metals business, as high gold prices slowed sales for individuals, offsetting sales increase from jewelry. As a result of these factors, segment sales rose ¥15.4 billion to ¥232.7 billion. Operating profit declined ¥2.4 billion to ¥1.6 billion.

[Financial Position]

Total assets as of December 31, 2006, rose ¥187.0 billion year over year to ¥1,796.5 billion. This reflects a surge in prices of core metals such as copper; the impact of consolidating Mitsubishi Shindoh Co., Ltd., a former equity method affiliate; and an increase in expenses for engineering-related construction in progress.

Total liabilities increased ¥74.3 billion to ¥1,325.7 billion, reflecting an increase in commercial paper issued and bank loans, in addition to newly consolidated subsidiaries.

[Forecasts of Operating Results]

With a gain on the change in equities following the issuance of new shares of SUMCO CORPORATION, net income was revised up ¥15.0 billion from ¥51.0 billion, the estimate as of November 8, 2006, to ¥66.0 billion.

## Consolidated Balance Sheets

December 31, 2006 and 2005 and March 31, 2006

(Millions of yen)

|   | March 31,<br>2006 | December 31,<br>2006 | Difference      | December 31,<br>2005 |
|---|-------------------|----------------------|-----------------|----------------------|
| <b>ASSETS</b>                                     |                   |                      |                 |                      |
| <b>Current Assets:</b>                            |                   |                      |                 |                      |
| Cash and cash equivalents                         | ¥25,454           | ¥42,974              | ¥17,519         | ¥27,708              |
| Notes received and accounts receivable            | 228,308           | 268,963              | 40,654          | 209,718              |
| Marketable securities                             | 16                | 9                    | (6)             | 29                   |
| Inventories                                       | 206,029           | 266,447              | 60,417          | 205,357              |
| Deferred income taxes                             | 10,163            | 9,237                | (925)           | 9,302                |
| Other current assets                              | 146,159           | 156,807              | 10,648          | 132,945              |
| Allowance for doubtful accounts                   | (4,839)           | (4,157)              | 682             | (4,417)              |
| <b>Total Current Assets</b>                       | <b>611,291</b>    | <b>740,282</b>       | <b>128,990</b>  | <b>580,643</b>       |
| <b>Fixed Assets:</b>                              |                   |                      |                 |                      |
| <b>Property, Plant and Equipment</b>              |                   |                      |                 |                      |
| Buildings and structures                          | 166,416           | 169,290              | 2,873           | 165,915              |
| Machinery and equipment                           | 210,793           | 211,693              | 899             | 204,272              |
| Land  | 247,807           | 250,523              | 2,715           | 247,041              |
| Construction in progress                          | 15,594            | 32,460               | 16,865          | 18,317               |
| Others  | 11,192            | 11,873               | 680             | 11,041               |
| <b>Net Property, Plant and Equipment</b>          | <b>651,804</b>    | <b>675,840</b>       | <b>24,035</b>   | <b>646,588</b>       |
| <b>Intangible Assets</b>                          |                   |                      |                 |                      |
| Others  | 16,082            | 15,711               | (371)           | 15,636               |
| <b>Total Intangible Assets</b>                    | <b>16,082</b>     | <b>15,711</b>        | <b>(371)</b>    | <b>15,636</b>        |
| <b>Investments and Long-Term Receivables</b>      |                   |                      |                 |                      |
| Investments in securities                         | 260,182           | 285,205              | 25,022          | 249,725              |
| Long-term receivables                             | 9,497             | 7,453                | (2,044)         | 18,215               |
| Long-term prepaid expenses                        | 1,471             | 1,265                | (205)           | 1,464                |
| Deferred income taxes                             | 18,099            | 20,732               | 2,632           | 15,827               |
| Other   | 52,442            | 60,199               | 7,756           | 53,597               |
| Reserve for loss on investments of affiliates     | (96)              | (25)                 | 71              | (249)                |
| Allowance for doubtful accounts                   | (11,329)          | (10,122)             | 1,207           | (17,327)             |
| <b>Total Investment and Long-Term Receivables</b> | <b>330,266</b>    | <b>364,707</b>       | <b>34,440</b>   | <b>321,254</b>       |
| <b>Total Fixed Assets</b>                         | <b>998,154</b>    | <b>1,056,259</b>     | <b>58,104</b>   | <b>983,478</b>       |
| <b>Total Assets</b>                               | <b>¥1,609,445</b> | <b>¥1,796,541</b>    | <b>¥187,095</b> | <b>¥1,564,121</b>    |

## Consolidated Balance Sheets

December 31, 2006 and 2005 and March 31, 2006

(Millions of yen)

|   | March 31,<br>2006 | December 31,<br>2006 | Difference     | December 31,<br>2005 |
|---|-------------------|----------------------|----------------|----------------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                           |                   |                      |                |                      |
| <b>Current Liabilities:</b>   |                   |                      |                |                      |
| Notes payable and accounts payable                                    | ¥165,191          | ¥166,786             | ¥1,594         | ¥134,627             |
| Short-term bank loans   | 324,064           | 360,252              | 36,188         | 307,615              |
| Current portion of bonds  | 25,000            | —                    | (25,000)       | 25,000               |
| Commercial paper  | 7,000             | 50,000               | 43,000         | 26,000               |
| Accrued income taxes  | 13,856            | 11,963               | (1,893)        | 13,209               |
| Deferred income taxes   | 46                | 1,606                | 1,560          | 41                   |
| Accrued bonuses   | 11,710            | 5,973                | (5,737)        | 5,544                |
| Gold payable  | 114,856           | 124,170              | 9,313          | 102,261              |
| Other current liabilities   | 115,032           | 123,192              | 8,160          | 97,462               |
| <b>Total Current Liabilities</b>                                      | <b>776,759</b>    | <b>843,945</b>       | <b>67,185</b>  | <b>711,761</b>       |
| <b>Long-Term Liabilities:</b>   |                   |                      |                |                      |
| Bonds   | 90,306            | 75,000               | (15,306)       | 93,100               |
| Long-term loans   | 244,885           | 258,371              | 13,485         | 276,639              |
| Severance and pension benefits  | 46,660            | 49,948               | 3,287          | 47,295               |
| Reserve for soil remediation losses                                   | 5,603             | 4,792                | (810)          | —                    |
| Reserve for loss on subsidiaries and affiliates                       | 362               | 193                  | (168)          | 873                  |
| Other reserves  | 3,969             | 4,174                | 205            | 11,358               |
| Deferred income taxes   | 16,750            | 22,142               | 5,391          | 14,627               |
| Deferred income taxes on revaluation reserve for land                 | 35,019            | 34,869               | (150)          | 35,048               |
| Consolidation adjustments account                                     | 3,832             | —                    | (3,832)        | 3,964                |
| Others  | 27,273            | 32,303               | 5,029          | 26,750               |
| <b>Total Long-Term Liabilities</b>                                    | <b>474,663</b>    | <b>481,795</b>       | <b>7,132</b>   | <b>509,658</b>       |
| <b>Total Liabilities</b>  | <b>1,251,422</b>  | <b>1,325,740</b>     | <b>¥74,318</b> | <b>1,221,419</b>     |
| <b>Minority Interests</b>   | <b>54,462</b>     | <b>—</b>             | <b>—</b>       | <b>52,750</b>        |
| <b>Shareholders' Equity:</b>  |                   |                      |                |                      |
| Common stock  | 101,752           | —                    | —              | 100,351              |
| Capital Surplus   | 70,882            | —                    | —              | 69,469               |
| Retained earnings   | 43,453            | —                    | —              | 42,942               |
| Revaluation reserve for land  | 37,318            | —                    | —              | 37,337               |
| Net unrealized holding gains on securities                            | 50,571            | —                    | —              | 44,570               |
| Foreign currency translation adjustments                              | 424               | —                    | —              | (3,954)              |
| Treasury stock  | (842)             | —                    | —              | (765)                |
| <b>Total Shareholders' Equity</b>                                     | <b>303,560</b>    | <b>—</b>             | <b>—</b>       | <b>289,951</b>       |
| <b>Total Liabilities, Minority Interests and Shareholders' Equity</b> | <b>¥1,609,445</b> | <b>—</b>             | <b>—</b>       | <b>¥1,564,121</b>    |
| <b>Net Assets:</b>  |                   |                      |                |                      |
| <b>Shareholders' equity</b>   |                   |                      |                |                      |
| Common stock  | —                 | 119,457              | —              | —                    |
| Capital surplus   | —                 | 88,494               | —              | —                    |
| Retained earnings   | —                 | 107,044              | —              | —                    |
| Treasury stock  | —                 | (1,090)              | —              | —                    |
| <b>Total Shareholders' Equity</b>                                     | <b>—</b>          | <b>313,906</b>       | <b>—</b>       | <b>—</b>             |
| <b>Unrealized gains/losses and exchange rate adjustments</b>          |                   |                      |                |                      |
| Net unrealized holding gains on securities                            | —                 | 47,487               | —              | —                    |
| Deferred gains/losses on hedging instruments                          | —                 | 113                  | —              | —                    |
| Revaluation reserve for land  | —                 | 36,565               | —              | —                    |
| Foreign currency translation adjustments                              | —                 | 2,456                | —              | —                    |
| <b>Total Unrealized Gains/Losses and Exchange Rate Adjustments</b>    | <b>—</b>          | <b>86,623</b>        | <b>—</b>       | <b>—</b>             |
| <b>Minority interests</b>   | <b>—</b>          | <b>70,270</b>        | <b>—</b>       | <b>—</b>             |
| <b>Total Net Assets</b>   | <b>—</b>          | <b>470,800</b>       | <b>—</b>       | <b>—</b>             |
| <b>Total Liabilities and Net Assets</b>                               | <b>—</b>          | <b>¥1,796,541</b>    | <b>—</b>       | <b>—</b>             |

## Consolidated Statements of Operations

For the nine months ended December 31, 2006 and 2005 and the year ended March 31, 2006

(Millions of yen)

|  | December 31,<br>2005 | December 31,<br>2006 | Difference      | March 31,<br>2006 |
|--|----------------------|----------------------|-----------------|-------------------|
| <b>Net Sales</b>   | <b>¥817,356</b>      | <b>¥1,094,396</b>    | <b>¥277,040</b> | <b>¥1,143,699</b> |
| <b>Cost of Sales</b>   | <b>676,125</b>       | <b>943,738</b>       | <b>267,612</b>  | <b>953,083</b>    |
| <b>Gross profit</b>  | <b>141,231</b>       | <b>150,658</b>       | <b>9,427</b>    | <b>190,615</b>    |
| <b>Selling, General and Administrative Expenses</b>                  | <b>90,951</b>        | <b>93,163</b>        | <b>2,212</b>    | <b>121,633</b>    |
| <b>Operating Profit</b>  | <b>50,279</b>        | <b>57,494</b>        | <b>7,215</b>    | <b>68,981</b>     |
| <b>Non Operating Income:</b>   | <b>30,266</b>        | <b>50,466</b>        | <b>20,200</b>   | <b>36,625</b>     |
| Interest income  | 401                  | 1,836                | 1,435           | 629               |
| Dividend income  | 3,251                | 4,460                | 1,208           | 4,747             |
| Rent earned in undertaking   | 4,737                | 4,298                | (439)           | 6,119             |
| Equity in earnings of affiliates                                     | 20,184               | 37,300               | 17,115          | 22,604            |
| Other  | 1,690                | 2,571                | 880             | 2,524             |
| <b>Non Operating Expenses:</b>                                       | <b>17,419</b>        | <b>20,015</b>        | <b>2,596</b>    | <b>24,848</b>     |
| Interest expenses  | 8,616                | 9,538                | 922             | 11,363            |
| Expense for rent in undertaking                                      | 3,559                | 3,234                | (324)           | 4,736             |
| Loss on disposal of property, plant and equipment                    | 183                  | 2,981                | 2,798           | 266               |
| Other  | 5,060                | 4,260                | (799)           | 8,481             |
| <b>Ordinary Income</b>   | <b>63,126</b>        | <b>87,945</b>        | <b>24,818</b>   | <b>80,759</b>     |
| <b>Extraordinary Income:</b>   | <b>48,068</b>        | <b>15,824</b>        | <b>(32,244)</b> | <b>50,362</b>     |
| Dilution gain  | 11,232               | 12,722               | 1,490           | 11,283            |
| Reversal of bad debt reserve   | 321                  | 1,206                | 884             | 432               |
| Gain on sales of marketable securities and investments in securities | 33,800               | 784                  | (33,016)        | 34,403            |
| Gain on sales of property, plant and equipment                       | 1,351                | 352                  | (998)           | 1,806             |
| Other  | 1,362                | 758                  | (603)           | 2,436             |
| <b>Extraordinary Loss:</b>   | <b>27,239</b>        | <b>1,468</b>         | <b>(25,770)</b> | <b>45,969</b>     |
| Write-down of marketable securities and investments in securities    | 427                  | 602                  | 175             | 866               |
| Loss on impairment   | 6,782                | 334                  | (6,447)         | 9,366             |
| Loss on disposal of fixed assets                                     | 2,121                | 110                  | (2,010)         | 3,972             |
| Loss on sales of investments in securities                           | 19                   | 83                   | 63              | 78                |
| Remedial expenses  | 2,800                | —                    | (2,800)         | 2,800             |
| Provision for bad debt   | 5,299                | —                    | (5,299)         | 7,077             |
| Provision for loss on business of affiliates                         | 209                  | —                    | (209)           | 177               |
| Provision for loss on investments                                    | 68                   | —                    | (68)            | 86                |
| Other, net   | 9,511                | 337                  | (9,173)         | 21,543            |
| <b>Income before Income Taxes and Minority Interests</b>             | <b>83,956</b>        | <b>102,301</b>       | <b>18,345</b>   | <b>85,151</b>     |
| Corporate income taxes and business tax                              | 21,115               | 25,992               | 4,877           | 19,825            |
| Minority interests in income of consolidated subsidiaries            | 4,840                | 6,180                | 1,340           | 6,523             |
| <b>Net Income</b>  | <b>¥58,000</b>       | <b>¥70,128</b>       | <b>¥12,127</b>  | <b>¥58,802</b>    |

## Consolidated Statements of Cash Flows

For the nine months ended December 31, 2006 and 2005 and the year ended March 31, 2006

(Millions of yen)

|  | December 31,<br>2005 | December 31,<br>2006 | March 31,<br>2006 |
|--|----------------------|----------------------|-------------------|
| <b>I Cash Flows from Operating Activities</b>  |                      |                      |                   |
| 1 Income before income taxes and minority interests  | ¥83,956              | ¥102,301             | ¥85,151           |
| 2 Depreciation and amortization  | 35,805               | 36,690               | 47,684            |
| 3 Increase (decrease) in allowance for doubtful accounts   | 8,368                | (7,123)              | 13,825            |
| 4 Interest and dividend income   | (3,652)              | (6,296)              | (5,377)           |
| 5 Interest expenses  | 8,616                | 9,538                | 11,363            |
| 6 Loss for sales or disposal of property, plant and equipment  | 769                  | 2,739                | 2,166             |
| 7 Loss on impairment   | 6,782                | 334                  | 9,366             |
| 8 Gain on sales or write-down of marketable securities and investments<br>in securities                    | (33,353)             | (98)                 | (33,458)          |
| 9 Dilution gain  | (11,232)             | (12,722)             | (11,283)          |
| 10 (Increase) decrease in notes and accounts receivable  | (15,028)             | (25,700)             | (31,871)          |
| 11 (Increase) decrease in inventories  | (48,964)             | (44,041)             | (47,169)          |
| 12 Proceeds from sales of gold bullion deposited from customers<br>under consuming bailment My Gold Plan   | 12,130               | 18,679               | 26,689            |
| 13 Expenditure on gold ingot purchases   | —                    | (12,138)             | (10,295)          |
| 14 (Increase) decrease in current assets   | (2,611)              | (7,620)              | (6,517)           |
| 15 (Decrease) increase in notes and accounts payable   | (662)                | (4,779)              | 28,114            |
| 16 Equity (earnings) losses of affiliates  | (20,184)             | (37,300)             | (22,604)          |
| 17 Other, net  | 645                  | 5,544                | 15,530            |
| Subtotal   | 21,383               | 18,008               | 71,312            |
| 18 Interest and dividend received  | 11,291               | 21,999               | 19,012            |
| 19 Interest paid   | (7,276)              | (7,895)              | (10,964)          |
| 20 Proceeds from erection insurance  | —                    | 2,258                | —                 |
| 21 Income taxes paid   | (20,029)             | (26,940)             | (23,566)          |
| <b>Net Cash Provided by Operating Activities</b>   | <b>5,368</b>         | <b>7,430</b>         | <b>55,793</b>     |
| <b>II Cash Flows from Investing Activities</b>   |                      |                      |                   |
| 1 Payments for purchases of marketable securities and investments<br>in securities                         | (13,283)             | (4,992)              | (15,705)          |
| 2 Proceeds from sales of marketable securities and investments<br>in securities                            | 52,111               | 962                  | 53,096            |
| 3 Payments for purchases of property, plant and equipment  | (34,982)             | (47,912)             | (49,982)          |
| 4 Proceeds from sales of property, plant and equipment   | 2,662                | 1,076                | 3,767             |
| 5 Payments for purchases of consolidated subsidiaries' shares,<br>net of cash owned by those subsidiaries  | —                    | (3,588)              | —                 |
| 6 Proceeds from purchases of consolidated subsidiaries' shares,<br>net of cash owned by those subsidiaries | —                    | 1,593                | —                 |
| 7 Proceeds from sales of consolidated subsidiaries' shares,<br>net of cash owned by those subsidiaries     | 8,755                | 849                  | 8,843             |
| 8 Payments for purchases of business   | —                    | (38)                 | (961)             |
| 9 Proceeds from transfer of business   | —                    | 248                  | —                 |
| 10 Other, net  | 667                  | 4,316                | 1,841             |
| <b>Net Cash Provided by (Used in) Investing Activities</b>   | <b>15,931</b>        | <b>(47,485)</b>      | <b>899</b>        |
| <b>III Cash Flows from Financing Activities</b>  |                      |                      |                   |
| 1 Increase (decrease) in short-term bank loans, net  | 3,266                | 24,673               | (15,257)          |
| 2 Proceeds from long-term debt   | 66,458               | 37,051               | 81,786            |
| 3 Repayments of long-term debt   | (83,601)             | (34,878)             | (98,654)          |
| 4 Increase (decrease) in commercial paper, net   | 26,000               | 43,000               | 7,000             |
| 5 Payments for redemption of bonds   | (49,445)             | (25,000)             | (49,445)          |
| 6 Proceeds from issuance of bonds  | 30,000               | 20,000               | 30,000            |
| 7 Cash dividend paid   | (3,395)              | (6,870)              | (3,395)           |
| 8 Other, net   | (1,767)              | (842)                | (3,274)           |
| <b>Net Cash (Used in) Provided by Financing Activities</b>   | <b>(12,484)</b>      | <b>57,134</b>        | <b>(51,241)</b>   |
| <b>IV Effect of Exchange Rate Fluctuation on Cash and Cash Equivalents</b>                                 | <b>1,248</b>         | <b>371</b>           | <b>2,243</b>      |
| <b>V Net Increase in Cash and Cash Equivalents</b>   | <b>10,063</b>        | <b>17,450</b>        | <b>7,694</b>      |
| <b>VI Cash and Cash Equivalents at Beginning of Period</b>   | <b>16,352</b>        | <b>24,994</b>        | <b>16,352</b>     |
| <b>VII Effect of Changes in Consolidated Subsidiaries</b>  | <b>272</b>           | <b>135</b>           | <b>272</b>        |
| <b>VIII Increase in Cash and Cash Equivalents from Mergers<br/>of Unconsolidated Subsidiaries</b>          | <b>497</b>           | <b>130</b>           | <b>674</b>        |
| <b>IX Cash and Cash Equivalents at End of Period</b>   | <b>¥27,186</b>       | <b>¥42,710</b>       | <b>¥24,994</b>    |

(4) Changes in accounting policies since the most recent consolidated fiscal year

1. Application of the Accounting Standards for Measurement of Inventories

As the Accounting Standards for Measurement of Inventories (Accounting Standards Board of Japan's Statement No. 9, issued on July 5, 2006) has become applicable to consolidated financial statements for fiscal years prior to April 1, 2008, the Company applied the said accounting policies in the period under review.

As a result, gross profit, operating profit, ordinary income and income before income taxes decreased ¥4,322 million, compared with the previous accounting policies.

The effect of the change on the segment information is stated in the relevant section.

2. Change in accounting policies for industrial waste treatment income in the cement business

The Company traditionally deducted industrial waste treatment income in the cement business from the cost of sales. As of the period under review, the Company posts this income to consolidated net sales. Management made this decision to more appropriately reflect the profit structure of the cement business, as income from treating industrial waste has expanded to become a significant and stable source of earnings.

As a result, net sales increased ¥8,969 million; cost of sales increased ¥8,648 million; and gross profit, operating profit, ordinary income and income before income taxes increased ¥321 million, compared with the previous accounting policies.

The effect of the change on the segment information is stated in the relevant section.

3. Change in accounting policies for the loss on disposal of fixed assets

The Company traditionally accounted for the loss on disposal of fixed assets as an extraordinary loss, unless it was obviously an ordinary expense. As of the period under review, expenses arising from the replacement of equipment are accounted for as non operating expenses. This change is intended to more clearly define the profit-and-loss section, because the said expenses are expected to occur on an ordinary basis in the years ahead.

As a result, ordinary income decreased ¥2,924 million, compared with the previous accounting policies, and there was no effect on income before income taxes.

4. Change in the estimated useful lives for facilities in the electronic materials & components business

Management has revised the estimated useful lives of facilities used to manufacture semiconductor devices at the Mita Plant in Hyogo Prefecture, factoring in increased production volume and operating rates in light of rising demand in recent years and product life cycles. The Company has shortened the estimated useful lives of machinery and equipment from 13 years to 4 years.

Management has also revised the estimated useful lives for machinery and equipment at Mitsubishi Polycrystalline Silicon America Corp., a consolidated subsidiary in Alabama—as operating rates have exceeded the designed capacity of the machinery and equipment since the previous fiscal year. This development is the result of strong demand for silicon wafers, which is expected to continue. The estimated useful lives are now down from the previous 5–30 years (averaging 21 years) to 3–20 years (averaging 17 years).

As a result, gross profit, operating profit, ordinary income and income before income taxes declined ¥516 million, compared with the previous accounting policies.

The effect of the change on the segment information is stated in the relevant section.

5. Change in presentation in the consolidated balance sheets

Following the revision of the regulations for consolidated financial statements, the consolidation adjustment account, which was traditionally stated independently in the Long-Term Liabilities section, is now regarded as “negative goodwill” (¥3,710 million) and included in the “others” account of Long-Term Liabilities.

## Segment Information

### Business segment information

(Millions of yen)

| Nine months ended December 31, 2005 | Cement   | Metals   | Advanced<br>Materials &<br>Tools | Aluminum | Electronic<br>Materials &<br>Components | Others   | Total    | Elimination and<br>Corporate Assets<br>or Expenses | Consolidated |
|-------------------------------------|----------|----------|----------------------------------|----------|---|----------|----------|--|--------------|
| I Sales:                            |          |          |                                  |          |   |          |          |  |              |
| (1) Unaffiliated customers          | ¥120,842 | ¥239,676 | ¥114,144                         | ¥106,201 | ¥55,258                                 | ¥181,233 | ¥817,356 |  | ¥817,356     |
| (2) Intersegment                    | 404      | 47,256   | 10,987                           | 502      | 1,807                                   | 36,017   | 96,974   | (¥96,974)  | —            |
| Total                               | 121,247  | 286,932  | 125,131                          | 106,704  | 57,065                                  | 217,251  | 914,331  | (96,974)   | 817,356      |
| Operating expenses                  | 109,820  | 271,951  | 110,274                          | 102,916  | 53,884                                  | 213,141  | 861,988  | (94,911)   | 767,077      |
| Operating profit                    | ¥11,426  | ¥14,981  | ¥14,856                          | ¥3,788   | ¥3,180                                  | ¥4,109   | ¥52,342  | (¥2,063)   | ¥50,279      |

| Nine months ended December 31, 2006 | Cement   | Metals   | Advanced<br>Materials &<br>Tools | Aluminum | Electronic<br>Materials &<br>Components | Others   | Total      | Elimination and<br>Corporate Assets<br>or Expenses | Consolidated |
|-------------------------------------|----------|----------|----------------------------------|----------|---|----------|------------|--|--------------|
| I Sales:                            |          |          |                                  |          |   |          |            |  |              |
| (1) Unaffiliated customers          | ¥140,887 | ¥474,730 | ¥102,390                         | ¥124,540 | ¥62,998                                 | ¥188,849 | ¥1,094,396 |  | ¥1,094,396   |
| (2) Intersegment                    | 1,138    | 57,743   | 10,260                           | 755      | 2,276                                   | 43,889   | 116,064    | (¥116,064)   | —            |
| Total                               | 142,026  | 532,473  | 112,651                          | 125,295  | 65,274                                  | 232,739  | 1,210,461  | (116,064)  | 1,094,396    |
| Operating expenses                  | 129,972  | 507,146  | 101,404                          | 122,446  | 58,155                                  | 231,039  | 1,150,165  | (113,263)  | 1,036,902    |
| Operating profit                    | ¥12,054  | ¥25,327  | ¥11,246                          | ¥2,848   | ¥7,119                                  | ¥1,699   | ¥60,295    | (¥2,800)   | ¥57,494      |

#### Notes:

1. Business segment has been classified in terms of sales, main products of each business segment are as follows;

- (1) Cement: Cement, cement-related products, ready-mixed concrete and building materials
- (2) Metals: Copper smelting and copper related products
- (3) Advanced Materials & Tools: Cutting tools and cemented carbide products, powder metallurgy products, high-performance alloy products and diamond tools
- (4) Aluminum: Aluminum beverage cans, aluminum rolled and fabricated products and aluminum related products
- (5) Electronic Materials & Components: Electronic components, electronic materials, chemical products and polycrystalline silicon
- (6) Others: Nuclear energy-related services, precious metals, resources environmental operations and related businesses, real estate business and engineering related services

2. Change in accounting policies for industrial waste treatment income in cement business

The Company traditionally deducted industrial waste treatment income in the cement business from the cost of sales. As of the period under review, the Company now posts this income to consolidated net sales. Management made this decision to more appropriately reflect the profit structure of the cement business, as income from treating industrial waste has expanded to become a significant and stable source of earnings.

This change raised the sales and operating costs of the cement business by ¥8,969 million and ¥8,648 million, respectively. Operating profit increased ¥321 million.

3. Application of the Accounting Standards for Measurement of Inventories

In the period under review, the Company applied the Accounting Standards for Measurement of Inventories (Accounting Standards Board of Japan's Statement No. 9, issued on July 5, 2006). As a result, increases and decreases in each business's operating expenses and operating profit, compared with the previous accounting policies, are as follows.

|                    | Cement | Metals   | Advanced<br>Materials &<br>Tools | Aluminum | Electronic<br>Materials &<br>Components | Others | Total    | Elimination and<br>Corporate Assets<br>or Expenses | Consolidated |
|--------------------|--------|----------|----------------------------------|----------|---|--------|----------|--|--------------|
| Operating expenses | ¥176   | ¥1,369   | ¥1,527                           | ¥629     | ¥159                                    | ¥459   | ¥4,322   | —  | ¥4,322       |
| Operating profit   | (¥176) | (¥1,369) | (¥1,527)                         | (¥629)   | (¥159)                                  | (¥459) | (¥4,322) | —  | (¥4,322)     |

4. Change in the estimated useful lives for facilities in the electronic materials & components business

Management has revised the estimated useful lives of facilities used to manufacture semiconductor devices at the Mita Plant in Hyogo Prefecture, factoring in increased production volume and operating rates in light of rising demand in recent years and product life cycles. The Company has shortened the estimated useful lives of machinery and equipment from 13 years to 4 years. Management has also revised the estimated useful lives for machinery and equipment at Mitsubishi Polycrystalline Silicon America Corp., a consolidated subsidiary in Alabama—as operating rates have exceeded the designed capacity of the machinery and equipment since the previous fiscal year.

This development is the result of strong demand for silicon wafers, which is expected to continue. The estimated useful lives are now down from the previous 5–30 years (averaging 21 years) to 3–20 years (averaging 17 years).

As a result, while operating expenses of the electronic materials & components business have risen ¥516 million, operating profit has declined by the same amount compared with the previous accounting policies.