

Consolidated Financial Results for the Year Ended March 31, 2008
Mitsubishi Materials Corporation
Tokyo, Japan

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Stock code: 5711
Shares listed: Tokyo and Osaka stock exchanges
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Scheduled date of Ordinary General Meeting of Shareholders: June 27, 2008
Scheduled date of filing of financial statements: June 27, 2008
Scheduled date of start of dividend payment: June 3, 2008

1. Results of the year ended March 31, 2008 (From April 1, 2007 to March 31, 2008)

(1) Results of operations:

(Millions of yen)

	(Percentage changes relative to previous corresponding period.)							
	Net sales	Change	Operating profit	Change	Ordinary income	Change	Net income	Change
		%		%		%		%
Year ended Mar. 31, 2008	¥1,659,286	14.3	¥100,146	27.2	¥135,984	26.9	¥74,268	4.0
Year ended Mar. 31, 2007	¥1,452,108	27.0	¥78,758	14.2	¥107,188	32.7	¥71,382	21.4

	Net income per share	Diluted net income per share	Net income/Shareholders' equity	Ordinary income /Total assets	Operating profit /Net sales
	Yen	Yen	%	%	%
Year ended Mar. 31, 2008	¥59.14	—	17.0	7.5	6.0
Year ended Mar. 31, 2007	¥60.33	¥57.18	20.0	6.3	5.4

(Reference) Profit/(loss) on investment by the equity method of accounting

Year ended Mar. 31, 2008 43,179 million yen
Year ended Mar. 31, 2007 39,245 million yen

(2) Financial position:

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
			%	Yen
Year ended Mar. 31, 2008	¥1,856,276	¥520,289	25.0	¥362.45
Year ended Mar. 31, 2007	¥1,773,899	¥481,970	23.2	¥329.35

(Reference) Shareholders' equity

Year ended Mar. 31, 2008 463,255 million yen
Year ended Mar. 31, 2007 411,165 million yen

(Note) Shareholders' equity used for the calculation of indices in net assets excluding minority interests in consolidated subsidiaries.

(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 year
	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2008	¥154,139	(¥110,943)	¥3,010	¥109,360
Year ended Mar. 31, 2007	¥117,671	(¥74,753)	(¥3,428)	¥67,262

2. Dividend payments

	Dividends per share			Total dividends (Annual)	Dividend ratio (Consolidated)	Dividends /Net assets (Consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen (Millions of yen)		%	%
Year ended Mar. 31, 2007	2.00	4.00	6.00	7,285	9.9	2.0
Year ended Mar. 31, 2008	4.00	4.00	8.00	10,114	13.5	2.3
Year ended Mar. 31, 2009 (Forecast)	4.00	4.00	8.00	—	20.3	—

3. Forecast (From April 1, 2008 to March 31, 2009)

(Millions of yen)

	(Percentage changes relative to previous corresponding period.)					
	Net sales	Change	Operating profit	Change	Ordinary income	Change
		%		%		%
Six months ending Sep. 30, 2008	¥726,000	-8.4	¥37,000	-27.9	¥43,000	-38.3
Year ending Mar. 31, 2009	¥1,527,000	-8.0	¥84,000	-16.1	¥100,000	-26.5

	Net income	Change	Net income per share
	Yen	%	Yen
Six months ending Sep. 30, 2008	¥20,000	-49.5	15.75
Year ending Mar. 31, 2009	¥50,000	-32.7	39.40

4. Others

(1) Significant changes of subsidiaries during the period (including changes in scope of consolidation): No

(2) Changes in accounting policies, procedures, and disclosures for consolidated financial statements

(which should be stated in Changes of Significant Items for Preparation of Consolidated Financial Statements)

(i) Changes pursuant to revision of accounting policies: Yes

(ii) Other changes: No

(3) Number of issued shares (common stock)

(i) Number of issued shares at end of year

Year ended Mar. 31, 2008: 1,278,955,330 shares (including treasury stock)

Year ended Mar. 31, 2007: 1,252,092,486 shares (including treasury stock)

(ii) Number of treasury stock at end of year

Year ended Mar. 31, 2008: 816,428 shares

Year ended Mar. 31, 2007: 3,690,375 shares

(Reference) Summary of nonconsolidated financial results

1. Nonconsolidated results of the year ended March 31, 2008 (From April 1, 2007 to March 31, 2008)

(1) Nonconsolidated results of operations:

(Millions of yen)

(Percentage changes relative to previous corresponding period.)

	Net sales	Change	Operating profit	Change	Ordinary income	Change	Net income	Change
		%		%		%		%
Year ended Mar. 31, 2008	¥922,546	22.2	¥34,413	20.8	¥53,609	23.1	¥26,814	109.0
Year ended Mar. 31, 2007	¥755,013	25.6	¥28,482	32.9	¥43,562	67.8	¥12,830	74.4

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 31, 2008	¥21.35	—
Year ended Mar. 31, 2007	¥10.84	¥10.27

(2) Nonconsolidated Financial position:

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
			%	Yen
Year ended Mar. 31, 2008	¥1,227,138	¥320,390	26.1	¥250.67
Year ended Mar. 31, 2007	¥1,124,059	¥308,130	27.4	¥246.74

(Reference) Shareholders' equity

Year ended Mar. 31, 2008 320,390 million yen

Year ended Mar. 31, 2007 308,130 million yen

2. Nonconsolidated forecast (From April 1, 2008 to March 31, 2009)

(Millions of yen)

(Percentage changes relative to previous corresponding period.)

	Net sales	Change	Operating profit	Change	Ordinary income	Change
		%		%		%
Year ending Mar. 31, 2009	¥780,000	-15.5	¥24,000	-30.3	¥41,000	-23.5

	Net income	Change	Net income per share
		%	Yen
Year ending Mar. 31, 2009	¥22,000	-18.0	¥17.34

* Explanations about the appropriate use of the performance forecasts and other noteworthy points

(Summaries of the relevant use of forecasts)

- These projected performance figures are based on information currently available to the Company's management and certain assumptions judged rational. Accordingly, there might be cases in which actual results materially differ from the forecasts in this report.
- At the Board of Directors meeting as of May 12, 2008, we resolved to purchase treasury stock. Net income per share for the consolidated and nonconsolidated business forecast is computed based on the purchase of treasury stock.

1. Business Results

(1) Analysis of Business Results

(i) Results for the Year Ended March 31, 2008

In fiscal 2008 ended March 31, 2008, the global economy maintained a trend of modest expansion as the European economy was stable and the Chinese economy expanded strongly mainly in the capital investment although the difficulties related to the mortgage for individuals with lower credit rating (subprime loans) led a slowdown of the U.S. economy.

Looking at the Japanese economy in the fiscal year under review, although there was increasing concern on slower economic growth due to the surging oil price, sluggish stock market, appreciation of yen, and the subprime loan problem in the second half, the capital investment was stable on the back of recovery of corporate earnings, the employment condition showed a sign of recovery, and the consumer spending was firm, all of which brought a modest upward trend in the overall economy.

Despite factors that negatively affected profitability such as a decline in demand for cement and rising raw material and fuel prices, the Mitsubishi Materials Group continued to perform well on the whole, reflecting high prices for core materials such as copper and strong demand from customers in the automotive, information and electronics, and silicon sectors.

In these circumstances, the Group implemented the so-called four-wheel-drive management by diverse measures including the reinforcement and expansion of the four core businesses that have different business model - Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components - and concentrated its investment in the three growth fields - automotive, information and electronics, and environment and recycling - under the "Medium-Term Management Plan (fiscal 2008–2010): Break-through 1000 - Aiming to Become a Company with more than ¥100 Billion in Ordinary Income" to establish a stable earnings ground that enables us to record exceeding ¥100 billion of consolidated ordinary income regardless of the change of external environment. The Group also strove to effectively reduce costs and raise profitability in response to the increased raw material and fuel prices and was active in conducting business restructuring within the Group and various measures for selective concentration for the purpose of realizing a vertical value chain and reinforcement of profitability of single entity.

In the research and development area, the Group concentrated its business resources in three growth fields to promote the development of new products based on the market needs.

Thanks to the integrated business management for the purpose of establishing a system for stable profits, in the fiscal 2008, the Group recorded consolidated sales of ¥1,659,286 million, up 14.3% from a year earlier, and consolidated ordinary income of ¥135,984 million, up 26.9% from a year earlier.

The consolidated net income increased by 4.0% from a year earlier to ¥74,268 million as we recorded special profit from sale of investable securities while extraordinary loss due to the allowance for waste disposal.

As a result, the Group recorded a historical high of all the consolidated net sales, consolidated operating profit, consolidated ordinary income, and consolidated net income. Particularly, the consolidated ordinary income succeeded to record the positive performance in consecutive six years and updated its historical high in four consecutive years.

In the Medium-Term Management Plan, while the target in the final fiscal year of 2009 is more than ¥100 billion of consolidated ordinary income, more than 5% of consolidated ROA (return on assets), and 1.4 times of consolidated debt equity ratio (interest-bearing debt / shareholders' equity), the results of the fiscal 2008 is ¥135.9 billion of consolidated ordinary income, 7.5% of consolidated ROA, and 1.5 times of consolidated debt equity ratio.

(ii) Review by Segment of Each Business Unit

(Cement)

	(Billions of yen)		
	Fiscal 2007	Fiscal 2008	Increase/decrease (%)
Net sales	¥199.8	¥186.7	(¥13.0) (-6.6%)
Operating profit	¥18.3	¥13.9	(¥4.4) (-24.1%)

Sales and profits in the Cement business decreased due to the declining domestic demand affected by the wide spreading delay of construction approval of houses and buildings following the enforcement of revised Building Standards Law, and rising fuel price. While a strong demand from Australia and the South Asia was supportive, the demand in the United States was sluggish due to the subprime problem that also deteriorated the performance of this Unit. Production volume of whole Cement remained 14 million tons as a year earlier.

Aggregate sales and profits also decreased as, like a case in Cement, the demand for mainline Portland cement was poor due to the wide spreading delay of construction approval of houses and buildings.

(Metals)

	(Billions of yen)		
	Fiscal 2007	Fiscal 2008	Increase/decrease (%)
Net sales	¥680.4	¥799.6	¥119.2 (17.5%)
Operating profit	¥33.3	¥46.0	¥12.6 (37.9%)

Sales and profit of copper ingots increased thanks to a copper's higher price and favorable operation at PT Smelting in Indonesia that offset the negative effect from the repair of Naoshima Refinery. Manufactured volume of electrolytic copper of the whole business unit increased to 602 thousands tons, up 56 thousands tons.

Sales and profit of processed copper products increased as a stable demand for copper ball for substrate coating and a positive contribution from Mitsubishi Shindo Co., Ltd from the beginning of the period that was a consolidated company since October 2006 despite a sluggish demand for processed copper for copper pipes and sheets and wire rod due to a higher price of copper.

Both sales and profit of gold increased thanks to the high content of gold in the raw material mineral ore and rising gold price.

(Advanced Materials & Tools)

	(Billions of yen)		
	Fiscal 2007	Fiscal 2008	Increase/decrease (%)
Net sales	¥153.0	¥170.8	¥17.7 (11.6%)
Operating profit	¥16.1	¥19.3	¥3.1 (19.8%)

While domestic demand for cemented carbide products decreased due to sluggish sales for die assembly products and reduced capital investment in the automotive industry, overseas demand continued to be strong mainly from BRICs countries such as China and India, etc., as well as favorable increase of demand from Europe in general, which contributed to the increase of sales and profits.

Sales and profits from powder metallurgy products increased due to steady automotive-related demand.

In high-performance alloy products, sales increased due to a steady expansion in demand for products for major markets such as aircrafts, gas turbine, and automobile as well as for electronics business. However, profits were down affected by higher raw material prices.

(Electronic Materials & Components)

	(Billions of yen)		
	Fiscal 2007	Fiscal 2008	Increase/decrease (%)
Net sales	¥88.3	¥95.7	¥7.3 (8.3%)
Operating profit	¥10.3	¥14.3	¥3.9 (38.0%)

Sales and profits were up in advanced materials thanks to a steady growth of demand for semiconductors and automotive products.

In electronic devices, sales and profits decreased as the decrease of sales revenue in consolidated overseas subsidiaries offset the increase of sales of products for car antenna.

Sales and profits of polycrystalline silicon increased as production capacity was expanded in Mitsubishi Polycrystalline Silicon America Corporation in the United States in addition to the expansion of semiconductor market such as 300-mm silicon wafers and active solar battery market led to the favorable sales.

(Aluminum)

	(Billions of yen)		
	Fiscal 2007	Fiscal 2008	Increase/decrease (%)
Net sales	¥164.0	¥170.4	¥6.4 (3.9%)
Operating profit	¥2.8	¥5.3	¥2.4 (87.1%)

In aluminum cans, sales and profits increased since both sales revenue and sales volume were up from a year earlier as the upward revision of sales price triggered by a rise of raw material prices partly succeeded in addition to a steady sales growth of regular aluminum cans in general.

Sales revenue of rolled aluminum and processed aluminum products increased due to a rise of raw material prices. However, sales increased and profits decreased since sheet aluminum for the printing industry led to the decrease of sales volume.

(Others)

	(Billions of yen)		
	Fiscal 2007	Fiscal 2008	Increase/decrease (%)
Net sales	¥330.7	¥448.3	¥117.5 (35.5%)
Operating profit	¥4.7	¥9.5	¥4.8 (102.7%)

Energy, sales and profits were up due to a steady sales growth of coal and products for Rokkasho Village Reprocessing Plant.

For precious metals, although sales were up as sales of jewelry and gold plate were favorable, profits decreased due to the increasing selling expenses, etc.

Amount of orders of nuclear and engineering related businesses, along with resources environmental operations and related businesses is ¥80.2 billion, up ¥3 billion, and backlog of the orders is ¥35.2 billion, down ¥0.5 billion.

(iii) Outlook for the Next Fiscal Year, Ending March 31, 2009

The prospect of global economy is uncertain due to the turmoil of the financial and capital markets and concern about the slowdown of the U.S. economy although we can expect a support from steady demand from BRICs countries.

We also have seen further uncertainty in the Japanese economy. Export shows a sign of decrease and domestic demand is sluggish on the back of weaker global economy triggered by the slowdown in the U.S. economy.

Although the business environment in which the Group operates will likely to maintain a favorable trend in the areas of automotive and silicon related products, the slowdown of U.S. economy in addition to the deterioration of copper mining purchase condition, persistent high price of raw material and fuel prices, and further appreciation of yen may adversely impact on the product demand-supply condition.

In such circumstances, the Group aims to establish a business base for achieving more than ¥100 billion of earnings steadily under the Medium-Term Management Plan, and implements various measures for the purpose of achieving the goal.

Accordingly, consolidated net sales, ordinary income, and net income for the next fiscal year are respectively expected to be ¥1,527 billion, ¥100 billion, and ¥50 billion.

(2) Analysis of Consolidated Financial Position

Total assets as of the end of the fiscal 2008 were ¥1,856.2 billion, up ¥82.3 billion from the end of the previous consolidated fiscal year. The influential factors were increase in inventories due to a surge in the prices of major metals such as copper and the increase of investment securities.

Liabilities amounted to ¥1,335.9 billion, up ¥44 billion over the year. It was due to a rise in gold prices that increased gold payable relative to gold purchases, and cash procurement for increased fund related to the inventory and investment securities by issuing corporate bonds and commercial paper.

Cash flows for the fiscal year under review and the causes and factors for those cash flows were as follows:

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥154.1 billion, an increase of ¥36.4 billion. Although there were an increase in cash outflow due to the increase of inventory pushed up by a price surge of metals and the purchase of gold payable, these were offset by favorable business performance and increase of dividend received.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥110.9 billion, an increase of ¥36.1 billion, due to the acquisition of securities and expenditures related to capital investments.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥3.0 billion, an increase of ¥6.4 billion, owing to cash procurements by issuing corporate bonds and commercial paper, while there were repayment of short-term bank loans and dividend paid, etc.

As a result, the balance of cash and cash equivalents at the end of the fiscal year was ¥109.3 billion, up ¥42.0 billion from a year earlier.

The following chart summarizes the Group cash flow trends:

	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
Shareholders' equity ratio	12.8%	13.9%	18.9%	23.2%	25.0%
Shareholders' equity ratio on a market-value basis	20.0%	20.4%	44.7%	39.3%	29.8%
Debt redemption	19.9	9.4	12.7	6.0	4.6
Interest coverage ratio	3.2	6.9	5.1	9.4	10.6

Equity ratio: Shareholders' equity/Total assets
Equity ratio on a market-value basis: Total value of shares at a market price/Total assets
Debt redemption: Interest-bearing debt/Cash flow
Interest coverage ratio: Operating cash flow/Interest payments

(Notes)

1. All indicators are calculated on a consolidated basis.
2. Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end (after deducting treasury stock).
3. Operating cash flow is based on the net cash provided by operating activities in the Consolidated Statements of Cash Flows.
4. Interest-bearing debt covers all interest-bearing debt in the Consolidated Balance Sheets. Interest payments are based on the amounts shown in the Consolidated Statements of Cash Flows.

(3) Basic Policies concerning Profit Distribution and Dividend Payments for the Current/Next Fiscal Year

On the 81st Regular Shareholders meeting held on June 29, 2006, we changed our Articles of Incorporation to distribute the surplus following the resolution at the Board of Directors Meeting. We are well aware of the profit distribution to shareholders as among the most significant, therefore, we decided comprehensive factors over management, such as income for specific period, retained earnings, and financial positions, should be taken into account for dividend payments. According to the policy above, along with the resolution at the Board of Directors on May 12, 2008, current dividend payments is ¥8 per share, up ¥2 per share from a year earlier, comprised of ¥4 for interim dividend and ¥4 of year-end dividend.

Next-term dividend is to be ¥8 per share (¥4 per share for interim and year end respectively).

3. Management Policies

(1) Basic Group Management Policies

The Group's basic policies for management is to contribute to people, society, and the Earth. We are transforming ourselves into a comprehensive provider of total solutions in materials, parts, systems, and services for society oriented toward recycling and advanced information. We aim to become a diversified leader and a superior group of companies that are essential to the world.

(2) Management Policies, Medium-Term Management Strategy, and Challenges

The Group's business structure is gradually becoming capable of earning stable consolidated ordinary income of more than ¥100 billion under the Medium-Term Management Plan. We have implemented the following various measures for the purpose of achieving the goal.

- Expansion and reinforcement of our four core businesses underlying integrated management

While our four core businesses - Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components become business units that can maintain a certain level of profitability, we need to further strengthen their scale and profitability from a global viewpoint. For this purpose, individual businesses focus on its own growth driver as well as pursue to establish a vertical value chain from raw materials to downstream products, we strive to cultivate and enhance high value-added "only one" or "number one" businesses and products and reinforce the business base. For this purpose, we promote a strategic collaboration with other companies including a capital collaboration to further strengthen the value chain.

We also update and modernize our plants and equipment to achieve stronger competitiveness and improve our productivity as well as take various measures for steady and safe operations.

- Advancement and change by promoting growth strategies

The Group positions "automotive," "information and electronics," and "recycling" as three growth fields and concentrates its capacity expansion and new development in these three fields under the Medium-Term Management Plan.

In research and development area, we mainly allocate our management resources to three growth fields and continually deal with development of hybrid circuit board for next generation, electrode wiring material for next generation and collection process of valuable resources.

- Enrichment of intellectual capital to support growth

For the purpose of achieving the goal of the Medium-Term Management Plan, we strive to foster human resources with the spirit of the craftsman for steadily transferring technology and technique to the next generation, and promote the on-site working ability. In this regard, we plan to restructure the educational system, thoroughly review the training courses, and enhance our training facilities to focus on "human resource development" for "Manufacturing."

- Reinforcement of the financial structure

Under the Medium-Term Management Plan, we have promoted more active investment compared to the past. In fiscal 2007, we decided various investments for the expansion and enhancement of growth driver of individual businesses such as additional acquisition of equity shares of Robertson's Ready Mix, Ltd. for the enhancement of cement business in the United States, new establishment of Mitsubishi Shindoh Co., Ltd. amid of the restructuring of copper and brass business, increase of production of major cemented cutting tools, and increase of polycrystalline silicon production by 1,000 tons per annum that enabled us to achieve a major milestone for mid- and long-term growth in the four core businesses.

As we accelerated the investment for mid- and long-term growth, the total amount of investment under the Medium-Term Management Plan is to be increased to ¥410 billion from ¥250 billion that was initially planned. Although this increase may impact our financial position temporarily, we continue striving to improve our financial position by combining a gradually realized profit growth thanks to the investment and reducing assets by reviewing the business portfolio.

- Promotion of Corporate Social Responsibility Activities

The Group established the Corporate Social Responsibility (CSR) committee in January 2005 with appointing our president as the chairman to assume the CSR. Based on our corporate concept "Contributing to human, society, and the Earth" through our business activities, we will implement the CSR activities to make Mitsubishi Materials Group a socially reliable entity as well as to improve our corporate value more. We recognize that the full awareness of compliance and risk management are the base of the CSR, and promote the CSR activities with an active discussion with our stakeholders by reducing operational risks, considering the Earth environment, establishing a safe and secure working environment, and tackling social problems.

<Challenges by Segment in Four Core Businesses>

- Cement

Although there is uncertainty in the domestic economic development and it is expected that the public investment could be decreased, as we can expect the easing of adverse impact from the revised Building Standards Law that could lead to the expansion of consumer spending especially in the housing investment, we forecast a slight increase in the domestic demand. In the domestic Cement business, we plan to promote the recycling business, reduce the costs, and properly reflect the rising price of fuel to our products.

In the Cement business in the United States, it is expected that the decrease of housing sales could impact on our business. However, we strive to utilize the benefit from the additional acquisition of equity share of Robertson's Ready Mix by MCC Development Corporation in the United States mainly by strengthening the sales base in the United States.

- Metals

We still experience a shortage of copper ore as the production capacity in the mining side does not meet the increasing demand from China and India, and it is expected that the purchase terms would significantly be deteriorated. The copper price is still in a high level partly due to the inflow of speculative money. However, amid of concern of global economic slowdown, the current demand/supply condition may be collapsed and the future development is very uncertain.

Under such business circumstances, we make efforts to maintain a stable supply of copper ore in Metals business, and maintain the profit by realizing the high operating ratio in domestic and overseas refineries and reducing the smelting cost due to the strengthening of the recycling business. We also aim at enjoying the benefit from the vertical value chain mainly led by Mitsubishi Shindoh that was newly established amid of the restructuring of copper and brass business.

- Advanced Materials & Tools

Although we can expect a new demand from the aircraft sector in the domestic demand of cemented products, a decrease in capital investment of exporting companies due to the yen's appreciation may result in an uncertainty of this business further. In the United States, although we expect a sluggish demand due to a slowdown of the economic growth triggered by the subprime problems, our sales in Europe and BRICs especially in the automotive industry are favorable and continue to be stable. In the cemented carbide product, we strive to realize a benefit from the integration with Mitsubishi Materials Kobe Tools Co., Ltd. that was merged by absorption as of October 1, 2007, enjoy the effect due to the increased production capacity by the capital investments, and further promote the global business development that can use overseas business sites from a strategic viewpoint.

In the High Performance Alloy, we expect that products for aircrafts, gas turbines, and automobiles are favorable. Our focus should be put on receiving steady orders from the aircraft industry as well as reflecting the rising raw material costs to our product price properly.

- Electronic Materials & Components

As we estimate that the demand for some electronic materials is influenced due to the adjustment of inventory by customers, we plan to strengthen our marketing and technical capability to increase the ratio of new products to the total sales for the purpose of strengthening our profitability.

In the electronics device business, although the economic development is unforeseeable, as we expect steady sales in the areas of automotive related products as in the previous fiscal year, we plan to further increase sales by developing new products.

In polycrystalline silicon, the demand for semiconductor and solar battery-related products such as 300-mm silicon wafer materials is strong, and we estimate that the demand/supply condition is still tight. In this business area, we plan to enjoy the positive effect from the integration with Mitsubishi Material Polysilicon that was merged by absorption as of April 1, 2007 and strive to realize the benefit from increased product capacity as early as possible supported by the capital investments.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

March 31, 2008 and 2007

(Millions of yen)

	March 31, 2007	March 31, 2008	Difference
ASSETS			
Current Assets:			
Cash and cash equivalents	¥67,556	¥109,701	¥42,145
Notes received and accounts receivable	263,548	245,609	(17,938)
Marketable securities	4	—	(4)
Inventories	234,919	261,124	26,204
Deferred income taxes	12,186	12,703	516
Other current assets	126,142	149,057	22,915
Allowance for doubtful accounts	(3,986)	(3,081)	905
Total Current Assets	700,371	775,115	74,743
Fixed Assets:			
Property, Plant and Equipment			
Buildings and structures	170,085	169,719	(366)
Machinery and equipment	219,973	227,871	7,897
Land	250,162	247,305	(2,856)
Construction in progress	28,195	25,062	(3,133)
Others	12,054	11,110	(944)
Net Property, Plant and Equipment	680,472	681,068	596
Intangible Assets			
Others	16,098	19,932	3,834
Total Intangible Assets	16,098	19,932	3,834
Investments and Long-Term Receivables			
Investments in securities	306,529	317,345	10,816
Long-term loans receivable	7,744	5,949	(1,794)
Long-term prepaid expenses	1,290	1,020	(270)
Deferred income taxes	12,367	17,268	4,900
Others	60,048	48,749	(11,299)
Reserve for loss on investments of affiliates	(460)	(697)	(236)
Allowance for doubtful accounts	(10,562)	(9,475)	1,087
Total Investment and Long-Term Receivables	376,957	380,160	3,202
Total Fixed Assets	1,073,528	1,081,161	7,633
Total Assets	¥1,773,899	¥1,856,276	¥82,377

(Millions of yen)

	March 31, 2007	March 31, 2008	Difference
LIABILITIES			
Current Liabilities:			
Notes payable and accounts payable	¥172,899	¥176,009	¥3,110
Short-term bank loans	322,118	319,467	(2,651)
Current portion of bonds	10,000	15,000	5,000
Commercial paper	28,000	30,000	2,000
Accrued income taxes	11,453	16,861	5,408
Deferred income taxes	2,496	2,245	(251)
Accrued bonuses	13,091	13,307	216
Gold payable	129,404	149,601	20,197
Other current liabilities	127,072	127,775	702
Total Current Liabilities	816,535	850,269	33,733
Long-Term Liabilities:			
Bonds	80,000	95,000	15,000
Long-term loans	245,068	230,846	(14,222)
Severance and pension benefits	48,853	48,361	(492)
Reserve for directors' retirement benefits	2,230	1,662	(567)
Reserve for loss on subsidiaries and affiliates	367	2,623	2,256
Reserve for waste disposal	1,996	5,784	3,788
Reserve for soil remediation losses	12,037	11,087	(949)
Deferred income taxes	18,265	14,465	(3,799)
Deferred income taxes on revaluation reserve for land	34,831	40,584	5,752
Others	31,742	35,302	3,559
Total Long-Term Liabilities	475,393	485,718	10,324
Total Liabilities	1,291,929	1,335,987	44,058
NET ASSETS			
Shareholders' Equity:			
Common stock	119,457	119,457	—
Capital surplus	88,580	108,334	19,753
Retained earnings	108,259	173,669	65,410
Treasury stock	(1,036)	(309)	726
Total Shareholders' Equity	315,261	401,152	85,890
Unrealized gains/losses and exchange rate adjustments:			
Net unrealized holding gains on securities	54,655	29,722	(24,932)
Deferred gains/losses on hedging instruments	(452)	3,685	4,138
Revaluation reserve for land	36,805	30,312	(6,492)
Foreign currency translation adjustments	4,894	(1,617)	(6,511)
Total Unrealized Gains/Losses and Exchange Rate Adjustments	95,903	62,103	(33,799)
Minority Interests:	70,805	57,033	(13,771)
Total Net Assets	481,970	520,289	38,318
Total Liabilities and Net Assets	¥1,773,899	¥1,856,276	¥82,377

(2) Consolidated Statements of Operations

For the year ended March 31, 2008 and 2007

(Millions of yen)

	March 31, 2007	March 31, 2008	Difference
Net Sales	¥1,452,108	¥1,659,286	¥207,177
Cost of Sales	1,246,261	1,425,526	179,265
Gross Profit	205,847	233,759	27,912
Selling, General and Administrative Expenses	127,088	133,612	6,524
Operating Profit	78,758	100,146	21,388
Non Operating Income:	58,925	65,949	7,024
Interest income	2,518	2,269	(248)
Dividend income	8,084	10,956	2,872
Rent earned in undertaking	5,763	5,564	(199)
Equity in earnings of affiliates	39,245	43,179	3,934
Others	3,313	3,979	665
Non Operating Expenses:	30,495	30,111	(383)
Interest expenses	12,909	14,757	1,847
Expense for rent in undertaking	4,276	4,060	(215)
Loss on disposal of property, plant and equipment	5,723	4,907	(816)
Others	7,585	6,386	(1,199)
Ordinary Income	107,188	135,984	28,795
Extraordinary Income:	19,141	4,140	(15,001)
Gain on sales of marketable securities and investments in securities	1,755	1,541	(214)
Gain on sales of property, plant and equipment	748	806	58
Dilution gain	13,925	29	(13,896)
Others	2,711	1,762	(948)
Extraordinary Loss:	18,263	16,664	(1,599)
Provision of reserve for waste disposal	—	3,676	3,676
Write-down of marketable securities and investments in securities	1,122	2,777	1,654
Loss on impairment	2,486	2,462	(24)
Provision for loss on business of affiliates	193	2,430	2,237
Provision for losses on soil remediation	8,703	1,109	(7,593)
Loss on disposal of fixed assets	265	366	100
Provision for loss on investments	445	247	(197)
Loss on sales of investments in securities	679	78	(600)
Others	4,368	3,516	(852)
Income before Income Taxes and Minority Interests	108,067	123,460	15,393
Corporate income taxes and business tax	28,087	35,946	7,859
Income taxes for prior periods	—	(748)	(748)
Income taxes adjustments	1,298	4,627	3,328
Minority interests	7,298	9,366	2,067
Net Income	¥71,382	¥74,268	¥2,885

(3) Statement of Changes in Consolidated Shareholders' Equity
For the year ended March 31, 2007

(Millions of yen)

	Shareholders' Equity					Valuation, Currency Translation and Other Adjustments					Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Net Unrealized Holding Gains on Securities	Deferred Gains/Losses on Hedging Instruments	Revaluation Reserve for Land	Foreign Currency Translation Adjustments	Total Valuation, Currency Translation and Other Adjustments		
Balance as of March 31, 2006	¥101,752	¥70,882	¥43,453	(¥842)	¥215,245	¥50,571	—	¥37,318	¥424	¥88,314	¥54,462	¥358,023
Changes during the year												
Exercise of stock purchase warrants	17,705	17,600			35,306							35,306
Cash dividends from retained earnings			(6,870)		(6,870)							(6,870)
Directors' and Statutory Auditors' Bonuses			(129)		(129)							(129)
Net income			71,382		71,382							71,382
Decrease from writedowns of land revaluation excess			(35)		(35)							(35)
Increase from merger			346		346							346
Decrease from merger			(105)		(105)							(105)
Increase from rise in number of consolidated subsidiaries			191		191							191
Translation of unrealized losses and earnings from the derivatives of overseas subsidiaries			26		26							26
Acquisition of treasury stock				(299)	(299)							(299)
Disposal of treasury stock		97		153	250							250
Increase from rise in equity ratios in affiliates				(47)	(47)							(47)
Net change in items other than shareholders' equity						4,083	(452)	(512)	4,470	7,589	16,342	23,931
Total change during the year	17,705	17,698	64,806	(193)	100,015	4,083	(452)	(512)	4,470	7,589	16,342	123,947
Balance as of March 31, 2007	¥119,457	¥88,580	¥108,259	(¥1,036)	¥315,261	¥54,655	(¥452)	¥36,805	¥4,894	¥95,903	¥70,805	¥481,970

For the year ended March 31, 2008

(Millions of yen)

	Shareholders' Equity					Valuation, Currency Translation and Other Adjustments					Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Net Unrealized Holding Gains on Securities	Deferred Gains/Losses on Hedging Instruments	Revaluation Reserve for Land	Foreign Currency Translation Adjustments	Total Valuation, Currency Translation and Other Adjustments		
Balance as of March 31, 2007	¥119,457	¥88,580	¥108,259	(¥1,036)	¥315,261	¥54,655	(¥452)	¥36,805	¥4,894	¥95,903	¥70,805	¥481,970
Changes during the year												
New stock issue (stock exchange)		18,766		(5)	18,761							18,761
Cash dividends from retained earnings			(9,997)		(9,997)							(9,997)
Net income			74,268		74,268							74,268
Decrease from writedowns of land revaluation excess			295		295							295
Increase from rise in number of consolidated subsidiaries			177		177							177
Gain on change in equity			683		683							683
Adjustment of pension cost in overseas subsidiaries			(18)		(18)							(18)
Acquisition of treasury stock				(460)	(460)							(460)
Disposal of treasury stock		987		1,192	2,179							2,179
Increase from rise in equity ratios in affiliates				(0)	(0)							(0)
Net change in items other than shareholders' equity						(24,932)	4,138	(6,492)	(6,511)	(33,799)	(13,771)	(47,571)
Total change during the year	—	19,753	65,410	726	85,890	(24,932)	4,138	(6,492)	(6,511)	(33,799)	(13,771)	38,318
Balance as of March 31, 2008	¥119,457	¥108,334	¥173,669	(¥309)	¥401,152	¥29,722	¥3,685	¥30,312	(¥1,617)	¥62,103	¥57,033	¥520,289

(5) Consolidated Statements of Cash Flows

For the year ended March 31, 2008 and 2007

(Millions of yen)

	March 31, 2007	March 31, 2008	Difference
I Cash Flows from Operating Activities			
1 Income before income taxes and minority interests	¥108,067	¥123,460	¥15,393
2 Depreciation and amortization	49,416	58,118	8,701
3 Increase (decrease) in allowance for doubtful accounts	(603)	299	903
4 Increase (decrease) in severance and pension benefit of employees and employers	(704)	(938)	(234)
5 Increase (decrease) in reserve for loss on investments of affairs	411	236	(175)
6 Increase (decrease) in reserve for loss on business of affiliates	100	2,669	2,568
7 Increase in losses on soil remediation	6,434	(949)	(7,384)
8 Reserve for waste disposal	(69)	3,788	3,857
9 Interest and dividend income	(10,602)	(13,226)	(2,623)
10 Interest expenses	12,909	14,757	1,847
11 Non-recurring depreciation on fixed assets	—	1,400	1,400
12 Loss for sales or disposal of property, plant and equipment	5,989	5,279	(710)
13 Gain on sales of property, plant and equipment	(748)	(848)	(99)
14 Loss on impairment	2,486	2,462	(24)
15 Gain on sales marketable securities and investments in securities	(1,755)	(1,542)	212
16 Loss for sales or evaluation of marketable securities and investments in securities	1,801	2,857	1,056
17 Dilution gain	(13,925)	(29)	13,896
18 (Increase) decrease in notes and accounts receivable	(19,186)	13,628	32,814
19 (Increase) decrease in inventories	(12,854)	(26,829)	(13,975)
20 Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Plan	46,605	48,267	1,662
21 Payment for purchases of gold bullion from market for customer under My Gold Plan	(26,740)	(46,913)	(20,172)
22 (Increase) decrease in current assets	3,300	(4,973)	(8,274)
23 Increase (decrease) in notes and accounts payable	(323)	4,859	5,183
24 Increase (decrease) in accrued expenses	8,047	2,377	(5,670)
25 Increase (decrease) in current liabilities	1,936	6,632	4,696
26 Increase (decrease) in other long-term liabilities	4,286	(3,424)	(7,710)
27 Equity (earnings) losses of affiliates	(39,245)	(43,179)	(3,934)
28 Other, net	1,910	1,343	(566)
Subtotal	126,943	149,582	22,640
29 Interest and dividend received	32,426	50,000	17,573
30 Interest paid	(12,554)	(14,549)	(1,994)
31 Proceeds from erection insurance	2,259	—	(2,259)
32 Income taxes paid	(31,403)	(30,895)	508
Net Cash Provided by Operating Activities	117,671	154,139	36,468
II Cash Flows from Investing Activities			
1 Proceeds from sales of securities	18	5	(13)
2 Payments for purchases of investment securities	(20,819)	(40,795)	(19,976)
3 Proceeds from sales of investment securities	4,774	1,752	(3,021)
4 Payments for lending	(3,805)	(1,132)	2,672
5 Proceeds from repayment of lending	8,394	2,121	(6,272)
6 Purchase of property, plant and equipment	(63,731)	(74,370)	(10,639)
7 Proceeds from sales of property, plant and equipment	2,060	4,963	2,902
8 Purchase of intangible assets	(1,308)	(996)	311
9 Payments for additional purchase of consolidated subsidiaries	(74)	(2,426)	(2,351)
10 Payments for purchases of consolidated subsidiaries' shares, net of cash owned by those subsidiaries	(3,588)	—	3,588
11 Proceeds from purchases of consolidated subsidiaries' shares, net of cash owned by those subsidiaries	1,593	—	(1,593)
12 Proceeds from sales of consolidated subsidiaries' shares, net of cash owned by those subsidiaries	849	432	(417)
13 Payments for purchases of business	(38)	—	38
14 Proceeds from purchases of business	—	78	78
15 Proceeds from transfer of business	249	—	(249)
16 Other, net	672	(574)	(1,247)
Net Cash Used in Investing Activities	(74,753)	(110,943)	(36,189)
III Cash Flows from Financing Activities			
1 Increase (decrease) in short-term bank loans, net	4,022	(20,195)	(24,217)
2 Proceeds from long-term debt	52,938	77,575	24,636
3 Repayments of long-term debt	(83,119)	(69,480)	13,639
4 Increase (decrease) in commercial paper, net	21,000	2,000	(19,000)
5 Payments for redemption of bonds	(25,000)	(10,000)	15,000
6 Proceeds from issuance of bonds	35,000	30,000	(5,000)
7 Cash dividend paid	(6,870)	(9,997)	(3,126)
8 Payment for purchase of treasury stock	(299)	(460)	(160)
9 Dividend paid to minority interests	(1,606)	(3,029)	(1,422)
10 Proceeds from sales and leaseback transaction	—	8,371	8,371
11 Other, net	507	(1,772)	(2,280)
Net Cash (Used in) Provided by Financing Activities	(3,428)	3,010	6,439
IV Effect of Exchange Rate Fluctuation on Cash and Cash Equivalents	1,715	(3,903)	(5,619)
V Net Increase (Decrease) in Cash and Cash Equivalents	41,204	42,303	1,099
VI Cash and Cash Equivalents at Beginning of Period	24,994	67,262	42,268
VII Effect of Changes in Consolidated Subsidiaries	135	(205)	(340)
VIII Increase in Cash and Cash Equivalents from Mergers of Unconsolidated Subsidiaries	928	—	(928)
IX Cash and Cash Equivalents at End of Period	¥67,262	¥109,360	¥42,097

5. Segment Information

a) Business Segment Information

(Millions of yen)									
	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
For the year ended March 31, 2007									
I Sales:									
(1) Unaffiliated customers	¥198,288	¥598,921	¥138,095	¥85,189	¥162,841	¥268,771	¥1,452,108		¥1,452,108
(2) Intersegment	1,581	81,516	14,925	3,185	1,234	61,996	164,439	(¥164,439)	—
Total	199,869	680,438	153,020	88,375	164,075	330,767	1,616,547	(164,439)	1,452,108
Operating expenses	181,533	647,043	136,906	77,986	161,225	326,033	1,530,729	(157,379)	1,373,349
Operating profit	18,335	33,395	16,114	10,388	2,849	4,733	85,818	(7,059)	78,758
II Other information:									
Identifiable assets	280,368	466,294	166,433	169,282	183,585	306,280	1,572,245	201,654	1,773,899
Depreciation	10,216	12,455	6,894	4,970	8,921	3,821	47,279	2,137	49,416
Capital expenditures	¥21,114	¥11,626	¥12,702	¥8,162	¥6,481	¥4,970	¥65,058	¥1,425	¥66,484

(Millions of yen)									
	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
For the year ended March 31, 2008									
I Sales:									
(1) Unaffiliated customers	¥185,074	¥684,497	¥150,040	¥91,759	¥169,143	¥378,771	¥1,659,286		¥1,659,286
(2) Intersegment	1,697	115,198	20,775	3,957	1,332	69,550	212,511	(¥212,511)	—
Total	186,772	799,695	170,816	95,716	170,475	448,321	1,871,797	(212,511)	1,659,286
Operating expenses	172,846	753,641	151,504	81,381	165,144	438,727	1,763,246	(204,107)	1,559,139
Operating profit	13,925	46,053	19,311	14,334	5,330	9,594	108,550	(8,403)	100,146
II Other information:									
Identifiable assets	268,847	500,705	174,760	190,077	164,655	316,511	1,615,558	240,718	1,856,276
Depreciation	12,849	15,672	8,968	5,698	10,174	3,924	57,287	2,230	59,518
Capital expenditures	¥16,653	¥25,980	¥11,443	¥9,674	¥6,720	¥3,814	¥74,287	¥1,359	¥75,646

(Millions of yen)									
	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
Change									
Sales	(¥13,097)	¥119,256	¥17,795	¥7,341	¥6,399	¥117,554	¥255,250	(¥48,072)	¥207,177
Operating profit	(¥4,410)	¥12,657	¥3,197	¥3,946	¥2,481	¥4,860	¥22,732	(¥1,344)	¥21,388

(FY2007, ended March 31, 2007)

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) Electronic Materials & Components: Electronic components, electronic materials, chemical products and polycrystalline silicon
- (5) Aluminum: Aluminum beverage cans, aluminum rolled and fabricated products and aluminum related products
- (6) Others: Nuclear energy-related services, precious metals, resources environmental operations and related businesses, real estate business and engineering related services

2. Unallocated operating expenses, such as basic research and fundamental development costs and managerial costs of the parent company, included in Eliminations and Corporate Assets or Expenses were ¥7,621 million for the year ended March 31, 2007.

3. Corporate assets included in Eliminations and Corporate Assets were ¥230,000 million for the year ended March 31, 2007, mainly for assets related to basic research and fundamental development, monies in the parent company (cash and marketable securities) and the managerial division.

4. Change in the accounting method of revenue from the industrial waste treatment in the Cement business

Though revenue from the treatment of industrial waste in the Cement business of the Company was previously deducted from the Cost of Sales, it is included in Net sales from the fiscal year under review. The reason for this change is to reflect the earnings structure of the Cement business more appropriately following an increase in revenue from the industrial waste treatment, which has become a stable income source in this business.

As a result, in Cement, net sales, operating expenses and operating profit increased ¥12,197 million, ¥11,917 million and ¥279 million, respectively, compared with the results by the conventional method.

5. Adoption of Accounting Standards for the Valuation Method for Inventories

Effective from the year under review, the Company has adopted ASBJ Statement No. 9, "Accounting Standards for the Valuation Method for Inventories" (issued on July 5, 2006).

As a result, operating expenses and operating profit in each business are as follows, compared with the results by the conventional method:

(Millions of yen)									
	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
Operating expenses	¥151	¥2,650	¥1,592	¥55	¥751	¥538	¥5,740	—	¥5,740
Operating profit	(151)	(2,650)	(1,592)	(55)	(751)	(538)	(5,740)	—	(5,740)
Identifiable assets	(¥151)	(¥2,650)	(¥1,592)	(¥55)	(¥751)	(¥538)	(¥5,740)	—	(¥5,740)

6. Estimated useful lives of machinery and equipment in Electronic Materials & Components

With regard to the manufacturing facilities for electronic materials and components used for semiconductor equipment at the Mita plant in Mita-shi, Hyogo Prefecture, the Company shortened the estimated useful life of machinery and equipment in Electronic Materials & Components from 13 years to four years. A major reason for this change was recent stronger demand for such products, which remarkably increased manufactured volume, thereby raising the operating ratio of such manufacturing equipment. We also reviewed the estimated useful lives of such equipment, taking the product life cycle into consideration, which also contributed to the change. At Mitsubishi Polycrystalline Silicon America Corp. in Alabama (United States), demand for silicon wafers has been strong since last year and its manufacturing machinery and equipment are operating at a rate exceeding the originally designed capacity. Upon ensuring that this situation would continue, we reviewed the estimated useful lives of the machinery and equipment and shortened the estimate life from 5–30 years (21 years on average) to 3–20 years (17 years on average).

As a result, operating expenses in Electronic Materials & Components increased ¥691 million and operating profit decreased the same amount. The impact of this change on assets of Electronic Materials & Components is insignificant.

(FY2008, ended March 31, 2008)

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) Electronic Materials & Components: Electronic components, electronic materials, chemical products and polycrystalline silicon
 - (5) Aluminum: Aluminum beverage cans, aluminum rolled and fabricated products and aluminum related products
 - (6) Others: Nuclear energy-related services, precious metals, resources environmental operations and related businesses, real estate business and engineering related services
2. Unallocated operating expenses, such as basic research and fundamental development costs and managerial costs of the parent company, included in Eliminations and Corporate Assets or Expenses were ¥8,354 million for the year ended March 31, 2008.
3. Corporate assets included in Eliminations and Corporate Assets were ¥273,956 million for the year ended March 31, 2008, mainly for assets related to basic research and fundamental development, monies in the parent company (cash and marketable securities) and the managerial division.
4. Changes in depreciation method for property, plant and equipment pursuant to the revision to the Corporation Tax Law
Pursuant to the revision to the Corporation Tax Law, effective from the fiscal year ended March 31, 2008, the Company and major domestic consolidated subsidiaries have changed the depreciation method for property, plant and equipment acquired on and after April 1, 2007, to one that is with the revised Corporation Tax Law.
Consequently, increased or decreased amounts of operating expenses, operating profit, assets and depreciation expenses of the respective segments for the fiscal year under review were as shown below compared with the respective amounts that would have been reported under the previous accounting method.

(Millions of yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
Operating expenses	¥240	¥111	¥335	¥113	¥30	¥70	¥902	¥58	¥961
Operating profit	(240)	(111)	(335)	(113)	(30)	(70)	(902)	(58)	(961)
Identifiable assets	(245)	(111)	(335)	(113)	(30)	(72)	(909)	(58)	(967)
Depreciation expenses	¥245	¥111	¥335	¥113	¥30	¥72	¥909	¥58	(¥967)

Meanwhile, with regard to property, plant and equipment acquired on and before March 31, 2007, the Company and the major domestic consolidated subsidiaries have included the value, which is depreciated evenly over five years of the difference between the amount corresponding to 5% of the acquisition price and the memorandum price, in depreciation, from the fiscal year following the year when 5% of the acquisition price is reached, in accordance with the former Corporation Tax.

Consequently, increased or decreased amounts of operating expenses, operating profit, assets and depreciation expenses of the respective segments for the fiscal year under review were as shown below compared with the respective amounts that would have been reported under the previous accounting method.

(Millions of yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
Operating expenses	¥1,242	¥1,257	¥604	¥294	¥413	¥382	¥4,195	¥55	¥4,250
Operating profit	(1,242)	(1,257)	(604)	(294)	(413)	(382)	(4,195)	(55)	(4,250)
Identifiable assets	(1,321)	(1,259)	(604)	(294)	(416)	(384)	(4,281)	(57)	(4,339)
Depreciation expenses	¥1,321	¥1,259	¥604	¥294	¥416	¥384	¥4,281	¥57	¥4,339

5. Changes in durable years of equipment and depreciation method for Aluminum business
Durable years and residual value of property, plant and equipment of our consolidated subsidiary Universal Can Corp. has been reexamined based on the actual situation of usable number of years and disposable value at the removal of assets in recent years. Accompanying this reexamination, extraordinary depreciation has been carried out for the portion of the past years, and the amount is included in the depreciation cost in Segment Information.
Consequently, compared with the respective amounts that would have been reported under the previous accounting method, assets of the Aluminum business decreased by ¥1,400 million, and depreciation cost increased by the same amount.

b) Geographical Segment Information

(Millions of yen)

For the year ended March 31, 2007	Japan	United States	Europe	Asia	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
I Sales:								
(1) Unaffiliated customers	¥1,216,099	¥85,866	¥17,065	¥129,823	¥3,253	¥1,452,108		¥1,452,108
(2) Intersegment	27,782	6,383	293	109,315	—	143,774	(¥143,774)	—
Total	1,243,882	92,249	17,358	239,139	3,253	1,595,883	(143,774)	1,452,108
Operating expenses	1,180,955	78,707	16,260	231,548	2,390	1,509,862	(136,512)	1,373,349
Operating profit	62,926	13,542	1,097	7,590	863	86,021	(7,262)	78,758
II Identifiable assets:	¥1,369,821	¥108,275	¥46,444	¥116,019	¥3,290	¥1,643,851	¥130,048	¥1,773,899

Notes:

- Nations or areas has been classified in terms of their geographical closeness.
- Main countries or areas that belong to segments other than Japan and the United States
 - Europe: Germany, Spain, England, France and the Netherlands
 - Asia: Indonesia, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
 - Others: Australia
- Unallocated operating expenses, such as basic research and fundamental development costs and managerial costs of the parent company, included in Eliminations and Corporate Assets or Expenses were ¥7,621 million for the year ended March 31, 2007.
- Corporate assets included in Eliminations and Corporate Assets were ¥230,000 million for the year ended March 31, 2007, mainly for assets related to basic research and fundamental development, monies in the parent company (cash and marketable securities) and the managerial division.
- Change in the accounting method of revenue from the treatment of industrial waste in Japan
 Though revenue from the treatment of industrial waste in the Cement business of the Company was previously deducted from the Cost of Sales, it is included in Net sales from the fiscal year under review. The reason for this change is to reflect the earnings structure of the Cement business more appropriately following an increase in revenue from the treatment of industrial waste, which has become a stable income source in this business.
 As a result, in Japan, net sales, operating expenses, and operating profit increased ¥ 12,197 million, ¥11,917 million and ¥279 million, respectively, compared with the results by the conventional method.
- Adoption of Accounting Standards for the Valuation Method for Inventories in Japan
 Effective from the year under review, the Company has adopted ASBJ Statement No. 9, "Accounting Standards for the Valuation Method for Inventories" (issued on July 5, 2006).
 As a result, operating expenses increased ¥5,740 million and operating profit decreased the same amount in Japan, compared with the results by the conventional method.
- Estimated useful lives of machinery and equipment in Japan and the United States
 With regard to the manufacturing facilities for products used for semiconductor equipment at the Mita plant in Mita-shi, Hyogo Prefecture, in Japan, the Company shortened the estimated useful life of machinery and equipment from 13 years to four years. A major reason for this change was recent stronger demand for such products, which remarkably increased manufactured volume, thereby raising the operating ratio of such manufacturing equipment. We also reviewed the estimated useful lives of such equipment, taking the product life cycle into consideration, which also contributed to the change. At Mitsubishi Polycrystalline Silicon America Corp., in Alabama (United States), demand for silicon wafers has been strong since last year and its manufacturing machinery and equipment are operating at a rate exceeding the originally designed capacity. Upon ensuring that this situation would continue, we reviewed the estimated useful lives of the machinery and equipment and shortened the estimate life from 5–30 years (21 years on average) to 3–20 years (17 years on average).
 As a result, operating expenses in Japan increased ¥158 million and operating profit decreased the same amount. In the United States, operating expenses increased ¥532 million and operating profit decreased the same amount.
 The impact of this change on assets of Japan and the United States is insignificant.

b) Geographical Segment Information

(Millions of yen)

For the year ended March 31, 2008	Japan	United States	Europe	Asia	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
I Sales:								
(1) Unaffiliated customers	¥1,401,417	¥83,879	¥22,166	¥149,449	¥2,373	¥1,659,286		¥1,659,286
(2) Intersegment	31,716	10,100	275	216,361	—	258,454	(¥258,454)	—
Total	1,433,133	93,980	22,442	365,810	2,373	1,917,740	(258,454)	1,659,286
Operating expenses	1,358,120	79,376	20,265	349,648	2,087	1,809,497	(250,358)	1,559,139
Operating profit	75,013	14,603	2,177	16,162	285	108,242	(8,095)	100,146
II Identifiable assets:	¥1,389,669	¥111,381	¥56,564	¥119,366	¥3,586	¥1,680,568	¥175,708	¥1,856,276

Notes:

- Nations or areas has been classified in terms of their geographical closeness.
- Main countries or areas that belong to segments other than Japan and the United States
 - Europe: Germany, Spain, England, France and the Netherlands
 - Asia: Indonesia, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
 - Others: Australia
- Unallocated operating expenses, such as basic research and fundamental development costs and managerial costs of the parent company, included in Eliminations and Corporate Assets or Expenses were ¥8,354 million for the year ended March 31, 2008.
- Corporate assets included in Eliminations and Corporate Assets were ¥273,956 million for the year ended March 31, 2008, mainly for assets related to basic research and fundamental development, monies in the parent company (cash and marketable securities) and the managerial division.
- Changes in depreciation method for property, plant and equipment pursuant to the revision to the Corporation Tax Law
 Pursuant to the revision to the Corporation Tax Law, effective from the fiscal year ended March 31, 2008, the Company and major domestic consolidated subsidiaries have changed the depreciation method for property, plant and equipment acquired on and after April 1, 2007, to one that is with the revised Corporation Tax Law. Consequently, for "Japan" business, operating expenses increased and operating profit decreased, respectively, by ¥902 million, and assets decreased by ¥909 million, and for "general corporate assets or inter-company elimination," operating expenses increased by ¥58 million, and operating profit and assets decreased by the same amount, compared with the respective amounts that would have been reported under the previous accounting method.
 Meanwhile, with regard to property, plant and equipment acquired on and before March 31, 2007, the Company and major domestic consolidated subsidiaries have included the value, which is depreciated evenly over five years of the difference between the amount corresponding to 5% of the acquisition price is reached, in accordance with the former Corporation Tax.
 Consequently, for "Japan" business, operating expenses increased and operating profit decreased, respectively, by ¥4,195 million, and assets decreased by ¥4,281 million, and for "general corporate assets or inter-company eliminations," operating expenses increased and operating profit decreased by ¥55 million, and assets decreased by ¥57 million, compared with the respective amounts that would have been reported under the previous accounting method.
- Changes in durable years of equipment and depreciation method in "Japan" business
 Durable years and residual value of property, plant and equipment of our consolidated subsidiary Universal Can Corp. has been reexamined based on the actual situation of usable number of years and disposable value at the removal of assets in recent years.
 Consequently, compared with the respective amounts that would have been reported under the previous accounting method, assets of "Japan" business decreased by ¥1,400 million, and depreciation cost increased by the same amount.

c) Overseas Sales

(Millions of yen)

For the year ended March 31, 2007	United States	Europe	Asia	Others	Total
Overseas sales	¥100,393	¥38,979	¥213,219	¥6,506	¥359,099
Consolidated net sales					¥1,452,108
Percentage of overseas sales to consolidated net sales	6.9%	2.7%	14.7%	0.4%	24.7%

Notes:

- Nations or areas has been classified in terms of their geographical closeness.
- Main countries or areas that belong to segments other than Japan and the United States
 - Europe: Germany, England, Spain and France
 - Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
 - Others: Australia, Canada and Brazil
- Overseas sales exclude domestic sales of the Company and consolidated subsidiaries.

(Millions of yen)

For the year ended March 31, 2008	United States	Europe	Asia	Others	Total
Overseas sales	¥93,080	¥26,872	¥447,270	¥6,539	¥573,763
Consolidated net sales					¥1,659,286
Percentage of overseas sales to consolidated net sales	5.6%	1.6%	27.0%	0.4%	34.6%

Notes:

- Nations or areas has been classified in terms of their geographical closeness.
- Main countries or areas that belong to segments other than Japan and the United States
 - Europe: Germany, England, Spain and France
 - Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
 - Others: Australia, Canada and Brazil
- Overseas sales exclude domestic sales of the Company and consolidated subsidiaries.