

**Consolidated Financial Results for the year ended March 31, 2005**  
**Mitsubishi Materials Corporation**  
Tokyo, Japan

Code : 5711  
Shares listed : Both Tokyo and Osaka stock exchanges  
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Date of board of directors' meeting for approval of accounts: May10, 2005

**1. Results of the year ended March 31, 2005****(1) Results of operations :**

	Net Sales		Operating Profit		Ordinary Income		Net Income	
	Change	%	Change	%	Change	%	Change	%
Year ended Mar.31,2005	¥984,776	3.9	¥54,084	24.6	¥50,505	39.8	¥16,374	-
Year ended Mar.31,2004	¥948,237	(1.7)	¥43,422	26.1	¥36,124	247.6	(¥5,323)	-

  

	Net income per share	Diluted net income per share	Net income /Shareholders' equity	Ordinary income /Total assets	Ordinary income /Net sales
	Yen	Yen	%	%	%
Year ended Mar.31,2005	¥14.44	12.93	8.6	3.5	5.1
Year ended Mar.31,2004	(¥4.77)	-	(3.0)	2.5	3.8

Note 1.Profit/(loss) on investment by the equity method of accounting  
Year ended March 31,2005 : 8,446million yen  
Year ended March 31,2004 : (16,066)million yen  
2.Number of averaged shares in the fiscal period  
Year ended March 31,2005 : 1,130,529,119share  
Year ended March 31,2004 : 1,130,720,877share  
3.Changes in the accounting method Changing accounting method for estimating inventories in a consolidated subsidiary.  
4.Changes shown in net income, operatingprofit, ordinary income and net income are calculated against those figures in the previous period.

**(2) Financial position :**

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
			%	Yen
As of Mar.31,2005	¥1,420,824	¥196,901	13.9	¥174.18
As of Mar.31,2004	¥1,435,114	¥183,885	12.8	¥162.57

Note: Number of shares at the end of the fiscal period  
Year ended March 31,2005 : 1,130,119,673share  
Year ended March 31,2004 : 1,130,730,196share

**(3) Cash flows :**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalent at end of year
	As of Mar.31,2005	¥80,505	(¥31,206)	(¥50,931)
As of Mar.31,2004	¥40,819	(¥21,450)	(¥19,749)	¥17,753

**(4) Scope of consolidation and adoption of the equity method of accounting :**

Number of consolidated subsidiaries : 105  
Number of non-consolidated subsidiaries to which the equity method accounting is applied : -  
Number of affiliates to which the equity method accounting is applied : 17

**(5) Changes in scope of consolidation and adoption of the equity method of accounting**

Number of consolidated companies ; New : 1 Excluded : 6  
Number of companies to which the equity method is applied ; New : 3 Excluded : 3

**2. Forecast (from April 1, 2005 to March 31, 2006 )**

	Net Sales	Ordinary Income	Net Income
	Six months ending Sep.30,2005	¥475,000	¥22,000
Year ending Mar.31,2006	¥970,000	¥55,000	¥18,000

Anticipated net income per share for the year ending March 31, 2006: ¥15.88  
This forecast is made under consideration into economic surrounding and market trend of which we can estimate.  
In case of changing such conditions, the forecast may be changed.

### **3. Results and Financial Position**

#### **(1) Results for Fiscal 2005**

In fiscal 2005, ended March 31, 2005, the Japanese economy continued to head slowly toward a recovery. The term saw steady progress in processing corporate nonperforming loans and excessive debt. Exports benefited from an expansion in the global economy, which helped to bolster corporate earnings. Companies suffered in the first half of the term, however, from ongoing hikes in materials and fuel prices. In the second half, performances weakened slightly owing to a slowdown in exports and inventory corrections in information technology (IT) and digital products. Nonetheless, companies maintained solid capital investments against the backdrop of improved earnings, and the economy also benefited from a better employment climate and improved personal consumption.

The Mitsubishi Materials Group continued to experience sluggish demand during the period under review from the engineering and construction sectors, reflecting stagnant public spending. This compounded ongoing rises in fuel costs from the previous year. In the second half, prices dropped for IT products due to inventory adjustments. On the positive side, the Group performed generally well, reflecting higher prices in key metals and brisk demand from the automotive sector.

The Group responded to the operating environment by striving to expand sales of high-demand offerings to the automotive and IT sectors while boosting sales of aluminum bottles, a strategic product. The Group also endeavored to cut costs and reduce environmental impact by using recycled fuels at its copper smelters and cement plants. To assist consolidated management, the Group reorganized headquarters in April 2004, strengthening management strategy planning and Group oversight, while continuing to trim spending to streamline business efficiency. Ongoing efforts included constraining labor expenses, liquidating unprofitable businesses, and slashing fixed and variable costs to increase profitability.

As a result of these factors, consolidated net sales advanced ¥36.5 billion, to ¥984.7 billion, and consolidated operating profit gained ¥10.6 billion, to ¥54.0 billion.

Net interest expenses totaled ¥9.1 billion, down ¥1.7 billion. Equity in earnings of affiliates increased ¥5.3 billion, to ¥8.4 billion, on the back of favorable results at Sumitomo Mitsubishi Silicon Corporation (SUMCO). As a result, ordinary income climbed ¥14.3 billion, to ¥50.5 billion.

Net income totaled ¥16.3 billion, compared with a ¥5.3 billion loss a year earlier. This reflected ¥18.2 billion in extraordinary gains, largely from sales of fixed assets and investments in securities, which partly offset ¥33.9 billion in extraordinary losses, comprising employee retirement expenses, losses on sales of fixed assets and the allocation of funds for the allowance for doubtful accounts of consolidated subsidiaries.

#### **Review by Business Segment**

##### **Cement**

Sales and volumes decreased in Japan owing to lackluster public sector expenditures, which countered solid demand from the private sector. In contrast, sales remained strong in the United States and China, reflecting expanded demand in those markets.

As with cement, sales and volumes were down for aggregate due to slow public sector spending, which dampened demand for ready mixed concrete.

As a result of these factors, segment sales rose ¥3.8 billion, to ¥149.4 billion,

although operating profit declined ¥1.5 billion, to ¥12.1 billion.

### **Aluminum**

Sales were solid for aluminum bottles, a key strategic offering, as one of the hottest summers on record created strong demand for soft drinks and alcoholic beverages. Aluminum can sales increased although earnings decreased, owing to intensified competition. Sales of aluminum fabricated products declined from a year earlier as a consequence of the June 2004 halt in production, as key customers internalized their production.

Revenues and earnings improved in extruded aluminum products on higher demand from automakers and strong demand for sheet aluminum.

Segment sales thus increased ¥2.4 billion, to ¥135.2 billion, and operating profit rose ¥500 million, to ¥7.2 billion.

### **Metals**

Sales volumes of rolled copper decreased owing to a decline in demand for rolled electronic materials amid inventory corrections in the semiconductor market. Although copper wire sales volumes again fell, revenues were up owing to higher prices. Gold prices remained high but revenues were down, as volumes declined and the proportion of gold used in raw materials decreased.

In fabricated metal products, volumes were down slightly for copper castings, and sales volumes and revenues declined for wire materials. Nonetheless, overall sales of fabricated metal products rose on higher copper prices. On April 1, 2004, we transferred our copper tube operations to jointly form the equity-method affiliate Kobelco & Materials Copper Tube, Ltd. (KMC), with Kobe Steel, Ltd.

Segment sales increased ¥1.5 billion, to ¥307.5 billion. Segment sales would have risen ¥42.7 billion in the absence of a new financial policy that accounts for the declining sales of PT. Smelting as an internal elimination, impacting ¥32.7 billion in sales. The transfer of operations to KMC also adversely affected sales, for an amount of ¥8.4 billion. As a result of these factors, operating profit rose ¥3.8 billion, to ¥13.1 billion.

### **Powder Metallurgy Products & Tools**

Demand for cemented carbide products remained buoyant, reflecting solid sales to the automotive sector, strong exports to Asia and a favorable business climate in both Europe and the United States.

In powder metallurgy products, sales were strong to the automotive sector, particularly of sintered parts. Sales and earnings from these products declined, however, owing to the transfer of the injection molding die-making business on December 1, 2004, and high raw materials prices, which raised costs.

Sales and profits increased in diamond tools, as IT sales were especially favorable in the first half.

Segment sales thus rose ¥13.3 billion, to ¥126.2 billion, with operating profit gaining ¥5.2 billion, to ¥15.9 billion.

### **Advanced Products**

Revenues and earnings of advanced products increased owing to strong sales of silicon precision processing parts for 300mm wafers, which offset the impact of inventory adjustments in gold wire and other IT offerings.

Sales and profits were down in electronic devices, reflecting demand

downturns in offerings for digital appliances and IT equipment. Sales of devices for cell phones, however, were solid.

Revenues grew for fine chemical products, owing to higher semiconductor-related sales, which compensated for sluggish demand for fluoride products.

As a result of these factors, segment sales declined ¥1.2 billion, to ¥51.1 billion, while operating profit improved ¥500 million, to ¥3.2 billion.

### **Energy & Systems**

Sales of fuels for nuclear reactors were down from a year earlier, impacted by the decline in sales of nuclear power and systems.

In the geothermal power generation business, sales remained essentially unchanged, reflecting a strong performance from our hydroelectric power business in Akita Prefecture and favorable sales of steam to a geothermal power station in that prefecture.

Sales of our fossil fuels business increased as a result of high global prices for coal and oil.

The engineering business posted higher sales despite a decline in construction project orders.

Segment sales rose ¥900 million, to ¥110.8 billion, while operating profit dropped ¥1.4 billion, to ¥2.0 million.

### **Others**

The high-performance alloy business posted higher revenues and earnings on greater demand from the automotive and aerospace sectors and for gas turbine materials, which offset the impact of production halts and reductions in unprofitable products.

Sales of gold and jewelry to individual consumers remained strong, although sales of precious metals declined owing to a drop in sales of gold to businesses.

Sales of polycrystalline silicon surged on higher demand for 300mm silicon wafers and a boost in demand for solar batteries.

Segment sales therefore improved ¥11.0 billion, to ¥233.3 billion, with operating profit climbing ¥1.8 billion, to ¥6.5 billion.

## **(2) Consolidated Financial Position**

### **Cash Flows from Operating Activities**

Net cash provided by operating activities amounted to ¥80.5 billion, an increase of ¥39.6 billion. This reflected generally strong results and increased income from sales of gold ingots, which offset increases in notes and accounts payable and other current liabilities.

### **Cash Flows from Investing Activities**

Net cash used in investing activities totaled ¥31.2 billion, an increase of ¥9.7 billion, mainly owing to payments for purchases of property, plant and equipment.

### **Cash Flows from Financing Activities**

Net cash used in financing activities amounted to ¥50.9 billion, an increase of ¥31.1 billion, reflecting a capital injection of ¥49.2 billion to reduce loans and other interest-bearing debt.

As a result of these factors, cash and cash equivalents at end of year were ¥16.3 billion,

down ¥1.4 billion.

The following chart summarizes Group cash flow trends:

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Equity ratio	14.8 %	13.1 %	12.1 %	12.8 %	13.9 %
Equity ratio on market value basis	19.6 %	15.1 %	8.8 %	20.0 %	20.4 %
Years of debt redemption period	6.9	21.7	14.1	19.9	9.4
Interest coverage ratio (times)	4.6	1.8	3.6	3.2	6.9

#### Notes

1. Equity ratio = Shareholders' equity divided by total assets
2. Equity ratio on market value basis = Market capitalization divided by total assets
3. Years of debt redemption period = Interest-bearing debt divided by operating cash flow
4. Interest coverage ratio = Net cash provided by operating activities divided by interest expense

#### Supplementary 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.
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) Outlook for Fiscal 2006

Prospects for the Japanese economy remain unclear. On an encouraging note, private sector capital investment is rising steadily, while personal consumption is remaining stable, owing to improved corporate earnings and a more favorable employment environment. There are concerns, however, regarding higher oil and raw materials prices and the possibility of economic slowdowns in the United States and China, which are major importers of Japanese goods.

The Group operating environment will most likely remain very challenging. Automotive sector demand should stay stable as automakers employ more electronic controls and fabricated metal products. Solid demand for IT offerings is also projected. Anticipated negative factors include sluggish conditions in the domestic engineering and construction sectors, higher fuel and shipping prices, and generally lower product prices.

The Group will meet these challenges by more efficiently allocating management resources to bolster profitability in keeping with a new consolidated

medium-term plan. The Group will also further reduce costs and reorganize or liquidate unprofitable businesses to enhance its financial position and stabilize its earnings structure, thereby laying the foundations for long-term growth in its core businesses.

For fiscal 2006, management thus forecasts ¥970 billion in consolidated net sales, ¥55 billion in consolidated ordinary income and ¥18 billion in consolidated net income.

(Millions of yen)

	Net sales	Operating profit	Ordinary income	Net income
Fiscal 2006 forecast	970,000	55,000	55,000	18,000
Forecast for first half of fiscal 2006	475,000	25,000	22,000	5,000
Fiscal 2005 results	984,776	54,084	50,505	16,374
Percentage changes	-1.5%	+1.7%	+8.9%	+9.9%
Nonconsolidated fiscal 2006 forecast	500,000	17,000	18,000	6,500

#### (4) Business Risks

The Mitsubishi Materials Group engages in a wide range of businesses, so its results and financial position are subject to various external influences, including domestic and overseas political and economic developments, weather, markets, currency trends, and laws and ordinances. The following risks could have particularly strong material impact on operations.

Forward-looking statements are based on management's decisions as of the announcement of fiscal 2005 results on May 10, 2005.

##### 1. Business Restructuring

The Group is pursuing selective concentration. Management is concentrating resources in highly profitable operations while reviewing, restructuring and liquidating other businesses with a view to alliances with other companies. These endeavors may materially affect the Group's performance and financial position.

##### 2. Customer Trends

The Group provides products and services to various industries. Rapid changes in customer markets, business strategies or product development may affect sales of the Group's products. The automotive and IT sectors are particularly vulnerable to intensive competition in terms of prices and technological development. The Group strives to cut overall costs and cultivate new products and technologies. However, failure to match industry and customer market changes could hamper Group performance.

##### 3. Nonferrous Metals and Currency Market Fluctuations

In the copper business, the main revenue sources are smelting and other operations, for

which payment is in foreign currencies. These operations are subject to fluctuations in nonferrous metals and currency markets. Purchases of raw materials for inventory—from ore purchases to ingot production and sales—can be affected by fluctuation risks in the nonferrous metals and currency markets, as well as by shipping rates.

#### **4. Semiconductor Market Trends**

The Group provides such products for the semiconductor industry as electronic materials and polycrystalline silicon products. Equity-method affiliate SUMCO makes silicon wafers for semiconductors. Trends in the semiconductor industry could thus affect the Group's performance and financial position.

#### **5. Interest-Bearing Debt**

At the end of fiscal 2005, interest-bearing debt (the total of short-term loans, bonds due within one year, commercial paper, bonds and long-term loans) represented 51.9% of consolidated total assets. Management strives to enhance the financial position by constraining inventories and divesting assets, but interest rate trends may nonetheless affect the Group's performance and financial position.

#### **6. Debt Guarantees**

The Group provided ¥32.5 billion in debt guarantees to nonconsolidated affiliates in fiscal 2005. Any execution of such guarantees could thus affect the Group's performance and financial position.

#### **7. Fluctuations in Market Values of Assets**

Fluctuations in the market values of the Group's holdings of securities, land and other assets could affect the Group's performance and financial position.

#### **8. Pension Payment Costs and Liabilities**

The costs and obligations of the Group's pension plans are based mainly on actuarial assumptions. These assumptions take into account the average number of years of service remaining, long-term yields on Japanese government bonds, stocks contributed to trust accounts and other factors in pension plan management. Nonetheless, losses stemming from lower discount rates and pension plan management could affect the Group's costs and calculations of obligations.

#### **9. Environmental Regulations**

Group operations in Japan and abroad strive to prevent air, wastewater, soil and groundwater pollution in keeping with environmental laws and ordinances. In line with the Mine Safety Law, the Group endeavors to prevent water pollution from mines that it has closed in Japan and maintain their safety. Nonetheless, revisions to related laws and ordinances may cause the Group to incur new management and treatment costs.

#### **10. Overseas Activities**

The Group maintains production and sales bases in 22 countries and territories. Overseas operations account for 20.5% of consolidated net sales. In addition to political, social, economic and currency market developments, unforeseen changes in laws and regulations or their interpretations related to trade rules and restrictions, mining sector policies, environmental regulations, and tax systems in these countries and territories could affect the Group's performance and financial position.

## **11. Intellectual Property**

The Group recognizes the importance of safeguarding its intellectual property. Nonetheless, inadequate protection and legal violations may affect the Group's results and financial position. The Group carefully respects the intellectual property of other companies, but any recognized infringements and compensation for damages may affect the Group's results and financial position.

## **12. Information Management**

The Group endeavors to properly handle personal information. Any leaks or other problems with such information could harm the Group's social standing and affect its results and financial position.

## **13. Litigation**

The Group is or could become a party to litigation, disputes, legal judgments, settlements or decisions related to current and past operations in Japan and abroad, which may affect the Group's results and financial position.

## **14. Osaka Amenity Park Business**

On March 29, 2005, the Osaka prefectural police sent papers to prosecutors on Mitsubishi Materials and its executives for allegedly violating the Building Lots and Buildings Transaction Business Law in the sale of condominiums at Osaka Amenity Park. An investigation is ongoing. The Company and business partners have implemented the proper steps to counter soil and groundwater problems at the complex, and are continuing to faithfully discuss the issues with condominium residents to quickly resolve them, including through a monetary settlement. Developments in this situation may affect the Group's results and financial position (please see Important Subsequent Events for details of the most recent discussions with condominium residents).

## **15. Other Risks**

Other risks that may affect the Group's results and financial position include changes in business practices, terrorism, war, epidemics, earthquakes and other natural disasters, and other unforeseen developments.



**CONSOLIDATED BALANCE SHEET ( 1 / 2 )**  
**AS OF MARCH 31 2005**

(Millions of yen)

	31/3/2004	31/3/2005	Difference
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash & Cash equivalents	¥18,177	¥16,686	(¥1,491)
Notes received & Accounts receivable - Trade	189,155	191,448	2,293
Marketable securities	73	72	(0)
Inventories	153,563	154,220	656
Future income tax benefit	8,953	9,431	477
Other current assets	112,145	107,877	(4,267)
Allowance for doubtful accounts	(3,082)	(3,608)	(526)
<b>TOTAL CURRENT ASSETS</b>	<b>478,986</b>	<b>476,127</b>	<b>(2,858)</b>
<b>NON-CURRENT ASSETS</b>			
<b>TANGIBLE ASSETS</b>			
Buildings & Structures	174,807	168,491	(6,315)
Machinery & Equipment	211,998	203,689	(8,309)
Land	254,783	253,909	(873)
Construction in progress	19,558	13,864	(5,693)
Other tangible assets	12,077	12,053	(23)
<b>TOTAL TANGIBLE ASSETS</b>	<b>673,224</b>	<b>652,008</b>	<b>(21,215)</b>
<b>INTANGIBLE ASSETS</b>			
Intangible assets	16,280	15,832	(448)
<b>TOTAL INTANGIBLE ASSETS</b>	<b>16,280</b>	<b>15,832</b>	<b>(448)</b>
<b>INVESTMENT &amp; LONG-TERM RECEIVABLES</b>			
Investments securities	182,295	193,255	10,959
Long-term loans receivable	18,470	17,735	(734)
Advance payments	1,850	1,469	(380)
Future income tax benefit	37,983	34,352	(3,630)
Investment other	41,541	43,878	2,337
Reserve for loss on investments of affiliates	(1,472)	(1,438)	34
Allowance for doubtful accounts	(14,046)	(12,398)	1,647
<b>TOTAL INVESTMENT &amp; LONG-TERM RECEIVABLES</b>	<b>266,623</b>	<b>276,855</b>	<b>10,232</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>956,128</b>	<b>944,696</b>	<b>(11,431)</b>
<b>TOTAL ASSETS</b>	<b>¥1,435,114</b>	<b>¥1,420,824</b>	<b>(¥14,290)</b>

**CONSOLIDATED BALANCE SHEET( 2 / 2 )**  
**AS OF MARCH 31 2005**

(Millions of yen)

	31/3/2004	31/3/2005	Difference
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Notes payable & Accounts payable - Trade	¥120,074	¥127,274	¥7,199
Short-term bank loans	387,375	354,326	(33,048)
Bonds payable	15,000	49,449	34,449
Income taxes payable	4,648	9,529	4,881
Provision for deferred income tax	68	71	3
Reserve for bonus	9,685	10,403	717
Gold payable	70,733	76,946	6,213
Other current liabilities	82,786	87,100	4,313
<b>TOTAL CURRENT LIABILITIES</b>	<b>690,373</b>	<b>715,102</b>	<b>24,728</b>
<b>LONG-TERM LIABILITIES</b>			
Bonds payable	99,449	90,000	(9,449)
Long-term loans payable	290,262	243,941	(46,320)
Severance and pension benefits of employees	46,021	47,443	1,421
Reserve for loss on business of affiliates	1,250	1,430	180
Other provisions	4,887	4,436	(450)
Provision for deferred income tax	14,462	13,361	(1,100)
Provision for deferred income tax in relation to revaluation	31,376	37,147	5,771
Consolidated control	3,465	2,381	(1,084)
Other long-term liabilities	28,418	26,627	(1,791)
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>519,593</b>	<b>466,770</b>	<b>(52,823)</b>
<b>TOTAL LIABILITIES</b>	<b>1,209,967</b>	<b>1,181,872</b>	<b>(28,094)</b>
<b>MINORITY INTERESTS</b>	<b>41,262</b>	<b>42,050</b>	<b>788</b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in capital	99,396	99,396	-
Capital Surplus	68,413	68,440	27
Retained Surplus	(28,243)	(14,328)	13,915
Reserve for land revaluation	46,656	39,480	(7,175)
Net unrealized holding gains on securities	10,420	16,988	6,568
Foreign currency translation adjustments	(12,268)	(12,381)	(112)
Treasury stock, at cost	(488)	(695)	(206)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>183,885</b>	<b>196,901</b>	<b>13,016</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>¥1,435,114</b>	<b>¥1,420,824</b>	<b>(¥14,290)</b>

**CONSOLIDATED PROFIT & LOSS STATEMENTS  
FOR THE YEAR ENDED MARCH 31 2005**

(Millions of yen)

	2003	2004	Difference
Net Sales	¥948,237	¥984,776	¥36,539
Cost of Goods Sold	783,970	812,543	28,573
Selling, General & Administrative Expenses	120,844	118,148	(2,696)
<b>Operating profit</b>	<b>43,422</b>	<b>54,084</b>	<b>10,662</b>
Non-operating income			
Interest income	404	493	88
Dividend income	1,544	2,124	579
Rent earned in undertaking	7,144	6,876	(268)
Gain on investment	3,101	8,446	5,344
Other non-operating income	3,396	2,963	(432)
Non-operating expenses			
Interest expenses	12,833	11,758	(1,074)
Expense for rent in undertaking	5,318	5,065	(253)
Other non-operating expenses	4,739	7,659	2,920
<b>Ordinary income</b>	<b>36,124</b>	<b>50,505</b>	<b>14,381</b>
Extraordinary profit			
Profit on sales of fixed assets	2,037	2,768	731
Profit on sales of investment stocks	13,856	10,674	(3,181)
Profit on welfare pension dissolution	-	1,964	1,964
Profit on business assignment	-	847	847
Profit on business assignment for equity method affiliates	-	773	773
Other extraordinary profit	3,921	1,130	(2,790)
Extraordinary loss			
Expenses for future employees' retirement	8,529	8,325	(203)
Loss on disposal of fixed assets	4,950	5,783	832
Provision for bad debt	2,509	4,106	1,597
Unrealized loss on evaluation of investment stocks	1,143	2,966	1,823
Provision for loss on business of affiliates	1,034	1,224	190
Loss on sale of investments securities	298	35	(262)
Provision for loss on investments	109	10	(99)
Loss on investment	19,168	-	(19,168)
Other extraordinary loss	7,094	11,439	4,344
<b>Net income before tax</b>	<b>11,101</b>	<b>34,772</b>	<b>23,670</b>
Corporate income taxes & business tax	10,016	16,572	6,556
Income taxes adjustments	2,386	(1,334)	(3,720)
Minority interest adjustment	4,022	3,159	(862)
<b>Net income for the current year</b>	<b>(¥5,323)</b>	<b>¥16,374</b>	<b>¥21,698</b>

**CONSOLIDATED RETAINED EARNINGS  
FOR THE YEAR ENDED MARCH 31 2005**

(Millions of yen)

	2003	2004	Difference
(Capital Surplus)			
<b>Balance at the beginning of year</b>	<b>¥69,090</b>	<b>¥68,413</b>	<b>(¥676)</b>
Profit from treasury stock dealing	-	27	27
<b>Increase total</b>	<b>-</b>	<b>27</b>	<b>27</b>
Decrease due to change to Retained Earnings	662	-	(662)
Decrease from treasury stock dealing	14	-	(14)
<b>Decrease total</b>	<b>676</b>	<b>-</b>	<b>(676)</b>
<b>Balance at the end of year</b>	<b>¥68,413</b>	<b>¥68,440</b>	<b>¥27</b>
(Retained Earnings)			
<b>Balance at the beginning of year</b>	<b>(¥32,789)</b>	<b>(¥28,243)</b>	<b>¥4,546</b>
Increase due to change from Capital Surplus	662	-	(662)
Increase resulting from increase of equity method affiliates	57	-	(57)
Increase due to reversal of reserve for land revaluation	4	351	346
Increase due to merger	-	66	66
Increase resulting from increase of consolidated subsidiaries	-	44	44
Increase due to realization of profit resulting from consolidation	9,784	-	(9,784)
Net income for current year	-	16,374	16,374
<b>Increase total</b>	<b>10,508</b>	<b>16,836</b>	<b>6,327</b>
Dividend	-	2,265	2,265
Bonus to directors and statutory auditors	59	65	5
Decrease resulting from Increase of equity method affiliates	-	71	71
Decrease due to reversal of reserve for land revaluation	517	230	(286)
Decrease due to merger	-	142	142
Decrease resulting from decrease of consolidated subsidiaries	26	-	(26)
Net loss for current year	5,323	-	(5,323)
Other decrease	34	146	111
<b>Decrease total</b>	<b>5,962</b>	<b>2,921</b>	<b>(3,041)</b>
<b>Balance at the end of year</b>	<b>(¥28,243)</b>	<b>(¥14,328)</b>	<b>¥13,915</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31 2005**

(Millions of yer)

	2003	2004	Difference
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) income	¥11,101	¥34,772	¥23,670
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	49,318	47,919	(1,398)
Increase(Decrease) in allowance for doubtful account	2,491	3,673	1,181
Increase(Decrease) in severance and pension benefit of employees and employers	7,636	1,062	(6,574)
Increase(Decrease) in reserve for loss on investments of affairs	109	5	(103)
Increase(Decrease) in reserve for loss on business of affiliates	(350)	1,222	1,572
Interest income & dividend income	(1,949)	(2,617)	(668)
Interest expenses	12,833	11,758	(1,074)
Loss for sales or disposal of property, plant and equipment	4,950	5,783	832
Gain for sales or disposal of property, plant and equipment	(2,037)	(2,768)	(731)
Gain for sales of marketable securities and investments in securities	(13,856)	(10,674)	3,181
Loss for sales or evaluation of marketable securities and investments in securities	1,442	3,002	1,560
(Increase)Decrease in accounts receivables	(9,302)	(10,532)	(1,230)
(Increase)Decrease in inventories	(10,554)	(3,609)	6,944
Proceeds from sales of gold	-	10,287	10,287
(Increase)Decrease in other current assets	(1,441)	(1,759)	(318)
Increase(Decrease) in accounts payable	8,679	8,708	29
Increase(Decrease) in accrued expenses	137	1,141	1,004
Increase(Decrease) in other current liabilities	(4,516)	7,433	11,949
Increase(Decrease) in other long-term liabilities	(1,230)	(592)	638
Loss on investment	16,066	(8,446)	(24,512)
Others	614	1,420	806
Sub-total	70,140	97,188	27,048
Receipts for interest & dividend	4,832	9,361	4,529
Payments for interest	(12,847)	(11,650)	1,197
Payments due to business withdrawal	(12,168)	-	12,168
Payments for supporting an affiliate	-	(2,150)	(2,150)
Payments for income taxes	(9,137)	(12,244)	(3,106)
<b>Net cash provided by operating activities</b>	<b>40,819</b>	<b>80,505</b>	<b>39,685</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of marketable securities and investments in securities	(22,207)	(3,514)	18,692
Proceeds from sales of marketable securities and investments in securities	27,722	13,397	(14,325)
Payment for lending	(2,730)	(3,101)	(370)
Proceeds from repayment for lending	2,876	3,260	383
Purchase of property, plant and equipmen	(37,732)	(46,420)	(8,688)
Proceeds from sales of property, plant and equipment	6,046	4,521	(1,524)
Purchase of intangible assets	(873)	(1,128)	(255)
Proceeds from sales of consolidated subsidiaries securities	1,143	449	(694)
Proceeds from transfer of business	-	1,448	1,448
Others	4,304	(117)	(4,421)
<b>Net cash provided by investing activities</b>	<b>(21,450)</b>	<b>(31,206)</b>	<b>(9,755)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase(Decrease) in short-term bank loans	(19,278)	(12,198)	7,080
Proceeds from long-term debt	95,048	69,688	(25,359)
Repayments of long-term debt	(82,671)	(128,546)	(45,875)
Increase(Decrease) in commercial paper	(6,000)	-	6,000
Redemption of bonds	(20,349)	(15,000)	5,349
Proceeds from issuance of bonds	10,000	40,000	30,000
Dividend	-	(2,265)	(2,265)
Payment for purchase of treasury stock	(53)	(150)	(97)
Dividend paid to minority interests	(1,074)	(1,235)	(160)
Minority expense due to business withdrawal	5,518	-	(5,518)
Others	(888)	(1,223)	(335)
<b>Net cash provided by financing activities</b>	<b>(19,749)</b>	<b>(50,931)</b>	<b>(31,182)</b>
<b>Adjustment</b>	<b>(984)</b>	<b>27</b>	<b>1,011</b>
<b>Net Increase in cash</b>	<b>(1,363)</b>	<b>(1,604)</b>	<b>(240)</b>
<b>Cash at beginning of year</b>	<b>18,926</b>	<b>17,753</b>	<b>(1,172)</b>
<b>Increase(Decrease) due to the change of scope of consolidation</b>	<b>125</b>	<b>35</b>	<b>(90)</b>
<b>Increase(Decrease) due to merger</b>	<b>65</b>	<b>167</b>	<b>102</b>
<b>Cash at end of year</b>	<b>17,753</b>	<b>16,352</b>	<b>(1,401)</b>

## Segment Information

### (a) Business segment information

Year ended March 31, 2005									Millions of yen	
	Cement	Aluminium	Metals	Powder metallurgy products & tools	Advanced products	Energy & system	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales :										
Unaffiliated customers	¥148,973	¥134,519	¥252,332	¥117,146	¥49,749	¥83,097	¥198,958	¥984,776		¥984,776
Intersegment	490	746	55,175	9,083	1,438	27,724	34,356	129,015	(129,015)	-
Total	149,463	135,266	307,508	126,230	51,187	110,821	233,314	1,113,792	(129,015)	984,776
Operating expenses	137,323	128,035	294,396	110,321	47,978	108,773	226,801	1,053,630	(122,937)	930,692
Operating profit	¥12,140	¥7,230	¥13,112	¥15,908	¥3,209	¥2,048	¥6,512	¥60,162	(¥6,078)	¥54,084
Identifiable assets	¥246,394	¥158,917	¥296,482	¥124,874	¥42,049	¥97,890	¥299,613	¥1,266,222	¥154,602	¥1,420,824
Depreciation	¥9,043	¥9,725	¥10,662	¥5,797	¥2,230	¥2,885	¥5,139	¥45,484	¥2,435	¥47,919
Capital expenditures	¥9,698	¥7,249	¥9,354	¥8,841	¥1,726	¥1,376	¥10,294	¥48,540	¥965	¥49,506

Year ended March 31, 2004									Millions of yen	
	Cement	Aluminium	Metals	Powder metallurgy products & tools	Advanced products	Energy & system	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales :										
Unaffiliated customers	¥145,072	¥131,874	¥242,097	¥103,865	¥51,038	¥82,679	¥191,609	¥948,237		¥948,237
Intersegment	579	899	63,907	8,972	1,358	27,210	30,623	133,550	(133,550)	-
Total	145,652	132,773	306,004	112,838	52,397	109,889	222,233	1,081,788	(133,550)	948,237
Operating expenses	131,992	126,119	296,781	102,185	49,778	106,400	217,575	1,030,832	(126,017)	904,815
Operating profit	¥13,659	¥6,654	¥9,223	¥10,653	¥2,618	¥3,488	¥4,657	¥50,955	(¥7,533)	¥43,422
Identifiable assets	¥251,316	¥167,680	¥310,629	¥118,522	¥42,663	¥86,041	¥300,697	¥1,277,551	¥157,563	¥1,435,114
Depreciation	¥9,137	¥9,424	¥11,655	¥5,927	¥2,381	¥2,784	¥5,122	¥46,432	¥2,885	¥49,318
Capital expenditures	¥7,447	¥11,533	¥7,246	¥5,981	¥1,435	¥1,511	¥3,287	¥38,443	¥498	¥38,941

### 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) Aluminium:                            | Aluminum cans, Aluminium rolled and fabricated products and Aluminium related products                             |
| (3) Metals:                               | Copper smelting and Copper related products  |
| (4) Powder Metallurgy Products and Tools: | Carvide and tools, Powder metallurgy products and Diamond tools  |
| (5) Advanced Products:                    | Electronic Components, Electronic materials and Chemical   |
| (6) Energy and System:                    | Engineering and Nuclear related  |
| (7) Others:                               | High performance alloy products, Precious metals, Polysilicon, Resources and environmental related and Real estate |

2. An amount of unallocated operating expenses, such as basic research & fundamental development costs and managerial costs of the parent company, included in Elimination and corporate assets or expenses is 9039 million yen for the previous period and 8,630 million yen for the current period.

3. An amount of corporate assets included in Elimination and corporate assets is 183,905 million yen for the previous period and 181,965 million yen for the current period, main assets of which are those related to basic research & fundamental development, monies in the parent company (cash and marketable securities) and managerial division.

4. As of offset trade for slime of PT Smelting

Due to the change of trade agreement content, the account for the trade is offset since this six months. According to this deal, both sales and operating expense to unaffiliated customers in Metals reduce 32,762 million yen comparing to the method as before.

5 Change in Accounting for Copper Segment Inventories

From the second half of fiscal 2005, Sambo Copper Alloy Co., Ltd., a consolidated subsidiary that processes copper, switched from the first-in, first-out, to last-in, first-out, to account for inventories. This change was designed to calculate earnings more accurately by using the same bases in sales and the cost of sales for the prices of copper ingots, a key raw material, in response to dramatic fluctuations in the international marketplace. As a result, the operating costs of the copper segment rose ¥841 million, with operating profit and assets falling by the same amount.

**(b) Segment information by geographic area**

Year ended March 31, 2005							Millions of yen	
	Japan	U.S.A.	Europe	Asia	Other	Total	Elimination and corporate assets or expenses	Consolidated
Sales :								
Unaffiliated customers	¥845,901	¥64,915	¥12,805	¥58,585	¥2,568	¥984,776		¥984,776
Intersegment	25,600	867	41	63,330	-	89,840	(89,840)	-
Total	871,502	65,782	12,847	121,916	2,568	1,074,617	(89,840)	984,776
Operating expenses	819,119	60,240	12,203	118,887	2,327	1,012,777	(82,084)	930,692
Operating profit	¥52,382	¥5,542	¥643	¥3,029	¥241	¥61,839	(¥7,755)	¥54,084
Identifiable assets	¥1,145,280	¥80,409	¥27,399	¥88,115	¥3,116	¥1,344,321	¥76,502	¥1,420,824

Year ended March 31, 2004							Millions of yen	
	Japan	U.S.A.	Europe	Asia	Other	Total	Elimination and corporate assets or expenses	Consolidated
Sales :								
Unaffiliated customers	¥788,938	¥52,379	¥9,928	¥95,002	¥1,987	¥948,237		¥948,237
Intersegment	27,013	546	10	22,755	-	50,326	(50,326)	-
Total	815,952	52,925	9,939	117,758	1,987	998,564	(50,326)	948,237
Operating expenses	772,742	48,363	9,938	113,749	2,147	946,941	(42,126)	904,815
Operating profit	¥43,209	¥4,562	¥1	¥4,008	(¥159)	¥51,623	(¥8,200)	¥43,422
Identifiable assets	¥1,159,557	¥74,878	¥21,798	¥100,436	¥3,316	¥1,359,987	¥75,127	¥1,435,114

## NOTES

1. Nations or areas has been classified in terms of their geographic closeness.

2. Main countries or regions that belong to classes other than Japan and the United States

- (1) Europe : Germany, Spain, UK, France, Holland  
(2) Asia : Indonesia, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand  
(3) Other : Australia

3. An amount of unallocated operating expenses, such as basic research & fundamental development costs and managerial costs of the parent company, included in Elimination and corporate assets or expenses is 9039 million yen for the previous period and 8,630 million yen for the current period.

4. An amount of corporate assets included in Elimination and corporate assets is 183,905 million yen for the previous period and 181,965 million yen for the current period, main assets of which are those related to basic research & fundamental development, monies in the parent company (cash and marketable securities) and managerial division.

5. As of offset trade for slime of PT Smelting/

Due to the change of trade agreement content, the account for the trade is offset since this six months. According to this deal, comparing to the method as before, both sales and operating expense to unaffiliated customers in Asia reduce 32,762 million yen and those to intersegment increase the same amount.

6. Change in Accounting for Japan Inventories

From the second half of fiscal 2005, Sambo Copper Alloy Co., Ltd., a consolidated subsidiary that processes copper, switched from the first-in, first-out, to last-in, first-out, to account for inventories. This change was designed to calculate earnings more accurately by using the same bases in sales and the cost of sales for the prices of copper ingots, a key raw material, in response to dramatic fluctuations in the international marketplace. As a result, the operating costs of the copper segment rose ¥841 million, with operating profit and assets falling by the same amount.

**(c) Overseas sales by geographic area**

Year ended March 31, 2005						Millions of yen
	U.S.A.	Europe	Asia	Other	Total	
Overseas sales	¥69,871	¥17,315	¥111,226	¥3,565	¥201,978	
Consolidated net sales					¥984,776	
Percentage of overseas sales to consolidated net sales	7.1%	1.8%	11.3%	0.4%	20.5%	
<hr/>						
Year ended March 31, 2004	U.S.A.	Europe	Asia	Other	Total	
Overseas sales	¥57,609	¥15,510	¥90,607	¥2,350	¥166,078	
Consolidated net sales					¥948,237	
Percentage of overseas sales to consolidated net sales	6.1%	1.6%	9.6%	0.2%	17.5%	

## NOTES

1. Nations or areas has been classified in terms of their geographic closeness.

2. Main countries or regions that belong to classes other than the United States

- (1) Europe : Germany, UK, Spain, France  
(2) Asia : Indonesia, Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand  
(3) Other : Australia, Canada, Brazil

3. Overseas sales represents sales of Mitsubishi Materials Corporation and its subsidiaries made in countries and regions other than Japan.

## **Subsequent events**

### OAP Residence Tower at the Osaka Amenity Park

On May 8, 2005, Mitsubishi Materials Corporation, Mitsubishi Estate Co., Ltd., and Obayashi Corporation, and Mitsubishi Real Estate Corp. signed a written confirmation with the management union of OAP Residence Tower at the Osaka Amenity Park. The document pledges that the four will offer financial compensation to residents to swiftly resolve soil and groundwater issues at the facility.

The four will offer owners wishing to remain at the facility 25% off their purchase prices. For those wishing to sell, they will assign mutually agreed real estate appraisers who will produce estimates that assume no soil or groundwater problems. The four will buy condominiums for the estimated prices, plus 10%.

The four will use the written confirmation as a guideline to verify the wishes of owners, conduct individual negotiations, and finalize specific amounts, payment methods, and timing.

Purchases for units OAP Residence Tower totaled around ¥33 billion. The four will discuss how they will share in payments to owners.