August 8, 2005

Consolidated Financial Results for the first quarter ended June 30, 2005
Mitsubishi Materials Corporation
Tokyo, Japan

Code : 5711
Shares listed : Tokyo stock exchange and Osaka securities exchange
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1. Notes on preparation of quarterly financial information

(1) Use of simple accounting methods: Yes

(Details)

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

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

- The Company altered its segment information categorization method and its method for allocating operating expenses.
- The Company adopted the Accounting Standard on Impairment of Fixed Assets to cover all operations except those of some domestic consolidated subsidiaries and equity-method affiliates.

(3) Changes in scope of consolidation of equity-method accounting: Yes

(Details)

- Two companies added

2. Results of the three months ended June 30, 2005

(1) Results of operations: (Millions of yen)

	Net sales	Change (%)	Operating profit	Change (%)	Ordinary income	Change (%)	Net income	Change (%)
Three months ended June 30, 2005	¥247,627	9.5	¥12,842	24.7	¥14,892	48.1	¥5,242	30.6
Three months ended June 30, 2004	¥226,142	(1.4)	¥10,298	–	¥10,057	–	¥4,014	–
Year ended March 31, 2005	¥984,776	3.9	¥54,084	24.6	¥50,505	39.8	¥16,374	–

(Yen)

	Net income per share	Diluted net income per share
Three months ended June 30, 2005	¥4.64	¥3.95
Three months ended June 30, 2004	3.55	3.33
Year ended March 31, 2005	14.44	12.93

Note: Percentage changes for net sales and other items relative to previous corresponding period. The Company began disclosing operating profit, ordinary income and net income from the first quarter ended June 30, 2005, however, so for the first quarter ended June 30, 2005 it has not presented comparisons with the previous corresponding period.

(2) Financial position: (Millions of yen)

	Total assets	Shareholders' equity	Equity ratio (%)	Shareholders' equity per share (Yen)
June 30, 2005	¥1,464,487	¥201,075	13.7	¥177.77
June 30, 2004	1,444,083	184,814	12.8	163.46
March 31, 2005	1,420,824	196,901	13.9	174.18

(3) Cash Flows: (Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Three months ended June 30, 2005	(18,322)	(14,109)	37,712	22,345
Three months ended June 30, 2004	—	—	—	—
Year ended March 31, 2005	80,505	(31,206)	(50,931)	16,352

Note: Information for previous three months not presented, as disclosure began from December 31, 2004.

3. Full-year forecasts

Management has not revised its forecasts.

Consolidated Operating Results

In the first quarter of fiscal 2006, the Japanese economy continued a generally mild recovery. Prime contributors were improved corporate earnings, which helped triggered an ongoing rise in capital investment, and signs of turnarounds in personal consumption and reduced unemployment. These factors offset concerns over the direction of the economy in light of further production corrections in information technology (IT) and digital products owing to high materials and fuel costs and a flattening of exports stemming from worries about a slowdown in the Chinese economy.

The Mitsubishi Materials Group continued to make steady progress during the term on the strength of signs of a rally in engineering and construction demand, high copper prices and continued buoyant activity in the automotive sector. These factors offset consistently high materials costs and further inventory adjustments in some IT-related products.

Against this backdrop, the Group strove to improve earnings in keeping with a new medium-term management plan launched in April 2005 while expanding sales by taking advantage of ongoing favorable demand for automotive products and steady demand for cement and aggregate.

Consequently, consolidated net sales advanced ¥21.4 billion from a year earlier, to ¥247.6 billion. Operating profit was up ¥2.5 billion, to ¥12.8 billion. Ordinary income gained ¥4.8 billion, to ¥14.8 billion, and net income climbed ¥1.2 billion, to ¥5.2 billion.

Review by Business Segment

The Company altered its business segmentation from the period under review, and has restated segments for first quarter of fiscal 2005 to facilitate comparisons.

Cement

Sales and volumes improved during the term as while higher oil prices raised manufacturing and transportation costs we experienced solid private-sector demand on the back of enhanced corporate earnings, increased public-sector demand for disaster restoration and earthquake-proofing projects and increased demand in the United States and China.

In line with demand trends for cement, sales and volumes of aggregate rose on solid demand for mainline ready mixed concrete.

These factors translated into a ¥4.6 billion increase in segment sales, to ¥37.2 billion, with operating profit gaining ¥700 million, to ¥2.3 billion.

Metals

Sales of rolled copper declined because inventory adjustments in the semiconductor market depressed demand for electronic materials, overshadowing expanded demand for automotive-related products. In addition, sales of copper wire remained slow, although they were up on the strength of high copper prices. Sales of gold were higher than a year earlier, as prices continued to rise, while ore volumes and gold concentrations in ore both improved.

In processed copper products, both volumes and sales were down owing to low demand for copper castings for electronic materials and wire materials, which offset the impact of high copper prices.

Segment sales were therefore up ¥16.1 billion, to ¥84.4 billion, while operating profit increased ¥900 million, to ¥3.1 billion.

Advanced Materials & Tools

Sales and earnings from cemented carbide products rose, as demand remained buoyant from the automotive sector for cemented carbide cutting tools, while exports were favorable.

In functional parts, sales of sintered parts to the automotive sector were solid, owing to greater sales of products for more environmentally friendly engines, but overall sales and earnings declined because of the impact of the transfer of the injection molding die-making business on December 1, 2004.

In highly efficient materials, sales and earnings were down because a decline in sales of precision castings offset favorable demand for aerospace offerings.

Sales and earnings from diamond tools were down amid inventory adjustments that affected sales of IT-related products.

As a result of these factors, segment sales gained ¥2.9 billion, to ¥40.5 billion, while operating profit increased ¥300 million, to ¥4.9 billion.

Aluminum

Earnings from aluminum cans were down because high metal costs raised production costs, while intensified competition pushed prices down, offsetting solid sales of strategic aluminum bottles and favorable sales of cans for alcoholic beverages stemming from good weather.

Sales and earnings were down in rolled aluminum products because of slow demand for extruded aluminum for construction materials, which outweighed gains in sales of extruded and sheet aluminum for the automotive sector.

Segment sales thus decreased ¥700 million, to ¥35.1 billion, with operating profit falling ¥500 million, to ¥1.7 billion.

Electronic Materials & Components

Sales and earnings from electronic materials rose despite sluggish exports of gold bonding wire amid intense price competition. The main contributors were favorable sales of silicon precision processing parts for 300mm silicon wafers and higher sales of new offerings for hybrid cars.

Sales of fine chemical products were up from the previous corresponding period, reflecting solid demand for semiconductor offerings and products for plasma displays.

In electronic devices, both sales and earnings were down owing to slow sales of offerings for cell phones and personal computers in China, a key export market, as well as lower overall prices.

Polycrystalline silicon sales and earnings advanced as demand remained favorable for 300mm wafer and solar battery applications.

Segment sales therefore declined ¥100 million, to ¥17.8 billion. Operating income was down ¥200 million, to ¥800 million.

Others

In energy, sales of fuels for nuclear reactors were solid, while in geothermal and other power operations we maintained steady supplies of hydroelectric power and steam for geothermal power generation. In fossil fuels, sales rose on the back of high global prices for coal and oil.

Sales and earnings from precious metals were down, largely because high gold prices depressed demand from individual consumers and businesses, offsetting steady demand for jewelry.

Segment sales therefore increased ¥2.8 billion, to ¥62.8 billion, with operating profit improving ¥800 million, compared with an operating loss of ¥700 million a year earlier.

Consolidated Financial Position

At the close of the term, total assets were ¥1,464.4 billion, up ¥43.6 billion from a year earlier. This was due largely to increased expenditures on expenditures for work in progress on copper mining and engineering projects, which boosted inventories ¥26.2 billion. Another important factor was a ¥9.0 billion rise in other current assets owing to the posting of deferred payments for sales of investment securities.

Total liabilities increased ¥38.5 billion, to ¥1,220.4 billion. This was mainly because of higher borrowings and the issue of commercial paper, which outweighed a drop in notes and accounts payable.

Consolidated Balance Sheets (Unaudited)

June 30, 2005 and 2004 and March 31, 2005

(Millions of yen)

	March 31, 2005	June 30, 2005	Difference	June 30, 2004
ASSETS				
Current Assets:				
Cash and cash equivalents	16,686	22,913	6,227	23,168
Notes received and accounts receivable	191,448	192,715	1,266	187,449
Marketable securities	72	12	60	24
Inventories	154,220	180,469	26,248	163,261
Deferred income taxes	9,431	9,641	210	9,195
Other	107,877	116,888	9,010	114,434
Allowance for doubtful accounts	(3,608)	(3,766)	(157)	(3,124)
Total Current Assets	476,127	518,873	42,745	494,409
Fixed Assets:				
Property, Plant and Equipment				
Buildings and structures	168,491	165,568	(2,923)	171,827
Machinery and equipment	203,689	201,003	(2,685)	207,167
Land	253,909	251,932	(1,976)	254,519
Construction in progress	13,864	17,765	3,900	14,399
Others	12,053	12,107	54	11,906
Net Property, Plant and Equipment	652,008	648,377	3,631	659,820
Intangible Assets				
Others	15,832	15,455	(376)	16,157
Total Intangible Assets	15,832	15,455	(376)	16,157
Investments and Long-Term Receivables				
Investments in securities	193,255	191,980	(1,275)	188,033
Long-term receivable	17,735	17,840	104	18,333
Long-term prepaid expenses	1469	1,532	63	1,733
Deferred income taxes	34,352	34,922	569	39,062
Other	43,878	49,380	5,501	41,955
Reserve for loss on investments of affiliates	(1,438)	(1,438)	—	(1,472)
Allowance for doubtful accounts	(12,398)	(12,437)	(38)	(13,950)
Total Investment and long-term receivables	276,855	281,781	4,925	273,696
Total Fixed Assets	944,696	945,614	918	949,673
Total Assets	1,420,824	1,464,487	43,663	1,444,083

(Millions of yen)

	March 31, 2005	June 30, 2005	Difference	June 30, 2004
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Notes payable and accounts payable	127,274	117,960	(9,313)	108,400
Short-term bank loans	354,326	343,530	(10,796)	390,500
Current portion of bonds	49,449	59,449	10,000	15,000
Commercial paper	—	22,000	22,000	40,000
Accrued income taxes	9,529	5,395	(4,134)	2,979
Deferred income taxes	71	63	(8)	56
Accrued bonuses	10,403	6,970	(3,432)	6,909
Gold payable	76,946	81,563	4,616	68,497
Other current liabilities	87,100	93,589	6,489	79,313
Total current liabilities	715,102	730,523	15,421	711,657
Long-Term Liabilities:				
Bonds	90,000	80,000	(10,000)	99,449
Long-term loans	243,941	276,670	32,729	275,802
Severance and pension benefits	47,443	47,875	431	48,434
Reserve for loss on subsidiaries and affiliates	1,430	1,222	(208)	1,154
Other reserves	4,436	4,453	17	4,249
Deferred income taxes	13,361	13,164	(197)	14,475
Deferred income taxes on revaluation reserve for land	37,147	36,920	(227)	31,380
Consolidation adjustments account	2,381	2,181	(199)	3,485
Others	26,627	27,432	804	28,105
Total long-term liabilities	466,770	489,920	23,149	506,539
Total Liabilities	1,181,872	1,220,443	38,571	1,218,197
Minority Interests	42,050	42,969	918	41,072
Shareholders' Equity:				
Common stock	99,396	99,396	—	99,396
Capital Surplus	68,440	68,517	77	68,413
Accumulated deficit	(14,328)	(12,003)	2,324	(26,616)
Revaluation reserve for land	39,480	39,396	(84)	46,660
Net unrealized holding gains on securities	16,988	16,119	(869)	8,938
Foreign currency translation adjustments	(12,381)	(9,756)	2,624	(11,474)
Treasury stock	(695)	(594)	100	(503)
Total shareholders' equity	196,901	201,075	4,173	184,814
Total Liabilities, Minority Interests and Shareholders' Equity	1,420,824	1,464,487	43,663	1,444,083

Consolidated Statements of Operations (Unaudited)

For the three months ended June 30, 2005 and 2004 and the year ended March 31, 2005

(Millions of yen)

	June 30, 2004	June 30, 2005	Difference	March 31, 2005
Net Sales	226,142	247,627	21,484	984,776
Cost of Sales	186,030	204,751	18,721	812,543
Gross profit	40,112	42,875	2,763	172,233
Selling, General and Administrative Expenses	29,814	30,033	218	118,148
Operating Profit	10,298	12,842	2,544	54,084
Non operating income:				
Interest income	62	96	2,196	20,904
Dividend income	830	1,110	280	2,124
Rent earned in undertaking	1,651	1,553	(98)	6,876
Equity in earnings of affiliates	2,296	4,223	1,927	8,446
Other	435	489	54	2,963
Total non operating income	5,277	7,473	2,196	20,904
Non operating expenses:				
Interest expenses	3,117	2,937	(180)	11,758
Expenses for rent in undertaking	1,158	1,153	(4)	5,065
Other	1,243	1,333	90	7,659
Total non operating expenses	5,518	5,424	(94)	24,483
Ordinary income	10,057	14,892	4,835	50,505
Extraordinary income:				
Gain on sales of property, plant and equipment	82	162	80	2,768
Gain on sales of marketable securities and investments in securities	103	5,207	5,103	10,674
Gain on business assignment equity method affiliates	773	—	(773)	773
Gain on welfare pension dissolution	—	—	—	1,964
Gain on business assignment	—	—	—	847
Other	113	471	358	1,130
Total extraordinary income	1,073	5,842	4,769	18,158
Extraordinary loss:				
Loss on impairment	—	6,940	6,940	—
Remedial expenses	—	2,800	2,800	—
Loss on disposal of fixed assets	348	422	74	5,783
Loss on sales of investments in securities	7	4	(2)	35
Severance and pension benefit expenses	2,089	—	(2,089)	8,325
Provision for bad debt	—	—	—	4,106
Write-down of marketable securities and investments in securities	—	—	—	2,966
Provision for loss on business of affiliates	—	—	—	1,224
Provision for loss on investments	—	—	—	10
Other, net	992	208	(784)	11,439
Total extraordinary loss	3,436	10,375	6,939	33,891
Income before income taxes and minority interests	7,693	10,358	2,665	34,772
Income taxes	3,522	4,446	924	15,238
Minority interests in income of consolidated subsidiaries	156	669	513	3,159
Net income	4,014	5,242	1,227	16,374

Consolidated Statements of Cash Flows (Unaudited)

For the three month ended June 30, 2005 and the year ended March 31, 2005

(Millions of yen)

	June 30, 2005	March 31, 2005
Cash Flows from Operating Activities		
Income before income taxes and minority interests	10,358	34,772
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,822	47,919
Increase (Decrease) in allowance for doubtful account	(3,029)	5,963
Interest and dividend income	(1,207)	(2,617)
Interest expenses	2,937	11,758
Gain on sales of fixed assets	259	3,014
Loss on impairment	6,940	—
Gain on sales or write-down of marketable securities and investments in securities	(5,202)	(7,671)
Decrease (increase) in notes and accounts receivable	70	(10,532)
(Increase) decrease in inventories	(25,320)	(3,609)
Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Plan	4,760	10,287
Increase in current assets	(3,785)	(1,759)
(Increase) decrease in notes and accounts payable	(10,037)	8,708
Equity in (earnings) losses of affiliates	(4,223)	(8,446)
Other, net	6,570	9,403
Subtotal	(9,086)	97,188
Interest and dividend received	1,343	9,361
Interest paid	(2,106)	(11,650)
Payments for supporting of an affiliate	—	(2,150)
Income taxes paid	(8,473)	(12,244)
Net Cash (Used in) Provided by Operating Activities	(18,322)	80,505
Cash Flows from Investing Activities		
Payments for purchases of marketable securities and investments in securities	(369)	(3,514)
Proceeds from sales of marketable securities and investments in securities	76	13,397
Payments for purchases of property, plant and equipment	(12,947)	(47,549)
Proceeds from sales of property, plant and equipment	280	4,521
Proceeds from sale of consolidated subsidiaries' shares, net of cash owned by those subsidiaries	—	449
Proceeds from transfer of business	—	1,448
Other, net	(1,149)	41
Net Cash Used in Investing Activities	(14,109)	(31,206)
Cash Flows from Financing Activities		
Increase (decrease) in short-term bank loans, net	22,415	(12,198)
Proceeds from long-term debt	43,077	69,688
Repayments of long-term debt	(45,685)	(128,546)
Increase in commercial paper, net	22,000	—
Payments for redemption of bonds	—	(15,000)
Proceeds from issuance of bonds	—	40,000
Cash dividend paid	(3,395)	(2,265)
Other, net	(698)	(2,609)
Net Cash Provided by (Used in) Financing Activities	37,712	(50,931)
Effect of Exchange Rate Fluctuation on Cash and Cash Equivalents	439	27
Net Increase (Decrease) in Cash and Cash Equivalents	5,719	(1,604)
Cash and Cash Equivalents at Beginning of Period	16,352	17,753
Effect of Changes in Consolidated Subsidiaries	272	35
Increase in Cash and Cash Equivalents from Mergers of Unconsolidated Subsidiaries	—	167
Cash and Cash Equivalents at End of Period	22,345	16,352

Supplementary Information

(1) Adoption of accounting standard related to fixed asset impairment

The Company has adopted the Accounting Standard on Impairment of Fixed Assets and the implementation guidance (Financial Accounting Standard Implementation Guidance No. 6). As a result of this change, the Company posted ¥6,940 million to consolidated extraordinary losses.

The Company has not applied the new standard to some domestic consolidated subsidiaries or equity-method affiliates.

(2) Compensation expenses for Osaka Amenity Park

As previously announced, we and other companies executed a confirmation note with the management association of OAP Residence Tower on May 8, 2005, as part of efforts to swiftly and comprehensively solve the problem of soil and groundwater at Osaka Amenity Park. We are using that note as a guideline for compensation negotiations with individual owners.

While these negotiations are ongoing, the Company has subtracted ¥2,800 million from extraordinary losses posted through the previous fiscal year to cover expected compensation payments to individual owners.

Management has factored the expected impact of the above matter into its projections.

Segment Information

Business segment information for the three months ended June 30, 2005 and 2004, is as follows:

(Millions of yen)

Three months ended June 30, 2004	Cement	Aluminum	Metals	Powder Metallurgy Products & Tools	Advanced Products	Energy & Systems	Others	Total	Eliminaton and Corporate Assets or Expenses	Consolidat-ed
Sales:										
Unaffiliated customers	32,377	35,696	57,386	28,623	12,807	13,784	45,466	226,142		226,142
Intersegment	147	210	10,900	2,386	386	5,202	8,190	27,423	(27,423)	—
Total	32,525	35,907	68,286	31,009	13,194	18,987	53,656	253,566	(27,423)	226,142
Operating expenses	30,905	33,554	66,172	26,893	12,156	19,152	53,107	241,942	(26,097)	215,844
Operating profit	1,619	2,352	2,113	4,115	1,037	(164)	549	11,624	(1,326)	10,298

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

Business segment	**Main products**
Cement	Cement, secondary cement products, ready-mixed concrete, building materials
Aluminum	Aluminum cans, rolled aluminum products, processed aluminum products
Metals	Copper smelting, processed copper products
Powder Metallurgy Products & Tools	Cemented carbide products, sintered parts, diamond tools
Advanced Products	Electronic device products, electronic materials, chemical products
Energy & Systems	Engineering, nuclear energy
Others	Highly efficient materials, precious metals, polycrystalline silicon, resources-, environment- and recycle-related products, real estate, etc.

(Millions of yen)

Three months ended June 30, 2005	Cement	Metals	Advanced Materials & Tools	Aluminum	Electronic Materials & Components	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
Sales:									
Unaffiliated customers	37,100	69,292	37,128	34,943	17,368	51,793	247,627		247,627
Intersegment	123	15,138	3,449	225	503	11,070	30,510	(30,510)	—
Total	37,223	84,430	40,577	35,168	17,871	62,864	278,137	(30,510)	247,627
Operating expenses	34,899	81,319	35,626	33,403	16,997	62,136	264,382	(29,598)	234,784
Operating profit	2,324	3,111	4,951	1,765	874	728	13,755	(912)	12,842

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

Business segment	**Main products**
Cement	Cement, secondary cement products, ready-mixed concrete, building materials
Metals	Copper smelting, processed copper products
Advanced Materials & Tools	Cemented carbide products, sintered parts, highly efficient materials, diamond tools
Aluminum	Aluminum cans, rolled aluminum products
Electronic Materials & Components	Electronic materials, chemical products, electronic device products, polycrystalline silicon
Others	Engineering, nuclear energy, precious metals, resources-, environment- and recycle-related products, real estate, etc.

2. Business Segment Changes

The Company's business segments through fiscal 2005 were cement, aluminum, metals, powder metallurgy products & tools, advanced products, energy & systems, and others. From fiscal 2006, our new segmentation became cement, metals, advanced materials & tools, aluminum, electronic materials & components, and others.

The Group overhauled operations as of April 1, 2005, to streamline allocations of management resources and bolster earnings while strengthening financial position. We thereby shifted to a business structure of five in-house companies (cement, metals, advanced materials & tools, aluminum, and electronic materials & components). Our reorganization reflected revisions to our business units and operating structure, which were earlier in terms of core and strategic businesses, the pursuit of synergies between areas with similar product lines and sales methods, and a new positioning of businesses within the Group.

The new segmentation from the year under review was designed to more properly reflect the fruits of our reorganization. Segment information from a year earlier would be as follows when restated according to the new setup.

(Millions of yen)

Three months ended June 30, 2004	Cement	Metals	Advanced Materials & Tools	Aluminum	Electronic Materials & Components	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
Sales:									
Unaffiliated customers	32,377	57,386	33,874	35,696	17,405	49,403	226,142		226,142
Intersegment	147	10,900	3,719	210	594	10,569	26,142	(26,142)	—
Total	32,525	68,286	37,593	35,907	18,000	59,972	252,285	(26,142)	226,142
Operating expenses	30,905	66,172	32,951	33,554	16,883	60,142	240,609	(24,764)	215,844
Operating profit	1,619	2,113	4,642	2,352	1,116	(169)	11,675	(1,377)	10,298

3. Altered Allocations to Operating Expenses

Until the end of the previous fiscal year, the Company allocated basic testing and research and parent administrative expenses to each segment based on certain standards for convenience. From the current term, however, we are charging some expenses directly to segments, with other costs being allocated to each segment based on standards that reflect expenditure.

Management made changes to the parent's internal administrative system to more appropriately disclose the performances of each operation by more clearly reflecting the use of the parent's shared services and costings for each development theme.

Operating profit and expenses for the quarter based on the allocation method used before the change were as follows.

(Millions of yen)

Three months ended June 30, 2005	Cement	Metals	Advanced Materials & Tools	Aluminum	Electronic Materials & Components	Others	Total	Elimination and Corporate Assets or Expenses	Consolidated
Operating expenses	34,871	81,255	35,433	33,323	16,752	62,045	263,681	(28,897)	234,784
Operating profit	2,351	3,175	5,144	1,844	1,119	819	14,456	(1,613)	12,842