

**Consolidated Financial Results for the third quarter ended December 31, 2005**  
**Mitsubishi Materials Corporation**  
Tokyo, Japan

Code : 5711  
Shares listed : Tokyo and Osaka stock exchanges  
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Date of board of directors' meeting for approval of accounts: February 3, 2006

**1. Notes on preparation of quarterly financial information****(1) Use of simple accounting methods: Yes**

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

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

- 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

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

Number of consolidated companies ; New : 3 Excluded : 5  
Number of companies to which the equity method of accounting is applied ; New : 9 Excluded : -

**2. Results of the nine months ended December 31, 2005****(1) Results of operations :**

(Millions of yen)

	Net sales	Change	Operating profit	Change	Ordinary income	Change	Net income	Change
		%		%		%		%
Nine months ended Dec. 31, 2005	¥817,356	13.6	¥50,279	33.6	¥63,126	61.5	¥58,000	289.5
Nine months ended Dec. 31, 2004	¥719,550	3.9	¥37,646	-	¥39,075	-	¥14,891	-
Year ended Mar. 31, 2005	¥984,776	3.9	¥54,084	24.6	¥50,505	39.8	¥16,374	-

  

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2005	¥51.28	¥46.44
Nine months ended Dec. 31, 2004	¥13.17	¥11.95
Year ended Mar. 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 third quarter ended December 31, 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
Nine months ended Dec. 31, 2005	¥1,560,764	¥286,593	18.4	¥252.23
Nine months ended Dec. 31, 2004	¥1,484,848	¥210,906	14.2	¥186.56
Year ended Mar. 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 year
	Nine months ended Dec. 31, 2005	¥5,368	¥15,931	(¥12,484)
Nine months ended Dec. 31, 2004	¥19,967	(¥32,034)	¥15,179	¥21,469
Year ended Mar. 31, 2005	¥80,505	(¥31,206)	(¥50,931)	¥16,352

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

We have raised our full-year estimates from those announced on November 8, 2005.

That reflects our results through the third quarter of the year, which should outweigh somewhat unclear prospects for the fourth quarter.

	Net Sales	Ordinary Income	Net Income
	Year ending Mar. 31, 2006	¥1,100,000	¥75,000
Anticipated net income per share for the year ending March 31, 2006:		¥51.05	

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.

## **Results for Third Quarter of Fiscal 2006**

In the third quarter of fiscal 2006, ended December 31, 2006, the Japanese economy experienced ongoing growth, albeit mild, despite high materials and fuel prices. The expansion reflected further improvements in corporate earnings, which stimulated increased capital investment and enhanced the employment climate, thus causing personal consumption to continue growing.

The Mitsubishi Materials Group performed well. This was because prices of copper and other key metals maintained an upward trend, automotive demand remained brisk, and construction sector demand was again solid, despite of high raw materials costs.

During the term, the Group benefited from high demand for automotive products while taking advantage of solid demand to expand sales of cement and aggregate. At the same time, we continued to cut fixed and variable costs to improve profitability.

These endeavors translated into a ¥97.8 billion gain in consolidated net sales from the previous corresponding period, to ¥817.3 billion. Operating profit advanced ¥12.6 billion, to ¥50.2 billion, ordinary income rose ¥24.0 billion, to ¥63.1 billion, and net income was up ¥43.1 billion, to ¥58.0 billion.

### **Review by Business Segment**

The Company altered its business segmentation from the start of fiscal 2006, and has restated segments for the previous corresponding period to facilitate comparisons.

#### **Cement**

Sales of cement rose owing to higher corporate earnings, despite of high raw materials prices and increased manufacturing and transportation costs and kept private-sector demand solid. Other favorable factors were increased public-sector demand for disaster recovery work and greater demand in the U.S. and Chinese markets.

Aggregate volumes increased amid rising demand for ready mixed concrete against a backdrop of greater demand for cement.

Segment sales therefore climbed ¥10.8 billion, to ¥121.2 billion. Operating profit gained ¥2.2 billion, to ¥11.4 billion.

## **Metals**

Sales of metals improved. This was partly because inventory adjustments in the semiconductor market ran their course, boosting sales of electronic materials. Rolled copper sales grew on further rises in demand from the automotive sector. Copper wire sales owing to replacement demand for power and construction facilities. We also benefited from the impact of generally high copper prices. Sales and volumes of gold increased as a result of high prices, as well as greater ore volumes and gold concentrations in ore.

In processed copper products, sales of electronic materials and automotive copper castings were solid despite high copper prices. Volumes declined, however, as competition intensified in major overseas markets, depressing exports of wire materials.

Segment sales thus gained ¥70.5 billion, to ¥286.9 billion, while operating profit was up ¥7.0 billion, to ¥14.9 billion.

## **Advanced Materials & Tools**

Sales and earnings from cemented carbide products improved, largely because demand remained solid from the automotive sector for cemented carbide cutting tools. Exports were also strong.

Sales and earnings from functional parts were down. This stemmed partly from the transfer of the injection molding die-making business on December 1, 2004.

Another key factor was the December 1, 2005, transfer of powder metallurgical products business to Plansee Mitsubishi Materials Global Sinter Holding S.A. This equity-method affiliate is a joint venture with Plansee Holding AG of Austria.

In high-performance alloys, sales declined because prices decreased. Earnings were down because manufacturing costs increased owing to additional depreciation from capital expenditures. These factors overshadowed strong demand for aerospace products.

Sales and earnings similarly fell in diamond tools, as demand failed to fully recover even though inventory adjustments as IT-related sales settled down.

Segment sales therefore rose ¥10.6 billion, to ¥125.1 billion, with operating profit gaining ¥1.3 billion, to ¥14.8 billion.

## **Aluminum**

The Company merged its aluminum can business with that of Hokkai Can Co., Ltd. (now Hokkan Holdings) on October 1, 2005, to form Universal Can Corporation. This move boosted can sales volumes, but earnings were down because of sluggish sales of aluminum bottles, intensified competition that depressed prices, and higher raw materials costs that raised manufacturing expenses.

In rolled aluminum products, sales of sheet aluminum were solid. In contrast, sales were sluggish for extruded aluminum for general machinery, overshadowing favorable demand from the automotive sector. Higher raw materials costs raised manufacturing costs for aluminum products, lowering earnings.

Segment sales thus advanced ¥2.2 billion to 106.7 billion, while operating profit was down ¥2.4 billion, to ¥3.7 billion.

## **Electronic Materials & Components**

Sales of electronic materials increased despite slow exports of gold bonding wire owing to intensified competition. The improvement reflected favorable exports of semiconductor-related products and favorable sales of silicon products, mainly for 300mm silicon wafers, and of chemical products used in semiconductors and liquid crystal and plasma displays.

In electronic devices, sales dropped amid sluggish demand and the impact of lower prices in the key Chinese market.

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

Consequently, segment sales increased ¥4.5 billion, to ¥57.0 billion, while operating profit improved ¥1.1 billion, to ¥3.1 billion.

## **Others**

Energy sales were up owing to higher sales of fuels for nuclear reactors and increased prices for coal and oil.

In precious metals, sales were up but earnings decreased. This was because high prices caused a decline in sales of gold to individuals, offsetting the consistently solid demand for jewelry and favorable sales of gold to businesses, largely for electronic materials.

Segment sales therefore gained ¥12.1 billion, to ¥217.2 billion, with operating profit rising ¥0.6 billion, to ¥4.1 billion.

### **Consolidated Financial Position**

At the end of the period under review, total assets stood at ¥1,560.7 billion, up ¥139.9 billion from a year earlier. This was due principally to a ¥51.1 billion rise in inventories in line with additional expenditure on projects in progress for copper mining and engineering. Also, high share prices caused a ¥50.8 billion increase in investments in securities.

Total liabilities were ¥1,221.4 billion, up ¥39.5 billion. The main factors here were a ¥25.3 billion increase in gold payable, owing to higher prices of this metal, and the issue of commercial paper, which overshadowed a decline in bonds.

## Consolidated Balance Sheets (Unaudited)

December 31, 2005 and 2004 and March 31, 2005

(Millions of yen)

	March 31, 2005	December 31, 2005	Difference	December 31, 2004
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	¥16,686	¥27,708	¥11,022	¥21,811
Notes received and accounts receivable	191,448	209,718	18,270	196,171
Marketable securities	72	29	(43)	27
Inventories	154,220	205,357	51,136	171,316
Deferred income taxes	9,431	9,302	(129)	8,600
Other current assets	107,877	132,945	25,067	121,336
Allowance for doubtful accounts	(3,608)	(4,417)	(808)	(2,777)
<b>Total Current Assets</b>	<b>476,127</b>	<b>580,643</b>	<b>104,515</b>	<b>516,484</b>
<b>Fixed Assets:</b>				
<b>Property, Plant and Equipment</b>				
Buildings and structures	168,491	165,915	(2,576)	169,516
Machinery and equipment	203,689	204,272	583	205,608
Land	253,909	247,041	(6,868)	254,431
Construction in progress	13,864	18,317	4,453	19,152
Others	12,053	11,041	(1,012)	11,953
<b>Net Property, Plant and Equipment</b>	<b>652,008</b>	<b>646,588</b>	<b>(5,420)</b>	<b>660,661</b>
<b>Intangible Assets</b>				
Others	15,832	15,636	(195)	16,560
<b>Total Intangible Assets</b>	<b>15,832</b>	<b>15,636</b>	<b>(195)</b>	<b>16,560</b>
<b>Investments and Long-Term Receivables</b>				
Investments in securities	193,255	244,064	50,809	206,457
Long-term receivable	17,735	18,215	479	17,601
Long-term prepaid expenses	1,469	1,464	(5)	1,772
Deferred income taxes	34,352	18,131	(16,221)	32,378
Other	43,878	53,597	9,718	44,405
Reserve for loss on investments of affiliates	(1,438)	(249)	1,189	(1,472)
Allowance for doubtful accounts	(12,398)	(17,327)	(4,928)	(10,001)
<b>Total Investment and long-term receivables</b>	<b>276,855</b>	<b>317,896</b>	<b>41,040</b>	<b>291,142</b>
<b>Total Fixed Assets</b>	<b>944,696</b>	<b>980,121</b>	<b>35,424</b>	<b>968,364</b>
<b>Total Assets</b>	<b>¥1,420,824</b>	<b>¥1,560,764</b>	<b>139,939</b>	<b>¥1,484,848</b>

## Consolidated Balance Sheets (Unaudited)

December 31, 2005 and 2004 and March 31, 2005

(Millions of yen)

	March 31, 2005	December 31, 2005	Difference	December 31, 2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current Liabilities:</b>				
Notes payable and accounts payable	¥127,274	¥134,627	¥7,353	¥120,098
Short-term bank loans	354,326	307,615	(46,711)	380,525
Current portion of bonds	49,449	25,000	(24,449)	49,259
Commercial paper	-	26,000	26,000	30,000
Accrued income taxes	9,529	13,209	3,679	3,960
Deferred income taxes	71	41	(30)	52
Accrued bonuses	10,403	5,544	(4,858)	5,923
Gold payable	76,946	102,261	25,314	74,706
Other current liabilities	87,100	97,462	10,362	84,470
<b>Total current liabilities</b>	<b>715,102</b>	<b>711,761</b>	<b>(3,340)</b>	<b>748,996</b>
<b>Long-Term Liabilities:</b>				
Bonds	90,000	93,100	3,100	90,190
Long-term loans	243,941	276,639	32,697	256,539
Severance and pension benefits	47,443	47,295	(147)	51,544
Reserve for loss on subsidiaries and affiliates	1,430	873	(557)	1,148
Other reserves	4,436	11,358	6,922	4,481
Deferred income taxes	13,361	14,627	1,265	14,695
Deferred income taxes on revaluation reserve for land	37,147	35,048	(2,098)	31,532
Consolidation adjustments account	2,381	3,964	1,582	3,329
Others	26,627	26,750	123	27,699
<b>Total long-term liabilities</b>	<b>466,770</b>	<b>509,658</b>	<b>42,887</b>	<b>481,160</b>
<b>Total Liabilities</b>	<b>1,181,872</b>	<b>1,221,419</b>	<b>39,547</b>	<b>1,230,158</b>
<b>Minority Interests</b>	<b>42,050</b>	<b>52,750</b>	<b>10,700</b>	<b>43,786</b>
<b>Shareholders' Equity:</b>				
Common stock	99,396	100,351	954	99,396
Capital Surplus	68,440	69,469	1,029	68,430
Accumulated deficit	(14,328)	42,942	57,270	(15,583)
Revaluation reserve for land	39,480	37,337	(2,142)	46,556
Net unrealized holding gains on securities	16,988	41,212	24,224	19,839
Foreign currency translation adjustments	(12,381)	(3,954)	8,426	(7,165)
Treasury stock	(695)	(765)	(70)	(568)
<b>Total shareholders' equity</b>	<b>196,901</b>	<b>286,593</b>	<b>89,691</b>	<b>210,906</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>¥1,420,824</b>	<b>¥1,560,764</b>	<b>¥139,939</b>	<b>¥1,484,848</b>

## Consolidated Statements of Operations (Unaudited)

For the nine months ended December 31, 2005 and 2004 and the year ended March 31, 2005

(Millions of yen)

	December 31, 2004	December 31, 2005	Difference	March 31, 2005
<b>Net Sales</b>	¥719,550	¥817,356	¥97,806	¥984,776
<b>Cost of sales</b>	592,685	676,125	83,439	812,543
<b>Gross profit</b>	126,864	141,231	14,366	172,233
<b>Selling, general and administrative expenses</b>	89,217	90,951	1,733	118,148
Operating profit	<b>37,646</b>	<b>50,279</b>	<b>12,632</b>	<b>54,084</b>
<b>Non operating income:</b>				
Interest income	282	401	119	493
Dividend income	1,662	3,251	1,588	2,124
Rent earned in undertaking	5,461	4,737	(723)	6,876
Equity in earnings of affiliates	10,414	20,184	9,770	8,446
Other	1,477	1,690	213	2,963
<b>Non operating expenses:</b>				
Interest expenses	8,995	8,616	(378)	11,758
Expense for rent in undertaking	4,086	3,559	(527)	5,065
Other	4,787	5,243	455	7,659
<b>Ordinary income</b>	<b>39,075</b>	<b>63,126</b>	<b>24,050</b>	<b>50,505</b>
<b>Extraordinary income:</b>				
Gain on sales of property, plant and equipment	276	1,351	1,074	2,768
Gain on sales of marketable securities and investments in securities	498	33,800	33,302	10,674
Gain on changes in equity of affiliates	0	11,232	11,232	0
Reversal of bad debt reserve	414	321	(92)	347
Profit on business assignment	859	-	(859)	847
Gain on business assignment equity method affiliates	773	-	(773)	773
Gain on welfare pension dissolution	-	-	-	1,964
Other	196	1,362	1,165	783
<b>Extraordinary loss:</b>				
Loss on impairment	-	6,782	6,782	-
Provision for bad debt	332	5,299	4,966	4,106
Remedial expenses	-	2,800	2,800	-
Loss on disposal of fixed assets	2,136	2,121	(15)	5,783
Write-down of marketable securities and investments in securities	2,408	427	(1,980)	2,966
Provision for loss on business of affiliates	615	209	(405)	1,224
Provision for loss on business of affiliates	-	68	68	10
Loss on sales of investments in securities	12	19	7	35
Severance and pension benefit expenses	6,311	-	(6,311)	8,325
Other, net	4,675	9,511	4,835	11,439
<b>Income before income taxes and minority interests</b>	<b>25,602</b>	<b>83,956</b>	<b>58,353</b>	<b>34,772</b>
Income taxes	8,681	21,115	12,433	15,238
Minority interests in income of consolidated subsidiaries	2,029	4,840	2,811	3,159
<b>Net income</b>	<b>¥14,891</b>	<b>¥58,000</b>	<b>¥43,108</b>	<b>¥16,374</b>



## Consolidated Statements of Cash Flows (Unaudited)

For the nine months ended December 31, 2005 and 2004 and the year ended March 31, 2005

(Millions of yen)

	December 31, 2004	December 31, 2005	March 31, 2005
<b>Cash Flows from Operating Activities</b>			
Income before income taxes and minority interest	¥25,602	¥83,956	¥34,772
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	35,963	35,805	47,919
Increase in allowance for doubtful account	2,017	8,368	5,963
Interest and dividend income	(1,944)	(3,652)	(2,617)
Interest expenses	8,995	8,616	11,758
Loss for sales or disposal of property, plant and equipment	1,859	769	3,014
Loss on impairment	-	6,782	-
Gain on sales or write-down of marketable securities and investments in securities	1,922	(33,353)	(7,671)
Gain on changes in equity of affiliates	0	(11,232)	0
(Increase) Decrease in notes and accounts receivable	(12,270)	(15,028)	(10,532)
(Increase) Decrease in inventories	(19,552)	(48,964)	(3,609)
Proceeds from sales of gold bullion deposited from customers and consuming bailment My Gold Plan	-	12,130	10,287
(Increase) Decrease in current assets	(8,436)	(2,611)	(1,759)
Increase (Decrease) in notes and accounts payable	1,755	(662)	8,708
Equity in (earnings) losses of affiliates	(10,414)	(20,184)	(8,446)
Other, net	6,546	645	9,403
<b>Subtotal</b>	<b>32,043</b>	<b>21,383</b>	<b>97,188</b>
Interest and dividend received	7,202	11,291	9,361
Interest paid	(8,574)	(7,276)	(11,650)
Payments for supporting of an affiliate	-	-	(2,150)
Income taxes paid	(10,703)	(20,029)	(12,244)
<b>Net Cash Provided by Operating Activities</b>	<b>19,967</b>	<b>5,368</b>	<b>80,505</b>
<b>Cash Flows from Investing Activities</b>			
Payments for purchases of marketable securities and investments in securities	(3,093)	(13,283)	(3,514)
Proceeds from sales of marketable securities and investments in securities	1,117	52,111	13,397
Payments for purchase of property, plant and equipment	(32,736)	(34,982)	(47,549)
Proceeds from sales of property, plant and equipment	1,196	2,662	4,521
Proceeds from sale of consolidated subsidiaries' shares, net of cash owned by those subsidiaries	-	8,755	449
Proceeds from transfer of business	-	-	1,448
Other, net	1,481	667	41
<b>Net Cash Used in Investing Activities</b>	<b>(32,034)</b>	<b>15,931</b>	<b>(31,206)</b>
<b>Cash Flows from Financing Activities</b>			
Increase (decrease) in short-term bank loans, net	(3,763)	3,266	(12,198)
Proceeds from long-term debt	31,782	66,458	69,688
Repayments of long-term debt	(63,901)	(83,601)	(128,546)
Increase (Decrease) in commercial paper, net	30,000	26,000	-
Payments for redemption of bond	(15,000)	(49,445)	(15,000)
Proceeds from issuance of bonds	40,000	30,000	40,000
Cash dividend paid	(2,265)	(3,395)	(2,265)
Other, net	(1,672)	(1,767)	(2,609)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>15,179</b>	<b>(12,484)</b>	<b>(50,931)</b>
<b>Effect of Exchange Rate Fluctuation on Cash and Cash Equivalents</b>	<b>538</b>	<b>1,248</b>	<b>27</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,650</b>	<b>10,063</b>	<b>(1,604)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>17,753</b>	<b>16,352</b>	<b>17,753</b>
<b>Effect of Changes in Consolidated Subsidiaries</b>	<b>35</b>	<b>272</b>	<b>35</b>
<b>Increase in Cash and Cash Equivalents from Mergers of Unconsolidated Subsidiaries</b>	<b>29</b>	<b>497</b>	<b>167</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>21,469</b>	<b>27,186</b>	<b>16,352</b>

(4) Additional Information

(i) Application of accounting standard for impairment of fixed assets

In fiscal 2006, Mitsubishi Materials adopted an accounting standard for impairment of fixed assets (Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets, which the Business Accounting Deliberation Council issued on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6, which the Accounting Standards Board of Japan issued on October 31, 2003).

(ii) Accounting for soil environmental remediation work at Central Research Institute in Saitama, Saitama Prefecture

The Company decided to launch a project to assess and remediate soil at the site after discovering contamination with heavy metals and radioactive substances.

Management accordingly posted ¥6,441 million to other extraordinary losses for the third quarter to cover the costs of this project.

## Segment Information

### (a) Business segment information

(Millions of yen)

Nine months ended December 31, 2004	Cement	Aluminium	Metals	Powder metallurgy products & tools	Advanced products	Energy & system	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales :										
Unaffiliated customers	¥110,025	¥103,934	¥180,942	¥87,211	¥37,948	¥53,226	¥146,261	¥719,550		¥719,550
Intersegment	387	559	35,445	6,922	1,097	18,796	25,787	88,996	(88,996)	-
Total	110,412	104,493	216,387	94,134	39,046	72,022	172,049	808,547	(88,996)	719,550
Operating expenses	101,252	98,247	208,408	82,118	36,567	71,337	168,320	766,253	(84,350)	681,903
Operating profit	¥9,160	¥6,246	¥7,978	¥12,016	¥2,478	¥684	¥3,729	¥42,293	(¥4,646)	¥37,646

#### NOTES

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

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|--|--|
| (1) Cement:                              | Cement, secondary cement products, ready-mixed concrete, building materials  |
| (2) Aluminium:                           | Aluminum cans, rolled aluminum products, processed aluminum products   |
| (3) Metals:                              | Copper smelting, processed copper products   |
| (4) Powder Metallurgy Products and Tools | Cemented carbide products, sintered parts, diamond tools   |
| (5) Advanced Products:                   | Electronic device products, electronic materials, chemical products  |
| (6) Energy and System:                   | Engineering, nuclear energy  |
| (7) Others:                              | Highly efficient materials, precious metals, polycrystalline silicon, resources-, environment- and recycle-related products, real estate, etc. |

(Millions of yen)

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

#### NOTES

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

- |  |  |
|--|--|
| (1) Cement:                            | Cement, secondary cement products, ready-mixed concrete, building materials  |
| (2) Metals:                            | Copper smelting, processed copper products   |
| (3) Advanced Materials & Tools:        | Cemented carbide products, sintered parts, highly efficient materials, diamond tools                                   |
| (4) Aluminium:                         | Aluminum cans, rolled aluminum products  |
| (5) Electronic Materials & Components: | Electronic materials, chemical products, electronic device products, polycrystalline silicon                           |
| (6) Others:                            | Nuclear energy, precious metals, resources-, environment- and recycle-related products, real estate, engineering, 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)

Nine months ended December 31, 2004	Cement	Metals	Advanced materials & tools	Aluminium	Electronic materials & components	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales :									
Unaffiliated customers	¥110,025	¥180,942	¥103,078	¥103,934	¥50,724	¥170,844	¥719,550		¥719,550
Intersegment	387	35,445	11,367	559	1,749	34,273	83,783	(83,783)	-
Total	110,412	216,387	114,446	104,493	52,474	205,117	803,333	(83,783)	719,550
Operating expenses	101,252	208,408	100,946	98,247	50,405	201,696	760,957	(79,053)	681,903
Operating profit	¥9,160	¥7,978	¥13,500	¥6,246	¥2,069	¥3,420	¥42,375	(¥4,728)	¥37,646

#### 3. Altered Allocations to Operating Expenses

From the year under review, management revised the scope of unallocatable operating expenses, passing some expenses directly to segments and other expenses to each segment based on standards that reflect posting provisions by division.

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 nine months based on the allocation method used before the change were as follows.

(Millions of yen)

Nine months ended December 31, 2005	Cement	Metals	Advanced materials & tools	Aluminium	Electronic materials & components	Others	Total	Elimination and corporate assets or expenses	Consolidated
Operating expenses	¥109,736	¥271,761	¥109,718	¥102,751	¥53,154	¥212,928	¥860,051	(¥92,974)	¥767,077
Operating profit	¥11,510	¥15,171	¥15,412	¥3,953	¥3,910	¥4,322	¥54,280	(¥4,000)	¥50,279