May 10, 2006

Consolidated Financial Results for the year ended March 31, 2006
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: May 10, 2006

1. Results of the year ended March 31, 2006
(1) Results of operations :

(Millions of yen)

	Net sales	Change	Operating profit	Change	Ordinary income	Change	Net income	Change
		%		%		%		%
Year ended Mar. 31, 2006	\1,143,699	16.1	\68,981	27.5	\80,759	59.9	\58,802	259.1
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	Net income /Shareholders' equity	Ordinary income /Total assets	Ordinary income /Net sales
	Yen	Yen	%	%	%
Year ended Mar. 31, 2006	\51.73	\45.36	23.5	5.3	7.1
Year ended Mar. 31, 2005	\14.44	\12.93	8.6	3.5	5.1

Note 1.Profit/(loss) on investment by the equity method of accounting
Year ended Mar. 31, 2006 22,604million yen
Year ended Mar. 31, 2005 8,446million yen
2.Number of averaged shares in the period
Year ended Mar. 31, 2006 1,134,223,750share
Year ended Mar. 31, 2005 1,130,529,119share
3.Changes in the accounting method
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.
4.Changes shown in net sales, operating profit, ordinary income and net income are calculated against those figures in the previous period.

(2) Financial position :

(Millions of yen)

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
			%	Yen
Year ended Mar. 31, 2006	\1,609,445	\303,560	18.9	\265.15
Year ended Mar. 31, 2005	\1,420,824	\196,901	13.9	\174.18

Note: Number of shares at the end of the period
Year ended Mar. 31, 2006 1,144,387,495share
Year ended Mar. 31, 2005 1,130,119,673share

(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
Year ended Mar. 31, 2006	\55,793	\899	(\51,241)	\24,994
Year ended Mar. 31, 2005	\80,505	(\31,206)	(\50,931)	\16,352

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

Number of consolidated subsidiaries :	102
Number of non-consolidated subsidiaries to which the equity method accounting is applied :	-
Number of affiliates to which the equity method accounting is applied	28

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

Number of consolidated companies ;	New :4	Excluded : 7
Number of companies to which the equity method of accounting is applied ;	New :11	Excluded : -

2. Forecast (from April 1, 2006to March 31, 2007)

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Six months ending Sep.30,2006	\605,000	\37,000	\16,000
Year ending Mar. 31, 2007	\1,210,000	\81,000	\32,000

Anticipated net income per share for the year ending March 31, 2006: \27.85
※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.

2. Management Policies

(1) Basic Group Management Policies

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

(2) Basic Policies on Allocating Earnings

We allocate earnings after comprehensively assessing such factors as net income, internal reserves and our financial position.

(3) Medium- and Long-Term Management Strategies and Challenges

We reached the objectives of our current medium-term management plan one year ahead of schedule. In the year ahead, the Group will finalize its efforts under the plan, building foundations for consistently solid earnings even if the operating climate changes. To that end, we will reinforce our core businesses while harnessing key technologies and infrastructure from those operations to swiftly cultivate new businesses.

Specifically, we will strengthen Group businesses in everything from materials sourcing to production, processing and sales by investing in and reorganizing Group companies, thus building overall business value and creating strong positions in each of our fields. We have positioned the automotive, information and electronics, and recycling ares as key growth fields in which we are concentrating core technologies and management resources for research and development so that we can quickly commercialize high-value-added offerings.

We are tackling the risk of interest rate increases by further constraining interest-bearing debt and reinforcing our financial position, while reorganizing or liquidating unprofitable businesses to minimize a drag on earnings.

On top of that, we are centralizing fuels purchasing while stepping up the use of recycled fuels. We are deploying highly efficient facilities and are streamlining production processes through efficiency initiatives. We are also cutting manufacturing costs and pursuing corporate social responsibility (CSR) endeavors to contribute to sustainable development, thereby building social trust and increasing enterprise value.

Consolidated Medium-Term Management Plan Targets

Earnings (Fiscal 2007):

- Consolidated ordinary income: \60 billion
- Return on assets: over 4%

Financial position improvements (at March 31, 2007)

- Interest-bearing debt: \700 billion

Note: We established these targets in March 2005 to cover fiscal 2006 and fiscal 2007 but reached our goals in fiscal 2006. We are now pursuing the consolidated objectives covered in the Outlook section.

3. Results and Financial Position

(1) Results for the Year Ended March 31, 2006

The Japanese economy continued to recover during the period under review even though materials and fuel prices remained high. The improvement reflected higher corporate earnings on the back of rationalization, which led to a virtuous cycle in which capital expenditures, employment levels and average incomes increased.

The Mitsubishi Materials Group again faced high fuel prices and inventory adjustments, with sales of information technology (IT) and digital products stagnating in the first half of the year. The Group performed generally well, however, enjoying further gains in copper and other key metals prices, solid automotive demand and a recovery in construction demand.

The Group strove to stabilize its earnings structure against this backdrop and employ its comprehensive management resources by implementing a two-year consolidated management plan designed to build earnings and the foundations for growing and succeeding in core businesses. We forged alliances with other companies in the aluminum, sintered parts and other businesses to expand as well as streamline for stronger earnings. We continued to liquidate unprofitable businesses and promote overall efficiency by cutting fixed and variable costs. We invested more selectively to bolster earnings and endeavored to enhance our financial position by divesting assets and constraining interest-bearing debt.

These efforts translated into net sales of \1,143.6 billion, up \158.9 billion over the previous period. Operating profit increased \14.8 billion, to \68.9 billion. At the non-operating level, net financial expenditure was \5.9 billion, down \3.1 billion. Income from businesses of affiliates rose \14.1 billion, to \22.6 billion, reflecting solid performances at Mitsubishi Cement Corp., Sumitomo Mitsubishi Silicon Corporation (SUMCO) and MM Netherlands Co. Ordinary income was \80.7 billion, up \30.2 billion, easily surpassing our \60 billion target a year ahead of schedule.

Net income was \58.8 billion, up \42.4 billion over the previous period. This reflected \50.3 billion in extraordinary gains from sales of investment securities, against which we recorded extraordinary losses of \45.9 billion. This included a loss on impairment of fixed assets under new accounting standards, compensation and remediation expenses for soil and underground water at Osaka

Amenity Park, and soil remediation costs at our central research facilities.

On May 8, 2005, we and several other companies concluded a cash settlement agreement with the management union of Osaka Amenity Park to compensate for soil and underground water pollution. On January 29, 2006, we reached an accord with the union on the details of the cleanup. The costs for this work have yet to be finalized, but we have already disclosed a new estimate based on the accord, and allotted \4.1 billion for extraordinary losses after deducting from our expenditure through fiscal 2005.。

Review by Business Segment

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

Cement

Sales were steady in the United States, while in Japan we benefited from a turnaround in private sector demand on improved corporate profits and a rise in public sector demand for disaster recovery projects. Volumes remained basically unchanged, although sales were up.

Cement production was 13.9 million metric tons, around the same as a year earlier. Aggregate volumes increased, largely owing to strong demand for mainline Portland cement, but sales were down because demand was mainly for low-priced offerings.

Segment sales thus increased \15.5 billion, to \165.0 billion. Operating profit was up \3.4 billion, to \15.6 billion.

Metals

Sales and volumes both improved. Sales were particularly solid for rolled copper and copper wire for automotive products, and we also benefited from generally high copper prices. Electrical copper production gained 34,000 metric tons, to 586,000 metric tons. Sales and volumes of gold were up on higher prices and on greater ore volumes and gold concentrations in ore.

In processed copper products, intense competition in overseas markets depressed exports of wire materials, causing a decline in volumes. Nonetheless, sales improved owing to solid demand for electronic materials and automotive copper castings.

Segment sales rose \119.9 billion, to \427.4 billion. Operating profit was up \9.8 billion, to \22.9 billion.

Advanced Materials & Tools

Sales of cemented carbide products increased despite high raw materials costs, reflecting strong automotive sector demand for cemented carbide cutting tools and favorable exports to Asia, Europe and the United States.

In functional parts, sales of powder metallurgy products and other automotive offerings were strong. However, sales and earnings were down in this category, owing to the impact of the transfer of the injection molding die-making business on December 1, 2004, and the merger of powder metallurgy products operations with those of Plansee Holding AG of Austria on December 1, 2005, to create Plansee Mitsubishi Materials Global Sinter Holding S.A. (PMG).

Sales and earnings in high-performance alloys were down despite favorable demand from the aerospace sector and strong automotive demand. This was due to declines in the prices of various metals.

Sales and earnings in diamond cutting tools fell as a result of inventory adjustments in IT and digital products that continued through the second half of the period.

Segment sales therefore gained \8.4 billion, to \162.1 billion. Operating profit was up \2.1 billion, to \19.9 billion.

Aluminum

Sales and volumes both increased owing to the merger of the aluminum can business with that of Hokkai Can Co., Ltd. (now Hokkan Holdings), on October 1, 2005. Earnings declined, however, reflecting intensified competition, which lowered overall prices, and higher raw materials costs that increased manufacturing expenses.

Sales of extruded aluminum for general machinery were sluggish, overshadowing gains in the automotive sector. Sheet metal sales and earnings registered gains, however.

Segment sales advanced \8.5 billion, to \143.7 billion. Operating profit dropped \3.7 billion, to \3.4 billion.

Electronic Materials & Components

Sales were favorable for silicon products for 300mm silicon wafers and for chemical products used in liquid crystal and plasma displays.

In electronic devices, sales and earnings decreased owing to ongoing inventory adjustments in IT and digital products.

Polycrystalline silicon sales and earnings rose on favorable demand for 300mm silicon wafer and solar battery applications.
Segment sales therefore increased \8.5 billion, to \78 billion, with operating profit gaining \1.9 billion, to \4.8 billion.

Others

Energy sales increased thanks to steady demand for nuclear fuels and high prices for coal and oil.
Sales of precious metals increased on steady demand for jewelry, which offset a decline in demand for gold among individuals owing to high prices.
Segment sales were up \15.2 billion, to \305.7 billion, with operating profit climbing \800 million, to \7.8 billion.
Orders for resources, environmental operations and related business, including nuclear power and engineering, were up \4.8 billion, to \68.9 billion. At year-end, orders stood at \22.5 billion, up \6.4 billion.

(2) Consolidated Financial Position

Cash Flows from Operating Activities

Net cash provided by operating activities was \55.7 billion, down \24.7 billion, despite solid results and increases in dividends and accounts payable. This outcome also reflected a rise in assets owing to higher metals prices and a rise in income taxes paid.

Cash Flows from Investing Activities

Net cash provided by investing activities was \ 800 million, compared with \3.21 billion used in such activities a year earlier. This reflected \53.0 billion in proceeds from sales of marketable securities and investments in securities, outweighing \49.9 billion in payments for purchases of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was \51.2 billion, compared with \50.9 billion used in the previous period , owing to \56.6 billion in cash inflow, which was allocated for constraining interest-bearing debt.

As a result of these factors, cash and cash equivalents at end of year were \24.9 billion, up \8.6billion.

The following chart summarizes Group cash flow trends:

	March 31,2002	March 31,2003	March 31,2004	March 31,2005	March 31,2006
Equity ratio	13.1 %	12.1 %	12.8 %	13.9 %	18.9 %
Equity ratio on market value basis	15.1 %	8.8 %	20.0 %	20.4 %	44.7 %
Years of debt redemption period	21.7	14.1	19.9	9.4	12.7
Interest coverage ratio (times)	1.8	3.6	3.2	6.9	5.1

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 2007

There are concerns that the Japanese economy may suffer from high fuel prices, increased interest rates and a slowdown in exports because of decelerations in the American and Chinese economies. Management anticipates, however, that the economy will continue to recover on the strength of domestic factors, notably improved corporate earnings and capital expenditure, as well as further gains in personal consumption owing to lower unemployment and better incomes.

Management sees the operating environment to remain very challenging. Group sales of automotive products should keep rising. Greater performance and functionality should drive solid demand for IT and digital devices, although high fuel costs will raise manufacturing, logistics and sales expenses, and product prices may decline depending on pricing trends for key metals.

As mentioned in the Management Policies section, the Group will further strengthen its core capabilities and harness its core technologies and infrastructure to more swiftly cultivate new businesses, thereby building foundations for stable earnings and growth.

For fiscal 2007, management projects \1,210.0 billion in net sales, \81.0 billion in ordinary income and \32.0 billion in net income.

(Millions of yen)

	Net sales	Operating profit	Ordinary income	Net income
Fiscal 2007 forecast	1,210,000	70,000	81,000	32,000
Forecast for first half of fiscal 2007)	(605,000)	(32,000)	(37,000)	(16,000)
Fiscal 2006 results	1,143,699	68,981	80,759	58,802
Percentage changes	5.8%	1.5%	0.3%	△45.6%
Nonconsolidated fiscal 2006 forecast	〔600,000〕	〔22,000〕	〔30,000〕	〔10,000〕

(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 2006 results on May 10, 2006.

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 2006, bearing debt (the total of short-term loans, bonds due within one year, commercial paper, bonds and long-term loans) was 691.2 billion and represented 42.9% 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 \34.0 billion in debt guarantees to nonconsolidated affiliates in fiscal 2006. 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. Any pollutant releases could harm the Group ' s operating performance and financial position owing to a loss of social trust and expenditure for compensation and cleanups. In addition, 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 24 countries and territories. Overseas operations account for 23.5% 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 o ther 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. 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 2006

(Millions of yen)

ASSETS	31 March, 2005	31 March, 2006	Difference
CURRENT ASSETS			
Cash and Cash equivalents	16,686	25,454	8,768
Notes received and Accounts receivable	191,448	228,308	36,860
Marketable securities	72	16	(56)
Inventories	154,220	206,029	51,808
Defferred income tax benefit	9,431	10,163	732
Other current assets	107,877	146,159	38,281
Allowance for doubtful accounts	(3,608)	(4,839)	(1,231)
TOTAL CURRENT ASSETS	476,127	611,291	135,163
Net Property, Plant and Equipment	652,008	651,804	(203)
Buildings & Structures	168,491	166,416	(2,075)
Machinery & Equipment	203,689	210,793	7,104
Land	253,909	247,807	(6,102)
Construction in progress	13,864	15,594	1,730
Other tangible assets	12,053	11,192	(861)
INTANGIBLE ASSETS			
Intangible assets	15,832	16,082	250
TOTAL INTANGIBLE ASSETS	15,832	16,082	250
Investments in securities	193,255	260,182	66,927
Long-term receivable	17,735	9,497	(8,237)
Advance payments	1,469	1,471	1
Future income tax benefit	34,352	18,099	(16,253)
Investment other	43,878	52,442	8,563
Reserve for loss on investments of affiliates	(1,438)	(96)	1,341
Allowance for doubtful accounts	(12,398)	(11,329)	1,069
TOTAL INVESTMENT & LONG-TERM RECEIVABLES	276,855	330,266	53,410
Total Fixed Assets	944,696	998,154	53,457
TOTAL ASSETS	1,420,824	1,609,445	188,621

(Millions of yen)

	31 March, 2005	31 March, 2006	Difference
LIABILITIES			
CURRENT LIABILITIES	1,181,872	1,251,422	69,550
TOTAL CURRENT LIABILITIES	715,102	776,759	61,657
Notes payable and accounts payable	127,274	165,191	37,917
Short-term bank loans	354,326	324,064	(30,262)
Current portion of bonds	49,449	25,000	(24,449)
Commercial paper	—	7,000	7,000
Accrued income taxes	9,529	13,856	4,326
Deferred income taxes	71	46	(25)
Accrued bomuses	10,403	11,710	1,307
Gold payable	76,946	114,856	37,910
Other current liabilities	87,100	115,032	27,932
TOTAL LONG-TERM LIABILITIES	466,770	474,663	7,893
Bonds	90,000	90,306	306
Long-term loans	243,941	244,885	943
Severance and pension benefits	47,443	46,660	(782)
Reserve for soil remediation losses	—	5,603	5,603
Reserve for loss on business of affiliates	1,430	362	(1,068)
Other reserves	4,436	3,969	(467)
Deferred income taxs	13,361	16,750	3,389
Deferred income taxes on revaluation reserve for land	37,147	35,019	(2,127)
Consolidation adjustments account	2,381	3,832	1,451
Others	26,627	27,273	646
MINORITY INTERESTS	42,050	54,462	12,412
SHAREHOLDERS' EQUITY	196,901	303,560	106,658
Common stock	99,396	101,752	2,355
Capital Surplus	68,440	70,882	2,441
Accumulated deficit	(14,328)	43,453	57,781
Revaluation reserve for land	39,480	37,318	(2,162)
Net unrealized holding gains on securities	16,988	50,571	33,583
Foreign currency translation adjustments	(12,381)	424	12,805
Treasury stock	(695)	(842)	(147)
Total Liabilities, Minority Interests and Shareholders' Equity	1,420,824	1,609,445	188,621

CONSOLIDATED PROFIT & LOSS STATEMENTS

FOR THE YEAR ENDED MARCH 31 2006 (Millions of yen)

	March 31, 2005	March 31, 2006	Difference
I Net Sales	984,776	1,143,699	158,922
II Cost of sales	812,543	953,083	140,540
Gross profit	172,233	190,615	18,382
III Selling, General & Administrative Expenses	118,148	121,633	3,485
Operating profit	54,084	68,981	14,897
IV Non-operating income	20,904	36,625	15,721
Interest income	493	629	136
Dividend income	2,124	4,747	2,622
Rent earned in undertaking	6,876	6,119	(756)
Equity in earnings of affiliates	8,446	22,604	14,158
Other	2,963	2,524	(438)
V Non-operating expenses	24,483	24,848	365
Interest expenses	11,758	11,363	(394)
Expense for rent in undertaking	5,065	4,736	(328)
Other	7,659	8,748	1,088
Ordinary income	50,505	80,759	30,253
VI Extraordinary income	18,158	50,362	32,203
Gain on sales of property, plant and equipment	2,768	1,806	(962)
Gain on sales of marketable securities and investments in securities	10,674	34,403	23,729
Dilution gain	0	11,283	11,283
Gain on welfare pension dissolution	1,964	—	(1,964)
Profit on business assignment	847	—	(847)
Gain on business assignment for equity method affiliates	773	—	(773)
Other	1,130	2,868	1,737
VII Extraordinary loss	33,891	45,969	12,078
Loss on impairment	—	9,366	9,366
Provision for bad debt	4,106	7,077	2,971
Provision for losses on soil remediation	—	5,603	5,603
Loss on disposal of fixed assets	5,783	3,972	(1,810)
Write-down of marketable securities and investments in securities	2,966	866	(2,100)
Provision for loss on business of affiliates	1,224	177	(1,046)
Provision for loss on investments	10	86	76
Loss on sale of investments securities	35	78	43
Severance and pension benefit expenses	8,325	—	(8,325)
Other,net	11,439	18,740	7,301
Income before income taxes and minority interests	34,772	85,151	50,379
Corporate income taxes & business tax	16,572	27,422	10,849
Income taxes adjustments	(1,334)	(7,596)	(6,261)
Minority interests in income of consolidated subsidiaries	3,159	6,523	3,363
Net income	16,374	58,802	42,428

CONSOLIDATED RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31 2006

(Millions of yen)

	March 31, 2005	March 31, 2006	Difference
(Capital Surplus) Balance at the beginning of year	68,413	68,440	27
Exercise of stock purchase warrants	—	2,340	2,340
Conversion of convertible bonds	—	1	1
Profit from treasury stock	27	99	72
Increase total	27	2,441	2,414
Balance at the end of year	68,440	70,882	2,441
(Retained Earnings) Balance at the beginning of year	(28,243)	(14,328)	13,915
Increase due to reversal of reserve for land revaluation	351	2,416	2,065
Increse due to merger	66	49	(17)
Increase resulting from increase of consolidated subsidiarie	44	290	245
Net income for current year	16,374	58,802	42,428
Others	—	251	251
Increase total	16,836	61,810	44,973
Dividend	2,265	3,395	1,130
Bonus to directors and statutory auditors	65	52	(13)
Decrease resulting from Increase of equity method affiliates	71	—	(71)
Decrease due to reversal of reserve for land revaluation	230	259	28
Decrease due to merger	142	158	15
Other decrease	146	163	17
Decrease total	2,921	4,028	1,107
Balance at the end of year	(14,328)	43,453	57,781

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31 2006

(Millions of yen)

	区　　　　分	March 31, 2005	March 31, 2006	Difference
I	CASH FLOWS FROM OPERATING ACTIVITIES			
1	Net (loss) income	34,772	85,151	50,379
	Adjustment to reconcile net income to net cash provided by operating activities:			
	Depreciation and amortization	47,919	47,684	(235)
3	Increase in allowance for doubtful account	3,673	7,499	3,825
4	Increase(Decrease) in severance and pension benefit of employees and employers	1,062	(518)	(1,580)
5	Increase(Decrease) in reserve for loss on investments of affairs	5	86	81
6	Increase(Decrease) in reserve for loss on business of affiliates	1,222	(496)	(1,718)
7	Increase in losses on soil remediation	—	5,603	5,603
8	Interest income & dividend income	(2,617)	(5,377)	(2,759)
9	Interest expenses	11,758	11,363	(394)
10	Loss for sales or disposal of property, plant and equipment	5,783	3,972	(1,810)
11	Gain for sales or disposal of property, plant and equipment	(2,768)	(1,806)	962
12	Loss on impairment	—	9,366	9,366
13	Gain for sales of marketable securities and investments in securities	(10,674)	(34,403)	(23,729)
14	Loss for sales or evaluation of marketable securities and investments in securities	3,002	945	(2,057)
15	Dilution gain	0	(11,283)	(11,283)
16	(Increase)Decrease in notes and accounts receivables	(10,532)	(31,871)	(21,338)
17	(Increase)Decrease in inventories	(3,609)	(47,169)	(43,559)
18	Proceeds from sales of gold bullion deposited from customers and consuming bailment MY Gold Plan	10,287	26,689	16,401
19	Expenditure on gold ingot purchases	—	(10,295)	(10,295)
20	(Increase)Decrease in other current assets	(1,759)	(6,517)	(4,757)
21	Increase(Decrease) in notes and accounts payable	8,708	28,114	19,405
22	Increase(Decrease) in accrued expenses	1,141	14,738	13,597
23	Increase(Decrease) in current liabilities	7,433	573	(6,860)
24	Increase(Decrease) in other long-term liabilities	(592)	(705)	(113)
25	Euity in (earnings) losses of affiliates	(8,446)	(22,604)	(14,158)
26	Others	1,420	2,574	1,154
	Subtotal	97,188	71,312	(25,876)
27	Interest and dividend recieved	9,361	19,012	9,650
28	Interest paid	(11,650)	(10,964)	686
29	Payments for supporting an affiliate	(2,150)	—	2,150
30	Income taxes paid	(12,244)	(23,566)	(11,322)
	Net cash provided by operating activities	80,505	55,793	(24,712)
II	CASH FLOWS FROM INVESTING ACTIVITIES			
1	Payments for purchase of marketable securities and investments in securities	(3,514)	(15,705)	(12,190)
2	Proceeds from sales of marketable securities and investments in securities	13,397	53,096	39,698
3	Payment for purchases of property,plant and equipment	(3,101)	(5,338)	(2,237)
4	Proceeds from repayment for lending	3,260	7,970	4,709
5	Purchase of property, plant and equipmen	(46,420)	(48,541)	(2,121)
6	Proceeds from sales of property, plant and equipment	4,521	3,767	(753)
7	Purchase of intangible assets	(1,128)	(1,441)	(312)
8	Proceeds from sales of consolidated subsidiaries' shares, net of cash owned by those subsidiaries	449	8,843	8,393
9	Expenditure on business transfers	—	(961)	(961)
10	Proceeds from transfer of business	1,448	—	(1,448)
11	Others	(117)	(790)	(672)
	Net cash provided by investing activities	(31,206)	899	32,105
III	CASH FLOWS FROM FINANCING ACTIVITIES			
1	Increase(Decrease) in short-term bank loans, net	(12,198)	(15,257)	(3,059)
2	Proceeds from long-term debt	69,688	81,786	12,098
3	Repayments of long-term debt	(128,546)	(98,654)	29,892
4	Increase(Decrease) in commercial paper, net	—	7,000	7,000
5	Payments for redemption of bond	(15,000)	(49,445)	(34,445)
6	Proceeds fromissuance of bonds	40,000	30,000	(10,000)
7	Dividend	(2,265)	(3,395)	(1,130)
8	Payment for purchase of treasury stock	(150)	(258)	(107)
9	Dividend paid to minority interests	(1,235)	(1,775)	(539)
10	Others	(1,223)	(1,241)	(17)
	Net cash provided by (used in) financing activities	(50,931)	(51,241)	(309)
IV	Effecr of Exchange Rate Fluctuation on Cash and Cash Equipments	27	2,243	2,216
V	Cash and Cash Equivalents at Beginning of period	(1,604)	7,694	9,299
VI	Cash at beginning of year	17,753	16,352	(1,401)
VII	Effect of Cahanges in Consokidated Subsidiaries	35	272	236
VIII	Increase in Cash and Cash Equivalents from Mergers of	167	674	506
IX	Cash and Cash Equivalents at End of Period	16,352	24,994	8,641

Segment Information

(a) Business segment information

Millions of yen

	Year ended March 31, 2005									
	Cement	Aluminium	Metals	Powder metallugy products &tools	Advanced products	Energy & system	Others	Total	Elimination and corporate assets or	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

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) Aluminum: Aluminum cans, Aluminum rolled and fabricated products and Aluminum related products
(3) Metals: Cupper smelting and Copper related products
(4) Powder Metallurgy Products and Tools: Carbide 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 envioronmental 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 \8,630 million.

3.Companywide assets included in eliminations were \181,965 million, primarily for basic pilot research, surplus operating funds of the parent company and administrative purposes.

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 fiscal year. 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. Accounting Procedures for Metals 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 method, to last-in, first-out method, to account for inventories.
This change was designed to calculate earnings more accurately by using the same bases in sales and cost of sales for the prices of copper ingots, a key raw material, in response to dramatic price fluctuations in the international marketplace. As a result, the operating costs of Metals rose \841 million, with operating profit and assets falling by the same amount.
Management made the change in light of dramatic fluctuations in copper ingot prices in the second half of the year and expectations that such fluctuations would continue. After implementing the change, the Metals segment operating costs decreased ¥821 million, and operating profit increased by the same amount.

Millions of yen

	Year ended March 31, 2006								
	Cement	Metals	Advamced Materials & Tools	Aluminum	Electronic Materials & Components	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales :									
Unaffiliated customers	164,500	358,764	147,907	143,093	75,524	253,908	1,143,699		1,143,699
Intersegment	553	68,696	14,250	699	2,480	51,880	138,559	△138,559	—
Total	165,053	427,461	162,157	143,792	78,005	305,789	1,282,259	△138,559	1,143,699
Operating expenses	149,415	404,498	142,172	140,351	73,190	297,918	1,207,546	△132,828	1,074,717
Operating profit	15,638	22,962	19,985	3,441	4,814	7,871	74,713	△5,731	68,981
Identifiable assets	264,000	395,492	162,855	180,912	137,309	307,648	1,448,219	161,226	1,609,445
Depreciation	9,581	10,845	7,155	9,477	4,360	4,038	45,460	2,223	47,684
Capital expenditures	14,126	10,965	11,063	5,992	4,801	3,816	50,765	1,793	52,558

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) Aluminum: Aluminum cans, Aluminum rolled and fabricated products and Aluminum related products
(3) Metals: Cupper smelting and Copper related products
(4) Powder Metallurgy Products and Tools: Carbide 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 envioronmental 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 6,030 million yen.

3.Companywide assets included in eliminations were \184,375 million, primarily for basic pilot research, surplus operating funds of the parent company and administrative purposes.

4. 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

	Year ended March 31, 2005								
	Cement	Metals	Advamced Materials & Tools	Aluminum	Electronic Materials & Components	Others	Total	Elimination and corporate assets or expenses	Consolidated
Sales :									
Unaffiliated customers	148,973	252,332	138,769	134,519	66,941	243,241	984,776		984,776
Intersegment	490	55,175	14,945	746	2,512	47,283	121,154	△121,154	—
Total	149,463	307,508	153,714	135,266	69,453	290,524	1,105,931	△121,154	984,776
Operating expenses	137,323	294,396	135,850	128,035	66,585	283,527	1,045,719	△115,027	930,692
Operating profit	12,140	13,112	17,863	7,230	2,867	6,997	60,212	△6,127	54,084
Identifiable assets	246,394	296,482	161,426	158,917	125,050	276,378	1,264,649	156,174	1,420,824
Depreciation	9,043	10,662	7,083	9,725	4,288	4,681	45,484	2,435	47,919
Capital expenditures	9,698	9,354	12,041	7,249	3,850	6,346	48,540	965	49,506

5. 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.
Unallocatable operating expenses for the year under review under the traditional formula would have been \8,490 million.
Operating expenses and profit prior to the change were as follows.

Millions of yen

	Year ended March 31, 2006								
	Cement	Metals	Advamced Materials & Tools	Aluminum	Electronic Materials & Components	Others	Total	Elimination and corporate assets or expenses	Consolidated
Operating expenses	149,302	404,247	141,474	140,241	72,194	297,626	1,205,086	△130,369	1,074,717
Operating profit	15,751	23,213	20,683	3,550	5,810	8,163	77,172	△8,190	68,981

6. Change in Scope of Companywide Assets

Parent deferred tax assets were originally part of Companywide assets. From the year under review, however, management allocated them to specific segments. This change was designed to clarify responsibilities for collecting deferred tax assets as part of changes to the parent's internal administrative systems, and to better present the operating results of each business. Assets at the end of the year under review would have been as follows without the change.

Millions of yen

	Year ended March 31, 2006								
	Cement	Metals	Advamced Materials & Tools	Aluminum	Electronic Materials & Components	Others	Total	Elimination and corporate assets or expenses	Consolidated
Identifiable assets	263,146	389,940	162,425	180,912	135,364	306,580	1,438,370	171,075	1,609,445

(b) Segment information by geographic area

Millions of yen

	Year ended March 31, 2005							
	Japan	U.S.A.	Europe	Asia	Other	Total	Elimination and corporate assets or	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

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 8,630 million yen.

4.Companywide assets included in eliminations were \181,965 million, primarily for basic pilot research, surplus operating funds of the parent company and administrative purposes.

5. As of offset trade for slime of PT Smelting
In keeping with a change in contract terms, we applied offsetting eliminations for these transactions from the current fiscal year. This change decreased sales to external
customers for the Asia segment by \32,762 million, with intrasegment sales and transfers rising by the same amount

6. Change in Inventory Evaluation Method in Japan
From the year under review, Sambo Copper Alloy Co., Ltd., a consolidated subsidiary that processes copper, switched from the first-in, first-out method, to last-in, first-out method, to account for inventories. This change was designed to calculate earnings more accurately by using the same bases in sales and cost of sales for the prices of copper ingots, a key raw material, in response to dramatic price fluctuations in the international marketplace. As a result, Japanese operating costs of Metals rose \841 million, with operating profit and assets falling by the same amount.
Management made the change in light of dramatic fluctuations in copper ingot prices in the second half of the year and expectations that such fluctuations would continue. After implementing the change, the Metals segment operating costs decreased \821 million, and operating profit increased by the same amount.

Millions of yen

	Year ended March 31, 2006							
	Japan	U.S.A.	Europe	Asia	Other	Total	Elimination and corporate assets or	Consolidated
Sales :								
Unaffiliated customers	954,732	80,044	14,090	91,072	3,759	1,143,699		1,143,699
Intersegment	27,784	1,984	306	93,755	—	123,830	△123,830	—
Total	982,517	82,028	14,396	184,827	3,759	1,267,530	△123,830	1,143,699
Operating expenses	928,338	71,032	13,752	176,744	2,724	1,192,592	△117,875	1,074,717
Operating profit	54,179	10,996	643	8,083	1,034	74,937	△5,955	68,981
Identifiable assets	1,269,949	93,670	35,636	124,028	4,436	1,527,720	81,724	1,609,445

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 6,030 million yen.

4. Companywide assets included in eliminations were \184,375 million, primarily for basic pilot research, surplus operating Funds of the parent company and administrative purposes.

5. To date, the Company has used an allocation standard that reflects benefits to allocate basic research and development and parent administrative department expenses to businesses in the Japan segment. In line with the revision in the scope of unallocatable expenses from the year under review, management passed 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 costs for each development theme.
Unallocatable operating expenses for the year under review under the traditional formula would have been \8,490 million.
Operating expenses and profit prior to the change were as follows.

Millions of yen

	Year ended March 31, 2006							
	Japan	U.S.A.	Europe	Asia	Other	Total	Elimination and corporate assets or	Consolidated
Operating expenses	925,878	71,032	13,752	176,744	2,724	1,190,133	△115,415	1,074,717
Operating profit	56,638	10,996	643	8,083	1,034	77,396	△8,415	68,981

6. Change in Scope of Companywide Assets
Parent deferred tax assets were originally part of Companywide assets. From the year under review, however, management allocated them to specifi segments. This change was designed to clarify responsibilities for collecting deferred tax assets as part of changes to the parent's internal administrative systems, and to better present the operating results of each business. Assets at the end of the year under review would have been as follows without the change.

Millions of yen

	Year ended March 31, 2006							
	Japan	U.S.A.	Europe	Asia	Other	Total	Elimination and corporate assets or	Consolidated
Identifiable assets	1,260,100	93,670	35,636	124,028	4,436	1,517,871	91,573	1,609,445

(c) Overseas sales by geographic area

(Millions of yen)

Year ended March 31, 2005					
	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%

(Millions of yen)

Year ended March 31, 2006					
	U.S.A.	Europe	Asia	Other	Total
Overseas sales	88,987	36,186	138,528	5,018	268,720
Consolidated net sales					1,143,699
Percentage of overseas sales to consolidated net sales	7.8%	3.2%	12.1%	0.4%	23.5%

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.