

**Consolidated Financial Results for the first quarter ended June 30, 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: August 2, 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**

- Accounting policies for revenues from industrial waste treatment in the cement segment have changed. See (4) on page 8.

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

Number of consolidated companies ; New : 2 Excluded : 6  
Number of companies to which the equity method of accounting is applied ; New : - Excluded : -

**2. Results of the three months ended June 30, 2006****(1) Results of operations :**

(Millions of yen)

	Net sales		Operating profit		Ordinary income		Net income	
		Change %		Change %		Change %		Change %
Three months ended June 30, 2006	¥332,049	34.1	¥21,426	66.8	¥26,521	78.1	¥15,661	198.8
Three months ended June 30, 2005	¥247,627	9.5	¥12,842	24.7	¥14,892	48.1	¥5,242	30.6
Year ended Mar. 31, 2006	¥1,143,699	16.1	¥68,981	27.5	¥80,759	59.9	¥58,802	259.1

  

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2006	¥13.69	¥12.54
Three months ended June 30, 2005	¥4.64	¥3.95
Year ended Mar. 31, 2006	¥51.73	¥45.36

Note: Percentage changes for net sales and other items relative to previous corresponding period.

**(2) Financial position :**

(Millions of yen)

	Total assets	Net Assets	Shareholders' Equity ratio	Net Assets per share
			%	Yen
Three months ended June 30, 2006	¥1,642,860	¥367,774	18.9	¥271.04
Three months ended June 30, 2005	¥1,464,487	¥201,075	13.7	¥177.77
Year ended Mar. 31, 2006	¥1,609,445	¥303,560	18.9	¥265.15

Note: For the first quarter of fiscal 2006 and for fiscal 2006, shareholders' equity is in the net assets column, the equity ratio is in the shareholders' equity ratio column, and shareholders' equity per share is in the net assets per share column.

**(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
	Three months ended June 30, 2006	(¥35,542)	(¥12,699)	¥56,291
Three months ended June 30, 2005	(¥18,322)	(¥14,109)	¥37,712	¥22,345
Year ended Mar. 31, 2006	¥55,793	¥899	(¥51,241)	¥24,994

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

Management has not revised its forecasts.

## **Consolidated Results for Period under Review**

In the first quarter of fiscal 2007, ended June 30, 2006, the Japanese economy continued a general expansion. This reflected improved corporate earnings, boosting capital expenditure, and a better employment climate, which drove solid personal consumption. These factors outweighed the impact of continued high fuel costs.

The Mitsubishi Materials Group continued to perform well despite persistently high raw fuel costs, benefiting from high prices for copper and other key metals and brisk demand from key customers in the automotive and information and electronics sectors.

The Group endeavored to expand sales in the prime growth businesses of automotive products and IT and digital offerings as well as in the cement business, where overseas demand has been strong.

These efforts generated consolidated net sales of ¥332.0 billion, up ¥84.4 billion, compared with first quarter results for fiscal 2006. Operating profit was ¥21.4 billion, an increase of ¥8.5 billion. Ordinary income came to ¥26.5 billion, a ¥11.6 billion gain, and net income was ¥15.6 billion, a ¥10.4 billion increase.

## **Review by Business Segment**

### **Cement**

While demand was down for disaster recovery projects, volumes and sales improved on favorable demand in the U.S., Chinese and other markets.

Volumes and sales of aggregate rose owing to solid demand for mainline Portland cement.

Segment sales thus gained ¥7.3 billion, to ¥44.5 billion, while operating profit advanced ¥1.9 billion, to ¥4.2 billion.

### **Metals**

Amid high prices for copper ingots, demand for electronic materials offerings rose as a result of growth in the semiconductor market, while sales of rolled copper for automotive and other products were strong. Domestic sales of electrical wire to electric power and construction companies were also solid. Copper sales thus improved from the previous corresponding period. Gold volumes declined owing to lower concentrations in ore, but sales of gold

increased due to high prices.

In processed copper products, sales improved owing to consistently favorable demand for electronic materials and automotive copper castings and a recovery in demand for wire materials.

Segment sales therefore increased ¥63.1 billion, to ¥147.5 billion, and operating profit rose ¥4.8 billion, to ¥8.0 billion.

### **Advanced Materials & Tools**

Sales of cemented carbide products increased because demand was strong in the key European and American markets, offsetting slightly weaker domestic demand.

In high-performance alloy products, demand for aerospace products remained favorable, while demand for automotive offerings was strong. However, revenues and earnings declined because of high metals prices, which increased costs.

Sales and profits from diamond cutting tools increased in line with the recovery in demand for IT and digital products.

Sales and earnings from functional parts were down owing to the merger of our powder metallurgy operations with those of Plansee Holding AG of Austria on December 1, 2005, to create Plansee Mitsubishi Materials Global Sinter Holding S.A., an equity- method affiliate.

Segment sales thus decreased ¥2.8 billion, to ¥37.7 billion, and operating profit was down ¥0.3 billion, to ¥4.5 billion.

### **Aluminum**

Sales were solid for third-category beer\* cans, while the merger of the aluminum can business with that of Hokkai Can Co., Ltd. (now Hokkan Holdings Ltd.), contributed to sales. Earnings were down, however, owing to slow sales of aluminum bottles and high raw materials prices, which increased production costs.

Sales and earnings of rolled and treated aluminum rose on favorable sales of sheet metal and extruded aluminum for automotive applications.

Segment sales therefore advanced ¥7.4 billion, to ¥42.6 billion, while operating profit remained unchanged, at ¥1.7 billion.

\*Third-category beer is an alcoholic beverage similar in taste to beer made from ingredients

other than malt and wheat, making it subject to lower liquor taxes.

### **Electronic Materials & Components**

In advances materials, sales of gold bonding wire were favorable, as were sales of silicon products for 300mm silicon wafers. Sales and earnings of performance materials declined, however, amid intensified price competition.

Sales of electronic components declined, although earnings rose owing to efforts to cut costs by halting sales of unprofitable products. The decrease in sales reflected sluggish demand for electronic devices in South Korea and Taiwan, as well as declining sales for mobile phones in Japan.

Polycrystalline silicon sales and earnings were up, as sales remained brisk for 300mm silicon wafer and solar battery applications. Sales and earnings of chemical products gained on buoyant demand for semiconductor offerings and for liquid crystal and plasma display products.

As a result of these factors, segment sales improved ¥3.5 billion, to ¥21.4 billion. Operating profit was up ¥1.8 billion, to ¥2.7 billion.

### **Others**

Energy sales and earnings rose on solid demand for nuclear fuels and high global prices for coal and oil.

Also, sales and earnings from precious metals were up. Sales of gold to individuals declined because of generally high ingot prices, but demand for jewelry was favorable.

Segment sales thus advanced ¥12.0 billion, to ¥74.9 billion, and operating profit increased ¥0.7 billion, to ¥1.4 billion.

### **Consolidated Financial Position**

At the end of the term, total assets were ¥1,642.8 billion, up ¥33.4 billion from a year earlier. The change stemmed from high prices for copper and other key metals, an increase in expenditures on engineering projects in progress and a ¥37.8 billion rise in inventories, which offset a ¥11.8 billion drop in investments in securities as a result of lower share prices.

Total liabilities were ¥1,275.0 billion, up ¥23.6 billion. This was primarily due to increased loans and the issuance of commercial paper, which overshadowed declines in notes and accounts payable.

## Consolidated Balance Sheets (Unaudited)

June 30, 2006 and 2005 and March 31, 2006

(Millions of yen)

	March 31, 2006	June 30, 2006	Difference	June 30, 2005
<b>Total Current Assets</b>	( 1,609,445 )	( 1,642,860 )	( 33,414 )	( 1,464,487 )
Cash and cash equivalents	25,454	33,759	8,305	22,913
Notes received and accounts receivable	228,308	237,340	9,031	192,715
Marketable securities	16	17	0	12
Inventories	206,029	243,836	37,806	180,469
Deferred income taxes	10,163	9,829	△ 333	9,641
Other current assets	146,159	133,329	△ 12,829	116,888
Allowance for doubtful accounts	△ 4,839	△ 4,419	420	△ 3,766
<b>Total Fixed Assets</b>	( 998,154 )	( 989,168 )	( △ 8,986 )	( 945,614 )
<b>Net Property, Plant and Equipment</b>	( 651,804 )	( 648,551 )	( △ 3,253 )	( 648,377 )
Buildings and structures	166,416	165,375	△ 1,040	165,568
Machinery and equipment	210,793	204,649	△ 6,144	201,003
Land	247,807	246,790	△ 1,017	251,932
Construction in progress	15,594	20,751	5,156	17,765
Others	11,192	10,985	△ 207	12,107
<b>Total Intangible Assets</b>	( 16,082 )	( 15,981 )	( △ 101 )	( 15,455 )
Others	16,082	15,981	△ 101	15,455
<b>Total Investment and long-term receivables</b>	( 330,266 )	( 324,635 )	( △ 5,631 )	( 281,781 )
Investments in securities	260,182	248,294	△ 11,888	191,980
Long-term receivable	9,497	9,584	86	17,840
Long-term prepaid expenses	1,471	1,364	△ 106	1,532
Deferred income taxes	18,099	22,710	4,611	34,922
Other	52,442	55,246	2,803	49,380
Reserve for loss on investments of affiliates	△ 96	△ 73	23	△ 1,438
Allowance for doubtful accounts	△ 11,329	△ 12,492	△ 1,162	△ 12,437
<b>Total Assets</b>	<b>1,609,445</b>	<b>1,642,860</b>	<b>33,414</b>	<b>1,464,487</b>

(Millions of yen)

	March 31, 2006	June 30, 2006	Difference	June 30, 2005
<b>Total Liabilities</b>	( 1,251,422 )	( 1,275,086 )	( 23,663 )	( 1,220,443 )
<b>Total current liabilities</b>	( 776,759 )	( 777,622 )	( 862 )	( 730,523 )
Notes payable and accounts payable	165,191	151,375	△ 13,815	117,960
Short-term bank loans	324,064	340,023	15,959	343,530
Current portion of bonds	25,000	15,000	△ 10,000	59,449
Commercial paper	7,000	37,000	30,000	22,000
Accrued income taxes	13,856	8,678	△ 5,178	5,395
Deferred income taxes	46	1,170	1,123	63
Accrued bonuses	11,710	7,442	△ 4,268	6,970
Gold payable	114,856	113,721	△ 1,135	81,563
Other current liabilities	115,032	103,210	△ 11,822	93,589
<b>Total long-term liabilities</b>	( 474,663 )	( 497,464 )	( 22,800 )	( 489,920 )
Bonds	90,306	110,306	20,000	80,000
Long-term loans	244,885	245,775	889	276,670
Severance and pension benefits	46,660	46,232	△ 428	47,875
Reserve for soil remediation losses	5,603	5,407	△ 195	—
Reserve for loss on subsidiaries and affiliates	362	265	△ 97	1,222
Other reserves	3,969	3,888	△ 80	4,453
Deferred income taxes	16,750	17,663	912	13,164
Deferred income taxes on revaluation reserve for land	35,019	35,019	—	36,920
Consolidation adjustments account	3,832	—	△ 3,832	2,181
Negative goodwill	—	3,772	3,772	—
Others	27,273	29,134	1,860	27,432
<b>Minority Interests</b>	( 54,462 )	( — )	( — )	( 42,969 )
<b>Total shareholders' equity</b>	( 303,560 )	( — )	( — )	( 201,075 )
Common stock	101,752	—	—	99,396
Capital Surplus	70,882	—	—	68,517
Accumulated deficit	43,453	—	—	△ 12,003
Revaluation reserve for land	37,318	—	—	39,396
Net unrealized holding gains on securities	50,571	—	—	16,119
Foreign currency translation adjustments	424	—	—	△ 9,756
Treasury stock	△ 842	—	—	△ 594
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>1,609,445</b>	<b>—</b>	<b>—</b>	<b>1,464,487</b>
<b>Net Assets</b>	( — )	( 367,774 )	( — )	( — )
<b>Shareholders' equity</b>	( — )	( 226,328 )	( — )	( — )
Common stock	—	101,752	—	—
Capital surplus	—	70,883	—	—
Retained earnings	—	54,592	—	—
Treasury stock	—	△ 899	—	—
<b>Unrealized gains/losses and exchange rate adjustments</b>	( — )	( 83,820 )	( — )	( — )
Net unrealized gains on other marketable securities	—	43,330	—	—
Deferred gains/losses on hedging instruments	—	2,739	—	—
Revaluation reserve for land	—	37,313	—	—
Exchange rate adjustment allowance	—	436	—	—
<b>Minority interests</b>	( — )	( 57,625 )	( — )	( — )
<b>Total liabilities and net assets</b>	<b>—</b>	<b>1,642,860</b>	<b>—</b>	<b>—</b>

**Consolidated Statements of Operations (Unaudited)**

For the three months ended June 30, 2006 and 2005 and the year ended

(Millions of yen)

	June 30, 2005	June 30, 2006	Difference	March 31, 2006
I <b>Net Sales</b>	247,627	332,049	84,422	1,143,699
II <b>Cost of sales</b>	204,751	279,910	75,159	953,083
<b>Gross profit</b>	42,875	52,138	9,262	190,615
III <b>Cost of sales</b>	30,033	30,711	678	121,633
Operating profit	12,842	21,426	8,583	68,981
IV Non operating income:	( 7,473 )	( 11,752 )	( 4,279 )	( 36,625 )
Interest income	96	1,043	946	629
Dividend income	1,110	1,029	△ 81	4,747
Rent earned in undertaking	1,553	1,371	△ 181	6,119
Equity in earnings of affiliates	4,223	7,212	2,989	22,604
Other	489	1,095	606	2,524
V <b>Non operating expenses:</b>	( 5,424 )	( 6,657 )	( 1,233 )	( 24,848 )
Interest expenses	2,937	2,948	11	11,363
Expense for rent in undertaking	1,153	1,083	△ 70	4,736
Other	1,333	2,625	1,291	8,748
<b>Ordinary income</b>	14,892	26,521	11,629	80,759
VI Extraordinary income:	( 5,842 )	( 818 )	( △ 5,024 )	( 50,362 )
Gain on sales of marketable securities and investments in securities	5,207	633	△ 4,573	34,403
Equity change profits	—	41	41	11,283
Gain on sales of property, plant and equipment	162	34	△ 128	1,806
Other	471	109	△ 362	2,868
VII Extraordinary loss:	( 10,375 )	( 125 )	( △ 10,250 )	( 45,969 )
Loss on disposal of fixed assets	422	51	△ 370	3,972
Loss on sales of investments in securities	4	15	10	78
Provision for bad debt	—	10	10	7,077
Loss on impairment	6,940	8	△ 6,932	9,366
Remedial expenses	2,800	—	△ 2,800	2,800
Provision for losses on soil remediation	—	—	—	5,603
Other, net	208	39	△ 168	17,071
Income before income taxes and minority interests	10,358	27,214	16,856	85,151
Income taxes	4,446	8,958	4,512	19,825
Minority interests in income of consolidated subsidiaries	669	2,594	1,924	6,523
Net income	5,242	15,661	10,419	58,802

## Consolidated Statements of Operations (Unaudited)

For the three months ended June 30, 2006 and 2005 and the year ended March 31, 2006

(Millions of yen)

	June 30, 2005	June 30, 2006	March 31, 2006
<b>I Cash Flows from Operating Activities</b>			
1 Income before income taxes and minority interests	10,358	27,214	85,151
2 Depreciation and amortization	11,822	11,976	47,684
3 Increase (Decrease) in allowance for doubtful account	△3,029	△3,248	13,825
4 Interest and dividend income	△1,207	△2,072	△5,377
5 Interest expenses	2,937	2,948	11,363
6 Loss for sales or disposal of property, plant and equipment	259	17	2,166
7 Loss on impairment	6,940	8	9,366
8 Gain on sales or write-down of marketable securities and investments in securities	△5,202	△618	△33,458
9 Equity change profits	—	△41	△11,283
10 (Increase)Decrease in notes and accounts receivable	70	△12,449	△31,871
11 (Increase) Decrease in inventories	△25,320	△39,181	△47,169
12 Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Plan	4,760	7,784	26,689
13 Expenditure on gold ingot purchases	—	△4,762	△10,295
14 (Increase)Decrease in current assets	△3,785	1,270	△6,517
15 Increase(Decrease) in notes and accounts payable	△10,037	△12,170	28,114
16 Equity in (earnings) losses of affiliates	△4,223	△7,212	△22,604
17 Other, net	6,570	4,501	15,530
Subtotal	△9,086	△26,035	71,312
18 Interest and dividend received	1,343	5,523	19,012
19 Interest paid	△2,106	△1,679	△10,964
20 Income taxes paid	△8,473	△13,351	△23,566
<b>Net Cash Provided by Operating Activities</b>	<b>△18,322</b>	<b>△35,542</b>	<b>55,793</b>
<b>II Cash Flows from Investing Activities</b>			
1 Payments for purchases of marketable securities and investments in securities	△369	△88	△15,705
2 Proceeds from sales of marketable securities and investments in securities	76	718	53,096
3 Payments for purchases of property, plant and equipment	△12,947	△15,379	△49,982
4 Proceeds from sales of property, plant and equipment	280	178	3,767
5 Proceeds from sale of consolidated subsidiaries' shares, net of cash owned by those subsidiaries	—	460	8,843
6 Proceeds from transfer of business	—	△38	△961
7 Other, net	△1,149	1,449	1,841
<b>Net Cash Used in Investing Activities</b>	<b>△14,109</b>	<b>△12,699</b>	<b>899</b>
<b>III Cash Flows from Financing Activities</b>			
1 Increase (decrease) in short-term bank loans, net	22,415	26,911	△15,257
2 Proceeds from long-term debt	43,077	4,925	81,786
3 Repayments of long-term debt	△45,685	△10,490	△98,654
4 Increase(Decrease) in commercial paper, net	22,000	30,000	7,000
5 Payments for redemption of bond	—	△10,000	△49,445
6 Proceeds from issuance of bonds	—	20,000	30,000
7 Cash dividend paid	△3,395	△4,580	△3,395
8 Other, net	△698	△474	△3,274
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>37,712</b>	<b>56,291</b>	<b>△51,241</b>
<b>IV Effect of Exchange Rate Fluctuation on Cash and Cash Equivalents</b>	<b>439</b>	<b>126</b>	<b>2,243</b>
<b>V Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,719</b>	<b>8,175</b>	<b>7,694</b>
<b>VI Cash and Cash Equivalents at Beginning of Period</b>	<b>16,352</b>	<b>24,994</b>	<b>16,352</b>
<b>VII Effect of Changes in Consolidated Subsidiaries</b>	<b>272</b>	<b>135</b>	<b>272</b>
<b>VIII Increase in Cash and Cash Equivalents from Mergers of Unconsolidated Subsidiaries</b>	<b>—</b>	<b>—</b>	<b>674</b>
<b>IX Cash and Cash Equivalents at End of Period</b>	<b>22,345</b>	<b>33,304</b>	<b>24,994</b>



#### (4) Change in Accounting Policy

##### Change in accounting policy for industrial waste treatment revenues in the Cement segment

The Company traditionally deducted revenues from industrial waste treatment in the cement business from the cost of sales. In the period under review, management changed its accounting policies to post these revenues to sales.

As a result, this change contributed an additional ¥2,670 million to net sales, ¥2,427 million to cost of sales and ¥242 million to operating profit.

## Segment Information

### (a) Business segment information

(Millions of yen)

	Cement	Metals	Advanced Materials & Tools	Aluminum	Electronic Materials & Components	Others	Total	Elimination and corporate assets or	Consolidated
<b>Three months ended June 30, 2005</b>									
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	—
<b>Total</b>	<b>37,223</b>	<b>84,430</b>	<b>40,577</b>	<b>35,168</b>	<b>17,871</b>	<b>62,864</b>	<b>278,137</b>	<b>△30,510</b>	<b>247,627</b>
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

#### NOTES

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

- (1) Cement: Cement, Cement-related products, Ready-mixed concrete and Building materials
- (2) Metals: Copper smelting and Copper related products
- (3) Advanced Materials & Tools: cutting tools and cemented carbide products, Powder metallurgy products, High-performance alloy products and Diamond tools
- (4) Aluminium: Aluminium beverage cans, Aluminium rolled and fabricated products and Aluminium related products
- (5) Electronic Materials & Components: Electronic Components, Electronic materials, Chemical products and polycrystalline silicon
- (6) Others: Engineering and Nuclear energy-related services, Precious metals, Resources environmental operations and related businesses

Millions of yen

	Cement	Metals	Advanced Materials & Tools	Aluminum	Electronic Materials & Components	Others	Total	Elimination and corporate assets or	Consolidated
<b>Three months ended June 30, 2005</b>									
Sales :									
Unaffiliated customers	44,257	130,087	34,636	42,429	20,701	59,936	332,049		332,049
Intersegment	334	17,488	3,123	219	735	15,014	36,916	△36,916	—
<b>Total</b>	<b>44,591</b>	<b>147,576</b>	<b>37,759</b>	<b>42,649</b>	<b>21,437</b>	<b>74,951</b>	<b>368,965</b>	<b>△36,916</b>	<b>332,049</b>
Operating expenses	40,353	139,575	33,172	40,917	18,716	73,504	346,238	△35,616	310,622
Operating profit	4,237	8,001	4,587	1,732	2,720	1,447	22,726	△1,300	21,426

#### NOTES

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

- (1) Cement: Cement, Cement-related products, Ready-mixed concrete and Building materials
- (2) Metals: Copper smelting and Copper related products
- (3) Advanced Materials & Tools: cutting tools and cemented carbide products, Powder metallurgy products, High-performance alloy products and Diamond tools
- (4) Aluminium: Aluminium beverage cans, Aluminium rolled and fabricated products and Aluminium related products
- (5) Electronic Materials & Components: Electronic Components, Electronic materials, Chemical products and polycrystalline silicon
- (6) Others: Engineering and Nuclear energy-related services, Precious metals, Resources environmental operations and related businesses

#### 2. Change in Accounting Policy

The Company traditionally deducted revenues from industrial waste treatment in the cement business from the cost of sales. From the period under review, management altered its accounting policies to post these revenues to sales.

This change added ¥2,670 million to net sales, ¥2,427 million to the cost of sales, and ¥242 million to operating profit.