

# Financial Results 1st Quarter FY2006

(Three months ended June 30, 2006)

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Nippon Mining Holdings, INC.

August 9, 2006

※Statements which are not historical fact are future projections made based on certain assumptions and our management's judgment drawn from currently available information. Please note that actual performance may vary significantly from any particular projection, due to various factors.

## Quarterly Results (3 months ended June 30 2006)

※ Since segment classification has been slightly changed from FY2006, all the figures by segment for 1st quarter of FY2005 and FY2006 on the following statements are based on the new classification.

### 1 . Operating Results (consolidated)

(Billions of Yen)

	FY2006 1 Q	FY2005 1 Q	Differences
Net Sales	854.2	636.9	(○) 217.2
Operating Income	27.7	36.6	(×) 8.9
Other Income (Expenses)	14.3	9.7	(○) 4.6
Income before Special Items	42.0	46.4	(×) 4.4
Special Profit (Loss)	(0.5)	3.0	(×) 3.5
Income Taxes	13.7	17.1	(○) 3.3
Minority Interest	5.3	3.4	(×) 2.0
Net Income	22.4	28.9	(×) 6.5

#### <1> Scope of Consolidation

- (1) Consolidated subsidiaries 114 ( 4 additions, 2 reductions)  
 (2) Equity method affiliates 15

#### <2> Income before Special Items

Breakdown of Income before Special Items, ¥42.0 billion

① <u>Operating Income ¥27.7bn</u>	
• Petroleum	9.4
• Metals	17.9
> Resources & Metals	11.8
> Electronic Materials	3.5
> Metal Manufacturing	2.4
> Metals Group Adjustments	0.2
• Others	0.4
② <u>Other Income (Expenses), net ¥14.3bn</u>	
• Interest and dividend income	1.3
• Amortization of negative goodwill	0.5
• Equity in income of affiliates	14.4
• Exchange gain	1.3
• Interest expenses	(3.1)
• Others	(0.1)

#### <3> Special Profit (Loss), net

Breakdown of Special Profit (Loss), net ¥(0.5) billion

• Gain on sales of property, plant and equipment	0.3
• Gain on sales of investments in securities	0.1
• Loss on sales or disposal of property, plant and equipment	(0.5)
• Loss on write-down of investments in securities	(0.4)
• Reorganization and restructuring costs	(0.1)
• Others	0.1

<4> Segment Information

(Billions of Yen)

		FY2006 1Q	FY2005 1Q	Differences
Petroleum (Japan Energy Group)	Net Sales	601.2	507.9	(○) 93.4
	Operating Income	9.4	27.0	(×) 17.6
	Income before Special Items	10.3	26.9	(×) 16.6
Metals (Nippon Mining & Metals Group)	Net Sales	249.9	126.4	(○) 123.5
	Operating Income	17.9	9.2	(○) 8.7
	Income before Special Items	30.1	17.8	(○) 12.2
Resources & Metals	Net Sales	218.5	103.0	(○) 115.5
	Operating Income	11.8	5.3	(○) 6.5
	Income before Special Items	24.2	14.2	(○) 10.1
Electronic Materials	Net Sales	31.7	22.6	(○) 9.2
	Operating Income	3.5	2.6	(○) 0.9
	Income before Special Items	3.1	2.2	(○) 0.8
Metal Manufactur- ing	Net Sales	16.9	11.4	(○) 5.5
	Operating Income	2.4	1.7	(○) 0.8
	Income before Special Items	2.6	1.8	(○) 0.8
Metals Group Adjustments	Net Sales	(17.2)	(10.5)	(×) 6.6
	Operating Income	0.2	(0.3)	(○) 0.6
	Income before Special Items	0.2	(0.3)	(○) 0.6
Others	Net Sales	9.1	6.6	(○) 2.5
	Operating Income	0.4	0.4	—
	Income before Special Items	1.6	1.6	—
Eliminations	Net Sales	(6.1)	(3.9)	(×) 2.2
Total	Net Sales	854.2	636.9	(○) 217.2
	Operating Income	27.7	36.6	(×) 8.9
	Income before Special Items	42.0	46.4	(×) 4.4

※ Net Sales of each segment includes inter-segments sales.

※ Income of eliminations and corporate is included in Others.

<5> Key Data

		FY2006 1Q	FY2005 1Q	Differences	
All Segments	Exchange Rate (¥/\$)	115	108	(+) 7	
Petroleum	Dubai Spot Price (\$/BBL)	64.8	47.9	(+) 16.9	
	Market Price of Paraxylene (\$/t) ACP Base	1,067	923	(+) 144	
Metals	Resources & Metals	Market Price of Copper (¢/lb)	327	154	(+) 173
		Electrolytic Copper Sales (1,000 tons/period)	157	155	(+) 2
	Electronic Materials	Electro-deposited Copper Foil Sales (tons/month)	2,069	2,121	(-) 52
		Treated Rolled Copper Foil Sales (1,000 meters/month)	4,273	3,067	(+) 1,206
		ITO Target Sales (tons/month)	27.0	22.4	(+) 4.6
	Metal Manufacturing	Wrought copper products (1,000 tons/period)	10.0	8.3	(+) 1.8
		Special Steel Products (1,000 tons/period)	1.3	0.9	(+) 0.3
		High Quality Products Ratio	42%	41%	(+) 1%

## 2 . Information by Segments

### <1> Petroleum (Japan Energy Group)

#### (1) Operating Results

(Billions of Yen)

	FY2006 1Q	FY2005 1Q	Differences
Net Sales	601.2	507.9	(○) 93.4
Operating Income	9.4	27.0	(×) 17.6
Income before Special Items	10.3	26.9	(×) 16.6

Factors in ¥16.6 billion decrease in the Income before Special Items

- Decrease of profit in inventory valuation (×) 6.5  
FY2005 1Q: ¥16.5bn → FY2006 1Q: ¥10.0bn
- Decrease in income for petrochemical business (×) 1.5
- Others (×) 9.6  
Energy cost up, Margin time lag and others
- Other Income (Expenses) (○) 1.0  
Increase in equity in income of non-consolidated subsidiaries and affiliates

#### (2) Sales volume and growth rate

	Domestic sales volume (Thousands of KL)			Growth rate (2006 1Q vs. 2005 1Q)
	FY2006 1Q	FY2005 1Q	Differences	
Gasoline	1,486	1,510	(-) 24	98.4%
Naphtha	819	928	(-) 109	88.2%
Jet Fuel	143	150	(-) 7	95.2%
Kerosene	433	421	(+) 12	102.8%
Gas Oil	1,030	1,077	(-) 47	95.6%
A Heavy Fuel	628	647	(-) 19	97.0%
C Heavy Fuel	427	574	(-) 147	74.4%
<b>Total</b>	<b>4,966</b>	<b>5,309</b>	<b>(-) 343</b>	<b>93.5%</b>
Gasoline & Middle Distillation	3,577	3,656	(-) 79	97.8%

## (3) Refining volume of crude oil and utilization rate of crude oil distillation units

(Millions of KL)

		FY2006	FY2005				
		1Q	1Q	2Q	3Q	4Q	Total
Group Total	Refining volume	4.53	4.55	5.28	5.44	5.48	20.74
	Utilization rate	79%	81%	93%	94%	97%	91%
	Comparison with Previous Year	100%	102%	112%	98%	101%	103%
Mizushima	Refining volume	2.94	1.97	2.69	2.79	2.90	10.36
	Utilization rate	99%	68%	92%	94%	99%	88%
	Comparison with Previous Year	149%	69%	111%	95%	103%	94%
Kashima	Refining volume	1.59	2.57	2.59	2.64	2.58	10.39
	Utilization rate	57%	94%	93%	95%	95%	94%
	Comparison with Previous Year	62%	161%	113%	102%	98%	114%

※Capacity (Crude oil distillation unit) of Japan Energy Group

Japan Energy Mizushima Refinery : 205,200 Barrels/Day

Kashima Oil Kashima Refinery : 190,000 Barrels/Day

(from June 15, 2006: 200,000 Barrels/Day)

## <2> Metals (Nippon Mining & Metals Group)

### Operating Results

(Billions of Yen)

		FY2006 1Q	FY2005 1Q	Differences
Metals (Nippon Mining & Metals Group)	Net Sales	249.9	126.4	(○)123.5
	Operating Income	17.9	9.2	(○) 8.7
	Income before Special Items	30.1	17.8	(○) 12.2
Resources & Metals	Net Sales	218.5	103.0	(○)115.5
	Operating Income	11.8	5.3	(○) 6.5
	Income before Special Items	24.2	14.2	(○) 10.1
Electronic Materials	Net Sales	31.7	22.6	(○) 9.2
	Operating Income	3.5	2.6	(○) 0.9
	Income before Special Items	3.1	2.2	(○) 0.8
Metal Manufactur- ing	Net Sales	16.9	11.4	(○) 5.5
	Operating Income	2.4	1.7	(○) 0.8
	Income before Special Items	2.6	1.8	(○) 0.8
Metals Group Adjustments	Net Sales	(17.2)	(10.5)	(×) 6.6
	Operating Income	0.2	(0.3)	(○) 0.6
	Income before Special Items	0.2	(0.3)	(○) 0.6

<2- > Resources & Metals Company Group

(1) Operating Results

(Billions of Yen)

	FY2006 1Q	FY2005 1Q	Differences
Net Sales	218.5	103.0	(○) 115.5
Operating Income	11.8	5.3	(○) 6.5
Income before Special Items	24.2	14.2	(○) 10.1

Factors in ¥10.1 billion increase in the Income before Special Items

- Resources & Metals Company and consolidated subsidiaries (○) ¥7.3bn
  - \* Metal prices up
  - \* TC/RC improvement
  - \* Depreciation of the yen, etc.
- Equity in income of non-consolidated subsidiaries and affiliates (○) ¥2.8bn
  - \* Minera Los Pelambres (○) 2.6
    - Copper prices up, etc.

(2) Price and Sales Volume

		FY2006 1Q	FY2005 1Q	Differences
Price	Copper (¢/1b)	327	154	(+) 173
	Gold (\$/TOZ)	628	427	(+) 201
	Platinum (\$/TOZ)	1,185	870	(+) 315
	Palladium (\$/TOZ)	346	192	(+) 154
Sales Volume	Copper (1000 tons/period)	157	155	(+) 2



## <2- > Electronic Materials Company Group

### (1) Operating Results

(Billions of Yen)

	FY2006 1Q	FY2005 1Q	Differences
Net Sales	31.7	22.6	(○) 9.2
Operating Income	3.5	2.6	(○) 0.9
Income before Special Items	3.1	2.2	(○) 0.8

Factors in ¥0.8 billion increase in the Income before Special Items

- Operating Income (○)¥0.9bn
  - \* Electro-deposited copper foil (○) 1.5
  - \* Treated rolled copper foil (○) 0.5
  - \* Sputtering targets (×) 1.3
  - \* Compound semiconductor materials and others (○) 0.4
  - \* Expenses including research and development cost (×) 0.2
- Other Income (Expenses) (×)¥0.1bn
  - \* Exchange loss (×) 0.2
  - \* Others (○) 0.1

### (2) Breakdown by Products

(Billions of Yen)

		FY2006 1Q	FY2005 1Q	Differences
Electro-deposited and Treated Rolled Copper Foil	Net Sales	12.0	8.7	(○) 3.3
	Operating Income	1.8	(0.2)	(○) 2.0
Targets	Net Sales	15.8	11.2	(○) 4.6
	Operating Income	1.8	3.1	(×) 1.3
Compound Semiconductor Materials and Others	Net Sales	3.9	2.7	(○) 1.2
	Operating Income	(0.1)	(0.3)	(○) 0.2
Total	Net Sales	31.7	22.6	(○) 9.2
	Operating Income	3.5	2.6	(○) 0.9

※ For FY2006, general and administrative cost allocation methods for each product group in Electronic Materials Company have been changed. Accordingly, the figures for the 1st quarter of FY2005 above are presented in the same manner.

<2- > Metal Manufacturing Company Group

(1) Operating Results

(Billions of Yen)

	FY2006 1Q	FY2005 1Q	Differences
Net Sales	16.9	11.4	(○) 5.5
Operating Income	2.4	1.7	(○) 0.8
Income before Special Items	2.6	1.8	(○) 0.8

Factors in ¥0.8 billion increase in the Income before Special Items

- Sales increase (○) ¥0.9bn
  - \* Phosphor bronze (○) 0.4
  - \* Copper foil (○) 0.2
  - \* High-nickel alloy (○) 0.1
  - \* Others (○) 0.2
- Relative decrease of raw materials cost (○) ¥0.2bn
- Nikko Woojin Precision Manufacturing (Suzhou) Co., Ltd. (×) ¥0.1bn
- Others (×) ¥0.2bn

(2) Sales by Products

(Billions of Yen)

			FY2006 1Q	FY2005 1Q	Differences
Precision rolling	Wrought copper	Phosphor bronze	5.8	3.1	(○) 2.7
		Corson alloy	1.6	1.4	(○) 0.2
		Copper foil	2.1	1.3	(○) 0.8
		Others	3.2	2.0	(○) 1.2
	Special steel	Stainless steel	0.5	0.4	(○) 0.1
		High-nickel alloy	1.2	0.8	(○) 0.4
		Others	0.1	0.1	—
Precision processing			3.1	2.5	(○) 0.6
Eliminations			(0.7)	(0.2)	(×) 0.5
Total			16.9	11.4	(○) 5.5

## Forecasts for the 1st half of FY2006

※ Since segment classification has been slightly changed from FY2006, all the figures by segment for 1st half of FY2005 and FY2006 on the following statements are based on the new classification.

### 1 . Comparison with the 1st half of FY2005

#### <1> Assumptions

		FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences	
All Segments	Exchange Rate (¥/\$)	115	109	(+) 5	
Petroleum	Dubai Spot Price (\$/BBL)	64.9	51.6	(+) 13.3	
	Market Price of Paraxylene (\$/t) ACP Base	1,160	919	(+) 241	
Metals	Resources & Metals	Market Price of Copper (¢/lb)	314	162	(+) 152
		Electrolytic Copper Sales (1,000 tons/period)	312	302	(+) 10
	Electronic Materials	Electro-deposited Copper Foil Sales (tons/month)	2,100	2,097	(+) 3
		Treated Rolled Copper Foil Sales (1,000 meters/month)	3,736	3,021	(+) 715
		ITO Target Sales (tons/month)	30.5	24.2	(+) 6.3
	Metal Manufacturing	Wrought copper products (1,000 tons/period)	20.2	16.8	(+) 3.4
		Special Steel Products (1,000 tons/period)	2.5	1.9	(+) 0.6
		High Quality Products Ratio	42%	41%	(+) 1%

**<2> Operating Forecasts (consolidated)**

(Billions of Yen)

	FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
Net Sales	1,720.0	1,365.1	(○) 354.9
Operating Income	55.0	63.4	(×) 8.4
Income before Special Items	91.0	83.1	(○) 7.9
Net Income	50.0	52.5	(×) 2.5
Ratio of Income before Special Items to Net Sales	5.3%	6.1%	(-) 0.8%
Earnings Per Share (yen)	59.0	61.9	(-) 2.9
Number of Shares (1,000 Shares)	847,022	847,047	(-) 25

### <3> Operating Forecasts by Segments

(Billions of Yen)

		FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
Petroleum (Japan Energy Group)	Net Sales	1,230.0	1,087.2	(○) 142.8
	Operating Income	22.5	42.1	(×) 19.6
	Income before Special Items	24.5	41.5	(×) 17.0
Metals (Nippon Mining & Metals Group)	Net Sales	475.5	268.8	(○) 206.7
	Operating Income	31.5	19.6	(○) 11.9
	Income before Special Items	64.0	37.9	(○) 26.1
Resources & Metals	Net Sales	407.5	218.1	(○) 189.4
	Operating Income	22.0	12.7	(○) 9.3
	Income before Special Items	55.0	31.5	(○) 23.5
Electronic Materials	Net Sales	66.0	47.4	(○) 18.6
	Operating Income	5.0	5.1	(×) 0.1
	Income before Special Items	4.5	4.3	(○) 0.2
Metal Manufactur- ing	Net Sales	34.0	23.1	(○) 10.9
	Operating Income	4.0	2.4	(○) 1.6
	Income before Special Items	4.0	2.6	(○) 1.4
Metals Group Adjustments	Net Sales	(32.0)	(19.8)	(×) 12.2
	Operating Income	0.5	(0.5)	(○) 1.0
	Income before Special Items	0.5	(0.5)	(○) 1.0
Others	Net Sales	27.5	23.2	(○) 4.3
	Operating Income	1.0	1.7	(×) 0.7
	Income before Special Items	2.5	3.7	(×) 1.2
Eliminations	Net Sales	(13.0)	(14.2)	(○) 1.2
Total	Net Sales	1,720.0	1,365.1	(○) 354.9
	Operating Income	55.0	63.4	(×) 8.4
	Income before Special Items	91.0	83.1	(○) 7.9

※ Net Sales of each segment includes inter-segments sales.

※ Income of eliminations and corporate is included in Others.

<4> Income before Special Items (FY2006 1H vs. FY2005 1H)

(Billions of Yen)

	FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences	Notes
Petroleum (Japan Energy Group)	24.5	41.5	(×) 17.0	<ul style="list-style-type: none"> <li>➤ Decrease of profit in inventory valuation (×) 7.4 (FY2005 1H actual:¥27.4bn → FY2006 1H forecasts:¥20.0bn)</li> <li>➤ Others (×) 12.2 <ul style="list-style-type: none"> <li>• Energy cost up</li> <li>• Margin time lag and others</li> </ul> </li> <li>➤ Other Income (Expense), net (○) 2.6 <ul style="list-style-type: none"> <li>• Equity in income of non-consolidated subsidiaries and affiliates</li> </ul> </li> </ul>
Metals (Nippon Mining & Metals Group)	64.0	37.9	(○) 26.1	
Resources & Metals	55.0	31.5	(○) 23.5	<ul style="list-style-type: none"> <li>➤ Resources &amp; Metals Company and consolidated subsidiaries (○) 8.4 <ul style="list-style-type: none"> <li>• Metal prices up</li> <li>• Depreciation of the yen, etc.</li> </ul> </li> <li>➤ Equity in income of non-consolidated subsidiaries and affiliates (○) 15.1 <ul style="list-style-type: none"> <li>• Increase of profit in Minera Los Pelambres (Metal prices up)</li> </ul> </li> </ul>
Electronic Materials	4.5	4.3	(○) 0.2	<ul style="list-style-type: none"> <li>➤ Sales increase of Sputtering Targets</li> <li>➤ Positive impact of closure of Electro-deposited Copper Foil plant in U.S.A</li> <li>➤ Improvement of margin of Electro-deposited Copper Foil</li> <li>➤ Decrease of profit in inventory valuation</li> </ul>
Metal Manufacturing	4.0	2.6	(○) 1.4	<ul style="list-style-type: none"> <li>➤ Sales increase of IT-related products such as wrought copper foil</li> </ul>
Metals Group Adjustments	0.5	(0.5)	(○) 1.0	<ul style="list-style-type: none"> <li>➤ Unrealized profits in Metals group</li> </ul>
Others	2.5	3.7	(×) 1.2	<ul style="list-style-type: none"> <li>➤ Cost for new issue of stocks</li> <li>➤ Cost for the 100<sup>th</sup> anniversary of the founding</li> </ul>
Total	91.0	83.1	(○) 7.9	

## 2 . Information by Segments

### <1> Petroleum (Japan Energy Group)

#### (1) Forecasts

(Billions of Yen)

	FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
Net Sales	1,230.0	1,087.2	(○) 142.8
Operating Income	22.5	42.1	(×) 19.6
Income before Special Items	24.5	41.5	(×) 17.0

#### (2) Sales volume and growth rate of fuel oil

	Domestic sales volume (Thousands of KL)			Growth rate (2006 1H vs. 2005 1H)
	FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences	
Gasoline	3,140	3,167	(-) 27	98.9%
Naphtha	1,820	1,950	(-) 130	93.2%
Jet Fuel	325	322	(+) 3	100.8%
Kerosene	740	734	(+) 6	101.1%
Gas Oil	2,090	2,185	(-) 95	95.7%
A Heavy Fuel	1,240	1,282	(-) 42	96.4%
C Heavy Fuel	900	1,261	(-) 361	71.6%
<b>Total</b>	<b>10,255</b>	<b>10,902</b>	<b>(-) 647</b>	<b>94.0%</b>
Gasoline & Middle Distillation	7,210	7,369	(-) 159	97.8%

#### (3) Number of JOMO Service Stations

	2001 Mar 31	2002 Mar 31	2003 Mar 31	2004 Mar 31	2005 Mar 31	2006 Mar 31	2006 Jun 30
Owned by Japan Energy <i>Self-SS</i>	1,328	1,284 <i>105</i>	1,229 <i>227</i>	1,207 <i>264</i>	1,172 <i>297</i>	1,154 <i>347</i>	1,145 <i>361</i>
Owned by wholesalers and others <i>Self-SS</i>	3,318	3,192 <i>59</i>	3,067 <i>95</i>	2,943 <i>121</i>	2,851 <i>143</i>	2,679 <i>187</i>	2,646 <i>199</i>
Total <i>Self-SS</i>	4,646	4,476 <i>164</i>	4,296 <i>322</i>	4,150 <i>385</i>	4,023 <i>440</i>	3,833 <i>534</i>	3,791 <i>560</i>

#### (4) Petrochemical Profit

(Billions of Yen)

FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
9.0	9.0	—

<2> Metals (Nippon Mining & Metals Group)

(1) Forecasts

(Billions of Yen)

		FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
Metals (Nippon Mining & Metals Group)	Net Sales	475.5	268.8	(○) 206.7
	Operating Income	31.5	19.6	(○) 11.9
	Income before Special Items	64.0	37.9	(○) 26.1
Resources & Metals	Net Sales	407.5	218.1	(○) 189.4
	Operating Income	22.0	12.7	(○) 9.3
	Income before Special Items	55.0	31.5	(○) 23.5
Electronic Materials	Net Sales	66.0	47.4	(○) 18.6
	Operating Income	5.0	5.1	(×) 0.1
	Income before Special Items	4.5	4.3	(○) 0.2
Metal Manufactur- ing	Net Sales	34.0	23.1	(○) 10.9
	Operating Income	4.0	2.4	(○) 1.6
	Income before Special Items	4.0	2.6	(○) 1.4
Metals Group Adjustments	Net Sales	(32.0)	(19.8)	(×) 12.2
	Operating Income	0.5	(0.5)	(○) 1.0
	Income before Special Items	0.5	(0.5)	(○) 1.0



<2- > Resources & Metals Company Group

(1) Forecasts

(Billions of Yen)

	FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
Net Sales	407.5	218.1	(○) 189.4
Operating Income	22.0	12.7	(○) 9.3
Income before Special Items	55.0	31.5	(○) 23.5

(2) Price and Sales Volume

		FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
Price	Copper (¢ /1b)	314	162	(+) 152
	Gold (\$ /TOZ)	590	433	(+) 157
	Platinum (\$ /TOZ)	1,142	883	(+) 259
	Palladium (\$ /TOZ)	323	189	(+) 134
Sales Volume	Copper (1000 tons / period)	312	302	(+) 10

<2- > Electronic Materials Company Group

(1) Forecasts

(Billions of Yen)

	FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
Net Sales	66.0	47.4	(○) 18.6
Operating Income	5.0	5.1	(×) 0.1
Income before Special Items	4.5	4.3	(○) 0.2

(2) Breakdown by products

(Billions of Yen)

		FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
Electro-deposited and Treated Rolled Copper Foil	Net Sales	25.2	17.4	(○) 7.8
	Operating Income	2.6	(0.5)	(○) 3.1
Targets	Net Sales	32.7	24.4	(○) 8.3
	Operating Income	3.0	6.0	(×) 3.0
Compound Semiconductor Materials and Others	Net Sales	8.1	5.6	(○) 2.5
	Operating Income	(0.6)	(0.4)	(×) 0.2
Total	Net Sales	66.0	47.4	(○) 18.6
	Operating Income	5.0	5.1	(×) 0.1

※ For FY2006, general and administrative cost allocation methods for each product group in Electronic Materials Company have been changed. Accordingly, the figures for the 1st quarter of FY2005 above are presented in the same manner.

<2- > Metal Manufacturing Company Group

(1) Forecasts

(Billions of Yen)

	FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences
Net Sales	34.0	23.1	(○) 10.9
Operating Income	4.0	2.4	(○) 1.6
Income before Special Items	4.0	2.6	(○) 1.4

(2) Breakdown by products

(Billions of Yen)

		FY2006 1H (Forecasts)	FY2005 1H (Actual)	Differences	
Precision rolling	Wrought copper	Phosphor bronze	11.8	6.7	(○) 5.1
		Corson alloy	3.8	3.0	(○) 0.8
		Copper foil	4.1	2.4	(○) 1.7
		Others	6.7	4.2	(○) 2.5
	Special steel	Stainless steel	1.1	0.9	(○) 0.2
		High-nickel alloy	2.5	1.6	(○) 0.9
		Others	0.1	0.2	(×) 0.1
Precision processing		6.0	4.4	(○) 1.6	
Eliminations		(2.1)	(0.3)	(×) 1.8	
Total		34.0	23.1	(○) 10.9	

### 3 . Comparison with the Previous Forecasts

#### <1> Assumptions

		FY2006 1H			
		Revised forecasts (Aug. 9)	Previous forecasts (May 10)	Differences	
All Segments	Exchange Rate (¥/\$)	115	110	(+) 5	
Petroleum	Dubai Spot Price (\$/BBL)	64.9	58.0	(+) 6.9	
	Market Price of Paraxylene (\$/t) ACP Base	1,160	1,055	(+) 105	
Metals	Resources & Metals	Market Price of Copper (¢/lb)	314	240	(+) 74
		Electrolytic Copper Sales (1,000 tons/period)	312	304	(+) 8
	Electronic Materials	Electro-deposited Copper Foil Sales (tons/month)	2,100	1,930	(+) 170
		Treated Rolled Copper Foil Sales (1,000 meters/month)	3,736	4,600	(-) 864
		ITO Target Sales (tons/month)	30.5	30.0	(+) 0.5
	Metal Manufacturing	Wrought copper products (1,000 tons/period)	20.2	19.9	(+) 0.3
		Special Steel Products (1,000 tons/period)	2.5	2.2	(+) 0.3
		High Quality Products Ratio	42%	44%	(-) 2%

#### <2> Operating Results (consolidated)

(Billions of Yen)

	FY2006 1H		
	Revised forecasts (Aug. 9)	Previous forecasts (May 10)	Differences
Net Sales	1,720.0	1,570.0	(○) 150.0
Operating Income	55.0	41.0	(○) 14.0
Income before Special Items	91.0	68.0	(○) 23.0
Net Income	50.0	39.0	(○) 11.0
Ratio of Income before Special Items to Net Sales	5.3%	4.3%	(+) 1.0%
Earnings Per Share (yen)	59.0	46.0	(+) 13.0
Number of Share (1,000 Shares)	847,022	847,047	(-) 25

<3> Segment Information

(Billions of Yen)

		FY2006 1H		
		Revised forecasts (Aug. 9)	Previous forecasts (May 10)	Differences
Petroleum (Japan Energy Group)	Net Sales	1,230.0	1,170.0	(○) 60.0
	Operating Income	22.5	20.5	(○) 2.0
	Income before Special Items	24.5	22.0	(○) 2.5
Metals (Nippon Mining & Metals Group)	Net Sales	475.5	387.0	(○) 88.5
	Operating Income	31.5	19.5	(○) 12.0
	Income before Special Items	64.0	43.5	(○) 20.5
Resources & Metals	Net Sales	407.5	320.0	(○) 87.5
	Operating Income	22.0	13.0	(○) 9.0
	Income before Special Items	55.0	38.0	(○) 17.0
Electronic Materials	Net Sales	66.0	60.0	(○) 6.0
	Operating Income	5.0	3.0	(○) 2.0
	Income before Special Items	4.5	2.0	(○) 2.5
Metal Manufacturing	Net Sales	34.0	27.0	(○) 7.0
	Operating Income	4.0	3.5	(○) 0.5
	Income before Special Items	4.0	3.0	(○) 1.0
Metals Group Adjustments	Net Sales	(32.0)	(20.0)	(×) 12.0
	Operating Income	0.5	0.0	(○) 0.5
	Income before Special Items	0.5	0.5	—
Others	Net Sales	27.5	28.0	(×) 0.5
	Operating Income	1.0	1.0	—
	Income before Special Items	2.5	2.5	—
Eliminations	Net Sales	(13.0)	(15.0)	(○) 2.0
Total	Net Sales	1,720.0	1,570.0	(○) 150.0
	Operating Income	55.0	41.0	(○) 14.0
	Income before Special Items	91.0	68.0	(○) 23.0

※ Net Sales of each segment includes inter-segments sales.

※ Income of eliminations and corporate is included in Others.

<4> Income before Special Items (FY2006 1H)

(Billions of Yen)

	Revised forecasts (Aug. 9)	Previous forecasts (May 10)	Differences	Notes
Petroleum (Japan Energy Group)	24.5	22.0	(○) 2.5	<ul style="list-style-type: none"> <li>➤ Positive impact of inventory valuation (○) 13.0</li> <li>➤ Increase in income for petrochemical business (○) 2.5</li> <li>➤ Others (×)13.0                             <ul style="list-style-type: none"> <li>• Energy cost up</li> <li>• Margin time lag and others</li> </ul> </li> </ul>
Metals (Nippon Mining & Metals Group)	64.0	43.5	(○) 20.5	
Resources & Metals	55.0	38.0	(○) 17.0	<ul style="list-style-type: none"> <li>➤ Resources &amp; Metals Company and consolidated subsidiaries (○) 9.2                             <ul style="list-style-type: none"> <li>• Metal prices up</li> <li>• Depreciation of the yen</li> </ul> </li> <li>➤ Equity in income of non-consolidated subsidiaries and affiliates (○) 7.8                             <ul style="list-style-type: none"> <li>• Increase of profit in Minera Los Pelambres (Metal prices up, etc.)</li> </ul> </li> </ul>
Electronic Materials	4.5	2.0	(○) 2.5	<ul style="list-style-type: none"> <li>➤ Sales increase of Electro-deposited Copper Foil and Sputtering targets</li> <li>➤ Sales decrease of Treated rolled copper foil</li> </ul>
Metal Manufacturing	4.0	3.0	(○) 1.0	<ul style="list-style-type: none"> <li>➤ Sales increase of wrought copper and special steel</li> </ul>
Metals Group Adjustments	0.5	0.5	—	<ul style="list-style-type: none"> <li>➤ Unrealized profits in Metals group</li> </ul>
Others	2.5	2.5	—	
Total	91.0	68.0	(○) 23.0	

## Consolidated Balance Sheet, Consolidated Cash Flows etc.

### 1. Consolidated Balance Sheet

#### <1> Balance Sheet

(Billions of Yen)

	Jun. 30, 2006 [A]	※1 Mar. 31, 2006 [B]	Differences [A] - [B]	Sep. 30, 2006 (Forecasts) [C]	Differences [C] - [B]
Current assets	951.3	906.4	(+) 44.9		
Fixed assets	999.7	953.2	(+) 46.5		
<b>Total assets</b>	<b>1,950.9</b>	<b>1,859.6</b>	<b>(+) 91.4</b>	<b>1,991.0</b>	<b>(+) 131.4</b>
Current liabilities	1,001.1	921.0	(+) 80.1		
Long-term liabilities	420.6	425.1	(-) 4.4		
<b>Total liabilities</b>	<b>1,421.8</b>	<b>1,346.1</b>	<b>(+) 75.7</b>	<b>1,348.0</b>	<b>(+) 1.9</b>
<b>Net assets</b>	<b>529.2</b>	<b>513.5</b>	<b>(+) 15.7</b>	<b>643.0</b>	<b>(+) 129.5</b>
Shareholders' equity and valuation and translation adjustment	474.2	467.5	(+) 6.8	569.0	(+) 101.5
Minority interest in consolidated subsidiaries	54.9	46.0	(+) 8.9	74.0	(+) 28.0

※2 Shareholders' equity ratio	24.3%	25.1%	(-) 0.8%	28.6%	(+) 3.5%
※2, 3 BPS (¥/Share)	559.89	551.36	(+) 8.53	613.79	(+) 62.43
Interest-bearing debt	780.8	684.7	(+) 96.0	701.5	(+) 16.8

※1: From the first quarter of fiscal 2006, "Net Assets" are presented in accordance with "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (the Accounting Standards Board of Japan ("ASBJ") Statement No. 5, December 9, 2005) and "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, December 9, 2005). For Mar. 31, 2006, "Total Shareholders' Equity" and other items are classified as "Net Assets" in accordance with the above standard and guidance.

※2: In calculation of Shareholders' Equity Ratio and BPS, "Shareholders' equity and valuation and translation adjustment" is used as shareholders' equity.

※3: BPS of Sep. 30, 2006 is calculated based on 927,022 thousand shares. (847,022 thousand shares, issued shares (consolidated) as of June 30, 2006 and 80,000 thousand shares, newly issued shares)

## <2> Factors in Change from March 31,2006 to June 30,2006

(Billions of Yen)

<u>(1) Assets (+) 91.4</u>	
➤ Cash and cash equivalents	(+) 0.3
➤ Notes and account receivable, trade	(-) 4.5
➤ Inventories	(+) 39.9
➤ Property, plant and equipment (PPE) and intangible assets	(+) 31.5
• Capital expenditures	(+) 15.7
• Depreciation and amortization	(-) 11.3
• Integration with copper smelting operations of Mitsui Mining and Smelting Co., Ltd. into PPC	(+) 28.7
• Sales and disposal of PPE and others	(-) 1.6
➤ Acquisition of investments in securities and lending of loans	(+) 14.5
➤ Sales or maturities of investments in securities and collection of loans	(-) 1.4
➤ Difference in equity in income of affiliates and dividend received from such companies	(+) 12.3
➤ Unrealized gain on marketable securities	(-) 5.8
➤ Others	(+) 4.6
<u>(2) Liabilities (+) 75.7</u>	
➤ Interest-bearing debt	(+) 96.0
➤ Accrued income taxes, etc.	(-) 20.3
<u>(3) Net assets (+) 15.7</u>	
➤ Net income	(+) 22.4
➤ Cash dividends paid	(-) 12.7
➤ Unrealized gain on marketable securities	(-) 3.4
➤ Accumulated translation adjustment	(+) 0.2
➤ Minority interest, etc.	(+) 9.2



### <3> Factors in Change from March 31,2006 to September 30,2006 (Forecasts)

(Billions of Yen)

<u>(1) Assets (+) 131.4</u>	
➤ Notes and account receivable, trade and Inventories (excluding the amount of transactions with Mitsui Mining and Smelting Co., Ltd.)	(+) 47.0
➤ Capital expenditures	(+) 36.0
➤ Depreciation and amortization	(-) 24.0
➤ Acquisition of investments in securities, acquisition of copper smelting operations of Mitsui Mining and Smelting Co., Ltd. and lending of loans	(+) 48.0
➤ Difference in equity in income of affiliates and dividend received from such companies	(+) 22.0
➤ Others	(+) 2.4
<u>(2) Liabilities (+) 1.9</u>	
➤ Interest-bearing debt	(+) 16.8
➤ Others	(-) 14.9
<u>(3) Net assets (+) 129.5</u>	
➤ New issue of stocks	(+) 67.7
➤ Net income	(+) 50.0
➤ Cash dividends paid	(-) 12.7
➤ Minority interest, etc.	(+) 24.5

## 2 . Consolidated Cash Flows

### <1> Cash Flows

(Billions of Yen)

	FY2005 1Q (Actual)	FY2006 1Q (Actual)
Cash Flows from Operating Activities	(-) 21.3	(-) 43.3
Cash Flows from Investing Activities	(-) 2.6	(-) 26.5
Cash Flows from Financing Activities	(+) 22.1	(+) 70.1
Effect of Exchange Rate Changes	(+) 0.6	(-) 0.5
Net Decrease in Cash and Cash Equivalents	(-) 1.2	(-) 0.2

### <2> Breakdown of FY2006 1Q

(Billions of Yen)

#### (1) Cash Flows from Operating Activities (-) 43.3

➤ Income before Special Items	(+) 42.0
➤ Depreciation and amortization	(+) 11.3
➤ Equity in income of affiliates	(-) 14.4
➤ Dividend received from affiliates accounted for by equity method	(+) 2.2
➤ Trade receivables, inventories and trade payables	(-) 24.3
➤ Income taxes paid and Others	(-) 60.1

#### (2) Cash Flows from Investing Activities (-) 26.5

➤ Investments in PPE and intangible assets	(-) 14.9
➤ Acquisition of investments in securities and lending of loans	(-) 14.5
➤ Sales or maturities of investments in securities and collection of loans	(+) 1.5
➤ Sales of property, plant and equipment, and Others	(+) 1.4

#### (3) Cash Flows from Financing Activities (+) 70.1

➤ Interest-bearing debt	(+) 82.6
➤ Cash dividends paid	(-) 12.7
➤ Proceeds from third-party share allotment of consolidated subsidiary and Others	(+) 0.2

### 3 . Dividends

FY2005				FY2006 (Projected)			
Mid term	Year end	Full year	Payment amount	Mid term	Year end	Full year	Payment amount
----	¥15.00	¥15.00	¥ 12,715 million	¥6.00	¥6.00	¥12.00	¥ 11,132 million

※ Payment amount is multiplied by 847,693 thousand shares, issued shares as of March 31, 2006 and 80,000 thousand shares, newly issued shares.

### 4 . Interest-bearing Debt

(Billions of Yen)

	Mar. 31, 2006	Jun. 30, 2006	Differences
Petroleum (Japan Energy Group)	430.1	460.6	(+) 30.5
Metals (Nippon Mining & Metals Group)	283.7	314.8	(+) 31.1
Other	(29.1)	5.4	(+) 34.5
Total	684.7	780.8	(+) 96.0

※ Others include eliminations or corporate.

### 5 . Debt to Equity Ratio

(Billions of Yen)

	Mar. 31, 2002	Mar. 31, 2005	Mar. 31, 2006 (A)	Jun. 30, 2006 (B)	(B)-(A)	Sep. 30, 2006 (Forecasts)
Interest-bearing Debt	892.8	643.8	684.7	780.8	(+) 96.0	701.5
Shareholders' Equity	181.5	353.4	467.5	474.2	(+) 6.8	569.0
Debt to Equity Ratio (times)	4.92	1.82	1.46	1.65	(+) 0.19	1.23

### 6 . Capital Expenditure and Depreciation

(Billions of Yen)

	FY2005	FY2006 1Q
Capital expenditure	57.7	15.7
Depreciation and Amortization	44.9	11.3
Difference	(+) 12.8	(+) 4.4

## <1> Capital expenditure by segments

(Billions of Yen)

	FY2005	FY2006 1Q
Petroleum (Japan Energy Group)	34.5	6.8
Metals (Nippon Mining & Metals Group)	22.3	8.7
Resources & Metals	11.5	4.7
Electronic Materials	6.0	1.8
Metal Manufacturing	4.8	2.2
Others	0.9	0.2
Total	57.7	15.7

※ Others include eliminations or corporate.

## <2> Depreciation and Amortization by segments

(Billions of Yen)

	FY2005	FY2006 1Q
Petroleum (Japan Energy Group)	30.1	7.2
Metals (Nippon Mining & Metals Group)	14.4	3.9
Resources & Metals	6.7	2.2
Electronic Materials	5.1	1.0
Metal Manufacturing	2.6	0.7
Others	0.5	0.1
Total	44.9	11.3

※ Others include eliminations or corporate.

## 7 . Number of Employees

(Persons)

	March 31, 2004	March 31, 2005	March 31, 2006
Petroleum (Japan Energy Group)	3,982	3,873	3,920
Metals (Nippon Mining & Metals Group)	4,242	4,120	4,348
Resources & Metals	1,471	1,447	1,553
Electronic Materials	1,622	1,512	1,373
Metal Manufacturing	1,149	1,161	1,422
Other	1,634	1,281	1,311
Total	9,858	9,274	9,579

※ Other includes Nippon Mining Holdings, Inc.