

*Challenge to become the  
world's leading business group*



ANNUAL REPORT | 2014  
For the year ended March 31, 2014

# Corporate Profile

As a comprehensive materials manufacturer, the Mitsubishi Materials Group focuses on the supply of basic materials indispensable to the world.

The Group has established operating bases in about 25 countries and regions worldwide while developing a vast array of businesses centered on cement, metals, cemented carbide tools and electronic materials.

The Group will contribute to people, society and the Earth by further maximizing cross-business synergies to provide high-value-added products that meet today's needs.

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### Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to Mitsubishi Materials' plans, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of Mitsubishi Materials which are based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions in Mitsubishi Materials' markets; industrial market conditions; exchange rates, particularly between the yen and the U.S. dollar, and other currencies in which Mitsubishi Materials makes significant sales or in which Mitsubishi Materials' assets and liabilities are denominated; and Mitsubishi Materials' ability to continue to win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology and changing customer preferences.

# Consolidated Financial Highlights

Mitsubishi Materials Corporation and Consolidated Subsidiaries

Years ended March 31, 2014, 2013, and 2012

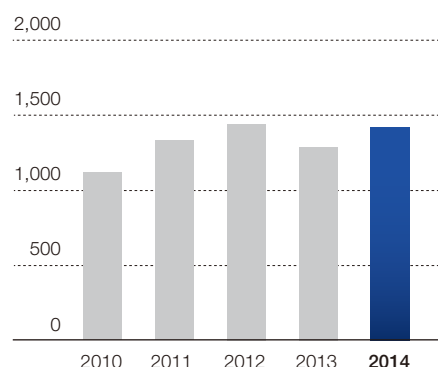
	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
<b>For the year:</b>				
Net Sales	¥1,414,796	¥1,287,251	¥1,440,847	\$13,746,568
Operating profit	66,281	52,500	52,293	644,014
Net income	52,551	36,948	9,565	510,608
<b>At year-end:</b>				
Total assets	¥1,778,505	¥1,811,767	¥1,751,870	\$17,280,462
Total net assets	525,707	466,231	409,074	5,107,922
<b>Per share data (in yen, dollars):</b>				
Net income (basic)	¥40.1	¥28.1	¥7.2	\$0.38
Net assets	348.5	309.1	267.6	3.38
Cash dividend applicable to the year	6.0	4.0	2.0	0.05
<b>Ratios (%):</b>				
Return on assets (ROA)	3.0	2.0	0.5	
Return on equity (ROE)	10.0	7.9	2.3	

## Notes:

- Note: U.S. dollar amounts are translated from yen at the rate of ¥102.92 to US\$1, the approximate exchange rate as of March 31, 2014.
- Amounts of less than one million yen have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.
- ROA = Net income / Total assets.
- ROE = Net income / Total net assets.

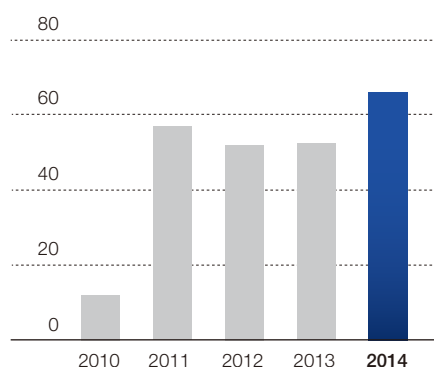
## Net Sales

(Billions of yen)



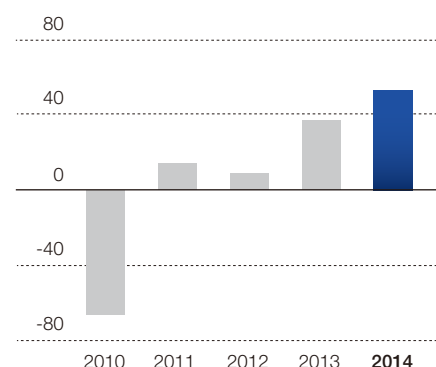
## Operating Profit

(Billions of yen)



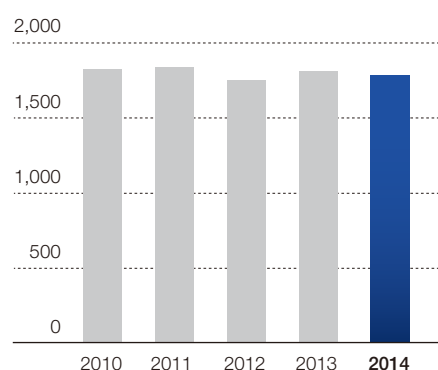
## Net Income

(Billions of yen)



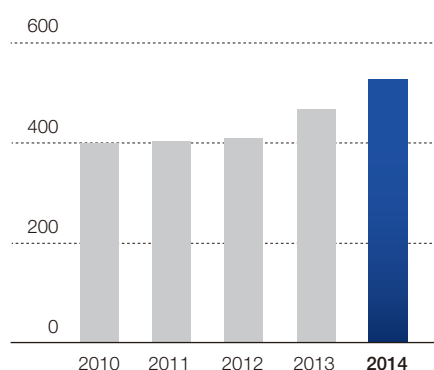
## Total Assets

(Billions of yen)



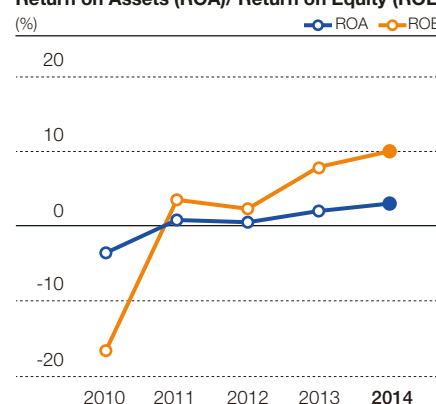
## Total Net Assets

(Billions of yen)




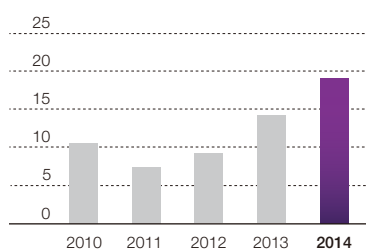
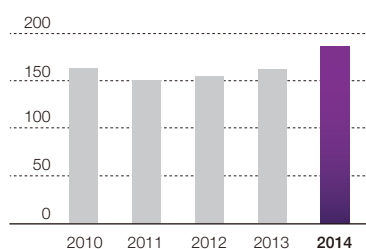
## Return on Assets (ROA)/ Return on Equity (ROE)

(%)

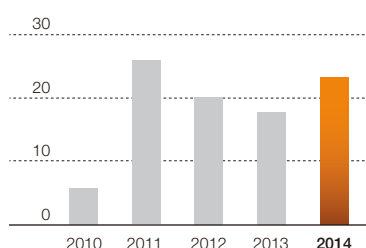
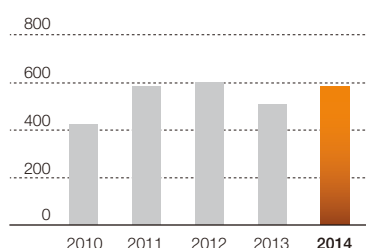


## At a Glance

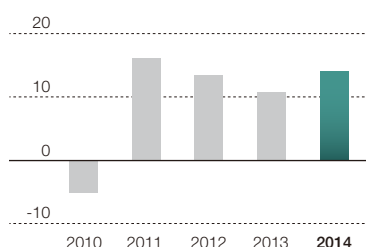
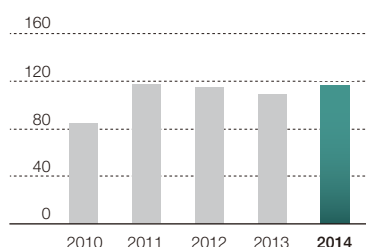
Segment	Share of Net Sales (FY2014)	Major Products and Services
<b>CEMENT</b> 	 13.2%	<ul style="list-style-type: none"> <li>Portland cement</li> <li>Cement-related products</li> <li>Ready-mixed concrete</li> <li>Building materials</li> </ul>
<b>METALS</b> 	 41.2%	<ul style="list-style-type: none"> <li>Copper smelting</li> <li>Copper and copper alloy products</li> <li>Precious metals</li> </ul>
<b>ADVANCED MATERIALS &amp; TOOLS</b> 	 8.2%	<ul style="list-style-type: none"> <li>Cemented carbide products</li> <li>Sintered parts</li> <li>High-performance alloy products</li> </ul>
<b>ELECTRONIC MATERIALS &amp; COMPONENTS</b> 	 3.5%	<ul style="list-style-type: none"> <li>Electronic materials</li> <li>Electronic components</li> <li>Polycrystalline silicon</li> <li>Chemical products</li> </ul>
<b>ALUMINUM</b> 	 10.6%	<ul style="list-style-type: none"> <li>Aluminum beverage cans</li> <li>Rolled or extruded aluminum products</li> <li>Processed aluminum products</li> </ul>
<b>OTHERS</b> 	 23.2%	<ul style="list-style-type: none"> <li>Resource-, environment- and recycling-related products</li> <li>Fossil fuels</li> <li>Nuclear energy-related services</li> <li>Engineering, real estate, etc.</li> </ul>

**Net Sales** (Billions of yen)**Operating Profit** (Billions of yen)**Profile**

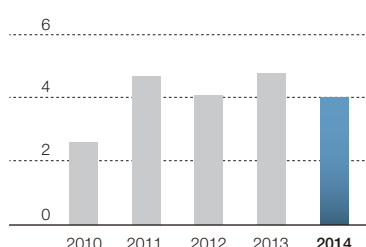
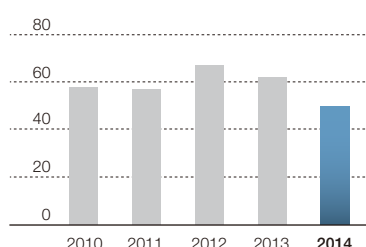
Building a business framework that encompasses the production and sale of each type of cement, along with ready-mixed concrete and secondary cement products, Mitsubishi Materials is engaged in cement businesses both in Japan and overseas. The Company is also contributing to a resource-recycling society by actively promoting the recycling of waste materials and byproducts.



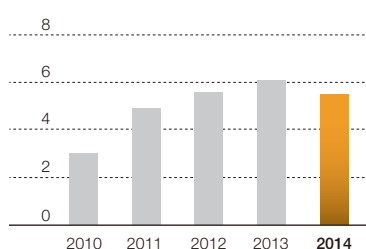
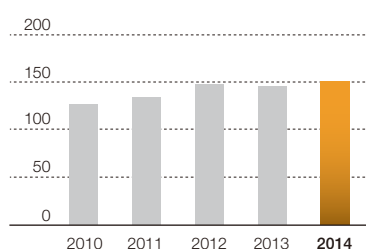
The Metals business develops its operations based on the pillars of copper mine development, smelting, processing, as well as the production and sale of precious metals and bullions. In recent years, we have been actively investing in copper mines, augmenting recycling operations in the copper smelting business, and restructuring the copper and copper alloy products business. These initiatives enable the Metals business to steadily manufacture and sell high-performance, high-quality copper products on a global scale.



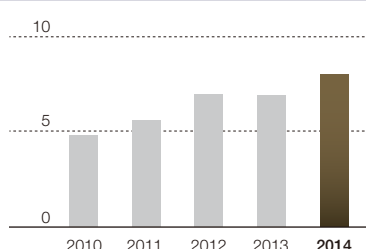
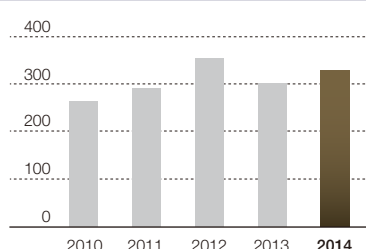
Mitsubishi Materials provides core components, materials and other products to customers around the world primarily in the automotive and aircraft markets. Such products include cemented carbide tools, which are indispensable for the metal processing of various components, as well as engines and transmissions. The Company has also been focusing its energy in recent years on recycling raw materials, including tungsten.



The Company provides the market with products that meet the needs of such growth areas as sputtering targets for organic electroluminescent (EL) displays and solar cells, as well as electronic components used in energy-saving models of air conditioners and refrigerators, both of which are gaining in popularity in emerging countries. In addition, Mitsubishi Materials supplies the market with polycrystalline silicon, which is used as a raw material to produce silicon wafers for semiconductors. This material features a superior "Eleven 9s" level of purity thanks to unsurpassed purification technology.



The Aluminum business is engaged in the manufacturing and sale of products for a wide array of segments and with various uses, including aluminum cans for beverages, automobile components, materials used by the electric and electronics industries and everyday items. Furthermore, the Company focuses on recycling raw materials through the construction of a uniform processing system that encompasses everything from the collection of used aluminum cans (UBC) to the casting of recycled aluminum.

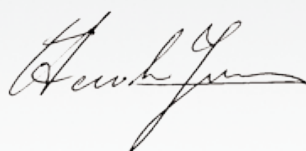


In its Others business, Mitsubishi Materials is promoting developments in areas that include geothermal, hydro, and solar power generation which provide green, renewable non-CO<sub>2</sub>-emitting energy sources; the home appliance recycling business, which contributes to the development of a recycling society and the engineering business, which undertakes the MMC Group's civil engineering and construction operations.

## Message from the President

**“We will become the *world’s leading* business group committed to supporting recycling-oriented society through *materials* innovation, with use of our *unique and distinctive* technologies.”**

June 27, 2014



Hiroshi Yao, President



### Fiscal 2014 Summary

During fiscal 2014, ended March 31, 2014, overseas market prices fell for key metals, including copper. However, operations were affected overall by a correction in the exchange rate of the Japanese yen. Furthermore, earthquake disaster recovery projects reached a strong tempo and housing construction increased, leading firm demand for cement.

In this environment, we embarked on the previous medium-term management plan. The plan outlined “Simultaneously implementing growth strategies and financial improvements,” “Business advancement in overseas markets, especially emerging markets” and “Generation of distinctive synergies as an integrated business entity.” Based on this recognition, we implemented various measures, expanded its network of production and sales sites, principally in Asia ex-Japan, and promoted business selection and concentration.

As a result, consolidated net sales for the fiscal year amounted to ¥1,414,796 million, up 9.9% from the previous fiscal year. Operating profit increased 26.3% to ¥66,281 million. Net income increased 42.4% to ¥52,551 million.

### Regarding the Explosion and Fire Accident at Yokkaichi Plant

We mourn the loss of lives in the explosion and fire at the Mitsubishi Materials’ Yokkaichi Plant, which occurred on January 9, 2014, and offer our sincere condolences to the bereaved families.

Furthermore, we offer our profound apologies to members of the local community, related authorities, customers and shareholders for the resulting inconvenience.

The Group suspended operations of the Yokkaichi Plant’s production facilities the day following the accident to ensure its safety. We implemented various measures such as inspection of the production facilities based on the guidance of relevant authorities and the recommendations of the Accident Investigation Committee, which comprises members of academia and external specialists. Having confirmed the safety of its operations, the Group restarted operations at the Yokkaichi Plant on June 30, 2014.

The Group has seriously taken in the gravity of this accident. To prevent the recurrence of a similar accident, we will continue to implement various measures to ensure operational safety as well as measures aimed at preventing accidents, based on the recommendations of the Accident Investigation Committee. The entire Group is working together to reinforce its safety management system.

### Previous Medium-Term Management Plan Summary

In the medium-term management plan “Materials Premium 2013” to the previous fiscal year, the Company charted a basic policy of simultaneously implementing growth strategies and financial improvements. As a growth strategy, the Company focused on business development in overseas markets, especially in emerging countries, as well as realization of distinctive synergies as an integrated business entity under “Materials Premium.”

Regarding business development in overseas markets, especially in emerging countries, the Company took several steps to fortify its operation for future growth. For example, the Company expanded its network of production and sales locations, particularly in Asia. In the United States, the Company



merged Robertson's Ready Mix, Ltd. that runs a ready-mix concrete and aggregate business as a wholly owned subsidiary of MCC Development Corp., the Company's consolidated subsidiary, in order to strengthen downstream business. Further, the Company participated in the Zafranal Copper Project in Peru.

In the realization of "Materials Premium," the Company achieved tangible results on several fronts by advancing development that leverages its unique strengths as an entity with strong operations in both cement and metals. The Company launched a "smelting and cement recycling system," which reuses copper slag generated from the copper smelting process as a feedstock for cement production. Furthermore, the Company invented MNEX® and other materials, which crystallize various non-ferrous alloy technologies; the Company succeeded in developing a series of the world's thinnest flexible thermistor sensor by using technologies for the manufacture of cemented carbide tools and electronic materials.

As for the financial improvements, the Company achieved its plan for improvement to its net debt-to-equity (D/E) ratio. However, the Company could not meet its targets for consolidated ordinary income and ROA. Improving profitability remains an issue to tackle with renewed effort going forward.

### Outlook for Fiscal 2015

As for the global economy, while the future is uncertain for the economies of China and other emerging countries, a gradual recovery is expected mainly in developed countries. As for the Japanese economy, gradual recovery is anticipated because of firm trends in domestic demand.

As for the business environment in which the Group operates,

while the domestic economy is recovering, demand for cement is anticipated to continue because of demand in the full-scale reconstruction efforts. On the other hand, with the pace of prices in overseas markets for key metals, including copper, there is some concern for a downward trend.

In this situation, the Group has formulated its "long-term management policy" that looks toward the early 2020s and its medium-term management plan (FY2015-2017), and the entire Group is coming together and aiming to achieve their success.

### To Our Shareholders and Investors

We regard the return to shareholders as one of our most important priorities. Accordingly, our policy is to make decisions on profit allocation based on comprehensive consideration of various factors related to overall management, such as income over the relevant period, retained earnings, and financial position. Based on this policy, we decided to pay an annual dividend for fiscal 2014 of ¥6.00 per share (¥2.00 interim dividend plus ¥4.00 year-end dividend). Dividend payments for fiscal 2015 are expected to increase by ¥2.00 to ¥8.00 per share (¥3.00 interim dividend plus ¥5.00 year-end dividend).

The Mitsubishi Materials Group will endeavor to raise the Group's corporate value through initiatives in the new medium-term management plan.

We look forward to the unwavering support and understanding of the Company's shareholders and investors.

## Long-term Management Policy: Overview

In order to securely implement the corporate philosophy "For People, Society and the Earth", the Group has formulated a long-term management policy looking forward toward the early 2020s. Based on this policy, each operation of the Group commits to create valuable products and services with our unique technologies and to take a leading position in the industry and market. The group's target for the early 2020s is to reach net sales of ¥2 trillion or more and net income of ¥100 billion or more.

### Vision

"We will become the **world's leading** business group committed to supporting recycling-oriented society through **materials** innovation, with use of our **unique and distinctive** technologies."

### Target State

By achieving above vision and earning the trust of customers, each Mitsubishi Materials operation occupies an important position in each industry and market.



## Special Feature: Medium-term Management Plan (FY2015-2017)\*

### Medium-Term Management Plan (FY2015-2017)

## Materials Premium 2016 — Challenge to become the *world's leading* business group

Mitsubishi Materials Corporation has formulated its medium-term management plan (FY2015-2017) “Materials Premium 2016\*\* – Challenge to become the *world's leading* business group.” Our medium-term management plan “Materials Premium 2016” is positioned as a first step to focus on strengthening our foundations to become the *world's leading* business group as defined in our long-term management policy.

\* From the year ending March 31, 2015 to the year ending March 31, 2017

\*\* 2016 corresponds with usage in Japan and indicates the year ending March 31, 2017 (fiscal 2017 in this report).

### Management Target and Growth Strategy

#### Management Target

	FY2014	FY2017
Operating profit	¥66.2 billion	¥100 billion
Ordinary income	¥76.9 billion	¥110 billion
Return on asset (ordinary income base)	4.3%	6%
Net D/E ratio	1.3 times	1.0 time or lower

#### Plan by Segment

	FY2014			FY2017		
	Net sales	Operating profit	Ordinary income	Net sales	Operating profit	Ordinary income
Cement	¥ 190.1	¥19.1	¥18.8	¥ 229.0	¥ 35.0	¥ 35.0
Metals	750.9*	23.7*	37.8*	810.0	30.0	40.0
Advanced Materials & Tools	145.8	14.0	13.9	168.0	23.0	23.0
Electronic Materials & Components	67.7	4.0	2.1	88.0	7.0	6.0
Aluminum	151.5	5.5	4.7	175.0	8.0	7.0
Others, elimination, etc.	108.5*	-0.3*	-0.7*	130.0	-3.0	-1.0
Total	¥1,414.7	¥66.2	¥76.9	¥1,600.0	¥100.0	¥110.0

(Billions of yen)

\* Results for FY2014 are calculated after reclassification of precious-metals segment.

#### Group-wide Growth Strategy

1. Fortifying the foundation for growth
2. Strengthening global competitiveness
3. Pursuing a recycling-based business model

#### Assumptions

	FY2014	FY2017
Average TTM rate (yen/\$)	100	100
Average TTM rate (yen/€)	134	130
Copper price LME (¢/lb)	322	300

#### Growth Strategy

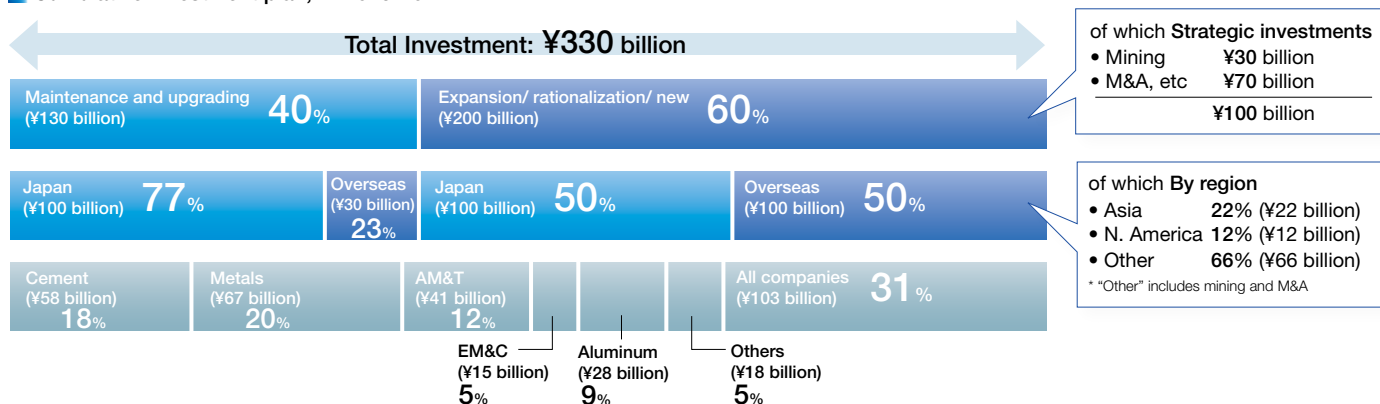
### 1

## Fortifying the foundation for growth

Setting the motto “Safety and Health are the First” as our first priority, we will enhance our safety management systems. Thus, we foster our corporate philosophy and culture to value safety so that we will secure stable operational frameworks which contribute to the growth of the Group business. Further, we will continue to work to improve our financial position by raising profitability through business selection and focus, while accelerating growth by executing strategic investments worth ¥100 billion over the three-year period, focusing on M&A and expansion in production and sales locations in the overseas countries.

### Strategic investments to accelerate sustainable growth

#### Cumulative investment plan, FY2015-2017





Growth  
Strategy

## 2

## Strengthening global competitiveness

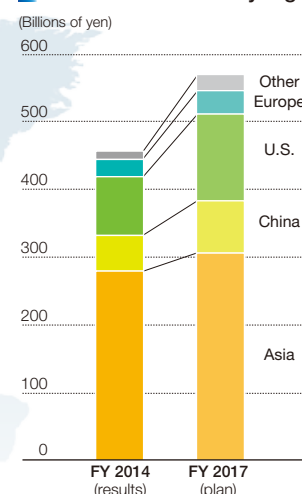
Focusing on expanding our current production and sales locations in overseas countries, as well as developing new production and sales locations mainly in the emerging countries, we will acquire growing new global markets. Furthermore, by conducting strategic marketing in the automotive and electronics industries, we will gain access to new customers and markets so that we can boost our competitiveness.

### Expansion of existing locations and deployment of new production and sales locations with focus on emerging countries

- Improvement of global competitiveness by developing new customers and markets through strategic deployment of marketing

	Existing locations			New locations		
	Production	Sales	Other	Production	Sales	Other
Europe	2	6	4	2		
Americas	16	8	11	1	2	1
China	8	10	4	1	5	
Asia	21	19	4	7	1	2
Other	2	1	3			
Total	49	44	26	9	10	3

#### Overseas net sales by region



Note: 1) "Asia" excludes Japan and China  
2) Excludes bullion

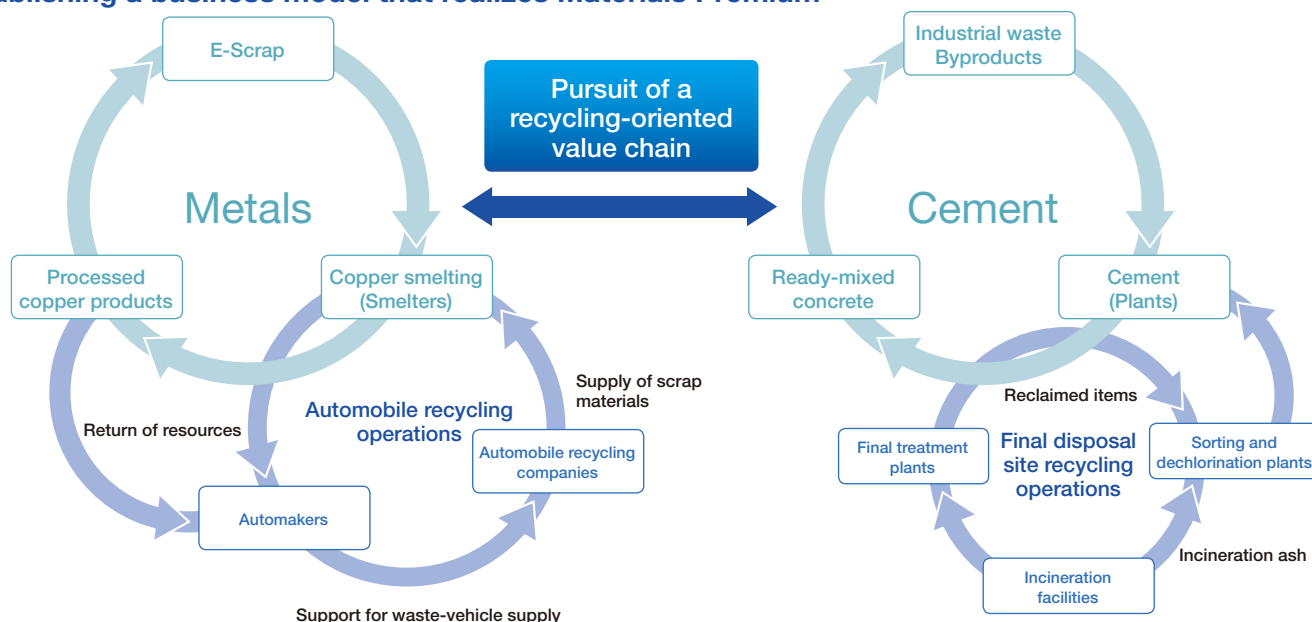
Growth  
Strategy

## 3

## Pursuing a recycling-based business model

The Group operates its business widely across the upstream (resources), midstream (materials) and downstream (processed products) markets. In addition, we will pursue the business model to circulate wastes to the upstream market for utilization. Through our "Materials Premium" plan that derives from our unique strength as a conglomerate, we will facilitate recycling of wastes that have so far been hard to process so that we can contribute to the sustainable growth of society.

### Establishing a business model that realizes Materials Premium



## Review of Operations

### CEMENT



#### Performance FY2014

##### Net Sales

**¥186.5** billion yen  
15.2%

##### Operating Profit

**¥19.1** billion yen  
34.3%

#### Performance for fiscal 2014

In Japan, a stable, nation-wide increase in demand caused by the full-scale reconstruction efforts from the earthquake, as well as an increase in other disaster relief work, redevelopment construction, and housing construction for condominiums and the like, increased sales volumes. Overseas, sales volume increased. United States demand was strong for private-sector capital spending and housing-related. Chinese demand increased due to the high-speed rail construction and the construction of the new airport in Shandong.

In the entire Cement business, cement production amounted to 12.4 million tons, up 0.6 million tons from the previous fiscal year.

As a result, segment sales improved by 15.2%, or ¥24.6 billion, year-on-year to ¥186.5 billion, while operating profit rose by 34.3%, or ¥4.8 billion, to ¥19.1 billion.

#### Outlook and future strategies

In Japan, demand in the public and private sectors is expected to remain strong. This is evidenced by some recovery signs represented by public investments for economic policies including the reconstruction efforts in the wake of the earthquake, and private equipment investments. Nevertheless, manpower constraints at construction sites, and the like, are forecasted to continue. For that reason, domestic (Japanese) cement demand in FY2015 is forecasted to only be slightly above the previous fiscal year at 48,000 thousand tons.

In the US cement business, demand is anticipated to recover around the private sector, continuing from the gradual recovery in the US economy. Mitsubishi Cement Corp will strive to increase sales volumes and raise prices through sales centering on the Robertson's Ready Mix, Ltd. that provides the ready-mix concrete business. We will also strive to increase profitability in the United States by maximizing the use of the businesses and assets at Robertson's Ready Mix, Ltd.

In the Chinese cement business, firm public and private sector demands are forecasted to continue in Shandong Province. We will strive to implement stable supplies, and incorporate sales price revisions, and strength earning power.

### Business Strategy During the Medium-term Management Plan Period

#### Japan

- Stably supply for booming demand due to earthquake disaster reconstruction, hosting of Tokyo Olympics, etc.
- Promote integrated business capabilities to expand recycling operations

#### United States

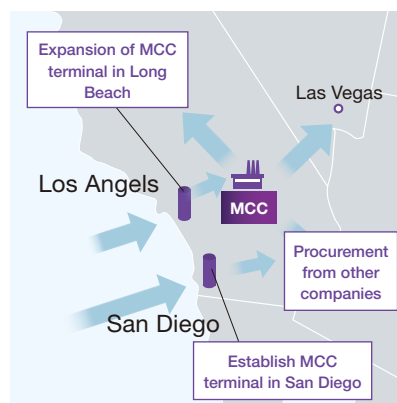
- Expand cement supply abilities by such measures as terminal expansion, etc.
- Expand earnings from ready-mix concrete operations by new construction and purchase of ready-mix concrete plants, and securing aggregate quarries

#### Emerging countries

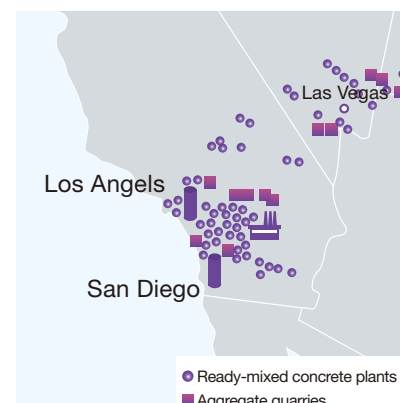
- Deploy operations in emerging countries by such measures as building new cement plants, terminals and relationships with local companies

#### ■ Key Growth Strategy: Expansion of US Operations

##### Expansion of cement supply system



##### Increase in earnings from ready-mixed concrete operations



## METALS



### Performance FY2014

#### Net Sales

**¥582.7** billion yen  
14.9%

#### Operating Profit

**¥23.2** billion yen  
31.0%

### Performance for fiscal 2014

In the copper business, the overseas copper market prices decreased, but there was also impact from correction of yen appreciation. At PT Smelting in Indonesia, operational trouble at the mines from which the company sources its ore and operation shutdown associated with periodic furnace repairs affected results. At the Naoshima Smelter & Refinery, however, there were no periodic furnace repairs during the period. This resulted in increased production, which in turn led to an increase in net sales and operating profit. In the entire Metals business, copper cathode production amounted to 513 thousand tons, up 4 thousand tons from the previous fiscal year.

In the gold and other metals business, despite the impact from correction of yen appreciation, both net sales and operating profit decreased as a result of reduced production partly due to a decrease in the amount of metals contained in the raw material ore.

In the copper and copper alloy products business, sales of products for the automobile sector increased, and there was an increase in net sales and operating profit.

As a result, segment sales rose 14.9%, or ¥75.5 billion, year-on-year to ¥582.7 billion, while operating profit jumped 31.0%, or ¥5.5 billion, to ¥23.2 billion.

### Outlook and future strategies

The supply-demand situation of copper concentrates is expected to become easy due to the enhanced supply capacity of mines. Copper market price is currently on a downward trend. However, we will watch this trend closely in the future together with currency exchange rates and stock market trends.

In the copper and copper alloy products business, demand for products for automobiles and electronic materials is forecasted temporarily to decrease because of the rise in consumption tax, but later, a gradual recovery is expected.

We will continue to raise the efficiency of energy use and squeeze fixed costs, to lower our break-even point, thereby building a robust business constitution. In copper smelting, we will work to deliver stable operations at smelters both in Japan and overseas. We will also expand recycling operations by constructing a treatment framework that can manage difficult-to-handle waste that contains nonferrous and precious metals. By boosting revenues from waste treatment, the Group will bolster its profitability. In the copper and copper alloy products business, we will continue to increase profitability by enhancing sales competitiveness through accelerated development of alloys, drawing on our technological and development capabilities.

Also, as of April 1, 2014, sales of precious metals bullion of the precious metals business were integrated into the Metals business.

## Business Strategy During the Medium-term Management Plan Period

### Mining

- Launching of new mine development (Zafranal in Peru, etc.)

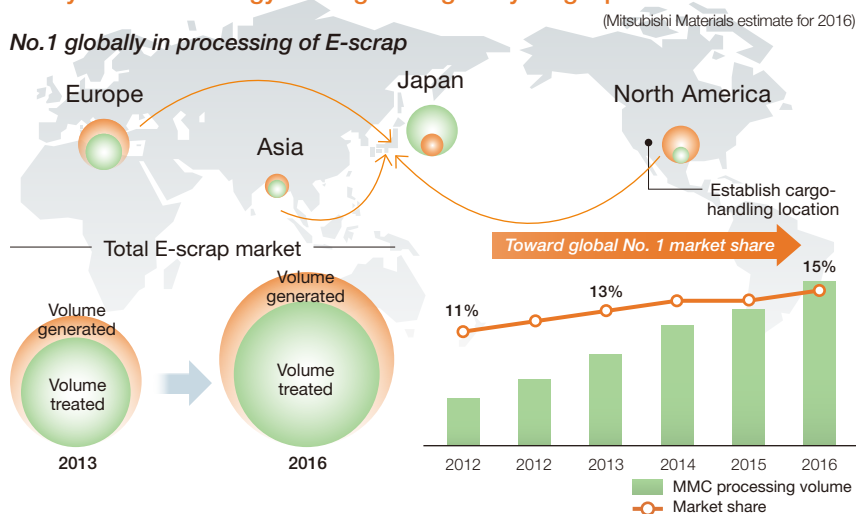
### Smelting

- Strengthening of recycling operations; responding to increasing generation of precious metals scrap (e-scrap) overseas by expanding collection and pretreatment facilities
- Utilizing slag (smelting by-products) effectively

### Copper processing

- Expanding sales of new alloy MNEX<sup>®</sup> for volume-zone markets in emerging-country
- Establishment of slitting facilities and sales location in emerging countries
- Cultivating new markets with unique alloys such as lead-free products ("ECOBRASS<sup>®</sup>") and discoloration-resistant antimicrobials products ("CLEANBRIGHT<sup>®</sup>")

### Key Growth Strategy: Strengthening Recycling Operations




## Review of Operations

### ADVANCED MATERIALS & TOOLS



#### Performance FY2014

##### Net Sales

**¥116.5** billion yen  
7.1% 

##### Operating Profit

**¥14.0** billion yen  
30.7% 

#### Performance for fiscal 2014

In cemented carbide products business, sales increased because of sales promotion measures implemented by our overseas subsidiaries and correction of yen appreciation. Furthermore, costs were reduced because of improved productivity. As a result, there was an increase in net sales and operating profits.

In the high-performance alloy products business, although there was an increase in demand for the aircraft-related market and in sales of products for automobile sector, purchase costs increased as a result of correction of yen appreciation. Also, Tamadai Corporation ceased to be subsidiary in December 2013, and Mitsubishi Materials C.M.I. Corporation ceased to be subsidiary in January 2014, resulting in a decrease both in net sales and operating profit.

As a result, overall net sales in this segment increased 7.1%, or ¥7.7 billion, year on year to ¥116.5 billion. Operating profit increased 30.7%, or ¥3.3 billion to ¥14.0 billion.

#### Outlook and future strategies

In the cemented carbide products business, there is a trend toward overall recovery for the ordering environment. Demand is expected to expand in the automobile-related and aircraft-related markets, where our main customers are, in the medium- and long-term. We will further strengthen high-performance, high-precision product development and scale up our engineering service organization, to support the needs of our customers as a general tool manufacturer. We will be working on reinforcing our sales activities through the expansion of our sales network, by building out our array of sales bases mainly in emerging countries. We will continue to promote the diversification of raw material procurement sources, such as by improving the recycling ratio in order to stably procure tungsten, which is a main raw material of cemented carbide products.

Turning to high-performance alloy products business, Tamadai Corporation and Mitsubishi Materials C.M.I. Corporation ceased to be subsidiaries, while MMC Superalloy Corporation changed from being a consolidated subsidiary to being an equity-method affiliate because of becoming a joint venture company in July 2014. While these moves are forecast to reduce revenues and earnings over the short term, demand for sintered products is forecast to expand with growth in automobile-related industries. Amid such circumstances, the Group will start smooth operations at new sintered-products plants overseas, launch fresh products at existing plants, and strengthen production technology in Japan. This latter initiative will improve quality and pare costs by raising productivity. In this way the Group will strive to expand earnings.

#### Business Strategy During the Medium-term Management Plan Period

##### Cemented carbide products

- Expansion of sales through industry-based team such as automobiles, aircraft and medical equipment
- Expansion of sales networks and production location, focusing on emerging countries
- Enhancing tungsten recycling

##### High-performance alloy products

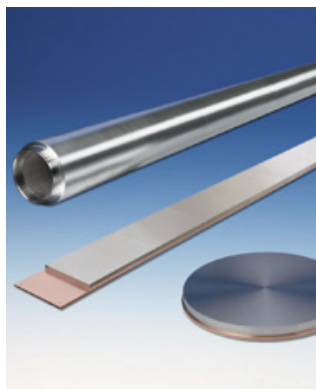
- Increasing market share among auto-parts manufacturers by expanding existing production location and opening new ones
- Expanding sales of eco-car parts (VVT, etc.) by improving quality while reducing sales price

#### Key Growth Strategy: Expansion of cemented carbide product network



\* Establishment of new overseas sales companies, branches and offices, and dealerships

## ELECTRONIC MATERIALS & COMPONENTS



### Performance FY2014

#### Net Sales

**¥49.8** billion yen  
19.7% 

#### Operating Profit

**¥4.0** billion yen  
-16.8% 

### Performance for fiscal 2014

Although sales of products for smartphone displays were steady, as demand in the semiconductor-related markets was low, the advanced materials business recorded a decrease in both net sales and operating profit.

The electronic components business posted an increase in both net sales and operating profit due to increased sales of products for household appliances, results of cost reductions, and impact from correction of yen appreciation.

The polycrystalline silicon and chemical products business posted a decrease in both net sales and operating profit, as sales of polycrystalline silicon decreased as a result of suspension of operations at the Yokkaichi Plant after an explosion and fire, which occurred on January 9, 2014.

As a result, in the entire Electronic Materials & Components business, net sales decreased 19.7%, or ¥12.2 billion, year on year to ¥49.8 billion, while operating profit decreased 16.8%, or ¥0.8 billion, to ¥4.0 billion.

### Outlook and future strategies

In the advanced materials business, sales of products for smartphone displays and for solar cell are expected to be firm, but demand for semiconductor-related products remains opaque. Also, in addition to a positive trend in demand for products for hybrid automobiles, demand is expected to increase for products in industries other than for automobiles. In each market, we will continue to increase profitability by using core technological capabilities, and enhancing sales competitiveness and proposal capabilities to clients.

In the electronic devices business, although sales of products for household appliances have a firm trend, there is some concern for decelerated growth in the future for the Chinese economy; demand is opaque. In the future, we will strengthen our sales organizations in emerging countries, implement early introductions of new products and further reduce costs in our efforts to strengthen the business structure.

In polycrystalline silicon and chemical products, the Group suspended operations of its polycrystalline silicon production facilities to ensure its safety following the explosion and fire at the Yokkaichi Plant, which occurred on January 9, 2014. We implemented various measures such as inspection of the production facilities based on the guidance of relevant authorities and the advice of the Accident Investigation Committee, which comprises members of academia and external specialists. Having confirmed the safety of its operations, the Group restarted operations at the Yokkaichi Plant on June 30, 2014. Going forward, we will continue focusing our efforts on safe operations.

### Business Strategy During the Medium-term Management Plan Period

#### Advanced materials and electronic devices

- Promotion of marketing-driven R&D to achieve rapid development and commercialization of unique, value-added strategic products
- Optimization of products portfolio through selection and focus as well as M&A

#### Silicon

- Ensuring early stabilization of overall silicon business (The Group will continue to observe autonomous reconstructing at SUMCO.)

#### ■ Key Growth Strategy: Strengthening of production and sales systems for devices



To expand production at low cost, the Group will secure overseas production contractors and build a new factory in Laos, a country with low-cost (estimating time of starting operation, March 2015)

- Main users
- Production locations for absorber and sensor elements
- Sensor production locations
- Contractors
- Overseas sales companies



## Review of Operations

### ALUMINUM



#### Performance for Fiscal 2014

In the aluminum cans business, demand increased for regular cans mainly for beer or beer-like beverages, but demand for bottle cans decreased for black coffee and tea-based beverages.

In rolled aluminum and processed aluminum products, demand for aluminum can materials and products for the solar battery sector lifted. After a decrease in demand in the first half

of the period under review, prompted by the end of an Eco-car subsidy, product demand for automobile sector rose again, influenced by the last-minute rush before the increase in the consumption tax.

Overall the aluminum segment saw an upturn in energy cost and material cost, due to the correction of yen appreciation.

As a result, in the entire Aluminum business, net sales increased 3.2%, or ¥4.7 billion, year on year to ¥150.2 billion, while operating profit decreased 9.9%, or ¥0.6 billion, to ¥5.5 billion.

#### Business Strategy During the Medium-term Management Plan Period

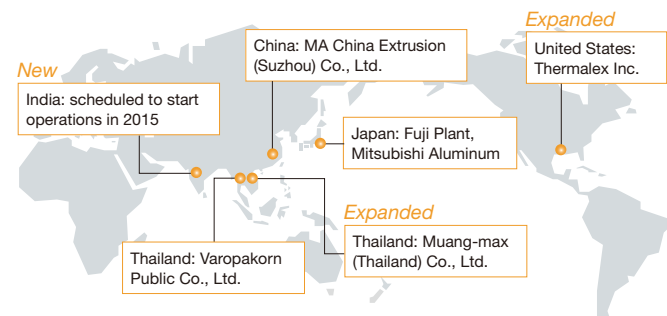
##### Rolling and processing

- Strengthening of existing overseas locations for extruded multi-port tubes for heat exchangers and sheet metal
- Launching a company in India and achieving profitability
- Serving needs for light weight and low cost in automobiles and electronics

##### Can manufacturing

- Enhancing a system for increasing production by speeding up existing lines
- Strengthening bottle cans sales overseas
- Strengthening collaboration among collection, casting and rolling in aluminum-can recycling

#### Global deployment of heat-exchanger operations by Mitsubishi Aluminum



### OTHERS



#### Performance for Fiscal 2014

In the energy-related business, although coal sales were up, costs increased in the field of nuclear energy which experienced an increase in sales for the decontamination business. In addition, survey costs increased for new geothermal power development proposals. As a result, there was an increase in net sales but a decrease in operating profit.

In the "e-waste" (used electronics and electrical products) recycling business, both net sales and operating profit increased due to an increase in the amount of throughput influenced by the last-minute rush before the increase in the consumption tax, the increase in the amount collection of valuable resources and the effects of cost reduction.

In the precious metal business, although sales decreased for jewelry-related items, sales volumes of gold bullion rose because of a major drop in the price of gold in overseas markets in the first quarter, leading to increases in both net sales and operating profit.

Orders for nuclear energy and engineering services amounted to ¥65.4 billion, up ¥6.4 billion from the previous fiscal year. The order backlog at the end of the period was ¥28.7 billion, up ¥10.7 billion from a year earlier.

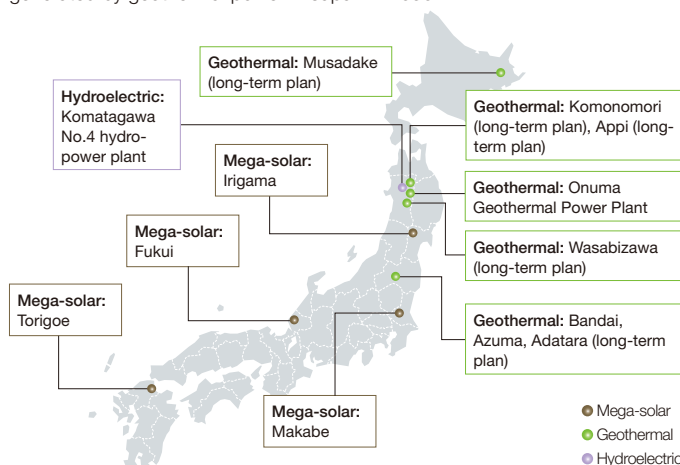
As a result, overall net sales of this segment rose 9.0%, or ¥27.2 billion, year on year to ¥328.8 billion, while operating profit grew 15.6%, or ¥1.0 billion, to ¥8.0 billion.

#### Topics

##### Renewable Energy

Based on the precious management resources it has cultivated over many years, Mitsubishi Materials is expanding its business in renewable energy. By providing a stable supply of environmental-friendly energy, the Company is contributing to sustainable society.

Target state: Supplying 1,000MW of the 3,500MW which is forecasted to be generated by geothermal power in Japan in 2030.





## Research and Development

### Fundamental Policy of R&D

It is the fundamental policy of the Mitsubishi Materials Group's R&D to rapidly conduct ongoing development activities, in tandem with management policies, in order to contribute to sustainable business expansion. As a comprehensive materials manufacturer, the Mitsubishi Materials Group strengthens the cultivation of its indispensable basic and core technologies. At the same time, the Group proposes and implements current development themes to support and expand ongoing operations as well as future themes intended to create next-generation businesses.

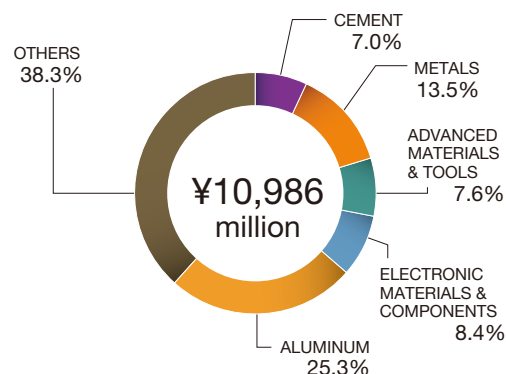
### R&D Strategies

The Group aims to accelerate development and differentiate its technologies and products by leveraging its unique raw material, processing and recycling technologies. We are especially working to develop new business that will be pillars in the medium- to long-term, businesses that can meet future needs in the fields of automobiles, electronics, energy and environmental-related recycling.

### R&D Expenses

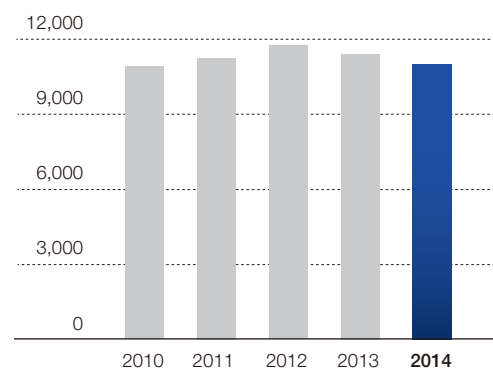
R&D expenses during the fiscal year ended March 31, 2014 decreased ¥415 million, or 3.6% year-on-year, to ¥10,986 million. The breakdown of R&D expenses by business segment is as follows: Cement was ¥766 million, Metals stood at ¥1,488 million, Advanced Materials & Tools reached ¥834 million, Electronic Materials & Components totaled ¥918 million and Aluminum amounted to ¥2,778 million.

■ R&D Expenses Breakdown in FY2014



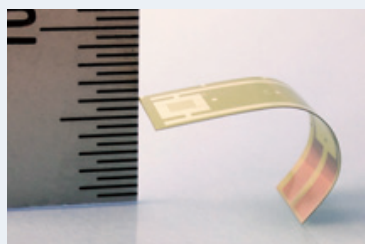
■ R&D Expenses

(Billions of yen)



## Mitsubishi Materials Group Eco-Products

### World's thinnest flexible thermistor sensor



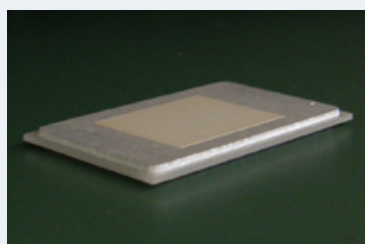
Flexible thermistor sensor

Mitsubishi Materials has developed a flexible thermistor sensor that functions even when bent and is the thinnest in the world at 100 μm or less. Thermistor sensors detect temperature and are widely used in a variety of applications, including smartphones, computers and other electronics as well as automobiles and such home appliances as air conditioners.

This product meets the strong need in recent years for thermistor sensors that are compact, thin and offer high-speed thermal response. Moreover, thanks to flexibility and thinness, these sensors can be installed in small gaps and curved areas of mobile devices, locations where installation had previously proved challenging.

### High-performance insulated circuit substrate

#### "DBA substrate with Ag sintered film" for next-generation power modules



DBA substrate with Ag sintered film

Mitsubishi Materials has developed a high-performance insulated circuit substrate for use in next-generation power modules. This direct bonded aluminum (DBA) substrate is directly sintered with a silver film on the aluminum circuit and is intended as an insulated circuit substrate for installation in high-temperature semiconductor devices.

Complicated surface preparation, such as adding plate to the aluminum surface, is not necessary for our "DBA substrate with Ag sintered film." By using Ag bonding material such as nano Ag, it is possible to directly bond elements to the aluminum surface. In the future, we expect increased usage in automobiles and railways as insulated circuit substrates with superior heat resistance in power control invertors installed in hybrid vehicles and other technologies.

## Corporate Governance

### Fundamental Policy

With the aim of maintaining sustainable development and maximizing corporate value through fair business activities, Mitsubishi Materials recognizes the importance of efficient and transparent management and is steadily undertaking measures that fully realize its corporate governance.

### The Board of Directors and Execution System

The Board of Directors comprises eight internal directors and one independent external director. We consider this structure appropriate for expediting decisions and ensuring management objectivity and transparency. The external director is knowledgeable in international affairs and possesses insight into business management operations. He is independent from the Company, in the same manner as external auditors detailed below, and he monitors the executive activity and affords appropriate advice. Matters brought before the Board of Directors are deliberated in advance by the Corporate Strategy Committee, which is composed of the President, several other directors and Executive Officers, and appropriate decisions are made based on these deliberations.

The Company is an integrated organization composed of such businesses as Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components. Executive officer and internal company systems were introduced to ensure that these businesses execute business activities in an agile and appropriate manner.

### Corporate Auditor Centered Auditing System

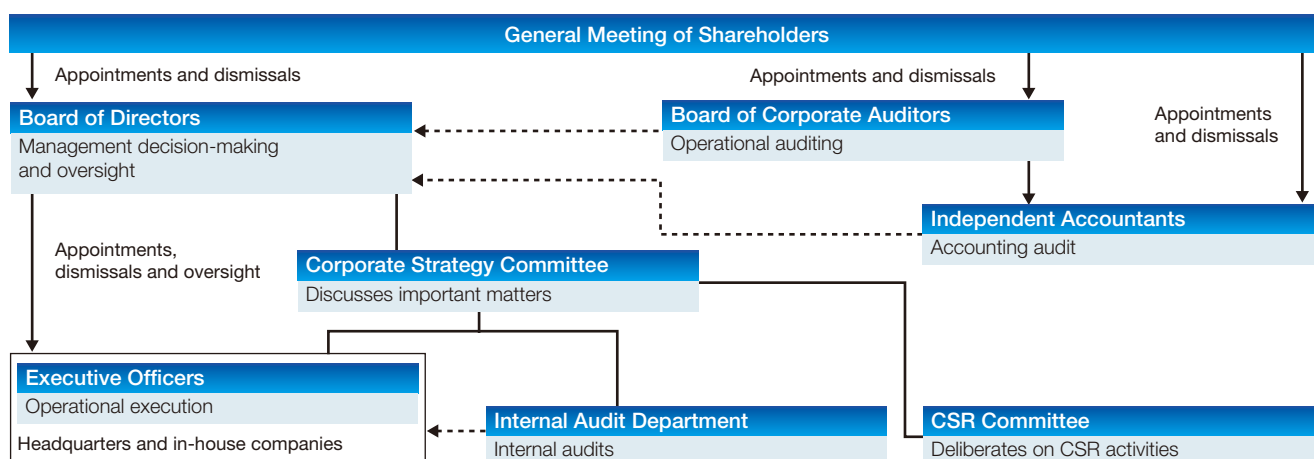
The Board of Corporate Auditors is made up of three standing corporate auditors, one of whom is external, and two part-time auditors (external auditors). In order to monitor the execution of duties undertaken by directors, each auditor attends all Board of Directors' meetings and other important gatherings and holds hearings that assess the execution of duties of directors, the Internal Audit Department and other internal control departments, in addition

to overseeing matters concerning company assets. Moreover, audits are undertaken in close coordination with accounting auditors and standing corporate auditors from important Group companies. The Internal Audit Department conducts internal audits to identify the effectiveness and efficiency of corporate activities, the reliability of financial reports, the maintenance and effective utilization of assets, the status of risk management efforts and the adherence to both the law and to in-house rules and standards. The Company appointed KPMG AZSA LLC as the independent auditor responsible for its accounting audits.

### Internal Control System Maintenance

Placing particular importance on risk management and compliance Groupwide, Mitsubishi Materials established the CSR Committee in 2005, chaired by the President, to control these functions. Through the CSR Committee, the Company conducts the training of employees who oversee risk management internally and at each Group company, implement risk surveys, assessments and analysis throughout the Group. The Company deems "compliance" to behave to meet stakeholder's expectations in the ethical aspect, not to just comply laws. With this understanding, the Company takes necessary measures, including compliance trainings for its employees.

Mitsubishi Materials recognizes that the development of appropriate internal control systems is an important issue concerning the fulfillment of its business objectives and management plans. Considering the requirement of the Companies Act and the Financial Instruments and Exchange Act, the Company works on maintenance and enhancement of our effective internal control systems.



# Corporate Social Responsibility (CSR)

## Basic CSR Policy

The Mitsubishi Materials Group, as a comprehensive basic materials maker, provides resources, basic materials and energy indispensable to modern lifestyles. In these efforts, we adhere to a corporate philosophy that emphasizes making contributions to people, society and the Earth.

The Group's CSR policy thus hinges on making this philosophy a reality, through the sincere fulfillment of the obligations and expected role that society places on a corporate citizen. These obligations include disclosure, with proper explanation, of the approaches taken and the constant pursuit of two-way communication with stakeholders to promote greater mutual understanding. These actions will underpin a position of trust in society.

## CSR Promotion Framework

We established the CSR Committee, chaired by the president, and a dedicated CSR Department (now the General Affairs and CSR Department) in order to actively promote CSR activities at Mitsubishi Materials in January 2005. In recognition of the need to raise awareness of CSR activities among all Mitsubishi Materials Group employees, we also assign responsibility for CSR to the heads of each of our in-house divisions and Group companies and appoint CSR managers and CSR supervisors lower down in each organization to oversee our Groupwide CSR activities.

Another key CSR activity concerns environmental preservation. In support of this, the Group launched Groupwide environmental management activities headed by the director in charge of the environment with the headquarters' Environmental Management Department taking a central role.

Through its business activities, the Mitsubishi Materials Group will continuously contribute to the sustainable development of people, society and the Earth to remain a trusted corporate citizen. Simultaneously, we will make Groupwide efforts to achieve further growth in our corporate value.

## CSR Direction

With the aim of realizing its corporate philosophy, the Mitsubishi Materials Group is proactively engaging in the following three themes.

### 1. *Respecting relationships with people: Reinforcing ties to stakeholders*

Through mutual communications, plants and companies under the Group umbrella will go to great lengths to maintain favorable perceptions of the Group—as held by shareholders, customers, suppliers, employees and other stakeholders—deepen their understanding of stakeholder points of view, and work hard to ensure a high level of stakeholder satisfaction.

### 2. *Respecting promises made to society: Ensuring thorough compliance and risk management practices*

We will systematically reinforce levels of compliance and risk management to ensure legal compliance—a vital prerequisite for expanding corporate activities—and to prevent business-related problems from arising.

### 3. *Respecting the Earth: Reducing environmental impact*

In our activities, which serve to reduce environmental impact, we will direct efforts toward such measures as saving energy and resources, cutting waste and limiting the use of hazardous substances.

## External Evaluation

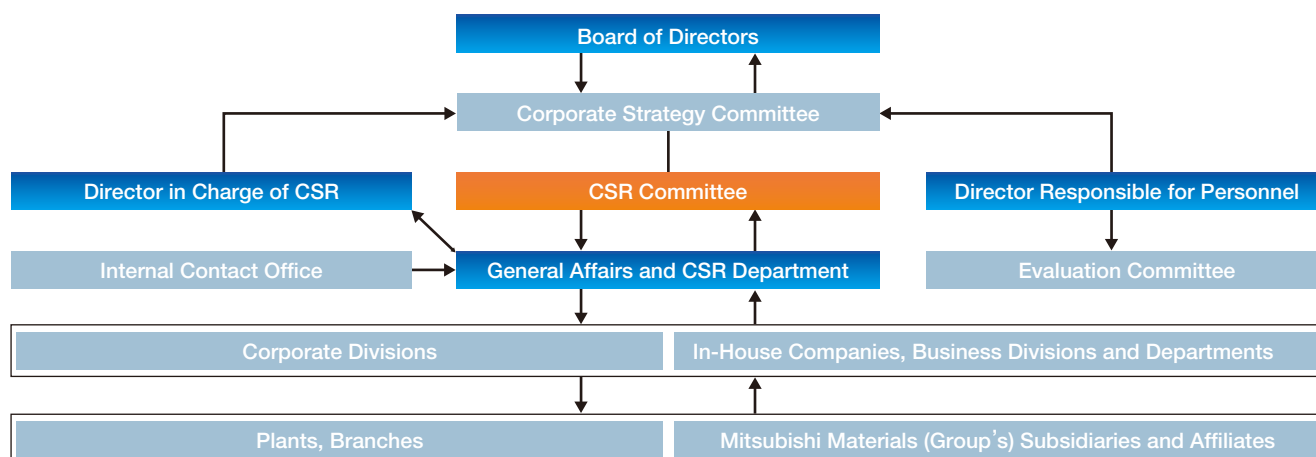
In April 2009, Mitsubishi Materials was selected for inclusion as a component stock in the Asia Pacific section of Dow Jones Sustainability Indexes (DJSI Asia Pacific), global indexes based on socially responsible investment (SRI). In addition, the Company's recent CSR Reports achieved application level A+ as specified in Global Reporting Initiative (GRI) guidelines.



CSR Report 2013

MEMBER OF  
**Dow Jones  
Sustainability Indexes**  
In Collaboration with RobecoSAM

<http://www.mmc.co.jp/corporate/en/csr/index.html>



# Management

(As of June 27, 2014)

## Board of Directors



**Akihiko Ide\***  
Chairman



**Hiroshi Yao\***  
President



**Toshinori Kato\***  
Executive Vice President



**Akira Takeuchi\***  
Executive Vice President



**Akio Hamaji\***  
Managing Director



**Masaru Aramaki\***  
Managing Director



**Osamu Iida\***  
Managing Director



**Naoki Ono\***  
Managing Director



**Yukio Okamoto\*\***  
Director

## Corporate Auditors (Standing)

Keisuke Yamanobe  
Akihiko Minato\*\*  
Toshikazu Murai

## Corporate Auditors

Akio Utsumi\*\*  
Naoto Kasai\*\*

## Senior Executive Officers

Kimball McCloud  
Teruhiko Masuda  
Hiroshi Kondo  
Chitoshi Mori  
Yoshihiko Kimura

## Executive Officers

Yasuhiko Noguchi  
Nobuo Shibano  
Yasunobu Suzuki  
Hiroaki Anzai  
Koso Saeki  
Hikaru Kimura  
Kenichiro Ishizuka  
Fumio Tsurumaki  
Kenichi Watase  
Yoshikazu Okada  
Naoyuki Shimoda  
Dairiku Matsumoto  
Soichi Fukui  
Masato Koide  
Kenji Shimamura  
Koji Sakamoto  
Tatsuro Maeda  
Kazuhiro Kishi

\* Representative Director

\*\* External

## Financial Section

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## Five-Year Summary

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2011	2010	2014
<b>FOR THE YEAR:</b>						
Net sales	¥1,414,796	¥1,287,251	¥1,440,847	¥1,333,992	¥1,119,448	\$13,746,568
Cost of sales	1,199,192	1,094,588	1,249,744	1,141,094	982,082	11,651,697
Operating profit	66,281	52,500	52,293	57,290	12,680	644,014
Net income (loss)	52,551	36,948	9,565	14,274	(66,555)	510,608
Capital expenditures	65,944	52,957	52,141	43,213	66,679	640,739
Depreciation and amortization	60,498	60,370	62,514	66,365	69,840	587,820
R&D expenses	10,986	11,401	11,743	11,243	10,897	106,750
<b>AT YEAR-END:</b>						
Total assets	1,778,505	1,811,767	1,751,870	1,837,405	1,826,420	17,280,462
Total long-term liabilities	514,279	549,198	565,542	572,321	662,430	4,996,888
Total net assets	525,707	466,231	409,074	402,868	399,095	5,107,922
Number of shares of common stock (thousands)	1,314,895	1,314,895	1,314,895	1,314,895	1,314,895	
Number of employees	23,112	22,181	22,015	21,762	21,641	
						U.S. dollars (Note 1)
<b>PER SHARE AMOUNTS:</b>						
Basic net income (loss)	¥40.1	¥28.1	¥7.2	¥10.8	¥(52.3)	\$0.38
Diluted net income	—	—	—	—	—	—
Cash dividends applicable to the year	6.0	4.0	2.0	2.0	—	0.05
<b>FINANCIAL RATIOS (%):</b>						
Operating margin	4.7%	4.1%	3.6%	4.3%	1.1%	
Return on assets (ROA)	3.0	2.0	0.5	0.8	(3.6)	
Return on equity (ROE)	10.0	7.9	2.3	3.5	(16.7)	
Equity ratio	25.7	22.4	20.0	18.7	18.7	

Notes:

1. Japanese yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥102.92 to U.S. \$1, the prevailing exchange rate at March 31, 2014.

2. ROA = Net income / Total assets.

3. ROE = Net income / Total net assets.



# Management's Discussion and Analysis

Mitsubishi Materials Corporation and Consolidated Subsidiaries

## Overview

### Economic and Business Environment

During the fiscal year under review, the world economy on the whole headed toward recovery. Although there was a continuing slowdown in the economies of China, India, and other emerging nations, there were also signs of improvement such as a gradual change for the better in business conditions in the U.S.

Conditions of the Japanese economy have gradually improved driven by an increase in public investment, and an increase in personal consumption driven by such factors as an improvement of the employment/income environment and a rush of demand before the consumption tax rate was raised.

Regarding the operating environment for the Mitsubishi Materials Group, although overseas market prices fell for key metals, notably copper, operations were affected overall by a correction in the exchange rate of the Japanese yen. Furthermore, earthquake disaster recovery projects reached a strong tempo and housing construction increased, leading firm demand for cement.

### Business Performance Summary

In this environment, we have implemented various measures based on the medium-term management plan entitled "Materials Premium 2013—Aiming for New Value Creation." As a result, consolidated net sales for the fiscal year amounted to ¥1,414,796 million, up 9.9% from the previous fiscal year. Operating profit increased 26.3% to ¥66,281 million, and ordinary income increased 3.3% to ¥76,902 million. Net income increased 42.2% to ¥52,551 million.

On a non-consolidated basis, net sales amounted to ¥735,558 million, up 9.2% from the previous fiscal year. Operating profit increased 26.8% to ¥23,180 million, ordinary income decreased 22.5% to ¥42,134 million, and net income decreased 5.3% to ¥42,377 million.

On January 9, 2014, five people lost their lives and 13 others were injured in an explosion and fire at the Company's Yokkaichi Plant. The Group wishes to extend its deepest condolences and apologies for the enormous worry and trouble that everyone involved has suffered.

## Operating Results by Business Segment

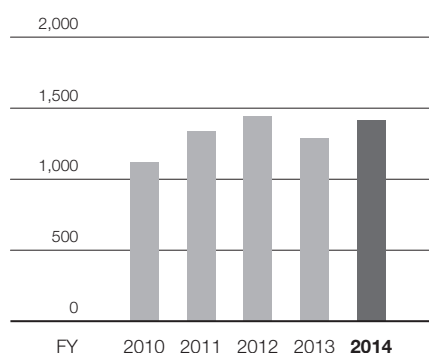
An overview of net sales and operating profit by business segment in fiscal 2014 is as follows. The Cement business enjoyed higher revenue and earnings thanks to an increase in sales volumes spurred by an increase in demand. The Metals business also posted higher revenue and earnings thanks to increased production at the Naoshima Smelter & Refinery, and the impact from correction of yen appreciation. The Advanced Materials & Tools business enjoyed higher revenue and earnings due to sales promotions at overseas subsidiaries of the cemented carbide products business and the correction of the yen. The Electronic Materials & Components, however, posted lower revenue and earnings due mainly to weak demand in the advanced materials business and suspended production at the Yokkaichi Plant despite an increase in sales of products for household appliances. In the Aluminum business, net sales rose due to increased demand for aluminum can materials, products for solar batteries and automobiles, despite decreased demand for bottle cans. However, increased costs associated with the weaker yen led operating profit to fall. For details of each segment's performance, please refer to the Review of Operations on pages 8-12.

## Financial Position and Liquidity

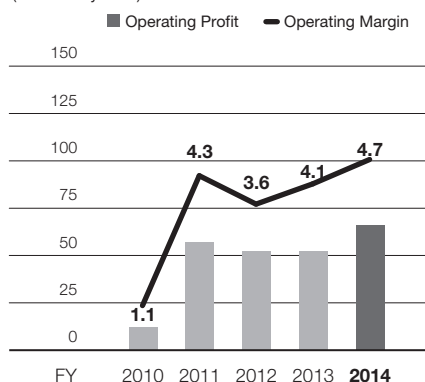
As of March 31, 2014, total assets amounted to ¥1,778.5 billion, down ¥33.2 billion, or 1.8%, from a year earlier. Total current assets decreased ¥4.4 billion, or 0.6%, to ¥774.4 billion mainly due to decreases in loaned gold ingots. Total long-term assets—which consist of property, plant and equipment, investments and long-term receivables and other assets—decreased ¥28.7 billion, or 2.8%, to ¥1,004.0 billion, largely as a result of a decrease in investment securities.

Total liabilities decreased ¥92.7 billion, or 6.9%, year-on-year to ¥1,252.7 billion. Total current liabilities fell ¥57.8 billion, or 7.3%, to ¥738.5 billion due primarily to a decline in short-term loans. Total long-term liabilities fell ¥34.9 billion, or 6.4%, to ¥514.2 billion, reflecting the fall in bonds and other factors. The balance of interest-bearing debt, which adds bonds and commercial paper to outstanding loans, came to ¥649.8 billion, down ¥43.1 billion, or 6.2%, from the previous fiscal year.

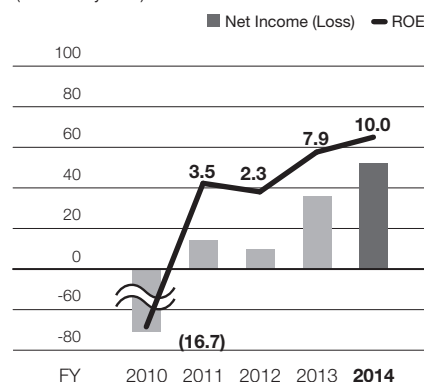
**Net Sales**  
(Billions of yen)



**Operating Profit/Operating Margin**  
(Billions of yen/%)



**Net Income (Loss)/Return on Equity (ROE)**  
(Billions of yen/%)



For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Cement</b>			
Sales	¥186,545	¥161,908	\$1,812,532
Operating profit	19,105	14,230	185,637
Operating margin	10.2%	8.7%	
<b>Metals</b>			
Sales	582,733	507,198	5,662,002
Operating profit	23,295	17,789	226,347
Operating margin	4.0%	3.5%	
<b>Advanced Materials &amp; Tools</b>			
Sales	116,516	108,769	1,132,108
Operating profit	14,090	10,779	136,906
Operating margin	12.1%	9.9%	
<b>Electronic Materials &amp; Components</b>			
Sales	49,882	62,094	484,672
Operating profit	4,001	4,811	38,881
Operating margin	8.0%	7.7%	
<b>Aluminum</b>			
Sales	150,296	145,641	1,460,323
Operating profit	5,559	6,168	54,017
Operating margin	3.7%	4.2%	
<b>Others</b>			
Sales	328,821	301,639	3,194,926
Operating profit	8,048	6,964	78,204
Operating margin	2.4%	2.3%	

Total net assets amounted to ¥525.7 billion, up ¥59.4 billion, or 12.8%, due mainly to an increase in retained earnings following the recording of net income in the fiscal year under review.

As a result, the consolidated equity ratio increased from 22.4% at the previous fiscal year-end to 25.7%, and net assets per share, based on the total number of shares outstanding as of March 31, 2014, grew to ¥348.54, compared with ¥309.17 a year earlier.

### Cash Flows

Net cash provided by operating activities amounted to ¥102.9 billion, up ¥1.3 billion from the previous fiscal year. This was due mainly to a stable performance.

Net cash used in investing activities totaled ¥44.8 billion, down ¥43.6 billion from the previous fiscal year. This was due mainly to outlays related to capital investments.

Together, operating activities and investing activities produced a net inflow of ¥58.0 billion, which was mainly applied to the repayment of bank borrowings. Accordingly, net cash used in financing activities was ¥69.3 billion, up ¥33.0 billion from the previous fiscal year.

As a result of the above, as well as exchange rate changes

and other factors, the balance of cash and cash equivalents at March 31, 2014, stood at ¥62.0 billion, down ¥1.2 billion from March 31, 2013.

### Capital Expenditure

Capital expenditures undertaken by the Group are tempered by efforts to reduce interest-bearing debt, and the content of spending plans will therefore be determined through careful selection of projects in business areas which present high profit and growth potential.

In fiscal 2014, capital expenditures amounted to ¥65.9 billion, up ¥12.9 billion, or 24.5%, from ¥52.9 billion in the previous year, reflecting maintenance and repairs at existing facilities in each business segment, as well as expansion, rationalization and renovation at certain production facilities.

Fiscal 2014 capital expenditures by business segment were as follows.

### Cement

The Company allocated funds to limestone mine development-related works in Japan as well as maintenance and repair of existing facilities mainly in Japan and the United States. Capital

expenditures in this segment increased ¥4.2 billion, or 47.9%, compared with ¥8.8 billion recorded in the previous fiscal year to ¥13.1 billion.

### Metals

The Company allocated funds for the maintenance and repair of copper smelters and domestic copper-processing facilities. Capital expenditures in this segment rose ¥5.9 billion, or 44.4%, compared with ¥13.4 billion recorded in the previous fiscal year to ¥19.4 billion.

### Advanced Materials & Tools

Funds were mainly allocated for the expansion and rationalization of facilities to respond to increased production in the overall business, and the maintenance and repair of existing facilities. Capital expenditures in this segment rose ¥2.2 billion, or 15.5%, compared with ¥14.5 billion recorded in the previous fiscal year to ¥16.7 billion.

### Electronic Materials & Components

The Company directed funds into maintenance and repair of existing facilities that produce electronic materials mainly for semiconductor-related products. Capital expenditures in this segment dropped ¥0.2 billion, or 6.5%, compared with ¥3.4 billion recorded in the previous fiscal year to ¥3.1 billion.

### Aluminum

Funds were allocated to the maintenance and repair of facilities that produce aluminum beverage cans and rolled aluminum products. Capital expenditures in this segment increased ¥1.0 billion, or 16.5%, compared with ¥6.3 billion recorded in the previous fiscal year to ¥7.3 billion.

### Others

The Company allocated funds to the maintenance and repair of existing facilities. Capital expenditures in this segment decreased ¥0.3 billion, or 5.3%, compared with ¥6.3 billion recorded in the previous fiscal year to ¥6.0 billion.

### Forecast for Fiscal Year 2014

As for the global economy, while the future is uncertain for the economies of China and other emerging countries, a gradual recovery is expected mainly in developed countries. With regard to the Japanese economy, a sustained, gradual recovery of the Japanese economy is anticipated because of firm trends in domestic demand. In the business environment in which the Group operates, the domestic economy has shown a trend toward recovery and demand for cement is anticipated to continue because of demand for full-scale reconstruction efforts. However, with the pace of prices in overseas markets for key metals, including copper, there is some concern for a downward trend.

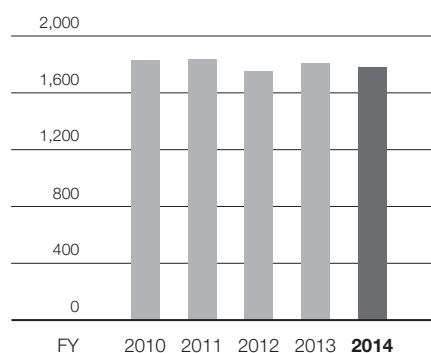
As outlined in its new medium-term management plan "Materials Premium 2016 – Challenge to become the world's leading business group," the Group aims to become the world's leading business group committed to supporting recycling-oriented society through materials innovation, with use of our unique and distinctive technologies by the early 2020s. Under the plan, the Group will implement three growth strategies: fortifying the foundation for growth, strengthening global competitiveness and pursuing a recycling-based business model.

In this environment, our consolidated performance forecasts for the year ending March 31, 2015 are as follows: net sales of ¥1,500.0 billion, operating profit of ¥74.0 billion, ordinary income of ¥84.0 billion, and net income of ¥50.0 billion.

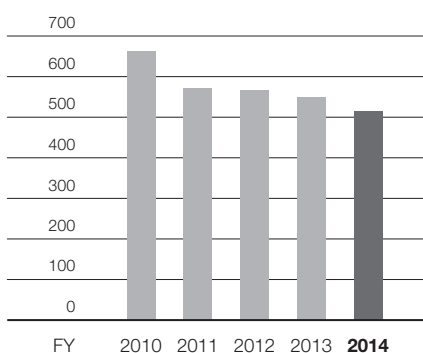
The above forecasts are calculated based on information available as of June 2014. Accordingly, actual performance may differ due to a variety of factors. The main reasons are included in the risk factors listed below.

\* For more information about the medium-term management plan, visit: <http://www.mmc.co.jp/corporate/en/ir/data/m-plan2014.pdf>

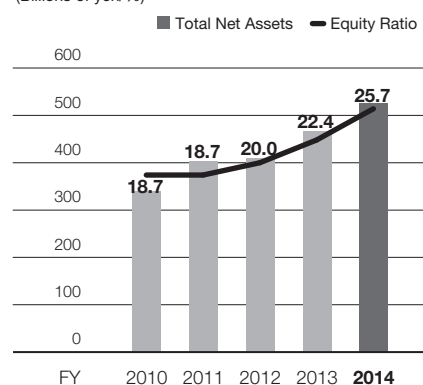
**Total Assets**  
(Billions of yen)



**Total Long-Term Liabilities**  
(Billions of yen)



**Total Net Assets/Equity Ratio**  
(Billions of yen/%)



## Business Risks

The companies under the Mitsubishi Materials Group umbrella are involved in a wide range of businesses. Consequently, various external influences—including domestic and overseas political and economic developments, weather conditions, markets, currency trends, and laws and ordinances—could influence the Group's financial results and position. The following risks carry the potential for a particularly significant impact on operations.

Forward-looking statements in this section are based on information available to management as of June 27, 2014.

### 1. Business Restructuring

Management subscribes to the selection-and-concentration approach for business expansion, whereby management resources are actively invested in operations with high profitability. Management also considers alliances with other companies, if such alliances will facilitate the rigorous review, restructuring and liquidation of operations to reinforce the bottom line. This emphasis could affect the Group's financial results and position.

### 2. Market and Customer Trends

The Group provides products and services to various industries. Worldwide economic developments as well as customer-driven developments—such as sudden changes in markets and market shares, new business strategies and product development initiatives—may influence sales of the Group's products. The automotive and IT sectors are subject to particularly severe price wars and technological competition. The Group strives to cut overall costs and engineer new products and technologies. However, if its efforts do not accurately match industry and customer market changes, the Group's financial results and position could be eroded.

### 3. Fluctuations in Nonferrous Metal and Currency Markets

In the Metals business, the Group's key revenue sources are mining investment dividends, smelting and other operations for which payment is in foreign currencies. Consequently, these operations are susceptible to fluctuations in the nonferrous metal and currency markets and the effects of custom ore purchasing conditions. The cost of raw materials acquired for inventory carries the risk of fluctuating nonferrous metal prices and exchange rates over the period, starting with the purchase of copper concentrate and ending with the production and sale of copper cathodes.

In addition, nonferrous metal materials—used predominantly by the Aluminum and Advanced Materials & Tools segments—as well as materials (particularly coal) used by the Cement segment, are international commodities. The procurement prices of these raw materials, as well as fuels, are linked to changes in the nonferrous metal and coal markets, currency markets and also maritime freight rates.

### 4. Trends in the Semiconductor Market

Certain members of the Group supply the semiconductor industry with such products as electronic materials and components and polycrystalline silicon, while SUMCO CORPORATION—an equity-method affiliate—makes silicon wafers used in semiconductor fabrication. Trends in the semiconductor market could influence the operations of these companies and thus the financial results and position of the Group.

### 5. Interest-Bearing Debt

As of March 31, 2014, the interest-bearing debt carried by the Group stood at ¥649.8 billion—comprising short-term loans, bonds due within one year, commercial paper, bonds and long-term loans—and represented 36.5% of consolidated total assets. Management seeks to improve the balance sheet of the Group by restricting inventories and divesting assets. However, unfavorable trends in interest rates could hurt the financial results and position of the Group.

### 6. Important Matters Concerning Fund Procurement

The Group has borrowings, such as syndicated loans, in which it has promised the lenders to uphold arrangements such as the maintenance of shareholders' equity at a certain level or higher in accordance with such loan agreements. If the financial status of the Company or the Group were to deteriorate and thereby preclude the observance of such arrangements, the Group might be under an obligation to repay the extended loans before the maturity date. This situation could adversely impact the Group's ability to procure funds depending on how the Group manages this situation in the future.

### 7. Debt Guarantees

In fiscal 2014, Mitsubishi Materials extended debt guarantees totaling ¥33.0 billion, mainly for the monetary liabilities of unconsolidated affiliates. If conditions warrant the fulfillment of debt guarantees, the situation could affect the financial results and position of the Group.

### 8. Fluctuations in the Market Value of Assets

Fluctuations in the market value of securities, land and other assets held by members of the Group could have a detrimental impact on the financial results and position of the Group.

### 9. Pension Benefit Expenses and Obligations

The costs and obligations of the Group's pension plans for employees are based on actuarial assumptions. These assumptions take into account the average number of years of service remaining, long-term yields on Japanese government bonds, stock contributed to trust accounts and other factors in pension plan management. However, losses stemming from lower discount rates and pension plan management could influence future Group costs and the calculation of obligations.

## 10. Environmental Regulations

All Group locations in Japan and overseas strive to prevent pollution, especially air, wastewater, soil and groundwater pollution, in accordance with local environmental legislation. Efforts are also made to prevent pollution from inactive mines in Japan, in accordance with the Mine Safety Law. This focuses on neutralizing the water that seeps into excavation pits from tunnels and the safe maintenance of tailing piles. However, in the event of the amendment of related laws and regulations as well as the introduction of new regulations to cap total greenhouse gas emissions, such changes could lead to new maintenance and treatment costs for the Group.

## 11. Overseas Activities

The Group maintains production and sales bases in 26 countries and regions. Overseas operations account for 34.8% of consolidated net sales. In addition to varying political and economic circumstances, currency rates, 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—changes in the management policies of local partners and other factors could affect the Group's financial results and position.

## 12. Intellectual Property

Management recognizes the importance of intellectual property, and steps are taken throughout the Group to safeguard such assets. However, the financial results and position of the Group could be hurt by inadequate protection and legal infringements of proprietary intellectual assets. From the opposite perspective, the Group duly respects the intellectual property of other companies. However, in the unlikely event that a member of the Group is found to have infringed upon the rights of another company, the subsequent compensation for damages could negatively impact the financial results and position of the Group.

## 13. Product Quality

The Group strives to provide high-quality products and makes every effort to control quality. In addition, the Group carries insurance as a precaution in the unlikely event that a serious product defect leads to liability issues. However, a large-scale product recall promoted by unforeseen circumstances, for example, could mar the financial results and position of the Group.

## 14. Workers' Health and Safety, Plant Incidents

The Group takes thorough measures to prevent industrial accidents, injuries and incidents at its numerous production plants. The Group is taking these measures from both a soft side (including management frameworks for workers' health, safety, security and accident prevention) and a hard side (including operational and maintenance management and improving the safety of equipment). However, if a serious plant accident or an industrial accident or injury were to occur at a production plant or some other type of facility, the situation could adversely impact the business results and financial position of the Group.

## 15. Information Management

The Group endeavors to properly control its information, including personal data. However, in the unlikely event that the unauthorized disclosure of information was to occur, such a situation could damage the Group's social standing, which could negatively impact the Group's financial results and position.

## 16. Litigation

The Group is or could become involved in decisions, settlements or legal judgments stemming from litigation, disputes and other legal proceedings related to present or past operations in Japan or overseas, which could adversely affect the Group's financial results and position.

## 17. Procurement of Electricity

The financial results and position of the Group may be influenced by price increases for electricity resulting from such factors as supply instability due to the suspension of nuclear power stations, cost increases of imported fossil fuels, and increased charges for renewable energy.

## 18. Other risks

Other risks that may affect the Group's financial results and position include changes in business practices, events such as terrorism, war, epidemics, earthquakes and other natural disasters, and other unforeseen developments.

# Consolidated Balance Sheets

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
March 31, 2014 and 2013

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Current assets:</b>			
Cash and time deposits (Notes 5, 16 and 20)	¥ 63,486	¥ 64,416	\$ 616,852
Notes and accounts receivable (Notes 5, 8, 11 and 16):			
Trade	204,500	192,536	1,986,982
Unconsolidated subsidiaries and affiliates	17,561	23,327	170,634
Other	10,561	17,760	102,620
Inventories (Notes 3 and 5)	284,952	282,353	2,768,682
Deferred income taxes (Note 10)	10,924	15,622	106,144
Leased gold bullion	93,635	99,548	909,785
Other current assets (Note 17)	90,687	85,294	881,142
Allowance for doubtful accounts	(1,843)	(1,929)	(17,916)
Total current assets	774,465	778,931	7,524,927
<b>Property, plant and equipment (Notes 4 and 5):</b>			
Land (Note 19)	283,953	279,815	2,758,970
Buildings and structures	452,042	452,795	4,392,175
Machinery and equipment	1,169,877	1,146,545	11,366,864
Construction in progress	22,510	18,968	218,720
Less accumulated depreciation	(1,277,812)	(1,239,151)	(12,415,592)
Net property, plant and equipment	650,571	658,974	6,321,137
<b>Investments and long-term receivables:</b>			
Investments in securities (Notes 5, 15 and 16)	125,775	155,592	1,222,066
Unconsolidated subsidiaries and affiliates	134,072	137,695	1,302,681
Long-term receivables	609	571	5,926
Other	19,636	9,180	190,796
Allowance for doubtful accounts	(5,797)	(5,672)	(56,330)
Valuation allowance for investments in unconsolidated subsidiaries and affiliates	(1,168)	(1,748)	(11,354)
Total investments and long-term receivables	273,127	295,619	2,653,787
<b>Other assets:</b>			
Deferred income taxes (Note 10)	31,255	29,183	303,684
Goodwill	38,816	38,760	377,151
Other (Note 5 and 17)	10,268	10,297	99,774
Total other assets	80,340	78,241	780,610
<b>Total assets</b>	<b>¥1,778,505</b>	<b>¥1,811,767</b>	<b>\$17,280,462</b>

The accompanying notes are an integral part of these statements.



	Millions of yen		Thousands of U.S. dollars (Note 1)
<b>LIABILITIES</b>	<b>2014</b>	2013	<b>2014</b>
<b>Current liabilities:</b>			
Short-term bank loans (Notes 5 and 16)	¥ 154,534	¥ 183,967	\$ 1,501,501
Current portion of long-term debt (Notes 5 and 16)	141,563	103,974	1,375,473
Commercial paper (Notes 5 and 16)	—	26,000	—
Notes and accounts payable (Notes 8 and 16):			
Trade	98,412	98,549	956,203
Unconsolidated subsidiaries and affiliates	7,154	6,198	69,517
Other	19,564	18,851	190,098
Income taxes payable	9,576	6,653	93,050
Deferred income taxes (Note 10)	648	734	6,299
Accrued expenses	51,830	57,290	503,603
Deposited gold bullion	212,760	232,002	2,067,239
Reserve for loss on disposal of inventories	923	1,557	8,975
Other current liabilities (Notes 5, 7 and 17)	41,547	60,557	403,688
Total current liabilities	738,518	796,337	7,175,651
<b>Long-term liabilities:</b>			
Long-term debt (Notes 5 and 16)	353,745	379,038	3,437,089
Employees' severance and pension benefits (Note 6)	—	59,601	—
Accrual for officers' lump-sum severance benefits	1,740	1,470	16,913
Reserve for loss on unconsolidated subsidiaries and affiliates	1,698	2,035	16,498
Reserve for environmental measures	4,117	4,238	40,011
Net liability for retirement benefits (Note 6)	52,787	—	512,896
Deferred income taxes (Note 10)	31,650	32,771	307,525
Deferred income taxes on revaluation reserve for land (Notes 10 and 19)	32,532	33,683	316,098
Other (Notes 5, 7 and 17)	36,007	36,358	349,855
Total long-term liabilities	514,279	549,198	4,996,888
Contingent liabilities and commitments (Notes 11 and 12)			
<b>NET ASSETS (Note 9)</b>			
<b>Shareholders' equity</b>			
Common stock			
Authorized 3,400,000,000 shares			
Issued 1,314,895,351 shares	119,457	119,457	1,160,687
Capital surplus	92,272	92,272	896,543
Retained earnings	207,354	158,456	2,014,713
Treasury stock, at cost	(1,782)	(1,692)	(17,318)
Total shareholders' equity	417,302	368,495	4,054,625
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	31,972	40,516	310,652
Deferred losses on hedges (Note 17)	218	(1,189)	2,122
Revaluation reserve for land (Note 19)	32,907	34,830	319,739
Foreign currency translation adjustments	(12,348)	(37,422)	(119,982)
Accumulated adjustments for retirement benefits	(13,302)	—	(129,249)
Total accumulated other comprehensive income	39,447	36,735	383,282
Minority interests	68,957	61,001	670,015
Total net assets	525,707	466,231	5,107,922
<b>Total liabilities and net assets</b>	<b>¥1,778,505</b>	<b>¥1,811,767</b>	<b>\$17,280,462</b>

## Consolidated Statements of Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Net sales (Note 18)</b>	<b>¥1,414,796</b>	<b>¥1,287,251</b>	<b>\$13,746,568</b>
Cost of sales	1,199,192	1,094,588	11,651,697
Gross profit	215,604	192,663	2,094,870
Selling, general and administrative expenses (Note 13)	149,322	140,163	1,450,856
Operating profit	66,281	52,500	644,014
<b>Other income (expenses):</b>			
Interest and dividend income	19,880	29,997	193,162
Interest expense (Note 5)	(9,686)	(10,453)	(94,113)
Income from leased property	4,559	4,705	44,299
Expense for leased property	(3,399)	(3,300)	(33,031)
Expense for the maintenance and management of abandoned mines	(2,704)	(2,370)	(26,277)
Write-down of investments in securities	(850)	(4,524)	(8,266)
Gain on contribution of securities to retirement benefit trust	10,949	—	106,385
Gain on net sales of investments in securities	31,553	2,457	306,578
Gain on sales of property, plant and equipment	4,334	3,061	42,118
Loss on disposal and sales of property, plant and equipment	(3,054)	(3,358)	(29,681)
Loss on impairment of fixed assets (Note 23)	(32,308)	(10,551)	(313,914)
Foreign exchange gains (losses), net	176	(136)	1,711
Equity in earnings of affiliates	4,377	5,193	42,534
Other, net	(4,761)	(5,445)	(46,268)
	19,064	5,274	185,236
Income before income taxes and minority interests	85,346	57,774	829,251
Income taxes (Note 10)	26,465	10,790	257,150
Income before minority interests	58,880	46,983	572,100
Minority interests in income of consolidated subsidiaries	(6,328)	(10,035)	(61,492)
<b>Net income</b>	<b>¥ 52,551</b>	<b>¥ 36,948</b>	<b>\$ 510,608</b>
	Yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Amounts per share (Note 21):</b>			
Basic net income	¥40.1	¥28.1	\$0.38
Cash dividends applicable to the year	6.0	4.0	0.05

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Comprehensive Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥58,880	¥46,983	\$572,100
<b>Other comprehensive income (Note 14):</b>			
Valuation difference on available-for-sale securities	(8,513)	9,256	(82,720)
Deferred gains or losses on hedges	572	595	5,562
Foreign currency translation adjustments	28,032	31,097	272,367
Share of other comprehensive income of affiliates accounted for using the equity method	5,594	2,318	54,353
Total other comprehensive income	25,685	43,268	249,563
Comprehensive income	¥84,565	¥90,252	\$821,664
Comprehensive income attributable to:			
Owners of the parent	¥70,864	¥73,282	\$688,540
Minority interests	13,701	16,970	133,123

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Changes in Net Assets (Note 24)

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31, 2014 and 2013

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	¥119,457	¥113,566	¥116,890	¥(1,443)	¥348,471
Dividends			(2,623)		(2,623)
Net income for the year			36,948		36,948
Increase due to reversal of revaluation reserve for land			1,177		1,177
Increase resulting from changes in fiscal period of consolidated subsidiaries			122		122
Increase resulting from changes in fiscal period of equity method affiliates			44		44
Increase resulting from increase in the number of consolidated subsidiaries			1,070		1,070
Increase resulting from increase in the number of the equity method affiliates			4,698		4,698
Increase due to mergers of unconsolidated subsidiaries			135		135
Acquisition of treasury stock				(251)	(251)
Sales of treasury stock		(0)	(0)	2	1
Retirement of treasury stock			(8)		(8)
Decrease resulting from acquisition of additional interests in a subsidiary from non-controlling shareholders		(21,292)			(21,292)
Net change other than shareholders' equity					
Balance at March 31, 2013	119,457	92,272	158,456	(1,692)	368,495
Dividends			(7,864)		(7,864)
Net income for the year			52,551		52,551
Increase due to reversal of revaluation reserve for land			1,923		1,923
Increase resulting from changes in fiscal period of consolidated subsidiaries			281		281
Increase resulting from increase in the number of consolidated subsidiaries			2,005		2,005
Acquisition of treasury stock				(92)	(92)
Sales of treasury stock		(0)	(0)	2	1
Net change other than shareholders' equity					
Balance at March 31, 2014	¥119,457	¥92,272	¥207,354	¥(1,782)	¥417,302

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 19)	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Minority interests
Balance at April 1, 2012	¥31,316	¥ (768)	¥36,008	¥(63,945)	¥ —	¥ 2,611	¥57,991
Dividends							
Net income for the year							
Increase due to reversal of revaluation reserve for land							
Increase resulting from changes in fiscal period of consolidated subsidiaries							
Increase resulting from changes in fiscal period of equity method affiliates							
Increase resulting from increase in the number of consolidated subsidiaries							
Increase resulting from increase in the number of the equity method affiliates							
Increase due to mergers of unconsolidated subsidiaries							
Acquisition of treasury stock							
Sales of treasury stock							
Retirement of treasury stock							
Decrease resulting from acquisition of additional interests in a subsidiary from non-controlling shareholders							
Net change other than shareholders' equity	9,199	(421)	(1,177)	26,523	—	34,123	3,009
Balance at March 31, 2013	40,516	(1,189)	34,830	(37,422)	—	36,735	61,001
Dividends							
Net income for the year							
Increase due to reversal of revaluation reserve for land							
Increase resulting from changes in fiscal period of consolidated subsidiaries							
Increase resulting from increase in the number of consolidated subsidiaries							
Acquisition of treasury stock							
Sales of treasury stock							
Net change other than shareholders' equity	(8,543)	1,407	(1,923)	25,073	(13,302)	2,711	7,956
Balance at March 31, 2014	¥31,972	¥ 218	¥32,907	¥(12,348)	¥(13,302)	¥39,447	¥68,957

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2013	\$1,160,687	\$896,546	\$1,539,609	\$(16,440)	\$3,580,403
Dividends			(76,409)		(76,409)
Net income for the year			510,608		510,608
Increase due to reversal of revaluation reserve for land			18,686		18,686
Increase resulting from changes in fiscal period of consolidated subsidiaries			2,733		2,733
Increase resulting from increase in the number of consolidated subsidiaries			19,486		19,486
Acquisition of treasury stock				(899)	(899)
Sales of treasury stock		(3)	(0)	21	17
Net change other than shareholders' equity					
Balance at March 31, 2014	\$1,160,687	\$896,543	\$2,014,713	\$(17,318)	\$4,054,625

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 19):	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2013	\$393,666	\$(11,554)	\$338,425	\$(363,605)	\$ —	\$356,932	\$592,706	\$4,530,042
Dividends								(76,409)
Net income for the year								510,608
Increase due to reversal of revaluation reserve for land								18,686
Increase resulting from changes in fiscal period of consolidated subsidiaries								2,733
Increase resulting from increase in the number of consolidated subsidiaries								19,486
Acquisition of treasury stock								(899)
Sales of treasury stock								17
Net change other than shareholders' equity	(83,014)	13,677	(18,686)	243,622	(129,249)	26,349	77,308	103,657
Balance at March 31, 2014	\$310,652	\$ 2,122	\$319,739	\$(119,982)	\$(129,249)	\$383,282	\$670,015	\$5,107,922

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥85,346	¥57,774	\$829,251
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	57,428	56,442	557,986
Amortization of goodwill	3,070	3,928	29,833
Decrease in allowance for doubtful accounts	(402)	(228)	(3,914)
Decrease in severance and pension benefits	—	(2,423)	—
Decrease in valuation allowance for investments in unconsolidated subsidiaries and affiliates	(580)	(472)	(5,635)
Decrease in reserve for loss on unconsolidated subsidiaries and affiliates	(27)	(182)	(268)
Decrease in reserve for environmental measures	(139)	(173)	(1,351)
Decrease in net liability for retirement benefits and directors' retirement benefits	(1,837)	—	(17,849)
Interest and dividend income	(19,880)	(29,997)	(193,162)
Interest expense	9,686	10,453	94,113
Gain on sales of property, plant and equipment	(4,254)	(2,793)	(41,335)
Loss on disposal of property, plant and equipment	2,755	2,941	26,768
Loss on impairment of fixed assets	32,308	10,551	313,914
Gain on sales of investments in securities	(31,553)	(2,457)	(306,584)
Write-down of investments in securities	850	4,524	8,266
Gain on securities contribution to employees' retirement benefits trust	(10,949)	—	(106,385)
Decrease in notes and accounts receivable	8,345	27,505	81,088
Decrease (increase) in inventories	3,296	(11,318)	32,027
Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Partner	76,961	138,627	747,777
Payment for purchases of gold bullion from market for customers under My Gold Partner	(82,771)	(129,801)	(804,235)
Decrease in notes and accounts payable	(2,938)	(29,768)	(28,549)
Decrease in accrued expenses	(6,561)	(15,433)	(63,753)
Equity in earnings of affiliates	(4,377)	(5,193)	(42,534)
Other, net	(8,177)	14,894	(79,457)
Sub-total	105,597	97,401	1,026,011
Interest and dividend received	21,438	30,621	208,300
Interest paid	(10,046)	(11,239)	(97,617)
Income taxes paid	(14,056)	(15,166)	(136,575)
Net cash provided by operating activities	102,932	101,616	1,000,118
<b>Cash flows from investing activities:</b>			
Payments for purchases of property, plant and equipment	(63,816)	(51,432)	(620,055)
Proceeds from sales of property, plant and equipment	11,400	3,674	110,765
Payments for purchases of investments in securities	(3,678)	(15,225)	(35,740)
Proceeds from sales of investments in securities	40,213	4,681	390,723
Disbursement of loan receivables	(1,433)	(2,576)	(13,930)
Proceeds from collection of loan receivables	1,152	4,074	11,194
Payments for purchases of intangible fixed assets	(1,303)	(1,545)	(12,661)
Payments for additional acquisition of subsidiaries' shares	(31,289)	(30,509)	(304,022)
Proceeds from sale of subsidiaries' shares resulting in change in scope of consolidation	4,335	—	42,122
Proceeds from acquisition of subsidiaries' shares resulting in change in scope of consolidation	—	420	—
Other, net	(442)	(75)	(4,298)
Net cash used in investing activities	(44,863)	(88,514)	(435,903)
<b>Cash flows from financing activities:</b>			
Proceeds from long-term debt	100,057	49,499	972,183
Repayments of long-term debt	(111,075)	(83,463)	(1,079,245)
Payments for redemption of bonds	—	(40,000)	—
Proceeds from issuance of bonds	15,100	35,040	146,715
(Decrease) increase in commercial paper, net	(26,000)	24,000	(252,623)
Payment of cash dividends	(7,864)	(2,623)	(76,409)
Payments for purchase of treasury stock	(106)	(251)	(1,032)
Decrease in short-term bank loans, net	(30,544)	(16,240)	(296,779)
Cash dividends paid to minority shareholders	(5,652)	(7,067)	(54,925)
Proceeds from stock issuance to minority shareholders	—	7,494	—
Other, net	(3,242)	(2,703)	(31,504)
Net cash used in financing activities	(69,329)	(36,316)	(673,620)
Effect of exchange rate fluctuation on cash and cash equivalents	8,094	6,988	78,650
Net decrease in cash and cash equivalents	(3,165)	(16,225)	(30,755)
Cash and cash equivalents at beginning of year	63,299	69,499	615,036
Effect of changes in consolidated subsidiaries	2,007	1,434	19,500
Increase in cash and cash equivalents from mergers	—	106	—
(Decrease) increase in cash and cash equivalents from changes in fiscal period of consolidated subsidiaries	(62)	8,484	(606)
<b>Cash and cash equivalents at end of year (Note 20)</b>	<b>¥62,078</b>	<b>¥63,299</b>	<b>\$603,175</b>

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

Mitsubishi Materials Corporation and Consolidated Subsidiaries  
March 31, 2014 and 2013

## Note 1 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi Materials Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair pre-

sentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.92 to U.S. \$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Fractions less than one million yen (one tenth yen in respect to per share amount) have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

## Note 2 Summary of Significant Accounting Policies

### (a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies which the Company controls through majority voting right or existence of certain conditions. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in affiliates of which the Company has the ability to exercise significant influence over operating and financial policies, except for insignificant companies, are accounted for by the equity method, and accordingly, stated at cost adjusted for the earnings and losses after elimination of unrealized inter-company profits from the date of acquisition.

As discussed in Note 2 (r) and (s), the accounts of consolidated overseas subsidiaries and affiliates accounted for by the equity method are prepared in accordance with either International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles, with adjustments for the specified five items as applicable.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost, adjusted for any substantial and nonrecoverable decline in value.

In the elimination of investments in subsidiaries, assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated based on their fair values at the time the Company acquired control of the respective subsidiaries.

The excess of investment amounts, at the acquisition date, over net assets of consolidated subsidiaries or unconsolidated subsidiaries and affiliates accounted for by the equity method, except for Mitsubishi Cable Industries, Ltd., SUMCO CORPORATION, Copper Mountain Mine (BC) Ltd., Robertson's Ready Mix, Ltd., RRM Properties, Ltd., and Robertson's Transport, Ltd. (the latter three are collectively called "Robertson's") are being amortized over a period of five years on a straight-line basis.

Regarding Mitsubishi Cable Industries, Ltd., a period of amortizing the goodwill is 10 years and regarding SUMCO CORPORATION, Copper Mountain Mine (BC) Ltd. and Robertson's, it is 20 years on a straight-line basis. Negative goodwill and insignificant amounts of goodwill are fully charged to income when incurred. Negative goodwill incurred on or

before March 31, 2010 is amortized over a period of five years on a straight-line basis.

### (b) Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Gains or losses resulting from foreign currency transactions are credited or charged to other income as incurred.

The financial statements of consolidated foreign subsidiaries and affiliates are translated into Japanese yen amounts at the current rate except for net assets, which is translated at historical rates. The difference resulting from translation adjustments is reported as a separate component of net assets.

### (c) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of individually estimated uncollectible amounts, and an amount calculated using the past rate of actual losses on collection.

### (d) Inventories

The amounts of inventories are stated primarily at acquisition cost modified by writing down cost to net selling value. Nonferrous metals are stated primarily at the first-in, first-out (FIFO) method. Other inventories are primarily stated at average cost method.

### (e) Derivative Transactions and Hedge Accounting

Derivative financial instruments are stated at fair value. Gains or losses resulting from changes in fair value are recognized in income except for the derivative financial instruments to which hedge accounting is applied.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange



contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - (1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated at the spot rate as of the inception date of the contract and the carrying amount of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and
  - (2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated at the contracted forward rate and that translated at the spot rate as of the inception date of the contract) is recognized in income over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future forecasted transaction denominated in foreign currency, the future transaction will be recorded at the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

#### (f) Securities

Based on the intent of holding, securities are classified as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by unconsolidated subsidiaries and affiliates (hereafter, "equity securities") and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities, which are not accounted for by the equity method, are stated at moving-average cost. Available-for-sale securities with available fair value are stated at fair market value. Valuation difference on these securities is reported, net of applicable income taxes, as a separate component of net assets. Gains and losses on the sale of such securities are calculated with the moving-average cost. Available-for-sale securities with no available fair market value are stated at moving-average cost. There are no securities held for trading purposes.

If the market value of held-to-maturity debt securities, equity securities, and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as losses in the period of decline. If the fair market value of these securities is not readily available, such securities are written down to net asset value with corresponding charge in the consolidated statement of income, in the event that net asset value declines significantly. In these cases, such fair value or net asset value will become the carrying amount of the securities at the beginning of the next year.

The fair value is determined based on the average market price during one month before the balance sheet date.

#### (g) Property, Plant and Equipment and Depreciation (except for the leased assets of which the ownership is not transferred to the lessee)

Property, plant and equipment are stated at cost, except for certain revalued land as explained in Note 19. Depreciation is calculated primarily using the declining-balance method at rates based on the estimated useful lives of depreciable assets. The straight-line method is applied to certain plant facilities based on the estimated useful lives of those depreciable assets.

Pursuant to the amendments to the Corporate Income Tax Law, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2012 to the depreciation method provided by the amended Corporate Income Tax Law from the fiscal year ended March 31, 2013. The effect of this change on the consolidated net income was not material.

In addition, the Company and its domestic consolidated subsidiaries have changed the depreciation method for cement business related properties from the declining-balance method to the straight-line method, except for those being depreciated by the output method. This change was made because the Company believes the straight-line method is more reasonable since the stable use of assets is expected from the future demand projection of the cement and the return on investment is expected to be generated averagely due to the little risk of technology obsolescence as a result of having reviewed the depreciation method for cement business related properties at the time of formulation of the mid-term management plan for the fiscal years ending March 31, 2012 through 2014.

Furthermore, the useful lives of machinery and equipment of the cement related business of the Company and its domestic consolidated subsidiaries, which had been depreciated mainly using the same useful lives provided by the Corporate Income Tax Law in the past, have been revised after the change of the depreciation method as follows: This change was determined considering the physical useful lives of these properties and economic useful lives including product life cycle, obsolescence risk of production method, etc. in a comprehensive way.

	Before the change	After the change
Production equipment of cement and ready-mixed concrete	9 years	13 years
Lime mining equipment	6 years	13 years

The effect of these changes was to increase operating income and income before income taxes by ¥1,859 million for the year ended March 31, 2013, compared with the previous method.

Cost and accumulated depreciation applicable to assets retired or otherwise disposed of are eliminated from the related accounts, and gain on sale or loss on disposal is credited or charged to income. Expenditures for new facilities and those which substantially increase the useful lives of existing property, plant, and equipment are capitalized. Maintenance, repair and minor renewals are charged to income as incurred.

#### (h) Reserve for Loss on Investments

Reserve for loss on investments is provided for loss on investments in affiliates based on the amount to be required considering the financial position of the affiliates.

#### (i) Reserve for bonuses

Reserve for bonuses is provided for future payments of bonuses to employees based on the amount to be attributed to the current fiscal year.

**(j) Reserve for Loss on Disposal of Inventories**

Reserve for loss on disposal of inventories is provided for future payments for disposal of inventories based on the management estimation.

**(k) Valuation Allowance for Investments in Unconsolidated Subsidiaries and Affiliates and Reserve for Loss on Unconsolidated Subsidiaries and Affiliates**

Valuation allowance for investments in unconsolidated subsidiaries and affiliates and reserve for loss on unconsolidated subsidiaries and affiliates are provided based on the evaluation of individual financial and other conditions of subsidiaries and affiliates.

**(l) Reserve for Environmental Measures**

Reserve for environmental measures is provided for future payments for waste disposal, and to clean up soil contamination at Omiya Environmental Management Center (formerly the Central Research Institute, Saitama, Saitama Prefecture) site, Kaihatsu Board Co., Ltd. (at present Tobu Daiken Kogyo Co., Ltd., Aizuwakamatsu, Fukushima Prefecture) site and Kazuno (Akita Prefecture) area, based on the management estimation. Kaihatsu Board Co., Ltd. had been a wholly owned consolidated subsidiary, but the Company sold all its stocks on April 10, 2007.

**(m) Severance and Pension Benefits****1. For employees**

The Group provide two types of post-employment benefit plans, an unfunded lump-sum severance payment plan, and a funded defined benefit pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, the length of service, and certain other factors.

Net liability for retirement benefits is provided based on the estimated amounts of projected benefit obligations that were actuarially calculated on certain assumptions and the fair value of plan assets at balance sheet dates, as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs. Projected benefit obligations are attributed to periods on a straight-line basis in determining retirement benefit obligations. Past service costs are amortized by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees when incurred. Actuarial gains and losses are amortized in the following years after incurred by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees.

Effective from the year ended March 31, 2014, the Group applied "Accounting Standard for Retirement Benefits" issued by the Accounting Standards Board of Japan ("ASBJ") (ASBJ Statement No. 26, revised on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, revised on May 17, 2012) except the article 35 of ASBJ Statement No. 26 and the article 67 of ASBJ Guidance No. 25 and recorded retirement benefit obligations, net of plan assets, as net liability or asset for retirement benefits. The Group recorded actuarial gains and losses, past service costs and transitional obligations that are yet to be recognized as net liability for retirement benefits. In the application of the revised accounting standard for retirement benefits, pursuant to the transitional treatments prescribed in the article 37 of ASBJ Statement No. 26, the Group included the related effects from the

application in accumulated adjustments for retirement benefits under accumulated other comprehensive income.

As a result, net liability for retirement benefits was recorded in the amount of ¥52,787 million (\$512,896 thousand) at March 31, 2014 and accumulated other comprehensive income and minority interests decreased by ¥13,302 million (\$129,249 thousand) and ¥131 million (\$1,281 thousand), respectively. Accordingly, net assets per share decreased by ¥10.05.

**2. For officers**

Officers (directors and corporate auditors) are entitled to lump-sum severance payments based on the length of service and certain other factors. Some consolidated subsidiaries accrue a liability for lump-sum severance payments equal to 100% of the amounts required, had all officers voluntarily retired at the balance sheet dates.

**(n) Income Taxes**

The Company provides for income taxes on the basis of current tax liabilities and reflects the tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

**(o) Net Income per Share**

Basic net income per share is calculated based upon the weighted-average number of shares of common stock outstanding during each period.

**(p) Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid investments with maturity of three months or less at the time of purchase.

**(q) Accounting Standard for Lease Transactions as Lessee**

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. Such lease assets are depreciated over the lease terms without residual values on a straight-line method. All other leases are accounted for as operating leases.

Finance leases other than those that transfer ownership of the leased assets to the lessees, entered into on or before March 31, 2008, are treated in the same way as ordinary operating leases for accounting purpose.

**(r) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"**

Under Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18") issued on May 17, 2006, accounting policies and procedures applied by the Company and its subsidiaries to similar transactions and events under similar circumstances are in principle unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles. In this case, adjustments for the following five items in accordance with

Japanese GAAP are required in the consolidation process unless the impact is not material.

- (a) Goodwill not subject to amortization
- (b) Actuarial gains and losses of defined benefit plans recognized as outside profit or loss
- (c) Capitalized expenditures for research and development activities
- (d) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
- (e) Accounting for net income attributable to minority interests

#### (s) Unification of Accounting Policies Applied to Foreign Affiliates for the Equity Method

Under ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" and Practical Issue Task force (PITF) No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" issued on March 10, 2008, the adjustments are made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the Company when the affiliate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign affiliates in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method. In this case, same adjustments as those for foreign subsidiaries are required in the consolidation process unless the impact is not material.

#### (t) New Accounting Standard not Adopted as Yet

On May 17, 2012, Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits."

##### (1) Summary

Treatment methods for unrecognized actuarial gains and losses and unrecognized past service costs, calculation methods for retirement benefit obligations and service costs and expansion of the disclosure, etc. were revised.

##### (2) Effective dates

This accounting standard has been applied to the consolidated financial statements for the year ended March 31, 2014 as noted in Note 2(m). However, amendments relating to a method of attributing expected benefits to periods and calculation method of service costs are effective from the beginning of annual periods ending on or after March 31, 2015. This accounting standard will not be retrospectively applied since it provides a transitional treatment.

##### (3) Effect of application of the standard

The Company is currently in the process of measuring the effects of applying the revised accounting standard on the consolidated financial statements in the future.

#### (u) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications and rearrangements had no impact on previously reported results of operations.

## Note 3 Inventories

Inventories as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Merchandise and finished goods	¥ 81,516	¥ 79,941	\$ 792,033
Work in process	100,280	98,948	974,358
Raw materials and supplies	103,155	103,463	1,002,290
Total	¥284,952	¥282,353	\$2,768,682

## Note 4 Investment and Rental Property

Information about fair value of investment and rental property included in the consolidated financial statements at March 31, 2014 and 2013 was as follows:

Millions of yen			
Carrying amount			Fair value
April 1, 2013	Increase/(Decrease)	March 31, 2014	March 31, 2014
¥71,324	¥(343)	¥70,981	¥71,267

Millions of yen			
Carrying amount			Fair value
April 1, 2012	Increase/(Decrease)	March 31, 2013	March 31, 2013
¥75,071	¥(3,747)	¥71,324	¥72,349

Thousands of U.S. dollars

Carrying amount			Fair value
April 1, 2013	Increase/(Decrease)	March 31, 2014	March 31, 2014
\$693,005	\$(3,333)	\$689,672	\$692,459

Notes:

1. Carrying amount is net of accumulated depreciation and accumulated impairment loss.
2. Fair values of significant properties as of March 31, 2014 and 2013 are based on appraisal by external or internal real estate appraisers. Fair value of other properties is calculated based on the reasonable indices reflecting market prices such as posted prices or property tax valuation, etc.

Operating performances of the investment and rental properties for the fiscal years ended March 31, 2014 and 2013 were as follows:

Millions of yen

Year ended March 31, 2014			
Rental income	Rental expenses	Profit	Impairment loss
¥5,882	¥3,926	¥1,955	¥139

Millions of yen

Year ended March 31, 2013			
Rental income	Rental expenses	Profit	Impairment loss
¥5,962	¥4,011	¥1,950	¥3,557

Thousands of U.S. dollars

Year ended March 31, 2014			
Rental income	Rental expenses	Profit	Impairment loss
\$57,157	\$38,154	\$19,003	\$1,357

Note:

Rental expenses include costs related to depreciation, maintenance and repairs, insurance premiums, taxes and dues and others.

## Note 5 Short-Term Bank Loans, Commercial Paper and Long-Term Debt

Short-term bank loans and commercial paper outstanding as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unsecured	¥141,352	¥191,783	\$1,373,422
Secured	13,181	18,184	128,079
Total	¥154,534	¥209,967	\$1,501,501

The average interest rate per annum for short-term bank loans outstanding at March 31, 2014 and 2013 was 0.7%. The average interest rate per annum for commercial paper at March 31, 2013 was 0.1%. (No commercial paper outstanding at March 31, 2014)

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Banks, insurance companies and other financial institutions, maturing serially until 2042 with an average rate of 1.4% per annum as of March 31, 2014:			
Unsecured	¥327,800	¥339,819	\$3,185,004
Secured	42,368	33,153	411,662
2.06% unsecured yen bonds, due 2014	30,000	30,000	291,488
1.61% unsecured yen bonds, due 2015	10,000	10,000	97,162
0.80% unsecured yen bonds, due 2016	15,000	15,000	145,744
1.16% unsecured yen bonds, due 2018	10,000	10,000	97,162
0.79% unsecured yen bonds, due 2016	10,000	10,000	97,162
0.57% unsecured yen bonds, due 2015	20,000	20,000	194,325
0.79% unsecured yen bonds, due 2017	15,000	15,000	145,744
0.78% unsecured yen bonds, due 2018	15,000	—	145,744
0.518% unsecured yen bonds, due 2016	40	40	388
0.434% unsecured yen bonds, due 2016	100	—	971
	495,308	483,013	4,812,563
Less current portion	(141,563)	(103,974)	(1,375,473)
Total	¥353,745	¥379,038	\$3,437,089

The aggregate annual maturities of long-term debt as of March 31, 2014 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥141,563	\$1,375,473
2016	102,670	997,578
2017	80,314	780,360
2018	56,213	546,189
2019	71,557	695,273
2020 and thereafter	42,988	417,687
Total	¥495,308	\$4,812,563

Assets pledged as collateral for short-term bank loans and long-term debt as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and time deposits	¥ 12,029	¥ 19,663	\$ 116,879
Notes and accounts receivable	4,083	11,786	39,677
Inventories	29,401	23,015	285,672
Investments:			
Investments in securities	3,611	3,145	35,091
Property, plant and equipment, at net book value	61,191	66,842	594,555
Other assets	3	1	29
Total	¥110,320	¥124,455	\$1,071,906

## Note 6 Employees' Severance and Pension Benefits

### Year ended March 31, 2014

#### 1. Outline of the retirement benefit plans

The Company and consolidated subsidiaries have lump-sum severance payment plans, defined benefit corporate pension plans and welfare pension fund plans. Under the lump-sum severance payment plans (they are principally unfunded plans, but some plans are funded after retirement benefit trust was established.), lump-sum payments may be provided

based on a function of qualifications and service length. Under the defined benefit corporate pension plans (all plans are funded), lump-sum payments or annuities may be provided based on a function of qualifications and service length. Certain consolidated subsidiaries calculate net liability for retirement benefits and retirement benefit costs using a simplified method. Certain consolidated subsidiaries have defined contribution plans.

2. Movement in retirement benefit obligations for the year ended March 31, 2014, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥140,378	\$1,363,961
Service costs	7,208	70,039
Interest costs	1,985	19,287
Actuarial gains and losses	1,917	18,634
Benefits paid	(9,602)	(93,302)
Past service costs	116	1,131
Other	(1,055)	(10,252)
Balance at end of year	¥140,948	\$1,369,498

3. Movement in plan assets for the year ended March 31, 2014, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥68,055	\$661,245
Expected return on plan assets	1,266	12,305
Actuarial gains and losses	893	8,681
Contributions paid by the employer	7,480	72,686
Amount of established retirement benefit trust	18,821	182,871
Benefits paid	(5,626)	(54,669)
Other	(705)	(6,858)
Balance at end of year	¥90,184	\$876,262

4. Movement in net liability for retirement benefits under the plans to which a simplified method is applied for the year ended March 31, 2014, was as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥1,969	\$19,138
Retirement benefit costs	279	2,719
Benefits paid	(178)	(1,733)
Contributions to the plans	(63)	(620)
Other	(3)	(31)
Balance at end of year	¥2,004	\$19,471

5. Reconciliation between net liability or asset for retirement benefits recorded in the consolidated balance sheets and the balances of retirement benefit obligations and plan assets

	Millions of yen	Thousands of U.S. dollars
Funded retirement benefit obligations	¥130,489	\$1,267,869
Plan assets	(90,396)	(878,315)
	40,092	389,553
Unfunded retirement benefit obligations	12,675	123,154
Net liability (asset) recorded in the consolidated balance sheets	¥ 52,767	\$ 512,708
	Millions of yen	Thousands of U.S. dollars
Net liability for retirement benefits	¥52,787	\$512,896
Net asset for retirement benefits	(19)	(187)
Net liability (asset) recorded in the consolidated balance sheets	¥52,767	\$512,708

6. The components of retirement benefit costs for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Service costs	¥7,488	\$72,758
Interest costs	1,985	19,287
Expected return on plan assets	(1,266)	(12,305)
Amortization of actuarial gains and losses	1,448	14,072
Amortization of past service costs	(184)	(1,792)
Other	297	2,894
Retirement benefit costs on defined benefit plans	¥9,768	\$94,915

Note: Retirement benefit costs under the plans to which a simplified method is applied are included in "Service costs."



## 7. Accumulated adjustments for retirement benefits

Components of accumulated adjustments for retirement benefits (before adjusting for tax effects) as of March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Unrecognized past service costs	¥(1,204)	\$(11,700)
Unrecognized actuarial gains and losses	15,657	152,129
Other	(0)	(0)
Total	¥14,452	\$140,429

## 8. Plan assets

## (1) Components of plan assets

Plan assets consisted of the followings:

Bonds	34%
Equity securities	47
Insurance assets (general account)	10
Cash and deposits	8
Other	1
Total	100%

Note: Total plan assets include retirement benefit trust established on lump-sum severance payment plans or corporate pension plans by 31%.

## (2) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by considering the allocation of plan assets which are expected currently and in the future and long-term rates of return which are expected currently and in the future from the various components of the plan assets.

## 9. The principal assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	Mainly 1.4%
Long-term expected rate of return on plan assets	Mainly 2.0%

## 10. Defined contribution plans

The amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥148 million (\$1,441 thousand).

**Year ended March 31, 2013**

Employees' severance and pension benefits included in the consolidated balance sheets as of March 31, 2013 consisted of the following:

	Millions of yen
Projected benefit obligations	¥142,694
Fair value of plan assets	(68,401)
Projected benefit obligations in excess of plan assets	74,293
Unrecognized actuarial losses	(16,240)
Unrecognized past service costs	1,522
Net liability for severance and retirement benefits	59,574
Prepaid pension costs	26
Employees' severance and pension benefits	¥ 59,601

Employees' severance and pension benefit expenses included in the consolidated statement of income for the fiscal year ended March 31, 2013 consisted of the following:

	Millions of yen
Service cost benefits earned during the year	¥ 6,615
Interest costs on projected benefit obligations	2,885
Expected return on plan assets	(1,079)
Amortization of actuarial losses	1,932
Amortization of past service costs	(287)
Employees' severance and pension benefit expenses	¥10,066

The discount rate used by the Company was mainly 1.4% for the fiscal year ended March 31, 2013. The rate of expected return on plan assets was mainly 2.0% for the fiscal year ended March 31, 2013. The estimated amounts of all retirement benefits to be paid at the future retirement dates are allocated equally to each service year using the estimated number of total service years.

## Note 7 Asset Retirement Obligations

The asset retirement obligations are based on the reasonably estimated amount for the obligation regarding treatment of hazardous substances such as asbestos and PCB as prescribed by the various laws and ordinances, and greening obligation for mine closure of coal and limestone.

In computing the amount of asset retirement obligations, the Group

estimates the expected terms until expenditure (maximum 72 years) and applies discount rates ranging from 1.4% to 2.7%.

The changes in asset retirement obligations for the fiscal years ended March 31, 2014 and 2013 are as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Beginning balance	¥2,874	¥2,850	\$27,932
Increase associated with acquisitions of tangible fixed assets	335	18	3,256
Reconciliation associated with passage of time	49	83	484
Reduction associated with settlement of asset retirement obligations	(55)	(38)	(543)
Decrease (increase) due to changes in estimates	45	(169)	439
Foreign currency translation adjustments	262	174	2,548
Other, net	(17)	(43)	(168)
Ending balance	¥3,494	¥2,874	\$33,949

## Note 8 Notes Receivable and Notes Payable

The balance sheet date for the years ended March 31, 2013 fell on a bank holiday. Consequently, notes receivable of ¥4,166 million and notes payable of ¥2,615 million with the due date of March 31, 2013 are included in the consolidated balance sheets and were settled on the next business day.

## Note 9 Net Assets

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in

retained earnings in the accompanying consolidated balance sheets.

Under the Law, both elimination and capitalization related to legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the laws and regulations.

## Note 10 Income Taxes

The income taxes reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current	¥16,509	¥16,481	\$160,409
Deferred	9,956	(5,690)	96,740
Total	¥26,465	¥10,790	\$257,150

The following table summarizes the significant differences between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2014 and 2013:

	2014	2013
Statutory income tax rate	38.0%	38.0%
Nondeductible expenses	1.1	1.2
Temporary differences for which tax effect cannot be recognized	(5.6)	(8.9)
Differences in statutory tax rates of consolidated subsidiaries	(4.5)	(9.3)
Equity in earnings of affiliates	(1.7)	(2.8)
Nontaxable dividends received	(3.6)	(8.8)
Nondeductible foreign withholding taxes	3.5	8.7
Loss on impairment of goodwill	1.6	—
Other	2.2	0.6
Effective tax rate	31.0%	18.7%

Significant components of deferred income tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred income tax assets:			
Employees' severance and pension benefits	¥ —	¥ 23,904	\$ —
Net operating loss carried forward	19,987	36,012	194,203
Nondeductible loss on impairment of fixed assets	19,610	11,542	190,539
Net liability for retirement benefits	18,358	—	178,375
Loss on write-down of securities	15,700	15,381	152,548
Temporary difference on the excess of investment in overseas consolidated subsidiaries	11,691	10,779	113,593
Retirement benefit trust asset	10,636	—	103,350
Intercompany profits	7,066	7,524	68,659
Loss on write-down of buildings	5,592	5,821	54,343
Accrued employees' bonuses	4,108	4,509	39,922
Loss on write-down of inventories	2,138	2,955	20,782
Allowance for doubtful accounts	2,121	2,037	20,612
Reserve for environmental measures	1,715	1,711	16,670
Depreciation	1,687	1,677	16,393
Other	22,526	19,709	218,875
Subtotal	142,942	143,569	1,388,869
Valuation allowance	(90,188)	(90,823)	(876,297)
Total deferred income tax assets	¥ 52,753	¥ 52,746	\$ 512,572
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	¥ (14,984)	¥ (20,977)	\$ (145,591)
Excess of fair value over the book value of the assets and liabilities of the consolidated subsidiaries and affiliates at the acquisition date	(7,819)	(7,752)	(75,979)
Accelerated depreciation of property, plant and equipment	(5,502)	(4,915)	(53,465)
Gain on contribution of securities to retirement benefit trust	(4,931)	—	(47,911)
Deferred gain on sale of property, plant and equipment	(2,008)	(532)	(19,515)
Revaluation of land, as a result of the merger	(1,748)	(1,748)	(16,991)
Deferred gains or losses on hedges	(529)	(404)	(5,143)
Reserve for mining exploration	(430)	(413)	(4,179)
Retained earnings of overseas consolidated subsidiaries	(289)	(257)	(2,808)
Reserve for special account for advanced depreciation of fixed assets	(97)	(111)	(946)
Other	(4,532)	(4,332)	(44,037)
Total deferred income tax liabilities	(42,873)	(41,445)	(416,568)
Net deferred income tax assets	¥ 9,880	¥ 11,300	\$ 96,003
Net deferred income tax liabilities on revaluation reserve for land	¥ (32,532)	¥ (33,683)	\$ (316,098)

New tax reform act proclaimed on March 31, 2014 will repeal the special reconstruction corporation tax from the fiscal year beginning on or after April 1, 2014. As a result, the statutory tax rate to be used in computing deferred income tax assets and liabilities will be reduced from

38.0% to 35.6% for the temporary differences estimated to be expired in the fiscal years beginning on or after April 1, 2014. The effects of this rate change on the consolidated financial statements as of March 31, 2014 and for the year then ended were immaterial.

## Note 11 Contingent Liabilities

Contingent liabilities for notes receivable discounted with banks, notes receivable endorsed with recourse, notes and accounts receivable securitized with recourse, and loans guaranteed by the Group primarily on

behalf of unconsolidated subsidiaries and affiliates, including employees' housing loans from banks, as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes receivable discounted	¥ 3,658	¥ 2,131	\$ 35,542
Notes and accounts receivable securitized with recourse	7,976	7,887	77,502
Loans guaranteed	33,053	33,494	321,158
Reserved guarantee	—	421	—
Total	¥44,688	¥43,935	\$434,203

## Note 12 Lease Transactions

In related to Note 2 (q), pro-forma information of finance leases that do not transfer ownership of leased assets to the lessee commenced prior to April 1, 2008, the first year of implementation of the new accounting standard, which are accounted for as operating leases, was as follows:

1. Noncancelable operating lease commitments as lessee were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 2,256	¥ 2,115	\$ 21,921
Due after one year	11,046	11,032	107,331
Total	¥13,302	¥13,147	\$129,252

2. Noncancelable operating lease commitments as lessor were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥1,040	¥1,110	\$10,110
Due after one year	6,521	7,250	63,363
Total	¥7,561	¥8,360	\$73,473

## Note 13 Research and Development Expenses

Research and development expenses for the fiscal years ended March 31, 2014 and 2013 were ¥10,986 million (\$106,750 thousand) and ¥11,401 million, respectively, and were included in selling, general and administrative expenses.

## Note 14 Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Valuation difference on available-for-sale securities:			
(Losses) gains incurred during the year	¥ (9,637)	¥11,420	\$ (93,641)
Reclassification adjustment to net income	(4,868)	1,773	(47,304)
Amount before tax effect	(14,506)	13,194	(140,946)
Tax effect	5,992	(3,937)	58,226
Valuation difference on available-for-sale securities	(8,513)	9,256	(82,720)
Deferred gains or losses on hedges:			
Gains (losses) incurred during the year	3,040	(4,384)	29,544
Reclassification adjustment to net income	(2,478)	5,019	(24,086)
Amount before tax effect	561	634	5,457
Tax effect	10	(39)	104
Deferred gains or losses on hedges	572	595	5,562
Foreign currency translation adjustments:			
Losses incurred during the year	27,924	31,097	271,320
Reclassification adjustment to net income	107	—	1,047
Amount before tax effect	28,032	31,097	272,367
Tax effect	—	—	—
Foreign currency translation adjustments	28,032	31,097	272,367
Share of other comprehensive income of affiliates accounted for using the equity method:			
Losses incurred during the year	5,511	2,297	53,551
Reclassification adjustment to net income	82	21	802
Share of other comprehensive income of affiliates accounted for using the equity method	5,594	2,318	54,353
Total other comprehensive income	¥25,685	¥43,268	\$249,563

## Note 15 Securities

1. The following tables summarize carrying amounts and acquisition costs of securities with available fair values as of March 31, 2014:

Available-for-sale securities

(1) Securities with carrying amount exceeding acquisition cost

At March 31, 2014

	Millions of yen			Thousands of U.S. dollars		
Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	¥94,539	¥43,371	¥51,168	\$918,575	\$421,411	\$497,164
Bonds	—	—	—	—	—	—
Total	¥94,539	¥43,371	¥51,168	\$918,575	\$421,411	\$497,164

(2) Securities with carrying amount not exceeding acquisition cost

At March 31, 2014

	Millions of yen			Thousands of U.S. dollars		
Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	¥20,068	¥24,170	¥(4,101)	\$194,990	\$234,846	\$(39,856)
Bonds	—	—	—	—	—	—
Total	¥20,068	¥24,170	¥(4,101)	\$194,990	\$234,846	\$(39,856)

Note:

Unlisted equity securities of which carrying amount is ¥11,166 million (\$108,500 thousand) are not included in the above table, because there is no market price and it is extremely difficult to recognize their fair values.

2. The following tables summarize carrying amounts and acquisition costs of securities with available fair values as of March 31, 2013:

Available-for-sale securities

(1) Securities with carrying amount exceeding acquisition cost

At March 31, 2013

Type	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Equity securities	¥123,460	¥55,507	¥67,952
Bonds	—	—	—
Total	¥123,460	¥55,507	¥67,952

(2) Securities with carrying amount not exceeding acquisition cost

At March 31, 2013

Type	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Equity securities	¥20,298	¥26,525	¥(6,226)
Bonds	—	—	—
Total	¥20,298	¥26,525	¥(6,226)

Note:

Unlisted equity securities of which carrying amount is ¥11,833 million are not included in the above table, because there is no market price and it is extremely difficult to recognize their fair values.

3. The Group did not hold any available-for-sale securities with maturity, and held-to-maturity debt securities as of March 31, 2014 and 2013.

4. Total amounts of available-for-sale securities sold, and the resulting gains and losses, for the fiscal years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Sales amount	¥34,846	¥2,504	\$338,583
Gains	27,906	2,001	271,148
Losses	(4)	(0)	(47)

5. The amounts of write-down of investments in securities for the years ended March 31, 2014 and 2013 were ¥850 million (\$8,266 thousand) and ¥4,524 million, respectively.

When the fair value of each issue of securities declined more than 50% of the acquisition cost, losses on write-down were recognized. When the fair value declined between 30% and 50% of the acquisition cost, the write-down amount is determined by considering the recoverability, etc. by each issue.

## Note 16 Financial Instruments

Information on financial instruments for the fiscal years ended March 31, 2014 and 2013 was as follows.

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Group raises the necessary funds for its capital investment plans to conduct its business mainly by bank loans or issuance of bonds. The Group invests temporary cash surpluses in highly secured financial instruments and raises short-term working funds by bank loans or issuance of commercial paper. The Group follows the policy of using derivatives not for speculative purposes, but for managing financial risks as described later.

(2) Details of financial instruments used and the exposures to risk and how they arise

Notes and accounts receivable are exposed to customer's credit risk. As

trade receivables denominated in foreign currencies arising from the development of global business are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Investment securities, mainly consisting of equity securities related to customers and suppliers in relation to business or capital alliances, are exposed to the risk of market price fluctuations.

Payment terms of notes and accounts payable are less than one year. As certain payables in foreign currencies arising from the import transactions of raw materials are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Short-term bank loans and commercial paper are used for raising funds related to operating transactions.

Long-term debt including corporate bonds is used mainly for raising the necessary funds related to capital investments. Maturities of long-term debt including corporate bonds are less than 20 years. As some of



them with floating interest rates are exposed to interest rate fluctuation risk, they are hedged using derivatives.

Derivative transactions mainly include forward foreign currency contracts and currency swap contracts for the purpose of hedging foreign currency exchange fluctuation risk on trade receivables and payables denominated in foreign currencies, forward commodity contracts and commodity price swap contracts for the purpose of hedging commodity price fluctuation risk on nonferrous metal and interest rate swaps for the purpose of hedging interest rate fluctuation risk on debt and reducing fund raising costs. Interest rate swaps which convert fixed interest rates into floating rates are exposed to market interest rate fluctuation. Hedging instruments and hedged items, hedge policy, assessment method for hedge effectiveness and others related to hedge accounting, are described in Note 2. (e) "Derivative Transactions and Hedge Accounting" and Note 17 "Derivative Transactions."

### (3) Policies and processes for managing the risk

#### a. Credit Risk Management (customers' default risk)

The Company manages and mitigates customers' credit risk on trade receivables in accordance with the Credit Control Policy, which includes monitoring of payment term and balances of customers by each responsible department of each company to recognize the customers' default risk at an early stage. Consolidated subsidiaries also manage and mitigate the risk in accordance with a similar credit control policy based on the Group Accounting Policy and Manual. The Company deals with highly creditworthy foreign or domestic financial institutions or trading firms only to mitigate the default risk.

#### b. Market Risk Management (foreign currency exchange and interest rate fluctuation risks)

The Company and its certain consolidated subsidiaries use principally forward foreign exchange contracts to hedge foreign currency exchange fluctuation risk identified by currency and monthly basis for trade receivables and payables denominated in foreign currencies. In addition, inter-

est rate swap contracts are used to manage interest rate fluctuation risk on debt.

With respect to investment securities, the Company identifies and monitors fair values and financial positions of the issuers on a regular basis and continuously reviews its status of these securities considering the relationships with the issuers.

With respect to derivative transactions, the Company has "Rules on Utilizing Derivative Transactions" in its "Operation Standards" applicable to the whole Company. In addition, there are specific rules and standards for derivative transactions provided for each business unit based on the type of business. In accordance with the authority and limits provided in these rules and standards, forward foreign currency contracts are utilized and controlled by the Finance Department and other responsible departments; interest rate swap contracts are utilized and controlled by the Finance Department; and forward commodity contracts are utilized and controlled by each responsible department. Furthermore, departments utilizing derivative transactions are required to report the status and results of derivative transactions to the Management Audit Department for financial transaction at each annual and semi-annual year-end. Consolidated subsidiaries utilizing derivative transactions have provided the operational standards individually, according to the purpose of derivative transactions.

#### c. Liquidity Risk Management on Fund Raising

The Group manages its liquidity risk by preparing and updating cash flow plans on a timely basis at each company.

### (4) Supplemental information on fair values

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, the fair values may change depending on the different assumptions. The contract amounts described in Note 17 "Derivative Transactions" do not indicate the amounts of market risk or credit risk related to derivative transactions.

## 2. Fair values of financial instruments

Carrying amounts, fair value of the financial instruments and the difference between them as of March 31, 2014 and 2013 were as follows (Financial instruments whose fair values are not readily determinable are excluded from the following table):

March 31, 2014	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥ 63,486	¥ 63,486	¥ —
(2) Notes and accounts receivable	219,016	219,016	—
(3) Investment securities:			
Shares in affiliates	53,585	80,545	26,960
Available-for-sale securities	114,608	114,608	—
Total assets	¥450,696	¥477,657	¥26,960
(1) Notes and accounts payable	¥106,656	¥106,656	¥ —
(2) Short-term bank loans	256,098	256,098	—
(3) Current portion of bonds	40,000	40,314	314
(4) Commercial paper	—	—	—
(5) Bonds	85,140	86,257	1,117
(6) Long-term loans payable	268,605	269,559	954
Total liabilities	¥756,500	¥758,885	¥ 2,385
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	¥ 728	¥ 728	¥ —
b. Derivatives to which hedge accounting is applied	637	(1,446)	(2,083)
Total derivative transactions	¥ 1,366	¥ (717)	¥ (2,083)

March 31, 2014	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	\$ 616,852	\$ 616,852	\$ —
(2) Notes and accounts receivable	2,128,030	2,128,030	—
(3) Investment securities:			
Shares in affiliates	520,650	782,606	261,956
Available-for-sale securities	1,113,565	1,113,565	—
Total assets	\$4,379,099	\$4,641,056	\$261,956
(1) Notes and accounts payable	\$1,036,307	\$1,036,307	\$ —
(2) Short-term bank loans	2,488,324	2,488,324	—
(3) Current portion of bonds	388,651	391,702	3,050
(4) Commercial paper	—	—	—
(5) Bonds	827,244	838,097	10,853
(6) Long-term loans payable	2,609,844	2,619,116	9,271
Total liabilities	\$7,350,372	\$7,373,547	\$ 23,175
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	\$ 7,082	\$ 7,082	—
b. Derivatives to which hedge accounting is applied	6,190	(14,050)	(20,240)
Total derivative transactions	\$ 13,272	\$ (6,968)	\$ (20,240)

(\*) Receivables and payables arising from derivative transactions are presented in net. Net payables are presented in parenthesis.

March 31, 2013	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥ 64,416	¥ 64,416	¥ —
(2) Notes and accounts receivable	211,748	211,748	—
(3) Investment securities:			
Shares in affiliates	50,699	106,568	55,868
Available-for-sale securities	143,759	143,759	—
Total assets	¥470,623	¥526,492	¥55,868
(1) Notes and accounts payable	¥105,889	¥105,889	¥ —
(2) Short-term bank loans	287,942	287,942	—
(3) Current portion of bonds	—	—	—
(4) Commercial paper	26,000	26,000	—
(5) Bonds	110,040	111,646	1,606
(6) Long-term loans payable	268,998	270,036	1,037
Total liabilities	¥798,869	¥801,514	¥ 2,644
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	¥ 5,472	¥ 5,472	¥ —
b. Derivatives to which hedge accounting is applied	(824)	(4,266)	(3,441)
Total derivative transactions	¥ 4,647	¥ 1,206	¥ (3,441)

(\*) Receivables and payables arising from derivative transactions are presented in net. Net payables are presented in parenthesis.

Notes:

1. Calculation method of fair values of financial instruments as well as securities and derivative transactions are as follows:

Assets:

(1) Cash and time deposits and (2) Notes and accounts receivable

The fair values approximate book values because of their short-term maturities. Therefore, the fair values are recognized using book values.

(3) Investment securities (Shares in affiliates and available-for-sale securities)

The fair values of equity securities are determined based on the market price. The information of securities categorized by holding purposes is described in Note 15 "Securities."

Liabilities:

(1) Notes and accounts payable, (2) Short-term bank loans and (4) Commercial paper

The fair values approximate book values because of their short-term maturities. Therefore, the fair values are recognized using book values.

(3) Current portion of bonds and (5) Bonds

The fair values of these liabilities are determined based on the market price.

(6) Long-term loans payable

The fair values of long-term loans payable are determined by discounting the aggregated values of the principal and interest using an assumed interest rate if the same type of loans were newly made.

Derivative financial instruments:

The information on derivative transactions is described in Note 17 "Derivative Transactions."

## 2. Financial instruments that fair values are extremely difficult to calculate

Category	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Shares in affiliates (unlisted equity securities)	¥71,216	¥65,462	\$691,956
Available-for-sale securities (unlisted equity securities)	11,166	11,833	108,500

It is extremely difficult to calculate their fair values because there is no market price. Therefore, these items are not included in “(3) Investment securities.”

## 3. Redemption schedule of monetary assets with contractual maturities as of March 31, 2014

	Millions of yen					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	¥ 63,486	¥—	¥—	¥—	¥—	¥—
Notes and accounts receivable	219,016	—	—	—	—	—
Total	¥282,503	¥—	¥—	¥—	¥—	¥—

	Thousands of U.S. dollars					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	\$ 616,852	\$—	\$—	\$—	\$—	\$—
Notes and accounts receivable	2,128,030	—	—	—	—	—
Total	\$2,744,883	\$—	\$—	\$—	\$—	\$—

## 4. Repayment schedule of short-term bank loans, commercial paper, bonds and long-term loans payable as of March 31, 2014

	Millions of yen					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	¥256,098	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	—	—	—	—	—	—
Bonds	40,000	20,040	25,100	15,000	25,000	—
Long-term loans payable	—	82,630	55,214	41,213	46,557	42,988
Total	¥296,098	¥102,670	¥80,314	¥56,213	¥71,557	¥42,988

	Thousands of U.S. dollars					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	\$2,488,324	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper	—	—	—	—	—	—
Bonds	388,651	194,714	243,878	145,744	242,907	—
Long-term loans payable	—	802,863	536,481	400,444	452,366	417,687
Total	\$2,876,975	\$997,578	\$780,360	\$546,189	\$695,273	\$417,687

## Note 17 Derivative Transactions

Derivative financial instruments currently utilized by the Group include forward foreign currency contracts, interest rate swap contracts, currency swap contracts, forward commodity contracts and commodity price swap contracts.

The Company utilizes forward foreign currency contracts to hedge the impact of foreign exchange fluctuations on receivables and payables, and on advance payments for purchase of ores.

The Company enters into interest rate swap contracts to reduce exposure to adverse movements in interest rates, and to lower finance costs on debts.

The Company also utilizes forward commodity contracts to hedge the impact of future price fluctuations of nonferrous metal inventories and

sold gold bullion deposited from customers under consuming bailment named “My Gold Partner.”

Some consolidated subsidiaries utilize forward foreign currency contracts and interest swap contracts to hedge the impact of foreign currency fluctuations on foreign currency receivables and payables, and forward commodity contracts and commodity price swap contracts to hedge the impact of price fluctuations of nonferrous metal inventories.

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments. Furthermore, the Company periodically controls the transaction volume of forward commodity contracts in order to balance them with

hedged nonferrous metal inventories and to evaluate their hedge effectiveness at each annual and semi-annual year-end.

As of March 31, 2014 and 2013, the Group had outstanding derivative transactions as follows:

1. Derivative transactions to which hedge accounting is not applied at March 31, 2014 and 2013

(1) Currency related derivatives

March 31, 2014	Millions of yen			
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	¥1,898	¥ —	¥(10)	¥(10)
Other	—	—	—	—
Buy U.S. dollars	—	—	—	—
Other	468	—	10	10
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	3,086	—	(2)	(2)
Total	—	—	—	¥ (2)

March 31, 2013	Millions of yen			
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	¥ 268	¥—	¥ (38)	¥ (38)
Other	—	—	—	—
Buy U.S. dollars	—	—	—	—
Other	—	—	—	—
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	4,212	—	493	493
Total	—	—	—	¥454

March 31, 2014	Thousands of U.S. dollars			
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	\$18,442	\$—	\$(101)	\$(101)
Other	—	—	—	—
Buy U.S. dollars	—	—	—	—
Other	4,548	—	102	102
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	29,988	—	(24)	(24)
Total	—	—	—	\$ (23)

Note:

Fair value is determined based on the price obtained from financial institutions.

(2) Interest rate related derivatives

Not applicable

(3) Commodity related derivatives

March 31, 2014	Millions of yen			
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	¥46,038	¥ —	¥800	¥800
Buy	92,289	—	(77)	(77)
Total	—	—	—	¥723

March 31, 2013	Millions of yen			
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	¥30,642	¥—	¥ 485	¥ 485
Buy	98,533	—	4,531	4,531
Total	—	—	—	¥5,017

March 31, 2014	Thousands of U.S. dollars			
	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	\$447,325	\$ —	\$7,774	\$7,774
Buy	896,709	—	(749)	(749)
Total	—	—	—	\$7,024

Note:

Fair value is determined based on the price obtained from financial institutions.

## 2. Derivative transactions to which hedge accounting is applied at March 31, 2014 and 2013

### (1) Currency related derivatives

March 31, 2014

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable,	¥66,599	¥ 377	¥(309)
	Other	receivable,	1,458	—	(9)
	Buy U.S. dollars	accounts payable	11,231	—	61
	Other		—	—	—
Hedged items are translated using forward contract rates.	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable,	¥13,321	¥ —	Note 2
	Other	receivable,	4,061	—	
	Buy U.S. dollars	accounts payable	319	—	
	Other		—	—	
Hedged items are translated using currency swaps	Currency swaps:				
	Pay Japanese yen/ Receive U.S. dollars	Long-term debt	¥ 4,500	¥4,500	

March 31, 2013

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable,	¥54,855	¥—	¥(859)
	Other	receivable,	838	—	(12)
	Buy U.S. dollars	accounts payable	530	—	66
	Other		469	—	88
Hedged items are translated using forward contract rates.	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable,	¥ 9,683	¥—	Note 2
	Other	receivable,	3,734	—	
	Buy U.S. dollars	accounts payable	576	—	
	Other		—	—	

March 31, 2014

			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable,	\$647,095	\$ 3,663	\$(3,005)
	Other	accounts payable	14,175	—	(91)
	Buy U.S. dollars		109,124	—	594
	Other		—	—	—
Hedged items are translated using forward contract rates.	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable,	\$129,439	\$ —	Note 2
	Other	accounts payable	39,461	—	
	Buy U.S. dollars		3,106	—	
	Other		—	—	
Hedged items are translated using currency swaps	Currency swaps:				
	Pay Japanese yen/ Receive U.S. dollars	Long-term debt	\$ 43,723	\$43,723	

Notes:

1. Fair value is determined based on the price obtained from financial institutions.
2. Fair value of derivatives is included in the fair values of the related accounts receivable, accounts payable and long-term debt, since accounts receivable, accounts payable and long-term debt in foreign currencies as hedged items are translated into Japanese yen using the forward contract rates, etc.

## (2) Interest rate related derivatives

March 31, 2014

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts:				
	Receive fixed rate, pay floating rate	Long-term debt	¥ —	¥ —	¥ —
	Pay fixed rate, receive floating rate		150,193	130,082	(2,578)

March 31, 2013

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts:				
	Receive fixed rate, pay floating rate	Long-term debt	¥ —	¥ —	¥ —
	Pay fixed rate, receive floating rate		164,975	132,925	(3,441)

March 31, 2014

			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts:				
	Receive fixed rate, pay floating rate	Long-term debt	\$ —	\$ —	\$ —
	Pay fixed rate, receive floating rate		1,459,325	1,263,915	(25,056)

Note:

Fair value is determined based on the price obtained from financial institutions.



## (3) Commodity related derivatives

March 31, 2014

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Nonferrous metals forward:				
	Sell	Accounts receivable, accounts payable	¥130,292	¥32,717	¥4,958
	Buy		106,340	25,920	(3,570)

March 31, 2013

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Nonferrous metals forward:				
	Sell	Accounts receivable, accounts payable	¥84,743	¥37,671	¥1,089
	Buy		55,941	26,831	(1,197)

March 31, 2014

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Nonferrous metals forward:				
	Sell	Accounts receivable, accounts payable	\$1,265,957	\$317,890	\$48,173
	Buy		1,033,230	251,850	(34,688)

Note:

Fair value is determined based on the price obtained from financial institutions.

**Note 18 Segment Information**

## (a) General information about reportable segments

The Company's reportable segments are composed of those individual business units for which separate financial information is available, about which the Board of Directors makes decisions regarding the allocation of management resources and for which operating performance can be evaluated.

The Company operates a system of in-house companies. Each in-house company and business department formulates comprehensive domestic and overseas strategies for its own products and services and advances its business accordingly. Consequently, the in-house companies are classified into segments along these in-house companies' product and service lines. There are five segments: Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components, as well as Aluminum which has high performance within the Company's business departments.

Primary products and services included in each segment are as follows:

Cement: Cement, cement-related products, ready-mixed concrete and aggregate

Metals: Copper smelting (copper, gold, silver, sulfuric acid, etc.) and copper alloy products

Advanced Materials & Tools: Cemented carbide products, high-performance alloy products

Electronic Materials & Components: Advanced materials, electronic components, polycrystalline silicon and chemical products

Aluminum: Aluminum cans, rolled aluminum products and processed aluminum products

(b) Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

The accounting method for business segments reported in this note is consistent with those stated in Note 2 "Summary of Significant Accounting Policies." Segment profit or loss is based on the figures of ordinary income or loss. Intersegment sales are based on the market prices.

(c) Information about reportable segment profit or loss, segment assets, segment liabilities and other material items.

(1) Segment information as of and for the fiscal year ended March 31, 2014 is as follows:

March 31, 2014	Millions of yen								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	¥186,545	¥582,733	¥116,516	¥ 49,882	¥150,296	¥328,821	¥1,414,796	¥ —	¥1,414,796
Intersegment	3,653	113,577	29,381	17,842	1,267	51,288	217,012	(217,012)	—
Total	¥190,199	¥696,311	¥145,898	¥ 67,724	¥151,564	¥380,110	¥1,631,808	¥(217,012)	¥1,414,796
Segment profit	¥ 18,813	¥ 36,549	¥ 13,999	¥ 2,195	¥ 4,739	¥ 9,556	¥ 85,854	¥ (8,951)	¥ 76,902
Segment assets	353,263	520,459	184,998	118,325	146,698	339,478	1,663,223	115,281	1,778,505
Segment liabilities	209,216	392,712	116,088	142,896	114,466	279,311	1,254,690	(1,893)	1,252,797
Other items:									
Depreciation	¥ 10,458	¥ 18,401	¥ 9,316	¥ 5,827	¥ 8,015	¥ 3,170	¥ 55,189	¥ 2,238	¥ 57,428
Amortization of goodwill	2,431	654	24	—	—	20	3,131	(60)	3,070
Interest income	208	602	53	66	10	295	1,237	(321)	916
Amortization of negative goodwill	—	—	38	—	—	—	38	—	38
Interest expense	2,705	4,002	1,153	2,178	876	267	11,184	(1,498)	9,686
Equity in earnings (losses) of affiliates	1,663	2,561	28	159	212	(250)	4,375	2	4,377
Investments in affiliates accounted for by the equity method	17,668	18,028	312	52,498	656	25,973	115,137	(224)	114,912
Increase in tangible and intangible fixed assets	13,144	19,435	16,775	3,189	7,374	3,681	63,600	2,344	65,944

March 31, 2014	Thousands of U.S. dollars								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	\$1,812,532	\$5,662,002	\$1,132,108	\$ 484,672	\$1,460,323	\$3,194,926	\$13,746,568	\$ —	\$13,746,568
Intersegment	35,501	1,103,555	285,480	173,360	12,318	498,333	2,108,551	(2,108,551)	—
Total	\$1,848,034	\$6,765,557	\$1,417,589	\$ 658,033	\$1,472,642	\$3,693,260	\$15,855,119	\$(2,108,551)	\$13,746,568
Segment profit	\$ 182,793	\$ 355,127	\$ 136,023	\$ 21,333	\$ 46,055	\$ 92,849	\$ 834,182	\$ (86,977)	\$ 747,205
Segment assets	3,432,404	5,056,933	1,797,500	1,149,685	1,425,364	3,298,468	16,160,356	1,120,106	17,280,462
Segment liabilities	2,032,803	3,815,706	1,127,945	1,388,418	1,112,191	2,713,869	12,190,934	(18,393)	12,172,540
Other items:									
Depreciation	\$ 101,614	\$ 178,797	\$ 90,523	\$ 56,622	\$ 77,880	\$ 30,803	\$ 536,241	\$ 21,745	\$ 557,986
Amortization of goodwill	23,622	6,355	242	—	—	202	30,422	(588)	29,833
Interest income	2,026	5,855	522	646	103	2,869	12,023	(3,122)	8,901
Amortization of negative goodwill	—	—	378	—	—	—	378	—	378
Interest expense	26,286	38,890	11,212	21,170	8,515	2,597	108,672	(14,558)	94,113
Equity in earnings (losses) of affiliates	16,162	24,885	276	1,551	2,066	(2,430)	42,512	22	42,534
Investments in affiliates accounted for by the equity method	171,670	175,165	3,033	510,089	6,383	252,362	1,118,705	(2,182)	1,116,522
Increase in tangible and intangible fixed assets	127,714	188,837	162,991	30,990	71,655	35,768	617,959	22,779	640,739

Notes:

1. "Others" includes nuclear energy-related services, precious metals, environmental and recycling-related business, real estate business and engineering-related services.
2. Included in "Adjustment" of "Segment profit" in an amount of ¥(8,951) million (\$86,977 thousand) are intersegment transaction elimination in an amount of ¥859 million (\$8,347 thousand) and corporate expenses that cannot be allocated to each reportable segment in an amount of ¥(9,810) million (\$95,325 thousand). Corporate expenses consist mainly of general and administrative expenses, basic research and development expenses and financial income or expenses which are not attributable to any reportable segment.
3. "Adjustment" of "Segment assets" in an amount of ¥115,281 million (\$1,120,106 thousand) includes intersegment transaction elimination of ¥(39,799) million (\$386,703 thousand) and corporate assets that are not allocated to each reportable segment in an amount of ¥155,080 million (\$1,506,810 thousand).

thousand). Corporate assets are mainly assets related to administrative departments which do not belong to any reportable segment and assets related to basic research and development expenses.

4. "Adjustment" of "Segment liabilities" in an amount of ¥(1,893) million (\$18,393 thousand) includes intersegment transaction elimination of ¥(34,130) million (\$331,621 thousand) and corporate liabilities that are not allocated to each reportable segment in an amount of ¥32,237 million (\$313,227 thousand). Corporate liabilities are mainly liabilities related to administrative departments which do not belong to any reportable segments and liabilities related to basic research and development expenses.
5. "Adjustment" of "Increase in tangible and intangible fixed assets" in an amount of ¥2,344 million (\$22,779 thousand) mainly refers to capital expenditures related to the Central Research Institute.
6. "Segment profit" is reconciled with ordinary income. Ordinary income is calculated by adding "Interest and dividend income," "Income from leased property," etc. and deducting "Interest expense," "Expense for leased property," "Loss on disposal and sales of property, plant and equipment," "Equity in losses of affiliates," etc. from operating profit or loss.

(2) Segment information as of and for the fiscal year ended March 31, 2013 is as follows:

March 31, 2013	Millions of yen								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	¥161,908	¥507,198	¥108,769	¥ 62,094	¥145,641	¥301,639	¥1,287,251	¥ —	¥1,287,251
Intersegment	2,856	115,543	27,883	6,508	1,034	47,307	201,134	(201,134)	—
Total	¥164,764	¥622,742	¥136,653	¥ 68,602	¥146,675	¥348,947	¥1,488,385	¥(201,134)	¥1,287,251
Segment profit	¥ 14,023	¥ 39,134	¥ 10,622	¥ 3,465	¥ 5,530	¥ 10,864	¥ 83,640	¥ (9,226)	¥ 74,414
Segment assets	322,005	505,627	180,572	144,308	145,459	361,372	1,659,346	152,421	1,811,767
Segment liabilities	204,657	392,672	117,752	169,564	116,385	299,177	1,300,210	45,324	1,345,535
Other items:									
Depreciation	¥ 9,409	¥ 17,242	¥ 8,792	¥ 6,940	¥ 8,245	¥ 3,017	¥ 53,647	¥ 2,794	¥ 56,442
Amortization of goodwill	2,180	1,551	46	—	173	7	3,960	(32)	3,928
Interest income	204	297	51	58	12	414	1,040	(442)	597
Amortization of negative goodwill	2	—	56	—	—	22	81	(0)	80
Interest expense	2,362	4,232	1,031	2,654	941	518	11,742	(1,289)	10,453
Equity in earnings of affiliates	1,514	1,606	39	921	206	908	5,197	(4)	5,193
Investments in affiliates accounted for by the equity method	15,866	13,465	299	50,354	621	26,257	106,865	(192)	106,673
Increase in tangible and intangible fixed assets	8,888	13,458	14,520	3,409	6,332	4,212	50,822	2,153	52,975

(d) Related information

1. Information about products and services

This information is omitted because the same information is disclosed above.

2. Information about geographic areas

March 31, 2014	Millions of yen					
	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	¥922,214	¥86,519	¥25,352	¥368,404	¥12,305	¥1,414,796
Tangible fixed assets	530,631	79,206	1,272	37,111	2,349	650,571

March 31, 2013	Millions of yen					
	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	¥840,094	¥66,883	¥36,538	¥331,715	¥12,019	¥1,287,251
Tangible fixed assets	555,062	66,366	893	34,331	2,321	658,974

March 31, 2014	Thousands of U.S. dollars					
	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	\$8,960,496	\$840,644	\$246,336	\$3,579,522	\$119,567	\$13,746,568
Tangible fixed assets	5,155,769	769,592	12,365	360,585	22,824	6,321,137

## Notes:

1. Countries or regions have been classified in terms of their geographic proximity.
2. Main countries or regions that belong to the geographic segments other than Japan and the United States are as follows:

- (1) Europe: Germany, United Kingdom, Spain, France
- (2) Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand
- (3) Others: Australia, Canada, Brazil

## 3. Information about major customers

This information is omitted because the Company does not have any major customers that account for 10% or more of net sales in the consolidated statements of income.

## (e) Information about loss on impairment of fixed assets by reportable segments

Millions of yen								
March 31, 2014	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Loss on impairment	¥203	¥4,077	¥—	¥27,261	¥21	¥833	¥32,398	¥(90)
Consolidated								¥32,308

Millions of yen								
March 31, 2013	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Loss on impairment	¥413	¥98	¥—	¥5,368	¥7	¥1,381	¥7,270	¥3,281
Consolidated								¥10,551

Thousands of U.S. dollars								
March 31, 2014	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Loss on impairment	\$1,972	\$39,622	\$—	\$264,883	\$213	\$8,097	\$314,789	\$(875)
Consolidated								\$313,914

## Note:

"Elimination and corporate assets or expenses" of "Loss on impairment" for the fiscal year ended March 31, 2014 in an amount of ¥(90) million (\$875 thousand) mainly refers to loss on impairment of goodwill.

## (f) Information about amortization and unamortized balance of goodwill by reportable segments

Millions of yen								
March 31, 2014	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Amortization	¥ 2,431	¥654	¥24	¥—	¥—	¥20	¥ 3,131	¥(60)
Unamortized balance	38,727	—	67	—	—	38	38,833	(16)
Consolidated								¥ 3,070

Millions of yen								
March 31, 2013	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Amortization	¥ 2,180	¥1,551	¥46	¥—	¥173	¥ 7	¥ 3,960	¥ (32)
Unamortized balance	34,547	4,578	63	—	—	23	39,212	(451)
Consolidated								¥ 3,928

Thousands of U.S. dollars								
March 31, 2014	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Amortization	\$ 23,622	\$6,355	\$242	\$—	\$—	\$202	\$ 30,422	\$(588)
Unamortized balance	376,283	—	655	—	—	373	377,313	(161)
Consolidated								\$ 29,833

Amortization and unamortized balance of negative goodwill incurred from business combinations that were conducted prior to April 1, 2010 are as follows:

Millions of yen								
March 31, 2014	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Amortization	¥—	¥ —	¥38	¥—	¥—	¥—	¥ 38	¥—
Unamortized balance	—	2,221	29	—	—	—	2,250	—
Consolidated								¥ 38

Millions of yen

March 31, 2013	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	¥ 2	¥ —	¥56	¥—	¥—	¥22	¥ 81	¥(0)	¥ 80
Unamortized balance	—	2,221	68	—	—	—	2,289	—	2,289

Thousands of U.S. dollars

March 31, 2014	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	\$—	\$ —	\$378	\$—	\$—	\$—	\$ 378	\$—	\$ 378
Unamortized balance	—	21,583	283	—	—	—	21,867	—	21,867

(g) Gain from negative goodwill by reportable segment

Fiscal years ended March 31, 2014 and 2013

Not applicable

## Note 19 Revaluation Reserve for Land

Pursuant to Article 2, Paragraphs 3, 4 and 5 of the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land (the "Revaluation Law"), effective on March 31, 1998, and to the partial revision to this law on March 31, 2001, the Company and its certain consolidated subsidiaries revalued their own lands for business at fair value. The related unrealized gain, net of income taxes and minority interests, was directly credited to "Revaluation reserve for land" in net assets in the consolidated balance sheets, and the applicable income tax effect was recorded as "Deferred

income taxes on revaluation reserve for land" in liabilities in the consolidated balance sheets. When such land is sold, the revaluation reserve for land is reversed and credited to the retained earnings.

According to the Revaluation Law, the Group is not permitted to revalue the land at any time even if fair value of the land declines. Such unrecorded revaluation losses at March 31, 2014 and 2013 amounted to ¥42,053 million (\$408,604 thousand) and ¥39,808 million, respectively.

## Note 20 Notes to the Consolidated Statements of Cash Flows

Cash reconciliation between the consolidated balance sheets and the consolidated statements of cash flows is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and time deposits	¥63,486	¥64,416	\$616,852
Less term deposits with maturities extending more than three months	(1,193)	(912)	(11,592)
Restricted cash	(214)	(204)	(2,084)
Cash and cash equivalents	¥62,078	¥63,299	\$603,175

## Note 21 Net Income per Share of Common Stock

Reconciliation of the numbers and amounts used in the basic net income per share of common stock computation for the fiscal years ended March 31, 2014 and 2013 is as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
	Net income	Weighted average shares	Net income per share	Net income per share
Year ended March 31, 2014				
Basic net income per share:				
Net income	¥52,551			
Net income attributable to common shareholders	52,551	1,310,573	¥40.1	\$0.38
	Millions of yen	Thousands	Yen	U.S. dollars
	Net income	Weighted average shares	Net income per share	Net income per share
Year ended March 31, 2013				
Basic net income per share:				
Net income	¥36,948			
Net income attributable to common shareholders	36,948	1,310,926	¥28.1	

Diluted net income per share has not been disclosed since there were no dilutive securities for the fiscal years ended March 31, 2014 and 2013.

## Note 22 Related Party Information

1. The information for the fiscal years ended March 31, 2014 and 2013 was omitted because there were no significant transactions with related parties for the fiscal years ended March 31, 2014 and 2013.

2. A significant affiliate as of March 31, 2014 and 2013 was SUMCO CORPORATION, and summary of its consolidated financial statements was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets	¥244,259	¥226,741	\$2,373,292
Fixed assets	254,263	266,592	2,470,496
Current liabilities	135,238	185,287	1,314,020
Long-term liabilities	168,447	127,721	1,636,685
Net assets	194,836	180,325	1,893,083
Net sales	185,105	206,691	1,798,538
Income before income taxes	4,392	3,903	42,683
Net income	715	3,426	6,948

## Note 23 Loss on Impairment of Fixed Assets

In reviewing fixed assets for impairment, the Group categorizes their operating assets mainly by product group within the reportable segments, and idle assets by asset unit.

For the fiscal years ended March 31, 2014 and 2013, the Company and the domestic consolidated subsidiaries recognized the loss on impairment of fixed assets amounting to ¥32,308 million (\$313,914 thousand) and ¥10,551 million, respectively, as other expenses in the consolidated state-

ments of income by devaluating the carrying amount of each fixed asset to its recoverable amount. The devalued assets were in operating asset groups whose profitability has significantly deteriorated due to the decline in market value of products or others and also were idle assets whose recoverable amounts were lower than their carrying amounts due to the decline in market value of each asset, etc.

The details for the fiscal year ended March 31, 2014 were as follows:

Asset group	Location	Asset type	Loss on impairment	
			Millions of yen	Thousands of U.S. dollars
Electronic materials & components	Yokkaichi, Mie prefecture, etc.	Buildings, machinery, etc.	¥27,261	\$264,883
Metals	Kumagaya, Saitama prefecture, etc.	Goodwill, machinery, etc.	3,713	36,081
Others	Kitamoto, Saitama prefecture, etc.	Land, buildings, etc.	1,082	10,517
Rental property	Uki, Kumamoto prefecture, etc.	Land, buildings, etc.	115	1,123
Idle assets	Yonezawa, Yamagata prefecture, etc.	Land, buildings, etc.	134	1,308
Total			¥32,308	\$313,914

\*Details of loss on impairment by account

Buildings ¥3,572 million (\$34,712 thousand), Machinery ¥20,857 million (\$202,653 thousand), Land ¥1,690 million (\$16,428 thousand), Goodwill ¥3,560 million (\$34,597 thousand), Others ¥2,626 million (\$25,522 thousand).

The details for the fiscal year ended March 31, 2013 were as follows:

Asset group	Location	Asset type	Loss on impairment	
			Millions of yen	
Metals	Kurihara, Miyagi prefecture, etc.	Machinery, etc.	¥ 92	
Aluminum	Sunto-gun, Shizuoka prefecture	Buildings	7	
Others	Akita, Akita prefecture, etc.	Land, buildings, etc.	980	
Rental property	Osaka, Osaka prefecture, etc.	Land, buildings, etc.	3,691	
Idle assets	Yokkaichi, Mie prefecture, etc.	Machinery, etc.	5,779	
Total			¥10,551	

\*Details of loss on impairment by account

Buildings ¥4,679 million, Machinery ¥4,786 million, Land ¥881 million, Others ¥204 million.



In measuring the loss on impairment, a recoverable amount is calculated based on the discounted cash flows from the continued use and eventual disposition of asset mainly at 5.0% discount rate for the operating asset group, and on the estimated net selling price at the time of disposal based on the real estate appraisal by the third parties, or property tax valuation, etc. for the idle assets.

The effect of loss on impairment on the segment information is described in Note 18.

## Note 24 Information on Net Assets

### (a) Type and Number of Shares Issued and Treasury Stock

For the fiscal years ended March 31, 2014 and 2013, information on shares issued and treasury stock is presented as follows:

	Type of shares issued Common stock	Type of treasury stock Common stock <sup>*1, 2, 3, 4</sup>
Number of shares as of March 31, 2012	1,314,895,351	3,039,965
Increase during the fiscal year ended March 31, 2013	—	1,159,424
Decrease during the fiscal year ended March 31, 2013	—	5,832
Number of shares as of March 31, 2013	1,314,895,351	4,193,557
Increase during the fiscal year ended March 31, 2014	—	261,010
Decrease during the fiscal year ended March 31, 2014	—	5,493
Number of shares as of March 31, 2014	1,314,895,351	4,449,074

\*1. Increase in the number of treasury shares during the fiscal year ended March 31, 2013

Purchase of less-than-one-unit shares

127,237 shares

Purchase of treasury shares pursuant to the resolution of the Board of Directors

1,032,187 shares

\*2. Decrease in the number of treasury shares during the fiscal year ended March 31, 2013

Sales of less-than-one-unit shares

4,649 shares

Sales by affiliate

1,183 shares

\*3. Increase in the number of treasury shares during the fiscal year ended March 31, 2014

Purchase of less-than-one-unit shares

261,010 shares

\*4. Decrease in the number of treasury shares during the fiscal year ended March 31, 2014

Sales of less-than-one-unit shares

5,493 shares

### (b) Dividends

#### 1. Dividend payment

Approvals by the Board of Directors' meeting held on May 10, 2013 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥5,242 million (\$50,941 thousand)
Dividends per share:	¥4.00 (\$0.03)
Record date:	March 31, 2013
Effective date:	June 3, 2013

Approvals by the Board of Directors' meeting held on November 6, 2013 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥2,621 million (\$25,468 thousand)
Dividends per share:	¥2.00 (\$0.01)
Record date:	September 30, 2013
Effective date:	December 6, 2013

2. Dividends whose record date is attributable to the fiscal year ended March 31, 2014, but to be effective in the following fiscal year.

Approvals by the Board of Directors' meeting held on May 12, 2014 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥5,241 million (\$50,931 thousand)
Source:	Retained earnings
Dividends per share:	¥4.00 (\$0.03)
Record date:	March 31, 2014
Effective date:	June 2, 2014

(Additional information)

The decrease in capital surplus resulting from acquisition of non-controlling interests during the fiscal year ended March 31, 2013 is because MCC Development Corporation, which is a consolidated subsidiary of the Company, acquired additionally all the equity interests of Robertson's Ready Mix and the other three companies which are owned 70% of the equity interests by MCC Development Corporation.

## **Note 25 Subsequent Events**

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Not applicable

# Independent Auditors' Report

To the Shareholders and the Board of Directors of  
Mitsubishi Materials Corporation:

We have audited the accompanying consolidated financial statements of Mitsubishi Materials Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsubishi Materials Corporation and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC  
July 4, 2014  
Tokyo, Japan

## Main Consolidated Subsidiaries and Affiliates (As of June 27, 2014)

### Main Consolidated Subsidiaries

	Line of Business	Percentage of Ownership
<b>Cement</b>		
MCC Development Corp.	Investment in cement-related industries	70%
Mitsubishi Cement Corp.	Production and sales of cement	67%
Mitsubishi Materials Kenzai Corp.	Production and sales of concrete products and other building materials	100%
Robertson's Ready Mix, Ltd.	Production and sales of ready-mixed concrete and aggregates	100% (indirectly)
Ryoko Lime Industry Co., Ltd.	Production and sales of limestone	100%
Tokyo Hosokawa Kogyo Co., Ltd.	Construction	97%
<b>Metals</b>		
Mitsubishi Cable Industries, Ltd.	Production and sales of electric wire and cable	100%
Mitsubishi Shindoh Co., Ltd.	Production and sales of copper, copper alloy and brass semis	100%
Onahama Smelting & Refining Co., Ltd.	Smelting and refining of copper	56%
PT. Smelting	Smelting, refining and sales of copper	61%
<b>Advanced Materials &amp; Tools</b>		
Diamet Corporation	Production and sales of powder metallurgical products	100%
Japan New Metals Co., Ltd.	Production and sales of tungsten and molybdenum	89%, 11% (indirectly)
Mitsubishi Materials U.S.A. Corp.	Surveys in the United States and sales of fabricated metal products and electronic parts	100%
MMC Superalloy Corp.	Production and sales of high-performance alloy products	100%
<b>Electronic Materials &amp; Components</b>		
Mitsubishi Materials Electronic Chemicals Co., Ltd.	Production and sales of chemical products	100%
Mitsubishi Polycrystalline Silicon America Corp.	Production and sales of polycrystalline silicon	100%
<b>Aluminum</b>		
Mitsubishi Aluminum Co., Ltd.	Production and sales of aluminum sheets, extrusion and foil	88%
Tachibana Metal Manufacturing Co., Ltd.	Production and sales of fabricated aluminum products	63% (indirectly)
Universal Can Corp.	Production and sales of aluminum beverage cans	80%
<b>Others</b>		
Dia Consultants Co., Ltd.	Soil analysis and consulting	81%, 3% (indirectly)
Diasalt Corp.	Production and sales of salt	95%
Material-Finance Co., Ltd.	Financing	100%
Mitsubishi Materials Real Estate Corp.	Real estate	100%
Mitsubishi Materials (Shanghai) Corp.	Management, consulting and sales in China	100%
Mitsubishi Materials Techno Corp.	Technical engineering and construction	100%
Ryoko Sangyo Corp.	Trading	100%

### Main Affiliates\*

	Line of Business	Percentage of Ownership
<b>Cement</b>		
P.S. Mitsubishi Construction Co., Ltd.**	Construction	33%
Ube-Mitsubishi Cement Corp.	Sales of cement	50%
<b>Metals</b>		
Kobelco & Materials Copper Tube, Ltd.	Production and sales of copper tubes and related products	45%
<b>Electronic Materials &amp; Components</b>		
SUMCO CORPORATION**	Production and sales of silicon wafers	28%
<b>Others</b>		
Mitsubishi Nuclear Fuel Co., Ltd.	Production and sales of nuclear fuels for power generation	30%

\* Companies to which the equity method is applied

\*\* Companies whose shares are listed on the Tokyo Stock Exchange

## Corporate Data

(As of March 31, 2014)

### ■ Company Name

Mitsubishi Materials Corporation

### ■ Head Office

3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo  
100-8117 Japan  
URL: <http://www.mmc.co.jp/corporate/en/>

### ■ Date Established

April 1, 1950

### ■ Paid-in Capital

¥119,457 million

### ■ Number of Employees

Parent company: 4,183  
Consolidated: 23,112

## Investor Information

(As of March 31, 2014)

### Shares of Common Stock

Authorized: 3,400,000,000  
Issued and Outstanding: 1,314,895,351

### Number of Shareholders

92,694

### Stock Listing

Tokyo Stock Exchange

### Administrator of Shareholder Registry

Mitsubishi UFJ Trust and Banking Corporation  
Corporate Agency Division  
10-11, Higashisuna 7-chome, Koto-ku  
Tokyo 137-8081, Japan

### Independent Certified Public Accountant

KPMG AZSA LLC

### For Further Information, Contact

Corporate Communications & IR Dept.  
Tel: +81-3-5252-5206  
Fax: +81-3-5252-5272  
E-mail: [ml-mmccir@mmc.co.jp](mailto:ml-mmccir@mmc.co.jp)

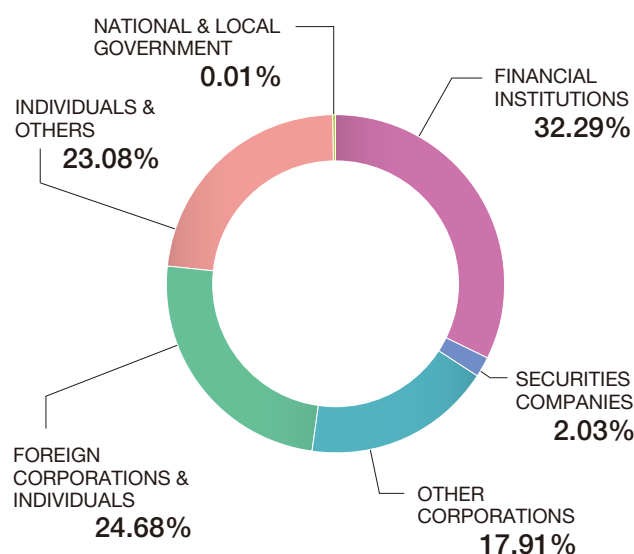
### Annual Meeting of Shareholders

The annual meeting of shareholders of the Company is normally held in June each year in Tokyo.

### Major Shareholders

- Japan Trustee Services Bank, Ltd. (Trust account)
- The Master Trust Bank of Japan, Ltd. (Trust account)
- National Mutual Insurance Federation of Agricultural Cooperatives
- Meiji Yasuda Life Insurance Co.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.

### Distribution of Shareholders



 **MITSUBISHI MATERIALS CORPORATION**

<http://www.mmc.co.jp/>