



# Consolidated Financial Results for the Year Ended March 31, 2015

## Mitsubishi Materials Corporation

Tokyo, Japan

May 12, 2015

Stock code: 5711  
 Shares listed: Tokyo Stock Exchange  
 URL: <http://www.mmc.co.jp/>  
 Representative: Mr. Akira Takeuchi, President  
 For further information please contact: Mr. Naoya Sasaki, Manager, Corporate Communications & IR Dept.  
 Tel: +81-3-5252-5206  
 Scheduled date of Ordinary General Meeting of Shareholders: June 26, 2015  
 Scheduled date of start of dividend payment: June 1, 2015  
 Scheduled date of filing of financial statements: June 26, 2015  
 Supplementary materials for financial results: Yes  
 Investor conference for financial results: Yes (For Corporate Investors)

### 1. Results of the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

#### (1) Results of operations:

(Millions of yen)

(Percentage changes relative to previous corresponding period)

|                          | Net sales          | Operating profit | Ordinary income | Net income       |
|--------------------------|--------------------|------------------|-----------------|------------------|
| Year ended Mar. 31, 2015 | ¥1,517,265 7.2 (%) | ¥71,871 8.4 (%)  | ¥81,093 5.5 (%) | ¥56,147 6.8 (%)  |
| Year ended Mar. 31, 2014 | ¥1,414,796 9.9 (%) | ¥66,281 26.3 (%) | ¥76,902 3.3 (%) | ¥52,551 42.2 (%) |

(Note) Comprehensive income Year ended Mar. 31, 2015: 120,954 million yen (43.0%)  
 Year ended Mar. 31, 2014: 84,565 million yen (-6.3%)

(Yen)

|                          | Net income per share | Diluted net income per share | Net income/ shareholders' equity | Ordinary income /total assets | Operating profit/net sales |
|--------------------------|----------------------|------------------------------|----------------------------------|-------------------------------|----------------------------|
| Year ended Mar. 31, 2015 | ¥42.85               | -                            | 11.1 (%)                         | 4.4 (%)                       | 4.7 (%)                    |
| Year ended Mar. 31, 2014 | ¥40.10               | -                            | 12.2 (%)                         | 4.3 (%)                       | 4.7 (%)                    |

(Reference) Equity losses and earnings of affiliates Year ended Mar. 31, 2015: 6,557 million yen  
 Year ended Mar. 31, 2014: 4,377 million yen

#### (2) Financial position:

(Millions of yen)

|                     | Total assets | Net assets | Shareholders' equity ratio | Shareholders' equity per share |
|---------------------|--------------|------------|----------------------------|--------------------------------|
| As of Mar. 31, 2015 | ¥1,898,157   | ¥629,514   | 29.0 (%)                   | ¥420.36                        |
| As of Mar. 31, 2014 | ¥1,778,505   | ¥525,707   | 25.7 (%)                   | ¥348.54                        |

(Reference) Shareholders' equity As of Mar. 31, 2015: 550,762million yen  
 As of Mar. 31, 2014: 456,749 million yen

#### (3) Cash flows:

(Millions of yen)

|                          | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of year |
|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Year ended Mar. 31, 2015 | ¥108,070                             | ¥(42,366)                            | ¥(42,273)                            | ¥92,079                                  |
| Year ended Mar. 31, 2014 | ¥102,932                             | ¥(44,863)                            | ¥(69,329)                            | ¥62,078                                  |

## 2. Dividend payments

(Yen)

|  | Dividends per share |                   |                  |          |        | Total dividends<br>(Annual) | Dividend ratio<br>(Consolidated) | Dividends/<br>net assets<br>(Consolidated) |
|--|---------------------|-------------------|------------------|----------|--------|-----------------------------|----------------------------------|--|
|  | First<br>quarter    | Second<br>quarter | Third<br>quarter | Year-end | Annual |                             |                                  |  |
| Year ended<br>Mar. 31, 2014                | -                   | ¥2.00             | -                | ¥4.00    | ¥6.00  | ¥7,863 million              | 15.0 (%)                         | 1.8 (%)                                    |
| Year ended<br>Mar. 31, 2015                | -                   | ¥3.00             | -                | ¥5.00    | ¥8.00  | ¥10,482million              | 18.7 (%)                         | 2.1 (%)                                    |
| Year ending<br>Mar. 31, 2016<br>(Forecast) | -                   | ¥5.00             | -                | ¥5.00    | ¥10.00 |                             | 20.2 (%)                         |  |

## 3. Forecast (From April 1, 2015 to March 31, 2016)

(Millions of yen)

(Percentage changes relative to previous corresponding period)

|   | Net sales          | Operating<br>profit | Ordinary income  | Net income<br>attributable to<br>owners of the<br>parent | Net income per<br>Share |
|---|--------------------|---------------------|------------------|--|-------------------------|
| Six months ending<br>September 30, 2015 | ¥770,000 2.5 (%)   | ¥36,000 5.8 (%)     | ¥38,500 -3.9 (%) | ¥41,000 76.4 (%)   | ¥31.29 (yen)            |
| Year ending March 31,<br>2016           | ¥1,580,000 4.1 (%) | ¥85,000 18.3 (%)    | ¥92,000 13.4 (%) | ¥65,000 15.8 (%)   | ¥49.61 (yen)            |

Notes:

(1) Significant changes of subsidiaries during the period (including changes in scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates; restatements

(i) Changes in accounting policies due to amendment of accounting standards: Yes

(ii) Other changes in accounting policies: Yes

(iii) Changes in accounting estimates: Yes

(iv) Restatements: None

(3) Number of issued shares (common stock)

(i) Number of issued shares at end of year (including treasury shares)

Year ended March 31, 2015: 1,314,895,351 shares

Year ended March 31, 2014: 1,314,895,351 shares

(ii) Number of treasury shares at end of year

Year ended March 31, 2015: 4,677,305 shares

Year ended March 31, 2014: 4,449,074 shares

(iii) Average number of shares during the period

Year ended March 31, 2015: 1,310,342,256 shares

Year ended March 31, 2014: 1,310,573,898 shares

(Reference) Summary of nonconsolidated financial results

Nonconsolidated results of operations of the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(1) Nonconsolidated results of operations:

(Millions of yen)

(Percentage changes relative to previous corresponding period)

|                          | Net sales |          | Operating profit |          | Ordinary income |           | Net income |           |
|--------------------------|-----------|----------|------------------|----------|-----------------|-----------|------------|-----------|
| Year ended Mar. 31, 2015 | 810,505   | 10.2 (%) | 23,708           | 2.3 (%)  | 35,699          | -15.3 (%) | 33,193     | -21.7 (%) |
| Year ended Mar. 31, 2014 | 735,558   | 9.2 (%)  | 23,180           | 26.8 (%) | 42,134          | -22.5 (%) | 42,377     | -5.3 (%)  |

|                          | Net Income per share | Diluted net income per share |
|--------------------------|----------------------|------------------------------|
| Year ended Mar. 31, 2015 | 25.33 (yen)          | -                            |
| Year ended Mar. 31, 2014 | 32.33 (yen)          | -                            |

(2) Nonconsolidated financial position:

(Millions of yen)

|                     | Total assets | Net assets | Shareholders' equity ratio | Shareholders' equity per share |
|---------------------|--------------|------------|----------------------------|--------------------------------|
| As of Mar. 31, 2015 | 1,252,174    | 432,265    | 34.5 (%)                   | 329.91 (yen)                   |
| As of Mar. 31, 2014 | 1,177,558    | 398,674    | 33.9 (%)                   | 304.22 (yen)                   |

|                                  |                      |                     |
|----------------------------------|----------------------|---------------------|
| (Reference) Shareholders' equity | As of Mar. 31, 2015: | 432,265million yen  |
|                                  | As of Mar. 31, 2014: | 398,674 million yen |

### Indication regarding the situation of audit procedures

As of the disclosure of these financial results, audit procedures of the financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

Appropriate use of business forecasts and other special items

(Notes regarding descriptions of earnings forecasts and other forward-looking statements, etc.)

Earnings forecasts and other forward-looking statements in this document are based on information currently available to the Company's management and certain assumptions judged rational, and we do not promise that the forecasts in this report will be achieved. Accordingly, there might be cases in which actual results materially differ from forecasts of this report. To use assumptions for forecasts, see (3) Outlook for the Year Ending March 31, 2016 (page 4) under "1. Analysis of Business Results and Financial Position (1) Analysis of Business Results".

(Method of obtaining supplementary information to and contents of the financial results briefing)

Mitsubishi Materials Corporation is scheduled to hold financial results briefing for institutional investors on May 14, 2015 (Thursday). Supplementary information to the financial results to be used in this briefing is being released on TDnet and on the Company's website with the announcement of the consolidated financial results for the year ended March 31, 2015.

## Contents

|  |     |
|--|-----|
| 1. Analysis of Business Results and Financial Position .....   | P2  |
| (1) Analysis of Business Results .....   | P2  |
| (2) Analysis of Financial Position .....   | P4  |
| (3) Basic Profit Distribution Policies and Dividend Payments .....   | P5  |
| (4) Business and Other Risks .....   | P6  |
| 2. Management Policies.....  | P8  |
| (1) Basic Group Management Policies.....   | P8  |
| (2) Target Management Indicator, Medium- and Long-term Management Strategies<br>and Issues to Be Addressed ..... | P8  |
| 3. Basic Perspective on Selection of Accounting Standards .....  | P11 |
| 4. Consolidated Financial Statements .....   | P12 |
| (1) Consolidated Balance Sheets .....  | P12 |
| (2) Consolidated Statement of Operations and Consolidated Statement of Comprehensive Income                      |     |
| Consolidated Statement of Operations .....   | P14 |
| Consolidated Statement of Comprehensive Income.....  | P15 |
| (3) Statement of Changes in Consolidated Shareholders' Equity .....  | P16 |
| (4) Consolidated Statements of Cash Flows.....   | P19 |
| (5) Segment Information .....  | P21 |
| (6) Per-share Information .....  | P26 |
| (7) Important Subsequent Events.....   | P26 |

## 1. Analysis of Business Results and Financial Position

### (1) Analysis of Business Results

#### 1) Results for the Year Ended March 31, 2015

During the fiscal year ended March 31, 2015, overall the global economy headed toward modest recovery thanks to a steady ongoing U.S. economic rebound. In Asia, however, economic growth continued to slow in China and other countries.

In spite of the negative impact of last-minute demand after the increase in the consumption tax rate, overall the Japanese economy sustained a gradual recovery, thanks to improvement in such areas as employment and income.

Looking at the Mitsubishi Materials Group's operating environment, ongoing yen depreciation affected business overall. Meanwhile, the Group faced such negative factors as construction delays and falling prices of copper and other key metals in overseas markets.

Against this backdrop, the Group embarked on the medium-term management plan (FY2015–2017), “Materials Premium 2016—Challenge to become the world's leading business group.” This plan defines the groupwide growth strategies of “Fortifying the foundation for growth,” “Strengthening global competitiveness” and “Pursuing a recycling-based business model.” The Group continued to implement a variety of measures based on these strategies, established new overseas bases—particularly in Asia, and underwent a process of business selection and focus, among other activities.

As a result, consolidated net sales for the fiscal year amounted to ¥1,517,265 million, up 7.2% from the previous fiscal year. Operating profit increased 8.4% to ¥71,871 million, and ordinary income increased 5.5% to ¥81,093 million. Net income increased 6.8% to ¥56,147 million.

#### 2) Overview of Segments

The Company revised its reporting segments during the year ended March 31, 2015. Details are provided in “4. (5) Segment Information.” Figures below for the preceding fiscal year have been retroactively adjusted to accord with the post-revision segments.

##### (Cement)

(Billions of yen)

|                  | FY 2014 | FY 2015 | Increase/decrease (%) |
|------------------|---------|---------|-----------------------|
| Net sales        | ¥190.1  | ¥193.3  | ¥3.1 (1.6%)           |
| Operating profit | 19.1    | 17.3    | (1.7) (-9.0%)         |
| Ordinary income  | ¥18.8   | ¥16.7   | ¥(2.0) (-11.1%)       |

In the domestic cement business, overall demand declined and sales volumes decreased, except for export sales. Contributing factors included labor shortages in the construction industry, which led to unsuccessful bids for public works and delays on private-sector works projects, as well as a downturn in housing construction. In the United States, bad weather at the beginning and end of the year in Southern California led to construction delays and business policies emphasizing selling prices, both contributed to driving down sales volumes. In China, demand remained robust thanks to a high-speed rail construction project in Shandong Province and new airport construction. However, sales volumes declined as a result of a falloff in demand related to real-estate investment. In the entire cement business, production amounted to 12.0 million tons, down 0.3 million ton from the previous fiscal year.

Revised selling prices on cement and ready-mixed concrete boosted sales in the United States, although operating costs increased.

As a result, sales increased for the segment as a whole, while operating profit fell.

Overall, ordinary income fell year on year, due to the decline in operating profit, among other factors.

##### (Metals)

(Billions of yen)

|                  | FY 2014 | FY 2015 | Increase/decrease (%) |
|------------------|---------|---------|-----------------------|
| Net sales        | ¥728.1  | ¥811.6  | ¥83.4 (11.5%)         |
| Operating profit | 23.9    | 24.8    | 0.8 (3.7%)            |
| Ordinary income  | ¥38.0   | ¥32.8   | ¥(5.1) (-13.6%)       |

In the copper business, domestic smelters and refineries experienced higher electricity and other operating costs. In addition, the Naoshima Smelter and Refinery underwent regularly scheduled furnace repairs. However, substantial production increases at PT Smelting in Indonesia helped drive up sales and profits. For the segment as a whole, copper cathode production amounted to 555 thousand tons, up 41 thousand tons from the previous fiscal

year.

In gold and other valuable metals, sales and profit both increased as a result of higher production volumes, stemming from higher ore grades.

In processed copper products, sales of products for automobiles increased, but sales of products for nuclear power stations fell. Consequently, sales rose but profit fell.

Consequently, the overall business recorded year-on-year increases in net sales and operating profit.

Ordinary income for the overall segment was down from the preceding fiscal year, due to lower dividend income and equity in earnings of affiliates.

### **(Advanced Materials & Tools)**

(Billions of yen)

|                  | FY 2014 | FY 2015 | Increase/decrease (%) |
|------------------|---------|---------|-----------------------|
| Net sales        | ¥145.8  | ¥134.6  | ¥(11.2) (-7.7%)       |
| Operating profit | 14.0    | 16.7    | 2.6 (18.7%)           |
| Ordinary income  | ¥13.9   | ¥16.5   | ¥2.5 (18.4%)          |

In cemented carbide products, net sales and operating profit both increased thanks to higher demand in Japan and overseas, particularly the United States, Europe and Southeast Asia, as well as proactive sales promotion efforts.

In high-performance alloy products, sales and profits were down. Sales of products for automobiles remained favorable, notably for North America. However, costs rose in tandem with increases in production capacity. Other contributing factors were the fact that Mitsubishi Materials C.M.I. Corporation (now NIDEC SANKYO CMI CORPORATION) was excluded from the Mitsubishi Materials Group's subsidiaries in January 2014, while MMC Superalloy Corporation (now Hitachi Metals MMC Superalloy, Ltd.) became an equity-method affiliate of the Group in July 2014.

Consequently, this segment recorded lower sales overall, while operating profit increased. Ordinary income rose year on year, owing to higher operating profit.

### **(Electronic Materials & Components)**

(Billions of yen)

|                  | FY 2014 | FY 2015 | Increase/decrease (%) |
|------------------|---------|---------|-----------------------|
| Net sales        | ¥67.7   | ¥67.0   | ¥(0.7) (-1.1%)        |
| Operating profit | 4.0     | 4.4     | 0.4 (11.7%)           |
| Ordinary income  | ¥2.1    | ¥7.2    | ¥5.0 (231.3%)         |

In the advanced materials business, sales of products related to semiconductor manufacturing equipment were solid, but sales of products used in smartphone LSIs and displays decreased. Sales of products for hybrid automobiles also declined. This situation led to higher sales but lower profits.

The electronic components business saw increases in both net sales and operating profit, benefiting from increased sales of products for household appliances.

In polycrystalline silicon and chemical products, sales of polycrystalline silicon decreased. However, depreciation and amortization expenses for the Yokkaichi Plant diminished, as impairment losses were recorded on assets at the Yokkaichi Plant in the preceding fiscal year, and sales of automotive chemical products increased. Sales in this area consequently fell, while profit increased.

Owing to the abovementioned factors, net sales fell for the segment as a whole, but operating profit grew.

For the segment overall, ordinary income rose year on year, buoyed by the increase in operating profit and higher equity in earnings of affiliates.

**(Aluminum)**

(Billions of yen)

|                  | FY 2014 | FY 2015 | Increase/decrease (%) |
|------------------|---------|---------|-----------------------|
| Net sales        | ¥151.5  | ¥159.4  | ¥7.8 (5.2%)           |
| Operating profit | 5.5     | 5.6     | 0.1 (2.4%)            |
| Ordinary income  | ¥4.7    | ¥5.1    | ¥0.3 (8.4%)           |

In the aluminum cans business, demand increased for regular cans—mainly for beer-like beverages. Demand for bottle cans for black coffee and tea-based beverages also expanded.

In rolled aluminum and processed aluminum products, demand for products used in solar cells declined, but demand for automotive products expanded.

Overall, the aluminum segment saw an uptick in energy and material costs.

As a result, net sales and operating profit were up year on year for the overall aluminum business.

Ordinary income for the overall business increased year on year, bolstered by the rise in operating profit.

**(Others)**

(Billions of yen)

|                  | FY 2014 | FY 2015 | Increase/decrease (%) |
|------------------|---------|---------|-----------------------|
| Net sales        | ¥238.7  | ¥241.2  | ¥2.4 (1.0%)           |
| Operating profit | 7.3     | 9.3     | 1.9 (26.6%)           |
| Ordinary income  | ¥8.0    | ¥9.8    | ¥1.8 (22.5%)          |

In the energy-related business, coal sales were down but sales related to nuclear power increased, resulting in lower sales but increased profits.

In the “E-waste” (used electronics and electrical products) recycling business, sales and profits were down, due to a reduction in the handling volume owing to a reduced impact from last-minute demand after the increase in the consumption tax rate.

Orders for nuclear energy and engineering services amounted to ¥68.6 billion, up ¥3.1 billion from the previous fiscal year. The order backlog at the end of the period was ¥29.6 billion, up ¥4.7 billion from a year earlier.

**3) Outlook for the Year Ending March 31, 2016**

Overall, the global economy is expected to see a continued modest recovery, led by advanced countries, although economic growth is expected to slow in China and other emerging markets.

The Japanese economy is expected to continue enjoying a gradual recovery, with lower crude oil prices and the impact of yen depreciation contributing to improvements in corporate earnings and the employment and income environment.

The Group expects its operating environment be characterized by firm private-sector housing investment and capital investment centering on large corporations supported by domestic economic recovery. At the same time, uncertainty persists with regard to current price decreases on copper and other key metals.

Against this backdrop, the Group strive to grow by implementing the measures outlined in “2. Management Policies.”

In this environment, for the fiscal year ending March 31, 2016, our consolidated operating performance forecasts call for net sales of ¥1,580 billion, operating profit of ¥85 billion, ordinary income of ¥92 billion and net income attributable to owners of the parent of ¥65 billion.

**(2) Analysis of Financial Position**

At March 31, 2015, total assets amounted to ¥1,898.1 billion, up ¥119.6 billion from a year earlier, mainly due to an increase in cash and deposits.

Total liabilities increased ¥15.8 billion, to ¥1,268.6 billion, primarily because of an increase in notes and accounts payable—trade.

**(Cash Flows from Operating Activities)**

Net cash provided by operating activities amounted to ¥108.0 billion, up ¥5.1 billion from the previous fiscal year. This rise was due mainly to robust performance.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥42.3 billion, down ¥2.4 billion from the previous fiscal year. This cash was primarily used for outlays related to capital investments.

(Cash Flows from Financing Activities)

Together, operating activities and investing activities produced a net inflow of ¥65.7 billion, which was mainly applied to the redemption of bonds. Accordingly, net cash used in financing activities was ¥42.2 billion, down ¥27.0 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, 2015, stood at ¥92.0 billion, up ¥30.0 billion from March 31, 2014.

Below is a summary of major cash flow indicators.

|   | March 31,<br>2011 | March 31,<br>2012 | March 31,<br>2013 | March 31,<br>2014 | March 31,<br>2015 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Equity ratio (%)                            | 18.7              | 20.0              | 22.4              | 25.7              | 29.0              |
| Equity ratio on a market-value basis (%)    | 20.1              | 19.6              | 19.4              | 21.6              | 27.9              |
| Ratio of interest-bearing debt to cash flow | 7.1               | 8.0               | 7.1               | 6.5               | 6.0               |
| Interest coverage ratio                     | 7.8               | 8.3               | 9.0               | 10.2              | 12.9              |

Equity ratio:

Shareholders' equity/Total assets

Equity ratio on a market-value basis:

Total value of shares at market price/Total assets

Ratio of interest-bearing debt to cash flow:

Interest-bearing debt/Cash flow

Interest coverage ratio:

Operating cash flow/Interest payments

(Note 1) All indicators are calculated on a consolidated basis.

(Note 2) Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end (after deducting treasury stock).

(Note 3) Cash flow is based on the net cash provided by operating activities in the Consolidated Statements of Cash Flows.

(Note 4) Interest-bearing debt covers all interest-bearing debt in the Consolidated Balance Sheets. Interest payments are based on the amounts shown in the Consolidated Statements of Cash Flows.

### (3) Basic Profit Distribution Policies and Dividend Payments

Based on its Articles of Incorporation, the Company is to distribute surpluses following resolutions at Board of Directors meetings. We regard the distribution of profits to all shareholders as one of our most important priorities. Accordingly, our policy is to make decisions on profit appropriation 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, the Board of Directors, at its meeting on May 12, 2015, decided to distribute a year-end dividend of ¥5 and an interim dividend of ¥3, resulting in a full-year dividend for the year ended March 31, 2015, of ¥8 per share (up ¥2 from the preceding fiscal year).

Dividend payments for the year ending March 31, 2016 are expected to amount to ¥10 per share (¥5 interim dividend plus ¥5 year-end dividend).



#### **(4) Business and Other Risks**

Because the Group, as stated in “4. Consolidated Financial Statements (5). (Segment Information),” is engaged in a broad variety of business activities, its business results and financial standing are influenced by all kinds of factors, such as political affairs, economy, weather, market conditions, currency movements, and laws and ordinances both in and outside the country. Listed below are the factors that may have a particularly substantial impact on the Group.

Please note that although the matters listed in this section contain items related to the future, these items have been chosen as of May 12, 2015.

##### **1) Corporate reorganization**

The Group is always engaged in selection and concentration of its various businesses, actively investing management resources in businesses with high profitability, at the same time actively conducting revisions, reorganizations, and restructuring of its businesses always ready to consider possibilities regarding collaboration with other companies. The business results and financial standing of the Group may be influenced by this process.

##### **2) Market and customer trends**

The Group offers products and services to all kinds of industries, and due to such factors as changes of the conditions of the world economy, rapid changes in clients' markets, changes in clients' market share, and changes in clients' business strategies or product development trends may influence the sales of the products of the Group. Especially the automobile industry and the IT-related industry are exposed to intense competition in the area of prices and technical development, and while the Group takes every precaution endeavoring to reduce the costs and develop new products and technologies, in cases where we cannot appropriately respond to the changes in industries and clients' markets, the business results of the Group may be affected.

##### **3) Rates for nonferrous metals, exchange fluctuation, etc.**

In the Metals business, dividends from mines the Group made capital subscriptions into that are denominated in foreign currency, which are the main sources of profits, as well as smelting expenses, etc., are influenced by rates for nonferrous metals, exchange fluctuations, and conditions of ore purchasing. Furthermore, in the area of inventories, there is a risk of rates for nonferrous metals and exchange fluctuation influencing the material costs in the period from the procurement of the ore to the production and sales of the metals.

Also, such items as nonferrous metals used as raw materials in the Aluminum business and the Advanced Materials & Tools business as well as coal in the Cement business are international merchandise, and the acquisition cost of these raw materials and mineral fuel can be influenced by fluctuation of market prices, exchange rates, ocean freight, etc. for nonferrous metals and coal.

##### **4) Trends in the conditions of the semiconductor market**

The Group supplies electronic materials, polycrystalline silicon, etc. for the semiconductor industry, and is also engaged in the silicon wafer business for semiconductors in the SUMCO Corporation, which is an equity-method affiliate, and business results and financial standing of the Group may be influenced by conditions of the semiconductor market.

##### **5) Interest-bearing debt**

In the term ended March 31, 2015, the interest-bearing debt of the Group was ¥630.8 billion yen (which is the sum total of short-term loans payable, current portion of bonds payable, commercial papers, bonds payable, and long-term loans payable; same below if there are no explanatory notes) amounting to 33.2% of the total assets. And although we are making efforts to improve the financial standing by reducing inventories, asset sales, etc., the future financial situation may affect business results and financial standing of the Group.

##### **6) Important matters related to fund procurement**

Among the loans payable of the Group such as syndicated loans there are some loans, for which we contractually promised the maintenance of shareholders' equity above a certain level. In cases where the Company or the Group cannot keep these assurances due to changes for the worse of our financial situation or certain other factors, there is a risk of a duty to repay such loans before the term of payment being generated, and depending on the subsequent steps these situations may impact the fund procurement of the Group.

##### **7) Guaranty of liabilities**

In the term ended March 31, 2015, the Group has undertaken a ¥35.4 billion yen guaranty of liabilities against monetary liabilities of affiliated companies, which are not included in the scope of consolidation. In cases, where a situation arises in the future, in which we are requested to fulfill these guaranties of liabilities, this may affect business results and financial standing of the Group.

8) Fluctuations of the market value of assets

The business results and financial standing of the Group may be influenced by fluctuations in the market value of securities, land, and other assets possessed.

9) Retirement benefit expenses and obligations

Employees' retirement benefit expenses and obligations are calculated based on assumptions and conditions mainly derived from mathematical calculations. In setting these assumptions and conditions, we take into consideration employees' average remaining length of service, long-term interest on the Japanese government bonds, as well as the status of pension assets including shares contributed to trust funds, but losses caused by declines in the discount rate or operations with pension assets may affect the future expenses and obligations posted by the Group.

10) Environmental regulations, etc.

In each business establishment in and outside the country, the Group makes efforts to control pollution, including air pollution, wastewater pollution, soil pollution, and groundwater pollution, in accordance with environmental laws and ordinances, and in dealing with abandoned mines within the country is endeavoring to control mine pollution by, for example, preventing water pollution from mine water or conducting security management of the dumps in accordance with the Mine Safety Law. However, in cases where related laws are revised or permissible greenhouse gas emission volume are limited, the Group may need to bear new expenses.

11) Overseas operations, etc.

The Group has production bases, sales bases, and other bases in 29 countries and regions abroad, and foreign sales amount to 39.5% of its consolidated sales. Business results and financial standing of the Group may be influenced by political/economic conditions, exchange rates at each country as well as changes of trading/commercial regulations, mining policies, environmental regulations, systems of taxation, other unforeseen changes of laws or regulations as well as differences of interpretation thereof, and changes of management policies of local cooperators and partners.

12) Intellectual property rights

The Group fully recognizes the importance of intellectual property rights and makes efforts to protect them, but in cases where the measures to protect the same are insufficient, or in cases where our rights are illegally infringed on, this may affect the business results and financial standing of the Group. At the same time, although the Group handles the intellectual property rights held by other companies with the greatest possible care, in cases where it is established that we have infringed on the intellectual property rights held by other companies and have to pay liabilities, such as compensation for damages, this also may affect the business results and financial standing of the Group.

13) Quality of the products

The Group takes all possible measures regarding the quality control, striving to offer our clients products of high quality. However, in cases where due to some unforeseen circumstances we need to conduct a large-scale recall, this may affect the business results and financial standing of the Group.

14) Occupational health and safety, equipment accidents, etc.

The Group takes thoroughgoing measures to prevent occupational accidents and accidents to production machinery. Our efforts span both intangible aspects such as management frameworks for occupational health, safety, security and accident prevention, and tangible approaches such as operational and maintenance management and improving the safety of equipment. In the event of a major accident at work or an accident to the equipment occurs, this may affect business results and financial standing of the Group.

15) Management of information

The Group strives to ensure thoroughness in the management of information, including the handling of personal information, but in cases where a leak of information or some other accident to information occurs, damage to our reputation in society or other factors may affect the business results and financial standing of the Group.

16) Lawsuits, etc.

The business results and financial standing of the Group may be influenced by rulings, amicable settlements, verdicts, etc. related to lawsuits, disputes, and other legal procedures, in which the Group is one of the parties concerned at present, or will be one of the parties concerned in the future in relation to the business conducted by the Group presently or in the past within the country and in foreign countries.

#### 17) Procurement of electricity

The business results and financial standing of the Group may be influenced by increases in prices for electricity resulting from such factors as cost increases of imported fossil fuels due to the suspension of operation of nuclear power stations and increases in charges for renewable energy.

#### 18) Other matters

In addition to the above, the business results and financial standing of the Group may be influenced by changes of trade practices, terrorist attacks, wars, epidemics, earthquakes and other natural disasters, and other unexpected circumstances.

## 2. Management Policies

### (1) Basic Group Management Policies

In order to accelerate its corporate philosophy, “For People, Society and the Earth,” in a stable way, the Group sets out the objective “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.”

### (2) Target Management Indicator, Medium- and Long-Term Management Strategies and Issues to Be Addressed

Each operation of the Group commits to create valuable products and services with our distinctive technologies and to occupy an important position in each industry and market, so that we can “Challenge to become the world’s leading business group” defined in the above “(1) Basic Group Management Policies.” In addition, for the purpose of focusing on fortifying the foundation to accomplish the above objective, we have set the followings as the growth strategies for the overall Group in the “Materials Premium 2016–Challenge to become the world’s leading business group.”

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 overseas countries.

#### 1) Fortifying the foundation for growth

Setting the motto “Safety and Health are First” as our first priority, we will enhance our safety management systems and 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.

#### 2) Strengthening global competitiveness

By focusing on expanding our current production and sales locations in the overseas countries and developing the new production and sales locations mainly in emerging countries, we will acquire new business in growing 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.

#### 3) Pursuing a recycling-based business model

The Group operates its business widely across the upstream (sources), 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 the “Material Premium” plan, which derives from our unique strength as a conglomerate, we will facilitate the recycling of waste that has so far been hard to process so that we can contribute to the sustainable growth of society.

The medium-term management plan mentioned above sets the following targets for the fiscal year ending March 31, 2017: consolidated operating profit of ¥100 billion, consolidated ordinary income of ¥110 billion, ROA of 6% and a net D/E ratio of 1.0 time or lower (assumed conditions: exchange rates of ¥100/USD and ¥130/EUR and an LME copper price of 300¢/lb.)

#### <Priorities in each business>

- Cement

In the domestic cement business, public-sector demand is forecast to fall as the Japanese government reduces spending on public works. On the other hand, in the Tokyo metropolitan area we anticipate construction related to the upcoming Olympic Games, and favorable corporate earnings should fuel private-sector capital investment. Consequently, we expect domestic demand to remain largely unchanged from its level in the fiscal year ended March 31, 2015. Under these circumstances, we will work to secure sales volumes by steadily implementing initiatives to benefit from demand related to earthquake disaster reconstruction and large-scale projects leading up to the Olympics.

In the U.S. cement business, we will endeavor to boost sales volume and revise prices upward in response to an expected demand recovery centered on the private sector as the U.S. economy steadily rebounds. We will also endeavor to reduce manufacturing costs through stable operations, leading to increased profitability.

In the Chinese cement business, demand related to real estate investment is unlikely to recover. This situation is causing market competition to grow more pronounced. Amid these conditions, we will endeavor to adjust prices, mainly on high-quality products. We will simultaneously work to curtail manufacturing and selling costs in an aim to shore up profitability.

#### ● Metals

We see the demand outlook for copper ore as unclear, as economic growth is leveling off in China and other emerging markets, while the U.S. economy is recovering steadily.

Copper prices are relatively low at present. We will continue to monitor market trends, along with price trends in the foreign exchange and stock markets.

In processed copper products, we anticipate continued firm demand for automotive products.

Under these conditions, we will continue working to lower our breakeven point in the metals business by reducing energy costs and suppressing fixed expenses. Through these efforts, we aim to build a solid constitution that is impervious to price fluctuations. In copper smelting, we will work toward stable operations at smelters in Japan and overseas while expanding recycling operations by building a processing structure that can manage difficult-to-handle waste. By boosting revenues from waste treatment, the Group expects to improve segment profits. In the processed copper products business, we will continue to increase profitability by enhancing sales competitiveness through accelerated development of alloys, drawing on our technological and development capabilities.

#### ● Advanced Materials & Tools

In the cemented carbide products business, a certain sense of stagnation is evident due to falling levels of economic growth in China and other emerging markets. That said, overall orders are trending upward, and over the medium to long term we expect demand to expand, particularly among our customer base in the automotive and aircraft industries.

Under these circumstances, we will strengthen our high-performance, high-precision product development for cemented carbide products, and scale up our engineering service organization. We will also endeavor to step up our sales activities by augmenting our sales locations and extending our sales network, notably in emerging markets. Furthermore, we will continue working to stabilize our sourcing of tungsten—a key constituent of cemented carbide products—by improving the recycling ratio and through other efforts to diversify procurement sources.

Turning to the high-performance alloy products business, in July 2014 MMC Superalloy Corporation's status changed from a consolidated subsidiary to being an equity-method affiliate, which is expected to reduce revenues and earnings in the short term. However, the Group will work to increase earnings by augmenting its overseas production locations in response to anticipated growth in demand for sintered products in tandem with expansion in the automotive industry.

#### ● Electronic Materials & Components

In the advanced materials business, we expect sales of products for solar cells to remain strong for the foreseeable future. The demand outlook for semiconductor-related products, however, is opaque. Product demand for hybrid automobiles is expected to decrease, due in Japan to the consumption tax hike and in the United States to sluggish sales of hybrid automobiles. However, product demand in non-automotive industries is expected to grow. Going forward, we aim to remain a step ahead of customers' needs in each of the markets in which we participate. We will strive to augment revenues and profits by making full use of our core technological capabilities, and strengthening our sales competitiveness and our ability to make client proposals.

In the electronic components business, sales of products for household appliances are falling as Chinese economic growth levels off, but we are working to increase sales of products for industrial equipment and

vehicles. We will continue working to strengthen our business structure by enhancing our sales structure in emerging markets, introducing new products early and further reducing costs.

In polycrystalline silicon and chemical products, operations were suspended at the Yokkaichi Plant following an explosion and fire on January 9, 2014. The plant went back on line on June 30, 2014, operating with a safety control system in place and with redoubled efforts to ensure operational stability.

- Aluminum

In the aluminum cans business, although we do not expect demand in the overall domestic drinks market to increase substantially, we are working to increase our stability of orders for regular cans, and working proactively to expand sales of aluminum bottle cans—a strategic product—for black coffee and tea-based beverages. We will also continue making an active effort to promote advantageous procurement of raw materials, stable product quality and cost reductions.

In the rolled aluminum and processed aluminum products business, we will work to stabilize orders of can materials and products for automobiles and electronic materials. We will also endeavor to expand sales of automotive products overseas.

We will contribute to the establishment of a recycling-oriented society by actively promoting the Group's ongoing initiatives in the business of recycling used aluminum cans.

### **3. Basic Perspective on Selection of Accounting Standards**

We are currently researching and considering the International Financial Reporting Standards (IFRS), working to understand their content and judge what impact their adoption would have on the Group. At this stage, no date has been set for their adoption.

#### 4. Consolidated Financial Statement

##### (1) Consolidated Balance Sheets

[March 31, 2015 and 2014]

(Millions of yen)

|  | As of March 31, 2014 | As of March 31, 2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>                              |                      |                      |
| <b>Current Assets:</b>                     |                      |                      |
| Cash and deposits                          | 63,486               | 93,152               |
| Notes and accounts receivable-trade        | 219,016              | 230,874              |
| Merchandise and finished goods             | 81,516               | 85,100               |
| Work in process                            | 100,280              | 107,093              |
| Raw materials and supplies                 | 103,155              | 104,539              |
| Deferred income taxes                      | 10,924               | 11,747               |
| Gold bullion on loan                       | 93,635               | 100,169              |
| Other                                      | 104,293              | 137,855              |
| Allowance for doubtful accounts            | (1,843)              | (2,129)              |
| <b>Total Current Assets</b>                | <b>774,465</b>       | <b>868,403</b>       |
| <b>Noncurrent Assets:</b>                  |                      |                      |
| <b>Property, Plant and Equipment:</b>      |                      |                      |
| Building and structures, net               | 153,369              | 151,794              |
| Machinery and equipment, net               | 187,634              | 197,114              |
| Land, net                                  | 273,048              | 273,589              |
| Construction in progress                   | 22,510               | 17,476               |
| Other, net                                 | 14,009               | 15,060               |
| <b>Total Property, Plant and Equipment</b> | <b>650,571</b>       | <b>655,034</b>       |
| <b>Intangible Assets:</b>                  |                      |                      |
| Goodwill                                   | 38,816               | 41,249               |
| Other                                      | 9,410                | 11,686               |
| <b>Total Intangible Assets</b>             | <b>48,226</b>        | <b>52,936</b>        |
| <b>Investments and Other Assets:</b>       |                      |                      |
| Investment securities                      | 250,576              | 265,052              |
| Retirement benefit assets                  | 19                   | 242                  |
| Deferred income taxes                      | 31,255               | 30,111               |
| Other                                      | 30,356               | 33,352               |
| Allowance for investment loss              | (1,168)              | (1,168)              |
| Allowance for doubtful accounts            | (5,797)              | (5,807)              |
| <b>Total Investments and Other Assets</b>  | <b>305,241</b>       | <b>321,783</b>       |
| <b>Total Noncurrent Assets</b>             | <b>1,004,039</b>     | <b>1,029,753</b>     |
| <b>Total Assets</b>                        | <b>1,778,505</b>     | <b>1,898,157</b>     |

(Millions of yen)

|   | As of March 31, 2014 | As of March 31, 2015 |
|---|----------------------|----------------------|
| <b>LIABILITIES</b>                                    |                      |                      |
| <b>Current Liabilities:</b>                           |                      |                      |
| Notes and accounts payable-trade                      | 106,656              | 128,375              |
| Short-term loans payable                              | 256,098              | 252,197              |
| Current portion of bonds payable                      | 40,000               | 20,040               |
| Commercial papers                                     | -                    | 5,000                |
| Income taxes payable                                  | 9,576                | 9,545                |
| Deferred tax liabilities                              | 648                  | 275                  |
| Accrued bonuses                                       | 11,975               | 12,362               |
| Gold payable  | 212,760              | 227,505              |
| Allowance for loss on disposal of inventories         | 923                  | 844                  |
| Other   | 99,878               | 121,670              |
| <b>Total Current Liabilities</b>                      | <b>738,518</b>       | <b>777,817</b>       |
| <b>Noncurrent Liabilities:</b>                        |                      |                      |
| Bonds payable   | 85,140               | 65,100               |
| Long-term loans payable                               | 268,605              | 288,534              |
| Reserve for directors' retirement benefits            | 1,740                | 1,758                |
| Reserve for loss on subsidiaries and affiliates       | 1,698                | 1,458                |
| Reserve for environmental measures                    | 4,117                | 4,547                |
| Deferred tax liabilities                              | 31,650               | 26,659               |
| Deferred tax liabilities for land revaluation         | 32,532               | 28,449               |
| Net defined benefit liability                         | 52,787               | 39,662               |
| Other   | 36,007               | 34,655               |
| <b>Total Noncurrent Liabilities</b>                   | <b>514,279</b>       | <b>490,825</b>       |
| <b>Total Liabilities</b>                              | <b>1,252,797</b>     | <b>1,268,643</b>     |
| <b>NET ASSETS</b>                                     |                      |                      |
| <b>Shareholders' Equity:</b>                          |                      |                      |
| Capital stock   | 119,457              | 119,457              |
| Capital surplus                                       | 92,272               | 92,272               |
| Retained earnings                                     | 207,354              | 252,858              |
| Treasury stock  | (1,782)              | (1,865)              |
| <b>Total Shareholders' Equity</b>                     | <b>417,302</b>       | <b>462,723</b>       |
| <b>Accumulated Other Comprehensive Income:</b>        |                      |                      |
| Valuation difference on securities available for sale | 31,972               | 42,717               |
| Deferred gains or losses on hedges                    | 218                  | (1,025)              |
| Revaluation reserve for land                          | 32,907               | 33,856               |
| Foreign currency translation adjustment               | (12,348)             | 15,746               |
| Remeasurements of defined benefit plans               | (13,302)             | (3,256)              |
| <b>Total Accumulated Other Comprehensive Income</b>   | <b>39,447</b>        | <b>88,039</b>        |
| <b>Minority interests</b>                             | <b>68,957</b>        | <b>78,751</b>        |
| <b>Total Net Assets</b>                               | <b>525,707</b>       | <b>629,514</b>       |
| <b>Total Liabilities and Net Assets</b>               | <b>1,778,505</b>     | <b>1,898,157</b>     |



## (2) Consolidated Statement of Operations and Consolidated Statement of Comprehensive Income

### Consolidated Statement of Operations

[For the year ended March 31, 2014 and 2015]

(Millions of yen)

|  | Year Ended Mar. 31, 2014<br>(Apr. 1, 2013–Mar. 31, 2014) | Year Ended Mar. 31, 2015<br>(Apr. 1, 2014–Mar. 31, 2015) |
|--|--|--|
| <b>Net Sales</b>   | <b>1,414,796</b>   | <b>1,517,265</b>   |
| <b>Cost of Sales</b>   | <b>1,220,333</b>   | <b>1,313,259</b>   |
| <b>Gross Profit</b>  | <b>194,463</b>   | <b>204,006</b>   |
| <b>Selling, General and Administrative Expenses</b>                  | <b>128,181</b>   | <b>132,135</b>   |
| <b>Operating Profit</b>  | <b>66,281</b>  | <b>71,871</b>  |
| <b>Non-Operating Profit:</b>   |  |  |
| Interest income  | 916  | 607  |
| Dividends income   | 18,964   | 15,293   |
| Equity in earnings of affiliates                                     | 4,377  | 6,557  |
| Rent income on noncurrent assets                                     | 4,559  | 4,966  |
| Other  | 3,221  | 3,884  |
| <b>Total Non-Operating Profit</b>                                    | <b>32,038</b>  | <b>31,309</b>  |
| <b>Non-Operating Expenses:</b>                                       |  |  |
| Interest expenses  | 9,686  | 8,233  |
| Expenses for rent in undertaking                                     | 3,399  | 3,234  |
| Loss on disposal of property, plant and equipment                    | 2,755  | 3,183  |
| Expenses for settlement of remaining business in mine                | 2,704  | 3,589  |
| Other  | 2,873  | 3,845  |
| <b>Total Non-Operating Expenses</b>                                  | <b>21,418</b>  | <b>22,086</b>  |
| <b>Ordinary Income</b>   | <b>76,902</b>  | <b>81,093</b>  |
| <b>Extraordinary Income:</b>   |  |  |
| Gain on sales of noncurrent assets                                   | 4,334  | 8,749  |
| Gain on sales of marketable securities and investments in securities | 32,078   | 1,694  |
| Gain on contribution of securities to retirement benefit trust       | 10,949   | -  |
| Other  | 3,796  | 2,308  |
| <b>Total Extraordinary Income</b>                                    | <b>51,158</b>  | <b>12,752</b>  |
| <b>Extraordinary Losses:</b>   |  |  |
| Loss on valuation of investment securities                           | 850  | 9,278  |
| Loss on impairment   | 32,308   | 499  |
| Other  | 9,555  | 8,439  |
| <b>Total Extraordinary Loss</b>                                      | <b>42,714</b>  | <b>18,217</b>  |
| <b>Income before Income Taxes</b>                                    | <b>85,346</b>  | <b>75,628</b>  |
| <b>Corporate Income Taxes and Business Tax</b>                       | <b>16,509</b>  | <b>19,649</b>  |
| <b>Income Tax Adjustments</b>  | <b>9,956</b>   | <b>(5,574)</b>   |
| <b>Total Income Taxes</b>  | <b>26,465</b>  | <b>14,074</b>  |
| <b>Income before Minority Interests</b>                              | <b>58,880</b>  | <b>61,553</b>  |
| <b>Minority Interests in Income</b>                                  | <b>6,328</b>   | <b>5,406</b>   |
| <b>Net Income</b>  | <b>52,551</b>  | <b>56,147</b>  |

## Consolidated Statement of Comprehensive Income

[For the Year Ended March 31, 2014 and 2015]

(Millions of yen)

|   | Year Ended Mar. 31, 2014<br>(Apr. 1, 2013–Mar. 31, 2014) | Year Ended Mar. 31, 2015<br>(Apr. 1, 2014–Mar. 31, 2015) |
|---|--|--|
| <b>Income before Minority Interests</b>                           | <b>58,880</b>  | <b>61,553</b>  |
| <b>Other Comprehensive Income</b>                                 |  |  |
| Valuation difference on securities available for sale             | (8,513)  | 10,691   |
| Deferred gains or losses on hedges                                | 572  | (1,434)  |
| Revaluation reserve for land                                      | -  | 2,801  |
| Foreign currency translation adjustment                           | 28,032   | 33,215   |
| Adjustments for retirement benefits                               | -  | 11,714   |
| Equity in earnings of affiliates                                  | 5,594  | 2,411  |
| Total other comprehensive income                                  | 25,685   | 59,401   |
| <b>Comprehensive Income</b>                                       | <b>84,565</b>  | <b>120,954</b>   |
| (Breakdown)   |  |  |
| Comprehensive income attributable to owners of the parent company | 70,864   | 106,600  |
| Comprehensive income attributable to minority interests           | 13,701   | 14,354   |

**(3) Statement of Changes in Consolidated Shareholders' Equity**

Year Ended Mar. 31, 2014 (Apr. 1, 2013–Mar. 31, 2014)

(Millions of yen)

|   | Shareholders' equity |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of period  | 119,457              | 92,272          | 158,456           | (1,692)        | 368,495                    |
| Cumulative impact of changes in accounting policies                       |                      |                 |                   |                |                            |
| Balance at beginning of period, reflecting changes in accounting policies | 119,457              | 92,272          | 158,456           | (1,692)        | 368,495                    |
| Change during the year  |                      |                 |                   |                |                            |
| Cash dividends from retained earnings                                     |                      |                 | (7,864)           |                | (7,864)                    |
| Net income  |                      |                 | 52,551            |                | 52,551                     |
| Decrease from write-downs of land revaluation excess                      |                      |                 | 1,923             |                | 1,923                      |
| Increase due to change of fiscal term of consolidated subsidiaries        |                      |                 | 281               |                | 281                        |
| Increase from rise in number of consolidated subsidiaries                 |                      |                 | 2,005             |                | 2,005                      |
| Acquisition of treasury stock   |                      |                 |                   | (92)           | (92)                       |
| Disposition of treasury stock   |                      | (0)             | (0)               | 2              | 1                          |
| Net change in items other than shareholders' equity                       |                      |                 |                   |                |                            |
| Total change during the year  | -                    | (0)             | 48,897            | (90)           | 48,806                     |
| Balance at end of period  | 119,457              | 92,272          | 207,354           | (1,782)        | 417,302                    |

|   | Accumulated other comprehensive income                |                                    |                               |   |   |  | Minority interests | Total net assets |
|---|---|------------------------------------|-------------------------------|---|---|--|--------------------|------------------|
|   | Valuation difference on securities available for sale | Deferred gains or losses on hedges | Revaluati on reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total Accumulated other comprehensive income |                    |                  |
| Balance at beginning of period  | 40,516  | (1,189)                            | 34,830                        | (37,422)                                | -                                       | 36,735                                       | 61,001             | 466,231          |
| Cumulative impact of changes in accounting policies                       |   |                                    |                               |   |   |  |                    |                  |
| Balance at beginning of period, reflecting changes in accounting policies | 40,516  | (1,189)                            | 34,830                        | (37,422)                                | -                                       | 36,735                                       | 61,001             | 466,231          |
| Change during the year  |   |                                    |                               |   |   |  |                    |                  |
| Cash dividends from retained earnings                                     |   |                                    |                               |   |   |  |                    | (7,864)          |
| Net income  |   |                                    |                               |   |   |  |                    | 52,551           |
| Decrease from write-downs of land revaluation excess                      |   |                                    |                               |   |   |  |                    | 1,923            |
| Increase due to change of fiscal term of consolidated subsidiaries        |   |                                    |                               |   |   |  |                    | 281              |
| Increase from rise in number of consolidated subsidiaries                 |   |                                    |                               |   |   |  |                    | 2,005            |
| Acquisition of treasury stock   |   |                                    |                               |   |   |  |                    | (92)             |
| Disposition of treasury stock   |   |                                    |                               |   |   |  |                    | 1                |
| Net change in items other than shareholders' equity                       | (8,543)   | 1,407                              | (1,923)                       | 25,073                                  | (13,302)                                | 2,711  | 7,956              | 10,668           |
| Total change during the year  | (8,543)   | 1,407                              | (1,923)                       | 25,073                                  | (13,302)                                | 2,711  | 7,956              | 59,475           |
| Balance at end of period  | 31,972  | 218                                | 32,907                        | (12,348)                                | (13,302)                                | 39,447                                       | 68,957             | 525,707          |

Year Ended Mar. 31, 2015 (Apr. 1, 2014–Mar. 31, 2015)

(Millions of yen)

|   | Shareholders' equity |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of period  | 119,457              | 92,272          | 207,354           | (1,782)        | 417,302                    |
| Cumulative impact of changes in accounting policies                       |                      |                 | (3,611)           |                | (3,611)                    |
| Balance at beginning of period, reflecting changes in accounting policies | 119,457              | 92,272          | 203,742           | (1,782)        | 413,690                    |
| Change during the year  |                      |                 |                   |                |                            |
| Cash dividends from retained earnings                                     |                      |                 | (9,172)           |                | (9,172)                    |
| Net income  |                      |                 | 56,147            |                | 56,147                     |
| Decrease from write-downs of land revaluation excess                      |                      |                 | 1,861             |                | 1,861                      |
| Increase from rise in number of consolidated subsidiaries                 |                      |                 | 327               |                | 327                        |
| Decrease due to addition of equity-method affiliates                      |                      |                 | (46)              |                | (46)                       |
| Acquisition of treasury stock   |                      |                 |                   | (84)           | (84)                       |
| Disposition of treasury stock   |                      | (0)             |                   | 1              | 1                          |
| Net change in items other than shareholders' equity                       |                      |                 |                   |                |                            |
| Total change during the year  | -                    | (0)             | 49,116            | (83)           | 49,033                     |
| Balance at end of period  | 119,457              | 92,272          | 252,858           | (1,865)        | 462,723                    |

|   | Accumulated other comprehensive income                |                                    |                              |   |   |  | Minority interests | Total net assets |
|---|---|------------------------------------|------------------------------|---|---|--|--------------------|------------------|
|   | Valuation difference on securities available for sale | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total Accumulated other comprehensive income |                    |                  |
| Balance at beginning of period  | 31,972  | 218                                | 32,907                       | (12,348)                                | (13,302)                                | 39,447                                       | 68,957             | 525,707          |
| Cumulative impact of changes in accounting policies                       |   |                                    |                              |   |   |  |                    | (3,611)          |
| Balance at beginning of period, reflecting changes in accounting policies | 31,972  | 218                                | 32,907                       | (12,348)                                | (13,302)                                | 39,447                                       | 68,957             | 522,095          |
| Change during the year  |   |                                    |                              |   |   |  |                    |                  |
| Cash dividends from retained earnings                                     |   |                                    |                              |   |   |  |                    | (9,172)          |
| Net income  |   |                                    |                              |   |   |  |                    | 56,147           |
| Decrease from write-downs of land revaluation excess                      |   |                                    |                              |   |   |  |                    | 1,861            |
| Increase from rise in number of consolidated subsidiaries                 |   |                                    |                              |   |   |  |                    | 327              |
| Decrease due to addition of equity-method affiliates                      |   |                                    |                              |   |   |  |                    | (46)             |
| Acquisition of treasury stock   |   |                                    |                              |   |   |  |                    | (84)             |
| Disposition of treasury stock   |   |                                    |                              |   |   |  |                    | 1                |
| Net change in items other than shareholders' equity                       | 10,745  | (1,244)                            | 949                          | 28,095                                  | 10,046                                  | 48,591                                       | 9,793              | 58,385           |
| Total change during the year  | 10,745  | (1,244)                            | 949                          | 28,095                                  | 10,046                                  | 48,591                                       | 9,793              | 107,418          |
| Balance at end of period  | 42,717  | (1,025)                            | 33,856                       | 15,746                                  | (3,256)                                 | 88,039                                       | 78,751             | 629,514          |

#### (4) Consolidated Statements of Cash Flows

[For the year ended March 31, 2014 and 2015]

(Millions of yen)

|   | Year Ended Mar. 31, 2014<br>(Apr. 1, 2013–Mar. 31, 2014) | Year Ended Mar. 31, 2015<br>(Apr. 1, 2014–Mar. 31, 2015) |
|---|--|--|
| <b>Cash Flows from Operating Activities:</b>  |  |  |
| Income before income taxes  | 85,346   | 75,628   |
| Depreciation and amortization   | 57,428   | 53,911   |
| Amortization of goodwill  | 3,070  | 2,835  |
| Increase (decrease) in allowance for doubtful accounts and reserves                                 | (402)  | (54)   |
| Increase (decrease) in allowance for investment loss  | (580)  | -  |
| Increase (decrease) in reserve for loss on business of affiliate                                    | (27)   | -  |
| Increase (decrease) for environmental measures  | (139)  | 395  |
| Increase (decrease) in net defined benefit liability and reserve for directors' retirement benefits | (1,837)  | (4,187)  |
| Interest and dividends income   | (19,880)   | (15,900)   |
| Interest expenses   | 9,686  | 8,233  |
| Loss (gain) on sales of property, plant and equipment   | (4,254)  | (8,208)  |
| Loss on disposal of property, plant and equipment   | 2,755  | 3,183  |
| Loss on impairment  | 32,308   | 499  |
| Loss (gain) on sales of marketable securities and investments in securities                         | (31,553)   | (1,696)  |
| Loss (gain) on valuation of investment securities   | 850  | 9,278  |
| Gain on contribution of securities to retirement benefit trust                                      | (10,949)   | -  |
| Decrease (increase) in notes and accounts receivables-trade   | 751  | (12,246)   |
| Decrease (increase) in inventories  | 3,296  | (8,613)  |
| Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Plan  | 76,961   | 77,188   |
| Payment for purchases of gold bullion from market for customer under My Gold Partner                | (82,771)   | (76,957)   |
| Decrease (increase) in other current assets   | (10,486)   | (13,741)   |
| Increase (decrease) in notes and accounts payable-trade   | (3,290)  | 16,767   |
| Increase (decrease) in accrued expenses   | (6,439)  | 8,616  |
| Increase (decrease) in other current liabilities  | 3,247  | 10,904   |
| Increase (decrease) in other noncurrent liabilities   | (341)  | (369)  |
| Equity losses (earnings) of affiliates  | (4,377)  | (6,557)  |
| Other, net  | 7,227  | (5,561)  |
| <b>Subtotal</b>   | <b>105,597</b>   | <b>113,347</b>   |
| Interest and dividends income received  | 21,438   | 17,399   |
| Interest expenses paid  | (10,046)   | (8,392)  |
| Income taxes refund (paid)  | (14,056)   | (14,283)   |
| <b>Net Cash Provided by Operating Activities</b>  | <b>102,932</b>   | <b>108,070</b>   |

(Millions of yen)

|  | Year Ended Mar. 31, 2014<br>(Apr. 1, 2013–Mar. 31, 2014) | Year Ended Mar. 31, 2015<br>(Apr. 1, 2014–Mar. 31, 2015) |
|--|--|--|
| <b>Cash Flows from Investing Activities:</b>   |  |  |
| Purchase of investment securities  | (3,678)  | (2,116)  |
| Proceeds from sales of investment securities   | 40,213   | 5,490  |
| Payments for lending   | (1,433)  | (1,775)  |
| Proceeds from repayment of lending   | 1,152  | 5,781  |
| Purchase of property, plant and equipment  | (63,816)   | (54,821)   |
| Proceeds from sales of property, plant and equipment   | 11,400   | 7,448  |
| Purchase of intangible assets  | (1,303)  | (3,237)  |
| Payments for purchase of consolidated subsidiaries' shares   | (31,289)   | (471)  |
| Proceeds from sales of shares of subsidiaries  | -  | 229  |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation             | 4,335  | 1,506  |
| Other, net   | (442)  | (399)  |
| <b>Net Cash Used in Investing Activities</b>   | <b>(44,863)</b>  | <b>(42,366)</b>  |
| <b>Cash Flows from Financing Activities:</b>   |  |  |
| Net increase (decreases) in short-term loans payable   | (30,544)   | 14,862   |
| Proceeds from long-term loans payable  | 100,057  | 100,361  |
| Repayment of long-term loans payable   | (111,075)  | (105,638)  |
| Increase (decrease) in commercial papers   | (26,000)   | 5,000  |
| Payments for redemption of bonds payable   | -  | (40,000)   |
| Proceeds from issuance of bonds  | 15,100   | -  |
| Cash dividends paid  | (7,864)  | (9,172)  |
| Purchase of treasury stock   | (106)  | (88)   |
| Cash dividends paid to minority shareholders   | (5,652)  | (4,317)  |
| Other, net   | (3,242)  | (3,279)  |
| <b>Net Cash Used in Financing Activities</b>   | <b>(69,329)</b>  | <b>(42,273)</b>  |
| <b>Effect of Exchange Rate Change on Cash and Cash Equivalents</b>   | <b>8,094</b>   | <b>5,837</b>   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | <b>(3,165)</b>   | <b>29,268</b>  |
| <b>Cash and Cash Equivalents at Beginning of Period</b>  | <b>63,299</b>  | <b>62,078</b>  |
| <b>Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation</b>      | <b>2,007</b>   | <b>732</b>   |
| <b>Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Fiscal Term of Subsidiaries</b> | <b>(62)</b>  | <b>-</b>   |
| <b>Cash and Cash Equivalents at End of Period</b>  | <b>62,078</b>  | <b>92,079</b>  |

## (5) Segment Information

[Segment Information]

### 1. Overview of reporting segments

#### (1) Method of determining reporting segments

The reporting segments of Mitsubishi Materials Corporation are those units of the Company for which separate financial statements are available and which are subject to regular inspection for the use of the Board of Directors in determining the allocation of resources and evaluating business results.

The Company has adopted an internal-company structure. As such, each internal company, business unit and division proposes comprehensive strategy for operations both in Japan and overseas with respect to the products and services it handles, and carries out operations on that basis.

Therefore, the Company divides its reporting segments according to individual products and services, based on the internal-company structure. These reporting segments are Cement, Metals, Advanced Materials & Tools, Electronic Materials & Components, and Aluminum, the last of these being particularly important among the operations of each business unit and division.

In line with a reorganization conducted on April 1, 2014, we reclassified the business handling precious metal bullion from the “Others” segment to the “Metals” segment.

Segment information for the preceding fiscal year has been modified to reflect this change.

#### (2) Types of product and service belonging to each reporting segment

The main products in each business are as follows.

|                                      |  |
|--------------------------------------|--|
| 1) Cement                            | Cement, cement-related-products, ready-mixed concrete, aggregates                      |
| 2) Metals                            | Copper smelting (copper, gold, silver, sulfuric acid, etc.), processed-copper products |
| 3) Advanced Materials & Tools        | Cemented carbide products, high-performance alloy products                             |
| 4) Electronic Materials & Components | Advanced materials, electronic components, polycrystalline silicon, chemical products  |
| 5) Aluminum                          | Aluminum cans, rolled-aluminum products, processed aluminum products                   |

### 2. Method of calculation of amounts in net sales, income/loss, assets, liabilities and other items for each reporting segment

The accounting methods used in reporting business segments are the same as applied in “Basic important items for preparation of the consolidated financial statements.”

Figures for income from reporting segments are based on ordinary income.

Internal income and transfers between segments are based on actual market prices.



3. Information related to sales, income/loss, total assets, total liabilities, and other items for reporting segment  
For the year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

|   | Cement   | Metals   | Advanced<br>Materials &<br>Tools | Electronic<br>Materials &<br>Components | Aluminum | Others   | Total      | Adjustment<br>amount | Amount<br>indicated in<br>the<br>statements of<br>income |
|---|----------|----------|----------------------------------|---|----------|----------|------------|----------------------|--|
| Net sales   |          |          |                                  |   |          |          |            |                      |  |
| (1)Outside<br>Customers   | ¥186,545 | ¥718,082 | ¥116,516                         | ¥49,882                                 | ¥150,296 | ¥193,472 | ¥1,414,796 | -                    | ¥1,414,796   |
| (2)Within<br>Consolidated<br>Group                                | 3,653    | 10,092   | 29,381                           | 17,842                                  | 1,267    | 45,289   | 107,527    | (107,527)            | -  |
| Total   | 190,199  | 728,175  | 145,898                          | 67,724                                  | 151,564  | 238,761  | 1,522,324  | (107,527)            | 1,414,796  |
| Segment<br>income   | 18,813   | 38,024   | 13,999                           | 2,195                                   | 4,739    | 8,081    | 85,854     | (8,951)              | 76,902   |
| Segment assets  | 353,263  | 659,302  | 184,998                          | 118,325                                 | 146,698  | 200,496  | 1,663,085  | 115,419              | 1,778,505  |
| Segment<br>liabilities  | 209,216  | 528,457  | 116,088                          | 142,896                                 | 114,466  | 143,704  | 1,254,829  | (2,031)              | 1,252,797  |
| Other items   |          |          |                                  |   |          |          |            |                      |  |
| Depreciation<br>and<br>amortization                               | 10,458   | 18,441   | 9,316                            | 5,827                                   | 8,015    | 3,131    | 55,189     | 2,238                | 57,428   |
| Amortization of<br>goodwill                                       | 2,431    | 654      | 24                               | -                                       | -        | 20       | 3,131      | (60)                 | 3,070  |
| Dividend<br>income  | 208      | 602      | 53                               | 66                                      | 10       | 295      | 1,237      | (321)                | 916  |
| Amortization of<br>negative<br>goodwill                           | -        | -        | 38                               | -                                       | -        | -        | 38         | -                    | 38   |
| Interest<br>expenses  | 2,705    | 3,154    | 1,153                            | 2,178                                   | 876      | 1,115    | 11,184     | (1,498)              | 9,686  |
| Equity in<br>earnings of<br>affiliates                            | 1,663    | 2,561    | 28                               | 159                                     | 212      | (250)    | 4,375      | 2                    | 4,377  |
| Investment to<br>equity method<br>affiliate                       | 17,668   | 18,028   | 312                              | 52,498                                  | 656      | 25,973   | 115,137    | (224)                | 114,912  |
| Increase in<br>tangible and<br>intangible<br>noncurrent<br>assets | ¥13,144  | ¥19,544  | ¥16,775                          | ¥3,189                                  | ¥7,374   | ¥3,572   | ¥63,600    | ¥2,344               | ¥65,944  |

Notes:

1. "Others" includes nuclear energy-related services, environmental and recycling-related business, real estate business, and engineering-related services.
2. Included in the segment income adjustment amounted (-¥8,951 million) are segment eliminations (¥859 million) and corporate expenses that cannot be allocated to specific segments (-¥9,810 million). Corporate expenses consist mainly of management-related costs, basic experimental research costs, and financial income/expenses.
3. Included in the segment assets adjustment amounted (¥115,419 million) are segment eliminations (-¥39,661 million) and corporate assets that cannot be allocated to specific segments (¥155,080 million). Corporate assets consist mainly of management-related assets and basic experimental research assets.
4. Included in the segment liabilities adjustment amounted (-¥2,031 million) are segment eliminations (-¥34,268 million) and corporate liabilities that cannot be allocated to specific segments (¥32,237 million). Corporate liabilities consist mainly of management-related liabilities and basic experimental research liabilities.
5. Adjustment of increase of property, plant and equipment and intangible assets (¥2,344 million) consist mainly of investment in Central Research Institute.
6. Segment income has been adjusted together with ordinary income on the consolidated statements of income.

For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

|   | Cement  | Metals  | Advanced<br>Materials &<br>Tools | Electronic<br>Materials &<br>Components | Aluminum | Others  | Total     | Adjustment<br>amount | Amount<br>indicated in<br>the<br>statements of<br>income |
|---|---------|---------|----------------------------------|---|----------|---------|-----------|----------------------|--|
| Net sales   |         |         |                                  |   |          |         |           |                      |  |
| (1)Outside<br>Customers   | 189,674 | 803,394 | 113,534                          | 56,009                                  | 157,271  | 197,380 | 1,517,265 | -                    | 1,517,265  |
| (2)Within<br>Consolidated<br>Group                                | 3,625   | 8,239   | 21,112                           | 10,995                                  | 2,156    | 43,843  | 89,972    | (89,972)             | -  |
| Total   | 193,300 | 811,633 | 134,647                          | 67,005                                  | 159,427  | 241,224 | 1,607,238 | (89,972)             | 1,517,265  |
| Segment<br>income   | 16,729  | 32,851  | 16,579                           | 7,273                                   | 5,139    | 9,899   | 88,472    | (7,378)              | 81,093   |
| Segment assets  | 365,120 | 713,346 | 179,009                          | 126,124                                 | 154,021  | 195,517 | 1,733,139 | 165,017              | 1,898,157  |
| Segment<br>liabilities  | 194,371 | 557,872 | 98,426                           | 140,132                                 | 118,556  | 142,949 | 1,252,309 | 16,333               | 1,268,643  |
| Other items   |         |         |                                  |   |          |         |           |                      |  |
| Depreciation<br>and<br>amortization                               | 10,999  | 18,851  | 8,083                            | 3,398                                   | 7,044    | 3,134   | 51,510    | 2,400                | 53,911   |
| Amortization of<br>goodwill                                       | 2,789   | -       | 35                               | -                                       | -        | 10      | 2,835     | -                    | 2,835  |
| Dividend<br>income  | 98      | 369     | 64                               | 88                                      | 12       | 328     | 963       | (355)                | 607  |
| Amortization of<br>negative<br>goodwill                           | -       | -       | 29                               | -                                       | -        | -       | 29        | -                    | 29   |
| Interest<br>expenses  | 2,290   | 2,627   | 1,164                            | 1,698                                   | 812      | 1,008   | 9,601     | (1,367)              | 8,233  |
| Equity in<br>earnings of<br>affiliates                            | 1,210   | 300     | 378                              | 4,348                                   | 174      | 152     | 6,566     | (8)                  | 6,557  |
| Investment to<br>equity method<br>affiliate                       | 19,859  | 19,236  | 5,591                            | 56,151                                  | 881      | 15,284  | 117,003   | (199)                | 116,804  |
| Increase in<br>tangible and<br>intangible<br>noncurrent<br>assets | 16,748  | 15,278  | 9,424                            | 2,904                                   | 6,789    | 3,443   | 54,587    | 3,048                | 57,636   |

Notes:

1. "Others" includes nuclear energy-related services, environmental and recycling-related business, real estate business, and engineering-related services.
2. Included in the segment income adjustment amounted (-¥7,378 million) are segment eliminations (¥404 million) and corporate expenses that cannot be allocated to specific segments (-¥7,783 million). Corporate expenses consist mainly of management-related costs, basic experimental research costs, and financial income/expenses.
3. Included in the segment assets adjustment amount (¥165,017 million) are segment eliminations (-¥40,257 million) and corporate assets that cannot be allocated to specific segments (¥205,275 million). Corporate assets consist mainly of management-related assets and basic experimental research assets.
4. Included in the segment liabilities adjustment amount (¥16,333 million) are segment eliminations (-¥40,620 million) and corporate liabilities that cannot be allocated to specific segments (¥56,954 million). Corporate liabilities consist mainly of management-related liabilities and basic experimental research liabilities.
5. Adjustment of increase of property, plant and equipment and intangible assets (¥3,048 million) consist mainly of investment in Central Research Institute.
6. Segment income has been adjusted together with ordinary income on the consolidated statements of income.

[Reference information]

I. For the year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

1. Information by Product/Service

Omitted because the same information is written in the Segment Information.

2. Information by Region

(1) Net sales

(Millions of yen)

| Japan   | U.S.   | Europe | Asia    | Other  | Total     |
|---------|--------|--------|---------|--------|-----------|
| 922,214 | 86,519 | 25,352 | 368,404 | 12,305 | 1,414,796 |

(2) Property, plant and equipment

(Millions of yen)

| Japan   | U.S.   | Europe | Asia   | Other | Total   |
|---------|--------|--------|--------|-------|---------|
| 530,631 | 79,206 | 1,272  | 37,111 | 2,349 | 650,571 |

1. Categories for the countries and regions are geographically proximity-based.

2. Main countries and regions belong to the categories other than U.S.

(1) Europe: Germany, United Kingdom, Spain, France

(2) Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand

(3) Other: Australia, Canada, Brazil

3. Information by Customer

Omits because no customers account for 10% or more of net sales in the Consolidated Statement of Operations.

II. For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

1. Information by Product/Service

Omits because the same information is written in the Segment Information.

2. Information by Region

(1) Net sales

(Millions of yen)

| Japan   | U.S.   | Europe | Asia    | Other  | Total     |
|---------|--------|--------|---------|--------|-----------|
| 917,811 | 96,701 | 25,812 | 462,596 | 14,343 | 1,517,265 |

(2) Property, plant and equipment

(Millions of yen)

| Japan   | U.S.   | Europe | Asia   | Other | Total   |
|---------|--------|--------|--------|-------|---------|
| 522,297 | 92,047 | 1,509  | 37,076 | 2,104 | 655,034 |

1. Categories for the countries and regions are geographically proximity-based.

2. Main countries and regions belong to the categories other than U.S.

(1) Europe: Germany, United Kingdom, Spain, France

(2) Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand

(3) Other: Australia, Canada, Brazil

3. Information by Customer

Omits because no customers account for 10% or more of net sales in the Consolidated Statement of Operations.

[Information related to Impairment Loss of Noncurrent Assets by Reported Segment]  
For the year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

|                    | Cement | Metals | Advanced Materials & Tools | Electronic Materials & Components | Aluminum | Others | Total  | Corporate or elimination | Grand total |
|--------------------|--------|--------|----------------------------|-----------------------------------|----------|--------|--------|--------------------------|-------------|
| Loss on impairment | 203    | 4,077  | -                          | 27,261                            | 21       | 833    | 32,398 | (90)                     | 32,308      |

(Note) Adjustments of loss on impairment (-¥90 million) consist mainly of that of goodwill.

For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

|                    | Cement | Metals | Advanced Materials & Tools | Electronic Materials & Components | Aluminum | Others | Total | Corporate or elimination | Grand total |
|--------------------|--------|--------|----------------------------|-----------------------------------|----------|--------|-------|--------------------------|-------------|
| Loss on impairment | 120    | 155    | -                          | 25                                | 22       | 144    | 467   | 31                       | 499         |

(Note) Adjustment of loss on impairment (¥31 million) consist mainly of that of idle assets.

[Information related to Amortization of Goodwill and Unamortized Balance by Reported Segments]  
For the year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

|   | Cement | Metals | Advanced Materials & Tools | Electronic Materials & Components | Aluminum | Others | Total  | Corporate or elimination | Grand total |
|---|--------|--------|----------------------------|-----------------------------------|----------|--------|--------|--------------------------|-------------|
| Amortization for the year ended Mar. 31, 2014 | 2,431  | 654    | 24                         | -                                 | -        | 20     | 3,131  | (60)                     | 3,070       |
| Balance on Mar. 31, 2014                      | 38,727 | -      | 67                         | -                                 | -        | 38     | 38,833 | (16)                     | 38,816      |

Amortization of negative goodwill and unamortized balance incurred from a business combination before April 1, 2010 are as below.

(Millions of yen)

|   | Cement | Metals | Advanced Materials & Tools | Electronic Materials & Components | Aluminum | Others | Total | Corporate or elimination | Grand total |
|---|--------|--------|----------------------------|-----------------------------------|----------|--------|-------|--------------------------|-------------|
| Amortization for the year ended Mar. 31, 2014 | -      | -      | 38                         | -                                 | -        | -      | 38    | -                        | 38          |
| Balance on Mar. 31, 2014                      | -      | 2,221  | 29                         | -                                 | -        | -      | 2,250 | -                        | 2,250       |

For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

|   | Cement | Metals | Advanced Materials & Tools | Electronic Materials & Components | Aluminum | Others | Total  | Corporate or elimination | Grand total |
|---|--------|--------|----------------------------|-----------------------------------|----------|--------|--------|--------------------------|-------------|
| Amortization for the year ended Mar. 31, 2015 | 2,789  | -      | 35                         | -                                 | -        | 10     | 2,835  | -                        | 2,835       |
| Balance on Mar. 31, 2015                      | 41,127 | -      | 107                        | -                                 | -        | 20     | 41,255 | (5)                      | 41,249      |

Amortization of negative goodwill and unamortized balance incurred from a business combination before April 1, 2010 are as below.

(Millions of yen)

|   | Cement | Metals | Advanced Materials & Tools | Electronic Materials & Components | Aluminum | Others | Total | Corporate or elimination | Grand total |
|---|--------|--------|----------------------------|-----------------------------------|----------|--------|-------|--------------------------|-------------|
| Amortization for the year ended Mar. 31, 2015 | -      | -      | 29                         | -                                 | -        | -      | 29    | -                        | 29          |
| Balance on Mar. 31, 2015                      | -      | 2,221  | -                          | -                                 | -        | -      | 2,221 | -                        | 2,221       |

[Information on negative goodwill generated for each reporting segment]

For the year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

None

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

None

## (6) Per-Share Information

|                      | Year Ended Mar. 31, 2014<br>(Apr. 1, 2013–Mar. 31, 2014) | Year Ended Mar. 31, 2015<br>(Apr. 1, 2014–Mar. 31, 2015) |
|----------------------|--|--|
| Net assets per share | ¥348.54  | ¥420.36  |
| Net income per share | ¥40.10   | ¥42.85   |

Note:

- Net income per share after dilution is not indicated, as no diluted shares exist.
- The standards used to calculate net income per share are as follows.

|  | Year Ended Mar. 31, 2014<br>(Apr. 1, 2013–Mar. 31, 2014) | Year Ended Mar. 31, 2015<br>(Apr. 1, 2014–Mar. 31, 2015) |
|--|--|--|
| Net income per share   |  |  |
| Net income<br>(Millions of yen)  | 52,551   | 56,147   |
| Amounts not attributable to<br>ordinary shareholders (millions of<br>yen)          | -  | -  |
| Net income for common stock<br>(Millions of yen)                                   | 52,551   | 56,147   |
| Average number of shares<br>outstanding during the period<br>(thousands of shares) | 1,310,573  | 1,310,342  |

## (7) Important Subsequent Events:

### 1. Business Combination through Acquisition

#### (1) Overview of the Business Combination

##### (i) Name and business of the acquired company

Name of the acquired company: Hitachi Tool Engineering, Ltd.

Business: Manufacturing and sales of tips, cutting tools, wear-resistant products, tools for urban development, and various machine tools made of specialty steels, carbide alloys, etc.

##### (ii) Principal purpose of the business combination

The purpose of this combination is to strengthen the base of the Company's cemented carbide products business through expansion of Hitachi Tool's leading-edge lineup of cemented carbide products, which enable high-precision, high-efficiency and high-speed processing, as well as its proposal ability for processing complicated shapes for a variety of materials.

##### (iii) Date of the business combination

April 1, 2015

##### (iv) Legal form of the business combination

Acquisition of shares for cash consideration

##### (v) Name following the business combination

Mitsubishi Hitachi Tool Engineering, Ltd.

##### (vi) Ratio of voting rights acquired

51%

##### (vii) Grounds for deciding on the company to be acquired

By acquiring shares in Hitachi Tool Engineering, Ltd., the Company holds 51% of voting rights.

#### (2) Items Related to Calculation of the Acquisition Cost

Acquisition cost of the company to be acquired

Consideration for acquisition (share purchase consideration): ¥22,083 million

(Note) The above-mentioned amount is an estimate at the time of acquisition. The actual amount may vary according to future price adjustments.

#### (3) Items Related to Allocation of the Acquisition Cost

##### (i) Breakdown of principal amounts of assets acquired and liabilities assumed on the date of the combination

Assets

Current assets: ¥16,153 million

Noncurrent assets: ¥13,899 million

Total: ¥30,052 million

Liabilities

Current liabilities: ¥8,787 million

Noncurrent liabilities: ¥2,581 million

Total: ¥11,368 million

(Note) The above-stated amounts are simple totals, including those of subsidiaries, and are at present estimates.

(ii) Amount of goodwill generated, reason for generation, method of amortization and amortization period

At present, amounts are undetermined, as the allocation of the acquisition cost is not yet complete. Furthermore, the method of amortization and amortization period have not yet been determined.

## 2. Significant Sales of Shares in Affiliated Companies

At a Board of Directors Meeting on March 3, 2015, a resolution was passed by the Company based on the publicly announced “Capital Increase and Restructuring Plan” (the “Plan”) and “New Medium-Term Management Strategy,” resolved by the Board of Directors of SUMCO Corporation (“SUMCO”), an equity-method affiliate of the Company, at a meeting on the same date. The resolutions involved the conclusion of a “Memorandum of Understanding Concerning the Treatment of Class Stock” (the “MOU”) defining items necessary to the treatment of SUMCO’s class stock and the policy for disposing of a portion of the common stock of SUMCO that the Company holds in the event of a public equity offering taking place as part of the Plan. Thereafter, based on a resolution passed at a Board of Directors meeting of SUMCO on April 2, 2015, issuance of common stock of SUMCO through a public equity offering with a payment date of April 27 was conducted and a portion of the Company’s common stock of SUMCO was sold through the offering, with a delivery date of April 28. In addition, based on the MOU, through the exercise of a put option by the Company, the Company received a cash payment in consideration of Class A stock held by the Company and Class B stock on May 11, 2015. On the same day, the Company received a cash payment in consideration for Class B stock. The purpose for conducting this transaction and the impact on the Company’s operating performance are described below.

### (1) Reason

The Company reached the decision that SUMCO’s accomplishment of the “Plan” as well as support for its management policy promoting the New Medium-Term Management Strategy, will contribute to the maintenance and improvement of SUMCO’s corporate value. In addition, the Company decided that disposing of a portion of the common stock of SUMCO that the Company holds in concurrence with the public equity offering would also accord with the group strategy and financial strategy of the Company.

### (2) Name and Business of the Affiliated Company and the Content of Its Transactions with the Company

Name: SUMCO Corporation

Business: Business: Manufacture and sale of silicon wafers for semiconductors

Content of transactions: Sale of polycrystalline silicon to the affiliated company

### (3) Gain or Loss on Change in Equity Associated with the Public Equity Offering

Gain on change in equity: ¥10,300 million (estimate)

### (4) Number of Shares Sold, Sale Price and Gain or Loss on Sale

Number of shares sold (Note 1): 16,951,900 shares

Sale price: ¥30,639 million

Gain or loss on sale

Gain on sales of investment securities: ¥18,438 million (estimate)

### (Note 1)

The number of shares sold that is mentioned above does not include the number of shares which the Company has granted to SMBC Nikko Securities Inc. in relation to the secondary offering through overallotment to additionally receive the common stock of SUMCO through the Green Shoe option (ceiling: 1,310,100 shares, exercise deadline: May 20, 2015).

### (5) Gain or Loss on Redemption of Class Shares

Gain on redemption of investment securities: ¥1,311 million (estimate)

### (6) Percentage of Ownership Before and After the Above-Mentioned Public Equity Offering and Sale of Shares

Before the public equity offering and sale of shares: 27.8%

After the public equity offering and sale of shares (Note 2): 18.8%

(Note 2) SUMCO remains an equity-method affiliate of the Company both immediately before and immediately after the public equity offering and sale of shares.