

***Challenge to Become the
World's Leading Business Group***



Annual Report 2015

For the year ended March 31, 2015

Corporate Profile

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

The Group has established operating bases in about 30 countries and regions worldwide while developing a vast array of businesses centered on cement, metals, cemented carbide tools and electronic materials.

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

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Cautionary Statement with Respect to Forward-Looking Statements

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

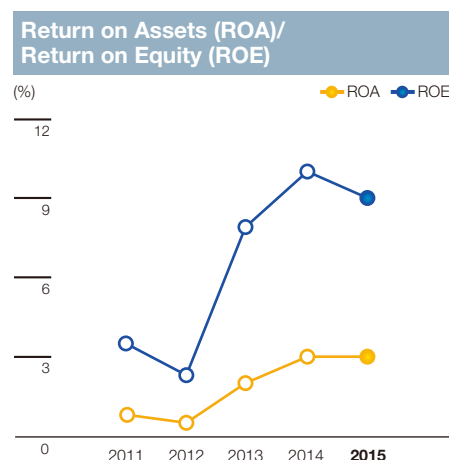
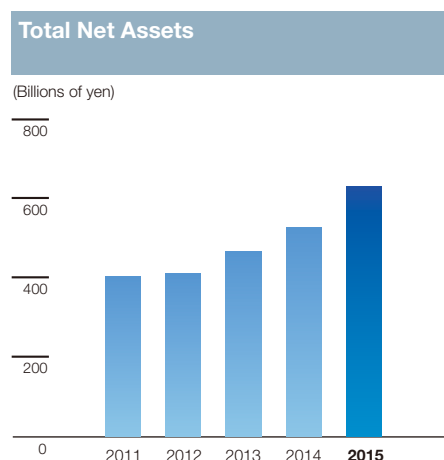
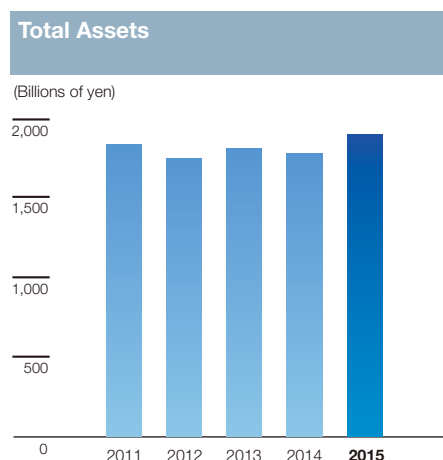
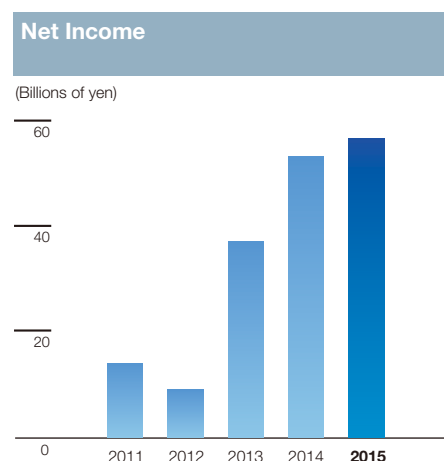
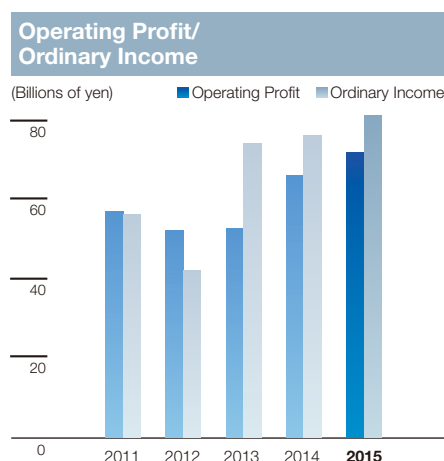
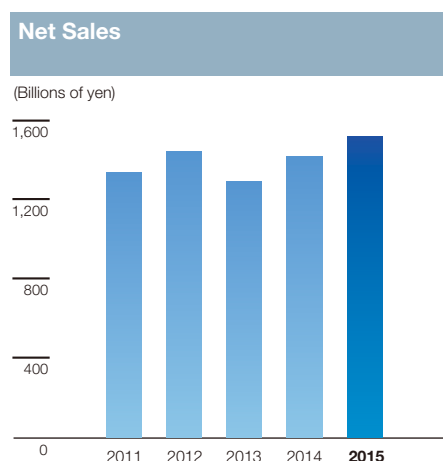
Consolidated Financial Highlights

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2015, 2014, and 2013

	2015	2014	2013	2015
Millions of yen Thousands of U.S. dollars				
For the year:				
Net Sales	¥1,517,265	¥1,414,796	¥1,287,251	\$12,625,993
Operating profit	71,871	66,281	52,500	598,077
Ordinary income (Under Japanese GAAP)	81,093	76,902	74,414	674,824
Net income	56,147	52,551	36,948	467,234
At year-end:				
Total assets	¥1,898,157	¥1,778,505	¥1,811,767	\$15,795,600
Total net assets	629,514	525,707	466,231	5,238,528
Per share data (in yen, dollars):				
Net income (basic)	¥42.8	¥40.1	¥28.1	\$0.35
Net assets	420.3	348.5	309.1	3.49
Cash dividend applicable to the year	8.0	6.0	4.0	0.06
Ratios (%):				
Return on assets (ROA)	3.0	3.0	2.0	
Return on equity (ROE)	8.9	10.0	7.9	

Notes:

- Note: U.S. dollar amounts are translated from yen at the rate of ¥120.17 to US\$1, the approximate exchange rate as of March 31, 2015.
- Amounts of less than one million yen have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.
- ROA = Net income / Total assets.
- ROE = Net income / Total net assets.



At a Glance

Segment		Share of Net Sales (FY2015)	Major Products and Services
Cement		 12.5%	<ul style="list-style-type: none"> ◆ Portland cement ◆ Cement-related products ◆ Ready-mixed concrete ◆ Building materials
Metals		 53.0%	<ul style="list-style-type: none"> ◆ Copper smelting ◆ Copper and copper alloy products ◆ Precious metals
Advanced Materials & Tools		 7.5%	<ul style="list-style-type: none"> ◆ Cemented carbide products ◆ Sintered parts ◆ High-performance alloy products
Electronic Materials & Components		 3.7%	<ul style="list-style-type: none"> ◆ Electronic materials ◆ Electronic components ◆ Polycrystalline silicon ◆ Chemical products
Aluminum		 10.4%	<ul style="list-style-type: none"> ◆ Aluminum beverage cans ◆ Rolled or extruded aluminum products ◆ Processed aluminum products
Others		 13.0%	<ul style="list-style-type: none"> ◆ Resource-, environment- and recycling-related products ◆ Fossil fuels ◆ Nuclear energy-related services ◆ Engineering, real estate, etc.

Net Sales (Billions of yen)		Operating Profit (Billions of yen)		Profile																								
<table><tr><th>Year</th><th>Net Sales (Billions of yen)</th></tr><tr><td>2011</td><td>160</td></tr><tr><td>2012</td><td>165</td></tr><tr><td>2013</td><td>170</td></tr><tr><td>2014</td><td>180</td></tr><tr><td>2015</td><td>200</td></tr></table>		Year	Net Sales (Billions of yen)	2011	160	2012	165	2013	170	2014	180	2015	200	<table><tr><th>Year</th><th>Operating Profit (Billions of yen)</th></tr><tr><td>2011</td><td>8</td></tr><tr><td>2012</td><td>10</td></tr><tr><td>2013</td><td>15</td></tr><tr><td>2014</td><td>18</td></tr><tr><td>2015</td><td>18</td></tr></table>		Year	Operating Profit (Billions of yen)	2011	8	2012	10	2013	15	2014	18	2015	18	<p>► Building a business framework that encompasses the production and sale of each type of cement, along with ready-mixed concrete and cement-related products, Mitsubishi Materials is engaged in cement businesses both in Japan and overseas. The Company is also contributing to a resource-recycling society by actively promoting the recycling of waste materials and byproducts.</p>
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* As of April 1, 2014, the precious metals business, which had been included in the Others business, was integrated into the Metals business. Segment information for the fiscal year ended March 31, 2014 has also been adjusted to reflect the segment change, while information for the fiscal year ended March 31, 2013 and prior does not reflect the segment change.

Message from the President



“ My basic policy is to carry forward the measures pursued by the former president, Hiroshi Yao, who worked to fortify the foundation for growth, promote a growth strategy, and embed safety and CSR measures. I seek to further develop and strengthen these measures.

With absolute achievement of medium-term management plan targets as our topmost priority, we will become the world's leading business group committed to supporting a recycling-oriented society. ”

June 26, 2015

Akira Takeuchi, President

President's Profile

Akira Takeuchi graduated from the Kyoto University Faculty of Economics in March 1977 and from Duke University School of Law in the United States in December 1990. He entered Mitsubishi Metal Corporation (now Mitsubishi Materials) in April 1977. In June 2003, he became the General Manager of the General Affairs Dept. of the General Affairs Div. In December 2004, he became General Manager of the General Affairs Div. In June 2006, he became an executive officer. In April 2009, he became a senior executive officer. In June 2009, he became a managing director and assistant to the president. In April 2014, he became executive vice president. In April 2015, he attained his current position as president.

Fiscal 2015 Summary

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 level off in China and other countries.

In spite of the negative impact of last-minute demand that occurred before 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.

In this environment, 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 group wide 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.

Progress Update on the Medium-Term Management Plan and Future Initiatives

Under the medium-term management plan, our fiscal 2017 management targets are: operating profit of ¥100 billion, ordinary income of ¥110 billion, return on assets of 6%, and a net D/E ratio of 1.0 time or lower. The progress made so far is detailed below.

	FY2015 (actual)	FY2016 (forecast)	FY2017 (targets)
Operating profit	¥71.8 billion	¥85.0 billion	¥100.0 billion
Ordinary income	¥81.0 billion	¥92.0 billion	¥110.0 billion
Return on assets (ordinary income base)	4.4%	4.8%	6%
Net D/E ratio	1.0 time	0.9 time	1.0 time or lower

Going forward, we will take up the following three major measures as we aim for certain achievement of medium-term management plan targets.

- 1** Pursue growth strategies more swiftly and with more certainty
- 2** Implement appropriate measures through stronger PDCA management of progress on the medium-term management plan
- 3** Reform corporate culture and revitalize human resources

The first is about implementing the growth strategies laid out in the medium-term management plan more swiftly and with more certainty. Especially in regard to the strategic investment of up to ¥100.0 billion over three years, I believe we can effectively implement this by making meticulous preparations in advance and then raising the speed of management decisions.

The second is about thoroughly strengthening the entire Group's progress management through PDCA cycles to secure the first measure.

As for the third measure, "Building organizational culture that develops personnel who take on challenge and have ability to achieve" is already set as a strategy under both the long-term management policy and medium-term management plan. In April 2015, we established a Companywide project team, and the measure is beginning to gain momentum.

Moreover, regarding the net D/E ratio, as a result of simultaneously promoting improvements of our financial standing alongside the growth strategies, Japan Credit Rating Agency, Ltd. raised our credit rating from BBB+ to A- in fiscal 2015.

Outlook for Fiscal 2016

Overall, the global economy is expected to see a continued modest recovery, led by advanced countries, although economic growth is expected to level off 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 to 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.

In this situation, the Group is uniting to achieve the targets set out in its medium-term management plan (FY2015-2017) and its long-term management policy, which looks toward the beginning of 2020s.

To Our Shareholders and Investors

We regard the return to shareholders as one of our most important priorities. Accordingly, our policy is to make decisions on profit allocation, including the amount, timing and frequency of dividend payments, based on comprehensive consideration of various factors related to overall management, such as income over the relevant period, retained earnings, and financial position. Based on this policy, we decided to pay an annual dividend for fiscal 2015 of ¥8.00 per share (¥3.00 interim dividend plus ¥5.00

year-end dividend). Dividend payments for fiscal 2016 are expected to increase by ¥2.00 to ¥10.00 per share (¥5.00 interim dividend plus ¥5.00 year-end dividend).

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

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

Special Feature:

Progress in the Medium-term Management Plan (FY2015-2017)

Cement

Japan

“Promote Integrated Business Capabilities to Expand Recycling Operations”

In the Kanda area of Mitsubishi Material's Kyushu Plant, we expanded recycling capacity of waste gypsum board powder from 12,000 tons to 64,000 tons, with a portion of new equipment coming on line at the end of fiscal 2015. For more details see Topics on page 8.

United States

“Expanding earning from ready-mixed concrete operations through new construction and purchases of ready-mixed concrete plants, and securing of aggregate quarries”

Eyeing future growth in ready-mixed concrete demand, we are continuing to secure aggregate resources, which are becoming difficult to receive the development permission due to environmental regulations. The Hubbs quarry commenced production and shipments in December 2014. We expect to reduce the costs of transporting aggregate because this quarry is in a favorable location closer to a concentration area of ready-mixed concrete plants compared to other quarries.



Hubbs quarry

Metals

Mining

“Participation in New Mine Development Project”

In June 2013, we acquired indirect interest of 20% of the Zafranal copper project in Peru. We have been conducting a pre-feasibility study since July 2014. This project is located in an favorable location with developed infrastructure and its favorable waste ore ratio. We expect the project to be cost competitive. Aiming to secure a stable supply of copper concentrate, we are working to acquire quality assets in earlier stages of development. We pursue a captive mine ratio of 50% in the early 2020s, which is our long-term target, and strive to diversify our supply portfolio.



The site of the copper mining project in Peru

Copper Smelting

“Strengthening of Recycling Operations”

During the medium-term management plan period, our target is to become No.1 globally in processing of precious metals scrap (E-Scrap). We began construction to expand E-Scrap processing capacity at the Naoshima Smelter & Refinery in November 2014 to help achieve this target. For related information see the Topics on page 9.

Advanced Materials & Tools

Cemented Carbide Products

“Expanding Sales Networks and Production Locations, Focusing on Emerging Countries”

1 Established new sales locations in Turkey and China (Wuhan and Qingdao)

To further expand the overseas business of cemented carbide products, we established new sales locations in Turkey and Wuhan, China in July 2014 and in Qingdao, China in August. To reinforce our technical service capabilities, we established a new technical center in Thailand in December 2014. Going forward, we strive to continue steadily expanding our overseas locations in line with the medium-term management plan.



Technical center in Thailand

2 Completed expansion of production capacity (20% higher at the Tsukuba Plant)

Eying expanded sales under the medium-term management plan, we worked to enhance the production capacity of inserts at the Tsukuba Plant—the main plant—in fiscal 2014, increasing capacity by around 20%. While the ability to provide products is fundamental as a manufacturer, securing manufacturing capacity preemptively and satisfying customers in terms of delivery time is the minimum requirement for success. We will continue to execute the fundamentals and seek to gain the trust of customers.



The Tsukuba Plant

Companywide Growth Strategies

“Fortifying the Foundation for Growth”

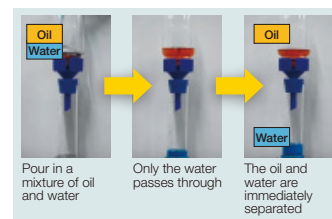
Of the ¥100.0 billion allocated for strategic investments across the Company, we are planning to invest ¥70.0 billion mainly for mergers and acquisitions. As one tangible example, in the Advanced Materials & Tools business, we made Hitachi Tool Engineering, Ltd. a consolidated subsidiary on April 1, 2015. For more details see the Topics on page 10.

Electronics Materials & Components

Advanced Materials

“Promote Development of Unique, Value-Added Strategic Products”

Using our unique fluorination and organic synthesis technologies, we developed the world's first fluorine compound that has both hydrophilic and oil-repellent characteristics in October 2014. Going forward, we aim to quickly release this product in a wide range of markets and nurture a large-scale business. As for sputtering targets, we are strengthening cylindrical and large-size products. And for direct bonded aluminum (DBA) substrates, we are increasing market share for next-generation hybrid automobiles and industrial applications such as railcars.



Separating oil and water (Example of a filter coated with the newly developed product)

Electronic Components

“Strengthening Production and Sales Systems”

To step up production of the flagship thermistor sensor, we established a manufacturing subsidiary in Laos in April 2014, and production began in March 2015. For more details see the Topics on page 11.

Silicon

“We will continue to observe autonomous reconstructing at SUMCO”

In May 2015, the total value of our class stock that we held in SUMCO Corporation was redeemed. In addition, we sold a portion of the common stock held and expect extraordinary income of around ¥30 billion yen in fiscal 2016. Currently, we continue to maintain the company as an equity-method affiliate. The percentage of ownership after the sale of shares is about 18%.

Aluminum

Rolled Products

“Launching a Company in India and Achieving Profitability”

With the aim of further enhancing the heat exchanger business overseas, we established a local subsidiary in India in July 2013. Construction of its plant is expected to be complete in autumn 2015. We are further raising our competitiveness in India, where future growth is anticipated, by enhancing our production and sales locations there.

Aluminum Cans

“Strengthening of Aluminum Bottle Cans Sales Overseas”

We are exploring overseas development of the aluminum bottle cans business.

Review of Operations

Cement

Performance FY 2015

• Net Sales

¥189.6 billion yen

1.7% 

• Operating Profit

¥17.3 billion yen

9.0% 



Performance for Fiscal 2015

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. This factor and business policies emphasizing selling prices contributed to driving down sales volumes. In China, a high-speed rail construction project and new airport construction in Shandong Province partly stimulated demand. However, sales volumes declined as a result of a falloff in demand related to real-estate investment. In the entire Cement business, cement production amounted to 12.0 million tons, down 0.3 million tons from the previous fiscal year.

Price increase on cement and ready-mixed concrete boosted sales in the United States, although operating costs increased.

As a result, segment sales rose 1.7%, or ¥3.1 billion, year on year to ¥189.6 billion, while operating profit fell 9.0%, or ¥1.7 billion, to ¥17.3 billion

Outlook and Future Strategies

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 raise prices 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 reduce manufacturing and selling costs in an aim to shore up profitability.

Topics

Because gypsum board is durable and provides superior insulation against heat and sound, it is widely used as a construction material in ceiling panels, wall materials and other applications. However, when an old building is demolished, the waste gypsum board typically goes unrecycled and ends up in landfills. In light of this situation Mitsubishi Materials uses proprietary treatment technology to recycle waste gypsum board powder as a raw material for cement. The Company is already using this technology and receiving waste materials from both within the Group and from outside sources. In July 2014, the Company began carrying out its plan to expand the Kyushu Plant's recycling capabilities for waste gypsum board powder by roughly five times. In fiscal 2015, the entire Company treated a total of 31,000 tons.



Unloading waste gypsum board powder prior to recycling

Metals

Performance FY 2015

• Net Sales

¥803.3 billion yen

11.9%



• Operating Profit

¥24.8 billion yen

3.7%



Performance for Fiscal 2015

In the copper business, domestic smelters and refineries experienced higher electricity and other operating costs. In addition, the Naoshima Smelter & Refinery underwent periodic furnace repairs. However, substantial production increases at PT Smelting in Indonesia helped drive up net sales and operating profit. In the entire Metals business, copper cathode production amounted to 555 thousand tons, up 41 thousand tons from the previous fiscal year.

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

In the processed copper products business, sales of products for automobiles increased, but sales of products for nuclear power facilities fell. Consequently, net sales rose but operating profit fell.

As a result, segment sales rose 11.9%, or ¥85.3 billion, year on year to ¥803.3 billion, while operating profit increased 3.7%, or ¥0.8 billion, to ¥24.8 billion.

Outlook and Future Strategies

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.

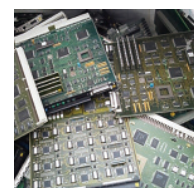
Copper prices are relatively low at present. We will continue to monitor market trends, along with price trends in the foreign exchange and stock markets.

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.

Topics

The recycling rate of waste home appliances and waste electronic equipment is increasing worldwide. At Mitsubishi Materials, we are working to collect and recycle valuable metals by processing precious metals scrap (E-Scrap) originating from crushed circuit boards of waste appliances and waste electronic equipment. This scrap provides the main raw materials for the recycling business in copper smelting. In recent years, we have expanded the volume received from overseas, mainly from Europe and the United States, as well as from the domestic market in Japan. Especially in North America, home appliances and electronic equipment manufacturers, as well as local municipalities including state governments, are actively promoting material recycling. Therefore, in July 2014, we established a new department for the E-Scrap recycling business within Mitsubishi Materials U.S.A. Corporation and strengthened its collection system.



Collected precious metals scrap
(E-Scrap)

Review of Operations

Advanced Materials & Tools

Performance FY 2015

• Net Sales

¥113.5 billion yen
2.6% 

• Operating Profit

¥16.7 billion yen
18.7% 



Performance for Fiscal 2015

In the cemented carbide products business, 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 the high-performance alloy products business, net sales and operating profit 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) ceased to be a subsidiary in January 2014, while MMC Superalloy Corporation (now Hitachi Metals MMC Superalloy, Ltd.) became an equity-method affiliate of the Group in July 2014.

As a result, overall net sales in this segment declined 2.6%, or ¥2.9 billion, year on year to ¥113.5 billion. Operating profit rose 18.7%, or ¥2.6 billion, to ¥16.7 billion.

Outlook and Future Strategies

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.

Topics

On April 1, 2015, Hitachi Tool Engineering, Ltd. became a consolidated subsidiary of the Company, and we will acquire the top market share in Japan for cemented carbide tools.

Mitsubishi Materials is a cemented carbide tool manufacturer with comprehensive strengths, including a solid global sales network and a fully integrated supply chain that starts from raw material manufacturing. The Company is especially strong in material technology and can accelerate growth by bolstering its ability to meet demand for complicated shapes. On the other hand, Hitachi Tool Engineering is especially strong in milling and we believe it is possible to further expand business by bolstering sales overseas.

In this way, both companies complement each other's strengths and opportunities. Going forward, we will continue to ramp up business expansion in overseas regions, where demand is expected to grow.



Cemented carbide tools

Electronic Materials & Components

Performance FY 2015

• Net Sales

¥56.0 billion yen

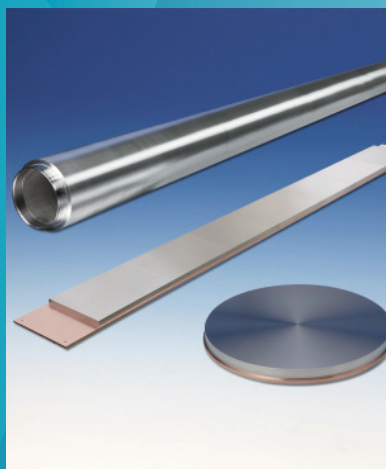
12.3%



• Operating Profit

¥4.4 billion yen

11.7%



Performance for Fiscal 2015

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 net sales but lower operating profit.

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

In the polycrystalline silicon and chemical products business, sales of polycrystalline silicon decreased. However, depreciation 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. Net sales in this business consequently fell, while operating profit increased.

As a result, in the entire Electronic Materials & Components business, net sales increased 12.3%, or ¥6.1 billion, year on year to ¥56.0 billion, while operating profit increased 11.7%, or ¥0.4 billion, to ¥4.4 billion.

Outlook and Future Strategies

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 to the consumption tax hike in Japan and sluggish sales of hybrid automobiles in the United States. However, product demand in non-automotive industries is expected to grow. In each market, we will continue to increase profitability by using core technological capabilities, and enhancing sales competitiveness and proposal capabilities to clients.

In the electronic components business, sales of products for household appliances are falling at present 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.

Topics

Mitsubishi Materials's thermistor sensor is perfect for outdoor units that operate in high temperatures and high humidity because it is highly reliable and uses high performance elements. In China, which is already a large-scale market, sales remained firm for air conditioners, refrigerators and other home appliances, and future demand growth is expected. Amid this environment, we established a production and sales subsidiary for thermistor sensors in the Lao People's Democratic Republic, and production began in March 2015. In the future, we see sales of the product expanding for motorcycles and others in Southeast Asia.



Ribbon cutting ceremony with Ambassador Kishino and then-president (current chairman) Yao

Review of Operations

Aluminum



Performance for Fiscal 2015

In the aluminum cans business, demand increased for regular cans mainly for beer. 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 products for automobiles expanded.

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

As a result, in the entire Aluminum business, net sales rose 4.6%, or ¥6.9 billion, year on year to ¥157.2 billion, while operating profit rose 2.4%, or ¥0.1 billion, to ¥5.6 billion.

Topics

In December 2014, the cumulative number of shipments of aluminum bottle cans manufactured by the MMC Group's Universal Can Corp. exceeded 10.0 billion. Starting production at the Okayama Plant in 2001, the aluminum bottle can is used for black coffee and other beverages. The uses of this bottle can are expanding due to the development of a high performance cap that is easy to open yet still has good sealing performance. In addition, the product technology for our aluminum bottle can has received high praise overseas, and the Group is considering overseas expansion.



Aluminum bottle cans and caps

Others



Performance for Fiscal 2015

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

In the "E-waste" (used electronics and electrical products) recycling business, both net sales and operating profit were down, due to a reduction in the handling volume caused by the declining impact of last-minute demand that occurred before the consumption tax rate increase.

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.

As a result, overall net sales of this segment rose 2.0%, or ¥3.9 billion, year on year to ¥197.3 billion, while operating profit grew 26.6%, or ¥1.9 billion, to ¥9.3 billion.

Topics

In April 2015, Mitsubishi Materials commenced verification test for a bio-gasification system designed to turn food and other waste into bio gas. Bio gas is created by decomposing biomass such as food waste and sewage sludge with microorganisms. This gas can then be effectively used as energy to generate electricity, heat or other power sources. Currently, most food waste is incinerated. To further promote recycling, it is important to convert more of this food waste into a source of energy. Through these recent tests, Mitsubishi Materials aims to construct a bio-gasification system that excels in both cost efficiency and eco-friendliness by partnering with sewage treatment plants and utilizing our cement factories. We will move ahead with studies on commercialization, which we aim to achieve in fiscal 2019.



Research and Development

Fundamental Policy of R&D

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

R&D Strategies

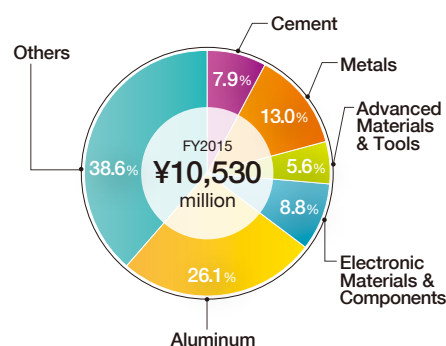
The Group aims to accelerate development and differentiate its technologies and products by leveraging its unique raw material, processing and recycling technologies.

We are especially working to develop new business that will be pillars in the medium-to-long-term, businesses that can meet future needs in the fields of automobiles, electronics, energy and environmental-related recycling.

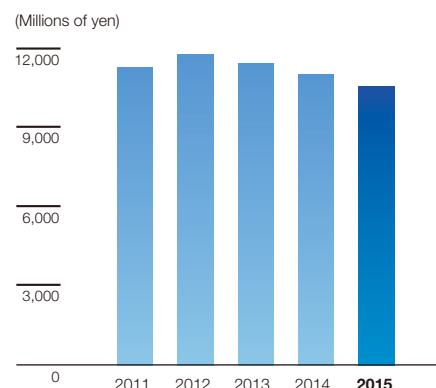
R&D Expenses

R&D expenses during the fiscal year ended March 31, 2015 decreased ¥456 million, or 4.2% year-on-year, to ¥10,530 million. The breakdown of R&D expenses by business segment is as follows: Cement was ¥827 million, Metals stood at ¥1,374 million, Advanced Materials & Tools reached ¥591 million, Electronic Materials & Components totaled ¥929 million and Aluminum amounted to ¥2,746 million.

R&D Expenses Breakdown in FY2015



R&D Expenses

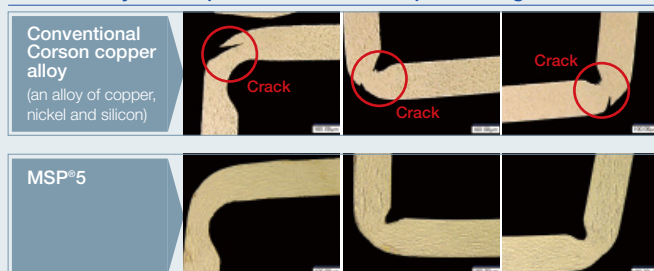


Topics

Topic
1

In March 2015, Mitsubishi Materials successfully developed MSP®5, a copper alloy with high strength and high conductivity as well as excellent bendability, using the Group's unique alloy design method of solid solution strengthening with high concentrations of magnesium. MSP®5 has either equivalent or superior characteristics to the Group's existing conventional Corson copper alloys in terms of strength, conductivity and stress relaxation resistance. In addition, it is especially well suited for use in small electrical terminal connectors in automobiles since it can be easily worked into terminal connectors and doesn't easily break or crack even in precision bending processes.

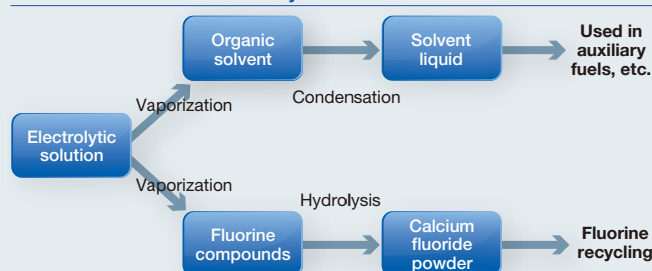
• Bendability in Comparison with the Group's Existing Product



Topic
2

In August 2014, the Company developed new technology for recycling the fluorine compounds and organic solvents in electrolytic solution of lithium-ion batteries. Fluorine compounds are recovered as highly pure calcium fluoride powder after going through hydrolysis or other processes. The recovered calcium fluoride can be reused as a raw material for fluorine chemical products used in manufacturing semiconductors, LCDs and other products. The organic solvents are recovered as a liquid after being vaporized and subsequently cooled. It can then be reused as an auxiliary fuel for boilers and other products.

• Work Flow for New Electrolytic Solution Treatment



Corporate Governance

Fundamental Policy

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

The Board of Directors and Execution System

The Board of Directors comprises seven internal directors and two external directors. We consider this structure appropriate for expediting decisions and ensuring management objectivity and transparency. The external directors monitor the appropriateness of the business executed by the directors from an objective position. They also offer a range of valuable perspectives for managing the Company, drawing on their unique experiences distinct from those of internal directors as well as their specialized knowledge. Matters brought before the Board of Directors are fully deliberated in advance by the Corporate Strategy Committee, which is composed of the President, Assistant to the President, and several other Senior Executive Officer, and appropriate decisions are made based on these deliberations.

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

Audits, Internal Control Audits, Accounting Audits

The Audit & Supervisory Board is made up of three standing Audit & Supervisory Board Members, one of whom is external, and two part-time Audit & Supervisory Board Members (both external). In order to monitor the execution of duties undertaken by directors, each Audit & Supervisory Board Member attends Board of Directors' meetings and other important gatherings and holds hearings that assess the execution of duties of directors, the Internal Audit Department and other employees, in addition to reviewing important documents for approval. Moreover, each Audit & Supervisory Board Member assesses the status of operations and assets at headquarters and main business sites and

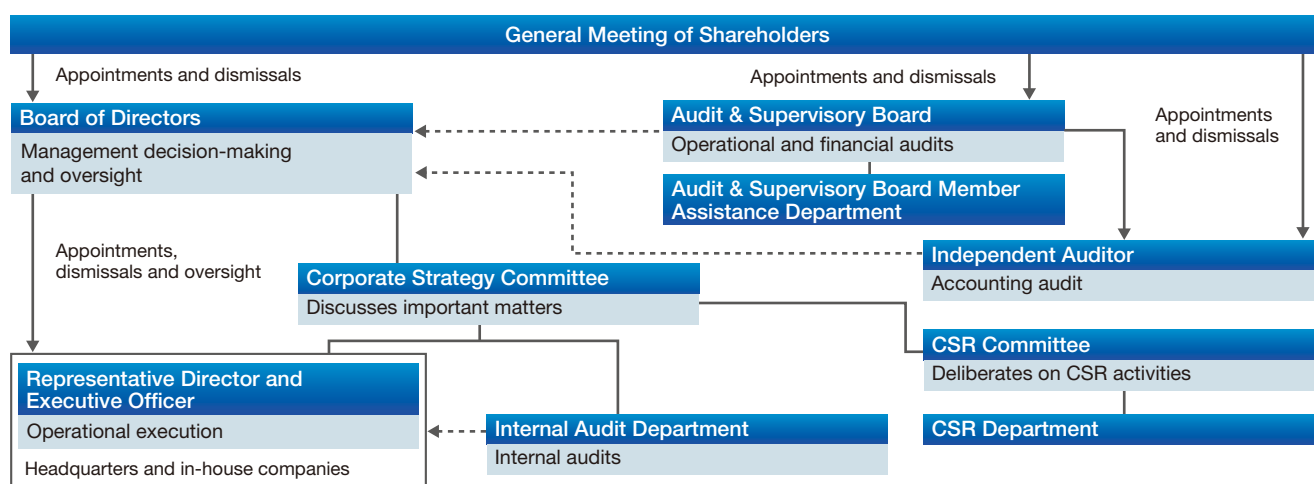
conducts audits at subsidiaries when necessary. Moreover, audits are undertaken in close coordination with accounting auditors and the Internal Audit Department and meetings are held with standing Audit & Supervisory Board Members from important Group companies in an effort to reinforce the auditing system for management of the Group. The Audit & Supervisory Board Member Assistance Department was established as an organization to support the auditing operations of the Audit & Supervisory Board Members.

The Internal Audit Department conducts internal audits to identify the effectiveness and efficiency of corporate activities, the reliability of financial reports, the maintenance and effective utilization of assets, the status of risk management efforts and the adherence to both the law and to in-house rules and standards.

The Company appointed KPMG AZSA LLC as the independent auditor responsible for its accounting audits.

Internal Control System Maintenance

Mitsubishi Materials recognizes that the development of appropriate internal control systems is an important issue concerning the fulfillment of its business objectives and management plans. By developing the system that comply with the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company strives to enhance our internal control systems. The company will review the system as needed, and seek to manage the system more effectively.



Corporate Social Responsibility (CSR)

Basic CSR Policy

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

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

CSR Promotion Framework

We established the CSR Committee, chaired by the president, and a dedicated CSR Department in January 2005. Both organizations are actively promoting CSR activities at Mitsubishi Materials. In line with the above basic policy, we are carrying out CSR activities that are based on promoting compliance and risk management in order to earn greater trust from stakeholders. The status of compliance, risk management operations, information security and other information within the Group is regularly reported to the CSR Committee, which implements reviews when necessary. In addition, the framework that have in place is structured so that any compliance issues occurring within the Group are reported to CSR department and other relevant departments. The CSR Department then coordinates with other related department to investigate the causes of the issue, implement measures to prevent a recurrence and take any other necessary action. The Internal Audit Department monitors the status of these activities through internal audits.

Based on our Corporate Philosophy "For People, Society and the Earth," the Group always considers the environmental aspects of its business activities. We leverage the unique characteristics of our businesses that can contribute to the more effective use of resources and help establish a recycling-based society by treating and recycling waste. We are also committed to environmental management, capitalizing on the nature of our operations to strike a balance between business and environment. The Environmental Management Panel, a special subcommittee of the CSR

Committee, conducts reviews focusing mainly on Groupwide issues, and then rolls out measures to individual facilities and group companies as necessary.

Strengthening the Crisis Management System

The Group carries out risk management activities in order to control the root causes of incidents that could have a negative impact on our performance and provide ongoing support for sound business activities throughout the Group. In order to achieve the goal, we have set out and actively implement three basic policies, which are "Tackling high priority risks," "Identifying unrecognized risks," and "Sharing Information on risks."

In addition to these activities, crisis management, which minimizes effects and damage following a crisis situation, is also crucial to steadily carry out business activities. At Mitsubishi Materials, we have continued to reinforce our crisis management framework spearheaded by our Crisis Management Committee to enable departments to work together, and respond quickly and precisely in the event of an emergency. In Japan, the Company and major Group companies have formulated a business continuity plan (BCP) in the event of a major earthquake. Overseas, 59 key facilities have formulated a BCP (for ensuring employee safety, for restoring operations) tailored to suit specific local risks. We are also working to make the crisis management system more effective, including by improving crisis management manuals overseas in 2013.

External Evaluation

Mitsubishi Materials has been selected for inclusion as a component stock in the Asia Pacific section of the Dow Jones Sustainability Indices (DJSI Asia Pacific), ever since the index was first created in April 2009. DJSI is the world-famous index based on socially responsible investment (SRI). In addition, the Company's recent CSR Reports achieved application level A+ as specified in Global Reporting Initiative (GRI) guidelines.

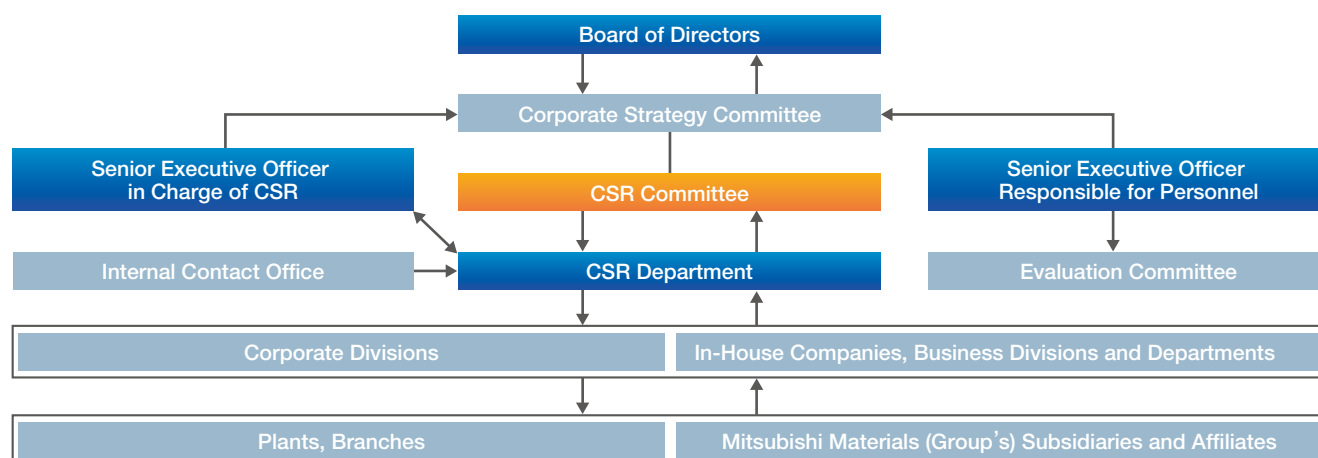


CSR Report 2014

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



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



Management

(As of June 26, 2015)

Board of Directors



Hiroshi Yao*
Chairman



Akira Takeuchi*
President



Toshinori Kato*
Executive Vice President



Akio Hamaji*
Executive Vice President



Osamu Iida*
Managing Director



Naoki Ono*
Managing Director



Nobuo Shibano*
Managing Director



Yukio Okamoto**
Director



Takashi Matsumoto**
Director

Audit & Supervisory Board Members (Standing)

Keisuke Yamanobe
Akihiko Minato**
Toshikazu Murai

Audit & Supervisory Board Members

Akio Utsumi**
Naoto Kasai**

Senior Executive Officers

Kimball McCloud
Hiroshi Kondo
Chitoshi Mori
Yoshihiko Kimura
Yasunobu Suzuki
Hikaru Kimura
Fumio Tsurumaki
Soichi Fukui

Executive Officers

Kenichiro Ishizuka
Kenichi Watase
Dairiku Matsumoto
Masato Koide
Kenji Shimamura
Koji Sakamoto
Tatsuro Maeda
Kazuhiro Kishi
Kiyoshi Furukawa
Tatsuro Mizuno
Shinichi Nakamura
Junichi Harada
Yoshikazu Yasui
Kazuki Mizushima

* Representative Director

** External

Financial Section

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Five-Year Summary

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2012	2011	2015
FOR THE YEAR:						
Net sales	¥1,517,265	¥1,414,796	¥1,287,251	¥1,440,847	¥1,333,992	\$12,625,993
Cost of sales	1,313,259	1,220,333	1,094,588	1,249,744	1,141,094	10,928,343
Operating profit	71,871	66,281	52,500	52,293	57,290	598,077
Net income	56,147	52,551	36,948	9,565	14,274	467,234
Capital expenditures	57,636	65,944	52,957	52,141	43,213	479,622
Depreciation and amortization	56,746	60,498	60,370	62,514	66,365	472,221
R&D expenses	10,530	10,986	11,401	11,743	11,243	87,627
AT YEAR-END:						
Total assets	1,898,157	1,778,505	1,811,767	1,751,870	1,837,405	15,795,600
Total long-term liabilities	490,825	514,279	549,198	565,542	572,321	4,084,427
Total net assets	629,514	525,707	466,231	409,074	402,868	5,238,528
Number of shares of common stock (thousands)	1,314,895	1,314,895	1,314,895	1,314,895	1,314,895	
Number of employees	23,413	23,112	22,181	22,015	21,762	
						U.S. dollars (Note 1)
PER SHARE AMOUNTS:						
Basic net income	42.8	¥40.1	¥28.1	¥7.2	¥10.8	0.35
Diluted net income	—	—	—	—	—	—
Cash dividends applicable to the year	8.0	6.0	4.0	2.0	2.0	0.06
FINANCIAL RATIOS (%):						
Operating margin	4.7%	4.7%	4.1%	3.6%	4.3%	
Return on assets (ROA)	3.0	3.0	2.0	0.5	0.8	
Return on equity (ROE)	8.9	10.0	7.9	2.3	3.5	
Equity ratio	29.0	25.7	22.4	20.0	18.7	

Notes:

1. Japanese yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥120.17 to U.S. \$1, the prevailing exchange rate at March 31, 2015.

2. ROA = Net income / Total assets.

3. ROE = Net income / Total net assets.

Management's Discussion and Analysis

Mitsubishi Materials Corporation and Consolidated Subsidiaries

Overview

Economic and Business Environment

During the fiscal year 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 level off in China and other countries.

In spite of the negative impact from a market recoil, which followed the last-minute demand surge that occurred before 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.

Business Performance Summary

In this environment, 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 Group-wide 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.

Operating Results by Business Segment

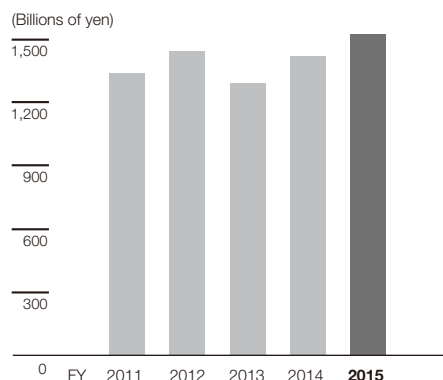
An overview of net sales and operating profit by business segment in fiscal 2015 is as follows. In the Cement business, net sales rose thanks to a revision of sales prices in the United States. Operating profit, however, fell due mainly to declining sales volume, both in Japan and overseas, and rising operating costs. The Metals business posted higher revenue and earnings thanks to a significant increase in production at PT Smelting in Indonesia. The Advanced Materials & Tools business, on the other hand, enjoyed higher earnings due to increased demand for and sales promotions of cemented carbide products in Japan and overseas but saw revenue decline owing mainly to costs associated with business selection and focus for the high-performance alloy products business. In the Electronic Materials & Components, net sales fell due mainly to weak demand in the advanced materials business while operating profit rose due to an increase in sales of products for household appliances. The Aluminum business posted higher revenue and earnings due to increased demand for aluminum can materials and products for automobiles. The Others business posted higher revenue and earnings. For details of each segment's performance, please refer to the Review of Operations on pages 8–12.

Financial Position and Liquidity

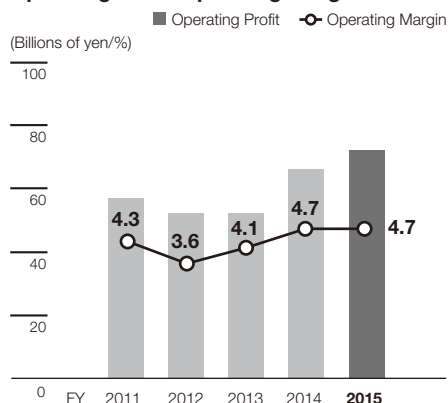
As of March 31, 2015, total assets amounted to ¥1,898.1 billion, up ¥119.6 billion, or 6.7%, from a year earlier. Total current assets increased ¥93.9 billion, or 12.1%, to ¥868.4 billion mainly due to increases in cash and time deposits. Total long-term assets—which consist of property, plant and equipment, investments and long-term receivables and other assets—increased ¥25.7 billion, or 2.6%, to ¥1,029.7 billion, largely as a result of an increase in investment securities.

Total liabilities increased ¥15.8 billion, or 1.3%, year-on-year to ¥1,268.6 billion. Total current liabilities rose ¥39.2 billion, or 5.3%, to ¥777.8 billion due primarily to a rise in notes and accounts payable. Total long-term liabilities fell ¥23.4 billion, or

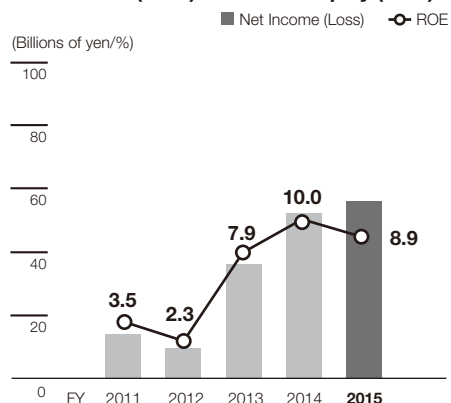
Net Sales



Operating Profit/Operating Margin



Net Income (Loss)/Return on Equity (ROE)



For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cement			
Sales	¥189,674	¥186,545	\$1,578,387
Operating profit	17,385	19,105	144,673
Operating margin	9.2%	10.2%	
Metals			
Sales	803,394	718,082	6,685,481
Operating profit	24,852	23,959	206,812
Operating margin	3.1%	3.3%	
Advanced Materials & Tools			
Sales	113,534	116,516	944,782
Operating profit	16,724	14,090	139,170
Operating margin	14.7%	12.1%	
Electronic Materials & Components			
Sales	56,009	49,882	466,089
Operating profit	4,471	4,001	37,205
Operating margin	8.0%	8.0%	
Aluminum			
Sales	157,271	150,296	1,308,741
Operating profit	5,695	5,559	47,394
Operating margin	3.6%	3.7%	
Others			
Sales	197,380	193,472	1,642,509
Operating profit	9,350	7,385	77,807
Operating margin	4.7%	3.8%	

4.6%, to ¥490.8 billion, reflecting the fall in bonds and other factors. The balance of interest-bearing debt, which adds bonds and commercial paper to outstanding loans, came to ¥630.8 billion, down ¥18.9 billion, or 2.9%, from the previous fiscal year.

Total net assets amounted to ¥629.5 billion, up ¥103.8 billion, or 19.7%, due mainly to an increase in retained earnings following the recording of net income in the fiscal year under review.

As a result, the consolidated equity ratio increased from 25.7% at the previous fiscal year-end to 29.0%, and net assets per share, based on the total number of shares outstanding as of March 31, 2015, grew to ¥420.36, compared with ¥348.54 a year earlier.

Cash Flows

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.

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.

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.

Capital Expenditure

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

In fiscal 2015, capital expenditures amounted to ¥57.6 billion, reflecting maintenance and repairs at existing facilities in each business segment, as well as expansion, rationalization and renovation at certain production facilities.

Fiscal 2015 capital expenditures by business segment were as follows.

Cement

The Company allocated funds to limestone mine development-related works in Japan as well as maintenance and repair of existing facilities mainly in Japan and the United States. Capital expenditures in this segment increased ¥3.6 billion, or 27.4%, compared with ¥13.1 billion recorded in the previous fiscal year to ¥16.7 billion.

Metals

The Company allocated funds for the maintenance and repair of copper smelters and domestic copper-processing facilities as well as for E-Scrap processing facility construction. Capital expenditures in this segment fell ¥4.2 billion, or 21.8%, compared with ¥19.5 billion recorded in the previous fiscal year to ¥15.2 billion.

Advanced Materials & Tools

Funds were mainly allocated for the expansion and rationalization of facilities to respond to increased production in the overall business, and the maintenance and repair of existing facilities. Capital expenditures in this segment fell ¥7.3 billion, or 43.8%, compared with ¥16.7 billion recorded in the previous fiscal year to ¥9.4 billion.

Electronic Materials & Components

The Company directed funds into maintenance and repair of existing facilities that produce electronic materials mainly for semiconductor-related products. Capital expenditures in this segment dropped ¥0.2 billion, or 8.9%, compared with ¥3.1 billion recorded in the previous fiscal year to ¥2.9 billion.

Aluminum

Funds were allocated to the maintenance and repair of facilities that produce aluminum beverage cans and rolled aluminum products. Capital expenditures in this segment decreased ¥0.5 billion, or 7.9%, compared with ¥7.3 billion recorded in the previous fiscal year to ¥6.7 billion.

Others

The Company allocated funds to the maintenance and repair of existing facilities. Capital expenditures in this segment increased ¥0.5 billion, or 9.7%, compared with ¥5.9 billion recorded in the previous fiscal year to ¥6.4 billion.

Forecast for Fiscal Year 2015

Overall, the global economy is expected to see a continued modest recovery, led by advanced countries, although economic growth is expected to level off 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.

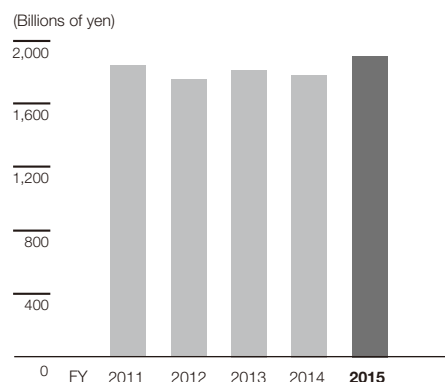
The Group expects its operating environment to be characterized by firm private-sector housing investment and capital investment centering on large corporations supported by domestic economic recovery. At the same time, uncertainty persists with regard to current price decreases on copper and other key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

Amid this, all Group companies are working to help the Group become the world's leading business group committed to supporting recycling-oriented society through materials innovation, with use of our unique and distinctive technologies. Each Group company is also striving to leverage the Group's unique technology to create valuable products and services and create a presence occupying an important position in their respective industries and markets.

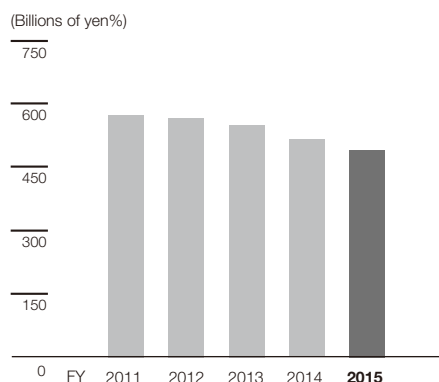
In this environment, our consolidated performance forecasts for the year ending March 31, 2016 are as follows: net sales of ¥1,580.0 billion, operating profit of ¥85.0 billion, and net income attributable to owners of the parent of ¥65.0 billion.

The above forecasts are calculated based on information available as of June 2015. Accordingly, actual performance may differ due to a variety of factors. The main reasons are included in the risk factors listed below.

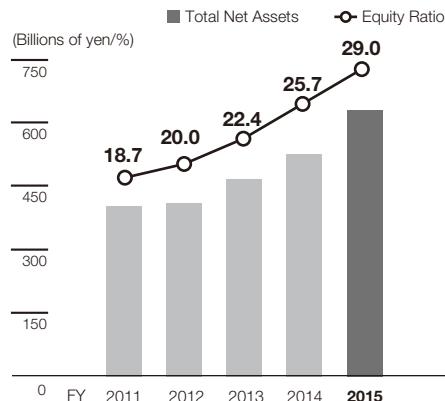
Total Assets



Total Long-Term Liabilities



Total Net Assets/Equity Ratio



Business Risks

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

Forward-looking statements in this section are based on information available to management as of June 26, 2015.

1. Business Restructuring

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

2. Market and Customer Trends

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

3. Fluctuations in Nonferrous Metal and Currency Markets

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

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

4. Trends in the Semiconductor Market

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

5. Interest-Bearing Debt

As of March 31, 2015, the interest-bearing debt carried by the Group stood at ¥630.8 billion—comprising short-term loans, bonds due within one year, commercial paper, bonds and long-term loans—and represented 33.2% of consolidated total assets. Management seeks to improve the balance sheet of the Group by restricting inventories and divesting assets. However, unfavorable trends in interest rates could hurt the financial results and position of the Group.

6. Important Matters Concerning Fund Procurement

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

7. Debt Guarantees

In fiscal 2015, Mitsubishi Materials extended debt guarantees totaling ¥35.4 billion, mainly for the monetary liabilities of unconsolidated affiliates. If conditions warrant the fulfillment of debt guarantees, the situation could affect the financial results and position of the Group.

8. Fluctuations in the Market Value of Assets

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

9. Pension Benefit Expenses and Obligations

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

10. Environmental Regulations

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

11. Overseas Activities

The Group maintains production and sales bases in 29 countries and regions. Overseas operations account for 39.5% of consolidated net sales. In addition to varying political and economic circumstances, currency rates, unforeseen changes in laws and regulations—or their interpretations related to trade rules and restrictions, mining sector policies, environmental regulations and tax systems in these countries—changes in the management policies of local partners and other factors could affect the Group's financial results and position.

12. Intellectual Property

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

13. Product Quality

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

14. Workers' Health and Safety, Plant Incidents

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

15. Information Management

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

16. Litigation

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

17. Procurement of Electricity

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

18. Other risks

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

Consolidated Balance Sheets

Mitsubishi Materials Corporation and Consolidated Subsidiaries
 March 31, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current assets:			
Cash and time deposits (Notes 5, 15 and 19)	¥ 93,152	¥ 63,486	\$ 775,173
Notes and accounts receivable (Notes 5, 10 and 15):			
Trade	213,236	204,500	1,774,454
Unconsolidated subsidiaries and affiliates	21,562	17,561	179,432
Other	22,358	10,561	186,056
Inventories (Notes 3 and 5)	296,734	284,952	2,469,287
Deferred tax assets (Note 9)	11,747	10,924	97,754
Leased gold bullion	100,169	93,635	833,562
Other current assets (Note 16)	111,572	90,687	928,459
Allowance for doubtful accounts	(2,129)	(1,843)	(17,722)
Total current assets	868,403	774,465	7,226,457
Property, plant and equipment (Notes 4 and 5):			
Land (Note 18)	287,382	283,953	2,391,463
Buildings and structures	452,849	452,042	3,768,404
Machinery and equipment	1,206,325	1,169,877	10,038,490
Construction in progress	17,476	22,510	145,431
Less accumulated depreciation	(1,308,998)	(1,277,812)	(10,892,888)
Net property, plant and equipment	655,034	650,571	5,450,901
Investments and long-term receivables:			
Investments in securities (Notes 5, 14 and 15)	136,951	125,775	1,139,650
Net asset for retirement benefits (Note 6)	242	19	2,020
Unconsolidated subsidiaries and affiliates	154,018	134,072	1,281,668
Long-term receivables	1,032	609	8,593
Other	5,073	19,617	42,216
Allowance for doubtful accounts	(5,807)	(5,797)	(48,328)
Valuation allowance for investments in unconsolidated subsidiaries and affiliates	(1,168)	(1,168)	(9,724)
Total investments and long-term receivables	290,342	273,127	2,416,095
Other assets:			
Deferred tax assets (Note 9)	30,111	31,255	250,571
Goodwill	41,249	38,816	343,263
Other (Notes 5 and 16)	13,015	10,268	108,310
Total other assets	84,376	80,340	702,145
Total assets	¥1,898,157	¥1,778,505	\$15,795,600

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current liabilities:			
Short-term bank loans (Notes 5 and 15)	¥ 171,900	¥ 154,534	\$ 1,430,478
Current portion of long-term debt (Notes 5 and 15)	100,336	141,563	834,958
Commercial paper (Notes 5 and 15)	5,000	—	41,607
Notes and accounts payable (Note 15):			
Trade	117,561	98,412	978,292
Unconsolidated subsidiaries and affiliates	9,744	7,154	81,093
Other	29,638	19,564	246,642
Income taxes payable	9,545	9,576	79,434
Deferred tax liabilities (Note 9)	275	648	2,295
Accrued expenses	49,375	39,854	410,878
Provision for bonuses	12,362	11,975	102,875
Deposited gold bullion	227,505	212,760	1,893,199
Reserve for loss on disposal of inventories	844	923	7,025
Other current liabilities (Notes 5, 7 and 16)	43,725	41,547	363,861
Total current liabilities	777,817	738,518	6,472,644
Long-term liabilities:			
Long-term debt (Notes 5 and 15)	353,634	353,745	2,942,789
Accrual for officers' lump-sum severance benefits	1,758	1,740	14,630
Reserve for loss on unconsolidated subsidiaries and affiliates	1,458	1,698	12,132
Reserve for environmental measures	4,547	4,117	37,841
Net liability for retirement benefits (Note 6)	39,662	52,787	330,056
Deferred tax liabilities (Note 9)	26,659	31,650	221,846
Deferred tax liabilities for land revaluation (Notes 9 and 18)	28,449	32,532	236,740
Other (Notes 5, 7 and 16)	34,655	36,007	288,389
Total long-term liabilities	490,825	514,279	4,084,427
Contingent liabilities and commitments (Notes 10 and 11)			
NET ASSETS (Notes 8 and 23)			
Shareholders' equity			
Common stock			
Authorized 3,400,000,000 shares			
Issued 1,314,895,351 shares	119,457	119,457	994,074
Capital surplus	92,272	92,272	767,845
Retained earnings	252,858	207,354	2,104,175
Treasury stock, at cost	(1,865)	(1,782)	(15,523)
Total shareholders' equity	462,723	417,302	3,850,572
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	42,717	31,972	355,475
Deferred (losses) gains on hedges (Note 16)	(1,025)	218	(8,536)
Revaluation reserve for land (Note 18)	33,856	32,907	281,739
Foreign currency translation adjustments	15,746	(12,348)	131,038
Accumulated adjustments for retirement benefits	(3,256)	(13,302)	(27,096)
Total accumulated other comprehensive income	88,039	39,447	732,621
Minority interests	78,751	68,957	655,335
Total net assets	629,514	525,707	5,238,528
Total liabilities and net assets	¥1,898,157	¥1,778,505	\$15,795,600

Consolidated Statements of Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries
 Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 17)	¥1,517,265	¥1,414,796	\$12,625,993
Cost of sales	1,313,259	1,220,333	10,928,343
Gross profit	204,006	194,463	1,697,649
Selling, general and administrative expenses (Note 12)	132,135	128,181	1,099,571
Operating profit	71,871	66,281	598,077
Other income (expenses):			
Interest and dividend income	15,900	19,880	132,318
Interest expense (Note 5)	(8,233)	(9,686)	(68,516)
Income from leased property	4,966	4,559	41,330
Expense for leased property	(3,234)	(3,399)	(26,920)
Expense for the maintenance and management of abandoned mines	(3,589)	(2,704)	(29,867)
Loss on valuation of investment securities (Note 14)	(9,278)	(850)	(77,211)
Gain on abolishment of retirement benefit plan	1,451	—	12,074
Gain on contribution of securities to retirement benefit trust	—	10,949	—
Gain on net sales of investments in securities	1,694	31,553	14,099
Gain on sales of property, plant and equipment	8,749	4,334	72,811
Loss on disposal and sales of property, plant and equipment	(3,830)	(3,054)	(31,879)
Loss on impairment of fixed assets (Note 22)	(499)	(32,308)	(4,153)
Foreign exchange (losses) gains, net	(1,489)	176	(12,394)
Equity in earnings of affiliates	6,557	4,377	54,571
Other, net	(5,406)	(4,761)	(44,994)
	3,757	19,064	31,268
Income before income taxes and minority interests	75,628	85,346	629,346
Income taxes (Note 9)	14,074	26,465	117,124
Income before minority interests	61,553	58,880	512,222
Minority interests in income of consolidated subsidiaries	(5,406)	(6,328)	(44,987)
Net income	¥ 56,147	¥ 52,551	\$ 467,234
	Yen		U.S. dollars (Note 1)
Amounts per share (Note 20):			
Basic net income	¥42.85	¥40.1	\$0.35
Cash dividends applicable to the year	8.0	6.0	0.06

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries
 Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥ 61,553	¥58,880	\$ 512,222
Other comprehensive income (Note 13):			
Valuation difference on available-for-sale securities	10,691	(8,513)	88,970
Deferred gains or losses on hedges	(1,434)	572	(11,936)
Revaluation reserve for land	2,801	—	23,313
Foreign currency translation adjustments	33,215	28,032	276,406
Remeasurements of defined benefit plans	11,714	—	97,485
Share of other comprehensive income of affiliates accounted for using the equity method	2,411	5,594	20,069
Total other comprehensive income	59,401	25,685	494,308
Comprehensive income	¥120,954	¥84,565	\$1,006,530
Comprehensive income attributable to:			
Owners of the parent	¥106,600	¥70,864	\$ 887,077
Minority interests	14,354	13,701	119,453

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (Note 24)

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	¥119,457	¥92,272	¥158,456	¥(1,692)	¥368,495
Dividends			(7,864)		(7,864)
Net income for the year			52,551		52,551
Increase due to reversal of revaluation reserve for land			1,923		1,923
Increase resulting from changes in fiscal period of consolidated subsidiaries			281		281
Increase resulting from increase in the number of consolidated subsidiaries			2,005		2,005
Acquisition of treasury stock				(92)	(92)
Sales of treasury stock		(0)	(0)	2	1
Net change other than shareholders' equity					
Balance at March 31, 2014	119,457	92,272	207,354	(1,782)	417,302
Cumulative effect of changes in accounting policies			(3,611)		(3,611)
Restated balance	119,457	92,272	203,742	(1,782)	413,690
Dividends			(9,172)		(9,172)
Net income for the year			56,147		56,147
Increase due to reversal of revaluation reserve for land			1,861		1,861
Increase resulting from increase in the number of consolidated subsidiaries			327		327
Decrease resulting from increase in the number of affiliates accounted for using the equity method			(46)		(46)
Acquisition of treasury stock				(84)	(84)
Sales of treasury stock		(0)		1	1
Net change other than shareholders' equity					
Balance at March 31, 2015	¥119,457	¥92,272	¥252,858	¥(1,865)	¥462,723

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 18):	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2013	¥40,516	¥(1,189)	¥34,830	¥(37,422)	¥ —	¥36,735	¥61,001	¥466,231
Dividends								(7,864)
Net income for the year								52,551
Increase due to reversal of revaluation reserve for land								1,923
Increase resulting from changes in fiscal period of consolidated subsidiaries								281
Increase resulting from increase in the number of consolidated subsidiaries								2,005
Acquisition of treasury stock								(92)
Sales of treasury stock								1
Net change other than shareholders' equity	(8,543)	1,407	(1,923)	25,073	(13,302)	2,711	7,956	10,668
Balance at March 31, 2014	31,972	218	32,907	(12,348)	(13,302)	39,447	68,957	525,707
Cumulative effect of changes in accounting policies								(3,611)
Restated balance	31,972	218	32,907	(12,348)	(13,302)	39,447	68,957	522,095
Dividends								(9,172)
Net income for the year								56,147
Increase due to reversal of revaluation reserve for land								1,861
Increase resulting from increase in the number of consolidated subsidiaries								327
Decrease resulting from increase in the number of affiliates accounted for using the equity method								(46)
Acquisition of treasury stock								(84)
Sales of treasury stock								1
Net change other than shareholders' equity	10,745	(1,244)	949	28,095	10,046	48,591	9,793	58,385
Balance at March 31, 2015	¥42,717	¥(1,025)	¥33,856	¥ 15,746	¥ (3,256)	¥88,039	¥78,751	¥629,514

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2014	\$994,074	\$767,847	\$1,725,507	\$(14,832)	\$3,472,597
Cumulative effect of changes in accounting policies			(30,056)		(30,056)
Restated balance	994,074	767,847	1,695,451	(14,832)	3,442,540
Dividends			(76,333)		(76,333)
Net income for the year			467,234		467,234
Increase due to reversal of revaluation reserve for land			15,488		15,488
Increase resulting from increase in the number of consolidated subsidiaries			2,725		2,725
Decrease resulting from increase in the number of affiliates accounted for using the equity method			(390)		(390)
Acquisition of treasury stock				(705)	(705)
Sales of treasury stock			(1)	14	12
Net change other than shareholders' equity					
Balance at March 31, 2015	\$994,074	\$767,845	\$2,104,175	\$(15,523)	\$3,850,572

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 18):	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2014	\$266,059	\$ 1,818	\$273,841	\$(102,759)	\$(110,696)	\$328,263	\$573,836	\$4,374,697
Cumulative effect of changes in accounting policies								(30,056)
Restated balance	266,059	1,818	273,841	(102,759)	(110,696)	328,263	573,836	4,344,640
Dividends								(76,333)
Net income for the year								467,234
Increase due to reversal of revaluation reserve for land								15,488
Increase resulting from increase in the number of consolidated subsidiaries								2,725
Decrease resulting from increase in the number of affiliates accounted for using the equity method								(390)
Acquisition of treasury stock								(705)
Sales of treasury stock								12
Net change other than shareholders' equity	89,416	(10,354)	7,897	233,798	83,600	404,357	81,499	485,856
Balance at March 31, 2015	\$355,475	\$ (8,536)	\$281,739	\$ 131,038	\$ (27,096)	\$732,621	\$655,335	\$5,238,528

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 75,628	¥ 85,346	\$ 629,346
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	53,911	57,428	448,626
Amortization of goodwill	2,835	3,070	23,595
Decrease in allowance for doubtful accounts	(54)	(402)	(453)
Decrease in valuation allowance for investments in unconsolidated subsidiaries and affiliates	—	(580)	—
Decrease in reserve for loss on unconsolidated subsidiaries and affiliates	—	(27)	—
Increase (decrease) in reserve for environmental measures	395	(139)	3,288
Decrease in net liability for retirement benefits and directors' retirement benefits	(4,187)	(1,837)	(34,850)
Interest and dividend income	(15,900)	(19,880)	(132,318)
Interest expense	8,233	9,686	68,516
Gain on sales of property, plant and equipment	(8,208)	(4,254)	(68,309)
Loss on disposal of property, plant and equipment	3,183	2,755	26,490
Loss on impairment of fixed assets	499	32,308	4,153
Gain on sales of investments in securities	(1,696)	(31,553)	(14,115)
Write-down of investments in securities	9,278	850	77,211
Gain on securities contribution to employees' retirement benefits trust	—	(10,949)	—
(Increase) decrease in notes and accounts receivable	(25,184)	8,345	(209,571)
(Increase) decrease in inventories	(8,613)	3,296	(71,675)
Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Partner	77,188	76,961	642,324
Payment for purchases of gold bullion from market for customers under My Gold Partner	(76,957)	(82,771)	(640,406)
Increase (decrease) in notes and accounts payable	27,267	(2,938)	226,910
Increase (decrease) in accrued expenses	9,003	(6,561)	74,923
Equity in earnings of affiliates	(6,557)	(4,377)	(54,571)
Other, net	(6,716)	(8,177)	(55,889)
Sub-total	113,347	105,597	943,224
Interest and dividend received	17,399	21,438	144,789
Interest paid	(8,392)	(10,046)	(69,838)
Income taxes paid	(14,283)	(14,056)	(118,859)
Net cash provided by operating activities	108,070	102,932	899,315
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(54,821)	(63,816)	(456,200)
Proceeds from sales of property, plant and equipment	7,448	11,400	61,983
Payments for purchases of investments in securities	(2,116)	(3,678)	(17,616)
Proceeds from sales of investments in securities	5,490	40,213	45,686
Disbursement of loan receivables	(1,775)	(1,433)	(14,771)
Proceeds from collection of loan receivables	5,781	1,152	48,107
Payments for purchases of intangible fixed assets	(3,237)	(1,303)	(26,938)
Payments for additional acquisition of subsidiaries' shares	(471)	(31,289)	(3,926)
Proceeds from sale of subsidiaries' shares	229	—	1,912
Proceeds from sale of subsidiaries' shares resulting in change in scope of consolidation	1,506	4,335	12,532
Other, net	(399)	(442)	(3,324)
Net cash used in investing activities	(42,366)	(44,863)	(352,553)
Cash flows from financing activities:			
Proceeds from long-term debt	100,361	100,057	835,165
Repayments of long-term debt	(105,638)	(111,075)	(879,075)
Payments for redemption of bonds	(40,000)	—	(332,861)
Proceeds from issuance of bonds	—	15,100	—
Increase (decrease) in commercial paper, net	5,000	(26,000)	41,607
Payment of cash dividends	(9,172)	(7,864)	(76,333)
Payments for purchase of treasury stock	(88)	(106)	(735)
Increase (decrease) in short-term bank loans, net	14,862	(30,544)	123,675
Cash dividends paid to minority shareholders	(4,317)	(5,652)	(35,931)
Other, net	(3,279)	(3,242)	(27,293)
Net cash used in financing activities	(42,273)	(69,329)	(351,782)
Effect of exchange rate fluctuation on cash and cash equivalents	5,837	8,094	48,579
Net increase (decrease) in cash and cash equivalents	29,268	(3,165)	243,560
Cash and cash equivalents at beginning of year	62,078	63,299	516,591
Effect of changes in consolidated subsidiaries	732	2,007	6,092
Decrease in cash and cash equivalents from changes in fiscal period of consolidated subsidiaries	—	(62)	—
Cash and cash equivalents at end of year (Note 19)	¥ 92,079	¥ 62,078	\$ 766,244

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Mitsubishi Materials Corporation and Consolidated Subsidiaries
March 31, 2015 and 2014

Note 1 Basis of Presenting Consolidated Financial Statements

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

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S. \$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

Note 2 Summary of Significant Accounting Policies

(a) Consolidation

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

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

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

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

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

Regarding SUMCO CORPORATION, Copper Mountain Mine (BC) Ltd. and Robertson's, it is 20 years on a straight-line basis. Negative goodwill and insignificant amounts of goodwill are fully charged to income when incurred. Negative goodwill incurred on or before March 31, 2010 is amortized over a period of five years on a straight-line basis.

(b) Translation of Foreign Currencies

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

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

(c) Allowance for Doubtful Accounts

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

(d) Inventories

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

(e) Derivative Transactions and Hedge Accounting

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

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

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

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

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

(f) Securities

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

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

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

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

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

Property, plant and equipment are stated at cost, except for certain revalued land as explained in Note 18. Depreciation is calculated primarily using the declining-balance method at rates based on the estimated useful lives of depreciable assets. The straight-line method is applied to certain plant facilities based on the estimated useful lives of those depreciable assets.

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

(h) Reserve for Loss on Investments

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

(i) Reserve for bonuses

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

(j) Reserve for Loss on Disposal of Inventories

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

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

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

(l) Reserve for Environmental Measures

Reserve for environmental measures is provided for future payments for waste disposal, and to clean up soil contamination at Kazuno (Akita Prefecture) area, based on the management estimation. In addition, the estimated cost of the particular water treatment measures for abandoned mines at Kurihara city of Miyagi Prefecture among the future remaining costs for abandoned mines.

(m) Severance and Pension Benefits

1. For employees

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

Net liability for retirement benefits is provided based on the estimated amounts of projected benefit obligations that were actuarially calculated on certain assumptions and the fair value of plan assets at balance sheet dates, as adjusted for unrecognized actuarial gains and losses and

unrecognized past service costs. Projected benefit obligations are attributed to periods on a benefit formula basis in determining retirement benefit obligations.

Past service costs are amortized by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees when incurred. Actuarial gains and losses are amortized in the following years after incurred by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees.

2. For officers

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

(n) Income Taxes

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

(o) Net Income per Share

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

(p) Cash and Cash Equivalents

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

(q) Accounting Standard for Lease Transactions as Lessee

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

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

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

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

Reporting Standards or U.S. Generally Accepted Accounting Principles. In this case, adjustments for the following five items in accordance with Japanese GAAP are required in the consolidation process unless the impact is not material.

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

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

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

(t) Changes in accounting policies

(Application of the "Accounting Standard for Retirement Benefits")

Effective from the year ended March 31, 2014, the Group applied "Accounting Standard for Retirement Benefits" issued by the Accounting Standards Board of Japan ("ASBJ") (ASBJ Statement No. 26, revised on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, revised on May 17, 2012) except the article 35 of ASBJ Statement No. 26 and the article 67 of ASBJ Guidance No. 25 and recorded retirement benefit obligations, net of plan assets, as net liability or asset for retirement benefits. The Group recorded actuarial gains and losses, past service costs and transitional obligations that are yet to be recognized as net liability for retirement benefits. In the application of the revised accounting standard for retirement benefits, pursuant to the transitional treatments prescribed in the article 37 of ASBJ Statement No. 26, the Group included the related effects from the application in accumulated adjustments for retirement benefits under accumulated other comprehensive income. As a result, net liability for retirement benefits was recorded in the amount of ¥52,787 million at March 31, 2014 and accumulated other comprehensive income and minority interests decreased by ¥13,302 million and ¥131 million, respectively. Accordingly, net assets per share decreased by ¥10.05.

The Company and its domestic consolidated subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")) and article 67 of the "Guidance on Accounting Standard for Retirement

Benefits" (ASBJ Guidance No.25, May 17, 2012 (hereinafter, "Guidance No.25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its domestic consolidated subsidiaries have changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis and also changed the determination method of the discount rate from the method of using the discount rate based on the periods approximate to the employee's average remaining service years to the method of using a single weighted average discount rate that reflects the estimated benefit payment period and amounts of benefit payments in each period.

In accordance with article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, the liability for retirement benefits obligation increased by ¥4,617million (\$38,425 thousand) and retained earnings decreased by ¥3,611 million (\$30,056 million) at the beginning of the current fiscal year. In addition, the effect on operating income and income before income taxes and minority interests was immaterial.

Net assets per share at the end of the current fiscal year decreased by ¥2.53 (\$0.02), but the effect on net income per share was immaterial.

(Change in the depreciation method of property, plant and equipment)

The Company and its domestic consolidated subsidiaries had previously depreciated manufacturing facilities for cemented carbide products principally by declining balance method, while changed the depreciation method to a straight-line method effective for the year ended March 31, 2015. This change was made because the straight-line method is considered to be more reasonable since the return on investment is expected to be more evenly arising than ever, because stable demand is expected and technical obsolescence risk is less from the viewpoint of the global demand forecast on cemented carbide products as a result of the study of the depreciation method, after the production capacity was increased mainly by the introduction of manufacturing facilities for cemented carbide products at Tsukuba Plant of the Company and Medium-term Management Plan (FY2014-2016) was established.

As a result, operating income and income before income taxes and minority interest for the year ended March 31, 2015 increased by ¥1,804 million (\$15,016 thousand), respectively, compared with those under the previous method.

In addition, the company's domestic consolidated subsidiaries had previously depreciated manufacturing facilities for aluminum cans principally by declining balance method, while changed the depreciation method to a straight-line method effective for the year ended March 31, 2015. This change was made because the straight-line method is considered to be more reasonable since the return on investment is expected to be more evenly arising than ever, because stable demand is expected and technical obsolescence risk is less from the viewpoint of the global demand forecast on aluminum cans as a result of the study of the depre-

ciation method, after Medium-term Management Plan (FY2014-2016) was established.

As a result, operating income and income before income taxes and minority interest for the year ended March 31, 2015 increased by ¥936 million (\$7,795 thousand), respectively, compared with those under the previous method.

(u) New Accounting Standard not Adopted as Yet

Accounting Standards for Business Combinations and Related Standards and Guidance

On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," No. 22, "Accounting Standard for Consolidated Financial Statements," No. 7, "Accounting Standard for Business Divestitures," and No. 2, "Accounting Standard for Earnings per Share" and revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures" and No. 4, "Guidance on Accounting Standard for Earnings per Share."

These accounting standards were revised principally concerning "Treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control in the additional acquisitions of shares in a subsidiary," "Accounting for acquisition-related costs," "Presentation of net income and change from minority interests to non-controlling interests," and "Provisional accounting treatments."

The Company expects to apply these standards and guidance from April 1, 2015, except for provisional accounting treatments, which are expected to be applied to business combinations to be implemented on or after April 1, 2015.

The effects of applying the revised accounting standard are not material.

(v) Change in presentation method

One of the consolidated subsidiaries in the United States, engaging in the cement business, had previously presented the cost related to transportation of ready-mixed concrete as "Selling, general and administrative expenses". However, the presentation method was changed and the cost has been presented as "Cost of sales" from the fiscal year ended March 31, 2015.

Since the revenue growth of the ready-mixed concrete business in the United States is expected in the "Medium-term Management Plan (2014-2016), beginning from the current fiscal year, the relationship between the cost and the related revenue, and the way the costs incur were both reviewed. As a result, the change was made to present "Cost of sales" and "Selling, general and administrative expenses" more appropriately.

The Company reclassified the consolidated statement of income for the year ended March 31, 2014 to reflect the change of presentation.

Accordingly, the cost related to transportation in an amount of ¥21,141 million (\$175,926 thousand) was reclassified from "Selling, general and administrative expenses" to "Cost of sales" in the consolidated statement of income for the year ended March 31, 2014.

Note 3 Inventories

Inventories as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Merchandise and finished goods	¥ 85,100	¥ 81,516	\$ 708,167
Work in process	107,093	100,280	891,186
Raw materials and supplies	104,539	103,155	869,933
Total	¥296,734	¥284,952	\$2,469,287

Note 4 Investment and Rental Property

Information about fair value of investment and rental property included in the consolidated financial statements at March 31, 2015 and 2014 was as follows:

Millions of yen			
	Carrying amount		Fair value
April 1, 2014	Increase/(Decrease)	March 31, 2015	March 31, 2015
¥70,981	¥(3,133)	¥67,847	¥67,297

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

Thousands of U.S. dollars			
	Carrying amount		Fair value
April 1, 2014	Increase/(Decrease)	March 31, 2015	March 31, 2015
\$590,671	\$(26,079)	\$564,592	\$560,023

Notes:

1. Carrying amount is net of accumulated depreciation and accumulated impairment loss.
2. Fair values of significant properties as of March 31, 2015 and 2014 are based on appraisal by external or internal real estate appraisers. Fair value of other properties is calculated based on the reasonable indices reflecting market prices such as posted prices or property tax valuation, etc.

Operating performances of the investment and rental properties for the fiscal years ended March 31, 2015 and 2014 were as follows:

Millions of yen			
Year ended March 31, 2015			
Rental income	Rental expenses	Profit	Impairment loss
¥5,913	¥4,046	¥1,867	¥274

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

Thousands of U.S. dollars			
Year ended March 31, 2015			
Rental income	Rental expenses	Profit	Impairment loss
\$49,206	\$33,669	\$15,536	\$2,282

Note:

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

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

Short-term bank loans and commercial paper outstanding as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured	¥146,936	¥141,352	\$1,222,741
Secured	24,963	13,181	207,737
Total	¥171,900	¥154,534	\$1,430,478

The average interest rate per annum for short-term bank loans outstanding at March 31, 2015 and 2014 was 0.7%. The average interest rate per annum for commercial paper at March 31, 2015 was 0.1%. (No commercial paper outstanding at March 31, 2014)

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Banks, insurance companies and other financial institutions, maturing serially until 2042 with an average rate of 1.0% per annum as of March 31, 2015:			
Unsecured	¥356,402	¥327,800	\$2,965,818
Secured	12,429	42,368	103,432
2.060% unsecured yen bonds, due 2014	—	30,000	—
1.610% unsecured yen bonds, due 2015	—	10,000	—
0.800% unsecured yen bonds, due 2016	15,000	15,000	124,823
1.160% unsecured yen bonds, due 2018	10,000	10,000	83,215
0.790% unsecured yen bonds, due 2016	10,000	10,000	83,215
0.570% unsecured yen bonds, due 2015	20,000	20,000	166,430
0.790% unsecured yen bonds, due 2017	15,000	15,000	124,823
0.780% unsecured yen bonds, due 2018	15,000	15,000	124,823
0.518% unsecured yen bonds, due 2016	40	40	332
0.434% unsecured yen bonds, due 2016	100	100	832
	453,971	495,308	3,777,747
Less current portion	(100,336)	(141,563)	(834,958)
Total	¥353,634	¥353,745	\$2,942,789

The aggregate annual maturities of long-term debt as of March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥100,336	\$ 834,958
2017	82,816	689,164
2018	64,190	534,160
2019	74,717	621,765
2020	38,763	322,570
2021 and thereafter	93,147	775,127
Total	¥453,971	\$3,777,747

Assets pledged as collateral for short-term bank loans and long-term debt as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits	¥ 20,710	¥ 12,029	\$ 172,346
Notes and accounts receivable	10,218	4,083	85,031
Inventories	28,893	29,401	240,441
Investments:			
Investments in securities	6,183	3,611	51,452
Property, plant and equipment, at net book value	59,587	61,191	495,859
Other assets	2	3	21
Total	¥125,596	¥110,320	\$1,045,154

Note 6 Employees' Severance and Pension Benefits

1. Outline of the retirement benefit plans

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

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

2. Movement in retirement benefit obligations for the years ended March 31, 2015 and 2014, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥140,948	¥140,378	\$1,172,911
Cumulative effects of accounting changes	4,617	—	38,425
Balance at beginning of year, as restated	145,566	140,378	1,211,337
Service costs	6,777	7,208	56,396
Interest costs	1,677	1,985	13,959
Actuarial gains and losses	(746)	1,917	(6,214)
Benefits paid	(9,390)	(9,602)	(78,142)
Past service costs	131	116	1,097
Gain on abolishment of retirement benefit plans	(13,296)	—	(110,647)
Other	(2,462)	(1,055)	(20,495)
Balance at end of year	¥128,256	¥140,948	\$1,067,290

3. Movement in plan assets for the years ended March 31, 2015 and 2014, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥90,184	¥68,055	\$750,477
Expected return on plan assets	1,342	1,266	11,173
Actuarial gains and losses	9,362	893	77,912
Contributions paid by the employer	6,885	7,480	57,294
Amount of established retirement benefit trust	—	18,821	—
Benefits paid	(5,762)	(5,626)	(47,950)
Gain on abolishment of retirement benefit plans	(9,218)	—	(76,714)
Other	(1,819)	(705)	(15,139)
Balance at end of year	¥90,975	¥90,184	\$757,054

4. Movement in net liability for retirement benefits under the plans to which a simplified method is applied for the years ended March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥2,004	¥1,969	\$16,676
Retirement benefit costs	263	279	2,196
Benefits paid	(219)	(178)	(1,826)
Contributions to the plans	(67)	(63)	(564)
Other	158	(3)	1,319
Balance at end of year	¥2,139	¥2,004	\$17,801

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥117,570	¥130,489	\$978,367
Plan assets	(91,230)	(90,396)	(759,177)
	26,340	40,092	219,189
Unfunded retirement benefit obligations	13,080	12,675	108,846
Net liability recorded in the consolidated balance sheets	¥ 39,420	¥ 52,767	\$328,036

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net liability for retirement benefits	¥39,662	¥52,787	\$330,056
Net asset for retirement benefits	(242)	(19)	(2,020)
Net liability recorded in the consolidated balance sheets	¥39,420	¥52,767	\$328,036

6. The components of retirement benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service costs	¥ 7,041	¥ 7,488	\$ 58,592
Interest costs	1,677	1,985	13,959
Expected return on plan assets	(1,342)	(1,266)	(11,173)
Amortization of actuarial gains and losses	1,357	1,448	11,296
Amortization of past service costs	(158)	(184)	(1,322)
Other	—	297	—
Retirement benefit costs on defined benefit plans	¥ 8,574	¥ 9,768	\$ 71,352
Gain on abolishment of retirement benefit plans	¥(1,451)	¥ —	\$(12,074)

Notes: 1. Retirement benefit costs under the plans to which a simplified method is applied are included in "Service costs."

2. Gain on abolishment of retirement benefits is recorded under "Other income (expenses)."

7. Adjustments for retirement benefits

Components of adjustments for retirement benefits (before adjusting for tax effects) for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs	¥ (290)	¥—	\$ (2,420)
Actuarial gains and losses	12,615	—	104,976
Total	¥12,324	¥—	\$102,556

8. Accumulated adjustments for retirement benefits

Components of accumulated adjustments for retirement benefits (before adjusting for tax effects) as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized past service costs	¥ (913)	¥ (1,204)	\$ (7,600)
Unrecognized actuarial gains and losses	3,261	15,657	27,142
Other	—	(0)	—
Total	¥2,348	¥14,452	\$19,541

9. Plan assets

(1) Components of plan assets

Plan assets consisted of the followings:

	2015	2014
Bonds	37%	34%
Equity securities	49	47
Insurance assets (general account)	11	10
Cash and deposits	3	8
Other	1	1
Total	100%	100%

Note: Total plan assets include retirement benefit trust established on lump-sum severance payment plans or corporate pension plans by 30% and 31% at March 31, 2015 and 2014, respectively.

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

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

10. The principal assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	Mainly 1.4%	Mainly 1.4%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

11. Defined contribution plans

The amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥255 million (\$2,126 thousand) and ¥148 million for the years ended March 31, 2015 and 2014, respectively.

Note 7 Asset Retirement Obligations

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

In computing the amount of asset retirement obligations, the Group

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

The changes in asset retirement obligations for the fiscal years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31,	2015	2014	2015
Beginning balance	¥3,494	¥2,874	\$29,076
Increase associated with acquisitions of tangible fixed assets	25	335	214
Reconciliation associated with passage of time	65	49	542
Reduction associated with settlement of asset retirement obligations	(15)	(55)	(127)
Decrease (increase) due to changes in estimates	(135)	45	(1,124)
Foreign currency translation adjustments	227	262	1,896
Other, net	(231)	(17)	(1,929)
Ending balance	¥3,430	¥3,494	\$28,548

Note 8 Net Assets

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

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the

excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

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

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

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

Note 9 Income Taxes

The income taxes reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current	¥19,649	¥16,509	\$163,513
Deferred	(5,574)	9,956	(46,388)
Total	¥14,074	¥26,465	\$117,124

The following table summarizes the significant differences between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2015 and 2014:

	2015	2014
Statutory income tax rate	35.6%	38.0%
Nondeductible expenses	1.0	1.1
Temporary differences for which tax effect cannot be recognized	(12.4)	(5.6)
Differences in statutory tax rates of consolidated subsidiaries	(3.3)	(4.5)
Equity in earnings of affiliates	(2.9)	(1.7)
Nontaxable dividends received	(4.0)	(3.6)
Nondeductible foreign withholding taxes	3.0	3.5
Loss on impairment of goodwill	—	1.6
Deferred tax liabilities related to retained earnings of overseas consolidated subsidiaries	1.0	0.0
Reduction of deferred tax assets and liabilities due to the change in income tax rates	0.5	1.0
Other	(0.1)	1.1
Effective tax rate	18.6%	31.0%

Significant components of deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Nondeductible loss on impairment of fixed assets	¥ 15,409	¥ 19,610	\$ 128,227
Net operating loss carried forward	15,364	19,987	127,856
Loss on write-down of securities	14,302	15,700	119,022
Net liability for retirement benefits	12,047	18,358	100,250
Retirement benefit trust asset	9,334	10,636	77,678
Temporary difference on the excess of investment in overseas consolidated subsidiaries	8,963	11,691	74,593
Intercompany profits	6,926	7,066	57,643
Loss on write-down of buildings	4,913	5,592	40,891
Accrued employees' bonuses	3,885	4,108	32,329
Allowance for doubtful accounts	2,085	2,121	17,351
Loss on write-down of inventories	2,082	2,138	17,333
Depreciation	2,012	1,687	16,746
Reserve for environmental measures	1,474	1,715	12,271
Other	29,547	22,526	245,878
Subtotal	128,350	142,942	1,068,076
Valuation allowance	(68,835)	(90,188)	(572,814)
Total deferred tax assets	¥ 59,515	¥ 52,753	\$ 495,262

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥(17,137)	¥(14,984)	\$(142,608)
Excess of fair value over the book value of the assets and liabilities of the consolidated subsidiaries and affiliates at the acquisition date	(7,058)	(7,819)	(58,740)
Accelerated depreciation of property, plant and equipment	(5,934)	(5,502)	(49,387)
Gain on contribution of securities to retirement benefit trust	(4,318)	(4,931)	(35,938)
Deferred gain on sale of property, plant and equipment	(2,951)	(2,008)	(24,562)
Revaluation of land, as a result of the merger	(1,586)	(1,748)	(13,204)
Reserve for loss on particular business reorganization	(1,262)	—	(10,502)
Retained earnings of overseas consolidated subsidiaries	(1,046)	(289)	(8,704)
Deferred gains or losses on hedges	(181)	(529)	(1,508)
Reserve for mining exploration	(135)	(430)	(1,125)
Reserve for special account for advanced depreciation of fixed assets	(77)	(97)	(642)
Other	(2,902)	(4,532)	(24,151)
Total deferred tax liabilities	(44,592)	(42,873)	(371,077)
Net deferred tax assets	¥ 14,923	¥ 9,880	\$ 124,184
Net deferred tax liabilities for land revaluation	¥(28,449)	¥(32,532)	\$(236,740)

Adjustments of the amounts of deferred tax assets and liabilities due to the change in income tax rates

New tax reform act proclaimed on March 31, 2014 repealed the special reconstruction corporation tax from the fiscal year beginning on April 1, 2014. As a result, the statutory tax rate to be used in computing deferred tax assets and liabilities was reduced from 38.0% to 35.6% for the temporary differences estimated to be expired in the fiscal year beginning on April 1, 2014. The effects of this rate change on the consolidated financial statements as of March 31, 2014 and for the year then ended were immaterial.

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016

and on or after April 1, 2016 are changed from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015. As a result, deferred tax liabilities, net of deferred tax assets, decreased by ¥1,401 million (\$11,664 thousand) and income taxes - deferred and valuation difference on available-for-sale securities increased by ¥340 million (\$2,832 thousand) and ¥1,762 million (\$14,662 thousand), respectively, and deferred gains on hedges decreased by ¥36 million (\$304 thousand). In addition, deferred tax liabilities for land revaluation decreased by ¥2,801 million (\$23,313 thousand) and revaluation reserve for land increased by ¥2,763 million (\$22,994 thousand).

Note 10 Contingent Liabilities

1. Contingent liabilities regarding notes and loans guaranteed:

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

of unconsolidated subsidiaries and affiliates, including employees' housing loans from banks, as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Notes receivable discounted	¥ 828	¥ 3,658	\$ 6,897
Notes receivable endorsed	30	—	256
Notes and accounts receivable securitized with recourse	7,239	7,976	60,241
Loans guaranteed	35,438	33,053	294,904
Total	¥43,537	¥44,688	\$362,299

2. Contingent liabilities regarding the consolidated subsidiary:

On December 30, 2014, PT. Smelting, which is a consolidated subsidiary of the Company, received a notice of reassessment in an amount of \$47 million (¥5,752 million) from Indonesian National Tax Authority regarding sales transaction pricing of the consolidated subsidiary for the year ended December 2009. The consolidated subsidiary made a provisional deposit of \$14 million (¥1,682 million) as a part of the assessment on January 28,

2015. However, the consolidated subsidiary submitted a written objection to Indonesian National Tax Authority on March 25, 2015, because this assessment, which claims sales shortage of the consolidated subsidiary based on comparison of profit margin ratio with other companies that Indonesian National Tax Authority selected, is remarkably unreasonable and cannot be accepted by the Company and the consolidated subsidiary.

Note 11 Lease Transactions

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

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 2,459	¥ 2,256	\$ 20,468
Due after one year	9,987	11,046	83,107
Total	¥12,446	¥13,302	\$103,576

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥1,212	¥1,040	\$10,091
Due after one year	6,068	6,521	50,497
Total	¥7,281	¥7,561	\$60,589

Note 12 Research and Development Expenses

Research and development expenses for the fiscal years ended March 31, 2015 and 2014 were ¥10,530 million (\$87,627 thousand) and ¥10,986 million, respectively, and were included in selling, general and administrative expenses.

Note 13 Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during the year	¥12,762	¥ (9,637)	\$106,205
Reclassification adjustment to net income	81	(4,868)	678
Amount before tax effect	12,844	(14,506)	106,883
Tax effect	(2,152)	5,992	(17,912)
Valuation difference on available-for-sale securities	10,691	(8,513)	88,970
Deferred gains or losses on hedges:			
(Losses) gains incurred during the year	(8,758)	3,040	(72,886)
Reclassification adjustment to net income	6,561	(2,478)	54,602
Amount before tax effect	(2,197)	561	(18,283)
Tax effect	762	10	6,346
Deferred gains or losses on hedges	(1,434)	572	(11,936)
Revaluation reserve for land			
Tax effect	2,801	—	23,313
Foreign currency translation adjustments:			
Gains incurred during the year	33,215	27,924	276,406
Reclassification adjustment to net income	—	107	—
Amount before tax effect	33,215	28,032	276,406
Tax effect	—	—	—
Foreign currency translation adjustments	33,215	28,032	276,406
Adjustments for retirement benefits:			
Gains incurred during the year	10,786	—	89,763
Reclassification adjustment to net income	1,537	—	12,792
Amount before tax effect	12,324	—	102,556

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Tax effect	(609)	—	(5,071)
Adjustments for retirement benefits	11,714	—	97,485
Share of other comprehensive income of affiliates accounted for using the equity method:			
Gains incurred during the year	2,349	5,511	19,554
Reclassification adjustment to net income	61	82	515
Share of other comprehensive income of affiliates accounted for using the equity method	2,411	5,594	20,069
Total other comprehensive income	¥59,401	¥25,685	\$494,308

Note 14 Securities

1. The following tables summarize carrying amounts and acquisition costs of securities with available fair values as of March 31, 2015:

Available-for-sale securities

(1) Securities with carrying amount exceeding acquisition cost

At March 31, 2015

	Millions of yen			Thousands of U.S. dollars		
Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	¥116,355	¥54,413	¥61,941	\$968,258	\$452,807	\$515,451
Bonds	—	—	—	—	—	—
Total	¥116,355	¥54,413	¥61,941	\$968,258	\$452,807	\$515,451

(2) Securities with carrying amount not exceeding acquisition cost

At March 31, 2015

	Millions of yen			Thousands of U.S. dollars		
Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	¥9,823	¥11,179	¥(1,355)	\$81,748	\$93,030	\$(11,282)
Bonds	—	—	—	—	—	—
Total	¥9,823	¥11,179	¥(1,355)	\$81,748	\$93,030	\$(11,282)

Note:

Unlisted equity securities of which carrying amount is ¥10,772 million (\$89,642 thousand) are not included in the above table, because there is no market price and it is extremely difficult to recognize their fair values.

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

Available-for-sale securities

(1) Securities with carrying amount exceeding acquisition cost

At March 31, 2014

	Millions of yen		
Type	Carrying amount	Acquisition cost	Difference
Equity securities	¥94,539	¥43,371	¥51,168
Bonds	—	—	—
Total	¥94,539	¥43,371	¥51,168

(2) Securities with carrying amount not exceeding acquisition cost

At March 31, 2014

	Millions of yen		
Type	Carrying amount	Acquisition cost	Difference
Equity securities	¥20,068	¥24,170	¥(4,101)
Bonds	—	—	—
Total	¥20,068	¥24,170	¥(4,101)

Note:

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

3. The Group did not hold any available-for-sale securities with maturity, and held-to-maturity debt securities as of March 31, 2015 and 2014.

4. Total amounts of available-for-sale securities sold, and the resulting gains and losses, for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Sales amount	¥1,884	¥34,846	\$15,681
Gains	655	27,906	5,455
Losses	(—)	(4)	(—)

5. The amounts of write-down of investments in securities for the years ended March 31, 2015 and 2014 were ¥9,278 million (\$77,211 thousand) and ¥850 million, respectively.

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

6. Loss on valuation of investment securities.

The loss on valuation of investment securities for the fiscal year ended March 31, 2015 was mainly incurred for the nuclear fuel processing business for nuclear power generation based on the perspective on the future performance. The shutdown of the business has been expected to prolong due to the delay of resuming nuclear power plant operations.

Note 15 Financial Instruments

Information on financial instruments for the fiscal years ended March 31, 2015 and 2014 was as follows.

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

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

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

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

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

Long-term debt including corporate bonds is used mainly for raising the necessary funds related to capital investments. Maturities of long-term debt including corporate bonds are less than 20 years. As some of them with floating interest rates are exposed to interest rate fluctuation risk, they are hedged using derivatives.

Derivative transactions mainly include forward foreign currency con-

tracts and currency swap contracts for the purpose of hedging foreign currency exchange fluctuation risk on trade receivables and payables denominated in foreign currencies, forward commodity contracts and commodity price swap contracts for the purpose of hedging commodity price fluctuation risk on nonferrous metal and interest rate swaps for the purpose of hedging interest rate fluctuation risk on debt and reducing fund raising costs. Interest rate swaps which convert fixed interest rates into floating rates are exposed to market interest rate fluctuation. Hedging instruments and hedged items, hedge policy, assessment method for hedge effectiveness and others related to hedge accounting, are described in Note 2. (e) "Derivative Transactions and Hedge Accounting" and Note 16 "Derivative Transactions."

(3) Policies and processes for managing the risk

a. Credit Risk Management (customers' default risk)

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

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

The Company and its certain consolidated subsidiaries use principally forward foreign exchange contracts to hedge foreign currency exchange fluctuation risk identified by currency and monthly basis for trade receivables and payables denominated in foreign currencies. In addition, interest rate swap contracts are used to manage interest rate fluctuation risk on debt.

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

the relationships with the issuers.

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

2. Fair values of financial instruments

Carrying amounts, fair value of the financial instruments and the difference between them as of March 31, 2015 and 2014 were as follows (Financial instruments whose fair values are not readily determinable are excluded from the following table):

March 31, 2015	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥ 93,152	¥ 93,152	¥ —
(2) Notes and accounts receivable	230,874	230,874	—
(3) Investment securities:			
Shares in affiliates	57,406	180,591	123,184
Available-for-sale securities	126,179	126,179	—
Total assets	¥507,612	¥630,797	¥123,184
(1) Notes and accounts payable	¥128,375	¥128,375	¥ —
(2) Short-term bank loans	252,197	252,197	—
(3) Current portion of bonds	20,040	20,052	12
(4) Commercial paper	5,000	5,000	—
(5) Bonds	65,100	66,009	909
(6) Long-term loans payable	288,534	289,075	540
Total liabilities	¥759,247	¥760,710	¥ 1,462
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	¥ 6,473	¥ 6,473	¥ —
b. Derivatives to which hedge accounting is applied	(1,210)	(3,519)	(2,309)
Total derivative transactions	¥ 5,263	¥ 2,954	¥ (2,309)

Consolidated subsidiaries utilizing derivative transactions have provided the operational standards individually, according to the purpose of derivative transactions.

c. Liquidity Risk Management on Fund Raising

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

(4) Supplemental information on fair values

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, the fair values may change depending on the different assumptions. The contract amounts described in Note 16 “Derivative Transactions” do not indicate the amounts of market risk or credit risk related to derivative transactions.

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

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

March 31, 2015	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	\$ 775,173	\$ 775,173	\$ —
(2) Notes and accounts receivable	1,921,228	1,921,228	—
(3) Investment securities:			
Shares in affiliates	477,711	1,502,798	1,025,087
Available-for-sale securities	1,050,007	1,050,007	—
Total assets	\$4,224,120	\$5,249,207	\$1,025,087
(1) Notes and accounts payable	\$1,068,279	\$1,068,279	\$ —
(2) Short-term bank loans	2,098,673	2,098,673	—
(3) Current portion of bonds	166,763	166,863	99
(4) Commercial paper	41,607	41,607	—
(5) Bonds	541,732	549,300	7,568
(6) Long-term loans payable	2,401,056	2,405,557	4,500
Total liabilities	\$6,318,114	\$6,330,282	\$ 12,168
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	\$ 53,870	\$ 53,870	\$ —
b. Derivatives to which hedge accounting is applied	(10,071)	(29,287)	(19,216)
Total derivative transactions	\$ 43,799	\$ 24,582	\$ (19,216)

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

Notes:

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

Assets:

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

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

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

The fair values of equity securities are determined based on the market price. The information of securities categorized by holding purposes is described in Note 14 "Securities."

Liabilities:

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

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

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

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

(6) Long-term loans payable

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

Derivative financial instruments:

The information on derivative transactions is described in Note 16 "Derivative Transactions."

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

Category	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Shares in affiliates (unlisted equity securities)	¥70,694	¥71,216	\$588,286
Available-for-sale securities (unlisted equity securities)	10,772	11,166	89,642

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

3. Redemption schedule of monetary assets with contractual maturities as of March 31, 2015

	Millions of yen					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	¥ 93,152	¥—	¥—	¥—	¥—	¥—
Notes and accounts receivable	230,874	—	—	—	—	—
Total	¥324,026	¥—	¥—	¥—	¥—	¥—

	Thousands of U.S. dollars					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	\$ 775,173	\$—	\$—	\$—	\$—	\$—
Notes and accounts receivable	1,921,228	—	—	—	—	—
Total	\$2,696,401	\$—	\$—	\$—	\$—	\$—

4. Repayment schedule of short-term bank loans, commercial paper, bonds and long-term loans payable as of March 31, 2015

	Millions of yen					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	¥252,197	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	5,000	—	—	—	—	—
Bonds	20,040	25,100	15,000	25,000	—	—
Long-term loans payable	—	57,716	49,190	49,717	38,763	93,147
Total	¥277,237	¥82,816	¥64,190	¥74,717	¥38,763	¥93,147

	Thousands of U.S. dollars					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	\$2,098,673	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper	41,607	—	—	—	—	—
Bonds	166,763	208,870	124,823	208,038	—	—
Long-term loans payable	—	480,294	409,337	413,726	322,570	775,127
Total	\$2,307,045	\$689,164	\$534,160	\$621,765	\$322,570	\$775,127

Note 16 Derivative Transactions

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

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

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

on debts.

The Company also utilizes forward commodity contracts to hedge the impact of future price fluctuations of nonferrous metal inventories and sold gold bullion deposited from customers under consuming bailment named "My Gold Partner."

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

impact of price fluctuations of nonferrous metal inventories.

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments. Furthermore, the Company periodically controls the transaction

volume of forward commodity contracts in order to balance them with hedged nonferrous metal inventories and to evaluate their hedge effectiveness at each annual and semi-annual year-end.

As of March 31, 2015 and 2014, the Group had outstanding derivative transactions as follows:

1. Derivative transactions to which hedge accounting is not applied at March 31, 2015 and 2014

(1) Currency related derivatives

Millions of yen				
March 31, 2015	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	¥2,404	¥—	¥(20)	¥ (20)
Other	—	—	—	—
Buy U.S. dollars	—	—	—	—
Other	613	—	(6)	(6)
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	6,668	—	(84)	(84)
Total	—	—	—	¥(111)

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

Thousands of U.S. dollars				
March 31, 2015	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	\$20,012	\$—	\$(168)	\$(168)
Other	—	—	—	—
Buy U.S. dollars	—	—	—	—
Other	5,105	—	(52)	(52)
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	55,494	—	(704)	(704)
Total	—	—	—	\$(925)

Note:

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

(2) Interest rate related derivatives

Not applicable

(3)Commodity related derivatives

Millions of yen				
March 31, 2015	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	¥ 46,651	¥—	¥ 746	¥ 746
Buy	111,295	—	5,838	5,838
Total	—	—	—	¥6,584

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

Thousands of U.S. dollars				
March 31, 2015	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	\$388,216	\$—	\$ 6,209	\$ 6,209
Buy	926,148	—	48,586	48,586
Total	—	—	—	\$54,795

Note:

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

2. Derivative transactions to which hedge accounting is applied at March 31, 2015 and 2014

(1)Currency related derivatives

March 31, 2015

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable,	¥45,522	¥ 0	¥(395)
	Other	receivable,	938	—	15
	Buy U.S. dollars	accounts payable	382	—	0
	Other		84	—	(2)
Hedged items are translated using forward contract rates.	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable,	¥10,367	¥ —	Note 2
	Other	receivable,	4,240	—	
	Buy U.S. dollars	accounts payable	209	—	
	Other		—	—	
Hedged items are translated using currency swaps	Currency swaps:				
	Pay Japanese yen/ Receive U.S. dollars	Long-term debt	¥11,800	¥11,800	

March 31, 2014

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

March 31, 2015

March 31, 2015

			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
	Forward foreign exchange contracts:				
Principle method	Sell U.S. dollars	Accounts receivable,	\$378,818	\$ 6,060	\$(3,288)
	Other	accounts payable	7,811	—	127
	Buy U.S. dollars		3,182	—	2
	Other		705	—	(19)
	Forward foreign exchange contracts:				
Hedged items are translated using forward contract rates.	Sell U.S. dollars	Accounts receivable,	\$ 86,274	\$ —	Note 2
	Other	accounts payable	35,288	—	
	Buy U.S. dollars		1,747	—	
	Other		—	—	
	Currency swaps:				
Hedged items are translated using currency swaps	Pay Japanese yen/ Receive U.S. dollars	Long-term debt	\$ 98,194	\$98,194	

Notes:

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

(2)Interest rate related derivatives

March 31, 2015

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts:				
	Receive fixed rate, pay floating rate	Long-term debt	¥ —	¥ —	¥ —
	Pay fixed rate, receive floating rate		143,755	102,177	(2,147)

March 31, 2014

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

March 31, 2015

			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts:				
	Receive fixed rate, pay floating rate	Long-term debt	\$ —	\$ —	\$ —
	Pay fixed rate, receive floating rate		1,196,267	850,273	(17,872)

Note:

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

(3)Commodity related derivatives

March 31, 2015

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Principle method	Nonferrous metals forward:				
	Sell	Accounts receivable, accounts payable	¥110,726	¥32,624	¥(2,463)
	Buy		80,185	25,974	1,474

March 31, 2014

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

March 31, 2015

			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Principle method	Nonferrous metals forward:				
	Sell	Accounts receivable, accounts payable	\$921,417	\$271,489	\$(20,504)
	Buy		667,263	216,145	12,266

Note:

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

Note 17 Segment Information

(a) General information about reportable segments

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

The Company operates a system of in-house companies. Each in-house company and business department formulates comprehensive domestic and overseas strategies for its own products and services and advances its business accordingly. Consequently, the in-house companies are classified into segments along these in-house companies' product and service lines. There are five segments: Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components, as well as Aluminum which has high performance within the Company's business departments. According to the reorganization implemented effective April 1, 2014, the precious metal bullion business which had been included in "Others" segment in the past has been currently included in "Metals" segment. Segment information as of and for the fiscal year ended March 31, 2014 has been accordingly restated in accordance with the new segmentation policy.

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

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

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

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

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

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

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

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

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

(1) Segment information as of and for the fiscal year ended March 31, 2015 is as follows:

Millions of yen									
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	¥189,674	¥803,394	¥113,534	¥56,009	¥157,271	¥197,380	¥1,517,265	¥ —	¥1,517,265
Intersegment	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 profit	¥ 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 liabilities	194,371	557,872	98,426	140,132	118,556	142,949	1,252,309	16,333	1,268,643
Other items:									
Depreciation	¥ 10,999	¥ 18,851	¥ 8,083	¥ 3,398	¥ 7,044	¥ 3,134	¥ 51,510	¥ 2,400	¥ 53,911
Amortization of goodwill	2,789	—	35	—	—	10	2,835	—	2,835
Interest income	98	369	64	88	12	328	963	(355)	607
Amortization of negative goodwill	—	—	29	—	—	—	29	—	29
Interest expense	2,290	2,627	1,164	1,698	812	1,008	9,601	(1,367)	8,233
Equity in earnings of affiliates	1,210	300	378	4,348	174	152	6,566	(8)	6,557
Investments in affiliates accounted for by the equity method	19,859	19,236	5,591	56,151	881	15,284	117,003	(199)	116,804
Increase in tangible and intangible fixed assets	16,748	15,278	9,424	2,904	6,789	3,443	54,587	3,048	57,636

Thousands of U.S. dollars

March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	\$1,578,387	\$6,685,481	\$ 944,782	\$ 466,089	\$1,308,741	\$1,642,509	\$12,625,993	\$ —	\$12,625,993
Intersegment	30,170	68,565	175,690	91,497	17,941	364,847	748,712	(748,712)	—
Total	\$1,608,558	\$6,754,047	\$1,120,473	\$ 557,586	\$1,326,683	\$2,007,357	\$13,374,705	\$ (748,712)	\$12,625,993
Segment profit	\$ 139,211	\$ 273,374	\$ 137,967	\$ 60,525	\$ 42,770	\$ 82,378	\$ 736,228	\$ (61,403)	\$ 674,824
Segment assets	3,038,362	5,936,141	1,489,634	1,049,553	1,281,697	1,627,007	14,422,397	1,373,203	15,795,600
Segment liabilities	1,617,474	4,642,364	819,061	1,166,121	986,569	1,189,557	10,421,149	135,922	10,557,071
Other items:									
Depreciation	\$ 91,528	\$ 156,870	\$ 67,265	\$ 28,280	\$ 58,622	\$ 26,080	\$ 428,647	\$ 19,978	\$ 448,626
Amortization of goodwill	23,215	—	296	—	—	83	23,595	—	23,595
Interest income	823	3,075	536	739	106	2,734	8,016	(2,960)	5,055
Amortization of negative goodwill	—	—	243	—	—	—	243	—	243
Interest expense	19,062	21,860	9,689	14,132	6,764	8,389	79,900	(11,383)	68,516
Equity in earnings of affiliates	10,076	2,501	3,147	36,190	1,453	1,272	54,640	(68)	54,571
Investments in affiliates accounted for by the equity method	165,258	160,076	46,526	467,267	7,335	127,190	973,653	(1,661)	971,992
Increase in tangible and intangible fixed assets	139,372	127,139	78,426	24,167	56,498	28,652	454,256	25,366	479,622

Notes:

1. "Others" includes nuclear energy-related services, precious metals, environmental and recycling-related business, real estate business and engineering-related services.
2. Included in "Adjustment" of "Segment profit" in an amount of ¥ (7,378) million (\$61,403 thousand) are intersegment transaction elimination in an amount of ¥404 million (\$3,364 thousand) and corporate expenses that cannot be allocated to each reportable segment in an amount of ¥ (7,783) million (\$64,767 thousand). Corporate expenses consist mainly of general and administrative expenses, basic research and development expenses and financial income or expenses which are not attributable to any reportable segment.
3. "Adjustment" of "Segment assets" in an amount of ¥165,017 million (\$1,373,203 thousand) includes intersegment transaction elimination of ¥ (40,257) million (\$335,007 thousand) and corporate assets that are not allocated to each reportable segment in an amount of ¥205,275 million (\$1,708,211 thousand). Corporate assets are mainly assets related to administrative departments which do not belong to any reportable segment and assets related to basic research and development.
4. "Adjustment" of "Segment liabilities" in an amount of ¥16,333 million (\$135,922 thousand) includes intersegment transaction elimination of ¥ (40,620) million (\$338,023 thousand) and corporate liabilities that are not allocated to each reportable segment in an amount of ¥56,954 million (\$473,946 thousand). Corporate liabilities are mainly liabilities related to administrative departments which do not belong to any reportable segments and liabilities related to basic research and development.
5. "Adjustment" of "Increase in tangible and intangible fixed assets" in an amount of ¥3,048 million (\$25,366 thousand) mainly refers to capital expenditures related to the Central Research Institute.
6. "Segment profit" is reconciled with ordinary income. Ordinary income is calculated by adding "Interest and dividend income," "Income from leased property," etc. and deducting "Interest expense," "Expense for leased property," "Loss on disposal and sales of property, plant and equipment," "Equity in losses of affiliates," etc. from operating profit or loss.

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

March 31, 2014	Millions of yen								
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	¥186,545	¥718,082	¥116,516	¥ 49,882	¥150,296	¥193,472	¥1,414,796	¥ —	¥1,414,796
Intersegment	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 profit	¥ 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 liabilities	209,216	528,457	116,088	142,896	114,466	143,704	1,254,829	(2,031)	1,252,797
Other items:									
Depreciation	¥ 10,458	¥ 18,441	¥ 9,316	¥ 5,827	¥ 8,015	¥ 3,131	¥ 55,189	¥ 2,238	¥ 57,428
Amortization of goodwill	2,431	654	24	—	—	20	3,131	(60)	3,070
Interest income	208	602	53	66	10	295	1,237	(321)	916
Amortization of negative goodwill	—	—	38	—	—	—	38	—	38
Interest expense	2,705	3,154	1,153	2,178	876	1,115	11,184	(1,498)	9,686
Equity in earnings (losses) of affiliates	1,663	2,561	28	159	212	(250)	4,375	2	4,377
Investments in affiliates accounted for by the equity method	17,668	18,028	312	52,498	656	25,973	115,137	(224)	114,912
Increase in tangible and intangible fixed assets	13,144	19,544	16,775	3,189	7,374	3,572	63,600	2,344	65,944

(d) Related information

1. Information about products and services

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

2. Information about geographic areas

March 31, 2015	Millions of yen					
	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	¥917,811	¥96,701	¥25,812	¥462,596	¥14,343	¥1,517,265
Tangible fixed assets	522,297	92,047	1,509	37,076	2,104	655,034

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

March 31, 2015	Thousands of U.S. dollars					
	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	\$7,637,613	\$804,707	\$214,798	\$3,849,514	\$119,360	\$12,625,993
Tangible fixed assets	4,346,319	765,977	12,561	308,532	17,510	5,450,901

Notes:

1. Countries or regions have been classified in terms of their geographic proximity.

2. Main countries or regions that belong to the geographic segments other than Japan and the United States are as follows:

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

3. Information about major customers

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

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

Millions of yen								
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Loss on impairment	¥120	¥155	¥—	¥25	¥22	¥144	¥467	¥31
Consolidated								¥499

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

Thousands of U.S. dollars								
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Loss on impairment	\$1,004	\$1,290	\$—	\$208,295	\$184	\$1,200	\$3,887	\$266
Consolidated								\$4,153

Note:

“Elimination and corporate assets or expenses” of “Loss on impairment” for the fiscal year ended March 31, 2015 in an amount of ¥31 million (\$266 thousand) mainly refers to loss on impairment of idle assets.

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

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

Millions of yen								
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Amortization	¥ 2,789	¥—	¥ 35	¥—	¥—	¥10	¥ 2,835	¥—
Unamortized balance	41,127	—	107	—	—	20	41,255	(5)
Consolidated								¥ 2,835

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

Thousands of U.S. dollars								
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Amortization	\$ 23,215	\$—	\$296	\$—	\$—	\$ 83	\$ 23,595	\$—
Unamortized balance	342,244	—	895	—	—	169	343,309	(46)
Consolidated								\$ 23,595

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

Millions of yen								
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Amortization	¥—	¥—	¥29	¥—	¥—	¥—	¥ 29	¥—
Unamortized balance	—	2,221	—	—	—	—	2,221	—
Consolidated								¥ 29

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

March 31, 2015	Thousands of U.S. dollars							
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses
Amortization	\$—	\$ —	\$243	\$—	\$—	\$—	\$ 243	\$—
Unamortized balance	—	18,485	—	—	—	—	18,485	—

(g) Gain from negative goodwill by reportable segment

Fiscal years ended March 31, 2015 and 2014

Not applicable

Note 18 Revaluation Reserve for Land

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

recorded as "Deferred tax liabilities for land revaluation" in liabilities in the consolidated balance sheets. When such land is sold, the revaluation reserve for land is reversed and credited to the retained earnings.

According to the Revaluation Law, the Group is not permitted to revalue the land at any time even if fair value of the land declines. Such unrecorded revaluation losses at March 31, 2015 and 2014 amounted to ¥46,242 million (\$ 384,807 thousand) and ¥42,053 million, respectively.

Note 19 Notes to the Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits	¥93,152	¥63,486	\$775,173
Less term deposits with maturities extending more than three months	(908)	(1,193)	(7,558)
Restricted cash	(164)	(214)	(1,369)
Cash and cash equivalents	¥92,079	¥62,078	\$766,244

Note 20 Net Income per Share of Common Stock

Reconciliation of the numbers and amounts used in the basic net income per share of common stock computation for the fiscal years ended March 31, 2015 and 2014 is as follows:

Year ended March 31, 2015	Millions of yen	Thousands	Yen	U.S. dollars
	Net income	Weighted average shares	Net income per share	Net income per share
Basic net income per share:				
Net income	¥56,147			
Net income attributable to common shareholders	56,147	1,310,342	¥42.85	\$0.35
Year ended March 31, 2014	Millions of yen	Thousands	Yen	U.S. dollars
	Net income	Weighted average shares	Net income per share	Net income per share
Basic net income per share:				
Net income	¥52,551			
Net income attributable to common shareholders	52,551	1,310,573	¥40.1	

Diluted net income per share has not been disclosed since there were no dilutive securities for the fiscal years ended March 31, 2015 and 2014.

Note 21 Related Party Information

1. The information for the fiscal years ended March 31, 2015 and 2014 was omitted because there were no significant transactions with related parties for the fiscal years ended March 31, 2015 and 2014.

2. A significant affiliate as of March 31, 2015 was Mitsubishi Nuclear Fuel Co., Ltd. and summary of its financial statements was as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥18,125	\$150,832
Fixed assets	12,262	102,046
Current liabilities	10,033	83,497
Long-term liabilities	15,744	131,021
Net assets	4,609	38,359
Net sales	2,849	23,709
Loss before income taxes	29,521	245,661
Net loss	34,116	283,898

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

	Millions of yen
Current assets	¥244,259
Fixed assets	254,263
Current liabilities	135,238
Long-term liabilities	168,447
Net assets	194,836
Net sales	185,105
Income before income taxes	4,392
Net income	715

Note 22 Loss on Impairment of Fixed Assets

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

For the fiscal years ended March 31, 2015 and 2014, the Company and the domestic consolidated subsidiaries recognized the loss on impairment of fixed assets amounting to ¥499 million (\$4,153 thousand) and ¥32,308 million, respectively, as other expenses in the consolidated

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

The details for the fiscal year ended March 31, 2015 were as follows:

Asset group	Location	Asset type	Loss on impairment	
			Millions of yen	Thousands of U.S. dollars
Metals	Qingdao, Shandong, China	Machinery and equipment, etc.	¥134	\$1,120
Electronic materials & components	Akita, Akita prefecture.	Machinery and equipment	25	208
Others	Perth, Australia, etc.	Tools, instruments and buildings, etc.	65	542
Rental property	Akita, Akita prefecture etc.	Land, buildings, etc.	84	701
Idle assets	Akita, Hyogo prefecture, etc.	Land, buildings, etc.	189	1,580
Total			¥499	\$4,153

*Details of loss on impairment by account

Buildings ¥47 million (\$395 thousand), Machinery and equipment ¥166 million (\$1,384 thousand), Land ¥217 million (\$1,810 thousand), Others ¥67 million (\$563 thousand).

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

Asset group	Location	Asset type	Loss on impairment
			Millions of yen
Electronic materials & components	Yokkaichi, Mie prefecture, etc.	Buildings, machinery, etc.	¥27,261
Metals	Kumagaya, Saitama prefecture, etc.	Goodwill, machinery, etc.	3,713
Others	Kitamoto, Saitama prefecture, etc.	Land, buildings, etc.	1,082
Rental property	Uki, Kumamoto prefecture, etc.	Land, buildings, etc.	115
Idle assets	Yonezawa, Yamagata prefecture, etc.	Land, buildings, etc.	134
Total			¥32,308

*Details of loss on impairment by account

Buildings ¥3,572 million, Machinery ¥20,857 million, Land ¥1,690 million, Goodwill ¥3,560 million, Others ¥2,626 million.

Note 23 Information on Net Assets

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

For the fiscal years ended March 31, 2015 and 2014, information on shares issued and treasury stock is presented as follows:

	Type of shares issued	Type of treasury stock
	Common stock	Common stock ^{*1, 2, 3, 4}
Number of shares as of March 31, 2013	1,314,895,351	4,193,557
Increase during the fiscal year ended March 31, 2014	—	261,010
Decrease during the fiscal year ended March 31, 2014	—	5,493
Number of shares as of March 31, 2014	1,314,895,351	4,449,074
Increase during the fiscal year ended March 31, 2015	—	232,457
Decrease during the fiscal year ended March 31, 2015	—	4,226
Number of shares as of March 31, 2015	1,314,895,351	4,677,305

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

Purchase of less-than-one-unit shares

261,010 shares

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

Sales of less-than-one-unit shares

5,493 shares

*3. Increase in the number of treasury shares during the fiscal year ended March 31, 2015

Purchase of less-than-one-unit shares

232,457 shares

*4. Decrease in the number of treasury shares during the fiscal year ended March 31, 2015

Sales of less-than-one-unit shares

4,226 shares

(b) Dividends

1. Dividend payment

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

Type of shares:	Common stock
Total amount of dividends:	¥5,241 million (\$43,620 thousand)
Dividends per share:	¥4.00 (\$0.03)
Record date:	March 31, 2014
Effective date:	June 2, 2014

Approvals by the Board of Directors' meeting held on November 11, 2014 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥3,931 million (\$32,712 thousand)
Dividends per share:	¥3.00 (\$0.02)
Record date:	September 30, 2014
Effective date:	December 5, 2014

2. Dividends whose record date is attributable to the fiscal year ended March 31, 2015, but to be effective in the following fiscal year.

Approvals by the Board of Directors' meeting held on May 12, 2015 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥6,551 million (\$54,516 thousand)
Source:	Retained earnings
Dividends per share:	¥5.00 (\$0.04)
Record date:	March 31, 2015
Effective date:	June 1, 2015

Note 24 Subsequent Events

1. Business combination through acquisition

Overview of the business combination

a. Name and business of the acquired company

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

Business: Manufacture and sales of tips, cutting tools, wear-resistant products, tools for urban development and various machine tools made of special steels, cemented carbide, etc.

b. 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 Hitachi Tool's leading-edge lineup of cemented carbide products, with high precision, high-efficiency and high-speed processing ability, as well as its proposal ability for processing complicated shapes for a variety of materials.

c. Date of the business combination

April 1, 2015

d. Legal form of the business combination

Acquisition of shares by cash

e. Name after the business combination

Mitsubishi Hitachi Tool Engineering, Ltd.

f. Ratio of voting rights acquired

51%

g. Principal basis for deciding the company had been acquired

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

Items related to calculation of the acquisition cost

Acquisition cost of the company to be acquired

Cost for acquisition (purchase price for share): ¥22,083 million
(\$183,764 thousand)

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

Items related to allocation of the acquisition cost

a. Breakdown of principal amounts of assets acquired and liabilities assumed on the date of the combination

Assets

Current assets: ¥14,788 million (\$123,064 thousand)

Non-current assets: ¥12,334 million (\$102,643 thousand)

Total: ¥27,123 million (\$225,707 thousand)

Liabilities

Current liabilities: ¥7,704 million (\$64,114 thousand)

Non-current liabilities: ¥3,352 million (\$27,898 thousand)

Total: ¥11,057 million (\$92,013 thousand)

b. Amount allocated to intangible assets other than goodwill, its nature and weighted average amortization period

Amount allocated to intangible assets: ¥3,099 million (\$25,790 thousand)

Content: patent rights

Weighted average amortization period: 8 years

c. Amount of goodwill generated, reason for generation, method of amortization and amortization period

Amount of goodwill: ¥10,790 million (\$89,789 thousand) (estimate)

Reason for generation: Investments reflecting expected future cash flows in the assessment of acquisition exceeded net assets as of the date of business combination. Accordingly, its difference except for patent rights was recognized as goodwill.

Method of amortization and amortization period: straight-line basis over 10 years

2. Significant sales of shares in affiliated companies

At a Board of Directors meeting on March 3, 2015, a resolution was passed by the Board of Directors of the Company based on the publicly announced "Capital Increase and Restructuring Plan" (the "Plan") and "New Mid-term Management Strategy" approved by the Board of Directors of SUMCO Corporation ("SUMCO"), an equity method affiliate of the Company, at the meeting on the same date. The resolutions involved the conclusion of a "Memorandum of Treatment of Classified Stock" (the MOT) defining items necessary relating to the treatment of SUMCO's classified stock and the policy for disposing of a part of the common stock of SUMCO that the Company holds in the event of a public offering taking place as a 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 offering with a payment date of April 27, 2015 was conducted and the Company sold a part of the Company's common stock of SUMCO through the secondary distribution, with a delivery date of April 28, 2015. In addition, through the exercise of a put option stipulated by the MOT, the Company received cash and classified B stock as the payment for classified A stock held by the Company on May 11, 2015. Meanwhile, the Company received cash as payment for classified B

stock. In addition, the company sold a part of common stock of SUMCO to SMBC Nikko Securities Inc. ("SMBC Nikko Securities") on May 27, 2015, as a settlement date, since the Green Shoe option which the Company had granted to SMBC Nikko Securities was executed on May 20, 2015 in relation to the secondary distribution through overallotment by SMBC Nikko Securities. The purpose for conducting this transaction and the impact on the Company's operating performance are described below.

Reason

The Company reached the conclusion that SUMCO's accomplishment of the "Plan" as well as support for its management policy promoting the New Medium-Term Management Strategy, would contribute to the maintenance and improvement of SUMCO's corporate value. In addition, the Company concluded that disposing of a part of the common stock of SUMCO that the Company holds through the secondary distribution in concurrence with the public offering by SUMCO would also accord with the group strategy and financial strategy of the Company.

Name and business of the affiliated company and the content of its transactions with the Company

Name: SUMCO Corporation

Business: Manufacture and sale of silicon wafers for semi-conductors

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

Gain or loss on change in equity associated with the public offering

Gain on change in equity: ¥10,465 million (\$87,084 thousand)

Number of shares sold, sale price and gain or loss on sale

Number of shares sold: 17,766,800 shares

Sale price: ¥32,111 million (\$267,219 thousand)

Gain or loss on sale

Gain on sales of investment securities: ¥19,007 million (\$158,167 thousand)

Gain or loss on redemption of classified stock

Gain on redemption of investment securities: ¥1,235 million (\$10,277 thousand)

Percentage of ownership before and after the above-mentioned public offering and sale of shares

Before the public offering and sale of shares: 27.8%

After the public offering and sale of shares (Note): 18.4%

(Note)

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

Independent Auditors' Report

To the Board of Directors of Mitsubishi Materials Corporation:

We have audited the accompanying consolidated financial statements of Mitsubishi Materials Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsubishi Materials Corporation and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

1. As described in Note 2, one of the consolidated subsidiaries in the United States, engaging in the cement business, had previously presented the cost related to transportation of ready-mixed concrete as "Selling, general and administrative expenses". However, the presentation method was changed and the cost has been presented as "Cost of sales" from the fiscal year ended March 31, 2015.
2. As described in Note 24, issuance of common stock of SUMCO through a public offering with a payment date of April 27, 2015 was conducted and the Company sold a part of the Company's common stock of SUMCO through the secondary distribution, with a delivery date of April 28, 2015 based on the resolution which was passed by the Board of Directors of the Company on March 3, 2015. In addition, the Company received cash and classified B stock as the payment for classified A stock held by the Company on May 11, 2015.

Meanwhile, the Company received cash as payment for classified B stock. In addition, the company sold a part of common stock of SUMCO to SMBC Nikko Securities Inc. ("SMBC Nikko Securities") on May 27, 2015, as a settlement date, since the Green Shoe option which the Company had granted to SMBC Nikko Securities was executed on May 20, 2015.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC

July 10, 2015

Tokyo, Japan

Main Consolidated Subsidiaries and Affiliates (As of June 26, 2015)

Main Consolidated Subsidiaries

	Line of Business	Percentage of Ownership
Cement		
MCC Development Corp.	Investment in cement-related industries	70%
Mitsubishi Cement Corp.	Production and sales of cement	67%
Mitsubishi Materials Kenzai Corp.	Production and sales of concrete products and other building materials	100%
Robertson's Ready Mix, Ltd.	Production and sales of ready-mixed concrete and aggregates	100% (indirectly)
Ryoko Lime Industry Co., Ltd.	Production and sales of limestone	100%
Tokyo Hoso Kogyo Co., Ltd.	Construction	97%
Metals		
Mitsubishi Cable Industries, Ltd.	Production and sales of electric wire and cable	100%
Mitsubishi Shindoh Co., Ltd.	Production and sales of copper, copper alloy and brass semis	100%
Onahama Smelting & Refining Co., Ltd.	Smelting and refining of copper	56%
PT. Smelting	Smelting, refining and sales of copper	61%
Advanced Materials & Tools		
Diamet Corp.	Production and sales of powder metallurgical products	100%
Japan New Metals Co., Ltd.	Production and sales of tungsten and molybdenum	89%, 11% (indirectly)
Mitsubishi Materials U.S.A. Corp.	Surveys in the United States and sales of fabricated metal products and electronic parts	100%
Mitsubishi Hitachi Tool Engineering, Ltd.	Manufacture and sales of tips, cutting tools, wear-resistant products, and tools for urban development, etc.	51%
Electronic Materials & Components		
Mitsubishi Materials Electronic Chemicals Co., Ltd.	Production and sales of chemical products	100%
Mitsubishi Polycrystalline Silicon America Corp.	Production and sales of polycrystalline silicon	100%
Aluminum		
Mitsubishi Aluminum Co., Ltd.	Production and sales of aluminum sheets, extrusion and foil	88%
Tachibana Metal Manufacturing Co., Ltd.	Production and sales of fabricated aluminum products	63% (indirectly)
Universal Can Corp.	Production and sales of aluminum beverage cans	80%
Others		
Dia Consultants Co., Ltd.	Soil analysis and consulting	81%, 3% (indirectly)
Diasalt Corp.	Production and sales of salt	95%
Materials' Finance Co., Ltd.	Financing	100%
Mitsubishi Materials Real Estate Corp.	Real estate	100%
Mitsubishi Materials (Shanghai) Corp.	Management, consulting and sales in China	100%
Mitsubishi Materials Techno Corp.	Technical engineering and construction	100%
Mitsubishi Materials Trading Corp.	Trading	100%

Main Affiliates*

	Line of Business	Percentage of Ownership
Cement		
P.S. Mitsubishi Construction Co., Ltd.**	Construction	33%
Ube-Mitsubishi Cement Corp.	Sales of cement	50%
Metals		
Kobelco & Materials Copper Tube, Ltd.	Production and sales of copper tubes and related products	45%
Advanced Materials & Tools		
Hitachi Metals MMC Superalloy, Ltd.	Production and sales of high-performance alloy products	49%
Electronic Materials & Components		
SUMCO Corp.**	Production and sales of silicon wafers	18%
Others		
Mitsubishi Nuclear Fuel Co., Ltd.	Production and sales of nuclear fuels for power generation	30%

* Companies to which the equity method is applied

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

Corporate Data

(As of March 31, 2015)

Company Name

Mitsubishi Materials Corporation

Head Office

3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo

100-8117 Japan

URL: <http://www.mmc.co.jp/corporate/en/>

Date Established

April 1, 1950

Paid-in Capital

¥119,457 million

Number of Employees

Parent company: 4,448

Consolidated: 23,413

Investor Information

(As of March 31, 2015)

Shares of Common Stock

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

Number of Shareholders

81,574

Stock Listing

Tokyo Stock Exchange

Administrator of Shareholder Registry

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

Independent Certified Public Accountant

KPMG AZSA LLC

For Further Information, Contact

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 E-mail: ml-mmccir@mmc.co.jp

Annual Meeting of Shareholders

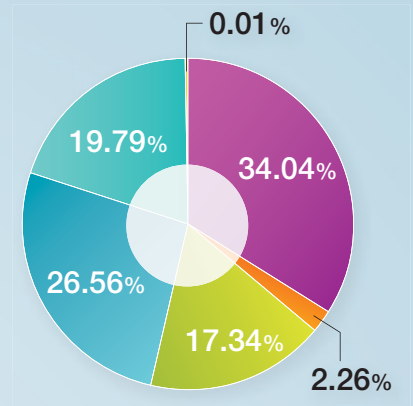
The annual meeting of shareholders of the Company is normally held in June each year in Tokyo.

Major Shareholders

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

Distribution of Shareholders

- Financial Institutions
- Securities Companies
- Other Corporations
- Foreign Corporations & Individuals
- Individuals & Others
- National & Local Government



 **MITSUBISHI MATERIALS CORPORATION**

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