Consolidated Financial Results for the Fiscal Year Ended March 31, 2017
(Japanese Accounting Standards)

May 11, 2017

Name of Listed Company: Mitsubishi Materials Corporation   Listing: Tokyo Stock Exchange
Stock Code: 5711   URL: http://www.mmc.co.jp/
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Scheduled date for ordinary general meeting of shareholders: June 28, 2017
Scheduled date of start of dividend payment: June 1, 2017
Scheduled date of submission of securities report: June 28, 2017
Supplementary materials for the financial results: Yes
Investor conference for the financial results: Yes (For Institutional Investors)

(Amounts of less than million yen are omitted.)

1. Results of the Consolidated Fiscal Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(1) Consolidated Results of Operations (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	1,304,068	-8.0	59,761	-15.1	63,925	-11.8	28,352	-53.8
Year ended March 31, 2016	1,417,895	-6.5	70,420	-2.0	72,442	-10.7	61,316	9.2

(Note) Comprehensive income: Year ended March 31, 2017: 68,723 million yen (249.5%) Year ended March 31, 2016: 19,664 million yen (-83.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	216.44	–	4.8	3.5	4.6
Year ended March 31, 2016	468.03	–	11.1	3.9	5.0

(Reference) Equity in earnings of affiliates: Year ended March 31, 2017: 1 million yen Year ended March 31, 2016: 2,188 million yen

* The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Accordingly, net income per share is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	1,896,939	710,195	32.8	4,743.27
As of March 31, 2016	1,793,375	645,017	31.0	4,238.35

(Reference) Shareholders' equity: As of March 31, 2017: 621,281 million yen As of March 31, 2016: 555,227 million yen

* The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Accordingly, net assets per share is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the previous consolidated fiscal year.

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	%	Yen
Year ended March 31, 2017	115,552	-26,557	-15,703	132,616
Year ended March 31, 2016	118,685	-29,982	-120,477	58,482

2. Dividend Payments

	Dividends per share					Total dividend amount (annual)	Dividend payout ratio (consolidated)	Dividends to net assets (consolidated)
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2016	–	5.00	–	5.00	10.00	13,100	21.4	2.4
Year ended March 31, 2017	–	2.00	–	40.00	–	7,859	27.7	1.3
Year ending March 31, 2018 (Forecast)	–	30.00	–	50.00	80.00		37.4	

* The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. For the amount of dividends at the end of the second quarter of the fiscal year ended March 31, 2017, the amount prior to the consolidation of shares is stated because the dividends were paid based on the number of shares before the consolidation of shares.
For the year-end dividend per share in the fiscal year ended March 31, 2017, the amount after the consolidation of shares is stated and a hyphen is written for the annual dividend because it cannot be simply combined.

3. Forecast (From April 1, 2017 to March 31, 2018)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2017	750,000	24.3	28,000	2.5	25,000	-3.9	13,000	-56.0	99.25
Year ending March 31, 2018	1,570,000	20.4	65,000	8.8	68,000	6.4	28,000	-1.2	213.77

* Notes

(1) Significant changes of subsidiaries during the term under review (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None

(2) Changes in accounting policies, changes of accounting estimates and restatement
- (i) Changes in accounting policies due to amendments to accounting standards: Yes
- (ii) Other changes in accounting policies: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(3) Numbers of issued shares (common stock)
- (i) Numbers of issued shares at end of terms (including treasury shares):
  - Year ended March 31, 2017: 131,489,535 shares
  - Year ended March 31, 2016: 131,489,535 shares
- (ii) Numbers of treasury shares at end of terms:
  - Year ended March 31, 2017: 507,863 shares
  - Year ended March 31, 2016: 488,618 shares
- (iii) Average number of shares issued during terms:
  - Year ended March 31, 2017: 130,993,050 shares
  - Year ended March 31, 2016: 131,010,198 shares

* The Company consolidated its shares at a rate of one share for every 10 shares of its common stock, with October 1, 2016 as the effective date. Subsequently, the number of issued shares at the end of the term, the number of treasury shares at the end of the term, and the average number of shares issued during the term are calculated based on the assumption that the consolidation of shares was conducted at the beginning of the previous consolidated fiscal year.

(Reference) Summary of Non-Consolidated Financial Results

1. Results of the Non-Consolidated Fiscal Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(1) Non-Consolidated Results of Operations (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	674,515	-8.3	12,120	-54.2	27,202	-23.2	19,701	-40.3
Year ended March 31, 2016	735,501	-9.3	26,478	11.7	35,409	-0.8	33,001	-0.6

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2017	150.40	–
Year ended March 31, 2016	251.90	–

* The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Accordingly, net income per share is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the previous consolidated fiscal year.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	1,265,120	477,706	37.8	3,647.06
As of March 31, 2016	1,158,968	435,094	37.5	3,321.25

(Reference) Shareholders' equity: As of March 31, 2017: 477,706 million yen As of March 31, 2016: 435,094 million yen

* The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Accordingly, net assets per share is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the previous consolidated fiscal year.

* These financial results are outside the scope of audit procedures.

* Explanation about the proper use of financial forecasts and other special notes

(Notes concerning forward-looking statements, etc.)

The operating results forecasts and other forward-looking statements contained in this report are based on information currently available to the Company, as well as certain assumptions that the Company has judged to be reasonable. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Therefore, readers are advised to note that the actual results may vary materially from the forecasts due to a variety of factors.

Please see "(1) Overview of operating results, Outlook for the year ending March 31, 2018" of "1. Overview of Operating Results and Financial Position" on page 4 for the assumptions about consolidated earnings forecasts.

(Procedure for obtaining supplementary information on financial results and financial briefing)

Mitsubishi Materials Corporation plans to hold a financial briefing for institutional investors on Thursday, May 11, 2017. The materials used at this briefing are disclosed on the TDnet and the Company's web page at the time that the financial results are announced.

Contents

1. Overview of Operating Results and Financial Position

(1) Overview of operating results

1) Overview of performance

During the consolidated fiscal year under review, there was an economic slowdown in China, Thailand and Indonesia in Asia. However, in the United States, the economy remained on a modest recovery track.

In the Japanese economy, employment and income conditions were on the road to recovery during the consolidated fiscal year under review. However, consumer spending and capital expenditure grew at a sluggish pace.

Regarding the business environment for the Mitsubishi Materials Group, foreign exchange markets were characterized by year-on-year yen appreciation, and the Group was affected by such factors as a decrease in prices of copper and other major metals and a fall in overall demand for cement in Japan.

Under these circumstances, the Mitsubishi Materials Group continued to implement measures based on the group-wide growth strategies set out in its medium-term management plan **(**FY2015-2017**)** **“**Materials Premium 2016 – Challenge to become the world's leading businesses group**”: “**Fortifying the foundation for growth,” “Strengthening global competitiveness,” and “Pursuing a recycling-based business model,” and sought business development in overseas markets while promoting business selection and concentration.

As a result, consolidated net sales for the fiscal year under review totaled ¥1,304,068 million, down 8.0% year on year. Operating profit declined 15.1% year on year, to ¥59,761 million, and ordinary income decreased 11.8%, to ¥63,925 million. Net income attributable to owners of parent was ¥28,352 million, down 53.8% year on year.

2) Overview by business segments

(Cement)

(Billion yen)

	FY 2016	FY 2017	Increase / Decrease (%)
Net sales	197.5	177.5	-19.9 (-10.1%)
Operating profit	20.1	20.9	0.7 (3.9%)
Ordinary income	19.7	20.5	0.8 (4.1%)

The sales volume decreased in Japan because of a decline in demand throughout the market, chiefly reflecting a delay in construction work mainly due to labor shortages and sluggish growth in demand in the private sector in the Tokyo area. Business restructuring also had a negative effect on sales.

In the United States, the sales volume of ready-mixed concrete increased due to aggressive sales in Southern California. The sales volume of cement also increased thanks to the rise in the sales volume of ready-mixed concrete. The sales price of cement rose following its review.

In China, the sales volume declined due to restrictions on production activities at cement factories, etc. as a countermeasure against severe air pollution and a decline in demand associated with real estate investment in Shandong Province. In the overall Cement business, cement production amounted to 11.6 million tons, unchanged from the level a year ago.

As a result, net sales decreased and operating profit increased year on year for the entire Cement business. Ordinary income also increased because of the rise in operating profit.

(Metals)

(Billion yen)

	FY 2016	FY 2017	Increase / Decrease (%)
Net sales	688.7	629.4	-59.2 (-8.6%)
Operating profit	24.2	17.3	-6.8 (-28.4%)
Ordinary income	27.0	27.5	0.4 (1.7%)

In the copper business, net sales and operating profit declined, primarily reflecting year-on-year yen appreciation and a fall in sulfuric acid prices. Copper cathode production for the entire Metals business amounted to 543 thousand tons, up 31 thousand tons from the previous fiscal year.
In the gold and other valuable metals business, net sales decreased while operating profit increased, reflecting a decrease in production due to a fall in the contained amount in ore, which was offset by cost reductions.
In the copper and copper alloy products business, net sales declined while operating profit increased mainly due to a yen appreciation, despite an increase in the sales volume of products for automobiles, and other uses.
As a result, the entire Metals business posted year-on-year decreases in net sales and operating profit. Ordinary income for the segment increased because of the increases in dividend income and equity in earnings of affiliates.

(Advanced Materials & Tools)

(Billion yen)

	FY 2016	FY 2017	Increase / Decrease (%)
Net sales	151.6	143.4	-8.2 (-5.4%)
Operating profit	16.0	11.7	-4.2 (-26.5%)
Ordinary income	14.9	9.9	-5.0 (-33.8%)

In the cemented carbide products business, net sales and operating profit declined due to year-on-year yen appreciation in addition to a fall in overseas sales.
In the high-performance alloy products business, sales of products for automobiles remained firm in North America, but lower sales in Japan caused net sales and operating profit to decline.
As a result, the overall Advanced Materials & Tools business recorded year-on-year decreases in net sales and operating profit. Ordinary income declined due to the decrease in operating profit.

(Electronic Materials & Components)

(Billion yen)

	FY 2016	FY 2017	Increase / Decrease (%)
Net sales	70.2	63.0	-7.1 (-10.2%)
Operating profit	3.1	2.4	-0.7 (-22.9%)
Ordinary income	6.3	2.8	-3.5 (-55.8%)

In the advanced materials and chemical products business, net sales decreased while operating profit increased because sales of products related to semiconductor manufacturing equipment and chemical products for hybrid vehicles remained strong, although sales of products for LSIs for smartphones and power modules were down.
In the electronic components business, both net sales and operating profit increased, reflecting a higher volume of sales of products for home appliances and optical communication related equipment despite a

lower volume of sales of products for information and telecommunications equipment.
The polycrystalline silicon business recorded a decline in net sales and operating profit due to a fall in sales.
As a result, the entire Electronic Materials & Components business registered year-on-year declines in net sales and operating profit. Ordinary income dropped as a result of decreases in operating profit and equity in earnings of affiliates.

(Aluminum)

(Billion yen)

	FY 2016	FY 2017	Increase / Decrease (%)
Net sales	158.6	155.9	-2.7 (-1.7%)
Operating profit	4.3	7.8	3.5 (82.2%)
Ordinary income	3.6	7.4	3.8 (105.4%)

In the aluminum can business, sales volume of bottle cans increased, and raw material costs declined.
In the rolled aluminum and processed aluminum products business, sales volume of products for automobiles increased. However, net sales declined due to falling market metal prices.
In the entire Aluminum business, energy costs were lower.
As a result, the entire Aluminum business posted a decrease in net sales and an increase in operating profit year on year. Ordinary income increased due to the rise in operating profit.

(Others)

(Billion yen)

	FY 2016	FY 2017	Increase / Decrease (%)
Net sales	243.2	218.2	-25.0 (-10.3%)
Operating profit	10.3	10.1	-0.2 (-2.0%)
Ordinary income	9.9	7.1	-2.7 (-27.8%)

In the energy-related business, electricity sales volume rose due to the completion of upgrade work on some hydroelectric power plants. However, sales of coal and nuclear energy-related services fell, resulting in decline in net sales and an increase in operating profit.
In the “E-waste” (used electronics and electrical products) recycling business, net sales and operating profit declined, reflecting fluctuation in the recycling unit cost of valuables despite a high volume of recycling.
Total net sales and operating profit in the entire Others business excluding the energy-related business and the “E-waste” (used electronics and electrical products) recycling business declined.
In the overall Others business, net sales and operating profit also fell from a year earlier. Ordinary income decreased due to the decrease in operating profit and an increase in the share of loss of entities accounted for using the equity method.
Orders received for nuclear energy and engineering-related services amounted to ¥83.5 billion, up ¥22.8 billion year on year. The order backlog at the end of the period was ¥42.5 billion, up ¥24.5 billion from a year earlier.

3) Outlook for the year ending March 31, 2018

Although the U.S. economy is expected to grow steadily, the future of the global economy is uncertain, reflecting concern over a slowdown in certain economic indicators in the United States, the political situation in the Korean Peninsula, a downturn in the Chinese economy, and the political trends in Europe and the

United States.

We believe the Japanese economy will continue its modest recovery, buoyed by improvements in the employment and income conditions, but recognize that there may be a downside risk due to overseas political and economic trends.

Turning to the Group's operating environment, the Japanese economy appears to be recovering on the back of growth in exports, etc. However, the recent yen appreciation, rising oil prices and uncertainty over trends in major metal prices give cause for concern.

Against this backdrop, the Group will strive to improve its corporate value by implementing the measures outlined in "2. Management Policies."

For the fiscal year ending March 31, 2018, our consolidated operating performance forecasts predict net sales of ¥1,570.0 billion, operating profit of ¥65.0 billion, ordinary income of ¥68.0 billion and net income attributable to owners of parent of ¥28.0 billion on the assumption of average exchange rates of ¥113/USD and ¥120/EUR and a copper price of 260¢/lb.

(2) Overview of financial position

Total assets at the end of the consolidated fiscal year under review stood at ¥1,896.9 billion, up ¥103.5 billion from the end of the previous consolidated fiscal year. This result was mainly due to an increase in cash and deposits.

Total liabilities were ¥1,186.7 billion, an increase of ¥38.3 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in provision for environmental measures.

The cash flows during the consolidated fiscal year under review and their causes are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities amounted to ¥115.5 billion (a decrease in net cash provided of ¥3.1 billion from the previous fiscal year). This fall was primarily due to decreases in income before income taxes and notes and accounts receivable-trade.

(Cash flow from investing activities)

Net cash used in investing activities totaled ¥26.5 billion (a decrease in net cash used of ¥3.4 billion from the previous fiscal year). This cash was primarily used for outlays related to capital expenditure.

(Cash flow from financing activities)

Together, operating and investing activities produced a net inflow of ¥88.9 billion, which was mainly applied to the repayment of loans payable. Accordingly, net cash used in financing activities was ¥15.7 billion (a decrease in net cash used of ¥104.7 billion from the previous fiscal year).

As a result of the above, as well as effect of exchange rate change and other factors, the balance of cash and cash equivalents at March 31, 2017 stood at ¥132.6 billion, up ¥74.1 billion from March 31, 2016.

Below is a summary of the major cash flow indicators.

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Shareholders' Equity ratio (%)	22.4	25.7	29.0	31.0	32.8
Shareholders' Equity ratio on a market-value basis (%)	19.4	21.6	27.9	23.2	23.3
Ratio of interest-bearing debt to cash flow	7.1	6.5	6.0	4.6	4.7
Interest coverage ratio	9.0	10.2	12.9	16.5	23.3

Shareholders' Equity ratio: Shareholders' equity/Total assets
Shareholders' Equity ratio on a market-value basis: Market capitalization /Total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flow
Interest coverage ratio: Cash flow/Interest payments

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

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

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

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

(3) Basic profit distribution policies and dividend payments for the current and next fiscal years

Based on its Articles of Incorporation, the Company is to distribute surpluses following resolutions at Board of Directors meetings. We regard the distribution of profits to shareholders as one of our most important priorities. Accordingly, our policy is to make decisions on profit appropriation based on comprehensive consideration of various factors related to overall management, such as income over the relevant period, retained earnings, and financial position. Based on this policy, the Board of Directors, at its meeting on May 11, 2017, decided to distribute a year-end dividend of ¥40.

The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Recalculated in light of this consolidation of shares, the interim dividend of ¥2 is equal to ¥20 yen, which, combined with the year-end dividend of ¥40, results in a full-year dividend for the year ended March 31, 2017 of ¥60 per share (down ¥40 yen from the preceding fiscal year).

During the period of the Medium-Term Management Strategy, from FY2018 to FY2020, the Company is emphasizing the distribution of consecutive dividends even if the Company’s performance is changed. The Company will pay annual dividends 80 yen per share during the FY2018-2020 period. If the consolidated dividend payout ratio is lower than 25%, however, the Company will temporarily increase the dividend or purchase treasury stock. Under this policy, the Company plans to pay a dividend of ¥80 per share (¥30 interim dividend and ¥50 year-end dividend) for the fiscal year ending March 31, 2018.

(4) Business and other risks

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

Please note that although the matters listed in this section contain items related to the future, these items have been chosen as of May 11, 2017.

1) Corporate reorganization

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

2) Market and customer trends

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

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

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

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

4) Trends in the conditions of the semiconductor market

The Group supplies electronic materials, polycrystalline silicon, etc. for the semiconductor industry, and the business results and financial standing of the Group may be influenced by conditions of the semiconductor market.

5) Interest-bearing debt

In the term ended March 31, 2017, the interest-bearing debt of the Group of ¥528.2 billion yen (which is the sum total of short-term loans payable, current portion of bonds payable, bonds payable, and long-term loans payable; same below if there are no explanatory notes) accounts for 27.8% of the total assets. Although we are making efforts to improve the financial standing by reducing inventories, asset sales, etc., the future financial situation may affect the business results and financial standing of the Group.

6) Guaranty of liabilities

In the term ended March 31, 2017, the Group has undertaken ¥28.8 billion guaranty of liabilities against monetary liabilities of affiliated companies, which are not included in the scope of consolidation. In cases where a situation arises in the future in which we are requested to fulfill these guaranties of liabilities, this may affect business results and financial standing of the Group.

7) Fluctuations of the market value of assets

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

8) Retirement benefit expenses and obligations

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

9) Environmental regulations, etc.

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

10) Overseas operations, etc.

The Group has production bases, sales bases, and other bases in 32 countries and regions abroad and foreign sales account for 42.3% of its consolidated sales. Business results and financial standing of the Group may be influenced by political/economic conditions, exchange rates at each country as well as changes of trading/commercial regulations, mining policies, environmental regulations, systems of taxation, other unforeseen changes of laws or regulations as well as differences of interpretation thereof, and changes of management policies of local cooperators and partners.

11) Intellectual property rights

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

12) Quality of the products

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

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

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

14) Management of information

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

15) Lawsuits, etc.

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

16) Procurement of electricity

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

17) Other matters

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

2. Management Policies

(1) Basic Policy for the Group Management

The vision of the Group is to "We will become the leading business group committed to creating a sustainable world through materials innovation, with the use of our unique and distinctive technologies, for People, Society and the Earth." based on a corporate philosophy of "for People, Society and the Earth."

(2) Target Management Indicators and Medium- to Long-term Management Strategy and Issues to Be Addressed

The Group will pursue a number of measures to enhance its corporate value by developing the Long-Term Management Policy, which looks ahead 10 years, and the Medium-term Management Strategy for FY2018-FY2020, as described below.

1) Long-term Management Policy

The businesses of the Group have set the Medium- to Long-Term Targets (the company in the future) and the Group-wide Policy as the Long-Term Management Policy as described below, to realize the vision described in the Basic Policy for the Group Management in (1) above.

<Medium- to Long-term Targets (the company in the future)>

- Leading company in domestic and overseas key markets
- Achieving high profitability and efficiency
- Achieving growth that exceeds the market growth rate

<Group-wide Policy>

- Optimization of business portfolio
- Comprehensive efforts to increase business competitiveness
- Creation of new products and businesses

2) Management Policies in the Medium-Term Management Strategy (for FY2018 - FY2020)

In the Medium-Term Management Strategy, we will pursue the Group-Wide Policy set in the Long-term Management Policy. To achieve a "accommodation to changes in the external environment" and the "Build a structure focusing on strategy," which were the issues in the previous Medium-Term Management Plan, we have made the shift from the "Medium-Term Management Plan" centering on financial plans in the past to the "Medium-Term Management Strategy" focusing on the planning and implementation of growth strategies.

a. Optimization of business portfolio

The Company will classify its business into three categories: stable growth business, growth promotion business and profitability restructuring business, and will promote selection and concentration and improve capital efficiency after determining a direction geared to the characteristics of each business and clarifying any issues. Stable growth business consists of the cement, metals (smelting), recycling and renewable energy businesses, and in this category, the Company will aim to strengthen its business foundations by maintaining and improving cost competitiveness. Growth promotion business consists of the metals (copper and copper alloy) and advanced materials & tools businesses, and here the Company will seek business development in adjacent fields and global markets to outperform market growth. Profitability restructuring business consists of the electronic materials & components and aluminum businesses. In this category, the Company will work promptly to solve issues and define the future direction of growth.

b. Comprehensive efforts to increase business competitiveness

We will improve and innovate “manufacturing” in the business divisions through the optimal use of technology management resources by enhancing the support system by the corporate divisions. With this, we will make comprehensive efforts to increase our business competitiveness by promoting “Differentiation” and “New development,” such as the development of new products and new manufacturing technologies, to become an entity that is one step ahead of other companies through early responses to changes in the business environment.

c. Creation of new products and businesses

To foster businesses that will become a future revenue foundation and create new businesses, we will create and foster new products and new businesses that will become the core for sustainable growth by positioning important social needs the Company should meet are identified as next-generation vehicles, internet of things (IoT) and artificial intelligence (AI), and building a rich, sustainable society. The Company plans to create and develop new products and new businesses that are vital for sustainable development.

In addition, we will promote specific measures, with the following items as key strategies.

- Achieve growth through innovation
- Create value by building a recycling-oriented society
- Increase the company’s market presence through investment for growth
- Increase efficiency through continuous improvement

<Issues in each business>

● Cement Business

In Japan, domestic demand for cement is expected to exceed the year-earlier level and stand at approximately 42 million tons, given that the construction of large projects including those related to the Olympic Games in 2020 and the linear Chuo Shinkansen (in some sections) are expected to gain momentum. Under these circumstances, we will work to secure sales volumes by steadily taking in demand for cement for the large projects.

In the United States, we expect the demand for cement and ready-mixed concrete to maintain its upward momentum, driven by increasing construction demand in the private sector. With these developments as a backdrop, we will seek to increase sales and profits by targeting an increase in sales volume of cement and ready-mixed concrete and further price revisions.

● Metals Business

While copper prices currently remain firm, we will keep a close watch on the market trends going forward, along with the foreign exchange and the stock market conditions.

In copper & copper alloy products, demand of products for automobiles and other products is expected to remain stable.

In this environment, we will continue to seek a shift toward a more solid structure less susceptible to price fluctuations by lowering the breakeven point through a reduction in energy costs and fixed cost. In copper smelting and refining, we will also make efforts to improve earnings by expanding recycling operations through building a system able to increase the treating volume of E-Scrap and treat difficult-to-be-processed waste, etc., while initiatives to achieve stable operations at smelters in Japan and overseas. In copper & copper alloy products, we will continue to increase profitability by enhancing sales competitiveness through the accelerated development of alloys, drawing on our technological and development capabilities.

● Advanced Materials & Tools Business

In the cemented carbide products, there are signs of recovery in the Chinese and North American markets, and we expect demand to increase, particularly among our main customer base in the automobile and aerospace industries over the medium to long term. Under these circumstances, we will add to sales bases and production bases and will expand our sales network. We will strive to promote sales, focusing on activities for receiving orders by industry and increasing direct sales to end users. Furthermore, we will continue working to stabilize our sourcing of tungsten, a key constituent, by improving the recycling ratio and through other efforts to diversify procurement sources.

Turning to the high-performance alloy products, we expect demand for our mainstay sintering parts to increase in line with growth in the automobile industry. The Group will work to increase earnings mainly by enhancing productivity at production locations.

● Electronic Materials & Components Business

In the advanced materials and chemical products, sales of products related to semiconductor manufacturing equipment are expected to remain firm. In addition, because demand of products for power modules is also increasing, opportunities to receive orders is expected to increase. We will strive to enhance profitability by using our core technological capabilities and strengthening our sales competiveness and our ability to make proposals to customers, always remaining a step ahead of customers' needs in each market.

In the electronic components, sales remain solid thanks to rising sales of products for home appliances and optical communication related equipment, although sales of products for information and telecommunications equipment are declining. In addition, we plan to expand sales of new surge protective devices (SPD). We will continue working to strengthen our business structure by introducing new products quickly and continuing to reduce costs.

In polycrystalline silicon, we will strive to improve quality and reduce costs by establishing a safety and efficient operating structure, thereby creating a business foundation able to ensure profits even when demand is weak.

● Aluminum Business

In the aluminum beverage cans, we will seek to achieve stable orders for regular cans and expand sales of aluminum bottle cans, our strategic products. We will also promote the advantageous procurement of raw materials, stable product quality and cost reduction.

In the rolled and processed aluminum products, we will endeavor to secure orders of products for beverage cans, automobiles and electronic materials in Japan. Overseas, we will work to expand sales of products for automobiles where demand is expected to increase.

We will also actively promote the recycling business of used aluminum cans.

3. Basic Concept of Selection of Accounting Standards

We are currently working to understand the content of the International Financial Reporting Standards (IFRS) and investigating and examining the impact of the IFRS on the Group. At this stage, however, we have yet to determine when we will adopt the IFRS.

4. Consolidated Financial Statements
(1) Consolidated balance sheet

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	60,123	141,264
Notes and accounts receivable-trade	233,093	213,343
Merchandise and finished goods	85,082	85,878
Work in process	83,694	101,643
Raw materials and supplies	89,875	100,757
Deferred tax assets	10,352	9,375
Gold receivable	89,360	110,458
Others	133,104	107,284
Allowance for doubtful accounts	(2,155)	(2,537)
Total current assets	782,530	867,469
Non-current assets		
Property, plant and equipment		
Buildings and improvements, net	155,277	154,828
Machinery, equipment and vehicles, net	209,769	213,586
Land, net	268,634	260,805
Construction in progress	21,769	23,091
Other, net	14,786	13,914
Total property, plant and equipment	670,237	666,226
Intangible assets		
Goodwill	48,986	43,436
Other	17,032	15,138
Total intangible assets	66,019	58,574
Investments and other assets		
Investment securities	212,606	252,067
Net defined benefit asset	342	393
Deferred tax assets	34,324	26,425
Others	33,385	31,332
Allowance for doubtful accounts	(6,070)	(5,549)
Total investments and other assets	274,588	304,669
Total non-current assets	1,010,845	1,029,470
Total assets	1,793,375	1,896,939

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	110,596	114,502
Short-term loans payable	200,527	203,819
Current portion of bonds payable	25,100	15,000
Income taxes payable	7,037	16,154
Deferred tax liabilities	138	352
Provision for bonuses	13,114	12,880
Gold payable	231,667	241,406
Provision for loss on disposal of inventories	626	637
Other	107,511	101,910
Total current liabilities	696,319	706,665
Non-current liabilities		
Bonds payable	40,000	55,000
Long-term loans payable	260,681	254,411
Provision for directors' retirement benefits	1,628	1,365
Provision for loss on business of subsidiaries and associates	1,760	4,137
Provision for environmental measures	13,358	32,568
Deferred tax liabilities	15,265	23,526
Deferred tax liabilities for land revaluation	26,532	25,590
Net defined benefit liability	63,544	56,037
Other	29,267	27,443
Total non-current liabilities	452,038	480,079
Total liabilities	1,148,358	1,186,744
Net assets		
Shareholders' equity		
Capital stock	119,457	119,457
Capital surplus	92,266	92,422
Retained earnings	303,026	333,526
Treasury stock	(1,953)	(2,017)
Total shareholders' equity	512,797	543,390
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,645	55,226
Deferred gains or losses on hedges	(199)	888
Revaluation reserve for land	34,282	34,930
Foreign currency translation adjustment	3,647	(1,418)
Remeasurements of defined benefit plans	(16,946)	(11,735)
Total accumulated other comprehensive income	42,430	77,891
Non-controlling interests	89,789	88,913
Total net assets	645,017	710,195
Total liabilities and net assets	1,793,375	1,896,939

(2) Consolidated statement of income and consolidated statements of comprehensive income
Consolidated statement of income

(Million yen)

	Year Ended March 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)	Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017)
Net sales	1,417,895	1,304,068
Cost of sales	1,204,322	1,104,402
Gross profit	213,573	199,665
Selling, general and administrative expenses	143,152	139,904
Operating profit	70,420	59,761
Non-operating profit		
Interest income	589	587
Dividend income	9,019	14,692
Rent income on non-current assets	5,005	4,863
Equity in earnings of affiliates	2,188	1
Other	4,895	2,666
Total non-operating profit	21,699	22,811
Non-operating expenses		
Interest expenses	6,694	4,922
Loss on retirement of non-current assets	3,366	4,076
Rent expenses on non-current assets	3,174	3,061
Settlement expenses of remaining business in mines	2,865	3,565
Other	3,576	3,020
Total non-operating expenses	19,677	18,646
Ordinary income	72,442	63,925
Extraordinary income		
Gain on sales of investment securities	19,188	19,072
Gain on sales of non-current assets	6,322	16,545
Insurance income	5,224	2,400
Gain on change in equity	10,464	–
Gain on redemption of investment securities	1,234	–
Other	3,508	503
Total extraordinary income	45,942	38,522
Extraordinary losses		
Provision for environmental measures	10,841	23,912
Impairment loss	3,610	9,977
Loss on valuation of investment securities	2,539	5,049
Loss on business withdrawal	7,517	–
Loss on suspension of operations	2,628	–
Other	8,568	3,924
Total extraordinary losses	35,705	42,863
Income before income taxes	82,680	59,584
Income taxes - current	17,905	24,594
Income taxes - deferred	(2,760)	(583)
Total income taxes	15,144	24,011
Net income	67,536	35,573
Net income attributable to non-controlling interests	6,219	7,220
Net income attributable to owners of parent	61,316	28,352

Consolidated statements of comprehensive income

(Million yen)

	Year Ended March 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)	Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017)
Net income	67,536	35,573
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,165)	33,676
Deferred gains or losses on hedges	1,044	635
Revaluation reserve for land	1,490	–
Foreign currency translation adjustment	(11,326)	(6,009)
Remeasurements of defined benefit plans	(14,369)	4,758
Equity in earnings of affiliates	(3,544)	88
Total other comprehensive income	(47,872)	33,150
Comprehensive income	19,664	68,723
(Breakdown)		
Comprehensive income attributable to owners of parent	16,451	62,777
Comprehensive income attributable to non-controlling interests	3,212	5,946

(3) Consolidated statement of changes in equity

Year Ended March 31, 2016 (Apr. 1, 2015–Mar. 31, 2016) (Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury share	Total shareholders' equity
Balance at beginning of current period	119,457	92,272	252,858	(1,865)	462,723
Cumulative effects of changes in accounting policies			805		805
Restated balance	119,457	92,272	253,664	(1,865)	463,529
Changes of items during period					
Dividends of surplus			(13,101)		(13,101)
Net income attributable to owners of parent			61,316		61,316
Reversal of revaluation reserve for land			843		843
Increase associated with the increase number of consolidated subsidiaries			304		304
Increase associated with the decrease number of equity method affiliates					
Purchase of treasury shares				(89)	(89)
Disposal of treasury shares		(0)		1	1
Retirement of treasury shares					
Change in ownership interest of parent due to transactions with non-controlling interests		(5)			(5)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(5)	49,362	(88)	49,268
Balance at end of current period	119,457	92,266	303,026	(1,953)	512,797

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	42,717	(1,025)	33,856	15,746	(3,256)	88,039	78,751	629,514
Cumulative effects of changes in accounting policies								805
Restated balance	42,717	(1,025)	33,856	15,746	(3,256)	88,039	78,751	630,319
Changes of items during period								
Dividends of surplus								(13,101)
Net income attributable to owners of parent								61,316
Reversal of revaluation reserve for land								843
Increase associated with the increase number of consolidated subsidiaries								304
Increase associated with the decrease number of equity method affiliates								
Purchase of treasury shares								(89)
Disposal of treasury shares								1
Retirement of treasury shares								
Change in ownership interest of parent due to transactions with non-controlling interests								(5)
Net changes of items other than shareholders' equity	(21,071)	826	426	(12,099)	(13,690)	(45,608)	11,038	(34,570)
Total changes of items during period	(21,071)	826	426	(12,099)	(13,690)	(45,608)	11,038	14,697
Balance at end of current period	21,645	(199)	34,282	3,647	(16,946)	42,430	89,789	645,017

Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017) (Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury share	Total shareholders' equity
Balance at beginning of current period	119,457	92,266	303,026	(1,953)	512,797
Cumulative effects of changes in accounting policies					
Restated balance	119,457	92,266	303,026	(1,953)	512,797
Changes of items during period					
Dividends of surplus			(9,170)		(9,170)
Net income attributable to owners of parent			28,352		28,352
Reversal of revaluation reserve for land			(1,165)		(1,165)
Increase associated with the increase number of consolidated subsidiaries			127		127
Increase associated with the decrease number of equity method affiliates			12,355		12,355
Purchase of treasury shares				(63)	(63)
Disposal of treasury shares		(0)			(0)
Retirement of treasury shares			(0)		(0)
Change in ownership interest of parent due to transactions with non-controlling interests		157			157
Net changes of items other than shareholders' equity					
Total changes of items during period	–	156	30,499	(63)	30,592
Balance at end of current period	119,457	92,422	333,526	(2,017)	543,390

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	21,645	(199)	34,282	3,647	(16,946)	42,430	89,789	645,017
Cumulative effects of changes in accounting policies								
Restated balance	21,645	(199)	34,282	3,647	(16,946)	42,430	89,789	645,017
Changes of items during period								
Dividends of surplus								(9,170)
Net income attributable to owners of parent								28,352
Reversal of revaluation reserve for land								(1,165)
Increase associated with the increase number of consolidated subsidiaries								127
Increase associated with the decrease number of equity method affiliates								12,355
Purchase of treasury shares								(63)
Disposal of treasury shares								(0)
Retirement of treasury shares								(0)
Change in ownership interest of parent due to transactions with non-controlling interests								157
Net changes of items other than shareholders' equity	33,581	1,087	647	(5,066)	5,211	35,460	(876)	34,584
Total changes of items during period	33,581	1,087	647	(5,066)	5,211	35,460	(876)	65,177
Balance at end of current period	55,226	888	34,930	(1,418)	(11,735)	77,891	88,913	710,195

(4) Consolidated statement of cash flows

(Million yen)

	Year Ended March 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)	Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017)
Cash flow from operating activities		
Income before income taxes	82,680	59,584
Depreciation	56,395	56,748
Amortization of goodwill	4,447	4,048
Increase (decrease) in allowance for doubtful accounts	(38)	(173)
Increase (decrease) in provision for loss on business of subsidiaries and associates	552	3,021
Increase (decrease) in provision for environmental measures	8,799	19,210
Increase (decrease) in net defined benefit liability and directors' retirement benefits	1,136	(761)
Interest and dividend income	(9,609)	(15,279)
Interest expenses	6,694	4,922
Share of (profit) loss of entities accounted for using equity method	(2,188)	(1)
Loss (gain) on sales of property, plant and equipment	(5,863)	(16,431)
Loss on retirement of non-current assets	3,366	4,076
Impairment loss	3,610	9,977
Loss on business withdrawal	7,517	–
Loss (gain) on sales of investment securities	(18,164)	(19,014)
Loss (gain) on valuation of investment securities	2,539	5,049
Loss (gain) on redemption of investment securities	(1,234)	–
Loss (gain) on change in equity	(10,464)	–
Decrease (increase) in notes and accounts receivable - trade	(3,519)	14,498
Decrease (increase) in inventories	38,913	(32,982)
Proceeds from sales of gold bullion	79,994	79,991
Purchase of gold bullion	(77,114)	(79,599)
Decrease (increase) in other current assets	17,373	9,374
Increase (decrease) in notes and accounts payable - trade	(16,188)	8,818
Increase (decrease) in accrued expenses	3,105	(2,202)
Increase (decrease) in other current liabilities	(25,230)	1,961
Increase (decrease) in other non-current liabilities	(20)	697
Other	(15,745)	4,870
Subtotal	131,743	120,406
Interest and dividend income received	12,139	16,426
Interest expenses paid	(7,173)	(4,962)
Income taxes (paid) refund	(18,023)	(16,317)
Net cash provided by (used in) operating activities	118,685	115,552

(Million yen)

	Year Ended March 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)	Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017)
Cash flow from investing activities		
Purchase of property, plant and equipment	(71,469)	(76,838)
Proceeds from sales of property, plant and equipment	19,110	24,359
Purchase of intangible assets	(2,897)	(1,283)
Purchase of investment securities	(2,922)	(494)
Proceeds from sales of investment securities	32,987	32,915
Proceeds from redemption of investment securities	18,000	–
Purchase of shares of subsidiaries	(132)	(2,224)
Proceeds from sales of shares of subsidiaries	–	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(15,572)	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	455	2,157
Payments for withdrawal from business	(7,548)	–
Proceeds from transfer of business	–	2,176
Payments of loans receivable	(1,100)	(2,253)
Collection of loans receivable	1,942	128
Other	(834)	(5,199)
Net cash provided by (used in) investing activities	(29,982)	(26,557)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	(28,243)	11,155
Proceeds from long-term loans payable	31,433	42,066
Repayments of long-term loans payable	(79,917)	(54,488)
Increase (decrease) in commercial papers	(5,000)	–
Proceeds from issuance of bonds	–	30,000
Redemption of bonds	(20,040)	(25,100)
Purchase of treasury shares	(90)	(65)
Cash dividends paid	(13,101)	(9,170)
Dividends paid to non-controlling interests	(1,989)	(6,201)
Other	(3,527)	(3,899)
Net cash provided by (used in) financing activities	(120,477)	(15,703)
Effect of exchange rate change on cash and cash equivalents	(2,803)	(55)
Net increase (decrease) in cash and cash equivalents	(34,577)	73,237
Cash and cash equivalents at beginning of period	92,079	58,482
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	980	896
Cash and cash equivalents at end of period	58,482	132,616

Segment information

[Segment Information]

1. Overview of reporting segments

(1) Method of determining reporting segments

The reporting segments of Mitsubishi Materials Corporation are those units of the Company for which separate financial statements are available and which are subject to regular review by the Board of Directors to determine the allocation of management resources and evaluate business results.

The Company has adopted an internal-company structure, and each internal company and each business division and department carry out their business activities by formulating comprehensive strategies in Japan and overseas for the products and services they handle.

Therefore, the Company consists of segments according to products and services based on the internal companies and positions five businesses, namely Cement, Metals, Advanced Materials & Tools, Electronic Materials & Components, and Aluminum with high importance in the business divisions and departments as the reporting segments.

(2) Types of products and services belonging to each reporting segment

The main products in each business are as follows.

(i) Cement	Cement, cement-related products, ready-mixed concrete, aggregates
(ii) Metals	Copper smelting and refining (copper, gold, silver, sulfuric acid, etc.), copper & copper alloy products
(iii) Advanced Materials & Tools	Cemented carbide products, high-performance alloy products
(iv) Electronic Materials & Components	Advanced materials, electronic components, polycrystalline silicon, chemical products
(v) Aluminum	Aluminum beverage cans, rolled and processing aluminum products

2. Method of calculating the amounts of net sales, income and losses, assets, liabilities and other items for each reporting segment

Figures for income in the reporting segments are based on ordinary income.

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

(Application of Practical Solution regarding in depreciation method due to Tax Reform 2016)

As stated in “Changes in accounting policies,” the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” from the consolidated fiscal year under review. It also changed the depreciation method for facilities attached to buildings and structures that were acquired on or after April 1, 2016, switching from the declining-balance method to the straight-line method.

The impact of this change on segment income for the consolidated fiscal year under review is minor.

3. Information relating the amounts of net sales, income and losses, assets, liabilities and other items for each reporting segment

Year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Adjustment amount	Amount reported in consolidated financial statements
Net sales									
(1) Outside customers	194,113	680,431	133,550	56,374	156,854	196,570	1,417,895	–	1,417,895
(2) Within consolidated group	3,386	8,290	18,117	13,880	1,810	46,697	92,182	(92,182)	–
Total	197,500	688,721	151,668	70,254	158,665	243,268	1,510,077	(92,182)	1,417,895
Segment income	19,710	27,048	14,965	6,339	3,641	9,936	81,642	(9,199)	72,442
Segment assets	353,523	654,099	221,620	107,402	149,446	190,276	1,676,370	117,005	1,793,375
Segment liabilities	179,737	496,729	127,677	98,322	114,552	144,438	1,161,459	(13,100)	1,148,358
Other items									
Depreciation	12,335	15,757	11,257	3,428	7,322	3,511	53,612	2,782	56,395
Amortization of goodwill	3,191	—	1,248	—	—	7	4,447	—	4,447
Interest income	74	327	71	117	11	435	1,038	(448)	589
Interest expenses	1,923	2,014	1,078	999	712	935	7,664	(969)	6,694
Share of profit or loss of entities accounted for using equity method	1,358	(3,351)	610	4,152	107	(607)	2,270	(81)	2,188
Investment in equity method affiliates	20,338	17,877	5,936	39,980	740	13,965	98,839	(165)	98,674
Increase in property, plant and equipment and intangible assets	17,561	22,968	17,674	3,535	7,196	6,079	75,016	3,087	78,103

Notes: 1. "Others" includes nuclear energy-related services, environmental and recycling-related business, real estate business, and engineering-related services.

2. "Adjustment amount" of segment income of -¥9,199 million includes the elimination of intersegment transactions of -¥61 million and corporate expenses of -¥9,138 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.

3. "Adjustment amount" of segment assets of ¥117,005 million includes the elimination of intersegment transactions of -¥32,763 million and corporate assets of ¥149,768 million which are not distributed to the reporting segments. Corporate assets consist mainly of assets pertaining to the administrative divisions that do not belong to the reporting segment and assets for basic experiment and research.

4. "Adjustment amount" of segment liabilities of -¥13,100 million includes the elimination of intersegment transactions of -¥23,597 million and corporate liabilities of ¥10,497 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities pertaining to the administrative divisions that do not belong to the reporting segment and liabilities in basic experiment and research.

5. "Adjustment amount" of the increase in property, plant and equipment and intangible assets of ¥3,087 million consists mainly of capital expenditure of Central Research Institute.

6. Segment income has been adjusted together with ordinary income on the consolidated statements of income.

Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Adjustment amount	Amount reported in consolidated financial statements
Net sales									
(1) Outside customers	174,361	621,313	126,834	56,472	154,017	171,069	1,304,068	–	1,304,068
(2) Within consolidated group	3,205	8,157	16,581	6,614	1,944	47,177	83,680	(83,680)	–
Total	177,566	629,470	143,415	63,087	155,962	218,246	1,387,748	(83,680)	1,304,068
Segment income	20,520	27,513	9,913	2,802	7,480	7,177	75,407	(11,481)	63,925
Segment assets	345,604	685,941	212,347	134,817	150,770	183,453	1,712,934	184,005	1,896,939
Segment liabilities	168,274	520,075	120,358	85,767	111,069	133,179	1,138,725	48,018	1,186,744
Other items									
Depreciation	11,463	16,041	11,873	3,442	7,323	3,706	53,851	2,896	56,748
Amortization of goodwill	2,798	–	1,243	–	–	6	4,048	–	4,048
Interest income	93	340	21	163	13	323	956	(369)	587
Interest expenses	1,513	1,686	934	840	672	744	6,391	(1,469)	4,922
Share of profit or loss of entities accounted for using equity method	914	357	158	1,293	118	(2,878)	(35)	36	1
Investment in equity method affiliates	20,653	14,143	5,922	1,768	840	10,949	54,277	(155)	54,122
Increase in property, plant and equipment and intangible assets	20,517	19,339	14,719	2,946	8,658	4,185	70,367	5,318	75,685

Notes:
1. “Others” includes nuclear energy-related services, environmental and recycling-related business, real estate business, and engineering-related services.
2. “Adjustment amount” of segment income of -¥11,481 million includes the elimination of intersegment transactions of -¥44 million and corporate expenses of -¥11,436 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.
3. “Adjustment amount” of segment assets of ¥184,005 million includes the elimination of intersegment transactions of -¥31,781 million and corporate assets of ¥215,786 million which are not distributed to the reporting segments. Corporate assets consist mainly of assets pertaining to the administrative divisions that do not belong to the reporting segment and assets for basic experiment and research.
4. “Adjustment amount” of segment liabilities of ¥48,018 million includes the elimination of intersegment transactions of -¥26,673 million and corporate liabilities of ¥74,692 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities pertaining to the administrative divisions that do not belong to the reporting segment and liabilities in basic experiment and research.
5. “Adjustment amount” of the increase in property, plant and equipment and intangible assets of ¥5,318 million consists mainly of capital expenditure of Central Research Institute.
6. Segment income has been adjusted together with ordinary income on the consolidated statements of income.

[Related information]

Year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

1. Information by product and service

The note is omitted because the same information is disclosed in the Segment Information.

2. Information by region

(1) Net sales (Million yen)

Japan	The United States	Europe	Asia	Other	Total
910,894	116,555	30,414	345,356	14,673	1,417,895

(2) Property, plant and equipment (Million yen)

Japan	The United States	Europe	Asia	Other	Total
542,148	90,490	1,878	33,972	1,747	670,237

1. Categories of country and region are based on geographical proximity.
2. Main countries and regions belonging to categories other than the United States
   (1) Europe Germany, the United Kingdom, Spain and France
   (2) Asia Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   (3) Other Australia, Canada and Brazil

3. Information by main customer

The note is omitted because there is no customer who accounts for 10% or more of net sales in the consolidated statement of income.

Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

1. Information by product and service

The note is omitted because the same information is disclosed in the Segment Information.

2. Information by region

(1) Net sales (Million yen)

Japan	The United States	Europe	Asia	Other	Total
752,169	133,646	37,851	366,916	13,484	1,304,068

(2) Property, plant and equipment (Million yen)

Japan	The United States	Europe	Asia	Other	Total
538,516	86,544	1,982	37,525	1,656	666,226

1. Categories of country and region are based on geographical proximity.
2. Main countries and regions belonging to categories other than the United States
   (1) Europe Germany, the United Kingdom, Spain and France
   (2) Asia Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   (3) Other Australia, Canada and Brazil

3. Information by main customer

The note is omitted because there is no customer who accounts for 10% or more of net sales in the consolidated statement of income.

[Information relating to impairment losses of noncurrent assets by reporting segment]

Year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Impairment loss	329	1,818	–	–	–	1,368	3,516	93	3,610

(Note) Adjustment of impairment loss of ¥93 million consists mainly of the impairment loss of assets for rent.

Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Impairment loss	36	183	7,045	1,699	–	519	9,484	493	9,977

(Note) Adjustment of impairment loss of ¥493 million consists mainly of the impairment loss of assets for rent.

[Information relating to amortization and unamortized balance of goodwill by reporting segment]

Year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2016	3,191	–	1,248	–	–	7	4,447	–	4,447
Unamortized balance at the end of the fiscal year ended March 31, 2016	37,969	–	11,006	–	–	10	48,986	–	48,986

The amortization and the unamortized balance of negative goodwill arising from business combination, etc. conducted before April 1, 2010 are as follows.

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2016	–	–	–	–	–	–	–	–	–
Unamortized balance at the end of the fiscal year ended March 31, 2016	–	2,221	–	–	–	–	2,221	–	2,221

Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2017	2,798	–	1,243	–	–	6	4,048	–	4,048
Unamortized balance at the end of the fiscal year ended March 31, 2017	33,676	–	9,756	–	–	2	43,436	–	43,436

The amortization and the unamortized balance of negative goodwill arising from business combination, etc. conducted before April 1, 2010 are as follows.

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2017	–	–	–	–	–	–	–	–	–
Unamortized balance at the end of the fiscal year ended March 31, 2017	–	2,221	–	–	–	–	2,221	–	2,221

[Information relating to gain on bargain purchase by reporting segment]

Year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

Not applicable

Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable

Per-share information

	Year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)
Net assets per share	4,238.35 yen	4,743.27 yen
Net income per share	468.03 yen	216.44 yen

(Notes) 1. Diluted net income per share is not stated because there are no dilutive shares.

2. A consolidation of shares of the Company's common stock at a 10:1 ratio was conducted, with an effective date of October 1, 2016. Associated with this, net assets per share and net income per share are calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

3. The basis for the calculation of net income per share is as follows.

	Year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)
Net income per share		
Net income attributable to owners of parent (million yen)	61,316	28,352
Amount not attributable to ordinary shareholders (million yen)	–	–
Net income attributable to owners of parent pertaining to common stock (million yen)	61,316	28,352
Average number of shares issued during terms (thousand shares)	131,010	130,993

Important Subsequent Events

(Business Combination by Acquisition Method)

The Company signed a share transfer agreement dated September 28, 2016, with Luvata Espoo Oy and its two subsidiaries, for the acquisition of the Special Products Division ("Luvata SP") of the Luvata Group through equity acquisition and business transfer.

On May 2, 2017, the Company acquired Luvata SP through a subsidiary, MMC Copper Products Oy.

1. Overview of the Business Combination

(1) The acquired company and the description

Acquired companies: 14 companies belonging to Luvata SP

Business: Manufacture and sale of copper processed products

(2) Main reason for the business combination

The purpose of the business combination is to accelerate the global expansion of the Copper & Copper Alloy Products business of the Company by pursuing various synergies though the business and customer bases of the Special Products Division of Luvata and to lead it to the establishment of a high-profitable business structure

(3) Date of the business combination

May 2, 2017

(4) Legal form of the business combination

Acquisition of shares and business transfer

(5) Name of the companies after the business combination

No change

(6) Percentage of voting rights acquired

100%

(7) Main grounds for deciding on the acquisition of the companies

The Company came to practically control the acquired companies.

2. Acquisition Cost and Breakdown

Consideration for acquisition:	cash and deposits of 40,129 million yen (approximation)
Acquisition cost:	40,129 million yen (approximation)

(Note) The amount above is calculated from the acquisition cost in euro, 335 million euros, using the exchange rate on March 31, 2017. The amount may change due to price adjustments, among other reasons.

3. Goodwill Generated, Reason for Goodwill, Amortization Method, and Amortization Period

Being calculated

4. Breakdown of Assets Accepted and Liabilities Assumed on the Date of Business Combination

Being calculated