

Annual Report 2017

For the year ended, March 31, 2017

 **MITSUBISHI MATERIALS CORPORATION**

“Transformation for Growth”

CONTENTS

Introduction

- P.01** ▶ Corporate Philosophy
- P.02** ▶ Corporate History
- P.03** ▶ At a Glance

Management & Strategy

- P.04** ▶ Message from the President

Performance Report and Future Initiatives

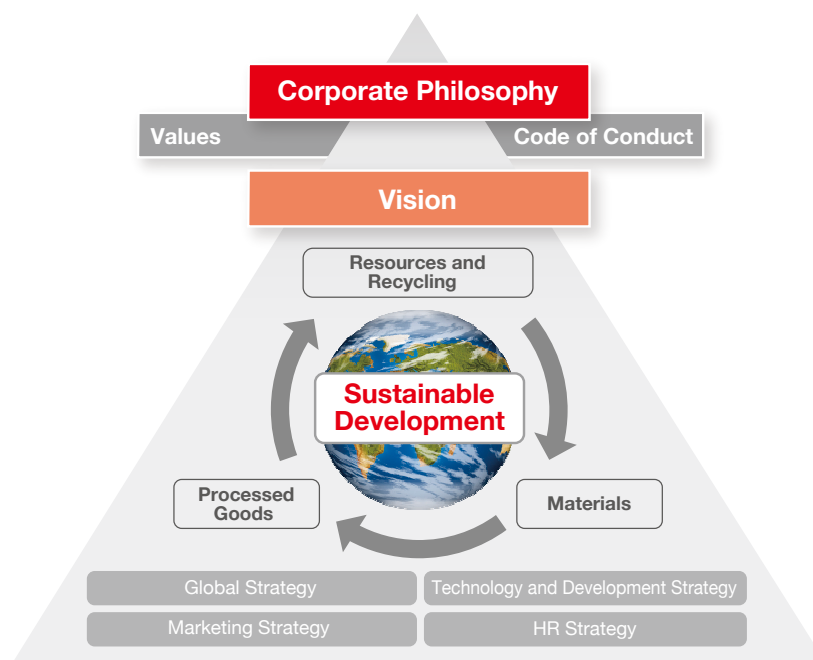
- P.10** ▶ Financial Highlights
- P.12** ▶ Review of Operations
 - P.12** Cement
 - P.13** Metals
 - P.14** Advanced Materials & Tools
 - P.15** Electronic Materials & Components
 - P.16** Aluminum
 - P.16** Others
- P.17** ▶ Research & Development
- P.18** ▶ Corporate Social Responsibility (CSR)
- P.19** ▶ Corporate Governance
- P.20** ▶ Management

Financial Section

- P.22** Management's Discussion and Analysis
- P.25** Business Risks
- P.27** Consolidated Balance Sheets
- P.29** Consolidated Statements of Income
- P.29** Consolidated Statements of Comprehensive Income
- P.30** Consolidated Statements of Changes in Net Assets
- P.32** Consolidated Statements of Cash Flows
- P.33** Notes to Consolidated Financial Statements
- P.62** Independent Auditor's Report
- P.63** Main Consolidated Subsidiaries and Affiliates
- P.64** Corporate Data
- P.65** Investor Information



When we formulated the FY2020 Strategy, we revised our Corporate Philosophy, Vision, Values, Code of Conduct, and Company logo.



Corporate Philosophy

For People, Society and the Earth.

Vision

We will become the leading business group committed to creating a sustainable world through materials innovation, with use of our unique and distinctive technologies, for People, Society and the Earth.

Values

Respect Diversity and Teamwork

We want to stimulate innovation through teamwork by creating an environment of self-improvement whilst always respecting diversity.

Act with Integrity, Speed and Determination

We are committed to act with integrity above all, also with speed and determination to overcome difficulties.

Tireless Efforts to Meet the Needs of our Customers and Society

We will continue to unite our efforts to identify what is material for our customers and society and to provide superior products at fair price.

Code of Conduct

Article 1	Respect Human Rights	We will respect human rights of all.
Article 2	Safety First	We are committed to providing a safe and healthy environment for all our stakeholders.
Article 3	Compliance	We will comply with all laws and regulations where we operate and conduct fair business activities in good faith.
Article 4	Mutual Prosperity	We will contribute to the development of each region and build a harmonious relationship of mutual prosperity with local communities.
Article 5	Environmental Management	We will work to manage our environmental impact and promote the effective use of natural resources and recycling.

Revised Company Logo

Established on April 1, 2017

New company logo

 三菱マテリアル株式会社

 MITSUBISHI MATERIALS CORPORATION

 三菱総合材料株式会社

Corporate History

The original starting point for the company known today as Mitsubishi Materials was as the mining business of Tsukumo Shokai, the roots of the Mitsubishi Group. For over 140 years, the company has grown, developing its activities along with the modernization of Japan. Mitsubishi Materials joins the companies of the Mitsubishi Group in striving to contribute to the creation of a comfortable global community in the 21st century.

In Step with Modern Japan

The corporate history of the Mitsubishi Group mirrors the modernization of Japan that began with the Meiji Restoration in 1868. The man who laid the cornerstone of the group, during in this era was founder Yataro Iwasaki. It was Yataro who, in 1870, established Tsukumo Shokai, a shipping company, and aggressively invested in coal and mineral mining, which grew into a key pillar of operations for Mitsubishi.



The Three Principles (Mitsubishi Archives)



Founder Yataro Iwasaki
(Mitsubishi Archives)

1871	Tsukumo Shokai, precursor to Mitsubishi Shokai, leases a coal mine from the Shingu clan in Kishu, and enters the mining business.
1873	Mitsubishi Shokai, precursor to Mitsubishi Goshi Kaisha, acquires the Yoshioka Mine in Okayama prefecture, and enters the metal mining business.
1893	Mitsubishi Goshi Kaisha is established.
1896	Buys a refinery in Osaka from the government and enters the metal refining business.
1917	Establishes the Mining Research Institute, now the Central Research Institute. Establishes the Naoshima Smelter & Refinery.

Decentralized, Diversified Businesses Get New Start in Postwar Japan

In the 1920s, the divisions of the Mitsubishi Goshi Kaisha split off into companies. Mitsubishi Mining Company Ltd., was established and assumed the assets of mining-related divisions. The energetic development of Mitsubishi Mining laid the foundation that supports the technical capabilities of today's Mitsubishi Materials. After World War II, the company was split into two mining interests, one for coal and the other for metals, in accordance with a law to eliminate excessive concentrations of economic power held by some corporate groups.



Niigata Metals Plant (now Diamet Corp.)

1918	Mitsubishi Mining Company Ltd., established and takes over the coal and metal mining operations of the Mitsubishi Goshi Kaisha as well as operation of the research facility.
1920	Kanda Plant (now Kyushu Plant) established by Hokoku Cement Corp.
1942	Tokyo Metals Plant (now Tsukuba Plant) made into independent operation and begins full-scale production of cutting tools.
1944	Niigata Metals Plant (now Diamet Corp.) established to manufacture sintered products.
1945	Nonferrous Metals Plant (now Hitachi Metals MMC Superalloy, Ltd.) established and begins production of special copper alloy.
1950	Breakup of coal (Mitsubishi Mining Co., Ltd.) and metal (Taihei Mining Co., Ltd.) divisions due to law regarding decentralization.

Rebuilding along with Society after the war

Japan was the scene of unprecedented economic growth in the 1950s and the 1960s. In response to energy reforms, the business activities of the independent coal and metal mining operations were reorganized. The new divisional makeup contributed to better lifestyles for the people of Japan.



Mitsubishi Cement Kurosaki Plant (1956)
(now Kurosaki Plant, Kyushu)

1954	Mitsubishi Cement Corp. is established and enters the cement business.
1959	Japan Electronic Metals Co., Ltd., is established and enters the field of high-purity silicon for semiconductors.
1962	Mitsubishi Reynolds Aluminum (now Mitsubishi Aluminum Co., Ltd.) is established.
1971	Mitsubishi Nuclear Fuel Co., Ltd., is established to manufacture nuclear fuels.
1972	Fujiyama Plant is established and enters the aluminum beverage can business.
1973	Mitsubishi Mining, Mitsubishi Cement and Hokoku Cement merge into Mitsubishi Mining & Cement Co., Ltd. Mitsubishi Metal Mining changes name to Mitsubishi Metal Corporation.
1976	Production and sales of ceramic electronic components begins.
1988	Mitsubishi Cement Corp. is established in the United States, marking entry into the overseas cement business.

Into the Future as Mitsubishi Materials

The 1990s was a time of considerable political, economic and social upheaval around the world. This decade brought an end to the cold war, the development of a sophisticated information society, upheavals in world economy and greater internationalization. Another major development was the 1990 merger of Mitsubishi Metal and Mitsubishi Mining & Cement into Mitsubishi Materials Corporation.



At Press Conference April 1990
Mitsubishi Metal President Takeshi Nagano (left)
Mitsubishi Mining & Cement
President Masaya Fujimura (right)

1990	Mitsubishi Metal and Mitsubishi Mining & Cement merged to form Mitsubishi Materials Corporation on December 1.
1991	Merges with Tohoku Kaihatsu Co., Ltd.
1996	PT. Smelting is established and marking entry into the copper smelting business in Indonesia.
1998	Forms comprehensive business tie-up with Ube Industries, Ltd. and establishes Ube-Mitsubishi Cement Corp.
1999	Commences the recycle business of home appliances waste.
2000	Strengthens tool business with acquisition of Kobelco Tool Co., Ltd. (now Akashi Plant)
2002	Integrates silicon wafer business with that of Sumitomo Metal Industries, Ltd. (now Nippon Steel & Sumitomo Metal Corp.) to create Sumitomo Mitsubishi Silicon Corp. (now SUMCO Corp.)
2004	Integrates copper tube business with that of Kobe Steel, Ltd. to create Kobelco & Materials Copper Tube Co., Ltd
2005	Commences Universal Can Corporation by integrating aluminum beverage can business with Hokkai Can Co., Ltd.
2007	Merger with Mitsubishi Materials Polycrystalline Silicon Co., Ltd. Yokkaichi Plant was inaugurated. Merger with Mitsubishi Materials Tools Co., Ltd. Akashi Plant was inaugurated.
2015	Hitachi Tool Engineering, Ltd., became consolidated subsidiary and changed its name to Mitsubishi Hitachi Tool Engineering, Ltd.

At a Glance

Fiscal Year Ended March 31, 2017



Others
13.1%

Major Products and Services

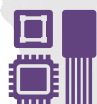
- Environment- and recycling- related products
- Renewable energy
- Fossil fuels
- Nuclear energy-related services
- Engineering, real estate, etc.



Aluminum
11.8%

Major Products and Services

- Aluminum beverage cans
- Rolled or extruded aluminum products
- Processed aluminum products



Electronic Materials & Components
4.3%

Major Products and Services

- Advanced materials
- Chemical products
- Electronic components
- Polycrystalline silicon



Cement
13.4%

Major Products and Services

- Portland cement
- Cement-related products
- Ready-mixed concrete



Metals
47.6%

Major Products and Services

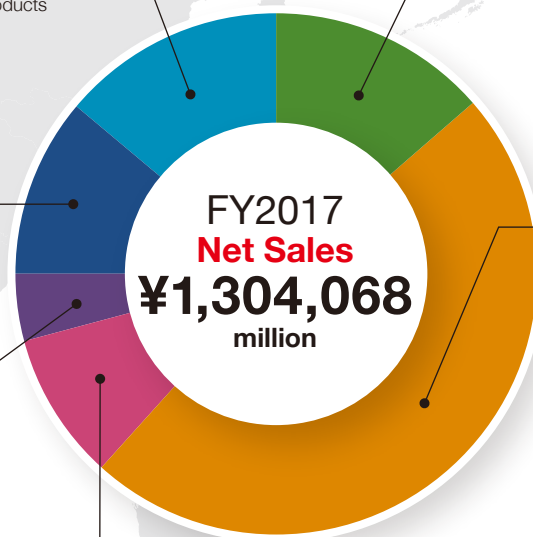
- Copper mines
- Copper and copper alloy products
- Precious metals



Advanced Materials & Tools
9.7%

Major Products and Services

- Cemented carbide products
- Sintering parts



(Billions of yen)

Segment	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others
Net sales	¥ 174.3	¥ 621.3	¥ 126.8	¥ 56.4	¥ 154.0	¥ 171.0
Operating profit	20.9	17.3	11.7	2.4	7.8	10.1

➤ Non-Financial Highlights

Cement

6,390,000 tons

Kyushu Plant's annual clinker production volume (FY2017): No. 1 in Japan*
* Mitsubishi Materials' estimate

Cement

3,967,000 tons

Annual amount of waste and by-products accepted (FY2017)

Metals

140,000 tons

E-Scrap acceptance and treatment capacity (FY2017): No. 1 in the world*
* Mitsubishi Materials' estimate

Metals

141,000 tons

Annual sales volume of processed copper and copper alloy products (FY2017): No. 1 in Japan for copper strip and copper sheet products*
* By weight, Mitsubishi Materials' estimate

Advanced Materials & Tools

5 Facilities

- Number of technical center facilities for the cemented carbide products business (FY2017).
- Completion of Central Japan Technical Center in June 2017.
- Through the deployment of six facilities around the world, enhancing our value-added proposals as a set alongside solutions.

Advanced Materials & Tools

38 Facilities

- Number of overseas sales bases in the cemented carbide products business (FY2017). In FY2018, we plan to add two more sales bases in China.

Message from the President

“For People, Society and the Earth”
We will become the leading business group
committed to creating a sustainable
world through materials innovation,
with use of our unique and distinctive
technologies, for People,
Society and the Earth.

June 28, 2017

Akira Takeuchi,
President




► Management & Strategy

Mitsubishi Materials Corporation announced its medium-term management strategy for FY2018–2020 (hereinafter the “FY2020 Strategy”) on May 11, 2017.

■ Review of Previous Medium-term Management Plan (“FY2017 Plan”)

Under the previous medium-term management plan, the Company developed a Group-wide growth strategy: fortifying the foundation for growth, strengthening global competitiveness, and pursuing a recycling-based business model. It implemented a range of initiatives, including M&A in Japan and overseas, expansion in production and sales locations in overseas countries, and strengthening of recycling facilities.

As a result, we planted seeds for growth to prepare for the future, as well as the Company achieved its target net debt-to-equity (D/E) ratio of 1.0 or lower in FY2017. However, the Company could not meet its targets for consolidated operating profit, ordinary income, and ROA (ordinary income to total assets).

The Company’s failure to achieve its targets can be attributed to various factors: stagnation of demand in Japan and North America and the decline of export prices mainly in Asia in the Cement Business; falling copper prices and decreased sales of copper and copper alloy products in the Metals Business; and a delay in the effect of initiatives to expand sales, decreased sales largely due to the economic slowdown in China and a delay in the reduction of fixed costs in the Advanced Materials & Tools

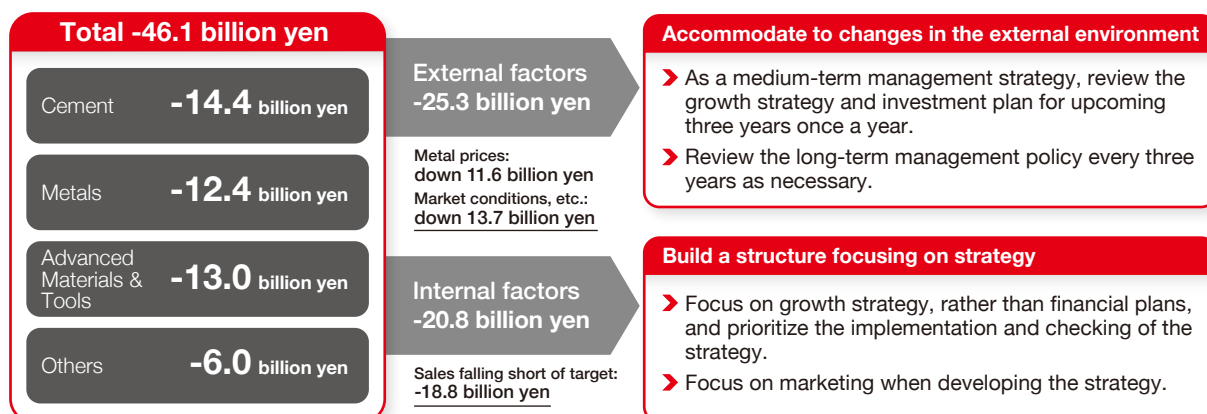
■ Business Performance (Consolidated)

Financial Indicators	FY2017 Targets	Result		
		FY2015	FY2016	FY2017
Operating profit (¥ billions)	100	71.8	70.4	59.7
Ordinary income (¥ billions)	110	81.0	72.4	63.9
ROA (ordinary income to total assets, %)	6	4.4	3.9	3.5
Net D/E ratio (times)	1.0 or lower	1.0	0.8	0.6

Assumptions	Assumptions for FY2017 Plan	FY2017 Results
Average TTM (yen/\$)	100	108
Average TTM (yen/€)	130	119
Copper price (¢/lb)	300	234

Business. In addition to such external factors as falling copper prices and the slowing Chinese economy, there were also internal factors such as the non-implementation or delayed implementation of important strategies and a delay in the effect of initiatives to expand sales. Accordingly, the Company recognizes that accommodating changes in the external environment and building a structure focusing on strategy are issues.

■ Profit Targets Not Met by Final Year of FY2017 Plan (ordinary income)



Overview of New Medium-term Management Strategy ("FY2020 Strategy")

Recently, when formulating the FY2020 Strategy, the Company reviewed its long-term management policy as a policy looking 10 years ahead.

The Mitsubishi Materials Group's Philosophy is "For People, Society and the Earth" and its Vision is "We will become the leading business group committed to creating a sustainable world through materials innovation, with use of our unique and distinctive technologies, for People, Society and the Earth."

To realize its Vision, the Company has adopted its long-term management policy which consists of medium- and long-term targets (the Company in the future) and a Group-wide policy. Details are as follows:

First, as for the "Optimization of business portfolio," the Company will classify its business into three categories as the following table, 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.

■ Overview of FY2020 Strategy



■ Optimization of Business Portfolio

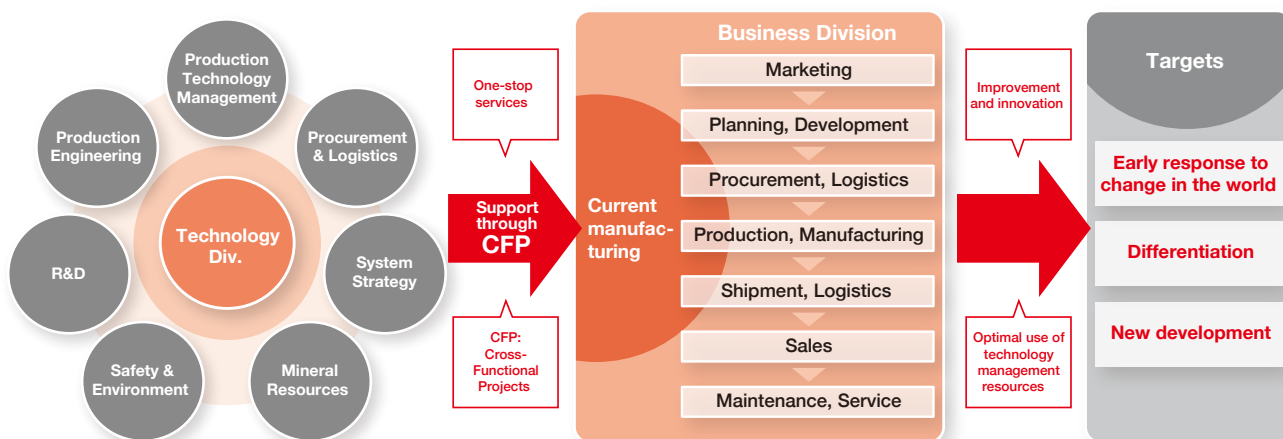
	Direction	(Indicator to watch)
Stable growth business <ul style="list-style-type: none"> ■ Cement ■ Metals (smelting) ■ Recycling ■ Renewable energy 	➤ Aim to strengthen the business foundation by increasing and maintaining cost competitiveness using recycling revenues, etc. and seek carefully selected opportunities for large investments	ROA
Growth promotion business <ul style="list-style-type: none"> ■ Metals (Copper & Copper Alloy Products) ■ Advanced Materials & Tools 	➤ Promote growth by matching customer and market needs and the Company's strength ➤ Business development in adjacent fields and global markets	EBITDA growth rate
Profitability restructuring business <ul style="list-style-type: none"> ■ Electronic Materials & Components ■ Aluminum 	➤ Work promptly to solve issues and define the future direction of growth. <ul style="list-style-type: none"> • Make investments in competitive advantages and support technological development • Ensure thorough selection and concentration 	ROS comparison with competitors

Message from the President

Second, in regards to the “Comprehensive efforts to increase business competitiveness,” to increase the business competitiveness of the business divisions, it is necessary to put in place a more efficient and effective structure. The Company will seek improvement and innovation in the production technologies of the business divisions by making optimal use of its technical and management resources in cross-functional projects,

mainly among the departments of the Technology Division, which was established on April 1, 2017. Through this initiative, the Company will pursue business competitiveness in the production technology area by responding rapidly to an evolving world, differentiating itself from its competitors by being a step ahead, and achieving new development such as new products and production technologies.

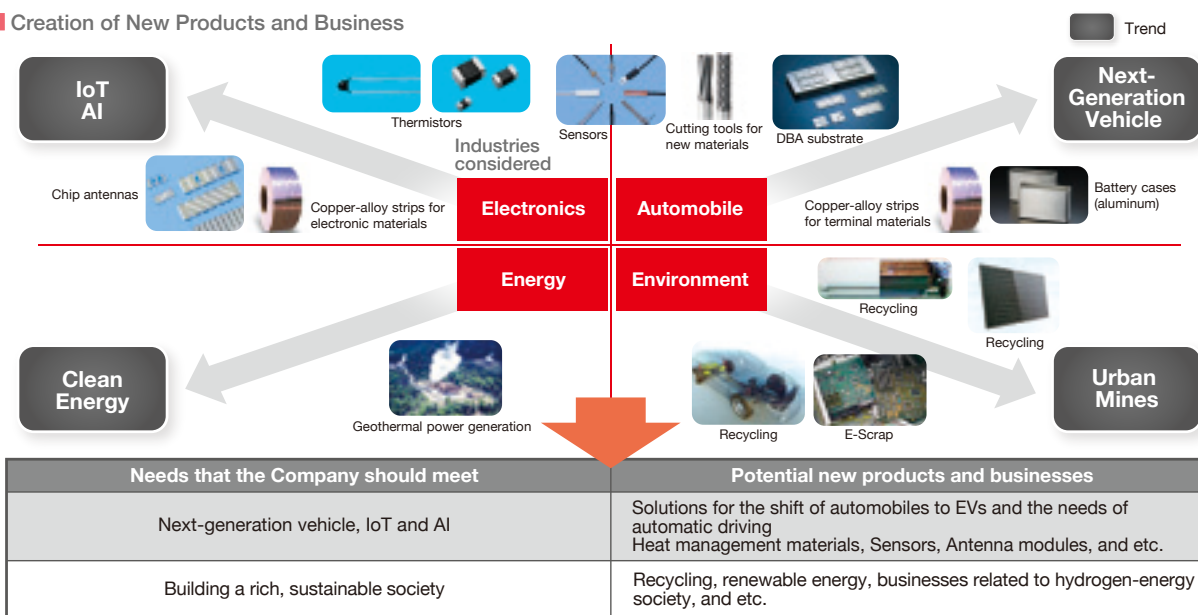
■ Comprehensive Efforts to Increase Business Competitiveness



Third, about the “Creation of new products and businesses,” for the Group to achieve sustainable development in a dramatically changing external environment, it must create new business that will support profitability in the future. Under the FY2020 Strategy, 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.

■ Creation of New Products and Business



Investment Strategy is as follows, the Company will implement the investment by utilizing operating cash flow and revenue from selling assets.

If there is any other favorable large investment for

growth, however, the Company will positively implement such an investment as far as keeping net debt-to-equity (D/E) ratio of 1.0 or lower.

■ Investment Strategy

➤ FY2018–2020 Cumulative Cash Flow

Cash in		(¥ billions)
Operating CF		240.0
Investing CF	Sale of assets	60.0
Total		300.0
Sales of share in SUMCO Corporation (moved forward in the previous period)		26.0
		326.0

Cash out		(¥ billions)
Investing CF	Investment for growth	150.0
	Investment for maintenance and upgrading	170.0
	Subtotal	320.0
Financing CF	Dividend, etc ^{*1}	46.0
Total		366.0
Acquisition of Luvata (carry-over from FY2017)		-40.0
		280.0
		326.0

➤ FY2018–2020 Cumulative Investment Plan

Total amount of investment		280.0 ^{*2}
Maintenance/upgrading		170.0
Growth strategy		110.0 ^{*2}
Cement 22%	Metals ^{*2} 33%	Advanced Materials & Tools 21%
		4% Electronic Materials & Components
		8% Aluminum
		7% Environment & Energy
		5% Common investment

^{*1} Total amounts of dividend payment from MMC and dividend payment to non-controlling interests from consolidated subsidiary

^{*2} Excludes the cost of acquiring Luvata (Approx. 40 billion yen) carried forward from the previous period.

With respect to the provisional financial calculations, the Company estimates that consolidated ordinary income in FY2020, the final year of the new Medium-Term Management Strategy, will be ¥82.0 billion to ¥100.0

billion, according to fluctuations in the exchange rates and copper price shown in the assumptions, compared with ¥63.9 billion in FY2017.

■ Provisional Financial Calculations

		Results for FY2017	Provisional Financial Calculations for FY2020	Remarks
Income statement	Consolidated net sales	1,304.0	1,620.0~1,840.0	
	Consolidated net sales (excl. metals costs)	757.1	870.0~910.0	
	Consolidated ordinary income	63.9	82.0~100.0	[Principal reasons of changes, ordinary income base]
Balance sheet	Total assets	1,896.9	1,950.0	Market conditions 12.0
	Net interest-bearing debt	386.9	450.0	Investment effect 15.0
	Shareholders' equity	621.2	640.0	Metal prices 3.0~7.0
ROA (ordinary income to total assets) (%)		3.5	4.5~5.0	Foreign exchange -6.0~8.0
ROE (%)		4.8	7.0~8.0	Other -6.0
Net D/E ratio (times)		0.6	0.7	Total 18.1~36.1
Assumptions (*)	Exchange rate USD (yen/\$)	108	100~120	[Sensitivity]
	Exchange rate EUR (yen/€)	119	120	• Exchange rate 1 yen/\$ (yen depreciation)
	Copper price (LME) (¢/lb)	234	250~270	• Copper price (LME) +10 ¢/lb 2.2 billion yen (Ordinary income)

* ROE = Net income attributable to owners of parent / (((Total net assets at the beginning of period - Non-controlling interests at the beginning of period - Other deductions at the beginning of period) + (Total net assets at the end of period - Non-controlling interests at the end of period - Other deductions at the end of period)) / 2)

* Median used for BS

Business Strategy by Segment

As for the business strategy by segment, the priority measures of the key strategies in the Cement, Metals, and Advanced Materials & Tools Businesses are as follows:

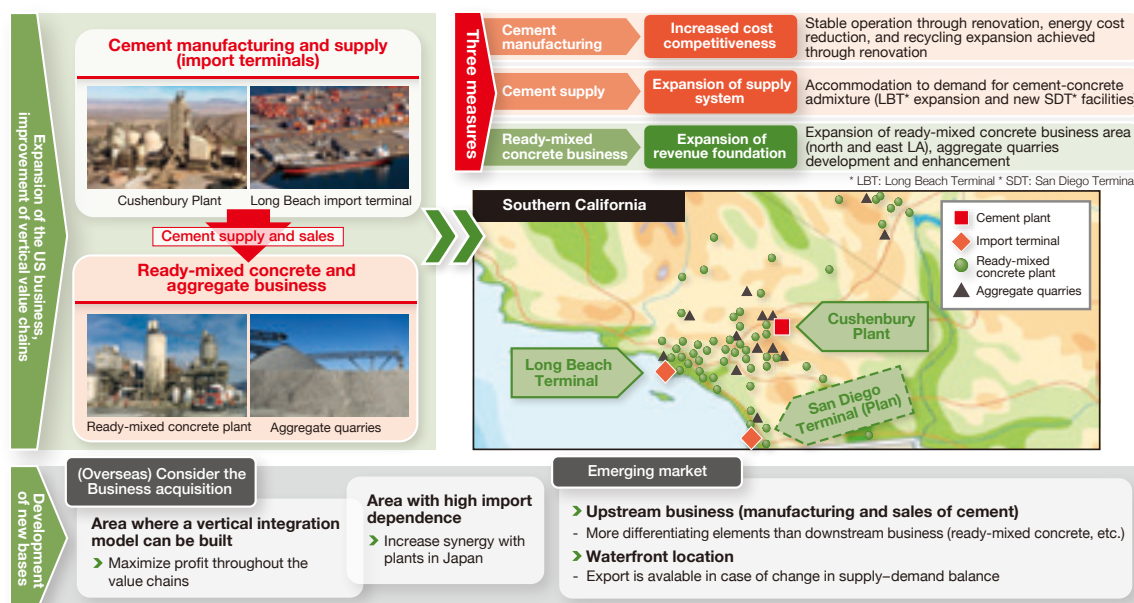
First is “Expansion of the US business” in the Cement Business.

The Company will strive to maximize earnings from the overall value chain in Southern California where firm demand trends are expected, given that the Company has established a vertical integration model in the business

domains from cement to ready-mixed concrete there.

Regarding the development of new overseas business bases, the Company will examine the acquisition of businesses, etc., targeting regions where the Company will be able to build the vertical integration model and areas with high import dependence. The Company will work to develop business bases that meet the condition of a waterfront location for the upstream business in emerging countries.

Expansion of the US business and development of new business bases

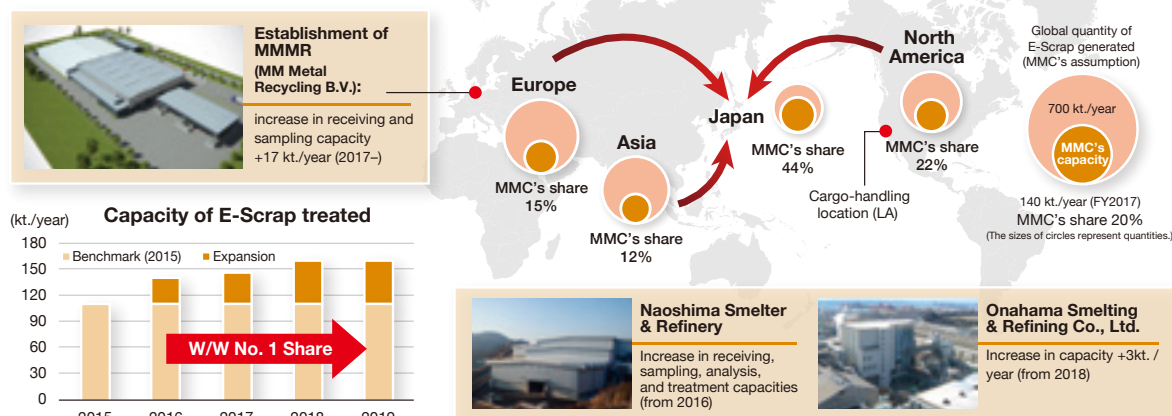


Next is “Increasing E-Scrap recycling” in the Metals Business.

While the quantity of E-Scrap generated is increasing in Japan and overseas due to growing environmental awareness, non-ferrous smelters with strong cost competitiveness are limited considering environmental aspects.

E-Scrap recycling capacity of the Group came to

Increasing E-Scrap recycling



After concluding the acquisition contract for the Special Products Division of the Luvata Group, a copper products manufacturer, in FY2017, the Company closed the deal in May 2017.

Accordingly, the Company anticipates synergies in

terms of regions, products, and technologies, including sales expansion using the mutual sales channels and the optimization of the production system using the mutual manufacturing bases.

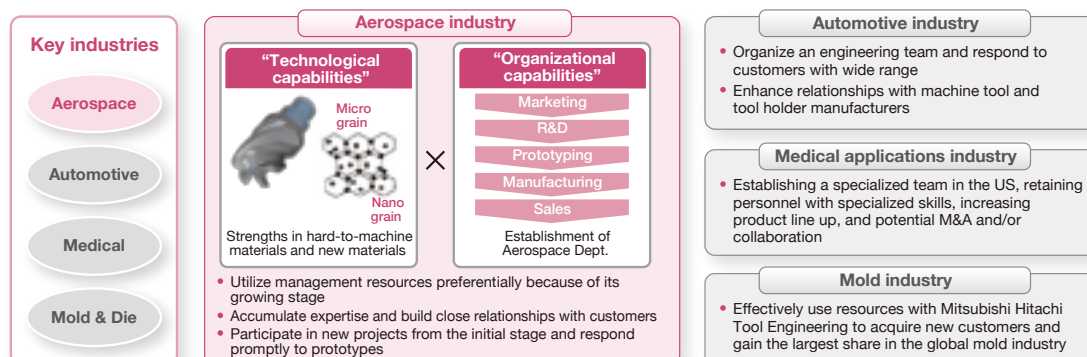
■ Synergy with Luvata



Finally, the Company will be actively involved in the Aerospace industry in the Advanced Materials & Tools Business. The Company considers the industry as the most important market in a growth phase and the to

which the Company's technical strength can be applied. At the same time, the Company will be enhancing the power of its solutions through its industry specific teams.

■ Increase capacity to provide solutions through industry specific teams



To Our Shareholders and Investors

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, which, combined with the year-end dividend of ¥40, results in a full-year dividend for the fiscal year ended March 31, 2017 of ¥60

per share (down ¥40 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 stable dividends even if the Company's performance is changed. The Company will pay annual dividends ¥80 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.

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

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

Financial Highlights

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31

Ten-Year Summary

	2008	2009	2010	2011
► For the Year:				
Net sales	¥1,659,286	¥1,424,114	¥1,119,448	¥1,333,992
Cost of sales	1,425,526	1,251,102	982,082	1,141,094
Operating profit	100,146	35,134	12,680	57,290
Ordinary income (loss)	135,984	40,046	(9,541)	56,425
Net income (loss) attributable to owners of parent	74,268	6,106	(66,555)	14,274
Capital expenditures	75,646	74,252	66,679	43,213
Depreciation and amortization	57,722	71,973	69,840	66,365
R&D expenses	11,676	11,852	10,897	11,243
► At Year-End:				
Total assets	1,856,276	1,732,003	1,826,420	1,837,405
Total long-term liabilities	485,718	574,518	662,430	572,321
Total net assets	520,289	421,934	399,095	402,868
Number of shares of common stock (thousands)	1,278,955	1,278,955	1,314,895	1,314,895
Number of employees	19,467	21,224	21,641	21,762
► Per Share Amounts:				
Basic net income	¥ 59.1	¥ 4.8	¥ (52.3)	¥ 10.8
Diluted net income	-	-	-	-
Net assets	362.4	287.4	259.9	262.3
Cash dividends applicable to the year	8.0	4.0	-	2.0
► Financial Ratios (%):				
Operating margin	6.0 %	2.5 %	1.1 %	4.3 %
Return of assets (ROA) (Note 4)	4.0	0.4	(3.6)	0.8
Return of equity (ROE) (Note 5)	14.3	1.4	(16.7)	3.5
Equity ratio	25.0	21.0	18.7	18.7

Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥112.19 to US\$1, the approximate exchange rate as of March 31, 2017.

2. 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.

3. 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. "Per Share Amounts" is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the current consolidated fiscal year.

4. ROA = Net income attributable to owners of parent / Total assets
5. ROE = Net income attributable to owners of parent / Total net assets

Medium-Term Management Plan "We can do 600" 2006 - 2007	Medium-Term Management Plan "Break-through 1000" -Aiming to become a Company with ¥100 billion Ordinary Income" 2008 - 2010	Medium-Term Management Plan "Materials Premium 2013" Aiming for New Creation" 2012 - 2014
Key Strategies 1 Improve stability 2 Growth area initiatives 3 Strengthening cost-competitiveness 4 Reforming corporate culture Achievement Contents • Ordinary income: ¥60.0 billion • ROA (Ordinary income / Total assets): Over 4% • Interest-bearing debt ¥700.0 billion	Key Strategies 1 Expansion and reinforcement of four core businesses as the basis of integrated management 2 Initiatives for our growth strategies for "Advancement and Change" 3 Emphasize the intellectual capital underlying our growth 4 Enhancing financial position Achievement Contents • FY2008 Ordinary income: Over ¥100.0 billion • FY2008 ROA (Ordinary income / Total assets): Over 5%	Key Strategies 1 Develop overseas markets, especially emerging markets 2 Realize "Materials Premium" Achievement Content • Net D/E ratio: Under 1.5 times

Medium-Term Management Plan
“Materials Premium 2016
 –Challenge to become the world’s leading business group–”
2015 - 2017

Key Strategies

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

Achievement Content

- Net D/E ratio: **Under 1.0 times**

Medium-Term Management Strategy
“Transformation for Growth”
2018 - 2020

Key Strategies

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

Provisional Financial Calculations

Message from the President on Page 7 highlights the “Provisional Financial Calculations.”

Review of Operations



Cement



Performance FY2017

Net Sales	174.3 billion yen
	10.2 % ↘
Operating Profit	20.9 billion yen
	3.9 % ↗

► Performance for Fiscal 2017

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, segment net sales fell 10.2%, or ¥19.7 billion, year on year to ¥174.3billion. Operating profit increased 3.9%, or ¥0.7 billion, to ¥20.9 billion.

► Outlook and Future Strategies

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 Tokyo 2020 Olympic and Paralympic Games 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.

Topics for FY2017

■ Acceptance and Commencement of Processing Waste related to the Kumamoto Earthquakes

We received requests from various municipalities in Kumamoto prefecture for the processing of wood-scrap-containing disaster waste generated by the Kumamoto earthquakes of April 2016. In November 2016, we began accepting and processing this waste at the Kyushu Plant.

The wood scrap can be used effectively as an alternative thermal energy material in cement production. Materials that have been crushed on-site are being accepted at the Kyushu Plant and processed at the rate of several hundred tons per month.

Also following the Great East Japan Earthquake of March 2011, we accepted waste at three plants—the Iwate, Aomori, and Yokoze plants—after confirming its safety and undergoing processing by related local parties. We've concluded acceptance in March 2014, and the Company's processing volume amounted to approximately 88,000 tons.



Wood scrap being loaded in



Metals



Performance FY2017

Net Sales	621.3 billion yen
	8.7 % ↘
Operating Profit	17.3 billion yen
	28.4 % ↘

► Performance for Fiscal 2017

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 concentrate, which was offset by cost reductions.

In the copper and copper alloy products business, net sales declined while operating profit increased mainly due to yen appreciation, despite an increase in the sales volume of products for automobiles, and other uses.

As a result, segment net sales fell 8.7%, or ¥59.1 billion, year on year to ¥621.3 billion, while operating profit decreased 28.4%, or ¥6.8 billion, to ¥17.3 billion.

► Outlook and Future Strategies

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 and 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 and 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.

Topics for FY2017

■ Completes Acquisition for Luvata Special Products Division

We completed the transaction for acquiring the Special Products Division of the Luvata Group, a copper products manufacturer based in the United Kingdom (hereinafter “Luvata SP”) as of May 2017.

Luvata SP has a global production and sales network mainly covering 12 facilities and support offices in 7 countries, including the Americas and Europe, and high-quality solution capabilities for clients. With its customer-oriented corporate culture and unique cost-effective manufacturing technology, Luvata SP is one of the world's leading copper processing businesses.

In addition, Luvata SP offers various products globally in growth areas ranging from welding electrodes for the automotive industry to superconducting wires and cables used in magnetic resonance imaging (MRI) scanners and other medical equipment. Luvata SP's business is complementary to the Group, and we expect that the combination of the Group and Luvata SP will bring synergies in terms of regional footprint, product lineup, and technologies.



Welding electrodes, and superconducting wire & cables



Advanced Materials & Tools



Performance FY2017

Net Sales	126.8 billion yen
	5.0 % ↘
Operating Profit	11.7 billion yen
	26.5 % ↘

➤ Performance for Fiscal 2017

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.

As a result, segment net sales fell 5.0%, or ¥6.7 billion, year on year to ¥126.8 billion, while operating profit decreased 26.5%, or ¥4.2 billion, to ¥11.7 billion.

➤ Outlook and Future Strategies

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.

Topics for FY2017

■ Commencement of Operations at the Central Japan Technical Center, Which Provides Comprehensive Cutting Tool Solutions

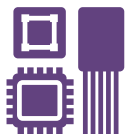
In the aim of providing technical support to users of cutting tools, the Central Japan Technical Center provides comprehensive cutting tool solutions, including CAM/CAE* analysis and simulations, cutting tests, support for cutting tool selection and usage technologies, and education and training, as well as functioning as an open lab. Newly established within the Gifu Plant and involving a total investment of approximately ¥1.5 billion, the center commenced operations on June 13, 2017.

The newly established Central Japan Technical Center is our second technical support center in Japan, serving customers in the Chubu region, which is an area of concentration for the automotive and aerospace industries, as well as western Japan. Through this center, we aim to further accelerate our provision of comprehensive cutting tool solutions for customers in these regions.

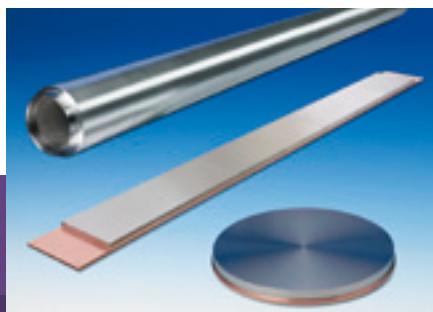
* CAM/CAE: CAM is an acronym for computer aided manufacturing.
CAE is an acronym for computer aided engineering.



Exterior of the Central Japan Technical Center



Electronic Materials & Components



Performance FY2017

Net Sales	56.4 billion yen
	0.2 %
Operating Profit	2.4 billion yen
	22.9 %

► Performance for Fiscal 2017

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, segment net sales rose 0.2%, or ¥0.0 billion, year on year to ¥56.4 billion. Operating profit fell 22.9%, or ¥0.7 billion, to ¥2.4 billion.

► Outlook and Future Strategies

In the advanced materials and chemical products, sales of products related to semiconductor manufacturing equipment and chemical products for hybrid vehicles 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 competitiveness and 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.

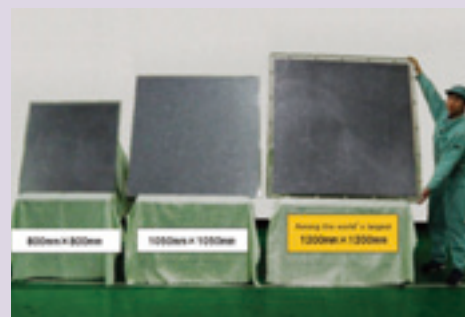
In the polycrystalline silicon, we will strive to improve quality and reduce costs by establishing a safety and efficient operating structure, thereby creating a business foundation able to ensure profits even when demand is weak.

Topics for FY2017

■ Technology Developed for Manufacturing Columnar Crystal Silicon, Among the World's Largest

We have established the technology for manufacturing columnar crystal silicon that is among the largest in the world, harnessing the advanced knowledge on precision casting the Company has cultivated over many years. The practicality of the silicon has been remarkably improved by increasing the purity and reducing the internal stress, and the length of one side of the square exceeds 1,200 mm.

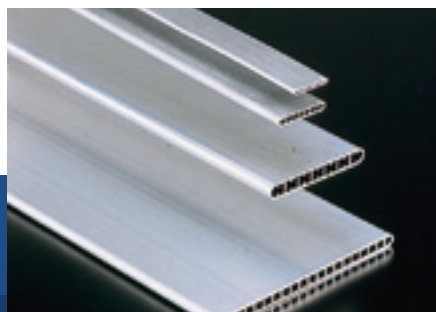
In recent years, demand for reducing impurities in semiconductor devices has increased with the miniaturization of semiconductors, and columnar crystal silicon has found application not only in the peripheral components of wafers, but also in larger components for which other materials have been used. In addition, substrates in flat panel display areas are becoming larger and there is a growing need for larger columnar crystal silicon for soaking plates used in the process of heat treating the substrate. As our large columnar crystal silicon has high purity and excellent workability, it should find application in a range of other product areas.



One of the world's largest columnar crystal silicon products



Aluminum



Performance FY2017

Net Sales	154.0 billion yen
	1.8 % ↘
Operating Profit	7.8 billion yen
	82.2 % ↗

► Performance for Fiscal 2017

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, segment net sales fell 1.8%, or ¥2.8 billion, year on year to ¥154.0 billion. Operating profit increased 82.2%, or ¥3.5 billion, to ¥7.8 billion.

► Outlook and Future Strategies

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.



Others



Performance FY2017

Net Sales	171.0 billion yen
	13.0 % ↘
Operating Profit	10.1 billion yen
	2.0 % ↘

► Performance for Fiscal 2017

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 a 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” recycling business declined.

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.

As a result, overall net sales of this segment fell 13.0%, or ¥25.5 billion, year on year to ¥171.0 billion, while operating profit decreased 2.0%, or ¥0.2 billion, to ¥10.1 billion.

Research & Development

Technology & Development Strategy & Focus Fields

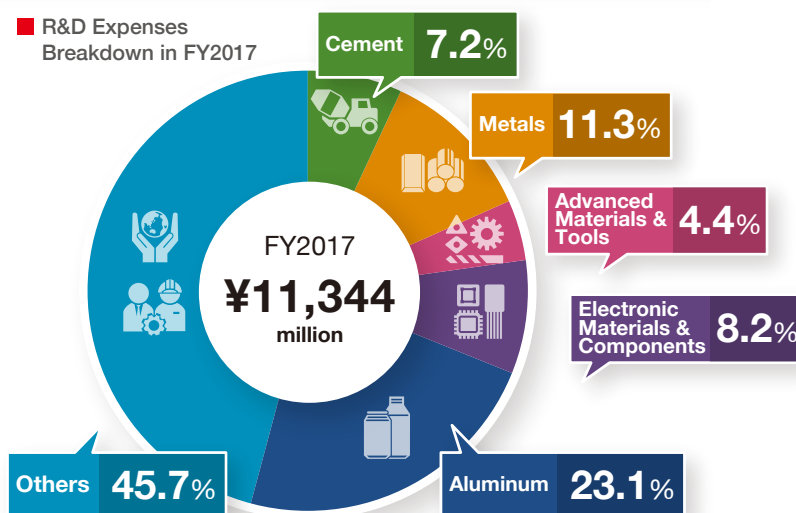
The Mitsubishi Materials Group's research and development involves strengthening the cultivation of basic and core technologies. This is essential, as the Company is a comprehensive materials manufacturer. At the same time, we pursue current development themes that support and contribute toward the growth of existing businesses. We also promote innovation, which includes creating new businesses and new materials.

As initiatives to meet next-generation needs in our focus

fields—automobiles, electronics, energy, and environmental recycling—the Group conducts R&D for the process and product manufacturing business. With the product manufacturing business, in particular, we concentrate on marketing from our customers' perspective, working to differentiate our products, technologies, and services and striving to develop new businesses that will serve as medium- to long-term business pillars.

R&D Expenses

R&D expenses during the fiscal year ended March 31, 2017 increased ¥119 million, or 1.1% year on year, to ¥11,344 million. The breakdown of R&D expenses by business segment is as follows: Cement was ¥819 million, Metals stood at ¥1,286 million, Advanced Materials & Tools reached ¥499 million, Electronic Materials & Components totaled ¥927 million, and Aluminum amounted to ¥2,624 million. In addition, R&D expenses in the four strategic fields mentioned above totaled ¥4,852 million.



Topics for FY2017

■ Development of MSP®8, the World's First Cu-Mg Solid-Solution High-Strength Copper Alloy for Use in High-Current Terminal Materials and Busbars for Automobiles

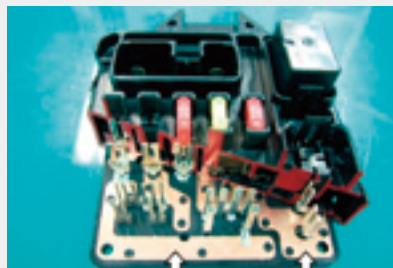
Mitsubishi Materials, in collaboration with consolidated subsidiary Mitsubishi Shindoh Co., Ltd., has developed MSP®8, the world's first Cu-Mg solid-solution high-strength copper alloy, which offers the high-performance characteristics required in terminal materials and busbars for next-generation automobiles.

In line with the proliferation of hybrid, electric and other next-generation vehicles offering high environmental performance, each year demand increases for terminal materials and electrical equipment for automobiles that are suited for use with high voltage and current levels.

Accordingly, robust growth is anticipated in the market for current-carrying components, such as the high-voltage terminals and busbars used in equipment.

Mitsubishi Shindoh, which is in charge of sales,

began sample shipments of MSP®8 to customers, mainly for current-carrying components, in fiscal 2017. The Company will move forward with commercialization, aiming to increase sales of rolled copper products for current-carrying components 15% by 2020, compared with the present level.



Sample application:
Compact junction box
(arrows indicate busbar)

Corporate Social Responsibility (CSR)

Basic CSR Policy

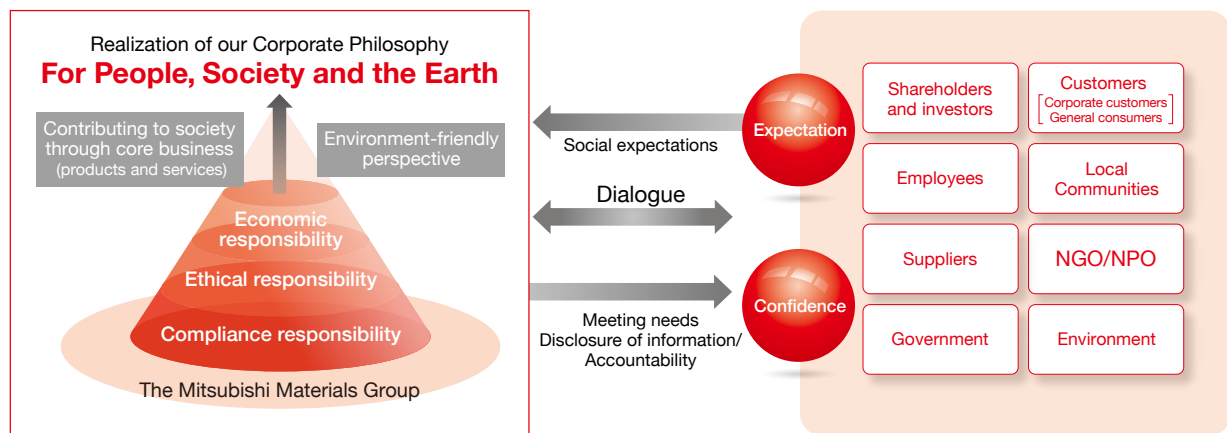
As a diversified materials manufacturer, the Mitsubishi Materials Group has strived to work “For People, Society and the Earth” through the supply of basic materials indispensable to the world.

CSR for the Group 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, disclosure of the approaches taken—with proper explanation—and the constant pursuit of two-way communication with stakeholders to promote greater mutual understanding.

These actions will underpin a position of trust in society.

Outline of the Mitsubishi Materials Group’s approach to CSR



CSR Promotion Framework

In January 2005, we established a CSR Committee, chaired by the President, and a dedicated CSR Department, as part of our ongoing efforts to promote CSR throughout the Group.

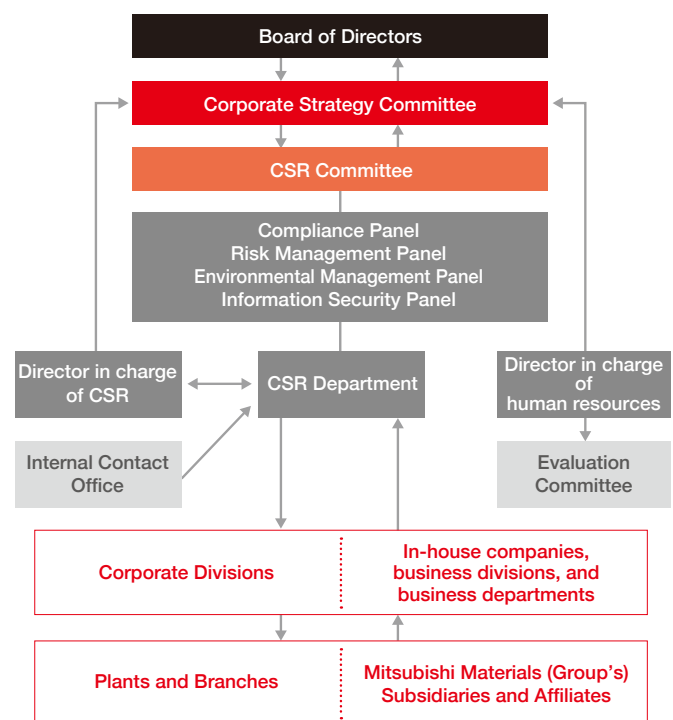
The CSR Committee meets four times a year in order to discuss policies relating to CSR activities in general and planned activities for the current fiscal year. The committee also receives and reviews reports relating to CSR in general, covering areas such as compliance throughout the Mitsubishi Materials Group, reports submitted to the Internal Contact Office (in-house reporting system), and progress with risk management. The director in charge of CSR meanwhile submits reports to the Corporate Strategy Committee and the Board of Directors, outlining progress with the establishment and implementation of CSR-related systems.

On our website, we release our CSR report and a wide range of other information at:
<http://www.mmc.co.jp/corporate/en/>.



CSR Report 2016

CSR Promotion Structure



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 The Business Execution System

The Board of Directors comprises six internal directors and three 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 specialized knowledge and unique experiences, which stand distinct from those of internal directors.

Because the Company is an integrated organization, 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, and 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). 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

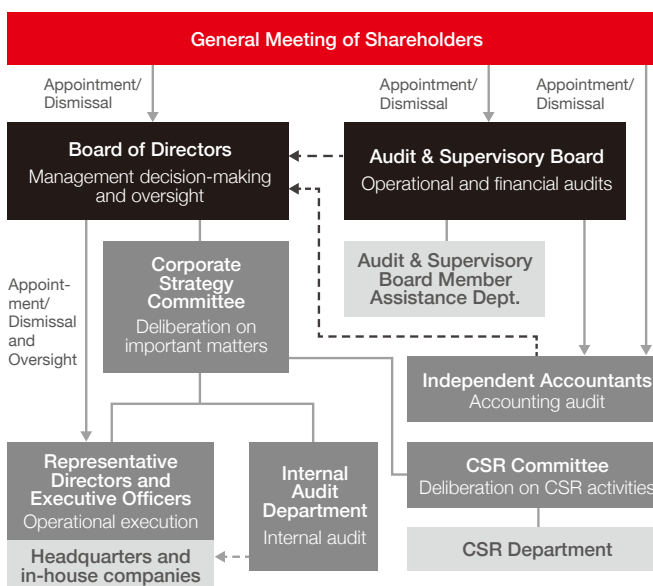
We recognize that the development of appropriate internal control systems is an important issue concerning the fulfillment of its business objectives and management plans. By developing a system that complies with the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company strives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

IR Activities

We aim to continuously improve medium- to long-term corporate value through constructive dialogue with our shareholders and investors. To this end, we are actively accepting requests for one-on-one meetings from institutional investors in Japan and overseas while promoting initiatives such as various engagements with management, including the President.

We have a system in place to collect feedback, arising from our daily IR activities with shareholders and investors, and regularly report these thoughts and concerns to management, including the President. Moreover, we fully consider comments and management issues mentioned by shareholders and investors. The department in charge of IR utilizes these valuable feedbacks when participates in the process of formulating medium-term management strategies and other measures.

Overview of the Corporate Governance System



Management

(As of June 28, 2017)

Board of Directors



Hiroshi Yao*
Chairman



Akira Takeuchi*
President



Osamu Iida*
Executive Vice President



Naoki Ono*
Executive Vice President



Nobuo Shibano*
Senior Managing Executive Officer



Yasunobu Suzuki*
Senior Managing Executive Officer



Yukio Okamoto**
Director



Mariko Tokuno**
Director



Hiroshi Watanabe**
Director

* Representative Director
** External

Audit & Supervisory Board Members (Standing)

- Hiroshi Kubota
- Soichi Fukui
- Hiroshi Sato**

Audit & Supervisory Board Members

- Akio Utsumi**
- Naoto Kasai**

Managing Executive Officers

- Kimball McCloud
- Yoshihiko Kimura
- Fumio Tsurumaki
- Kazuhiro Kishi
- Makoto Shibata

Executive Officers

- Kiyoshi Furukawa
- Tatsuro Mizuno
- Shinichi Nakamura
- Junichi Harada
- Yoshikazu Yasui
- Kazuki Mizushima
- Hiroshi Nojiri
- Naotoshi Kumano
- Shigemitsu Fukushima
- Tetsuro Sakai
- Susumu Sasaki
- Nobuhiro Takayanagi
- Masaaki Kanda
- Takahiro Yamada
- Masuhiro Ishitobi
- Yasunori Murakami
- Toru Suzuki

Financial Section

P.22	Management's Discussion and Analysis
P.25	Business Risks
P.27	Consolidated Balance Sheets
P.29	Consolidated Statements of Income
P.29	Consolidated Statements of Comprehensive Income
P.30	Consolidated Statements of Changes in Net Assets
P.32	Consolidated Statements of Cash Flows
P.33	Notes to Consolidated Financial Statements
P.62	Independent Auditor's Report
P.63	Main Consolidated Subsidiaries and Affiliates
P.64	Corporate Data
P.65	Investor Information

Management's Discussion and Analysis

Overview

► Economic and Business Environment

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.

► Business Performance Summary

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.

► Financial Position and Liquidity

As of March 31, 2017, total assets amounted to ¥1,896.9 billion, up ¥103.5 billion, or 5.8%, from a year earlier. Total current assets increased ¥84.9 billion, or 10.9%, to ¥867.4 billion mainly due to an increase in cash and time deposits. Total non-current assets increased ¥18.6 billion, or 1.8%, to ¥1,029.4 billion, largely as a result of an increase in investment securities.

Total liabilities increased ¥38.3 billion, or 3.3%, year on year to ¥1,186.7 billion. Total current liabilities rose ¥10.3 billion, or 1.5%, to ¥706.6 billion due primarily to a rise in short-term bank loans. Total long-term liabilities increased ¥28.0 billion, or 6.2%, to ¥480.0 billion, reflecting the rise in bonds payable and other factors.

The balance of interest-bearing debt, which adds bonds payable and commercial papers to loans payable, came to ¥528.2 billion, up ¥1.9 billion, or 0.4%, from the previous fiscal year.

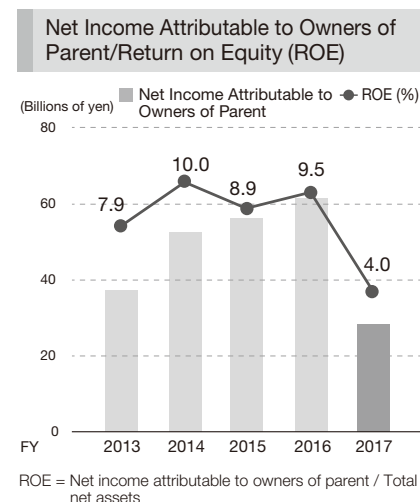
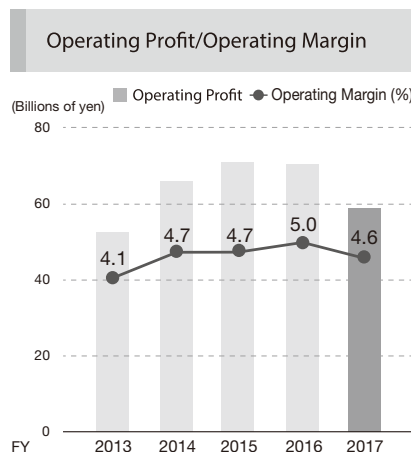
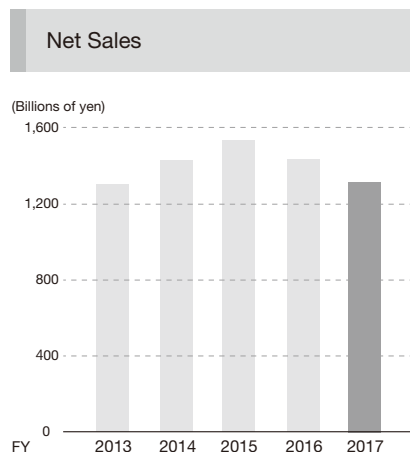
Total net assets amounted to ¥710.1 billion, up ¥65.1 billion, or 10.1%, due mainly to an increase in retained earnings following the recording of net income attributable to owners of parent in the fiscal year under review.

As a result, the consolidated equity ratio increased from 31.0% at the previous fiscal year-end to 32.8%, and net assets per share, based on the total number of shares outstanding as of March 31, 2017, grew to ¥4,743.27, compared with ¥4,238.35 a year earlier.

► Cash Flows

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

(Cash flows from operating activities)



For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cement			
Sales	¥ 174,361	¥ 194,113	\$ 1,554,159
Operating profit	20,923	20,131	186,498
Operating margin	12.0%	10.4%	
Metals			
Sales	621,313	680,431	5,538,047
Operating profit	17,372	24,247	154,845
Operating margin	2.8%	3.6%	
Advanced Materials & Tools			
Sales	126,834	133,550	1,130,530
Operating profit	11,774	16,022	104,954
Operating margin	9.3%	12.0%	
Electronic Materials & Components			
Sales	56,472	56,374	503,366
Operating profit	2,454	3,184	21,880
Operating margin	4.3%	5.6%	
Aluminum			
Sales	154,017	156,854	1,372,826
Operating profit	7,886	4,327	70,295
Operating margin	5.1%	2.8%	
Others			
Sales	171,069	196,570	1,524,816
Operating profit	10,127	10,331	90,273
Operating margin	5.9%	5.3%	

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.

(Cash flows 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 expenditures.

(Cash flows 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 the 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.

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 2017, capital expenditures amounted to ¥75.6 billion, reflecting maintenance and repair of existing facilities in each business segment, as well as expansion, rationalization, and renovation at certain production facilities.

► Cement

The Company allocated funds to expansion works of industrial waste processing facilities in Japan as well as maintenance and repair of existing facilities mainly in Japan and the United States. Capital expenditures in this segment increased ¥2.9 billion, or 16.8%, compared with ¥17.5 billion recorded in the previous fiscal year to ¥20.5 billion.

➤ Metals

The Company allocated funds for the maintenance and repair of copper smelters and domestic copper-processing facilities. Capital expenditures in this segment fell ¥3.6 billion, or 15.8%, compared with ¥22.9 billion recorded in the previous fiscal year to ¥19.3 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 decreased ¥2.9 billion, or 16.7%, compared with ¥17.6 billion recorded in the previous fiscal year to ¥14.7 billion.

➤ Electronic Materials & Components

The Company directed funds into the maintenance and repair of existing facilities that produce electronic materials mainly for semiconductor manufacturing equipment-related products as well as the expansion and rationalization of production facilities. Capital expenditures in this segment fell ¥0.5 billion, or 16.7%, compared with ¥3.5 billion recorded in the previous fiscal year to ¥2.9 billion.

➤ Aluminum

Funds were allocated to the expansion of facilities that produce aluminum beverage cans as well as the maintenance and repair of existing facilities. Capital expenditures in this segment increased ¥1.4 billion, or 20.3%, compared with ¥7.1 billion recorded in the previous fiscal year to ¥8.6 billion.

➤ Others

The Company allocated funds to the maintenance and repair of existing facilities. Capital expenditures in this segment increased ¥0.3 billion, or 3.7%, compared with ¥9.1 billion recorded in the previous fiscal year to ¥9.5 billion.

➤ Forecast for Fiscal Year 2018 *Announced on May 11, 2017

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.

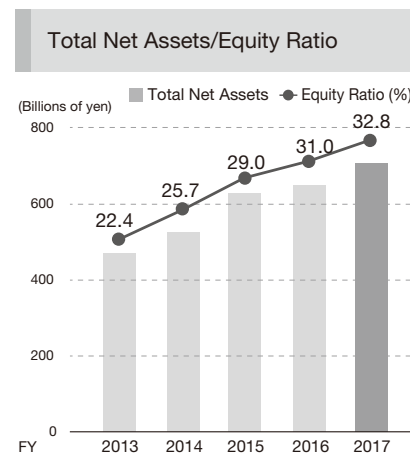
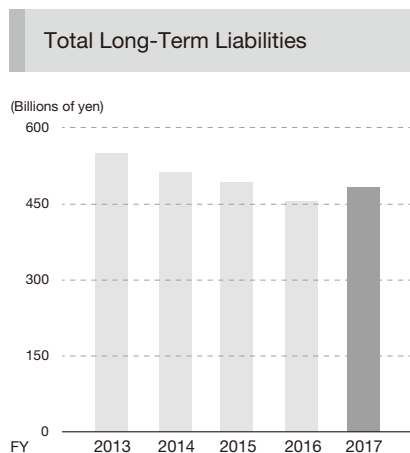
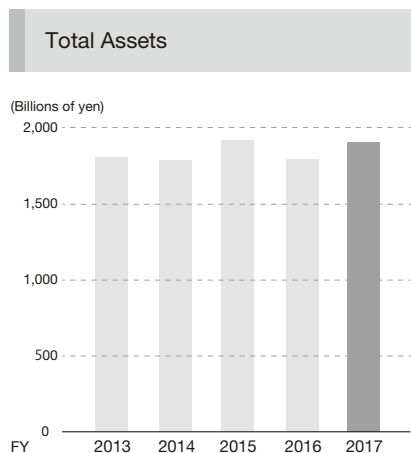
We believe the Japanese economy will continue its modest recovery, buoyed by improvements in the employment and income conditions, but recognize that there may be a downside risk due to overseas political and economic trends.

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 achieve "We will become the leading business group committed to creating a sustainable world through materials innovation, with 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." as well as we will improve its corporate value by implementing the measures.

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.

The above forecasts are calculated based on information available as of June 2017. Accordingly, actual performance may differ due to a variety of factors. The main reasons are included in business risks on the following page.



Business Risks

Because the Group 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 June 28, 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. The automobile industry and IT-related industry are especially exposed to intense competition in the area of prices and technical development, and while the Group takes every precaution endeavoring to reduce 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 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 fiscal year ended March 31, 2017, the interest-bearing debt of the Group totaled ¥528.2 billion (the sum total of short-term loans payable, current portion of bonds, bonds payable, and long-term loans payable; same below if there are no explanatory notes) and accounted for 27.8% of the total assets. Although we are making efforts to improve 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 fiscal year ended March 31, 2017, the Group has undertaken ¥28.8 billion in 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 the business results and financial standing of the Group.

7) Fluctuations of Asset Market Values

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 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.

For each business establishment inside and outside the country, the Group makes efforts to control pollution, including air pollution, wastewater pollution, soil pollution, and groundwater pollution, in accordance with environmental laws and ordinances, and in dealing with abandoned mines within the country is endeavoring to control mine pollution by, for example, preventing water pollution from mine water or conducting security management of the dumps in accordance with the Mine Safety 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. The business results and financial standing of the Group may be influenced by political/economic conditions, exchange rates in 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) Information Management

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, floods and other natural disasters, and other unexpected circumstances.

Consolidated Balance Sheets

Mitsubishi Materials Corporation and Consolidated Subsidiaries
March 31, 2017 and 2016

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Current assets:			
Cash and time deposits(Notes 5,15 and 19)	¥ 141,264	¥ 60,123	\$ 1,259,154
Notes and accounts receivable(Notes 5,10 and 15):			
Trade	201,013	210,002	1,791,720
Unconsolidated subsidiaries and affiliates	16,998	26,735	151,513
Other	6,870	11,562	61,238
Inventories(Notes 3 and 5)	288,279	258,652	2,569,562
Deferred tax assets(Note 9)	9,375	10,352	83,567
Leased gold bullion	110,458	89,360	984,569
Other current assets(Note 16)	95,746	117,897	853,435
Allowance for doubtful accounts	(2,537)	(2,155)	(22,620)
Total current assets	867,469	782,530	7,732,142
Property, plant and equipment(Notes 4 and 5):			
Land(Note 18)	276,216	283,815	2,462,044
Buildings and structures	467,426	463,559	4,166,378
Machinery and equipment	1,248,749	1,236,910	11,130,670
Construction in progress	23,091	21,769	205,826
Less accumulated depreciation	(1,349,258)	(1,335,816)	(12,026,547)
Net property, plant and equipment	666,226	670,237	5,938,372
Investments and long-term receivables:			
Investments in securities(Notes 5,14 and 15)	189,432	105,318	1,688,493
Net asset for retirement benefits(Note 6)	393	342	3,507
Unconsolidated subsidiaries and affiliates(Note 15)	67,005	112,980	597,251
Long-term receivables	889	494	7,929
Other	24,833	26,226	221,353
Allowance for doubtful accounts	(5,549)	(6,070)	(49,461)
Total investments and long-term receivables	277,005	239,291	2,469,073
Other assets:			
Deferred tax assets(Note 9)	26,425	34,324	235,539
Goodwill	43,436	48,986	387,168
Other(Notes 5 and 16)	16,377	18,005	145,980
Total other assets	86,239	101,317	768,688
Total assets	¥ 1,896,939	¥ 1,793,375	\$ 16,908,276

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Current liabilities:			
Short-term bank loans(Notes 5 and 15)	¥ 152,668	¥ 141,513	\$ 1,360,806
Current portion of long-term debt(Notes 5 and 15)	66,150	84,114	589,630
Notes and accounts payable(Note 15):			
Trade	106,060	100,546	945,362
Unconsolidated subsidiaries and affiliates	6,824	8,110	60,832
Other	19,242	24,922	171,516
Income taxes payable	16,154	7,037	143,996
Deferred tax liabilities(Note 9)	352	138	3,143
Accrued expenses	50,859	53,111	453,331
Provision for bonuses	12,880	13,114	114,814
Deposited gold bullion	241,406	231,667	2,151,761
Reserve for loss on disposal of inventories	637	626	5,686
Other current liabilities(Notes 7 and 16)	33,426	31,416	297,941
Total current liabilities	706,665	696,319	6,298,823
Long-term liabilities:			
Long-term debt(Notes 5 and 15)	309,411	300,681	2,757,920
Accrual for officers' lump-sum severance benefits	1,365	1,628	12,167
Reserve for loss on unconsolidated subsidiaries and affiliates	4,137	1,760	36,879
Reserve for environmental measures	32,568	13,358	290,295
Net defined benefit liability(Note 6)	56,037	63,544	499,484
Deferred tax liabilities(Note 9)	23,526	15,265	209,701
Deferred tax liabilities for land revaluation(Notes 9 and 18)	25,590	26,532	228,096
Other(Notes 7 and 16)	27,443	29,267	244,618
Total long-term liabilities	480,079	452,038	4,279,164
Contingent Liabilities and Commitments(Note 10)			
NET ASSETS(Notes 8 and 25)			
Shareholders' equity			
Common stock			
Authorized 340,000,000 shares			
Issued 131,489,535 shares	119,457	119,457	1,064,782
Capital surplus	92,422	92,266	823,806
Retained earnings	333,526	303,026	2,972,875
Treasury stock, at cost	(2,017)	(1,953)	(17,981)
Total shareholders' equity	543,390	512,797	4,843,483
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	55,226	21,645	492,259
Deferred gains or losses on hedges (Note 16)	888	(199)	7,920
Revaluation reserve for land (Note 18)	34,930	34,282	311,351
Foreign currency translation adjustments	(1,418)	3,647	(12,646)
Accumulated adjustments for retirement benefits	(11,735)	(16,946)	(104,606)
Total accumulated other comprehensive income	77,891	42,430	694,278
Non-controlling interests	88,913	89,789	792,527
Total net assets	710,195	645,017	6,330,288
Total liabilities and net assets	¥ 1,896,939	¥ 1,793,375	\$ 16,908,276

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net sales(Note 17)	¥ 1,304,068	¥ 1,417,895	\$ 11,623,747
Cost of sales	1,104,402	1,204,322	9,844,040
Gross profit	199,665	213,573	1,779,707
Selling, general and administrative expenses(Note 12)	139,904	143,152	1,247,028
Operating profit	59,761	70,420	532,678
Other income (expenses):			
Interest and dividend income	15,279	9,609	136,197
Interest expenses(Note 5)	(4,922)	(6,694)	(43,873)
Income from leased property	4,863	5,005	43,352
Expense for leased property	(3,061)	(3,174)	(27,284)
Expense for the maintenance and management of abandoned mines	(3,565)	(2,865)	(31,781)
Loss on valuation of investment securities(Note 14)	(5,049)	(2,539)	(45,006)
Gain on change in equity	—	10,464	—
Insurance income	2,400	5,224	21,397
Gain on redemption of investment securities	—	1,234	—
Gain on net sales of investments in securities	19,072	19,188	170,003
Gain on sales of property, plant and equipment	16,545	6,322	147,480
Loss on disposal and sales of property, plant and equipment	(4,292)	(3,929)	(38,262)
Loss on impairment of fixed assets(Note 22)	(9,977)	(3,610)	(88,936)
Loss on suspension of operation(Note 24)	—	(2,628)	—
Reserve for environmental measures	(23,912)	(10,841)	(213,141)
Foreign exchange losses, net	(1,347)	(1,142)	(12,010)
Loss on business withdrawal cost(Note 23)	—	(7,517)	—
Equity in earnings of affiliates	1	2,188	10
Other, net	(2,212)	(2,035)	(19,717)
	(176)	12,259	(1,572)
Income before income taxes	59,584	82,680	531,106
Income Taxes(Note 9)	24,011	15,144	214,025
Net income	¥ 35,573	¥ 67,536	\$ 317,080
Net income attributable to:			
Non-controlling interests	¥ 7,220	¥ 6,219	\$ 64,360
Owners of parent	28,352	61,316	252,720
Amounts per share	yen		U.S. dollars(Note 1)
Basic net income (Note 20)	¥ 216	¥ 468	\$ 1.92
Cash dividends applicable to the year (Note 25)	60	10	0.53

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net income	¥ 35,573	¥ 67,536	\$ 317,080
Other comprehensive income (Note 13):			
Valuation difference on available-for-sale securities	33,676	(21,165)	300,169
Deferred gains or losses on hedges	635	1,044	5,661
Revaluation reserve for land	—	1,490	—
Foreign currency translation adjustments	(6,009)	(11,326)	(53,562)
Remeasurements of defined benefit plans	4,758	(14,369)	42,415
Share of other comprehensive income of affiliates accounted for using the equity method	88	(3,544)	790
Total other comprehensive income (loss)	33,150	(47,872)	295,481
Comprehensive income	¥ 68,723	¥ 19,664	\$ 612,562
Comprehensive income attributable to:			
Owners of parent	¥ 62,777	¥ 16,451	\$ 559,560
Non-controlling interests	5,946	3,212	53,001

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (Note 25)

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Balance at April 1, 2015	¥ 119,457	¥ 92,272	¥ 252,858	¥ (1,865)	¥ 462,723
Cumulative effect of changes in accounting policies			805		805
Restated balance	119,457	92,272	253,664	(1,865)	463,529
Dividends			(13,101)		(13,101)
Net income attributable to owners of parent			61,316		61,316
Increase due to reversal of revaluation reserve for land			843		843
Increase resulting from increase in the number of consolidated subsidiaries			304		304
Acquisition of treasury stock				(89)	(89)
Sales of treasury stock		(0)		1	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(5)			(5)
Net change other than shareholders' equity					
Balance at March 31, 2016	¥ 119,457	¥ 92,266	¥ 303,026	¥ (1,953)	¥ 512,797
Cumulative effect of changes in accounting policies					
Restated balance	119,457	92,266	303,026	(1,953)	512,797
Dividends			(9,170)		(9,170)
Net income attributable to owners of parent			28,352		28,352
Increase due to reversal of revaluation reserve for land			(1,165)		(1,165)
Increase resulting from increase in the number of consolidated subsidiaries			127		127
Increase due to decrease in affiliates			12,355		12,355
Acquisition of treasury stock				(65)	(65)
Sales of treasury stock		(0)		2	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders		157			157
Net change other than shareholders' equity					
Balance at March 31, 2017	¥ 119,457	¥ 92,422	¥ 333,526	¥ (2,017)	¥ 543,390

	Millions of yen							
	Accumulated other comprehensive income							Total net assets
	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	Non-controlling interests	
Balance at April 1, 2015	¥ 42,717	¥ (1,025)	¥ 33,856	¥ 15,746	¥ (3,256)	¥ 88,039	¥ 78,751	¥ 629,514
Cumulative effect of changes in accounting policies								805
Restated balance	42,717	(1,025)	33,856	15,746	(3,256)	88,039	78,751	630,319
Dividends								(13,101)
Net income attributable to owners of parent								61,316
Increase due to reversal of revaluation reserve for land								843
Increase resulting from increase in the number of consolidated subsidiaries								304
Acquisition of treasury stock								(89)
Sales of treasury stock								1
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(5)
Net change other than shareholders' equity	(21,071)	826	426	(12,099)	(13,690)	(45,608)	11,038	(34,570)
Balance at March 31, 2016	¥ 21,645	¥ (199)	¥ 34,282	¥ 3,647	¥ (16,946)	¥ 42,430	¥ 89,789	¥ 645,017
Cumulative effect of changes in accounting policies								
Restated balance	21,645	(199)	34,282	3,647	(16,946)	42,430	89,789	645,017
Dividends								(9,170)
Net income attributable to owners of parent								28,352
Increase due to reversal of revaluation reserve for land								(1,165)
Increase resulting from increase in the number of consolidated subsidiaries								127
Increase due to decrease in affiliates								12,355
Acquisition of treasury stock								(65)
Sales of treasury stock								1
Change in treasury shares of parent arising from transactions with non-controlling shareholders								157
Net change other than shareholders' equity	33,581	1,087	647	(5,066)	5,211	35,460	(876)	34,584
Balance at March 31, 2017	¥ 55,226	¥ 888	¥ 34,930	¥ (1,418)	¥ (11,735)	¥ 77,891	¥ 88,913	¥ 710,195

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 April 1, 2016	\$ 1,064,782	\$ 822,410	\$ 2,701,016	\$ (17,413)	\$ 4,570,796
Cumulative effect of changes in accounting policies					
Restated balance	1,064,782	822,410	2,701,016	(17,413)	4,570,796
Dividends			(81,737)		(81,737)
Net income attributable to owners of parent			252,720		252,720
Increase due to reversal of revaluation reserve for land			(10,390)		(10,390)
Increase resulting from increase in the number of consolidated subsidiaries			1,139		1,139
Increase due to decrease in affiliates			110,127		110,127
Acquisition of treasury stock				(586)	(586)
Sales of treasury stock		(4)		18	14
Change in treasury shares of parent arising from transactions with non-controlling shareholders		1,400			1,400
Net change other than shareholders' equity					
Balance at March 31, 2017	\$ 1,064,782	\$ 823,806	\$ 2,972,875	\$ (17,981)	\$ 4,843,483

	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	Non-controlling interests	Total net assets
Balance at April 1, 2016	\$ 192,936	\$ (1,773)	\$ 305,577	\$ 32,514	\$ (151,055)	\$ 378,198	\$ 800,337	\$ 5,749,332
Cumulative effect of changes in accounting policies								
Restated balance	192,936	(1,773)	305,577	32,514	(151,055)	378,198	800,337	5,749,332
Dividends								(81,737)
Net income attributable to owners of parent								252,720
Increase due to reversal of revaluation reserve for land								(10,390)
Increase resulting from increase in the number of consolidated subsidiaries								1,139
Increase due to decrease in affiliates								110,127
Acquisition of treasury stock								(586)
Sales of treasury stock								14
Change in treasury shares of parent arising from transactions with non-controlling shareholders								1,400
Net change other than shareholders' equity	299,322	9,694	5,773	(45,160)	46,449	316,079	(7,810)	308,269
Balance at March 31, 2017	\$ 492,259	\$ 7,920	\$ 311,351	\$ (12,646)	\$ (104,606)	\$ 694,278	\$ 792,527	\$ 6,330,288

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, 2017 and 2016

Thousands of U.S.
dollars
(Note 1)

	Millions of yen		
	2017	2016	2017
Cash flows from operating activities:			
Income before income taxes	¥ 59,584	¥ 82,680	\$ 531,106
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	56,748	56,395	505,824
Amortization of goodwill	4,048	4,447	36,084
Decrease in allowance for doubtful accounts	(173)	(38)	(1,543)
Increase in reserve for loss on unconsolidated subsidiaries and affiliates	3,021	552	26,932
Increase in reserve for environmental measures	19,210	8,799	171,229
(Decrease) increase in net liability for retirement benefits and directors' retirement benefits	(761)	1,136	(6,789)
Interest and dividend income	(15,279)	(9,609)	(136,197)
Interest expense	4,922	6,694	43,873
Gain on sales of property, plant and equipment	(16,431)	(5,863)	(146,464)
Loss on disposal of property, plant and equipment	4,076	3,366	36,339
Loss on impairment of fixed assets	9,977	3,610	88,936
Loss on business withdrawal cost	—	7,517	—
Gain on sales of investments in securities	(19,014)	(18,164)	(169,481)
Write-down of investments in securities	5,049	2,539	45,006
Gain on redemption of investment securities	—	(1,234)	—
Gain on change in equity	—	(10,464)	—
Decrease in notes and accounts receivable	20,046	8,239	178,685
(Increase) decrease in inventories	(32,982)	38,913	(293,985)
Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Partner	79,991	79,994	713,003
Payment for purchases of gold bullion from market for customers under My Gold Partner	(79,599)	(77,114)	(709,502)
Decrease in other current assets	9,374	17,373	83,557
Increase (decrease) in notes and accounts payable	6,418	(24,966)	57,207
(Decrease) increase in accrued expense	(2,435)	3,857	(21,712)
Equity in earnings of affiliates	(1)	(2,188)	(10)
Other, net	4,614	(44,728)	41,133
Sub-total	120,406	131,743	1,073,233
Interest and dividend received	16,426	12,139	146,417
Interest paid	(4,962)	(7,173)	(44,232)
Income taxes (paid) refund	(16,317)	(18,023)	(145,444)
Net cash provided by operating activities	115,552	118,685	1,029,973
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(76,838)	(71,469)	(684,900)
Proceeds from sales of property, plant and equipment	24,359	19,110	217,124
Payments for purchases of intangible fixed assets	(1,283)	(2,897)	(11,443)
Payments for purchases of investments in securities	(494)	(2,922)	(4,406)
Proceeds from sales of investments in securities	32,915	32,987	293,389
Proceeds from redemption of investment securities	—	18,000	—
Payments for additional acquisition of subsidiaries' shares	(2,224)	(132)	(19,831)
Proceeds from sales of shares of subsidiaries	0	—	5
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(15,572)	—
Proceeds from sales of subsidiaries' shares resulting in change in scope of consolidation	2,157	455	19,226
Payments for business withdrawal	—	(7,548)	—
Proceeds from transfer of business	2,176	—	19,401
Disbursement of loan receivables	(2,253)	(1,100)	(20,083)
Proceeds from collection of loan receivables	128	1,942	1,147
Other, net	(5,199)	(834)	(46,344)
Net cash used in investing activities	(26,557)	(29,982)	(236,715)
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans, net	11,155	(28,243)	99,429
Proceeds from long-term debt	42,066	31,433	374,959
Repayments of long-term debt	(54,488)	(79,917)	(485,676)
(Decrease) increase in commercial paper, net	—	(5,000)	—
Proceeds from issuance of bonds	30,000	—	267,403
Payments for redemption of bonds	(25,100)	(20,040)	(223,727)
Payments for purchase of treasury stock	(65)	(90)	(586)
Cash dividends paid	(9,170)	(13,101)	(81,737)
Cash dividends paid to non-controlling shareholders	(6,201)	(1,989)	(55,274)
Other, net	(3,899)	(3,527)	(34,760)
Net cash used in financing activities	(15,703)	(120,477)	(139,971)
Effect of exchange rate fluctuation on cash and cash equivalents	(55)	(2,803)	(490)
Net decrease (increase) in cash and cash equivalents	73,237	(34,577)	652,795
Cash and cash equivalents at beginning of year	58,482	92,079	521,281
Effect of changes in consolidated subsidiaries	896	980	7,994
Cash and cash equivalents at end of year (Note 19)	¥ 132,616	¥ 58,482	\$ 1,182,071

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Mitsubishi Materials Corporation and Consolidated Subsidiaries
March 31, 2017 and 2016

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

presentation, 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, 2017, which was ¥112.19 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 (q) and (r), 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 four items as applicable.

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

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

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

Goodwill related to Mitsubishi Hitachi Tool Engineering, Ltd. is amortized over a period of 10 years on a straight-line method.

Regarding SUMCO CORPORATION, Copper Mountain Mine (BC) Ltd. and Robertson's, it is 20 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 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.

(i) 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.

(j) Reserve for Loss on Unconsolidated Subsidiaries and Affiliates

Reserve for loss on unconsolidated subsidiaries and affiliates are provided based on the estimated loss which will exceed the amount of equity investments and loans receivable made by the Company and its consolidated subsidiaries.

(k) Reserve for Environmental Measures

Reserve for environmental measures is provided for future payments for waste disposal and removal of soil contamination at Kazuno (Akita Prefecture) area, based on management estimation. In addition, costs related to a particular countermeasure work to prevent the pollution of a mine which was suspended or abandoned by the Company group as well as costs related to the stabilization of storage space are recorded as Reserve for environmental measures, when the nature of the countermeasure is fixed and the costs becomes estimable.

Costs related to a particular countermeasure for suspended or abandoned mines are required for implementing countermeasures for stabilizing large-scale storage space and harm countermeasures associated with the amendment of technical guidelines of the Mine Safety Act, in addition to drastic mine pollution prevention countermeasures for prevention of discharge of untreated water to reinforce water treatment capacities to meet the recent natural environmental changes.

However, there are still certain amounts which cannot be reasonably estimated due to undetermined works because the most appropriate countermeasures corresponding to the landform and existing equipment cannot be determined.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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 March 29, 2017, 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 four 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

(r) 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 29, 2017, 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.

(s) Changes in accounting policies

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practice Issue Task Force No.32, June 17, 2016) from the current fiscal year. As a result, the depreciation method of facilities attached to buildings and structures acquired on or after April 1, 2016, has changed from the declining balance method to the straight line method.

The effects on the consolidated financial statements of the current fiscal year were immaterial.

(t) Reclassification

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

(u) Additional Information

The Company and its domestic subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, “Guidance No.26”)) from the current fiscal year.

Note 3 Inventories

Inventories as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Merchandise and finished goods	¥ 85,878	¥ 85,082	\$ 765,471
Work in process	101,643	83,694	905,992
Raw materials and supplies	100,757	89,875	898,098
Total	¥ 288,279	¥ 258,652	\$ 2,569,562

Note 4 Investment and Rental Property

Information about fair value of investment and rental property included in the consolidated financial statements at March 31, 2017 and 2016 was as follows:

Millions of yen			
	Carrying amount		Fair value
April 1, 2016	Increase/(Decrease)	March 31, 2017	March 31, 2017
¥ 66,713	¥ (691)	¥ 66,021	¥ 63,098

Millions of yen			
	Carrying amount		Fair value
April 1, 2015	Increase/(Decrease)	March 31, 2016	March 31, 2016
¥ 67,847	¥ (1,133)	¥ 66,713	¥ 66,849

Thousands of U.S. dollars			
	Carrying amount		Fair value
April 1, 2016	Increase/(Decrease)	March 31, 2017	March 31, 2017
\$ 594,646	\$ (6,163)	\$ 588,483	\$ 562,421

Notes:

1. Carrying amount is net of accumulated depreciation and accumulated impairment loss.
2. Fair values of significant properties as of March 31, 2017 and 2016 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, 2017 and 2016 were as follows:

Millions of yen			
Year ended March 31, 2017			
Rental income	Rental expenses	Profit	Impairment loss
¥ 6,032	¥ 3,814	¥ 2,217	¥ 1,229

Millions of yen			
Year ended March 31, 2016			
Rental income	Rental expenses	Profit	Impairment loss
¥ 5,855	¥ 3,946	¥ 1,908	¥ 2,349

Thousands of U.S. dollars			
Year ended March 31, 2017			
Rental income	Rental expenses	Profit	Impairment loss
\$ 53,766	\$ 33,996	\$ 19,769	\$ 10,959

Note:

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

Note 5 Short-Term Bank Loans and Long-Term Debt

Short-term bank loans outstanding as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unsecured	¥ 116,678	¥ 118,586	\$ 1,040,010
Secured	35,990	22,926	320,796
Total	¥ 152,668	¥ 141,513	\$ 1,360,806

The average interest rate per annum for short-term bank loans outstanding at March 31, 2017 and 2016 was 0.9% and 0.6%, respectively.

Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Banks, insurance companies and other financial institutions, maturing serially until 2042 with an average rate of 0.7% per annum as of March 31, 2017:			
Unsecured	¥ 294,726	¥ 308,453	\$ 2,627,029
Secured	10,835	11,242	96,580
0.800% unsecured yen bonds, due 2016	—	15,000	—
1.160% unsecured yen bonds, due 2018	10,000	10,000	89,134
0.790% unsecured yen bonds, due 2016	—	10,000	—
0.790% unsecured yen bonds, due 2017	15,000	15,000	133,701
0.780% unsecured yen bonds, due 2018	15,000	15,000	133,701
0.200% unsecured yen bonds, due 2021	20,000	—	178,269
0.470% unsecured yen bonds, due 2026	10,000	—	89,134
0.434% unsecured yen bonds, due 2016	—	100	—
	375,561	384,795	3,347,551
Less current portion	(66,150)	(84,114)	(589,630)
Total	¥ 309,411	¥ 300,681	\$ 2,757,920

The aggregate annual maturities of long-term debt as of March 31, 2017 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 66,150	\$ 589,630
2019	76,734	683,970
2020	41,481	369,743
2021	37,418	333,529
2022	38,730	345,223
2023 and thereafter	115,045	1,025,453
Total	¥ 375,561	\$ 3,347,551

Assets pledged as collateral for short-term bank loans and long-term debt as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and time deposits	¥ 27,061	¥ 10,725	\$ 241,213
Notes and accounts receivable	7,321	11,708	65,257
Inventories	24,744	20,266	220,561
Investments:			
Investments in securities	6,534	5,691	58,249
Property, plant and equipment, at net book value	48,851	51,734	435,439
Other assets	1	3	11
Total	¥ 114,516	¥ 100,130	\$ 1,020,733

Note 6 Employees' Severance and Pension Benefits

1. Retirement benefit plans

The Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution plans, which cover the benefits payable for all employees under these plans. Under the funded defined benefit pension plan, benefits are calculated based on the job qualifications and length of service of the employee, and are paid at a lump-sum or in annuities. Under the unfunded defined pension plans (they are principally unfunded plans, however some plans

are funded by a retirement benefit trust), benefits are calculated based on the job qualifications and length of service of the employees, and are paid at a lump-sum.

Certain consolidated subsidiaries calculate their retirement benefits and retirement benefit costs based on the "simplified method" allowed under Japanese GAAP.

2. Movement in retirement benefit obligations for the years ended March 31, 2017 and 2016, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 146,514	¥ 128,256	\$ 1,305,948
Service costs	6,953	8,389	61,977
Interest costs	300	1,515	2,676
Actuarial gains and losses	256	14,311	2,290
Benefits paid	(9,137)	(8,115)	(81,443)
Past service costs	(651)	(5)	(5,805)
Increase due to business combination	—	3,153	—
Other	(993)	(992)	(8,857)
Balance at end of year	¥ 143,242	¥ 146,514	\$ 1,276,786

3. Movement in plan assets for the years ended March 31, 2017 and 2016, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 85,583	¥ 90,975	\$ 762,845
Expected return on plan assets	1,434	1,421	12,782
Actuarial gains and losses	2,413	(6,388)	21,516
Contributions paid by the employer	5,310	4,896	47,334
Benefits paid	(4,321)	(4,677)	(38,515)
Other	(470)	(643)	(4,192)
Balance at end of year	¥ 89,950	¥ 85,583	\$ 801,771

4. Movement in net liability for retirement benefits under the plans to which a simplified method is applied for the years ended March 31, 2017 and 2016, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 2,271	¥ 2,139	\$ 20,245
Retirement benefit costs	291	365	2,600
Benefits paid	(167)	(155)	(1,492)
Contributions to the plans	(69)	(72)	(618)
Other	25	(5)	227
Balance at end of year	¥ 2,351	¥ 2,271	\$ 20,962

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
	2017	2016	2017
Funded retirement benefit obligations	¥ 131,704	¥ 134,016	\$ 1,173,938
Plan assets	(90,275)	(85,878)	(804,667)
	41,428	48,138	369,271
Unfunded retirement benefit obligations	14,215	15,064	126,705
Net liability recorded in the consolidated balance sheets	¥ 55,643	¥ 63,202	\$ 495,977

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net liability for retirement benefits	¥ 56,037	¥ 63,544	\$ 499,484
Net asset for retirement benefits	(393)	(342)	(3,507)
Net liability recorded in the consolidated balance sheets	¥ 55,643	¥ 63,202	\$ 495,977

6. The components of retirement benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service costs	¥ 7,245	¥ 8,755	\$ 64,578
Interest costs	300	1,515	2,676
Expected return on plan assets	(1,434)	(1,421)	(12,782)
Amortization of actuarial gains and losses	3,901	1,126	34,777
Amortization of past service costs	(304)	(175)	(2,715)
Retirement benefit costs on defined benefit plans	¥ 9,708	¥ 9,801	\$ 86,534

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

7. Adjustments for retirement benefits

Components of adjustments for retirement benefits (before adjusting for tax effects) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Past service costs	¥ 450	¥ (169)	\$ 4,014
Actuarial gains and losses	6,101	(19,891)	54,387
Total	¥ 6,552	¥ (20,061)	\$ 58,401

8. Accumulated adjustments for retirement benefits

Components of accumulated adjustments for retirement benefits (before adjusting for tax effects) as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized past service costs	¥ (1,193)	¥ (743)	\$ (10,641)
Unrecognized actuarial gains and losses	17,051	23,153	151,991
Total	¥ 15,858	¥ 22,410	\$ 141,349

9. Plan assets

(1) Components of plan assets

Plan assets consisted of the followings:

	2017	2016
Bonds	34%	33%
Equity securities	48	46
Insurance assets (general account)	11	12
Cash and deposits	6	9
Other	1	0
Total	100%	100%

Note: Total plan assets include retirement benefit trust established on lump-sum severance payment plans or corporate pension plans by 27% and 26% at March 31, 2017 and 2016, 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, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	Mainly 0.05%	Mainly 0.05%
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 ¥753 million (\$6,713 thousand) and ¥335 million for the years ended March 31, 2017 and 2016, 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 69 years) and applies discount rates ranging from 0.4% to 2.7%.

The changes in asset retirement obligations for the fiscal years ended March 31, 2017 and 2016 are as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Beginning balance	¥ 3,592	¥ 3,430	\$ 32,017
Increase associated with acquisitions of tangible fixed assets	70	330	629
Reconciliation associated with passage of time	24	26	218
Reduction associated with settlement of asset retirement obligations	(58)	(47)	(524)
Decrease due to changes in estimates	(19)	(7)	(170)
Foreign currency translation adjustments	(72)	(40)	(644)
Other, net	(43)	(100)	(383)
Ending balance	¥ 3,493	¥ 3,592	\$ 31,142

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, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current	¥ 24,594	¥ 17,905	\$ 219,222
Deferred	(583)	(2,760)	(5,197)
Total	¥ 24,011	¥ 15,144	\$ 214,025

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, 2017 and 2016:

	2017	2016
Statutory income tax rate	30.9%	33.1%
Nondeductible expenses	0.3	0.9
Temporary differences for which tax effect cannot be recognized	6.2	(12.1)
Differences in statutory tax rates of consolidated subsidiaries	0.1	0.3
Equity in earnings of affiliates	(0.0)	(0.9)
Nontaxable dividends received	(3.5)	(2.5)
Nondeductible foreign withholding taxes	3.8	1.3
Reduction of deferred tax assets and liabilities due to the change in income tax rates	—	0.8
Gain on changes in equity	—	(4.2)
Amortization of goodwill	2.1	1.8
Other	0.4	(0.2)
Effective tax rate	40.3%	18.3%

Significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Net liability for retirement benefits	¥ 17,668	¥ 19,767	\$ 157,487
Loss on write-down of securities	16,343	12,810	145,673
Net operating loss carried forward	16,055	16,120	143,106
Nondeductible loss on impairment of fixed assets	15,929	13,787	141,990
Reserve for environmental measures	9,983	4,113	88,991
Retirement benefit trust asset	7,113	7,285	63,405
Intercompany profits	4,824	5,236	43,002
Loss on write-down of buildings	4,348	4,500	38,764
Accrued employees' bonuses	3,783	3,859	33,726
Allowance for doubtful accounts	2,166	2,364	19,310
Loss on write-down of inventories	1,950	1,804	17,382
Temporary difference on the excess of investment in overseas consolidated subsidiaries	1,779	4,839	15,865
Depreciation	1,775	2,116	15,822
Other	21,232	25,957	189,257
Subtotal	124,955	124,563	1,113,784
Valuation allowance	(63,246)	(57,397)	(563,740)
Total deferred tax assets	¥ 61,709	¥ 67,166	\$ 550,044

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (22,723)	¥ (8,681)	\$ (202,544)
Excess of fair value over the book value of the assets and liabilities of the consolidated subsidiaries and affiliates at the acquisition date	(8,577)	(8,632)	(76,457)
Gain on contribution of securities to retirement benefit trust	(3,810)	(4,044)	(33,967)
Accelerated depreciation of property, plant and equipment	(3,338)	(4,809)	(29,761)
Deferred gain on sale of property, plant and equipment	(3,200)	(3,234)	(28,525)
Retained earnings of overseas consolidated subsidiaries	(1,810)	(1,859)	(16,133)
Revaluation of land, as a result of the merger	(1,502)	(1,502)	(13,391)
Reserve for loss on particular business reorganization	(1,198)	(1,194)	(10,679)
Deferred gains or losses on hedges	(724)	(351)	(6,461)
Reserve for special account for advanced depreciation of fixed assets	(65)	(102)	(586)
Reserve for mining exploration	(0)	(20)	(3)
Other	(2,834)	(3,461)	(25,267)
Total deferred tax liabilities	(49,787)	(37,894)	(443,782)
Net deferred tax assets	¥ 11,921	¥ 29,272	\$ 106,262
Net deferred tax liabilities for land revaluation	¥ (25,590)	¥ (26,532)	\$ (228,096)

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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Notes receivable discounted	¥ 300	¥ 772	\$ 2,678
Notes receivable endorsed	14	23	132
Notes and accounts receivable securitized with recourse	3,522	3,647	31,393
Loans guaranteed	28,845	26,369	257,109
Total	¥ 32,682	¥ 30,813	\$ 291,313

2. Contingent liabilities regarding the consolidated subsidiary: March 31, 2016

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company, received a notice of reassessment in an amount of \$47 million (¥5,370 million) from the Indonesian National Tax Authority regarding the sales transaction pricing of PT. Smelting for the year ended December 2009. On January 28, 2015, PT. Smelting made a provisional deposit of \$14 million (¥1,570 million) as a part of the additional collection.

However, the Company and PT. Smelting were not able to accept this tax assessment by the Indonesian National Tax Authority, on the ground of their view that a sales shortage of PT. Smelting attributes to an unreasonable assessment based on a comparison of the profit margin ratio with other companies selected by the Indonesian National Tax Authority. An objection to this tax assessment was filed by PT. Smelting to the Indonesian National Tax Authority on March 25, 2015.

The objection submitted by PT. Smelting on March 25, 2015 was rejected by the Indonesian National Tax Authority on March 16, 2016. Accordingly, PT. Smelting filed a lawsuit to the Tax Court on June 6, 2016 in order to claim the legitimacy of the Company and PT. Smelting.

March 31, 2017

On December 22, 2016, PT. Smelting also received a notice of assessment in the amount of \$34 million (¥3,841 million) from the Indonesian National Tax Authority, regarding its recognition of raw material costs for the fiscal year ended December 31, 2011.

However, the Company and PT. Smelting were not able to accept this tax assessment by the Indonesian National Tax Authority, based on their view that the denial for tax deduction of raw material costs did not have valid grounds. An objection to this tax assessment was filed by PT. Smelting to the Indonesian National Tax Authority on March 20, 2017.

Note 11 Lease Transactions

In related to Note 2 (p), 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
	2017	2016	2017
Due within one year	¥ 2,307	¥ 2,421	\$ 20,564
Due after one year	6,535	8,442	58,250
Total	¥ 8,842	¥ 10,864	\$ 78,815

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 920	¥ 1,100	\$ 8,205
Due after one year	5,427	5,670	48,381
Total	¥ 6,348	¥ 6,770	\$ 56,586

Note 12 Research and Development Expenses

Research and development expenses for the fiscal years ended March 31, 2017 and 2016 were ¥11,344 million (\$101,122 thousand) and ¥11,225 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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during the year	¥ 49,289	¥ (30,833)	\$ 439,339
Reclassification adjustment to net income	(1,572)	1,213	(14,016)
Amount before tax effect	47,717	(29,620)	425,323
Tax effect	(14,041)	8,454	(125,154)
Valuation difference on available-for-sale securities	33,676	(21,165)	300,169
Deferred gains or losses on hedges:			
Gains incurred during the year	7,057	1,686	62,906
Reclassification adjustment to net income	(6,245)	(31)	(55,669)
Amount before tax effect	811	1,654	7,236
Tax effect	(176)	(610)	(1,575)
Deferred gains or losses on hedges	635	1,044	5,661
Revaluation reserve for land			
Tax effect	—	1,490	—
Foreign currency translation adjustments:			
Gains incurred during the year	(6,009)	(11,326)	(53,562)
Remeasurements of defined benefit plans:			
Gains incurred during the year	2,955	(20,920)	26,340
Reclassification adjustment to net income	3,597	858	32,061
Amount before tax effect	6,552	(20,061)	58,401
Tax effect	(1,793)	5,692	(15,986)
Remeasurements of defined benefit plans	4,758	(14,369)	42,415

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Share of other comprehensive income of affiliates accounted for using the equity method:			
Gains incurred during the year	83	(4,264)	744
Reclassification adjustment to net income	5	720	46
Share of other comprehensive income of affiliates accounted for using the equity method	88	(3,544)	790
Total other comprehensive income (loss)	¥ 33,150	¥ (47,872)	\$ 295,481

Note 14 Securities

1.The following tables summarize carrying amounts and acquisition costs of securities with available fair values as of March 31, 2017:

Available-for-sale securities

(1) Securities with carrying amount exceeding acquisition cost

At March 31, 2017

Type	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	¥ 172,994	¥ 91,749	¥ 81,245	\$ 1,541,980	\$ 817,802	\$ 724,178
Bonds	—	—	—	—	—	—
Total	¥ 172,994	¥ 91,749	¥ 81,245	\$ 1,541,980	\$ 817,802	\$ 724,178

(2) Securities with carrying amount not exceeding acquisition cost

At March 31, 2017

Type	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	¥ 9,805	¥ 11,685	¥ (1,879)	\$ 87,399	\$ 104,156	\$ (16,756)
Bonds	—	—	—	—	—	—
Total	¥ 9,805	¥ 11,685	¥ (1,879)	\$ 87,399	\$ 104,156	\$ (16,756)

Note:

Unlisted equity securities of which carrying amount is ¥6,631 million (\$59,122 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, 2016:

Available-for-sale securities

(1) Securities with carrying amount exceeding acquisition cost

At March 31, 2016

Type	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Equity securities	¥ 82,015	¥ 46,981	¥ 35,034
Bonds	—	—	—
Total	¥ 82,015	¥ 46,981	¥ 35,034

(2) Securities with carrying amount not exceeding acquisition cost

At March 31, 2016

Type	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Equity securities	¥ 15,462	¥ 18,829	¥ (3,367)
Bonds	—	—	—
Total	¥ 15,462	¥ 18,829	¥ (3,367)

Note:

Unlisted equity securities of which carrying amount is ¥7,840 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, 2017 and 2016.

4. Total amounts of available-for-sale securities sold, and the resulting gains and losses, for the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Sales amount	¥ 4,930	¥ 144	\$ 43,946
Gains	1,716	4	15,295
Losses	(—)	(56)	(—)

5. The amounts of write-down of investments in securities for the years ended March 31, 2017 and 2016 were ¥5,049 million (\$45,006 thousand) and ¥2,539 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 was determined by considering the recoverability, etc. by each issue.

Note 15 Financial Instruments

Information on financial instruments for the fiscal years ended March 31, 2017 and 2016 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 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. The longest maturity of long-term debt including corporate bonds is 2042. As some of them with floating interest rates are exposed to interest rate fluctuation risk, they are hedged using derivatives.

Derivative transactions mainly include forward foreign currency contracts and currency swap contracts for the purpose of hedging foreign currency exchange fluctuation risk on trade receivables and payables denominated in foreign currencies, forward commodity contracts and commodity price swap contracts for the purpose of hedging commodity price fluctuation risk on nonferrous metal and interest rate swaps for the

purpose of hedging interest rate fluctuation risk on debt and reducing fund raising costs. Interest rate swaps which convert fixed interest rates into floating rates are exposed to market interest rate fluctuation. Hedging instruments and hedged items, hedge policy, assessment method for hedge effectiveness and others related to hedge accounting, are described in Note 2. (e) "Derivative Transactions and Hedge Accounting" and Note 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. 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.

2. Fair values of financial instruments

Carrying amounts, fair value of the financial instruments and the difference between them as of March 31, 2017 and 2016 were as follows (Financial instruments whose fair values are not readily determinable are excluded from the following table):

March 31, 2017	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥ 141,264	¥ 141,264	¥ —
(2) Notes and accounts receivable	213,343	213,343	—
(3) Investment securities:			
Shares in affiliates	13,813	15,517	1,703
Available-for-sale securities	182,800	182,800	—
Total assets	¥ 551,222	¥ 552,925	¥ 1,703
(1) Notes and accounts payable	¥ 114,502	¥ 114,502	¥ —
(2) Short-term bank loans	203,819	203,819	—
(3) Current portion of bonds	15,000	15,016	16
(4) Bonds	55,000	55,221	221
(5) Long-term loans payable	254,411	254,311	(99)
Total liabilities	¥ 642,733	¥ 642,870	¥ 137
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	¥ 1,794	¥ 1,794	¥ —
b. Derivatives to which hedge accounting is applied	(328)	(2,684)	(2,356)
Total derivative transactions	¥ 1,465	¥ (890)	¥ (2,356)

March 31, 2016	Millions of yen		
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥60,123	¥60,123	¥ —
(2) Notes and accounts receivable	233,093	233,093	—
(3) Investment securities:			
Shares in affiliates	55,235	56,967	1,732
Available-for-sale securities	97,478	97,478	—
Total assets	¥ 445,930	¥ 447,662	¥ 1,732
(1) Notes and accounts payable	¥ 110,596	¥ 110,596	¥ —
(2) Short-term bank loans	200,527	200,527	—
(3) Current portion of bonds	25,100	25,165	65
(4) Bonds	40,000	40,562	562
(5) Long-term loans payable	260,681	261,229	548
Total liabilities	¥ 636,904	¥ 638,081	¥ 1,176
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	¥ (2,553)	¥ (2,553)	¥ —
b. Derivatives to which hedge accounting is applied	348	(1,212)	(1,560)
Total derivative transactions	¥ (2,204)	¥ (3,765)	¥ (1,560)

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

March 31, 2017	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
(1) Cash and time deposits	\$ 1,259,154	\$ 1,259,154	\$ —
(2) Notes and accounts receivable	1,901,630	1,901,630	—
(3) Investment securities:			
Shares in affiliates	123,129	138,311	15,181
Available-for-sale securities	1,629,380	1,629,380	—
Total assets	\$ 4,913,295	\$ 4,928,477	\$ 15,181
(1) Notes and accounts payable	\$ 1,020,612	\$ 1,020,612	\$ —
(2) Short-term bank loans	1,816,735	1,816,735	—
(3) Current portion of bonds	133,701	133,848	147
(4) Bonds	490,239	492,209	1,969
(5) Long-term loans payable	2,267,680	2,266,790	(890)
Total liabilities	\$ 5,728,970	\$ 5,730,196	\$ 1,226
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	\$ 15,995	\$ 15,995	\$ —
b. Derivatives to which hedge accounting is applied	(2,930)	(23,930)	(21,000)
Total derivative transactions	\$ 13,065	\$ (7,934)	\$ (21,000)

(*) 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

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 (4) Bonds

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

(5) 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

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
Category	2017	2016	2017
Shares in affiliates (unlisted equity securities)	¥ 48,821	¥ 52,053	\$ 435,170
Available-for-sale securities (unlisted equity securities)	6,631	7,840	59,112

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, 2017 and 2016

March 31, 2017	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	¥ 141,264	¥ —	¥ —	¥ —	¥ —	¥ —
Notes and accounts receivable	213,343	—	—	—	—	—
Total	¥ 354,608	¥ —	¥ —	¥ —	¥ —	¥ —

	Millions of yen					
March 31, 2016	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	¥ 60,123	¥ —	¥ —	¥ —	¥ —	¥ —
Notes and accounts receivable	233,093	—	—	—	—	—
Total	¥ 293,216	¥ —	¥ —	¥ —	¥ —	¥ —

	Thousands of U.S. dollars					
March 31, 2017	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	\$ 1,259,154	\$ —	\$ —	\$ —	\$ —	\$ —
Notes and accounts receivable	1,901,630	—	—	—	—	—
Total	\$ 3,160,784	\$ —	\$ —	\$ —	\$ —	\$ —

4. Repayment schedule of short-term bank loans, commercial paper, bonds and long-term loans payable as of March 31, 2017 and 2016

	Millions of yen					
March 31, 2017	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	¥ 203,819	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	15,000	25,000	—	—	20,000	10,000
Long-term loans payable	—	51,734	41,481	37,418	18,730	105,045
Total	¥ 218,819	¥ 76,734	¥ 41,481	¥ 37,418	¥ 38,730	¥ 115,045

	Millions of yen					
March 31, 2016	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	¥ 200,527	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	25,100	15,000	25,000	—	—	—
Long-term loans payable	—	49,979	50,565	39,338	31,138	89,659
Total	¥ 225,627	¥ 64,979	¥ 75,565	¥ 39,338	¥ 31,138	¥ 89,659

	Thousands of U.S. dollars					
March 31, 2017	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	\$ 1,816,735	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	133,701	222,836	—	—	178,269	89,134
Long-term loans payable	—	461,134	369,743	333,529	166,954	936,319
Total	\$ 1,950,437	\$ 683,970	\$ 369,743	\$ 333,529	\$ 345,223	\$ 1,025,453

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, 2017 and 2016, the Group had outstanding derivative transactions as follows:

1. Derivative transactions to which hedge accounting is not applied at March 31, 2017 and 2016

(1) Currency related derivatives

Millions of yen				
March 31, 2017	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	¥ 2,455	¥ —	¥ 36	¥ 36
Other	—	—	—	—
Buy U.S. dollars	—	—	—	—
Other	492	—	2	2
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	6,264	—	(99)	(99)
Total	—	—	—	¥ (59)

Millions of yen				
March 31, 2016	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	¥ 1,411	¥ —	¥ 38	¥ 38
Other	—	—	—	—
Buy U.S. dollars	—	—	—	—
Other	409	—	15	15
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	6,187	—	(16)	(16)
Total	—	—	—	¥ 37

Thousands of U.S. dollars				
March 31, 2017	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	\$ 21,884	\$ —	\$ 325	\$ 325
Other	—	—	—	—
Buy U.S. dollars	—	—	—	—
Other	4,390	—	26	26
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	55,838	—	(886)	(886)
Total	—	—	—	\$ (534)

Note:

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

(2) Interest rate related derivatives

Not applicable

(3) Interest rate and currency swaps

March 31, 2016

Not applicable

Millions of yen				
March 31, 2017	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Interest rate currency swap:				
U.S. dollars pay fixed / Euro receive floating	¥ 4,487	¥ 4,487	¥ 202	¥ 202
Japanese yen pay fixed / Indian rupee receive floating	692	692	(49)	(49)
Total	—	—	—	¥ 153

Thousands of U.S. dollars				
March 31, 2017	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Interest rate currency swap:				
U.S. dollars pay fixed / Euro receive floating	\$ 40,000	\$ 40,000	\$ 1,807	\$ 1,807
Japanese yen pay fixed / Indian rupee receive floating	6,168	6,168	(440)	(440)
Total	—	—	—	\$ 1,367

Note:

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

(4) Commodity related derivatives

Millions of yen				
March 31, 2017	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	¥ 33,497	¥ —	¥ (606)	¥ (606)
Buy	85,948	—	2,256	2,256
Total	—	—	—	¥ 1,650

Millions of yen				
March 31, 2016	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	¥ 40,058	¥ —	¥ (1,194)	¥ (1,194)
Buy	106,915	—	(1,397)	(1,397)
Total	—	—	—	¥ (2,591)

Thousands of U.S. dollars				
March 31, 2017	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	\$ 298,576	\$ —	\$ (5,403)	\$ (5,403)
Buy	766,097	—	20,115	20,115
Total	—	—	—	\$ 14,712

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, 2017 and 2016

(1) Currency related derivatives

March 31, 2017

March 31, 2017

			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, accounts payable	¥ 42,620	¥ —	¥ 137
	Other		7,104	2,310	11
	Buy U.S. dollars		861	—	11
	Other		18,973	—	82
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	¥ 10,598	¥ —	Note 2
	Other		4,571	—	
	Buy U.S. dollars		1,906	—	
	Other		582	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen/ Receive U.S. dollars	Long-term debt	¥ 11,800	¥ 7,300	

March 31, 2016

March 31, 2010

			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, accounts payable	¥ 37,825	¥ 4	¥ 717
	Other		847	—	(8)
	Buy U.S. dollars		956	—	(22)
	Other		28	—	(0)
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	¥ 9,026	¥ —	Note 2
	Other		4,342	—	
	Buy U.S. dollars		317	—	
	Other		1	—	
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, 2017

March 31, 2017

			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	\$ 379,891	\$ —	\$ 1,228
	Other		63,326	20,595	103
	Buy U.S. dollars		7,675	—	104
	Other		169,119	—	736
Hedged items are translated using forward contract rates	Forward foreign exchange contracts:				
	Sell U.S. dollars	Accounts receivable, accounts payable	\$ 94,471	\$ —	Note 2
	Other		40,750	—	
	Buy U.S. dollars		16,990	—	
	Other		5,193	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen/ Receive U.S. dollars	Long-term debt	\$ 105,178	\$ 65,068	

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, 2017

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			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:	Long-term debt			
	Receive fixed rate, pay floating rate		¥ —	¥ —	¥ —
	Pay fixed rate, receive floating rate		70,193	63,238	(2,104)

March 31, 2016

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			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:	Long-term debt			
	Receive fixed rate, pay floating rate		¥ —	¥ —	¥ —
	Pay fixed rate, receive floating rate		113,881	74,797	(3,063)

March 31, 2017

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars		
			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:	Long-term debt			
	Receive fixed rate, pay floating rate		\$ —	\$ —	\$ —
	Pay fixed rate, receive floating rate		625,663	563,674	(18,757)

Note:

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

(3) Interest rate and currency swaps

March 31, 2016

Not applicable

March 31, 2017

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Interest rate currency swap:	Long-term debt			
	U.S. dollars pay fixed / Indonesian rupiah receive floating		¥ 1,458	¥ 1,278	¥ 111

March 31, 2017

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Interest rate currency swap:	Long-term debt			
	U.S. dollars pay fixed / Indonesian rupiah receive floating		\$ 13,000	\$ 11,400	\$ 993

Note:

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

(4) Commodity related derivatives

March 31, 2017

March 31, 2017

			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,	¥ 37,374	¥ 14,336	¥ (1,343)
	Buy	accounts payable	21,070	7,855	743

March 31, 2016

March 31, 2016

			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,	¥ 78,146	¥ 26,108	¥ 8,861
	Buy	accounts payable	71,590	20,974	(7,696)

March 31, 2017

March 31, 2017

			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,	\$ 333,136	\$ 127,790	\$ (11,975)
	Buy	accounts payable	187.807	70.018	6.631

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.

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 of 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.

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No.32, June 17, 2016) from the current fiscal year. As a result, the depreciation method of facilities attached to buildings and structures acquired on or after April 1, 2016, has changed from the declining balance method to the straight line method.

The effects on the consolidated financial statements of the current fiscal year was immaterial.

(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, 2017 is as follows:

Millions of yen									
March 31, 2017	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	¥ 174,361	¥ 621,313	¥ 126,834	¥ 56,472	¥ 154,017	¥ 171,069	¥ 1,304,068	¥ —	¥ 1,304,068
Intersegment	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 profit	¥ 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 expense	1,513	1,686	934	840	672	744	6,391	(1,469)	4,922
Equity in earnings of affiliates	914	357	158	1,293	118	(2,878)	(35)	36	1
Investments in affiliates accounted for by the equity method	20,653	14,143	5,922	1,768	840	10,949	54,277	(155)	54,122
Increase in tangible and intangible fixed assets	20,517	19,339	14,719	2,946	8,658	4,185	70,367	5,318	75,685

Thousands of U.S. dollars									
March 31, 2017	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	\$ 1,554,159	\$ 5,538,047	\$ 1,130,530	\$ 503,366	\$ 1,372,826	\$ 1,524,816	\$ 11,623,747	\$ —	\$ 11,623,747
Intersegment	28,568	72,708	147,798	58,958	17,334	420,513	745,883	(745,883)	—
Total	\$ 1,582,727	\$ 5,610,756	\$ 1,278,329	\$ 562,325	\$ 1,390,161	\$ 1,945,330	\$ 12,369,630	\$ (745,883)	\$ 11,623,747
Segment profit	\$ 182,908	\$ 245,241	\$ 88,361	\$ 24,980	\$ 66,672	\$ 63,973	\$ 672,138	\$ (102,339)	\$ 569,799
Segment assets	3,080,525	6,114,107	1,892,749	1,201,687	1,343,884	1,635,200	15,268,154	1,640,121	16,908,276
Segment liabilities	1,499,904	4,635,667	1,072,810	764,487	990,015	1,187,090	10,149,976	428,011	10,577,988
Other items:									
Depreciation	\$ 102,179	\$ 142,989	\$ 105,836	\$ 30,682	\$ 65,278	\$ 33,037	\$ 480,003	\$ 25,821	\$ 505,824
Amortization of goodwill	24,942	—	11,082	—	—	59	36,084	—	36,084
Interest income	831	3,035	192	1,456	123	2,885	8,524	(3,291)	5,232
Interest expense	13,491	15,034	8,327	7,494	5,994	6,632	59,974	(13,100)	43,873
Equity in earnings of affiliates	8,154	3,186	1,412	11,527	1,055	(25,653)	(316)	326	10
Investments in affiliates accounted for by the equity method	184,091	126,071	52,787	15,767	7,487	97,598	483,803	(1,387)	482,416
Increase in tangible and intangible fixed assets	182,886	172,385	131,202	26,261	77,178	37,304	627,217	47,402	674,619

Notes:

1. "Others" includes nuclear energy-related services, environmental and recycling-related business, real estate business and engineering-related services.
2. Included in "Adjustment" of "Segment profit" in an amount of ¥ (11,481) million (\$102,339 thousand) are intersegment transaction elimination in an amount of ¥ (44) million (\$399 thousand) and corporate expenses that cannot be allocated to each reportable segment in an amount of ¥ (11,436) million (\$101,939 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 ¥184,005 million (\$1,640,121 thousand) includes intersegment transaction elimination of ¥ (31,781) million (\$283,282 thousand) and corporate assets that are not allocated to each reportable segment in an amount of ¥215,786 million (\$1,923,404 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 ¥ 48,018 million (\$428,011 thousand) includes intersegment transaction elimination of ¥ (26,673) million (\$237,757 thousand) and corporate liabilities that are not allocated to each reportable segment in an amount of ¥74,692 million (\$665,769 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 ¥5,318 million (\$47,402 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," "Equity in earnings of affiliates," etc. and deducting "Interest expense," "Expense for leased property," "Loss on disposal and sales of property, plant and equipment," etc. from operating profit or loss.

(2) Segment information as of and for the fiscal year ended March 31, 2016 is as follows:

March 31, 2016	Millions of yen								Consolidated
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	
Sales:									
External customers	¥ 194,113	¥ 680,431	¥ 133,550	¥ 56,374	¥ 156,854	¥ 196,570	¥ 1,417,895	¥ —	¥ 1,417,895
Intersegment	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 profit	¥ 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 expense	1,923	2,014	1,078	999	712	935	7,664	(969)	6,694
Equity in earnings of affiliates	1,358	(3,351)	610	4,152	107	(607)	2,270	(81)	2,188
Investments in affiliates accounted for by the equity method	20,338	17,877	5,936	39,980	740	13,965	98,839	(165)	98,674
Increase in tangible and intangible fixed assets	17,561	22,968	17,674	3,535	7,196	6,079	75,016	3,087	78,103

(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, 2017	Millions of yen					
	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	¥ 752,169	¥ 133,646	¥ 37,851	¥ 366,916	¥ 13,484	¥ 1,304,068
Tangible fixed assets	538,516	86,544	1,982	37,525	1,656	666,226

March 31, 2016	Millions of yen					
	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	¥ 910,894	¥ 116,555	¥ 30,414	¥ 345,356	¥ 14,673	¥ 1,417,895
Tangible fixed assets	542,148	90,490	1,878	33,972	1,747	670,237

March 31, 2017	Thousands of U.S. dollars					
	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	\$ 6,704,425	\$ 1,191,251	\$ 337,384	\$ 3,270,490	\$ 120,195	\$ 11,623,747
Tangible fixed assets	4,800,036	771,414	17,672	334,485	14,763	5,938,372

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									
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
March 31, 2017									
Loss on impairment	¥ 36	¥ 183	¥ 7,045	¥ 1,699	¥ —	¥ 519	¥ 9,484	¥ 493	¥ 9,977
Millions of yen									
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
March 31, 2016									
Loss on impairment	¥ 329	¥ 1,818	¥ —	¥ —	¥ —	¥ 1,368	¥ 3,516	¥ 93	¥ 3,610
Thousands of U.S. dollars									
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
March 31, 2017									
Loss on impairment	\$ 329	\$ 1,631	\$ 62,799	\$ 15,150	\$ —	\$ 4,630	\$ 84,541	\$ 4,394	\$ 88,936

Note:

"Elimination and corporate assets or expenses" of "Loss on impairment" for the fiscal year ended March 31, 2017 in an amount of ¥493 million (\$4,394 thousand) mainly refers to loss on impairment of rental property.

"Elimination and corporate assets or expenses" of "Loss on impairment" for the fiscal year ended March 31, 2016 in an amount of ¥93 million mainly refers to loss on impairment of rental property.

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

Millions of yen									
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
March 31, 2017									
Amortization	¥ 2,798	¥ —	¥ 1,243	¥ —	¥ —	¥ 6	¥ 4,048	¥ —	¥ 4,048
Unamortized balance	33,676	—	9,756	—	—	2	43,436	—	43,436
Millions of yen									
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
March 31, 2016									
Amortization	¥ 3,191	¥ —	¥ 1,248	¥ —	¥ —	¥ 7	¥ 4,447	¥ —	¥ 4,447
Unamortized balance	37,969	—	11,006	—	—	10	48,986	—	48,986
Thousands of U.S. dollars									
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
March 31, 2017									
Amortization	\$ 24,942	\$ —	\$ 11,082	\$ —	\$ —	\$ 59	\$ 36,084	\$ —	\$ 36,084
Unamortized balance	300,174	—	86,967	—	—	26	387,168	—	387,168

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									
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
March 31, 2017									
Amortization	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	2,221	—	—	—	—	2,221	—	2,221
Millions of yen									
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
March 31, 2016									
Amortization	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	2,221	—	—	—	—	2,221	—	2,221

Thousands of U.S. dollars									
	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
March 31, 2017									
Amortization	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unamortized balance	—	19,800	—	—	—	—	19,800	—	19,800

(g) Gain from negative goodwill by reportable segment

Fiscal years ended March 31, 2017 and 2016

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 non-controlling 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, 2017 and 2016 amounted to ¥44,503 million (\$ 396,678 thousand) and ¥41,099 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
	2017	2016	2017
Cash and time deposits	¥ 141,264	¥ 60,123	\$ 1,259,154
Less term deposits with maturities extending more than three months	(8,516)	(1,465)	(75,908)
Restricted cash	(131)	(174)	(1,174)
Cash and cash equivalents	¥ 132,616	¥ 58,482	\$ 1,182,071

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, 2017 and 2016 is as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
	Net income	Weighted average shares	Net income per share	Net income per share
Year ended March 31, 2017				
Basic net income per share:				
Net income attributable to owners of parent	¥ 28,352			
Net income attributable to common Shareholders of parent	28,352	130,993	¥ 216.44	\$ 1.92
	Millions of yen	Thousands	Yen	
	Net income	Weighted average shares	Net income per share	
Year ended March 31, 2016				
Basic net income per share:				
Net income attributable to owners of parent	¥ 61,316			
Net income attributable to common Shareholders of parent	61,316	131,010	¥ 468.03	

Note:

On October 1, 2016, a share consolidation was made at a ratio of 1 share for 10 shares of the Company's common stock. Accordingly, values for net capital and net income per share have been recalculated on the assumption that the share consolidation took place at the beginning of the year ended March 31, 2016.

Diluted net income per share has not been disclosed since there were no dilutive securities for the fiscal years ended March 31, 2017 and 2016.

Note 21 Related Party Information

1. Transactions with related parties

Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

The information for the fiscal year ended March 31, 2017 was omitted because there were no significant transactions with related parties for the fiscal year ended March 31, 2017.

Fiscal year ended March 31, 2016

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related parties	Content	Transaction amount	Account items	Balance as of March 31, 2016-
Affiliate	SUMCO CORPORATION	Minato-ku, Tokyo	¥138,718 million (\$1,231,087 thousand)	Manufacturing and sales of semi-conductor silicon wafer	18% directly	Sales of multi-crystal silicon interlocking directors	Redemption of class shares (Note)	¥18,000 million (\$159,744 thousand)	—	—
							Gain on redemption of class shares (Note)	¥1,234 million (\$10,959 thousand)	—	—

(Note) They were redeemed based on the terms of agreement in the memorandum concerning treatment of class shares.

2. There was no applicable information about a significant affiliate for the fiscal years ended March 31, 2017 and 2016.

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, 2017 and 2016, the Company and the domestic consolidated subsidiaries recognized the loss on impairment of fixed assets amounting to ¥9,977 million (\$88,933 thousand) and ¥3,610 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, 2017 were as follows:

Asset group	Location	Asset type	Loss on impairment	
			Millions of yen	Thousands of U.S. dollars
Cement	Onojo, Fukuoka prefecture, etc.	Machinery and equipment, etc.	¥ 3	\$ 26
Advanced materials & tools	Niigata, Niigata prefecture, etc.	Machinery and equipment, buildings, etc.	7,045	62,799
Electronic materials & components	Sunto-gun, Shizuoka prefecture, etc.	Machinery and equipment, buildings, etc.	1,699	15,150
Rental property	Osaka, Osaka prefecture, etc.	Land, buildings, etc.	1,003	8,943
Idle assets	Sakai, Osaka prefecture, etc.	Land, buildings, etc.	226	2,015
Total			¥ 9,977	\$ 88,936

* Details of loss on impairment by account

Buildings ¥1,987 million (\$17,713 thousand), Machinery and equipment ¥4,337 million (\$38,659 thousand), Land ¥1,030 million (\$9,180 thousand) and Others ¥2,623 million (\$23,382 thousand).

The details for the fiscal year ended March 31, 2016 were as follows:

Asset group	Location	Asset type	Loss on impairment
			Millions of yen
Cement	Hirakata, Osaka prefecture, etc.	Machinery and equipment, etc.	¥ 48
Others	Nagaoka, Niigata prefecture	Land	1,184
Rental property	Fukui, Fukui prefecture, etc.	Land, buildings, etc.	1,175
Idle assets	Utsunomiya, Tochigi prefecture, etc.	Land, buildings, etc.	1,201
Total			¥ 3,610

* Details of loss on impairment by account

Buildings ¥754 million, Machinery and equipment ¥263 million, Land ¥2,379 million and Others ¥212 million.

Note 23 Loss on business withdrawal cost

Loss on business withdrawal cost is associated with the withdrawal from nuclear fuel processing business for nuclear power generation.

Note 24 Loss on Suspension of operation

Loss on suspension of operation mainly represents the amount corresponding to fixed costs incurred during the suspension period due to facility troubles of PT. Smelting.

Note 25 Information on Net Assets

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

For the fiscal years ended March 31, 2017 and 2016, 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, 2015	1,314,895,351	4,677,305
Increase during the fiscal year ended March 31, 2016	—	213,387
Decrease during the fiscal year ended March 31, 2016	—	4,518
Number of shares as of March 31, 2016	1,314,895,351	4,886,174
Increase during the fiscal year ended March 31, 2017	—	71,937
Decrease during the fiscal year ended March 31, 2017	1,183,405,816	4,450,248
Number of shares as of March 31, 2017	131,489,535	507,863

*1. Increase in the number of treasury shares during the fiscal year ended March 31, 2016

Purchase of less-than-one-unit shares

213,387 shares

*2. Decrease in the number of treasury shares during the fiscal year ended March 31, 2016

Sales of less-than-one-unit shares

4,518 shares

*3. Decrease in the number of shares issued during the fiscal year ended March 31, 2017

Decrease due to stock consolidation

1,183,405,816 shares

*4. Increase in the number of treasury shares during the fiscal year ended March 31, 2017

Purchase of less-than-one-unit shares

71,937 shares

*5. Decrease in the number of treasury shares during the fiscal year ended March 31, 2017

Decrease due to stock consolidation

4,447,865 shares

Sales of less-than-one-unit shares

2,388 shares

(b) Dividends

1. Dividend payment

Approvals by the Board of Directors' meeting held on May 12, 2016 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥6,550 million (\$58,384 thousand)
Dividends per share:	¥5.00 (\$0.04)
Record date:	March 31, 2016
Effective date:	June 1, 2016

Approvals by the Board of Directors' meeting held on November 9, 2016 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥2,619 million (\$23,352 thousand)
Dividends per share:	¥2.00 (\$0.01)
Record date:	September 30, 2016
Effective date:	December 5, 2016

2. Dividends whose record date is attributable to the fiscal year ended March 31, 2017, but to be effective in the following fiscal year.

Approvals by the Board of Directors' meeting held on May 11, 2017 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥5,239 million (\$46,700 thousand)
Source:	Retained earnings
Dividends per share:	¥40.00 (\$0.35)
Record date:	March 31, 2017
Effective date:	June 1, 2017

Note 26 Subsequent Events

(Business combination)

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

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

1. Overview of the Business Combination

(1) The acquired companies and its businesses

Acquired companies: 14 companies belonging to Luvata SP

Business: Manufacture and sale of copper processed products

(2) Reason for the business combination

The purpose of the business combination is to accelerate the global expansion of the copper processing business of the Company by pursuing various synergies through the business and customer bases of the Special Products Division of Luvata and to establish a business structure achieving a high profitability.

(3) Date of the business combination

May 2, 2017

(4) Legal form of the business combination

Acquisition of shares and transfer of business

(5) Name of the companies after the business combination

No change

(6) Percentage of voting rights acquired

100%

(7) Basis for determination the acquirer

It was determined that the Company holds substantial control of the acquired companies

2. Acquisition cost of acquired business and breakdown by type of consideration

Consideration for acquisition: cash and deposits of approximately ¥ 40,129 million.

Acquisition cost: approximately ¥ 40,129 million.

(Note) The Japanese yen amount of acquisition cost was calculated based on the amount in Euro, which was Euro 335 million, using the exchange rate on March 31, 2017. The amount may change due to price adjustments and other reasons.

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

Currently being determined.

4. Major assets and liabilities received on the date of business combination

Currently being determined.

Independent Auditor's 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, 2017 and 2016, and the consolidated statements of income and 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

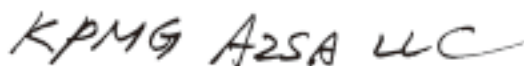
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsubishi Materials Corporation and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 26 to the consolidated financial statements. As described in Note 26, on May 2, 2017, through the acquisition of shares and transfer of business, the Company acquired 14 companies belonging to the Special Products Division of the Luvata Group, through the Company's subsidiary, MMC Copper Products Oy.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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

July 13, 2017

Tokyo, Japan

Main Consolidated Subsidiaries and Affiliates (As of March 31, 2017)

Main Consolidated Subsidiaries

	Line of Business	Percentage of Ownership
Cement		
MCC Development Corp.	Investment in ready-mixed concrete businesses in the U.S.	70%
Mitsubishi Cement Corp.	Production and sales of cement in the south-west area of the U.S.	67%
Robertson's Ready Mix, Ltd.	Production and sales of ready-mixed concrete and aggregate in the south-west area of the U.S.	100% (indirectly)
Metals		
Mitsubishi Cable Industries, Ltd.	Production and sales of optical and electronic components	100%
Materials Eco-Refining Co., Ltd.	Smelting, processing and recycling of non-ferrous metals	100%
Mitsubishi Shindoh Co., Ltd.	Processing and sales of copper and copper alloy	100%
Onahama Smelting & Refining Co., Ltd.	Smelting and refining of copper cathode	56%
PT. Smelting	Smelting, refining and sales of copper cathode in Indonesia	61%
Sambo Metals Corp.	Sales of copper and copper alloy products	100% (indirectly)
Advanced Materials & Tools		
Diamet Corp.	Production and sales of sintering parts	100%
Mitsubishi Hitachi Tool Engineering, Ltd.	Production and sales of cemented carbide products	51%
Electronic Materials & Components		
Mitsubishi Polycrystalline Silicon America Corp.	Production and sales of polycrystalline silicon for semiconductor in the U.S.	100%
Aluminum		
Mitsubishi Aluminum Co., Ltd.	Production and sales of rolled and processed aluminum products	90%
Universal Can Corp.	Production and sales of aluminum beverage cans	80%
Others		
Materials' Finance Co., Ltd.	Financing the Company and its affiliates	100%
Mitsubishi Materials Real Estate Corp.	Sales and leasing of real estate	100%
Mitsubishi Materials Techno Corp.	Technical construction and civil engineering; production and sales of industrial machinery	100%
Mitsubishi Materials Trading Corp.	Sales of the Company's products and other non-ferrous metal products	100%

Main Affiliates*

	Line of Business	Percentage of Ownership
Cement		
NM Cement Co., Ltd.	Investment in Nghi Son Cement Corp. (Vietnam)	30%
P.S. Mitsubishi Construction Co., Ltd.**	Pre-stressed concrete works, civil engineering and sales of concrete products	34%
Ube-Mitsubishi Cement Corp.	Sales of cement and cement-related products	50%
Metals		
Kobelco & Materials Copper Tube Co., Ltd.	Production and sales of copper tubes and fabricated copper tubes	45%
Advanced Materials & Tools		
Hitachi Metals MMC Superalloy, Ltd.	Production and sales of special heat resistant alloys, corrosion resistant alloys, special copper alloys and other non-ferrous metal materials	49%

* Companies to which the equity method is applied

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

Corporate Data

(As of March 31, 2017)

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: 4,580

Consolidated: 24,859

Investor Information

(As of March 31, 2017)

➤ Shares of Common Stock

Authorized: 340,000,000
Issued and Outstanding: 131,489,535

➤ Number of Unit Shareholders

74,184

➤ Stock Listing

Tokyo Stock Exchange

➤ Transfer Agent (Special Account Management Institution)

Mitsubishi UFJ Trust and Banking Corporation
Securities Agency Division
1-1 Nikkocho, Fuchu city, Tokyo, 137-8081, Japan
PO Box: Shin-TOKYO Post Office post office box No.29

➤ Independent Certified Public Accountant

KPMG AZSA LLC

➤ For Further Information, Contact

IR Group, Accounting Dept., Finance & Accounting Dept.,
Corporate Strategy Div.
E-mail: ml-mmci@mmc.co.jp

➤ Ordinary General Meeting of Shareholders

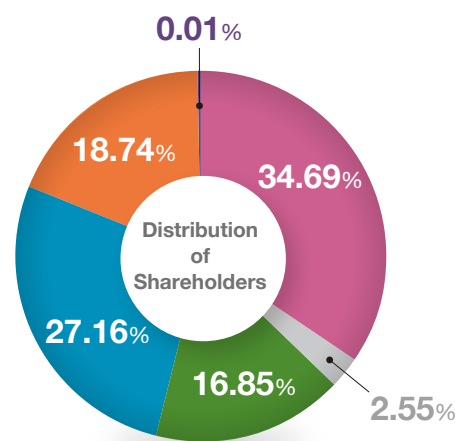
The ordinary general meeting of shareholders is normally held in June each year in Tokyo.

➤ 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 Company
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.

➤ Distribution of Shareholders

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





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