

(Japanese Accounting Standards)

August 7, 2018

Listing: Tokyo Stock Exchange

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

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August 7, 2018

Yes

Yes (For Institutional Investors)

(Amounts of less than million yen are omitted.)

1. Results of the first three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(1) Consolidated Results of Operations (cumulative)

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

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three months ended June 30, 2018	420,049	26.0	16,887	-2.4	18,078	-16.5	9,883	-15.0
First three months ended June 30, 2017	333,316	11.5	17,307	31.2	21,640	79.4	11,630	8.0

(Note) Comprehensive income:	The first three months ended June 30, 2018: 5,521 million yen (-60.0%)
	The first three months ended June 30, 2017: 13,808 million yen (-%)

	Net income per share	Diluted net income per share
First three months ended June 30, 2018	75.47	—
First three months ended June 30, 2017	88.80	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2018	2,006,314	768,968	33.9
As of March 31, 2018	2,011,067	768,495	33.9

(Reference) Shareholders' Equity:	As of June 30, 2018: 679,626 million yen	As of March 31, 2018: 682,471 million yen
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(Note) The Company has been applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018) from the beginning of the first three months ended June 30, 2018. Individual figures related to the period ended March 31, 2018 have had the accounting standards applied retroactively.

2. Dividend Payments

	Dividends per share				
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	30.00	—	50.00	80.00
Year ending March 31, 2019	—				
Year ending March 31, 2019 (Forecast)		40.00	—	40.00	80.00

(Note) Revision of dividend forecast published most recently: No

3. Consolidated earnings forecast (From April 1, 2018 to March 31, 2019)

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

(Figures in percentages denote the year-on-year change)									
	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2018	820,000	13.0	32,000	-12.3	33,500	-15.3	19,000	-5.7	145.08
Year ending March 31, 2019	1,660,000	3.8	67,000	-8.0	79,000	-0.8	35,000	1.2	267.26

(Note) Revision to forecast published most recently: Yes

* Notes

- (1) Significant changes of subsidiaries during the term under review (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None
- (2) Application of specific accounting treatment: Yes
(Note) For details, please see “(3) Notes to consolidated quarterly financial statements (Application of special accounting treatment in the preparation of the quarterly consolidated financial statements)” under “2. Consolidated Financial Statements and Key Notes” on page 11.
- (3) Changes in accounting policies, changes of accounting estimates and restatement
 - (i) Changes in accounting policies due to amendments to accounting standards: None
 - (ii) Other changes in accounting policies: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements: None
- (4) Numbers of issued shares (common stock)
 - (i) Numbers of issued shares at end of terms (including treasury shares):

Three months ended June 30, 2018:	131,489,535 shares
Year ended March 31, 2018:	131,489,535 shares
 - (ii) Numbers of treasury shares at end of terms:

Three months ended June 30, 2018:	529,397 shares
Year ended March 31, 2018:	527,089 shares
 - (iii) Average number of shares issued during terms (quarterly cumulative period):

Three months ended June 30, 2018:	130,961,338 shares
Three months ended June 30, 2017:	130,979,953 shares

* This quarterly financial summaries is not subject to a quarterly review by certified public accountants or audit firms.

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

(Notes concerning forward-looking statements, etc.)

The operating results forecasts and other forward-looking statements contained in this report are based on information currently available to the Company, as well as certain assumptions that the Company has judged to be reasonable. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Therefore, readers are advised to note that the actual results may vary materially from the forecasts due to a variety of factors. Please see “(3) Information on the consolidated earnings forecasts and other future forecasts” of “1. Qualitative Information on Financial Results for the First Quarter Ended June 30, 2018” on page 5 for the assumptions about consolidated earnings forecasts.

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

Mitsubishi Materials Corporation plans to hold a quarterly financial briefing for institutional investors on Tuesday, August 7, 2018. The materials used at this briefing are disclosed on the TDnet and the Company’s web page at the time that the quarterly financial results are announced.

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1. Qualitative Information on Financial Results for the First Quarter Ended June 30, 2018

(1) Details of operating results

1) Overview of operating results

During the first quarter of the consolidated fiscal year under review, signs of recovery continued in the Asian economies of China, Thailand and Indonesia. In the United States, the economy continued to recover steadily. In Japan, corporate earnings and employment and income conditions were on the road to recovery, and consumer spending and capital expenditure showed signs of improvement.

Regarding the business environment for the Mitsubishi Materials Group, copper prices increased, and foreign exchange markets were characterized by year on year yen appreciation.

Under these circumstances, consolidated net sales for the first quarter under review totaled ¥420,049 million, up 26.0% year on year. Operating profit decreased 2.4% year on year, to ¥16,887 million, and ordinary income fell 16.5%, to ¥18,078 million. Net income attributable to owners of parent was ¥9,883 million, down 15.0% year on year.

2) Overview by segments

(Cement)

(Billion yen)

	FY 2018 Q1	FY 2019 Q1	Increase / Decrease (%)
Net sales	47.5	48.6	1.0 (2.3%)
Operating profit	5.2	3.8	-1.4 (-28.0%)
Ordinary income	5.3	3.9	-1.3 (-24.9%)

Sales volumes rose in Japan due to the firm performance of construction work of facilities related to the Tokyo Olympic and Paralympic Games in the Tokyo metropolitan area, as well as the extension work of the Hokuriku Shinkansen in the Hokuriku area. However, mainly rising energy costs resulted in a decline in operating profit, even as net sales increased.

In the United States, sales of ready-mixed concrete declined, mainly due to the absence of carry-over demand following bad weather. As a result, both net sales and operating profit declined.

Consequently, net sales for the entire Cement business increased year on year, but operating profit decreased. Ordinary income declined mainly due to the decrease in operating profit.

(Metals)

(Billion yen)

	FY 2018 Q1	FY 2019 Q1	Increase / Decrease (%)
Net sales	158.5	236.8	78.2 (49.4%)
Operating profit	3.7	5.8	2.0 (54.7%)
Ordinary income	7.8	5.6	-2.1 (-27.9%)

In the copper business, both net sales and operating profit rose, reflecting the higher production volume at Naoshima Smelter & Refinery due to the absence of periodic furnace repairs and higher copper prices.

In the gold and other valuable metals business, both net sales and operating profit grew, mainly due to increased production as a result of a rise in the amount of gold and other valuable metals contained in raw materials.

In the copper and copper alloy products business, net sales and operating profit were up chiefly due to an increase in sales of products for automobiles and other use.

As a result, overall the Metals business posted year-on-year increases in net sales and operating profit. Ordinary income decreased chiefly due to a fall in dividend income despite increase in operating profit.

(Advanced Materials & Tools)

(Billion yen)

	FY 2018 Q1	FY 2019 Q1	Increase / Decrease (%)
Net sales	39.0	44.8	5.8 (15.0%)
Operating profit	4.2	5.9	1.6 (39.4%)
Ordinary income	3.9	5.4	1.5 (38.3%)

In the cemented carbide products business, net sales and operating profit increased as a result of aggressive sales promotion efforts, in addition to higher demand in Japan and China.

In the high-performance alloy products business, net sales increased due to growth in demand for mainstay sintering parts in Japan and North America. However, the operating loss expanded due to the increased costs associated with quality inspection and shipments.

As a result, overall the Advanced Materials & Tools business recorded year-on-year increases in net sales and operating profit. Ordinary income also rose due to the higher operating profit.

(Electronic Materials & Components)

(Billion yen)

	FY 2018 Q1	FY 2019 Q1	Increase / Decrease (%)
Net sales	17.4	18.7	1.2 (7.0%)
Operating profit	1.4	1.2	-0.2 (-18.2%)
Ordinary income	1.4	1.3	-0.1 (-10.4%)

In the advanced materials and chemical products business, net sales and operating profit increased, reflecting a rise in sales of products related to semiconductor manufacturing equipment and other products.

In the electronic components business, net sales increased while operating profit declined due to the effect of falling selling prices of products for optical communication related equipment, although the sales of products for home appliances and products for automobiles increased.

The polycrystalline silicon business recorded decreases in both net sales and operating profit due to a fall in selling prices, despite an increase in sales volume based primarily on higher demand backed by the strong semiconductor market.

As a result, the entire Electronics Materials & Components business registered a year-on-year increase in net sales but a year-on-year decline in operating profit. Ordinary income decreased as a result of the lower operating profit.

(Aluminum)

(Billion yen)

	FY 2018 Q1	FY 2019 Q1	Increase / Decrease (%)
Net sales	39.5	39.4	-0.0 (-0.1%)
Operating profit	2.3	0.9	-1.3 (-58.1%)
Ordinary income	2.2	0.9	-1.3 (-58.7%)

In the aluminum can business, net sales and operating profit declined due to a fall in sales of bottle cans and rising costs of raw materials and energy, despite an increase in sales of regular cans.

In the rolled aluminum and processed aluminum products business, sales of can materials and plate products for litho sheets declined, despite higher sales of heat exchanger materials for automobiles. Energy costs also rose. As a result of these developments, net sales increased, but operating profit declined.

As a result, the entire Aluminum business posted year-on-year decreases in net sales and operating profit. Ordinary income also declined due to the fall in operating profit.

(Others)

(Billion yen)

	FY 2018 Q1	FY 2019 Q1	Increase / Decrease (%)
Net sales	50.7	49.9	-0.8 (-1.8%)
Operating profit	1.6	1.2	-0.3 (-20.4%)
Ordinary income	1.9	2.0	0.1 (7.1%)

In the energy-related business, net sales decreased while operating profit increased due to firmness in sales of nuclear energy-related products despite decrease in sales of coal.

In the environmental recycling business, both net sales and operating profit increased with a rise in the recycling unit price of valuables, in addition to an increase in recycling volumes.

Total net sales and operating profit in the Others business excluding the energy-related business and the environmental recycling business decreased.

In the overall Others business, net sales and operating profit decreased from a year earlier. Ordinary income increased mainly due to a rise in dividend income, despite the fall in operating profit.

(2) Details of financial position

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at ¥2,006.3 billion, down ¥4.7 billion from the end of the previous consolidated fiscal year. This result was mainly due to a decrease in investment securities despite increase in inventories during the first quarter under review.

Total liabilities were ¥1,237.3 billion, a decrease of ¥5.2 billion from the end of the previous consolidated fiscal year. This decrease was chiefly attributable to falls in income taxes payable and provision while long-term loans payable increased during the first quarter under review.

(3) Information on the consolidated earnings forecasts and other future forecasts

The Company has postponed the expected periodic furnace repairs at PT. Smelting in Indonesia to the third quarter of the consolidated fiscal year. As a result, sales of copper cathode is expected to increase. Therefore, the Company revises the previous forecasts (announced on May 10, 2018) as follows for net sales of the consolidated earnings forecast for the first half of the consolidated fiscal year ending March 31, 2019. While ready-mixed concrete sales volumes in the U.S. fell short of the plan, sales of cemented carbide products enjoyed strong sales. Considering these developments, there is no change from the previous announced figures regarding operating profit, ordinary income and net income attributable to owners of parent.

With regard to the consolidated earnings forecast for the fiscal year ending March 31, 2019, there is no change from the previous announced figures.

Revisions to Consolidated Earnings Forecasts for the First Six Months of the Fiscal Year Ending March 31, 2019
(from April 1, 2018 to September 30, 2018)

	(Billion yen)		
	Previous forecast	Current forecast	Increase / Decrease (%)
Net sales	800.0	820.0	2.5%
Operating profit	32.0	32.0	—
Ordinary income	33.5	33.5	—
Net income attributable to owners of parent	19.0	19.0	—

2. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheet

	(Million yen)	
	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	93,389	82,956
Notes and accounts receivable-trade	260,427	260,844
Merchandise and finished goods	91,772	98,588
Work in process	132,043	155,544
Raw materials and supplies	142,275	138,788
Others	227,686	223,662
Allowance for doubtful accounts	(2,518)	(2,747)
Total current assets	945,077	957,636
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	204,513	205,933
Land, net	236,709	237,969
Other, net	204,336	208,325
Total property, plant and equipment	645,559	652,228
Intangible assets		
Goodwill	44,636	44,330
Other	19,938	19,223
Total intangible assets	64,574	63,554
Investments and other assets		
Investment securities	303,924	285,885
Others	56,228	51,319
Allowance for doubtful accounts	(4,297)	(4,310)
Total investments and other assets	355,855	332,894
Total non-current assets	1,065,989	1,048,677
Total assets	2,011,067	2,006,314

(Million yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	158,369	155,847
Short-term loans payable	206,142	199,158
Current portion of bonds payable	25,000	10,000
Commercial papers	–	20,000
Income taxes payable	9,151	4,686
Provision	13,228	6,512
Gold payable	246,227	243,849
Other	118,880	119,670
Total current liabilities	777,001	759,723
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	240,292	259,383
Provision for environmental measures	37,833	37,183
Other provision	2,370	2,648
Net defined benefit liability	51,647	50,915
Other	83,427	77,489
Total non-current liabilities	465,570	477,621
Total liabilities	1,242,571	1,237,345
Net assets		
Shareholders' equity		
Capital stock	119,457	119,457
Capital surplus	92,422	92,422
Retained earnings	361,430	366,706
Treasury stock	(2,089)	(2,096)
Total shareholders' equity	571,222	576,490
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95,487	85,661
Deferred gains or losses on hedges	1,068	(509)
Revaluation reserve for land	33,071	33,071
Foreign currency translation adjustment	(10,312)	(7,369)
Remeasurements of defined benefit plans	(8,066)	(7,718)
Total accumulated other comprehensive income	111,249	103,135
Non-controlling interests	86,023	89,342
Total net assets	768,495	768,968
Total liabilities and net assets	2,011,067	2,006,314

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

Consolidated statement of income

Consolidated first three months

(Million yen)

	Three Months Ended June 30, 2017 (Apr. 1, 2017–Jun. 30, 2017)	Three Months Ended June 30, 2018 (Apr. 1, 2018–Jun. 30, 2018)
Net sales	333,316	420,049
Cost of sales	279,944	364,529
Gross profit	53,372	55,520
Selling, general and administrative expenses	36,064	38,633
Operating profit	17,307	16,887
Non-operating profit		
Interest income	187	245
Dividend income	5,937	3,314
Share of profit of entities accounted for using equity method	600	354
Rent income on non-current assets	1,156	1,243
Other	1,274	510
Total non-operating profit	9,155	5,668
Non-operating expenses		
Interest expenses	1,247	1,217
Foreign exchange losses	–	1,131
Other	3,575	2,127
Total non-operating expenses	4,822	4,476
Ordinary income	21,640	18,078
Extraordinary income		
Gain on liquidation of subsidiaries and associates	–	506
Gain on sales of investment securities	126	170
Other	17	85
Total extraordinary income	143	762
Extraordinary losses		
Impairment loss	5	686
Loss on valuation of investment securities	–	334
Other	25	0
Total extraordinary losses	30	1,020
Income before income taxes	21,754	17,820
Income taxes	7,122	6,223
Net income	14,632	11,596
Net income attributable to non-controlling interests	3,001	1,713
Net income attributable to owners of parent	11,630	9,883

Consolidated statements of comprehensive income

Consolidated first three months

(Million yen)

	Three Months Ended June 30, 2017 (Apr. 1, 2017–Jun. 30, 2017)	Three Months Ended June 30, 2018 (Apr. 1, 2018–Jun. 30, 2018)
Net income	14,632	11,596
Other comprehensive income		
Valuation difference on available-for-sale securities	(179)	(9,908)
Deferred gains or losses on hedges	(1,432)	(1,603)
Foreign currency translation adjustment	(103)	5,834
Remeasurements of defined benefit plans	815	350
Share of other comprehensive income of entities accounted for using equity method	76	(748)
Total other comprehensive income	(823)	(6,075)
Comprehensive income	13,808	5,521
(Breakdown)		
Comprehensive income attributable to owners of parent	10,729	1,663
Comprehensive income attributable to non-controlling interests	3,078	3,858

(3) Notes to consolidated quarterly financial statements

Notes on assumptions for a going concern

N/A

Segment information

[Segment Information]

I. For the three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

Sales and income of reporting segments

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Adjustment amount	Amount indicated in the consolidated quarterly statements of income
Net sales									
(1) Outside customers	46,798	156,377	36,157	15,291	39,293	39,398	333,316	–	333,316
(2) Within consolidated group	799	2,209	2,874	2,202	241	11,396	19,723	(19,723)	–
Total	47,598	158,587	39,032	17,493	39,535	50,794	353,040	(19,723)	333,316
Segment income	5,314	7,858	3,976	1,489	2,231	1,936	22,806	(1,165)	21,640

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

2. “Adjustment amount” of segment income of -¥1,165 million includes the elimination of intersegment transactions of -¥54 million and corporate expenses of -¥1,111 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.

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

II. For the three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

Sales and income of reporting segments

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Adjustment amount	Amount indicated in the consolidated quarterly statements of income
Net sales									
(1) Outside customers	48,009	234,555	41,971	16,519	39,262	39,730	420,049	–	420,049
(2) Within consolidated group	664	2,294	2,913	2,205	218	10,169	18,467	(18,467)	–
Total	48,674	236,849	44,884	18,725	39,481	49,900	438,517	(18,467)	420,049
Segment income	3,991	5,667	5,498	1,334	920	2,073	19,486	(1,407)	18,078

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

2. “Adjustment amount” of segment income of -¥1,407 million includes the elimination of intersegment transactions of ¥59 million and corporate expenses of -¥1,467 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.

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

Notes on significant changes in the amount of shareholders' equity, if any

N/A

Application of special accounting treatment in the preparation of the quarterly consolidated financial statements

The Company calculates tax expenses by rationally assuming an effective tax rate after applying tax effect accounting to income before income taxes for the consolidated fiscal year, including the first quarter under review, and multiplying income before income taxes for the first quarter by the estimated effective tax rate.

Additional information

(Provision for environmental measures)

In regards to expenses for specific countermeasure work to prevent mining-induced pollution and expenses for countermeasure work to stabilize collection sites in abandoned mines managed by the Group, we have recorded a provision for expenses whose estimated amount has been fixed because the details of the construction work have been determined. However, regarding countermeasure work to stabilize large-scale collection sites, there are some forms of countermeasure work for which the amount cannot be calculated reasonably because the details of construction work are undecided due to the fact that the most appropriate construction method for the landscape and existing equipment have yet to be selected, even though specific countermeasure work is necessary.

(Adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of the first quarter of the fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

Contingent liabilities

(Matters concerning taxation in Indonesia)

Previous consolidated fiscal year (As of March 31, 2018)

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter the "PTS") received a notice of reassessment in an amount of US\$47 million (¥5,085 million based on the exchange rate at the end of the previous consolidated fiscal year) from the Indonesian National Tax Authority, regarding the sales transaction pricing of the PTS for the year ended December 31, 2009. On January 28, 2015, the PTS made a provisional deposit of US\$14 million (¥1,487 million) as a part of the additional collection.

However, the PTS submitted a written objection to the Indonesian National Tax Authority on March 25, 2015, because this assessment, which claimed there was a sales shortage on the part of the PTS based on a comparison of the profit margin ratio with other companies selected by the Indonesian National Tax Authority, was highly unreasonable and found to be unacceptable by the Company and the PTS.

The written objection submitted by the PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, the PTS filed a complaint to the Tax Court in Indonesia on June 6, 2016 to present the fairness of the view of the Company and the PTS.

On December 22, 2016, the PTS received a notice of reassessment in an amount of US\$34 million (¥3,637 million) from the Indonesian National Tax Authority, regarding its posting of raw material costs, etc. for the fiscal year ended December 31, 2011.

However, the PTS submitted a written objection to the Indonesian National Tax Authority on March 20, 2017, because this assessment was a view that unilaterally negated the basis for recording raw materials costs, etc. of the PTS and found to be unacceptable by the Company and the PTS.

On February 28, 2018, the PTS received a notice from the Indonesian National Tax Authority regarding the written objection submitted by the PTS on March 20, 2017, and the written objection of the PTS was accepted for US\$28 million (¥3,012 million). For US\$5 million (¥625 million), for which the written objection was dismissed, the PTS has decided to file a complaint to the Tax Court in Indonesia.

On November 29, 2017, the PTS also received a notice of reassessment in an amount of US\$22 million (¥2,425 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains and losses on hedging for the fiscal year ended December 31, 2012. On December 27, 2017, the PTS made a provisional deposit of US\$6 million (¥668 million) as part of the additional collection.

However, the PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment was a view that unilaterally negated the basis for recording gains and losses on hedging, etc. of the PTS and found to be unacceptable by the Company and the PTS.

First quarter of the consolidated fiscal year under review (As of June 30, 2018)

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter the “PTS”) received a notice of reassessment in an amount of US\$47 million (¥5,291 million based on the exchange rate at the end of the first quarter of the consolidated fiscal year under review) from the Indonesian National Tax Authority, regarding the sales transaction pricing of the PTS for the year ended December 31, 2009. On January 28, 2015, the PTS made a provisional deposit of US\$14 million (¥1,547 million) as a part of the additional collection.

However, the PTS submitted a written objection to the Indonesian National Tax Authority on March 25, 2015, because this assessment, which claimed there was a sales shortage on the part of the PTS based on a comparison of the profit margin ratio with other companies selected by the Indonesian National Tax Authority, was highly unreasonable and found to be unacceptable by the Company and the PTS.

The written objection submitted by the PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, the PTS filed a complaint to the Tax Court in Indonesia on June 6, 2016 to present the fairness of the view of the Company and the PTS.

On November 29, 2017, the PTS also received a notice of reassessment in an amount of US\$22 million (¥2,523 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains and losses on hedging for the fiscal year ended December 31, 2012. On December 27, 2017, the PTS made a provisional deposit of US\$6 million (¥696 million) as part of the additional collection.

However, the PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment was a view that unilaterally negated the basis for recording gains and losses on hedging, etc. of the PTS and found to be unacceptable by the Company and the PTS.

(Matters concerning Non-Conforming Products)

Previous consolidated fiscal year (As of March 31, 2018)

Mitsubishi Materials Corporation discovered that the Company’s consolidated subsidiaries Mitsubishi Cable Industries, Ltd., Mitsubishi Shindoh Co., Ltd., Mitsubishi Aluminum Co., Ltd., Tachibana Metal Manufacturing Co., Ltd. and Diamet Corporation had delivered products, etc. that deviated from customer standards or internal company specifications due to misconduct, including the rewriting of inspection records data and the insufficient testing concerning some of the products manufactured and sold in the past.

Based on the above fact, some of the aforementioned subsidiaries received notification of revocation of their JIS certification and ISO certifications from the accrediting agencies.

Since quality control related problems were also discovered with respect to the copper slag products manufactured at the Company's Naoshima Smelter & Refinery, the Company reported the fact to the Japan Quality Assurance organization (JQA) and a special inspection was conducted. As a result, JQA revoked the JIS

certification for copper slag products manufactured at the Company's Naoshima Smelter & Refinery.

Depending on the progress of the above mentioned issues, the Company's consolidated business results may be affected, due to costs incurred to compensate customers and other parties and other losses. However, such amounts which are currently difficult to estimate are not reflected in the consolidated financial statements.

First quarter of the consolidated fiscal year under review (As of June 30, 2018)

Mitsubishi Materials Corporation discovered that the Company's consolidated subsidiaries had delivered products, etc. that deviated from customer standards or internal company specifications due to misconduct, including the rewriting of inspection records data and the insufficient testing, concerning some of the products manufactured and sold in the past.

Based on the above fact, some of the aforementioned subsidiaries received notification of revocation of their JIS certification and ISO certifications from the accrediting agencies.

Depending on the progress of the above mentioned issues, the Company's consolidated business results may be affected, due to costs incurred to compensate customers and other parties and other losses. However, such amounts which are currently difficult to estimate are not reflected in the quarterly consolidated financial statements.

(On-site inspection by the Japan Fair Trade Commission)

Previous consolidated fiscal year (As of March 31, 2018)

Universal Can Corporation, a consolidated subsidiary of the Company, was on-site inspected by the Japan Fair Trade Commission on February 6, 2018, due to suspected of violating the Antimonopoly Act concerning the transaction of empty cans for beverages.

The subsequent progress of this matter may affect the Company's consolidated financial results, since it is difficult to rationally estimate the impact amount at the present time, it is not reflected in the consolidated financial statements.

First quarter of the consolidated fiscal year under review (As of June 30, 2018)

Universal Can Corporation, a consolidated subsidiary of the Company, was on-site inspected by the Japan Fair Trade Commission on February 6, 2018, due to suspected of violating the Antimonopoly Act concerning the transaction of empty cans for beverages.

The subsequent progress of this matter may affect the Company's consolidated financial results, since it is difficult to rationally estimate the impact amount at the present time, it is not reflected in the quarterly consolidated financial statements.

Important subsequent events

(Change the method of business segmentation)

At the meeting of the Board of Directors held on August 7, 2018, the Company has resolved to partially change the organization of business division effective on October 1, 2018.

The Copper & Copper Alloy Products in the Metals Company, the Electronic Materials & Components Company and the Aluminum Div. are integrated to “Advanced Products Company” as a single in-house company, it aims to strengthen its product planning, marketing and proposal capabilities for key areas and main customers in a cross-functional manner.

Associated with this, the Company has decided to change the method of business segmentation from the “Cement Business”, “Metals Business”, “Advanced Materials & Tools Business”, “Electronic Materials & Components Business”, “Aluminum Business” and “Others business” to the “Advanced Products”, “Metalworking Solutions Business”, “Metals Business”, “Cement Business” and “Others business”.

Information on net sales and profits for each reporting segment for the first quarter of the consolidated fiscal year under review based on the business segments after the change is currently under calculation.