Consolidated Financial Results for the Year Ended March 31, 2016
Mitsubishi Materials Corporation

Tokyo, Japan

May 12, 2016

Stock code:	5711
Shares listed:	Tokyo Stock Exchange
URL:	http://www.mmc.co.jp/
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Scheduled date of Ordinary General Meeting of Shareholders:	June 29, 2016
Scheduled date of start of dividend payment:	June 1, 2016
Scheduled date of filing of financial statements:	June 29, 2016
Supplementary materials for financial results:	Yes
Investor conference for financial results:	Yes (For Corporate Investors)

1. Results of the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(1) Results of operations:

(Millions of yen)

(Percentage changes relative to previous corresponding period)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of the parent	
Year ended Mar. 31, 2016	¥1,417,895	-6.5 (%)	¥70,420	-2.0 (%)	¥72,442	-10.7 (%)	¥61,316	9.2 (%)
Year ended Mar. 31, 2015	¥1,517,265	7.2 (%)	¥71,871	8.4 (%)	¥81,093	5.5 (%)	¥56,147	6.8 (%)

(Note) Comprehensive income Year ended Mar. 31, 2016: 19,664 million yen (-83.7%)
Year ended Mar. 31, 2015: 120,954 million yen (43.0%)

(Yen)

	Net income per share	Diluted net income per share	Net income/ shareholders' equity	Ordinary income /total assets	Operating profit/net sales
Year ended Mar. 31, 2016	¥46.80	-	11.1 (%)	3.9 (%)	5.0 (%)
Year ended Mar. 31, 2015	¥42.85	-	11.1 (%)	4.4 (%)	4.7 (%)

(Reference) Equity losses and earnings of affiliates Year ended Mar. 31, 2016: 2,188 million yen
Year ended Mar. 31, 2015: 6,557 million yen

(2) Financial position:

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
As of Mar. 31, 2016	¥1,793,375	¥645,017	31.0 (%)	¥423.83
As of Mar. 31, 2015	¥1,898,157	¥629,514	29.0 (%)	¥420.36

(Reference) Shareholders' equity As of Mar. 31, 2016: 555,227 million yen
As of Mar. 31, 2015: 550,762 million yen

(3) Cash flows:

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Year ended Mar. 31, 2016	¥118,685	¥(29,982)	¥(120,477)	¥58,482
Year ended Mar. 31, 2015	¥108,070	¥(42,366)	¥(42,273)	¥92,079

2. Dividend payments

(Yen)

	Dividends per share					Total dividends (Annual)	Dividend ratio (Consolidated)	Dividends/ net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
Year ended Mar. 31, 2015	-	¥3.00	-	¥5.00	¥8.00	¥10,482million	18.7 (%)	2.1 (%)
Year ended Mar. 31, 2016	-	¥5.00	-	¥5.00	¥10.00	¥13,100million	21.4 (%)	2.4 (%)
Year ending Mar. 31, 2017 (Forecast)	-	¥2.00	-	¥4.00	¥6.00		31.4 (%)	

3. Forecast (From April 1, 2016 to March 31, 2017)

(Millions of yen)

(Percentage changes relative to previous corresponding period)

	Net sales	Operating profit	Ordinary income	Net income attributable to owners of the parent	Net income per Share
Six months ending September 30, 2016	¥645,000 -9.1(%)	¥29,000 -19.9(%)	¥25,000 -35.9(%)	¥24,000 -47.6(%)	¥18.32 (yen)
Year ending March 31, 2017	¥1,360,000 -4.1(%)	¥68,000 -3.4(%)	¥68,000 -6.1(%)	¥25,000 -59.2(%)	¥19.08 (yen)

Notes:

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

(2) Changes in accounting policies; changes in accounting estimates; restatements
- (i) Changes in accounting policies due to amendment of accounting standards: Yes
- (ii) Other changes in accounting policies: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(3) Number of issued shares (common stock)
- (i) Number of issued shares at end of year (including treasury shares)
  - Year ended March 31, 2016: 1,314,895,351 shares
  - Year ended March 31, 2015: 1,314,895,351 shares
- (ii) Number of treasury shares at end of year
  - Year ended March 31, 2016: 4,886,174 shares
  - Year ended March 31, 2015: 4,677,305 shares
- (iii) Average number of shares during the period
  - Year ended March 31, 2016: 1,310,101,981 shares
  - Year ended March 31, 2015: 1,310,342,256 shares

(Reference) Summary of nonconsolidated financial results

Nonconsolidated results of operations of the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(1) Nonconsolidated results of operations:

(Millions of yen)

(Percentage changes relative to previous corresponding period)

	Net sales		Operating profit		Ordinary income		Net income	
Year ended Mar. 31, 2016	735,501	-9.3 (%)	26,478	11.7 (%)	35,409	-0.8 (%)	33,001	-0.6 (%)
Year ended Mar. 31, 2015	810,505	10.2 (%)	23,708	2.3 (%)	35,699	-15.3 (%)	33,193	-21.7 (%)

	Net Income per share	Diluted net income per share
Year ended Mar. 31, 2016	25.19 (yen)	-
Year ended Mar. 31, 2015	25.33 (yen)	-

(2) Nonconsolidated financial position:

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
As of Mar. 31, 2016	1,158,968	435,094	37.5 (%)	332.13 (yen)
As of Mar. 31, 2015	1,252,174	432,265	34.5 (%)	329.91 (yen)

(Reference) Shareholders' equity As of Mar. 31, 2016: 435,094 million yen
As of Mar. 31, 2015: 432,265 million yen

Indication regarding the situation of audit procedures

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

Appropriate use of business forecasts and other special items

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

Earnings forecasts and other forward-looking statements in this document are based on information currently available to the Company's management and certain assumptions judged rational, and we do not promise that the forecasts in this report will be achieved. Accordingly, there might be cases in which actual results materially differ from forecasts of this report. To use assumptions for forecasts, see (3) Outlook for the Year Ending March 31, 2017 (page 4) under "1. Analysis of Business Results and Financial Position (1) Analysis of Business Results".

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

Mitsubishi Materials Corporation is scheduled to hold financial results briefing for institutional investors on May 13, 2016 (Friday). Supplementary information to the financial results to be used in this briefing is being released on TDnet and on the Company's website with the announcement of the consolidated financial results for the year ended March 31, 2016.

Contents

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

1) Results for the Year Ended March 31, 2016

During the fiscal year ended March 31, 2016, activity in China and other emerging markets showed signs of weakness, besides other countries, including the United States, looked slowdown of economic growth.

The Japanese economy also showed signs of slowdown from the latter half of the fiscal year, due to sluggish of individual consumption and production, although continued to improve employment and income conditions.

Looking at the Mitsubishi Materials Group's operating environment, although foreign exchange markets were generally characterized by year-on-year yen depreciation, the Group was affected by such factors as a decrease in copper and other key metal prices, as well as a fall in the overall demand for cement in Japan. Furthermore, equipment trouble at a consolidated subsidiary prompted a temporary halt in operations, causing earnings to decline.

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

As a result, consolidated net sales for the fiscal year amounted to ¥1,417,895 million, down 6.5% from the previous fiscal year. Operating profit decreased 2.0% to ¥70,420 million, and ordinary income decreased 10.7% to ¥72,442 million. Net income attributable to owners of the parent increased 9.2% to ¥61,316 million, due in part to the posting of extraordinary income in relation to the sale of some of the Group's holdings of common stock in SUMCO Corporation.

2) Overview of Segments

(Cement)

(Billions of yen)

	FY 2015	FY 2016	Increase/decrease (%)	
Net sales	¥193.3	¥197.5	¥4.1	(2.2%)
Operating profit	17.3	20.1	2.7	(15.8%)
Ordinary income	¥16.7	¥19.7	¥2.9	(17.8%)

In the domestic cement business, overall demand declined and sales volumes decreased. Although earthquake reconstruction demand was firm in the Tohoku area, in other regions the business was affected by a decline in public works and labor shortages in the construction industry, which led to project delays. In the United States, with cement demand continuing on a recovery trend, sales volumes increased in Southern California, centering on such private-sector categories as residential housing and commercial facility construction. Sales price increased and production costs were down year on year, as electricity and fuel costs fell throughout the year, and the Group's efforts to curtail repair costs were successful in reducing these expenses. In China, sales volumes decreased substantially due to falling demand for real estate investment in Shandong. In the overall Cement business, cement production amounted to 11.6 million tons, down 0.4 million tons from the previous fiscal year.

As a result, sales and operating profit increased for the segment. Ordinary income rose year on year, due to the increase in operating profit.

(Metals)

(Billions of yen)

	FY 2015	FY 2016	Increase/decrease (%)	
Net sales	¥811.6	¥688.7	¥(122.9)	(-15.1%)
Operating profit	24.8	24.2	(0.6)	(-2.4%)
Ordinary income	¥32.8	¥27.0	¥(5.8)	(-17.7%)

In the copper business, net sales fell but operating profit rose. The business was affected by lower copper prices and a decrease in sales of purchased items, as well as a temporary suspension of operations at PT. Smelting in Indonesia from mid-June to early September due to equipment trouble. However, operating costs fell and production in Japan increased, as the Naoshima Smelter & Refinery underwent no periodic furnace repairs during the term. For the segment as a whole, copper cathode production amounted to 511 thousand tons, down 43 thousand tons from the previous fiscal year.

In the gold and other valuable metals business, net sales increased but operating profit fell due to higher ore grades, which led to increased production, but the business was affected by lower palladium prices and other factors.

In the processed copper products, both net sales and operating profit decreased, because sales of products for automobiles, semiconductors and others fell.

Consequently, the overall business recorded year-on-year decreases in net sales and operating profit. Ordinary income for the overall segment was down from the preceding fiscal year, due to lower dividend income and equity in earnings of affiliates.

(Advanced Materials & Tools)

(Billions of yen)

	FY 2015	FY 2016	Increase/decrease (%)	
Net sales	¥134.6	¥151.6	¥17.0	(12.6%)
Operating profit	16.7	16.0	(0.7)	(-4.2%)
Ordinary income	¥16.5	¥14.9	¥(1.6)	(-9.7%)

In the cemented carbide products business, demand was robust in Japan and overseas, particularly in Europe and the United States. Against this backdrop, we conducted proactive sales promotions. These factors, in addition to Mitsubishi Hitachi Tool Engineering, Ltd. (formerly Hitachi Tool Engineering, Ltd.) as a consolidated subsidiary in April 2015, led to increases in net sales and operating profit.

In the high-performance alloy products business, although sales of products for the automobile sector hovered at a steady level in North America, both net sales and operating profit decreased as sales volumes in Japan declined. Among other factors, Hitachi Metals MMC Superalloy, Ltd. (formerly MMC Superalloy Corporation) transitioned to an equity-method affiliate of the Group from a consolidated subsidiary in July 2014.

Consequently, this segment recorded higher sales overall, while operating profit decreased. Ordinary income fell year on year, owing to lower operating profit and a decrease in the foreign exchange gain.

(Electronic Materials & Components)

(Billions of yen)

	FY 2015	FY 2016	Increase/decrease (%)	
Net sales	¥67.0	¥70.2	¥3.2	(4.8%)
Operating profit	4.4	3.1	(1.2)	(-28.8%)
Ordinary income	¥7.2	¥6.3	¥(0.9)	(-12.8%)

In the advanced materials and chemical products business, despite the steady progress in sales of semiconductor manufacturing equipment-related products and products for automobile glass, sales of SoC products for smartphones and products for hybrid automobiles decreased, causing both net sales and operating profit to fall.

In the electronic components business, sales of products for telecommunications equipment expanded. However, costs rose due to investments in new products and sales of products for home appliances were down. As a result, net sales were up but operating profit fell.

In the polycrystalline silicon business, operations were temporarily suspended at the Yokkaichi Plant from early January to late-June of 2014. In the year under review, however, the plant continued with normal operations, leading to an increase in sales. As a result, both net sales and operating profit rose.

Owing to the abovementioned factors, net sales rose for the segment, but operating profit decreased. Ordinary income decreased due to a decline in operating profit.

(Aluminum)

(Billions of yen)

	FY 2015	FY 2016	Increase/decrease (%)	
Net sales	¥159.4	¥158.6	¥(0.7)	(-0.5%)
Operating profit	5.6	4.3	(1.3)	(-24.0%)
Ordinary income	¥5.1	¥3.6	¥(1.4)	(-29.1%)

In the aluminum cans business, demand increased for bottle cans and regular cans. Meanwhile, the cost of materials increased.

In the rolled aluminum and processed aluminum products business, demand was down for products for automobiles and products used in solar cells, while demand for products used in aluminum cans increased.

As a result, net sales and operating profit were down year on year for the aluminum business. Ordinary income decreased year on year, due to the decrease in operating profit.

(Others)

(Billions of yen)

	FY 2015	FY 2016	Increase/decrease (%)	
Net sales	¥241.2	¥243.2	¥2.0	(0.8%)
Operating profit	9.3	10.3	0.9	(10.5%)
Ordinary income	¥9.8	¥9.9	¥0.0	(0.4%)

In the energy-related business, while stagnant market conditions caused coal sales to fall, sales related to nuclear power increased. Sales and income both rose as a result.

In the home appliances recycling business, net sales and operating profit were down, due to a reduction in the handling volume owing to the lack of impact from last-minute demand after the increase in the consumption tax rate and a decline in metal scrap prices.

Orders for nuclear energy and engineering services amounted to ¥60.7 billion, down ¥7.8 billion from the previous fiscal year. The order backlog at the end of the period was ¥17.9 billion, down ¥11.3 billion from a year earlier.

3) Outlook for the Year Ending March 31, 2017

Overall, the Group sees signs for concern in the global economy due to a downturn in China and other emerging markets, despite the prospect of gradual economic recovery centered on Europe and the United States.

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

The Group expects its operating environment be affected by a backlash to yen appreciation in foreign exchange markets, as well as ongoing uncertainty about key metal prices.

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

In this environment, for the fiscal year ending March 31, 2017, our consolidated operating performance forecasts call for net sales of ¥1,360 billion, operating profit of ¥68.0 billion, ordinary income of ¥68.0 billion and net income attributable to owners of the parent of ¥25.0 billion.

(2) Analysis of Financial Position

At March 31, 2016, total assets amounted to ¥1,793.3 billion, down ¥104.7 billion from a year earlier, mainly due to a decline in investment securities.

Total liabilities decreased ¥120.2 billion, to ¥1,148.3 billion, primarily because of a decrease in short-term loans payable.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥118.6 billion, up ¥10.6 billion from the previous fiscal year. This rise was due mainly to decrease income before income taxes and inventories.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥29.9 billion, down ¥12.3 billion from the previous fiscal year. This cash was primarily used for outlays related to capital investments.

(Cash Flows from Financing Activities)
Together, operating activities and investing activities produced a net inflow of ¥88.7 billion, which was mainly applied to the redemption of loans payable. Accordingly, net cash used in financing activities was ¥120.4 billion, up ¥78.2 billion from the previous fiscal year.

As a result of the above, as well as exchange rate changes and other factors, the balance of cash and cash equivalents at March 31, 2015, stood at ¥58.4 billion, down ¥33.5 billion from March 31, 2015.

Below is a summary of major cash flow indicators.

	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Equity ratio (%)	20.0	22.4	25.7	29.0	31.0
Equity ratio on a market-value basis (%)	19.6	19.4	21.6	27.9	23.2
Ratio of interest-bearing debt to cash flow	8.0	7.1	6.5	6.0	4.6
Interest coverage ratio	8.3	9.0	10.2	12.9	16.5

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

(Note 1) All indicators are calculated on a consolidated basis.
(Note 2) Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end (after deducting treasury stock).
(Note 3) Cash flow is based on the net cash provided by operating activities in the Consolidated Statements of Cash Flows.
(Note 4) Interest-bearing debt covers all interest-bearing debt in the Consolidated Balance Sheets. Interest payments are based on the amounts shown in the Consolidated Statements of Cash Flows.

(3) Basic Profit Distribution Policies and Dividend Payments

Based on its Articles of Incorporation, the Company is to distribute surpluses following resolutions at Board of Directors meetings. We regard the distribution of profits to all shareholders as one of our most important priorities. Accordingly, our policy is to make decisions on profit appropriation based on comprehensive consideration of various factors related to overall management, such as income over the relevant period, retained earnings, and financial position. Based on this policy, the Board of Directors, at its meeting on May 12, 2016, decided to distribute a year-end dividend of ¥5 and an interim dividend of ¥5, resulting in a full-year dividend for the year ended March 31, 2016, of ¥10 per share (up ¥2 from the preceding fiscal year).

Dividend payments for the year ending March 31, 2017 are expected to amount to ¥6 per share (¥2 interim dividend plus ¥4 year-end dividend).

(4) Business and Other Risks

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

Please note that although the matters listed in this section contain items related to the future, these items have been chosen as of May 12, 2016.

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

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

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

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

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

5) Interest-bearing debt
In the term ended March 31, 2016, the interest-bearing debt of the Group was ¥526.3 billion yen (which is the sum total of short-term loans payable, current portion of bonds payable, bonds payable, and long-term loans payable; same below if there are no explanatory notes) amounting to 29.3% of the total assets. And although we are making efforts to improve the financial standing by reducing inventories, asset sales, etc., the future financial situation may affect business results and financial standing of the Group.

6) Guaranty of liabilities
In the term ended March 31, 2016, the Group has undertaken a ¥26.3 billion yen guaranty of liabilities against monetary liabilities of affiliated companies, which are not included in the scope of consolidation. In cases, where a situation arises in the future, in which we are requested to fulfill these guaranties of liabilities, this may affect business results and financial standing of the Group.

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

8) Retirement benefit expenses and obligations

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

9) Environmental regulations, etc.

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

10) Overseas operations, etc.

The Group has production bases, sales bases, and other bases in 29 countries and regions abroad, and foreign sales amount to 35.7% of its consolidated sales. Business results and financial standing of the Group may be influenced by political/economic conditions, exchange rates at each country as well as changes of trading/commercial regulations, mining policies, environmental regulations, systems of taxation, other unforeseen changes of laws or regulations as well as differences of interpretation thereof, and changes of management policies of local cooperators and partners.

11) Intellectual property rights

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

12) Quality of the products

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

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

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

14) Management of information

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

15) Lawsuits, etc.

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

16) Procurement of electricity

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

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

2. Management Policies

(1) Basic Group Management Policies

In order to accelerate its corporate philosophy, “For People, Society and the Earth,” in a stable way, the Group sets out the objective “to become the world’s leading business group committed to supporting recycling-oriented society through materials innovation, with use of our unique and distinctive technologies, by the early 2020s.”

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

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

1) Fortifying the foundation for growth
Setting the motto “Safety and Health are First” as our first priority, we will enhance our safety management systems and foster our corporate philosophy and culture to value safety so that we will secure stable operational frameworks which contribute to the growth of the Group business.

In addition, the Group has earmarked a total of ¥100.0 billion to be used in strategic investment to accelerate growth over a three-year period, with its focus on M&A activities and the expansion of overseas production and sales bases. We are also working to improve profitability through an ongoing process of business selection and focus, which should continue to improve our financial structure.

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

Furthermore, by conducting strategic marketing in the automobile and electronics industries, we will gain access to new customers and markets so that we can boost our competitiveness.

3) Pursuing a recycling-based business model
The Group operates its business widely across the upstream (sources), midstream (materials) and downstream (processed products) markets. In addition, we will pursue the business model to circulate wastes to the upstream market for utilization.

Through the “Material Premium” plan, which derives from our unique strength as a conglomerate, we will facilitate the recycling of waste that has so far been hard to process so that we can contribute to the sustainable growth of society.

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

<Priorities in each business>
● Cement
In the domestic cement business, the demand outlook is unclear. Nevertheless, shipments in relation to earthquake reconstruction are expected to be firm, and a number of large-scale projects are slated to commence. These include projects related to the upcoming Olympic Games and construction of a linear

shinkansen (in some sections). As a result, fiscal 2016 domestic demand for cement is expected to remain at the previous year's level of approximately 43 million tons. Under these circumstances, we will work to secure sales volumes by steadily implementing initiatives to benefit from demand related to large-scale projects.

In the U.S. cement business, we anticipate continuing recovery trend with growing demand from the private sector. Against this backdrop, we will endeavor to bolster sales and profits by boosting sales volume and engaging in further price revisions.

In the Chinese cement business, we see few signs that market conditions are improving. We will continue with a host of initiatives aimed at increasing sales and profits, such as securing orders for new infrastructure projects, ensuring appropriate pricing and curtailing production costs.

● Metals

We see the demand outlook for copper ore as unclear owing to the prospect of a slowdown in the Chinese economy and other reasons.

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

In processed copper products, we anticipate a gradual recovery in demand for automobile and other products.

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

● Advanced Materials & Tools

In the cemented carbide products business, we expect the deceleration of the Chinese economy to lead to a delayed recovery in the orders environment. That said, over the medium to long term we expect demand to expand, particularly among our main customer base in the automobile and aircraft industries.

Under these circumstances, we will augment our sales bases and expand our sales network for cemented carbide products, and further reinforce of high efficiency and high accuracy product development and our technical service structure. Furthermore, we will continue working to stabilize our sourcing of tungsten—a key constituent of cemented carbide products—by improving the recycling ratio and through other efforts to diversify procurement sources.

Turning to the high-performance alloy products business, 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 by augmenting its overseas production locations in addition to enhancing productivity at production locations in Japan.

● Electronic Materials & Components

In the advanced materials business, the demand outlook for semiconductor-related products and products for solar cells is opaque. We also expect a decrease in demand of parts for hybrid vehicles, but are working to expand sales of products for non-automobile industries. Going forward, we aim to remain a step ahead of customers' needs in each of the markets in which we participate. We will strive to augment revenues and profits by making full use of our core technological capabilities, and strengthening our sales competitiveness and our ability to make client proposals.

In the electronic components business, sales of products for home appliances are falling as Chinese economic growth decelerates. In response, we are reinforcing our sales structure in emerging markets and, through new investments, working to increase sales of products for refrigerators, vehicles and industrial equipment.

We will continue working to strengthen our business structure by introducing new products early and further reducing costs.

In polycrystalline silicon, we are endeavoring to establish a stable and efficient operating structure, bolster quality and reduce costs, thereby creating a business structure that will enable us to ensure profits even when demand levels are low.

● Aluminum

In the aluminum cans business, while working to increase our stability of orders for regular cans, we are working to expand sales of bottle cans. We will make an effort to promote advantageous procurement of raw materials, stable product quality and cost reductions.

In the rolled aluminum and processed aluminum products business, we will work to stabilize orders of can materials and products for automobiles and electronic materials. We will also endeavor to expand sales of products for automobile in overseas, where demand is expected to rise.

Throughout this business, costs are highly susceptible to fluctuations in raw materials prices, so we are mounting a number of initiatives on this front.

We will actively promote the Group’s ongoing initiatives in the business of recycling used aluminum cans.

3. Basic Perspective on Selection of Accounting Standards

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

4. Consolidated Financial Statement
(1) Consolidated Balance Sheets

[March 31, 2015 and 2016]

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
ASSETS		
Current Assets:		
Cash and deposits	93,152	60,123
Notes and accounts receivable-trade	230,874	233,093
Merchandise and finished goods	85,100	85,082
Work in process	107,093	83,694
Raw materials and supplies	104,539	89,875
Deferred income taxes	11,747	10,352
Gold bullion on loan	100,169	89,360
Other	137,855	133,104
Allowance for doubtful accounts	(2,129)	(2,155)
Total Current Assets	**868,403**	**782,530**
Noncurrent Assets:		
Property, Plant and Equipment:		
Building and structures, net	151,794	155,277
Machinery and equipment, net	197,114	209,769
Land, net	273,589	268,634
Construction in progress	17,476	21,769
Other, net	15,060	14,786
Total Property, Plant and Equipment	**655,034**	**670,237**
Intangible Assets:		
Goodwill	41,249	48,986
Other	11,686	17,032
Total Intangible Assets	**52,936**	**66,019**
Investments and Other Assets:		
Investment securities	265,052	212,606
Retirement benefit assets	242	342
Deferred income taxes	30,111	34,324
Other	33,352	33,385
Allowance for investment loss	(1,168)	-
Allowance for doubtful accounts	(5,807)	(6,070)
Total Investments and Other Assets	**321,783**	**274,588**
Total Noncurrent Assets	**1,029,753**	**1,010,845**
Total Assets	**1,898,157**	**1,793,375**

	As of March 31, 2015	As of March 31, 2016
		(Millions of yen)
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	128,375	110,596
Short-term loans payable	252,197	200,527
Current portion of bonds payable	20,040	25,100
Commercial papers	5,000	-
Income taxes payable	9,545	7,037
Deferred tax liabilities	275	138
Accrued bonuses	12,362	13,114
Gold payable	227,505	231,667
Allowance for loss on disposal of inventories	844	626
Other	121,670	107,511
Total Current Liabilities	**777,817**	**696,319**
Noncurrent Liabilities:		
Bonds payable	65,100	40,000
Long-term loans payable	288,534	260,681
Reserve for directors' retirement benefits	1,758	1,628
Reserve for loss on subsidiaries and affiliates	1,458	1,760
Reserve for environmental measures	4,547	13,358
Deferred tax liabilities	26,659	15,265
Deferred tax liabilities for land revaluation	28,449	26,532
Net defined benefit liability	39,662	63,544
Other	34,655	29,267
Total Noncurrent Liabilities	**490,825**	**452,038**
Total Liabilities	**1,268,643**	**1,148,358**
NET ASSETS		
Shareholders' Equity:		
Capital stock	119,457	119,457
Capital surplus	92,272	92,266
Retained earnings	252,858	303,026
Treasury stock	(1,865)	(1,953)
Total Shareholders' Equity	**462,723**	**512,797**
Accumulated Other Comprehensive Income:		
Valuation difference on securities available for sale	42,717	21,645
Deferred gains or losses on hedges	(1,025)	(199)
Revaluation reserve for land	33,856	34,282
Foreign currency translation adjustment	15,746	3,647
Remeasurements of defined benefit plans	(3,256)	(16,946)
Total Accumulated Other Comprehensive Income	**88,039**	**42,430**
Non-Controlling Interests	**78,751**	**89,789**
Total Net Assets	**629,514**	**645,017**
Total Liabilities and Net Assets	**1,898,157**	**1,793,375**

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

Consolidated Statement of Operations

[For the year ended March 31, 2015 and 2016]

(Millions of yen)

	Year Ended Mar. 31, 2015 (Apr. 1, 2014–Mar. 31, 2015)	Year Ended Mar. 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)
Net Sales	**1,517,265**	**1,417,895**
Cost of Sales	**1,313,259**	**1,204,322**
Gross Profit	**204,006**	**213,573**
Selling, General and Administrative Expenses	**132,135**	**143,152**
Operating Profit	**71,871**	**70,420**
Non-Operating Profit:		
Interest income	607	589
Dividends income	15,293	9,019
Rent income on noncurrent assets	4,966	5,005
Equity in earnings of affiliates	6,557	2,188
Other	3,884	4,895
Total Non-Operating Profit	**31,309**	**21,699**
Non-Operating Expenses:		
Interest expenses	8,233	6,694
Loss on disposal of property, plant and equipment	3,183	3,366
Expenses for rent in undertaking	3,234	3,174
Expenses for settlement of remaining business in mine	3,589	2,865
Other	3,845	3,576
Total Non-Operating Expenses	**22,086**	**19,677**
Ordinary Income	**81,093**	**72,442**
Extraordinary Income:		
Gain on sales of marketable securities and investments in securities	1,694	19,188
Gain on changes in equity	64	10,464
Gain on sales of noncurrent assets	8,749	6,322
Insurance proceeds	591	5,224
Gain on redemption of investment securities	-	1,234
Gain on abolishment of retirement benefit plan	1,451	-
Other	200	3,508
Total Extraordinary Income	**12,752**	**45,942**
Extraordinary Losses:		
Provision for environmental measures	1,300	10,841
Loss on business withdrawal	-	7,517
Loss on impairment	499	3,610
Loss on suspension of operations	1,150	2,628
Loss on valuation of investment securities	9,278	2,539
Other	5,989	8,568
Total Extraordinary Loss	**18,217**	**35,705**
Income before Income Taxes	**75,628**	**82,680**
Corporate Income Taxes and Business Tax	**19,649**	**17,905**
Income Tax Adjustments	**(5,574)**	**(2,760)**
Total Income Taxes	**14,074**	**15,144**
Net Income	**61,553**	**67,536**
Net Income Attributable to Non-Controlling Interests	**5,406**	**6,219**
Net Income Attributable to Owners of the Parent	**56,147**	**61,316**

Consolidated Statement of Comprehensive Income

[For the Year Ended March 31, 2015 and 2016]

(Millions of yen)

	Year Ended Mar. 31, 2015 (Apr. 1, 2014–Mar. 31, 2015)	Year Ended Mar. 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)
Net Income	**61,553**	**67,536**
Other Comprehensive Income		
Valuation difference on securities available for sale	10,691	(21,165)
Deferred gains or losses on hedges	(1,434)	1,044
Revaluation reserve for land	2,801	1,490
Foreign currency translation adjustment	33,215	(11,326)
Adjustments for retirement benefits	11,714	(14,369)
Equity in earnings of affiliates	2,411	(3,544)
Total other comprehensive income	59,401	(47,872)
Comprehensive Income	**120,954**	**19,664**
(Breakdown)		
Comprehensive income attributable to owners of the parent company	106,600	16,451
Comprehensive income attributable to non-controlling interests	14,354	3,212

(3) Statement of Changes in Consolidated Shareholders' Equity

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

(Millions of yen)

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

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

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

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	119,457	92,272	252,858	(1,865)	462,723
Cumulative impact of changes in accounting policies			805		805
Balance at beginning of period, reflecting changes in accounting policies	119,457	92,272	253,664	(1,865)	463,529
Change during the year					
Cash dividends from retained earnings			(13,101)		(13,101)
Net income attributable to owners of the parent			61,316		61,316
Decrease from write-downs of land revaluation excess			843		843
Increase from rise in number of consolidated subsidiaries			304		304
Acquisition of treasury stock				(89)	(89)
Disposition of treasury stock		(0)		1	1
Changes in equity of the parent company related to transactions with non-controlling shareholders		(5)			(5)
Net change in items other than shareholders' equity					
Total change during the year	-	(5)	49,362	(88)	49,268
Balance at end of period	119,457	92,265	303,026	(1,953)	512,797

	Accumulated other comprehensive income						Non-Controlling Interests	Total net assets
	Valuation difference on securities available for sale	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income		
Balance at beginning of period	42,717	(1,025)	33,856	15,746	(3,256)	88,039	78,751	629,514
Cumulative impact of changes in accounting policies								805
Balance at beginning of period, reflecting changes in accounting policies	42,717	(1,025)	33,856	15,746	(3,256)	88,039	78,751	630,319
Change during the year								
Cash dividends from retained earnings								(13,101)
Net income attributable to owners of the parent								61,316
Decrease from write-downs of land revaluation excess								843
Increase from rise in number of consolidated subsidiaries								304
Acquisition of treasury stock								(89)
Disposition of treasury stock								1
Changes in equity of the parent company related to transactions with non-controlling shareholders								(5)
Net change in items other than shareholders' equity	(21,071)	826	426	(12,099)	(13,690)	(45,608)	11,038	(34,570)
Total change during the year	(21,071)	826	426	(12,099)	(13,690)	(45,608)	11,038	14,697
Balance at end of period	21,645	(199)	34,282	3,647	(16,946)	42,430	89,789	645,017

(4) Consolidated Statements of Cash Flows

[For the year ended March 31, 2015 and 2016]

(Millions of yen)

	Year Ended Mar. 31, 2015 (Apr. 1, 2014–Mar. 31, 2015)	Year Ended Mar. 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)
Cash Flows from Operating Activities:		
Income before income taxes	75,628	82,680
Depreciation and amortization	53,911	56,395
Amortization of goodwill	2,835	4,447
Increase (decrease) in allowance for doubtful accounts and reserves	(54)	(38)
Increase (decrease) in reserve for loss on business of affiliate	-	552
Increase (decrease) for environmental measures	395	8,799
Increase (decrease) in net defined benefit liability and reserve for directors' retirement benefits	(4,187)	1,136
Interest and dividends income	(15,900)	(9,609)
Interest expenses	8,233	6,694
Equity losses (earnings) of affiliates	(6,557)	(2,188)
Loss (gain) on sales of property, plant and equipment	(8,208)	(5,863)
Loss on disposal of property, plant and equipment	3,183	3,366
Loss on impairment	499	3,610
Loss on business withdrawal	-	7,517
Loss (gain) on sales of marketable securities and investments in securities	(1,696)	(18,164)
Loss (gain) on valuation of investment securities	9,278	2,539
Loss (gain) on redemption of investment securities	-	(1,234)
Loss (gain) on change in equity	(64)	(10,464)
Decrease (increase) in notes and accounts receivables-trade	(12,246)	(3,519)
Decrease (increase) in inventories	(8,613)	38,913
Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Plan	77,188	79,994
Payment for purchases of gold bullion from market for customer under My Gold Partner	(76,957)	(77,114)
Decrease (increase) in other current assets	(13,741)	17,373
Increase (decrease) in notes and accounts payable-trade	16,767	(16,188)
Increase (decrease) in accrued expenses	8,616	3,105
Increase (decrease) in other current liabilities	10,904	(25,230)
Increase (decrease) in other noncurrent liabilities	(369)	(20)
Other, net	(5,469)	(15,745)
Subtotal	**113,347**	**131,743**
Interest and dividends income received	17,399	12,139
Interest expenses paid	(8,392)	(7,173)
Income taxes refund (paid)	(14,283)	(18,023)
Net Cash Provided by Operating Activities	**108,070**	**118,685**

(Millions of yen)

	Year Ended Mar. 31, 2015 (Apr. 1, 2014–Mar. 31, 2015)	Year Ended Mar. 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(54,821)	(71,469)
Proceeds from sales of property, plant and equipment	7,448	19,110
Purchase of intangible assets	(3,237)	(2,897)
Purchase of investment securities	(2,116)	(2,922)
Proceeds from sales of investment securities	5,490	32,987
Proceeds from redemption of investment securities	-	18,000
Payments for purchase of consolidated subsidiaries’ shares	(471)	(132)
Proceeds from sales of shares of subsidiaries	229	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(15,572)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,506	455
Payments for withdrawal	-	(7,548)
Payments for lending	(1,775)	(1,100)
Proceeds from repayment of lending	5,781	1,942
Other, net	(399)	(834)
Net Cash Used in Investing Activities	**(42,366)**	**(29,982)**
Cash Flows from Financing Activities:		
Net increase (decreases) in short-term loans payable	14,862	(28,243)
Proceeds from long-term loans payable	100,361	31,433
Repayment of long-term loans payable	(105,638)	(79,917)
Increase (decrease) in commercial papers	5,000	(5,000)
Payments for redemption of bonds payable	(40,000)	(20,040)
Cash dividends paid	(9,172)	(13,101)
Purchase of treasury stock	(88)	(90)
Dividends paid to non-controlling interests	(4,317)	(1,989)
Other, net	(3,279)	(3,527)
Net Cash Used in Financing Activities	**(42,273)**	**(120,477)**
Effect of Exchange Rate Change on Cash and Cash Equivalents	**5,837**	**(2,803)**
Net Increase (Decrease) in Cash and Cash Equivalents	**29,268**	**(34,577)**
Cash and Cash Equivalents at Beginning of Period	**62,078**	**92,079**
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	**732**	**980**
Cash and Cash Equivalents at End of Period	**92,079**	**58,482**

(5) Segment Information

[Segment Information]

1. Overview of reporting segments

(1) Method of determining reporting segments

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

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

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

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

The main products in each business are as follows.

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

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

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

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

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

3. Information related to sales, income/loss, total assets, total liabilities, and other items for reporting segment
For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

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

Notes:

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

For the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Adjustment amount	Amount indicated in the statements of income
Net sales									
(1)Outside Customers	194,113	680,431	133,550	56,374	156,854	196,750	1,417,895	-	1,417,895
(2)Within Consolidated Group	3,386	8,290	18,117	13,880	1,810	46,697	92,182	(92,182)	-
Total	197,500	688,721	151,668	70,254	158,665	243,268	1,510,077	(92,182)	1,417,895
Segment income	19,710	27,048	14,965	6,339	3,641	9,936	81,642	(9,199)	72,442
Segment assets	353,523	654,099	221,620	107,402	149,446	190,276	1,676,370	117,005	1,793,375
Segment liabilities	179,737	496,729	127,677	98,322	114,552	144,438	1,161,459	(13,100)	1,148,358
Other items									
Depreciation and amortization	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
Dividend income	74	327	71	117	11	435	1,038	(448)	589
Interest expenses	1,923	2,014	1,078	999	712	935	7,664	(969)	6,694
Equity in earnings of affiliates	1,358	(3,351)	610	4,152	107	(607)	2,270	(81)	2,188
Investment to equity method affiliate	20,338	17,877	5,936	39,980	740	13,965	98,839	(165)	98,674
Increase in tangible and intangible noncurrent assets	17,561	22,968	17,674	3,535	7,196	6,079	75,016	3,087	78,103

Notes:

1. "Others" includes nuclear energy-related services, environmental and recycling-related business, real estate business, and engineering-related services.
2. Included in the segment income adjustment amount (-¥9,199 million) are segment eliminations (-¥61 million) and corporate expenses that cannot be allocated to specific segments (-¥9,138 million). Corporate expenses consist mainly of management-related costs, basic experimental research costs, and financial income/expenses.
3. Included in the segment assets adjustment amount (¥117,005 million) are segment eliminations (-¥32,763 million) and corporate assets that cannot be allocated to specific segments (¥149,768 million). Corporate assets consist mainly of management-related assets and basic experimental research assets.
4. Included in the segment liabilities adjustment amount (-¥13,100 million) are segment eliminations (-¥23,597 million) and corporate liabilities that cannot be allocated to specific segments (¥10,497 million). Corporate liabilities consist mainly of management-related liabilities and basic experimental research liabilities.
5. Adjustment of increase of property, plant and equipment and intangible assets (¥3,087 million) consist mainly of investment in Central Research Institute.
6. Segment income has been adjusted together with ordinary income on the consolidated statements of income.

[Reference information]

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

1. Information by Product/Service
Omitted because the same information is written in the Segment Information.

2. Information by Region
(1) Net sales

(Millions of yen)

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

(2) Property, plant and equipment

(Millions of yen)

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

1. Categories for the countries and regions are geographically proximity-based.
2. Main countries and regions belong to the categories other than U.S.
    (1) Europe: Germany, United Kingdom, Spain, France
    (2) Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand
    (3) Other: Australia, Canada, Brazil

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

II. For the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

1. Information by Product/Service
Omits because the same information is written in the Segment Information.

2. Information by Region
(1) Net sales

(Millions of yen)

Japan	U.S.	Europe	Asia	Other	Total
910,894	116,555	30,414	345,356	14,673	1,417,895

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	Europe	Asia	Other	Total
542,148	90,490	1,878	33,972	1,747	670,237

1. Categories for the countries and regions are geographically proximity-based.
2. Main countries and regions belong to the categories other than U.S.
    (1) Europe: Germany, United Kingdom, Spain, France
    (2) Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand
    (3) Other: Australia, Canada, Brazil

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

[Information related to Impairment Loss of Noncurrent Assets by Reported Segment]
For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

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

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

For the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Loss on impairment	329	1,818	-	-	-	1,368	3,516	93	3,610

(Note) Adjustments of loss on impairment (¥93 million) consist mainly of losses on impairment of lease assets.

[Information related to Amortization of Goodwill and Unamortized Balance by Reported Segments]
For the year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

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

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

(Millions of yen)

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

For the year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Amortization for the year ended Mar. 31, 2016	3,191	-	1,248	-	-	7	4,447	-	4,447
Balance on Mar. 31, 2016	37,969	-	11,006	-	-	10	48,986	-	48,986

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

(Millions of yen)

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

[Information on negative goodwill generated for each reporting segment]
For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)
None
For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
None

(6) Per-Share Information

	Year Ended Mar. 31, 2015 (Apr. 1, 2014–Mar. 31, 2015)	Year Ended Mar. 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)
Net assets per share	¥420.36	¥423.83
Net income per share	¥42.85	¥46.80

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

	Year Ended Mar. 31, 2015 (Apr. 1, 2014–Mar. 31, 2015)	Year Ended Mar. 31, 2016 (Apr. 1, 2015–Mar. 31, 2016)
Net income per share		
Net income attributable to owners of the parent (millions of yen)	56,147	61,316
Amounts not attributable to ordinary shareholders (millions of yen)	-	-
Net income for common stock attributable to owners of the parent (millions of yen)	56,147	61,316
Average number of shares outstanding during the period (thousands of shares)	1,310,342	1,310,101

(7) Important Subsequent Events:

Change in the Number of Shares Constituting One Share Unit, Reverse Stock Split, etc.
At a Board of Directors meeting on May 12, 2016, the Company resolved to submit proposals to shareholders at the 91st Ordinary General Meeting of Shareholders scheduled for June 29, 2016, relating to a change in the number of shares constituting one share unit and the total number of shares authorized to be issued, as well as a reverse stock split.

An overview of these resolutions is provided below.

(1) Reason for and Description of the Proposed Changes
Japanese stock exchanges have announced the Action Plan for Consolidating Trading Units, aiming to unify at 100 shares of common stock on Japanese stock exchanges the number of shares constituting one trading unit (share unit) in the aim of enhancing convenience to investors and other market participants.

As the Company is listed on the Tokyo Stock Exchange, we shall respect this intention and change its number of shares constituting one share unit from 1,000 shares to 100 shares. To maintain the Company's share unit trading price following this change in the number of shares constituting one share unit, the Company proposes to conduct a reverse stock split at a 10:1 ratio and change the total number of shares authorized to be issued from 3.4 billion shares to 340 million shares.

(2) Conditions for the Changes
These changes will become effective on October 1, 2016, pending approval of the proposal to shareholders at the Ordinary General Meeting of Shareholders of the change in the number of shares constituting one share unit and the total number of shares authorized to be issued, and the proposal of a reverse stock split.