

[Translation: Please note that the following purports to be an excerpt translation from the Japanese original Business Report and Financial Statements prepared for the convenience of shareholders outside Japan. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.]

## **BUSINESS REPORT**

(For the Period from April 1, 2016 through March 31, 2017)

### **1. Particulars Concerning the State of the Group**

#### **(1) Business Developments**

[The Group's operating profit and ordinary income decreased, affected by such factors as the strong yen, a downturn in copper prices and lower domestic demand for cement.]

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

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

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

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

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

On a non-consolidated basis, net sales amounted to ¥674,515 million, down 8.3% from the previous fiscal year. Operating profit decreased 54.2% to ¥12,120 million, ordinary

income declined 23.2% to ¥27,202 million, and net income fell 40.3% to ¥19,701 million.

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 11, 2017, decided to distribute a fiscal year-end dividend of ¥40 per share.

The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Taking into consideration this consolidation of the Company's shares, the interim dividend of ¥2 per share for the fiscal year under review comes in at ¥20 per share. Combined with the fiscal year-end dividend of ¥40 per share, the annual dividend amounts to ¥60 per share, down ¥40 per share compared with the previous fiscal year.

A report of the Group's performance by business segment is presented as follows.

● **Cement**

[Despite lower sales volumes in Japan and China, operating profit increased on the back of such factors as higher sales volume in the United States.]

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

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

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

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

Consolidated net sales in the Cement business amounted to ¥177,566 million, down 10.1% from the previous fiscal year. Operating profit rose 3.9% to ¥20,923 million and ordinary income increased 4.1% to ¥20,520 million.

● **Metals**

[In the copper business, operating profit decreased owing mainly to the impact of the strong yen. In contrast, operating profit in the gold and other valuable metals business increased due to successful efforts aimed at reducing costs, among other factors. In the copper and copper alloy products business, operating profit grew, due in part to higher sales of products for the automobile sector.]

In the copper business, net sales and operating profit declined, primarily reflecting year-on-year yen appreciation and a fall in sulfuric acid prices. Copper cathode production for the entire Metals business amounted to 543 thousand tons, up 31 thousand tons from the previous fiscal year.

In the gold and other valuable metals business, net sales decreased while operating profit increased, reflecting a decrease in production due to a fall in the contained amount in ore, which was offset by cost reductions.

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

As a result, the entire Metals business posted year-on-year decreases in net sales and operating profit. Ordinary income for the segment increased because of the increases in dividend income and equity in earnings of affiliates.

Consolidated net sales in the Metals business amounted to ¥629,470 million, down 8.6% from the previous fiscal year. Operating profit fell 28.4% to ¥17,372 million while ordinary income increased 1.7% to ¥27,513 million.

#### ● **Advanced Materials & Tools**

[Operating profit in the cemented carbide products business decreased, owing to the downturn in overseas sales and the impact of the strong yen. In the high-performance alloy products business, operating profit declined due to a decrease in domestic sales.]

In the cemented carbide products business, net sales and operating profit declined due to year-on-year yen appreciation in addition to a fall in overseas sales.

In the high-performance alloy products business, sales of products for automobiles remained firm in North America, but lower sales in Japan caused net sales and operating profit to decline.

As a result, the overall Advanced Materials & Tools business recorded year-on-year decreases in net sales and operating profit. Ordinary income declined due to the decrease in operating profit.

Consolidated net sales in the Advanced Materials & Tools business amounted to ¥143,415 million, down 5.4% from the previous fiscal year. Operating profit fell 26.5% to ¥11,774 million and ordinary income decreased 33.8% to ¥9,913 million.

#### ● **Electronic Materials & Components**

[Operating profit in the advanced materials and chemical products business increased as a result of steady trends in sales of semiconductor manufacturing equipment-related and other products. In the electronic components business, operating profit also increased due largely to higher sales of products for household appliances. In the polycrystalline silicon business, operating profit decreased owing to the drop in sales.]

In the advanced materials and chemical products business, net sales decreased while operating profit increased because sales of products related to semiconductor manufacturing equipment and chemical products for hybrid vehicles remained strong, although sales of products for LSIs for smartphones and power modules were down.

In the electronic components business, both net sales and operating profit increased, reflecting a higher volume of sales of products for home appliances and optical communication related equipment despite a lower volume of sales of products for information and telecommunications equipment.

The polycrystalline silicon business recorded a decline in net sales and operating profit due to a fall in sales.

As a result, the entire Electronic Materials & Components business registered year-on-year declines in net sales and operating profit. Ordinary income dropped as a result of decreases in operating profit and equity in earnings of affiliates.

Consolidated net sales in the Electronic Materials & Components business amounted to ¥63,087 million, down 10.2% from the previous fiscal year. Operating profit decreased 22.9% to ¥2,454 million and ordinary income fell 55.8% to ¥2,802 million.

#### ● Aluminum

[In the aluminum cans business, sales volumes of bottle cans increased. In the rolled aluminum and processed aluminum products business, sales volumes of products for automobiles were also up. Operating profit for the overall Aluminum business increased.]

In the aluminum can business, sales volume of bottle cans increased, and raw material costs declined.

In the rolled aluminum and processed aluminum products business, sales volume of products for automobiles increased. However, net sales declined due to falling market metal prices.

In the entire Aluminum business, energy costs were lower.

As a result, the entire Aluminum business posted a decrease in net sales and an increase in operating profit year on year. Ordinary income increased due to the rise in operating profit.

Consolidated net sales in the Aluminum business amounted to ¥155,962 million, down 1.7% from the previous fiscal year. Operating profit surged 82.2% to ¥7,886 million and ordinary income jumped 105.4% to ¥7,480 million.

● **Others**

[Operating profit in the energy-related business increased as a result of higher hydroelectric power plant electric sales volumes. In the home appliance recycling businesses, operating profit declined. In areas outside the energy-related and home appliance recycling businesses, operating profit decreased.]

In the energy-related business, electricity sales volume rose due to the completion of upgrade work on some hydroelectric power plants. However, sales of coal and nuclear energy-related services fell, resulting in decline in net sales and an increase in operating profit.

In the home appliance recycling businesses, net sales and operating profit declined, reflecting fluctuation in the recycling unit cost of valuables despite a high volume of recycling.

Total net sales and operating profit in the entire Others business excluding the energy-related business and the home appliance recycling businesses declined.

In the overall Others business, net sales and operating profit also fell from a year earlier. Ordinary income decreased due to the decrease in operating profit and an increase in the share of loss of entities accounted for using the equity method.

Consolidated net sales in the Others business amounted to ¥218,246 million, down 10.3% from the previous fiscal year. Operating profit declined 2.0% to ¥10,127 million and ordinary income decreased 27.8% to ¥7,177 million.

Sales, operating profit and ordinary income for each business segment of the Group were as follows:

Business Segment	Item	91st Period (April 2015– March 2016)		92nd Period (April 2016– March 2017)		YOY Change (%)
		Amount (¥ Millions)	% of Total	Amount (¥ Millions)	% of Total	
Cement	Net Sales	197,500	13.9	177,566	13.6	(10.1)
	Operating Profit	20,131	28.6	20,923	35.0	3.9
	Ordinary Income	19,710	27.2	20,520	32.1	4.1
Metals	Net Sales	688,721	48.6	629,470	48.3	(8.6)
	Operating Profit	24,247	34.4	17,372	29.1	(28.4)
	Ordinary Income	27,048	37.3	27,513	43.0	1.7
Advanced Materials & Tools	Net Sales	151,668	10.7	143,415	11.0	(5.4)
	Operating Profit	16,022	22.8	11,774	19.7	(26.5)
	Ordinary Income	14,965	20.7	9,913	15.5	(33.8)
Electronic Materials & Components	Net Sales	70,254	5.0	63,087	4.8	(10.2)
	Operating Profit	3,184	4.5	2,454	4.1	(22.9)
	Ordinary Income	6,339	8.8	2,802	4.4	(55.8)
Aluminum	Net Sales	158,665	11.2	155,962	12.0	(1.7)
	Operating Profit	4,327	6.1	7,886	13.2	82.2
	Ordinary Income	3,641	5.0	7,480	11.7	105.4
Others	Net Sales	243,268	17.2	218,246	16.7	(10.3)
	Operating Profit	10,331	14.7	10,127	16.9	(2.0)
	Ordinary Income	9,936	13.7	7,177	11.2	(27.8)
Elimination and Corporate Assets or Expenses (Note)	Net Sales	(92,182)	(6.5)	(83,680)	(6.4)	(9.2)
	Operating Profit	(7,823)	(11.1)	(10,778)	(18.0)	37.8
	Ordinary Income	(9,199)	(12.7)	(11,481)	(18.0)	24.8
Total	Net Sales	1,417,895	100.0	1,304,068	100.0	(8.0)
	Operating Profit	70,420	100.0	59,761	100.0	(15.1)
	Ordinary Income	72,442	100.0	63,925	100.0	(11.8)

Note: Net sales, operating profit and ordinary income resulting from transactions among the Business divisions have been deducted in the “Elimination and Corporate Assets or Expenses” items.

## **(2) Status of Group Financing**

During the fiscal year under review, the Group raised funds primarily through the issuance of straight bonds totaling ¥30 billion as well as commercial paper and borrowings from banks. Debts (including corporate bonds) as of the end of the fiscal year amounted to ¥528,230 million, up ¥1,921 million from a year earlier.

## **(3) Status of Group Capital Expenditures**

The Group determines its capital expenditures by carefully selecting investment cases in the fields where future profit and growth are expected while working to reduce interest-bearing debt.

In the fiscal year under review, total capital expenditures amounted to ¥75,685 million, which consisted mainly of maintenance and repairs of existing facilities in each business, as well as reinforcement and streamlining of production facilities.

Capital expenditures by business segment in the fiscal year under review were as follows:

### **• Cement**

In addition to the reinforcement of domestic industrial waste treatment facilities, the Group carried out maintenance and repair work on existing facilities in Japan and the United States.

Capital expenditures in this business amounted to ¥20,517 million.

### **• Metals**

The Group carried out maintenance and repair work at copper smelting and processing facilities in Japan.

Capital expenditures in this business amounted to ¥19,339 million.

### **• Advanced Materials & Tools**

The Group carried out reinforcement and streamlining work in order to meet the increasing demand in this business as a whole, as well as maintenance and repair work at existing facilities.

Capital expenditures in this business amounted to ¥14,719 million.

### **• Electronic Materials & Components**

In addition to carrying out maintenance and repair work at existing facilities for electric materials and components, focusing mainly on semiconductor-related products, the Group reinforced and streamlined production facilities.

Capital expenditures in this business amounted to ¥2,946 million.

- **Aluminum**

In addition to reinforcing its production facilities for aluminum cans, the Group carried out maintenance and repair work at existing facilities.

Capital expenditures in this business amounted to ¥8,658 million.

- **Others**

The Group carried out maintenance and repair work at existing facilities.

Capital expenditures in this business amounted to ¥9,503 million.

#### (4) Trends of Assets and Profit and Loss Accounts

##### 1. The Group's Trends of Assets and Profit and Loss Accounts (Consolidated)

(¥ millions, except per share data)	89th Period (April 2013 – March 2014)	90th Period (April 2014 – March 2015)	91st Period (April 2015 – March 2016)	92nd Period (April 2016 – March 2017)
Net Sales	1,414,796	1,517,265	1,417,895	1,304,068
Operating Profit	66,281	71,871	70,420	59,761
Ordinary Income	76,902	81,093	72,442	63,925
Net Income Attributable to Owners of the Parent	52,551	56,147	61,316	28,352
Net Income per Share	40.10	42.85	46.80	216.44
Net Assets	525,707	629,514	645,017	710,195
Net Assets per Share	348.54	420.36	423.83	4,743.27
Total Assets	1,778,505	1,898,157	1,793,375	1,896,939

Note: The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Accordingly, net income per share and net assets per share data is calculated on the assumption that the consolidation of the Company's shares was conducted at the beginning of the consolidated fiscal year under review.

##### 2. The Company's Trends of Assets and Profit and Loss Accounts (Non-consolidated)

(¥ millions, except per share data)	89th Period (April 2013 – March 2014)	90th Period (April 2014 – March 2015)	91st Period (April 2015 – March 2016)	92nd Period (April 2016 – March 2017)
Net Sales	735,558	810,505	735,501	674,515
Operating Profit	23,180	23,708	26,478	12,120
Ordinary Income	42,134	35,699	35,409	27,202
Net Income	42,377	33,193	33,001	19,701
Net Income per Share	32.33	25.33	25.19	150.40
Net Assets	398,674	432,265	435,094	477,706
Net Assets per Share	304.22	329.91	332.13	3,647.06
Total Assets	1,177,558	1,252,174	1,158,968	1,265,120

Note: The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Accordingly, net income per share and net assets per share data is calculated on the assumption that the consolidation of the Company's shares was conducted at the beginning of the consolidated fiscal year under review.

## **(5) Priorities for the Group**

### **1. Group Priorities**

[In addition to becoming a leading company in each of the major markets in Japan and overseas, the Mitsubishi Materials Group is targeting high levels of profitability and efficiency while working diligently to expand at a pace that exceeds the rate of market growth by optimizing its business portfolio, pursuing thoroughgoing competitive advantage and creating new products and businesses.]

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

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

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

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

#### **(i) Long-Term Management Policy**

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

In an effort to realize this vision, the Group has put in place the Medium- to Long-Term Targets (the company in the future) and the Group-wide Policy as the Long-Term Management Policy as described below.

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

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

<Group-wide Policy>

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

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

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

a. Optimization of business portfolio

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

b. Comprehensive efforts to increase business competitiveness

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

environment.

c. Creation of new products and businesses

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

In addition, we will implement specific measures, under the key strategies shown below:

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

## 2. Issues in Each Business

### ● Cement Business

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

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

### ● Metals Business

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

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

In this environment, we will continue to seek a shift toward a more solid structure less

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

#### ● **Advanced Materials & Tools Business**

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

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

#### ● **Electronic Materials & Components Business**

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

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

In polycrystalline silicon, we will strive to improve quality and reduce costs by

establishing a safety and efficient operating structure, thereby creating a business foundation able to ensure profits even when demand is weak.

● Aluminum Business

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

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

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

**(6) Major Business Activities of the Group (as of March 31, 2017)**

The major business activities of the Group are production and sales of cement and ready-mixed concrete and other products; refining, production and sales of copper, gold, silver and other metals; production and sales of cemented carbide products and high-performance metal products; production and sales of advanced materials, chemical products, electronic components and polycrystalline silicon; and production and sales of aluminum beverage cans , rolled aluminum and processed aluminum products ,etc. The major products and services of each business are as follows:

Business Division	Major Products
Cement	Ordinary Portland cement and various other types of cements, cement-based solidification materials, aggregate, ready-mixed concrete
Metals	Copper, gold, silver, lead, tin, sulfuric acid, processed copper products (copper cakes, billets, copper alloy products, wire rods, etc.)
Advanced Materials & Tools	Cemented carbide products (cemented carbide tools, cement carbide alloy, etc.), high-performance metal products (sintered products, etc.)
Electronic Materials & Components	Advanced materials (fine materials for assembly, sputtering targets, precision silicon products, columnar crystal silicon, insulating circuit substrates, etc.), chemical products (fluorine chemical products, conductive coatings, etc.), electronic components (surge absorbers, thermistor sensors, chip antennas, etc.), polycrystalline silicon, silane gas, etc.
Aluminum	Bodies, ends and caps of aluminum beverage cans, rolled aluminum products, processed aluminum products, etc.
Others	Energy related (coal, geothermal and hydro-power generation, nuclear fuel cycling business (consignment of surveys, research, design and operations, etc.)), precious metals (precious metals products, jewelry, etc.), environmental and recycling related (recycling of home appliances, etc.), real estate (real estate development, leasing, management, trading, forestry), others (engineering, geological surveys, resource exploration, and consulting, etc.)

**(7) The Group's Major Plants and Business Offices (as of March 31, 2017)**

**1. The Company**

Head office	1-3-2, Otemachi, Chiyoda-ku, Tokyo	
Plants and others	Cement	Aomori Plant, Iwate Plant, Yokoze Plant (Saitama), Higashitani Mine (Fukuoka), Kyushu Plant (Fukuoka)
	Metals	Akita Refinery, Naoshima Smelter & Refinery (Kagawa), Ikuno Plant (Hyogo), Sakai Plant (Osaka)
	Advanced Materials & Tools	Tsukuba Plant (Ibaraki), Gifu Plant, Akashi Plant (Hyogo),
	Electronic Materials & Components	Sanda Plant (Hyogo), Ceramics Plant (Saitama), Yokkaichi Plant (Mie)
	Others	Saitama Property Management Office, Human Resources Development Center (Saitama), Production Engineering Center (Saitama) Energy Project & Technology Center (Saitama)
Branch (office)	Sapporo Branch, Tohoku Branch (Miyagi), Nagoya Branch, Osaka Regional Head Office, Kyushu Branch (Fukuoka)	
R&D centers	Central Research Institute (Ibaraki)	
Overseas offices	Vancouver Office (Canada), Chile Office, London Office (United Kingdom)	

## 2. Major Subsidiaries

Business Division	Names of Subsidiaries *
Cement	MCC Development Corp. (U.S.), Robertson's Ready Mix, Ltd. (U.S.), Mitsubishi Cement Corp. (U.S.)
Metals	PT Smelting (Indonesia), Mitsubishi Shindoh Co., Ltd., (Tokyo), Mitsubishi Cable Industries, Ltd. (Tokyo), Materials Eco-Refining Co., Ltd. (Tokyo), Onahama Smelting & Refining Co., Ltd. (Tokyo), Sambo Metals Corp. (Osaka)
Advanced Materials & Tools	Diamet Corp. (Niigata), Mitsubishi Hitachi Tool Engineering, Ltd. (Tokyo), MMC Ryotec Corporation (Gifu)
Electronic Materials & Components	Mitsubishi Polycrystalline Silicon America Corp. (U.S.), Mitsubishi Materials Electronic Chemicals Co., Ltd. (Akita), MMC Electronics (Thailand) Ltd. (Thailand)
Aluminum	Universal Can Corp. (Tokyo), Mitsubishi Aluminum Co., Ltd. (Tokyo), MA Packaging Co., Ltd. (Tokyo)
Others	Mitsubishi Materials Trading Corp. (Tokyo), Mitsubishi Materials Techno Corp. (Tokyo), Dia Consultants Co., Ltd. (Tokyo), Mitsubishi Materials Real Estate Corp. (Tokyo), Materials' Finance Co., Ltd. (Tokyo)

Note: Words within parentheses in the table denote the regions (for domestic subsidiaries) or countries (for overseas subsidiaries) where each subsidiary's head office is located.

**(8) The Status of Employees (as of March 31, 2017)**

**1. Status of Employees of the Group (Consolidated)**

Business Division	Number of Employees <sup>*1</sup>
Cement	4,181 (increased by 15)
Metals	5,408 (decreased by 35)
Advanced Materials & Tools	6,831 (increased by 2)
Electronic Materials & Components	1,654 (increased by 80)
Aluminum	2,769 (increased by 11)
Others	3,341 (increased by 142)
All Companies (for the whole Group) <sup>* 2</sup>	675 (increased by 8)
Total	24,859 (increased by 223)

Note 1: Employee numbers within parentheses denote the change from the previous fiscal year-end.

Note 2: Employees stated for all companies (for the whole Group) are attached to administrative divisions that cannot be demarcated within a specific business division.

**2. Status of Employees of the Company (Non-consolidated)**

Number of Employees (persons)	YOY Change (persons)	Average Age (years)	Average Years of Employment (years)
4,580	Increased by 55	41.1	17.5

**(9) The State of Major Subsidiaries and Affiliates (as of March 31, 2017)****1. The State of Major Subsidiaries**

Name of the Company	Paid-in Capital	Percentage of Ownership (including indirect ownership) (%)	Line of Business
PT Smelting	326 million U.S. dollars <sup>1)</sup>	60.5	Production and sales of electrolytic copper in Indonesia
MCC Development Corp.	811 million U.S. dollars <sup>1), 2)</sup>	70.0	Investment in ready-mixed concrete businesses in the U.S.
Onahama Smelting & Refining Co., Ltd.	6,999 million yen	55.7	Production and sales of electrolytic copper
Sambo Metals Corp.	80 million yen	100.0	Sales of processed copper products and processed copper alloy products
Diamet Corp.	1,500 million yen	100.0	Production and sales of sintered products
Mitsubishi Cement Corp.	70 million U.S. dollars <sup>1), 2)</sup>	67.0	Production and sales of cement in the south-west area of the U.S.
Mitsubishi Polycrystalline Silicon America Corp.	328 million U.S. dollars <sup>1)</sup>	100.0	Production and sales of polycrystalline silicon for semiconductors in the U.S.
Materials Eco-Refining Co., Ltd.	400 million yen	100.0	Smelting, processing and recycling of non-ferrous metals
Materials' Finance Co., Ltd.	30 million yen	100.0	Financing the Company and its affiliates
Mitsubishi Aluminum Co., Ltd.	8,196 million yen	87.7	Production and sales of rolled and processed aluminum products
Mitsubishi Shindoh Co., Ltd.	8,713 million yen	100.0	Processing and sales of copper and copper alloy
Mitsubishi Cable Industries, Ltd.	8,000 million yen <sup>3)</sup>	100.0	Production and sales of optical and electronic components

Mitsubishi Hitachi Tool Engineering, Ltd.	1,455 million yen	51.0	Production and sales of cemented carbide tools
Mitsubishi Materials Techno Corp.	1,042 million yen	100.0	Technical construction and civil engineering; production and sales of industrial machinery
Mitsubishi Materials Trading Corp.	393 million yen	100.0	Sales of the Company's products and other non-ferrous metal products
Mitsubishi Materials Real Estate Corp.	4,500 million yen	100.0	Sales and leasing of real estate
Universal Can Corp.	8,000 million yen	80.0	Production and sales of aluminum beverage cans
Robertson's Ready Mix, Ltd.	32 million U.S. dollars <sup>1), 2)</sup>	100.0	Production and sales of ready-mixed concrete and aggregate in the south-west area of the U.S.

Note 1: Paid-in capital is shown.

Note 2: This company closes its accounts in December. For that reason, paid-in capital as of December 31, 2016 is listed, but there is no change in the paid-in capital as of March 31, 2017.

Note 3: Mitsubishi Cable Industries, Ltd. reduced its capital on March 14, 2017. As a result, the company's capital fell from ¥21,815 million to ¥8,000 million.

## 2) The State of Major Affiliates

Name of the Company	Paid-in Capital (Million Yen)	Percentage of Ownership (including indirect ownership) (%)	Line of Business
Ube-Mitsubishi Cement Corp.	8,000	50.0	Sales of cement and cement related products
NM Cement Co., Ltd	7,001	30.0	Investment in Nghi Son Cement Corp. (Vietnam)
Kobelco & Materials Copper Tube Co., Ltd.	6,000	45.0	Production and sales of copper tubes and fabricated copper tubes
P.S. Mitsubishi Construction Co., Ltd	4,218	33.9	Pre-stressed concrete works, civil engineering and sales of concrete products
Hitachi Metals MMC Superalloy, Ltd.	3,808	49.0	Production and sales of special heat resistant alloys, corrosion resistant alloys, special copper alloys and other non-ferrous metal materials

**(10) Acquisition or disposal of shares, equity interests or share options in other companies**

Based on a resolution of the Board of Directors at a meeting held on September 28, 2016, the Company decided to acquire the Special Products Division of the Luvata Group through the purchase of an equity interest and business transfer effective May 2, 2017.

**(11) The Group's Major Lenders (as of March 31, 2017)**

Major Lenders	Borrowed Amount (Million Yen)	Company Shares held by the Lender	
		Number of Shares Held (Thousand)	Percentage of Shareholding (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	122,509	2,465	1.9
Mitsubishi UFJ Trust and Banking Corporation	87,914	1,159	0.9
Mizuho Bank, Ltd.	39,544	157	0.1
The Hachijuni Bank, Ltd.	17,311	223	0.2
The Norinchukin Bank	16,662	500	0.4

Note: Percentages of shareholding were calculated after deducting treasury shares (505,540 shares).

## 2. Articles Concerning Stock (as of March 31, 2017)

**(1) Total number of authorized shares:** 340,000,000 (decreased by 3,060,000,000 shares from the previous fiscal year-end)

Note: The Company consolidated its shares at a 10:1 ratio of its common stock, and revised the total number of authorized shares from 3,400,000,000 shares to 340,000,000 shares, with an effective date of October 1, 2016. Accordingly, the total number of authorized shares decreased by 3,060,000,000 shares to 340,000,000 shares.

**(2) Total number of issued shares:** 131,489,535 (decreased by 1,183,405,816 shares from the previous fiscal year-end)

Note: The Company consolidated its shares at a 10:1 ratio of its common stock, and revised the number of shares constituting one share unit from 1,000 shares to 100 shares, with an effective date of October 1, 2016. Accordingly, the total number of issued shares decreased by 1,183,405,816 shares to 131,489,535 shares.

**(3) Number of shareholders:** 100,470 (decreased by 8,909 from the previous fiscal year-end)

This includes 74,184 shareholders with voting rights (decreased by 3,734 from the previous fiscal year-end).

### (4) Major Shareholders

Name of Shareholders	Number of Shares Held (Thousand)	Percentage of Shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust account)	9,025	6.9
The Master Trust Bank of Japan, Ltd. (Trust account)	5,997	4.6
National Mutual Insurance Federation of Agricultural Cooperatives	3,135	2.4
Meiji Yasuda Life Insurance Company	3,101	2.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,465	1.9
Japan Trustee Services Bank, Ltd. (Trust account 5)	2,399	1.8
Mitsubishi Heavy Industries, Ltd.	1,900	1.5

STATE STREET BANK WEST CLIENT-TREATY 505234	1,772	1.4
Japan Trustee Services Bank, Ltd. (Trust account 2)	1,761	1.3
Japan Trustee Services Bank, Ltd. (Trust account 1)	1,747	1.3

Note: Percentages of shareholding were calculated after deducting treasury shares (505,540 shares)

### 3. Articles Concerning the Company's Executives

#### (1) Directors and Audit and Supervisory Board Members (as of March 31, 2017)

Title	Name	Position and Responsibilities	Important Positions of Other Organizations
Representative Director Chairman	Hiroshi Yao		
Representative Director President	Akira Takeuchi	General Operation of the Company	
Representative Director (Executive Vice President)	Osamu Iida	Assistant to the President President, Metals Company <u>responsible for:</u> Production Engineering; Aluminum Business	
Representative Director (Executive Vice President)	Naoki Ono	Assistant to the President President, Cement Company <u>responsible for:</u> <u>Environment &amp; CSR,</u> <u>Resources</u>	Outside Director, P.S. Mitsubishi Construction Co., Ltd.
Representative Director (Senior Managing Executive Officer)	Nobuo Shibano	<u>responsible for:</u> Internal Audit; Finance & Accounting	President, Materials' Finance Co., Ltd.
Representative Director (Senior Managing Executive Officer)	Yasunobu Suzuki	General Manager, Corporate Strategy Div.	
Director	Yukio Okamoto 1) 16)		Representative Director, Okamoto Associates, Inc. <sup>2)</sup> ; Outside Director, Nippon Yusen Kabushiki Kaisha (NYK Line) <sup>3)</sup> ; Outside Director, NTT DATA Corporation <sup>4)</sup>
Director	Takashi Matsumoto 1) 16)		Senior Advisor, Dai-Ichi Life Research Institute Inc. <sup>5)</sup> ; Outside Director, Innotech Corporation <sup>6)</sup> ; Outside Director, Gunosy Inc. <sup>7)</sup>
Director	Mariko Tokuno 1) 16)		Outside Director, Happinet Corporation <sup>8) 9) 10)</sup>

Audit & Supervisory Board Member (Standing)	Toshikazu Murai		
Audit & Supervisory Board Member (Standing)	Hiroshi Kubota <sup>11)</sup>		
Audit & Supervisory Board Member	Akio Utsumi <sup>12) 13) 16)</sup>		Senior Advisor, Mitsubishi UFJ Trust and Banking Corporation <sup>14)</sup>
Audit & Supervisory Board Member	Naoto Kasai <sup>12) 16)</sup>		Representative Lawyer, Kasai Sogo Law Office <sup>15)</sup>

Note 1: Mr. Yukio Okamoto, Mr. Takashi Matsumoto and Ms. Mariko Tokuno are Outside Directors as defined in Article 2, Paragraph 15 of the Companies Act.

Note 2: There is no business relationship between the Company and Okamoto Associates, Inc.

Note 3: There is a business relationship for the consigned transportation of coal between the Company and NYK Line.

Note 4: There is a business relationship for the use of IT services between the Company and NTT DATA Corporation.

Note 5: There is no business relationship between the Company and Dai-Ichi Life Research Institute Inc.

Note 6: There is no business relationship between the Company and Innotech Corporation.

Note 7: There is no business relationship between the Company and Gunosy Inc.

Note 8: There is no business relationship between the Company and Happinet Corporation.

Note 9: Ms. Mariko Tokuno stepped down as President, Representative Director and CEO of Ferragamo Japan K.K. effective September 1, 2016.

Note 10: There is no business relationship between the Company and Ferragamo Japan K.K.

Note 11: Mr. Hiroshi Kubota has to date mainly been assigned to areas that relate to accounting and finance. As such, he has extensive knowledge in each of these fields.

Note 12: Mr. Akio Utsumi and Mr. Naoto Kasai are Outside Audit & Supervisory Board Members as defined in Article 2, Paragraph 16 of the Companies Act.

Note 13: Mr. Akio Utsumi has experience in management at financial institutions and has extensive knowledge of finance and accounting.

Note 14: There is a business relationship between the Company and Mitsubishi UFJ Trust and Banking Corporation for borrowing funds from it, providing debt guarantee to it, and entrusting the Company's pension funds to it.

Note 15: There is no business relationship between the Company and Kasai Sogo Law Office.

Note 16: The Company has notified the Tokyo Stock Exchange, Inc. that Mr. Yukio Okamoto, Mr. Takashi Matsumoto and Ms. Mariko Tokuno are Independent Directors, and that Mr. Akio Utsumi and Mr. Naoto Kasai are Independent Auditors in accordance with the regulations, respectively. (An Independent Director/Auditor is an Outside Director/Audit & Supervisory Board Member who is unlikely to have conflicts of interest with general shareholders.)

Note 17: Mr. Katsuhiko Ishizuka resigned from his position as a result of his passing on November 27, 2016.

The following Directors have been given new titles or posted to new positions shown below on April 1, 2017.

Title	Name	Position and Responsibilities	Important Positions of Other Organizations
Representative Director (Executive Vice President)	Osamu Iida	Assistant to the President General Manager, Technology Div.	
Representative Director (Executive Vice President)	Naoki Ono	Assistant to the President General Manager, Corporate Strategy Div.	President, Materials' Finance Co., Ltd. Outside Director, P.S. Mitsubishi Construction Co., Ltd.
Representative Director (Senior Managing Executive Officer)	Nobuo Shibano	<u>Responsible for:</u> Business optimization, Environment & Energy Business, Aluminum Business, Affiliated Corporations	
Representative Director (Senior Managing Executive Officer)	Yasunobu Suzuki	President, Metals Company	

(Reference) The following Executive Officers had assumed office as of April 1, 2017:

Title	Name	Position and Responsibilities
Executive Vice President	Osamu Iida*	Assistant to the President General Manager, Technology Div.
Executive Vice President	Naoki Ono*	Assistant to the President General Manager, Corporate Strategy Div.
Senior Managing Executive Officer	Nobuo Shibano*	Responsible for: Business optimization, Environment & Energy Business, Aluminum Business, Affiliated Corporations
Senior Managing Executive Officer	Yasunobu Suzuki*	President, Metals Company
Managing Executive Officer	Kimball McCloud	President, Mitsubishi Cement Corp. President, MCC Development Corp. Chairman, Robertson's Ready Mix, Ltd. Vice President, Cement Company
Managing Executive Officer	Yoshihiko Kimura	President, Electronic Materials & Components Company
Managing Executive Officer	Fumio Tsurumaki	President, Advanced Materials & Tools Company
Managing Executive Officer	Kazuhiro Kishi	President, Cement Company
Managing Executive Officer	Makoto Shibata	General Manager, General Administration Div.
Executive Officer	Kiyoshi Furukawa	Vice President, Electronic Materials & Components Company
Executive Officer	Tatsuro Mizuno	Vice President, Cement Company
Executive Officer	Shinichi Nakamura	Vice President, Advanced Materials & Tools Company
Executive Officer	Junichi Harada	General Manager, Aluminum Div.
Executive Officer	Yoshikazu Yasui	General Manager, Human Resources Dept., General Administration Div.
Executive Officer	Kazuki Mizushima	Deputy General Manager, Technology Div.
Executive Officer	Hiroshi Nojiri	General Manager, Corporate Marketing & Overseas Business Development Dept., Corporate Strategy Div.
Executive Officer	Naotoshi Kumano	General Manager, Corporate Culture Innovation Dept., Corporate Strategy Div.
Executive Officer	Shigemitsu Fukushima	General Manager, Safety & Environment Dept., Technology Div.
Executive Officer	Tetsuro Sakai	Vice President, Metals Company

Executive Officer	Susumu Sasaki	Deputy General Manager, Corporate Strategy Div.
Executive Officer	Nobuhiro Takayanagi	Vice President, Metals Company
Executive Officer	Masaaki Kanda	General Manager, Environment & Energy Business Unit
Executive Officer	Takahiro Yamada	Vice President, Cement Company
Executive Officer	Masuhiko Ishitobi	Deputy General Manager, Technology Div.
Executive Officer	Yasunori Murakami	Vice President, Advanced Materials & Tools Company
Executive Officer	Toru Suzuki	General Manager, General Affairs Dept., General Administration Div.

Note: Executive Officers marked with an asterisk hold the concurrent position of Director.

## (2) Outline of the Content of Limited Liability Agreement

Provisions of the Articles of Incorporation allow the Company to execute with Directors (excluding those who are Executive Directors, etc.) and Audit & Supervisory Board Members' agreements limiting liability for damages in accordance with Article 427, Paragraph 1, of the Companies Act. In accordance with the provisions, the Company has concluded Limited Liability Agreements with all Outside Directors and all Audit & Supervisory Board Members. The outline of the agreements is as follows.

### 1. Limited Liability Agreement with Directors (excluding those who are Executive Directors, etc.)

With respect to liability as described in Article 423, Paragraph 1 of the Companies Act, if Directors (excluding those who are Executive Directors, etc.) performs their duties in good faith and without gross negligence, the Directors shall be liable to the Company for damages only to the extent of minimum liability as set out in Article 425, Paragraph 1 of the Companies Act. The Company shall indemnify the Directors for damages in excess of the amount of the liability.

### 2. Limited Liability Agreement with Audit & Supervisory Board Members

With respect to liability as described in Article 423, Paragraph 1 of the Companies Act, if the Audit & Supervisory Board Members perform their duty in good faith and without gross negligence, the Audit & Supervisory Board Members shall be liable to the Company for damages only to the extent of minimum liability as set out in Article 425, Paragraph 1 of the Companies Act. The Company shall indemnify the Audit & Supervisory Board Members for damages in excess of the amount of the liability.

### (3) Directors and Audit & Supervisory Board Members' Remuneration

Position	Total Amount of Remuneration (Millions of yen)	Remuneration by Type (Millions of yen)		Number of Executives (persons) <sup>1)</sup>
		Basic <sup>4)</sup>	Bonus <sup>5)</sup>	
Directors (of which Outside Directors)	431 <sup>2)</sup> (49)	367 (49)	64	11 (3)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	124 <sup>3)</sup> (50)	124 (50)	—	7 (4)

Note 1: The number of Directors includes two Directors and three Audit & Supervisory Board Members whose terms ended during the fiscal year under review. There are nine Directors and four Audit & Supervisory Board Members as of the end of the fiscal year under review.

Note 2: It was resolved at the 91st Ordinary General Meeting of Shareholders held on June 29, 2016 that the amount of remuneration to Directors should not exceed ¥49 million per month (excluding salaries as employees for Directors who also serve as employees), including remuneration not exceeding ¥6 million for Outside Directors.

Note 3: It was resolved at the 82nd Ordinary General Meeting of Shareholders held on June 28, 2007 that the amount of remuneration to Audit & Supervisory Board Members should not exceed ¥17 million per month.

Note 4: Of the basic remuneration for Directors, stock-based remuneration is ¥27 million.

Note 5: It was resolved at the 81st Ordinary General Meeting of Shareholders held on June 29, 2006 that the amount of bonuses for Directors other than Outside Directors should not exceed ¥170 million per annum.

### (4) Policy regarding the determination of remuneration

#### 1. Directors and titled Executive Officers

We make it a basic policy to appropriately link the remuneration for Directors and titled Executive Officers to corporate performance as well as individual performance. Drawing on the advice of external experts, steps have been taken to design a system that is highly objective. Remuneration is paid in accordance with internal rules and regulations approved by the Board of Directors and is comprised of basic fixed component as well as a bonus that is linked to performance.

Firstly, the amount of basic remuneration paid to Directors and titled Executive Officers is determined in accordance with the title and performance of each individual. The portion of basic remuneration is paid as stock-based remuneration (not paid to Outside Directors) and a fixed monthly amount is used for purchasing the Company's shares through the Company's Director shareholding association. The Company's shares acquired based on this remuneration cannot be sold at least during each individual's term

of office. This aims to link the remuneration to medium- and long-term corporate performance.

Secondly, the amount of each bonus, as remuneration linked to short-term corporate performance, is determined as of the end of the fiscal year by taking into consideration the performance of each individual. In the case of Directors, who are responsible for certain executive duties, net income attributable to owners of parent and consolidated ordinary income for the fiscal year under review are used as indicators when assessing performance. In the case of titled Executive Officers (excluding individuals who concurrently hold the positions of Directors responsible for certain executive duties), net income attributable to owners of parent, consolidated ordinary income and the results of the department for which the individual is responsible for the fiscal year under review are used as indicators when assessing performance. Meanwhile, bonuses can be reduced or removed entirely depending on business conditions and the amount of dividends for the fiscal year when bonuses are paid.

Recognizing that the role of Outside Directors is to objectively oversee and verify the activities of Directors as they carry out their executive duties from a position that independent of the Company, remuneration is limited to a fixed amount that is determined in accordance with internal rules and regulations approved by the Board of Directors and after taking into consideration the circumstances of each individual.

## 2. Audit & Supervisory Board Members

The remuneration for Audit & Supervisory Board Members is set at an appropriate level based on discussions among them and is not linked to corporate performance in light of the fact that they assume the responsibility for auditing the execution of duties by Directors as an independent body entrusted by shareholders.

**(5) Major Activities of Outside Directors and Auditors**

Status Classification	Name	Major Activities
Outside Director	Yukio Okamoto	Mr. Yukio Okamoto participated in 15 of the 16 meetings of the Board of Directors held during the fiscal year under review. Mr. Okamoto provides well-informed opinions concerning general management as a Director and well-informed opinions on international affairs as an informed specialist on such fields, when necessary.
Outside Director	Takashi Matsumoto	Mr. Takashi Matsumoto participated in all 16 meetings of the Board of Directors held during the fiscal year under review. Mr. Matsumoto provides well-informed opinions as a director with insight related to administrative and fiscal policy, finance and other general aspects of the economy, when necessary.
Outside Director	Mariko Tokuno	Ms. Mariko Tokuno participated in all 13 meetings of the Board of Directors held following her appointment on June 29, 2016. Ms. Tokuno provides well-informed opinions concerning general management as a Director and well-informed opinions on international corporate strategy as an informed specialist on such fields, when necessary.
Outside Audit & Supervisory Board Member	Katsuhiko Ishizuka	Mr. Katsuhiko Ishizuka participated in all 7 meetings of the Board of Directors and all 6 meetings of the Audit & Supervisory Board held between the period following his appointment on June 29, 2016 and his resignation due to passing on November 27, 2016. Mr. Ishizuka provided well-informed opinions concerning finance and accounting as well as corporate planning and other general management as an Audit & Supervisory Board Member, when necessary.
Outside Audit & Supervisory Board Member	Akio Utsumi	Mr. Akio Utsumi participated in all 16 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board held during the fiscal year under review. Mr. Utsumi provides well-

		informed opinions as an Audit & Supervisory Board Member, based on his abundant experience as a manager in a financial institution and extensive knowledge concerning business management, when necessary.
Outside Audit & Supervisory Board Member	Naoto Kasai	Mr. Naoto Kasai participated in all 16 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board held during the fiscal year under review. Mr. Kasai provides well-informed opinions as an Audit & Supervisory Board Member, based on his abundant experience as a lawyer and extensive knowledge concerning business management, when necessary.

#### **4. Articles Concerning Accounting Auditor**

##### **(1) Name of the Accounting Auditor: KPMG AZSA LLC**

##### **(2) Remuneration of Accounting Auditor for the Year Ended March 31, 2017**

Content of the Remuneration	Amount
(a) Remuneration paid by the Company to Accounting Auditors	143 million yen <sup>1)</sup>
(b) Total amount of monetary and other property benefits paid by the Company and its subsidiaries (including the above-mentioned)	361 million yen

Note 1: The Company has not subdivided the amount of remuneration for auditing based on the Financial Instruments and Exchange Act and the amount of remuneration for auditing based on the Companies Act. In the Auditing Agreement entered with the Accounting Auditor it is not possible to substantially subdivide the two. This amount thus includes auditing remuneration based on the Financial Instruments and Exchange Law. The Audit & Supervisory Board has agreed upon this amount taking into consideration the basis for calculating compensation, the status of execution of duties of the accounting auditor in the previous business year and the opinions of Directors and other related internal departments.

Note 2: Among the major subsidiaries of the Company, PT Smelting, MCC Development Corp., Mitsubishi Cement Corp., Mitsubishi Polycrystalline Silicon America Corp., and Robertson's Ready Mix, Ltd. use the services of auditing corporations (including auditors who have the appropriate auditing qualifications abroad) other than the services of KPMG AZSA LLC., to audit accounting related documents (in accordance with the Companies Act and the Financial Instruments and Exchange Act and the applicable laws of the concerned foreign countries' own legislations).

##### **(3) Content of Non-Auditing Duties**

The Company subcontracts "Financial Due Diligence Work" and other duties (non-auditing duties) to the Accounting Auditor that are other than the duties of Article 2, Paragraph 1 of Certified Public Accountants Act.

##### **(4) Policy on Dismissal or Non-reappointment of the Accounting Auditor**

Except in cases of dismissal of the Accounting Auditor by the Audit & Supervisory Board as stipulated in Article 340 of the Companies Act, the Company's Audit & Supervisory Board shall as a general rule decide on an agenda item regarding the decision not to reappoint or to dismiss the Accounting Auditor in the event it is recognized that it is difficult for the Accounting Auditor to execute its duties appropriately. Based on this decision, the Board of Directors shall propose this at the General Meeting of Shareholders.

## **5. Systems to Ensure Appropriate Business Operations and the Status of Operation of Those Systems**

### **● Fundamental Policy**

The Board of Directors has resolved the following fundamental policy regarding the establishment of systems to ensure appropriate business operations.

#### **(1) Systems to Ensure Execution of Duties by Directors and Employees in Conformity with Laws and Articles of Incorporation**

1. The Company shall determine the Code of Conduct and internal regulations that should be observed by the Directors and employees and establish corporate ethics and a compliance system.
2. The Company shall determine execution of duties through the Board of Directors, Corporate Strategy Committee and other committees in accordance with laws, Articles of Incorporation, and internal regulations and others. In addition, the legal department and the relative department shall carry out the preliminary review of specific significant matters.
3. The Company shall determine the general policies and plans, etc., concerning compliance at the meetings of the Board of Directors. In addition, the Company shall appoint a Director in charge of compliance and establish a committee related to CSR (corporate social responsibility) and a division responsible for compliance. The Company shall also enforce cross-divisional compliance promotion activities (including internal education) for the whole Company.
4. The Company shall establish a reporting desk to deal with particulars related to problems that may arise over compliance.
5. The Company shall enforce periodical auditing concerning the state of compliance in each division by the division in charge of internal audits.
6. In accordance with its Code of Conduct, the Company shall establish internal structures to ensure appropriate actions under its policy of resolutely rejecting any involvement whatsoever with anti-social forces.

#### **(2) Systems for Preservation and Management of Information Related to the Execution of Duties of Directors**

The Company shall properly preserve and manage the minutes of the meetings of Board of Directors, meetings of Corporate Strategy Committee and other significant information, based on legislation, Articles of Incorporation and internal regulations and policies.

### **(3) Regulations and Other Systems Concerning Risk Management**

1. The Company shall deliberate carefully on significant matters through the Board of Directors, Corporate Strategy Committee, and other decision-making bodies based on legislations, Articles of Incorporation, internal regulations and others. In addition, the Company shall carry out preliminary review of significant matters by legal and other related departments based on the internal regulations and others in order to identify risks and prevent risk elicitation and manifestation.
2. The Company shall determine the internal regulations, policies, and plans related to general risk management at the meetings of the Board of Directors. In addition, the Company shall appoint the director in charge of risk management and establish a committee related to CSR and a division responsible for risk management, and shall enforce cross-divisional risk management promotion activities for the whole Company.
3. The Company shall determine the various internal regulations and others and enforce suitable management concerning individual risks, including financial transaction risk, credit transaction risk and information leakage risk.
4. The Company shall enforce suitable management based on the legislation and ordinances concerning work-related accidents.
5. The Company shall build a communication system with the aim of preventing damage from accidents on a massive scale, natural disasters or terrorism, and establish an organization to respond to such events.
6. The Company shall enforce periodical auditing concerning the state of risk management in each division by the division in charge of internal audits.

### **(4) Systems to Ensure Efficient Execution of Duties by Directors**

1. The Company shall determine rationally the areas of responsibility of each of the Directors and let the Executive Officers assist the Directors in their execution of duties in accordance with the Executive Officers' system. In addition, the Company shall determine the areas of responsibility and authority of each body and division in accordance with the internal regulations and others.
2. The Company shall determine the management plan, allocate suitable management resources and authority among the various divisions to achieve the plan, and require those divisions to formulate their own specific plans. In addition, the Directors shall suitably verify the progress state of the plan of each division and take appropriate measures when necessary.
3. The Company shall enforce periodic auditing concerning the efficiency of the execution of duties of each division by the division in charge of internal audit.

**(5) Systems to Ensure Appropriate Operations by the Corporate Group Comprising the Company and its Subsidiaries**

1. The Company shall aim to establish corporate ethics and build a Group compliance and risk management system (including an internal education system) to promote compliance and risk management activities by the Group, including subsidiaries, based on codes of conduct and internal regulations that are applied consistently throughout the Group.
2. Concerning each subsidiary, the Company shall aim to improve the soundness and efficiency of management of the subsidiary, and by extension the whole Group, by determining a response liaison division within the Company. The concerned division shall consult and exchange information with the subsidiary concerning specific significant matters.
3. The Company shall establish various regulations related to internal controls concerning financial reporting. The Company shall also establish assessment mechanisms for those internal controls and build a system to ensure the accuracy of the Group's financial reports.
4. In addition to the above-mentioned 1, 2 and 3, the Company shall enforce periodic auditing concerning compliance, risk management and the efficiency of management of subsidiaries by the division in charge of internal audit of the Company.

**(6) Particulars Concerning Employees Assigned to Assist Audit & Supervisory Board Members, Such Employees' Independence from Directors, and Particulars Concerning Ensuring the Effectiveness of Instructions by Audit & Supervisory Board Members to Such Employees**

The Company shall establish a division and assign dedicated members to support the operations of the Audit & Supervisory Board Members. In addition, the Company shall obtain the consent of the Audit & Supervisory Board concerning transfer of such employees and consult with the Audit & Supervisory Board concerning assessment and evaluation of them.

**(7) Systems for Reporting to Audit & Supervisory Board Members and for Ensuring That People Making Reports Shall Not Experience Disadvantageous Treatment as a Result of This Reporting**

1. The Directors and employees shall swiftly report appropriate information to the Audit & Supervisory Board Members or to the Audit & Supervisory Board in accordance with the method stipulated in legislations and the internal regulations of the Company, in the case where there is considerable damage to the Company's operations in areas for which they are responsible or the possibility of significant impact on the Company. In addition, the

same shall apply in the event that Audit & Supervisory Board Members request a report about business operations.

2. In the event of a report by a Director or employee of the Company or its subsidiary to the reporting desk on a compliance-related problem, the department in charge of the reporting desk shall in principle report the content of such report to the Audit & Supervisory Board Members.
3. The division in charge of internal auditing of the Company shall report to the Audit & Supervisory Board Members important items heard from Directors and employees of the Company and its subsidiaries, as well as important items from audit results.
4. The disadvantageous treatment of people reporting to the Audit & Supervisory Board Members and the Audit & Supervisory Board (including people reporting indirectly through others) because of such reporting shall be prohibited, and such prohibition shall be made known throughout the Company and its subsidiaries.

**(8) Particulars on Policies Related to the Handling of Expenses or Obligations Incurred during the Execution of Duties by Audit & Supervisory Board Members**

The Company shall provide budgetary provisions for expenses necessary for audits by Audit & Supervisory Board Members. In addition, in the event of requests for the payment of such expenses by Audit & Supervisory Board Members, prescribed procedures shall be followed and payment made promptly.

**(9) Other Systems to Ensure Effective Auditing by Audit & Supervisory Board Members**

1. Audit & Supervisory Board Members and Representative Directors shall exchange their opinions periodically and when deemed necessary.
2. Audit & Supervisory Board Members shall be provided with the opportunity to attend Board of Directors Meetings and other significant meetings of the Company.

● **Overview of Operational Status**

Principal initiatives to secure the operation of systems to ensure appropriate business operations are indicated below.

**(1) Initiatives Related to Compliance**

1. The Company and its subsidiaries share a corporate code of conduct (“The 10 Articles of Our Code of Conduct”) aimed at ensuring sound corporate activities that comply with laws and regulations and are in accordance with social mores. Awareness of this code of conduct is instilled throughout the Group.

2. Based on regulations related to CSR, the CSR Committee—which is chaired by the President and whose secretariat is the CSR Department—meets regularly. In addition to deliberating annual policies and plans related to overall compliance activities, the committee shares and evaluates the status of compliance within the Group and reports that have been submitted to the internal reporting desk. The Company and its subsidiaries work together to ensure consistent CSR training throughout the Group and address compliance-related issues.

**(2) Initiatives Related to Risk Management**

1. The above-mentioned CSR Committee deliberates annual policies and plans related to overall risk management. In addition, each fiscal year the committee specifies risk-related initiatives to be undertaken by individual company departments and individual subsidiaries in an effort to enact risk management activities with regard to measures to reduce these risks.
2. Regarding work-related accidents, meetings of the Zero Accident Committee and Group Safety meetings are convened to decide on management priorities and share information about legal updates, thereby endeavoring to ensure an appropriate response.
3. The Company formulates manuals and business continuity plans (BCPs) prescribing action guidelines in the event of large-scale accidents, natural disasters or terrorism. In addition, the Crisis Management Committee meets during normal times and times of crisis alike to prevent damage from spreading.

**(3) Initiatives Related to Enhancing Management Soundness and Efficiency**

1. The Company formulates medium-term management plans and annual budgets and strives to appropriately allocate management resources and responsibilities among its various departments. The status of significant business execution is reported to the Board of Directors.
2. By clearly indicating the scope of responsibility of Executives with ranks of Managing Executive Officer or above, as well as the operational responsibilities and authority of individual departments, the Company strives to ensure the appropriateness of an accelerated decision-making and business execution.
3. For each subsidiary, the Company determines a response liaison division within the Company. That division receives reports on significant investment projects and compliance-related problems, and consults and exchanges information with the subsidiary on such matters.

**(4) Initiatives Related to Internal Audits**

Based on an annual audit plan, the Internal Audit Department conducts periodic audits of the compliance, risk management and management efficiency of internal divisions and subsidiaries and reports the results of these audits to the Board of Directors.

**(5) Initiatives Related to Audits by Audit & Supervisory Board Members**

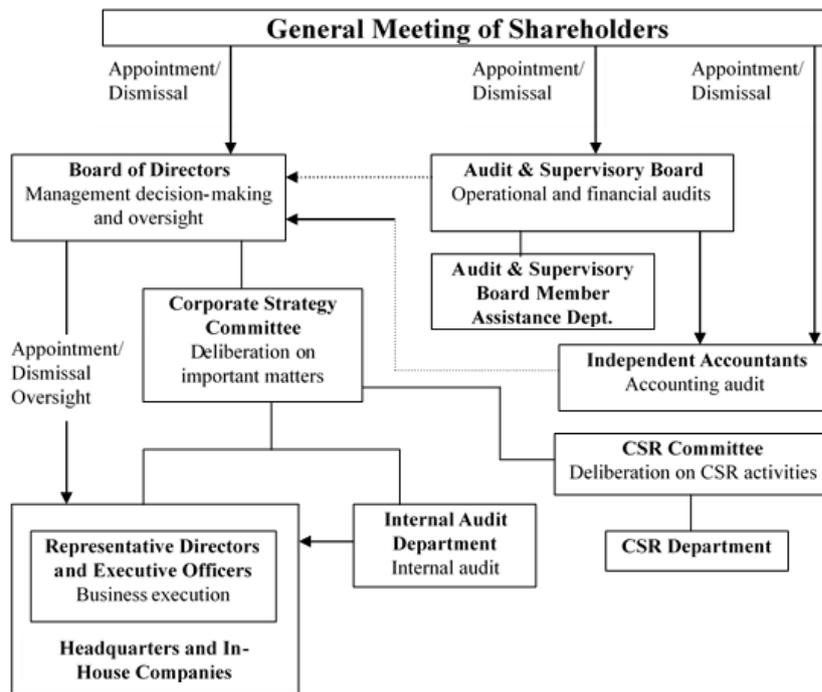
1. Audit & Supervisory Board Members attend meetings of the Board of Directors, Corporate Strategy Committee and other important meetings, visit Company offices and exchange opinions with Representative Directors.
2. Audit & Supervisory Board Members periodically receive reports of internal audit results and reports submitted to the internal reporting desk.
3. Dedicated members are allocated to the Audit & Supervisory Board Member Assistance Dept. Audit & Supervisory Board Members' opinions are taken into account with regard to the assignment and evaluation of personnel assigned to this department, in the aim of enhancing the effectiveness of audits by the Audit & Supervisory Board Members.

**(Reference) Status of Corporate Governance**

**<Fundamental Policy>**

In accordance with its corporate code of conduct (“The 10 Articles of Our Code of Conduct”), through fair business activities the Company seeks to ensure its sustainable development and maximize its corporate value. For this purpose, the Group recognizes the importance of efficient and transparent management and is steadily undertaking measures that fully realize its corporate governance. The figure below shows the corporate governance structure regarding management decision-making and oversight, and business execution and audit in the Company.

Overview of the Corporate Governance System



Note: Effective from April 1, 2017, the Company reviewed a portion of its Code of Conduct. At the same time, steps were taken to revise its corporate philosophy and vision while putting in place a new Code of Conduct and values.

## **6. Fundamental Policy Concerning the Control of the Company**

### **(1) Fundamental Policy on Parties in Control of Decisions Concerning the Company's Finance and Operating Policies**

As a general rule, the control of the Company should be determined through free market transactions in the Company's shares on the Stock Exchanges. As a matter of course, the Company believes that the decision to accept or decline a proposal for a Large-Scale Acquisition of shares (Defined in (3) 2. (i) below. The same applies below.) should be ultimately left to the individual shareholders of the Company.

However, there are some Large-Scale Acquisitions of shares that do not contribute to the corporate value and the common interests of the shareholders, and by extension the medium- and long-term shareholder value (hereinafter referred to as "medium- and long-term shareholder value") of the Company, such as those that obviously harm the medium- and long-term shareholder value, and those that essentially force shareholders to sell their shares, etc. In addition, unless the party carrying out a Large-Scale Acquisition of the Company's shares is properly aware of the Company's management environment, understands the sources of its corporate value, and aims to ensure and improve these factors in the medium and long terms, the Company's medium- and long-term shareholder value may possibly be harmed.

Furthermore, while it can go without saying that the freedom of all shareholders' investment behavior should be respected to the degree that is possible, the Company believes that there is not always adequate time or procedures to obtain and to study the information necessary for its shareholders to assess whether a fixed Large-Scale Acquisition is appropriate under today's domestic takeover bid system, and that there is a possibility of that conflicting with the Company's medium- and long-term shareholder value.

Therefore, the Company believes that it is not appropriate for a party conducting a Large-Scale Acquisition of shares that could possibly harm the Company's medium- and long-term shareholder value as described above, to be one that dominates Company's finance and operating policies decisions. Therefore, the Company believes that it is necessary to maintain a framework to secure the necessary time and information for its shareholders to assess whether the acquisition is appropriate, in order to deter acquisitions that conflict with the Company's medium- and long-term shareholder value, and to negotiate with potential Acquirers on behalf of the shareholders.

## **(2) Overview of Special Measures to Ensure the Implementation of the Fundamental Policy**

The Company has been developing its various businesses by utilizing technologies accumulated through its origin, metal and coal mining operations, to form an integrated business entity involved in Cement, Metals, Advanced Materials & Tools, Electronic Materials & Components and Aluminum businesses. The Company has a fundamental corporate philosophy of contribution to society through its various business activities, and has supplied basic materials indispensable to people's lives as a comprehensive basic materials manufacturer. Moreover, the Company has made consistent efforts to create an affluent society toward helping reduce environmental impact and establishing a resource-recycling social system. The Company will continue striving to underpin and enhance the medium- and long-term shareholder value. In addition to advancing its business activities, the Company will achieve this by earning the further trust of all stakeholders—including shareholders, employees, customers, local communities, suppliers and many other related parties—while maintaining a harmonious coexistence with society.

In this environment, the Group implemented various measures based on the three overall growth strategies of “fortifying the foundation for growth,” “strengthening global competitiveness,” and “pursuing a recycling-based business model” identified under its medium-term management plan (FY2015–2017) “Materials Premium 2016—Challenge to become the world's leading business group.”

Looking 10 years into the future, the Group has also positioned efforts to become the “leading company in domestic and overseas key markets,” “achieving high profitability and efficiency,” an “achieving growth that exceeds the market growth rate” as its medium- and long-term targets (the Company in the future) under its long-term management policy. In order to meet these targets, the Company has also put in place a Group-wide policy. This policy entails “optimization of the business portfolio,” “comprehensive efforts to increase business competitiveness,” and the “creation of new product and businesses.” Moving forward, energies will be directed toward implementing various measures aimed at enhancing corporate value and promoting the Group-wide policy based on the medium-term management strategy for FY2018–FY2020.

## **(3) Overview of Efforts to Prevent Inappropriate Parties from Assuming Control of Decisions Relating to the Company's Financial and Operating Policies**

The Company, in conformity with its corporate philosophy and various policies outlined in (2) above, shall continue pursuing maximization of the medium- and long-term shareholder value in the future. At the same time, however, it may not be possible

to ignore the potential of Large-Scale Acquisitions by third parties that may harm the medium- and long-term shareholder value, as described in (1) above. Therefore, at its meeting held on May 12, 2016, the Board of Directors passed a resolution entitled “Renewal of the Countermeasures to Large-Scale Acquisition of the Company’s Shares (Takeover Defense Measures),” (hereinafter referred to as the “New Countermeasures”), which is a modified version of a plan previously in place. The New Countermeasures received approval at the 91st Ordinary General Meeting of Shareholders held on June 29, 2016.

An outline of the New Countermeasures is given below. For more details, please refer to the May 12, 2016 press release entitled “Renewal of the Countermeasures to Large-Scale Acquisition of the Company’s Shares (Takeover Defense Measures)” posted on the Company’s website (Japanese language only):  
<http://www.mmc.co.jp/corporate/ja/news/press/2016/16-0512b.pdf>

#### 1. Fundamental Policy of the New Countermeasures

For the purpose of preserving and enhancing the medium- and long-term shareholder value, the Company has set out Countermeasures to Large-Scale Acquisition of the Company’s Shares (Takeover Defense Measures) incorporating procedures to be observed by a party carrying out or who plans to carry out a Large-Scale Acquisition of the Company’s shares. The Company shall warn such parties in advance that there are procedures with which they will be required to comply, that the Company may, in certain circumstances, take protective measures against the acquisition, and the Company shall, in certain circumstances, actually take protective measures against the acquisition.

#### 2. New Countermeasures Details

##### (i) Targeted Large-Scale Acquisitions

The New Countermeasures shall apply in cases where there is an acquisition of share certificates, or the like of the Company that falls under a. or b. below or any similar action (hereinafter referred to as a “Large-Scale Acquisition”). Any party carrying out or proposing a Large-Scale Acquisition (hereinafter referred to as “Acquirer”) must comply with procedures predetermined in the New Countermeasures.

- a. An acquisition that would result in the holding ratio of share certificates, etc., of a holder amounting to 20% or more of the share certificates, etc., issued by the Company
- b. A takeover bid that would result in the ownership ratio of share certificates, etc., of the share certificate relating to the takeover bid, and the owning ratio of share certificates, etc., of a person having a special relationship totaling at least 20% of

the share certificates, etc., issued by the Company.

(ii) Prior Submission of Letter of Intent to the Company

The Acquirer will submit a statement in Japanese (hereinafter referred to as a “Letter of Intent”) to the Board of Directors such as a promise to observe the procedures prescribed in the New Countermeasures, before executing the Large-Scale Acquisition.

(iii) Provision of Information

When the Acquirer submits the Letter of Intent, the Company will send to the Acquirer an Information List that details all the information necessary to be initially submitted. The Acquirer will submit to the Company adequate information pursuant to the Information List.

The Board of Directors shall require the Acquirer to submit the information within the period set by the Board (hereinafter referred to as “Information Provision Requirement Period”), which is 60 days following the sending of the above-mentioned Information List, and the Board of Directors’ Evaluation Period (Defined in (v) below. This also applies below.) shall commence immediately upon the expiration of the Information Provision Requirement Period. However, if a request for an extension based on a plausible reason is received from the Acquirer, the Information Provision Requirement Period may be extended as needed up to a maximum of 30 days. Alternatively, if the Board of Directors determines that the information submitted by the Acquirer is sufficient, then a Notice of Completion of Providing Information (Defined in (iv) below. This also applies below.) shall be issued immediately to the Acquirer even if it is before the expiration of the Information Provision Requirement Period and the Board of Directors’ Evaluation period will commence.

(iv) Disclosure of Information

The Company will disclose the fact that there has been a proposal by an Acquirer to obtain Large-Scale Acquisition, and describe the background. Furthermore, if there is information deemed to be required by judgment of the shareholders, that information will be disclosed at a time that is deemed to be appropriate.

Also, in the event that the Board of Directors judges that the information provided by the Acquirer is adequate, the Acquirer will be notified (hereinafter referred to as “Notice of Completion of Providing Information”) of that quickly and that will be disclosed.

(v) Establishment of the Board of Directors' Evaluation Period

The Board of Directors will begin evaluating and considering the Large-Scale Acquisition after Notice of Completion of Providing Information or when the Information Provision Requirement Period has ended. The period for the Board of Directors to evaluate, consider, negotiate, form opinions or to offer an alternative proposal (hereinafter referred to as "the Board of Directors' Evaluation Period") will be a maximum of 60 days or a maximum of 90 days depending on the status of the Large-Scale Acquisition.

However, the Board of Directors' Evaluation Period may be extended by a maximum of 30 days when deemed necessary by the Board of Directors, or when recommended by the Independent Committee.

(vi) Consulting with the Independent Committee

When countermeasures are invoked in the New Countermeasures, in order to eliminate arbitrary decisions by the Board of Directors, the Independent Committee will be setup composed of only people who are independent of Executive personnel that conduct business operations for the Company.

In the event that the Acquirer has not observed the procedures defined in the New Countermeasures, or when it is found that the Large-Scale Acquisition of shares by the Acquirer will cause notable damage to the medium- and long-term shareholder value of the Company, the Board of Directors can consult with the Independent Committee about whether to invoke countermeasures when it is judged appropriate to invoke countermeasures.

(vii) Recommendation by the Independent Committee Concerning the Invocation of Countermeasures

When there has been consultation by the Board of Directors regarding whether to invoke countermeasures, the Independent Committee will make recommendations for the Board of Directors regarding whether to invoke countermeasures.

(viii) Resolution by the Board of Directors

The Board of Directors will comply to the greatest degree possible with the recommendation of the Independent Committee outlined in (vii) above, and will implement a resolution to invoke countermeasures.

(ix) Holding a Shareholders Meeting to Confirm Their Intent

Excluding instances when it is notably difficult to convene a general meeting of

shareholders, for the following reasons, the Board of Directors can debate bills for invoking countermeasures by convening a general meeting of shareholders (hereinafter the shareholders' meeting is referred to as the "Shareholders Meeting to Confirm Their Intent").

- a. When the Independent Committee makes a recommendation concerning the invocation of countermeasures that is conditional upon receiving prior approval at a general meeting of shareholders; and
- b. The Board of Directors deems that it is appropriate to confirm the intent of all shareholders.

The Board of Directors shall pass a resolution to invoke countermeasures in compliance with the resolution passed at the Shareholders Meeting to Confirm Their Intent.

(x) Period to Start Large-Scale Acquisition

When it has been determined by the Board of Directors to convene the Shareholders Meeting to Confirm Their Intent, the Acquirer may not start Large-Scale Acquisition until the Board of Directors has implemented a resolution to invoke the countermeasures based on the resolution of the Shareholders Meeting to Confirm Their Intent. Also, when the Shareholders Meeting to Confirm Their Intent has not been convened, it is possible to start the Large-Scale Acquisition only after the Board of Directors' Evaluation Period has passed.

(xi) Termination or Withdrawal of Countermeasures

In the event that invoking the countermeasures was decided, the Board of Directors can consult with the Independent Committee regarding whether to terminate or withdraw the countermeasures for the following reasons.

- a. When the Acquirer has terminated or withdrawn the Large-Scale Acquisition; and
- b. Changes occurred in the facts that presumed judgment of whether to invoke the countermeasures, and the circumstances are considered not to be appropriate for maintaining the invoked countermeasures in view of ensuring and enhancing the Company's medium- and long-term shareholder value.

The Board of Directors will resolve to terminate or withdraw the countermeasures when it is judged inappropriate to maintain the countermeasures, complying to the greatest degree possible with the recommendation of the Independent Committee.

(xii) Specific Content of the Countermeasures in the New Countermeasures

As a countermeasure invoked in accordance with the New Countermeasures, the Company shall, in principle, exercise the gratis allotment of stock acquisition rights.

Such stock acquisition rights shall be allotted to shareholders as of the allotment date. One right will be allotted per common stock of the Company. Under the New Countermeasures, the Company intends to attach conditions that the Acquirer or other ineligible parties that meet criteria specified separately may not exercise the stock acquisition rights. Further, the Company plans to attach conditions that enable the Company to acquire the stock acquisition rights allotted to persons other than ineligible parties and, in exchange, issue one common stock of the Company per such stock acquisition right.

(xiii) Effective Period, Abolition, or Amendment of the New Countermeasures

The New Countermeasures shall be effective until the closing of the 94th Ordinary General Meeting of Shareholders of the Company, to be held in June 2019.

Also, even before expiration of the effective period, the New Countermeasures will be abolished immediately, for the following reasons.

- a. When a general meeting of shareholders of the Company passes a resolution to abolish the New Countermeasures; and
- b. When the Board of Directors passes a resolution to abolish the New Countermeasures.

Also, the Company can change the New Countermeasures within a scope that does not violate the basic policy for formalities in line with revisions to laws and ordinances and the like.

**(4) Determination by the Board of Directors, and the Reasons thereof, that the Measures in (2) above are in Accordance with the Basic Policy in (1) above and as such do not Harm the Common Interests of Shareholders or Aim to Maintain the Status of the Company's Officers**

The Board of Directors has determined that the measures in (2) above are in accordance with the basic policy in (1) above. Such reason is that, by securing and enhancing the Company's medium- and long-term shareholder value through the measures in (2) above, and appropriately reflecting it in the value of the Company's shares, it will become difficult to conduct a Large-Scale Acquisition that adversely affects the Company's medium- and long-term shareholder value.

Accordingly, the Board of Directors has determined that the measures in (2) above do not harm the common interests of the Company's shareholders and are not aimed to maintain the status of the Company's Officers.

**(5) Determination by the Board of Directors, and the Reasons thereof, that the Measures in (3) above are in Accordance with the Basic Policy in (1) above and as such do not Harm the Common Interests of Shareholders or Aim to Maintain the Status of the Company's Officers**

The measures in (3) above prevent inappropriate parties, in the context of the basic policy in (1) above, from controlling decisions on policies relating to the Company's finances and operations. Such reason is that, by enabling the Company to invoke countermeasures against an Acquirer who does not provide sufficient information or does not accede to a request for securing a sufficient period for their examination etc., the Company may prevent a Large-Scale Acquisition that will significantly harm the Company's medium- and long-term shareholder value. Additionally, the measures in (3) above are implemented with the objective of securing and enhancing the Company's medium- and long-term shareholder value, and in line with such objective, to have the Acquirer provide the necessary information beforehand concerning the Large-Scale Acquisition that said Acquirer intends to make so that the required period of time is secured for evaluating and examining, etc., the details thereof. Furthermore, a variety of systems and procedures are in place to ensure the reasonableness and fairness of the measures in (3) above for the reason that these measures contain a procedure for confirming the intent of all shareholders, establish the Independent Committee comprising highly independent members, give utmost respect to the Committee's recommendation, establish reasonable and objective criteria for the invocation of countermeasures, and eliminate arbitrary judgments by the Board of Directors by basing the invocation of countermeasures on a resolution passed at a Shareholders Meeting to Confirm Their Intent.

Accordingly, the Board of Directors determines that the measures in (3) above are in accordance with the basic policy in (1) above, and do not harm the common interests of the Company's shareholders and are not aimed at maintaining the status of the Company's Officers.

In this Business Report, the figures for financial amounts and number of shares are rounded down to the nearest stated unit. Figures for ratios have been rounded up or down to the nearest stated decimal place.

**Consolidated Balance Sheets**  
[As of March 31, 2017]

(Millions of yen)

Item	Amount	Item	Amount
<b>[ASSETS]</b>		<b>[LIABILITIES]</b>	
<b>Current Assets:</b>	<b>867,469</b>	<b>Current Liabilities:</b>	<b>706,665</b>
Cash and deposits	141,264	Notes and accounts payable-trade	114,502
Notes and accounts receivable-trade	213,343	Short-term loans payable	203,819
Merchandise and finished goods	85,878	Current portion of bonds payable	15,000
Work in process	101,643	Income taxes payable	16,154
Raw materials and supplies	100,757	Deferred tax liabilities	352
Deferred income taxes	9,375	Accrued for bonuses	12,880
Gold bullion on loan	110,458	Gold payable	241,406
Other	107,284	Allowance for loss on disposal of inventories	637
Allowance for doubtful accounts	(2,537)	Other	101,910
<b>Non-current Assets:</b>	<b>1,029,470</b>	<b>Non-current Liabilities:</b>	<b>480,079</b>
<b>Property, Plant and Equipment:</b>	<b>666,226</b>	Bonds payable	55,000
Building and structures, net	154,828	Long-term loans payable	254,411
Machinery and equipment, net	213,586	Reserve for directors' retirement benefits	1,365
Land, net	260,805	Reserve for loss on subsidiaries and affiliates	4,137
Construction in progress	23,091	Reserve for environmental measures	32,568
Other, net	13,914	Deferred tax liabilities	23,526
<b>Intangible Assets:</b>	<b>58,574</b>	Deferred tax liabilities for land revaluation	25,590
Goodwill	43,436	Net defined benefit liability	56,037
Other	15,138	Other	27,443
		<b>Total Liabilities</b>	<b>1,186,744</b>
<b>Investments and Other Assets:</b>	<b>304,669</b>	<b>[NET ASSETS]</b>	
Investment securities	252,067	<b>Shareholders' Equity:</b>	<b>543,390</b>
Retirement benefit asset	393	<b>Capital stock</b>	<b>119,457</b>
Deferred income taxes	26,425	<b>Capital surplus</b>	<b>92,422</b>
Other	31,332	<b>Retained earnings</b>	<b>333,526</b>
Allowance for doubtful accounts	(5,549)	<b>Treasury stock</b>	<b>(2,017)</b>
		<b>Accumulated Other Comprehensive Income:</b>	<b>77,891</b>
		<b>Valuation difference on securities</b>	<b>55,226</b>
		available for sale securities	
		<b>Deferred gains or losses on hedges</b>	<b>888</b>
		<b>Revaluation reserve for land</b>	<b>34,930</b>
		<b>Foreign currency translation adjustment</b>	<b>(1,418)</b>
		<b>Remeasurements of defined benefit plans</b>	<b>(11,735)</b>
		<b>Non-controlling interests</b>	<b>88,913</b>
		<b>Total Net Assets</b>	<b>710,195</b>
<b>Total Assets</b>	<b>1,896,939</b>	<b>Total Liabilities and Net Assets</b>	<b>1,896,939</b>

Note: All amounts less than one million yen are rounded down.

**Consolidated Statements of Operations**  
[For the year ended March 31, 2017]

(Millions of yen)

Item	Amount
<b>Net Sales</b>	<b>1,304,068</b>
<b>Cost of Sales</b>	<b>1,104,402</b>
<b>Gross Profit</b>	<b>199,665</b>
Selling, general and administrative expenses	139,904
<b>Operating Profit</b>	<b>59,761</b>
<b>Non-Operating Profit:</b>	<b>22,811</b>
Interest income	587
Dividends income	14,692
Rent income on non-current assets	4,863
Equity in earnings of affiliates	1
Other	2,666
<b>Non-Operating Expenses:</b>	<b>18,646</b>
Interest expenses	4,922
Loss on retirement of non-current assets	4,076
Expenses for rent in undertaking	3,061
Expenses for settlement of remaining business in mine	3,565
Other	3,020
<b>Ordinary Income</b>	<b>63,925</b>
<b>Extraordinary Income:</b>	<b>38,522</b>
Gain on sales of marketable securities and investments in securities	19,072
Gain on sales of non-current assets	16,545
Insurance income	2,400
Other	503
<b>Extraordinary Losses:</b>	<b>42,863</b>
Provision for environmental measures	23,912
Loss on impairment	9,977
Loss on valuation of investment securities	5,049
Other	3,924
<b>Income before Income Taxes</b>	<b>59,584</b>
Corporate income taxes, resident taxes and business tax	24,594
Income taxes adjustments	(583)
Net Income	35,573
Net Income attributable to non-controlling interests	7,220
<b>Net Income attributable to owners of the parent</b>	<b>28,352</b>

Note: All amounts less than one million yen are rounded down.

**Statement of Changes in Consolidated Shareholders' Equity**  
[For the year ended March 31, 2017]

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	119,457	92,266	303,026	(1,953)	512,797
Changes of items during the year					
Cash dividends from retained earnings			(9,170)		(9,170)
Net income attributable to owners of the parent			28,352		28,352
Reversal of revaluation reserve for land			(1,165)		(1,165)
Increase associated with the increase number of consolidated subsidiaries			127		127
Increase associated with the decrease number of equity method affiliates			12,355		12,355
Acquisition of treasury stock				(63)	(63)
Disposition of treasury stock		(0)			(0)
Retirement of treasury stock			(0)		(0)
Changes in equity of parent company related to transactions with non-controlling interests		157			157
Net change in items other than shareholders' equity					
Total change during the year	—	156	30,499	(63)	30,592
Balance as of March 31, 2017	119,457	92,422	333,526	(2,017)	543,390

	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 adjustments	Remeasurements of defined benefit plans	Total other comprehensive income		
Balance as of April 1, 2016	21,645	(199)	34,282	3,647	(16,946)	42,430	89,789	645,017
Changes of items during the year								
Cash dividends from retained earnings								(9,170)
Net income attributable to owners of the parent								28,352
Reversal of revaluation reserve for land								(1,165)
Increase associated with the increase number of consolidated subsidiaries								127
Increase associated with the decrease number of equity method affiliates								12,355
Acquisition of treasury stock								(63)
Disposition of treasury stock								(0)
Retirement of treasury stock								(0)
Changes in equity of parent company related to transactions with non-controlling interests								157
Net change in items other than shareholders' equity	33,581	1,087	647	(5,066)	5,211	35,460	(876)	34,584
Total change during the year	33,581	1,087	647	(5,066)	5,211	35,460	(876)	65,177
Balance as of March 31, 2017	55,226	888	34,930	(1,418)	(11,735)	77,891	88,913	710,195

Note: All amounts less than one million yen are rounded down.

**Balance Sheets**  
[As of March 31, 2017]

(Millions of yen)

Item	Amount	Item	Amount
<b>[ASSETS]</b>		<b>[LIABILITIES]</b>	
<b>Current Assets:</b>	<b>473,271</b>	<b>Current Liabilities:</b>	<b>472,452</b>
Cash and deposits	67,360	Notes payable	1,672
Notes receivable	2,776	Accounts payable	31,713
Accounts receivable	69,605	Short-term loans payable	105,659
Merchandise and finished goods	41,666	Current portion of bonds payable	15,000
Work in process	49,044	Lease obligation	349
Raw materials and supplies	42,838	Other payables	5,762
Advanced payment	16,422	Accrued expenses	27,998
Prepaid expenses	855	Income taxes payable	6,955
Short-term loans receivables	3,009	Advance received	3,636
Other receivables	9,008	Progress payment received	6,008
Gold receivable	110,458	Unearned revenue	81
Gold bullion on loan	49,084	Accrued bonuses	4,856
Deferred income taxes	3,095	Employee deposits	8,267
Other	8,770	Facilities related notes payable	919
Allowance for doubtful accounts	(726)	Other facilities related payables	8,883
<b>Non-current Assets:</b>	<b>791,849</b>	Gold payable	241,406
<b>Property, Plant and Equipment:</b>	<b>302,492</b>	Other	3,281
Buildings	54,938	<b>Non-current Liabilities:</b>	<b>314,960</b>
Structures	30,403	Bonds payable	55,000
Machinery and equipment	73,733	Long-term loans payable	173,074
Vessels	0	Lease obligation	446
Vehicles and delivery equipment	96	Deferred tax liabilities	9,945
Tools, furniture and fixtures	2,208	Deferred tax liabilities for land revaluation	21,755
Land	128,463	Provision for retirement benefits	9,403
Lease assets	544	Reserve for loss on business of subsidiaries and associates	2,732
Construction in progress	11,018	Provision for environmental measures	32,568
Timber	1,084	Assets removal liabilities	450
<b>Intangible Assets:</b>	<b>3,652</b>	Guarantee deposits received	4,501
Mining rights	437	Other	5,082
Software	2,876	<b>Total Liabilities</b>	<b>787,413</b>
Lease assets	53	<b>[NET ASSETS]</b>	
Other	285	<b>Shareholders' Equity:</b>	<b>397,053</b>
<b>Investments and Other Assets:</b>	<b>485,704</b>	<b>Capital stock</b>	<b>119,457</b>
Investment securities	172,451	<b>Capital surplus</b>	<b>113,000</b>
Securities of affiliates	303,038	Capital reserve	85,654
Bonds of affiliates	4	Other capital surplus	27,346
Investments	66	<b>Retained earnings</b>	<b>166,604</b>
Investments in affiliates	3,068	Other retained earnings	166,604
Long-term loans receivable	10	Reserve for advanced depreciation of noncurrent assets	5,593
Long-term loans to affiliates	5,789	Deposit for mining search	0
Other	6,434	Reserve for loss on specified business restructuring investment	2,704
Allowance for investment loss	(365)	Earned surplus carried forward	158,305
Allowance for doubtful accounts	(4,795)	<b>Treasury stock</b>	<b>(2,010)</b>
		<b>Valuation and Translation Adjustments:</b>	<b>80,653</b>
		Valuation difference on securities available for sale	51,256
		Deferred gains or losses on hedges	584
		Revaluation reserve for land	28,812
		<b>Total Net Assets</b>	<b>477,706</b>
<b>Total Assets</b>	<b>1,265,120</b>	<b>Total Liabilities and Net Assets</b>	<b>1,265,120</b>

Note: All amounts less than one million yen are rounded down.

**Statements of Operations**  
[For the year ended March 31, 2017]

(Millions of yen)

Item	Amount
<b>Net Sales</b>	<b>674,515</b>
<b>Cost of Sales</b>	<b>614,580</b>
<b>Gross Profit</b>	<b>59,934</b>
Selling, general and administrative expenses	47,814
<b>Operating Profit</b>	<b>12,120</b>
<b>Non-Operating Profit:</b>	<b>29,154</b>
Interest income	394
Dividends income	22,730
Rent income on non-current assets	4,572
Miscellaneous revenue	1,456
<b>Non-Operating Expenses:</b>	<b>14,073</b>
Interest expenses	2,303
Expenses for rent in undertaking	3,061
Settlement expenses of remaining business in mine	3,239
Loss on retirement of non-current assets	2,368
Miscellaneous losses	3,099
<b>Ordinary Income</b>	<b>27,202</b>
<b>Extraordinary Income:</b>	<b>32,560</b>
Gain on sales of non-current assets	15,826
Gain on sales of subsidiaries and affiliates' stocks	15,168
Other	1,564
<b>Extraordinary Losses:</b>	<b>34,404</b>
Provision for environmental measures	23,912
Loss on valuation of stocks of subsidiaries and affiliates	6,538
Impairment loss	2,225
Other	1,728
<b>Income before Income Taxes</b>	<b>25,357</b>
Corporate income taxes, resident taxes and business tax	9,909
Income taxes adjustments	(4,252)
<b>Net Income</b>	<b>19,701</b>

Note: All amounts less than one million yen are rounded down.

**Statement of Changes in Shareholders' Equity**  
[For the year ended March 31, 2017]

(Millions of yen)

	Shareholders' Equity										
	Capital stock	Capital surplus			Retained earnings					Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings				Total retained earnings		
					Reserve for advanced depreciation of noncurrent assets	Deposit for mining search	Reserve for loss on specified business restructuring investment	Earned surplus carried forward			
Balance as of April 1, 2016	119,457	85,654	27,347	113,001	5,724	20	2,707	148,131	156,584	(1,946)	387,097
Change during the year											
Provision of voluntary retained earnings					356	0		(357)	—		—
Reversal of voluntary retained earnings					(487)	(20)	(3)	511	—		—
Cash dividends from retained earnings								(9,170)	(9,170)		(9,170)
Net income								19,701	19,701		19,701
Reversal of revaluation reserve for land								(511)	(511)		(511)
Acquisition of treasury stock										(65)	(65)
Disposition of treasury stock			(0)	(0)						2	1
Net change in items other than shareholders' equity											
Total change during the year	—	—	(0)	(0)	(130)	(19)	(3)	10,173	10,019	(63)	9,955
Balance as of March 31, 2017	119,457	85,654	27,346	113,000	5,593	0	2,704	158,305	166,604	(2,010)	397,053

(Millions of yen)

	Valuation and Translation Adjustments				Total Net Assets
	Valuation difference on securities available -for-sale	Deferred gains or losses on hedges	Revaluation reserve for land	Total Valuation and translation adjustments	
Balance as of April 1, 2016	19,400	295	28,301	47,997	435,094
Changes of items during the year					
Provision of voluntary retained earnings					—
Reversal of voluntary retained earnings					—
Cash dividends from retained earnings					(9,170)
Net income					19,701
Reversal of revaluation reserve for land					(511)
Acquisition of treasury stock					(65)
Disposition of treasury stock					1
Net change in items other than shareholders' equity	31,856	288	511	32,656	32,656
Total change during the year	31,856	288	511	32,656	42,612
Balance as of March 31, 2017	51,256	584	28,812	80,653	477,706

Note: All amounts less than one million yen are rounded down.